



2011-12 Victorian Budget Update

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Budget Update



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for the information of Honourable Members

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CHAPTER 1 – ECONOMIC AND FISCAL OVERVIEW

A strong fiscal position is fundamental to improving service delivery and securing Victoria's economic future. This requires that the budget be kept in surplus, that spending be well targeted and that government debt be kept to sustainable levels.

A fiscal strategy based on these elements is vital to ensure that the State can deliver high quality new infrastructure, accommodate future growth, withstand economic shocks and maintain community and business confidence.

In recent years, Victoria's public finances have been characterised by a significant increase in government spending, with expenditure growth outstripping revenue growth over the past decade. This has led to substantial increases in public debt to maintain funding for new capital works.

In the *2011-12 Budget* the Government introduced new measures (including efficiencies of \$2.2 billion) to begin addressing the long-term decline in Victoria's finances and place the State's budget back onto a sustainable setting. In the *2011-12 Budget Update*, the Government is introducing further expenditure and revenue measures totalling \$3.1 billion as part of its strategy to deliver a more sustainable financial position. These steps will strengthen the operating surplus over the forward estimates and constrain general government sector net debt, consistent with retaining Victoria's triple-A credit rating. This approach to financial management is the cornerstone of the Government's agenda to build confidence, boost growth and improve productivity across the Victorian economy.

The Government's financial strategy is being implemented in a challenging economic context due to international uncertainty, a weaker national economy and a high Australian dollar. In particular, current global conditions have reinforced the need to maintain high levels of economic confidence through strong financial management and low public debt.

FISCAL CONTEXT

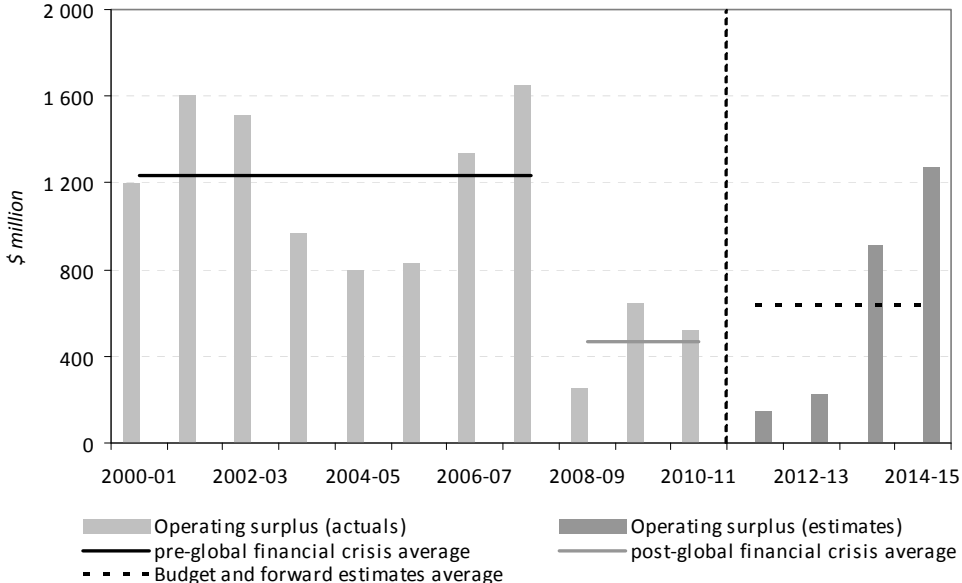
Over the past decade, Victoria's operating surpluses have gradually declined in trend terms, exacerbated by recent fiscal shocks.

As shown in Chart 1.1, operating surpluses averaged above \$1 billion between 2000-01 and 2007-08. This allowed infrastructure to be funded with low net debt, which averaged less than 1 per cent of gross state product (GSP) over the same period (Chart 1.2).

In contrast, operating surpluses have averaged less than \$500 million in the past three years. Consequently, new infrastructure has been funded through increased borrowing, driving general government sector net debt up to \$11.8 billion at 30 June 2011.

This has removed the Government’s capacity to fund vital infrastructure without significantly increasing net debt. In addition, the State’s ability to withstand further external fiscal and economic shocks is weakened.

Chart 1.1: General government net result from transactions from 2000-01 to 2014-15



Source: Department of Treasury and Finance

Chart 1.2: General government revenue, expenses, and net debt as per cent of GDP from 2000-01 to 2014-15



Source: Department of Treasury and Finance

Over the 10 years to 2010-11, total expenses grew at an average annual rate of 7.3 per cent compared to average revenue growth of 6.9 per cent. The Independent Review of State Finances' (IRSF) interim report concluded that this trend is unsustainable.

In addition, the State's reliance on temporary grants from the Commonwealth for asset projects has masked an underlying operating deficit. The IRSF found that after excluding this asset funding the net operating balance for 2009-10 was a deficit of around \$1 billion.

These challenges have been compounded by recent shocks that have affected revenues.

In the *2011-12 Budget*, Victoria faced a \$4.1 billion reduction in goods and services tax (GST) grants, reflecting both a substantial reduction in Victoria's share of GST receipts and reductions in the GST pool.

Since the *2011-12 Budget*, Victoria has been subject to further declines in revenues, including a lower national GST pool and lower State taxation receipts, reflecting the softer economic outlook.

ECONOMIC CONTEXT

The Victorian economy has performed well over recent months, despite challenging global conditions and a weaker national economy than previously expected.

International uncertainty, including continued concerns over European sovereign debt, is weighing on financial markets and business and consumer confidence. The economic recovery in the United States remains patchy and has stalled in Europe. Uncertainty in world markets is likely to remain in the near future, with the possibility of another global slowdown.

In Australia, economic conditions remain challenging. The high Australian dollar is placing ongoing pressure on trade-exposed industries, such as manufacturing, international education and tourism. The Commonwealth Government's *Mid-Year Economic and Fiscal Outlook 2011-12* contained a weaker national outlook than forecast earlier in the year. Consistent with the national outlook, Victoria's forecasts have also been revised down and Victoria's expected real GSP growth in 2011-12 is now 2.25 per cent. As a result of weaker national and Victorian economic forecasts, there have been downward revisions to revenue estimates.

Chapter 2, *Economic context* provides a further discussion of recent economic trends and outlook.

STRENGTHENING VICTORIA'S FINANCES – FISCAL STRATEGY AND OBJECTIVES

The Government's fiscal and economic strategy is focused on improving the delivery of frontline community services, investing in quality infrastructure, achieving a strong fiscal position and growing the State's economy.

The *2011-12 Budget* was delivered in the context of fiscal challenges associated with flood recovery, a substantial reduction in GST funding from the Commonwealth Government, the rephasing of Commonwealth Government grants and cost pressures associated with existing capital projects.

In the *2011-12 Budget*, the Government funded the delivery of its election commitments, including substantial new investment in frontline services for health, education and community safety. The budget also included significant funding to improve Victoria's transport infrastructure.

The Government also began implementing a strategy to put the State's finances back on a sustainable footing by:

- delivering surpluses of at least \$100 million each year;
- maintaining Victoria's triple-A credit rating;
- implementing efficiency savings totalling \$2.2 billion over five years;
- constraining expenses growth to average 3.2 per cent a year over the forward estimates;
- constraining public sector wage outcomes to 2.5 per cent a year plus productivity gains;
- increasing the rigour and oversight applied to developing and approving asset investment proposals, in particular through a new mandatory level of scrutiny by the Treasurer of high-value and high-risk investments (including those that are already underway); and
- stabilising net debt as a percentage of GSP.

Response to the Independent Review of State Finances

To inform the implementation of its fiscal strategy, the Government committed to a comprehensive audit of expenditure. In February 2011, the IRSF was commissioned to review government spending and recommend strategies to strengthen the State's financial position.

The IRSF's interim report, received in April 2011, found that growth in government expenses significantly outpaced revenue growth over the past decade. A key implication of the report is that the general government operating balance should, in the long term, be sufficient to fully fund increased capital investment without adding to debt. In the medium term, the operating balance would need to be even larger to reduce debt.

In response to the State's underlying fiscal position the interim report proposed new financial targets to underpin the budget's recovery, and to place the State's finances on a sustainable path. These targets are:

- infrastructure investment over five-year rolling periods equalling 0.5 per cent of the historical five-year average of GSP;
- general government net debt equalling zero on average over a rolling 10-year period;
- operating surpluses over five-year rolling periods at least equal to the medium-term sustainable level of net infrastructure investment;
- Government superannuation liabilities are equal to zero by 2035; and
- the Government preserves any revenue growth that exceeds the rolling five-year average.

The measures contained within the *2011-12 Budget Update* continue the implementation of the Government’s fiscal strategy and are consistent with the IRSF’s recommendations. These actions, which will further strengthen the Government’s overall fiscal position relative to the May budget, include:

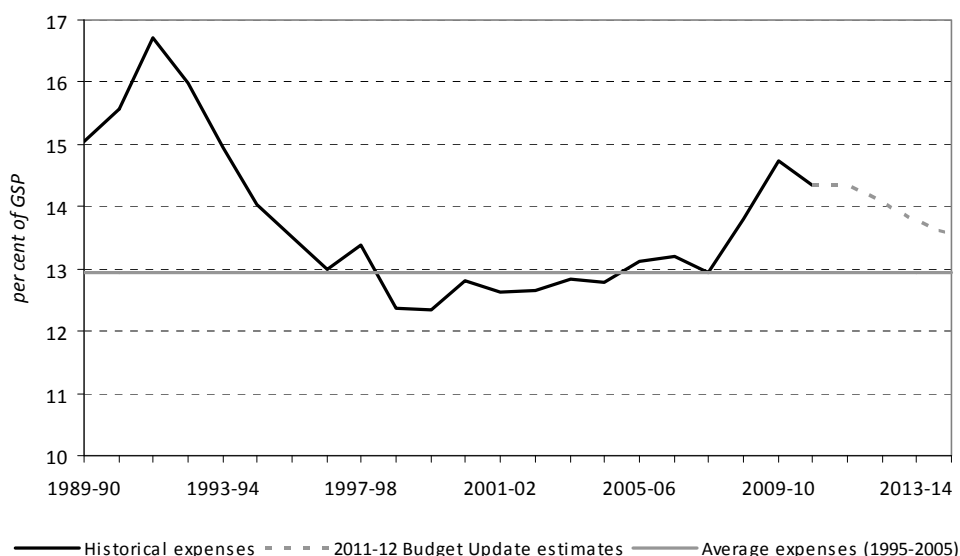
- a stronger surplus for each year of the forward estimates than was forecast in the *2011-12 Budget*, averaging \$801 million a year. Surpluses each year are now forecast to rise to \$1.3 billion in 2014-15, compared to \$181 million forecast in the *2011-12 Budget*;
- net debt is forecast to fall to 5.8 per cent of GSP by 30 June 2015, \$804 million lower than was forecast in the *2011-12 Budget*;
- increasing the percentage of annual infrastructure investment which is funded by recurrent cash flows from 41 per cent in 2011-12 to 94 per cent by 2014-15, thereby reducing the reliance on increases in debt to fund infrastructure; and
- reducing average expenditure growth from 3.2 per cent to 3.1 per cent across the forward estimates.

EFFICIENCY AND REVENUE MEASURES

The Government has introduced efficiency and revenue measures totalling \$3.1 billion over four years to begin addressing the high growth in expenses and improve the operating result to restore a fiscal buffer against future economic downturns.

These efficiency and revenue measures target the systemic problems of high growth in expenses and a more moderate revenue outlook. Consistent with the Government’s policy priorities to improve the quality of community services, the efficiency measures will not affect key service delivery areas such as health, education and community safety. The aim of the measures are to moderate growth in the size of government and reduce it as a share of the economy, more consistent with its long-term average, as shown in Chart 1.3.

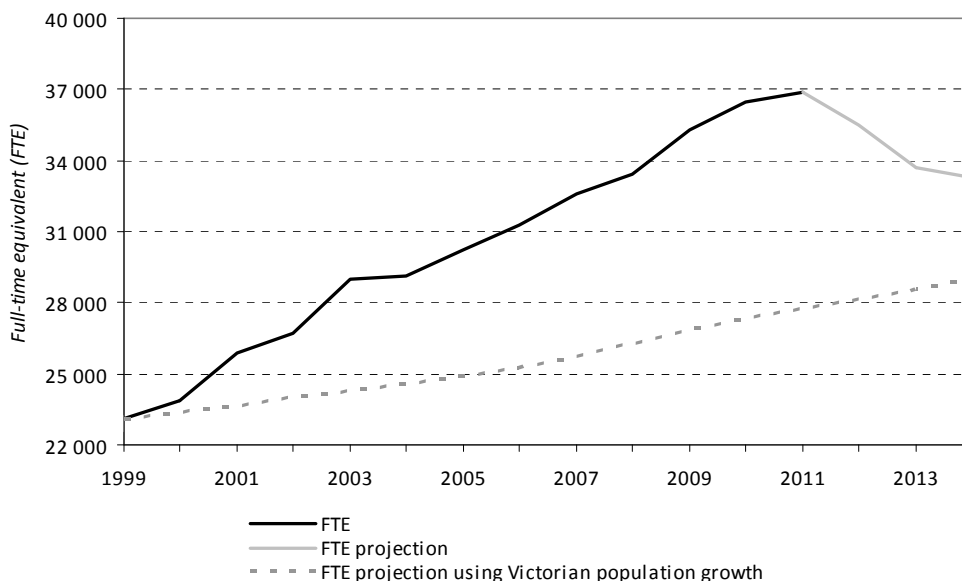
Chart 1.3: Historical expenses as percentage of GSP



Source: Department of Treasury and Finance

The high growth in expenses since 2003-04 is due in large part to the significant increase in the size of the Victorian public sector. The number of public servants, departments and agencies has grown over this period. Chart 1.4 shows that the number of public servants has grown significantly faster than the Victorian population over the past decade. Victorian public service (VPS) numbers grew at an average annual rate of 5.3 per cent over the period 2006 to 2010, compared to 2.0 per cent average annual population growth over the same period.

Chart 1.4: Growth in the Victorian Public Service



Source: Department of Treasury and Finance

The Government will reduce the number of public servants in non-service delivery and back-office roles to a level that is more in line with historical levels. VPS positions will reduce by about 3 600 compared to current levels. The reductions will be achieved through the commencement of processes for voluntary redundancies, and the lapsing of fixed term positions, in areas such as head office administrative functions and other back-office positions across the bureaucracy.

Reductions will not be sought in key frontline service delivery areas – for example, there will be no impact on teachers, police, nurses and child protection workers. The number of frontline professionals will increase in key areas such as health, education and community services and safety, consistent with the Government’s election commitments.

Reductions in the number of contractors and consultants across government will also form part of the Government’s strategy to maintain a sustainable public service.

In addition, the Government will restrain increases in non-wage departmental expense indexation across the forward estimates. Exemptions will be granted to ensure frontline services are not affected.

The Government will continue to focus on streamlining administrative structures and capping expenditure growth across the Victorian public sector to minimise duplication and reduce administrative costs. Savings will be achieved in areas such as agency overheads, grant administration, procurement, better cash management and other rationalisation. By reducing bureaucracy and broader administration costs, the Government will be better able to focus on the efficient and sustainable delivery of core services.

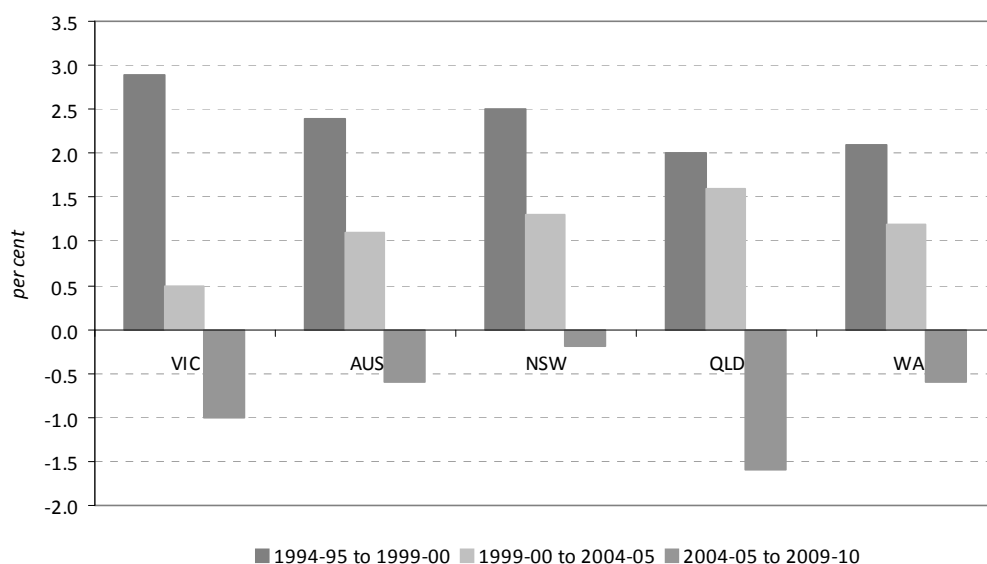
Modest revenue initiatives include applying the Government’s dividend policy to the Victorian WorkCover Authority, shortening the Land Transfer Duty payment period, and an increase to the base motor vehicle registration charge.

Motor vehicle registration will increase by \$35 per vehicle, in part to fund the new registration and licensing system to be operated by VicRoads. The new system, once complete, will allow scope for a broader range of payment options such as quarterly instalments to be considered. Despite this increase, Victoria’s total registration renewal cost (including compulsory third party insurance) for a standard family car remains the third lowest of the states. In addition, the rate of stamp duty on new motor vehicles will rise from 2.5 per cent to 3.0 per cent for vehicles valued below the luxury car tax threshold.

GROWING VICTORIA’S ECONOMY – COMPETITIVENESS, PRODUCTIVITY AND INVESTMENT

While the Victorian economy has shown considerable resilience, the high Australian dollar will pose ongoing challenges for a range of export and import-competing sectors, including manufacturing, education and tourism. This underscores the need for a renewed emphasis on productivity growth, which is key to the State’s competitiveness and long-term income growth. Chart 1.5 shows that since the late 1990s Victoria’s multifactor productivity performance has deteriorated substantially, declining at a faster rate than nationally over the five years to 2009-10.

Chart 1.5: Multifactor productivity growth rates (per cent a year)



Source: Victorian Competition and Efficiency Commission inquiry into a state-based reform agenda – Information papers

To address these trends and ensure that Victoria fully capitalises on new economic opportunities created both by the mining boom and the rapid emergence of large middle classes in Victoria's key trading partners in Asia, the Government is implementing a broad-based productivity agenda, building on the following themes:

- creating a more competitive business environment (through regulation and competition reform);
- fiscal sustainability and efficient taxation;
- targeted industry and innovation policy;
- enhancing infrastructure provision;
- investment in skills and reform of education and training; and
- efficient government service delivery.

Specific reform actions will be informed by reports commissioned by the Government, including the final report of the Independent Review of State Finances, due in February 2012, and the Victorian Competition and Efficiency Commission inquiry into a state-based reform agenda.

Regulation reform

The Government is implementing its commitment to cut red tape by 25 per cent by July 2014. This is the cornerstone of a program to reduce costs for businesses, not-for-profit organisations, and the economic activities of individuals and government services. The program takes a broad approach and includes the burdens imposed by administrative, compliance and delay costs. Under the program, all reductions will be independently verified by the Victorian Competition and Efficiency Commission.

The Government is also developing more innovative options to lower the burden of regulation. For example, field trials for an innovative market for native vegetation offsets are currently being evaluated. This approach potentially reduces the complexity for developers in identifying and transacting vegetation offsets.

Investment in skills and reform of education and training

The knowledge and high skills base of Victoria's workforce is one of the State's key strengths. Further enhancing these strengths is a key component of the Government's reform agenda to promote Victoria's competitiveness and boost productivity growth.

The Government has made large investments in skills development, resulting in more Victorians engaged in vocational education and training than ever before. This year, the Government will spend more than \$1.2 billion to support Victorians through vocational education and training. Expenditure on training has increased by around 50 per cent over the past four years, and enrolments have grown strongly, especially for higher qualifications.

Victoria's training system is the most market-driven and employer-responsive system in Australia. In October, the Government announced changes to fees and funding for training to support more competition between public and private providers and boost the responsiveness of the sector to the needs of Victorians. The Government's actions will have substantial pay-offs for future economic growth, raising both productivity and workforce participation.

The Government has also laid out its priorities for education reform, underscored by a plan to empower principals, teachers and parents to be the key decision makers in their schools. Key elements will include enhanced parental involvement, diversity across the government school system improving teacher performance and local decision making.

Infrastructure, planning and transport

The Government is beginning to address the infrastructure needed to maximise productivity. However, the investment required is significant and exceeds the capacity of the current budget. This reinforces the need for stronger operating surpluses to fund necessary infrastructure in the future. In addition, Commonwealth Government funding is vital and the State Government has submitted several priority projects to Infrastructure Australia to address the State's infrastructure backlog.

To ensure the best value for money and improve its ability to fund infrastructure, the Government is addressing high construction costs and unlawful industrial action on building and construction projects by preparing Code of Practice implementation guidelines for the building and construction industry to apply to tenders for State-funded construction projects.

The Government has implemented a high-value high-risk capability with the Department of Treasury and Finance to strengthen discipline and oversight of major capital projects and reduce the prospect of major cost blowouts.

The Government has identified land use planning as an area where there is scope to deliver more certain outcomes while protecting local amenity and heritage values. The Government announced possible reforms to the definition of 'restricted retail' zoning to include a wider range of retail types, which are supported by the Productivity Commission's retail competition report. The Government has also taken action to improve housing affordability by reducing red tape for certain single dwellings in Melbourne's growth areas. In addition, the Government has embarked on a wholesale review of the planning system with a report delivered to the Minister for Planning in early December 2011. This review seeks to simplify the planning system to increase the efficiency and effectiveness of planning controls with the State. The Government's response and implementation of changes flowing from the Review will occur early in 2012.

The Government has announced a major independent inquiry into the Victorian taxi and hire car industry headed by Professor Allan Fels. While taxis and hire cars are a central part of Victoria's transport system (particularly in country Victoria and for people with disabilities), the sector is characterised by long standing structural problems. This inquiry will recommend a set of reforms focused on achieving better outcomes for the travelling public.

Taxation reform

Government actions to reduce expenditure seek to avoid the need to increase taxes over the longer term and ensure Victoria's tax mix remains competitive. At the same time, the Government recognises that a framework needs to be in place to guarantee a sustainable revenue base for Victoria and address Australia's extreme vertical fiscal imbalance.

Victoria's recent submission to the GST Distribution Review proposes a distribution of GST based on population share which also creates incentives for states to respond to key economic challenges. A fairer share of GST would be a major step towards achieving a sustainable base of revenue for Victoria.

GST payments are only part of much broader Commonwealth-State financial arrangements. Real and sustainable reform also requires Commonwealth Government cooperation to establish secure and efficient sources of replacement revenue.

CHAPTER 2 – ECONOMIC CONTEXT

- The Victorian economy performed well during 2010-11, with gross state product (GSP) growing by 2.5 per cent, as forecast in the *2011-12 Budget*. This reflects a degree of resilience in the face of significant global challenges. The economy's recent performance is underpinned by its diversity and flexibility, and supported by strength in business services.
- Weaker national and international conditions have resulted in the economic outlook for Victoria softening since the release of the *2011-12 Budget* in May. However, the State continues to have a positive outlook.
- Consistent with the softer outlook, the forecast for Victorian GSP growth in 2011-12 has been downgraded to 2.25 per cent, before gradually strengthening over the forward estimates period.
- The key risks to the outlook include prolonged international economic and financial market uncertainty and consequent consumer and business caution.
- Over the medium to longer term, the Victorian economy faces challenges due to the high Australian dollar and the introduction of the Commonwealth Government's carbon price scheme.

ECONOMIC OVERVIEW

International economic conditions and outlook

The outlook for the international economy has deteriorated since the release of the *2011-12 Budget* in May. The Organisation for Economic Co-operation and Development's November 2011 *Economic Outlook* highlighted that growth in advanced economies is slowing and the euro area already appears to be in a mild recession. Similarly, the International Monetary Fund's (IMF) September 2011 *World Economic Outlook* stated that the global economy has moved into a 'dangerous new phase', with downside risks growing amid unresolved structural weaknesses and shocks to the international economy. The IMF subsequently downgraded forecast world growth from 4.5 per cent to 4 per cent for both 2011 and 2012.

The recovery in advanced economies since the beginning of the year has been much slower than anticipated, with slow growth in real gross domestic product (GDP) expected for both 2011 and 2012. Moreover, the sovereign debt crisis in Europe could escalate and affect more stable economies in the euro area, while a recession in Europe could have significant implications for world growth.

Despite these risks, the world economy is expected to continue growing around trend. Conditions in emerging and developing economies, in particular Australia's major trading partners in Asia, remain fairly robust. This will continue to partially insulate Australia from the weaker conditions affecting the rest of the developed world.

Australian economic conditions and outlook

Compared with most other advanced economies, the Australian economy has performed well over the past two years. However, Australia is not immune from weaker international conditions and the Commonwealth Government downgraded its forecasts for economic growth in its *Mid-Year Economic and Fiscal Outlook 2011-12*. The outlook for the Australian economy remains strong compared with other developed economies, with economic growth expected to be around trend over the next few years, underpinned by a record pipeline of resources investment and strong growth in commodities exports.

In Australia, the resources-related parts of the economy are performing strongly, while other sectors are facing headwinds due to the high Australian dollar, cautious household behaviour and global instability. More subdued household activity is flowing through to business conditions across a number of sectors, such as retail and wholesale trade, manufacturing and construction. This has been the case even in the resource-rich states of Western Australia and Queensland.

While the labour market remains relatively tight, national employment growth has slowed faster than expected since the *2011-12 Budget* and is currently below the long-term trend rate. The unemployment rate has also been trending upwards, albeit at low levels relative to the past 30 years. Sluggish employment growth is expected to continue in 2012, as forward indicators such as the number of job advertisements and vacancies are weakening. The uncertain international outlook is also likely to play a significant role in business hiring intentions.

Victorian economic conditions and outlook

The economic projections used in this budget update are set out in Table 2.1, with the *2011-12 Budget* forecasts in parentheses where different.

Table 2.1: Victorian economic projections^{(a)(b)(c)}

(per cent)

	2010-11 Actual	2011-12 Forecast	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast
Real gross state product	2.5	2.25 (3.00)	2.50 (2.75)	2.75	2.75
Employment	3.5	0.75 (1.75)	1.50 (1.75)	1.50 (1.75)	1.75
Unemployment rate ^(d)	5.1 (5.25)	5.50 (5.00)	5.25 (5.00)	5.00 (4.75)	5.00 (4.75)
Consumer price index	3.3	2.75	3.00	2.75	2.50
Consumer price index (excluding carbon price) ^(e)	3.3 (3.00)	2.75	2.50	2.50	2.50
Wage price index ^(f)	3.8	3.75	3.75 (3.50)	3.50	3.50
Population ^(g)	1.40 ^(h) (1.70)	1.50	1.50	1.50	1.50

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

Notes:

- (a) Year-average per cent change on previous year unless otherwise indicated. All economic projections are rounded to the nearest 0.25 percentage point, except population projections, which are rounded to the nearest 0.1 percentage point.
- (b) All economic projections, except where otherwise indicated, include the impact from the Commonwealth Government's carbon price scheme, commencing in 2012-13.
- (c) Key assumptions underlying the economic projections include: interest rates following the forecasts prepared by the Treasury Corporation of Victoria up to the September quarter 2012 and held constant thereafter; exchange rates are held constant; and oil prices follow the path suggested by oil futures.
- (d) Year-average, per cent.
- (e) Forecasts for the consumer price excluding the carbon price are identical to those in the 2011-12 Budget.
- (f) Total hourly rate excluding bonuses.
- (g) June quarter, per cent change on previous quarter.
- (h) Estimate, actual not yet available.

Victoria's economy has performed well during 2011 and the outlook remains positive. The State's performance reflects the importance of a diverse and flexible economy. However, national and international economic conditions are exerting downward pressure on the Victorian economy.

Consistent with downward revisions to national growth, the local economy is expected to grow more moderately than previously forecast in the *2011-12 Budget*, with GSP now forecast to grow by 2.25 per cent in 2011-12. The introduction of the Commonwealth Government's carbon price scheme is expected to lower economic growth in 2012-13, meaning the return to trend real GSP growth is deferred until 2013-14.

Victorian household consumption growth in 2010-11 was slightly stronger than expected in the *2011-12 Budget*, with increased volumes influenced by heavy discounting by the retail sector, together with a surge in overseas travel. However, recent weakness in consumer sentiment, moderating employment growth and the persistently high saving rate point to softer growth in household consumption in 2011-12 before returning to trend in the out-years.

Dwelling investment was also stronger than anticipated in the *2011-12 Budget* for the first half of 2011. While building approvals and housing finance commitments have eased over the past year, this has not yet translated into slower housing construction activity. Although growth in 2011-12 and the out-years is likely to be slower than forecast in the *2011-12 Budget*, Victoria is likely to continue to lead the nation in housing construction activity.

The strong Australian dollar, increased domestic and international uncertainty and the diversion of investment towards mining have weighed on Victorian business investment decisions. Both non-dwelling construction and machinery and equipment investment fell in 2010-11, with non-residential building particularly weak following the winding down of activity associated with the Commonwealth Government's *Building the Education Revolution* program. Nevertheless, more solid growth is expected in 2012-13 once credit constraints and global economic and financial market uncertainty subside.

Victoria's net international trade position weighed heavily on growth in 2010-11, with a strong pick-up in imports more than offsetting gains in exports. Victoria's net services trade deficit widened as service imports grew considerably while service exports declined. This reflected the high Australian dollar improving the affordability of imports, including overseas travel, while reducing the competitiveness of key Victorian exports such as manufacturing, tourism and education.

In contrast, Victoria's net interstate trade was an important driver of growth in 2010-11. In part this reflects Victoria's key role in providing business services to other states, including the mining industry, and has allowed Victoria to share in the increased income generated by the strong demand for resources. Victoria's net interstate trade position is expected to support economic growth over the forward estimates period.

The employment growth forecast has been revised down to 0.75 per cent, before picking up over the rest of the outlook period. The unemployment rate is expected to remain low, declining from 2012-13 onwards.

The headline inflation outcome for 2011-12 will largely depend on two opposing factors, with continued strong price growth in items such as utilities, health and education expected to be offset by the return to more normal prices for fruit and vegetables in line with the recovery in supply. The forecast inflation rate of 3 per cent for 2012-13 is affected by the introduction of the Commonwealth Government's carbon price scheme on 1 July 2012.

Wages growth is expected to be slightly above trend over the next two years, in part reflecting the increases captured in existing economy-wide agreements.

The easing in population growth in 2010-11 has been more pronounced than expected since the *2011-12 Budget* due to lower net overseas migration. However, national net overseas migration is expected to recover to 180 000 people a year, of which Victoria's share is expected to be around 27 per cent, for the rest of the forward estimates period.

RISKS TO THE OUTLOOK

The balance of risks remains weighted to the downside in the short term. Risks include prolonged uncertainty in international economic and financial markets, capacity constraints and weak foreign demand restricting growth in developing and emerging economies, the strong Australian dollar, continuing consumer caution, softening housing activity and subdued business investment.

The IMF has identified a number of major downside risks to the international outlook. Persistent structural problems in several advanced economies and their interaction with the fragile banking system, particularly in the euro area, remains a key risk. The instability could spread quickly across and beyond Europe, bringing greater volatility to financial markets and the real economy.

While emerging and developing economies are expected to grow strongly, the primary concern remains the risk of growth moderating due to the unwinding of credit growth and asset prices. These countries are also more susceptible to fluctuations in world prices, where rapid swings in the prices of key commodities, such as oil or food, could have significant ramifications.

Domestically, downside risks are primarily linked to international uncertainty leading to weaker household and business confidence. This could further soften consumer spending and business investment, leading to a further slowing in employment growth.

Balancing these downside risks, Melbourne's position as a head office for several large mining, financial and professional service firms, together with its skilled workforce, should ensure that Victoria continues to benefit from the mining boom through providing business services. Household consumption could also recover faster than anticipated to grow more in line with incomes, provided the household saving rate stabilises.

CHAPTER 3 – BUDGET POSITION AND OUTLOOK

General government sector

- The implementation of the Government's fiscal strategy has resulted in operating surpluses that are forecast to rise from \$148 million in 2011-12 to \$1.3 billion in 2014-15. These estimates are significantly higher than those published in the *2011-12 Budget*.
- Total expenditure is projected to grow by 3.1 per cent a year on average over the forward estimates, which is lower than the 3.2 per cent growth forecast in the *2011-12 Budget*.
- Cash generated from operating surpluses will fund 94 per cent of the infrastructure program in 2014-15, which is significantly higher than the 70 per cent forecast in the *2011-12 Budget*.
- Net debt as a proportion of gross state product (GSP) is projected to fall to 5.8 per cent by 30 June 2015, which is around \$800 million lower than forecast in the *2011-12 Budget*. This outcome is a result of the implementation of the Government's fiscal strategy

Non-financial public sector

- The non-financial public sector (NFPS) is projected to return to an operating surplus from 2013-14 onwards, reflecting stronger surpluses in the general government sector. Net debt, as a proportion of GSP, is projected to decline to 10.1 per cent by 30 June 2015.
- This will support the State's aim of maintaining its triple-A credit rating in a challenging economic environment.

The revised budget and forward estimates take into account the financial impacts of policy decisions made by the Victorian Government. They also incorporate revisions to Commonwealth Government funding and other information that affect the projected general government sector financial statements as at 29 November 2011 (unless stated otherwise).

The non-financial public sector combines government owned enterprises such as water, rail and port authorities with the general government sector.

Specific policy decisions approved since the *2011-12 Budget* and which affect the budget position are summarised in Appendix A, *Specific policy initiatives affecting budget position*.

GENERAL GOVERNMENT SECTOR

Fiscal overview

Operating surpluses are forecast to be significantly higher than in the *2011-12 Budget*, at \$148 million in 2011-12 increasing to \$1.3 billion in 2014-15. These strong surpluses will enable the Government to fund 94 per cent of the infrastructure program in 2014-15, up from 70 per cent forecast at budget time. This will drive the Government's targeted reduction in net debt as a share of the economy.

The Government has maintained a strong net infrastructure investment program to service a growing economy. This is forecast to be \$6.5 billion in 2011-12 and average at least 1 per cent of GSP across all years. This is underpinned by a reduced reliance on borrowings.

As a result of the fiscal strategy implemented in the *2011-12 Budget Update*, net debt as a share of GSP is forecast to decline to 5.8 per cent of GSP by 30 June 2015, which is around \$800 million lower than forecast in the *2011-12 Budget*.

Table 3.1: Fiscal aggregates

	Unit of Measure	2010-11 Actual	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Net result from transactions	\$ million	517	148	220	909	1 273
Net infrastructure investment ^(a)	\$ billion	6.6	6.5	5.8	4.3	3.8
Net debt	\$ billion	11.8	16.9	21.1	22.1	22.3
Net debt to GSP ^(b)	per cent	3.7	5.1	6.1	6.1	5.8

Source: Department of Treasury and Finance

Notes:

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

(b) Ratios to GSP may vary from publications year to year due to revisions to the ABS GSP data.

General government budget and forward estimates outlook

Table 3.2 sets out the projected aggregate outlook over the budget and forward estimates period for the general government sector in a summary operating statement.

Largely due to the actions taken by the Government as part of the *2011-12 Budget Update*, estimated operating surpluses will grow to \$1.3 billion in 2014-15, compared with the *2011-12 Budget* estimate of \$181 million for 2014-15, and net debt will be comparatively lower by 30 June 2015.

The comprehensive operating statement is presented in Chapter 4, *Estimated financial statements and notes*.

Table 3.2: Summary operating statement for the period 2010-11 actual to 2014-15 for the general government sector^(a)

	(\$ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Revised	Estimate	Estimate	Estimate
Revenue					
Taxation revenue	14 857.5	15 208.6	15 974.3	16 693.1	17 577.0
Dividends, TER and interest ^(b)	824.2	1 454.2	1 798.1	1 467.5	1 705.2
Sales of goods and services	5 944.2	6 472.6	6 475.6	6 611.4	6 856.2
Grants	22 425.6	22 232.5	22 832.6	24 448.6	25 119.5
Other revenue	1 975.5	2 047.6	1 837.2	1 847.3	1 821.6
Total revenue	46 026.9	47 415.4	48 917.7	51 067.9	53 079.5
% change	3.2%	3.0%	3.2%	4.4%	3.9%
Expenses					
Employee expenses	16 374.8	16 735.7	17 388.4	18 111.7	18 875.3
Superannuation ^(c)	2 627.2	2 543.9	2 529.4	2 572.1	2 602.4
Depreciation	2 010.0	2 277.0	2 460.9	2 568.9	2 681.9
Interest expense	985.6	1 474.1	1 938.3	2 150.4	2 209.3
Other operating expenses	14 964.6	16 027.5	16 042.0	16 418.4	16 881.3
Grants and other transfers	8 547.4	8 209.4	8 338.8	8 337.3	8 556.3
Total expenses	45 509.6	47 267.8	48 697.8	50 158.8	51 806.5
% change	3.6%	3.9%	3.0%	3.0%	3.3%
Net result from transactions	517.3	147.7	219.9	909.1	1 273.0
Total other economic flows included in net result	218.6	(4 249.8)	73.0	(44.3)	(86.7)
Net result	735.9	(4 102.1)	293.0	864.8	1 186.3

Source: Department of Treasury and Finance

Notes:

- (a) This is an abbreviated operating statement. The comprehensive operating statement is presented in Chapter 4, Estimated financial statements and notes, and provides additional information on economic flow measurements which, when added to the net result from transactions, yields the net result.
- (b) Comprises dividends, income tax and rate equivalent revenue and interest.
- (c) Comprises superannuation interest expense and other superannuation expenses.

Revenue outlook

Total revenue is projected to increase by 3.6 per cent a year on average for the four years to 2014-15.

The outlook for taxation revenue reflects strong growth in payroll taxes, in line with the medium-term outlook for employment and wages growth, which is offset by more modest expectations for land transfer duty. In particular, over the four years to 2014-15:

- payroll tax is expected to grow by 6.4 per cent a year on average, in line with the medium-term outlook for employment and wages growth;
- land transfer duty is expected to grow by 1.3 per cent a year on average, with a sharp fall in revenue in 2011-12 underpinned by weaker turnover, and to a lesser extent prices, in the housing market that is only gradually recovered over the remainder of the forecast period;

- land tax revenue is expected to grow by 3.1 per cent a year on average, reflecting expectations of modest growth over the next few land revaluation cycles;
- motor vehicle taxes are expected to grow by 7.4 per cent a year on average, reflecting new policy initiatives including an increase in registration fees for light vehicles and an increase in the new passenger motor vehicle duty rate;
- gambling taxes are expected to grow by 4.2 per cent a year on average reflecting underlying growth in household consumption that is partly offset by lower wagering rates from mid-August 2012 and the impact of the removal of automated teller machines from gambling venues in 2012-13; and
- taxes on insurance are expected to grow by 4.2 per cent a year on average, underpinned by a combination of ongoing economic growth and higher premiums. As part of reforming State taxes, the Government is committed to introducing a fairer and more equitable new property-based levy to replace the existing fire services levy.

Goods and services tax (GST) grants revenue is projected to grow by 4.9 per cent a year on average. This is below trend and reflects a weaker outlook for the national GST pool driven by subdued national consumption and dwelling investment growth.

Other grants revenue is projected to grow slightly over the budget and forward estimates period (0.9 per cent a year on average). Increases in specific purpose payments (SPPs) for health and education are largely offset by the cessation of anticipated national partnerships (NPs) funding associated with the Nation Building and Jobs Plan, and by the impact of the one-off Natural Disaster Relief and Recovery Arrangements (NDRRA) payment from the Commonwealth in 2010-11 associated with flood recovery.

Revenue from dividends, income tax and rate equivalent revenues and interest is projected to grow steadily in 2011-12 and 2012-13, before fluctuating over the next two years. In particular, the profile reflects:

- interest revenue, which is projected to increase in the early years before stabilising beyond 2012-13. The increase in 2012-13 relates to interest paid by public non-financial corporations to fund the delivery of infrastructure; and
- the application of a dividend policy to the Victorian WorkCover Authority (VWA) from 2011-12. The introduction of a dividend policy will bring VWA into line with other major government business enterprises, and recognises the implicit government guarantee of the scheme's liabilities.

Beyond 2012-13, the majority of dividends, income tax and rate equivalent revenues reflect the underlying profitability of the public financial corporations (PFC) and public non-financial corporations (PNFC) sectors. The decline in 2013-14 largely reflects the timing of projected dividends from the State Electricity Commission of Victoria (SECV). The dividends from SECV are associated with its projected cash flow that is assessed to be surplus to its operational requirements.

Growth in revenue from the sale of goods and services primarily reflects the activities of hospitals and TAFEs to fund expenditure using own-source revenue, and expected receipts associated with public transport fare revenue, which have previously been factored into the forward estimates.

Expenses outlook

Total expenses are projected to increase by 3.3 per cent a year on average over the four years to 2014-15. Over the forward estimates, growth is projected to be 3.1 per cent a year on average, which is lower than the 3.2 per cent forecast in the *2011-12 Budget*.

The revised outlook for expenses incorporates additional spending on high priorities such as health, education, community safety and skills, partly offset by prudent efficiency measures to constrain expense growth over the forward estimates and ensure Victoria's finances are managed responsibly. Total growth in expenses over the four years to 2014-15 comprises:

- employee expenses (including superannuation), accounting for 41 per cent of total operating expenditure, are projected to grow by 3.1 per cent a year on average. This growth mainly reflects increased costs associated with services required for a growing community, such as additional police, Protective Services Officers, education, health and welfare services;
- moderate growth in other operating expenses, which include purchases of supplies and services in the human services, health, education and transport sectors, and expenditure associated with stage two of the Northern Victoria Irrigation Renewal Project (NVIRP);
- grants and other transfers, which are projected to remain steady with the decrease in expenditure related to the cessation of the Nation Building and Jobs Plan and the winding down of activities associated with flood repairs, offset by increases in funding provided to non-government schools and operational costs incurred in the provision of services in the skills sector;
- depreciation expenses which are projected to grow by 7.5 per cent a year on average in line with forecast infrastructure investment; and
- interest expense, which is projected to grow reflecting the service costs associated with the level of borrowings over the period.

Other economic flows

Net other economic flows in 2011-12 primarily reflect a forecast actuarial loss on superannuation of around \$4.2 billion, due to:

- a decrease in the bond rates used to value the State's superannuation liability since 30 June 2011, which contributed approximately \$3.2 billion to this loss; and
- lower than expected investment returns on superannuation assets since 30 June 2011, which contributed a further \$964 million.

The loss arising from bond rate movements does not affect the cash required to meet the State's superannuation liability.

Reconciliation of forward estimates to previously published estimates

Compared to the 2011-12 *Budget*, the net result from transactions has been revised upwards over the budget and forward estimates years.

Table 3.3: Reconciliation of estimates to the 2011-12 Budget

(\$ million)

	2011-12 <i>Revised</i>	2012-13 <i>Estimate</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>
Net result from transactions: 2011-12 Budget ^(a)	140.4	149.7	160.6	181.0
Plus: Variations in income from transactions since 2011-12 Budget				
Policy decision variations	230.8	317.3	288.3	319.1
Economic/demographic variations				
Taxation	(253.9)	(252.9)	(248.3)	(239.7)
Investment income ^(b)	132.8	178.6	(3.7)	22.6
Total economic/demographic variations	(121.1)	(74.3)	(252.0)	(217.1)
Commonwealth grant variations				
General purpose grants	(134.0)	106.1	160.6	172.2
Specific purpose grants	(166.1)	(190.9)	565.2	498.6
Total Commonwealth grant variations	(300.1)	(84.8)	725.8	670.8
Increase in own-source revenue ^(c)	85.1	1.0	21.1	112.9
Administrative variations	81.5	(48.3)	(26.1)	23.0
Total variation in income from transactions since 2011-12 Budget	(23.7)	110.8	757.1	908.7
Less: Variations in expenses from transactions since 2011-12 Budget				
Policy decision variations ^(d)	123.7	(355.5)	(474.2)	(658.5)
Commonwealth grant variations	30.8	145.9	125.1	159.6
Variations in own-source revenue ^(c)	108.6	43.0	29.2	63.1
Administrative variations				
Superannuation variations	(38.6)	(102.5)	(97.5)	(92.6)
Other administrative variations ^(d)	(255.4)	309.7	426.0	345.2
Total administrative variations	(294.0)	207.3	328.5	252.6
Total variation in expenses from transactions since 2011-12 Budget	(31.0)	40.6	8.6	(183.2)
Revised net result from transactions	147.7	219.9	909.1	1 273.0

Source: Department of Treasury and Finance

Notes:

- (a) 2011-12 Budget net result from transactions.
- (b) Investment income includes dividends, income tax and rate equivalent revenue and interest.
- (c) Own-source revenue variations represent third party variations by departments.
- (d) In this table policy decision variations are shown at gross levels rather than net of contingency provisions. Release of contingency provisions are shown in Other administrative variations.

Revenues

The upwards revision to total income from transactions over the four years to 2014-15 is mainly attributable to new Government policy decisions and revised Commonwealth specific purpose grants revenue, partly offset by lower than anticipated taxation revenue.

Policy decision variations

Revenue policy decisions are expected to increase revenue by \$289 million a year on average over the four years to 2014-15.

Details of specific policy initiatives since the *2011-12 Budget* are contained in Appendix A, *Specific policy initiatives affecting budget position*.

Economic/demographic variations

Taxation revenue has been revised downwards due to economic and demographic factors by \$249 million a year on average over the four years to 2014-15. This downward revision is mainly due to:

- a decrease in land transfer duty by an average of \$150 million a year, mostly driven by fewer transactions than previously expected;
- a decrease in payroll tax revenue by an average of \$95 million a year, consistent with a softer employment outlook;
- a decrease in insurance tax revenue by an average of \$25 million a year. This is mainly due to strong competition in non-life insurance slowing the increase in premiums compared with the assumptions used in the *2011-12 Budget*; and
- a decrease in gambling taxes of \$14 million a year on average, reflecting a decrease in taxes from lotteries associated with ongoing changes in structural demand.

These downwards revisions have been partly offset by an upwards revision to land tax of \$19 million a year on average, reflecting the impact of the land revaluations conducted in 2010.

Changes to investment income from economic and demographic factors are projected to be higher in 2011-12 and 2012-13, and relatively unchanged in remaining years. The increase in 2011-12 is mainly due to the additional dividends from the Transport Accident Commission and metropolitan water businesses, reflecting a change in the dividend payout rates. The increase in 2012-13 largely reflects the impact of a rephrasing of the dividends associated with a reassessment of the SECV's projected cash flow that is assessed to be surplus to its operational requirements.

Commonwealth grant variations

General purpose grants (GST revenue estimates) have been revised downwards in the budget year and upwards over the forward estimates period. This is the result of:

- revisions by the Commonwealth Government to its estimates of the GST national pool published in its budget and subsequent *Mid-Year Economic and Fiscal Outlook 2011-12* (MYEFO); and
- a re-assessment of Victoria's GST revenue-sharing relativities beyond 2011-12, in light of revisions to non-GST grants to the states and territories announced in May 2011, and new information contained in other state and territory budgets.

A number of rephasings to Commonwealth government specific purpose grants revenue largely reflect:

- a \$515 million decrease in one-off revenue in 2011-12 for Natural Disaster Relief and Recovery Arrangements (NDRRA) for flood recovery and reconstruction costs associated with a bring forward of the payment into 2010-11;
- a reduction in revenue of \$105 million in 2011-12 and \$217 million in 2012-13 associated with a rephasing of Commonwealth funding for capital road projects (largely into 2013-14) under the Nation Building Program (AusLink II); and
- a \$166 million rephasing into 2011-12 of funding for the Victorian Comprehensive Cancer Centre from 2010-11 and 2012-13.

Anticipated increases in grants revenue in 2013-14 and 2014-15 (which also partly offset the downsides in 2011-12 and 2012-13) are driven by the following:

- a new agreement with the Commonwealth for funding of stage two of NVIRP, totalling \$636 million over four years, with a mix of associated capital and operating expenditure over the period;
- an upwards revision to expected grants to TAFEs (totalling \$280 million over four years) to reflect funding for a range of projects provided directly to the sector by the Commonwealth; and
- revised estimates of Commonwealth grants in the vocational education and training sector as well as grants to non-government schools (averaging \$82 million a year over four years), which are largely on passed.

Own-source revenue

Minor upward revisions to own-source revenue include revised estimates in the health sector reflecting a forecast increase in interest revenue, building rental, other grants and private donations, matched by a corresponding increase in expense.

Administrative variations

Revenue has been largely unaffected by administrative factors over the four years to 2014-15, with revisions primarily reflecting the awarding of the wagering licence for a 12-year period starting in 2012-13, which is partly offset by lower projected public transport revenue, mainly due to lower than forecast patronage growth.

Expenses

Compared with the budget and forward estimates outlook in the *2011-12 Budget*, the change in total expenses primarily reflect the impact of the Government's efficiency measures offset by increases in service delivery areas.

Policy decision variations

Output policy decisions since the *2011-12 Budget* are expected to increase expenses by \$124 million in 2011-12 and decrease expenses by \$496 million a year on average over the three years to 2014-15. In particular, the downward revisions from 2012-13 largely reflect the impact of efficiency measures being implemented by the Government.

Details of specific policy initiatives since the *2011-12 Budget* are contained in Appendix A, *Specific policy initiatives affecting budget position*.

Commonwealth grant variations

Expenditure revisions associated with Commonwealth grant variations account for additional expenditure of \$115 million a year on average over the budget and forward estimates. This mainly reflects the on-passing of Commonwealth funding for non-government schools and vocational education and training.

Variations in own-source revenue

Expenses associated with own-source revenue have been revised upwards by \$109 million in 2011-12, and \$45 million a year on average over the three years to 2014-15. This expenditure includes the impact of revisions to revenue in the health sector.

Administrative variations

The downward revision in superannuation related expenses is primarily due to the impact of a reduction in bond rates, partially offset by the flow-on effect of lower than expected investment returns on superannuation assets.

Other administrative variations are projected to reduce expenses by \$255 million in 2011-12 and increase expenses by \$360 million a year on average across the forward estimates.

The 2011-12 estimate has been revised down due to administrative factors primarily associated with:

- the implementation of tighter controls on departmental spending which is expected to reduce expenses by \$300 million in 2011-12 (and \$100 million in 2012-13); and
- the impact of releasing contingencies to offset new policy decisions as well as adjustments to expenditure contingencies in line with the expected economic and fiscal position.

Across the four years to 2014-15, there have been a number of increases in expenditure in existing policy areas associated with service delivery, including:

- an increase in the allowance for net expenditure on enrolment based funding for vocational education and training courses of \$238 million a year on average as a result of continued projected growth in demand;
- an increase in expenditure on enrolment based funding to support higher enrolment levels in government and non-government schools (\$39 million a year on average), as well as kindergarten places (\$5.1 million a year on average), which is offset by a release of contingency;
- an upwards adjustment of \$110 million in 2013-14 and 2014-15 for the Early Childhood Education program to better reflect the anticipated profile of expenditure; and
- a net increase of \$68 million associated with revised estimates of grants provided to local government for flood recovery and repairs to road and bridge infrastructure (primarily represented by a \$148 million increase in 2012-13, partly offset by a decrease of \$76 million in 2011-12).

Also impacting the forward estimates period are:

- revisions to interest expense, which are projected to be lower by \$47 million a year on average reflecting the combined impact of the revised profile of borrowings together with lower interest rates; and
- adjustments to the level of contingency provisions to reflect the expected economic and fiscal outlook.

Cashflows

Table 3.4 provides a summary of cash generated through the operations of Victorian government departments and other general government sector agencies, and how the operating surpluses are used to fund infrastructure investment and begin to reduce net debt as a share of the economy in line with fiscal targets.

Table 3.4: Application of cash resources for the general government sector

	(\$ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Revised	Estimate	Estimate	Estimate
Net result from transactions	517.3	147.7	219.9	909.1	1 273.0
Add back: Non-cash income and expenses (net) ^(a)	2 379.1	2 507.7	2 320.2	2 510.6	2 266.5
Net cash flows from operating activities	2 896.3	2 655.4	2 540.2	3 419.7	3 539.5
Less:					
Net investment in fixed assets					
Expenditure on approved projects	6 823.8	6 794.6	6 107.0	4 234.4	2 250.1
Capital provision approved but not yet allocated ^(b)	..	..	293.7	478.4	1 865.1
Proceeds from asset sales	(184.3)	(296.7)	(555.5)	(366.5)	(347.8)
Total net investment in fixed assets ^(c)	6 639.6	6 497.9	5 845.2	4 346.4	3 767.4
Finance leases ^(d)	195.0	1 250.9	844.8	..	..
Other investment activities (net)	(65.0)	(25.0)	40.4	46.5	52.1
Decrease/(increase) in net debt	(3 873.2)	(5 068.4)	(4 190.2)	(973.2)	(280.0)

Source: Department of Treasury and Finance

Notes:

- (a) Includes depreciation, movements in the unfunded superannuation liability and liability for employee benefits.
- (b) Amount available to be allocated to specific departments and projects in future budgets, including contributions to other sectors.
- (c) Includes total purchases of property plant and equipment, and capital contributions to other sectors of government net of proceeds from asset sales.
- (d) The finance lease amount in 2010-11 relates to the Partnerships Victoria in Schools project, the finance lease in 2011-12 relates to Ararat Prison project and the redevelopment of the Royal Children's Hospital, and the finance lease in 2012-13 relates to the Peninsula Link project. The 2011-12 estimate is net of the financing arrangements associated with the Victorian desalination plant project which forms part of the public non-financial corporations sector net debt.

The Government's net investment in fixed assets (which includes total purchases of property, plant and equipment, capital contributions to other sectors of government and net proceeds from sale of assets) is projected to be \$6.5 billion in 2011-12 before averaging at least 1 per cent of GSP over the forward estimates.

The Government’s net infrastructure investment program underpins the provision of essential services. Gross infrastructure investment over the budget and forward estimates years (excluding asset sales) reflects significant investment in health (including the Victorian Comprehensive Cancer Centre), transport (including a number of roads projects and the Regional Rail Link project), justice and the education and vocational training sectors. The significant boost in the early years reflects funding for the Government’s rolling stock program, the Regional Rail Link project and the temporary impact of the Nation Building and Jobs Plan.

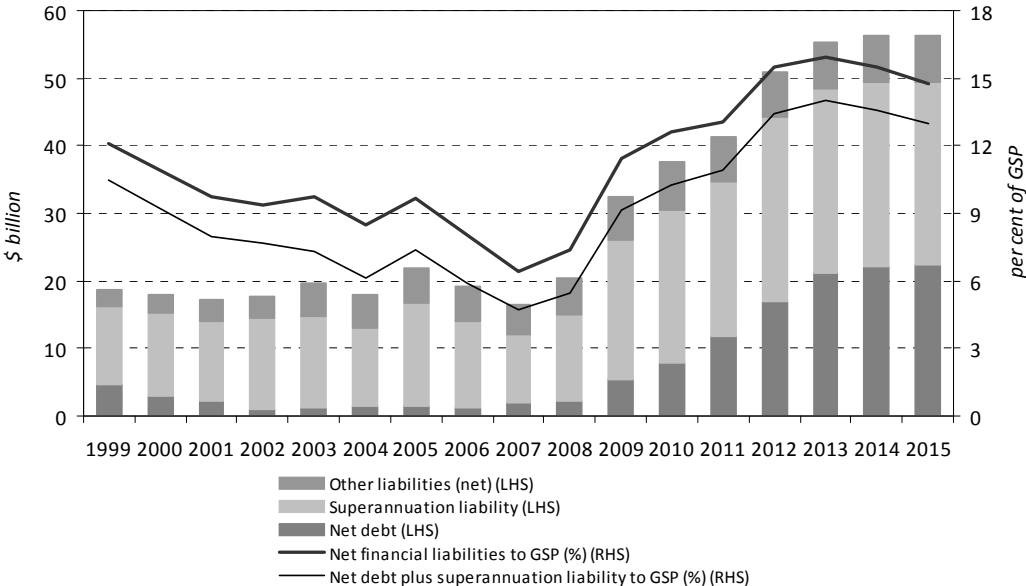
The Government also runs a program to rationalise surplus assets to achieve better efficiency in the use of infrastructure to support service delivery, including the sale of surplus assets across government.

Table 3.4 shows that across the forward estimates period the impact of the Government’s efficiency measures mean that operating surpluses are projected to grow substantially. By 2014-15, 94 per cent of the infrastructure program is being funded from the cash generated from the operating surplus, which is significantly higher than 70 per cent forecast at budget time. Reflecting this lower reliance on borrowings, the expected growth in net debt over the five years to 2014-15 is lower by around \$800 million relative to the 2011-12 Budget.

Net debt and net financial liabilities

The key measures of the State’s financial position are the government finance statistics measures of net debt and net financial liabilities, which are presented for the general government sector in Chart 3.1 and Table 3.5.

Chart 3.1: General government net financial liabilities as at 30 June^(a)



Source: Department of Treasury and Finance

Note:
 (a) Superannuation liabilities between 1999 and 2004 are calculated under the previous Australian accounting standard, whereas from 2005 onward AASB 119 has been applied.

Net debt is projected to rise, but to be around \$800 million lower by the end of the forward estimates period than forecast in the *2011-12 Budget*. As a share of GSP, net debt is forecast to decline to 5.8 per cent of GSP by 2014-15. Underlying the profile of net debt is the projected rise in borrowings, which is strongest in the earlier years. This is largely associated with relatively higher levels of net infrastructure, together with the impact of recognising finance leases for *Partnerships Victoria* projects.

Beyond 2012-13, the Government's reliance on borrowings to fund its infrastructure investment program reduces significantly, and reflects the significant growth in projected operating surpluses.

The growth in net financial liabilities over the budget and forward estimates reflect the profile of net debt, together with the impact of a \$4.6 billion increase in the superannuation liability in 2011-12 which is primarily due to an actuarial loss (as discussed previously).

Nevertheless as a proportion of GSP, net financial liabilities are trending down after 30 June 2013, reflecting both the declining profile of net debt, together with the impact of a gradual decline in the defined benefit obligations of the State's superannuation liability.

Key financial indicators for the State's credit worthiness used by ratings agencies are included at Table 3.8, *Non-financial public sector net debt and net financial liabilities*.

Table 3.5: General government sector net debt and net financial liabilities as at 30 June

	(\$ billion)				
	2011 Actual	2012 Revised	2013 Estimate	2014 Estimate	2015 Estimate
Assets					
Cash and deposits	3.7	4.1	4.2	4.5	4.8
Advances paid	0.3	4.5	4.5	4.4	4.4
Investments, loans and placements	2.4	2.5	2.6	2.8	3.0
Total	6.3	11.1	11.3	11.8	12.2
Liabilities					
Deposits held and advances received	0.4	0.4	0.4	0.4	0.4
Borrowings	17.7	27.6	32.0	33.4	34.1
Total	18.2	28.0	32.4	33.8	34.5
Net debt ^(a)	11.8	16.9	21.1	22.1	22.3
Superannuation liability	22.8	27.4	27.4	27.4	27.2
Net debt plus superannuation liability	34.6	44.3	48.5	49.5	49.5
Other liabilities (net) ^(b)	6.7	6.7	6.7	6.9	6.9
Net financial liabilities ^(c)	41.3	51.0	55.3	56.4	56.4
	(per cent)				
Net debt to GSP ^(d)	3.7	5.1	6.1	6.1	5.8
Net debt plus superannuation liability to GSP ^(d)	10.9	13.4	14.0	13.6	13.0
Net financial liabilities to GSP ^(d)	13.0	15.5	16.0	15.5	14.8

Source: Department of Treasury and Finance

Notes:

- (a) Net debt is the sum of deposits held, advances received and borrowings less the sum of cash deposits, advances paid, and investments, loans and placements.
- (b) Includes other employee entitlements and provisions and other liabilities, less other non-equity assets.
- (c) Net financial liabilities is the sum of superannuation, borrowings and other liabilities less financial assets.
- (d) Ratios to GSP may vary from publications year to year due to revisions to the ABS GSP data.

Fiscal risks

The State's financial performance could be affected by the realisation of economic and fiscal risks. Fiscal risks are those potential future events and circumstances that could affect the State's fiscal outlook. Economic risks are outlined in Chapter 2, *Economic context*.

In addition to the fiscal risks, Appendix B *Sensitivity analysis table*, quantifies the impact of selected economic and financial variables on revenue, expenses, the net result from transactions and the net result associated with variations to forecasts of selected economic and financial variables.

Revenue risks

Commonwealth grants

The level of GST grants is affected by the general level of activity in the Australian economy and the GST revenue sharing relativities recommended by the Commonwealth Grants Commission (CGC). The CGC updates its recommendations regarding GST revenue sharing relativities in February each year. These are then subject to approval by the Commonwealth Treasurer.

Any changes to economic conditions in the budget and forward estimates period will have a direct impact on the amount of GST revenue available to be distributed among the states.

The Commonwealth's deficit exit strategy presented in the Commonwealth's Budget and re-affirmed in the *Mid-Year Economic and Fiscal Outlook 2011-12* may impact on the Commonwealth's commitment to provide additional or ongoing revenue for National Partnerships that expire. This uncertainty will create significant challenges for the State to plan and deliver the respective programs. Furthermore, the Commonwealth could again unilaterally re-phase existing funding commitments in order to achieve its fiscal objectives to the detriment of Victoria.

State revenue

The State's tax revenues are primarily forecast on an assumed or estimated relationship between taxation revenue and projected economic variables. There are two main sources of risk to the taxation estimates:

- changes in economic conditions from those projected. This is discussed further in Appendix D, *Sensitivity analysis table*; and
- changes in the relationship between the economic variables and taxation revenue (such as between employment and payroll tax).

Moreover, some State taxes, such as land transfer duty, are sourced from tax bases that are volatile, and revenue from these sources may be subject to substantial annual variation.

Victorian gambling tax revenue could be impacted over the forward estimates period by Commonwealth Government policy measures aimed at problem gambling, such as mandatory pre-commitment. The design and impact of any Commonwealth Government intervention remains unclear.

Expenditure risks

Employee expenses are the largest expense incurred by the State. Major enterprise bargaining agreements for nurses, teachers and the Victorian public service are either due to expire in 2011 or are currently being negotiated. If the related costs exceed the available funding, this will impose an expenditure risk.

Another key risk is growth in demand for government services which may exceed current projections, for example through increased demand driven by population changes or expenditure in response to unforeseen events such as natural disasters, including bushfires and floods.

The *2011-12 Budget Update* includes a contingency provision to mitigate the impact of expenditure risks which may be realised during the remainder of the budget year or over the forward estimates period. Realised expenditure risks will affect total expenditure and the annual budget position to the extent they exceed the contingency provision factored into the budget estimates. The aggregate level of operating contingency provision is shown in Note 12 of Chapter 4, *Estimated financial statements and notes*.

The contingency provision includes a general allowance for:

- likely growth in Victoria's population, and consequent derived demand for government services;
- depreciation expenditure associated with new asset investment funded from the unallocated capital provision (subject to Government approval);
- the likelihood that a number of existing programs which conclude in 2011-12 or the forward estimates may continue or be replaced with other programs to meet service delivery priorities; and
- other expenditure risks, which were unforeseen or not able to be quantified, or were not finalised at the time of producing the published estimates.

The budget and forward estimates also include an unallocated capital provision to provide capacity for future asset investment requirements. Given the size of the current capital program, there are likely to be variations in actual costs (compared with budgets) for individual asset investment projects. However, the budget and forward estimates assume that capital cost pressures are managed within existing financial estimates. Management of capital cost pressures may occur by:

- reallocating existing departmental resources within departments' global capital budgets (reflecting the likelihood that cost overruns on some projects will be offset by cost underruns in other areas); and/or
- re-scoping projects to fit within funding parameters (subject to Government approval); and/or
- funding projects from the unallocated capital funding set aside in the forward estimates (subject to Government approval).

The aggregate level of the unallocated capital contingency provisions contained within the estimates is shown in Table 3.4. The aggregate level of capital contingency provision, which includes the unallocated capital provision, is shown in Note 19 of Chapter 4, *Estimated financial statements and notes*.

Specific fiscal risks

Review of goods and services tax distribution

The Commonwealth has announced an independent review of the distribution of GST and the form of horizontal fiscal equalisation. Given that GST grants revenue constitutes approximately a quarter of total revenue for the general government sector, the review process presents both significant threats and opportunities for the budget.

Skills reform

The vocational education and training (VET) sector in Victoria is undertaking fundamental reform to increase participation and ensure training is more responsive to the needs of industry and individuals in a dynamic economy. The Commonwealth announced in its May budget \$1.75 billion in funding for a National Partnership to promote VET reform. Victoria is keen to ensure it continues to receive a fair share of skills funding and is able to build upon the significant reform already undertaken in Victoria.

Schools funding reform

In April 2010 the Commonwealth announced a review of school funding that will develop recommendations on future arrangements for government funding to government and non-government schools. The outcomes of this review present risks to Victoria's share of funding and Commonwealth intervention in state funding models that could substantially reduce Victoria's financial and policy autonomy (despite the Commonwealth being the minor funding partner in government school services).

Impact of carbon price on onerous contracts

The introduction of a carbon price by the Commonwealth Government may have a negative impact on the State Electricity Commission of Victoria's (SECV) dividends, as the SECV has a significant exposure to electricity prices due to its role in the energy supply contracts in place for the provision of energy to the Alcoa aluminium smelters.

Any negative financial impact on the SECV after the implementation of a carbon price from July 2012 will flow through to the State as it has indemnified the SECV against any losses incurred by the SECV under the Alcoa energy supply contracts.

Social and community services sector pay equity case

The Government has committed \$200 million to support the decision of Fair Work Australia on an application for an equal remuneration order for the social and community services sector. This sector is dominated by non-government organisations, but relies heavily on government funding to deliver services.

The case is still subject to deliberation by Fair Work Australia.

NON-FINANCIAL PUBLIC SECTOR

This section provides an overview of the activities of the non-financial public sector (NFPS) by consolidating the public non-financial corporations (PNFC) sector and general government sector. The PNFC sector comprises a wide range of entities that provide services while meeting commercial principles through cost recovery via user charges and fees. The largest Victorian PNFCs provide water, housing, and transport and port services.

A key fiscal objective of the Government is to maintain NFPS debt at a sustainable level, consistent with the State maintaining its triple-A credit rating.

The Government has also published forward estimates for the PFC sector and the State of Victoria (including the consolidated activities of the general government sector, PNFC sector and PFC sector). These estimates are in Chapter 5, *Supplementary tables uniform presentation framework*.

Summary operating statement

Table 3.6: Summary operating statement for the period 2010-11 to 2014-15 for the non-financial public sector^(a)

	(\$ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Revised	Estimate	Estimate	Estimate
Revenue					
Taxation revenue	14 660.9	14 983.2	15 784.9	16 488.5	17 361.4
Dividends, TER and interest ^(b)	772.1	931.9	851.4	851.8	914.2
Sales of goods and services	9 164.1	9 449.1	10 233.5	10 643.8	11 425.0
Grants	22 419.3	22 215.6	22 817.2	24 438.3	25 109.5
Other current revenue	2 539.6	2 589.3	2 396.7	2 393.1	2 376.5
Total revenue	49 556.1	50 169.1	52 083.8	54 815.5	57 186.5
% change	4.0%	1.2%	3.8%	5.2%	4.3%
Expenses					
Employee expenses	17 247.1	17 649.7	18 327.1	19 067.8	19 870.8
Superannuation ^(c)	2 719.9	2 619.0	2 605.7	2 649.2	2 683.4
Depreciation	3 575.9	4 063.7	4 436.6	4 631.9	4 797.1
Interest expense	1 630.3	2 205.2	2 770.3	3 034.4	3 146.3
Other operating expenses	17 542.5	18 264.4	18 570.4	18 977.8	19 700.2
Grants and other transfers	6 427.2	5 877.1	5 974.6	5 891.8	6 049.6
Total expenses	49 142.7	50 679.1	52 684.8	54 253.0	56 247.4
% change	4.9%	3.1%	4.0%	3.0%	3.7%
Net result from transactions	413.3	(510.0)	(601.0)	562.5	939.1
Total other economic flows included in net result	210.3	(4 296.6)	38.2	(76.1)	(121.9)
Net result	623.6	(4 806.6)	(562.8)	486.5	817.2

Source: Department of Treasury and Finance

Notes:

(a) This is an abbreviated operating statement. The comprehensive operating statement is presented in Chapter 5, *Supplementary tables uniform presentation framework*.

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

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

The net result from transactions (operating result) of the NFPS is projected to be in deficit in both 2011-12 and 2012-13, before returning to surplus in subsequent periods.

Within the PNFC sector, the decline in net result from transactions for 2011-12 incorporates higher costs (initially) associated with substantial infrastructure investment, particularly in the water sector. These costs will be offset in subsequent years by strong growth from sales revenue within the metropolitan water sector, contributing to improved results across the forward estimate years.

Revenue outlook

Most components of NFPS revenue are driven by the activities of the general government sector, discussed earlier in this chapter. Those components influenced by the PNFC sector are explained below.

Within the PNFC sector, revenue from the sales of goods and services is expected to be \$4.8 billion in 2011-12. This represents a 1.9 per cent reduction compared to the estimate in the *2011-12 Budget*, and reflects lower than expected patronage growth for V/Line, and also the expected impact on the Urban Renewal Growth Authority (Places Victoria) of a decline in property market conditions.

Revenue from sales of goods and services are expected to increase by 14.9 per cent during 2012-13, attributed to increased regulated revenue to water businesses. During 2014-15, income from sales of goods and services will rise by an estimated 10.1 per cent, largely due to the expected sale of large value commercial sites by Places Victoria.

The other sources of PNFC sector revenue represent a relatively small component of total revenue and are projected to remain relatively steady over the period.

Expense outlook

Depreciation expenses are consistent with previous estimates as contained in the *2011-12 Budget*, and in part reflects the higher depreciable asset base resulting from the significant investment in water and transport assets.

Other operating expenses are expected to increase to \$18.3 billion during 2011-12, well above the estimate reflected in the *2011-12 Budget*. PNFC sector other operating expenses are expected to increase from \$4.2 billion in 2011-12 to \$4.9 billion by 2014-15, and largely reflect steady growth in operating supplies and consumables over the period.

Other economic flows included in the net result

During 2011-12, the NFPS has budgeted for a net loss from other economic flows of \$4.3 billion, which largely reflects increases in the estimated superannuation liability as described earlier in the chapter.

Application of cash resources

Table 3.7 below shows a summary of cash generated through the operations of the NFPS, and how that cash is applied to infrastructure investment, and the associated impact on net debt.

Table 3.7: Application of cash resources for the non-financial public sector

	(\$ million)				
	2010-11	2011-12	2012-13	2013-14	2014-15
	Actual	Revised	Estimate	Estimate	Estimate
Net result from transactions	413.3	(510.0)	(601.0)	562.5	939.1
Add back: Non-cash income and expenses (net) ^(a)	3 844.6	3 853.2	4 068.6	4 337.7	4 128.7
Net cash flows from operating activities	4 257.9	3 343.1	3 467.5	4 900.2	5 067.8
Less:					
Net investment in fixed assets					
Expenditure on approved projects	9 467.8	9 492.3	8 098.2	6 387.5	3 884.9
Capital provision approved but not yet allocated ^(b)	..	..	293.7	478.4	1 865.1
Proceeds from asset sales	(341.8)	(410.2)	(616.9)	(439.0)	(419.0)
Total net investment in fixed assets	9 126.0	9 082.1	7 774.9	6 426.8	5 331.0
Finance leases ^(c)	195.6	5 453.9	844.8	..	..
Other investment activities (net)	(141.8)	60.1	201.5	284.4	182.8
Decrease/(increase) in net debt	(4 921.9)	(11 253.1)	(5 353.7)	(1 811.1)	(446.0)

Source: Department of Treasury and Finance

Notes:

- (a) Includes depreciation, movements in the unfunded superannuation liability and liability for employee benefits.
- (b) Amount available to be allocated to specific departments and projects in future budgets, including contributions to other sectors.
- (c) The finance lease amount in 2011-12 relates to the Ararat Prison project, the redevelopment of the Royal Children's Hospital and the Victorian desalination plant project; and the finance lease amount in 2012-13 relates to the Peninsula Link project.

The PNFC sector is expecting to invest \$4.9 billion on infrastructure projects during 2011-12 (excluding infrastructure acquired through finance leases), and \$10.0 billion in total over the forward estimates. This level of investment largely reflects increased expenditure in water, transport and housing sectors.

The key PNFC sector infrastructure projects currently under development include:

- Regional Rail Link project, delivering 50 kilometres of new rail track, two new dedicated regional service platforms at Southern Cross Station, construction of two new stations and a new rail bridge, and upgrading of some existing stations;
- NVIRP, Australia's largest irrigation modernisation project, upgrading irrigation infrastructure in the Goulburn Murray Irrigation District; and
- the Victorian desalination plant project at Wonthaggi.

Financial sustainability

Table 3.8 and Chart 3.2 include indicators used to assess the financial sustainability of the State. Importantly, NFPS net debt as a percentage of GSP is expected to peak at 30 June 2013 as expenditure growth is maintained at more sustainable levels. The rise in net debt in 2011-12 reflects the impact of recognising a finance lease liability associated with the desalination plant project. Net financial liabilities as a percentage of GSP will peak at 30 June 2013 before reducing by 30 June 2015.

The increase in the projected level of net financial liabilities compared to the *2011-12 Budget* is primarily due to an upward revision to the superannuation liability as a result of a decrease in the Commonwealth Government bond rate used to value the liability. It should be noted that changes in the valuation of the liability does not impact the underlying cash flows required to service the superannuation liability.

Table 3.8: Non-financial public sector net debt and net financial liabilities

	(\$ billion)				
	2011 Actual	2012 Revised	2013 Estimate	2014 Estimate	2015 Estimate
Assets					
Cash and deposits	4.4	4.6	4.5	5.0	5.3
Advances paid	0.1	0.1	0.1	0.1	0.1
Investments, loans and placements	4.1	3.9	3.8	3.8	3.8
Total	8.6	8.6	8.4	8.9	9.2
Liabilities					
Deposits held and advances received	0.5	0.5	0.5	0.5	0.5
Borrowings	27.8	39.1	44.2	46.5	47.3
Total	28.4	39.6	44.7	47.0	47.8
Net debt ^(a)	19.7	31.0	36.3	38.2	38.6
Superannuation liability	22.8	27.4	27.5	27.5	27.2
Net debt plus superannuation liability	42.6	58.4	63.8	65.6	65.8
Other liabilities (net) ^(b)	7.6	7.3	7.2	7.1	7.0
Net financial liabilities ^(c)	50.2	65.7	71.0	72.7	72.8
	(per cent)				
Net debt plus superannuation liability to revenue ^(d)	86.1	116.6	122.7	119.9	115.3
Net debt to GSP ^(e)	6.2	9.4	10.5	10.5	10.1
Net debt plus superannuation liability to GSP ^(e)	13.4	17.7	18.4	18.0	17.2
Net financial liabilities to GSP ^(e)	15.8	20.0	20.5	20.0	19.0

Source: Department of Treasury and Finance

Notes:

- (a) Net debt is the sum of deposits held, advances received and borrowings less the sum of cash deposits, advances paid, and investments, loans and placements.
- (b) Includes other employee entitlements and provisions and other liabilities, less other non-equity assets.
- (c) Net financial liabilities is the sum of superannuation, borrowings and other liabilities less financial assets.
- (d) The sum of non-financial public sector net debt (excluding advances paid) plus the superannuation liability as a proportion of non-financial public sector total operating revenue.
- (e) Ratios to GSP may vary from publications year to year due to revisions to the ABS GSP data.

The Government is committed to ensuring a sustainable level of public sector debt consistent with a triple-A credit rating.

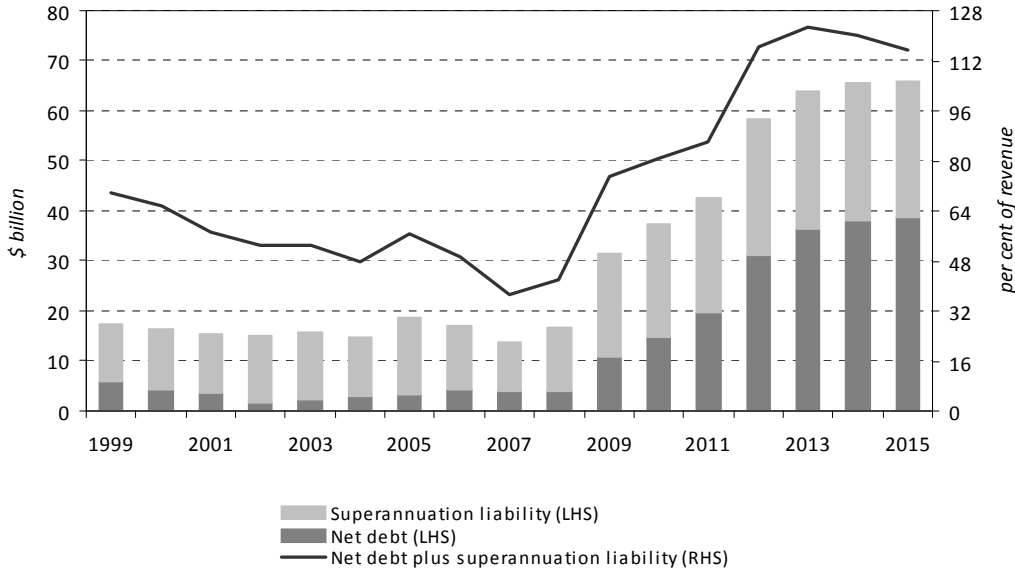
The State of Victoria is rated by two international rating agencies – Standard & Poor’s (S&P) and Moody’s Investors Service (Moody’s). Both rating agencies examine a wide range of financial and non-financial indicators when assessing the credit worthiness of a jurisdiction.

A key indicator used by S&P is net debt (excluding advances paid) plus superannuation of the NFPS as a proportion of NFPS operating revenue. In Victoria’s case, S&P has indicated that a potential trigger point for a review of the triple-A rating would occur if this ratio were to exceed 130 per cent. A time series of this ratio is shown in Chart 3.2

Since *2011-12 Budget*, movements in bond rates have led to an estimated \$4.1 billion increase in the projected superannuation liability. Excluding this revaluation change, NFPS net financial liabilities would peak at 114.8 per cent of NFPS operating revenue in 2012-13, compared with 122.7 per cent currently projected.

Victoria’s triple-A credit rating was reaffirmed by S&P in November 2011 and Moody’s in February 2011.

Chart 3.2: Non-financial public sector net debt plus superannuation liability to revenue^(a)



Source: Department of Treasury and Finance

Note:

(a) Superannuation liabilities between 1999 and 2004 are calculated under the previous Australian accounting standard, whereas from 2005 onward AASB 119 has been applied.

STATE OF VICTORIA

The State of Victoria also prepares forward estimates for the State's PFCs, which can be categorised into two broad types: those that provide services to the general public and businesses (such as the statutory insurers like the Transport Accident Commission and Victorian WorkCover Authority), and those that provide financial services, predominantly to other government entities (such as Victorian Funds Management Corporation and Treasury Corporation of Victoria). The headline results arising from these forward estimates are included in Chapter 5, *Supplementary tables uniform presentation framework*.

On a consolidated basis, the State of Victoria is forecasting a deficit net result from transactions in 2011-12 and 2012-13. The reduction in the projected result for 2011-12, since the *2011-12 Budget*, includes a projected deficit of \$456 million within the PFC sector. This has been attributed to higher claims expenses within the State's insurance agencies arising from the valuation of claims data as at 30 June 2011.

The net result in the PFC sector is significantly influenced by Australian Accounting Standards, which require capital gains and losses on the State's insurers' investment portfolios to be classified under 'other economic flows', and are therefore included in the net result rather than the net result from transactions.

During 2011-12, the PFC sector has forecast a net loss arising from other economic flows of \$513 million, attributable to increased insurance claim liabilities arising from lower discount rates as at 30 September 2011, and lower investment returns arising from adverse conditions in financial markets. It is important to note that in spite of this, the State's insurance agencies are expected to continue earning profit from insurance operations throughout the forward estimates period.

From 2012-13 onwards, the PFC sector has projected gains arising from economic flows averaging \$711 million over the forward estimates, which includes investment gains based on forecast long-term investment returns of approximately 7.5 per cent.

On a whole of state basis, net assets are forecast to increase from \$123.7 billion in 2011-12 to \$140.0 billion by 2014-15. In the PFC sector the net asset position is expected to rise to \$204 million by 2014-15, well below the \$2.4 billion as forecast in the *2011-12 Budget*. This includes the impact of higher claims liabilities by the State's insurance agencies, and also lower investment returns than forecast in the *2011-12 Budget*.

CHAPTER 4 – ESTIMATED FINANCIAL STATEMENTS AND NOTES

Table 4.1: Estimated consolidated comprehensive operating statement for the financial year ending 30 June

		(\$ million)				
	Notes	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Revenue from transactions						
Taxation revenue	2	15 387.9	15 208.6	15 974.3	16 693.1	17 577.0
Interest		575.5	591.7	858.5	859.3	861.6
Dividends and income tax equivalent and rate equivalent revenue	3	574.9	862.5	939.6	608.1	843.6
Sales of goods and services	4	6 465.8	6 472.6	6 475.6	6 611.4	6 856.2
Grants	5	22 516.6	22 232.5	22 832.6	24 448.6	25 119.5
Other revenue	6	1 918.4	2 047.6	1 837.2	1 847.3	1 821.6
Total revenue from transactions		47 439.2	47 415.4	48 917.7	51 067.9	53 079.5
Expenses from transactions						
Employee expenses		16 649.0	16 735.7	17 388.4	18 111.7	18 875.3
Superannuation interest expense	7(a)	880.6	808.6	715.8	719.5	720.3
Other superannuation expenses	7(a)	1 690.7	1 735.4	1 813.6	1 852.6	1 882.1
Depreciation	8	2 345.4	2 277.0	2 460.9	2 568.9	2 681.9
Interest expense	9	1 394.1	1 474.1	1 938.3	2 150.4	2 209.3
Other operating expenses	10	16 261.6	16 027.5	16 042.0	16 418.4	16 881.3
Grants and other transfers	11	8 077.3	8 209.4	8 338.8	8 337.3	8 556.3
Total expenses from transactions	12	47 298.8	47 267.8	48 697.8	50 158.8	51 806.5
Net result from transactions – net operating balance		140.4	147.7	219.9	909.1	1 273.0
Other economic flows included in net result						
Net gain/(loss) on sale of non-financial assets		111.2	136.1	258.2	144.8	105.2
Net gain/(loss) on financial assets or liabilities at fair value		1.7	1.7	1.7	1.7	1.7
Net actuarial gains/(losses) of superannuation defined benefit plans	7(a)	..	(4 166.5)	..	..	..
Other gains/(losses) from other economic flows	13	(189.2)	(221.2)	(187.0)	(190.8)	(193.6)

Table 4.1: Estimated consolidated comprehensive operating statement for the financial year ending 30 June (continued)

(\$ million)

		2011-12	2011-12	2012-13	2013-14	2014-15
	Notes	Budget	Revised	Estimate	Estimate	Estimate
Total other economic flows included in net result		(76.3)	(4 249.8)	73.0	(44.3)	(86.7)
Net result		64.2	(4 102.1)	293.0	864.8	1 186.3
Other economic flows – other movements in equity						
Movement of non-financial asset reserves		4 518.8	4 380.3	1 848.6	6 617.5	5 154.8
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	14	(230.0)	(1 949.5)	(691.1)	594.9	239.0
Other movements in equity		0.8	(4.8)	1.5	4.1	4.1
Total other economic flows – other movements in equity		4 289.6	2 426.0	1 158.9	7 216.6	5 397.8
Comprehensive result – total change in net worth		4 353.7	(1 676.1)	1 451.9	8 081.4	6 584.1
FISCAL AGGREGATES						
Net operating balance		140.4	147.7	219.9	909.1	1 273.0
Less: Net acquisition of non-financial assets from transactions ^(a)	15	2 722.5	2 954.7	1 871.1	415.8	491.6
Net lending/(borrowing)		(2 582.0)	(2 807.0)	(1 651.2)	493.3	781.3

The accompanying notes form part of these Estimated Financial Statements

Note:

(a) Inclusion of 'Change in Inventories' in Purchases of non-financial assets has required restatement of the comparative results.

Table 4.2: Estimated consolidated balance sheet as at 30 June

(\$ million)						
Notes	2011-12 Budget ^(a)	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate	
Assets						
Financial assets						
		3 801.3	4 052.6	4 221.0	4 526.5	4 815.3
	16	4 502.9	4 506.9	4 471.9	4 430.6	4 383.3
		3 465.6	3 448.0	4 260.3	4 198.0	4 154.9
	16	2 360.4	2 542.5	2 634.0	2 812.4	2 968.5
		35.1	35.1	35.1	35.1	35.1
	14	67 335.3	65 804.2	67 530.2	69 526.4	70 423.9
		81 500.5	80 389.3	83 152.6	85 529.0	86 780.9
Non-financial assets						
		260.7	263.2	231.5	256.3	292.2
		66.6	64.7	58.1	51.5	44.9
	17, 18	101 387.8	101 513.9	105 547.5	112 752.7	118 494.2
		747.4	739.7	722.5	674.1	632.6
		102 462.4	102 581.4	106 559.5	113 734.6	119 463.9
	19(b)	183 963.0	182 970.7	189 712.2	199 263.6	206 244.8
Liabilities						
		426.9	426.9	426.9	426.9	426.9
		4 561.2	4 963.9	5 616.0	5 490.6	5 284.7
	20	26 982.0	27 580.4	31 995.6	33 411.4	34 088.9
	21	4 679.4	4 694.1	4 874.8	5 063.8	5 257.4
	7(d)	23 247.5	27 375.3	27 433.5	27 437.1	27 180.7
		688.0	567.0	550.4	537.5	525.8
		60 584.9	65 607.7	70 897.3	72 367.3	72 764.4
		123 378.0	117 363.0	118 814.9	126 896.3	133 480.3
Net assets						
		43 980.1	39 828.7	40 101.9	40 949.4	42 119.7
	22	79 349.4	77 485.8	78 664.5	85 898.3	91 312.1
		48.5	48.5	48.5	48.5	48.5
		123 378.0	117 363.0	118 814.9	126 896.3	133 480.3
FISCAL AGGREGATES						
		20 915.6	14 781.5	12 255.3	13 161.7	14 016.4
		46 419.6	51 022.6	55 274.9	56 364.7	56 407.4
		16 744.3	16 905.3	21 095.5	22 068.7	22 348.7

The accompanying notes form part of these Estimated Financial Statements

Notes:

(a) Balances represent actual opening balances at 1 July 2011 plus 2011-12 budgeted movements.

(b) Balances from 2012-13 and beyond include the revenue receivable associated with the issue of electronic gaming licences.

Table 4.3: Estimated consolidated cash flow statement for the financial year ending 30 June

	(\$ million)					
	2011-12	2011-12	2012-13	2013-14	2014-15	
	Notes	Budget	Revised	Estimate	Estimate	Estimate
Cash flows from operating activities						
Receipts						
Taxes received		15 368.6	15 585.3	16 017.9	16 675.6	17 543.6
Grants		22 516.6	22 171.5	22 832.6	24 448.6	25 119.5
Sales of goods and services ^(a)		6 805.7	6 779.2	7 092.9	7 252.0	7 500.3
Interest received		543.0	559.6	826.4	859.1	861.1
Dividends and income tax equivalent and rate equivalent receipts		571.7	854.8	947.8	580.5	814.3
Other receipts		1 716.6	1 836.6	1 593.1	1 646.7	1 640.0
Total Receipts		47 522.2	47 787.0	49 310.6	51 462.4	53 478.7
Payments						
Payments for employees		(16 491.7)	(16 562.4)	(17 208.5)	(17 923.6)	(18 682.5)
Superannuation		(2 104.2)	(2 115.4)	(2 471.2)	(2 568.5)	(2 858.8)
Interest paid		(1 351.2)	(1 422.5)	(1 892.5)	(2 106.8)	(2 168.6)
Grants and subsidies		(8 103.3)	(8 245.0)	(8 427.1)	(8 418.4)	(8 608.6)
Goods and services ^(a)		(16 454.0)	(16 248.6)	(16 208.6)	(16 428.6)	(16 987.7)
Other payments		(535.6)	(537.7)	(562.6)	(596.7)	(633.0)
Total payments		(45 039.9)	(45 131.6)	(46 770.4)	(48 042.7)	(49 939.3)
Net cash flows from operating activities		2 482.3	2 655.4	2 540.2	3 419.7	3 539.5
Cash flows from investing activities						
Purchases of non-financial assets 19(a)		(4 119.1)	(4 275.4)	(3 993.4)	(3 295.9)	(3 460.1)
Sales of non-financial assets		302.4	296.7	555.5	366.5	347.8
Cash flows from investments in non-financial assets		(3 816.7)	(3 978.7)	(3 438.0)	(2 929.4)	(3 112.2)
Net cash flows from investments in financial assets for policy purposes		(2 326.7)	(2 519.2)	(2 407.2)	(1 416.9)	(655.2)
Sub-total		(6 143.4)	(6 497.9)	(5 845.2)	(4 346.4)	(3 767.4)
Net cash flows from investments in financial assets for liquidity management purposes		9.8	(172.3)	(89.9)	(176.0)	(154.4)
Net cash flows from investing activities		(6 133.6)	(6 670.2)	(5 935.1)	(4 522.4)	(3 921.9)
Cash flows from financing activities						
Advances received (net)		(0.5)	(0.5)	..	..	..
Net borrowings		3 785.5	4 400.3	3 559.2	1 401.2	671.0
Net cash flows from financing activities		3 785.0	4 399.9	3 559.2	1 401.2	671.0
Net increase/(decrease) in cash and cash equivalents		133.7	385.0	164.3	298.5	288.6

Table 4.3: Estimated consolidated cash flow statement for the financial year ending 30 June (continued)

<i>(\$ million)</i>						
	<i>Notes</i>	<i>2011-12 Budget</i>	<i>2011-12 Revised</i>	<i>2012-13 Estimate</i>	<i>2013-14 Estimate</i>	<i>2014-15 Estimate</i>
Cash and cash equivalents at beginning of reporting period		3 667.6	3 667.6	4 052.6	4 216.9	4 515.4
Cash and cash equivalents at end of reporting period		3 801.3	4 052.6	4 216.9	4 515.4	4 804.1
FISCAL AGGREGATES						
Net cash flows from operating activities		2 482.3	2 655.4	2 540.2	3 419.7	3 539.5
Net cash flows from investments in non-financial assets		(3 816.7)	(3 978.7)	(3 438.0)	(2 929.4)	(3 112.2)
Cash surplus/(deficit)	23	(1 334.4)	(1 323.3)	(897.8)	490.3	427.2

The accompanying notes form part of these Estimated Financial Statements

Note:

(a) Inclusive of goods and services tax.

Table 4.4: Estimated consolidated statement of changes in equity for the financial year ending 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling Interest</i>
2011-12 Budget		
Balance at 1 July 2011	43 940.7	48.5
Net result for the year	64.2	..
Other comprehensive income for the year	(24.7)	..
Transactions with owners in their capacity as owners	..	..
Total equity at end of period	43 980.1	48.5
2011-12 Revised		
Balance at 1 July 2011	43 955.5	48.5
Adjustment in accounting policy	..	..
Net result for the year	(4 102.1)	..
Other comprehensive income for the year	(24.7)	..
Transactions with owners in their capacity as owners	..	..
Total equity at end of period	39 828.7	48.5
2012-13 Estimate		
Balance at 1 July 2012	39 828.7	48.5
Adjustment in accounting policy	..	..
Net result for the year	293.0	..
Other comprehensive income for the year	(19.7)	..
Transactions with owners in their capacity as owners	..	..
Total equity at end of period	40 101.9	48.5
2013-14 Estimate		
Balance at 1 July 2013	40 101.9	48.5
Adjustment in accounting policy	..	..
Net result for the year	864.8	..
Other comprehensive income for the year	(17.3)	..
Transactions with owners in their capacity as owners	..	..
Total equity at end of period	40 949.4	48.5
2014-15 Estimate		
Balance at 1 July 2014	40 949.4	48.5
Adjustment in accounting policy	..	..
Net result for the year	1 186.3	..
Other comprehensive income for the year	(16.0)	..
Transactions with owners in their capacity as owners	..	..
Total equity at end of period	42 119.7	48.5

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
34 956.4	39 068.6	1 010.1	119 024.3
..	..	..	64.2
4 518.8	(230.0)	25.5	4 289.6
..
39 475.2	38 838.6	1 035.6	123 378.0
34 956.4	39 068.6	1 010.1	119 039.1
..
..	..	..	(4 102.1)
4 380.3	(1 949.5)	19.9	2 426.0
..
39 336.7	37 119.1	1 030.0	117 363.0
39 336.7	37 119.1	1 030.0	117 363.0
..
..	..	..	293.0
1 848.6	(691.1)	21.2	1 158.9
..
41 185.2	36 428.0	1 051.3	118 814.9
41 185.2	36 428.0	1 051.3	118 814.9
..
..	..	..	864.8
6 617.5	594.9	21.4	7 216.6
..
47 802.8	37 022.9	1 072.7	126 896.3
47 802.8	37 022.9	1 072.7	126 896.3
..
..	1 186.3
5 154.8	239.0	20.1	5 397.8
..
52 957.5	37 261.9	1 092.7	133 480.3

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Note 1: Statement of significant accounting policies and forecast assumptions

The following summary sets out the basis applied in the preparation and presentation of these updated Estimated Financial Statements, which include the budget year and the estimates for the three subsequent years.

Except as disclosed below, the accounting policies and forecast assumptions applied are consistent with those of the Estimated Financial Statements as published in the 2011-12 Budget Paper No. 5 *Statement of Finances*, which should be read in conjunction with this update.

The detailed accounting policies applied in the preparation of the Estimated Financial Statements are consistent with those stated in the audited *2010-11 Annual Financial Report* published in the *2010-11 Financial Report* as presented to Parliament, unless otherwise stated.

To gain a better understanding of the terminology and key aggregates used in this report, a glossary of terms can be found in Note 25 of the *2010-11 Annual Financial Report*.

(A) Statement of compliance

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

In particular, the Estimated Financial Statements are presented in a manner consistent with the principles of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049). However, the prospective nature of these Estimated Financial Statements means that some AAS disclosures are neither relevant nor practical, and have therefore been omitted. Further, where appropriate, those AAS paragraphs relevant to not-for-profit entities have been applied. Because AASs do not include pronouncements that prescribe the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared having regard to the principles set out in New Zealand Financial Reporting Standard 42 *Prospective Financial Statements*.

The Government Finance Statistics (GFS) information included in this report is based on the GFS manual published by the Australian Bureau of Statistics (ABS), *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005 Cat. No. 5514.0*.

The information presented in the Estimated Financial Statements takes into account all policy decisions taken 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 29 November 2011.

(B) Basis of accounting, preparation and measurement

The Estimated Financial Statements have been prepared for the 2011-12 budget year in accordance with accounting policies expected to be used in preparing historically orientated general purpose financial statements for that year, and the same accounting policies have been used for the estimates in the subsequent years.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

The accrual basis of accounting has been applied in the preparation of the Estimated Financial Statements whereby assets, liabilities, equity, revenue 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.

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. Actual results may 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 by the revision.

The Estimated Financial Statements have been prepared in accordance with the historical cost convention. Historical cost is based on the fair values 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 the proportional share of net asset value;
- non-financial physical assets which, subsequent to acquisition, 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 that the carrying amounts do not materially differ from their fair value;
- productive trees in commercial native forests, which are recognised 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 changes reflected in the estimated consolidated comprehensive operating statement (fair value through profit and loss);
- certain liabilities, most notably unfunded superannuation and some insurance claim provisions, which are subject to an actuarial assessment; and
- available-for-sale investments which are measured at fair value with movements reflected in 'Other economic flows – other movements in equity'.

As required by AASB 1049, the consolidated comprehensive operating statement distinguishes between 'transactions' and 'other economic flows' based on the principles in the ABS GFS manual. Transactions are defined as economic flows that arise as a result of government policy decisions, usually an interaction between two entities by mutual agreement. Taxation is regarded under GFS as mutually agreed between the government and the taxpayer. Transactions also include flows within an organisation such as depreciation because the owner is seen as simultaneously acting as the owner of the depreciating asset and the consumer of the service provided by the asset. Transactions may be settled in kind or for cash.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

Other economic flows are changes arising from market remeasurements or other changes in the volume of assets. They include gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets, actuarial gains and losses arising from defined benefit superannuation plans, fair value changes of financial instruments and agricultural assets, and depletion of natural assets (non-produced) from their use or removal.

(C) Reporting entity

The Estimated Financial Statements are prepared for the Victorian 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 of production. The primary function of entities within the Victorian general government sector is to provide public services (outputs), which are mainly non-market in nature, for the collective consumption of the community, and involve the transfer or redistribution of revenue that is financed mainly through taxes and other compulsory levies.

The Victorian general government sector is not a separate entity but represents a sector within the State of Victoria whole of government reporting entity. Unless otherwise noted, accounting policies applied by the State apply equally to the Victorian general government sector.

(D) Basis of consolidation

The Estimated Financial Statements present the consolidated assets and liabilities of all reporting entities in the Victorian general government sector, and their revenue, gains and expenses for the respective period, consistent with the principles of AASB 1049 and AASB 127 *Consolidated and Separate Financial Statements*.

Entities in the public non-financial corporation (PNFC) and public financial corporation (PFC) sectors are not consolidated into the financial statements of the Victorian 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 the PNFC and PFC sector entities before consolidation eliminations. Where the carrying amount of the entities' net assets before consolidation eliminations is less than zero, the amount is not included. Any change in the carrying amount of the investment from period to period is accounted for as if the change is a change in fair value and is accounted for in a manner consistent with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 1049.

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

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

In the process of reporting the Victorian general government sector, all material transactions and balances between entities within the sector are eliminated.

The significant entities consolidated within the sector comprise those entities listed in the *2010-11 Annual Financial Report*, except for changes as stated in Note 25 of these Estimated Financial Statements.

(E) Rounding

All amounts in the Estimated Financial Statements have been rounded to the nearest \$100 000 unless otherwise stated. Figures in the Estimated Financial Statements may not add due to rounding.

(F) Key financial measure

The Government is expected to achieve a minimum budget surplus (net result from transactions) of \$100 million each year over the forward estimates period. The Government has set out this key election commitment financial measure in the *2011-12 Budget Paper No. 2*, Chapter 3, *Budget position and outlook*.

(G) Revised material economic and other assumptions

The Estimated Financial Statements have been prepared using material economic and other assumptions listed below, which have been updated since the publication of the *2011-12 Budget*.

Key economic assumptions^(a)

	2011-12	2012-13	2013-14	2014-15
		(\$ billion)		
Nominal gross state product	329.3	346.5	364.3	382.4
		(percentage change) ^(b)		
Real gross state product	2.25	2.50	2.75	2.75
Employment	0.75	1.50	1.50	1.75
Unemployment rate ^(c)	5.50	5.25	5.00	5.00
Consumer price index	2.75	3.00	2.75	2.50
Consumer price index (excluding carbon price)	2.75	2.50	2.50	2.50
Wage price index ^(d)	3.75	3.75	3.50	3.50
Population ^(e)	1.50	1.50	1.50	1.50

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

Notes:

- (a) All economic projections, except where indicated otherwise, include the expected impact from the Commonwealth Government's carbon price scheme, commencing in 2012-13.
- (b) Year-average per cent change on previous year unless otherwise indicated. All economic projections are rounded to the nearest 0.25 percentage point, except population projections, which are rounded to the nearest 0.1 percentage point.
- (c) Year-average level, per cent.
- (d) Total hourly rate excluding bonuses.
- (e) June quarter, per cent change on previous quarter.

Note 1: Statement of significant accounting policies and forecast assumptions *(continued)*

Revised forecast assumptions for superannuation

The accounting policies relating to superannuation expenses and liabilities are consistent with those applied in preparing and presenting the 2011-12 *Budget*. However, the forecast assumptions have been revised for the budget year and forward years for each relevant defined benefit superannuation scheme as disclosed in the following table.

<i>Underlying assumptions for all listed schemes</i> ^(a)	<i>Per cent</i>
Discount rate ^(b)	4.3
Wages growth ^(c)	4.0
Inflation rate ^(d)	2.5
<i>Expected return on assets</i> ^(e)	
Emergency Services and State Super (ESSS)	8.0
Parliamentary Contributory Superannuation Fund	8.0
Health Super Fund Defined Benefit Scheme	6.0
Constitutionally Protected Schemes ^(f)	n.a.

Source: Department of Treasury and Finance

Notes:

- (a) All rates are nominal annual rates and are applicable to all the listed schemes.
- (b) The discount rate is based on the longest dated fixed interest Commonwealth Government bond rate. The rate stated above is an annual effective rate, gross of tax.
- (c) Wages growth is based on actuarial expectations.
- (d) The inflation rate assumed by the actuary reflects market expectations of price inflation as implied based on the relationship between the yields on Commonwealth Government bonds, both nominal and inflation linked. This ensures consistency with the prescribed (i.e. market based) discount rate.
- (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 and thus there is no expected return on assets.

The expected return on assets, as shown above, is determined by weighting the expected long-term return for each superannuation fund asset class by the target allocation of assets to each class (as detailed in the table below).

Asset allocation

<i>Asset class</i>	<i>Per cent</i>
Domestic equity	26.8
International equity	26.5
Domestic and international debt assets	19.7
Property	9.5
Cash	3.7
Other (including private equity, hedge funds and infrastructure)	13.8
Total	100

Source: Department of Treasury and Finance

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

(H) Sensitivity analysis

The estimates for revenue, expenses, the net result from transactions, and the net result have been subject to analysis of assumed movements for a range of major economic and other risks by the Department of Treasury and Finance (DTF).

Refer to Appendix D, *Sensitivity analysis table*, which sets out the sensitivity analysis performed by DTF. This analysis sets out the impact on both the net result from transactions and the net result of selected economic indicators being 1 per cent higher than expected.

(I) Prospective accounting changes

The following relevant AASs have been issued by the AASB but are not yet effective for the 2011-12 budget year. They become effective for the first consolidated financial statements for reporting periods after the relevant operative date.

- AASB 9 *Financial Instruments*, operative from 1 January 2013. This Standard simplifies requirements for the classification and measurement of financial assets and replaces those requirements in AASB 139 *Financial Instruments: Recognition and Measurement*.
- AASB 10 *Consolidated Financial Statements*, operative from 1 January 2013. This Standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and replaces those requirements in AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*. Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.
- AASB 11 *Joint Arrangements*, operative from 1 January 2013. This Standard establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly and replaces those requirements in AASB 131 *Interests in Joint Ventures*. Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.
- AASB 12 *Disclosure of Interests in Other Entities*, operative from 1 January 2013. This Standard requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This Standard replaces the disclosure requirements in AASB 127 and AASB 131. Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.
- AASB 13 *Fair Value Measurement*, operative from 1 January 2013. This Standard outlines the general requirements for measuring the fair value of assets and liabilities and replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations. The Standard may potentially increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

- AASB 119 *Employee Benefits*, operative from 1 January 2013. This Standard replaces AASB 119 (December 2004, as amended) with updated accounting and disclosure requirements for employee benefits. The revised Standard changes the methodology applied to the calculation of superannuation expenses relating to defined superannuation plans. In particular, there is now a split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as other economic flows) as reported on the comprehensive operating statement. While the total superannuation expense will not change under the revised Standard, the revised methodology is expected to have a negative impact on the general government sector's net result from transactions. The quantum of this impact is still being assessed. The superannuation liability recognised on the sector's balance sheet will also remain unchanged under the revised Standard.
- AASB 127 *Separate Financial Statements*, operative from 1 January 2013. This Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements and replaces AASB 127 (March 2008, as amended). Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.
- AASB 128 *Investments in Associates and Joint Ventures*, operative from 1 January 2013. This Standard replaces AASB 128 *Investments in Associates* (July 2004, as amended) and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.
- AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023, 1038, and Interpretations 10 and 12], operative from 1 January 2013. This Amending Standard makes consequential amendments to applicable AASs arising from the issuance of AASB 9.
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127], operative from 1 January 2013. This Amending Standard outlines the consequential amendments to a series of Standards arising from the issuance of AASB 9.
- AASB 2011-3 *Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments* [AASB 1049], operative from 1 July 2012. This Amending Standard provides clarification on the version of the GFS manual to apply and outlines the disclosure requirement if the latest GFS manual is not adopted. This amendment is not expected to have an impact on the financial measures of the government.

Note 1: Statement of significant accounting policies and forecast assumptions (*continued*)

- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17], operative from 1 January 2013. This Amending Standard makes consequential amendments to the applicable AASs arising from the issuance of AASB 10, AASB 11, AASB 12, AASB 127 and AASB 128.
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132], operative from 1 January 2013. This Amending Standard makes consequential amendments to the applicable AASs arising from the issuance of AASB 13.
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049], operative from 1 July 2012. This Amending Standard makes changes to a series of Standards as a consequence of amendments to AASB 101 *Presentation of Financial Statement*. AASB 101 was revised to maintain consistency with the recent amendments to International Accounting Standard IAS 1 *Presentation of Financial Statements*. AASB 2011-9 requires entities to group items presented in other comprehensive income on the basis of whether they are subsequently reclassifiable to profit or loss (reclassification adjustments).
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14], operative from 1 January 2013. This Amending Standard makes consequential amendments to a series of Standards arising from the issuance of AASB 119.

Unless otherwise stated above, the impacts of the above issued but not yet effective AASs on the public sector are still being assessed.

Note 2: Taxation revenue

	(\$ million)				
	2011-12	2011-12	2012-13	2013-14	2014-15
	Budget	Revised	Estimate	Estimate	Estimate
Taxes on employers' payroll and labour force	4 735.4	4 659.8	4 948.1	5 251.4	5 579.6
Taxes on property					
Taxes on immovable property					
Land tax	1 342.6	1 360.1	1 488.4	1 451.8	1 580.8
Congestion levy	49.8	45.6	46.7	48.1	49.4
Metropolitan improvement levy	129.8	129.8	134.3	139.0	142.4
Property owner contributions to fire brigades	31.3	31.3	31.9	33.7	35.3
Total taxes on immovable property	1 553.4	1 566.8	1 701.4	1 672.5	1 807.9
Financial and capital transactions					
Land transfer duty	3 767.3	3 650.6	3 779.3	3 939.8	4 123.3
Growth Areas Infrastructure Contribution	36.2	50.1	51.2	55.8	67.7
Other property duties	8.4	8.3	8.6	8.8	9.0
Financial accommodation levy	89.5	84.5	110.2	122.9	130.6
Total financial and capital transactions	3 901.4	3 793.5	3 949.3	4 127.2	4 330.6
Total taxes on property	5 454.9	5 360.3	5 650.7	5 799.8	6 138.6
Taxes on the provision of goods and services					
Gambling taxes					
Private lotteries	383.4	365.8	379.0	392.6	406.2
Electronic gaming machines	1 031.0	1 039.1	1 109.2	1 179.9	1 205.3
Casino	175.0	174.2	191.3	208.7	227.7
Racing	140.3	133.0	96.1	92.5	93.6
Other	13.6	13.7	13.8	13.0	13.3
Total gambling taxes	1 743.2	1 725.8	1 789.4	1 886.8	1 946.2
Levies on statutory corporations	73.7	69.4	..	..	..
Taxes on insurance	1 631.2	1 610.2	1 563.9	1 646.4	1 713.5
Total taxes on the provision of goods and services	3 448.1	3 405.3	3 353.3	3 533.2	3 659.7
Taxes on the use of goods and performance of activities					
Motor vehicle taxes					
Vehicle registration fees	960.8	1 001.7	1 170.7	1 226.8	1 287.1
Duty on vehicle registrations and transfers	607.1	600.1	666.8	691.5	714.5
Total motor vehicle taxes	1 567.9	1 601.8	1 837.4	1 918.2	2 001.6
Franchise taxes	22.2	21.8	22.3	22.8	23.3
Other	159.4	159.5	162.5	167.7	174.2
Total taxes on the use of goods and performance of activities	1 749.5	1 783.1	2 022.2	2 108.8	2 199.1
Total taxation	15 387.9	15 208.6	15 974.3	16 693.1	17 577.0

Note 3: Dividends and income tax equivalent and rate equivalent revenue

(\$ million)

	2011-12 <i>Budget</i>	2011-12 <i>Revised</i>	2012-13 <i>Estimate</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>
Dividends	415.6	683.5	811.3	432.6	599.5
Income tax equivalent revenue	153.7	173.8	123.0	169.9	238.3
Local government rate equivalent revenue	5.6	5.2	5.3	5.6	5.8
Total dividends and income tax equivalent and rate equivalent revenue	574.9	862.5	939.6	608.1	843.6

Note 4: Sales of goods and services

(\$ million)

	2011-12 <i>Budget</i>	2011-12 <i>Revised</i>	2012-13 <i>Estimate</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>
Motor vehicle regulatory fees	161.7	166.5	166.9	135.0	137.4
Other regulatory fees	364.1	353.1	340.3	332.0	340.2
Sale of goods	147.4	144.2	122.9	91.5	83.2
Provision of services	4 381.5	4 392.0	4 313.9	4 477.5	4 673.3
Rental	44.7	50.5	51.4	51.4	52.3
Refunds and reimbursements	61.8	61.8	63.1	64.4	64.4
Inter-sector capital asset charge	1 304.6	1 304.6	1 417.1	1 459.8	1 505.5
Total sales of goods and services	6 465.8	6 472.6	6 475.6	6 611.4	6 856.2

Note 5: Grants

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
General purpose grants	10 944.8	10 810.8	11 677.2	12 265.5	12 878.0
Specific purpose grants for on-passing	2 567.1	2 504.2	2 758.7	2 936.2	3 130.9
Grants for specific purposes	8 892.1	8 801.4	8 295.7	9 145.4	9 009.6
Total	22 404.0	22 116.4	22 731.5	24 347.1	25 018.6
Other contributions and grants	112.7	116.1	101.1	101.5	100.9
Total grants^(a)	22 516.6	22 232.5	22 832.6	24 448.6	25 119.5

Note:

(a) The allocation of Commonwealth grants between GST ('general purpose') grants and grants for 'specific purposes' under a new 'National Health and Hospital Network Agreement' is not reflected in the above estimates as the final determination of any reallocation is yet to be determined. This is to be phased in over a four year period and is expected to be revenue neutral.

Note 6: Other revenue

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Fair value of assets received free of charge or for nominal consideration	1.0	123.0	1.3	1.3	1.0
Fines	545.1	544.0	567.6	580.8	588.2
Royalties	47.1	45.7	46.3	47.4	48.6
Donations and gifts	297.7	310.4	239.3	251.2	246.3
Other non-property rental	25.5	20.0	19.9	20.0	20.2
Other miscellaneous revenue	1 002.0	1 004.5	962.8	946.6	917.3
Total other revenue	1 918.4	2 047.6	1 837.2	1 847.3	1 821.6

Note 7: Superannuation

(a) Superannuation expense recognised in the operating statement

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Defined benefit plans					
Interest cost ^(a)	2 056.0	1 977.9	1 803.8	1 806.8	1 807.6
Expected return on plan assets (net of expenses) ^(a)	(1 175.4)	(1 169.3)	(1 088.0)	(1 087.4)	(1 087.3)
Superannuation interest expense	880.6	808.6	715.8	719.5	720.3
Current service cost ^(a)	663.9	720.0	746.6	736.5	719.4
Amortisation of past service cost ^(a)	..	..	..	..	..
Actuarial (gains)/losses ^(b)	..	4 166.5	..	..	..
Total expense recognised in respect of defined benefit plans	1 544.5	5 695.1	1 462.4	1 456.0	1 439.7
Defined contribution plans					
Employer contributions to defined contribution plans ^(a)	970.1	958.6	1 008.9	1 056.5	1 101.7
Other (including pensions) ^(a)	56.7	56.7	58.1	59.6	61.0
Total expense recognised in respect of defined contribution plans	1 026.8	1 015.3	1 067.0	1 116.1	1 162.7
Total superannuation expense recognised in operating statement	2 571.3	6 710.4	2 529.4	2 572.1	2 602.4
Represented by:					
Superannuation interest expense	880.6	808.6	715.8	719.5	720.3
Other superannuation	1 690.7	1 735.4	1 813.6	1 852.6	1 882.1
Superannuation expense from transactions	2 571.3	2 543.9	2 529.4	2 572.1	2 602.4
Superannuation expense from other economic flows	..	4 166.5	..	..	..
Total superannuation expense recognised in operating statement	2 571.3	6 710.4	2 529.4	2 572.1	2 602.4

Notes:

(a) Superannuation expense from transactions.

(b) Superannuation expense from other economic flows.

(b) Reconciliation of the present value of the defined benefit obligation

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Opening balance of defined benefit obligation	38 802.1	38 802.1	42 234.2	42 344.9	42 322.8
Current service cost	663.9	720.0	746.6	736.5	719.4
Interest cost	2 056.0	1 977.9	1 803.8	1 806.8	1 807.6
Contributions by plan participants	195.5	202.7	189.5	178.2	166.6
Actuarial (gains)/losses	..	3 202.9	..	..	..
Benefits paid	(2 469.0)	(2 671.4)	(2 629.1)	(2 743.7)	(2 881.6)
Closing balance of defined benefit obligation	39 248.5	42 234.2	42 344.9	42 322.8	42 134.8

Note 7: Superannuation (continued)

(c) Reconciliation of the fair value of superannuation plan assets

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Opening balance of plan assets	16 021.7	16 021.7	14 858.9	14 911.4	14 885.7
Expected return on plan assets	1 175.4	1 169.3	1 088.0	1 087.4	1 087.3
Actuarial gains/(losses)	..	(963.6)	..	..	..
Employer contributions	1 077.4	1 100.1	1 404.2	1 452.4	1 696.1
Contributions by plan participants	195.5	202.7	189.5	178.2	166.6
Benefits paid (including tax paid)	(2 469.0)	(2 671.4)	(2 629.1)	(2 743.7)	(2 881.6)
Closing balance of plan assets	16 001.0	14 858.9	14 911.4	14 885.7	14 954.1

(d) Reconciliation of the superannuation liabilities

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Emergency Services and State Super					
Defined benefit obligation	34 705.7	37 345.8	37 394.1	37 314.2	37 120.4
Tax liability ^(a)	2 560.7	2 755.5	2 787.1	2 808.1	2 789.0
Plan assets	(14 598.6)	(13 556.6)	(13 606.4)	(13 574.3)	(13 644.7)
Net liability/(asset)	22 667.8	26 544.8	26 574.8	26 548.0	26 264.7
Other funds ^(b)					
Defined benefit obligation	1 966.7	2 116.3	2 149.6	2 188.6	2 216.1
Tax liability ^(a)	15.4	16.6	14.1	11.8	9.3
Plan assets	(1 402.4)	(1 302.3)	(1 305.0)	(1 311.3)	(1 309.5)
Net liability/(asset)	579.7	830.6	858.7	889.1	915.9
Total superannuation					
Defined benefit obligation	36 672.4	39 462.1	39 543.7	39 502.9	39 336.5
Tax liability ^(a)	2 576.1	2 772.1	2 801.2	2 819.9	2 798.3
Plan assets	(16 001.0)	(14 858.9)	(14 911.4)	(14 885.7)	(14 954.1)
Superannuation liability	23 247.5	27 375.3	27 433.5	27 437.1	27 180.7
Represented by:					
Current liability	900.0	900.0	958.8	1 216.2	1 213.3
Non-current liability	22 347.5	26 475.3	26 474.7	26 220.9	25 967.4

Notes:

(a) Tax liability represents the present value of future tax payments on investment income generated by superannuation assets plus the present value of future tax payments on expected future employer contributions.

(b) Other funds include constitutionally protected schemes, the Parliamentary Contributory Superannuation Fund and the State's share of liabilities of the Defined Benefit Scheme of the Health Super Fund.

Note 8: Depreciation

(\$ million)

	2011-12 <i>Budget</i>	2011-12 <i>Revised</i>	2012-13 <i>Estimate</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>
Buildings ^(a)	1 003.5	943.9	1 050.6	1 120.5	1 160.2
Plant, equipment and infrastructure systems	661.4	648.5	660.6	666.6	673.9
Road networks	478.0	482.1	552.2	572.5	643.6
Other assets	17.0	16.2	17.0	17.5	17.7
Leased plant and equipment	28.9	28.9	29.0	29.0	29.0
Leasehold buildings	98.9	98.9	103.1	104.9	105.0
Intangible produced assets ^(b)	57.7	58.6	48.5	57.9	52.3
Total depreciation	2 345.4	2 277.0	2 460.9	2 568.9	2 681.9

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2011-12 to 2014-15.

(b) Amortisation of intangible non-produced assets is included under other economic flows (see note 13).

Note 9: Interest expense

(\$ million)

	2011-12 <i>Budget</i>	2011-12 <i>Revised</i>	2012-13 <i>Estimate</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>
Interest on long-term interest-bearing liabilities	944.0	1 013.9	1 149.2	1 314.0	1 386.2
Interest on short-term interest-bearing liabilities	43.9	45.5	51.7	52.7	52.6
Finance charges on finance leases	363.5	363.4	691.9	740.4	730.1
Discount interest on payables	42.7	51.4	45.5	43.4	40.5
Total interest expense	1 394.1	1 474.1	1 938.3	2 150.4	2 209.3

Note 10: Other operating expenses

(\$ million)

	2011-12 <i>Budget</i>	2011-12 <i>Revised</i>	2012-13 <i>Estimate</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>
Purchase of supplies and consumables	8 185.9	7 859.0	7 746.2	7 924.5	8 100.2
Cost of goods sold	124.4	123.8	119.9	90.7	48.7
Finance expenses and fees	23.0	23.7	23.7	25.1	25.9
Purchase of services	6 351.3	6 367.7	6 489.8	6 653.5	6 910.2
Maintenance	800.6	864.2	847.3	866.7	892.8
Operating lease payments	224.3	234.9	236.1	244.7	254.1
Other	552.0	554.2	579.0	613.2	649.4
Total other operating expenses	16 261.6	16 027.5	16 042.0	16 418.4	16 881.3

Note 11: Grants and other transfers

	(\$ million)				
	2011-12	2011-12	2012-13	2013-14	2014-15
	Budget	Revised	Estimate	Estimate	Estimate
Current grants and other transfers expense					
Commonwealth Government	134.6	163.8	144.7	258.4	148.7
Local government on-passing	948.4	867.3	733.6	709.9	706.2
Private sector and not for profit on-passing	3 799.3	3 859.7	4 309.7	4 252.3	4 504.7
Other private sector and not-for-profit	386.8	379.6	401.6	380.8	418.1
Grants within the Victorian Government	2 400.9	2 527.0	2 452.7	2 495.8	2 548.7
Grants to other state governments	12.9	12.9	12.9	13.1	13.3
Total current grants and other transfers	7 682.9	7 810.3	8 055.3	8 110.2	8 339.8
Capital grants expense					
Local government on-passing	25.0	25.0	23.7	23.9	23.9
Private sector and not for profit on-passing	132.8	149.5	62.3	55.5	50.3
Other private sector and not-for-profit	236.6	224.5	197.6	147.7	142.3
Other grants	..	..	..	..	..
Total capital grants and other transfers	394.4	399.1	283.6	227.1	216.5
Total grants and other transfers	8 077.3	8 209.4	8 338.8	8 337.3	8 556.3

Note 12: Total expenses by government purpose and by department

(a) Expenses by government purpose classification

	(\$ million)				
	2011-12	2011-12	2012-13	2013-14	2014-15
	Budget	Revised	Estimate	Estimate	Estimate
Expenses					
General public services	720.1	673.0	678.9	616.9	697.2
Public order and safety	5 137.8	5 113.0	5 289.0	5 482.0	5 617.7
Education	12 801.2	13 002.0	13 530.6	13 973.8	14 313.3
Health	12 704.6	12 825.7	13 047.0	13 583.3	13 952.5
Social security and welfare	3 062.9	3 069.0	3 015.7	2 730.7	3 193.2
Housing and community amenities	3 473.8	3 246.6	3 491.1	3 708.1	3 662.2
Recreation and culture	817.1	763.7	770.4	700.1	791.2
Fuel and energy	19.3	18.0	18.2	16.5	18.7
Agriculture, forestry, fishing, and hunting	682.7	704.6	640.9	663.3	677.4
Mining, manufacturing, and construction	20.7	19.3	19.5	17.7	20.0
Transport and communications	4 738.5	4 813.7	4 890.0	5 345.3	5 425.8
Other economic affairs	510.7	477.3	481.5	437.5	494.5
Other purposes	2 609.4	2 541.8	2 825.0	2 883.5	2 942.8
Total expenses by government purpose classification^(a)	47 298.8	47 267.8	48 697.8	50 158.8	51 806.5

Note:

(a) Classifications have been determined using ratios based on historical data and the impact of policy and non-policy estimate variations.

Note 12: Total expenses by government purpose and by department (continued)

(b) Expenses by department including administered items ^(a)

	(\$ million)				
	2011-12	2011-12	2012-13	2013-14	2014-15
	Budget	Revised	Estimate	Estimate	Estimate
Expenses					
Education and Early Childhood Development	13 179.7	13 380.5	13 430.7	13 848.4	14 265.4
Health	14 605.7	14 726.8	14 860.1	15 182.2	15 593.3
Human Services	3 475.5	3 481.6	3 564.8	3 535.8	3 628.1
Business and Innovation	720.8	817.2	584.0	469.6	395.7
Justice	7 002.5	6 977.7	7 253.0	7 577.1	7 868.5
Planning and Community Development	1 084.4	997.2	962.8	906.4	898.6
Premier and Cabinet	631.1	652.9	638.1	645.5	658.1
Primary Industries	645.2	667.1	659.8	619.6	622.1
Sustainability and Environment	2 568.3	2 670.6	3 152.5	3 145.9	3 261.9
Transport	7 697.8	7 773.0	7 838.3	8 105.0	8 353.6
Treasury and Finance	44 240.1	43 720.9	42 414.7	44 095.4	45 640.0
Parliament	170.2	170.3	167.8	171.6	174.4
Contingencies not allocated to departments ^(b)	342.2	(214.6)	1 212.6	1 749.0	2 333.7
Regulatory bodies and other part funded agencies ^(c)	1 958.3	2 011.9	1 902.7	1 964.6	2 122.3
Total	98 321.8	97 833.2	98 641.8	102 016.1	105 815.8
Less eliminations and adjustments ^(d)	(51 023.0)	(50 565.5)	(49 944.1)	(51 857.3)	(54 009.3)
Total expenses ^(a)	47 298.8	47 267.8	48 697.8	50 158.8	51 806.5

Notes:

- (a) This table shows expenses per department including administered items. The table in Note 12 (a) presents the expenditure for government purpose classification on a consolidated basis.
- (b) This contingency includes a provision for program lapsing, future demand growth, departmental underspending and items not yet formalised at the time of publication.
- (c) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to departments.
- (d) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers.

Note 13: Other gains/(losses) from other economic flows

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Net (increase)/decrease in provision for doubtful receivables	(72.1)	(72.1)	(73.6)	(72.0)	(76.5)
Amortisation of intangible non-produced assets	(10.3)	(10.3)	(10.5)	(10.5)	(10.5)
Net (increase)/decrease in bad debts	(95.4)	(94.7)	(96.2)	(101.7)	(101.7)
Other gains/(losses)	(11.3)	(44.1)	(6.6)	(6.6)	(4.9)
Total other gains/(losses) from other economic flows	(189.2)	(221.2)	(187.0)	(190.8)	(193.6)

Note 14: Reconciliation of net gain/(loss) on equity investments in other sector entities at proportional share of net assets

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Balance of investment in PNFC and PFC sectors at beginning of period	65 273.9	65 273.9	65 804.2	67 530.2	69 526.4
Net contributions to other sectors by owner	2 291.4	2 479.8	2 417.2	1 401.3	658.5
Revaluation gain/(loss) for period	(230.0)	(1 949.5)	(691.1)	594.9	239.0
Investment in other sector entities at end of period	67 335.3	65 804.2	67 530.2	69 526.4	70 423.9

Note 15: Net acquisition of non-financial assets from transactions

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Purchases of non-financial assets	4 119.1	4 275.4	3 993.4	3 295.9	3 460.1
Less: Sales of non-financial assets	(302.4)	(296.7)	(555.5)	(366.5)	(347.8)
Less: Depreciation	(2 345.4)	(2 277.0)	(2 460.9)	(2 568.9)	(2 681.9)
Plus: Other movements in non-financial assets	1 251.2	1 253.1	894.0	55.2	61.2
Total net acquisition of non-financial assets	2 722.5	2 954.7	1 871.1	415.8	491.6

Note 16: Advances paid and Investments, loans and placements

(\$ million)

	2012 Budget	2012 Revised	2013 Estimate	2014 Estimate	2015 Estimate
Current advances paid and investments, loans and placements					
Loans and advances receivable	8.6	8.7	8.7	8.7	8.7
Equities and managed investment schemes	164.6	143.1	173.6	203.3	232.7
Australian dollar term deposits	1 522.5	1 757.5	1 807.3	1 933.4	2 041.1
Debt securities	9.7	9.7	9.7	9.7	9.7
Derivative financial instruments	1.7	1.7	1.3	1.7	1.3
Total current advances paid and investments, loans and placements	1 707.1	1 920.7	2 000.6	2 156.8	2 293.4
Non-current advances paid and investments, loans and placements					
Loans and advances receivable	4 494.2	4 498.2	4 463.3	4 421.9	4 374.6
Equities and managed investment schemes	459.4	479.6	497.2	522.8	549.4
Australian dollar term deposits	169.6	117.9	111.9	108.6	101.3
Debt securities	33.0	33.0	33.0	33.0	33.0
Total non-current advances paid and investments, loans and placements	5 156.2	5 128.7	5 105.3	5 086.3	5 058.3
Total advances paid and investments, loans and placements	6 863.3	7 049.5	7 106.0	7 243.1	7 351.8

Note 17: Land, buildings, infrastructure, plant and equipment

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Buildings (written down value)	24 702.8	24 783.3	27 264.7	28 631.2	31 165.1
Land and national parks	38 449.9	38 476.2	39 124.2	42 475.5	44 559.5
Infrastructure systems (written down value)	1 817.4	1 816.7	1 749.2	1 679.5	1 584.9
Plant, equipment and vehicles (written down value)	2 634.8	2 579.8	2 361.6	2 108.0	1 762.1
Roads and road networks (written down value)	21 259.1	21 362.3	22 549.5	24 629.6	25 333.2
Earthworks	7 192.6	7 177.7	7 177.7	7 909.5	8 319.0
Cultural assets (written down value)	5 331.0	5 317.8	5 320.5	5 319.4	5 770.5
Total land, buildings, infrastructure, plant and equipment	101 387.8	101 513.9	105 547.5	112 752.7	118 494.2

Note 18: Reconciliation of movements in land, buildings, infrastructure, plant and equipment

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Carrying amount at the start of the year ^(a)	93 965.9	94 000.4	101 513.9	105 547.5	112 752.7
Additions ^(b)	9 552.7	9 683.7	4 857.6	3 280.9	3 431.1
Disposals at written down value ^(c)	(4 394.2)	(4 363.6)	(297.2)	(221.7)	(242.7)
Revaluations	4 518.8	4 379.6	1 848.3	6 617.3	5 154.5
Assets reclassified	32.3	32.3	37.3	39.7	28.0
Depreciation expense	(2 287.7)	(2 218.5)	(2 412.4)	(2 511.0)	(2 629.5)
Carrying amount at the end of the year	101 387.8	101 513.9	105 547.5	112 752.7	118 494.2

Notes:

(a) Property, plant and equipment comprises land and buildings, infrastructure systems, plant, equipment, vehicles, road networks and cultural assets. Excludes intangible assets, investment properties and other non-financial assets.

(b) Includes assets acquired under finance lease arrangements.

(c) The 2011-12 estimate reflects the recognition of the finance lease arrangement between the Government and Melbourne Water Corporation for the Victorian desalination plant project.

Note 19: Assets classified by government purpose and by department

(a) Purchases of non-financial assets by government purpose classification

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
General public services	305.9	422.7	228.8	199.1	172.6
Public order and safety	353.9	284.0	281.6	163.9	112.8
Education	940.4	1 122.2	379.5	202.1	159.4
Health	869.9	896.0	761.2	775.7	709.0
Social security and welfare	190.2	187.8	119.6	104.3	82.3
Housing and community amenities	239.7	331.2	159.4	64.4	70.4
Recreation and culture	206.0	284.7	154.1	134.1	116.3
Fuel and energy	0.6	0.8	0.4	0.4	0.3
Agriculture, forestry, fishing, and hunting	50.3	48.8	39.2	43.8	11.6
Mining, manufacturing, and construction	2.3	3.2	1.7	1.5	1.3
Transport and communications	1 202.3	1 086.9	1 035.4	797.5	182.9
Other economic affairs	9.5	13.1	7.1	6.2	5.4
Other purposes	2.9	4.1	2.2	1.9	1.7
Not allocated by purpose ^(a)	(254.9)	(410.1)	823.2	801.2	1 834.3
Total purchase of property, plant and equipment ^(b)	4 119.1	4 275.4	3 993.4	3 295.9	3 460.1

Notes:

(a) Amount available to be allocated to departments and projects in future budgets. This includes departmental underspending, which may be subject to carryover.

(b) Classifications have been determined using ratios based on historical data and the impact of policy and non-policy estimate variations

Note 19: Assets classified by government purpose classification (continued)

(b) Purchases of non-financial assets by department

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Education and Early Childhood Development	963.2	1 145.0	383.5	199.2	156.5
Health	954.1	980.1	869.9	832.9	766.2
Human Services	72.6	70.2	30.6	28.1	27.9
Business and Innovation	31.4	249.1	73.7	5.7	3.7
Justice	348.7	278.9	237.9	179.7	128.5
Planning and Community Development	102.0	94.7	43.6	30.2	6.2
Premier and Cabinet	102.9	100.7	40.6	19.9	19.6
Primary Industries	48.4	46.9	37.6	39.1	6.9
Sustainability and Environment	212.8	272.2	141.1	142.0	136.6
Transport	1 204.7	1 089.4	1 100.0	773.5	108.9
Treasury and Finance	41.0	41.3	51.9	34.4	33.8
Parliament	7.5	9.9	3.3	3.3	3.3
Regulatory bodies and other part budget funded agencies	284.6	307.0	156.5	206.7	227.8
Contingencies not allocated to departments ^(a)	(254.9)	(410.1)	823.2	801.2	1 834.3
Total purchase of property, plant and equipment	4 119.1	4 275.4	3 993.4	3 295.9	3 460.1

Notes:

(a) Amount available to be allocated to departments and projects in future budgets. This includes departmental underspending, which may be subject to carryover.

(c) Total assets

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
General public services	829.0	831.2	1 162.9	1 223.7	1 369.2
Public order and safety	7 292.9	7 312.2	7 591.5	8 125.8	8 526.5
Education	18 111.9	18 159.8	18 853.3	20 180.2	21 175.4
Health	10 920.0	10 944.0	11 415.1	11 885.6	12 609.1
Social security and welfare	623.5	478.2	504.0	547.6	557.8
Housing and community amenities	8 239.4	8 261.1	8 576.6	9 180.2	9 633.0
Recreation and culture	8 906.5	8 930.1	9 271.1	9 923.6	10 413.0
Fuel and energy	5.5	5.5	5.7	6.1	6.4
Agriculture, forestry, fishing, and hunting	638.4	640.1	664.5	711.3	746.4
Mining, manufacturing, and construction	..	..	..	..	..
Transport and communications	46 520.6	46 643.5	48 124.8	51 533.0	53 989.1
Other economic affairs	371.5	372.5	386.8	414.0	434.4
Other purposes	3.2	3.2	3.3	3.6	3.7
Not allocated by purpose ^(a)	81 500.5	80 389.3	83 152.6	85 529.0	86 780.9
Total assets ^(b)	183 963.0	182 970.7	189 712.2	199 263.6	206 244.8

Notes:

(a) Represents financial assets which are not able to be allocated by purpose.

(b) Classifications have been determined using ratios based on historical data.

Note 20: Borrowings

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Current borrowings					
Domestic borrowings	1 030.5	1 028.0	1 030.1	1 035.6	1 034.2
Finance lease liabilities	65.9	66.2	95.1	118.1	141.1
Derivative financial instruments	1.9	1.9	1.5	1.9	1.5
Total current borrowings	1 098.4	1 096.1	1 126.8	1 155.7	1 176.8
Non-current borrowings					
Domestic borrowings	18 735.8	19 355.9	23 025.9	24 587.5	25 422.6
Finance lease liabilities	7 147.8	7 128.3	7 842.8	7 668.1	7 489.3
Derivative financial instruments	0.1	0.1	0.1	0.1	0.1
Total non-current borrowings	25 883.7	26 484.3	30 868.8	32 255.7	32 912.0
Total borrowings	26 982.0	27 580.4	31 995.6	33 411.4	34 088.9

Note 21: Employee benefits

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Current					
Accrued salaries and wages ^(a)	1 349.3	1 345.9	1 379.7	1 414.4	1 448.2
Long service leave	2 822.8	2 837.2	2 952.4	3 071.9	3 196.0
Total current employee benefits	4 172.0	4 183.1	4 332.1	4 486.2	4 644.2
Non-current					
Long service leave	507.4	511.0	542.7	577.5	613.3
Total non-current employee benefits	507.4	511.0	542.7	577.5	613.3
Total employee benefits	4 679.4	4 694.1	4 874.8	5 063.8	5 257.4

Note:

(a) Includes accrued annual leave, payroll tax and other similar on costs.

Note 22: Reserves

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Property plant and equipment revaluation surplus	39 475.2	39 336.7	41 185.2	47 802.8	52 957.5
Available-for-sale investments revaluation surplus	38.3	38.3	38.3	38.3	38.3
Revaluation reserve for investments in PFC and PNFC entities	38 838.6	37 119.1	36 428.0	37 022.9	37 261.9
Other reserves	997.3	991.7	1 013.0	1 034.4	1 054.5
Total reserves	79 349.4	77 485.8	78 664.5	85 898.3	91 312.1

Note 23: Reconciliations to government finance statistics

Derivation of GFS cash surplus/(deficit)^(a)

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Cash surplus/(deficit)	(1 334.4)	(1 323.3)	(897.8)	490.3	427.2
<i>Convergence differences:</i>					
Less: Acquisitions under finance leases and similar arrangements	(1 250.9)	(1 250.9)	(844.8)	..	..
Total convergence differences	(1 250.9)	(1 250.9)	(844.8)	..	..
GFS cash surplus/(deficit)	(2 585.4)	(2 574.2)	(1 742.6)	490.3	427.2

Note:

(a) Determined in accordance with the ABS GFS manual.

Note 24: Financial instruments

The *2010-11 Financial Report* (Note 32) contains a comprehensive disclosure of the State's financial risk management objectives and policies. There has been no substantive change to the accounting classification of financial assets and liabilities reported in the *2010-11 Financial Report*.

Note 25: Controlled entities

Note 40 *Controlled Entities* within the 2010-11 *Financial Report for the State of Victoria* contains a list of significant controlled entities which have been consolidated for the purposes of the financial report.

The following is a list of changes from 1 July 2011, of general government sector entities which have been consolidated for the purposes of the financial report.

<i>Controlled entities</i>	<i>General government</i>	<i>Entities included as investments in other sectors</i>	
		<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Health			
Benalla Health ^(a)	*		
Seymour Health ^(a)	*		
Department of Planning and Community Development			
Urban Renewal Authority Victoria (Places Victoria) ^(a)		*	
Department of Transport			
Taxi Services Commission ^(b)	*		

Notes:

(a) Entity name changes:

- on 7 July 2011, Benalla and District Memorial Hospital became Benalla Health;
- on 14 July 2011, Seymour District Memorial Hospital became Seymour Health; and
- on 25 October 2011, Victorian Urban Development Authority (VicUrban) became Urban Renewal Authority Victoria (Places Victoria).

(b) Taxi Services Commission commenced operations on 19 July 2011.

CHAPTER 5 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

Table 5.1: Public non-financial corporations sector comprehensive operating statement

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Revenue					
Interest	55.9	111.5	91.0	70.8	64.5
Dividends	76.0	76.0	76.1	79.2	82.3
Sales of goods and services	4 845.5	4 753.0	5 461.0	5 820.6	6 411.4
Grants	2 482.6	2 528.4	2 454.9	2 503.1	2 556.4
Other current revenue	533.0	592.2	610.0	596.2	605.4
Total revenue	7 993.0	8 061.1	8 693.0	9 070.0	9 720.0
Expenses					
Employee expenses	940.4	956.3	981.8	999.8	1 040.9
Other superannuation	74.9	75.0	76.3	77.1	81.0
Depreciation	1 843.8	1 786.7	1 975.7	2 063.0	2 115.2
Interest expense	974.7	955.4	1 322.6	1 370.0	1 416.3
Grants and other transfers	315.6	276.7	106.0	67.9	59.9
Other operating expenses	4 002.2	4 183.3	4 428.3	4 559.1	4 882.1
Other property expenses	96.4	106.7	41.8	88.4	146.1
Total expenses	8 248.1	8 340.0	8 932.6	9 225.3	9 741.6
Net result from transactions – Net operating balance	(255.0)	(278.9)	(239.5)	(155.3)	(21.6)
Other economic flows included in net result					
Net gain/(loss) on sale of non-financial assets	5.3	11.9	2.8	8.9	6.4
Net gain/(loss) on financial assets or liabilities at fair value	40.7	(28.8)	1.6	1.4	1.2
Net actuarial gains/(losses) of superannuation defined benefits plans	..	(0.2)	..	..	..
Other gains/(losses) from other economic flows	(49.8)	(17.3)	(10.0)	(6.3)	(10.7)
Total other economic flows included in net result	(3.8)	(34.4)	(5.6)	3.9	(3.1)
Net result	(258.8)	(313.3)	(245.1)	(151.4)	(24.7)
Other economic flows – Other movements in equity					
Net gain on financial assets at fair value	(1.5)	9.1	(2.4)	(2.2)	(2.4)
Revaluations of non-financial assets	(13.2)	(0.8)	4.6	714.8	334.5

Table 5.1: Public non-financial corporations sector comprehensive operating statement (continued)

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Other movements in equity	..	2.4	..	..	..
Total other economic flows – Other movements in equity	(14.8)	10.7	2.2	712.6	332.1
Comprehensive result – Total change in net worth	(273.6)	(302.6)	(242.9)	561.2	307.5
FISCAL AGGREGATES					
Net operating balance	(255.0)	(278.9)	(239.5)	(155.3)	(21.6)
Less: Net acquisition of non-financial assets ^(a)	7 313.9	7 628.0	2 626.5	1 701.5	383.1
Net lending/(borrowing)	(7 568.9)	(7 906.9)	(2 866.1)	(1 856.8)	(404.7)

Source: Department of Treasury and Finance

Note:

(a) Inclusion of 'Change in inventories' in Purchases of non-financial assets has required restatement of the comparative results.

Table 5.2: Non-financial public sector comprehensive operating statement

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Revenue					
Taxation revenue	15 145.0	14 983.2	15 784.9	16 488.5	17 361.4
Interest	409.4	479.0	458.9	444.1	446.7
Dividends and income tax equivalents and rate equivalents	252.4	453.0	392.5	407.6	467.5
Sales of goods and services	9 549.2	9 449.1	10 233.5	10 643.8	11 425.0
Grants	22 514.5	22 215.6	22 817.2	24 438.3	25 109.5
Other current revenue	2 400.9	2 589.3	2 396.7	2 393.1	2 376.5
Total revenue	50 271.4	50 169.1	52 083.8	54 815.5	57 186.5
Expenses					
Employee expenses	17 548.9	17 649.7	18 327.1	19 067.8	19 870.8
Superannuation interest expense	880.6	808.6	715.8	719.5	720.3
Other superannuation	1 765.6	1 810.4	1 890.0	1 929.7	1 963.2
Depreciation	4 189.2	4 063.7	4 436.6	4 631.9	4 797.1
Interest expense	2 352.6	2 205.2	2 770.3	3 034.4	3 146.3
Grants and other transfers	5 836.3	5 877.1	5 974.6	5 891.8	6 049.6
Other operating expenses	18 096.2	18 264.4	18 570.4	18 977.8	19 700.2
Total expenses	50 669.6	50 679.1	52 684.8	54 253.0	56 247.4
Net result from transactions – Net operating balance	(398.2)	(510.0)	(601.0)	562.5	939.1
Other economic flows included in net result					
Net gain on sale of non-financial assets	116.5	148.0	261.1	153.6	111.6
Net gain/(loss) on financial assets or liabilities at fair value	42.5	(27.1)	3.3	3.1	2.9
Net actuarial gains/(losses) of superannuation defined benefit plans	..	(4 166.6)	..	..	..
Other gains/(losses) from other economic flows	(260.0)	(250.9)	(226.2)	(232.8)	(236.4)
Total other economic flows included in net result	(101.0)	(4 296.6)	38.2	(76.1)	(121.9)
Net result	(499.2)	(4 806.6)	(562.8)	486.5	817.2
Other economic flows – Other movements in equity					
Net gain on financial assets at fair value	(1.5)	9.1	(2.4)	(2.2)	(2.4)
Revaluations of non-financial assets	4 424.7	4 379.5	1 853.2	7 332.3	5 489.3
Net gain on equity investments in other sector entities at proportional share of net assets	303.4	(1 320.7)	68.5	161.9	172.9
Other movements in equity	0.8	(2.4)	1.5	4.1	4.1
Total other economic flows – Other movements in equity	4 727.3	3 065.5	1 920.7	7 496.1	5 663.9
Comprehensive result – Total change in net worth	4 228.1	(1 741.1)	1 357.9	7 982.6	6 481.1

**Table 5.2: Non-financial public sector comprehensive operating statement
(continued)**

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
FISCAL AGGREGATES					
Net operating balance	(398.2)	(510.0)	(601.0)	562.5	939.1
Less: Net acquisition of non-financial assets from transactions ^(a)	10 150.2	10 725.2	4 437.6	2 051.0	804.0
Net lending/(borrowing)	(10 548.4)	(11 235.3)	(5 038.6)	(1 488.5)	135.1

Source: Department of Treasury and Finance

Note:

(a) Inclusion of 'Change in inventories' in Purchases of non-financial assets has required restatement of the comparative results.

Table 5.3: Public financial corporations sector comprehensive operating statement

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Revenue					
Interest	2 252.4	2 210.3	2 431.3	2 684.7	2 848.0
Dividends	337.8	386.8	397.3	421.5	449.9
Sales of goods and services	3 555.1	3 560.5	3 773.9	3 979.5	4 190.2
Grants	..	8.2	8.5	8.7	8.7
Other current revenue	22.2	24.2	26.1	26.6	27.4
Total revenue	6 167.6	6 190.0	6 637.0	7 121.1	7 524.2
Expenses					
Employee expenses	294.4	293.0	307.3	318.9	331.1
Other superannuation	24.0	25.4	26.5	27.6	28.7
Depreciation	37.8	37.3	39.1	50.8	54.1
Interest expense	1 856.8	1 824.8	2 046.7	2 280.5	2 415.6
Grants and other transfers	7.7	98.6	83.8	89.9	89.5
Other operating expenses ^(a)	4 123.6	4 348.4	4 436.4	4 555.7	4 771.6
Other property expenses	16.7	18.2	15.8	18.9	20.8
Total expenses	6 361.0	6 645.8	6 955.5	7 342.3	7 711.3
Net result from transactions – net operating balance ^(b)	(193.4)	(455.8)	(318.5)	(221.3)	(187.1)
Other economic flows included in net result					
Net (loss) on sale of non-financial assets	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net gain on financial assets or liabilities at fair value	791.9	(194.7)	761.3	814.9	865.1
Other (losses) from other economic flows ^(a)	(104.4)	(318.6)	(69.7)	(108.7)	(128.3)
Total other economic flows included in net result	687.5	(513.4)	691.5	706.0	736.7
Net result	494.1	(969.2)	373.0	484.8	549.6
Other economic flows – other movements in equity					
Revaluations of non-financial assets	(11.2)	(12.3)	..	..	..
Other movements in equity	..	11.9	..	..	..
Total other economic flows – other movements in equity	(11.2)	(0.4)	..	..	..
Comprehensive result – total change in net worth	482.9	(969.5)	373.0	484.8	549.6
FISCAL AGGREGATES					
Net operating balance	(193.4)	(455.8)	(318.5)	(221.3)	(187.1)
Less: Net acquisition of non-financial assets from transactions	10.6	6.5	17.2	4.3	(3.4)
Net lending/(borrowing)	(204.0)	(462.3)	(335.7)	(225.5)	(183.7)

Source: Department of Treasury and Finance

Notes:

(a) The 2011-12 budget result for the public financial corporations sector and whole of state have changed to accurately reflect the reclassification of insurance claims expense of Victorian WorkCover Authority and Victorian Managed Insurance Agency between total expense from transactions and other economic flows.

**Table 5.3: Public financial corporations sector comprehensive operating statement
(continued)**

Notes (continued):

- (b) *Capital gains on the investment portfolios of the State's insurance agencies (Victorian WorkCover Authority, 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 provides a more meaningful reflection of the underlying operating performance of the PFC sector than the Net Results from Transactions.*

Table 5.4: State of Victoria operating statement

	(\$ million)				
	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Revenue					
Taxation revenue	15 130.3	14 968.3	15 769.3	16 472.4	17 344.6
Interest	880.3	920.7	899.6	904.5	931.4
Dividends and rate equivalents	414.1	470.9	481.8	510.0	542.1
Sales of goods and services	12 438.0	12 346.8	13 274.7	13 837.8	14 781.9
Grants	22 415.4	22 124.6	22 741.3	24 356.4	25 028.2
Other current revenue	2 423.2	2 493.5	2 422.8	2 419.7	2 403.9
Total revenue	53 701.3	53 324.8	55 589.6	58 500.8	61 032.0
Expenses					
Employee expenses	17 567.0	17 650.4	18 336.8	19 081.2	19 879.4
Superannuation interest expense	880.6	808.6	715.8	719.5	720.3
Other superannuation	1 789.6	1 835.8	1 916.5	1 957.3	1 991.8
Depreciation	4 227.0	4 101.0	4 475.7	4 682.7	4 851.2
Interest expense	2 422.8	2 256.3	2 817.5	3 079.8	3 187.8
Grants and other transfers	5 836.3	5 876.5	5 974.0	5 891.2	6 049.2
Other operating expenses ^(a)	21 746.9	22 109.6	22 578.1	23 069.2	23 975.3
Total expenses	54 470.2	54 638.2	56 814.4	58 481.0	60 655.0
Net result from transactions – net operating balance	(768.9)	(1 313.3)	(1 224.8)	19.8	377.0
Other economic flows included in net result					
Net gain/(loss) on sale of non-financial assets	116.4	147.9	261.0	153.5	111.5
Net gain on financial assets or liabilities at fair value	834.4	(221.7)	764.7	818.0	868.0
Net actuarial gains/(losses) of superannuation defined benefits plans	..	(4 166.6)	..	..	..
Share of net profit/(loss) from associates, excluding dividends	..	..	..	..	..
Other gains/(losses) from other economic flows ^(a)	(212.6)	(923.6)	(180.0)	(183.7)	(183.8)
Total other economic flows included in net result	738.2	(5 164.0)	845.7	787.9	795.7
Net result	(30.7)	(6 477.4)	(379.1)	807.7	1 172.7
Other economic flows – other movements in equity					
Net gain/(loss) on financial assets at fair value	(1.5)	9.1	(2.4)	(2.2)	(2.4)
Revaluations of non-financial assets	4 413.4	4 367.2	1 853.2	7 332.3	5 489.3
Other movements in equity	0.8	9.5	1.5	4.1	4.1
Total other economic flows – other movements in equity	4 412.7	4 385.8	1 852.2	7 334.3	5 490.9
Comprehensive result – total change in net worth	4 381.9	(2 091.5)	1 473.1	8 142.0	6 663.7

Table 5.4: State of Victoria operating statement (continued)

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
FISCAL AGGREGATES					
Net operating balance	(768.9)	(1 313.3)	(1 224.8)	19.8	377.0
Less: Net acquisition of non-financial assets from transactions ^(b)	10 165.6	10 736.5	4 455.8	2 055.3	800.6
Net lending/(borrowing)	(10 934.5)	(12 049.9)	(5 680.6)	(2 035.4)	(423.6)

Source: Department of Treasury and Finance

Notes:

- (a) The 2011-12 budget result for the public financial corporations sector and whole of state have changed to accurately reflect the reclassification of insurance claims expense of Victorian WorkCover Authority and Victorian Managed Insurance Agency between total expense from transactions and other economic flows.
- (b) Inclusion of 'Change in inventories' in Purchases of non-financial assets has required restatement of the comparative results.

Table 5.5: Public non-financial corporations sector balance sheet

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Assets					
Financial assets					
Cash and deposits	880.8	559.9	299.5	457.0	494.4
Advances paid	49.7	73.2	69.9	72.7	75.5
Receivables	903.7	996.7	971.7	951.5	944.3
Investments, loans and placements	1 489.2	1 360.0	1 162.0	978.4	837.6
Investments accounted for using equity method	567.1	567.1	567.1	567.1	567.1
Total financial assets	3 890.5	3 556.9	3 070.1	3 026.8	2 919.0
Non-financial assets					
Inventories	880.5	804.5	857.8	919.3	630.1
Non-financial assets held for sale	2.7	..	..	..	..
Land, buildings, infrastructure, plant and equipment	86 548.3	87 167.0	89 627.6	91 949.3	92 889.4
Other non-financial assets	1 139.2	1 100.2	1 160.9	1 147.9	1 132.3
Total non-financial assets	88 570.7	89 071.7	91 646.3	94 016.5	94 651.7
Total assets	92 461.2	92 628.6	94 716.5	97 043.3	97 570.7
Liabilities					
Deposits held and advances received	375.7	385.1	399.3	415.7	429.1
Payables	1 119.8	1 056.7	1 060.1	1 104.8	1 114.7
Borrowings	15 547.8	15 683.9	16 371.5	17 170.0	17 221.4
Other employee benefits	299.4	302.8	321.9	333.6	348.0
Superannuation	60.5	48.6	48.9	49.0	49.1
Other provisions	9 103.6	9 104.2	8 820.8	8 458.7	8 189.1
Total liabilities	26 506.8	26 581.2	27 022.6	27 531.7	27 351.2
Net assets	65 954.4	66 047.4	67 693.9	69 511.6	70 219.5
Accumulated surplus/(deficit)	6 100.3	5 965.9	5 204.1	4 924.6	4 658.5
Other reserves	59 854.1	60 081.5	62 489.7	64 587.0	65 561.0
Net worth	65 954.4	66 047.4	67 693.9	69 511.6	70 219.5
FISCAL AGGREGATES					
Net financial worth	(22 616.3)	(23 024.3)	(23 952.5)	(24 505.0)	(24 432.3)
Net financial liabilities	22 616.3	23 024.3	23 952.5	24 505.0	24 432.3
Net debt	13 503.7	14 075.9	15 239.5	16 077.6	16 242.9

Source: Department of Treasury and Finance

Table 5.6: Non-financial public sector balance sheet

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Assets					
Financial assets					
Cash and deposits	4 682.1	4 612.5	4 520.6	4 983.6	5 309.7
Advances paid	62.5	89.4	85.5	87.6	89.8
Receivables	4 239.0	4 253.0	5 122.8	5 082.7	5 048.2
Investments, loans and placements	3 846.6	3 899.4	3 792.9	3 787.8	3 803.1
Investments accounted for using equity method	602.1	602.1	602.1	602.1	602.1
Investments in other sector entities	1 362.5	(261.5)	(181.9)	(3.5)	186.1
Total financial assets	14 794.9	13 195.0	13 942.0	14 540.3	15 038.9
Non-financial assets					
Inventories	1 141.1	1 067.7	1 089.3	1 175.6	922.3
Non-financial assets held for sale	69.3	64.7	58.1	51.5	44.9
Land, buildings, infrastructure, plant and equipment	187 934.2	188 679.1	195 173.2	204 700.2	211 381.7
Other non-financial assets	1 723.9	1 706.3	1 751.9	1 685.3	1 629.4
Total non-financial assets	190 868.5	191 517.8	198 072.5	207 612.5	213 978.3
Total assets	205 663.5	204 712.7	212 014.5	222 152.8	229 017.2
Liabilities					
Deposits held and advances received	521.2	527.2	526.7	528.5	528.2
Payables	5 309.3	5 618.8	6 363.8	6 330.6	6 164.4
Borrowings	38 325.4	39 059.8	44 211.6	46 480.9	47 270.7
Other employee benefits	4 978.9	4 996.9	5 196.7	5 397.3	5 605.4
Superannuation	23 308.0	27 423.9	27 482.5	27 486.1	27 229.8
Other provisions	1 718.1	1 537.9	1 327.1	1 040.7	849.0
Total liabilities	74 160.8	79 164.6	85 108.4	87 264.1	87 647.5
Net assets	131 502.6	125 548.2	126 906.1	134 888.7	141 369.8
Accumulated surplus/(deficit)	51 292.9	47 002.6	46 420.1	46 889.3	47 690.5
Other reserves	80 161.2	78 497.0	80 437.5	87 950.9	93 630.8
Minority interest of contributed capital	48.5	48.5	48.5	48.5	48.5
Net worth	131 502.6	125 548.2	126 906.1	134 888.7	141 369.8
FISCAL AGGREGATES					
Net financial worth	(59 365.9)	(65 969.6)	(71 166.4)	(72 723.9)	(72 608.5)
Net financial liabilities	60 728.5	65 708.0	70 984.5	72 720.4	72 794.6
Net debt	30 255.4	30 985.7	36 339.4	38 150.5	38 596.4

Source: Department of Treasury and Finance

Table 5.7: Public financial corporations sector balance sheet

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Assets					
Financial assets					
Cash and deposits	4 682.5	3 311.5	3 503.0	3 828.8	4 156.6
Advances paid	1 568.1	1 573.7	1 700.2	1 802.6	1 911.1
Investments, loans and placements	25 664.1	24 057.2	25 067.1	26 194.9	27 459.8
Loans receivable from non-financial public sector ^(a)	26 446.3	30 226.1	34 858.9	37 332.2	38 681.0
Receivables	1 877.5	1 982.1	2 079.1	2 142.2	2 203.9
Total financial assets	60 238.5	61 150.6	67 208.3	71 300.7	74 412.5
Non-financial assets					
Non-financial assets held for sale	1.3	..	..	..	..
Land, buildings, infrastructure, plant and equipment	71.0	67.0	67.6	68.0	63.8
Other non-financial assets	1 548.1	2 062.6	1 970.0	1 823.2	1 649.1
Total non-financial assets	1 620.4	2 129.6	2 037.6	1 891.1	1 712.9
Total assets	61 858.9	63 280.1	69 245.9	73 191.8	76 125.3
Liabilities					
Deposits held and advances received	4 492.2	5 401.3	4 881.8	4 853.9	4 752.0
Payables	1 531.1	1 833.6	1 937.6	2 009.5	2 087.9
Borrowings ^(b)	34 839.9	35 675.2	41 066.9	43 903.5	45 689.0
Employee benefits	68.1	65.2	67.5	68.1	69.0
Other provisions	19 546.7	20 548.1	21 455.8	22 342.0	23 323.0
Total liabilities	60 478.0	63 523.4	69 409.5	73 177.0	75 920.9
Net assets	1 380.8	(243.2)	(163.6)	14.8	204.4
Accumulated surplus/(deficit)	443.1	(1 199.7)	(1 133.4)	(973.8)	(802.7)
Reserves	937.8	956.4	969.8	988.6	1 007.1
Net worth	1 380.8	(243.2)	(163.6)	14.8	204.4
FISCAL AGGREGATES					
Net financial worth	(239.5)	(2 372.8)	(2 201.2)	(1 876.3)	(1 508.5)
Net financial liabilities	239.5	2 372.8	2 201.2	1 876.3	1 508.5
Net debt	(19 028.8)	(18 092.0)	(19 180.5)	(20 401.1)	(21 767.6)

Source: Department of Treasury and Finance

Notes:

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

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

Table 5.8: State of Victoria balance sheet

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Assets					
Financial assets					
Cash and deposits	5 141.5	6 116.2	6 575.7	7 275.9	7 942.0
Advances paid	1 630.6	1 663.0	1 785.7	1 890.2	2 000.9
Receivables	5 930.6	6 049.2	7 016.0	7 038.9	7 066.3
Investments, loans and placements	26 416.1	24 969.6	26 032.4	27 271.4	28 641.3
Investments accounted for using equity method	602.1	602.1	602.1	602.1	602.1
Total financial assets	39 721.0	39 400.2	42 011.9	44 078.6	46 252.6
Non-financial assets					
Inventories	1 141.1	1 067.7	1 089.3	1 175.6	922.3
Non-financial assets held for sale	70.6	64.7	58.1	51.5	44.9
Land, buildings, infrastructure, plant and equipment	188 002.9	188 743.8	195 238.5	204 765.9	211 443.3
Other non-financial assets	1 902.1	1 892.8	1 961.8	1 906.1	1 856.9
Total non-financial assets	191 116.7	191 769.0	198 347.6	207 899.0	214 267.3
Total assets	230 837.8	231 169.2	240 359.6	251 977.6	260 519.9
Liabilities					
Deposits held and advances received	1 241.4	1 234.4	1 233.9	1 235.7	1 235.4
Payables	6 660.5	7 270.7	8 120.2	8 157.2	8 067.6
Borrowings	43 136.4	44 371.1	50 281.9	52 914.4	54 141.0
Employee benefits	5 047.0	5 062.1	5 264.2	5 465.5	5 674.4
Superannuation	23 308.0	27 423.9	27 482.5	27 486.1	27 229.8
Other provisions	21 263.3	22 084.5	22 781.3	23 381.0	24 170.4
Total liabilities	100 656.5	107 446.7	115 163.8	118 639.9	120 518.5
Net assets	130 181.3	123 722.6	125 195.7	133 337.7	140 001.3
Accumulated surplus	50 395.4	43 958.0	43 557.0	44 345.2	45 500.0
Reserves	79 737.4	79 716.0	81 590.2	88 944.0	94 452.8
Non-controlling interest	48.5	48.5	48.5	48.5	48.5
Net worth	130 181.3	123 722.6	125 195.7	133 337.7	140 001.3
FISCAL AGGREGATES					
Net financial worth	(60 935.4)	(68 046.4)	(73 151.9)	(74 561.4)	(74 266.0)
Net financial liabilities	60 935.4	68 046.4	73 151.9	74 561.4	74 266.0
Net debt	11 189.5	12 856.7	17 122.0	17 712.6	16 792.2

Source: Department of Treasury and Finance

Table 5.9: Public non-financial corporations sector cash flow statement

	(\$ million)				
	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Cash flows from operating activities					
Receipts					
Grants	2 513.4	2 565.0	2 536.5	2 577.4	2 603.7
Sales of goods and services ^(a)	5 275.8	5 173.5	5 952.3	6 343.0	7 012.1
Interest	45.3	61.6	51.7	47.6	49.8
Dividends	76.0	76.0	76.1	79.2	82.3
Other receipts	415.4	341.6	338.9	305.1	301.1
Total receipts	8 325.9	8 217.7	8 955.6	9 352.3	10 049.0
Payments					
Payments for employees	(932.4)	(946.0)	(964.2)	(989.7)	(1 028.2)
Superannuation	(77.3)	(89.5)	(76.0)	(77.0)	(81.0)
Interest	(969.3)	(902.1)	(1 278.3)	(1 341.2)	(1 395.9)
Grants	(248.4)	(212.9)	(106.0)	(67.9)	(59.9)
Goods and services ^(a)	(3 105.5)	(3 514.9)	(3 542.9)	(3 601.8)	(3 948.1)
Other payments	(1 611.1)	(1 679.9)	(1 533.1)	(1 656.0)	(1 758.1)
Total payments	(6 944.0)	(7 345.3)	(7 500.5)	(7 733.7)	(8 271.2)
Net cash flows from operating activities	1 381.9	872.4	1 455.1	1 618.7	1 777.8
Cash flows from investing activities					
Non-financial assets					
Purchases of non-financial assets	(4 863.1)	(5 072.0)	(4 402.3)	(3 562.5)	(2 280.9)
Sales of non-financial assets	115.5	113.5	61.5	72.6	71.2
Cash flows from investments in non-financial assets	(4 747.7)	(4 958.5)	(4 340.8)	(3 489.9)	(2 209.7)
Net cash flows from investments in financial assets for policy purposes	33.1	9.7	3.2	(2.8)	(2.8)
Net cash flows from investments in financial assets for liquidity purposes	153.6	225.9	(18.3)	(88.0)	(46.5)
Net cash flows from investing activities	(4 560.9)	(4 722.9)	(4 355.9)	(3 580.8)	(2 259.0)
Cash flows from financing activities					
Advances received (net)	10.5	13.9	14.7	14.6	13.7
Net borrowings	1 234.8	1 361.2	611.2	665.8	(43.6)
Deposits received (net)	1.6	7.6	(0.5)	1.8	(0.3)
Other financing (net)	2 042.9	2 197.9	1 946.3	1 314.5	446.8
Net cash flows from financing activities	3 289.7	3 580.6	2 571.8	1 996.7	416.6
Net increase/(decrease) in cash and cash equivalents	110.7	(269.9)	(329.1)	34.6	(64.7)
Cash and cash equivalents at beginning of reporting period	768.7	768.7	498.8	169.7	204.3
Cash and cash equivalents at end of reporting period ^(b)	879.4	498.8	169.7	204.3	139.6
FISCAL AGGREGATES					
Net cash flows from operating activities	1 381.9	872.4	1 455.1	1 618.7	1 777.8
Cash flows from investments in non-financial assets	(4 747.7)	(4 958.5)	(4 340.8)	(3 489.9)	(2 209.7)

Table 5.9: Public non-financial corporations sector cash flow statement (continued)

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Dividends paid	(243.9)	(326.2)	(516.7)	(128.2)	(241.4)
Cash surplus/(deficit)	(3 609.6)	(4 412.3)	(3 402.4)	(1 999.4)	(673.3)

Source: Department of Treasury and Finance

Notes:

- (a) These items are inclusive of goods and services tax.
- (b) Cash and cash equivalents at the end of reporting period may not equal cash and deposits on the balance sheet due to overdraft being included on the cash flow statement.

Table 5.10: Non-financial public sector cash flow statement

	(\$ million)				
	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Cash flows from operating activities					
Receipts					
Taxes	15 125.6	15 359.9	15 828.6	16 470.9	17 328.0
Grants	22 525.6	22 211.4	22 824.4	24 442.3	25 112.2
Sales of goods and services ^(a)	10 319.5	10 176.1	11 342.1	11 806.7	12 669.8
Interest	377.4	395.9	387.5	420.9	430.8
Dividends and income tax equivalent and rate equivalents	252.4	453.0	392.5	407.6	467.5
Other receipts	2 052.4	2 127.8	1 881.5	1 901.4	1 890.6
Total receipts	50 652.8	50 724.1	52 656.8	55 449.9	57 899.0
Payments					
Payments for employees	(17 383.6)	(17 466.2)	(18 129.7)	(18 869.7)	(19 665.3)
Superannuation	(2 181.5)	(2 204.9)	(2 547.1)	(2 645.5)	(2 939.8)
Interest	(2 304.3)	(2 100.4)	(2 680.3)	(2 962.0)	(3 085.1)
Grants	(5 848.5)	(5 932.8)	(5 988.4)	(5 902.6)	(6 057.4)
Goods and services ^(a)	(18 717.2)	(19 138.4)	(19 280.6)	(19 572.5)	(20 450.0)
Other payments	(536.2)	(538.4)	(563.2)	(597.3)	(633.6)
Total payments	(46 971.3)	(47 381.0)	(49 189.2)	(50 549.7)	(52 831.2)
Net cash flows from operating activities	3 681.5	3 343.1	3 467.5	4 900.2	5 067.8
Cash flows from investing activities					
Purchases of non-financial assets	(9 008.1)	(9 489.9)	(8 384.6)	(6 847.1)	(5 731.2)
Sales of non-financial assets	329.8	410.2	616.9	439.0	419.0
Cash flows from investments in non-financial assets	(8 678.3)	(9 079.7)	(7 767.7)	(6 408.1)	(5 312.2)
Net cash flows from investments in financial assets for policy purposes	24.4	(2.4)	(7.3)	(18.7)	(18.8)
Net cash flows from investments in financial assets for liquidity purposes	163.4	53.6	(108.2)	(264.0)	(201.0)
Net cash flows from investing activities	(8 490.4)	(9 028.5)	(7 883.2)	(6 690.8)	(5 531.9)
Cash flows from financing activities					
Advances received (net)	(0.5)	(0.5)	..	..	..
Net borrowings	5 052.3	5 793.5	4 251.4	2 122.0	688.4
Deposits received (net)	1.6	7.6	(0.5)	1.8	(0.3)
Other financing (net)	..	..	..	..	..
Net cash flows from financing activities	5 053.4	5 800.5	4 250.9	2 123.8	688.1
Net increase/(decrease) in cash and cash equivalents	244.4	115.1	(164.8)	333.1	224.0
Cash and cash equivalents at beginning of reporting period	4 436.2	4 436.2	4 551.4	4 386.6	4 719.7
Cash and cash equivalents at end of reporting period ^(b)	4 680.7	4 551.4	4 386.6	4 719.7	4 943.7

Table 5.10: Non-financial public sector cash flow statement (continued)

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
FISCAL AGGREGATES					
Net cash flows from operating activities	3 681.5	3 343.1	3 467.5	4 900.2	5 067.8
Net cash flows from investments in non-financial assets	(8 678.3)	(9 079.7)	(7 767.7)	(6 408.1)	(5 312.2)
Cash surplus/(deficit)	(4 996.8)	(5 736.6)	(4 300.1)	(1 507.9)	(244.4)

Source: Department of Treasury and Finance

Notes:

- (a) These items are inclusive of goods and services tax.
- (b) Cash and cash equivalents at the end of reporting period may not equal cash and deposits on the balance sheet due to overdraft being included on the cash flow statement.

Table 5.11: Public financial corporations sector cash flow statement

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Cash flows from operating activities					
Receipts					
Grants	..	8.2	8.5	8.7	8.7
Sales of goods and services ^(a)	3 971.2	3 986.6	4 139.6	4 400.7	4 636.0
Interest	2 093.1	2 051.0	2 272.0	2 525.5	2 688.8
Dividends	337.8	386.8	397.3	421.5	449.9
Other receipts	54.8	(22.7)	10.7	11.6	10.7
Total receipts	6 456.9	6 410.0	6 828.0	7 367.9	7 794.1
Payments					
Payments for employees	(290.1)	(291.5)	(305.0)	(318.2)	(330.2)
Superannuation	(24.0)	(25.4)	(26.5)	(27.6)	(28.7)
Interest	(1 813.6)	(1 780.1)	(2 001.9)	(2 235.8)	(2 370.8)
Grants	(7.7)	(98.6)	(83.8)	(89.9)	(89.5)
Goods and services ^(a)	(3 841.7)	(3 516.0)	(3 841.4)	(4 034.6)	(4 166.3)
Other payments	(16.1)	(17.9)	(15.9)	(19.1)	(20.9)
Total payments	(5 993.3)	(5 729.5)	(6 274.6)	(6 725.1)	(7 006.4)
Net cash flows from operating activities	463.6	680.5	553.4	642.8	787.7
Cash flows from investing activities					
Purchases of non-financial assets	(64.7)	(77.2)	(56.8)	(55.6)	(51.2)
Sales of non-financial assets	16.4	33.3	0.6	0.6	0.6
Cash flows from investments in non-financial assets	(48.3)	(43.8)	(56.3)	(55.1)	(50.6)
Net cash flows from investments in financial assets for policy purposes	(130.2)	(135.8)	(126.5)	(102.4)	(108.5)
Net cash flows from investments in financial assets for liquidity purposes	(4 881.8)	(8 074.6)	(4 711.5)	(2 618.5)	(1 580.6)
Net cash flows from investing activities	(5 060.3)	(8 254.2)	(4 894.3)	(2 776.0)	(1 739.8)
Cash flows from financing activities					
Advances received (net)	(268.5)	653.9	(519.5)	(27.9)	(101.9)
Net borrowings	4 998.8	5 867.4	5 346.2	2 793.2	1 741.8
Deposits received (net)	..	(13.4)	..	..	..
Other financing (net)	(171.5)	(343.2)	(294.3)	(306.3)	(360.0)
Net cash flows from financing activities	4 558.7	6 164.7	4 532.4	2 459.0	1 279.9
Net increase/(decrease) in cash and cash equivalents	(38.0)	(1 409.0)	191.5	325.8	327.8
Cash and cash equivalents at beginning of reporting period	4 720.5	4 720.5	3 311.5	3 503.0	3 828.8
Cash and cash equivalents at end of reporting period ^(b)	4 682.5	3 311.5	3 503.0	3 828.8	4 156.6
FISCAL AGGREGATES					
Net cash flows from operating activities	463.6	680.5	553.4	642.8	787.7
Net cash flows from investments in non-financial assets	(48.3)	(43.8)	(56.3)	(55.1)	(50.6)
Dividends paid	(179.5)	(351.2)	(304.5)	(322.9)	(376.6)
Cash surplus	235.7	285.5	192.7	264.8	360.5

Source: Department of Treasury and Finance

Notes:

(a) These items are inclusive of goods and services tax.

(b) Cash and cash equivalents at the end of reporting period may not equal cash and deposits on the balance sheet due to overdraft being included on the cash flow statement.

Table 5.12: State of Victoria cash flow statement

	(\$ million)				
	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Cash flows from operating activities					
Receipts					
Taxes received	15 111.0	15 345.0	15 812.9	16 454.8	17 311.2
Grants	22 426.5	22 120.4	22 748.5	24 360.4	25 031.0
Sales of goods and services ^(a)	13 624.3	13 500.0	14 749.1	15 421.8	16 472.6
Interest	689.0	678.4	669.0	722.0	756.2
Dividends and rate equivalents receipts	414.1	470.9	481.8	510.0	542.1
Other receipts	2 107.2	2 105.2	1 892.2	1 913.0	1 901.3
Total receipts	54 372.1	54 219.9	56 353.6	59 382.1	62 014.4
Payments					
Payments for employees	(17 397.4)	(17 465.4)	(18 137.1)	(18 882.4)	(19 673.1)
Superannuation	(2 205.5)	(2 230.3)	(2 573.6)	(2 673.1)	(2 968.4)
Interest paid	(2 331.2)	(2 106.6)	(2 682.7)	(2 962.7)	(3 081.8)
Grants and subsidies	(5 848.5)	(5 932.2)	(5 987.8)	(5 902.0)	(6 057.0)
Goods and services ^(a)	(22 087.7)	(22 274.5)	(22 692.8)	(23 144.6)	(24 121.8)
Other payments	(536.2)	(538.4)	(563.2)	(597.3)	(633.6)
Total payments	(50 406.5)	(50 547.4)	(52 637.2)	(54 162.1)	(56 535.7)
Net cash flows from operating activities	3 965.6	3 672.4	3 716.4	5 220.0	5 478.7
Cash flows from investing activities					
Purchases of non-financial assets	(9 077.6)	(9 571.9)	(8 442.4)	(6 902.7)	(5 782.4)
Sales of non-financial assets	346.2	443.6	617.5	439.6	419.6
Cash flows from investments in non-financial assets	(8 731.4)	(9 128.3)	(7 825.0)	(6 463.1)	(5 362.8)
Net cash flows from investments in financial assets for policy purposes	(93.0)	(125.4)	(122.6)	(104.6)	(110.7)
Net cash flows from investments in financial assets for liquidity purposes	(34.5)	335.2	(346.3)	(525.6)	(522.5)
Net cash flows from investing activities	(8 858.9)	(8 918.6)	(8 293.9)	(7 093.3)	(5 996.0)
Cash flows from financing activities					
Advances received (net)	(0.5)	(0.2)	..	..	..
Net borrowings	4 867.2	6 142.0	4 964.8	2 441.8	1 081.5
Deposits received (net)	1.6	(5.8)	(0.5)	1.8	(0.3)
Other financing (net)	..	..	..	..	..
Net cash flows from financing activities	4 868.3	6 136.0	4 964.3	2 443.6	1 081.2
Net increase/(decrease) in cash and cash equivalents	(25.0)	889.9	386.8	570.3	564.0
Cash and cash equivalents at beginning of reporting period	5 165.1	5 165.1	6 055.0	6 441.8	7 012.0
Cash and cash equivalents at end of reporting period ^(b)	5 140.1	6 055.0	6 441.8	7 012.0	7 576.0

Table 5.12: State of Victoria cash flow statement (continued)

(\$ million)

	2011-12	2011-12	2012-13	2013-14	2014-15
	Budget	Revised	Estimate	Estimate	Estimate
FISCAL AGGREGATES					
Net cash flows from operating activities	3 965.6	3 672.4	3 716.4	5 220.0	5 478.7
Net cash flows from investments in non-financial assets	(8 731.4)	(9 128.3)	(7 825.0)	(6 463.1)	(5 362.8)
Cash (deficit)	(4 765.8)	(5 455.9)	(4 108.6)	(1 243.2)	115.9

Source: Department of Treasury and Finance

Notes:

- (a) These items are inclusive of goods and services tax.
- (b) Cash and cash equivalents at the end of reporting period may not equal cash and deposits on the balance sheet due to overdraft being included on the cash flow statement.

Table 5.13: Public non-financial corporations sector statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
2011-12 Budget		
Balance at 1 July 2011	6 603.0	25 427.1
Net result	(258.8)	..
Dividends paid	(243.9)	..
Other comprehensive income for the year	..	..
Transactions with owners in their capacity as owners	..	2 262.8
Total equity at end of period	6 100.3	27 689.9
2011-12 Revised		
Balance at 1 July 2011	6 603.0	25 427.1
Net result	(313.3)	..
Dividends paid	(326.2)	..
Other comprehensive income for the year	2.4	..
Transactions with owners in their capacity as owners	..	2 467.1
Total equity at end of period	5 965.9	27 894.2
2012-13 Estimate		
Balance at 1 July 2011	5 965.9	27 894.2
Net result	(245.1)	..
Dividends paid	(516.7)	..
Other comprehensive income for the year	..	..
Transactions with owners in their capacity as owners	..	2 406.0
Total equity at end of period	5 204.1	30 300.2
2013-14 Estimate		
Balance at 1 July 2011	5 204.1	30 300.2
Net result	(151.4)	..
Dividends paid	(128.2)	..
Other comprehensive income for the year	..	..
Transactions with owners in their capacity as owners	..	1 384.7
Total equity at end of period	4 924.6	31 684.9
2014-15 Estimate		
Balance at 1 July 2011	4 924.6	31 684.9
Net result	(24.7)	..
Dividends paid	(241.4)	..
Other comprehensive income for the year	..	..
Transactions with owners in their capacity as owners	..	641.9
Total equity at end of period	4 658.5	32 326.8

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
31 278.8	900.2	64 209.1
..	..	(258.8)
..	..	(243.9)
(13.2)	(1.5)	(14.8)
..	..	2 262.8
31 265.6	898.6	65 954.4
31 278.8	900.2	64 209.1
..	..	(313.3)
..	..	(326.2)
(0.8)	9.1	10.7
..	..	2 467.1
31 278.1	909.2	66 047.4
31 278.1	909.2	66 047.4
..	..	(245.1)
..	..	(516.7)
4.6	(2.4)	2.2
..	..	2 406.0
31 282.7	906.8	67 693.9
31 282.7	906.8	67 693.9
..	..	(151.4)
..	..	(128.2)
714.8	(2.2)	712.6
..	..	1 384.7
31 997.4	904.6	69 511.6
31 997.4	904.6	69 511.6
..	..	(24.7)
..	..	(241.4)
334.5	(2.4)	332.1
..	..	641.9
32 332.0	902.2	70 219.5

Table 5.14: Non-financial public sector statement of changes in equity*(\$ million)*

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
2011-12 Budget		
Balance at 1 July 2011	51 816.8	48.5
Net result	(499.2)	..
Other comprehensive income for the year	(24.7)	..
Total equity at end of period	51 292.9	48.5
2011-12 Revised		
Balance at 1 July 2011	51 831.6	48.5
Net result	(4 806.6)	..
Other comprehensive income for the year	(22.3)	..
Total equity at end of period	47 002.6	48.5
2012-13 Estimate		
Balance at 1 July 2011	47 002.6	48.5
Net result	(562.8)	..
Other comprehensive income for the year	(19.7)	..
Total equity at end of period	46 420.1	48.5
2013-14 Estimate		
Balance at 1 July 2011	46 420.1	48.5
Net result	486.5	..
Other comprehensive income for the year	(17.3)	..
Total equity at end of period	46 889.3	48.5
2014-15 Estimate		
Balance at 1 July 2011	46 889.3	48.5
Net result	817.2	..
Other comprehensive income for the year	(16.0)	..
Total equity at end of period	47 690.5	48.5

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
72 654.8	844.2	1 910.3	127 274.6
..	..	..	(499.2)
4 424.7	303.4	24.0	4 727.3
77 079.5	1 147.6	1 934.2	131 502.6
72 654.8	844.2	1 910.3	127 289.3
..	..	..	(4 806.6)
4 379.5	(1 320.7)	29.0	3 065.5
77 034.3	(476.5)	1 939.3	125 548.2
77 034.3	(476.5)	1 939.3	125 548.2
..	..	..	(562.8)
1 853.2	68.5	18.8	1 920.7
78 887.5	(408.1)	1 958.1	126 906.1
78 887.5	(408.1)	1 958.1	126 906.1
..	..	..	486.5
7 332.3	161.9	19.3	7 496.1
86 219.8	(246.2)	1 977.3	134 888.7
86 219.8	(246.2)	1 977.3	134 888.7
..	..	..	817.2
5 489.3	172.9	17.7	5 663.9
91 709.0	(73.3)	1 995.0	141 369.8

Table 5.15: Public financial corporations sector statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
2011-12 Budget		
Balance at 1 July 2011	114.6	201.2
Net result	494.1	..
Dividends paid	(179.5)	..
Other comprehensive income for the year	13.9	..
Transactions with owners in their capacity as owners	..	12.8
Total equity at end of period	443.1	214.0
2011-12 Revised		
Balance at 1 July 2011	114.6	201.2
Net result	(969.2)	..
Dividends paid	(351.2)	..
Other comprehensive income for the year	6.1	..
Transactions with owners in their capacity as owners	..	12.8
Total equity at end of period	(1 199.7)	214.0
2012-13 Estimate		
Balance at 1 July 2011	(1 199.7)	214.0
Net result	373.0	..
Dividends paid	(304.5)	..
Other comprehensive income for the year	(2.2)	..
Transactions with owners in their capacity as owners	..	11.2
Total equity at end of period	(1 133.4)	225.1
2013-14 Estimate		
Balance at 1 July 2011	(1 133.4)	225.1
Net result	484.8	..
Dividends paid	(322.9)	..
Other comprehensive income for the year	(2.2)	..
Transactions with owners in their capacity as owners	..	16.6
Total equity at end of period	(973.8)	241.7
2014-15 Estimate		
Balance at 1 July 2011	(973.8)	241.7
Net result	549.6	..
Dividends paid	(376.6)	..
Other comprehensive income for the year	(1.9)	..
Transactions with owners in their capacity as owners	..	16.6
Total equity at end of period	(802.7)	258.3

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
12.3	736.6	1 064.7
..	..	494.1
..	..	(179.5)
(11.2)	(13.9)	(11.2)
..	..	12.8
1.1	722.7	1 380.8
12.3	736.6	1 064.7
..	..	(969.2)
..	..	(351.2)
(12.3)	5.9	(0.4)
..	..	12.8
..	742.5	(243.2)
..	742.5	(243.2)
..	..	373.0
..	..	(304.5)
..	2.2	..
..	..	11.2
..	744.7	(163.6)
..	744.7	(163.6)
..	..	484.8
..	..	(322.9)
..	2.2	..
..	..	16.6
..	746.9	14.8
..	746.9	14.8
..	..	549.6
..	..	(376.6)
..	1.9	..
..	..	16.6
..	748.8	204.4

Table 5.16: State of Victoria statement of changes in equity

(\$ million)

<i>State of Victoria</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
2011-12 Budget		
Balance at 1 July 2011	50 436.9	48.5
Net result	(30.7)	..
Other comprehensive income for the year	(10.8)	..
Total equity at end of period	50 395.4	48.5
2011-12 Revised		
Balance at 1 July 2011	50 451.7	48.5
Net result	(6 477.4)	..
Other comprehensive income for the year	(16.3)	..
Transactions with owners in their capacity as owners	..	..
Total equity at end of period	43 958.0	48.5
2012-13 Estimate		
Balance at 1 July 2011	43 958.0	48.5
Net result	(379.1)	..
Other comprehensive income for the year	(22.0)	..
Transactions with owners in their capacity as owners	..	..
Total equity at end of period	43 557.0	48.5
2013-14 Estimate		
Balance at 1 July 2011	43 557.0	48.5
Net result	807.7	..
Other comprehensive income for the year	(19.5)	..
Transactions with owners in their capacity as owners	..	..
Total equity at end of period	44 345.2	48.5
2014-15 Estimate		
Balance at 1 July 2011	44 345.2	48.5
Net result	1 172.7	..
Other comprehensive income for the year	(17.9)	..
Transactions with owners in their capacity as owners	..	..
Total equity at end of period	45 500.0	48.5

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
72 667.1	2 646.8	125 799.3
..	..	(30.7)
4 413.4	10.1	4 412.7
77 080.6	2 656.9	130 181.3
72 667.1	2 646.8	125 814.1
..	..	(6 477.4)
4 367.2	34.9	4 385.8
..
77 034.3	2 681.7	123 722.6
77 034.3	2 681.7	123 722.6
..	..	(379.1)
1 853.2	21.0	1 852.2
..
78 887.5	2 702.7	125 195.7
78 887.5	2 702.7	125 195.7
..	..	807.7
7 332.3	21.4	7 334.3
..
86 219.8	2 724.2	133 337.7
86 219.8	2 724.2	133 337.7
..	..	1 172.7
5 489.3	19.6	5 490.9
..
91 709.0	2 743.8	140 001.3

Table 5.17: Derivation of public non-financial corporations sector GFS cash surplus/(deficit)

	(\$ million)				
	2011-12	2011-12	2012-13	2013-14	2014-15
	Budget	Revised	Estimate	Estimate	Estimate
Cash surplus/(deficit)	(3 609.6)	(4 412.3)	(3 402.4)	(1 999.4)	(673.3)
Convergence differences:					
Acquisitions under finance leases and similar arrangements ^(a)	(4 203.0)	(4 203.0)	..	..	..
GFS cash surplus/(deficit)^(b)	(7 812.6)	(8 615.3)	(3 402.4)	(1 999.4)	(673.3)

Source: Department of Treasury and Finance

Notes:

- (a) The 2011-12 estimate reflects the recognition of the finance lease arrangement between the Government and Melbourne Water Corporation for the desalination plant.
- (b) Determined in accordance with ABS GFS manual.

Table 5.18: Derivation of non-financial public sector GFS cash surplus/(deficit)

	(\$ million)				
	2011-12	2011-12	2012-13	2013-14	2014-15
	Budget	Revised	Estimate	Estimate	Estimate
Cash surplus/(deficit)	(4 996.8)	(5 736.6)	(4 300.1)	(1 507.9)	(244.4)
Convergence differences:					
Acquisitions under finance leases and similar arrangements ^(a)	(5 453.9)	(5 453.9)	(844.8)	..	..
GFS cash surplus/(deficit)^(b)	(10 450.7)	(11 190.5)	(5 145.0)	(1 507.9)	(244.4)

Source: Department of Treasury and Finance

Notes:

- (a) The 2011-12 estimate reflects the recognition of the finance lease arrangement between the Government and Melbourne Water Corporation for the desalination plant.
- (b) Determined in accordance with ABS GFS manual.

Table 5.19: Derivation of public financial corporations sector GFS cash surplus/(deficit)

	(\$ million)				
	2011-12	2011-12	2012-13	2013-14	2014-15
	Budget	Revised	Estimate	Estimate	Estimate
Cash surplus/(deficit)	235.7	285.5	192.7	264.8	360.5
Convergence differences:					
Acquisitions under finance leases and similar arrangements	..	..	..	..	..
GFS cash surplus/(deficit)^(a)	235.7	285.5	192.7	264.8	360.5

Source: Department of Treasury and Finance

Note:

- (a) Determined in accordance with ABS GFS manual.

Table 5.20: Derivation of whole of State sector GFS cash surplus/(deficit)

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Cash surplus/(deficit)	(4 765.8)	(5 455.9)	(4 108.6)	(1 243.2)	115.9
Convergence differences:					
Acquisitions under finance leases and similar arrangements ^(a)	(5 453.9)	(5 453.9)	(844.8)	..	..
GFS cash surplus/(deficit) ^(b)	(10 219.8)	(10 909.9)	(4 953.4)	(1 243.2)	115.9

Source: Department of Treasury and Finance

Notes:

(a) The 2011-12 estimate reflects the recognition of the finance lease arrangement between the Government and Melbourne Water Corporation for the desalination plant.

(b) Determined in accordance with ABS GFS manual.

Table 5.21: Net acquisition of non-financial assets – Public non-financial corporations sector

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Purchases of non-financial assets	4 863.1	5 072.0	4 402.3	3 562.5	2 280.9
Less: Sales of non-financial assets	(115.5)	(113.5)	(61.5)	(72.6)	(71.2)
Less: Depreciation	(1 843.8)	(1 786.7)	(1 975.7)	(2 063.0)	(2 115.2)
Plus: Other movements in non-financial assets	4 410.0	4 456.1	261.5	274.6	288.7
Total net acquisition of non-financial assets ^{(a)(b)}	7 313.9	7 628.0	2 626.5	1 701.5	383.1

Source: Department of Treasury and Finance

Notes:

(a) The 2011-12 estimate reflects the recognition of the finance lease arrangement between the Government and Melbourne Water Corporation for the Victorian desalination plant project.

(b) Inclusion of 'Change in inventories' in Purchases of non-financial assets has required restatement of the comparative results.

Table 5.22: Net acquisition of non-financial assets – Non-financial public sector

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Purchases of non-financial assets	9 008.1	9 489.9	8 384.6	6 847.1	5 731.2
Less: Sales of non-financial assets	(329.8)	(410.2)	(616.9)	(439.0)	(419.0)
Less: Depreciation	(4 189.2)	(4 063.7)	(4 436.6)	(4 631.9)	(4 797.1)
Plus: Other movements in non-financial assets	5 661.2	5 709.2	1 106.5	274.8	288.9
Total net acquisition of non-financial assets^{(a)(b)}	10 150.2	10 725.2	4 437.6	2 051.0	804.0

Source: Department of Treasury and Finance

Notes:

- (a) The 2011-12 estimate reflects the recognition of the finance lease arrangement between the Government and Melbourne Water Corporation for the Victorian desalination plant project.
- (b) Inclusion of 'Change in inventories' in Purchases of non-financial assets has required restatement of the comparative results.

Table 5.23: Net acquisition of non-financial assets – Public financial corporations sector

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Purchases of non-financial assets	64.7	77.2	56.8	55.6	51.2
Less: Sales of non-financial assets	(16.4)	(33.3)	(0.6)	(0.6)	(0.6)
Less: Depreciation	(37.8)	(37.3)	(39.1)	(50.8)	(54.1)
Total net acquisition of non-financial assets	10.6	6.5	17.2	4.3	(3.4)

Source: Department of Treasury and Finance

Table 5.24: Net acquisition of non-financial assets – State of Victoria

(\$ million)

	2011-12 Budget	2011-12 Revised	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Purchases of non-financial assets	9 077.6	9 571.9	8 442.4	6 902.7	5 782.4
Less: Sales of non-financial assets	(346.2)	(443.6)	(617.5)	(439.6)	(419.6)
Less: Depreciation	(4 227.0)	(4 101.0)	(4 475.7)	(4 682.7)	(4 851.2)
Plus: Other movements in non-financial assets	5 661.2	5 709.2	1 106.5	274.8	288.9
Total net acquisition of non-financial assets^{(a)(b)}	10 165.6	10 736.5	4 455.8	2 055.3	800.6

Source: Department of Treasury and Finance

Notes:

- (a) The 2011-12 estimate reflects the recognition of the finance lease arrangement between the Government and Melbourne Water Corporation for the Victorian desalination plant project.
- (b) Inclusion of 'Change in inventories' in Purchases of non-financial assets has required restatement of the comparative results.

VICTORIA'S 2011-12 LOAN COUNCIL ALLOCATION

As required under the Uniform Presentation Framework, Victoria is required to publish the Loan Council Allocation (LCA) estimates. The LCA is a measure of each government's net call on financial markets in a given financial year to meet its budget obligations. The method of public release is the responsibility of each individual jurisdiction. Victoria discloses its LCA information through the Financial Report for the State of Victoria, Budget Paper No. 5, *Statement of Finances* and Budget Update.

Table 5.25 compares the Victorian 2011-12 LCA nomination (based on *2010-11 Budget Update* estimates) approved by the Loan Council in April 2011, with the 2011-12 revised LCA based upon *2011-12 Budget Update* estimates.

Table 5.25: Loan Council Allocation

(\$ million)

	2011-12 Nomination	2011-12 Revised
General government cash deficit/surplus	607.2	1 323.3
Public non-financial corporations sector cash deficit/surplus	2 692.4	4 412.3
Non-financial public sector cash deficit/surplus ^(a)	3 319.4	5 736.6
Acquisitions under finance leases and similar arrangements	5 278.9	5 453.9
ABS GFS cash deficit/surplus	8 598.3	11 190.5
Net cash flows from investments in financial assets for policy purposes ^(b)	4.5	(2.4)
Memorandum items ^(c)	666.5	610.7
Loan Council Allocation	9 260.3	11 803.6
Tolerance limit ^(d)	1 018.6	1 018.6

Notes:

- (a) *The sum of the deficit of the general government and public non-financial corporations sector does not directly equal the non-financial public sector cash deficit due to inter-sectoral transfers, which are netted out in the calculation of the non-financial public sector figure. The non-financial public sector cash deficit excludes finance lease acquisitions.*
- (b) *The ABS GFS cash deficit is adjusted to include in the LCA the impact of net cash flows from investments in financial assets for policy purposes.*
- (c) *The ABS GFS cash deficit is adjusted to include in the LCA the impact of memorandum items, which include certain transactions that have many of the characteristics of public sector borrowings but do not constitute formal borrowings (e.g. operating leases). They also include, where appropriate, transactions that the Loan Council has agreed should not be included in the LCA (e.g. the over/under funding of employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities).*
- (d) *A tolerance limit equal to 2 per cent of total non-financial public sector cash receipts from operating activities applies to the movement between a jurisdiction's LCA nomination and LCA revised budget estimate (calculated using estimates in the 2010-11 Budget Update). The tolerance limit applying to the movement between Victoria's 2011-12 LCA nomination and its LCA revised budget estimate is \$1 018.6 million (2 per cent of \$50 929.0 million).*

As part of the Loan Council arrangements, the Council has agreed that if at any time a state or territory finds that it is likely to exceed its tolerance limit, in either direction, it is required to provide an explanation to the Council and, in line with the emphasis of increased transparency, to make the explanation public. Victoria's 2011-12 revised LCA (a deficit of \$11 804 million) exceeded the tolerance limit established under the LCA nomination process, primarily due to a \$2 417 million increase in the non-financial public sector cash deficit as a result of higher infrastructure investment in both the general government sector and public non-financial corporations sector, as well as a downward revision to the general government sector's projected net cash flows from operating activities.

In the interest of transparency, the State is required to disclose the details of new infrastructure projects with private sector involvement that are expected to be contracted during the LCA year, and to report the full contingent exposure, if any. Exposure is to be measured by the Government's termination liabilities in a case of private sector default and disclosed as a footnote to, rather than a component of the LCA. The amount payable will not exceed the fair market value of the project (which is usually calculated by an independent valuer) less any costs incurred by the Government as a result of the default.

Listed below are details of the public private partnership (PPP) project that is expected to be contracted in the 2011-12 financial year.

Victorian Comprehensive Cancer Centre project

The new world-class Victorian Comprehensive Cancer Centre (Victorian CCC – formerly Parkville Comprehensive Cancer Centre) to be built in Parkville will bring together clinical and research partners who will use the facilities at the centre. The Victorian CCC members include the Peter McCallum Cancer Centre, Melbourne Health (which includes The Royal Melbourne Hospital), The University of Melbourne, Walter and Eliza Hall Institute of Medical Research, The Royal Women's Hospital, The Royal Children's Hospital, Western Health and St Vincent's Hospital Melbourne.

Capital costs of the project are to be jointly funded by Commonwealth and State contributions (\$426.1 million and \$428.5 million respectively) and will be supplemented by the proceeds of sale of surplus land, partner contributions and philanthropic donations.

Under a Health and Hospitals Fund agreement between the Commonwealth and Victoria, the State assumes complete and total responsibility for the delivery of the Victorian CCC with the funding contribution from the Commonwealth to be linked to major procurement and construction milestones.

The project was put to market in November 2009. A private consortium will design, build, finance and maintain the Victorian CCC facilities, with responsibility of all core clinical, research and education services to be retained by the project partners, including the State, at the conclusion of the tender process. Once operations at the Victorian CCC commence, the Government will begin quarterly payments to the private consortium, which will be dependent on attainment of key performance indicators relating to ongoing service provision. Contract execution is expected to occur in quarter two of the 2011-12 financial year. The construction of the centre is expected to be completed by early 2016.

There are no other *Partnership Victoria* contracts greater than \$5 million that involve private finance that are currently expected to be signed during the 2011-12 financial year.

CHAPTER 6 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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.

Quantifiable contingent assets

(\$ million)

	2011 ^(a)	2010
Guarantees, indemnities and warranties	0.9	0.9
Legal proceedings and disputes ^(b)	36.7	..
Other	91.1	127.0
Total contingent assets	128.6	127.9

Source: Department of Treasury and Finance

Notes:

(a) As at 29 November 2011.

(b) Relates to an insurance claim for flood damage to VicRoads' statewide road network.

Non-quantifiable contingent assets

CityLink compensable enhancement claims

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

Compensable enhancement claims have previously been lodged in respect of works for improving traffic flows on the West Gate Freeway (between Lorimer and Montague Streets), and in the vicinity of the intersection of Bulla Road and the Tullamarine Freeway (in the vicinity of the intersection with Bulla Road). The claims were lodged on 20 May 2005 and 29 September 2006 respectively and are still outstanding.

Revenue sharing from the Monash CityLink West Gate upgrade

On 25 July 2006, CityLink Melbourne Limited (CML), Transurban Infrastructure Management Ltd and the State entered into the M1 Corridor Redevelopment Deed.

Under the terms of this deed, the State will upgrade the Monash and West Gate Freeways, while CML will upgrade the Southern Link section of CityLink. The State will become entitled to 50 per cent of the additional CityLink revenue created by the Monash CityLink West Gate upgrade after CML recovers its construction and additional operating costs relating to works on the Southern Link.

The method used to calculate the additional CityLink revenue generated from the upgrade will be based on comparing actual CityLink revenue with agreed trends. The calculation date for the additional CityLink revenue and the State's revenue sharing entitlement is 30 June 2014.

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 classified as either quantifiable or non-quantifiable. The table below contains quantifiable contingent liabilities as at 29 November 2011.

Quantifiable contingent liabilities

	(\$ million)	
	2011 ^(a)	2010 ^(b)
Guarantees, indemnities and warranties	581.9	601.4
Legal proceedings and disputes	390.7	345.8
Other	379.8	329.2
Non-general government debt ^(c)	9 057.8	8 077.0
Total contingent liabilities	10 410.1	9 353.4

Source: Department of Treasury and Finance

Notes:

(a) As at 29 November 2011 except for non-general government debt, which is presented as at 30 June 2011.

(b) Sourced from Table 6.2: Quantifiable Contingent Liabilities of 2011-12 Budget Paper No. 5.

(c) Represents guarantees from the general government sector to agencies in the public non-financial corporation sector (primarily the water entities and other non-general government sector entities) for loans.

Non-quantifiable contingent liabilities

A number of potential obligations, which are non-quantifiable at this time, have been recognised arising from:

- indemnities provided in relation 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; and
- unclaimed monies, which may be subject to future claims by the general public against the State.

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

Asset sales

Potential exposures associated with the sale of a number of assets and services where the purchaser was provided with various indemnities and warranties.

Royal Melbourne Showgrounds redevelopment

In October 2003, the State, through the Department of Primary Industries (DPI) and the Royal Agricultural Society of Victoria (RASV), formed an unincorporated joint venture for the purposes of redeveloping the Royal Melbourne Showgrounds (the Showgrounds), with the State and the RASV each holding a 50 per cent interest in the joint venture. The joint venture participants then established an incorporated entity, Showgrounds Nominees Pty Ltd, to enter into contractual arrangements with the private sector party.

The project, a public private partnership, involves a private sector consortium (concessionaire), which was responsible for the design, construction and financing of the redevelopment of the Showgrounds and continues to be responsible for maintaining and providing facility management services at the Showgrounds for a period of 25 years from August 2006.

Under the contract, the State supports the underlying payment obligations of the joint venture participants for Showgrounds Nominees Pty Ltd to meet its obligations to pay the service fee to the concessionaire. Any actual financial support provided by the State on behalf of the RASV under the contract will be treated as a loan, which will be repaid by the RASV by the end of the 25 year contract term. Repayment by the RASV may take the form of the transfer to the State of part or whole of the RASV's participating interest in the joint venture.

Separately and similarly, under another agreement between the State and the RASV, the State supports certain obligations of the RASV that may arise out of a suite of joint venture agreements between the State and the RASV, or between the joint venture and a third party. In accordance with this agreement, the State will meet certain RASV obligations in the form of a loan, up to a maximum of \$20 million, if requested by the RASV if the RASV does not have the financial capacity to pay. The RASV must repay any such loan by the end of the 25 year term and this repayment may take the form of a transfer to the State, of the whole or part, of the RASV participating interest in the joint venture.

Contingent liabilities for employment related legal proceedings

Under the Victorian Public Service (VPS) Agreement, relevant departments and agencies have an obligation to indemnify VPS employees in relation to the cost of employment related legal proceedings that may arise from the performance of the duties of the employees.

National Electricity Code Administrator

As part of the wind-up of the National Electricity Code Administrator (NECA), the State has undertaken to indemnify the actions of the NECA directors for a period of seven years on completion of their tenure in 2015.

Public transport rail partnership agreements

The Director of Public Transport (the Director), on behalf of the Crown, entered into partnership contractual arrangements with franchisees to operate metropolitan rail transport services in the State, operative from 30 November 2009 until 30 November 2017. The following summarises the major contingent liabilities arising from those arrangements in the event of early termination or expiry of the partnership agreement which are:

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

OneLink Transit Systems performance bonus

The State recognises a contingent liability relating to the performance bonus component of the contract with OneLink Transit Systems.

It is not possible to accurately measure the amount of potential performance bonus payments as this will be impacted by variables such as patronage growth, equipment performance and vandalism. Performance of these variables will be impacted by the reliability of equipment which is nearing the end of its lifespan.

Kamco performance related payments

The New Ticketing Solution Project Agreement provides a mechanism through which Kamco (Keane Australia Micropayments Consortium Pty Ltd) can earn performance related bonuses.

Contingent liabilities arising from compulsory property acquisition

The State has compulsorily acquired a number of properties (residential and commercial) through the *Land Acquisition and Compensation Act 1986* to facilitate delivery of the Regional Rail Link Project. The Regional Rail Link Authority is anticipating future claims for compensation arising from the compulsory acquisition of these properties. Due to the uncertainty of the potential liability, particularly in relation to business disruption, it is not feasible to quantify these claims at this stage.

OneLink Transit Systems claim

In May 2011 the Transport Ticketing Authority (TTA) received a material claim for alleged entitlements for business volume growth under the original 1998 contract with OneLink Transit Systems. Based on initial legal advice the TTA has rejected the claim. The matter is now being dealt with as per contractual dispute provisions. No further detail is provided at this stage, as this may prejudice the position of the TTA in this dispute.

Native Title

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

Department of Education and Early Childhood Development

The Department has a number of unquantifiable contingent liabilities as follows.

Indemnities are provided by the Department to:

- The Commonwealth in funding contracts entered into with the State throughout the year. Each indemnity is limited to \$10 million for personal injuries and property damage, and \$50 million for damages arising from internet usage.
- Teachers, volunteer workers and school chaplains. The specific indemnity for teachers protects them against liability for personal injuries to students provided the teacher was not intoxicated, or engaged in a criminal offence, or engaged in outrageous conduct, and was incurred in the course of the teacher's employment. The Department holds insurance cover in the unlikely event that any one claim against the indemnity is greater than \$5 million.
- Members of school councils. The *Education and Training Reform Act 2006* provides a comprehensive indemnity to members of school councils for any legal liability, whether in contract, negligence and defamation, etc. The Department holds insurance cover in the unlikely event that any one claim against this indemnity is greater than \$5 million.

Under the Nurses (Department of Education and Early Childhood Development) Agreement 2009 and the Victorian Public Service (VPS) Agreement, relevant departments and agencies have an obligation to indemnify VPS employees in relation to costs of employment related legal proceedings that may arise from the performance of the duties of employees.

No material losses are anticipated in respect of any of the above unquantifiable contingent liabilities.

None of the above contingent liabilities are secured over any assets of the Department.

The Biosciences Research Centre

The Biosciences Research Centre (BRC) project is a joint initiative between the State, through the Department of Primary Industries (DPI), and La Trobe University (La Trobe). The project is being delivered as a public private partnership. DPI and La Trobe have formed an unincorporated joint venture for the purposes of undertaking the BRC project. The State holds 75 per cent participating interest and La Trobe holds 25 per cent participating interest in the joint venture. The facility that is being constructed will be known as AgriBio, Centre for AgriBioscience.

The project involves a partnership between the joint venture and the private sector consortium, Plenary Research Pty Ltd (concessionaire), which is responsible for the design, construction, commissioning and financing of AgriBio and the provision of contracted services required for the maintenance and operation of the facility. The joint venture participants established an incorporated entity known as Biosciences Research Centre Pty Ltd for the purposes of entering into the contractual arrangements with the concessionaire. Construction of AgriBio commenced in May 2009, and the facility is expected to be fully operational in 2012.

Under the contract, the service fee payment obligations of Biosciences Research Centre Pty Ltd (on behalf of the joint venture participants) are supported by the State of Victoria. In accordance with the contract, the State supports the underlying payment obligations of the joint venture participants, including La Trobe, to the joint venture company, thereby enabling the joint venture company to meet its obligations to pay the service fee to the concessionaire pursuant to the contract. Any financial support provided by the State to La Trobe under the contract will be treated as a loan to be repaid by La Trobe by the end of the 25 year contract term. Repayment by La Trobe may take the form of the transfer to the State of part or all of La Trobe's participating interest in the joint venture.

Royal Children's Hospital

The Royal Children's Hospital Foundation (RCHF) has entered into a funding agreement with the Commonwealth Government for the provision of \$21 million to undertake the Australian Early Development Index Project. RCHF has entered into this agreement at the request of the Royal Children's Hospital (RCH). In consideration of RCHF entering into the funding agreement, RCH has agreed to be responsible for the obligations and liabilities imposed on RCHF under the funding agreement, including, but not limited to, the indemnity granted by RCHF to the Commonwealth of Australia under clause 19 of the funding agreement. (The balance as of 30 September 2011 for the Commonwealth Government funding for this program is \$2.8 million.)

HIH Insurance

The State's quantifiable direct exposures arising from the collapse of the HIH Insurance Group (HIH) are included in the liabilities shown in the financial statements of the entities directly responsible for them. The State's obligations in respect of its builders' warranty insurance rescue package are also shown as direct liabilities of the relevant government entities.

The State also retains some unquantifiable contingent exposures arising from the collapse. These contingent exposures arise primarily through the possibility that the State may be involved in litigation in which it would be entitled to recover damages from third parties. If these third parties were insured by HIH, recovery in full may not be possible.

Land remediation – environmental concerns

In addition to properties for which remediation costs have been provided in these 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 of future developments taking place.

Victorian Managed Insurance Authority – insurance cover

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for departments and participating bodies (predominantly in the general government sector). VMIA provides its client bodies with a range of insurance cover, including for property, public and products liability, professional indemnity and contract works. VMIA reinsures in the private market for losses above \$50 million arising out of any one event, up to a maximum of \$750 million for public liability, and for losses above \$50 million arising out of any one event, up to a maximum of \$2.1 billion for property. The risk of losses above these reinsured levels is borne by the State.

VMIA also insures the Department of Health for all public sector medical indemnity claims incurred in each policy year from 1 July 2003, regardless of when the claims are finally settled. Under the Indemnity Deed to provide Stop Loss protection from VMIA, the Department of Treasury and Finance has agreed to reimburse VMIA if the ultimate claims payouts exceed by more than 20 per cent the initial estimate on which the risk premium was based.

Since 31 March 2010, pursuant to a ministerial direction under Section 25A of the *Victorian Managed Insurance Authority Act 1996*, VMIA has underwritten domestic building insurance.

Domestic building insurance

In mid-April 2002, the State agreed to provide temporary (to 30 June 2002) reinsurance support to domestic building insurance provider Dexta Corporation following the withdrawal of some of its commercial reinsurance support. While this support was subsequently extended to policies issued before 30 September 2002, the previous Government determined there would be no further extension.

The State received reinsurance premiums for this participation and may be required to contribute to payment of reinsured claims, as well as paying management fees. The precise timing and value of these receipts and payments is uncertain, as claims may be made by home owners for up to six and a half years after the arrangement ceases. These claims may also take an additional several years to be processed through the legal system.

Receipts and payments will be contingent on the volume of insurance underwritten and reinsured by 30 September 2002. Based on Dexta's previous levels of activity, the central estimate of the State's gross exposure (i.e. before premium receipts) is not more than \$6 million. While the State expects, like the commercial reinsurers who are party to the agreement, to at least break even on these arrangements, the State retains an unquantifiable contingent liability that claims may exceed the central estimate.

On 13 March 2002, Victoria and New South Wales jointly announced a series of reforms to domestic building insurance arrangements. This announcement included a commitment to provide a catastrophe fund capable of supporting claims above \$10 million. To meet this commitment, the two states offered reinsurance arrangements to all builders' warranty insurers covering claims in respect of any one builder in excess of \$10 million, with each state reinsuring claims relating to properties in that state. South Australia has since also become involved in these arrangements. Since domestic building insurance commenced, there have been no losses by an insurer to any one builder that exceed this amount.

Victoria has reinsurance agreements giving effect to these arrangements with three insurers. The agreements require the insurers to pay the reinsurance premiums to Victoria (and to any other state that is also a party to such an agreement), in respect of new insurance policies written that are estimated to be sufficient for the State to at least break even on these arrangements. However, the State retains an unquantifiable contingent liability for additional claims.

Gambling licences

In 1992, a gaming operator's licence was issued to the Trustees of the Will and Estate of the late George Adams, now trading as Tatts Group. In 1994, the State issued a wagering and gaming licence to TABCORP Holdings Limited (TABCORP). These licences expire in 2012. The *Gambling Regulation Act 2003* specifies end of licence arrangements which include compensation provisions for the licensees predicated on the current licensing arrangements being rolled over for a further period beyond 2012.

On 10 April 2008, the former Government announced a new regulatory model for the post-2012 licences. The main changes include:

- separating the wagering and gaming licence to instead license wagering on a stand-alone basis; and
- transitioning from the current gaming operator duopoly to a system where venue operators are licensed to own and operate gaming machines in their own right.

After considering the end of licence arrangements in the *Gambling Regulation Act 2003*, the former Government formed the view that neither Tatts Group nor TABCORP will be entitled to compensation after the expiration of their current licences.

Melbourne Park redevelopment

The State has entered into an agreement with Tennis Australia and the Melbourne and Olympic Park Trust to provide for the Australian Open to remain at Melbourne Park until 2036. Stage 1 of the redevelopment of Melbourne Park (total estimated investment of \$363 million in the *2010-11 Budget*) was negotiated at the same time. The agreement provided for a number of conditions, including that further improvements will be made to Melbourne Park or that a rights fee will be paid to Tennis Australia, if works beyond Stage 1 do not proceed for the Australian Open to remain at Melbourne Park.

Current wagering licence arrangements

Potential exposure exists for the Victorian racing industry in relation to the conclusion of the current wagering licence joint venture arrangements in August 2012. The State has indemnified the racing industry in respect of certain potential commercial matters.

Public acquisition overlays for the future development of road infrastructure

The Government has in place a Public Acquisition Overlay relating to the Outer Metropolitan Ring/E6 Transport Corridor in order 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 pay compensation to eligible land and property owners who face either:

- loss on sale compensation – 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; or
- financial loss compensation – 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 requests by land owners. The quantum of the future liability is dependent on factors including the number of claims received and the prevailing value of land at the time the claim is made, which may be difficult to quantify.

APPENDIX A – SPECIFIC POLICY INITIATIVES AFFECTING BUDGET POSITION

Appendix A outlines specific Government policy initiatives that affect output, asset investment and revenue positions, including Treasurer’s Advances, made since the 2011-12 Budget in May. The following tables provide details of:

- government-wide efficiency measures;
- government-wide revenue initiatives; and
- output and asset initiatives for government departments.

Appendix A includes a cross reference between initiatives and their relevant departmental output(s), which aims to clearly indicate the impact of policy decisions on relevant portfolios, and to reinforce the Government’s commitment to greater transparency and accountability in the budget papers.

The figures included are the total cost of decisions. Funding from reprioritisation and existing fund sources has not been deducted from the total cost of the decision.

EFFICIENCY MEASURES

Table A.1: Efficiency measures

(\$ million)

	2011-12	2012-13	2013-14	2014-15
Capping departmental expenditure growth	..	-227.0	-266.0	-517.0
Maintain a sustainable public service	67.0	-177.0	-395.0	-426.0
Total efficiency measures	67.0	-404.0	-661.0	-943.0

Source: Department of Treasury and Finance

Capping departmental expenditure growth

To ensure the State budget can sustain vital public services for the community, the Government has introduced efficiency measures to begin addressing the high growth in expenses and improve the operating result. The measures do not affect key service delivery areas such as health, education and community safety, but will focus on streamlining administrative structures across the Victorian public sector to minimise duplication and inefficiency and reduce administrative costs. Savings will be achieved in areas such as reducing the annual escalation funding provided to departments for non-wage expenditure, agency overheads, grants administration, procurement, better cash management and other rationalisation initiatives.

These actions are consistent with the findings from the interim report of the Independent Review of State Finances (IRSF) which found that the trend in expenses growth was unsustainable.

Maintain a sustainable public service

The Government will reduce the number of public servants in non-service delivery and back-office roles to a level that is more in line with historical levels. Victorian public service (VPS) positions will reduce by about 3 600 compared to current levels. The reductions will be achieved through the commencement of processes for voluntary redundancies, and the lapsing of fixed term positions, in areas such as head office administrative functions and other back-office positions across the bureaucracy.

Reductions will not be sought in key frontline service delivery areas – for example, there will be no impact on teachers, police, nurses and child protection workers. The number of frontline professionals will increase in key areas such as health, education and community services and safety, consistent with the Government’s election commitments.

Reductions in the number of contractors and consultants across government will also form part of the Government’s strategy to maintain a sustainable public service.

REVENUE INITIATIVES

Table A.2: Revenue initiatives

	<i>(\$ million)</i>			
	2011-12	2012-13	2013-14	2014-15
Receipt of dividends from the Victorian WorkCover Authority	147.0	126.5	87.5	110.5
Shorten land transfer duty payment period	47.0	..	..	..
Increase motor vehicle registration fee	37.0	158.0	166.0	175.0
Increase new passenger motor vehicle duty	..	33.0	35.0	35.0
Total revenue initiatives	231.0	317.5	288.5	320.5

Source: Department of Treasury and Finance

Receipt of dividends from the Victorian WorkCover Authority

This initiative reflects a decision to apply the government’s dividend policy to the Victorian WorkCover Authority (VWA) from 2011-12. The decision brings the VWA into line with most other government business enterprises, including the Transport Accident Commission, and recognises the implicit government guarantee that the scheme enjoys. The decision will result in a more consistent dividend policy which ensures dividend receipts better reflect the underlying profitability of government entities.

Shorten land transfer duty payment period

This initiative shortens the time for paying land transfer duty to the State Revenue Office from 90 days to 30 days after settlement for property transfer contracts entered into on and after 1 April 2012. This measure will also apply to land-rich duty, making duty payable 30 days after a relevant acquisition in a land-rich entity.

This measure brings the payment period in line with standard commercial practices.

Increase in motor vehicle registration fee and increase in new passenger motor vehicle duty

The Government is introducing a \$35 increase in the base motor vehicle registration fee from \$191.60 to \$226.60 from 1 April 2012.

Following this increase, Victoria's total registration renewal cost (including compulsory third party insurance) for a standard family car remains the third lowest of the Australian states. Ongoing indexation will be applied to the base motor vehicle registration fee from 1 July 2012.

Part of the increase in revenue from motor vehicle registration fees will be applied to investment in a new registration and licensing system to be maintained by VicRoads. This system will substantially improve upon the capability, reliability and efficiency of the existing system and provide greater flexibility to update the system in response to regulatory or policy changes.

The new registration and licensing system will replace VicRoads' existing systems, which have been the subject of criticism from the Ombudsman with regards to accuracy and security of information. The registration and licensing project commenced in July 2008. Following completion of the design stage, the project was suspended in May 2011 and the business case was subject to review to ensure that any emerging cost pressures could be managed. The implementation of the project will now proceed under the high value/high risk process.

The Government will also increase the duty rate on new passenger car purchases from 2.5 per cent to 3.0 per cent (from \$5 to \$6 per \$200 or part), commencing 1 July 2012 for cars valued under the Commonwealth's luxury car tax threshold.

DEPARTMENTAL INITIATIVES

The following tables provide details of output and asset investment decisions for each department.

Business and Innovation

Asset initiatives

Table A.3: Asset initiatives – Business and Innovation

(\$ million)

	2011-12	2012-13	2013-14	2014-15	TEI
Melbourne wholesale markets redevelopment ^(a)	nfp	nfp	nfp	nfp	nfp
Total asset initiatives	nfp	nfp	nfp	nfp	nfp

Source: Department of Treasury and Finance

Note:

(a) Estimate not for publication (nfp) due to ongoing negotiations.

Melbourne wholesale markets redevelopment

Funding has been provided for the continuation of the redevelopment of the Melbourne wholesale fruit, vegetable and flower market in Epping.

This initiative contributes to the Department of Business and Innovation's Major Projects output.

Planning and Community Development

Output Initiatives

Table A.6: Output initiatives – Planning and Community Development

(\$ million)

	2011-12	2012-13	2013-14	2014-15
Australian 2012 Olympic and Paralympic teams	0.8	..	..	..
Shrine of Remembrance maintenance and replacement program	0.4	..	..	..
Total output initiatives	1.2	..	..	..

Source: Department of Treasury and Finance

Australian 2012 Olympic and Paralympic teams

Funding is provided for the 2012 Australian Olympic and Paralympic teams to assist with preparation and travel of Victorian athletes.

This initiative contributes to the Department of Planning and Community Development's Sport and Recreation Development output.

Shrine of Remembrance maintenance and replacement program

Funding is provided for the Shrine of Remembrance capital asset maintenance and replacement. The funds will be used to continue ongoing repairs and maintenance, furniture and fittings, the Ex-Service Women's Garden and a range of other projects.

This initiative contributes to the Department of Planning and Community Development's Veterans Affairs output.

Primary Industries

Output initiatives

Table A.8: Output initiatives – Primary Industries

	(\$ million)			
	2011-12	2012-13	2013-14	2014-15
Queensland fruit fly	9.7	..	..	..
Total output initiatives	9.7	..	..	..

Source: Department of Treasury and Finance

Queensland fruit fly

Funding is provided to manage the outbreak of Queensland fruit fly across northern Victoria which has had an impact on market access and horticultural production. This biosecurity issue presented a risk to Victoria's domestic and export horticulture industries if appropriate action had not been taken.

This initiative contributes to the Department of Primary Industries' Regulation and Compliance output.

Sustainability and Environment

Output initiatives

Table A.9: Output initiatives – Sustainability and Environment

	(\$ million)			
	2011-12	2012-13	2013-14	2014-15
Northern Victoria Irrigation Renewal Project stage 2 agreement	36.1	36.1	152.4	222.7
Spatial imagery services	1.9	..	..	..
Total output initiatives	38.0	36.1	152.4	222.7

Source: Department of Treasury and Finance

Northern Victoria Irrigation Renewal Project stage 2 agreement

Funding is provided as part of a new agreement with the Commonwealth Government to deliver the second stage of irrigation infrastructure renewal in Victoria's Goulburn Murray Irrigation District. The agreement will help restore the Murray River to health and deliver a world-class irrigation system to northern Victoria's food producers. The cash flow profile presented is indicative and subject to change following final consideration of the staging of works required under the project.

This initiative contributes to the Department of Sustainability and Environment's Sustainable Water Management and Supply output.

Spatial imagery services

This initiative provides funding for emergency service organisations to access the Vicmap database of digital geographic information free of charge. This funding responds to recommendations relating to improving mapping support for emergency and incident management made in the *2009 Victorian Bushfires Royal Commission Final Report*.

This initiative contributes to the Department of Sustainability and Environment's Land and Fire Management output.

Asset initiatives

Table A.10: Asset initiatives – Sustainability and Environment

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	TEI
Northern Victoria Irrigation Renewal Project stage 2 agreement	2.4	7.2	51.1	74.6	285.5 ^(a)
E-Conveyancing	5.3	..	..	..	5.3
Total asset initiatives	7.7	7.2	51.1	74.6	290.8

Source: Department of Treasury and Finance

Note:

(a) The TEI for this initiative includes \$150.2 million investment beyond the forward estimate.

Northern Victoria Irrigation Renewal Project stage 2 agreement

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

E-Conveyancing

This initiative provides funding for Victoria's contribution towards the development and rollout of a national electronic conveyance system. The system will streamline the process for settling property transactions by replacing the current paper based system with a single electronic system for completing real time property transactions and lodging land title dealings for registration across Australia.

This initiative contributes to the Department of Sustainability and Environment's Land Administration and Property Information output.

Transport

Output initiatives

Table A.11: Output initiatives – Transport

(\$ million)

	2011-12	2012-13	2013-14	2014-15
Competitive tendering of metropolitan bus services	8.4	3.2	..	..
Rail freight support	5.0	..	..	..
Total output initiatives	13.4	3.2	..	..

Source: Department of Treasury and Finance

Competitive tendering of metropolitan bus services

Funding is provided to progress the competitive tender process of the National Bus Company, Melbourne Bus Link services and SmartBus Orbital services whose contracts are due to expire on 31 December 2012. Competitively tendering for these services will aim to drive innovation and service delivery improvements and help to ensure value for money in the delivery of bus services.

This initiative contributes to the Department of Transport's Integrated Metropolitan Public Transport Services output.

Rail freight support

Funding has been provided for Victoria's rail freight industry to support the competitiveness of container freight by rail. The funding provides a rebate for container freight carried on rail freight services from regional Victoria.

This initiative contributes to the Department of Transport's Freight, Logistics, Ports and Marine Development output.

Asset Initiatives

Table A.12: Asset Initiatives: Transport

(\$ million)

	2011-12	2012-13	2013-14	2014-15	TEI
Establish a new registration and licensing system	25.2	55.7	40.7	..	121.6
Total asset initiatives	25.2	55.7	40.7	..	121.6

Source: Department of Treasury and Finance

Establish a new registration and licensing system

Funding is provided to establish a new registration and licensing system for VicRoads. This system will substantially improve upon the capability, reliability and efficiency of the existing system. The new system will also provide greater flexibility to update the system in response to regulatory or policy changes.

This initiative contributes to the Department of Transport's Vehicle and Driver Regulation output.

APPENDIX B – AMENDMENTS TO THE 2011-12 OUTPUT PERFORMANCE MEASURES

Output measures for all departments were published in Chapter 3 and Appendix A of Budget Paper No. 3 *2011-12 Service Delivery*. Following a review of substantially changed or proposed discontinued measures by the Public Accounts and Estimates Committee and acceptance of its recommendations by the Government, the following output measures will be retained for 2011-12.

A full, amended version of Budget Paper No. 3 *2011-12 Service Delivery* reflecting these changes is available at budget.vic.gov.au.

Department of Business and Innovation

Major outputs/deliverables Performance measures	Unit of Measure	2011-12 Target	2010-11 Expected outcome	2010-11 Target	2009-10 Actual
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Exports

Quantity

Companies provided with export assistance	number	4 050	4 050	4 050	4 872
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This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the 102nd Report – 2011-12 Budget Estimates Part Two.

Investment Attraction and Facilitation

Quantity

Companies in regional Victoria provided with assistance for growth opportunities	number	160	160	160	169
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This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the 102nd Report – 2011-12 Budget Estimates Part Two.

Department of Health

Major outputs/deliverables Performance measures	Unit of Measure	2011-12 Target	2010-11 Expected outcome	2010-11 Target	2009-10 Actual
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Health Protection

Quality

Public Health emergency response calls dealt with within designated plans and procedure timelines	per cent	100	100	100	100
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This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the 102nd Report – 2011-12 Budget Estimates Part Two.

Public Health Development, Research and Support

Quantity

Number of people trained in emergency response	number	2 000	2 000	2 000	2 101
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This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the 102nd Report – 2011-12 Budget Estimates Part Two.

Aged Care Assessment

Timeliness

Average wait between client registration and ACAS assessment: community-based assessment	days	15	17	15	19.6
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This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the 102nd Report – 2011-12 Budget Estimates Part Two.

Average wait between client registration and ACAS assessment: hospital-based assessment	days	2.5	1.8	2.5	2
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This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the 102nd Report – 2011-12 Budget Estimates Part Two.

Department of Planning and Community Development

Major outputs/deliverables Performance measures	Unit of Measure	2011-12 Target	2010-11 Expected outcome	2010-11 Target	2009-10 Actual
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Veterans Affairs

Timeliness

Commemorative and Education program: Grants acquitted within the timeframe specified in the terms and conditions of the funding agreement	per cent	100	100	100	100
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This performance measure was erroneously included in both the output statements and Appendix A in the 2011-12 Budget. It has been removed from Appendix A and retained in the Department of Planning and Community Development's output statements.

Department of Sustainability and Environment

Major outputs/deliverables Performance measures	Unit of Measure	2011-12 Target	2010-11 Expected outcome	2010-11 Target	2009-10 Actual
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Land and Fire Management

Quantity

Community engagement plans developed and implemented	number	5	5	5	5
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This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the 102nd Report – 2011-12 Budget Estimates Part Two.

Department of Transport

Major outputs/deliverables Performance measures	Unit of Measure	2011-12 Target	2010-11 Expected outcome	2010-11 Target	2009-10 Actual
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Specialist Transport Services

Quantity

Disability Discrimination Act (DDA) compliance for public transport infrastructure: metropolitan train station upgrades	number	8	2	2	nm
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This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the 102nd Report – 2011-12 Budget Estimates Part Two.

The revised 2011-12 Target reflects the expected completion of works for the following metropolitan railway stations: Thomastown, Epping, South Morang, Watergardens, Diggers Rest, Sunbury, Lynbrook and Cardinia Road.

In addition, incremental improvements on components of DDA access at railway stations across the network will also be undertaken in 2011-12. However, these incremental improvements will not lead to any additional metropolitan railway stations being upgraded to full DDA compliance in 2011-12.

Disability Discrimination Act (DDA) compliance for public transport infrastructure: regional train station upgrade	number	5	2	2	nm
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This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the 102nd Report – 2011-12 Budget Estimates Part Two.

The revised 2011-12 Target reflects the expected completion of works for the following regional railway stations: Clunes, Riddells Creek, Clarkefield, Wandong and Chiltern.

In addition, incremental improvements on components of DDA access at railway stations across the network will also be undertaken in 2011-12. However, these incremental improvements will not lead to any additional regional railway stations being upgraded to full DDA compliance in 2011-12.

The Department of Transport has also provided updates to the targets for four measures listed as 'to be advised' in the 2011-12 Budget.

Major outputs/deliverables Performance measures	Unit of Measure	2011-12 Target	2010-11 Expected outcome	2010-11 Target	2009-10 Actual
Public Transport Infrastructure Development					
<i>Quantity</i>					
Regional Rail Link	per cent	na	na	12	nm
<i>In April 2011, the Government announced changes to the scope and budget for the Regional Rail Link including two grade separations in Sunshine. Project timelines and costs are currently being finalised by the Government. Therefore, the 2010-11 Expected outcome is not applicable and a 2011-12 Target is not available. A target measure will be set in 2012-13.</i>					
<i>Quality</i>					
myki customer satisfaction score (statewide)	score	75	tba	70.0	nm
<i>Timeliness</i>					
Development of new integrated public transport ticketing solution: complete implementation of metropolitan live operations	date	na	na	qtr 2	nm
<i>In June 2011, the Government announced its plan to completely phase out Metcard by 31 December 2012, which will then complete the implementation of metropolitan live operations of the new transport ticketing system. Therefore 2010-11 Expected outcome is not applicable and a target for this measure will be set in 2012-13.</i>					
Development of new integrated public transport ticketing solution: start regional rail and coach live operations	date	na	na	qtr 2	na
<i>In June 2011, the Government announced its plan to remove V/Line intercity trains and long distance V/Line coach services from the initial scope until at least steady state operations are achieved in metropolitan Melbourne and major regional centres. Therefore, the 2010-11 Expected outcome and 2011-12 Target are not applicable. This measure will be replaced with a new measure in 2012-13 to reflect the plan for regional implementation.</i>					

APPENDIX C – TAX EXPENDITURES AND CONCESSIONS

TAX EXPENDITURES

Tax expenditures are tax concessions granted to certain taxpayers, activities or assets which are a deviation from the normal taxation treatment. This can include tax-free thresholds, exempting or applying a lower rate, and deductions or rebates of a tax for a certain class of taxpayer, activity or asset. Tax expenditures exclude generally applying marginal tax rates as part of a tax scale.

Table C.1 shows aggregate tax expenditure estimates, excluding the effect of the tax-free thresholds for land tax and payroll tax, by the main categories of tax for the period 2010-11 to 2014-15. The *2011-12 Budget Update* estimate for total tax expenditures for 2011-12 is \$3 734 million, \$103 million higher than the *2011-12 Budget* estimate of \$3 631 million, reflecting higher land tax and payroll tax expenditure estimates.

Table C.1: Aggregate tax expenditures (excluding thresholds) by type of tax

<i>Description</i>	<i>(\$ million)</i>				
	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>	<i>2012-13 Estimate</i>	<i>2013-14 Estimate</i>	<i>2014-15 Estimate</i>
Land tax	2 257	2 282	2 496	2 435	2 650
Payroll tax	895	994	1 033	1 069	1 107
Gambling tax	74	76	82	86	88
Motor vehicle taxes	85	89	92	96	100
Land transfer duties	373	259	335	373	424
Congestion levy	33	34	35	36	37
Total estimated tax expenditures	3 717	3 734	4 073	4 095	4 406

Source: Department of Treasury and Finance

CONCESSIONS

Concessions are a direct budget outlay or reduction in government charges that have the effect of reducing the price of a good or service for particular groups. Certain characteristics of the consumer, such as possession of a Commonwealth pension card or a health care card, are the basis for entitlement. Concessions allow certain groups in the community to access and/or purchase important amenities like energy, education, health and transportation at a cheaper or zero cost.

Table C.2 classifies the major concessions provided by the Victorian Government into various categories. The current estimated total value of concessions for 2011-12 is \$1 504 million, \$32 million lower than the \$1 536 million estimated in the *2011-12 Budget*, reflecting lower health concessions estimates. Concessions for the current year are estimated to be higher than in 2010-11, primarily reflecting the Government's election commitment to deliver an all year round electricity discount for all Victorian concession card holders from 2011.

Table C.2: Concessions by category

(\$ million)

<i>Description</i>	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>
Electricity	105	167
Mains gas	59	54
Municipal rates	89	82
Water and sewerage	135	152
Total energy, municipal rates, water and sewerage	388	455
Ambulance	351	364
Dental services and spectacles	107	110
Community health programs	87	89
Total health	545	563
Education	108	130
Hardship schemes	39	34
Social and community services	5	5
Private transport	187	192
Public transport	120	124
Total for items estimated	1 392	1 504

Source: Department of Treasury and Finance

APPENDIX D – SENSITIVITY ANALYSIS TABLE

INTRODUCTION

The sensitivity analysis estimates the impact on income, expenses, the net result from transactions and the net result associated with variations to forecasts of selected economic and financial variables. The major variables that affect Victoria's net result from transactions are economic growth, employment, consumer prices, wages, enterprise bargaining agreements, domestic and overseas share prices, property prices and volumes and interest rates.

To assess sensitivity to change, the level of the economic variable in each case is assumed to be one per cent higher than expected in the budget year, before continuing to grow at the previously forecast rate. For interest rates, the assumption is that they are one percentage point higher than assumed in the budget year and remain one percentage point above the budget assumptions in subsequent years.

It is assumed during the analysis of each variable that all other variables follow their forecast growth path. The analysis captures the effect of changing only one variable at a time and does not allow for the likelihood that other variables would also change. For example, an increase in consumer prices could be expected to affect interest rates, wage claims and other economic variables.

The sensitivity analysis in Table D.1 presents the sensitivity of both the net result from transactions and the net result for selected economic and financial indicators.

Table D.1: Impact on the general government fiscal results of selected economic indicators being one per cent higher than expected from 2011-12^{(a)(b)(c)}

(\$ million)

	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
GSP				
Income from transactions	149	158	165	172
Expenses from transactions	8	1	-6	-14
Net result from transactions	141	157	171	186
Other economic flows	..	..	..	..
Net result	141	157	171	186
Employment				
Income from transactions	54	58	61	65
Expenses from transactions	-1	-4	-7	-10
Net result from transactions	56	62	68	75
Other economic flows	..	..	..	..
Net result	56	62	68	75
Consumer prices^(d)				
Income from transactions	278	289	305	319
Expenses from transactions	107	109	107	105
Net result from transactions	171	180	198	214
Other economic flows	-193	1	1	1
Net result	-22	181	199	215
Average weekly earnings				
Income from transactions	60	64	68	72
Expenses from transactions	6	3	1	-2
Net result from transactions	55	60	67	74
Other economic flows	..	..	..	..
Net result	55	60	67	74
Enterprise bargaining agreements^(e)				
Income from transactions	26	26	28	29
Expenses from transactions	178	219	237	254
Net result from transactions	-152	-193	-209	-225
Other economic flows	-194	..	..	..
Net result	-346	-193	-209	-225
Domestic share prices				
Income from transactions	1	1	1	1
Expenses from transactions	-0	-3	-4	-4
Net result from transactions	1	4	4	5
Other economic flows	43	..	..	..
Net result	43	4	4	5
Overseas share prices				
Income from transactions	2	2	2	2
Expenses from transactions	-0	-4	-4	-4
Net result from transactions	2	5	6	6
Other economic flows	42	..	..	..
Net result	44	5	6	6

Table D.1: Impact on the general government fiscal results of selected economic indicators being one per cent higher than expected from 2011-12^{(a)(b)(c)}
(continued)

(\$ million)

	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate
Property prices				
Income from transactions	51	74	77	81
Expenses from transactions	-1	-6	-10	-14
Net result from transactions	52	80	86	95
Other economic flows	17	4	2	2
Net result	69	84	88	96
Property volumes				
Income from transactions	38	39	41	42
Expenses from transactions	-1	-3	-5	-7
Net result from transactions	39	42	45	49
Other economic flows	..	..	..	..
Net result	39	42	45	49
Interest rates^(f)				
Income from transactions	42	38	36	34
Expenses from transactions	8	331	392	440
Net result from transactions	34	-293	-356	-406
Other economic flows	1085	..	..	..
Net result	1119	-293	-356	-406

Source: Department of Treasury and Finance

Notes:

- (a) 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 and net result). A positive number for other economic flows represents an improvement in the State's budget position. A positive number for the net result from transactions and net result also denotes an increase in revenue. Numbers may not balance due to rounding.
- (b) The sensitivity from a one per cent lower than expected outcome of an economic variable would, in most instances, simply be the opposite of the impact shown in the table. However, for some results, the impacts of changes are not symmetrical. Therefore, care should be exercised when using the table to estimate the impact of lower than expected economic variables.
- (c) Only reasonably quantifiable data have been included in the analysis.
- (d) Reflecting the Government's departmental funding arrangements, it is assumed that an increase in consumer prices within the budget year does not impact on employee entitlements.
- (e) Represents a one per cent increase in all government enterprise bargaining agreements.
- (f) Assumes a one percentage point increase across the entire term structure, i.e. short and long rates, over the forward estimates period.

Sensitivity to economic growth

Higher than expected gross state product (GSP) is assumed to be associated with higher household consumption, leading to higher goods and services tax (GST) grants revenue and own-source taxation revenue. This would increase both the net result from transactions and the net result.

Sensitivity to employment

Higher than expected employment is assumed to result in additional payroll tax revenue and would increase both the net result from transactions and the net result.

Sensitivity to consumer prices

An increase in consumer prices would result in an immediate increase in the superannuation liability and would adversely affect the net result by way of an actuarial loss. The higher superannuation liability would also increase the superannuation expense in the remaining out-years. The impact of higher consumer prices is also assumed to lead to higher Commonwealth-sourced revenue (due to indexation), and higher GST and own-source taxation revenue, as the value of tax bases rise in nominal terms. The higher revenue is partly offset by the higher cost of supplies and services, and some increases in outlays on grants and transfers. Reflecting the operation of the Government's departmental funding arrangements, this increase in expenses is limited to the extent that departments can fund it from increased revenue from specific-purpose grants and sales of goods and services. Overall, there is a positive impact on the net result from transactions.

Sensitivity to average weekly earnings

A rise in the level of economy-wide wages would result in higher payroll tax revenue, contributing to an increase in the net result from transactions and net result. All government enterprise bargaining agreements are assumed to be unchanged over the projection period.

Sensitivity to enterprise bargaining agreements

Enterprise bargaining agreements can pose a substantial risk to Victoria's budget position. The Government's public sector wages policy aims to maintain real wages and demands productivity offsets for wage outcomes above cost of living increases to minimise budgetary risks. An across the board rise in enterprise bargaining agreement outcomes exceeding the wages policy guideline rate would result in an increase in employee entitlements and a corresponding decline in the net result from transactions.

The increased employee entitlements would increase the value of the superannuation liability and result in a lower net result for the budget year. The higher superannuation liability would flow through to an increase in the superannuation expense in the remaining out-years.

Sensitivity to domestic and overseas share prices

Higher domestic and international share prices increase the net result of the State's public financial corporations (PFCs), which have holdings of domestic and international shares as part of their respective investment portfolios. The associated impact on the dividends of the Transport Accident Commission (TAC) and the income tax equivalents (ITEs) of the TAC and Victorian WorkCover Authority from higher asset values will impact general government revenue.

As there have been substantial decreases in share and other asset prices in recent years, accumulated carry forward tax losses mean there will be little or no impact of share prices on ITEs paid until the losses have been fully utilised.

In terms of the superannuation liability, an increase in domestic and overseas share prices would reduce the value of the superannuation liability due to the associated increase in superannuation fund assets. This gives rise to an actuarial gain which would increase the net result in the budget year. The expected investment return on the higher level of superannuation fund assets also reduces the superannuation expense beyond the budget year, thereby improving the net result from transactions in these years.

Sensitivity to property prices

Higher property prices have an immediate impact on the net result from transactions through increased collections of stamp duty on land transfers. At the same time, the value of the superannuation liability decreases, due to the increased value of property holdings in superannuation funds' investment portfolios. This gives rise to an actuarial gain, thereby increasing the net result. In later years, higher property prices continue to raise land transfer duty and land tax revenues, while the previous increase in superannuation assets reduces ongoing superannuation expenses. All of these increase the net result from transactions.

Sensitivity to property volumes

Higher property transaction volumes would increase stamp duty on land transfers, leading to a rise in the net result from transactions and net result.

Sensitivity to interest rates

An increase in interest rates reduces the valuation of long-term insurance liabilities of PFCs and profits of these entities. As dividends of the insurance agencies are based on Performance from Insurance Operations, which excludes the impact on profit of discount rate movements, the increase will have little impact on dividends. As income tax equivalents of the State's insurance agencies are assessed on net profit, changes in interest rates will potentially impact general government ITEs. However, accumulated carry forward tax losses mean there will be little or no impact on revenues through ITEs until those losses have been used. There will be lower dividends and ITEs from public non-financial corporations due to higher borrowing costs, as well as an increase in the borrowing costs of the general government sector.

At the same time, an increase in interest rates reduces the value of the superannuation liability, giving rise to an actuarial gain. In terms of ongoing superannuation expenses, the net impact of higher interest rates is to increase the superannuation expense going forward. Accordingly, both the net result from transactions and the net result fall in the out-years.

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 *2011-12 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 *2011-12 Budget Update*

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
Sections 23 E-G Statement of financial policy objectives and strategies for the year.	Chapter 1, <i>Economic and fiscal overview</i>
Sections 23 H-N Estimated financial statements for the year comprising: <ul style="list-style-type: none"> – an estimated statement of financial performance over 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; and – government decisions and other circumstances that may have a material effect on the estimated financial statements. 	Chapter 4, <i>Estimated financial statements and notes</i> (Estimated consolidated comprehensive operating statement, estimated consolidated balance sheet, estimated consolidated cash flow statement and estimated consolidated statement of changes in equity provided as per AASB 1049) <i>Appendix A , Specific policy initiatives affecting budget position</i>
Accompanying statement to estimated financial statements which: <ul style="list-style-type: none"> – outlines the material economic assumptions used in preparation of the estimated financial statements; 	Chapter 2, <i>Economic context</i> and Chapter 4, <i>Estimated financial statements and notes</i>

Table E.1: Statements required by the *Financial Management Act 1994* and their location in the *2011-12 Budget Update (continued)*

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
– discusses the sensitivity of the estimated financial statements to changes in these assumptions;	Appendix D, <i>Sensitivity analysis table</i>
– provides an overview of estimated tax expenditures for the financial years covered by the estimated financial statements; and	Appendix C, <i>Tax expenditures and concessions</i>
– provides a statement of the risks that may have a material effect on the estimated financial statements.	Chapter 2, <i>Economic context</i> ; Chapter 3, <i>Budget position and outlook</i> ; and Chapter 6, <i>Contingent assets and contingent liabilities</i>

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
Cat. No.	catalogue number
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
tbd	to be determined
ongoing	continuing output, program, project etc
(xxx.x)	negative numbers

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