



# 2014-15 Victorian Budget Update

(incorporating Quarterly Financial Report No. 1)

Presented by Tim Pallas MP  
Treasurer of the State of Victoria

The Secretary  
Department of Treasury and Finance  
1 Treasury Place  
Melbourne Victoria 3002  
Australia  
Tel: +61 3 9651 5111  
Fax: +61 3 9651 2062  
Website: [dtf.vic.gov.au](http://dtf.vic.gov.au)

Authorised by the Victorian Government  
1 Treasury Place, Melbourne, 3002

© State of Victoria 2014



This work, *2014-15 Victorian Budget Update*, is licensed under a Creative Commons Attribution 3.0 Australia licence. You are free to re-use the work under that licence, on the condition that you credit the State of Victoria (Department of Treasury and Finance) as author and comply with the other licence terms. The licence does not apply to any images, photographs or branding, including the Victorian Government logo and the Department of Treasury and Finance logo.

Copyright queries may be directed to  
[IPpolicy@dtf.vic.gov.au](mailto:IPpolicy@dtf.vic.gov.au)

ISSN 2204-4701

Published December 2014  
Printed by Impact Digital, Brunswick  
Printed on recycled paper

# 2014-15 Budget Update

---

(incorporating Quarterly Financial Report No. 1)



Presented by

**Tim Pallas MP**

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



# TABLE OF CONTENTS

---

<b>Chapter 1 – Economic and fiscal overview .....</b>	<b>1</b>
Economic outlook .....	2
Financial management.....	3
Commonwealth-State relations.....	5
<b>Chapter 2 – Economic context .....</b>	<b>7</b>
Economic overview .....	7
Risks to the outlook .....	11
<b>Chapter 3 – Budget position and outlook.....</b>	<b>13</b>
General government sector .....	14
Budget and forward estimates outlook .....	16
Cash flows .....	23
Net debt and net financial liabilities .....	24
Fiscal risks .....	26
Non-financial public sector .....	29
Non-financial public sector net debt and net financial liabilities.....	32
State of Victoria .....	34
<b>Chapter 4 – Estimated financial statements and notes.....</b>	<b>37</b>
Notes to the financial statements.....	44
<b>Chapter 5 – Supplementary uniform presentation framework tables .....</b>	<b>75</b>
Victoria’s 2014-15 Loan Council Allocation .....	107
<b>Chapter 6 – Contingent assets and contingent liabilities .....</b>	<b>111</b>
Contingent assets.....	111
Contingent liabilities .....	113
<b>Appendix A – Specific policy initiatives affecting the budget position.....</b>	<b>121</b>
Department of Education and Early Childhood Development .....	121
Department of Human Services.....	122
Department of Justice.....	122
Department of Premier and Cabinet .....	123
Department of Transport, Planning and Local Infrastructure .....	124
Department of Treasury and Finance .....	125
<b>Appendix B – Amendments to the 2014-15 output performance measures .....</b>	<b>127</b>
Department of Transport, Planning and Local Infrastructure .....	127

<b>Appendix C – Tax expenditures and concessions.....</b>	<b>129</b>
Tax expenditures.....	129
Concessions .....	130
<b>Appendix D – Sensitivity analysis.....</b>	<b>131</b>
Sensitivity to independent variations in major economic parameters.....	131
Sensitivity to variations in the economic outlook.....	136
<b>Appendix E – Requirements of the <i>Financial Management Act 1994</i>.....</b>	<b>141</b>
<b>Appendix F – Quarterly financial report for the Victorian general government sector – September 2014 .....</b>	<b>143</b>
General government sector outcome.....	143
Financial statements for the general government sector .....	145
Notes to the financial statements.....	152
Results quarter by quarter – Victorian general government sector .....	170
<b>Style convention .....</b>	<b>175</b>

# CHAPTER 1 – ECONOMIC AND FISCAL OVERVIEW

---

The Government is acting immediately to implement its election commitments to rebuild a strong economy, improve economic growth and create jobs.

The economy has experienced a period of subdued growth. Gross state product (GSP) per capita has been effectively flat since the global financial crisis. The unemployment rate has reached 6.8 per cent, and total hours worked in the economy have remained virtually unchanged.

Urgent action is required to address these challenges. The Government is focused on encouraging growth and investment, creating the right environment for jobs and delivering improved services within responsible budget settings. The *2014-15 Budget Update* incorporates a number of early priority initiatives which contribute towards this goal.

Since the *2014 Pre-Election Budget Update*, forecast GSP growth for 2014-15 and 2015-16 has been downgraded, reflecting recent economic data which suggests that the transition back toward trend growth rates will be slower than previously forecast. This reflects relatively flat business investment, and modest growth in household consumption. In addition, the unemployment rate forecast has been increased in 2014-15 and in each year across the forward estimates.

The falling iron ore price has an impact on Victoria's fiscal outlook. The national terms of trade has declined, reducing average household incomes. Other states' mining royalties have also fallen, which has driven a deterioration in Victoria's projected share of GST revenue from 2016-17.

Government revenues are growing by less than population growth and inflation, which are the key drivers of demand for services. Moreover, the Government has recognised previously unfunded expenditure associated with the expansion of Victoria's prison system. As a result, forecast operating surpluses have been downgraded slightly.

The economic and fiscal challenges cannot wait until the 2015-16 budget for a response from the Government. This budget update begins the process of delivering the Government's election commitments, meeting our immediate challenges and positioning our economy for sustained growth. The Government is:

- maintaining a strong budget position and net debt at a level consistent with a triple-A credit rating;
- getting Victorians back to work with policies that support jobs growth and additional economic activity;

- preparing Victoria's workforce for an increasingly knowledge based economy, by strengthening Victoria's Technical and Further Education (TAFE) institutes, delivering community service obligations and enhancing the regulation of training providers;
- accelerating investment in new infrastructure to support jobs and build a more productive and liveable state; and
- engaging with the Commonwealth Government to ensure that Victorians are not short-changed by federal infrastructure funding decisions.

In this budget update, the Government is providing funding for:

- the *Back to Work Scheme* with financial assistance provided to businesses hiring those at risk of extended periods of unemployment;
- the TAFE Rescue Fund, to support the reopening of closed campuses, upgrade buildings and workshops and provide support to help TAFEs become more financially sustainable;
- Infrastructure Victoria, to establish a new independent, expert body to plan and coordinate significant Victorian infrastructure and investment projects;
- establishing Australia's first Royal Commission into Family Violence; and
- the reopening of the Hazelwood Mine Fire Inquiry.

## ECONOMIC OUTLOOK

Victoria's GSP grew by 1.7 per cent in 2013-14, below the 2.0 per cent forecast in the *2014 Pre-Election Budget Update*. Given the weaker near term outlook, GSP growth has been revised down to 2.25 per cent in 2014-15 and 2.50 per cent in 2015-16.

Looking forward, household consumption is expected to improve and help drive Victoria back towards trend growth over the forward estimates period, but this will partly rely on stronger employment and real wages growth leading to a recovery in labour income. Low interest rates and rising household wealth, which have supported consumption growth amid the recent softness in labour income, are expected to continue to contribute to household spending.

The labour market remains soft. Victoria's unemployment rate reached 6.8 per cent in July 2014 and has remained there since. Labour force data, including leading indicators of employment released since the *2014 Pre-Election Budget Update*, suggest that the year-average unemployment rate for 2014-15 will be 6.75 per cent, above the previous forecast of 6.5 per cent.

The unemployment rate is expected to fall gradually over the forward estimates in line with improving household demand, leading to increased hiring intentions by business. However, the return to trend levels of unemployment is expected to be slower than previously forecast.

The *Back to Work* plan will be an important element of the Government's strategy to support employment growth and reduce unemployment.



Population growth is forecast to remain strong in 2014-15, continuing a trend of growth above the long-term average. Victoria remains one of the fastest growing states, and continues to receive a positive net inflow of interstate migration.

Prospects for international goods and service exports remain positive in the short term. The depreciation of the exchange rate, the strong demand for education exports and the demand from Asian markets driving tourism growth and agricultural exports is expected to support the competitive position of Victorian exports in international markets.

## FINANCIAL MANAGEMENT

The Government will implement priority initiatives and other election commitments while maintaining a responsible fiscal position. Key community requirements relating to service delivery and infrastructure will be addressed through the implementation of the Government's election commitments in the 2015-16 budget.

**Table 1.1: General government fiscal aggregates**

	<i>Unit of measure</i>	<i>2014-15 revised</i>	<i>2015-16 estimate</i>	<i>2016-17 estimate</i>	<i>2017-18 estimate</i>
Net result from transactions	<i>\$ billion</i>	1.1	2.2	2.4	2.4
Net debt	<i>\$ billion</i>	21.7	17.5	18.9	20.4
Net debt to GSP	<i>per cent</i>	6.0	4.6	4.7	4.8
Government infrastructure investment <sup>(a)(b)</sup>	<i>\$ billion</i>	5.8	7.3	7.1	6.7

Source: Department of Treasury and Finance

Notes:

(a) Includes general government net infrastructure investment and estimated cash flows for Partnerships Victoria projects.

(b) Excludes the impact in 2015-16 of the medium-term lease of the Port of Melbourne operations.

The operating result (net result from transactions) for the general government sector is forecast to be a surplus of \$1.1 billion in 2014-15, increasing to \$2.4 billion by 2017-18.

Relative to the *2014 Pre-Election Budget Update* the net result from transactions over the forward estimates is expected to be lower by an average of \$294 million a year, primarily due to lower GST revenue as a result of falling commodity prices affecting Victoria's GST relativities and additional funding for previously unfunded prison and youth justice beds.

The estimates have also been revised since the *2014 Pre-Election Budget Update* to include the early implementation of certain policy initiatives agreed by the Government following the November election, including election commitments which are fully funded through the reprioritisation of existing funding and the release of discretionary contingencies.

This budget update provides funding to advance key asset election commitments including the 50 level crossings removal program and the Melbourne Metro Rail and West Gate Distributor projects. Discussions will continue with the Commonwealth to reallocate funding provided for the East West Link to the Government's new infrastructure priorities.

Net debt is forecast to fall over the budget and forward estimates, from a peak of 6.0 per cent of GSP at June 2015 to 4.8 per cent of GSP by June 2018.

Chapter 3 *Budget position and outlook* provides an overview of the revised budget position for 2014-15 and the forward estimate years (2015-16 to 2017-18).

## Medium-term fiscal strategy

The revised estimates for the operating surplus will provide the starting point for the development of the Government’s 2015-16 budget strategy. This strategy will include:

- continuing to maintain a budget operating surplus, after allowing for funding of election commitments;
- maintaining a strong budget position and triple-A credit rating;
- keeping net debt levels low; and
- creating more jobs for Victorians and skilling the workforce.

The strong financial results and projections in this budget update reflect the Government’s commitment to responsible financial management and affordable election commitments, underpinning Victoria’s triple-A credit rating.

The long-term financial management objectives (Table 1.2) and medium-term fiscal strategy (Table 1.3) are unchanged for this publication. The Government will take the necessary time to consider and properly develop the right fiscal strategy for the 2015-16 budget.

**Table 1.2: Long-term financial management objectives**

<i>Measures</i>	<i>Objective</i>
<b>Managing responsibly</b>	Victoria’s state finances will be managed responsibly to enhance the wellbeing of Victorians.
<b>Looking after the future</b>	The endowment of public sector wealth bequeathed by the current generation of Victorians to the next will be no less than the current generation inherited from the previous generation.
<b>Managing the unexpected</b>	The State’s financial position will be robust enough to absorb and recover from unanticipated events, and to absorb the volatility inherent in revenues and expenses.
<b>Improving services</b>	Victoria’s public services will improve over time through enhanced efficiency and through a growing capacity of the Victorian economy to fund those services.
<b>Maximising community benefit</b>	Public sector resources will be allocated to those activities which generate maximum community benefit.

Progress towards these long-term financial management objectives is supported by the following medium-term fiscal parameters (Table 1.3).

**Table 1.3: Medium-term fiscal strategy**

<i>Financial measures</i>	<i>Parameters</i>
<b>Infrastructure investment</b>	Infrastructure investment of 1.3 per cent of GSP (calculated as a rolling five-year average).
<b>Net debt</b>	General government net debt reduced as a percentage of GSP 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.

## COMMONWEALTH-STATE RELATIONS

Commonwealth-State relations and the future of the Federation will be key issues in 2015.

The Victorian Government will not proceed with the East West Link. An alternative program of productivity enhancing infrastructure investment is under way. In the short term, this agenda includes the removal of 50 level crossings and the construction of the West Gate Distributor.

There is a strong case for the Commonwealth Government to support these alternative projects through the redirection of funding previously allocated for the East West Link. The projects will create jobs in the construction phase, and bring productivity benefits once completed.

In addition, the Government will strongly advocate for Victoria's interests and positive national reform through the Federation and Tax White Paper process.

In the immediate term, Victoria's share of GST will be affected by the outcome of the Commonwealth Grants Commission 2015 Methodology Review. This review will inform the update of GST relativities for 2015-16 and has the potential to be significant, though it will be very difficult to determine the magnitude or direction of any changes in advance.



## CHAPTER 2 – ECONOMIC CONTEXT

---

- Economic growth of 1.7 per cent in 2013-14 was weaker than expected. This weakness and other recent data suggest below-trend growth of 2.25 per cent in 2014-15 and 2.50 per cent in 2015-16.
- The labour market remains soft, but is expected to slowly improve over 2014-15 in line with household demand, which should lead to increased hiring intentions by business. The Government's *Back to Work Scheme*, which will provide financial assistance to businesses hiring those at risk of extended periods of unemployment, will put downward pressure on unemployment.
- Population growth is expected to remain strong but moderate slightly.

### ECONOMIC OVERVIEW

#### Victorian economic conditions and outlook

Victoria's gross state product (GSP) grew by 1.7 per cent in 2013-14, below the 2.0 per cent forecast in the *2014 Pre-Election Budget Update*. In addition, Victoria's state final demand contracted by 1.6 per cent in the September quarter. As a result, GSP growth is expected to remain below trend, influenced particularly by the absence of a pick-up in business investment. Given data released since the *2014 Pre-Election Budget Update* shows a weaker near term outlook, GSP growth has been revised down to 2.25 per cent in 2014-15 and 2.50 per cent in 2015-16. However, sustained low interest rates and a lower Australian dollar should help support a return towards trend growth over the medium term.

Victoria's economy faces a number of challenges. Australia's transition away from mining investment to other drivers of growth in the Australian economy could be slower than currently anticipated. Given the interstate trade links through the provision of goods and services, this could also reduce Victoria's growth prospects. Victorian employment growth has been weak over the past two years, with the unemployment rate rising steadily to 6.8 per cent as more people look for work. Business investment has also been at relatively low levels as a share of GSP, as businesses defer investment pending signs of sustained growth in demand.

Looking forward, household consumption is expected to improve and help drive the Victorian economy back towards trend growth over the forward estimates period, but this will partly rely on stronger employment and real wages growth leading to a recovery in labour income. Low interest rates and rising household wealth, which have supported consumption growth amid the recent softness in labour income, are expected to continue to contribute to household spending.

Along with household demand, dwelling investment is also expected to pick up in 2014-15. Investor confidence is positive and the construction of multi-unit dwellings is expected to underpin growth. Recent strength in house prices and building approvals, as well as continued population growth are also likely to support dwelling investment in 2014-15.

Business investment remains stuck at relatively low levels as a share of GSP and has contracted over the past two years in underlying terms. Several of the pre-conditions for investment are now in place – business confidence is back to average levels, demand is showing signs of modest growth, the Australian dollar has come down from recent highs and firms have access to finance at a relatively low cost. But there appears a reluctance to invest until businesses see evidence of sustained growth in demand.

Victoria's international merchandise goods exports reached a record \$24 billion in 2013-14, the fourth consecutive annual increase. The recent depreciation of the exchange rate, if sustained, is expected to support the competitive position of Victorian exports in international markets. Victoria's agricultural exports are likely to continue to perform well given growing demand from Asia.

Victoria's service exports are also expected to grow this year and beyond. The demand for Australian student visas has increased, resulting in the Commonwealth Department of Immigration and Border Protection strongly revising upwards forecasts of net student arrivals. Demand from Asian markets, led by China, is expected to continue to drive growth in tourism.

### **Labour market**

Employment growth was lacklustre in 2013-14, in line with below trend growth in the economy. Employment growth in 2014-15 is expected to be moderately stronger, although improvements since June 2014 have been driven by part-time jobs growth. The Government's *Back to Work Scheme* is also expected to contribute to employment growth.

Victoria's unemployment rate reached 6.8 per cent in July 2014 and has remained there since. Labour force data, including leading indicators of unemployment released since the *2014 Pre-Election Budget Update* suggest that the year-average unemployment rate for 2014-15 will be higher than previously forecast. It is expected that the unemployment rate will average 6.75 per cent in 2014-15, falling back towards 5.75 per cent by the end of the forward estimates, on the back of gradually strengthening employment growth and the structural impact of the ageing population on the labour force participation rate.

### **Prices and wages**

The near-term outlook for Melbourne inflation has softened since the *2014 Pre-Election Budget Update* forecasts were prepared. This largely reflects the marked decline in international oil prices, which have led to lower retail fuel prices. It also captures the unexpected deflation across a number of other trade-exposed items in the September quarter. This may be due to strong competition constraining the pass-through of the lower exchange rate.

Price growth of non-tradable goods and services (excluding items less responsive to changes in labour costs, such as utilities and council rates) has moderated, consistent with spare capacity in the economy. Some additional moderation is expected, but this will be subject to the timing and extent of the anticipated pick-up in labour market conditions.

The further depreciation of the exchange rate will provide some counterbalance to the softer near-term outlook, but the effects are expected to extend into the forward estimates, contributing to an increase in the forecast consumer price index growth rate for 2015-16.

Ongoing spare capacity in the Victorian labour market, household concerns about job security, industry restructuring and relatively low inflation expectations, implies that soft wages growth is likely to persist in the near term. The wage price index growth is now expected to remain subdued at 2.75 per cent in 2014-15, compared with 3.25 per cent in the *2014 Pre-Election Budget Update*. Consistent with stronger economic growth, growth in wages is expected to firm over the forecast period.

## **Population**

Population growth is forecast to remain strong in 2014-15, continuing a trend of growth above the long-term average. Victoria remains one of the fastest growing states, continuing to receive a positive net inflow of interstate migration. In the June quarter 2014 and over the year, Victoria gained more people from interstate migration than any other state. Population growth estimates from 2014-15 onwards reflect a slight moderation from high levels in 2013-14, mainly due to an expected return of net interstate migration to more traditional volumes.

## **Economic forecasts**

The economic forecasts are set out in Table 2.1, with the *2014 Pre-Election Budget Update* forecasts in parentheses where different.

Real GSP forecasts have been revised downwards for 2014-15 and 2015-16. Lower than expected growth in 2013-14 signals the fragility of the recovery back to trend rates of growth, and highlights the importance of the Government's policy agenda to encourage investment and create new jobs.

**Table 2.1: Victorian economic forecasts<sup>(a)</sup>**

	(per cent)				
	2013-14	2014-15	2015-16	2016-17	2017-18
	<i>actual</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>	<i>forecast</i>
Real gross state product	1.7 (2.00)	2.25 (2.50)	2.50 (2.75)	2.75	2.75
Employment	0.6	1.25	1.50	1.50	1.50
Unemployment rate <sup>(b)</sup>	6.2	6.75 (6.50)	6.50 (6.25)	6.25 (6.00)	5.75 (5.50)
Consumer price index <sup>(c)</sup>	2.8	1.75 (2.25)	2.75 (2.50)	2.50	2.50
Wage price index <sup>(d)</sup>	2.7	2.75 (3.25)	3.25 (3.50)	3.50	3.50
Population <sup>(e)</sup>	1.9	1.8	1.8	1.8	1.8

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

**Notes:**

(a) Per cent change in year average compared with previous year, except for unemployment rate (see note (b)) and population (see note (e)). Forecasts are rounded to the nearest 0.25 percentage points, except for population (see note(e)).

The key assumptions underlying the economic forecasts include: interest rates that follow movements in market expectations in the short term, and stabilise thereafter; a trade-weighted index of 69.6; and oil prices that follow the path suggested by oil futures.

(b) Year average, per cent.

(c) Melbourne consumer price index.

(d) Total hourly rate excluding bonuses.

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

## Australian economic conditions and outlook

The Australian economy grew at around trend in 2013-14, growing by 3.1 per cent. However, September quarter 2014 data suggests the Australian economy is again slowing as business investment declines from its peak in mid-2013.

While the national economic outlook remains positive, navigating the transition from the resources investment peak is a key near-term challenge. The resources sector will continue to positively contribute to growth as it transitions to a production and exports phase, but it is uncertain whether these higher exports will fully offset the negative impact of the decline in resources investment.



## International economic conditions and outlook

According to the International Monetary Fund's (IMF) October 2014 *World Economic Outlook*, global activity is expected to continue to be uneven.

Global growth is forecast to be 3.3 per cent in 2014, largely due to weaker than expected global activity in the first half of 2014, and is expected to rise to 3.8 per cent in 2015. For advanced economies, growth is forecast to rise to 1.8 per cent in 2014, an increase of 0.4 percentage points from 2013. Growth is estimated to be 2.2 per cent for the United States.

Asia as a whole is expected to grow by 5.5 per cent in 2014, rising to 5.6 per cent in 2015, driven by domestic demand and the projected rebound in advanced economies and China supporting export growth. For New Zealand, the IMF expects growth to pick up to 3.6 per cent in 2014, driven by exports.

In China, growth is forecast to remain strong at 7.4 per cent in 2014 due to policy measures to boost activity. Growth is projected to moderate in 2015 as the economy transitions to a more sustainable path and residential investment slows further.

## RISKS TO THE OUTLOOK

The transition away from mining investment to other drivers of growth in the Australian economy could be slower than currently anticipated. Given the interstate trade links through the provision of goods and services, this could also reduce Victoria's growth prospects. However, capital investment could recover quite strongly if companies endeavour to update ageing capital stock and avoid losing market share to their domestic competitors.

The path of the exchange rate and oil prices present substantial uncertainties to the inflation outlook. Further oil price declines from continued supply increases or depressed global demand could lead to lower inflation than expected. Conversely, higher inflation among tradable goods and services could result if the Australian dollar depreciates further.

A lower than assumed exchange rate could lead to relatively cheaper prices for domestically produced goods and services compared with those produced abroad. This would benefit Victoria's exporting industries and those exposed to import competition. However, industries dependent on imports in the production process would face increased costs. The net effect over the forecast period is likely to be an increase in Victoria's GSP.

Internationally, the risks appear broadly balanced. Growth appears to be strengthening in the United States, and the Chinese economy remains strong although there are some concerns about the Chinese property market. However, Japan is now in recession, and the Eurozone's economic performance remains lacklustre. Developments in areas of instability, such as the Middle East, and the Ukraine, or the impact of the Ebola virus should it spread more widely, each have the potential to unsettle local business and consumer confidence via the impact on financial markets.



## CHAPTER 3 – BUDGET POSITION AND OUTLOOK

---

- The Government is focused on encouraging growth, investment and jobs and delivering improved services within responsible budget settings.
- The general government sector operating surplus is estimated to be \$1.1 billion in 2014-15, increasing to \$2.4 billion in 2017-18.
- Net debt is projected to decrease from \$21.7 billion in June 2015 to \$20.4 billion by June 2018. As a proportion of gross state product (GSP), net debt is expected to peak at 6.0 per cent in June 2015, before declining to 4.8 per cent by June 2018.
- Net financial liabilities are projected to decrease from \$53.8 billion at June 2015 to \$51.5 billion by June 2018. As a proportion of GSP, they are expected to peak at 14.8 per cent at June 2015, before declining to 12.1 per cent by June 2018.
- The non-financial public sector operating surplus is estimated to be \$372 million in 2014-15, growing to \$1.9 billion in 2017-18.
- Non-financial public sector net debt is projected to decrease from \$37.9 billion at June 2015 to \$36.7 billion by June 2018. As a proportion of GSP, net debt is expected to peak at 10.4 per cent in June 2015, before declining to 8.6 per cent by June 2018.

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

This chapter also presents a reconciliation and explanation of the movements since the *2014 Pre-Election Budget Update* that affect the estimated net result from transactions including incorporating the impact of new policy initiatives of the Victorian Government.

## GENERAL GOVERNMENT SECTOR

### Fiscal aggregates

The operating result (net result from transactions) for the general government sector is forecast to be a surplus of \$1.1 billion in 2014-15, increasing to \$2.4 billion by 2017-18. Compared with the *2014 Pre-Election Budget Update*, the net result from transactions has been revised up by \$49 million in 2014-15 largely due to higher land transfer duty.

Relative to the *2014 Pre-Election Budget Update* the net result from transactions over the forward estimates is expected to be lower by an average of \$294 million a year. This is primarily due to the allocation of funding to prison and youth justice beds built but not funded by the previous government, an increase in expenses for First Home Owner Grants, and a reduction in projected GST revenue.

**Table 3.1: General government fiscal aggregates**

	Unit of measure	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Net result from transactions	\$ billion	1.1	2.2	2.4	2.4
Net debt	\$ billion	21.7	17.5	18.9	20.4
Net debt to GSP	per cent	6.0	4.6	4.7	4.8
Government infrastructure investment <sup>(a)(b)</sup>	\$ billion	5.8	7.3	7.1	6.7

Source: Department of Treasury and Finance

Notes:

(a) Includes general government net infrastructure investment and estimated cash flows for Partnerships Victoria projects.

(b) Excludes the impact in 2015-16 of the medium-term lease of the Port of Melbourne operations.

The estimates have been revised since the *2014 Pre-Election Budget Update* to include the impact of certain policy initiatives agreed by the Government following the November election. These initiatives have been fully funded through deferrals and reprioritisations of existing funding, and the release of discretionary contingencies:

- funding to support TAFEs to deliver priority community service obligation projects;
- the *Back to Work Scheme* with financial assistance provided to businesses hiring those at risk of extended periods of unemployment;
- the establishment of a new independent body, Infrastructure Victoria, to provide a long-term approach to assess and advise on major capital projects across the state;
- the reopening of the Hazelwood Mine Fire Inquiry; and
- the Royal Commission into Family Violence.

In addition, ongoing funding is being provided to redress shortfalls in funding for decisions taken by the previous government:

- the operation of men's prison beds in various correctional facilities across Victoria to accommodate growth in the Victorian prisoner population; and
- the operation of the additional facilities at the Youth Justice Centre in Malmsbury in order to address capacity concerns and improve client safety.

This budget update provides funding to advance key asset election commitments including the 50 level crossings removal program, the Melbourne Metro Rail and West Gate Distributor projects. Discussions are under way with the Commonwealth to reallocate funding provided for the East West Link to the Government's new infrastructure priorities. The Government's new infrastructure program will be fully reflected in the 2015-16 budget.

Net debt is forecast to fall over the budget and forward estimates, from a peak of 6.0 per cent of GSP at June 2015 to 4.8 per cent of GSP by June 2018. The increase in net debt as a proportion of GSP, compared to the *2014 Pre-Election Budget Update*, is largely due to the impact of additional funding for previously unfunded prison and youth justice beds, lower GST revenue, along with a fall in the projections for nominal GSP.

## BUDGET AND FORWARD ESTIMATES OUTLOOK

Table 3.2 summarises the operating statement over the budget and forward estimates for the general government sector. A comprehensive operating statement is presented in Table 4.1 in Chapter 4 *Estimated financial statements and notes*.

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

	(\$ million)			
	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Revenue</b>				
Taxation	17 912.5	18 692.3	19 662.6	20 487.6
Dividends, TER and interest <sup>(a)</sup>	1 925.8	1 737.5	1 738.0	2 008.5
Sales of goods and services	6 558.5	6 841.5	6 846.3	6 904.2
Grants	24 664.9	25 231.0	25 864.0	26 740.4
Other current revenue	2 141.7	2 095.9	2 183.2	2 147.5
<b>Total revenue</b>	<b>53 203.5</b>	<b>54 598.1</b>	<b>56 294.2</b>	<b>58 288.2</b>
<i>Per cent change</i> <sup>(b)</sup>	1.6	2.6	3.1	3.5
<b>Expenses</b>				
Employee expenses	18 504.1	19 597.8	20 144.0	20 955.6
Superannuation <sup>(c)</sup>	2 952.6	2 960.1	2 960.3	2 955.7
Depreciation	2 455.0	2 544.4	2 726.8	2 947.9
Interest expense	2 115.2	2 011.5	1 989.1	2 041.2
Other operating expenses	18 007.3	16 971.5	17 257.1	17 915.6
Grants and other transfers	8 027.5	8 314.8	8 803.2	9 028.1
<b>Total expenses</b>	<b>52 061.7</b>	<b>52 400.1</b>	<b>53 880.6</b>	<b>55 844.1</b>
<i>Per cent change</i> <sup>(b)</sup>	3.3	0.6	2.8	3.6
<b>Net result from transactions</b>	<b>1 141.8</b>	<b>2 198.1</b>	<b>2 413.6</b>	<b>2 444.1</b>
<b>Total other economic flows included in net result</b>	<b>(217.8)</b>	<b>4 255.1</b>	<b>(263.3)</b>	<b>(283.3)</b>
<b>Net result</b>	<b>924.0</b>	<b>6 453.1</b>	<b>2 150.3</b>	<b>2 160.8</b>

Source: Department of Treasury and Finance

Notes:

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

(b) 2014-15 revised per cent change figures refer to 2013-14 actual figures.

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

### Revenue outlook

Revenue is expected to grow by 1.6 per cent in 2014-15 before growing on average by 3.1 per cent a year over the forward estimates. The lower growth in 2014-15 is largely due to a higher 2013-14 base figure following the Commonwealth Government's decision to prepay \$1 billion of its contribution to the East West Link late in 2013-14.

## **Taxation**

State taxation revenue is expected to grow by 6.0 per cent in 2014-15, and average 4.6 per cent a year over the forward estimates. Specifically:

- payroll tax is expected to grow below trend, by 4.0 per cent in 2014-15, reflecting below trend employment and wage growth. Over the forward estimates, growth is expected to average 5.7 per cent as labour market conditions improve;
- land tax revenue is expected to grow by 5.6 per cent in 2014-15, reflecting final revaluations from the 2014 cycle, and by 3.6 per cent a year on average over the forward estimates;
- land transfer duty is expected to grow by 7.3 per cent in 2014-15, and by 5.7 per cent a year on average over the forward estimates as the property market returns to trend growth following a strong recovery in 2013-14;
- gambling taxes are expected to grow by 7.8 per cent in 2014-15. Over the forward estimates, growth is expected to average 3.6 per cent a year as the share of household consumption allocated to electronic gaming machine expenditure continues its trend decline, reflecting changing consumer preferences;
- taxes on insurance are expected to grow by 4.4 per cent in 2014-15 and 6.6 per cent a year on average over the forward estimates. The subdued growth in 2014-15 reflects lower premium growth due to increased competition among insurers; and
- motor vehicle taxes are expected to grow by 11.1 per cent in 2014-15, reflecting changes to registration fees and stamp duty rates. Thereafter, growth is expected to average 4.5 per cent a year over the forward estimates, broadly in line with economic growth.

## **Dividends, income tax equivalent and interest**

Total dividend, income tax equivalent and interest revenue is expected to increase by \$649 million in 2014-15, largely due to a stronger than expected result for the Victorian WorkCover Authority during 2013-14, and interim dividends from the PFC sector being paid in 2014-15 instead of 2013-14.

Across the forward estimates, interest income is projected to remain relatively steady, reaching \$879 million by 2017-18. Dividend and income tax equivalent revenue is projected to decline in 2015-16 and 2016-17 mainly due to reduced profitability for the Transport Accident Commission, associated with lower discount rates which are used to value its liabilities.

## ***Sales of goods and services***

Revenue from the sales of goods and services is expected to decrease by 2.5 per cent in 2014-15, before growing by 1.7 per cent a year on average over the forward estimates.

The decline in sales of goods and services in 2014-15 is driven by the fall in revenue from a change to the ticketing payments system following the full roll-out of the *myki* ticketing system. From 1 January 2014, metropolitan train and tram operators receive a percentage of fare revenue directly, which will continue for the duration of the current franchise contracts. This is primarily offset by an increase in the capital assets charge from VicTrack.

## ***Grants***

Total grants revenue is expected to decrease by 1.9 per cent in 2014-15 but increase by 2.7 per cent a year on average over the forward estimates.

GST grants revenue is projected to grow by 4.3 per cent in 2014-15 and 7.0 per cent a year on average over the forward estimates, reflecting expected trend growth in the GST national pool and an increase in Victoria's share of the pool towards the end of the forward estimates.

Other grants revenue is anticipated to decrease by 7.1 per cent in 2014-15 and decrease by a further 1.6 per cent a year on average over the forward estimates. The decrease in revenue in 2014-15 is largely a result of the Commonwealth's decision to prepay \$1 billion of its contribution to the East West Link in late 2013-14.

## ***Other current revenue***

Other current revenue includes fines, royalties, donations and gifts in addition to assets received free of charge and other miscellaneous revenues. This revenue is anticipated to decrease by 7.6 per cent in 2014-15, reflecting a lower than estimated level of fair value of assets received free of charge and other miscellaneous income.

Other current revenue is projected to be stable over the forward estimates compared to the revised 2014-15 figure.

## ***Expenses outlook***

Total expenses are projected to increase by 3.3 per cent in 2014-15 and 2.4 per cent a year on average over the forward estimates. The increase in expenses is largely driven by:

- total employee expenses, including superannuation, which are expected to increase by 2.5 per cent in 2014-15 and by 3.7 per cent a year on average over the forward estimates;
- depreciation expenses are projected to grow by 3.9 per cent in 2014-15 and by an average of 6.3 per cent a year over the forward estimates, in line with growth in the infrastructure stock and the expected impact of asset revaluations;



- interest payments are expected to decrease in 2014-15 by 1.1 per cent. Across the forward estimates, the fall in interest payments averages 1.2 per cent a year, in line with reducing net debt;
- other operating expenses are anticipated to increase by 3.7 per cent in 2014-15 and decrease by 0.2 per cent a year on average over the forward estimates; and
- grants and other transfer payments are expected to grow by 5.8 per cent in 2014-15 and by an average of 4.0 per cent a year over the forward estimates, and include funding for non-government schools and grants passed on to local government.

## **Other economic flows**

The difference between the net result from transactions and the net result is other economic flows included in the net result, which typically include gains and losses from the disposal of non-financial assets, adjustments for bad and doubtful debts and revaluations of financial assets and liabilities.

The revised loss in other economic flows of \$218 million in 2014-15 largely comprises an estimated \$303 million increase in bad and doubtful debts, partly offset by estimated gains on the disposal of non-financial assets of \$65 million.

## **Reconciliation of estimates to the *2014 Pre-Election Budget Update***

The net result from transactions has been revised up by \$49 million in 2014-15 and down by \$294 million on average across the forward estimates, since the *2014 Pre-Election Budget Update*. The net variations largely reflect lower GST revenue and additional funding for previously unfunded prison and youth justice beds, partly offset by higher land transfer duty in 2014-15.

**Table 3.3: Reconciliation of estimates to the 2014 Pre-Election Budget Update**

(\$ million)

	2014-15 estimate	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Net result from transactions:</b>	<b>1 092.4</b>	<b>2 294.4</b>	<b>2 679.6</b>	<b>2 965.2</b>
<b>2014 Pre-Election Budget Update</b>				
Plus: variations in revenue from transactions since the 2014 Pre-Election Budget Update				
Policy decision variations	..	..	..	..
<b>Economic/demographic variations</b>				
Taxation	41.4	0.2	..	..
Investment income <sup>(a)</sup>	..	..	..	..
	<b>41.4</b>	<b>0.2</b>	..	..
<b>Commonwealth grant variations</b>				
General purpose grants	..	..	(183.9)	(425.9)
Specific purpose grants	151.5	116.8	133.0	190.3
	<b>151.5</b>	<b>116.8</b>	<b>(50.9)</b>	<b>(235.6)</b>
Variations in own-source revenue <sup>(b)</sup>	..	..	..	..
Administrative variations	(1.0)	(1.0)	(0.9)	(0.8)
<b>Total variation in income from transactions since the 2014 Pre-Election Budget Update</b>	<b>191.9</b>	<b>115.9</b>	<b>(51.9)</b>	<b>(236.4)</b>
Less: variations in expenses from transactions since the 2014 Pre-Election Budget Update				
Policy decision variations	50.0	182.0	166.2	117.8
Commonwealth grant variations	147.9	117.7	133.9	191.2
Variations in own-source revenue <sup>(b)</sup>	..	..	..	..
<b>Administrative variations</b>				
Superannuation variations	..	(9.6)	(10.4)	(10.1)
Other administrative variations <sup>(c)</sup>	(55.4)	(77.9)	(75.6)	(14.3)
<b>Total administrative variations</b>	<b>(55.3)</b>	<b>(87.5)</b>	<b>(86.0)</b>	<b>(24.3)</b>
<b>Total variation in expenses from transactions since the 2014 Pre-Election Budget Update</b>	<b>142.6</b>	<b>212.2</b>	<b>214.1</b>	<b>284.7</b>
<b>Net result from transactions</b>	<b>1 141.8</b>	<b>2 198.1</b>	<b>2 413.6</b>	<b>2 444.1</b>

Source: Department of Treasury and Finance

Notes:

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

(b) Own-source revenue variations represent third party variations by departments.

(c) Includes the release of contingency for new policy decisions.

### **Variations to revenue from transactions**

Variations to total revenue from transactions since the 2014 Pre-Election Budget Update primarily reflect increases in Commonwealth specific purpose grants and taxation revenue, offset by downwards revisions to general purpose grants (GST) in 2016-17 and 2017-18.

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

There have been no revenue policy decisions since the *2014 Pre-Election Budget Update*.

### ***Economic and demographic variations***

Taxation revenue has been revised up by \$41 million in 2014-15. This is largely due to two factors:

- an increase in land transfer duty of \$50 million in 2014-15 due to higher than forecast revenue collections since the *2014 Pre-Election Budget Update*; offset by
- decreases in forecast revenue from Crown Casino of \$8.6 million in 2014-15, reflecting weaker than expected revenue collections since the *2014 Pre-Election Budget Update*.

### ***Commonwealth grants variations***

General purpose grants have decreased by \$610 million over 2016-17 and 2017-18 compared to the *2014 Pre-Election Budget Update*. This decrease is driven by an expected reduction to Victoria's GST relativities largely due to a continued fall in commodity prices. Lower commodity prices reduce mining royalties collected by Western Australia and Queensland, which will increase their share of the overall GST pool.

Commonwealth specific purpose and national partnership grants revenue is expected to increase by \$151 million in 2014-15 and increase by an average of \$147 million a year over the forward estimates. These increases largely reflect additional funding for government and non-government schools announced in the Commonwealth's *2014-15 Mid-Year Economic and Fiscal Outlook*.

### ***Own-source revenue variations***

There have been no changes to own-source revenue since the *2014 Pre-Election Budget Update*.

### ***Administrative variations***

Administrative variations have decreased by an average \$0.9 million a year over the budget and forward estimates and this largely reflects updated estimates for fees from the Victorian Curriculum and Assessment Authority.

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

Relative to the *2014 Pre-Election Budget Update*, total expenses are higher by \$143 million in 2014-15 and by an average of \$237 million a year over the forward estimates. These movements are largely driven by Commonwealth grant variations, policy decisions and other administration variations.

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

New output policy decisions since the *2014 Pre-Election Budget Update* increase expenses by \$50 million in 2014-15 and an average of \$155 million a year over the forward estimates. This funding includes initial funding for election commitments, which have been fully funded through deferrals and reprioritisations of existing funding, and the release of discretionary contingencies which are incorporated as part of ‘Other administrative variations’.

Funding is also provided to ensure important programs can continue including for previously unfunded prison beds at various existing correctional facilities across Victoria and additional capacity at the Youth Justice Centre in Malmsbury.

Details of new policy initiatives since the *2014 Pre-Election Budget Update* are contained in Appendix A *Specific policy initiatives affecting the budget position*.

### ***Commonwealth grants variations***

Commonwealth grants expenditure has been revised up in 2014-15 by \$148 million and \$148 million a year on average over the forward estimates. These increases reflect the corresponding expenses associated with the additional schools funding announced in the Commonwealth’s *2014-15 Mid-Year Economic and Fiscal Outlook*.

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

There have been no changes to expenses associated with own-source revenue since the *2014 Pre-Election Budget Update*.

### ***Administrative variations***

Variations to superannuation expenses have resulted in an average decrease in expenses of \$10 million a year over the forward estimates. This is primarily due to the impact of increases in the bond yields that underlie the key superannuation valuation assumptions.

Other administrative variations decreased by \$55 million in 2014-15 and average \$56 million over forward estimates, largely due to:

- increases in expenses for First Home Owner Grants of \$26 million a year on average over the budget and forward estimates reflecting higher than forecast uptake in grant payments for 2013-14;
- reprioritisations and deferrals of the former government’s ending family violence and jobs program funding;
- adjustments to the level of contingency provisions in line with government funding decisions;
- departmental rephasing and realignment of expenses from 2014-15 to the forward years to better align the delivery of student transport and schooling programs; and
- higher interest payments reflecting the revised profile of government borrowings.

## CASH FLOWS

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

(\$ million)

	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Net result from transactions</b>	<b>1 141.8</b>	<b>2 198.1</b>	<b>2 413.6</b>	<b>2 444.1</b>
Add back: non-cash revenue and expenses (net) <sup>(a)</sup>	2 874.1	2 732.3	2 646.5	2 756.2
<b>Net cash flows from operating activities</b>	<b>4 015.9</b>	<b>4 930.4</b>	<b>5 060.0</b>	<b>5 200.3</b>
Less:				
<b>Net investment in fixed assets</b>				
Purchases of non-financial assets	4 729.5	4 728.5	5 410.4	5 102.9
Net cash flows from investments in financial assets for policy purposes	125.4	(5 002.2)	65.5	163.5
Funding not allocated to specific purposes <sup>(b)</sup>	..	285.8	499.1	776.6
Proceeds from asset sales	(395.2)	(310.6)	(472.6)	(396.1)
<b>Total net investment in fixed assets <sup>(c)</sup></b>	<b>4 459.7</b>	<b>(298.5)</b>	<b>5 502.3</b>	<b>5 646.9</b>
<b>Surplus/(deficit) of cash from operations after funding net investment in fixed assets</b>	<b>(443.9)</b>	<b>5 228.9</b>	<b>(442.3)</b>	<b>(446.6)</b>
Finance leases <sup>(d)</sup>	36.4	1 050.4	873.0	1 055.8
Other investment activities (net)	32.3	30.8	42.4	50.0
<b>Decrease/(increase) in net debt</b>	<b>(512.6)</b>	<b>4 147.7</b>	<b>(1 357.7)</b>	<b>(1 552.4)</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 capital contributions to other sectors.
- (c) Includes total purchases of plant, property and equipment, and capital contributions to other sectors of government net of proceeds from asset sales.
- (d) The finance lease acquisition in 2014-15 relates to metropolitan buses contract. The 2015-16 estimate relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate relates to the new Bendigo Hospital project (Stage 1), the Cranbourne-Pakenham Rail Corridor project and the School capital program (Tranche 1). The 2017-18 estimate relates to the Cranbourne-Pakenham Rail Corridor project, the Ravenhall Prison project, the School capital program (Tranche 2) and the new Bendigo Hospital project (Stage 2).

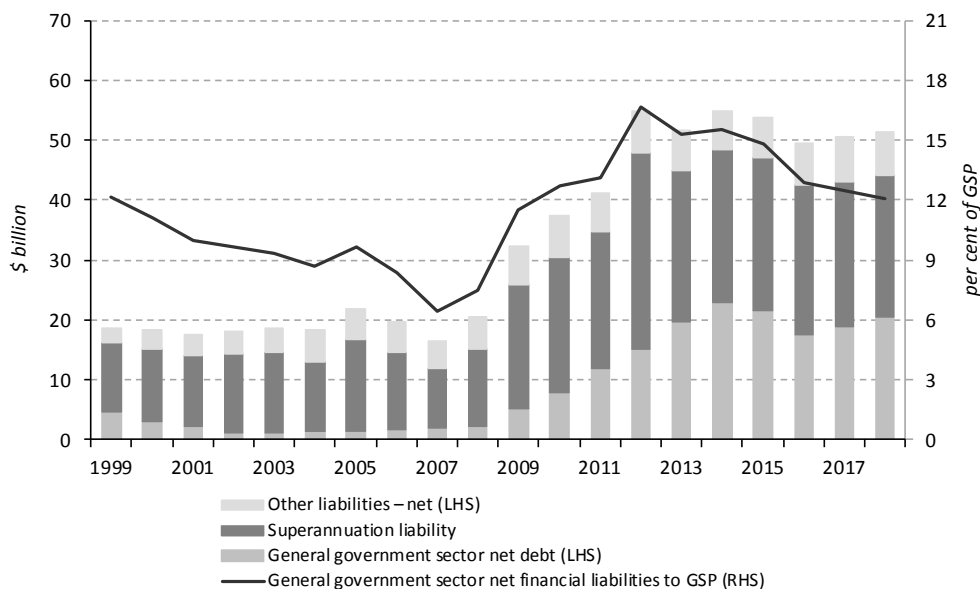
Total net investment in fixed assets is projected to be \$4.5 billion in 2014-15. In addition to net investment in fixed assets, infrastructure investment is also funded and delivered through public private partnerships. These projects are not captured through the net investment in fixed assets measure as the construction of these infrastructure assets is generally undertaken by the private sector.

Government infrastructure investment projections of \$5.8 billion for 2014-15, and averaging \$7.0 billion a year over the forward estimates, include provisions for projects announced by the former government. This budget update provides funding to advance key asset election commitments including the 50 level crossings removal program, the Melbourne Metro Rail and West Gate Distributor projects. Discussions are under way with the Commonwealth to reallocate funding provided for the East West Link to the Government's new infrastructure priorities. The Government's new infrastructure program will be fully reflected in the 2015-16 budget.

## NET DEBT AND NET FINANCIAL LIABILITIES

Chart 3.1 presents the trend in net financial liabilities, a key measure of overall indebtedness used by international credit rating agencies to assess the State’s financial position.

**Chart 3.1: General government net financial liabilities<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 Employee Benefits has been applied.

General government net financial liabilities is a measure that sums the superannuation liability, net debt (sum of deposits held, advances received and borrowings less the sum of cash, deposits, advances paid and investments, loans and placements) and other net liabilities.

Net debt as a percentage of GDP is projected to peak at a higher level than the *2014 Pre-Election Budget Update* largely due to additional funding for previously unfunded prison and youth justice beds, lower GST revenue and a fall in the projections for nominal GDP.

Movement in the superannuation liability primarily reflects variations in the discount rate required to value the superannuation liability under Australian Accounting Standard AASB 119 *Employee Benefits*.

Overall, estimated net financial liabilities as a proportion of GDP are on a downward trajectory over the forward estimates.

**Table 3.5: General government sector net debt and net financial liabilities**

(\$ billion)

	2015 <i>revised</i>	2016 <i>budget</i>	2017 <i>estimate</i>	2018 <i>estimate</i>
<b>Financial assets</b>				
Cash and deposits	4.7	4.9	5.2	5.6
Advances paid	4.6	4.5	4.5	4.4
Investments, loans and placements	3.1	3.2	3.3	3.4
<b>Total</b>	<b>12.3</b>	<b>12.6</b>	<b>13.0</b>	<b>13.5</b>
<b>Financial liabilities</b>				
Deposits held and advances received	0.4	0.4	0.4	0.4
Borrowings	33.6	29.8	31.5	33.5
<b>Total</b>	<b>34.0</b>	<b>30.2</b>	<b>31.9</b>	<b>33.9</b>
<b>Net debt</b> <sup>(a)</sup>	<b>21.7</b>	<b>17.5</b>	<b>18.9</b>	<b>20.4</b>
Superannuation liability	25.3	24.9	24.3	23.6
<b>Net debt plus superannuation liability</b>	<b>47.0</b>	<b>42.4</b>	<b>43.2</b>	<b>44.1</b>
Other liabilities (net) <sup>(b)</sup>	6.8	7.1	7.3	7.4
<b>Net financial liabilities</b> <sup>(c)</sup>	<b>53.8</b>	<b>49.5</b>	<b>50.5</b>	<b>51.5</b>
	(per cent)			
<b>Net debt to GSP</b> <sup>(d)</sup>	6.0	4.6	4.7	4.8
<b>Net debt plus superannuation liability to GSP</b> <sup>(d)</sup>	12.9	11.0	10.7	10.3
<b>Net financial liabilities to GSP</b> <sup>(d)</sup>	14.8	12.9	12.5	12.1

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 liabilities, less other non-equity financial assets.
- (c) Net financial liabilities are the sum of superannuation, borrowings and other liabilities less other non-equity 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 contains a number of known risks, which if realised, are likely to impact on the State's financial position and budget outcomes.

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

### **General fiscal risks**

#### ***State taxes***

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

For example, higher than expected economic activity or inflation will tend to lead to higher taxation revenue. Specific economic risks are presented in Chapter 1 *Economic conditions and outlook* and the fiscal implications of variations in economic parameters from forecasts are considered in Appendix B *Sensitivity analysis table*.

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 relatively volatile tax bases, and revenue from these sources may be subject to substantial annual variations.

#### ***Commonwealth grants***

The distribution of GST grants between states and territories is determined by the size of the national GST pool and each jurisdiction's population share weighted by its GST relativity. Revenue sharing relativities are determined by the Commonwealth Treasurer, as informed by the recommendations of the Commonwealth Grants Commission (CGC).

Changes to national economic conditions, particularly regarding consumer spending, affect the size of the national pool, while other changes, including to the CGC's methodology, will affect each jurisdiction's assessed fiscal capacity.

Several national partnership agreements are due to lapse over the forward estimates. The willingness of the Commonwealth Government to renew these agreements cannot be guaranteed, creating a substantial risk for Victoria.

#### ***Employee expenses***

Employee expenses are the State's largest expense. Although the Government wages policy remains unchanged, enterprise agreement outcomes for the public sector workforce may result in different projections for employee expenses.



## **Demand growth**

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

The estimates incorporate contingency provisions to mitigate the impact of expenditure risks, which may be realised during the budget and forward estimates. The contingency provisions are designed to address the 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. More detailed disclosures of general government output and asset contingencies not allocated to departments are shown in note 12(c) and note 19(c) of Chapter 4 *Estimated financial statements and notes*.

## **Major capital investment**

The estimates incorporate provisions for significant capital expenditure during and beyond the forward estimates.

The financing structure and annual cash flow profile of large and complex projects may change over the duration of the capital program, and result in changes to annual capital expenditure estimates. It is expected that annual variations would not materially alter the broad trajectory for net debt beyond the forward estimates.

The budget and forward estimates assume capital cost pressures are managed within existing financial estimates. Capital cost pressures can be managed by:

- reallocating existing departmental resources within a department's global capital budget (reflecting the likelihood that cost overruns on some projects will be offset by cost underruns in other areas);
- rescoping projects to fit within funding parameters; or
- funding projects from the 'funding not allocated to specific purposes' provision that provides capacity for future asset investments.

## **Specific fiscal risks**

### **National Disability Insurance Scheme**

On 4 May 2013, the former Victorian Government reached an agreement with the Commonwealth Government to roll out the National Disability Insurance Scheme (NDIS) across Victoria by July 2019. Once fully implemented, Victoria's investment in disability care and support will increase to an estimated \$2.5 billion a year, with the Commonwealth providing around \$2.6 billion a year. Further, Victoria continues to host a launch site for the NDIS in the Barwon area of the state. Victoria will work with the Commonwealth to monitor and manage any risks associated with implementing the full scheme.

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

The Commonwealth Government expects the State to fund the total cost in Victoria of a National Injury Insurance Scheme, to support people who suffer catastrophic injuries. Victoria already provides support for people injured in motor vehicle and workplace accidents, but has not agreed to implement other streams of a National Injury Insurance Scheme.

## ***Commonwealth schools funding***

While final State allocations for the 2018 school year are still subject to negotiation, the *2014-15 Commonwealth Budget* indicated that Commonwealth funding for Victorian schools would be reduced to the rate of growth of the Consumer Price Index, plus an adjustment for enrolment growth.

## ***National Health Reform***

The National Health Reform Agreement (NHRA) significantly changed the way the Commonwealth funds Victorian health services. The Agreement includes a more complex funding model based on the number of procedures delivered (activity) and an efficient price determined by an independent administrator. Given this added complexity, as well as the early implementation stage of the Agreement, the Commonwealth funding outcome is uncertain. Moreover, the *2014-15 Commonwealth Budget* indicated that the Commonwealth Government will cease the guarantees that were previously included under the NHRA (for example, a guarantee that Victoria will receive equivalent funding to that under the previous arrangements). The Commonwealth Government indicated that it will cease the NHRA from 1 July 2017, and return to a funding model where growth funding is based on the Consumer Price Index and population growth.

## ***Methodology Review of GST Revenue Sharing Relativities***

The CGC is currently reviewing the methodology for calculating GST relativities for distributing the national pool among the states and territories. The CGC 2015 Methodology Review of GST Revenue Sharing Relativities is due to be released in February 2015, along with the relativities for the 2015-16 financial year. The final outcome of the review has the potential to affect Victoria's GST grant share, the magnitude of which will be unclear prior to the finalisation of relativities for 2015-16.

## ***Victoria's GST relativity***

Mining royalties are an important driver for the per capita relativities of each jurisdiction over the forward estimates. Royalty revenue is influenced by commodity prices, the value of the Australian dollar and production and export volumes. Forecasts reflect declining commodity prices, partially offset by rising production and export volumes. Variation in prices, relative to our current forecasts, particularly in iron ore, pose a risk for Victoria's GST revenue.

## NON-FINANCIAL PUBLIC SECTOR

This section overviews the activities of the non-financial public (NFP) sector, which consolidates the PNFC and general government sectors. The PNFC sector has a wide range of entities that provide services primarily funded from 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 NFP sector which is a key variable supporting the State's triple-A credit rating.

It should be noted that, unlike previous sections in this chapter, comparisons in this section are relative to the *2014-15 Budget*, rather than the *2014 Pre-Election Budget Update* as that publication only included updated general government estimates.

### Summary operating statement

**Table 3.6: Summary operating statement for the non-financial public sector<sup>(a)</sup>**

	(\$ million)			
	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Revenue</b>				
Taxation	17 483.5	18 245.8	19 404.7	20 210.1
Interest	373.5	385.4	401.4	432.6
Dividends, TER and interest <sup>(b)</sup>	768.5	628.7	662.1	940.9
Sales of goods and services	10 585.0	10 707.5	10 644.7	10 922.6
Grants	24 662.2	25 227.8	25 862.9	26 738.8
Other current revenue	2 566.8	2 529.6	2 630.5	2 611.4
<b>Total revenue</b>	<b>56 439.5</b>	<b>57 724.7</b>	<b>59 606.3</b>	<b>61 856.4</b>
<i>% change</i>	0.7	2.3	3.3	3.8
<b>Expenses</b>				
Employee expenses	19 543.0	20 613.8	21 158.9	21 995.2
Superannuation <sup>(c)</sup>	3 038.7	3 046.5	3 047.6	3 046.6
Depreciation	4 421.3	4 645.3	4 933.4	5 177.8
Interest expense	2 795.6	2 700.5	2 669.6	2 725.2
Other operating expenses	20 866.6	19 671.8	20 108.1	20 743.1
Grants and other transfers	5 402.3	5 585.5	5 986.6	6 237.7
<b>Total expenses</b>	<b>56 067.4</b>	<b>56 263.5</b>	<b>57 904.3</b>	<b>59 925.6</b>
<i>% change</i> <sup>(d)</sup>	3.3	0.3	2.9	3.5
<b>Net result from transactions</b>	372.0	1 461.2	1 702.1	1 930.8
<b>Total other economic flows included in net result</b>	(243.1)	3 068.7	(285.3)	(267.0)
<b>Net result</b>	<b>129.0</b>	<b>4 529.9</b>	<b>1 416.7</b>	<b>1 663.8</b>

Source: Department of Treasury and Finance

Notes:

- (a) This is a summary operating statement. The comprehensive operating statement is presented in Chapter 6 Supplementary uniform presentation framework tables.
- (b) Comprises dividends, income tax and rate equivalent revenue and interest.
- (c) Comprises superannuation interest expense and other superannuation expenses.
- (d) The expense growth for 2014-15 is based on published numbers as per 2013-14 Financial Report.

The net result from transactions in 2014-15 for the NFP sector is projected to be a surplus of \$372 million, progressively improving to a surplus of \$1 930 million by 2017-18. This is largely due to the forecast performance of the general government sector, which improves from a \$1.1 billion surplus in 2014-15 to a \$2.4 billion surplus by 2017-18. The trends driving this improvement have been discussed earlier in the chapter.

The net result from transactions in the PNFC sector is projected to be \$0.5 billion in deficit in 2014-15 falling to \$0.4 billion in 2017-18, slightly higher than projected in the *2014-15 Budget*. This is mainly due to:

- lower profit forecasts from Melbourne Water Corporation, Yarra Valley Water and South East Water, following the former Government's announcement of water bill reductions for household customers. The water bill reductions have to date not been fully supported by water corporation efficiency savings;
- higher operating deficits forecast by VicTrack due to a higher provision for depreciation expenses following an asset revaluation in 2014-15;
- lower operating surpluses projected by State Electricity Commission of Victoria, including lower expected dividends from Snowy Hydro due to electricity market conditions; and
- a rephrasing of expected property sale proceeds by Places Victoria.

PNFC sector interest and employee expense is projected to be lower compared with previous estimates reflected in the *2014-15 Budget*, as the sector has moderated its capital infrastructure program and identified savings and efficiencies.

Despite the forecast deficits, the PNFC sector is forecast to remain in a strong and sustainable position, as evidenced by improving operating cash flow surpluses, averaging \$1.5 billion a year across the budget and forward estimates.

## **Application of cash resources**

The NFP sector is forecast to record growing operating cash flow surpluses across the budget and forward estimates period. Importantly, this will result in the NFP sector infrastructure program predominantly funded through net operating cash inflows by 2015-16. This enables the State to deliver significant infrastructure projects without compromising debt sustainability.

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

(\$ million)

	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	actual	budget	revised	estimate	estimate	estimate
<b>Net result from transactions</b>	1 771.1	931.4	372.0	1 461.2	1 702.1	1 930.8
Add back: non-cash income and expenses (net) <sup>(a)</sup>	3 865.0	4 191.6	4 552.7	4 987.2	4 601.4	4 728.5
<b>Net cash flows from operating activities</b>	<b>5 636.1</b>	<b>5 123.0</b>	<b>4 924.8</b>	<b>6 448.4</b>	<b>6 303.5</b>	<b>6 659.2</b>
Less:						
<b>Net investment in fixed assets</b>						
Purchases of non-financial assets	7 268.8	8 701.5	7 773.1	7 730.3	7 704.6	7 643.3
Net cash flows from investments in financial assets for policy purposes	12.6	27.6	375.5	(115.9)	132.5	(23.2)
Funding not allocated to specific purposes <sup>(b)</sup>	..	..	285.8	499.1	776.6	..
Proceeds from asset sales	(477.3)	(492.1)	(508.9)	(6 715.4)	(576.0)	(502.5)
<b>Total net investment in fixed assets</b>	<b>6 791.4</b>	<b>8 209.4</b>	<b>7 639.7</b>	<b>899.1</b>	<b>7 261.0</b>	<b>7 117.6</b>
Finance leases <sup>(c)</sup>	5 433.8	36.4	36.4	1 050.4	873.0	1 055.8
Other investment activities (net)	(6 589.2)	18.0	(728.3)	1 281.2	608.3	1 066.5
<b>Decrease/(increase) in net debt</b>	<b>..</b>	<b>(3 104.4)</b>	<b>(1 986.5)</b>	<b>4 268.1</b>	<b>(1 565.8)</b>	<b>(1 524.8)</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 capital contributions to other sectors.
- (c) The 2015-16 estimate relates to the Victorian Comprehensive Cancer Centre, the 2016-17 figure relates to the Bendigo Hospital redevelopment project and Cranbourne-Pakenham Rail Corridor and the 2017-18 figures relate to the Ravenhall Prison and Cranbourne-Pakenham Rail Corridor project.

The NFP sector is projected to invest a total of \$30.5 billion in infrastructure from 2014-15 to 2017-18. The key PNFC sector infrastructure projects under development include:

- significant investment in transport infrastructure, including new trains (metropolitan and regional) and trams to meet patronage growth and improved network performance;
- the Regional Rail Link project will free up critically needed capacity on the regional and metropolitan rail networks by separating regional and metropolitan services. Construction of the Regional Rail Link project is nearing completion with services commencing in April 2015. The removal of the Main Road, St Albans level crossing, which is being funded as part of the Regional Rail Link project, is expected to be completed by mid-2017;

- various water-related infrastructure, including Goulburn-Murray Water's Connections Program, upgrading irrigation infrastructure in the Goulburn-Murray Irrigation District of Northern Victoria; and
- the Port Capacity Expansion project, which includes developing a third container terminal and a purpose-built automotive facility at Webb Dock. This will cater for future trade demand growth.

## NON-FINANCIAL PUBLIC SECTOR NET DEBT AND NET FINANCIAL LIABILITIES

Table 3.8 provides details of NFP sector net debt and superannuation liabilities. It shows that net debt is projected to decline both in nominal terms and as a percentage of GSP to 2015-16. Thereafter nominal net debt increases in 2016-17 and 2017-18, while debt as a percentage of GSP continues to fall.

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

(\$ billion)

	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Assets</b>				
Cash and deposits	5.2	5.4	5.7	6.1
Advances paid	0.1	0.1	0.1	0.1
Investments, loans and placements	4.1	4.1	4.0	4.2
<b>Total</b>	<b>9.3</b>	<b>9.5</b>	<b>9.8</b>	<b>10.3</b>
<b>Liabilities</b>				
Deposits held and advances received	0.5	0.5	0.5	0.5
Borrowings	46.7	42.7	44.5	46.5
<b>Total</b>	<b>47.2</b>	<b>43.2</b>	<b>45.0</b>	<b>47.0</b>
<b>Net debt</b> <sup>(a)</sup>	37.9	33.6	35.2	36.7
Superannuation	25.4	24.9	24.3	23.7
<b>Net debt plus superannuation liabilities</b>	<b>63.3</b>	<b>58.6</b>	<b>59.5</b>	<b>60.4</b>
Other liabilities (net) <sup>(b)</sup>	6.3	6.9	7.0	7.0
<b>Net financial liabilities</b> <sup>(c)</sup>	<b>69.6</b>	<b>65.5</b>	<b>66.5</b>	<b>67.4</b>
<b>Net debt to GSP</b> <sup>(d)</sup>	<b>10.4</b>	<b>8.8</b>	<b>8.7</b>	<b>8.6</b>
<b>Net debt plus superannuation liabilities to GSP</b> <sup>(d)</sup>	<b>17.4</b>	<b>15.3</b>	<b>14.7</b>	<b>14.2</b>
<b>Net financial liabilities to GSP</b> <sup>(d)</sup>	<b>19.1</b>	<b>17.1</b>	<b>16.4</b>	<b>15.8</b>

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 benefits and provisions, payables and other liabilities less other non-equity financial assets.
- (c) Net financial liabilities is the sum of superannuation, borrowings and other net liabilities less non-equity financial assets.
- (d) Ratios to GSP may vary from publications year to year due to revisions made by the ABS to its published GSP data.

Table 3.9 provides projections of several indicators of financial sustainability for the NFP sector which are all improving, particularly in 2015-16, before stabilising over subsequent years.

The ratio of operating cash flow surplus to revenue is a measure of the relative size of the operating result and therefore provides a measure of operating performance. The rapid growth in this ratio over the forward estimates indicates an increasing level of cash generated from operations which can be used to fund necessary infrastructure and also meet the State's commitment to fully funding the superannuation liability by 2035.

The ratio of the NFP sector's interest expense to revenue is a measure of the State's debt service burden. This ratio is expected to be 5.0 per cent in 2014-15, before declining in 2015-16 as debt levels moderate. This is broadly in line with the ratio projected in the *2014-15 Budget*. The reducing debt burden is demonstrated by the ratio of gross debt to revenue which falls from a peak of 83.7 per cent in 2014-15 to 76 per cent in 2017-18.

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

*(per cent)*

	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
Operating cash flow surplus to revenue	8.7	11.2	10.6	10.8
Gross debt to revenue <sup>(a)</sup>	83.7	74.8	75.5	76.0
Interest expense to revenue	5.0	4.7	4.5	4.4

*Source: Department of Treasury and Finance*

*Note:*

(a) *Gross debt includes borrowings and deposits held and advances received.*

## STATE OF VICTORIA

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

**Table 3.10: Summary operating statement for the State of Victoria<sup>(a)</sup>**

(\$ million)

	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Revenue</b>				
Taxation	17 469.4	18 231.3	19 389.9	20 194.9
Interest	1 002.4	981.6	1 034.5	1 091.0
Dividends, TER and interest <sup>(b)</sup>	617.5	817.8	897.0	935.7
Sales of goods and services	13 914.3	14 200.2	14 310.5	14 769.2
Grants	24 533.9	25 110.6	25 759.1	26 634.8
Other current revenue	2 589.0	2 552.7	2 654.6	2 636.2
<b>Total revenue</b>	<b>60 126.5</b>	<b>61 894.1</b>	<b>64 045.6</b>	<b>66 261.9</b>
<i>% change</i>	(0.4)	2.9	3.5	3.5
<b>Expenses</b>				
Employee expenses	19 507.9	20 577.8	21 125.4	21 965.7
Superannuation <sup>(c)</sup>	3 061.3	3 069.7	3 071.4	3 071.0
Depreciation	4 476.6	4 701.6	4 992.5	5 234.5
Interest expense	2 883.6	2 732.5	2 692.8	2 743.7
Other operating expenses	25 900.2	25 051.6	25 706.6	26 621.4
Grants and other transfers	5 402.2	5 585.4	5 986.5	6 237.5
<b>Total expenses</b>	<b>61 231.9</b>	<b>61 718.6</b>	<b>63 575.2</b>	<b>65 873.9</b>
<i>% change<sup>(d)</sup></i>	2.9	0.8	3.0	3.6
<b>Net result from transactions</b>	<b>(1 105.4)</b>	<b>175.5</b>	<b>470.4</b>	<b>387.9</b>
<b>Total other economic flows included in net result</b>	<b>1 432.9</b>	<b>4 631.7</b>	<b>1 311.3</b>	<b>1 426.7</b>
<b>Net result</b>	<b>327.4</b>	<b>4 807.2</b>	<b>1 781.7</b>	<b>1 814.6</b>

Source: Department of Treasury and Finance

Notes:

- (a) This is a summary operating statement. The comprehensive operating statement is presented in Chapter 6 Supplementary uniform presentation framework tables.
- (b) Comprises dividends, income tax and rate equivalent revenue and interest.
- (c) Comprises superannuation interest expense and other superannuation expenses.
- (d) The expense growth rate for 2014-15 is based on published numbers as per 2013-14 Financial Report.

Table 3.10 shows that the State of Victoria is projected to record a \$1.1 billion deficit in the net result from transactions for 2014-15, improving to a surplus of \$388 million by 2017-18. This is consistent with the projections at the time of the *2014-15 Budget*, and includes some improvement in the PFC sector arising from improved investment returns and lower claims costs.



The PFC sector results are largely due to the performance of the two largest entities, the Victorian WorkCover Authority (VWA) and the Transport Accident Commission. In particular, the VWA is projected to perform significantly stronger than the projections in *2014-15 Budget*, due to improved investment returns and claims management.

The net result for the State includes other economic flows, which are projected to contribute an average of \$2.2 billion to the surplus per year over the budget and forward estimates period. Other economic flows largely comprise projected investment returns of the State's insurers which are used to service their liabilities. For this reason, the net result is considered a more meaningful measure of the expressed operating position of this sector and the State.

Other economic flows also include valuation gains on revaluation of financial liabilities, which primarily result from movements in bond rates used to value these liabilities such as insurance claims and superannuation. The economic flows are forecast to increase from \$1.4 billion in 2014-15 to \$4.6 billion in 2015-16 reflecting a book gain on the expected lease of the Port of Melbourne.

**Table 3.11: Summary balance sheet for the State of Victoria**

(\$ million)

	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Assets</b>				
Financial assets	47 025.7	48 306.3	50 431.0	52 702.2
Non – financial assets	210 763.2	213 875.2	219 017.3	226 734.7
<b>Total assets</b>	<b>257 788.9</b>	<b>262 181.4</b>	<b>269 448.3</b>	<b>279 437.0</b>
<b>Liabilities</b>				
Superannuation	25 357.6	24 910.4	24 312.0	23 670.6
Borrowings	51 522.7	47 483.4	49 323.9	51 335.6
Deposits held and advances received	1 969.2	1 971.2	1 972.9	1 975.7
Other liabilities	33 421.0	34 513.6	35 831.6	37 190.6
<b>Total liabilities</b>	<b>118 232.4</b>	<b>115 091.5</b>	<b>117 903.5</b>	<b>120 894.6</b>
<b>Net assets</b>	<b>139 556.5</b>	<b>147 090.0</b>	<b>151 544.7</b>	<b>158 542.4</b>

Source: Department of Treasury and Finance

Table 3.11 highlights that the State's financial position is projected to improve over the revised budget and the forward estimates. Borrowings are projected to decline during 2015-16 while financial assets are projected to increase in line with longer term trends in investment returns. As a result the State's net assets are forecast to increase from \$139.5 billion in 2014-15 to \$158.6 billion by 2017-18.



## CHAPTER 4 – ESTIMATED FINANCIAL STATEMENTS AND NOTES

**Table 4.1: Estimated general government sector comprehensive operating statement for the financial year ending 30 June**

		(\$ million)				
	Notes	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Revenue from transactions</b>						
Taxation revenue	2	18 067.5	17 912.5	18 692.3	19 662.6	20 487.6
Interest revenue		842.1	834.4	849.8	864.0	878.7
Dividends and income tax equivalent and rate equivalent revenue	3	584.7	1 091.5	887.7	874.0	1 129.8
Sales of goods and services	4	6 478.4	6 558.5	6 841.5	6 846.3	6 904.2
Grants	5	24 855.3	24 664.9	25 231.0	25 864.0	26 740.4
Other revenue	6	2 073.9	2 141.7	2 095.9	2 183.2	2 147.5
<b>Total revenue from transactions</b>		<b>52 901.9</b>	<b>53 203.5</b>	<b>54 598.1</b>	<b>56 294.2</b>	<b>58 288.2</b>
<b>Expenses from transactions</b>						
Employee expenses		18 442.3	18 504.1	19 597.8	20 144.0	20 955.6
Net superannuation interest expense	7	1 023.9	1 014.8	986.9	968.2	946.4
Other superannuation	7	1 863.7	1 937.7	1 973.1	1 992.1	2 009.2
Depreciation	8	2 496.0	2 455.0	2 544.4	2 726.8	2 947.9
Interest expense	9	2 195.8	2 115.2	2 011.5	1 989.1	2 041.2
Grants and other transfers	10	8 294.3	8 027.5	8 314.8	8 803.2	9 028.1
Other operating expenses	11	17 259.2	18 007.3	16 971.5	17 257.1	17 915.6
<b>Total expenses from transactions</b>	12	<b>51 575.1</b>	<b>52 061.7</b>	<b>52 400.1</b>	<b>53 880.6</b>	<b>55 844.1</b>
<b>Net result from transactions – net operating balance</b>		<b>1 326.7</b>	<b>1 141.8</b>	<b>2 198.1</b>	<b>2 413.6</b>	<b>2 444.1</b>
<b>Other economic flows included in net result</b>						
Net gain/(loss) on disposal of non-financial assets		106.3	65.1	61.8	64.6	73.8
Net gain/(loss) on financial assets or liabilities at fair value		2.8	3.3	4 503.6	6.8	6.8
Other gains/(losses) from other economic flows	13	(283.6)	(286.2)	(310.3)	(334.7)	(363.8)
<b>Total other economic flows included in net result</b>		<b>(174.5)</b>	<b>(217.8)</b>	<b>4 255.1</b>	<b>(263.3)</b>	<b>(283.3)</b>
<b>Net result</b>		<b>1 152.2</b>	<b>924.0</b>	<b>6 453.1</b>	<b>2 150.3</b>	<b>2 160.8</b>

**Table 4.1: Estimated general government sector comprehensive operating statement for the financial year ending 30 June (continued)**

		(\$ million)				
	Notes	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Other economic flows – other comprehensive income</b>						
<b>Items that will not be reclassified to net result</b>						
Changes in non-financial assets revaluation surplus		3 906.5	3 871.6	426.0	1 933.4	4 595.9
Remeasurement of superannuation defined benefit plans	7	499.2	626.3	650.9	663.6	676.0
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	14	2 884.3	2 113.4	122.7	(345.9)	(88.9)
Other movements in equity		0.1	(0.8)	(7.6)	(8.4)	(5.4)
<b>Items that may be reclassified subsequently to net result</b>						
Net gain/(loss) on financial assets at fair value		1.1	1.1	1.2	1.2	1.2
<b>Total other economic flows – other comprehensive income</b>		<b>7 291.2</b>	<b>6 611.7</b>	<b>1 193.2</b>	<b>2 243.9</b>	<b>5 178.9</b>
<b>Comprehensive result – total change in net worth</b>		<b>8 443.5</b>	<b>7 535.6</b>	<b>7 646.4</b>	<b>4 394.2</b>	<b>7 339.6</b>
<b>KEY FISCAL AGGREGATES</b>						
<b>Net operating balance</b>		<b>1 326.7</b>	<b>1 141.8</b>	<b>2 198.1</b>	<b>2 413.6</b>	<b>2 444.1</b>
Less: Net acquisition of non-financial assets from transactions	15	966.4	552.1	2 342.4	3 028.5	2 810.5
<b>Net lending/(borrowing)</b>		<b>360.4</b>	<b>589.7</b>	<b>(144.3)</b>	<b>(614.9)</b>	<b>(366.5)</b>

*The accompanying notes form part of these estimated financial statements.*

**Table 4.2: Estimated general government sector balance sheet as at 30 June**

(\$ million)

	Notes	2015 budget <sup>(a)</sup>	2015 revised	2016 estimate	2017 estimate	2018 estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits		4 654.1	4 662.6	4 928.3	5 229.8	5 575.9
Advances paid	16	4 537.7	4 563.8	4 519.5	4 482.1	4 435.2
Receivables		4 861.3	5 055.3	4 879.6	4 874.8	4 946.6
Investments, loans and placements	16	3 140.3	3 102.1	3 198.5	3 318.4	3 444.5
Investments accounted for using equity method		44.1	44.1	44.1	44.1	44.1
Investments in other sector entities	14	81 013.8	79 516.6	80 062.5	80 413.8	81 362.0
<b>Total financial assets</b>		<b>98 251.3</b>	<b>96 944.5</b>	<b>97 632.6</b>	<b>98 363.0</b>	<b>99 808.4</b>
<b>Non-financial assets</b>						
Inventories		175.1	170.6	174.2	177.8	182.3
Non-financial assets held for sale		142.5	139.2	139.2	139.2	139.2
Land, buildings, infrastructure, plant and equipment	17, 18	108 299.7	107 835.3	110 725.9	115 730.8	123 218.6
Other non-financial assets		1 190.5	1 172.8	1 113.1	1 084.7	962.8
<b>Total non-financial assets</b>		<b>109 807.8</b>	<b>109 317.9</b>	<b>112 152.5</b>	<b>117 132.5</b>	<b>124 502.8</b>
<b>Total assets</b>	19(d)	<b>208 059.1</b>	<b>206 262.4</b>	<b>209 785.1</b>	<b>215 495.5</b>	<b>224 311.2</b>
<b>Liabilities</b>						
Deposits held and advances received		426.4	426.4	426.3	426.2	426.1
Payables	20	5 207.0	5 742.9	5 610.0	5 508.9	5 370.2
Borrowings	21	34 933.3	33 589.3	29 759.6	31 501.2	33 479.0
Employee benefits	22	5 535.2	5 527.8	5 778.2	6 027.8	6 280.4
Superannuation	7	25 377.9	25 304.0	24 871.6	24 273.3	23 632.1
Other provisions		649.1	649.6	670.5	694.9	720.7
<b>Total liabilities</b>		<b>72 128.8</b>	<b>71 240.0</b>	<b>67 116.2</b>	<b>68 432.4</b>	<b>69 908.5</b>
<b>Net assets</b>		<b>135 930.3</b>	<b>135 022.5</b>	<b>142 668.9</b>	<b>147 063.1</b>	<b>154 402.7</b>
Accumulated surplus/(deficit)		46 066.5	45 963.7	53 055.9	55 852.1	58 673.1
Reserves	23	89 813.8	89 008.7	89 563.0	91 161.0	95 679.6
Non-controlling interest		50.0	50.0	50.0	50.0	50.0
<b>Net worth</b>		<b>135 930.3</b>	<b>135 022.5</b>	<b>142 668.9</b>	<b>147 063.1</b>	<b>154 402.7</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth		26 122.6	25 704.5	30 516.4	29 930.5	29 899.9
Net financial liabilities		54 891.3	53 812.1	49 546.1	50 483.3	51 462.2
Net debt		23 027.6	21 687.2	17 539.5	18 897.2	20 449.5

The accompanying notes form part of these estimated financial statements.

Note:

(a) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.

**Table 4.3: Estimated general government sector cash flow statement for the financial year ended 30 June**

	(\$ million)				
Notes	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxes received	18 043.9	18 118.6	18 694.2	19 613.7	20 358.8
Grants	24 848.0	24 626.6	25 319.5	25 863.8	26 740.2
Sales of goods and services <sup>(a)</sup>	7 094.1	7 232.9	7 618.5	7 661.4	7 696.0
Interest received	821.7	813.9	830.7	846.8	861.4
Dividends and income tax equivalent and rate equivalent receipts	581.1	1 087.9	887.6	868.5	1 124.3
Other receipts	1 796.6	1 895.9	1 688.3	1 745.0	1 674.7
<b>Total receipts</b>	<b>53 185.4</b>	<b>53 775.8</b>	<b>55 038.8</b>	<b>56 599.3</b>	<b>58 455.3</b>
<b>Payments</b>					
Payments for employees	(18 212.0)	(18 285.7)	(19 349.6)	(19 896.6)	(20 705.3)
Superannuation	(2 691.2)	(2 703.0)	(2 741.6)	(2 894.9)	(2 920.9)
Interest paid	(2 155.3)	(2 074.7)	(1 973.9)	(1 952.7)	(2 004.7)
Grants and subsidies	(8 331.7)	(8 067.5)	(8 379.4)	(8 903.4)	(9 053.7)
Goods and services <sup>(a)</sup>	(17 285.6)	(17 957.4)	(17 004.1)	(17 197.2)	(17 836.1)
Other payments	(670.1)	(671.5)	(659.8)	(694.6)	(734.4)
<b>Total payments</b>	<b>(49 345.9)</b>	<b>(49 759.9)</b>	<b>(50 108.4)</b>	<b>(51 539.2)</b>	<b>(53 255.0)</b>
<b>Net cash flows from operating activities</b>	<b>3 839.5</b>	<b>4 015.9</b>	<b>4 930.4</b>	<b>5 060.0</b>	<b>5 200.3</b>
<b>Cash flows from investing activities</b>					
Purchases of non-financial assets	19a, b (5 312.4)	(4 729.5)	(5 014.3)	(5 909.5)	(5 879.5)
Sales of non-financial assets	384.9	395.2	310.6	472.6	396.1
Cash flows from investments in non-financial assets	(4 927.5)	(4 334.3)	(4 703.7)	(5 436.8)	(5 483.4)
Net cash flows from investments in financial assets for policy purposes	(676.8)	(125.4)	5 002.2	(65.5)	(163.5)
<b>Subtotal</b>	<b>(5 604.3)</b>	<b>(4 459.7)</b>	<b>298.5</b>	<b>(5 502.3)</b>	<b>(5 646.9)</b>
Net cash flows from investments in financial assets for liquidity management purposes	(17.7)	13.6	(76.9)	(118.6)	(123.0)
<b>Net cash flows from investing activities</b>	<b>(5 622.0)</b>	<b>(4 446.1)</b>	<b>221.6</b>	<b>(5 620.9)</b>	<b>(5 769.9)</b>
<b>Cash flows from financing activities</b>					
Net borrowings	1 935.8	592.1	(4 886.2)	862.4	915.7
Deposits received (net)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
<b>Net cash flows from financing activities</b>	<b>1 935.7</b>	<b>591.9</b>	<b>(4 886.3)</b>	<b>862.4</b>	<b>915.6</b>

**Table 4.3: Estimated general government sector cash flow statement for the financial year ended 30 June (continued)**

	(\$ million)				
Notes	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>153.2</b>	<b>161.7</b>	<b>265.8</b>	<b>301.5</b>	<b>346.1</b>
Cash and cash equivalents at beginning of reporting period <sup>(b)</sup>	4 500.9	4 500.9	4 662.6	4 928.3	5 229.8
<b>Cash and cash equivalents at end of reporting period <sup>(b)</sup></b>	<b>4 654.1</b>	<b>4 662.6</b>	<b>4 928.3</b>	<b>5 229.8</b>	<b>5 575.9</b>
<b>FISCAL AGGREGATES</b>					
Net cash flows from operating activities	3 839.5	4 015.9	4 930.4	5 060.0	5 200.3
Net cash flows from investments in non-financial assets	(4 927.5)	(4 334.3)	(4 703.7)	(5 436.8)	(5 483.4)
<b>Cash surplus/(deficit)</b>	<b>(1 088.0)</b>	<b>(318.4)</b>	<b>226.8</b>	<b>(376.8)</b>	<b>(283.1)</b>

*The accompanying notes form part of these estimated financial statements.*

Notes:

(a) Inclusive of goods and services tax.

(b) 2014-15 Budget figures have been restated to represent actual opening balances at 1 July 2014.

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

*(\$ million)*

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
<b>2014-15 budget <sup>(a)</sup></b>		
Balance at 1 July 2014	44 410.0	50.0
Net result for the year	1 152.2	..
Other comprehensive income for the year	504.3	..
<b>Total equity at end of period</b>	<b>46 066.5</b>	<b>50.0</b>
<b>2014-15 revised</b>		
Balance at 1 July 2014	44 410.0	50.0
Net result for the year	924.0	..
Other comprehensive income for the year	629.8	..
<b>Total equity at end of period</b>	<b>45 963.8</b>	<b>50.0</b>
<b>2015-16 estimate</b>		
Balance at 1 July 2015	45 963.7	50.0
Net result for the year	6 453.2	..
Other comprehensive income for the year	639.0	..
<b>Total equity at end of period</b>	<b>53 055.9</b>	<b>50.0</b>
<b>2016-17 estimate</b>		
Balance at 1 July 2016	53 055.9	50.0
Net result for the year	2 150.3	..
Other comprehensive income for the year	646.0	..
<b>Total equity at end of period</b>	<b>55 852.1</b>	<b>50.0</b>
<b>2017-18 estimate</b>		
Balance at 1 July 2017	55 852.1	50.0
Net result for the year	2 160.8	..
Other comprehensive income for the year	660.2	..
<b>Total equity at end of period</b>	<b>58 673.1</b>	<b>50.0</b>

*Note:*

*(a) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.*



<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>
40 199.2	42 187.3	640.3	127 486.9
..	..	..	1 152.2
3 906.5	2 884.3	(3.9)	7 291.2
<b>44 105.8</b>	<b>45 071.6</b>	<b>636.4</b>	<b>135 930.3</b>
40 199.2	42 187.3	640.3	127 486.9
..	..	..	924.0
3 871.6	2 113.4	(3.1)	6 611.7
<b>44 070.8</b>	<b>44 300.7</b>	<b>637.2</b>	<b>135 022.5</b>
44 070.8	44 300.7	637.2	135 022.5
..	..	..	6 453.2
426.0	122.7	5.5	1 193.2
<b>44 496.9</b>	<b>44 423.4</b>	<b>642.7</b>	<b>142 668.9</b>
44 496.9	44 423.4	642.7	142 668.9
..	..	..	2 150.3
1 933.4	(345.9)	10.5	2 243.9
<b>46 430.3</b>	<b>44 077.5</b>	<b>653.2</b>	<b>147 063.1</b>
46 430.3	44 077.5	653.2	147 063.1
..	..	..	2 160.8
4 595.9	(88.9)	11.7	5 178.9
<b>51 026.2</b>	<b>43 988.6</b>	<b>664.8</b>	<b>154 402.7</b>

## NOTES TO THE FINANCIAL STATEMENTS

Note 1:	Statement of significant accounting policies and forecast assumptions.....	45
Note 2:	Taxation .....	52
Note 3:	Dividends and income tax equivalent and rate equivalent revenue .....	53
Note 4:	Sale of goods and services .....	54
Note 5:	Grants .....	54
Note 6:	Other revenue.....	54
Note 7:	Superannuation .....	55
Note 8:	Depreciation .....	58
Note 9:	Interest expense .....	58
Note 10:	Grants and other transfers .....	59
Note 11:	Other operating expenses .....	59
Note 12:	Total expenses by government purpose and by department.....	60
Note 13:	Other gains/(losses) from other economic flows .....	62
Note 14:	Reconciliation of net gain on equity investments in other sector entities at proportional share of net assets.....	63
Note 15:	Net acquisition of non-financial assets from transactions .....	63
Note 16:	Advances paid and investments, loans and placements .....	64
Note 17:	Land, buildings, infrastructure, plant and equipment .....	65
Note 18:	Reconciliation of movements in land, buildings, infrastructure, plant and equipment <sup>(a)</sup> .....	65
Note 19:	Assets classified by government purpose and by department.....	66
Note 20:	Payables .....	69
Note 21:	Borrowings.....	69
Note 22:	Employee benefits .....	70
Note 23:	Reserves.....	70
Note 24:	Reconciliations to government finance statistics – derivation of GFS cash/surplus deficit.....	71
Note 25:	Financial instruments.....	71
Note 26:	Controlled entities .....	72

## **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 for the Victorian general government sector, which includes the budget year and the estimates for the three subsequent years (referred to as the budget and forward estimates).

Except as disclosed below, the accounting policies and forecast assumptions applied are consistent with those of the estimated financial statements as published in the 2014-15 Budget Paper No. 5 *Statement of Finances*, which should be read in conjunction with this statement. For further details of the accounting policies, refer to Note 1 of Chapter 4 *Annual Financial Report* of the 2013-14 *Financial Report* for the State of Victoria 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 40 of Chapter 4 *Annual Financial Report* of the 2013-14 *Financial Report* for the State of Victoria.

### **(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 (AAS). AAS 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 been omitted. Where appropriate, those AAS paragraphs relevant to not-for-profit entities have been applied. As AAS do not include pronouncements that prescribe the preparation and presentation of prospective financial statements, the estimated financial statements have been prepared having regard to the principles set out in New Zealand Financial Reporting Standard 42 *Prospective Financial Statements*.

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

The information presented in the estimated financial statements takes into account all policy decisions taken by the Victorian Government, as well as known Commonwealth Government funding revisions and circumstances that may have a material effect on the estimated financial statements as at 15 December 2014.

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

The estimated financial statements have been prepared for the 2014-15 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 subsequent forecast 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 that are measured at the 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 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 comprehensive income'.

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

As required by AASB 1049, the estimated 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.

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 in 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 10 *Consolidated Financial Statements*.

AASB 10 is operative for the annual reporting periods beginning on or after 1 January 2014. This Standard replaces the requirements in AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*, which were applied in the preparation of the audited 2013-14 annual financial report. The new Standard does not introduce new concepts, but rather builds on control guidance that existed in AASB 127 and Interpretation 112. Three criteria are required to assess whether control exists, including the entity’s rights over an investee; the entity’s exposure or rights to variable returns from an investee; and the ability to affect those returns through power over an investee. It has been assessed that the revised requirements are not expected to impact on the estimated financial statements.

Entities in the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors are not consolidated into the financial statements of the 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 PNFC and PFC sector entities before consolidation eliminations. Where the carrying amount of an entity's net assets before consolidation eliminations is less than zero, the amount is not included at the general government sector. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value and accounted for 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 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 Note 42 of Chapter 4 *Annual Financial Report* of the *2013-14 Financial Report* for the State of Victoria, except as stated in Note 26 of the 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, consistent with the infrastructure and debt parameters, as set out in 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 *2014-15 Budget*.

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

	2014-15 Forecast	2015-16 Forecast	2016-17 Forecast	2017-18 Forecast
	(\$ billion)			
Nominal gross state product	364.3	383.9	404.7	426.3
	(percentage change) <sup>(b)</sup>			
Real gross state product	2.25	2.50	2.75	2.75
Employment	1.25	1.50	1.50	1.50
Unemployment rate	6.75	6.50	6.25	5.75
Consumer price index <sup>(c)</sup>	1.75	2.75	2.50	2.50
Wage price index <sup>(d)</sup>	2.75	3.25	3.50	3.50
Population	1.8	1.8	1.8	1.8

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

### Notes:

- (a) The key assumptions underlying the economic forecasts include: interest rates that follow movements in market expectations in the short term, and stabilise thereafter; a trade-weighted index of 69.6; and oil prices that follow the path suggested by oil futures.
- (b) Per cent change in year-average compared with previous year, except for unemployment rate which is year-average per cent and population which is per cent change over the year to 30 June. Forecasts are rounded to the nearest 0.25 percentage points, except for population which is rounded to the nearest 0.1 percentage point.
- (c) Melbourne consumer price index.
- (d) Total hourly rate excluding bonuses.

## Revised forecast assumptions for superannuation

The accounting policies relating to superannuation expenses and liabilities are consistent with those applied in preparing and presenting the 2014-15 Budget. However, the forecast assumptions have been revised for the budget year and forward years for each relevant defined benefit superannuation scheme as disclosed in the following table.

<i>Underlying assumptions for all listed schemes<sup>(a)</sup></i>	<i>Per cent</i>
Discount rate <sup>(b)</sup>	4.0
Wages growth <sup>(c)</sup>	3.9
Inflation rate <sup>(d)</sup>	2.4
<i>Expected return on assets<sup>(e)</sup></i>	
Emergency Services and State Super	8.0
Health Super Fund Defined Benefit Scheme	5.8
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 a long-term 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	26.8
International equity	26.8
Domestic and international debt assets	17.4
Property	7.6
Cash	4.2
Other (including private equity, hedge funds and infrastructure)	17.2
<b>Total</b>	<b>100.0</b>

Source: Department of Treasury and Finance

### (H) Sensitivity analysis

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

Refer to Appendix D *Sensitivity analysis*, which sets out the sensitivity analysis performed by the Department of Treasury and Finance. This analysis sets out the impact on the above estimated aggregates of selected economic indicators being one per cent higher or lower than expected.

### (I) Prospective accounting changes

The following relevant AASs have been issued by the AASB but are not yet effective for the 2014-15 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 for reporting periods beginning from 1 January 2018 as revised by AASB 2014-1 *Amendments to Australian Accounting Standards (Part E Financial Instruments)*. AASB 9 simplifies requirements for the classification and measurement of financial assets, introduces a new hedging accounting model and also considers a revised impairment loss model to recognise impairment loss earlier, as opposed to the current approach that recognises impairment loss only when incurred.
- AASB 1056 *Superannuation Entities*, operative from 1 July 2016. AASB 1056 replaces AAS 25 *Financial Reporting by Superannuation Plans* and specify requirements for the general purpose financial statements of superannuation entities with a view to providing users with information useful for decision making in a superannuation entity context. However, superannuation entities are still required to comply with other AASs when preparing the general purpose financial statements unless specifically addressed by AASB 1056.

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.



**(J) Recent machinery of government changes**

On 4 December 2014, the Premier announced new administrative arrangements for government entities effective 1 January 2015. Information disclosed in the notes to the estimated financial statements in the *2014-15 Budget Update* reflects the administrative structure in place preceding this arrangement. The 2015-16 budget will be presented to reflect these new arrangements.

## Note 2: Taxation

	(\$ million)				
	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Taxes on employers' payroll and labour force</b>	<b>5 135.0</b>	<b>5 148.4</b>	<b>5 445.3</b>	<b>5 758.0</b>	<b>6 085.9</b>
<b>Taxes on property</b>					
<b>Taxes on immovable property</b>					
Land tax	1 903.6	1 750.9	1 716.4	2 006.9	1 948.2
Fire Services Property Levy	626.5	606.5	618.7	627.1	625.8
Congestion levy	122.3	121.6	120.2	123.4	126.5
Metropolitan improvement levy	145.7	145.7	150.8	157.4	158.0
<b>Total taxes on immovable property</b>	<b>2 798.1</b>	<b>2 624.6</b>	<b>2 606.1</b>	<b>2 914.8</b>	<b>2 858.6</b>
<b>Financial and capital transactions</b>					
Land transfer duty	4 440.6	4 472.0	4 696.2	4 982.7	5 280.7
Other property duties	6.9	5.7	5.9	6.0	6.2
Financial accommodation levy	151.0	144.7	165.2	168.4	183.9
Growth Areas Infrastructure Contribution	71.5	77.0	81.3	85.7	90.5
<b>Total financial and capital transactions</b>	<b>4 670.1</b>	<b>4 699.5</b>	<b>4 948.5</b>	<b>5 242.9</b>	<b>5 561.2</b>
<b>Total taxes on property</b>	<b>7 468.2</b>	<b>7 324.1</b>	<b>7 554.6</b>	<b>8 157.7</b>	<b>8 419.7</b>
<b>Taxes on the provision of goods and services</b>					
<b>Gambling taxes</b>					
Private lotteries	412.2	410.6	427.4	444.8	458.5
Electronic gaming machines	1 070.1	1 068.8	1 090.7	1 115.3	1 143.0
Casino	224.6	214.2	244.9	253.8	263.2
Racing	87.9	85.0	86.2	86.6	88.8
Other	22.4	23.9	30.3	38.5	48.7
<b>Total gambling taxes</b>	<b>1 817.2</b>	<b>1 802.5</b>	<b>1 879.4</b>	<b>1 939.0</b>	<b>2 002.2</b>
<b>Levies on statutory corporations <sup>(a)</sup></b>	<b>112.5</b>	<b>112.0</b>	<b>112.0</b>	..	..
<b>Taxes on insurance</b>	<b>1 094.4</b>	<b>1 113.3</b>	<b>1 181.0</b>	<b>1 261.5</b>	<b>1 347.8</b>
<b>Total taxes on the provision of goods and services</b>	<b>3 024.1</b>	<b>3 027.8</b>	<b>3 172.4</b>	<b>3 200.5</b>	<b>3 350.0</b>
<b>Taxes on the use of goods and performance of activities</b>					
<b>Motor vehicle taxes</b>					
Vehicle registration fees	1 421.2	1 392.0	1 464.1	1 537.2	1 614.0
Duty on vehicle registrations and transfers	714.0	714.9	746.0	768.5	791.7
<b>Total motor vehicle taxes</b>	<b>2 135.1</b>	<b>2 106.9</b>	<b>2 210.1</b>	<b>2 305.8</b>	<b>2 405.7</b>
<b>Liquor license fees</b>	<b>22.4</b>	<b>22.6</b>	<b>21.9</b>	<b>22.6</b>	<b>23.2</b>
<b>Other</b>	<b>282.7</b>	<b>282.6</b>	<b>288.0</b>	<b>218.1</b>	<b>203.1</b>
<b>Total taxes on the use of goods and performance of activities</b>	<b>2 440.3</b>	<b>2 412.2</b>	<b>2 520.0</b>	<b>2 546.4</b>	<b>2 632.0</b>
<b>Total taxation revenue</b>	<b>18 067.5</b>	<b>17 912.5</b>	<b>18 692.3</b>	<b>19 662.6</b>	<b>20 487.6</b>

Note:

(a) The existing environmental levy payable by water authorities is not expected to continue beyond 2015-16.

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

#### (a) Dividends and income tax equivalent and rate equivalent revenue

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Dividends from PFC sector	344.9	674.2	406.2	440.0	483.7
Dividends from PNFC sector	69.1	247.6	178.6	143.3	99.5
Dividends from non-public sector	2.1	2.1	2.1	2.1	2.1
<b>Dividends</b>	<b>416.1</b>	<b>923.8</b>	<b>586.9</b>	<b>585.3</b>	<b>585.3</b>
Income tax equivalent from PFC sector	3.0	32.1	147.4	137.7	366.4
Income tax equivalent from PNFC sector	159.9	129.8	147.4	144.7	171.6
<b>Income tax equivalent revenue</b>	<b>162.9</b>	<b>161.9</b>	<b>294.8</b>	<b>282.4</b>	<b>538.0</b>
Local government rate equivalent revenue	5.7	5.7	6.0	6.2	6.6
<b>Total dividends and income tax equivalent and rate equivalent revenue</b>	<b>584.7</b>	<b>1 091.5</b>	<b>887.7</b>	<b>874.0</b>	<b>1 129.8</b>

#### (b) Dividends by entity

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Public financial corporations</b>					
Transport Accident Commission	189.0	254.5	192.6	223.3	265.7
Victorian WorkCover Authority	109.8	332.3	178.5	179.8	176.8
Treasury Corporation of Victoria	42.6	67.0	32.4	33.7	37.7
Rural Finance Corporation	..	17.5	..	..	..
Victorian Funds Management Corporation	2.7	1.7	1.7	1.7	1.7
State Trustees Ltd	0.8	1.2	1.0	1.5	1.8
<b>Dividends from PFC sector</b>	<b>344.9</b>	<b>674.2</b>	<b>406.2</b>	<b>440.0</b>	<b>483.7</b>
<b>Public non-financial corporations</b>					
State Electricity Commission of Victoria (Shell)	..	100.0	100.0	83.4	..
South East Water Corporation	16.0	49.3	28.4	32.2	38.2
Melbourne Water Corporation	16.7	21.5	..	..	24.3
Port of Melbourne Corporation	24.2	28.9	27.6	..	..
City West Water Corporation	6.3	16.0	12.6	16.8	20.1
Yarra Valley Water Corporation	5.2	21.8	5.0	5.1	6.9
Urban Renewal Authority Victoria (Places Victoria)	..	9.1	3.6	3.4	7.1
Victorian Regional Channels Authority	0.7	0.6	1.5	1.5	1.5
Others	..	0.5	..	0.9	1.4
<b>Dividends from PNFC sector</b>	<b>69.1</b>	<b>247.6</b>	<b>178.6</b>	<b>143.3</b>	<b>99.5</b>

## Note 4: Sale of goods and services

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Motor vehicle regulatory fees	213.3	213.3	210.5	195.0	174.5
Other regulatory fees	437.2	475.4	500.0	521.8	580.5
Sale of goods	96.1	84.3	77.4	78.0	78.8
Provision of services	3 974.3	4 069.5	4 176.7	4 158.2	4 164.0
Rental	54.8	59.1	59.2	59.2	59.2
Refunds and reimbursements	69.8	69.7	71.2	71.2	71.2
Inter-sector capital asset charge	1 632.8	1 587.2	1 746.5	1 762.8	1 776.0
<b>Total sales of goods and services</b>	<b>6 478.4</b>	<b>6 558.5</b>	<b>6 841.5</b>	<b>6 846.3</b>	<b>6 904.2</b>

## Note 5: Grants

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
General purpose grants – goods and services tax	11 781.9	11 999.0	12 541.6	13 281.4	14 680.1
Specific purpose grants for on-passing	3 140.1	3 216.6	3 388.3	3 601.1	3 811.7
Other grants for specific purposes	9 792.8	9 313.6	9 174.3	8 868.6	8 138.2
<b>Total</b>	<b>24 714.9</b>	<b>24 529.2</b>	<b>25 104.3</b>	<b>25 751.0</b>	<b>26 630.0</b>
Other contributions and grants	140.4	135.7	126.6	113.0	110.4
<b>Total grants</b>	<b>24 855.3</b>	<b>24 664.9</b>	<b>25 231.0</b>	<b>25 864.0</b>	<b>26 740.4</b>

## Note 6: Other revenue

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Fair value of assets received free of charge or for nominal consideration	1.8	56.7	56.6	56.8	56.5
Fines	784.8	722.0	756.0	791.7	827.6
Royalties	50.0	51.4	51.4	51.3	51.3
Donations and gifts	255.0	262.4	259.1	299.4	249.3
Other non-property rental	22.5	17.7	17.9	18.0	18.0
Other miscellaneous revenue	959.8	1 031.5	955.0	966.1	944.8
<b>Total other revenue</b>	<b>2 073.9</b>	<b>2 141.7</b>	<b>2 095.9</b>	<b>2 183.2</b>	<b>2 147.5</b>

## Note 7: Superannuation

Note 8 in Chapter 4 of the *2013-14 Financial Report* for the State of Victoria contains a comprehensive disclosure of the State's superannuation schemes, the associated funding arrangements and the sensitivity of the liability to movements in the key valuation assumptions. There have not been any substantive changes to these items since that note was prepared.

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

	(\$ million)				
	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Defined benefit plans</b>					
Net superannuation interest expense	1 023.9	1 014.8	986.9	968.2	946.4
Current service cost	680.3	737.7	726.1	718.8	707.8
Remeasurements:					
Expected return on superannuation assets excluding interest income	(499.2)	(630.9)	(650.9)	(663.6)	(676.0)
Other actuarial (gain)/loss on superannuation assets	..	55.6	..	..	..
Actuarial and other adjustments to unfunded superannuation liability	..	(51.0)	..	..	..
<b>Total (gain)/expenses recognised in respect of defined benefit plans</b>	<b>1 205.0</b>	<b>1 126.3</b>	<b>1 062.2</b>	<b>1 023.4</b>	<b>978.2</b>
<b>Defined contribution plans</b>					
Employer contributions to defined contribution plans	1 122.4	1 138.9	1 185.3	1 211.0	1 238.5
Other (including pensions)	61.0	61.0	61.6	62.3	62.9
<b>Total expense recognised in respect of defined contribution plans</b>	<b>1 183.4</b>	<b>1 200.0</b>	<b>1 247.0</b>	<b>1 273.3</b>	<b>1 301.4</b>
<b>Total superannuation (gain)/expense recognised in operating statement</b>	<b>2 388.4</b>	<b>2 326.3</b>	<b>2 309.2</b>	<b>2 296.7</b>	<b>2 279.6</b>
<b>Represented by:</b>					
Superannuation interest expense	1 023.9	1 014.8	986.9	968.2	946.4
Other superannuation	1 863.7	1 937.7	1 973.1	1 992.1	2 009.2
<b>Superannuation expense from transactions</b>	<b>2 887.5</b>	<b>2 952.6</b>	<b>2 960.1</b>	<b>2 960.3</b>	<b>2 955.7</b>
<b>Remeasurement recognised in other comprehensive income</b>	<b>(499.2)</b>	<b>(626.3)</b>	<b>(650.9)</b>	<b>(663.6)</b>	<b>(676.0)</b>
<b>Total superannuation costs recognised in operating statement</b>	<b>2 388.4</b>	<b>2 326.3</b>	<b>2 309.2</b>	<b>2 296.7</b>	<b>2 279.6</b>

## Note 7: Superannuation (*continued*)

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

(\$ million)

	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Opening balance of defined benefit obligation</b>	<b>44 358.2</b>	<b>44 358.2</b>	<b>44 303.8</b>	<b>44 257.5</b>	<b>44 089.8</b>
Current service cost	680.3	737.7	726.1	718.8	707.8
Interest cost	1 876.5	1 755.1	1 728.8	1 725.6	1 719.3
Contributions by plan participants	193.3	194.4	189.1	184.3	179.3
Remeasurement:					
Actuarial (gain)/loss arising from change in financial assumptions	..	(51.0)	..	..	..
Benefits paid	(2 577.9)	(2 690.6)	(2 690.3)	(2 796.3)	(2 865.9)
<b>Closing balance of defined benefit obligation</b>	<b>44 530.4</b>	<b>44 303.8</b>	<b>44 257.5</b>	<b>44 089.8</b>	<b>43 830.3</b>

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

(\$ million)

	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Opening balance of plan assets</b>	<b>18 677.5</b>	<b>18 677.5</b>	<b>18 999.9</b>	<b>19 386.0</b>	<b>19 816.5</b>
Interest income	852.6	740.3	741.8	757.4	772.9
Remeasurements:					
Expected return on plan assets excluding interest income	499.2	630.9	650.9	663.6	676.0
Actuarial gain/(loss) relative to expected return	..	(55.6)	..	..	..
Employer contributions	1 507.9	1 503.1	1 494.6	1 621.6	1 619.4
Contributions by plan participants	193.3	194.4	189.1	184.3	179.3
Benefits paid (including tax paid)	(2 577.9)	(2 690.6)	(2 690.3)	(2 796.3)	(2 865.9)
<b>Closing balance of plan assets</b>	<b>19 152.5</b>	<b>18 999.9</b>	<b>19 386.0</b>	<b>19 816.5</b>	<b>20 198.2</b>

## Note 7: Superannuation (continued)

### (d) Reconciliation of the superannuation liabilities

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Emergency Services and State Super<sup>(a)</sup></b>					
Defined benefit obligation	39 980.1	40 201.0	40 190.7	40 081.1	39 878.8
Tax liability <sup>(b)</sup>	2 142.5	2 265.9	2 236.1	2 184.5	2 130.2
Plan assets	(17 776.5)	(18 078.2)	(18 512.8)	(18 993.5)	(19 423.9)
<b>Net liability/(asset)</b>	<b>24 346.1</b>	<b>24 388.7</b>	<b>23 914.0</b>	<b>23 272.1</b>	<b>22 585.1</b>
<b>Other funds<sup>(c)</sup></b>					
Defined benefit obligation	2 413.4	1 844.6	1 837.2	1 829.7	1 825.9
Tax liability <sup>(b)</sup>	(5.6)	(7.6)	(6.5)	(5.5)	(4.6)
Plan assets	(1 376.0)	(921.7)	(873.2)	(823.0)	(774.3)
<b>Net liability/(asset)</b>	<b>1 031.7</b>	<b>915.3</b>	<b>957.5</b>	<b>1 001.2</b>	<b>1 047.0</b>
<b>Total superannuation</b>					
Defined benefit obligation	42 393.5	42 045.5	42 027.9	41 910.8	41 704.7
Tax liability <sup>(b)</sup>	2 136.9	2 258.3	2 229.6	2 179.0	2 125.6
Plan assets	(19 152.5)	(18 999.9)	(19 386.0)	(19 816.5)	(20 198.2)
<b>Superannuation liability</b>	<b>25 377.9</b>	<b>25 304.0</b>	<b>24 871.6</b>	<b>24 273.3</b>	<b>23 632.1</b>
<b>Represented by:</b>					
Current liability	1 000.0	1 000.0	1 133.4	1 136.4	1 167.7
Non-current liability	24 377.9	24 304.0	23 738.2	23 136.9	22 464.4
<b>Total superannuation liability</b>	<b>25 377.9</b>	<b>25 304.0</b>	<b>24 871.6</b>	<b>24 273.3</b>	<b>23 632.1</b>

Notes:

- (a) From 1 April 2014, Emergency Services and State Super includes the former Parliamentary Contributory Superannuation Fund. This change is reflected in the revised budget and forward estimates.
- (b) 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.
- (c) For the 2014-15 budget, other funds included 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. For the revised budget and forward estimates, other funds includes constitutionally protected schemes and the Defined Benefit Scheme of the Health Super Fund.

## Note 8: Depreciation

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Buildings <sup>(a)</sup>	1 026.4	979.6	987.3	1 080.8	1 105.1
Leasehold buildings	97.6	97.3	97.4	107.4	139.1
Infrastructure systems	31.6	31.6	32.3	32.7	33.0
Plant, equipment and vehicles <sup>(a)</sup>	657.6	647.3	648.7	659.0	687.8
Road and road networks <sup>(a)</sup>	588.4	590.8	666.8	746.0	863.4
Cultural assets	28.9	28.9	24.7	25.0	25.0
Intangible produced assets <sup>(b)</sup>	65.6	79.5	87.2	76.1	94.5
<b>Total depreciation</b>	<b>2 496.0</b>	<b>2 455.0</b>	<b>2 544.4</b>	<b>2 726.8</b>	<b>2 947.9</b>

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2013-14 to 2017-18.

(b) Amortisation of intangible non-produced assets is included under 'other gains/(losses) from other economic flows'.

## Note 9: Interest expense

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Interest on long-term interest-bearing liabilities	1 334.2	1 267.7	1 175.0	1 063.1	1 079.5
Interest on short-term interest-bearing liabilities	50.0	48.8	48.1	47.2	44.1
Finance charges on finance leases	770.6	757.8	750.3	842.0	880.9
Discount interest on payables	41.0	41.0	38.0	36.8	36.8
<b>Total interest expense</b>	<b>2 195.8</b>	<b>2 115.2</b>	<b>2 011.5</b>	<b>1 989.1</b>	<b>2 041.2</b>



## Note 10: Grants and other transfers

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Current grants and other transfers expense</b>					
Commonwealth Government	189.9	195.0	210.6	203.5	193.1
Local government (including grants for on-passing)	892.0	901.5	782.2	775.5	780.4
Private sector and not-for-profit for on-passing	2 566.3	2 579.4	2 768.6	2 970.3	3 134.8
Other private sector and not-for-profit	1 612.7	1 558.8	1 822.8	2 038.5	2 132.4
Grants within the Victorian Government	2 920.6	2 674.4	2 684.8	2 773.1	2 746.2
Grants to other state governments	10.7	13.5	12.3	12.3	12.3
<b>Total current grants and other transfers</b>	<b>8 192.3</b>	<b>7 922.6</b>	<b>8 281.3</b>	<b>8 773.2</b>	<b>8 999.2</b>
<b>Capital grants expense</b>					
Commonwealth Government	2.0	..	..	..	..
Local government (including grants for on-passing)	11.1	12.6	1.1	6.0	6.0
Private sector and not-for-profit on-passing	47.9	52.1	28.9	19.9	18.8
Other private sector and not-for-profit	3.7	3.6	3.6	4.1	4.1
Grants within the Victorian Government	1.9	1.2	..	..	..
Other grants	35.4	35.4	..	..	..
<b>Total capital grants and other transfers</b>	<b>102.0</b>	<b>104.8</b>	<b>33.6</b>	<b>30.0</b>	<b>28.9</b>
<b>Total grants and other transfers</b>	<b>8 294.3</b>	<b>8 027.5</b>	<b>8 314.8</b>	<b>8 803.2</b>	<b>9 028.1</b>

## Note 11: Other operating expenses

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Purchase of supplies and consumables	7 477.8	8 118.2	7 815.7	8 001.6	8 578.8
Cost of goods sold	88.6	121.1	21.3	21.7	22.3
Finance expenses and fees	21.1	21.4	21.1	21.0	21.2
Purchase of services	7 904.9	7 967.3	7 386.7	7 439.8	7 487.9
Maintenance	827.1	819.7	794.4	805.4	798.8
Operating lease payments	252.7	252.6	236.4	236.3	235.0
Other	687.1	707.1	695.9	731.2	771.5
<b>Total other operating expenses</b>	<b>17 259.2</b>	<b>18 007.3</b>	<b>16 971.5</b>	<b>17 257.1</b>	<b>17 915.6</b>

## Note 12: Total expenses by government purpose and by department

### (a) Expenses by government purpose classification<sup>(a)</sup>

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Expenses</b>					
General public services	891.4	968.8	1 054.8	947.7	877.1
Public order and safety <sup>(b)</sup>	5 913.2	6 037.4	5 873.8	5 963.0	6 249.6
Education	12 943.6	13 216.9	13 350.9	13 616.7	13 989.4
Health <sup>(c)</sup>	14 437.1	14 515.5	14 384.8	14 778.9	14 934.9
Social security and welfare <sup>(c)</sup>	4 048.6	4 129.3	3 741.0	3 807.5	3 892.7
Housing and community amenities <sup>(d)</sup>	3 022.2	3 045.9	2 814.9	2 748.5	2 642.8
Recreation and culture	653.8	675.8	625.6	612.5	598.5
Fuel and energy	183.3	167.0	204.7	196.3	139.8
Agriculture, forestry, fishing, and hunting	362.1	463.8	356.6	352.6	347.6
Transport and communications	5 839.9	5 914.4	6 037.2	6 067.9	6 080.0
Other economic affairs	1 173.4	1 340.2	922.2	863.1	791.3
Other purposes <sup>(e)</sup>	2 106.7	1 586.6	3 033.5	3 925.7	5 300.3
<b>Total expenses by government purpose classification</b>	<b>51 575.1</b>	<b>52 061.7</b>	<b>52 400.1</b>	<b>53 880.6</b>	<b>55 844.1</b>

Notes:

- (a) Note 41 of the 2013-14 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.
- (b) The downward movement in 2015-16 relates to funding carried over from 2013-14 into 2014-15, sun setting initiatives and movements in funding across years for various initiatives.
- (c) From July 2015, the Commonwealth will be responsible for home support services for people aged over 65 years. Health expenditure is adjusted from 2015-16 to reflect this transfer. Movements in 2015-16 also reflect one-off funding for initiatives in 2014-15 that are not carried forward.
- (d) The downward movement into 2015-16 relates to sun setting initiatives and movements in funding across years for various initiatives.
- (e) Other purposes include provision available to be allocated to specific departments and projects, future demand growth, departmental underspending and items not yet formalised at the time of publication.

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

### (b) Total expenses by department<sup>(a)</sup>

	(\$ million)				
	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Expenses</b>					
Education and Early Childhood Development	14 638.9	14 875.6	15 070.2	15 352.5	15 735.5
Environment and Primary Industries <sup>(b)</sup>	2 462.2	2 597.8	2 313.2	2 195.1	2 046.6
Health <sup>(c)</sup>	16 072.3	16 176.5	15 780.1	16 256.1	16 451.8
Human Services	3 868.1	3 949.2	3 885.9	3 984.7	4 070.5
Justice <sup>(d)</sup>	5 492.9	5 642.8	5 431.3	5 553.4	5 746.9
Premier and Cabinet	692.7	720.4	665.8	647.0	639.8
State Development, Business and Innovation	1 140.5	1 252.9	940.4	863.0	763.2
Transport, Planning and Local Infrastructure	6 965.9	7 106.5	7 115.6	7 162.8	7 227.3
Treasury and Finance	6 019.5	6 142.9	6 224.5	6 323.0	6 473.3
Parliament	183.3	181.3	176.7	178.2	178.7
Courts <sup>(e)</sup>	512.7	506.5	520.4	529.2	537.0
Regulatory bodies and other part funded agencies <sup>(f)</sup>	1 943.3	1 915.1	1 840.8	1 842.7	1 867.8
Contingencies not allocated to departments <sup>(g)</sup>	307.2	189.8	807.3	1 692.3	2 984.9
<b>Total expenses by department</b>	<b>60 299.6</b>	<b>61 257.5</b>	<b>60 772.1</b>	<b>62 579.9</b>	<b>64 723.2</b>
Less eliminations and adjustments <sup>(h)</sup>	(8 724.4)	(9 195.8)	(8 372.1)	(8 699.3)	(8 879.1)
<b>Total expenses</b>	<b>51 575.1</b>	<b>52 061.7</b>	<b>52 400.1</b>	<b>53 880.6</b>	<b>55 844.1</b>

#### Notes:

- (a) On 4 December 2014, the Premier announced new administrative arrangements for government entities effective 1 January 2015. Information disclosed in the notes to the estimated financial statements in the 2014-15 Budget Update reflects the administrative structure in place preceding this arrangement.
- (b) The downward movement into 2015-16 relates to sunseting initiatives and movements in funding across years for various initiatives.
- (c) From July 2015, the Commonwealth will be responsible for home support services for people aged over 65 years. Health expenditure is adjusted from 2015-16 to reflect this transfer. Movements in 2015-16 also reflect one-off funding for initiatives in 2014-15 that are not carried forward.
- (d) The downward movement in 2015-16 relates to funding carried over from 2013-14 into 2014-15, sunseting initiatives and movements in funding across years for various initiatives.
- (e) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.
- (f) Other general government sector agencies not allocated to departmental portfolios.
- (g) Note 12(c) provides a detailed breakdown of the general government output contingencies not allocated to departments.
- (h) Mainly comprising payroll tax, capital asset charge, departmental underspend estimates and inter-departmental transfers.

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

### (c) General government output contingencies not allocated to departments

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Decisions made but not yet allocated <sup>(a)</sup>	207.2	128.9	717.0	1 504.6	2 616.2
Funding not allocated to specific purposes <sup>(b)</sup>	100.0	60.9	90.3	187.7	368.6
<b>Total general government output contingencies</b>	<b>307.2</b>	<b>189.8</b>	<b>807.3</b>	<b>1 692.3</b>	<b>2 984.9</b>

Notes:

- (a) Reflects existing policy decisions made by government for which funding has yet to be allocated to departments; provisions not yet allocated to meet additional price and demand growth for health, disability and education; and a provision for estimated additional depreciation costs associated with the general government unallocated capital contingency.
- (b) An unallocated provision available to contribute to future government policy decisions and commitments, including for decisions to extend lapsing programs across the budget and forward estimates.

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

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Net (increase) in provision for doubtful receivables	(177.8)	(184.1)	(169.6)	(171.6)	(200.5)
Amortisation of intangible non-produced assets	(10.5)	(2.3)	(2.3)	(2.3)	(2.3)
Net (increase) in bad debts	(119.2)	(119.2)	(152.9)	(153.1)	(153.3)
Other gains/(losses)	23.9	19.3	14.5	(7.7)	(7.7)
<b>Total other gains/(losses) from other economic flows</b>	<b>(283.6)</b>	<b>(286.2)</b>	<b>(310.3)</b>	<b>(334.7)</b>	<b>(363.8)</b>

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

*(\$ million)*

	<i>2015 budget</i>	<i>2015 revised</i>	<i>2016 estimate</i>	<i>2017 estimate</i>	<i>2018 estimate</i>
Balance of investment in PNFC and PFC sectors at beginning of period	75 869.2	75 869.2	79 516.6	80 062.5	80 413.8
Net contributions to other sectors by owner	2 260.3	1 534.0	423.1	697.3	1 037.1
Revaluation gain/(loss) for period	2 884.3	2 113.4	122.7	(345.9)	(88.9)
<b>Investment in other sector entities at end of period</b>	<b>81 013.8</b>	<b>79 516.6</b>	<b>80 062.5</b>	<b>80 413.8</b>	<b>81 362.0</b>

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

*(\$ million)*

	<i>2014-15 budget</i>	<i>2014-15 revised</i>	<i>2015-16 estimate</i>	<i>2016-17 estimate</i>	<i>2017-18 estimate</i>
Purchases of non-financial assets (including change in inventories)	5 312.4	4 729.5	5 014.3	5 909.5	5 879.5
Less: Sales of non-financial assets	(384.9)	(395.2)	(310.6)	(472.6)	(396.1)
Less: Depreciation	(2 496.0)	(2 455.0)	(2 544.4)	(2 726.8)	(2 947.9)
Plus: Other movements in non-financial assets	(1 465.1)	(1 327.2)	183.1	318.5	275.0
<b>Total net acquisition of non-financial assets from transactions</b>	<b>966.4</b>	<b>552.1</b>	<b>2 342.4</b>	<b>3 028.5</b>	<b>2 810.5</b>

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

(\$ million)

	2015 budget	2015 revised	2016 estimate	2017 estimate	2018 estimate
<b>Current advances paid and investments, loans and placements</b>					
Loans and advances paid	45.1	52.1	41.0	48.2	53.5
Equities and managed investment schemes	757.9	761.3	771.2	782.0	792.8
Australian dollar term deposits	1 840.9	1 743.1	1 825.7	1 933.2	2 049.8
Debt securities	6.3	6.3	6.3	6.3	6.3
<b>Total current advances paid and investments, loans and placements</b>	<b>2 650.1</b>	<b>2 562.8</b>	<b>2 644.2</b>	<b>2 769.6</b>	<b>2 902.4</b>
<b>Non-current advances paid and investments, loans and placements</b>					
Loans and advances paid	4 492.6	4 511.7	4 478.6	4 433.9	4 381.8
Equities and managed investment schemes	236.4	292.5	296.0	299.0	302.8
Australian dollar term deposits	254.1	254.1	254.6	253.2	248.1
Debt securities	44.7	44.7	44.7	44.7	44.7
<b>Total non-current advances paid and investments, loans and placements</b>	<b>5 027.9</b>	<b>5 103.1</b>	<b>5 073.9</b>	<b>5 030.9</b>	<b>4 977.3</b>
<b>Total advances paid and investments, loans and placements</b>	<b>7 678.0</b>	<b>7 665.9</b>	<b>7 718.1</b>	<b>7 800.5</b>	<b>7 879.7</b>
<b>Represented by:</b>					
Advances paid	4 537.7	4 563.8	4 519.5	4 482.1	4 435.2
Investment loans and placement	3 140.3	3 102.1	3 198.5	3 318.4	3 444.5

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

(\$ million)

	2015 budget	2015 revised	2016 estimate	2017 estimate	2018 estimate
Buildings (written down value)	24 735.7	24 197.4	24 476.5	26 463.8	26 774.1
Buildings leasehold	2 346.6	2 353.7	3 337.1	4 143.2	5 028.8
Land and national parks	38 328.1	38 176.3	38 187.1	38 026.4	38 200.1
Infrastructure systems (written down value)	1 329.7	1 327.3	1 453.0	1 584.1	1 683.2
Plant, equipment and vehicles (written down value)	2 388.2	2 644.4	2 409.2	2 131.2	1 787.9
Roads and road infrastructure (written down value)	24 930.9	24 858.8	26 434.5	28 771.0	33 806.6
Earthworks	8 759.9	8 797.9	8 942.0	9 135.7	10 477.8
Cultural assets (written down value)	5 480.5	5 479.6	5 486.4	5 475.4	5 460.1
<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>108 299.7</b>	<b>107 835.3</b>	<b>110 725.9</b>	<b>115 730.8</b>	<b>123 218.6</b>

## Note 18: Reconciliation of movements in land, buildings, infrastructure, plant and equipment<sup>(a)</sup>

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Carrying amount at the start of the year	103 644.2	103 644.2	107 835.3	110 725.9	115 730.8
Additions <sup>(b)</sup>	5 032.4	4 443.4	6 065.9	6 729.9	6 932.4
Disposals at written down value	(314.1)	(365.5)	(248.9)	(408.0)	(322.3)
Revaluations	3 906.3	3 871.4	425.8	1 933.1	4 595.6
Asset transfers <sup>(c)</sup>	(1 538.6)	(1 382.7)	(895.1)	(599.2)	(864.4)
Depreciation expense	(2 430.5)	(2 375.4)	(2 457.2)	(2 650.8)	(2 853.4)
<b>Carrying amount at the end of the year</b>	<b>108 299.7</b>	<b>107 835.3</b>	<b>110 725.9</b>	<b>115 730.8</b>	<b>123 218.6</b>

*Notes:*

- (a) The reconciliation of movements comprises land and buildings, infrastructure systems, plant, equipment, vehicles, roads, road infrastructure and cultural assets and excludes intangible assets, investment properties and other non-financial assets.
- (b) Includes assets acquired under finance lease arrangements.
- (c) Represents the transfer of assets to the public non-financial corporations sector.

## Note 19: Assets classified by government purpose and by department

### (a) Purchases of non-financial assets by government purpose classification<sup>(a)</sup>

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
General public services	45.2	40.7	26.4	44.2	25.0
Public order and safety	1 092.7	1 216.9	373.3	228.9	487.3
Education	531.5	463.1	400.1	273.7	241.8
Health	860.5	969.8	535.1	899.8	254.5
Social security and welfare	112.8	123.1	68.4	49.8	49.5
Housing and community amenities	139.0	88.2	36.0	43.4	41.2
Recreation and culture	49.8	54.5	35.2	21.1	12.6
Fuel and energy	3.1	3.1	3.0	2.7	2.7
Agriculture, forestry, fishing, and hunting	26.5	55.2	22.3	12.2	12.0
Transport and communications	2 166.1	2 027.8	1 915.7	1 402.1	681.7
Other economic affairs	153.4	149.3	45.5	34.5	25.2
Other purposes	0.5	0.5	1.4	1.4	1.4
Not allocated by purpose <sup>(b)</sup>	131.3	(462.7)	1 552.0	2 895.6	4 044.6
<b>Total purchases of non-financial assets</b>	<b>5 312.4</b>	<b>4 729.5</b>	<b>5 014.3</b>	<b>5 909.5</b>	<b>5 879.5</b>

*Notes:*

(a) Note 41 of the 2013-14 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

(b) Estimated amount available to be allocated to departments and projects in future budgets, including for major capital investment. This includes departmental underspending, which may be subject to carryover.



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

**(b) Purchases of non-financial assets by department<sup>(a)</sup>**

(\$ million)

	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
Education and Early Childhood Development	527.7	463.5	394.3	268.5	236.7
Environment and Primary Industries	97.9	129.1	66.9	57.6	52.2
Health	896.2	1 004.8	555.6	916.7	272.5
Human Services	97.4	104.8	53.9	34.4	32.9
Justice	852.3	954.9	216.4	121.1	403.0
Premier and Cabinet	59.4	60.9	29.6	22.6	14.1
State Development, Business and Innovation	136.4	129.9	29.4	21.6	15.8
Transport, Planning and Local Infrastructure	2 262.2	2 078.1	1 936.0	1 418.0	694.9
Treasury and Finance	32.7	31.5	17.2	35.0	15.9
Parliament	1.5	1.5	2.3	2.3	2.3
Courts <sup>(b)</sup>	23.6	24.6	45.7	29.9	9.8
Regulatory bodies and other part funded agencies <sup>(c)</sup>	193.9	205.0	102.7	81.1	84.8
Contingencies not allocated to departments <sup>(d)</sup>	380.5	379.1	1 558.1	2 813.4	4 009.0
Adjustments <sup>(e)</sup>	(249.1)	(838.3)	6.2	87.1	35.6
<b>Total purchases of non-financial assets</b>	<b>5 312.4</b>	<b>4 729.5</b>	<b>5 014.3</b>	<b>5 909.5</b>	<b>5 879.5</b>

Notes:

- (a) On 4 December 2014, the Premier announced new administrative arrangements for government entities effective 1 January 2015. Information disclosed in the notes to the estimated financial statements in the 2014-15 Budget Update reflects the administrative structure in place preceding this arrangement.
- (b) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.
- (c) Other general government sector agencies not allocated to departmental portfolios.
- (d) Note 19(c) provides a detailed breakdown of the general government asset contingencies not allocated to departments.
- (e) Mainly comprises estimated departmental underspend which may be subject to carryover and estimated outer budget agency underspend.

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

### (c) General government asset contingencies not allocated to departments

(\$ million)

	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
Decisions made but not yet allocated <sup>(a)</sup>	380.5	379.1	1 272.2	2 314.3	3 232.4
Funding not allocated to specific purposes <sup>(b)</sup>	..	..	285.8	499.1	776.6
<b>Total general government asset contingencies</b>	<b>380.5</b>	<b>379.1</b>	<b>1 558.1</b>	<b>2 813.4</b>	<b>4 009.0</b>

Notes:

(a) A provision to account for existing asset policy decisions made by government for which the funding has yet to be allocated to departments.

(b) An unallocated provision available for future government asset investment decisions.

### (d) Total assets by government purpose classification<sup>(a)</sup>

(\$ million)

	2015 budget	2015 revised	2016 estimate	2017 estimate	2018 estimate
General public services	1 188.6	1 182.7	1 178.0	1 194.5	1 173.7
Public order and safety	8 899.4	8 981.1	9 059.3	8 930.4	9 533.1
Education	17 022.6	16 945.4	16 941.1	16 894.6	16 903.2
Health	12 795.9	12 991.6	13 695.1	13 895.3	12 863.0
Social security and welfare	1 084.7	1 094.9	1 125.5	1 134.6	1 147.6
Housing and community amenities	7 271.3	7 224.9	7 240.3	7 200.5	7 109.3
Recreation and culture	8 515.8	8 519.1	8 543.1	8 514.9	8 454.3
Fuel and energy	15.6	15.6	16.1	16.6	17.0
Agriculture, forestry, fishing, and hunting	559.7	635.3	630.6	615.0	599.3
Transport and communications	51 921.8	51 876.2	52 242.1	52 433.5	55 990.0
Other economic affairs	593.2	597.7	624.2	611.3	601.2
Other purposes	1.7	1.7	2.8	3.9	5.0
Not allocated by purpose <sup>(b)</sup>	98 188.9	96 196.3	98 486.9	104 050.4	109 914.6
<b>Total assets</b>	<b>208 059.1</b>	<b>206 262.4</b>	<b>209 785.1</b>	<b>215 495.5</b>	<b>224 311.2</b>

Notes:

(a) Note 41 of the 2013-14 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

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

## Note 20: Payables

(\$ million)

	2015 <i>budget</i>	2015 <i>revised</i>	2016 <i>estimate</i>	2017 <i>estimate</i>	2018 <i>estimate</i>
<b>Current payables</b>					
Accounts payable and accrued expenses	3 094.2	3 095.7	3 065.8	2 974.5	2 884.6
Accrued taxes payable	33.3	32.8	33.6	34.5	35.2
Unearned income	624.0	634.7	636.2	635.2	633.7
<b>Total current payables</b>	<b>3 751.5</b>	<b>3 763.2</b>	<b>3 735.6</b>	<b>3 644.2</b>	<b>3 553.5</b>
<b>Non-current payables</b>					
Accounts payable and accrued expenses	160.1	159.2	95.5	87.6	79.3
Unearned income	1 295.4	1 820.5	1 779.0	1 777.0	1 737.5
<b>Total non-current payables</b>	<b>1 455.5</b>	<b>1 979.7</b>	<b>1 874.4</b>	<b>1 864.7</b>	<b>1 816.7</b>
<b>Total payables</b>	<b>5 207.0</b>	<b>5 742.9</b>	<b>5 610.0</b>	<b>5 508.9</b>	<b>5 370.2</b>

## Note 21: Borrowings

(\$ million)

	2015 <i>budget</i>	2015 <i>revised</i>	2016 <i>estimate</i>	2017 <i>estimate</i>	2018 <i>estimate</i>
<b>Current borrowings</b>					
Domestic borrowings	1 443.0	1 443.0	1 448.0	1 453.0	1 458.0
Finance lease liabilities	148.3	120.2	99.8	104.5	115.9
<b>Total current borrowings</b>	<b>1 591.3</b>	<b>1 563.2</b>	<b>1 547.8</b>	<b>1 557.5</b>	<b>1 573.9</b>
<b>Non-current borrowings</b>					
Domestic borrowings	25 538.6	24 158.7	19 397.7	20 387.6	21 470.9
Finance lease liabilities	7 782.6	7 846.6	8 793.3	9 535.3	10 413.5
Derivative financial instruments	20.8	20.8	20.8	20.8	20.8
<b>Total non-current borrowings</b>	<b>33 342.0</b>	<b>32 026.1</b>	<b>28 211.8</b>	<b>29 943.7</b>	<b>31 905.1</b>
<b>Total borrowings</b>	<b>34 933.3</b>	<b>33 589.3</b>	<b>29 759.6</b>	<b>31 501.2</b>	<b>33 479.0</b>

## Note 22: Employee benefits

(\$ million)

	2015 budget	2015 revised	2016 estimate	2017 estimate	2018 estimate
<b>Current</b>					
Accrued salaries and wages <sup>(a)</sup>	1 627.8	1 626.0	1 685.5	1 738.1	1 792.4
Long service leave	3 177.4	3 176.8	3 308.8	3 444.7	3 578.9
<b>Total current employee benefits</b>	<b>4 805.2</b>	<b>4 802.8</b>	<b>4 994.3</b>	<b>5 182.7</b>	<b>5 371.3</b>
<b>Non-current</b>					
Long service leave	730.0	725.0	783.9	845.1	909.0
<b>Total non-current employee benefits</b>	<b>730.0</b>	<b>725.0</b>	<b>783.9</b>	<b>845.1</b>	<b>909.0</b>
<b>Total employee benefits</b>	<b>5 535.2</b>	<b>5 527.8</b>	<b>5 778.2</b>	<b>6 027.8</b>	<b>6 280.4</b>

Note:

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

## Note 23: Reserves

(\$ million)

	2015 budget	2015 revised	2016 estimate	2017 estimate	2018 estimate
Property plant and equipment revaluation surplus	44 105.8	44 070.8	44 496.9	46 430.3	51 026.2
Available-for-sale investments revaluation surplus	59.4	59.4	60.6	61.8	63.1
Revaluation reserve for investments in PFC and PNFC entities	45 071.6	44 300.7	44 423.4	44 077.5	43 988.6
Other reserves	577.0	577.8	582.1	591.3	601.8
<b>Total reserves</b>	<b>89 813.8</b>	<b>89 008.7</b>	<b>89 563.0</b>	<b>91 161.0</b>	<b>95 679.6</b>

## Note 24: Reconciliations to government finance statistics – derivation of GFS cash/surplus deficit

	(\$ million)				
	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Cash surplus/(deficit)</b>	<b>(1 088.0)</b>	<b>(318.4)</b>	<b>226.8</b>	<b>(376.8)</b>	<b>(283.1)</b>
<i>Convergence differences:</i>					
Less: Acquisitions under finance leases and similar arrangements <sup>(a)</sup>	(36.4)	(36.4)	(1 050.4)	(873.0)	(1 055.8)
<b>Total convergence differences</b>	<b>(36.4)</b>	<b>(36.4)</b>	<b>(1 050.4)</b>	<b>(873.0)</b>	<b>(1 055.8)</b>
<b>GFS cash surplus/(deficit)<sup>(b)</sup></b>	<b>(1 124.5)</b>	<b>(354.9)</b>	<b>(823.7)</b>	<b>(1 249.7)</b>	<b>(1 338.9)</b>

*Notes:*

(a) *The finance lease acquisition in 2014-15 relates to metropolitan buses contract. The 2015-16 estimate relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate relates to the new Bendigo Hospital project (Stage 1), the Cranbourne-Pakenham Rail Corridor project and the School Capital program (tranche 1). The 2017-18 estimate relates to the Cranbourne-Pakenham Rail Corridor project, the Ravenhall Prison project, the School Capital program (tranche 2) and the new Bendigo Hospital project (stage 2).*

(b) *Determined in accordance with the ABS GFS manual.*

## Note 25: Financial instruments

Note 33 in Chapter 4 of the *2013-14 Financial Report* for the State of Victoria 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 *2013-14 Financial Report* for the State of Victoria.

## Note 26: Controlled entities

Note 42 *Controlled Entities* in the 2013-14 *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 2014, of general government sector entities which have been consolidated for the purposes of the estimated financial statements.

<b>Controlled entities</b>	<b>General government</b>	<b>Entities included as investments in other sectors</b>	
		<b>Public non-financial corporation</b>	<b>Public financial corporation</b>
<b>Department of Education and Early Childhood Development</b>			
Bendigo Kangan Institute <sup>(a)</sup>	*		
<b>Department of Environment and Primary Industries</b>			
Game Management Authority <sup>(b)</sup>	*		
Barwon South West Waste and Resource Recovery Group <sup>(c)</sup>		*	
Gippsland Waste and Resource Recovery Group <sup>(c)</sup>		*	
Goulburn Valley Waste and Resource Recovery Group <sup>(c)</sup>		*	
Grampians Central Waste and Resource Recovery Group <sup>(c)</sup>		*	
Loddon Mallee Waste and Resource Recovery Group <sup>(c)</sup>		*	
North East Waste and Resource Recovery Group <sup>(c)</sup>		*	
<b>Department of Health</b>			
Bass Coast Health <sup>(d)</sup>	*		
<b>Department of Justice</b>			
Office of the Commissioner for Privacy and Data Protection <sup>(e)</sup>	*		
<b>Courts <sup>(f)</sup></b>			
Judicial College of Victoria <sup>(f)</sup>	*		

**Notes:**

- (a) *The Bendigo Kangan Institute was established on 1 July 2014 as a result of a merger between Bendigo Regional Institute of TAFE and Kangan Institute of TAFE.*
- (b) *The Game Management Authority Act 2014 established the Game Management Authority as a statutory authority to improve the effectiveness of game management and promote responsibility in game hunting, effective from 1 July 2014.*
- (c) *Under changes to the Environment Protection Act 1970, the 12 regional Waste Management Groups wound up on 31 July 2014 and six new regional Waste and Resource Recovery Groups were established, effective from 1 August 2014 as follows:*
- *South Western Regional Waste Management Group and Barwon Regional Waste Management Group have been transferred into the Barwon South West Waste And Resource Recovery Group;*
  - *Gippsland Regional Waste Management Group has been transferred to the Gippsland Waste and Resource Recovery Group;*
  - *Goulburn Valley Regional Waste Management Group has been transferred to the Goulburn Valley Waste and Resource Recovery Group;*
  - *Desert Fringe Regional Waste Management Group, Grampians Regional Waste Management Group and Highlands Regional Waste Management Group have been transferred to the Grampians Central Waste and Resource Recovery Group;*
  - *Calder Regional Waste Management Group, Central Murray Regional Waste Management Group and Mildura Regional Waste Management Group have been transferred to the Loddon Mallee Waste and Resource Recovery Group;*

## **Note 26: Controlled entities *(continued)***

*Notes (continued):*

- North East Victorian Regional Waste Management Group has been transferred to the North East Waste and Resource Recovery Group; and
  - Mornington Peninsula Waste Management Group has been transferred into the Metropolitan Waste and Resource Recovery Group (an existing entity not abolished under the reform).
- (d) Bass Coast Regional Health was renamed to Bass Coast Health from 4 September 2014.
- (e) Effective 17 September 2014, the Office of the Commissioner for Privacy and Data Protection commenced operations replacing the Office of the Victorian Privacy Commissioner, which ceased operations on 16 September 2014.
- (f) The Court Services Victoria Act 2014 established Court Services Victoria as a statutory public sector body to provide the administrative services and facilities for Victoria's courts, the Victorian Civil and Administrative Tribunal and the Judicial College of Victoria taking effect from 1 July 2014.





## CHAPTER 5 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

**Table 5.1: Public non-financial corporations sector comprehensive operating statement<sup>(a)</sup>**

	<i>(\$ million)</i>					
	<i>2013-14 actual</i>	<i>2014-15 budget</i>	<i>2014-15 revised</i>	<i>2015-16 estimate</i>	<i>2016-17 estimate</i>	<i>2017-18 estimate</i>
<b>Revenue from transactions</b>						
Interest revenue	56.4	40.1	36.5	27.2	23.1	19.4
Dividends and income tax equivalent and rate equivalent revenue	88.0	91.5	60.2	73.0	82.3	88.8
Sales of goods and services	6 090.9	6 030.9	6 055.0	6 108.4	5 913.5	6 076.3
Grants	2 646.4	2 926.2	2 678.8	2 777.9	2 865.3	2 837.9
Other revenue	489.1	412.5	425.1	433.6	447.3	463.9
<b>Total revenue from transactions</b>	<b>9 370.9</b>	<b>9 501.2</b>	<b>9 255.5</b>	<b>9 420.1</b>	<b>9 331.4</b>	<b>9 486.3</b>
<b>Expenses from transactions</b>						
Employee expenses	1 058.7	1 091.2	1 085.2	1 062.2	1 061.7	1 087.0
Superannuation interest expense	2.7	..	..	..	..	..
Other superannuation	98.8	88.4	86.1	86.5	87.3	90.9
Depreciation	1 887.3	1 965.1	1 966.4	2 100.9	2 206.6	2 229.9
Interest expense	1 171.5	1 228.8	1 177.9	1 180.9	1 166.4	1 149.4
Grants and other transfers	243.1	240.9	242.8	200.0	64.7	64.3
Other operating expenses	4 847.0	5 047.8	5 084.0	5 194.9	5 162.2	5 100.4
Other property expenses	10.3	115.5	117.3	133.0	144.4	172.4
<b>Total expenses from transactions</b>	<b>9 319.4</b>	<b>9 777.7</b>	<b>9 759.7</b>	<b>9 958.3</b>	<b>9 893.4</b>	<b>9 894.3</b>
<b>Net result from transactions – net operating balance</b>	<b>51.5</b>	<b>(276.4)</b>	<b>(504.2)</b>	<b>(538.2)</b>	<b>(562.0)</b>	<b>(408.0)</b>
<b>Total other economic flows included in net result</b>	<b>25.4</b>	<b>117.4</b>	<b>174.1</b>	<b>3 858.4</b>	<b>246.1</b>	<b>265.4</b>
<b>Net result</b>	<b>76.9</b>	<b>(159.0)</b>	<b>(330.1)</b>	<b>3 320.2</b>	<b>(315.9)</b>	<b>(142.6)</b>

**Table 5.1: Public non-financial corporations sector comprehensive operating statement<sup>(a)</sup> (continued)**

	(\$ million)					
	2013-14 actual	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Other economic flows – other comprehensive income</b>						
<b>Items that will not be reclassified to net result</b>						
Changes in non-financial assets revaluation surplus	2 821.9	2 782.8	2 591.5	1 378.4	(67.5)	(71.3)
Remeasurement of superannuation defined benefit plans	24.3	(4.3)	(4.3)	(4.3)	(4.3)	(4.3)
Other movements in equity	34.3	(5.8)	70.8	0.3	0.1	(3.8)
<b>Items that may be reclassified subsequently to net result</b>						
Net gain/(loss) on financial assets at fair value	(3.4)	(2.2)	20.8	2.6	2.4	1.1
<b>Total other economic flows – other comprehensive income</b>	<b>2 877.2</b>	<b>2 770.6</b>	<b>2 678.9</b>	<b>1 377.1</b>	<b>(69.2)</b>	<b>(78.3)</b>
<b>Comprehensive result – total change in net worth</b>	<b>2 954.1</b>	<b>2 611.6</b>	<b>2 348.8</b>	<b>4 697.3</b>	<b>(385.2)</b>	<b>(220.9)</b>
<b>FISCAL AGGREGATES</b>						
<b>Net operating balance</b>	<b>51.5</b>	<b>(276.4)</b>	<b>(504.2)</b>	<b>(538.2)</b>	<b>(562.0)</b>	<b>(408.0)</b>
Less: net acquisition of non-financial assets from transactions	2 221.0	2 970.8	2 479.8	(4 689.4)	243.3	428.0
<b>Net lending/(borrowing)</b>	<b>(2 169.4)</b>	<b>(3 247.3)</b>	<b>(2 984.0)</b>	<b>4 151.3</b>	<b>(805.2)</b>	<b>(836.1)</b>

Source: Department of Treasury and Finance

Note:

(a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.

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

(\$ million)

	2014 actual	2015 budget <sup>(a)</sup>	2015 revised	2016 estimate	2017 estimate	2018 estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	984.5	999.6	520.6	437.2	473.1	500.4
Advances paid	53.9	50.3	49.7	45.6	42.3	39.4
Receivables	1 443.6	1 450.4	1 350.6	928.2	1 020.2	1 046.6
Investments, loans and placements	979.0	926.4	948.2	907.5	727.5	720.9
Investments accounted for using equity method	1 243.2	1 243.2	1 243.2	1 243.2	1 243.2	1 243.2
<b>Total financial assets</b>	<b>4 704.2</b>	<b>4 670.0</b>	<b>4 112.3</b>	<b>3 561.8</b>	<b>3 506.3</b>	<b>3 550.4</b>
<b>Non-financial assets</b>						
Inventories	625.6	634.0	662.1	628.9	570.1	518.6
Non-financial assets held for sale	23.1	23.1	0.8	..	..	..
Land, buildings, infrastructure, plant and equipment	93 410.2	100 068.8	99 405.2	99 745.8	99 995.8	100 420.0
Other non-financial assets	1 302.5	1 312.5	1 318.9	1 280.6	1 248.9	1 213.0
<b>Total non-financial assets</b>	<b>95 361.4</b>	<b>102 038.4</b>	<b>101 387.0</b>	<b>101 655.3</b>	<b>101 814.8</b>	<b>102 151.6</b>
<b>Total assets</b>	<b>100 065.6</b>	<b>106 708.4</b>	<b>105 499.3</b>	<b>105 217.1</b>	<b>105 321.1</b>	<b>105 702.0</b>
<b>Liabilities</b>						
Deposits held and advances received	401.5	416.3	366.1	369.2	369.1	369.2
Payables	1 645.7	1 634.8	1 567.1	1 533.9	1 585.6	1 557.2
Borrowings	16 369.6	17 565.6	17 380.6	17 129.1	17 190.2	17 180.3
Employee benefits	354.6	358.8	354.2	352.9	352.1	356.6
Superannuation	48.3	50.0	53.7	38.9	38.7	38.5
Other provisions	8 272.7	8 923.6	8 840.2	8 427.4	8 267.6	7 982.3
<b>Total liabilities</b>	<b>27 092.4</b>	<b>28 949.0</b>	<b>28 561.9</b>	<b>27 851.4</b>	<b>27 803.2</b>	<b>27 484.0</b>
<b>Net assets</b>	<b>72 973.2</b>	<b>77 759.3</b>	<b>76 937.4</b>	<b>77 365.7</b>	<b>77 517.9</b>	<b>78 218.0</b>
Accumulated surplus	5 094.5	4 842.0	4 545.8	7 675.6	7 174.3	6 881.7
Reserves	67 878.7	72 917.3	72 391.6	69 690.1	70 343.7	71 336.3
<b>Net worth</b>	<b>72 973.2</b>	<b>77 759.3</b>	<b>76 937.4</b>	<b>77 365.7</b>	<b>77 517.9</b>	<b>78 218.0</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth	(22 388.3)	(24 279.1)	(24 449.6)	(24 289.6)	(24 296.9)	(23 933.6)
Net financial liabilities	22 388.3	24 279.1	24 449.6	24 289.6	24 296.9	23 933.6
Net debt	14 753.8	16 005.5	16 228.1	16 107.9	16 316.3	16 288.7

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.

**Table 5.3: Public non-financial corporations sector cash flow statement<sup>(a)</sup>**

	(\$ million)					
	2013-14 actual	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	2 810.3	3 022.2	2 771.8	2 861.2	2 924.8	2 830.7
Sales of goods and services <sup>(b)</sup>	6 659.2	6 601.8	6 605.3	6 726.1	6 477.0	6 650.0
Interest received	49.3	34.9	33.5	25.3	24.2	19.1
Dividends and income tax equivalent and rate equivalents receipts	88.1	91.4	59.8	73.0	82.2	88.7
Other receipts	131.6	162.7	263.0	233.5	270.1	244.6
<b>Total receipts</b>	<b>9 738.5</b>	<b>9 913.0</b>	<b>9 733.4</b>	<b>9 919.1</b>	<b>9 778.2</b>	<b>9 833.1</b>
<b>Payments</b>						
Payments for employees	(1 029.9)	(1 087.9)	(1 084.7)	(1 062.6)	(1 061.7)	(1 081.6)
Superannuation	(111.9)	(90.9)	(85.0)	(105.5)	(91.8)	(95.4)
Interest paid	(1 127.8)	(1 196.6)	(1 146.4)	(1 166.3)	(1 149.8)	(1 132.8)
Grants	(129.9)	(134.8)	(101.9)	(98.6)	(74.8)	(49.0)
Goods and services <sup>(b)</sup>	(3 913.4)	(4 011.2)	(4 155.3)	(4 018.0)	(3 924.9)	(3 907.2)
Other payments	(1 484.3)	(2 039.1)	(1 971.9)	(1 821.4)	(1 937.6)	(2 014.3)
<b>Total payments</b>	<b>(7 797.3)</b>	<b>(8 560.6)</b>	<b>(8 545.1)</b>	<b>(8 272.4)</b>	<b>(8 240.5)</b>	<b>(8 280.3)</b>
<b>Net cash flows from operating activities</b>	<b>1 941.2</b>	<b>1 352.4</b>	<b>1 188.2</b>	<b>1 646.7</b>	<b>1 537.7</b>	<b>1 552.8</b>
<b>Cash flows from investing activities</b>						
Net cash flows from investments in non-financial assets	(3 065.1)	(3 249.8)	(2 929.9)	3 639.5	(1 691.8)	(1 657.4)
Net cash flows from investments in financial assets for policy purposes	27.2	3.6	7.2	4.0	3.3	(0.2)
Net cash flows from investments in financial assets for liquidity purposes	(79.1)	59.7	52.9	44.4	183.3	47.5
<b>Net cash flows from investing activities</b>	<b>(3 117.0)</b>	<b>(3 186.5)</b>	<b>(2 869.7)</b>	<b>3 687.9</b>	<b>(1 505.2)</b>	<b>(1 610.2)</b>
<b>Cash flows from financing activities</b>						
Advances received (net)	1.3	13.2	16.0	1.9	(1.0)	(1.6)
Net borrowings	127.8	1 184.9	1 010.9	(251.5)	61.1	(16.9)
Deposits received (net)	(19.8)	1.5	(51.5)	1.3	0.9	1.7
Other financing (net)	1 252.4	647.6	242.1	(5 169.6)	(57.6)	94.4
<b>Net cash flows from financing activities</b>	<b>1 361.7</b>	<b>1 847.2</b>	<b>1 217.6</b>	<b>(5 417.9)</b>	<b>3.3</b>	<b>77.6</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>185.8</b>	<b>13.1</b>	<b>(463.9)</b>	<b>(83.4)</b>	<b>35.9</b>	<b>20.3</b>
Cash and cash equivalents at beginning of reporting period <sup>(c)</sup>	797.9	983.7	983.7	519.8	436.5	472.3
<b>Cash and cash equivalents at end of reporting period <sup>(c)(d)</sup></b>	<b>983.7</b>	<b>996.8</b>	<b>519.8</b>	<b>436.5</b>	<b>472.3</b>	<b>492.6</b>

**Table 5.3: Public non-financial corporations sector cash flow statement<sup>(a)</sup>  
(continued)**

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	<i>actual</i>	<i>budget</i>	<i>revised</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
<b>FISCAL AGGREGATES</b>						
Net cash flows from operating activities	1 941.2	1 352.4	1 188.2	1 646.7	1 537.7	1 552.8
Dividends paid	(84.5)	(69.1)	(247.1)	(178.6)	(143.3)	(99.5)
Cash flows from investments in non-financial assets	(3 065.1)	(3 249.8)	(2 929.9)	3 639.5	(1 691.8)	(1 657.4)
<b>Cash surplus/(deficit)</b>	<b>(1 208.4)</b>	<b>(1 966.5)</b>	<b>(1 988.7)</b>	<b>5 107.6</b>	<b>(297.3)</b>	<b>(204.1)</b>

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) Inclusive of goods and services tax.
- (c) 2014-15 Budget figures have been restated to represent actual opening balances at 1 July 2014.
- (d) 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>2013-14 actual</b>		
Balance at 1 July 2013	5 088.6	30 624.9
Net result	76.9	..
Other comprehensive income for the year	13.5	..
Dividends paid	(84.5)	..
Transactions with owners in their capacity as owners	..	2 338.1
<b>Total equity at end of period</b>	<b>5 094.5</b>	<b>32 963.0</b>
<b>2014-15 budget <sup>(a)</sup></b>		
Balance at 1 July 2014	5 094.5	32 963.0
Net result	(159.0)	..
Other comprehensive income for the year	(24.4)	..
Dividends paid	(69.1)	..
Transactions with owners in their capacity as owners	..	2 243.7
<b>Total equity at end of period</b>	<b>4 842.0</b>	<b>35 206.7</b>
<b>2014-15 revised</b>		
Balance at 1 July 2014	5 094.5	32 963.0
Net result	(330.1)	..
Other comprehensive income for the year	28.4	..
Dividends paid	(247.1)	..
Transactions with owners in their capacity as owners	..	1 862.4
<b>Total equity at end of period</b>	<b>4 545.8</b>	<b>34 825.4</b>
<b>2015-16 estimate</b>		
Balance at 1 July 2015	4 545.8	34 825.4
Net result	3 320.2	..
Other comprehensive income for the year	(11.8)	..
Dividends paid	(178.6)	..
Transactions with owners in their capacity as owners	..	(4 090.3)
<b>Total equity at end of period</b>	<b>7 675.6</b>	<b>30 735.1</b>
<b>2016-17 estimate</b>		
Balance at 1 July 2016	7 675.6	30 735.1
Net result	(315.9)	..
Other comprehensive income for the year	(42.1)	..
Dividends paid	(143.3)	..
Transactions with owners in their capacity as owners	..	680.7
<b>Total equity at end of period</b>	<b>7 174.3</b>	<b>31 415.8</b>
<b>2017-18 estimate</b>		
Balance at 1 July 2017	7 174.3	31 415.8
Net result	(142.6)	..
Other comprehensive income for the year	(50.4)	..
Dividends paid	(99.5)	..
Transactions with owners in their capacity as owners	..	1 020.5
<b>Total equity at end of period</b>	<b>6 881.7</b>	<b>32 436.3</b>

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
31 754.1	297.9	67 765.5
..	..	76.9
2 821.9	41.8	2 877.2
..	..	(84.5)
..	..	2 338.1
<b>34 576.1</b>	<b>339.6</b>	<b>72 973.2</b>
34 576.1	339.6	72 973.2
..	..	(159.0)
2 782.8	12.2	2 770.6
..	..	(69.1)
..	..	2 243.7
<b>37 358.9</b>	<b>351.8</b>	<b>77 759.3</b>
34 576.1	339.6	72 973.2
..	..	(330.1)
2 591.5	59.0	2 678.9
..	..	(247.1)
..	..	1 862.4
<b>37 167.6</b>	<b>398.6</b>	<b>76 937.4</b>
37 167.6	398.6	76 937.4
..	..	3 320.2
1 378.4	10.4	1 377.1
..	..	(178.6)
..	..	(4 090.3)
<b>38 546.0</b>	<b>409.0</b>	<b>77 365.7</b>
38 546.0	409.0	77 365.7
..	..	(315.9)
(67.5)	40.3	(69.2)
..	..	(143.3)
..	..	680.7
<b>38 478.6</b>	<b>449.3</b>	<b>77 517.9</b>
38 478.6	449.3	77 517.9
..	..	(142.6)
(71.3)	43.4	(78.3)
..	..	(99.5)
..	..	1 020.5
<b>38 407.2</b>	<b>492.8</b>	<b>78 218.0</b>

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

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	<i>actual</i>	<i>budget</i>	<i>revised</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
<b>Cash surplus/(deficit)</b>	<b>(1 208.4)</b>	<b>(1 966.5)</b>	<b>(1 988.7)</b>	<b>5 107.6</b>	<b>(297.3)</b>	<b>(204.1)</b>
Convergence differences:						
Acquisitions under finance leases and similar arrangements	..	..	..	..	..	..
<b>GFS cash surplus/(deficit) <sup>(a)</sup></b>	<b>(1 208.4)</b>	<b>(1 966.5)</b>	<b>(1 988.7)</b>	<b>5 107.6</b>	<b>(297.3)</b>	<b>(204.1)</b>

Source: Department of Treasury and Finance

Note:

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

**Table 5.6: Net acquisition of non-financial assets – public non-financial corporations sector<sup>(a)</sup>**

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	<i>actual</i>	<i>budget</i>	<i>revised</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Purchases of non-financial assets less sales of non-financial assets	3 065.1	3 249.8	2 929.9	(3 639.5)	1 691.8	1 657.4
Less: Depreciation	(1 887.3)	(1 965.1)	(1 966.4)	(2 100.9)	(2 206.6)	(2 229.9)
Plus: Other movements in non-financial assets	1 043.1	1 686.1	1 516.3	1 051.0	758.1	1 000.6
<b>Total net acquisition of non-financial assets</b>	<b>2 221.0</b>	<b>2 970.8</b>	<b>2 479.8</b>	<b>(4 689.4)</b>	<b>243.3</b>	<b>428.0</b>

Source: Department of Treasury and Finance

Note:

(a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.



**Table 5.7: Non-financial public sector comprehensive operating statement<sup>(a)</sup>**

	(\$ million)					
	2013-14 <i>actual</i>	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Revenue from transactions</b>						
Taxation revenue	16 505.3	17 624.4	17 483.5	18 245.8	19 404.7	20 210.1
Interest revenue	401.1	369.4	373.5	385.4	401.4	432.6
Dividends and income tax equivalent and rate equivalent revenue	267.4	441.4	768.5	628.7	662.1	940.9
Sales of goods and services	11 005.3	10 639.0	10 585.0	10 707.5	10 644.7	10 922.6
Grants	25 124.9	24 853.2	24 662.2	25 227.8	25 862.9	26 738.8
Other revenue	2 729.7	2 486.4	2 566.8	2 529.6	2 630.5	2 611.4
<b>Total revenue from transactions</b>	<b>56 033.7</b>	<b>56 413.8</b>	<b>56 439.5</b>	<b>57 724.7</b>	<b>59 606.3</b>	<b>61 856.4</b>
<b>Expenses from transactions</b>						
Employee expenses	19 018.6	19 485.5	19 543.0	20 613.8	21 158.9	21 995.2
Superannuation interest expense	1 054.7	1 023.9	1 014.8	986.9	968.2	946.4
Other superannuation	1 975.2	1 952.0	2 023.8	2 059.6	2 079.4	2 100.2
Depreciation	4 251.0	4 461.1	4 421.3	4 645.3	4 933.4	5 177.8
Interest expense	2 823.5	2 911.6	2 795.6	2 700.5	2 669.6	2 725.2
Grants and other transfers	5 041.1	5 421.2	5 402.3	5 585.5	5 986.6	6 237.7
Other operating expenses	20 098.4	20 227.1	20 866.6	19 671.8	20 108.1	20 743.1
<b>Total expenses from transactions</b>	<b>54 262.6</b>	<b>55 482.4</b>	<b>56 067.4</b>	<b>56 263.5</b>	<b>57 904.3</b>	<b>59 925.6</b>
<b>Net result from transactions – net operating balance</b>	<b>1 771.1</b>	<b>931.4</b>	<b>372.0</b>	<b>1 461.2</b>	<b>1 702.1</b>	<b>1 930.8</b>
<b>Total other economic flows included in net result</b>	<b>(1 164.9)</b>	<b>(204.3)</b>	<b>(243.1)</b>	<b>3 068.7</b>	<b>(285.3)</b>	<b>(267.0)</b>
<b>Net result</b>	<b>606.2</b>	<b>727.2</b>	<b>129.0</b>	<b>4 529.9</b>	<b>1 416.7</b>	<b>1 663.8</b>
<b>Other economic flows – other comprehensive income</b>						
<b>Items that will not be reclassified to net result</b>						
Changes in non-financial assets revaluation surplus	5 224.5	7 600.7	7 469.0	2 182.1	1 867.9	4 525.0
Remeasurement of superannuation defined benefit plans	(261.9)	494.9	622.1	646.6	659.4	671.8
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	944.3	341.8	11.6	100.9	182.5	231.5
Other movements in equity	848.0	26.4	39.0	(106.2)	142.8	(14.9)
<b>Items that may be reclassified subsequently to net result</b>						
Net gain/(loss) on financial assets at fair value	(8.6)	(1.1)	22.0	3.8	3.6	2.4
<b>Total other economic flows – other comprehensive income</b>	<b>6 746.2</b>	<b>8 462.8</b>	<b>8 163.7</b>	<b>2 827.2</b>	<b>2 856.2</b>	<b>5 415.8</b>

**Table 5.7: Non-financial public sector comprehensive operating statement<sup>(a)</sup>**  
**(continued)**

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	<i>actual</i>	<i>budget</i>	<i>revised</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
<b>Comprehensive result – total change in net worth</b>	<b>7 352.4</b>	<b>9 189.9</b>	<b>8 292.6</b>	<b>7 357.0</b>	<b>4 273.0</b>	<b>7 079.6</b>
<b>FISCAL AGGREGATES</b>						
<b>Net operating balance</b>	<b>1 771.1</b>	<b>931.4</b>	<b>372.0</b>	<b>1 461.2</b>	<b>1 702.1</b>	<b>1 930.8</b>
Less: net acquisition of non-financial assets from transactions	2 886.8	3 908.4	2 987.6	(2 429.4)	3 231.4	3 192.9
<b>Net lending/(borrowing)</b>	<b>(1 115.7)</b>	<b>(2 977.0)</b>	<b>(2 615.6)</b>	<b>3 890.6</b>	<b>(1 529.3)</b>	<b>(1 262.1)</b>

Source: Department of Treasury and Finance

Note:

(a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.

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

(\$ million)

	2014 actual	2015 budget <sup>(a)</sup>	2015 revised	2016 estimate	2017 estimate	2018 estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	5 485.4	5 653.7	5 183.2	5 365.6	5 702.9	6 076.3
Advances paid	86.1	81.5	80.0	75.1	69.5	62.3
Receivables	5 256.0	5 311.0	5 427.3	4 951.9	5 105.2	5 314.5
Investments, loans and placements	4 096.6	4 066.7	4 050.3	4 106.0	4 045.9	4 165.4
Investments accounted for using equity method	1 555.1	1 555.1	1 555.1	1 555.1	1 555.1	1 555.1
Investments in other sector entities	2 896.1	3 254.5	2 579.2	2 696.8	2 895.9	3 144.0
<b>Total financial assets</b>	<b>19 375.3</b>	<b>19 922.5</b>	<b>18 875.1</b>	<b>18 750.4</b>	<b>19 374.5</b>	<b>20 317.6</b>
<b>Non-financial assets</b>						
Inventories	802.2	809.1	832.8	803.1	747.9	700.9
Non-financial assets held for sale	165.6	165.6	140.0	139.2	139.2	139.2
Land, buildings, infrastructure, plant and equipment	197 054.3	208 368.5	207 240.5	210 471.7	215 726.7	223 638.6
Other non-financial assets	2 252.9	2 244.9	2 270.5	2 188.3	2 127.4	1 968.5
<b>Total non-financial assets</b>	<b>200 275.0</b>	<b>211 588.1</b>	<b>210 483.8</b>	<b>213 602.2</b>	<b>218 741.1</b>	<b>226 447.1</b>
<b>Total assets</b>	<b>219 650.2</b>	<b>231 510.6</b>	<b>229 358.9</b>	<b>232 352.6</b>	<b>238 115.6</b>	<b>246 764.7</b>
<b>Liabilities</b>						
Deposits held and advances received	541.5	543.0	489.6	491.3	492.6	494.7
Payables	6 525.2	6 102.6	6 561.3	6 492.1	6 492.9	6 410.5
Borrowings	45 052.5	48 289.2	46 736.4	42 699.7	44 535.8	46 544.2
Employee benefits	5 657.3	5 893.9	5 882.1	6 131.1	6 379.9	6 636.9
Superannuation	25 729.0	25 427.8	25 357.6	24 910.4	24 312.0	23 670.6
Other provisions	975.1	894.5	869.8	808.7	810.1	836.0
<b>Total liabilities</b>	<b>84 480.7</b>	<b>87 151.1</b>	<b>85 896.7</b>	<b>81 533.4</b>	<b>83 023.4</b>	<b>84 592.9</b>
<b>Net assets</b>	<b>135 169.6</b>	<b>144 359.5</b>	<b>143 462.2</b>	<b>150 819.3</b>	<b>155 092.2</b>	<b>162 171.8</b>
Accumulated surplus	47 866.7	49 105.9	48 622.9	53 681.0	55 852.8	58 120.7
Reserves	87 252.9	95 203.6	94 789.3	97 088.2	99 189.4	104 001.1
Non-controlling interest	50.0	50.0	50.0	50.0	50.0	50.0
<b>Net worth</b>	<b>135 169.6</b>	<b>144 359.5</b>	<b>143 462.2</b>	<b>150 819.3</b>	<b>155 092.2</b>	<b>162 171.8</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth	(65 105.4)	(67 228.6)	(67 021.5)	(62 783.0)	(63 648.9)	(64 275.3)
Net financial liabilities	68 001.5	70 483.1	69 600.8	65 479.7	66 544.7	67 419.3
Net debt	35 925.9	39 030.3	37 912.4	33 644.3	35 210.1	36 735.0

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.

**Table 5.9: Non-financial public sector cash flow statement<sup>(a)</sup>**

(\$ million)

	2013-14 <i>actual</i>	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxes received	16 323.8	17 600.7	17 689.6	18 247.7	19 355.9	20 081.3
Grants	25 151.2	24 851.3	24 628.5	25 318.0	25 862.6	26 738.6
Sales of goods and services <sup>(b)</sup>	12 232.8	11 830.2	11 828.3	12 103.2	12 022.1	12 285.7
Interest received	370.4	364.2	370.5	383.1	402.0	415.1
Dividends and income tax equivalent and rate equivalents receipts	265.9	440.8	767.5	628.3	661.4	940.3
Other receipts	1 884.5	1 906.2	2 011.2	2 197.2	1 842.1	1 821.6
<b>Total receipts</b>	<b>56 228.6</b>	<b>56 993.5</b>	<b>57 295.7</b>	<b>58 877.4</b>	<b>60 146.2</b>	<b>62 282.4</b>
<b>Payments</b>						
Payments for employees	(18 904.4)	(19 251.9)	(19 324.1)	(20 366.0)	(20 911.5)	(21 739.5)
Superannuation	(2 788.4)	(2 782.2)	(2 788.0)	(2 847.1)	(2 986.7)	(3 016.3)
Interest paid	(2 722.9)	(2 859.3)	(2 743.9)	(2 667.0)	(2 633.2)	(2 672.1)
Grants	(5 041.9)	(5 447.8)	(5 397.3)	(5 615.3)	(6 052.2)	(6 203.6)
Goods and services <sup>(b)</sup>	(20 316.6)	(20 854.5)	(21 440.1)	(20 267.4)	(20 557.6)	(21 250.0)
Other payments	(818.3)	(674.9)	(677.6)	(666.2)	(701.4)	(741.6)
<b>Total payments</b>	<b>(50 592.5)</b>	<b>(51 870.4)</b>	<b>(52 370.9)</b>	<b>(52 429.0)</b>	<b>(53 842.7)</b>	<b>(55 623.1)</b>
<b>Net cash flows from operating activities</b>	<b>5 636.1</b>	<b>5 123.0</b>	<b>4 924.8</b>	<b>6 448.4</b>	<b>6 303.5</b>	<b>6 659.2</b>
<b>Cash flows from investing activities</b>						
Net cash flows from investments in non-financial assets	(6 791.4)	(8 209.4)	(7 264.2)	(1 014.9)	(7 128.6)	(7 140.8)
Net cash flows from investments in financial assets for policy purposes	12.6	27.6	375.5	(115.9)	132.5	(23.2)
Net cash flows from investments in financial assets for liquidity purposes	235.5	41.8	73.5	(43.8)	71.7	(70.4)
<b>Net cash flows from investing activities</b>	<b>(6 543.4)</b>	<b>(8 140.0)</b>	<b>(6 815.2)</b>	<b>(1 174.6)</b>	<b>(6 924.4)</b>	<b>(7 234.4)</b>
<b>Cash flows from financing activities</b>						
Advances received (net)	(0.6)	..	..	..	..	..
Net borrowings	1 671.0	3 181.8	1 640.2	(5 093.1)	956.9	939.3
Deposits received (net)	(41.4)	1.4	(52.0)	1.7	1.3	2.1
Other financing (net)	3.0	..	..	..	..	..
<b>Net cash flows from financing activities</b>	<b>1 632.0</b>	<b>3 183.2</b>	<b>1 588.2</b>	<b>(5 091.4)</b>	<b>958.2</b>	<b>941.5</b>

**Table 5.9: Non-financial public sector cash flow statement<sup>(a)</sup> (continued)**

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	<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>724.7</b>	<b>166.3</b>	<b>(302.2)</b>	<b>182.4</b>	<b>337.3</b>	<b>366.3</b>
Cash and cash equivalents at beginning of reporting period <sup>(c)</sup>	4 759.8	5 484.6	5 484.6	5 182.4	5 364.8	5 702.1
<b>Cash and cash equivalents at end of reporting period<sup>(c)(d)</sup></b>	<b>5 484.6</b>	<b>5 650.9</b>	<b>5 182.4</b>	<b>5 364.8</b>	<b>5 702.1</b>	<b>6 068.5</b>
<b>FISCAL AGGREGATES</b>						
Net cash flows from operating activities	5 636.1	5 123.0	4 924.8	6 448.4	6 303.5	6 659.2
Net cash flows from investments in non-financial assets	(6 791.4)	(8 209.4)	(7 264.2)	(1 014.9)	(7 128.6)	(7 140.8)
<b>Cash surplus/(deficit)</b>	<b>(1 155.4)</b>	<b>(3 086.3)</b>	<b>(2 339.4)</b>	<b>5 433.4</b>	<b>(825.1)</b>	<b>(481.6)</b>

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) Inclusive of goods and services tax.
- (c) 2014-15 budget figures have been restated to represent actual opening balances at 1 July 2014.
- (d) 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>2013-14 actual</b>		
Balance at 1 July 2013	46 751.2	50.0
Net result	606.2	..
Other comprehensive income for the year	509.3	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>47 866.7</b>	<b>50.0</b>
<b>2014-15 budget <sup>(a)</sup></b>		
Balance at 1 July 2014	47 866.7	50.0
Net result	727.2	..
Other comprehensive income for the year	512.0	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>49 105.9</b>	<b>50.0</b>
<b>2014-15 revised</b>		
Balance at 1 July 2014	47 866.7	50.0
Net result	129.0	..
Other comprehensive income for the year	627.2	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>48 622.9</b>	<b>50.0</b>
<b>2015-16 estimate</b>		
Balance at 1 July 2015	48 622.9	50.0
Net result	4 529.9	..
Other comprehensive income for the year	528.3	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>53 681.0</b>	<b>50.0</b>
<b>2016-17 estimate</b>		
Balance at 1 July 2016	53 681.0	50.0
Net result	1 416.7	..
Other comprehensive income for the year	755.1	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>55 852.8</b>	<b>50.0</b>
<b>2017-18 estimate</b>		
Balance at 1 July 2017	55 852.8	50.0
Net result	1 663.8	..
Other comprehensive income for the year	604.2	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>58 120.7</b>	<b>50.0</b>

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.

<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>
78 444.3	1 659.9	911.8	127 817.2
..	..	..	606.2
5 224.5	944.3	68.2	6 746.2
..	..	..	..
<b>83 668.7</b>	<b>2 604.2</b>	<b>979.9</b>	<b>135 169.6</b>
83 668.7	2 604.2	979.9	135 169.6
..	..	..	727.2
7 600.7	341.8	8.3	8 462.8
..	..	..	..
<b>91 269.4</b>	<b>2 946.0</b>	<b>988.2</b>	<b>144 359.5</b>
83 668.7	2 604.2	979.9	135 169.6
..	..	..	129.0
7 469.0	11.6	55.9	8 163.7
..	..	..	..
<b>91 137.8</b>	<b>2 615.8</b>	<b>1 035.8</b>	<b>143 462.2</b>
91 137.8	2 615.8	1 035.8	143 462.2
..	..	..	4 529.9
2 182.1	100.9	15.9	2 827.2
..	..	..	..
<b>93 319.8</b>	<b>2 716.7</b>	<b>1 051.7</b>	<b>150 819.3</b>
93 319.8	2 716.7	1 051.7	150 819.3
..	..	..	1 416.7
1 867.9	182.5	50.8	2 856.2
..	..	..	..
<b>95 187.7</b>	<b>2 899.2</b>	<b>1 102.5</b>	<b>155 092.2</b>
95 187.7	2 899.2	1 102.5	155 092.2
..	..	..	1 663.8
4 525.0	231.5	55.1	5 415.8
..	..	..	..
<b>99 712.7</b>	<b>3 130.7</b>	<b>1 157.6</b>	<b>162 171.8</b>

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

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	actual	budget	revised	estimate	estimate	estimate
<b>Cash surplus/(deficit)</b>	<b>(1 155.4)</b>	<b>(3 086.3)</b>	<b>(2 339.4)</b>	<b>5 433.4</b>	<b>(825.1)</b>	<b>(481.6)</b>
<i>Convergence differences:</i>						
Acquisitions under finance leases and similar arrangements <sup>(a)</sup>	(109.5)	(36.4)	(36.4)	(1 050.4)	(873.0)	(1 055.8)
<b>GFS cash surplus/(deficit) <sup>(b)</sup></b>	<b>(1 264.9)</b>	<b>(3 122.8)</b>	<b>(2 375.8)</b>	<b>4 383.0</b>	<b>(1 698.0)</b>	<b>(1 537.3)</b>

Source: Department of Treasury and Finance

Notes:

- (a) The 2013-14 actual result reflects the recognition of the finance lease arrangement relating to the metropolitan bus contracts. The finance lease acquisition in 2014-15 relates to further metropolitan bus contracts. The 2015-16 estimate relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate relates to the new Bendigo Hospital project (stage 1), the Cranbourne-Pakenham Rail Corridor project and the School Capital program (tranche 1). The 2017-18 estimate relates to the Cranbourne-Pakenham Rail Corridor project, the Ravenhall Prison project, the School Capital program (tranche 2) and the new Bendigo Hospital project (stage 2).
- (b) Determined in accordance with the ABS GFS manual.

**Table 5.12: Net acquisition of non-financial assets – non-financial public sector<sup>(a)</sup>**

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	actual	budget	revised	estimate	estimate	estimate
Purchases of non-financial assets less sales of non-financial assets	6 791.4	8 209.4	7 264.2	1 014.9	7 128.6	7 140.8
Less: Depreciation	(4 251.0)	(4 461.1)	(4 421.3)	(4 645.3)	(4 933.4)	(5 177.8)
Plus: Other movements in non-financial assets <sup>(b)</sup>	346.4	160.1	144.8	1 200.9	1 036.2	1 229.9
<b>Total net acquisition of non-financial assets</b>	<b>2 886.8</b>	<b>3 908.4</b>	<b>2 987.6</b>	<b>(2 429.4)</b>	<b>3 231.4</b>	<b>3 192.9</b>

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) The other movements in non-financial assets amount in 2013-14 predominately reflects the recognition of the finance lease arrangement relating to the metropolitan bus contracts. The amount in 2014-15 predominately relates to metropolitan buses contract and developer contributions to the metropolitan water corporations. The 2015-16 estimate relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate predominately relates to the new Bendigo Hospital project (stage 1), the Cranbourne-Pakenham Rail Corridor project and the School Capital program (tranche 1). The 2017-18 estimate predominately relates to the Cranbourne-Pakenham Rail Corridor project, the Ravenhall Prison project, the School Capital program (tranche 2) and the new Bendigo Hospital project (stage 2).



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

	(\$ million)					
	2013-14 actual	2014-15 budget	2014-15 revised	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Revenue from transactions</b>						
Interest revenue	2 498.9	2 862.1	2 642.4	2 540.7	2 472.4	2 537.7
Dividends and income tax equivalent and rate equivalent revenue	805.5	533.4	555.2	742.8	812.6	844.9
Sales of goods and services	3 895.3	4 074.8	4 017.8	4 197.1	4 403.3	4 620.8
Grants	..	0.1	0.1	0.1	0.1	..
Other revenue	20.5	22.6	22.3	23.1	24.0	24.8
<b>Total revenue from transactions</b>	<b>7 220.1</b>	<b>7 493.0</b>	<b>7 237.8</b>	<b>7 503.7</b>	<b>7 712.6</b>	<b>8 028.2</b>
<b>Expenses from transactions</b>						
Employee expenses	309.9	302.5	293.5	299.5	307.1	315.1
Other superannuation	23.6	23.4	22.6	23.2	23.8	24.4
Depreciation	43.1	57.1	55.3	56.2	59.1	56.7
Interest expense	2 092.4	2 160.4	2 101.5	1 976.5	1 862.5	1 897.8
Other operating expenses	5 507.4	5 540.0	5 536.1	5 880.4	6 114.1	6 427.0
Other property expenses	338.7	6.1	215.1	223.8	255.9	267.7
<b>Total expenses from transactions</b>	<b>8 315.2</b>	<b>8 089.5</b>	<b>8 224.1</b>	<b>8 459.6</b>	<b>8 622.4</b>	<b>8 988.6</b>
<b>Net result from transactions – net operating balance <sup>(a)</sup></b>	<b>(1 095.0)</b>	<b>(596.5)</b>	<b>(986.3)</b>	<b>(955.9)</b>	<b>(909.9)</b>	<b>(960.4)</b>
<b>Other economic flows included in net result</b>						
Net (loss) on sale of non-financial assets	(0.4)	..	..	..	..	..
Net gain on financial assets or liabilities at fair value	1 222.4	716.2	1 036.9	847.9	854.6	920.5
Other gains from other economic flows	547.7	495.4	639.1	715.1	742.1	773.2
<b>Total other economic flows included in net result</b>	<b>1 769.6</b>	<b>1 211.6</b>	<b>1 675.9</b>	<b>1 563.0</b>	<b>1 596.6</b>	<b>1 693.7</b>
<b>Net result</b>	<b>674.5</b>	<b>615.2</b>	<b>689.6</b>	<b>607.1</b>	<b>686.7</b>	<b>732.2</b>
<b>Other economic flows – other comprehensive income</b>						
<b>Items that will not be reclassified to net result</b>						
Changes in non-financial assets revaluation surplus	(12.9)	..	..	..	..	..
Other movements in equity	12.4	(0.3)	(283.5)	..	(0.6)	(1.2)
<b>Total other economic flows – other comprehensive income</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>(283.5)</b>	<b>..</b>	<b>(0.6)</b>	<b>(1.2)</b>
<b>Comprehensive result – total change in net worth</b>	<b>674.0</b>	<b>614.9</b>	<b>406.1</b>	<b>607.1</b>	<b>686.1</b>	<b>732.0</b>

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

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	<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>(1 095.0)</b>	<b>(596.5)</b>	<b>(986.3)</b>	<b>(955.9)</b>	<b>(909.9)</b>	<b>(960.4)</b>
Less: Net acquisition of non-financial assets from transactions	(24.9)	6.6	(13.0)	(11.8)	(0.9)	8.3
<b>Net lending/(borrowing)</b>	<b>(1 070.1)</b>	<b>(603.1)</b>	<b>(973.3)</b>	<b>(944.0)</b>	<b>(908.9)</b>	<b>(968.7)</b>

Source: Department of Treasury and Finance

Note:

- (a) Capital gains on the investment portfolios of the State's insurance agencies (Victorian WorkCover Authority, Transport Accident Commission and Victorian Managed Insurance Authority) are classified as other economic flows. As these capital gains are available to fund claims expenses, the net result provides a more meaningful reflection of the underlying operating performance of the PFC sector than the net results from transactions.

**Table 5.14: Public financial corporations sector balance sheet**

(\$ million)

	2014 actual	2015 budget <sup>(a)</sup>	2015 revised	2016 estimate	2017 estimate	2018 estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	5 691.4	5 867.3	5 514.7	5 907.7	6 082.5	6 343.4
Advances paid, investments, loans and placements	29 118.3	29 041.4	27 978.4	29 235.8	30 505.5	31 849.2
Loans receivable from non-financial public sector <sup>(b)</sup>	35 585.9	39 040.8	37 754.2	32 919.0	34 122.3	35 415.2
Receivables	1 432.1	1 427.7	1 423.6	1 295.0	1 468.8	1 527.6
<b>Total financial assets</b>	<b>71 827.8</b>	<b>75 377.1</b>	<b>72 670.8</b>	<b>69 357.5</b>	<b>72 179.1</b>	<b>75 135.5</b>
<b>Non-financial assets</b>						
Non-financial assets held for sale	1.0	1.0	..	..	..	..
Land, buildings, infrastructure, plant and equipment	82.7	75.9	79.0	70.7	74.7	85.2
Other non-financial assets	1 104.8	917.8	910.7	830.9	714.5	813.5
<b>Total non-financial assets</b>	<b>1 188.5</b>	<b>994.7</b>	<b>989.6</b>	<b>901.6</b>	<b>789.2</b>	<b>898.8</b>
<b>Total assets</b>	<b>73 016.4</b>	<b>76 371.8</b>	<b>73 660.4</b>	<b>70 259.1</b>	<b>72 968.3</b>	<b>76 034.2</b>
<b>Liabilities</b>						
Deposits held and advances received	5 926.9	5 901.3	5 295.3	5 274.5	5 179.3	5 277.2
Payables	1 496.0	1 577.2	1 552.8	1 638.4	1 738.8	1 822.3
Borrowings <sup>(c)</sup>	42 153.6	44 156.7	42 629.2	37 786.0	38 980.8	40 265.8
Employee benefits	87.8	89.9	79.7	81.7	83.1	85.1
Other provisions	23 664.4	24 672.5	24 744.3	25 902.0	27 147.0	28 500.4
<b>Total liabilities</b>	<b>73 328.7</b>	<b>76 397.6</b>	<b>74 301.3</b>	<b>70 682.5</b>	<b>73 129.0</b>	<b>75 950.9</b>
<b>Net assets <sup>(d)</sup></b>	<b>(312.3)</b>	<b>(25.8)</b>	<b>(640.9)</b>	<b>(423.5)</b>	<b>(160.7)</b>	<b>83.3</b>
Accumulated surplus/(deficit)	(749.2)	(485.7)	(1 004.4)	(811.6)	(573.1)	(353.7)
Reserves	436.9	459.9	363.5	388.2	412.4	437.0
<b>Net worth <sup>(d)</sup></b>	<b>(312.3)</b>	<b>(25.8)</b>	<b>(640.9)</b>	<b>(423.5)</b>	<b>(160.7)</b>	<b>83.3</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth	(1 500.9)	(1 020.5)	(1 630.6)	(1 325.0)	(949.9)	(815.4)
Net financial liabilities	1 500.9	1 020.5	1 630.6	1 325.0	949.9	815.4
<b>Net debt</b>	<b>(22 315.1)</b>	<b>(23 891.5)</b>	<b>(23 322.7)</b>	<b>(25 002.0)</b>	<b>(26 550.2)</b>	<b>(28 064.8)</b>

Source: Department of Treasury and Finance

Notes:

- (a) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.
- (b) Loans receivable from the non-financial public sector are measured at amortised cost.
- (c) Borrowings with the private sector are reported at market value.
- (d) Treasury Corporation of Victoria's external loan liabilities are reported at marked-to-market while the corresponding assets, that is lending to the non-financial public sector, are reported at historical value. This mismatch results in the negative net asset position of the sector.

**Table 5.15: Public financial corporations sector cash flow statement<sup>(a)</sup>**

	(\$ million)					
	2013-14 <i>actual</i>	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	0.1	0.1	0.1	0.1	0.1	..
Sales of goods and services <sup>(b)</sup>	4 277.2	4 557.9	4 422.5	4 630.9	4 855.6	5 096.8
Interest received	2 428.6	2 817.0	2 581.7	2 474.0	2 405.6	2 466.5
Dividends and income tax equivalent and rate equivalents receipts	805.5	533.4	555.2	742.8	812.6	844.9
Other receipts	285.7	24.6	74.4	62.8	35.3	22.6
<b>Total receipts</b>	<b>7 797.0</b>	<b>7 933.1</b>	<b>7 634.0</b>	<b>7 910.6</b>	<b>8 109.2</b>	<b>8 430.8</b>
<b>Payments</b>						
Payments for employees	(310.8)	(300.5)	(301.6)	(297.5)	(305.7)	(313.1)
Superannuation	(23.6)	(23.4)	(22.6)	(23.2)	(23.8)	(24.4)
Interest paid	(2 118.1)	(2 217.4)	(2 091.2)	(1 974.1)	(1 865.8)	(1 899.8)
Goods and services <sup>(b)</sup>	(3 922.8)	(4 217.5)	(4 211.8)	(4 405.7)	(4 534.9)	(4 767.6)
Other payments	(20.9)	(2.4)	(31.5)	(6.2)	(265.7)	(365.8)
<b>Total payments</b>	<b>(6 396.1)</b>	<b>(6 761.2)</b>	<b>(6 658.6)</b>	<b>(6 706.7)</b>	<b>(6 995.8)</b>	<b>(7 370.7)</b>
<b>Net cash flows from operating activities</b>	<b>1 400.9</b>	<b>1 171.9</b>	<b>975.4</b>	<b>1 203.9</b>	<b>1 113.4</b>	<b>1 060.1</b>
<b>Cash flows from investing activities</b>						
Purchases of non-financial assets	(37.3)	(64.4)	(43.3)	(45.4)	(59.1)	(65.9)
Sales of non-financial assets	19.0	0.8	1.0	1.0	0.9	0.9
Cash flows from investments in non-financial assets	(18.2)	(63.7)	(42.2)	(44.4)	(58.1)	(65.0)
Net cash flows from other investing activities for policy and liquidity purposes	(3 536.5)	(4 127.6)	(366.5)	4 495.2	(1 548.5)	(1 641.6)
<b>Net cash flows from investing activities</b>	<b>(3 554.7)</b>	<b>(4 191.3)</b>	<b>(408.8)</b>	<b>4 450.8</b>	<b>(1 606.6)</b>	<b>(1 706.5)</b>
<b>Cash flows from financing activities</b>						
Advances received (net)	30.7	0.7	10.6	0.8	1.0	1.3
Net borrowings	3 879.8	3 549.3	545.8	(4 851.3)	1 186.5	1 276.6
Deposits received (net)	(90.2)	(26.4)	(642.2)	(21.6)	(96.2)	96.6
Other financing (net)	(133.5)	(328.3)	(657.6)	(389.6)	(423.4)	(467.1)
<b>Net cash flows from financing activities</b>	<b>3 686.8</b>	<b>3 195.3</b>	<b>(743.3)</b>	<b>(5 261.7)</b>	<b>667.9</b>	<b>907.4</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1 533.0</b>	<b>175.9</b>	<b>(176.7)</b>	<b>393.0</b>	<b>174.7</b>	<b>261.0</b>
Cash and cash equivalents at beginning of reporting period <sup>(c)</sup>	4 158.4	5 691.4	5 691.4	5 514.7	5 907.7	6 082.5
<b>Cash and cash equivalents at end of reporting period <sup>(c)</sup></b>	<b>5 691.4</b>	<b>5 867.3</b>	<b>5 514.7</b>	<b>5 907.7</b>	<b>6 082.5</b>	<b>6 343.4</b>

**Table 5.15: Public financial corporations sector cash flow statement<sup>(a)</sup> (continued)**

(\$ million)

	2013-14 <i>actual</i>	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>FISCAL AGGREGATES</b>						
Net cash flows from operating activities	1 400.9	1 171.9	975.4	1 203.9	1 113.4	1 060.1
Dividends paid	(136.0)	(344.9)	(674.2)	(406.2)	(440.0)	(483.7)
Net cash flows from investments in non-financial assets	(18.2)	(63.7)	(42.2)	(44.4)	(58.1)	(65.0)
<b>Cash surplus/(deficit)</b>	<b>1 246.7</b>	<b>763.3</b>	<b>259.0</b>	<b>753.3</b>	<b>615.3</b>	<b>511.4</b>

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) Inclusive of goods and services tax.
- (c) 2014-15 budget figures have been restated to represent actual opening balances at 1 July 2014.

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

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
<b>2013-14 actual</b>		
Balance at 1 July 2013	(1 765.4)	251.8
Net result	674.5	..
Other comprehensive income for the year	477.7	..
Dividends paid	(136.0)	..
Transactions with owners in their capacity as owners	..	2.5
<b>Total equity at end of period</b>	<b>(749.2)</b>	<b>254.3</b>
<b>2014-15 budget <sup>(a)</sup></b>		
Balance at 1 July 2014	(749.2)	254.3
Net result	615.2	..
Other comprehensive income for the year	(6.7)	..
Dividends paid	(344.9)	..
Transactions with owners in their capacity as owners	..	16.6
<b>Total equity at end of period</b>	<b>(485.7)</b>	<b>270.9</b>
<b>2014-15 revised</b>		
Balance at 1 July 2014	(749.2)	254.3
Net result	689.6	..
Other comprehensive income for the year	(270.7)	..
Dividends paid	(674.2)	..
Transactions with owners in their capacity as owners	..	(60.5)
<b>Total equity at end of period</b>	<b>(1 004.4)</b>	<b>193.7</b>
<b>2015-16 estimate</b>		
Balance at 1 July 2015	(1 004.4)	193.7
Net result	607.1	..
Other comprehensive income for the year	(8.1)	..
Dividends paid	(406.2)	..
Transactions with owners in their capacity as owners	..	16.6
<b>Total equity at end of period</b>	<b>(811.6)</b>	<b>210.3</b>
<b>2016-17 estimate</b>		
Balance at 1 July 2016	(811.6)	210.3
Net result	686.7	..
Other comprehensive income for the year	(8.2)	..
Dividends paid	(440.0)	..
Transactions with owners in their capacity as owners	..	16.6
<b>Total equity at end of period</b>	<b>(573.1)</b>	<b>226.9</b>
<b>2017-18 estimate</b>		
Balance at 1 July 2017	(573.1)	226.9
Net result	733.2	..
Other comprehensive income for the year	(9.3)	..
Dividends paid	(504.6)	..
Transactions with owners in their capacity as owners	..	16.6
<b>Total equity at end of period</b>	<b>(353.7)</b>	<b>243.5</b>

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
15.0	645.9	(852.8)
..	..	674.5
(12.9)	(465.3)	(0.5)
..	..	(136.0)
..	..	2.5
<b>2.1</b>	<b>180.6</b>	<b>(312.3)</b>
2.1	180.6	(312.3)
..	..	615.2
..	6.4	(0.3)
..	..	(344.9)
..	..	16.6
<b>2.1</b>	<b>187.0</b>	<b>(25.8)</b>
2.1	180.6	(312.3)
..	..	689.6
..	(12.9)	(283.5)
..	..	(674.2)
..	..	(60.5)
<b>2.1</b>	<b>167.7</b>	<b>(640.9)</b>
2.1	167.7	(640.9)
..	..	607.1
..	8.1	..
..	..	(406.2)
..	..	16.6
<b>2.1</b>	<b>175.8</b>	<b>(423.5)</b>
2.1	175.8	(423.5)
..	..	686.7
..	7.6	(0.6)
..	..	(440.0)
..	..	16.6
<b>2.1</b>	<b>183.4</b>	<b>(160.7)</b>
2.1	183.4	(160.7)
..	..	733.2
..	8.1	(1.2)
..	..	(504.6)
..	..	16.6
<b>2.1</b>	<b>191.4</b>	<b>83.3</b>

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

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	actual	budget	revised	estimate	estimate	estimate
<b>Cash surplus/(deficit)</b>	<b>1 246.7</b>	<b>763.3</b>	<b>259.0</b>	<b>753.3</b>	<b>615.3</b>	<b>511.4</b>
<i>Convergence differences:</i>						
Acquisitions under finance leases and similar arrangements	..	..	..	..	..	..
<b>GFS cash surplus/(deficit) <sup>(a)</sup></b>	<b>1 246.7</b>	<b>763.3</b>	<b>259.0</b>	<b>753.3</b>	<b>615.3</b>	<b>511.4</b>

Source: Department of Treasury and Finance

Note:

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

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

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	actual	budget	revised	estimate	estimate	estimate
Purchases of non-financial assets	37.3	64.4	43.3	45.4	59.1	65.9
Less: Sales of non-financial assets	(19.0)	(0.8)	(1.0)	(1.0)	(0.9)	(0.9)
Less: Depreciation	(43.1)	(57.1)	(55.3)	(56.2)	(59.1)	(56.7)
<b>Total net acquisition of non-financial assets</b>	<b>(24.9)</b>	<b>6.6</b>	<b>(13.0)</b>	<b>(11.8)</b>	<b>(0.9)</b>	<b>8.3</b>

Source: Department of Treasury and Finance



**Table 5.19: State of Victoria comprehensive operating statement<sup>(a)</sup>**

	(\$ million)					
	2013-14 <i>actual</i>	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Revenue from transactions</b>						
Taxation revenue	16 490.4	17 609.6	17 469.4	18 231.3	19 389.9	20 194.9
Interest revenue	938.6	1 129.5	1 002.4	981.6	1 034.5	1 091.0
Dividends and income tax equivalent and rate equivalent revenue	914.7	626.9	617.5	817.8	897.0	935.7
Sales of goods and services	14 233.3	14 001.8	13 914.3	14 200.2	14 310.5	14 769.2
Grants	25 019.1	24 725.2	24 533.9	25 110.6	25 759.1	26 634.8
Other revenue	2 750.2	2 509.1	2 589.0	2 552.7	2 654.6	2 636.2
<b>Total revenue from transactions</b>	<b>60 346.3</b>	<b>60 602.1</b>	<b>60 126.5</b>	<b>61 894.1</b>	<b>64 045.6</b>	<b>66 261.9</b>
<b>Expenses from transactions</b>						
Employee expenses	19 037.6	19 463.7	19 507.9	20 577.8	21 125.4	21 965.7
Superannuation interest expense	1 054.7	1 023.9	1 014.8	986.9	968.2	946.4
Other superannuation	1 998.9	1 975.5	2 046.5	2 082.8	2 103.2	2 124.5
Depreciation	4 294.1	4 518.2	4 476.6	4 701.6	4 992.5	5 234.5
Interest expense	2 954.4	2 969.9	2 883.6	2 732.5	2 692.8	2 743.7
Grants and other transfers	5 036.5	5 421.1	5 402.2	5 585.4	5 986.5	6 237.5
Other operating expenses	25 113.5	25 236.7	25 900.2	25 051.6	25 706.6	26 621.4
<b>Total expenses from transactions</b>	<b>59 489.7</b>	<b>60 609.0</b>	<b>61 231.9</b>	<b>61 718.6</b>	<b>63 575.2</b>	<b>65 873.9</b>
<b>Net result from transactions – net operating balance</b>	<b>856.6</b>	<b>(6.9)</b>	<b>(1 105.4)</b>	<b>175.5</b>	<b>470.4</b>	<b>387.9</b>
<b>Total other economic flows included in net result</b>	<b>802.7</b>	<b>1 213.1</b>	<b>1 432.9</b>	<b>4 631.7</b>	<b>1 311.3</b>	<b>1 426.7</b>
<b>Net result</b>	<b>1 659.3</b>	<b>1 206.2</b>	<b>327.4</b>	<b>4 807.2</b>	<b>1 781.7</b>	<b>1 814.6</b>
<b>Other economic flows – other comprehensive income</b>						
<b>Items that will not be reclassified to net result</b>						
Changes in non-financial assets revaluation surplus	5 211.5	7 600.7	7 469.0	2 182.1	1 867.9	4 525.0
Remeasurement of superannuation defined benefits plans	(261.9)	494.9	622.1	646.6	659.4	671.8
Other movements in equity	860.4	26.1	23.3	(106.2)	142.2	(16.1)
<b>Items that may be reclassified subsequently to net result</b>						
Net gain/(loss) on financial assets at fair value	(8.6)	(1.1)	22.0	3.8	3.6	2.4
<b>Total other economic flows – other comprehensive income</b>	<b>5 801.4</b>	<b>8 120.6</b>	<b>8 136.4</b>	<b>2 726.2</b>	<b>2 673.1</b>	<b>5 183.0</b>
<b>Comprehensive result – total change in net worth</b>	<b>7 460.7</b>	<b>9 326.8</b>	<b>8 463.8</b>	<b>7 533.4</b>	<b>4 454.8</b>	<b>6 997.7</b>

**Table 5.19: State of Victoria comprehensive operating statement<sup>(a)</sup> (continued)**

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	<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>856.6</b>	<b>(6.9)</b>	<b>(1 105.4)</b>	<b>175.5</b>	<b>470.4</b>	<b>387.9</b>
Less: net acquisition of non-financial assets from transactions	2 861.9	3 915.0	2 974.6	(2 441.3)	3 230.4	3 201.2
<b>Net lending/(borrowing)</b>	<b>(2 005.3)</b>	<b>(3 921.9)</b>	<b>(4 080.0)</b>	<b>2 616.8</b>	<b>(2 760.1)</b>	<b>(2 813.3)</b>

Source: Department of Treasury and Finance

Note:

(a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.

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

(\$ million)

	2014 actual	2015 budget <sup>(a)</sup>	2015 revised	2016 estimate	2017 estimate	2018 estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	8 200.7	8 497.4	8 385.9	9 034.9	9 553.9	10 164.8
Receivables	6 396.5	6 423.9	6 541.2	5 911.7	6 211.9	6 478.9
Advances paid, investments, loans and placements	31 563.8	31 525.8	30 543.5	31 804.6	33 110.1	34 503.5
Investments accounted for using equity method	1 555.1	1 555.1	1 555.1	1 555.1	1 555.1	1 555.1
<b>Total financial assets</b>	<b>47 716.2</b>	<b>48 002.2</b>	<b>47 025.7</b>	<b>48 306.3</b>	<b>50 431.0</b>	<b>52 702.2</b>
<b>Non-financial assets</b>						
Inventories	802.2	809.1	832.8	803.1	747.9	700.9
Non-financial assets held for sale	166.6	166.6	140.0	139.2	139.2	139.2
Land, buildings, infrastructure, plant and equipment	197 137.0	208 444.4	207 319.5	210 542.4	215 801.4	223 723.8
Other non-financial assets	2 458.1	2 468.6	2 471.0	2 390.5	2 328.9	2 170.9
<b>Total non-financial assets</b>	<b>200 563.9</b>	<b>211 888.7</b>	<b>210 763.2</b>	<b>213 875.2</b>	<b>219 017.3</b>	<b>226 734.7</b>
<b>Total assets</b>	<b>248 280.1</b>	<b>259 890.9</b>	<b>257 788.9</b>	<b>262 181.4</b>	<b>269 448.3</b>	<b>279 437.0</b>
<b>Liabilities</b>						
Deposits held and advances received	2 070.7	2 072.5	1 969.2	1 971.2	1 972.9	1 975.7
Payables	7 732.2	7 364.6	7 812.9	7 800.7	7 852.7	7 853.1
Borrowings	51 277.4	53 062.3	51 522.7	47 483.4	49 323.9	51 335.6
Employee benefits	5 745.1	5 983.8	5 961.8	6 212.8	6 463.0	6 722.1
Superannuation	25 729.0	25 427.8	25 357.6	24 910.4	24 312.0	23 670.6
Other provisions	24 632.9	25 560.3	25 608.2	26 712.9	27 978.9	29 337.5
<b>Total liabilities</b>	<b>117 187.4</b>	<b>119 471.4</b>	<b>118 232.4</b>	<b>115 091.5</b>	<b>117 903.5</b>	<b>120 894.6</b>
<b>Net assets</b>	<b>131 092.7</b>	<b>140 419.5</b>	<b>139 556.5</b>	<b>147 090.0</b>	<b>151 544.7</b>	<b>158 542.4</b>
Accumulated surplus	46 211.3	47 922.8	47 163.1	52 490.5	55 019.1	57 428.5
Reserves	84 831.3	92 446.7	92 343.4	94 549.4	96 475.7	101 063.9
Non-controlling interest	50.0	50.0	50.0	50.0	50.0	50.0
<b>Net worth</b>	<b>131 092.7</b>	<b>140 419.5</b>	<b>139 556.5</b>	<b>147 090.0</b>	<b>151 544.7</b>	<b>158 542.4</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth	(69 471.2)	(71 469.2)	(71 206.6)	(66 785.2)	(67 472.5)	(68 192.3)
Net financial liabilities	69 471.2	71 469.2	71 206.6	66 785.2	67 472.5	68 192.3
Net debt	13 583.6	15 111.5	14 562.6	8 615.2	8 632.8	8 643.1

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.

**Table 5.21: State of Victoria cash flow statement<sup>(a)</sup>**

(\$ million)

	2013-14 <i>actual</i>	2014-15 <i>budget</i>	2014-15 <i>revised</i>	2015-16 <i>estimate</i>	2016-17 <i>estimate</i>	2017-18 <i>estimate</i>
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxes received	16 308.9	17 585.9	17 675.5	18 233.2	19 341.0	20 066.0
Grants	25 045.5	24 723.3	24 500.2	25 200.8	25 758.9	26 634.5
Sales of goods and services <sup>(b)</sup>	15 898.4	15 676.2	15 558.1	16 029.6	16 140.0	16 636.3
Interest received	853.9	1 079.2	938.0	913.0	967.6	1 002.9
Dividends and income tax equivalent and rate equivalent receipts	914.6	626.9	617.1	817.8	896.9	935.7
Other receipts	2 151.9	1 930.8	2 085.4	2 400.9	1 748.8	1 816.0
<b>Total receipts</b>	<b>61 173.2</b>	<b>61 622.3</b>	<b>61 374.3</b>	<b>63 595.3</b>	<b>64 853.3</b>	<b>67 091.5</b>
<b>Payments</b>						
Payments for employees	(18 924.3)	(19 228.0)	(19 297.1)	(20 328.1)	(20 876.5)	(21 708.1)
Superannuation	(2 812.0)	(2 805.6)	(2 810.6)	(2 870.3)	(3 010.4)	(3 040.6)
Interest paid	(2 895.8)	(2 974.6)	(2 820.9)	(2 697.1)	(2 659.1)	(2 693.3)
Grants and subsidies	(5 037.3)	(5 447.6)	(5 397.2)	(5 615.2)	(6 052.1)	(6 203.5)
Goods and services <sup>(b)</sup>	(23 785.5)	(24 541.6)	(25 145.0)	(24 172.4)	(24 576.8)	(25 468.8)
Other payments	(818.3)	(674.9)	(677.6)	(666.2)	(701.4)	(741.6)
<b>Total payments</b>	<b>(54 273.2)</b>	<b>(55 672.3)</b>	<b>(56 148.4)</b>	<b>(56 349.2)</b>	<b>(57 876.3)</b>	<b>(59 855.9)</b>
<b>Net cash flows from operating activities</b>	<b>6 900.0</b>	<b>5 950.1</b>	<b>5 226.0</b>	<b>7 246.0</b>	<b>6 976.9</b>	<b>7 235.6</b>
<b>Cash flows from investing activities</b>						
Net cash flows from investments in non-financial assets	(6 809.6)	(8 273.1)	(7 306.5)	(1 059.4)	(7 186.7)	(7 205.8)
Net cash flows from investments in financial assets for policy purposes	(38.5)	(139.1)	1 771.0	(99.3)	149.1	(6.6)
Net cash flows from investments in financial assets for liquidity management purposes	(1 851.4)	(521.2)	324.2	(336.5)	(375.0)	(356.3)
<b>Net cash flows from investing activities</b>	<b>(8 699.5)</b>	<b>(8 933.3)</b>	<b>(5 211.3)</b>	<b>(1 495.2)</b>	<b>(7 412.7)</b>	<b>(7 568.7)</b>
<b>Cash flows from financing activities</b>						
Advances received (net)	30.4	0.4	17.4	0.3	0.4	0.7
Net borrowings	3 761.9	3 276.1	271.9	(5 103.9)	953.0	934.2
Deposits received (net)	(48.7)	1.4	(118.9)	1.7	1.3	2.1
Other financing (net)	3.0	..	..	..	..	..
<b>Net cash flows from financing activities</b>	<b>3 746.6</b>	<b>3 278.0</b>	<b>170.5</b>	<b>(5 101.9)</b>	<b>954.7</b>	<b>937.0</b>

**Table 5.21: State of Victoria cash flow statement<sup>(a)</sup> (continued)**

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	<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>1 947.1</b>	<b>294.7</b>	<b>185.2</b>	<b>649.0</b>	<b>519.0</b>	<b>603.9</b>
Cash and cash equivalents at beginning of reporting period <sup>(c)</sup>	6 252.9	8 199.9	8 199.9	8 385.1	9 034.1	9 553.1
<b>Cash and cash equivalents at end of reporting period <sup>(c)(d)</sup></b>	<b>8 199.9</b>	<b>8 494.7</b>	<b>8 385.1</b>	<b>9 034.1</b>	<b>9 553.1</b>	<b>10 157.0</b>
<b>FISCAL AGGREGATES</b>						
Net cash flows from operating activities	6 900.0	5 950.1	5 226.0	7 246.0	6 976.9	7 235.6
Net cash flows from investments in non-financial assets	(6 809.6)	(8 273.1)	(7 306.5)	(1 059.4)	(7 186.7)	(7 205.8)
<b>Cash surplus/(deficit)</b>	<b>90.4</b>	<b>(2 323.0)</b>	<b>(2 080.5)</b>	<b>6 186.7</b>	<b>(209.8)</b>	<b>29.8</b>

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) Inclusive of goods and services tax.
- (c) 2014-15 budget figures have been restated to represent actual opening balances at 1 July 2014.
- (d) 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 5.22: State of Victoria statement of changes in equity**

(\$ million)

<i>State of Victoria</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
<b>2013-14 actual</b>		
Balance at 1 July 2014	43 565.0	50.0
Net result	1 659.3	..
Other comprehensive income for the year	987.0	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>46 211.3</b>	<b>50.0</b>
<b>2014-15 budget <sup>(a)</sup></b>		
Balance at 1 July 2014	46 211.3	50.0
Net result	1 206.2	..
Other comprehensive income for the year	505.3	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>47 922.8</b>	<b>50.0</b>
<b>2014-15 revised</b>		
Balance at 1 July 2014	46 211.3	50.0
Net result	327.4	..
Other comprehensive income for the year	624.3	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>47 163.1</b>	<b>50.0</b>
<b>2015-16 estimate</b>		
Balance at 1 July 2014	47 163.1	50.0
Net result	4 807.2	..
Other comprehensive income for the year	520.2	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>52 490.5</b>	<b>50.0</b>
<b>2016-17 estimate</b>		
Balance at 1 July 2015	52 490.5	50.0
Net result	1 781.7	..
Other comprehensive income for the year	746.8	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>55 019.1</b>	<b>50.0</b>
<b>2017-18 estimate</b>		
Balance at 1 July 2016	55 019.1	50.0
Net result	1 814.6	..
Other comprehensive income for the year	594.9	..
Transactions with owners in their capacity as owners	..	..
<b>Total equity at end of period</b>	<b>57 428.5</b>	<b>50.0</b>

Source: Department of Treasury and Finance

Note:

(a) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
78 459.3	1 557.6	123 631.9
..	..	1 659.3
5 211.5	(397.1)	5 801.4
..	..	..
<b>83 670.8</b>	<b>1 160.5</b>	<b>131 092.7</b>
83 670.8	1 160.5	131 092.7
..	..	1 206.2
7 600.7	14.7	8 120.6
..	..	..
<b>91 271.5</b>	<b>1 175.2</b>	<b>140 419.5</b>
83 670.8	1 160.5	131 092.7
..	..	327.4
7 469.0	43.0	8 136.4
..	..	..
<b>91 139.8</b>	<b>1 203.5</b>	<b>139 556.5</b>
91 139.8	1 203.5	139 556.5
..	..	4 807.2
2 182.1	24.0	2 726.2
..	..	..
<b>93 321.9</b>	<b>1 227.5</b>	<b>147 090.0</b>
93 321.9	1 227.5	147 090.0
..	..	1 781.7
1 867.9	58.4	2 673.1
..	..	..
<b>95 189.8</b>	<b>1 285.9</b>	<b>151 544.7</b>
95 189.8	1 285.9	151 544.7
..	..	1 814.6
4 525.0	63.2	5 183.0
..	..	..
<b>99 714.8</b>	<b>1 349.0</b>	<b>158 542.4</b>

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

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	actual	budget	revised	estimate	estimate	estimate
<b>Cash surplus/(deficit)</b>	<b>90.4</b>	<b>(2 323.0)</b>	<b>(2 080.5)</b>	<b>6 186.7</b>	<b>(209.8)</b>	<b>29.8</b>
<i>Convergence differences:</i>						
Acquisitions under finance leases and similar arrangements <sup>(a)</sup>	(109.5)	(36.4)	(36.4)	(1 050.4)	(873.0)	(1 055.8)
<b>GFS cash surplus/(deficit) <sup>(b)</sup></b>	<b>(19.1)</b>	<b>(2 359.4)</b>	<b>(2 116.9)</b>	<b>5 136.3</b>	<b>(1 082.8)</b>	<b>(1 026.0)</b>

Source: Department of Treasury and Finance

Notes:

- (a) The 2013-14 actual result reflects the recognition of the finance lease arrangement relating to the metropolitan bus contracts. The finance lease acquisition in 2014-15 relates to further metropolitan bus contracts. The 2015-16 estimate relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate relates to the new Bendigo Hospital project (stage 1), the Cranbourne-Pakenham Rail Corridor project and the School Capital program (tranche 1). The 2017-18 estimate relates to the Cranbourne-Pakenham Rail Corridor project, the Ravenhall Prison project, the School Capital program (tranche 2) and the new Bendigo Hospital project (stage 2).
- (b) Determined in accordance with the ABS GFS manual.

**Table 5.24: Net acquisition of non-financial assets – State of Victoria<sup>(a)</sup>**

	(\$ million)					
	2013-14	2014-15	2014-15	2015-16	2016-17	2017-18
	actual	budget	revised	estimate	estimate	estimate
Purchases of non-financial assets less sales of non-financial assets	6 809.6	8 273.1	7 306.5	1 059.4	7 186.7	7 205.8
Less: Depreciation	(4 294.1)	(4 518.2)	(4 476.6)	(4 701.6)	(4 992.5)	(5 234.5)
Plus: Other movements in non-financial assets <sup>(b)</sup>	346.4	160.1	144.8	1 200.9	1 036.2	1 229.9
<b>Total net acquisition of non-financial assets</b>	<b>2 861.9</b>	<b>3 915.0</b>	<b>2 974.6</b>	<b>(2 441.3)</b>	<b>3 230.4</b>	<b>3 201.2</b>

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) The other movements in non-financial assets amount in 2013-14 predominately reflects the recognition of the finance lease arrangement relating to the metropolitan bus contracts. The amount in 2014-15 predominately relates to metropolitan buses contract and developer contributions to metropolitan water corporations. The 2015-16 estimate relates to the Victorian Comprehensive Cancer Centre. The 2016-17 estimate predominately relates to the new Bendigo Hospital project (stage 1), the Cranbourne-Pakenham Rail Corridor project and the School Capital program (tranche 1). The 2017-18 estimate predominately relates to the Cranbourne-Pakenham Rail Corridor project, the Ravenhall Prison project, the School Capital program (tranche 2) and the new Bendigo Hospital project (stage 2).



## VICTORIA'S 2014-15 LOAN COUNCIL ALLOCATION

Under the Uniform Presentation Framework (UPF), 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 jurisdiction. Victoria discloses its LCA information through the Financial Report for the State of Victoria, Budget Paper No. 5, *Statement of Finances* and the budget update.

Table 5.25 compares the Victorian 2014-15 LCA nomination approved by the Loan Council in April 2014, with the revised LCA based upon *2014-15 Budget Update* estimates.

**Table 5.25: Loan Council Allocation**

(\$ million)

	2014-15 nomination	2014-15 revised
General government cash deficit (+)	602.8	318.4
Public non-financial corporations sector cash deficit (+)	2 199.6	1 988.7
Non-financial public sector cash deficit (+) <sup>(a)</sup>	2 741.2	2 339.4
Acquisitions under finance leases and similar arrangements	36.4	36.4
ABS GFS cash deficit(+)	2 777.6	2 375.8
Net cash flows from investments in financial assets for policy purposes <sup>(b)</sup>	(0.8)	375.5
Memorandum items <sup>(c)</sup>	625.1	523.7
<b>Loan Council Allocation</b>	<b>3 403.5</b>	<b>2 524.1</b>
Tolerance limit <sup>(d)</sup>	1 124.7	1 124.7

Source: Department of Treasury and Finance

Notes:

- (a) The sum of the deficit of the general government and 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 receipt from operating activities applies to the movement between a jurisdiction's LCA nomination and LCA revised budget estimate (calculated using estimates in the 2014-15 Budget Update). The tolerance limit applying to the movement between Victoria's 2014-15 LCA nomination and its LCA revised budget estimate is \$1 124.7 million (2 per cent of \$56 233.5 million).

As part of the Loan Council arrangements, the Council has agreed that if at any time a state or territory find 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 2014-15 revised LCA (a deficit of \$2.5 billion) did not exceed the tolerance limit established under the LCA nomination process.

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 a 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 projects that are expected to be contracted in the 2014-15 financial year.

### **Ravenhall Prison**

The *2012-13 Budget* announced funding for a new 500-bed men's prison to be built in Victoria. On 17 September 2013, the former government announced the expansion of the prison to accommodate 1 000 prisoners. The new medium-security facility will add capacity to the State's prison system. It will be built on existing Crown land at Ravenhall, adjacent to the Dame Phyllis Frost Centre and Metropolitan Remand Centre.

The tender process commenced in June 2013 and concluded in September 2014. The private party, GEO Consortium, will design, build, finance and operate the prison for a period of 25 years. Once operations at the prison commence, the State will begin quarterly payments to the GEO Consortium, the value of which will depend on attainment of key performance indicators relating to ongoing service provision. In order to achieve a cost-efficient capital structure, the State also contributes to the project's financing upon construction completion. The contract was executed in September 2014 and construction is expected to be completed by end 2017.

### **East West Link – Eastern Section**

On 29 September 2014, the former government signed a contract for the East West Link – Eastern Section with the East West Connect (EWC) consortium and also provided EWC with a Side Deed signed by the former Treasurer.

The Government has suspended all works and is considering the way forward.

Any financial exposures of the State in respect of the East West Link are not able to be estimated reliably at this time.

### **CityLink – Tulla widening**

In October 2014, the former government signed a contract with Transurban for the expansion of CityLink and the Tullamarine Freeway under its unsolicited proposals guideline. The agreement assumes that the East West Link is proceeding. The Government is considering the project given the consequential impacts of not proceeding with East West Link.

## **Cranbourne-Pakenham Rail Corridor project**

The Cranbourne-Pakenham Rail Corridor project is a \$2–\$2.5 billion initiative proposed by the former Government to increase capacity on one of Melbourne’s busiest rail corridors. The existing plans envisage that the increase will be delivered through 25 new high-capacity metropolitan trains, a new dedicated train maintenance depot at Pakenham East, new modern signalling along the rail corridor and power updates to support increased frequency of services. The project also includes four grade separations at Koornang Road, Murrumbeena Road, Clayton Road and Centre Road.

The Government is currently considering the merits of progressing this proposal.

There are no other *Partnership Victoria* contracts greater than \$5 million that are currently expected to be signed during the 2014-15 financial year.



## CHAPTER 6 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

---

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

### CONTINGENT ASSETS

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

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable. The table below contains quantifiable contingent assets as at 15 December 2014.

**Table 6.1: Quantifiable contingent assets**

(\$ million)

	As at December 2014	Published budget estimate <sup>(a)</sup>
Guarantees, indemnities and warranties	6.4	2.0
Legal proceedings and disputes	6.8	8.7
Other <sup>(b)</sup>	100.7	8.0
<b>Total contingent assets</b>	<b>113.9</b>	<b>18.7</b>

Notes:

(a) As published in the 2014-15 Budget.

(b) The increase in other contingent assets since May 2014 is mainly due to \$100 million relating to the second contingent payment for Crown Melbourne licence amendments that may be payable in calendar year 2022. In accordance with accounting standards, the first contingent payment of \$100 million has been factored into the State's estimates over the Casino license period.

### 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 the Bulla Road and the Tullamarine Freeway. The claims were lodged on 20 May 2005 and 29 September 2006 respectively, and are still outstanding.

### ***Peninsula Link compensable enhancement claim***

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

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

### ***Revenue sharing from Monash/CityLink/West Gate Upgrade***

On 25 July 2006, CityLink Melbourne Limited (CML), Transurban Infrastructure Management Limited and the State of Victoria entered into the M1 Corridor Redevelopment Deed. Under the terms of this Deed:

- the State upgraded the Monash and West Gate Freeways, while CML upgraded the Southern Link section of CityLink; and
- CML agreed that the State would be entitled to 50 per cent of the additional CityLink revenue generated by the Monash/CityLink/West Gate Upgrade, above the investment case for the project relating to works on the Southern Link section of CityLink.

The method used to calculate additional CityLink revenue generated from the upgrade involved a comparison of actual CityLink toll revenue (up to and including the financial year ending 30 June 2014) with agreed trends that were set out in the M1 Corridor Redevelopment Deed.

Based on the actual CityLink toll revenue reported by CML up to and including the financial year ending 30 June 2014:

- the additional CityLink revenue generated from the upgrade has not exceeded the investment case for the project relating to works on the Southern Link section of CityLink; and
- as a result, the State is not entitled to any revenue sharing payment.

The State is undertaking further due diligence to confirm the accuracy of the CityLink toll revenue data provided, on which the initial calculation of the additional CityLink revenue has been based.

## **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 Limited (Tatts). In 1994, the State issued a coupled wagering licence 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 State announced that a new regulatory and licencing regime would be implemented post August 2012. This included separating the wagering and gaming licence to instead license wagering on a standalone 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 State formed the view that neither Tatts nor Tabcorp were entitled to compensation after the expiration of their licences.

In August 2012 Tatts and Tabcorp commenced legal proceedings against the State. The State defended both claims and was successful in relation to the Tabcorp claim but unsuccessful in relation to the Tatts claim.

When the judgement was entered on 27 June 2014, the State paid Tatts its claimed amount including interest, amounting to \$540.5 million. The matter went on appeal to the Court of Appeal. On 4 December 2014, the Court of Appeal upheld the Supreme Court's decision. The State may apply for special leave to appeal to the High Court of Australia within 28 days.

## **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. Table 6.2 contains quantifiable contingent liabilities as at 15 December 2014.

**Table 6.2: Quantifiable contingent liabilities**

(\$ million)

	As at December 2014	Published budget estimate <sup>(a)</sup>
Guarantees, indemnities and warranties	312.0	320.9
Legal proceedings and disputes	341.3	443.9
Other	216.4	286.3
Non-general government debt <sup>(b)</sup>	11 225.1	12 287.6
<b>Total contingent liabilities</b>	<b>12 094.8</b>	<b>13 338.7</b>

Notes:

- (a) As published in the 2014-15 Budget, except for non-general government debt which has been restated to more accurately reflect the contingent liability as at May 2014.
- (b) The reduction in non-general government debt since May 2014 is mainly due to Rural Finance Corporation extinguishing its loans with Treasury Corporation of Victoria upon settlement of the sale to Bendigo and Adelaide Bank Limited, which occurred in July 2014.

### 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.

#### **AgriBio Centre for AgriBioscience (formerly known as The Biosciences Research Centre)**

The quarterly service fee payment obligations of the AgriBio Centre for AgriBioscience on behalf of the joint venture participants (Department of Environment and Primary Industries and La Trobe University) are supported by the State of Victoria via a State Support Deed. Under this Deed, the State ensures that the joint venture participants have severally the financial capacity to meet their payment obligations to Biosciences Research Centre Pty Ltd (BRC), thereby enabling BRC to meet its obligations to pay the service fee to the concessionaire pursuant to the project agreement. The State underwrites the risk of any default by BRC.



## **Department of Education and Early Childhood Development**

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

- volunteer school workers and volunteer student workers: the *Education and Training Reform Act 2006* provides 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;
- 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, defamation or other; and
- teachers: in the event that a teacher is named as a defendant in a student personal injury claim, any costs and damages will generally be paid by the Department provided the teacher was not drunk, under the influence of illicit drugs or engaging in a criminal offence and the behaviour was not outrageous and was related to their employment, or undertaken in, the course of their employment.

### **East West Link – Eastern Section**

On 29 September 2014, the former government signed a contract for the East West Link – Eastern Section with the East West Connect (EWC) consortium and also provided EWC with a Side Deed signed by the former Treasurer.

In the event that a court of competent jurisdiction makes a declaration or decision, within a specified time, that the Project Agreement (PA) is void or unenforceable, the side letter provides for payment of compensation to EWC which reflects the compensation which would otherwise have been payable if the PA had been terminated.

The Government has suspended all works and is considering the way forward.

Any financial exposures of the State in respect of East West Link are not able to be estimated reliably at this time.

### **East West Link Judicial Review**

On 30 June 2014, the former Minister for Planning made an Approval Decision for the East West Link – Eastern Section project under Section 77 of the *Major Transport Projects Facilitation Act 2009*.

On 21 July 2014, Moreland and Yarra City Councils filed proceedings in the Supreme Court of Victoria challenging the former Minister for Planning's decision to issue applicable approvals for the East West Link – Eastern Section project under the *Major Transport Projects Facilitation Act 2009*. At the date of the preparation of this report, the hearing had been adjourned to a date to be determined. The outcome of these proceedings is unknown at the date of this publication and as such any potential impact or liability arising from this court action is not able to be quantified.

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

Public acquisition overlays are 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 – 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 – 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.

## ***Public transport rail partnership agreements***

Public Transport Victoria (PTV) is party to partnership contractual arrangements with franchisees to operate metropolitan rail transport services in the State, operative from 30 November 2009 until 30 November 2017. The major contingent liabilities arising from the contractual arrangements in the event of early termination or expiry of the partnership contractual agreement are:

- partnership assets: to maintain continuity of services, at early termination or expiry of the franchise contract, 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; and
- unfunded superannuation: at the early termination or expiry of the contract, PTV will assume any unfunded superannuation amounts (apart from contributions the operator is required to pay over the contract term) to the extent that the State becomes the successor operator.

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

An independent investigation was undertaken 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 (CFA) has accepted all of the facts, recommendations and conclusions and is committed to implementing all recommendations.

In August 2012, the CFA established a program office to manage the implementation of the report's recommendations and an additional 11 management initiatives to which the CFA Board committed in its response to the report. At this stage it is impractical to quantify the financial effects as a result of the investigation's recommendations.

## ***Gambling licences***

In relation to the ‘Gambling licenses’ item within non-quantifiable contingent assets, given that the State was successful in the Tabcorp proceeding, it did not need to pay Tabcorp its claimed amount of \$686.8 million plus interest. The matter went on appeal to the Court of Appeal. On 4 December 2014, the Court of Appeal upheld the Supreme Court’s decision. Tabcorp has indicated it will apply for special leave to appeal to the High Court of Australia.

## ***Public Lottery Licence Litigation***

On 27 August 2014, Intralot Australia Pty Ltd served a writ and Statement of Claim on the State. Intralot’s claim relates to allegations that Tattersall’s Sweeps Pty Ltd was granted favourable treatment relating to the awarding of public lottery licences on 24 October 2007. Intralot claims its total costs to 30 June 2014 are \$63.4 million. The State has lodged its defence and the matter will be heard in the Supreme Court.

## ***Health Benefit Levy***

Under the *Gambling Regulation Act 2003*, the two former gaming operator licensees, Tabcorp and Tatts were required to pay a Health Benefit Levy.

On 1 May 2013, the former Treasurer determined that Tabcorp’s and Tatts’ 2012-13 levies were \$42.1 million and \$42.6 million respectively, on the basis that the former Treasurer did not have discretion under the Act to determine a pro-rata based levy amount.

Tabcorp and Tatts subsequently commenced legal proceedings against the former Treasurer in the Supreme Court of Victoria. Tabcorp and Tatts claim that the former Treasurer had discretion under the Act to determine a pro-rata based levy amount to reflect the 45 days they operated gaming machines in 2012-13.

On 24 June 2013, a Supreme Court judgement was handed down in favour of Tabcorp and Tatts quashing the former Treasurer’s determinations. The State appealed to the Court of Appeal, maintaining that the determinations were valid and that the former Treasurer did not have discretion to adjust the application of the levy formula under the Act. The State was successful in both appeals and Tatts and Tabcorp have now paid the State the full amounts of the Health Benefit Levies together with interest.

Tatts and Tabcorp have sought special leave to appeal to the High Court of Australia.

## ***Compulsory property acquisitions***

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

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

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

### ***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.

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

In 2010, the State entered into a capital works agreement with Tennis Australia and the Melbourne and Olympic Park Trust for the Australian Open to remain at Melbourne Park until 2036. The agreement contains a number of conditions including that the State will invest in further improvements to Melbourne Park in three stages or (if an agreed investment threshold is reached), pay a rights fee to retain the Australian Open at Melbourne Park until 2036. In the *2010-11 Budget*, Stage 1 of the Melbourne Park redevelopment with a total estimated investment of \$363 million was announced. In January 2014, a further \$338 million total estimated investment was announced by the State for Stage 2 of the redevelopment.

### ***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, from completion of their tenure in 2008 until 2015.

### ***Royal Melbourne Showgrounds redevelopment***

Under the State's commitment to the Royal Agriculture Society of Victoria (RASV), the State has agreed to support certain obligations of RASV which may arise out of the joint venture agreement. In accordance with the terms set out in the State commitment to RASV, the State will pay (in the form of a loan) the amount requested by RASV. If any outstanding loan amount remains unpaid at the date, which is 25 years after the commencement of the operation term under the development and operation agreement, RASV will be obliged to satisfy and discharge each such outstanding loan amount. This may take the form of a transfer to the State, of the whole of the RASV participating interest in the joint venture.

Under the State Support Deed – Core Land, the State has undertaken to ensure the performance of the payment obligations in favour of the Concessionaire and the performance of the joint venture financial obligations in favour of the security trustee.

The State has also entered into an agreement through the State Support Deed – Non-Core Land with Showgrounds Retail Developments Pty Ltd and the RASV, whereby the State agrees to support certain payment obligations of the RASV that may arise under the non-core development agreement.

### ***Victorian Managed Insurance Authority – insurance cover***

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for state government departments, participating bodies and other entities as defined under the *Victorian Managed Insurance Authority Act 1996*. VMIA provides its clients 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 occurrence, up to a maximum of \$850 million for public and products liability, and for losses above \$50 million arising out of any one event, up to a maximum of \$3.05 billion for property. The risk of losses above these reinsured levels is borne by the State.

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



## APPENDIX A – SPECIFIC POLICY INITIATIVES AFFECTING THE BUDGET POSITION

---

Appendix A outlines specific policy initiatives that affect outputs and assets, including Treasurer’s Advances, agreed by the Government since the *2014 Pre-Election Budget Update*.

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

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

### DEPARTMENT OF EDUCATION AND EARLY CHILDHOOD DEVELOPMENT

#### *Output initiatives*

**Table A.1: Output initiatives – Education and Early Childhood Development**

(\$ million)

	2014-15	2015-16	2016-17	2017-18
Community Service Obligation funding for TAFEs	20.0	..	..	..
<b>Total output initiatives</b>	<b>20.0</b>	<b>..</b>	<b>..</b>	<b>..</b>

*Source: Department of Treasury and Finance*

#### **Community Service Obligation funding for TAFEs**

The TAFE Rescue Fund will be established to support TAFEs to deliver courses relevant to the communities they serve and improve their financial position. In particular, the Fund will support the re-opening of closed campuses, upgrade buildings and workshops and provide support to help TAFEs become more financially sustainable. The 2014-15 allocation of funding for the TAFE Rescue Fund will support TAFEs to deliver priority community service obligation projects in 2015.

This initiative contributes to the Department of Education and Early Childhood Development’s Higher Education and Skills output.

## DEPARTMENT OF HUMAN SERVICES

### *Output initiatives*

**Table A.2: Output initiatives – Human Services**

(\$ million)

	2014-15	2015-16	2016-17	2017-18
Youth Justice Centre in Malmsbury	..	12.8	16.0	16.6
<b>Total output initiatives</b>	<b>..</b>	<b>12.8</b>	<b>16.0</b>	<b>16.6</b>

Source: Department of Treasury and Finance

### **Youth Justice Centre in Malmsbury**

Funding is provided to operate an additional facility at the Youth Justice Centre in Malmsbury. Construction of the new 45 bed facility was funded in the *2012-13 Budget*, but funding for the operation of the new facility was not allocated by the former Government at the time. The facility will commence operation in 2015-16 and will address capacity concerns and improve client safety.

This initiative contributes to the Department of Human Services' Youth Justice Custodial Services output.

## DEPARTMENT OF JUSTICE

### *Output initiatives*

**Table A.3: Output initiatives – Justice**

(\$ million)

	2014-15	2015-16	2016-17	2017-18
Operating funding for prison beds	..	39.2	40.2	41.2
<b>Total output initiatives</b>	<b>..</b>	<b>39.2</b>	<b>40.2</b>	<b>41.2</b>

Source: Department of Treasury and Finance

### **Operating funding for prison beds**

Funding is provided for the continued operation of 357 men's prison beds, initially funded by the former Government in 2013-14 and 2014-15 only. The beds are in various existing correctional facilities across Victoria and are required to accommodate an expanded Victorian prisoner population.

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



## DEPARTMENT OF PREMIER AND CABINET

### *Output initiatives*

**Table A.4: Output initiatives – Premier and Cabinet**

*(\$ million)*

	2014-15	2015-16	2016-17	2017-18
Establish Infrastructure Victoria	10.0	10.0	10.0	10.0
Family Violence Royal Commission	20.0	20.0	..	..
Reopen the Hazelwood Mine Fire Inquiry	1.5	..	..	..
<b>Total output initiatives</b>	<b>31.5</b>	<b>30.0</b>	<b>10.0</b>	<b>10.0</b>

*Source: Department of Treasury and Finance*

#### **Establish Infrastructure Victoria**

Funding is provided to establish Infrastructure Victoria as a standing, independent expert body to plan and coordinate significant Victorian infrastructure and investment projects to support economic development. The new body will also facilitate relationships with the private sector on rural, regional and metropolitan initiatives.

This initiative contributes to the Department of Premier and Cabinet's Government-wide Leadership and Implementation output.

#### **Family Violence Royal Commission**

The Government will establish a Royal Commission into family violence which will commence in early 2015 and report by the end of 2015. The commission will investigate the system including criminal law, corrections, courts, community services, alcohol and drug services, health services, housing, education and the tools available to Victoria Police.

The Government has deferred funding allocated by the former Government for family violence initiatives for one year, pending the outcomes of the Family Violence Royal Commission.

This initiative contributes to the Department of Premier and Cabinet's Government-wide Leadership and Implementation output.

#### **Reopen the Hazelwood Mine Fire Inquiry**

Funding is provided to reopen the Inquiry into the Hazelwood Mine Fire, to look into the reported increase in deaths in the Latrobe Valley and consider options for the rehabilitation of the mine.

This initiative contributes to the Department of Premier and Cabinet's Government-wide Leadership and Implementation output.

## DEPARTMENT OF TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE

### *Asset initiatives*

**Table A.5: Asset initiatives – Transport, Planning and Local Infrastructure**

	<i>(\$ million)</i>				
	2014-15	2015-16	2016-17	2017-18	TEI
Commencement of transport infrastructure priorities <sup>(a)</sup>	166.4	tbd	tbd	tbd	tbd
<b>Total asset initiatives</b>	<b>166.4</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>

*Source: Department of Treasury and Finance*

*Note:*

(a) Existing resources have been redeployed to fund the new initiatives.

### **Commencement of transport infrastructure priorities**

Funding is provided in 2014-15 to advance key election commitments including the 50 level crossings removal program and the Melbourne Metro Rail and West Gate Distributor projects. Further funding will be allocated to these projects in the 2015-16 budget.

This initiative contributes to the Department of Transport, Planning and Local Infrastructure's:

- Public Transport Network Improvements and Maintenance; and
- Road Network Improvements outputs.

## DEPARTMENT OF TREASURY AND FINANCE

**Table A.6: Output initiatives – Treasury and Finance**

(\$ million)

	2014-15	2015-16	2016-17	2017-18
<i>Back to Work Scheme</i>	..	50.0	50.0	..
<b>Total output initiatives</b>	..	<b>50.0</b>	<b>50.0</b>	..

Source: Department of Treasury and Finance

### ***Back to Work Scheme***

The Government will provide financial assistance to businesses hiring those at risk of extended periods of unemployment. It may be provided in the form of payroll tax relief for those employers with a payroll tax liability or a cash payment for employers below the payroll tax threshold.

Employers with a poor workplace safety record will not be eligible to participate. The employer must ensure that a three-month probation period is met for the new worker. The two year scheme will commence on 1 July 2015, with payments able to be made from that date to eligible employers.

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



## APPENDIX B – AMENDMENTS TO THE 2014-15 OUTPUT PERFORMANCE MEASURES

Output measures for all departments were published in Chapter 2 and Appendix A of Budget Paper No. 3 *Service Delivery*. Following a review of the measures which were substantially changed and proposed to be discontinued by the Public Accounts and Estimates Committee, the former Government accepted the Committee’s recommendation to retain the following output measure for 2014-15. The former Government provided additional information regarding the remaining recommendations to the Committee for consideration and further discussion.

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

### DEPARTMENT OF TRANSPORT, PLANNING AND LOCAL INFRASTRUCTURE

Major Outputs/Deliverables Performance measures	Unit of measure	2014-15 target	2013-14		2012-13 actual
			Expected outcome	2013-14 target	
<b>Transport Safety Regulation and Investigations</b>					
<i>Timeliness</i>					
Road vehicle and driver regulation: new and renewed driving instructor authority applications processed within 14 days	per cent	85.0	85.0	85.0	98.0

Source: Department of Transport, Planning and Local Infrastructure



## APPENDIX C – TAX EXPENDITURES AND CONCESSIONS

---

### TAX EXPENDITURES

Tax expenditures are concessions, benefits and incentives delivered through the tax system that result in preferential treatment of certain taxpayers, activities or assets. This can include tax-free thresholds, exemptions or reduced rates, and deductions or rebates of a tax for a certain class of taxpayers, activity or asset. Tax expenditures exclude broadly applicable lower 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 2014-15 estimate for total tax expenditures is \$4.8 billion. This is \$418 million higher than the 2013-14 estimate, predominantly due to higher 2014-15 year-to-date land transfer duty exemptions relating to corporate reconstructions. The sharp increase in Congestion Levy expenditures reflect the legislated expansion of the Congestion Levy boundary, to take effect from 1 January 2015.

The 2014-15 estimate is \$108 million lower than that published in the *2014-15 Budget*. This is driven by lower payroll tax and land tax expenditures, with an offsetting increase in land transfer duty expenditures.

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

<i>Description</i>	<i>(\$ million)</i>				
	<i>2013-14 estimate</i>	<i>2014-15 estimate</i>	<i>2015-16 estimate</i>	<i>2016-17 estimate</i>	<i>2017-18 estimate</i>
Land tax	2 359.3	2 490.5	2 441.4	2 854.6	2 771.1
Fire Services Property Levy	21.4	21.6	21.8	22.0	22.0
Payroll tax	1 064.3	1 095.7	1 157.7	1 224.0	1 293.6
Gambling taxes	70.9	74.2	75.5	77.1	78.5
Motor vehicle taxes	142.1	163.7	177.0	190.7	205.7
Land transfer duties	697.1	883.4	688.1	697.2	710.4
Congestion levy	25.3	69.1	70.7	72.5	74.4
<b>Total estimated tax expenditures</b>	<b>4 380.4</b>	<b>4 798.1</b>	<b>4 632.2</b>	<b>5 138.1</b>	<b>5 155.7</b>

*Source: Department of Treasury and Finance*

## CONCESSIONS

Concessions are a direct budget outlay or reduction in government charges that reduce 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 such as 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. The value of concessions is estimated to increase by around \$32 million between 2013-14 and 2014-15. Concessions in 2014-15 are expected to be about the same level as estimated in the *2014-15 Budget*.

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

	(\$ million)	
<i>Description</i>	<i>2013-14 estimate</i>	<i>2014-15 estimate</i>
Electricity	176.0	194.3
Mains gas	58.3	60.0
Municipal rates	88.4	90.1
Water and sewerage	156.2	161.9
<b>Total energy, municipal rates, water and sewerage</b>	<b>478.9</b>	<b>506.4</b>
Ambulance	389.3	365.5
Dental services and spectacles	163.9	148.3
Community health programs	100.7	103.1
<b>Total health</b>	<b>653.9</b>	<b>617.0</b>
<b>Education</b>	<b>99.7</b>	<b>117.6</b>
<b>Hardship schemes</b>	<b>37.5</b>	<b>43.2</b>
<b>Social and community services</b>	<b>5.1</b>	<b>5.8</b>
<b>Private transport</b>	<b>181.4</b>	<b>192.8</b>
<b>Public transport</b>	<b>134.9</b>	<b>141.0</b>
<b>Total for items estimated</b>	<b>1 591.4</b>	<b>1 623.6</b>

Source: Department of Treasury and Finance



## APPENDIX D – SENSITIVITY ANALYSIS

---

The economic forecasts and assumptions underpinning the *2014-15 Budget Update* are subject to variation. This section analyses the impact of variations in these parameters on key fiscal aggregates of 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 a forecast error in any individual economic parameter on fiscal aggregates. Second, the simultaneous impact of variations in a number of 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 indication of the fiscal impact of variations in economic conditions, care should be exercised in using these results. The relationships between economic and fiscal aggregates are complex, and typically depend 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 gross state product (GSP) and employment is similar. In addition, there is often an immediate budget management response to economic shocks.

### SENSITIVITY TO INDEPENDENT VARIATIONS IN MAJOR ECONOMIC PARAMETERS

The major economic variables that affect Victoria's net result from transactions and net debt are economic activity, employment, consumer prices, wages, enterprise 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, the net result (where relevant) and net debt to a 1 per cent increase in each variable (or a 1 percentage point increase for interest rates) in isolation from any other changes. The impacts shown in the table are broadly symmetrical. That is, in most cases, the estimated fiscal impact would apply equally in the opposite direction if a 1 per cent decrease in each variable (or a 1 percentage point decrease for interest rates) were considered.

**Table D.1: Sensitivity of key fiscal aggregates to selected economic indicators being 1 per cent higher than expected from 2014-15<sup>(a)(b)(c)(d)</sup>**

(\$ million)

	2014-15 estimate	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>GSP</b>				
Income from transactions	157	164	173	187
Expenses from transactions	7	(1)	(9)	(19)
<b>Net result from transactions</b>	<b>150</b>	<b>164</b>	<b>182</b>	<b>206</b>
<b>Net debt reduction</b>	<b>150</b>	<b>315</b>	<b>496</b>	<b>702</b>
<b>Employment</b>				
Income from transactions	71	93	92	97
Expenses from transactions	(2)	(6)	(11)	(16)
<b>Net result from transactions</b>	<b>73</b>	<b>99</b>	<b>103</b>	<b>114</b>
<b>Net debt reduction</b>	<b>73</b>	<b>173</b>	<b>276</b>	<b>390</b>
<b>Consumer prices<sup>(e)</sup></b>				
Income from transactions	301	215	290	326
Expenses from transactions	67	67	59	46
<b>Net result from transactions</b>	<b>234</b>	<b>148</b>	<b>230</b>	<b>280</b>
Other economic flows	1	1	1	1
<b>Net result</b>	<b>235</b>	<b>149</b>	<b>231</b>	<b>281</b>
<b>Net debt reduction</b>	<b>235</b>	<b>384</b>	<b>615</b>	<b>895</b>
<b>Average weekly earnings</b>				
Income from transactions	83	(83)	1	(7)
Expenses from transactions	6	7	9	9
<b>Net result from transactions</b>	<b>76</b>	<b>(90)</b>	<b>(8)</b>	<b>(17)</b>
<b>Net debt reduction</b>	<b>76</b>	<b>(13)</b>	<b>(21)</b>	<b>(38)</b>
<b>Enterprise agreements<sup>(f)</sup></b>				
Income from transactions	29	30	30	30
Expenses from transactions	198	247	265	284
<b>Net result from transactions</b>	<b>(169)</b>	<b>(217)</b>	<b>(235)</b>	<b>(254)</b>
<b>Net debt reduction</b>	<b>(169)</b>	<b>(371)</b>	<b>(589)</b>	<b>(826)</b>
<b>Domestic share prices</b>				
Income from transactions	..	3	1	6
Expenses from transactions	..	(2)	(2)	(3)
<b>Net result from transactions</b>	<b>..</b>	<b>5</b>	<b>3</b>	<b>8</b>
<b>Net debt reduction</b>	<b>..</b>	<b>5</b>	<b>8</b>	<b>16</b>
<b>Overseas share prices</b>				
Income from transactions	1	18	4	18
Expenses from transactions	..	(3)	(3)	(4)
<b>Net result from transactions</b>	<b>1</b>	<b>21</b>	<b>7</b>	<b>22</b>
<b>Net debt reduction</b>	<b>1</b>	<b>22</b>	<b>28</b>	<b>50</b>

**Table D.1: Sensitivity of key fiscal aggregates to selected economic indicators being 1 per cent higher than expected from 2014-15<sup>(a)(b)(c)(d)</sup> (continued)**

(\$ million)

	2014-15 estimate	2015-16 estimate	2016-17 estimate	2017-18 estimate
<b>Property prices</b>				
Income from transactions	80	83	90	94
Expenses from transactions	(2)	(7)	(12)	(17)
<b>Net result from transactions</b>	<b>82</b>	<b>90</b>	<b>102</b>	<b>111</b>
Other economic flows	3	2	3	3
<b>Net result</b>	<b>85</b>	<b>92</b>	<b>105</b>	<b>113</b>
<b>Net debt reduction</b>	<b>85</b>	<b>176</b>	<b>282</b>	<b>395</b>
<b>Property volumes</b>				
Income from transactions	46	49	51	54
Expenses from transactions	(1)	(4)	(6)	(9)
<b>Net result from transactions</b>	<b>47</b>	<b>52</b>	<b>58</b>	<b>64</b>
<b>Net debt reduction</b>	<b>47</b>	<b>100</b>	<b>157</b>	<b>221</b>
<b>Interest rates<sup>(g)</sup></b>				
Income from transactions	178	202	266	131
Expenses from transactions	(1)	174	171	180
<b>Net result from transactions</b>	<b>179</b>	<b>28</b>	<b>95</b>	<b>(49)</b>
<b>Net debt reduction</b>	<b>179</b>	<b>206</b>	<b>301</b>	<b>252</b>

Source: Department of Treasury and Finance

Notes:

- (a) Variations are applied to the economic variables in 2014-15. For the out years it is assumed that variables' growth rates match those under a no-variation scenario. This implies that economic variables are 1 per cent higher across the budget and forward years compared with a no-variation scenario.
- (b) A positive number for income from transactions denotes an increase in revenue. A positive number for expenses from transactions denotes an increase in expenses (and hence a reduction in the net result from transactions and net result). A positive number for other economic flows represents a gain. A positive number for the net result from transactions and net result denotes a higher surplus or lower deficit. A positive number for net debt denotes a lower level of net debt in the relevant year compared with a no-variation scenario. A decrease in net debt is consistent with the Government's medium-term fiscal parameter of a reduction in net debt as a share of GSP over the decade to 2022. Numbers may not balance due to rounding.
- (c) The impact of a 1 per cent lower than expected outcome for an economic variable would, in most instances, simply be the opposite of the impact shown in the table.
- (d) Only reasonably quantifiable impacts have been included in the analysis.
- (e) 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.
- (f) Represents a 1 per cent increase in all government enterprise agreements.
- (g) Assumes interest rates are 1 percentage point higher across the entire term structure, i.e. short and long-term rates, over the budget and forward estimates period.

## Sensitivity to economic activity

Higher than expected GSP is associated with higher household consumption, leading to higher goods and services tax (GST) grants revenue and own-source taxation revenue, and reduced borrowing costs as a result of the change in the cash surplus. This increases the net result from transactions and reduces net debt. The reductions in net debt each year are of the same magnitude as the increases in the net result from transactions. As net debt is a stock variable, the impacts in each year accumulate over the forward estimates.

## **Sensitivity to employment**

Higher than expected employment results in additional payroll tax revenue. An increase in the remuneration base also results in additional premium revenue for the Victorian WorkCover Authority (VWA) and higher dividends and income tax equivalents (ITEs) payable to the State. The higher dividends and ITEs increase 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 values of tax bases rise in nominal terms.

There is no impact on dividends payable by VWA in the budget year as dividends are based on performance from insurance operations, which excludes the initial impact of CPI movements. However, the increase in consumer prices results in lower dividends and ITEs in the out years due mainly to increased claims expenses.

Higher prices increase the net result of the Transport Accident Commission (TAC) from 2015-16 through higher insurance premium income, partially offset by an increase in claims expenses. This increases the dividends and ITEs payable to the State.

Government expenses are affected through the higher cost of supplies and services and some increases in outlays on grants and transfers. An increase in consumer prices also increases the superannuation expense in the out years.

Reflecting the operation of departmental funding arrangements, the impact of the 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, and a cumulative reduction in net debt over the budget and forward estimates.

## **Sensitivity to average weekly earnings**

A rise in the level of economy-wide wages results in higher payroll tax revenue. It also leads to higher dividends from the VWA in the budget year due to additional premium revenue. However, an increase in average weekly earnings results in higher claims expenses and impacts the VWA's performance from insurance operations in the out years. This reduces the dividends and ITEs payable to the State.

The net impact of these effects is an increase in the net result from transactions in the budget year and decreases across the forward estimates. This leads to lower net debt in 2014-15 compared with a no-variation scenario but higher net debt in the remaining out years.

## **Sensitivity to enterprise agreements**

All government enterprise agreements are assumed to be unchanged over the projection period, but these can pose a substantial risk to Victoria's budget position. An increase in wages arising from enterprise agreements which exceeds wages policy increases the general government sector's employee entitlement expenses.

Increased employee entitlements also increase the value of the superannuation liability and flow through to a greater superannuation expense in the out years. These impacts result in a decline in the net result from transactions and cumulatively higher net debt over the budget and forward estimates.

Entities are required to fund enterprise agreements in accordance with wages policy. In addition, enterprise agreements are not negotiated concurrently, therefore a one-off impact is unlikely.

## **Sensitivity to domestic and overseas share prices**

A rise in share prices increases the net results of the TAC and VWA. This leads to an increase in the ITEs payable to the State; however the availability of carry-forward tax losses means there is little or no impact on total ITEs in the budget year. There is no significant impact on dividends payable to the State as these are based on the agencies' performance from insurance operations, which excludes the impact of investment returns being higher than the agencies' budgeted long-term rates of return.

An increase in domestic and international share prices also reduces the value of the superannuation liability due to the associated increase in superannuation fund assets. This then reduces the superannuation interest expense beyond the budget year, thereby improving the net result from transactions in these years and reducing net debt.

## **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. In later years, higher property prices continue to raise land transfer duty and land tax revenues, while the previous reduction in the superannuation liability reduces ongoing superannuation expenses. Each of these factors increase the net result from transactions and lower net debt.

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

## **Sensitivity to interest rates**

An increase in interest rates results in a gain on the valuation of insurance liabilities of the public financial corporations, partially offset by a loss on the valuation of investment assets.

As dividends of the State's insurance agencies are based on performance from insurance operations, which excludes the initial impact of discount rate movements, the increase will have no direct impact on dividends in the budget year. As ITEs of the insurance agencies are assessed on profit before tax, an increase in interest rates will increase ITEs.

Higher borrowing costs lead to reduced net results of public non-financial corporations, lowering dividends and ITEs payable to the State.

An increase in interest rates also increases the superannuation expense over 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 parameters can be significantly greater than indicated by the sum of each variable's individual impact. This highlights the point that the relationships between economic parameters and fiscal aggregates are 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 given 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 – economic growth exceeding expectations

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

**Table D.2: Actual deviations of growth rates of key economic variables from 2006-07 Budget forecasts**

*(per cent)*

	2006-07 budget <sup>(a)</sup>	2006-07 actual	Forecast error <sup>(b)</sup>
Real GSP	3.3	3.7	0.5
Employment	1.3	3.1	1.9
Consumer price index	2.5	2.6	0.1
Wage price index <sup>(c)</sup>	3.5	3.6	0.1

Sources: Australian Bureau of Statistics; 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.

The main areas of revenue forecast error in 2006-07 relate to the underestimation of land transfer duty and of other revenue, while payroll tax was close to forecast (Table D.3). 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 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 affect revenue from this source.

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

**Table D.3: Actual deviations of key revenue lines from 2006-07 Budget forecasts**

(\$ million)

	2006-07 budget	2006-07 actual	Forecast error
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 – global financial crisis

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 of growth rates of key economic variables from 2008-09 Budget forecasts**

(per cent)

	2008-09 budget <sup>(a)</sup>	2008-09 actual	Forecast error <sup>(b)</sup>
Real GSP	3.0	1.3	(1.7)
Consumption (unpublished)	2.8	0.2	(2.6)
Employment	1.5	0.9	(0.6)
Consumer price index	3.0	2.8	(0.2)
Wage price index <sup>(c)</sup>	3.8	4.0	0.3

Sources: Australian Bureau of Statistics; 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 with the actual outcome. Both revenue and expenditure were underestimated; however expenditure was underestimated to a greater extent leading to a forecast 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 *Building the Education Revolution*, which were mostly distributed by the states.

Much of the overestimation of revenue can be attributed to the weak performance of the property market, with the land transfer duty forecast being over \$900 million higher than the actual outcome. By contrast, the error in the forecast of payroll tax revenue 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 sizeable 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 adjusted their behaviour and entered a phase of reducing debt. This 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 the 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 partially offset by increased expenditure as the Commonwealth Government's stimulus payments were spent. Of the \$3.2 billion forecast error for other revenues, approximately \$2.4 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 of 2009-10 following the global financial crisis, since then its growth has remained below trend. This is consistent with the changes in household consumption. Similarly, following a temporary recovery in land transfer volumes in 2009-10, property market turnover was subdued in subsequent years as potential buyers were cautious about entering the market.

**Table D.5: Actual deviations of key revenue lines from 2008-09 Budget forecasts**

(\$ million)

	2008-09 budget	2008-09 actual	Forecast error
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*

---

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 *2014-15 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 *2014-15 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:	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)
– an estimated statement of financial performance for the year;	
– an estimated statement of financial position at the end of the year;	
– an estimated statement of cash flows for the year;	
– a statement of the accounting policies on which these statements are based and explanatory notes; and	
– government decisions and other circumstances that may have a material effect on the estimated financial statements.	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 *2014-15 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>

# APPENDIX F – QUARTERLY FINANCIAL REPORT FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR – SEPTEMBER 2014

---

## GENERAL GOVERNMENT SECTOR OUTCOME

### Financial performance

The general government sector net result from transactions for the three month period to 30 September 2014 was an operating surplus of \$427 million. The 2014-15 first quarter result is consistent with achieving a full year estimated operating surplus of \$1.1 billion in 2014-15, as forecast in the *2014-15 Budget Update*.

The first quarter result is influenced by seasonal factors such as the timing of certain revenue items, in particular:

- the majority of land tax revenue, which is not recognised until the March quarter;
- dividends from public authorities, which are not recognised as revenue until determined, which is generally in October and April of each year; and
- some Commonwealth capital grants, which are not received until later in the year.

The timing of these revenue items is partially offset by the revenue from the Fire Services Property Levy, which is fully recognised in the September quarter.

Revenue for the quarter totalled \$12.9 billion. This represented 24.2 per cent of the full year revised budget, in line with expectations.

Taxation revenue for the quarter represents 26.3 per cent of the revised budget estimate. Land transfer duty, insurance taxes and payroll tax were above pro rata, while other taxes and levies on statutory corporations were slightly below pro rata expectations.

Dividends and income tax equivalent and rate equivalent revenue for the first quarter is 4.7 per cent of the full year budget estimate. This is consistent with expectations and the usual pattern of receipt.

Grants revenue for the first quarter was 23.0 per cent of the revised budget estimate. This reflects the timing of this revenue from the Commonwealth Government and is consistent with the revised budget estimates.

Interest revenue was 24.6 per cent of the revised budget estimates, in line with expectations.

Other revenue was 26.4 per cent of the revised budget estimates, in line with expectations.

The improvement in the net result from transactions from a deficit of \$250 million for the first quarter of 2013-14 to a surplus of \$427 million in the first quarter of 2014-15, was driven by a combination of increased revenues (mainly taxation revenues) and a decrease in expenditure compared with the equivalent quarter in the previous year.

The year on year decrease in expenditure mainly reflects the change in public transport arrangements with the cessation of the ticketing guarantee payment to the metropolitan train and tram operators on 1 January 2014 following full *myki* implementation. During the ticketing guarantee payment period, all fare revenue was received by the State and paid to train and tram operators. Metropolitan train and tram operators now receive a percentage of fare revenue directly resulting in lower expenses paid to the operators compared to September 2013.

At 23.9 per cent of the full year budget estimate, expenses from transactions totalled \$12.4 billion for the three months to 30 September 2014. This result primarily reflects the timing of expenditure items that are forecast to be recorded later in the year. This result is in line with the \$1.1 billion operating surplus forecast in the revised budget.

The comprehensive result showed an increase in net worth of \$516 million for the three month period to 30 September 2014, compared to an increase of \$1.1 billion in the same period the previous year. For 2014-15, the increase in net worth was mainly due to the net result from transactions discussed above.

## **Financial position**

Net assets increased by \$516 million to \$128 billion for the three months to 30 September 2014. Total assets remained stable at around \$198 billion. Total liabilities decreased by \$428 million to \$70.3 billion, primarily reflecting a decrease in payables in the education sector (mainly relating to the timing of grants paid to non-government schools) and the decrease of various payables in the transport and environment sectors reflecting timing factors.

Net debt increased by \$297 million to \$21.5 billion in the quarter, reflecting a decrease in cash and deposits and an associated reduction in payables. After allowing for timing differences, the increase in net debt is consistent with budget expectations for a total net debt of \$21.7 billion as at 30 June 2015.

## **Cash flows**

Cash flow movements disclosed in the cash flow statement were consistent with the combined impact of the above mentioned drivers associated with the operating statement and balance sheet.

## FINANCIAL STATEMENTS FOR THE GENERAL GOVERNMENT SECTOR

### Consolidated comprehensive operating statement for the period ended 30 September

(\$ million)

2013-14 Actual to Sept <sup>(a)</sup>	Notes	2014-15	
		Actual to Sept	Revised budget
<b>Revenue from transactions</b>			
4 300.5	2	4 710.7	17 912.5
204.3		205.1	834.4
64.5	3	51.0	1 091.5
1 727.2	4	1 656.6	6 558.5
5 453.1	5	5 665.0	24 664.9
521.5	6	566.4	2 141.7
<b>12 271.0</b>		<b>12 854.7</b>	<b>53 203.5</b>
<b>Expenses from transactions</b>			
4 388.4		4 510.1	18 504.1
266.7	7	258.1	1 014.8
478.7	7	483.9	1 937.7
611.6	8	586.2	2 455.0
525.9		523.4	2 115.2
2 060.2		2 002.6	8 027.5
4 189.1		4 063.3	18 007.3
<b>12 520.6</b>	9	<b>12 427.5</b>	<b>52 061.7</b>
<b>(249.6)</b>		<b>427.2</b>	<b>1 141.8</b>
<b>Other economic flows included in net result</b>			
(4.4)		5.1	65.1
22.2		19.3	3.3
(96.5)	10	(90.1)	(286.2)
<b>(78.7)</b>		<b>(65.8)</b>	<b>(217.8)</b>
<b>(328.4)</b>		<b>361.4</b>	<b>924.0</b>
<b>Other economic flows – other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
(73.0)		(369.9)	3 871.6
1 428.4		121.2	626.3
..		..	2 113.4
103.4		405.8	(0.8)
<b>Items that may be reclassified subsequently to net result</b>			
3.5		(2.2)	1.1
<b>1 462.4</b>		<b>154.9</b>	<b>6 611.7</b>
<b>1 134.0</b>		<b>516.3</b>	<b>7 535.6</b>

**Consolidated comprehensive operating statement for the period ended 30 September *(continued)***

*(\$ million)*

<i>2013-14</i>			<i>2014-15</i>	
<i>Actual to Sept <sup>(a)</sup></i>		<i>Notes</i>	<i>Actual to Sept</i>	<i>Revised budget</i>
<b>FISCAL AGGREGATES</b>				
<b>(249.6)</b>	<b>Net operating balance</b>		<b>427.2</b>	<b>1 141.8</b>
(769.0)	Less: Net acquisition of non-financial assets from transactions	12	96.3	552.1
<b>519.3 Net lending/(borrowing)</b>			<b>330.9</b>	<b>589.7</b>

*The accompanying notes form part of these financial statements.*

*Note:*

*(a) September 2013-14 comparative figures have been restated reflecting updates disclosed in the 2013-14 Financial Report.*



## Consolidated balance sheet as at 30 September

(\$ million)

2013-14		2014-15		
Actual 30 Sept <sup>(a)</sup>	Notes	Opening 1 Jul	Actual 30 Sept	Revised budget 30 Jun <sup>(b)</sup>
<b>Assets</b>				
<b>Financial assets</b>				
3 286.6	Cash and deposits	4 500.9	4 095.4	4 662.6
4 644.1	Advances paid	4 586.9	4 575.9	4 563.8
4 954.7	Receivables	4 940.6	5 168.6	5 055.3
3 672.7	Investments, loans and placements	3 117.6	3 158.2	3 102.1
49.4	Investments accounted for using equity method	44.1	44.1	44.1
70 277.0	Investments in other sector entities	75 869.2	75 875.3	79 516.6
<b>86 884.5</b>	<b>Total financial assets</b>	<b>93 059.4</b>	<b>92 917.6</b>	<b>96 944.5</b>
<b>Non-financial assets</b>				
212.6	Inventories	176.6	153.7	170.6
72.2	Non-financial assets held for sale	142.5	168.1	139.2
101 082.5	Land, buildings, infrastructure, plant and equipment	103 644.2	103 692.6	107 835.3
1 196.4	Other non-financial assets	1 204.8	1 383.6	1 172.8
<b>102 563.7</b>	<b>Total non-financial assets</b>	<b>105 168.0</b>	<b>105 398.0</b>	<b>109 317.9</b>
<b>189 448.2</b>	<b>Total assets</b>	<b>198 227.4</b>	<b>198 315.6</b>	<b>206 262.4</b>
<b>Liabilities</b>				
422.6	Deposits held and advances received	426.5	454.2	426.4
5 357.8	Payables	5 746.5	5 303.2	5 742.9
32 688.2	Borrowing	32 953.6	32 846.6	33 589.3
5 273.7	Employee benefits	5 302.7	5 500.0	5 527.8
23 782.8	Superannuation	25 680.7	25 609.2	25 304.0
606.6	Other provisions	630.6	599.2	649.6
<b>68 131.9</b>	<b>Total liabilities</b>	<b>70 740.6</b>	<b>70 312.4</b>	<b>71 240.0</b>
<b>121 316.4</b>	<b>Net assets</b>	<b>127 486.9</b>	<b>128 003.2</b>	<b>135 022.5</b>
44 646.1	Accumulated surplus/(deficit)	44 410.0	45 290.9	45 963.7
76 620.2	Reserves	83 026.9	82 662.3	89 008.7
50.0	Non-controlling interest	50.0	50.0	50.0
<b>121 316.4</b>	<b>Net worth</b>	<b>127 486.9</b>	<b>128 003.2</b>	<b>135 022.5</b>
<b>FISCAL AGGREGATES</b>				
18 752.7	Net financial worth	22 318.8	22 605.2	25 704.5
51 524.3	Net financial liabilities	53 550.4	53 270.2	53 812.1
21 507.4	Net debt	21 174.6	21 471.3	21 687.2

The accompanying notes form part of these financial statements.

Notes:

(a) Restated balances reflecting updates disclosed in the 2013-14 Financial Report.

(b) Balances represent actual opening balances at 1 July 2014 plus 2014-15 budgeted movements.

## Consolidated cash flow statement for the period ended 30 September

(\$ million)

2013-14 Actual to Sept <sup>(a)</sup>		Notes	2014-15 Actual to Sept    Revised budget	
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
4 120.9	Taxes received		4 585.6	18 118.6
5 430.9	Grants		5 664.0	24 626.6
1 955.1	Sales of goods and services <sup>(b)</sup>		1 804.8	7 232.9
209.7	Interest received		194.4	813.9
209.0	Dividends and income tax equivalent and rate equivalent receipts		57.1	1 087.9
482.1	Other receipts		411.6	1 895.9
<b>12 407.6</b>	<b>Total receipts</b>		<b>12 717.6</b>	<b>53 775.8</b>
<b>Payments</b>				
(4 313.6)	Payments for employees		(4 312.8)	(18 285.7)
(676.6)	Superannuation		(692.2)	(2 703.0)
(497.3)	Interest paid		(510.0)	(2 074.7)
(2 325.4)	Grants and subsidies		(2 180.4)	(8 067.5)
(4 915.6)	Goods and services <sup>(b)</sup>		(4 514.6)	(17 957.4)
(181.9)	Other payments		(175.6)	(671.5)
<b>(12 910.5)</b>	<b>Total payments</b>		<b>(12 385.6)</b>	<b>(49 759.9)</b>
<b>(502.9)</b>	<b>Net cash flows from operating activities</b>	16b	<b>332.0</b>	<b>4 015.9</b>
<b>Cash flows from investing activities</b>				
(600.8)	Purchases of non-financial assets		(887.0)	(4 729.5)
24.3	Sales of non-financial assets		36.1	395.2
<b>(576.5)</b>	<b>Cash flows from investments in non-financial assets</b>		<b>(850.9)</b>	<b>(4 334.3)</b>
(586.7)	Net cash flows from investments in financial assets for policy purposes		208.1	(125.4)
<b>(1 163.2)</b>	<b>Sub-total</b>		<b>(642.8)</b>	<b>(4 459.7)</b>
(208.0)	Net cash flows from investments in financial assets for liquidity management purposes		(14.1)	13.6
<b>(1 371.2)</b>	<b>Net cash flows from investing activities</b>		<b>(657.0)</b>	<b>(4 446.1)</b>
<b>Cash flows from financing activities</b>				
1 215.1	Net borrowings		(108.2)	592.1
(26.4)	Deposits received (net)		27.7	(0.1)
<b>1 188.7</b>	<b>Net cash flows from financing activities</b>		<b>(80.5)</b>	<b>591.9</b>
<b>(685.4)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(405.5)</b>	<b>161.7</b>
3 962.0	Cash and cash equivalents at beginning of reporting period		4 500.9	4 500.9
<b>3 276.6</b>	<b>Cash and cash equivalents at end of reporting period</b>	16a	<b>4 095.4</b>	<b>4 662.6</b>

## Consolidated cash flow statement for the period ended 30 September (continued)

(\$ million)

2013-14		2014-15	
Actual to Sept <sup>(a)</sup>	Notes	Actual to Sept	Revised budget
<b>FISCAL AGGREGATES</b>			
(502.9)	Net cash flows from operating activities	332.0	4 015.9
(576.5)	Net cash flows from investments in non-financial assets	(850.9)	(4 334.3)
<b>(1 079.4) Cash surplus/(deficit)</b>		<b>(518.9)</b>	<b>(318.4)</b>

The accompanying notes form part of these financial statements.

Notes:

- (a) September 2013-14 comparative figures have been updated to reflect more current information.
- (b) These items are inclusive of goods and services tax.

## Consolidated statement of changes in equity for the period ended 30 September

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
<b>2014-15</b>		
Balance at 1 July 2014	44 410.0	50.0
Net result for the quarter	361.4	..
Other comprehensive income for the year	519.5	..
<b>Total equity at end of period</b>	<b>45 290.9</b>	<b>50.0</b>
<b>Budget equity as at 30 June 2015</b>	<b>45 963.7</b>	<b>50.0</b>
<b>2013-14</b>		
Balance at 1 July 2013 <sup>(a)</sup>	43 459.5	50.0
Net result for the quarter	(328.4)	..
Other comprehensive income for the year <sup>(a)</sup>	1 515.0	..
<b>Total equity at end of period</b>	<b>44 646.1</b>	<b>50.0</b>

*The accompanying notes form part of these financial statements.*

Note:

(a) Restated balances reflecting updates disclosed in the 2013-14 Financial Report.

<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>
40 199.2	42 187.3	640.3	127 486.8
..	..	..	361.4
(369.9)	..	5.4	154.9
<b>39 829.3</b>	<b>42 187.3</b>	<b>645.7</b>	<b>128 003.2</b>
<b>44 070.8</b>	<b>44 300.7</b>	<b>637.2</b>	<b>135 022.5</b>
37 685.5	38 373.5	613.9	120 182.4
..	..	..	(328.4)
(73.0)	..	20.3	1 462.4
<b>37 612.5</b>	<b>38 373.5</b>	<b>634.2</b>	<b>121 316.4</b>

## NOTES TO THE FINANCIAL STATEMENTS

Note 1:	A summary of significant accounting policies.....	153
Note 2:	Taxation revenue .....	155
Note 3:	Dividends and income tax equivalent and rate equivalent revenue .....	156
Note 4:	Sales of goods and services .....	156
Note 5:	Grants .....	156
Note 6:	Other revenue.....	157
Note 7:	Superannuation .....	157
Note 8:	Depreciation .....	158
Note 9:	Total expenses by department .....	158
Note 10:	Other gains/(losses) from other economic flows .....	159
Note 11:	Receivables .....	159
Note 12:	Net acquisition on non-financial assets .....	160
Note 13:	Land, buildings, infrastructure, plant and equipment .....	160
Note 14:	Other non-financial assets .....	163
Note 15:	Employee benefits .....	163
Note 16:	Cash flow information .....	164
Note 17:	Public Account .....	165
Note 18:	Glossary of technical terms .....	168
Note 19:	Controlled entities .....	168

## **Note 1: A summary of significant accounting policies**

This *2014-15 Quarterly Financial Report* presents the unaudited special purpose financial report for the Victorian general government sector for the three months ended 30 September 2014. The purpose of this report is to provide users with progressive information about the sector's financial performance and financial position, compared with budget expectations.

The accounting policies applied, except as noted below, are consistent with those applied for the financial statements published in the *2013-14 Financial Report* for the State of Victoria, which should be read in conjunction with these financial statements.

### **(A) Statement of compliance**

The *2014-15 Quarterly Financial Report* has been prepared in accordance with section 26 of the *Financial Management Act 1994*, with reference to relevant Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, the financial statements are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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

The accrual basis of accounting has been applied in the preparation of these 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.

### **(C) Reporting entity**

The Victorian general government sector includes all government departments, offices and other government bodies engaged in providing services free of charge or at prices significantly below their cost of production.

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 of Victoria apply equally to the Victorian general government sector.

The primary function of entities in 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.

These entities are not-for-profit entities and apply, where appropriate, the AAS paragraphs that are applicable to not-for-profit entities.

## **Note 1: A summary of significant accounting policies (continued)**

### **(D) Basis of consolidation**

The 2014-15 *Quarterly Financial Report* presents the consolidated assets and liabilities of all reporting entities in the Victorian general government sector, and their revenues and expenses for the respective period, consistent with the principles of AASB 1049 and AASB 10 *Consolidated Financial Statements*.

AASB 10 is operative for the annual reporting periods beginning on or after 1 January 2014. This Standard replaces the requirements in AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*, which were applied in the preparation of the audited 2013-14 annual financial report. The new Standard does not introduce new concepts, but rather builds on the control guidance that existed in AASB 127 and Interpretation 112. Three criteria are required to assess whether control exists, including the entity's rights over an investee; the entity's exposure or rights to variable returns from an investee; and the ability to affect those returns through power over an investee. Based on information available as at the reporting date, it has been assessed that the revised requirements are not expected to impact on the 2014-15 *Quarterly Financial Report* ending 30 September 2014.

In the process of reporting the Victorian general government sector as a single economic entity, all material transactions and balances in the sector are eliminated.

Information on entities consolidated for the general government sector is included in Note 19.



## Note 2: Taxation revenue

(\$ million)

2013-14 Actual to Sept		2014-15	
		Actual to Sept	Revised budget
<b>1 270.7</b>	<b>Taxes on employers' payroll and labour force</b>	<b>1 326.4</b>	<b>5 148.4</b>
	<b>Taxes on property</b>		
	<b>Taxes on immovable property</b>		
35.3	Land tax	12.3	1 750.9
610.9	Fire Services Property Levy	606.5	606.5
(0.5)	Congestion levy	3.3	121.6
105.6	Metropolitan improvement levy	110.4	145.7
<b>751.3</b>	<b>Total taxes on immovable property</b>	<b>732.4</b>	<b>2 624.6</b>
	<b>Financial and capital transactions</b>		
950.9	Land transfer duty	1 192.1	4 472.0
0.8	Other property duties	4.5	5.7
29.3	Financial accommodation levy	33.4	144.7
1.6	Growth areas infrastructure contribution	22.2	77.0
<b>982.5</b>	<b>Total financial and capital transactions</b>	<b>1 252.2</b>	<b>4 699.5</b>
<b>1 733.8</b>	<b>Total taxes on property</b>	<b>1 984.6</b>	<b>7 324.1</b>
	<b>Taxes on the provision of goods and services</b>		
	<b>Gambling taxes</b>		
96.3	Private lotteries	108.2	410.6
254.0	Electronic gaming machines	275.2	1 068.8
48.5	Casino	49.1	214.2
20.4	Racing	20.1	85.0
4.9	Other	5.7	23.9
<b>424.1</b>	<b>Total gambling taxes</b>	<b>458.3</b>	<b>1 802.5</b>
22.9	Levies on statutory corporations	22.9	112.0
305.7	Taxes on insurance	317.5	1 113.3
<b>752.7</b>	<b>Total taxes on the provision of goods and services</b>	<b>798.7</b>	<b>3 027.8</b>
	<b>Taxes on the use of goods and performance of activities</b>		
	<b>Motor vehicle taxes</b>		
314.3	Vehicle registration fees	351.4	1 392.0
170.3	Duty on vehicle registrations and transfers	180.9	714.9
<b>484.7</b>	<b>Total motor vehicle taxes</b>	<b>532.3</b>	<b>2 106.9</b>
..	Liquor license fees	..	22.6
58.5	Other	68.6	282.6
<b>543.3</b>	<b>Total taxes on the use of goods and performance of activities</b>	<b>600.9</b>	<b>2 412.2</b>
<b>4 300.5</b>	<b>Total taxation revenue</b>	<b>4 710.7</b>	<b>17 912.5</b>

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

(\$ million)

2013-14		2014-15	
<i>Actual to Sept</i>		<i>Actual to Sept</i>	<i>Revised budget</i>
6.4	Dividends	7.8	923.8
58.1	Income tax equivalent revenue	43.2	161.9
..	Local government rate equivalent revenue	..	5.7
<b>64.5</b>	<b>Total dividends and income tax equivalent and rate equivalent revenue</b>	<b>51.0</b>	<b>1 091.5</b>

### Note 4: Sales of goods and services

(\$ million)

2013-14		2014-15	
<i>Actual to Sept</i>		<i>Actual to Sept</i>	<i>Revised budget</i>
53.8	Motor vehicle regulatory fees	61.5	213.3
123.6	Other regulatory fees	116.5	475.4
20.7	Sale of goods	20.5	84.3
1 133.0	Provision of services	1 025.4	4 069.5
13.4	Rental	15.5	59.1
1.6	Refunds and reimbursements	9.0	69.7
381.1	Inter-sector capital asset charge	408.2	1 587.2
<b>1 727.2</b>	<b>Total sales of goods and services</b>	<b>1 656.6</b>	<b>6 558.5</b>

### Note 5: Grants

(\$ million)

2013-14		2014-15	
<i>Actual to Sept</i>		<i>Actual to Sept</i>	<i>Revised budget</i>
2 837.9	General purpose grants	2 957.1	11 999.0
611.8	Specific purpose grants for on-passing	750.6	3 216.6
1 985.2	Grants for specific purposes	1 924.1	9 313.6
<b>5 434.9</b>	<b>Total</b>	<b>5 631.8</b>	<b>24 529.2</b>
18.2	Other contributions and grants	33.3	135.7
<b>5 453.1</b>	<b>Total grants</b>	<b>5 665.0</b>	<b>24 664.9</b>

## Note 6: Other revenue

(\$ million)

2013-14		2014-15	
<i>Actual to Sept</i>		<i>Actual to Sept</i>	<i>Revised budget</i>
4.3	Fair value of assets received free of charge or for nominal consideration	3.9	56.7
154.1	Fines	188.2	722.0
11.8	Royalties	9.0	51.4
62.9	Donations and gifts	72.4	262.4
6.5	Other non-property rental	6.9	17.7
281.9	Other miscellaneous revenue	286.0	1 031.5
<b>521.5</b>	<b>Total other revenue</b>	<b>566.4</b>	<b>2 141.7</b>

## Note 7: Superannuation

(\$ million)

2013-14		2014-15	
<i>Actual to Sept</i>		<i>Actual to Sept</i>	<i>Revised budget</i>
<b>Defined benefit plans</b>			
266.7	Net superannuation interest expense	258.1	1 014.8
181.4	Current service cost	171.4	737.7
Remeasurements:			
(135.1)	Expected return on superannuation assets excluding interest income	(125.8)	(630.9)
(629.9)	Other actuarial (gain)/loss on superannuation assets	55.6	55.6
(663.5)	Actuarial and other adjustments to unfunded superannuation liability	(51.0)	(51.0)
<b>(980.3)</b>	<b>Total (gain)/costs recognised in respect of defined benefit plans</b>	<b>308.2</b>	<b>1 126.3</b>
<b>Defined contribution plans</b>			
277.1	Employer contributions to defined contribution plans	292.1	1 138.9
20.1	Other (including pensions)	20.4	61.0
<b>297.2</b>	<b>Total expense recognised in respect of defined contribution plans</b>	<b>312.5</b>	<b>1 200.0</b>
<b>(683.0)</b>	<b>Total superannuation (gain)/expense recognised in operating statement</b>	<b>620.7</b>	<b>2 326.3</b>
<b>Represented by:</b>			
266.7	Net superannuation interest expense	258.1	1 014.8
478.7	Other superannuation	483.9	1 937.7
<b>745.4</b>	<b>Superannuation expense from transactions</b>	<b>742.0</b>	<b>2 952.6</b>
<b>(1 428.4)</b>	<b>Remeasurement recognised in other comprehensive income</b>	<b>(121.2)</b>	<b>(626.3)</b>
<b>(683.0)</b>	<b>Total superannuation (gain)/expense recognised in operating statement</b>	<b>620.7</b>	<b>2 326.3</b>

## Note 8: Depreciation

(\$ million)

2013-14 Actual to Sept		2014-15	
		Actual to Sept	Revised budget
294.5	Buildings	257.3	1 076.8
138.0	Plant, equipment and vehicles	139.4	647.3
9.3	Infrastructure systems	9.7	31.6
140.4	Road and road networks	143.6	590.8
5.2	Cultural assets	4.7	28.9
24.3	Intangible produced assets	31.6	79.5
<b>611.6</b>	<b>Total depreciation</b>	<b>586.2</b>	<b>2 455.0</b>

## Note 9: Total expenses by department

(\$ million)

2013-14 Actual to Sept		2014-15	
		Actual to Sept	Revised budget
	<b>Expenses from transactions</b>		
3 520.8	Education and Early Childhood Development	3 553.4	14 875.6
615.9	Environment and Primary Industries	486.3	2 597.8
3 963.1	Health	3 924.3	16 176.5
922.7	Human Services	929.4	3 949.2
1 300.7	Justice	1 336.6	5 642.8
178.4	Premier and Cabinet	179.2	720.4
258.6	State Development, Business and Innovation	340.5	1 252.9
1 697.8	Transport, Planning and Local Infrastructure	1 673.1	7 106.5
1 570.4	Treasury and Finance	1 529.6	6 326.1
42.3	Parliament	42.7	181.3
..	Courts <sup>(a)</sup>	116.9	506.5
435.2	Regulatory bodies and other part funded agencies	463.9	1 915.1
(1 985.3)	Less eliminations and adjustments <sup>(b)</sup>	(2 148.4)	(9 189.2)
<b>12 520.6</b>	<b>Total expenses</b>	<b>12 427.5</b>	<b>52 061.7</b>

Notes:

(a) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.

(b) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers.

## Note 10: Other gains/(losses) from other economic flows

(\$ million)

2013-14 Actual to Sept		2014-15 Actual to Sept		Revised budget
(78.1)	Net (increase)/decrease in provision for doubtful receivables	(81.8)		(184.1)
(2.6)	Amortisation of intangible non-produced assets	..		(2.3)
(4.2)	Net (increase)/decrease in bad debts	(6.1)		(119.2)
(11.6)	Other gains/(losses)	(2.2)		19.3
<b>(96.5)</b>	<b>Total other gains/(losses) from other economic flows</b>	<b>(90.1)</b>		<b>(286.2)</b>

## Note 11: Receivables

(\$ million)

2013-14 Actual 30 Sept <sup>(a)</sup>		Opening 1 Jul	2014-15 Actual 30 Sept	Revised Budget 30 Jun
<b>Contractual</b>				
687.0	Sales of goods and services	647.2	694.3	664.0
21.6	Accrued investment income	22.8	28.3	23.5
1 020.3	Other receivables	1 097.7	1 147.1	948.7
(73.5)	Provision for doubtful contractual receivables	(72.2)	(70.8)	(72.2)
<b>Statutory</b>				
0.3	Sales of goods and services	5.6	5.2	4.2
2 316.9	Taxes receivables	2 141.0	2 257.2	2 288.1
1 602.4	Fines and regulatory fees	1 670.4	1 728.2	1 943.8
242.5	GST input tax credits recoverable	270.9	242.7	269.4
(862.7)	Provision for doubtful statutory receivables	(842.9)	(863.5)	(1 014.1)
<b>4 954.7</b>	<b>Total receivables</b>	<b>4 940.6</b>	<b>5 168.6</b>	<b>5 055.3</b>
<b>Represented by:</b>				
3 811.3	Current receivables	4 006.9	4 235.0	3 914.1
1 143.4	Non-current receivables	933.7	933.6	1 141.2

Note:

(a) Restated balances reflecting updates disclosed in the 2013-14 Financial Report.

## Note 12: Net acquisition on non-financial assets

(\$ million)

2013-14		2014-15	
Actual		Actual	Budget
30 Sept		30 Sept	30 Jun
600.8	Purchases of non-financial assets <sup>(a)</sup>	887.0	4 729.5
(24.3)	Less: Sales of non-financial assets	(36.1)	(395.2)
(611.6)	Less: Depreciation	(586.2)	(2 455.0)
(733.8)	Plus: Other movements in non-financial assets <sup>(a)</sup>	(168.5)	(1 327.2)
<b>(769.0)</b>	<b>Total net acquisition of non-financial assets</b>	<b>96.3</b>	<b>552.1</b>

Note:

(a) September 2013-14 comparative figures have been restated to include the fixed asset transfers to and from the general government sector.

## Note 13: Land, buildings, infrastructure, plant and equipment

### (a) Total land, buildings, infrastructure, plant and equipment

(\$ million)

2013-14		2014-15		
Actual		Opening	Actual	Revised
30 Sept <sup>(a)</sup>		1 Jul <sup>(a)</sup>	30 Sept	Budget
				30 Jun
24 755.0	Buildings	25 882.6	26 178.7	26 622.2
(2 970.8)	Buildings accumulated depreciation	(1 403.8)	(1 594.5)	(2 424.9)
<b>21 784.2</b>	<b>Buildings (written down value)</b>	<b>24 478.8</b>	<b>24 584.1</b>	<b>24 197.4</b>
2 697.3	Buildings leasehold	2 820.9	2 808.3	2 839.1
(426.8)	Buildings leasehold accumulated depreciation	(420.0)	(420.1)	(485.4)
<b>2 270.5</b>	<b>Buildings leasehold (written down value)</b>	<b>2 400.8</b>	<b>2 388.2</b>	<b>2 353.7</b>
37 546.3	Land and national parks	37 648.4	37 669.4	38 176.3
1 279.2	Infrastructure systems (written down value)	1 247.8	1 268.3	1 327.3
3 035.3	Plant, equipment and vehicles (written down value)	2 589.9	2 538.5	2 644.4
22 072.5	Roads and road networks (written down value)	22 103.8	22 070.6	24 858.8
7 638.8	Earthworks	7 685.2	7 685.2	8 797.9
5 455.7	Cultural assets (written down value)	5 489.5	5 488.2	5 479.6
<b>101 082.5</b>	<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>103 644.2</b>	<b>103 692.6</b>	<b>107 835.3</b>

Note:

(a) Restated balances reflecting updates disclosed in the 2013-14 Financial Report.

**Note 13: Land, buildings, infrastructure, plant and equipment  
(continued)**

**(b) Land and buildings**

(\$ million)

2013-14			2014-15	Revised
Actual		Opening	Actual	Budget
30 Sept		1 Jul	30 Sept	30 Jun
24 755.0	Buildings	25 882.6	26 178.7	26 622.2
(2 970.8)	Accumulated depreciation	(1 403.8)	(1 594.5)	(2 424.9)
<b>21 784.2</b>	<b>Buildings (written down value)</b>	<b>24 478.8</b>	<b>24 584.1</b>	<b>24 197.4</b>
2 697.3	Buildings leasehold	2 820.9	2 808.3	2 839.1
(426.8)	Buildings leasehold accumulated depreciation	(420.0)	(420.1)	(485.4)
<b>2 270.5</b>	<b>Buildings leasehold (written down value)</b>	<b>2 400.8</b>	<b>2 388.2</b>	<b>2 353.7</b>
35 860.8	Land	35 962.9	35 984.0	36 439.1
1 685.5	National parks and other 'land only' holdings	1 685.5	1 685.5	1 737.1
<b>37 546.3</b>	<b>Land and national parks</b>	<b>37 648.4</b>	<b>37 669.4</b>	<b>38 176.3</b>
<b>61 601.0</b>	<b>Total land and buildings</b>	<b>64 528.0</b>	<b>64 641.8</b>	<b>64 727.4</b>

**(c) Plant and equipment and vehicles, and infrastructure systems**

(\$ million)

2013-14			2014-15	Revised
Actual		Opening	Actual	Budget
30 Sept <sup>(a)</sup>		1 Jul	30 Sept	30 Jun
1 716.3	Infrastructure systems	1 716.2	1 743.1	1 827.7
(437.1)	Accumulated depreciation	(468.4)	(474.8)	(500.3)
<b>1 279.2</b>	<b>Infrastructure systems (written down value)</b>	<b>1 247.8</b>	<b>1 268.3</b>	<b>1 327.3</b>
6 114.5	Plant, equipment and vehicles	5 876.1	5 895.6	6 381.6
(3 315.8)	Accumulated depreciation	(3 495.2)	(3 557.4)	(3 921.0)
426.3	Leased plant, equipment and vehicles	413.0	413.0	413.3
(189.7)	Accumulated depreciation	(204.0)	(212.8)	(229.6)
<b>3 035.3</b>	<b>Plant, equipment and vehicles (written down value)</b>	<b>2 589.9</b>	<b>2 538.5</b>	<b>2 644.4</b>
<b>4 314.5</b>	<b>Total plant, equipment and vehicles, and infrastructure systems</b>	<b>3 837.7</b>	<b>3 806.8</b>	<b>3 971.7</b>

Note:

(a) Restated balances reflecting updates disclosed in the 2013-14 Financial Report.

**Note 13: Land, buildings, infrastructure, plant and equipment  
(continued)**

**(d) Road networks and earthworks**

(\$ million)

2013-14 Actual 30 Sept <sup>(a)</sup>		Opening 1 Jul	2014-15 Actual 30 Sept	Revised Budget 30 Jun
37 430.2	Roads and roads infrastructure	37 890.9	38 004.5	43 159.8
(15 357.8)	Accumulated depreciation	(15 787.1)	(15 933.9)	(18 301.0)
<b>22 072.5</b>	<b>Roads and roads infrastructure (written down value)</b>	<b>22 103.8</b>	<b>22 070.6</b>	<b>24 858.8</b>
7 638.8	Earthworks	7 685.2	7 685.2	8 797.9
<b>29 711.2</b>	<b>Total road networks and earthworks</b>	<b>29 789.0</b>	<b>29 755.8</b>	<b>33 656.7</b>

Note:

(a) Restated balances reflecting updates disclosed in the 2013-14 Financial Report.

**(e) Cultural assets**

(\$ million)

2013-14 Actual 30 Sept		Opening 1 Jul	2014-15 Actual 30 Sept	Revised Budget 30 Jun
5 571.2	Cultural assets	5 610.8	5 614.3	5 629.4
(115.5)	Accumulated depreciation	(121.3)	(126.1)	(149.8)
<b>5 455.7</b>	<b>Total cultural assets</b>	<b>5 489.5</b>	<b>5 488.2</b>	<b>5 479.6</b>



## Note 14: Other non-financial assets

(\$ million)

2013-14 Actual 30 Sept		Opening 1 Jul	2014-15 Actual 30 Sept	Revised Budget 30 Jun
987.3	Intangibles produced assets	1 375.4	1 342.8	1 367.2
(452.4)	Accumulated depreciation	(603.7)	(603.1)	(661.4)
135.3	Intangible non-produced assets	0.3	9.2	54.5
(92.5)	Accumulated amortisation	(0.1)	(0.3)	(9.4)
<b>577.7</b>	<b>Total intangibles</b>	<b>772.0</b>	<b>748.6</b>	<b>750.9</b>
53.5	Investment properties	137.3	137.3	141.0
3.6	Biological assets <sup>(a)</sup>	4.9	4.9	5.7
561.5	Other assets	290.6	492.8	275.2
<b>1 196.4</b>	<b>Total other non-financial assets</b>	<b>1 204.8</b>	<b>1 383.6</b>	<b>1 172.8</b>

Note:

(a) The majority of biological assets comprises of commercial forests and also includes any living animal, plant or agricultural produce, which is the harvested product of biological assets.

## Note 15: Employee benefits

(\$ million)

2013-14 Actual 30 Sept		Opening 1 Jul	2014-15 Actual 30 Sept	Revised Budget 30 Jun
	<b>Current</b>			
1 718.3	Accrued salaries and wages <sup>(a)</sup>	1 575.9	1 764.5	1 626.0
2 710.2	Long service leave	3 050.4	3 058.1	3 176.8
<b>4 428.5</b>	<b>Total current employee benefits</b>	<b>4 626.3</b>	<b>4 822.6</b>	<b>4 802.8</b>
	<b>Non-current</b>			
845.2	Long service leave	676.5	677.4	725.0
<b>845.2</b>	<b>Total non-current employee benefits</b>	<b>676.5</b>	<b>677.4</b>	<b>725.0</b>
<b>5 273.7</b>	<b>Total other employee benefits</b>	<b>5 302.7</b>	<b>5 500.0</b>	<b>5 527.8</b>

Note:

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

## Note 16: Cash flow information

### (a) Reconciliation of cash and cash equivalents

(\$ million)

2013-14 Actual to Sept		2014-15 Actual to Sept
1 505.4	Cash	1 927.7
1 781.2	Deposits at call	2 167.7
<b>3 286.6</b>	<b>Cash and cash equivalents</b>	<b>4 095.4</b>
(10.0)	Bank overdraft	..
<b>3 276.6</b>	<b>Balances as per cash flow statement</b>	<b>4 095.4</b>

### (b) Reconciliation of net result to net cash flows from operating activities

(\$ million)

2013-14 Actual to Sept <sup>(a)</sup>		2014-15 Actual to Sept
<b>(328.4)</b>	<b>Net result</b>	<b>361.4</b>
	<b>Non-cash movements</b>	
614.2	Depreciation and amortisation	586.2
(22.1)	Revaluation of investments	3.3
(0.1)	Assets (received)/provided free of charge	0.2
9.7	Assets not previously recognised	(0.8)
0.1	Revaluation of assets	(0.2)
0.9	Discount/premium on other financial assets/borrowings	1.3
<b>602.8</b>	<b>Non-cash items total</b>	<b>589.9</b>
	<b>Movements included in investing and financing activities</b>	
(2.4)	Net gain/loss from sale of investments	(22.5)
4.4	Net revenues from sale of non-financial assets	(5.1)
<b>2.1</b>	<b>Items Included in investing and financing activities total</b>	<b>(27.6)</b>
	<b>Movements in assets and liabilities</b>	
42.3	Increase/(decrease) in provision for doubtful debts	19.4
(660.1)	Increase/(decrease) in payables	(376.2)
64.9	Increase/(decrease) in employee benefits	197.3
68.8	Increase/(decrease) in superannuation	49.7
7.8	Increase/(decrease) in other provisions	(31.4)
63.4	(Increase)/decrease in receivables	(247.4)
(366.4)	(Increase)/decrease in other non-financial assets	(203.0)
<b>(779.4)</b>	<b>Changes in assets and liabilities total</b>	<b>(591.7)</b>
<b>(502.9)</b>	<b>Net cash flows from operating activities</b>	<b>332.0</b>

Note:

(a) The September 2013-14 comparative figures have been updated to reflect more current information.

## Note 17: Public Account

### (a) Consolidated Fund receipts and payments

(\$ million)

2013-14 Actual to Sept		2014-15 Actual to Sept	Revised budget
	<b>Receipts</b>		
4 104.9	Taxation	4 570.0	17 949.2
162.7	Fines and regulatory fees	207.3	822.5
3 767.3	Grants received	3 787.7	16 839.4
1 327.4	Sales of goods and services	1 413.7	5 488.4
137.4	Interest received	122.7	540.5
207.9	Public authority receipts	50.2	1 085.8
78.2	Other receipts	56.6	936.5
<b>9 786.0</b>	<b>Total operating activities</b>	<b>10 208.0</b>	<b>43 662.1</b>
1 809.7	Total inflows from investing and financing	313.9	1 524.9
<b>11 595.7</b>	<b>Total receipts</b>	<b>10 521.9</b>	<b>45 187.0</b>
	<b>Payments to departments</b>		
2 867.2	Education and Early Childhood Development	2 701.4	10 979.6
924.0	Environment and Primary Industries	540.3	2 454.2
2 956.2	Health	2 889.5	9 626.1
876.3	Human Services	973.9	4 001.7
1 379.0	Justice	1 472.1	6 353.0
142.1	Premier and Cabinet	156.4	619.7
207.3	State Development, Business and Innovation	276.8	971.5
2 026.8	Transport, Planning and Local Infrastructure	1 752.9	7 738.4
892.5	Treasury and Finance	864.4	4 669.7
40.9	Parliament	39.8	171.5
..	Courts <sup>(a)</sup>	66.7	448.9
<b>12 312.4</b>	<b>Total payments</b>	<b>11 734.1</b>	<b>48 034.3</b>
<b>(716.7)</b>	<b>Net receipts/(payments)</b>	<b>(1 212.2)</b>	<b>(2 847.4)</b>

Note:

(a) Courts, which was formerly part of the Department of Justice, came into operation from 1 July 2014.

## Note 17: Public Account (continued)

### (b) Trust Fund cash flow statement

(\$ million)

2013-14 Actual to Sept		2014-15	
		Actual to Sept	Revised budget
	<b>Cash flows from operating activities</b>		
	<b>Receipts</b>		
153.7	Taxation	156.2	299.5
12.9	Regulatory fees and fines	11.7	46.7
3 233.0	Grants received	4 108.7	13 868.2
177.1	Sale of goods and services	121.7	393.4
24.2	Interest received	24.5	98.4
3 043.0	Net transfers from consolidated fund	3 104.2	9 685.8
43.2	Other receipts	18.5	145.4
<b>6 687.2</b>	<b>Total receipts</b>	<b>7 545.4</b>	<b>24 537.4</b>
	<b>Payments</b>		
(32.5)	Employee benefits	(35.0)	(188.2)
(2.9)	Superannuation	(3.0)	(13.5)
(6 050.8)	Grants paid	(6 827.7)	(21 959.8)
(522.0)	Supplies and consumables <sup>(a)</sup>	(576.2)	(2 009.3)
(2.4)	Interest paid	(1.7)	(7.5)
<b>(6 610.7)</b>	<b>Total payments</b>	<b>(7 443.6)</b>	<b>(24 178.2)</b>
<b>76.5</b>	<b>Net cash flows from operating activities</b>	<b>101.8</b>	<b>359.2</b>
	<b>Cash flows from investing activities</b>		
6.1	Proceeds from sale of property, plant and equipment	11.0	34.2
(11.1)	Purchases of property, plant and equipment <sup>(a)</sup>	(8.7)	(27.6)
22.7	Other investing activities	(37.9)	(68.2)
<b>17.7</b>	<b>Net cash flows from investing activities</b>	<b>(35.6)</b>	<b>(61.5)</b>
	<b>Cash flows from financing activities</b>		
(443.2)	Net proceeds (repayments) from borrowings <sup>(a)</sup>	8.4	(13.2)
<b>(443.2)</b>	<b>Net cash flows from financing activities <sup>(a)</sup></b>	<b>8.4</b>	<b>(13.2)</b>
<b>(349.0)</b>	<b>Net cash inflow/(outflow)</b>	<b>74.5</b>	<b>284.4</b>

Note:

(a) The September 2013-14 comparative figures have been updated to reflect more current information.

## Note 17: Public Account (continued)

### (c) Reconciliation of cash flows to balances held

(\$ million)

	Balances held at 30 Jun 2014	Sept movement YTD	Balances held at 30 Sept 2014
<b>Cash and deposits</b>			
Cash balances outside the Public Account	0.4	(0.6)	(0.2)
Deposits held with the Public Account – specific trusts	550.1	58.7	608.9
Other balances held in the Public Account	2 493.8	(1 193.8)	1 300.0
<b>Total cash and deposits</b>	<b>3 044.3</b>	<b>(1 135.7)</b>	<b>1 908.6</b>
<b>Investments</b>			
Investments held with the Public Account – specific trusts	664.3	31.1	695.4
<b>Total investments</b>	<b>664.3</b>	<b>31.1</b>	<b>695.4</b>
<b>Total fund balances</b>	<b>3 708.6</b>	<b>(1 104.6)</b>	<b>2 604.0</b>
<b>Less funds held outside the Public Account</b>			
Cash	0.4	(0.6)	(0.2)
<b>Total fund balances held outside the Public Account</b>	<b>0.4</b>	<b>(0.6)</b>	<b>(0.2)</b>
<b>Total funds held in the Public Account <sup>(a)</sup></b>	<b>3 708.2</b>	<b>(1 104.0)</b>	<b>2 604.2</b>

Note:

(a) See Note 17 (d) below for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

### (d) Details of securities held

(\$ million)

2013-14 Actual to Sept		2014-15 Opening 1 Jul	Actual 30 Sept
1 303.0	Amounts invested on behalf of specific trust accounts	1 214.4	1 304.3
1 497.8	General account balances	2 493.8	1 299.9
<b>2 800.8</b>	<b>Total public account</b>	<b>3 708.2</b>	<b>2 604.2</b>
<b>Represented by:</b>			
1 303.0	Stocks and securities	1 214.0	1 304.3
1 244.9	Cash and investments	2 278.9	1 052.2
<b>2 547.9</b>	<b>Total stock, securities, cash and investments</b>	<b>3 492.9</b>	<b>2 356.5</b>
Add cash advanced for:			
252.8	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	215.3	247.7
<b>2 800.8</b>	<b>Total public account</b>	<b>3 708.2</b>	<b>2 604.2</b>

## Note 18: Glossary of technical terms

The 2013-14 *Financial Report* for the State of Victoria (Note 40) contains a comprehensive summary of the major technical terms used in this report.

## Note 19: Controlled entities

Note 42 *Controlled Entities* in the 2013-14 *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 2014, of general government sector entities which have been consolidated for the purposes of the estimated financial statements.

<i>Controlled entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
<b>Department of Education and Early Childhood Development</b>			
Bendigo Kangan Institute <sup>(a)</sup>	*		
<b>Department of Environment and Primary Industries</b>			
Game Management Authority <sup>(b)</sup>	*		
Barwon South West Waste and Resource Recovery Group <sup>(c)</sup>		*	
Gippsland Waste and Resource Recovery Group <sup>(c)</sup>		*	
Goulburn Valley Waste and Resource Recovery Group <sup>(c)</sup>		*	
Gampians Central Waste and Resource Recovery Group <sup>(c)</sup>		*	
Loddon Mallee Waste and Resource Recovery Group <sup>(c)</sup>		*	
North East Waste and Resource Recovery Group <sup>(c)</sup>		*	
<b>Department of Health</b>			
Bass Coast Health <sup>(d)</sup>	*		
<b>Department of Justice</b>			
Office of the Commissioner for Privacy and Data Protection <sup>(e)</sup>	*		
<b>Courts <sup>(f)</sup></b>			
Judicial College of Victoria <sup>(f)</sup>	*		

*Notes:*

- (a) *The Bendigo Kangan Institute was established on 1 July 2014 as a result of a merger between Bendigo Regional Institute of TAFE and Kangan Institute of TAFE.*
- (b) *The Game Management Authority Act 2014 established the Game Management Authority as a statutory authority to improve the effectiveness of game management and promote responsibility in game hunting, effective from 1 July 2014.*
- (c) *Under changes to the Environment Protection Act 1970, the 12 regional Waste Management Groups wound up on 31 July 2014 and six new regional Waste and Resource Recovery Groups were established, effective from 1 August 2014 as follows:*
  - *South Western Regional Waste Management Group and Barwon Regional Waste Management Group have been transferred into the Barwon South West Waste and Resource Recovery Group;*
  - *Gippsland Regional Waste Management Group has been transferred to the Gippsland Waste and Resource Recovery Group;*

## Note 19: Controlled entities *(continued)*

Notes *(continued)*:

- Goulburn Valley Regional Waste Management Group has been transferred to the Goulburn Valley Waste and Resource Recovery Group;
  - Desert Fringe Regional Waste Management Group, Grampians Regional Waste Management Group and Highlands Regional Waste Management Group have been transferred to the Grampians Central Waste and Resource Recovery Group;
  - Calder Regional Waste Management Group, Central Murray Regional Waste Management Group and Mildura Regional Waste Management Group have been transferred to the Loddon Mallee Waste and Resource Recovery Group;
  - North East Victorian Regional Waste Management Group has been transferred to the North East Waste and Resource Recovery Group; and
  - Mornington Peninsula Waste Management Group has been transferred into the Metropolitan Waste and Resource Recovery Group (an existing entity not abolished under the reform).
- (d) Bass Coast Regional Health was renamed to Bass Coast Health from 4 September 2014.
- (e) Effective 17 September 2014, the Office of the Commissioner for Privacy and Data Protection commenced operations replacing the Office of the Victorian Privacy Commissioner, which ceased operations on 16 September 2014.
- (f) The Court Services Victoria Act 2014 established Court Services Victoria as a statutory public sector body to provide the administrative services and facilities for Victoria's courts, the Victorian Civil and Administrative Tribunal and the Judicial College of Victoria taking effect from 1 July 2014.

## RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

### Consolidated comprehensive operating statement for the past five quarters

(\$ million)

	2013-14			2014-15	
	Sept <sup>(a)</sup>	Dec	Mar	Jun <sup>(a)</sup>	Sept
<b>Revenue</b>					
Taxation revenue	4 300.5	3 803.3	5 092.9	3 704.2	4 710.7
Interest	204.3	216.5	201.4	209.1	205.1
Dividends and income tax equivalent and rate equivalent revenue	64.5	158.6	107.7	115.1	51.0
Sales of goods and services	1 727.2	1 698.0	1 347.8	1 951.8	1 656.6
Grants	5 453.1	5 829.1	6 304.5	7 558.2	5 665.0
Other revenue	521.5	512.3	487.8	795.3	566.4
<b>Total revenue</b>	<b>12 271.0</b>	<b>12 217.8</b>	<b>13 542.1</b>	<b>14 333.8</b>	<b>12 854.7</b>
<b>Expenses</b>					
Employee expenses	4 388.4	4 493.9	4 424.1	4 705.5	4 510.1
Net superannuation interest expense	266.7	263.6	259.4	262.3	258.1
Other superannuation expenses	478.7	501.6	441.2	454.9	483.9
Depreciation	611.6	560.1	582.8	609.2	586.2
Interest expense	525.9	536.0	519.6	557.0	523.4
Grants and other transfers	2 060.2	1 846.1	2 359.6	1 319.7	2 002.6
Other operating expenses	4 189.1	4 117.9	3 730.4	5 322.7	4 063.3
<b>Total expenses</b>	<b>12 520.6</b>	<b>12 319.3</b>	<b>12 317.2</b>	<b>13 231.3</b>	<b>12 427.5</b>
<b>Net result from transactions – net operating balance</b>	<b>(249.6)</b>	<b>(101.5)</b>	<b>1 224.8</b>	<b>1 102.5</b>	<b>427.2</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on sale of non-financial assets	(4.4)	24.8	1.3	(46.6)	5.1
Net gain on financial assets or liabilities at fair value	22.2	18.4	5.9	6.1	19.3
Share of net profit/(loss) from associates/joint venture entities, excluding dividends	..	0.1	..	(0.1)	..
Other (losses) from other economic flows	(96.5)	(73.7)	(954.7)	(105.8)	(90.1)
<b>Total other economic flows included in net result</b>	<b>(78.7)</b>	<b>(30.4)</b>	<b>(947.5)</b>	<b>(146.4)</b>	<b>(65.8)</b>
<b>Net result</b>	<b>(328.4)</b>	<b>(131.9)</b>	<b>277.3</b>	<b>956.1</b>	<b>361.4</b>
<b>Other economic flows – other comprehensive income</b>					
<b>Items that will not be reclassified to net result</b>					
Changes in non-financial assets revaluation surplus	(73.0)	(224.6)	(383.2)	2 909.5	(369.9)
Remeasurement of superannuation defined benefit plans	1 428.4	1 000.8	(421.8)	(2 293.6)	121.2



## Consolidated comprehensive operating statement for the past five quarters *(continued)*

(\$ million)

	2013-14		Mar	2014-15	
	Sept <sup>(a)</sup>	Dec		Jun <sup>(a)</sup>	Sept
Net gain on equity investments in other sector entities at proportional share of net assets	..	1 110.9	..	2 702.9	..
Other movements in equity	103.4	172.7	358.7	145.4	405.8
<b>Items that may be reclassified subsequently to net result</b>					
Net gain/(loss) on financial assets at fair value	3.5	25.7	(0.8)	(33.6)	(2.2)
<b>Total other economic flows – other comprehensive income</b>	<b>1 462.4</b>	<b>2 085.5</b>	<b>(447.2)</b>	<b>3 430.7</b>	<b>154.9</b>
<b>Comprehensive result – total change in net worth</b>	<b>1 134.0</b>	<b>1 953.6</b>	<b>(169.9)</b>	<b>4 386.8</b>	<b>516.3</b>
<b>FISCAL AGGREGATES</b>					
<b>Net operating balance</b>	<b>(249.6)</b>	<b>(101.5)</b>	<b>1 224.8</b>	<b>1 102.5</b>	<b>427.2</b>
Less: Net acquisition of non-financial assets from transactions	<b>(769.0)</b>	<b>1 355.4</b>	<b>(3.2)</b>	<b>134.0</b>	<b>96.3</b>
<b>Net lending/(borrowing)</b>	<b>519.3</b>	<b>(1 456.9)</b>	<b>1 228.1</b>	<b>968.5</b>	<b>330.9</b>

Note:

(a) September 2013 and June 2014 comparative figures have been restated reflecting updates disclosed in the 2013-14 Financial Report.

## Consolidated balance sheet as at the end of the quarter

(\$ million)

	2013-14			2014-15	
	Sept <sup>(a)</sup>	Dec	Mar	Jun	Sept
<b>Assets</b>					
<b>Financial assets</b>					
Cash and deposits	3 286.6	3 432.7	3 064.7	4 500.9	4 095.4
Advances paid	4 644.1	4 600.8	4 593.5	4 586.9	4 575.9
Receivables	4 954.7	4 866.1	5 893.4	4 940.6	5 168.6
Investments, loans and placements	3 672.7	3 820.5	4 166.0	3 117.6	3 158.2
Investments accounted for using equity method	49.4	49.4	49.4	44.1	44.1
Investments in other sector entities	70 277.0	71 932.4	72 375.8	75 869.2	75 875.3
<b>Total financial assets</b>	<b>86 884.5</b>	<b>88 702.0</b>	<b>90 142.8</b>	<b>93 059.4</b>	<b>92 917.6</b>
<b>Non-financial assets</b>					
Inventories	212.6	183.9	183.2	176.6	153.7
Non-financial assets held for sale	72.2	69.2	55.8	142.5	168.1
Land, buildings, infrastructure, plant and equipment	101 082.5	101 318.8	100 550.4	103 644.2	103 692.6
Other non-financial assets	1 196.4	1 262.0	1 145.9	1 204.8	1 383.6
<b>Total non-financial assets</b>	<b>102 563.7</b>	<b>102 834.0</b>	<b>101 935.3</b>	<b>105 168.0</b>	<b>105 398.0</b>
<b>Total assets</b>	<b>189 448.2</b>	<b>191 535.9</b>	<b>192 078.1</b>	<b>198 227.4</b>	<b>198 315.6</b>
<b>Liabilities</b>					
Deposits held and advances received	422.6	505.8	591.0	426.5	454.2
Payables	5 357.8	5 469.6	5 291.8	5 746.5	5 303.2
Borrowing	32 688.2	33 695.2	33 889.6	32 953.6	32 846.6
Employee benefits	5 273.7	5 124.7	5 264.6	5 302.7	5 500.0
Superannuation	23 782.8	22 846.7	23 330.1	25 680.7	25 609.2
Other provisions	606.6	624.0	611.0	630.6	599.2
<b>Total liabilities</b>	<b>68 131.9</b>	<b>68 266.0</b>	<b>68 978.1</b>	<b>70 740.6</b>	<b>70 312.4</b>
<b>Net assets</b>	<b>121 316.4</b>	<b>123 269.9</b>	<b>123 100.1</b>	<b>127 486.9</b>	<b>128 003.2</b>
Accumulated surplus/(deficit)	44 646.1	45 457.6	45 667.3	44 410.0	45 290.9
Reserves	76 620.2	77 762.3	77 382.8	83 026.9	82 662.3
Non-controlling interest	50.0	50.0	50.0	50.0	50.0
<b>Net worth</b>	<b>121 316.4</b>	<b>123 269.9</b>	<b>123 100.1</b>	<b>127 486.9</b>	<b>128 003.2</b>
<b>FISCAL AGGREGATES</b>					
Net financial worth	18 752.7	20 436.0	21 164.7	22 318.8	22 605.2
Net financial liabilities	51 524.3	51 496.4	51 211.0	53 550.4	53 270.2
Net debt	21 507.4	22 347.0	22 656.3	21 174.6	21 471.3

Note:

(a) Restated balances reflecting updates disclosed in the 2013-14 Financial Report.

## Consolidated cash flow statement for the past five quarters

(\$ million)

	2013-14		2014-15		
	Sept <sup>(a)</sup>	Dec	Mar	Jun	Sept
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxes received	4 120.9	4 151.7	4 032.7	4 414.2	4 585.6
Grants	5 430.9	5 849.1	6 303.4	7 557.0	5 664.0
Sales of goods and services	1 955.1	1 995.5	1 802.0	1 628.4	1 804.8
Interest received	209.7	202.1	177.2	218.8	194.4
Dividends and income tax equivalent and rate equivalent receipts	209.0	177.9	111.3	93.6	57.1
Other receipts	482.1	82.2	472.1	767.5	411.6
<b>Total receipts</b>	<b>12 407.6</b>	<b>12 458.5</b>	<b>12 898.6</b>	<b>14 679.4</b>	<b>12 717.6</b>
<b>Payments</b>					
Payments for employees	(4 313.6)	(4 611.1)	(4 283.0)	(4 718.9)	(4 312.8)
Superannuation	(676.6)	(700.6)	(639.1)	(660.2)	(692.2)
Interest paid	(497.3)	(523.6)	(523.7)	(537.0)	(510.0)
Grants and subsidies	(2 325.4)	(1 732.9)	(2 428.9)	(1 159.8)	(2 180.4)
Goods and services	(4 915.6)	(3 974.8)	(4 162.6)	(3 896.3)	(4 514.6)
Other payments	(181.9)	(152.3)	(147.7)	(738.6)	(175.6)
<b>Total payments</b>	<b>(12 910.5)</b>	<b>(11 695.4)</b>	<b>(12 184.9)</b>	<b>(11 710.9)</b>	<b>(12 385.6)</b>
<b>Net cash flows from operating activities</b>	<b>(502.9)</b>	<b>763.1</b>	<b>713.7</b>	<b>2 968.5</b>	<b>332.0</b>
<b>Cash flows from investing activities</b>					
Purchases of non-financial assets	(600.8)	(1 341.7)	(779.4)	(1 275.4)	(887.0)
Sales of non-financial assets	24.3	64.1	63.8	118.8	36.1
Cash flows from investments in non-financial assets	(576.5)	(1 277.6)	(715.6)	(1 156.6)	(850.9)
Net cash flows from investments in financial assets for policy purposes	(586.7)	(323.3)	(310.4)	(257.8)	208.1
<b>Sub-total</b>	<b>(1 163.2)</b>	<b>(1 601.0)</b>	<b>(1 026.0)</b>	<b>(1 414.4)</b>	<b>(642.8)</b>
Net cash flows from investments in financial assets for liquidity management purposes	(208.0)	(103.5)	(340.3)	983.6	(14.1)
<b>Net cash flows from investing activities</b>	<b>(1 371.2)</b>	<b>(1 704.5)</b>	<b>(1 366.4)</b>	<b>(430.8)</b>	<b>(657.0)</b>
<b>Cash flows from financing activities</b>					
Advances received (net)	..	..	..	..	..
Net borrowings	1 215.1	1 014.3	199.5	(937.2)	(108.2)
Deposits received (net)	(26.4)	83.1	85.1	(164.5)	27.7
<b>Net cash flows from financing activities</b>	<b>1 188.7</b>	<b>1 097.4</b>	<b>284.7</b>	<b>(1 101.6)</b>	<b>(80.5)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(685.4)</b>	<b>156.1</b>	<b>(368.0)</b>	<b>1 436.1</b>	<b>(405.5)</b>
Cash and cash equivalents at beginning of reporting period	3 962.0	3 276.6	3 432.7	3 064.7	4 500.9
<b>Cash and cash equivalents at end of reporting period</b>	<b>3 276.6</b>	<b>3 432.7</b>	<b>3 064.7</b>	<b>4 500.9</b>	<b>4 095.4</b>

**Consolidated cash flow statement for the past five quarters  
(continued)**

(\$ million)

	2013-14			2014-15	
	Sept <sup>(a)</sup>	Dec	Mar	Jun	Sept
<b>FISCAL AGGREGATES</b>					
Net cash flows from operating activities	(502.9)	763.1	713.7	2 968.5	332.0
Net cash flows from investments in non-financial assets	(576.5)	(1 277.6)	(715.6)	(1 156.6)	(850.9)
<b>Cash surplus/(deficit)</b>	<b>(1 079.4)</b>	<b>(514.5)</b>	<b>(1.9)</b>	<b>1 811.9</b>	<b>(518.9)</b>

Note:

(a) September 2013-14 comparative figures have been updated to reflect more current information.

## STYLE CONVENTION

---

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables and charts is as follows:

LHS	left-hand side
RHS	right-hand side
n.a.	not available or not applicable
Cat. No.	catalogue number
1 billion	1 000 million
1 basis point	0.01 per cent
nm	new measure
..	zero, or rounded to zero
tbd	to be determined
ongoing	continuing output, program, project etc.
(xxx.x)	negative numbers
x xxx.0	rounded amount



If you would like to receive this publication in an accessible format please telephone 9651 0909 or email [information@dft.vic.gov.au](mailto:information@dft.vic.gov.au).

This document is available in Word and PDF format at [dft.vic.gov.au](http://dft.vic.gov.au).

