Victorian Budget 2021/22

Creating Jobs, Caring for Victorians

2021/22 BUDGET UPDATE

Presented by Tim Pallas MP
Treasurer of the State of Victoria

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for the information of Honourable Members

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CHAPTER 1 – ECONOMIC AND FISCAL OVERVIEW

A STRONG RECOVERY AHEAD

After the easing of necessary public health restrictions in late 2020, the Victorian economy was recovering strongly. By June 2021, state final demand had recovered to be above pre-pandemic levels. Amid the global coronavirus (COVID-19) pandemic, which led to a significant global economic downturn, real gross state product (GSP) fell by 0.4 per cent in 2020-21. This followed a period preceding the pandemic when, from 2014-15 to 2018-19, Victoria's economic performance led the nation. Economic growth averaged 3.3 per cent and employment growth averaged 3.1 per cent per year over the five years to 2018-19, the strongest growth of all the states.

The Government's *Jobs Plan*, announced as part of the *2020-21 Budget*, included a target to create 400 000 jobs by 2025, half of which would be created by 2022. Such was the strength of the recovery in economic activity and employment, the interim target was met in early 2021. By August 2021, the labour market had strengthened even further. Employment had risen by 288 000 since its trough in September 2020, the unemployment rate was at a record low of 4.1 per cent and the workforce participation rate was at a record high.

Employment for women and young people – who had been disproportionately affected by the events of 2020 – had also recovered strongly, with the proportion of women and young people in work back above pre-pandemic levels. The labour market in Victoria's regions was particularly strong, with a low unemployment rate of 3.3 per cent in October 2021, just above the record low reached in September.

The outbreak of the Delta variant of COVID-19 caused a setback to this strong recovery, but the economic recovery is expected to resume quickly now that most domestic restrictions have been eased.

Necessary restrictions were put in place in July 2021 and again from August to October 2021 to contain the new Delta variant, with the restrictions gradually easing over the following month or so as vaccination rates increased. While this led to a decline in economic activity in the September quarter and a significant fall in employment, the Victorian economy has proven more resilient than during restrictions in 2020. Employment has fallen below pre-pandemic levels, but remains 112 400 above its trough in September 2020. Total hours worked – a measure more closely aligned with economic activity – fell from August to October, but was 4.6 per cent above the low reached in September 2020.

Other indicators also highlight the Victorian economy's resilience. Retail sales, surveyed business conditions, and business and consumer confidence all remained much higher than their lows in 2020. Indicators of labour demand also remain strong – including in sectors most affected by restrictions, such as hospitality, arts and recreation.

Now that vaccination rates have risen and most domestic restrictions have been eased, economic activity and employment are expected to pick up quickly. The Government has allocated more than $13 billion in business support since the COVID-19 pandemic began (with $10 billion funded by the Government, and the Commonwealth contributing $3 billion), and implemented programs to support Victorian households. This strong support during recent restrictions meant that, in aggregate, businesses and households were in a robust position as the economy reopened. The recovery will also be supported by low interest rates and strong demand for workers.

The economy is expected to broadly return to the growth path forecast in the *2021-22 Budget* by mid-2022. In annual growth terms, real GSP growth is forecast to reach 2.25 per cent in 2021-22, which is 4.25 percentage points below the *2021-22 Budget* forecast, reflecting the effects of the Delta variant of COVID-19 and associated restrictions. This temporary setback in Victoria's economic recovery is expected to shift the peak in annual GSP growth from 2021-22 to 2022-23, when growth is forecast to rise to 4.50 per cent, compared to the 3.25 per cent forecast in the *2021-22 Budget*.

Employment is also forecast to recover strongly as restrictions ease, amid high labour demand and the recovery in economic activity. Employment growth is expected to reach 2.5 per cent in 2021-22, unchanged from the *2021-22 Budget*. The unemployment rate is expected to average 4.5 per cent in 2021-22, slightly lower than forecast in the *2021-22 Budget*, and remain at this low level in 2022-23.

STRONG FINANCIAL MANAGEMENT

Prior to the COVID-19 pandemic, the Government demonstrated its strong financial management by adhering to a robust fiscal framework, including consistent operating surpluses and maintaining debt at a sustainable level, while delivering improved services and infrastructure.

In 2020, the COVID-19 pandemic severely impacted the State's financial position and outlook. In the *2020-21 Budget*, the Government prioritised the use of its balance sheet to support the Victorian community and economy. This approach was consistent with stimulus approaches elsewhere in Australia and around the world.

In early 2021, a strong rebound in the economy showed that the Government's stimulus strategy was working. The *2021-22 Budget* forecast significant improvement in the State's key fiscal aggregates.

This improvement was the result of the Government's comprehensive and deliberate fiscal strategy. This strategy focused on the medium term and involved four steps:

- **Step 1**: creating jobs, reducing unemployment and restoring economic growth
- **Step 2**: returning to an operating cash surplus
- **Step 3**: returning to operating surpluses
- **Step 4**: stabilising debt levels.

Public health restrictions were renewed from July 2021 to contain the Delta variant of COVID-19. The Government provided financial assistance to strengthen the health response and also provided significant assistance to businesses and households to ensure the economy could rebound quickly as restrictions eased.

The short-term and targeted nature of this additional health response and economic stimulus has supported the community and economy while maintaining the fiscal strategy for the medium term. However, this has impacted the State's financial position, particularly in 2021-22.

Progress towards achieving the Government's fiscal strategy

The Government remains committed to the four-step fiscal strategy. The renewed public health restrictions led to a fall in employment, which affected the first step of the fiscal strategy – creating jobs, reducing unemployment and restoring economic growth. However, the Victorian economy has proven more resilient than during restrictions in 2020. With the easing of public health restrictions, the economy is expected to broadly return to the growth path forecast in the *2021-22 Budget* by mid-2022.

The second step in the Government's fiscal strategy, returning to an operating cash surplus, is important because it means the State is generating sufficient cash inflows to offset its cash outflows on operating activities, a key pillar of fiscal sustainability.

Despite the recent restrictions, the Government is still forecasting a return to an operating cash surplus from 2022-23 onwards, in line with the *2021-22 Budget*.

The third step, returning to an operating surplus, remains a key priority for the Government. An operating surplus is important as this is where the Government generates sufficient revenues to not just cover its cash expenditure, but also support the ongoing replacement of existing assets.

As a result of the additional economic stimulus, compared with the *2021-22 Budget* the net result from transactions has been revised down by $7.9 billion in 2021-22, and by an average of $0.9 billion a year across the forward estimates. However, operating deficits are still forecast to decrease over the forward estimates, in line with the third step of the fiscal strategy.

The fourth and final step in the Government's fiscal strategy, stabilising net debt as a percentage of GSP, remains an important medium-term objective.

Net debt is expected to be $6.4 billion higher by June 2025 compared with the *2021-22 Budget,* largely due to the additional government support provided in 2021-22 in response to the COVID-19 pandemic. Despite the necessary increase, the Government remains committed to stabilising net debt as a percentage of GSP over the medium term.

Table 1.1: General government fiscal aggregates

	Unit of measure	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Net result from transactions	$ billion	(19.5)	(5.3)	(3.4)	(2.1)
Net cash flows from operating activities	$ billion	(14.7)	2.5	0.8	2.5
Government infrastructure investment [(a)(b)]	$ billion	18.8	21.7	24.3	24.0
Net debt	$ billion	104.5	121.1	141.6	162.7
Net debt to GSP [(c)]	per cent	21.1	23.0	25.6	27.9

Source: Department of Treasury and Finance

Notes:

(a) Includes general government net infrastructure investment and estimated construction costs of public private partnership projects.

(b) Includes the estimated private sector construction-related expenditure associated with the North East Link held in the public non-financial corporations (PNFC) sector.

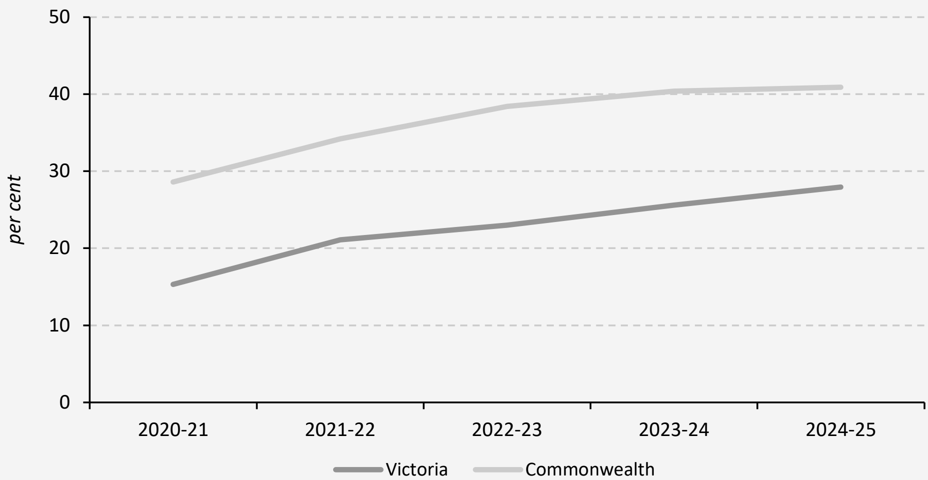
(c) The ratios to GSP may vary from publications year to year due to revisions to the Australian Bureau of Statistics GSP data.

Box 1.1: Victoria's fiscal position compared with the Commonwealth Government

The fiscal positions of both the Victorian and Commonwealth Governments have been greatly impacted by the COVID-19 pandemic.

Like Victoria, the Commonwealth Government is expecting net debt to increase, as it too increases borrowings to fund its response to the COVID-19 pandemic. As a share of GDP, it is expecting net debt to increase from 28.6 per cent in June 2021 to 40.9 per cent by June 2025. This is an increase of around 12 percentage points – similar to the increase that Victoria is expecting for its net debt to GSP.

Chart 1.1: Net debt to GSP and GDP



Sources: 2021-22 Commonwealth Budget and Final Budget Outcome 2020-21*; Department of Treasury and Finance*

Longer-term objectives and targets

The long-term financial management objectives remain unchanged from the *2021-22 Budget*.

Table 1.2: Long-term financial management objectives

Priority	*Objective*
Sound financial management	Victoria's finances will be managed in a responsible manner to provide capacity to fund services and infrastructure and support households and businesses in the economic recovery at levels consistent with sound financial management.
Improved services	Public services will improve over time.
Building infrastructure	Public infrastructure will grow steadily over time to meet the needs of a growing population.
Efficient use of public resources	Public sector resources will be invested in services and infrastructure to maximise the economic, social and environmental benefits.
A resilient economy	Increase economic resilience by supporting an innovative and diversified economy that will unlock employment growth, long-term economic growth and productivity in Victoria.

Progress towards these financial management objectives is supported by the measures and targets in Table 1.3. These measures and targets are also unchanged from the *2021-22 Budget*.

Table 1.3: Financial measures and targets for the *2021-22 Budget Update*

Financial measures	*Target*
Net debt to GSP	General government net debt as a percentage of GSP to stabilise in the medium term.
Interest expense to revenue	General government interest expense as a percentage of revenue to stabilise in the medium term.
Superannuation liabilities	Fully fund the unfunded superannuation liability by 2035.
Operating cash surplus	A net operating cash surplus consistent with maintaining general government net debt at a sustainable level after the economy has recovered from the COVID-19 pandemic.

Key new initiatives since the *2021-22 Budget*

Consistent with the Government's fiscal strategy, new initiatives focus on consolidating Victoria's rapid economic recovery and growing employment to build a strong economic foundation.

This budget update provides $11.1 billion in 2021-22 and $11.7 billion over four years in output spending and $3.0 billion total estimated investment (TEI) in new and improved assets – creating jobs, continuing to drive Victoria's economic recovery, and supporting the mental health and wellbeing of all Victorians.

Appendix A *Specific policy initiatives affecting the budget position* details the specific new output and asset initiatives.

CHAPTER 2 – ECONOMIC CONTEXT

- The Victorian economy had been recovering rapidly from the economic shock caused by the COVID-19 pandemic, with employment and state final demand exceeding pre-pandemic levels in the June quarter 2021.
- By August 2021, employment had increased by 288 000 persons relative to its trough in September 2020, the unemployment rate was at a record low of 4.1 per cent, and workforce participation was at a record high.
- More recently, sustained growth faced a setback with the emergence of the Delta variant of COVID-19 and associated necessary public health restrictions. Nevertheless, the economy has proven more resilient than in 2020.
- The Victorian economy is expected to recover strongly now that most restrictions have been eased, and as the remaining restrictions continue to ease with rising vaccination rates in line with the *Roadmap to Deliver the National Plan.* Consumer confidence has remained positive throughout restrictions, and business confidence surged ahead of restrictions easing. Strong government support to businesses and households during recent restrictions meant that in aggregate they were in a robust position as the economy reopened. The recovery will also be supported by low interest rates and strong demand for workers. The economy is expected to broadly return to the growth path forecast in the *2021-22 Budget* by mid-2022.
- Risks to Victoria's economic outlook remain greater than normal and continue to be dominated by the COVID-19 pandemic and potential changes to global and domestic economic policy responses.

VICTORIAN ECONOMIC CONDITIONS AND OUTLOOK

In the months following the *2021-22 Budget*, the Victorian economy continued its strong recovery from the COVID-19 pandemic. After increasing by 2.6 per cent in the March quarter, state final demand continued to grow strongly, and by the June quarter 2021 had already exceeded pre-pandemic levels. Victorian employment had staged a similarly strong recovery, with the Government's *Jobs Plan* interim target of 200 000 new jobs by 2022 having already been met by early 2021, and employment exceeding pre-pandemic levels by May 2021. By August 2021, employment had increased by 288 000 persons relative to September 2020, the unemployment rate was at a record low of 4.1 per cent, and workforce participation was at a record high. The Government's *Jobs Plan*, along with Commonwealth support policies and Reserve Bank of Australia (RBA) monetary policy measures, all helped drive this recovery.

The emergence of the Delta variant of COVID-19 created a renewed challenge for the Victorian economy. Public health restrictions were strengthened in July and again from August to October 2021, then gradually eased over the following month or so. This led to a decrease in economic activity in the September quarter, and a large fall in employment. Nonetheless, the economy has proven more resilient than in 2020 (see Box 2.2).

Activity is expected to recover now that most restrictions have eased with rising vaccination rates, in line with the *Roadmap to Deliver the National Plan*. Strong government support to businesses and households assisted them through the recent period of renewed restrictions, putting them in a robust position in aggregate as the economy reopened. Low interest rates and strong labour demand will also support Victoria's economic recovery.

Employment is also expected to recover recent losses relating to the Delta variant of COVID-19 in coming months. Labour demand, as evidenced by a range of data such as job advertisements and business surveys, is very strong – and now that most restrictions have eased, employment is expected to rise significantly.

By mid-2022, GSP is forecast to broadly catch up with the level and growth path forecast in the *2021-22 Budget*, while constrained a little by a smaller population. The effects of the Delta variant of COVID-19 mean that annual GSP growth in 2021-22 is likely to be substantially lower than forecast in the *2021-22 Budget*, while GSP growth for 2022-23 has been revised up by 1.25 percentage points.

Over the longer term, the current period of low population growth will have an enduring effect on the size of the Victorian economy. Population growth, led by high levels of net overseas migration, had been an important driver of Victorian and national economic growth in recent years. Since March 2020, Victoria recorded a net outflow of overseas migration, and net migration is expected to remain subdued for some time. This will leave the size of the Victorian population lower over the forecast period than would otherwise have been expected in the absence of the COVID-19 pandemic.

Table 2.1 sets out the economic forecasts, with the *2021-22 Budget* forecasts in italics where different. Box 2.1 provides details of the major assumptions underpinning the forecasts. The nature of the pandemic means that the economic forecasts continue to be subject to a high degree of uncertainty. Key risks are discussed later in the chapter.

Table 2.1: Victorian economic forecasts [a] **(per cent)**

	2020-21 actual	*2021-22 forecast*	*2022-23 forecast*	*2023-24 projection*	*2024-25 projection*
Real gross state product	(0.4)	2.25	4.50	2.75	2.75
		6.50	*3.25*		
Employment	(1.1)	2.50	1.50	1.50	1.75
			1.25	*1.75*	
Unemployment rate [b]	6.2	4.50	4.50	5.00	5.00
		5.75	*5.50*	*5.25*	*5.25*
Consumer price index [c]	1.4	2.00	1.75	2.25	2.50
		1.50		*2.00*	*2.25*
Wage price index [d]	1.4	2.25	2.50	2.75	3.00
		1.75	*2.00*	*2.25*	*2.50*
Population [e]	(0.7) [f]	0.20	1.20	1.70	1.70
	0.0	*0.30*			

Sources: Department of Treasury and Finance; Australian Bureau of Statistics

Notes:

(a) Percentage change in year average terms compared with previous year, except for the unemployment rate (see note (b)) and population (see note (e)). Forecasts are rounded to the nearest 0.25 percentage points, except for population (see note (e)). The key assumptions underlying the economic forecasts include: interest rates that broadly follow market economists' expectations; an Australian dollar trade-weighted index of 61.2; and oil prices that follow the path suggested by oil futures.

(b) Year average.

(c) Melbourne consumer price index.

(d) Wage price index, Victoria (based on total hourly rates of pay, excluding bonuses).

(e) Percentage change over the year to 30 June. Forecasts are rounded to the nearest 0.1 percentage point.

(f) Estimate, actual not yet available.

Box 2.1: Key forecast assumptions

The economic forecasts presented in this chapter depend on underlying assumptions about public health measures and the resumption of international people movements, among other factors. The key assumptions are outlined below. Other factors that may affect the forecasts are discussed in the risks section in this chapter.

- No further state-wide and citywide lockdowns are assumed, in line with the *National Plan to Transition Australia's National COVID-19 Response* and Victoria's *Roadmap to Deliver the National Plan*.
- Migrant flows remain low until mid-2022 before gradually picking up, with international students slowly returning from late 2021 and tourist numbers picking up throughout 2022 as more countries are added to the quarantine-free travel agreement.

Box 2.2: Victoria's economic performance during recent restrictions

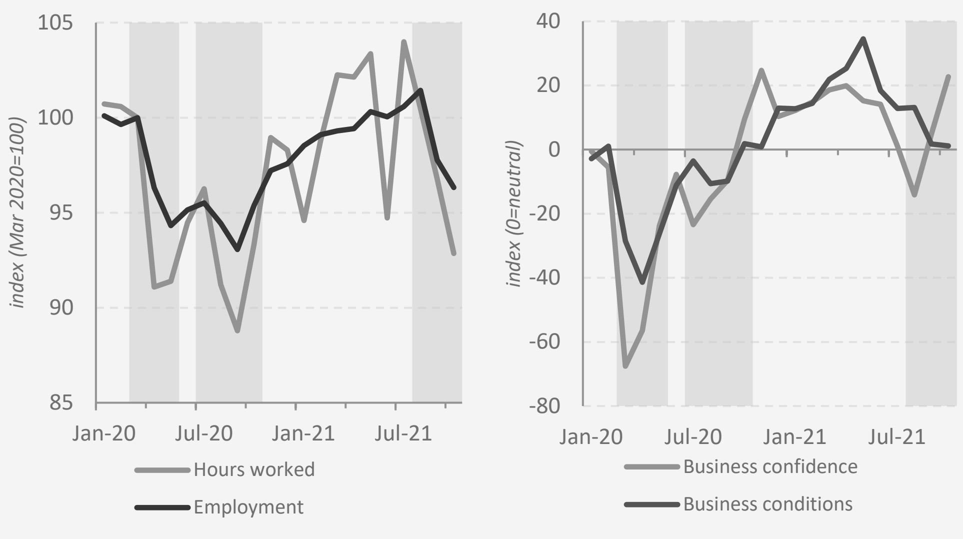
The Victorian economy was recovering strongly from the effects of COVID-19 and related restrictions in 2020 prior to the most recent restrictions, which were necessary to protect the community from the Delta variant.

The restrictions that were in place from early August to the end of October limited activity across many industries, with hospitality, arts and recreation, non-essential retail and construction particularly affected.

While the latest restrictions led to a decline in activity and employment, the economy proved more resilient than in the June and September quarters 2020 when restrictions were in place to contain the initial waves of COVID-19 in Victoria (see Chart 2.1 and Chart 2.2).

For example, while employment has fallen below pre-pandemic levels, it remains 112 400 persons above its trough in September 2020. Total hours worked – a measure more closely aligned with economic activity – fell from August to October but remains 4.6 per cent above the low reached in September 2020. Similarly, business and consumer sentiment have largely remained in positive territory through this year, in contrast to the record lows seen during the tight restrictions in 2020. Retail sales remained well above the levels recorded in 2020, and surveyed business conditions also remained positive, in contrast to the negative levels reported last year.

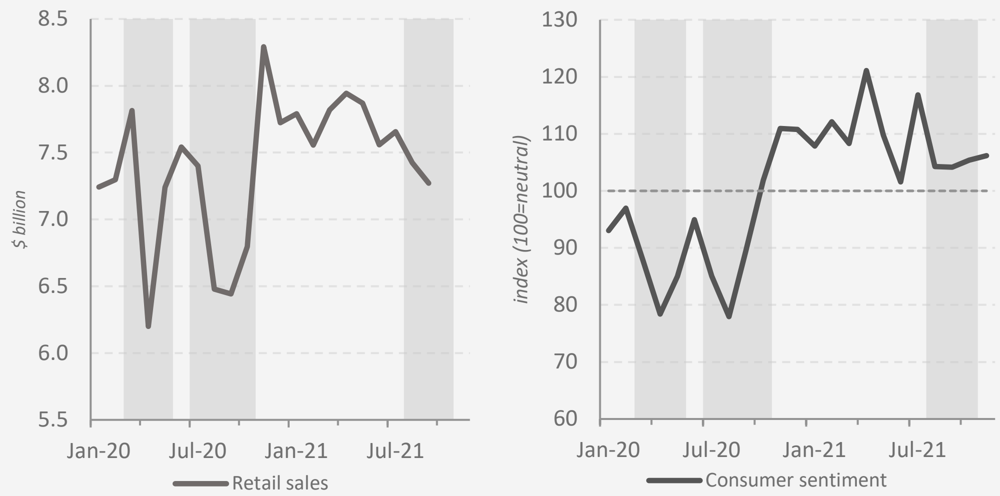
Chart 2.1: Victorian labour market indicators and NAB business survey [(a)]



Sources: Department of Treasury and Finance, Australian Bureau of Statistics, National Australia Bank

Note:
(a) Extended periods of public health restrictions are shaded.

Chart 2.2: Victorian retail sales and consumer sentiment [(a)]



Sources: Department of Treasury and Finance, Australian Bureau of Statistics, Westpac-Melbourne Institute

Note:
(a) Extended periods of public health restrictions are shaded.

This relative economic strength during recent restrictions likely reflects a number of factors, including high levels of government economic support, ongoing low interest rates, elevated levels of household savings, and the economy's strong momentum heading into the latest period of tight restrictions.

It also highlights the resilience and flexibility of the Victorian economy. Notwithstanding very difficult conditions in some sectors, it suggests that Victorian businesses and consumers have adapted to new ways of operating and spending, including through greater use of online retailing, while workers moved across industries in response to changed labour market circumstances.

With restrictions now eased in line with the *Roadmap to Deliver the National Plan*, economic activity is expected to rebound quickly, as outlined elsewhere in this chapter.

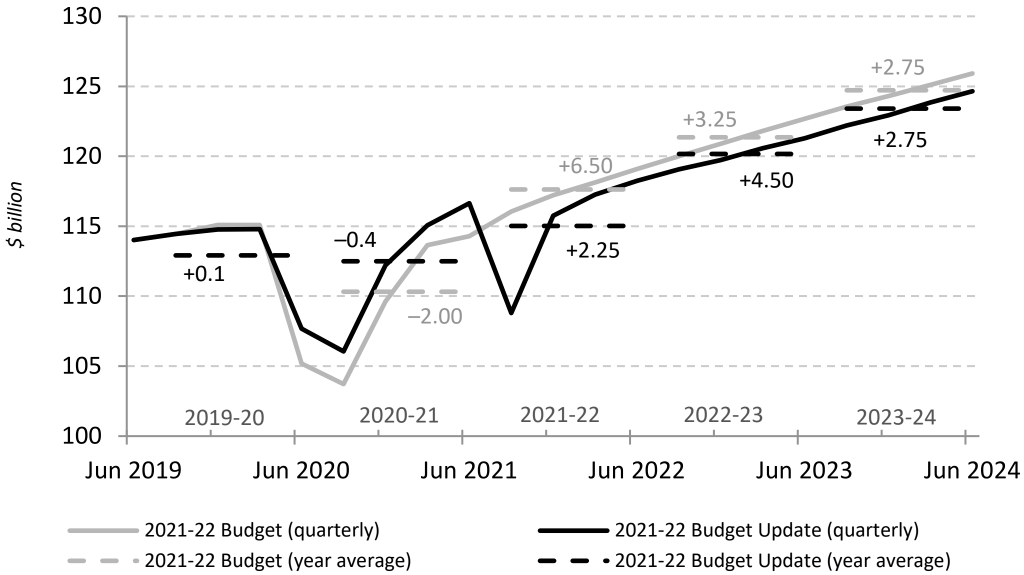
Gross state product

Victoria's economy contracted by 0.4 per cent in 2020-21, reflecting the impact of Victoria's second wave of COVID-19 infections, and the associated restrictions in the September quarter 2020 that were necessary to save lives, with the economy gradually recovering over the remainder of 2020-21 (see Chart 2.2).

Consumer spending led the decline in 2020-21, although all major components of private activity detracted from growth. The weakness in private activity was partially offset by an increase in public demand, driven by the Government's COVID-19 response and strong public sector infrastructure investment. Net exports detracted from growth, with a large fall in total goods and services exports offsetting a decline in services imports, while goods imports rose strongly.

The *2021-22 Budget* forecast a strong rebound in economic growth in 2021-22, with the recovery that commenced in late 2020 having been expected to continue. However, the need to strengthen restrictions in the September quarter 2021 and part of the December quarter to contain the spread of the Delta variant of COVID-19 means that much of the rebound is now expected to extend into 2022-23. Consequently, the forecast for 2021-22 real GSP growth has been revised down to 2.25 per cent, and the forecast for 2022-23 has been revised up to 4.5 per cent. Victoria's GSP is expected to broadly converge with the *2021-22 Budget* forecasts by mid-2022, notwithstanding a small downgrade to the level of GSP resulting from a smaller forecast population (see Chart 2.4).

Chart 2.3: Quarterly real Victorian GSP, estimated actuals and forecast [(a)(b)]



Sources: Australian Bureau of Statistics, Department of Treasury and Finance

Notes:

(a) Quarterly GSP is estimated by the Department of Treasury and Finance: the Australian Bureau of Statistics publishes annual GSP estimates only.

(b) The upward revision to GSP in the June quarter 2020 reflects revised ABS data for GSP growth in 2019-20, which was revised from a fall of 0.5 per cent to a rise of 0.1 per cent. This revision also raised historical estimates for the level of GSP in the first two quarters of 2020-21 relative to the 2021-22 Budget.

Consumer spending fell by 3.7 per cent in 2020-21. Public health restrictions subdued spending in the September quarter 2020, and despite a strong rebound as domestic restrictions were eased, by the June quarter 2021 household consumption was still below pre-COVID-19 levels. Retail spending had risen to record levels by the June quarter 2021, while spending on services such as transport services and hotels, cafes and restaurants remained well below pre-COVID-19 levels. The net departure of migrants since early 2020 also weighed on total consumer spending, as did periods of short, sharp restrictions necessary to contain outbreaks in the June quarter 2021.

Household consumption is expected to increase in 2021-22. Spending is forecast to rebound strongly over the December and March quarters now that most restrictions have eased, although some consumers may initially be more cautious in engaging in some activities while COVID-19 continues to circulate in the community.

Over the coming year, spending is expected to be supported by improvement in the labour market, high asset prices and elevated consumer confidence. Household incomes have also been supported by government payments, and households have further added to high levels of savings. Consumers are expected to draw down on some of these savings as opportunities for spending that were constrained by public health restrictions become available again.

Dwelling investment detracted from GSP growth in 2020-21, although investment is expected to rise in 2021-22. Low interest rates, rising house prices and government incentives including more generous off-the-plan land transfer duty concessions and the Commonwealth's HomeBuilder program have led to an increase in the pipeline of work, especially for detached housing.

Business investment also fell in 2020-21, driven by a decline in both new building and new engineering construction. Investment in machinery and equipment rose slightly, with falls earlier in the year offset by a pickup in investment following the easing of restrictions in late 2020, and support from government incentives and improved business sentiment. Positive business confidence, strong business balance sheets and an increase in the non-residential construction pipeline are supportive of an improvement in business investment in 2021-22.

Public demand was the only positive contributor to Victoria's GSP growth in 2020-21. Public investment and government consumption both increased strongly, the latter partly reflecting increased spending on measures to support jobs and businesses and to deliver the public health response to COVID-19. Public demand is forecast to make another strong contribution to GSP growth in 2021-22, with ongoing high levels of spending to support the economic recovery. The Government's pipeline of transport and social infrastructure projects will continue to underpin high levels of public investment.

As expected in the *2021-22 Budget*, net trade detracted from growth in 2020-21. Weaker international economic conditions in 2020 limited demand for Victoria's goods exports, although these have since improved in line with the global economic recovery. Meanwhile, Victorian imports of goods increased sharply. This was driven by a pickup in business investment on machinery and equipment, and increased spending on consumer goods as Victorians switched to spending more on goods while restrictions curtailed spending on discretionary services and overseas travel. International trade in services has continued to be severely disrupted, with national border restrictions constraining international student arrivals and curbing international tourism.

As outlined in the *2021-22 Budget*, goods exports are forecast to recover strongly in 2021-22, in line with the improvement in global growth. By contrast, growth in goods imports is forecast to be relatively modest after last year's strong increase. As restrictions are eased, household spending on services is expected to grow more strongly than spending on goods.

Services exports and imports are both forecast to rise in 2021-22 as restrictions on international borders ease. Demand for overseas tourism by Victorians will likely lead to services travel imports rising somewhat over the coming year. Services exports are also forecast to increase, with an increase in international student arrivals and inbound tourists to Victoria. However, the level of services trade is expected to take some time to recover to pre-COVID-19 levels.

Despite some uncertainties, the Victorian economy is well placed to recover strongly now that most restrictions have been eased, in line with the *Roadmap to Deliver the National Plan*. Although the recent restrictions mean that GSP growth in 2021-22 is expected to be lower than forecast in the *2021-22 Budget*, the path for GSP is expected to broadly return to that forecast in the Budget by mid-2022. Reflecting this, the GSP growth forecast for 2022-23 has been upgraded to 4.5 per cent, an increase of 1.25 percentage points relative to the Budget estimate.

The labour market

Employment rose very strongly from late 2020, following the large falls between March and September 2020, as earlier public health restrictions were eased and the economic recovery began.

Employment had returned to pre-COVID-19 levels by May 2021. By August 2021, Victoria's labour market had strengthened further. Employment had risen by 288 000 since September 2020, the proportion of the working age population in employment and labour force participation were at record highs, and the unemployment rate was at a record low of 4.1 per cent.

This employment recovery was broad-based. Employment for women and young people had been disproportionately affected in 2020, with the most affected industries – including hospitality, arts and recreation – employing high proportions of these workers. By mid-2021, the proportion of women and young people in employment had returned to pre-COVID-19 levels, supported by large increases in employment among the most affected industries.

The labour market in Victoria's regions, which have in general been less affected by necessary public health restrictions than metropolitan Melbourne, has been considerably stronger than that of Melbourne. The regional Victorian unemployment rate was a low 3.3 per cent in October 2021, which was just above the record low reached in September, despite increasing labour supply supported by record high net migration from Melbourne to the regions.

The outbreak of the Delta variant of COVID-19 and the necessary response of public health restrictions from early August 2021 meant that employment fell considerably in September 2021. Women and young people were again disproportionately affected. Yet, as discussed in Box 2.2, the labour market has proven more resilient compared with 2020. Employment is forecast to recover strongly as restrictions ease, amid high labour demand – including in industries most affected by recent public health restrictions such as hospitality and arts and recreation – and supported by the recovery in economic activity. After rising from a record low of 4.1 per cent in August 2021 to 5.6 per cent in October 2021, the unemployment rate is expected to fall in coming months to around its recent lows.

Over the medium term, employment growth is forecast to continue in 2022-23, albeit less rapidly as spare capacity in the labour market is reduced, picking up a little by the end of the forward estimates as population growth returns to more normal levels. The unemployment rate is forecast to average a low 4.5 per cent in 2021-22 and 2022-23, and thereafter it is assumed to return to the rate estimated to be consistent with stable inflation.

Prices and wages

The Melbourne consumer price index (CPI) rose by 1.4 per cent in 2020-21 – in line with the *2021-22 Budget* estimate and below the previous year's 1.7 per cent rise.

More recent data indicate there has been an increase in inflationary pressures, although this is expected to be temporary. The Melbourne CPI rose by 2.9 per cent over the year to the September quarter, with higher fuel prices and higher prices for childcare driving much of this increase – driven by higher global oil prices and the unwinding of free childcare introduced as part of the pandemic response. National underlying inflation has also risen, but remains relatively low at 2.1 per cent.

Overall, inflation is now forecast to increase to 2.0 per cent in 2021-22 in annual-average terms, an upward revision of 0.5 percentage points from the *2021-22 Budget* estimate. The forecast for 2022-23 is unchanged at 1.75 per cent, reflecting expectations that the factors driving much of the recent increase are transient. Beyond that, the CPI projections for 2023-24 and 2024-25 have been revised slightly higher, by 0.25 percentage points, due to higher projected wages growth.

Wage growth has been subdued in recent years and has slowed further since the onset of the pandemic. Victorian wages grew by 1.4 per cent in 2020-21, a little above the *2021-22 Budget* estimate of 1.25 per cent.

Since the *2021-22 Budget*, the main development affecting the near-term outlook for wages is the Fair Work Commission's decision to increase the national minimum wage, and all award wages, by 2.5 per cent. The increase was staged over the second half of 2021, but mostly took effect from 1 July. Beyond that, there have been reports of skills shortages in some sectors and occupations. To date, however, there is limited evidence that this has flowed through to broader wage pressures.

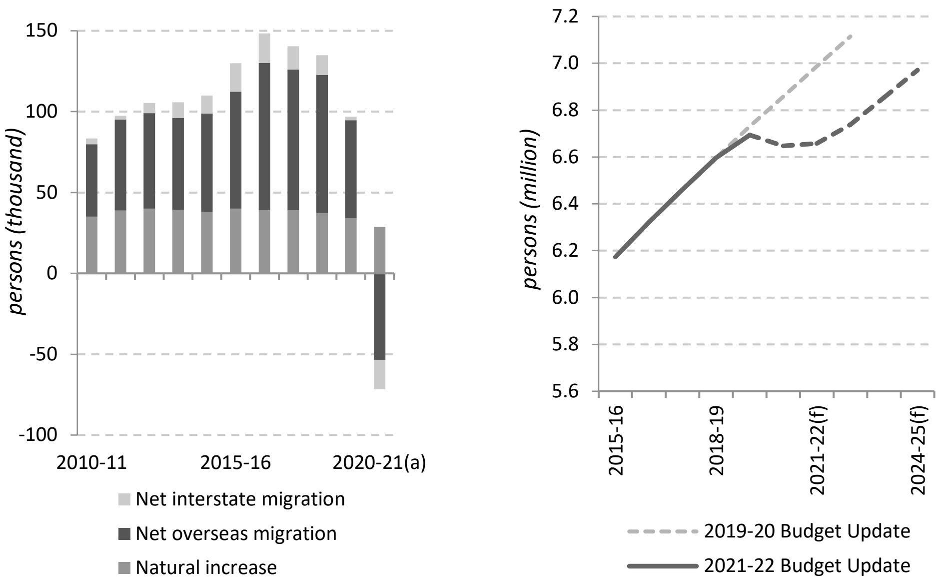
Nevertheless, the stronger outlook for the labour market more generally, discussed earlier in the chapter, is also expected to put some upward pressure on wage growth. Wages are now forecast to grow by 2.25 per cent in 2021-22, an increase of 0.5 percentage points on the *2021-22 Budget* forecast. Further out, wage growth is also expected to be stronger than forecast in the Budget, consistent with lower forecast unemployment and a tighter labour market.

Population

The COVID-19 pandemic is continuing to negatively affect Victoria's population growth. Population has fallen in the first three quarters of 2020-21, with the population declining by 0.6 per cent, or nearly 43 000 persons, over the year to the March quarter 2021.

The decline has been led by net overseas migration amid Australia's border restrictions. Over the past year, more students and other immigrants living in Victoria returned home than expatriate Australians and migrants from overseas moved to Victoria. In the year to March 2021, there was a net outflow of over 53 000 migrants, which contrasts sharply with an annual net inflow of around 85 000 to 90 000 in the preceding few years (see Chart 2.4).

Chart 2.4: Components of population growth and population forecasts



Sources: Australian Bureau of Statistics, Department of Treasury and Finance

Note:
(a) 2020-21 is change in the year to March 2021.

Net interstate migration to Victoria has also detracted from population growth over the past year, mainly due to a decline in the number of interstate arrivals, while the rate of natural population increase has also slowed. For 2020-21, Victoria's population is now forecast to fall by 0.7 per cent, compared to the *2021-22 Budget* forecast of an unchanged population.

Population growth is likely to remain weak in the near term. Victoria's population is forecast to grow by 0.2 per cent in 2021-22, slightly lower than the *2021-22 Budget* forecast of 0.3 per cent. As migrant flows gradually increase with the relaxing of border restrictions, including the return of international students, population growth is expected to reach 1.7 per cent by 2023-24.

AUSTRALIAN ECONOMIC CONDITIONS AND OUTLOOK

Prior to the spread of the Delta variant of COVID-19, the Australian economy had been performing strongly. After contracting sharply in the June quarter 2020, the economy rebounded strongly in the September and December quarters, and the recovery continued over the first half of 2021. Gross domestic product (GDP) surpassed its pre-COVID-19 level in the March quarter 2021. By the June quarter 2021 it was 9.6 per cent higher than its trough in the June quarter 2020.

Growth in GDP was broad-based, with increases in consumer spending, dwelling investment and continued high levels of public demand more than offsetting a decline in business investment and a fall in exports. The labour market also performed strongly over this period, with solid growth in employment driving a fall in the unemployment rate to below 5 per cent by mid-2021.

However, GDP fell in the September quarter 2021, due to public health restrictions in place in both New South Wales and Victoria. In its November 2021 *Statement on Monetary Policy*, the RBA lowered its forecast for 2021-22 GDP growth to 3.25 per cent, a downgrade of 1.75 percentage points from its forecast in May 2021.

Nevertheless, the RBA expects the Australian economy to rebound strongly as restrictions ease in New South Wales and Victoria, as it has following previous periods of tight restrictions. It notes that the Australian economy entered the recent period of restrictions in the two most populous states in a strong position, and that State and Commonwealth fiscal support helped households and businesses in affected areas. Reflecting this, the RBA upgraded its 2022-23 GDP forecast to 5.0 per cent, an increase of 1.75 percentage points compared to its May 2021 forecast. By mid-2022, it expects the economy to be back on the path it expected prior to the most recent restrictions.

The RBA similarly anticipates a rapid recovery in the labour market, with employment and participation expected to have fully recovered recent losses by the end of 2021. It forecasts the unemployment rate to resume its decline, to be around 4.5 per cent by mid-2022 and 4 per cent by the end of 2023, which would be the lowest rate since 2008.

INTERNATIONAL ECONOMIC CONDITIONS AND OUTLOOK

At the time of the *2021-22 Budget*, the global economic recovery was well underway. Economies in most regions had recovered more quickly than expected in the second half of 2020, after tight restrictions were eased and economies adapted to new ways of working.

In its October 2021 *World Economic Outlook*, the International Monetary Fund (IMF) noted that the global recovery was continuing, but that momentum had weakened somewhat since mid-year, due to increasing COVID-19 infections and supply disruptions, and that risks to the outlook remained elevated.

Compared to estimates at the time of the *2021-22 Budget*, the IMF has marginally lowered its global growth forecast for 2021, from 6.0 per cent to 5.9 per cent. This is due to expectations of weaker growth in the group of emerging market and developing economies, with downgrades to forecast growth for both China and India. By contrast, forecast growth for advanced economies was revised marginally higher, with an upgraded outlook for the United Kingdom and euro area largely offset by a downgrade to expected growth in the United States and Japan.

Looking ahead, the IMF has upgraded its outlook for 2022 since the *2021-22 Budget* from 4.4 per cent to 4.9 per cent. The stronger outlook for 2022, which is being driven by advanced economies, and notably the United States, reflects expectations that the continued rollout of vaccines will boost activity, especially in the first half of the year.

RISKS TO THE VICTORIAN OUTLOOK

Risks to Victoria's economic outlook remain greater than normal and the forecasts are subject to a high degree of uncertainty. These risks continue to be dominated by the COVID-19 pandemic, including risks around the efficacy of vaccines on emerging strains of COVID-19, and potential changes to policy responses as the domestic and global economies recover.

On the upside, the expected recovery in consumer spending could be stronger than anticipated. Incomes have continued to grow, supported by government payments, and households have added to their already high level of savings. Forward indicators of labour demand are elevated and point to a strong rebound in employment. Household wealth has also risen, with house prices at new highs and equity markets posting further gains. Combined, these factors could lead to consumer spending rising more strongly than expected over the coming year.

On the downside, in the near term consumer confidence and spending could be affected more heavily than expected by a likely increase in COVID-19 infections, with the economy reopening while COVID-19 continues to circulate in the community.

More generally, risks around COVID-19 remain, including the possibility of a large increase in case numbers and the need to impose localised public health measures, and diminishing vaccine effectiveness.

The speed and efficacy of the roll-out of vaccines – including the efficacy of vaccines against any future COVID-19 variants – are also key risks to the global economic outlook. Appendix D *Sensitivity Analysis* considers the scenario of a setback in the global recovery due to the emergence of a vaccine-resistant COVID-19 strain or an unanticipated delay in global vaccination efforts. In this scenario, further COVID-19 outbreaks lead to renewed public health measures in major economies outside Australia, slowing the global economic recovery.

Other risks to the global outlook include a larger than expected slowdown in Chinese economic growth, as the Chinese Government seeks to slow activity in some sectors of the economy, particularly the property market, to reduce financial stability risks. Elsewhere, interest rates in some key advanced economies could rise sooner than expected, as central banks respond to a rise in inflation and inflation expectations, slowing global growth.

Regarding the interest rate outlook in Australia, financial markets are pricing in rate rises that are well ahead of the forward guidance provided by the RBA. This partly follows an increase in inflation in the September quarter, which was driven by a number of factors, including global supply chain disruptions, materials shortages and high fuel prices. A key uncertainty about the outlook for inflation is how persistent supply chain disruptions will be. If there is a larger and more sustained increase in inflation, there is a risk that the RBA raises interest rates ahead of the assumed profile underlying these forecasts.

Another key uncertainty relates to future levels of net overseas migration, and this poses a long-term risk to the economic outlook. It is assumed that migration levels, including temporary international student migration, will start approaching pre-COVID-19 levels towards the end of the forecast period. The recovery in net overseas migration could occur more quickly than expected, adding to both supply and demand. A slower-than-expected recovery would weigh on the longer-term economic outlook for the State.

The medium-term outlook for the unemployment rate is also uncertain. While measures of labour demand are currently high, labour supply may recover further than expected, putting upward pressure on the unemployment rate. This could occur due to a faster than expected pickup in net migration as border restrictions ease, while workforce participation, which reached a new record high in August 2021, could also settle at a higher-than-expected level. Over the longer term, and working in the other direction, it is possible that the level of unemployment consistent with stable inflation in Victoria is somewhat lower than currently estimated.

CHAPTER 3 – BUDGET POSITION AND OUTLOOK

- The *2021-22 Budget* outlined the improvement in the Government's fiscal position as the Victorian economy recovered from the COVID-19 pandemic. In early 2021, economic indicators showed the Government's stimulus strategy was working, with the economy rebounding strongly.
- The outbreak of the Delta variant of COVID-19 required significant government financial support to further strengthen the health response and assist businesses and households during the necessary renewal of public health restrictions. The short-term and targeted nature of additional economic stimulus supported the economy consistent with the Government's fiscal strategy for the medium term.
- The Government remains committed to the four-step fiscal strategy to restore the State's finances from the COVID-19 pandemic. While this increase in short-term expenditure has resulted in a forecast operating deficit for the general government sector of $19.5 billion in 2021-22, a $7.9 billion increase since the *2021-22 Budget,* the operating position is forecast to improve with operating deficits estimated to decrease over the forward estimates.
- Net cash flows from operating activities are forecast to be in surplus from 2022-23, consistent with the *2021-22 Budget* and the fiscal strategy.
- Government infrastructure investment (GII) is expected to average $22.2 billion a year over the budget and forward estimates, reflecting the continuation of Victoria's Big Build.
- Net debt is projected to be $162.7 billion by June 2025, higher than was forecast in the *2021-22 Budget*, principally due to additional government support in 2021-22 in response to the Delta variant of COVID-19.

This chapter presents the revised budget position of the Victorian public sector, incorporating the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector for the budget year and forward estimates.

It takes into account the financial impacts as at 26 November 2021 of all decisions that affect the financial statements, unless otherwise stated. This chapter also reconciles and explains any movements since the *2021-22 Budget* that affect the estimated net result from transactions.

GENERAL GOVERNMENT SECTOR

Overview

In 2020, the COVID-19 pandemic severely impacted the State's financial position and outlook. In the *2020-21 Budget*, the Government prioritised the use of its balance sheet to support the Victorian community. This approach was consistent with stimulus approaches elsewhere in Australia and around the world.

In early 2021, economic indicators showed that the Government's stimulus strategy was working, with the economy rebounding strongly. The *2021-22 Budget* forecast significant improvement in the State's key fiscal aggregates.

However, the outbreak of the Delta variant of COVID-19 and the associated necessary public health restrictions, required additional short-term government financial assistance to strengthen the public health response, including additional testing capacity and support of the vaccine rollout.

The Government also provided significant assistance to businesses and households to ensure the economy was in a robust position to rebound quickly as restrictions eased. The short-term and targeted nature of this additional economic stimulus has supported the economy while maintaining the fiscal strategy for the medium-term.

New output investments funded in this budget update total $11.1 billion in 2021-22 and $11.7 billion over the four years to 2024-25.

As a result of this support, the net result from transactions compared with the *2021-22 Budget* has been revised down by $7.9 billion in 2021-22, and by an average of $0.9 billion a year across the forward estimates.

Returning to an operating surplus (net result from transactions) remains a key priority for the Government as part of its four-step fiscal strategy.

Table 3.1: General government fiscal aggregates

	Unit of measure	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Net result from transactions	$ billion	(19.5)	(5.3)	(3.4)	(2.1)
Net cash flows from operating activities	$ billion	(14.7)	2.5	0.8	2.5
Government infrastructure investment (a)(b)	$ billion	18.8	21.7	24.3	24.0
Net debt	$ billion	104.5	121.1	141.6	162.7
Net debt to GSP (c)	per cent	21.1	23.0	25.6	27.9

Source: Department of Treasury and Finance

Notes:

(a) Includes general government net infrastructure investment and estimated construction costs of public private partnership projects.

(b) Includes the estimated private sector construction-related expenditure associated with the North East Link held in the public non-financial corporations (PNFC) sector.

(c) The ratios to gross state product (GSP) may vary from publications year to year due to revisions to the Australian Bureau of Statistics GSP data.

Total revenue for the general government sector is expected to be $77.9 billion in 2021-22, an increase of $3.4 billion compared with the *2021-22 Budget*. This is largely due to the Commonwealth component of the jointly funded business support packages.

General government sector expenditure in 2021-22 is expected to be $97.5 billion, an increase of $11.3 billion compared with the *2021-22 Budget,* primarily reflecting the short-term, targeted initiatives to support Victorians and drive the economic recovery.

Interest expense as a share of total revenue remains manageable and is expected to average 5.0 per cent a year over the budget and forward estimates.

Net cash flows from operating activities for the general government sector are forecast to be in surplus from 2022-23, consistent with the *2021-22 Budget*.

Government infrastructure investment (GII) is expected to average $22.2 billion a year over the budget and forward estimates, reflecting the continuation of Victoria's Big Build.

Net debt is expected to be $104.5 billion at June 2022 and $162.7 billion by June 2025. As a proportion of GSP, net debt is projected to be 21.1 per cent at June 2022 and 27.9 per cent by June 2025.

BUDGET AND FORWARD ESTIMATES OUTLOOK

Table 3.2 summarises the operating statement for the general government sector. A comprehensive operating statement is presented in Chapter 4 *Estimated financial statements and notes.*

Table 3.2: Summary operating statement for the general government sector [(a)] ($ million)

	2021-22 revised	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Revenue and income from transactions				
Taxation	27 004	29 474	31 029	32 289
Dividends, TER and interest [(b)]	1 198	1 091	1 225	1 332
Sales of goods and services	5 923	6 462	6 605	6 699
Grants	40 457	39 214	39 977	41 351
Other revenue and income	3 350	3 508	3 209	3 408
Total revenue and income from transactions	**77 931**	**79 749**	**82 045**	**85 079**
% change [(c)]	11.2	2.3	2.9	3.7
Expenses from transactions				
Employee expenses	32 779	33 040	33 789	34 541
Superannuation [(d)]	4 110	4 114	4 263	4 391
Depreciation	4 367	4 481	4 531	4 923
Interest expense	3 176	3 757	4 376	5 123
Grant expense	24 457	15 744	15 202	14 919
Other operating expenses	28 581	23 891	23 330	23 288
Total expenses from transactions	**97 470**	**85 026**	**85 491**	**87 185**
% change [(c)]	15.2	(12.8)	0.5	2.0
Net result from transactions – net operating balance	**(19 538)**	**(5 276)**	**(3 447)**	**(2 105)**
Total other economic flows included in net result [(e)]	**(337)**	**(442)**	**(439)**	**(400)**
Net result	**(19 876)**	**(5 718)**	**(3 886)**	**(2 506)**

Source: Department of Treasury and Finance

Notes:

(a) Figures in this table are subject to rounding to the nearest million and may not add up to totals.

(b) Comprises dividends, income tax and rate equivalent revenue and interest.

(c) Growth rates for 2021-22 exclude revenue and expenditure in 2020-21 associated with the discontinuation of the capital asset charge policy levied on VicTrack from 2021-22.

(d) Comprises superannuation interest expense and other superannuation expenses.

(e) This typically includes gains and losses from the disposal of non-financial assets, adjustments for bad and doubtful debts and revaluations of financial assets and liabilities.

Revenue outlook

Total revenue for the general government sector is expected to increase by 11.2 per cent to $77.9 billion in 2021-22, following a period of reduced revenues in 2019-20 and 2020-21 because of the pandemic and associated government decisions. Total revenue is expected to grow by an average of 3.0 per cent a year over the forward estimates.

Compared with the *2021-22 Budget*, taxation revenue has been upgraded, notwithstanding the economic impacts of the public health restrictions introduced in response to the outbreak of the Delta variant of COVID-19. This principally reflects strong property market conditions and a corresponding improvement in the outlook for land transfer duty revenue. Goods and services tax (GST) grants have been upgraded in 2021-22 but downgraded over the forward estimates.

Taxation

State taxation revenue is forecast to increase by 14.4 per cent in 2021-22 and to grow by an average annual rate of 6.1 per cent a year over the forward estimates. Following an improved outlook for most taxes in the *2021-22 Budget*, land transfer duty has been further upgraded – consistent with the continued strength in Victoria's property market – partially offset by downgrades to gambling taxes, land tax and payroll tax.

- Land transfer duty is expected to increase by 19.2 per cent to $7.7 billion in 2021-22, driven by persistent strength in property market conditions over 2021 leading to strong growth in Victorian dwelling prices. This represents a significant improvement in the outlook for land transfer duty revenue since the *2021-22 Budget*. Growth in land transfer duty revenue is expected to moderate from 2022-23 as housing affordability constraints and rising interest rates flow through to lower price growth and transaction activity. Land transfer duty is expected to grow by an average of 2.0 per cent a year over the forward estimates.
- Land tax revenue is expected to increase by 32.6 per cent to $4.3 billion in 2021-22, following a modest decline in 2020-21. This partly reflects the tapering of land tax relief measures recognised in 2020-21, as well as the Government's *2021-22 Budget* measure to strengthen the integrity and progressivity of the tax system by increasing land tax rates on large land holdings. While there has been a modest downgrade in land tax revenue relative to the *2021-22 Budget,* it is still expected to grow by an average of 7.4 per cent a year over the forward estimates.
- Payroll tax revenue has been downgraded modestly since the *2021-22 Budget* and is forecast to decline by 0.8 per cent to $6.1 billion in 2021-22. The downgrade reflects the introduction of payroll tax relief initiatives to eligible businesses, and the economic and labour market impacts of the most recent public health restrictions due to the Delta variant of COVID-19. However, payroll tax revenue is expected to recover and grow by an average of 7.7 per cent a year over the forward estimates, consistent with revisions to the macroeconomic outlook.

- Revenue from the new Mental Health and Wellbeing Levy, which will commence on 1 January 2022, is estimated to raise $319 million in 2021-22 and an average of $827 million each year over the forward estimates. This is a slight downgrade since the *2021-22 Budget,* in line with revisions to payroll tax forecasts. The Government has legislated that revenue raised from this levy will be spent on mental health services, supporting a substantial increase in investment in Victoria's mental health system.
- Gambling tax revenue is forecast to be $1.8 billion in 2021-22, $451 million less than in the *2021-22 Budget*. The downgrade reflects the temporary venue closures arising from the most recent public health restrictions introduced from July 2021. Gambling revenue is forecast to recover in 2022-23, increasing by 30.9 per cent to $2.4 billion, as affected venues are expected to return to normal operating conditions. Gambling revenue is expected to grow by an average of 3.1 per cent a year over the period 2023-24 to 2024-25.
- Motor vehicle taxes are expected to increase by 8.4 per cent to $2.9 billion in 2021-22 after a modest increase of 0.6 per cent in 2020-21. Motor vehicle taxes are expected to grow by an average of 4.5 per cent a year over the forward estimates.
- Insurance taxes are expected to increase by 7.8 per cent in 2021-22 to $1.7 billion and are expected to grow by an average of 6.4 per cent a year over the forward estimates.

Dividends, income tax equivalent and interest

Dividend and income tax equivalent revenue is projected to decline by 6.6 per cent in 2021-22, before increasing by an average of 3.7 per cent a year over the forward estimates. The lower revenue in 2021-22 is primarily due to lower profits of the metropolitan water corporations, reflecting the impact of the COVID-19 pandemic on business customers and the provision of hardship relief for customers impacted during the COVID-19 pandemic.

Interest revenue is received on the cash and deposits held by the Government. Total interest is expected to be $0.6 billion in 2021-22 and is forecast to increase by an average of 3.6 per cent a year over the forward estimates.

Sales of goods and services

Revenue generated by the sales of goods and services is expected to be $5.9 billion in 2021-22. Excluding movements associated with the discontinuation of the capital asset charge policy levied on VicTrack from 2021-22, sales of goods and services revenue is forecast to increase by 10.1 per cent in 2021-22. This largely reflects the expected recovery in various service fees after the easing of public health restrictions. Growth is expected to average 4.2 per cent a year over the forward estimates.

Grants

Total grant revenue is expected to increase by 9.5 per cent in 2021-22 to $40.5 billion. Grants recognised by the State largely comprise GST and grants for specific purposes from the Commonwealth.

Victoria's GST revenue is expected to decline by 2.2 per cent in 2021-22 following a 17.4 per cent increase in 2020-21. Household consumption is forecast to fall sharply in the September quarter 2021, largely reflecting the introduction of public health restrictions in New South Wales and Victoria, which is weighing on the national GST pool for 2021-22. Compared to 2020-21, both Victoria's lower assessed relativity and share of national population are also affecting the GST revenue outlook for 2021-22.

Over the forward estimates, GST revenue is expected to grow by an average of 4.2 per cent a year, primarily driven by growth in the national GST pool, which is projected to recover to its pre-COVID-19 Delta variant path by mid-2022. This is supported by an expected improvement in consumption and dwelling investment from the December 2021 quarter as economic activity increases alongside the easing of public health restrictions. However, Victoria's assessed relativity is forecast to decline over the forward estimates.

Commonwealth grants for specific purposes are expected to be $22.0 billion in 2021-22, an increase of $3.4 billion compared with the *2021-22 Budget*. This is largely due to the increase in Commonwealth grants as part of the jointly funded business support packages.

Commonwealth grants for specific purposes are projected to average $20.1 billion a year over the forward estimates. The Commonwealth provides these grants as contributions toward healthcare, education, disability, major infrastructure investment and other services.

Other current revenue

Other revenue and income includes fines, royalties, donations and gifts, assets received free-of-charge and other miscellaneous revenues. Other revenue is expected to grow by 14.9 per cent to $3.4 billion in 2021-22, followed by average growth of 0.6 per cent a year over the forward estimates. This revenue profile is primarily driven by the progressive recognition of the Cross Yarra Partnership Consortium's contribution to additional costs borne by the operator as part of the Metro Tunnel settlement, which peak in 2021-22.

Expenses outlook

The Government is expected to spend $97.5 billion in 2021-22. This is $10.3 billion more than total expenditure of $87.2 billion in 2020-21, reflecting the additional support provided to Victorians and to the economic recovery during the COVID-19 pandemic. Expenses are then expected to decline by 12.8 per cent in 2022-23, reflecting the tapering of targeted, short-term economic support, before increasing by 0.5 per cent and 2.0 per cent in 2023-24 and 2024-25 respectively. Year-on-year movements should be interpreted with care due to the impacts of the COVID-19 pandemic and the Government's response.

Moderation of expenditure growth over the forward estimates is driven in part by the Government's fiscal strategy to achieve an operating surplus over the medium term.

- Employee expenses (including superannuation) are forecast to grow by 9.2 per cent in 2021-22, primarily driven by the Government's response to the COVID-19 pandemic and an increase in the net superannuation interest expense due to an increase in the Commonwealth government bond yields that underlie the key superannuation valuation assumptions between 30 June 2020 and 30 June 2021. Average growth of 1.8 per cent a year over the forward estimates reflects increased service delivery, primarily in health, mental health and education.
- Depreciation expense is forecast to grow by an average of 4.1 per cent a year over the forward estimates from $4.4 billion in 2021-22 to $4.9 billion by 2024-25. Growth in depreciation is broadly in line with continuing high levels of investment in infrastructure.
- Interest expense is forecast to grow by 21.5 per cent to $3.2 billion in 2021-22, and by an average of 17.3 per cent a year over the forward estimates, as the Government increases borrowings to fund its response to the COVID-19 pandemic and continue significant levels of infrastructure investment under Victoria's Big Build. Interest expense as a share of total revenue is expected to remain manageable, averaging 5.0 per cent a year over the budget and forward estimates, below the historical levels seen during the 1990s.
- Grants expenses are forecast to grow by 10.7 per cent in 2021-22 due to the additional business support grants provided to Victorian businesses. Grant expenses are then expected to decline by 35.6 per cent in 2022-23, and by an average of 2.7 per cent per year in 2023-24 and 2024-25, largely reflecting the tapering of COVID-19 pandemic support initiatives.
- Other operating expenses are forecast to grow by 16.3 per cent in 2021-22, reflecting the additional support provided for the Government's health response to the COVID-19 pandemic. Other operating expenses are then expected to decline by 16.4 per cent in 2022-23 and 2.3 per cent in 2023-24 as expenditure commitments attributable to the COVID-19 response reduce.

Reconciliation of estimates to the *2021-22 Budget*

Relative to the *2021-22 Budget*, the net result from transactions has been revised down by $7.9 billion in 2021-22, $1.4 billion in 2022-23 and by $1.3 billion in 2023-24 (Table 3.3).

Table 3.3: Reconciliation of estimates to the *2021-22 Budget* [(a)] **($ million)**

	2021-22 revised	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Net result from transactions: *2021-22 Budget*	**(11 624)**	**(3 837)**	**(2 106)**	**(2 085)**
Policy variations				
Revenue policy initiatives	..	..	..	..
Output policy initiatives [(b)]	(7 463)	(342)	(126)	9
	(7 463)	**(342)**	**(126)**	**9**
Economic/demographic variations				
Taxation	407	399	(79)	(148)
Investment income [(c)]	4	(66)	(5)	61
	411	**333**	**(84)**	**(87)**
Commonwealth grant variations				
General purpose grants	264	(499)	(536)	(45)
Specific purpose grants [(d)]	(217)	17	38	109
	47	**(482)**	**(498)**	**64**
Administrative variations				
Contingency offset for new policy initiatives [(e)]	..	..	..	..
Other administrative variations	(909)	(948)	(633)	(7)
	(909)	**(948)**	**(633)**	**(7)**
Total variation since *2021-22 Budget*	**(7 915)**	**(1 440)**	**(1 341)**	**(21)**
Net result from transactions: *2021-22 Budget Update*	**(19 538)**	**(5 276)**	**(3 447)**	**(2 105)**

Source: Department of Treasury and Finance

Notes:

(a) *Figures in this table are subject to rounding to the nearest million and may not add up to totals.*

(b) *This is represented in Table 3.4 as the* 2021-22 Budget Update *output policy initiatives.*

(c) *Comprises dividends and income tax and rate equivalent revenue.*

(d) *Reflects the change in grant revenue as per Note 4.2.4 of Chapter 4* Estimated Financial Statements and notes *for the general government sector less associated expense movements.*

(e) *Represents releases from the funding not allocated to specific purposes contingency included in the* 2021-22 Budget. *Further information on total output contingencies can be found at Note 4.3.5 of Chapter 4* Estimated Financial Statements and notes.

Policy variations

Policy variations reflect specific initiatives by the Government that will have a fiscal impact over the next four years and are related to a new policy or represent a change in the Government's existing policy position since the *2021-22 Budget*.

The *2021-22 Budget Update* funds $11.1 billion in new output initiatives in 2021-22 and $11.7 billion over the four years to 2024-25. Table 3.4 shows the impact of the new output initiatives since the previous publication.

Appendix A *Specific policy initiatives affecting the budget position* details the specific new output policy initiatives.

Table 3.4: Net impact of new output initiatives since the *2021-22 Budget* [(a)] **($ million)**

	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
New output initiatives	**11 150**	**338**	**140**	**44**
Less:				
Reprioritisations and revenue offsets [(b)]	3 885	..	..	..
Adjustments [(c)]	(198)	(4)	14	53
Savings	..	..	..	..
2021-22 Budget Update output policy initiatives	***7 463***	***342***	***126***	***(9)***
Less: contingency offset for new policy [(d)]	..	..	..	..
Net impact	**7 463**	**342**	**126**	**(9)**

Notes:

(a) *Figures in this table are subject to rounding to the nearest million and may not add up to totals.*

(b) *This includes the reprioritisation of resources previously allocated to departments and revenue offsets, including Commonwealth funding for business support and health initiatives in response to the outbreak of the Delta variant of COVID-19.*

(c) *Primarily incorporates the net impact of the specific creation and release of contingencies held for decisions made but not yet allocated.*

(d) *Represents releases from the funding not allocated to specific purposes contingency associated with demand for government services. Further information on this contingency can be found at Note 4.3.5 of Chapter 4* Estimated Financial Statements and notes*.*

Economic and demographic variations

Since the *2021-22 Budget*, taxation revenue has been revised upwards by $407 million in 2021-22 and $399 million in 2022-23, and downwards by $79 million in 2023-24 and $148 million in 2024-25 due to economic and demographic variations. This includes a significant upgrade to land transfer duty over the budget and forward estimates arising from continued strength in Victoria's residential property market.

Gambling taxes have been downgraded in 2021-22 because of the temporary venue closures arising from the most recent public health restrictions introduced from July 2021.

Commonwealth grants variations

Commonwealth general purpose grants (or GST grants) have been revised up by $264 million in 2021-22 compared with the *2021-22 Budget*, mainly reflecting a stronger than expected final GST entitlement pool outcome for 2020-21.

GST has been revised down by $499 million in 2022-23, $536 million in 2023-24 and $45 million in 2024-25, largely reflecting a downgrade to the outlook for Victoria's population share following large population outflows during the COVID-19 pandemic.

Net changes to specific purpose grants have decreased the operating result by $217 million in 2021-22, but increased it by an average of $54 million a year from 2022-23 to 2024-25 compared with the *2021-22 Budget*. The movements primarily reflect changes to the timing of infrastructure grants received from the Commonwealth.

Administrative variations

Other administrative variations are expected to decrease the operating result by $909 million in 2021-22, $948 million in 2022-23 and $633 million in 2023-24. The major variations since the *2021-22 Budget* include:

- an increase in interest expense, which reflects the impact of higher short and long-term interest rates in line with financial market expectations since the *2021-22 Budget* and the increased financing requirement over the forward estimates
- updates to the timing of some expenditure programs across the forward estimates, including adjustments to the provisions for decisions made but not yet allocated that are outlined in Note 4.3.5 of Chapter 4 *Estimated financial statements and notes*.

Capital expenditure

Government infrastructure investment, which measures investment funded by the Government and estimated private sector construction related expenditure on public private partnership projects, is expected to average $22.2 billion a year over the budget and forward estimates. This includes investments in new rolling stock, hospitals, mental health facilities, and schools as well as major productivity-enhancing projects including the North East Link, Metro Tunnel, West Gate Tunnel, Melbourne Airport Rail and the removal of 85 level crossings by 2025.

Appendix A *Specific policy initiatives affecting the budget position* details the specific new asset initiatives.

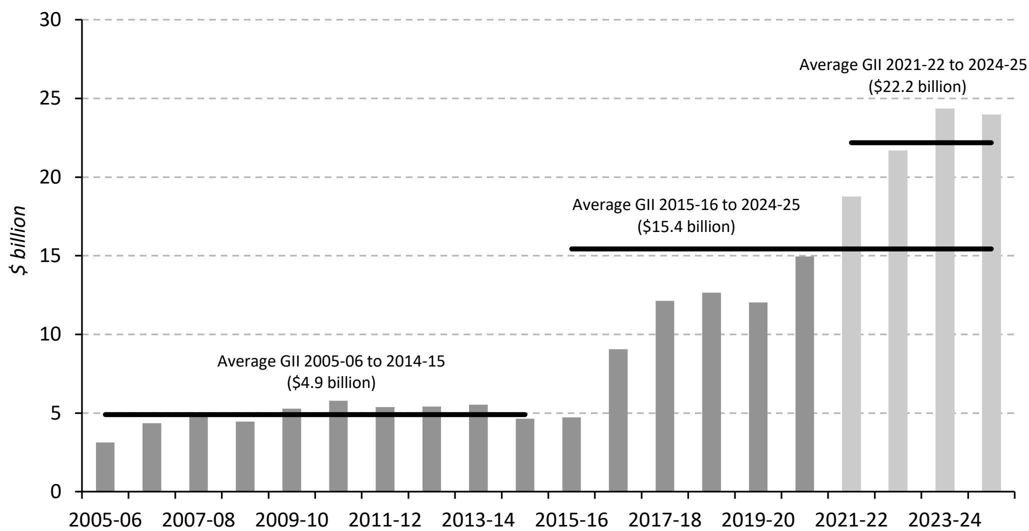
Box 3.1: The Suburban Rail Loop

The Suburban Rail Loop (SRL) will be delivered in stages over several decades, with construction on SRL East, between Cheltenham and Box Hill, to commence in 2022 and first trains expected to run in 2035. A provision of $2.2 billion for Initial and Early Works on SRL East was made as part of the *2020-21 Budget*. Additional funding of $9.3 billion has been approved to be held in central contingency for SRL East Main Works. The Victorian Government is seeking a matching contribution from the Commonwealth Government towards the project.

Funding for SRL East will also be achieved through a range of private sector investment and value capture sources, as outlined in the SRL Business and Investment Case, released in August 2021. The exact composition and timing of mechanisms that will be applied, and their respective rates, remains subject to detailed investigation.

The SRL Business and Investment Case covers SRL East and SRL North (Box Hill to Melbourne Airport) which are expected to deliver up to $58.7 billion in economic, social and environmental benefits to the State and has a positive benefit-cost ratio range between 1.1 and 1.7.

Chart 3.1: Government infrastructure investment [(a)(b)(c)]



Source: Department of Treasury and Finance

Notes:

(a) Includes general government net infrastructure investment and estimated cash flows for public private partnership projects.

(b) Includes the estimated private sector construction-related expenditure associated with the North East Link held in the PNFC sector.

(c) Excludes the impact of the medium-term lease over the operations of the Port of Melbourne and the divestment of Victoria's share of Snowy Hydro Limited.

Net debt

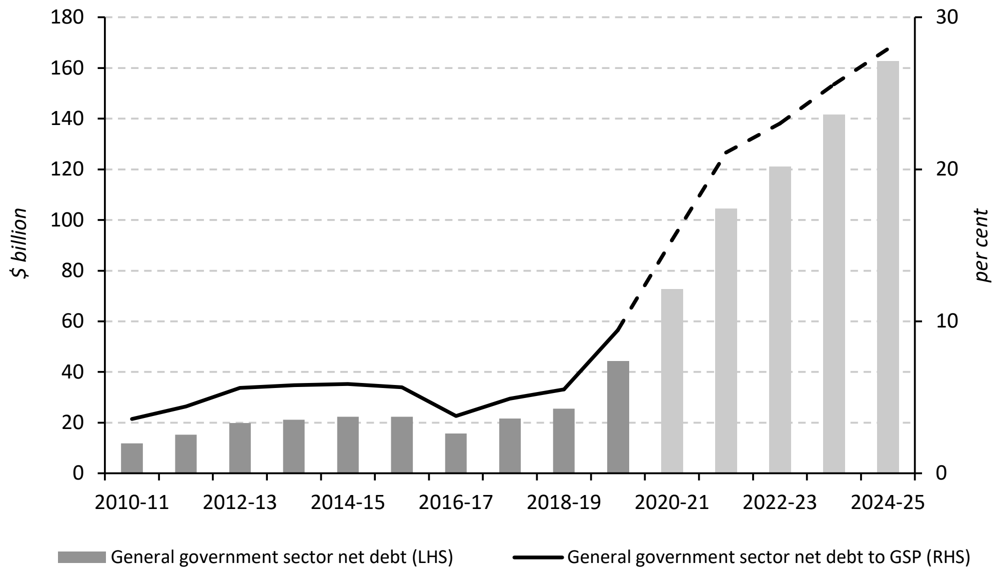
Net debt is projected to be $104.5 billion at June 2022 and is forecast to increase to $162.7 billion by June 2025. This is an increase of $2.4 billion by June 2022 and of $6.4 billion by June 2025 compared with the *2021-22 Budget* and is principally due to additional government support in response to the COVID-19 pandemic.

As a proportion of gross state product (GSP), net debt is projected to increase from 21.1 per cent in June 2022 to 27.9 per cent by June 2025.

The *2021-22 Budget* outlined that substantial government funding of essential services and economic support was required to respond to the COVID-19 pandemic and included a four-step fiscal strategy for the medium term, with the final step being the stabilising of debt levels.

Expenditure in response to the COVID-19 pandemic over the last two years, and in particular, in response to the recent Delta outbreak of COVID-19, has been focused on the short term to allow required services and economic support to be provided while maintaining the fiscal strategy.

Chart 3.2: General government net debt to GSP



Source: Department of Treasury and Finance

The application of cash resources for the general government sector (as shown in Table 3.5) outlines the annual movements in net debt.

Table 3.5: Application of cash resources for the general government sector [(a)] ($ million)

	2021-22 revised	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Net result from transactions	**(19 538)**	**(5 276)**	**(3 447)**	**(2 105)**
Add back: Operating cash flows not recognised in the net operating balance [(b)]	4 872	7 726	4 222	4 653
Net cash flows from operating activities	**(14 666)**	**2 450**	**776**	**2 547**
Less: Total net investment in fixed assets [(c)]	**13 559**	**17 267**	**21 207**	**23 214**
Surplus/(deficit) of cash from operations after funding net investment in fixed assets	**(28 225)**	**(14 817)**	**(20 432)**	**(20 667)**
Less:				
Leases and service concession arrangements [(d)]	2 156	2 042	1 782	622
Other movements	1 348	(205)	(1 771)	(155)
Decrease/(increase) in net debt	**(31 730)**	**(16 654)**	**(20 442)**	**(21 134)**

Source: Department of Treasury and Finance

Notes:

(a) Figures in this table are subject to rounding to the nearest million and may not add up to totals.

(b) Includes depreciation, prepayments and movements in the superannuation liability and liability of employee benefits for the year, and the progressive unwinding of the grant of a right to the operator liability.

(c) Includes total purchases of plant, property and equipment, and net capital contributions to other sectors of government net of proceeds from asset sales.

(d) Includes most operating leases which are now required to be recognised as lease liabilities. It also includes the financial liabilities relating to public private partnerships including the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, Frankston Hospital Redevelopment and Western Roads Upgrade.

Unfunded superannuation liability

The Government is on track to fully fund the State's unfunded superannuation liability by 2035. Note 4.6.3 of Chapter 4 *Estimated financial statements and notes* shows information on the reported superannuation liability.

FISCAL RISKS

This section discusses a number of risks which, if realised, are likely to impact on the State's financial position and budget outcomes.

Details of specific contingent assets and liabilities, defined as possible assets or liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, are contained within Chapter 6 *Contingent assets and contingent liabilities*.

General fiscal risks

COVID-19

Risks to Victoria's economic outlook remain greater than normal and the forecasts are subject to a higher degree of uncertainty. These risks continue to be dominated by the COVID-19 pandemic and potential changes to policy responses as the domestic and global economies recover.

The Government's forecast revenues, expenses and borrowings are predicated on a series of assumptions, including those related to the global recovery. If these assumptions do not eventuate, the actual financial outcomes may differ from the Government's current budget.

Appendix D *Sensitivity analysis* contains information on the impact of variations in the macroeconomic outlook on the Government's key fiscal aggregates. This includes a scenario of a protracted global recovery resulting from the emergence of a vaccine-resistant COVID-19 strain or further setback in the global vaccination effort, leading to renewed outbreaks and restrictions in major economies outside Australia.

National Partnership on COVID-19 Response

To support the national and coordinated health response to the COVID-19 pandemic, in April 2020 the Commonwealth and states agreed shared funding arrangements via a new National Partnership Agreement. The Agreement will operate for the duration of the Australian Health Sector Emergency Response Plan for Novel Coronavirus 2019 declared by the Australian Health Protection Principal Committee, with additional time for payment reconciliation. The Agreement does not have a clear sunset date for budget purposes. If the Agreement is terminated prior to 2022-23 before planned COVID-19 pandemic responses cease, this may reduce Commonwealth payments to the State.

In April 2021, the Commonwealth also committed to contributing 50 per cent of the net additional costs incurred by states and territories in setting up COVID-19 clinics after 21 April 2021 as part of a revised COVID-19 Vaccine Rollout Strategy. The associated funding arrangements, which will directly impact Victoria's costs in its vaccination rollout, are subject to ongoing negotiations between the Commonwealth and the states.

State taxes

State tax forecasts are primarily modelled on the relationships between taxation revenue and projected economic variables. As a result, the main source of uncertainty to state taxation estimates is unforeseen changes in the economic outlook.

Revenue from property-based taxes, such as land tax and land transfer duty, is subject to unique risks and historically has been volatile as property markets can exhibit large cycles typically related to changes in interest rates and/or changes in sentiment.

The *2021-22 Budget Update* anticipates a gradual slowdown in dwelling price growth into 2022, but an acceleration in property prices and transaction volumes following the easing of public health restrictions in late 2021 may lead to property tax revenue being stronger than forecast. On the downside, worsening housing affordability constraints and the implementation of macroprudential regulation limiting credit availability could lead to a correction in property prices and lower transaction volumes, which would result in weaker collections from property-based taxes. This risk is explored further in Appendix D *Sensitivity analysis*.

Employee expenses

Employee expenses are the State's largest expense. Two important determinants of employee expenses are wages growth and the number of employees.

Wages growth is primarily driven by enterprise bargaining agreements, which are subject to compliance with the Government's wages policy. The Government announced changes to the Victorian Public Sector Wages Policy that will apply from 1 January 2022. The new wages policy parameters continues to encourage public sector agencies to take a more strategic approach to enterprise bargaining. Other factors contributing to projected employee expenses include the composition and profile of the workforce as well as rostering arrangements.

Demand growth

Another key uncertainty is whether growth in demand for government services will exceed or be lower than current projections. This can occur, for example, as a result of higher than forecast population growth or expenditure in response to unforeseen events such as natural disasters, including bushfires and floods.

The estimates incorporate contingency provisions to mitigate the impact of expenditure risks that may be realised during the next four years. The contingency provisions are sized to allow for the likely growth in Victoria's population and the derived increased demand for government services.

Note 4.3.5 and Note 4.3.6 of Chapter 4 *Estimated financial statements and notes* discloses general government output and asset contingencies not allocated to departments.

Capital program risks

The Government is delivering a historically large program of capital investments aimed at supporting jobs and improving productivity and the quality of public service delivery. The Government's project pipeline will continue to support elevated levels of activity in the construction sector over the medium term with several committed major projects in the planning and procurement phase complementing the large volume of existing projects in delivery.

The elevated level of infrastructure investment in Victoria coincides with similar increases in other Australian jurisdictions. Investment is anticipated to remain elevated over the medium term and may constrain some parts of the construction industry and supply chains, placing pressure on delivery timetables and costs. To mitigate the impact of these constraints, the Government has implemented a range of strategies to support growth in the construction industry, including freeing up supply chains, an extractive resources strategy and increasing investment in skills.

Public health restrictions to slow the spread of COVID-19 have impacted the delivery of the Government's capital program in the short to medium term. COVIDSafe Plans continue to apply across all construction sites. The Government has implemented a whole of government framework to assist delivery agencies to consistently manage risks associated with COVID-19 for projects at each stage of the project lifecycle. The framework facilitates outcomes that are best for individual projects, project workforces and broader economic recovery in Victoria. This coordinated approach from the Government is expected to reduce project and financial risk, preserve the project pipeline and sustain competitive local industries.

Specific fiscal risks

Commonwealth schools funding

In June 2017, the Commonwealth Government passed amendments to the *Australian Education Act 2013* to implement a new national school funding model. Victoria has signed the National School Reform Agreement and an accompanying bilateral agreement, which expire on 31 December 2023. Estimates of funding required to acquit the Schooling Resource Standard target in a given year will be based on student number and profile projections for that year. Expenditure targets will be finalised towards the end of or after the school year in question based on actual student data, creating a risk that the Victorian and Commonwealth targets differ from the funding allocated that year.

Universal Access to Early Childhood Education

The Commonwealth's financial contribution to assist the states and territories in providing access to 15 hours a week of kindergarten, in the year before school, is supplied under the National Partnership Agreement on Universal Access to Early Childhood Education (NPA UAECE). Funding under this agreement expires on 31 December 2021. Future Commonwealth funding arrangements are currently being negotiated under a proposed four-year Preschool Reform Agreement covering 2022 to 2025, but these negotiations have yet to be finalised. This proposed Agreement may present fiscal risks and require policy reforms impacting the State's kindergarten sector.

National Health Reform Agreement Funding Cap

Under the 2020-25 Addendum to the National Health Reform Agreement, the Commonwealth co-funds public hospitals by contributing 45 per cent of the cost of eligible activity, with the Commonwealth's contribution capped at a growth rate of 6.5 per cent compared to the previous year's contribution.

This is a 'soft cap' that applies at a national level, with states entitled to receive Commonwealth contributions beyond the cap until the growth rate of national expenditure reaches 6.5 per cent. Uncertainty around expenditure growth in other states and territories may create a fiscal risk to the State if the Commonwealth does not fund 45 per cent of additional eligible hospital spending.

National Skills Agreement

In July 2020, the Commonwealth and the states agreed to negotiate a new National Skills Agreement (NSA) to replace the existing National Agreement for Skills and Workforce Development. The quantum and conditions of funding are dependent on ongoing negotiations between the Commonwealth and states, with finalisation of the new Agreement anticipated to take place in the first half of 2022. Conditions of the current proposed Agreement may increase fiscal and policy risks to the State.

Victoria's GST revenue

Victoria's GST revenue is broadly determined by three key factors:

- the amount of GST collected by the Commonwealth (the national GST pool)
- Victoria's GST relativity
- Victoria's share of the national population.

National GST pool

The national GST pool is forecast to recover to its pre-Delta trajectory by mid-2022, supported by a bounce back in consumption and dwelling investment. Slower-than-expected recovery in consumption growth or dwelling investment could slow growth in the GST pool, lowering GST grants revenue for Victoria. Key risks to the recovery profile include decreasing vaccine efficacy and the emergence of new variants of the COVID-19 virus.

Further sources of uncertainty for the outlook of the national GST pool include how households draw down their accumulated savings and the economic impact of international borders reopening.

GST relativities

The national GST pool is shared between states and territories based on relativities determined annually by the Commonwealth Treasurer, which are informed by the recommendations of the Commonwealth Grants Commission.

These relativities are based on the relative fiscal capacity of each jurisdiction and are influenced by differences in revenue bases and costs of delivering services. Relativities are sensitive to a broad range of factors, including demographics, infrastructure needs, developments in property markets and global commodity prices (particularly for iron ore and coal).

Population

Since the start of the COVID-19 pandemic, Victoria's national population share has decreased due to a net outflow of Victorian residents to other states and restrictions on overseas migration. As international borders re-open, if Victoria's population growth is higher than forecast compared to other states, then Victoria's share of GST could increase. Conversely, should other states have higher population growth than expected compared with Victoria this would negatively affect Victoria's GST revenue.

Commonwealth no-worse off guarantee for GST entitlement

In 2018, the Commonwealth legislated a change in the system of horizontal fiscal equalisation (HFE), which introduced:

- a minimum GST revenue sharing relativity (relativity floor) of 0.70 commencing in 2019-20, supported by transition payments from the Commonwealth and facilitated within the GST distribution from 2022-23, rising to 0.75 from 2024-25
- a small boost to the GST revenue pool from 2021-22 with additional Commonwealth financial assistance
- the transition of the HFE system from full equalisation (so called equalising to the strongest state) to 'reasonable' equalisation, based upon the fiscal capacity of the stronger of New South Wales or Victoria.

During a six-year transition period commencing in 2021-22, each state or territory is entitled to receive additional Commonwealth financial assistance to ensure it is no worse off compared to its GST entitlement had full equalisation been maintained. The no-worse-off guarantee is currently only legislated until the end of the transition period in 2026-27, which poses a fiscal risk to states and territories. Based on current forecasts, the Victorian Department of Treasury and Finance estimates that Victoria would be $4.5 billion worse off under the new system over the budget and forward estimates period, without the no-worse-off guarantee.

Victoria will continue to work with other state governments and the Commonwealth to ensure Victoria receives its fair share of GST.

NON-FINANCIAL PUBLIC SECTOR

The non-financial public sector (NFPS) consolidates the public non-financial corporation (PNFC) and general government sectors. The PNFC sector is comprised of entities providing services that are primarily funded from user charges and fees. The largest PNFCs provide water, housing, and transport services.

Please note that the general government sector and PNFC sector results may not equal the results shown for the NFPS due to inter-sector transfers.

Summary operating statement

Table 3.6: Summary operating statement for the non-financial public sector [(a)] ($ million)

	2021-22 revised	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Revenue and income from transactions				
Taxation	26 546	28 998	30 538	31 960
Dividends, income tax equivalent and interest [(b)]	475	415	434	457
Sales of goods and services	12 127	13 291	13 575	13 798
Grants	40 445	39 210	39 974	41 349
Other revenue and income	3 966	4 098	3 804	4 021
Total revenue and income from transactions	**83 558**	**86 013**	**88 326**	**91 585**
% change [(c)]	*10.3*	*2.9*	*2.7*	*3.7*
Expenses from transactions				
Employee expenses	34 298	34 586	35 368	36 148
Superannuation [(d)]	4 253	4 263	4 418	4 551
Depreciation	7 112	7 719	9 403	10 542
Interest expense	3 576	4 194	4 840	5 627
Grant expense	22 757	14 230	13 806	13 519
Other operating expenses	32 611	27 694	26 906	26 939
Total expenses from transactions	**104 606**	**92 685**	**94 741**	**97 327**
% change [(c)]	*14.1*	*-11.4*	*2.2*	*2.7*
Net result from transactions	**(21 048)**	**(6 672)**	**(6 415)**	**(5 742)**
Total other economic flows included in net result	(929)	(459)	(58)	(423)
Net result	**(21 976)**	**(7 132)**	**(6 474)**	**(6 165)**

Notes:

(a) *This is a summary operating statement. The comprehensive operating statement is presented in Chapter 5* Supplementary uniform presentation framework tables. *Figures in this table are subject to rounding to the nearest million and may not add up to totals.*

(b) *Comprises dividends, income tax and rate equivalent revenue and interest.*

(c) *The revenue and expense growth for 2021-22 is based on published figures in the* 2020-21 Financial Report.

(d) *Comprises superannuation interest expense and other superannuation expenses.*

The net result from transactions of the NFPS is projected to improve from a deficit of $21.0 billion in 2021-22 to a deficit of $5.7 billion by 2024-25. This is largely due to the projected improvement in the general government sector deficit from $19.5 billion in 2021-22 to $2.1 billion by 2024-25 primarily due to revenues growing faster than expenses over the budget and forward estimates.

The net result from transactions of the PNFC sector is projected to improve from a deficit of $539 million in 2021-22 to a surplus of $96 million in 2024-25. This improvement is driven by increased business and developer activities within the metropolitan water sector as the economy recovers from the COVID-19 pandemic.

Application of cash resources

The NFPS is forecast to record an operating cash flow deficit of $14.1 billion in 2021-22 before improving to a surplus of $4.1 billion in 2024-25. This results in an average annual operating cash flow deficit of $941 million across the budget and forward estimates. By 2024-25, the operating cash flow surplus will fund 16 per cent of the NFPS infrastructure program with the remainder funded by borrowings.

Table 3.7: Application of cash resources for the non-financial public sector [(a)] ($ million)

	2021-22 revised	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Net result from transactions	(21 048)	(6 672)	(6 415)	(5 742)
Add back: operating cash flows not recognised in the net operating balance [(b)]	6 929	10 655	8 685	9 843
Net cash flows from operating activities	**(14 118)**	**3 982**	**2 270**	**4 102**
Less: Total net investment in fixed assets [(c)]	**18 125**	**20 648**	**24 167**	**25 802**
Surplus/(deficit) of cash from operations after funding net investments in fixed assets	**(32 244)**	**(16 666)**	**(21 897)**	**(21 700)**
Less:				
Leases and service concession arrangements [(d)]	3 514	3 423	2 089	951
Other movements	(41)	64	11	(11)
Decrease/(increase) in net debt	**(35 716)**	**(20 153)**	**(23 997)**	**(22 640)**

Notes:

(a) Figures in this table are subject to rounding to the nearest million and may not add up to totals.

(b) Includes depreciation, prepayments and movements in the superannuation liability and liability of employee benefits, and the progressive unwinding of the grant of a right to the operator liability.

(c) Includes total purchases of plant, property and equipment, and capital contributions to other sectors of government net of proceeds from asset sales.

(d) Includes most operating leases which are now required to be recognised as lease liabilities. It also includes the financial liabilities relating to public private partnerships including the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, the Frankston Hospital Redevelopment, the North East Link and the Western Roads Upgrade.

NFPS total net cash outflows from investments in fixed assets are projected to average $22 billion a year over the budget and forward estimates. The key infrastructure projects under development include:

- investment in transport infrastructure and rolling stock to meet patronage growth and improve network performance, including the new metropolitan trains, Next Generation Trams, tram infrastructure upgrades and maintenance facilities for rolling stock
- various water and sewer related infrastructure projects, such as the Western Treatment Plant Primary Treatment Augmentation, the Lockerbie Main Sewer, the Western Irrigation Network Project and the East Grampians Pipeline Project
- Victoria's Big Housing Build program.

NON-FINANCIAL PUBLIC SECTOR NET DEBT AND NET FINANCIAL LIABILITIES

Table 3.8 details NFPS net debt and financial liabilities.

Table 3.8: Non-financial public sector net debt and financial liabilities [(a)] **($ billion)**

	2021-22 revised	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Assets				
Cash and deposits	15.7	15.6	15.9	16.1
Advances paid	0.6	0.5	0.4	0.4
Investments, loans and placements	4.1	4.3	4.6	4.9
Total	**20.4**	**20.4**	**20.9**	**21.5**
Liabilities				
Deposits held and advances received	1.7	1.7	1.7	1.7
Borrowings	142.8	163.1	187.5	210.7
Total	**144.5**	**164.7**	**189.2**	**212.4**
Net debt [(b)]	**124.2**	**144.3**	**168.3**	**190.9**
Superannuation liability	25.8	24.7	23.6	22.6
Net debt plus superannuation liability	**149.9**	**169.0**	**191.9**	**213.5**
Other liabilities (net) [(c)]	29.5	33.0	33.1	32.6
Net financial liabilities [(d)]	**179.5**	**201.9**	**225.0**	**246.1**
				(per cent)
Net debt to GSP [(e)]	25.1	27.4	30.4	32.8
Net debt plus superannuation liability to GSP [(e)]	30.3	32.1	34.7	36.7
Net financial liabilities to GSP [(e)]	36.3	38.4	40.7	42.2
Net debt plus superannuation liability to revenue [(f)]	179.4	196.5	217.3	233.1

Notes:

(a) Figures in this table are subject to rounding to the nearest million and may not add up to totals.

(b) Net debt is the sum of borrowings, deposits held and advances received less the sum of cash and deposits, advances paid, and investments, loans and placements.

(c) Other liabilities include other employee entitlements and provisions and other non-equity liabilities, less other non-equity financial assets.

(d) Net financial liabilities is total liabilities less financial assets (excluding investments in other sector entities).

(e) The ratios to GSP may vary over time due to revisions to the Australian Bureau of Statistics GSP data.

(f) The sum of NFPS net debt (excluding advances paid) plus the superannuation liability as a proportion of NFPS total operating revenue.

NFPS net debt is projected to increase to $190.9 billion by 2024-25 due to the ongoing investment in infrastructure projects over the budget and forward estimates. The NFPS net debt to GSP ratio is projected to increase from 25.1 per cent in 2021-22 to 32.8 per cent in 2024-25, predominantly driven by the general government sector.

Table 3.9 provides projections of several additional indicators of financial sustainability for the NFPS.

Table 3.9: Indicators of financial sustainability of non-financial public sector (per cent)

	2021-22 revised	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Operating cash flow surplus / (deficit) to revenue	(16.9)	4.6	2.6	4.5
Gross debt to revenue [(a)]	173.0	191.5	214.2	231.9
Interest expense to revenue	4.3	4.9	5.5	6.1

Note:
(a) Gross debt includes borrowings, deposits held, and advances received.

The operating cash flow surplus to revenue ratio indicates the proportion of cash generated from operations that can be used to fund infrastructure. Due to successive increases in the operating cash flow surplus over the budget and forward estimates, this ratio improves significantly to positive 4 per cent by 2024-25. This improvement reflects a re-alignment of revenue and expenditure as the economic recovery increases revenue, the tapering of targeted, short-term expenditure that supported Victorians during public health restrictions, and the implementation of savings and efficiencies to improve the effectiveness of departmental spending.

The ratio of NFPS interest expense to revenue is a measure of the State's debt service burden. This ratio is expected to average 5 per cent over the budget and forward estimates. This ratio rises over the forward estimates as debt is increasing at a faster rate than revenue. The overall debt burden is evidenced by the ratio of gross debt to revenue, which is estimated to be 173 per cent in 2021-22, increasing to 232 per cent by 2024-25.

STATE OF VICTORIA

The State of Victoria financial results are obtained by consolidating the public financial corporations (PFC) sector with the NFPS. There are two broad types of PFCs: those that provide services to the general public and businesses (statutory insurers such as the Transport Accident Commission and WorkSafe Victoria) and those that predominantly provide financial services to other government entities (such as the Victorian Managed Insurance Authority, Victorian Funds Management Corporation and the Treasury Corporation of Victoria).

Table 3.10: Summary operating statement of the State of Victoria [(a)] **($ million)**

	2021-22 revised	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Revenue and income from transactions				
Taxation	26 526	28 978	30 518	31 939
Dividends and interest	2 036	2 068	2 097	2 574
Sales of goods and services	16 555	17 905	18 412	18 861
Grants	39 708	38 512	39 008	40 491
Other revenue and income	3 994	4 128	3 834	4 052
Total revenue and income from transactions	**88 820**	**91 590**	**93 869**	**97 918**
% change [(b)]	*8.6*	*3.1*	*2.5*	*4.3*
Expenses from transactions				
Employee expenses	34 257	34 558	35 345	36 132
Superannuation [(c)]	4 295	4 306	4 463	4 598
Depreciation	7 193	7 811	9 493	10 635
Interest expense	3 560	4 167	4 804	5 596
Grant expense	22 558	14 040	13 617	13 329
Other operating expenses	42 140	37 834	37 674	38 194
Total expenses from transactions	**114 003**	**102 717**	**105 396**	**108 483**
% change [(b)]	*13.9*	*-9.9*	*2.6*	*2.9*
Net result from transactions	**(25 183)**	**(11 127)**	**(11 527)**	**(10 566)**
Total other economic flows included in net result	(149)	972	1 583	1 790
Net result	**(25 332)**	**(10 155)**	**(9 944)**	**(8 776)**

Notes:
(a) This is a summary operating statement. The comprehensive operating statement is presented in Chapter 5. Figures in this table are subject to rounding to the nearest million and may not add up to totals.
(b) The revenue and expense growth for 2021-22 is based on published figures in the 2020-21 Financial Report.
(c) Comprises superannuation interest expense and other superannuation expenses.

Table 3.10 shows that the State's net result from transactions is projected to improve from a deficit of $25.2 billion in 2021-22 to a deficit of $10.6 billion in 2024-25, with an average deficit of $14.6 billion a year over the budget and forward estimates. This improvement is primarily due to revenues growing faster than expenses over the forward estimates, driven by movements in the general government sector.

The net result from transactions excludes other economic flows such as projected capital gains on the investments that are held by the State's insurance agencies to meet these agencies' liabilities. Other economic flows are projected to average $1.0 billion a year over the budget and forward estimates.

When other economic flows are included, the State's net result improves from a deficit of $25.3 billion in 2021-22 to a deficit of $8.8 billion in 2024-25, with an average deficit of $13.6 billion a year over the budget and forward estimates.

Table 3.11: Summary balance sheet for the State of Victoria [a] **($ billion)**

	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Assets				
Total financial assets [b]	79.2	80.1	81.5	83.7
Total non-financial assets [c]	357.3	381.0	405.1	431.6
Total assets	**436.4**	**461.1**	**486.6**	**515.2**
Liabilities				
Superannuation	25.8	24.7	23.6	22.6
Borrowings	152.6	172.9	197.7	221.0
Deposits held and advances received	1.8	1.7	1.7	1.7
Other liabilities [d]	91.2	98.6	102.7	106.3
Total liabilities	**271.4**	**297.9**	**325.7**	**351.5**
Net assets	**165.0**	**163.3**	**160.9**	**163.7**

Notes:

(a) This is a summary balance sheet. The comprehensive balance sheet is presented in Chapter 5. Figures in this table are subject to rounding to the nearest billion and may not add up to totals.

(b) Financial assets include cash and deposits, advances paid, investments, loans and placements, receivables, and investments accounted for using the equity method.

(c) Non-financial assets include inventories, non-financial assets held for sale, land, buildings, infrastructure, plant and equipment, and other non-financial assets.

(d) Other liabilities consist of payables, employee benefits, other provisions and contract liabilities.

Table 3.11 shows that the State's net assets are projected to remain stable over the budget and forward estimates at around $163.2 billion. While total assets are expected to increase significantly over the budget and forward estimates, the impact this has on the net assets is largely offset by higher liabilities, primarily due to increased borrowings.

In particular, financial assets are estimated to increase from $79.2 billion in 2021-22 to $83.7 billion by 2024-25 and non-financial assets, including infrastructure, are estimated to increase from $357.3 billion in 2021-22 to $431.6 billion by 2024-25.

The superannuation liability is projected to fall from $25.8 billion in 2021-22 to $22.6 billion in 2024-25, reflecting the contributions the Government is making to fully fund the liabilities of the former State Superannuation Fund by 2035.

However, as noted above, these favourable movements are largely offset by a projected increase in borrowings from $152.6 billion in 2021-22 to $221.0 billion by 2024-25. Other liabilities are also projected to increase from $91.2 billion in 2021-22 to $106.3 billion by 2024-25, largely due to growth in the value of the outstanding claims liabilities reported by the State's insurance agencies.

CHAPTER 4 – ESTIMATED FINANCIAL STATEMENTS AND NOTES

ESTIMATED GENERAL GOVERNMENT SECTOR COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June **($ million)**

	Notes	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Revenue and income from transactions						
Taxation	4.2.1	26 577	27 004	29 474	31 029	32 289
Interest income		637	618	616	655	687
Dividends, income tax equivalent and rate equivalent income	4.2.2	575	579	475	569	645
Sales of goods and services	4.2.3	6 405	5 923	6 462	6 605	6 699
Grants	4.2.4	36 778	40 457	39 214	39 977	41 351
Other revenue and income	4.2.5	3 605	3 350	3 508	3 209	3 408
Total revenue and income from transactions		**74 576**	**77 931**	**79 749**	**82 045**	**85 079**
Expenses from transactions						
Employee expenses	4.3.1	31 725	32 779	33 040	33 789	34 541
Net superannuation interest expense	4.3.2	565	481	450	431	414
Other superannuation	4.3.2	3 682	3 629	3 664	3 832	3 977
Depreciation	4.4.2	4 399	4 367	4 481	4 531	4 923
Interest expense	4.5.3	3 051	3 176	3 757	4 376	5 123
Grant expense	4.3.3	17 301	24 457	15 744	15 202	14 919
Other operating expenses	4.3.4	25 477	28 581	23 891	23 330	23 288
Total expenses from transactions	4.3.5	**86 200**	**97 470**	**85 026**	**85 491**	**87 185**
Net result from transactions – net operating balance		**(11 624)**	**(19 538)**	**(5 276)**	**(3 447)**	**(2 105)**
Other economic flows included in net result						
Net gain/(loss) on disposal of non-financial assets		30	38	50	28	25
Net gain/(loss) on financial assets or liabilities at fair value		20	21	21	22	20
Other gains/(losses) from other economic flows	4.7.1	(521)	(396)	(513)	(489)	(444)
Total other economic flows included in net result		**(471)**	**(337)**	**(442)**	**(439)**	**(400)**
Net result		**(12 094)**	**(19 876)**	**(5 718)**	**(3 886)**	**(2 506)**

ESTIMATED GENERAL GOVERNMENT SECTOR COMPREHENSIVE OPERATING STATEMENT *(CONTINUED)*

For the financial year ended 30 June **($ million)**

	Notes	*2021-22 budget*	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Other economic flows – other comprehensive income						
Items that will not be reclassified to net result						
Changes in non-financial assets revaluation surplus		563	548	7 035	6 116	10 097
Remeasurement of superannuation defined benefit plans	4.3.2	1 241	1 690	1 371	1 394	1 420
Other movements in equity		27	10	26	32	38
Items that may be reclassified subsequently to net result						
Net gain/(loss) on financial assets at fair value		3	3	3	3	3
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	4.6.1	(7 403)	(3 690)	(6 198)	(3 294)	(2 875)
Total other economic flows – other comprehensive income		**(5 570)**	**(1 440)**	**2 237**	**4 252**	**8 684**
Comprehensive result – total change in net worth		**(17 664)**	**(21 316)**	**(3 481)**	**366**	**6 178**
KEY FISCAL AGGREGATES						
Net operating balance		**(11 624)**	**(19 538)**	**(5 276)**	**(3 447)**	**(2 105)**
Less: Net acquisition of non-financial assets from transactions	4.3.7	7 442	9 004	7 095	12 691	13 172
Net lending/(borrowing)		**(19 066)**	**(28 542)**	**(12 371)**	**(16 138)**	**(15 278)**

The accompanying notes form part of these Estimated Financial Statements.

ESTIMATED GENERAL GOVERNMENT SECTOR BALANCE SHEET

As at 30 June **($ million)**

	Notes	2022 budget [(a)]	2022 revised	2023 estimate	2024 estimate	2025 estimate
Assets						
Financial assets						
Cash and deposits		14 899	14 690	14 855	15 089	15 380
Advances paid	4.5.2	4 800	4 840	4 896	6 449	6 463
Receivables and contract assets		6 410	7 191	7 319	7 547	7 849
Investments, loans and placements	4.5.2	2 924	3 541	3 728	3 986	4 243
Investments accounted for using equity method		10	10	10	10	10
Investments in other sector entities	4.6.1	76 802	73 542	74 954	75 866	78 637
Total financial assets		**105 846**	**103 814**	**105 761**	**108 946**	**112 581**
Non-financial assets						
Inventories		588	588	197	200	204
Non-financial assets held for sale		194	194	192	170	142
Land, buildings, infrastructure, plant and equipment	4.4.1	204 051	205 561	220 254	239 497	262 807
Other non-financial assets	4.4.4	3 036	3 298	3 058	2 830	2 600
Total non-financial assets		**207 869**	**209 641**	**223 701**	**242 697**	**265 753**
Total assets	4.4.5	**313 715**	**313 455**	**329 462**	**351 643**	**378 335**
Liabilities						
Deposits held and advances received		1 657	1 843	1 592	1 593	1 603
Payables	4.6.2	19 576	16 017	19 061	19 014	18 354
Contract liabilities	4.6.2	214	214	214	214	214
Borrowings	4.5.1	118 238	125 692	143 006	165 492	187 177
Employee benefits	4.3.1	9 697	9 699	10 016	10 336	10 661
Superannuation	4.6.3	26 439	25 747	24 649	23 546	22 525
Other provisions		1 760	1 760	1 922	2 081	2 254
Total liabilities		**177 580**	**180 972**	**200 460**	**222 275**	**242 788**
Net assets		**136 135**	**132 483**	**129 002**	**129 368**	**135 546**
Accumulated surplus/(deficit)		47 814	40 465	36 144	33 684	32 637
Reserves		88 320	92 018	92 858	95 684	102 909
Net worth		**136 135**	**132 483**	**129 002**	**129 368**	**135 546**
FISCAL AGGREGATES [(b)]						
Net financial worth		(71 735)	(77 158)	(94 699)	(113 329)	(130 207)
Net financial liabilities		148 537	150 700	169 652	189 195	208 844
Net debt		97 272	104 464	121 118	141 561	162 694

The accompanying notes form part of these Estimated Financial Statements.

Notes:

(a) Balances represent actual opening balances at 1 July 2021 plus 2021-22 budgeted movements.

(b) The fiscal aggregates are defined in Note 9.9 of the 2020-21 Financial Report.

ESTIMATED GENERAL GOVERNMENT SECTOR CASH FLOW STATEMENT

For the financial year ended 30 June **($ million)**

	Notes	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Cash flows from operating activities						
Receipts						
Taxes received		28 575	27 620	29 761	30 798	31 978
Grants		36 859	41 124	39 261	39 963	41 350
Sales of goods and services and other receipts [(a)]		12 380	8 413	12 661	9 416	9 731
Interest received		620	601	599	639	671
Dividends, income tax equivalent and rate equivalent receipts		570	574	470	564	640
Total receipts		**79 004**	**78 332**	**82 751**	**81 380**	**84 370**
Payments						
Payments for employees		(31 418)	(32 471)	(32 729)	(33 482)	(34 228)
Superannuation		(3 785)	(3 891)	(3 841)	(3 973)	(3 990)
Interest paid		(2 714)	(2 828)	(3 444)	(4 105)	(4 896)
Grants and subsidies		(17 303)	(24 698)	(15 746)	(15 204)	(14 922)
Goods and services [(a)]		(24 559)	(27 780)	(23 188)	(22 977)	(22 875)
Other payments		(1 273)	(1 330)	(1 353)	(864)	(911)
Total payments		**(81 053)**	**(92 998)**	**(80 301)**	**(80 604)**	**(81 822)**
Net cash flows from operating activities		**(2 049)**	**(14 666)**	**2 450**	**776**	**2 547**
Cash flows from investing activities						
Cash flows from investments in non-financial assets						
Purchases of non-financial assets	4.3.6	(19 833)	(13 566)	(17 338)	(20 269)	(21 500)
Sales of non-financial assets		570	293	654	552	449
Net cash flows from investments in non-financial assets		**(19 263)**	**(13 273)**	**(16 684)**	**(19 716)**	**(21 051)**
Net cash flows from investments in financial assets for policy purposes		570	(286)	(583)	(1 491)	(2 163)
Subtotal		**(18 692)**	**(13 559)**	**(17 267)**	**(21 207)**	**(23 214)**
Net cash flows from investment in financial assets for liquidity management purposes		62	(582)	(200)	(219)	(220)
Net cash flows from investing activities		**(18 630)**	**(14 141)**	**(17 467)**	**(21 426)**	**(23 434)**
Cash flows from financing activities						
Advances received (net)		(1 140)	(947)	(252)	1	10
Net borrowings		22 103	29 836	15 434	20 883	21 168
Deposits received (net)		6	..	..	..	..
Net cash flows from financing activities		**20 969**	**28 889**	**15 182**	**20 884**	**21 178**
Net increase/(decrease) in cash and cash equivalents		**290**	**81**	**165**	**234**	**291**
Cash and cash equivalents at beginning of reporting period [(b)]		14 609	14 609	14 690	14 855	15 089
Cash and cash equivalents at end of reporting period [(b)]		**14 899**	**14 690**	**14 855**	**15 089**	**15 380**

ESTIMATED GENERAL GOVERNMENT SECTOR CASH FLOW STATEMENT *(CONTINUED)*

For the financial year ended 30 June **($ million)**

	Notes	*2021-22 budget*	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
FISCAL AGGREGATES						
Net cash flows from operating activities		(2 049)	(14 666)	2 450	776	2 547
Net cash flows from investments in non-financial assets		(19 263)	(13 273)	(16 684)	(19 716)	(21 051)
Cash surplus/(deficit)		**(21 311)**	**(27 939)**	**(14 234)**	**(18 941)**	**(18 503)**

The accompanying notes form part of these Estimated Financial Statements.

Notes:

(a) Inclusive of goods and services tax.

(b) 2021-22 Budget *figures have been restated to represent actual opening balances at 1 July 2021.*

ESTIMATED GENERAL GOVERNMENT SECTOR STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June **($ million)**

	Accumulated surplus/ (deficit)	*Non-financial assets revaluation surplus*	*Investment in other sector entities revaluation surplus*	*Other reserves*	*Total*
2021-22 budget [(a)]					
Balance at 1 July 2021	58 642	61 017	32 981	1 159	153 799
Net result for the year	(12 094)	..	..	..	(12 094)
Other comprehensive income for the year	1 267	563	(7 403)	3	(5 570)
Total equity as at 30 June 2022	**47 814**	**61 580**	**25 578**	**1 162**	**136 135**
2021-22 revised					
Balance at 1 July 2021	58 642	61 017	32 981	1 159	153 799
Net result for the year	(19 876)	..	..	..	(19 876)
Other comprehensive income for the year	1 699	548	(3 690)	3	(1 440)
Total equity as at 30 June 2022	**40 465**	**61 565**	**29 291**	**1 162**	**132 483**
2022-23 estimate					
Balance at 1 July 2022	40 465	61 565	29 291	1 162	132 483
Net result for the year	(5 718)	..	..	..	(5 718)
Other comprehensive income for the year	1 397	7 035	(6 198)	3	2 237
Total equity as at 30 June 2023	**36 144**	**68 600**	**23 093**	**1 165**	**129 002**
2023-24 estimate					
Balance at 1 July 2023	36 144	68 600	23 093	1 165	129 002
Net result for the year	(3 886)	..	..	..	(3 886)
Other comprehensive income for the year	1 426	6 116	(3 294)	3	4 252
Total equity as at 30 June 2024	**33 684**	**74 716**	**19 800**	**1 168**	**129 368**
2024-25 estimate					
Balance at 1 July 2024	33 684	74 716	19 800	1 168	129 368
Net result for the year	(2 506)	..	..	..	(2 506)
Other comprehensive income for the year	1 459	10 097	(2 875)	3	8 684
Total equity as at 30 June 2025	**32 637**	**84 814**	**16 925**	**1 171**	**135 546**

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) Balances represent actual opening balances at 1 July 2021 plus 2021-22 budgeted movements.

4.1 ABOUT THIS REPORT

Basis of preparation

This note summarises the basis applied in preparing and presenting these Estimated Financial Statements, which includes the budget year and the estimates for the three subsequent years.

The detailed accounting policies applied in preparing the Estimated Financial Statements are consistent with those in the *2020-21 Financial Report* for the State of Victoria as presented to Parliament. The audited 30 June 2021 asset and liability balances, as reported in the *2020-21 Financial Report*, form the basis on which asset and liability balances are projected over the next four years.

The Estimated Financial Statements for the 2021-22 budget year have been prepared in accordance with accounting policies expected to be used in preparing historically oriented general purpose financial statements for that year, and the same accounting policies have been used for the subsequent three years.

The accrual basis of accounting has been applied in preparing the Estimated Financial Statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The Estimated Financial Statements are presented in Australian dollars, which is also the functional currency of the Victorian general government sector.

The Estimated Financial Statements have been prepared in accordance with the historical cost convention. Historical cost is based on the fair value of the consideration given in exchange for assets. Exceptions to the historical cost convention include:

- general government sector investments in other sector entities, which are measured at net asset value
- non-financial physical assets including service concession arrangement assets and right-of-use assets which, subsequent to initial recognition, are measured at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure the carrying amounts do not materially differ from their fair value
- intangible service concession arrangement assets which subsequent to acquisition are measured at a revalued amount being their fair value
- productive trees in commercial native forests, which are measured at their fair value less costs to sell
- derivative financial instruments, managed investment schemes, certain debt securities and investment properties after initial recognition, which are measured at fair value with movements reflected in other economic flows included in the net result
- certain liabilities, most notably unfunded superannuation and insurance claim provisions, which are subject to an actuarial assessment

- financial assets measured at fair value through other comprehensive income, which are measured at fair value with movements reflected in other economic flows – other comprehensive income
- financial assets classified as fair value through profit and loss, which are measured at fair value with movements reflected in other economic flows included in the net result.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. However, the uncertain nature of the COVID-19 pandemic, and the associated impact on economic conditions means these estimates are subject to a higher degree of uncertainty when compared with forecasts prepared in recent years. Given the prospective nature of the Estimated Financial Statements, actual results are likely to differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected.

For assets and liabilities measured at fair value in the estimated balance sheet, the principles under AASB 13 *Fair Value Measurement* have been applied.

As required by AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, the estimated comprehensive operating statement distinguishes between transactions and other economic flows based on the principles in the Government Finance Statistics (GFS) Manual. Transactions are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and the taxpayer. Transactions may be settled in cash or settled in kind (e.g. assets provided/given free of charge or for nominal consideration).

Other economic flows are changes arising from market remeasurements. They include:

- gains and losses from disposals
- revaluations and impairments of non-financial physical and intangible assets
- remeasurement arising from defined benefit superannuation plans
- fair value changes of financial instruments and agricultural assets
- depletion of natural assets (non-produced) from their use or removal.

All amounts in the Estimated Financial Statements have been rounded to the nearest $1 million unless otherwise stated. The Estimated Financial Statements may not add due to rounding.

Reporting entity

The Estimated Financial Statements are prepared for the general government sector, which includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost. The primary function of entities within the general government sector is to provide public services (outputs), which are mainly non-market in nature, for the collective consumption of the community. These services are primarily funded through transferring or redistributing revenue that is collected mainly through taxes and other compulsory levies.

The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity.

Basis for consolidation

The Estimated Financial Statements present the estimated consolidated results and position of all reporting entities in the general government sector that are controlled by the State, consistent with the principles of AASB 1049 and AASB 10 *Consolidated Financial Statements*.

Entities in the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors are not consolidated into the financial statements of the general government sector, but are accounted for as equity investments measured at the Government's proportional share of the carrying amount of net assets of PNFC and PFC sector entities before consolidation eliminations.

Where the carrying amount of a PNFC or PFC entity's net assets before consolidation eliminations is less than zero, the carrying amount is not included in the general government sector. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value and accounted for consistent with AASB 9 *Financial Instruments* and AASB 1049.

Where control of an entity is expected to be obtained during the reporting period, its results are included in the estimated comprehensive operating statement from the date on which control will commence. Where control is expected to cease during a reporting period, the entity's results are included for that part of the period for which control would exist. Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in the Estimated Financial Statements.

All material transactions and balances between entities within the general government sector are eliminated.

Except as stated in Note 4.7.4, the significant entities consolidated within the sector comprise those general government sector entities listed in Note 9.8 of Chapter 4 of the *2020-21 Financial Report* for the State of Victoria.

Compliance

These Estimated Financial Statements have been prepared in accordance with Sections 23L-23N of the *Financial Management Act 1994*, having regard to Australian Accounting Standards (AAS), which include Interpretations issued by the Australian Accounting Standards Board (AASB).

The Estimated Financial Statements are presented in a manner consistent with the principles of AASB 1049 and other relevant AASs. However, the prospective nature of these Estimated Financial Statements means that some AAS disclosures are neither relevant nor practical and have been omitted. Where applicable, those AAS paragraphs relevant to not-for-profit entities have been applied. Because AAS do not prescribe requirements for preparing and presenting prospective financial statements, the Estimated Financial Statements have been prepared having regard to the principles set out in New Zealand Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements*.

The GFS information included in this report is based on the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 Cat. No. 5514.0* (ABS GFS).

The information presented in the Estimated Financial Statements takes into account all policy decisions made by the Victorian Government, as well as known Commonwealth Government funding revisions and circumstances that may have a material effect on the Estimated Financial Statements as at 26 November 2021.

Material economic assumptions

The Estimated Financial Statements have been prepared using the material economic assumptions listed below.

Key economic assumptions [(a)]

	2020-21 actual	2021-22 forecast	2022-23 forecast	2023-24 projection	2024-25 projection
					($ billion)
Nominal gross state product	474.2	495.1	526.5	553.0	582.5
					(percentage change)
Real gross state product	(0.4)	2.25	4.50	2.75	2.75
Employment	(1.1)	2.50	1.50	1.50	1.75
Unemployment rate [(b)]	6.2	4.50	4.50	5.00	5.00
Consumer price index [(c)]	1.4	2.00	1.75	2.25	2.50
Wage price index [(d)]	1.4	2.25	2.50	2.75	3.00
Population [(e)]	(0.7) [(f)]	0.20	1.20	1.70	1.70

Notes:

(a) Percentage change in year average terms compared with previous year, except for the unemployment rate (see note (b)) and population (see note (e)). Forecasts are rounded to the nearest 0.25 percentage points, except for population (see note (e)). The key assumptions underlying the economic forecasts include: interest rates that broadly follow market economists' expectations; an Australian dollar trade-weighted index of 61.2; and oil prices that follow the path suggested by oil futures.

(b) Year average.

(c) Melbourne consumer price index.

(d) Wage price index, Victoria (based on total hourly rates of pay, excluding bonuses).

(e) Percentage change over the year to 30 June. Forecasts are rounded to the nearest 0.1 percentage point.

(f) Estimate, actual not yet available.

4.2 HOW FUNDS ARE RAISED

Introduction

This section presents the sources and amounts of revenue and income forecast for the general government sector.

The income and revenue recognition are determined by the State based on the substance of the relevant arrangement in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.

Structure

4.2.1 Taxation ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Taxes on employers' payroll and labour force					
Payroll tax [(a)]	6 138	6 130	6 715	7 305	7 655
Mental Health and Wellbeing Levy [(b)]	387	319	788	824	869
Total taxes on employers' payroll and labour force	**6 525**	**6 450**	**7 503**	**8 129**	**8 525**
Taxes on immovable property					
Land tax	4 233	4 288	4 598	4 917	5 313
Fire Services Property Levy [(c)]	770	745	798	805	807
Congestion levy	106	103	103	103	104
Metropolitan improvement levy	206	206	215	223	223
Windfall gains tax	..	..	..	36	55
Total taxes on property	**5 315**	**5 343**	**5 713**	**6 084**	**6 501**
Gambling taxes					
Public lotteries [(d)]	584	599	624	640	658
Electronic gaming machines [(d)]	1 158	788	1 203	1 262	1 288
Casino [(d)]	232	143	248	256	264
Racing and other sports betting [(d)(e)]	272	265	274	280	286
Other [(d)]	11	11	15	16	17
Financial and capital transactions					
Land transfer duty	6 710	7 660	7 739	7 863	8 119
Metropolitan planning levy	21	19	20	21	22
Financial accommodation levy	165	171	184	196	204
Growth areas infrastructure contributions	288	240	295	364	383
Levies on statutory corporations [(f)]	**173**	**173**	**173**	**173**	**..**
Taxes on insurance	**1 626**	**1 661**	**1 761**	**1 876**	**2 000**
Total taxes on the provision of goods and services	**11 238**	**11 729**	**12 537**	**12 947**	**13 241**
Motor vehicle taxes					
Vehicle registration fees	1 931	1 932	2 017	2 104	2 197
Duty on vehicle registrations and transfers	979	979	1 025	1 072	1 121
Liquor licence fees	**23**	**24**	**25**	**26**	**27**
Other	**564**	**547**	**654**	**667**	**677**
Total taxes on the use of goods and performance of activities	**3 498**	**3 482**	**3 721**	**3 869**	**4 022**
Total taxation revenue	**26 577**	**27 004**	**29 474**	**31 029**	**32 289**

Notes:

(a) *Payroll tax estimates incorporate the impact of the New jobs tax credit and other payroll tax initiatives introduced in the* 2020-21 Budget *to support businesses and communities.*

(b) *The Mental Health and Wellbeing Levy will begin from 1 January 2022 and will be implemented as a payroll tax surcharge on wages paid in Victoria by businesses with national payrolls over $10 million a year.*

(c) *The 2021-22 revenue estimate includes the return of $9 million of estimated overcollection in 2020-21 compared with the target revenue that was frozen at 2019-20 levels.*

(d) *The public lotteries, electronic gaming machines, casino, racing and other sports betting and other gambling taxes balances include gambling licence revenue forecasts of $158 million in 2021-22, $175 million in 2022-23, $191 million in 2023-24 and $191 million in 2024-25, recognised under AASB 15* Revenue from Contracts with Customers*. The balance of these items is recognised under AASB 1058* Income of Not-for-Profit Entities*.*

(e) *Wagering and betting tax increased from 8 per cent to 10 per cent of net wagering revenue from 1 July 2021.*

(f) *The fifth tranche of the environmental contribution levy began on 1 July 2020 for a period of four years concluding on 30 June 2024.*

4.2.2 Dividends, income tax equivalent and rate equivalent income ($ million)

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Dividends from PFC sector	131	137	60	67	79
Dividends from PNFC sector	72	105	73	132	165
Dividends from non-public sector	121	121	131	139	147
Dividends	**323**	**363**	**264**	**338**	**391**
Income tax equivalent income from PFC sector	6	6	8	10	10
Income tax equivalent income from PNFC sector	239	206	198	216	239
Income tax equivalent income	**245**	**211**	**206**	**226**	**249**
Local government rate equivalent income	7	5	5	5	5
Total dividends, income tax equivalent and rate equivalent income	**575**	**579**	**475**	**569**	**645**

Dividends by entity [(a)] ($ million)

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Public financial corporations					
Victorian Managed Insurance Authority	..	..	..	..	..
Transport Accident Commission	..	..	..	..	..
Treasury Corporation of Victoria	125	132	52	61	70
State Trustees Ltd	1	1	1	1	1
Victorian Funds Management Corporation	5	5	8	6	9
WorkSafe Victoria	..	..	..	..	..
Dividends from PFC sector	**131**	**137**	**60**	**67**	**79**
Public non-financial corporations					
Greater Western Water Corporation	10	6	15	47	61
Melbourne Water Corporation	10	7	..	..	..
South East Water Corporation	26	37	25	23	24
Yarra Valley Water Corporation	16	38	23	19	29
Development Victoria	10	16	10	43	51
Dividends from PNFC sector	**72**	**105**	**73**	**132**	**165**

Note:

(a) Amounts equivalent to dividends to be paid by the Transport Accident Commission and the Victorian Managed Insurance Authority are received and reported as contributions forming part of grant revenue, consistent with the requirements of AASB 1023 General Insurance Contracts*. The amounts, subject to annual review, that are forecast to be paid are $400 million in each of 2021-22 and 2022-23 and $775 million in each of 2023-24 and 2024-25 for the Transport Accident Commission and $50 million in each of 2021-22 and 2022-23 and $25 million in each of 2023-24 and 2024-25 for the Victorian Managed Insurance Authority. These payments from the insurance agencies are contributions to the Delivering for all Victorians Infrastructure Fund, delivering the commitment in* Labor's Financial Statement 2018.

4.2.3 Sales of goods and services ($ million)

	2021-22 *budget*	2021-22 *revised*	2022-23 *estimate*	2023-24 *estimate*	2024-25 *estimate*
Revenue items accounted for under AASB 15					
Sale of goods	95	90	93	95	96
Provision of services	5 168	4 799	5 177	5 298	5 519
Income accounted for under AASB 1058					
Motor vehicle regulatory fees	306	317	318	322	320
Other regulatory fees	731	625	780	796	667
Refunds and reimbursements	14	..	..	..	..
Lease income accounted for under AASB 16					
Rental	91	92	93	95	97
Total sales of goods and services	**6 405**	**5 923**	**6 462**	**6 605**	**6 699**

4.2.4 Grants [(a)] ($ million)

	2021-22 *budget*	2021-22 *revised*	2022-23 *estimate*	2023-24 *estimate*	2024-25 *estimate*
General purpose grants	17 391	17 655	18 714	18 928	19 952
Specific purpose grants for on-passing	4 838	4 500	5 072	5 298	5 485
Specific purposes grants	13 772	17 545	14 721	14 778	15 050
Total	**36 001**	**39 700**	**38 507**	**39 004**	**40 487**
Other contributions and grants	777	757	707	973	865
Total grants	**36 778**	**40 457**	**39 214**	**39 977**	**41 351**

Note:

(a) *Grants predominantly relate to grants from the Commonwealth Government which are recognised under AASB 1058* Income of Not-for-Profit Entities*.*

4.2.5 Other revenue and income ($ million)

	2021-22 *budget*	2021-22 *revised*	2022-23 *estimate*	2023-24 *estimate*	2024-25 *estimate*
Revenue items accounted for under AASB 15					
Royalties	140	140	140	142	144
Other revenue – Health	242	242	248	254	261
Other miscellaneous revenue	558	604	656	585	706
Income accounted for under AASB 1058					
Fair value of assets received free of charge or for nominal consideration (a)	709	701	429	155	2
Fines	972	823	1 000	1 016	1 040
Donations and gifts	220	234	209	214	223
Other income – Education	403	290	424	435	446
Lease income accounted for under AASB 16					
Other non-property rental	32	28	29	29	29
Revenue items accounted for under AASB 1059					
Revenue related to economic service concession arrangements	330	288	374	378	557
Total other revenue and income	**3 605**	**3 350**	**3 508**	**3 209**	**3 408**

Note:

(a) The profile of the Fair value of assets received free of charge or for nominal consideration includes Cross Yarra Partnership Consortium's contribution to additional costs borne by the operator as part of the Metro Tunnel settlement.

4.3 HOW FUNDS ARE SPENT

Introduction

This section accounts for the major components of expenditure incurred by the State towards the delivery of services and on capital or infrastructure projects during the year.

Structure

4.3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses and employee benefits are forecast on the basis of staffing profiles and current salaries, conditions and on-costs. For the forecast period, employee expenses and employee benefits include the expected financial impact of employing more staff to increase service delivery and approved wage outcomes in line with wages policy. Forecast employee expenses also reflect the estimated impact of budget decisions, which either increase or reduce employee expenses. The majority of employee expenses in the operating statement are salaries and wages.

Employee benefits (balance sheet) **($ million)**

	2022 budget	*2022 revised*	*2023 estimate*	*2024 estimate*	*2025 estimate*
Current					
Accrued salaries and wages	612	612	627	642	657
Other employee benefits	104	104	104	104	105
Annual leave	2 433	2 433	2 468	2 502	2 536
Long service leave	5 264	5 264	5 409	5 554	5 699
Total current employee benefits and on-costs	**8 413**	**8 413**	**8 608**	**8 803**	**8 997**
Non-current					
Long service leave	1 283	1 286	1 408	1 533	1 664
Total non-current employee benefits and on-costs	**1 283**	**1 286**	**1 408**	**1 533**	**1 664**
Total employee benefits	**9 697**	**9 699**	**10 016**	**10 336**	**10 661**

4.3.2 Superannuation expense

Superannuation expense recognised in the operating statement **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Defined benefit plans					
Net superannuation interest expense	565	481	450	431	414
Current service cost	1 489	1 349	1 443	1 560	1 661
Remeasurements:					
Expected return on superannuation assets excluding interest income	(1 241)	(1 313)	(1 371)	(1 394)	(1 420)
Other actuarial (gain)/loss on superannuation assets	..	(5)	..	..	..
Actuarial and other adjustments to unfunded superannuation liability	..	(372)	..	..	..
Total expense recognised in respect of defined benefit plans	**813**	**140**	**522**	**598**	**655**
Defined contribution plans					
Employer contributions to defined contribution plans	2 117	2 204	2 152	2 202	2 247
Other (including pensions)	76	76	69	69	69
Total expense recognised in respect of defined contribution plans	**2 193**	**2 280**	**2 221**	**2 272**	**2 316**
Total superannuation (gain)/expense recognised in operating statement	**3 007**	**2 420**	**2 744**	**2 869**	**2 970**
Represented by:					
Net superannuation interest expense	565	481	450	431	414
Other superannuation	3 682	3 629	3 664	3 832	3 977
Superannuation expense from transactions	**4 247**	**4 110**	**4 114**	**4 263**	**4 391**
Remeasurements recognised in other comprehensive income	**(1 241)**	**(1 690)**	**(1 371)**	**(1 394)**	**(1 420)**
Total superannuation expense recognised in operating statement	**3 007**	**2 420**	**2 744**	**2 869**	**2 970**

The accounting policies relating to superannuation expenses and liabilities are consistent with the *2021-22 Budget*. However, the forecast assumptions have been revised for each relevant defined benefit superannuation scheme as in the following table.

Superannuation assumptions **(per cent)**

Underlying assumptions for all listed schemes [a]	
Discount rate [b]	1.8
Wages growth [c]	3.2
Inflation rate [d]	1.7
Expected return on assets [e]	
Emergency Services and State Super	7.6
Health Super Fund Defined Benefit Scheme	4.8
Constitutionally protected schemes [f]	n.a.

Notes:

(a) All rates are nominal annual rates and are applicable to all the listed schemes.

(b) The discount rate is based on a long-term fixed interest Commonwealth bond rate. The rate stated above is an annual effective rate, gross of tax.

(c) Based on the historical relationship between price and wage inflation, wages growth is assumed to be 1.5 per cent higher than price inflation.

(d) The superannuation assumptions are determined in accordance with AASB 119 Employee Benefits*, which requires that the discount rate be based on Commonwealth bond yields. To ensure consistency with the market-based discount rate, the inflation rate assumed by the actuary reflects market expectations of price inflation, as implied by the relationship between the yields on nominal and inflation-linked Commonwealth bonds. Therefore, these assumptions differ from the key economic assumptions in Note 1.1, which reflect the expected change in consumer prices in Melbourne and movements in wages and salaries in the Victorian labour market.*

(e) The expected return on assets stated is gross of tax. Estimated tax payments are explicitly allowed for in the calculation process.

(f) Pensions payable from constitutionally protected schemes are paid from the Consolidated Fund. These schemes hold no assets, so there is no expected return on assets.

4.3.3 Grant expense ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Current grant expense					
Commonwealth Government	2 928	2 953	3 212	3 313	3 397
Local government (including grants for on-passing)	983	821	859	830	826
Private sector and not-for-profit for on-passing	4 146	4 125	4 360	4 565	4 739
Other private sector and not-for-profit [(a)]	4 993	12 896	4 679	4 141	3 877
Grants within the Victorian Government	3 664	3 040	2 218	2 034	1 793
Grants to other state governments	76	78	73	73	74
Total current grant expense	**16 791**	**23 913**	**15 401**	**14 957**	**14 707**
Capital grant expense					
Local government (including grants for on-passing)	147	160	133	120	115
Private sector and not-for-profit on-passing	358	371	190	102	93
Other private sector and not-for-profit	4	13	18	23	4
Grants within the Victorian Government	1	1	..	..	..
Total capital grant expense	**510**	**545**	**342**	**246**	**212**
Total grant expense	**17 301**	**24 457**	**15 744**	**15 202**	**14 919**

Note:

(a) The increase in other private sector and not-for-profit grant expense in 2021-22 reflects the support provided to businesses as part of the Government's COVID-19 pandemic response.

4.3.4 Other operating expenses ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Purchase of supplies and consumables [(a)]	8 667	10 396	8 041	7 461	7 332
Cost of goods sold	34	35	35	35	35
Finance expenses and fees	44	42	46	46	46
Purchase of services [(a)]	14 285	15 558	13 399	13 368	13 396
Insurance claims expense	312	350	318	321	323
Maintenance	1 123	1 137	1 108	1 119	1 130
Short-term and low value lease expense	102	103	104	105	106
Other	909	960	840	875	919
Total other operating expenses	**25 477**	**28 581**	**23 891**	**23 330**	**23 288**

Note:

(a) The following two tables break down the purchase of supplies and consumables and the purchase of services.

Purchase of supplies and consumables ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Medicinal pharmacy and medical supplies	2 178	2 621	2 223	1 861	1 897
Office supplies and consumables	224	198	203	199	201
Specialised operational supplies and consumables	185	174	150	142	136
Other purchase of supplies and consumables	6 081	7 403	5 465	5 259	5 098
Total purchase of supplies and consumables	**8 667**	**10 396**	**8 041**	**7 461**	**7 332**

Purchase of services ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Service contracts	8 155	9 092	8 273	8 370	8 463
Accommodation/occupancy	835	866	806	797	810
Medical and client care services	457	466	440	448	457
Staff related expenses (non-labour related)	362	356	330	327	306
Other purchase of services	4 476	4 778	3 550	3 426	3 360
Total purchase of services	**14 285**	**15 558**	**13 399**	**13 368**	**13 396**

4.3.5 Total expenses by classification of the functions of government and by portfolio department

Expenses by classification of the functions of government **($ million)**

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
General public services	5 874	5 897	6 354	6 961	7 785
Public order and safety	10 143	11 699	10 032	9 914	9 953
Economic affairs [(a)]	3 052	11 577	2 581	1 871	1 524
Environmental protection	1 481	1 748	1 092	798	712
Housing and community amenities	2 369	2 270	2 181	1 969	1 692
Health	26 472	28 878	25 555	26 247	27 456
Recreation, culture and religion	1 524	1 376	992	700	597
Education	19 932	19 834	20 086	21 442	22 169
Social protection	9 245	8 776	8 089	7 970	7 825
Transport	7 236	7 561	6 728	6 504	6 584
Not allocated by purpose [(b)]	(1 127)	(2 146)	1 337	1 117	887
Total expenses by COFOG	**86 200**	**97 470**	**85 026**	**85 491**	**87 185**

Notes:

(a) The increase in the economic affairs expense from transactions in 2021-22 reflects the support provided to businesses as part of the Government's COVID-19 pandemic response.

(b) Mainly comprises the provision for future demand growth, departmental underspending, eliminated purchases of supplies and consumables between government entities, and items not yet formalised at the time of publication.

Total expenses by portfolio department **($ million)**

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Education and Training	20 120	19 965	20 027	20 318	20 825
Environment, Land, Water and Planning	3 564	3 986	3 090	2 672	2 344
Families, Fairness and Housing	7 589	7 823	7 322	7 257	7 353
Health	25 250	27 174	24 585	24 449	24 779
Jobs, Precincts and Regions [(a)]	3 458	11 473	2 733	2 152	2 029
Justice and Community Safety	8 748	9 179	8 680	8 522	8 504
Premier and Cabinet	713	903	712	524	542
Treasury and Finance	9 987	9 921	9 885	10 792	11 736
Transport	6 894	7 158	6 435	6 316	6 410
Parliament	340	341	334	334	339
Courts	819	862	834	823	830
Regulatory bodies and other part funded agencies [(b)]	3 099	3 293	3 088	2 866	2 744
Output contingencies not allocated to departments [(c)]	7 134	6 573	6 735	8 145	8 946
Total expenses by department	**97 716**	**108 653**	**94 461**	**95 169**	**97 380**
Less eliminations and adjustments [(d)]	*(11 516)*	*(11 183)*	*(9 436)*	*(9 678)*	*(10 195)*
Total expenses	**86 200**	**97 470**	**85 026**	**85 491**	**87 185**

Notes:

(a) The increase in the Department of Jobs, Precincts and Regions total expenses in 2021-22 reflects the support provided to businesses as part of the Government's COVID-19 pandemic response.

(b) Other general government sector agencies not allocated to departmental portfolios.

(c) The following table provides a breakdown of the general government output contingencies not allocated to departments.

(d) Mainly payroll tax, departmental underspend estimates and inter-departmental transfers.

General government output contingencies not allocated to departments **($ million)**

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Decisions made but not yet allocated [(a)]	7 034	6 473	6 385	7 445	7 846
Funding not allocated to specific purposes [(b)]	100	100	350	700	1 100
Total general government output contingencies	**7 134**	**6 573**	**6 735**	**8 145**	**8 946**

Notes:

(a) Reflects existing government policy decisions for which funding has yet to be allocated to departments; and provisions not yet allocated to meet additional price and demand growth for health, disability, and education.

(b) An unallocated provision available to contribute to future government policy decisions and commitments.

4.3.6 Purchases of non-financial assets by classification of the functions of government and by portfolio department

Purchases of non-financial assets by classification of the functions of government ($ million)

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
General public services	213	236	60	46	41
Public order and safety	1 983	2 742	1 036	477	247
Economic affairs	232	280	229	191	73
Environmental protection	173	174	127	67	46
Housing and community amenities	223	61	4	51	24
Health	2 135	2 133	1 544	1 305	532
Recreation, culture and religion	158	154	218	150	269
Education	2 311	2 448	2 112	1 093	385
Social protection	1 788	756	788	621	258
Transport	13 875	13 033	15 330	15 423	13 398
Not allocated by purpose [(a)]	(3 259)	(8 451)	(4 110)	845	6 227
Total purchases of non-financial assets	**19 833**	**13 566**	**17 338**	**20 269**	**21 500**

Note:
(a) Estimated amount available to be allocated to departments and projects in future budgets, including major capital investment. It also includes estimated underspends, which may be subject to carryover.

Purchases of non-financial assets by portfolio department ($ million)

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Education and Training	2 324	2 358	2 047	945	335
Environment, Land, Water and Planning	216	280	258	156	95
Families, Fairness and Housing	96	109	54	53	51
Health	1 721	1 918	820	494	178
Jobs, Precincts and Regions	96	87	123	119	42
Justice and Community Safety	1 443	1 541	569	103	100
Premier and Cabinet	30	45	20	19	19
Transport	7 969	10 788	6 112	4 096	2 011
Treasury and Finance	178	178	32	25	21
Parliament	17	29	11	3	3
Courts	221	628	73	16	10
Regulatory bodies and other part funded agencies [(a)]	226	225	143	127	111
Asset contingencies not allocated to departments [(b)]	9 138	3 728	10 973	13 873	13 167
Adjustments [(c)]	(3 842)	(8 349)	(3 898)	239	5 358
Total purchases of non-financial assets	**19 833**	**13 566**	**17 338**	**20 269**	**21 500**

Notes:
(a) Other general government sector agencies not allocated to departmental portfolios.
(b) The following table provides a breakdown of the general government sector asset contingencies not allocated to departments.
(c) Mainly comprises estimated departmental underspend, which may be subject to carryover, and estimated underspends by other regulatory bodies and other part-funded agencies.

General government asset contingencies not allocated to departments **($ million)**

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Decisions made but not yet allocated [(a)(b)]	9 588	4 155	11 311	15 454	14 393
Funding not allocated to specific purposes [(c)]	..	..	250	600	900
Total general government asset contingencies	**9 588**	**4 155**	**11 561**	**16 054**	**15 293**

Notes:
(a) A provision to account for asset policy decisions for which the funding has yet to be allocated to departments.
(b) Asset contingencies include equity contributions to other sectors for capital projects which are included as part of net cash flows from investments in financial assets for policy purposes, rather than purchases of non-financial assets, on the cash flow statement.
(c) An unallocated provision available for future government asset investment decisions.

4.3.7 Net acquisition of non-financial assets from transactions ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Purchases of non-financial assets (including change in inventories)	19 513	13 247	16 946	20 273	21 504
Less: Sales of non-financial assets	(570)	(293)	(654)	(552)	(449)
Less: Depreciation and amortisation	(4 399)	(4 367)	(4 481)	(4 531)	(4 923)
Less: Other movements in non-financial assets [(a)(b)]	(7 101)	417	(4 717)	(2 498)	(2 959)
Total net acquisition of non-financial assets from transactions	**7 442**	**9 004**	**7 095**	**12 691**	**13 172**

Notes:
(a) Other movements in non-financial assets includes transferring fixed assets to other sectors of government, recognising the right-of-use assets under lease arrangements, and recognising service concession arrangements, including from public private partnerships.
(b) The public private partnerships across the budget and forward estimates relate to the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, Frankston Hospital Redevelopment, the Western Roads Upgrade, and the West Gate Tunnel Project.

4.4 MAJOR ASSETS AND INVESTMENTS

Introduction

This section outlines the major assets that the general government sector controls reflecting investing activities in the prior, current, and future years.

Structure

4.4.1 Total land, buildings, infrastructure, plant and equipment [(a)] ($ million)

	2022 budget	*2022 revised*	*2023 estimate*	*2024 estimate*	*2025 estimate*
Buildings	49 077	47 683	50 072	52 198	56 209
Land and national parks	77 609	78 034	79 002	84 192	88 036
Infrastructure systems	17 476	20 518	24 796	29 849	33 980
Plant, equipment and vehicles	4 748	5 385	5 467	5 385	4 957
Roads and road infrastructure	38 597	37 392	44 568	51 593	62 616
Earthworks	10 001	10 001	9 804	9 719	9 826
Cultural assets	6 543	6 548	6 545	6 561	7 182
Total land, buildings, infrastructure, plant and equipment	**204 051**	**205 561**	**220 254**	**239 497**	**262 807**

Note:
(a) The balances for each class of assets includes those related to service concession arrangement assets and right-of-use assets.

The following two tables are subsets of total land, buildings, infrastructure, plant and equipment by right-of-use (leased) assets and service concession assets.

Total right-of-use (leased) assets: land, buildings, infrastructure, plant and equipment

($ million)

	2022 budget	*2022 revised*	*2023 estimate*	*2024 estimate*	*2025 estimate*
Buildings	7 675	8 079	7 538	7 007	6 443
Infrastructure systems	2	2	3	3	4
Plant, equipment and vehicles	464	463	378	292	208
Total right-of-use assets: land, buildings, infrastructure, plant and equipment	**8 141**	**8 544**	**7 918**	**7 302**	**6 655**

Total service concession assets: land, buildings, infrastructure, plant and equipment

($ million)

	2022 budget	*2022 revised*	*2023 estimate*	*2024 estimate*	*2025 estimate*
Buildings	1 963	1 963	1 911	1 860	1 809
Land	2 876	2 876	2 876	2 876	3 177
Infrastructure systems	7 627	7 673	9 248	9 984	10 071
Plant, equipment and vehicles	1 013	1 124	1 351	1 571	1 598
Roads and road infrastructure	12 538	12 551	13 651	14 522	15 092
Earthworks	924	924	924	924	999
Total service concession assets: land, buildings, infrastructure, plant and equipment	**26 018**	**26 188**	**29 038**	**30 814**	**31 747**

4.4.2 Depreciation ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Buildings [(a)]	2 245	2 216	2 316	2 360	2 532
Infrastructure systems	52	51	53	53	59
Plant, equipment and vehicles [(a)]	852	855	853	848	850
Roads and road networks [(a)]	970	968	983	995	1 205
Cultural assets	20	15	16	16	16
Intangible produced assets [(b)]	260	261	260	258	261
Total depreciation	**4 399**	**4 367**	**4 481**	**4 531**	**4 923**

Notes:
(a) Includes estimated depreciation on amounts not yet allocated to projects in 2021-22 to 2024-25.
(b) Amortisation of intangible non-produced assets is included under other gains/(losses) from other economic flows.

The following two tables are subsets of total depreciation expense.

Depreciation of right-of-use (leased) assets ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Buildings	658	696	692	654	707
Plant, equipment and vehicles	120	128	123	123	122
Total depreciation of right-of-use assets	**777**	**824**	**815**	**777**	**829**

Depreciation of service concession assets ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Buildings	47	47	47	47	47
Plant, equipment and vehicles	28	28	28	28	28
Roads and road infrastructure	201	201	199	178	316
Intangible produced assets	1	1	1	1	1
Total depreciation of service concession assets	**278**	**278**	**276**	**255**	**393**

4.4.3 Reconciliation of movements in land, buildings, infrastructure, plant and equipment [(a)] ($ million)

	2022 budget	2022 revised	2023 estimate	2024 estimate	2025 estimate
Carrying amount at the start of the year	195 592	195 592	205 561	220 254	239 497
Additions of self-owned assets [(b)]	20 031	13 259	17 349	20 917	21 666
Additions of right-of-use assets	240	293	155	135	157
Additions of service concession arrangement assets	2 182	2 602	2 084	1 239	12
Disposals at written down value	(522)	(183)	(523)	(457)	(379)
Revaluations	563	548	7 035	6 116	10 097
Asset transfers [(c)]	(9 896)	(2 444)	(7 185)	(4 433)	(3 581)
Depreciation expense	(4 139)	(4 106)	(4 221)	(4 273)	(4 662)
Carrying amount at the end of the year	**204 051**	**205 561**	**220 254**	**239 497**	**262 807**

Notes:

(a) The reconciliation of movements comprises land and buildings, infrastructure systems, plant, equipment, vehicles, roads, roads infrastructure and cultural assets, right-of-use (leased) assets, service concession assets, and excludes intangible assets, investment properties and other non-financial assets.

(b) Represents additions of assets recognised under AASB 116 Property, Plant and Equipment*.*

(c) Represents the transfer of assets to / from the public non-financial corporations sector.

4.4.4 Other non-financial assets ($ million)

	2022 budget	2022 revised	2023 estimate	2024 estimate	2025 estimate
Intangible produced assets	2 964	3 006	3 034	3 057	3 084
Accumulated depreciation	(1 643)	(1 645)	(1 890)	(2 137)	(2 387)
Service concession assets – intangible produced	485	485	485	485	485
Accumulated depreciation	(1)	(1)	(3)	(4)	(6)
Intangible non-produced assets	115	116	117	118	119
Accumulated amortisation	(57)	(57)	(61)	(66)	(70)
Total intangibles	**1 862**	**1 904**	**1 682**	**1 453**	**1 224**
Investment properties	302	302	284	284	284
Biological assets	4	4	5	7	8
Other assets	868	1 088	1 087	1 085	1 084
Total other non-financial assets	**3 036**	**3 298**	**3 058**	**2 830**	**2 600**

4.4.5 Total assets by classification of the functions of government ($ million)

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
General public services	4 172	4 192	3 874	3 564	3 218
Public order and safety	15 021	15 781	16 106	15 891	16 842
Economic affairs	1 519	1 510	1 596	1 659	2 721
Environmental protection	14 375	14 379	14 437	14 436	14 414
Housing and community amenities	2 403	2 232	2 182	2 499	4 328
Health	21 637	21 494	21 199	22 272	21 623
Recreation, culture and religion	8 816	8 812	8 954	9 028	9 219
Education	33 837	33 975	37 991	38 404	38 098
Social protection	2 894	2 978	3 866	4 111	4 355
Transport	107 302	113 204	126 895	143 773	158 073
Not allocated by purpose (a)	101 742	94 898	92 363	96 006	105 445
Total assets by COFOG	**313 715**	**313 455**	**329 462**	**351 643**	**378 335**

Note:

(a) Represents financial assets which are not able to be allocated by purpose. This mainly includes balances relating to the general government sector's investment in other sector entities.

4.5 FINANCING STATE OPERATIONS

Introduction

State operations are financed through a variety of means, including a combination of surplus cash flows from operating activities, asset recycling, advances and borrowings.

This section provides information on the balances related to the financing of the general government sector's operations.

Structure

4.5.1 Borrowings ($ million)

	2022 budget	*2022 revised*	*2023 estimate*	*2024 estimate*	*2025 estimate*
Current borrowings					
Domestic borrowings	11 123	11 114	11 214	11 312	11 417
Lease liabilities	547	543	454	366	269
Service concession arrangement liabilities	1 455	725	2 087	617	366
Derivative financial instruments	4	4	17	30	43
Total current borrowings	**13 130**	**12 387**	**13 773**	**12 325**	**12 096**
Non-current borrowings					
Domestic borrowings	92 569	99 793	117 322	141 471	164 006
Lease liabilities	6 741	7 191	6 742	6 300	5 831
Service concession arrangement liabilities	5 320	5 843	4 688	4 889	4 740
Derivative financial instruments	478	478	481	506	504
Total non-current borrowings	**105 108**	**113 305**	**129 233**	**153 166**	**175 081**
Total borrowings	**118 238**	**125 692**	**143 006**	**165 492**	**187 177**

4.5.2 Advances paid and investments, loans and placements ($ million)

	2022 budget	2022 revised	2023 estimate	2024 estimate	2025 estimate
Current advances paid and investments, loans and placements					
Loans and advances paid	461	414	353	311	300
Equities and managed investment schemes	929	929	954	992	1 008
Australian dollar term deposits	71	75	85	100	119
Debt securities	1	1	1	1	1
Derivative financial instruments	82	53	16	29	42
Total current advances paid and investments, loans and placements	**1 543**	**1 472**	**1 409**	**1 432**	**1 470**
Non-current advances paid and investments, loans and placements					
Loans and advances paid	4 339	4 425	4 542	6 138	6 162
Equities and managed investment schemes	1 792	2 433	2 622	2 814	3 022
Australian dollar term deposits	25	25	25	25	25
Debt securities	25	25	25	25	25
Total non-current advances paid and investments, loans and placements	**6 181**	**6 909**	**7 215**	**9 003**	**9 235**
Total advances paid and investments, loans and placements	**7 724**	**8 381**	**8 624**	**10 435**	**10 706**
Represented by:					
Advances paid	4 800	4 840	4 896	6 449	6 463
Investments, loans and placements	2 924	3 541	3 728	3 986	4 243

4.5.3 Interest expense ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Interest on interest-bearing liabilities	2 123	2 223	2 867	3 570	4 358
Finance charges on lease liabilities	430	421	393	372	365
Finance charges on service concession liabilities	464	498	465	404	373
Discount interest on payables	34	34	32	30	27
Total interest expense	**3 051**	**3 176**	**3 757**	**4 376**	**5 123**

4.6 OTHER ASSETS AND LIABILITIES

Introduction

This section sets out other assets and liabilities that arise from the general government's operations.

Structure

4.6.1 Investments in other sector entities ($ million)

	2022 *budget*	2022 *revised*	2023 *estimate*	2024 *estimate*	2025 *estimate*
Balance of investment in PNFC and PFC sectors at beginning of period	73 125	73 125	73 542	74 954	75 866
Net contributions to other sectors by owner	11 080	4 107	7 609	4 206	5 646
Revaluation gain/(loss) for period	(7 403)	(3 690)	(6 198)	(3 294)	(2 875)
Investment in other sector entities at end of period	**76 802**	**73 542**	**74 954**	**75 866**	**78 637**

4.6.2 Payables ($ million)

	2022 *budget*	2022 *revised*	2023 *estimate*	2024 *estimate*	2025 *estimate*
Contractual					
Accounts payable	898	916	919	924	930
Accrued expenses	4 593	4 353	4 063	4 054	4 044
Contract liabilities	214	214	214	214	214
Unearned income and grant of a right to the operator liability	13 732	10 394	13 796	13 825	13 240
Statutory					
Accrued taxes payable	47	47	47	48	48
Unearned income	306	306	235	163	91
Total payables and contract liabilities	**19 789**	**16 231**	**19 275**	**19 228**	**18 568**
Represented by:					
Current payables and contract liabilities	6 656	6 364	6 084	6 016	5 954
Non-current payables and contract liabilities	13 133	9 867	13 191	13 212	12 614

4.6.3 Superannuation

Reconciliation of the superannuation liabilities **($ million)**

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Emergency Services and State Super					
Defined benefit obligation	48 426	48 037	47 532	47 121	46 796
Tax liability [(a)]	2 198	1 909	1 790	1 657	1 527
Plan assets	(25 770)	(25 648)	(26 168)	(26 788)	(27 409)
Net liability/(asset)	**24 854**	**24 298**	**23 154**	**21 990**	**20 914**
Other funds [(b)]					
Defined benefit obligation	2 449	2 363	2 378	2 411	2 437
Plan assets	(865)	(915)	(883)	(856)	(826)
Net liability/(asset)	**1 584**	**1 448**	**1 496**	**1 555**	**1 611**
Total superannuation					
Defined benefit obligation	50 875	50 400	49 910	49 533	49 233
Tax liability [(a)]	2 198	1 909	1 790	1 657	1 527
Plan assets	(26 635)	(26 563)	(27 050)	(27 644)	(28 235)
Superannuation liability	**26 439**	**25 747**	**24 649**	**23 546**	**22 525**
Represented by:					
Current liability	1 007	1 007	1 079	1 042	1 068
Non-current liability	25 431	24 739	23 570	22 504	21 458
Total superannuation liability	**26 439**	**25 747**	**24 649**	**23 546**	**22 525**

Notes:
(a) Tax liability is the present value of tax payments on contributions that are expected to be required to fund accrued benefits.
(b) Other funds include constitutionally protected schemes and the State's share of liabilities of the Defined Benefit Scheme of the former Health Super Fund.

Reconciliation of the present value of the defined benefit obligation **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Opening balance of defined benefit obligation	**53 439**	**53 439**	**52 309**	**51 699**	**51 190**
Current service cost	1 489	1 349	1 443	1 560	1 661
Interest expense	1 028	928	900	890	883
Contributions by plan participants	215	220	223	227	231
Actuarial (gains)/losses on the defined benefit obligation, due to:					
Changes in financial assumptions	..	(372)	..	..	..
Benefits paid	(3 098)	(3 255)	(3 176)	(3 187)	(3 205)
Closing balance of defined benefit obligation	**53 074**	**52 309**	**51 699**	**51 190**	**50 760**

Reconciliation of the fair value of superannuation plan assets **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Opening balance of plan assets	**26 222**	**26 222**	**26 563**	**27 050**	**27 644**
Interest income	463	447	450	459	469
Return on plan assets not included in interest income	1 241	1 318	1 371	1 394	1 420
Employer contributions	1 592	1 610	1 620	1 701	1 675
Contributions by plan participants	215	220	223	227	231
Benefits paid (including tax paid)	(3 098)	(3 255)	(3 176)	(3 187)	(3 205)
Closing balance of plan assets	**26 635**	**26 563**	**27 050**	**27 644**	**28 235**

See Note 4.3.2 for further information on superannuation assumptions.

4.7 OTHER DISCLOSURES

Introduction

This section includes several additional disclosures that assist the understanding of the Estimated Financial Statements.

Structure

4.7.1 Other gains/(losses) from other economic flows ($ million)

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Net (increase)/decrease in allowances for credit losses	(149)	(25)	60	(142)	(59)
Amortisation of intangible non-produced assets	(7)	(7)	(7)	(7)	(7)
Bad debts written off	(353)	(353)	(526)	(316)	(367)
Other gains/(losses)	(12)	(12)	(40)	(25)	(12)
Total other gains/(losses) from other economic flows	**(521)**	**(396)**	**(513)**	**(489)**	**(444)**

4.7.2 Reconciliation to Government Finance Statistics and Australian Accounting Standards

This financial report has been prepared on the basis of relevant Australian Accounting Standards (AAS). This note outlines the key unconverged differences between the AAS and GFS reporting frameworks, to explain the relationship between the balances and aggregates presented in this financial report and the related balances and aggregates presented under the Government Finance Statistics (GFS) reporting framework.

GFS information enables policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of governments based on consistent economic reporting rules and definitions.

AASB 1049 provides optional relief from the disclosure of reconciliations of key fiscal aggregates measured in accordance with the GFS where they differ from the key fiscal aggregates provided pursuant to this accounting standard.

The State has adopted the optional relief, which requires an explanation of how each of the key fiscal aggregates required by AASB 1049 are calculated and how it differs from the corresponding key fiscal aggregate measured in accordance with the ABS GFS.

The key fiscal aggregates below, as defined by AASB 1049, have convergence differences with the GFS:

- **Cash surplus/deficit** represents the net cash flows from operating activities plus the net cash flows from investments in non-financial assets (less dividends paid for the PNFC and PFC sectors).
- **Comprehensive result – total change in net worth** is the amount included in the operating statement representing the total change in net worth other than transactions with owners as owners.
- **Net lending/borrowing** is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position.
- **Net result from transactions – net operating balance** is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.
- **Net worth** is calculated as assets less liabilities, which is an economic measure of wealth.

The convergence differences between AASB 1049 and the GFS and their expected impacts applying GFS methodology are outlined in the following table.

Convergence difference	*AASB 1049 treatment*	*ABS GFS treatment*	*Fiscal aggregate impact*
AASB 16 *Leases*			
	Operating leases are recognised on the balance sheet under AASB 16 *Leases* unless the lease is shorter than 12 months or where the underlying assets are worth less than $10 000.	Operating leases are not recognised on the balance sheet.	• Cash surplus/ deficit • Comprehensive result – total change in net worth • Net lending/ borrowing • Net result from transactions – net operating balance • Net worth
AASB 1059 *Service concession arrangements*			
	Economic service concession arrangements, such as toll roads, are recognised on the State's balance sheet under AASB 1059 *Service Concession Arrangements: Grantors*.	Economic service concession arrangements, such as toll roads, are not recognised on the balance sheet.	• Cash surplus/deficit • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth
AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*			
	Deferral of revenue recognition, such as where performance obligations have not been satisfied, or for capital grants from the Commonwealth Government, is a requirement under AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.	Deferral of revenue recognition, such as where performance obligations have not been satisfied, or for capital grants from the Commonwealth Government, is not recognised. This timing difference is expected to impact all the key fiscal aggregates. While it is expected that there will not be a net change to the fiscal aggregates over time, there will be convergence differences in any given year.	• Cash surplus/deficit • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth

Convergence difference	*AASB 1049 treatment*	*ABS GFS treatment*	*Fiscal aggregate impact*
Port of Melbourne lease transaction			
Port Licence Fee	The 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne is recognised upfront upon receipt.	The 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne is recognised as revenue over the 15-year period.	• Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth
Port of Melbourne lease transaction	The Port of Melbourne lease transaction is treated as an operating lease with the leased assets remaining with the PNFC sector.	The Port of Melbourne lease transaction is recognised as a sale of equity from the general government sector.	• Cash surplus/deficit • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth
Doubtful receivables			
	Provisions for doubtful receivables are included on the balance sheet as a reduction in assets.	The act of creating provisions is not considered an economic event and is therefore not included on the balance sheet.	• Comprehensive result – total change in net worth • Net worth
Investment in other sector entities			
	The net worth of investments in other sector entities for the general government sector includes doubtful receivables, future tax benefits and deferred tax liabilities of the PNFC and PFC sectors.	The determination of net worth is exclusive of this.	• Comprehensive result – total change in net worth • Net worth

4.7.3 Prospective accounting and reporting changes

New and revised accounting standards have been issued which are not effective for the 2021-22 reporting period. These accounting standards have not been applied to the Estimated Financial Statements. The State is reviewing its existing policies and assessing the potential implications of:

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*. The operative date of this standard has been deferred by AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* to reporting periods beginning on or after 1 January 2023 with earlier application permitted. This standard amends AASB 101 to clarify requirements for the presentation of liabilities in the balance sheet as current or non-current. The State is in the process of analysing the impacts of this standard and it is not anticipated to have a material impact.
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* operative on or after 1 January 2022. This standard amends AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141 arising from changes made by the International Accounting Standards Board. The State is in the process of analysing the impacts of this standard, and it is not anticipated to have a material impact.
- AASB 17 *Insurance Contracts*: the operative date of this standard has been deferred by AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts* to reporting periods beginning on or after 1 January 2023 and will supersede AASB 4 *Insurance Contracts*. AASB 17 seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reissuance contracts that an insurer holds. The standard also provides new requirements for presentation and disclosure to enhance comparability between entities. The standard currently does not apply to not-for-profit public sector entities.

In addition, several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on public sector reporting.

4.7.4 Controlled entities

Note 9.8 in Chapter 4 of the *2020-21 Financial Report* for the State of Victoria lists significant controlled entities, which were consolidated in that financial report.

The following are changes in general government sector entities since 1 July 2021, which have also been incorporated in this financial report:

General government sector
Department of Health
Grampians Health [(a)]
Department of Premier and Cabinet
Wage Inspectorate Victoria [(b)]
Public non-financial corporate sector
Department of Environment, Land, Water and Planning
Greater Western Water [(c)]
Department of Transport
Ports Victoria [(d)]

Notes:

(a) Effective from 1 November 2021, Ballarat Health Services, Edenhope and District Memorial Hospital, Stawell Regional Health and Wimmera Health Care Group were amalgamated into Grampians Health.

(b) Effective from 1 July 2021, the Wage Inspectorate Victoria was established by the Wage Theft Act 2020 *to promote, monitor, and enforce a range of Victorian workplace laws to ensure workers and businesses are treated fairly.*

(c) Effective from 1 July 2021, City West Water Corporation and Western Region Water Corporation integrated to form a new water corporation called Greater Western Water.

(d) Effective from 1 July 2021, Victorian Ports Corporation (Melbourne) and Victorian Regional Channels Authority merged and created a new entity called Ports Victoria. Ports Victoria will lead the strategic management and operation of Victorian commercial ports and waterways.

CHAPTER 5 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

Table 5.1 Public non-financial corporations sector comprehensive operating statement for the financial year ended 30 June **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Revenue and income from transactions					
Interest income	30	28	14	10	11
Dividend income	25	22	24	24	24
Sales of goods and services	6 443	6 623	7 161	7 272	7 394
Grants	3 463	2 822	2 017	1 832	1 591
Other revenue and income	645	671	645	650	669
Total revenue and income from transactions	**10 605**	**10 167**	**9 861**	**9 789**	**9 689**
Expenses from transactions					
Employee expenses	1 503	1 594	1 626	1 660	1 691
Net superannuation interest expense	4	4	4	4	4
Other superannuation	135	139	145	151	157
Depreciation	1 789	1 876	1 940	2 009	2 072
Interest expense	871	858	875	937	1 006
Grant expense	1 837	1 362	733	666	425
Other operating expenses	4 164	4 660	4 359	4 115	4 015
Other property expenses	219	214	195	214	223
Total expenses from transactions	**10 523**	**10 706**	**9 877**	**9 756**	**9 593**
Net result from transactions – net operating balance	**82**	**(539)**	**(17)**	**33**	**96**
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	49	60	48	442	38
Net gain/(loss) on financial assets or liabilities at fair value	..	(1)	(1)	(1)	(1)
Other gains/(losses) from other economic flows	(6 613)	(2 457)	(6 304)	(3 855)	(2 984)
Total other economic flows included in net result	**(6 564)**	**(2 398)**	**(6 256)**	**(3 413)**	**(2 947)**
Net result	**(6 482)**	**(2 936)**	**(6 273)**	**(3 380)**	**(2 851)**

Table 5.1: Public non-financial corporations sector comprehensive operating statement for the financial year ended 30 June *(continued)* **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	9	33	4	5	5
Other movements in equity	(20)	(39)	..	..	..
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	..	(4)	..	..	..
Total other economic flows – other comprehensive income	**(10)**	**(10)**	**4**	**5**	**5**
Comprehensive result – total change in net worth	**(6 492)**	**(2 947)**	**(6 269)**	**(3 375)**	**(2 846)**
KEY FISCAL AGGREGATES					
Net operating balance	**82**	**(539)**	**(17)**	**33**	**96**
Less: Net acquisition of non-financial assets from transactions	13 506	7 037	11 012	7 567	6 969
Net lending/(borrowing)	**(13 425)**	**(7 575)**	**(11 029)**	**(7 534)**	**(6 873)**

Table 5.2: Public non-financial corporations sector balance sheet as at 30 June ($ million)

	2022 budget [(a)]	*2022 revised*	*2023 estimate*	*2024 estimate*	*2025 estimate*
Assets					
Financial assets					
Cash and deposits	1 751	1 016	795	762	764
Advances paid	271	389	176	158	159
Receivables and contract assets	1 534	1 499	1 464	1 401	1 331
Investments, loans and placements	580	580	555	590	636
Total financial assets	**4 135**	**3 483**	**2 989**	**2 911**	**2 889**
Non-financial assets					
Inventories	1 237	1 524	1 445	1 429	1 241
Non-financial assets held for sale	57	24	23	23	23
Land, buildings, infrastructure, plant and equipment	111 762	109 087	113 614	117 472	121 383
Other non-financial assets	1 810	1 728	1 982	2 224	2 470
Total non-financial assets	**114 867**	**112 363**	**117 064**	**121 149**	**125 118**
Total assets	**119 002**	**115 846**	**120 053**	**124 061**	**128 007**
Liabilities					
Deposits held and advances received	993	1 137	1 308	2 959	3 051
Payables	9 789	9 692	9 607	9 453	9 310
Contract liabilities	202	198	200	202	203
Borrowings	21 223	21 425	24 165	25 856	27 196
Employee benefits	531	542	563	582	600
Superannuation	27	38	38	38	37
Other provisions	9 823	9 540	9 502	9 404	9 284
Total liabilities	**42 588**	**42 573**	**45 383**	**48 494**	**49 681**
Net assets	**76 414**	**73 273**	**74 670**	**75 567**	**78 326**
Accumulated surplus/(deficit)	(30 817)	(27 297)	(33 664)	(37 197)	(40 233)
Reserves	107 231	100 571	108 335	112 764	118 559
Net worth	**76 414**	**73 273**	**74 670**	**75 567**	**78 326**
FISCAL AGGREGATES					
Net financial worth	(38 453)	(39 090)	(42 393)	(45 582)	(46 792)
Net financial liabilities	38 453	39 090	42 393	45 582	46 792
Net debt	19 615	20 578	23 947	27 304	28 688

Note:
(a) Balances represent actual opening balances at 1 July 2021 plus 2021-22 budgeted movements.

Table 5.3: Public non-financial corporations sector cash flow statement for the financial year ended 30 June **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Cash flows from operating activities					
Receipts					
Grants	3 462	2 821	2 017	1 832	1 591
Sales of goods and services [(a)]	6 891	7 051	7 644	7 778	7 915
Interest received	30	47	14	10	11
Dividend receipts	24	22	23	24	24
Other receipts	229	387	386	385	410
Total receipts	**10 636**	**10 328**	**10 084**	**10 029**	**9 951**
Payments					
Payments for employees	(1 504)	(1 584)	(1 605)	(1 642)	(1 673)
Superannuation	(140)	(132)	(149)	(155)	(161)
Interest paid	(870)	(865)	(872)	(931)	(1 001)
Grants and subsidies	(1 631)	(1 151)	(524)	(457)	(211)
Goods and services [(a)]	(4 734)	(5 429)	(4 858)	(4 728)	(4 667)
Other payments	(460)	(463)	(422)	(441)	(469)
Total payments	**(9 339)**	**(9 626)**	**(8 429)**	**(8 354)**	**(8 182)**
Net cash flows from operating activities	**1 297**	**702**	**1 655**	**1 675**	**1 768**
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(3 831)	(5 142)	(4 313)	(5 109)	(4 983)
Sales of non-financial assets	227	294	192	545	137
Net cash flows from investments in non-financial assets	**(3 604)**	**(4 847)**	**(4 121)**	**(4 564)**	**(4 846)**
Net cash flows from investments in financial assets for policy purposes	1 009	872	199	17	(1)
Subtotal	**(2 595)**	**(3 976)**	**(3 922)**	**(4 546)**	**(4 847)**
Net cash flows from investment in financial assets for liquidity management purposes	173	162	39	(35)	(46)
Net cash flows from investing activities	**(2 422)**	**(3 814)**	**(3 884)**	**(4 581)**	**(4 892)**
Cash flows from financing activities					
Advances received (net)	(739)	(636)	176	1 649	94
Net borrowings	1 535	1 901	1 250	1 255	959
Deposits received (net)	1	42	(5)	2	(2)
Other financing (net)	57	827	480	(161)	2 023
Net cash flows from financing activities	**854**	**2 134**	**1 901**	**2 744**	**3 074**
Net increase/(decrease) in cash and cash equivalents	**(272)**	**(978)**	**(327)**	**(162)**	**(50)**
Cash and cash equivalents at beginning of reporting period [(b)(c)]	1 857	1 857	880	552	390
Cash and cash equivalents at end of reporting period [(b)(c)]	**1 586**	**880**	**552**	**390**	**340**

Table 5.3: Public non-financial corporations sector cash flow statement for the financial year ended 30 June *(continued)*

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
FISCAL AGGREGATES					
Net cash flows from operating activities	1 297	702	1 655	1 675	1 768
Dividends paid	(72)	(105)	(73)	(132)	(165)
Net cash flows from investments in non-financial assets	(3 604)	(4 847)	(4 121)	(4 564)	(4 846)
Cash surplus/(deficit)	**(2 379)**	**(4 250)**	**(2 540)**	**(3 020)**	**(3 242)**

Notes:
(a) Inclusive of goods and services tax.
(b) 2021-22 Budget *figures have been restated to represent actual opening balances at 1 July 2021.*
(c) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to overdrafts being included in the cash flow statement balances.

Table 5.4: Public non-financial corporations sector statement of changes in equity for the financial year ended 30 June ($ million)

	Accumulated surplus/ (deficit)	*Contributions by owners*	*Non-financial assets revaluation surplus*	*Other reserves*	*Total*
2021-22 budget [(a)]					
Balance at 1 July 2021	(24 192)	71 602	24 939	604	72 953
Net result for the year	(6 482)	..	..	..	(6 482)
Other comprehensive income for the year	(71)	..	9	51	(10)
Dividends paid	(72)	..	..	..	(72)
Transactions with owners in their capacity as owners	..	10 025	..	..	10 025
Total equity as at 30 June 2022	**(30 817)**	**81 627**	**24 948**	**656**	**76 414**
2021-22 revised					
Balance at 1 July 2021	(24 192)	71 602	24 939	604	72 953
Net result for the year	(2 936)				(2 936)
Other comprehensive income for the year	(64)	..	33	21	(10)
Dividends paid	(105)	..	..	..	(105)
Transactions with owners in their capacity as owners	..	3 372	..	..	3 372
Total equity as at 30 June 2022	**(27 297)**	**74 974**	**24 972**	**625**	**73 273**
2022-23 estimate					
Balance at 1 July 2022	(27 297)	74 974	24 972	625	73 273
Net result for the year	(6 273)	..	..	..	(6 273)
Other comprehensive income for the year	(21)	..	4	21	4
Dividends paid	(73)	..	..	..	(73)
Transactions with owners in their capacity as owners	..	7 739	..		7 739
Total equity as at 30 June 2023	**(33 664)**	**82 713**	**24 976**	**646**	**74 670**
2023-24 estimate					
Balance at 1 July 2023	(33 664)	82 713	24 976	646	74 670
Net result for the year	(3 380)	..	..	..	(3 380)
Other comprehensive income for the year	(21)	..	5	21	5
Dividends paid	(132)	..	..	..	(132)
Transactions with owners in their capacity as owners	..	4 403	..	..	4 403
Total equity as at 30 June 2024	**(37 197)**	**87 116**	**24 980**	**667**	**75 567**
2024-25 estimate					
Balance at 1 July 2024	(37 197)	87 116	24 980	667	75 567
Net result for the year	(2 851)	..	..	..	(2 851)
Other comprehensive income for the year	(21)	..	5	21	5
Dividends paid	(165)	..	..	..	(165)
Transactions with owners in their capacity as owners	..	5 769	..	..	5 769
Total equity as at 30 June 2025	**(40 233)**	**92 885**	**24 985**	**688**	**78 326**

Note:
(a) Balances represent actual opening balances at 1 July 2021 plus 2021-22 budgeted movements.

Table 5.5: Net acquisition of non-financial assets – public non-financial corporations sector **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Purchases of non-financial assets (including change in inventories)	3 833	5 140	4 314	5 110	4 984
Less: Sales of non-financial assets	(227)	(294)	(192)	(545)	(137)
Less: Depreciation and amortisation	(1 789)	(1 876)	(1 940)	(2 009)	(2 072)
Plus: Other movements in non-financial assets [(a)(b)]	11 690	4 067	8 830	5 011	4 194
Total net acquisition of non-financial assets from transactions	**13 506**	**7 037**	**11 012**	**7 567**	**6 969**

Notes:

(a) The other movements in non-financial assets primarily include fixed asset transfers from the general government sector to the public non-financial corporations sector and recognising service concession arrangements arising from public private partnerships.

(b) The public private partnership across the budget and forward estimates relates to the North East Link.

Table 5.6: Non-financial public sector comprehensive operating statement for the financial year ended 30 June

($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Revenue and income from transactions					
Taxation	26 127	26 546	28 998	30 538	31 960
Interest income	197	189	192	193	196
Dividends, income tax equivalent and rate equivalent income	283	286	224	241	261
Sales of goods and services	12 531	12 127	13 291	13 575	13 798
Grants	36 767	40 445	39 210	39 974	41 349
Other revenue an income	4 194	3 966	4 098	3 804	4 021
Total revenue and income from transactions	**80 100**	**83 558**	**86 013**	**88 326**	**91 585**
Expenses from transactions					
Employee expenses	33 155	34 298	34 586	35 368	36 148
Net superannuation interest expense	569	485	454	435	418
Other superannuation	3 818	3 768	3 809	3 983	4 133
Depreciation	7 174	7 112	7 719	9 403	10 542
Interest expense	3 456	3 576	4 194	4 840	5 627
Grant expense	15 441	22 757	14 230	13 806	13 519
Other operating expenses	29 115	32 611	27 694	26 906	26 939
Total expenses from transactions	**92 728**	**104 606**	**92 685**	**94 741**	**97 327**
Net result from transactions – net operating balance	**(12 628)**	**(21 048)**	**(6 672)**	**(6 415)**	**(5 742)**
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	80	98	98	470	62
Net gain/(loss) on financial assets or liabilities at fair value	20	20	20	22	19
Other gains/(losses) from other economic flows	(600)	(1 047)	(578)	(550)	(504)
Total other economic flows included in net result	**(501)**	**(929)**	**(459)**	**(58)**	**(423)**
Net result	**(13 129)**	**(21 976)**	**(7 132)**	**(6 474)**	**(6 165)**
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	573	539	7 039	6 120	10 102
Remeasurement of superannuation defined benefit plans	1 241	1 690	1 371	1 394	1 420
Other movements in equity	1	(35)	21	27	33
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	3	(2)	3	3	3
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	216	97	15	15	12
Total other economic flows – other comprehensive income	**2 034**	**2 289**	**8 448**	**7 560**	**11 570**
Comprehensive result – total change in net worth	**(11 095)**	**(19 687)**	**1 316**	**1 086**	**5 406**
KEY FISCAL AGGREGATES					
Net operating balance	**(12 628)**	**(21 048)**	**(6 672)**	**(6 415)**	**(5 742)**
Less: Net acquisition of non-financial assets from transactions	19 964	15 172	16 809	17 396	16 594
Net lending/(borrowing)	**(32 592)**	**(36 219)**	**(23 481)**	**(23 812)**	**(22 336)**

Table 5.7: Non-financial public sector balance sheet as at 30 June ($ million)

	2022 budget [(a)]	2022 revised	2023 estimate	2024 estimate	2025 estimate
Assets					
Financial assets					
Cash and deposits	16 650	15 706	15 650	15 850	16 143
Advances paid	630	568	472	440	433
Receivables and contract assets	7 558	8 302	8 388	8 546	8 769
Investments, loans and placements	3 504	4 121	4 283	4 577	4 879
Investments accounted for using equity method	10	10	10	10	10
Investments in other sector entities	392	272	287	302	314
Total financial assets	**28 744**	**28 979**	**29 090**	**29 725**	**30 549**
Non-financial assets					
Inventories	1 825	2 112	1 641	1 629	1 445
Non-financial assets held for sale	251	218	215	194	165
Land, buildings, infrastructure, plant and equipment	355 355	349 765	374 247	398 598	425 510
Other non-financial assets	4 257	4 490	4 252	4 045	3 828
Total non-financial assets	**361 689**	**356 585**	**380 355**	**404 466**	**430 949**
Total assets	**390 433**	**385 564**	**409 445**	**434 191**	**461 498**
Liabilities					
Deposits held and advances received	1 607	1 717	1 658	1 677	1 683
Payables	28 970	25 340	28 264	28 046	27 215
Contract liabilities	412	409	410	413	414
Borrowings	134 859	142 832	163 055	187 495	210 719
Employee benefits	10 228	10 241	10 579	10 918	11 261
Superannuation	26 466	25 785	24 687	23 584	22 563
Other provisions	1 921	1 861	2 097	2 279	2 459
Total liabilities	**204 463**	**208 186**	**230 751**	**254 411**	**276 312**
Net assets	**185 970**	**177 378**	**178 694**	**179 780**	**185 186**
Accumulated surplus/(deficit)	73 053	64 645	58 884	53 810	49 078
Reserves	112 917	112 733	119 810	125 970	136 108
Net worth	**185 970**	**177 378**	**178 694**	**179 780**	**185 186**
FISCAL AGGREGATES					
Net financial worth	(175 719)	(179 207)	(201 662)	(224 686)	(245 763)
Net financial liabilities	176 110	179 479	201 948	224 988	246 078
Net debt	115 682	124 155	144 307	168 305	190 945

Note:
(a) Balances represent actual opening balances at 1 July 2021 plus 2021-22 budgeted movements.

Table 5.8: Non-financial public sector cash flow statement for the financial year ended 30 June **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Cash flows from operating activities					
Receipts					
Taxes received	28 126	27 162	29 285	30 307	31 649
Grants	36 848	41 112	39 257	39 960	41 348
Sales of goods and services and other receipts [(a)]	19 166	15 445	20 360	17 292	17 764
Interest received	181	186	175	177	180
Dividends, income tax equivalent and rate equivalent receipts	281	285	222	240	260
Total receipts	**84 602**	**84 191**	**89 298**	**87 976**	**91 201**
Payments					
Payments for employees	(32 849)	(33 979)	(34 255)	(35 042)	(35 818)
Superannuation	(3 926)	(4 023)	(3 990)	(4 128)	(4 152)
Interest paid	(3 118)	(3 230)	(3 877)	(4 563)	(5 394)
Grants and subsidies	(15 462)	(23 017)	(14 250)	(13 826)	(13 539)
Goods and services [(a)]	(28 844)	(32 688)	(27 584)	(27 277)	(27 279)
Other payments	(1 279)	(1 372)	(1 360)	(870)	(917)
Total payments	**(85 478)**	**(98 309)**	**(85 316)**	**(85 706)**	**(87 099)**
Net cash flows from operating activities	**(876)**	**(14 118)**	**3 982**	**2 270**	**4 102**
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(23 609)	(18 653)	(21 596)	(25 323)	(26 428)
Sales of non-financial assets	797	587	845	1 098	586
Net cash flows from investments in non-financial assets	**(22 812)**	**(18 066)**	**(20 751)**	**(24 225)**	**(25 842)**
Net cash flows from investments in financial assets for policy purposes	(90)	(59)	102	58	40
Subtotal	**(22 902)**	**(18 125)**	**(20 648)**	**(24 167)**	**(25 802)**
Net cash flows from investment in financial assets for liquidity management purposes	234	(420)	(161)	(254)	(266)
Net cash flows from investing activities	**(22 667)**	**(18 546)**	**(20 809)**	**(24 421)**	**(26 068)**
Cash flows from financing activities					
Advances received (net)	(112)	(37)	(54)	17	8
Net borrowings	23 666	31 762	16 723	22 204	22 202
Deposits received (net)	7	42	(5)	2	(2)
Net cash flows from financing activities	**23 562**	**31 768**	**16 665**	**22 223**	**22 207**
Net increase/(decrease) in cash and cash equivalents	**18**	**(896)**	**(162)**	**72**	**241**
Cash and cash equivalents at beginning of reporting period [(b)(c)]	16 466	16 466	15 570	15 407	15 479
Cash and cash equivalents at end of reporting period [(b)(c)]	**16 484**	**15 570**	**15 407**	**15 479**	**15 720**

Table 5.8: Non-financial public sector cash flow statement for the financial year ended 30 June *(continued)* **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
FISCAL AGGREGATES					
Net cash flows from operating activities	(876)	(14 118)	3 982	2 270	4 102
Net cash flows from investments in non-financial assets	(22 812)	(18 066)	(20 751)	(24 225)	(25 842)
Cash surplus/(deficit)	**(23 688)**	**(32 184)**	**(16 768)**	**(21 956)**	**(21 740)**

Notes:

(a) Inclusive of goods and services tax.

(b) 2021-22 Budget *figures have been restated to represent actual opening balances at 1 July 2021.*

(c) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to overdrafts being included in the cash flow statement balances.

Table 5.9: Non-financial public sector statement of changes in equity for the financial year ended 30 June ($ million)

	Accumulated surplus/ (deficit)	*Non-financial assets revaluation surplus*	*Investment in other sector entities revaluation surplus*	*Other reserves*	*Total*
2021-22 budget [(a)]					
Balance at 1 July 2021	84 992	109 782	528	1 763	197 065
Net result for the year	(13 129)	..	..	..	(13 129)
Other comprehensive income for the year	1 190	573	216	55	2 034
Total equity as at 30 June 2022	**73 053**	**110 355**	**744**	**1 818**	**185 970**
2021-22 revised					
Balance at 1 July 2021	84 992	109 782	528	1 763	197 065
Net result for the year	(21 976)	..	..	..	(21 976)
Other comprehensive income for the year	1 630	539	97	24	2 289
Total equity as at 30 June 2022	**64 645**	**110 322**	**625**	**1 787**	**177 378**
2022-23 estimate					
Balance at 1 July 2022	64 645	110 322	625	1 787	177 378
Net result for the year	(7 132)	..	..	..	(7 132)
Other comprehensive income for the year	1 370	7 039	15	24	8 448
Total equity as at 30 June 2023	**58 884**	**117 360**	**639**	**1 811**	**178 694**
2023-24 estimate					
Balance at 1 July 2023	58 884	117 360	639	1 811	178 694
Net result for the year	(6 474)	..	..	..	(6 474)
Other comprehensive income for the year	1 400	6 120	15	24	7 560
Total equity as at 30 June 2024	**53 810**	**123 480**	**655**	**1 835**	**179 780**
2024-25 estimate					
Balance at 1 July 2024	53 810	123 480	655	1 835	179 780
Net result for the year	(6 165)	..	..	..	(6 165)
Other comprehensive income for the year	1 433	10 102	12	24	11 570
Total equity as at 30 June 2025	**49 078**	**133 582**	**667**	**1 859**	**185 186**

Note:

(a) Balances represent actual opening balances at 1 July 2021 plus 2021-22 budgeted movements.

Table 5.10: Net acquisition of non-financial assets – non-financial public sector ($ million)

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Purchases of non-financial assets (including change in inventories)	23 291	18 332	21 205	25 328	26 433
Less: Sales of non-financial assets	(797)	(587)	(845)	(1 098)	(586)
Less: Depreciation and amortisation	(7 174)	(7 112)	(7 719)	(9 403)	(10 542)
Plus: Other movements in non-financial assets [(a)(b)]	4 644	4 539	4 168	2 569	1 290
Total net acquisition of non-financial assets from transactions	**19 964**	**15 172**	**16 809**	**17 396**	**16 594**

Notes:

(a) The other movements in non-financial assets includes recognising right of use assets under lease arrangements, and recognising service concession arrangements arising from public private partnerships.

(b) The public private partnerships across the budget and forward estimates relate to the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, the Frankston Hospital Redevelopment, the North East Link, the Western Roads Upgrade, and the West Gate Tunnel Project.

Table 5.11: Public financial corporations sector comprehensive operating statement for the financial year ended 30 June **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Revenue and income from transactions					
Interest income	2 175	2 350	3 035	3 745	4 601
Dividend income	1 433	1 619	1 629	1 632	2 041
Sales of goods and services	5 555	5 589	5 819	6 099	6 375
Grants	200	200	200	200	200
Other revenue and income	25	28	30	30	31
Total revenue and income from transactions	**9 388**	**9 785**	**10 713**	**11 706**	**13 247**
Expenses from transactions					
Employee expenses	435	481	482	497	508
Other superannuation	37	42	43	45	47
Depreciation	103	81	92	91	92
Interest expense	2 088	2 240	2 908	3 593	4 395
Grant expense	754	714	690	957	849
Other operating expenses	10 589	10 211	10 876	11 550	12 083
Other property expenses	6	6	8	10	10
Total expenses from transactions	**14 014**	**13 776**	**15 100**	**16 743**	**17 984**
Net result from transactions – net operating balance [(a)]	**(4 625)**	**(3 990)**	**(4 387)**	**(5 037)**	**(4 737)**
Other economic flows included in net result					
Net gain/(loss) on financial assets or liabilities at fair value	457	120	462	367	882
Other gains/(losses) from other economic flows	1 966	1 489	1 826	2 156	1 973
Total other economic flows included in net result	**2 423**	**1 608**	**2 288**	**2 522**	**2 855**
Net result	**(2 203)**	**(2 382)**	**(2 099)**	**(2 514)**	**(1 883)**
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Other movements in equity	(1)	..	13	12	12
Total other economic flows – other comprehensive income	**(1)**	**..**	**13**	**12**	**12**
Comprehensive result – total change in net worth	**(2 204)**	**(2 382)**	**(2 086)**	**(2 502)**	**(1 870)**
KEY FISCAL AGGREGATES					
Net operating balance	**(4 625)**	**(3 990)**	**(4 387)**	**(5 037)**	**(4 737)**
Less: Net acquisition of non-financial assets from transactions	74	183	41	..	(2)
Net lending/(borrowing)	**(4 699)**	**(4 173)**	**(4 427)**	**(5 037)**	**(4 735)**

Note:

(a) Capital gains on the investment portfolios of the State's insurance agencies (WorkSafe Victoria, Transport Accident Commission and Victorian Managed Insurance Authority) are classified as other economic flows. As these capital gains are available to fund claims expenses, the net result more meaningfully reflects the underlying operations and performance of the public financial corporations sector than the net result from transactions.

Table 5.12: Public financial corporations sector balance sheet as at 30 June ($ million)

	2022 budget [(a)]	*2022 revised*	*2023 estimate*	*2024 estimate*	*2025 estimate*
Assets					
Financial assets					
Cash and deposits	7 901	5 681	5 963	6 179	6 522
Advances paid	13	8	7	6	5
Receivables	2 200	1 784	1 822	1 877	1 940
Investments, loans and placements	42 994	43 691	44 243	44 748	45 733
Loans receivable from non-financial public sector [(b)]	105 158	115 436	133 766	158 528	181 885
Total financial assets	**158 266**	**166 601**	**185 800**	**211 337**	**236 085**
Non-financial assets					
Land, buildings, infrastructure, plant and equipment	358	361	329	295	259
Other non-financial assets	4 465	4 491	5 364	6 262	6 922
Total non-financial assets	**4 823**	**4 852**	**5 692**	**6 556**	**7 182**
Total assets	**163 089**	**171 453**	**191 493**	**217 894**	**243 266**
Liabilities					
Deposits held and advances received	261	290	286	314	338
Payables	2 668	1 947	1 994	2 017	2 063
Borrowings [(c)]	116 567	125 493	143 828	168 975	192 357
Employee benefits	124	113	116	116	117
Other provisions	51 243	51 567	55 374	59 147	63 016
Total liabilities	**170 863**	**179 410**	**201 597**	**230 569**	**257 892**
Net assets [(d)]	**(7 773)**	**(7 958)**	**(10 105)**	**(12 675)**	**(14 625)**
Accumulated surplus/(deficit)	(7 840)	(8 023)	(10 169)	(12 738)	(14 687)
Reserves	67	65	64	63	62
Net worth [(d)]	**(7 773)**	**(7 958)**	**(10 105)**	**(12 675)**	**(14 625)**
FISCAL AGGREGATES					
Net financial worth	(12 596)	(12 809)	(15 797)	(19 231)	(21 807)
Net financial liabilities	12 596	12 809	15 797	19 231	21 807
Net debt	(39 238)	(39 034)	(39 865)	(40 171)	(41 450)

Notes:

(a) Balances represent actual opening balances at 1 July 2021 plus 2021-22 budgeted movements.

(b) Loans receivable from the non-financial public sector are at amortised cost.

(c) Borrowings with the private sector are at market value.

(d) Treasury Corporation of Victoria's external loan liabilities are at mark-to-market value, while the corresponding assets, that is lending to the non-financial public sector, are at historical value.

Table 5.13: Public financial corporations sector cash flow statement for the financial year ended 30 June ($ million)

	2021-22 budget	2021-22 revised	2022-23 estimate	2023-24 estimate	2024-25 estimate
Cash flows from operating activities					
Receipts					
Grants	200	196	200	200	200
Sales of goods and services [(a)]	5 991	6 267	6 329	6 647	6 959
Interest received	2 188	2 358	3 043	3 753	4 609
Dividend receipts	1 433	1 619	1 629	1 632	2 041
Other receipts	69	121	52	36	32
Total receipts	**9 881**	**10 560**	**11 253**	**12 269**	**13 841**
Payments					
Payments for employees	(432)	(489)	(479)	(496)	(507)
Superannuation	(37)	(42)	(43)	(45)	(47)
Interest paid	(2 089)	(2 327)	(3 001)	(3 688)	(4 490)
Grants and subsidies	(754)	(708)	(689)	(957)	(848)
Goods and services [(a)]	(6 368)	(6 920)	(6 585)	(7 089)	(7 487)
Other payments	(6)	(5)	(8)	(9)	(9)
Total payments	**(9 686)**	**(10 492)**	**(10 806)**	**(12 284)**	**(13 388)**
Net cash flows from operating activities	**195**	**68**	**448**	**(15)**	**453**
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(177)	(264)	(133)	(90)	(89)
Sales of non-financial assets	..	..	..	(1)	(1)
Net cash flows from investments in non-financial assets	**(177)**	**(264)**	**(133)**	**(91)**	**(90)**
Net cash flows from investments in financial assets for policy purposes	..	6	14	13	14
Subtotal	**(177)**	**(259)**	**(119)**	**(78)**	**(76)**
Net cash flows from investment in financial assets for liquidity management purposes	(25 593)	(36 810)	(18 427)	(24 908)	(23 468)
Net cash flows from investing activities	**(25 770)**	**(37 069)**	**(18 546)**	**(24 986)**	**(23 544)**
Cash flows from financing activities					
Advances received (net)	(1)	(11)	(1)	(1)	(2)
Net borrowings	25 776	34 961	18 444	25 257	23 490
Deposits received (net)	(43)	(5)	(2)	30	26
Other financing (net)	(131)	(138)	(61)	(68)	(80)
Net cash flows from financing activities	**25 600**	**34 807**	**18 380**	**25 217**	**23 435**
Net increase/(decrease) in cash and cash equivalents	**25**	**(2 194)**	**281**	**216**	**343**
Cash and cash equivalents at beginning of reporting period [(b)]	7 875	7 875	5 681	5 963	6 179
Cash and cash equivalents at end of reporting period [(b)]	**7 901**	**5 681**	**5 963**	**6 179**	**6 522**
FISCAL AGGREGATES					
Net cash flows from operating activities	195	68	448	(15)	453
Dividends paid	(131)	(138)	(61)	(68)	(80)
Net cash flows from investments in non-financial assets	(177)	(264)	(133)	(91)	(90)
Cash surplus/(deficit)	**(113)**	**(334)**	**254**	**(174)**	**283**

Notes:

(a) Inclusive of goods and services tax.

(b) 2021-22 Budget *figures have been restated to represent actual opening balances at 1 July 2021.*

Table 5.14: Public financial corporations sector statement of changes in equity for the financial year ended 30 June ($ million)

	Accumulated surplus/ (deficit)	Contributions by owners	Non-financial assets revaluation surplus	Other reserves	Total
2021-22 budget [(a)]					
Balance at 1 July 2021	(5 505)	15	7	45	(5 438)
Net result for the year	(2 203)	..	..	..	(2 203)
Other comprehensive income for the year	(1)	..	..	..	(1)
Dividends paid	(131)	..	..	..	(131)
Total equity as at 30 June 2022	**(7 840)**	**15**	**7**	**45**	**(7 773)**
2021-22 revised					
Balance at 1 July 2021	(5 505)	15	7	45	(5 438)
Net result for the year	(2 382)	..	..	..	(2 382)
Other comprehensive income for the year	2	..	..	(2)	..
Dividends paid	(138)	..	..	..	(138)
Total equity as at 30 June 2022	**(8 023)**	**15**	**7**	**43**	**(7 958)**
2022-23 estimate					
Balance at 1 July 2022	(8 023)	15	7	43	(7 958)
Net result for the year	(2 099)	..	..	..	(2 099)
Other comprehensive income for the year	14	..	..	(1)	13
Dividends paid	(61)	..	..	..	(61)
Total equity as at 30 June 2023	**(10 169)**	**15**	**7**	**42**	**(10 105)**
2023-24 estimate					
Balance at 1 July 2023	(10 169)	15	7	42	(10 105)
Net result for the year	(2 514)	..	..	..	(2 514)
Other comprehensive income for the year	13	..	..	(1)	12
Dividends paid	(68)	..	..	..	(68)
Total equity as at 30 June 2024	**(12 738)**	**15**	**7**	**41**	**(12 675)**
2024-25 estimate					
Balance at 1 July 2024	(12 738)	15	7	41	(12 675)
Net result for the year	(1 883)	..	..	..	(1 883)
Other comprehensive income for the year	13	..	..	(1)	12
Dividends paid	(80)	..	..	..	(80)
Total equity as at 30 June 2025	**(14 687)**	**15**	**7**	**40**	**(14 625)**

Note:
(a) Balances represent actual opening balances at 1 July 2021 plus 2021-22 budgeted movements.

Table 5.15: Net acquisition of non-financial assets – public financial corporations sector **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Purchases of non-financial assets less sale of non-financial asset (including change in inventories)	177	264	133	91	90
Less: Depreciation and amortisation	(103)	(81)	(92)	(91)	(92)
Total net acquisition of non-financial assets from transactions	**74**	**183**	**41**	**..**	**(2)**

Table 5.16: State of Victoria comprehensive operating statement for the financial year ended 30 June **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Revenue and income from transactions					
Taxation	26 110	26 526	28 978	30 518	31 939
Interest income	251	275	284	302	362
Dividend income	1 578	1 761	1 784	1 795	2 212
Sales of goods and services	16 936	16 555	17 905	18 412	18 861
Grants	36 008	39 708	38 512	39 008	40 491
Other revenue and income	4 220	3 994	4 128	3 834	4 052
Total revenue and income from transactions	**85 102**	**88 820**	**91 590**	**93 869**	**97 918**
Expenses from transactions					
Employee expenses	33 122	34 257	34 558	35 345	36 132
Net superannuation interest expense	569	485	454	435	418
Other superannuation	3 855	3 810	3 852	4 028	4 180
Depreciation	7 277	7 193	7 811	9 493	10 635
Interest expense	3 430	3 560	4 167	4 804	5 596
Grant expense	15 260	22 558	14 040	13 617	13 329
Other operating expenses	38 981	42 140	37 834	37 674	38 194
Total expenses from transactions	**102 494**	**114 003**	**102 717**	**105 396**	**108 483**
Net result from transactions – net operating balance	**(17 392)**	**(25 183)**	**(11 127)**	**(11 527)**	**(10 566)**
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	80	98	98	470	62
Net gain/(loss) on financial assets or liabilities at fair value	477	140	482	388	901
Other gains/(losses) from other economic flows	498	(387)	391	725	827
Total other economic flows included in net result	**1 055**	**(149)**	**972**	**1 583**	**1 790**
Net result	**(16 337)**	**(25 332)**	**(10 155)**	**(9 944)**	**(8 776)**
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	573	539	7 039	6 120	10 102
Remeasurement of superannuation defined benefit plans	1 241	1 690	1 371	1 394	1 420
Other movements in equity	1	(35)	34	39	46
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	3	(2)	3	3	3
Total other economic flows – other comprehensive income	**1 817**	**2 193**	**8 446**	**7 556**	**11 571**
Comprehensive result – total change in net worth	**(14 520)**	**(23 139)**	**(1 709)**	**(2 388)**	**2 795**
KEY FISCAL AGGREGATES					
Net operating balance	**(17 392)**	**(25 183)**	**(11 127)**	**(11 527)**	**(10 566)**
Less: Net acquisition of non-financial assets from transactions	20 038	15 355	16 850	17 397	16 592
Net lending/(borrowing)	**(37 429)**	**(40 538)**	**(27 977)**	**(28 924)**	**(27 158)**

Table 5.17: State of Victoria balance sheet as at 30 June **($ million)**

	2022 budget [(a)]	*2022 revised*	*2023 estimate*	*2024 estimate*	*2025 estimate*
Assets					
Financial assets					
Cash and deposits	22 174	21 186	21 425	21 827	22 456
Advances paid	630	568	472	440	433
Receivables and contract assets	9 486	9 829	9 945	10 154	10 434
Investments, loans and placements	46 260	47 583	48 285	49 069	50 338
Investments accounted for using equity method	10	10	10	10	10
Total financial assets	**78 560**	**79 176**	**80 138**	**81 500**	**83 671**
Non-financial assets					
Inventories	1 825	2 112	1 641	1 629	1 445
Non-financial assets held for sale	251	218	215	194	165
Land, buildings, infrastructure, plant and equipment	355 712	350 125	374 575	398 892	425 769
Other non-financial assets	4 499	4 796	4 575	4 385	4 187
Total non-financial assets	**362 288**	**357 250**	**381 006**	**405 099**	**431 567**
Total assets	**440 847**	**436 426**	**461 143**	**486 599**	**515 238**
Liabilities					
Deposits held and advances received	1 679	1 784	1 725	1 744	1 749
Payables	31 363	27 028	29 990	29 790	29 001
Contract liabilities	412	409	410	413	414
Borrowings	143 802	152 646	172 881	197 714	220 969
Employee benefits	10 352	10 354	10 695	11 034	11 378
Superannuation	26 466	25 785	24 687	23 584	22 563
Other provisions	53 165	53 429	57 473	61 428	65 476
Total liabilities	**267 238**	**271 436**	**297 862**	**325 706**	**351 550**
Net assets	**173 609**	**164 990**	**163 281**	**160 894**	**163 688**
Accumulated surplus/(deficit)	61 384	52 831	44 061	35 530	28 200
Reserves	112 225	112 159	119 220	125 364	135 488
Net worth	**173 609**	**164 990**	**163 281**	**160 894**	**163 688**
FISCAL AGGREGATES					
Net financial worth	(188 678)	(192 260)	(217 724)	(244 206)	(267 878)
Net financial liabilities	188 678	192 260	217 724	244 206	267 878
Net debt	76 417	85 094	104 423	128 121	149 490

Note:
(a) Balances represent actual opening balances at 1 July 2021 plus 2021-22 budgeted movements.

Table 5.18: State of Victoria cash flow statement for the financial year ended 30 June

($ million)

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Cash flows from operating activities					
Receipts					
Taxes received	28 109	27 143	29 264	30 286	31 628
Grants	36 090	40 376	38 559	38 995	40 491
Sales of goods and services and other receipts [(a)]	24 086	20 664	25 542	22 715	23 447
Interest received	248	281	276	295	355
Dividend receipts	1 577	1 761	1 783	1 795	2 212
Total receipts	**90 109**	**90 224**	**95 424**	**94 086**	**98 133**
Payments					
Payments for employees	(32 813)	(33 947)	(34 224)	(35 019)	(35 800)
Superannuation	(3 963)	(4 065)	(4 034)	(4 173)	(4 198)
Interest paid	(3 093)	(3 302)	(3 945)	(4 623)	(5 458)
Grants and subsidies	(15 280)	(22 817)	(14 061)	(13 637)	(13 350)
Goods and services [(a)]	(34 501)	(38 917)	(33 440)	(33 584)	(33 942)
Other payments	(1 279)	(1 372)	(1 360)	(870)	(917)
Total payments	**(90 929)**	**(104 419)**	**(91 062)**	**(91 907)**	**(93 665)**
Net cash flows from operating activities	**(819)**	**(14 195)**	**4 362**	**2 179**	**4 467**
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(23 786)	(18 917)	(21 728)	(25 413)	(26 517)
Sales of non-financial assets	797	587	845	1 097	585
Net cash flows from investments in non-financial assets	**(22 989)**	**(18 330)**	**(20 883)**	**(24 317)**	**(25 932)**
Net cash flows from investments in financial assets for policy purposes	(91)	(59)	115	71	52
Subtotal	**(23 080)**	**(18 390)**	**(20 768)**	**(24 246)**	**(25 880)**
Net cash flows from investment in financial assets for liquidity management purposes	303	(1 292)	(248)	(385)	(357)
Net cash flows from investing activities	**(22 777)**	**(19 682)**	**(21 016)**	**(24 631)**	**(26 237)**
Cash flows from financing activities					
Advances received (net)	(112)	(42)	(54)	16	7
Net borrowings	23 777	32 994	16 845	22 706	22 342
Deposits received (net)	7	42	(5)	2	(2)
Net cash flows from financing activities	**23 673**	**32 994**	**16 786**	**22 724**	**22 347**
Net increase/(decrease) in cash and cash equivalents	**76**	**(882)**	**132**	**273**	**577**
Cash and cash equivalents at beginning of reporting period [(b)(c)]	21 933	21 933	21 050	21 183	21 455
Cash and cash equivalents at end of reporting period [(b)(c)]	**22 009**	**21 050**	**21 183**	**21 455**	**22 033**
FISCAL AGGREGATES					
Net cash flows from operating activities	(819)	(14 195)	4 362	2 179	4 467
Net cash flows from investments in non-financial assets	(22 989)	(18 330)	(20 883)	(24 317)	(25 932)
Cash surplus/(deficit)	**(23 808)**	**(32 525)**	**(16 521)**	**(22 137)**	**(21 464)**

Notes:

(a) *Sales of goods and services and payments for goods and services are inclusive of goods and services tax.*

(b) 2021-22 Budget *figures have been restated to represent actual opening balances at 1 July 2021.*

(c) *Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to overdrafts being included in the cash flow statement balances.*

Table 5.19: State of Victoria statement of changes in equity for the financial year ended 30 June **($ million)**

	Accumulated surplus/(deficit)	*Non-financial assets revaluation surplus*	*Other reserves*	*Total*
2021-22 budget [(a)]				
Balance at 1 July 2021	76 532	109 790	1 808	188 130
Net result for the year	(16 337)	..	..	(16 337)
Other comprehensive income for the year	1 189	573	55	1 817
Total equity as at 30 June 2022	**61 384**	**110 362**	**1 863**	**173 609**
2021-22 revised				
Balance at 1 July 2021	76 532	109 790	1 808	188 130
Net result for the year	(25 332)	..	..	(25 332)
Other comprehensive income for the year	1 631	539	22	2 193
Total equity as at 30 June 2022	**52 831**	**110 329**	**1 830**	**164 990**
2022-23 estimate				
Balance at 1 July 2022	52 831	110 329	1 830	164 990
Net result for the year	(10 155)	..	..	(10 155)
Other comprehensive income for the year	1 385	7 039	23	8 446
Total equity as at 30 June 2023	**44 061**	**117 368**	**1 853**	**163 281**
2023-24 estimate				
Balance at 1 July 2023	44 061	117 368	1 853	163 281
Net result for the year	(9 944)	..	..	(9 944)
Other comprehensive income for the year	1 413	6 120	23	7 556
Total equity as at 30 June 2024	**35 530**	**123 488**	**1 876**	**160 894**
2024-25 estimate				
Balance at 1 July 2024	35 530	123 488	1 876	160 894
Net result for the year	(8 776)	..	..	(8 776)
Other comprehensive income for the year	1 446	10 102	23	11 571
Total equity as at 30 June 2025	**28 200**	**133 589**	**1 899**	**163 688**

Note:
(a) Balances represent actual opening balances at 1 July 2021 plus 2021-22 budgeted movements.

Table 5.20: Net acquisition of non-financial assets – State of Victoria **($ million)**

	2021-22 budget	*2021-22 revised*	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Purchases of non-financial assets (including change in inventories)	23 468	18 596	21 338	25 418	26 522
Less: Sales of non-financial assets	(797)	(587)	(845)	(1 097)	(585)
Less: Depreciation and amortisation	(7 277)	(7 193)	(7 811)	(9 493)	(10 635)
Plus: Other movements in non-financial assets [(a)(b)]	4 644	4 539	4 168	2 569	1 290
Total net acquisition of non-financial assets from transactions	**20 038**	**15 355**	**16 850**	**17 397**	**16 592**

Notes:

(a) The other movements in non-financial assets includes recognising right of use assets under lease arrangements, and recognising service concession arrangements arising from public private partnerships.

(b) The public private partnerships across the budget and forward estimates relate to the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, the Frankston Hospital Redevelopment, the North East Link, the Western Roads Upgrade, and the West Gate Tunnel Project.

CHAPTER 6 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

This chapter contains information on contingent assets and liabilities for the general government sector and should be read in conjunction with Chapter 4.

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

CONTINGENT ASSETS

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

Table 6.1 contains quantifiable contingent assets as at 26 November 2021 (arising from outside of government).

Table 6.1: Quantifiable contingent assets **($ million)**

	As at Nov 2021	*Published budget estimate* [(a)]
Guarantees, indemnities and warranties	56	59
Legal proceedings and disputes	5	15
Other	37	48
Total contingent assets	**98**	**121**

Note:
(a) As published in the 2021-22 Budget.

Non-quantifiable contingent assets

Peninsula Link compensable enhancement claim

The EastLink Concession Deed contains compensable enhancement provisions that enable the State to claim 50 per cent of any additional revenue derived by ConnectEast Pty Ltd (ConnectEast) as a result of certain events that particularly benefit EastLink, including changes to the adjoining road network.

On 2 January 2014, the State lodged a compensable enhancement claim as a result of opening Peninsula Link. The claim remains outstanding.

CONTINGENT LIABILITIES

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

The table below contains quantifiable contingent liabilities as at 26 November 2021.

Table 6.2: Quantifiable contingent liabilities **($ million)**

	As at Nov 2021	*Published budget estimate* [(a)]
Guarantees, indemnities and warranties	1 089	1 003
Legal proceedings and disputes	339	336
Other	385	128
Non-general government debt [(b)]	14 997	15 072
Total contingent liabilities	**16 810**	**16 540**

Notes:
(a) As published in the 2021-22 Budget.
(b) Mainly represents the guarantee of borrowings provided by the Treasurer for the public sector borrowings portfolio.

Non-quantifiable contingent liabilities

A number of potential obligations are non-quantifiable at this time arising from:

- indemnities relating to transactions, including financial arrangements and consultancy services, as well as for directors and administrators
- performance guarantees, warranties, letters of comfort and the like
- deeds in respect of certain obligations
- unclaimed monies, which may be subject to future claims by the general public against the State.

An overview of the more significant non-quantifiable liabilities follows.

Biosciences Research Centre (known as AgriBio)

The quarterly service fee payment obligations of Biosciences Research Centre Pty Ltd (BRC Co) on behalf of the joint venture participants (Department of Jobs, Precincts and Regions and La Trobe University) are backed by the State of Victoria under a State Support Deed.

Under this Deed, the State ensures that the joint venture participants have the financial capacity to meet their payment obligations to BRC Co, thereby enabling BRC Co to meet its obligations to pay the quarterly service fee to the concessionaire under the Project Agreement. The State underwrites the risk of any default by BRC Co.

Department of Education and Training

The Department has a number of non-quantifiable contingent liabilities, arising from indemnities provided by it, as follows:

- Volunteer school workers and volunteer student workers – the *Education and Training Reform Act 2006* provides indemnity for personal injuries or death (and, at the discretion of the Minister, for property damage) suffered by volunteer school workers and volunteer student workers arising out of or in the course of engaging in school work or community work respectively.
- Teaching service and public sector employees – if a Department employee is named as a defendant in a civil proceeding (for example, personal injury, discrimination or employment claim) any costs and damages will generally be paid by the Department provided the teacher was not under the influence of illicit drugs or alcohol or engaging in a criminal offence and the behaviour was not outrageous and was related to their employment.
- Board members – the *Education and Training Reform Act 2006* requires the State to indemnify a member of a Merit Protection Board or a Disciplinary Appeals Board for anything done or omitted to be done in good faith in the exercise of a power or the discharge of their statutory duties.

- School councils - the *Education and Training Reform Act 2006* requires the Department to indemnify individual members of school councils for any legal liability, whether in contract, negligence or defamation, if they acted in good faith and in the exercise of their powers or functions. The Department may decide to indemnify school councils (which are separate entities to the Department), in claims of common law negligence, employment disputes and other civil claims, for the cost of settlement and/or legal representation. The Department will take into account the impact of payment upon the school's educational program and any insurance cover for the school council, and will likely indemnify if the Department is satisfied that:
  - the school council acted in good faith and according to issued guidelines and directions
  - the school council has insufficient funds to pay the claim.

National redress scheme – sexual abuse of children in institutions

On 13 June 2018, the *National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018* commenced.

The Act refers powers to the Commonwealth Parliament to ensure that Victorian institutions can participate in the National Redress Scheme. The National Redress Scheme commenced on 1 July 2018 and will run for 10 years. The Scheme will deliver a financial payment of up to $150 000, access to psychological counselling and an apology from the responsible institution to eligible survivors of institutional child abuse. This implements a recommendation of the Victorian Parliamentary Inquiry Betrayal of Trust report and the Royal Commission into Institutional Responses to Child Sexual Abuse.

The Government has committed funding across 10 years for the redress scheme. Due to the historical nature of the abuse in question, the precise number of eligible survivors of abuse is difficult to estimate. Consequently, the exact financial implications for Victoria remain uncertain.

Public acquisition overlays for the future development of rail and road infrastructure

Public acquisition overlays are in place to reserve certain areas of land for future development of rail and road infrastructure. Under section 98 of the *Planning and Environment Act 1987*, the State has a legislative responsibility to compensate eligible land and property owners who face either:

- loss on sale – an eligible landowner is entitled to compensation for the incremental loss on sale when a property affected by a public acquisition overlay is sold for less than its market value
- financial loss – the entitlement to financial loss compensation is triggered when a development permit is refused because the property is required for a public purpose.

Compensation and purchase claims occur as a result of claims by land-owners. The future liability depends on factors, including the number of claims received and the prevailing value of land at the time the claim is made, which cannot be reliably quantified.

Public transport rail partnership agreements

The Department of Transport (DoT) is party to contractual arrangements with franchisees to operate metropolitan rail transport services across the State, from 30 November 2017 until 30 November 2024. The major contingent liabilities arising in the event of early termination or expiry of the contract are:

- partnership assets – to maintain continuity of services, at early termination or expiry of the franchise contract, assets will revert to DoT or a successor. In the case of some assets, a reversion back to DoT would entail those assets being purchased
- unfunded superannuation – at the early termination or expiry of the contract, DoT will assume any unfunded superannuation amounts (apart from contributions the operator is required to pay over the contract term) to the extent that the State becomes the successor operator.

Firefighters' Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Act 2019

The *Firefighters' Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Act 2019* (the Act) received royal assent on 2 July 2019.

Part 2 of the Act, which came into operation on 3 July 2019, provides for the establishment and operation of the Firefighters' Presumptive Rights Compensation scheme for both career and volunteer firefighters. At the time of the preparation of this report, it is impractical to quantify any possible contingent liabilities for the State arising from the scheme.

Fiskville independent investigation and closure of training college

An independent investigation was undertaken into the historical use of chemicals for live firefighting training at Fiskville Training College (Fiskville) between 1971 and 1999. The report of the independent investigation has been released and the Country Fire Authority (CFA) has accepted all of the facts, recommendations and conclusions and is committed to implementing all recommendations.

In August 2012, the CFA established a program office to manage the implementation of the report recommendations and an additional 11 management initiatives to which the CFA Board committed in its response to the report.

On 26 March 2015, the Government announced the permanent closure of Fiskville. Fiskville and Victorian Emergency Management Training Centre training grounds owned by the CFA at Penshurst, Bangholme, West Sale, Wangaratta, Huntly, and Longerenong have been the subject of notices issued by the Environment Protection Authority Victoria (EPA). In addition, the CFA has received a clean-up notice to remediate the immediate neighbouring properties located downstream of the formal Fiskville Training centre.

The Government's response to the Fiskville Inquiry was tabled in Parliament on 24 November 2016. The response supported all of the 31 recommendations of the Victorian Parliamentary Inquiry into the CFA Training College at Fiskville, either in full, in principle or in part.

The CFA has a number of contingent liabilities arising from the closure of Fiskville and the notices issued by the EPA. These relate to any further notices that may be issued by the EPA, any regulatory infringements that may be imposed by the EPA, compensation that may be sought, any legal claims that may be made, and recommendations made by the inquiry.

At this stage it is impractical to quantify the financial effects of these contingent liabilities.

Compulsory property acquisitions

The State has compulsorily acquired a number of properties (residential and commercial) through the *Land Acquisition and Compensation Act 1986* to facilitate delivery of various projects. Possible future claims for compensation arising from the compulsory acquisition of these properties cannot be quantified at this stage.

Land remediation – environmental concerns

In addition to properties for which remediation costs have been provided in the State's financial statements, certain other properties have been identified as potentially contaminated sites. The State does not admit any liability in respect of these sites. However, remedial expenditure may be incurred to restore the sites to an acceptable environmental standard in the event contamination is identified.

Royal Melbourne Showgrounds redevelopment

The State has entered into an agreement with the Royal Agricultural Society of Victoria (RASV) pursuant to which the State agrees to support certain payment obligations of RASV that may arise under the Non-Core Development Agreement subject to the RASV complying with certain obligations as set out in that Deed.

Native Title

A number of claims have been filed in the Federal Court under the Commonwealth *Native Title Act 1993* that affect Victoria. It is not feasible at this time to quantify any future liability.

Victorian Managed Insurance Authority – insurance cover

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for State Government departments, participating bodies and other entities as defined under the *Victorian Managed Insurance Authority Act 1996*. The VMIA insures its clients for property, public and products liability, professional indemnity, contract works and domestic building insurance for the Victorian residential builders.

The VMIA reinsures in the private market up to limits that protect from events with a likelihood of at least 1 in 200 years and considers reinsurance on a cost benefit basis beyond that point. The risk of losses above what the VMIA reinsures in the private market is borne by the State.

The VMIA also insures the Department of Health for all public sector medical indemnity claims incurred from 1 July 2003. Under the indemnity deed to provide stop loss protection for the VMIA, the Department of Treasury and Finance has agreed to reimburse the VMIA if the costs for the claims for a policy exceeds the initial estimate, on which the risk premium was based, by more than 20 per cent.

Under separate deeds of indemnity, the State has agreed to reimburse the VMIA for losses above a certain limit that the VMIA may incur due to changes in the availability of reinsurance.

Coronavirus (COVID-19) class action – Victorian businesses

A class action has been filed in the Supreme Court of Victoria against the State of Victoria, the Ministers for Health and Jobs, and the Secretaries of the Department of Health and Human Services (DHHS) and the Department of Jobs, Precincts and Regions (DJPR) relating to Stage 3 and 4 public health restrictions. The VMIA has been notified of this proceeding. VMIA's Combined Liability Policy will respond.

At this stage it is impractical to quantify the financial effects of this contingent liability.

Coronavirus (COVID-19) class action – Victorian residents

A class action has been filed in the Supreme Court of Victoria against the State of Victoria, the Ministers for Health and Jobs, and the Secretaries of DHHS and DJPR, relating to the Stage 3 and 4 public health restrictions. The VMIA has been notified of this proceeding. VMIA's Combined Liability Policy will respond.

At this stage it is impractical to quantify the financial effects of this contingent liability.

Coronavirus (COVID-19) related claim notifications

The Department of Transport may receive notifications under the contractual agreements by the contractors in relation to the possible impact of COVID-19 on a number of projects. Possible future claims cannot be reliably estimated at this stage as quantifiable claims have not yet been provided under the contract.

Until detailed claims have been submitted and substantiated by the contractors, it is not possible to estimate the financial effect of the claims.

Coronavirus (COVID-19) class action – Public Housing Towers residents

A class action was filed in the Supreme Court of Victoria against the State of Victoria, the Chief Commissioner of Police, and Drs Annaliese Van Diemen and Finn Romanes in their capacity as authorised officers under the *Public Health and Wellbeing Act 2008* (Vic) relating to the decision to declare localised public health restrictions. The VMIA has been notified of this proceeding. VMIA's Combined Liability Policy will respond.

At this stage it is impractical to quantify the financial effects of this contingent liability.

Southern Cross Target Capacity threshold

The State has a possible liability relating to a claim from the contractor responsible for operating and maintaining Southern Cross Station. The claim relates to patronage levels at the station and the contract provides a process to assess whether modifications to the station, compensation to the contractor or changes to service standards are required. The claim is being considered and the financial effect is yet to be determined.

The Royal Commission into the Management of Police Informants

The Royal Commission into the Management of Police Informants commenced hearings in February 2019. The final report and recommendations were delivered to the Governor of Victoria on 30 November 2020.

Victoria Police anticipates it may receive claims for compensation. Victoria Police will assess any litigation as it arises.

At this stage it is impractical to quantify the financial effects of these contingent liabilities.

Planning scheme compensation

Under section 98 of the *Planning and Environment Act 1987*, the owner or occupier of any land may claim compensation from the planning authority for financial loss suffered as the natural, direct and reasonable consequence of the land being reserved, or declared as reserved for a public purpose under a planning scheme.

The future liability depends on a number of factors and cannot be reliably quantified.

Yallourn Power Station Safety Net

The Government has reached an agreement with EnergyAustralia (EA) to ensure an orderly transition as EA implements the closure of the Yallourn Power Station in June 2028.

The agreement includes, should it be needed, a safety net to avoid an unplanned exit from Yallourn.

As part of this safety net, under certain scenarios, the State agrees to provide partial support to EA in the event of exceptional costs incurred in the operation of the Yallourn Power Station.

This support will help to ensure Yallourn's workers and Victoria's energy system have sufficient time to plan for the plant's closure. The possible liability depends on a number of future events and cannot be reliably and readily quantified.

West Gate Tunnel Project

The State and the Transurban Group entered into a public private partnership contract for the Transurban Group to build, operate and maintain the West Gate Tunnel project.

The project has experienced difficulties in its delivery program and as a result, Transurban has advised the Australian Stock Exchange that it no longer believes the project can be completed in 2023. In addition, parties to the Project Agreement and design and construction subcontract have lodged legal claims against the other parties. The State has engaged in active negotiations with all parties to resolve disputes in relation to the project.

APPENDIX A – SPECIFIC POLICY INITIATIVES AFFECTING THE BUDGET POSITION

Appendix A outlines specific policy initiatives that affect outputs and assets, including Treasurer's Advances, agreed by the Government since the *2021-22 Budget*.

The following tables provide details of:

- revenue initiatives
- output and asset initiatives for departments.

Appendix A also includes a cross reference between initiatives and their relevant departmental outputs, which indicates the impact of policy decisions on relevant portfolios.

The figures included are generally the gross costs of decisions. Funding from reprioritisation and other sources has not been deducted from the total cost of new initiatives.

REVENUE INITIATIVES

Table A.1: Revenue initiatives **($ million)**

	2021-22	2022-23	2023-24	2024-25
Revenue measures				
Further payroll tax deferrals for universities	..	..	..	..
Total revenue initiatives	**..**	**..**	**..**	**..**

Source: Department of Treasury and Finance

Revenue initiatives

Further payroll tax deferrals for universities

Universities will have more time to repay existing payroll tax deferrals worth $130 million that were granted in 2020, with the payment schedule extended from June 2023 to December of that year. Universities will also be granted further payroll tax deferrals worth approximately $135 million for tax payable for 2021-22. These payments will be repaid in two instalments in June and December 2024.

These deferrals will support universities that are experiencing ongoing revenue shortfalls due to the downturn of international student enrolments resulting from the COVID-19 pandemic and ensure universities retain as many staff as possible.

DEPARTMENT OF EDUCATION AND TRAINING

Output initiatives

Table A.2: Output initiatives – Department of Education and Training ($ million)

	2021-22	2022-23	2023-24	2024-25
School Education				
Air purification and shade sails for schools	147.3	..	..	..
COVID-19 school and kindergarten services cleaning Terms 3 and 4	45.6	..	..	..
Positive start in 2022	69.1	43.9	..	..
Tutor learning initiative extension	116.5	113.9	..	..
Training, Higher Education and Workforce Development				
A new TAFE funding arrangement	72.1	55.5	28.6	..
Total output initiatives [(a)]	**450.6**	**213.3**	**28.6**	**..**

Source: Department of Treasury and Finance

Note:
(a) Table may not add due to rounding.

School Education

Air purification and shade sails for schools

Funding is provided for air purification devices in government and low-fee non-government schools to help reduce the risk of COVID-19 transmission. Funding is also provided to support ventilation assessments in schools to support a safe learning environment.

In addition, the School Shade Sails Fund will assist with the purchase of new shade sails to create more outdoor learning spaces at government and non-government schools.

This initiative contributes to the Department of Education and Training's:

- School Education – Primary output
- School Education – Secondary output.

COVID-19 school and kindergarten services cleaning Terms 3 and 4

Additional funding is provided for enhanced cleaning of kindergarten services and government schools in Terms 3 and 4. This will support enhanced cleaning, including of high-touch surfaces to help minimise the risk of COVID-19 transmission, and deep cleans for areas where there has been a child, student or staff member with COVID-19.

This initiative contributes to the Department of Education and Training's:

- Early Childhood Education output
- School Education – Primary output
- School Education – Secondary output.

Positive start in 2022

Funding is provided to support primary, secondary and specialist schools to re-engage students and boost their physical and emotional wellbeing. Funding supports the delivery of additional camps targeted at students in government and low-fee non-government schools who have been most affected by COVID-19 school closures – as well as other disadvantaged students and schools. It will also provide centrally procured programs and experiences for students as well as additional swimming lessons for government and Catholic primary schools.

This initiative contributes to the Department of Education and Training's:

- School Education – Primary output
- School Education – Secondary output.

Tutor learning initiative extension

Funding is provided to enable government and non-government schools to continue to deliver small group learning support in 2022 to students who need it, to address the impact of interrupted face-to-face schooling on their learning.

This initiative contributes to the Department of Education and Training's:

- School Education – Primary output
- School Education – Secondary output.

Training, Higher Education and Workforce Development

A new TAFE funding arrangement

Funding is provided to support the introduction of a new TAFE funding arrangement. The new funding arrangement will more closely link funding for TAFEs and dual sector providers to the costs of public provision of skills and training, including driving quality teaching and learning outcomes, broad access for students, and delivery of community and support services. Funding includes additional support for TAFEs in 2021-22 to assist with managing the decline in training revenue during the COVID-19 pandemic.

This initiative contributes to the Department of Education and Training's Training, Higher Education and Workforce Development output.

Asset initiatives

Table A.3: Asset initiatives – Department of Education and Training ($ million)

	2021-22	2022-23	2023-24	2024-25	TEI
School Education					
Air purification and shade sails for schools	45.0	..	..	..	45.0
Total asset initiatives	**45.0**	**..**	**..**	**..**	**45.0**

Source: Department of Treasury and Finance

School Education

Air purification and shade sails for schools

Refer to the output initiative for a description of this initiative.

DEPARTMENT OF ENVIRONMENT, LAND, WATER AND PLANNING

Output initiatives

Table A.4: Output initiatives – Department of Environment, Land, Water and Planning **($ million)**

	2021-22	2022-23	2023-24	2024-25
Energy				
Prolonged power outage support payment	5.0	..	..	..
Fire and Emergency Management				
Storm and flood emergency works	74.6	..	..	..
Planning, Building and Heritage				
Decriminalisation of sex work in Victoria	0.4	..	..	..
Digital Twin Victoria	5.4	5.8	4.3	2.6
Safe building ventilation – supporting Victoria's roadmap to open-up the economy	7.2	..	..	..
Statutory Activities and Environment Protection				
EPA step-in high-risk waste sites	8.7	..	..	..
Total output initiatives [(a)]	**101.3**	**5.8**	**4.3**	**2.6**

Source: Department of Treasury and Finance

Note:
(a) Table may not add due to rounding.

Energy

Prolonged power outage support payment

To support those impacted by energy outages, funding is provided for weekly payments to households and businesses without power for more than seven days as a result of the October 2021 storm event.

This initiative contributes to the Department of Environment, Land, Water and Planning's Energy output.

Fire and Emergency Management

Storm and flood emergency works

Funding is provided to deliver emergency works and activities to protect threatened species, public safety, critical infrastructure, the strategic fire network, and waterway catchments impacted by the June and October 2021 storm and flood events.

This initiative contributes to the Department of Environment, Land, Water and Planning's Fire and Emergency Management output.

Planning, Building and Heritage

Decriminalisation of sex work in Victoria

Refer to the Department of Justice and Community Safety for a description of this initiative.

Digital Twin Victoria

Refer to the asset initiative for a description of this initiative.

Safe building ventilation – supporting Victoria's roadmap to open-up the economy

Funding is provided to establish the Ventilation Technical Advisory Panel, which will undertake risk assessments of high-risk public buildings and facilities to ensure COVIDSafe settings.

In addition, support will be provided to local manufacturers and distributors of ventilation, filtration and monitoring products to increase local manufacturing capability and availability.

This initiative contributes to the Department of Environment, Land, Water and Planning's Planning, Building and Heritage output.

This initiative contributes to the Department of Jobs, Precincts and Regions' Industry, Innovation, Medical Research and Small Business output.

Statutory Activities and Environment Protection

EPA step-in high-risk waste sites

Funding is provided to the Environment Protection Authority (EPA) to continue its clean-up operations at a high-risk waste site located in Kanvia and fully remediate the site by the end of 2022 to protect the community and the environment.

This initiative contributes to the Department of Environment, Land, Water and Planning's Statutory Activities and Environment Protection output.

Asset initiatives

Table A.5: Asset initiatives – Department of Environment, Land, Water and Planning **($ million)**

	2021-22	*2022-23*	*2023-24*	*2024-25*	*TEI*
Planning, Building and Heritage					
Digital Twin Victoria	7.8	6.7	5.2	..	19.7
Total asset initiatives	**7.8**	**6.7**	**5.2**	**..**	**19.7**

Source: Department of Treasury and Finance

Planning, Building and Heritage

Digital Twin Victoria

Funding is provided to progress the development of an advanced digital platform that brings together rich 3D models, artificial intelligence and real-time sensor data. This information has the potential to transform Victoria's management of its built and natural environments using 3D models and spatial data innovation. This will increase efficiencies in planning, construction and infrastructure initiatives, and service delivery. The *2020-21 Budget* allocated funds for a pilot for this work.

This initiative contributes to the Department of Environment, Land, Water and Planning's Planning, Building and Heritage output.

DEPARTMENT OF FAMILIES, FAIRNESS AND HOUSING

Output initiatives

Table A.6: Output initiatives – Department of Families, Fairness and Housing ($ million)

	2021-22	2022-23	2023-24	2024-25
Child Protection and Family Services				
Phone support for carers	0.3	..	..	..
Community Participation				
Extension of the Extreme Hardship Support Program	5.9	..	..	..
Social recovery programs following the June 2021 storms and floods	14.0	..	..	..
Support for asylum seekers	2.0	..	..	..
Concessions to Pensioners and Beneficiaries				
COVID-19 food relief support	13.7	..	..	..
Utility Relief Grant Scheme additional capacity	0.4	..	..	..
Family Violence Service Delivery				
Addressing demand pressures on specialist sexual assault services	1.9	3.4	..	..
Further support for victim-survivors during COVID-19 lockdowns	2.3	..	..	..
Housing Assistance				
COVID-19 Isolation and Recovery Facility	9.6	..	..	..
Emergency hotel accommodation for people experiencing homelessness during COVID-19 lockdowns	tbc	tbc	tbc	..
Multicultural Affairs Policy and Programs				
Continuation of the Culturally and Linguistically Diverse (CALD) Communities Taskforce	19.3	..	..	..
Promoting vaccine uptake in priority communities	20.3	..	..	..
Women's Policy				
Additional supports for vulnerable women during the COVID-19 pandemic	0.9	..	..	..
Total output initiatives [(a)]	**90.5**	**3.4**	**..**	**..**

Source: Department of Treasury and Finance

Note:
(a) Table may not add due to rounding.

Child Protection and Family Services

Phone support for carers

Funding is provided for phone support to foster, kinship and permanent carers about assistance available in response to the COVID-19 pandemic, as well as assistance for carers to navigate the children and families system.

This initiative contributes to the Department of Families, Fairness and Housing's Child Protection and Family Services output.

Community Participation

Extension of the Extreme Hardship Support Program

Funding is provided for the extension of the Extreme Hardship Support Program (EHSP) to assist people experiencing financial hardship from successive lockdowns. The EHSP is targeted at temporary visa holders, international students and undocumented migrants who are ineligible for Commonwealth support, and is administered by the Australian Red Cross.

This initiative contributes to the Department of Families, Fairness and Housing's Community Participation output.

Social recovery programs following the June 2021 storms and floods

Funding is provided for a package of measures to assist in social recovery and support for Victorians directly impacted by the June 2021 flood and storm emergency. This includes support for housing and accommodation; psychosocial services; cohort specific programs (including children, youth, families and seniors); prevention of family violence; individual and household financial assistance and the recovery support program.

This initiative contributes to the Department of Families, Fairness and Housing's Community Participation output.

Support for asylum seekers

Funding is provided for asylum seekers severely impacted by the pandemic and at risk of not being able to access other services. The initiative provides caseworkers for complex and high-risk clients, and funding for client brokerage and meeting basic needs.

This initiative contributes to the Department of Families, Fairness and Housing's Community Participation output.

Concessions to Pensioners and Beneficiaries

COVID-19 food relief support

Funding is provided for food relief and additional capacity for key food relief organisations during the COVID-19 pandemic. This includes:

- an extended program delivered by local government for immediate, local food relief and other practical supports for people in mandatory self-isolation
- Australian Red Cross emergency relief packages containing food and personal care items
- food relief workforce grants to employ staff in the absence of a volunteer workforce
- funding to enhance and maintain capacity in the food relief system during lockdowns, through delivering more food to vulnerable Victorians and boosting the capacity of key community food relief organisations.

This initiative contributes to the Department of Families, Fairness and Housing's Concessions to Pensioners and Beneficiaries output.

Utility Relief Grant Scheme additional capacity

Funding is provided to increase application processing capacity and consumer information and advice through the Utility Relief Grant Scheme (URGS) to meet rising demand for utility concessions resulting from COVID-19 lockdowns.

This initiative contributes to the Department of Families, Fairness and Housing's Concessions to Pensioners and Beneficiaries output.

Family Violence Service Delivery

Addressing demand pressures on specialist sexual assault services

Funding is provided to address immediate demand pressures on frontline victim-survivor sexual assault support services in response to the Victorian Law Reform Commission's *Improving the Justice System Response to Sexual Offences* report.

This initiative contributes to the Department of Families, Fairness and Housing's Family Violence Service Delivery output.

Further support for victim-survivors during COVID-19 lockdowns

Funding is provided for additional family violence crisis brokerage services to address hardship experienced by victim-survivors and to support safety and stability during COVID-19 lockdowns.

This initiative contributes to the Department of Families, Fairness and Housing's Family Violence Service Delivery output.

Housing Assistance

COVID-19 Isolation and Recovery Facility

Funding is provided for the COVID-19 Isolation and Recovery Facility (CIRF). The CIRF provides temporary accommodation and support to people with multiple complex needs with a suspected or confirmed case of COVID-19 to self-isolate.

This initiative contributes to the Department of Families, Fairness and Housing's Housing Assistance output.

Emergency hotel accommodation for people experiencing homelessness during COVID-19 lockdowns

Funding is provided for emergency hotel accommodation for people experiencing homelessness during COVID-19 lockdowns.

Funding is also provided to support exit pathways for households with children in hotels, and provide gradual exits for households, including alternative accommodation where possible, after COVID-19 lockdowns conclude.

This initiative contributes to the Department of Families, Fairness and Housing's Housing Assistance output.

Multicultural Affairs Policy and Programs

Continuation of the Culturally and Linguistically Diverse (CALD) Communities Taskforce

Funding is provided for a range of activities to support CALD communities during the COVID-19 pandemic including:

- targeted communications to support critical public health messaging, including vaccinations, to priority multicultural communities
- the Priority Response for Multicultural Communities (PRMC) grants program to deliver direct support to local multicultural communities including culturally appropriate food support, vaccination promotion and social support
- extension and expansion of the Local Partnerships model to engage local councils to support COVID-19 preparedness, outbreak response and emergency relief for CALD communities. Funding also provides additional vaccine support for Local Government Areas with low vaccine uptake rates.

This initiative contributes to the Department of Families, Fairness and Housing's Multicultural Affairs Policy and Programs output.

Promoting vaccine uptake in priority communities

Funding is provided for a package of initiatives to address barriers to vaccine uptake for disadvantaged and vulnerable Victorians. The initiatives aim to reduce social and economic disadvantage and maximise vaccine uptake in Victoria. This includes funding to:

- support vaccine access for children, families and clients with complex needs, including targeted case management and localised and specialised support. This includes flexible funding to improve vaccine access and to develop a vaccine support model, with funding to cover case management, targeted interventions, coordination and brokerage for transport, home-based in-reach and other supports
- support vaccine access for priority Culturally and Linguistically Diverse (CALD) communities. This initiative provides targeted and flexible funding for community-led and culturally specific vaccine case management for vulnerable clients and households with complex needs, and includes funding for eight Community Support Groups (CSGs)
- Local Community Access grants for local community, volunteer-based and grassroots organisations to promote vaccine access
- support vaccine access for young people exiting youth justice facilities and community youth justice clients through intensive and culturally specific outreach, targeted video messaging and other assistance
- expand the Disability Liaison Officer Program to include outreach capacity to reach unvaccinated people with disability
- implement the COVID-19 Vaccination Women's Health Engagement Program, to increase vaccine literacy, address hesitancy and support service navigation for CALD women, women that are carers, women that are of child-bearing age or pregnant, and women living in rural and regional Victoria

- expand the Program for Refugee Monitoring and Education (PRIME) in partnership with the Department of Health to deliver tailored coordination and activities for people seeking asylum and other at-risk temporary migrants
- undertake an LGBTIQ+ Vaccination Drive - Rainbow Week to provide LGBTIQ+ specific health services as well as a tailored and targeted communications campaign
- provide capacity to work with communities to identify, advocate for and broker opportunities for localised, community-specific vaccinations.

This initiative contributes to the Department of Families, Fairness and Housing's:

- Disability Services output
- Multicultural Affairs Policy and Programs output.

This initiative contributes to the Department of Justice and Community Safety's:

- Community Based Offender Supervision output
- Youth Justice Community Based Services output.

Women's Policy

Additional supports for vulnerable women during the COVID-19 pandemic

Funding is provided to bolster case worker capacity in the Council of Single Mothers and their Children (CSMC) to assist single mothers in acute need experiencing health and mental health issues, poverty and financial duress, housing stress, and recovery from family violence.

Funding is also provided to 12 women's health services to address women's mental health issues and to continue and extend the reach of existing programs, addressing the impact of COVID-19 on women's mental health.

This initiative contributes to the Department of Families, Fairness and Housing's Women's policy output.

DEPARTMENT OF HEALTH

Output initiatives

Table A.7: Output initiatives – Department of Health **($ million)**

	2021-22	2022-23	2023-24	2024-25
Admitted Services				
COVID-19 health response [(a)]	1 451.8	..	..	..
Securing and maintaining a PPE stockpile [(a)]	639.4	..	..	..
Clinical Care				
COVID-19 mental health and wellbeing response	29.9	..	..	..
Health Protection				
COVID-19 Capability and Response	1.0	..	..	..
Decriminalisation of sex work in Victoria	1.8	..	..	..
Improving outbreak responses to the COVID-19 Delta variant [(a)]	314.3	..	..	..
Total output initiatives [(b)]	**2 438.2**	**..**	**..**	**..**

Source: Department of Treasury and Finance

Notes:
(a) These initiatives contribute to activity that attracts Commonwealth funding under the National Partnership on COVID-19 Response. Estimates of the Commonwealth's contribution are included.
(b) Table may not add due to rounding.

Admitted Services

COVID-19 health response

Funding is provided to continue Victoria's response to the COVID-19 pandemic. This includes funding for health services to respond to the projected COVID-19 caseload as Victoria reopens, including utilising private hospital capacity, increasing care in the home and enabling primary treatment pathways. Further support is provided to establish the Hospital Surge Support Allowance for public hospital and Ambulance Victoria employees who work patient-facing shifts.

Funding is also provided to continue delivering COVID-19 vaccines to the community by establishing, equipping and staffing Victorian-run vaccination clinics throughout the state. This includes further developing vaccination data management, engaging with key communities about the benefits of vaccination, and providing oversight of the rollout. This initiative will reduce the impact and risk of future COVID-19 outbreaks.

This initiative contributes to the Department of Health's:

- Admitted Services output
- Non-Admitted Services output
- Acute Training and Development output
- Ambulance Emergency Services output
- Residential Aged Care output
- Community Health Care output
- Health Protection output
- Small Rural Services – Acute Health output.

Securing and maintaining a PPE stockpile

Funding is provided to ensure Victoria's personal protective equipment (PPE) stockpile is maintained to enable healthcare workers to continue to safely provide critical healthcare services. This includes warehousing of PPE and repayment of stock drawn down from the National Medical Stockpile.

The initiative contributes to the Department of Health's Admitted Services output.

Clinical Care

COVID-19 mental health and wellbeing response

Funding is provided to deliver a range of priority initiatives to help support the mental health and wellbeing of Victorians during the COVID-19 pandemic. The package includes funding for 20 new pop-up community mental health services to provide additional wellbeing checks, counselling and targeted support for parents, families and priority cohorts including LGBTIQ+ communities and Aboriginal Victorians.

Funding is also provided to increase the capacity of helplines and digital connections to support early interventions for vulnerable Victorians. Support is provided for six metropolitan health services to provide care for Victorians with eating disorders, collaborate with local headspace centres and reduce the waiting list for young Victorians seeking help.

This initiative contributes to the Department of Health's Clinical Care output.

Health Protection

COVID-19 Capability and Response

Refer to the Department of Premier and Cabinet for a description of this initiative.

Decriminalisation of sex work in Victoria

Refer to the Department of Justice and Community Safety for a description of this initiative.

Improving outbreak responses to the COVID-19 Delta variant

Funding is provided for Victoria's surge response to the COVID-19 Delta variant including new operational teams to engage with increased numbers of primary close contacts, and manage containment activities at high-risk sites. Additionally, new multidisciplinary teams consisting of medical, operational, data and epidemiology staff are established to be deployed at short notice to support the State's response to the COVID-19 Delta variant.

This initiative also supports a significant enhancement in testing capacity, improved COVID-19 call-centre operations, and awareness campaigns relating to border vaccinations, exposure sites and other topics. Funding also expands the capability of the contact tracing unit.

This initiative contributes to the Department of Health's Health Protection output.

Asset initiatives

Table A.8: Asset initiatives – Department of Health **($ million)**

	2021-22	*2022-23*	*2023-24*	*2024-25*	*TEI*
Admitted Services					
COVID-19 health response	86.7	..	..	..	86.7
Total asset initiatives	**86.7**	**..**	**..**	**..**	**86.7**

Source: Department of Treasury and Finance

Admitted Services

COVID-19 health response

Refer to the output initiative for a description of this initiative.

DEPARTMENT OF JOBS, PRECINCTS AND REGIONS

Output initiatives

Table A.9: Output initiatives – Department of Jobs, Precincts and Regions ($ million)

	2021-22	2022-23	2023-24	2024-25
Agriculture				
Continued support for Pacific Mobility Schemes [(a)]	22.4	..	..	..
June 2021 flood and storm event – recovery package [(b)]	13.5	..	..	..
Melbourne Showgrounds Future Sustainability	7.6	4.5	..	..
Creative Industries				
Melbourne Arts Precinct Transformation	..	3.4	13.0	24.5
Supporting Victoria's creative, live music and events sectors	68.2	0.2	..	..
Industry, Innovation, Medical Research and Small Business				
Brain Cancer Centre Investment	4.1	4.1	3.9	3.9
Business support [(c)]	7 161.9	..	..	..
COVID-19 Capability and Response	8.1	..	..	..
Delivering the Australian Institute for Infectious Disease	90.1	77.5	77.5	..
Safe building ventilation – supporting Victoria's roadmap to open-up the economy	6.0	..	..	..
Jobs				
Test Isolation Payments and Pandemic Leave Disaster Payments	198.8	..	..	..
Local Government and Suburban Development				
COVIDSafe Outdoor Activation	54.5	..	..	..
Sport, Recreation and Racing				
Contribution towards the Tokyo 2020 Team Appeal	1.1	..	..	..
Supporting Victoria's Sporting Clubs	10.5	..	..	..
Tourism and Major Events				
Melbourne Convention and Exhibition Trust (MCET)	59.0	..	..	..
Trade and Global Engagement				
Expanded resources for the Victorian Government Trade and Investment Network in the United States	2.9	2.6	2.7	2.7
International education resilience	49.8	0.2	..	..
Total output initiatives [(d)]	**7 758.6**	**92.5**	**97.0**	**31.1**

Source: Department of Treasury and Finance

Notes:

(a) Includes an industry contribution of $6 million towards quarantine costs.
(b) A component of this initiative is co-funded with the Commonwealth. Estimates of the Commonwealth's contribution are included.
(c) Components of this initiative are co-funded with the Commonwealth. Estimates of the Commonwealth's contribution are included.
(d) Table may not add due to rounding.

Agriculture

Continued support for Pacific Mobility Schemes

Additional funding is provided to minimise supply chain disruptions in Victoria's agriculture industry caused by continued labour shortages due to COVID-19 international travel restrictions. This includes a co-contribution to quarantine costs for workers under the Commonwealth Government's Pacific mobility schemes to support at least 1 500 Pacific workers until 30 June 2022.

This initiative contributes to the Department of Jobs Precincts and Regions' Agriculture output.

June 2021 flood and storm event – recovery package

Refer to the Department of Justice and Community Safety for a description of this initiative.

Melbourne Showgrounds Future Sustainability

Funding is provided to review and support the financial sustainability of the Melbourne Showgrounds following significant disruption during the COVID-19 pandemic.

This initiative contributes to the Department of Jobs, Precincts and Regions' Agriculture output.

Creative Industries

Melbourne Arts Precinct Transformation

Refer to the asset initiative for a description of this initiative.

Supporting Victoria's creative, live music and events sectors

Funding is provided to support Victoria's creative, live music and event sectors impacted by the COVID-19 pandemic, including:

- the 2021 Live Music Restart Program, a package of supports helping to accelerate the recovery of Victoria's live music sector. This package includes extending support towards live music venues, helping revive music festivals and events, and additional Melbourne CBD music performances
- a Live Performance Support Program, assisting organisers, venues and supply chain businesses impacted by postponements or cancellations
- an extension of the Impacted Public Events Support Program, providing grants to organisers of registered public events that were cancelled or postponed
- a new Sustaining Creative Organisations Program, supporting creative industry organisations to remain financially viable, retain connection with their workers and recover as restrictions ease and commercial operating conditions resume
- grants to enable creative workers to continue to produce art through a second round of the Sustaining Creative Workers Program

- grants to support the viability of major productions and commercial theatres
- a 12-month COVID-19 event interruption insurance product provided by the Victorian Managed Insurance Authority. The program is open to creative, sports and business events between $20 000 and $10 million in value.

This initiative contributes to the Department of Jobs Precincts and Regions':

- Creative Industries Access, Development and Innovation output
- Industry, Innovation, Medical Research and Small Business output.

This initiative contributes to the Department of Treasury and Finance's Commercial and Infrastructure Advice output.

Industry, Innovation, Medical Research and Small Business

Brain Cancer Centre Investment

Funding is provided to the Brain Cancer Centre for the establishment of a Brain Perioperative Clinical Trial Program (Brain-POP). This initiative will strengthen Victoria's position as a leader in cancer research and enhance brain cancer treatment options and outcomes through improved diagnosis and prognosis.

This initiative contributes to the Department of Jobs Precincts and Regions' Industry, Innovation, Medical Research and Small Business output.

Business support

Funding is provided to support Victorian businesses impacted by public health restrictions since late May 2021, including:

- grant payments through successive rounds of the Business Costs Assistance Program (BCAP), providing direct financial support to eligible employing and non-employing businesses including in the hospitality, tourism, events and selected retail industries, helping businesses to survive restricted trading conditions and keep Victorians in jobs
- grant payments through successive rounds of the Licensed Hospitality Venue Fund to support liquor licensees to continue operations, meet business expenses during public health restrictions and perform business continuity planning
- the creation of a Small Business COVID Hardship Fund, providing one-off $20 000 grants to small businesses ineligible for other Victorian Government supports who could demonstrate a reduction in turnover of at least 70 per cent
- one-off BCAP Round 4 – Construction grants to assist eligible construction businesses for the period 21 September to 4 October 2021 for direct costs incurred due to operating restrictions
- a one-off continuity payment to businesses operating in sectors of the economy which remained highly impacted by restrictions following the lifting of the lockdown on 27 July 2021
- a second round of the First Peoples' COVID-19 Business Support Fund, providing grants of $6 000 to eligible Aboriginal businesses to help them to meet business costs, develop marketing activities, or pivot their business offering

- an Alpine Business Support Program to help businesses manage the impacts of restrictions and offer a COVID-Safe Alpine winter visitor experience, with further support for Alpine Resort Management Boards
- additional rounds of the Regional Travel Voucher Scheme to deliver a stimulus to the visitor economy following the easing of travel restrictions across the state
- the re-introduction of a Commercial Landlord Hardship Fund, providing grants to landlords who experienced hardship due to providing rent relief to tenants during the pandemic under the Commercial Tenancy Relief Scheme (CTRS)
- additional resourcing to enable the Victorian Small Business Commission to manage increased demand for mediation services under the new CTRS
- a Business Victoria Microbusiness Concierge Service to support Victorian microbusinesses and sole traders to navigate and access available State and Commonwealth Government supports
- an extension of the Business Recovery and Resilience Mentoring program to provide additional mentoring program places funded, co-delivered with the Victorian Chamber of Commerce and Industry.

This initiative contributes to the Department of Jobs, Precincts and Regions':

- Industry, Innovation, Medical Research and Small Business output
- Jobs output
- Sport, Recreation and Racing output
- Tourism and Major Events output.

COVID-19 Capability and Response

Refer to the Department of Premier and Cabinet for a description of this initiative.

Delivering the Australian Institute for Infectious Disease

Following the State's contribution announced in the *2020-21 Budget*, further funding is provided to establish a new Australian Institute for Infectious Disease in Victoria as a co-contribution from the Commonwealth Government was not provided. The institute will be the largest centre of expertise in the Southern Hemisphere region, boosting ongoing research efforts through Victoria's universities and medical research institutes to help protect the State against future pandemics.

This initiative contributes to the Department of Jobs Precincts and Regions' Industry, Innovation, Medical Research and Small Business output.

Safe building ventilation – supporting Victoria's roadmap to open-up the economy

Refer to the Department of Environment, Land, Water and Planning for a description of this initiative.

Jobs

Test Isolation Payments and Pandemic Leave Disaster Payments

Funding is provided to extend the delivery of Test Isolation Payments to support people without leave entitlements or existing financial support to self-isolate while awaiting COVID-19 test results.

Further, the Victorian Government will continue to fund Pandemic Leave Disaster Payments to recipients who are not Australian citizens or permanent residents, who would otherwise be excluded from the Commonwealth scheme. These payments are made available to people who must self-isolate or quarantine due to contracting COVID-19, are a close contact of a confirmed case, or are caring for someone with COVID-19.

These programs assist Victorians to comply with public health advice and reduces the risk of COVID-19 community transmission.

This initiative contributes to the Department of Jobs, Precincts and Regions' Jobs output.

Local Government and Suburban Development

COVIDSafe Outdoor Activation

Funding is provided to establish a COVIDSafe Outdoor Activation Fund for grants to local government to support immediate temporary outdoor activation. Funding is also provided for a new COVIDSafe Outdoor Activation Voucher Program to help businesses reopen by moving activities outdoor. These programs will assist businesses to adapt by transitioning to outdoor operations and operate in a COVIDSafe manner.

This initiative contributes to the Department of Jobs, Precincts and Regions':

- Industry, Innovation, Medical Research and Small Business output
- Local Government and Suburban Development output.

Sport, Recreation and Racing

Contribution towards the Tokyo 2020 Team Appeal

Funding is provided towards the Tokyo 2020 Team Appeal, supporting Victorian athletes who were part of the 2020 Tokyo Olympic and Paralympic teams, including Victorian team support staff and officials.

This initiative contributes to the Department of Jobs, Precincts and Regions' Sport, Recreation and Racing output.

Supporting Victoria's Sporting Clubs

Funding is provided to support Victorian sporting clubs impacted by public health restrictions since late May 2021, including:

- a new round of the Sporting Club Grants Program, providing $2 000 grants to assist community sport and recreation organisations recoup irrecoverable costs
- additional grants to more than 6 500 community sporting clubs, leagues and associations through a fourth round of the Community Sport Sector Short-term Survival Package.

This initiative contributes to the Department of Jobs, Precincts and Regions' Sport, Recreation and Racing output.

Tourism and Major Events

Melbourne Convention and Exhibition Trust (MCET)

Funding is provided to the Melbourne Convention and Exhibition Centre to support its operations following the impacts of the COVID-19 pandemic on the events sector. This will help keep the organisation active, retain its workforce, ensure its immediate solvency and enable the business to undertake recovery and relaunch activities through to the end of 2021-22.

This initiative contributes to the Department of Jobs, Precincts and Regions' Tourism and Major Events output.

Trade and Global Engagement

Expanded resources for the Victorian Government Trade and Investment Network in the United States

Funding is provided to support the continued operations of the Victorian Government Trade and Investment Network on the East Coast of the United States. The appointment of new trade and investment professionals will help to stimulate export growth and foreign investment attraction. This will continue to assist the trade sector to recover from the impacts of the COVID-19 pandemic and support the State's longer-term economic recovery.

This initiative contributes to the Department of Jobs, Precincts and Regions' Trade and Global Engagement output.

This initiative contributes to the Department of Treasury and Finance's Invest Victoria output.

International education resilience

Funding is provided for the International Education Resilience Fund for grants to universities to stabilise their current and future international student pipeline. The funding supports international student welfare and support services, enhanced delivery of remote and offshore teaching and learning, and increased student engagement programs and events. This investment positions the international education sector for economic recovery from the COVID-19 pandemic.

This initiative contributes to the Department of Jobs, Precincts and Regions' Trade and Globe Engagement output.

Asset initiatives

Table A.10: Asset initiatives – Department of Jobs, Precincts and Regions ($ million)

	2021-22	2022-23	2023-24	2024-25	TEI
Agriculture					
Melbourne Showgrounds Future Sustainability	2.7	1.8	..	..	4.5
Creative Industries					
Melbourne Arts Precinct Transformation [(a)]	..	5.0	5.0	10.0	162.2
Total asset initiatives [(b)]	**2.7**	**6.8**	**5.0**	**10.0**	**166.8**

Source: Department of Treasury and Finance

Notes:
(a) The TEI includes funding beyond 2024-25.
(b) Table may not add due to rounding.

Agriculture

Melbourne Showgrounds Future Sustainability

Refer to the output initiative for a description of this initiative.

Creative Industries

Melbourne Arts Precinct Transformation

Funding is provided to expand the scope of the Melbourne Arts Precinct Transformation project to include restoration of the Arts Centre Melbourne State Theatre, critical maintenance works to the Theatres Building and enhanced public realm activation including additional food and beverage outlets.

This initiative contributes to the Department of Jobs, Precincts and Regions':

- Creative Industries Portfolio Agencies output
- Cultural Infrastructure and Facilities output.

DEPARTMENT OF JUSTICE AND COMMUNITY SAFETY

Output initiatives

Table A.11: Output initiatives – Department of Justice and Community Safety ($ million)

	2021-22	2022-23	2023-24	2024-25
Emergency Management Capability				
Further support for Emergency Services Telecommunication Authority's call-taking and dispatch services	17.0	10.5	..	..
June 2021 flood and storm event – recovery package [(a)]	118.8	..	..	..
The Government's response to inquiries into the Victorian bushfires	2.8	..	..	..
Gambling and Liquor Regulation				
Royal Commission into the Casino Operator and License	10.5	..	..	..
Prisoner Supervision and Support				
COVID-19 surveillance testing	24.6	..	..	..
Regulation of the Victorian Consumer Marketplace				
Decriminalisation of sex work in Victoria	1.9	..	..	..
Youth Justice Community Based Services				
Promoting vaccine uptake in priority communities	1.2	..	..	..
Youth Justice Custodial Services				
COVID-19 surveillance testing	4.2	..	..	..
Total output initiatives [(b)]	**181.0**	**10.5**	**..**	**..**

Source: Department of Treasury and Finance

Notes:
(a) These initiatives contribute to activity that attracts Commonwealth funding under the Disaster Recovery Funding Arrangements. Estimates of the Commonwealth's contribution are included.
(b) Table may not add due to rounding.

Emergency Management Capability

Further support for Emergency Services Telecommunication Authority's call-taking and dispatch services

Funding is provided to the Emergency Services Telecommunication Authority to develop greater surge capacity to manage peak periods and COVID-19-related demand in ambulance services.

This initiative contributes to the Department of Justice and Community Safety's Emergency Management Capability output.

June 2021 flood and storm event – recovery package

Funding is provided for the coordinated clean-up of damage and debris, a council support fund, community-based support, economic recovery, bushfire prevention and road restoration.

This initiative contributes to the Department of Justice and Community Safety's Emergency Management Capability output.

This initiative contributes to the Department of Jobs, Precincts and Regions' Agriculture and Industry, Innovation, Medical Research and Small Business outputs.

This initiative contributes to the Department of Transport's Road Asset Management output.

The Government's response to inquiries into the Victorian bushfires

Funding is provided to strengthen Victorian emergency management system and implement actions arising from the Government's response to inquiries undertaken by the Inspector-General for Emergency Management and the Royal Commission into National Natural Disaster Arrangements.

This initiative contributes to the Department of Justice and Community Safety's Emergency Management Capability output.

Gambling and Liquor Regulation

Royal Commission into the Casino Operator and License

Funding is provided for the Royal Commission into the Casino Operator and License, as well as the Government's response to the Royal Commission and an independent review into casino regulation.

This initiative contributes to the Department of Justice and Community Safety's Gambling and Liquor Regulation output.

Prisoner Supervision and Support

COVID-19 surveillance testing

Funding is provided to introduce new surveillance testing for prisons and youth justice custodial facilities. This includes a surveillance testing regime for staff, including daily rapid antigen testing and outbreak testing of prisoners and young people.

This initiative contributes to the Department of Justice and Community Safety's Prisoner Supervision and Support output.

Regulation of the Victorian Consumer Marketplace

Decriminalisation of sex work in Victoria

Funding is provided to progress reforms relating to the decriminalisation of sex work in Victoria. This includes public health and planning reforms and support for Victoria Police, the Victorian Equal Opportunity and Human Rights Commission and WorkSafe.

This initiative contributes to the Department of Justice and Community Safety's:

- Regulation of the Victorian Consumer Marketplace output
- Policing and Community Safety output
- Gambling and Liquor Regulation output.

This initiative contributes to the Department of Health's

- Health Protection output
- Clinical Care output.

This initiative contributes to the Department of Environment, Land, Water and Planning's Planning, Building and Heritage output.

Youth Justice Community Based Services

Promoting vaccine uptake in priority communities

Refer to the Department of Families, Fairness and Housing for a description of this initiative.

Youth Justice Custodial Services

COVID-19 surveillance testing

Refer to the initiative description under Prisoner Supervision and Support.

This initiative contributes to the Department of Justice and Community Safety's Youth Justice Custodial Services output.

DEPARTMENT OF PREMIER AND CABINET

Output initiatives

Table A.12: Output initiatives – Department of Premier and Cabinet **($ million)**

	2021-22	2022-23	2023-24	2024-25
Digital Government and Communication				
COVID-19 Capability and Response	62.9	..	..	..
Total output initiatives	**62.9**	**..**	**..**	**..**

Source: Department of Treasury and Finance

Digital Government and Communication

COVID-19 Capability and Response

Funding is provided for the following programs which support the Government's capability and response to the COVID-19 pandemic to reduce the risk of community transmission, raise awareness and promote safety in the community:

- delivering a range of COVID-19 strategic campaigns, communications and research to promote COVIDSafe practices and support ongoing changes to public health policies and restrictions within Victoria
- developing and delivering a COVID-19 digital vaccination certificate capability linked to QR code check-in systems and other COVID-19 response technologies to support COVID-19 response and recovery
- enhancing the capability and functionality of the Service Victoria QR code system to expand and strengthen the coverage, deliver bulk QR check-ins and to help ensure accurate, real-time data continues to be delivered by the contact tracing system
- delivering additional support to businesses through increased business engagement and compliance on COVIDSafe practices including QR code check-ins and electronic record keeping requirements to help facilitate faster contract tracing in the event a COVID-19 outbreak occurs
- extending the employment of COVID-19 Business Support Officers in councils across the state as part of the Business Concierge Program until the end of February 2022 to help businesses adopt COVIDSafe practices and comply with the Chief Health Officer's Directions as we transition to a vaccinated economy.

This initiative contributes to the Department of Premier and Cabinet's:

- Digital Government and Communications output
- Government-wide Leadership, Reform and Implementation output.

This initiative contributes to the Department of Jobs, Precincts and Regions':

- Industry, Innovation, Medical Research and Small Business output
- Local Government and Suburban Development output.

This initiative contributes to the Department of Health's Health Protection output.

DEPARTMENT OF TRANSPORT

Output initiatives

Table A.13: Output initiatives – Department of Transport **($ million)**

	2021-22	2022-23	2023-24	2024-25
COVID-19 impacts on the transport network	9.5	3.3	..	..
Fishing and Boating				
Better Boating Fund	11.3	..	..	..
Road Asset Management				
June 2021 flood and storm event – recovery package [(a)]	21.0	..	..	..
Total output initiatives [(b)]	**41.8**	**3.3**	**..**	**..**

Source: Department of Treasury and Finance

Notes:
(a) This initiative includes an indemnity payment from the Victorian Managed Insurance Authority.
(b) Table may not add due to rounding.

COVID-19 impacts on the transport network

Funding is provided to address the impacts of the COVID-19 pandemic on the transport network. This includes the expansion of Service Victoria QR codes across the public transport network to support COVID-19 contact tracing, including onboard all trains, trams and buses.

This initiative contributes to the Department of Transport's:

- Bus Services – Statewide output
- Train Services – Metropolitan output
- Train Services – Regional output
- Train Services – Statewide output
- Tram Services output.

Fishing and Boating

Better Boating Fund

Funding is provided for the *Victorian Recreational Boating Action Plan 2021-22* to improve boating access, promote boating safety, upgrade boating facilities and deliver boating policy reform.

This initiative delivers on the Government's election commitment as published in *Labor's Financial Statement 2018*.

This initiative contributes to the Department of Transport's Fishing and Boating output.

Road Asset Management

June 2021 flood and storm event – recovery package

Refer to the Department of Justice and Community Safety for a description of this initiative.

Asset initiatives

Table A.14: Asset initiatives – Department of Transport **($ million)**

	2021-22	2022-23	2023-24	2024-25	TEI
Train Services					
85 by 2025 [(a)]	tbc	tbc	tbc	tbc	2 536.0
Total asset initiatives	**..**	**..**	**..**	**..**	**2 536.0**

Source: Department of Treasury and Finance

Notes:

(a) Cashflows to be confirmed following confirmation of final designs and delivery profile of the program.

Train Services

85 by 2025

A program of 10 additional level crossing removals will build upon the Government's existing commitment to remove 75 dangerous and congested level crossings in Victoria. These additional level crossing removals will improve travel time, enhance safety, and create more accessible communities across Melbourne.

The sites are:

- Bedford Road, Ringwood
- Brunt Road, Beaconsfield
- Calder Park Drive, Calder Park
- Coolstore Road, Croydon
- Dublin Road, Ringwood East
- Keon Parade, Keon Park
- Parkers Road, Parkdale
- Station Street, Beaconsfield
- Warrigal Road, Mentone
- Webb Street, Narre Warren.

This initiative contributes to the Department of Transport's:

- Road Operations output
- Train Services – Metropolitan output
- Transport Infrastructure output.

DEPARTMENT OF TREASURY AND FINANCE

Output initiatives

Table A.15: Output initiatives – Department of Treasury and Finance ($ million)

	2021-22	2022-23	2023-24	2024-25
Commercial and Infrastructure Advice				
Supporting Victoria's creative, live music and events sectors	10.0	..	..	..
Economic and Policy Advice				
Inquiry into economic equity for Victorian women	3.0	..	..	..
Invest Victoria				
Expanded resources for the Victorian Government Trade and Investment Network in the United States	0.2	0.2	0.2	0.2
Total output initiatives [(a)]	**13.2**	**0.2**	**0.2**	**0.2**

Source: Department of Treasury and Finance

Note:
(a) Table may not add due to rounding.

Commercial and Infrastructure Advice

Supporting Victoria's creative, live music and events sectors

Refer to the Department of Jobs, Precincts and Regions for a description of this initiative.

Economic and Policy Advice

Inquiry into economic equity for Victorian women

Funding is provided to establish an independent inquiry into economic equity for Victorian women to address long-standing systemic inequalities and find solutions for problems such as unequal pay and workplace barriers to women's success.

This initiative contributes to the Department of Treasury and Finance's Economic and Policy Advice output.

Invest Victoria

Expanded resources for the Victorian Government Trade and Investment Network in the United States

Refer to the Department of Jobs, Precincts and Regions for a description of this initiative.

PARLIAMENT

Output initiatives

Table A.16: Output initiatives – Parliament **($ million)**

	2021-22	2022-23	2023-24	2024-25
Public Sector Integrity				
Supporting Victoria's integrity agencies	8.3	..	..	..
Total output initiatives	**8.3**	**..**	**..**	**..**

Source: Department of Treasury and Finance

Public Sector Integrity

Supporting Victoria's integrity agencies

Funding is provided to support immediate demand challenges faced by the Independent Broad-based Anti-corruption Commission (IBAC), including greater investigative capacity to better target and the assess high-risk cases where a full investigation is warranted. Additional funding is also provided to the Victorian Ombudsman's office to help ensure it can effectively undertake responsibilities and functions as legislatively mandated.

This initiative contributes to the Parliament's Public Sector Integrity output.

COURT SERVICES VICTORIA

Output initiatives

Table A.17: Output initiatives – Court Services Victoria **($ million)**

	2021-22	2022-23	2023-24	2024-25
Courts				
Dandenong Specialist Children's Court	0.5	3.7	4.7	4.7
Replacement Accommodation for Court Services Victoria	3.0	5.6	5.3	5.4
Total output initiatives [(a)]	**3.5**	**9.2**	**9.9**	**10.1**

Source: Department of Treasury and Finance

Note:
(a) Table may not add due to rounding.

Courts

Dandenong Specialist Children's Court

Refer to the asset initiative for a description of this initiative.

Replacement Accommodation for Court Services Victoria

Refer to the asset initiative for a description of this initiative.

Asset initiatives

Table A.18: Asset initiatives – Court Services Victoria **($ million)**

	2021-22	2022-23	2023-24	2024-25	TEI
Courts					
Dandenong Specialist Children's Court	2.0	10.9	1.2	1.2	29.0
Replacement Accommodation for Court Services Victoria	71.4	6.4	5.1	5.1	96.3
Total asset initiatives [(a)]	**73.4**	**17.3**	**6.3**	**6.3**	**125.3**

Source: Department of Treasury and Finance

Note:
(a) Table may not add due to rounding.

Courts

Dandenong Specialist Children's Court

Funding is provided for a new specialist children's court to meet ongoing demand for justice services in Melbourne's south-east and improve the court experience and outcomes for children, families and young offenders. The new specialist court will feature onsite access to therapeutic services and capacity to separate and directly support vulnerable victims and witnesses of family violence.

This initiative contributes to Court Services Victoria's Courts output.

Replacement Accommodation for Court Services Victoria

Funding is provided for design and construction activities and rental expenses related to Court Services Victoria moving services and staff to new accommodation following the unplanned closure of 436 Lonsdale Street Melbourne due to building safety issues.

This initiative contributes to Court Services Victoria's Courts output.

APPENDIX B – AMENDMENTS TO THE 2021-22 OUTPUT PERFORMANCE MEASURES

Output measures for all departments were published in Chapter 2 and Appendix A of Budget Paper No. 3 *Service Delivery*. The Public Accounts and Estimates Committee has completed its review of the measures which were substantially changed or proposed to be discontinued, and tabled its report in Parliament on 5 October 2021. The Government will consider the Committee's report and respond to the recommendations within the legislated timeline. All agreed changes to output performance measures will be reflected in the next budget publication.

APPENDIX C – TAX EXPENDITURES AND CONCESSIONS

Tax expenditures and concessions represent forgone revenue to the State. They take a number of different forms, including exemptions, benefits and incentives delivered through the tax system. Regardless of the form they take, they preferentially benefit certain taxpayers, activities or assets compared with normal taxation treatment.

TAX EXPENDITURES

Tax expenditures are estimated by taking the difference between the reduced tax paid by a person or entity receiving preferential treatment and the tax paid by taxpayers who do not receive that treatment. Benefits arising from marginal tax rates and tax-free thresholds are not considered to be tax expenditures, since they apply to all taxpayers. Accordingly, they are not included in this section.

Over the past decade, the State has forgone $67.4 billion in revenue from tax expenditures. In 2021-22, tax expenditures are forecast to be about $11.1 billion.

The tax expenditures outlined below include exemptions, reduced rates and deductions or rebates of tax for a certain type of taxpayer, activity or asset. Table C.1 aggregates tax expenditure estimates by the main tax categories for the period 2021-22 to 2024-25. In estimating tax expenditures, it is assumed that taxpayer behaviour is unchanged by the concession.

Table C.1: Estimates of aggregate tax expenditures by type of tax [(a)] ($ million)

Description	*2021-22*	*2022-23*	*2023-24*	*2024-25*
Land tax	6 768	7 469	7 996	8 646
Fire Services Property Levy	30	30	30	30
Payroll tax	1 679	1 664	1 467	1 586
Mental Health and Wellbeing Levy	30	74	78	83
Gambling tax	60	78	79	79
Motor vehicle taxes	205	215	224	235
Land transfer duties	2 223	1 945	1 970	1 988
Congestion levy	64	65	66	68
Total estimated tax expenditures	**11 059**	**11 540**	**11 911**	**12 715**

Note:
(a) All amounts have been rounded to the nearest $1 million unless otherwise stated. Figures may not add due to rounding.

CONCESSIONS

Concessions are direct budget outlays or reduced government charges that reduce the price of a good or service for particular groups. Over the past decade, the State has provided $16.2 billion in concessions. In 2021-22, concessions are forecast to be about $2.0 billion.

Certain characteristics of a consumer, such as possession of a Commonwealth Government pension card or health care card, can be the basis for such entitlements. Concessions allow certain groups in the community to access or purchase important public services such as energy, education, health and transportation at a reduced cost. Table C.2 classifies the major concessions by category.

Eligible concession card holders receive reduced bills for energy, municipal rates, water and sewerage, funded by the State and paid to service providers.

Education concessions include concessions for preschool and for vocational education and training.

Hardship schemes include the Utility Relief Grant Scheme and payment to State Trustees through a Community Service Agreement. The Utility Relief Grant Scheme assists Victorians unable to pay utility bills due to temporary financial hardship. State Trustees provide trustee services, including managing the legal and financial affairs of Victorians unable to do so independently.

The social and community services category includes assistance to not-for-profit organisations such as Bereavement Assistance Limited, the Charity Freight Service and food relief organisations.

Private transport concessions consist of a discount on Transport Accident Commission premiums and funding the Multi-Purpose Taxi Program.

Table C.2: Concessions by category [(a)] **($ million)**

Description	*2021-22*
Electricity	163
Mains gas	75
Municipal rates	103
Water and sewerage	197
Total energy, municipal rates, water and sewerage	**539**
Ambulance	450
Dental services and spectacles	170
Community health programs	181
Total health	**802**
Education	**180**
Hardship schemes	**69**
Social and community services	**16**
Private transport	**181**
Public transport	**192**
Total for items estimated	**1 978**

Note:
(a) All amounts have been rounded to the nearest $1 million unless otherwise stated. Figures may not add due to rounding.

APPENDIX D – SENSITIVITY ANALYSIS

The *2021-22 Budget Update* relies on forecasts and judgements about the economic, operating and financial conditions for the Victorian general government sector. Uncertainty in these conditions, for example as a result of international developments and other risks to the national economy, may cause the actual results to differ from projections.

This sensitivity analysis explores the impact of variations in the macroeconomic outlook on key fiscal aggregates of the general government sector using two alternative approaches.

The first approach quantifies the fiscal impacts of a scenario involving simultaneous variations in economic parameters that represent key risks to the economic outlook described in Chapter 2 *Economic Context*. This scenario was selected to cover a plausible shock that could affect Victoria over the budget period, and the modelling takes account of linkages between key international, Australian and Victorian economic aggregates.

The modelled outcomes are intended to be used as a guide and care should be exercised in interpreting the results. In particular, economic shocks tend to be idiosyncratic in nature, with the modelled scenario unlikely to completely reflect any future shock that could occur. Departures from this scenario would be likely to result in different impacts on the budget. Furthermore, the modelled results of the shocks do not incorporate any policy responses to the shocks and their subsequent effects on the economic outlook.

The second approach considers the fiscal impacts of independent variations in major macroeconomic parameters, holding constant all parameters other than the indicator of interest. This analysis may be useful for assessing the impact on fiscal aggregates of a forecast error in a single economic parameter. In practice, economic variations rarely occur in isolation, and scenario analysis is likely to be more appropriate to illustrate the fiscal impacts of an economic environment materially different from that presented in the budget papers.

FISCAL IMPACTS OF VARIATIONS TO THE ECONOMIC OUTLOOK

This part of the sensitivity analysis quantifies a key risk identified in Chapter 2 *Economic Context* and presents how this risk might affect the State's economic and fiscal aggregates.

The scenario considered is a generalised COVID-19 setback that leads to renewed outbreaks and restrictions in major economies outside Australia, slowing the global economic recovery. This setback could take the form of the emergence of a vaccine-resistant COVID-19 strain or further setbacks in the global vaccination effort.

The economic impacts of the scenario have been modelled using VURMTAX, a computable general equilibrium model developed by the Centre of Policy Studies at Victoria University. The results of the scenario are analysed as a deviation from the 'business as usual' base case, which represents the economic forecasts outlined in Chapter 2 *Economic Context*.

The changes in economic variables resulting from the modelled shocks are then mapped into estimated revenue and expenditure impacts using elasticities that describe the historical relationship between fiscal outcomes and major macroeconomic parameters in Table D.2.[1]

Scenario: Global COVID-19 setback

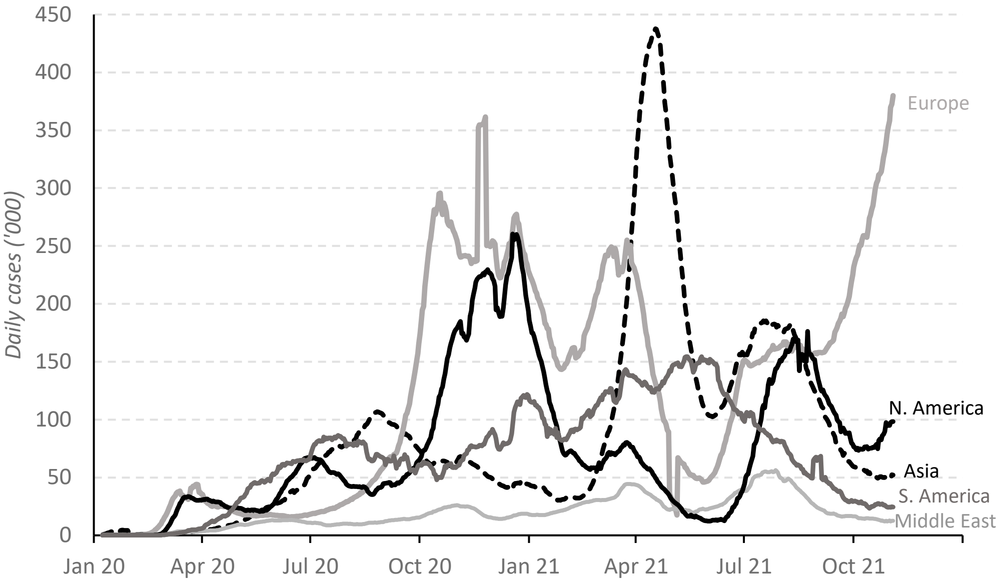
The COVID-19 pandemic has had a significant impact on the global economy. Even with the global recovery underway, there remains a high degree of uncertainty around the economic outlook. Key to the global recovery is the future path of virus transmission across the globe and the speed and efficacy of the global vaccine rollout. This scenario explores the implications of a setback in the global economic recovery, due to either the emergence of a vaccine-resistant COVID-19 strain or further interruptions in global vaccination efforts. These downside risks are related, as delays in vaccination efforts may increase the likelihood of the emergence of a new strain.

The global response to the pandemic led to a significant and synchronised contraction in the global economy, which fell by 3.1 per cent in 2020. Many countries have had success in slowing the spread of the virus, which has generally been associated with better economic outcomes. Success in reducing case numbers and rolling out vaccines allowed restrictions to be eased and economic activity to recover. Global economic activity picked up significantly in the September quarter 2020, with the recovery continuing into 2021.

The future path of the virus remains a key uncertainty. The past twelve months have been characterised by various regional outbreaks, often prompting increased public health restrictions that save lives but limit economic activity in the short-term. While new cases have fallen in most regions over the past few months, Europe is experiencing an increase in new daily cases, amid uneven vaccination rates across the region and the reopening of the economy alongside the virus (Chart D.1). Until widespread vaccination is achieved globally there will continue to be uncertainty associated with the path of the virus as the global economy continues to reopen.

1. The Department of Treasury and Finance maintains a set of elasticities covering the relationship between major economic parameters and revenue and expenditure lines, including superannuation, and dividends and income tax equivalents from the public financial and non-financial corporations.

Chart D.1: Daily COVID-19 case numbers



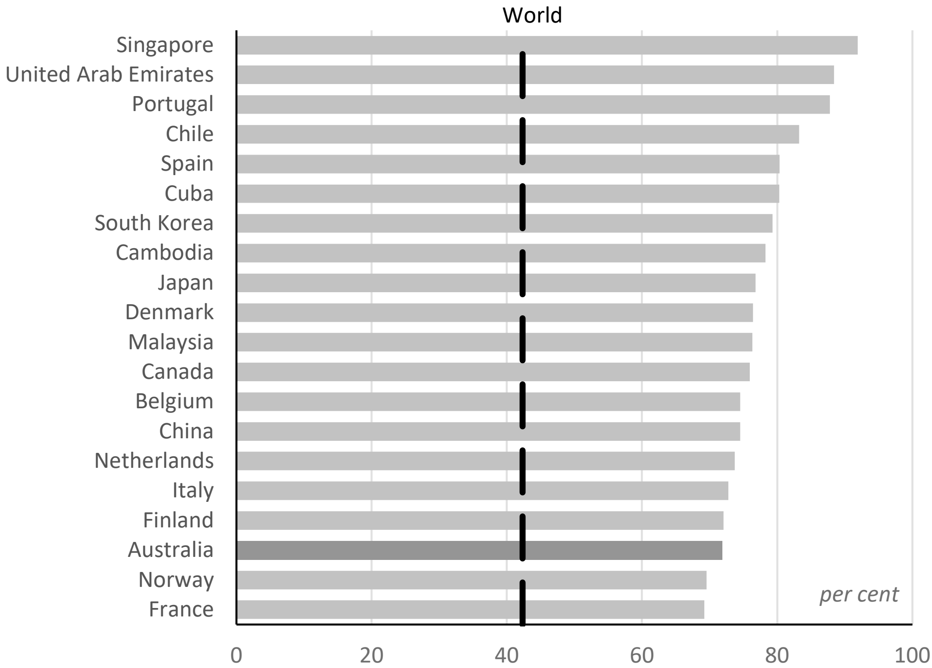
Source: John Hopkins University; Department of Treasury and Finance

The rollout of vaccines is well underway, although with less than half of the global population fully vaccinated there is much further to go (Chart D.2). While full vaccination rates exceed 65 per cent across advanced economies, only around 35 per cent of those in developing countries have received at least one dose, with around 28 per cent fully vaccinated.

The rollout of the vaccine has faced several hurdles, with progress on the production and distribution of vaccines mixed. Delays to the production of some vaccines have slowed the rollout, while restrictions on vaccine exports hindered progress for some countries. Concerns about vaccine side-effects caused some countries to pause or restrict their vaccine programs, although generally pauses were temporary.

Further complicating global efforts to contain COVID-19 is the emergence of new variants of the COVID-19 virus, as well as uncertainty surrounding the efficacy of existing vaccines against them. There is not yet a global consensus on the widespread use of booster vaccines. These factors contribute to the elevated uncertainty surrounding the successful and sustained inoculation of the global population.

Chart D.2: Share of total population fully vaccinated (top 20 countries, World) [(a)]



Sources: Our World in Data; Australian Government Department of Health; Department of Treasury and Finance.

Note:

(a) A fully-vaccinated person has received all required doses of a vaccine. Chart shows those countries with a population greater than 5 million. The vaccination rate for Australia shown here, which is for the total population, is not directly comparable to rates of vaccination for the 'eligible' population as is generally reported in Australia. Data as reported by the Australian Government, and by Our World in Data for international jurisdictions, on 25 November 2021.

Consistent with the outlook presented in the International Monetary Fund's (IMF) October 2021 *World Economic Outlook*, the base case assumes the global economy will grow by 5.9 per cent in 2021, taking the global economy above pre-COVID-19 levels, and a further 4.9 per cent in 2022.

In the alternative scenario, a global COVID-19 setback, such as further delays to the global vaccination effort or the emergence of a vaccine-resistant strain of COVID-19, leads to renewed outbreaks and restrictions in major economies outside Australia, slowing the global economic recovery.

Global growth is assumed to be 1.6 percentage points lower than the baseline in 2022 as countries reintroduce or delay the easing of health restrictions, restricting economic activity.

Further outbreaks overseas are assumed to lead to restrictions on Australia's international borders for an additional period of around six months. These restrictions delay the recovery in service exports, with education exports remaining at low levels and international tourism curtailed.

International education generated $13.7 billion in exports in 2019. In the scenario, international border restrictions delay the return of international students, which has a significant impact on Victoria's education exports.

Tourism, which accounted for 3.3 per cent of the Victorian economy in 2018-19, remains low until international borders are fully reopened. In the scenario, border restrictions result in a 0.3 per cent fall in Victoria's service exports relative to the base case in 2021-22.

International migration has been a key driver of population, and therefore economic growth in Victoria. In the scenario, the population is permanently lower relative to the base case, with border restrictions and the setback in the global economic recovery delaying the return of overseas migration.

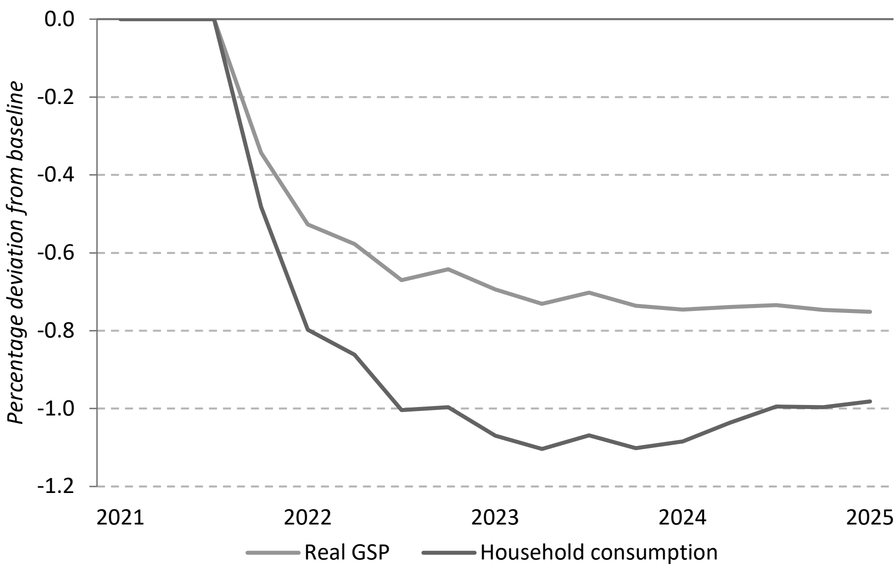
The shock to trade and overseas migration reduces Victoria's gross state product (GSP) by 0.65 per cent in 2022-23, 0.73 per cent in 2023-24, and 0.74 per cent in 2024-25 compared with the base case.

Demand for labour declines due to lower domestic economic activity, with employment growth about 0.6 per cent lower in 2022-23. A lower supply of workers – with Victoria's population about 0.9 per cent smaller by 2024-25 due to lower international migration – means that employment is 0.77 per cent lower than the base case by 2024-25.

Lower employment levels reduce household income which, along with a lower population, weigh on household consumption. Under this scenario, consumption is forecast to be around 1.0 per cent lower in 2022-23. As migrant, student and tourism numbers start to recover, consumption also picks up slightly, but remains lower than the base case by 2024-25. The negative impact on household consumption is exacerbated by a rise in the savings rate, as households save some of the funds they would have otherwise spent on international tourism.

Government consumption is also lower over the forecast period as lower population requires a lower level of expenditure. In the scenario, there is no further discretionary fiscal expenditure in response to the shock.

Chart D.3: Scenario impact on select variables



Weaker domestic activity puts downward pressure on the real exchange rate, leading to a depreciation of the domestic currency against other currencies. The lower exchange rate increases the international competitiveness of domestic exporters. This raises goods export volumes relative to the baseline, more than offsetting the low service exports in the scenario.

The depreciation of the domestic currency raises the cost of imports to households, placing upward pressure on consumer prices. This is more than offset, though, by weaker domestic activity, with the net effect that consumer prices are lower in the scenario.

Table D.1 summarises the economic effects of a deep and enduring global coronavirus outbreak across 2021.

Table D.1: Projected economic impact of a protracted global recovery [(a)] (per cent)

	2021-22 estimate	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Real GSP	(0.22)	(0.65)	(0.73)	(0.74)
Employment	(0.22)	(0.63)	(0.74)	(0.77)
Consumer price index	(0.21)	(0.43)	(0.34)	(0.32)
Wage price index	(0.24)	(0.52)	(0.36)	(0.25)

Note:
(a) Figures reported are the change in the level of each parameter relative to the baseline forecasts as presented in Chapter 2 Economic Context.

The shock has a negative fiscal impact for the Victorian Government (Table D.2). Lower population growth slows the recovery in property-related taxation revenue, including land transfer duty and land taxes. Lower household consumption leads to a smaller national GST pool and hence smaller GST grants revenue. As a result, income from transactions is lower over the forward estimates.

Expenses from transactions are also lower in the scenario relative to the base case. Lower public-sector employment growth lowers employee expenses. These impacts reflect the assumed relationship between private and public sector employment and wages in the model, namely that public sector employment is a fixed share of overall employment, and public sector wage growth corresponds to private sector wage growth. Overall, the net impact on the Government's fiscal position is negative.

Table D.2: Projected fiscal impact of a protracted global recovery [(a)] ($ million)

	2021-22 estimate	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Income from transactions	(271.0)	(787.6)	(816.2)	(802.8)
Expenses from transactions	(138.9)	(433.8)	(489.5)	(472.9)
Net result from transactions	**(132.1)**	**(353.8)**	**(326.7)**	**(329.8)**
Other economic flows	(1.7)	(11.5)	(9.0)	(6.9)
Net result	**(133.8)**	**(365.3)**	**(335.7)**	**(336.7)**
Net debt (cumulative)	**133.8**	**500.1**	**836.8**	**1174.6**
Net debt to GSP ratio (percentage point difference)	**0.03**	**0.09**	**0.15**	**0.20**

Note:
(a) Figures may not add due to rounding.

SENSITIVITY TO INDEPENDENT VARIATIONS IN MAJOR ECONOMIC PARAMETERS

Table D.3 presents the sensitivity of financial aggregates where the levels of key economic parameters are 1 per cent (or, for interest rates, 1 percentage point) above the forecast for each year of the budget and forward estimates, holding all else constant.

The impacts shown are broadly symmetric; that is, the estimated fiscal impacts would apply approximately equally in the opposite direction where there is a decrease in the parameter. Differences may arise to the extent that the impact on income tax equivalent income may not be symmetric because that line item is subject to a floor of zero, and the impact on dividends may be affected by some entities facing caps on the share of profits that can be returned to the general government sector.

Table D.3: Sensitivity of key fiscal aggregates to selected indicators being 1 per cent higher than expected from 2021-22 [(a)(b)(c)(d)(e)] **($ million)**

	2021-22 estimate	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
GSP				
Income from transactions	121	127	129	136
Expenses from transactions	4	(0)	(4)	(8)
Net result from transactions	**117**	**128**	**132**	**143**
Net debt	**(117)**	**(245)**	**(377)**	**(521)**
Employment [(f)]				
Income from transactions	85	101	109	114
Expenses from transactions	330	339	352	368
Net result from transactions	**(245)**	**(237)**	**(243)**	**(254)**
Net debt	**245**	**482**	**726**	**979**
Consumer prices [(g)]				
Income from transactions	281	303	311	326
Expenses from transactions	293	244	237	234
Net result from transactions	**(11)**	**60**	**74**	**91**
Net debt	**11**	**(49)**	**(124)**	**(216)**
Average weekly earnings [(h)]				
Income from transactions	90	104	112	117
Expenses from transactions	6	2	(1)	(4)
Net result from transactions	**85**	**102**	**113**	**121**
Net debt	**(85)**	**(187)**	**(300)**	**(421)**
Total employee expenses				
Income from transactions	..	33	116	126
Expenses from transactions	331	341	356	372
Net result from transactions	**(331)**	**(309)**	**(240)**	**(245)**
Net debt	331	640	880	1126

Table D.3: Sensitivity of key fiscal aggregates to selected indicators being 1 per cent higher than expected from 2021-22 *(continued)* ($ million)

	2021-22 estimate	*2022-23 estimate*	*2023-24 estimate*	*2024-25 estimate*
Domestic share prices				
Income from transactions	..	..	..	..
Expenses from transactions	..	..	..	..
Net result from transactions	**..**	**..**	**..**	**..**
Net debt	**..**	**..**	**..**	**..**
Overseas share prices				
Income from transactions	..	..	..	..
Expenses from transactions	..	..	..	..
Net result from transactions	**..**	**..**	**..**	**..**
Net debt	**..**	**..**	**..**	**..**
Property prices				
Income from transactions	151	156	161	170
Expenses from transactions	(2)	(5)	(10)	(15)
Net result from transactions	**152**	**161**	**171**	**185**
Net debt	**(154)**	**(320)**	**(496)**	**(684)**
Property transaction volumes				
Income from transactions	74	74	75	78
Expenses from transactions	(1)	(3)	(5)	(7)
Net result from transactions	**74**	**77**	**80**	**85**
Net debt	**(74)**	**(151)**	**(231)**	**(316)**
Interest rates (i)				
Income from transactions	145	140	134	130
Expenses from transactions	650	1302	1548	1951
Net result from transactions	**(506)**	**(1162)**	**(1414)**	**(1821)**
Net debt	**506**	**1507**	**2769**	**4451**

Notes:

(a) Variations are applied to the economic variables effective from the first day in the budget year (1 July 2021). It is assumed that each variable's growth rate matches that under a no-variation scenario for the forward estimates period. This implies that the level of all economic variables (other than interest rates) is 1 per cent higher in levels terms in each year of the budget and forward estimates. Interest rates are assumed to be 1 percentage point higher in each year of the budget and forward estimates.

(b) A positive number for income from transactions denotes an increase in revenue. A positive number for expenses from transactions denotes an increase in expenses (and hence a reduction in the net result from transactions). A positive number for the net result from transactions denotes a higher surplus or smaller deficit. A positive number for net debt denotes a higher level of net debt in the relevant year compared with a no-variation scenario.

(c) Only reasonably quantifiable impacts have been included in the analysis.

(d) Estimates of net debt are approximately equal to the cumulative impact of the net result from transactions. The difference between the cumulative net result from transactions and net debt is due to non-cash expenses and gross sale proceeds (where applicable).

(e) Figures may not add due to rounding.

(f) A shock to employment is assumed to impact payroll tax revenue to an extent consistent with no change to historical relationships between total employment, part-time/full-time employment shares and payroll tax revenue. Both public and private sector employment levels are assumed to be 1 per cent higher across the four years; the rise in public sector employment boosts general government sector employee expenses.

(g) Incorporates the impact of departmental funding model arrangements. It is assumed an increase in consumer prices within the budget year does not affect employee entitlements.

(h) A positive shock to average weekly earnings increases the expenses of public financial and non-financial corporations and reduces the general government sector's income from dividends and ITEs.

(i) Interest rates are assumed to be 1 percentage point higher in each year of the budget and forward estimates.

APPENDIX E – REQUIREMENTS OF THE *FINANCIAL MANAGEMENT ACT 1994*

The *Financial Management Act 1994* (the Act) requires the Minister to prepare a budget update for tabling in Parliament each financial year. The provisions of the Act have been complied with in the *2021-22 Budget Update*.

Table E.1 details the statements required to be included in this document under the provisions of the Act together with appropriate chapter references.

Table E.1: Statements required by the *Financial Management Act 1994* and their location in the *2021-22 Budget Update*

Relevant section of the Act and corresponding requirement	*Location*
Sections 23 E-G	
Statement of financial policy objectives and strategies for the year.	Chapter 1 *Economic and fiscal overview*
Sections 23 H-N	
Estimated financial statements for the year comprising: • an estimated statement of financial performance for the year • an estimated statement of financial position at the end of the year • an estimated statement of cash flows for the year • a statement of the accounting policies on which these statements are based and explanatory notes	Chapter 4 *Estimated financial statements and notes* (including estimated general government sector comprehensive operating statement, estimated general government sector balance sheet, estimated general government sector cash flow statement and estimated general government sector statement of changes in equity provided as per AASB 1049)
• government decisions and other circumstances that may have a material effect on the estimated financial statements.	Appendix A *Specific policy initiatives affecting budget position*

Table E.1: Statements required by the *Financial Management Act 1994* and their location in the *2021-22 Budget Update* *(continued)*

Relevant section of the Act and corresponding requirement	*Location*
Accompanying statement to estimated financial statements which:	
• outlines the material economic assumptions used in preparation of the estimated financial statements	Chapter 2 *Economic context* and Chapter 4 *Estimated financial statements and notes*
• discusses the sensitivity of the estimated financial statements to changes in these assumptions	Appendix D *Sensitivity analysis*
• provides an overview of estimated tax expenditures for the financial years covered by the estimated financial statements	Appendix C *Tax expenditures and concessions*
• provides a statement of the risks that may have a material effect on the estimated financial statements.	Chapter 2 *Economic context*; Chapter 3 *Budget position and outlook;* and Chapter 6 *Contingent assets and contingent liabilities*

STYLE CONVENTIONS

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage changes in all tables are based on the underlying unrounded amounts.

The notation used in the tables and charts is as follows:

n.a. or na	not available or not applicable
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
tbc	to be confirmed
ongoing	continuing output, program, project etc.
(x xxx.x)	negative amount
x xxx.0	rounded amount

Please refer to the **Treasury and Finance glossary for budget and financial reports** at dtf.vic.gov.au for additional terms and references.

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