



# 2012-13 Victorian Budget Update

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Treasurer of the State of Victoria  
for the information of Honourable Members



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## CHAPTER 1 – ECONOMIC AND FISCAL OVERVIEW

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A strong economy and budget position are key to Victoria's ongoing prosperity, business confidence and capacity to invest in infrastructure and frontline services. The Victorian Government is committed to strengthening Victoria's financial position in the face of continuing challenging global economic conditions and a subdued revenue environment.

Victoria's economic activity has been sound, with economic growth stronger than forecast in the *2012-13 Budget*. Economic growth is being driven by the business, scientific and professional services and financial services sectors, which are benefiting from demand generated by the mining industry as well as by resilient consumption. Victoria's medium-term economic prospects remain positive, reflecting strong underlying economic fundamentals including a diverse and flexible industry base, highly skilled workforce and strong international and interstate export performance.

While the Victorian economy has been resilient to turmoil in the global economy, recent economic growth has not had a direct flow through into an improved revenue outlook. Much of the previous decade was characterised by high growth in household consumption and unsustainable increases in property prices. High consumption was financed by increased household debt and low or negative savings.

The global financial crisis resulted in households saving a higher proportion of income and slowing the rate of growth in debt. This has led to lower discretionary spending on the goods and services to which GST applies, reduced turnover in the property market and slower property price growth. As a result of the return to a more balanced composition of economic growth, Victoria's revenue growth is likely to be lower going forward. Revenue is now forecast to grow by an average of 3.3 per cent per year over the next four years, well below the average revenue growth of 6.9 per cent over the decade to 2010-11. In addition, the Commonwealth Government has demonstrated an unwillingness to fund its commitments in areas of shared service responsibility.

This Budget Update underscores the Government's continued commitment to address these significant fiscal challenges. The Government has responded to lower than forecast revenues by introducing further savings, targeted revenue-raising measures, and administrative efficiencies across government to constrain expenditure growth. Table 1.1 summarises the savings measures introduced in the *2012-13 Budget Update* combined with earlier decisions.

In the past two years, average annual expenditure growth has been constrained to 3.8 per cent. This is around half the average annual expenditure growth of the decade prior. The efficiency measures will further limit annual expenditure growth to an average of 2.4 per cent over the budget and forward estimates.

**Table 1.1: Aggregate estimated value of savings and targeted revenue raising measures announced (2011-12 Budget to 2012-13 Budget Update)<sup>(a)</sup>**

(\$ million)

	2012-13	2013-14	2014-15	2015-16
2011-12 Budget savings	511	520	537	545
2011-12 Budget Update savings	404	661	943	1 215
2012-13 Budget savings	242	266	268	240
2012-13 Budget Update savings	27	118	204	290
<b>Subtotal savings</b>	<b>1 184</b>	<b>1 565</b>	<b>1 952</b>	<b>2 290</b>
2012-13 Budget Update revenue measures	8	34	34	33
Previous revenue measures <sup>(b)</sup>	601	639	670	643
<b>Total: Savings and revenue</b>	<b>1 793</b>	<b>2 238</b>	<b>2 656</b>	<b>2 966</b>

Source: Department of Treasury and Finance

Notes:

(a) Savings measures are presented as positive numbers in this table to demonstrate the favourable impact on the State's budget capacity.

(b) Previous revenue measures relate to targeted revenue initiatives announced between 2011-12 Budget and 2012-13 Budget.

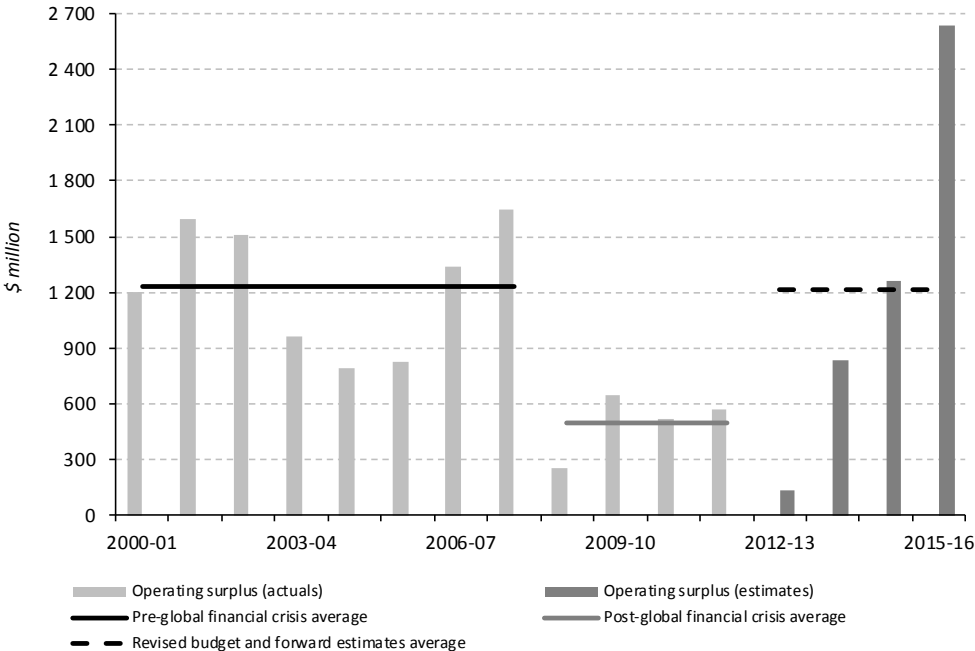
## FISCAL CONTEXT

A strong budget position remains at the heart of the Government's economic strategy. Victoria's public finances are now amongst the strongest in Australia and the world. Victoria is now the only Australian state to hold a triple-A credit rating with a stable outlook from both major international credit rating agencies. This triple-A credit rating recognises the Government's disciplined approach to fiscal management. In line with its medium-term strategy, fiscal discipline and strong operating surpluses will assist the Government to meet growing service demand, invest in additional productivity-enhancing infrastructure and rebuild the State's capacity to withstand future revenue shocks.

The deterioration in the revenue outlook has meant that Victoria's average operating surpluses from 2008-09 have been significantly lower than in the period from 2000-01 to 2007-08 (Chart 1.1). A central element in the Government's fiscal strategy is to reduce the reliance on debt to fund new infrastructure, by building stronger operating surpluses over the medium term (Chart 1.2).

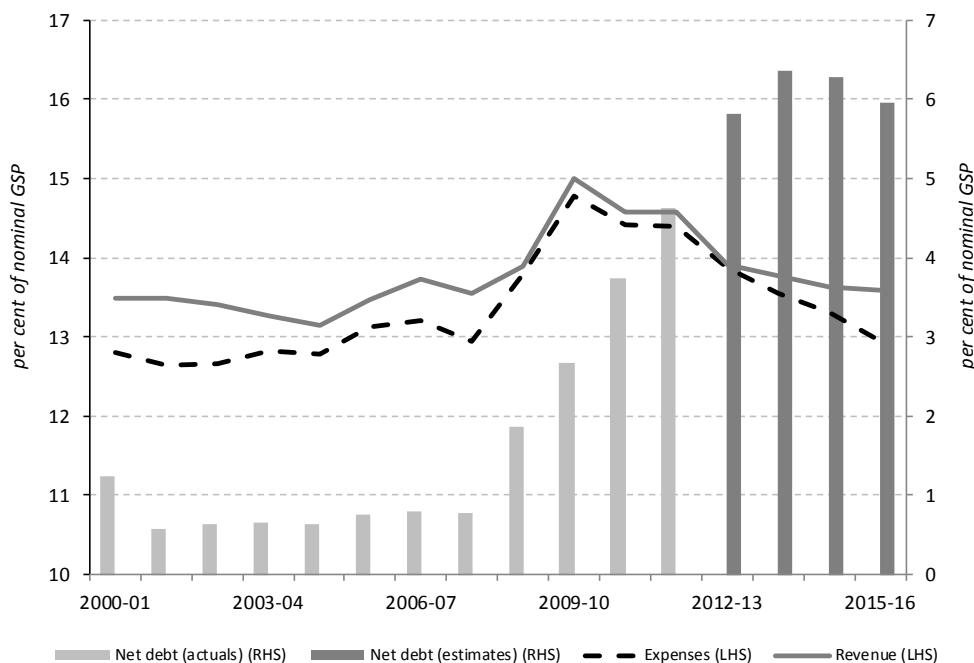


**Chart 1.1: General government net result from transactions from 2000-01 to 2015-16**



Source: Department of Treasury and Finance

**Chart 1.2: General government revenue, expenses and net debt as a percentage of GDP from 2000-01 to 2015-16**



Source: Department of Treasury and Finance

Slower revenue growth has highlighted the need to maintain fiscal discipline to return expenditure growth to a sustainable path and reduce net debt to more prudent levels. The Government’s fiscal strategy is summarised in Table 1.2.

**Table 1.2: Medium-term fiscal strategy**

<i>Financial measures</i>	<i>Parameters</i>
<b>Infrastructure investment</b>	Infrastructure investment of 1.3 per cent of GDP (calculated as a rolling five-year average).
<b>Net debt</b>	General government net debt reduced as a percentage of GDP over the decade to 2022.
<b>Superannuation liabilities</b>	Fully fund the unfunded superannuation liability by 2035.
<b>Operating surplus</b>	A net operating surplus of at least \$100 million and consistent with the infrastructure and debt parameters.

This 2012-13 Budget Update demonstrates the Government’s ongoing commitment to the fiscal strategy. It introduces savings and revenue measures totalling \$748 million, in addition to administrative efficiencies, over four years. These savings allow for continued investment in infrastructure and frontline services.

## ECONOMIC CONTEXT

Victorian businesses continue to maintain competitiveness in the challenging environment of weak global economic conditions and a high Australian dollar. While these challenges have reduced employment opportunities in some sectors, there has been job creation in other industries. Victoria's labour market remains stable with a high participation rate. In addition, people continue to be attracted to living in Victoria. The State is experiencing positive net interstate migration and increasing net overseas migration, with population expected to grow by 1.6 per cent in 2012-13.

Recent economic activity has been stronger than anticipated, partly due to an increase in international and interstate exports. Victoria's gross state product (GSP) is forecast to grow by 2.0 per cent in 2012-13 and household consumption is forecast to grow by 2.5 per cent in 2012-13. However, this activity has been offset by a more subdued property market with lower than expected turnover. Since the *2012-13 Budget* was delivered, underlying inflation has remained within the Reserve Bank of Australia's target band and the cash rate has been reduced by 125 basis points to support economic growth.

## FEDERAL FINANCIAL RELATIONS

The Government is implementing its economic and fiscal strategy in the face of growing uncertainty around federal financial relations. In 2012-13, Victoria expects 45 per cent of its total revenue from Commonwealth transfers, around half of which is GST revenue. The size and predictability of these transfers and the conditions placed on them materially affect risks to the Victorian budget and service delivery.

In recent years there have been significant changes to Victoria's GST revenue. Growth in the national GST pool has slowed, in part because of a structural shift away from the consumption of goods and services to which GST applies. Changes to Victoria's GST relativity have also increased year to year volatility in distribution, making Victorian GST revenue complex to forecast. The Commonwealth Grants Commission will release the 2013 update of GST relativities in February 2013.

The *GST Distribution Review Final Report*, released on 30 November 2012, examined the system used to distribute the GST. While the Review did little in the short-term to fix flaws in the GST distribution formula which has seen Victoria lose billions of dollars, the long-term vision outlined in this work articulates a case for the major reform directions championed by Victoria. This includes a long-term move to equal per capita (EPC) distribution of GST and tied grant support for smaller states. This remains the fairest, simplest and most efficient system of distribution, and the Victorian Government will continue to advocate for a more specific transition path to this outcome. Victoria additionally supports the Review Panel's findings that the GST must remain untied and be transferred in full to the states and territories, and recommendations regarding more consistent treatment of infrastructure payments.

Commonwealth Government contributions in areas of state and shared service responsibility also have significant financial and policy implications for Victoria. Recent revisions to national hospital payments have seen the Commonwealth Government reduce its contribution by \$107 million in 2012-13 and by a total of \$475 million for the period 2012-13 to 2015-16. The reduction in 2012-13 alone is the equivalent of up to 21 000 elective surgery procedures. These revisions largely result from the application of incorrect population growth rates in finalisation of the 2011-12 payment. Victoria is seeking to have the Commonwealth Government correct this treatment, which will otherwise reduce service delivery from 2012-13.

These immediate financial risks are compounded by uncertainty around the Commonwealth Government's commitment to ongoing funding of reforms which have increased service levels. Inadequate ongoing Commonwealth Government contributions in areas such as early childhood education and homelessness will necessarily lead to a reduction in services to Victorians.

The Commonwealth Government has additionally announced its intention to substantially expand its involvement in other areas of state responsibility, raising service expectations and flagging the need for increased state investment. These include announcements regarding the National Disability Insurance Scheme and the Gonski *Review of Funding for Schooling*. This generates substantial financial risks for states, and erodes policy and spending autonomy.

## CHAPTER 2 – ECONOMIC CONTEXT

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- The Victorian economy grew by 2.3 per cent in 2011-12, 0.5 per cent below the long-term growth rate. This was despite challenging global conditions, and indicates the success the economy has had in diversifying into new areas of activity. Growth was supported across most parts of the economy, including household consumption, public demand, business investment and net interstate trade.
- The Victorian labour market recorded mild growth in 2011-12. Job creation in some industries more than offset losses in others as the Victorian economy continued to adjust to the high Australian dollar. GSP growth was greater than employment growth, suggesting labour productivity grew modestly.
- Forward indicators suggest Victorian GSP growth will ease to 2.0 per cent in 2012-13 and return to trend growth in the following years as consumption and business investment strengthen. Modest employment growth is expected in the near term.
- Growth in Victoria's major trading partners in the Asian region is expected to remain strong by world standards. The Chinese economy, now the world's second largest and Victoria's largest trading partner, is expected to maintain strong growth, underpinning activity in Australia and neighbouring countries.
- The modest recovery currently evident in the US is expected to continue, although the 'fiscal cliff' remains a risk. Europe remains a key source of uncertainty as a number of Mediterranean countries struggle to develop credible fiscal policies for the future, contributing to continued financial market volatility.
- The Government has an economic and fiscal strategy to rebuild budget capacity, improve productivity, grow markets and assist industries and employees in transition.

### ECONOMIC OVERVIEW

#### Victorian economic conditions and outlook

The Victorian economy performed relatively well in 2011-12 growing by 2.3 per cent. Victoria's flexible, dynamic economy has been adjusting to challenging global conditions. Increases in labour productivity appear to have contributed to the robust GSP outcome as structural adjustments in the Victorian economy make it more efficient and globally competitive.

Household consumption growth was slower than experienced over the 1990s and early 2000s. However, the fast consumption growth experienced prior to the 2008 global financial crisis was fuelled by unsustainable increases in household debt and low or negative savings. Consumption growth in 2011-12 was more consistent with sustainable long-term growth reflecting expected growth in earnings. Over the medium term, consumer sentiment is expected to remain generally below levels experienced in the decade leading up to the 2008 global financial crisis, as financial market volatility linked to the fiscal woes of Europe periodically rattles confidence levels. Consumption growth is expected to return to levels more consistent with the rebuilding of household balance sheets in the medium term.

The slowdown in household debt accumulation has been accompanied by slower dwelling investment over 2011-12. New dwelling approvals, however, remain higher than in the decade prior to 2008. There are tentative signs that house prices have stabilised, and growth in dwelling investment is expected to strengthen as falling prices and successive interest rate cuts contribute to improving affordability, and pent-up demand arising from population growth spills over into higher activity.

Business investment in 2011-12 was supported by a number of large building and engineering projects. Survey measures of business confidence indicate weak demand and strong import competition may affect business investment in the near term.

Public demand rose in 2011-12 but is expected to detract from growth in 2012-13 as governments at state and federal levels constrain expenditure in response to modest revenue growth. However, forecast increases in population are expected to drive demand for public services, leading to sustainable increases in public expenditure over the medium term.

International goods exports were strong with a high winter crop yield leading to increased sales and continued high levels of wool sales to China. While crop yields are expected to return to long term averages in the near term, they are expected to continue to underpin goods exports. Growth in goods imports moderated as the Australian dollar stabilised for much of the year a little above parity with the US dollar. As Melbourne is a major distribution centre for imports to the rest of the country, the moderation in import growth reflects both local and interstate conditions.

International services exports – particularly international education and inbound tourism – were affected by the high Australian dollar, declining in 2011-12. Growth in services imports slowed compared to the strength experienced in 2010-11, which was driven by outbound tourism. As a further substantial increase in the exchange rate looks unlikely, service exports are expected to stabilise and growth in service imports is expected to ease, heading off further falls in net service exports.

Almost half of Victoria's GSP growth in 2011-12 has been due to interstate trade. This represents a significant avenue through which Victoria benefits from the mining boom (another being through dividends paid to Victorian investors). Growth was robust in the services economy, particularly in professional, scientific and technical services, financial services and health care. Wholesale trade and transport services were also resilient, reflecting Victoria's position as a logistics hub. Interstate services are expected to continue providing support to GSP growth as demand from the mining states is expected to remain strong.

A stronger than expected 2011-12 outcome has resulted in an upward revision to the 2012-13 forecast. Nevertheless, GSP growth is expected to slow compared to 2011-12 as public demand moderates. Over time the economy is expected to return to trend growth.

### ***Labour market***

Victoria's labour market remained resilient over 2011-12. In trend terms, there was a net gain in employment as job losses in some industries were more than offset by gains in others. The unemployment rate remains historically low. Stronger population growth is expected to bolster Victoria's labour force in coming years.

The medium-term outlook for the labour market remains positive. Victoria has the highest participation rate among the non-mining states. Stronger than expected employment growth toward the end of 2011-12 has led to a higher forecast for 2012-13. However, forward indicators for the labour market suggest a moderate level of employment growth is likely to continue in the near term.

### ***Prices and wages***

Inflation was subdued over 2011-12, partly due to falls in the prices of tradeables and a return of fruit and vegetable prices from high flood-affected levels a year earlier. The introduction of the Commonwealth Government's carbon price on 1 July 2012 is expected to increase inflation by a half a percentage point in 2012-13, and a further quarter percentage point in 2013-14. This has been overlaid on a subdued outlook for inflation as international competition and a high Australian dollar are expected to keep underlying inflation within the Reserve Bank of Australia's 2-3 per cent target band.

Victorian wages growth in 2011-12 was in line with the *2012-13 Budget* forecast, marginally below the national increase. Private wages showed resilience despite recent softness in the labour market, consistent with expectations that businesses will ensure wage increases are tied to productivity improvements. Public sector wage growth is also tied to productivity improvements. Growth in total wages is expected to moderate in 2012-13.

### ***Population***

Victoria's recent economic growth has been underpinned by increasing net overseas migration. The slowdown in net overseas migration since 2009 seems to have ended and a turn-around has driven an increase in Victoria's population growth. Despite the mining boom, Victoria continues to receive a positive net inflow of interstate migrants. Recent trends in migration are likely to continue, leading to forecast population growth that is slightly higher than experienced in recent years.

## Economic projections

The economic projections used in this budget update are set out in Table 2.1, with the 2012-13 Budget forecasts in parentheses where different.

**Table 2.1: Victorian economic projections** <sup>(a)(b)(c)</sup>

	<i>(per cent)</i>				
	2011-12	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Real gross state product	2.3 (1.50)	2.00 (1.75)	2.50 (2.75)	2.75	2.75
Employment	0.8 (0.00)	0.50 (0.25)	1.50 (2.00)	1.75	1.75
Unemployment rate <sup>(d)</sup>	5.4 (5.50)	5.75	5.50	5.25	5.00
Consumer price index	2.3 (2.25)	2.75	2.50	2.50	2.50
Consumer price index (excluding carbon tax)	2.3 (2.25)	2.25	2.25	2.50	2.50
Wage price index <sup>(e)</sup>	3.5	3.00	3.25	3.50	3.50
Population <sup>(f)</sup>	1.60 <sup>(g)</sup>	1.60	1.60	1.60	1.60

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 June quarter 2013 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) Total hourly rate excluding bonuses.
- (f) June quarter, per cent change on previous June quarter.
- (g) Estimate, actual not yet available.

## Australian economic conditions

The Australian economy grew around trend in 2011-12, supported by a strong pipeline of mining-related investment. Outside of mining, business investment was more modest. The outlook points toward a slight moderation in conditions as mining-related investment is expected to peak during 2013, combined with a softer outlook for world demand, especially in other advanced countries. Modest public demand is also expected to weigh on growth amid fiscal consolidation at the state and federal levels of government. Nevertheless, growth in the Australian economy is expected to remain around trend levels as increased mining output helps offset the reduction in mining investment as a contributor to growth.



## International economic conditions

According to the International Monetary Fund (IMF), the international outlook has deteriorated since the *2012-13 Budget*. Economic growth is expected to remain sluggish in many advanced economies as doubts about the viability of the euro zone and US fiscal policies linger. However, growth is expected to remain solid in many emerging economies, which is likely to benefit Australia, including Victoria.

Growth in Victoria's Asian trading partners is expected to be maintained. In China, stimulus measures are already underway to keep growth around the official target of 7.5 per cent – strong by international standards. This is expected to support growth throughout much of the Asian region.

In the US, Congressional agreement before 1 January 2013 is required to ameliorate the full effects of the legislated fiscal tightening (or 'fiscal cliff'). If the full measures proceed without agreement, then any subsequent impact on the US economy could have a substantial effect on world growth. Conversely, lack of fiscal discipline over the long term is likely to lower potential US growth.

Europe is likely to remain a source of uncertainty for some time. While European authorities have acted to avert immediate fears, sovereign debts remain uncomfortably large. Further financial shocks from Europe could cause credit market tightening around the world, increasing borrowing costs and constraining activity in the property sector. With many European governments already implementing austerity plans, downgraded expectations for growth in European economies may drag on Victoria's trading partners.

## RISKS TO THE OUTLOOK

Downside risks to the outlook remain weighted toward international factors. National developments could also affect Victoria through downgrades in public spending or through interstate trade channels.

Commodity prices fell 16 per cent over 2011-12, but remain well above levels seen before 2008. Further falls in the price of bulk commodities are likely to affect Victoria indirectly. Such falls could reduce interstate demand for goods and services from the resources sector and its workforce. This would include a range of business and financial services, heavily concentrated in Melbourne.

On the upside, Victoria's labour productivity appears to have improved in 2011-12, indicating the Victorian economy may be adapting to the challenge of a high Australian dollar with greater efficiency and competitiveness.

If growth in emerging Asian economies is stronger than expected, Victoria may benefit both directly through services trade to an increasing Asian middle-class, and indirectly through trade with the mining states which predominantly export to growing Asian economies.

The exchange rate has been supported by recent increases in demand for Australian investments, both in terms of portfolio investment in Australian industries and Commonwealth and State Government bonds that are able to deliver higher returns at low risk, compared to the low level of interest rates prevailing in most advanced

economies. It is unclear whether this is a short-term phenomenon or will persist over the longer term. Further falls in commodity prices or a narrowing of interest rate differentials with other advanced economies could lower the exchange rate. This would result in a decline in the purchasing power of household incomes and could slow real wage growth. However, it would also make a number of Victorian industries more competitive in world markets. The impact on consumer and business confidence and the overall economy is therefore uncertain.

## **ECONOMIC AND FISCAL STRATEGY**

To address current economic and fiscal challenges facing Victoria, and capitalise on new opportunities to drive investment and employment, the Government has developed an economic strategy based on four themes:

- rebuilding budget capacity to fund a substantial program of high quality infrastructure, deliver better quality services and keep taxes competitive without accumulating unsustainable levels of public debt;
- improving productivity through a more affordable and competitive business environment, more highly skilled workforce and better delivery of infrastructure;
- growing domestic and international markets to create jobs and new growth and investment opportunities for Victorian businesses; and
- assisting industries and employees in transition in the changing economic environment.

This economic strategy plays to Victoria's competitive strengths. In particular Victoria's diverse and flexible economy, highly skilled workforce, strong export performance and considerable liveability position the State well to capitalise on opportunities arising from global economic shifts.

### **Rebuilding budget capacity**

A strong budget position remains central to the Government's economic reform strategy.

The government has strengthened the State's finances by restraining back office expenditure, putting in place a responsible wages policy and building budget capacity.

Victoria is now one of only two states (along with resource-rich Western Australia) forecasting consistent budget surpluses over the next four years. Victoria is the only Australian state with a triple-A rating and stable outlook from both Standard & Poor's and Moody's.

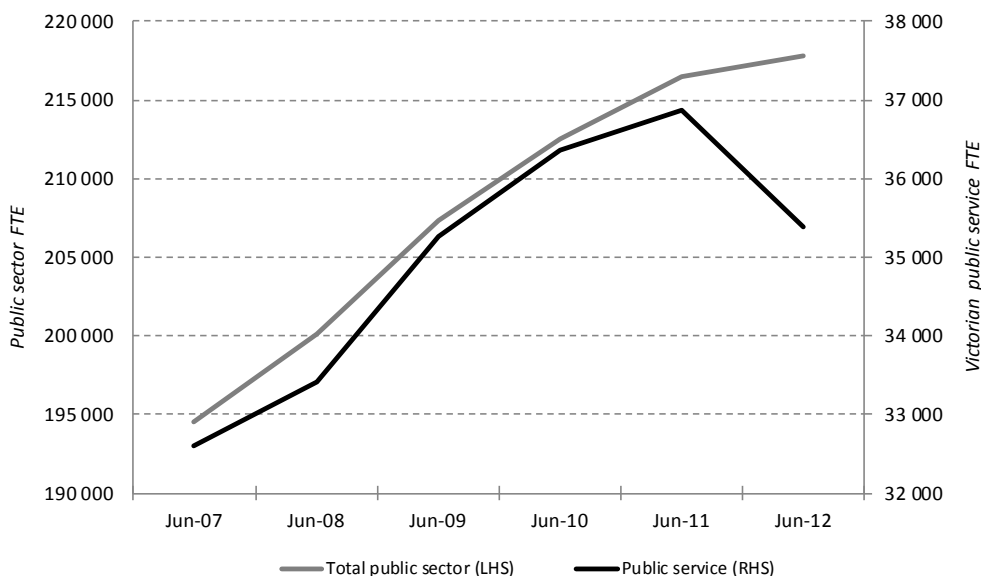
States lack the size or appropriate levers for short-term fiscal stimulus. States drive activity and employment by creating a strong medium-term business environment with competitive taxes, quality services, efficient regulation and high quality infrastructure.

Victoria's fiscal strategy is therefore based on building sustainable finances, while ensuring current spending is well targeted to improve frontline community services and invest in quality infrastructure. As part of this strategy, the Better Services Implementation Taskforce is focussed on improving the effectiveness and efficiency of services the Government delivers.

The Government is committed to delivering an efficient, responsive and sustainable public service for the benefit of all Victorians. Reductions in back-office positions are being achieved through natural attrition, a freeze on recruitment, the lapsing of some fixed-term positions and voluntary departure package programs. The reductions are occurring in areas such as head office and administrative functions across the Victorian public service (VPS) and some Victorian public sector entities, while frontline roles like policing, education and health have increased.

The Victorian public sector includes the 11 departments, 29 agencies, government schools, TAFEs and other education bodies, the health sector, police and emergency services, water and land management, and other bodies such as cemetery trusts, finance and insurance bodies, sport and recreation bodies, VicRoads and Public Transport Victoria. It has grown by an average of 1.7 per cent annually to almost 218 000 FTE staff in the three years to June 2012. By contrast, the VPS declined in the 2011-12 year and at June 2012 had returned to June 2009 levels (Chart 2.1).

**Chart 2.1: VPS and Victorian public sector 2007–2012<sup>(a)(b)(c)</sup>**



Source: State Services Authority, *The State of the Public Sector in Victoria reports*

**Notes:**

- (a) The VPS comprises the 11 departments and 29 agencies. The Victorian public sector comprises the VPS, as well as government schools, TAFEs and other education bodies, the health sector, police and emergency services, water and land management, and other bodies such as cemetery trusts, finance and insurance and sport and recreation bodies. The Victorian public sector also includes VicRoads and Public Transport Victoria, which are part of the Sustainable Government Initiative.
- (b) The decline in the VPS includes the machinery of government transfer of 362 FTE staff out of the VPS and into Public Transport Victoria.
- (c) The State Services Authority data varies from the Australian Bureau of Statistics (ABS) public sector employment data due to additional entities being included in the ABS definition of the 'Victorian public sector'. The major variance relates to the inclusion of universities in the ABS data

## Improving productivity

The Government's economic strategy promotes sustained productivity improvements through a more affordable and competitive business environment, more highly skilled workforce, and better delivery of infrastructure.

To date, the Government has worked on an initial suite of policy approaches, including:

- reducing red tape burden for business, with over half a billion dollars of red tape savings on track to be delivered;
- reforming zoning to allow more 'as of right' development in commercial and industrial zones and to make it easier for new developments, especially smaller supermarkets, large stores and other key commercial developments – these reforms will make Victoria the most competitive Australian state in the grocery sector;
- reforming the State's inefficient and unfair insurance-based fire services levy to a property-based levy – this is the biggest Victorian tax reform for 40 years and will address a major flaw with the current system (that only those with adequate insurance contribute to the fire services);
- containing the State's escalating construction costs, by introducing new guidelines for construction projects funded by the Victorian public sector to boost value-for-money for taxpayer-funded infrastructure;
- supporting Victorian businesses via a three per cent reduction to WorkCover premiums from 1 July 2012, firmly cementing Victoria's position as the state with the lowest workplace insurance premium in Australia;
- reforming Victoria's vocational training system by shifting funding away from low productivity courses towards courses that fill skill shortages and that have closer connections to industry and the employment market – the Government increased support for foundation skill courses, apprenticeships and training in skills gaps;
- developing the Melbourne Metro Strategy and eight Regional Growth Plans, which (together with the Government's infrastructure strategy, zone reforms and other reforms to planning regulation) will guide Victoria's growth over coming decades to drive greater productivity and liveability; and
- realising efficient and responsive public services via the Better Services Implementation Taskforce.

The Victorian Government has also strongly advocated for a productivity agenda at the national level. It has argued the case for an independent review into the drivers of increased construction costs in Australia at the Council of Australian Governments (COAG). This resulted in the Commonwealth Government agreeing to an independent review into the construction industry. The Government seeks for this inquiry to commence urgently under the leadership of an independent and eminent panel.

## **Growing Victoria's domestic and international markets**

In 2011-12, Victoria produced more than \$35 billion in exports of goods and services. Exports of goods grew by 8.3 per cent, faster than resource-rich Western Australia and the nation as whole. Victoria is the country's largest exporter of food and fibre, and a key provider of finance and business services to mining companies in Australia and overseas.

Victoria's proximity and growing network of relationships in Asia present a once in a generation opportunity for Victoria to engage more closely with the region and to strengthen the State's economic and cultural links, not only to the fastest growing markets such as China, Indonesia and India, but also to more traditional partners such as Japan and South Korea.

For the US, the focus will be on high growth niche areas (such as medical devices) that are less sensitive to currency fluctuations. In Europe, the best opportunities exist in industries where Victoria can access global supply chains (such as advanced manufacturing), while Japan provides opportunities in agri-food, health and medical products and collaboration in other markets.

In addition to the key growth markets of China, India and South East Asia, Victoria can also leverage across opportunities in other markets including Europe, Latin America and the Middle East. For example, Victoria has built up a strong reputation with the Gulf Cooperation Council States as a reliable supplier of goods and services. Similarly, while Victoria's trade relationship with Latin America is relatively small, there is considerable potential for growth through key sectors such as international education and training, urban planning, major events, mining and mining services.

The Premier led the largest ever trade mission from Australia to China in September 2012. The trade mission secured hundreds of millions of dollars in exports and investment in manufacturing, ICT, finance and other sectors. These results followed on from the successful India trade mission in February 2012.

## **Assisting Victorian industries in a changing economy**

The Government has been assisting industries and employees in transition through what are difficult times for many businesses. This existing support network is being buttressed by actions at the regional level.

Actions include:

- the Government's \$58 million manufacturing strategy, *A More Competitive Manufacturing Industry: New directions for Industry Policy and Manufacturing*;
- the Latrobe Valley Roadmap released in June 2012, which provides a long-term plan for industry and employment growth as the region will likely be impacted by the introduction of the national carbon tax. The roadmap includes an extra \$5 million to expand the Latrobe Valley Industry and Infrastructure Fund to \$15 million to support business and deliver greater employment outcomes;

- the Victorian Government jointly funding with the Commonwealth Government a \$35 million program to support firms in the automotive supply chain to broaden and strengthen their product and customer base so they are less dependent on orders from local car makers;
- the Government has provided a \$4 million fund to attract new investment to Geelong; and
- the Government's Timber Industry Action Plan focuses on improving productivity and providing greater certainty for investment in saw mills and value adding opportunities.

In addition to the above initiatives, support available for displaced workers includes:

- access to training under the Victorian Training Guarantee for workers who have been made redundant as a result of a major industry downturn;
- a response team from the Department of Business and Innovation to provide early information and support to retrenched workers, particularly those in regional communities; and
- a range of specialised financial and counselling support services (e.g. MoneyHelp – a free service that provides independent and confidential financial advice to Victorians struggling to pay their mortgage or rent, or facing job loss). In addition, there are programs to assist people facing financial or emotional hardship such as the Utility Relief Grant Scheme, the Generalist Financial Counselling program and the Housing Establishment Fund.

## CHAPTER 3 – BUDGET POSITION AND OUTLOOK

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- Victoria's public finances are among the strongest in Australia, as the only state to hold a triple-A credit rating with a stable outlook from both major international credit rating agencies. This in large part reflects the Government's demonstrated resolve to responsibly manage the State's finances in challenging fiscal conditions.
- The operating surplus for the general government sector is forecast to be \$137 million in 2012-13, growing to \$2.6 billion in 2015-16. In line with the Government's medium-term fiscal strategy, these surpluses will fund productivity-enhancing infrastructure and rebuild capacity to withstand future revenue shocks.
- Expenses growth has been constrained to an average of 3.8 per cent in the last two years, around half the average of 7.3 per cent a year in the decade to 2010-11.
- The *2012-13 Budget Update* extends the Government's record of actively managing deteriorating revenues. Despite solid growth in the Victorian economy, taxation revenue has been revised down by a further \$1.0 billion over the budget and forward estimates period. The Government has responded with further savings, targeted revenue-raising measures and administrative efficiencies to maintain operating surpluses over the budget and forward estimates.
- Net infrastructure investment will be \$5.6 billion in 2012-13, and average 1.3 per cent of gross state product (GSP) over the five years to 2015-16, in line with the Government's fiscal strategy.
- The Government is on track to fully fund its infrastructure program without additional borrowing by 2015-16. As a result, net debt is projected to decline as a percentage of GSP from June 2014.
- The non-financial public sector (NFPS) is projected to return to an operating surplus from 2013-14 onwards, reflecting stronger operating performances within the general government and public non-financial corporations (PNFC) sectors.
- NFPS net debt as a proportion of GSP is projected to decline to 10.4 per cent by 30 June 2016. This will help support the State's triple-A credit rating.

This chapter presents the financial position of the public sector, incorporating the general government sector, the PNFC sector and the public financial corporations (PFC) sector. The estimates take account of policy decisions of the Victorian Government, revisions to Commonwealth Government funding and other information that affects the financial statements as at 1 December 2012, unless otherwise stated.

Specific policy decisions approved since the *2012-13 Budget* that affect the budget position are summarised in Appendix A *Specific policy initiatives affecting budget position*.

## GENERAL GOVERNMENT SECTOR

### Overview

Since coming to office, the Government has demonstrated a resolve to responsibly manage the state's finances in challenging fiscal conditions. Expenses growth has been constrained to an average of 3.8 per cent a year in the last two years, around half the average of 7.3 per cent a year in the decade to 2010-11. As a result, Victoria's public finances are now among the strongest in Australia, and the world.

Responsible and disciplined financial management will be critical in the period ahead as state revenue continues to come under pressure, despite the resilience of the Victorian economy. In the *2012-13 Budget Update*, taxation revenue has been revised down by a further \$1.0 billion over the four years to 2015-16, primarily reflecting a more modest recovery in land transfer duty revenue. Forecasts of taxation and goods and services tax (GST) revenue between 2012-13 and 2015-16 are now \$6.7 billion lower than expected in the *2010-11 Budget Update*.

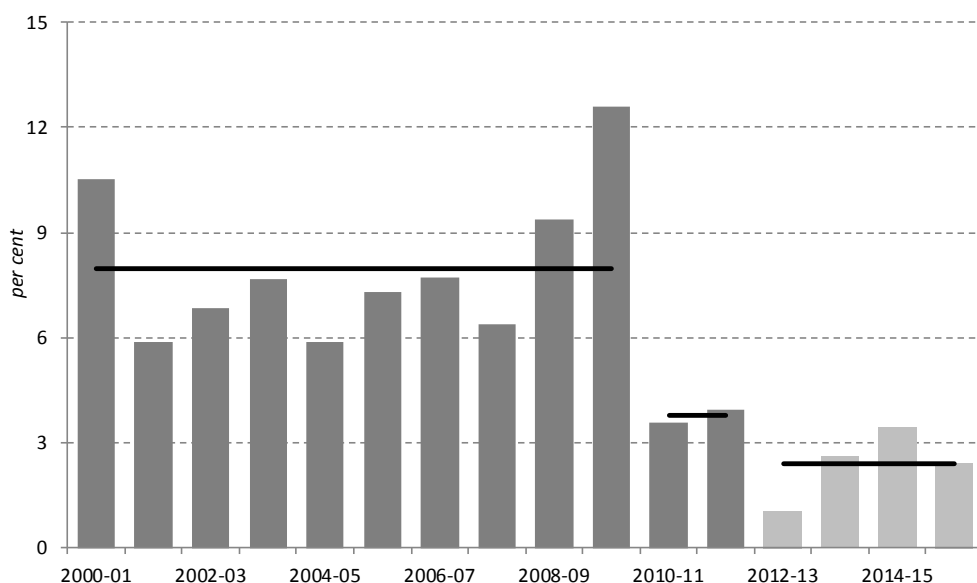
Recent revenue downgrades are consistent with a return to a more balanced composition of economic growth, from one that was led by consumption and property for much of the previous decade. The failure of the GST pool to keep pace with consumption growth and the unfair markdown in Victoria's share of the national GST pool has also contributed to the write-down of Victorian revenue. These trends have seen revenue growth slow significantly in recent years, with growth in taxation and GST revenue averaging 3.5 per cent a year since the onset of the global financial crisis compared with 6.8 per cent in the four years prior. Over the budget and forward estimates, total revenue is forecast to grow by an average of 3.3 per cent a year.

Against this backdrop the Government continues to deliver its commitment to expenditure restraint. The *2012-13 Budget Update* introduces further savings, targeted revenue-raising measures and administrative efficiencies to maintain operating surpluses throughout the forward estimates. Combined with earlier decisions, these measures will help contain expenses growth to an average of 2.4 per cent a year over the budget and forward estimates.

The operating surplus is forecast to be \$137 million in 2012-13, growing to \$2.6 billion by 2015-16.



**Chart 3.1: Annual average expense growth**



Source: Department of Treasury and Finance

In line with the Government’s medium-term fiscal strategy, these surpluses will support strong infrastructure investment. Net infrastructure investment is expected to be \$5.6 billion in 2012-13, broadly in line with the record levels of investment associated with Commonwealth Government stimulus following the global financial crisis. Net infrastructure investment will average 1.3 per cent of GSP over the five years to 2015-16, in line with the Government’s infrastructure parameter.

Stronger operating surpluses will enable infrastructure to be delivered sustainably. The Government is on track to fully fund its infrastructure build without recourse to additional debt by 2015-16. At the same time, the debt that has accumulated to fund infrastructure investment during recent revenue shocks will decline as a proportion of GSP from June 2014.

**Table 3.1: General government fiscal aggregates and measures**

	Unit of Measure	2011-12 Actual	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Net result from transactions	\$ million	571.2	136.9	834.7	1 260.0	2 636.8
Net debt	\$ billion	15.2	20.1	23.0	23.9	23.9
Net debt to GSP	per cent	4.6	5.8	6.4	6.3	6.0
Net infrastructure investment <sup>(a)</sup>	\$ billion	5.2	5.6	5.8	4.1	3.7

Source: Department of Treasury and Finance

Note:

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

## Budget and forward estimates outlook

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

**Table 3.2: Summary operating statement for the general government sector**

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Revised	Estimate	Estimate	Estimate
<b>Revenue</b>					
Taxation	15 026.9	15 612.2	16 379.3	17 360.1	18 093.8
Dividends, TER and interest <sup>(a)</sup>	1 351.7	1 903.1	1 333.6	1 434.3	1 549.2
Sales of goods and services	6 267.2	6 870.3	6 805.1	6 944.5	7 141.5
Grants	22 599.8	21 618.8	23 473.5	24 364.3	25 877.1
Other current revenue	2 636.7	1 942.8	1 901.6	1 910.7	1 950.5
<b>Total revenue</b>	<b>47 882.3</b>	<b>47 947.2</b>	<b>49 893.1</b>	<b>52 013.8</b>	<b>54 612.1</b>
<i>% change</i>	4.0%	0.1%	4.1%	4.3%	5.0%
<b>Expenses</b>					
Employee expenses	17 120.1	17 407.5	18 039.0	18 700.6	19 416.2
Superannuation	2 632.5	2 360.1	2 359.9	2 352.1	2 355.7
Depreciation	2 126.5	2 318.3	2 460.6	2 589.6	2 706.5
Interest expense	1 242.6	1 730.5	2 105.9	2 186.1	2 182.2
Other operating expenses	15 955.6	16 196.3	15 839.8	16 305.6	16 600.1
Grants and other transfers	8 233.8	7 797.6	8 253.3	8 619.8	8 714.5
<b>Total expenses</b>	<b>47 311.0</b>	<b>47 810.4</b>	<b>49 058.4</b>	<b>50 753.9</b>	<b>51 975.3</b>
<i>% change</i>	4.0%	1.1%	2.6%	3.5%	2.4%
<b>Net result from transactions</b>	<b>571.2</b>	<b>136.9</b>	<b>834.7</b>	<b>1 260.0</b>	<b>2 636.8</b>
<b>Total other economic flows included in net result</b>	<b>(10 298.6)</b>	<b>(1 183.2)</b>	<b>(205.0)</b>	<b>(277.3)</b>	<b>(303.4)</b>
<b>Net result</b>	<b>(9 727.3)</b>	<b>(1 046.3)</b>	<b>629.7</b>	<b>982.6</b>	<b>2 333.4</b>

Source: Department of Treasury and Finance

Note:

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

### Revenue outlook

Revenue is expected to grow by 0.1 per cent in 2012-13. This in part reflects the Commonwealth Government's decision to bring forward a number of grants payments into 2011-12. After adjusting for this, revenue growth is expected to be stronger in 2012-13, at 3.4 per cent, following growth of 2.4 per cent in 2011-12. Over the forward estimates, revenue is expected to increase at an average rate of 4.4 per cent a year.

The modest outlook for revenue (excluding the rephasing of Commonwealth grants) primarily reflects more subdued expectations for GST revenue and land transfer duty. Both taxes were major sources of growth in revenue over the previous decade, reflecting prevailing conditions in the economy, particularly with respect to consumer spending and investment in the housing market. These conditions are unlikely to be repeated over the forward estimates.

State taxation revenue is expected to grow by 3.9 per cent in 2012-13 with solid growth across most broad taxation categories except land transfer duty. Growth is forecast to pick up to an average of 5.0 per cent a year over the forward estimates in line with an anticipated recovery in land transfer duty revenue. Specifically:

- payroll tax is expected to grow by 3.7 per cent in 2012-13 and by an average of 6.2 per cent a year over the forward estimates, consistent with the outlook for wages and employment;
- land transfer duty is expected to fall by 4.4 per cent in 2012-13. This is the second consecutive year of declining revenue and reflects ongoing subdued conditions in the housing market. Thereafter, growth is expected to recover, to average 7.0 per cent a year over the forward estimates;
- land tax revenue is expected to grow by 13.3 per cent in 2012-13 and by an average of 1.4 per cent a year over the forward estimates. This reflects expectations of higher revaluations over the next few land tax assessment cycles;
- motor vehicle taxes are expected to grow by 13.2 per cent in 2012-13, reflecting the increase in the motor vehicle registration fee and new passenger motor vehicle duty announced in the *2011-12 Budget Update*. Growth is expected to average 4.0 per cent a year over the forward estimates;
- gambling taxes are expected to grow by 5.5 per cent in 2012-13 and an average of 4.6 per cent a year over the forward estimates, in line with growth in nominal household consumption; and
- taxes on insurance (excluding insurance contributions to fire brigades) are expected to grow by 6.7 per cent in 2012-13 and by an average of 3.9 per cent a year over the forward estimates, underpinned by ongoing solid economic growth and higher premiums.

GST revenue is projected to grow by 7.2 per cent in 2012-13 and by an average of 5.4 per cent over the three years to 2015-16. Growth over the next four years is below the historical average and reflects a relatively subdued national outlook for consumption subject to GST and dwelling investment.

Other Commonwealth grants are expected to reduce by 14.1 per cent in 2012-13 and increase by 14.2 per cent in 2013-14. This pattern largely reflects a series of decisions by the Commonwealth Government since 2011 to re-phase grants out of 2012-13 into other years. This includes, in the period since the *2012-13 Budget*, a bring forward of around \$500 million in grants for roads, the Housing Affordability Fund and local government from 2012-13 into 2011-12, as well as a \$107 million reduction in National Health Reform payments in 2012-13. Growth is expected to return to normal levels from 2014-15, largely reflecting indexation arrangements for the major Commonwealth grants, particularly for health and education.

Dividend, income tax equivalents and interest revenue is expected to increase strongly in 2012-13 and fall in 2013-14. This profile largely reflects an increase in dividends from the State Electricity Commission of Victoria associated with projected cash flow that is surplus to its operational requirements. Dividend revenues increase again from 2014-15, attributable to improved profitability in the PNFC sector due to steady growth in sales revenue.

Revenue from sales of goods and services is expected to increase by 1.3 per cent a year on average over the forward estimates period. This follows a large increase in 2012-13 associated with the one-off recognition of revenue from the Melbourne Water Corporation upon commissioning of the desalination plant.

Other operating revenue includes fines, royalties, donations and gifts, the annual recognition of the fair value of assets received free of charge and other miscellaneous income. These revenues are expected to fall in 2012-13 as revenues return to normal levels after the formal recognition of payments from the Director of Housing to the general government sector in 2011-12. Thereafter, other operating revenues are projected to increase by an average of 0.1 per cent a year over the forward estimates.

### ***Expenses outlook***

Total expenses are projected to grow by 1.1 per cent in 2012-13, which in part reflects the impact of the rephasing of Commonwealth grants into 2011-12. Excluding this, expenses are expected to grow by 2.1 per cent in 2012-13. Over the three years to 2015-16, total expenses are projected to grow by 2.8 per cent a year on average.

Modest growth in expenses largely reflects the cumulative impact of savings measures announced by the Government to offset the reduction in projected revenue and ensure the budget remains on a sustainable footing. In particular:

- employee expenses (including superannuation) are expected to be relatively unchanged in 2012-13 before growing by 3.3 per cent a year on average across the forward estimates. This growth is lower than the historical average and largely reflects Sustainable Government Initiative reductions, partly offset by increased costs associated with front line services required for a growing community. This includes additional police, Protective Services Officers, education, health and human services;

- other operating expenses are expected to grow by 1.5 per cent in 2012-13 and an average of 0.8 per cent a year over the forward estimates, in part reflecting growth in expenditure in the human services and health sectors;
- grants and transfer payments are expected to decline by 5.3 per cent in 2012-13, due to the Commonwealth Government's rephasing of local government grants into 2011-12. Growth is expected to rebound to an average of 3.8 per cent a year over the forward estimates, largely reflecting funding for non-government schools and grants on passed to local government;
- depreciation expenses are projected to grow by an average of 5.3 per cent a year over the forward estimates. This is consistent with the increase in the asset base due to the Government's continued investment in infrastructure; and
- interest payments are expected to increase gradually before stabilising from 2014-15, in line with net debt.

### ***Other economic flows***

Net other economic flows in 2012-13 primarily reflect a forecast actuarial loss on superannuation of around \$1.1 billion. This is made up of a \$1.5 billion loss that arose from a reduction in the bond rates used to value the State's superannuation liability, partially offset by a \$400 million actuarial gain due to higher than expected returns on superannuation assets for the year to date. It is important to note that changes in the superannuation liability that are attributable to bond rate movements do not impact the amount of cash required to fund the liability over time.

### **Reconciliation of forward estimates to previously published estimates**

The net result from transactions has only been revised down marginally since the *2012-13 Budget*. This reflects a deterioration in income from transactions as a result of weaker taxation receipts and Commonwealth specific purpose grants, that has been offset by policy and administrative reductions in expenses.

**Table 3.3: Reconciliation of estimates to the 2012-13 Budget**

(\$ million)

	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
<b>Net result from transactions: 2012-13 Budget</b>	<b>154.9</b>	<b>861.1</b>	<b>1 076.4</b>	<b>2 527.8</b>
<b>Plus: Variations in income from transactions since 2012-13 Budget</b>				
Policy decision variations	8.4	21.7	23.0	19.4
<b>Economic/demographic variations</b>				
Taxation	- 162.4	- 186.3	- 231.4	- 368.8
Investment income <sup>(a)</sup>	222.2	- 73.8	- 88.0	- 110.8
	<b>59.8</b>	<b>- 260.1</b>	<b>- 319.4</b>	<b>- 479.7</b>
<b>Commonwealth grant variations</b>				
General purpose grants	86.1	- 93.1	- 52.8	29.3
Specific purpose grants	- 697.2	- 278.0	40.2	102.3
	<b>- 611.1</b>	<b>- 371.1</b>	<b>- 12.6</b>	<b>131.6</b>
Increase in own source revenue <sup>(b)</sup>	96.5	55.8	- 10.5	- 11.0
Administrative variations	37.0	- 11.8	- 51.6	- 49.7
<b>Total variation in income from transactions since 2012-13 Budget</b>	<b>- 409.4</b>	<b>- 565.6</b>	<b>- 371.0</b>	<b>- 389.5</b>
<b>Less: Variations in expenses from transactions since 2012-13 Budget</b>				
Policy decision variations <sup>(c)</sup>	17.4	- 91.3	- 173.8	- 263.9
Commonwealth grant variations	- 378.9	- 112.2	- 88.5	130.4
Variations in own-source revenue <sup>(b)</sup>	187.7	194.3	111.2	121.1
<b>Administrative variations</b>				
Superannuation variations	- 159.6	- 167.1	- 180.0	- 190.2
Other administrative variations <sup>(c)</sup>	- 58.1	- 362.9	- 223.4	- 295.8
	<b>- 217.7</b>	<b>- 530.0</b>	<b>- 403.4</b>	<b>- 486.0</b>
<b>Total variation in expenses from transactions since 2012-13 Budget</b>	<b>- 391.5</b>	<b>- 539.2</b>	<b>- 554.6</b>	<b>- 498.5</b>
<b>Revised net result from transactions</b>	<b>136.9</b>	<b>834.7</b>	<b>1 260.0</b>	<b>2 636.8</b>

Source: Department of Treasury and Finance

## Notes:

<sup>(a)</sup> Investment income includes dividends, income tax and rate equivalent revenue.<sup>(b)</sup> Own-source revenue variations represent third party variations by departments.<sup>(c)</sup> In this table policy decision variations are shown at gross levels rather than net of contingency provisions. Release of new contingency provisions are shown in Other administrative variations.**Variations to income from transactions**

The downward revisions in total revenue compared to 2012-13 Budget are mainly attributed to a weaker than expected property market and revised Commonwealth specific purpose grants revenue.

### *Policy decision variations*

In net terms, policy decisions are projected to increase revenue by \$21 million a year on average over the forward estimates. This reflects an increase in driver's licence fees partly offset by the net impact of introducing a property-based fire services levy to replace the existing insurance-based funding model.

Details of specific policy initiatives since the *2012-13 Budget* are contained in Appendix A *Specific policy initiatives affecting budget position*.

### *Economic/demographic variations*

Taxation revenue has been revised down by an average of \$237 million a year over the budget and forward estimates due to economic/demographic factors, mainly reflecting:

- a decrease in land transfer duty by an average of \$293 million a year, reflecting a more modest recovery in the property market than previously anticipated; and
- a decrease in motor vehicle taxes by an average of \$40 million a year, reflecting the impact of weak motor vehicle prices on stamp duty revenue.

These revisions have been partly offset by upward revisions to:

- payroll tax, by an average of \$56 million a year, reflecting stronger than expected employment conditions; and
- land tax, by an average of \$47 million a year, reflecting the impact of the higher than expected biennial revaluation of land values in 2012. Despite this, growth in land tax revenue over the forward estimates is still expected to be below the long-term average.

Investment income is expected to be higher in 2012-13 primarily reflecting the improved operating performances of the Victorian WorkCover Authority and the Transport Accident Commission. Over the forward estimates, investment income has been revised down by an average of \$91 million a year reflecting the combined impact of:

- lower dividends from Victorian WorkCover Authority, mainly due to a reduction in premiums combined with higher claims expenses;
- lower dividends from Transport Accident Commission associated with higher projected expense claims resulting from updated actuarial assumptions, including lower bond rates used to discount claims liabilities; and
- reduced dividends from metropolitan retail water businesses, reflecting revised revenue assumptions.

### *Commonwealth grant variations*

General purpose grants (largely GST revenue) have been revised up in 2012-13, and down by an average of \$39 million a year over the remainder of the forward estimates. This reflects the net impact of:

- slight upward revisions to the Commonwealth Government's estimates of the GST national pool published in its *2012-13 Mid-Year Economic and Fiscal Outlook* (MYEFO); and
- a deterioration in Victoria's GST revenue-sharing relativities beyond 2012-13, in light of revisions to specific purpose payments and new information contained in other state and territory budgets.

Commonwealth specific purpose and national partnerships grants revenue has been revised down in 2012-13 and 2013-14. This largely reflects the Commonwealth Government's decision to bring forward the payment of a number of grants from 2012-13 to 2011-12 and reduce funding for hospitals from previously forecast levels:

- the Commonwealth Government reduced grants to Victoria by around \$500 million in 2012-13, largely by rephasing payments for roads, local government and affordable housing into 2011-12;
- National Health Reform payments have been revised down by \$107 million in 2012-13 and by a total of \$475 million for the period 2012-13 to 2015-16. These revisions largely result from the application of incorrect population growth rates in the finalisation of the 2011-12 payment; and
- a further reduction in 2013-14 for road grants.

In 2014-15 and 2015-16, non-GST grants revenue has been revised higher by an average of \$71 million a year as a result of the rephasing of funding for road projects, partly offset by a reduction in funding for schools.

### *Own-source revenue*

Own-source revenue is higher in 2012-13 and 2013-14 primarily due to additional third-party revenues for health agencies and schools. These increases are partly offset by decreases to expected interest revenues for trust funds such as the Victorian Property Fund and the Residential Tenancy Fund, as well as revised estimates of farebox revenue.

### *Administrative variations*

Revenue estimates have been revised moderately downward by an average of \$19 million a year to 2015-16 as a result of administrative variations. The revisions mainly include impacts associated with an update of the Metropolitan Fire and Emergency Services Board's revenue estimates, and the transfer of the Goulburn-Murray Water's Connections Program (previously known as Northern Victoria Irrigation Renewal Project (NVIRP)) to the PNFC sector.



## ***Variations to expenses from transactions***

Compared with the outlook in the 2012-13 Budget, the change in total expenses primarily reflects lower payments relating to Commonwealth Government revenue, revised superannuation estimates and the impact of additional efficiencies, partly offset by increased expenses associated with own-source revenues.

### ***Policy decision variations***

Policy decisions are projected to reduce expenses by \$512 million over the budget and forward estimates period, with additional efficiency measures and realised productivity gains more than offsetting new output policy decisions taken since the *2012-13 Budget*.

Details of specific policy initiatives including efficiency measures since the *2012-13 Budget* are contained in Appendix A *Specific policy initiatives affecting budget position*.

### ***Commonwealth grant variations***

Expenditure revisions associated with Commonwealth grant variations account for lower expenditure from 2012-13 to 2014-15. This primarily reflects the rephrasing of Commonwealth grants for non-government schools, as well as a reduction in expenditure on healthcare.

### ***Variations in own-source revenue***

Additional expenditure associated with own-source revenue primarily relates to the health sector, plus higher expenditure in the education sector.

### ***Administrative variations***

Superannuation related expenditure is forecast to be lower than *2012-13 Budget* by \$174 million on average each year from 2012-13 and over forward estimates. This is due to the combined impact of a fall in bond rates, revised membership data and updated demographic assumptions.

Other administrative variations are projected to reduce expenses by \$58 million in 2012-13 and \$294 million a year on average across the forward estimates.

The reductions over the four years to 2015-16 include:

- the release of expenditure contingencies to offset new policy decisions as well as adjustments to the level of contingency provisions in line with the expected economic and fiscal position;
- revisions to interest expense, which is projected to be lower by \$75 million a year on average from 2013-14, as a result of the revised profile of borrowings and lower interest rates; and
- revisions to forecast depreciation expenditure of \$87 million a year on average to better align estimates with historical results.

Reductions in expenses due to administrative factors are offset in 2012-13 by an increase in the expected cost of flood recovery, the impact of higher enrolments for vocational education and training courses, and the one-off cost of voluntary departure packages associated with the Sustainable Government Initiative.

## Cash flows

The Government's strategy to constrain expense growth will provide increasing cash from operating surpluses over the forward estimates. Cash from operating surpluses will be sufficient to begin reducing net debt as a proportion of GSP from June 2014 and fully fund net infrastructure investment in 2015-16. This is in contrast to 2011-12, when only around half of the State's net infrastructure investment was able to be funded by cash from operating surpluses.

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

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Net result from transactions</b>	<b>571.2</b>	<b>136.9</b>	<b>834.7</b>	<b>1 260.0</b>	<b>2 636.8</b>
Add back: Non-cash income and expenses (net) <sup>(a)</sup>	2 186.3	1 612.7	1 998.8	2 019.3	2 175.8
<b>Net cash flows from operating activities</b>	<b>2 757.5</b>	<b>1 749.6</b>	<b>2 833.5</b>	<b>3 279.3</b>	<b>4 812.6</b>
Less:					
<b>Net investment in fixed assets</b>					
Expenditure on approved projects	5 396.0	6 082.6	5 909.0	4 137.8	2 414.1
Capital provision approved but not yet allocated <sup>(b)</sup>	..	..	257.2	335.7	1 642.8
Proceeds from asset sales	<b>(167.1)</b>	<b>(524.4)</b>	<b>(392.6)</b>	<b>(360.3)</b>	<b>(353.9)</b>
<b>Total net investment in fixed assets <sup>(c)</sup></b>	<b>5 228.9</b>	<b>5 558.1</b>	<b>5 773.6</b>	<b>4 113.3</b>	<b>3 703.0</b>
Finance leases <sup>(d)</sup>	916.0	1 019.9	..	..	1 050.4
Other investment activities (net)	12.7	(11.6)	46.0	52.1	59.5
<b>Decrease/(increase) in net debt</b>	<b>(3 400.1)</b>	<b>(4 816.8)</b>	<b>(2 986.1)</b>	<b>(886.1)</b>	<b>(0.4)</b>

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 2011-12 relates to the Royal Children's Hospital, and the finance lease in 2012-13 relates to the Biosciences Research Centre, and Peninsula Link projects. The 2012-13 estimate is net of the financing arrangements associated with the Victorian desalination plant project which forms part of the PNFC sector net debt. The 2015-16 estimate relates to Victorian Comprehensive Cancer Centre.

The Government's infrastructure investment program underpins the provision of essential services. Infrastructure investment (excluding asset sales) over the budget and forward estimates years reflects significant investment in health, transport, justice and the education and vocational training sectors.

Net infrastructure investment in fixed assets is projected to be \$5.6 billion in 2012-13 and average \$4.5 billion a year over the forward estimates. Infrastructure investment is projected to meet or exceed the Government's medium-term fiscal parameter of 1.3 per cent of GSP over a rolling five-year period to the end of the forward estimates.

## **Net debt and net financial liabilities**

Past patterns of spending growth were unsustainable and left the State financially exposed to revenue shocks of the type experienced since the global financial crisis. This created a situation where the State's infrastructure program was increasingly funded through debt.

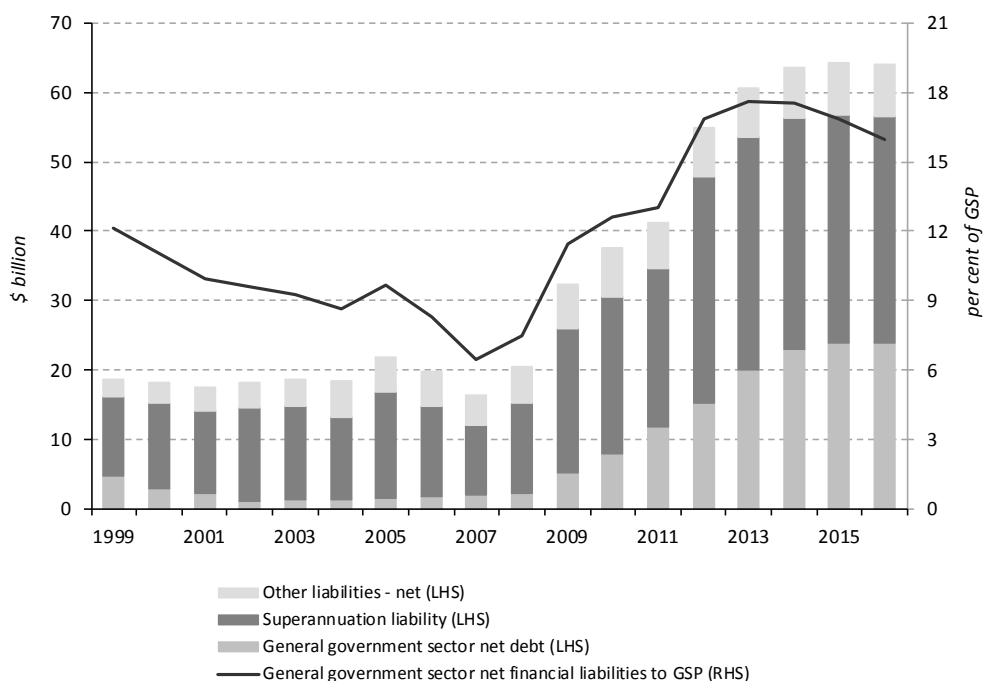
The expenditure restraint demonstrated by the Government over the past two years, and projected over the budget and forward estimates, will put Victoria's finances on a sustainable path that provides for necessary infrastructure investment while beginning to reduce net debt as a share of GSP.

The Government's approach has been recognised by key credit ratings agencies with Victoria now the only state to have a triple-A credit rating with stable outlook from both Moody's Investors Service and Standard & Poor's. Key financial indicators for the State's credit worthiness are included in Table 3.9 *Indicators of financial sustainability for the non-financial public sector*.

Net debt remains broadly in line with the *2012-13 Budget* estimate, despite the further deterioration in revenue. Net debt is projected to decline as a per cent of GSP from June 2014.

Net financial liabilities for the general government sector, which incorporate the State's superannuation liability, are \$55 billion at June 2012, and forecast to increase to \$64.2 billion by June 2015. Net financial liabilities are expected to decrease thereafter in line with the forecast elimination of the State's superannuation liability by 2035.

**Chart 3.2: General government net financial liabilities as at 30 June<sup>(a)</sup>**



Source: Department of Treasury and Finance

Note:

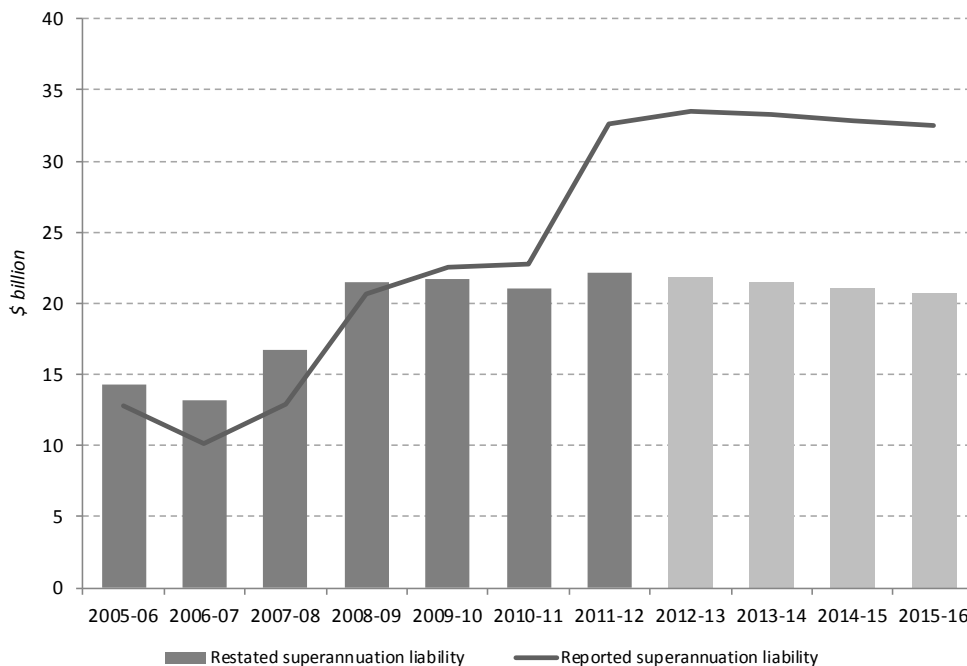
(a) Superannuation liabilities between 1999 and 2004 are calculated under the previous Australian accounting standard, whereas from 2005 onward AASB 119 has been applied.

The Government’s medium-term fiscal strategy incorporates actions to reduce both net debt and the superannuation liability. Over recent years, especially since the global financial crisis, the superannuation liability has increased. This upward trend is primarily due to movements in the discount rate that is required to be used to value the superannuation liability under Australian Accounting Standard, AASB 119 *Employee Benefits*.

Under AASB 119, the discount must be based upon government bond yields which have decreased significantly in recent years. Without the impact of movements in these bond yields Victoria’s superannuation liability would have remained relatively stable since 2009, with the preceding increase largely attributable to adverse investment performance (see Chart 3.3). This highlights the fact that the increase in the reported superannuation liability is due to factors beyond the control of government and is unrelated to government policy.

The Government continues to take action toward fully funding the unfunded superannuation liability by 2035 and any increase in the superannuation liability that arises solely due to movements in the discount rate does not affect this.

**Chart 3.3: Restated superannuation liability<sup>(a)(b)(c)</sup>**



Source: Department of Treasury and Finance

Notes:

- (a) This analysis restates the superannuation liability based upon a constant discount rate assumption of 5.5 per cent a year, the average that has applied since 2005.
- (b) From 2009, the valuation method changed such that an index linked bond yield is used to imply the inflation assumption. An index linked bond of 2.75 per cent a year was used for the purposes of this analysis.
- (c) The adjustments to the superannuation liability have been made based upon sensitivity analysis that estimates the impact that movements in bond yields are expected to have on the liability.

Without the impact that adverse bond rate movements have had on the superannuation liability, net financial liabilities for the general government sector would have been around \$12 billion lower than that reported.

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

	(\$ billion)				
	2012	2013	2014	2015	2016
	Actual	Revised	Estimate	Estimate	Estimate
<b>Financial assets</b>					
Cash and deposits	4.6	4.7	4.9	5.2	5.5
Advances paid	0.3	4.4	4.4	4.4	4.3
Investments, loans and placements	2.6	2.7	2.7	2.8	2.9
<b>Total</b>	<b>7.5</b>	<b>11.8</b>	<b>12.0</b>	<b>12.3</b>	<b>12.7</b>
<b>Financial liabilities</b>					
Deposits held and advances received	0.4	0.4	0.4	0.4	0.4
Borrowings	22.4	31.4	34.6	35.8	36.2
<b>Total</b>	<b>22.8</b>	<b>31.8</b>	<b>35.1</b>	<b>36.2</b>	<b>36.6</b>
<b>Net debt</b> <sup>(a)</sup>	15.2	20.1	23.0	23.9	23.9
Superannuation liability	32.6	33.5	33.3	32.9	32.5
<b>Net debt plus superannuation liability</b>	<b>47.8</b>	<b>53.6</b>	<b>56.3</b>	<b>56.8</b>	<b>56.5</b>
Other liabilities (net) <sup>(b)</sup>	7.2	7.1	7.2	7.4	7.5
<b>Net financial liabilities</b> <sup>(c)</sup>	<b>55.0</b>	<b>60.6</b>	<b>63.5</b>	<b>64.2</b>	<b>64.0</b>
	(per cent)				
<b>Net debt to GSP</b> <sup>(d)</sup>	4.6	5.8	6.4	6.3	6.0
<b>Net debt plus superannuation liability to GSP</b> <sup>(d)</sup>	14.6	15.5	15.5	14.9	14.1
<b>Net financial liabilities to GSP</b> <sup>(d)</sup>	16.7	17.6	17.5	16.8	15.9

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

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

### Revenue risks

#### State taxes

State tax forecasts are primarily based on an assumed or estimated relationship between taxation revenue and projected economic variables. As a result, the main source of risk to the taxation estimates comes from the economic environment.

Changes in economic conditions from those projected will affect taxation revenue. For example, higher than expected economic activity or inflation will tend to lead to higher taxation revenue. Specific economic risks are presented in Chapter 2 *Economic context* and the fiscal implications of variations in economic parameters from forecast are considered in Appendix D *Sensitivity analysis*.

There is also the risk of changes in the relationship between the economic variables and taxation revenue (such as between consumer spending and motor vehicle taxes, or between employment and payroll tax). Some state taxes, such as stamp duty on land transfers, are sourced from tax bases that are subject to volatility, and revenue from these sources may be subject to substantial annual variation.

### ***Commonwealth grants***

The distribution of GST grants between states and territories is determined by the size of the GST national pool and each state or territory's population share weighted by its GST relativities, as informed by recommendations of the Commonwealth Grants Commission (CGC). Any changes to national economic conditions will directly affect the GST grants pool, while changes to the CGC's methodology, changing fiscal circumstances of any state or territory or revisions to data used by the CGC could result in material changes in Victoria's share of the pool. Revisions to historical data are likely to be particularly significant in the next two CGC Updates as the Australian Bureau of Statistics updates its social and demographic statistics as a result of the 2011 Census.

The level of National Partnership and specific purpose payments funding received by Victoria is determined by the policies of the Commonwealth Government and funding arrangements agreed by the Council of Australian Governments. Some National Partnership funding is also subject to the State achieving certain performance benchmarks. Decisions of the Commonwealth Government can substantially alter the ongoing provision or phasing of payments under individual agreements, with significant revenue implications in a given financial period.

Recent developments in federal financial relations highlight the risks associated with these tied grants. In particular, the Commonwealth has introduced significant uncertainty around its commitment to maintaining its funding share of key reforms, resulting in a significant risk to services. In addition the Commonwealth is increasingly expanding its involvement in areas of state responsibility without any clear funding commitment, resulting in substantial financial risks for all states and an erosion of policy and spending autonomy.

## **Expenditure risks**

Employee expenses are the largest expense incurred by the State. Major enterprise bargaining agreements are a significant driver of this expense. If the related costs above the guideline rate are not offset by genuine productivity gains, this will increase expenditure. The State has finalised the Victoria Police, nurses' and Victorian Public Service agreements, with negotiations continuing for the teachers' and doctors' enterprise bargaining agreements.

Another key risk is growth in demand for government services which may exceed current projections, for example, as a result of higher population growth or expenditure in response to unforeseen events such as natural disasters, including bushfires and floods.

The *2012-13 Budget Update* includes a contingency provision to mitigate the impact of expenditure risks which may be realised during the budget year or over the forward estimates period. The contingency provision also includes a general allowance for likely growth in Victoria's population, and consequent derived demand for government services. Realised expenditure risks will affect total expenditure and the annual budget position to the extent they exceed the contingency provision factored into the estimates. The aggregate level of operating contingency provision is shown in Note 12 of Chapter 4 *Estimated financial statements and notes*.

The budget and forward estimates also include an unallocated capital provision to provide capacity for future asset investment requirements. Given the size and complexity of the 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); or
- re-scoping projects to fit within funding parameters; or
- funding projects from the unallocated capital funding set aside in the forward estimates.

## **Specific fiscal risks**

### ***Review of GST distribution***

In March 2011 the Commonwealth Government commissioned an independent review of the distribution of the GST and the current form of horizontal fiscal equalisation. The review has now been completed and will be discussed by Australian governments in coming months. Given GST grants constitute around a quarter of total revenue for the general government sector, resulting changes to GST distribution methodology may have material financial impacts for Victoria, potentially commencing as early as 2013-14.



### ***Review of funding for schooling***

The Commonwealth Government has responded to its review of school funding (the Gonski Report). The response indicates that it will enter into negotiations with states and territories to reform school funding arrangements based on a national per student funding level (a national resource standard) and additional funding for disadvantaged students. The review recommended an increase in school funding across Australia of around \$5 billion annually. The latest advice from the Commonwealth Government is that the cost may be in the order of \$6.5 billion.

The Commonwealth Government has now introduced legislation in to parliament to enshrine principles for a yet-to-be negotiated school funding model. Negotiations on school funding arrangements pose significant financial risks for states as the majority funders of schooling.

### ***National Disability Insurance Scheme***

The Commonwealth Government has committed to introducing a National Disability Insurance Scheme (NDIS) to support people living with a disability. It is proposing that the states and territories provide some of the additional funding required for the full NDIS implementation, contrary to what was recommended by the Productivity Commission. The NDIS is estimated to cost around \$15.8 billion each year; this would require an additional \$7.3 billion on top of the \$8.5 billion currently spent across Australia to provide support to those living with a disability (in 2013-14 dollars).

### ***National Injury Insurance Scheme***

The Commonwealth Government expects Victoria to fund the total cost of a National Injury Insurance Scheme, to provide support to people who suffer catastrophic injuries. If fully implemented, the Productivity Commission estimated that the National Injury Insurance Scheme could cost Victoria around an additional \$145 million each year (in 2010-11 dollars).

### ***Superannuation contributions***

In March 2012, the Commonwealth Government amended its Superannuation Guarantee (SG) legislation to provide for a series of increases in the rate of compulsory employer contributions. The SG rate will increase from the current rate of 9 per cent to 9.25 per cent from 1 July 2013. A series of further increases will see the SG rate reach 12 per cent from 1 July 2019. The extent to which the higher SG rate impacts on the State's expenses will depend upon the outcomes of forthcoming enterprise bargaining negotiations.

### ***Social and community services sector pay equity case***

Fair Work Australia handed down its decision in the social and community sector equal remuneration case on 1 February 2012. The Victorian Government has committed to fully fund its share of the wage increase, to the value of \$200 million. Relevant Victorian Government departments have been working to ensure that the Victorian Government's funding supplementation for 2012-13 was provided to affected non-government organisations from 1 December 2012, enabling them to pay their staff in accordance with the Fair Work Australia decision.

The Commonwealth Government has provided an initial offer of supplementation to Victoria to fund its share of the Fair Work Australia increases. This initial offer of supplementation is inadequate, and the shortfall creates a risk that services provided by the sector in Victoria will be seriously affected. The Victorian Government is continuing discussions with the Commonwealth Government regarding the level of supplementation required.

### ***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 (SECV), as it 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 Point Henry and Portland 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 it against any losses incurred under the aluminium smelter energy supply contracts.

## **NON-FINANCIAL PUBLIC SECTOR**

This section provides an overview of the activities of the NFPS which is a consolidation of the PNFC and general government sectors. 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, transport and port services. An important measure of financial sustainability of the Victorian Government is the level of debt in the NFPS which is a key financial variable supporting the State's triple-A credit rating.

The Government has also published forward estimates for the PFC sector which can be consolidated with the NFPS to give estimates for the State of Victoria. These estimates are discussed later in this chapter while the PFC sector estimates are shown in Chapter 5 *Supplementary uniform presentation framework tables*.

## Summary operating statement

**Table 3.6: Summary operating statement for the non-financial public sector**

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Revenue</b>					
Taxation revenue	14 789.5	15 287.7	15 991.8	16 951.8	17 665.3
Dividends, TER and interest <sup>(a)</sup>	985.1	970.3	708.5	757.7	767.0
Sales of goods and services	9 626.9	9 788.2	11 673.2	11 963.4	12 342.7
Grants	22 559.4	21 609.2	23 462.9	24 353.7	25 881.4
Other current revenue	2 788.2	2 381.4	2 351.0	2 376.0	2 423.2
<b>Total revenue</b>	<b>50 749.1</b>	<b>50 036.6</b>	<b>54 187.4</b>	<b>56 402.6</b>	<b>59 079.7</b>
<i>% change</i>	<i>2.4%</i>	<i>-1.4%</i>	<i>8.3%</i>	<i>4.1%</i>	<i>4.7%</i>
<b>Expenses</b>					
Employee expenses	18 058.4	18 390.2	19 041.5	19 732.3	20 477.0
Superannuation	2 744.3	2 449.1	2 448.8	2 444.1	2 450.7
Depreciation	3 842.6	4 203.4	4 463.0	4 665.4	4 924.1
Interest expense	1 928.0	2 455.5	2 902.0	3 045.0	3 090.9
Other operating expenses	18 408.9	18 958.3	19 410.1	19 912.5	20 191.2
Grants and other transfers	5 721.0	5 189.3	5 430.1	5 717.8	5 797.1
<b>Total expenses</b>	<b>50 703.3</b>	<b>51 645.8</b>	<b>53 695.6</b>	<b>55 517.1</b>	<b>56 931.0</b>
<i>% change</i>	<i>3.2%</i>	<i>1.9%</i>	<i>4.0%</i>	<i>3.4%</i>	<i>2.5%</i>
<b>Net result from transactions</b>	<b>45.8</b>	<b>(1 609.1)</b>	<b>491.8</b>	<b>885.5</b>	<b>2 148.7</b>
<b>Total other economic flows included in net result</b>	<b>(10 464.4)</b>	<b>(1 234.9)</b>	<b>(210.8)</b>	<b>(266.2)</b>	<b>(336.7)</b>
<b>Net result</b>	<b>(10 418.6)</b>	<b>(2 844.1)</b>	<b>281.0</b>	<b>619.4</b>	<b>1 812.0</b>

Source: Department of Treasury and Finance

Note:

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

The net result from transactions for the NFPS is projected to be a \$1.6 billion deficit in 2012-13, before recovering strongly in subsequent years to a surplus of \$2.1 billion by 2015-16. This reflects increasing surpluses from transactions in the general government sector and improved results in the PNFC sector, underpinned by steady growth in sales income.

The deficit in 2012-13 is higher than forecast in the *2012-13 Budget*, reflecting:

- a \$240 million deterioration in the net result from transactions in the metropolitan water sector. This is largely due to the price freeze applied to the metropolitan water businesses following the early recovery of desalination costs in 2011-12;

- a \$56 million deterioration for Goulburn-Murray Water due to the financial integration of Northern Victoria Irrigation Renewal Project's Connections Program into Goulburn-Murray Water. This deterioration reflects a timing difference between revenue recognition and expenditure in 2012-13 and will largely reverse over the life of the project; and
- lower revenue projections for Places Victoria due to the subdued property market.

In addition VicTrack has forecast larger deficits of approximately \$90 million a year over the forward estimates. VicTrack typically incurs losses, due to the underlying nature of its funding arrangements, whereby a substantial proportion of revenue is derived via grants from the general government sector. These grants are sufficient to allow VicTrack to maintain a cash operating surplus, but are insufficient to cover the annual depreciation charge, resulting in an operating loss.

## Application of cash resources

The NFPS sector is expected to generate strong and improving net cash surpluses from operating activities, averaging \$4.4 billion a year over the four years to 2015-16. These cash surpluses will fund an estimated 62 per cent of the State's infrastructure program averaging \$7.0 billion a year over the budget year and the forward estimates. By 2015-16, capital expenditure will be fully funded from net cash flows from operating activities.

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

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Net result from transactions</b>	45.8	(1 609.1)	491.8	885.5	2 148.7
Add back: Non-cash income and expenses (net) <sup>(a)</sup>	3 796.6	3 575.2	3 853.6	3 885.3	4 200.4
<b>Net cash flows from operating activities</b>	<b>3 842.4</b>	<b>1 966.0</b>	<b>4 345.4</b>	<b>4 770.8</b>	<b>6 349.0</b>
Less:					
<b>Net investment in fixed assets</b>					
Expenditure on approved projects	7 376.5	8 231.8	8 559.9	6 458.4	4 498.0
Capital provision approved but not yet allocated <sup>(b)</sup>	..	..	257.2	335.7	1 642.8
Proceeds from asset sales	(289.3)	(628.1)	(491.2)	(470.7)	(418.7)
<b>Total net investment in fixed assets</b>	<b>7 087.1</b>	<b>7 603.7</b>	<b>8 325.9</b>	<b>6 323.4</b>	<b>5 722.1</b>
Finance leases <sup>(c)</sup>	917.1	5 038.9	..	..	1 050.4
Other investment activities (net)	726.7	48.9	141.8	113.7	113.0
<b>Decrease/(increase) in net debt</b>	<b>(4 888.5)</b>	<b>(10 725.5)</b>	<b>(4 122.3)</b>	<b>(1 666.3)</b>	<b>(536.5)</b>

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 Royal Children's Hospital, and the finance lease in 2012-13 relates to the Biosciences Research Centre, the Peninsula Link and the Victorian desalination plant projects. The 2015-16 estimate relates to Victorian Comprehensive Cancer Centre.

The PNFC sector is expected to undertake a substantial proportion of the State's infrastructure program. The key PNFC sector infrastructure projects under development include:

- the Regional Rail Link project, delivering dedicated regional tracks from West Werribee to Southern Cross Station, two new dedicated regional service platforms at Southern Cross Station, new stations at Wyndham Vale, Tarneit and West Footscray, substantial modifications to Sunshine and Footscray stations, and several new rail bridges;
- the Port Capacity project, which includes the development of a third container terminal and a purpose built automotive facility at Webb Dock. This will ensure that Victoria's port handling capacity continues to grow; and
- Goulburn-Murray Water's Connections Program, which involves connecting irrigators to a modernised main system of irrigation channels or 'backbone'. The program aims to consolidate supply points and seeks to connect all customers directly to the backbone to access improved water delivery services.

## **Financial sustainability of the Victorian Government**

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

Victoria is now the only state in Australia to hold a triple-A credit rating with a stable outlook from both agencies. This reflects the Government's commitment to sustainable finances, embodied in its medium-term fiscal strategy.

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

	(\$ billion)				
	2011-12	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Assets</b>					
Cash and deposits	5.4	5.1	5.2	5.6	5.9
Advances paid	0.1	0.1	0.1	0.1	0.1
Investments, loans and placements	3.7	3.5	3.5	3.5	3.6
<b>Total</b>	<b>9.1</b>	<b>8.7</b>	<b>8.8</b>	<b>9.2</b>	<b>9.6</b>
<b>Liabilities</b>					
Deposits held and advances received	0.5	0.4	0.4	0.4	0.4
Borrowings	33.3	43.6	47.9	49.9	50.8
<b>Total</b>	<b>33.8</b>	<b>44.0</b>	<b>48.3</b>	<b>50.4</b>	<b>51.2</b>
<b>Net debt</b>	<b>24.6</b>	<b>35.3</b>	<b>39.5</b>	<b>41.1</b>	<b>41.7</b>
Superannuation	32.8	33.7	33.4	33.0	32.7
<b>Net debt plus superannuation</b>	<b>57.4</b>	<b>69.0</b>	<b>72.9</b>	<b>74.2</b>	<b>74.4</b>
<b>liabilities</b>					
Other liabilities (net) <sup>(a)</sup>	7.6	7.8	7.8	7.8	7.9
<b>Net financial liabilities</b>	<b>65.0</b>	<b>76.8</b>	<b>80.7</b>	<b>82.0</b>	<b>82.2</b>

Source: Department of Treasury and Finance

Note:

(a) Other net liabilities includes other employee entitlements, provisions and other non-equity liabilities, less other non-equity assets.

Table 3.9 contains indicators of financial sustainability for the NFPS. The ratio of operating cash flow surplus to revenue is a measure of operating performance, and provides an indication of the cash generated from operations, which can be used to fund necessary infrastructure. This ratio is expected to improve across the forward estimates period, enabling the State to reduce the reliance on debt to fund infrastructure. As a result, key debt and liabilities ratios will start to decline.

The ratio of NFPS interest expense to revenue, a measure of the state's debt service burden, is expected to increase to 5.4 per cent in 2014-15, before declining in 2015-16 as debt levels moderate.

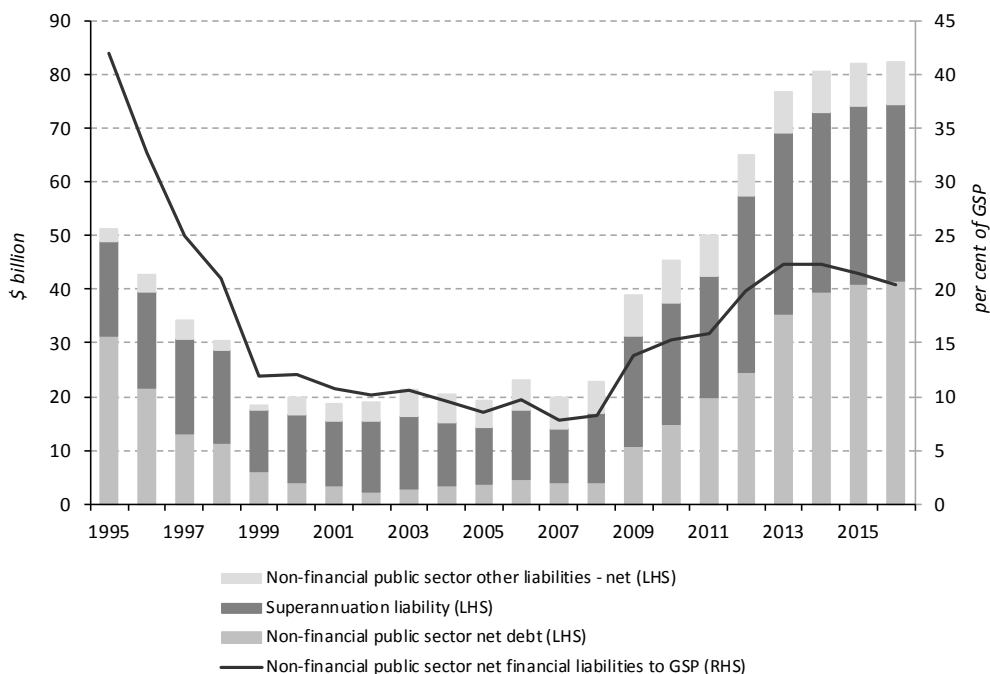
**Table 3.9: Indicators of financial sustainability for the non-financial public sector**

	(per cent)				
	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Revised	Estimate	Estimate	Estimate
Operating cash flow surplus to revenue	7.6	3.9	8.0	8.5	10.7
Gross debt to revenue	65.5	87.2	88.4	88.6	86.0
Net debt to GSP	7.5	10.3	10.9	10.8	10.4
Net debt plus superannuation liabilities to GSP	17.5	20.0	20.1	19.4	18.5
Net financial liabilities to GSP	19.8	22.3	22.3	21.5	20.5
Interest expense to revenue	3.8	4.9	5.4	5.4	5.2

Source: Department of Treasury and Finance

NFPS net financial liabilities as a proportion of GSP is expected to peak in 2014-15, before declining thereafter. The Government’s fiscal strategy is focused on ensuring that debt and liabilities remain at sustainable levels.

**Chart 3.4: Non-financial public sector net financial liabilities to GSP<sup>(a)</sup>**



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 financial results are obtained by consolidating the PFC sector with the NFPS. There are two broad types of PFCs: 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 PFC estimates are shown in Chapter 5 *Supplementary uniform presentation framework tables*.

**Table 3.10: Summary operating statement for the State of Victoria**

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	2015-16
	Actual	Revised	Estimate	Estimate	Estimate
<b>Revenue</b>					
Taxation revenue	14 775.9	15 273.2	15 976.9	16 936.5	17 649.5
Dividends, TER and interest <sup>(a)</sup>	1 786.9	1 563.4	1 601.1	1 656.0	1 793.8
Sales of goods and services	12 609.6	12 797.0	14 839.0	15 303.7	15 850.1
Grants	22 476.7	21 523.4	23 373.2	24 268.0	25 805.1
Other current revenue	2 808.6	2 402.8	2 374.2	2 400.9	2 447.7
<b>Total revenue</b>	<b>54 457.8</b>	<b>53 559.7</b>	<b>58 164.5</b>	<b>60 565.1</b>	<b>63 546.2</b>
<i>% change</i>	2.3%	-1.6%	8.6%	4.1%	4.9%
<b>Expenses</b>					
Employee expenses	18 057.2	18 386.7	19 038.2	19 726.4	20 471.3
Superannuation	2 769.7	2 473.1	2 473.5	2 469.5	2 476.9
Depreciation	3 880.4	4 244.1	4 511.2	4 717.9	4 979.6
Interest expense	2 129.6	2 600.8	3 042.5	3 214.4	3 244.1
Other operating expenses	23 233.0	23 702.9	24 392.8	25 173.2	25 668.4
Grants and other transfers	5 635.4	5 185.8	5 421.2	5 707.7	5 787.1
<b>Total expenses</b>	<b>55 705.3</b>	<b>56 593.4</b>	<b>58 879.3</b>	<b>61 009.1</b>	<b>62 627.4</b>
<i>% change</i>	3.6%	1.6%	4.0%	3.6%	2.7%
<b>Net result from transactions</b>	<b>(1 247.6)</b>	<b>(3 033.7)</b>	<b>(714.8)</b>	<b>(443.9)</b>	<b>918.8</b>
<b>Total other economic flows included in net result</b>	<b>(14 714.3)</b>	<b>85.3</b>	<b>1 191.5</b>	<b>1 238.6</b>	<b>1 245.5</b>
<b>Net result</b>	<b>(15 961.9)</b>	<b>(2 948.3)</b>	<b>476.6</b>	<b>794.7</b>	<b>2 164.3</b>

Source: Department of Treasury and Finance

Note:

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

On a consolidated basis, the State of Victoria is forecasting a deficit on the net result from transactions until 2014-15, before recording a surplus in 2015-16.



It should be noted that the net result from transactions 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. Gains from other economic flows include income derived from the sector's investment assets which are held to fund long-term liabilities. Such investment income is considered a core revenue source for the sector, although is presented below the line in accordance with current accounting standards.

For 2012-13, the PFC sector has forecast a net surplus (after other economic flows) of \$261 million, which is \$135 million lower than reflected in *Budget 2012-13*. This largely reflects:

- a reduction in premiums combined with higher claims expenses for the Victorian WorkCover Authority; and
- increased claims expenses for the Transport Accident Commission resulting from updated actuarial assumptions, including lower bond rates used to discount the estimated liability.

From 2013-14 onwards the operating result for the PFC sector is expected to improve, with an expected net surplus of \$446 million in 2015-16. The sector has projected gains from other economic flows to average \$1.4 billion over the forward estimates, which includes investment gains based on forecast long term investment returns of approximately 7.5 per cent.

### **Accounting Standard AASB 119 *Employee Benefits***

A revised version of the Australian accounting standard that covers the reporting of superannuation obligations will apply from 2013-14 onwards. The revised standard reflects amendments to IAS 19, the international equivalent of AASB 119, and is required to be applied, for the first time, to the presentation of estimates in the *2013-14 Budget*.

The key change required by the revised standard relates to the calculation of the superannuation interest expense. In particular, the expected return on assets, which creates a partial offset to the interest expense, will effectively be calculated using a government bond yield rather than an assumed earning rate. Based on the current valuation approach, this change is expected to have a material impact on the operating surplus of all states which have substantial assets held against their superannuation liability.

Victoria has long held concerns about the requirement to use government bond yields to value superannuation obligations, especially during the global financial crisis when these yields fell significantly and exhibited increased volatility. Discussions with other jurisdictions indicate that they share these concerns. The key concern relates to the discount rate required under AASB 119 and the potential this has to misinform parliament and the public about jurisdictions' performance and financial sustainability. This matter has been raised with both the Australian Accounting Standards Board (AASB) and the Australian Financial Reporting Council.

This accounting standard change applies to all states and territories. Victoria, along with other states and territories, will continue to assess the implications of the revised standard as well as considering the most appropriate way to ensure meaningful estimates and results are reported. However, the overall reported defined benefit superannuation expense is not expected to change as any increase in net interest cost will be offset by a corresponding actuarial gain included in the comprehensive result.

## CHAPTER 4 – ESTIMATED FINANCIAL STATEMENTS AND NOTES

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

<i>(\$ million)</i>						
	<i>Notes</i>	<i>2012-13 Budget</i>	<i>2012-13 Revised</i>	<i>2013-14 Estimate</i>	<i>2014-15 Estimate</i>	<i>2015-16 Estimate</i>
<b>Revenue from transactions</b>						
Taxation revenue	2	15 782.8	15 612.2	16 379.3	17 360.1	18 093.8
Interest		709.5	676.2	851.6	851.4	846.2
Dividends and income tax equivalent and rate equivalent revenue	3	1 001.9	1 226.9	482.1	582.8	703.0
Sales of goods and services	4	6 753.1	6 870.3	6 805.1	6 944.5	7 141.5
Grants	5	22 220.0	21 618.8	23 473.5	24 364.3	25 877.1
Other revenue	6	1 889.4	1 942.8	1 901.6	1 910.7	1 950.5
<b>Total revenue from transactions</b>		<b>48 356.7</b>	<b>47 947.2</b>	<b>49 893.1</b>	<b>52 013.8</b>	<b>54 612.1</b>
<b>Expenses from transactions</b>						
Employee expenses		17 257.2	17 407.5	18 039.0	18 700.6	19 416.2
Superannuation interest expense	7(a)	729.2	446.3	405.1	379.8	357.1
Other superannuation expenses	7(a)	1 811.2	1 913.7	1 954.8	1 972.3	1 998.7
Depreciation	8	2 385.9	2 318.3	2 460.6	2 589.6	2 706.5
Interest expense	9	1 725.6	1 730.5	2 105.9	2 186.1	2 182.2
Other operating expenses	10	15 913.7	16 196.3	15 839.8	16 305.6	16 600.1
Grants and other transfers	11	8 379.0	7 797.6	8 253.3	8 619.8	8 714.5
<b>Total expenses from transactions</b>	12	<b>48 201.8</b>	<b>47 810.4</b>	<b>49 058.4</b>	<b>50 753.9</b>	<b>51 975.3</b>
<b>Net result from transactions – net operating balance</b>		<b>154.9</b>	<b>136.9</b>	<b>834.7</b>	<b>1 260.0</b>	<b>2 636.8</b>
<b>Other economic flows included in net result</b>						
Net gain on sale of non-financial assets		264.8	264.7	154.4	111.7	111.7
Net gain/(loss) on financial assets or liabilities at fair value		1.7	2.4	(0.3)	(0.3)	(0.3)
Net actuarial (losses) of superannuation defined benefit plans	7(a)	..	(1 077.5)	..	..	..

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

<i>(\$ million)</i>						
	<i>Notes</i>	<i>2012-13 Budget</i>	<i>2012-13 Revised</i>	<i>2013-14 Estimate</i>	<i>2014-15 Estimate</i>	<i>2015-16 Estimate</i>
Other (losses) from other economic flows	13	(329.0)	(372.9)	(359.2)	(388.8)	(414.9)
<b>Total other economic flows included in net result</b>		<b>(62.5)</b>	<b>(1 183.2)</b>	<b>(205.0)</b>	<b>(277.3)</b>	<b>(303.4)</b>
<b>Net result</b>		<b>92.4</b>	<b>(1 046.3)</b>	<b>629.7</b>	<b>982.6</b>	<b>2 333.4</b>
<b>Other economic flows – other movements in equity</b>						
Net (loss) on financial assets at fair value		..	(0.2)	..	..	..
Movement of non-financial asset reserves		526.2	722.2	3 875.4	3 164.4	2 275.0
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	14	(746.6)	(1 401.7)	1 595.2	112.4	2 693.2
Other movements in equity		(1.0)	(8.8)	2.7	2.9	(17.6)
<b>Total other economic flows – other movements in equity</b>		<b>(221.3)</b>	<b>(688.5)</b>	<b>5 473.3</b>	<b>3 279.6</b>	<b>4 950.5</b>
<b>Comprehensive result – total change in net worth</b>		<b>(128.9)</b>	<b>(1 734.8)</b>	<b>6 102.9</b>	<b>4 262.3</b>	<b>7 283.9</b>
<b>FISCAL AGGREGATES</b>						
<b>Net operating balance</b>		<b>154.9</b>	<b>136.9</b>	<b>834.7</b>	<b>1 260.0</b>	<b>2 636.8</b>
Less: Net acquisition of non-financial assets from transactions	15	1 436.2	2 487.8	2 055.9	486.4	1 785.2
<b>Net lending/(borrowing)</b>		<b>(1 281.3)</b>	<b>(2 350.9)</b>	<b>(1 221.2)</b>	<b>773.6</b>	<b>851.6</b>

*The accompanying notes form part of these Estimated Financial Statements*

**Table 4.2: Estimated consolidated balance sheet as at 30 June (continued)**

(\$ million)						
	Notes	2012-13 Budget <sup>(a)</sup>	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits		4 823.1	4 685.8	4 880.1	5 150.2	5 480.2
Advances paid	16	4 439.8	4 439.8	4 400.7	4 355.3	4 303.0
Receivables		3 915.1	4 166.9	4 045.1	3 899.9	3 701.4
Investments, loans and placements	16	2 739.0	2 658.1	2 737.4	2 805.9	2 881.6
Investments accounted for using equity method		44.3	44.3	44.3	44.3	44.3
Investments in other sector entities	14	68 952.0	68 569.2	72 172.4	73 715.3	77 059.6
<b>Total financial assets</b>		<b>84 913.4</b>	<b>84 564.0</b>	<b>88 279.9</b>	<b>89 970.9</b>	<b>93 470.2</b>
<b>Non-financial assets</b>						
Inventories		265.4	233.1	233.6	234.0	234.4
Non-financial assets held for sale		142.6	142.6	136.0	129.4	122.8
Land, buildings, infrastructure, plant and equipment	17, 18	99 937.4	99 880.7	105 310.2	108 684.3	112 534.7
Other non-financial assets		741.1	802.3	767.4	736.9	679.1
<b>Total non-financial assets</b>		<b>101 086.5</b>	<b>101 058.6</b>	<b>106 447.1</b>	<b>109 784.5</b>	<b>113 570.9</b>
<b>Total assets</b>	19(c)	<b>185 999.9</b>	<b>185 622.6</b>	<b>194 727.0</b>	<b>199 755.5</b>	<b>207 041.1</b>
<b>Liabilities</b>						
Deposits held and advances received		370.3	404.3	411.3	411.4	411.5
Payables		5 040.1	5 480.5	5 314.7	5 083.9	4 845.0
Borrowings	20	31 491.1	31 433.2	34 646.8	35 826.0	36 179.7
Employee benefits	21	5 223.1	5 218.1	5 410.7	5 609.6	5 816.3
Superannuation	7(d)	32 637.2	33 535.6	33 270.0	32 867.9	32 524.5
Other provisions		651.1	569.8	589.4	610.3	633.8
<b>Total liabilities</b>		<b>75 412.8</b>	<b>76 641.4</b>	<b>79 642.9</b>	<b>80 409.1</b>	<b>80 410.8</b>
<b>Net assets</b>		<b>110 587.0</b>	<b>108 981.2</b>	<b>115 084.1</b>	<b>119 346.4</b>	<b>126 630.3</b>
Accumulated surplus/(deficit)		34 597.3	33 450.0	34 062.8	35 030.4	37 327.9
Reserves	22	75 939.7	75 481.1	80 971.3	84 266.0	89 252.4
Non-controlling interest		50.0	50.0	50.0	50.0	50.0
<b>Net worth</b>		<b>110 587.0</b>	<b>108 981.2</b>	<b>115 084.1</b>	<b>119 346.4</b>	<b>126 630.3</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth		9 500.5	7 922.6	8 637.0	9 561.9	13 059.4
Net financial liabilities		59 451.5	60 646.6	63 535.4	64 153.4	64 000.2
Net debt		19 859.5	20 053.8	23 039.9	23 926.0	23 926.3

The accompanying notes form part of these Estimated Financial Statements

Note:

(a) Balances represent actual opening balances at 1 July 2012 plus 2012-13 budgeted movements.

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

		(\$ million)				
		2012-13	2012-13	2013-14	2014-15	2015-16
Notes	Budget	Revised	Estimate	Estimate	Estimate	
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxes received		15 840.3	15 669.5	16 376.5	17 360.0	18 134.1
Grants		22 220.0	21 588.6	23 473.5	24 364.3	25 877.1
Sales of goods and services <sup>(a)</sup>		7 078.1	7 284.5	7 474.8	7 625.3	7 845.2
Interest received		653.7	620.3	829.5	830.6	827.2
Dividends and income tax equivalent and rate equivalent receipts		1 023.0	1 265.6	453.8	572.2	699.6
Other receipts		1 573.6	1 315.9	1 603.2	1 578.7	1 595.8
<b>Total Receipts</b>		<b>48 388.6</b>	<b>47 744.4</b>	<b>50 211.3</b>	<b>52 331.2</b>	<b>54 978.9</b>
<b>Payments</b>						
Payments for employees		(17 078.2)	(17 233.5)	(17 849.3)	(18 504.1)	(19 212.4)
Superannuation		(2 500.7)	(2 499.5)	(2 625.4)	(2 754.3)	(2 699.1)
Interest paid		(1 677.3)	(1 682.5)	(2 062.0)	(2 144.9)	(2 142.5)
Grants and subsidies		(8 491.4)	(7 555.1)	(8 316.5)	(8 619.7)	(8 773.5)
Goods and services <sup>(a)</sup>		(16 039.3)	(16 428.2)	(15 893.3)	(16 359.9)	(16 638.9)
Other payments		(596.0)	(596.0)	(631.3)	(669.1)	(700.0)
<b>Total payments</b>		<b>(46 382.8)</b>	<b>(45 994.9)</b>	<b>(47 377.8)</b>	<b>(49 051.9)</b>	<b>(50 166.3)</b>
<b>Net cash flows from operating activities</b>		<b>2 005.8</b>	<b>1 749.6</b>	<b>2 833.5</b>	<b>3 279.3</b>	<b>4 812.6</b>
<b>Cash flows from investing activities</b>						
Purchases of non-financial assets	19(a)	(3 529.6)	(4 310.4)	(4 857.5)	(3 394.8)	(3 730.3)
Sales of non-financial assets		552.5	524.4	392.6	360.3	353.9
Cash flows from investments in non-financial assets		(2 977.1)	(3 785.9)	(4 464.9)	(3 034.6)	(3 376.4)
Net cash flows from investments in financial assets for policy purposes		(2 817.2)	(1 772.2)	(1 308.7)	(1 078.7)	(326.6)
<b>Sub-total</b>		<b>(5 794.3)</b>	<b>(5 558.1)</b>	<b>(5 773.6)</b>	<b>(4 113.3)</b>	<b>(3 703.0)</b>
Net cash flows from investments in financial assets for liquidity management purposes		(115.7)	(34.3)	(78.9)	(69.0)	(76.1)
<b>Net cash flows from investing activities</b>		<b>(5 910.0)</b>	<b>(5 592.4)</b>	<b>(5 852.5)</b>	<b>(4 182.3)</b>	<b>(3 779.1)</b>
<b>Cash flows from financing activities</b>						
Net borrowings		4 122.8	3 890.2	3 206.3	1 172.9	(703.6)
Deposits received (net)		4.1	38.0	7.0	0.1	0.1
<b>Net cash flows from financing activities</b>		<b>4 126.9</b>	<b>3 928.2</b>	<b>3 213.3</b>	<b>1 173.0</b>	<b>(703.4)</b>

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

	(\$ million)				
	2012-13	2012-13	2013-14	2014-15	2015-16
Notes	Budget	Revised	Estimate	Estimate	Estimate
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>222.7</b>	<b>85.4</b>	<b>194.3</b>	<b>270.0</b>	<b>330.1</b>
Cash and cash equivalents at beginning of reporting period <sup>(b)</sup>	4 600.5	4 600.5	4 685.8	4 880.1	5 150.2
<b>Cash and cash equivalents at end of reporting period <sup>(b)</sup></b>	<b>4 823.1</b>	<b>4 685.8</b>	<b>4 880.1</b>	<b>5 150.2</b>	<b>5 480.2</b>
<b>FISCAL AGGREGATES</b>					
Net cash flows from operating activities	<b>2 005.8</b>	<b>1 749.6</b>	<b>2 833.5</b>	<b>3 279.3</b>	<b>4 812.6</b>
Net cash flows from investments in non-financial assets	<b>(2 977.1)</b>	<b>(3 785.9)</b>	<b>(4 464.9)</b>	<b>(3 034.6)</b>	<b>(3 376.4)</b>
<b>Cash surplus/(deficit)</b>	<b>23</b>	<b>(971.3)</b>	<b>(2 036.4)</b>	<b>244.7</b>	<b>1 436.2</b>

*The accompanying notes form part of these Estimated Financial Statements*

Notes:

(a) Inclusive of goods and services tax.

(b) Balances represent actual opening balances as at 1 July 2012, plus 2012-13 budgeted movements.

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

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling Interest</i>
<b>2012-13 Budget</b>		
Balance at 1 July 2012	34 524.9	50.0
Net result for the year	92.4	..
Other comprehensive income for the year	(20.0)	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>34 597.3</b>	<b>50.0</b>
<b>2012-13 Revised</b>		
Balance at 1 July 2012	34 524.9	50.0
Net result for the year	(1 046.3)	..
Other comprehensive income for the year	(28.6)	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>33 450.0</b>	<b>50.0</b>
<b>2013-14 Estimate</b>		
Balance at 1 July 2013	33 450.0	50.0
Net result for the year	629.7	..
Other comprehensive income for the year	(16.9)	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>34 062.8</b>	<b>50.0</b>
<b>2014-15 Estimate</b>		
Balance at 1 July 2014	34 062.8	50.0
Net result for the year	982.6	..
Other comprehensive income for the year	(15.0)	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>35 030.4</b>	<b>50.0</b>
<b>2015-16 Estimate</b>		
Balance at 1 July 2015	35 030.4	50.0
Net result for the year	2 333.4	..
Other comprehensive income for the year	(35.9)	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>37 327.9</b>	<b>50.0</b>

*The accompanying notes form part of these Estimated Financial Statements*



<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>
36 962.6	38 193.9	984.5	110 716.0
..	..	..	92.4
526.2	(746.6)	19.0	(221.3)
..	..	..	..
<b>37 488.8</b>	<b>37 447.4</b>	<b>1 003.5</b>	<b>110 587.0</b>
36 962.6	38 193.9	984.5	110 716.0
..	..	..	(1 046.3)
722.2	(1 401.7)	19.5	(688.5)
..	..	..	..
<b>37 684.8</b>	<b>36 792.3</b>	<b>1 004.0</b>	<b>108 981.2</b>
37 684.8	36 792.3	1 004.0	108 981.2
..	..	..	629.7
3 875.4	1 595.2	19.6	5 473.3
..	..	..	..
<b>41 560.2</b>	<b>38 387.5</b>	<b>1 023.7</b>	<b>115 084.1</b>
41 560.2	38 387.5	1 023.7	115 084.1
..	..	..	982.6
3 164.4	112.4	17.9	3 279.6
..	..	..	..
<b>44 724.6</b>	<b>38 499.8</b>	<b>1 041.6</b>	<b>119 346.4</b>
44 724.6	38 499.8	1 041.6	119 346.4
..	..	..	2 333.4
2 275.0	2 693.2	18.2	4 950.5
..	..	..	..
<b>46 999.6</b>	<b>41 193.0</b>	<b>1 059.8</b>	<b>126 630.3</b>

## NOTES TO THE FINANCIAL STATEMENTS

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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 2012-13 Budget Paper No. 5 *Statement of Finances*, which should be read in conjunction with this update. For further details of the accounting policies, refer to Note 1 of the recently published 2011-12 *Annual Financial Report* published in the 2011-12 *Financial Report* as presented to Parliament.

To gain a better understanding of the terminology and key aggregates used in this report, a glossary of terms can be found in Note 38 of the 2011-12 *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).

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. 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* and *Amendments to Australian System of Government Finance Statistics, 2005* (ABS Catalogue 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 1 December 2012.

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

### ***(B) Basis of accounting, preparation and measurement***

The Estimated Financial Statements have been prepared for the 2012-13 budget year in accordance with accounting policies expected to be used in preparing historically oriented general purpose financial statements for that year, and the same accounting policies have been used for the estimates in the subsequent years.

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'.

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

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.

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*.

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

Entities in the public non-financial corporations (PNFC) and public financial corporations (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.

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 *2011-12 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 expects to achieve a net operating surplus (net result from transactions) of at least \$100 million each year over the budget and forward estimates period that is consistent with the infrastructure and debt parameters, as set out in 2012-13 Budget Paper No. 2, Chapter 1 *Economic and Fiscal Overview*.

### **(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 *2012-13 Budget*.

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

### Key economic assumptions<sup>(a)(b)</sup>

	2012-13 Forecast	2013-14 Forecast	2014-15 Forecast	2015-16 Forecast
			(\$ billion)	
Nominal gross state product	344.7	362.1	381.3	401.7
			(percentage change) <sup>(c)</sup>	
Real gross state product	2.00	2.50	2.75	2.75
Employment	0.50	1.50	1.75	1.75
Unemployment rate <sup>(d)</sup>	5.75	5.50	5.25	5.00
Consumer price index	2.75	2.50	2.50	2.50
Wage price index <sup>(e)</sup>	3.00	3.25	3.50	3.50
Population <sup>(f)</sup>	1.60	1.60	1.60	1.60

Source: Department of Treasury and Finance

#### Notes:

- (a) All economic projections include the impact of the Commonwealth Government's carbon price scheme.
- (b) Key assumptions underlying the economic projections include: interest rates following the forecasts prepared by the Treasury Corporation of Victoria up to the June quarter 2013 and held constant thereafter, exchange rates are held constant and oil prices follow the path suggested by oil futures.
- (c) 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.
- (d) Year-average, per cent.
- (e) Total hourly rate excluding bonuses.
- (f) June quarter, per cent change on previous June quarter.

### Revised forecast assumptions for superannuation

The accounting policies relating to superannuation expenses and liabilities are consistent with those applied in preparing and presenting the *2012-13 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.

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

<i>Underlying assumptions for all listed schemes</i> <sup>(a)</sup>	<i>Per cent</i>
Discount rate <sup>(b)</sup>	3.3
Wages growth <sup>(c)</sup>	4.0
Inflation rate <sup>(d)</sup>	2.5
<i>Expected return on assets</i> <sup>(e)</sup>	
Emergency Services and State Super	8.0
Parliamentary Contributory Superannuation Fund	8.0
Health Super Fund Defined Benefit Scheme	7.2
Constitutionally protected schemes <sup>(f)</sup>	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, implied from the relationship between the yields on nominal and inflation linked Commonwealth Government bonds. 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 so 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 asset class by the target allocation of assets to that class (as detailed in the table below).

### Asset allocation

<i>Asset class</i>	<i>Per cent</i>
Domestic equity	25.6
International equity	25.5
Domestic and international debt assets	18.9
Property	8.1
Cash	5.0
Other (including private equity, hedge funds and infrastructure)	16.9
<b>Total</b>	<b>100</b>

Source: Department of Treasury and Finance



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

A revised version of AASB 119 *Employee Benefits* was issued in September 2011 and will apply from 1 January 2013. The revised AASB 119 will change the way defined benefit superannuation expenses are presented in the comprehensive operating statement. More specifically, the revised AASB 119 requires the net interest expense to be calculated using the discount rate (a long-term government bond rate) without reference to the expected rate of investment return on assets, as is currently the case. This is expected to significantly increase the reported net interest expense and negatively impact the general government sector's net result from transactions, as further outlined in Chapter 3 of this publication.

However, the overall reported defined benefit superannuation expense is not expected to change under the revised standard as any increase in net interest expense will be offset by a corresponding actuarial gain that is included in the comprehensive result. The reported superannuation liability, and the associated funding requirements, will also be unchanged under the revised standard.

Consistent with previous budgets, the accounting policies expected to be used for the relevant budget year have been applied consistently across the forward estimates. As such, the impact of the revised standard has not been included in the Estimated Financial Statements.

### **(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 one 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 2012-13 budget year. They become effective for the first consolidated financial statements for reporting periods commencing after the relevant operative date as follows:

- AASB 9 *Financial Instruments*, operative from 1 January 2015 with early adoption permitted. This Standard simplifies requirements for the classification and measurement of financial assets and replaces those requirements in AASB 139 *Financial Instruments: Recognition and Measurement*.

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

- AASB 10 *Consolidated Financial Statements*, operative from 1 January 2014 with early adoption permitted for not-for-profit (NFP) entities 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*. The applicability of principles in AASB 10 is now being assessed by the AASB in a not-for-profit context.
- AASB 11 *Joint Arrangements*, operative from 1 January 2014 with early adoption permitted for NFP entities from 1 January 2013. This Standard requires entities that have an interest in arrangements that are controlled jointly to assess whether the arrangement is a joint operation or joint venture. If the arrangement is assessed to be a joint operation, it shall be accounted for as per AASB 11. If the arrangement is assessed to be a joint venture, it shall be accounted for as per AASB 128 *Investments in Associates and Joint Ventures* (see below). AASB 11 replaces those requirements in AASB 131 *Interests in Joint Ventures*. The applicability of principles in AASB 11 is now being assessed by the AASB in a not-for-profit context.
- AASB 12 *Disclosure of Interests in Other Entities*, operative from 1 January 2014 with early adoption permitted for NFP entities from 1 January 2013. This Standard requires disclosure of 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 the financial statements. This Standard replaces the disclosure requirements in AASB 127 *Separate Financial Statements* and AASB 131 *Interests in Joint Ventures*. The applicability of principles in AASB 12 is now being assessed by the AASB in a not-for-profit context.
- AASB 13 *Fair Value Measurement*, operative from 1 January 2013. This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a ‘fair value hierarchy’ which ranks the valuation technique inputs into three levels using: unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs. Disclosure for fair value measurements using unobservable inputs may increase disclosures for 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) and will change the way defined benefit superannuation expenses are presented in the comprehensive operating statement. More specifically, the revised AASB 119 requires a net interest cost to be calculated using the discount rate (a long-term government bond rate) without reference to the expected rate of investment return on plan assets, as is currently the case.  
However, the overall reported defined benefit superannuation expense is not expected to change under the revised standard as any movement in net interest cost will be offset by a corresponding movement in actuarial gains or losses that are included in the comprehensive result. The reported superannuation liability will also be unchanged under the revised standard.
- AASB 127 *Separate Financial Statements*, operative from 1 January 2014 with early adoption permitted for NFP entities from 1 January 2013. This revised 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). The applicability of principles in this revised AASB 128 is now being assessed by the AASB in a not-for-profit context.
- AASB 128 *Investments in Associates and Joint Ventures*, operative from 1 January 2014 with early adoption permitted for NFP entities from 1 January 2013. This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The applicability of principles in this revised AASB 128 is now being assessed by the AASB in a not-for-profit context.

Several other amending standards have been issued that are applicable for future reporting periods which have insignificant impacts on public sector reporting.

At this stage, there is no intention to early adopt the above accounting standards.

## Note 2: Taxation revenue

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
<b>Taxes on employers' payroll and labour force</b>	<b>4 812.2</b>	<b>4 868.5</b>	<b>5 160.0</b>	<b>5 482.2</b>	<b>5 823.2</b>
<b>Taxes on property</b>					
<b>Taxes on immovable property</b>					
Land tax	1 541.1	1 587.3	1 545.8	1 697.2	1 654.8
Fire services property levy <sup>(a)</sup>	..	..	587.2	593.1	596.5
Congestion levy	46.8	47.0	48.3	49.7	50.8
Metropolitan improvement levy	134.2	134.2	138.6	143.1	143.1
Property owner contributions to fire brigades <sup>(a)</sup>	31.9	37.8	..	..	..
<b>Total taxes on immovable property</b>	<b>1 754.0</b>	<b>1 806.3</b>	<b>2 319.9</b>	<b>2 483.1</b>	<b>2 445.1</b>
<b>Financial and capital transactions</b>					
Land transfer duty	3 447.2	3 162.0	3 445.7	3 682.3	3 875.5
Growth Areas Infrastructure Contribution	54.4	62.3	61.9	69.9	71.5
Other property duties	8.1	7.9	8.1	8.3	8.5
Financial accommodation levy	101.5	98.7	121.5	137.4	152.3
<b>Total financial and capital transactions</b>	<b>3 611.2</b>	<b>3 330.9</b>	<b>3 637.2</b>	<b>3 897.9</b>	<b>4 107.9</b>
<b>Total taxes on property</b>	<b>5 365.3</b>	<b>5 137.2</b>	<b>5 957.1</b>	<b>6 381.0</b>	<b>6 553.0</b>
<b>Taxes on the provision of goods and services</b>					
<b>Gambling taxes</b>					
Private lotteries	387.3	393.3	405.7	420.1	436.6
Electronic gaming machines	1 121.6	1 116.2	1 178.2	1 212.6	1 256.3
Casino	199.9	202.5	228.7	254.3	267.7
Racing	95.2	94.5	90.5	91.1	91.6
Other	18.6	19.8	23.6	30.9	35.4
<b>Total gambling taxes</b>	<b>1 822.6</b>	<b>1 826.3</b>	<b>1 926.6</b>	<b>2 008.9</b>	<b>2 087.6</b>
<b>Levies on statutory corporations</b>	<b>70.2</b>	<b>70.2</b>	<b>117.5</b>	<b>116.3</b>	<b>114.7</b>
<b>Taxes on insurance <sup>(a)</sup></b>	<b>1 605.8</b>	<b>1 620.1</b>	<b>1 052.5</b>	<b>1 114.2</b>	<b>1 178.2</b>
<b>Total taxes on the provision of goods and services</b>	<b>3 498.5</b>	<b>3 516.5</b>	<b>3 096.6</b>	<b>3 239.3</b>	<b>3 380.6</b>
<b>Taxes on the use of goods and performance of activities</b>					
<b>Motor vehicle taxes</b>					
Vehicle registration fees	1 169.2	1 171.2	1 225.0	1 282.6	1 342.2
Duty on vehicle registrations and transfers	647.6	627.6	643.3	662.6	682.3
<b>Total motor vehicle taxes</b>	<b>1 816.8</b>	<b>1 798.7</b>	<b>1 868.3</b>	<b>1 945.1</b>	<b>2 024.5</b>
<b>Franchise taxes</b>	<b>21.8</b>	<b>22.9</b>	<b>23.5</b>	<b>22.9</b>	<b>22.2</b>
<b>Other</b>	<b>268.2</b>	<b>268.2</b>	<b>273.7</b>	<b>289.5</b>	<b>290.4</b>
<b>Total taxes on the use of goods and performance of activities</b>	<b>2 106.9</b>	<b>2 089.9</b>	<b>2 165.5</b>	<b>2 257.5</b>	<b>2 337.1</b>
<b>Total taxation</b>	<b>15 782.8</b>	<b>15 612.2</b>	<b>16 379.3</b>	<b>17 360.1</b>	<b>18 093.8</b>

Note:

(a) These estimates reflect the Government's introduction of the new property-based levy, commencing 1 July 2013, which will replace the current insurance contributions to the fire brigades.

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

*(\$ million)*

	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Dividends	843.6	1 100.9	284.9	353.9	454.2
Income tax equivalent revenue	153.0	120.8	191.9	223.5	243.0
Local government rate equivalent revenue	5.2	5.2	5.2	5.5	5.7
<b>Total dividends and income tax equivalent and rate equivalent revenue</b>	<b>1 001.9</b>	<b>1 226.9</b>	<b>482.1</b>	<b>582.8</b>	<b>703.0</b>

**Note 4: Sale of goods and services**

*(\$ million)*

	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Motor vehicle regulatory fees	162.9	171.5	209.3	196.2	193.8
Other regulatory fees	365.5	379.4	360.5	361.2	360.8
Sale of goods	123.1	104.9	98.8	93.9	95.0
Provision of services	4 562.1	4 675.4	4 499.2	4 597.9	4 748.7
Rental	51.4	51.1	50.9	50.9	51.0
Refunds and reimbursements	66.9	66.9	68.3	69.7	71.2
Inter-sector capital asset charge	1 421.2	1 421.2	1 518.1	1 574.7	1 621.1
<b>Total sales of goods and services</b>	<b>6 753.1</b>	<b>6 870.3</b>	<b>6 805.1</b>	<b>6 944.5</b>	<b>7 141.5</b>

## Note 5: Grants

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
General purpose grants	11 041.7	11 127.8	11 499.3	12 091.5	13 026.6
Specific purpose grants for on-passing	2 784.9	2 505.4	2 980.4	3 194.1	3 452.6
Grants for specific purposes	8 289.8	7 879.0	8 882.6	8 971.4	9 314.9
<b>Total</b>	<b>22 116.4</b>	<b>21 512.2</b>	<b>23 362.3</b>	<b>24 257.1</b>	<b>25 794.1</b>
Other contributions and grants	103.6	106.5	111.2	107.3	83.0
<b>Total grants</b>	<b>22 220.0</b>	<b>21 618.8</b>	<b>23 473.5</b>	<b>24 364.3</b>	<b>25 877.1</b>

## Note 6: Other revenue

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Fair value of assets received free of charge or for nominal consideration	1.3	1.4	1.3	0.6	0.6
Fines	662.5	659.7	685.2	707.1	715.3
Royalties	46.3	46.3	47.5	48.6	49.8
Donations and gifts	217.2	238.6	240.3	248.8	262.6
Other non-property rental	19.9	20.8	20.8	20.9	21.0
Other miscellaneous revenue	942.1	976.0	906.5	884.7	901.2
<b>Total other revenue</b>	<b>1 889.4</b>	<b>1 942.8</b>	<b>1 901.6</b>	<b>1 910.7</b>	<b>1 950.5</b>

## Note 7: Superannuation

### (a) Superannuation expense recognised in the operating statement

(\$ million)

	2012-13 <i>Budget</i>	2012-13 <i>Revised</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>	2015-16 <i>Estimate</i>
<b>Defined benefit plans</b>					
Interest cost	1 887.8	1 594.6	1 610.2	1 614.2	1 614.3
Expected return on plan assets (net of expenses)	(1 158.6)	(1 148.3)	(1 205.1)	(1 234.4)	(1 257.2)
<b>Superannuation interest expense</b>	<b>729.2</b>	<b>446.3</b>	<b>405.1</b>	<b>379.8</b>	<b>357.1</b>
Current service cost	708.0	831.2	837.9	818.4	784.1
Actuarial (gains)/losses	..	1 077.5	..	..	..
<b>Total expense recognised in respect of defined benefit plans</b>	<b>1 437.1</b>	<b>2 355.0</b>	<b>1 243.0</b>	<b>1 198.2</b>	<b>1 141.1</b>
<b>Defined contribution plans</b>					
Employer contributions to defined contribution plans	1 032.3	1 010.4	1 042.7	1 077.9	1 138.0
Other (including pensions)	70.9	72.2	74.1	76.0	76.6
<b>Total expense recognised in respect of defined contribution plans</b>	<b>1 103.2</b>	<b>1 082.5</b>	<b>1 116.8</b>	<b>1 153.9</b>	<b>1 214.6</b>
<b>Total superannuation expense recognised in operating statement</b>	<b>2 540.3</b>	<b>3 437.6</b>	<b>2 359.9</b>	<b>2 352.1</b>	<b>2 355.7</b>
<b>Represented by:</b>					
Superannuation interest expense	729.2	446.3	405.1	379.8	357.1
Other superannuation	1 811.2	1 913.7	1 954.8	1 972.3	1 998.7
<b>Superannuation expense from transactions</b>	<b>2 540.3</b>	<b>2 360.1</b>	<b>2 359.9</b>	<b>2 352.1</b>	<b>2 355.7</b>
<b>Superannuation expense from other economic flows</b>	<b>..</b>	<b>1 077.5</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Total superannuation expense recognised in operating statement</b>	<b>2 540.3</b>	<b>3 437.6</b>	<b>2 359.9</b>	<b>2 352.1</b>	<b>2 355.7</b>

## Note 7: Superannuation (*continued*)

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

(\$ million)

	2012-13 <i>Budget</i>	2012-13 <i>Revised</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>	2015-16 <i>Estimate</i>
<b>Opening balance of defined benefit obligation</b>	<b>48 072.2</b>	<b>48 072.2</b>	<b>49 766.3</b>	<b>49 924.6</b>	<b>49 953.5</b>
Current service cost	708.0	831.2	837.9	818.4	784.1
Interest cost	1 887.8	1 594.6	1 610.2	1 614.2	1 614.3
Contributions by plan participants	201.0	205.8	199.6	193.7	187.5
Actuarial (gains)/losses		1 468.9	..	..	..
Benefits paid	(2 448.3)	(2 406.4)	(2 489.4)	(2 597.4)	(2 682.6)
<b>Closing balance of defined benefit obligation</b>	<b>48 420.7</b>	<b>49 766.3</b>	<b>49 924.6</b>	<b>49 953.5</b>	<b>49 856.7</b>

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

(\$ million)

	2012-13 <i>Budget</i>	2012-13 <i>Revised</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>	2015-16 <i>Estimate</i>
<b>Opening balance of plan assets</b>	<b>15 480.3</b>	<b>15 480.3</b>	<b>16 230.7</b>	<b>16 654.6</b>	<b>17 085.6</b>
Expected return on plan assets	1 158.6	1 148.3	1 205.1	1 234.4	1 257.2
Actuarial gains/(losses)		391.5	..	..	..
Employer contributions	1 391.8	1 411.3	1 508.6	1 600.3	1 484.6
Contributions by plan participants	201.0	205.8	199.6	193.7	187.5
Benefits paid (including tax paid)	(2 448.3)	(2 406.4)	(2 489.4)	(2 597.4)	(2 682.6)
<b>Closing balance of plan assets</b>	<b>15 783.5</b>	<b>16 230.7</b>	<b>16 654.6</b>	<b>17 085.6</b>	<b>17 332.3</b>



## Note 7: Superannuation (*continued*)

### (d) Reconciliation of the superannuation liabilities

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
<b>Emergency Services and State Super</b>					
Defined benefit obligation	42 692.9	43 848.9	44 009.6	44 059.6	43 989.4
Tax liability <sup>(a)</sup>	3 336.7	3 277.8	3 258.8	3 223.0	3 200.3
Plan assets	(14 492.5)	(14 919.0)	(15 336.0)	(15 763.0)	(16 014.1)
<b>Net liability/(asset)</b>	<b>31 537.1</b>	<b>32 207.7</b>	<b>31 932.5</b>	<b>31 519.6</b>	<b>31 175.6</b>
<b>Other funds <sup>(b)</sup></b>					
Defined benefit obligation	2 386.0	2 635.1	2 653.7	2 670.2	2 668.0
Tax liability <sup>(a)</sup>	5.0	4.5	2.5	0.7	(0.9)
Plan assets	(1 290.9)	(1 311.7)	(1 318.6)	(1 322.6)	(1 318.2)
<b>Net liability/(asset)</b>	<b>1 100.1</b>	<b>1 327.9</b>	<b>1 337.6</b>	<b>1 348.3</b>	<b>1 348.9</b>
<b>Total superannuation</b>					
Defined benefit obligation	45 079.0	46 484.0	46 663.3	46 729.8	46 657.4
Tax liability <sup>(a)</sup>	3 341.7	3 282.3	3 261.3	3 223.7	3 199.4
Plan assets	(15 783.5)	(16 230.7)	(16 654.6)	(17 085.6)	(17 332.3)
<b>Superannuation liability</b>	<b>32 637.2</b>	<b>33 535.6</b>	<b>33 270.0</b>	<b>32 867.9</b>	<b>32 524.5</b>
<b>Represented by:</b>					
Current liability	1 000.0	1 000.0	1 100.0	1 000.0	1 248.2
Non-current liability	31 637.2	32 535.6	32 170.0	31 867.9	31 276.3

*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)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Buildings <sup>(a)(b)</sup>	993.7	919.3	1 015.9	1 078.9	1 138.9
Plant, equipment and vehicles <sup>(c)</sup>	633.5	635.3	637.4	638.9	636.6
Infrastructure systems <sup>(d)</sup>	143.3	144.6	155.0	149.5	149.8
Road and road networks	565.4	560.2	584.8	660.8	710.8
Cultural assets <sup>(e)</sup>	17.5	17.5	18.0	18.3	18.3
Intangible produced assets <sup>(f)</sup>	32.5	41.3	49.6	43.3	52.2
<b>Total depreciation</b>	<b>2 385.9</b>	<b>2 318.3</b>	<b>2 460.6</b>	<b>2 589.6</b>	<b>2 706.5</b>

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2012-13 to 2015-16.

(b) The inclusion of leasehold buildings in this item has required the restatement of the 2012-13 Budget figure.

(c) The inclusion of leased plant, equipment and vehicles and the exclusion of infrastructure systems from this item has required the restatement of the 2012-13 Budget figure.

(d) Infrastructure systems was previously classified under plant, equipment and vehicles for the 2012-13 Budget.

(e) Other assets was renamed cultural assets for the 2012-13 Quarterly financial report to reflect the class of assets included in this item.

(f) Amortisation of intangible non-produced assets is included under other economic flows.

## Note 9: Interest expense

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Interest on long-term interest-bearing liabilities	1 130.8	1 121.0	1 279.2	1 371.4	1 378.7
Interest on short-term interest-bearing liabilities	51.7	51.7	52.7	52.6	52.6
Finance charges on finance leases	495.0	510.0	730.3	721.2	711.4
Discount interest on payables	48.0	47.7	43.6	41.0	39.5
<b>Total interest expense</b>	<b>1 725.6</b>	<b>1 730.5</b>	<b>2 105.9</b>	<b>2 186.1</b>	<b>2 182.2</b>

## Note 10: Other operating expenses

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Purchase of supplies and consumables	7 560.2	7 601.9	7 235.6	7 443.1	7 498.0
Cost of goods sold	119.9	119.4	90.3	47.5	47.8
Finance expenses and fees	22.4	23.0	24.1	25.2	25.7
Purchase of services	6 482.4	6 801.8	6 812.5	7 049.2	7 227.6
Maintenance	878.6	797.2	784.4	801.1	826.9
Operating lease payments	232.7	235.4	245.1	253.9	257.9
Other	617.6	617.6	647.8	685.5	716.4
<b>Total other operating expenses</b>	<b>15 913.7</b>	<b>16 196.3</b>	<b>15 839.8</b>	<b>16 305.6</b>	<b>16 600.1</b>

## Note 11: Grants and other transfers

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
<b>Current grants and other transfers expense</b>					
Commonwealth Government	167.4	166.2	160.8	155.7	155.7
Local government (including grants for on-passing)	952.1	731.1	741.1	751.0	739.4
Private sector and not-for-profit for on-passing	4 091.3	3 604.3	4 029.3	4 281.0	4 541.6
Other private sector and not-for-profit	374.3	366.1	288.6	310.1	310.3
Grants within the Victorian Government	2 631.0	2 671.2	2 865.4	2 950.6	2 882.0
Grants to other state governments	13.5	13.5	13.8	14.0	14.3
<b>Total current grants and other transfers</b>	<b>8 229.5</b>	<b>7 552.4</b>	<b>8 099.1</b>	<b>8 462.3</b>	<b>8 643.4</b>
<b>Capital grants expense</b>					
Commonwealth Government	..	0.3	0.3	0.2	0.2
Local government (including grants for on-passing)	23.9	165.0	75.5	76.1	36.5
Private sector and not-for-profit on-passing	61.3	76.4	74.9	61.1	31.0
Other private sector and not-for-profit	64.2	3.5	3.5	3.5	3.5
Other grants	..	..	..	16.4	..
<b>Total capital grants and other transfers</b>	<b>149.5</b>	<b>245.3</b>	<b>154.2</b>	<b>157.4</b>	<b>71.2</b>
<b>Total grants and other transfers</b>	<b>8 379.0</b>	<b>7 797.6</b>	<b>8 253.3</b>	<b>8 619.8</b>	<b>8 714.5</b>

## Note 12: Expenses by government purpose classification and department

### (a) Expenses by government purpose classification

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
<b>Expenses</b>					
General public services	566.9	484.8	525.3	623.0	637.0
Public order and safety	5 398.7	5 435.9	5 490.9	5 626.2	5 702.6
Education	13 987.5	14 037.5	14 092.8	14 403.1	14 846.4
Health	13 341.7	13 519.3	13 817.0	14 205.9	14 559.3
Social security and welfare	3 027.0	3 053.7	3 136.6	3 172.3	3 257.8
Housing and community amenities	2 247.6	1 922.3	2 082.8	2 470.1	2 525.7
Recreation and culture	648.3	554.5	600.8	712.5	728.6
Fuel and energy	22.2	19.0	20.5	24.4	24.9
Agriculture, forestry, fishing, and hunting	691.8	751.6	786.5	769.5	744.6
Mining, manufacturing, and construction	17.2	14.7	15.9	18.9	19.3
Transport and communications	5 064.7	5 187.9	5 443.2	5 531.0	5 742.5
Other economic affairs	561.2	480.0	520.1	616.8	630.7
Other purposes	2 627.1	2 349.2	2 526.0	2 580.2	2 555.9
<b>Total expenses by government purpose classification<sup>(a)</sup></b>	<b>48 201.8</b>	<b>47 810.4</b>	<b>49 058.4</b>	<b>50 753.9</b>	<b>51 975.3</b>

Note:

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

## Note 12: Expenses by government purpose classification and department *(continued)*

### (b) Expenses by department including administered items

	<i>(\$ million)</i>				
	<i>2012-13</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>
	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Expenses</b>					
Business and Innovation	672.7	744.0	530.9	447.5	388.9
Education and Early Childhood Development	13 887.6	13 938.1	13 970.1	14 373.9	14 815.8
Health	15 154.8	15 350.6	15 439.0	15 859.9	16 224.7
Human Services	3 576.1	3 530.4	3 520.7	3 607.3	3 692.8
Justice	7 362.7	7 453.4	7 612.8	7 919.8	7 999.4
Planning and Community Development	1 013.2	791.2	1 025.3	1 012.9	928.3
Premier and Cabinet	618.0	633.3	616.2	617.5	607.3
Primary Industries	710.6	774.6	740.2	707.6	682.7
Sustainability and Environment	2 728.1	2 702.7	3 120.2	3 162.1	3 084.7
Transport	8 013.1	8 130.1	8 170.5	8 415.5	8 608.5
Treasury and Finance	38 940.6	39 615.8	39 726.3	41 241.4	43 181.8
Parliament	181.6	197.5	185.3	178.7	181.1
Regulatory bodies and other part funded agencies <sup>(a)</sup>	2 005.7	1 845.1	1 861.8	1 883.1	1 890.5
Contingencies not allocated to departments <sup>(b)</sup>	(130.5)	(533.9)	971.1	1 525.1	1 867.7
<b>Total</b>	<b>94 734.2</b>	<b>95 172.8</b>	<b>97 490.4</b>	<b>100 952.3</b>	<b>104 154.2</b>
Less eliminations and adjustments <sup>(c)</sup>	(46 532.4)	(47 362.4)	(48 432.0)	(50 198.4)	(52 178.9)
<b>Total expenses</b>	<b>48 201.8</b>	<b>47 810.4</b>	<b>49 058.4</b>	<b>50 753.9</b>	<b>51 975.3</b>

*Notes:*

- (a) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to departments.
- (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) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers.

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

(\$ million)

	2012-13	2012-13	2013-14	2014-15	2015-16
	Budget	Revised	Estimate	Estimate	Estimate
Net (increase) in provision for doubtful receivables	(213.2)	(213.1)	(235.0)	(261.4)	(254.4)
Amortisation of intangible non-produced assets	(10.5)	(10.5)	(10.5)	(10.5)	(10.5)
Net (increase) in bad debts	(101.4)	(101.5)	(106.5)	(111.5)	(145.0)
Other (losses)	(3.9)	(47.9)	(7.2)	(5.4)	(5.0)
<b>Total other gains/(losses) from other economic flows</b>	<b>(329.0)</b>	<b>(372.9)</b>	<b>(359.2)</b>	<b>(388.8)</b>	<b>(414.9)</b>

### Note 14: Reconciliation of net gain on equity investments in other sector entities at proportional share of net assets

(\$ million)

	2012-13	2012-13	2013-14	2014-15	2015-16
	Budget	Revised	Estimate	Estimate	Estimate
Balance of investment in PNFC and PFC sectors at beginning of period	66 749.4	66 749.4	68 569.2	72 172.4	73 715.3
Net contributions to other sectors by owner	2 949.2	3 221.4	2 008.0	1 430.6	651.1
Revaluation gain/(loss) for period	(746.6)	(1 401.7)	1 595.2	112.4	2 693.2
<b>Investment in other sector entities at end of period</b>	<b>68 952.0</b>	<b>68 569.2</b>	<b>72 172.4</b>	<b>73 715.3</b>	<b>77 059.6</b>

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

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Purchases of non-financial assets	3 529.6	4 310.4	4 857.5	3 394.8	3 730.3
Less: Sales of non-financial assets	(552.5)	(524.4)	(392.6)	(360.3)	(353.9)
Less: Depreciation	(2 385.9)	(2 318.3)	(2 460.6)	(2 589.6)	(2 706.5)
Plus: Other movements in non-financial assets	845.1	1 020.1	51.6	41.4	1 115.3
<b>Total net acquisition of non-financial assets</b>	<b>1 436.2</b>	<b>2 487.8</b>	<b>2 055.9</b>	<b>486.4</b>	<b>1 785.2</b>

## Note 16: Advances paid and investments, loans and replacements

(\$ million)

	2013 Budget	2013 Revised	2014 Estimate	2015 Estimate	2016 Estimate
<b>Current advances paid and investments, loans and placements</b>					
Loans and advances receivable	11.3	11.3	11.3	11.3	11.3
Equities and managed investment schemes	230.5	230.5	256.1	282.4	288.8
Australian dollar term deposits	2 015.8	1 915.1	1 993.1	2 055.8	2 157.3
Debt securities	7.4	7.4	7.4	7.4	7.4
<b>Total current advances paid and investments, loans and placements</b>	<b>2 264.9</b>	<b>2 164.2</b>	<b>2 267.8</b>	<b>2 356.8</b>	<b>2 464.8</b>
<b>Non-current advances paid and investments, loans and placements</b>					
Loans and advances receivable	4 428.5	4 428.5	4 389.4	4 344.1	4 291.7
Equities and managed investment schemes	233.0	246.6	230.6	220.9	198.1
Australian dollar term deposits	221.8	227.9	219.5	208.8	199.5
Debt securities	30.6	30.6	30.6	30.6	30.6
<b>Total non-current advances paid and investments, loans and placements</b>	<b>4 913.9</b>	<b>4 933.6</b>	<b>4 870.2</b>	<b>4 804.4</b>	<b>4 719.9</b>
<b>Total advances paid and investments, loans and placements</b>	<b>7 178.8</b>	<b>7 097.8</b>	<b>7 138.0</b>	<b>7 161.3</b>	<b>7 184.7</b>

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

(\$ million)

	2012-13	2012-13	2013-14	2014-15	2015-16
	Budget	Revised	Estimate	Estimate	Estimate
Buildings (written down value)	21 677.1	21 549.4	23 259.3	24 516.7	26 590.7
Buildings leasehold	2 843.0	2 791.4	2 926.0	2 948.9	4 006.2
Land and national parks	36 804.3	36 805.2	37 009.7	37 799.9	38 450.9
Infrastructure systems (written down value)	1 620.7	1 615.2	1 594.6	1 615.8	1 637.8
Plant, equipment and vehicles (written down value)	2 148.9	2 345.6	2 156.6	1 899.9	1 627.3
Roads and road networks (written down value)	22 099.3	22 030.1	24 759.6	25 817.7	25 368.4
Earthworks	7 279.4	7 279.4	8 136.8	8 620.1	8 620.1
Cultural assets (written down value)	5 464.6	5 464.4	5 467.5	5 465.3	6 233.2
<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>99 937.4</b>	<b>99 880.7</b>	<b>105 310.2</b>	<b>108 684.3</b>	<b>112 534.7</b>

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

(\$ million)

	2012-13	2012-13	2013-14	2014-15	2015-16
	Budget	Revised	Estimate	Estimate	Estimate
Carrying amount at the start of the year <sup>(a)</sup>	97 796.6	97 796.6	99 880.7	105 310.2	108 684.3
Additions <sup>(b)</sup>	8 494.4	9 462.8	4 859.9	3 323.6	4 760.7
Disposals at written down value <sup>(c)</sup>	(4 409.2)	(4 379.8)	(238.2)	(265.0)	(242.2)
Revaluations	526.0	722.0	3 875.2	3 164.2	2 274.7
Assets reclassified	(117.1)	(1 444.0)	(656.3)	(302.4)	(288.5)
Depreciation expense	(2 353.4)	(2 277.0)	(2 411.1)	(2 546.3)	(2 654.3)
<b>Carrying amount at the end of the year</b>	<b>99 937.4</b>	<b>99 880.7</b>	<b>105 310.2</b>	<b>108 684.3</b>	<b>112 534.7</b>

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 2012-13 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 classification and by department

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

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
General public services	301.5	294.5	199.9	123.9	110.4
Public order and safety	467.3	471.5	467.7	327.1	226.8
Education	524.7	621.3	427.9	256.2	244.8
Health	846.5	1 044.4	881.6	729.3	683.6
Social security and welfare	145.5	184.7	135.3	96.7	86.2
Housing and community amenities	187.3	182.9	124.2	77.0	68.5
Recreation and culture	189.6	185.2	125.7	77.9	69.4
Fuel and energy	6.4	6.3	4.3	2.7	2.4
Agriculture, forestry, fishing, and hunting	55.6	71.3	46.6	12.7	10.9
Mining, manufacturing, and construction	0.2	0.2	0.1	0.1	0.1
Transport and communications	910.7	1 999.3	1 876.6	943.3	554.4
Other economic affairs	36.8	35.9	24.4	15.1	13.5
Other purposes	1.1	1.0	0.7	0.4	0.4
Not allocated by purpose <sup>(a)</sup>	(143.7)	(788.4)	542.4	732.5	1 658.9
<b>Total purchases of non-financial assets <sup>(b)</sup></b>	<b>3 529.6</b>	<b>4 310.4</b>	<b>4 857.5</b>	<b>3 394.8</b>	<b>3 730.3</b>

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 and by department (*continued*)**

**(b) Purchases of non-financial assets by department**

(\$ million)

	2012-13 <i>Budget</i>	2012-13 <i>Revised</i>	2013-14 <i>Estimate</i>	2014-15 <i>Estimate</i>	2015-16 <i>Estimate</i>
Business and Innovation	189.8	155.8	67.9	3.8	4.2
Education and Early Childhood Development	528.8	625.4	425.0	253.3	241.9
Health	955.2	1 153.1	938.9	786.6	740.9
Human Services	56.5	95.6	59.1	42.3	31.7
Justice	423.5	427.7	483.5	342.9	242.6
Planning and Community Development	59.0	57.8	57.1	6.3	6.5
Premier and Cabinet	43.4	50.3	33.6	22.0	22.2
Primary Industries	54.0	69.8	42.0	8.0	6.3
Sustainability and Environment	120.4	190.0	130.8	125.9	121.7
Transport	975.4	2 063.4	1 852.7	869.3	480.4
Treasury and Finance	58.4	62.3	49.5	49.3	30.7
Parliament	6.8	4.2	3.3	3.3	3.3
Regulatory bodies and other part budget funded agencies	202.1	143.2	171.9	149.6	139.0
Contingencies not allocated to departments <sup>(a)</sup>	(143.7)	(788.4)	542.4	732.5	1 658.9
<b>Total purchases of non-financial assets</b>	<b>3 529.6</b>	<b>4 310.4</b>	<b>4 857.6</b>	<b>3 394.9</b>	<b>3 730.3</b>

Note:

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

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

### (c) Total assets

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
General public services	985.7	962.4	947.4	902.1	954.7
Public order and safety	7 447.7	7 451.8	8 537.5	9 130.2	9 333.4
Education	16 879.2	16 974.9	18 429.8	19 424.4	19 479.0
Health	10 222.6	10 430.5	11 415.2	11 196.3	12 615.2
Social security and welfare	987.2	1 026.4	1 061.5	1 083.2	1 157.4
Housing and community amenities	7 126.5	6 894.1	6 745.4	6 295.5	6 817.9
Recreation and culture	8 775.7	8 524.5	8 363.8	7 877.5	8 442.2
Fuel and energy	6.0	5.9	5.8	5.5	5.8
Agriculture, forestry, fishing, and hunting	644.8	835.7	694.5	730.7	719.3
Mining, manufacturing, and construction	..	..	..	..	..
Transport and communications	47 253.2	47 205.2	49 505.9	52 419.1	53 302.3
Other economic affairs	755.0	744.5	737.8	717.5	741.1
Other purposes	2.8	2.7	2.6	2.5	2.7
Not allocated by purpose <sup>(a)</sup>	84 913.4	84 564.0	88 279.9	89 970.9	93 470.2
<b>Total assets <sup>(b)</sup></b>	<b>185 999.9</b>	<b>185 622.6</b>	<b>194 727.0</b>	<b>199 755.5</b>	<b>207 041.1</b>

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)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
<b>Current borrowings</b>					
Domestic borrowings	856.0	856.0	859.0	862.0	865.0
Finance lease liabilities	73.0	73.0	89.7	100.0	122.2
<b>Total current borrowings</b>	<b>929.0</b>	<b>929.0</b>	<b>948.7</b>	<b>962.0</b>	<b>987.2</b>
<b>Non-current borrowings</b>					
Domestic borrowings	23 006.6	22 773.6	26 132.6	27 462.6	26 922.5
Finance lease liabilities	7 519.5	7 694.6	7 529.6	7 365.4	8 234.0
Derivative financial instruments	36.0	36.0	36.0	36.0	36.0
<b>Total non-current borrowings</b>	<b>30 562.1</b>	<b>30 504.2</b>	<b>33 698.2</b>	<b>34 864.0</b>	<b>35 192.5</b>
<b>Total borrowings</b>	<b>31 491.1</b>	<b>31 433.2</b>	<b>34 646.8</b>	<b>35 826.0</b>	<b>36 179.7</b>

## Note 21: Employee benefits

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
<b>Current</b>					
Accrued salaries and wages <sup>(a)</sup>	1 548.9	1 545.3	1 581.4	1 617.7	1 653.5
Long service leave	3 092.7	3 091.8	3 214.1	3 341.8	3 473.7
<b>Total current employee benefits</b>	<b>4 641.6</b>	<b>4 637.1</b>	<b>4 795.5</b>	<b>4 959.6</b>	<b>5 127.2</b>
<b>Non-current</b>					
Long service leave	581.5	581.0	615.2	650.0	689.1
<b>Total non-current employee benefits</b>	<b>581.5</b>	<b>581.0</b>	<b>615.2</b>	<b>650.0</b>	<b>689.1</b>
<b>Total employee benefits</b>	<b>5 223.1</b>	<b>5 218.1</b>	<b>5 410.7</b>	<b>5 609.6</b>	<b>5 816.3</b>

Note:

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

## Note 22: Reserves

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Property plant and equipment revaluation surplus	37 488.8	37 684.8	41 560.2	44 724.6	46 999.6
Available-for-sale investments revaluation surplus	22.7	22.5	22.5	22.5	22.5
Revaluation reserve for investments in PFC and PNFC entities	37 447.4	36 792.3	38 387.5	38 499.8	41 193.0
Other reserves	980.8	981.5	1 001.2	1 019.1	1 037.3
<b>Total reserves</b>	<b>75 939.7</b>	<b>75 481.1</b>	<b>80 971.3</b>	<b>84 266.0</b>	<b>89 252.4</b>

**Note 23: Reconciliations to government finance statistics – derivation of GFS cash/surplus deficit**

(\$ million)

	2012-13 Budget	2012-13 Revised	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Cash surplus/(deficit)	(971.3)	(2 036.4)	(1 631.4)	244.7	1 436.2
<i>Convergence differences:</i>					
Less: Acquisitions under finance leases and similar arrangements	(844.8)	(1 019.9)	..	..	(1 050.4)
<b>Total convergence differences</b>	(844.8)	(1 019.9)	..	..	(1 050.4)
<b>GFS cash surplus/(deficit)</b>	<b>(1 816.1)</b>	<b>(3 056.3)</b>	<b>(1 631.4)</b>	<b>244.7</b>	<b>385.7</b>

**Note 24: Financial instruments**

*The 2011-12 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 *2011-12 Financial Report*.

## Note 25: Controlled entities

Note 40 *Controlled entities in the 2011-12 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 2012, 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>
<b>Department of Health <sup>(a)</sup></b>			
<b>Department of Sustainability and Environment</b>			
State Owned Enterprise for Irrigation Modernisation in Northern Victoria <sup>(b)</sup>	*		
City West Water Limited <sup>(c)</sup>		*	
South East Water Limited <sup>(c)</sup>		*	
Yarra Valley Water Limited <sup>(c)</sup>		*	

*Notes:*

- (a) *Entity transfers: Effective from 1 July 2012, the following general government entities were transferred from the Department of Health to the Australian Health Practitioner Regulation Agency, which is an agency of the Commonwealth Government:*
- *Chinese Medicine registration Board of Victoria; and*
  - *Medical Radiation Practitioners Board of Victoria*
- (b) *Effective 1 July 2012, State Owned Enterprise for Irrigation Modernisation in Northern Victoria was moved to Goulburn Murray Water.*
- (c) *Effective 1 July 2012, the following entities were transferred from the Department of Treasury and Finance to the Department of Sustainability and Environment:*
- *City West Water Limited*
  - *South East Water Limited*
  - *Yarra Valley Water*

## CHAPTER 5 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

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

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Revenue</b>						
Interest	131.7	75.6	71.6	54.1	53.4	51.7
Dividends	77.3	79.8	75.2	78.1	81.0	81.0
Sales of goods and services	4 773.4	5 445.3	4 885.4	6 623.5	6 839.6	7 065.5
Grants	2 517.1	2 636.3	2 775.4	2 774.6	2 938.5	2 969.4
Other current revenue	718.2	594.3	438.5	449.4	465.3	472.7
<b>Total revenue</b>	<b>8 217.6</b>	<b>8 831.1</b>	<b>8 246.1</b>	<b>9 979.7</b>	<b>10 377.7</b>	<b>10 640.3</b>
<b>Expenses</b>						
Employee expenses	986.7	983.5	1 027.8	1 048.3	1 078.6	1 109.0
Superannuation interest expense	(0.2)	..	..	..	..	..
Other superannuation	112.1	78.8	89.0	89.0	91.9	95.0
Depreciation	1 716.1	1 859.4	1 885.1	2 002.3	2 075.8	2 217.5
Interest expense	702.7	1 116.2	1 042.9	1 285.9	1 343.2	1 386.7
Other operating expenses	4 412.4	4 574.2	4 653.2	5 402.6	5 598.1	5 645.2
Grants and other transfers	254.1	200.2	212.7	226.4	237.1	236.9
Other property expenses	93.4	136.6	(72.1)	66.6	91.8	91.6
<b>Total expenses</b>	<b>8 277.3</b>	<b>8 949.0</b>	<b>8 838.6</b>	<b>10 121.2</b>	<b>10 516.5</b>	<b>10 781.9</b>
<b>Net result from transactions - net operating balance</b>	<b>(59.7)</b>	<b>(117.9)</b>	<b>(592.6)</b>	<b>(141.5)</b>	<b>(138.7)</b>	<b>(141.7)</b>
<b>Other economic flows included in net result</b>						
Net gain/(loss) on sale of non-financial assets	4.4	(1.9)	30.6	28.7	43.0	3.6
Net gain/(loss) on financial assets or liabilities at fair value	(671.3)	1.6	51.9	1.2	1.0	0.8
Net actuarial gains/(losses) of superannuation defined benefits plans	(62.2)	(4.2)	(4.4)	(4.4)	(4.4)	(4.4)

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

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
Share of net profit/(loss) from associates/ joint venture entities, excluding dividends	5.6	..	..	..	..	..
Other gains/(losses) from other economic flows	557.7	(10.9)	(127.9)	(29.5)	(26.5)	(31.3)
<b>Total other economic flows included in net result</b>	<b>(165.8)</b>	<b>(15.4)</b>	<b>(49.8)</b>	<b>(3.9)</b>	<b>13.1</b>	<b>(31.4)</b>
<b>Net result</b>	<b>(225.5)</b>	<b>(133.3)</b>	<b>(642.4)</b>	<b>(145.4)</b>	<b>(125.7)</b>	<b>(173.0)</b>
<b>Other economic flows – other movements in equity</b>						
Net gain/(loss) on financial assets at fair value	(6.9)	14.4	15.6	10.0	4.0	1.5
Revaluations of non-financial assets	(196.2)	(113.6)	(32.1)	1 904.3	317.7	3 043.0
Other movements in equity	(189.4)	..	74.5	(104.7)	38.3	12.3
<b>Total other economic flows – other movements in equity</b>	<b>(392.4)</b>	<b>(99.2)</b>	<b>58.0</b>	<b>1 809.7</b>	<b>360.0</b>	<b>3 056.9</b>
<b>Comprehensive result – total change in net worth</b>	<b>(618.0)</b>	<b>(232.4)</b>	<b>(584.4)</b>	<b>1 664.3</b>	<b>234.3</b>	<b>2 883.9</b>
<b>FISCAL AGGREGATES</b>						
<b>Net operating balance</b>	<b>(59.7)</b>	<b>(117.9)</b>	<b>(592.6)</b>	<b>(141.5)</b>	<b>(138.7)</b>	<b>(141.7)</b>
Less: net acquisition of non-financial assets from transactions <sup>(a)</sup>	2 364.2	7 441.8	6 068.2	1 879.3	1 389.2	261.5
<b>Net lending/(borrowing)</b>	<b>(2 423.9)</b>	<b>(7 559.7)</b>	<b>(6 660.7)</b>	<b>(2 020.8)</b>	<b>(1 528.0)</b>	<b>(403.2)</b>

Source: Department of Treasury and Finance

Note:

(a) The 2012-13 estimate reflects the recognition of the finance lease arrangement for the Victorian desalination plant.



**Table 5.2: Public non-financial corporations sector balance sheet**

(\$ million)

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	773.8	410.5	404.2	344.8	447.8	436.2
Advances paid	46.1	43.0	226.3	224.3	222.4	221.6
Receivables	1 375.9	1 343.3	1 150.3	1 171.8	1 168.8	1 173.3
Investments, loans and placements	1 064.3	881.0	833.8	797.1	738.2	691.1
Investments accounted for using equity method	572.7	572.7	572.7	572.7	572.7	572.7
<b>Total financial assets</b>	<b>3 832.7</b>	<b>3 250.4</b>	<b>3 187.2</b>	<b>3 110.7</b>	<b>3 149.8</b>	<b>3 094.9</b>
<b>Non-financial assets</b>						
Inventories	704.4	796.3	779.5	822.7	789.6	661.9
Non-financial assets held for sale	11.2	11.2	0.3	..	..	..
Land, buildings, infrastructure, plant and equipment	82 099.8	89 399.3	89 678.2	94 072.6	96 172.9	101 148.8
Other non-financial assets	1 100.5	1 213.3	1 130.6	1 171.1	1 154.8	1 134.7
<b>Total non-financial assets</b>	<b>83 916.0</b>	<b>91 420.2</b>	<b>91 588.7</b>	<b>96 066.4</b>	<b>98 117.3</b>	<b>102 945.5</b>
<b>Total assets</b>	<b>87 748.7</b>	<b>94 670.6</b>	<b>94 775.9</b>	<b>99 177.1</b>	<b>101 267.1</b>	<b>106 040.4</b>
<b>Liabilities</b>						
Deposits held and advances received	393.3	408.2	399.7	414.9	430.4	450.0
Payables	1 668.3	1 717.0	1 545.5	1 571.2	1 526.3	1 498.0
Borrowings	10 867.7	15 864.3	16 348.8	17 374.6	18 185.2	18 647.6
Employee benefits	322.1	345.7	320.5	333.6	334.8	342.2
Superannuation	153.3	153.7	143.2	148.4	152.5	156.9
Other provisions	8 631.6	8 336.3	8 353.7	8 113.6	7 893.5	8 899.7
<b>Total liabilities</b>	<b>22 036.4</b>	<b>26 825.2</b>	<b>27 111.3</b>	<b>27 956.2</b>	<b>28 522.6</b>	<b>29 994.4</b>
<b>Net assets</b>	<b>65 712.3</b>	<b>67 845.4</b>	<b>67 664.5</b>	<b>71 220.9</b>	<b>72 744.5</b>	<b>76 046.0</b>
Accumulated surplus	5 870.1	5 180.8	4 618.3	4 273.0	4 060.4	3 682.2
Reserves	59 842.1	62 664.6	63 046.3	66 948.0	68 684.1	72 363.8
<b>Net worth</b>	<b>65 712.3</b>	<b>67 845.4</b>	<b>67 664.5</b>	<b>71 220.9</b>	<b>72 744.5</b>	<b>76 046.0</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth	(18 203.7)	(23 574.7)	(23 924.1)	(24 845.5)	(25 372.8)	(26 899.5)
Net financial liabilities	18 203.7	23 574.7	23 924.1	24 845.5	25 372.8	26 899.5
Net debt <sup>(a)</sup>	9 376.9	14 938.0	15 284.2	16 423.2	17 207.2	17 748.7

Source: Department of Treasury and Finance

Note:

(a) The 2012-13 estimate reflects the recognition of the finance lease arrangement for the Victorian desalination plant.

**Table 5.3: Public non-financial corporations sector cash flow statement**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	2 626.0	2 746.6	2 360.7	2 809.5	2 940.0	3 020.4
Sales of goods and services <sup>(a)</sup>	5 046.6	5 907.4	5 293.8	7 233.5	7 487.1	7 757.2
Interest	86.0	49.6	59.7	46.2	48.0	49.9
Dividends	76.9	79.8	75.2	78.1	81.0	81.0
Other receipts	339.4	327.7	901.8	287.6	330.7	269.1
<b>Total receipts</b>	<b>8 174.9</b>	<b>9 111.1</b>	<b>8 691.1</b>	<b>10 455.0</b>	<b>10 886.8</b>	<b>11 177.6</b>
<b>Payments</b>						
Payments for employees	(962.5)	(962.4)	(1 032.5)	(1 038.2)	(1 080.5)	(1 104.7)
Superannuation	(83.6)	(82.7)	(103.5)	(88.2)	(92.3)	(95.0)
Interest	(641.8)	(1 050.8)	(1 002.7)	(1 251.4)	(1 312.9)	(1 366.2)
Grants	(169.1)	(59.3)	(73.3)	(38.2)	(53.1)	(51.0)
Goods and services <sup>(a)</sup>	(3 270.8)	(3 700.9)	(3 834.0)	(4 528.3)	(4 721.6)	(4 723.1)
Other payments	(1 652.6)	(1 779.4)	(1 768.2)	(1 907.0)	(2 013.9)	(2 089.7)
<b>Total payments</b>	<b>(6 780.4)</b>	<b>(7 635.5)</b>	<b>(7 814.1)</b>	<b>(8 851.2)</b>	<b>(9 274.4)</b>	<b>(9 429.7)</b>
<b>Net cash flows from operating activities</b>	<b>1 394.6</b>	<b>1 475.6</b>	<b>877.0</b>	<b>1 603.8</b>	<b>1 612.5</b>	<b>1 747.9</b>
<b>Cash flows from investing activities</b>						
Non-financial assets						
Purchases of non-financial assets	(3 890.5)	(4 988.7)	(3 886.7)	(3 835.3)	(3 423.8)	(2 387.5)
Sales of non-financial assets	122.2	62.3	103.6	98.6	110.5	64.8
Cash flows from investments in non-financial assets	(3 768.2)	(4 926.5)	(3 783.0)	(3 736.7)	(3 313.4)	(2 322.6)
Net cash flows from investments in financial assets for policy purposes	13.2	3.1	(132.7)	(103.3)	39.6	12.5
Net cash flows from investments in financial assets for liquidity purposes	(91.7)	(42.5)	433.9	255.9	235.1	228.8
<b>Net cash flows from investing activities</b>	<b>(3 846.8)</b>	<b>(4 965.8)</b>	<b>(3 481.8)</b>	<b>(3 584.1)</b>	<b>(3 038.6)</b>	<b>(2 081.3)</b>
<b>Cash flows from financing activities</b>						
Advances received (net)	8.1	(112.2)	(113.4)	(155.3)	(125.4)	(127.5)
Net borrowings	822.4	992.9	1 265.5	842.6	669.5	319.8
Deposits received (net)	21.6	(3.1)	(10.4)	(0.6)	(1.2)	1.3
Other financing (net)	1 605.2	2 248.2	1 093.5	1 232.6	983.9	125.9
<b>Net cash flows from financing activities</b>	<b>2 457.3</b>	<b>3 125.7</b>	<b>2 235.2</b>	<b>1 919.3</b>	<b>1 526.8</b>	<b>319.5</b>

**Table 5.3: Public non-financial corporations sector cash flow statement  
(continued)**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5.1</b>	<b>(364.5)</b>	<b>(369.6)</b>	<b>(61.0)</b>	<b>100.7</b>	<b>(14.0)</b>
Cash and cash equivalents at beginning of reporting period	768.7	773.8	773.8	404.2	343.2	443.8
<b>Cash and cash equivalents at end of reporting period <sup>(b)</sup></b>	<b>773.8</b>	<b>409.2</b>	<b>404.2</b>	<b>343.2</b>	<b>443.8</b>	<b>429.8</b>
<b>FISCAL AGGREGATES</b>						
Net cash flows from operating activities	1 394.6	1 475.6	877.0	1 603.8	1 612.5	1 747.9
Dividends paid	(305.9)	(556.1)	(657.2)	(94.6)	(124.6)	(216.9)
Cash flows from investments in non-financial assets	(3 768.2)	(4 926.5)	(3 783.0)	(3 736.7)	(3 313.4)	(2 322.6)
<b>Cash (deficit)</b>	<b>(2 679.6)</b>	<b>(4 007.0)</b>	<b>(3 563.2)</b>	<b>(2 227.6)</b>	<b>(1 825.5)</b>	<b>(791.6)</b>

Source: Department of Treasury and Finance

Notes:

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

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

**Table 5.4: Public non-financial corporations sector statement of changes in equity**  
(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
<b>2011-12 Actual</b>		
Balance at 1 July 2011	6 603.0	25 427.1
Net result	(225.5)	
Other comprehensive income for the year	(201.4)	
Dividends paid	(305.9)	
Transactions with owners in their capacity as owners	..	2 427.0
<b>Total equity at end of period</b>	<b>5 870.1</b>	<b>27 854.1</b>
<b>2012-13 Budget</b>		
Balance at 1 July 2012	5 870.1	27 854.1
Net result	(133.3)	..
Other comprehensive income for the year	..	..
Dividends paid	(556.1)	..
Transactions with owners in their capacity as owners	..	2 921.7
<b>Total equity at end of period</b>	<b>5 180.8</b>	<b>30 775.8</b>
<b>2012-13 Revised</b>		
Balance at 1 July 2012	5 870.1	27 854.1
Net result	(642.4)	..
Other comprehensive income for the year	47.7	..
Dividends paid	(657.2)	..
Transactions with owners in their capacity as owners	..	3 193.9
<b>Total equity at end of period</b>	<b>4 618.3</b>	<b>31 048.0</b>
<b>2013-14 Estimate</b>		
Balance at 1 July 2013	4 618.3	31 048.0
Net result	(145.4)	..
Other comprehensive income for the year	(105.2)	..
Dividends paid	(94.6)	..
Transactions with owners in their capacity as owners	..	1 986.7
<b>Total equity at end of period</b>	<b>4 273.0</b>	<b>33 034.8</b>
<b>2014-15 Estimate</b>		
Balance at 1 July 2014	4 273.0	33 034.8
Net result	(125.7)	..
Other comprehensive income for the year	37.8	..
Dividends paid	(124.6)	..
Transactions with owners in their capacity as owners	..	1 414.0
<b>Total equity at end of period</b>	<b>4 060.4</b>	<b>34 448.7</b>
<b>2015-16 Estimate</b>		
Balance at 1 July 2015	4 060.4	34 448.7
Net result	(173.0)	..
Other comprehensive income for the year	11.7	..
Dividends paid	(216.9)	..
Transactions with owners in their capacity as owners	..	634.5
<b>Total equity at end of period</b>	<b>3 682.2</b>	<b>35 083.2</b>

<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
		(225.5)
(196.2)	5.2	(392.4)
		(305.9)
		2 427.0
<b>31 082.7</b>	<b>905.3</b>	<b>65 712.3</b>
31 082.7	905.3	65 712.3
..	..	(133.3)
(113.6)	14.4	(99.2)
..	..	(556.1)
..	..	2 921.7
<b>30 969.1</b>	<b>919.7</b>	<b>67 845.4</b>
31 082.7	905.3	65 712.3
..	..	(642.4)
(32.1)	42.4	58.0
..	..	(657.2)
..	..	3 193.9
<b>31 050.5</b>	<b>947.7</b>	<b>67 664.5</b>
31 050.5	947.7	67 664.5
..	..	(145.4)
1 904.3	10.6	1 809.7
..	..	(94.6)
..	..	1 986.7
<b>32 954.9</b>	<b>958.3</b>	<b>71 220.9</b>
32 954.9	958.3	71 220.9
..	..	(125.7)
317.7	4.5	360.0
..	..	(124.6)
..	..	1 414.0
<b>33 272.5</b>	<b>962.9</b>	<b>72 744.6</b>
33 272.5	962.9	72 744.5
..	..	(173.0)
3 043.0	2.1	3 056.9
..	..	(216.9)
..	..	634.5
<b>36 315.6</b>	<b>965.0</b>	<b>76 046.0</b>

**Table 5.5: Derivation of public non-financial corporations sector GFS cash surplus/(deficit)**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Cash surplus/(deficit)</b>	<b>(2 679.6)</b>	<b>(4 007.0)</b>	<b>(3 563.2)</b>	<b>(2 227.6)</b>	<b>(1 825.5)</b>	<b>(791.6)</b>
Convergence differences:						
Acquisitions under finance leases and similar arrangements <sup>(a)</sup>	(1.1)	(4 121.5)	(4 070.4)	..	..	..
<b>GFS cash surplus/(deficit) <sup>(b)</sup></b>	<b>(2 680.7)</b>	<b>(8 128.5)</b>	<b>(7 633.6)</b>	<b>(2 227.6)</b>	<b>(1 825.5)</b>	<b>(791.6)</b>

Source: Department of Treasury and Finance

Notes:

(a) The 2012-13 estimate reflects the recognition of the finance lease arrangement for the Victorian desalination plant.

(b) Determined in accordance with ABS GFS manual.

**Table 5.6: Net acquisition of non-financial assets – public non-financial corporations sector**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
Purchases of non-financial assets	3 890.5	4 988.7	3 886.7	3 835.3	3 423.8	2 387.5
Less: Sales of non-financial assets	(122.2)	(62.3)	(103.6)	(98.6)	(110.5)	(64.8)
Less: Depreciation	(1 716.1)	(1 859.4)	(1 885.1)	(2 002.3)	(2 075.8)	(2 217.5)
Plus: Other movements in non-financial assets <sup>(a)</sup>	312.1	4 374.8	4 170.2	144.9	151.7	156.4
<b>Total net acquisition of non-financial assets</b>	<b>2 364.2</b>	<b>7 441.8</b>	<b>6 068.2</b>	<b>1 879.3</b>	<b>1 389.2</b>	<b>261.5</b>

Source: Department of Treasury and Finance

Note:

(a) The 2012-13 estimate reflects the recognition of the finance lease arrangement for the Victorian desalination plant.

**Table 5.7: Non-financial public sector comprehensive operating statement**

(\$ million)

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Taxation revenue	14 789.5	15 460.7	15 287.7	15 991.8	16 951.8	17 665.3
Interest	528.0	467.3	430.0	416.3	421.3	421.1
Dividends and income tax equivalents and rate equivalents	457.1	389.0	540.2	292.2	336.4	345.9
Sales of goods and services	9 626.9	10 201.8	9 788.2	11 673.2	11 963.4	12 342.7
Grants	22 559.4	22 210.6	21 609.2	23 462.9	24 353.7	25 881.4
Other current revenue	2 788.2	2 483.7	2 381.4	2 351.0	2 376.0	2 423.2
<b>Total revenue</b>	<b>50 749.1</b>	<b>51 213.0</b>	<b>50 036.6</b>	<b>54 187.4</b>	<b>56 402.6</b>	<b>59 079.7</b>
<b>Expenses</b>						
Employee expenses	18 058.4	18 198.0	18 390.2	19 041.5	19 732.3	20 477.0
Superannuation interest expense	808.4	729.2	446.3	405.1	379.8	357.1
Other superannuation	1 935.9	1 890.0	2 002.7	2 043.7	2 064.2	2 093.6
Depreciation	3 842.6	4 245.4	4 203.4	4 463.0	4 665.4	4 924.1
Interest expense	1 928.0	2 524.0	2 455.5	2 902.0	3 045.0	3 090.9
Grants and other transfers	5 721.0	5 792.7	5 189.3	5 430.1	5 717.8	5 797.1
Other operating expenses	18 408.9	18 672.3	18 958.3	19 410.1	19 912.5	20 191.2
<b>Total expenses</b>	<b>50 703.3</b>	<b>52 051.6</b>	<b>51 645.8</b>	<b>53 695.6</b>	<b>55 517.1</b>	<b>56 931.0</b>
<b>Net result from transactions - net operating balance</b>	<b>45.8</b>	<b>(838.6)</b>	<b>(1 609.1)</b>	<b>491.8</b>	<b>885.5</b>	<b>2 148.7</b>
<b>Other economic flows included in net result</b>						
Net gain/(loss) on sale of non-financial assets	(101.6)	262.9	295.3	183.2	154.7	115.3
Net gain/(loss) on financial assets or liabilities at fair value	(674.8)	3.4	54.3	1.0	0.7	0.5
Net actuarial gains/(losses) of superannuation defined benefits plans	(9 389.2)	(4.2)	(1 081.9)	(4.4)	(4.4)	(4.4)
Share of net profit/(loss) from associates/ joint venture entities, excluding dividends	5.1	..	..	..	..	..
Other (losses) from other economic flows	(303.9)	(369.1)	(502.7)	(390.5)	(417.2)	(448.1)
<b>Total other economic flows included in net result</b>	<b>(10 464.4)</b>	<b>(107.1)</b>	<b>(1 234.9)</b>	<b>(210.8)</b>	<b>(266.2)</b>	<b>(336.7)</b>
<b>Net result</b>	<b>(10 418.6)</b>	<b>(945.7)</b>	<b>(2 844.1)</b>	<b>281.0</b>	<b>619.4</b>	<b>1 812.0</b>

**Table 5.7: Non-financial public sector comprehensive operating statement  
(continued)**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Other economic flows – other movements in equity</b>						
Net gain/(loss) on financial assets at fair value	(22.2)	14.4	15.4	10.0	4.0	1.5
Revaluations of non-financial assets	1 747.4	374.9	831.3	5 768.4	3 472.3	6 547.8
Net gain on equity investments in other sector entities at proportional share of net assets	(81.3)	42.0	(160.0)	25.5	2.7	26.3
Other movements in equity	278.9	(1.0)	65.7	(102.0)	41.2	(5.3)
<b>Total other economic flows – other movements in equity</b>	<b>1 922.8</b>	<b>430.3</b>	<b>752.3</b>	<b>5 702.0</b>	<b>3 520.2</b>	<b>6 570.3</b>
<b>Comprehensive result – total change in net worth</b>	<b>(8 495.8)</b>	<b>(515.5)</b>	<b>(2 091.8)</b>	<b>5 983.0</b>	<b>4 139.5</b>	<b>8 382.3</b>
<b>FISCAL AGGREGATES</b>						
<b>Net operating balance</b>	<b>45.8</b>	<b>(838.6)</b>	<b>(1 609.1)</b>	<b>491.8</b>	<b>885.5</b>	<b>2 148.7</b>
Less: net acquisition of non-financial assets from transactions <sup>(a)</sup>	4 645.9	8 878.0	8 605.2	3 883.8	1 818.0	1 982.1
<b>Net lending/(borrowing)</b>	<b>(4 600.2)</b>	<b>(9 716.6)</b>	<b>(10 214.4)</b>	<b>(3 392.0)</b>	<b>(932.5)</b>	<b>166.5</b>

Source: Department of Treasury and Finance

Note:

(a) The 2012-13 estimate reflects the recognition of the finance lease arrangement for the Victorian desalination plant.



**Table 5.8: Non-financial public sector balance sheet**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	5 374.2	5 233.6	5 090.0	5 224.9	5 598.0	5 916.4
Advances paid	88.6	84.8	85.4	83.9	81.5	80.2
Receivables	3 800.1	4 649.0	4 295.8	4 230.0	4 101.0	3 985.0
Investments, loans and placements	3 682.9	3 617.0	3 488.8	3 531.4	3 541.0	3 569.7
Investments accounted for using equity method	616.9	616.9	616.9	616.9	616.9	616.9
Investments in other sector entities	1 055.4	1 124.9	922.9	969.8	989.1	1 031.9
<b>Total financial assets</b>	<b>14 618.2</b>	<b>15 326.3</b>	<b>14 499.9</b>	<b>14 656.8</b>	<b>14 927.6</b>	<b>15 200.2</b>
<b>Non-financial assets</b>						
Inventories	1 000.6	1 061.7	1 012.6	1 056.2	1 023.6	896.3
Non-financial assets held for sale	160.4	153.8	142.8	136.0	129.4	122.8
Land, buildings, infrastructure, plant and equipment	179 894.5	189 334.9	189 557.0	199 380.9	204 855.3	213 681.7
Other non-financial assets	1 679.9	1 789.1	1 829.4	1 829.6	1 775.8	1 693.0
<b>Total non-financial assets</b>	<b>182 735.4</b>	<b>192 339.5</b>	<b>192 541.8</b>	<b>202 402.7</b>	<b>207 784.0</b>	<b>216 393.8</b>
<b>Total assets</b>	<b>197 353.6</b>	<b>207 665.8</b>	<b>207 041.6</b>	<b>217 059.5</b>	<b>222 711.6</b>	<b>231 594.0</b>
<b>Liabilities</b>						
Deposits held and advances received	507.2	508.1	403.5	411.0	410.2	411.7
Payables	5 396.0	6 220.0	6 097.7	5 996.2	5 737.3	5 559.2
Borrowings	33 259.7	43 232.0	43 607.3	47 898.1	49 945.5	50 826.2
Employee benefits	5 365.3	5 568.8	5 538.5	5 744.3	5 944.3	6 158.5
Superannuation	32 750.8	32 790.8	33 678.8	33 418.5	33 020.4	32 681.4
Other provisions	1 294.4	1 081.2	1 027.3	920.0	842.9	763.6
<b>Total liabilities</b>	<b>78 573.4</b>	<b>89 401.0</b>	<b>90 353.1</b>	<b>94 388.0</b>	<b>95 900.6</b>	<b>96 400.7</b>
<b>Net assets</b>	<b>118 780.3</b>	<b>118 264.8</b>	<b>116 688.5</b>	<b>122 671.5</b>	<b>126 811.0</b>	<b>135 193.3</b>
Accumulated surplus	41 675.4	40 709.7	38 850.4	39 009.3	39 651.3	41 439.2
Reserves	77 054.9	77 505.1	77 788.1	83 612.3	87 109.7	93 704.1
Non-controlling interest	50.0	50.0	50.0	50.0	50.0	50.0
<b>Net worth</b>	<b>118 780.3</b>	<b>118 264.8</b>	<b>116 688.5</b>	<b>122 671.5</b>	<b>126 811.0</b>	<b>135 193.3</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth	(63 955.2)	(74 074.7)	(75 853.3)	(79 731.2)	(80 973.0)	(81 200.5)
Net financial liabilities	65 010.6	75 199.6	76 776.2	80 701.0	81 962.1	82 232.4
Net debt	24 621.1	34 804.7	35 346.6	39 468.8	41 135.2	41 671.6

**Table 5.9: Non-financial public sector cash flow statement**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxes	15 372.3	15 518.2	15 345.0	15 989.0	16 951.8	17 705.6
Grants	22 818.2	22 221.1	21 520.1	23 463.4	24 352.4	25 877.9
Sales of goods and services <sup>(a)</sup>	10 682.3	11 308.4	10 920.8	12 953.0	13 291.8	13 738.1
Interest	489.2	385.6	361.2	386.4	395.0	400.2
Dividends and income tax equivalent and rate equivalents	456.6	388.5	539.5	291.5	335.7	345.6
Other receipts	2 204.0	1 874.4	2 189.5	1 865.1	1 883.0	1 838.5
<b>Total receipts</b>	<b>52 022.7</b>	<b>51 696.0</b>	<b>50 876.2</b>	<b>54 948.5</b>	<b>57 209.7</b>	<b>59 905.9</b>
<b>Payments</b>						
Payments for employees	(17 704.5)	(17 997.8)	(18 220.9)	(18 841.6)	(19 537.7)	(20 268.9)
Superannuation	(2 226.0)	(2 583.4)	(2 602.9)	(2 713.5)	(2 846.5)	(2 794.1)
Interest	(1 807.6)	(2 410.3)	(2 366.3)	(2 823.6)	(2 973.6)	(3 030.7)
Grants	(6 252.3)	(5 805.2)	(5 304.7)	(5 451.6)	(5 713.8)	(5 800.5)
Goods and services <sup>(a)</sup>	(19 608.9)	(19 355.8)	(19 797.0)	(20 118.2)	(20 675.8)	(20 940.2)
Other payments	(581.0)	(618.2)	(618.3)	(654.4)	(691.5)	(722.5)
<b>Total payments</b>	<b>(48 180.3)</b>	<b>(48 770.7)</b>	<b>(48 910.1)</b>	<b>(50 603.1)</b>	<b>(52 438.9)</b>	<b>(53 556.9)</b>
<b>Net cash flows from operating activities</b>	<b>3 842.4</b>	<b>2 925.3</b>	<b>1 966.0</b>	<b>4 345.4</b>	<b>4 770.8</b>	<b>6 349.0</b>
<b>Cash flows from investing activities</b>						
Purchases of non-financial assets	(7 455.4)	(8 518.4)	(8 246.3)	(8 692.8)	(6 818.7)	(6 117.8)
Sales of non-financial assets	289.3	614.8	628.1	491.2	470.7	418.7
Cash flows from investments in non-financial assets	(7 166.1)	(7 903.6)	(7 618.3)	(8 201.6)	(6 347.9)	(5 699.1)
Net cash flows from investments in financial assets for policy purposes	79.0	(23.8)	14.6	(124.2)	24.5	(23.0)
Net cash flows from investments in financial assets for liquidity purposes	(365.7)	(158.2)	399.6	177.0	166.1	152.6
<b>Net cash flows from investing activities</b>	<b>(7 452.9)</b>	<b>(8 085.6)</b>	<b>(7 204.1)</b>	<b>(8 148.9)</b>	<b>(6 157.3)</b>	<b>(5 569.5)</b>
<b>Cash flows from financing activities</b>						
Advances received (net)	(0.2)	(98.2)	(98.2)	(170.9)	(142.1)	(145.9)
Net borrowings	4 561.4	5 115.6	5 155.8	4 100.3	1 900.0	(319.2)
Deposits received (net)	(12.8)	1.0	(103.7)	7.5	(0.8)	1.6
<b>Net cash flows from financing activities</b>	<b>4 548.4</b>	<b>5 018.4</b>	<b>4 953.9</b>	<b>3 936.8</b>	<b>1 757.1</b>	<b>(463.5)</b>

**Table 5.9: Non-financial public sector cash flow statement (*continued*)**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>938.0</b>	<b>(141.9)</b>	<b>(284.2)</b>	<b>133.3</b>	<b>370.7</b>	<b>316.1</b>
Cash and cash equivalents at beginning of reporting period	4 436.2	5 374.2	5 374.2	5 090.0	5 223.3	5 594.0
<b>Cash and cash equivalents at end of reporting period <sup>(b)</sup></b>	<b>5 374.2</b>	<b>5 232.4</b>	<b>5 090.0</b>	<b>5 223.3</b>	<b>5 594.0</b>	<b>5 910.1</b>
<b>FISCAL AGGREGATES</b>						
Net cash flows from operating activities	3 842.4	2 925.3	1 966.0	4 345.4	4 770.8	6 349.0
Net cash flows from investments in non-financial assets	(7 166.1)	(7 903.6)	(7 618.3)	(8 201.6)	(6 347.9)	(5 699.1)
<b>Cash surplus/(deficit)</b>	<b>(3 323.7)</b>	<b>(4 978.3)</b>	<b>(5 652.3)</b>	<b>(3 856.2)</b>	<b>(1 577.1)</b>	<b>650.0</b>

Notes:

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

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

**Table 5.10: Non-financial public sector statement of changes in equity**

*(\$ million)*

	<i>Accumulated surplus/(deficit)</i>	<i>Non- controlling interest</i>
<b>2011-12 Actual</b>		
<b>Balance at 1 July 2011</b>	51 816.8	48.5
Net result	(10 418.6)	..
Other comprehensive income for the year	277.2	..
Transactions with owners in their capacity as owners	..	1.5
<b>Total equity at end of period</b>	<b>41 675.4</b>	<b>50.0</b>
<b>2012-13 Budget</b>		
Balance at 1 July 2012	41 675.4	50.0
Net result	(945.7)	..
Other comprehensive income for the year	(20.0)	..
<b>Total equity at end of period</b>	<b>40 709.7</b>	<b>50.0</b>
<b>2012-13 Revised</b>		
Balance at 1 July 2012	41 675.4	50.0
Net result	(2 844.1)	..
Other comprehensive income for the year	19.1	..
<b>Total equity at end of period</b>	<b>38 850.4</b>	<b>50.0</b>
<b>2013-14 Estimate</b>		
Balance at 1 July 2013	38 850.4	50.0
Net result	281.0	..
Other comprehensive income for the year	(122.2)	..
<b>Total equity at end of period</b>	<b>39 009.3</b>	<b>50.0</b>
<b>2014-15 Estimate</b>		
Balance at 1 July 2014	39 009.3	50.0
Net result	619.4	..
Other comprehensive income for the year	22.7	..
<b>Total equity at end of period</b>	<b>39 651.3</b>	<b>50.0</b>
<b>2015-16 Estimate</b>		
Balance at 1 July 2015	39 651.3	50.0
Net result	1 812.0	..
Other comprehensive income for the year	(24.1)	..
<b>Total equity at end of period</b>	<b>41 439.2</b>	<b>50.0</b>

<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
..	..	..	(10 418.6)
1 747.4	(81.3)	(20.4)	1 922.8
..	..	..	1.5
<b>74 402.2</b>	<b>762.9</b>	<b>1 889.8</b>	<b>118 780.3</b>
74 402.2	762.9	1 889.8	118 780.3
..	..	..	(945.7)
374.9	42.0	33.4	430.3
<b>74 777.1</b>	<b>804.8</b>	<b>1 923.2</b>	<b>118 264.8</b>
74 402.2	762.9	1 889.8	118 780.3
..	..	..	(2 844.1)
831.3	(160.0)	61.9	752.3
<b>75 233.5</b>	<b>602.8</b>	<b>1 951.8</b>	<b>116 688.5</b>
75 233.5	602.8	1 951.8	116 688.5
..	..	..	281.0
5 768.4	25.5	30.2	5 702.0
<b>81 001.9</b>	<b>628.4</b>	<b>1 982.0</b>	<b>122 671.5</b>
81 001.9	628.4	1 982.0	122 671.5
..	..	..	619.4
3 472.3	2.7	22.4	3 520.2
<b>84 474.2</b>	<b>631.1</b>	<b>2 004.4</b>	<b>126 811.0</b>
84 474.2	631.1	2 004.4	126 811.0
..	..	..	1 812.0
6 547.8	26.3	20.3	6 570.3
<b>91 022.0</b>	<b>657.3</b>	<b>2 024.8</b>	<b>135 193.3</b>

**Table 5.11: Derivation of non-financial public sector GFS cash surplus/(deficit)**

(\$ million)

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
Cash surplus/(deficit)	<b>(3 323.7)</b>	<b>(4 978.3)</b>	<b>(5 652.3)</b>	<b>(3 856.2)</b>	<b>(1 577.1)</b>	<b>650.0</b>
Convergence differences:						
Acquisitions under finance leases and similar arrangements <sup>(a)</sup>	(917.1)	(4 966.3)	(5 038.9)	..	..	(1 050.4)
<b>GFS cash surplus/(deficit) <sup>(b)</sup></b>	<b>(4 240.8)</b>	<b>(9 944.5)</b>	<b>(10 691.2)</b>	<b>(3 856.2)</b>	<b>(1 577.1)</b>	<b>(400.5)</b>

Source: Department of Treasury and Finance

Notes:

(a) The 2012-13 estimate reflects the recognition of the finance lease arrangement for the Victorian desalination plant.

(b) Determined in accordance with ABS GFS manual.

**Table 5.12: Net acquisition of non-financial assets – non-financial public sector**

(\$ million)

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
Purchases of non-financial assets	7 455.4	8 518.4	8 246.3	8 692.8	6 818.7	6 117.8
Less: Sales of non-financial assets	(289.3)	(614.8)	(628.1)	(491.2)	(470.7)	(418.7)
Less: Depreciation	(3 842.6)	(4 245.4)	(4 203.4)	(4 463.0)	(4 665.4)	(4 924.1)
Plus: Other movements in non-financial assets <sup>(a)</sup>	1 322.4	5 219.8	5 190.4	145.2	135.5	1 207.1
<b>Total net acquisition of non-financial assets</b>	<b>4 645.9</b>	<b>8 878.0</b>	<b>8 605.2</b>	<b>3 883.8</b>	<b>1 818.0</b>	<b>1 982.1</b>

Source: Department of Treasury and Finance

Note:

(a) The 2012-13 estimate reflects the recognition of the finance lease arrangement for the desalination plant.

**Table 5.13: Public financial corporations sector comprehensive operating statement**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Revenue</b>						
Interest	2 406.7	2 518.9	2 558.6	2 790.1	2 978.8	3 238.1
Dividends	482.6	352.3	392.1	417.0	445.3	476.4
Sales of goods and services	3 628.6	3 789.1	3 708.2	3 913.4	4 115.9	4 323.6
Grants	1.0	3.5	3.7	4.1	9.5	14.4
Other current revenue	20.4	23.4	21.4	23.2	24.9	24.5
<b>Total revenue</b>	<b>6 539.3</b>	<b>6 687.2</b>	<b>6 684.1</b>	<b>7 147.7</b>	<b>7 574.4</b>	<b>8 077.1</b>
<b>Expenses</b>						
Employee expenses	286.1	299.4	298.9	305.4	312.2	321.4
Other superannuation	25.4	26.2	24.0	24.7	25.4	26.2
Depreciation	37.8	37.4	40.7	48.2	52.5	55.6
Interest expense	1 856.1	2 115.3	2 069.3	2 276.6	2 477.9	2 615.8
Grants and other transfers	..	..	..	..	..	..
Other operating expenses	5 258.6	5 142.8	5 230.8	5 509.2	5 806.3	6 053.2
Other property expenses	15.6	16.5	13.7	16.3	18.3	19.6
<b>Total expenses</b>	<b>7 479.5</b>	<b>7 637.6</b>	<b>7 677.4</b>	<b>8 180.4</b>	<b>8 692.7</b>	<b>9 091.7</b>
<b>Net result from transactions - net operating balance <sup>(a)</sup></b>	<b>(940.3)</b>	<b>(950.4)</b>	<b>(993.3)</b>	<b>(1 032.6)</b>	<b>(1 118.4)</b>	<b>(1 014.6)</b>
<b>Other economic flows included in net result</b>						
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	(2 574.9)	815.5	702.7	767.3	849.4	903.7
Other (losses) from other economic flows	(920.8)	531.2	551.7	547.3	563.1	557.0
<b>Total other economic flows included in net result</b>	<b>(3 495.7)</b>	<b>1 346.7</b>	<b>1 254.3</b>	<b>1 314.4</b>	<b>1 412.3</b>	<b>1 460.6</b>
<b>Net result</b>	<b>(4 436.0)</b>	<b>396.3</b>	<b>261.0</b>	<b>281.8</b>	<b>293.9</b>	<b>446.0</b>
<b>Other economic flows – other movements in equity</b>						
Revaluations of non-financial assets	3.7	..	(13.9)	..	..	..
Other movements in equity	(0.4)	..	13.9	(8.6)	(10.4)	(9.9)
<b>Total other economic flows – other movements in equity</b>	<b>3.3</b>	<b>..</b>	<b>..</b>	<b>(8.6)</b>	<b>(10.4)</b>	<b>(9.9)</b>
<b>Comprehensive result – total change in net worth</b>	<b>(4 432.7)</b>	<b>396.3</b>	<b>261.0</b>	<b>273.2</b>	<b>283.6</b>	<b>436.1</b>

**Table 5.13: Public financial corporations sector comprehensive operating statement (continued)**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>FISCAL AGGREGATES</b>						
<b>Net operating balance</b>	<b>(940.3)</b>	<b>(950.4)</b>	<b>(993.3)</b>	<b>(1 032.6)</b>	<b>(1 118.4)</b>	<b>(1 014.6)</b>
Less: Net acquisition of non-financial assets from transactions	18.2	10.6	32.2	37.5	13.3	2.0
<b>Net lending/(borrowing)</b>	<b>(958.5)</b>	<b>(960.9)</b>	<b>(1 025.6)</b>	<b>(1 070.1)</b>	<b>(1 131.7)</b>	<b>(1 016.6)</b>

Source: Department of Treasury and Finance

Note:

- (a) Capital gains on the investment portfolios of the State's insurance agencies (Victorian Work Cover 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 5.14: Public financial corporations sector balance sheet**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	5 045.2	5 011.0	3 634.1	3 890.6	4 140.9	4 437.6
Advances paid	1 530.9	1 657.4	1 622.0	1 732.7	1 852.2	1 980.2
Investments, loans and placements	24 424.8	25 176.0	24 309.3	26 141.2	27 127.1	28 443.7
Loans receivable from non-financial public sector <sup>(a)</sup>	28 176.6	33 496.6	34 704.6	39 233.1	41 561.6	41 688.4
Receivables	2 082.2	2 102.0	2 336.6	2 333.6	2 344.6	2 361.9
<b>Total financial assets</b>	<b>61 259.7</b>	<b>67 443.0</b>	<b>66 606.6</b>	<b>73 331.1</b>	<b>77 026.4</b>	<b>78 911.7</b>
<b>Non-financial assets</b>						
Non-financial assets held for sale	9.8	9.8	2.0	2.0	2.0	2.0
Land, buildings, infrastructure, plant and equipment	78.4	79.6	63.1	67.0	61.5	53.9
Other non-financial assets	2 452.1	2 336.0	2 430.5	2 382.1	2 314.1	2 207.5
<b>Total non-financial assets</b>	<b>2 540.3</b>	<b>2 425.4</b>	<b>2 495.5</b>	<b>2 451.1</b>	<b>2 377.6</b>	<b>2 263.3</b>
<b>Total assets</b>	<b>63 800.1</b>	<b>69 868.4</b>	<b>69 102.1</b>	<b>75 782.1</b>	<b>79 404.1</b>	<b>81 175.1</b>
<b>Liabilities</b>						
Deposits held and advances received	6 376.8	5 876.7	5 929.3	5 819.6	5 764.2	5 852.3
Payables	1 492.5	1 561.0	1 828.4	1 924.1	2 010.9	2 102.8
Borrowings <sup>(b)</sup>	36 894.2	42 321.6	41 510.5	47 045.7	49 380.3	49 510.3
Employee benefits	77.1	75.8	71.0	73.8	75.7	77.4
Other provisions	22 627.1	23 561.7	23 632.9	24 679.5	25 858.7	27 098.7
<b>Total liabilities</b>	<b>67 467.7</b>	<b>73 396.7</b>	<b>72 972.0</b>	<b>79 542.7</b>	<b>83 089.8</b>	<b>84 641.5</b>
<b>Net assets</b> <sup>(c)</sup>	<b>(3 667.7)</b>	<b>(3 528.2)</b>	<b>(3 869.9)</b>	<b>(3 760.6)</b>	<b>(3 685.8)</b>	<b>(3 466.4)</b>
Accumulated surplus/(deficit)	(4 675.8)	(4 588.2)	(4 693.8)	(4 614.3)	(4 563.8)	(4 369.2)
Reserves	1 008.1	1 060.0	823.9	853.8	878.1	902.8
<b>Net worth</b> <sup>(c)</sup>	<b>(3 667.7)</b>	<b>(3 528.2)</b>	<b>(3 869.9)</b>	<b>(3 760.6)</b>	<b>(3 685.8)</b>	<b>(3 466.4)</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth	(6 208.0)	(5 953.7)	(6 365.4)	(6 211.6)	(6 063.4)	(5 729.8)
Net financial liabilities	6 208.0	5 953.7	6 365.4	6 211.6	6 063.4	5 729.8
Net debt	(15 906.5)	(17 142.8)	(16 830.3)	(18 132.3)	(19 537.4)	(21 187.2)

Source: Department of Treasury and Finance

Notes:

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

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

(c) Treasury Corporation of Victoria's external loan liabilities are reported at market value while the corresponding assets, that is lending to the non-financial public sector, are reported at amortised cost. This mismatch results in the negative net asset position of the sector.

**Table 5.15: Public financial corporations sector cash flow statement**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	1.0	3.5	3.7	4.1	9.5	14.4
Sales of goods and services <sup>(a)</sup>	3 671.6	4 236.7	4 129.0	4 393.6	4 607.4	4 835.5
Interest	2 332.7	2 343.3	2 257.8	2 610.1	2 798.8	3 058.1
Dividends	482.6	352.3	392.1	417.0	445.3	476.4
Other receipts	84.0	19.9	140.1	9.0	6.6	3.1
<b>Total receipts</b>	<b>6 571.9</b>	<b>6 955.8</b>	<b>6 922.7</b>	<b>7 433.8</b>	<b>7 867.6</b>	<b>8 387.5</b>
<b>Payments</b>						
Payments for employees	(273.1)	(300.8)	(305.0)	(302.6)	(310.3)	(319.7)
Superannuation	(25.4)	(26.2)	(24.0)	(24.7)	(25.4)	(26.2)
Interest	(1 851.9)	(2 070.5)	(1 982.5)	(2 280.4)	(2 479.7)	(2 613.8)
Grants	..					
Goods and services <sup>(a)</sup>	(3 710.7)	(3 940.1)	(3 802.3)	(4 178.5)	(4 354.6)	(4 538.9)
Other payments	(14.6)	(16.0)	(15.5)	(18.0)	(20.1)	(21.6)
<b>Total payments</b>	<b>(5 875.6)</b>	<b>(6 353.7)</b>	<b>(6 129.3)</b>	<b>(6 804.2)</b>	<b>(7 190.1)</b>	<b>(7 520.3)</b>
<b>Net cash flows from operating activities</b>	<b>696.3</b>	<b>602.1</b>	<b>793.4</b>	<b>629.7</b>	<b>677.6</b>	<b>867.2</b>
<b>Cash flows from investing activities</b>						
Purchases of non-financial assets	(58.6)	(48.5)	(74.4)	(87.2)	(67.4)	(59.3)
Sales of non-financial assets	2.6	0.6	1.6	1.6	1.6	1.7
Cash flows from investments in non-financial assets	(56.0)	(48.0)	(72.9)	(85.7)	(65.9)	(57.5)
Net cash flows from investments in financial assets for policy purposes	(94.6)	(126.5)	(77.1)	(120.1)	(130.7)	(138.7)
Net cash flows from investments in financial assets for liquidity purposes	(5 744.6)	(5 086.7)	(5 739.0)	(5 407.3)	(2 278.7)	(352.9)
<b>Net cash flows from investing activities</b>	<b>(5 895.2)</b>	<b>(5 261.2)</b>	<b>(5 889.0)</b>	<b>(5 613.1)</b>	<b>(2 475.3)</b>	<b>(549.1)</b>
<b>Cash flows from financing activities</b>						
Advances received (net)	99.6	(500.1)	66.6	(2.2)	(0.3)	(0.3)
Net borrowings	4 946.3	5 382.7	4 596.1	5 513.4	2 312.2	107.2
Deposits received (net)	777.4	..	(514.1)	(107.5)	(55.1)	88.4
Other financing (net)	(283.1)	(257.7)	(464.0)	(163.8)	(208.8)	(216.8)
<b>Net cash flows from financing activities</b>	<b>5 540.2</b>	<b>4 624.9</b>	<b>3 684.5</b>	<b>5 239.9</b>	<b>2 048.0</b>	<b>(21.5)</b>

**Table 5.15: Public financial corporations sector cash flow statement (*continued*)**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>341.3</b>	<b>(34.2)</b>	<b>(1 411.1)</b>	<b>256.4</b>	<b>250.4</b>	<b>296.7</b>
Cash and cash equivalents at beginning of reporting period	4 720.5	5 061.8	5 061.8	3 650.7	3 907.2	4 157.5
<b>Cash and cash equivalents at end of reporting period <sup>(b)</sup></b>	<b>5 061.8</b>	<b>5 027.6</b>	<b>3 650.7</b>	<b>3 907.2</b>	<b>4 157.5</b>	<b>4 454.2</b>
<b>FISCAL AGGREGATES</b>						
Net cash flows from operating activities	696.3	602.1	793.4	629.7	677.6	867.2
Dividends paid	(353.4)	(284.4)	(440.3)	(186.7)	(225.4)	(233.4)
Net cash flows from investments in non-financial assets	(56.0)	(48.0)	(72.9)	(85.7)	(65.9)	(57.5)
<b>Cash surplus/(deficit)</b>	<b>286.9</b>	<b>269.7</b>	<b>280.3</b>	<b>357.3</b>	<b>386.3</b>	<b>576.3</b>

Source: Department of Treasury and Finance

Notes:

(a) Inclusive of goods and services tax.

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

**Table 5.16: Public financial corporations sector statement of changes in equity**

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
<b>2011-12 Actual</b>		
Balance at 1 July 2011	114.6	201.2
Net result	(4 436.0)	..
Other comprehensive income for the year	(1.0)	..
Dividends paid	(353.4)	..
Transactions with owners in their capacity as owners	..	53.7
<b>Total equity at end of period</b>	<b>(4 675.8)</b>	<b>254.9</b>
<b>2012-13 Estimate</b>		
Balance at 1 July 2012	(4 675.8)	254.9
Net result	396.3	
Other comprehensive income for the year	(24.4)	
Dividends paid	(284.4)	
Transactions with owners in their capacity as owners	..	27.5
<b>Total equity at end of period</b>	<b>(4 588.2)</b>	<b>282.5</b>
<b>2012-13 Revised</b>		
Balance at 1 July 2012	(4 675.8)	254.9
Net result	261.0	
Other comprehensive income for the year	161.3	
Dividends paid	(440.3)	
Transactions with owners in their capacity as owners	..	(22.9)
<b>Total equity at end of period</b>	<b>(4 693.8)</b>	<b>232.0</b>
<b>2013-14 Estimate</b>		
Balance at 1 July 2013	(4 693.8)	232.0
Net result	281.8	
Other comprehensive income for the year	(15.6)	
Dividends paid	(186.7)	
Transactions with owners in their capacity as owners	..	22.9
<b>Total equity at end of period</b>	<b>(4 614.3)</b>	<b>254.9</b>
<b>2014-15 Estimate</b>		
Balance at 1 July 2014	(4 614.3)	254.9
Net result	293.9	
Other comprehensive income for the year	(18.1)	
Dividends paid	(225.4)	
Transactions with owners in their capacity as owners	..	16.6
<b>Total equity at end of period</b>	<b>(4 563.8)</b>	<b>271.5</b>
<b>2015-16 Estimate</b>		
Balance at 1 July 2015	(4 563.8)	271.5
Net result	446.0	
Other comprehensive income for the year	(18.0)	
Dividends paid	(233.4)	
Transactions with owners in their capacity as owners	..	16.6
<b>Total equity at end of period</b>	<b>(4 369.2)</b>	<b>288.1</b>

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
12.3	736.6	1 064.7
..	..	(4 436.0)
3.7	0.6	3.3
..	..	(353.4)
..	..	53.7
<b>16.0</b>	<b>737.2</b>	<b>(3 667.7)</b>
16.0	737.2	(3 667.7)
..	24.4	396.3
..	..	..
..	..	(284.4)
..	..	27.5
<b>16.0</b>	<b>761.5</b>	<b>(3 528.2)</b>
16.0	737.2	(3 667.7)
(13.9)	(147.3)	261.0
..	..	..
..	..	(440.3)
..	..	(22.9)
<b>2.1</b>	<b>589.8</b>	<b>(3 869.9)</b>
2.1	589.8	(3 869.9)
..	7.0	281.8
..	..	(8.6)
..	..	(186.7)
..	..	22.9
<b>2.1</b>	<b>596.8</b>	<b>(3 760.6)</b>
2.1	596.8	(3 760.6)
..	7.7	293.9
..	..	(10.4)
..	..	(225.4)
..	..	16.6
<b>2.1</b>	<b>604.5</b>	<b>(3 685.8)</b>
2.1	604.5	(3 685.8)
..	8.1	446.0
..	..	(9.9)
..	..	(233.4)
..	..	16.6
<b>2.1</b>	<b>612.6</b>	<b>(3 466.4)</b>

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

(\$ million)

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Cash surplus/(deficit)</b>	<b>286.9</b>	<b>269.7</b>	<b>280.3</b>	<b>357.3</b>	<b>386.3</b>	<b>576.3</b>
Convergence differences:						
Acquisitions under finance leases and similar arrangements	..	..	..	..	..	..
<b>GFS cash surplus/(deficit) <sup>(a)</sup></b>	<b>286.9</b>	<b>269.7</b>	<b>280.3</b>	<b>357.3</b>	<b>386.3</b>	<b>576.3</b>

Source: Department of Treasury and Finance

Note:

(a) Determined in accordance with ABS GFS manual.

**Table 5.18: Net acquisition of non-financial assets – public financial corporations sector**

(\$ million)

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
Purchases of non-financial assets	58.6	48.5	74.4	87.2	67.4	59.3
Less: Sales of non-financial assets	(2.6)	(0.6)	(1.6)	(1.6)	(1.6)	(1.7)
Less: Depreciation	(37.8)	(37.4)	(40.7)	(48.2)	(52.5)	(55.6)
<b>Total net acquisition of non-financial assets</b>	<b>18.2</b>	<b>10.6</b>	<b>32.2</b>	<b>37.5</b>	<b>13.3</b>	<b>2.0</b>

Source: Department of Treasury and Finance

**Table 5.19: State of Victoria operating statement**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Revenue</b>						
Taxation revenue	14 775.9	15 445.7	15 273.2	15 976.9	16 936.5	17 649.5
Interest	1 215.8	1 027.6	1 087.8	1 097.2	1 120.4	1 226.7
Dividends and rate equivalents	571.1	440.4	475.6	503.9	535.6	567.1
Sales of goods and services	12 609.6	13 246.3	12 797.0	14 839.0	15 303.7	15 850.1
Grants	22 476.7	22 124.6	21 523.4	23 373.2	24 268.0	25 805.1
Other current revenue	2 808.6	2 507.1	2 402.8	2 374.2	2 400.9	2 447.7
<b>Total revenue</b>	<b>54 457.8</b>	<b>54 791.7</b>	<b>53 559.7</b>	<b>58 164.5</b>	<b>60 565.1</b>	<b>63 546.2</b>
<b>Expenses</b>						
Employee expenses	18 057.2	18 200.0	18 386.7	19 038.2	19 726.4	20 471.3
Superannuation interest expense	808.4	729.2	446.3	405.1	379.8	357.1
Other superannuation	1 961.3	1 916.2	2 026.7	2 068.4	2 089.6	2 119.8
Depreciation	3 880.4	4 282.8	4 244.1	4 511.2	4 717.9	4 979.6
Interest expense	2 129.6	2 680.7	2 600.8	3 042.5	3 214.4	3 244.1
Grants and other transfers	5 635.4	5 789.2	5 185.8	5 421.2	5 707.7	5 787.1
Other operating expenses	23 233.0	23 267.0	23 702.9	24 392.8	25 173.2	25 668.4
<b>Total expenses</b>	<b>55 705.3</b>	<b>56 865.0</b>	<b>56 593.4</b>	<b>58 879.3</b>	<b>61 009.1</b>	<b>62 627.4</b>
<b>Net result from transactions - net operating balance</b>	<b>(1 247.6)</b>	<b>(2 073.4)</b>	<b>(3 033.7)</b>	<b>(714.8)</b>	<b>(443.9)</b>	<b>918.8</b>
<b>Other economic flows included in net result</b>						
Net gain/(loss) on sale of non-financial assets	(101.6)	262.8	295.2	183.1	154.6	115.2
Net gain on financial assets or liabilities at fair value	(3 249.7)	818.9	757.0	768.2	850.1	904.3
Net actuarial gains/(losses) of superannuation defined benefits plans	(9 389.2)	(4.2)	(1 081.9)	(4.4)	(4.4)	(4.4)
Share of net profit/(loss) from associates, excluding dividends	5.1	..	..	..	..	..
Other gains/(losses) from other economic flows	(1 979.0)	289.1	114.9	244.6	238.3	230.5
<b>Total other economic flows included in net result</b>	<b>(14 714.3)</b>	<b>1 366.5</b>	<b>85.3</b>	<b>1 191.5</b>	<b>1 238.6</b>	<b>1 245.5</b>
<b>Net result</b>	<b>(15 961.9)</b>	<b>(706.9)</b>	<b>(2 948.3)</b>	<b>476.6</b>	<b>794.7</b>	<b>2 164.3</b>
<b>Other economic flows – other movements in equity</b>						
Net gain/(loss) on financial assets at fair value	(22.2)	14.4	15.4	10.0	4.0	1.5
Revaluations of non-financial assets	1 751.1	374.9	817.3	5 768.4	3 472.3	6 547.8
Other movements in equity	242.0	(1.0)	29.2	(109.0)	30.8	(15.2)
<b>Total other economic flows – other movements in equity</b>	<b>1 970.9</b>	<b>388.3</b>	<b>861.8</b>	<b>5 669.5</b>	<b>3 507.1</b>	<b>6 534.1</b>
<b>Comprehensive result – total change in net worth</b>	<b>(13 991.0)</b>	<b>(318.5)</b>	<b>(2 086.5)</b>	<b>6 146.1</b>	<b>4 301.8</b>	<b>8 698.4</b>

**Table 5.19: State of Victoria operating statement (continued)**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>FISCAL AGGREGATES</b>						
<b>Net operating balance</b>	<b>(1 247.6)</b>	<b>(2 073.4)</b>	<b>(3 033.7)</b>	<b>(714.8)</b>	<b>(443.9)</b>	<b>918.8</b>
Less: net acquisition of non-financial assets from transactions <sup>(a)</sup>	4 664.1	8 889.4	8 574.3	3 921.3	1 831.3	1 984.1
<b>Net lending/(borrowing)</b>	<b>(5 911.7)</b>	<b>(10 962.8)</b>	<b>(11 608.0)</b>	<b>(4 636.1)</b>	<b>(2 275.3)</b>	<b>(1 065.3)</b>

Source: Department of Treasury and Finance

Note:

(a) The 2012-13 estimate reflects the recognition of the finance lease arrangement for the Victorian desalination plant.



**Table 5.20: State of Victoria balance sheet**

(\$ million)

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	6 055.6	6 465.7	5 979.9	6 303.7	6 838.8	7 434.8
Advances paid	1 619.5	1 742.2	1 681.0	1 791.3	1 908.7	2 035.4
Receivables	5 093.9	5 947.3	7 427.1	7 418.9	7 489.7	7 968.2
Investments, loans and placements	25 125.3	25 920.0	24 932.6	26 984.9	28 126.7	29 405.7
Investments accounted for using equity method	616.9	616.9	616.9	616.9	616.9	616.9
<b>Total financial assets</b>	<b>38 511.2</b>	<b>40 692.1</b>	<b>40 637.6</b>	<b>43 115.6</b>	<b>44 980.9</b>	<b>47 461.0</b>
<b>Non-financial assets</b>						
Inventories	1 000.6	1 061.7	1 012.6	1 056.2	1 023.6	896.3
Non-financial assets held for sale	170.3	163.7	144.8	138.0	131.4	124.8
Land, buildings, infrastructure, plant and equipment	179 970.6	189 412.2	189 617.8	199 445.6	204 914.6	213 733.3
Other non-financial assets	1 855.0	1 975.1	2 048.7	2 088.4	2 059.1	1 991.1
<b>Total non-financial assets</b>	<b>182 996.5</b>	<b>192 612.6</b>	<b>192 824.0</b>	<b>202 728.2</b>	<b>208 128.6</b>	<b>216 745.4</b>
<b>Total assets</b>	<b>221 507.7</b>	<b>233 304.7</b>	<b>233 461.6</b>	<b>245 843.9</b>	<b>253 109.4</b>	<b>264 206.4</b>
<b>Liabilities</b>						
Deposits held and advances received	1 020.3	1 021.3	1 740.6	1 749.7	1 751.6	1 756.1
Payables	5 928.3	6 805.7	7 565.1	7 546.7	7 362.6	7 269.4
Borrowings	40 637.7	50 911.5	50 485.0	55 841.3	58 080.4	59 530.9
Employee benefits	5 442.4	5 644.5	5 609.5	5 818.1	6 020.1	6 235.8
Superannuation	32 750.8	32 790.8	33 678.8	33 418.5	33 020.4	32 681.4
Other provisions	23 918.3	24 639.6	24 659.2	25 600.3	26 703.2	27 863.0
<b>Total liabilities</b>	<b>109 697.9</b>	<b>121 813.4</b>	<b>123 738.2</b>	<b>129 974.5</b>	<b>132 938.2</b>	<b>135 336.7</b>
<b>Net assets</b>	<b>111 809.8</b>	<b>111 491.3</b>	<b>109 723.4</b>	<b>115 869.4</b>	<b>120 171.2</b>	<b>128 869.7</b>
Accumulated surplus	34 714.6	33 963.5	31 896.2	32 236.6	33 036.0	35 158.2
Reserves	77 045.2	77 477.8	77 777.1	83 582.8	87 085.3	93 661.5
Non-controlling interest	50.0	50.0	50.0	50.0	50.0	50.0
<b>Net worth</b>	<b>111 809.8</b>	<b>111 491.3</b>	<b>109 723.4</b>	<b>115 869.4</b>	<b>120 171.2</b>	<b>128 869.7</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth	(71 186.7)	(81 121.3)	(83 100.6)	(86 858.8)	(87 957.4)	(87 875.8)
Net financial liabilities	71 186.7	81 121.3	83 100.6	86 858.8	87 957.4	87 875.8
Net debt	8 857.6	17 804.9	19 632.0	22 511.1	22 957.8	22 411.2

Source: Department of Treasury and Finance

**Table 5.21: State of Victoria cash flow statement**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxes received	15 358.8	15 503.1	15 330.5	15 974.1	16 936.5	17 689.8
Grants	22 735.6	22 135.1	21 434.3	23 373.8	24 266.7	25 801.6
Sales of goods and services <sup>(a)</sup>	14 392.4	14 800.5	14 280.3	16 599.1	17 123.6	17 757.4
Interest	708.8	785.1	1 102.4	887.3	914.5	1 026.4
Dividends and rate equivalents receipts	571.3	440.4	476.0	503.9	535.6	567.1
Other receipts	2 535.8	1 894.3	2 120.8	1 812.8	1 699.8	1 263.6
<b>Total receipts</b>	<b>56 302.6</b>	<b>55 558.5</b>	<b>54 744.2</b>	<b>59 151.1</b>	<b>61 476.8</b>	<b>64 105.7</b>
<b>Payments</b>						
Payments for employees	(17 690.3)	(18 001.1)	(18 223.5)	(18 835.5)	(19 529.9)	(20 261.5)
Superannuation	(2 251.4)	(2 609.6)	(2 627.0)	(2 738.2)	(2 871.9)	(2 820.3)
Interest paid	(2 102.5)	(2 537.0)	(2 509.5)	(2 980.4)	(3 157.5)	(3 191.6)
Grants and subsidies	(6 166.7)	(5 801.7)	(5 301.2)	(5 442.7)	(5 703.6)	(5 790.5)
Goods and services <sup>(a)</sup>	(23 505.4)	(22 747.9)	(22 492.9)	(23 770.3)	(24 484.9)	(24 903.2)
Other payments	(581.0)	(618.2)	(618.3)	(654.4)	(691.5)	(722.5)
<b>Total payments</b>	<b>(52 297.3)</b>	<b>(52 315.4)</b>	<b>(51 772.3)</b>	<b>(54 421.5)</b>	<b>(56 439.3)</b>	<b>(57 689.6)</b>
<b>Net cash flows from operating activities</b>	<b>4 005.3</b>	<b>3 243.0</b>	<b>2 971.9</b>	<b>4 729.5</b>	<b>5 037.5</b>	<b>6 416.1</b>
<b>Cash flows from investing activities</b>						
Purchases of non-financial assets	(7 514.0)	(8 567.7)	(8 257.6)	(8 780.1)	(6 886.1)	(6 177.0)
Sales of non-financial assets	291.9	615.3	629.6	492.8	472.3	420.4
Cash flows from investments in non-financial assets	(7 222.0)	(7 952.4)	(7 628.0)	(8 287.3)	(6 413.8)	(5 756.6)
Net cash flows from investments in financial assets for policy purposes	36.4	(122.7)	(59.1)	(222.6)	(89.7)	(145.3)
Net cash flows from investments in financial assets for liquidity management purposes	191.7	(34.4)	(26.1)	(879.5)	69.6	(7.1)
<b>Net cash flows from investing activities</b>	<b>(6 994.0)</b>	<b>(8 109.5)</b>	<b>(7 713.3)</b>	<b>(9 389.5)</b>	<b>(6 434.0)</b>	<b>(5 909.0)</b>
<b>Cash flows from financing activities</b>						
Advances received (net)	(853.7)	(98.2)	29.4	(172.1)	(142.2)	(146.0)
Net borrowings	4 836.5	5 372.5	4 635.2	5 144.0	2 069.3	227.9
Deposits received (net)	(105.4)	1.0	1.0	10.2	2.1	4.7
Other financing (net)	18.3	..	..	..	..	..
<b>Net cash flows from financing activities</b>	<b>3 895.7</b>	<b>5 275.2</b>	<b>4 665.6</b>	<b>4 982.1</b>	<b>1 929.2</b>	<b>86.5</b>

**Table 5.21: State of Victoria cash flow statement (continued)**

	(\$ million)					
	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>907.1</b>	<b>408.8</b>	<b>(75.7)</b>	<b>322.1</b>	<b>532.7</b>	<b>593.7</b>
Cash and cash equivalents at beginning of reporting period	5 165.1	6 055.6	6 055.6	5 979.9	6 302.1	6 834.8
<b>Cash and cash equivalents at end of reporting period <sup>(b)</sup></b>	<b>6 072.2</b>	<b>6 464.4</b>	<b>5 979.9</b>	<b>6 302.1</b>	<b>6 834.8</b>	<b>7 428.5</b>
<b>FISCAL AGGREGATES</b>						
Net cash flows from operating activities	4 005.3	3 243.0	2 971.9	4 729.5	5 037.5	6 416.1
Net cash flows from investments in non-financial assets	(7 222.0)	(7 952.4)	(7 628.0)	(8 287.3)	(6 413.8)	(5 756.6)
<b>Cash surplus/(deficit)</b>	<b>(3 216.7)</b>	<b>(4 709.4)</b>	<b>(4 656.1)</b>	<b>(3 557.8)</b>	<b>(1 376.3)</b>	<b>659.5</b>

Source: Department of Treasury and Finance

Notes:

- (a) Inclusive of goods and services tax.
- (b) Cash and cash equivalents at the end of 2011-12 does not equal cash and deposits on the balance sheet. This is due to the overdraft being included on the cash flow statement.

**Table 5.22: State of Victoria statement of changes in equity***(\$ million)*

State of Victoria	<i>Accumulated surplus/(deficit)</i>	<i>Non- controlling interest</i>
<b>2011-12 Actual</b>		
Balance at 1 July 2011	50 436.9	48.5
Net result	(15 961.9)	..
Other comprehensive income for the year	239.6	..
Transactions with owners in their capacity as owners	..	1.5
<b>Total equity at end of period</b>	<b>34 714.6</b>	<b>50.0</b>
<b>2012-13 Budget</b>		
Balance at 1 July 2012	34 714.6	50.0
Net result	(706.9)	..
Other comprehensive income for the year	(44.3)	..
<b>Total equity at end of period</b>	<b>33 963.5</b>	<b>50.0</b>
<b>2012-13 Revised</b>		
Balance at 1 July 2012	34 714.6	50.0
Net result	(2 948.3)	..
Other comprehensive income for the year	129.9	..
<b>Total equity at end of period</b>	<b>31 896.2</b>	<b>50.0</b>
<b>2013-14 Estimate</b>		
Balance at 1 July 2013	31 896.2	50.0
Net result	476.6	..
Other comprehensive income for the year	(136.2)	..
<b>Total equity at end of period</b>	<b>32 236.6</b>	<b>50.0</b>
<b>2014-15 Estimate</b>		
Balance at 1 July 2014	32 236.6	50.0
Net result	794.7	..
Other comprehensive income for the year	4.7	..
<b>Total equity at end of period</b>	<b>33 036.0</b>	<b>50.0</b>
<b>2015-16 Estimate</b>		
Balance at 1 July 2015	33 036.0	50.0
Net result	2 164.3	..
Other comprehensive income for the year	(42.1)	..
<b>Total equity at end of period</b>	<b>35 158.2</b>	<b>50.0</b>

<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
..	..	(15 961.9)
1 751.1	(19.8)	1 970.9
..	..	1.5
<b>74 418.2</b>	<b>2 627.0</b>	<b>111 809.8</b>
74 418.2	2 627.0	111 809.8
374.9	57.8	(706.9)
<b>74 793.1</b>	<b>2 684.8</b>	<b>388.3</b>
74 418.2	2 627.0	111 809.8
..	..	(2 948.3)
817.3	(85.4)	861.8
<b>75 235.5</b>	<b>2 541.6</b>	<b>109 723.4</b>
75 235.5	2 541.6	109 723.4
..	..	476.6
5 768.4	37.2	5 669.5
<b>81 004.0</b>	<b>2 578.8</b>	<b>115 869.4</b>
81 004.0	2 578.8	115 869.4
..	..	794.7
3 472.3	30.2	3 507.1
<b>84 476.3</b>	<b>2 609.0</b>	<b>120 171.2</b>
84 476.3	2 609.0	120 171.2
..	..	2 164.3
6 547.8	28.4	6 534.1
<b>91 024.1</b>	<b>2 637.4</b>	<b>128 869.7</b>

**Table 5.23: Derivation of whole of State sector GFS cash surplus/(deficit)**

(\$ million)

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
<b>Cash surplus/(deficit)</b>	<b>(3 216.7)</b>	<b>(4 709.4)</b>	<b>(4 656.1)</b>	<b>(3 557.8)</b>	<b>(1 376.3)</b>	<b>659.5</b>
Convergence differences:						
Acquisitions under finance leases and similar arrangements <sup>(a)</sup>	(917.1)	(4 966.3)	(5 038.9)	..	..	(1 050.4)
<b>GFS cash surplus/(deficit) <sup>(b)</sup></b>	<b>(4 133.9)</b>	<b>(9 675.7)</b>	<b>(9 695.0)</b>	<b>(3 557.8)</b>	<b>(1 376.3)</b>	<b>(390.9)</b>

Source: Department of Treasury and Finance

Notes:

(a) The 2012-13 estimate reflects the recognition of the finance lease arrangement for the Victorian desalination plant.

(b) Determined in accordance with ABS GFS manual.

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

(\$ million)

	2011-12	2012-13	2012-13	2013-14	2014-15	2015-16
	Actual	Budget	Revised	Estimate	Estimate	Estimate
Purchases of non-financial assets	7 514.0	8 567.7	8 257.6	8 780.1	6 886.1	6 177.0
Less: Sales of non-financial assets	(291.9)	(615.3)	(629.6)	(492.8)	(472.3)	(420.4)
Less: Depreciation	(3 880.4)	(4 282.8)	(4 244.1)	(4 511.2)	(4 717.9)	(4 979.6)
Plus: Other movements in non-financial assets <sup>(a)</sup>	1 322.4	5 219.8	5 190.4	145.2	135.5	1 207.1
<b>Total net acquisition of non-financial assets</b>	<b>4 664.1</b>	<b>8 889.4</b>	<b>8 574.3</b>	<b>3 921.3</b>	<b>1 831.3</b>	<b>1 984.1</b>

Source: Department of Treasury and Finance

Note:

(a) The 2012-13 estimate reflects the recognition of the finance lease arrangement for the Victorian desalination plant.

## VICTORIA'S 2012-13 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 2012-13 LCA nomination (based on 2011-12 Budget Update estimates) approved by the Loan Council in April 2012, with the 2012-13 revised LCA based upon 2012-13 Budget Update estimates.

**Table 5.25: Loan Council Allocation**

(\$ million)

	2012-13 Nomination	2012-13 Revised
General government cash deficit (+)	897.8	2 036.4
Public non-financial corporations sector cash deficit (+)	3 402.4	3 563.2
Non-financial public sector cash deficit (+) <sup>(a)</sup>	4 300.1	5 652.3
Acquisitions under finance leases and similar arrangements	844.8	5 038.9
ABS GFS cash deficit(+)	5 145.0	10 691.2
Net cash flows from investments in financial assets for policy purposes <sup>(b)</sup>	(7.3)	14.6
Memorandum items <sup>(c)</sup>	367.5	358.1
<b>Loan Council Allocation</b>	<b>5 519.7</b>	<b>11 034.7</b>
Tolerance limit <sup>(d)</sup>	1 053.1	1 053.1

*Notes:*

- (a) *The sum of the cash deficit of the general government sector and the public non-financial corporation 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 2011-12 Budget Update). The tolerance limit applying to the movement between Victoria's 2012-13 LCA nomination and its LCA revised budget estimate is \$1 053.1 million (2 per cent of \$52 656.8 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 2012-13 revised LCA (a deficit of \$11.03 billion) exceeded the tolerance limit established under the LCA nomination process, primarily due to a \$4.1 billion increase in the acquisitions under finance leases and similar arrangements as a result of the recognition of the finance lease arrangement for the Victorian desalination plant. It is also impacted by 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 project that is expected to be contracted in the 2012-13 financial year.

### **New Bendigo Hospital project**

The New Bendigo Hospital (NBH) will be a world-class regional health service equipped to provide for the future health needs and increasing demands of a growing population in Bendigo and in the Loddon-Mallee Region.

The State has committed \$630 million in capital funding for the new hospital and associated enabling works.

The Request for Proposal for the project was released in May 2012 and bids were received in November 2012. The successful consortium will design, build, finance and maintain the NBH facilities, while the State (Bendigo Health) will provide core medical services. Once operations at the NBH commence, the State will begin quarterly payments to the private consortium, the value of which will depend on attainment of key performance indicators relating to ongoing service provision. The construction of the facility is expected to be completed in 2016-17.

There are no other *Partnership Victoria* contracts greater than \$5 million that are currently expected to be signed during the 2012-13 financial year.



## CHAPTER 6 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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The estimated financial statements for the general government sector in Chapter 4 should be read in conjunction with the following chapter. This chapter contains information pertaining to the general government sector.

### 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 in the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable. The table below contains quantifiable contingent assets as at 1 December 2012.

#### Quantifiable contingent assets

*(\$ million)*

	<i>As at Nov 2012</i>	<i>Published budget estimate<sup>(a)</sup></i>
Guarantees, indemnities and warranties	0.8	0.9
Legal proceedings and disputes	20.6	19.7
Other	0.8	2.8
<b>Total contingent assets</b>	<b>22.1</b>	<b>23.3</b>

*Note:*

*(a) A number of the comparative figures have been revised and now reflect current information.*

#### 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. The claims were lodged on 20 May 2005 and 29 September 2006 respectively and remain outstanding.

### **Revenue sharing from the Monash CityLink West Gate upgrade**

In July 2006, 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.

As with contingent assets, contingent liabilities are also classified as either quantifiable or non-quantifiable. The table below contains quantifiable contingent liabilities as at 1 December 2012.

### **Quantifiable contingent liabilities**

*(\$ million)*

	<i>As at Nov 2012</i>	<i>Published budget estimate <sup>(a)</sup></i>
Guarantees, indemnities and warranties	601.5	596.6
Legal proceedings and disputes	489.0	440.1
Other	305.9	356.7
Non-general government debt	10 033.5	9 618.4
<b>Total contingent liabilities</b>	<b>11 429.8</b>	<b>11 011.8</b>

Note:

(a) A number of the comparative figures have been revised and now reflect current information.

## **Non-quantifiable contingent liabilities**

A number of potential obligations are non-quantifiable at this time 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 liabilities follows.

### ***Asset sales***

Potential exposures are 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 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 hold the land and enter into contractual arrangements with a private sector party.

The project, a public private partnership, involved a private sector consortium (concessionaire), which was responsible for the design, construction and financing of the redevelopment of the Showgrounds. The concessionaire 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 support 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 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.

## **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. On 2 April 2012, the Public Transport Development Authority (operating as Public Transport Victoria (PTV)) became the successor party to the Director. The following summarises the major contingent liabilities arising from those arrangements in the event of early termination or expiry of the partnership agreement:

- **Partnership assets:** to maintain continuity of services, with the assets, at early termination or expiry of the franchise agreement, to revert to PTV or its successor. In the case of some assets, a reversion back to PTV would entail those assets as being purchased; and
- **Unfunded superannuation:** at the early termination or expiry of the contract, PTV or its successor 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.

## **Compulsory property acquisition to deliver transport projects**

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

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

A Public Acquisition Overlay is in place 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 claims by land owners. The quantum of the future liability depends on factors including the number of claims received and the prevailing value of land at the time the claim is made, which cannot be reliably quantified.

### **Infrastructure projects**

PTV is dealing with contractor disputes in relation to rail infrastructure projects. The information usually required by AASB 137 *Provisions, Contingent Liability and Contingent Assets* is not disclosed on the grounds it can be expected to prejudice PTV's position in the management of these disputes.

### **Metro Rolling Stock – Craigieburn Train Maintenance Facility**

PTV has received notices of disputes with John Holland Pty Ltd in relation to a number of claims arising under a design and construct contract for the Craigieburn Train Maintenance Facility. This dispute may have payment implications. The information usually required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds it may prejudice PTV's position in the management of this dispute.

### **Public transport partnership assets**

To maintain continuity of services, at early termination or expiry of the franchise agreement, tram and train rolling stock assets will revert to PTV or a successor. In the case of some assets, a reversion back to PTV would entail those assets being purchased.

### **Native Title**

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

### **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 relation to funding contracts entered 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 out of internet usage.
- **Teachers:** the specific indemnity for teachers are to protect 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.
- **Volunteer school workers and volunteer student workers:** The *Education and Training Reform Act 2006* provides a specific indemnity for personal injuries suffered by volunteer school workers and volunteer student workers arising out of or in the course of engaging in school work or community work respectively.

- **School chaplains:** The specific indemnity for school chaplains protects them against liability for personal injuries to students provided the school chaplain was not intoxicated, or engaged in a criminal offence, or engaged in outrageous conduct, and was incurred in the course of the school chaplain's employment.
- **Members of school councils:** The *Education and Training Reform Act 2006* provides an indemnity to members of school councils for any legal liability, whether in contract, negligence or defamation.

The Department holds insurance cover in the unlikely event that any one claim against these indemnities is greater than \$5 million.

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, and La Trobe University (La Trobe). The project is being delivered as a public private partnership. The Department of Primary Industries and La Trobe have formed an unincorporated joint venture for the purposes of undertaking the BRC project. The State holds a 75 per cent participating interest and La Trobe holds a 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 for a period of 25 years. The joint venture participants established an incorporated entity known as Biosciences Research Centre Pty Ltd for the purpose of entering into contractual arrangements with the concessionaire. On 21 August 2012, Plenary Research Pty Ltd was granted Commercial Acceptance of AgriBio effective from 18 July 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.

## ***Land remediation – environmental concerns***

In addition to properties for which remediation costs have been provided in the State's financial statements, certain other properties have been identified as potentially contaminated sites. The State does not admit any liability in respect of these sites. However, remedial expenditure may be incurred to restore the sites to an acceptable environmental standard in the event 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 for each type of cover (e.g. \$2 100 million for property and \$750 million for public liability). The risk of losses above these reinsured levels is borne by the State.

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.

## ***Gambling licences***

In 1992, a gaming operator's licence was issued to the Trustees of the Will and Estate of the late George Adams, later succeeded by Tatts Group. In 1994, the State issued a wagering and gaming licence to Tabcorp Holdings Limited (Tabcorp). These licences expired in August 2012. The *Gambling Regulation Act 2003* specified end of licence arrangements which included compensation provisions for the licensees predicated on the previous licensing arrangements being rolled over beyond their scheduled expiry date.

On 10 April 2008, the previous Government announced a new regulatory model for the post-2012 licenses. The main changes included:

- separating the wagering and gaming licence to instead license wagering on a stand-alone basis; and
- transitioning from the 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 previous Government formed the view that neither Tatts Group nor Tabcorp were entitled to compensation after the expiration of their licences.

On 16 August 2012, Tatts Group commenced formal legal proceedings against the State. Tabcorp commenced proceedings on 24 August 2012. Each seeks, in essence, to hold the State to an obligation to provide compensation. The Government will defend the State against this claim.

### ***Melbourne Park redevelopment***

The State 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 announced in the *2010-11 Budget*) was negotiated at the same time. The agreement had 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 Government has indemnified the racing industry in respect of certain commercial matters.

### ***Fiskville firefighting independent investigation***

An independent investigation has been undertaken by Professor Joy into the historical use of chemicals for live firefighting training at Fiskville between 1971 and 1999. The Report of the independent investigation has been released and the Country Fire Authority has accepted all of the facts, recommendations and conclusions and is committed to implementing all recommendations. At this stage it is impractical to quantify any financial effect as a result of the investigation.



## APPENDIX A – SPECIFIC POLICY INITIATIVES AFFECTING BUDGET POSITION

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Appendix A outlines specific Government policy initiatives that affect output, asset investment and revenue positions, including Treasurer’s Advances, made since the *2012-13 Budget* in May. The following tables provide details of:

- government-wide efficiency measures;
- government-wide revenue initiatives;
- government-wide output 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 decisions.

The Monash Children’s Hospital and the Royal Victorian Eye and Ear Hospital redevelopment are significant infrastructure projects that deliver on the Government’s election commitments. The Government has announced its intention to fully fund the Monash Children’s Hospital and the Royal Victorian Eye and Ear Hospital redevelopment and has made provision in the forward estimates for the funding required to complete these projects.

Project funding estimates for these asset initiatives are not disclosed in this Appendix to ensure that the Government is able to achieve the best outcome from the market and accordingly, the best value for money for Victorians.

## EFFICIENCY MEASURES

**Table A.1: Efficiency measures**

	(\$ million)			
	2012-13	2013-14	2014-15	2015-16
<b>Whole of Government</b>				
Early progress of Sustainable Government Initiative	-20.0	-35.0	-35.0	-35.0
Application of an efficiency dividend to non-frontline departmental expenditure	..	-33.0	-95.0	-162.0
<b>Departments</b>				
Growing non-government provision of aged care beds	..	..	-25.0	-50.0
Reforms to Department of Human Services' managed disability accommodation	..	-4.5	-4.5	-4.5
Reduce duplication in Government's energy efficiency programs	-3.5	-8.2	-4.9	..
Supporting Sustainability Victoria's functions more efficiently	-3.5	-7.0	-7.0	-7.0
Extend the First Home Owner Grant residency period requirement from 6 to 12 months	..	-30.6	-32.1	-31.8
<b>Total efficiency measures</b>	<b>-27.0</b>	<b>-118.3</b>	<b>-203.5</b>	<b>-290.3</b>

Source: Department of Treasury and Finance

### Early progress of Sustainable Government Initiative

Strong take up of voluntary departure packages and higher than expected levels of attrition have seen faster than anticipated progress of the Sustainable Government Initiative related Victorian public service (VPS) reductions. The scale of reductions in back office administrative positions has also generated flow-on savings in areas such as accommodation, information technology, communications and other overheads. These efficiencies are now being captured, resulting in further ongoing savings to the budget.

### Application of an efficiency dividend to non-frontline departmental expenditure

Following the faster than anticipated progress of VPS reductions in the Sustainable Government Initiative, new arrangements will be introduced to better manage the mix between staff and non-staff costs in future years.

The freeze on indexation of non-wage costs will be replaced with a general efficiency dividend of 2 per cent applying to non-frontline wage and non-wage costs. This represents a more balanced approach to future cost control than the current differential indexation of wage and non-wage costs.

The Government will apply an efficiency dividend to public sector departments and agencies for their policy and administrative functions to provide an incentive to continually drive efficiency improvements.

The efficiency dividend will commence on 1 January 2014 at the expiration of the Government's current Sustainable Government Initiative.

### **Growing non-government provision of aged care beds**

This initiative will involve a measured reallocation of Government managed aged care places to non-government providers in the metropolitan area, to provide responsive and innovative delivery of aged care.

Victoria has a higher proportion of State owned aged care services than other states. This initiative will result in a shift in the provision of services, and will not reduce the number of places available to Victorians, or the continued high level of service quality.

### **Reforms to Department of Human Services' managed disability accommodation**

The Government will undertake incremental reform to the Department of Human Services' managed disability accommodation services. This will include a standardised board and lodging fee structure for residents in disability residential services ensuring more consistent access to Commonwealth Rent Assistance.

### **Reduce duplication in Government's energy efficiency programs**

The Commonwealth Government's Clean Energy Future package has introduced a price on carbon. In line with the Commonwealth Government's intent to reduce duplicative measures, the Victorian Government will ensure more targeted incentives for green energy and energy efficiency programs.

### **Supporting Sustainability Victoria's functions more efficiently**

This initiative will achieve efficiencies in Sustainability Victoria through the transfer of key corporate and administrative functions to the Department of Sustainability and Environment. This will focus Sustainability Victoria's activities on frontline service delivery while achieving back office cost savings through the use of the Department's existing administrative and support infrastructure.

### **Extend the First Home Owner Grant residency period requirement from 6 to 12 months**

For eligible first home purchases completed from 1 July 2013, the residency period requirement for the First Home Owner Grant will be increased from 6 months to 12 months. This means that to qualify for the grant, first home buyers must occupy the purchased property for a continuous period of 12 months, commencing within 12 months of the completion of the purchase.

This aligns the residency requirement for the First Home Owner Grant to the eligibility requirements for the principal place of residency and first home buyer land transfer duty concessions and will help ensure that the grant is targeted to genuine first home buyers.

## REVENUE INITIATIVES

**Table A.2: Revenue initiatives**

(\$ million)

	2012-13	2013-14	2014-15	2015-16
Fire Services Property Levy	..	587.3	593.1	596.5
Abolished insurance and local council contributions	..	-599.2	-604.5	-609.9
<b>Sub-total revenue initiatives</b>	..	<b>-11.9</b>	<b>-11.4</b>	<b>-13.4</b>
Align driver licence fees more closely with other jurisdictions	8.4	33.6	34.4	32.8
<b>Total revenue initiatives</b>	<b>8.4</b>	<b>21.7</b>	<b>23.0</b>	<b>19.4</b>

Source: Department of Treasury and Finance

### Fire Services Property Levy

From 1 July 2013, the Government will abolish the existing insurance and local council statutory contributions to the fire brigades, as recommended by the Victorian Bushfires Royal Commission.

The Government will reform the current insurance-based fire services levy with a fairer and more equitable property based levy to fund the Metropolitan Fire and Emergency Services Board and the Country Fire Authority.

Fire services are currently largely funded by contributions made by the insurance industry and the State Government. The insurance industry passes the cost of its contribution on to Victorian policy holders through a fire services levy on insurance premiums.

The reform of the fire services levy, including abolishing the associated GST and stamp duty costs on the existing insurance based levy, will provide savings of over \$100 million per year to households and businesses across the state. For the first time, pensioners and veterans will receive a \$50 concession on their contribution.

The new property-based levy will ensure that Victorian property owners pay a fair contribution to fire services and are not penalised for adequately insuring their property.

### Align driver licence fees more closely with other jurisdictions

From 1 April 2013, the three year drivers licence will increase from \$50 to \$70, the four year licence (probationary) will increase from \$66.70 to \$93.38 and the 10 year licence will increase from \$170 to \$240. These increases amount to approximately \$7 per year on a new or renewed licence. Victorian driver licence fees will remain below those charged in other mainland states after these increases.

## IMPLEMENTATION OF THE FIRE SERVICES PROPERTY LEVY

**Table A.3: Output initiatives – Implementation of the Fire Services Property Levy**

	<i>(\$ million)</i>			
	2012-13	2013-14	2014-15	2015-16
Implementation of the Fire Services Property Levy	20.6	15.5	10.9	6.6
<b>Total output initiatives</b>	<b>20.6</b>	<b>15.5</b>	<b>10.9</b>	<b>6.6</b>

*Source: Department of Treasury and Finance*

The Government is introducing a range of measures to support the implementation and administration of the Fire Services Property Levy. The transition from an insurance-based levy to a property based levy represents a major tax reform that will ensure that the budgeted cost of delivering fire services is more equitably spread among Victorian property owners. The transition will be monitored and implemented by a number of government agencies, as well as local councils to ensure that it is delivered appropriately, and that Victorians are aware of the changes and how they may be impacted.

The costs associated with the Office of the Fire Services Levy Monitor will be funded by Government. The costs associated with the State Revenue Office, Valuer-General and local councils will be recovered through the Fire Services Property Levy.

### **Governance of the Fire Services Property Levy**

The State Revenue Office will be the responsible governance agency to ensure that the Fire Services Property Levy is effectively implemented. The State Revenue Office will support local councils in their implementation, administration and collection of the levy, and to monitor the performance of local councils. Funding is also provided for local council collection costs.

This initiative contributes to the Department of Treasury and Finance’s Revenue Management Services to Government output.

### **Establish a Fire Services Property Levy Monitor**

A Fire Services Property Levy Monitor will oversee the transition from the insurance-based fire services levy to a property-based levy. The Monitor will provide advice and guidance to consumers and the insurance industry to ensure that insurers phase out the existing insurance-based levy.

This initiative contributes to the Department of Justice’s Promoting and Protecting Consumer Interests output.

### **Valuation of Non-Rateable Properties**

Funding is provided to the Valuer-General for the valuation of non-rateable properties for the first time so they can be levied, and for future biennial valuation cycles.

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

## 2012 FLOOD RESPONSE

In late February and early March 2012, rainfall across Victoria caused flooding in central, northern, north-eastern and eastern Victoria, impacting 20 local government areas. Impacts included property and household inundation, isolation by flood water, displacement of people, damage to road and rail infrastructure, closure of schools, inundation and damage to health services, and adverse impacts to public and private land, irrigators and farming sector, parks and forests, business and tourism.

The flood recovery package provides a suite of initiatives to meet emergency response and recovery, and public asset restoration needs arising out of the floods, as well as some additional funding needed to further respond to the significant flood events in 2010-11.

**Table A.4: Output initiatives – 2012 Flood Response**

	<i>(\$ million)</i>				
	2011-12	2012-13	2013-14	2014-15	2015-16
Community facilities, recreation sites and buildings on Crown land	..	1.6	..	..	..
Economic flood recovery officers	0.3	..	..	..	..
Facilitating irrigator recovery in the Broken Basin	..	0.8	..	..	..
Flood Rebuilding Advisory Service	0.3	..	..	..	..
Flood damage road and bridge reinstatement works	..	0.4	..	..	..
Flood data collection and assessment	..	0.5	..	..	..
Flood recovery community infrastructure fund	..	1.2	0.8	..	..
Flood recovery officers	0.1	0.2	..	..	..
Fodder Program	0.1	..	..	..	..
Interim Accommodation Plan	0.1	0.1	..	..	..
Mitigation of the consequence of flooding	..	0.7	..	..	..
Numurkah District Health Service	0.7	1.3	..	..	..
Psychosocial Support Package	0.1	0.1	..	..	..
Regional recovery coordination	0.2	0.3	..	..	..
Repair of flood damage to arterial roads	3.7	7.9	..	..	..
Repair of flood damage to the groundwater observation bore network	..	0.1	..	..	..
Restoring Victoria's flood damaged parks	..	0.8	..	..	..
Surface water monitoring flood recovery	..	0.2	..	..	..
Targeted localised communication	0.1	0.2	..	..	..

**Table A.4: Output initiatives – 2012 Flood Response (continued)**

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Victorian State Emergency Service response and recovery costs	4.1	..	..	..	..
Whole of Victorian government flood recovery team	0.1	0.6	..	..	..
<b>Total output initiatives</b>	<b>9.8</b>	<b>16.9</b>	<b>0.8</b>	..	..

Source: Department of Treasury and Finance

### **Community facilities, recreation sites and buildings on Crown land**

A program in north east Victoria is being developed to repair or rebuild flood damaged community facilities, buildings and recreation sites on Crown land.

This initiative contributes to the Department of Sustainability and Environment's Sustainable Public Land output.

### **Economic flood recovery officers**

Fixed term flood recovery officers have been engaged to assist local councils to recover from flood damage and to progress economic recovery and business engagement activities.

This initiative contributes to the Department of Planning and Community Development's Regional Development and Regional Cities output.

### **Facilitating irrigator recovery in the Broken Basin**

Assistance is provided to irrigators in the eastern Goulburn Murray Irrigation District affected by the floods, and will ensure their recovery decisions are integrated with irrigation modernisation objectives.

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

### **Flood Rebuilding Advisory Service**

The Flood Rebuilding Advisory Service enables the provision of free advice and support to flood affected households throughout the rebuilding and repair process.

This initiative contributes to the Department of Planning and Community Development's Planning, Building and Heritage output.

### **Flood damage road and bridge reinstatement works**

Assistance is provided to cover costs of recovery and repair of strategic roads, including the removal of flood debris and the inspection of bridges damaged during the flood event and drainage works.

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

### **Flood data collection and assessment**

Flood data collection and assessment is part of flood emergency response planning for the catchments, including the Broken Creek catchments. This program has captured aerial photography of flooding, surveyed flood heights and assessed and documented flood information for use in flood emergency response planning.

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

### **Flood recovery community infrastructure fund**

A program has been established to restore damaged community facilities following the 2012 floods including assets such as public halls, sporting clubrooms, sports grounds, caravan parks and historic buildings.

This initiative contributes to the Department of Planning and Community Development's Regional Development and Regional Cities output.

### **Flood recovery officers**

Provisional flood recovery officers have been engaged to assist local councils recover from flood damage and to facilitate community engagement activities.

This initiative contributes to the Department of Human Services' Concessions to Pensioners and Beneficiaries output.

### **Fodder Program**

This initiative assisted the Victorian Farmers Federation in the coordination and freight of donated emergency fodder supplied to affected livestock producers in northern Victoria.

This initiative contributes to the Department of Primary Industries' Sustainable Practice Change output.

### **Interim Accommodation Plan**

Interim accommodation is being provided to flood affected households in need of medium to longer-term housing while homes are repaired.

This initiative contributes to the Department of Human Services' Concessions to Pensioners and Beneficiaries output.

### **Mitigation of the consequence of flooding**

Enhanced flood response by agencies and flood advice to communities is being supported by improved flood mapping, flood intelligence and flood monitoring across the Broken Creek catchment and adjoining catchments. In addition, the initiative will establish management practices to assess and minimise the impacts of prolonged residual flooding after the flood peak has passed.

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



### **Numurkah District Health Service**

The Numurkah District Health Service is being provided with temporary accommodation to enable the continuation of services in the Numurkah district.

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

### **Psychosocial Support Package**

A range of psychosocial support measures including generalist counselling, case work support (service coordination), outreach support and community forums are currently being delivered across communities affected by the floods.

This initiative contributes to the Department of Human Services' Concessions to Pensioners and Beneficiaries output.

### **Regional recovery coordination**

Regional recovery managers and a grants officer are supporting the management of a range of flood relief and recovery services in the Hume area.

This initiative contributes to the Department of Human Services' Concessions to Pensioners and Beneficiaries output.

### **Repair of flood damage to arterial roads**

Repairs are being made to Victoria's arterial roads and bridges that were damaged in the floods.

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

### **Repair of flood damage to the groundwater observation bore network**

State observation bores affected by flooding are being assessed and damaged bores in the Broken River Catchment are being repaired.

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

### **Restoring Victoria's flood damaged parks**

Parks damaged in the 2012 floods are being recovered and repaired. Damage to Parks Victoria's assets included roads, tracks, crossings and visitor facilities.

This initiative contributes to the Department of Sustainability and Environment's Forests and Parks output.

### **Surface water monitoring flood recovery**

Damage to Victoria's surface water monitoring network are being repaired at 24 affected sites.

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

### Targeted localised communication

Community information sessions with experienced psychologists are being provided and the Guide to Flood Services has been produced and distributed to inform communities affected by the floods.

This initiative contributes to the Department of Human Services' Concessions to Pensioners and Beneficiaries output.

### Victorian State Emergency Service response and recovery costs

The Victorian State Emergency Service incurred additional costs while providing services to affected areas. Funding provides for the replenishment of operational clothing and equipment, additional operating costs including overtime, accommodation and travel for staff and volunteers, aircraft costs, flood intelligence and community warnings and information.

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

### Whole of Victorian government flood recovery team

A whole of Victorian government flood recovery team has been established to oversee flood recovery associated with the 2010-11 floods, as well as the severe flood events in 2012.

This initiative contributes to the Department of Primary Industries' Sustainable Practice Change output.

## DEPARTMENTAL INITIATIVES

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

### Department of Health

**Table A.5: Output initiatives – Health**

	<i>(\$ million)</i>				
	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>
2012 Flood Response	0.7	1.3	..	..	..
<b>Total output initiatives</b>	<b>0.7</b>	<b>1.3</b>	..	..	..

*Source: Department of Treasury and Finance*

### 2012 Flood Response

Refer to the 2012 Flood Response initiative for descriptions.

**Table A.6: Asset initiatives – Health**

	(\$ million)				
	2012-13	2013-14	2014-15	2015-16	TEI
Monash Children’s Hospital <sup>(a)</sup>	nfp	nfp	nfp	nfp	nfp
Royal Victorian Eye and Ear Hospital redevelopment <sup>(a)</sup>	nfp	nfp	nfp	nfp	nfp
<b>Total asset initiatives</b>	<b>nfp</b>	<b>nfp</b>	<b>nfp</b>	<b>nfp</b>	<b>nfp</b>

Source: Department of Treasury and Finance

Note:

(a) Estimate not for publication (nfp). The Government has announced its intention to fully fund the Monash Children’s Hospital and the Royal Victorian Eye and Ear Hospital redevelopment. This decision means that provision has been made in the forward estimates for the project funding required to complete these projects. The Government’s decision will enable project planning to be finalised and tendering and construction to commence. Details of the available funding are not being released at this time, or prior to completion of the tender process, to ensure that the Government is able to achieve the best outcome from the market and accordingly, the best value for money for Victorians.

### Monash Children’s Hospital

This initiative delivers on the Government’s election commitment to fund a new purpose built paediatric hospital at the Monash Medical Centre in Clayton. The new hospital, delivering 230 beds, will provide capacity for increases in demand and improve access for the growing population in the south east of Melbourne, the Mornington Peninsula and south east Victoria.

Provision has been made in the forward estimates for the project funding required to complete this project. The hospital is expected to commence providing services in 2017.

This initiative contributes to the Department of Health’s:

- Admitted Services output; and
- Non-Admitted Services output.

### Royal Victorian Eye and Ear Hospital redevelopment

This initiative delivers on the Government’s election commitment to fund the redevelopment of the Royal Victorian Eye and Ear Hospital. The redevelopment will enable the hospital to meet current and future demand for specialist adult and paediatric ophthalmology and ear, nose and throat services on its existing site in East Melbourne. It will include major reconfiguration, upgrade and expansion of facilities for clinical services and significant improvements to the onsite teaching, training and research facilities.

Provision has been made in the forward estimates for the project funding required to complete this project. The redevelopment of the hospital is expected to be completed in late 2017.

This initiative contributes to the Department of Health’s:

- Admitted Services output; and
- Non-Admitted Services output.

## Department of Human Services

**Table A.7: Output initiatives – Human Services**

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Family violence and sexual assault package	..	3.1	3.7	3.7	3.7
National Disability Insurance Scheme – launch site <sup>(a)</sup>	..	tba	tba	tba	tba
Youth Foyer 2	..	1.4	2.1	2.2	2.3
<b>Sub-total output initiatives</b>	<b>..</b>	<b>4.4</b>	<b>5.8</b>	<b>5.9</b>	<b>5.9</b>
2012 Flood Response	0.5	1.0	..	..	..
<b>Total output initiatives</b>	<b>0.5</b>	<b>5.4</b>	<b>5.8</b>	<b>5.9</b>	<b>5.9</b>

Source: Department of Treasury and Finance

Note:

(a) Final cash flows are to be advised as negotiations are still continuing with the Commonwealth Government.

### Family violence and sexual assault package

The Government is improving the capacity to protect and support women and children who have experienced family violence and sexual assault. The services to be expanded include family violence outreach and counselling, sexual assault support services, and behaviour change programs specifically for young people.

This initiative contributes to the Department of Human Services’:

- Family and Community Services output; and
- Housing Support and Homelessness Assistance output.

### National Disability Insurance Scheme – launch site

The Victorian and Commonwealth Governments agreed to a launch site of the National Disability Insurance Scheme in the Barwon area commencing in July 2013. Over the course of the launch, approximately 5 000 eligible people with significant disabilities will have their needs assessed and will start to receive care and support under a National Disability Insurance Scheme model. Under the Scheme, eligible people with disabilities in the Barwon area will:

- be assessed to receive ‘reasonable and necessary’ support;
- continue to have decision-making power about their care and support, including choice of service provider;
- be assisted by local coordinators to help manage and deliver their support; and
- be able to access a system they can easily navigate, and that will link them to mainstream and community services.

As part of the launch, the Government will invest over \$300 million for disability services for people in the Barwon area over the trial period, including new funding of \$17 million. The phasing of this \$17 million in additional funding has yet to be agreed, with arrangements for the launch still being negotiated with the Commonwealth Government.

This initiative contributes to the Department of Human Services’:

- Self-Directed Support output;
- Client Services and Capacity output; and
- Accommodation Support output.

### Youth Foyer 2

The Government is continuing to deliver its election commitment to implement a Youth Foyer program. Funding is provided to deliver the second 40 bed youth foyer which will provide medium-term accommodation in a safe and supportive environment for up to two years to young people who are homeless or at risk of homelessness. Young people residing in the youth foyer will also be provided with both onsite and community support to participate in education, employment and training.

This initiative contributes to the Department of Human Services’:

- Social Housing output; and
- Housing Support and Homelessness Assistance output.

**Table A.8: Asset initiatives – Human Services**

	<i>(\$ million)</i>				
	2012-13	2013-14	2014-15	2015-16	TEI
Youth Foyer 2	0.5	..	..	..	0.5
<b>Total asset initiatives</b>	<b>0.5</b>	..	..	..	<b>0.5</b>

*Source: Department of Treasury and Finance*

### Youth Foyer 2

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

## Department of Justice

**Table A.9: Output initiatives – Justice**

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Country Fire Authority Summer Fire Campaign	..	3.0	..	..	..
Family violence and sexual assault package	..	0.5	0.5	0.5	0.5
Protective Services Officers recruitment and marketing campaign	..	2.6	..	..	..
<b>Sub-total output initiatives</b>	<b>..</b>	<b>6.1</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
2012 Flood Response	4.1	..	..	..	..
<b>Total output initiatives</b>	<b>4.1</b>	<b>6.1</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>

Source: Department of Treasury and Finance

### Country Fire Authority Summer Fire Campaign

The Summer Fire Information Campaign aims to provide Victorians with information to assist their preparation and actions if threatened by bushfire, and ensure the community understands and recognises the importance of preparing for fires before summer arrives. The campaign includes an advertising strategy and community education initiatives to increase Victorians' knowledge of fire risks, fire danger ratings and other warnings.

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

### Family violence and sexual assault package

This initiative will provide a court mandated men's behaviour change program aimed at reducing family violence.

This initiative contributes to the Department of Justice's Supporting the Judicial Process output.

### Protective Services Officers recruitment and marketing campaign

Victoria Police is currently recruiting protective services officers to be deployed at metropolitan railway stations and four major regional railway stations (Ballarat, Bendigo, Traralgon and Geelong). The recruitment and marketing campaign aims to attract appropriate candidates to be employed as protective services officers.

This initiative contributes to the Department of Justice's Policing Services output.

## Department of Planning and Community Development

**Table A.10: Output initiatives – Planning and Community Development**

(\$ million)

	2011-12	2012-13	2013-14	2014-15	2015-16
2012 Flood Response	0.6	1.2	0.8	..	..
<b>Total output initiatives</b>	<b>0.6</b>	<b>1.2</b>	<b>0.8</b>	<b>..</b>	<b>..</b>

Source: Department of Treasury and Finance

### 2012 Flood Response

Refer to the 2012 Flood Response initiative for descriptions.

## Department of Primary Industries

**Table A.11: Output initiatives – Primary Industries**

(\$ million)

	2011-12	2012-13	2013-14	2014-15	2015-16
Animal Welfare Fund	..	0.4	0.4	0.4	0.4
<b>Sub-total output initiatives</b>	<b>..</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
2012 Flood Response	0.2	0.6	..	..	..
<b>Total output initiatives</b>	<b>0.2</b>	<b>1.0</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>

Source: Department of Treasury and Finance

### Animal Welfare Fund

The Animal Welfare Fund is an integral component of the Government's election commitment to shut down illegal puppy farms by tightening animal welfare regulations. Allocation of funding will be offset from fines and proceeds from seized assets, which will in turn prevent further proliferation of illegal puppy farms. The Animal Welfare Fund is designed to provide support to not-for-profit organisations that provide care and treatment for abused animals.

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

## Department of Sustainability and Environment

**Table A.12: Output initiatives – Sustainability and Environment**

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Planned Burning Communication and Advertising Campaign	..	1.0	..	..	..
<b>Sub-total output initiatives</b>	<b>..</b>	<b>1.0</b>	<b>..</b>	<b>..</b>	<b>..</b>
2012 Flood Response	..	5.0	..	..	..
<b>Total output initiatives</b>	<b>..</b>	<b>6.0</b>	<b>..</b>	<b>..</b>	<b>..</b>

Source: Department of Treasury and Finance

### Planned Burning Communication and Advertising Campaign

A campaign will be launched to provide local Victorians and travellers with information on where and when planned burning activities will be occurring. The campaign aims to reduce public concern and inconvenience due to smoke drift.

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

## Department of Transport

**Table A.13: Output initiatives – Transport**

	(\$ million)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Road Maintenance Boost	..	20.0	..	..	..
<b>Sub-total output initiatives</b>	<b>..</b>	<b>20.0</b>	<b>..</b>	<b>..</b>	<b>..</b>
2012 Flood Response	3.7	7.9	..	..	..
<b>Total output initiatives</b>	<b>3.7</b>	<b>27.9</b>	<b>..</b>	<b>..</b>	<b>..</b>

Source: Department of Treasury and Finance

### Road Maintenance Boost

Maintenance of Victoria's arterial roads is necessary to ensure Victoria's system of road transport operates efficiently and effectively. Additional road maintenance funding is provided for general maintenance works, including sections of regional arterial roads connecting towns in rural Victoria.

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



**Table A.14: Asset initiatives – Transport**

	<i>(\$ million)</i>				
	2012-13	2013-14	2014-15	2015-16	TEI
Local projects	0.7	3.2	..	..	3.9
Road renewal and restoration boost	25.0	..	..	..	25.0
<b>Total asset initiatives</b>	<b>25.7</b>	<b>3.2</b>	<b>..</b>	<b>..</b>	<b>28.9</b>

Source: Department of Treasury and Finance

### Local projects

Local projects and election commitments that improve the safety and amenity of the road system, including the construction of a pedestrian overpass over the Henty Highway in Portland and a contribution to the development of the Park Orchards Bike Path.

This initiative contributes to the Department of Transport's Road Network Improvements output.

### Road renewal and restoration boost

Additional funding is provided to conduct road restoration works to sections of the Geelong-Ballan Road, Murray Valley Highway, Great Ocean Road, Surf Coast Highway, Hamilton Highway and other regional arterial roads connecting towns in rural Victoria.

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

## Parliament

**Table A.15: Output initiatives – Parliament**

	<i>(\$ million)</i>				
	2012-13	2013-14	2014-15	2015-16	
Recruitment of a new Auditor-General	0.1	..	..	..	..
<b>Total output initiatives</b>	<b>0.1</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>

Source: Department of Treasury and Finance

### Recruitment of a new Auditor-General

To conduct an extensive and robust recruitment process for the selection of a new Auditor-General.

This initiative contributes to the Parliament's Reports Tabled and Papers Published output.



# APPENDIX B – AMENDMENTS TO THE 2012-13 OUTPUT PERFORMANCE MEASURES

Output measures for all departments were published in Chapter 2 and Appendix A of Budget Paper No. 3 *2012-13 Service Delivery*. Following a review of substantially changed and proposed discontinued measures by the Public Accounts and Estimates Committee, the Government accepted a number of the Committee’s recommendations and has retained the following output measures for 2012-13. The Government has flagged its intention to discuss further the remaining recommendations with the Committee.

A full, amended version of Budget Paper No. 3 *2012-13 Service Delivery* reflecting the changes below is available at [budget.vic.gov.au](http://budget.vic.gov.au).

## DEPARTMENT OF BUSINESS AND INNOVATION

Major Outputs/Deliverables Performance Measures	Unit of Measure	2012-13 Target	2011-12 Expected Outcome	2011-12 Target	2010-11 Actual
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### Strategic Policy

#### Quantity

Number of major research and evaluation projects completed	number	na	18	16	16
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC’s 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

*The 2011-12 Expected Outcome is higher than the 2011-12 Target due to higher than expected number of completed research and evaluations projects.*

### Small Business

#### Quantity

Registration for online services	number	na	95 000	90 000	86 214
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC’s 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

*The 2011-12 Expected Outcome is higher than the 2011-12 Target due to a greater than expected uptake as a result of the introduction of multiple high volume Smartforms and the Registration and License Finder system.*

Major Outputs/Deliverables Performance Measures	Unit of Measure	2012-13 Target	2011-12 Expected Outcome	2011-12 Target	2010-11 Actual
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## Innovation

### Quality

Customer satisfaction with information services from Information Victoria	per cent	na	90	90	82.9
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC's 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

## Science and Technology

### Quality

Percentage of funded science projects that are industry led	per cent	na	60	60	60
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC's 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

## Exports

### Quantity

New exports facilitated in regional Victoria	\$ million	na	175	175	154.3
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC's 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

### Quality

Client satisfaction with export assistance offered	per cent	na	85	85	84
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC's 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

Major Outputs/Deliverables Performance Measures	Unit of Measure	2012-13 Target	2011-12 Expected Outcome	2011-12 Target	2010-11 Actual
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## Employment and Industrial Relations

### Timeliness

Skilled Migration Victoria – average processing time for state sponsorship applications	working days	na	25-30	25-30	42
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC's 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

## Tourism

### Quality

Value of media coverage generated:

• domestic	\$ million	na	20	20-30	30.4
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC's 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

• international	\$ million	na	50	40-50	50.8
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC's 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

Victoria's share of domestic tourism advertising awareness among target markets: intrastate	per cent	na	16-21	16-21	18.7
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC's 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

Victoria's share of domestic tourism advertising awareness among target markets: interstate	per cent	na	25-30	25-30	30
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC's 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The Department of Business and Innovation announced its intention to discontinue this measure during the 2012-13 Budget therefore a 2012-13 Target measure is not applicable. A target measure will be set in 2013-14.*

Source: Department of Business and Innovation

## DEPARTMENT OF EDUCATION AND EARLY CHILDHOOD DEVELOPMENT

Major Outputs/Deliverables Performance Measures	Unit of Measure	2012-13 Target	2011-12 Expected Outcome	2011-12 Target	2010-11 Actual
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### Skills

#### Quantity

Number of apprenticeships/ trainees who qualify for the completion bonus	number	11 000	14 000	14 000	18 000
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*This performance measure has been retained following the recommendation of the Public Accounts and Estimates Committee contained in the PAEC's 111<sup>th</sup> Report to Parliament on the 2012-13 Budget Estimates – Part One.*

*The 2012-13 Target is lower than the 2011-12 Expected Outcome as the program is being phased out. This means that there will be fewer apprentices/trainees that qualify for the scheme and a consequent decline in the number of employers receiving payments. This program was an initiative of the previous Government, and commenced in 2004.*

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Source: Department of Education and Early Childhood Development

# APPENDIX C – TAX EXPENDITURES AND CONCESSIONS

## TAX EXPENDITURES

Tax expenditures are concessions, benefits and incentives delivered through the tax system which result in preferential treatment of certain taxpayers, activities or assets compared with the normal taxation treatment. This can include tax-free thresholds, exemptions or reduced rates, and deductions or rebates of a tax for a certain class of taxpayer, activity or asset. Tax expenditures exclude broadly applicable 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. The fire services property levy tax expenditure relates to the new property-based levy starting from 1 July 2013 (refer to Appendix A *Specific policy initiatives affecting Budget position*).

The 2012-13 estimate for total tax expenditures is \$4 159 million, \$528 million higher than the 2011-12 estimate. This is driven by an increase in the stamp duty concession for corporate reconstructions and higher land tax expenditures. Land tax exemptions contribute around 60 per cent of total tax expenditure estimates. Consequently, over the period, the pattern of growth in tax expenditure estimates is largely driven by biennial land tax revaluations.

The 2012-13 estimate is \$38 million higher than that published in the *2012-13 Budget* as an increase in the stamp duty concession for corporate reconstructions was only partly offset by lower land tax expenditures.

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

Description	(\$ million)				
	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Land tax	2 281.7	2 417.3	2 354.4	2 583.9	2 519.6
Fire services property levy	..	..	20.0	20.0	20.0
Payroll tax	951.0	968.8	998.2	1 031.9	1 067.5
Gambling taxes	74.8	78.5	85.5	88.4	90.9
Motor vehicle taxes	89.9	94.6	99.2	103.9	108.7
Land transfer duties	200.9	564.7	358.7	395.8	405.4
Congestion levy	33.0	35.1	36.0	36.9	37.8
<b>Total estimated tax expenditures</b>	<b>3 631.3</b>	<b>4 159.0</b>	<b>3 951.9</b>	<b>4 260.8</b>	<b>4 249.9</b>

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 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 categories. Growth in the estimated total value of concessions in 2012-13 is largely driven by concessions related to ambulance services and water and sewerage charges.

The 2012-13 estimate is \$3 million higher than the *2012-13 Budget* estimate of \$1 518 million.

**Table C.2: Concessions by category**

(\$ million)

<i>Description</i>	<i>2011-12 Estimate</i>	<i>2012-13 Estimate</i>
Electricity	152.3	155.8
Mains gas	54.2	48.2
Municipal rates	82.0	89.2
Water and sewerage	144.4	165.1
<b>Total energy, municipal rates, water and sewerage</b>	<b>432.8</b>	<b>458.4</b>
Ambulance	372.5	398.2
Dental services and spectacles	110.2	111.7
Community health programs	91.5	92.6
<b>Total health</b>	<b>574.2</b>	<b>602.5</b>
<b>Education</b>	<b>132.0</b>	<b>113.9</b>
<b>Hardship schemes</b>	<b>30.3</b>	<b>36.4</b>
<b>Social and community services</b>	<b>4.4</b>	<b>5.2</b>
<b>Private transport</b>	<b>170.5</b>	<b>175.5</b>
<b>Public transport</b>	<b>124.3</b>	<b>129.0</b>
<b>Total for items estimated</b>	<b>1 468.5</b>	<b>1 520.8</b>

*Source: Department of Treasury and Finance*



## APPENDIX D – SENSITIVITY ANALYSIS

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The economic forecasts and assumptions underpinning the *2012-13 Budget Update* are subject to variation. This section analyses the impact of variations in these parameters on income, expenses and the net result from transactions for the general government sector.

Two types of sensitivity analysis are presented. First, the fiscal impact of independent variations in key economic variables is considered. Such analysis may be useful, for example, in considering the impact of forecast error in any individual economic parameter on fiscal aggregates. Second, the impact of variations in multiple economic variables is considered with reference to recent historical examples. Such analysis attempts to capture some, though not all, of the interrelationships between economic variables. This is likely to provide a better understanding of the fiscal impact where the general economic environment is materially different from forecast.

While sensitivity analysis provides a useful rule of thumb indication of the fiscal impact of variations in economic conditions, care should be exercised in using these results. The relationship between economic and fiscal aggregates is complex, and typically depends on the specific characteristics of the economic shock. For example, a property-led economic downturn is likely to have a very different fiscal impact to one concentrated in the retail sector, even if the overall impact on GSP and employment is similar.

### SENSITIVITY TO INDEPENDENT VARIATIONS IN MAJOR ECONOMIC PARAMETERS

The major economic 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.

Table D.1 presents the sensitivity of the net result from transactions (and where relevant, the net result) to a one per cent increase in each variable in isolation from any other changes. The impacts shown in the table are broadly symmetrical. That is, the estimated fiscal impact would apply equally in the opposite direction if a one per cent decrease in each variable were considered.

Note also that the fiscal impacts presented in Table D.1 are estimated with a degree of error. The practical implication of this is that there is a range around the estimates that describes the likely fiscal impact of variations in the relevant economic parameter.

**Table D.1: Sensitivity of key fiscal aggregates to selected economic indicators being 1 per cent higher than expected in 2012-13<sup>(a)(b)(c)</sup>**

(\$ million)

	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
<b>GSP</b>				
Income from transactions	153	157	164	175
Expenses from transactions	9	1	-5	-12
<b>Net result from transactions</b>	<b>145</b>	<b>156</b>	<b>170</b>	<b>187</b>
<b>Employment</b>				
Income from transactions	57	60	64	68
Expenses from transactions	-1	-4	-7	-10
<b>Net result from transactions</b>	<b>58</b>	<b>64</b>	<b>71</b>	<b>78</b>
<b>Consumer prices<sup>(d)</sup></b>				
Income from transactions	286	300	314	333
Expenses from transactions	66	63	56	45
<b>Net result from transactions</b>	<b>220</b>	<b>237</b>	<b>259</b>	<b>288</b>
Other economic flows	-239	1	1	1
<b>Net result</b>	<b>-20</b>	<b>238</b>	<b>260</b>	<b>289</b>
<b>Average weekly earnings</b>				
Income from transactions	63	66	70	75
Expenses from transactions	6	3	1	-1
<b>Net result from transactions</b>	<b>57</b>	<b>63</b>	<b>69</b>	<b>76</b>
<b>Enterprise bargaining agreements<sup>(e)</sup></b>				
Income from transactions	27	28	29	31
Expenses from transactions	185	228	244	260
<b>Net result from transactions</b>	<b>-159</b>	<b>-200</b>	<b>-214</b>	<b>-229</b>
Other economic flows	-240	..	..	..
<b>Net result</b>	<b>-399</b>	<b>-200</b>	<b>-214</b>	<b>-229</b>
<b>Domestic share prices</b>				
Income from transactions	..	..	..	..
Expenses from transactions	..	-3	-4	-4
<b>Net result from transactions</b>	<b>..</b>	<b>3</b>	<b>4</b>	<b>4</b>
Other economic flows	42	..	..	..
<b>Net result</b>	<b>42</b>	<b>3</b>	<b>4</b>	<b>4</b>
<b>Overseas share prices</b>				
Income from transactions	..	..	..	..
Expenses from transactions	..	-3	-4	-4
<b>Net result from transactions</b>	<b>..</b>	<b>3</b>	<b>4</b>	<b>4</b>
Other economic flows	42	..	..	..
<b>Net result</b>	<b>42</b>	<b>3</b>	<b>4</b>	<b>4</b>

**Table D.1: Sensitivity of key fiscal aggregates to selected economic indicators being 1 per cent higher than expected in 2012-13 (continued)**

(\$ million)

	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
<b>Property prices</b>				
Income from transactions	44	73	73	79
Expenses from transactions	-1	-5	-9	-12
<b>Net result from transactions</b>	<b>45</b>	<b>78</b>	<b>82</b>	<b>91</b>
Other economic flows	17	2	2	2
<b>Net result</b>	<b>62</b>	<b>80</b>	<b>83</b>	<b>92</b>
<b>Property volumes</b>				
Income from transactions	33	36	38	40
Expenses from transactions	-1	-3	-4	-6
<b>Net result from transactions</b>	<b>34</b>	<b>38</b>	<b>42</b>	<b>46</b>
<b>Interest rates <sup>(f)</sup></b>				
Income from transactions	66	63	61	60
Expenses from transactions	11	444	490	522
<b>Net result from transactions</b>	<b>55</b>	<b>-381</b>	<b>-429</b>	<b>-462</b>
Other economic flows	1 614	..	..	..
<b>Net result</b>	<b>1 669</b>	<b>-381</b>	<b>-429</b>	<b>-462</b>

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 increase in revenue. A positive number for the net result from transactions and net result denotes a higher surplus or lower deficit. 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 and 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) Incorporates the impact of the departmental funding model arrangements. It is assumed that an increase in consumer prices within the budget year does not affect employee entitlements.
- (e) Represents a one per cent increase in all government enterprise bargaining agreements.
- (f) Assumes interest rates are one percentage point higher across the entire term structure, i.e. short and long-term rates, over the forward estimates period.

## Sensitivity to economic growth

Higher than expected gross state product (GSP) is associated with higher household consumption, leading to higher goods and services tax (GST) grants revenue and own sourced taxation revenue. This increases the net result from transactions.

## Sensitivity to employment

Higher than expected employment results in additional payroll tax revenue and increases the net result from transactions.

## **Sensitivity to consumer prices**

Higher consumer prices 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.

An increase in consumer prices results in an immediate increase in the superannuation liability and adversely affects the net result by way of an actuarial loss. The higher superannuation liability also increases the superannuation expense in the remaining out years.

Reflecting the operation of the 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 and the net result from transactions in the out years.

## **Sensitivity to average weekly earnings**

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

## **Sensitivity to enterprise bargaining agreements**

In the short term, enterprise bargaining agreements are fixed. Enterprise bargaining agreements can pose a substantial risk to Victoria's budget position in the longer-term. An across the board increase in wages arising from an enterprise bargaining agreement, which exceeds the wages policy guideline rate, results in a decline in the net result from transactions.

The increased employee entitlements increases the value of the superannuation liability and results in a lower net result for the budget year. The higher superannuation liability flows 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 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 offsets 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 is little or no impact of share prices on ITEs paid until the losses have been fully used.

In terms of the superannuation liability, an increase in domestic and international share prices reduces the value of the superannuation liability due to the associated increase in superannuation fund assets. This gives rise to an actuarial gain that increases 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 and volumes**

Higher property prices have an immediate impact on the net result from transactions through increased collections of land transfer duty. 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 and the net result.

Higher property transaction volumes increases land transfer duty receipts, leading to a rise in the net result from transactions.

### **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 the profit of discount rate movements, the increase will have little impact on dividends. As ITEs 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 is little or no impact on revenues through ITEs until those losses have been used. There are 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. Accordingly, both the net result from transactions and the net result fall in the out years.

## **SENSITIVITY TO VARIATIONS IN THE ECONOMIC OUTLOOK**

The previous section considered the fiscal implications of independent variations in selected economic parameters. Typically, however, variations in economic parameters do not occur in isolation. For example, general economic conditions may differ from expectations, particularly in the event of an unanticipated economic or financial shock, causing most or all economic parameters to vary from forecasts.

This section considers two examples where general economic conditions varied significantly from expectations, resulting in the broad sweep of economic parameters being different from forecast. In the first example, in 2006-07, growth was significantly stronger than anticipated while in the second example, in 2008-09, the onset of the global financial crisis resulted in most economic and financial variables being lower than initially forecast.

The analysis confirms that the fiscal impact of variations in economic variables can be significantly greater than indicated by the sum of each variable's individual impact. This highlights the point that the relationship between economic parameters and fiscal aggregates is complex and heavily influenced by the specific nature and characteristics of a given economic shock. Such shocks affect Victoria's fiscal position to varying degrees, but given the composition of Victoria's revenue base, property-related shocks are likely to have the largest impact on the fiscal situation.

The State's fiscal position in any year is the product of economic trends and policy changes in that and previous years. Similarly, an economic shock in a year will affect fiscal outcomes in that and later years.

The outcomes for a particular year will diverge from forecast values because of forecast errors and policy changes. This analysis highlights the critical impact that government policy decisions have on the final result, which by nature cannot be captured by standard sensitivity analysis.

## 2006-07 – comparison of forecasts and actuals

Table D.2 presents a situation where economic growth was underestimated. It shows the largest forecast error in the macroeconomic variables was employment. Real GSP and consumption were also underestimated, and there were relatively minor errors in the forecasting of prices and wages.

**Table D.2: Actual deviations to key economic variables from 2006-07 budgeted levels**

*(per cent)*

	<i>2006-07 Budget<sup>(a)</sup></i>	<i>2006-07 Actual</i>	<i>Forecast error<sup>(b)</sup></i>
Real GSP	3.3	3.8	0.6
Employment	1.3	3.2	2.0
Consumer price index	2.5	2.6	0.1
Wage price index <sup>(c)</sup>	3.5	3.6	0.1
Consumption	3.4	3.0	-0.4

*Source: Department of Treasury and Finance*

*Notes:*

*(a) Forecast in May 2006 for 2006-07 Budget.*

*(b) Percentage point variation.*

*(c) Total hourly rate excluding bonuses.*

As payroll tax is levied on the stock of employees, forecast error in growth is unlikely to have a large effect on revenue from this line. This proved to be the case in 2006-07. As shown in Table D.3, the forecast error in employment of two percentage points is about the same as the error in the forecasts of revenue from payroll tax.

The main areas of error in 2006-07 relate to the underestimation of land transfer duty and of other revenue, while payroll tax was close to forecast. Strong land transfer duty revenues largely reflect the property cycle. As land transfer duty is a transaction based tax, with the bulk of revenue collected from the residential property sector, collections are subject to the volatile nature of consumer sentiment. In 2006-07, both house prices and volumes were in growth phases, and in the second half of the financial year consumer sentiment was well above historical averages.

A significant portion of other revenue is composed of tied grants from the Commonwealth Government and largely comprises funding for health and education purposes. Forecasts are finalised around four months before the start of the relevant budget year and alternative arrangements may be made with the Commonwealth Government at any time during the ensuing 16 months to impact revenue from this source.

Although the 2006-07 outcome for payroll tax was consistent with budgeted estimates, growth in employment was two percentage points higher than anticipated. This highlights a disconnect between Victoria's labour market performance and payroll tax collections. This outcome may occur because payroll tax is levied on a small share of Victorian businesses, which may not necessarily be drivers of growth at the time.

**Table D.3: Actual deviations to key revenue lines from 2006-07 budgeted levels**

*(\$ million)*

	<i>2006-07 Budget</i>	<i>2006-07 Actual</i>	<i>Forecast error</i>
Payroll taxes	3 418	3 479	61
Land transfer duty	2 424	2 961	537
Other own-sourced revenue	5 129	5 262	133
<b>Taxation revenue</b>	<b>10 971</b>	<b>11 702</b>	<b>731</b>
Other revenue	13 002	14 600	1 598
GST	8 469	8 584	114
<b>Total revenue</b>	<b>32 442</b>	<b>34 886</b>	<b>2 444</b>
<b>Total expenses</b>	<b>32 125</b>	<b>33 551</b>	<b>1 426</b>
<b>Net result from transactions</b>	<b>317</b>	<b>1 335</b>	<b>1 018</b>

*Source: Department of Treasury and Finance*

## 2008-09 – comparison of forecasts and actuals

A situation where economic growth was overestimated is shown in Table D.4. The largest forecast errors occurred in real GSP and consumption. Relatively small errors occurred in employment as employers chose to reduce hours and accept productivity falls rather than lay off staff. Consumer prices and wages were less affected by the global financial crisis and consequently the level of forecast error was much lower for these variables.

**Table D.4: Actual deviations to key economic variables from 2008-09 budgeted levels**

(per cent)

	2008-09 Budget <sup>(a)</sup>	2008-09 Actual	Forecast error <sup>(b)</sup>
Real GSP	3.0	1.1	-1.9
Employment	1.5	0.8	-0.7
Consumer price index	3.0	2.8	-0.2
Wage price index <sup>(c)</sup>	3.8	4.0	0.3
Consumption	2.8	0.2	-2.6

Source: Department of Treasury and Finance

Notes:

(a) Forecast in May 2008 for 2008-09 Budget.

(b) Percentage point variation

(c) Total hourly rate excluding bonuses.

The impact of the global financial crisis on revenue is evident in Table D.5, which shows forecast revenue and expenditure compared to the actual outcome. Both revenue and expenditure were underestimated. However, expenditure was underestimated to a greater extent leading to a forecasting error of \$576 million in the net result from transactions. This increase in expenditure largely reflects the Commonwealth Government's fiscal stimulus packages, such as the *Building the Education Revolution*, which was mostly distributed by the states.

Much of the revenue can be attributed to the weak performance of the property market, where forecasts were over \$900 million higher than the actual outcome. By contrast, the error in the forecast of revenue from employment taxes (payroll tax) was small and partly reflects the response of employers to hoard labour.

The pervading weak consumer sentiment during the global financial crisis led to much weaker consumption growth, and consequently to a sizable forecast error for GST revenue. The global financial crisis seems to have created a structural shift in the economy, with the impacts felt over a number of years. Households have adjusted their behaviour and entered a phase of reducing debt. This has hastened the return of the household savings ratio to long-term averages, following a sustained period of near-zero savings.



The overestimation of land transfer duty and GST was dwarfed by underestimation of other revenues. A large share of this was the increased Commonwealth Government disbursements to the states as part of the stimulus package. However, these revenues were matched by increased expenditure as the Commonwealth Government's stimulus payments were spent. Of the \$3.2 billion forecast error for other revenues, approximately \$2.1 billion is attributable to grants revenue other than GST.

This analysis reports the contemporaneous effect of macroeconomic shocks, whereas in many situations there will be enduring influences. While the national GST pool recovered from the lows in 2009-10 following the global financial crisis, since then national GST pool growth has remained below trend. This is consistent with the changes in household consumption. Similarly, following a recovery in land transfer volumes in 2009-10 the property market, turnover has returned to the low levels of the global financial crisis as potential house buyers remain cautious.

**Table D.5: Actual deviations to key revenue lines from 2008-09 budgeted levels**

*(\$ million)*

	<i>2008-09 Budget</i>	<i>2008-09 Actual</i>	<i>Forecast error</i>
Payroll taxes	3 963	3 980	17
Land transfer duty	3 737	2 801	- 936
Other own-sourced revenue	5 683	5 846	163
<b>Taxation revenue</b>	<b>13 383</b>	<b>12 627</b>	<b>- 756</b>
Other revenue	14 146	17 339	3 193
GST	10 281	9 319	- 962
<b>Total revenue</b>	<b>37 810</b>	<b>39 285</b>	<b>1 475</b>
<b>Total expenses</b>	<b>36 982</b>	<b>39 034</b>	<b>2 051</b>
<b>Net result from transactions</b>	<b>828</b>	<b>251</b>	<b>- 576</b>

Source: Department of Treasury and Finance



## APPENDIX E – REQUIREMENTS OF THE *FINANCIAL MANAGEMENT ACT 1994*

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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 *2012-13 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 *2012-13 Budget Update***

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
<b>Sections 23 E-G</b> Statement of financial policy objectives and strategies for the year.	Chapter 1 <i>Economic and fiscal overview</i>
<b>Sections 23 H-N</b> Estimated financial statements for the year comprising: <ul style="list-style-type: none"> <li>– an estimated statement of financial performance over the year;</li> <li>– an estimated statement of financial position at the end of the year;</li> <li>– an estimated statement of cash flows for the year;</li> <li>– a statement of the accounting policies on which these statements are based and explanatory notes; and</li> <li>– government decisions and other circumstances that may have a material effect on the estimated financial statements.</li> </ul>	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)  Appendix A <i>Specific policy initiatives affecting budget position</i>

**Table E.1: Statements required by the *Financial Management Act 1994* and their location in the *2012-13 Budget Update (continued)***

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
Accompanying statement to estimated financial statements which:	
– 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>
– discusses the sensitivity of the estimated financial statements to changes in these assumptions;	Appendix D <i>Sensitivity analysis</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

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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
nfp	not for publication
tbd	to be determined
ongoing	continuing output, program, project etc.
(xxx.x)	negative numbers



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