



Getting on with the job

Victorian Budget 17/18 Statement of Finances

(incorporating Quarterly Financial Report No. 3)
Budget Paper No. 5
Presented by Tim Pallas MP,
Treasurer of the State of Victoria

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Budget Paper No. 2 – Strategy and Outlook
Budget Paper No. 3 – Service Delivery
Budget Paper No. 4 – State Capital Program
Budget Paper No. 5 – Statement of Finances
(incorporating Quarterly Financial Report No. 3)

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Statement of Finances

2017-18



Presented by

Tim Pallas MP

Treasurer of the State of Victoria

for the information of Honourable Members

Budget Paper No. 5

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CHAPTER 1 – ESTIMATED FINANCIAL STATEMENTS FOR THE GENERAL GOVERNMENT SECTOR

The following Estimated Financial Statements and accompanying explanatory notes set out the forecast financial results for the Victorian general government sector for the period 2017-18 to 2020-21.

The Estimated Financial Statements have been prepared in accordance with the *Financial Management Act 1994*. This Act requires the Estimated Financial Statements to be consistent with the financial policy objectives and strategies statement (see Budget Paper No. 2, Chapter 1 *Economic and Fiscal Overview*), in a manner and form determined by the Treasurer, having regard to appropriate financial reporting frameworks.

The statements have been prepared having regard to applicable Australian Accounting Standards (AASs). As there is no specific Australian accounting standard or authoritative pronouncement that prescribes the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared based on the principles set out in the New Zealand Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements* (FRS-42).

The statements are presented in a manner consistent with the principles of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This standard is also consistent with the Uniform Presentation Framework (UPF) as it relates to the general government sector. Chapter 2 *Supplementary uniform presentation framework tables* includes additional disclosures relating to the UPF.

The prospective nature of these statements reflects a number of judgements about the most likely macroeconomic, operating and financial conditions for the Victorian general government sector. Variations in these assumed conditions, such as international developments and other risks to the national economy, from which Victoria would not be immune, may cause the Victorian general government sector actual results to differ from the projections. However, appropriate professional judgement has been applied in preparing the Estimated Financial Statements.

The Victorian Auditor-General has reviewed the Estimated Financial Statements and his review report follows.

ESTIMATED FINANCIAL STATEMENTS STRUCTURE

The Estimated Financial Statements of the Victorian general government sector, prepared in accordance with sections 23H–23K of the *Financial Management Act 1994*, are presented as follows:

Report Certifications	Report of the Auditor-General	Page 3
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REPORT OF THE AUDITOR-GENERAL

VAGO

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INDEPENDENT ASSURANCE REPORT ON THE ESTIMATED FINANCIAL STATEMENTS FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

To the Members of the Parliament of Victoria

My responsibility to you under section 16B of the *Audit Act 1994* is to review the estimated financial statements for the Victorian General Government Sector and provide you with a report of my assurance conclusions.

Scope	<p>I have reviewed the estimated financial statements for the Victorian General Government Sector which comprise the:</p> <ul style="list-style-type: none">• revised 30 June 2017 balance sheet• budgeted balance sheet as at 30 June 2018 and estimated balance sheet for the three forward years as at 30 June 2019, 2020 and 2021• budgeted comprehensive operating statement for the year ending 30 June 2018 and estimated comprehensive operating statement for the three forward years ending 30 June 2019, 2020 and 2021• budgeted cash flow statement for the year ending 30 June 2018 and estimated cash flow statement for the three forward years ending 30 June 2019, 2020 and 2021• budgeted statement of changes in equity for the year ending 30 June 2018 and estimated statement of changes in equity for the three forward years ending 30 June 2019, 2020 and 2021• notes to the estimated financial statements, including significant accounting policies, material economic and other assumptions and other explanatory information• certification by the Treasurer and the Secretary of the Department of Treasury and Finance.
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The stated basis of preparation used for the estimated financial statements is set out in Note 1.1 to the statements.

The estimated financial statements are included in Chapter 1 of *Budget Paper 5: Statement of Finances* of the 2017–18 State Budget. My review does not include any of the remaining chapters of *Budget Paper 5* nor does it include Budget Papers 1 through 4 of the 2017–18 State Budget.

Conclusion	<p>Based on my review, which is not an audit, nothing has come to my attention which causes me to believe that the estimated financial statements:</p> <ul style="list-style-type: none">• have been not prepared on a basis consistent with the accounting policies on which they are stated to be based, as set out in the notes to the estimated financial statements• are not consistent with the targets specified in the current financial policy objectives and strategies statement for each key financial measure specified in that statement set out in Note 1.1 to the estimated financial statements• have not been properly prepared on the basis of the assumptions contained in the accompanying statement prepared in association with the statements under section 23K of the <i>Financial Management Act 1994</i> and as contained in the notes to the estimated financial statements• do not use reasonable methodologies to determine those assumptions.
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Auditing in the Public Interest

REPORT OF THE AUDITOR-GENERAL *(continued)*

Basis for conclusion

I have conducted my review in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. A review is a limited assurance engagement which is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain reasonable assurance that I would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, I do not express a reasonable assurance conclusion (audit opinion).

My review consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. I have relied on representations from the Department of Treasury and Finance that all material information concerning the estimated financial statements has been disclosed to me and that the information provided to me for the purpose of my work is true, complete and accurate in all respects.

The Treasurer has prepared the estimated financial statements that set out the projected financial performance of the Victorian General Government Sector for 2017–18 State Budget purposes. There is a considerable degree of subjective judgement involved in preparing these statements, including the assumptions, as they relate to future event(s) and/or transaction(s) that the Treasurer expects to occur and actions that the Treasurer expects to take. The estimated financial statements are also subject to uncertainties and contingencies, which are often outside the control of the Treasurer.

Actual results may be different from the estimated financial statements since anticipated event(s) and/or transaction(s) may not occur as expected and the variation may be material. I am not responsible for ensuring the estimated financial results are achieved, and I express no opinion as to whether the estimated results will be achieved.

The limited assurance conclusion expressed in my assurance report has been formed on the above basis.

My responsibilities under the *Audit Act 1994* and ASAE 3450 are further described in *My Responsibilities for the Review of the Estimated Financial Statements* section of my report.

Treasurer's responsibilities for the estimated financial statements

The Treasurer of Victoria is responsible for the preparation of the estimated financial statements in accordance with sections 23H-23K of the *Financial Management Act 1994*. This includes responsibility for such internal control as is determined necessary to enable the preparation of estimated financial statements.

Other information

The Treasurer of Victoria is responsible for other information included in the remaining chapters of Budget Paper 5 and Budget Papers 1 through 4 of the 2017-18 State Budget.

My review of the estimated financial statements does not cover this other information and accordingly I do not express any form of assurance conclusion on it.

As part of my review of the estimated financial statements, I have read the other information and, in doing so, considered whether the other information is materially inconsistent with the estimated financial statements or my knowledge obtained in the review or otherwise appears to be materially misstated. I have nothing to report in this regard.

REPORT OF THE AUDITOR-GENERAL *(continued)*

My responsibilities for the review of the estimated financial statements

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the Victorian General Government Sector in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my review of the estimated financial statements in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

As required by the *Audit Act 1994*, my responsibility is to state whether, on the basis of my review, anything has come to my attention that would cause me to believe:

- the estimated financial statements have been not prepared on a basis consistent with the accounting policies on which they are stated to be based, as set out in the notes to the estimated financial statements
- the estimated financial statements are not consistent with the targets specified in the current financial policy objectives and strategies statement for each key financial measure specified in that statement set out in Note 1.1 to the estimated financial statements
- the estimated financial statements have not been properly prepared on the basis of the assumptions contained in the accompanying statement prepared in association with the statements under section 23K of the *Financial Management Act 1994* and as contained in the notes to the estimated financial statements
- the methodologies used to determine those assumptions are not reasonable.

I do not accept any responsibility for any reliance on these estimated financial statements for any purpose other than that for which it was prepared.

MELBOURNE
28 April 2017



Andrew Greaves
Auditor-General

CERTIFICATION BY THE TREASURER AND THE DEPARTMENT OF TREASURY AND FINANCE

The Estimated Financial Statements of the Victorian general government sector have been prepared on the basis of the economic and fiscal information available to the Department of Treasury and Finance.

In our opinion, the Estimated Financial Statements, which comprise the estimated general government sector comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity, together with the notes to the estimated financial statements for the year ending 30 June 2018 and the three forward years ending 30 June 2019, 2020 and 2021:

- (a) have been prepared in accordance with sections 23H–23K of the *Financial Management Act 1994*, having regard to relevant Australian Accounting Standards and pronouncements, and in the absence of an Australian Accounting Standard for the preparation of prospective financial statements, New Zealand Public Benefit Entity Financial Reporting Standard 42 *Prospective Financial Statements*;
- (b) take into account government decisions and other circumstances that may have a material effect; and
- (c) have been prepared using best professional judgement given the prospective nature of the Estimated Financial Statements.

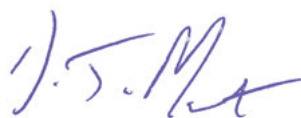
At the time of signing, we are not aware of any circumstances that would render any particulars included in the Estimated Financial Statements to be misleading.



Tim Pallas MP

Treasurer

28 April 2017



David Martine

Secretary

ESTIMATED GENERAL GOVERNMENT SECTOR COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2017-18 budget</i>	<i>2018-19 estimate</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>
Revenue from transactions					
Taxation revenue	1.2.1	21 827	23 163	24 475	25 629
Interest revenue		899	869	858	826
Dividends, income tax equivalent and rate equivalent revenue	1.2.2	1 171	586	645	776
Sales of goods and services	1.2.3	7 187	7 465	7 807	8 097
Grant revenue	1.2.4	29 818	31 915	31 619	32 280
Other revenue	1.2.5	2 502	2 525	2 544	2 560
Total revenue from transactions		63 405	66 524	67 947	70 169
Expenses from transactions					
Employee expenses		23 011	24 039	24 722	25 346
Net superannuation interest expense	1.3.2	761	734	704	674
Other superannuation	1.3.2	2 347	2 379	2 433	2 466
Depreciation	1.4.2	2 788	3 033	3 193	3 394
Interest expense	1.5.3	2 181	2 197	2 201	2 258
Grant expense	1.3.3	11 333	12 876	13 308	13 267
Other operating expenses	1.3.4	19 830	19 291	18 981	20 036
Total expenses from transactions	1.3.5	62 252	64 549	65 542	67 441
Net result from transactions – net operating balance		1 153	1 975	2 405	2 727
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		82	211	65	65
Net gain/(loss) on financial assets or liabilities at fair value		22	23	23	22
Other gains/(losses) from other economic flows	1.7.1	(370)	(377)	(383)	(391)
Total other economic flows included in net result		(266)	(143)	(295)	(304)
Net result		887	1 832	2 111	2 424

ESTIMATED FINANCIAL STATEMENTS

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

For the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2017-18 budget</i>	<i>2018-19 estimate</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		3 660	641	7 844	1 507
Remeasurement of superannuation defined benefit plans	1.3.2	915	931	946	960
Other movements in equity		7	21	(14)	8
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		1	2	3	2
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	1.6.1	(966)	609	(254)	909
Total other economic flows – other comprehensive income		3 617	2 203	8 525	3 386
Comprehensive result – total change in net worth		4 504	4 036	10 636	5 810
KEY FISCAL AGGREGATES					
Net operating balance		1 153	1 975	2 405	2 727
Less: Net acquisition of non-financial assets from transactions	1.3.7	1 813	313	350	65
Net lending/(borrowing)		(660)	1 662	2 055	2 663

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

ESTIMATED GENERAL GOVERNMENT SECTOR BALANCE SHEET

As at 30 June

(\$ million)

	Notes	2017 revised	2018 budget	2019 estimate	2020 estimate	2021 estimate
Assets						
Financial assets						
Cash and deposits		4 885	5 293	5 772	6 340	6 673
Advances paid	1.5.2	12 392	9 683	7 898	6 384	4 882
Receivables		5 606	5 701	5 978	6 173	6 551
Investments, loans and placements	1.5.2	3 597	2 813	2 756	2 772	2 837
Investments accounted for using equity method		46	46	46	46	46
Investments in other sector entities	1.6.1	90 708	94 402	98 798	101 360	105 128
Total financial assets		117 235	117 939	121 247	123 076	126 118
Non-financial assets						
Inventories		191	192	196	201	205
Non-financial assets held for sale		179	175	177	178	179
Land, buildings, infrastructure, plant and equipment	1.4.1	118 593	124 266	125 703	134 072	135 792
Other non-financial assets	1.4.4	1 275	1 276	1 477	2 113	2 555
Total non-financial assets		120 237	125 909	127 554	136 564	138 731
Total assets	1.4.5	237 472	243 848	248 801	259 640	264 849
Liabilities						
Deposits held and advances received		8 528	5 879	4 163	2 724	1 282
Payables	1.6.2	5 426	5 452	7 093	6 824	6 572
Borrowings	1.5.1	30 471	35 707	37 406	40 125	42 027
Employee benefits	1.3.1	6 548	6 789	7 062	7 277	7 547
Superannuation	1.6.3	25 424	24 511	23 506	22 452	21 358
Other provisions		845	776	803	832	849
Total liabilities		77 243	79 114	80 032	80 235	79 634
Net assets		160 229	164 734	168 769	179 405	185 215
Accumulated surplus/(deficit)		49 597	51 407	54 192	57 235	60 627
Reserves		110 633	113 327	114 578	122 170	124 588
Net worth		160 229	164 734	168 769	179 405	185 215
FISCAL AGGREGATES						
Net financial worth		39 993	38 825	41 216	42 841	46 484
Net financial liabilities		50 716	55 577	57 582	58 519	58 645
Net debt		18 124	23 797	25 143	27 354	28 917

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

ESTIMATED FINANCIAL STATEMENTS

**ESTIMATED GENERAL GOVERNMENT SECTOR
CASH FLOW STATEMENT**

For the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2017-18 budget</i>	<i>2018-19 estimate</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>
Cash flows from operating activities					
Receipts					
Taxes received		21 688	22 986	24 307	25 280
Grants		29 817	31 915	31 619	32 280
Sales of goods and services ^(a)		8 076	9 766	8 441	8 767
Interest received		898	869	857	826
Dividends, income tax equivalent and rate equivalent receipts		1 174	525	639	770
Other receipts		2 001	1 948	1 975	2 002
Total receipts		63 655	68 009	67 838	69 925
Payments					
Payments for employees		(22 773)	(23 769)	(24 509)	(25 079)
Superannuation		(3 107)	(3 187)	(3 246)	(3 274)
Interest paid		(2 144)	(2 160)	(2 164)	(2 221)
Grants and subsidies		(11 294)	(12 874)	(13 263)	(13 265)
Goods and services ^(a)		(20 005)	(19 523)	(19 713)	(20 537)
Other payments		(732)	(754)	(784)	(823)
Total payments		(60 054)	(62 266)	(63 679)	(65 200)
Net cash flows from operating activities		3 601	5 743	4 159	4 725
Cash flows from investing activities					
Purchase of non-financial assets	1.3.6	(8 780)	(7 882)	(6 929)	(6 913)
Sales of non-financial assets		503	789	463	494
Net cash flows from investments in non-financial assets		(8 277)	(7 093)	(6 466)	(6 419)
Net cash flows from investments in financial assets for policy purposes		2 348	2 191	1 883	2 576
Subtotal		(5 930)	(4 902)	(4 583)	(3 843)
Net cash flows from investment in financial assets for liquidity management purposes		801	76	29	(38)
Net cash flows from investing activities		(5 129)	(4 825)	(4 554)	(3 881)
Cash flows from financing activities					
Advances received (net)		(2 649)	(1 716)	(1 438)	(1 442)
Net borrowings		4 584	1 271	2 400	932
Net cash flows from financing activities		1 935	(445)	962	(511)
Net increase/(decrease) in cash and cash equivalents		408	472	567	333
Cash and cash equivalents at beginning of reporting period		4 885	5 293	5 765	6 332
Cash and cash equivalents at end of reporting period ^(b)		5 293	5 765	6 332	6 665

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

For the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2017-18 budget</i>	<i>2018-19 estimate</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities		3 601	5 743	4 159	4 725
Net cash flows from investments in non-financial assets		(8 277)	(7 093)	(6 466)	(6 419)
Cash surplus/(deficit)		(4 676)	(1 350)	(2 307)	(1 695)

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Notes:

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

ESTIMATED FINANCIAL STATEMENTS

ESTIMATED GENERAL GOVERNMENT SECTOR STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-financial assets revaluation surplus</i>
2017-18 budget		
Balance at 1 July 2017	49 597	52 765
Net result for the year	887	..
Other comprehensive income for the year	923	3 660
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2018	51 407	56 424
2018-19 estimate		
Balance at 1 July 2018	51 407	56 424
Net result for the year	1 832	..
Other comprehensive income for the year	952	641
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2019	54 192	57 065
2019-20 estimate		
Balance at 1 July 2019	54 192	57 065
Net result for the year	2 111	..
Other comprehensive income for the year	933	7 844
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2020	57 235	64 908
2020-21 estimate		
Balance at 1 July 2020	57 235	64 908
Net result for the year	2 424	..
Other comprehensive income for the year	968	1 507
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2021	60 627	66 416

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

ESTIMATED FINANCIAL STATEMENTS

<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
57 332	536	160 229
..	..	887
(966)	1	3 617
..
..
56 366	537	164 734
56 366	537	164 734
..	..	1 832
609	1	2 203
..
..
56 975	538	168 769
56 975	538	168 769
..	..	2 111
(254)	3	8 525
..
..
56 721	541	179 405
56 721	541	179 405
..	..	2 424
909	2	3 386
..
..
57 630	543	185 215

1.1 ABOUT THIS REPORT

Basis of preparation

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

The detailed accounting policies applied in preparing the Estimated Financial Statements are consistent with those in the audited 2015-16 annual financial report published in the *2015-16 Financial Report* for the State of Victoria as presented to Parliament, unless otherwise stated. The audited 30 June 2016 asset and liability balances, as reported in the *2015-16 Financial Report*, form the basis on which asset and liability balances are derived over the next four years.

The Estimated Financial Statements have been prepared for the 2017-18 budget year in accordance with accounting policies expected to be used in preparing historically oriented general purpose financial statements for that year, and the same accounting policies have been used for the subsequent three years.

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

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

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

- general government sector investments in other sector entities, which are measured at net asset value;
- non-financial physical assets 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 the carrying amounts do not materially differ from their fair value;
- productive trees in commercial native forests, which are measured at their fair value less costs to sell;
- derivative financial instruments, managed investment schemes, certain debt securities and investment properties after initial recognition, which are measured at fair value with 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'.

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. Given the prospective nature of the Estimated Financial Statements, actual results are likely to differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected.

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

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

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

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

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

Reporting entity

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

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

Basis for consolidation

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

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

Where the carrying amount of a PNFC or PFC entity's net assets before consolidation eliminations is less than zero, the carrying amount is not included in the general government sector. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value and accounted for consistent with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 1049.

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

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

The significant entities consolidated within the sector comprise those general government sector entities listed in Note 9.7 of Chapter 4 *Annual Financial Report* of the *2015-16 Financial Report* for the State of Victoria, except as stated in Note 7.5 of the Estimated Financial Statements.

Compliance

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

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

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

The information presented in the Estimated Financial Statements takes into account all policy decisions made by the Victorian Government, as well as known Commonwealth Government funding revisions and circumstances that may have a material effect on the Estimated Financial Statements as at 24 April 2017.

Key financial measure

The Government expects to achieve a net operating surplus (net result from transactions) consistent with maintaining general government net debt at a sustainable level over the medium term, as set out in Budget Paper No. 2, Chapter 1 *Economic and Fiscal Overview*.

For the *2017-18 Budget*, the Government has set its sustainability objectives as:

- net operating surpluses in each year over the next four years;
- expenditure growth no greater than revenue growth, on average, over the next four years; and
- net debt to gross state product no greater than its peak over the past five years by the end of the forward estimates.

Material economic assumptions

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

Key economic assumptions ^(a)

	2016-17 forecast	2017-18 forecast	2018-19 forecast	2019-20 projection	2020-21 projection
	(\$ billion)				
Nominal gross state product	392.1	410.5	431.7	454.5	478.7
	(percentage change)				
Real gross state product	3.00	2.75	2.75	2.75	2.75
Employment	3.25	2.00	1.50	1.50	1.50
Unemployment rate ^(b)	5.75	5.50	5.50	5.50	5.50
Consumer price index ^(c)	2.00	2.00	2.25	2.50	2.50
Wage price index ^(d)	2.00	2.25	2.75	3.00	3.25
Population ^(e)	2.00	1.90	1.80	1.80	1.80

Source: Department of Treasury and Finance

Notes:

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

Projections for 2019-20 and 2020-21 represent trend rates, except for the wage price index which shows a path towards trend in 2020-21.

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 66.8; and oil prices that follow the path suggested by oil futures.

(b) Year average.

(c) Melbourne consumer price index.

(d) Wage Price Index, Victoria (based on total hourly rates of pay, excluding bonuses)

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

Sensitivity analysis

Appendix A *Sensitivity analysis* contained in Budget Paper No. 2 provides two types of sensitivity analysis. First, the fiscal impact of independent variations in major economic parameters is considered for the general government sector. Second, three economic scenarios are discussed and their expected impact on major revenue and expenditure lines quantified.

1.2 HOW FUNDS ARE RAISED

Introduction

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

Revenue from transactions is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably estimated at fair value.

Structure

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1.2.1 Taxation revenue

(\$ million)

	2017-18 budget	2018-19 estimate	2019-20 estimate	2020-21 estimate
Taxes on employers' payroll and labour force	5 898	6 171	6 497	6 833
Taxes on immovable property				
Land tax	2 366	2 772	2 989	3 158
Fire Services Property Levy	674	677	688	695
Congestion levy	118	120	123	126
Metropolitan improvement levy	162	166	170	174
Financial and capital transactions				
Land transfer duty	6 164	6 499	6 998	7 529
Metropolitan Planning Levy	27	28	29	30
Financial accommodation levy	154	170	184	196
Growth areas infrastructure contributions	175	183	193	203
Total taxes on property	9 840	10 616	11 375	12 112
Gambling taxes				
Public lotteries	438	450	464	476
Electronic gaming machines	1 126	1 139	1 154	1 168
Casino	236	244	253	261
Racing	74	71	67	64
Other	29	33	36	40
Levies on statutory corporations ^(a)	112	157	157	..
Taxes on insurance	1 289	1 377	1 471	1 571
Total taxes on the provision of goods and services	3 304	3 469	3 601	3 581
Motor vehicle taxes				
Vehicle registration fees	1 594	1 654	1 719	1 787
Duty on vehicle registrations and transfers	925	952	979	1 006
Liquor licence fees	23	24	24	25
Other	243	278	280	285
Total taxes on the use of goods and performance of activities	2 786	2 907	3 002	3 103
Total taxation revenue	21 827	23 163	24 475	25 629

Source: Department of Treasury and Finance

Note:

(a) The fourth tranche of the environmental contribution levy commenced on 1 July 2016 for a period of four years concluding on 30 June 2020.

The State's taxation revenue is forecast by:

- assessing economic and other factors influencing the tax base (e.g. for payroll tax, an assessment of the outlook for employment and wages; for motor vehicle taxes, an assessment of the outlook for demand for vehicles; and for gambling taxes, an assessment of the outlook for consumer spending and the labour market);
- analysing historical information and relationships using econometric and other statistical methods; and
- consulting with private sector economists, industry associations and relevant government authorities.

The forecast for gambling taxes in 2018-19, 2019-20 and 2020-21 assumes revenue from public lotteries will continue in line with previous years. The Victorian Government is currently undertaking a process in accordance with the *Gambling Regulation Act 2003* to award a new public lotteries licence in Victoria beyond June 2018.

1.2.2 Dividends, income tax equivalent and rate equivalent revenue (\$ million)

	2017-18 budget	2018-19 estimate	2019-20 estimate	2020-21 estimate
Dividends from PFC sector	475	82	76	83
Dividends from PNFC sector	457	208	144	190
Dividends from non-public sector	26	26	26	28
Dividends	958	316	246	301
Income tax equivalent revenue from PFC sector	6	97	212	268
Income tax equivalent revenue from PNFC sector	195	161	173	192
Income tax equivalent revenue	201	258	385	460
Local government rate equivalent revenue	12	12	13	14
Total dividends, income tax equivalent and rate equivalent revenue	1 171	586	645	776

Source: Department of Treasury and Finance

Dividends and income tax equivalent revenue are mainly from the PNFC and PFC sectors. These revenues are forecast based on the State's dividend policy and expected profitability as forecast by the PNFCs and PFCs at the time of the Budget.

While most government departments and agencies are exempt from federal income tax, certain larger PNFC and PFC entities are subject to income tax equivalents payable to the general government sector in accordance with the National Tax Equivalent Regime (NTER). The primary objective of the NTER is to promote competitive neutrality, through uniformly applying income tax laws, between NTER entities and their privately held counterparts.

Dividends by entity

(\$ million)

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Public financial corporations				
Victorian Managed Insurance Authority	365	43	34	41
Treasury Corporation of Victoria	104	32	34	34
State Trustees Ltd	5	5	6	6
Victorian Funds Management Corporation	2	2	2	2
Dividends from PFC sector	475	82	76	83
Public non-financial corporations				
City West Water Corporation	43	20	9	15
Melbourne Water Corporation	44	33	..	..
South East Water Corporation	90	59	56	57
Yarra Valley Water Corporation	28	24	23	23
State Electricity Commission of Victoria	210	60	30	65
Development Victoria	41	10	23	25
Other	2	3	4	4
Dividends from PNFC sector	457	208	144	190

Source: Department of Treasury and Finance

1.2.3 Sales of goods and services

(\$ million)

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Motor vehicle regulatory fees	206	217	224	258
Other regulatory fees	534	539	549	557
Sale of goods	79	80	82	84
Provision of services ^(a)	4 257	4 396	4 667	4 906
Rental	74	75	76	77
Refunds and reimbursements	56	56	56	56
Inter-sector capital asset charge	1 981	2 103	2 153	2 160
Total sales of goods and services	7 187	7 465	7 807	8 097

Source: Department of Treasury and Finance

Note:

(a) Further disclosure on provision of services by department is available on the Department of Treasury and Finance's website. This further disclosure is not subject to review by the Victorian Auditor-General's Office.

Revenue from the sale of goods and the supply of services is forecast by taking into account known factors, for example, indexation as provided for under the *Monetary Units Act 2004*.

The inter-sector capital asset charge is a levy on controlled non-current physical assets, and represents the opportunity cost of capital used in service delivery. At the general government level, this charge is levied on PNFC entities, and is forecast on the estimated carrying amount of applicable non-financial physical assets.

1.2.4 Grant revenue

(\$ million)

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
General purpose grants	14 744	16 142	17 036	18 001
Specific purpose grants for on-passing	3 757	3 941	4 133	3 989
Grants for specific purposes	10 503	11 072	9 604	9 835
Total	29 004	31 156	30 772	31 825
Other contributions and grants ^(a)	814	759	847	455
Total grant revenue	29 818	31 915	31 619	32 280

Source: Department of Treasury and Finance

Note:

(a) Includes contributions from other sectors.

Grants mainly comprise contributions from the Commonwealth to assist in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on passing to other recipients. Grants also include grants from other jurisdictions.

The forecast receipt of financial assistance from the Commonwealth is determined on the latest available information at the time of preparing the Estimated Financial Statements.

Forecasts of goods and services tax (GST) grants are based on Victoria's assessment of the latest Commonwealth forecasts of the national GST pool. Victoria's share of GST for 2017-18 is informed by Victoria's assessed relativity for that year published by the Commonwealth Grants Commission and the Commonwealth Government's population projections.

Beyond 2017-18, Victoria's share of GST is based on the estimated assessed relativity in a particular year (calculated as the average of the previous three annual per capita relativities) and an assessment of the Commonwealth Government's population projections. Victoria's forecast per capita relativities are based on the projected fiscal capacity of each state and territory, estimated using information sourced from each jurisdiction's latest published budget information (revenue, expenses, capital and lending requirements and non-GST Commonwealth payments).

1.2.5 Other revenue

(\$ million)

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Fair value of assets received free of charge or for nominal consideration	80	66	67	45
Fines	820	836	853	871
Royalties	95	90	90	98
Donations and gifts	248	245	235	234
Other non-property rental	21	21	21	22
Other revenue – Education	535	543	551	559
Other revenue – Health	54	54	54	54
Other miscellaneous revenue	650	670	674	677
Total other revenue	2 502	2 525	2 544	2 560

Source: Department of Treasury and Finance

Other revenue is received from a variety of miscellaneous sources and is forecast based on historical trends and expectations. Fines are collected from road safety cameras, toll road evasions, on-the-spot infringements, court and other (non-traffic) statutory infringements. Other education revenue mainly comprises locally raised funds from school fetes, fundraising events and voluntary contributions made by parents. Other health revenue mainly comprises research funding from non-government organisations and non-salary cost recovery from external organisations in the health sector.

1.3 HOW FUNDS ARE SPENT

Introduction

This section details the major components of forecast operating expenditure for the general government sector's operating activities (expenses from transactions) and capital or infrastructure projects during the year, as well as any related obligations.

Structure

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1.3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses and employee benefits are forecast on the basis of staffing profiles and current salaries, conditions and on costs. For the forecast period, employee expenses and employee benefits includes the expected financial impact of employing more staff to increase service delivery and approved wage outcomes, with allowance made for further adjustments and expected wages growth in line with wages policy. Employee expenses forecasts also reflect the estimated impact of expected savings and new initiatives. The majority of employee expenses in the operating statement are salaries and wages.

Employee benefits (balance sheet)
(\$ million)

	2017 <i>revised</i>	2018 <i>budget</i>	2019 <i>estimate</i>	2020 <i>estimate</i>	2021 <i>estimate</i>
Current					
Accrued salaries and wages	398	411	427	438	454
Other employee benefits	61	61	61	61	61
Annual leave	1 540	1 562	1 597	1 618	1 655
Long service leave	3 667	3 798	3 943	4 053	4 198
Total current employee benefits and on-costs	5 666	5 833	6 028	6 171	6 368
Non-current					
Long service leave	882	957	1 034	1 106	1 178
Total non-current employee benefits and on-costs	882	957	1 034	1 106	1 178
Total employee benefits	6 548	6 789	7 062	7 277	7 547

Source: Department of Treasury and Finance
1.3.2 Superannuation expense and other superannuation expenses
Superannuation expense recognised in the operating statement
(\$ million)

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Defined benefit plans				
Net superannuation interest expense	761	734	704	674
Current service cost	780	767	761	755
Remeasurements:				
Expected return on superannuation assets excluding interest income	(915)	(931)	(946)	(960)
Total expense recognised in respect of defined benefit plans	626	570	519	468
Defined contribution plans				
Employer contributions to defined contribution plans	1 502	1 545	1 605	1 642
Other (including pensions)	65	66	68	69
Total expense recognised in respect of defined contribution plans	1 567	1 612	1 673	1 711
Total superannuation expense recognised in operating statement	2 193	2 182	2 191	2 179
Represented by:				
Net superannuation interest expense	761	734	704	674
Other superannuation	2 347	2 379	2 433	2 466
Superannuation expense from transactions	3 108	3 113	3 138	3 139
Remeasurements recognised in other comprehensive income	(915)	(931)	(946)	(960)
Total superannuation expense recognised in operating statement	2 193	2 182	2 191	2 179

Source: Department of Treasury and Finance

Future defined contribution superannuation expenses are based on assumptions regarding future salaries and contribution rates.

Future defined benefit superannuation costs, and superannuation liabilities at future balance dates, are estimated by the actuaries of the various defined benefit superannuation plans. These estimates use a number of demographic and financial assumptions. The table below sets out the major financial assumptions used to estimate the superannuation expense and liability in respect of each defined benefit superannuation plan.

The discount and inflation rates are based on prevailing long-term Commonwealth Government bond yields (both nominal and inflation linked) and are assumed to remain constant across the next four years. An expected return on plan assets is assumed when projecting assets, and the return this provides in excess of the discount rate is included in other economic flows – other comprehensive income. Actual experience may differ from assumptions and may cause variations in the reported superannuation liabilities.

Superannuation assumptions	(per cent)
<i>Underlying assumptions for all listed schemes ^(a)</i>	
Discount rate ^(b)	3.1
Wages growth ^(c)	3.5
Inflation rate ^(d)	2.0
<i>Expected return on assets ^(e)</i>	
Emergency Services and State Super	8.0
Health Super Fund Defined Benefit Scheme	5.8
Constitutionally protected schemes ^(f)	n.a.

Source: Department of Treasury and Finance

Notes:

- (a) All rates are nominal annual rates and are applicable to all the listed schemes.
- (b) The discount rate is based on a long-term fixed interest Commonwealth bond rate. The rate stated above is an annual effective rate, gross of tax.
- (c) Based on the historical relationship between price and wage inflation, wages growth is assumed to be 1.5 per cent higher than price inflation.
- (d) The superannuation assumptions are determined in accordance with Australian accounting standard AASB 119 Employee Benefits, which requires that the discount rate be based on Commonwealth bond yields. To ensure consistency with the market-based discount rate, the inflation rate assumed by the actuary reflects market expectations of price inflation, as implied by the relationship between the yields on nominal and inflation linked Commonwealth bonds. Therefore, these assumptions differ from the key economic assumptions in note 1.1, which reflect the expected change in consumer prices in Melbourne and movements in wages and salaries in the Victorian labour market.
- (e) The expected return on assets stated is gross of tax. Estimated tax payments are explicitly allowed for in the calculation process.
- (f) Pensions payable from constitutionally protected schemes are paid from the Consolidated Fund. These schemes hold no assets so there is no expected return on assets.

1.3.3 Grant expense

(\$ million)

	2017-18 budget	2018-19 estimate	2019-20 estimate	2020-21 estimate
Current grant expense				
Commonwealth Government ^(a)	1 041	1 946	2 776	2 865
Local government (including grants for on-passing)	976	912	771	779
Private sector and not-for-profit for on-passing	3 195	3 355	3 513	3 346
Other private sector and not-for-profit	2 579	3 128	2 673	2 772
Grants within the Victorian Government	3 444	3 435	3 473	3 452
Grants to other state governments	11	11	11	11
Total current grant expense	11 247	12 787	13 217	13 225
Capital grant expense				
Local government (including grants for on-passing)	15	20	..	..
Private sector and not-for-profit on-passing	48	27	34	38
Other private sector and not-for-profit	4	4	4	4
Grants within the Victorian Government	19	38	9	..
Other grants	..	..	44	..
Total capital grant expense	86	88	92	42
Total grant expense	11 333	12 876	13 308	13 267

Source: Department of Treasury and Finance

Note:

(a) The increase in Commonwealth grant expense is largely driven by the State's contribution to the National Disability Insurance Scheme.

Grants and other transfer payments include grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to the Commonwealth Government, local government, non-government schools and community groups, and grants and transfer payments to PNFCs and PFCs. These amounts are forecast on the basis of known activity and adjusted by the appropriate economic parameters. Where payments are tied to third party revenue, such as Commonwealth grants for on-passing, forecasts are based on estimated receipts.

1.3.4 Other operating expenses

(\$ million)

	2017-18 budget	2018-19 estimate	2019-20 estimate	2020-21 estimate
Purchase of supplies and consumables ^(a)	6 431	6 504	6 679	7 502
Cost of goods sold	30	30	31	32
Finance expenses and fees	31	31	32	32
Purchase of services ^{(a)(b)}	11 288	10 630	10 100	10 291
Insurance claims expense	229	239	238	239
Maintenance	740	755	766	763
Operating lease payments	304	301	304	303
Other	777	800	832	874
Total other operating expenses	19 830	19 291	18 981	20 036

Source: Department of Treasury and Finance

Notes:

(a) A breakdown of purchase of supplies and consumables and purchase of services is provided in the following two tables.

(b) The reduction in service contracts is largely driven by the State's existing expenditure on disability services, including payments to disability service providers, being allocated towards the State's contribution to the National Disability Insurance Scheme (NDIS). These services will be funded by the NDIS.

Other operating expenses generally represent the day-to-day running costs incurred in normal operations, and mainly include the purchase of supplies and consumables and the purchase of services. Supplies and services expenses are forecast on the basis of experience and known activity changes, including consideration of government policy such as efficiency measures, changes in the method of service delivery and appropriate economic parameters.

An allowance is made for emerging demand that may arise over the next four years.

Purchase of supplies and consumables

(\$ million)

	2017-18	2018-19	2019-20	2020-21
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Medicinal pharmacy and medical supplies	1 257	1 278	1 274	1 312
Office supplies and consumables	145	150	149	149
Specialised operational supplies and consumables	123	124	130	139
Other purchase of supplies and consumables	4 906	4 952	5 126	5 902
Total purchase of supplies and consumables	6 431	6 504	6 679	7 502

Source: Department of Treasury and Finance

Purchase of services

(\$ million)

	2017-18	2018-19	2019-20	2020-21
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Service contracts ^(a)	6 976	6 512	6 139	6 344
Accommodation/occupancy	685	711	720	747
Medical and client care services	333	341	340	356
Staff related expenses (non labour related)	246	173	173	175
Other purchase of services	3 048	2 892	2 728	2 669
Total purchase of services	11 288	10 630	10 100	10 291

Source: Department of Treasury and Finance

Note:

(a) The reduction in service contracts is largely driven by the State's existing expenditure on disability services, including payments to disability service providers, being allocated towards the State's contribution to the NDIS. These services will be funded by the NDIS.

1.3.5 Total expenses by government purpose and by portfolio department

Expenses by government purpose classification ^(a)	(\$ million)			
	2017-18 budget	2018-19 estimate	2019-20 estimate	2020-21 estimate
Expenses				
General public services	2 290	2 049	2 049	1 891
Public order and safety	7 403	7 654	7 937	8 163
Education	15 392	15 544	15 546	16 044
Health	18 153	18 456	19 478	20 691
Social security and welfare ^(b)	4 905	5 623	5 691	5 770
Housing and community amenities	3 440	3 271	3 161	2 968
Recreation and culture	775	735	665	654
Fuel and energy	303	230	136	91
Agriculture, forestry, fishing, and hunting	475	450	370	364
Transport and communications	7 443	7 239	7 455	7 721
Other economic affairs	1 047	758	462	364
Other purposes	1 197	1 251	1 286	1 389
Not allocated by purpose ^(c)	(570)	1 289	1 307	1 331
Total expenses by government purpose classification	62 252	64 549	65 542	67 441

Source: Department of Treasury and Finance

Notes:

- (a) Note 3.6 of the 2015-16 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.
- (b) The State's contribution to the NDIS transition is expected to increase over the next four years as more clients transition into the scheme.
- (c) Mainly comprising provision for future demand growth, departmental underspending, eliminated purchases of supplies and consumables between government entities, and items not yet formalised at the time of publication.

Total expenses by portfolio department

(\$ million)

	2017-18 budget	2018-19 estimate	2019-20 estimate	2020-21 estimate
Expenses from transactions				
Economic Development, Jobs, Transport and Resources	9 552	9 038	8 812	9 020
Education and Training	17 145	17 157	17 370	17 636
Environment, Land, Water and Planning	3 294	3 026	2 868	2 615
Health and Human Services	25 048	25 437	26 151	26 686
Justice and Regulation	6 879	7 128	7 289	7 485
Premier and Cabinet	667	465	445	407
Treasury and Finance	7 116	7 589	7 037	6 873
Parliament	222	220	224	227
Courts	573	600	633	650
Regulatory bodies and other part funded agencies ^(a)	2 172	2 199	2 230	2 236
Output contingencies not allocated to departments ^(b)	1 114	3 049	3 792	5 213
Total expenses by department	73 783	75 908	76 850	79 049
<i>Less eliminations and adjustments ^(c)</i>	<i>(11 532)</i>	<i>(11 359)</i>	<i>(11 308)</i>	<i>(11 607)</i>
Total expenses	62 252	64 549	65 542	67 441

Source: Department of Treasury and Finance

Notes:

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

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

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

General government output contingencies not allocated to departments

(\$ million)

	2017-18 budget	2018-19 estimate	2019-20 estimate	2020-21 estimate
Decisions made but not yet allocated ^(a)	1 014	2 449	2 892	3 663
Funding not allocated to specific purposes ^(b)	100	600	900	1 550
Total general government output contingencies	1 114	3 049	3 792	5 213

Source: Department of Treasury and Finance

Notes:

(a) Reflects existing government policy decisions 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 depreciation expense associated with the general government unallocated asset contingency.

(b) An unallocated provision available to contribute to future government policy decisions and commitments, including for decisions to extend lapsing programs across the next four years.

1.3.6 Purchases of non-financial assets by government purpose and by portfolio department

Purchases of non-financial assets by government purpose classification ^(a) (\$ million)				
	2017-18	2018-19	2019-20	2020-21
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
General public services	79	85	58	87
Public order and safety	1 314	742	522	277
Education	989	675	232	187
Health	1 079	734	283	300
Social security and welfare	112	89	89	87
Housing and community amenities	108	88	84	55
Recreation and culture	88	79	28	22
Fuel and energy	4	3	3	3
Agriculture, forestry, fishing, and hunting	9	6	6	6
Transport and communications	6 578	5 788	4 380	4 368
Other economic affairs	104	2	16	7
Not allocated by purpose ^(b)	(1 685)	(408)	1 229	1 514
Total purchases of non-financial assets	8 780	7 882	6 929	6 913

Source: Department of Treasury and Finance

Notes:

(a) Note 3.6 of the 2015-16 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 spending, which may be subject to carryover.

Purchases of non-financial assets by portfolio department (\$ million)				
	2017-18	2018-19	2019-20	2020-21
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Economic Development, Jobs, Transport and Resources	5 601	3 896	2 123	580
Education and Training	1 040	728	288	182
Environment, Land, Water and Planning	130	92	85	66
Health and Human Services	1 073	715	333	217
Justice and Regulation	847	258	136	114
Premier and Cabinet	18	15	13	11
Treasury and Finance	24	49	19	45
Parliament	21	..	..	..
Courts	67	32	16	7
Regulatory bodies and other part funded agencies ^(a)	281	185	140	127
Asset contingencies not allocated to departments ^(b)	1 425	2 996	4 232	5 688
Adjustments ^(c)	(1 747)	(1 083)	(455)	(124)
Total purchases of non-financial assets	8 780	7 882	6 929	6 913

Source: Department of Treasury and Finance

Notes:

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

(b) The following table provides a breakdown of the general government sector asset contingencies not allocated to departments.

(c) Mainly comprises estimated departmental underspend, which may be subject to carryover and estimated outer budget agency underspend.

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

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Decisions made but not yet allocated ^(a)	1 425	2 596	3 432	4 488
Funding not allocated to specific purposes ^(b)	..	400	800	1 200
Total general government asset contingencies	1 425	2 996	4 232	5 688

Source: Department of Treasury and Finance

Notes:

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

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

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

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Purchases of non-financial assets (including change in inventories)	8 747	7 886	6 934	6 917
Less: Sale of non-financial assets	(503)	(789)	(463)	(494)
Less: Depreciation	(2 788)	(3 033)	(3 193)	(3 394)
Plus: Other movements in non-financial assets ^(a)	(3 643)	(3 751)	(2 928)	(2 965)
Total net acquisition of non-financial assets from transactions	1 813	313	350	65

Source: Department of Treasury and Finance

Note:

(a) The other movements in non-financial assets includes the transfer of fixed assets to other sectors of government and the recognition of finance lease arrangements.

1.4 MAJOR ASSETS AND INVESTMENTS

Introduction

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

Structure

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1.4.1 Total land, buildings, infrastructure, plant and equipment (\$ million)

	2017	2018	2019	2020	2021
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Buildings	27 488	28 091	29 030	30 203	30 391
Leased buildings	4 908	5 754	5 573	5 401	5 231
Land and national parks	48 068	48 042	47 870	51 371	51 729
Infrastructure systems	1 360	1 352	1 336	1 320	1 297
Plant, equipment and vehicles	2 192	2 173	1 984	1 692	1 389
Leased plant, equipment and vehicles	138	122	107	90	73
Roads and roads infrastructure	20 395	23 363	24 206	26 502	27 782
Leased roads and roads infrastructure	565	628	618	663	651
Earthworks	7 964	9 232	9 483	10 570	10 717
Cultural assets	5 514	5 508	5 498	6 261	6 531
Total land, buildings, infrastructure, plant and equipment	118 593	124 266	125 703	134 072	135 792

Source: Department of Treasury and Finance

Land, buildings, infrastructure, plant and equipment are estimated based on their audited balances as at 30 June 2016, which are adjusted for estimated acquisitions, disposals and the impact of depreciation and revaluation.

Where an asset has been identified as surplus to the needs of the entity and is not in use, the asset is valued at disposal value. New investments in assets are valued at the forecast purchase price or, where appropriate, recognised progressively over the estimated construction period.

The next four years include the estimated impact of revaluations of non-financial physical assets. They have been estimated from examining and extrapolating historical trends in asset revaluations by major asset class.

1.4.2 Depreciation

(\$ million)

	2017-18 budget	2018-19 estimate	2019-20 estimate	2020-21 estimate
Buildings ^(a)	1 141	1 199	1 241	1 350
Leased buildings	178	194	193	193
Infrastructure systems	33	33	34	34
Plant, equipment and vehicles ^(a)	595	620	620	625
Leased plant, equipment and vehicles	17	17	16	16
Roads and road infrastructure ^(a)	650	790	893	991
Leased roads and road infrastructure	9	11	11	12
Cultural assets	23	27	26	27
Intangible produced assets ^(b)	143	143	159	148
Total depreciation	2 788	3 033	3 193	3 394

Source: Department of Treasury and Finance

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2017-18 to 2020-21.

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

Depreciation is forecast on the basis of known asset profiles, asset sales programs and approved new asset investment programs. The expense is based on the assumption that there will be no change in depreciation rates over the forecast period, but includes the estimated impact of projected future revaluation of assets. However, any future changes in useful lives, carrying value, residual value or methodology would result in a change in future depreciation expense.

1.4.3 Reconciliation of movements in land, buildings, infrastructure, plant and equipment ^(a)

(\$ million)

	2016-17 revised	2017-18 budget	2018-19 estimates	2019-20 estimates	2020-21 estimates
Carrying amount at the start of the year	114 254	118 593	124 266	125 703	134 072
Additions ^(b)	8 365	9 314	8 381	7 168	7 791
Disposals at written down value	(599)	(371)	(528)	(392)	(405)
Revaluations	3 152	3 659	641	7 844	1 507
Asset transfers ^(c)	(4 043)	(4 284)	(4 167)	(3 217)	(3 928)
Depreciation expense	(2 537)	(2 645)	(2 890)	(3 034)	(3 247)
Carrying amount at the end of the year	118 593	124 266	125 703	134 072	135 792

Source: Department of Treasury and Finance

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.

1.4.4 Other non-financial assets

(\$ million)

	2017	2018	2019	2020	2021
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Intangible produced assets	1 513	1 575	1 643	1 661	1 695
Accumulated depreciation	(905)	(1 018)	(1 144)	(1 284)	(1 409)
Intangible non-produced assets	235	223	186	148	124
Accumulated amortisation	(38)	(51)	(53)	(56)	(58)
Total intangibles	804	729	631	468	351
Investment properties	135	139	139	131	133
Biological assets	4	5	7	8	10
Other assets	331	402	700	1 505	2 062
Total other non-financial assets	1 275	1 276	1 477	2 113	2 555

Source: Department of Treasury and Finance

Intangible produced assets may include computer software or research and development costs. Non-produced intangibles are intangible assets needed for production that have not themselves been produced, such as patents. These amounts are estimated based on their audited balances as at 30 June 2016, which are adjusted for estimated acquisitions, disposals and the impact of amortisation.

Other non-financial assets include prepayments, which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

1.4.5 Total assets by government purpose classification ^(a)

(\$ million)

	2016-17	2017-18	2018-19	2019-20	2020-21
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
General public services	1 675	1 576	1 474	1 346	1 253
Public order and safety	8 236	9 619	9 895	10 425	10 432
Education	22 458	23 250	23 445	24 337	24 401
Health	14 428	14 605	14 438	13 781	13 127
Social security and welfare	2 071	2 126	2 156	2 185	2 212
Housing and community amenities	9 613	9 762	10 383	12 033	12 535
Recreation and culture	9 030	9 038	9 037	8 986	8 927
Fuel and energy	23	25	24	24	24
Agriculture, forestry, fishing and hunting	596	509	482	455	428
Transport and communications	52 880	57 421	58 791	65 911	66 596
Other economic affairs	374	469	294	883	1 608
Other purposes	1	1	1	1	1
Not allocated by purpose ^(b)	116 087	115 447	118 381	119 273	123 307
Total assets	237 472	243 848	248 801	259 640	264 849

Source: Department of Treasury and Finance

Notes:

(a) Note 3.6 of the 2015-16 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.

1.5 FINANCING STATE OPERATIONS

Introduction

State operations are financed through a variety of means. Recurrent operations are generally financed from cash flows from operating activities (see consolidated cash flow statement). Asset investment operations are generally financed from a combination of surplus cash flows from operating activities, asset sales, advances and borrowings.

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

Structure

1.5.1	Borrowings	36
1.5.2	Advances paid and investments, loans and placements	37
1.5.3	Interest expense.....	38

1.5.1 Borrowings

(\$ million)

	2017 <i>revised</i>	2018 <i>budget</i>	2019 <i>estimate</i>	2020 <i>estimate</i>	2021 <i>estimate</i>
Current borrowings					
Domestic borrowings	1 827	1 827	1 834	1 835	1 835
Finance lease liabilities ^(a)	131	133	119	82	91
Derivative financial instruments	19	19	19	19	19
Total current borrowings	1 976	1 979	1 971	1 936	1 945
Non-current borrowings					
Domestic borrowings	19 103	23 869	25 354	27 984	29 144
Finance lease liabilities ^(a)	9 260	9 729	9 949	10 074	10 806
Derivative financial instruments	131	131	131	131	131
Total non-current borrowings	28 494	33 729	35 434	38 190	40 081
Total borrowings	30 471	35 707	37 406	40 125	42 027

Source: Department of Treasury and Finance

Note:

(a) Further detailed disclosures on finance lease liabilities can be found in the 2015-16 Financial Report for the State of Victoria.

Borrowings refer to interest bearing liabilities mainly raised from public borrowings and finance leases and other interest bearing arrangements and excludes liabilities raised from other government entities.

Estimates for borrowings are based on the need to repay maturing debt and finance capital expenditure. The forecast for finance lease liabilities relates primarily to expected public private partnerships (PPPs).

From time to time, the State enters into concession arrangements with the private sector to design, construct or upgrade assets used to provide public services. These arrangements may include operational and maintenance services for a specified period of time.

In accordance with the accounting policies applicable to service concession arrangements outlined in the *2015-16 Financial Report* for the State of Victoria, projects approved as PPPs are budgeted as PPPs from the date of approval.

Some service concession arrangements, such as user pay toll roads, involve the State granting the private sector concessionaire a right to earn revenue from third-party users of the service concession asset. Usually the State will take control of the asset at the end of the concession period. As there is currently no authoritative accounting guidance to recognise and measure these assets, they are not recognised in the Estimated Financial Statements. There are no such concessions ending within the period of the Estimated Financial Statements.

1.5.2 Advances paid and investments, loans and placements (\$ million)

	2017 <i>revised</i>	2018 <i>budget</i>	2019 <i>estimate</i>	2020 <i>estimate</i>	2021 <i>estimate</i>
Current advances paid and investments, loans and placements					
Loans and advances paid	2 199	796	271	99	51
Equities and managed investment schemes	922	891	910	929	948
Australian dollar term deposits	1 689	832	716	675	684
Debt securities	3	3	3	3	3
Derivative financial instruments	1	1	1	1	1
Total current advances paid and investments, loans and placements	4 814	2 522	1 901	1 707	1 687
Non-current advances paid and investments, loans and placements					
Loans and advances paid	10 193	8 888	7 627	6 285	4 831
Equities and managed investment schemes	284	321	307	305	313
Australian dollar term deposits	617	684	738	778	807
Debt securities	64	64	64	64	64
Derivative financial instruments	17	17	17	17	17
Total non-current advances paid and investments, loans and placements	11 175	9 974	8 753	7 449	6 032
Total advances paid and investments, loans and placements	15 989	12 496	10 654	9 156	7 719
Represented by:					
Advances paid	12 392	9 683	7 898	6 384	4 882
Investments, loans and placements	3 597	2 813	2 756	2 772	2 837

Source: Department of Treasury and Finance

The items above are financial instruments that have been classified into financial instrument categories, depending on the purpose for which the investments were made or acquired. These amounts are forecast based on expected transaction flows associated with these instruments.

Advances paid include long-term and short-term loan receivables, non-marketable debentures and long and short-term promissory agreements (bonds and bills) mainly issued to the PNFC and PFC sectors, for policy rather than liquidity management purposes.

1.5.3 Interest expense	(\$ million)			
	<i>2017-18 budget</i>	<i>2018-19 estimate</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>
Interest on interest-bearing liabilities	1 253	1 259	1 258	1 334
Finance charges on finance leases	891	901	906	888
Discount interest on payables	37	37	37	37
Total interest expense	2 181	2 197	2 201	2 258

Source: Department of Treasury and Finance

Estimates for interest expense are based on the forecast level of outstanding Victorian general government sector debt, non-current financial liabilities and provisions. Victorian general government sector debt is expected to mainly comprise fixed rate facilities from the Treasury Corporation of Victoria and finance lease liabilities. Interest expenses associated with assumed future borrowings are based on information provided by the Treasury Corporation of Victoria on forward contracts for Victorian government bonds. Interest expenses associated with finance leases are based on the prevailing rates when the lease was entered into.

1.6 OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

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1.6.1 Investments in other sector entities (\$ million)

	2018 <i>budget</i>	2019 <i>estimate</i>	2020 <i>estimate</i>	2021 <i>estimate</i>
Balance of investment in PNFC and PFC sectors at the beginning of the period	90 708	94 402	98 798	101 360
Net contributions to other sectors by owner	4 660	3 787	2 816	2 859
Revaluation gain/(loss) for period	(966)	609	(254)	909
Investment in other sector entities at end of period	94 402	98 798	101 360	105 128

Source: Department of Treasury and Finance

Investments in other sector entities are estimated based on their audited net assets as at 30 June 2016, adjusted by management estimates of subsequent operating results, capital investments, distributions and returns of capital.

1.6.2 Payables (\$ million)

	2017 <i>revised</i>	2018 <i>budget</i>	2019 <i>estimate</i>	2020 <i>estimate</i>	2021 <i>estimate</i>
Current payables					
Accounts payable and accrued expenses	3 119	3 019	3 006	2 990	3 096
Accrued taxes payable	38	37	39	40	40
Unearned income	600	594	637	631	627
Total current payables	3 756	3 650	3 682	3 661	3 763
Non-current payables					
Accrued expenses and other payables	1 670	1 801	3 411	3 164	2 809
Total non-current payables	1 670	1 801	3 411	3 164	2 809
Total payables	5 426	5 452	7 093	6 824	6 572

Source: Department of Treasury and Finance

Payables consist of accounts payable, accrued taxes such as GST and fringe benefit tax, and unearned revenue including deferred revenue from concession arrangements and licences.

Estimates of accounts payable are based on known movements in contractual arrangements, other outstanding payables and historical experience.

Unearned income relating to concession arrangements and licences will reduce each year as income is progressively brought to account over the remaining period of the concession term or licence. The estimated changes in other components are based on historical experience.

1.6.3 Superannuation

Reconciliation of the superannuation liabilities		(\$ million)			
	<i>2017-18 budget</i>	<i>2018-19 estimate</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>	
Emergency Services and State Super					
Defined benefit obligation	41 709	41 226	40 669	40 041	
Tax liability ^(a)	2 533	2 444	2 352	2 258	
Plan assets	(20 747)	(21 207)	(21 644)	(22 045)	
Net liability/(asset)	23 495	22 463	21 378	20 253	
Other funds ^(b)					
Defined benefit obligation	1 954	1 959	1 966	1 975	
Tax liability ^(a)	..	..	..	..
Plan assets	(937)	(916)	(892)	(870)	
Net liability/(asset)	1 016	1 043	1 074	1 105	
Total superannuation					
Defined benefit obligation	43 662	43 185	42 635	42 015	
Tax liability ^(a)	2 533	2 444	2 352	2 258	
Plan assets	(21 684)	(22 123)	(22 535)	(22 915)	
Superannuation liability	24 511	23 506	22 452	21 358	
Represented by:					
Current liability	1 078	1 082	1 075	1 102	
Non-current liability	23 433	22 425	21 377	20 256	
Total superannuation liability	24 511	23 506	22 452	21 358	

Source: Department of Treasury and Finance

Notes:

(a) Tax liability represents the present value of tax payments on contributions that are expected to be required to fund accrued benefits.

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

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

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Opening balance of defined benefit obligation	46 678	46 195	45 629	44 988
Current service cost	780	767	761	755
Interest expense	1 396	1 382	1 365	1 346
Contributions by plan participants	188	183	178	173
Benefits paid	(2 846)	(2 898)	(2 945)	(2 988)
Closing balance of defined benefit obligation	46 195	45 629	44 988	44 273

Source: Department of Treasury and Finance

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

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Opening balance of plan assets	21 253	21 684	22 123	22 535
Interest income	635	648	661	672
Return on plan assets not included in interest income	915	931	946	960
Employer contributions	1 540	1 575	1 573	1 562
Contributions by plan participants	188	183	178	173
Benefits paid (including tax paid)	(2 846)	(2 898)	(2 945)	(2 988)
Closing balance of plan assets	21 684	22 123	22 535	22 915

Source: Department of Treasury and Finance

See Note 1.3.2 *Superannuation expense and other superannuation expenses* for further information on superannuation assumptions.

1.7 OTHER DISCLOSURES

Introduction

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

Structure

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

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Net gain/(loss) from revaluation of biological assets	(1)	(1)	(2)	(2)
Net (increase) in provision for doubtful receivables	(205)	(212)	(208)	(229)
Bad debts written off	(159)	(159)	(169)	(155)
Amortisation of intangible non-produced assets	(4)	(4)	(4)	(4)
Other gains/(losses)	(1)	(1)	(1)	(1)
Total other gains/(losses) from other economic flows	(370)	(377)	(383)	(391)

Source: Department of Treasury and Finance

Other economic flows are expected changes in the volume or value of an asset or liability arising from market remeasurements, rather than as a result from transactions. They include gains and losses from revaluing biological assets, fair value changes of financial instruments, and depletion of natural assets (non-produced) from their use or removal.

1.7.2 Reconciliation to Government Finance Statistics ^(a)

(\$ million)

	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Net result from transactions – net operating balance	1 153	1 975	2 405	2 727
<i>Convergence differences:</i>				
Licence fees ^(b)	52	52	52	52
<i>plus total convergence difference:</i>	52	52	52	52
GFS net operating balance	1 205	2 027	2 458	2 780
Net lending/(borrowing)	(660)	1 662	2 055	2 663
<i>Convergence differences:</i>				
Licence fees ^(b)	52	52	52	52
<i>plus total convergence difference:</i>	52	52	52	52
GFS net lending/(borrowing)	(608)	1 715	2 108	2 715
Comprehensive result – total change in net worth	4 504	4 036	10 636	5 810
Contribution by non-controlling interest				
<i>Convergence differences:</i>				
Doubtful receivables of the general government sector ^(c)	165	172	169	191
Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) ^(d)	(278)	(322)	(326)	58
Unearned income relating to licence fees ^(b)	52	52	52	52
<i>plus total convergence difference:</i>	(61)	(97)	(104)	301
GFS total change in net worth	4 444	3 938	10 531	6 111
Net worth	164 734	168 769	179 405	185 215
<i>Convergence differences:</i>				
Doubtful receivables of the general government sector ^(c)	1 252	1 425	1 594	1 785
Investments in other sector entities ^(e)	7 383	7 062	6 736	6 794
Unearned income relating to licence fees ^(b)	(731)	(679)	(626)	(574)
<i>plus total convergence difference:</i>	7 905	7 808	7 703	8 004
GFS net worth	172 639	176 577	187 108	193 219
Cash surplus/(deficit)	(4 676)	(1 350)	(2 307)	(1 695)
<i>Convergence differences:</i>				
Less: Acquisitions under finance leases and similar arrangements ^{(f)(g)}	(647)	(415)	(312)	(964)
GFS cash surplus/(deficit)	(5 323)	(1 766)	(2 619)	(2 658)

Source: Department of Treasury and Finance

Notes:

- (a) Determined in accordance with the ABS GFS manual.
- (b) The convergence difference arises because the GFS recognises the 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne as revenue over the 15-year period.
- (c) The convergence difference in accounts receivable arises because GFS does not recognise doubtful receivables, whereas a provision for doubtful receivables is recognised in the balance sheet.
- (d) Net gain on equity investments in other sector entities includes doubtful receivables, future tax benefits and deferred tax liability of the PNFC and PFC sectors.
- (e) Investments in other sector entities for general government sector includes doubtful receivables, future tax benefits and deferred tax liability of the PNFC and PFC sectors.
- (f) The convergence difference arises because for GFS, assets acquired under finance leases are considered to be cash outlays and are included as part of the GFS cash surplus/(deficit).
- (g) The finance lease acquisition in 2017-18 relates to the Ravenhall Prison project, the new Bendigo Hospital project (stage 2) and the New Schools PPP project (tranche 2). The 2018-19 and 2019-20 estimates relate to the High Capacity Metro Trains Project. The 2020-21 estimates relate to the High Capacity Metro Trains Project and the Western Suburbs Roads Package.

This note identifies and reconciles unconverged differences between the Australian Accounting Standards reporting and the Government Finance Statistics (GFS) reporting.

All GFS balances are estimated in accordance with the Australian Bureau of Statistics GFS manual *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015*.

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

1.7.3 Financial instruments

Note 7.1 in the *2015-16 Financial Report* for the State of Victoria contains comprehensive disclosures of the State's (including the general government sector's) financial instruments, including financial risk management objectives and policies.

There has been no substantive change to the accounting classification of financial assets and liabilities for the general government sector as reported in the *2015-16 Financial Report* for the State of Victoria.

1.7.4 Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2017-18 reporting period. There is no intention to early adopt these accounting standards and they have not been applied to the Estimated Financial Statements. The State is reviewing its existing policies to assess the potential implications and make changes as required. These accounting standards include:

- AASB 9 *Financial Instruments*, operative for reporting periods commencing 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 losses earlier, as opposed to the current approach that recognises impairment only when incurred;
- AASB 15 *Revenue from Contracts with Customers*, operative for reporting periods commencing 1 January 2019 for not-for-profit entities. The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer;
- AASB 16 *Leases*, operative for reporting periods beginning from 1 January 2019. The key changes introduced by AASB 16 include the recognition of most operating leases on the balance sheet; and
- AASB 1058 *Income of Not-for-Profit Entities*, operative for reporting periods commencing 1 January 2019. This standard will replace *AASB 1004 Contributions* and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.

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

The Australian Bureau of Statistics (ABS) released a new manual, *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* on 23 December 2015. For the purpose of financial reporting under AASB 1049, the new manual will apply for reporting periods beginning from 1 July 2018. The State will assess the potential reporting implications of the amendments.

1.7.5 Controlled entities

Note 9.7 Controlled entities in the *2015-16 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 are changes from 1 July 2016 to general government sector entities and entities included as investments by the general government sector which have been consolidated for the purposes of the financial report. Unless otherwise noted below, all such entities are wholly owned.

General government	
Department of Environment, Land, Water and Planning	Department of Economic Development, Jobs, Transport and Resources
Victorian Planning Authority ^(a)	Australian Synchrotron Holding Company ^(e)
Energy Safe Victoria ^(b)	Tourism Victoria ^(f)
Department of Health and Human Services	Visit Victoria ^(f)
West Wimmera Health Service ^(c)	
Melbourne Cricket Ground Trust ^(d)	
Public non-financial corporation	
Department of Environment, Land, Water and Planning	Department of Health and Human Services
Southern Alpine Resort Management Board ^(g)	Melbourne and Olympic Parks Trust ^(h)
	Department of Economic Development, Jobs, Transport and Resources
	Development Victoria ⁽ⁱ⁾
	Victorian Ports Corporation (Melbourne) ^(j)

Source: Department of Treasury and Finance

Notes:

- (a) The Metropolitan Planning Authority has been renamed Victorian Planning Authority under the Victorian Planning Authority Act 2017.
- (b) Effective from 1 July 2016, portfolio responsibility for Energy Safe Victoria was transferred from the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) to the Department of Environment, Land, Water and Planning.
- (c) On 1 July 2016, by Order of the Governor in Council, Dunmunkle Health Service and West Wimmera Health Service were amalgamated to form a new registered funded agency named West Wimmera Health Service.
- (d) Effective from 1 October 2016, portfolio responsibility for the Melbourne Cricket Ground Trust was transferred from DEDJTR to the Department of Health and Human Services (DHHS).
- (e) The Australian Synchrotron Holding Company was transferred from the State of Victoria to the Australian Nuclear Science and Technology Organisation (ANSTO) on 1 July 2016.
- (f) Effective 1 July 2016, Visit Victoria commenced operations and took over portfolio responsibility of Tourism Victoria and the Victorian Major Events Company Limited. Tourism Victoria ceased to operate but will remain in existence until its legislation is repealed. Effective from 1 July 2016, Victorian Major Events Company ceased to exist.
- (g) Effective from 1 January 2017, the Lake Mountain Alpine Resort Management Board and the Mount Baw Baw Alpine Resort Management Board were amalgamated to form a new entity, the Southern Alpine Resort Management Board under the Alpine Resorts Legislation Amendment Act 2016.
- (h) Effective from 1 October 2016, portfolio responsibility for the Melbourne and Olympic Parks Trust was transferred from DEDJTR to DHHS.
- (i) On 1 April 2017, under the Urban Renewal Authority Victoria Amendment (Development Victoria) Act 2017, Urban Renewal Authority Victoria (Places Victoria) and Major Projects Victoria merged to form a new public non-financial corporation named Development Victoria.
- (j) Effective from 1 November 2016, the Port of Melbourne Corporation was renamed the Victorian Ports Corporation (Melbourne).

CHAPTER 2 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

2.1 Public non-financial corporations sector comprehensive operating statement for the financial year ended 30 June ^(a) (\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Revenue from transactions					
Interest revenue	143	156	108	71	45
Dividend revenue	15	18	18	19	19
Sales of goods and services	6 197	6 507	6 720	6 820	7 167
Grant revenue	3 263	3 450	3 460	3 469	3 452
Other revenue	608	590	570	565	583
Total revenue from transactions	10 226	10 720	10 876	10 944	11 265
Expenses from transactions					
Employee expenses	1 179	1 246	1 272	1 313	1 347
Other superannuation	105	111	114	117	120
Depreciation	2 210	2 409	2 553	2 631	2 688
Interest expense	1 136	1 134	1 097	1 080	1 075
Grant expense	535	383	493	387	194
Other operating expenses	5 507	5 812	5 930	5 934	6 355
Other property expenses	227	205	170	184	204
Total expenses from transactions	10 899	11 301	11 630	11 646	11 984
Net result from transactions – net operating balance	(674)	(581)	(754)	(702)	(718)
Total other economic flows included in net result	241	286	(41)	287	308
Net result	(433)	(295)	(795)	(415)	(410)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	(95)	2	1 438	1	1 158
Remeasurement of superannuation defined benefit plans	(9)	(4)	(4)	(4)	(4)
Other movements in equity	(5)	(15)	(15)	(12)	(3)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	12	1	1	4	(6)
Total other economic flows – other comprehensive income	(98)	(17)	1 420	(11)	1 144
Comprehensive result – total change in net worth	(531)	(312)	625	(426)	734

2.1 Public non-financial corporations sector comprehensive operating statement for the financial year ended 30 June (continued) (\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
KEY FISCAL AGGREGATES					
Net operating balance	(674)	(581)	(754)	(702)	(718)
Less: Net acquisition of non-financial assets from transactions	3 906	4 991	3 707	3 071	3 177
Net lending/(borrowing)	(4 580)	(5 572)	(4 461)	(3 773)	(3 895)

Source: Department of Treasury and Finance

Note:

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

2.2 Public non-financial corporations sector balance sheet as at 30 June (\$ million)

	2017 <i>revised</i>	2018 <i>budget</i>	2019 <i>estimate</i>	2020 <i>estimate</i>	2021 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	984	704	716	706	765
Advances paid	8 015	5 461	3 838	2 479	1 028
Receivables	1 789	1 711	1 786	1 876	1 853
Investments, loans and placements	954	814	784	765	784
Investments accounted for using equity method	1 515	1 524	1 542	1 554	1 576
Total financial assets	13 256	10 215	8 666	7 380	6 006
Non-financial assets					
Inventories	549	1 033	1 058	1 294	1 367
Non-financial assets held for sale	22	24	5	5	5
Land, buildings, infrastructure, plant and equipment	116 009	120 433	125 244	128 079	132 684
Other non-financial assets	1 239	1 376	1 326	1 217	1 213
Total non-financial assets	117 819	122 865	127 633	130 594	135 269
Total assets	131 075	133 080	136 299	137 975	141 275
Liabilities					
Deposits held and advances received	8 382	5 844	4 222	2 876	1 439
Payables	10 179	10 019	9 889	9 683	9 537
Borrowings	16 345	17 436	17 902	18 561	18 924
Employee benefits	386	396	404	411	417
Superannuation	60	60	60	60	60
Other provisions	8 448	8 161	7 854	7 571	7 662
Total liabilities	43 802	41 916	40 331	39 162	38 039
Net assets	87 274	91 164	95 967	98 813	103 236
Accumulated surplus/(deficit)	3 421	2 629	1 589	991	366
Reserves	83 853	88 534	94 379	97 822	102 870
Net worth	87 274	91 164	95 967	98 813	103 236
FISCAL AGGREGATES					
Net financial worth	(30 546)	(31 702)	(31 665)	(31 782)	(32 033)
Net financial liabilities	30 546	31 702	31 665	31 782	32 033
Net debt	14 775	16 301	16 786	17 487	17 786

Source: Department of Treasury and Finance

2.3 Public non-financial corporations sector cash flow statement for the financial year ended 30 June ^(a)

(\$ million)

	<i>2016-17 revised</i>	<i>2017-18 budget</i>	<i>2018-19 estimate</i>	<i>2019-20 estimate</i>	<i>2020-21 estimate</i>
Cash flows from operating activities					
Receipts					
Grants	3 337	3 439	3 426	3 469	3 452
Sales of goods and services ^(b)	15 484	6 957	7 203	7 269	7 707
Interest received	145	167	119	82	44
Dividend receipts	14	18	18	19	19
Other receipts	306	506	286	233	365
Total receipts	19 286	11 086	11 052	11 072	11 587
Payments					
Payments for employees	(1 207)	(1 240)	(1 267)	(1 310)	(1 341)
Superannuation	(117)	(116)	(118)	(122)	(125)
Interest paid	(1 120)	(1 129)	(1 086)	(1 065)	(1 057)
Grants and subsidies	(180)	(137)	(178)	(183)	(147)
Goods and services ^(b)	(4 325)	(4 561)	(4 442)	(4 357)	(4 854)
Other payments	(2 243)	(2 323)	(2 445)	(2 503)	(2 402)
Total payments	(9 192)	(9 506)	(9 538)	(9 540)	(9 926)
Net cash flows from operating activities	10 094	1 580	1 514	1 532	1 661
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(1 959)	(3 051)	(2 054)	(2 360)	(1 787)
Net cash flows from investments in financial assets for policy purposes	(7 822)	2 586	1 663	1 389	1 516
Net cash flows from investment in financial assets for liquidity management purposes	53	139	33	40	(18)
Net cash flows from investing activities	(9 728)	(325)	(358)	(932)	(289)
Cash flows from financing activities					
Advances received (net)	7 943	(2 539)	(1 621)	(1 343)	(1 450)
Net borrowings	604	1 091	466	659	363
Deposits received (net)	43	1	..	(3)	13
Other financing (net)	(8 773)	(87)	12	76	(239)
Net cash flows from financing activities	(184)	(1 535)	(1 144)	(611)	(1 313)
Net increase/(decrease) in cash and cash equivalents	182	(280)	12	(10)	59
Cash and cash equivalents at beginning of reporting period	802	984	704	716	706
Cash and cash equivalents at end of reporting period	984	704	716	706	765

2.3 Public non-financial corporations sector cash flow statement for the financial year ended 30 June (continued) (\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities	10 094	1 580	1 514	1 532	1 661
Dividends paid	(123)	(457)	(208)	(144)	(190)
Net cash flows from investments in non-financial assets	(1 959)	(3 051)	(2 054)	(2 360)	(1 787)
Cash surplus/(deficit)	8 012	(1 929)	(748)	(973)	(316)

Source: Department of Treasury and Finance

Notes:

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

(b) Inclusive of goods and services tax.

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

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
2016-17 revised		
Balance at 1 July 2016	4 397	52 166
Net result for the year	(433)	..
Other comprehensive income for the year	(66)	..
Dividends paid	(121)	..
Transfer to/(from) accumulated surplus	(356)	8 241
Transactions with owners in their capacity as owners	..	(4 307)
Total equity as at 30 June 2017	3 421	56 100
2017-18 budget		
Balance at 1 July 2017	3 421	56 100
Net result for the year	(295)	..
Other comprehensive income for the year	(39)	..
Dividends paid	(457)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	4 660
Total equity as at 30 June 2018	2 629	60 760
2018-19 estimate		
Balance at 1 July 2018	2 629	60 760
Net result for the year	(795)	..
Other comprehensive income for the year	(38)	..
Dividends paid	(208)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	4 387
Total equity as at 30 June 2019	1 589	65 147
2019-20 estimate		
Balance at 1 July 2019	1 589	65 147
Net result for the year	(415)	..
Other comprehensive income for the year	(38)	..
Dividends paid	(144)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	3 416
Total equity as at 30 June 2020	991	68 563
2020-21 estimate		
Balance at 1 July 2020	991	68 563
Net result for the year	(410)	..
Other comprehensive income for the year	(25)	..
Dividends paid	(190)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	3 879
Total equity as at 30 June 2021	366	72 443

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
35 219	451	92 233
..	..	(433)
(95)	63	(98)
..	..	(121)
(7 885)	..	..
..	..	(4 307)
27 239	514	87 274
27 239	514	87 274
..	..	(295)
2	20	(17)
..	..	(457)
..
..	..	4 660
27 240	534	91 164
27 240	534	91 164
..	..	(795)
1 438	19	1 420
..	..	(208)
..
..	..	4 387
28 678	553	95 967
28 678	553	95 967
..	..	(415)
1	25	(11)
..	..	(144)
..
..	..	3 416
28 680	578	98 813
28 680	578	98 813
..	..	(410)
1 158	11	1 144
..	..	(190)
..
..	..	3 879
29 838	590	103 236

2.5 Derivation of public non-financial corporations sector GFS cash surplus/(deficit)

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Cash surplus/(deficit)	8 012	(1 929)	(748)	(973)	(316)
Convergence differences:					
Acquisitions under finance leases and similar arrangements	..	..	..	..	..
GFS cash surplus/(deficit) ^(a)	8 012	(1 929)	(748)	(973)	(316)

Source: Department of Treasury and Finance

Note:

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

2.6 Net acquisition of non-financial assets – public non-financial corporations sector ^(a)

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Purchases of non-financial assets (including change in inventory) less sales of non-financial assets	1 976	3 040	2 055	2 357	1 787
Less: depreciation	(2 210)	(2 409)	(2 553)	(2 631)	(2 688)
Plus: other movements in non-financial assets ^(b)	4 141	4 360	4 205	3 345	4 078
Total net acquisition of non-financial assets	3 906	4 991	3 707	3 071	3 177

Source: Department of Treasury and Finance

Notes:

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

(b) The other movements in non-financial assets relates to fixed asset transfers from the general government sector to the public non-financial corporations sector.

**2.7 Non-financial public sector comprehensive operating statement
for the financial year ended 30 June ^(a)**

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Revenue from transactions					
Taxation revenue	21 827	21 468	22 742	24 038	25 335
Interest revenue	327	339	360	388	387
Dividends, income tax equivalent and rate equivalent revenue	216	524	223	332	399
Sales of goods and services	10 914	11 293	11 713	12 141	12 812
Grant revenue	27 518	29 812	31 909	31 613	32 274
Other revenue	3 265	3 092	3 094	3 110	3 143
Total revenue from transactions	64 068	66 528	70 042	71 622	74 350
Expenses from transactions					
Employee expenses	23 180	24 196	25 249	25 971	26 628
Net superannuation interest expense	692	761	734	704	674
Other superannuation	2 448	2 458	2 493	2 550	2 586
Depreciation	4 882	5 198	5 586	5 823	6 082
Interest expense	2 443	2 600	2 678	2 740	2 850
Grant expense	7 507	8 151	9 750	10 067	10 007
Other operating expenses	22 382	23 051	22 543	22 209	23 705
Total expenses from transactions	63 533	66 416	69 032	70 066	72 532
Net result from transactions – net operating balance	535	113	1 010	1 556	1 817
Total other economic flows included in net result	(319)	(224)	(429)	(263)	(288)
Net result	216	(112)	581	1 294	1 530
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	3 103	3 661	2 079	7 845	3 078
Remeasurement of superannuation defined benefit plans	3 843	911	927	942	956
Other movements in equity	236	(14)	..	(31)	(1)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	13	2	3	7	(4)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	957	(196)	192	316	365
Total other economic flows – other comprehensive income	8 152	4 364	3 200	9 079	4 393
Comprehensive result – total change in net worth	8 369	4 253	3 781	10 372	5 923
KEY FISCAL AGGREGATES					
Net operating balance	535	113	1 010	1 556	1 817
Less: Net acquisition of non-financial assets from transactions	4 935	6 804	4 019	3 421	3 242
Net lending/(borrowing)	(4 400)	(6 691)	(3 010)	(1 865)	(1 424)

Source: Department of Treasury and Finance

Note:

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

2.8 Non-financial public sector balance sheet as at 30 June (\$ million)

	<i>2017</i> <i>revised</i>	<i>2018</i> <i>budget</i>	<i>2019</i> <i>estimate</i>	<i>2020</i> <i>estimate</i>	<i>2021</i> <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	5 869	5 997	6 488	7 046	7 438
Advances paid	163	141	132	123	117
Receivables	6 625	6 659	7 004	7 268	7 612
Investments, loans and placements	4 550	3 627	3 539	3 537	3 621
Investments accounted for using equity method	1 936	1 945	1 962	1 975	1 996
Investments in other sector entities	3 438	3 242	2 834	2 551	1 896
Total financial assets	22 581	21 611	21 959	22 500	22 680
Non-financial assets					
Inventories	740	1 225	1 254	1 495	1 572
Non-financial assets held for sale	200	199	182	183	184
Land, buildings, infrastructure, plant and equipment	234 602	244 699	250 947	262 151	268 476
Other non-financial assets	2 190	2 334	2 494	3 081	3 519
Total non-financial assets	237 731	248 457	254 877	266 909	273 750
Total assets	260 312	270 068	276 836	289 409	296 430
Liabilities					
Deposits held and advances received	801	802	802	799	813
Payables	15 155	15 023	16 513	16 078	15 655
Borrowings	42 683	49 064	51 289	54 734	57 045
Employee benefits	6 935	7 185	7 466	7 688	7 963
Superannuation	25 485	24 571	23 566	22 512	21 417
Other provisions	939	855	851	878	893
Total liabilities	91 997	97 500	100 488	102 688	103 787
Net assets	168 315	172 567	176 348	186 721	192 644
Accumulated surplus/(deficit)	73 361	74 128	75 618	77 800	80 267
Reserves	94 953	98 439	100 731	108 920	112 376
Net worth	168 315	172 567	176 348	186 721	192 644
FISCAL AGGREGATES					
Net financial worth	(69 416)	(75 889)	(78 529)	(80 189)	(81 106)
Net financial liabilities	72 854	79 131	81 363	82 739	83 002
Net debt	32 901	40 101	41 933	44 826	46 681

Source: Department of Treasury and Finance

**2.9 Non-financial public sector cash flow statement
for the financial year ended 30 June ^(a)**

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Taxes received	21 722	21 330	22 565	23 870	24 985
Grants	27 540	29 799	31 904	31 613	32 274
Sales of goods and services ^(b)	20 897	12 627	14 490	13 290	14 018
Interest received	345	349	371	398	387
Dividends, income tax equivalent and rate equivalent receipts	215	524	169	331	398
Other receipts	2 180	2 541	2 255	2 255	2 377
Total receipts	72 899	67 170	71 754	71 758	74 439
Payments					
Payments for employees	(22 799)	(23 952)	(24 974)	(25 755)	(26 355)
Superannuation	(3 166)	(3 223)	(3 305)	(3 367)	(3 398)
Interest paid	(2 406)	(2 558)	(2 629)	(2 688)	(2 795)
Grants and subsidies	(7 320)	(7 975)	(9 587)	(9 971)	(9 954)
Goods and services ^(b)	(23 017)	(23 999)	(23 444)	(23 616)	(24 898)
Other payments	(733)	(737)	(759)	(790)	(831)
Total payments	(59 442)	(62 442)	(64 699)	(66 188)	(68 231)
Net cash flows from operating activities	13 457	4 728	7 055	5 570	6 208
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(9 402)	(11 328)	(9 147)	(8 826)	(8 206)
Net cash flows from investments in financial assets for policy purposes	114	50	665	657	1 101
Net cash flows from investment in financial assets for liquidity management purposes	(661)	949	113	33	(66)
Net cash flows from investing activities	(9 948)	(10 330)	(8 369)	(8 136)	(7 171)
Cash flows from financing activities					
Net borrowings	(3 212)	5 729	1 798	3 125	1 341
Deposits received (net)	(1)	1	..	(3)	13
Net cash flows from financing activities	(3 214)	5 730	1 798	3 122	1 355
Net increase/(decrease) in cash and cash equivalents	295	127	484	557	392
Cash and cash equivalents at beginning of reporting period	5 574	5 869	5 997	6 481	7 038
Cash and cash equivalents at end of reporting period ^(c)	5 869	5 997	6 481	7 038	7 430
FISCAL AGGREGATES					
Net cash flows from operating activities	13 457	4 728	7 055	5 570	6 208
Net cash flows from investments in non-financial assets	(9 402)	(11 328)	(9 147)	(8 826)	(8 206)
Cash surplus/(deficit)	4 055	(6 600)	(2 092)	(3 256)	(1 998)

Source: Department of Treasury and Finance

Notes:

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

(b) Inclusive of goods and services tax.

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

**2.10 Non-financial public sector statement of changes in equity
for the financial year ended 30 June**

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling Interest</i>
2016-17 revised		
Balance at 1 July 2016	61 161	50
Net result for the year	216	..
Other comprehensive income for the year	4 044	..
Transfer to/(from) accumulated surplus	7 940	..
Transactions with owners in their capacity as owners	..	(50)
Total equity as at 30 June 2017	73 361	..
2017-18 budget		
Balance at 1 July 2017	73 361	..
Net result for the year	(112)	..
Other comprehensive income for the year	878	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2018	74 128	..
2018-19 estimate		
Balance at 1 July 2018	74 128	..
Net result for the year	581	..
Other comprehensive income for the year	909	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2019	75 618	..
2019-20 estimate		
Balance at 1 July 2019	75 618	..
Net result for the year	1 294	..
Other comprehensive income for the year	889	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2020	77 800	..
2020-21 estimate		
Balance at 1 July 2020	77 800	..
Net result for the year	1 530	..
Other comprehensive income for the year	937	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2021	80 267	..

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
94 963	2 819	1 002	159 996
..	..	..	216
3 103	957	48	8 152
(7 940)	..	..	..
..	..	..	(50)
90 127	3 777	1 050	168 315
90 127	3 777	1 050	168 315
..	..	..	(112)
3 661	(196)	21	4 364
..
..
93 788	3 580	1 071	172 567
93 788	3 580	1 071	172 567
..	..	..	581
2 079	192	20	3 200
..
..
95 867	3 773	1 091	176 348
95 867	3 773	1 091	176 348
..	..	..	1 294
7 845	316	28	9 079
..
..
103 712	4 089	1 120	186 721
103 712	4 089	1 120	186 721
..	..	..	1 530
3 078	365	13	4 393
..
..
106 789	4 455	1 132	192 644

2.11 Derivation of non-financial public sector GFS cash surplus/(deficit) (\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Cash surplus/(deficit)	4 055	(6 600)	(2 092)	(3 256)	(1 998)
Convergence differences:					
Acquisitions under finance leases and similar arrangements ^(a)	(517)	(647)	(415)	(312)	(964)
GFS cash surplus/(deficit) ^(b)	3 538	(7 247)	(2 507)	(3 568)	(2 962)

Source: Department of Treasury and Finance

Notes:

(a) The finance lease acquisition in 2016-17 predominantly relates to the new Bendigo Hospital project (stage 1), the New Schools PPP project (tranche 1) and the metropolitan Melbourne buses contract. The 2017-18 estimate relates to the Ravenhall Prison project, the new Bendigo Hospital project (stage 2) and the New Schools PPP project (tranche 2). The 2018-19 and 2019-20 estimates relate to the High Capacity Metro Trains project. The 2020-21 estimate relates to the High Capacity Metro Trains project and the Western Suburbs Roads Package.

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

2.12 Net acquisition of non-financial assets – non-financial public sector ^(a) (\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Purchases of non-financial assets (including change in inventory) less sales of non-financial assets	9 420	11 322	9 152	8 828	8 211
Less: depreciation	(4 882)	(5 198)	(5 586)	(5 823)	(6 082)
Plus: other movements in non-financial assets ^(b)	397	680	454	417	1 114
Total net acquisition of non-financial assets	4 935	6 804	4 019	3 421	3 242

Source: Department of Treasury and Finance

Notes:

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

(b) The other movements in non-financial assets in 2016-17 predominantly relate to the new Bendigo Hospital project (stage 1), the New Schools PPP project (tranche 1) and the metropolitan Melbourne buses contract. The 2017-18 estimate relates to the Ravenhall Prison project, the new Bendigo Hospital project (stage 2) and the New Schools PPP project (tranche 2). The 2018-19 and 2019-20 estimates relate to the High Capacity Metro Trains project. The 2020-21 estimate relates to the High Capacity Metro Trains project and the Western Suburbs Roads Package.

**2.13 Public financial corporations sector comprehensive operating statement
for the financial year ended 30 June** (\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Revenue from transactions					
Interest revenue	2 034	2 130	2 239	2 253	2 331
Dividend revenue	1 117	1 105	1 206	1 207	1 253
Sales of goods and services	4 347	4 535	4 740	4 966	5 204
Other revenue	21	24	24	26	26
Total revenue from transactions	7 520	7 794	8 210	8 451	8 814
Expenses from transactions					
Employee expenses	337	351	368	344	353
Other superannuation	25	26	26	27	27
Depreciation	47	49	47	49	48
Interest expense	1 825	1 951	2 025	2 086	2 185
Grant expense	118	514	440	573	262
Other operating expenses	6 217	6 644	6 934	7 149	7 267
Other property expenses	978	3	64	188	251
Total expenses from transactions	9 546	9 538	9 904	10 415	10 393
Net result from transactions – net operating balance ^(a)	(2 027)	(1 745)	(1 693)	(1 964)	(1 579)
Other economic flows included in net result					
Net gain/(loss) on financial assets or liabilities at fair value	3 297	1 087	1 049	1 137	1 173
Other gains/(losses) from other economic flows	2 856	792	839	881	920
Total other economic flows included in net result	6 154	1 879	1 888	2 018	2 094
Net result	4 127	134	195	54	514
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Net gain/(loss) on financial assets at fair value	..	2	2	2	2
Total other economic flows – other comprehensive income	..	2	2	2	2
Comprehensive result – total change in net worth	4 128	136	197	57	517
KEY FISCAL AGGREGATES					
Net operating balance	(2 027)	(1 745)	(1 693)	(1 964)	(1 579)
Less: Net acquisition of non-financial assets from transactions	3	7	(9)	(13)	(18)
Net lending/(borrowing)	(2 030)	(1 752)	(1 684)	(1 950)	(1 561)

Source: Department of Treasury and Finance

Note:

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

2.14 Public financial corporations sector balance sheet as at 30 June (\$ million)

	2017 <i>revised</i>	2018 <i>budget</i>	2019 <i>estimate</i>	2020 <i>estimate</i>	2021 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	4 581	4 624	4 811	4 899	5 150
Investments, loans and placements	37 632	35 088	34 579	35 062	35 781
Loans receivable from non-financial public sector ^(a)	32 418	38 451	40 668	44 257	45 944
Receivables	1 377	1 408	1 583	1 666	1 695
Total financial assets	76 008	79 571	81 641	85 885	88 570
Non-financial assets					
Land, buildings, infrastructure, plant and equipment	83	101	95	87	78
Other non-financial assets	680	657	683	710	733
Total non-financial assets	763	758	777	796	811
Total assets	76 771	80 329	82 419	86 681	89 381
Liabilities					
Deposits held and advances received	6 140	4 916	4 750	4 563	4 685
Payables	1 746	1 779	1 869	1 874	1 880
Borrowings ^(b)	41 406	45 066	46 231	49 770	51 405
Employee benefits	87	89	92	95	97
Other provisions	27 210	28 634	30 117	31 639	33 160
Total liabilities	76 589	80 484	83 059	87 941	91 228
Net assets ^(c)	183	(156)	(640)	(1 260)	(1 846)
Accumulated surplus/(deficit)	112	(249)	(737)	(1 359)	(1 948)
Reserves	71	93	96	99	102
Net worth ^(c)	183	(156)	(640)	(1 260)	(1 846)
FISCAL AGGREGATES					
Net financial worth	(580)	(914)	(1 418)	(2 056)	(2 658)
Net financial liabilities	580	914	1 418	2 056	2 658
Net debt	(27 085)	(28 181)	(29 077)	(29 885)	(30 785)

Source: Department of Treasury and Finance

Notes:

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

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

(c) Treasury Corporation of Victoria's external loan liabilities are reported at mark-to-market value 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.

**2.15 Public financial corporations sector cash flow statement
for the financial year ended 30 June**

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Sales of goods and services ^(a)	4 915	4 989	5 227	5 496	5 831
Interest received	2 003	2 099	2 210	2 223	2 300
Dividend receipts	1 117	1 105	1 206	1 207	1 253
Other receipts	65	41	31	32	9
Total receipts	8 101	8 234	8 674	8 958	9 393
Payments					
Payments for employees	(346)	(349)	(406)	(383)	(350)
Superannuation	(25)	(26)	(30)	(30)	(27)
Interest paid	(1 895)	(2 008)	(2 087)	(2 152)	(2 255)
Grants and subsidies	(118)	(514)	(440)	(573)	(262)
Goods and services ^(a)	(4 622)	(4 870)	(5 056)	(5 260)	(5 377)
Other payments	(2)	(6)	(164)	(253)	(341)
Total payments	(7 008)	(7 772)	(8 184)	(8 652)	(8 612)
Net cash flows from operating activities	1 094	462	490	307	781
Cash flows from investing activities					
Purchases of non-financial assets	(51)	(57)	(38)	(36)	(31)
Sales of non-financial assets	1	1	1	1	1
Net cash flows from investments in non-financial assets	(50)	(57)	(38)	(35)	(30)
Net cash flows from investments in financial assets for policy purposes	10	..	(2)	(2)	..
Net cash flows from investments in financial assets for liquidity management purposes	(99)	(2 563)	(856)	(3 131)	(1 429)
Net cash flows from investing activities	(140)	(2 619)	(896)	(3 169)	(1 459)
Cash flows from financing activities					
Advances received (net)	(18)	..	..	..	..
Net borrowings	(358)	3 899	1 441	3 813	1 909
Deposits received (net)	(484)	(1 224)	(166)	(187)	122
Other financing (net)	(167)	(475)	(682)	(676)	(1 103)
Net cash flows from financing activities	(1 027)	2 200	593	2 951	928
Net increase/(decrease) in cash and cash equivalents	(73)	43	187	89	250
Cash and cash equivalents at beginning of reporting period	4 654	4 581	4 624	4 811	4 899
Cash and cash equivalents at end of reporting period	4 581	4 624	4 811	4 899	5 150
FISCAL AGGREGATES					
Net cash flows from operating activities	1 094	462	490	307	781
Dividends paid	(167)	(475)	(82)	(76)	(83)
Net cash flows from investments in non-financial assets	(50)	(57)	(38)	(35)	(30)
Cash surplus/(deficit)	877	(69)	371	196	668

Source: Department of Treasury and Finance

Note:

(a) Inclusive of goods and services tax.

**2.16 Public financial corporations sector statement of changes in equity
for the financial year ended 30 June**

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
2016-17 revised		
Balance at 1 July 2016	(3 849)	29
Net result for the year	4 127	..
Other comprehensive income for the year	..	..
Dividends paid	(167)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2017	112	29
2017-18 budget		
Balance at 1 July 2017	112	29
Net result for the year	134	..
Other comprehensive income for the year	(1)	..
Dividends paid	(475)	..
Transfer to/(from) accumulated surplus	(20)	20
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2018	(249)	49
2018-19 estimate		
Balance at 1 July 2018	(249)	49
Net result for the year	195	..
Other comprehensive income for the year	(1)	..
Dividends paid	(82)	..
Transfer to/(from) accumulated surplus	(600)	600
Transactions with owners in their capacity as owners	..	(600)
Total equity as at 30 June 2019	(737)	49
2019-20 estimate		
Balance at 1 July 2019	(737)	49
Net result for the year	54	..
Other comprehensive income for the year	(1)	..
Dividends paid	(76)	..
Transfer to/(from) accumulated surplus	(600)	600
Transactions with owners in their capacity as owners	..	(600)
Total equity as at 30 June 2020	(1 359)	49
2020-21 estimate		
Balance at 1 July 2020	(1 359)	49
Net result for the year	514	..
Other comprehensive income for the year	(1)	..
Dividends paid	(83)	..
Transfer to/(from) accumulated surplus	(1 020)	1 020
Transactions with owners in their capacity as owners	..	(1 020)
Total equity as at 30 June 2021	(1 948)	49

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2	40	(3 778)
..	..	4 127
..
..	..	(167)
..
..
2	40	183
2	40	183
..	..	134
..	3	2
..	..	(475)
..
..
2	43	(156)
2	43	(156)
..	..	195
..	3	2
..	..	(82)
..
..	..	(600)
2	46	(640)
2	46	(640)
..	..	54
..	3	2
..	..	(76)
..
..	..	(600)
2	49	(1 260)
2	49	(1 260)
..	..	514
..	3	2
..	..	(83)
..
..	..	(1 020)
2	51	(1 846)

2.17 Derivation of public financial corporations sector GFS cash surplus/(deficit)

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Cash surplus/(deficit)	877	(69)	371	196	668
Convergence differences:					
Acquisitions under finance leases and similar arrangements	..	..	..	..	..
GFS cash surplus/(deficit) ^(a)	877	(69)	371	196	668

Source: Department of Treasury and Finance

Note:

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

2.18 Net acquisition of non-financial assets – public financial corporations sector

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Purchases of non-financial assets (including change in inventory)	51	57	38	36	31
Less: sales of non-financial assets	(1)	(1)	(1)	(1)	(1)
Less: depreciation	(47)	(49)	(47)	(49)	(48)
Plus: other movements in non-financial assets					
Total net acquisition of non-financial assets	3	7	(9)	(13)	(18)

Source: Department of Treasury and Finance

2.19 State of Victoria operating statement for the financial year ended 30 June ^(a)

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Revenue from transactions					
Taxation revenue	21 812	21 453	22 727	24 022	25 318
Interest revenue	720	743	797	776	755
Dividends, income tax equivalent and rate equivalent revenue	1 165	1 148	1 250	1 252	1 299
Sales of goods and services	14 470	14 998	15 587	16 200	17 065
Grant revenue	27 259	29 334	31 534	31 086	32 001
Other revenue	3 286	3 116	3 119	3 135	3 169
Total revenue from transactions	68 713	70 791	75 014	76 471	79 608
Expenses from transactions					
Employee expenses	23 154	24 173	25 233	25 918	26 576
Net superannuation interest expense	692	761	734	704	674
Other superannuation	2 473	2 484	2 519	2 577	2 613
Depreciation	4 929	5 247	5 633	5 872	6 131
Interest expense	2 628	2 825	2 900	2 962	3 072
Grant expense	7 516	8 147	9 747	10 064	10 017
Other operating expenses	28 005	29 263	29 047	28 881	30 388
Total expenses from transactions	69 396	72 901	75 811	76 978	79 470
Net result from transactions – net operating balance	(682)	(2 110)	(798)	(507)	137
Total other economic flows included in net result	5 835	1 655	1 447	1 739	1 790
Net result	5 152	(455)	650	1 232	1 927
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	3 103	3 661	2 079	7 845	3 078
Remeasurement of superannuation defined benefit plans	3 843	911	927	942	956
Other movements in equity	236	(14)	..	(31)	(1)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	13	4	5	9	(2)
Total other economic flows – other comprehensive income	7 195	4 562	3 010	8 764	4 030
Comprehensive result – total change in net worth	12 348	4 107	3 660	9 996	5 957
KEY FISCAL AGGREGATES					
Net operating balance	(682)	(2 110)	(798)	(507)	137
Less: Net acquisition of non-financial assets from transactions	4 938	6 811	4 010	3 408	3 223
Net lending/(borrowing)	(5 620)	(8 921)	(4 808)	(3 915)	(3 086)

Source: Department of Treasury and Finance

Note:

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

2.20 State of Victoria balance sheet as at 30 June

(\$ million)

	2017 <i>revised</i>	2018 <i>budget</i>	2019 <i>estimate</i>	2020 <i>estimate</i>	2021 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	7 199	7 597	8 267	9 008	9 513
Advances paid	163	141	132	123	117
Receivables	7 713	7 778	8 244	8 684	9 152
Investments, loans and placements	39 843	37 371	36 950	37 523	38 342
Investments accounted for using equity method	1 936	1 945	1 962	1 975	1 996
Total financial assets	56 853	54 832	55 554	57 313	59 120
Non-financial assets					
Inventories	740	1 225	1 254	1 495	1 572
Non-financial assets held for sale	200	199	182	183	184
Land, buildings, infrastructure, plant and equipment	234 685	244 800	251 042	262 238	268 553
Other non-financial assets	2 366	2 485	2 626	3 200	3 627
Total non-financial assets	237 991	248 708	255 104	267 115	273 937
Total assets	294 844	303 541	310 658	324 428	333 057
Liabilities					
Deposits held and advances received	1 517	1 518	1 518	1 515	1 529
Payables	16 593	16 494	18 020	17 588	17 174
Borrowings	51 472	55 480	56 655	60 143	62 496
Employee benefits	7 022	7 274	7 558	7 782	8 061
Superannuation	25 485	24 571	23 566	22 512	21 417
Other provisions	28 166	29 507	30 986	32 534	34 070
Total liabilities	130 255	134 844	138 302	142 075	144 746
Net assets	164 589	168 697	172 357	182 353	188 310
Accumulated surplus/(deficit)	73 370	73 793	75 351	77 471	80 335
Reserves	91 219	94 904	97 006	104 882	107 975
Net worth	164 589	168 697	172 357	182 353	188 310
FISCAL AGGREGATES					
Net financial worth	(73 402)	(80 012)	(82 747)	(84 762)	(85 626)
Net financial liabilities	73 402	80 012	82 747	84 762	85 626
Net debt	5 784	11 888	12 824	15 003	16 053

Source: Department of Treasury and Finance

2.21 State of Victoria cash flow statement for the financial year ended 30 June ^(a)

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Taxes received	21 706	21 314	22 549	23 854	24 968
Grants	27 007	29 321	31 529	31 086	32 001
Sales of goods and services ^(b)	25 022	16 786	18 851	17 785	18 802
Interest received	706	723	778	758	724
Dividends, income tax equivalent and rate equivalent receipts	1 164	1 148	1 250	1 252	1 299
Other receipts	2 246	2 582	2 286	2 287	2 386
Total receipts	77 851	71 874	77 244	77 021	80 181
Payments					
Payments for employees	(22 782)	(23 927)	(24 996)	(25 741)	(26 300)
Superannuation	(3 191)	(3 248)	(3 335)	(3 398)	(3 426)
Interest paid	(2 659)	(2 840)	(2 915)	(2 977)	(3 087)
Grants and subsidies	(7 055)	(7 970)	(9 583)	(9 967)	(9 964)
Goods and services ^(b)	(27 046)	(28 436)	(28 071)	(28 398)	(29 688)
Other payments	(733)	(737)	(880)	(832)	(904)
Total payments	(63 467)	(67 159)	(69 780)	(71 313)	(73 369)
Net cash flows from operating activities	14 384	4 715	7 464	5 707	6 812
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(9 452)	(11 385)	(9 185)	(8 862)	(8 236)
Net cash flows from investments in financial assets for policy purposes	124	50	64	56	82
Net cash flows from investment in financial assets for liquidity management purposes	(2 857)	3 423	1 300	397	177
Net cash flows from investing activities	(12 185)	(7 912)	(7 821)	(8 409)	(7 977)
Cash flows from financing activities					
Advances received (net)	(19)	(1)	(1)	(1)	(1)
Net borrowings	(556)	3 595	1 022	3 444	1 658
Deposits received (net)	(1 101)	1	..	(3)	13
Net cash flows from financing activities	(1 676)	3 595	1 021	3 440	1 670
Net increase/(decrease) in cash and cash equivalents	522	398	664	739	505
Cash and cash equivalents at beginning of reporting period	6 676	7 199	7 597	8 261	9 000
Cash and cash equivalents at end of reporting period ^(c)	7 199	7 597	8 261	9 000	9 504
FISCAL AGGREGATES					
Net cash flows from operating activities	14 384	4 715	7 464	5 707	6 812
Net cash flows from investments in non-financial assets	(9 452)	(11 385)	(9 185)	(8 862)	(8 236)
Cash surplus/(deficit)	4 932	(6 670)	(1 721)	(3 154)	(1 424)

Source: Department of Treasury and Finance

Notes:

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

(b) Inclusive of goods and services tax.

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

**2.22 State of Victoria statement of changes in equity
for the financial year ended 30 June**

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
2016-17 revised		
Balance at 1 July 2016	56 234	50
Net result for the year	5 152	..
Other comprehensive income for the year	4 044	..
Transfer to/(from) accumulated surplus	7 940	..
Transactions with owners in their capacity as owners	..	(50)
Total equity as at 30 June 2017	73 370	..
2017-18 budget		
Balance at 1 July 2017	73 370	..
Net result for the year	(455)	..
Other comprehensive income for the year	878	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2018	73 793	..
2018-19 estimate		
Balance at 1 July 2018	73 793	..
Net result for the year	650	..
Other comprehensive income for the year	908	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2019	75 351	..
2019-20 estimate		
Balance at 1 July 2019	75 351	..
Net result for the year	1 232	..
Other comprehensive income for the year	888	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2020	77 471	..
2020-21 estimate		
Balance at 1 July 2020	77 471	..
Net result for the year	1 927	..
Other comprehensive income for the year	937	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2021	80 335	..

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
94 965	1 042	152 291
..	..	5 152
3 103	48	7 195
(7 940)	..	..
..	..	(50)
90 129	1 090	164 589
90 129	1 090	164 589
..	..	(455)
3 661	23	4 562
..
..
93 790	1 114	168 697
93 790	1 114	168 697
..	..	650
2 079	23	3 010
..
..
95 869	1 137	172 357
95 869	1 137	172 357
..	..	1 232
7 845	31	8 764
..
..
103 714	1 168	182 353
103 714	1 168	182 353
..	..	1 927
3 078	16	4 030
..
..
106 791	1 184	188 310

2.23 Derivation of whole of State GFS cash surplus/(deficit) (\$ million)

	2016-17	2017-18	2018-19	2019-20	2020-21
	revised	budget	estimate	estimate	estimate
Cash surplus/(deficit)	4 932	(6 670)	(1 721)	(3 154)	(1 424)
Convergence differences:					
Acquisitions under finance leases and similar arrangements ^(a)	(517)	(647)	(415)	(312)	(964)
GFS cash surplus/(deficit)^(b)	4 415	(7 317)	(2 136)	(3 466)	(2 388)

Source: Department of Treasury and Finance

Notes:

(a) The finance lease acquisition in 2016-17 predominantly relates to the new Bendigo Hospital project (stage 1), the New Schools PPP project (tranche 1) and the metropolitan Melbourne buses contract. The 2017-18 estimate relates to the Ravenhall Prison project, the new Bendigo Hospital project (stage 2) and the New Schools PPP project (tranche 2). The 2018-19 and 2019-20 estimates relate to the High Capacity Metro Trains project. The 2020-21 estimate relates to the High Capacity Metro Trains project and the Western Suburbs Roads Package.

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

2.24 Net acquisition of non-financial assets – State of Victoria^(a) (\$ million)

	2016-17	2017-18	2018-19	2019-20	2020-21
	revised	budget	estimate	estimate	estimate
Purchases of non-financial assets (including change in inventory) less sales of non-financial assets	9 470	11 378	9 190	8 863	8 240
Less: depreciation	(4 929)	(5 247)	(5 633)	(5 872)	(6 131)
Plus: other movements in non-financial assets ^(b)	397	680	454	417	1 114
Total net acquisition of non-financial assets^(b)	4 938	6 811	4 010	3 408	3 223

Source: Department of Treasury and Finance

Notes:

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

(b) The other movements in non-financial assets in 2016-17 predominantly relates to the new Bendigo Hospital project (stage 1), the New Schools PPP project (tranche 1) and the metropolitan Melbourne buses contract. The 2017-18 estimate relates to the Ravenhall Prison project, the new Bendigo Hospital project (stage 2) and the New Schools PPP project (tranche 2). The 2018-19 and 2019-20 estimates relate to the High Capacity Metro Trains project. The 2020-21 estimate relates to the High Capacity Metro Trains project and the Western Suburbs Roads Package.

VICTORIA'S 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 2.25 compares the Victorian 2017-18 LCA nomination (based on 2016-17 Budget Update estimates) approved by the Loan Council in April 2017, with the 2017-18 revised LCA based upon 2017-18 Budget estimates.

2.25 Loan Council Allocation	(\$ million)	
	<i>2017-18 nomination</i>	<i>Budget estimate</i>
General government cash deficit (+) or surplus (-)	3 412	4 676
Public non-financial corporations sector cash deficit (+) or surplus (-)	1 395	1 929
Non-financial public sector cash deficit (+) or surplus (-) ^(a)	4 802	6 600
Acquisitions under finance leases and similar arrangements	647	647
ABS GFS cash deficit (+) or surplus (-)	5 448	7 247
<i>Less net cash flows from investments in financial assets for policy purposes</i> ^(b)	733	50
<i>Plus memorandum items</i> ^(c)	291	412
Loan Council Allocation	5 007	7 610
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities) ^(d)	1 305	1 343

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 budget estimate (calculated using estimates in the 2016-17 Budget Update, and again between the LCA budget estimate and LCA outcome (calculated using estimates in the 2017-18 Budget). The tolerance limit applying to the movement between Victoria's 2017-18 LCA nomination and its LCA budget estimate is \$1 305 million (2 per cent of \$65 232 million). The tolerance limit applying to the movement between Victoria's 2017-18 LCA budget estimate and LCA outcome is \$1 343 million (2 per cent of \$67 170 million).

As part of the Loan Council arrangements, the Council has agreed that if at any time a state or territory finds that it is likely to exceed its tolerance limit, in either direction, it is required to provide an explanation to the Council and, in line with the emphasis of increased transparency, to make the explanation public. Victoria's 2017-18 LCA budget estimate (a deficit of \$7.6 billion) exceeds the tolerance limit established under the LCA nomination process due to the increase of capital investment in the transport sector.

NEW INFRASTRUCTURE PROJECTS WITH PRIVATE SECTOR INVOLVEMENT

In the interest of transparency, the State is required to disclose 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 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 (PPP) projects greater than \$5 million that are expected to be contracted in the 2017-18 financial year.

CASEY HOSPITAL EXPANSION

The Casey Hospital Expansion has been allocated \$134.9 million. The expansion will significantly increase the floor area of the existing facility through a new multi-storey tower that connects with the existing hospital. The scope of the expansion will add 128 beds, four new operating theatres and a new central sterile services department. The expansion will provide significant across-the-board benefits in improving local access for patients and providing an increased range of acute services, provide improved and sustainable patient outcomes, and allow for improved financial performance through improved operational efficiency.

Negotiations are progressing to deliver the expansion as a modification under the current PPP contract with Plenary Health, which expires in 2029. The expansion is expected to be operational in 2019.

WESTERN SUBURBS ROADS PACKAGE

The Western Suburbs Roads Package combines eight high-priority road upgrades with maintenance on more than 700 lane kilometres of road, stretching from Werribee to Footscray. The package will be procured as an availability PPP, which will ensure motorists benefit from new high quality roads, while the existing network is maintained to a high standard for years to come. The upgrades will involve a combination of duplication and widening works to western arterial roads.

The project will transform the outer-western road network by boosting capacity and improving road pavement conditions with intersection upgrades, almost 30 kilometres of lane duplication, and road maintenance. These priority road upgrades and maintenance works will cut travel times, improve road safety and better connect communities in key growth corridors. The package will be delivered within five years, and the maintenance and rehabilitation contract will continue for a further 20 years. Construction is expected to begin in 2018.

METRO TUNNEL – TUNNEL AND STATIONS PACKAGE

The Metro Tunnel will build twin nine-kilometre rail tunnels to create a new end-to-end rail line from Sunbury in the west to Cranbourne/Pakenham in the south-east. Five new underground stations will be built at Arden, Parkville, CBD North, CBD South and Domain, with two new CBD stations directly connected to Flinders Street and Melbourne Central.

The Metro Tunnel will be built through a series of work packages. The Tunnel and Stations package valued at \$6 billion is being procured as an availability-based PPP project. The successful consortium will be contracted to design, finance, construct and maintain the tunnels and provide defined asset management services at the stations. Three consortia have submitted proposals and construction is expected to begin in 2018. The contract term is for a 25-year operating period from Provisional Acceptance. Commercial opportunities for development above the CBD South and CBD North stations will be separately contracted.

To support increased frequency and broader network benefits, the associated work packages will deliver early works, high capacity signalling and communication systems, and rail infrastructure upgrades.

There are no other Partnerships Victoria contracts greater than \$5 million that are currently expected to be signed during the 2017-18 financial year.

CHAPTER 3 – DEPARTMENTAL FINANCIAL STATEMENTS

This chapter should be read in conjunction with Budget Paper No. 3 *Service Delivery* which provides an overview of the goods and services funded by the Government which are to be delivered by departments in the coming financial year.

The following tables outline each department's forecast financial performance and position:

- the comprehensive operating statement details the department's revenue and expenses on an accrual basis reflecting the cost of providing its outputs;
- the balance sheet shows all controlled assets and liabilities of the department. The difference between these is the net asset position, being the State's equity interest in the department;
- the cash flow statement shows cash receipts and payments, including the cash impact of operating, financing and investing activities on departmental resources;
- the statement of changes in equity shows the impact of the net result and other comprehensive income items, such as the revaluation of non-financial assets, and owner contributions, on the total equity of the department;
- the administered items statement provides details of the department's administered revenue and expenses, and its administered assets and liabilities. Most administered expenses are paid in cash in the year in which the item is recognised. Therefore, an administered departmental cash flow statement is not provided; and
- payments on behalf of the State (where applicable) detail payments made by the department on behalf of the State Government, not directly reflecting the operations of the department.

The 2016-17 budget figures have been restated to reflect the 2015-16 actual closing balances.

DEPARTMENT OF ECONOMIC DEVELOPMENT, JOBS, TRANSPORT AND RESOURCES

Operating performance

The Department of Economic Development, Jobs, Transport and Resources is expected to report a net result from transactions of \$27 million in 2017-18, broadly consistent with the 2016-17 revised result.

Total budgeted income and expenses for 2017-18 includes funding for initiatives announced in the *2017-18 Budget*, including:

- Metropolitan road restoration and road surface replacement;
- Network transition program;
- Investing for more Victorian jobs;
- Regional road restoration and road surface replacement; and
- The future of Victoria's biosecurity services.

Balance sheet

The Department's net asset position is estimated to increase by \$3 783 million in 2017-18 compared to the 2016-17 revised budget. This primarily reflects an estimated increase in total assets of \$3 740 million. Major movements in total assets include VicRoads' asset revaluations and the construction of new roads and public transport infrastructure, as highlighted in the investing and financing section.

Investing and financing

Cash flows from operating activities are largely consistent with the movements in the operating statement.

The estimated payments for non-financial assets in 2017-18 reflect cash flows for existing road, public transport and related asset projects such as the Level Crossing Removal Program and the Metro Tunnel, and new initiatives announced in the *2017-18 Budget*, including:

- M80 Ring Road upgrade;
- Major periodic maintenance on the regional rail network;
- Metropolitan road restoration and road surface replacement;
- North East Link; and
- Regional road restoration and road surface replacement.

Administered items statement

Transactions administered by the Department on behalf of the State in 2017-18 include collecting road and public transport regulatory fees and fines revenues. The estimates also progressively recognise concession fees received in advance from Transurban under the CityLink contract.

The administered appropriation and interest expense include the quarterly service payments associated with the Melbourne Convention and Exhibition Centre. The Department has previously recognised an administered liability for the lease payments and a loan receivable from the Melbourne Convention and Exhibition Trust.

The 2016-17 revised budget includes the gain on the Department's equity investment in the Port of Melbourne Corporation as a result of the proceeds received for the Port of Melbourne medium term lease being higher than the equity investment in the port.

Table 3.1.1: Comprehensive operating statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	6 753	7 759	7 798	7 999
Special appropriations	1	6	18	181
Interest	20	17	17	18
Sale of goods and services	533	481	528	541
Grants	359	1 187	495	522
Fair value of assets and services received free of charge or for nominal consideration	96	55	60	55
Other income	205	159	167	168
Total income from transactions	7 968	9 664	9 083	9 484
Expenses from transactions				
Employee benefits	821	855	881	880
Depreciation	758	781	807	815
Interest expense	149	146	145	144
Grants and other transfers	2 995	3 177	3 577	3 753
Capital asset charge	215	226	225	229
Other operating expenses	3 184	3 404	3 422	3 637
Total expenses from transactions	8 122	8 588	9 058	9 457
Net result from transactions (net operating balance)	(154)	1 075	25	27
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(10)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(2)	..	..	..
Other gains/(losses) from economic flows	(3)	..	..	..
Total other economic flows included in net result	(15)	..	..	..
Net result	(169)	1 075	24	26
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	612	27	3 053	3 324
Other	(16)	4	4	2
Total other economic flows – other comprehensive income	596	31	3 057	3 326
Comprehensive result	427	1 106	3 081	3 352

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Table 3.1.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2016</i> <i>actual</i>	<i>2017</i> <i>budget</i>	<i>2017</i> <i>revised</i>	<i>2018</i> <i>budget</i>
Assets				
Financial assets				
Cash and deposits	1 748	1 860	1 612	1 167
Receivables from government	1 118	1 230	1 226	1 244
Other receivables	418	422	409	411
Other financial assets	205	198	201	202
Total financial assets	3 489	3 709	3 448	3 025
Non-financial assets				
Inventories	46	35	32	22
Property, plant and equipment	56 390	57 121	59 997	64 064
Biological assets	2	2	2	2
Intangible assets	124	115	103	81
Other	29	31	15	143
Total non-financial assets	56 592	57 304	60 149	64 312
Total assets	60 080	61 013	63 597	67 337
Liabilities				
Payables	1 454	1 464	1 461	1 427
Borrowings	1 574	1 572	1 571	1 537
Provisions	730	755	753	780
Total liabilities	3 758	3 791	3 786	3 743
Net assets	56 323	57 222	59 811	63 594
Equity				
Accumulated surplus/(deficit)	15 837	16 912	15 801	15 828
Reserves	20 463	20 494	23 343	26 668
Contributed capital	20 023	19 817	20 667	21 097
Total equity	56 323	57 222	59 811	63 594

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Table 3.1.3: Statement of cash flows

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	6 775	7 671	7 733	8 199
Receipts from other entities	888	1 691	1 041	1 077
Interest received	20	17	17	18
Other receipts	77	121	125	126
Total receipts	7 760	9 501	8 916	9 420
Payments				
Payments of grants and other transfers	(2 993)	(3 177)	(3 577)	(3 753)
Payments to suppliers and employees	(3 951)	(4 188)	(4 161)	(4 604)
Capital asset charge	(215)	(226)	(225)	(229)
Interest and other costs of finance paid	(149)	(146)	(145)	(144)
Total payments	(7 308)	(7 735)	(8 109)	(8 730)
Net cash flows from/(used in) operating activities	451	1 765	807	691
Cash flows from investing activities				
Net investment	(43)	9	6	..
Payments for non-financial assets	(2 239)	(3 447)	(5 164)	(5 601)
Proceeds from sale of non-financial assets	15	..	..	..
Net loans to other parties	(56)	1	..	1
Net cash flow from/(used in) investing activities	(2 323)	(3 437)	(5 158)	(5 600)
Cash flows from financing activities				
Owner contributions by State Government	1 833	1 827	4 258	4 512
Repayment of finance leases	32	(34)	(35)	(35)
Net borrowings	140	(9)	(8)	(12)
Net cash flows from/(used in) financing activities	2 005	1 784	4 215	4 465
Net increase/(decrease) in cash and cash equivalents	134	112	(136)	(444)
Cash and cash equivalents at the beginning of the financial year	1 614	1 748	1 748	1 612
Cash and cash equivalents at the end of the financial year	1 748	1 860	1 612	1 167

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Table 3.1.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2015	16 001	20 210	19 832	40	56 084
Comprehensive result	(164)	..	612	(21)	427
Transactions with owners in their capacity as owners	..	(188)	..	..	(188)
Closing balance 30 June 2016 (actual)	15 837	20 023	20 444	19	56 323
Comprehensive result	1 075	..	27	4	1 106
Transactions with owners in their capacity as owners	..	(206)	..	..	(206)
Closing balance 30 June 2017 (budget)	16 912	19 817	20 471	23	57 222
Comprehensive result	28	..	3 053	..	3 081
Transactions with owners in their capacity as owners	(64)	645	(174)		407
Closing balance 30 June 2017 (revised)	15 801	20 667	23 324	19	59 811
Comprehensive result	28	..	3 324	1	3 352
Transactions with owners in their capacity as owners	..	430	..	..	430
Closing balance 30 June 2018 (budget)	15 828	21 097	26 647	21	63 594

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Table 3.1.5: Administered items statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Administered income				
Appropriations – Payments made on behalf of the State	66	71	71	71
Sale of goods and services	289	246	240	257
Grants	..	2	2	2
Interest	10	10	10	10
Other income	2 544	2 504	2 578	2 684
Total administered income	2 910	2 834	2 901	3 024
Administered expenses				
Expenses on behalf of the State	18	58	277	19
Grants and other transfers	5	6	5	5
Payments into the Consolidated Fund	2 814	2 764	2 831	3 000
Interest expense	73	73	73	71
Total administered expenses	2 910	2 902	3 187	3 096
Income less expenses	(1)	(68)	(285)	(72)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	15	7	7	18
Net gain/(loss) on financial instruments and statutory receivables/payables	(22)	(16)	8 072	(17)
Total other economic flows included in net result	(8)	(9)	8 079	1
Net result	(8)	(77)	7 794	(71)
Other economic flows – other comprehensive income				
Other	1	..	..	..
Total other economic flows – other comprehensive income	1	..	..	..
Comprehensive result	(7)	(77)	7 794	(71)
Administered assets				
Cash and deposits	14	15	15	15
Receivables	410	412	412	414
Other financial assets	3	3	3	3
Property, plant and equipment	16	16	16	16
Total administered assets	443	446	446	448
Administered liabilities				
Payables	493	585	585	676
Borrowings	456	451	451	445
Total administered liabilities	949	1 037	1 037	1 121
Net assets	(505)	(591)	(591)	(673)

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

Table 3.1.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2016-17 budget</i>	<i>2016-17 revised</i>	<i>2017-18 budget</i>
Finance lease interest	42	42	40
Grants to public non-financial corporations	5	5	5
Finance lease liability	4	4	6
Anzac Day administered trust	1	..	..
Others	18	19	19
Total	71	71	71

Sources: Departments of Economic Development, Jobs, Transport and Resources, and Treasury and Finance

DEPARTMENT OF EDUCATION AND TRAINING

Operating performance

The Department of Education and Training is expected to report a net result from transactions of \$170 million in 2017-18.

The operating statement shows an increase in total income from transactions to \$14 122 million (4 per cent) in 2017-18, compared to the 2016-17 revised budget of \$13 604 million. This is primarily a result of increased funding for price growth, enrolment number growth in Victorian schools and additional *2017-18 Budget* initiatives including:

- Addressing underperformance in schools;
- Parenting and Maternal and Child Health; and
- Programs for Students with Disabilities – Demand.

Total operating expenses are budgeted to increase by \$438 million to \$13 952 million (3 per cent) between the 2016-17 revised budget and the 2017-18 budget, broadly in line with the revenue increase for the year.

Balance sheet

The Department's net asset position as at 30 June 2018 is expected to increase by \$551 million compared to the 2016-17 revised budget, reflecting an increase in total assets of \$744 million and an increase in total liabilities of \$193 million.

The increase in total assets reflects the Government's continued investment for major building upgrades, and construction of both new schools and relocatable classrooms. The increase in total liabilities largely reflects the impact of new schools being built under public private partnership arrangements.

Investing and financing

Cash flows from operating activities are consistent with the trends discussed in the statement of operating performance.

Cash flows from investing activities primarily reflect the significant investment in purchases of property, plant and equipment for *Building the Education State*, including:

- Land acquisition;
- New schools and additional stages of construction; and
- Schools modernisation.

Administered items statement

Total income from transactions administered by the Department is expected to increase by \$163 million in 2017-18 compared to the 2016-17 revised budget. This reflects an increase in recurrent Commonwealth funding provided to the non-government school sector under the School Funding Reform framework as part of the Commonwealth's *Australian Education Act 2013*.

Total administered expenses are expected to increase in line with the anticipated increase in administered income.

Table 3.2.1: Comprehensive operating statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	11 172	12 149	12 348	12 767
Special appropriations	22	12	22	6
Interest	25	30	22	22
Sale of goods and services	675	774	626	721
Grants	30	6	6	13
Other income	572	607	580	593
Total income from transactions	12 496	13 578	13 604	14 122
Expenses from transactions				
Employee benefits	6 484	6 936	6 971	7 147
Depreciation	377	397	446	464
Interest expense	15	21	15	15
Grants and other transfers	828	1 020	999	1 018
Capital asset charge	1 292	1 317	1 467	1 494
Other operating expenses	3 239	3 798	3 615	3 814
Total expenses from transactions	12 235	13 490	13 514	13 952
Net result from transactions (net operating balance)	261	89	90	170
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	11	..	2	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(13)	(1)	..	..
Other gains/(losses) from economic flows	(32)	(1)	..	..
Total other economic flows included in net result	(35)	(2)	2	..
Net result	226	87	92	169
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	3 058	10	(34)	9
Other	46	..	20	5
Total other economic flows – other comprehensive income	3 104	10	(15)	14
Comprehensive result	3 331	97	77	184

Sources: Departments of Education and Training, and Treasury and Finance

Table 3.2.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2016 actual</i>	<i>2017 budget</i>	<i>2017 revised</i>	<i>2018 budget</i>
Assets				
Financial assets				
Cash and deposits	994	1 018	890	873
Receivables from government	1 741	1 650	1 704	1 621
Other receivables	159	161	155	172
Other financial assets	422	427	507	593
Total financial assets	3 316	3 257	3 255	3 258
Non-financial assets				
Inventories	2	2	2	2
Non-financial assets classified as held for sale including disposal group assets	10	11	10	7
Property, plant and equipment	21 787	22 475	22 298	23 057
Investment properties	92	92	89	92
Intangible assets	78	56	67	48
Other	29	30	28	28
Total non-financial assets	21 999	22 666	22 494	23 234
Total assets	25 315	25 922	25 749	26 493
Liabilities				
Payables	468	479	471	465
Borrowings	196	396	394	535
Provisions	1 570	1 629	1 632	1 690
Total liabilities	2 234	2 503	2 498	2 691
Net assets	23 080	23 419	23 251	23 802
Equity				
Accumulated surplus/(deficit)	2 374	2 461	2 484	2 659
Reserves	11 304	11 314	11 271	11 280
Contributed capital	9 402	9 645	9 496	9 863
Total equity	23 080	23 419	23 251	23 802

Sources: Departments of Education and Training, and Treasury and Finance

Table 3.2.3: Statement of cash flows

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	11 002	12 272	12 430	12 862
Receipts from other entities	651	697	542	640
Interest received	25	30	23	23
Other receipts	603	686	661	659
Total receipts	12 281	13 684	13 657	14 184
Payments				
Payments of grants and other transfers	(828)	(1 018)	(997)	(1 017)
Payments to suppliers and employees	(9 605)	(10 669)	(10 519)	(10 902)
Capital asset charge	(1 292)	(1 317)	(1 467)	(1 494)
Interest and other costs of finance paid	(15)	(21)	(15)	(15)
Total payments	(11 740)	(13 025)	(12 998)	(13 428)
Net cash flows from/(used in) operating activities	541	659	659	756
Cash flows from investing activities				
Net investment	(138)	(5)	(85)	(86)
Payments for non-financial assets	(399)	(850)	(775)	(1 040)
Proceeds from sale of non-financial assets	12	2	13	1
Net loans to other parties	(14)	1	3	3
Net (purchase)/disposal of investments – policy purposes	12	..	..	..
Net cash flow from/(used in) investing activities	(527)	(852)	(844)	(1 121)
Cash flows from financing activities				
Owner contributions by State Government	43	242	105	367
Repayment of finance leases	(5)	(6)	(7)	(10)
Net borrowings	8	(19)	(18)	(9)
Net cash flows from/(used in) financing activities	47	217	80	348
Net increase/(decrease) in cash and cash equivalents	61	24	(104)	(17)
Cash and cash equivalents at the beginning of the financial year	933	994	994	890
Cash and cash equivalents at the end of the financial year	994	1 018	890	873

Sources: Departments of Education and Training, and Treasury and Finance

Table 3.2.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2015	2 094	9 532	8 244	9	19 879
Comprehensive result	280	..	3 059	(8)	3 331
Transactions with owners in their capacity as owners	..	(130)	..	..	(130)
Closing balance 30 June 2016 (actual)	2 374	9 402	11 303	2	23 080
Comprehensive result	87	..	10	..	97
Transactions with owners in their capacity as owners	..	242	..	..	242
Closing balance 30 June 2017 (budget)	2 461	9 645	11 313	2	23 419
Comprehensive result	110	..	(34)	1	77
Transactions with owners in their capacity as owners	..	94	..	..	94
Closing balance 30 June 2017 (revised)	2 484	9 496	11 268	3	23 251
Comprehensive result	175	..	9	..	184
Transactions with owners in their capacity as owners	..	367	..	..	367
Closing balance 30 June 2018 (budget)	2 659	9 863	11 277	3	23 802

Sources: Departments of Education and Training, and Treasury and Finance

Table 3.2.5: Administered items statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Administered income				
Sale of goods and services	2	3	60	62
Grants	2 830	3 036	3 039	3 201
Other income	125	2	2	2
Total administered income	2 957	3 041	3 101	3 264
Administered expenses				
Expenses on behalf of the State	1	..	..	..
Grants and other transfers	2 830	3 036	3 031	3 193
Payments into the Consolidated Fund	..	38	102	104
Total administered expenses	2 830	3 074	3 134	3 297
Income less expenses	127	(33)	(33)	(33)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(124)	33	33	33
Total other economic flows included in net result	(124)	33	33	33
Net result	3	..	..	..
Comprehensive result	3	..	..	..
Administered assets				
Receivables	14	14	14	14
Other financial assets	1	1	1	1
Total administered assets	15	15	15	15
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	15	15	15	15

Sources: Departments of Education and Training, and Treasury and Finance

DEPARTMENT OF ENVIRONMENT, LAND, WATER AND PLANNING

Operating performance

The Department of Environment, Land, Water and Planning is expected to report an estimated operating net deficit of \$62 million in 2017-18. This deficit in 2017-18 is primarily attributable to the drawing down of cash balances from the Sustainability Fund for a range of 2017-18 budget initiatives.

Income from transactions is expected to increase by \$61 million in 2017-18. This is driven primarily by funding of new initiatives in the *2017-18 Budget* partly offset by the completion and funding profile of a range of initiatives. The major new output initiatives announced in the *2017-18 Budget* include:

- *Water for Victoria* package;
- reducing bushfire risk;
- bringing our Environment Protection Authority into the modern era;
- securing our modern energy future;
- taking decisive action on climate change;
- understanding and adapting to climate change;
- Growing Suburbs Fund; and
- *Protecting Victoria's Environment – Biodiversity 2037*.

Total expenses from transactions are estimated to increase by \$260 million as a result.

Balance sheet

The Department's net asset position is estimated to decrease by \$101 million in 2017-18 as a result of total assets decreasing by \$111 million only partly offset by expected reduced liabilities of \$9 million.

The change in total assets is primarily the result of the department's non-financial assets continuing to depreciate and an expected reduction in a prepayment to Goulburn-Murray Rural Water Corporation.

Investing and financing

The Department is anticipating an increase of \$83 million in its net cash position in 2017-18.

Total receipts are expected to increase by \$76 million in 2017-18 primarily as a result of increased receipts from government in the form of appropriations.

Cash flows from investing activities for 2017-18 include payments for property, plant and equipment of \$105 million, reflecting the Government's continued investment in the environment, land, water and planning sectors. The Government's investment in new asset initiatives in the *2017-18 Budget* includes:

- reducing bushfire risk;
- enhancing Victoria's liveability through improvements to the parks and reserves estate; and
- unlocking the benefits of parks for all Victorians.

Administered items statement

The Department administers certain expenses on behalf of the State relating to Victoria's share of Murray-Darling Basin Authority operating costs.

Commonwealth funding reflected as grants includes a range of Commonwealth own-purpose payments for:

- financial assistance and local roads grants for on-passing to local government; and
- Natural Heritage Trust – National Rivercare Program.

Other than Commonwealth grants, the Department's administered income primarily comprises contributions to the Victorian Desalination project and the Goulburn-Murray Water Connections Project, the Environmental Contribution Levy and Consolidated Fund revenue collected by Land Use Victoria.

Administered revenue is expected to increase by \$50 million in 2017-18 which relates primarily to increased Commonwealth grants and funding of the Goulburn-Murray Water Connections Project.

Table 3.3.1: Comprehensive operating statement

(\$ million)

	2015-16 actual	2016-17 budget ^(a)	2016-17 revised ^(a)	2017-18 budget ^(a)
Net result from continuing operations				
Income from transactions				
Output appropriations	1 164	1 276	1 334	1 450
Special appropriations	59	62	114	93
Interest	32	21	21	25
Sale of goods and services	92	43	50	51
Grants	64	394	195	187
Other income	302	305	302	272
Total income from transactions	1 713	2 101	2 016	2 077
Expenses from transactions				
Employee benefits	408	381	403	437
Depreciation	46	50	50	53
Interest expense	1	1	1	1
Grants and other transfers	632	665	730	782
Capital asset charge	91	92	92	93
Other operating expenses	497	569	603	773
Total expenses from transactions	1 675	1 758	1 879	2 139
Net result from transactions (net operating balance)	38	343	137	(62)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(51)	..	..	..
Share of net profits/(losses) of associates and joint venture entities, excluding dividends	(4)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(8)	..	..	..
Other gains/(losses) from economic flows	(2)	..	..	..
Total other economic flows included in net result	(66)	..	..	..
Net result	(28)	343	138	(62)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	970	..	..	..
Financial assets available-for-sale reserve	9	..	..	..
Other	(1)	..	..	..
Total other economic flows – other comprehensive income	977	..	..	..
Comprehensive result	949	343	138	(62)

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Note:

(a) The 2016-17 and 2017-18 figures reflect the reclassification of the Environmental Protection Authority (EPA) from the Department of Environment, Land, Water and Planning (DELWP) to regulatory bodies. This better reflects the functions of the EPA following the transfer of the Sustainability Fund to DELWP.

Table 3.3.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2016 actual	2017 budget ^(a)	2017 revised ^(a)	2018 budget ^(a)
Assets				
Financial assets				
Cash and deposits	576	737	544	627
Receivables from government	143	147	109	129
Other receivables	169	143	143	142
Other financial assets	609	619	586	485
Investments accounted for using equity method	11	11	11	11
Total financial assets	1 510	1 658	1 393	1 394
Non-financial assets				
Inventories	21	25	25	29
Non-financial assets classified as held for sale including disposal group assets	8	8	8	8
Property, plant and equipment	8 388	8 399	8 388	8 352
Intangible assets	42	28	27	28
Other	10	40	90	9
Total non-financial assets	8 470	8 500	8 538	8 427
Total assets	9 980	10 158	9 932	9 821
Liabilities				
Payables	104	96	96	94
Borrowings	34	25	25	17
Provisions	150	137	137	138
Total liabilities	289	258	258	249
Net assets	9 691	9 900	9 673	9 572
Equity				
Accumulated surplus/(deficit)	428	628	422	360
Reserves	6 744	6 740	6 740	6 740
Contributed capital	2 519	2 532	2 511	2 472
Total equity	9 691	9 900	9 673	9 572

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Note:

(a) The 2016-17 and 2017-18 figures reflect the reclassification of the Environmental Protection Authority (EPA) from the Department of Environment, Land, Water and Planning (DELWP) to regulatory bodies. This better reflects the functions of the EPA following the transfer of the Sustainability Fund to DELWP.

Table 3.3.3: Statement of cash flows

(\$ million)

	2015-16 actual	2016-17 budget ^(a)	2016-17 revised ^(a)	2017-18 budget ^(a)
Cash flows from operating activities				
Receipts				
Receipts from Government	1 285	1 333	1 446	1 530
Receipts from other entities	447	791	616	608
Interest received	33	21	21	25
Other receipts	14	11	4	..
Total receipts	1 780	2 155	2 087	2 163
Payments				
Payments of grants and other transfers	(686)	(724)	(806)	(881)
Payments to suppliers and employees	(855)	(985)	(1 092)	(1 136)
Capital asset charge	(91)	(92)	(92)	(93)
Interest and other costs of finance paid	(1)	(1)	(1)	(1)
Total payments	(1 634)	(1 802)	(1 991)	(2 110)
Net cash flows from/(used in) operating activities	147	353	96	53
Cash flows from investing activities				
Net investment	(123)	(107)	(73)	102
Payments for non-financial assets	(60)	(116)	(104)	(105)
Proceeds from sale of non-financial assets	5	..	..	..
Net (purchase)/disposal of investments – policy purposes	(4)	..	..	..
Net cash flow from/(used in) investing activities	(182)	(223)	(177)	(3)
Cash flows from financing activities				
Owner contributions by State Government	10	52	32	49
Repayment of finance leases	..	1	1	1
Net borrowings	(26)	(6)	33	(15)
Net cash flows from/(used in) financing activities	(16)	47	65	34
Net increase/(decrease) in cash and cash equivalents	(51)	177	(16)	83
Cash and cash equivalents at the beginning of the financial year	628	560	560	544
Cash and cash equivalents at the end of the financial year	576	737	544	627

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Note:

(a) The 2016-17 and 2017-18 figures reflect the reclassification of the Environmental Protection Authority (EPA) from the Department of Environment, Land, Water and Planning (DELWP) to regulatory bodies. This better reflects the functions of the EPA following the transfer of the Sustainability Fund to DELWP.

Table 3.3.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2015	899	2 225	5 743	..	8 867
Comprehensive result	(51)	..	992	9	950
Transactions with owners in their capacity as owners	(420)	294	..	..	(126)
Closing balance 30 June 2016 (actual)	428	2 519	6 735	9	9 691
Comprehensive result	343	..	..	..	343
Transactions with owners in their capacity as owners	(143)	13	(4)	..	(135)
Closing balance 30 June 2017 (budget) ^(a)	628	2 532	6 731	9	9 900
Comprehensive result	138	..	..	..	138
Transactions with owners in their capacity as owners	(143)	(8)	(4)	..	(155)
Closing balance 30 June 2017 (revised) ^(a)	422	2 511	6 731	9	9 673
Comprehensive result	(62)	..	..	..	(62)
Transactions with owners in their capacity as owners	..	(39)	..	..	(39)
Closing balance 30 June 2018 (budget) ^(a)	360	2 472	6 731	9	9 572

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Note:

(a) The 2016-17 and 2017-18 figures reflect the reclassification of the Environmental Protection Authority (EPA) from the Department of Environment, Land, Water and Planning (DELWP) to regulatory bodies. This better reflects the functions of the EPA following the transfer of the Sustainability Fund to DELWP.

Table 3.3.5: Administered items statement

(\$ million)

	2015-16 actual	2016-17 budget ^(a)	2016-17 revised ^(a)	2017-18 budget ^(a)
Administered income				
Appropriations – payments made on behalf of the State	637	636	659	644
Sale of goods and services	489	477	476	480
Grants	296	571	573	601
Interest	453	448	444	439
Other income	225	193	225	262
Total administered income	2 100	2 324	2 376	2 426
Administered expenses				
Expenses on behalf of the State	197	117	142	128
Grants and other transfers	293	569	569	589
Payments into the Consolidated Fund	1 149	1 170	1 169	1 285
Interest and Depreciation expense	463	448	444	439
Total administered expenses	2 102	2 304	2 324	2 440
Income less expenses	(2)	20	52	(15)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(14)	..	..	..
Total other economic flows included in net result	(14)	..	..	..
Net result	(16)	20	52	(15)
Other economic flows – other comprehensive income				
Asset revaluation reserve	16	..	..	..
Other	431	..	110	..
Total other economic flows – other comprehensive income	447	..	110	..
Comprehensive result	431	20	162	(15)
Administered assets				
Cash and deposits	50	1	1	1
Receivables	4 339	4 245	4 241	4 185
Property, plant and equipment	699	699	699	699
Intangible assets	163	163	288	263
Total administered assets	5 251	5 108	5 229	5 148
Administered liabilities				
Payables	183	85	85	85
Borrowings	4 174	4 131	4 128	4 074
Total administered liabilities	4 357	4 217	4 213	4 159
Net assets	895	892	1 017	990

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

Note:

(a) The 2016-17 and 2017-18 figures reflect the reclassification of the Environmental Protection Authority (EPA) from the Department of Environment, Land, Water and Planning (DELWP) to regulatory bodies. This better reflects the functions of the EPA following the transfer of the Sustainability Fund to DELWP.

Table 3.3.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2016-17 budget</i>	<i>2016-17 revised</i>	<i>2017-18 budget</i>
Murray-Darling Basin contribution	29	26	24
Victorian Desalination Project	608	633	620
Total	636	659	644

Sources: Departments of Environment, Land, Water and Planning, and Treasury and Finance

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Operating performance

The Department of Health and Human Services is expected to report a net result from transactions of \$174 million in 2017-18.

The operating statement shows an increase in income of \$840 million between the 2016-17 revised budget and the 2017-18 budget. This is due to the:

- funding of initiatives announced in this budget, including: to improve waiting times for core services and to help meet hospital demand, to secure access to elective surgery, to support emergency department growth, to implement quality and safety reforms through Better Safer Care, funding for ambulance response times, mental health, family violence, alcohol and other drugs, and to support transition to the National Disability Insurance Scheme;
- continuing implementation of existing initiatives;
- additional Commonwealth funding available under the National Health Reform Agreement; and
- net impact of machinery of government changes.

Operating expenses are budgeted to increase by \$918 million between the 2016-17 revised budget and 2017-18 budget primarily due to the factors outlined above.

Balance sheet

The Department's net asset position is estimated to improve by \$334 million between the 2016-17 revised budget and the 2017-18 budget, reflecting an increase in total assets of \$424 million, and an increase in total liabilities of \$90 million.

The estimated increase in assets is mainly due to the Government's commitment to improve health infrastructure across the State, based on modern service models and needs for the future. New asset funding in the *2017-18 Budget* includes:

- Forensic Mental Health Bed Based Services expansion;
- Austin Health critical infrastructure work;
- Royal Melbourne Hospital critical infrastructure works;
- Northern Hospital inpatient expansion Stage 2;
- Melbourne Park Redevelopment Stage 3;
- medical equipment replacement program;
- engineering infrastructure replacement program; and
- various upgrades and expansions across several health facilities.

The movement in liabilities primarily reflects an increase in health sector leave entitlements.

Investing and financing

Cash flows from operating activities are consistent with the trends discussed in the statement of operating performance.

Cash flows from investing activities include payments for property, plant and equipment reflecting the Government's continued asset investment in the health and community services sectors as identified above.

Administered items statement

Revenue administered by the Department on behalf of the State and third parties is forecast to increase by \$471 million from the 2016-17 revised budget to the 2017-18 budget primarily due to expected increases in Commonwealth funding in the National Health Funding Pool.

Table 3.4.1: Comprehensive operating statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	12 902	13 382	13 822	14 708
Special appropriations	1 341	1 404	1 361	1 401
Interest	46	68	38	38
Sale of goods and services	1 618	1 650	1 777	1 819
Grants	5 509	5 304	6 132	6 150
Fair value of assets and services received free of charge or for nominal consideration	20	..	147	..
Other income	575	496	700	701
Total income from transactions	22 012	22 303	23 977	24 817
Expenses from transactions				
Employee benefits	10 084	10 305	11 158	11 449
Depreciation	856	952	917	938
Interest expense	90	184	194	224
Grants and other transfers	1 938	1 703	1 995	2 319
Capital asset charge	1 017	1 120	1 117	1 201
Other operating expenses	7 781	7 935	8 344	8 512
Total expenses from transactions	21 767	22 199	23 725	24 643
Net result from transactions (net operating balance)	245	105	252	174
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(6)	(5)	..	1
Net gain/(loss) on financial instruments and statutory receivables/payables	(11)	..	(26)	(26)
Other gains/(losses) from economic flows	(90)	(2)	(5)	(5)
Total other economic flows included in net result	(107)	(7)	(31)	(30)
Net result	138	98	220	143
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	430	..	..	..
Financial assets available-for-sale reserve	(9)	..	..	..
Other	(153)	..	..	..
Total other economic flows – other comprehensive income	268	..	..	..
Comprehensive result	405	98	220	143

Sources: Departments of Health and Human Services, and Treasury and Finance

Table 3.4.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2016 actual</i>	<i>2017 budget</i>	<i>2017 revised</i>	<i>2018 budget</i>
Assets				
Financial assets				
Cash and deposits	975	1 095	1 063	1 184
Receivables from government	2 509	2 288	2 306	2 499
Other receivables	609	607	607	605
Other financial assets	681	681	681	681
Investments accounted for using equity method	36	36	36	36
Total financial assets	4 810	4 706	4 692	5 004
Non-financial assets				
Inventories	80	80	80	80
Non-financial assets classified as held for sale including disposal group assets	109	109	109	109
Property, plant and equipment	15 539	16 167	16 200	16 359
Investment properties	25	25	25	25
Intangible assets	191	170	161	145
Other	103	147	147	116
Total non-financial assets	16 046	16 697	16 722	16 834
Total assets	20 855	21 404	21 414	21 838
Liabilities				
Payables	1 773	1 775	1 775	1 777
Borrowings	2 814	3 067	3 060	3 023
Provisions	2 713	2 840	2 822	2 948
Total liabilities	7 300	7 682	7 657	7 747
Net assets	13 556	13 722	13 757	14 091
Equity				
Accumulated surplus/(deficit)	1 119	1 217	1 454	1 594
Reserves	6 192	6 192	6 311	6 311
Contributed capital	6 245	6 313	5 992	6 186
Total equity	13 556	13 722	13 757	14 091

Sources: Departments of Health and Human Services, and Treasury and Finance

Table 3.4.3: Statement of cash flows

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Receipts				
Receipts from Government	14 672	15 825	16 552	17 084
Receipts from other entities	5 875	6 053	6 597	6 670
Interest received	47	68	38	38
Other receipts	686	581	800	804
Total receipts	21 280	22 527	23 987	24 596
Payments				
Payments of grants and other transfers	(1 944)	(1 740)	(2 032)	(2 282)
Payments to suppliers and employees	(17 465)	(18 117)	(19 382)	(19 842)
Capital asset charge	(1 017)	(1 120)	(1 117)	(1 201)
Interest and other costs of finance paid	(91)	(185)	(194)	(224)
Total payments	(20 517)	(21 161)	(22 725)	(23 549)
Net cash flows from/(used in) operating activities	763	1 366	1 262	1 047
Cash flows from investing activities				
Net investment	20	..	5	5
Payments for non-financial assets	(1 016)	(1 367)	(1 346)	(1 073)
Proceeds from sale of non-financial assets	29	..	3	3
Net loans to other parties	..	2	2	2
Net (purchase)/disposal of investments – policy purposes	22	..	..	..
Net cash flow from/(used in) investing activities	(945)	(1 365)	(1 336)	(1 062)
Cash flows from financing activities				
Owner contributions by State Government	57	148	190	194
Repayment of finance leases	(40)	(23)	(23)	(52)
Net borrowings	192	(6)	(6)	(6)
Net cash flows from/(used in) financing activities	209	119	161	136
Net increase/(decrease) in cash and cash equivalents	26	119	87	120
Cash and cash equivalents at the beginning of the financial year	949	975	975	1 063
Cash and cash equivalents at the end of the financial year	975	1 095	1 063	1 184

Sources: Departments of Health and Human Services, and Treasury and Finance

Table 3.4.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2015	984	6 174	5 291	627	13 077
Comprehensive result	132	..	430	(156)	405
Transactions with owners in their capacity as owners	3	71	..	..	74
Closing balance 30 June 2016 (actual)	1 119	6 245	5 721	471	13 556
Comprehensive result	98	..	..	..	98
Transactions with owners in their capacity as owners	..	67	..	..	67
Closing balance 30 June 2017 (budget)	1 217	6 313	5 721	471	13 721
Comprehensive result	275	..	(55)	..	221
Transactions with owners in their capacity as owners	60	(253)	174	..	(19)
Closing balance 30 June 2017 (revised)	1 454	5 992	5 840	471	13 757
Comprehensive result	143	..	..	..	143
Transactions with owners in their capacity as owners	(4)	194	..	..	190
Closing balance 30 June 2018 (budget)	1 594	6 186	5 840	471	14 091

Sources: Departments of Health and Human Services, and Treasury and Finance

Table 3.4.5: Administered items statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Administered income				
Appropriations – Payments made on behalf of the State	..	..	1	61
Sale of goods and services	345	335	343	336
Grants	8 360	8 506	9 385	9 834
Interest	1	3	3	3
Other income	45	55	55	24
Total administered income	8 751	8 898	9 788	10 259
Administered expenses				
Expenses on behalf of the State	698	722	735	742
Grants and other transfers	7 659	7 757	8 609	9 111
Payments into the Consolidated Fund	436	429	453	417
Total administered expenses	8 793	8 907	9 797	10 270
Income less expenses	(42)	(9)	(9)	(12)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	2	9	9	12
Total other economic flows included in net result	2	9	9	12
Net result	(40)	..	..	..
Other economic flows – other comprehensive income				
Other	..	..	..	..
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	(40)	..	..	..
Administered assets				
Cash and deposits	2	2	2	2
Receivables	9	9	9	9
Other financial assets	2	2	2	2
Other	10	10	10	10
Total administered assets	23	23	23	23
Administered liabilities				
Payables	10	10	10	10
Provisions	5	5	5	5
Total administered liabilities	15	15	15	15
Net assets	8	8	8	8

Sources: Departments of Health and Human Services, and Treasury and Finance

Table 3.4.6: Payments made on behalf of the State**(\$ million)**

<i>Accounts</i>	<i>2016-17 budget</i>	<i>2016-17 revised</i>	<i>2017-18 budget</i>
National Disability Insurance Agency	60
Others	..	1	1
Total	..	1	61

Sources: Departments of Health and Human Services, and Treasury and Finance

DEPARTMENT OF JUSTICE AND REGULATION

Operating performance

The Department of Justice and Regulation is expected to report a net deficit from transactions of \$7 million in 2017-18.

The decrease of \$17 million in 2017-18 relative to the 2016-17 budget mainly relates to lower forecast investment returns on departmental trust funds, including the Victorian Property Fund and Domestic Builders Fund, due to reduced balances and lower interest rates.

The operating statement shows an increase in income of \$801 million between the 2016-17 budget and the 2017-18 budget. This increase includes the transfer of Youth Justice Community Based Services and Youth Justice Custodial Services from the Department of Health and Human Services as part of the machinery of government changes effective from 3 April 2017. Also contributing to the increase is the commencement of the new Ravenhall correctional centre, which is scheduled to come online in 2017-18, as well as new output initiatives announced in this budget including:

- Community Safety Statement;
- Management of serious offenders; and
- additional funding for the Emergency Services Telecommunications Authority to meet growing demand for Triple Zero emergency calls.

Estimated operating expenses in 2017-18 are forecast to increase by approximately the same amount as revenue due to the factors identified above.

Balance sheet

The Department's 2017-18 net asset position is estimated to improve by \$594 million relative to the 2016-17 budget. This is largely attributable to the following:

- additional investment in the corrections system announced in previous budgets including the commencement of the new Ravenhall correctional centre;
- transfer of Youth Justice Community Based Services and Youth Justice Custodial Services from the Department of Health and Human Services to the Department of Justice and Regulation; and
- new asset initiatives announced in the *2017-18 Budget*, mainly for critical equipment supporting frontline police under the Community Safety Statement, facilities for Management of serious offenders and Victorian State Emergency Services headquarters and critical assets.

These increases are partly offset by a decrease in cash and deposits due to a transfer from the Victorian Property Fund towards *Homes for Victorians*.

Investing and financing

The payments for non-financial assets in 2017-18 reflect an increase of \$373 million from the 2016-17 budget. This mainly relates to the capital payments for the new Ravenhall correctional centre, the continuation of existing projects and the new asset initiatives announced in the *2017-18 Budget*.

Administered items statement

Revenue administered by the Department on behalf of the State and third parties is forecast to rise by \$42 million in the 2017-18 budget relative to the 2016-17 budget. The movement predominantly relates to the estimated increase in fines and fees revenue from the recent installation of new camera systems and is partly offset by a decrease in appropriations relating to payments on behalf of the State. Administered expenses reflect the transfer of the fines and taxation revenue into the Consolidated Fund.

Other economic flow losses in 2017-18 have increased relative to the 2016-17 budget due to higher doubtful debts resulting from fines related to enforcement activities. Outstanding debts will continue to be vigorously pursued through all legal means, however prudent accounting requires that provision be made for such debts.

Table 3.5.1: Comprehensive operating statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	5 507	5 875	6 082	6 684
Special appropriations	4	1	2	1
Interest	56	60	51	49
Sale of goods and services	22	20	18	18
Grants	54	71	78	73
Fair value of assets and services received free of charge or for nominal consideration	1	..	..	..
Other income	51	25	34	28
Total income from transactions	5 695	6 053	6 265	6 854
Expenses from transactions				
Employee benefits	2 779	2 966	3 051	3 303
Depreciation	209	198	215	238
Interest expense	23	25	24	54
Grants and other transfers	1 164	1 220	1 288	1 305
Capital asset charge	225	242	245	268
Other operating expenses	1 295	1 392	1 450	1 693
Total expenses from transactions	5 693	6 043	6 273	6 861
Net result from transactions (net operating balance)	2	10	(8)	(7)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	4	11	11	11
Net gain/(loss) on financial instruments and statutory receivables/payables	4	..	..	..
Other gains/(losses) from economic flows	(11)	..	..	..
Total other economic flows included in net result	(3)	11	11	11
Net result	(1)	21	3	4
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	130	..	..	..
Other	50	..	(8)	..
Total other economic flows – other comprehensive income	180	..	(7)	..
Comprehensive result	179	21	(5)	4

Sources: Departments of Justice and Regulation, and Treasury and Finance

Table 3.5.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2016 actual</i>	<i>2017 budget</i>	<i>2017 revised</i>	<i>2018 budget</i>
Assets				
Financial assets				
Cash and deposits	356	368	355	246
Receivables from government	688	795	833	985
Other receivables	89	89	89	89
Other financial assets	272	274	162	170
Total financial assets	1 404	1 526	1 438	1 491
Non-financial assets				
Inventories	13	13	13	13
Non-financial assets classified as held for sale including disposal group assets	8	8	8	8
Property, plant and equipment	3 989	4 208	4 288	5 320
Intangible assets	29	52	48	80
Other	19	19	19	19
Total non-financial assets	4 058	4 299	4 376	5 440
Total assets	5 462	5 826	5 814	6 931
Liabilities				
Payables	291	297	296	302
Borrowings	264	235	235	676
Provisions	741	773	797	838
Total liabilities	1 295	1 305	1 328	1 815
Net assets	4 167	4 521	4 486	5 115
Equity				
Accumulated surplus/(deficit)	1 162	1 182	1 157	1 160
Reserves	1 312	1 312	1 312	1 312
Contributed capital	1 694	2 027	2 017	2 643
Total equity	4 167	4 521	4 486	5 115

Sources: Departments of Justice and Regulation, and Treasury and Finance

Table 3.5.3: Statement of cash flows

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	5 603	5 773	5 961	6 537
Receipts from other entities	68	85	92	88
Interest received	56	60	51	48
Other receipts	60	29	35	29
Total receipts	5 787	5 947	6 139	6 702
Payments				
Payments of grants and other transfers	(1 164)	(1 221)	(1 289)	(1 306)
Payments to suppliers and employees	(4 009)	(4 319)	(4 458)	(4 950)
Capital asset charge	(225)	(242)	(245)	(268)
Interest and other costs of finance paid	(23)	(25)	(24)	(54)
Total payments	(5 421)	(5 807)	(6 016)	(6 577)
Net cash flows from/(used in) operating activities	366	140	123	125
Cash flows from investing activities				
Net investment	(21)	(3)	110	(9)
Payments for non-financial assets	(449)	(475)	(338)	(848)
Proceeds from sale of non-financial assets	34	34	34	34
Net loans to other parties	8	..	..	..
Net cash flow from/(used in) investing activities	(428)	(444)	(194)	(823)
Cash flows from financing activities				
Owner contributions by State Government	92	346	106	626
Repayment of finance leases	(14)	(18)	(18)	(18)
Net borrowings	(24)	(11)	(19)	(19)
Net cash flows from/(used in) financing activities	55	317	70	590
Net increase/(decrease) in cash and cash equivalents	(7)	13	(1)	(109)
Cash and cash equivalents at the beginning of the financial year	363	356	356	355
Cash and cash equivalents at the end of the financial year	356	368	355	246

Sources: Departments of Justice and Regulation, and Treasury and Finance

Table 3.5.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2015	1 102	1 660	1 182	..	3 944
Comprehensive result	50	..	130	..	180
Transfer from revaluation surplus to accumulated surplus	..	..	..	..	..
Transactions with owners in their capacity as owners	10	33	..	..	44
Closing balance 30 June 2016 (actual)	1 162	1 694	1 312	..	4 167
Comprehensive result	21	..	..	..	21
Transactions with owners in their capacity as owners	..	333	..	..	333
Closing balance 30 June 2017 (budget)	1 183	2 027	1 312	..	4 521
Comprehensive result	(5)	..	..	..	(5)
Transactions with owners in their capacity as owners	..	324	..	..	324
Closing balance 30 June 2017 (revised)	1 157	2 017	1 312	..	4 486
Comprehensive result	4	..	..	..	4
Transactions with owners in their capacity as owners	..	626	..	..	626
Closing balance 30 June 2018 (budget)	1 160	2 643	1 312	..	5 115

Sources: Departments of Justice and Regulation, and Treasury and Finance

Table 3.5.5: Administered items statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Administered income				
Appropriations – payments made on behalf of the State	29	54	36	36
Special appropriations	4	10	10	11
Sale of goods and services	471	444	463	471
Grants	6	7	6	4
Interest	17	14	14	13
Other income	3 152	2 637	2 609	2 673
Total administered income	3 679	3 167	3 139	3 209
Administered expenses				
Expenses on behalf of the State	9	14	13	13
Grants and other transfers	10	4	5	5
Payments into the Consolidated Fund	3 199	2 734	2 687	2 668
Total administered expenses	3 217	2 753	2 706	2 687
Income less expenses	462	415	433	522
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(12)	1	1	1
Net gain/(loss) on financial instruments and statutory receivables/payables	(306)	(294)	(307)	(315)
Total other economic flows included in net result	(318)	(293)	(306)	(314)
Net result	144	122	127	208
Other economic flows – other comprehensive income				
Adjustment to accumulated surplus/(deficit)	35	..	..	..
Total other economic flows – other comprehensive income	35	..	..	..
Comprehensive result	179	122	127	208
Administered assets				
Cash and deposits	90	89	89	89
Receivables	1 657	1 629	1 635	1 693
Other financial assets	..	2	2	4
Total administered assets	1 747	1 720	1 726	1 786
Administered liabilities				
Payables	1 434	1 287	1 287	1 139
Provisions	1	1	1	1
Total administered liabilities	1 435	1 287	1 287	1 139
Net assets	312	433	439	647

Sources: Departments of Justice and Regulation, and Treasury and Finance

Table 3.5.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2016-17 budget</i>	<i>2016-17 revised</i>	<i>2017-18 budget</i>
Tattersalls duty payments to other jurisdictions	54	36	36
Total	54	36	36

Sources: Departments of Justice and Regulation, and Treasury and Finance

DEPARTMENT OF PREMIER AND CABINET

Operating performance

The Department estimates that total income from transactions will increase by \$82 million compared to the 2016-17 revised budget. The increase is due to additional funding for the Latrobe Valley assistance package following the announced closure of the Hazelwood Power Station (\$109 million over four years) and the following new initiatives announced in the *2017-18 Budget*:

- Delivering on the Government's Commitment to Aboriginal self-determination; and
- Multicultural Policy Statement.

Estimated departmental operating expenses will increase by \$72 million in 2017-18 largely due to the initiatives outlined above.

Balance sheet

The Department's net asset position is expected to increase by \$6 million in 2017-18. The increase is mainly due to an increase in receivables from Government as a result of funding for depreciation not being fully drawn down in cash.

Investing and financing

The Department's payments for non-financial assets are estimated to be \$18 million in 2017-18 primarily due to the continuation of previous projects such as the Public Record Office Victoria collection storage and the *2017-18 Budget* initiative Security upgrade – Government buildings.

Table 3.6.1: Comprehensive operating statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	309	490	479	593
Special appropriations	51	76	67	44
Sale of goods and services	2	4	6	6
Grants	36	27	27	17
Other income	2	1	1	1
Total income from transactions	400	598	579	661
Expenses from transactions				
Employee benefits	195	246	244	245
Depreciation	13	16	16	17
Grants and other transfers	40	72	90	87
Capital asset charge	9	9	9	9
Other operating expenses	118	271	235	309
Total expenses from transactions	374	613	595	667
Net result from transactions (net operating balance)	26	(15)	(15)	(6)
Other economic flows included in net result				
Other gains/(losses) from economic flows	(1)	..	..	..
Total other economic flows included in net result	(1)	..	..	..
Net result	25	(15)	(15)	(6)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	24	..	..	..
Total other economic flows – other comprehensive income	24	..	..	..
Comprehensive result	49	(15)	(15)	(6)

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Table 3.6.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2016 actual</i>	<i>2017 budget</i>	<i>2017 revised</i>	<i>2018 budget</i>
Assets				
Financial assets				
Cash and deposits	53	39	39	33
Receivables from government	101	110	111	120
Other receivables	15	15	15	15
Other financial assets	1	1	1	1
Total financial assets	170	164	165	169
Non-financial assets				
Inventories	3	3	3	3
Property, plant and equipment	490	489	489	491
Intangible assets	8	10	14	14
Other	8	8	8	8
Total non-financial assets	508	509	514	515
Total assets	679	673	679	684
Liabilities				
Payables	25	25	25	25
Borrowings	4	4	4	3
Provisions	41	40	40	39
Total liabilities	70	69	69	68
Net assets	609	604	610	616
Equity				
Accumulated surplus/(deficit)	97	81	81	75
Reserves	222	222	222	222
Contributed capital	290	301	307	319
Total equity	609	604	610	616

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Table 3.6.3: Statement of cash flows

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	352	558	537	627
Receipts from other entities	28	27	28	19
Other receipts	3	5	5	5
Total receipts	383	590	570	652
Payments				
Payments of grants and other transfers	(40)	(72)	(90)	(87)
Payments to suppliers and employees	(314)	(518)	(479)	(555)
Capital asset charge	(9)	(9)	(9)	(9)
Total payments	(363)	(599)	(579)	(651)
Net cash flows from/(used in) operating activities	20	(9)	(9)	1
Cash flows from investing activities				
Net investment	1	..	..	..
Payments for non-financial assets	(9)	(17)	(22)	(18)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flow from/(used in) investing activities	(7)	(17)	(22)	(18)
Cash flows from financing activities				
Owner contributions by State Government	5	11	16	13
Net borrowings	1	(1)	(1)	..
Net cash flows from/(used in) financing activities	6	10	16	12
Net increase/(decrease) in cash and cash equivalents	19	(15)	(15)	(5)
Cash and cash equivalents at the beginning of the financial year	34	53	53	39
Cash and cash equivalents at the end of the financial year	53	39	39	33

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Table 3.6.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2015	81	276	197	..	554
Comprehensive result	25	..	24	..	49
Transactions with owners in their capacity as owners	(9)	14	..	..	5
Closing balance 30 June 2016 (actual)	97	290	222	..	609
Comprehensive result	(15)	..	..	..	(15)
Transactions with owners in their capacity as owners	..	11	..	..	11
Closing balance 30 June 2017 (budget)	81	301	222	..	604
Comprehensive result	(15)	..	..	..	(15)
Transactions with owners in their capacity as owners	..	16	..	..	16
Closing balance 30 June 2017 (revised)	81	307	222	..	610
Comprehensive result	(6)	..	..	..	(6)
Transactions with owners in their capacity as owners	..	13	..	..	13
Closing balance 30 June 2018 (budget)	75	319	222	..	616

Sources: Departments of Premier and Cabinet, and Treasury and Finance

Table 3.6.5: Administered items statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Administered income				
Sale of goods and services	2	2	1	1
Grants	5	..	..	..
Other income	3	..	..	..
Total administered income	10	2	1	1
Administered expenses				
Payments into the Consolidated Fund	9	2	1	1
Total administered expenses	9	2	1	1
Net result	..	..	..	..
Comprehensive result	..	..	..	..
Administered assets				
Total administered assets	..	..	..	..
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	..	..	..	..

Sources: Departments of Premier and Cabinet, and Treasury and Finance

DEPARTMENT OF TREASURY AND FINANCE

Operating performance

The Department of Treasury and Finance expects to deliver a net surplus from transactions of \$3 million in 2017-18.

The Department's total income from transactions is expected to increase by \$4 million when compared to the 2016-17 revised budget. Output appropriation revenue for 2017-18 includes the following initiatives:

- housing affordability initiatives to implement and administer the Vacant Residential Property Tax, the *HomesVic* scheme and the *Buy Assist* scheme; and
- enhanced payroll tax compliance.

Estimated 2017-18 operating expenses are forecast to increase by approximately the same amount as revenue.

Balance sheet

The Department's net asset position is forecast to decrease by \$4 million compared to the 2016-17 revised budget as a result of the following:

- total financial assets are estimated to increase, as appropriation received for depreciation and amortisation is not expected to be fully drawn down in cash; and
- the written down value of property, plant and equipment and intangible assets will be decreasing as a result of depreciation and amortisation.

Investing and financing

The Department's 2017-18 payments for non-financial assets is \$16 million lower than the 2016-17 revised budget, reflecting the biennial purchase of municipal land valuations used by the State Revenue Office for land tax purposes not occurring in 2017-18.

Administered items statement

The Department manages a large number of transactions on behalf of the State, over which it does not exercise direct control, including the collection of State taxation income and administration of the State's superannuation expenses.

Total administered income is expected to decrease by \$838 million between the 2016-17 revised budget and the 2017-18 budget. This is largely due to a \$6 billion reduction in special appropriation, relating to budget sector debt retirements that occurred in 2016-17, partially offset by:

- an increase of \$2 billion for Appropriations - payments made of behalf of the State, of which \$1 billion is mainly related to the investment approach established for the proceeds of the medium term lease of the Port of Melbourne pending their allocation to approved transport expenditure; and
- an increase in grant revenue of \$2 billion, primarily associated with Commonwealth Government payments, covering general purpose, specific purpose and national partnerships.

Administered operating expenses include Payments into the Consolidated Fund, which is expected to decrease by \$4 billion. This largely reflects cash receipts from administered income and proceeds associated with the medium term lease of the Port of Melbourne in 2016-17.

Table 3.7.1: Comprehensive operating statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	255	259	289	295
Interest	2	2	1	1
Sale of goods and services	167	164	178	173
Grants	..	..	2	..
Other income	23	30	28	31
Total income from transactions	447	454	498	502
Expenses from transactions				
Employee benefits	183	201	212	223
Depreciation	53	42	39	52
Grants and other transfers	6	5	6	6
Capital asset charge	21	22	22	22
Other operating expenses	173	172	214	195
Total expenses from transactions	435	442	492	498
Net result from transactions (net operating balance)	12	12	5	3
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	(7)	(7)	(7)
Other gains/(losses) from economic flows	(2)	..	..	..
Total other economic flows included in net result	(2)	(7)	(7)	(7)
Net result	10	4	(2)	(4)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	72	30	112	..
Other	59	..	..	..
Total other economic flows – other comprehensive income	132	30	112	..
Comprehensive result	141	34	110	(4)

Sources: Department of Treasury and Finance

Table 3.7.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2016 actual</i>	<i>2017 budget</i>	<i>2017 revised</i>	<i>2018 budget</i>
Assets				
Financial assets				
Cash and deposits	87	83	89	97
Other financial assets	33	33	33	33
Receivables from government	188	189	189	217
Other receivables	52	52	53	56
Total financial assets	360	357	364	403
Non-financial assets				
Inventories	9	9	9	9
Property, plant and equipment	589	611	681	659
Intangible assets	19	37	34	18
Other	16	17	19	18
Total non-financial assets	633	674	743	704
Total assets	993	1 030	1 107	1 106
Liabilities				
Payables	125	123	122	120
Borrowings	4	4	4	4
Provisions	54	60	60	66
Total liabilities	184	187	187	190
Net assets	809	844	920	916
Equity				
Accumulated surplus/(deficit)	134	138	132	128
Reserves	309	339	421	421
Contributed capital	366	366	366	366
Total equity	809	844	920	916

Sources: Department of Treasury and Finance

Table 3.7.3: Statement of cash flows

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	220	257	285	264
Receipts from other entities	(22)	..	5	..
Interest received	2	2	1	1
Other receipts	227	205	210	210
Total receipts	428	464	501	475
Payments				
Payments of grants and other transfers	(17)	(16)	(13)	(10)
Payments to suppliers and employees	(330)	(369)	(427)	(416)
Capital asset charge	(21)	(22)	(22)	(22)
Total payments	(369)	(407)	(463)	(448)
Net cash flows from/(used in) operating activities	59	57	38	26
Cash flows from investing activities				
Net investment	(33)	..	..	..
Payments for non-financial assets	(28)	(63)	(40)	(24)
Proceeds from sale of non-financial assets	1	..	(1)	..
Net loans to other parties	..	..	(3)	(3)
Net cash flow from/(used in) investing activities	(60)	(63)	(43)	(27)
Cash flows from financing activities				
Owner contributions by State Government	2	3	3	3
Net borrowings	(19)	(1)	5	5
Net cash flows from/(used in) financing activities	(16)	2	8	8
Net increase/(decrease) in cash and cash equivalents	(18)	(4)	3	7
Cash and cash equivalents at the beginning of the financial year	104	87	87	89
Cash and cash equivalents at the end of the financial year	87	83	89	97

Sources: Department of Treasury and Finance

Table 3.7.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2015	128	368	237	..	733
Comprehensive result	69	..	72	..	141
Transactions with owners in their capacity as owners	(64)	(2)	..	..	(66)
Closing balance 30 June 2016 (actual)	134	366	309	..	809
Comprehensive result	4	..	30	..	34
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2017 (budget)	138	366	339	..	844
Comprehensive result	(2)	..	112	..	110
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2017 (revised)	132	366	421	..	920
Comprehensive result	(4)	..	..	..	(4)
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2018 (budget)	128	366	421	..	916

Sources: Department of Treasury and Finance

Table 3.7.5: Administered items statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Administered income				
Appropriations – payments made on behalf of the State	1 759	6 813	4 965	7 401
Special appropriations	2 192	9 147	8 046	2 276
Sale of goods and services	13	41	33	34
Grants	19 715	21 365	20 736	22 790
Interest	25	49	193	210
Other income	21 493	22 784	23 745	24 168
Total administered income	45 196	60 199	57 718	56 880
Administered expenses				
Expenses on behalf of the State	517	386	319	454
Employee benefits	1 213	1 635	1 373	1 639
Grants and other transfers	3 247	3 944	3 790	4 329
Payments into the Consolidated Fund	38 372	50 313	51 266	46 869
Interest expense	1 268	1 536	1 247	1 247
Total administered expenses	44 617	57 814	57 995	54 538
Income less expenses	580	2 385	(277)	2 342
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	23	23	23
Other gains/(losses) from other economic flows	(56)	..	(28)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	106	..	(707)	..
Total other economic flows included in net result	49	23	(712)	23
Net result	629	2 408	(989)	2 365
Other economic flows – other comprehensive income				
Remeasurement of superannuation defined benefit plans	(3 220)	877	3 852	915
Total other economic flows – other comprehensive income	(3 220)	877	3 852	915
Comprehensive result	(2 591)	3 285	2 863	3 280
Administered assets				
Cash and deposits	1 638	1 430	1 824	2 066
Receivables	1 254	1 066	7 370	6 720
Other financial assets	..	..	757	..
Other	..	..	..	55
Property, plant and equipment	..	356	66	557
Total administered assets	2 891	2 852	10 017	9 398
Administered liabilities				
Payables	531	6 053	9 279	6 202
Borrowings	25 471	20 603	19 745	24 883
Provisions	49	49	49	4
Other	29 289	28 449	25 421	24 506
Total administered liabilities	55 339	55 154	54 493	55 595
Net assets	(52 449)	(52 302)	(44 477)	(46 198)

Sources: Department of Treasury and Finance

Table 3.7.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2016-17 budget</i>	<i>2016-17 revised</i>	<i>2017-18 budget</i>
Superannuation and pension payments	16	16	16
Interest	1 519	1 232	1 232
Current and capital grants	409	503	771
Operating supplies and consumables	358	252	463
Other	4 511	2 961	4 919
Total	6 812	4 965	7 401

Sources: Department of Treasury and Finance

PARLIAMENT (INCLUDING VICTORIAN AUDITOR-GENERAL'S OFFICE)

Operating performance

Parliament and the Victorian Auditor-General's Office combined are estimated to have a balanced net result from transactions in 2017-18.

The combined operating statement shows an increase in total income of \$22 million (11 per cent) from the 2016-17 revised budget to the 2017-18 budget. The variation in annual appropriation revenue is primarily due to estimated carryover of Parliament's appropriation funding from 2016-17 to 2017-18 and new initiatives approved as part of the *2017-18 Budget* including an increase in Members of Parliament Electorate Office and Communication budgets, an upgrade of security at Members' electorate offices, and an increase in electorate office staffing.

Balance sheet

The value of property, plant and equipment is expected to increase in the 2017-18 budget compared to the 2016-17 revised budget due to the Remediation – Office Accommodation project at the Parliamentary precinct approved in the *2016-17 Budget*.

Investing and financing

Cash flows from investing activities are consistent with the trends discussed for the balance sheet above.

Table 3.8.1: Comprehensive operating statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	145	160	152	173
Special appropriations	29	40	48	49
Sale of goods and services	2	..	..	..
Total income from transactions	175	200	200	222
Expenses from transactions				
Employee benefits	101	116	125	135
Depreciation	15	15	14	15
Capital asset charge	3	3	3	7
Other operating expenses	55	66	59	66
Total expenses from transactions	174	200	202	222
Net result from transactions (net operating balance)	1	..	(1)	..
Other economic flows included in net result				
Total other economic flows included in net result	..	..	..	..
Net result	1	..	(1)	..
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	16	..	..	..
Total other economic flows – other comprehensive income	16	..	..	..
Comprehensive result	17	..	(1)	..

Sources: Parliament of Victoria, Victorian Auditor-General's Office, and Department of Treasury and Finance

Table 3.8.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2016 actual</i>	<i>2017 budget</i>	<i>2017 revised</i>	<i>2018 budget</i>
Assets				
Financial assets				
Receivables from government	68	53	55	56
Other receivables	1	1	1	1
Total financial assets	69	55	57	57
Non-financial assets				
Property, plant and equipment	473	488	484	490
Other	2	2	2	2
Total non-financial assets	476	490	486	492
Total assets	545	545	543	549
Liabilities				
Payables	7	7	7	7
Borrowings	3	3	3	3
Provisions	19	19	18	19
Total liabilities	29	29	28	28
Net assets	516	516	515	521
Equity				
Accumulated surplus/(deficit)	49	49	48	48
Reserves	294	294	294	294
Contributed capital	173	173	173	179
Total equity	516	516	515	521

Sources: Parliament of Victoria, Victorian Auditor-General's Office, and Department of Treasury and Finance

Table 3.8.3: Statement of cash flows

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	173	215	213	222
Receipts from other entities	2	..	..	..
Total receipts	174	215	213	222
Payments				
Payments to suppliers and employees	(152)	(182)	(184)	(201)
Capital asset charge	(3)	(3)	(3)	(7)
Total payments	(156)	(185)	(187)	(207)
Net cash flows from/(used in) operating activities	19	29	26	15
Cash flows from investing activities				
Payments for non-financial assets	(19)	(29)	(26)	(21)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flow from/(used in) investing activities	(18)	(29)	(26)	(21)
Cash flows from financing activities				
Owner contributions by State Government	..	..	..	6
Net cash flows from/(used in) financing activities	..	..	..	6
Net increase/(decrease) in cash and cash equivalents	..	..	..	..
Cash and cash equivalents at the beginning of the financial year	..	..	..	..
Cash and cash equivalents at the end of the financial year	..	..	..	..

Sources: Parliament of Victoria, Victorian Auditor-General's Office, and Department of Treasury and Finance

Table 3.8.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2015	48	173	278	..	499
Comprehensive result	1	..	16	..	17
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2016 (actual)	49	173	294	..	516
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2017 (budget)	49	173	294	..	516
Comprehensive result	(1)	..	..	..	(1)
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2017 (revised)	48	173	294	..	515
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	6	..	..	6
Closing balance 30 June 2018 (budget)	48	179	294	..	521

Sources: Parliament of Victoria, Victorian Auditor-General's Office, and Department of Treasury and Finance

Table 3.8.5: Administered items statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Administered income				
Sale of goods and services	25	26	26	26
Total administered income	25	26	26	26
Administered expenses				
Payments into the Consolidated Fund	25	26	25	26
Total administered expenses	25	26	25	26
Income less expenses	..	..	..	..
Net result	..	..	..	..
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	..	..	..	..
Administered assets				
Receivables	6	6	6	6
Total administered assets	6	6	6	6
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	6	6	6	6

Sources: Parliament of Victoria, Victorian Auditor-General's Office, and Department of Treasury and Finance

COURTS

Operating performance

Courts is expected to have a balanced net result from transactions for the *2017-18 Budget*, which includes operating income and expenditure of \$532 million.

Total income from transactions is expected to increase by \$35 million from the 2016-17 revised budget to the 2017-18 budget.

The increase is largely a result of funding for initiatives announced in the *2017-18 Budget*, including:

- Bendigo and Werribee law courts – planning;
- Family Drug Treatment Court;
- Forensic mental health implementation plan – Priority services reform;
- Specialist family violence integrated court response; and
- Safe and sustainable Victorian courts.

Special appropriation revenue is expected to increase by \$8 million in 2017-18 (6 per cent) compared to the 2016-17 revised budget. This increase is largely attributable to indexation of judicial remuneration, which is determined by the Federal Government Judicial Remuneration Tribunal.

Total expenses from transactions are also expected to increase by \$35 million in 2017-18 (7 per cent) compared to the 2016-17 revised budget due to the factors above.

Balance sheet

Courts' net asset position is estimated to increase by \$62 million in 2017-18 compared to the 2016-17 revised budget. This is primarily attributable to investments in existing infrastructure projects, such as the Shepparton Court redevelopment and Court Safety and Security.

The increase in net assets in 2017-18 is also partly driven by capital investment reflecting the Government's commitment to implementing recommendations of the Royal Commission into Family Violence. Funding will provide for the Specialist family violence integrated court response, which will implement the Family Violence Court model at five Magistrates' Courts, improvements to judicial responses to family violence matters, additional support for family violence victims, safety and security upgrades to courts and targeted programs for family violence perpetrators.

Also, the Supreme Court is set to expand new audio-visual technology and enhanced facilities. This enables the Court to operate more productively and with digital data and evidence, and provides greater visibility of court proceedings.

Other new capital initiatives include additional accommodation relating to the Forensic Mental Health Implementation plan and Expansion of the Court Integrated Services Program (CISP).

Investing and financing

Payments for non-financial assets in 2017-18 reflect the continued implementation of asset investment programs commenced in previous years such as the Shepparton Court redevelopment and Court Safety and Security.

Asset initiative funding reflected in the *2017-18 Budget* includes:

- implementation of the Specialist Family Violence Court model;
- additional accommodation relating to the Forensic Mental Health implementation plan;
- the expansion of Court Integrated Services Program;
- new audio-visual technology for the Supreme Court; and
- critical infrastructure upgrades to ensure safe, secure and sustainable Victorian courts.

The investing activity is financed by a net cash inflow from operations and a capital contribution from the State Government.

Administered items statement

Transactions administered by Courts include revenue from special appropriations to award compensation to victims who suffered loss of earnings, or are reasonably likely to suffer as a direct result of an act of violence. In addition, Courts collects revenue from court fees and fines.

Table 3.9.1: Comprehensive operating statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Net result from continuing operations				
Income from transactions				
Output appropriations	310	325	335	362
Special appropriations	123	145	146	154
Grants	22	17	17	17
Total income from transactions	458	487	497	532
Expenses from transactions				
Employee benefits	264	295	295	318
Depreciation	31	34	34	34
Interest expense	8	11	11	11
Grants and other transfers	2	1	1	2
Capital asset charge	41	40	40	39
Other operating expenses	113	106	117	128
Total expenses from transactions	458	487	497	532
Net result from transactions (net operating balance)	..	..	..	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	1	..	..	..
Other gains/(losses) from economic flows	(5)	..	..	..
Total other economic flows included in net result	(4)	..	..	..
Net result	(5)	..	..	..
Total other economic flows – other comprehensive income	183	..	..	..
Comprehensive result	178	..	..	..

Sources: Courts, and Department of Treasury and Finance

Table 3.9.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2016 actual</i>	<i>2017 budget</i>	<i>2017 revised</i>	<i>2018 budget</i>
Assets				
Financial assets				
Cash and deposits	9	9	9	9
Receivables from government	57	81	81	104
Other receivables	7	7	7	7
Total financial assets	73	96	96	119
Non-financial assets				
Property, plant and equipment	965	988	989	1 030
Intangible assets	25	18	18	10
Total non-financial assets	992	1 007	1 008	1 042
Total assets	1 065	1 103	1 104	1 161
Liabilities				
Payables	21	21	21	21
Borrowings	91	86	86	81
Provisions	77	77	77	77
Total liabilities	189	184	184	179
Net assets	876	919	920	982
Equity				
Reserves	183	183	183	183
Contributed capital	692	736	737	799
Total equity	876	919	920	982

Sources: Courts, and Department of Treasury and Finance

Table 3.9.3: Statement of cash flows

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	431	447	458	492
Receipts from other entities	23	17	17	17
Total receipts	454	464	474	509
Payments				
Payments of grants and other transfers	(1)	(1)	(1)	(2)
Payments to suppliers and employees	(377)	(401)	(412)	(446)
Capital asset charge	(41)	(40)	(40)	(39)
Interest and other costs of finance paid	(8)	(11)	(11)	(11)
Total payments	(428)	(453)	(464)	(498)
Net cash flows from/(used in) operating activities	26	11	11	11
Cash flows from investing activities				
Payments for non-financial assets	(23)	(49)	(50)	(67)
Net cash flow from/(used in) investing activities	(21)	(49)	(50)	(67)
Cash flows from financing activities				
Owner contributions by State Government	10	43	44	62
Repayment of finance leases	(10)	(5)	(5)	(5)
Net cash flows from/(used in) financing activities	(5)	38	40	57
Net increase/(decrease) in cash and cash equivalents	1	..	..	..
Cash and cash equivalents at the beginning of the financial year	8	9	9	9
Cash and cash equivalents at the end of the financial year	9	9	9	9

Sources: Courts, and Department of Treasury and Finance

Table 3.9.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Other reserves</i>	<i>Total equity</i>
Opening balance 1 July 2015	5	629	..	..	634
Comprehensive result	(5)	..	183	..	178
Transactions with owners in their capacity as owners	..	63	..	..	63
Closing balance 30 June 2016 (actual)	..	692	183	..	876
Comprehensive result
Transactions with owners in their capacity as owners	..	43	..	..	43
Closing balance 30 June 2017 (budget)	..	736	183	..	919
Comprehensive result
Transactions with owners in their capacity as owners	..	44	..	..	44
Closing balance 30 June 2017 (revised)	..	737	183	..	920
Comprehensive result
Transactions with owners in their capacity as owners	..	62	..	..	62
Closing balance 30 June 2018 (budget)	..	799	183	..	982

Sources: Courts, and Department of Treasury and Finance

Table 3.9.5: Administered items statement

(\$ million)

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2016-17 <i>revised</i>	2017-18 <i>budget</i>
Administered income				
Special Appropriations	36	63	40	41
Sale of goods and services	58	57	57	57
Other income	30	21	21	21
Total administered income	124	141	118	119
Administered expenses				
Expenses on behalf of the State	10	5	9	9
Grants and other transfers	27	58	31	32
Payments into the Consolidated Fund	88	78	78	78
Total administered expenses	125	141	118	119
Income less expenses	(1)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	1	..	..	..
Total other economic flows included in net result	1	..	..	..
Net result	..	..	..	..
Comprehensive result	..	..	..	..
Administered assets				
Cash and deposits	9	9	9	9
Receivables	3	3	3	3
Total administered assets	12	12	12	12
Administered liabilities				
Payables	9	9	9	9
Provisions	3	3	3	3
Total administered liabilities	12	12	12	12
Net assets	1	1	1	1

Sources: Courts, and Department of Treasury and Finance

CHAPTER 4 – STATE REVENUE

This chapter outlines expected movements in the major categories of general government revenue between 2016-17 and 2020-21. The revenue forecasts are closely linked to growth in key macroeconomic variables outlined in Budget Paper No. 2, Chapter 2 *Economic context*.

Victoria's economy expanded strongly in 2016, and real output growth is forecast to be 2.75 per cent in 2017-18. The pace of growth is expected to remain robust over the forecast period, underpinning a modest rise in revenue growth. A notable feature of the growth story has been Melbourne's attraction of significant numbers of overseas and interstate migrants. When combined with low interest rates and increased public investment the depreciation of the Australian dollar has supported a buoyant property market and a noteworthy period of employment and labour force participation growth.

More than 200 000 jobs have been generated since November 2014, and unemployment remains low, averaging 5.8 per cent over 2016. However, wage growth remains modest. Consumer price growth is below trend with estimates remaining low for 2017-18. Modest wage outcomes, and low inflation generally, continue to constrain nominal income growth. Sluggish income growth is constraining income-sensitive taxes, such as payroll and gambling tax revenue.

The economic outlook envisages that wages and consumer prices will gain momentum over the forecast period, in part reflecting expectations of stronger global activity and inflation. This reflects international economic developments, particularly in the United States, where stronger growth is increasing expectations for a faster normalisation in monetary policy settings on the back of higher inflationary expectations.

For Victoria's revenue projections, and property-related revenue in particular, changes in the pace of interest rate normalisation is an important development. This will put upward pressure on domestic lending rates over time, constraining growth in property related tax revenues.

State revenue forecasts reflect this economic background. Total revenue from transactions is expected to be \$63.4 billion in 2017-18, with growth averaging 3.7 per cent over the next four years (Table 4.1).

Victoria's population has been growing quickly at 2.1 per cent in 2016, the fastest in Australia. The *2017-18 Budget* includes a number of revenue initiatives designed to support economic growth, and provide for the additional demand for services and the need for new investment. It also delivers further tax relief for business, building on previous reforms, and supports Victorian business to do what it does best – invest, grow and employ more Victorians. The *2017-18 Budget* further provides significant financial relief to first home buyers, improving access to housing. More information on new revenue initiatives can be found in Budget Paper 3, Chapter 1.

Table 4.1: General government sector revenue (\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Taxation revenue	22 189	21 827	23 163	24 475	25 629
Grants	27 526	29 818	31 915	31 619	32 280
Sales of goods and services	6 886	7 187	7 465	7 807	8 097
Dividends, income tax equivalent and rate equivalent revenue	564	1 171	586	645	776
Interest revenue	889	899	869	858	826
Other revenue	2 657	2 502	2 525	2 544	2 560
Total revenue from transactions	60 711	63 405	66 524	67 947	70 169

Source: Department of Treasury and Finance.

Major contributors to growth in revenue in the budget year, after accounting for the impact in 2016-17 of prepaid licence fees from the medium-term lease of the Port of Melbourne, include land transfer duty and payroll tax.

GST revenue, which makes up around half of Victoria's grants revenue, is forecast to grow by 8.0 per cent to \$14.7 billion in 2017-18. This is driven by growth in Victoria's population share, and an increase in Victoria's GST relativity. Partially offsetting this is a decrease in the national GST pool reflecting lower expectations for household income growth over the forecast period.

Commonwealth grants for specific purposes are expected to total \$14.3 billion in 2017-18 and average \$14.2 billion over the next four years.

TAXATION

Tax revenue is forecast to be \$21.8 billion in 2017-18, with growth averaging 3.7 per cent per year over the next four years. Tax revenue growth is below the annual average of 6.6 per cent over the decade to 2016-17.

Victoria's economy is growing strongly, propelled by a buoyant property market, population growth, increased public investment and employment growth. Population growth has been a key driver of Victoria's economic dynamism, with Melbourne being the fastest growing capital city in Australia. Victoria is also more exposed to international markets than before, with changes in the international outlook impacting on taxation revenue.

Despite the unexpected geopolitical events that occurred in 2016, global industrial production and trade have shown signs of improvement and the economic outlook for Australia's major trading partners is optimistic. China has performed better than expected and has revived demand for construction-related materials, boosting commodity prices in the near term. Australia's improved terms of trade, high levels of dwelling investment, strong population growth and a dynamic labour market create a solid outlook for economic growth, which will in turn support growth in Victoria's share of GST and other state tax revenue.

Nationally, low interest rates and rising household wealth through increases in property prices have been supporting household consumption. However, household disposable income growth has been moderate over the past year, which has put some downward pressure on consumption growth in nominal terms. Importantly, the household saving ratio has been declining over the past five years. The extent to which this will continue to support growth is uncertain given recent increases in household debt.

In Victoria, population growth and low borrowing costs are at the core of Melbourne's property market buoyancy. Despite recent lower sales volumes, solid price growth and high auction clearance rates have driven an upgrade to land transfer duty revenue in 2016-17. However, a tighter borrowing environment from 2017-18 is expected to reduce the rate of revenue growth from early 2017 and into 2018.

As mentioned earlier, the Government has introduced significant changes to property taxes under *Homes for Victorians*, to be implemented from 1 July 2017. These measures aim to provide significant financial relief to first home buyers and improve access to housing.

Land transfer duty is expected to see stronger growth from 2018-19 as the market returns to growth more reflective of population and income growth around long run averages. The growth in land tax revenue reflects recent strength in the property market and an update to the 2018 revaluation estimates. Expected growth in gambling revenue has been moderated, and venue-based gambling as a share of consumption continues to decline.

Victoria's labour market is expected to remain dynamic. With a stronger outlook for total hours worked, payroll tax revenue is expected to improve across the next four years. The *2017-18 Budget* delivers further tax relief for business, building on previous reforms, and cutting red tape for business.

Risks to the outlook for taxation revenue relate primarily to property market taxes, payroll tax and the GST pool. Wage and consumer price growth is expected to remain modest in the near term. There is no clear evidence of upward pressure on wages. Consequently, there is some uncertainty about households' consumption and saving decisions in the near term. If soft wage growth and consumer price growth persists for longer than expected, the national GST pool and Victorian payroll taxes may be lower than expected. The balance of risks for land tax and land transfer duty rests on the future path of interest rates, household income and lending, and population growth. Further discussion on the sensitivity of revenue forecasts to changes in economic conditions can be found in Budget Paper 2, Appendix A.

Table 4.2: Taxation estimates ^(a)

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Taxes on employers' payroll and labour force	5 727	5 898	6 171	6 497	6 833
Taxes on property					
Land tax	2 499	2 366	2 772	2 989	3 158
Congestion levy	116	118	120	123	126
Land transfer duty	6 020	6 164	6 499	6 998	7 529
Other property duties	..	..	..	..	..
Metropolitan improvement levy	166	162	166	170	174
Metropolitan planning levy	27	27	28	29	30
Fire Services Property Levy	669	674	677	688	695
Financial accommodation levy	136	154	170	184	196
Growth areas infrastructure contribution	166	175	183	193	203
	9 799	9 840	10 616	11 375	12 112
Gambling taxes					
Public lotteries	420	438	450	464	476
Electronic gaming machines	1 101	1 126	1 139	1 154	1 168
Casino	232	236	244	253	261
Racing	75	74	71	67	64
Other	26	29	33	36	40
	1 855	1 902	1 936	1 974	2 009
Levies on statutory corporations ^(b)	112	112	157	157	..
Taxes on insurance					
Non-life insurance	1 026	1 090	1 169	1 254	1 344
Duty on compulsory third party premiums	190	199	208	217	227
	1 216	1 289	1 377	1 471	1 571
Motor vehicle taxes					
Vehicle registration fees	1 539	1 594	1 654	1 719	1 787
Duty on vehicle registrations and transfers	807	925	952	979	1 006
	2 346	2 519	2 606	2 698	2 793
Other taxes					
Liquor licence fees	23	23	24	24	25
Landfill levy	212	208	211	213	218
Transport fees ^(c)	899	35	67	67	67
	1 134	266	301	304	310
Total taxation	22 189	21 827	23 163	24 475	25 629

Source: Department of Treasury and Finance

Notes:

(a) The estimates include budget revenue measures. Details of specific revenue measures are contained in Budget Paper No. 3, Chapter 1 Output, asset investment, savings and revenue initiatives.

(b) The Environmental Contribution Levy lapses in 2020-21.

(c) Transport fees revenue includes port licence and Transurban concession fees.

Land transfer duty

Duty is payable on most transactions that result in a change of ownership of land and associated real assets. Various exemptions and concessions are available, such as for concession card holders.

The *2017-18 Budget* introduces significant financial relief for first home buyers. For contracts entered into from 1 July 2017, eligible first home buyers will pay no stamp duty on purchases valued up to \$600 000. A concession will apply on a sliding scale for purchases valued between \$600 000 and \$750 000. This will provide stamp duty relief of up to \$31 000 on individual purchases. Additionally, for contracts entered into from 1 July 2017, the off-the-plan concession for new properties will be retargeted to buyers that qualify for the first home buyer or principal place of residence stamp duty concession. The stamp duty concession currently available on transfers of property between spouses will be removed from 1 July 2017. This removes a tax exemption on transfers often undertaken for financial planning reasons. The existing stamp duty exemption applying to transfers of principal places of residence between spouses, and transfers of property following a relationship breakdown, will remain.

Land transfer duty revenue is expected to generate \$6.2 billion in 2017-18, an increase of 2.4 per cent from 2016-17. The increase in land transfer duty is due to the low interest rate environment and strong population growth supporting the property market. However, recent increases in wholesale funding costs associated with rising global interest rates, as well as the potential for tightening in both monetary policy and macro-prudential regulation in 2017-18, may reduce the growth of land transfer duty in 2017-18, which is expected to be slightly below trend.

Price and volume growth in the property market has been supported by strong job prospects in Melbourne, attracting people in search of work and education. A greater proportion of available properties have cleared, resulting in high sales volumes. Box 4.1 outlines the transaction price and volume forecasts in the *2017-18 Budget*.

Box 4.1: Land transfer duty price and volume forecasts

Land Transfer Duty (LTD) represents less than 10 per cent of Victoria’s total revenue. However, property markets can be volatile and this can amplify the relative importance of LTD. The current LTD forecast envisages below trend growth in the near term, before a return to trend by 2019-20. This is in line with a modest correction in LTD in 2016-17, with the pace of growth expected to ease to 3.1 per cent from an average of 21 per cent over the past three years. The past three years of exceptional growth has lifted the LTD base to around \$6 billion in 2016-17.

Annual price growth (Chart 4.1) is expected to ease from recent highs to be well below the historical average of 8 per cent. The average price of property transactions is somewhat lower than the average price of residential property as commonly reported in the media. Transaction volumes (Chart 4.2) are expected to grow modestly from current levels over the next four years. Population growth is expected to absorb the high volume of medium to high-density dwellings to be built in Melbourne in the near term, while also sustaining demand for established dwellings.

Chart 4.1: Mean price growth ^(a)

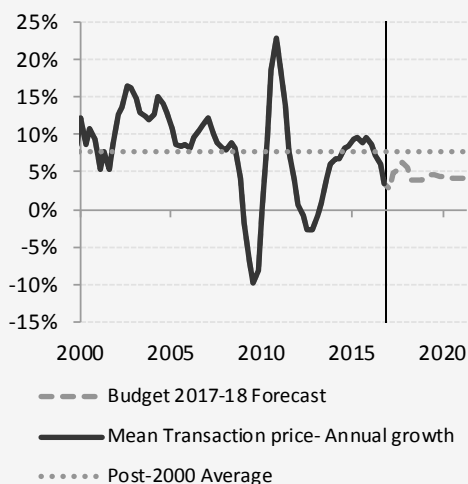
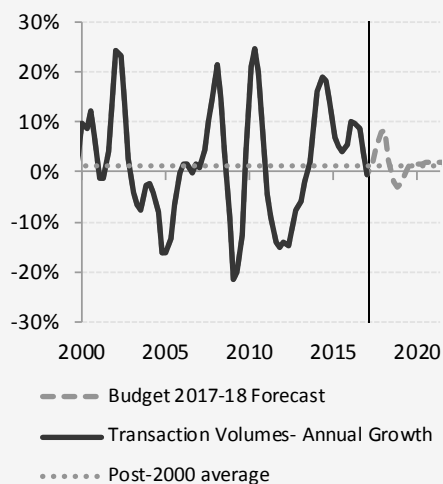


Chart 4.2: Transaction volume growth ^(a)



Source: Valuer-General of Victoria, State Revenue Office, Department of Treasury and Finance

Note:

(a) Annual rolling average growth.

Property markets are particularly sensitive to interest rates and access to debt. The interest rate outlook poses risks to LTD revenue, heightened by concern over the elevated national debt-to-income ratio. In line with market expectations for a gradual normalisation of inflation and interest rates, the 2017-18 Budget forecast incorporates an increase to the cash rate in early 2018, which may weigh on sentiment and dampen revenue growth in 2018-19. If the economy strengthens and inflation picks up faster than expected, interest rates may normalise more quickly.

As a whole, the above factors contribute to a conservative, below-trend forecast for LTD in 2017-18 and 2018-19. Transaction volume growth is expected to return to trend in line with population growth, while price growth is expected to remain slightly below the historical average, in line with household income growth.

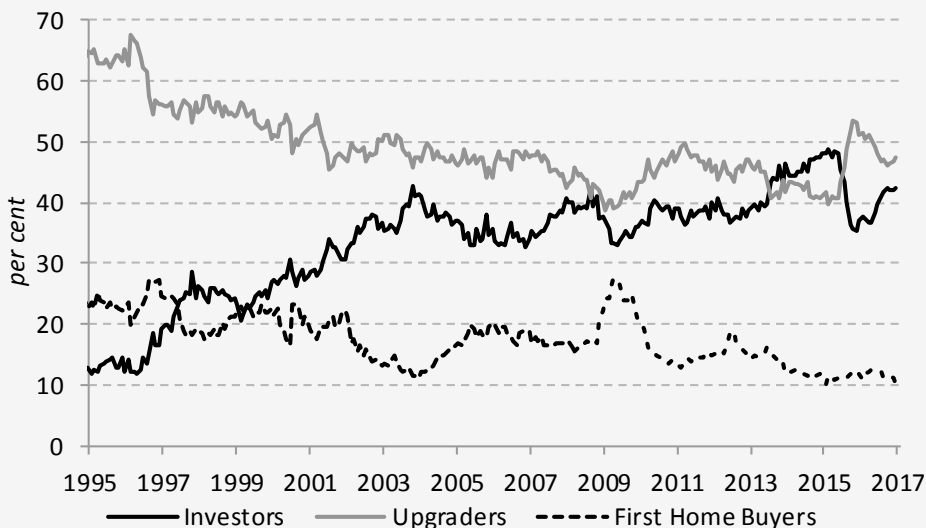
While growth is expected to ease in 2017-18, ongoing population and employment growth in Victoria will support the Melbourne property market in 2018-19. However, in line with market expectations, the forecasts incorporate an increase to the cash rate in 2018, which will weigh on the growth in land transfer duty. The forecast profile allows for a period of moderate growth from 2017-18 before a return to around trend growth by 2019-20.

Investors have accounted for a significant proportion of recent market activity. In addition to anticipated interest rate rises, property investor demand may moderate due to out-of-cycle mortgage rate rises (reflecting higher wholesale funding costs overseas), the Australian Prudential Regulation Authority (APRA) new measures to contain growth in investor lending and responses by major lenders to contain risks in this segment. Box 4.2 discusses macroprudential regulation and the risks associated with land transfer duty revenue.

Box 4.2: Macroprudential regulation measures and risks to land transfer duty from investor purchases of property

Investors undertake a high proportion of property transactions in Victoria, and consequently contribute a significant proportion of land transfer duty revenue. Investors received 46.4 per cent of new housing finance in recent months (Chart 4.3), and pay a higher proportion of land transfer duty revenue due to the concessions currently applied to first home buyers and owner-occupiers.

Chart 4.3: Victorian new housing finance commitments



Source: Australian Bureau of Statistics

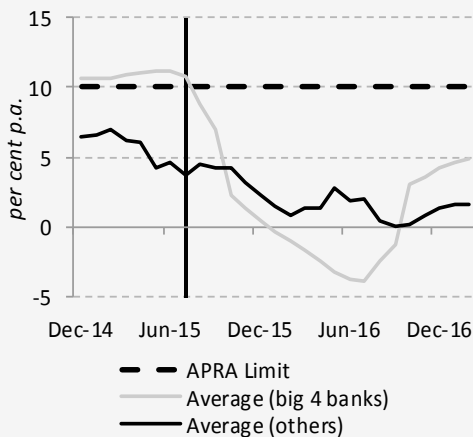
Predicting the behaviour of investors in the property market is difficult because investor decisions are only indirectly influenced by income and population fundamentals relative to owner-occupier purchases. Investors base their purchase decisions on rental market indicators, such as vacancy rates and yields, as well as on interest rates and state and federal taxation settings, which influence the expected return on investment or capital gain.

APRA introduced several prudential regulation measures in 2015-16 with the intention of managing the risks of excessive exposure to the residential property market among Australian authorised deposit-taking institutions (ADIs). These measures included:

- restrictions on lending at higher loan-to-value ratios (LVRs), extended terms, and for 'low doc' and interest-only loans;
- increased evidentiary requirements for loan applications backed by foreign income;
- a 10 per cent 'speed limit' on growth in ADI credit to investors; and
- increased capital requirements for Australian residential mortgage exposures by ADIs accredited to use the internal ratings-based (IRB) approach to credit risk.

This had a marked impact on lending to investors, as shown in Chart 4.4, with investor credit growth by Australia’s largest four banks falling sharply through 2015-16. However, its impact on Victorian property transactions and land transfer duty revenue was offset by increased growth in owner occupier finance, as shown in Chart 4.5.

Chart 4.4: Residential investment loans

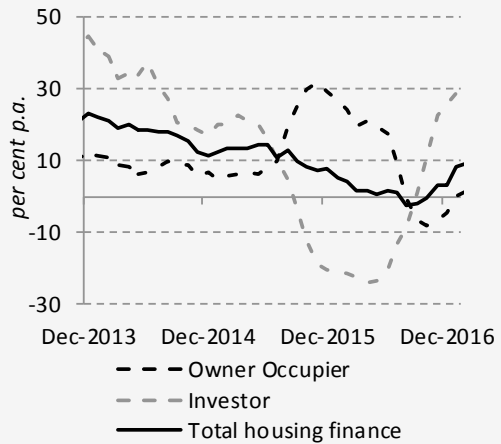


Source: Australian Prudential Regulation Authority.

Note:

(a) Australia’s largest four banks are ANZ, CBA, NAB and Westpac.

Chart 4.5: Victorian housing finance



Source: Australian Bureau of Statistics.

More recently however, the rate of investor credit growth has rebounded, and some ADIs are beginning to approach their 10 per cent credit growth speed limit. The amount of new finance to investors grew by 28.7 per cent in the year to 2017, although this was from a relatively low base.

APRA has responded by introducing new recommendations to financial institutions, reaffirming the 10 per cent limit on growth in investor credit, and limiting the share of interest-only loans to 30 per cent of new lending. This is expected to cool demand from investors, who tend to favour interest-only loans.

Some banks are taking steps to ensure they remain within the limits set by APRA, by imposing restrictions on refinancing for new investor customers. There is also some evidence lenders are limiting their exposure to some segments of the property market via stricter lending standards and higher interest rates for investors. Rising interest rates overseas are increasing borrowing costs on the wholesale funds market, and domestic banks have begun to pass on these cuts through out-of-cycle increases in mortgage interest rates. To date, these increases have been weighted towards investor and interest-only loans.

In addition to this, the Chinese government has recently tightened capital controls, which seek to restrict ‘non-rational’ overseas direct investment in areas such as property, entertainment and sporting industries. In addition to the winding up of the off-the-plan concession on newly built properties for investors, this may further soften foreign investor demand for Victorian property.

Land tax

Land tax is an annual tax assessed on the unimproved value of land (site value). Categories of land such as principal places of residence and primary production land are exempt under the *Land Tax Act 2005*. Effective from the 2017 calendar year, properties that are left unoccupied for six months or more in a calendar year will be subject to a tax of 1 per cent of the property's capital improved value. Additionally, the current biennial property valuation process for the calculation of land tax will be centralised within the Valuer-General Victoria and undertaken annually, aligning with practice in other Australian jurisdictions.

Land tax revenue in 2017-18 is forecast to be \$2.4 billion. The buoyant property market is expected to drive land tax revenue growth, leading to a higher 2018 revaluation estimate.

Growth areas infrastructure contribution

The growth areas infrastructure contribution (GAIC) applies to certain types of land in Melbourne's growth areas. The revenue is used to provide community infrastructure in these areas.

GAIC revenue is expected to be \$175 million in 2017-18, and is expected to grow by an annual average of 5.2 per cent over the next four years, broadly in line with projected nominal growth in the economy.

Conditions for developers in growth areas remain positive in an environment of strong population growth, high demand and a buoyant property market. Recent incentives for first home buyers will provide additional support for activity in the first home buyer segment of the GAIC market. Partially offsetting this, uncertainties around borrowing costs are expected to dampen demand in GAIC areas and this may lead to developers slowing land acquisitions.

Payroll tax

Payroll tax is levied on taxable Victorian wages, defined to include salaries, wages, commissions, bonuses, taxable fringe benefits and payments to some contractors. Since July 2014, a payroll tax rate of 4.85 per cent has been levied on businesses with a total taxable Australian wage bill above an annual tax-free threshold. The current threshold of \$575 000 for 2016-17 will be increased to \$650 000 by 1 July 2018. Additionally, from 1 July 2017, a lower payroll tax rate of 3.65 per cent will apply to businesses with payrolls that comprise at least 85 per cent regional employees. The threshold under which businesses can opt to make annual payroll tax payments, rather than monthly payments, will increase from annual payroll tax liabilities of \$10 000 to \$40 000.

Payroll tax revenue is expected to be \$5.9 billion in 2017-18. Monthly payroll collections for 2016-17 have been in line with expectations despite subdued wages growth, reflecting strong employment growth. Spare capacity and under-employment combined with strong growth in labour supply remains a risk for payroll tax revenue via wage outcomes.

Full-time employment has grown rapidly over the past 12 months, following four and a half years with little change. Part-time employment has also picked up in recent quarters following a period of subdued growth. As a result, the outlook for hours worked has improved substantially given the strength of both full-time and part-time employment.

Gambling taxes

Gambling taxes are imposed on public lotteries, electronic gaming machines (EGMs), the casino operator, racing and other forms of gambling. The taxes are typically in the form of a percentage of net expenditure, with the tax rate varying according to the category of gambling. Net expenditure is equal to the amount gambled less prizes or refunds to players. Gambling taxes include revenue associated with the relevant licence premiums.

As agreed at the Council on Federal Financial Relations meeting on 24 March 2017, the states and Commonwealth will consider a common national approach on examining a point of consumption tax for online gambling. At the next Council, Treasurers will consider a potential model that includes a National Consumer Protection Framework and provides for Commonwealth oversight. As part of this work Victoria is developing a point of consumption tax. This initiative will better align Victoria's wagering tax system with the increasingly digital betting environment.

Gambling tax revenue is forecast to be \$1.9 billion in 2017-18 and is expected to grow by an average of 1.8 per cent per year over the next four years. Gambling revenue has been downgraded over the forecast period to reflect lower than expected growth in lotteries revenue and to adjust for lower than expected taxes paid by Crown Casino.

Since the *2016-17 Budget*, expectations that lottery revenue growth was likely to improve, based on stronger performance of new products and marketing by Tattersalls, have not materialised. The budget forecasts have been revised down to reflect the historical trend in lottery player loss.

Levies on statutory corporations

The Environmental Contribution Levy continues for another three years from 2017-18. The levy will fund initiatives that seek to sustainably manage water or address the environmental impacts associated with water use, supporting the strategic priorities in the Government's new water plan, *Water for Victoria*.

Insurance taxes

Duty is payable on general insurance premiums, excluding life insurance, at a rate of 10 per cent. Examples include insurance against damage to, or loss of, motor vehicles and household contents. From 1 July 2017, insurance duty applicable to policies insuring agricultural products against damage from floods, fire and other accidental provisions will be abolished.

Insurance taxes are expected to generate \$1.3 billion in revenue in 2017-18, an increase of 6.0 per cent from 2016-17.

Despite solid growth projected, this forecast represents a modest downgrade since the *2016-17 Budget*. This is driven by slower growth expectations for 2016-17 due to a more gradual recovery in insurance premiums than anticipated. The outlook for 2017-18 and over the next four years reflects a return to growth more in line with trend, with the industry anticipating stronger demand for insurance in line with growth in the economy and population.

Motor vehicle taxes

Motor vehicle taxes include vehicle registration fees and duty on transfer and registration of vehicles. Motor vehicle registration fees vary according to vehicle type and use, while duty is calculated on the market value or the purchase price of the vehicle (whichever is greater).

Motor vehicle taxes are expected to generate \$2.5 billion in revenue in 2017-18 and grow by an average of 3.5 per cent per year over the next four years. Excluding policy changes, growth in the budget year of 3.4 per cent is driven by registration fees revenue, with more modest growth in stamp duty revenue.

From 1 July 2017, the rate of duty for new passenger vehicle purchases will increase from \$6.40 per \$200 or part thereof (3.2 per cent) to \$8.40 per \$200 or part thereof (4.2 per cent), on the dutiable value of vehicles that do not exceed the luxury car threshold.

Population growth contributes to vehicle population growth, which will support motor vehicle registration revenue in 2017-18. A slightly lower outcome in motor vehicle stamp duty revenue has decreased the revenue base in 2016-17, which is expected to flow through to the next four years. Stronger than expected population growth in 2016-17 is offset by lower than expected consumer sentiment, easing growth expectations in 2017-18.

Grants

Total grants revenue is expected to be \$29.8 billion in 2017-18, an increase of 8.3 per cent from 2016-17. Total grants revenue over the next four years is largely driven by GST revenue.

Table 4.3: Grants (\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
General purpose grants – goods and services tax	13 655	14 744	16 142	17 036	18 001
Specific purpose grants for on-passing	3 575	3 757	3 941	4 133	3 989
Other grants for specific purposes	10 022	10 503	11 072	9 604	9 835
Total	27 252	29 004	31 156	30 772	31 825
Other contributions and grants	274	814	759	847	455
Total grants	27 526	29 818	31 915	31 619	32 280

Source: Department of Treasury and Finance

GST revenue is forecast to grow by 8.0 per cent to \$14.7 billion in 2017-18 and grow by an average of 6.9 per cent per year over the following three years. This is driven by increases in the national GST pool and Victoria's GST relativity, the latter in part reflecting Victoria's rising share of national population growth.

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

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

National GST pool

The national GST pool is expected to be \$62.4 billion in 2017-18, growing by 4.8 per cent from 2016-17, in line with moderate growth in household consumption and below-trend growth in consumer prices. The pace of growth in GST-liable consumption is below that of total consumption growth as GST-exempt categories are growing faster than GST-liable categories.

Growth in national dwelling investment, which is also subject to GST, slowed in 2016-17 and is expected to ease somewhat further in 2017-18. This follows two years of strong growth in 2014-15 and 2015-16.

GST relativities

Victoria's GST relativity for 2017-18 has increased, in part reflecting continued strong population growth relative to other states.

Recent increases in commodity prices, particularly for coking coal and iron ore, will drive strong revenue growth in the mining states in 2016-17 and beyond. This will positively influence Victoria's GST relativities outlook as it increases the revenue raising capacity of the mining states relative to Victoria.

Table 4.4: Victoria's forecast GST relativities and share

	2016-17	2017-18	2018-19	2019-20	2020-21
	<i>actual</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Victoria's relativity ^(a)	0.90967	0.93239	0.96992	0.97474	0.98186
GST share (%) ^(b)	23.0	23.6	24.6	24.7	24.9
Victoria's population share (%) ^(b)	25.2	25.3	25.4	25.5	25.6

Source: Commonwealth Grants Commission (CGC); Department of Treasury and Finance

Notes:

(a) Victoria's GST relativity for 2017-18 as recommended by the Commonwealth Grants Commission

(b) The 2016-17 figures for GST and population shares are estimates.

Population

Victoria's population is forecast to grow by 1.9 per cent in 2017-18, slightly below growth of 2.0 per cent in 2016-17, but still above Victoria's historical average. Victoria's population growth is being driven by high levels of both net overseas and net interstate migration. With estimated national population growth of 1.5 per cent in 2017-18, Victoria's share of the national population is rising. This increases Victoria's share of the national GST pool. Table 4.4 shows changes in Victoria's share of national GST revenue, Victoria's relativity and population share.

Grants for on-passing

Table 4.5 summarises estimates of grants from the Commonwealth that are passed on to other entities.

Table 4.5: Grants for on-passing (\$ million)

	2016-17 revised	2017-18 budget	Change %
Commonwealth Government grants to local government			
<i>Financial assistance grants to local government (operating)</i>			
An equal per capita basis is used for distributing total assistance to the states and territories pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .			
	397	414	4.2
<i>Identified local roads grants to local government</i>			
Funding to local councils is provided on a per capita and road length basis pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .			
	145	151	4.1
Students First – A fairer funding agreement for schools			
Support for school services			
<i>Non-government schools</i>	3 033	3 193	5.3
Total grants for on-passing	3 575	3 757	5.1

Source: Department of Treasury and Finance

Grants for specific purposes

Table 4.6 lists Commonwealth grants for specific purposes, with detailed tables by expenditure category in Tables 4.7 to 4.13.

Table 4.6: Grants for specific purposes (\$ million)

	2016-17 revised	2017-18 budget	Change %
Affordable housing	360	366	1.8
Community services	557	623	11.8
Education	2 128	2 054	(3.5)
Environment	247	219	(11.1)
Health	4 924	4 944	0.4
Infrastructure	475	550	15.9
Contingent/Other	1 332	1 747	31.1
Total grants for specific purposes	10 022	10 503	4.8

Source: Department of Treasury and Finance

Table 4.7: Payments for affordable housing (\$ million)

	2016-17 revised	2017-18 budget	Change %
National Affordable Housing Agreement			
Funding for affordable, safe and sustainable housing that contributes to economic and social participation in the community.			
	337	343	1.8
National Partnerships			
<i>National Partnership Agreement on Homelessness</i>			
Provision of services to assist people who are homeless or at risk of homelessness achieve sustainable housing and social inclusion.			
	23	23	1.8
Total affordable housing	360	366	1.8

Source: Department of Treasury and Finance

Table 4.8: Payments for community services

(\$ million)

	2016-17 revised	2017-18 budget	Change %
National Disability Agreement			
Funding to ensure that people with disability and their carers have an enhanced quality of life and participate as valued members of the community.	374	388	3.9
Specialist Disability Services for over 65s			
From 1 July 2016, the Commonwealth Government is responsible for funding specialist disability services for people aged 65 years and over (for Indigenous people 50 years and over).	72	74	3.5
National Partnerships			
<i>Assistance to States for DisabilityCare Australia ^(a)</i>	65	111	69.5
<i>Pay equity for the social and community services sector</i>			
Funding for the Commonwealth's share of wage increases arising from Fair Work Australia's decision to grant an Equal Remuneration Order in the Social and Community Services sector.	44	48	9.5
Other	3	2	(31.4)
Total community services	557	623	11.8

Source: Department of Treasury and Finance

Note:

(a) Funding to assist the transition to the National Disability Insurance Scheme.

Table 4.9: Payments for education services (\$ million)

	2016-17 revised	2017-18 budget	Change %
Students First – A fairer funding agreement for schools			
Support for school services.			
<i>Government schools</i>	1 500	1 583	5.5
National Agreement for Skills and Workforce Development			
The National Agreement for Skills and Workforce Development provides funding for the delivery of training services.			
	371	378	1.7
National Partnerships			
<i>Early childhood education</i>			
Funding to assist Victoria to meet the Council of Australian Governments’ target of access to 15 hours of early childhood education a week for all children in the year before full-time school.			
	102	72	(28.8)
<i>Building Australia’s Future Workforce – Skills Reform ^(a)</i>			
Funding to support long-term reform in the vocational education and training sector.			
	128	..	(100.0)
<i>School Chaplaincy Program</i>			
Funding to support the emotional wellbeing of students by providing pastoral care services.			
	13	13	..
Other	14	8	(37.8)
Total education services	2 128	2 054	(3.5)

Source: Department of Treasury and Finance

Note:

(a) Agreement not currently continued beyond 2016-17.

Table 4.10: Payments for environment services

(\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	Change %
National Partnerships			
<i>Water for the Future</i>			
This represents a long-term Commonwealth initiative to better balance the water needs of communities, farmers and the environment. It contains a suite of urban and rural policies and programs, including significant funding for water purchasing, irrigation modernisation, desalination, recycling and stormwater capture.	44	10	(76.5)
<i>Goulburn-Murray Water Connections Project Trust</i>			
Funding for the Goulburn-Murray Water Connections Project to modernise, upgrade and improve the efficiency of the irrigation network in Northern Victoria.	165	166	0.3
<i>National Rivercare Program</i> ^(a)			
Funding to help communities, farmers and other land managers protect the natural environment.	21	22	1.4
Other	16	22	32.2
Total environment services	247	219	(11.1)

Source: Department of Treasury and Finance

Notes:

(a) Previously recorded as a component of the National Landcare Programme Regional Allocations.

Table 4.11: Payments for health services

(\$ million)

	2016-17 revised	2017-18 budget	Change %
National Health Reform Agreement			
The National Health Reform Agreement sets out the shared intention of the Commonwealth, state and territory governments to work in partnership for all Australians and ensure the sustainability of the Australian health system.	4 799	4 866	1.4
National Partnerships			
<i>Essential Vaccines Program</i>			
Funding is provided to the <i>Essential Vaccines Program</i> to deliver immunisation programs, reducing the incidence of vaccine preventable diseases.	34	34	0.5
<i>Aged Care Assessment Program</i>			
Funding for the Aged Care Assessment Program to assess the needs of frail, older people and assist them to gain access to the most appropriate types of health and aged care.	30	31	4.6
<i>Adult Public Dental Services</i> ^(a)			
Funding to assist states to reduce wait times and provide public dental services to adults.	19	..	(100.0)
<i>Improving Access to local care on Phillip Island</i> ^(b)			
Funding for the construction of a new health and medical hub in Cowes on Phillip Island.	2	..	
<i>Albury Wodonga Cardiac Catheterisation</i>			
Funding for two cardiac catheterisation laboratories at the Albury-Wodonga Hospital.	3	2	
<i>Victorian Cytology Service</i> ^(c)			
Funding for the Victorian Cytology Service to prevent morbidity and mortality from cervical cancer amongst Victorian women.	10	..	(100.0)
COAG – National Health and Hospitals Reform			
<i>National Reform Agenda for Organ and Tissue Donation</i>			
Funding to increase Australians' access to organ and tissue transplants.	9	9	(0.2)
Other	18	2	(87.5)
Total health services	4 924	4 944	0.4

Source: Department of Treasury and Finance

Notes:

(a) Funding beyond 2016-17 is under negotiation.

(b) Project to be completed in 2016-17.

(c) Agreement/funding ceases at the end of 2016-17.

Table 4.12: Payments for infrastructure services

(\$ million)

	2016-17 revised	2017-18 budget	Change %
National Partnerships			
<i>Commonwealth Infrastructure Investment Programme</i>			
In 2014, the State and Commonwealth governments signed a National Partnership Agreement on Land Transport Infrastructure Projects for agreed road and rail projects to be delivered under the Commonwealth Infrastructure Investment Programme. The agreement covers Commonwealth funding contributions to Victoria for agreed projects from 2014-15 to 2018-19.			
	447	529	18.3
Other payments to the State			
<i>Interstate Road Transport</i>			
The Federal Interstate Registration Scheme (FIRS) levies registration charges on vehicles engaged in interstate trade and commerce. The Commonwealth Government pays a share of revenue collected under the FIRS to states and territories, to cover the costs of maintenance and upkeep on roads used by these motor vehicles.			
	19	19	..
Other	8	2	(77.9)
Total infrastructure	475	550	15.9

Source: Department of Treasury and Finance

Table 4.13: Payments for contingent and other services

(\$ million)

	2016-17 revised	2017-18 budget	Change %
National Partnerships			
<i>Victoria Legal Aid</i>			
Funding for a share of the service delivery costs of Victoria Legal Aid on Commonwealth law matters.			
	59	57	(3.5)
<i>National Disaster Resilience Program</i>			
Funding to identify and address natural disaster risk priorities across the nation. Funding is provided by the Commonwealth for initiatives to create safer and sustainable communities by better enabling them to withstand the effects of floods, storms, fires and other natural disasters.			
	8	..	(100.0)
Other^(a)	1 265	1 690	33.6
Total other services	1 332	1 747	31.1

Source: Department of Treasury and Finance

Note:

(a) Includes payments from the Commonwealth yet to be allocated to specific purposes. The increase between 2016-17 and 2017-18 primarily reflects the expected rephasing of payments under the Commonwealth Government's asset recycling initiative.

SALES OF GOODS AND SERVICES

Revenue from the sales of goods and services is expected to grow by 4.4 per cent in 2017-18 to \$7.2 billion. This growth largely reflects an increase in the capital asset charge revenue from VicTrack associated with an increase in its asset base, and an increase in TAFE fees for service. Growth is expected to average 3.9 per cent per year over the following three years.

Table 4.14: Sales of goods and services (\$ million)

	2016-17	2017-18	2018-19	2019-20	2020-21
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Motor vehicle regulatory fees	224	206	217	224	258
Other regulatory fees	519	534	539	549	557
Sale of goods	76	79	80	82	84
Provision of services	4 088	4 257	4 396	4 667	4 906
Rental	73	74	75	76	77
Refunds and reimbursements	56	56	56	56	56
Inter-sector capital asset charge	1 850	1 981	2 103	2 153	2 160
Total sales of goods and services	6 886	7 187	7 465	7 807	8 097

Source: Department of Treasury and Finance

DIVIDENDS, INCOME TAX EQUIVALENT AND RATE EQUIVALENT REVENUE

This category comprises dividends, income tax and rate equivalent revenue received by the State from government business enterprises. Details are shown in Table 4.15.

Dividend and Income Tax Equivalent (ITE) revenue is projected to increase by 108 per cent in 2017-18 to \$1.2 billion. This growth is mainly due to an increase in dividends from the State Electricity Commission of Victoria (SECV) and the Victorian Managed Insurance Authority. In 2018-19 dividends and ITEs decline but stabilise thereafter.

Table 4.15: Dividends, income tax equivalent and rate equivalent revenue (\$ million)

	2016-17	2017-18	2018-19	2019-20	2020-21
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Dividends	323	958	316	246	301
Income tax equivalent revenue	230	201	258	385	460
Local government rate equivalent revenue	11	12	12	13	14
Total dividends, income tax equivalent and rate equivalent revenue	564	1 171	586	645	776

Source: Department of Treasury and Finance

INTEREST REVENUE

Interest revenue is earned on holdings of cash and deposits across a number of general government sector agencies, including departments, hospitals and schools.

Interest revenue is expected to be \$899 million in 2017-18, and decline by an average of 2.8 per cent per year over the following three years.

OTHER REVENUE

Other revenue includes fines, donations and gifts and royalties. These are shown in Table 4.16. Other revenue is projected to decrease by 6.2 per cent to \$2.5 billion in 2017-18, largely due to a large one-off increase in revenue in 2016-17 due to assets received free of charge associated with the transfer of Simonds Stadium from the Geelong City Council.

Table 4.16: Other revenue (\$ million)

	2016-17 <i>revised</i>	2017-18 <i>budget</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>	2020-21 <i>estimate</i>
Fines					
Road safety camera fines	374	393	401	411	421
Police on-the-spot fines	138	136	138	141	145
Toll road evasion fines	171	169	173	177	182
Non-traffic statutory and court fines	112	123	123	123	124
Total fines	794	820	836	853	871
Fair value of assets received free of charge or for nominal consideration	222	80	66	67	45
Royalties	81	95	90	90	98
Donations and gifts	287	248	245	235	234
Other non-property rental	21	21	21	21	22
Other miscellaneous revenue	1 252	1 238	1 267	1 278	1 290
Total other revenue	2 657	2 502	2 525	2 544	2 560

Source: Department of Treasury and Finance

CHAPTER 5 – TAX EXPENDITURES AND CONCESSIONS

Tax expenditures and concessions are important because they represent forgone revenue to the State. They may take a number of different forms in the tax system, for example, concessions, benefits and incentives delivered through the tax system. Regardless of form, they preferentially benefit certain taxpayers, activities or assets compared with normal taxation treatment.

This chapter takes into consideration the recently announced tax measures that formed part of the *Homes for Victorians* package designed to make homes more affordable for first home buyers. Starting 1 July 2017:

- land transfer duty will be abolished for first home buyers purchasing a home with a dutiable value of up to \$600 000. Further, first home purchases valued between \$600 000 and \$750 000 will receive a concession applied on a sliding scale; and
- reductions in off-the-plan stamp duty will only be available for those who qualify for the principal place of residence or the first home buyer stamp duty exemption/reduction. This gives owner-occupiers a competitive advantage against investors, and reflects the Government's objective of supporting first home buyers. The Government is applying the savings from this initiative to fund reductions in stamp duty for first home buyers.

The chapter also reflects the Government's decision to reduce the payroll tax rate applicable to regional businesses from 4.85 per cent to 3.65 per cent from 1 July 2017. Businesses are eligible for the lower payroll tax rate on their entire payroll provided they pay at least 85 per cent of their payroll to regional employees.

TAX EXPENDITURES

Tax expenditures are estimated by taking the difference between the reduced tax paid by a person or entity receiving preferential treatment and the tax paid by similar taxpayers who do not receive that treatment. Benefits arising from marginal tax rates and tax free thresholds are not considered to be tax expenditures, since they apply to all taxpayers. Accordingly, they are not included in this chapter.

Over the past decade, the State has forgone \$43.0 billion in revenue in the form of tax expenditures. In 2017-18, tax expenditures are forecast to be \$7.1 billion, more than a third of which will accrue to owner-occupier households.

Tax expenditures outlined below can include exemptions, reduced rates, deductions or rebates of tax for a certain type of taxpayer, activity or asset.

Table 5.1 aggregates tax expenditure estimates by the main tax categories for the period 2015-16 to 2020-21. In estimating tax expenditures, it is assumed that taxpayer behaviour is unchanged by the concession.

Land tax expenditures form a significant portion of total estimated tax expenditures. The biennial land revaluation determines a property's latest site value used in tax assessments for the following two years. Since the revaluation is performed on all land, including exempt land, increases arising from this revaluation also raise land tax expenditures. For example, a revaluation year such as 2016-17 causes strong growth in land tax expenditures, with more subdued growth in the following year, in this case 2017-18. Additionally, the current biennial property valuation process for the calculation of land tax will be centralised within the Valuer-General Victoria and undertaken annually, aligning with practice in other Australian jurisdictions.

Table 5.1: Estimates of aggregate tax expenditures by type of tax ^(a) (\$ million)

<i>Description</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>
Land tax ^(b)	2 990	4 219	3 978	4 646	5 005	5 290
Fire Services Property Levy	22	22	22	22	22	22
Payroll tax	1 196	1 183	1 337	1 399	1 466	1 544
Gambling tax	75	76	77	78	79	80
Motor vehicle taxes	178	189	206	214	221	230
Land transfer duties ^(c)	2 044	831	1 437	1 456	1 453	1 442
Congestion levy	52	53	53	55	56	58
Total estimated tax expenditures	6 557	6 572	7 111	7 868	8 303	8 665

Source: Department of Treasury and Finance

Notes:

- (a) All amounts have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding.
- (b) The biennial land revaluation causes strong growth in expenditures in 2016-17, with more subdued growth in the following year. This effect is removed from 2018-19 onwards given the move to annual valuation.
- (c) The high level of land transfer duty tax expenditures in 2015-16 was due to a significant increase in the value of corporate reconstruction exemptions. In December 2015, the State Revenue Office reviewed a series of related high value transactions that were subsequently found to be exempt under section 250 of the Duties Act 2000 (corporate reconstruction). Further, the high level of land transfer duty tax expenditure from 2017-18 reflects the abolished stamp duty for first time buyers and the retargeted off-the-plan stamp duty reductions/exemptions commencing from 1 July 2017.

Table 5.2 breaks down the aggregate tax expenditures that can be costed by type of tax. The table does not include revenue forgone from marginal tax rates and tax free thresholds, which had been captured in this table in past budgets. The table also shows that the 2016 revaluation cycle drove strong growth in land tax expenditures in 2016-17.

Table 5.2: Estimates of tax expenditures that can be costed ^{(a)(b)} (\$ million)

<i>Description</i>	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Land tax ^(c)						
Crown property (right of Victoria)	405	571	539	629	678	716
Principal place of residence	1 363	1 922	1 813	2 117	2 281	2 411
Land held in trust for public or municipal purposes or vested in any municipality	210	296	279	326	351	371
Land used by charitable institutions	145	205	193	225	243	257
Commonwealth land	212	299	282	329	354	375
Land used for primary production	350	494	465	544	586	619
Land vested in public statutory authorities	174	246	232	271	292	308
Land used for the CityLink network	26	36	34	40	43	45
Assessment on a single holding basis for land owned by a municipality	8	11	11	13	14	14
Partial exemption for non-profit organisations solely for social, sporting, cultural or literary purposes; or horse, pony or harness racing	11	16	15	18	19	20
Assessment on a single holding basis for land owned by charities	14	20	19	22	24	26
Retirement villages	21	30	28	33	36	38
Not-for-profit organisations providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	31	44	41	48	52	55
Land tax exemption for friendly societies	..	..	..	..	..	..
Associations of ex-servicemen	2	2	2	3	3	3
Caravan parks	5	7	6	7	8	8
Residential care facilities	12	17	16	19	20	22
Low cost accommodation	1	1	1	1	1	1
Land tax exemption for mining	..	1	..	1	1	1
Total land tax expenditures	2 990	4 219	3 978	4 646	5 005	5 290
Fire Services Property Levy						
Fire Services Property Levy concession for pensioners and Department of Veterans' Affairs cardholders	22	22	22	22	22	22
Total Fire Services Property Levy expenditures	22	22	22	22	22	22
Payroll tax						
Wages paid by public hospitals	374	393	431	450	471	495
Wages paid by public benevolent institutions/charities	323	274	301	315	330	348
Wages paid by non-profit non-government schools	180	181	199	208	219	231
Commonwealth departments/agencies (excluding transport and communication)	79	85	88	92	97	102
Wages paid by non-profit hospitals	38	40	44	46	48	51
Municipal councils (not wages for trading activities)	157	161	176	184	193	203
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986 (Commonwealth)</i>	13	14	17	17	18	19
Religious institutions	3	4	4	5	5	5
Construction industry leave entitlements paid by CoINVEST	4	4	4	5	5	5
Paid maternity leave	24	23	25	26	28	29
Wages paid to employees participating in voluntary emergency service work	1	1	1	1	1	1
Displaced apprentices and trainees	..	3	6	8	8	9
Reduce the payroll tax rate for regional businesses ^(d)			41	42	44	46
Total payroll tax expenditures	1 196	1 183	1 337	1 399	1 466	1 544

Table 5.2: Estimates of tax expenditures that can be costed (continued) (\$ million)

Description	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Congestion levy tax						
Residential	6	6	6	6	6	6
Commercial and private	46	47	47	49	50	51
Total congestion levy tax expenditures	52	53	53	55	56	58
Gambling tax						
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	75	76	77	78	79	80
Total gambling tax expenditures	75	76	77	78	79	80
Motor vehicle taxes						
Discounted registration fee for vehicles operated by Health Care Card holders and pensioners	124	131	147	154	161	169
Discounted registration fee for vehicles operated by totally and permanently incapacitated persons	2	2	2	2	2	2
Discounted registration fee for light vehicles operated by primary producers	7	8	8	8	8	8
Discounted registration fee for heavy vehicles operated by primary producers	39	42	42	42	42	42
Discounted registration for hybrid or electric cars	3	3	3	4	4	4
Discounted registration fee for trade apprentices	..	1	1	1	1	1
Stamp duty exemption on mobile plant registration	3	3	3	3	3	3
Total motor vehicle taxes expenditures	178	189	206	214	221	230
Land transfer duties						
Land transfer duty concession for first home buyers of properties valued up to \$600 000 ^(e)	240	194	352	422	456	488
Land transfer duty concession for farmers under 35 years of age	1	2	2	2	2	2
Stamp duty for corporate reconstruction	1 484	408	502	527	551	576
Conveyance duty concession for pensioners and concession cardholders	180	119	128	134	142	151
Stamp duty for principal place of residence	139	109	113	118	125	133
Off-the-plan stamp duty concession			342	254	176	92
Total land transfer duties expenditures^(f)	2 044	831	1 437	1 456	1 453	1 442
Total estimated tax expenditures	6 557	6 572	7 111	7 868	8 303	8 665

Source: Department of Treasury and Finance

Notes:

- (a) All amounts have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding.
- (b) Revenues forgone due to tax free thresholds are excluded, as they apply to all taxpayers. These estimates were previously included in Table 5.2.
- (c) The biennial land revaluation causes strong growth in expenditures in 2016-17, with more subdued growth in the following year. This effect is removed from 2018-19 onwards given the move to annual valuation.
- (d) From 1 July 2017, the Government is reducing the payroll tax rate applicable to regional businesses from 4.85 per cent to 3.65 per cent. Businesses are eligible for the lower payroll tax rate on their entire payroll provided they pay at least 85 per cent of their payroll to regional employees. All other businesses will continue to pay the current 4.85 per cent payroll tax rate.
- (e) Commencing from 1 July 2017, land transfer duty will be abolished for first home buyers purchasing a home with a dutiable value of not more than \$600 000. Further, first home purchases valued between \$600 000 and \$750 000 will receive a concession applied on a sliding scale.
- (f) The high level of land transfer duty tax expenditures in 2015-16 was due to a significant increase in the value of corporate reconstruction exemptions. In December 2015, the State Revenue Office reviewed a series of related high value transactions that were subsequently found to be exempt under section 250 of the Duties Act 2000 (corporate reconstruction). Further, the high level of land transfer duty tax expenditure from 2017-18 reflects the abolished stamp duty for first home buyers and the retargeted off-the-plan stamp duty reductions/exemptions commencing from 1 July 2017.

Table 5.3 shows the ratio of tax expenditures to revenue by the main categories of tax in 2017-18. Overall the ratio increases from 30 per cent in 2016-17 to 33 per cent in 2017-18, largely due to an increase in the land transfer duty tax expenditure reflecting changes to stamp duty for first time buyers. The overall ratio of tax expenditures for 2017-18 is higher than estimates over the past decade, which have risen from around 18 per cent in 2007-08.

Table 5.3: Estimated aggregate tax expenditures and tax revenue in 2017-18^(a) (\$ million)

<i>Description</i>	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	3 978	2 322	1.71
Payroll tax	1 337	5 920	0.23
Gambling tax	77	1 902	0.04
Motor vehicle taxes	206	2 425	0.09
Land transfer duties	1 437	6 239	0.23
Congestion levy	53	118	0.45
Fire Services Property Levy	22	684	0.03
Other/miscellaneous		2 186	0.00
Total for items estimated	7 111	21 797	0.33

Source: Department of Treasury and Finance

Note:

(a) All amounts have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding.

Table 5.4 estimates tax expenditures for groups of potential taxpayers based on the legal incidence of state taxes.

The largest beneficiaries of Victorian tax expenditures are owner-occupier households, mainly as a result of the principal place of residence being exempt from land tax. Revenue forgone from this group is expected to be around \$2.6 billion in 2017-18, an increase of \$394 million from 2016-17.

Revenue forgone from business not elsewhere included was \$1.6 billion in 2015-16, which is significantly higher than the estimates for the following years. This is due to the series of large corporate reconstruction exemptions under land transfer duty tax expenditures identified in Table 5.1 (footnote (c)).

Table 5.4: Estimated aggregate tax expenditures classified by persons or entities affected ^(a)

(\$ million)

<i>Description</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>
Business not elsewhere included	1 595	541	679	719	753	788
Construction industry	4	4	4	5	5	5
Charitable organisations other than religious institutions	483	499	514	563	597	631
Educational institutions	180	181	199	208	219	231
Gambling clubs	75	76	77	78	79	80
Commonwealth and State governments	870	1 201	1 140	1 321	1 421	1 501
Local government	375	468	466	523	558	588
Hospitals	412	433	475	496	519	546
Pensioners/concession cardholders	351	306	328	347	365	385
Owner-occupier households	1 741	2 225	2 619	2 911	3 039	3 124
Primary producers	398	545	517	595	637	671
Religious institutions	3	4	4	5	5	5
Sporting, recreation and cultural organisations	42	60	56	66	71	75
Other	28	29	31	33	35	37
Total for items estimated	6 557	6 572	7 111	7 868	8 303	8 665

Source: Department of Treasury and Finance

Note:

(a) All amounts have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding.

CONCESSIONS

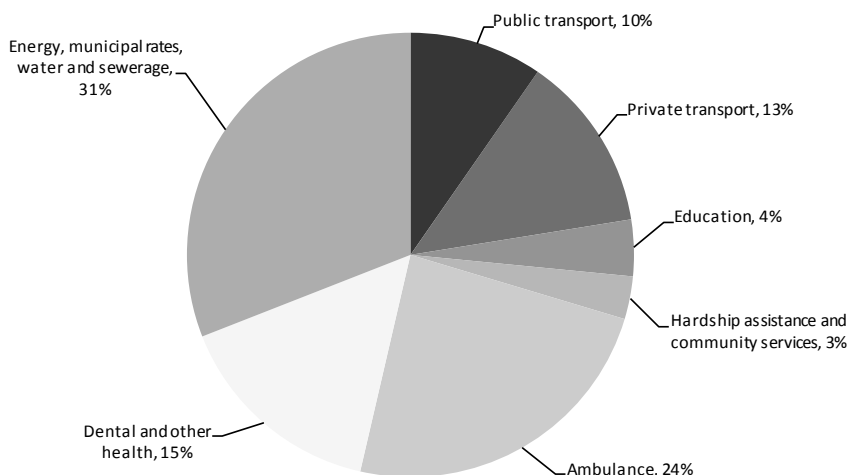
Concessions are a direct budget outlay or reduced government charges that have the effect of reducing the price of a good or service for particular groups. Over the past decade, the State has provided \$14.3 billion in concessions expenditure.

Certain characteristics of a consumer, such as possession of a Commonwealth Government pension card or 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 reduced or zero cost.

Chart 5.1 shows the estimated distribution of concessions by category for 2017-18. The two largest concession categories account for more than two-thirds of total concessions:

- health (including ambulance, dental and other health); and
- energy, municipal rates, water and sewerage.

Chart 5.1: Estimated concessions by category 2017-18



Source: Department of Treasury and Finance

Table 5.5 classifies the major concessions by category.

Eligible concession card holders receive reduced bills for energy, municipal rates, water and sewerage, funded by the State and paid to service providers.

Education concessions include concessions for preschool and for vocational education and training.

Hardship schemes include the Utility Relief Grants Scheme and payment to State Trustees through a Community Service Agreement. The Utility Relief Grants Scheme assists Victorians unable to pay utility bills due to temporary financial crisis. State Trustees provide trustee services, including managing the legal and financial affairs of Victorians unable to do so independently.

The social and community services category includes assistance to not-for-profit organisations such as Bereavement Assistance Limited, the Charity Freight Service and food relief organisations.

Private transport concessions consist of a discount on Transport Accident Commission premiums and funding of the Multi-Purpose Taxi Program.

Table 5.5: Concessions by category^(a) (\$ million)

<i>Description</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Electricity	165	153	174
Mains gas	63	63	70
Municipal rates	94	96	99
Water and sewerage	167	168	175
Total energy, municipal rates, water and sewerage^(b)	489	480	518
Ambulance	377	389	400
Dental services and spectacles ^(c)	155	168	139
Community health programs	111	108	119
Total health	643	665	658
Education^{(b)(d)}	93	69	69
Hardship schemes	42	44	47
Social and community services	6	6	5
Private transport	198	206	214
Public transport	147	154	161
Total for items estimated	1 617	1 623	1 671

Source: Department of Treasury and Finance

Notes:

- (a) All amounts have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding.
- (b) The lower concessions in 2016-17 reflects better alignment of funding and demand.
- (c) Concessions on dental services for 2016-17 have increased from the 2016-17 Budget Update due to the extension of the National Partnership Agreement (NPA) on Adult Public Dental Services (from July to December 2017) and the remainder of unspent 2015-16 NPA on Adult Public Dental Services into 2016-17. The reduction in 2017-18 is primarily due to the cessation of the NPA on Adult Public Dental Services in 2015-16.
- (d) Additional funding is available in the Victorian Training Guarantee.

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 1.

CONTINGENT ASSETS

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

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable. Table 6.1 below contains quantifiable contingent assets as at 24 April 2017.

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

	<i>As at Dec 2016 ^(a)</i>	<i>As at April 2017</i>
Guarantees, indemnities and warranties	8	16
Legal proceedings and disputes	6	10
Other ^(b)	102	103
Total contingent assets	117	128

Notes:

(a) As published in the 2016-17 Budget Update.

(b) Other contingent assets in the general government sector mainly consist of a contingent payment of \$100 million from Crown Melbourne, that may be payable in calendar year 2022.

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 Ltd 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 relation to works for improving traffic flows on the West Gate Freeway (between Lorimer and Montague streets), and in the vicinity of the intersection of Bulla Road and the Tullamarine Freeway. The claims were lodged on 20 May 2005 and 29 September 2006 respectively, and 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 opening Peninsula Link. The claim remains outstanding.

CONTINGENT LIABILITIES

Contingent liabilities are:

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

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

The table below contains quantifiable contingent liabilities as at 24 April 2017.

Table 6.2: Quantifiable contingent liabilities (\$ million)

	As at Dec 2016 ^(a)	As at April 2017
Guarantees, indemnities and warranties	257	257
Legal proceedings and disputes ^(b)	149	172
Other ^(b)	141	113
Non-general government debt ^(c)	10 972	11 128
Total contingent liabilities	11 518	11 670

Notes:

(a) As published in the 2016-17 Budget Update.

(b) Reflects reclassification of Department of Environment, Land, Water and Planning contingency from Other to Legal proceedings and disputes to better reflect its nature.

(c) Mainly represents the guarantee of borrowings provided by the Treasurer for the public sector borrowings portfolio.

Non-quantifiable contingent liabilities

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

- indemnities relating to transactions, including financial arrangements and consultancy services, as well as for directors and administrators;
- performance guarantees, warranties, letters of comfort and the like;
- deeds in respect of certain obligations; 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 Economic Development, Jobs, Transport and Resources, and La Trobe University) are backed by the State of Victoria under a State Support Deed. Under this Deed, the State ensures that the joint venture participants have 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 Training

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 or defamation.
- Teachers: if 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.

- School councils: the Department will usually indemnify school councils in claims of common law negligence, and will often indemnify in relation to employment disputes, for the cost of settlement and legal representation. The Department will take into account the impact of payment upon the school's educational program and any insurance cover for the school council, and will likely indemnify if the Department is satisfied that:
 - the school council acted in good faith and according to issued guidelines and directions; and
 - the school council has insufficient funds to pay the claim.

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

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

- loss on sale – an eligible landowner is entitled to compensation for the incremental loss on sale when a property affected by a public acquisition overlay is sold for less than its market value; 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 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, from 30 November 2009 until 30 November 2017. The major contingent liabilities arising in the event of early termination or expiry of the contract are:

- partnership assets – to maintain continuity of services, at early termination or expiry of the franchise contract, assets will revert to 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.

Level Crossing Removal Program

The State has introduced a voluntary purchase scheme for residential properties directly impacted by the Caulfield-Dandenong component of the Level Crossing Removal Program. The scheme commenced on 29 March 2016. The Level Crossing Removal Authority is anticipating future claims by property owners for either outright purchase and associated costs or costs related to landscaping if property owners choose to stay. Due to the uncertainty of the take-up of the offer, it is not feasible to quantify the value of the liability at this stage.

Fiskville independent investigation and closure of training college

An independent investigation was undertaken into the historical use of chemicals for live firefighting training at Fiskville 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.

On 26 March 2015, the Government announced the permanent closure of Fiskville Training College (Fiskville). Fiskville and Victorian Emergency Management Training Centre training grounds owned by CFA at Penshurst, Bangholme, West Sale, Wangaratta, Huntly, and Longerenong have been the subject of notices issued by the Environment Protection Authority (EPA).

CFA has a number of contingent liabilities arising from the closure of Fiskville and the notices issued by the EPA. These relate to any further notices that may be issued by the EPA, any regulatory infringements that may be imposed by the EPA, compensation that may be sought, any legal claims that may be made, recommendations made by the Victorian Parliamentary Inquiry into the CFA Training College at Fiskville and the costs of relocating the Firefighters' Memorial previously located at Fiskville.

The Government response to the Fiskville Inquiry was tabled in Parliament on 24 November 2016. The response supports all of the 31 recommendations of the Inquiry, either in full, in principle or in part.

The exact financial implications of the Government's response are yet to be quantified.

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 contamination is identified.

Native Title

A number of claims that affect Victoria have been filed with the Federal Court under the Commonwealth *Native Title Act 1993*. 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 pay a rights fee to retain the Australian Open at Melbourne Park until 2036.

In the *2010-11 Budget*, Stage one of the Melbourne Park redevelopment with a total estimated investment of \$363 million was announced. In January 2014, a further \$338 million of total estimated investment was announced by the State for Stage two of the redevelopment. In May 2017, a further \$232 million was announced by the State for Stage three for the redevelopment, which is expected to be completed in 2023.

Royal Melbourne Showgrounds redevelopment

Under the State's commitment to the Royal Agricultural Society of Victoria (RASV), the State backs certain obligations of RASV that may arise out of the joint venture agreement. Under the State's 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 25 years after the commencement of the operation term, RASV will be obliged to satisfy the 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 the State Support Deed – Non Core Land with Showgrounds Retail Developments Pty Ltd and the RASV, whereby the State guarantees certain payment obligations of the RASV 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*. The VMIA insures its clients for property, public and products liability, professional indemnity and contract works. The VMIA reinsures second losses in the private market for losses above \$50 million arising out of any one occurrence, up to a maximum of \$1 billion for public and products liability, and for losses above \$50 million arising out of any one event, up to a maximum of \$3.6 billion for property. The risk of losses above these reinsured levels is borne by the State.

The VMIA also insures the Department of Health and Human Services 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 the VMIA, the Department of Treasury and Finance has agreed to reimburse the VMIA if the ultimate claims payouts exceed by more than 20 per cent the initial estimate on which the risk premium was based.

2016 flood and storm events

During 2016, a number of flood and storm events affected a large number of local government areas (LGAs). The costs associated with these events are being shared between the Victorian and Commonwealth governments under the Commonwealth-State Natural Disaster Relief and Recovery Arrangements (NDRRA). The September/October 2016 storm and flood events impacted a total of 51 LGAs with widespread damage to local road and bridge infrastructure. In addition, Victoria was impacted by storm and flood events occurring on 5 July 2016 (impacting 5 LGAs), 11 November 2016 (in the LGA of Mildura) and 29 December 2016 (impacting on 19 LGAs).

As many of the affected councils are still assessing damage, it is not possible to quantify the financial effects of these events.

APPENDIX A – PUBLIC ACCOUNT

The Public Account is the Government's official bank account. The Public Account holds the cash balances of the Consolidated Fund and the Trust Fund. The State's financial transactions on the Public Account are recorded in the public ledger.

The *Financial Management Act 1994* (FMA), amongst other things, provides for:

- temporary advances from the Public Account for a number of purposes related to the needs of the Government;
- investment of the Public Account in trustee securities; and
- temporary borrowings, should the balance in the Consolidated Fund be insufficient to meet commitments during a financial year.

Consolidated Fund

The Consolidated Fund established by the FMA is the Government's primary financial account and receives all consolidated revenue under the *Constitution Act 1975* from which payments, appropriated by Parliament, are made.

The Trust Fund

Within the Public Account, the Trust Fund embraces a range of specific purpose accounts established for funds that are not subject to parliamentary appropriation. Examples include accounts to record specific purpose payments from the Commonwealth for on-passing by the State to third parties, suspense account balances for accounting purposes, working accounts for commercial and departmental service units, and accounts facilitating the receipt and disbursement of private funds held by the State in trust. Additional accounts may also be established within the Trust Fund to receive State revenues hypothecated to particular purposes (e.g. lotteries revenue for hospitals and charities).

A.1 The Consolidated Fund

Estimated receipts and payments for the year ending 30 June 2017 and 30 June 2018

	(\$ million)		
	2016-17 <i>budget</i>	2017-18 <i>budget</i>	<i>Variation</i> %
Receipts			
Taxation	20 906	21 989	5.2
Fines and regulatory fees	878	917	4.4
Grants received	18 218	19 632	7.8
Sales of goods and services (including Section 29 FMA annotated)	6 126	6 582	7.4
Interest received	518	507	(2.1)
Dividends and income tax equivalent and rate equivalent receipts	1 051	1 148	9.3
Other receipts	542	587	8.4
Total operating activities	48 240	51 362	6.5
Total cash inflows from investing and financing	12 511	7 036	(43.8)
Total receipts	60 750	58 398	(3.9)
Payments			
Special appropriations	11 227	4 311	(61.6)
Appropriations ^(a)			
Provision of outputs	39 741	43 081	8.4
Additions to the net asset base	2 947	4 300	45.9
Payments made on behalf of the State	7 575	8 213	8.4
Receipts credited to appropriation			
Provision of outputs	1 933	1 951	0.9
Additions to the net asset base	84	90	6.4
Sub total	63 508	61 945	(2.5)
Appropriations remaining unspent	(159)	(381)	139.6
Total payments	63 349	61 564	(2.8)
Net receipts/(payments)	(2 598)	(3 166)	21.8
Opening balance 1 July ^(b)	(105)	1 127	n.a.
Estimated closing balance 30 June	(2 704)	(2 039)	(24.6)

Source: Department of Treasury and Finance

Notes:

(a) Includes unapplied appropriations carried over from the previous year.

(b) The opening balance of cash and deposits for the 2017-18 Budget is based on the 2016-17 opening balances plus the estimated movements for the 2016-17 revised budget (see Appendix B Note B.10.1).

A.2 Consolidated Fund receipts

(\$ thousand)

	2016-17 budget	2017-18 budget	Variation %
Operating receipts			
Taxation			
Payroll tax	6 304 407	6 538 821	3.7
Land tax	2 226 318	2 366 866	6.3
Fire Services Property Levy	673 600	674 097	0.1
Congestion levy	114 827	117 960	2.7
Duties from financial and capital transactions			
Land transfer duty	5 765 586	6 216 635	7.8
Other duties	2 425	380	(84.3)
Growth areas infrastructure contribution	62 252	99 551	59.9
Metropolitan Planning Levy	17 100	27 300	59.7
Financial accommodation levy	148 812	153 797	3.3
Levies on statutory corporations	112 000	111 963	..
Gambling taxes	1 817 616	1 790 517	(1.5)
Insurance	1 219 857	1 289 235	5.7
Motor vehicle			
<i>Road Safety Act (Registration Fees) 1986</i>	1 542 382	1 605 911	4.1
Duty on vehicle registrations and transfers	802 371	925 388	15.3
Liquor licence fees	22 428	23 027	2.7
Other taxes	74 091	47 394	(36.0)
Total	20 906 070	21 988 843	5.2
Fines and regulatory fees			
Fines	371 792	402 522	8.3
Regulatory fees	506 591	514 149	1.5
Total	878 383	916 671	4.4
Grants received			
Grants received by department			
Department of Economic Development, Jobs, Transport and Resources	2 000	2 000	..
Department of Education and Training	..	7 500	..
Department of Environment, Land, Water and Planning	30 660	36 238	18.2
Department of Health and Human Services	28 765	43 414	50.9
Department of Justice and Regulation	3 214	582	(81.9)
Department of Treasury and Finance	18 153 382	19 542 652	7.7
Total	18 218 020	19 632 387	7.8
Sales of goods and services	6 126 445	6 581 897	7.4
Interest received	518 425	507 366	(2.1)
Dividends and income tax equivalent and rate equivalent revenue			
Dividends	776 420	932 076	20.0
Income tax equivalent revenue	263 072	203 585	(22.6)
Local government tax equivalent revenue	11 141	12 274	10.2
Total	1 050 634	1 147 935	9.3

A.2 Consolidated Fund receipts (*continued*)

(\$ thousand)

	2016-17 <i>budget</i>	2017-18 <i>budget</i>	Variation %
Other receipts			
Land rent received	19 517	17 931	(8.1)
Royalties received	84 902	94 673	11.5
Other	437 462	474 526	8.5
Total	541 881	587 130	8.4
Total operating activities	48 239 858	51 362 229	6.5
Cash in flows from investing and financing			
Other loans	655	655	..
Return of capital – government entities	405 700	148 535	(63.4)
Borrowings	12 104 276	6 886 967	(43.1)
Total cash inflows from investing and financing	12 510 631	7 036 157	(43.8)
Total Consolidated Fund receipts	60 750 490	58 398 386	(3.9)

Source: Department of Treasury and Finance

A.3 Consolidated Fund appropriations – summary

(\$ thousand)

	2016-17 budget	2017-18 budget	Variation %
Economic Development, Jobs, Transport and Resources			
Special appropriations	5 835	181 197	n.a.
Annual appropriations	9 852 921	10 575 346	7.3
Total	9 858 756	10 756 543	9.1
Education and Training			
Special appropriations	12 002	6 202	(48.3)
Annual appropriations	12 391 495	13 133 546	6.0
Total	12 403 497	13 139 748	5.9
Environment, Land, Water and Planning			
Special appropriations	62 252	92 860	49.2
Annual appropriations	2 021 683	2 235 227	10.6
Total	2 083 935	2 328 087	11.7
Health and Human Services			
Special appropriations	1 629 601	1 433 982	(12.0)
Annual appropriations	13 571 634	15 232 035	12.2
Total	15 201 235	16 666 017	9.6
Justice and Regulation			
Special appropriations	11 873	12 320	3.8
Annual appropriations	6 344 737	7 506 492	18.3
Total	6 356 610	7 518 812	18.3
Premier and Cabinet			
Special appropriations	81 125	49 290	(39.2)
Annual appropriations	495 623	599 729	21.0
Total	576 748	649 019	12.5
Parliament			
Special appropriations	68 731	63 943	(7.0)
Annual appropriations	159 891	179 134	12.0
Total	228 622	243 077	6.3
Courts			
Special appropriations	208 398	194 785	(6.5)
Annual appropriations	368 412	423 436	14.9
Total	576 810	618 221	7.2
Treasury and Finance			
Special appropriations	9 147 028	2 276 302	(75.1)
Annual appropriations	7 074 446	7 749 259	9.5
Total	16 221 472	10 025 561	(38.2)
Total special appropriations	11 226 845	4 310 881	(61.6)
Total annual appropriations	52 280 841	57 634 203	10.2
Total appropriations^(a)	63 507 685	61 945 084	(2.5)

Source: Department of Treasury and Finance

Note:

(a) Includes receipts credited to appropriation and unapplied previous year appropriations carried over.

A.4 Consolidated Fund payments – special appropriations

(\$ thousand)

	2016-17 budget	2017-18 budget	Variation %
Economic Development, Jobs, Transport and Resources			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	3 835	179 197	n.a.
<i>Transport (Compliance and Miscellaneous) Act, Section 213A(4)</i>	2 000	2 000	..
Total	5 835	181 197	3 005.3
Education and Training			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	11 719	5 919	(49.5)
<i>Education and Training Reform Act No. 24/26 of 2006, Section 5.6.8 – Volunteer Workers Compensation</i>	283	283	..
Total	12 002	6 202	(48.3)
Environment, Land, Water and Planning			
Payments to Growth Areas Public Transport Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	31 126	46 430	49.2
Payments to Building New Communities Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	31 126	46 430	49.2
Total	62 252	92 860	49.2
Health and Human Services			
<i>Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund</i>	18 227	18 739	2.8
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth Grants</i>	147	..	n.a.
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	225 703	33 316	(85.2)
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.11 – Hospitals and Charities Fund and Mental Health Fund</i>	865 599	884 891	2.2
<i>Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 – Hospitals and Charities Fund</i>	60 686	56 574	(6.8)
<i>Gambling Regulation Act No. 114 of 2003, Section 5.4.6 – Hospitals and Charities Fund and Mental Health Fund</i>	453 208	434 296	(4.2)
<i>Gambling Regulation Act No. 114 of 2003, Section 6A.4.4(1) – Contributions to Hospital and Charities Fund and Mental Health Fund</i>	6 032	6 166	2.2
Total	1 629 601	1 433 982	(12.0)
Justice and Regulation			
<i>Crown Proceedings Act No. 6232</i>	5 249	5 485	4.5
<i>EastLink Project Act No. 39 of 2004, Section 26</i>	1 995	2 095	5.0
<i>Emergency Management Act No 30 of 1986, Section 32 – Volunteer Workers Compensation</i>	347	356	2.6
<i>Melbourne City Link Act No. 107 of 1995, Section 14(4)</i>	3 216	3 291	2.3
<i>Victoria State Emergency Service Act No. 51 of 2005, Section 52 – Volunteer Workers Compensation</i>	948	972	2.5
<i>Work Cover Authority Fund, Corrections Act 1986, Part 9D, S.104ZW</i>	118	121	2.5
Total	11 873	12 320	3.8

A.4 Consolidated Fund payments – special appropriations (*continued*)

(\$ thousand)

	2016-17 budget	2017-18 budget	Variation %
Premier and Cabinet			
<i>Constitution Act No. 8750 – Executive Council</i>	50	50	..
<i>Constitution Act No. 8750 – Governor’s Salary</i>	213	218	2.5
<i>Electoral Act No. 23 of 2002, Section 181 – Electoral Expenses</i>	72 060	48 458	(32.8)
<i>Ombudsman Act No. 8414</i>	550	564	2.5
<i>Parliamentary Salaries and Superannuation Act No. 7723 of 1968 ^(b)</i>	8 252	..	n.a.
Total	81 125	49 290	(39.2)
Parliament			
<i>Audit Act No. 2 of 1994, Section 17(3) – Audit of Auditor-General’s Office</i>	25	33	32.0
<i>Constitution Act No. 8750, Section 94A – Auditor-General’s Salary</i>	573	558	(2.6)
<i>Constitution Act No. 8750 – Clerks of the Parliaments</i>	2	2	..
<i>Constitution Act No. 8750 – Legislative Assembly</i>	550	550	..
<i>Constitution Act No. 8750 – Legislative Council</i>	200	200	..
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	28 714	14 750	(48.6)
<i>Parliamentary Salaries and Superannuation Act No. 7723, Section 13(1) – Contributions</i>	9 300	9 300	..
<i>Parliamentary Salaries and Superannuation Act No. 7723 – Salaries and Allowances ^(b)</i>	29 367	38 550	31.3
Total	68 731	63 943	(7.0)
Courts			
<i>Constitution Act No. 8750 – Chief Justice</i>	779	814	4.5
<i>Constitution Act No. 8750 – President Court of Appeal</i>	626	654	4.4
<i>Constitution Act No. 8750 – Judges Court of Appeal</i>	7 497	7 833	4.5
<i>Constitution Act No. 8750 – Judges Supreme Court</i>	25 171	26 373	4.8
<i>County Court Act No. 6230 – Judges</i>	34 672	36 845	6.3
<i>Juries Act No. 53 of 2000, Section 59 – Compensation to Jurors</i>	26	27	3.8
<i>Magistrates Court Act No. 51 of 1989</i>	57 318	61 262	6.9
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Awards</i>	63 154	41 000	(35.1)
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Expenses</i>	3 176	3 301	3.9
<i>Victorian Civil and Administrative Tribunal Act 53 of 1998, Section 17AA</i>	15 980	16 678	4.4
Total	208 398	194 785	(6.5)

A.4 Consolidated Fund payments – special appropriations (*continued*)
 (\$ thousand)

	2016-17 budget	2017-18 budget	Variation %
Treasury and Finance			
<i>Constitution Act No. 8750 – Governor’s Pension</i>	1 056	1 083	2.5
<i>Constitution Act No. 8750 – Judges of the Supreme Court</i>	10 271	10 527	2.5
<i>County Court Act No. 6230 – Judges</i>	14 221	14 576	2.5
<i>Essential Services Commission Act No. 61 of 2001, Section 540 – Refund of Penalty</i>	200	200	..
<i>Financial Management Act No. 18 of 1994, Section 39 – Interest on Advances</i>	20 000	20 000	..
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.12 – Community Support Fund</i>	101 075	148 845	47.3
<i>Liquor Control Reform Act No. 94 of 1998, Section 177(2)</i>	3 500	3 500	..
<i>State Electricity Commission Act 1958, Section 85B(2) – Indemnity</i>	53 975	..	n.a.
<i>State Superannuation Act No. 50 of 1988, Section 90(2) – Contributions</i>	1 071 029	1 074 870	0.4
<i>Taxation Administration Act 1997, Section 121 – Funding for court costs awarded against the Commissioner of State Revenue</i>	..	1 000	..
<i>Taxation (Interest on Overpayments) Act No. 35 of 1986, Section 11</i>	1 000	1 000	..
<i>Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 – Debt Retirement</i>	7 870 700	1 000 700	(87.3)
Total	9 147 028	2 276 302	(75.1)
Total special appropriations	11 226 845	4 310 881	(61.6)

Source: Department of Treasury and Finance

Notes:

(a) Relates to previously applied appropriations.

(b) Reflects the transfer of the Ministerial payroll function from the Department of Premier and Cabinet to Parliament.

A.5 Consolidated Fund payments: total annual appropriations

Details of total annual appropriations for 2017-18 are outlined below, including estimated amounts of unapplied 2016-17 appropriation carried forward pursuant to Section 32 of the *Financial Management Act 1994* and certain revenue and asset sales proceeds credited to appropriation pursuant to Section 29 of the *Financial Management Act 1994*. Estimates for the *2017-18 Budget* are in **bold**. Estimates for the *2016-17 Budget* in *italics* reflect amounts published in the *2016-17 Budget*.

	(\$ thousand)			
	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Economic Development, Jobs, Transport and Resources				
Appropriation ^(a)	7 580 459	2 443 569	70 602	10 094 631
	<i>7 213 408</i>	<i>1 983 361</i>	<i>71 074</i>	<i>9 267 843</i>
Receipts credited to appropriation ^(b)	418 909	26 806	..	445 715
	<i>545 141</i>	<i>39 937</i>	..	<i>585 078</i>
Unapplied previous year appropriation carried over ^(c)	..	35 000	..	35 000

Total appropriation	7 999 369	2 505 375	70 602	10 575 346
	<i>7 758 549</i>	<i>2 023 298</i>	<i>71 074</i>	<i>9 852 921</i>
Education and Training				
Appropriation ^(a)	12 021 093	326 311	..	12 347 404
	<i>11 456 637</i>	<i>209 348</i>	..	<i>11 665 985</i>
Receipts credited to appropriation ^(b)	530 642	40 500	..	571 142
	<i>492 509</i>	<i>33 000</i>	..	<i>525 509</i>
Unapplied previous year appropriation carried over ^(c)	215 000	..	..	215 000
	<i>200 001</i>	..	..	<i>200 001</i>
Total appropriation	12 766 735	366 811	..	13 133 546
	<i>12 149 147</i>	<i>242 348</i>	..	<i>12 391 495</i>
Environment, Land, Water and Planning				
Appropriation ^(a)	1 257 099	119 546	641 954	2 018 599
	<i>1 101 417</i>	<i>87 751</i>	<i>629 300</i>	<i>1 818 468</i>
Receipts credited to appropriation ^(b)	133 566	9 986	..	143 552
	<i>115 031</i>	<i>2 975</i>	..	<i>118 006</i>
Unapplied previous year appropriation carried over ^(c)	59 575	11 250	2 250	73 075
	<i>59 511</i>	<i>18 755</i>	<i>6 944</i>	<i>85 210</i>
Total appropriation	1 450 241	140 782	644 204	2 235 227
	<i>1 275 958</i>	<i>109 481</i>	<i>636 244</i>	<i>2 021 683</i>

A.5 Consolidated Fund payments: total annual appropriations (continued)

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Health and Human Services				
Appropriation ^(a)	14 086 504	450 894	61 038	14 598 436
	12 847 970	181 793	..	13 029 763
Receipts credited to appropriation ^(b)	548 419	11 759	..	560 178
	462 041	7 750	..	469 791
Unapplied previous year appropriation carried over ^(c)	73 421	..	..	73 421
	72 080	..	..	72 080
Total appropriation	14 708 344	462 652	61 038	15 232 035
	13 382 091	189 543	..	13 571 634
Justice and Regulation				
Appropriation ^(a)	6 385 202	715 504	36 001	7 136 707
	5 584 113	324 411	54 462	5 962 986
Receipts credited to appropriation ^(b)	218 621	600	..	219 221
	218 131	600	..	218 731
Unapplied previous year appropriation carried over ^(c)	80 244	70 320	..	150 564
	72 396	90 625	..	163 021
Total appropriation	6 684 067	786 424	36 001	7 506 492
	5 874 639	415 636	54 462	6 344 737
Premier and Cabinet				
Appropriation ^(a)	498 004	7 100	..	505 104
	457 663	4 760	..	462 423
Receipts credited to appropriation ^(b)	600	..	..	600
	1 750	..	..	1 750
Unapplied previous year appropriation carried over ^(c)	94 025	..	..	94 025
	30 950	500	..	31 450
Total appropriation	592 629	7 100	..	599 729
	490 363	5 260	..	495 623
Treasury and Finance				
Appropriation ^(a)	286 857	52 590	7 401 314	7 740 761
	250 649	2 590	6 813 339	7 066 578
Receipts credited to appropriation ^(b)	8 498	..	..	8 498
	7 868	..	..	7 868
Unapplied previous year appropriation carried over ^(c)	..	..	..	..

Total appropriation	295 355	52 590	7 401 314	7 749 259
	258 517	2 590	6 813 339	7 074 446

A.5 Consolidated Fund payments: total annual appropriations (continued)

(\$ thousand)

	Provision of outputs	Additions to net asset base	Payments made on behalf of the State	Total
Parliament				
Appropriation ^(d)	140 286	6 000	..	146 286
	128 888	..	..	128 888
Receipts credited to appropriation ^(b)	26 098	..	..	26 098
	25 603	..	..	25 603
Unapplied previous year appropriation carried over ^(c)	6 750	..	..	6 750
	5 400	..	..	5 400
Total appropriation	173 134	6 000	..	179 134
	159 891	..	..	159 891
Courts				
Appropriation ^(a)	296 440	61 589	..	358 029
	259 719	43 286	..	303 005
Receipts credited to appropriation ^(b)	65 407	..	..	65 407
	65 407	..	..	65 407
Unapplied previous year appropriation carried over ^(c)	..	..	..	..

Total appropriation	361 846	61 589	..	423 436
	325 126	43 286	..	368 412

Source: Department of Treasury and Finance

Notes:

- (a) Appropriation (2017-18) Bill.
- (b) Financial Management Act 1994 Section 29.
- (c) Financial Management Act 1994 Section 32.
- (d) Appropriation (Parliament 2017-18) Bill.

A.6 Appropriation of certain revenue and asset sale proceeds pursuant to Section 29 of the *Financial Management Act 1994*

Estimated for the *2017-18 Budget* are in **bold**; estimates for the *2016-17 Budget* are in *italics*.
(\$ thousand)

<i>Department</i>	<i>Outputs</i>	<i>Receipt source</i>		<i>Total</i>
		<i>Commonwealth</i>	<i>Other^(a)</i>	
Economic Development, Jobs, Transport and Resources	85 801	359 914	..	445 715
	<i>83 185</i>	<i>501 893</i>	..	<i>585 078</i>
Education and Training	60 623	471 019	39 500	571 142
	<i>1 957</i>	<i>490 552</i>	<i>33 000</i>	<i>525 509</i>
Environment, Land, Water and Planning	76 762	56 804	9 986	143 552
	<i>49 445</i>	<i>68 560</i>	..	<i>118 006</i>
Health and Human Services	325 419	225 500	9 259	560 178
	<i>324 121</i>	<i>137 920</i>	<i>7 750</i>	<i>469 791</i>
Justice and Regulation	157 343	61 278	600	219 221
	<i>150 847</i>	<i>67 284</i>	<i>600</i>	<i>218 731</i>
Premier and Cabinet	600	..	..	600
	<i>1 750</i>	..	..	<i>1 750</i>
Treasury and Finance	8 498	..	..	8 498
	<i>7 868</i>	..	..	<i>7 868</i>
Parliament	26 098	..	..	26 098
	<i>25 603</i>	..	..	<i>25 603</i>
Courts	56 947	8 460	..	65 407
	<i>56 947</i>	<i>8 460</i>	..	<i>65 407</i>

Source: *Department of Treasury and Finance*

Note:

(a) *Includes asset sales and contributions from local governments.*

A.7 The Trust Fund

(\$ thousand)

	2016-17 budget	2016-17 revised	2017-18 budget	Variation %
Cash flows from operating activities				
Receipts				
Taxation	1 276 291	1 141 551	389 651	(69.5)
Regulatory fees and fines	11 600	57 059	17 194	48.2
Grants received	14 045 737	14 213 263	14 766 117	5.1
Sale of goods and services	137 553	150 159	95 994	(30.2)
Interest received	182 063	204 095	251 033	37.9
Net transfers from Consolidated Fund	7 861 809	3 837 372	3 625 429	(53.9)
Dividend receipts	12 975	18 865	12 935	(0.3)
Other receipts	140 662	128 990	124 347	(11.6)
	23 668 690	19 751 354	19 282 699	(18.5)
Payments				
Payments for employees	(170 073)	(179 159)	(191 584)	12.6
Superannuation	(13 405)	(13 026)	(12 778)	(4.7)
Interest paid	(7 314)	(5 585)	(5 381)	(26.4)
Grants and subsidies	(20 055 974)	(16 550 563)	(17 730 432)	(11.6)
Goods and services and other payments	(2 256 115)	(1 712 746)	(1 603 855)	(28.9)
	(22 502 880)	(18 461 079)	(19 544 030)	(13.1)
Net cash flows from operating activities	1 165 810	1 290 276	(261 330)	(122.4)
Cash flows from investing activities				
Purchases of non-financial assets	(1 406 975)	(60 038)	(553 399)	(60.7)
Sales of non-financial assets	34 200	43 610	34 200	..
Other investing activities	315 146	(1 176 175)	637 867	102.4
Net cash flows from investing activities	(1 057 629)	(1 192 602)	118 668	(111.2)
Cash flows from financing activities				
Net borrowings	(24 146)	(24 544)	(24 544)	1.7
Net cash flow from financing activities	(24 146)	(24 544)	(24 544)	1.7
Net cash inflow/(outflow)	84 035	73 129	(167 207)	(299.0)
Represented by:				
Cash and cash equivalents held at beginning of reporting period	3 717 132	3 717 132	3 790 261	2.0
Cash and deposits held at end of reporting period	3 801 167	3 790 261	3 623 054	(4.7)

Source: Department of Treasury and Finance

APPENDIX B – 2016-17 BUDGET OUTCOME INCORPORATING THE FINANCIAL REPORT FOR THE MARCH QUARTER 2017

The financial statements included in this appendix estimate the budget outcomes for the 2016-17 financial year, taking into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the *2016-17 Budget* to Parliament in May 2016. This appendix also presents the financial results for the general government sector for the nine months ended 31 March 2017, prepared in accordance with the *Financial Management Act 1994*.

FINANCIAL RESULTS FOR THE GENERAL GOVERNMENT SECTOR

Revised 2016-17 budget outcome and result for the period to 31 March 2017

As shown in Table B.1, the net result from transactions for 2016-17 is estimated at \$1.3 billion. For the nine months ended 31 March 2017, the general government sector reported a surplus of \$4.0 billion. The quarterly outcome is consistent with the full year estimate, taking account of the expected timing of revenues and expenses during the year.

The likely result of the 2016-17 financial year cannot be extrapolated from the results for the nine months ended 31 March 2017, due to seasonal and other factors impacting on the timing of activity and transactions.

Revenue from transactions

Revenue for the nine months ended 31 March 2017 totalled \$46.5 billion, representing 77 per cent of the revised budget estimate. This is above pro rata mainly due to the timing of levying certain taxation revenues such as land tax, the Fire Services Property Levy and the prepaid port licence fees associated with entering into a medium-term lease over the operations of the Port of Melbourne.

The Fire Services Property Levy and land tax assessments are recognised in the first quarter and third quarter of each year, respectively.

Expenses from transactions

Total expenses were \$42.6 billion, lower than the pro rata revised budget estimate at 72 per cent, mainly reflecting timing factors. Compared with the same time last year, expenditure is higher by \$2.9 billion (7.4 per cent) primarily due to increased service delivery in the health, education, transport and community safety sectors.

Other economic flows

Other comprehensive income for the period was \$4.3 billion. This primarily reflects an actuarial gain on the State's defined benefit superannuation plans. This actuarial gain is primarily attributable to favourable movements in the Commonwealth bond rates that underlie the key superannuation valuation assumptions. Higher than expected investment returns on superannuation assets also contributed to this gain.

It is important to note that movements in the superannuation liability associated with Commonwealth bond rate fluctuations arise solely due to the application of Australian Accounting Standards and do not affect the amount of cash required to fund the liability over time.

Balance sheet

The balance sheet presented in Table B.2 shows a net assets position of \$159.7 billion as at 31 March 2017, reflecting an increase of \$8.0 billion from 30 June 2016. This is primarily due to the receipt of proceeds from the medium-term lease over the operations of the Port of Melbourne, an increase in receivables relating to land tax following the issuing of the annual land tax assessments in the March quarter, and a reduction in the valuation of the superannuation liability, as explained above. This is partially offset by a decrease in investments in other sector entities also due to the Port of Melbourne transaction.

Cash flow statement

Movements in cash flows from operations shown in Table B.3 are consistent with the combined impact of the previously mentioned drivers associated with the operating statement and balance sheet.

Infrastructure investment

For the year to 31 March 2017, net infrastructure investment totalled \$5.3 billion, mainly reflecting investment in the transport, justice and health sectors.

Infrastructure investment to 31 March 2017

Major projects completed so far this year include:

- New Bendigo Hospital (stage one);
- Box Hill Hospital redevelopment;
- New Schools PPP project (tranche one);
- Port Capacity (Webb Dock) – substructure; and
- Regional Rolling Stock.

Major projects under procurement or in progress include:

- Ballarat Line Upgrade;
- Bendigo Hospital (stage two);
- Casey Hospital Expansion;
- CityLink–Tulla widening;
- Chandler Highway Bridge duplication;
- Drysdale Bypass and High Street upgrades;
- Echuca-Moama Bridge;
- Goulburn-Murray Water Connections Project (Northern Victoria Irrigation Renewal Project);
- Goulburn Valley Health redevelopment;
- Joan Kirner Women’s and Children’s Hospital;
- Level Crossing Removal Program;
- M80 Ring Road Upgrade – Sunshine Avenue to Calder Freeway;
- M80 Ring Road Upgrade – Princes Freeway to Western Highway;
- Melbourne Convention and Exhibition Centre – Stage 2 Development;
- Melbourne Park redevelopment – stage two;
- Mernda Rail Extension Project;
- Metro Tunnel;
- Monash Children’s Hospital;
- Murray Basin Rail Project;
- New Schools PPP project (tranche two);
- New trains, trams and associated infrastructure for Melbourne commuters;
- Princes Highway duplication project – Winchelsea to Colac;
- Ravenhall Prison;
- Royal Victorian Eye and Ear Hospital redevelopment;

- Thompsons Road duplication;
- West Gate Tunnel Project;
- Western Highway duplication;
- Western Suburbs Roads Package; and
- Yan Yean Road duplication.

B.1 CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the period ended 31 March

(\$ million)

2015-16 actual to Mar		Notes	2016-17			Budget to	Change %
			actual to Mar	revised budget	published budget	revised budget change	
Revenue from transactions							
15 542	Taxation revenue	B.6.1	17 542	22 189	21 594	595	3
580	Interest revenue		605	889	881	8	1
560	Dividends, income tax equivalent and rate equivalent revenue	B.6.2	494	564	1 059	(495)	(47)
4 792	Sales of goods and services	B.6.3	5 153	6 886	6 843	42	1
19 179	Grant revenue	B.6.4	20 874	27 526	27 424	102	..
2 215	Other revenue	B.6.5	1 858	2 657	2 569	88	3
42 869	Total revenue from transactions		46 527	60 711	60 370	341	1
Expenses from transactions							
14 635	Employee expenses		15 684	22 060	21 298	762	4
660	Net superannuation interest expense	B.7.3	519	692	791	(100)	(13)
1 635	Other superannuation	B.7.3	1 728	2 343	2 239	104	5
1 806	Depreciation	B.8.2	1 894	2 671	2 620	52	2
1 554	Interest expense		1 511	2 012	2 433	(421)	(17)
6 987	Grant expense		7 930	10 378	9 451	927	10
12 356	Other operating expenses		13 301	19 210	18 669	542	3
39 633	Total expenses from transactions	B.7.4	42 567	59 367	57 501	1 866	3
3 236	Net result from transactions – net operating balance		3 960	1 344	2 869	(1 525)	(53)
Other economic flows included in net result							
(3)	Net gain/(loss) on disposal of non-financial assets		33	72	73	(1)	(2)
(32)	Net gain/(loss) on financial assets or liabilities at fair value		35	22	11	11	99
2	Share of net profit/(loss) from associates/joint venture entities		(3)	..	..	..	..
(385)	Other gains/(losses) from other economic flows	B.11.1	(267)	(388)	(318)	(71)	22
(417)	Total other economic flows included in net result		(202)	(295)	(234)	(61)	26
2 818	Net result		3 758	1 049	2 635	(1 586)	(60)
Other economic flows – other comprehensive income							
Items that will not be reclassified to net result							
(22)	Changes in non-financial assets revaluation surplus		(64)	3 206	109	3 098	..
(1 978)	Remeasurement of superannuation defined benefits plans	B.7.3	3 601	3 852	877	2 975	339
9	Other movements in equity		83	171	(1)	171	..

B.1 CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT (continued)

For the period ended 31 March

(\$ million)

2015-16 actual to Mar	Notes	2016-17			Budget to revised budget change	Change %
		actual to Mar	revised budget	published budget		
Items that may be reclassified subsequently to net result						
(54)	Net gain/(loss) on financial assets at fair value	60	1	1	..	7
(327)	Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets ^(a)	644	305	2 707	(2 402)	(89)
(2 371)	Total other economic flows – other comprehensive income ^(a)	4 324	7 535	3 693	3 843	104
447	Comprehensive result – total change in net worth ^(a)	8 082	8 585	6 328	2 257	36
3 236	Net operating balance	3 960	1 344	2 869	(1 525)	(53)
551	Less: Net acquisition of non-financial assets from transactions ^(b)	1 126	1 029	1 104	(75)	(7)
2 684	Net lending/(borrowing) ^(b)	2 833	315	1 765	(1 450)	(82)

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

(a) March 2015-16 comparative figures have been restated to reflect more current information, mainly reflecting adjustments outlined in the 2015-16 Financial Report.

(b) 2016-17 Budget figures have been restated to reflect more current information.

B.2 CONSOLIDATED BALANCE SHEET

As at 31 March

(\$ million)

2015-16 actual 31 Mar	Notes	2016-17				Opening to revised budget change	Opening to published budget change	
		opening 1 Jul	actual 31 Mar	revised budget	published budget ^(a)			
Assets								
Financial assets								
4 415	Cash and deposits	B.11.2	4 772	3 900	4 885	5 201	113	429
4 539	Advances paid		4 582	13 648	12 392	10 118	7 810	5 536
6 450	Receivables	B.9.1	5 566	7 108	5 606	5 601	40	35
3 745	Investments, loans and placements		2 853	5 720	3 597	2 943	743	89
45	Investments accounted for using the equity method		46	44	46	46	..	..
82 818	Investments in other sector entities		94 710	89 043	90 708	95 242	(4 002)	532
102 011	Total financial assets		112 531	119 462	117 235	119 151	4 705	6 621
Non-financial assets								
175	Inventories		188	187	191	191	3	3
165	Non-financial assets held for sale		188	182	179	186	(10)	(2)
107 948	Land, buildings, infrastructure, plant and equipment	B.8.1	114 254	115 219	118 593	115 572	4 338	1 317
1 068	Other non-financial assets	B.8.7	1 081	1 353	1 275	1 103	194	22
109 356	Total non-financial assets		115 711	116 941	120 237	117 052	4 526	1 341
211 368	Total assets		228 242	236 403	237 472	236 203	9 230	7 962
Liabilities								
529	Deposits held and advances received		706	9 913	8 528	6 288	7 822	5 582
5 413	Payables	B.9.2	5 773	5 227	5 426	5 663	(347)	(110)
34 078	Borrowings		33 811	28 684	30 471	30 391	(3 340)	(3 420)
5 676	Employee benefits	B.7.2	6 137	6 050	6 548	6 534	411	397
28 032	Superannuation	B.7.3	29 291	25 944	25 424	28 453	(3 866)	(838)
802	Other provisions		829	858	845	852	16	23
74 529	Total liabilities		76 547	76 676	77 243	78 181	696	1 634
136 838	Net assets		151 695	159 727	160 229	158 022	8 535	6 327
46 586	Accumulated surplus/(deficit)		44 454	51 874	49 597	47 963	5 143	3 509
90 203	Reserves		107 191	107 853	110 633	110 009	3 441	2 818
50	Non-controlling interest		50	..	..	50	(50)	..
136 838	Net worth		151 695	159 727	160 229	158 022	8 535	6 327
FISCAL AGGREGATES								
27 482	Net financial worth		35 984	42 787	39 993	40 970	4 009	4 986
55 336	Net financial liabilities		58 727	46 256	50 716	54 272	(8 011)	(4 454)
21 908	Net debt		22 309	15 330	18 124	18 418	(4 184)	(3 891)

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

(a) Balances represent actual opening balances at 1 July 2016 plus 2016-17 budgeted movements.

B.3 CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 March

(\$ million)

2015-16		2016-17			Budget to	
actual		actual	revised	published	revised	Change
to Mar	Notes	to Mar	budget	budget	budget	%
Cash flows from operating activities						
Receipts						
14 683	Taxes received	16 004	22 083	21 483	600	3
19 175	Grants	20 872	27 526	27 424	102	..
5 194	Sales of goods and services ^(a)	5 811	7 613	7 602	11	..
555	Interest received	605	889	881	9	1
714	Dividends, income tax equivalent and rate equivalent receipts	580	584	1 079	(495)	(46)
1 880	Other receipts	1 192	2 021	1 877	144	8
42 201	Total receipts	45 064	60 716	60 345	371	1
Payments						
(14 595)	Payments for employees	(15 677)	(21 652)	(20 902)	(749)	4
(2 188)	Superannuation	(1 993)	(3 049)	(2 991)	(57)	2
(1 549)	Interest paid	(1 521)	(1 975)	(2 396)	421	(18)
(7 028)	Grants and subsidies	(8 099)	(10 465)	(9 501)	(964)	10
(12 611)	Goods and services ^(a)	(13 586)	(19 203)	(18 729)	(474)	3
(532)	Other payments	(540)	(729)	(624)	(105)	17
(38 503)	Total payments	(41 417)	(57 072)	(55 143)	(1 929)	3
3 698	Net cash flows from operating activities	3 647	3 644	5 202	(1 558)	(30)
Cash flows from investing activities						
(2 991)	Purchases of non-financial assets	B.7.5 (5 083)	(7 834)	(7 206)	(628)	9
103	Sales of non-financial assets	114	392	487	(95)	(19)
(2 888)	Net cash flows from investments in non-financial assets	(4 969)	(7 442)	(6 720)	(723)	11
(266)	Net cash flows from investments in financial assets for policy purposes	(365)	680	391	289	74
(3 155)	Sub-total	(5 335)	(6 763)	(6 328)	(434)	7
(425)	Net cash flows from investments in financial assets for liquidity management purposes	(2 780)	(728)	(84)	(643)	762
(3 580)	Net cash flows from investing activities	(8 114)	(7 490)	(6 413)	(1 077)	17
Cash flows from financing activities						
..	Advances received (net)	9 096	7 860	5 583	2 277	41
4	Net borrowings	(5 612)	(3 862)	(3 943)	80	(2)
11	Deposits received (net)	111	(38)	..	(38)	..
..	Other financing (net)	..	..	..	..	..
15	Net cash flows from financing activities	3 595	3 959	1 640	2 320	141
133	Net increase/(decrease) in cash and cash equivalents	(872)	113	429	(315)	(74)
4 282	Cash and cash equivalents at beginning of reporting period	4 772	4 772	4 772	..	..
4 415	Cash and cash equivalents at end of the reporting period	B.11.2 3 900	4 885	5 201	(315)	(6)

B.3 CONSOLIDATED CASH FLOW STATEMENT *(continued)*

For the period ended 31 March

(\$ million)

2015-16		2016-17			Budget to	
<i>actual</i>		<i>actual</i>	<i>revised</i>	<i>published</i>	<i>revised</i>	<i>Change</i>
<i>to Mar</i>	<i>Notes</i>	<i>to Mar</i>	<i>budget</i>	<i>budget</i>	<i>budget</i>	<i>%</i>
					<i>change</i>	
FISCAL AGGREGATES						
3 698	Net cash flows from operating activities	3 647	3 644	5 202	(1 558)	(30)
(2 888)	Net cash flows from investments in non-financial assets	(4 969)	(7 442)	(6 720)	(723)	11
810	Cash surplus/(deficit)	(1 323)	(3 798)	(1 518)	(2 280)	150

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

(a) Inclusive of goods and services tax.

B.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>
2015-16 (actual)		
Balance at 1 July 2015	45 764	50
Net result for the year	2 818	..
Other comprehensive income for the year	(1 974)	..
Transfer to accumulated surplus	(22)	..
Total equity as at 31 March 2016	46 586	50
2016-17 (actual)		
Balance at 1 July 2016	44 454	50
Net result for the year	3 758	..
Other comprehensive income for the year	3 662	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	(50)
Total equity as at 31 March 2017	51 874	..
2016-17 (revised)		
Balance at 1 July 2016	44 454	50
Net result for the year	1 049	..
Other comprehensive income for the year	4 039	..
Transfer to accumulated surplus	55	..
Transactions with owners in their capacity as owners	..	(50)
Total equity as at 31 March 2017	49 597	..
2016-17 (budget)		
Balance at 1 July 2016	44 454	50
Net result for the year	2 635	..
Other comprehensive income for the year	875	..
Transfer to accumulated surplus	..	..
Total equity as at 31 March 2017	47 963	50

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

(a) March 2015-16 comparative figures have been restated to reflect more current information, mainly reflecting adjustments outlined in the 2015-16 Financial Report.

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus ^(a)</i>	<i>Other reserves</i>	<i>Total</i>
43 355	46 494	728	136 391
..	..	..	2 818
(22)	(327)	(48)	(2 371)
22	..	..	..
43 355	46 167	680	136 838
49 613	57 027	551	151 695
..	..	..	3 758
(64)	644	82	4 324
..
..	..	..	(50)
49 549	57 671	633	159 727
49 613	57 027	551	151 695
..	..	..	1 049
3 206	305	(15)	7 535
(55)	..	..	..
..	..	..	(50)
52 765	57 332	536	160 229
49 613	57 027	551	151 695
..	..	..	2 635
109	2 707	2	3 693
..
49 722	59 733	554	158 022

B.5 ABOUT THIS REPORT

Basis of preparation

This March Quarterly Financial Report presents the unaudited consolidated financial statements for the general government sector for the nine months ended 31 March 2017.

The accounting policies applied are consistent with those applied for the financial statements published in the *2015-16 Financial Report* for the State of Victoria. This quarterly financial report does not include all the notes normally included with the annual financial report, so this report should be read in conjunction with the *2015-16 Financial Report*.

Statement of compliance

These financial statements have been prepared in accordance with section 26 of the *Financial Management Act 1994*, having regard to the recognition and measurement principles of the applicable Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB). The financial statements are also presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where applicable, those paragraphs of AAS applicable to not-for-profit entities have been applied.

Basis of accounting and measurement

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

Reporting entity

The general government sector 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 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, which is financed mainly through taxes and other compulsory levies.

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

Basis of consolidation

The March Quarterly Financial Report includes all reporting entities in the general government sector that are controlled by the State. Information on entities consolidated for the general government sector is included in Note 7.4 of Chapter 1 for this budget paper. In the process of reporting the general government sector as a single economic entity, all material transactions and balances in the sector are eliminated.

B.6 HOW FUNDS ARE RAISED

Introduction

This section presents the sources and amounts of revenue raised by the general government sector.

Revenue from transactions is recognised to the extent that it is probable that the economic benefits will flow to the general government sector and the revenue can be reliably measured at fair value.

B.6.1 Taxation revenue

		(\$ million)	
2015-16 actual to Mar		2016-17 actual to Mar	revised budget
4 009	Taxes on employers' payroll and labour force	4 224	5 727
	Taxes on immovable property		
1 636	Land tax	2 427	2 499
662	Fire Services Property Levy	669	669
83	Congestion levy	105	116
158	Metropolitan improvement levy	165	166
	Financial and capital transactions		
4 509	Land transfer duty	4 537	6 020
16	Metropolitan planning levy	21	27
116	Financial accommodation levy	101	136
105	Growth Areas Infrastructure Contribution	136	166
7 287	Total taxes on property	8 161	9 799
	Gambling taxes		
332	Public lotteries	300	420
816	Electronic gaming machines	811	1 101
164	Casino	162	232
59	Racing	57	75
17	Other	21	26
82	Levies on statutory corporations	82	112
871	Taxes on insurance	923	1 216
2 340	Total taxes on the provision of goods and services	2 355	3 182
	Motor vehicle taxes		
1 078	Vehicle registration fees	1 149	1 539
577	Duty on vehicle registrations and transfers	607	807
21	Liquor licence fees	22	23
230	Other	1 024	1 112
1 906	Total taxes on the use of goods and performance of activities	2 802	3 480
15 542	Total taxation revenue	17 542	22 189

B.6.2 Dividends, income tax equivalent and rate equivalent revenue

(\$ million)

<i>2015-16 actual to Mar</i>		<i>2016-17 actual revised to Mar budget</i>	
223	Dividends from PFC sector	159	167
124	Dividends from PNFC sector	122	123
22	Dividends from non-public sector	29	33
368	Dividends	310	323
14	Income tax equivalent revenue from PFC sector	2	2
173	Income tax equivalent revenue from PNFC sector	178	228
187	Income tax equivalent revenue	180	230
5	Local government rate equivalent revenue	4	11
560	Total dividends, income tax equivalent and rate equivalent revenue	494	564

Dividends by entity

(\$ million)

<i>2015-16 actual to Mar</i>		<i>2016-17 actual revised to Mar budget</i>	
73	Victorian Managed Insurance Authority	154	162
116	Transport Accident Commission	..	..
32	Treasury Corporation of Victoria	..	..
1	State Trustees Ltd	2	2
2	Victorian Funds Management Corporation	4	4
223	Dividends from PFC sector	159	167
..	Melbourne Water Corporation	28	28
10	City West Water Corporation	13	13
26	South East Water Corporation	47	47
24	Yarra Valley Water Corporation	23	23
7	Victorian Ports Corporation (Melbourne)	..	..
50	State Electricity Commission of Victoria	..	..
5	Development Victoria	9	10
1	Others	2	2
124	Dividends from PNFC sector	122	123

B.6.3 Sales of goods and services

(\$ million)

2015-16 actual to Mar		2016-17 actual to Mar		revised budget
189	Motor vehicle regulatory fees	177		224
385	Other regulatory fees	449		519
76	Sale of goods	66		76
2 763	Provision of services	3 008		4 088
53	Rental	55		73
20	Refunds and reimbursements	11		56
1 307	Inter-sector capital asset charge	1 387		1 850
4 792	Total sales of goods and services	5 153		6 886

B.6.4 Grant revenue

(\$ million)

2015-16 actual to Mar		2016-17 actual to Mar		revised budget
9 674	General purpose grants	10 318		13 655
3 005	Specific purpose grants for on-passing	3 404		3 575
6 433	Other specific purpose grants	7 072		10 022
19 112	Total	20 794		27 252
67	Other contributions and grants	80		274
19 179	Total grant revenue	20 874		27 526

B.6.5 Other revenue

(\$ million)

2015-16 actual to Mar		2016-17 actual to Mar		revised budget
9	Fair value of assets received free of charge or for nominal consideration	196		222
588	Fines	583		794
41	Royalties	59		81
185	Donations and gifts	187		287
21	Other non-property rental	19		21
1 372	Other miscellaneous revenue	814		1 252
2 215	Total other revenue	1 858		2 657

B.7 HOW FUNDS ARE SPENT

Introduction

This section accounts for the major components of expenditure incurred by the general government sector towards operating activities (expenses from transactions) and on capital or infrastructure projects during the year, as well as any related obligations outstanding as at 31 March 2017.

B.7.1 Employee expenses and provision for outstanding employee benefits

Employee expenses (operating statement)

Employee expenses in the operating statement are a major component of operating costs and include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements and redundancy payments. The majority of employee expenses in the operating statement are wages and salaries. Increases in employee expenses are mainly due to increased service delivery and salary growth in line with wages policy in the health and education sectors and community safety.

Employee expenses (balance sheet)

As part of annual operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. Table 7.2 shows the key components of this provision at 31 March.

B.7.2 Employee benefits (balance sheet)

		(\$ million)		
2015-16 actual 31 Mar		opening 1 Jul	2016-17 actual 31 Mar	revised budget
	Current			
262	Accrued salaries and wages	376	276	398
12	Other employee benefits	24	59	61
1 260	Annual leave	1 433	1 361	1 540
3 423	Long service leave	3 513	3 555	3 667
4 957	Total current employee benefits and on-costs	5 347	5 251	5 666
	Non-current			
719	Long service leave	791	799	882
719	Total non-current employee benefits and on-costs	791	799	882
5 676	Total employee benefits and on-costs	6 137	6 050	6 548

B.7.3 Superannuation (gain)/expense recognised in the operating statement

		(\$ million)	
2015-16 actual to Mar		2016-17 actual to Mar	revised budget
	Defined benefit plans		
660	Net superannuation interest expense	519	692
577	Current service cost	634	843
	Remeasurements:		
(589)	Expected return on superannuation assets excluding interest income	(755)	(1 006)
1 211	Other actuarial (gain)/loss on superannuation assets	(475)	(475)
1 355	Actuarial and other adjustments to unfunded superannuation liability	(2 371)	(2 371)
3 215	Total (gain)/expenses recognised in respect of defined benefit plans	(2 448)	(2 318)
	Defined contribution plans		
994	Employer contributions to defined contribution plans	1 036	1 437
64	Other (including pensions)	58	63
1 058	Total expense recognised in respect of defined contribution plans	1 095	1 500
4 273	Total superannuation (gain)/expense recognised in operating statement	(1 354)	(818)
	Represented by:		
660	Net superannuation interest expense	519	692
1 635	Other superannuation	1 728	2 343
2 295	Superannuation expense from transactions	2 248	3 034
1 978	Remeasurement recognised in other comprehensive income	(3 601)	(3 852)
4 273	Total superannuation (gain)/ expense recognised in operating statement	(1 354)	(818)

B.7.4 Total operating expenses by government purpose and by department

(a) Total expenses by government purpose classification

(\$ million)

2015-16 actual to Mar		2016-17	
		actual to Mar	revised budget
1 773	General public services ^(a)	2 005	2 742
4 529	Public order and safety	4 907	6 749
10 659	Education	11 277	14 682
10 983	Health ^(a)	11 969	17 734
3 280	Social security and welfare	3 192	4 295
1 860	Housing and community amenities	2 070	3 193
568	Recreation and culture	557	772
108	Fuel and energy	120	208
261	Agriculture, forestry, fishing, and hunting ^(a)	261	463
4 476	Transport and communications ^(a)	4 837	7 028
623	Other economic affairs	897	1 218
1 025	Other purposes ^(a)	865	1 099
(512)	Not allocated by purpose ^(a)	(389)	(817)
39 633	Total expenses from transactions	42 567	59 367

Note:

(a) The March 2015-16 comparative figures have been restated to reflect more current information.

(b) Total expenses by department

(\$ million)

2015-16 actual to Mar		2016-17	
		actual to Mar	revised budget
5 864	Economic Development, Jobs, Transport and Resources	6 471	9 414
11 940	Education and Training	12 618	16 545
1 916	Environment, Land, Water and Planning	2 100	3 034
15 609	Health and Human Services	16 601	23 841
4 164	Justice and Regulation	4 637	6 291
252	Premier and Cabinet	350	595
5 464	Treasury and Finance	5 843	7 222
125	Parliament	135	202
367	Courts	392	537
1 393	Regulatory bodies and other part funded agencies ^(a)	1 637	2 174
47 093	Total expenses by department	50 784	69 855
(7 460)	Less eliminations and adjustments ^(b)	(8 216)	(10 488)
39 633	Total expenses from transactions	42 567	59 367

Notes:

(a) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore not allocated to departments.

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

B.7.5 Net acquisition of non-financial assets from transactions

(\$ million)

<i>2015-16</i>		<i>2016-17</i>	
<i>actual</i>		<i>actual</i>	<i>revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>budget</i>
2 991	Purchases of non-financial assets (including change in inventories)	5 083	7 834
(103)	Less: Sales of non-financial assets	(114)	(392)
(1 806)	Less: Depreciation	(1 894)	(2 671)
(531)	Plus: Other movements in non-financial assets	(1 948)	(3 742)
551	Total net acquisition of non-financial assets from transactions	1 126	1 029

B.8 MAJOR ASSETS AND INVESTMENTS

Introduction

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

B.8.1 Total land, buildings, infrastructure, plant and equipment

(\$ million)

2015-16		2016-17		
<i>actual</i>		<i>opening</i>	<i>actual</i>	<i>revised</i>
<i>31 Mar</i>		<i>1 Jul</i>	<i>31 Mar</i>	<i>budget</i>
25 990	Buildings	27 612	27 790	27 488
40 724	Land and national parks	44 724	44 816	48 068
2 443	Leased buildings	4 002	4 696	4 908
1 310	Infrastructure systems	1 320	1 321	1 360
2 126	Plant, equipment and vehicles	2 326	2 267	2 192
221	Leased plant, equipment and vehicles	158	179	138
21 318	Roads and road infrastructure	20 031	20 173	20 395
584	Leased roads and road infrastructure	575	568	565
7 690	Earthworks	7 913	7 913	7 964
5 542	Cultural assets	5 592	5 496	5 514
107 948	Total land, buildings, infrastructure, plant and equipment	114 254	115 219	118 593

B.8.2 Depreciation

(\$ million)

2015-16		2016-17	
<i>actual</i>		<i>actual</i>	<i>revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>budget</i>
765	Buildings	829	1 114
64	Leased buildings	102	156
26	Infrastructure systems	30	33
..	Leased infrastructure systems	..	..
373	Plant, equipment and vehicles	364	567
29	Leased plant, equipment and vehicles	23	17
452	Roads and road infrastructure	454	622
..	Leased roads and road infrastructure	7	9
11	Cultural assets	10	19
87	Intangible produced assets ^(a)	75	135
1 806	Total depreciation	1 894	2 671

Source: Department of Treasury and Finance

Note:

(a) Amortisation of intangible non-produced assets is included under other economic flows included in the net result.

B.8.3 Land and buildings

(\$ million)

2015-16 actual 31 Mar		2016-17		
		opening 1 Jul	actual 31 Mar	revised budget
28 955	Buildings	29 437	30 412	30 506
(2 965)	Accumulated depreciation	(1 825)	(2 622)	(3 018)
25 990	Buildings (net carrying amount)	27 612	27 790	27 488
2 960	Leased buildings	4 467	5 251	5 524
(518)	Leased buildings accumulated depreciation	(465)	(555)	(617)
2 443	Leased buildings (net carrying amount)	4 002	4 696	4 908
39 663	Land	43 688	43 780	47 041
1 062	National parks and other 'land only' holdings	1 036	1 036	1 027
40 724	Land and national parks	44 724	44 816	48 068
69 157	Total land and buildings	76 339	77 303	80 464

B.8.4 Plant, equipment and vehicles and infrastructure systems

(\$ million)

2015-16 actual 31 Mar		2016-17		
		opening 1 Jul	actual 31 Mar	revised budget
1 784	Infrastructure systems	1 775	1 790	1 847
(474)	Accumulated depreciation	(455)	(469)	(487)
1 310	Infrastructure systems (net carrying amount)	1 320	1 321	1 360
5 964	Plant, equipment and vehicles	5 884	5 991	6 207
(3 838)	Accumulated depreciation	(3 558)	(3 724)	(4 015)
452	Leased plant, equipment and vehicles	396	435	391
(231)	Accumulated depreciation	(238)	(257)	(252)
2 347	Plant, equipment and vehicles (net carrying amount)	2 484	2 446	2 330
3 657	Total plant, equipment, vehicles, and infrastructure systems	3 804	3 767	3 691

B.8.5 Road networks and earthworks

(\$ million)

2015-16		2016-17		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
39 847	Roads and roads infrastructure	38 705	39 300	39 704
(18 528)	Accumulated depreciation	(18 673)	(19 127)	(19 309)
21 318	Roads and roads infrastructure (net carrying amount)	20 031	20 173	20 395
584	Leased road and road infrastructure	584	584	584
..	Accumulated depreciation	(9)	(17)	(19)
584	Leased road and road infrastructure (net carrying amount)	575	568	565
7 690	Earthworks	7 913	7 913	7 964
29 592	Total road, road infrastructure and earthworks	28 519	28 653	28 924

B.8.6 Cultural assets

(\$ million)

2015-16		2016-17		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
5 762	Cultural assets	5 814	5 712	5 738
(220)	Accumulated depreciation	(222)	(216)	(223)
5 542	Total cultural assets	5 592	5 496	5 514

B.8.7 Other non-financial assets

(\$ million)

2015-16		2016-17		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
1 331	Intangible produced assets	1 421	1 481	1 513
(791)	Accumulated depreciation	(786)	(840)	(905)
110	Intangible non-produced assets	109	137	235
(38)	Accumulated amortisation	(36)	(46)	(38)
613	Total intangibles	708	732	804
67	Investment properties	151	148	135
4	Biological assets ^(a)	2	2	4
384	Other assets	220	471	331
1 068	Total other non-financial assets	1 081	1 353	1 275

Note:

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

B.9 OTHER ASSETS AND LIABILITIES

Introduction

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

B.9.1 Receivables

(\$ million)

2015-16 actual 31 Mar		2016-17		
		opening 1 Jul	actual 31 Mar	revised budget
	Contractual			
889	Sales of goods and services	739	848	742
28	Accrued investment income	18	17	19
1 254	Other receivables	1 021	1 095	987
(77)	Provision for doubtful contractual receivables	(90)	(99)	(90)
	Statutory			
7	Sales of goods and services	5	4	6
3 094	Taxes receivables	2 491	3 833	2 429
1 906	Fines and regulatory fees	1 896	2 075	2 187
235	GST input tax credits recoverable	324	246	324
(886)	Provision for doubtful statutory receivables	(839)	(911)	(997)
6 450	Total receivables	5 566	7 108	5 606
	Represented by:			
5 395	Current receivables	4 828	6 381	4 871
1 055	Non-current receivables	738	727	736

B.9.2 Payables

(\$ million)

2015-16 actual 31 Mar		2016-17		
		opening 1 Jul	actual 31 Mar	revised budget
	Contractual			
1 122	Accounts payable	1 290	1 115	1 346
1 859	Accrued expenses	2 187	1 721	1 851
2 393	Unearned income	2 258	2 351	2 192
	Statutory			
39	Accrued taxes payable	38	39	38
5 413	Total payables	5 773	5 227	5 426
	Represented by:			
3 595	Current payables	4 053	3 537	3 756
1 818	Non-current payables	1 720	1 690	1 670

B.10 PUBLIC ACCOUNT

Introduction

This section provides disclosure of information in respect of the Public Account, in accordance with the requirements of the *Financial Management Act, No. 18 of 1994*.

B.10.1 Consolidated fund receipts and payments

(\$ million)

2015-16 actual to Mar		2016-17	
		actual to Mar	revised budget
	Receipts		
14 834	Taxation	15 394	21 574
637	Fines and regulatory fees	620	899
12 296	Grants received	12 826	17 609
4 304	Sales of goods and services	4 642	6 259
367	Interest received	373	543
713	Public authority receipts	551	551
847	Other receipts	173	339
33 997	Total operating activities	34 577	47 774
525	Total inflows from investing and financing	9 923	14 132
34 522	Total receipts	44 500	61 906
	Payments to departments		
6 584	Economic Development, Jobs, Transport and Resources	7 023	9 806
8 355	Education and Training	8 944	12 520
1 458	Environment, Land, Water and Planning	1 492	2 192
10 705	Health and Human Services	11 899	15 745
4 358	Justice and Regulation	4 581	6 253
246	Premier and Cabinet	331	553
2 517	Treasury and Finance	10 283	13 476
123	Parliament	139	213
362	Courts	373	542
34 709	Total payments	45 065	61 300
(187)	Net receipts/(payments)	(565)	606

B.10.2 Trust fund cash flow statement

(\$ million)

2015-16 actual to Mar		2016-17 actual revised to Mar budget	
	Cash flows from operating activities		
	Receipts		
313	Taxation	1 103	1 142
32	Regulatory fees and fines	49	57
13 079	Grants received	11 543	14 213
40	Sale of goods and services	96	150
74	Interest received	123	204
6 488	Net transfers from consolidated fund	2 199	3 837
101	Other receipts	112	148
20 128	Total receipts	15 225	19 751
	Payments		
(114)	Employee benefits	(132)	(179)
(10)	Superannuation	(11)	(13)
(18 330)	Grants paid	(12 630)	(16 551)
(1 499)	Supplies and consumables	(895)	(1 713)
(4)	Interest paid	(3)	(6)
(19 957)	Total payments	(13 671)	(18 461)
171	Net cash flows from operating activities	1 554	1 290
	Cash flows from investing activities		
(3)	Net proceeds from customer loans ^(a)	(9 019)	(7 860)
44	Proceeds from sale of property, plant and equipment	41	44
(18)	Purchases of property, plant and equipment	(61)	(60)
(159)	Other investing activities	7 972	6 684
(137)	Net cash flows from investing activities ^(a)	(1 068)	(1 193)
	Cash flows from financing activities		
(471)	Net proceeds (repayments) from borrowings	9	(25)
(471)	Net cash flows from financing activities	9	(25)
(437)	Net cash inflow/(outflow) ^(a)	494	73

Note:

(a) The 2015-16 comparative figures have been restated to reflect more current information.

B.10.3 Reconciliation of cash flows to balances held

(\$ million)

	<i>Balances held at 30 Jun 2016</i>	<i>Mar movement YTD</i>	<i>Balances held at 31 Mar 2017</i>
Cash and deposits			
Cash balances outside the Public Account	..	..	..
Deposits held with the Public Account – specific trusts	776	(78)	698
Other balances held in the Public Account	3 019	..	3 019
Total cash and deposits	3 795	(79)	3 716
Investments			
Investments held with the Public Account – specific trusts	903	180	1 084
Total investments	903	180	1 084
Total fund balances	4 698	102	4 800
Less funds held outside the Public Account			
Cash	..	..	..
Total fund balances held outside the Public Account	..	..	..
Total funds held in the Public Account	4 698	102	4 800

B.10.4 Details of securities held

(\$ million)

	<i>2015-16 actual to 31 Mar</i>	<i>2016-17</i>	
		<i>opening 1 Jul</i>	<i>actual 31 Mar</i>
1 671 Amounts invested on behalf of specific trust accounts		1 679	1 781
2 769 General account balances		3 019	3 010
4 440 Total Public Account		4 698	4 791
Represented by:			
1 671 Stocks and securities		1 679	1 781
1 489 Cash and investments		1 672	2 156
3 160 Total stock, securities, cash and investments		3 351	3 938
Add cash advanced for:			
1 280 Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>		1 348	862
4 440 Total Public Account		4 698	4 800

B.11 OTHER DISCLOSURES

Introduction

This section includes several additional disclosures that assist the understanding of this financial report.

B.11.1 Other gains/(losses) from other economic flows

(\$ million)

2015-16 actual to Mar		2016-17	
		actual to Mar	revised budget
(212)	Net (increase)/decrease in provision for doubtful receivables	(235)	(197)
(3)	Amortisation of intangible non-produced assets	(3)	(4)
..	Net swap interest revenue/(expense)	..	..
(92)	Bad debts written off	(96)	(158)
(77)	Other gains/(losses)	66	(29)
(385)	Total other gains/(losses) from other economic flows	(267)	(388)

B.11.2 Reconciliation of cash and cash equivalents

(\$ million)

2015-16 actual to 31 Mar		2016-17	
		actual to 31 Mar	revised budget
1 273	Cash	1 313	1 277
3 142	Deposits at call	2 587	3 608
4 415	Cash and cash equivalents	3 900	4 885
..	Bank overdraft	..	..
4 415	Balances as per cash flow statement	3 900	4 885

B.11.3 Controlled entities

Note 9.7 Controlled entities in the *2015-16 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.

Reference should be made to chapter 1 of this budget paper for changes to general government sector entities since 1 July 2016.

B.11.4 Glossary of technical terms

The *2015-16 Financial Report* for the State of Victoria (Note 9.8) contains a summary of the major technical terms used in this report.

B.12 RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

Introduction

This section includes the comprehensive operating statement, balance sheet and cash flow statement for the past five quarters in accordance with the requirements of the *Financial Management Act 1994*.

B.12.1 Consolidated comprehensive operating statement for the past five quarters

	(\$ million)				
	2015-16		2016-17		
	Mar	Jun	Sep	Dec	Mar
Revenue from transactions					
Taxation revenue	5 866	4 353	5 265	5 397	6 880
Interest revenue	186	206	168	207	230
Dividends, income tax equivalent and rate equivalent revenue	108	288	78	360	57
Sales of goods and services	1 461	1 879	1 672	1 744	1 736
Grant revenue	6 878	6 227	6 699	6 620	7 556
Other revenue	489	892	510	779	570
Total revenue from transactions	14 989	13 847	14 391	15 107	17 029
Expenses from transactions					
Employee expenses	4 870	5 367	5 179	5 257	5 249
Net superannuation interest expense	218	218	199	149	171
Other superannuation	475	488	552	596	581
Depreciation	606	698	627	629	639
Interest expense	520	522	472	540	498
Grant expense	2 672	1 577	2 587	2 337	3 006
Other operating expenses	3 899	5 549	4 295	4 692	4 313
Total expenses from transactions	13 260	14 418	13 911	14 200	14 456
Net result from transactions – net operating balance	1 729	(572)	480	907	2 573
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	(14)	(141)	(2)	17	18
Net gain/(loss) on financial assets or liabilities at fair value	(11)	21	16	(3)	22
Share of net profit/(loss) from associates/joint venture entities	..	(6)	..	(3)	..
Other gains/(losses) from other economic flows	(125)	(303)	(124)	(63)	(80)
Total other economic flows included in net result	(150)	(429)	(110)	(51)	(41)
Net result	1 579	(1 001)	370	856	2 532

B.12.1 Consolidated comprehensive operating statement for the past five quarters (*continued*)

(\$ million)

	2015-16		2016-17		
	Mar	Jun	Sep	Dec	Mar
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	(30)	6 258	(93)	4	25
Remeasurement of superannuation defined benefits plans	(1 274)	(1 243)	256	2 729	617
Other movements in equity	34	13	68	14	..
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(27)	(31)	6	13	42
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	..	10 860	..	644	..
Total other economic flows – other comprehensive income	(1 297)	15 857	236	3 404	684
Comprehensive result – total change in net worth	282	14 856	607	4 260	3 216
KEY FISCAL AGGREGATES					
Net operating balance	1 729	(572)	480	907	2 573
Less: Net acquisition of non-financial assets from transactions	189	236	8	163	956
Net lending/(borrowing)	1 540	(808)	472	744	1 617

B.12.2 Consolidated balance sheet as at the end of the past five quarters

(\$ million)

	2015-16		2016-17		
	Mar	Jun	Sep	Dec	Mar
Assets					
Financial assets					
Cash and deposits	4 415	4 772	4 079	4 319	3 900
Advances paid	4 539	4 582	4 586	14 156	13 648
Receivables	6 450	5 566	5 866	5 469	7 108
Investments, loans and placements	3 745	2 853	3 057	5 516	5 720
Investments accounted for using the equity method	44	46	47	44	44
Investments in other sector entities	82 818	94 710	95 473	88 196	89 043
Total financial assets	102 011	112 531	113 108	117 701	119 462
Non-financial assets					
Inventories	175	188	186	186	187
Non-financial assets held for sale	165	188	183	183	182
Land, buildings, infrastructure, plant and equipment	107 948	114 254	114 009	114 148	115 219
Other non-financial assets	1 068	1 081	1 516	1 432	1 353
Total non-financial assets	109 356	115 711	115 895	115 949	116 941
Total assets	211 368	228 242	229 002	233 649	236 403
Liabilities					
Deposits held and advances received	529	706	717	10 393	9 913
Payables	5 413	5 773	5 481	5 084	5 227
Borrowings	34 078	33 811	34 551	27 986	28 684
Employee benefits	5 676	6 137	6 098	6 244	6 050
Superannuation	28 032	29 291	29 044	26 566	25 944
Other provisions	802	829	861	866	858
Total liabilities	74 529	76 547	76 751	77 139	76 676
Net assets	136 838	151 695	152 251	156 511	159 727
Accumulated surplus/(deficit)	46 586	44 454	45 183	48 714	51 874
Reserves	90 203	107 191	107 069	107 797	107 853
Non-controlling interest	50	50	..	..	..
Net worth	136 838	151 695	152 251	156 511	159 727
FISCAL AGGREGATES					
Net financial worth	27 482	35 984	36 357	40 562	42 787
Net financial liabilities	55 336	58 727	59 116	47 634	46 256
Net debt	21 908	22 309	23 545	14 387	15 330

B.12.3 Consolidated cash flow statement for the past five quarters

(\$ million)

	2015-16		2016-17		
	Mar	Jun	Sep	Dec	Mar
Cash flows from operating activities					
Receipts					
Taxes received	4 748	5 092	5 078	5 805	5 121
Grants	6 875	6 200	6 699	6 621	7 552
Sales of goods and services ^(a)	1 667	2 060	1 891	1 890	2 031
Interest received	183	231	169	208	228
Dividends, income tax equivalent and rate equivalent receipts	108	88	106	417	57
Other receipts	942	556	317	515	360
Total receipts	14 523	14 227	14 260	15 456	15 348
Payments					
Payments for employees	(4 972)	(5 026)	(5 227)	(5 060)	(5 391)
Superannuation	(658)	(689)	(743)	(495)	(756)
Interest paid	(519)	(491)	(493)	(529)	(499)
Grants and subsidies	(2 693)	(1 509)	(2 670)	(2 417)	(3 013)
Goods and services ^(a)	(3 644)	(4 646)	(4 563)	(4 917)	(4 106)
Other payments	(161)	(204)	(194)	(179)	(167)
Total payments	(12 647)	(12 566)	(13 890)	(13 595)	(13 932)
Net cash flows from operating activities	1 877	1 661	370	1 861	1 416
Cash flows from investing activities					
Purchases of non-financial assets	(954)	(1 429)	(1 564)	(1 556)	(1 963)
Sales of non-financial assets	30	87	24	40	49
Cash flows from investments in non-financial assets	(925)	(1 341)	(1 540)	(1 516)	(1 914)
Net cash flows from investments in financial assets for policy purposes	(77)	359	(90)	(760)	485
Sub-total	(1 001)	(982)	(1 630)	(2 276)	(1 429)
Net cash flows from investments in financial assets for liquidity management purposes	(392)	961	(184)	(2 454)	(141)
Net cash flows from investment activities	(1 393)	(22)	(1 813)	(4 730)	(1 570)
Cash flows from financing activities					
Advances received (net)	..	..	(13)	9 592	(483)
Net borrowings	(225)	(1 336)	740	(6 566)	214
Deposits received (net)	43	54	23	85	3
Net cash flows from financing activities	(181)	(1 282)	750	3 110	(265)
Net increase/(decrease) in cash and cash equivalents	303	357	(693)	240	(419)
Cash and cash equivalents at beginning of the reporting period	4 112	4 415	4 772	4 079	4 319
Cash and cash equivalents at end of the reporting period	4 415	4 772	4 079	4 319	3 900
FISCAL AGGREGATES					
Net cash flows from operating activities	1 877	1 661	370	1 861	1 416
Net cash flows from investments in non-financial assets	(925)	(1 341)	(1 540)	(1 516)	(1 914)
Cash surplus/(deficit)	952	320	(1 170)	345	(497)

Note:

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

APPENDIX C – COMPLIANCE INDEX - REQUIREMENTS OF THE *FINANCIAL MANAGEMENT ACT 1994*

The provisions of the *Financial Management Act 1994* have been complied with in these budget papers. Table C1 details these requirements together with appropriate references in the document.

Table C.1: Statements required by the *Financial Management Act 1994* and their location in the 2017-18 Budget

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
Sections 23E-G of the <i>Financial Management Act 1994</i> Statement of financial policy objectives and strategies for the year.	Budget Paper No. 2, Chapter 1 <i>Economic and fiscal overview</i> Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i>
Sections 23H-J of the <i>Financial Management Act 1994</i> Estimated financial statements for the year comprising: <ul style="list-style-type: none"> – an estimated statement of financial performance; – an estimated statement of financial position at the end of the year; – an estimated statement of cash flows for the year; and – a statement of the accounting policies on which these statements are based and explanatory notes. 	Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i>
Section 23K of the <i>Financial Management Act 1994</i> Accompanying statements in association with each set of estimated financial statements comprising: <ul style="list-style-type: none"> – a statement of the material economic and other assumptions that have been used in preparing the estimated financial statements; 	Budget Paper No. 2, Chapter 2 <i>Economic context</i> Budget Paper No. 2, Chapter 4 <i>Budget position and outlook</i> Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i>

Table C.1: Statements required by the *Financial Management Act 1994* and their location in the 2017-18 Budget (continued)

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
<ul style="list-style-type: none"> – a discussion of the sensitivity of the estimated financial statements to changes in those economic and other assumptions; – an overview of the estimated tax expenditures for the financial years covered by the estimated financial statements; and – a statement of risks that may have a material effect on the estimated financial statements. 	<p>Budget Paper No. 2, Appendix A <i>Sensitivity analysis</i></p> <p>Budget Paper No. 5, Chapter 5 <i>Tax expenditures and concessions</i></p> <p>Budget Paper No. 2, Chapter 2 <i>Economic context</i> Budget Paper No. 2, Chapter 4 <i>Budget position and outlook</i> Budget Paper No. 5, Chapter 6 <i>Contingent assets and contingent liabilities</i></p>
<p>Section 26(1) of the <i>Financial Management Act 1994</i> A quarterly financial report for each quarter of each financial year.</p>	<p>Budget Paper No. 5, Appendix B <i>2016-17 Budget outcome incorporating the financial report for the March quarter 2017</i></p>
<p>Section 40 of the <i>Financial Management Act 1994</i> A statement of information under departmental headings setting out:</p> <ul style="list-style-type: none"> – a description of the goods and services to be produced or provided by each department during the period to which the statement relates, together with comparative information for the preceding financial year; – a description of the amount available or to be available to each department during the period to which the statement relates, whether appropriated by the Parliament for that purpose or otherwise received or to be received by the department, together with comparative figures for the preceding financial year; and – the estimated amount of the receipts and receivables of each department during the period to which the statement relates, together with comparative figures for the preceding financial year. 	<p>Budget Paper No. 3, Chapter 2 <i>Departmental performance statements</i></p> <p>Budget Paper No. 5, Chapter 3 <i>Departmental financial statements</i></p> <p>Budget Paper No. 3, Chapter 2 <i>Departmental performance statements</i></p>
<p>Section 16B of the <i>Audit Act 1994</i> The Auditor-General reviews and reports on the estimated financial statements to ensure they are consistent with accounting convention and that the methodologies and assumptions used are reasonable.</p>	<p>Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i></p>

STYLE CONVENTIONS

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

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

n.a. or na	not available or not applicable
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
tbc	to be confirmed
ongoing	continuing output, program, project etc.
(x xxx.x)	negative amount
x xxx.0	rounded amount

Please refer to the **Treasury and Finance glossary for budget and financial reports** at dtf.vic.gov.au for additional terms and references.

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