



GETTING IT DONE VICTORIAN BUDGET 16/17

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. 4 – State Capital Program
Budget Paper No. 5 – Statement of Finances
(incorporating Quarterly Financial Report No. 3)

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Statement of Finances

2016-17



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 2016-17 to 2019-20.

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. 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.

AUDITOR-GENERAL'S REPORT

VAGO

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INDEPENDENT ASSURANCE REPORT ON THE ESTIMATED FINANCIAL STATEMENTS

To the Members of the Parliament of Victoria

The accompanying estimated financial statements for the year ending 30 June 2017 and the three forward years ending 30 June 2018, 2019, and 2020 of the Victorian General Government Sector have been prepared on the basis of the assumptions stated in Note 1. I have reviewed the accompanying estimated financial statements, which comprise the comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity, a statement of significant accounting policies and forecast assumptions and other explanatory information and the certification by the Treasurer and the Department of Treasury and Finance. The remaining parts of the Budget Papers have not been subject to my review.

Treasurer's Responsibility for the Estimated Financial Statements

The Treasurer of Victoria is responsible for the preparation and presentation of the estimated financial statements in accordance with sections 23H-23K of the *Financial Management Act 1994* and for establishing and maintaining such internal controls as determined to be necessary to enable the preparation of estimated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required under section 16B of the *Audit Act 1994*, my responsibility is to express a limited assurance conclusion on the estimated financial statements, based on my review. My review has been conducted in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* in order to state whether, on the basis of the procedures described, anything has come to my attention that would cause me to not believe that the estimated financial statements:

- have been prepared on a basis consistent with the accounting policies on which they are stated to be based
- are consistent with the targets established for the key financial measure specified in Note 1
- have been properly prepared on the basis of the assumptions stated in Note 1
- use reasonable methodologies to determine those assumptions.

This standard also requires compliance with relevant ethical requirements.

The limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement 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 an audit opinion.

Auditing in the Public Interest

AUDITOR-GENERAL'S REPORT *(continued)*

Independent Assurance Report *(continued)*

Auditor's Responsibility (continued)

I am not responsible for ensuring the estimated financial results are achieved. Actual results achieved by the Victorian General Government Sector may differ from those forecast in the estimated financial statements and the variation may be material.

I express no opinion as to whether the forecasts will be achieved, nor do I express an opinion on whether previous forecasts have been achieved.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the review, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Basis for Qualified Review Conclusion – Property, plant and equipment at the Department of Education and Training

Land, buildings, infrastructure, plant and equipment includes \$16 832 million of property, plant and equipment of the Department of Education and Training. As set out in my qualified audit opinion for the State of Victoria's 2014–15 Annual Financial Report, the Department had not maintained proper accounts and records to support this property, plant and equipment balance. Whilst the Department has made a significant effort to establish proper accounts and records, these records are not yet available. Consequently I cannot yet determine whether the balance for Land, buildings, infrastructure, plant and equipment has been prepared on a basis consistent with the accounting policies in Note 1(B) and properly prepared on the basis of the assumptions contained in Note 1(G).

Therefore I am unable to determine whether any adjustments to the estimated financial statements are necessary.

Qualified Review Conclusion

Except for the matter described in the Basis for Qualified Review Conclusion paragraphs above, based on my review, which is not an audit, nothing has come to my attention that causes me to not believe that:

- the estimated financial statements have been prepared on a basis consistent with the accounting policies on which they are stated to be based
- the estimated financial statements are consistent with the targets established for the key financial measure specified in Note 1
- the estimated financial statements have been properly prepared on the basis of the assumptions contained in Note 1
- the methodologies used to determine those assumptions are reasonable.

Auditing in the Public Interest

AUDITOR-GENERAL'S REPORT *(continued)*

Independent Assurance Report *(continued)*

Emphasis of Matter – East West Link project funding

Without modifying my conclusion, I draw attention to Note 1 (G) and the Certification by the Treasurer and the Department of Treasury and Finance which states that on 8 April 2016 the Commonwealth Government confirmed in writing that the \$1 500 million previously provided by the Commonwealth Government towards the former East West Link project will be retained by the State and allocated to other specific infrastructure projects. The State has accepted this offer and no liability has been recognised in relation to this transaction in the Estimated Financial Statements.

MELBOURNE
22 April 2016



Dr Peter Frost
Acting Auditor-General

Auditing in the Public Interest

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 2017 and the three forward years ending 30 June 2018, 2019 and 2020:

- (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 which would render any particulars included in the Estimated Financial Statements to be misleading.

Accounting for the East West Link project funding

Particular attention is drawn to Note 1 (G) to the Estimated Financial Statements which describes the judgements made supporting the basis of accounting adopted for the \$1.5 billion contribution previously provided by the Commonwealth Government towards the former East West Link project.

In 2013-14 the State received \$1.5 billion from the Commonwealth Government as a contribution towards the former East West Link project. This was recorded as income from transactions in the *2013-14 Financial Report* for the State of Victoria. The Government confirmed in November 2014 that the East West Link project would not proceed and that it would not return the \$1.5 billion to the Commonwealth Government. The State subsequently sought independent legal and accounting advice on the appropriate accounting treatment for this transaction. This advice concluded that the State is not required to recognise a liability under Australian Accounting Standards AASB 1004 *Contributions* and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as there is no present obligation on the State to return the funding previously received for the project.

On 8 April 2016, the Commonwealth Government confirmed in writing that the \$1.5 billion will be retained by the State and allocated to other projects, over and above funding separately committed by the Commonwealth Government. The State has accepted the offer and confirmed that it will work to finalise implementation arrangements.

On this basis, no liability has been recognised by the State in relation to this transaction in the Estimated Financial Statements, pending finalisation of discussions with the Commonwealth on the allocation of the funding to other infrastructure projects.



Tim Pallas MP
Treasurer



David Martine
Secretary

22 April 2016

ESTIMATED FINANCIAL STATEMENTS

Table 1.1: Estimated general government sector comprehensive operating statement for the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2016-17 budget</i>	<i>2017-18 estimate</i>	<i>2018-19 estimate</i>	<i>2019-20 estimate</i>
Revenue from transactions					
Taxation revenue	2	21 594	21 292	22 468	23 354
Interest revenue		881	915	903	906
Dividends and income tax equivalent and rate equivalent revenue	3	1 059	1 377	846	787
Sales of goods and services	4	6 843	7 036	7 212	7 240
Grant revenue	5	27 424	28 069	28 844	29 957
Other revenue	6	2 569	2 320	2 331	2 374
Total revenue from transactions		60 370	61 009	62 604	64 618
Expenses from transactions					
Employee expenses		21 298	22 121	23 031	23 713
Net superannuation interest expense	7a	791	769	745	720
Other superannuation	7a	2 239	2 255	2 287	2 325
Depreciation	8	2 620	2 780	3 039	3 216
Interest expense	9	2 433	2 231	2 254	2 214
Grant expense	10	9 451	9 697	9 942	10 036
Other operating expenses	11	18 669	19 358	19 223	19 923
Total expenses from transactions	12	57 501	59 212	60 522	62 147
Net result from transactions – net operating balance		2 869	1 797	2 082	2 471
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		73	337	77	67
Net gain/(loss) on financial assets or liabilities at fair value		11	16	17	17
Other gains/(losses) from other economic flows	13	(318)	(328)	(335)	(349)
Total other economic flows included in net result		(234)	26	(241)	(265)
Net result		2 635	1 823	1 841	2 206

Table 1.1: Estimated general government sector comprehensive operating statement for the financial year ended 30 June (continued)

(\$ million)

Notes	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Other economic flows – other comprehensive income				
Items that will not be reclassified to net result				
Changes in non-financial assets revaluation surplus	109	7 101	1 653	7 445
Remeasurement of superannuation defined benefit plans	7a	877	891	903
Other movements in equity		(1)	4	23
Items that may be reclassified subsequently to net result				
Net gain/(loss) on financial assets at fair value		1	1	1
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	14	2 707	(118)	866
		3 693	7 879	3 447
Total other economic flows – other comprehensive income			3 447	8 289
Comprehensive result – total change in net worth		6 328	9 702	5 288
			5 288	10 496
KEY FISCAL AGGREGATES				
Net operating balance		2 869	1 797	2 082
Less: Net acquisition of non-financial assets from transactions	15	1 063	1 146	255
Net lending/(borrowing)		1 806	651	1 827
			1 827	2 887

The accompanying notes form part of these estimated financial statements.

Table 1.2: Estimated general government sector balance sheet as at 30 June

(\$ million)

	Notes	2016 revised	2017 budget	2018 estimate	2019 estimate	2020 estimate
Assets						
Financial assets						
Cash and deposits		4 338	4 766	4 789	5 107	5 420
Advances paid	16	4 521	10 057	8 823	7 908	6 808
Receivables		5 157	5 192	5 266	5 450	5 579
Investments, loans and placements	16	3 552	3 642	3 721	3 802	3 902
Investments accounted for using equity method		45	45	45	45	45
Investments in other sector entities	14	85 347	85 878	88 499	92 032	94 210
Total financial assets		102 958	109 580	111 142	114 344	115 964
Non-financial assets						
Inventories		148	152	156	161	165
Non-financial assets held for sale		162	160	150	160	155
Land, buildings, infrastructure, plant and equipment	17,18	108 600	109 917	118 580	120 832	128 012
Other non-financial assets	19	1 024	1 047	869	827	739
Total non-financial assets		109 935	111 276	119 756	121 980	129 071
Total assets	20d	212 893	220 855	230 898	236 324	245 035
Liabilities						
Deposits held and advances received		518	6 100	4 922	4 070	3 039
Payables	21	5 267	5 157	5 011	4 943	4 720
Borrowings	22	34 386	30 966	33 306	35 052	35 299
Employee benefits	23	5 860	6 257	6 486	6 740	6 938
Superannuation	7d	27 888	27 049	26 165	25 194	24 187
Other provisions		891	914	893	923	954
Total liabilities		74 809	76 443	76 784	76 922	75 137
Net assets		138 084	144 412	154 114	159 402	169 898
Accumulated surplus/(deficit)		45 682	49 193	51 907	54 673	57 804
Reserves	24	92 402	95 220	102 207	104 729	112 094
Net worth		138 084	144 412	154 114	159 402	169 898
FISCAL AGGREGATES						
Net financial worth		28 150	33 137	34 358	37 422	40 826
Net financial liabilities		57 197	52 742	54 141	54 610	53 383
Net debt		22 493	18 601	20 896	22 304	22 208

The accompanying notes form part of these estimated financial statements.

Table 1.3: Estimated general government sector cash flow statement for the financial year ended 30 June

(\$ million)

	Notes	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Cash flows from operating activities					
Receipts					
Taxes received		21 483	21 148	22 285	23 183
Grants		27 424	28 069	28 844	29 957
Sales of goods and services ^(a)		7 602	7 811	7 812	7 906
Interest received		881	914	903	906
Dividends and income tax equivalent and rate equivalent receipts		1 079	1 380	785	781
Other receipts		1 877	1 866	1 858	1 876
Total receipts		60 345	61 188	62 487	64 608
Payments					
Payments for employees		(20 902)	(21 892)	(22 778)	(23 517)
Superannuation		(2 991)	(3 018)	(3 099)	(3 136)
Interest paid		(2 396)	(2 194)	(2 217)	(2 177)
Grants and subsidies		(9 501)	(9 658)	(9 940)	(9 990)
Goods and services ^(a)		(18 729)	(19 420)	(19 263)	(19 906)
Other payments		(624)	(647)	(670)	(701)
Total payments		(55 143)	(56 829)	(57 967)	(59 427)
Net cash flows from operating activities		5 202	4 359	4 520	5 181
Cash flows from investing activities					
Purchase of non-financial assets	20a,b	(7 206)	(7 079)	(6 542)	(5 489)
Sales of non-financial assets		487	746	440	237
Net cash flows from investments in non-financial assets		(6 720)	(6 333)	(6 102)	(5 252)
Net cash flows from investments in financial assets for policy purposes		391	1 556	1 676	1 602
Subtotal		(6 328)	(4 778)	(4 426)	(3 650)
Net cash flows from investment in financial assets for liquidity management purposes		(84)	(68)	(67)	(80)
Net cash flows from investing activities		(6 413)	(4 846)	(4 493)	(3 731)
Cash flows from financing activities					
Advances received (net)		5 583	(1 178)	(852)	(1 030)
Net borrowings		(3 943)	1 688	1 143	(108)
Net cash flows from financing activities		1 640	510	291	(1 138)
Net increase/(decrease) in cash and cash equivalents		429	23	318	313
Cash and cash equivalents at beginning of reporting period		4 338	4 766	4 789	5 107
Cash and cash equivalents at end of reporting period		4 766	4 789	5 107	5 420
FISCAL AGGREGATES					
Net cash flows from operating activities		5 202	4 359	4 520	5 181
Net cash flows from investments in non-financial assets		(6 720)	(6 333)	(6 102)	(5 252)
Cash surplus/(deficit)		(1 518)	(1 974)	(1 582)	(71)

The accompanying notes form part of these estimated financial statements.

Note:

(a) Inclusive of goods and services tax.

Table 1.4: 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^(a)</i>
2016-17 budget		
Balance at 1 July 2016	45 682	43 826
Net result for the year	2 635	..
Other comprehensive income for the year	875	109
Total equity as at 30 June 2017	49 193	43 935
2017-18 estimate		
Balance at 1 July 2017	49 193	43 935
Net result for the year	1 823	..
Other comprehensive income for the year	892	7 101
Total equity as at 30 June 2018	51 907	51 036
2018-19 estimate		
Balance at 1 July 2018	51 907	51 036
Net result for the year	1 841	..
Other comprehensive income for the year	924	1 653
Total equity as at 30 June 2019	54 673	52 689
2019-20 estimate		
Balance at 1 July 2019	54 673	52 689
Net result for the year	2 206	..
Other comprehensive income for the year	925	7 445
Total equity as at 30 June 2020	57 804	60 135

The accompanying notes form part of these estimated financial statements.

Note:

(a) *Non-financial assets revaluation surplus relates to revaluation of land, buildings, infrastructure, plant and equipment.*

<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
47 884	692	138 084
..	..	2 635
2 707	2	3 693
50 591	694	144 412
50 591	694	144 412
..	..	1 823
(118)	4	7 879
50 473	698	154 114
50 473	698	154 114
..	..	1 841
866	4	3 447
51 338	702	159 402
51 338	702	159 402
..	..	2 206
(85)	4	8 289
51 253	706	169 898

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Note 1: Statement of significant accounting policies and forecast assumptions

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 (referred to as the budget and forward estimates period).

The detailed accounting policies applied in preparing the Estimated Financial Statements are consistent with those in the audited 2014-15 annual financial report published in the *2014-15 Financial Report* for the State of Victoria as presented to Parliament, unless otherwise stated. The audited 30 June 2015 asset and liability balances, as reported in the *2014-15 Financial Report*, form the basis on which the budget and forward estimate asset and liability balances are derived.

To gain a better understanding of the terminology and key aggregates used in these statements, a glossary of terms can be found in Note 40 of Chapter 4 *Annual Financial Report* of the *2014-15 Financial Report* for the State of Victoria.

(A) Statement of compliance

These Estimated Financial Statements have been prepared in accordance with sections 23H-23K of the *Financial Management Act 1994*, having regard to Australian Accounting Standards (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 *Whole of Government and General Government Sector Financial Reporting* (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 Government Finance Statistics (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 20 April 2016.

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

(B) Basis of accounting, preparation and measurement

The Estimated Financial Statements have been prepared for the 2016-17 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 forecast 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.

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.

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 that 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'.

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

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

As required by AASB 1049, the estimated comprehensive operating statement distinguishes between ‘Transactions’ and ‘Other economic flows’ based on the principles in the 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.

(C) 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 Victorian 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.

(D) Basis of 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*.

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

Entities in the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors are not consolidated into the financial statements of the 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 at the general government sector but the net liabilities will be consolidated at the State level. 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 42 of Chapter 4 *Annual Financial Report of the 2014-15 Financial Report* for the State of Victoria, except as stated in Note 27 of the Estimated Financial Statements.

(E) Rounding

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

(F) Key financial measure

The Government expects to achieve a net operating surplus (net result from transactions) 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 *2016-17 Budget*, the Government has set its sustainability objective as:

- net operating surpluses in each year over the budget and forward estimates;
- expenditure growth no greater than revenue growth, on average, over the budget and forward estimates; and
- net debt to GSP no greater than its peak over the last five years by the end of the forward estimates.

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

(G) Material economic and other assumptions

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

Key economic assumptions ^(a)

	2015-16 <i>forecast</i>	2016-17 <i>forecast</i>	2017-18 <i>forecast</i>	2018-19 <i>projection</i>	2019-20 <i>projection</i>
	(\$ billion)				
Nominal gross state product	379.0	399.1	419.7	441.5	464.6
	(percentage change) ^(b)				
Real gross state product	3.00	3.00	2.75	2.75	2.75
Employment	2.00	1.75	1.50	1.50	1.50
Unemployment rate	6.00	5.75	5.75	5.50	5.50
Consumer price index ^(c)	2.00	2.25	2.50	2.50	2.50
Wage price index ^(d)	2.50	2.75	3.00	3.25	3.50
Population	1.8	1.8	1.8	1.8	1.8

Source: Department of Treasury and Finance

Notes:

- (a) The key assumptions underlying the economic forecasts include: interest rates that follow movements in market expectations in the short term, and stabilise thereafter; a trade-weighted index of 62.1; and oil prices that follow the path suggested by oil futures.
Projections for 2018-19 and 2019-20 represent trend rates, except for the wage price index which shows a path towards trend in 2019-20.
- (b) Percentage change in year-average compared with previous year, except for the unemployment rate which is year-average per cent and population which is percentage change over the year to 30 June. Forecasts are rounded to the nearest 0.25 percentage points, except for population which is rounded to the nearest 0.1 percentage point.
- (c) Melbourne consumer price index.
- (d) Wage Price Index, Victoria (based on total hourly rates of pay, excluding bonuses).

Summary of other key assumptions

The following section outlines the other key assumptions used in preparing the Estimated Financial Statements, having regard to the materiality of the relevant items in the context of the overall financial position of the State and the sensitivity of those items to changes in key economic assumptions.

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

Taxation revenue

The State's taxation revenue is forecast by a process that involves:

- 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 and 2019-20 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 2008* to award a new public lotteries licence in Victoria beyond June 2018.

Dividends and income tax equivalent revenue

Dividends and income tax equivalent revenue are mainly from the PNFC and PFC sectors. These revenues are based on established dividend policy and expected profitability as estimated by 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.

Sales of goods and services

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*.

Grant revenue

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 2016-17 is informed by Victoria's assessed relativity for that year published by the Commonwealth Grants Commission and the Commonwealth Government's population projections.

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

Beyond 2016-17, Victoria's share of GST is based on its estimated assessed relativity in a particular year (calculated as the average of the previous three annual per capita relativities) and its 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).

In 2013-14, the State received \$1.5 billion from the Commonwealth Government as a contribution towards the former East West Link project. This was recorded as income from transactions in the *2013-14 Financial Report* for the State of Victoria. The Government confirmed in November 2014 that the East West Link project would not proceed and that it would not return the \$1.5 billion to the Commonwealth Government. The State subsequently sought independent legal and accounting advice on the appropriate accounting treatment for this transaction. This advice concluded that the State is not required to recognise a liability under Australian Accounting Standards AASB 1004 *Contributions* and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as there is no present obligation on the State to return the funding previously received for the project.

On 8 April 2016, the Commonwealth Government confirmed in writing that the \$1.5 billion will be retained by the State and allocated to other projects, over and above funding separately committed by the Commonwealth Government. The State has accepted the offer and confirmed that it will work to finalise implementation arrangements.

On this basis, no liability has been recognised by the State in relation to this transaction in the Estimated Financial Statements, pending finalisation of discussions with the Commonwealth on the allocation of the funding to other infrastructure projects.

Employee expenses

Employee expenses are forecast on the basis of staffing profiles and current salaries, conditions and on-costs. For the forecast period, employee expenses are adjusted for the expected financial impact of employing more staff to increase service delivery and approved wage agreements, with allowance made for further adjustments and expected wages growth. Employee expenses forecasts also reflect the estimated impact of expected savings and new initiatives.

Depreciation

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.

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

Interest expense

Estimates for interest expense are based on the forecast level of outstanding Victorian general government sector debt and expected changes in 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. 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.

Grant expense

Grants and other transfer payments 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.

Other operating expenses

Other operating expenses mainly include the cost of supplies and 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 budget and forward estimates period.

Investments in other sector entities

Investments in other sector entities are estimated based on their audited net assets as at 30 June 2015, adjusted by management estimates of subsequent operating results, capital investments and distributions.

The Government intends to lease the operations of the Port of Melbourne for 50 years. The *Delivering Victorian Infrastructure (Port of Melbourne Lease Transaction) Act 2016* passed on 10 March 2016 provides the legislative basis for this lease. These Estimated Financial Statements reflect the expected lease proceeds being paid upfront and the first 15 years of the port licence fee also being prepaid to the State in 2016-17 when the lease is expected to be entered into. The proposed lease will affect the operations of the Port of Melbourne Corporation, which is classified as a PNFC entity, and will consequently affect the general government sector's investments in other sector entities. The impact of this will be treated in accordance with the accounting policy outlined in Note 1(D) and AASB 1049.

Land, buildings, infrastructure, plant and equipment

Land, buildings, infrastructure, plant and equipment are estimated based on their audited balances as at 30 June 2015, which are adjusted for estimated acquisitions, disposals and the impact of depreciation and revaluation.

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

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 budget and forward estimates 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.

The *2014-15 Financial Report* for the State of Victoria was qualified by the Acting Auditor-General as it was considered that the Department of Education and Training did not maintain adequate accounts and records supporting the property, plant and equipment balances in its financial statements as at 30 June 2015. To address this matter, extensive work has commenced for a full revaluation of the Department's property, plant and equipment assets for the financial reporting period ending 30 June 2016.

Payables

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 payables 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.

The indemnity payable to the State Electricity Commission of Victoria, which relates to the electricity supply arrangement with the aluminium smelter at Portland, is estimated based on forecast electricity prices and expected market aluminium prices over the period until expiry on 31 October 2016.

Borrowings

Estimates for borrowings are based on the need to repay maturing debt and finance capital expenditure. The forecast for finance lease liabilities across the forward estimates period relates primarily to expected public private partnerships.

Employee benefits

Employee benefits are forecast on the basis of staffing profiles and current salaries and conditions. For the forecast period, employee benefits are adjusted for the expected financial impact of employing more staff to increase service delivery and approved wage agreements allowing for future movements and expected wages growth.

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

Superannuation

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 bonds (both nominal and inflation linked) and are assumed to remain constant across the budget and forward estimates period. 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 significant variations in the reported superannuation liabilities.

Superannuation assumptions

Underlying assumptions for all listed schemes ^(a)	Per cent
Discount rate ^(b)	2.9
Wages growth ^{(c)(d)}	3.4
Inflation rate ^{(d)(e)}	1.9
Expected return on assets ^(f)	
Emergency Services and State Super	8.0
Health Super Fund Defined Benefit Scheme	5.8
Constitutionally protected schemes ^(g)	n.a.

Source: Department of Treasury and Finance

Notes:

- (a) All rates are nominal annual rates and are applicable to all the listed schemes.
- (b) The discount rate is based on a long-term fixed interest Commonwealth Government bond rate. The rate stated above is an annual effective rate, gross of tax.
- (c) 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 they be based on Commonwealth government bond yields. These assumptions therefore differ from the key economic assumptions in this note, and Budget Paper No. 2, Chapter 2 Economic Context, which reflect the expected change in consumer prices in Melbourne and movements in the price of wages and salaries in the Victorian labour market.
- (e) The inflation rate assumed by the actuary reflects market expectations of price inflation, implied from the relationship between the yields on nominal and inflation linked Commonwealth Government bonds. This ensures consistency with the prescribed (i.e. market-based) discount rate.
- (f) The expected return on assets stated is gross of tax. Estimated tax payments are explicitly allowed for in the calculation process.
- (g) 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.

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

Service concession arrangements (otherwise referred to as public private partnerships)

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 *2014-15 Financial Report* for the State of Victoria, projects approved as public private partnerships are budgeted as private public partnerships 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.

(H) Sensitivity analysis

Appendix A *Sensitivity analysis* contained in Budget Paper No. 2 estimates the impact on revenue, expenses, the net result from transactions, the net result, and net debt associated with variations to forecasts of selected economic and financial variables.

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

(I) Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2016-17 reporting period. There is no intention to early adopt these accounting standards and they have not been applied to the Estimated Financial Statements. These accounting standards include:

- AASB 15 *Revenue from Contracts with Customers*, operative for reporting periods commencing 1 January 2017. 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. The State is reviewing its existing revenue recognition policy to assess the potential implications arising from AASB 15.
- AASB 9 *Financial Instruments*, operative for reporting periods beginning from 1 January 2018 as revised by AASB 2014-1 *Amendments to Australian Accounting Standards (Part E Financial Instruments)*. The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. The State is reviewing its existing policies to make changes as required.
- 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 balance sheet. The State is reviewing its existing policy to assess the potential implications arising from AASB 16.

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) recently released a new manual, *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* on 23 December 2015. For 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.

Note 2: Taxation revenue

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Taxes on employers' payroll and labour force	5 671	5 933	6 212	6 507
Taxes on property				
Taxes on immovable property				
Land tax	2 225	2 174	2 459	2 398
Fire Services Property Levy	674	684	678	687
Congestion levy	115	118	121	124
Metropolitan improvement levy	157	158	158	158
Total taxes on immovable property	3 171	3 134	3 416	3 366
Financial and capital transactions				
Land transfer duty	5 677	5 856	6 135	6 508
Other property duties	3	3	3	3
Metropolitan Planning Levy	17	17	17	17
Financial accommodation levy	149	163	176	188
Growth areas infrastructure contributions	146	154	162	171
Total financial and capital transactions	5 991	6 192	6 493	6 888
Total taxes on property	9 162	9 326	9 909	10 254
Taxes on the provision of goods and services				
Gambling taxes				
Public lotteries	446	463	480	498
Electronic gaming machines	1 107	1 135	1 163	1 192
Casino	251	259	268	276
Racing	79	78	76	74
Other	28	31	36	40
Total gambling taxes	1 911	1 966	2 022	2 079
Levies on statutory corporations	112	112	158	158
Taxes on insurance	1 220	1 302	1 391	1 485
Total taxes on the provision of goods and services	3 243	3 380	3 570	3 722
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	1 532	1 594	1 658	1 726
Duty on vehicle registrations and transfers	802	826	851	877
Total motor vehicle taxes	2 334	2 420	2 509	2 603
Liquor licence fees	22	23	24	24
Other^(a)	1 161	210	244	244
Total taxes on the use of goods and performance of activities	3 518	2 653	2 777	2 871
Total taxation revenue	21 594	21 292	22 468	23 354

Note:

(a) Includes an allowance for prepaid port licence fees.

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

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

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Dividends from PFC sector	526	879	336	235
Dividends from PNFC sector	250	178	164	128
Dividends from non-public sector	28	27	26	25
Dividends	805	1 084	526	388
Income tax equivalent revenue from PFC sector	50	104	126	210
Income tax equivalent revenue from PNFC sector	192	179	183	177
Income tax equivalent revenue	243	282	309	387
Local government rate equivalent revenue	11	11	12	12
Total dividends and income tax equivalent and rate equivalent revenue	1 059	1 377	846	787

(b) Dividends by entity

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Public financial corporations				
Victorian Managed Insurance Authority	145	165	43	13
Transport Accident Commission	342	629	258	187
Treasury Corporation of Victoria	35	81	32	32
State Trustees Ltd	2	1	2	2
Victorian Funds Management Corporation	2	2	2	2
Dividends from PFC sector	526	879	336	235
Public non-financial corporations				
City West Water Corporation	17	28	17	16
Melbourne Water Corporation	..	11	..	..
South East Water Corporation	46	44	33	38
Yarra Valley Water Corporation	33	22	21	28
State Electricity Commission of Victoria	100	70	80	40
Port of Melbourne Corporation	36	..	..	..
Places Victoria	17	2	12	4
Other	2	2	2	2
Dividends from PNFC sector	250	178	164	128

Note 4: Sales of goods and services

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Motor vehicle regulatory fees	216	192	203	211
Other regulatory fees	499	512	518	532
Sale of goods	71	73	75	77
Provision of services ^(a)	4 017	4 071	4 127	4 122
Rental	61	62	63	64
Refunds and reimbursements	56	56	56	56
Inter-sector capital asset charge	1 924	2 071	2 171	2 179
Total sales of goods and services	6 843	7 036	7 212	7 240

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.

Note 5: Grant revenue

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
General purpose grants	13 885	14 609	15 770	16 534
Specific purpose grants for on-passing	3 576	3 767	3 936	4 096
Grants for specific purposes	9 731	9 464	8 859	9 166
Total	27 192	27 839	28 565	29 796
Other contributions and grants	232	230	279	161
Total grant revenue	27 424	28 069	28 844	29 957

Note 6: Other revenue

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Fair value of assets received free of charge or for nominal consideration	290	55	55	55
Fines	776	796	814	847
Royalties	85	122	118	119
Donations and gifts	312	267	269	261
Other non-property rental	22	22	22	22
Other miscellaneous revenue	1 084	1 057	1 053	1 071
Total other revenue	2 569	2 320	2 331	2 374

Note 7: Superannuation

(a) Superannuation costs recognised in the comprehensive operating statement

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Defined benefit plans				
Net superannuation interest expense	791	769	745	720
Current service cost	780	766	753	752
Remeasurements:				
Expected return on superannuation assets excluding interest income	(877)	(891)	(903)	(915)
Total expense recognised in respect of defined benefit plans	694	644	594	558
Defined contribution plans				
Employer contributions to defined contribution plans	1 396	1 424	1 468	1 504
Other (including pensions)	63	65	66	68
Total expense recognised in respect of defined contribution plans	1 459	1 489	1 534	1 572
Total superannuation expense recognised in operating statement	2 153	2 133	2 129	2 130
Represented by:				
Net superannuation interest expense	791	769	745	720
Other superannuation	2 239	2 255	2 287	2 325
Superannuation expense from transactions	3 030	3 024	3 032	3 045
Remeasurements recognised in other comprehensive income	(877)	(891)	(903)	(915)
Total superannuation expense recognised in operating statement	2 153	2 133	2 129	2 130

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

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Opening balance of defined benefit obligation	47 481	47 030	46 499	45 867
Current service cost	780	766	753	752
Interest expense	1 347	1 335	1 320	1 304
Contributions by plan participants	189	183	178	173
Benefits paid	(2 766)	(2 815)	(2 883)	(2 939)
Closing balance of defined benefit obligation	47 030	46 499	45 867	45 158

Note 7: Superannuation (continued)

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

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Opening balance of plan assets	19 594	19 981	20 334	20 673
Interest income	555	566	575	584
Return on plan assets not included in interest income	877	891	903	915
Employer contributions	1 532	1 529	1 565	1 564
Contributions by plan participants	189	183	178	173
Benefits paid (including tax paid)	(2 766)	(2 815)	(2 883)	(2 939)
Closing balance of plan assets	19 981	20 334	20 673	20 970

(d) Reconciliation of the superannuation liabilities

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Emergency Services and State Super				
Defined benefit obligation	42 340	41 877	41 323	40 688
Tax liability ^(a)	2 667	2 590	2 504	2 414
Plan assets	(19 006)	(19 380)	(19 742)	(20 063)
Net liability/(asset)	26 001	25 086	24 085	23 039
Other funds ^(b)				
Defined benefit obligation	2 024	2 033	2 041	2 056
Tax liability ^(a)	..	..	..	..
Plan assets	(975)	(954)	(932)	(907)
Net liability/(asset)	1 048	1 078	1 109	1 149
Total superannuation				
Defined benefit obligation	44 364	43 910	43 363	42 743
Tax liability ^(a)	2 667	2 590	2 504	2 414
Plan assets	(19 981)	(20 334)	(20 673)	(20 970)
Superannuation liability	27 049	26 165	25 194	24 187
Represented by:				
Current liability	1 036	1 078	1 082	1 109
Non-current liability	26 013	25 086	24 112	23 079
Total superannuation liability	27 049	26 165	25 194	24 187

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.

Note 8: Depreciation

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Buildings ^(a)	1 141	1 173	1 225	1 339
Leasehold buildings	108	139	156	154
Infrastructure systems	30	30	30	31
Plant, equipment and vehicles ^(a)	571	621	685	639
Roads and road networks ^(a)	630	664	801	903
Cultural assets	20	24	28	28
Intangible produced assets ^(b)	121	129	115	123
Total depreciation	2 620	2 780	3 039	3 216

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2016-17 to 2019-20.

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

Note 9: Interest expense

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Interest on long-term interest-bearing liabilities	1 528	1 269	1 291	1 267
Interest on short-term interest-bearing liabilities	47	44	45	44
Finance charges on finance leases	821	881	882	866
Discount interest on payables	37	37	37	37
Total interest expense	2 433	2 231	2 254	2 214

Note 10: Grant expense

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Current grant expense				
Commonwealth Government	213	193	188	189
Local government (including grants for on-passing)	861	783	802	729
Private sector and not-for-profit for on-passing	3 037	3 206	3 350	3 501
Other private sector and not-for-profit	2 011	2 098	2 201	2 277
Grants within the Victorian Government	3 147	3 285	3 252	3 261
Grants to other state governments	12	11	11	11
Total current grant expense	9 281	9 576	9 806	9 968
Capital grant expense				
Local government (including grants for on-passing)	37	45	47	..
Private sector and not-for-profit on-passing	72	66	71	21
Other private sector and not-for-profit	14	4	4	4
Grants within the Victorian Government	8	8	15	..
Other grants	40	..	..	44
Total capital grant expense	170	121	137	68
Total grant expense	9 451	9 697	9 942	10 036

Note 11: Other operating expenses

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Purchase of supplies and consumables ^(a)	4 781	5 466	5 415	5 852
Cost of goods sold	26	25	24	24
Finance expenses and fees	25	25	26	26
Purchase of services ^(a)	11 910	11 890	11 764	11 981
Insurance claims expense	188	191	191	191
Maintenance	770	766	782	793
Operating lease payments	292	296	296	299
Other	677	699	725	757
Total other operating expenses	18 669	19 358	19 223	19 923

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.

Note 12: Total expenses by government purpose and by department

(a) Expenses by government purpose classification ^(a)

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Expenses				
General public services	2 296	2 087	2 083	2 094
Public order and safety	6 645	6 909	7 143	7 391
Education	14 801	15 331	15 743	16 235
Health	16 374	16 979	17 727	18 429
Social security and welfare ^(b)	4 244	4 550	4 794	4 699
Housing and community amenities ^(c)	3 226	3 244	2 865	2 760
Recreation and culture	743	773	761	722
Fuel and energy	201	200	153	130
Agriculture, forestry, fishing, and hunting	388	352	347	326
Transport and communications	6 751	6 751	6 913	7 075
Other economic affairs	993	914	742	554
Other purposes	1 515	1 269	1 305	1 327
Not allocated by purpose ^(d)	(677)	(145)	(54)	405
Total expenses by government purpose classification	57 501	59 212	60 522	62 147

Notes:

- (a) Note 41 of the 2014-15 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.
- (b) The State's contribution to the National Disability Insurance Scheme transition commences from 2016-17 and increases thereafter as more clients transition into the Scheme.
- (c) The downward movement from 2017-18 relates to sunseting initiatives and movements in funding across years for various initiatives.
- (d) Mainly comprising provision for future demand growth, departmental underspending, eliminated purchases of supplies and consumable between Government entities, and items not yet formalised at the time of publication.

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

(b) Total expenses by department

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Expenses from transactions				
Economic Development, Jobs, Transport and Resources	8 726	8 619	8 561	8 486
Education and Training	16 526	16 738	16 808	17 049
Environment, Land, Water and Planning ^(a)	2 892	2 923	2 512	2 480
Health and Human Services	22 235	22 385	22 664	23 031
Justice and Regulation	6 061	6 227	6 409	6 529
Premier and Cabinet	613	433	407	382
Treasury and Finance	7 132	6 648	6 772	6 848
Parliament	200	196	197	200
Courts	550	567	593	615
Regulatory bodies and other part funded agencies ^(b)	2 103	2 098	2 139	2 190
Output contingencies not allocated to departments ^(c)	818	1 948	3 240	4 134
Total expenses by department	67 857	68 780	70 301	71 945
<i>Less eliminations and adjustments ^(d)</i>	<i>(10 357)</i>	<i>(9 569)</i>	<i>(9 779)</i>	<i>(9 797)</i>
Total expenses	57 501	59 212	60 522	62 147

Notes:

- (a) The downward movement from 2017-18 relates to sunseting initiatives and movements in funding across years for various initiatives.
- (b) Other general government sector agencies not allocated to departmental portfolios.
- (c) Note 12(c) provides a breakdown of the general government output contingencies not allocated to departments.
- (d) Mainly comprising payroll tax, capital asset charge, departmental underspend estimates and inter-departmental transfers.

(c) General government output contingencies not allocated to departments

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Decisions made but not yet allocated ^(a)	518	1 648	2 740	3 434
Funding not allocated to specific purposes ^(b)	300	300	500	700
Total general government output contingencies	818	1 948	3 240	4 134

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 budget and forward estimates.

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

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Net gain/(loss) from revaluation of biological assets	..	(1)	(1)	(2)
Net (increase) in provision for doubtful receivables	(159)	(169)	(176)	(180)
Bad debts written off	(154)	(154)	(154)	(164)
Amortisation of intangible non-produced assets	(3)	(3)	(3)	(3)
Other gains/(losses)	(1)	(1)	(1)	(1)
Total other gains/(losses) from other economic flows	(318)	(328)	(335)	(349)

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

(\$ million)

	2017 budget	2018 estimate	2019 estimate	2020 estimate
Balance of investment in PNFC and PFC sectors at beginning of period	85 347	85 878	88 499	92 032
Net contributions to other sectors by owner	(2 175)	2 739	2 668	2 263
Revaluation gain/(loss) for period	2 707	(118)	866	(85)
Investment in other sector entities at end of period	85 878	88 499	92 032	94 210

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

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Purchases of non-financial assets (including change in inventories)	7 206	7 079	6 542	5 489
Less: Sale of non-financial assets	(487)	(746)	(440)	(237)
Less: Depreciation	(2 620)	(2 780)	(3 039)	(3 216)
Plus: Other movements in non-financial assets ^(a)	(3 037)	(2 407)	(2 808)	(2 451)
Total net acquisition of non-financial assets from transactions	1 063	1 146	255	(415)

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.

Note 16: Advances paid and investments, loans and placements

(\$ million)

	2016 <i>revised</i>	2017 <i>budget</i>	2018 <i>estimate</i>	2019 <i>estimate</i>	2020 <i>estimate</i>
Current advances paid and investments, loans and placements					
Loans and advances paid	45	1 230	911	1 092	897
Equities and managed investment schemes	974	991	1 009	1 026	1 043
Australian dollar term deposits	2 011	2 072	2 129	2 196	2 275
Debt securities	7	7	7	7	7
Total current advances paid and investments, loans and placements	3 037	4 299	4 055	4 321	4 222
Non-current advances paid and investments, loans and placements					
Loans and advances paid	4 476	8 827	7 912	6 815	5 911
Equities and managed investment schemes	322	328	327	318	316
Australian dollar term deposits	204	209	215	221	227
Debt securities	34	34	34	34	34
Total non-current advances paid and investments, loans and placements	5 036	9 399	8 489	7 389	6 488
Total advances paid and investments, loans and placements	8 072	13 698	12 543	11 710	10 710
Represented by:					
Advances paid	4 521	10 057	8 823	7 908	6 808
Investments, loans and placements	3 552	3 642	3 721	3 802	3 902

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

(\$ million)

	2016 <i>revised</i>	2017 <i>budget</i>	2018 <i>estimate</i>	2019 <i>estimate</i>	2020 <i>estimate</i>
Buildings	25 502	25 061	26 397	27 715	28 240
Buildings leasehold	3 453	4 375	5 243	5 091	4 942
Land and national parks	41 074	40 996	43 495	43 621	46 241
Infrastructure systems	1 321	1 355	1 346	1 330	1 315
Plant, equipment and vehicles	2 221	2 318	2 214	2 005	1 732
Leased plant, equipment and vehicles	143	127	111	96	79
Roads and roads infrastructure	20 865	21 435	24 265	25 315	28 131
Leased roads and roads infrastructure	575	565	628	618	663
Earthworks	7 919	8 154	9 362	9 538	10 508
Cultural assets	5 526	5 531	5 519	5 503	6 161
Total land, buildings, infrastructure, plant and equipment	108 600	109 917	118 580	120 832	128 012

Note 18: Reconciliation of movements in land, buildings, infrastructure, plant and equipment ^(a)

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Carrying amount at the start of the year	108 600	109 917	118 580	120 832
Additions ^(b)	7 868	7 674	7 291	5 798
Disposals at written-down value	(414)	(409)	(363)	(214)
Revaluations	109	7 101	1 653	7 445
Asset transfers ^(c)	(3 747)	(3 053)	(3 404)	(2 756)
Depreciation expense	(2 499)	(2 651)	(2 925)	(3 094)
Carrying amount at the end of the year	109 917	118 580	120 832	128 012

Notes:

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

Note 19: Other non-financial assets

(\$ million)

	2016 revised	2017 budget	2018 estimate	2019 estimate	2020 estimate
Intangible produced assets	1 409	1 455	1 481	1 524	1 535
Accumulated depreciation	(837)	(930)	(1 033)	(1 125)	(1 223)
Intangible non-produced assets	121	121	121	121	121
Accumulated amortisation	(41)	(42)	(43)	(44)	(45)
Total intangibles	652	604	526	476	387
Investment properties	64	56	56	55	55
Biological assets	5	7	8	10	11
Other assets	304	380	279	286	286
Total other non-financial assets	1 024	1 047	869	827	739

Note 20: Assets classified by government purpose and by department

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

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
General public services	208	210	212	117
Public order and safety	701	762	293	210
Education	802	691	317	149
Health	1 240	723	470	242
Social security and welfare	108	81	72	71
Housing and community amenities	161	112	113	112
Recreation and culture	107	56	66	22
Fuel and energy	4	4	3	3
Agriculture, forestry, fishing, and hunting	51	45	43	6
Transport and communications	5 094	4 927	4 143	3 140
Other economic affairs	142	105	18	11
Other purposes	1	1	1	1
Not allocated by purpose ^(b)	(1 414)	(637)	794	1 406
Total purchases of non-financial assets	7 206	7 079	6 542	5 489

Notes:

- (a) Note 41 of the 2014-15 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.

Note 20: Assets classified by government purpose and by department (continued)

(b) Purchase of non-financial assets by department

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Economic Development, Jobs, Transport and Resources	3 488	2 425	1 861	698
Education and Training	850	742	370	205
Environment, Land, Water and Planning	116	61	62	59
Health and Human Services	1 367	670	424	234
Justice and Regulation	475	561	145	102
Premier and Cabinet	17	14	13	11
Treasury and Finance	63	45	66	40
Parliament	29	17	1	1
Courts	49	27	6	6
Regulatory bodies and other part funded agencies ^(a)	166	180	155	115
Asset contingencies not allocated to departments ^(b)	1 992	3 346	3 570	3 625
Adjustments ^(c)	(1 408)	(1 008)	(130)	393
Total purchases of non-financial assets	7 206	7 079	6 542	5 489

Notes:

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

(b) Note 20(c) 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.

(c) General government asset contingencies not allocated to departments

(\$ million)

	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Decisions made but not yet allocated ^(a)	1 992	2 946	2 870	2 625
Funding not allocated to specific purposes ^(b)	..	400	700	1 000
Total general government asset contingencies	1 992	3 346	3 570	3 625

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.

Note 20: Assets classified by government purpose and by department (continued)

(d) Total assets by government purpose classification ^(a)

(\$ million)

	2016	2017	2018	2019	2020
	revised	budget	estimate	estimate	estimate
General public services	820	887	829	755	658
Public order and safety	8 936	9 250	10 083	9 945	10 440
Education	19 053	19 660	21 879	21 772	21 492
Health	13 261	13 851	13 654	14 773	14 124
Social security and welfare	1 899	1 951	1 976	1 991	2 005
Housing and community amenities	7 445	7 554	7 608	7 610	9 362
Recreation and culture	8 443	8 486	8 476	8 476	8 431
Fuel and energy	11	12	14	14	14
Agriculture, forestry, fishing, and hunting	692	711	724	734	706
Transport and communications	49 313	50 150	55 913	56 609	61 566
Other economic affairs	445	586	690	698	699
Other purposes	1	1	1	1	1
Not allocated by purpose ^(b)	102 572	107 757	109 050	112 946	115 536
Total assets	212 893	220 855	230 898	236 324	245 035

Notes:

- (a) Note 41 of the 2014-15 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.
- (b) Represents financial assets which are not able to be allocated by purpose. This mainly includes balances relating to the general government sector's investment in other sector entities.

Note 21: Payables

(\$ million)

	2016	2017	2018	2019	2020
	revised	budget	estimate	estimate	estimate
Current payables					
Accounts payable and accrued expenses	2 827	2 784	2 709	2 652	2 634
Accrued taxes payable	44	44	44	46	46
Unearned income	619	619	617	609	605
Total current payables	3 489	3 447	3 371	3 307	3 285
Non-current payables					
Accounts payable and accrued expenses	132	124	116	106	95
Unearned income	1 646	1 586	1 525	1 531	1 340
Total non-current payables	1 778	1 710	1 641	1 637	1 435
Total payables	5 267	5 157	5 011	4 943	4 720

Note 22: Borrowings

(\$ million)

	2016 revised	2017 budget	2018 estimate	2019 estimate	2020 estimate
Current borrowings					
Domestic borrowings	3 860	3 860	3 860	3 860	3 860
Derivative financial instruments	..	..	..	..	..
Finance lease liabilities ^(a)	118	122	134	137	134
Total current borrowings	3 977	3 982	3 994	3 996	3 993
Non-current borrowings					
Domestic borrowings	21 484	17 678	19 543	20 895	21 010
Finance lease liabilities ^(a)	8 874	9 255	9 719	10 110	10 245
Derivative financial instruments	50	50	50	50	50
Total non-current borrowings	30 408	26 984	29 312	31 055	31 305
Total borrowings	34 386	30 966	33 306	35 052	35 299

Note:

(a) Further detailed disclosures on finance lease liabilities can be found in the 2014-15 Financial Report for the State of Victoria.

Note 23: Employee benefits

(\$ million)

	2016 revised	2017 budget	2018 estimate	2019 estimate	2020 estimate
Current					
Accrued salaries and wages ^{(a)(b)}	1 672	1 767	1 811	1 864	1 900
Long service leave ^(b)	3 399	3 614	3 731	3 862	3 957
Total current employee benefits	5 071	5 381	5 542	5 725	5 856
Non-current					
Long service leave	789	876	944	1 015	1 082
Total non-current employee benefits	789	876	944	1 015	1 082
Total employee benefits	5 860	6 257	6 486	6 740	6 938

Notes:

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

(b) While employee related on-costs were allocated against accrued salaries and wages in the 2015-16 Budget Update, for the 2015-16 Budget and the 2016-17 Budget, more detailed data has been available for on-costs to be allocated between accrued salaries and wages and long service leave so that such on costs are better attributed to the respective components of the employee benefit provision.

Note 24: Reserves

(\$ million)

	2016 <i>revised</i>	2017 <i>budget</i>	2018 <i>estimate</i>	2019 <i>estimate</i>	2020 <i>estimate</i>
Land, buildings, infrastructure, plant and equipment revaluation surplus	43 826	43 935	51 036	52 689	60 135
Available-for-sale investments revaluation surplus	44	46	47	48	50
Revaluation surplus for investments in PFC and PNFC entities	47 884	50 591	50 473	51 338	51 253
Other reserves	647	648	651	654	656
Total reserves	92 402	95 220	102 207	104 729	112 094

Note 25: Reconciliations to Government Finance Statistics – derivation of GFS cash surplus/(deficit)

(\$ million)

	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
Cash surplus/(deficit)	(1 518)	(1 974)	(1 582)	(71)
Convergence differences:				
Less: Acquisitions under finance leases and similar arrangements ^(a)	(517)	(647)	(596)	(349)
Total convergence differences	(517)	(647)	(596)	(349)
GFS cash surplus/(deficit) ^(b)	(2 035)	(2 621)	(2 178)	(420)

Notes:

(a) *The finance lease acquisition in 2016-17 relates to the new Bendigo Hospital project, the New Schools PPP project and the metropolitan Melbourne buses contract. The 2017-18 estimate relates to the Ravenhall Prison project, the new Bendigo Hospital project and the New Schools PPP project. The 2018-19 and 2019-20 estimates relate to the High Capacity Metro Trains Project.*

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

Note 26: Financial instruments

Note 33 in Chapter 4 of the *2014-15 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 *2014-15 Financial Report* for the State of Victoria.

Note 27: Controlled entities

Note 42 *Controlled entities* within the 2014-15 *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 principal activities of the controlled entities reflect the three sectors of government they are within as set out in Note 1(D) Basis of Consolidation. Further, Note 41 *Government Purpose Classification* in the 2014-15 *Financial Report* for the State of Victoria reflects the broad objectives of these controlled entities.

The following is a list of general government sector entities and entities included as investments by the general government sector that have changed since 1 July 2015 or are expected to change for the budget year 2016-17. Unless otherwise noted below, all such entities are wholly owned.

<i>General government</i>	
Department of Health and Human Services	Department of Economic Development, Jobs, Transport and Resources
Alexandra District Health ^(a)	Australian Synchrotron Holding Company ^(d)
Department of Premier and Cabinet ^(b)	Linking Melbourne Authority ^(e)
Infrastructure Victoria ^(c)	Visit Victoria ^(f)
	Tourism Victoria ^(f)
	Department of Treasury and Finance ^(g)
<i>Public non-financial corporations</i>	
Department of Health and Human Services	Department of Economic Development, Jobs, Transport and Resources
Kardinia Park Trust ^(h)	Victorian Major Events Company Limited ^(f)
	LaunchVic ⁽ⁱ⁾
	Port of Melbourne Operations Pty Ltd ^(j)
	Melbourne Port Lessor Pty Ltd ^(k)
<i>Public financial corporations</i>	
Department of Treasury and Finance	
Victorian Asbestos Eradication Agency ^(l)	

Notes:

- (a) *Alexandra District Hospital was renamed Alexandra District Health.*
- (b) *Effective from 22 September 2015, the Victorian Competition and Efficiency Commission ceased to exist and operations were transferred to the Commissioner for Better Regulation established as a function of the Department of Treasury and Finance portfolio.*
- (c) *Effective from 1 October 2015, Infrastructure Victoria was established by the Infrastructure Victoria Act 2015.*
- (d) *The Australian Synchrotron is expected to be transferred from the State of Victoria to the Australian Nuclear Science and Technology Organisation (ANSTO) in 2015-16.*
- (e) *In the 2015-16 financial year, Linking Melbourne Authority has ceased to exist.*
- (f) *Effective 1 July 2016, Visit Victoria will commence operations and will take over the responsibilities of Tourism Victoria and the Victorian Major Events Company Limited. Tourism Victoria will cease to operate but will remain in existence until its legislation is repealed. Effective from 1 July 2016, Victorian Major Events Company will cease to exist.*
- (g) *Effective from 1 July 2015, the Domestic (HIH) Indemnity Fund and Housing Guarantee Claims ceased to exist.*
- (h) *In the 2015-16 financial year, Kardinia Park Trust will be established under the Kardinia Park Stadium Act 2016.*
- (i) *Effective 27 November 2015, the Minister for Small Business, Innovation and Trade launched Victoria's independent company, LaunchVic, to support the ecosystem for local startup businesses and the rapidly growing startup sector in Victoria.*
- (j) *Port of Melbourne Operations Pty Ltd (PortCo) was established as a Corporations Act entity on 21 March 2016. Effective from 1 July 2016, PortCo will commence operations.*
- (k) *Melbourne Port Lessor Pty Ltd (Port Lessor) was established as a Corporations Act entity on 21 March 2016. Effective from 1 July 2016, Port Lessor will commence operations.*
- (l) *In the 2016-17 financial year, the Victorian Asbestos Eradication Agency (VAEA) will be established.*

CHAPTER 2 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

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

(\$ million)

	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
Revenue from transactions					
Interest revenue	30	105	117	101	102
Dividend revenue	18	18	18	19	19
Sales of goods and services	6 197	6 353	6 832	6 664	6 755
Grant revenue	3 090	3 243	3 380	3 355	3 249
Other revenue	936	481	485	493	503
Total revenue from transactions	10 272	10 200	10 832	10 632	10 628
Expenses from transactions					
Employee expenses	1 145	1 157	1 167	1 195	1 230
Other superannuation	96	99	99	102	104
Depreciation	2 111	2 244	2 255	2 358	2 386
Interest expense	1 069	1 139	1 132	1 125	1 118
Grant expense	274	571	409	483	373
Other operating expenses	5 249	5 532	6 001	5 708	5 635
Other property expenses	285	127	142	156	150
Total expenses from transactions	10 228	10 869	11 206	11 128	10 997
Net result from transactions – net operating balance	44	(669)	(374)	(496)	(370)
Total other economic flows included in net result	194	(14)	187	187	165
Net result	237	(683)	(186)	(309)	(205)

Table 2.1: Public non-financial corporations sector comprehensive operating statement for the financial year ended 30 June^(a) (continued)

(\$ million)

	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	1 232	3 367	(8)	554	(8)
Remeasurement of superannuation defined benefit plans	(4)	(4)	(4)	(4)	(4)
Other movements in equity	94	122	8	14	14
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	8	4	4	1	(6)
Total other economic flows – other comprehensive income	1 329	3 489	1	565	(4)
Comprehensive result – total change in net worth	1 567	2 806	(186)	256	(208)
KEY FISCAL AGGREGATES					
Net operating balance	44	(669)	(374)	(496)	(370)
Less: Net acquisition of non-financial assets from transactions	2 165	3 443	3 161	3 339	2 663
Net lending/(borrowing)	(2 122)	(4 112)	(3 535)	(3 835)	(3 032)

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.

Table 2.2: Public non-financial corporations sector balance sheet as at 30 June

(\$ million)

	2016 <i>revised</i>	2017 <i>budget</i>	2018 <i>estimate</i>	2019 <i>estimate</i>	2020 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	751	775	676	682	667
Advances paid	42	5 707	4 637	3 880	2 947
Receivables	1 439	1 580	1 590	1 622	1 620
Investments, loans and placements	945	712	687	703	720
Investments accounted for using equity method	1 565	1 568	1 572	1 578	1 578
Total financial assets	4 742	10 343	9 163	8 465	7 532
Non-financial assets					
Inventories	447	610	695	791	763
Non-financial assets held for sale	5	..	..	..	..
Land, buildings, infrastructure, plant and equipment	103 236	108 889	111 926	115 711	118 370
Other non-financial assets	1 397	1 357	1 352	1 339	1 335
Total non-financial assets	105 086	110 856	113 973	117 841	120 468
Total assets	109 828	121 199	123 136	126 306	128 000
Liabilities					
Deposits held and advances received	427	6 093	5 027	4 270	3 334
Payables	1 213	6 737	6 561	6 454	6 361
Borrowings	16 099	16 815	17 175	17 545	17 931
Employee benefits	377	368	371	377	381
Superannuation	42	44	43	43	43
Other provisions	9 228	8 337	8 126	7 928	7 750
Total liabilities	27 388	38 394	37 303	36 618	35 801
Net assets	82 441	82 805	85 833	89 689	92 199
Accumulated surplus/(deficit)	4 576	3 344	2 951	2 456	2 101
Reserves	77 865	79 461	82 882	87 233	90 098
Net worth	82 441	82 805	85 833	89 689	92 199
FISCAL AGGREGATES					
Net financial worth	(22 645)	(28 051)	(28 140)	(28 152)	(28 269)
Net financial liabilities	22 645	28 051	28 140	28 152	28 269
Net debt	14 788	15 714	16 201	16 550	16 932

Source: Department of Treasury and Finance

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

(\$ million)

	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Grants	3 150	3 315	3 369	3 321	3 249
Sales of goods and services ^(b)	7 095	12 624	7 315	7 190	7 290
Interest received	31	106	127	112	113
Dividend receipts	17	18	18	19	19
Other receipts	144	124	333	274	297
Total receipts	10 436	16 187	11 162	10 916	10 969
Payments					
Payments for employees	(1 148)	(1 167)	(1 167)	(1 194)	(1 229)
Superannuation	(100)	(102)	(104)	(107)	(109)
Interest paid	(1 063)	(1 135)	(1 130)	(1 123)	(1 116)
Grants and subsidies	(91)	(104)	(51)	(46)	(46)
Goods and services ^(b)	(4 485)	(4 138)	(4 602)	(4 140)	(4 070)
Other payments	(2 065)	(2 421)	(2 527)	(2 685)	(2 683)
Total payments	(8 952)	(9 068)	(9 582)	(9 294)	(9 253)
Net cash flows from operating activities	1 484	7 119	1 580	1 621	1 716
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(2 351)	(2 000)	(2 295)	(2 237)	(2 121)
Net cash flows from investments in financial assets for policy purposes	156	(5 526)	1 132	826	998
Net cash flows from investment in financial assets for liquidity management purposes	40	239	30	(15)	(20)
Net cash flows from investing activities	(2 155)	(7 286)	(1 133)	(1 426)	(1 143)
Cash flows from financing activities					
Advances received (net)	(3)	5 665	(1 068)	(758)	(935)
Net borrowings	166	716	359	370	386
Deposits received (net)	4	1	2	2	(1)
Other financing (net)	163	(6 191)	161	196	(37)
Net cash flows from financing activities	331	191	(546)	(190)	(587)
Net increase/(decrease) in cash and cash equivalents	(340)	24	(100)	6	(15)
Cash and cash equivalents at beginning of reporting period	1 092	751	775	676	682
Cash and cash equivalents at end of reporting period	751	775	676	682	667

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

(\$ million)

	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities	1 484	7 119	1 580	1 621	1 716
Dividends paid	(149)	(250)	(178)	(164)	(128)
Net cash flows from investments in non-financial assets	(2 351)	(2 000)	(2 295)	(2 237)	(2 121)
Cash surplus/(deficit)	(1 016)	4 869	(893)	(780)	(533)

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.

Table 2.4: Public non-financial corporations sector statement of changes in equity for the financial year ending 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
2015-16 revised		
Balance at 1 July 2015	4 430	49 943
Net result for the year	237	..
Other comprehensive income for the year	58	..
Dividends paid	(149)	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	2 051
Total equity as at 30 June 2016	4 576	51 994
2016-17 budget		
Balance at 1 July 2016	4 576	51 994
Net result for the year	(683)	..
Other comprehensive income for the year	88	..
Dividends paid	(250)	..
Transfer to accumulated surplus	(387)	4 481
Transactions with owners in their capacity as owners	..	(2 191)
Total equity as at 30 June 2017	3 344	54 284
2017-18 estimate		
Balance at 1 July 2017	3 344	54 284
Net result for the year	(186)	..
Other comprehensive income for the year	(28)	..
Dividends paid	(178)	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	3 392
Total equity as at 30 June 2018	2 951	57 676
2018-19 estimate		
Balance at 1 July 2018	2 951	57 676
Net result for the year	(309)	..
Other comprehensive income for the year	(22)	..
Dividends paid	(164)	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	3 764
Total equity as at 30 June 2019	2 456	61 440
2019-20 estimate		
Balance at 1 July 2019	2 456	61 440
Net result for the year	(205)	..
Other comprehensive income for the year	(23)	..
Dividends paid	(128)	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	2 846
Total equity as at 30 June 2020	2 101	64 286

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
24 161	437	78 972
..	..	237
1 232	40	1 329
..	..	(149)
..
..	..	2 051
25 393	477	82 441
25 393	477	82 441
..	..	(683)
3 367	34	3 489
..	..	(250)
(4 094)	..	..
..	..	(2 191)
24 666	511	82 805
24 666	511	82 805
..	..	(186)
(8)	37	1
..	..	(178)
..
..	..	3 392
24 658	548	85 833
24 658	548	85 833
..	..	(309)
554	33	565
..	..	(164)
..
..	..	3 764
25 212	581	89 689
25 212	581	89 689
..	..	(205)
(8)	27	(4)
..	..	(128)
..
..	..	2 846
25 204	608	92 199

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

(\$ million)

	2015-16	2016-17	2017-18	2018-19	2019-20
	revised	budget	estimate	estimate	estimate
Cash surplus/(deficit)	(1 016)	4 869	(893)	(780)	(533)
Convergence differences: ^(a)					
Acquisitions under finance leases and similar arrangements	..	..	..	..	..
GFS cash surplus/(deficit) ^(b)	(1 016)	4 869	(893)	(780)	(533)

Source: Department of Treasury and Finance

Notes:

- (a) There may be convergence differences arising out of future commercial arrangements that will not crystallise until they are completed.
- (b) Determined in accordance with the ABS GFS manual.

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

(\$ million)

	2015-16	2016-17	2017-18	2018-19	2019-20
	revised	budget	estimate	estimate	estimate
Purchases of non-financial assets less sales of non-financial assets	2 352	2 000	2 295	2 237	2 121
Less: depreciation	(2 111)	(2 244)	(2 255)	(2 358)	(2 386)
Plus: other movements in non-financial assets ^(b)	1 924	3 687	3 122	3 460	2 928
Total net acquisition of non-financial assets	2 165	3 443	3 161	3 339	2 663

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.

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

(\$ million)

	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
Revenue from transactions					
Taxation revenue	19 659	21 215	20 929	22 044	22 915
Interest revenue	333	341	355	361	368
Dividends and income tax equivalent and rate equivalent revenue	288	622	1 027	506	490
Sales of goods and services	10 762	10 862	11 167	11 436	11 540
Grant revenue	25 354	27 418	28 064	28 838	29 951
Other revenue	3 449	3 049	2 805	2 824	2 877
Total revenue from transactions	59 846	63 507	64 347	66 010	68 141
Expenses from transactions					
Employee expenses	21 149	22 401	23 234	24 170	24 886
Net superannuation interest expense	878	791	769	745	720
Other superannuation	2 226	2 338	2 354	2 389	2 429
Depreciation	4 617	4 863	5 036	5 398	5 603
Interest expense	2 711	2 926	2 687	2 737	2 692
Grant expense	5 532	6 509	6 483	6 764	6 854
Other operating expenses	21 008	21 805	22 586	22 424	23 021
Total expenses from transactions	58 122	61 634	63 149	64 626	66 205
Net result from transactions – net operating balance	1 724	1 873	1 197	1 383	1 936
Total other economic flows included in net result	(232)	(429)	54	(194)	(238)
Net result	1 492	1 445	1 252	1 189	1 698
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	2 499	2 790	7 093	2 207	7 438
Remeasurement of superannuation defined benefit plans	(1 796)	873	887	899	910
Other movements in equity	29	192	7	32	21
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	9	5	6	3	(4)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	53	151	246	774	251
Total other economic flows – other comprehensive income	794	4 011	8 238	3 914	8 616
Comprehensive result – total change in net worth	2 286	5 456	9 490	5 103	10 314

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

(\$ million)

	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
KEY FISCAL AGGREGATES					
Net operating balance	1 724	1 873	1 197	1 383	1 936
Less: Net acquisition of non-financial assets from transactions	2 427	4 376	4 274	3 598	2 252
Net lending/(borrowing)	(703)	(2 503)	(3 077)	(2 215)	(316)

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.

Table 2.8: Non-financial public sector balance sheet as at 30 June

(\$ million)

	2016 <i>revised</i>	2017 <i>budget</i>	2018 <i>estimate</i>	2019 <i>estimate</i>	2020 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	5 089	5 542	5 465	5 789	6 087
Advances paid	81	76	69	63	56
Receivables	5 926	6 176	6 260	6 468	6 590
Investments, loans and placements	4 497	4 354	4 408	4 505	4 622
Investments accounted for using equity method	2 021	2 024	2 028	2 033	2 034
Investments in other sector entities	2 906	3 074	2 666	2 343	2 011
Total financial assets	20 519	21 245	20 897	21 202	21 399
Non-financial assets					
Inventories	595	761	851	951	928
Non-financial assets held for sale	168	160	150	160	155
Land, buildings, infrastructure, plant and equipment	211 836	218 807	230 506	236 543	246 382
Other non-financial assets	2 014	1 978	1 876	1 830	1 738
Total non-financial assets	214 614	221 707	233 384	239 485	249 203
Total assets	235 133	242 951	254 281	260 688	270 603
Liabilities					
Deposits held and advances received	640	641	644	646	645
Payables	6 075	11 584	11 357	11 186	10 867
Borrowings	46 305	43 643	46 393	48 564	49 257
Employee benefits	6 237	6 625	6 858	7 117	7 319
Superannuation	27 930	27 093	26 208	25 237	24 230
Other provisions	1 012	976	942	955	987
Total liabilities	88 199	90 562	92 402	93 705	93 306
Net assets	146 934	152 389	161 879	166 982	177 297
Accumulated surplus/(deficit)	62 546	69 118	71 228	73 314	75 909
Reserves	84 388	83 271	90 651	93 668	101 388
Net worth	146 934	152 389	161 879	166 982	177 297
FISCAL AGGREGATES					
Net financial worth	(67 680)	(69 317)	(71 505)	(72 503)	(71 907)
Net financial liabilities	70 586	72 391	74 172	74 846	73 918
Net debt	37 278	34 313	37 094	38 853	39 138

Source: Department of Treasury and Finance

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

(\$ million)

	2015-16 revised	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Cash flows from operating activities					
Receipts					
Taxes received	19 600	21 104	20 784	21 861	22 744
Grants	25 402	27 438	28 052	28 833	29 951
Sales of goods and services ^(b)	12 113	17 849	12 490	12 559	12 742
Interest received	352	358	365	371	379
Dividends and income tax equivalent and rate equivalent receipts	288	622	1 027	453	489
Other receipts	2 395	1 871	2 236	2 152	2 201
Total receipts	60 150	69 243	64 954	66 230	68 506
Payments					
Payments for employees	(20 890)	(22 016)	(23 006)	(23 916)	(24 689)
Superannuation	(2 958)	(3 093)	(3 122)	(3 206)	(3 246)
Interest paid	(2 686)	(2 902)	(2 648)	(2 698)	(2 653)
Grants and subsidies	(5 583)	(6 302)	(6 323)	(6 625)	(6 781)
Goods and services ^(b)	(21 568)	(22 382)	(23 438)	(23 124)	(23 655)
Other payments	(569)	(630)	(653)	(676)	(708)
Total payments	(54 255)	(57 326)	(59 189)	(60 246)	(61 731)
Net cash flows from operating activities	5 894	11 917	5 764	5 985	6 775
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(5 931)	(8 548)	(8 628)	(8 339)	(7 373)
Net cash flows from investments in financial assets for policy purposes	368	107	719	1 184	661
Net cash flows from investment in financial assets for liquidity management purposes	(94)	160	(32)	(77)	(103)
Net cash flows from investing activities	(5 657)	(8 281)	(7 941)	(7 232)	(6 815)
Cash flows from financing activities					
Net borrowings	(525)	(3 184)	2 097	1 569	339
Deposits received (net)	4	1	3	2	(1)
Net cash flows from financing activities	(522)	(3 183)	2 100	1 571	338
Net increase/(decrease) in cash and cash equivalents	(284)	453	(77)	324	298
Cash and cash equivalents at beginning of reporting period	5 374	5 089	5 542	5 465	5 789
Cash and cash equivalents at end of reporting period	5 089	5 542	5 465	5 789	6 087

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

(\$ million)

	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities	5 894	11 917	5 764	5 985	6 775
Net cash flows from investments in non-financial assets	(5 931)	(8 548)	(8 628)	(8 339)	(7 373)
Cash surplus/(deficit)	(37)	3 369	(2 863)	(2 354)	(598)

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.

Table 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>
2015-16 revised		
Balance at 1 July 2015	62 814	50
Net result for the year	1 492	..
Other comprehensive income for the year	(1 761)	..
Transfer to accumulated surplus	1	..
Transactions with owners in their capacity as owners	..	(50)
Total equity as at 30 June 2016	62 546	..
2016-17 budget		
Balance at 1 July 2016	62 546	..
Net result for the year	1 445	..
Other comprehensive income for the year	1 034	..
Transfer to accumulated surplus	4 094	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2017	69 118	..
2017-18 estimate		
Balance at 1 July 2017	69 118	..
Net result for the year	1 252	..
Other comprehensive income for the year	858	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2018	71 228	..
2018-19 estimate		
Balance at 1 July 2018	71 228	..
Net result for the year	1 189	..
Other comprehensive income for the year	897	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2019	73 314	..
2019-20 estimate		
Balance at 1 July 2019	73 314	..
Net result for the year	1 698	..
Other comprehensive income for the year	896	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2020	75 909	..

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>
77 427	3 240	1 166	144 697
..	..	..	1 492
2 499	53	4	794
(1)	..	..	..
..	..	..	(50)
79 926	3 293	1 169	146 934
79 926	3 293	1 169	146 934
..	..	..	1 445
2 790	151	36	4 011
(4 094)	..	..	..
..
78 622	3 444	1 205	152 389
78 622	3 444	1 205	152 389
..	..	..	1 252
7 093	246	40	8 238
..
..
85 715	3 690	1 246	161 879
85 715	3 690	1 246	161 879
..	..	..	1 189
2 207	774	37	3 914
..
..
87 921	4 464	1 283	166 982
87 921	4 464	1 283	166 982
..	..	..	1 698
7 438	251	31	8 616
..
..
95 359	4 715	1 314	177 297

Table 2.11: Derivation of non-financial public sector GFS cash surplus/(deficit)

(\$ million)

	2015-16 revised	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Cash surplus/(deficit)	(37)	3 369	(2 863)	(2 354)	(598)
Convergence differences: ^(a)					
Acquisitions under finance leases and similar arrangements ^(b)	(1 056)	(517)	(647)	(596)	(349)
GFS cash surplus/(deficit) ^(c)	(1 093)	2 852	(3 510)	(2 951)	(947)

Source: Department of Treasury and Finance

Notes:

- (a) There may be convergence differences arising out of future commercial arrangements that will not crystallise until they are completed.
- (b) The finance lease acquisition in 2015-16 relates to the Victorian Comprehensive Cancer Centre and metropolitan Melbourne buses contract. The 2016-17 figure relates to the new Bendigo Hospital project, the New Schools PPP project and the metropolitan Melbourne buses contract. The 2017-18 estimate relates to the Ravenhall Prison project, the new Bendigo Hospital project and the New Schools PPP project. The 2018-19 and 2019-20 estimates predominantly relate to the High Capacity Metro Trains Project.
- (c) Determined in accordance with the ABS GFS manual.

Table 2.12: Net acquisition of non-financial assets – non-financial public sector^(a)

(\$ million)

	2015-16 revised	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Purchases of non-financial assets less sales of non-financial assets (including changes in inventories)	5 935	8 552	8 632	8 343	7 378
Less: depreciation	(4 617)	(4 863)	(5 036)	(5 398)	(5 603)
Plus: other movements in non-financial assets ^(b)	1 109	687	678	652	477
Total net acquisition of non-financial assets	2 427	4 376	4 274	3 598	2 252

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 2015-16 predominantly relate to the recognition of finance lease arrangements for the Victorian Comprehensive Cancer Centre and metropolitan Melbourne buses contract. The 2016-17 estimate predominantly relates to the new Bendigo Hospital project, the New Schools PPP project and the metropolitan Melbourne buses contract. The 2017-18 estimate predominantly relates to the Ravenhall Prison project, the new Bendigo Hospital project and the New Schools PPP project. The 2018-19 and 2019-20 estimates predominantly relate to the High Capacity Metro Trains Project.

Table 2.13: Public financial corporations sector comprehensive operating statement for the financial year ended 30 June

(\$ million)

	2015-16 revised	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Revenue from transactions					
Interest revenue	2 156	2 453	2 227	2 274	2 279
Dividend revenue	1 256	1 034	1 118	1 102	1 147
Sales of goods and services	4 177	4 336	4 553	4 706	4 941
Other revenue	22	22	23	24	25
Total revenue from transactions	7 610	7 844	7 921	8 106	8 392
Expenses from transactions					
Employee expenses	305	308	317	285	293
Other superannuation	24	24	25	22	23
Depreciation	48	47	51	46	39
Interest expense	1 952	2 094	1 803	1 862	1 845
Other operating expenses	5 957	6 294	6 635	6 827	7 079
Other property expenses	5	55	104	125	209
Total expenses from transactions	8 292	8 822	8 936	9 166	9 488
Net result from transactions – net operating balance ^(a)	(682)	(978)	(1 015)	(1 060)	(1 096)
Other economic flows included in net result					
Net gain/(loss) on financial assets or liabilities at fair value	80	843	957	845	875
Other gains/(losses) from other economic flows	495	654	745	772	860
Total other economic flows included in net result	575	1 496	1 702	1 616	1 735
Net result	(107)	519	687	556	639
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Other movements in equity	..	(4)	(1)	1	..
Total other economic flows – other comprehensive income	..	(4)	(1)	1	..
Comprehensive result – total change in net worth	(106)	514	686	557	639
KEY FISCAL AGGREGATES					
Net operating balance	(682)	(978)	(1 015)	(1 060)	(1 096)
Less: Net acquisition of non-financial assets from transactions	(3)	8	13	(9)	4
Net lending/(borrowing)	(679)	(986)	(1 028)	(1 051)	(1 100)

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 PFC sector than the net result from transactions.

Table 2.14: Public financial corporations sector balance sheet as at 30 June

(\$ million)

	2016 <i>revised</i>	2017 <i>budget</i>	2018 <i>estimate</i>	2019 <i>estimate</i>	2020 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	3 489	3 665	3 661	3 808	3 975
Advances paid	11	12	12	13	14
Investments, loans and placements	32 718	34 147	34 462	35 063	36 349
Loans receivable from non-financial public sector ^(a)	36 420	33 462	35 894	37 907	38 664
Receivables	1 501	1 508	1 536	1 678	1 727
Total financial assets	74 138	72 793	75 565	78 470	80 729
Non-financial assets					
Non-financial assets held for sale	..	..	..	..	..
Land, buildings, infrastructure, plant and equipment	79	85	92	82	78
Other non-financial assets	1 138	1 012	946	867	835
Total non-financial assets	1 217	1 097	1 037	949	913
Total assets	75 356	73 891	76 602	79 419	81 642
Liabilities					
Deposits held and advances received	6 237	6 284	5 901	5 952	5 998
Payables	1 728	1 757	1 711	1 701	1 595
Borrowings ^(b)	41 972	39 010	41 441	43 451	44 205
Employee benefits	89	91	94	95	97
Other provisions	26 826	28 240	29 791	31 430	33 138
Total liabilities	76 851	75 381	78 939	82 631	85 033
Net assets ^(a)	(1 496)	(1 491)	(2 337)	(3 212)	(3 391)
Accumulated surplus/(deficit)	(1 739)	(1 747)	(2 885)	(3 775)	(3 969)
Reserves	244	256	548	564	578
Net worth ^(a)	(1 496)	(1 491)	(2 337)	(3 212)	(3 391)
FISCAL AGGREGATES					
Net financial worth	(2 713)	(2 588)	(3 374)	(4 161)	(4 304)
Net financial liabilities	2 713	2 588	3 374	4 161	4 304
Net debt	(24 429)	(25 992)	(26 686)	(27 388)	(28 799)

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.

Table 2.15: Public financial corporations sector cash flow statement for the financial year ended 30 June^(a)

(\$ million)

	2015-16 revised	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Cash flows from operating activities					
Receipts					
Sales of goods and services ^(b)	4 576	4 780	5 018	5 107	5 473
Interest received	2 090	2 387	2 161	2 210	2 215
Dividend receipts	1 256	1 034	1 118	1 102	1 147
Other receipts	167	64	49	26	26
Total receipts	8 089	8 264	8 346	8 444	8 861
Payments					
Payments for employees	(307)	(306)	(315)	(324)	(332)
Superannuation	(24)	(24)	(25)	(26)	(26)
Interest paid	(1 961)	(2 122)	(1 829)	(1 887)	(1 871)
Goods and services ^(b)	(4 350)	(4 552)	(4 826)	(4 894)	(5 098)
Other payments	(3)	(50)	(103)	(62)	(210)
Total payments	(6 644)	(7 055)	(7 098)	(7 193)	(7 539)
Net cash flows from operating activities	1 445	1 210	1 248	1 252	1 322
Cash flows from investing activities					
Purchases of non-financial assets	(46)	(56)	(65)	(38)	(45)
Sales of non-financial assets	1	1	1	1	1
Net cash flows from investments in non-financial assets	(45)	(56)	(65)	(37)	(44)
Net cash flows from investments in financial assets for policy and liquidity purposes	(1 011)	2 438	(1 201)	(2 217)	(1 102)
Net cash flows from investing activities	(1 056)	2 382	(1 266)	(2 255)	(1 146)
Cash flows from financing activities					
Advances received (net)	(81)	2	1	2	1
Net borrowings	(466)	(2 953)	2 441	2 019	763
Deposits received (net)	(427)	45	(384)	49	45
Other financing (net)	(634)	(509)	(2 045)	(919)	(818)
Net cash flows from financing activities	(1 608)	(3 415)	14	1 150	(10)
Net increase/(decrease) in cash and cash equivalents	(1 220)	177	(4)	147	167
Cash and cash equivalents at beginning of reporting period	4 708	3 489	3 665	3 661	3 808
Cash and cash equivalents at end of reporting period	3 489	3 665	3 661	3 808	3 975
FISCAL AGGREGATES					
Net cash flows from operating activities	1 445	1 210	1 248	1 252	1 322
Dividends paid	(239)	(526)	(879)	(336)	(235)
Net cash flows from investments in non-financial assets	(45)	(56)	(65)	(37)	(44)
Cash surplus/(deficit)	1 161	628	305	878	1 044

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.

Table 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>
2015-16 revised		
Balance at 1 July 2015	(1 009)	177
Net result for the year	(107)	..
Other comprehensive income for the year	..	..
Dividends paid	(239)	..
Transfer to accumulated surplus	(386)	386
Transactions with owners in their capacity as owners	..	(357)
Total equity as at 30 June 2016	(1 739)	207
2016-17 budget		
Balance at 1 July 2016	(1 739)	207
Net result for the year	519	..
Other comprehensive income for the year	..	..
Dividends paid	(526)	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	17
Total equity as at 30 June 2017	(1 747)	223
2017-18 estimate		
Balance at 1 July 2017	(1 747)	223
Net result for the year	687	..
Other comprehensive income for the year	11	..
Dividends paid	(879)	..
Transfer to accumulated surplus	(958)	958
Transactions with owners in their capacity as owners	..	(653)
Total equity as at 30 June 2018	(2 885)	528
2018-19 estimate		
Balance at 1 July 2018	(2 885)	528
Net result for the year	556	..
Other comprehensive income for the year	2	..
Dividends paid	(336)	..
Transfer to accumulated surplus	(1 113)	1 113
Transactions with owners in their capacity as owners	..	(1 096)
Total equity as at 30 June 2019	(3 775)	544
2019-20 estimate		
Balance at 1 July 2019	(3 775)	544
Net result for the year	639	..
Other comprehensive income for the year	2	..
Dividends paid	(235)	..
Transfer to accumulated surplus	(600)	600
Transactions with owners in their capacity as owners	..	(583)
Total equity as at 30 June 2020	(3 969)	561

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2	35	(794)
..	..	(107)
..
..	..	(239)
..
..	..	(357)
2	35	(1 496)
2	35	(1 496)
..	..	519
..	(4)	(4)
..	..	(526)
..
..	..	17
2	31	(1 491)
2	31	(1 491)
..	..	687
..	(12)	(1)
..	..	(879)
..
..	..	(653)
2	19	(2 337)
2	19	(2 337)
..	..	556
..	(1)	1
..	..	(336)
..
..	..	(1 096)
2	17	(3 212)
2	17	(3 212)
..	..	639
..	(2)	..
..	..	(235)
..
..	..	(583)
2	15	(3 391)

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

(\$ million)

	2015-16 revised	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Cash surplus/(deficit)	1 161	628	305	878	1 044
Convergence differences:					
Acquisitions under finance leases and similar arrangements	..	..	..	..	..
GFS cash surplus/(deficit) ^(a)	1 161	628	305	878	1 044

Source: Department of Treasury and Finance

Note:

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

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

(\$ million)

	2015-16 revised	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Purchases of non-financial assets less sales of non-financial assets	45	56	65	37	44
Less: depreciation	(48)	(47)	(51)	(46)	(39)
Plus: other movements in non-financial assets	..	..	..	..	..
Total net acquisition of non-financial assets	(3)	8	13	(9)	4

Source: Department of Treasury and Finance

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

	(\$ million)				
	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
Revenue from transactions					
Taxation revenue	19 644	21 200	20 913	22 030	22 901
Interest revenue	583	753	831	825	854
Dividends and income tax equivalent and rate equivalent revenue	1 303	1 079	1 163	1 146	1 192
Sales of goods and services	14 192	14 425	14 904	15 300	15 592
Grant revenue	25 244	27 256	27 931	28 710	29 835
Other revenue	3 471	3 072	2 829	2 848	2 902
Total revenue from transactions	64 438	67 786	68 572	70 860	73 275
Expenses from transactions					
Employee expenses	21 124	22 368	23 204	24 111	24 827
Net superannuation interest expense	878	791	769	745	720
Other superannuation	2 250	2 362	2 379	2 411	2 452
Depreciation	4 665	4 911	5 087	5 443	5 642
Interest expense	2 757	2 979	2 740	2 789	2 745
Grant expense	5 532	6 496	6 470	6 751	6 841
Other operating expenses	26 425	27 505	28 618	28 624	29 444
Total expenses from transactions	63 631	67 412	69 267	70 874	72 671
Net result from transactions – net operating balance	807	374	(696)	(14)	604
Total other economic flows included in net result	249	1 191	1 818	1 493	1 518
Net result	1 056	1 564	1 122	1 479	2 122
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	2 499	2 790	7 093	2 207	7 438
Remeasurement of superannuation defined benefit plans	(1 796)	873	887	899	910
Other movements in equity	29	187	5	33	21
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	9	5	6	3	(4)
Total other economic flows – other comprehensive income	742	3 855	7 991	3 142	8 365
Comprehensive result – total change in net worth	1 797	5 420	9 113	4 620	10 487
KEY FISCAL AGGREGATES					
Net operating balance	807	374	(696)	(14)	604
Less: Net acquisition of non-financial assets from transactions	2 424	4 384	4 287	3 590	2 256
Net lending/(borrowing)	(1 617)	(4 010)	(4 983)	(3 604)	(1 652)

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.

Table 2.20: State of Victoria balance sheet as at 30 June

(\$ million)

	2016 <i>revised</i>	2017 <i>budget</i>	2018 <i>estimate</i>	2019 <i>estimate</i>	2020 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	6 132	6 571	6 875	7 338	7 811
Advances paid	81	76	69	63	56
Receivables	7 027	7 285	7 396	7 692	7 955
Investments, loans and placements	34 948	36 378	36 748	37 405	38 754
Investments accounted for using equity method	2 021	2 024	2 028	2 033	2 034
Total financial assets	50 209	52 334	53 115	54 531	56 610
Non-financial assets					
Inventories	595	761	851	951	928
Non-financial assets held for sale	168	160	150	160	155
Land, buildings, infrastructure, plant and equipment	211 915	218 892	230 598	236 625	246 460
Other non-financial assets	2 208	2 170	2 063	2 014	1 927
Total non-financial assets	214 886	221 983	233 663	239 752	249 470
Total assets	265 095	274 317	286 778	294 283	306 080
Liabilities					
Deposits held and advances received	2 245	2 247	2 251	2 253	2 253
Payables	7 407	12 969	12 798	12 687	12 391
Borrowings	51 734	49 070	51 818	53 986	54 769
Employee benefits	6 326	6 716	6 951	7 212	7 416
Superannuation	27 930	27 093	26 208	25 237	24 230
Other provisions	27 821	29 171	30 588	32 122	33 748
Total liabilities	123 463	127 265	130 613	133 497	134 808
Net assets	141 632	147 052	156 165	160 785	171 272
Accumulated surplus/(deficit)	60 500	67 192	69 184	71 562	74 583
Reserves	81 132	79 860	86 981	89 224	96 690
Net worth	141 632	147 052	156 165	160 785	171 272
FISCAL AGGREGATES					
Net financial worth	(73 254)	(74 931)	(77 498)	(78 966)	(78 198)
Net financial liabilities	73 254	74 931	77 498	78 966	78 198
Net debt	12 818	8 290	10 377	11 433	10 402

Source: Department of Treasury and Finance

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

(\$ million)

	2015-16 revised	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
Cash flows from operating activities					
Receipts					
Taxes received	19 586	21 089	20 769	21 848	22 730
Grants	25 293	27 277	27 919	28 704	29 835
Sales of goods and services ^(b)	15 947	21 857	16 693	16 825	17 233
Interest received	535	703	776	771	800
Dividends and income tax equivalent and rate equivalent receipts	1 302	1 079	1 163	1 146	1 192
Other receipts	2 344	1 936	2 285	2 178	2 227
Total receipts	65 006	73 941	69 604	71 473	74 017
Payments					
Payments for employees	(20 867)	(21 980)	(22 973)	(23 896)	(24 670)
Superannuation	(2 982)	(3 117)	(3 147)	(3 232)	(3 272)
Interest paid	(2 740)	(2 982)	(2 727)	(2 776)	(2 732)
Grants and subsidies	(5 366)	(6 289)	(6 310)	(6 612)	(6 768)
Goods and services ^(a)	(25 381)	(26 341)	(27 661)	(27 391)	(28 098)
Other payments	(569)	(630)	(653)	(666)	(709)
Total payments	(57 905)	(61 340)	(63 470)	(64 572)	(66 248)
Net cash flows from operating activities	7 101	12 601	6 134	6 900	7 768
Cash flows from investing activities					
Net cash flows from investments in non-financial assets	(5 976)	(8 604)	(8 692)	(8 376)	(7 417)
Net cash flows from investments in financial assets for policy purposes	44	124	76	88	78
Net cash flows from investment in financial assets for liquidity management purposes	(741)	(504)	676	274	(394)
Net cash flows from investing activities	(6 673)	(8 984)	(7 940)	(8 014)	(7 733)
Cash flows from financing activities					
Advances received (net)	(79)	1	1	1	1
Net borrowings	(732)	(3 178)	2 106	1 575	437
Deposits received (net)	4	1	3	2	(1)
Net cash flows from financing activities	(807)	(3 177)	2 110	1 577	437
Net increase/(decrease) in cash and cash equivalents	(379)	440	303	463	473
Cash and cash equivalents at beginning of reporting period	6 510	6 132	6 571	6 875	7 338
Cash and cash equivalents at end of reporting period	6 132	6 571	6 875	7 338	7 811
FISCAL AGGREGATES					
Net cash flows from operating activities	7 101	12 601	6 134	6 900	7 768
Net cash flows from investments in non-financial assets	(5 976)	(8 604)	(8 692)	(8 376)	(7 417)
Cash surplus/(deficit)	1 124	3 997	(2 558)	(1 476)	351

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.

Table 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>
2015-16 revised		
Balance at 1 July 2015	61 204	50
Net result for the year	1 056	..
Other comprehensive income for the year	(1 761)	..
Dividends paid	..	..
Transfer to accumulated surplus	1	..
Transactions with owners in their capacity as owners	..	(50)
Total equity as at 30 June 2016	60 500	..
2016-17 budget		
Balance at 1 July 2016	60 500	..
Net result for the year	1 564	..
Other comprehensive income for the year	1 034	..
Dividends paid	..	..
Transfer to accumulated surplus	4 094	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2017	67 192	..
2017-18 estimate		
Balance at 1 July 2017	67 192	..
Net result for the year	1 122	..
Other comprehensive income for the year	869	..
Dividends paid	..	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2018	69 184	..
2018-19 estimate		
Balance at 1 July 2018	69 184	..
Net result for the year	1 479	..
Other comprehensive income for the year	899	..
Dividends paid	..	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2019	71 562	..
2019-20 estimate		
Balance at 1 July 2019	71 562	..
Net result for the year	2 122	..
Other comprehensive income for the year	899	..
Dividends paid	..	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2020	74 583	..

Source: Department of Treasury and Finance

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
77 429	1 201	139 885
..	..	1 056
2 499	4	742
..
(1)	..	..
..	..	(50)
79 928	1 204	141 632
79 928	1 204	141 632
..	..	1 564
2 790	32	3 855
..
(4 094)	..	..
..
78 624	1 236	147 052
78 624	1 236	147 052
..	..	1 122
7 093	28	7 991
..
..
..
85 717	1 264	156 165
85 717	1 264	156 165
..	..	1 479
2 207	36	3 142
..
..
..
87 923	1 300	160 785
87 923	1 300	160 785
..	..	2 122
7 438	29	8 365
..
..
..
95 361	1 329	171 272

Table 2.23: Derivation of whole of State GFS cash surplus/(deficit)

	(\$ million)				
	2015-16	2016-17	2017-18	2018-19	2019-20
	revised	budget	estimate	estimate	estimate
Cash surplus/(deficit)	1 124	3 997	(2 558)	(1 476)	351
Convergence differences: ^(a)					
Acquisitions under finance leases and similar arrangements ^(b)	(1 056)	(517)	(647)	(596)	(349)
GFS cash surplus/(deficit) ^(c)	68	3 480	(3 205)	(2 072)	3

Source: Department of Treasury and Finance

Notes:

- (a) There may be convergence differences arising out of future commercial arrangements that will not crystallise until they are completed.
- (b) The finance lease acquisition in 2015-16 relates to the Victorian Comprehensive Cancer Centre and metropolitan Melbourne buses contract. The 2016-17 figure relates to the new Bendigo Hospital project, the New Schools PPP project and the metropolitan Melbourne buses contract. The 2017-18 estimate relates to the Ravenhall Prison project, the new Bendigo Hospital project and the New Schools PPP project. The 2018-19 and 2019-20 estimates predominantly relate to the High Capacity Metro Trains Project.
- (c) Determined in accordance with the ABS GFS manual.

Table 2.24: Net acquisition of non-financial assets – State of Victoria^(a)

	(\$ million)				
	2015-16	2016-17	2017-18	2018-19	2019-20
	revised	budget	estimate	estimate	estimate
Purchases of non-financial assets less sales of non-financial assets (including changes in inventories)	5 980	8 608	8 697	8 381	7 422
Less: depreciation	(4 665)	(4 911)	(5 087)	(5 443)	(5 642)
Plus: other movements in non-financial assets ^(b)	1 109	687	678	652	477
Total net acquisition of non-financial assets ^(b)	2 424	4 384	4 287	3 590	2 256

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 2015-16 predominantly relates to the recognition of finance lease arrangements for the Victorian Comprehensive Cancer Centre and metropolitan Melbourne buses contract. The 2016-17 estimate predominantly relates to the new Bendigo Hospital project, the New Schools PPP project and the metropolitan Melbourne buses contract. The 2017-18 estimate predominantly relates to the Ravenhall Prison project, the new Bendigo Hospital project and the New Schools PPP project. The 2018-19 and 2019-20 estimates predominantly relate to the High Capacity Metro Trains Project.

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 Budget Update*.

Table 2.25 compares the Victorian 2016-17 LCA nomination (based on 2015-16 *Budget Update* estimates) approved by the Loan Council in April 2016, with the 2016-17 revised LCA based upon 2016-17 *Budget* estimates.

Table 2.25: Loan Council Allocation

	(\$ million)	
	2016-17 nomination	Budget estimate
General government cash deficit (+) or surplus (-)	1 219	1 518
Public non-financial corporations sector cash deficit (+) or surplus (-)	842	(4 869)
Non-financial public sector cash deficit (+) or surplus (-) ^(a)	2 077	(3 369)
Acquisitions under finance leases and similar arrangements	496	517
ABS GFS cash deficit (+) or surplus (-)	2 573	(2 852)
<i>Less net cash flows from investments in financial assets for policy purposes</i> ^(b)	59	107
<i>Plus memorandum items</i> ^(c)	484	494
Loan Council Allocation	2 998	(2 465)
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities) ^(d)	1 217	1 385

Source: Department of Treasury and Finance

Notes:

- (a) The sum of the general government and public non-financial corporation sectors 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 total 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 2015-16 Budget Update), and again between the LCA budget estimate and LCA outcome (calculated using estimates in the 2016-17 Budget). The tolerance limit applying to the movement between Victoria's 2016-17 LCA nomination and its LCA budget estimate is \$1 217 million (2 per cent of \$60 844 million). The tolerance limit applying to the movement between Victoria's 2016-17 LCA budget estimate and LCA outcome is \$1 385 million (2 per cent of \$69 243 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 2016-17 LCA budget estimate (a surplus of \$2.5 billion) exceeds the tolerance limit established under the LCA nomination process due to the re-phasing of the Port of Melbourne lease transaction proceeds from 2015-16 to 2016-17.

NEW INFRASTRUCTURE PROJECTS WITH PRIVATE SECTOR INVOLVEMENT

In the interests 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 2016-17 financial year.

Casey Hospital expansion

The Casey Hospital expansion project was allocated \$106.3 million in the 2015-16 Budget. The expansion will increase the floor area of the existing facility by about 12 700 square metres (35 per cent) through a new multi-storey tower that connects with the existing hospital. The scope of the expansion will add 96 beds, four new operating theatres and a new central sterile services department. The expansion will provide significant 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 operational efficiency.

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

High Capacity Metro Trains

The High Capacity Metro Trains Project will provide a dedicated fleet to meet the growing demand on the Cranbourne-Pakenham corridor, and later on the Sunbury Line, and will provide the trains required for the Melbourne Metro Rail Project. The new train depot in Pakenham East and the Light Service Facility at Calder Park will have the flexibility to cater to the future rolling stock maintenance needs of the network. Associated infrastructure will be separately delivered by the State.

The project is being procured as an availability-based PPP project. The successful consortium will be contracted to undertake the design, financing, manufacture and commissioning of 65 High Capacity Metro Trains (HCMTs), with a priced option for an additional 35, the Pakenham East Depot and Simulator, and the Calder Park Light Service Facility. The consortium will also be responsible for the operating and maintenance activities over the maintenance phase of the contract (commencing from Provisional Acceptance of the first HCMT and ending 30 years post completion of Provisional Acceptance of the fleet). The contract is expected to be executed in November 2016, with the first train to be delivered in 2018.

The expanded scope will have a nominal capital cost of \$2.2 billion (excluding financing costs).

Melbourne Convention and Exhibition Centre – Stage 2 development

The Melbourne Convention and Exhibition Centre – Stage 2 development project provides for construction of an additional 9 000 square metres of flexible exhibition space including a multi-purpose facility with 900 retractable seats and 200 additional moveable seats, concourse, exhibitor and support areas. A hub space connecting the existing buildings will be constructed with cafes, informal meeting spaces, courtyard and ancillary spaces. The project will also provide meeting rooms and a banquet room seating 450 people. This expansion will provide additional capacity to Melbourne Convention and Exhibition Centre (MCEC).

The project will be delivered as a modification under the current PPP contract with Plenary Group, that expires in 2034. The expansion works will interface with third-party developments, namely a car park and hotel. The project is expected to draw significant economic benefits to the precinct. These benefits include additional interstate and international delegates visiting Victoria. This will enable MCEC to attract new business. Furthermore, MCEC's added capacity will reduce turn-away business.

CHAPTER 3 – DEPARTMENTAL FINANCIAL STATEMENTS

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

The following tables help to outline each department's forecast financial performance:

- 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) details payments made by the department on behalf of the State Government, not directly reflecting the operations of the department.

The 2015-16 budget figures have been restated to reflect the 2014-15 actual closing balances.

Machinery of government changes took effect from 1 January 2015. The departmental financial statements published in this chapter are organised according to the new structure of the Victorian Public Service as detailed below:

<i>Old Department</i>	<i>New Department</i>
Department of State Development, Business and Innovation	Department of Economic Development, Jobs, Transport and Resources
Department of Education and Early Childhood Development	Department of Education and Training
Department of Environment and Primary Industries	Department of Environment, Land, Water and Planning
Department of Justice	Department of Justice and Regulation
Department of Health	Department of Health and Human Services

The former Department of Transport, Planning and Local Infrastructure and the former Department of Human Services' 2014-15 outcomes were published in the Department of Economic Development, Jobs, Transport and Resources, and Department of Health and Human Services' 2014-15 annual reports.

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 \$1 075 million in 2016-17, an \$885 million increase compared to the 2015-16 revised budget. This is largely the result of:

- an expected increase in Commonwealth funding for road projects being recognised as operating income but invested for capital purposes;
- grants expected to be received from the Victorian Transport Fund to deliver the Level Crossing Removal Program; and
- an expected increase in grants from the Transport Accident Commission to VicRoads for Road Safety.

Total budgeted income and expenses for 2016-17 includes funding for initiatives announced in the *2016-17 Budget*, including:

- Road Restoration and Road Surface Replacement;
- Support for cultural agencies;
- Guaranteeing Victoria's Food Future;
- More metropolitan train services;
- Road Safety;
- More regional trains; and
- Regional rail sustainability.

Balance sheet

The Department's net asset position is estimated to increase by \$900 million in 2016-17 compared to the 2015-16 revised budget. This primarily reflects an estimated increase in total assets of \$933 million. Major movements in total assets include 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 expected investments in property, plant and equipment in 2016-17 reflect cash flows for existing road, public transport and related asset projects such as the Level Crossing Removal Program, and new initiatives announced in the *2016-17 Budget*, including:

- Additional X'Trapolis trains;
- Road Restoration and Road Surface Replacement;
- Ballarat line upgrade project;
- Major periodic maintenance;
- More regional trains; and
- Road Safety.

Administered items statement

Transactions administered by the Department on behalf of the State in 2016-17 include collecting road and public transport regulatory fees and fines revenues. The estimates also progressively recognise concession fees paid in advance by Transurban under the CityLink contract.

The administered appropriation and interest expense include the quarterly service payments associated with the Melbourne Exhibition and Convention 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 2015-16 expected deficit is primarily driven by the anticipated transfer of the Australian Synchrotron from the State of Victoria to the Australian Nuclear Science and Technology Organisation (ANSTO).

Table 3.1.1: Comprehensive operating statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	3 737	7 177	7 216	7 759
Special appropriations	1	5	2	6
Interest	14	15	17	17
Sale of goods and services	400	511	489	481
Grants	249	319	407	1 187
Fair value of assets and services received free of charge or for nominal consideration	71	57	94	55
Other income	202	153	161	159
Total income from transactions	4 674	8 236	8 385	9 664
Expenses from transactions				
Employee benefits	511	831	839	855
Depreciation	386	817	767	781
Interest expense	76	150	148	146
Grants and other transfers	1 649	2 832	3 049	3 177
Capital asset charge	115	215	215	226
Other operating expenses	1 903	3 146	3 176	3 404
Total expenses from transactions	4 641	7 992	8 195	8 588
Net result from transactions (net operating balance)	33	244	190	1 075
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(110)	..	6	..
Net gain/(loss) on financial instruments and statutory receivables/payables	..	..	..	..
Other gains/(losses) from economic flows	(42)	..	..	..
Total other economic flows included in net result	(152)	..	6	..
Net result	(119)	244	196	1 075
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	1 394	63	86	27
Other	(197)	6	(16)	4
Total other economic flows – other comprehensive income	1 197	69	69	31
Comprehensive result	1 077	313	265	1 106

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

Table 3.1.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2015 actual	2016 budget	2016 revised	2017 budget
Assets				
Financial assets				
Cash and deposits	1 614	1 925	1 931	2 043
Receivables	1 416	1 502	1 567	1 682
Other financial assets	148	146	152	145
Total financial assets	3 178	3 573	3 650	3 871
Non-financial assets				
Inventories	11	11	42	31
Property, plant and equipment	56 195	56 628	56 479	57 210
Biological assets	2	2	2	2
Investment properties	5	5	..	..
Intangible assets	121	109	111	102
Other	35	36	37	39
Total non-financial assets	56 370	56 792	56 670	57 382
Total assets	59 548	60 365	60 320	61 253
Liabilities				
Payables	1 218	1 207	1 265	1 275
Borrowings	1 523	1 488	1 497	1 495
Provisions	723	749	747	772
Total liabilities	3 464	3 444	3 509	3 542
Net assets	56 084	56 921	56 811	57 711
Equity				
Accumulated surplus/(deficit)	16 001	16 234	16 345	17 420
Reserves	19 872	19 952	19 921	19 951
Contributed capital	20 210	20 735	20 546	20 340
Total equity	56 084	56 921	56 811	57 711

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

Table 3.1.3: Statement of cash flows

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	3 607	7 103	7 057	7 671
Receipts from other entities	574	857	907	1 691
Interest received	14	15	17	17
Other receipts	256	120	125	121
Total receipts	4 450	8 095	8 105	9 501
Payments				
Payments of grants and other transfers	(1 623)	(2 832)	(3 062)	(3 177)
Payments to suppliers and employees	(2 590)	(3 923)	(3 858)	(4 188)
Capital asset charge	(115)	(215)	(215)	(226)
Interest and other costs of finance paid	(77)	(151)	(148)	(146)
Total payments	(4 405)	(7 121)	(7 285)	(7 735)
Net cash flows from/(used in) operating activities	45	974	821	1 765
Cash flows from investing activities				
Net investment	(35)	3	(3)	9
Payments for non-financial assets	(936)	(2 194)	(2 438)	(3 447)
Proceeds from sale of non-financial assets	41	10	..	..
Net loans to other parties	(2)	1	2	1
Net (purchase)/disposal of investments – policy purposes	35	..	..	..
Net cash flow from/(used in) investing activities	(897)	(2 180)	(2 440)	(3 437)
Cash flows from financing activities				
Owner contributions by State Government	2 045	1 554	1 940	1 827
Repayment of finance leases	(30)	(35)	(32)	(34)
Net borrowings	34	(2)	28	(9)
Net cash flows from/(used in) financing activities	2 049	1 517	1 936	1 784
Net increase/(decrease) in cash and cash equivalents	1 197	311	317	112
Cash and cash equivalents at the beginning of the financial year	417	1 614	1 614	1 931
Cash and cash equivalents at the end of the financial year	1 614	1 925	1 931	2 043

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 2014	189	931	26	..	1 146
Comprehensive result	(341)	..	1 418	..	1 077
Transactions with owners in their capacity as owners	16 153	19 279	18 389	40	53 860
Closing balance 30 June 2015 (actual)	16 001	20 210	19 832	40	56 084
Comprehensive result	233	..	63	17	313
Transactions with owners in their capacity as owners	..	525	..	..	525
Closing balance 30 June 2016 (budget)	16 234	20 735	19 895	57	56 921
Comprehensive result	217	..	65	(16)	265
Transactions with owners in their capacity as owners	127	335	..	..	462
Closing balance 30 June 2016 (revised)	16 345	20 546	19 897	24	56 811
Comprehensive result	1 075	..	27	4	1 106
Transactions with owners in their capacity as owners	..	(206)	..	..	(206)
Closing balance 30 June 2017 (budget)	17 420	20 340	19 923	28	57 711

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

Table 3.1.5: Administered items statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Administered income				
Appropriations – Payments made on behalf of the State	62	67	68	71
Sale of goods and services	146	285	284	246
Grants	..	..	..	2
Interest	11	10	10	10
Other income	1 196	2 412	2 451	2 504
Total administered income	1 415	2 775	2 813	2 834
Administered expenses				
Expenses on behalf of the State	22	17	243	58
Grants and other transfers	5	6	6	6
Payments into the Consolidated Fund	1 377	2 656	2 789	2 764
Interest expense	55	73	73	73
Total administered expenses	1 459	2 751	3 111	2 902
Income less expenses	(44)	23	(299)	(68)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	41	1	4	7
Other gains/(losses) from other economic flows	(5)	(16)	(16)	(16)
Total other economic flows included in net result	36	(14)	(12)	(9)
Net result	(8)	9	(311)	(77)
Other economic flows – other comprehensive income				
Other	99	..	..	..
Total other economic flows – other comprehensive income	99	..	..	..
Comprehensive result	90	9	(311)	(77)
Administered assets				
Cash and deposits	14	14	14	14
Receivables	402	405	403	405
Other financial assets	3	3	3	3
Total administered assets	419	422	420	422
Administered liabilities				
Payables	460	457	566	658
Borrowings	458	455	455	451
Total administered liabilities	918	912	1 021	1 109
Net assets	(500)	(491)	(601)	(687)

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>2015-16 budget</i>	<i>2015-16 revised</i>	<i>2016-17 budget</i>
Finance lease interest	41	41	42
Grants to public non-financial corporations	5	5	5
Finance lease liability	3	3	4
Anzac Day administered trust	1	1	1
Others	17	17	18
Total	67	68	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 \$89 million in 2016-17.

The operating statement shows an increase in total income from transactions to \$13 578 million in 2016-17, compared to the 2015-16 revised budget of \$12 981 million (5 per cent). This is primarily a result of indexation on existing income, allocation of Education State funding, school enrolment based funding for the 2016 calendar year, and additional initiatives including:

- Maintaining the essential Maternal and Child Health Service; and
- Respectful relationships for children and youth.

Total operating expenses are budgeted to increase by \$639 million to \$13 490 million (5 per cent) between the 2015-16 revised budget and the 2016-17 budget in line with the increase in revenue for the year.

Balance sheet

The Department's net asset position as at 30 June 2017 is expected to increase by \$339 million compared to the 2015-16 revised budget, reflecting a projected increase in total assets of \$608 million and an increase in total liabilities of \$269 million.

The expected increase in total assets reflects the Government's continued investment for major upgrades in existing schools, and the construction of new schools. The projected increase in total liabilities largely reflects the impact of new schools being built under a public private partnership.

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 a significant increase in purchases of property, plant and equipment for the continued asset commitment in schools, including:

- New schools construction;
- Metro, rural and regional school upgrades;
- Land acquisition; and
- Relocatable classrooms.

Administered items statement

Total income from transactions administered by the Department on behalf of the State is expected to increase by \$211 million in 2016-17 compared to the 2015-16 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)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	10 683	11 408	11 563	12 149
Special appropriations	..	13	22	12
Interest	29	29	29	30
Sale of goods and services	684	764	764	774
Grants	43	8	8	6
Other income	561	594	594	607
Total income from transactions	12 001	12 816	12 981	13 578
Expenses from transactions				
Employee benefits	6 178	6 444	6 633	6 936
Depreciation	388	420	391	397
Interest expense	16	15	15	21
Grants and other transfers	796	899	875	1 020
Capital asset charge	1 287	1 292	1 292	1 317
Other operating expenses	3 214	3 630	3 644	3 798
Total expenses from transactions	11 879	12 700	12 851	13 490
Net result from transactions (net operating balance)	122	116	130	89
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(18)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(10)	(1)	(1)	(1)
Other gains/(losses) from economic flows	(36)	(1)	19	(1)
Total other economic flows included in net result	(64)	(2)	17	(2)
Net result	58	114	147	87
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	830	6	6	10
Other	49	..	..	..
Total other economic flows – other comprehensive income	879	6	6	10
Comprehensive result	937	120	153	97

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>2015 actual</i>	<i>2016 budget</i>	<i>2016 revised</i>	<i>2017 budget</i>
Assets				
Financial assets				
Cash and deposits	933	957	1 009	1 033
Receivables	1 720	1 811	1 796	1 708
Other financial assets	278	299	299	304
Total financial assets	2 931	3 067	3 104	3 045
Non-financial assets				
Inventories	2	2	2	2
Non-financial assets classified as held for sale including disposal group assets	112	112	112	113
Property, plant and equipment	18 783	18 845	18 851	19 538
Biological assets	2	2	2	2
Investment properties	33	33	33	33
Intangible assets	68	76	59	37
Other	36	35	35	35
Total non-financial assets	19 036	19 106	19 095	19 762
Total assets	21 968	22 173	22 198	22 806
Liabilities				
Payables	392	379	379	390
Borrowings	214	209	209	408
Provisions	1 483	1 529	1 513	1 572
Total liabilities	2 089	2 117	2 101	2 370
Net assets	19 879	20 056	20 098	20 437
Equity				
Accumulated surplus/(deficit)	2 094	2 208	2 241	2 328
Reserves	8 253	8 259	8 259	8 269
Contributed capital	9 532	9 589	9 598	9 840
Total equity	19 879	20 056	20 098	20 437

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

Table 3.2.3: Statement of cash flows

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	10 351	11 359	11 538	12 272
Receipts from other entities	592	688	688	697
Interest received	29	29	29	30
Other receipts	639	640	640	686
Total receipts	11 611	12 717	12 895	13 684
Payments				
Payments of grants and other transfers	(803)	(897)	(873)	(1 018)
Payments to suppliers and employees	(9 338)	(10 024)	(10 224)	(10 669)
Capital asset charge	(1 287)	(1 292)	(1 292)	(1 317)
Interest and other costs of finance paid	(16)	(15)	(15)	(21)
Total payments	(11 444)	(12 228)	(12 404)	(13 025)
Net cash flows from/(used in) operating activities	167	489	491	659
Cash flows from investing activities				
Net investment	65	(21)	(21)	(5)
Payments for non-financial assets	(587)	(488)	(447)	(850)
Proceeds from sale of non-financial assets	15	2	2	2
Net loans to other parties	(11)	4	4	1
Net (purchase)/disposal of investments – policy purposes	(15)	..	..	..
Net cash flow from/(used in) investing activities	(533)	(503)	(462)	(852)
Cash flows from financing activities				
Owner contributions by State Government	418	57	66	242
Repayment of finance leases	(4)	(5)	(5)	(6)
Net borrowings	2	(14)	(14)	(19)
Net cash flows from/(used in) financing activities	416	39	47	217
Net increase/(decrease) in cash and cash equivalents	50	25	76	24
Cash and cash equivalents at the beginning of the financial year	883	933	933	1 009
Cash and cash equivalents at the end of the financial year	933	957	1 009	1 033

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 2014	2 109	9 283	7 489	17	18 898
Comprehensive result	115	..	830	(8)	937
Transactions with owners in their capacity as owners	(130)	249	(75)	..	44
Closing balance 30 June 2015 (actual)	2 094	9 532	8 244	9	19 879
Comprehensive result	114	..	6	..	120
Transactions with owners in their capacity as owners	..	57	..	..	57
Closing balance 30 June 2016 (budget)	2 208	9 589	8 250	9	20 056
Comprehensive result	147	..	6	..	153
Transactions with owners in their capacity as owners	..	66	..	..	66
Closing balance 30 June 2016 (revised)	2 241	9 598	8 250	9	20 098
Comprehensive result	87	..	10	..	97
Transactions with owners in their capacity as owners	..	242	..	..	242
Closing balance 30 June 2017 (budget)	2 328	9 840	8 260	9	20 437

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

Table 3.2.5: Administered items statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Administered income				
Sale of goods and services	2	3	3	3
Grants	2 682	2 850	2 825	3 036
Other income	2	2	2	2
Total administered income	2 687	2 855	2 830	3 041
Administered expenses				
Expenses on behalf of the State	1	..	..	..
Grants and other transfers	2 683	2 850	2 825	3 036
Payments into the Consolidated Fund	52	50	50	38
Total administered expenses	2 737	2 900	2 875	3 074
Income less expenses	(50)	(45)	(45)	(33)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	54	45	45	33
Total other economic flows included in net result	54	45	45	33
Net result	5	..	..	..
Comprehensive result	5	..	..	..
Administered assets				
Receivables	11	11	11	11
Other financial assets	1	1	1	1
Property, plant and equipment	8	8	8	8
Total administered assets	20	20	20	20
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	20	20	20	20

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 net surplus of \$343 million for the 2016-17 budget.

The variance from the 2015-16 revised budget to the 2016-17 budget largely reflects the re-phasing of Commonwealth grant revenue for the Goulburn-Murray Water Connections Project from 2015-16 to 2016-17, and funding for new output initiatives announced in the *2016-17 Budget* including:

- Living Heritage Grants;
- Smart Planning Program;
- Community driven action to protect Victoria's unique biodiversity; and
- Bushfire preparedness and response activities.

Total operating expenses are estimated to increase marginally by \$24 million.

Balance sheet

The Department's net asset position is estimated to increase by \$221 million in 2016-17. This primarily reflects the receipt of Commonwealth grant funding for the Goulburn-Murray Water Connections Project in 2016-17, which is forecast to be spent in 2017-18.

Investing and financing

The Department is anticipating an increase of \$170 million in its net cash position in 2016-17. This is largely due to the re-phasing of Commonwealth revenue for the Goulburn-Murray Water Connections Project.

Cash flows from investing activities include payments for property, plant and equipment of \$116 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 *2016-17 Budget* include:

- Regional Water Infrastructure – Water Infrastructure and Irrigation;
- Regional Tourism Infrastructure Fund: Enhancing Victoria's world class nature based tourism destinations; and
- Revitalising Infrastructure in the State's Parks estate.

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:

- grants for on-passing to local government; and
- National Landcare Programme Regional Allocations.

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

The lower 2015-16 revised administered income and expense relates to the Commonwealth's prepayment of Financial Assistance Grants and Identified Local Roads grants relating to the first two quarters of 2015-16 in 2014-15.

Table 3.3.1: Comprehensive operating statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget ^(a)
Net result from continuing operations				
Income from transactions				
Output appropriations	1 225	1 172	1 142	1 276
Special appropriations	115	14	49	62
Interest	22	22	22	21
Sale of goods and services	101	73	65	43
Grants	219	260	75	394
Other income	364	268	293	305
Total income from transactions	2 046	1 809	1 644	2 101
Expenses from transactions				
Employee benefits	409	379	387	381
Depreciation	61	55	54	50
Interest expense	11	1	1	1
Grants and other transfers	511	673	626	665
Capital asset charge	102	91	91	92
Other operating expenses	497	626	574	569
Total expenses from transactions	1 591	1 826	1 734	1 758
Net result from transactions (net operating balance)	456	(17)	(89)	343
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	22	2	2	..
Share of net profits/(losses) of associates and joint venture entities, excluding dividends	(3)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(2)	(1)	(1)	..
Other gains/(losses) from economic flows	(1)	..	..	..
Total other economic flows included in net result	16	1	1	..
Net result	471	(15)	(88)	343
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	89	..	..	..
Other	28	..	..	..
Total other economic flows – other comprehensive income	118	..	..	..
Comprehensive result	589	(15)	(88)	343

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

Note:

(a) The 2016-17 budget reflects 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			
	2015 actual	2016 budget	2016 revised	2017 budget ^(a)
Assets				
Financial assets				
Cash and deposits	628	515	478	648
Receivables	296	330	257	222
Other financial assets	488	562	577	603
Investments accounted for using equity method	10	10	10	10
Total financial assets	1 421	1 417	1 322	1 483
Non-financial assets				
Inventories	20	24	24	27
Non-financial assets classified as held for sale including disposal group assets	2	2	2	2
Property, plant and equipment	7 590	7 579	7 600	7 609
Biological assets	..	..	..	..
Intangible assets	42	41	40	25
Other	78	60	78	109
Total non-financial assets	7 732	7 705	7 744	7 773
Total assets	9 153	9 122	9 067	9 256
Liabilities				
Payables	104	102	102	93
Borrowings	30	22	24	14
Provisions	151	151	151	139
Total liabilities	286	276	278	246
Net assets	8 867	8 846	8 789	9 010
Equity				
Accumulated surplus/(deficit)	899	883	391	603
Reserves	5 743	5 743	5 743	5 740
Contributed capital	2 225	2 219	2 654	2 667
Total equity	8 867	8 846	8 789	9 010

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

Note:

(a) The 2016-17 budget reflects the reclassification of the EPA from 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)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget ^(a)
Cash flows from operating activities				
Receipts				
Receipts from Government	1 313	1 177	1 257	1 333
Receipts from other entities	634	638	466	791
Interest received	21	22	22	21
Other receipts	16	12	12	11
Total receipts	1 984	1 849	1 757	2 155
Payments				
Payments of grants and other transfers	(522)	(742)	(695)	(724)
Payments to suppliers and employees	(925)	(992)	(967)	(985)
Capital asset charge	(102)	(91)	(91)	(92)
Interest and other costs of finance paid	(11)	(1)	(1)	(1)
Total payments	(1 560)	(1 826)	(1 754)	(1 802)
Net cash flows from/(used in) operating activities	424	22	3	353
Cash flows from investing activities				
Net investment	(99)	(75)	(90)	(107)
Payments for non-financial assets	(106)	(61)	(80)	(116)
Proceeds from sale of non-financial assets	11	2	2	..
Net (purchase)/disposal of investments – policy purposes	(7)	..	..	..
Net cash flow from/(used in) investing activities	(200)	(133)	(167)	(223)
Cash flows from financing activities				
Owner contributions by State Government	77	12	27	45
Repayment of finance leases	(1)	..	1	1
Net borrowings	(10)	(13)	(13)	(6)
Net cash flows from/(used in) financing activities	66	(1)	15	40
Net increase/(decrease) in cash and cash equivalents	290	(112)	(149)	170
Cash and cash equivalents at the beginning of the financial year	337	628	628	478
Cash and cash equivalents at the end of the financial year	628	515	478	648

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

Note:

(a) The 2016-17 budget reflects the reclassification of the EPA from 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 2014	421	2 388	5 654	..	8 463
Comprehensive result	500	..	89	..	589
Transactions with owners in their capacity as owners	(22)	(163)	..	..	(185)
Closing balance 30 June 2015 (actual)	899	2 225	5 743	..	8 867
Comprehensive result	(15)	..	..	..	(15)
Transactions with owners in their capacity as owners	..	(6)	..	..	(6)
Closing balance 30 June 2016 (budget)	883	2 219	5 743	..	8 846
Comprehensive result	(88)	..	..	..	(88)
Transactions with owners in their capacity as owners ^(a)	(420)	429	..	..	10
Closing balance 30 June 2016 (revised)	391	2 654	5 743	..	8 789
Comprehensive result	343	..	..	..	343
Transactions with owners in their capacity as owners	(131)	12	(3)	..	(122)
Closing balance 30 June 2017 (budget)^(b)	603	2 667	5 740	..	9 010

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

Notes:

(a) Reflects the transfer of the Sustainability Fund from the EPA to DELWP on 1 July 2015.

(b) The 2016-17 budget reflects the reclassification of the EPA from the 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).

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget ^(a)
Administered income				
Appropriations – payments made on behalf of the State	628	651	644	636
Fair value of assets and services received free of charge or for nominal consideration	37	..	..	..
Sale of goods and services	338	417	491	477
Grants	577	573	304	571
Interest	467	463	463	448
Other income	141	202	203	193
Total administered income	2 188	2 306	2 104	2 324
Administered expenses				
Expenses on behalf of the State	107	122	122	117
Grants and other transfers	559	561	285	569
Payments into the Consolidated Fund	1 018	1 108	1 183	1 170
Interest and Depreciation expense	477	463	463	448
Total administered expenses	2 161	2 253	2 052	2 304
Income less expenses	27	52	52	20
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(14)	(1)	(1)	..
Total other economic flows included in net result	(14)	(1)	(1)	..
Net result	13	51	51	20
Other economic flows – other comprehensive income				
Asset revaluation reserve	8	..	..	..
Other ^(b)	(2)	..	431	..
Total other economic flows – other comprehensive income	6	..	431	..
Comprehensive result	19	51	482	20
Administered assets				
Cash and deposits	1	1	1	1
Receivables	4 295	4 247	4 247	4 200
Property, plant and equipment	691	691	691	691
Intangible assets	144	144	144	144
Total administered assets	5 131	5 083	5 083	5 036
Administered liabilities				
Payables	88	88	88	88
Borrowings	4 228	4 183	4 183	4 141
Total administered liabilities	4 316	4 271	4 271	4 229
Net assets	816	812	812	808

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

Notes:

- (a) The 2016-17 budget reflects the reclassification of the EPA from DELWP to regulatory bodies. This better reflects the functions of the EPA following the transfer of the Sustainability Fund to DELWP.
- (b) The 2015-16 revised budget reflects the transfer of the Sustainability Fund from the EPA to DELWP on 1 July 2015.

Table 3.3.6: Payments made on behalf of the State*(\$ million)*

<i>Accounts</i>	<i>2015-16 budget</i>	<i>2015-16 revised</i>	<i>2016-17 budget</i>
Murray-Darling Basin contribution	31	24	29
Victorian Desalination Project finance lease liability	620	620	608
Total	651	644	636

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 \$105 million in 2016-17.

The operating statement shows an increase in income of \$795 million between the 2015-16 revised budget and the 2016-17 budget. This is mainly due to:

- funding of new initiatives announced in this budget, including funding to improve waiting times for core services and meeting hospital services demand, initiatives to implement Government's response to the Family Violence Royal Commission, and transition to the National Disability Insurance Scheme;
- continuing implementation of existing initiatives;
- indexation on existing income; and
- matching Commonwealth funding available under the National Health Reform Agreement.

Operating expenses are budgeted to increase by \$797 million between the 2015-16 revised budget and 2016-17 budget, reflecting the increases in income outlined above.

Balance sheet

The Department's net asset position is estimated to improve by \$166 million between the 2015-16 revised budget and the 2016-17 budget, reflecting an increase in total assets of \$549 million, and an increase in total liabilities of \$383 million.

The estimated increase in assets is mainly due to increase in property, plant and equipment reflecting the Government's commitment to improve health infrastructure across the State, based on modern service models and needs for the future. New asset funding included in the 2016-17 budget includes:

- Goulburn Valley Health (Shepparton) redevelopment;
- Austin Hospital critical infrastructure works;
- Western Health urgent infrastructure works (Footscray and Sunshine);
- Orygen Youth Mental Health;
- Monash Medical Centre (Clayton) – Early in Life Mental Health Service;
- funding to upgrade ambulance stations, vehicles and equipment; and
- various other upgrades and expansions across several health facilities.

The movement in liabilities of \$383 million between the 2015-16 revised budget and the 2016-17 budget is largely due to increases in finance lease liabilities related to the Bendigo Hospital redevelopment being built under a public private partnership.

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 investment in health and community services assets.

Administered items statement

Revenue administered by the Department on behalf of the State and third parties is forecast to increase by \$363 million from the 2015-16 revised budget to the 2016-17 budget. This mainly reflects expected increases in Commonwealth funding in the National Health Funding Pool.

Table 3.4.1: Comprehensive operating statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	9 968	12 870	12 920	13 382
Special appropriations	1 273	1 361	1 364	1 404
Interest	62	68	68	68
Sale of goods and services	1 553	1 796	1 586	1 650
Grants	4 832	4 862	5 087	5 304
Other income	614	468	483	496
Total income from transactions	18 303	21 425	21 508	22 303
Expenses from transactions				
Employee benefits	9 061	9 804	9 896	10 305
Depreciation	799	880	878	952
Interest expense	92	103	99	184
Grants and other transfers	1 249	1 706	1 652	1 703
Capital asset charge	910	1 017	1 017	1 120
Other operating expenses	6 107	7 816	7 859	7 935
Total expenses from transactions	18 218	21 326	21 402	22 199
Net result from transactions (net operating balance)	85	99	106	105
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	1	(4)	(4)	(5)
Net gain/(loss) on financial instruments and statutory receivables/payables	(2)	..	..	..
Other gains/(losses) from economic flows	(29)	..	(13)	(2)
Total other economic flows included in net result	(30)	(4)	(16)	(7)
Net result	55	96	90	98
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	83	..	..	..
Financial assets available-for-sale reserve	(15)	..	..	..
Other	13	..	..	..
Total other economic flows – other comprehensive income	81	..	..	..
Comprehensive result	136	96	90	98

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>2015 actual</i>	<i>2016 budget</i>	<i>2016 revised</i>	<i>2017 budget</i>
Assets				
Financial assets				
Cash and deposits	949	1 066	1 058	1 178
Receivables	2 472	2 806	2 865	2 642
Other financial assets	769	769	769	769
Investments accounted for using equity method	40	40	40	40
Total financial assets	4 230	4 681	4 732	4 629
Non-financial assets				
Inventories	80	80	80	80
Non-financial assets classified as held for sale including disposal group assets	7	7	7	7
Property, plant and equipment	14 159	15 215	15 132	15 760
Investment properties	22	22	22	22
Intangible assets	129	112	122	101
Other	97	103	103	147
Total non-financial assets	14 493	15 539	15 466	16 117
Total assets	18 723	20 221	20 198	20 747
Liabilities				
Payables	1 485	1 487	1 487	1 489
Borrowings	1 677	2 715	2 753	3 006
Provisions	2 485	2 611	2 622	2 749
Total liabilities	5 646	6 813	6 862	7 245
Net assets	13 077	13 408	13 336	13 502
Equity				
Accumulated surplus/(deficit)	984	1 079	1 074	1 171
Reserves	5 919	5 919	5 919	5 919
Contributed capital	6 174	6 410	6 344	6 412
Total equity	13 077	13 408	13 336	13 502

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

Table 3.4.3: Statement of cash flows

(\$ million)

	2014-15 <i>actual</i>	2015-16 <i>budget</i>	2015-16 <i>revised</i>	2016-17 <i>budget</i>
Cash flows from operating activities				
Receipts				
Receipts from Government	11 327	14 498	14 718	15 825
Receipts from other entities	5 549	5 970	5 762	6 053
Interest received	66	68	68	68
Other receipts	556	555	567	581
Total receipts	17 499	21 091	21 116	22 527
Payments				
Payments of grants and other transfers	(1 242)	(1 706)	(1 652)	(1 740)
Payments to suppliers and employees	(14 653)	(17 497)	(17 631)	(18 117)
Capital asset charge	(910)	(1 017)	(1 017)	(1 120)
Interest and other costs of finance paid	(92)	(104)	(100)	(185)
Total payments	(16 897)	(20 323)	(20 401)	(21 161)
Net cash flows from/(used in) operating activities	602	768	715	1 366
Cash flows from investing activities				
Net investment	30	..	..	..
Payments for non-financial assets	(1 014)	(873)	(800)	(1 367)
Proceeds from sale of non-financial assets	38	..	..	..
Net loans to other parties	(18)	1	1	2
Net (purchase)/disposal of investments – policy purposes	(56)	(1)	..	..
Net cash flow from/(used in) investing activities	(1 020)	(874)	(800)	(1 365)
Cash flows from financing activities				
Owner contributions by State Government	292	236	169	148
Repayment of finance leases	12	(11)	(12)	(23)
Net borrowings	142	(3)	37	(6)
Net cash flows from/(used in) financing activities	446	223	194	119
Net increase/(decrease) in cash and cash equivalents	28	117	109	119
Cash and cash equivalents at the beginning of the financial year	920	949	949	1 058
Cash and cash equivalents at the end of the financial year	949	1 066	1 058	1 178

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 2014	1 025	4 927	5 208	532	11 693
Comprehensive result	(42)	..	83	95	136
Transactions with owners in their capacity as owners	..	1 248	..	..	1 248
Closing balance 30 June 2015 (actual)	984	6 174	5 291	627	13 077
Comprehensive result	96	..	..	..	96
Transactions with owners in their capacity as owners	..	236	..	..	236
Closing balance 30 June 2016 (budget)	1 079	6 410	5 291	627	13 408
Comprehensive result	90	..	..	..	90
Transactions with owners in their capacity as owners	..	169	..	..	169
Closing balance 30 June 2016 (revised)	1 074	6 344	5 291	627	13 336
Comprehensive result	98	..	..	..	98
Transactions with owners in their capacity as owners	..	68	..	..	68
Closing balance 30 June 2017 (budget)	1 171	6 412	5 291	627	13 502

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

Table 3.4.5: Administered items statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Administered income				
Sale of goods and services	311	334	340	335
Grants	7 897	8 110	8 172	8 506
Interest	1	3	3	3
Other income	11	15	19	55
Total administered income	8 221	8 462	8 535	8 898
Administered expenses				
Expenses on behalf of the State	670	711	715	722
Grants and other transfers	7 165	7 360	7 417	7 757
Payments into the Consolidated Fund	366	398	410	429
Total administered expenses	8 201	8 469	8 543	8 907
Income less expenses	20	(8)	(8)	(9)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	2	8	8	9
Other gains/(losses) from other economic flows	..	..	..	..
Total other economic flows included in net result	2	8	8	9
Net result	22	..	..	..
Other economic flows – other comprehensive income				
Other	6	..	..	..
Total other economic flows – other comprehensive income	6	..	..	..
Comprehensive result	28	..	..	..
Administered assets				
Receivables	7	7	7	7
Other financial assets	1	1	1	1
Other	54	54	54	54
Total administered assets	62	62	62	62
Administered liabilities				
Payables	16	16	16	16
Provisions	5	5	5	5
Total administered liabilities	20	20	20	20
Net assets	41	41	41	41

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 result from transactions of \$10 million in 2016-17.

The decrease of \$8 million in 2016-17 relative to the 2015-16 budget mainly relates to lower forecast investment returns in 2016-17, reflecting the lower expected interest rate return on the departmental trust funds including the Victorian Property Fund and Residential Tenancies Fund.

The operating statement shows an increase in income of \$457 million between the 2015-16 budget and the 2016-17 budget. This is due to the implementation of initiatives announced in previous budgets that increase capacity across the prison system and funding of new output initiatives announced in this budget including:

- Public Safety – Police Response;
- Fiskville and Regional Victorian Emergency Management Training Centres Remediation;
- Community Corrections – Contributing to a safer community; and
- Strengthening Victoria Police’s Counter – Terrorism Capacity and Capability.

Estimated operating expenses in 2016-17 are forecast to increase by approximately the same amount as revenue due to the factors identified above.

Balance sheet

The Department’s 2016-17 net asset position is estimated to improve by \$211 million relative to the 2015-16 budget. This is largely attributable to the following:

- new asset initiatives announced in the 2016-17 budget, mainly for critical equipment supporting frontline police and specialist police officers, facilities for treatment intervention to serious sex offenders, asset funding for community correctional services, corrections remand upgrades, police station replacements and refurbishments across regional and rural Victoria; and
- an expected increase in receivables from Government mainly reflecting the timing of cash flows relating to motor vehicle lease obligations and employee related provisions.

Investing and financing

The payments for non-financial assets in 2016-17 reflect a reduction of \$92 million from the 2015-16 budget. This relates to the capital payments for the Hopkins Correctional Centre made in 2015-16 which ceased in 2016-17. This is partially offset by payments for non-financial assets reflecting new asset investment in the *2016-17 Budget*.

Administered items statement

Revenue administered by the Department on behalf of the State and third parties is forecast to rise by \$27 million in the 2016-17 budget relative to the 2015-16 budget. This is driven by expected increases in gaming taxation. Administered expenses reflect the transfer of the fines and taxation revenue into the Consolidated Fund.

Other economic flow losses have decreased relative to the 2015-16 budget due to lower bad and doubtful debts resulting from fine related 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)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	5 130	5 428	5 536	5 875
Special appropriations	49	1	3	1
Interest	62	72	53	60
Sale of goods and services	19	18	19	20
Grants	58	55	55	71
Fair value of assets and services received free of charge or for nominal consideration	9	..	..	..
Other income	37	23	34	25
Total income from transactions	5 364	5 596	5 700	6 053
Expenses from transactions				
Employee benefits	2 596	2 683	2 745	2 966
Depreciation	185	177	185	198
Interest expense	24	23	24	25
Grants and other transfers	1 086	1 095	1 174	1 220
Capital asset charge	196	225	225	242
Other operating expenses	1 271	1 375	1 358	1 392
Total expenses from transactions	5 358	5 578	5 712	6 043
Net result from transactions (net operating balance)	6	18	(12)	10
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	(1)	2	..	..
Other gains/(losses) from economic flows	(9)	..	..	..
Total other economic flows included in net result	(15)	13	11	11
Net result	(9)	31	(1)	21
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	(5)	..	..	..
Other	(7)	..	..	..
Total other economic flows – other comprehensive income	(13)	..	..	..
Comprehensive result	(21)	31	(1)	21

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>2015 actual</i>	<i>2016 budget</i>	<i>2016 revised</i>	<i>2017 budget</i>
Assets				
Financial assets				
Cash and deposits	363	380	372	385
Receivables	878	869	860	967
Other financial assets	249	260	250	253
Total financial assets	1 489	1 509	1 482	1 604
Non-financial assets				
Inventories	14	14	14	14
Non-financial assets classified as held for sale including disposal group assets	11	11	11	11
Property, plant and equipment	3 761	4 011	3 887	4 106
Intangible assets	41	48	56	79
Other	5	5	5	5
Total non-financial assets	3 832	4 089	3 973	4 214
Total assets	5 321	5 598	5 455	5 819
Liabilities				
Payables	409	310	310	316
Borrowings	279	250	250	221
Provisions	689	723	723	755
Total liabilities	1 377	1 283	1 283	1 293
Net assets	3 944	4 315	4 172	4 526
Equity				
Accumulated surplus/(deficit)	1 102	1 133	1 101	1 122
Reserves	1 182	1 182	1 182	1 182
Contributed capital	1 660	2 001	1 890	2 223
Total equity	3 944	4 315	4 172	4 526

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

Table 3.5.3: Statement of cash flows

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	5 010	5 442	5 561	5 773
Receipts from other entities	61	66	68	85
Interest received	64	71	52	60
Other receipts	55	26	37	29
Total receipts	5 190	5 605	5 718	5 947
Payments				
Payments of grants and other transfers	(1 087)	(1 096)	(1 175)	(1 221)
Payments to suppliers and employees	(3 764)	(4 014)	(4 057)	(4 319)
Capital asset charge	(196)	(225)	(225)	(242)
Interest and other costs of finance paid	(24)	(22)	(24)	(25)
Total payments	(5 071)	(5 357)	(5 481)	(5 807)
Net cash flows from/(used in) operating activities	119	248	238	140
Cash flows from investing activities				
Net investment	21	(9)	(1)	(3)
Payments for non-financial assets	(636)	(567)	(462)	(475)
Proceeds from sale of non-financial assets	31	34	34	34
Net loans to other parties	(2)	..	..	..
Net cash flow from/(used in) investing activities	(585)	(542)	(429)	(444)
Cash flows from financing activities				
Owner contributions by State Government	519	341	229	346
Repayment of finance leases	(12)	(18)	(18)	(18)
Net borrowings	..	(11)	(11)	(11)
Net cash flows from/(used in) financing activities	507	312	201	317
Net increase/(decrease) in cash and cash equivalents	41	17	9	13
Cash and cash equivalents at the beginning of the financial year	322	363	363	372
Cash and cash equivalents at the end of the financial year	363	380	372	385

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 2014	756	1 800	1 538	..	4 094
Comprehensive result	(16)	..	(5)	..	(21)
Transfer from revaluation surplus to accumulated surplus	352	..	(352)	..	..
Transactions with owners in their capacity as owners	10	(139)	..	..	(130)
Closing balance 30 June 2015 (actual)	1 102	1 660	1 182	..	3 944
Comprehensive result	31	..	..	..	31
Transactions with owners in their capacity as owners	..	341	..	..	341
Closing balance 30 June 2016 (budget)	1 133	2 001	1 182	..	4 315
Comprehensive result	(1)	..	..	..	(1)
Transactions with owners in their capacity as owners	..	229	..	..	229
Closing balance 30 June 2016 (revised)	1 101	1 890	1 182	..	4 172
Comprehensive result	21	..	..	..	21
Transactions with owners in their capacity as owners	..	333	..	..	333
Closing balance 30 June 2017 (budget)	1 122	2 223	1 182	..	4 526

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

Table 3.5.5: Administered items statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Administered income				
Appropriations – payments made on behalf of the State	29	54	54	54
Special appropriations	13	10	10	10
Sale of goods and services	443	446	459	444
Grants	5	7	7	7
Interest	17	18	18	14
Other income	2 464	2 605	2 570	2 637
Total administered income	2 971	3 140	3 118	3 167
Administered expenses				
Expenses on behalf of the State	7	13	14	14
Grants and other transfers	23	4	4	4
Payments into the Consolidated Fund	2 922	2 746	2 746	2 734
Total administered expenses	2 952	2 764	2 764	2 753
Income less expenses	19	376	354	415
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	1	1	1
Other gains/(losses) from other economic flows	(285)	(315)	(301)	(294)
Total other economic flows included in net result	(286)	(314)	(300)	(293)
Net result	(267)	62	54	122
Other economic flows – other comprehensive income				
Other	(1)	..	..	..
Total other economic flows – other comprehensive income	(1)	..	..	..
Comprehensive result	(267)	62	54	122
Administered assets				
Cash and deposits	69	68	68	68
Receivables	1 631	1 543	1 535	1 507
Other financial assets	..	2	2	4
Total administered assets	1 699	1 613	1 605	1 579
Administered liabilities				
Payables	1 579	1 430	1 430	1 282
Provisions	1	1	1	1
Total administered liabilities	1 579	1 431	1 431	1 283
Net assets	120	182	174	296

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>2015-16 budget</i>	<i>2015-16 revised</i>	<i>2016-17 budget</i>
Tattersalls duty payments to other jurisdictions	54	54	54
Total	54	54	54

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

DEPARTMENT OF PREMIER AND CABINET

Operating performance

The net result from transactions for the Department of Premier and Cabinet is forecast to decrease from a surplus of \$5 million in the 2015-16 revised budget to a deficit of \$15 million in the 2016-17 budget. The estimated deficit in 2016-17 reflects expenditure for Digital Government that is sourced from revenue recognised in prior years.

The Department anticipates that total income from transactions will increase by \$177 million in 2016-17 compared to the 2015-16 revised budget. This increase is primarily due to increased funding for Service Victoria and new output initiative funding announced in the *2016-17 Budget*, that aim to:

- support the implementation of a range of Whole of Victorian government initiatives including the recommendations from the Royal Commission into Family Violence and the Hazelwood Inquiry reports as well as protecting and maintaining Victorian Aboriginal heritage and strengthen self-determination;
- assist the Government in supporting and promoting full participation of diverse and vibrant communities;
- ensure Victoria's competitiveness and productivity increases;
- promote an effective, accountable and professional public administration; and
- ensure leadership for the public sector response to significant state issues and policy and service delivery excellence.

Estimated departmental operating expenses in 2016-17 are forecast to increase greater than revenue reflecting expenditure for Digital Government identified above.

Balance sheet

The Department's net asset position is estimated to decrease by \$4 million in 2016-17. This reduction is driven by accessing cash balances built up from revenue recognised in prior years, resulting in lower financial assets.

Investing and financing

The Department's statement of cash flows shows payments for non-financial assets of \$17 million in 2016-17, which includes projects funded from minor works and further expenditure on existing capital projects, including the Public Record Office Victoria's Digital Archive and Asset Maintenance and Renewal Programs and continuing the digital enhancements of the Victorian Electoral Commission.

Administered items statement

The Department's administered items statement shows increased revenue and expenditure in the 2016-17 budget of \$1 million which relates to the Aboriginal Cultural Heritage Strategy initiative.

Table 3.6.1: Comprehensive operating statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	443	339	322	490
Special appropriations	28	57	60	76
Interest	8	..	..	..
Sale of goods and services	35	2	4	4
Grants	13	28	33	27
Other income	13	5	1	1
Total income from transactions	540	430	421	598
Expenses from transactions				
Employee benefits	215	215	212	246
Depreciation	37	14	14	16
Grants and other transfers	77	53	50	72
Capital asset charge	55	9	9	9
Other operating expenses	151	141	131	271
Total expenses from transactions	535	432	417	613
Net result from transactions (net operating balance)	5	(2)	5	(15)
Other economic flows included in net result				
Net gain/(loss) on financial instruments and statutory receivables/payables	(1)	..	..	..
Total other economic flows included in net result	(1)	..	..	..
Net result	4	(2)	5	(15)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	(3)	..	..	..
Other	(1)	..	..	..
Total other economic flows – other comprehensive income	(5)	..	..	..
Comprehensive result	..	(2)	5	(15)

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>2015 actual</i>	<i>2016 budget</i>	<i>2016 revised</i>	<i>2017 budget</i>
Assets				
Financial assets				
Cash and deposits	34	33	40	25
Receivables	100	107	103	112
Other financial assets	2	2	2	2
Total financial assets	136	142	145	139
Non-financial assets				
Inventories	2	2	2	2
Property, plant and equipment	467	468	471	470
Intangible assets	10	10	11	12
Other	2	2	2	2
Total non-financial assets	482	483	486	486
Total assets	617	624	631	625
Liabilities				
Payables	25	25	25	25
Borrowings	4	3	3	3
Provisions	34	33	33	32
Total liabilities	63	62	61	60
Net assets	554	562	569	565
Equity				
Accumulated surplus/(deficit)	81	79	86	71
Reserves	197	197	197	197
Contributed capital	276	286	286	297
Total equity	554	562	569	565

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

Table 3.6.3: Statement of cash flows

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	406	389	379	558
Receipts from other entities	45	28	34	27
Interest received	8	..	..	..
Other receipts	19	6	5	5
Total receipts	478	423	418	590
Payments				
Payments of grants and other transfers	(77)	(53)	(50)	(72)
Payments to suppliers and employees	(355)	(356)	(344)	(518)
Capital asset charge	(55)	(9)	(9)	(9)
Total payments	(487)	(418)	(403)	(599)
Net cash flows from/(used in) operating activities	(9)	4	14	(9)
Cash flows from investing activities				
Net investment	(5)	..	..	..
Payments for non-financial assets	(29)	(16)	(19)	(17)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flow from/(used in) investing activities	(32)	(16)	(19)	(17)
Cash flows from financing activities				
Owner contributions by State Government	(21)	10	10	11
Net borrowings	36	..	..	(1)
Net cash flows from/(used in) financing activities	15	10	10	10
Net increase/(decrease) in cash and cash equivalents	(26)	(2)	6	(15)
Cash and cash equivalents at the beginning of the financial year	60	34	34	40
Cash and cash equivalents at the end of the financial year	34	33	40	25

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 2014	59	1 652	5 155	40	6 905
Comprehensive result	3	..	(3)	..	..
Transactions with owners in their capacity as owners	20	(1 376)	(4 954)	(40)	(6 351)
Closing balance 30 June 2015 (actual)	81	276	197	..	554
Comprehensive result	(2)	..	..	..	(2)
Transactions with owners in their capacity as owners	..	10	..	..	10
Closing balance 30 June 2016 (budget)	79	286	197	..	562
Comprehensive result	5	..	..	..	5
Transactions with owners in their capacity as owners	..	10	..	..	10
Closing balance 30 June 2016 (revised)	86	286	197	..	569
Comprehensive result	(15)	..	..	..	(15)
Transactions with owners in their capacity as owners	..	11	..	..	11
Closing balance 30 June 2017 (budget)	71	297	197	..	565

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

Table 3.6.5: Administered items statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Administered income				
Appropriations – payments made on behalf of the State	2	1	..	..
Special Appropriations	1	..	..	..
Sale of goods and services	1	1	1	2
Grants	3	..	..	..
Other income	2	..	..	..
Total administered income	8	2	1	2
Administered expenses				
Expenses on behalf of the State	2	1	..	..
Grants and other transfers	1	..	..	..
Payments into the Consolidated Fund	5	1	1	2
Total administered expenses	8	2	1	2
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

Table 3.6.6: Payments made on behalf of the State

(\$ million)

	2015-16 budget	2015-16 revised	2016-17 budget
Hazelwood Mine Fire Inquiry	1	..	..
Total	1	..	..

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

DEPARTMENT OF TREASURY AND FINANCE

Operating performance

The Department of Treasury and Finance is expected to report a net surplus from transactions of \$12 million in 2016-17. This result is largely due to retained rental income to fund capital expenditure on government owned buildings and a higher surplus earned by CenITex (the centralised information technology provider).

The operating statement shows a decrease in income of \$11 million between the 2015-16 revised budget and 2016-17 budget. The decrease is mainly due to CenITex project revenue returning to normal levels coupled with reduced customer charges in 2016-17.

Output appropriation revenue for 2016-17 includes the following initiatives:

- \$6 million for the Essential Services Commission to deliver regulatory obligations relating to Local Councils' rate charges, consumer protection for electricity and gas customers and pricing regulation as part of the lease of the operations of the Port of Melbourne; and
- \$8 million on strengthening the Department's strategic capability to be more effective in delivering the Government's priorities.

Estimated 2016-17 departmental operating expenses are forecast to decrease by \$5 million largely relating to reduced CenITex project costs in line with this activity returning to normal levels.

Balance sheet

The Department's net asset position is forecast to increase by \$34 million between the 2015-16 revised budget and the 2016-17 budget. This primarily relates to capital investment for the purchase of municipal land valuations and information technology projects.

Investing and financing

The Department's 2016-17 payments for non-financial assets is \$25 million higher than the 2015-16 revised budget, predominantly from the purchase of municipal land valuations, purchase of information technology assets and capital spend on government owned buildings.

Net borrowing cash flows are estimated to decrease by \$16 million in 2016-17 due to CenITex's repayment of a government loan during 2015-16.

Administered items statement

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

Total administered income is expected to increase by \$14 billion between the 2015-16 revised budget and the 2016-17 budget. This is largely due to:

- an increase of \$5 billion in 2016-17 relating to appropriations – payments made on behalf of the State;
- additional special appropriations have been provided for further budget sector debt retirement;
- an increase in grant revenue by \$1 billion, primarily associated with the Commonwealth Government aggregated payments, covering Specific Purpose and National Partnership payments; and
- an estimated \$1 billion increase in other income relating to dividends and State taxation revenues.

Administered operating expenses are expected to increase by \$12 billion, largely reflecting cash receipts from administered income and proceeds from advances that are required to be transferred into the Consolidated Fund.

Administered liabilities reflect the expected Port lease sale transaction including the reduction in general government sector debt through lower borrowings and a higher payables for the State's dedicated transport investment fund.

Table 3.7.1: Comprehensive operating statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	251	243	259	259
Interest	1	..	2	2
Sale of goods and services	91	155	174	164
Fair value of assets and services received free of charge or for nominal consideration	2	5	..	..
Other income	21	29	30	30
Total income from transactions	364	432	465	454
Expenses from transactions				
Employee benefits	151	183	181	201
Depreciation	43	63	57	42
Grants and other transfers	7	5	5	5
Capital asset charge	21	21	21	22
Other operating expenses	128	159	183	172
Total expenses from transactions	350	432	447	442
Net result from transactions (net operating balance)	14	..	18	12
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(1)	..	..	(7)
Net gain/(loss) on financial instruments and statutory receivables/payables	..	(1)	..	..
Total other economic flows included in net result	(1)	(1)	(1)	(7)
Net result	13	(1)	17	4
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	..	30	30	30
Total other economic flows – other comprehensive income	..	30	30	30
Comprehensive result	13	29	47	34

Source: Department of Treasury and Finance

Table 3.7.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2015 actual</i>	<i>2016 budget</i>	<i>2016 revised</i>	<i>2017 budget</i>
Assets				
Financial assets				
Cash and deposits	104	105	102	99
Receivables	187	223	223	224
Total financial assets	291	328	326	323
Non-financial assets				
Property, plant and equipment	524	541	553	575
Intangible assets	54	35	34	52
Other	17	17	18	18
Total non-financial assets	595	593	605	646
Total assets	886	920	931	968
Liabilities				
Payables	100	100	83	81
Borrowings	4	4	4	4
Provisions	48	53	54	60
Total liabilities	153	157	142	145
Net assets	733	764	789	823
Equity				
Accumulated surplus/(deficit)	128	127	146	150
Reserves	237	267	267	297
Contributed capital	368	370	376	377
Total equity	733	764	789	823

Source: Department of Treasury and Finance

Table 3.7.3: Statement of cash flows

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	232	207	224	257
Interest received	1	..	2	2
Other receipts	108	193	210	205
Total receipts	341	400	436	464
Payments				
Payments of grants and other transfers	(18)	(15)	(13)	(16)
Payments to suppliers and employees	(278)	(329)	(359)	(369)
Capital asset charge	(21)	(21)	(21)	(22)
Total payments	(317)	(365)	(394)	(407)
Net cash flows from/(used in) operating activities	23	35	42	57
Cash flows from investing activities				
Payments for non-financial assets	(31)	(38)	(38)	(63)
Net cash flow from/(used in) investing activities	(30)	(38)	(38)	(63)
Cash flows from financing activities				
Owner contributions by State Government	54	4	11	3
Net borrowings	(4)	(1)	(17)	(1)
Net cash flows from/(used in) financing activities	50	3	(6)	2
Net increase/(decrease) in cash and cash equivalents	43	1	(2)	(4)
Cash and cash equivalents at the beginning of the financial year	61	104	104	102
Cash and cash equivalents at the end of the financial year	104	105	102	99

Source: 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 2014	179	246	237	..	662
Comprehensive result	13	..	..	..	13
Transactions with owners in their capacity as owners	(64)	122	..	..	58
Closing balance 30 June 2015 (actual)	128	368	237	..	733
Comprehensive result	(1)	..	30	..	29
Transactions with owners in their capacity as owners	..	2	..	..	2
Closing balance 30 June 2016 (budget)	127	370	267	..	764
Comprehensive result	17	..	30	..	47
Transactions with owners in their capacity as owners	..	8	..	..	8
Closing balance 30 June 2016 (revised)	146	376	267	..	789
Comprehensive result	4	..	30	..	34
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2017 (budget)	150	377	297	..	823

Source: Department of Treasury and Finance

Table 3.7.5: Administered items statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Administered income				
Appropriations – payments made on behalf of the State	1 747	2 773	2 156	6 813
Special appropriations	1 282	2 415	2 243	9 147
Sale of goods and services	18	39	39	41
Grants	18 688	20 122	19 887	21 365
Interest	48	68	49	49
Other income	20 059	20 911	21 585	22 784
Total administered income	41 842	46 329	45 959	60 199
Administered expenses				
Expenses on behalf of the State	855	298	511	386
Employee benefits	1 319	1 610	1 443	1 635
Grants and other transfers	3 236	3 551	3 238	3 944
Payments into the Consolidated Fund	36 615	39 159	39 420	50 313
Interest expense	1 275	1 275	1 304	1 536
Total administered expenses	43 301	45 893	45 916	57 814
Income less expenses	(1 459)	436	44	2 385
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	1	..	..	23
Other gains/(losses) from other economic flows	(26)	..	(13)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	387	17	17	..
Total other economic flows included in net result	362	17	4	23
Net result	(1 097)	453	48	2 408
Other economic flows – other comprehensive income				
Remeasurement of superannuation defined benefit plans	551	962	(1 791)	877
Total other economic flows – other comprehensive income	551	962	(1 791)	877
Comprehensive result	(546)	1 416	(1 743)	3 285
Administered assets				
Cash and deposits	1 717	1 816	1 979	1 771
Receivables	1 782	1 735	1 268	2 665
Other financial assets	876	876	876	876
Other	1	1	1	1
Property, plant and equipment	..	41	22	378
Total administered assets	4 376	4 469	4 146	5 691
Administered liabilities				
Payables	552	461	228	5 749
Borrowings	27 675	27 688	27 688	22 248
Provisions	68	68	68	68
Other	25 947	25 003	27 887	27 048
Total administered liabilities	54 242	53 220	55 871	55 113
Net assets	(49 866)	(48 751)	(51 725)	(49 422)

Source: Department of Treasury and Finance

Table 3.7.6: Payments made on behalf of the State*(\$ million)*

<i>Accounts</i>	<i>2015-16 budget</i>	<i>2015-16 revised</i>	<i>2016-17 budget</i>
Superannuation and pension payments	16	16	16
Interest	1 258	1 288	1 519
Current and capital grants	374	276	409
Operating supplies and consumables	260	154	358
Other	862	419	4 511
Total	2 770	2 153	6 812

Source: Department of Treasury and Finance

PARLIAMENT (INCLUDING VICTORIAN AUDITOR-GENERAL'S OFFICE)

Operating performance

Parliament and the Victorian Auditor-General's Office combined are estimating to have a balanced net result from transactions in 2016-17.

The combined operating statement shows an increase in total income of \$19 million (10 per cent) from the 2015-16 revised budget to the 2016-17 budget. The variation in annual appropriation revenue is primarily due to estimated carryover of Parliamentary Services Department appropriation funding from 2015-16 to 2016-17 and initiatives as part of the *2016-17 Budget* including:

- Legislative Council Committees;
- Improve staff leave arrangements at Electorate Offices;
- Performance Audit of Victorian Auditor-General's Office;
- Increase in Members of Parliament Electorate Office and Communication budgets; and
- The Parliamentary Budget Office.

Balance sheet

The value of property, plant and equipment is expected to increase in the 2016-17 budget compared to the 2015-16 revised budget due to Remediation – Office Accommodation project at Parliamentary precinct approved in the *2016-17 Budget*.

Investing and financing

Cash flow from investing activities are consistent with the trends discussed in the Balance sheet above.

Administered items statement

No significant movements.

Table 3.8.1: Comprehensive operating statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	140	147	142	160
Special appropriations	29	39	39	40
Sale of goods and services	1	..	..	..
Total income from transactions	171	186	181	200
Expenses from transactions				
Employee benefits	97	110	112	116
Depreciation	15	15	15	15
Interest expense	..	..	..	..
Capital asset charge	2	3	3	3
Other operating expenses	52	59	52	66
Total expenses from transactions	166	187	182	200
Net result from transactions (net operating balance)	4	(1)	(1)	..
Other economic flows included in net result				
Total other economic flows included in net result	..	..	..	..
Net result	4	(1)	(1)	..
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	4	(1)	(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>2015 actual</i>	<i>2016 budget</i>	<i>2016 revised</i>	<i>2017 budget</i>
Assets				
Financial assets				
Receivables	68	80	79	64
Total financial assets	68	80	79	64
Non-financial assets				
Property, plant and equipment	454	444	442	457
Other	3	3	3	3
Total non-financial assets	457	448	446	460
Total assets	525	527	524	524
Liabilities				
Payables	5	6	5	5
Borrowings	3	3	3	3
Provisions	17	19	17	17
Total liabilities	25	29	25	26
Net assets	499	499	499	498
Equity				
Accumulated surplus/(deficit)	48	47	47	47
Reserves	278	278	278	278
Contributed capital	173	173	173	173
Total equity	499	499	499	498

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

Table 3.8.3: Statement of cash flows

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	171	174	171	215
Receipts from other entities	1	..	..	..
Total receipts	172	174	171	215
Payments				
Payments to suppliers and employees	(151)	(166)	(164)	(182)
Capital asset charge	(2)	(3)	(3)	(3)
Total payments	(153)	(169)	(167)	(185)
Net cash flows from/(used in) operating activities	19	5	4	29
Cash flows from investing activities				
Payments for non-financial assets	(22)	(5)	(4)	(29)
Proceeds from sale of non-financial assets	2	..	..	..
Net cash flow from/(used in) investing activities	(20)	(5)	(4)	(29)
Cash flows from financing activities				
Owner contributions by State Government	2	..	..	..
Net cash flows from/(used in) financing activities	2	..	..	..
Net increase/(decrease) in cash and cash equivalents	..	..	..	..
Cash and cash equivalents at the beginning of the financial year	(1)	..	..	..
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 2014	44	171	278	..	493
Comprehensive result	4	..	..	..	4
Transactions with owners in their capacity as owners	..	2	..	..	2
Closing balance 30 June 2015 (actual)	48	173	278	..	499
Comprehensive result	(1)	..	..	..	(1)
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2016 (budget)	47	173	278	..	499
Comprehensive result	(1)	..	..	..	(1)
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2016 (revised)	47	173	278	..	499
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2017 (budget)	47	173	278	..	498

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

Table 3.8.5: Administered items statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Administered income				
Sale of goods and services	24	24	24	26
Total administered income	24	24	24	26
Administered expenses				
Payments into the Consolidated Fund	24	20	24	26
Total administered expenses	24	20	24	26
Income less expenses	..	4	..	..
Net result	..	4	..	..
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	..	4	..	..
Administered assets				
Receivables	6	10	6	6
Total administered assets	6	10	6	6
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	6	10	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 2016-17 budget which includes operating income and expenditure of \$487 million.

Total income from transactions is expected to increase by \$13 million from the 2015-16 revised budget to the 2016-17 budget.

The increase is a result of funding for initiatives announced in the 2016-17 budget, including:

- Ice Action Plan - Expansion of the Drug Court of Victoria;
- Court safety and security; and
- Integrated court case management system – planning.

Courts' net result from transactions is forecast to increase from a deficit of \$7 million in the 2015-16 revised budget to a balanced net result from transactions in the 2016-17 budget. The balanced net result in 2016-17 is mainly attributable to:

- expected completion of the desktop refresh funded from prior year accumulated surplus in 2015-16; and
- spending to deliver information technology projects associated in establishing Court Services Victoria and the strengthening of the information technology network as an independent organisation.

Special appropriation revenue is expected to increase by \$10 million (or 7 per cent), higher than the 2015-16 revised budget and \$30 million (or 26 per cent) higher than the previous year's actual result. This increase is attributable to a year-on-year growth rate in indexation of approximately 5 per cent, which is determined by the Federal Government Judicial Remuneration Tribunal.

Total expenses from transactions is expected to increase by \$7 million from the 2015-16 revised budget due to the factors identified above.

Balance sheet

Courts' net asset position is estimated to increase by \$44 million in 2016-17 compared to the revised 2015-16 budget. This is primarily attributable to existing infrastructure investments such as expanding the video conferencing network and the Shepparton Court redevelopment which will create a new purpose-built complex.

New asset initiative funding reflected in the *2016-17 Budget* includes:

- Expansion of the Drug Court of Victoria to the Melbourne Magistrates' Court that will provide access to targeted support to address drug use and reduce associated recidivist criminal activity; and
- Court safety and security to ensure safe and secure Victorian courts and tribunals for the Victorian community.

Investing and financing

The payments for non-financial assets in 2016-17 reflect new asset investment such as the expansion of the drug court to the Melbourne Magistrates' Court, Court Safety and Security and the continued implementation of asset investment programs commenced in previous years, including the expansion of the video conferencing network and the Shepparton Court redevelopment. The investing activity is financed by a net cash inflow from operations and a capital contribution from the State.

Administered items statement

Transactions administered by Courts include revenue items 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)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	297	312	322	325
Special appropriations	115	138	135	145
Grants	36	17	17	17
Total income from transactions	450	466	474	487
Expenses from transactions				
Employee benefits	251	280	279	295
Depreciation	30	31	31	34
Interest expense	9	11	11	11
Grants and other transfers	3	..	1	1
Capital asset charge	41	41	41	40
Other operating expenses	109	103	118	106
Total expenses from transactions	443	466	480	487
Net result from transactions (net operating balance)	6	..	(7)	..
Net result	4	..	(7)	..
Comprehensive result	5	..	(7)	..

Sources: Courts, and Department of Treasury and Finance

Table 3.9.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2015 actual</i>	<i>2016 budget</i>	<i>2016 revised</i>	<i>2017 budget</i>
Assets				
Financial assets				
Cash and deposits	8	8	5	5
Receivables	60	81	78	101
Total financial assets	68	89	82	105
Non-financial assets				
Property, plant and equipment	727	756	739	762
Intangible assets	32	25	25	18
Total non-financial assets	760	783	766	782
Total assets	829	872	848	887
Liabilities				
Payables	25	25	25	25
Borrowings	100	95	95	91
Provisions	70	70	70	70
Total liabilities	195	190	190	185
Net assets	634	682	658	702
Equity				
Contributed capital	629	677	660	704
Total equity	634	682	658	702

Sources: Courts, and Department of Treasury and Finance

Table 3.9.3: Statement of cash flows

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	396	429	440	447
Receipts from other entities	33	17	17	17
Total receipts	429	445	456	464
Payments				
Payments of grants and other transfers	(3)	..	(1)	(1)
Payments to suppliers and employees	(343)	(382)	(397)	(401)
Capital asset charge	(41)	(41)	(41)	(40)
Interest and other costs of finance paid	(9)	(11)	(11)	(11)
Total payments	(396)	(435)	(449)	(453)
Net cash flows from/(used in) operating activities	34	11	7	11
Cash flows from investing activities				
Payments for non-financial assets	(20)	(53)	(37)	(49)
Net cash flow from/(used in) investing activities	(18)	(53)	(37)	(49)
Cash flows from financing activities				
Owner contributions by State Government	4	48	31	43
Repayment of finance leases	(12)	(5)	(5)	(5)
Net cash flows from/(used in) financing activities	(8)	43	26	38
Net increase/(decrease) in cash and cash equivalents	8	..	(4)	..
Cash and cash equivalents at the beginning of the financial year	..	8	8	5
Cash and cash equivalents at the end of the financial year	8	8	5	5

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 2014	..	..	..	..	..
Comprehensive result	5	..	..	..	5
Transactions with owners in their capacity as owners	..	629	..	..	629
Closing balance 30 June 2015 (actual)	5	629	..	..	634
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	48	..	..	48
Closing balance 30 June 2016 (budget)	5	677	..	..	682
Comprehensive result	(7)	..	..	..	(7)
Transactions with owners in their capacity as owners	..	31	..	..	31
Closing balance 30 June 2016 (revised)	(2)	660	..	..	658
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	43	..	..	43
Closing balance 30 June 2017 (budget)	(2)	704	..	..	702

Sources: Courts, and Department of Treasury and Finance

Table 3.9.5: Administered items statement

(\$ million)

	2014-15 actual	2015-16 budget	2015-16 revised	2016-17 budget
Administered income				
Special Appropriations	39	62	62	63
Sale of goods and services	61	57	57	57
Other income	30	21	21	21
Total administered income	129	140	140	141
Administered expenses				
Expenses on behalf of the State	10	4	4	5
Grants and other transfers	31	58	58	58
Payments into the Consolidated Fund	87	78	78	78
Total administered expenses	127	140	140	141
Income less expenses	2	..	..	..
Net result	1	..	..	..
Comprehensive result	1	..	..	..
Administered assets				
Cash and deposits	7	7	7	7
Total administered assets	11	11	11	11
Administered liabilities				
Payables	7	7	7	7
Provisions	3	3	3	3
Total administered liabilities	10	10	10	10
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 2015-16 and 2019-20. The revenue forecasts are closely linked to growth in key macroeconomic variables outlined in Budget Paper No. 2, Chapter 2 *Economic context*. Victoria's real output growth has improved solidly and is forecast to remain above trend in 2016-17. This has coincided with strong employment growth and a moderating unemployment rate. However, despite improving real outcomes, wage and consumer price growth remain soft and have weighed on income growth.

State revenue forecasts reflect this economic backdrop. Total revenue from transactions is expected to be \$60.4 billion in 2016-17, with growth averaging 3.4 per cent a year over the budget and forward estimates (Table 4.1).

Table 4.1: General government sector revenue

	(\$ million)				
	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
Taxation revenue	20 079	21 594	21 292	22 468	23 354
Grants	25 364	27 424	28 069	28 844	29 957
Sales of goods and services	6 643	6 843	7 036	7 212	7 240
Dividends, income tax equivalent and rate equivalent revenue	762	1 059	1 377	846	787
Interest revenue	795	881	915	903	906
Other revenue	2 828	2 569	2 320	2 331	2 374
Total revenue from transactions	56 470	60 370	61 009	62 604	64 618

Source: Department of Treasury and Finance

State taxation revenue is forecast to be \$21.6 billion in 2016-17, with growth averaging 3.9 per cent a year over the budget and forward estimates. Major contributors to growth in the budget year include land tax and payroll tax revenue and an allowance for prepaid port licence fees, partially offset by an anticipated moderation in land transfer duty revenue.

GST revenue, which makes up around half of Victoria's grants revenue, is forecast to grow by 6.5 per cent to \$13.9 billion in 2016-17. 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.

Commonwealth grants for specific purposes are expected to total \$13.3 billion in 2016-17 and average \$13.1 billion over the forward estimates.

TAXATION

Tax revenue is forecast to be \$21.6 billion in 2016-17, with growth averaging 3.9 per cent a year over the budget and forward estimates. This growth rate is below the annual average of 6.3 per cent over the decade to 2015-16.

Robust population growth and low interest rates have underpinned a large upswing in the property market. The surge in prices and transaction volumes has generated very strong growth in land transfer duty revenue over the past few years. However, leading indicators of housing market conditions have eased, suggesting the property cycle is maturing. The budget forecast incorporates a modest correction in 2016-17. Solid economic growth, a strengthening labour market, and ongoing low interest rates should facilitate a gradual return to trend over the forward estimates.

The strength in the property market over recent years will have a lagged impact on land tax revenue, which is based on the site value of the stock of land rather than property transactions. Revenue is forecast to rise strongly as a result of the current land revaluation process because property values have increased rapidly over the two years since the previous revaluation. Initial estimates suggest the 2016 general valuation will see a significant increase in land tax revenue.

Solid activity in the real economy has supported Victoria's consumption and income-based taxes. Consumer spending has benefited from reduced interest payments and rising household wealth. Rising demand, combined with lower borrowing costs and the exchange rate depreciation over recent years, have boosted business investment. Stronger activity has seen employment growth lift to an above-trend pace. However, muted consumer price and wage inflation have weighed on nominal incomes, in turn dampening growth in revenue from taxes on consumption and income.

The depreciation of the Australian dollar over the past few years, combined with lower interest rates, should continue to support the State's economy over the medium term. Rising consumer demand from China should also benefit Victoria's export sector as China's economy transitions towards more consumption-led growth. Victoria is well placed to take advantage of these changes with its diverse economy and highly skilled workforce. The positive economic outlook will support growth in the State's tax base.

Table 4.2: Taxation estimates ^(a)

(\$ million)

	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
Taxes on employers' payroll and labour force	5 386	5 671	5 933	6 212	6 507
Taxes on property					
Land tax	1 734	2 225	2 174	2 459	2 398
Congestion levy	112	115	118	121	124
Land transfer duty	6 064	5 677	5 856	6 135	6 508
Other property duties	2	3	3	3	3
Metropolitan improvement levy	159	157	158	158	158
Metropolitan planning levy	17	17	17	17	17
Fire services property levy	661	674	684	678	687
Financial accommodation levy	127	149	163	176	188
Growth areas infrastructure contribution	138	146	154	162	171
	9 015	9 162	9 326	9 909	10 254
Gambling taxes					
Public lotteries	437	446	463	480	498
Electronic gaming machines	1 080	1 107	1 135	1 163	1 192
Casino	240	251	259	268	276
Racing	79	79	78	76	74
Other	24	28	31	36	40
	1 860	1 911	1 966	2 022	2 079
Levies on statutory corporations	112	112	112	158	158
Taxes on insurance					
Non-life insurance	964	1 027	1 101	1 181	1 266
Duty on compulsory third party premiums	184	193	201	210	220
	1 148	1 220	1 302	1 391	1 485
Motor vehicle taxes					
Vehicle registration fees	1 456	1 532	1 594	1 658	1 726
Duty on vehicle registrations and transfers	775	802	826	851	877
	2 231	2 334	2 420	2 509	2 603
Other taxes					
Liquor licence fees	22	22	23	24	24
Landfill levy	191	200	175	177	177
Transport fees ^(b)	114	962	35	67	67
	327	1 183	233	268	269
Total taxation	20 079	21 594	21 292	22 468	23 354

Source: Department of Treasury and Finance

Note:

(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) Transport fees revenue includes an allowance for prepaid part licence fees in the budget year.

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 surcharge on foreign purchasers of residential property will be increased from 3 per cent to 7 per cent for contracts entered into on or after 1 July 2016.

Land transfer duty revenue is expected to generate \$5.7 billion in 2016-17. This implies a moderate correction to the current upswing, which has seen 23 per cent average annual growth in revenue over the three years to 2015-16.

The exceptionally strong growth since mid-2013 has been driven by very strong demand from owner-occupiers and investors in both residential and commercial markets, supported by historically low interest rates. However, leading indicators of housing conditions have eased and the likelihood of a correction is increasing. Given the backdrop of a strengthening labour market, low interest rates and solid population fundamentals, the downswing is forecast to be modest compared with previous cycles.

Historically, property markets are volatile and can exhibit large cycles, often accompanied by swings in sentiment and changes in monetary policy. This creates a high level of uncertainty in predicting both the timing of a turning point, and the extent to which revenue growth may slow or contract (see Box 4.1). The forecast profile allows for a moderate correction in 2016-17 before a return to trend growth by 2019-20.

Box 4.1: Risks to land transfer duty revenue forecasts

Land transfer duty is expected to be the State's largest source of taxation revenue in 2016-17 and is directly linked to developments in the property market. The volatility of the property market, and its tendency to grow strongly before adjusting, has immediate and potentially significant impacts on State revenue. This volatility elevates the likelihood of forecast error and requires a prudent approach that balances risks.

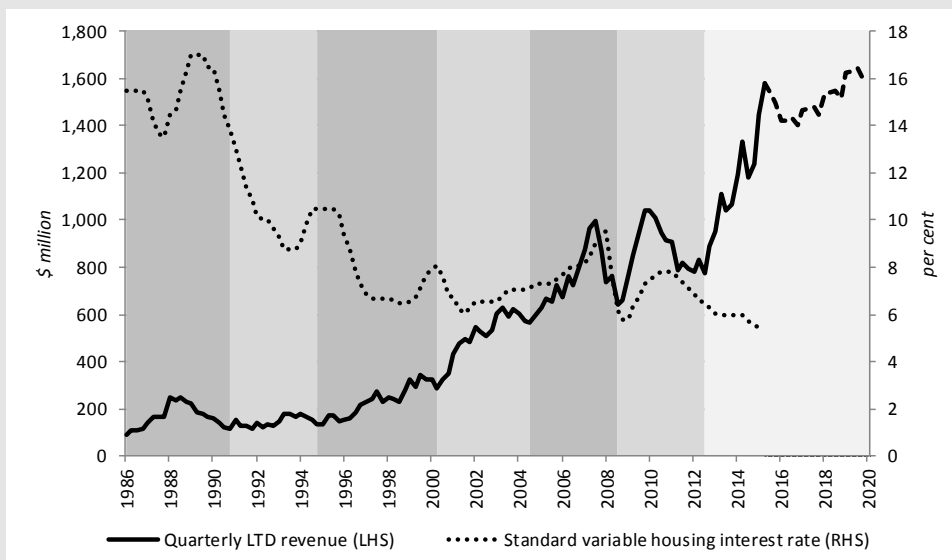
Since mid-2013, revenue has grown rapidly, with annual growth expected to reach 22.8 per cent in 2015-16, following 18.5 and 27.2 per cent growth in 2014-15 and 2013-14, respectively. Low interest rates and Victoria's strong population growth contributed to strength in the property market by owner-occupiers, investors and commercial interests.

This property upturn has been exceptionally strong. Property cycles vary in duration and strength depending on complex interactions between interest rates, sentiment, wages, household balance sheets, population growth and demand from foreign investors.

The budget forecasts land transfer duty collections in 2016-17 to fall by around 6 per cent. The projected decline in revenue is driven by an anticipated fall in the number of property transactions, while the pace of price growth is expected to ease. Revenue growth is forecast to begin its return to trend growth from 2017-18, growing by 3.2 per cent before eventually reaching growth of 6.1 per cent by 2019-20.

Property market cycles are often accompanied by changes in interest rates (see Chart 4.1). The expected continuation of low interest rates as well as solid economic and population growth support the central case for a gradual return to trend over the forward estimates.

Chart 4.1: Land transfer duty (LTD) revenue over recent property market cycles (a)



Source: Department of Treasury and Finance; Reserve Bank of Australia

Note:

(a) Shaded areas represent recent property market cycles

There are risks to these forecasts. On the upside, current interest rates remain accommodative and underlying demand remains robust, reflecting strong population growth. If the Victorian economy outperforms relative to expectations and, for example, the Reserve Bank of Australia cuts interest rates due to weaker demand and investment nationally, the property market could retain momentum relative to the central case forecasts.

On the downside, Melbourne house price growth could slow more than anticipated. Domestically, there is a risk that further out-of-cycle increases in interest rates (reflecting higher costs of capital), combined with ongoing impacts from macro-prudential measures to curb investor demand, could see sentiment fall relative to expectations. Internationally, a sharp slowdown in the Chinese or other global economies could see a return of increased financial market volatility and lower equity prices in Australia. Shocks of this nature impact on sentiment and expectations of asset price growth and could see land transfer duty revenue forecasts underperform.

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*.

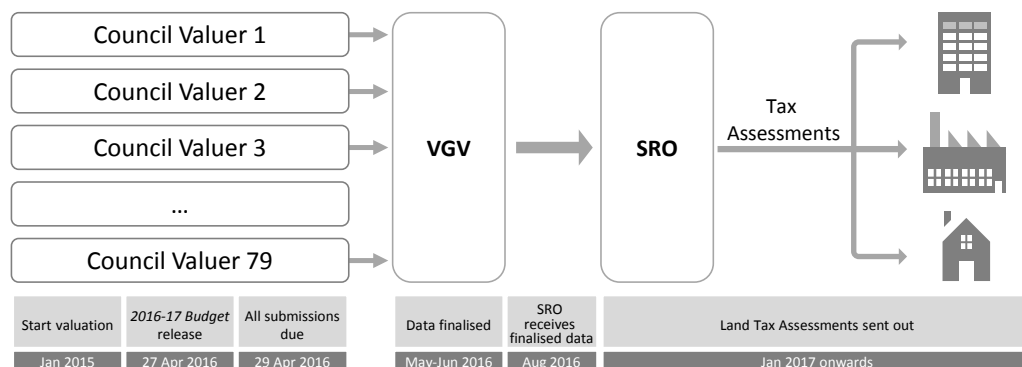
The absentee landowner surcharge will rise to 1.5 per cent from the 2017 land tax year. Further, the State Revenue Office (SRO) will undertake compliance programs to ensure property taxes and duties are correctly paid.

The value of unimproved land is based on an individual assessment of each site across Victoria. Factors that are considered in determining the value of land include recent land sales, development potential of the site, location, and planning guidelines as they relate to new redevelopments or allowances for mixed-use properties. Assessing each of these factors can be complex, especially in handling valuations for mixed-use properties or finding sufficient land sales data for metropolitan areas.

Land tax revenue is forecast to increase in 2016-17 by 28.3 per cent largely as a result of the biennial land revaluation which is currently underway. This latest revaluation cycle covers the period from 1 January 2014 to 1 January 2016. The most recent valuation data suggest that the strength in the property market over this period will translate into significant increases in the value of residential, commercial and industrial land.

The revaluation process, from planning to the issuance of the new land tax assessments, takes approximately two years (Figure 4.1). While municipal councils are responsible for carrying out valuations, the Valuer-General Victoria (VGV) has oversight of the process and coordinates the completed valuations. Individual submissions by the municipal valuers are audited by the VGV for consistency in line with the *2016 Valuation Best Practice Specifications Guidelines*.

Figure 4.1: Land revaluation process ^(a)



Source: Department of Treasury and Finance

Note:

(a) The outcomes of the revaluation process also include capital improved values and net annual values which are used to calculate the fire service property levy and municipal rates, respectively.

Although the valuations are submitted and reviewed by the end of April, valuation figures are only finalised in June of the revaluation year, after the release of the *2016-17 Budget*. Therefore, the uncertainty around final revaluation figures poses some risk to the revenue forecasts, although liaison with the VGV helps to minimise this risk.

The SRO uses final revaluation results from the VGV to issue land tax assessments for taxable land for the next two years. This gives rise to the biennial land tax forecast profile. The outcome of the 2016 revaluation will be reflected in land tax assessments issued in the 2017 and 2018 calendar years which will form the accrued land tax revenue for 2016-17 and 2017-18.

Over the forward estimates, land tax revenue growth is expected to increase only every two years following the revaluation cycle, with declines in non-revaluation years due to the disaggregation of holdings of taxable land.

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 \$146 million in 2016-17, and is assumed to grow by an annual average of 5.5 per cent over the forward estimates, broadly in line with projected nominal economic growth. Development in the urban growth areas has gathered pace. In part, this reflects property prices increasing in Melbourne's inner areas, with buyers turning to more affordable housing in the growth areas.

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 payroll tax-free threshold will be increased to \$650 000 over four years (see Box 4.2). Further, a payroll tax exemption will be introduced for the wages paid or payable by an employer to a displaced apprentice or trainee from 1 July 2016.

Box 4.2: Increase to the payroll tax-free threshold

The payroll tax-free threshold will be increased from \$550 000 to \$650 000 in \$25 000 increments over four years, starting with an increase to \$575 000 from 1 July 2016. Increasing the tax-free threshold reduces the payroll tax burden on businesses, and enables them to explore opportunities to expand and hire more staff, boosting employment and investment.

There were approximately 36 600 individual businesses liable for payroll tax in 2014-15. It is estimated that 2 800 grouped businesses had payrolls below \$650 000 and would no longer be liable for payroll tax with a \$650 000 tax-free threshold. The remaining businesses still liable for payroll tax will benefit, due to having a reduced liability with the increased threshold.

This initiative improves the competitiveness of Victoria's payroll tax structure across the states and territories. By the time the initiative is fully implemented in 2019-20, businesses in Victoria with payrolls between \$4.8 million and \$31.5 million will incur the lowest payroll tax in Australia.

Payroll tax revenue is expected to be \$5.7 billion in 2016-17. Strong part-time employment growth and a pick-up in full-time employment have led to a recovery in aggregate hours worked. This has supported growth in payroll tax revenue. Full-time employment is projected to grow steadily as robust conditions in the broader economy continue and overall employment grows above trend in the budget year.

In contrast, wages growth remains historically low. As Budget Paper No. 2, Chapter 2 *Economic context* discusses, the unemployment rate has moderated over the past 18 months but broader measures of spare capacity in the labour market remain elevated. As a result, wages growth is forecast to improve more gradually than in the *2015-16 Budget Update*.

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.

Gambling tax revenue is forecast to be \$1.9 billion in 2016-17 and grow by an average of 2.9 per cent a year over the forward estimates. The revenue profile is slightly weaker than previously forecast, especially in the out years, reflecting a downgrade to growth in minor gambling lines from lower than expected activity in Sportsbet and Keno. In addition, gambling expenditure as a share of total household consumption continues to decline. This will impact negatively on revenue growth over the forward estimates.

In 2016-17, approximately 80 per cent of total gambling taxation revenue will be transferred to the Hospitals and Charities Fund, the Mental Health Fund and the Community Support Fund. These funds direct gambling revenues back into the community by providing funding for programs to tackle problem gambling, including funding for the Victorian Responsible Gambling Foundation; mental health services; drug education, treatment and rehabilitation; and hospitals and community organisations. The remaining gambling revenue is available for general government purposes.

Levies on statutory corporations

The Environmental Contribution Levy continues for another four years from 2016-17. The levy will fund initiatives that seek to promote the sustainable management of water or address the environmental impacts associated with water use, supporting delivery of strategic priorities in the Government's proposed new water plan.

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.

Insurance taxes are expected to generate \$1.2 billion in revenue in 2016-17, up 6.3 per cent from 2015-16.

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 \$2.3 billion in revenue in 2016-17 and grow by an average of 3.7 per cent a year over the forward estimates. Growth of 4.6 per cent in the budget year is driven by registration fees revenue, with a more modest increase in stamp duty revenue.

Recent growth in registration fees reflects growth in the vehicle population from the sales of new motor vehicles in 2015-16. This has been supported by improving consumer sentiment, falling oil prices, a growing population and lower vehicle prices. Revenue growth from light vehicles is expected to rise in 2016-17 towards its long-run trend of 5 per cent.

The number of new motor vehicle sales has also driven above-trend growth in duties revenue in 2015-16. This is expected to moderate in the budget year towards long-run trend growth of 3 per cent.

In response to proposed changes to heavy vehicle registration charges, the Transport and Infrastructure Committee (comprising state, territory and Commonwealth transport, infrastructure and planning ministers) decided to freeze nominal registration revenue for heavy motor vehicles at 2015-16 levels for two years. This will constrain growth in total motor vehicle tax revenue for 2016-17 and 2017-18.

GRANTS

Total grants revenue is expected to be \$27.4 billion in 2016-17, an increase of 8.1 per cent from 2015-16. Growth in total grants revenue across the budget and forward estimates is largely driven by GST revenue.

Table 4.3: Grants

	(\$ million)				
	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
General purpose grants – goods and services tax	13 032	13 885	14 609	15 770	16 534
Specific purpose grants for on-passing	3 095	3 576	3 767	3 936	4 096
Other grants for specific purposes	9 114	9 731	9 464	8 859	9 166
Total	25 240	27 192	27 839	28 565	29 796
Other contributions and grants	123	232	230	279	161
Total grants	25 364	27 424	28 069	28 844	29 957

Source: Department of Treasury and Finance

General purpose grants

GST revenue is forecast to grow by 6.5 per cent to \$13.9 billion in 2016-17. 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 determined by three 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 \$60.7 billion in 2016-17, growing by 5.0 per cent from 2015-16, in line with moderate growth in household consumption and slightly 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 grow faster than GST-liable categories.

Growth in national dwelling investment, which is also subject to GST, is expected to ease somewhat in 2016-17 following two years of strong growth in 2014-15 and 2015-16. This is in line with cooling property market indicators, including dwelling approvals and housing finance.

GST relativities

Victoria's GST relativity for 2016-17 has increased, in part reflecting a higher expenditure requirement due to an increased need to invest in new infrastructure, driven by strong population growth. However, Victoria's robust economic and revenue growth, relative to some states, will place some offsetting downside pressure on Victoria's GST relativity by the end of the forward estimates.

Table 4.4: Victoria's forecast GST relativities and share

	2015-16 <i>actual</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
Victoria's relativity ^(a)	0.89254	0.90967	0.91039	0.93711	0.92927
GST share (%) ^(b)	22.4	22.9	22.9	23.7	23.5
Victoria's population share (%) ^(b)	25.0	25.1	25.1	25.2	25.3

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

Notes:

(a) Victoria's GST relativity for 2016-17 has been determined by the Commonwealth Treasurer.

(b) The 2015-16 figures for GST and population shares are estimates.

Diverging economic conditions in post-mining boom Australia are having a noticeable impact on the ability of states and territories to raise revenue. Box 4.3 describes how differences in tax revenue growth have influenced the relativities used to distribute the GST.

Box 4.3: Revenue drivers of Victoria's GST relativity forecast

Each year the Commonwealth Grants Commission (CGC) calculates GST relativities for the states and territories by assessing their fiscal capacity across the categories of revenue, expenditure, investment, net lending and Commonwealth funding.

During the past decade and a half, the mining boom has been an important driver of economic conditions in Australia and the boom has affected the GST relativities across the states and territories through its impact on their fiscal capacities.

During the investment phase of the mining boom, strong economic conditions in Western Australia and Queensland drove faster revenue growth (Table 4.5). Rising labour demand and wages increased the rate of growth in payroll tax revenue. Strong population growth and higher incomes helped fuel growth in property markets, increasing land tax and stamp duty revenues. Further, as mining exports increased so too did royalty revenues, particularly those from iron ore in Western Australia. All else equal, above-average revenue growth placed downward pressure on the GST relativities for Western Australia and Queensland during this period.

Table 4.5: Average annual growth in economic parameters, 2000-01 to 2012-13

	<i>(per cent)</i>				
	<i>NSW</i>	<i>Vic</i>	<i>Qld</i>	<i>WA</i>	<i>SA</i>
Wage Price Index	3.6	3.6	3.7	4.1	3.6
Employment	1.5	2.1	2.7	2.9	1.5
Population	1.1	1.5	2.2	2.2	0.8

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

More recently, as the mining boom shifted to the production phase, lower investment has seen a reduction in labour demand and wages growth in the mining states. This has weighed on payroll tax growth. There has also been a significant reduction in net overseas migration to both Western Australia and Queensland, resulting in slower population growth, a key driver for revenue lines. Western Australia's property market has cooled notably, with residential property prices in Perth falling by 2.9 per cent in the year to December 2015. This has placed downward pressure on collections from land tax and land transfer duty.

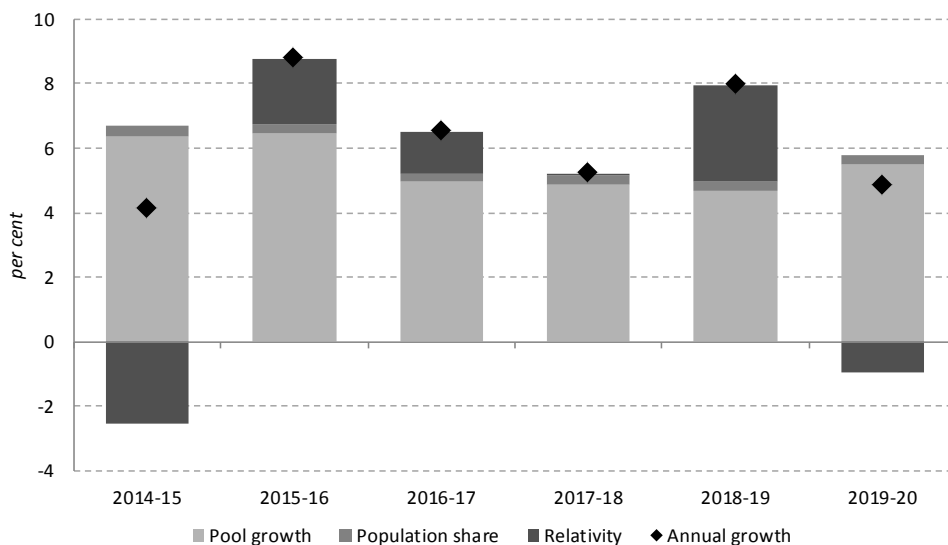
In contrast, New South Wales and Victoria have benefited from the transition to broader drivers of economic growth. A period of low interest rates have boosted household consumption and dwelling investment and helped fuel strong property markets in New South Wales and Victoria. Employment and population growth in these states have picked up recently.

Population

Victoria's population is forecast to grow by 1.8 per cent in 2016-17, in line with growth in 2015-16. 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 2015-16, Victoria's population share is rising, which increases Victoria's share of the national GST pool. In contrast, a slowdown in net overseas migration to Western Australia and Queensland has reduced these states' share of the national population.

Chart 4.2 shows the expected percentage point contribution to growth in GST revenue from changes in the national pool, Victoria's relativity and population.

Chart 4.2: Forecast contribution to growth in Victorian GST revenue



Source: Department of Treasury and Finance

Specific purpose grants for on-passing

Table 4.6 summarises estimates of grants from the Commonwealth that are passed on to other entities. Growth in specific purpose grants for on-passing in 2016-17 reflects growth in education funding for non-government schools and the timing of grants payments to local government.

Table 4.6: Grants for on-passing

	(\$ million)		
	2015-16 revised	2016-17 budget	Change % ^(a)
Commonwealth Government grants to local government			
<i>Financial assistance grants to local government (operating)</i> ^(b)			
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> .	196	395	101.9
<i>Identified local roads grants to local government</i> ^(b)			
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> .	74	145	95.4
Students First – A fairer funding agreement for schools			
Support for school services			
<i>Non-government schools</i>	2 825	3 036	7.5
Total grants for on-passing	3 095	3 576	15.5

Source: Department of Treasury and Finance

Notes:

(a) Per cent change between 2015-16 and 2016-17.

(b) Two quarters of grants for 2015-16 were prepaid in 2014-15.

Grants for specific purposes

Table 4.7 lists Commonwealth grants for specific purposes, with detailed tables by expenditure category in Tables 4.8 to 4.14.

Table 4.7: Grants for specific purposes

(\$ million)

	2015-16 revised	2016-17 budget	Change % ^(a)
Affordable housing	353	358	1.5
Community services ^(b)	411	455	10.8
Education	1 955	2 080	6.4
Environment ^(c)	80	449	462.1
Health	4 756	4 462	(6.2)
Infrastructure	472	484	2.5
Contingent/Other	1 087	1 443	32.7
Total grants for specific purposes	9 114	9 731	6.8

Source: Department of Treasury and Finance

Notes:

(a) Per cent change between 2015-16 and 2016-17.

(b) Increase in part reflects transitional funding arrangements towards the National Disability Insurance Scheme (NDIS).

(c) Increase driven by rescheduling of Goulburn-Murray Connections payments from 2015-16 to 2016-17.

Table 4.8: Payments for affordable housing

(\$ million)

	2015-16 revised	2016-17 budget	Change % ^(a)
National Affordable Housing Agreement			
Funding for affordable, safe and sustainable housing that contributes to economic and social participation in the community.	330	335	1.7
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	..
Other	..	..	n.a.
Total affordable housing	353	358	1.5

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2015-16 and 2016-17.

Table 4.9: Payments for community services

(\$ million)

	2015-16 revised	2016-17 budget	Change % ^(a)
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.	359	372	3.6
National Partnerships			
<i>Assistance to States for DisabilityCare Australia</i> ^(b)	21	44	106.6
<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.	29	38	33.0
Other	2	1	(53.2)
Total community services	411	455	10.8

Source: Department of Treasury and Finance

Notes:

(a) Per cent change between 2015-16 and 2016-17.

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

Table 4.10: Payments for education services

(\$ million)

	2015-16 revised	2016-17 budget	Change % ^(a)
Students First – A fairer funding agreement for schools			
Support for school services			
<i>Government schools</i>	1 355	1 461	7.8
National Agreement for Skills and Workforce Development			
The National Agreement for Skills and Workforce Development provides funding for the delivery of training services.			
	364	370	1.8
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.			
	98	102	3.3
<i>Building Australia's Future Workforce – Skills Reform</i>			
Funding to support long-term reform in the vocational education and training sector.			
	94	128	36.8
<i>Trade training centres in schools</i> ^(b)			
Funding to build new or upgrade existing trade or vocational education and training facilities in secondary schools.			
	21	..	(100.0)
<i>School Chaplaincy Program</i>			
Funding to support the emotional wellbeing of students by providing pastoral care services.			
	13	13	..
Other	11	6	(42.2)
Total education services	1 955	2 080	6.4

Source: Department of Treasury and Finance

Notes:

(a) Per cent change between 2015-16 and 2016-17.

(b) Agreement not continued beyond 2015-16.

Table 4.11: Payments for environment services

(\$ million)

	2015-16 revised	2016-17 budget	Change % ^(a)
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.	38	36	(7.4)
<i>Goulburn-Murray Water Connections Project Trust</i> ^(b)			
Funding for the Goulburn-Murray Water Connections Project to modernise, upgrade and improve the efficiency of the irrigation network in Northern Victoria.	..	376	n.a.
Other payments to the State			
<i>National Landcare Programme Regional Allocations</i>			
Funding to help communities, farmers and other land managers protect the natural environment.	22	21	(1.4)
Other	20	16	(17.9)
Total environment services	80	449	462.1

Source: Department of Treasury and Finance

Notes:

(a) Per cent change between 2015-16 and 2016-17.

(b) Payments rescheduled from 2015-16 to 2016-17.

Table 4.12: Payments for health services

(\$ million)

	2015-16 revised	2016-17 budget	Change % ^(a)
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.	4 131	4 386	6.2
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	0.7
<i>Victorian Comprehensive Cancer Centre</i> ^(b)			
Funding to develop the Victorian Comprehensive Cancer Centre. The Centre will drive innovation in cancer treatment and research.	50	..	(100.0)
<i>Adult Public Dental Services</i> ^(c)			
Funding for public dental services to Victorian adults on public dental waiting lists.	39	..	(100.0)
<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.	28	28	..
<i>Victorian Cytology Service</i>			
Funding for the Victorian Cytology Service to prevent morbidity and mortality from cervical cancer amongst Victorian women.	9	10	5.0
COAG — National Health and Hospitals Reform			
<i>Home and Community Care</i> ^(d)			
The Home and Community Care Program delivers integrated home and community care services to frail older people, people with disabilities and their carers.	415	..	(100.0)
<i>Supporting National Mental Health Reform</i> ^(c)			
Funding to deliver improved health, social, economic and housing outcomes for people with severe and persistent mental illness.	8	..	(100.0)
<i>National Reform Agenda for Organ and Tissue Donation</i> ^(c)			
Funding to increase Australians' access to organ and tissue transplants.	9	..	(100.0)
Other	34	4	(87.0)
Total health services	4 756	4 462	(6.2)

Source: Department of Treasury and Finance

Notes:

- (a) Per cent change between 2015-16 and 2016-17.
(b) Project to be completed in 2015-16.
(c) Agreement/funding ceases at the end of 2015-16.
(d) Function transferred under NDIS agreement.

Table 4.13: Payments for infrastructure services

(\$ million)

	2015-16 revised	2016-17 budget	Change % ^(a)
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.	441	457	3.6
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	12	8	(32.3)
Total infrastructure	472	484	2.5

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2015-16 and 2016-17.

Table 4.14: Payments for contingent and other services

(\$ million)

	2015-16 revised	2016-17 budget	Change % ^(a)
National Partnerships			
<i>Victoria Legal Aid</i>			
Funding for a share of the service delivery costs of Victoria Legal Aid on Commonwealth law matters.	58	59	2.7
<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.	6	4	(33.5)
<i>Natural Disaster Relief</i>			
Funding for natural disasters declared in Victoria.	30	..	(100.0)
Other^(b)	993	1 379	38.8
Total other services	1 087	1 443	32.7

Source: Department of Treasury and Finance

Notes:

(a) Per cent change between 2015-16 and 2016-17.

(b) Includes payments from the Commonwealth yet to be allocated to specific purposes. The increase between 2015-16 and 2016-17 primarily reflects the expected rephasing of asset recycling incentive payments.

SALES OF GOODS AND SERVICES

Revenue from the sales of goods and services is expected to grow by 3.0 per cent in 2016-17 to \$6.8 billion. The growth is driven by an increase in the capital asset charge from VicTrack associated with an increase in the capital asset base. Growth is expected to slow to an average of 1.9 per cent a year over the forward estimates.

Table 4.15: Sales of goods and services

	(\$ million)				
	2015-16	2016-17	2017-18	2018-19	2019-20
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Motor vehicle regulatory fees	241	216	192	203	211
Other regulatory fees	492	499	512	518	532
Sale of goods	70	71	73	75	77
Provision of services	3 979	4 017	4 071	4 127	4 122
Rental	61	61	62	63	64
Refunds and reimbursements	56	56	56	56	56
Inter-sector capital asset charge	1 744	1 924	2 071	2 171	2 179
Total sales of goods and services	6 643	6 843	7 036	7 212	7 240

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 4.16.

Dividend, income tax equivalent (ITE) and rate equivalent revenue is projected to increase by 39 per cent in 2016-17 to \$1.1 billion. This growth rate is amplified by lower expected dividends from the Transport Accident Commission in 2015-16. Over the forward estimates, aggregate dividend, ITE and rate equivalent revenues are expected to decline by an average of 9.4 per cent a year largely due to lower expected dividends from the public financial corporations sector.

Table 4.16: Dividends, income tax equivalent and rate equivalent revenue

	(\$ million)				
	2015-16	2016-17	2017-18	2018-19	2019-20
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Dividends	416	805	1 084	526	388
Income tax equivalent revenue	336	243	282	309	387
Local government rate equivalent revenue	10	11	11	12	12
Total dividends, income tax equivalent and rate equivalent revenue	762	1 059	1 377	846	787

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 \$881 million in 2016-17, and increase by an average of 0.9 per cent a year over the forward estimates.

OTHER REVENUE

Other revenue includes fines, donations and gifts and royalties. These are shown in Table 4.17. Other revenue is projected to decrease by 9.2 per cent to \$2.6 billion in 2016-17, largely due to a large one-off increase in revenue in 2015-16 associated with the High Court ruling in favour of the State on gaming licenses against Tattersalls.

The forecasts incorporate an increase in the brown coal royalty rate from 1 January 2017.

Table 4.17: Other revenue

	(\$ million)				
	2015-16 <i>revised</i>	2016-17 <i>budget</i>	2017-18 <i>estimate</i>	2018-19 <i>estimate</i>	2019-20 <i>estimate</i>
Fines					
Road safety camera fines	345	347	356	366	391
Police on-the-spot fines	135	138	142	145	149
Toll road evasion fines	166	169	174	178	183
Non-traffic statutory and court fines	111	121	124	125	125
Total fines	757	776	796	814	847
Fair value of assets received free of charge or for nominal consideration ^(a)	96	290	55	55	55
Royalties	48	85	122	118	119
Donations and gifts	276	312	267	269	261
Other non-property rental	21	22	22	22	22
Other miscellaneous revenue	1 629	1 084	1 057	1 053	1 071
Total other revenue	2 828	2 569	2 320	2 331	2 374

Source: Department of Treasury and Finance

Note:

(a) Revenue for 2016-17 reflects assets received free of charge associated with Simonds Stadium from the Geelong City Council.

CHAPTER 5 – TAX EXPENDITURES AND CONCESSIONS

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

TAX EXPENDITURES

Over the past decade, the State has foregone \$38.8 billion in revenue in the form of tax expenditures (excluding tax thresholds). In 2016-17, tax expenditures are forecast to be \$6.0 billion, around 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. Benefits from marginal rates and tax-free thresholds are not treated as tax expenditures, but are estimated in this chapter as well.

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 included, since they apply to all taxpayers.

This Budget introduces three new tax concessions to provide additional incentives for employers and land owners. These tax expenditures apply from 2016-17:

- payroll tax exemption for wages of displaced apprentices or trainees;
- a staged increase in the payroll tax threshold from \$550 000 to \$650 000; and
- an extension of the exemption for primary production land in an urban zone to land owned by certain family superannuation trusts.

Table 5.1 shows aggregate tax expenditure estimates by the main tax categories for the period 2014-15 to 2019-20, excluding the effect of tax-free thresholds for land tax and payroll tax. In estimating tax expenditures, the simplifying assumption is made that taxpayer behaviour is unchanged by the concession.

Land tax expenditures form a significant portion of total estimated tax expenditures. The biennial land revaluation in Victoria determines a property's latest site value which will be used in tax assessments for the next two years. Since the revaluation is performed on all land, including exempt land, increases arising from this revaluation would also raise land tax expenditures. As a result, the growth of total tax expenditures closely resembles the growth profile of land tax expenditure. For example, a revaluation year such as 2016-17 sees strong growth in expenditures, with more subdued growth in the following year, in this case 2017-18.

A significant deviation from this trend occurred in 2015-16, as tax expenditures increased markedly from 2014-15, and are forecast to decrease in 2016-17. This is because land transfer duty tax expenditures were significantly higher than expected in 2015-16, due to a series of large corporate reconstruction exemptions. Corporate reconstructions occur when there is a transfer of property, or a change in the beneficial ownership (including in land) from one member of a corporate group to another member of the group, or when there is an acquisition of a beneficial interest by a member of a corporate group from another member of the group arising from a legitimate corporate restructure. The high value of exemptions was largely attributable to 12 separate transactions relating to land containing electricity distribution and sub-transmission networks.

Table 5.1: Estimates of aggregate tax expenditures (excluding thresholds) by type of tax^{(a)(b)}

Description	(\$ million)					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Land tax	2 988	2 990	3 821	3 736	4 227	4 125
Fire Services Property Levy	22	22	22	22	22	22
Payroll tax	1 144	1 199	1 270	1 342	1 413	1 487
Gambling tax	72	74	75	77	78	79
Motor vehicle taxes	166	178	190	198	205	216
Land transfer duties ^(c)	670	1 871	617	633	658	689
Congestion levy	40	52	53	54	55	57
Total estimated tax expenditures	5 102	6 386	6 049	6 061	6 659	6 675

Source: Department of Treasury and Finance

Note:

- (a) Tax expenditures associated with thresholds are excluded due to the different nature of these expenditures to other taxation expenditures. Expenditures are benefits that target certain taxpayers or activities, whereas thresholds exclude transactions below a certain size.
- (b) All amounts have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding.
- (c) The high level of land transfer duty tax expenditures in 2015-16 is 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).

Table 5.2 lists a breakdown of the aggregate tax expenditures that can be costed by type of tax, including benefits arising from tax-free thresholds. The 2016 revaluation cycle is expected to result in strong growth in land tax expenditures in 2016-17.

Table 5.2: Estimates of tax expenditures that can be costed (including thresholds)^(a)

<i>Description</i>	<i>(\$ million)</i>					
	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>
Land tax						
Crown property (right of Victoria)	395	405	517	506	572	558
Principal place of residence	1 369	1 363	1 740	1 701	1 925	1 878
Land held in trust for public or municipal purposes or vested in any municipality	207	210	268	262	296	289
Land used by charitable institutions	138	145	185	181	205	200
Commonwealth land	212	212	270	264	299	292
Land used for primary production	363	350	450	440	498	486
Land vested in public statutory authorities	170	174	222	218	246	240
Land used for the CityLink network	26	26	33	32	36	35
Assessment on a single holding basis for land owned by a municipality	11	8	10	10	11	11
Partial exemption for non-profit organisations solely for social, sporting, cultural or literary purposes; or horse, pony or harness racing	9	11	14	14	16	16
Assessment on a single holding basis for land owned by charities	18	14	18	18	20	20
Retirement villages	21	21	27	27	30	29
Non-profit organisations providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	31	31	40	39	44	43
Land tax exemption for friendly societies	..	..	..	..	..	..
Associations of ex-servicemen	2	2	2	2	2	2
Aggregated site value below tax-free threshold	71	74	94	92	104	102
Caravan parks	5	5	6	6	7	6
Residential care facilities	10	12	16	15	17	17
Low cost accommodation	1	1	1	1	1	1
Land tax exemption for mining	..	..	..	..	..	..
Total land tax expenditures	3 058	3 064	3 915	3 828	4 332	4 226

Table 5.2: Estimates of tax expenditures that can be costed (including thresholds)^(a) (continued)

<i>Description</i>	<i>(\$ million)</i>					
	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>
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	363	381	403	424	446	470
Wages paid by public benevolent institutions/charities	309	324	343	361	380	399
Wages paid by non-profit non-government schools	169	177	187	197	208	218
Commonwealth departments/agencies (excluding transport and communication)	72	76	80	84	89	93
Wages paid by non-profit hospitals	37	39	41	43	46	48
Municipal councils (not wages for trading activities)	150	158	167	175	185	194
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986 (Commonwealth)</i>	13	13	14	16	17	18
Religious institutions	3	3	3	4	4	4
Construction industry leave entitlements paid by CoINVEST	4	4	4	4	5	5
Paid maternity leave	22	23	24	25	27	28
Wages paid to employees participating in voluntary emergency service work	1	1	1	1	1	1
Displaced apprentices and trainees			3	6	8	9
Employers' payroll below threshold	2 016	2 120	2 256	2 400	2 548	2 706
Total payroll tax expenditures	3 159	3 319	3 526	3 742	3 961	4 193
Congestion levy tax						
Residential	5	6	6	6	6	7
Commercial and private	35	46	47	48	49	50
Total congestion levy tax expenditures	40	52	53	54	55	57
Gambling tax						
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	72	74	75	77	78	79
Total gambling tax expenditures	72	74	75	77	78	79

Table 5.2: Estimates of tax expenditures that can be costed (including thresholds)^(a) (continued)

<i>Description</i>	<i>(\$ million)</i>					
	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>
Motor vehicle taxes						
Discounted registration fee for vehicles operated by Health Care Card holders and pensioners	118	125	132	138	145	153
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	9
Discounted registration fee for heavy vehicles operated by primary producers	37	38	41	41	41	43
Discounted registration for hybrid or electric cars	2	3	3	4	4	4
Discounted registration fee for trade apprentices		1	2	2	2	2
Stamp duty exemption on mobile plant registration		3	3	3	3	3
Total motor vehicle taxes expenditures	166	178	190	198	205	216
Land transfer duties						
Land transfer duty concession for first homebuyers of properties valued up to \$600 000	170	195	181	185	193	205
Land transfer duty concession for farmers under 35 years of age	1	1	2	2	2	2
Stamp duty for corporate reconstruction	267	1 430	217	223	229	235
Conveyance duty concession for pensioners and concession cardholders	118	129	110	113	118	125
Stamp duty for principal place of residence	113	116	107	110	115	122
Total land transfer duties expenditures	670	1 871	617	633	658	689
Total estimated tax expenditures	7 188	8 580	8 399	8 554	9 311	9 483

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 5.3 shows the ratio of tax expenditures to revenue by the main categories of tax in 2016-17. Overall the ratio is 28 per cent in 2016-17, down from 32 per cent in 2015-16. The 2015-16 ratio was significantly higher than previously estimated due to the high level of corporate reconstruction expenditures for land transfer duty. The overall ratio of tax expenditures for 2016-17 is higher than estimates over the past decade, which have risen from around 20 per cent in 2006-07.

Table 5.3: Estimated aggregate tax expenditures (excluding thresholds) and tax revenue in 2016-17^{(a)(b)}

(\$ million)

<i>Description</i>	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	3 821	2 225	1.72
Payroll tax	1 270	5 671	0.22
Gambling tax	75	1 911	0.04
Motor vehicle taxes	190	2 334	0.08
Land transfer duties	617	5 677	0.11
Congestion levy	53	115	0.46
Fire Services Property Levy	22	674	0.03
Other/miscellaneous		2 987	..
Total for items estimated	6 049	21 594	0.28

Source: Department of Treasury and Finance

Note:

- (a) Tax expenditures associated with thresholds are excluded due to the different nature of these expenditures to other taxation expenditures. Expenditures are benefits that target certain taxpayers or activities, whereas thresholds exclude transactions below a certain size.
- (b) All amounts have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding.

Table 5.4 provides an estimate of 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 in the form of the principal place of residence being exempt from land tax. Revenue foregone for this group is expected to be around \$2.0 billion in 2016-17, an increase of \$354 million from 2015-16. This is driven by the biennial land revaluation, which is forecast to increase the value of land exempt under the principal place of residence exemption. The land revaluation is also forecast to increase tax expenditures for primary producers by increasing the value of land exempt under the land tax exemption for land used for primary production.

Revenue foregone for business not elsewhere included was \$1.5 billion in 2015-16, which is significantly higher than previously estimated. This is due to the series of large corporate reconstruction exemptions under land transfer duty tax expenditures, which was identified in Table 5.1 (footnote c).

Table 5.4: Estimated aggregate tax expenditures (excluding thresholds) classified by persons or entities affected^{(a)(b)}

Description	(\$ million)					
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Business not elsewhere included	361	1 540	344	356	373	381
Construction industry	4	4	4	4	5	5
Charitable organisations other than religious institutions	464	484	546	560	605	619
Educational institutions	169	177	187	197	208	218
Gambling clubs	72	74	75	77	78	79
Commonwealth and State governments	850	867	1 090	1 072	1 206	1 183
Local government	369	375	445	447	492	494
Hospitals	401	420	444	468	492	518
Pensioners/concession cardholders	283	300	296	304	320	334
Owner occupier households ^(c)	1 652	1 674	2 028	1 996	2 233	2 204
Primary producers	408	397	500	491	549	539
Religious institutions	3	3	3	4	4	4
Sporting, recreation and cultural organisations	39	42	54	53	60	58
Other	25	28	31	33	35	36
Total for items estimated	5 102	6 386	6 049	6 061	6 659	6 675

Source: Department of Treasury and Finance

Notes:

- (a) Tax expenditures associated with thresholds are excluded due to the different nature of these expenditures to other taxation expenditures. Expenditures are benefits that target certain taxpayers or activities, whereas thresholds exclude transactions below a certain size.
- (b) All amounts have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding.
- (c) For Budget 2016-17, the category of Property owners has been renamed Owner occupier households. In previous budgets, tax expenditures accruing to Property owners included the principal place of residence exemption for land tax, the principal place of residence and first home buyer concessions for land transfer duty, and land tax exemptions for aged care facilities and low cost accommodation. Owner occupier households now excludes land tax exemptions for aged care facilities which has been allocated to Business not elsewhere included and low cost accommodation, which has been allocated to Other.

CONCESSIONS

Concessions are a direct budget outlay or reduction in government charges that have the effect of reducing the price of a good or service for particular groups. Over the past decade, the state has provided \$13.9 billion in concessions expenditure.

Certain characteristics of the 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 like energy, education, health and transportation at a reduced or zero cost.

Changes to the eligibility requirements of the Commonwealth Government age pension will have an impact on Victorian concessions in 2017-18. The reduction in the asset threshold from \$1.15 million to \$823 000 from 1 January 2017 will allow fewer retirees to access the pension card and the concessions that it provides.

Chart 5.1 shows the estimated distribution of concessions by category for 2016-17. The two largest concession categories account for more than two-thirds of total concessions:

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

Chart 5.1: Estimated concessions by category 2016-17

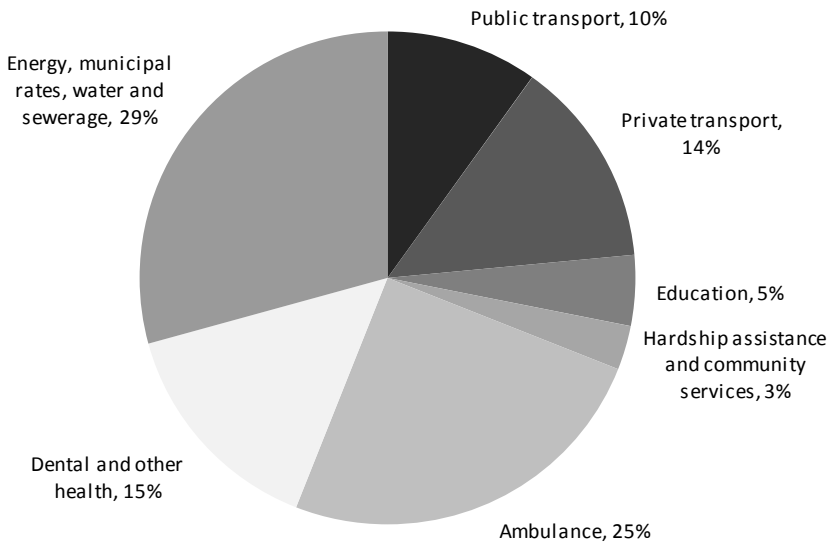


Table 5.5. classifies the major concessions by category.

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 non-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)(b)(c)}

<i>(\$ million)</i>			
<i>Description</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>
Electricity	151	165	134
Mains gas	55	64	62
Municipal rates	91	94	95
Water and sewerage	161	167	166
Total energy, municipal rates, water and sewerage ^(d)	458	490	456
Ambulance	338	377	389
Dental services and spectacles ^(e)	159	154	121
Community health programs	102	110	108
Total health	599	641	617
Education ^{(d)(f)}	82	110	72
Hardship schemes	37	40	39
Social and community services	5	5	6
Private transport	192	203	212
Public transport	141	147	154
Total for items estimated	1 514	1 637	1 555

Source: Department of Treasury and Finance

Notes:

- (a) Some concessions are unable to be directly measured and are estimates only (including 2014-15).
- (b) Estimates for 2014-15 are consistent with those published in the 2015-16 Budget Update.
- (c) All amounts have been rounded to the nearest \$1 million unless otherwise stated. Figures may not add due to rounding.
- (d) The lower concessions reflects better alignment of funding and demand.
- (e) The lower concession expenditure estimated for dental services in 2016-17 is a result of the National Partnership Agreement on Adult Public Dental Services ceasing in June 2016. The State's dental program will continue.
- (f) 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. The table below contains quantifiable contingent assets as at 20 April 2016, based on current information.

Table 6.1: Quantifiable contingent assets

(\$ million)

	<i>As at Dec 2015 ^(a)</i>	<i>As at April 2016</i>
Guarantees, indemnities and warranties	7	4
Legal proceedings and disputes	7	10
Other ^(b)	103	109
Total contingent assets	117	123

Notes:

(a) As published in the 2015-16 Budget Update.

(b) Other contingent assets mainly consists of \$100 million relating to contingent payment for Crown Melbourne licence amendments that may be receivable 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 Limited (CML) as a result of certain events that particularly benefit CityLink, including changes to the adjoining road network.

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

Peninsula Link compensable enhancement claim

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

On 2 January 2014, the State lodged a compensable enhancement claim as a result of 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.

As with contingent assets, contingent liabilities are also classified as either quantifiable or non-quantifiable. The table below contains quantifiable contingent liabilities as at 20 April 2016, based on current information.

Table 6.2: Quantifiable contingent liabilities

(\$ million)

	<i>As at Dec 2015^(a)</i>	<i>As at April 2016</i>
Guarantees, indemnities and warranties	316	279
Legal proceedings and disputes	224	222
Other	174	127
Non-general government debt ^(b)	10 985	10 870
Total contingent liabilities	11 698	11 498

Notes:

(a) As published in the 2015-16 Budget Update.

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

Non-quantifiable contingent liabilities

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

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

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

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

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

Department of Education and 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 development of rail and road infrastructure. Under Section 98 of the *Planning and Environment Act 1987*, the State has a legislative responsibility to compensate eligible land and property owners who face either:

- loss on sale – an eligible landowner is entitled to compensation for the incremental loss on sale when a property affected by a public acquisition overlay is sold for less than its market value; 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 level crossing removal project. 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 the Penhurst, Bangholme, West Sale, Wangaratta, Huntly, and Longerenong have been the subject of notices issued by the Environment Protection Agency (EPA). CFA has a number of contingent liabilities arising from the closure of Fiskville and the notices issued by EPA. These relate to any further notices that may be issued by EPA, any regulatory infringements that may be imposed by 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 (due to present its final report in May 2016) and the costs of relocating the Firefighters' Memorial previously located at Fiskville.

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

Public lottery licence litigation

On 27 August 2014, Intralot Australia Pty Ltd (Intralot) served a writ and Statement of Claim on the State. Intralot's claim relates to allegations that Tattersall's Sweeps Pty Ltd was granted favourable treatment relating to the awarding of public lottery licences on 24 October 2007. Intralot claims its total costs to 30 June 2014 are \$63.4 million. The State has lodged its defence and the matter has been listed for a directions hearing in the Supreme Court on 3 May 2016.

Compulsory property acquisitions

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

Land remediation – environmental concerns

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

Native Title

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

Melbourne Park redevelopment

In 2010, the State entered into a capital works agreement with Tennis Australia and the Melbourne and Olympic Park Trust for the Australian Open to remain at Melbourne Park until 2036. The agreement contains a number of conditions including that the State will invest in further improvements to Melbourne Park in three stages or (if an agreed investment threshold is reached) pay a rights fee to retain the Australian Open at Melbourne Park until 2036.

In the *2010-11 Budget*, Stage 1 of the Melbourne Park redevelopment with a total estimated investment of \$363 million was announced. In January 2014, a further \$338 million of total estimated investment was announced by the State for Stage 2 of the redevelopment.

Royal Melbourne Showgrounds redevelopment

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

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

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

Victorian Managed Insurance Authority – insurance cover

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for state government departments, participating bodies and other entities as defined under the *Victorian Managed Insurance Authority Act 1996*. The VMIA provides its clients with a range of insurance cover, including for property, public and products liability, professional indemnity and contract works. The VMIA reinsures 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 \$3.35 billion for property. The risk of losses above these reinsured levels is borne by the State.

With effect from 28 August 2015, VMIA purchased additional reinsurance cover for property and public liability losses to better cover the State's potential liabilities.

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 of the initial estimate on which the risk premium was based.

December 2015 Bushfires

On 19 and 25 December 2015, Victoria experienced significant loss and damage to homes, community properties, roads and infrastructure as a result of several large bushfires in widespread parts of Victoria including the Wye River, Separation Creek, Barnawartha and Scotsburn areas.

In order to minimise the environmental, social and economic impact of the bushfires, the State developed a comprehensive project plan with a single contractor (Grocon) for a coordinated clean-up of residential properties which home-owners could opt into.

Given the safety concerns and complexities involved in the removal of bushfire waste in the affected areas, the Victorian Government is contributing towards the cost of the clean-up. The costs of the clean-up will be jointly shared with the insurers and the Commonwealth Government (under Category A of the Commonwealth-State Natural Disaster Relief and Recovery Arrangements (NDRRA)).

Any assistance for individuals and households, and local councils is provided jointly under the NDRRA by the Victorian and Commonwealth Governments.

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

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).

Table A.1: The Consolidated Fund

Estimated receipts and payments for the year ending 30 June 2016 and 30 June 2017.

(\$ million)

	2015-16 budget	2016-17 budget	variation %
Receipts			
Taxation	19 324	20 906	8.2
Fines and regulatory fees	887	878	(1.0)
Grants received	17 128	18 218	6.4
Sales of goods and services (including Section 29 FMA annotated)	5 721	6 126	7.1
Interest received	536	518	(3.3)
Dividends and income tax equivalent and rate equivalent receipts	1 129	1 051	(6.9)
Other receipts	306	542	77.0
Total operating activities	45 031	48 240	7.1
Total cash inflows from investing and financing	3 166	12 511	295.1
Total receipts	48 198	60 750	26.0
Payments			
Special appropriations	4 175	11 227	168.9
Appropriations ^(a)			
Provision of outputs	36 782	39 741	8.0
Additions to the net asset base	2 539	2 947	16.1
Payments made on behalf of the State	3 546	7 575	113.6
Receipts credited to appropriation			
Provision of outputs	2 314	1 933	(16.5)
Additions to the net asset base	155	84	(45.6)
Sub total	49 511	63 508	28.3
Appropriations remaining unspent ^(b)	(625)	(159)	(74.6)
Total payments	48 886	63 349	29.6
Net receipts/(payments)	(689)	(2 598)	277.3
Opening balance 1 July ^(c)	(57)	(105)	83.5
Estimated closing balance 30 June	(746)	(2 704)	262.4

Source: Department of Treasury and Finance

Notes:

- (a) Includes unapplied appropriations carried over from the previous year.
- (b) The 2015-16 Budget has been restated to reflect more current information.
- (c) The opening balance of cash and deposits for the 2016-17 Budget is based on the 2015-16 opening balance plus the estimated movements for the 2015-16 revised budget (see Appendix B Note 18).

Table A.2: Consolidated Fund receipts ^(a)

(\$ thousand)

	2015-16 budget	2016-17 budget	Variation %
Operating receipts			
Taxation			
Payroll tax	5 984 518	6 304 407	5.3
Land tax	1 769 720	2 226 318	25.8
Fire Services Property Levy	627 904	673 600	7.3
Congestion levy	120 234	114 827	(4.5)
Duties from financial and capital transactions			
Land transfer duty	5 195 757	5 765 586	11.0
Other duties	1 829	2 425	32.6
Growth areas infrastructure contribution ^(b)	58 205	62 252	7.0
Metropolitan Planning Levy ^(b)	17 100	17 100	..
Financial accommodation levy	151 367	148 812	(1.7)
Levies on statutory corporations	111 963	112 000	..
Gambling taxes	1 767 599	1 817 616	2.8
Insurance	1 156 247	1 219 857	5.5
Motor vehicle			
<i>Road Safety Act (Registration Fees) 1986</i>	1 468 561	1 542 382	5.0
Duty on vehicle registrations and transfers	743 287	802 371	7.9
Liquor licence fees	21 936	22 428	2.2
Other taxes	127 288	74 091	(41.8)
Total	19 323 516	20 906 070	8.2
Fines and regulatory fees			
Fines	349 056	371 792	6.5
Regulatory fees	538 171	506 591	(5.9)
Total	887 227	878 383	(1.0)
Grants received			
Grants received by department			
Department of Economic Development, Jobs, Transport and Resources	..	2 000	..
Department of Environment, Land, Water and Planning	34 373	30 660	(10.8)
Department of Health and Human Services	39 698	28 765	(27.5)
Department of Justice and Regulation	3 214	3 214	..
Department of Treasury and Finance	17 051 030	18 153 382	6.5
Total	17 128 314	18 218 020	6.4
Sales of goods and services	5 720 807	6 126 445	7.1
Interest received	536 242	518 425	(3.3)
Dividends and income tax equivalent and rate equivalent revenue			
Dividends	835 129	776 420	(7.0)
Income tax equivalent revenue	286 368	263 072	(8.1)
Local government tax equivalent revenue	7 516	11 141	48.2
Total	1 129 012	1 050 634	(6.9)

Table A.2: Consolidated Fund receipts^(a) (continued)

(\$ thousand)

	2015-16 budget	2016-17 budget	Variation %
Other receipts			
Land rent received	18 327	19 517	6.5
Royalties received	50 806	84 902	67.1
Other	237 012	437 462	84.6
Total	306 146	541 881	77.0
Total operating activities	45 031 265	48 239 858	7.1
Total cash inflows from investing and financing	3 166 369	12 510 631	295.1
Total Consolidated Fund receipts	48 197 634	60 750 490	26.0

Source: Department of Treasury and Finance

Notes:

- (a) Certain line items have been aggregated in the table above due to commercial sensitivities of balances.
- (b) The growth areas infrastructure contribution and the metropolitan planning levy have been separated for disclosure purposes.

Table A.3: Consolidated Fund appropriations – summary

(\$ thousand)

	2015-16 budget	2016-17 budget	Variation %
Economic Development, Jobs, Transport and Resources			
Special appropriations	5 622	5 835	3.8
Annual appropriations	9 070 438	9 852 921	8.6
Total	9 076 060	9 858 756	8.6
Education and Training			
Special appropriations	13 018	12 002	(7.8)
Annual appropriations	11 465 013	12 391 495	8.1
Total	11 478 031	12 403 497	8.1
Environment, Land, Water and Planning			
Special appropriations	14 100	62 252	341.5
Annual appropriations	1 882 976	2 021 683	7.4
Total	1 897 076	2 083 935	9.8
Health and Human Services			
Special appropriations	1 408 366	1 629 601	15.7
Annual appropriations	13 158 758	13 571 634	3.1
Total	14 567 124	15 201 235	4.4
Justice and Regulation			
Special appropriations	11 180	11 873	6.2
Annual appropriations	5 888 369	6 344 737	7.8
Total	5 899 549	6 356 610	7.7
Premier and Cabinet			
Special appropriations	62 651	81 125	29.5
Annual appropriations	344 189	495 623	44.0
Total	406 840	576 748	41.8
Parliament			
Special appropriations	42 849	68 731	60.4
Annual appropriations	146 743	159 891	9.0
Total	189 592	228 622	20.6
Courts			
Special appropriations	199 265	208 398	4.6
Annual appropriations	359 409	368 412	2.5
Total	558 674	576 810	3.2
Total Treasury and Finance ^(a)	5 438 274	16 221 472	198.3
Total appropriations ^(b)	49 511 218	63 507 685	28.3

Source: Department of Treasury and Finance

Note:

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

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

Table A.4: Consolidated Fund payments – special appropriations

(\$ thousand)

	2015-16 budget	2016-17 budget	Variation %
Economic Development, Jobs, Transport and Resources			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	3 122	3 835	22.8
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	500	..	n.a.
<i>Transport (Compliance and Miscellaneous) Act, Section 213A(4)</i>	2 000	2 000	..
Total	5 622	5 835	3.8
Education and Training			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	12 742	11 719	(8.0)
<i>Education and Training Reform Act No. 24/26 of 2006, Section 5.6.8 – Volunteer Workers Compensation</i>	276	283	2.5
Total	13 018	12 002	(7.8)
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>	7 050	31 126	341.5
Payments to Building New Communities Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	7 050	31 126	341.5
Total	14 100	62 252	341.5
Health and Human Services			
<i>Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund</i>	16 655	18 227	9.4
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth Grants</i>	..	147	..
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	47 420	225 703	376.0
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.11 – Hospitals and Charities Fund and Mental Health Fund</i>	847 910	865 599	2.1
<i>Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 – Hospitals and Charities Fund</i>	66 198	60 686	(8.3)
<i>Gambling Regulation Act No. 114 of 2003, Section 5.4.6 – Hospitals and Charities Fund and Mental Health Fund</i>	424 157	453 208	6.8
<i>Gambling Regulation Act No. 114 of 2003, Section 6A.4.4(1) – Contributions to Hospital and Charities Fund and Mental Health Fund</i>	6 026	6 032	0.1
Total	1 408 366	1 629 601	15.7

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

(\$ thousand)

	2015-16 budget	2016-17 budget	Variation %
Justice and Regulation			
<i>Crown Proceedings Act No. 6232</i>	5 121	5 249	2.5
<i>EastLink Project Act No. 39 of 2004, Section 26</i>	1 538	1 995	29.7
<i>Emergency Management Act No 30 of 1986, Section 32 – Volunteer Workers Compensation</i>	339	347	2.4
<i>Melbourne City Link Act No. 107 of 1995, Section 14(4)</i>	3 142	3 216	2.4
<i>Victoria State Emergency Service Act No. 51 of 2005, Section 52 – Volunteer Workers Compensation</i>	925	948	2.5
<i>Work Cover Authority Fund, Corrections Act 1986, Part 9D, S.104ZW</i>	115	118	2.6
Total	11 180	11 873	6.2
Premier and Cabinet			
<i>Constitution Act No. 8750 – Executive Council</i>	50	50	..
<i>Constitution Act No. 8750 – Governor’s Salary</i>	455	213	(53.3)
<i>Electoral Act No. 23 of 2002, Section 181 – Electoral Expenses</i>	35 558	72 060	102.7
<i>Inquiries Act No. 67 of 2014, Section 11 – Expenses and financial obligations of Royal Commission</i>	18 000	..	n.a.
<i>Ombudsman Act No. 8414</i>	537	550	2.5
<i>Parliamentary Salaries and Superannuation Act No. 7723 of 1968</i>	8 051	8 252	2.5
Total	62 651	81 125	29.5
Parliament			
<i>Audit Act No. 2 of 1994, Section 17(3) – Audit of Auditor-General’s Office</i>	25	25	..
<i>Constitution Act No. 8750, Section 94A – Auditor-General’s Salary</i>	611	573	(6.2)
<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>	3 500	28 714	720.4
<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</i>	28 661	29 367	2.5
Total	42 849	68 731	60.4

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

(\$ thousand)

	2015-16 budget	2016-17 budget	Variation %
Courts			
<i>Constitution Act No. 8750 – Chief Justice</i>	745	779	4.5
<i>Constitution Act No. 8750 – President Court of Appeal</i>	599	626	4.5
<i>Constitution Act No. 8750 – Judges Court of Appeal</i>	7 312	7 497	2.5
<i>Constitution Act No. 8750 – Judges Supreme Court</i>	23 995	25 171	4.9
<i>County Court Act No. 6230 – Judges</i>	33 193	34 672	4.5
<i>Juries Act No. 53 of 2000, Section 59 – Compensation to Jurors</i>	25	26	4.0
<i>Magistrates Court Act No. 51 of 1989</i>	54 192	57 318	5.8
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Awards</i>	61 614	63 154	2.5
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Expenses</i>	2 656	3 176	19.6
<i>Victorian Civil and Administrative Tribunal Act 53 of 1998, Section 17AA</i>	14 934	15 980	7.0
Total	199 265	208 398	4.6
Total Treasury and Finance ^(b)	2 418 165	9 147 028	278.3
Total special appropriations	4 175 216	11 226 845	168.9

Source: Department of Treasury and Finance

Note:

(a) Relates to previously applied appropriations.

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

Table A.5: Consolidated Fund payments: total annual appropriations

Details of total annual appropriations for 2016-17 are outlined below, including estimated amounts of unapplied 2015-16 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 *2016-17 Budget* are in **bold**. Estimates for the *2015-16 Budget* in *italics* reflect amounts published in the *2015-16 Budget*. Please note that these figures are rounded to the nearest thousand dollars.

(\$ 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)	7 213 408	1 983 361	71 074	9 267 843
	<i>6 604 734</i>	<i>1 808 391</i>	<i>66 767</i>	<i>8 479 892</i>
Receipts credited to appropriation ^(b)	545 141	39 937	..	585 078
	<i>556 896</i>	<i>7 500</i>	..	<i>564 396</i>
Unapplied previous year appropriation carried over ^(c)	..	..	..	..
	<i>15 528</i>	<i>10 622</i>	..	<i>26 150</i>
Total appropriation	7 758 549	2 023 298	71 074	9 852 921
	<i>7 177 158</i>	<i>1 826 513</i>	<i>66 767</i>	<i>9 070 438</i>
Education and Training				
Appropriation ^(a)	11 456 637	209 348	..	11 665 985
	<i>10 840 317</i>	..	..	<i>10 840 317</i>
Receipts credited to appropriation ^(b)	492 509	33 000	..	525 509
	<i>450 454</i>	<i>57 242</i>	..	<i>507 696</i>
Unapplied previous year appropriation carried over ^(c)	200 001	..	..	200 001
	<i>117 000</i>	..	..	<i>117 000</i>
Total appropriation	12 149 147	242 348	..	12 391 495
	<i>11 407 771</i>	<i>57 242</i>	..	<i>11 465 013</i>
Environment, Land, Water and Planning				
Appropriation ^(a)	1 101 417	87 751	629 300	1 818 468
	<i>996 730</i>	<i>32 484</i>	<i>641 800</i>	<i>1 671 014</i>
Receipts credited to appropriation ^(b)	115 031	2 975	..	118 006
	<i>119 259</i>	<i>27 535</i>	..	<i>146 793</i>
Unapplied previous year appropriation carried over ^(c)	59 511	18 755	6 944	85 210
	<i>56 357</i>	<i>100</i>	<i>8 712</i>	<i>65 169</i>
Total appropriation	1 275 958	109 481	636 244	2 021 683
	<i>1 172 345</i>	<i>60 118</i>	<i>650 512</i>	<i>1 882 976</i>
Health and Human Services				
Appropriation ^(a)	12 847 970	181 793	..	13 029 763
	<i>11 865 518</i>	<i>147 087</i>	..	<i>12 012 605</i>
Receipts credited to appropriation ^(b)	462 041	7 750	..	469 791
	<i>891 870</i>	<i>62 144</i>	..	<i>954 014</i>
Unapplied previous year appropriation carried over ^(c)	72 080	..	..	72 080
	<i>112 813</i>	<i>79 325</i>	..	<i>192 138</i>
Total appropriation	13 382 091	189 543	..	13 571 634
	<i>12 870 201</i>	<i>288 557</i>	..	<i>13 158 758</i>

Table 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
Justice and Regulation				
Appropriation ^(a)	5 584 113	324 411	54 462	5 962 986
	5 157 505	345 335	54 461	5 557 301
Receipts credited to appropriation ^(b)	218 131	600	..	218 731
	200 199	600	..	200 799
Unapplied previous year appropriation carried over ^(c)	72 396	90 625	..	163 021
	70 478	59 791	..	130 269
Total appropriation	5 874 639	415 636	54 462	6 344 737
	5 428 182	405 726	54 461	5 888 369
Premier and Cabinet				
Appropriation ^(a)	457 663	4 760	..	462 423
	320 441	2 736	..	323 177
Receipts credited to appropriation ^(b)	1 750	..	..	1 750
	520	..	..	520
Unapplied previous year appropriation carried over ^(c)	30 950	500	..	31 450
	17 992	1 500	1 000	20 492
Total appropriation	490 363	5 260	..	495 623
	338 953	4 236	1 000	344 189
Treasury and Finance				
Appropriation ^(a)	250 649	2 590	6 813 339	7 066 578
	235 651	4 230	2 773 160	3 013 041
Receipts credited to appropriation ^(b)	7 868	..	..	7 868
	7 068	..	..	7 068
Unapplied previous year appropriation carried over ^(c)	..	..	..	..

Total appropriation	258 517	2 590	6 813 339	7 074 446
	242 719	4 230	2 773 160	3 020 109
Parliament				
Appropriation ^(d)	128 888	..	..	128 888
	117 432	..	..	117 432
Receipts credited to appropriation ^(b)	25 603	..	..	25 603
	23 904	..	..	23 904
Unapplied previous year appropriation carried over ^(c)	5 400	..	..	5 400
	5 407	..	..	5 407
Total appropriation	159 891	..	..	159 891
	146 743	..	..	146 743
Courts				
Appropriation ^(a)	259 719	43 286	..	303 005
	247 657	47 605	..	295 262
Receipts credited to appropriation ^(b)	65 407	..	..	65 407
	64 147	..	..	64 147
Unapplied previous year appropriation carried over ^(c)	..	..	..	..

Total appropriation	325 126	43 286	..	368 412
	311 804	47 605	..	359 409

Source: Department of Treasury and Finance

Notes:

- (a) Appropriation (2016-17) Bill.
- (b) Financial Management Act 1994 Section 29.
- (c) Financial Management Act 1994 Section 32.
- (d) Appropriation (Parliament 2016-17) Bill.

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

Estimated for the *2016-17 Budget* are in bold; estimates for the *2015-16 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	83 185	501 893	..	585 078
	<i>94 420</i>	<i>469 976</i>	..	<i>564 396</i>
Education and Training	1 957	490 552	33 000	525 509
	<i>1 909</i>	<i>460 567</i>	<i>45 220</i>	<i>507 696</i>
Environment, Land, Water and Planning	49 445	68 560	..	118 006
	<i>52 486</i>	<i>94 307</i>	..	<i>146 793</i>
Health and Human Services	324 121	137 920	7 750	469 791
	<i>323 274</i>	<i>622 990</i>	<i>7 750</i>	<i>954 014</i>
Justice and Regulation	150 847	67 284	600	218 731
	<i>143 823</i>	<i>56 376</i>	<i>600</i>	<i>200 799</i>
Premier and Cabinet	1 750	..	..	1 750
	<i>520</i>	..	..	<i>520</i>
Treasury and Finance	7 868	..	..	7 868
	<i>7 068</i>	..	..	<i>7 068</i>
Parliament	25 603	..	..	25 603
	<i>23 904</i>	..	..	<i>23 904</i>
Courts	56 947	8 460	..	65 407
	<i>56 947</i>	<i>7 200</i>	..	<i>64 147</i>

Source: Department of Treasury and Finance

Note:

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

Table A.7: The Trust Fund

(\$ thousand)

	2015-16 budget	2015-16 revised	2016-17 budget	Variation %
Cash flows from operating activities				
Receipts				
Taxation	325 054	349 995	1 276 291	292.6
Regulatory fees and fines	30 365	31 867	11 600	(61.8)
Grants received ^(a)	12 581 948	12 355 523	14 045 737	11.6
Sale of goods and services	164 874	135 971	137 553	(16.6)
Interest received	105 605	85 386	182 063	72.4
Net transfers from Consolidated Fund	7 671 967	7 633 609	7 861 809	2.5
Dividend receipts ^(a)	10 079	13 202	12 975	28.7
Other receipts	141 339	147 680	140 662	(0.5)
	21 031 231	20 753 232	23 668 690	12.5
Payments				
Payments for employees	(191 737)	(163 895)	(170 073)	(11.3)
Superannuation	(14 354)	(13 001)	(13 405)	(6.6)
Interest paid	(7 519)	(6 687)	(7 314)	(2.7)
Grants and subsidies ^(a)	(18 133 655)	(17 769 404)	(20 055 974)	10.6
Goods and services and other payments	(2 264 531)	(2 234 860)	(2 256 115)	(0.4)
	(20 611 796)	(20 187 847)	(22 502 880)	9.2
Net cash flows from operating activities ^(a)	419 435	565 385	1 165 810	177.9
Cash flows from investing activities				
Purchases of non-financial assets	(34 770)	(40 567)	(1 406 975)	3 946.5
Sales of non-financial assets	36 200	36 200	34 200	(5.5)
Other investing activities	(82 791)	(91 423)	315 146	(480.7)
Net cash flows from investing activities	(81 361)	(95 790)	(1 057 629)	1 199.9
Cash flows from financing activities				
Net borrowings	(29 096)	(29 146)	(24 146)	(17.0)
Net cash flow from financing activities	(29 096)	(29 146)	(24 146)	(17.0)
Net cash inflow/(outflow) ^(a)	308 978	440 450	84 035	(72.8)
Represented by:				
Cash and cash equivalents held at beginning of reporting period	3 276 682	3 276 682	3 717 132	13.4
Cash and deposits held at end of reporting period	3 585 660	3 717 132	3 801 167	6.0

Source: Department of Treasury and Finance

Note:

(a) The 2015-16 Budget has been restated to reflect more current information.

APPENDIX B – 2015-16 BUDGET OUTCOME INCORPORATING THE FINANCIAL REPORT FOR THE MARCH QUARTER 2016

The financial statements included in this appendix estimate the budget outcomes for the 2015-16 financial year, taking into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the *2015-16 Budget* to Parliament in May 2015. This appendix also presents the financial results for the general government sector for the nine months ended 31 March 2016, prepared in accordance with the *Financial Management Act 1994*.

FINANCIAL RESULTS FOR THE GENERAL GOVERNMENT SECTOR

Revised 2015-16 budget outcome and result for the period to 31 March 2016

As shown in Table B.1, the net result from transactions for 2015-16 is estimated at \$1.9 billion. For the nine months ended 31 March 2016, the general government sector reported a surplus of \$3.2 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 2015-16 financial year cannot be extrapolated from the results for the nine months ended 31 March 2016, due to seasonal and other factors impacting on the timing of activity and transactions.

Revenue from transactions

Revenue for the period totalled \$42.9 billion, representing 76 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 and the Fire Services Property Levy, and the large one-off increase in revenue associated with the High Court of Australia's decision in favour of the State relating to the Tatts Group Limited's 'Gambling Licences' proceedings which resulted in an additional \$540.5 million of revenue plus interest for the period to 31 March 2016.

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 \$39.6 billion, slightly lower than the pro-rata revised budget estimate, at 73 per cent. Compared with the same time last year, expenditure is higher by \$768 million (2.0 per cent) primarily due to increased service delivery in the health and education sectors.

Other economic flows

Other economic flows – other comprehensive income for the period was \$2.3 billion. This primarily reflects an actuarial loss on the State's defined benefit superannuation plans. This actuarial loss is primarily attributable to unfavourable movements in the Commonwealth bond rates that underlie the key superannuation valuation assumptions.

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 \$136.8 billion as at 31 March 2016, reflecting an increase of \$528 million from 30 June 2015. This is primarily due to an increase in investments in other sector entities and other financial assets, including receivables relating to land tax following the issuing of the annual land tax assessments in the March quarter, which are off-set by an increase in the value of the superannuation liability, as explained above.

The net asset position is expected to strengthen to \$138.1 billion for the period ending 30 June 2016, mainly due to the timing of the water sector asset revaluations, expected to increase the investments in the other sector entities at the end of the year.

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 2016, net infrastructure investment totalled \$3.2 billion, mainly reflecting investment in the transport, justice and health sectors.

Infrastructure investment to 31 March 2016

Major projects completed so far this year include:

- Melbourne Wholesale Market Redevelopment; and
- Dingley Bypass.

Major projects under procurement or in progress include:

- Level Crossing Removal Program;
- Bendigo Hospital project;
- Box Hill Hospital redevelopment;
- CityLink Tullamarine widening;
- Goulburn-Murray Water Connections Project (Northern Victoria Irrigation Renewal Project);
- Monash Children's Hospital;
- Murray Basin Rail Project;
- New Schools (PPP) project;
- new trains, trams and associated infrastructure for Melbourne commuters;
- Port capacity;
- Princes Highway duplication project – Winchelsea to Colac;
- Princes Highway East – Traralgon to Sale duplication;
- Ravenhall Prison;
- redevelopment of Melbourne Park;
- regional rolling stock;
- Royal Victorian Eye and Ear Hospital;
- Victorian Comprehensive Cancer Centre; and
- Western Highway duplication – Ballarat to Stawell.

Major projects that commenced procurement in 2015-16 include:

- Joan Kirner Women's and Children's Hospital;
- M80 Upgrade – Sunshine Avenue to Calder Freeway;
- Melbourne Convention and Exhibition Centre Stage 2 development;
- Melbourne Metro Rail Project – Early Works Package;
- Mernda Rail Extension Project;
- Casey Hospital Expansion; and
- Western Distributor market-led proposal.

Table B.1: Comprehensive operating statement for the period ended 31 March

(\$ million)

2014-15 Actual to Mar ^(a)		Notes	2015-16 Actual to Mar	Revised budget	Published budget	Budget to revised budget change	Change %
Revenue from transactions							
14 240	Taxation revenue	2	15 542	20 079	19 024	1 054	6
608	Interest revenue		580	795	831	(36)	(4)
730	Dividends and income tax equivalent and rate equivalent revenue	3	560	762	1 144	(382)	(33)
5 044	Sales of goods and services	4	4 792	6 643	6 779	(136)	(2)
18 464	Grant revenue	5	19 179	25 364	25 579	(216)	(1)
1 651	Other revenue	6	2 215	2 828	2 171	657	30
40 737	Total revenue from transactions		42 869	56 470	55 529	941	2
Expenses from transactions							
13 947	Employee expenses		14 635	20 057	19 903	153	1
762	Net superannuation interest expense	7a	660	878	886	(8)	(1)
1 517	Other superannuation	7a	1 635	2 130	2 102	28	1
1 809	Depreciation	8	1 806	2 506	2 577	(71)	(3)
1 559	Interest expense		1 554	2 134	2 096	38	2
6 776	Grant expense		6 987	8 547	8 687	(140)	(2)
12 494	Other operating expenses		12 356	18 331	18 058	272	2
38 865	Total expenses from transactions	9	39 633	54 582	54 310	272	1
1 872	Net result from transactions – net operating balance		3 236	1 888	1 219	669	55
Other economic flows included in net result							
47	Net gain/(loss) on disposal of non- financial assets		(3)	55	64	(8)	(13)
81	Net gain/(loss) on financial assets or liabilities at fair value		(32)	(2)	5 402	(5 404)	(100)
..	Share of net profit/(loss) from associates/joint venture entities		2	..	..	..	..
(495)	Other gains/(losses) from other economic flows	10	(385)	(304)	(318)	15	(5)
(367)	Total other economic flows included in net result		(417)	(250)	5 147	(5 398)	(105)
1 505	Net result		2 818	1 638	6 366	(4 729)	(74)
Other economic flows – other comprehensive income Items that will not be reclassified to net result							
(76)	Changes in non-financial assets revaluation surplus		(22)	472	756	(284)	(38)
(4 436)	Remeasurement of superannuation defined benefits plans	7a	(1 978)	(1 791)	962	(2 754)	(286)
(629)	Other movements in equity		9	34	6	28	495

**Table B.1: Comprehensive operating statement for the period ended 31 March
(continued)**

(\$ million)

2014-15 Actual to Mar ^(a)		Notes	2015-16			Budget to	Change %
			Actual to Mar	Revised budget	Published budget	revised budget change	
Items that may be reclassified subsequently to net result							
(46)	Net gain/(loss) on financial assets at fair value		(54)	1	1	..	..
3	Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		(246)	1 471	1	1 470	n.a.
(5 185)	Total other economic flows – other comprehensive income		(2 290)	187	1 727	(1 540)	(89)
(3 679)	Comprehensive result – total change in net worth		528	1 824	8 093	(6 269)	(77)
KEY FISCAL AGGREGATES							
1 872	Net operating balance		3 236	1 888	1 219	669	55
(62)	Less: Net acquisition of non-financial assets from transactions	11	551	573	1 369	(796)	(58)
1 934	Net lending/(borrowing)		2 684	1 314	(150)	1 465	(973)

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

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

Table B.2: Balance sheet as at 31 March

(\$ million)

2014-15 Actual 31 Mar ^(a)	Notes	2015-16				Opening to	Opening to	
		Opening 1 Jul ^(b)	Actual 31 Mar	Revised budget	Published budget ^(c)	revised budget change	published budget change	
Assets								
Financial assets								
4 609	Cash and deposits	19	4 282	4 415	4 338	4 479	56	198
4 573	Advances paid		4 572	4 539	4 521	4 525	(51)	(47)
6 727	Receivables	12	5 555	6 450	5 157	5 404	(398)	(151)
3 397	Investments, loans and placements		3 406	3 745	3 552	3 513	146	107
47	Investments accounted for using the equity method		45	45	45	45	..	..
76 357	Investments in other sector entities		82 181	82 818	85 347	82 432	3 166	251
95 711	Total financial assets		100 040	102 011	102 958	100 397	2 918	357
Non-financial assets								
147	Inventories		144	175	148	148	4	3
130	Non-financial assets held for sale		175	165	162	175	(13)	..
104 682	Land, buildings, infrastructure, plant and equipment	13a	107 562	107 948	108 600	109 733	1 038	2 171
1 325	Other non-financial assets	14	1 038	1 068	1 024	977	(14)	(61)
106 284	Total non-financial assets		108 920	109 356	109 935	111 034	1 015	2 114
201 994	Total assets		208 960	211 368	212 893	211 431	3 933	2 471
Liabilities								
529	Deposits held and advances received		518	529	518	518	..	..
6 182	Payables	15	5 704	5 413	5 267	5 434	(437)	(270)
33 286	Borrowings		34 069	34 078	34 386	29 986	317	(4 083)
5 601	Employee benefits	16	5 605	5 676	5 860	5 852	254	247
30 881	Superannuation	7b	25 947	28 032	27 888	25 003	1 941	(943)
717	Other provisions		807	802	891	211	83	(597)
77 196	Total liabilities		72 650	74 529	74 809	67 003	2 158	(5 647)
124 798	Net assets		136 310	136 838	138 084	144 427	1 774	8 117
41 078	Accumulated surplus/(deficit)		45 764	46 586	45 682	53 112	(82)	7 348
83 670	Reserves		90 496	90 203	92 402	91 265	1 906	769
50	Non-controlling interest		50	50	..	50	(50)	..
124 798	Net worth		136 310	136 838	138 084	144 427	1 774	8 117
FISCAL AGGREGATES								
18 514	Net financial worth		27 390	27 482	28 150	33 394	760	6 004
57 843	Net financial liabilities		54 791	55 336	57 197	49 038	2 406	(5 753)
21 236	Net debt		22 327	21 908	22 493	17 986	166	(4 341)

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

- (a) Certain March 2015 comparative figures have been restated to reflect more current information, mainly relating to adjustments outlined in Note 37 of the 2014-15 Financial Report.
- (b) Certain 1 July 2015 opening balances have been restated to reflect more current information.
- (c) Budget represents actual opening balances as at 1 July 2015 plus 2015-16 budgeted movements.

Table B.3: Statement of cash flows for the period ended 31 March

(\$ million)

2014-15 Actual to Mar ^(a)		2015-16			Budget to revised budget	Change %
	Notes	Actual to Mar	Revised budget	Published budget	change	
Cash flows from operating activities						
Receipts						
13 643	Taxes received	14 683	20 020	19 007	1 013	5
18 417	Grants	19 175	25 414	25 668	(254)	(1)
5 411	Sales of goods and services ^(b)	5 194	7 372	7 531	(159)	(2)
578	Interest received	555	794	812	(18)	(2)
747	Dividends and income tax equivalent and rate equivalent receipts	714	761	1 143	(382)	(33)
1 168	Other receipts	1 880	2 365	1 741	623	36
39 963	Total receipts	42 201	56 728	55 904	824	1
Payments						
(13 712)	Payments for employees	(14 595)	(19 795)	(19 657)	(138)	1
(2 087)	Superannuation	(2 188)	(2 858)	(2 969)	111	(4)
(1 533)	Interest paid	(1 549)	(2 096)	(2 059)	(37)	2
(6 950)	Grants and subsidies	(7 028)	(8 674)	(8 748)	74	(1)
(12 465)	Goods and services ^(b)	(12 611)	(17 865)	(18 056)	190	(1)
(476)	Other payments	(532)	(665)	(661)	(5)	1
(37 223)	Total payments	(38 503)	(51 954)	(52 149)	194	..
2 741	Net cash flows from operating activities	3 698	4 773	3 755	1 018	27
Cash flows from investing activities						
(2 387)	Purchases of non-financial assets	(2 991)	(4 065)	(4 552)	486	(11)
185	Sales of non-financial assets	103	174	322	(148)	(46)
(2 202)	Net cash flows from investments in non-financial assets	(2 888)	(3 891)	(4 230)	339	(8)
(613)	Net cash flows from investments in financial assets for policy purposes	(266)	54	6 511	(6 457)	(99)
(2 815)	Sub-total	(3 155)	(3 837)	2 281	(6 118)	(268)
(331)	Net cash flows from investments in financial assets for liquidity management purposes	(425)	(136)	(83)	(53)	64
(3 146)	Net cash flows from investing activities	(3 580)	(3 972)	2 199	(6 171)	(281)
Cash flows from financing activities						
1	Advances received (net)	..	..	..	..	..
329	Net borrowings	4	(745)	(5 756)	5 011	(87)
101	Deposits received (net)	11	..	..	..	..
..	Other financing (net)	..	..	..	..	..
432	Net cash flows from financing activities	15	(745)	(5 756)	5 011	(87)
26	Net increase/(decrease) in cash and cash equivalents	133	56	198	(142)	(72)
4 582	Cash and cash equivalents at beginning of reporting period	4 282	4 282	4 282	..	..
4 609	Cash and cash equivalents at end of the reporting period	17	4 415	4 338	(142)	(3)

Table B.3: Statement of cash flows for the period ended 31 March (continued)

(\$ million)

2014-15 Actual to Mar ^(a)		Notes	2015-16 Actual to Mar	Revised budget	Published budget	Budget to revised budget change	Change %
FISCAL AGGREGATES							
2 741	Net cash flows from operating activities		3 698	4 773	3 755	1 018	27
(2 202)	Net cash flows from investments in non-financial assets		(2 888)	(3 891)	(4 230)	339	(8)
538	Cash surplus/(deficit)		810	882	(475)	1 357	(286)

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

- (a) Certain March 2015 comparative figures have been restated to reflect more current information, mainly relating to adjustments outlined in Note 37 of the 2014-15 Financial Report.
- (b) Inclusive of goods and services tax.

Table B.4: Statement of changes in equity for the period ended 31 March

(\$ million)

	<i>Accumulated surplus/(deficit) ^(a)</i>	<i>Non-controlling interest</i>
2014-15 (actual)		
Balance at 1 July 2014	43 635	50
Net result for the year	1 505	..
Other comprehensive income for the year	(5 051)	..
Transfer to accumulated surplus	988	..
Total equity as at 31 March 2015	41 078	50
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
2015-16 (revised)		
Balance at 1 July 2015	45 764	50
Net result for the year	1 638	..
Other comprehensive income for the year	(1 720)	..
Transfer to accumulated surplus	1	..
Transactions with owners in their capacity as owners	..	(50)
Total equity as at 31 March 2016	45 682	..
2015-16 (budget)		
Balance at 1 July 2015	45 788	50
Net result for the year	6 366	..
Other comprehensive income for the year	957	..
Transfer to accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 31 March 2016	53 112	50

Source: Department of Treasury and Finance

Note:

(a) The 2014-15 comparative figures and 2015-16 budget figures have been restated to reflect more current information, mainly relating to adjustments outlined in Note 37 of the 2014-15 Financial Report.

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus ^(a)</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total ^(a)</i>
41 965	42 187	640	128 477
..	..	..	1 505
(76)	3	(61)	(5 185)
(988)	..	..	..
40 901	42 190	580	124 798
43 355	46 413	728	136 310
..	..	..	2 818
(22)	(246)	(48)	(2 290)
22	..	..	..
43 355	46 167	680	136 838
43 355	46 413	728	136 310
..	..	..	1 638
472	1 471	(36)	187
(1)	..	..	..
..	..	..	(50)
43 826	47 884	692	138 084
43 355	46 413	728	136 335
..	6 366
756	1	12	1 727
..
..
44 111	46 414	740	144 427

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Note 1: Statement of significant accounting policies

This March Quarterly Financial Report presents the unaudited consolidated financial statements for the general government sector for the nine months ended 31 March 2016.

The accounting policies applied are consistent with those applied for the financial statements published in the *2014-15 Financial Report* for the State of Victoria. Because this quarterly financial report does not include all the notes normally included with the annual financial report (AFR), this report should be read in conjunction with the *2014-15 Financial Report*, and the *2015-16 Mid-Year Financial Report*.

(A) 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 (AASs), which include 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 AASs applicable to not-for-profit entities have been applied.

(B) Basis of accounting and measurement

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

(C) Reporting entity

The general government sector includes all government departments, offices and other government bodies engaged in providing services free of charge or at prices significantly below their cost of production. The 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 that 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, and is reported in accordance with AASB 1049. Unless otherwise noted, accounting policies applied by the State of Victoria apply equally to the general government sector.

Note 1: Statement of significant accounting policies (continued)

(D) Basis of consolidation

The March Quarterly Financial Report includes entities classified as general government sector entities. Information on entities consolidated for the general government sector is included in Note 27 of Chapter 1, which should be read in conjunction with Note 42 Controlled entities of the 2014-15 AFR. In the process of reporting the general government sector as a single economic entity, all material transactions and balances within the sector are eliminated.

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

Note 2: Taxation

(\$ million)

2014-15 Actual to Mar		2015-16 Actual to Mar	Revised budget
3 829	Taxes on employers' payroll and labour force	4 009	5 386
	Taxes on property		
	Taxes on immovable property		
1 660	Land tax	1 636	1 734
586	Fire Services Property Levy	662	662
96	Congestion levy	83	112
146	Metropolitan improvement levy	158	159
2 488	Total taxes on immovable property	2 539	2 666
	Financial and capital transactions		
3 701	Land transfer duty	4 509	6 064
2	Other property duties	..	2
..	Metropolitan Planning levy	16	17
63	Financial accommodation levy	116	127
92	Growth Areas Infrastructure Contribution	105	138
3 857	Total financial and capital transactions	4 748	6 349
6 344	Total taxes on property	7 287	9 015
	Taxes on provision of goods and services		
	Gambling taxes		
299	Public lotteries	332	437
797	Electronic gaming machines	816	1 080
157	Casino	164	240
62	Racing	59	79
17	Other	17	24
1 333	Total gambling taxes	1 387	1 860
82	Levies on statutory corporations	82	112
833	Taxes on insurance	871	1 148
2 248	Total taxes on the provision of goods and services	2 340	3 120
	Taxes on the use of goods and performance of activities		
	Motor vehicle taxes		
1 034	Vehicle registration fees	1 078	1 456
535	Duty on vehicle registrations and transfers	577	775
1 569	Total motor vehicle taxes	1 655	2 231
22	Liquor licence fees	21	22
229	Other	230	305
1 819	Total taxes on the use of goods and performance of activities	1 906	2 558
14 240	Total taxation revenue	15 542	20 079

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

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

(\$ million)

2014-15		2015-16	
Actual to Mar		Actual to Mar	Revised budget
472	Dividends from PFC sector	223	239
131	Dividends from PNFC sector	124	149
14	Dividends from non-public sector	22	29
617	Dividends	368	416
15	Income tax equivalent revenue from PFC sector	14	3
97	Income tax equivalent revenue from PNFC sector	173	333
112	Income tax equivalent revenue	187	336
1	Local government rate equivalent revenue	5	10
730	Total dividends and income tax equivalent and rate equivalent revenue	560	762

(b) Dividends by entity

(\$ million)

2014-15		2015-16	
Actual to Mar		Actual to Mar	Revised budget
	Public financial corporations		
239	WorkSafe Victoria	..	..
..	Victorian Managed Insurance Authority	73	73
163	Transport Accident Commission	116	132
51	Treasury Corporation of Victoria	32	32
17	Rural Finance Corporation of Victoria	..	..
1	State Trustees Ltd	1	1
2	Victorian Funds Management Corporation	2	2
472	Dividends from PFC sector	223	239
	Public non-financial corporations		
22	Melbourne Water Corporation	..	..
11	City West Water Corporation	10	10
49	South East Water Corporation	26	26
22	Yarra Valley Water Corporation	24	24
25	Port of Melbourne Corporation	7	30
..	State Electricity Commission of Victoria	50	50
2	Others	6	9
131	Dividends from PNFC sector	124	149

Note 4: Sales of goods and services

(\$ million)

2014-15		2015-16	
Actual to Mar		Actual to Mar	Revised budget
179	Motor vehicle regulatory fees	189	241
362	Other regulatory fees	385	492
57	Sale of goods	76	70
3 159	Provision of services	2 763	3 979
48	Rental	53	61
51	Refunds and reimbursements	20	56
1 187	Inter-sector capital asset charge	1 307	1 744
5 044	Total sales of goods and services	4 792	6 643

Note 5: Grant revenue

(\$ million)

2014-15		2015-16	
Actual to Mar		Actual to Mar	Revised budget
8 953	General purpose grants	9 674	13 032
3 064	Specific purpose grants for on-passing	3 005	3 095
6 355	Other specific purpose grants	6 433	9 114
18 372	Total	19 112	25 240
92	Other contributions and grants	67	123
18 464	Total grant revenue	19 179	25 364

Note 6: Other revenue

(\$ million)

2014-15		2015-16	
Actual to Mar		Actual to Mar	Revised budget
38	Fair value of assets received free of charge or for nominal consideration	9	96
549	Fines	588	757
36	Royalties	41	48
182	Donations and gifts	185	276
20	Other non-property rental	21	21
826	Other miscellaneous revenue	1 372	1 629
1 651	Total other revenue	2 215	2 828

Note 7: Superannuation

(a) Superannuation expense recognised in the comprehensive operating statement

(\$ million)

2014-15 Actual to Mar		2015-16 Actual to Mar	Revised budget
	Defined benefit plans		
762	Net superannuation interest expense	660	878
554	Current service cost	577	773
	Remeasurements:		
(474)	Expected return on superannuation assets excluding interest income	(589)	(787)
(1 042)	Other actuarial (gain)/loss on superannuation assets	1 211	1 223
5 951	Actuarial and other adjustments to unfunded superannuation liability	1 355	1 355
5 752	Total (gain)/expenses recognised in respect of defined benefit plans	3 215	3 442
	Defined contribution plans		
904	Employer contributions to defined contribution plans	994	1 291
59	Other (including pensions)	64	67
963	Total expense recognised in respect of defined contribution plans	1 058	1 358
6 715	Total superannuation (gain)/expense recognised in operating statement	4 273	4 800
	Represented by:		
762	Superannuation interest expense	660	878
1 517	Other superannuation	1 635	2 130
2 279	Superannuation expense from transactions	2 295	3 008
4 436	Remeasurement recognised in other comprehensive income	1 978	1 791
6 715	Total superannuation costs recognised in operating statement	4 273	4 800

(b) Superannuation liabilities

(\$ million)

2014-15 Actual to Mar		2015-16 Actual to Mar	Revised budget
1 000	Current liability	1 000	1 033
29 881	Non-current liability	27 032	26 854
30 881	Total superannuation liability	28 032	27 888
	Represented by:		
29 864	Emergency Services and State Super	27 008	26 869
1 017	Other funds	1 024	1 019

Note 8: Depreciation

(\$ million)

2014-15		2015-16	
Actual to Mar		Actual to Mar	Revised budget
769	Buildings	765	1 049
67	Leasehold buildings	64	101
20	Infrastructure systems	26	29
417	Plant, equipment and vehicles	402	560
440	Road and road networks	452	616
15	Cultural assets	11	19
82	Intangible produced assets ^(a)	87	132
1 809	Total depreciation	1 806	2 506

Note:

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

Note 9: Total expenses by government purpose and by department

(a) Total expenses by government purpose classification^(a)

(\$ million)

2014-15		2015-16	
Actual to Mar		Actual to Mar	Revised budget
1 147	General public services	1 003	1 176
4 200	Public order and safety	4 529	6 345
10 285	Education	10 659	13 996
10 173	Health	10 989	15 425
3 418	Social security and welfare	3 280	4 408
2 066	Housing and community amenities	1 860	2 727
593	Recreation and culture	568	711
93	Fuel and energy	108	145
206	Agriculture, forestry, fishing, and hunting	272	422
4 455	Transport and communications	4 492	6 352
835	Other economic affairs	623	1 124
1 394	Other purposes	1 249	1 753
38 865	Total expenses from transactions	39 633	54 582

Note:

(a) Note 41 of the 2014-15 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

Note 9: Total expenses by government purpose and by department (continued)

(b) Total expenses by department^(a)

(\$ million)

2014-15		2015-16	
Actual to Mar ^(b)		Actual to Mar	Revised budget
	Expenses from transactions		
2 808	Economic Development, Jobs, Transport and Resources	5 864	8 518
11 443	Education and Training	11 940	15 676
1 794	Environment, Land, Water and Planning	1 916	2 603
12 885	Health and Human Services	15 609	21 439
3 949	Justice and Regulation	4 164	5 729
435	Premier and Cabinet	252	417
5 493	Treasury and Finance	5 464	6 724
123	Parliament	125	182
357	Courts	367	542
1 416	Regulatory bodies and other part funded agencies ^(c)	1 393	2 042
1 923	Human Services	..	..
3 457	Transport, Planning and Local Infrastructure	..	..
46 084	Total expenses by department	47 093	63 872
(7 219)	Less eliminations and adjustments ^(d)	(7 460)	(9 290)
38 865	Total expenses from transactions	39 633	54 582

Notes:

(a) On 4 December 2014, the Premier announced machinery of government changes effective from 1 January 2015. The following Victorian government departments were affected:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes.

(b) The March 2015 comparative figures have been updated to reflect more current information.

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

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

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

(\$ million)

2014-15		2015-16	
Actual to Mar		Actual to Mar	Revised budget
(217)	Net (increase)/decrease in provision for doubtful receivables	(212)	(166)
(1)	Amortisation of intangible non-produced assets	(3)	(3)
(76)	Bad debts written off	(92)	(154)
(200)	Other gains/(losses)	(77)	19
(495)	Total other gains/(losses) from other economic flows	(385)	(304)

Note 11: Net acquisition of non-financial assets from transactions

(\$ million)

2014-15		2015-16	
Actual to Mar		Actual to Mar	Revised budget
2 387	Purchases of non-financial assets (including change in inventories) ^(a)	2 991	4 065
(185)	Less: Sales of non-financial assets	(103)	(174)
(1 809)	Less: Depreciation	(1 806)	(2 506)
(455)	Plus: Other movements in non-financial assets ^(a)	(531)	(812)
(62)	Total net acquisition of non-financial assets from transactions ^(a)	551	573

Note:

(a) The March 2015 comparative figures have been updated to reflect current information.

Note 12: Receivables

(\$ million)

2014-15		2015-16		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
Contractual				
1 266	Sales of goods and services ^(a)	675	889	678
38	Accrued investment income	17	28	17
1 287	Other receivables ^(a)	1 262	1 254	841
(76)	Provision for doubtful contractual receivables	(69)	(77)	(66)
Statutory				
11	Sales of goods and services	2	7	2
3 121	Taxes receivables	2 492	3 094	2 403
1 780	Fines and regulatory fees	1 761	1 906	2 018
192	GST input tax credits recoverable	255	235	255
(893)	Provision for doubtful statutory receivables	(838)	(886)	(990)
6 727	Total receivables ^(a)	5 555	6 450	5 157
Represented by:				
5 514	Current receivables ^(a)	4 447	5 395	4 364
1 213	Non-current receivables	1 109	1 055	793

Note:

(a) The March 2015 comparative figures have been updated to reflect current information, mainly relating to adjustments outlined in Note 37 of the 2014-15 Financial Report.

Note 13: Property, plant and equipment

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

(\$ million)

2014-15		2015-16		
Actual		Opening	Actual	Revised
31 Mar ^(a)		1 Jul	31 Mar	budget
26 133	Buildings	25 976	25 990	25 502
2 371	Buildings leasehold	2 476	2 443	3 453
37 538	Land and national parks	40 699	40 724	41 074
1 278	Infrastructure systems	1 299	1 310	1 321
1 945	Plant, equipment and vehicles	2 441	2 347	2 364
22 248	Roads and road networks	21 485	21 903	21 440
7 685	Earthworks	7 690	7 690	7 919
5 484	Cultural assets	5 496	5 542	5 526
104 682	Total land, buildings, infrastructure, plant and equipment	107 562	107 948	108 600

Note:

(a) The March 2015 comparative figures have been updated to reflect current information, mainly relating to adjustments outlined in Note 37 of the 2014-15 Financial Report.

(b) Land and buildings

(\$ million)

2014-15		2015-16		
Actual		Opening	Actual	Revised
31 Mar ^(a)		1 Jul	31 Mar	budget
28 217	Buildings	28 236	28 955	28 824
(2 084)	Accumulated depreciation	(2 260)	(2 965)	(3 322)
26 133	Buildings (net carrying amount)	25 976	25 990	25 502
2 818	Buildings leasehold	2 967	2 960	4 048
(447)	Buildings leasehold accumulated depreciation	(491)	(518)	(595)
2 371	Buildings leasehold (net carrying amount)	2 476	2 443	3 453
35 855	Land	39 637	39 663	39 921
1 683	National parks and other 'land only' holdings	1 062	1 062	1 153
37 538	Land and national parks	40 699	40 724	41 074
66 041	Total land and buildings	69 151	69 157	70 029

Note:

(a) The March 2015 comparative figures have been updated to reflect current information, mainly relating to adjustments outlined in Note 37 of the 2014-15 Financial Report.

Note 13: Property, plant and equipment (*continued*)

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

(\$ million)

2014-15		2015-16		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
1 767	Infrastructure systems	1 747	1 784	1 798
(489)	Accumulated depreciation	(448)	(474)	(476)
1 278	Infrastructure systems (net carrying amount)	1 299	1 310	1 321
5 429	Plant, equipment and vehicles ^(a)	5 949	5 964	6 313
(3 766)	Accumulated depreciation ^(a)	(3 674)	(3 838)	(4 092)
513	Leased plant, equipment and vehicles	373	452	373
(231)	Accumulated depreciation	(207)	(231)	(230)
1 945	Plant, equipment and vehicles (net carrying amount)^(a)	2 441	2 347	2 364
3 223	Total plant, equipment and vehicles, and infrastructure systems^(a)	3 740	3 657	3 685

Note:

(a) The March 2015 comparative figures have been updated to reflect current information, mainly relating to adjustments outlined in Note 37 of the 2014-15 Financial Report.

(d) Road networks and earthworks

(\$ million)

2014-15		2015-16		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
38 475	Roads and roads infrastructure	39 568	40 431	40 153
(16 227)	Accumulated depreciation	(18 084)	(18 528)	(18 713)
22 248	Roads and roads infrastructure (net carrying amount)	21 485	21 903	21 440
7 685	Earthworks	7 690	7 690	7 919
29 933	Total road networks and earthworks	29 175	29 592	29 359

(e) Cultural assets

(\$ million)

2014-15		2015-16		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	budget
5 619	Cultural assets	5 633	5 762	5 668
(135)	Accumulated depreciation	(137)	(220)	(142)
5 484	Total cultural assets	5 496	5 542	5 526

Note 14: Other non-financial assets

(\$ million)

2014-15		2015-16		
Actual		Opening	Actual	Revised
31 Mar ^(a)		1 Jul	31 Mar	budget
1 306	Intangible produced assets	1 287	1 331	1 409
(650)	Accumulated depreciation	(701)	(791)	(837)
134	Intangible non-produced assets	154	110	121
(50)	Accumulated amortisation	(69)	(38)	(41)
740	Total intangibles	670	613	652
130	Investment properties	69	67	64
4	Biological assets ^(b)	4	4	5
451	Other assets	295	384	304
1 325	Total other non-financial assets	1 038	1 068	1 024

Notes:

(a) The March 2015 comparative figures have been updated to reflect current information, mainly relating to adjustments outlined in Note 37 of the 2014-15 Financial Report.

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

Note 15: Payables

(\$ million)

2014-15		2015-16		
Actual		Opening	Actual	Revised
31 Mar ^(a)		1 Jul	31 Mar	budget
Contractual				
1 494	Accounts payable	1 158	1 122	1 221
1 744	Accrued expenses	2 172	1 859	1 738
2 903	Unearned income	2 332	2 393	2 265
Statutory				
41	Accrued taxes payable	43	39	44
6 182	Total payables	5 704	5 413	5 267
Represented by:				
4 123	Current payables	3 776	3 595	3 489
2 059	Non-current payables	1 928	1 818	1 778

Note:

(a) The March 2015 comparative figures have been updated to reflect current information, mainly relating to adjustments outlined in Note 37 of the 2014-15 Financial Report.

Note 16: Employee benefits

(\$ million)

2014-15		2015-16		
Actual 31 Mar ^(a)		Opening 1 Jul	Actual 31 Mar	Revised budget
Current				
1 699	Accrued salaries and wages ^{(b)(c)}	1 616	1 534	1 672
3 189	Long service leave ^(c)	3 277	3 423	3 399
4 888	Total current employee benefits and on-costs	4 893	4 957	5 071
Non-current				
713	Long service leave	712	719	789
713	Total non-current employee benefits and on-costs	712	719	789
5 601	Total employee benefits and on-costs	5 605	5 676	5 860

Notes:

- (a) The March 2015 comparative figures have been updated to reflect current information, mainly relating to adjustments outlined in Note 37 of the 2014-15 Financial Report.
- (b) Includes accrued annual leave, payroll tax and other similar on-costs.
- (c) While employee related on-costs were allocated against accrued salaries and wages in the 2015-16 Budget Update, for the 2015-16 Mid-Year Financial Report, 2015-16 revised budget, and 2015-16 original budget, data was available for on costs to be allocated between accrued salaries and wages and long service leave so that such on costs are better attributed to the respective components of the employee benefit provision.

Note 17: Reconciliation of cash and cash equivalents

(\$ million)

2014-15		2015-16	
Actual to Mar		Actual to Mar	Revised budget
1 816	Cash	1 273	1 430
2 792	Deposits at call	3 142	2 907
4 609	Cash and cash equivalents	4 415	4 338
..	Bank overdraft	..	..
4 609	Balances as per cash flow statement	4 415	4 338

Note 18: Public account

(a) Consolidated Fund receipts and payments

(\$ million)

2014-15 Actual to Mar ^(a)		2015-16 Actual to Mar	Revised budget
	Receipts		
13 794	Taxation	14 834	20 332
620	Fines and regulatory fees	637	881
11 709	Grants received	12 296	16 891
4 052	Sales of goods and services	4 304	5 817
370	Interest received	367	536
736	Public authority receipts	713	752
222	Other receipts ^(b)	847	1 160
31 504	Total operating activities ^(b)	33 997	46 369
888	Total inflows from investing and financing ^(b)	525	1 682
32 392	Total receipts ^(b)	34 522	48 051
	Payments to departments		
2 487	Economic Development, Jobs, Transport and Resources	6 584	9 478
7 886	Education and Training	8 355	11 600
1 488	Environment, Land, Water and Planning	1 458	1 970
8 240	Health and Human Services	10 705	14 173
4 105	Justice and Regulation	4 358	5 875
580	Premier and Cabinet	246	390
2 408	Treasury and Finance	2 517	4 605
123	Parliament	123	171
283	Courts	362	532
2 039	Human Services	..	..
3 783	Transport, Planning and Local Infrastructure	..	..
33 423	Total payments	34 709	48 794
(1 031)	Net receipts/(payments) ^(b)	(187)	(744)

Notes:

(a) Effective 1 January 2015 several departments were renamed due to machinery of government changes:

- the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
- the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
- the Department of Health was renamed the Department of Health and Human Services;
- the Department of Justice was renamed the Department of Justice and Regulation;
- the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
- the Department of Human Services was abolished; and
- the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Human Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred amongst departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

(b) The 2014-15 comparative figures have been restated to reflect more current information.

Note 18: Public account (continued)

(b) Trust Fund cash flow statement

(\$ million)

2014-15 Actual to Mar		2015-16 Actual to Mar	Revised budget
	Cash flows from operating activities		
	Receipts		
286	Taxation	313	350
41	Regulatory fees and fines	32	32
12 990	Grants received ^(a)	13 079	15 392
336	Sale of goods and services ^(a)	40	136
71	Interest received	74	85
6 701	Net transfers from consolidated fund ^(a)	6 488	7 634
110	Other receipts	101	161
20 535	Total receipts ^(a)	20 128	23 789
	Payments		
(113)	Employee benefits	(114)	(164)
(10)	Superannuation	(10)	(13)
(18 540)	Grants paid ^(a)	(18 330)	(20 806)
(1 446)	Supplies and consumables ^(a)	(1 499)	(2 235)
(4)	Interest paid	(4)	(7)
(20 113)	Total payments ^(a)	(19 957)	(23 224)
422	Net cash flows from operating activities ^(a)	171	565
	Cash flows from investing activities		
61	Proceeds from sale of property, plant and equipment	44	36
(8)	Purchases of property, plant and equipment	(18)	(41)
(31)	Other investing activities ^(a)	(159)	(91)
22	Net cash flows from investing activities ^(a)	(134)	(96)
	Cash flows from financing activities		
(93)	Net proceeds (repayments) from borrowings	(471)	(29)
(93)	Net cash flows from financing activities	(471)	(29)
352	Net cash inflow/(outflow) ^(a)	(434)	440

Note:

(a) The 2014-15 comparative figures have been restated to reflect more current information.

Note 18: Public account (continued)

(c) Reconciliation of cash flows to balances held

(\$ million)

	Balances held at 30 Jun 2015	Mar movement YTD	Balances held at 31 Mar 2016
Cash and deposits			
Cash balances outside the Public Account	1	(1)	(1)
Deposits held with the Public Account – specific trusts	806	..	806
Other balances held in the Public Account	3 397	(628)	2 769
Total cash and deposits	4 203	(629)	3 575
Investments			
Investments held with the Public Account – specific trusts ^(a)	720	144	864
Total investments ^(a)	720	144	864
Total fund balances ^(a)	4 924	(485)	4 439
Less funds held outside the Public Account			
Cash	1	(1)	(1)
Total fund balances held outside the Public Account	1	(1)	(1)
Total funds held in the Public Account ^{(a)(b)}	4 923	(484)	4 440

Notes:

(a) The 2014-15 comparative figures have been restated to reflect more current information.

(b) See Note 18(d) below for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

(d) Details of securities held

(\$ million)

2014-15 Actual to Mar		2015-16	
		Opening 1 Jul	Actual 31 Mar
1 568	Amounts invested on behalf of specific trust accounts ^(a)	1 525	1 671
1 561	General account balances	3 397	2 769
3 129	Total Public Account ^(a)	4 923	4 440
	Represented by:		
1 568	Stocks and securities ^(a)	1 525	1 671
1 352	Cash and investments	2 087	1 489
2 920	Total stock, securities, cash and investments ^(a)	3 613	3 160
	Add cash advanced for:		
209	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	1 310	1 280
3 129	Total Public Account ^(a)	4 923	4 440

Note:

(a) The 2014-15 comparative figures have been restated to reflect more current information.

RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

Table B.5: Operating statement for the past five quarters

(\$ million)

	2014-15		2015-16		
	Mar	Jun	Sep	Dec	Mar
Revenue from transactions					
Taxation revenue	5 476	4 098	5 061	4 615	5 866
Interest revenue	203	219	203	190	186
Dividends and income tax equivalent and rate equivalent revenue	63	383	59	392	108
Sales of goods and services	1 711	1 439	1 661	1 671	1 461
Grant revenue	6 742	6 039	6 010	6 291	6 878
Other revenue	496	857	564	1 162	489
Total revenue from transactions	14 692	13 035	13 559	14 321	14 989
Expenses from transactions					
Employee expenses	4 628	4 887	4 768	4 997	4 870
Net superannuation interest expense	250	276	223	218	218
Other superannuation	483	461	554	606	475
Depreciation	612	616	605	595	606
Interest expense	511	543	513	521	520
Grant expense	2 646	1 753	2 172	2 143	2 672
Other operating expenses	4 154	5 157	4 204	4 253	3 899
Total expenses from transactions	13 283	13 693	13 040	13 333	13 260
Net result from transactions – net operating balance	1 409	(658)	519	988	1 729
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	21	(15)	(13)	24	(14)
Net gain/(loss) on financial assets or liabilities at fair value	46	(28)	(29)	9	(11)
Share of net profit/(loss) from associates/joint venture entities	..	(3)	..	2	..
Other gains/(losses) from other economic flows	(162)	(53)	(124)	(136)	(125)
Total other economic flows included in net result	(94)	(99)	(166)	(101)	(150)
Net result	1 315	(757)	353	887	1 579
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	(135)	2 601	32	(24)	(30)
Remeasurement of superannuation defined benefits plans	(1 971)	4 987	(1 934)	1 230	(1 274)
Other movements in equity	(622)	456	13	(38)	34
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(12)	2	(3)	(23)	(27)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	..	4 223	..	(246)	..
Total other economic flows – other comprehensive income	(2 740)	12 269	(1 892)	898	(1 297)
Comprehensive result – total change in net worth	(1 426)	11 512	(1 539)	1 785	282

Table B.5: Operating statement for the past five quarters (continued)

(\$ million)

	2014-15		2015-16		
	Mar	Jun	Sep	Dec	Mar
KEY FISCAL AGGREGATES					
Net operating balance	1 409	(658)	519	988	1 729
Less: Net acquisition of non-financial assets from transactions ^(a)	(513)	339	82	280	189
Net lending/(borrowing) ^(a)	1 922	(997)	437	708	1 540

Notes:

(a) The comparative figures have been restated to more current information.

Table B.6: Balance sheet as at the end of the quarter

(\$ million)

	2014-15		2015-16		
	Mar	Jun	Sep	Dec	Mar
Assets					
Financial assets					
Cash and deposits	4 609	4 282	4 061	4 112	4 415
Advances paid	4 573	4 572	4 567	4 550	4 539
Receivables	6 727	5 555	5 897	5 907	6 450
Investments, loans and placements	3 397	3 406	3 440	3 389	3 745
Investments accounted for using the equity method	47	45	44	44	44
Investments in other sector entities	76 357	82 181	82 467	82 563	82 818
Total financial assets	95 711	100 040	100 477	100 566	102 011
Non-financial assets					
Inventories	147	144	146	154	175
Non-financial assets held for sale	130	175	169	165	165
Land, buildings, infrastructure, plant and equipment	104 682	107 562	107 503	107 750	107 948
Other non-financial assets	1 325	1 038	1 215	1 195	1 068
Total non-financial assets	106 284	108 920	109 033	109 265	109 356
Total assets	201 994	208 960	209 509	209 830	211 368
Liabilities					
Deposits held and advances received	529	518	471	485	529
Payables	6 182	5 704	5 355	5 188	5 413
Borrowings	33 286	34 069	34 597	34 301	34 078
Employee benefits	5 601	5 605	5 675	5 769	5 676
Superannuation	30 881	25 947	27 885	26 722	28 032
Other provisions	717	807	754	809	802
Total liabilities	77 196	72 650	74 738	73 274	74 529
Net assets	124 798	136 310	134 772	136 556	136 838
Accumulated surplus/(deficit)	41 078	45 764	44 213	46 304	46 586
Reserves	83 670	90 496	90 509	90 203	90 203
Non-controlling interest	50	50	50	50	50
Net worth	124 798	136 310	134 772	136 556	136 838
FISCAL AGGREGATES					
Net financial worth	18 514	27 390	25 739	27 292	27 482
Net financial liabilities	57 843	54 791	56 728	55 271	55 336
Net debt	21 236	22 327	23 000	22 735	21 908

Table B.7: Statement of cash flows for the past five quarters

(\$ million)

	2014-15		2015-16		
	Mar ^(a)	Jun ^(a)	Sep	Dec	Mar
Cash flows from operating activities					
Receipts					
Taxes received	4 277	4 773	4 887	5 048	4 748
Grants	6 698	6 082	6 008	6 292	6 875
Sales of goods and services ^(b)	1 922	1 591	1 782	1 745	1 667
Interest received	193	235	193	179	183
Dividends and income tax equivalent and rate equivalent receipts	71	268	49	556	108
Other receipts	164	816	439	499	942
Total receipts	13 323	13 764	13 359	14 319	14 523
Payments					
Payments for employees	(4 482)	(4 908)	(4 730)	(4 892)	(4 972)
Superannuation	(667)	(684)	(773)	(757)	(658)
Interest paid	(513)	(529)	(531)	(500)	(519)
Grants and subsidies	(2 617)	(1 614)	(2 185)	(2 151)	(2 693)
Goods and services ^(b)	(3 499)	(4 370)	(4 666)	(4 301)	(3 644)
Other payments	(138)	(581)	(194)	(176)	(161)
Total payments	(11 915)	(12 686)	(13 078)	(12 778)	(12 647)
Net cash flows from operating activities	1 408	1 078	280	1 541	1 877
Cash flows from investing activities					
Purchases of non-financial assets	(269)	(1 982)	(960)	(1 077)	(954)
Sales of non-financial assets	63	213	22	51	30
Net cash flows from investments in non-financial assets	(206)	(1 769)	(938)	(1 026)	(925)
Net cash flows from investments in financial assets for policy purposes	(657)	(270)	30	(220)	(77)
Sub-total	(864)	(2 039)	(908)	(1 245)	(1 001)
Net cash flows from investments in financial assets for liquidity management purposes	(15)	(39)	(74)	40	(392)
Net cash flows from investment activities	(879)	(2 078)	(982)	(1 205)	(1 393)
Cash flows from financing activities					
Advances received (net)	..	(1)	..	..	..
Net borrowings	267	684	528	(299)	(225)
Deposits received (net)	105	(10)	(47)	14	43
Net cash flows from financing activities	372	673	481	(285)	(181)
Net increase/(decrease) in cash and cash equivalents	902	(327)	(220)	51	303
Cash and cash equivalents at beginning of reporting period	3 707	4 609	4 282	4 061	4 112
Cash and cash equivalents at end of the reporting period	4 609	4 282	4 061	4 112	4 415
FISCAL AGGREGATES					
Net cash flows from operating activities	1 408	1 078	280	1 541	1 877
Net cash flows from investments in non-financial assets	(206)	(1 769)	(938)	(1 026)	(925)
Cash surplus/(deficit)	1 202	(691)	(658)	515	952

Notes:

(a) The comparative figures have been restated to more current information.

(b) 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 C1: Statements required by the *Financial Management Act 1994* and their location in the 2016-17 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> and notes
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> and notes
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> and notes

Table C1: Statements required by the *Financial Management Act 1994* and their location in the 2016-17 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>2015-16 Budget outcome incorporating the financial report for the March quarter 2016</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 and notes</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.	not available or not applicable
Cat. No.	catalogue number
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
tbc	to be confirmed
ongoing	continuing output, program, project etc.
(xxx.x)	negative numbers
xxxx.0	rounded amount
ytd	year to date

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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Victorian Budget 16/17
Statement of Finances
(incorporating Quarterly
Financial Report No. 3)
Budget Paper No. 5
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