



DELIVERING FOR ALL VICTORIANS

VICTORIAN BUDGET 19/20 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. 3 – Service Delivery
Budget Paper No. 4 – State Capital Program
Budget Paper No. 5 – Statement of Finances
(incorporating Quarterly Financial Report No. 3)

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Statement of Finances

2019-20



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 2019-20 to 2022-23.

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

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

Several new accounting standards issued by the Australian Accounting Standards Board (AASB) have been applied for the first time in these Estimated Financial Statements for 2019-20 onwards. These are:

- AASB 15 *Revenue from Contracts with Customers*;
- AASB 1058 *Income of Not-for-Profit Entities*;
- AASB 16 *Leases*; and
- AASB 1059 *Service Concession Arrangements: Grantors*.

The new accounting standards have not been reflected in the 2018-19 revised budget in the Estimated Financial Statements to ensure consistency when comparing against the 2018-19 actual results.

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 includes a number of judgements about the most likely macroeconomic, operating and financial conditions for the Victorian general government sector. Uncertainty around these 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 materially differ from the projections. However, appropriate professional judgement has been applied in preparing the Estimated Financial Statements.

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

ESTIMATED FINANCIAL STATEMENTS STRUCTURE

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

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REPORT OF THE AUDITOR-GENERAL



Independent Assurance Report

To the Members of the Parliament of Victoria

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

Scope	<p>I have reviewed the Estimated Financial Statements for the Victorian General Government Sector which comprise the:</p> <ul style="list-style-type: none">• budgeted comprehensive operating statement for the year ending 30 June 2020 and estimated comprehensive operating statement for the three forward years ending 30 June 2021, 2022 and 2023• revised 30 June 2019 balance sheet• budgeted balance sheet as at 30 June 2020 and estimated balance sheet for the three forward years as at 30 June 2021, 2022 and 2023• budgeted cash flow statement for the year ending 30 June 2020 and estimated cash flow statement for the three forward years ending 30 June 2021, 2022 and 2023• budgeted statement of changes in equity for the year ending 30 June 2020 and estimated statement of changes in equity for the three forward years ending 30 June 2021, 2022 and 2023• notes to the estimated financial statements, including significant accounting policies, material economic and other assumptions and other explanatory information• certification by the Treasurer and the Secretary of the Department of Treasury and Finance. <p>The stated basis of preparation used for the estimated financial statements is set out in Note 1.1 to the statements.</p> <p>The estimated financial statements are included in Chapter 1 of <i>Budget Paper 5: Statement of Finances</i> of the 2019–20 State Budget. My review does not include any of the remaining chapters of Budget Paper 5 nor does it include Budget Papers 1 through 4 of the 2019–20 State Budget.</p>
Conclusion	<p>Based on my review, which is not an audit, nothing has come to my attention which causes me to believe that the estimated financial statements:</p> <ul style="list-style-type: none">• have not been prepared on a basis consistent with the accounting policies on which they are stated to be based, as set out in the notes to the estimated financial statements• are not consistent with the targets specified in the current financial policy objectives and strategies statement for each key financial measure specified in that statement, as set out in Note 1.1 to the estimated financial statements• have not been properly prepared on the basis of the assumptions contained in the accompanying statement prepared in association with the statements under section 23K of the <i>Financial Management Act 1994</i> and as contained in the notes to the estimated financial statements• do not use reasonable methodologies to determine those assumptions.

REPORT OF THE AUDITOR-GENERAL (continued)

Basis for conclusion	<p>I have conducted my review in accordance with the Australian Standard on Assurance Engagements ASAE 3450 <i>Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information</i>. A review is a limited assurance engagement which is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain reasonable assurance that I would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, I do not express a reasonable assurance conclusion (audit opinion).</p> <p>My review consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. I have relied on representations from the Department of Treasury and Finance that all material information concerning the estimated financial statements has been disclosed to me and that the information provided to me for the purpose of my work is true, complete and accurate in all respects.</p> <p>The Treasurer has prepared the estimated financial statements that set out the projected financial performance of the Victorian General Government Sector for 2019–20 State Budget purposes. There is a considerable degree of subjective judgement involved in preparing these statements, including the assumptions, as they relate to future events and/or transactions that the Treasurer expects to occur and actions that the Treasurer expects to take. The estimated financial statements are also subject to uncertainties and contingencies, which are often outside the control of the Treasurer.</p> <p>Actual results may be different from the estimated financial statements since anticipated events and/or transactions may not occur as expected and the variation may be material. I am not responsible for ensuring the estimated financial results are achieved, and I express no opinion as to whether the estimated results will be achieved.</p> <p>The limited assurance conclusion expressed in my assurance report has been formed on the above basis.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Victorian General Government Sector in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s <i>APES 110 Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my review of the estimated financial statements in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>My responsibilities under the <i>Audit Act 1994</i> and ASAE 3450 are further described in <i>My Responsibilities for the Review of the Estimated Financial Statements</i> section of my report.</p>
Other information	<p>The Treasurer of Victoria is responsible for other information included in the remaining chapters of Budget Paper 5 and Budget Papers 1 through 4 of the 2019-20 State Budget. My review of the estimated financial statements does not cover this other information and accordingly I do not express any form of assurance conclusion on it.</p> <p>As part of my review of the estimated financial statements, I have read the other information and, in doing so, considered whether the other information is materially inconsistent with the estimated financial statements or my knowledge obtained in the review or otherwise appears to be materially misstated. I have nothing to report in this regard.</p>

REPORT OF THE AUDITOR-GENERAL (continued)

Treasurer's responsibilities for the estimated financial statements	The Treasurer of Victoria is responsible for the preparation of the estimated financial statements in accordance with sections 23H-23K of the <i>Financial Management Act 1994</i> , and for such internal control as is determined necessary to enable the preparation of the estimated financial statements.
My responsibilities for the review of the estimated financial statements	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to state whether, on the basis of my review, anything has come to my attention that would cause me to believe:</p> <ul style="list-style-type: none">• the estimated financial statements have not been prepared on a basis consistent with the accounting policies on which they are stated to be based, as set out in the notes to the estimated financial statements• the estimated financial statements are not consistent with the targets specified in the current financial policy objectives and strategies statement for each key financial measure specified in that statement, as set out in Note 1.1 to the estimated financial statements• the estimated financial statements have not been properly prepared on the basis of the assumptions contained in the accompanying statement prepared in association with the statements under section 23K of the <i>Financial Management Act 1994</i> and as contained in the notes to the estimated financial statements• the methodologies used to determine those assumptions are not reasonable. <p>I do not accept any responsibility for any reliance on these estimated financial statements for any purpose other than that for which it was prepared.</p>

MELBOURNE
23 May 2019



Andrew Greaves
Auditor-General

CERTIFICATION BY THE TREASURER AND THE DEPARTMENT OF TREASURY AND FINANCE

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

In our opinion, the Estimated Financial Statements, which comprise the estimated general government sector comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity, together with the notes to the estimated financial statements for the year ending 30 June 2020 and the three forward years ending 30 June 2021, 2022 and 2023:

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

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



Tim Pallas MP

Treasurer

22 May 2019



David Martine

Secretary

ESTIMATED GENERAL GOVERNMENT SECTOR COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June

(\$ million)

	Notes	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Revenue from transactions					
Taxation revenue	1.2.1	24 328	25 303	26 620	28 140
Interest revenue		719	680	645	631
Dividends, income tax equivalent and rate equivalent revenue	1.2.2	863	566	554	594
Sales of goods and services	1.2.3	8 030	8 682	8 915	9 013
Grant revenue	1.2.4	34 093	36 075	37 999	40 389
Other revenue	1.2.5	2 999	3 147	3 252	3 384
Total revenue from transactions	1.7.2	71 032	74 453	77 984	82 151
Expenses from transactions					
Employee expenses		26 208	27 621	28 302	29 436
Net superannuation interest expense	1.3.2	565	546	527	507
Other superannuation	1.3.2	2 960	3 031	3 129	3 229
Depreciation	1.4.2	3 748	4 155	4 403	4 731
Interest expense	1.5.3	2 611	2 695	2 848	3 004
Grant expense	1.3.3	12 934	14 701	15 000	15 584
Other operating expenses	1.3.4	20 955	20 251	19 876	20 713
Total expenses from transactions	1.3.5, 1.7.2	69 982	73 000	74 084	77 204
Net result from transactions – net operating balance	1.7.2	1 050	1 453	3 901	4 947
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		40	25	25	32
Net gain/(loss) on financial assets or liabilities at fair value		25	25	25	25
Other gains/(losses) from other economic flows	1.7.1	(388)	(382)	(397)	(421)
Total other economic flows included in net result	1.7.2	(323)	(332)	(347)	(363)
Net result	1.7.2	726	1 121	3 554	4 584
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		3 204	5 377	3 735	4 812
Remeasurement of superannuation defined benefit plans	1.3.2	1 109	1 131	1 150	1 171
Other movements in equity		47	3	25	23
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		2	3	3	3
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	1.6.1	692	338	(538)	(710)
Total other economic flows – other comprehensive income		5 055	6 852	4 375	5 300
Comprehensive result – total change in net worth		5 782	7 973	7 929	9 884

ESTIMATED FINANCIAL STATEMENTS

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

For the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
KEY FISCAL AGGREGATES					
Net operating balance		1 050	1 453	3 901	4 947
Less: Net acquisition of non-financial assets from transactions	1.3.7	3 889	4 777	3 463	3 085
Net lending/(borrowing)		(2 839)	(3 323)	438	1 862

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

ESTIMATED GENERAL GOVERNMENT SECTOR BALANCE SHEET

As at 30 June

(\$ million)

	Notes	2019 revised ^(a)	2020 budget	2021 estimate	2022 estimate	2023 estimate
Assets						
Financial assets						
Cash and deposits		8 189	6 149	6 252	6 499	6 633
Advances paid	1.5.2	8 745	6 648	5 403	4 887	4 661
Receivables		6 132	6 337	6 706	7 096	7 527
Investments, loans and placements	1.5.2	2 242	2 671	2 770	2 814	2 967
Investments accounted for using equity method		44	44	44	44	44
Investments in other sector entities	1.6.1	104 773	110 672	115 366	119 294	124 261
Total financial assets		130 126	132 521	136 541	140 634	146 093
Non-financial assets						
Inventories		190	198	201	205	209
Non-financial assets held for sale		362	354	365	366	366
Land, buildings, infrastructure, plant and equipment	1.4.1, 1.4.3	140 129	165 256	176 056	183 056	189 815
Other non-financial assets	1.4.4	2 111	1 746	1 560	1 403	1 235
Total non-financial assets		142 792	167 554	178 181	185 029	191 625
Total assets	1.4.5, 1.7.2	272 917	300 075	314 722	325 663	337 719
Liabilities						
Deposits held and advances received		5 115	3 184	1 950	1 412	1 290
Payables	1.6.2	9 425	15 885	16 451	16 166	15 185
Borrowings	1.5.1	36 859	51 258	59 387	63 905	67 850
Employee benefits	1.3.1	7 318	7 636	7 935	8 238	8 543
Superannuation	1.6.3	27 182	26 101	25 000	23 981	22 975
Other provisions		929	927	945	976	1 007
Total liabilities	1.7.2	86 829	104 992	111 666	114 679	116 850
Net assets		186 088	195 083	203 056	210 984	220 868
Accumulated surplus/(deficit)	1.7.2	51 323	56 420	58 677	63 405	69 184
Reserves		134 765	138 663	144 379	147 578	151 683
Net worth	1.7.2	186 088	195 083	203 056	210 983	220 867
FISCAL AGGREGATES ^(b)						
Net financial worth		43 297	27 529	24 874	25 955	29 243
Net financial liabilities		61 477	83 142	90 492	93 339	95 018
Net debt	1.7.2	22 799	38 975	46 912	51 118	54 879

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Notes:

(a) The 2019 revised estimate has not been updated to reflect the new accounting standards effective from 1 July 2019.

(b) The fiscal aggregates are defined in Note 9.9 of the 2017-18 Financial Report.

ESTIMATED FINANCIAL STATEMENTS

ESTIMATED GENERAL GOVERNMENT SECTOR CASH FLOW STATEMENT

For the financial year ended 30 June

(\$ million)

	Notes	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Cash flows from operating activities					
Receipts					
Taxes received		24 098	24 933	26 226	27 765
Grants		34 118	36 082	37 995	40 390
Sales of goods and services ^(a)		8 774	9 492	9 753	9 860
Interest received		719	680	644	630
Dividends, income tax equivalent and rate equivalent receipts		857	560	548	589
Other receipts		2 134	2 302	2 398	2 421
Total receipts		70 701	74 049	77 564	81 654
Payments					
Payments for employees		(25 898)	(27 329)	(28 006)	(29 138)
Superannuation		(3 497)	(3 547)	(3 524)	(3 571)
Interest paid		(2 081)	(2 121)	(2 131)	(2 111)
Grants and subsidies		(12 927)	(14 700)	(14 998)	(15 582)
Goods and services ^(a)		(20 895)	(20 213)	(20 068)	(20 787)
Other payments		(801)	(814)	(763)	(782)
Total payments		(66 099)	(68 724)	(69 490)	(71 971)
Net cash flows from operating activities		4 602	5 325	8 074	9 683
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	1.3.6	(13 102)	(12 852)	(9 833)	(11 929)
Sales of non-financial assets		825	315	495	543
Net cash flows from investments in non-financial assets		(12 277)	(12 537)	(9 338)	(11 386)
Net cash flows from investments in financial assets for policy purposes		3 106	2 454	942	487
Subtotal	1.7.2	(9 171)	(10 083)	(8 395)	(10 899)
Net cash flows from investment in financial assets for liquidity management purposes		(361)	(46)	(2)	(111)
Net cash flows from investing activities		(9 532)	(10 129)	(8 397)	(11 010)
Cash flows from financing activities					
Advances received (net)		(1 930)	(1 235)	(537)	(122)
Net borrowings		4 821	6 141	1 107	1 583
Net cash flows from financing activities		2 891	4 906	570	1 462
Net increase/(decrease) in cash and cash equivalents		(2 039)	102	247	134
Cash and cash equivalents at beginning of reporting period		8 189	6 149	6 252	6 499
Cash and cash equivalents at end of reporting period		6 149	6 252	6 499	6 633

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

For the financial year ended 30 June

(\$ million)

	<i>Notes</i>	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities		4 602	5 325	8 074	9 683
Net cash flows from investments in non-financial assets		(12 277)	(12 537)	(9 338)	(11 386)
Cash surplus/(deficit)		(7 675)	(7 212)	(1 264)	(1 703)

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) Inclusive of goods and services tax.

ESTIMATED FINANCIAL STATEMENTS

ESTIMATED GENERAL GOVERNMENT SECTOR STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June

(\$ million)

	Accumulated surplus/(deficit)	Non-financial assets revaluation surplus
2019-20 budget		
Balance at 1 July 2019 before new accounting standards	51 323	67 878
<i>Impact of new accounting standards</i>	3 213	..
Restated balance at 1 July 2019 ^(a)	54 536	67 878
Net result for the year	726	..
Other comprehensive income for the year	1 158	3 204
Total equity as at 30 June 2020	56 420	71 083
2020-21 estimate		
Balance at 1 July 2020	56 420	71 083
Net result for the year	1 121	..
Other comprehensive income for the year	1 136	5 377
Total equity as at 30 June 2021	58 677	76 459
2021-22 estimate		
Balance at 1 July 2021	58 677	76 459
Net result for the year	3 554	..
Other comprehensive income for the year	1 176	3 735
Total equity as at 30 June 2022	63 405	80 194
2022-23 estimate		
Balance at 1 July 2022	63 405	80 194
Net result for the year	4 584	..
Other comprehensive income for the year	1 195	4 812
Total equity as at 30 June 2023	69 184	85 007

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) The estimated 1 July 2019 balance has been restated resulting from the application of the new accounting standards. Note 1.7.2 provides further information on the estimated impact of the new accounting standards.

ESTIMATED FINANCIAL STATEMENTS

<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
65 790	1 097	186 088
..	..	3 213
65 790	1 097	189 301
..	..	726
692	1	5 055
66 483	1 098	195 083
66 483	1 098	195 083
..	..	1 121
338	1	6 852
66 821	1 099	203 056
66 821	1 099	203 056
..	..	3 554
(538)	3	4 375
66 283	1 101	210 983
66 283	1 101	210 983
..	..	4 584
(710)	3	5 300
65 573	1 104	220 867

1.1 ABOUT THIS REPORT

Basis of preparation

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

Except as indicated below, the detailed accounting policies applied in preparing the Estimated Financial Statements are consistent with those in the audited Chapter 4 *Annual Financial Report* of the 2017-18 *Financial Report* for the State of Victoria as presented to Parliament. The audited 30 June 2018 asset and liability balances, as reported in the 2017-18 *Financial Report*, form the basis on which asset and liability balances are projected over the next four years.

Several new accounting standards issued by the Australian Accounting Standards Board (AASB) have been applied for the first time in these Estimated Financial Statements for 2019-20 onwards. These are:

- AASB 15 *Revenue from Contracts with Customers*;
- AASB 1058 *Income of Not-for-Profit Entities*;
- AASB 16 *Leases*; and
- AASB 1059 *Service Concession Arrangements: Grantors*.

The estimated transitional impacts of the standards have been adjusted to the opening balance of accumulated surplus/(deficit) as indicated in the statement of changes in equity on page 14.

Note 1.7.2 of the Estimated Financial Statements provides the estimated impact of the new accounting standards on the State's key fiscal aggregates.

The Estimated Financial Statements for the 2019-20 budget year have been prepared in accordance with accounting policies expected to be used in preparing historically oriented general purpose financial statements for that year, and the same accounting policies have been used for the subsequent three years.

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

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

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

- general government sector investments in other sector entities, which are measured at net asset value;
- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure the carrying amounts do not materially differ from their fair value;
- productive trees in commercial native forests, which are measured at their fair value less costs to sell;
- financial assets and liabilities measured at fair value through the profit or loss;
- 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 or loss);
- certain liabilities, most notably unfunded superannuation and insurance claim provisions, which are subject to an actuarial assessment; and
- financial assets measured at fair value through other comprehensive income, which are measured at fair value with movements reflected in 'Other economic flows – other comprehensive income'.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Given the prospective nature of the Estimated Financial Statements, actual results are likely to differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected.

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

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

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

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

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

Reporting entity

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

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

Basis for consolidation

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

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

Where the carrying amount of a PNFC or PFC entity’s net assets before consolidation eliminations is less than zero, the carrying amount is not included in the general government sector. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value and accounted for consistent with AASB 9 *Financial Instruments* 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.

Except as stated in Note 1.7.5 of the Estimated Financial Statements, the significant entities consolidated within the sector comprise those general government sector entities listed in Note 9.8 of Chapter 4 *Annual Financial Report* of the 2017-18 *Financial Report* for the State of Victoria.

Compliance

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

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

The GFS information included in this report is based on the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 Cat. No. 5514.0* (ABS GFS).

The information presented in the Estimated Financial Statements takes into account all policy decisions made by the Victorian Government and circumstances that may have a material effect on the Estimated Financial Statements as at 13 May 2019.

The Budget does not account for conditional grants announced by the incoming Commonwealth Government as election commitments, which are subject to negotiation with the Victorian Government.

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 2019-20 *Budget*, the Government has set its sustainability objectives as:

- net operating surpluses in each year over the next four years;
- expenditure growth will be no greater than revenue growth, on average, over the next four years; and
- net debt to gross state product will be no greater than 12 per cent over the medium term.

Material economic assumptions

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

Key economic assumptions ^(a)

	2018-19 forecast	2019-20 forecast	2020-21 forecast	2021-22 projection	2022-23 projection
	(\$ billion)				
Nominal gross state product	451.0	472.1	494.9	520.7	548.5
	(percentage change)				
Real gross state product	3.00	2.75	2.75	2.75	2.75
Employment	3.25	2.00	1.75	1.75	1.75
Unemployment rate ^(b)	4.50	4.75	5.00	5.25	5.50
Consumer price index ^(c)	1.75	2.00	2.25	2.50	2.50
Wage price index ^(d)	2.75	3.00	3.25	3.50	3.50
Population ^(e)	2.10	2.00	1.90	1.90	1.80

Source: Department of Treasury and Finance

Notes:

(a) Percentage change in year average terms compared with previous year, except for the unemployment rate (see note (b)) and population (see note (e)). Forecasts are rounded to the nearest 0.25 percentage points, except for population (see note (e)). Projections for 2022-23 represent trend rates.

The key assumptions underlying the economic forecasts include: interest rates that follow movements in market expectations; an Australian dollar trade-weighted index of 62.0; and oil prices that follow the path suggested by oil futures.

(b) Year average.

(c) Melbourne consumer price index.

(d) Wage price index, Victoria (based on total hourly rates of pay, excluding bonuses).

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

Sensitivity analysis

Appendix A *Sensitivity analysis* contained in Budget Paper No. 2 explores the impact of variations in the macroeconomic outlook on key fiscal aggregates using two alternative approaches. The first quantifies the fiscal impacts of scenarios involving simultaneous variations in economic parameters that represent key risks to the economic outlook. The second approach considers the fiscal impacts of independent variations in major macroeconomic parameters, holding all parameters other than the indicator of interest constant.

1.2 HOW FUNDS ARE RAISED

Introduction

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

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

Structure

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1.2.1 Taxation revenue

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Taxes on employers' payroll and labour force	6 537	6 901	7 181	7 465
Taxes on immovable property				
Land tax	3 659	3 753	4 078	4 497
Fire Services Property Levy ^(a)	709	738	756	776
Congestion levy	101	101	100	100
Metropolitan improvement levy	183	187	191	195
Total taxes on property	4 653	4 778	5 125	5 568
Gambling taxes				
Public lotteries	444	443	445	451
Electronic gaming machines	1 140	1 158	1 172	1 240
Casino	238	246	252	260
Racing and other sports betting	140	143	147	151
Other	13	14	14	15
Financial and capital transactions				
Land transfer duty	5 896	6 245	6 612	7 029
Metropolitan planning levy	22	22	23	23
Financial accommodation levy	178	193	206	215
Growth areas infrastructure contributions	285	311	369	413
Levies on statutory corporations ^(b)	157	..	..	..
Taxes on insurance	1 479	1 570	1 667	1 769
Total taxes on the provision of goods and services	9 992	10 345	10 906	11 566
Motor vehicle taxes				
Vehicle registration fees	1 784	1 857	1 934	2 016
Duty on vehicle registrations and transfers	1 029	1 082	1 123	1 166
Liquor licence fees	26	27	28	30
Other	307	313	322	329
Total taxes on the use of goods and performance of activities	3 146	3 279	3 407	3 540
Total taxation revenue	24 328	25 303	26 620	28 140

Source: Department of Treasury and Finance

Notes:

(a) The Fire Services Property Levy was capped for 2017-18 and 2018-19. The 2018-19 revenue estimate was estimated to be \$17 million lower than the Government's cap of \$662 million (the amount collected in 2016-17), returning the over-collection from 2017-18. Levy rates for 2019-20 will be determined by the Treasurer by the end of May 2019.

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

The State's taxation revenue is forecast by:

- assessing economic and other factors influencing the tax base (e.g. for payroll tax, it involves an assessment of the outlook for unemployment, hours worked, wages, and activity indicators such as export values and retail sales. The forecasts also incorporate the impact of policy changes on the payroll tax base);
- analysing historical information and relationships using econometric and other statistical methods; and
- consulting with relevant market participants, industry associations and government authorities.

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

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Dividends from PFC sector	132	39	47	46
Dividends from PNFC sector	385	180	149	176
Dividends from non-public sector	107	108	110	109
Dividends	624	327	305	331
Income tax equivalent revenue from PFC sector	8	9	9	9
Income tax equivalent revenue from PNFC sector	224	222	233	246
Income tax equivalent revenue	232	231	242	255
Local government rate equivalent revenue	7	7	7	8
Total dividends, income tax equivalent and rate equivalent revenue	863	566	554	594

Source: Department of Treasury and Finance

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

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

Dividends by entity ^(a)**(\$ million)**

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Public financial corporations				
Victorian Managed Insurance Authority	52	..	..	..
Transport Accident Commission	..	..	..	...
Treasury Corporation of Victoria	72	29	37	37
State Trustees Ltd	2	2	1	1
Victorian Funds Management Corporation	6	8	8	8
WorkSafe Victoria	..	..	..	..
Dividends from PFC sector	132	39	47	46
Public non-financial corporations				
City West Water Corporation	68	28	31	32
Melbourne Water Corporation	53	13	1	..
South East Water Corporation	140	48	49	49
Yarra Valley Water Corporation	77	36	35	29
Development Victoria	43	54	31	64
Others	4	2	2	2
Dividends from PNFC sector	385	180	149	176

Source: Department of Treasury and Finance

Note:

(a) 'Amounts equivalent to dividends' to be paid by the Victorian Managed Insurance Authority and the Transport Accident Commission are received and reported as contributions forming part of grant revenue, consistent with the requirements of AASB 1023 General Insurance Contracts (AASB 1023). The amounts, subject to annual review, that are forecast to be paid are \$890 million in 2019-20, \$982 million in 2020-21 and \$1 billion in 2021-22 for the Transport Accident Commission and \$277 million in 2019-20, \$105 million in 2020-21, \$46 million in 2021-22 and \$49 million in 2022-23 for the Victorian Managed Insurance Authority. WorkSafe Victoria is forecast to pay \$125 million in 2021-22 and \$575 million in 2022-23 as contributions forming part of grant revenue. These payments include contributions to the Delivering for all Victorians Infrastructure Fund.

1.2.3 Sales of goods and services**(\$ million)**

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Motor vehicle regulatory fees	242	274	308	317
Other regulatory fees	579	592	619	634
Sale of goods	99	105	106	107
Provision of services ^(a)	4 630	5 049	5 096	5 086
Rental	86	86	89	91
Refunds and reimbursements	11	11	11	11
Inter-sector capital asset charge	2 384	2 566	2 686	2 766
Total sales of goods and services	8 030	8 682	8 915	9 013

Source: Department of Treasury and Finance

Note:

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

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

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

1.2.4 Grant revenue	(\$ million)			
	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
General purpose grants	17 535	18 779	19 983	21 407
Specific purpose grants for on-passing	3 936	4 564	4 832	5 108
Grants for specific purposes	11 026	11 367	11 883	13 149
Total	32 497	34 710	36 698	39 664
Other contributions and grants	1 596	1 365	1 301	726
Total grant revenue	34 093	36 075	37 999	40 389

Source: Department of Treasury and Finance

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

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

Forecasts of goods and services tax (GST) grants are based on Victoria's assessment of the national GST pool. For the *2019-20 Budget*, Victoria's share of GST is informed by its assessed relativity in 2019-20 as published by the Commonwealth Grants Commission, and Victoria's projections of other state and territory populations.

Beyond 2019-20, Victoria's estimated share of the GST pool is based on the projected fiscal capacity of each state and territory that is estimated using information sourced from state and territory budgets' and Victoria's projections of each state and territory's population.

1.2.5 Other revenue

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Fair value of assets received free of charge or for nominal consideration	56	56	57	57
Fines	822	868	931	960
Royalties	110	120	123	116
Donations and gifts	209	239	249	239
Other non-property rental	28	29	31	33
Other revenue – Education	651	667	684	700
Other revenue – Health	220	233	238	242
Revenue related to economic service concession arrangements	337	351	352	443
Other miscellaneous revenue	566	583	588	594
Total other revenue	2 999	3 147	3 252	3 384

Source: Department of Treasury and Finance

Other revenue is received from a variety of miscellaneous sources and is forecast based on historical trends and expectations. Fines are collected from road safety cameras, toll road evasions, on-the-spot infringements, court and other (non-traffic) statutory infringements. Other education revenue mainly comprises locally raised funds held by schools from school fees, fundraising events and voluntary contributions made by parents. Other health revenue mainly comprises research funding from non-government organisations and non-salary cost recovery from external organisations in the health sector. Revenue related to ‘economic’ service concession arrangements, such as toll roads, reflects the progressive recognition of revenue, previously deferred, over the period of the arrangement.

1.3 HOW FUNDS ARE SPENT

Introduction

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

Structure

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1.3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses and employee benefits are forecast on the basis of estimated staffing profiles and estimated salaries, conditions and on costs. For the forecast period, employee expenses and employee benefits include the expected financial impact of employing more staff to increase service delivery and approved wage outcomes, resulting from public sector enterprise bargaining agreements. Forecast employee expenses also reflect the estimated impact of budget decisions, which either increase or reduce employee expenses. The majority of employee expenses in the operating statement are salaries and wages.

Employee benefits (balance sheet)

(\$ million)

	2019 <i>revised</i>	2020 <i>budget</i>	2021 <i>estimate</i>	2022 <i>estimate</i>	2023 <i>estimate</i>
Current					
Accrued salaries and wages	606	620	636	651	667
Other employee benefits	87	87	87	87	87
Annual leave	1 647	1 682	1 719	1 756	1 793
Long service leave	4 025	4 168	4 315	4 463	4 610
Total current employee benefits and on-costs	6 364	6 557	6 756	6 957	7 156
Non-current					
Long service leave	954	1 079	1 179	1 281	1 387
Total non-current employee benefits and on-costs	954	1 079	1 179	1 281	1 387
Total employee benefits	7 318	7 636	7 935	8 238	8 543

Source: Department of Treasury and Finance

1.3.2 Superannuation expenses

Superannuation expense recognised in the operating statement				(\$ million)
	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Defined benefit plans				
Net superannuation interest expense	565	546	527	507
Current service cost	1 093	1 104	1 157	1 208
Remeasurements:				
Expected return on superannuation assets excluding interest income	(1 109)	(1 131)	(1 150)	(1 171)
Total expense recognised in respect of defined benefit plans	549	519	533	544
Defined contribution plans				
Employer contributions to defined contribution plans	1 794	1 852	1 896	1 951
Other (including pensions)	73	75	76	69
Total expense recognised in respect of defined contribution plans	1 868	1 927	1 973	2 020
Total superannuation (gain)/expense recognised in operating statement	2 416	2 446	2 505	2 564
Represented by:				
Net superannuation interest expense	565	546	527	507
Other superannuation	2 960	3 031	3 129	3 229
Superannuation expense from transactions	3 526	3 577	3 656	3 736
Remeasurements recognised in other comprehensive income	(1 109)	(1 131)	(1 150)	(1 171)
Total superannuation expense recognised in operating statement	2 416	2 446	2 505	2 564

Source: Department of Treasury and Finance

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

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

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

Superannuation assumptions

(per cent)

Underlying assumptions for all listed schemes ^(a)

Discount rate ^(b)	1.9
Wages growth ^(c)	2.8
Inflation rate ^(d)	1.3

Expected return on assets ^(e)

Emergency Services and State Super	8.0
Health Super Fund Defined Benefit Scheme	5.0
Constitutionally protected schemes ^(f)	n.a.

Source: Department of Treasury and Finance

Notes:

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

1.3.3 Grant expense

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Current grant expense				
Commonwealth Government ^(a)	1 696	2 960	3 039	3 033
Local government (including grants for on-passing)	692	674	638	626
Private sector and not-for-profit for on-passing	3 627	3 915	4 153	4 397
Other private sector and not-for-profit	2 637	2 803	2 807	2 958
Grants within the Victorian Government	3 877	3 918	3 993	4 091
Grants to other state governments	21	21	21	21
Total current grant expense	12 551	14 292	14 651	15 126
Capital grant expense				
Local government (including grants for on-passing)	110	194	213	334
Private sector and not-for-profit on-passing	236	210	130	120
Other private sector and not-for-profit	14	4	4	4
Grants within the Victorian Government	17	2	1	..
Other grants	5	..	..	..
Total capital grant expense	383	410	349	458
Total grant expense	12 934	14 701	15 000	15 584

Source: Department of Treasury and Finance

Note:

(a) The increase in Commonwealth grant expense in 2020-21 is largely driven by the State's contribution to the National Disability Insurance Scheme (NDIS).

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

1.3.4 Other operating expenses

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Purchase of supplies and consumables ^(a)	5 811	5 740	5 607	6 435
Cost of goods sold	31	32	33	33
Finance expenses and fees	33	32	33	33
Purchase of services ^{(a)(b)}	12 926	12 324	12 140	12 115
Insurance claims expense	263	265	270	273
Maintenance	964	917	903	916
Short term and low value lease expense	79	80	81	77
Other	847	860	811	830
Total other operating expenses	20 955	20 251	19 876	20 713

Source: Department of Treasury and Finance

Notes:

(a) The following two tables break down the purchase of supplies and consumables and the purchase of services.

(b) The reduction in the purchase of services in 2020-21 is partly driven by the State's existing expenditure on disability services, including payments to disability service providers, being allocated towards the State's contribution to the NDIS. These services will be funded by the NDIS.

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

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

Purchase of supplies and consumables

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Medicinal pharmacy and medical supplies	1 613	1 645	1 651	1 657
Office supplies and consumables	191	208	213	217
Specialised operational supplies and consumables	153	158	153	154
Other purchase of supplies and consumables	3 854	3 730	3 591	4 407
Total purchase of supplies and consumables	5 811	5 740	5 607	6 435

Source: Department of Treasury and Finance

Purchase of services

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Service contracts ^(a)	7 861	7 412	7 503	7 543
Accommodation/occupancy	735	729	723	718
Medical and client care services	408	412	411	401
Staff related expenses (non-labour related)	289	262	262	268
Other purchase of services	3 633	3 510	3 242	3 185
Total purchase of services	12 926	12 324	12 140	12 115

Source: Department of Treasury and Finance

Note:

- (a) The reduction in service contracts in 2020-21 is largely driven by the State's existing expenditure on disability services, including payments to disability service providers, being allocated towards the State's contribution to the NDIS. These services will be funded by the NDIS.

1.3.5 Total expenses by classification of the functions of government and by portfolio department

Expenses by classification of the functions of government

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Expenses				
General public services	3 831	3 855	3 949	4 038
Public order and safety	8 663	8 763	8 877	8 968
Economic affairs ^(a)	1 991	1 363	1 131	1 079
Environmental protection	841	772	767	694
Housing and community amenities	2 098	2 189	2 145	2 159
Health	20 771	21 832	22 194	23 205
Recreation, culture and religion	927	844	659	619
Education	16 941	17 615	18 522	19 573
Social protection ^(b)	5 748	6 694	6 679	6 770
Transport	9 166	9 280	8 919	9 428
Not allocated by purpose ^(c)	(997)	(207)	242	670
Total expenses by classification of the functions of government	69 982	73 000	74 084	77 204

Source: Department of Treasury and Finance

Notes:

- (a) The decrease in the 'Economic affairs' classification over the forward estimates is driven by fixed-term and lapsing initiative funding provided in previous state budgets.
- (b) The increase in the 'Social Protection' classification in 2020-21 is largely driven by the State's contribution to the NDIS.
- (c) Mainly comprises the provision for future demand growth, departmental underspending, eliminated purchases of supplies and consumables between government entities, and items not yet formalised at the time of publication.

Total expenses by portfolio department ^(a)**(\$ million)**

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Expenses from transactions				
Education and Training	19 255	19 503	20 064	20 692
Environment, Land, Water and Planning	3 472	3 229	3 113	3 003
Health and Human Services	27 923	29 015	29 001	29 519
Jobs, Precincts and Regions	2 403	1 697	1 456	1 398
Justice and Community Safety	8 047	8 238	8 397	8 467
Premier and Cabinet	671	592	486	522
Transport	9 224	9 359	8 961	9 344
Treasury and Finance	7 764	7 824	8 071	8 315
Parliament	244	237	239	243
Courts	710	711	745	745
Regulatory bodies and other part-funded agencies ^(b)	2 470	2 397	2 420	2 395
Output contingencies not allocated to departments ^(c)	1 187	2 468	3 709	5 194
Total expenses by department	83 369	85 269	86 662	89 835
<i>Less eliminations and adjustments ^(d)</i>	<i>(13 387)</i>	<i>(12 269)</i>	<i>(12 578)</i>	<i>(12 631)</i>
Total expenses	69 982	73 000	74 084	77 204

Source: Department of Treasury and Finance

Notes:

(a) On 29 November 2018, the Premier announced various machinery of government changes effective from 1 January 2019. Please see Note 1.7.5 for further details.

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

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

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

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

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Decisions made but not yet allocated ^(a)	1 187	2 268	3 109	4 294
Funding not allocated to specific purposes ^(b)	..	200	600	900
Total general government output contingencies	1 187	2 468	3 709	5 194

Source: Department of Treasury and Finance

Notes:

(a) Reflects existing government policy decisions for which funding has yet to be allocated to departments; provisions not yet allocated to meet additional price and demand growth for health, disability, justice 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.

1.3.6 Purchases of non-financial assets by classification of the functions of government and by portfolio department

Purchases of non-financial assets by classification of the functions of government

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
General public services	47	23	24	25
Public order and safety	1 658	1 452	759	271
Economic affairs	67	65	47	40
Environmental protection	164	91	57	57
Housing and community amenities	45	145	156	59
Health	927	814	582	448
Recreation, culture and religion	167	135	144	47
Education	1 750	1 135	830	652
Social protection	169	106	76	76
Transport	9 847	9 149	6 596	9 044
Not allocated by purpose ^(a)	(1 738)	(263)	561	1 209
Total purchases of non-financial assets by classification of the functions of government	13 102	12 852	9 833	11 929

Source: Department of Treasury and Finance

Note:

(a) Estimated amount available to be allocated to departments and projects in future budgets, including for major capital investment. This includes estimated departmental underspend, which may be subject to carryover and estimated outer budget agency underspend.

Purchases of non-financial assets by portfolio department ^(a)

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Education and Training	1 758	957	405	250
Environment, Land, Water and Planning	144	109	96	92
Health and Human Services	1 134	788	516	200
Jobs, Precincts and Regions	160	63	45	41
Justice and Community Safety	1 058	710	262	148
Premier and Cabinet	14	8	12	12
Transport	6 887	5 925	3 220	1 618
Treasury and Finance	33	17	15	15
Parliament	2	..	..	..
Courts	83	99	59	6
Regulatory bodies and other part-funded agencies ^(b)	265	185	140	110
Asset contingencies not allocated to departments ^(c)	3 125	4 450	4 952	8 482
Adjustments ^(d)	(1 561)	(459)	111	955
Total purchases of non-financial assets	13 102	12 852	9 833	11 929

Source: Department of Treasury and Finance

Notes:

(a) On 29 November 2018, the Premier announced various machinery of government changes effective from 1 January 2019. Please see Note 1.7.5 for further details.

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

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

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

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

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Decisions made but not yet allocated ^(a)	3 125	4 200	4 452	7 682
Funding not allocated to specific purposes ^(b)	..	250	500	800
Total general government asset contingencies	3 125	4 450	4 952	8 482

Source: Department of Treasury and Finance

Notes:

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

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

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

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Purchases of non-financial assets (including change in inventories)	13 105	12 856	9 837	11 933
Less: Sales of non-financial assets	(825)	(315)	(495)	(543)
Less: Depreciation and amortisation	(3 748)	(4 155)	(4 403)	(4 731)
Less: Other movements in non-financial assets ^{(a)(b)}	(4 643)	(3 610)	(1 476)	(3 574)
Total net acquisition of non-financial assets from transactions	3 889	4 777	3 463	3 085

Source: Department of Treasury and Finance

Notes:

(a) Other movements in non-financial assets includes transferring fixed assets to other sectors of government, recognising the right of use assets under lease arrangements, and recognising service concession arrangements, including from public private partnerships. Some of these items have been impacted by the application of the new accounting standards.

(b) The public private partnerships across the forward estimates relate to the High Capacity Metro Trains Project, the Western Roads Upgrade, the Casey Hospital expansion, the Metro Tunnel, the West Gate Tunnel Project, the Northern Roads Upgrade, the South Eastern Roads Upgrade, the North East Link and the new Footscray Hospital.

1.4 MAJOR ASSETS AND INVESTMENTS

Introduction

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

Structure

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

	2019 revised	2020 budget	2021 estimate	2022 estimate	2023 estimate
Buildings	31 088	41 513	43 662	47 121	48 065
Leased buildings ^(b)	5 467	..	..	..	..
Land and national parks	59 077	61 062	64 547	64 602	67 391
Infrastructure systems	1 509	5 458	6 673	7 599	7 942
Plant, equipment and vehicles	2 533	3 194	3 013	2 678	2 236
Leased plant, equipment and vehicles ^(b)	220	..	..	..	..
Roads and road infrastructure	24 687	38 801	42 193	45 038	48 183
Leased roads and road infrastructure ^(b)	652	..	..	..	..
Earthworks	9 247	9 586	9 584	9 586	9 573
Cultural assets	5 649	5 641	6 384	6 432	6 424
Total land, buildings, infrastructure, plant and equipment	140 129	165 256	176 056	183 056	189 815

Source: Department of Treasury and Finance

Notes:

(a) The changes from the 2019 revised estimate to the 2020 budget are in large part attributable to the adoption of the new accounting standards in 2020.

(b) The estimated balances for the 2020 budget and across the forward estimates have been reallocated to different line items resulting from the application of the new accounting standards.

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 and, where appropriate, recognised progressively over the estimated construction period.

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

The following two tables are subsets of total land, buildings, infrastructure, plant and equipment by right of use (leased) assets and service concession assets.

Total right of use (leased) assets: land, buildings, infrastructure, plant and equipment

(\$ million)

	2020 revised	2021 budget	2022 estimate	2023 estimate
Buildings	8 486	8 118	7 687	7 206
Infrastructure systems	33	23	14	10
Plant, equipment and vehicles	441	513	492	399
Total right of use assets: land, buildings, infrastructure, plant and equipment	8 961	8 654	8 192	7 615

Source: Department of Treasury and Finance

Total service concession assets: land, buildings, infrastructure, plant and equipment

(\$ million)

	2020 budget	2021 estimate	2022 estimate	2023 estimate
Buildings	1 532	1 492	1 450	1 409
Land and national parks	967	967	967	967
Infrastructure systems	3 946	5 142	6 104	6 477
Plant, equipment and vehicles	247	237	245	235
Roads and road infrastructure	12 268	14 874	17 831	21 122
Total service concession assets: land, buildings, infrastructure, plant and equipment	18 960	22 712	26 597	30 210

Source: Department of Treasury and Finance

As described in Note 1.7.2, the adoption of the new accounting standards requires the disclosure of the right of use (leased) assets and service concession arrangement assets separately from other items of property, plant and equipment. Further details of transitional impacts are included in Note 1.7.2.

1.4.2 Depreciation ^(a)

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Buildings ^(b)	1 941	2 106	2 243	2 378
Infrastructure systems	61	61	62	64
Plant, equipment and vehicles ^(b)	708	758	753	758
Roads and road networks ^(b)	852	1 042	1 154	1 346
Cultural assets	22	21	21	21
Intangible produced assets ^(c)	165	168	171	164
Total depreciation	3 748	4 155	4 403	4 731

Source: Department of Treasury and Finance

Notes:

(a) The increase in depreciation from the 2018-19 Budget Update is a result of leased assets and service concession assets being recognised on the balance sheet under the new accounting standards. Further details are included in Note 1.7.2

(b) Includes estimated depreciation on amounts not yet allocated to projects in 2019-20 to 2022-23.

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

The following two tables are subsets of total depreciation expense.

Depreciation of right of use (leased) assets

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Buildings	607	597	589	589
Infrastructure systems	12	10	10	12
Plant, equipment and vehicles	122	126	118	114
Total depreciation of right of use assets	740	733	716	715

Source: Department of Treasury and Finance

Depreciation of service concession assets

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Buildings	30	30	30	30
Plant, equipment and vehicles	28	28	28	28
Roads and road infrastructure	183	215	217	294
Intangible produced assets	1	1	1	1
Total depreciation of service concession assets	243	274	277	353

Source: Department of Treasury and Finance

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

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

(\$ million)

	2019 revised	2020 budget	2021 estimate	2022 estimate	2023 estimate
Carrying amount at the start of the year	134 141	157 113	165 256	176 056	183 056
Additions ^(c)	9 018	15 522	15 255	12 831	12 937
Disposals at written down value	(280)	(771)	(269)	(449)	(491)
Revaluations	3 795	3 188	5 370	3 718	4 796
Asset transfers ^(d)	(3 873)	(6 212)	(5 569)	(4 869)	(5 915)
Depreciation expense	(2 673)	(3 584)	(3 987)	(4 232)	(4 567)
Carrying amount at the end of the year	140 129	165 256	176 056	183 056	189 815

Source: Department of Treasury and Finance

Notes:

- (a) The reconciliation of movements comprises land and buildings, infrastructure systems, plant, equipment, vehicles, roads, roads infrastructure and cultural assets, right of use (leased) assets, service concession assets, and excludes intangible assets, investment properties and other non-financial assets.
- (b) The carrying amount at the end of the 2018-19 revised estimate differs from the carrying amount at the start of the 2019-20 budget year as a result of the adoption of the new accounting standards in 2019-20.
- (c) Includes assets acquired under lease and service concession arrangements.
- (d) Represents the transfer of assets to the public non-financial corporations sector.

1.4.4 Other non-financial assets

(\$ million)

	2019 revised	2020 budget	2021 estimate	2022 estimate	2023 estimate
Intangible produced assets	2 112	2 124	2 119	2 112	2 108
Accumulated depreciation	(1 154)	(1 269)	(1 411)	(1 557)	(1 698)
Service concession assets – intangible produced	..	248	248	248	248
Accumulated depreciation	..	(1)	(2)	(4)	(5)
Intangible non-produced assets	119	119	120	122	123
Accumulated amortisation	(44)	(49)	(54)	(59)	(64)
Total intangibles	1 032	1 171	1 019	862	711
Investment properties	185	185	185	184	167
Biological assets	4	5	7	8	10
Other assets	889	385	349	348	347
Total other non-financial assets	2 111	1 746	1 560	1 403	1 235

Source: Department of Treasury and Finance

Intangible produced assets may include computer software or research and development costs. Non-produced intangibles are intangible assets needed for production that have not themselves been produced, such as patents. These amounts are estimated based on their audited balances as at 30 June 2018, which are adjusted for estimated acquisitions, disposals and amortisation.

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

As described in Note 1.7.2, the adoption of AASB 1059 *Service Concession Arrangements: Grantor* requires the recognition of service concession assets separately from other items of other non-financial assets. Further details of transitional impacts are included in Note 1.7.2.

1.4.5 Total assets by classification of the functions of government ^(a) (\$ million)

	2019 <i>revised</i>	2020 <i>budget</i>	2021 <i>estimate</i>	2022 <i>estimate</i>	2023 <i>estimate</i>
General public services	2 160	2 266	2 303	2 367	2 361
Public order and safety	9 930	13 475	14 529	14 632	14 193
Economic affairs	1 135	1 344	2 540	2 486	2 425
Environmental protection	11 960	12 120	12 169	12 153	12 137
Housing and community amenities	1 777	1 995	3 539	3 650	3 644
Health	15 323	15 857	15 778	16 152	16 014
Recreation, culture and religion	7 355	7 450	7 505	7 571	7 542
Education	28 413	29 814	32 156	34 670	38 539
Social protection	2 649	3 065	3 068	3 071	3 029
Transport	62 699	82 891	88 410	92 059	95 129
Not allocated by purpose ^(b)	129 516	129 797	132 726	136 854	142 706
Total assets	272 917	300 075	314 722	325 663	337 719

Source: Department of Treasury and Finance

Notes:

(a) The changes from the 2019 revised estimate to the 2020 budget are in large part attributable to the adoption of the new accounting standards in 2020.

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

1.5 FINANCING STATE OPERATIONS

Introduction

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

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

Structure

1.5.1	Borrowings	40
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1.5.3	Interest expense.....	42

1.5.1 Borrowings ^(a)

(\$ million)

	2019 revised	2020 budget	2021 estimate	2022 estimate	2023 estimate
Current borrowings					
Domestic borrowings	7 049	7 090	7 876	8 454	8 655
Finance lease liabilities ^(b)	268	..	..	..	..
Lease liabilities	..	621	589	587	515
Service concession arrangement liabilities	..	1 175	1 804	2 010	3 598
Derivative financial instruments	309	430	446	413	375
Total current borrowings	7 626	9 315	10 714	11 464	13 144
Non-current borrowings					
Domestic borrowings	19 441	24 762	30 916	32 300	34 798
Finance lease liabilities ^(b)	9 685	..	..	..	..
Lease liabilities	..	11 762	11 556	11 125	10 625
Service concession arrangement liabilities	..	5 312	6 092	8 908	9 176
Derivative financial instruments	107	107	107	107	107
Total non-current borrowings	29 233	41 943	48 672	52 441	54 706
Total borrowings	36 859	51 258	59 387	63 905	67 850

Source: Department of Treasury and Finance

Notes:

(a) The changes from the 2019 revised estimate to the 2020 budget are in large part attributable to the adoption of the new accounting standards in 2020.

(b) The estimated balances for the 2020 budget and across the forward estimates have been reallocated to different line items resulting from the application of the new accounting standards in 2020.

Borrowings refer to interest bearing liabilities mainly raised from public borrowings, lease liabilities, service concession arrangement liabilities, other interest bearing arrangements, and excludes liabilities raised from other government entities.

Estimates for new borrowings are based on the requirement to repay maturing debt and finance capital expenditure.

The adoption of AASB 16 and AASB 1059 have resulted in an accounting adjustment increasing the value of the borrowings balance. Service concession related liabilities from 2020 are required to be recorded progressively over the forward estimates to reflect the construction profile of the infrastructure assets to which they relate. For lease liabilities, the amounts recorded now reflect all operating (other than low value or short-term) leases and management's best estimate of the timing of renewal of lease arrangements. Further details of transitional impacts are included in Note 1.7.2.

1.5.2 Advances paid and investments, loans and placements	(\$ million)				
	<i>2019 revised</i>	<i>2020 budget</i>	<i>2021 estimate</i>	<i>2022 estimate</i>	<i>2023 estimate</i>
Current advances paid and investments, loans and placements					
Loans and advances paid	2 166	1 358	698	237	198
Equities and managed investment schemes	869	875	876	878	882
Australian dollar term deposits	102	45	5	..	21
Debt securities	2	2	2	2	2
Derivative financial instruments	9	42	62	75	88
Total current advances paid and investments, loans and placements	3 148	2 322	1 644	1 193	1 191
Non-current advances paid and investments, loans and placements					
Loans and advances paid	6 579	5 289	4 704	4 650	4 463
Equities and managed investment schemes	1 069	1 484	1 548	1 571	1 632
Australian dollar term deposits	169	200	254	265	319
Debt securities	19	19	19	19	19
Derivative financial instruments	3	3	3	3	3
Total non-current advances paid and investments, loans and placements	7 838	6 996	6 528	6 508	6 437
Total advances paid and investments, loans and placements	10 987	9 318	8 173	7 701	7 628
Represented by:					
Advances paid	8 745	6 648	5 403	4 887	4 661
Investments, loans and placements	2 242	2 671	2 770	2 814	2 967

Source: Department of Treasury and Finance

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

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

1.5.3 Interest expense

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Interest on interest-bearing liabilities and deposits	1 218	1 281	1 313	1 325
Finance charges on lease liabilities	863	841	818	786
Finance charges on service concession liabilities	494	537	679	856
Discount interest on payables	37	37	37	37
Total interest expense	2 611	2 695	2 848	3 004

Source: Department of Treasury and Finance

Estimates for interest expense are based on the forecast levels of outstanding Victorian general government sector debt, non-current financial liabilities and provisions. Victorian general government sector debt is expected to mainly comprise fixed-rate facilities from the Treasury Corporation of Victoria, lease liabilities and service concession financial liabilities. Interest expenses associated with issuing future interest-bearing liabilities are based on forecasts provided by the Treasury Corporation of Victoria.

1.6 OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

1.6.1 Investments in other sector entities	43
1.6.2 Payables	43
1.6.3 Superannuation.....	44

1.6.1 Investments in other sector entities

(\$ million)

	2019 revised	2020 budget	2021 estimate	2022 estimate	2023 estimate
Balance of investment in PNFC and PFC sectors at beginning of period	101 253	104 773	110 672	115 366	119 294
Net contributions to other sectors by owner	4 081	5 206	4 356	4 466	5 677
Revaluation gain/(loss) for period	(560)	692	338	(538)	(710)
Investment in other sector entities at end of period	104 773	110 672	115 366	119 294	124 261

Source: Department of Treasury and Finance

Investments in other sector entities are estimated based on their audited net assets as at 30 June 2018, adjusted by management estimates of subsequent operating results, capital investments, distributions and returns of capital.

1.6.2 Payables ^(a)

(\$ million)

	2019 revised	2020 budget	2021 estimate	2022 estimate	2023 estimate
Current payables					
Accounts payable and accrued expenses	4 053	4 021	4 121	3 994	3 512
Accrued taxes payable	61	61	62	63	63
Grant of right to operate liability ^(b)	..	331	340	428	520
Unearned income	669	557	557	550	547
Total current payables	4 783	4 971	5 081	5 034	4 642
Non-current payables					
Accounts payable and other payables	186	188	80	76	72
Grant of right to operate liability ^(b)	..	9 869	10 599	10 530	10 065
Unearned income ^(c)	4 457	856	691	526	407
Total non-current payables	4 642	10 914	11 370	11 132	10 543
Total payables	9 425	15 885	16 451	16 166	15 185

Source: Department of Treasury and Finance

Notes:

(a) The changes from the 2019 revised estimate to the 2020 budget are in large part attributable to AASB 1059 Service Concession Arrangements: Grantors coming into effect in 2020.

(b) Relates to unearned income resulting from 'economic' service concession arrangements.

(c) The change from the 2019 revised estimate to the 2020 budget is primarily attributable to unearned income relating to the commercialisation of the land titles and registry functions of Land Use Victoria being reclassified as a grant of right to operate liability as a result of AASB 1059 Service Concession Arrangements: Grantors adopted in 2020.

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

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

Unearned income and grant of right to operate liabilities 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.

As described in Note 1.7.2, the adoption of AASB 1059 *Service Concession Arrangements: Grantor* requires the recognition of a grant of right to operate liability separately from other items of payables. Further details of transitional impacts are included in Note 1.7.2.

1.6.3 Superannuation

Reconciliation of the superannuation liabilities	(\$ million)			
	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Emergency Services and State Super				
Defined benefit obligation	44 426	43 827	43 212	42 612
Tax liability ^(a)	2 643	2 538	2 441	2 309
Plan assets	(22 209)	(22 630)	(22 974)	(23 293)
Net liability/(asset)	24 860	23 735	22 679	21 628
Other funds ^(b)				
Defined benefit obligation	2 168	2 169	2 186	2 213
Tax liability ^(a)	..	..	..	..
Plan assets	(926)	(904)	(883)	(867)
Net liability/(asset)	1 241	1 265	1 302	1 347
Total superannuation				
Defined benefit obligation	46 594	45 995	45 398	44 826
Tax liability ^(a)	2 643	2 538	2 441	2 309
Plan assets	(23 135)	(23 534)	(23 858)	(24 160)
Superannuation liability	26 101	25 000	23 981	22 975
Represented by:				
Current liability	1 075	1 007	1 007	1 252
Non-current liability	25 026	23 992	22 974	21 723
Total superannuation liability	26 101	25 000	23 981	22 975

Source: Department of Treasury and Finance

Notes:

(a) Tax liability is 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 former Health Super Fund.

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

	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
Opening balance of defined benefit obligation	49 893	49 236	48 533	47 839
Current service cost	1 093	1 104	1 157	1 208
Interest expense	988	976	963	951
Contributions by plan participants	200	196	193	191
Benefits paid	(2 938)	(2 979)	(3 007)	(3 054)
Closing balance of defined benefit obligation	49 236	48 533	47 839	47 135

Source: Department of Treasury and Finance

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

	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
Opening balance of plan assets	22 711	23 135	23 534	23 858
Interest income	423	430	437	444
Return on plan assets not included in interest income	1 109	1 131	1 150	1 171
Employer contributions	1 631	1 620	1 551	1 550
Contributions by plan participants	200	196	193	191
Benefits paid (including tax paid)	(2 938)	(2 979)	(3 007)	(3 054)
Closing balance of plan assets	23 135	23 534	23 858	24 160

Source: Department of Treasury and Finance

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

1.7 OTHER DISCLOSURES

Introduction

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

Structure

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1.7.1 Other gains/(losses) from other economic flows	(\$ million)			
	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
Net (increase)/decrease in provision for doubtful receivables	(192)	(194)	(198)	(200)
Amortisation of intangible non-produced assets	(6)	(6)	(7)	(7)
Bad debts written off	(169)	(170)	(171)	(173)
Other gains/(losses)	(21)	(12)	(22)	(41)
Total other gains/(losses) from other economic flows	(388)	(382)	(397)	(421)

Source: Department of Treasury and Finance

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

1.7.2 Adoption of the new Accounting Standards

Several new accounting standards issued by the Australian Accounting Standards Board (AASB) have been applied for the first time in these Estimated Financial Statements for 2019-20 onwards.

These accounting standards include AASB 1059 *Service Concession Arrangements: Grantor* (Service Concession Arrangements), AASB 16 *Leases* (Leases), AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* (Revenue). Below is an outline of the new accounting standards.

Service Concession Arrangements

Prior to the issuance of AASB 1059, there was no definitive accounting guidance in Australia for service concession arrangements. The AASB issued the new standard to address the lack of specific accounting guidance and based the content thereof broadly on its international equivalent: International Public Sector Accounting Standard 32: *Service Concession Arrangements: Grantor*.

The State has elected the 'full retrospective' approach to the application of AASB 1059, which requires recognition of asset and liability balances for the applicable arrangements as if AASB 1059 had always been applied.

AASB 1059 applies to arrangements where an operator provides public services, using a service concession asset, on behalf of the State and importantly, the operator manages at least some of the public service at its own discretion. This means that certain public-private partnership (PPP) arrangements will not be within the scope of AASB 1059 and will continue to be accounted for as either leases or assets being constructed by the State and conversely, certain arrangements that are not PPPs (such as certain external service arrangements) could be captured within the scope of this new accounting standard.

In evaluating which arrangements are within the scope of AASB 1059, there is significant judgement involved in determining what constitutes 'public service', how much discretion the operator has in managing the public service and whether the asset used in the arrangement is a 'service concession asset'. The approach undertaken by the individual entities within the State has been to assess their arrangements against these scope criteria. Application of AASB 1059 will continue to be assessed as the sector becomes more familiar with its requirements and practical application issues emerge over time.

For those arrangements that were assessed to be within the scope of AASB 1059, the impacts reflected in the Estimated Financial Statements were as follows:

- For social infrastructure PPPs (also generally referred to as availability-based PPPs¹) that were completed and recorded on the balance sheet at the time of transition, the carrying values prior to transition was assessed to closely align to the requirements under AASB 1059 (i.e. these assets are carried at fair value using replacement cost valuations and the financial liabilities are carried at amortised cost from their historical recognition). These arrangements were effectively transferred from one category of assets (leased assets) to another (service concession assets) with minimal impact on net debt.
- For infrastructure projects that are in the process of being constructed, the assets and liabilities are progressively recognised over the construction period. The liability could either be a financial liability, a 'Grant of a Right to the Operator' (GORTO) liability, or both depending on whether the State is required to make cash payments to the operator in compensation for construction or upgrading the service concession asset. The timing of recognition of the asset and liability under the new standard is earlier compared to the previous practice of recognising the asset and liability (as a general rule) at commercial acceptance.
- For arrangements where users of the assets fund the construction or upgrade of the assets (commonly referred to as economic PPPs²), these are recorded as service concession assets at current replacement cost at the time of their construction with recognition of an associated 'GORTO' liability. To facilitate the valuation of these projects, historical models were used, including information provided by the operator, to determine an appropriate fair value (being the costs that would have been theoretically reimbursed to the operator to acquire the asset) at the time of the asset construction.

The financial liability component of service concession arrangements represents the State's financial obligations associated with the relevant assets and is reported within Borrowings (Note 1.5.1). After initial recognition, these financial liabilities are recorded at amortised cost. This financial liability component impacts net debt as indicated in the table on page 51.

The 'GORTO' liability represents the equivalent of unearned revenue (Note 1.6.2), being the component of the service concession asset that is financed by the operator through charges to the public users of the asset (for example toll roads). The 'GORTO' liability is reflected as part of Payables (Note 1.6.2) as a non-financial liability, and is amortised/recognised as revenue over the period of the concession arrangement (Note 1.2.5).

¹ Under these arrangements, the State pays the operator over the concession period, allocating the periodic payments between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset.

² This form of service concession arrangement is one in which the State grants to an operator the right to collect fees from users of the asset, in return for which the operator constructs the asset and has the obligation to supply agreed upon services during the period of the concession.

Leases

The AASB 16 standard is based on an international equivalent standard and applies to all reporting entities (both public and private sector) that prepare financial statements under Australian Accounting Standards.

This standard changes the accounting treatment of leased asset financing employed by reporting entities under the old standard, which was previously based purely on a judgemental lease classification as either ‘finance leases’ which were recorded on balance sheet or ‘operating leases’, which were not recorded on balance sheet but recognised as annual expenses. By treating all major leases similar to finance leases under AASB 16, the accounting treatment under the new standard better reflects the economic substance of how reporting entities finance the assets they employ in their business.

Under the available transitional arrangements, the State has elected to record lease liabilities (which increases borrowings as per Note 1.5.1) at 1 July 2019, by discounting the remaining contractual payments under previous operating lease arrangements, at the State’s incremental borrowing rate and recording a ‘Right-of-use’ (RoU) asset for an equal amount, adjusted by prepaid or accrued lease payments immediately before that date. Exceptions to the transitional application relates to leases with terms shorter than 12 months and leases where the underlying assets are worth less than \$10 000. Those operating lease costs continue to be expensed (as per Note 1.3.4).

A further notable exception relates to the value at which RoU assets (where the State is lessee) are recorded under below market leasing arrangements (including peppercorn leases). The State has elected to avail the temporary relief from recording the value of RoU at fair value and continue to record those assets/leases at cost to the State. RoU assets included in this category relate primarily to accommodation leases and certain transport arrangements between sectors.

Where operating leases will end during 2019-20 and over the forward estimates, to ensure appropriate estimation of lease liabilities during the periods presented, all reporting entities were required to use best judgement in determining whether new leases will be entered into, or existing leases extended, to support existing service delivery requirements. Expected new or extended leases are consequently recorded in the forward estimates at the present value of expected future cash flows, using the incremental borrowing rate.

Subsequent to initial recognition, interest costs are recorded on the lease liabilities and the RoU are depreciated.

Revenue

AASB 15 aims to align the timing of recognition of revenue with the satisfaction of performance obligations under contracts with customers. Similar to leases, this standard applies to all reporting entities that prepare financial reports under Australian Accounting Standards, whether public or private, and is virtually identical to International Financial Reporting Standards requirements.

To address specific concerns from the ‘not-for-profit’ sector in Australia, the AASB also issued AASB 1058 to supplement AASB 15 and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions contained within AASB 1004 *Contributions*. Under AASB 1004, revenue is recognised upfront upon the receipt of funds.

AASB 1058 replaces AASB 1004 *Contributions* and establishes the revenue recognition principles for transactions that are not in the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. Under this standard, revenue from capital grants will be generally deferred and recognised progressively as the asset is being constructed.

The adjustments to current revenue recognition practice relates mostly to deferral of recognition of certain capital grants to align with the construction of the projects to which they relate. Under the transitional provisions in these standards, the State has elected not to apply the above new requirement to ‘completed contracts’ which relates to amounts already recognised under AASB 1004.

The expected aggregate impacts of applying the above new accounting standards are reported in the table below.

Transitional impacts of the new Accounting Standards

(\$ million)

	Before new accounting standards				Net impact of new accounting standards				After new accounting standards			
	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Estimated comprehensive operating statement												
Revenue from transactions	70 818	74 229	77 755	81 836	214	224	229	316	71 032	74 453	77 984	82 151
Expenses from transactions	69 375	72 427	73 409	76 293	607	573	675	911	69 982	73 000	74 084	77 204
Net result from transactions – net operating balance	1 443	1 802	4 346	5 543	(393)	(349)	(445)	(595)	1 050	1 453	3 901	4 947
Total other economic flows included in net result	(323)	(332)	(347)	(363)	..	..	..	..	(323)	(332)	(347)	(363)
Net result	1 119	1 470	3 999	5 179	(393)	(349)	(445)	(595)	726	1 121	3 554	4 584
Estimated balance sheet												
Total assets	281 497	293 953	302 026	312 641	18 578	20 768	23 638	25 077	300 075	314 722	325 663	337 719
Financial liabilities	46 334	52 121	53 731	56 088	8 109	9 215	11 587	13 052	54 443	61 336	65 318	69 140
Other liabilities	43 782	42 713	41 622	40 237	6 766	7 617	7 739	7 474	50 549	50 330	49 361	47 710
Total liabilities	90 117	94 834	95 353	96 324	14 875	16 832	19 326	20 526	104 992	111 666	114 679	116 850
Net debt	30 867	37 697	39 532	41 827	8 109	9 215	11 586	13 052	38 975	46 912	51 118	54 879
Net worth	191 380	199 119	206 671	216 316	3 703	3 936	4 312	4 551	195 083	203 056	210 983	220 867
Accumulated surplus/(deficit)	53 561	56 164	61 337	67 711	2 858	2 513	2 068	1 472	56 420	58 677	63 405	69 184
Net infrastructure investment	(7 801)	(8 353)	(7 252)	(10 130)	(1 370)	(1 731)	(1 144)	(769)	(9 171)	(10 083)	(8 395)	(10 899)

Source: Department of Treasury and Finance

1.7.3 Reconciliation to Government Finance Statistics ^(a)

(\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Net result from transactions – net operating balance	1 050	1 453	3 901	4 947
<i>Convergence differences:</i>				
Licence fees ^(b)	52	52	52	52
Leases ^(c)	129	89	63	48
Revenue recognition ^(d)	..	4	(4)	1
Service concession arrangements ^(e)	(59)	(53)	(54)	(71)
<i>plus total convergence difference:</i>	123	93	57	30
GFS net operating balance	1 172	1 546	3 957	4 977
Net lending/(borrowing)	(2 839)	(3 323)	438	1 862
<i>Convergence differences:</i>				
Licence fees ^(b)	52	52	52	52
Leases ^(c)	(245)	(64)	(261)	(370)
Revenue recognition ^(d)	..	4	(4)	1
Service concession arrangements ^(e)	(232)	(245)	(246)	(138)
<i>plus total convergence difference:</i>	(424)	(252)	(459)	(455)
GFS net lending/(borrowing)	(3 264)	(3 576)	(21)	1 407
Comprehensive result – total change in net worth	5 782	7 973	7 929	9 884
<i>Convergence differences:</i>				
Doubtful receivables of the general government sector ^(f)	16	15	14	16
Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) ^(g)	(494)	(202)	(520)	(487)
Unearned income relating to licence fees ^(b)	52	52	52	52
Port of Melbourne lease transaction ^(h)	(144)	(144)	(153)	(153)
Leases ^(c)	129	88	63	48
Revenue recognition ^(d)	..	4	(4)	1
Service concession arrangements ^(e)	(571)	(354)	(461)	(309)
<i>plus total convergence difference:</i>	(1 012)	(542)	(1 010)	(833)
GFS total change in net worth	4 769	7 431	6 919	9 051
Net worth	195 083	203 056	210 983	220 867
<i>Convergence differences:</i>				
Doubtful receivables of the general government sector ^(f)	1 802	1 816	1 830	1 846
Investments in other sector entities ^(g)	5 043	4 841	4 321	3 834
Unearned income relating to licence fees ^(b)	(626)	(574)	(522)	(470)
Port of Melbourne lease transaction ^(h)	(1 355)	(1 500)	(1 653)	(1 807)
Leases ^(c)	128	216	279	327
Revenue recognition ^(d)	..	4	..	..
Service concession arrangements ^(e)	(2 914)	(3 268)	(3 729)	(4 038)
<i>plus total convergence difference:</i>	2 078	1 535	526	(307)
GFS net worth	197 160	204 591	211 509	220 560

1.7.3 Reconciliation to Government Finance Statistics (*continued*) (\$ million)

	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Cash surplus/(deficit)	(7 675)	(7 212)	(1 264)	(1 703)
<i>Convergence differences:</i>				
Leases ^(c)	(557)	(426)	(419)	(464)
Revenue recognition ^(d)	..	..	..	..
Service concession arrangements ^(e)	..	..	..	..
<i>plus total convergence difference:</i>	<i>(557)</i>	<i>(426)</i>	<i>(419)</i>	<i>(464)</i>
GFS cash surplus/(deficit)	(8 233)	(7 638)	(1 683)	(2 167)

Source: Department of Treasury and Finance

Notes:

- (a) Determined in accordance with the ABS GFS manual.
- (b) The convergence difference arises because the GFS recognises the 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne as revenue over the 15-year period.
- (c) The convergence difference for leases arises because the GFS does not recognise operating leases on the balance sheet, whereas this is a requirement under the new Australian Accounting Standards.
- (d) The convergence difference for revenue recognition arises because the GFS does not defer the recognition of revenue, such as where performance obligations exist for capital grants from the Commonwealth Government, whereas this is a requirement under the new Australian Accounting Standards.
- (e) The convergence difference for service concession arrangements arises because the GFS does not recognise economic service concession arrangements on the Victorian Government balance sheet, whereas this is a requirement under the new Australian Accounting Standards.
- (f) The convergence difference in accounts receivable arises because GFS does not recognise doubtful receivables, whereas a provision for doubtful receivables is recognised in the balance sheet.
- (g) Investments in other sector entities for general government sector includes doubtful receivables, future tax benefits and deferred tax liability of the PNFC and PFC sectors.
- (h) The convergence difference for the Port of Melbourne lease transaction arises because GFS recognised the transaction as a sale of equity from the general government sector, whereas under Australian Accounting Standards the Port of Melbourne lease transaction has been treated as an operating lease with the leased assets remaining with the PNFC sector.

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

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

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

1.7.4 Prospective accounting and reporting changes

New and revised accounting standards have been issued but are not effective for the 2019-20 reporting period. These accounting standards have not been applied to the Estimated Financial Statements. The State is reviewing its existing policies and assessing the potential implications of:

- AASB 17 *Insurance Contracts*: operative on or after 1 January 2021, will supersede AASB 4 *Insurance Contracts*. AASB 17 seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reissuance contracts that an insurer holds. The standard also provides new requirements for presentation and disclosure to enhance comparability between entities. The standard currently does not apply to not-for-profit public sector entities.

In addition, 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.

1.7.5 Controlled entities

Note 9.8 Controlled entities in Chapter 4 *Annual Financial Report* of the 2017-18 *Financial Report* for the State of Victoria lists significant controlled entities, which were consolidated in that financial report.

The following are changes in general government sector entities since 1 July 2018, which have also been incorporated in this financial report:

General government ^(a)	
Department of Environment, Land, Water and Planning	
Caulfield Racecourse Reserve Trust ^(b)	
Department of Health and Human Services	
Family Violence Prevention Agency ^(c)	
Department of Jobs, Precincts and Regions	
Australian Centre for the Moving Image	National Gallery of Victoria, Council of Trustees
Dockland Studios Melbourne Pty Ltd	Rural Assistance Commissioner
Film Victoria	Veterinary Practitioners Registration Board of Victoria
Game Management Authority	Victorian Institute of Sport Limited
Library Board of Victoria	Victorian Institute of Sport Trust
Melbourne Cricket Ground Trust	Visit Victoria
Melbourne Recital Centre	
Museums Board of Victoria	
Department of Premier and Cabinet	
Labour Hire Licensing Authority ^(d)	
Department of Transport ^(e)	
Commercial Passenger Vehicles Victoria ^(f)	Victorian Fisheries Authority
Linking Melbourne Authority	

Public non-financial corporations ^(a)

Department of Jobs, Precincts and Regions

Agriculture Victoria Services Pty Ltd	Launch Victoria
Australian Grand Prix Corporation	Melbourne and Olympic Parks Trust
Dairy Food Safety Victoria	Melbourne Convention and Exhibition Trust
Development Victoria	Melbourne Market Authority
Emerald Tourist Railway Board	Murray Valley Wine Grape Industry Development Committee
Fed Square Pty Ltd	Primesafe
Geelong Performing Arts Centre Trust	State Sport Centres Trust
Greater Sunraysia Pest Free Area Industry Development Committee	VicForests
Greyhound Racing Victoria	Victorian Arts Centre Trust
Harness Racing Victoria	Victorian Strawberry Industry Development Committee
Kardinia Park Stadium Trust	

Department of Premier and Cabinet

Queen Victoria Women's Centre Trust

Department of Transport

Melbourne Port Lessor Pty Ltd	Victorian Rail Track
Port of Hastings Development Authority	Victorian Regional Channels Authority
Victorian Ports Corporation (Melbourne)	V/Line Corporation

Public financial corporations ^(a)

Department of Justice and Community Safety

Victorian WorkCover Authority

Department of Premier and Cabinet

Portable Long Service Authority ^(g)

Department of Transport

Transport Accident Commission

Source: Department of Treasury and Finance

Notes:

(a) On 29 November 2018, the Premier announced machinery of government changes effective 1 January 2019. The following Victorian government departments were affected:

- The Department of Economic Development, Jobs, Transport and Resources was renamed to the Department of Transport.
 - Certain functions of the former Department of Economic Development, Jobs, Transport and Resources were transferred to the new department called the Department of Jobs, Precincts and Regions and the Department of Treasury and Finance.
 - The Department of Justice and Regulation was renamed to the Department of Justice and Community Safety.
 - Portfolio responsibility for the Transport Accident Commission was transferred from the Department of Treasury and Finance to the Department of Transport.
 - Portfolio responsibility for the Victorian WorkCover Authority (WorkSafe Victoria) was transferred from the Department of Treasury and Finance to the Department of Justice and Community Safety.
 - Sport and Recreation Victoria was transferred from the Department of Health and Human Services to the Department of Jobs, Precincts and Regions.
 - The Office of Racing was transferred from the former Department of Justice and Regulation to the Department of Jobs, Precincts and Regions.
 - Industrial Relations Victoria was transferred from the former Department of Economic Development, Jobs, Transport and Resources to the Department of Premier and Cabinet.
 - The Office for Women was transferred from the Department of Health and Human Services to the Department of Premier and Cabinet.
- Certain functions and operations of Victorian government departments were also transferred as part of the machinery of government changes.

(b) Effective from 1 August 2018, the Caulfield Racecourse Reserve Trust was established to manage the Caulfield Racecourse.

(c) The Family Violence Prevention Agency was established under the Prevention of Family Violence Act 2018 and, by Order of the Governor in Council, commenced on 4 October 2018 and will operate as Respect Victoria. Responsibility for this entity will transfer to the Department of Premier and Cabinet from 1 July 2019 by agreement between the Secretaries of both departments.

(d) The Labour Hire Licensing Authority was established under the Labour Hire Licensing Act 2018 and by Order of the Governor in Council, commences on 29 April 2019.

(e) Effective from 1 July 2019, Roads Corporation and the Public Transport Development Authority will be consolidated into the Department of Transport.

(f) On 2 June 2018, the Taxi Services Commission changed its name to Commercial Passenger Vehicles Victoria.

(g) The Portable Long Service Authority was established under the Long Service Benefits Portability Act 2018, and by Order of the Governor in Council and commences on 1 July 2019.

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 (\$ million)

	<i>2018-19 revised</i>	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
Revenue from transactions					
Interest revenue	121	81	48	30	24
Dividend revenue	23	23	23	29	28
Sales of goods and services	6 388	6 807	6 961	7 260	7 346
Grant revenue	3 937	3 902	3 926	4 000	4 093
Other revenue	810	595	589	578	595
Total revenue from transactions	11 278	11 407	11 548	11 898	12 086
Expenses from transactions					
Employee expenses	1 382	1 403	1 434	1 479	1 519
Net superannuation interest expense	4	4	4	4	4
Other superannuation	132	135	139	146	148
Depreciation	2 322	2 469	2 641	2 814	2 985
Interest expense	1 021	1 014	1 002	987	983
Grant expense	434	335	151	140	137
Other operating expenses	6 104	6 218	6 585	6 859	6 904
Other property expenses	267	227	229	239	251
Total expenses from transactions	11 664	11 806	12 185	12 668	12 931
Net result from transactions – net operating balance	(386)	(398)	(637)	(771)	(844)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	31	16	4	78	25
Other gains/(losses) from other economic flows	169	562	248	260	269
Total other economic flows included in net result	200	577	253	339	294
Net result	(186)	179	(384)	(432)	(551)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	1 206	1 091	914	8	6
Other movements in equity	112	(130)	5	5	1
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(9)	13	(9)	1	..
Total other economic flows – other comprehensive income	1 309	975	909	13	7
Comprehensive result – total change in net worth	1 123	1 154	525	(419)	(544)

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

	<i>2018-19 revised</i>	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
KEY FISCAL AGGREGATES					
Net operating balance	(386)	(398)	(637)	(771)	(844)
Less: Net acquisition of non-financial assets from transactions	4 608	6 760	5 326	3 945	5 086
Net lending/(borrowing)	(4 994)	(7 158)	(5 963)	(4 716)	(5 930)

Source: Department of Treasury and Finance

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

	2019 <i>revised</i>	2020 <i>budget</i>	2021 <i>estimate</i>	2022 <i>estimate</i>	2023 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	1 225	1 374	1 025	1 030	908
Advances paid	4 003	2 051	797	242	103
Receivables	1 744	1 680	1 679	1 676	1 656
Investments, loans and placements	943	564	646	628	631
Total financial assets	7 915	5 669	4 146	3 576	3 298
Non-financial assets					
Inventories	1 193	1 297	1 328	1 234	1 229
Non-financial assets held for sale	55	55	55	55	55
Land, buildings, infrastructure, plant and equipment	131 742	139 992	146 512	150 571	155 636
Other non-financial assets	1 398	1 392	1 401	1 402	1 395
Total non-financial assets	134 388	142 736	149 295	153 263	158 316
Total assets	142 303	148 405	153 442	156 839	161 614
Liabilities					
Deposits held and advances received	4 444	2 496	1 249	691	565
Payables	10 012	9 873	9 666	9 509	9 373
Borrowings	17 210	18 542	19 309	19 889	20 348
Employee benefits	443	445	449	451	454
Superannuation	29	28	28	28	28
Other provisions	7 907	7 588	7 588	7 219	6 837
Total liabilities	40 045	38 973	38 289	37 787	37 605
Net assets	102 258	109 432	115 153	119 052	124 009
Accumulated surplus/(deficit)	3 069	2 690	2 115	1 520	775
Reserves	99 189	106 742	113 038	117 532	123 234
Net worth	102 258	109 432	115 153	119 052	124 009
FISCAL AGGREGATES					
Net financial worth	(32 130)	(33 304)	(34 143)	(34 211)	(34 307)
Net financial liabilities	32 130	33 304	34 143	34 211	34 307
Net debt	15 483	17 049	18 091	18 679	19 270

Source: Department of Treasury and Finance

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

	<i>2018-19 revised</i>	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
Cash flows from operating activities					
Receipts					
Grants	3 937	3 902	3 926	4 000	4 093
Sales of goods and services ^(a)	6 673	7 300	7 440	7 770	7 865
Interest received	144	81	48	30	24
Dividend receipts	22	22	23	29	28
Other receipts	538	360	273	302	327
Total receipts	11 314	11 665	11 710	12 131	12 338
Payments					
Payments for employees	(1 381)	(1 402)	(1 430)	(1 478)	(1 516)
Superannuation	(136)	(139)	(143)	(151)	(152)
Interest paid	(1 033)	(1 014)	(1 001)	(984)	(980)
Grants and subsidies	(77)	(94)	(68)	(55)	(49)
Goods and services ^(a)	(4 491)	(4 420)	(4 675)	(4 824)	(4 777)
Other payments	(2 733)	(2 811)	(2 836)	(2 968)	(3 063)
Total payments	(9 851)	(9 881)	(10 153)	(10 459)	(10 537)
Net cash flows from operating activities	1 464	1 784	1 557	1 672	1 801
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(3 177)	(3 128)	(2 381)	(2 155)	(2 146)
Sales of non-financial assets	268	295	184	415	158
Net cash flows from investments in non-financial assets	(2 909)	(2 833)	(2 197)	(1 741)	(1 989)
Net cash flows from investments in financial assets for policy purposes	1 452	1 813	1 257	560	145
Subtotal	(1 457)	(1 020)	(940)	(1 181)	(1 844)
Net cash flows from investment in financial assets for liquidity management purposes	354	402	(89)	18	(4)
Net cash flows from investing activities	(1 104)	(618)	(1 029)	(1 163)	(1 848)
Cash flows from financing activities					
Advances received (net)	(1 337)	(1 947)	(1 243)	(557)	(127)
Net borrowings	748	1 100	745	606	466
Deposits received (net)	(7)	..	(4)	(1)	..
Other financing (net)	41	(170)	(375)	(551)	(414)
Net cash flows from financing activities	(554)	(1 018)	(877)	(503)	(75)
Net increase/(decrease) in cash and cash equivalents	(194)	149	(349)	5	(122)
Cash and cash equivalents at beginning of reporting period	1 419	1 225	1 374	1 025	1 030
Cash and cash equivalents at end of reporting period	1 225	1 374	1 025	1 030	908

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

	<i>2018-19 revised</i>	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities	1 464	1 784	1 557	1 672	1 801
Dividends paid	(158)	(385)	(180)	(149)	(176)
Net cash flows from investments in non-financial assets	(2 909)	(2 833)	(2 197)	(1 741)	(1 989)
Cash surplus/(deficit)	(1 603)	(1 434)	(820)	(217)	(364)

Source: Department of Treasury and Finance

Note:

(a) Inclusive of goods and services tax.

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

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owners</i>
2018-19 revised		
Balance at 1 July 2018	3 333	59 478
Net result for the year	(186)	..
Other comprehensive income for the year	80	..
Dividends paid	(158)	..
Transactions with owners in their capacity as owners	..	4 081
Total equity as at 30 June 2019	3 069	63 559
2019-20 budget		
Balance at 1 July 2019 ^(a)	3 045	63 559
Net result for the year	179	..
Other comprehensive income for the year	(149)	..
Dividends paid	(385)	..
Transactions with owners in their capacity as owners	..	6 429
Total equity as at 30 June 2020	2 690	69 988
2020-21 estimate		
Balance at 1 July 2020	2 690	69 988
Net result for the year	(384)	..
Other comprehensive income for the year	(11)	..
Dividends paid	(180)	..
Transactions with owners in their capacity as owners	..	5 376
Total equity as at 30 June 2021	2 115	75 364
2021-22 estimate		
Balance at 1 July 2021	2 115	75 364
Net result for the year	(432)	..
Other comprehensive income for the year	(14)	..
Dividends paid	(149)	..
Transactions with owners in their capacity as owners	..	4 466
Total equity as at 30 June 2022	1 520	79 831
2022-23 estimate		
Balance at 1 July 2022	1 520	79 831
Net result for the year	(551)	..
Other comprehensive income for the year	(19)	..
Dividends paid	(176)	..
Transactions with owners in their capacity as owners	..	5 677
Total equity as at 30 June 2023	775	85 508

Source: Department of Treasury and Finance

Note:

(a) The estimated 1 July 2019 balance has been restated resulting from the application of the new accounting standards.

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
33 851	549	97 212
..	..	(186)
1 206	23	1 309
..	..	(158)
..	..	4 081
35 058	572	102 258
35 058	572	102 234
..	..	179
1 091	33	975
..	..	(385)
..	..	6 429
36 149	605	109 432
36 149	605	109 432
..	..	(384)
914	6	909
..	..	(180)
..	..	5 376
37 063	611	115 153
37 063	611	115 153
..	..	(432)
8	19	13
..	..	(149)
..	..	4 466
37 071	630	119 052
37 071	630	119 052
..	..	(551)
6	20	7
..	..	(176)
..	..	5 677
37 076	650	124 009

Table 2.5: Net acquisition of non-financial assets – public non-financial corporations sector

(\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Purchases of non-financial assets (including change in inventories)	3 189	3 106	2 381	2 156	2 146
Less: Sales of non-financial assets	(268)	(295)	(184)	(415)	(158)
Less: Depreciation and amortisation	(2 322)	(2 469)	(2 641)	(2 814)	(2 985)
Plus: Other movements in non-financial assets ^(a)	4 009	6 418	5 770	5 019	6 083
Total net acquisition of non-financial assets from transactions	4 608	6 760	5 326	3 945	5 086

Source: Department of Treasury and Finance

Note:

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

Table 2.6: Non-financial public sector comprehensive operating statement
for the financial year ended 30 June (\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Revenue from transactions					
Taxation revenue	23 392	23 891	25 006	26 307	27 815
Interest revenue	289	242	239	222	216
Dividends, income tax equivalent and rate equivalent revenue	550	270	180	194	193
Sales of goods and services	11 525	12 076	12 690	13 144	13 237
Grant revenue	33 393	34 095	36 076	38 000	40 388
Other revenue	3 580	3 539	3 681	3 776	3 924
Total revenue from transactions	72 730	74 113	77 872	81 643	85 773
Expenses from transactions					
Employee expenses	26 415	27 545	28 988	29 712	30 884
Net superannuation interest expense	692	570	550	531	511
Other superannuation	2 922	3 095	3 170	3 275	3 377
Depreciation	5 154	6 217	6 795	7 216	7 716
Interest expense	2 523	3 068	3 208	3 381	3 548
Grant expense	9 907	9 161	10 876	11 091	11 575
Other operating expenses	24 552	24 196	23 649	23 456	24 237
Total expenses from transactions	72 165	73 853	77 237	78 662	81 848
Net result from transactions – net operating balance	564	260	636	2 981	3 925
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	120	55	29	103	57
Net gain/(loss) on financial assets or liabilities at fair value	(121)	25	25	26	25
Other gains/(losses) from other economic flows	(483)	(467)	(464)	(470)	(491)
Total other economic flows included in net result	(485)	(386)	(409)	(341)	(410)
Net result	80	(126)	226	2 640	3 516
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	5 003	4 671	6 653	3 744	4 818
Remeasurement of superannuation defined benefit plans	(1 920)	1 109	1 131	1 150	1 171
Other movements in equity	91	(89)	2	24	19
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(7)	16	(7)	3	3
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(1 525)	(52)	(6)	29	9
Total other economic flows – other comprehensive income	1 643	5 655	7 773	4 951	6 021
Comprehensive result – total change in net worth	1 722	5 529	7 999	7 591	9 536
KEY FISCAL AGGREGATES					
Net operating balance	564	260	636	2 981	3 925
Less: Net acquisition of non-financial assets from transactions	6 936	10 644	10 103	7 409	8 171
Net lending/(borrowing)	(6 372)	(10 384)	(9 468)	(4 427)	(4 246)

Source: Department of Treasury and Finance

Table 2.7: Non-financial public sector balance sheet as at 30 June (\$ million)

	2019 <i>revised</i>	2020 <i>budget</i>	2021 <i>estimate</i>	2022 <i>estimate</i>	2023 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	9 413	7 523	7 276	7 529	7 541
Advances paid	504	426	459	522	456
Receivables	7 464	7 596	7 982	8 364	8 770
Investments, loans and placements	3 185	3 235	3 416	3 442	3 598
Investments accounted for using equity method	44	44	44	44	44
Investments in other sector entities	2 518	1 243	217	246	255
Total financial assets	23 129	20 068	19 394	20 147	20 665
Non-financial assets					
Inventories	1 383	1 494	1 529	1 439	1 439
Non-financial assets held for sale	417	409	420	421	422
Land, buildings, infrastructure, plant and equipment	271 871	305 243	322 563	333 623	345 447
Other non-financial assets	3 171	2 849	2 693	2 540	2 369
Total non-financial assets	276 842	309 996	327 205	338 023	349 677
Total assets	299 971	330 064	346 599	358 170	370 342
Liabilities					
Deposits held and advances received	1 315	1 315	1 311	1 310	1 310
Payables	18 972	25 323	25 704	25 228	24 076
Borrowings	50 067	65 870	74 810	79 947	84 402
Employee benefits	7 762	8 081	8 384	8 689	8 998
Superannuation	27 211	26 130	25 028	24 009	23 003
Other provisions	1 019	1 003	1 020	1 052	1 084
Total liabilities	106 345	127 720	136 257	140 236	142 873
Net assets	193 625	202 344	210 343	217 933	227 470
Accumulated surplus/(deficit)	75 976	80 042	81 388	85 183	89 869
Reserves	117 649	122 302	128 955	132 750	137 600
Net worth	193 625	202 344	210 343	217 933	227 470
FISCAL AGGREGATES					
Net financial worth	(83 217)	(107 652)	(116 862)	(120 090)	(122 207)
Net financial liabilities	85 735	108 895	117 079	120 335	122 462
Net debt	38 279	55 999	64 970	69 765	74 116

Source: Department of Treasury and Finance

Table 2.8: Non-financial public sector cash flow statement for the financial year ended 30 June

(\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Cash flows from operating activities					
Receipts					
Taxes received	23 339	23 661	24 635	25 912	27 440
Grants	33 388	34 121	36 084	37 996	40 388
Sales of goods and services ^(a)	15 429	13 372	13 999	14 493	14 604
Interest received	288	242	238	222	216
Dividends, income tax equivalent and rate equivalent receipts	497	269	179	193	192
Other receipts	2 692	2 506	2 587	2 700	2 748
Total receipts	75 632	74 171	77 722	81 516	85 588
Payments					
Payments for employees	(26 122)	(27 234)	(28 692)	(29 415)	(30 583)
Superannuation	(3 556)	(3 637)	(3 691)	(3 674)	(3 723)
Interest paid	(2 475)	(2 536)	(2 632)	(2 661)	(2 652)
Grants and subsidies	(10 072)	(9 122)	(10 843)	(11 055)	(11 537)
Goods and services ^(a)	(25 275)	(24 867)	(24 384)	(24 393)	(25 046)
Other payments	(800)	(807)	(820)	(769)	(788)
Total payments	(68 299)	(68 202)	(71 063)	(71 968)	(74 329)
Net cash flows from operating activities	7 333	5 968	6 660	9 548	11 259
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(11 774)	(16 172)	(15 178)	(11 933)	(14 021)
Sales of non-financial assets	587	1 120	499	910	701
Net cash flows from investments in non-financial assets	(11 187)	(15 052)	(14 679)	(11 023)	(13 320)
Net cash flows from investments in financial assets for policy purposes	86	1 250	986	(38)	88
Subtotal	(11 102)	(13 802)	(13 693)	(11 062)	(13 233)
Net cash flows from investment in financial assets for liquidity management purposes	2 048	(53)	(142)	16	(115)
Net cash flows from investing activities	(9 053)	(13 855)	(13 835)	(11 046)	(13 348)
Cash flows from financing activities					
Advances received (net)	(244)	..	..	..	..
Net borrowings	3 714	5 996	6 932	1 751	2 101
Deposits received (net)	(12)	..	(4)	(1)	..
Net cash flows from financing activities	3 458	5 996	6 928	1 750	2 101
Net increase/(decrease) in cash and cash equivalents	1 738	(1 890)	(247)	253	13
Cash and cash equivalents at beginning of reporting period	7 676	9 413	7 523	7 276	7 529
Cash and cash equivalents at end of reporting period	9 413	7 523	7 276	7 529	7 541
FISCAL AGGREGATES					
Net cash flows from operating activities	7 333	5 968	6 660	9 548	11 259
Net cash flows from investments in non-financial assets	(11 187)	(15 052)	(14 679)	(11 023)	(13 320)
Cash surplus/(deficit)	(3 854)	(9 084)	(8 019)	(1 475)	(2 061)

Source: Department of Treasury and Finance

Note:

(a) Inclusive of goods and services tax.

Table 2.9: Non-financial public sector statement of changes in equity for the financial year ended 30 June (\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-financial assets revaluation surplus</i>
2018-19 revised		
Balance at 1 July 2018	77 744	108 120
Net result for the year	80	..
Other comprehensive income for the year	(1 847)	5 003
Total equity as at 30 June 2019	75 976	113 123
2019-20 budget		
Balance at 1 July 2019 ^(a)	79 165	113 123
Net result for the year	(126)	..
Other comprehensive income for the year	1 003	4 671
Total equity as at 30 June 2020	80 042	117 794
2020-21 estimate		
Balance at 1 July 2020	80 042	117 794
Net result for the year	226	..
Other comprehensive income for the year	1 119	6 653
Total equity as at 30 June 2021	81 388	124 448
2021-22 estimate		
Balance at 1 July 2021	81 388	124 448
Net result for the year	2 640	..
Other comprehensive income for the year	1 156	3 744
Total equity as at 30 June 2022	85 183	128 192
2022-23 estimate		
Balance at 1 July 2022	85 183	128 192
Net result for the year	3 516	..
Other comprehensive income for the year	1 170	4 818
Total equity as at 30 June 2023	89 869	133 010

Source: Department of Treasury and Finance

Note:

(a) The estimated 1 July 2019 balance has been restated resulting from the application of the new accounting standards.

<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
4 382	1 657	191 903
..	..	80
(1 525)	12	1 643
2 857	1 669	193 625
2 857	1 669	196 815
..	..	(126)
(52)	34	5 655
2 805	1 703	202 344
2 805	1 703	202 344
..	..	226
(6)	7	7 773
2 798	1 709	210 343
2 798	1 709	210 343
..	..	2 640
29	22	4 951
2 827	1 731	217 933
2 827	1 731	217 933
..	..	3 516
9	22	6 021
2 837	1 754	227 470

Table 2.10: Net acquisition of non-financial assets – non-financial public sector (\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Purchases of non-financial assets (including change in inventories)	11 795	16 154	15 182	11 937	14 024
Less: Sales of non-financial assets	(587)	(1 120)	(499)	(910)	(701)
Less: Depreciation and amortisation	(5 154)	(6 217)	(6 795)	(7 216)	(7 716)
Plus: Other movements in non-financial assets ^{(a)(b)}	883	1 827	2 216	3 597	2 564
Total net acquisition of non-financial assets from transactions	6 936	10 644	10 103	7 409	8 171

Source: Department of Treasury and Finance

Notes:

- (a) Other movements in non-financial assets includes recognising right of use assets under lease arrangements, and recognising service concession arrangements, including from Public Private Partnerships. Some of these items have been impacted by the application of the new accounting standards.
- (b) The Public Private Partnerships across the forward estimates relate to the High Capacity Metro Trains Project, the Western Roads Upgrade, the Casey Hospital expansion, the Metro Tunnel, the West Gate Tunnel Project, the Northern Roads Upgrade, the South Eastern Roads Upgrade, the North East Link and the new Footscray Hospital.

Table 2.11: Public financial corporations sector comprehensive operating statement for the financial year ended 30 June (\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Revenue from transactions					
Interest revenue	1 924	1 939	2 001	2 101	2 129
Dividend revenue	2 743	1 536	1 527	1 717	1 784
Sales of goods and services	4 874	5 085	5 334	5 596	5 871
Other revenue	20	22	27	28	29
Total revenue from transactions	9 560	8 583	8 890	9 443	9 812
Expenses from transactions					
Employee expenses	379	387	389	396	407
Other superannuation	30	30	30	31	31
Depreciation	43	89	113	143	152
Interest expense	1 740	1 802	1 833	1 901	1 920
Grant expense	678	1 555	1 282	1 284	706
Other operating expenses	7 598	7 766	8 226	8 821	9 215
Other property expenses	(2)	8	9	9	9
Total expenses from transactions	10 465	11 637	11 882	12 585	12 441
Net result from transactions – net operating balance ^(a)	(904)	(3 054)	(2 992)	(3 143)	(2 628)
Other economic flows included in net result					
Net gain/(loss) on financial assets or liabilities at fair value	(2 760)	540	508	582	606
Other gains/(losses) from other economic flows	206	1 085	1 141	1 136	1 148
Total other economic flows included in net result	(2 554)	1 625	1 650	1 719	1 754
Net result	(3 458)	(1 429)	(1 343)	(1 424)	(874)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Other movements in equity	..	5	..	..	..
Total other economic flows – other comprehensive income	..	5	..	..	..
Comprehensive result – total change in net worth	(3 458)	(1 424)	(1 343)	(1 424)	(874)
KEY FISCAL AGGREGATES					
Net operating balance	(904)	(3 054)	(2 992)	(3 143)	(2 628)
Less: Net acquisition of non-financial assets from transactions	65	82	98	(20)	(99)
Net lending/(borrowing)	(969)	(3 136)	(3 090)	(3 122)	(2 530)

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 more meaningfully reflects the underlying operating and performance of the public financial corporations sector than the net result from transactions.

Table 2.12: Public financial corporations sector balance sheet as at 30 June (\$ million)

	2019 <i>revised</i>	2020 <i>budget</i>	2021 <i>estimate</i>	2022 <i>estimate</i>	2023 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	3 067	3 114	3 155	3 144	3 201
Advances paid	12	14	14	13	12
Receivables	1 442	1 474	1 561	1 564	1 524
Investments, loans and placements	41 328	34 591	34 128	36 768	36 615
Loans receivable from non-financial public sector ^(a)	34 421	39 996	46 980	49 014	52 065
Total financial assets	80 271	79 188	85 838	90 504	93 417
Non-financial assets					
Land, buildings, infrastructure, plant and equipment	115	369	360	348	321
Other non-financial assets	2 290	2 599	2 899	3 036	3 064
Total non-financial assets	2 405	2 968	3 259	3 384	3 385
Total assets	82 676	82 156	89 097	93 888	96 802
Liabilities					
Deposits held and advances received	3 993	1 443	1 120	941	800
Payables	1 731	1 724	1 716	1 710	1 705
Borrowings ^(b)	44 683	47 433	54 810	58 869	60 407
Employee benefits	101	105	108	111	113
Other provisions	35 294	37 356	39 650	42 034	44 475
Total liabilities	85 802	88 062	97 404	103 666	107 500
Net assets ^(c)	(3 127)	(5 906)	(8 307)	(9 778)	(10 698)
Accumulated surplus/(deficit)	(3 196)	(5 975)	(8 377)	(9 848)	(10 768)
Reserves	69	69	70	70	70
Net worth ^(c)	(3 127)	(5 906)	(8 307)	(9 778)	(10 698)
FISCAL AGGREGATES					
Net financial worth	(5 532)	(8 874)	(11 567)	(13 162)	(14 083)
Net financial liabilities	5 532	8 874	11 567	13 162	14 083
Net debt	(30 153)	(28 838)	(28 347)	(29 130)	(30 687)

Source: Department of Treasury and Finance

Notes:

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

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

(c) Treasury Corporation of Victoria's external loan liabilities are at mark-to-market value while the corresponding assets, that is lending to the non-financial public sector, are at historical value.

**Table 2.13: Public financial corporations sector cash flow statement
for the financial year ended 30 June**

(\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Cash flows from operating activities					
Receipts					
Sales of goods and services ^(a)	5 326	5 560	5 842	6 130	6 432
Interest received	1 864	1 879	1 941	2 041	2 069
Dividend receipts	2 743	1 536	1 527	1 717	1 784
Other receipts	25	69	14	98	127
Total receipts	9 957	9 045	9 324	9 986	10 412
Payments					
Payments for employees	(387)	(383)	(386)	(393)	(405)
Superannuation	(30)	(30)	(30)	(31)	(31)
Interest paid	(1 805)	(1 852)	(1 884)	(1 954)	(1 972)
Grants and subsidies	(678)	(1 555)	(1 303)	(1 284)	(706)
Goods and services ^(a)	(4 981)	(5 389)	(5 562)	(6 065)	(6 358)
Other payments	(16)	(8)	(9)	(9)	(9)
Total payments	(7 896)	(9 217)	(9 174)	(9 736)	(9 481)
Net cash flows from operating activities	2 060	(172)	150	250	931
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(108)	(171)	(211)	(123)	(53)
Net cash flows from investments in non-financial assets	(108)	(171)	(211)	(123)	(53)
Net cash flows from investments in financial assets for policy purposes	5	3	(1)	1	1
Subtotal	(102)	(168)	(212)	(122)	(52)
Net cash flows from investment in financial assets for liquidity management purposes	(5 952)	1 766	(5 951)	(4 030)	(2 228)
Net cash flows from investing activities	(6 054)	1 597	(6 162)	(4 151)	(2 280)
Cash flows from financing activities					
Advances received (net)	(11)	4	1	(1)	(1)
Net borrowings	5 577	2 526	7 434	4 116	1 594
Deposits received (net)	(3 639)	(2 552)	(323)	(178)	(140)
Other financing (net)	(420)	(1 355)	(1 059)	(47)	(46)
Net cash flows from financing activities	1 507	(1 377)	6 053	3 890	1 407
Net increase/(decrease) in cash and cash equivalents	(2 487)	47	41	(11)	57
Cash and cash equivalents at beginning of reporting period	5 554	3 067	3 114	3 155	3 144
Cash and cash equivalents at end of reporting period	3 067	3 114	3 155	3 144	3 201
FISCAL AGGREGATES					
Net cash flows from operating activities	2 060	(172)	150	250	931
Dividends paid	(420)	(132)	(39)	(47)	(46)
Net cash flows from investments in non-financial assets	(108)	(171)	(211)	(123)	(53)
Cash surplus/(deficit)	1 533	(475)	(100)	81	831

Source: Department of Treasury and Finance

Note:

(a) Inclusive of goods and services tax.

Table 2.14: Public financial corporations sector statement of changes in equity
for the financial year ended 30 June (\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owners</i>
2018-19 revised		
Balance at 1 July 2018	683	30
Net result for the year	(3 458)	..
Other comprehensive income for the year	..	..
Dividends paid	(420)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2019	(3 196)	30
2019-20 budget		
Balance at 1 July 2019 ^(a)	(3 196)	30
Net result for the year	(1 429)	..
Other comprehensive income for the year	4	..
Dividends paid	(132)	..
Transfer to/(from) accumulated surplus	(1 223)	1 223
Transactions with owners in their capacity as owners	..	(1 223)
Total equity as at 30 June 2020	(5 975)	30
2020-21 estimate		
Balance at 1 July 2020	(5 975)	30
Net result for the year	(1 343)	..
Other comprehensive income for the year	..	..
Dividends paid	(39)	..
Transfer to/(from) accumulated surplus	(1 020)	1 020
Transactions with owners in their capacity as owners	..	(1 020)
Total equity as at 30 June 2021	(8 377)	30
2021-22 estimate		
Balance at 1 July 2021	(8 377)	30
Net result for the year	(1 424)	..
Other comprehensive income for the year	..	..
Dividends paid	(47)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2022	(9 848)	30
2022-23 estimate		
Balance at 1 July 2022	(9 848)	30
Net result for the year	(874)	..
Other comprehensive income for the year	..	..
Dividends paid	(46)	..
Transfer to/(from) accumulated surplus	..	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2023	(10 768)	30

Source: Department of Treasury and Finance

Note:

(a) The estimated 1 July 2019 balance has been restated resulting from the application of the new accounting standards.

<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2	36	751
..	..	(3 458)
..
..	..	(420)
..
..
2	37	(3 127)
2	37	(3 127)
..	..	(1 429)
..	..	5
..	..	(132)
..
..	..	(1 223)
2	37	(5 906)
2	37	(5 906)
..	..	(1 343)
..
..	..	(39)
..
..	..	(1 020)
2	37	(8 307)
2	37	(8 307)
..	..	(1 424)
..
..	..	(47)
..
..
2	37	(9 778)
2	37	(9 778)
..	..	(874)
..
..	..	(46)
..
..
2	38	(10 698)

Table 2.15: Net acquisition of non-financial assets – public financial corporations sector
(\$ million)

	<i>2018-19 revised</i>	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
Purchases of non-financial assets less sales of non-financial assets (including change in inventories)	108	171	211	123	53
Less: Depreciation and amortisation	(43)	(89)	(113)	(143)	(152)
Total net acquisition of non-financial assets from transactions	65	82	98	(20)	(99)

Source: Department of Treasury and Finance

Table 2.16: State of Victoria operating statement for the financial year ended 30 June
(\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Revenue from transactions					
Taxation revenue	23 377	23 875	24 990	26 290	27 798
Interest revenue	573	489	456	470	472
Dividend revenue	2 844	1 666	1 659	1 856	1 921
Sales of goods and services	15 450	16 199	17 015	17 680	17 994
Grant revenue	32 730	32 520	34 730	36 711	39 670
Other revenue	3 599	3 561	3 708	3 804	3 953
Total revenue from transactions	78 573	78 309	82 558	86 809	91 807
Expenses from transactions					
Employee expenses	26 389	27 526	28 961	29 684	30 858
Net superannuation interest expense	692	570	550	531	511
Other superannuation	2 951	3 125	3 200	3 306	3 408
Depreciation	5 197	6 306	6 908	7 359	7 868
Interest expense	2 623	3 183	3 265	3 436	3 602
Grant expense	9 925	9 181	10 896	11 108	11 582
Other operating expenses	31 587	31 350	31 180	31 600	32 734
Total expenses from transactions	79 365	81 240	84 960	87 024	90 564
Net result from transactions – net operating balance	(792)	(2 932)	(2 402)	(215)	1 243
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	120	55	29	103	57
Net gain/(loss) on financial assets or liabilities at fair value	(2 881)	565	534	608	632
Other gains/(losses) from other economic flows	(1 630)	430	477	515	537
Total other economic flows included in net result	(4 391)	1 051	1 040	1 226	1 226
Net result	(5 182)	(1 881)	(1 363)	1 011	2 469
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	5 003	4 671	6 653	3 744	4 818
Remeasurement of superannuation defined benefit plans	(1 920)	1 109	1 131	1 150	1 171
Other movements in equity	91	(84)	2	24	19
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(7)	16	(7)	3	3
Total other economic flows – other comprehensive income	3 168	5 712	7 779	4 922	6 011
Comprehensive result – total change in net worth	(2 014)	3 831	6 417	5 933	8 480
KEY FISCAL AGGREGATES					
Net operating balance	(792)	(2 932)	(2 402)	(215)	1 243
Less: Net acquisition of non-financial assets from transactions	7 001	10 724	10 202	7 389	8 073
Net lending/(borrowing)	(7 793)	(13 655)	(12 604)	(7 604)	(6 829)

Source: Department of Treasury and Finance

Table 2.17: State of Victoria balance sheet as at 30 June

(\$ million)

	2019 <i>revised</i>	2020 <i>budget</i>	2021 <i>estimate</i>	2022 <i>estimate</i>	2023 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	9 739	10 291	10 291	10 643	10 740
Advances paid	504	426	459	522	456
Receivables	8 590	8 749	9 222	9 605	9 969
Investments, loans and placements	43 888	37 359	37 193	39 928	40 044
Investments accounted for using equity method	44	44	44	44	44
Total financial assets	62 766	56 870	57 209	60 742	61 253
Non-financial assets					
Inventories	1 383	1 494	1 529	1 439	1 439
Non-financial assets held for sale	417	409	420	421	422
Land, buildings, infrastructure, plant and equipment	271 986	305 610	322 921	333 969	345 766
Other non-financial assets	3 381	3 180	3 124	2 956	2 707
Total non-financial assets	277 168	310 693	327 994	338 786	350 334
Total assets	339 933	367 563	385 203	399 528	411 587
Liabilities					
Deposits held and advances received	2 069	2 070	2 066	2 066	2 066
Payables	20 397	26 736	27 108	26 625	25 479
Borrowings	60 156	73 138	82 478	89 647	92 596
Employee benefits	7 863	8 186	8 492	8 800	9 110
Superannuation	27 211	26 130	25 028	24 009	23 003
Other provisions	36 311	38 357	40 667	43 084	45 557
Total liabilities	154 007	174 617	185 840	194 232	197 810
Net assets	185 926	192 946	199 363	205 296	213 777
Accumulated surplus/(deficit)	71 095	73 410	73 167	75 333	78 973
Reserves	114 831	119 536	126 197	129 963	134 804
Net worth	185 926	192 946	199 363	205 296	213 777
FISCAL AGGREGATES					
Net financial worth	(91 241)	(117 747)	(128 631)	(133 489)	(136 557)
Net financial liabilities	91 241	117 747	128 631	133 489	136 557
Net debt	8 094	27 131	36 601	40 620	43 421

Source: Department of Treasury and Finance

Table 2.18: State of Victoria cash flow statement for the financial year ended 30 June
(\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Cash flows from operating activities					
Receipts					
Taxes received	23 324	23 646	24 619	25 896	27 423
Grants	32 682	32 545	34 737	36 706	39 671
Sales of goods and services ^(a)	19 810	17 974	18 831	19 562	19 923
Interest received	507	429	396	410	412
Dividend receipts	2 843	1 665	1 659	1 856	1 921
Other receipts	2 717	2 576	2 600	2 798	2 875
Total receipts	81 883	78 834	82 843	87 227	92 225
Payments					
Payments for employees	(26 104)	(27 210)	(28 662)	(29 384)	(30 555)
Superannuation	(3 586)	(3 667)	(3 721)	(3 705)	(3 754)
Interest paid	(2 636)	(2 702)	(2 741)	(2 770)	(2 759)
Grants and subsidies	(10 047)	(9 142)	(10 884)	(11 073)	(11 545)
Goods and services ^(a)	(29 697)	(29 647)	(29 252)	(29 782)	(30 687)
Other payments	(840)	(807)	(820)	(769)	(788)
Total payments	(72 909)	(73 176)	(76 080)	(77 483)	(80 088)
Net cash flows from operating activities	8 974	5 658	6 764	9 744	12 136
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(11 882)	(16 341)	(15 389)	(12 056)	(14 074)
Sales of non-financial assets	587	1 120	499	910	701
Net cash flows from investments in non-financial assets	(11 295)	(15 220)	(14 890)	(11 146)	(13 373)
Net cash flows from investments in financial assets for policy purposes	86	31	(34)	(38)	88
Subtotal	(11 209)	(15 189)	(14 924)	(11 184)	(13 286)
Net cash flows from investment in financial assets for liquidity management purposes	(4 550)	7 129	776	(2 047)	594
Net cash flows from investing activities	(15 759)	(8 060)	(14 148)	(13 231)	(12 691)
Cash flows from financing activities					
Advances received (net)	(250)	1	..	..	..
Net borrowings	10 293	2 952	7 389	3 840	652
Deposits received (net)	(12)	..	(4)	(1)	..
Net cash flows from financing activities	10 031	2 953	7 385	3 839	652
Net increase/(decrease) in cash and cash equivalents	3 245	552	..	352	97
Cash and cash equivalents at beginning of reporting period	6 494	9 739	10 291	10 291	10 643
Cash and cash equivalents at end of reporting period	9 739	10 291	10 291	10 643	10 740
FISCAL AGGREGATES					
Net cash flows from operating activities	8 974	5 658	6 764	9 744	12 136
Net cash flows from investments in non-financial assets	(11 295)	(15 220)	(14 890)	(11 146)	(13 373)
Cash surplus/(deficit)	(2 321)	(9 562)	(8 126)	(1 402)	(1 237)

Source: Department of Treasury and Finance

Note:

(a) Inclusive of goods and services tax.

Table 2.19: State of Victoria statement of changes in equity for the financial year ended 30 June

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2018-19 revised				
Balance at 1 July 2018	78 125	108 122	1 694	187 941
Net result for the year	(5 182)	..	..	(5 182)
Other comprehensive income for the year	(1 847)	5 003	12	3 168
Total equity as at 30 June 2019	71 095	113 125	1 706	185 926
2019-20 budget				
Balance at 1 July 2019 ^(a)	74 284	113 125	1 706	189 115
Net result for the year	(1 881)	..	..	(1 881)
Other comprehensive income for the year	1 007	4 671	34	5 712
Total equity as at 30 June 2020	73 410	117 797	1 740	192 946
2020-21 estimate				
Balance at 1 July 2020	73 410	117 797	1 740	192 946
Net result for the year	(1 363)	..	..	(1 363)
Other comprehensive income for the year	1 119	6 653	7	7 779
Total equity as at 30 June 2021	73 167	124 450	1 747	199 363
2021-22 estimate				
Balance at 1 July 2021	73 167	124 450	1 747	199 363
Net result for the year	1 011	..	..	1 011
Other comprehensive income for the year	1 156	3 744	22	4 922
Total equity as at 30 June 2022	75 333	128 194	1 769	205 296
2022-23 estimate				
Balance at 1 July 2022	75 333	128 194	1 769	205 296
Net result for the year	2 469	..	..	2 469
Other comprehensive income for the year	1 170	4 818	23	6 011
Total equity as at 30 June 2023	78 973	133 012	1 791	213 777

Source: Department of Treasury and Finance

Note:

(a) The estimated 1 July 2019 balance has been restated resulting from the application of the new accounting standards.

Table 2.20: Net acquisition of non-financial assets – State of Victoria (\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Purchases of non-financial assets (including change in inventories)	11 902	16 322	15 393	12 060	14 078
Less: Sales of non-financial assets	(587)	(1 120)	(499)	(910)	(701)
Less: Depreciation and amortisation	(5 197)	(6 306)	(6 908)	(7 359)	(7 868)
Plus: Other movements in non-financial assets ^{(a)(b)}	883	1 827	2 215	3 597	2 564
Total net acquisition of non-financial assets from transactions	7 001	10 724	10 202	7 389	8 073

Source: Department of Treasury and Finance

Notes:

- (a) The other movements in non-financial assets includes recognising right of use assets under lease arrangements, and recognising service concession arrangements, including from Public Private Partnerships. Some of these items have been impacted by the application of the new accounting standards.
- (b) The Public Private Partnerships across the forward estimates relate to the High Capacity Metro Trains Project, the Western Roads Upgrade, the Casey Hospital expansion, the Metro Tunnel, the West Gate Tunnel Project, the Northern Roads Upgrade, the South Eastern Roads Upgrade, the North East Link and the new Footscray Hospital.

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 that are to be delivered by departments in the coming financial year.

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

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

It should be noted that post the 2018 State election, machinery of government changes have been reflected in the relevant Departmental Financial Statements effective from 1 January 2019.

In all tables, figures for 2017-18 actuals and the 2018-19 budget reflect the operations of departments as they existed prior to the machinery of government changes effective from 1 January 2019.

The 2018-19 budget figures have been restated to reflect the 2017-18 actual closing balances.

As highlighted in Chapter 1 of this Budget Paper, several new accounting standards issued by the Australian Accounting Standards Board (AASB) have been applied for the first time in these Departmental Financial Statements for 2019-20 onwards. These are:

- AASB 15 *Revenue from Contracts with Customers*;
- AASB 1058 *Income of Not-for-Profit Entities*;
- AASB 16 *Leases*; and
- AASB 1059 *Service Concession Arrangements: Grantors*.

The new accounting standards have not been reflected in the 2018-19 revised budget in the relevant Departmental Financial Statements to ensure consistency when comparing against the 2018-19 actual results.

DEPARTMENT OF EDUCATION AND TRAINING

Operating performance

The Department of Education and Training is expected to report an operating surplus of \$408 million in 2019-20, compared to an operating surplus in 2018-19 of \$495 million for the revised budget.

The surplus is primarily attributable to government school operations, capital grant revenue from the Growth Areas Infrastructure Contribution fund for schools in Melbourne's expanding fringe suburbs and TAFE operations.

The operating statement shows an increase in operating income of \$637 million between the 2018-19 revised budget and the 2019-20 budget. This is primarily due to increased funding for higher enrolments in Victorian schools and capital asset charges resulting from the 2017-18 asset revaluations. These increases are partially offset by the transfer of the maternal child health and parenting services to the Department of Health and Human Services as part of the machinery of government changes. The year-on-year increase also includes additional funding of the following initiatives announced in the *2019-20 Budget*:

- Essential maintenance and compliance;
- Maintaining access to high-quality and affordable kindergarten;
- Non-Government Schools Infrastructure Fund; and
- Program for Students with Disabilities.

Operating expenses are expected to increase by \$723 million in 2019-20, which is primarily driven by the factors outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$1.3 billion in 2019-20, compared to the 2018-19 revised budget, reflecting an increase in total assets of \$1.6 billion and an increase in total liabilities of \$302 million.

The increase in total assets reflects the Government's continued investment in major building upgrades and the construction of new schools and relocatable buildings. The increase in total liabilities largely reflects the impact of the new accounting standard AASB 16 *Leases*.

Investing and financing

The Department is anticipating an increase of \$61 million in its net cash position in 2019-20, compared to the 2018-19 revised budget, mainly due to increases in school cash balances, which includes locally raised funds and growth in fee for service revenue.

Cash outflows from investing activities primarily reflect the significant investment in purchases of property, plant and equipment for the continued asset commitment in schools, and new asset projects funded in the *2019-20 Budget* including:

- Asbestos Safety Program;
- New Schools Construction; and
- Ready for school: kinder for every three-year-old.

Administered items statement

The Department is responsible for administering revenue on behalf of the State for recurrent Commonwealth funding provided to the non-government school sector and the collection of international student fees for schools.

Total administered income of the Department is expected to increase by \$187 million in 2019-20, compared to the 2018-19 revised budget. This is driven by 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 of the Department are expected to increase similarly by \$168 million.

Table 3.1.1: Comprehensive operating statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	12 816	13 848	13 898	14 579
Special appropriations	10	..	8	..
Interest	24	17	25	28
Sale of goods and services	587	651	647	678
Grants	63	132	166	82
Other income	644	663	655	670
Total income from transactions	14 144	15 312	15 400	16 037
Expenses from transactions				
Employee benefits	7 256	7 857	7 930	8 220
Depreciation ^(c)	442	490	515	583
Interest expense ^(c)	30	15	33	38
Grants and other transfers	1 173	1 171	1 280	1 469
Capital asset charge	1 495	1 599	1 599	1 964
Other operating expenses ^(c)	3 347	3 810	3 550	3 355
Total expenses from transactions	13 742	14 941	14 906	15 629
Net result from transactions (net operating balance)	402	371	495	408
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	9	2	2	2
Net gain/(loss) on financial instruments and statutory receivables/payables	(16)	..	..	..
Other gains/(losses) from economic flows	3	(1)	(1)	(1)
Total other economic flows included in net result	(5)	..	1	1
Net result	397	372	495	409
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	3 642	12	12	(10)
Financial assets available-for-sale reserve	2	..	..	..
Other	1	(5)	(5)	..
Total other economic flows – other comprehensive income	3 646	7	7	(10)
Comprehensive result	4 043	379	503	399

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Education and Training included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet also increasing depreciation and interest expenses.

Table 3.1.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2018 actual ^(a)	2019 budget ^{(a)/(b)}	2019 revised ^(c)	2020 budget ^(c)
Assets				
Financial assets				
Cash and deposits	1 039	995	1 052	1 113
Receivables from government	1 982	2 104	2 095	2 172
Other receivables	157	108	109	109
Other financial assets	555	631	595	660
Total financial assets	3 733	3 837	3 851	4 054
Non-financial assets				
Inventories	1	2	2	2
Non-financial assets classified as held for sale including disposal group assets	40	41	41	42
Property, plant and equipment ^(d)	26 953	28 127	28 190	29 595
Investment properties	107	107	107	107
Intangible assets	71	52	52	55
Other	49	45	45	45
Total non-financial assets	27 222	28 375	28 437	29 847
Total assets	30 955	32 212	32 289	33 901
Liabilities				
Payables	835	818	795	796
Borrowings ^(d)	547	523	525	712
Provisions	1 617	1 719	1 719	1 832
Total liabilities	2 999	3 059	3 038	3 340
Net assets	27 956	29 153	29 250	30 560
Equity				
Accumulated surplus/(deficit)	3 223	3 590	3 713	4 122
Reserves	15 066	15 078	15 078	15 068
Contributed capital	9 667	10 484	10 459	11 370
Total equity	27 956	29 153	29 250	30 560

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Education and Training included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.
- (c) The 2019 revised budget and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (d) The 2020 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet, recognising a right-of-use asset and lease liability.

Table 3.1.3: Statement of cash flows

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government	12 974	13 729	13 795	14 505
Receipts from other entities	538	701	736	654
Interest received	24	17	25	28
Other receipts	707	781	767	767
Total receipts	14 243	15 228	15 323	15 953
Payments				
Payments of grants and other transfers	(1 176)	(1 169)	(1 279)	(1 467)
Payments to suppliers and employees	(10 597)	(11 564)	(11 385)	(11 453)
Capital asset charge	(1 495)	(1 599)	(1 599)	(1 964)
Interest and other costs of finance paid	(30)	(15)	(33)	(38)
Total payments	(13 297)	(14 347)	(14 296)	(14 923)
Net cash flows from/(used in) operating activities^(c)	946	881	1 027	1 031
Cash flows from investing activities				
Net investment	(78)	(76)	(40)	(65)
Payments for non-financial assets ^(d)	(1 207)	(1 637)	(1 725)	(1 758)
Proceeds from sale of non-financial assets	11	1	2	2
Net loans to other parties	2	3	3	3
Net cash flow from/(used in) investing activities	(1 272)	(1 708)	(1 761)	(1 818)
Cash flows from financing activities				
Owner contributions by State Government	329	816	790	911
Repayment of leases and service concession liabilities ^(d)	(9)	(24)	(24)	(55)
Net borrowings	(4)	(9)	(20)	(7)
Net cash flows from/(used in) financing activities^(c)	316	783	747	849
Net increase/(decrease) in cash and cash equivalents	(10)	(45)	13	61
Cash and cash equivalents at the beginning of the financial year	1 049	1 039	1 039	1 052
Cash and cash equivalents at the end of the financial year	1 039	995	1 052	1 113

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Education and Training included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the impact of machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires the capital component of lease expenses to be reclassified from operating activities to financing activities.
- (d) The 2017-18 actual incorporates a reclassification between financing activities and investing activities to reflect more recent information.

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 2017	2 824	9 418	11 419	3	23 664
Comprehensive result	399	..	3 642	2	4 043
Transactions with owners in their capacity as owners	..	249	..	..	249
Closing balance 30 June 2018 (actual) ^(a)	3 223	9 667	15 062	5	27 956
Comprehensive result	367	..	12	..	379
Transactions with owners in their capacity as owners	..	817	..	..	817
Closing balance 30 June 2019 (budget) ^{(a)(b)}	3 590	10 484	15 074	5	29 153
Comprehensive result	491	..	12	..	503
Transactions with owners in their capacity as owners	..	791	..	..	791
Closing balance 30 June 2019 (revised) ^(c)	3 713	10 459	15 074	5	29 250
Comprehensive result	409	..	(10)	..	399
Transactions with owners in their capacity as owners	..	911	..	..	911
Closing balance 30 June 2020 (budget) ^(c)	4 122	11 370	15 064	5	30 560

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

Notes:

(a) Figures for 2018 actuals and the 2019 budget reflect the operations of the Department of Education and Training included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

(c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.1.5: Administered items statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^{(a)(b)}	2018-19 revised ^(c)	2019-20 budget ^(c)
Administered income				
Sale of goods and services	74	70	70	73
Grants	3 246	3 411	3 449	3 634
Other income	16	2	3	2
Total administered income	3 337	3 483	3 522	3 709
Administered expenses				
Expenses on behalf of the State	1	..	..	..
Grants and other transfers	3 238	3 404	3 440	3 626
Payments into the Consolidated Fund	85	112	101	83
Total administered expenses	3 324	3 516	3 541	3 709
Income less expenses	13	(33)	(20)	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(4)	33	20	..
Total other economic flows included in net result	(4)	33	20	..
Net result	10	..	..	..
Comprehensive result	10	..	..	..
Administered assets				
Cash and deposits	1	..	..	..
Receivables	25	26	26	26
Other financial assets	1	1	1	1
Total administered assets	27	27	27	27
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	27	27	27	27

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

Notes:

(a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Education and Training included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2018-19 budget figures have been restated to reflect the 2017-18 actual closing balances.

(c) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

DEPARTMENT OF ENVIRONMENT, LAND, WATER AND PLANNING

Operating performance

The Department of Environment, Land, Water and Planning is expected to report an operating deficit of \$114 million in 2019-20. This deficit is primarily attributable to the drawdown of cash balances from the Growth Areas Infrastructure Contribution Fund and the Sustainability Fund to fund *2019-20 Budget* initiatives and payments for the Goulburn- Murray Water Connections project.

The operating statement shows a decrease in operating income of \$428 million between the 2018-19 revised budget and 2019-20 budget. This is primarily driven by the funding profiles of the Victorian Renewable Energy Target and the Power Saving Bonus initiative in 2018-19, offset by the funding of new initiatives in the *2019-20 Budget*.

The major new output initiatives announced in the *2019-20 Budget* include:

- Cladding Rectification Program;
- Growing Suburbs Fund;
- Living heritage grants;
- Managing bushfire risk; and
- Solar Homes Program and solar panels for renters.

Operating expenses are expected to decrease by \$418 million, which is primarily due to the factors outlined above.

Balance sheet

The Department's net asset position is estimated to increase by \$23 million in 2019-20, compared to the 2018-19 revised budget reflecting an increase in total assets of \$268 million, partly offset by an expected increase in total liabilities of \$245 million.

The increase in assets and liabilities also reflects the Solar Homes loan scheme, and the recognition of right-of-use assets and liabilities as part of the adoption of the new Australian Accounting Standard AASB 16 *Leases*, which is applicable from 1 July 2019.

Investing and financing

The Department is anticipating an increase of \$40 million in its net cash position in 2019-20, compared to the 2018-19 revised budget.

Total operating receipts are expected to decrease by \$410 million in 2019-20 primarily due to the movement in available funding for the Victorian Renewable Energy Target, Goulburn-Murray Water Connections project, and the Power Saving Bonus initiatives in 2018-19.

Cash outflows from investing activities for 2019-20 include payments for non-financial assets of \$144 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 *2019-20 Budget* includes:

- Historical boost for camping in Victoria's great outdoors;
- Managing bushfire risk; and
- Next steps in reimaging Melbourne's iconic waterways.

Administered items statement

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

Commonwealth funding reflected as grants includes a range of Commonwealth own purpose payments primarily for financial assistance and local roads grants for on-passing to local government.

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

Administered income is expected to decrease by \$298 million in 2019-20, compared to the 2018-19 revised budget, primarily due to the Commonwealth bringing forward a portion of the 2019-20 grants to local government to 2018-19.

Payments into the Consolidated Fund are expected to decrease by \$2.8 billion in 2019-20, compared to the 2018-19 revised budget, as a result of upfront proceeds from the commercialisation of the land titles and registry functions of Land Use Victoria.

Intangible assets are expected to increase by \$229 million in 2019-20 due to the recognition of a service concession asset for software and registry databases as part of the adoption of the new Australian Accounting Standard AASB 1059 *Service Concession Arrangements: Grantors*, which is applicable from 1 July 2019.

Table 3.2.1: Comprehensive operating statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	1 492	1 502	2 017	1 710
Special appropriations	112	145	129	140
Interest	17	12	14	22
Sale of goods and services	87	43	56	51
Grants	187	130	162	31
Other income	321	296	407	404
Total income from transactions	2 217	2 128	2 785	2 357
Expenses from transactions				
Employee benefits	446	463	508	513
Depreciation ^(c)	58	53	58	82
Interest expense ^(c)	1	1	1	7
Grants and other transfers	916	1 053	1 547	1 146
Capital asset charge	93	93	93	95
Other operating expenses ^(c)	551	718	681	629
Total expenses from transactions	2 064	2 381	2 889	2 471
Net result from transactions (net operating balance)	152	(253)	(104)	(114)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	162	12	18	(1)
Net gain/(loss) on financial instruments and statutory receivables/payables	5	3	(121)	(6)
Other gains/(losses) from economic flows	(4)	..	..	..
Total other economic flows included in net result	163	16	(103)	(7)
Net result	316	(238)	(207)	(121)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	1 216	..	(13)	..
Total other economic flows – other comprehensive income	1 216	..	(13)	..
Comprehensive result	1 531	(238)	(221)	(121)

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Environment, Land, Water and Planning included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the full impact of the machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet also increasing depreciation and interest expenses.

Table 3.2.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2018 actual ^(a)	2019 budget ^{(a)(b)}	2019 revised ^(c)	2020 budget ^(c)
Assets				
Financial assets				
Cash and deposits	717	575	1 415	1 454
Receivables from government	243	234	244	254
Other receivables	155	154	154	218
Other financial assets	600	559	..	..
Investments accounted for using equity method	..	..	..	..
Total financial assets	1 716	1 522	1 813	1 927
Non-financial assets				
Inventories	18	22	26	31
Non-financial assets classified as held for sale including disposal group assets	26	26	31	32
Property, plant and equipment ^(d)	9 717	9 755	9 721	9 919
Intangible assets	58	70	68	67
Other	142	71	81	34
Total non-financial assets	9 961	9 945	9 927	10 081
Total assets	11 676	11 467	11 740	12 008
Liabilities				
Payables	197	195	189	167
Borrowings ^(d)	44	36	347	579
Provisions	143	143	145	181
Total liabilities	384	373	682	927
Net assets	11 292	11 094	11 058	11 081
Equity				
Accumulated surplus/(deficit)	791	554	584	462
Reserves	7 976	7 976	7 963	7 963
Contributed capital	2 525	2 564	2 511	2 656
Total equity	11 292	11 094	11 058	11 081

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

Notes:

(a) Figures for 2018 actuals and the 2019 budget reflect the operations of the Department of Environment, Land, Water and Planning included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

(c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

(d) The 2020 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet, recognising a right-of-use asset and lease liability.

Table 3.2.3: Statement of cash flows

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government	1 501	1 656	2 148	1 846
Receipts from other entities	663	559	613	498
Interest received	17	12	14	22
Other receipts	24	13	13	13
Total receipts	2 205	2 240	2 788	2 378
Payments				
Payments of grants and other transfers	(1 025)	(1 155)	(1 376)	(1 063)
Payments to suppliers and employees	(962)	(1 116)	(1 139)	(1 101)
Capital asset charge	(93)	(93)	(93)	(95)
Interest and other costs of finance paid	(1)	(1)	(1)	(6)
Total payments	(2 080)	(2 365)	(2 609)	(2 265)
Net cash flows from/(used in) operating activities ^(c)	125	(125)	179	114
Cash flows from investing activities				
Net investment	193	44	603	3
Payments for non-financial assets	(63)	(169)	(133)	(144)
Proceeds from sale of non-financial assets	11	12	22	24
Net loans to other parties	..	..	..	(65)
Net cash flow from/(used in) investing activities	141	(112)	492	(182)
Cash flows from financing activities				
Owner contributions by State Government	29	104	42	154
Repayment of leases and service concession liabilities	(6)	..	..	(17)
Net borrowings	(11)	(9)	(16)	(30)
Net cash flows from/(used in) financing activities ^(c)	12	95	26	108
Net increase/(decrease) in cash and cash equivalents	278	(142)	698	40
Cash and cash equivalents at the beginning of the financial year	440	717	717	1 415
Cash and cash equivalents at the end of the financial year	717	575	1 415	1 455

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Environment, Land, Water and Planning included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the full impact of machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires the capital component of lease expenses to be reclassified from operating activities to financing activities.

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 2017	476	2 545	6 760	..	9 781
Comprehensive result	315	..	1 216	..	1 531
Transactions with owners in their capacity as owners	..	(20)	..	..	(20)
Closing balance 30 June 2018 (actual) ^(a)	791	2 525	7 976	..	11 292
Comprehensive result	(238)	..	..	..	(238)
Transactions with owners in their capacity as owners	..	39	..	..	39
Closing balance 30 June 2019 (budget) ^{(a)(b)}	554	2 564	7 976	..	11 094
Comprehensive result	(207)	..	(13)	..	(221)
Transactions with owners in their capacity as owners	..	(14)	..	..	(14)
Closing balance 30 June 2019 (revised) ^(c)	584	2 511	7 963	..	11 058
Comprehensive result	(121)	..	..	..	(121)
Transactions with owners in their capacity as owners	..	144	..	..	144
Closing balance 30 June 2020 (budget) ^(c)	462	2 656	7 963	..	11 081

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

Notes:

(a) Figures for 2018 actuals and the 2019 budget reflect the operations of the Department of Environment, Land, Water and Planning included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

(c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.2.5: Administered items statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^{(a)/(b)}	2018-19 revised ^(c)	2019-20 budget ^(c)
Administered income				
Appropriations – payments made on behalf of the State	640	677	656	718
Sale of goods and services	582	610	632	650
Grants	612	603	617	310
Interest	432	423	428	416
Other income ^(d)	263	292	339	281
Total administered income	2 529	2 605	2 673	2 375
Administered expenses				
Expenses on behalf of the State	101	156	151	211
Grants and other transfers	619	621	659	363
Payments into the Consolidated Fund	1 282	1 406	4 137	1 318
Interest and Depreciation expense ^(d)	442	423	437	427
Total administered expenses	2 444	2 606	5 384	2 319
Income less expenses	85	(1)	(2 711)	56
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	..	..	(17)
Total other economic flows included in net result	..	..	..	(17)
Net result	85	(1)	(2 711)	39
Other economic flows – other comprehensive income				
Asset revaluation reserve	3	..	..	..
Other	..	..	(1)	..
Total other economic flows – other comprehensive income	3	..	(1)	..
Comprehensive result	88	(1)	(2 712)	39
Administered assets				
Cash and deposits	1	1	44	40
Receivables	4 195	4 124	4 129	4 065
Other financial assets	42	42	..	..
Property, plant and equipment ^(d)	705	705	695	685
Intangible assets	270	232	294	523
Total administered assets	5 212	5 104	5 161	5 313
Administered liabilities				
Payables ^(d)	77	76	2 880	2 819
Borrowings ^(d)	4 067	3 997	4 001	3 927
Total administered liabilities	4 144	4 073	6 881	6 746
Net assets	1 069	1 031	(1 720)	(1 433)

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Environment, Land, Water and Planning included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 budget figures have been restated to reflect the 2017-18 actual closing balances.
- (c) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (d) The 2019-20 budget incorporates the new accounting standard AASB 1059 Service Concession Arrangements: Grantors, which requires a service concession asset and a related liability to be recognised for arrangements that require an operator to manage at least some of the public service on behalf of the State. The assets are recognised progressively during their construction. If the State is required to make payments for the service concession assets, a financial liability is recognised. However, where the operator charges users to fund the assets, a deferred revenue liability is recognised.

Table 3.2.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2018-19 budget ^(a)</i>	<i>2018-19 revised ^(b)</i>	<i>2019-20 budget ^{(b)(c)}</i>
Murray-Darling Basin contribution	28	28	22
Victorian Desalination Project	649	628	696
Total	677	656	718

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

Notes:

- (a) The 2018-19 budget reflects the operations of the Department of Environment, Land, Water and Planning included in the 2018-19 Budget, which does not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget reflects the revised water order of 125 gigalitres from the Desalination Plant for the 2019-20 year. This is a change from 50 gigalitres included in the 2018-19 budget and 15 gigalitres in the 2018-19 revised budget.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Operating performance

The Department of Health and Human Services is expected to report an operating surplus of \$216 million in 2019-20, compared to an operating surplus in 2018-19 of \$82 million for the revised budget.

The operating statement shows an increase in income of \$724 million between the 2018-19 revised budget and the 2019-20 budget. This is primarily driven by additional State funding for service delivery, and additional Commonwealth funding available under the National Health Reform Agreement.

The year-on-year increase also includes funding for the following initiatives announced in the *2019-20 Budget*:

- Better assisting children in the statutory child protection system;
- Caring for our carers with more respite and support;
- Critical mental health service demand;
- Dhelk Dja: Aboriginal 10-Year Family Violence Plan;
- Family violence and sexual assault therapeutic support;
- Family violence refuge and crisis case management response;
- Free dental care for government school students;
- Meeting hospital services demand;
- More help for new Victorian mums and dads;
- Responding to homelessness; and
- Supporting ambulance services.

Operating expenses are expected to increase by \$589 million in 2019-20, which is primarily due to the factors outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$360 million in the 2019-20 budget, compared to the 2018-19 revised budget, reflecting an increase in total assets of \$1.3 billion and an increase in total liabilities of \$894 million.

The estimated increase in total assets reflects the Government's commitment to health infrastructure across the State, based on modern service models and needs for the future. This includes asset investments from previous budgets and new asset funding as outlined in the investing and finance section below.

The increase in assets and liabilities also reflects the recognition of right-of-use assets and liabilities as part of the adoption of the new Australian Accounting Standard AASB 16 *Leases*, which is applicable from 1 July 2019.

Investing and financing

Cash flows from investing activities include payments for property, plant and equipment reflecting the Government's continued asset investment in the health and community services sectors, and new asset projects funded in the *2019-20 Budget* including:

- Backing our paramedics to keep saving lives;
- Building a better hospital for Melbourne's inner west;
- Building a new rehabilitation centre for Bendigo;
- Building new homes to fight homelessness;
- Royal Children's Hospital expansion; and
- Wantirna Aged Care Redevelopment.

Administered items statement

Income administered by the Department on behalf of the State is forecast to increase by \$261 million from the 2018-19 revised budget to the 2019-20 budget primarily due to an increase in Commonwealth funding for the National Health Reform Agreement.

Table 3.3.1: Comprehensive operating statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	15 013	16 053	16 309	16 376
Special appropriations	1 360	1 355	1 455	1 459
Interest	50	48	52	46
Sale of goods and services ^(c)	1 725	1 734	1 792	1 902
Grants ^(c)	6 428	6 813	6 672	7 181
Fair value of assets and services received free of charge or for nominal consideration	7	1	..	..
Other income	730	681	743	784
Total income from transactions	25 314	26 683	27 024	27 748
Expenses from transactions				
Employee benefits	11 751	12 806	12 978	13 250
Depreciation ^(d)	961	965	977	1 168
Interest expense ^(d)	188	187	188	217
Grants and other transfers	2 521	3 028	3 153	3 026
Capital asset charge	1 201	1 267	1 266	1 320
Other operating expenses ^(d)	8 394	8 211	8 380	8 551
Total expenses from transactions	25 016	26 464	26 943	27 532
Net result from transactions (net operating balance)	298	220	82	216
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(1)	1	18	(3)
Net gain/(loss) on financial instruments and statutory receivables/payables	(36)	(26)	(26)	(26)
Other gains/(losses) from economic flows	(4)	(5)	(7)	(8)
Total other economic flows included in net result	(41)	(30)	(15)	(36)
Net result	257	189	66	180
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	1 033	..	..	2
Financial assets available-for-sale reserve	15	..	..	..
Other	(84)	..	..	..
Total other economic flows – other comprehensive income	964	..	..	2
Comprehensive result	1 221	189	66	182

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Health and Human Services included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standards AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities, which change revenue recognition and may result in changes to the timing and amount of revenue recognised.
- (d) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet also increasing depreciation and interest expenses.

Table 3.3.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2018 actual ^(a)	2019 budget ^{(a)/(b)}	2019 revised ^(c)	2020 budget ^(c)
Assets				
Financial assets				
Cash and deposits	1 796	1 918	2 045	2 176
Receivables from government	2 838	2 848	3 244	3 411
Other receivables	488	487	488	486
Other financial assets	765	765	510	490
Investments accounted for using equity method	37	37	37	37
Total financial assets	5 924	6 055	6 324	6 600
Non-financial assets				
Inventories	89	89	88	88
Non-financial assets classified as held for sale including disposal group assets	107	107	107	107
Property, plant and equipment ^(d)	17 606	17 862	16 998	18 030
Investment properties	42	42	42	42
Intangible assets	260	237	249	198
Other	128	135	135	133
Total non-financial assets	18 232	18 472	17 619	18 599
Total assets	24 156	24 527	23 943	25 199
Liabilities				
Payables	2 391	2 391	2 394	2 390
Borrowings ^(d)	2 880	2 772	2 756	3 527
Provisions	3 125	3 251	3 249	3 376
Total liabilities	8 396	8 414	8 399	9 293
Net assets	15 759	16 113	15 545	15 905
Equity				
Accumulated surplus/(deficit)	1 988	2 173	1 983	2 161
Reserves	7 859	7 859	7 513	7 515
Contributed capital	5 913	6 081	6 049	6 230
Total equity	15 759	16 113	15 545	15 905

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

Notes:

- (a) Figures for 2018 actuals and the 2019 budget reflect the operations of the Department of Health and Human Services included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.
- (c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (d) The 2020 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet, recognising a right-of-use asset and lease liability.

Table 3.3.3: Statement of cash flows

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Receipts				
Receipts from Government	17 259	18 642	18 588	18 981
Receipts from other entities	6 965	7 170	7 142	7 676
Interest received	48	48	47	46
Other receipts	821	782	802	847
Total receipts	25 094	26 641	26 579	27 549
Payments				
Payments of grants and other transfers	(2 476)	(3 028)	(3 153)	(3 026)
Payments to suppliers and employees	(19 769)	(20 897)	(21 216)	(21 673)
Capital asset charge	(1 201)	(1 267)	(1 266)	(1 320)
Interest and other costs of finance paid	(185)	(187)	(188)	(217)
Total payments	(23 632)	(25 379)	(25 823)	(26 236)
Net cash flows from/(used in) operating activities ^(c)	1 462	1 262	755	1 313
Cash flows from investing activities				
Net investment	186	5	266	25
Payments for non-financial assets	(993)	(1 207)	(819)	(1 132)
Proceeds from sale of non-financial assets	17	3	3	3
Net loans to other parties	1	1	1	2
Net cash flow from/(used in) investing activities	(790)	(1 197)	(550)	(1 102)
Cash flows from financing activities				
Owner contributions by State Government	(59)	168	166	181
Repayment of leases and service concession liabilities	(138)	(106)	(105)	(251)
Net borrowings	128	(5)	(17)	(11)
Net cash flows from/(used in) financing activities ^(c)	(69)	57	44	(81)
Net increase/(decrease) in cash and cash equivalents	603	122	250	131
Cash and cash equivalents at the beginning of the financial year	1 193	1 796	1 796	2 045
Cash and cash equivalents at the end of the financial year	1 796	1 918	2 045	2 176

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Health and Human Services included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the impact of machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires the capital component of lease expenses to be reclassified from operating activities to financing activities.

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 2017	1 779	5 891	6 238	607	14 516
Comprehensive result	208	..	1 033	(20)	1 221
Transactions with owners in their capacity as owners	..	22	..	..	22
Closing balance 30 June 2018 (actual) ^(a)	1 988	5 913	7 271	588	15 759
Comprehensive result	189	..	..	..	189
Transactions with owners in their capacity as owners	(4)	168	..	..	164
Closing balance 30 June 2019 (budget) ^{(a)(b)}	2 173	6 081	7 271	588	16 113
Comprehensive result	66	..	..	..	66
Transactions with owners in their capacity as owners	(71)	136	(346)	..	(281)
Closing balance 30 June 2019 (revised) ^(c)	1 983	6 049	6 925	588	15 545
Comprehensive result	180	..	2	..	182
Transactions with owners in their capacity as owners	(2)	181	..	..	179
Closing balance 30 June 2020 (budget) ^(c)	2 161	6 230	6 927	588	15 905

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

Notes:

(a) Figures for 2018 actuals and the 2019 budget reflect the operations of the Department of Health and Human Services included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

(c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.3.5: Administered items statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^{(a)/(b)}	2018-19 revised ^(c)	2019-20 budget ^(c)
Administered income				
Appropriations – Payments made on behalf of the State	60	62	62	64
Sale of goods and services	351	360	366	327
Grants	10 395	11 672	12 123	12 425
Interest	1	3	3	3
Other income	18	10	10	5
Total administered income	10 825	12 108	12 564	12 825
Administered expenses				
Expenses on behalf of the State	810	717	892	926
Grants and other transfers	9 533	10 980	11 213	11 520
Payments into the Consolidated Fund	454	418	467	386
Total administered expenses	10 797	12 116	12 573	12 832
Income less expenses	28	(8)	(8)	(8)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(1)	8	8	8
Total other economic flows included in net result	(1)	8	8	8
Net result	27	..	..	..
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	27	..	..	..
Administered assets				
Cash and deposits	31	31	30	30
Receivables	76	76	76	76
Other financial assets	12	12	12	12
Total administered assets	118	118	118	118
Administered liabilities				
Payables	63	63	63	63
Provisions	15	15	15	15
Total administered liabilities	78	78	78	78
Net assets	40	40	40	40

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Health and Human Services included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 budget figures have been restated to reflect the 2017-18 actual closing balances.
- (c) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.3.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2018-19 budget ^(a)</i>	<i>2018-19 revised ^(b)</i>	<i>2019-20 budget ^(b)</i>
National Disability Insurance Agency	62	62	64
Total	62	62	64

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

Notes:

(a) The 2018-19 budget reflects the operations of the Department of Health and Human Services included in the 2018-19 Budget, which does not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2018-19 revised and 2019-20 budget reflect the full impact of the machinery of government changes effective from 1 January 2019.

DEPARTMENT OF JOBS, PRECINCTS AND REGIONS

Operating performance

The Department of Jobs, Precincts and Regions is expected to report an operating deficit of \$148 million in 2019-20, compared with an operating deficit of \$92 million in 2018-19.

The deficits are largely a result of forecast operating expenditure funded from trusts including the Regional Jobs and Infrastructure Fund. It should be noted that the 2018-19 revised budget represents only half-year results as the Department was established on 1 January 2019.

The operating statement shows an increase in operating income of \$696 million between the 2018-19 revised budget and the 2019-20 budget. The year-on-year increase reflects the full-year departmental operations and the new output initiatives announced in the *2019-20 Budget*, including:

- Boosting jobs and investment in Victorian racing;
- Geelong City Deal;
- Metropolitan and state wide local sports grants;
- Regional development priorities; and
- Strengthening Victoria's biosecurity system.

Operating expenses in 2019-20 are expected to increase by \$753 million, which is primarily due to the factors outlined above.

Balance sheet

The Department's net assets position is estimated to decrease by \$43 million in 2019-20, compared to the 2018-19 revised budget, reflecting an increase in total assets of \$144 million and an increase in total liabilities of \$187 million.

The increase in total assets and total liabilities reflects the recognition of right-of-use assets and liabilities as part of the adoption of the new Australian Accounting Standards AASB 16 *Leases*, which is applicable from 1 July 2019.

Investing and financing

The Department is anticipating a decrease of \$180 million in its net cash position in 2019-20, compared to the 2018-19 revised budget, mainly due to increased cash drawdowns from trust balances for output initiatives.

Cash flows from investing activities reflects the Government's continued asset investment in Creative Industries, and new capital projects funded in the *2019-20 Budget* including:

- Regional development priorities; and
- Victoria: The Basketball Capital of Australia – Melbourne Arena upgrades.

Administered items statement

The Department is responsible for administering revenue and expenses on behalf of the State, including 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.

Table 3.4.1: Comprehensive operating statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	1 379	1 982
Special appropriations	1	2
Interest	3	12
Sale of goods and services	50	111
Grants	52	54
Fair value of assets and services received free of charge or for nominal consideration	1
Other income	8	27
Total income from transactions	1 493	2 189
Expenses from transactions				
Employee benefits	227	472
Depreciation ^(c)	64	145
Interest expense ^(c)	15	40
Grants and other transfers	854	1 027
Capital asset charge	79	167
Other operating expenses ^(c)	346	485
Total expenses from transactions	1 584	2 337
Net result from transactions (net operating balance)	(92)	(148)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets
Net gain/(loss) on financial instruments and statutory receivables/payables	3	..
Other gains/(losses) from economic flows
Total other economic flows included in net result	2	..
Net result	(89)	(148)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	(1)	(1)
Other	11	2
Total other economic flows – other comprehensive income	11	2
Comprehensive result	(79)	(147)

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Notes:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.

(b) The 2018-19 revised budget and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

(c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet also increasing depreciation and interest expenses.

Table 3.4.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2018 actual ^(a)	2019 budget ^(a)	2019 revised ^(b)	2020 budget ^(b)
Assets				
Financial assets				
Cash and deposits	569	389
Receivables from government	62	151
Other receivables	335	340
Other financial assets	109	110
Total financial assets	1 076	990
Non-financial assets				
Inventories	3	3
Property, plant and equipment ^(c)	8 209	8 437
Biological assets	2	2
Intangible assets	36	38
Other	16	16
Total non-financial assets	8 266	8 496
Total assets	9 342	9 486
Liabilities				
Payables	504	498
Borrowings ^(c)	378	571
Provisions	117	118
Total liabilities	999	1 186
Net assets	8 343	8 300
Equity				
Accumulated surplus/(deficit)	(387)	(535)
Reserves	5 934	5 936
Contributed capital	2 795	2 899
Total equity	8 343	8 300

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Notes:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.

(b) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

(c) The 2020 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet, recognising a right-of-use asset and lease liability.

Table 3.4.3: Statement of cash flows

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government	1 613	1 900
Receipts from other entities	122	154
Interest received	3	12
Other receipts	2	27
Total receipts	1 740	2 093
Payments				
Payments of grants and other transfers	(833)	(1 027)
Payments to suppliers and employees	(540)	(959)
Capital asset charge	(79)	(167)
Interest and other costs of finance paid	(26)	(40)
Total payments	(1 478)	(2 193)
Net cash flows from/(used in) operating activities ^(c)	262	(101)
Cash flows from investing activities				
Net investment	50	2
Payments for non-financial assets	(85)	(160)
Proceeds from sale of non-financial assets
Net loans to other parties	18	1
Net cash flow from/(used in) investing activities	(18)	(158)
Cash flows from financing activities				
Owner contributions by State Government	463	104
Repayment of leases and service concession liabilities	(8)	(10)
Net borrowings	(130)	(15)
Net cash flows from/(used in) financing activities ^(c)	325	79
Net increase/(decrease) in cash and cash equivalents	569	(180)
Cash and cash equivalents at the beginning of the financial year	569
Cash and cash equivalents at the end of the financial year	569	389

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Notes:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.

(b) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

(c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires the capital component of lease expenses to be reclassified from operating activities to financing activities.

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 2017	..	..	..	..	..
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2018 (actual) ^(a)	..	..	..	..	..
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2019 (budget) ^(a)	..	..	..	..	..
Comprehensive result	(89)	..	(1)	11	(79)
Transactions with owners in their capacity as owners	(297)	2 795	5 441	482	8 421
Closing balance 30 June 2019 (revised) ^(b)	(387)	2 795	5 441	493	8 343
Comprehensive result	(148)	..	(1)	2	(147)
Transactions with owners in their capacity as owners	..	104	..	..	104
Closing balance 30 June 2020 (budget) ^(b)	(535)	2 899	5 440	496	8 300

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Notes:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.*(b)* The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.4.5: Administered items statement
(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Administered income				
Appropriations – Payments made on behalf of the State	41	75
Sale of goods and services	62	96
Grants	1	..
Interest	8	10
Other income	58	105
Total administered income	169	287
Administered expenses				
Expenses on behalf of the State	11	21
Grants and other transfers	5	6
Payments into the Consolidated Fund	12	210
Interest expense	20	39
Total administered expenses	48	276
Income less expenses	121	11
Other economic flows included in net result				
Total other economic flows included in net result
Net result	121	11
Total other economic flows – other comprehensive income
Comprehensive result	121	11
Administered assets				
Cash and deposits	6	6
Receivables	455	454
Other financial assets
Investments accounted for using the equity method	11	11
Property, plant and equipment
Total administered assets	471	471
Administered liabilities				
Payables	82	80
Borrowings	437	428
Total administered liabilities	519	508
Net assets	(47)	(37)

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Notes:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.

(b) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.4.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2018-19 budget ^(a)</i>	<i>2018-19 revised ^(b)</i>	<i>2019-20 budget ^(b)</i>
Grants and other transfers	..	6	6
Lease payments	..	24	48
Others	..	11	21
Total	..	41	75

Sources: Departments of Jobs, Precincts and Regions, and Treasury and Finance

Notes:

(a) The Department of Jobs, Precincts and Regions began operations from 1 January 2019.

(b) The 2018-19 revised and 2019-20 budget reflect the full impact of the machinery of government changes effective from 1 January 2019.

DEPARTMENT OF JUSTICE AND COMMUNITY SAFETY

Operating performance

The Department of Justice and Community Safety is expected to report an operating deficit of \$7 million in 2019-20, compared with an operating deficit in 2018-19 of \$43 million for the revised budget.

The improvement in the operating outcome in 2019-20 is mainly due to the Emergency Management Operational Communications program, which was funded from the Department's prior year's surplus in 2018-19 and higher forecast income within departmental trust funds.

The operating statement shows an increase in operating income of \$226 million between the 2018-19 revised budget and the 2019-20 budget. This increase is mainly due to funding growth associated with previous budget initiatives, including the Community Safety Statement, investment in additional beds across the corrections system and new output initiatives announced in the *2019-20 Budget* including:

- Continued delivery of prosecution services;
- Men's prison system capacity;
- Women's prison system capacity; and
- Youth Justice Reducing Offending.

The above increase is partially offset by the net reduction in operating income as a result of the machinery of government changes, which came into effect on 1 January 2019, including:

- the transfer of the Racing portfolio to the Department of Jobs, Precincts and Regions;
- the transfer of Adoption Services from the Department of Health and Human Services, and Workplace Safety from the Department of Treasury and Finance; and
- the transfer in of the Countering Violent Extremism function from the Department of Premier and Cabinet (effective 11 February 2019).

Operating expenses in 2019-20 are expected to increase by \$190 million, which is primarily due to the factors outlined above.

Balance sheet

The Department's net asset position is estimated to increase by \$882 million in the 2019-20 budget, compared to the 2018-19 revised budget, reflecting an increase in total assets of \$3.0 billion and an increase in total liabilities of \$2.1 billion.

The increase in total assets and liabilities reflects the recognition of right-of-use and service concession assets and liabilities as part of the adoption of the new Australian Accounting Standards including AASB 16 *Leases* and AASB 1059 *Service Concession Arrangements: Grantor*, which are applicable from 1 July 2019.

Investing and financing

The increase in payments for non-financial assets of \$351 million in the 2019-20 budget compared to the 2018-19 revised budget is largely attributable to the following:

- Funding growth in 2019-20 for the New Youth Justice Facility initiative announced in the *2017-18 Budget* as a result of a funding rephase to align with the revised project timeline; and
- New asset initiatives announced in the *2019-20 Budget* including Men's prison system capacity, Women's prison system capacity and the Road safety package – new road safety camera infrastructure and safety campaign.

Administered items statement

The Department is responsible for administering revenue from a range of fines and regulatory fees, as well as lottery and gaming license taxation.

Income administered by the Department on behalf of the State and third parties is forecast to rise by \$30 million in 2019-20, primarily driven by a forecast increase in regulatory fees. The increase is also driven by expected payments to third parties under the National Redress scheme to support victims experiencing institutional child sexual abuse.

Administered expenses reflect the transfer of fines and taxation revenue into the Consolidated Fund and payments to third parties under the National Redress scheme.

The net result has improved by \$197 million in 2019-20 compared to the revised 2018-19 budget mainly due to a lower provision for doubtful debts resulting from fine related enforcement activities. Outstanding debts will continue to be vigorously pursued through legal means, however prudent accounting requires that provision be made for such debts.

Table 3.5.1: Comprehensive operating statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	6 838	7 400	7 529	7 734
Special appropriations	1	1	3	3
Interest	56	54	54	56
Sale of goods and services	21	18	18	18
Grants	76	84	87	106
Other income ^(c)	53	31	32	33
Total income from transactions	7 044	7 589	7 724	7 950
Expenses from transactions				
Employee benefits	3 401	3 515	3 513	3 752
Depreciation ^{(c)(d)}	234	295	295	465
Interest expense ^{(c)(d)}	53	69	69	183
Grants and other transfers	1 391	1 466	1 474	1 384
Capital asset charge	268	290	290	315
Other operating expenses ^(d)	1 664	1 964	2 126	1 857
Total expenses from transactions	7 011	7 597	7 767	7 957
Net result from transactions (net operating balance)	33	(9)	(43)	(7)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	10	11	11	11
Net gain/(loss) on financial instruments and statutory receivables/payables	8	..	..	..
Other gains/(losses) from economic flows	3	..	..	..
Total other economic flows included in net result	22	11	11	11
Net result	55	2	(33)	3
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	31	..	..	..
Total other economic flows – other comprehensive income	31	..	..	..
Comprehensive result	86	2	(33)	3

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the former Department of Justice and Regulation included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the impact of the machinery of government changes largely effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard, AASB 1059 Service Concession Arrangements: Grantors which requires a service concession asset and a related liability to be recognised for arrangements that require an operator to manage at least some of the public service on behalf of the State. The assets are recognised progressively during their construction. If the State is required to make payments for the service concession assets, a financial liability is recognised. However, where the operator charges users to fund the assets, a deferred revenue liability is recognised.
- (d) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet also increasing depreciation and interest expenses.

Table 3.5.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2018 actual ^(a)	2019 budget ^{(a)(b)}	2019 revised ^(c)	2020 budget ^(c)
Assets				
Financial assets				
Cash and deposits	242	249	231	220
Receivables from government	1 009	1 209	1 176	1 468
Other receivables	99	100	100	100
Other financial assets	252	242	260	271
Total financial assets	1 602	1 799	1 766	2 059
Non-financial assets				
Inventories	17	17	17	17
Non-financial assets classified as held for sale including disposal group assets	2	2	2	2
Property, plant and equipment ^{(d)(e)}	5 264	5 570	5 603	8 337
Intangible assets	146	129	150	131
Other	42	42	42	42
Total non-financial assets	5 472	5 760	5 814	8 530
Total assets	7 073	7 560	7 581	10 589
Liabilities				
Payables ^{(d)(e)}	489	494	496	502
Borrowings ^{(d)(e)}	730	689	689	2 768
Provisions	846	888	888	930
Total liabilities	2 065	2 071	2 073	4 199
Net assets	5 008	5 489	5 508	6 390
Equity				
Accumulated surplus/(deficit)	1 249	1 251	1 216	1 220
Reserves	1 393	1 393	1 393	1 393
Contributed capital	2 366	2 845	2 899	3 777
Total equity	5 008	5 489	5 508	6 390

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Notes:

- (a) Figures for 2018 actuals and the 2019 budget reflect the operations of the former Department of Justice and Regulation included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.
- (c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (d) The 2020 budget incorporates the new accounting standard AASB 1059 Service Concession Arrangements: Grantors, which requires a service concession asset and a related liability to be recognised for arrangements that require an operator to manage at least some of the public service on behalf of the State. The assets are recognised progressively during their construction. If the State is required to make payments for the service concession assets, a financial liability is recognised. However, where the operator charges users to fund the assets, a deferred revenue liability is recognised.
- (e) The 2020 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet, recognising a right-of-use asset and lease liability.

Table 3.5.3: Statement of cash flows

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government	6 667	7 205	7 370	7 449
Receipts from other entities	95	99	102	121
Interest received	56	53	53	55
Other receipts	39	32	33	34
Total receipts	6 858	7 389	7 558	7 659
Payments				
Payments of grants and other transfers	(1 391)	(1 467)	(1 475)	(1 385)
Payments to suppliers and employees	(4 929)	(5 431)	(5 592)	(5 562)
Capital asset charge	(268)	(290)	(290)	(315)
Interest and other costs of finance paid	(53)	(68)	(68)	(182)
Total payments	(6 641)	(7 256)	(7 425)	(7 445)
Net cash flows from/(used in) operating activities ^(c)	218	133	133	214
Cash flows from investing activities				
Net investment	84	11	(7)	(11)
Payments for non-financial assets	(738)	(607)	(662)	(1 013)
Proceeds from sale of non-financial assets	28	34	34	34
Net cash flow from/(used in) investing activities	(627)	(562)	(635)	(990)
Cash flows from financing activities				
Owner contributions by State Government	447	479	533	878
Repayment of leases and service concession liabilities	(7)	(23)	(23)	(112)
Net borrowings	4	(19)	(19)	..
Net cash flows from/(used in) financing activities ^(c)	444	437	491	766
Net increase/(decrease) in cash and cash equivalents	35	8	(11)	(10)
Cash and cash equivalents at the beginning of the financial year	206	242	242	231
Cash and cash equivalents at the end of the financial year	242	249	231	220

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the former Department of Justice and Regulation included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the impact of machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standards AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors, which requires the capital components of lease and service concession arrangements expenses to be reclassified from operating activities to financing activities.

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 2017	1 194	1 920	1 363	..	4 477
Comprehensive result	55	..	31	..	86
Transactions with owners in their capacity as owners	..	446	..	..	446
Closing balance 30 June 2018 (actual) ^(a)	1 249	2 366	1 393	..	5 008
Comprehensive result	2	..	..	..	2
Transactions with owners in their capacity as owners	..	479	..	..	479
Closing balance 30 June 2019 (budget) ^{(a)(b)}	1 251	2 845	1 393	..	5 489
Comprehensive result	(33)	..	..	..	(33)
Transactions with owners in their capacity as owners	..	533	..	..	533
Closing balance 30 June 2019 (revised) ^(c)	1 216	2 899	1 393	..	5 508
Comprehensive result	3	..	..	..	3
Transactions with owners in their capacity as owners	..	878	..	..	878
Closing balance 30 June 2020 (budget) ^(c)	1 220	3 777	1 393	..	6 390

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Notes:

(a) Figures for 2018 actuals and the 2019 budget reflect the operations of the former Department of Justice and Regulation included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

(c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.5.5: Administered items statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^{(a)(b)}	2018-19 revised ^(c)	2019-20 budget ^(c)
Administered income				
Appropriations – payments made on behalf of the State	29	36	36	36
Special appropriations	5	11	62	82
Sale of goods and services	521	462	460	492
Grants	4	4	4	4
Interest	11	13	13	13
Other income	2 667	2 611	2 659	2 637
Total administered income	3 237	3 137	3 233	3 263
Administered expenses				
Expenses on behalf of the State	26	13	35	14
Grants and other transfers	1	6	35	77
Payments into the Consolidated Fund	2 598	2 718	2 666	2 617
Total administered expenses	2 625	2 737	2 736	2 707
Income less expenses	612	400	497	556
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	1	1	1
Net gain/(loss) on financial instruments and statutory receivables/payables	(505)	(291)	(450)	(312)
Total other economic flows included in net result	(506)	(290)	(450)	(311)
Net result	107	110	48	245
Other economic flows – other comprehensive income				
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	..	..	..	..
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	107	110	48	245
Administered assets				
Cash and deposits	61	60	60	60
Receivables	1 815	1 883	1 746	1 830
Other financial assets	..	2	2	4
Total administered assets	1 876	1 945	1 808	1 894
Administered liabilities				
Payables	1 258	1 218	1 143	984
Provisions	1	1	1	1
Total administered liabilities	1 259	1 219	1 144	984
Net assets	617	726	664	910

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Notes:

(a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the former Department of Justice and Regulation included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2018-19 budget figures have been restated to reflect the 2017-18 actual closing balances.

(c) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.5.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2018-19 budget ^(a)</i>	<i>2018-19 revised</i>	<i>2019-20 budget</i>
Tattersalls duty payments to other jurisdictions	36	36	36
Total	36	36	36

Sources: Departments of Justice and Community Safety, and Treasury and Finance

Note:

(a) The 2018-19 budget reflects the operations of the former Department of Justice and Regulation included in the 2018-19 Budget, which does not include the impact of the machinery of government changes effective from 1 January 2019.

DEPARTMENT OF PREMIER AND CABINET

Operating performance

The Department of Premier and Cabinet is expected to report an operating deficit of \$5 million in 2019-20, compared with an operating deficit in 2018-19 of \$17 million for the revised budget.

The deficit for both financial years is primarily attributable to timing differences between grants income received and expenses incurred by the Department.

Additionally, total income from transactions between the 2019-20 budget and the 2018-19 revised budget has reduced by \$96 million. This is primarily due to:

- one-off special appropriations funding provided in 2018-19 to the Victorian Electoral Commission for the 2018 Victorian State Elections; and
- increased funding for Service Victoria in 2018-19 for the development of its customer website for online government services to the public.

The reduction in income from the above one-off items also results in a commensurate decrease in expenses for the 2019-20 financial year.

Balance sheet

The Department's net assets position is estimated to increase marginally by \$2 million in the 2019-20 budget, compared to the 2018-19 revised budget.

The increase in net assets is primarily related to timing differences arising from increases in receivables due from government, which are not expected to be paid until the following financial year.

The increase in total assets and liabilities reflects the recognition of right-of-use assets and liabilities as part of the adoption of the new Australian Accounting Standard AASB 16 *Leases*, which is applicable from 1 July 2019.

Investing and financing

The Department's payment for non-financial assets in 2019-20 is estimated to be \$14 million. This primarily reflects investments in government buildings as well as specific upgrades to Victoria's election management system used by Victorian Electoral Commission in the 2018 Victorian State Elections.

Administered items statement

Total administered income and expenses for the Department is expected to decrease by \$12 million in the 2019-20 budget compared to the 2018-19 revised budget. This is primarily driven by the 2018-19 revised budget including payments relating to the 2018 Victorian State Elections.

Table 3.6.1: Comprehensive operating statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	486	635	648	610
Special appropriations	34	95	95	45
Sale of goods and services	5	5	5	5
Grants	59	10	12	5
Other income	6	1	1	1
Total income from transactions	590	746	762	666
Expenses from transactions				
Employee benefits	259	266	284	287
Depreciation ^(c)	13	21	21	43
Grants and other transfers	130	212	188	118
Capital asset charge	9	10	10	12
Other operating expenses ^(c)	170	244	277	212
Total expenses from transactions	580	753	780	671
Net result from transactions (net operating balance)	10	(6)	(17)	(5)
Other economic flows included in net result				
Total other economic flows included in net result	..	..	..	..
Net result	10	(6)	(17)	(5)
Other economic flows – other comprehensive income				
Other	4	..	..	..
Total other economic flows – other comprehensive income	4	..	..	..
Comprehensive result	15	(6)	(17)	(5)

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Premier and Cabinet included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet also increasing depreciation and interest expenses.

Table 3.6.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2018 actual ^(a)	2019 budget ^{(a)(b)}	2019 revised ^(c)	2020 budget ^(c)
Assets				
Financial assets				
Cash and deposits	78	73	64	59
Receivables from government	114	124	93	111
Other receivables	19	19	13	13
Total financial assets	211	216	169	183
Non-financial assets				
Inventories	4	4	4	4
Property, plant and equipment ^(d)	639	644	667	761
Intangible assets	40	39	41	36
Other	12	12	11	11
Total non-financial assets	694	698	723	812
Total assets	906	914	892	995
Liabilities				
Payables	44	44	40	40
Borrowings ^(d)	5	5	5	107
Provisions	52	51	52	51
Total liabilities	101	100	96	198
Net assets	805	814	796	798
Equity				
Accumulated surplus/(deficit)	133	126	115	110
Reserves	362	362	362	362
Contributed capital	310	326	319	326
Total equity	805	814	796	798

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

Notes:

(a) Figures for 2018 actuals and the 2019 budget reflect the operations of the Department of Premier and Cabinet included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

(c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

(d) The 2020 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet, recognising a right-of-use asset and lease liability.

Table 3.6.3: Statement of cash flows

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government	527	720	762	636
Receipts from other entities	54	11	13	7
Other receipts	(1)	5	5	5
Total receipts	580	737	781	648
Payments				
Payments of grants and other transfers	(130)	(212)	(188)	(118)
Payments to suppliers and employees	(427)	(511)	(562)	(500)
Capital asset charge	(9)	(10)	(10)	(12)
Total payments	(566)	(733)	(760)	(629)
Net cash flows from/(used in) operating activities ^(c)	14	4	21	19
Cash flows from investing activities				
Net investment	..	..	..	..
Payments for non-financial assets	(43)	(25)	(49)	(14)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flows from/(used in) investing activities	(42)	(25)	(49)	(14)
Cash flows from financing activities				
Owner contributions by State Government	23	16	14	7
Repayment of leases and service concession liabilities	..	..	..	(16)
Net borrowings	..	..	..	..
Net cash flows from/(used in) financing activities ^(c)	23	16	14	(9)
Net increase/(decrease) in cash and cash equivalents	(5)	(6)	(15)	(4)
Cash and cash equivalents at the beginning of the financial year	83	78	78	64
Cash and cash equivalents at the end of the financial year	78	73	64	59

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

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Premier and Cabinet included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the full impact of machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires the capital component of lease expenses to be reclassified from operating activities to financing activities.

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 2017	118	292	362	..	772
Comprehensive result	15	..	..	..	15
Transactions with owners in their capacity as owners	..	18	..	..	18
Closing balance 30 June 2018 (actual) ^(a)	133	310	362	..	805
Comprehensive result	(6)	..	..	..	(6)
Transactions with owners in their capacity as owners	..	16	..	..	16
Closing balance 30 June 2019 (budget) ^{(a)(b)}	126	326	362	..	814
Comprehensive result	(17)	..	..	..	(17)
Transactions with owners in their capacity as owners	..	8	..	..	8
Closing balance 30 June 2019 (revised) ^(c)	115	319	362	..	796
Comprehensive result	(5)	..	..	..	(5)
Transactions with owners in their capacity as owners	..	7	..	..	7
Closing balance 30 June 2020 (budget) ^(c)	110	326	362	..	798

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

Notes:

(a) Figures for 2018 actuals and the 2019 budget reflect the operations of the Department of Premier and Cabinet included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

(c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.6.5: Administered items statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^{(a)(b)}	2018-19 revised ^(c)	2019-20 budget ^(c)
Administered income				
Special Appropriations	..	12	12	..
Sale of goods and services	4	1	1	1
Grants	3	..	..	..
Other income	..	..	..	..
Total administered income	7	12	13	1
Administered expenses				
Grants and other transfers	..	12	12	..
Payments into the Consolidated Fund	7	1	1	1
Total administered expenses	7	12	13	1
Net result	..	..	..	..
Comprehensive result	..	..	..	..
Administered assets				
Cash and deposits	1	1	1	1
Receivables	2	2	2	2
Total administered assets	3	3	3	3
Administered liabilities				
Payables	1	1	1	1
Total administered liabilities	1	1	1	1
Net assets	2	2	2	2

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

Notes:

(a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Premier and Cabinet included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2018-19 budget figures have been restated to reflect the 2017-18 actual closing balances.

(c) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

DEPARTMENT OF TRANSPORT

Operating performance

The Department of Transport is expected to report an operating deficit of \$56 million in 2019-20. This is largely a result of forecast operating expenditure funded from trust balances, including Better Roads Victoria Trust.

The operating statement shows a decrease in expenses of \$327 million between the 2018-19 revised budget and the 2019-20 budget, following the machinery of government change with the establishment of the Department of Jobs, Precincts and Regions effective 1 January 2019.

Total operating income and expenses for 2019-20 include funding for initiatives announced in the *2019-20 Budget*, including:

- Additional train services;
- Metropolitan road maintenance;
- Operationalising new public transport infrastructure;
- Regional rail sustainability;
- Regional road maintenance;
- Suburban Rail Loop; and
- V/Line stabling and maintenance.

Balance sheet

The Department's net assets position is estimated to increase by \$7.4 billion in the 2019-20 budget compared to the 2018-19 revised budget. This primarily reflects an estimated increase in assets due to the revaluation of road and land assets, the construction of the existing road upgrade program, and new initiatives discussed in the investing and financing section below.

The increase in total assets and liabilities reflects the recognition of right-of-use and service concession assets and liabilities as part of the adoption of the new Australian Accounting Standards including AASB 16 *Leases* and AASB 1059 *Service Concession Arrangements: Grantor*, which are applicable from 1 July 2019.

Investing and financing

The investments in property, plant and equipment in 2019-20 include works for existing roads and public transport infrastructure; priority projects such as the Level Crossing Removal Program, Metro Tunnel and West Gate Tunnel; as well as new initiatives announced in the *2019-20 Budget*, including:

- Additional VLocity trains;
- Better boating fund and free boat ramp launching;
- Digital train radio system continuity upgrades;
- Melbourne Airport Rail;
- New trams;
- New trains for Sunbury; and
- Public transport network safety and resilience.

Administered items statement

Transactions administered by the Department on behalf of the State in 2019-20 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 item statement shows a decrease in total administered revenue and expenses between the 2018-19 revised budget and the 2019-20 budget, following the machinery of government change with the establishment of the Department of Jobs, Precincts and Regions effective 1 January 2019.

Table 3.7.1: Comprehensive operating statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	8 084	8 558	7 553	6 920
Special appropriations	254	294	179	631
Interest	20	17	14	4
Sale of goods and services	613	635	615	566
Grants	746	664	729	562
Fair value of assets and services received free of charge or for nominal consideration	66	56	55	55
Other income ^(c)	228	183	192	428
Total income from transactions	10 012	10 408	9 337	9 167
Expenses from transactions				
Employee benefits	966	914	752	504
Depreciation ^{(c)(d)}	792	815	752	1 050
Interest expense ^{(c)(d)}	159	162	148	460
Grants and other transfers	3 730	3 977	3 607	3 314
Capital asset charge	229	234	156	78
Other operating expenses ^(d)	3 852	4 447	4 135	3 818
Total expenses from transactions	9 728	10 549	9 550	9 223
Net result from transactions (net operating balance)	284	(141)	(212)	(56)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(27)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(5)	..	(2)	..
Total other economic flows included in net result	(32)	..	(2)	..
Net result	252	(141)	(215)	(56)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	2 073	(1)	3 379	3 140
Other	429	2	(17)	1
Total other economic flows – other comprehensive income	2 502	2	3 362	3 141
Comprehensive result	2 754	(140)	3 147	3 084

Sources: Departments of Transport, and Treasury and Finance

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the former Department of Economic Development, Jobs, Transport and Resources included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 1059 Service Concession Arrangements: Grantors, which requires a service concession asset and a related liability to be recognised for arrangements that require an operator to manage at least some of the public service on behalf of the State. The assets are recognised progressively during their construction. If the State is required to make payments for the service concession assets, a financial liability is recognised. However, where the operator charges users to fund the assets, a deferred revenue liability is recognised.
- (d) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet and increasing depreciation and interest expenses.

Table 3.7.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2018 actual ^(a)	2019 budget ^{(a)(b)}	2019 revised ^(c)	2020 budget ^(c)
Assets				
Financial assets				
Cash and deposits	1 558	685	380	253
Receivables from government	1 084	1 104	1 046	1 285
Other receivables	797	930	588	448
Other financial assets	165	164	..	..
Total financial assets	3 604	2 883	2 014	1 986
Non-financial assets				
Inventories	21	11	8	8
Non-financial assets classified as held for sale including disposal group assets	164	164	163	163
Property, plant and equipment ^{(d)(e)}	65 166	66 310	62 004	82 608
Biological assets	2	2	..	..
Intangible assets	132	111	77	55
Other	238	518	535	79
Total non-financial assets	65 723	67 116	62 788	82 914
Total assets	69 327	69 999	64 802	84 900
Liabilities				
Payables ^{(d)(e)}	2 918	2 278	1 803	9 314
Borrowings ^{(d)(e)}	1 563	1 977	1 597	6 754
Provisions	828	857	741	770
Total liabilities	5 310	5 112	4 141	16 838
Net assets	64 017	64 887	60 661	68 062
Equity				
Accumulated surplus/(deficit)	15 553	15 412	15 698	18 850
Reserves	27 449	27 450	25 242	28 501
Contributed capital	21 015	22 025	19 721	20 710
Total equity	64 017	64 887	60 661	68 062

Sources: Departments of Transport, and Treasury and Finance

Notes:

- (a) Figures for 2018 actuals and the 2019 budget reflect the operations of the former Department of Economic Development, Jobs, Transport and Resources included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2019 budget figures have been restated to reflect the 2018 actuals closing balance.
- (c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (d) The 2020 budget incorporates the new accounting standard AASB 1059 Service Concession Arrangements: Grantors, which requires a service concession asset and a related liability to be recognised for arrangements that require an operator to manage at least some of the public service on behalf of the State. The assets are recognised progressively during their construction. If the State is required to make payments for the service concession assets, a financial liability is recognised. However, where the operator charges users to fund the assets, a deferred revenue liability is recognised.
- (e) The 2020 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet, recognising a right-of-use asset and lease liability.

Table 3.7.3: Statement of cash flows

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government	8 240	8 835	7 255	7 125
Receipts from other entities	1 295	1 343	1 357	1 174
Interest received	20	17	14	4
Other receipts	95	134	164	120
Total receipts	9 650	10 329	8 789	8 423
Payments				
Payments of grants and other transfers	(3 859)	(4 258)	(3 628)	(3 314)
Payments to suppliers and employees	(5 181)	(5 314)	(4 785)	(4 275)
Capital asset charge	(229)	(234)	(156)	(78)
Interest and other costs of finance paid	(166)	(162)	(148)	(21)
Total payments	(9 435)	(9 968)	(8 718)	(7 688)
Net cash flows from/(used in) operating activities ^(c)	215	361	71	734
Cash flows from investing activities				
Net investment	50	2	8	..
Payments for non-financial assets	(6 189)	(5 385)	(5 659)	(6 824)
Proceeds from sale of non-financial assets	9	..	1	..
Net loans to other parties	(71)	(130)	(148)	137
Net cash flow from/(used in) investing activities	(6 201)	(5 513)	(5 798)	(6 687)
Cash flows from financing activities				
Owner contributions by State Government	4 859	4 887	4 764	5 642
Repayment of leases and service concession liabilities	(8)	(37)	(32)	(93)
Net borrowings	798	(571)	(183)	277
Net cash flows from/(used in) financing activities ^(c)	5 649	4 278	4 549	5 826
Net increase/(decrease) in cash and cash equivalents	(337)	(874)	(1 178)	(127)
Cash and cash equivalents at the beginning of the financial year	1 895	1 558	1 558	380
Cash and cash equivalents at the end of the financial year	1 558	685	380	253

Sources: Departments of Transport, and Treasury and Finance

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the former Department of Economic Development, Jobs, Transport and Resources included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the full impact of machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires the capital component of lease expenses to be reclassified from operating activities to financing activities.

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 2017	15 333	20 399	24 885	29	60 646
Comprehensive result	219	..	2 073	462	2 754
Transactions with owners in their capacity as owners	1	616	..	..	617
Closing balance 30 June 2018 (actual) ^(a)	15 553	21 015	26 958	491	64 017
Comprehensive result	(141)	..	(1)	2	(140)
Transactions with owners in their capacity as owners	..	1 010	..	..	1 010
Closing balance 30 June 2019 (budget) ^{(a)(b)}	15 412	22 025	26 957	493	64 887
Comprehensive result	364	..	3 379	(596)	3 147
Transactions with owners in their capacity as owners	(219)	(1 294)	(5 096)	105	(6 503)
Closing balance 30 June 2019 (revised) ^(c)	15 698	19 721	25 242	..	60 661
Comprehensive result	(56)	..	3 140	..	3 084
Transactions with owners in their capacity as owners ^(d)	3 208	989	119	..	4 316
Closing balance 30 June 2020 (budget) ^(c)	18 850	20 710	28 501	..	68 062

Sources: Departments of Transport, and Treasury and Finance

Notes:

- (a) Figures for 2018 actuals and the 2019 budget reflect the operations of the former Department of Economic Development, Jobs, Transport and Resources included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.
- (c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (d) The changes from the 2018-19 budget to the 2019-20 budget are in large part attributable to the adoption of the new accounting standard: AASB 1059 Service Concession Arrangements: Grantors in 2019-20.

Table 3.7.5: Administered items statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^{(a)(b)}	2018-19 revised ^(c)	2019-20 budget ^(c)
Administered income				
Appropriations – Payments made on behalf of the State	71	73	35	..
Sale of goods and services	228	253	191	166
Grants	..	1	..	..
Interest	11	10	3	..
Other income	2 675	2 746	2 703	2 644
Total administered income	2 985	3 083	2 932	2 810
Administered expenses				
Expenses on behalf of the State	22	20	9	..
Grants and other transfers	7	6	3	..
Payments into the Consolidated Fund	2 968	2 923	2 925	2 794
Interest expense	72	70	51	..
Total administered expenses	3 069	3 018	2 988	2 794
Income less expenses	(84)	64	(56)	16
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	84	12	8	10
Net gain/(loss) on financial instruments and statutory receivables/payables	(13)	(17)	(16)	(16)
Total other economic flows included in net result	71	(5)	(8)	(7)
Net result	(13)	60	(64)	10
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	(13)	60	(64)	10
Administered assets				
Cash and deposits	14	14	12	12
Receivables	558	559	105	104
Other financial assets	3	3	..	..
Property, plant and equipment	58	58	58	58
Total administered assets	633	635	174	174
Administered liabilities				
Payables	676	834	752	12
Borrowings	445	437	..	..
Total administered liabilities	1 120	1 271	752	12
Net assets	(487)	(636)	(578)	163

Sources: Departments of Transport, and Treasury and Finance

Notes:

(a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the former Department of Economic Development, Jobs, Transport and Resources included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2018-19 budget figures have been restated to reflect the 2017-18 actual closing balances.

(c) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.7.6: Payments made on behalf of the state

(\$ million)

<i>Accounts</i>	<i>2018-19 budget ^(a)</i>	<i>2018-19 revised ^(b)</i>	<i>2019-20 budget ^(b)</i>
Grants to public non-financial corporations	6	3	..
Lease payments	47	23	..
Others	20	9	..
Total	73	35	..

Sources: Departments of Transport, and Treasury and Finance

Notes:

(a) The 2018-19 budget reflects the operations of the former Department of Economic Development, Jobs, Transport and Resources included in the 2018-19 Budget, which does not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

DEPARTMENT OF TREASURY AND FINANCE

Operating performance

The Department of Treasury and Finance is expected to report a minor operating deficit of \$1 million in 2019-20 compared to an operating surplus of \$5 million for the 2018-19 revised budget.

The 2019-20 estimated result includes a \$5 million deficit for Cenitex, reflecting an additional investment from prior year surpluses to transform their technology, people and processes, largely offset by an estimated \$4 million operating surplus for the Department.

The operating statement shows an increase in operating income of \$86 million between the 2018-19 revised budget and the 2019-20 budget. The increase in income is primarily due to the transfer of Invest Victoria from the former Department of Economic Development, Jobs, Transport and Resources. The year-on-year increase also includes additional funding for the following initiatives in the *2019-20 Budget*:

- Fairer energy regulation; and
- State Revenue Office Compliance Program.

Operating expenses are expected to increase by \$93 million in 2019-20, mainly reflecting the full year impact of the transfer of Invest Victoria and the funding initiatives outlined above.

Balance sheet

There are no significant movements in assets and liabilities in the 2019-20 budget compared to the 2018-19 revised budget.

Investing and financing

The Department is anticipating a decrease of \$13 million in its net cash position in 2019-20, compared to the 2018-19 revised budget.

Cash flows from investing activities in 2019-20 primarily reflect existing asset projects.

Administered items statement

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

Total grant revenue is expected to increase by \$491 million between the 2018-19 revised budget and the 2019-20 budget. This reflects increased grants from the Commonwealth Government, including additional GST revenue and other specific purpose grants.

The decrease in total administered expenses primarily reflects the establishment of a Centralised Banking System with additional payments into the Consolidated Fund in 2018-19.

Table 3.8.1: Comprehensive operating statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Net result from continuing operations				
Income from transactions				
Output appropriations	300	349	417	494
Interest	1	1	2	1
Sale of goods and services	187	188	185	191
Grants	2	3	3	8
Other income	28	32	36	35
Total income from transactions	519	574	643	729
Expenses from transactions				
Employee benefits	226	226	247	277
Depreciation ^(c)	48	37	29	50
Grants and other transfers	8	43	52	119
Capital asset charge	22	63	63	63
Other operating expenses ^(c)	212	197	247	222
Total expenses from transactions	515	565	637	730
Net result from transactions (net operating balance)	4	8	5	(1)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(1)	(20)	(20)	(7)
Total other economic flows included in net result	..	(20)	(20)	(7)
Net result	3	(12)	(15)	(8)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	(1)	..	..	..
Other	6	..	..	..
Total other economic flows – other comprehensive income	5	..	..	..
Comprehensive result	8	(12)	(15)	(8)

Source: Department of Treasury and Finance

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Treasury and Finance included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet also increasing depreciation and interest expenses.

Table 3.8.2: Balance sheet

(\$ million)

	Estimated as at 30 June			
	2018 actual ^(a)	2019 budget ^{(a)(b)}	2019 revised ^(c)	2020 budget ^(c)
Assets				
Financial assets				
Cash and deposits	59	62	78	65
Other financial assets	16	15	..	..
Receivables from government	292	274	262	255
Other receivables	40	35	35	36
Total financial assets	407	385	375	356
Non-financial assets				
Inventories	12	12	12	12
Property, plant and equipment ^(d)	825	800	804	874
Intangible assets	15	16	18	23
Other	27	29	21	21
Total non-financial assets	878	857	854	929
Total assets	1 284	1 242	1 229	1 285
Liabilities				
Payables	69	56	46	46
Borrowings ^(d)	5	5	5	88
Provisions	128	108	109	89
Total liabilities	201	170	160	224
Net assets	1 083	1 072	1 069	1 062
Equity				
Accumulated surplus/(deficit)	158	146	143	135
Reserves	560	560	560	560
Contributed capital	365	367	366	368
Total equity	1 083	1 072	1 069	1 062

Source: Department of Treasury and Finance

Notes:

- (a) Figures for 2018 actuals and the 2019 budget reflect the operations of the Department of Treasury and Finance included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.
- (c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (d) The 2020 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet, recognising a right-of-use asset and lease liability.

Table 3.8.3: Statement of cash flows

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^(a)	2018-19 revised ^(b)	2019-20 budget ^(b)
Cash flows from operating activities				
Receipts				
Receipts from Government	275	367	449	501
Receipts from other entities	(11)	2	4	8
Interest received	1	1	2	1
Other receipts	174	227	222	231
Total receipts	440	598	677	741
Payments				
Payments of grants and other transfers	(16)	(49)	(56)	(150)
Payments to suppliers and employees	(431)	(444)	(517)	(490)
Capital asset charge	(22)	(63)	(63)	(63)
Interest and other costs of finance paid	..	..	..	(3)
Total payments	(469)	(556)	(636)	(706)
Net cash flows from/(used in) operating activities ^(c)	(30)	42	41	34
Cash flows from investing activities				
Net investment	20	..	15	..
Payments for non-financial assets	(28)	(37)	(34)	(33)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flow from/(used in) investing activities	(8)	(37)	(19)	(33)
Cash flows from financing activities				
Owner contributions by State Government	6	4	3	4
Repayment of leases and service concession liabilities	..	..	..	(13)
Net borrowings	(3)	(6)	(7)	(5)
Net cash flows from/(used in) financing activities ^(c)	3	(3)	(3)	(14)
Net increase/(decrease) in cash and cash equivalents	(34)	2	19	(13)
Cash and cash equivalents at the beginning of the financial year	93	59	59	78
Cash and cash equivalents at the end of the financial year	59	61	78	65

Source: Department of Treasury and Finance

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Treasury and Finance included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 revised budget and 2019-20 budget reflect the full impact of machinery of government changes effective from 1 January 2019.
- (c) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires the capital component of lease expenses to be reclassified from operating activities to financing activities.

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 2017	149	366	561	..	1 076
Comprehensive result	9	..	(1)	..	8
Transactions with owners in their capacity as owners	..	(1)	..	..	(1)
Closing balance 30 June 2018 (actual) ^(a)	158	365	560	..	1 083
Comprehensive result	(12)	..	..	..	(12)
Transactions with owners in their capacity as owners	..	1	..	..	1
Closing balance 30 June 2019 (budget) ^{(a)(b)}	146	367	560	..	1 072
Comprehensive result	(15)	..	..	..	(15)
Transactions with owners in their capacity as owners	..	1	..	..	1
Closing balance 30 June 2019 (revised) ^(c)	143	366	560	..	1 069
Comprehensive result	(8)	..	..	..	(8)
Transactions with owners in their capacity as owners	..	1	..	..	1
Closing balance 30 June 2020 (budget) ^(c)	135	368	560	..	1 062

Source: Department of Treasury and Finance

Notes:

(a) Figures for 2018 actuals and the 2019 budget reflect the operations of the Department of Treasury and Finance included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

(c) The 2019 revised and 2020 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

Table 3.8.5: Administered items statement

(\$ million)

	2017-18 actual ^(a)	2018-19 budget ^{(a)(b)}	2018-19 revised ^(c)	2019-20 budget ^(c)
Administered income				
Appropriations – payments made on behalf of the State	5 396	6 302	3 914	7 756
Special appropriations	1 301	2 325	2 332	2 351
Sale of goods and services ^(d)	22	34	33	53
Grants ^(d)	22 659	25 724	25 794	26 285
Interest	127	184	140	110
Other income	24 962	26 724	26 434	27 437
Total administered income	54 467	61 294	58 647	63 992
Administered expenses				
Expenses on behalf of the State	200	454	273	527
Employee benefits	1 164	1 961	1 424	1 733
Grants and other transfers	4 051	4 620	4 743	4 664
Payments into the Consolidated Fund	47 676	51 333	56 153	54 214
Interest expense	1 156	1 306	1 232	1 292
Total administered expenses	54 247	59 673	63 824	62 430
Income less expenses	219	1 621	(5 177)	1 562
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	1	23	23	23
Other gains/(losses) from other economic flows	(5)	..	109	..
Net gain/(loss) on financial instruments and statutory receivables/payables	1 494	..	..	..
Total other economic flows included in net result	1 490	23	132	23
Net result	1 709	1 644	(5 045)	1 585
Other economic flows – other comprehensive income				
Remeasurement of superannuation defined benefit plans	(258)	1 014	(1 920)	1 109
Financial assets available-for-sale reserve:	(5)	..	..	..
Other	(6)	..	..	..
Total other economic flows – other comprehensive income	(270)	1 014	(1 920)	1 109
Comprehensive result	1 440	2 659	(6 965)	2 694
Administered assets				
Cash and deposits	3 444	3 302	2 290	257
Receivables	6 174	7 543	1 430	4 251
Other financial assets	428	719	717	1 126
Other	34	34	..	..
Property, plant and equipment	..	259	28	537
Total administered assets	10 080	11 857	4 465	6 172
Administered liabilities				
Payables	5 903	4 110	4 941	2 097
Borrowings	23 367	28 560	26 256	31 624
Provisions	95	95	..	..
Other	25 205	24 165	27 183	26 102
Total administered liabilities	54 571	56 930	58 380	59 823
Net assets	(44 491)	(45 073)	(53 914)	(53 651)

Source: Department of Treasury and Finance

Notes:

- (a) Figures for 2017-18 actuals and the 2018-19 budget reflect the operations of the Department of Treasury and Finance included in the 2017-18 Financial Report for the State of Victoria or the 2018-19 Budget, which do not include the impact of the machinery of government changes effective from 1 January 2019.
- (b) The 2018-19 budget figures have been restated to reflect the 2017-18 actual closing balances.
- (c) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.
- (d) The 2019-20 budget incorporates the new accounting standards AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities, which change revenue recognition and may result in changes to the timing and amount of revenue recognised.

Table 3.8.6: Payments made on behalf of the State

(\$ million)

<i>Accounts</i>	<i>2018-19 budget ^(a)</i>	<i>2018-19 revised ^(b)</i>	<i>2019-20 budget ^(b)</i>
Superannuation and pension payments	16	16	16
Interest	1 291	1 216	1 276
Current and capital grants	861	548	833
Operating supplies and consumables	424	241	498
Other	3 710	1 892	5 133
Total	6 302	3 914	7 756

Source: Department of Treasury and Finance

Notes:

(a) The 2018-19 budget reflects the operations of the Department of Treasury and Finance included in the 2018-19 Budget, which does not include the impact of the machinery of government changes effective from 1 January 2019.

(b) The 2018-19 revised and 2019-20 budget reflect the impact of the machinery of government changes effective from 1 January 2019.

PARLIAMENT (INCLUDING VICTORIAN AUDITOR-GENERAL'S OFFICE)

Operating performance

Parliament and the Victorian Auditor-General's Office (VAGO) combined are expected to report a balanced net result from transactions in 2019-20.

The combined operating statement shows an increase in income of \$13 million between the 2018-19 revised budget and 2019-20 budget. The variation in annual appropriation revenue is primarily due to an increase in funding for increased accommodation costs to meet enhanced health, safety and accessibility standards and an increase in MP electorate office and communication budgets.

Operating expenses are expected to similarly increase by \$13 million in 2019-20 due to the factors outlined above.

Balance sheet

There are no significant movements in assets and liabilities in the 2019-20 budget compared to the 2018-19 revised budget.

Investing and financing

Parliament and VAGO is anticipating a balanced net cash position in 2019-20.

Cash flows from investing activities are decreasing by \$8 million in 2019-20, compared to the 2018-19 revised budget due to a decrease in the payments for non-financial assets.

Table 3.9.1: Comprehensive operating statement

(\$ million)

	2017-18 actual	2018-19 budget	2018-19 revised	2019-20 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	165	180	181	194
Special appropriations	39	49	49	50
Sale of goods and services	2	..	..	..
Total income from transactions	206	230	231	244
Expenses from transactions				
Employee benefits	121	136	140	141
Depreciation ^(a)	15	16	17	28
Capital asset charge	7	7	7	7
Other operating expenses ^(a)	58	70	66	66
Total expenses from transactions	201	230	231	244
Net result from transactions (net operating balance)	5	..	..	..
Other economic flows included in net result				
Total other economic flows included in net result	..	..	..	..
Net result	5	..	..	..
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	5	..	..	..

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

Note:

(a) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet also increasing depreciation and interest expenses.

Table 3.9.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2018 actual</i>	<i>2019 budget ^(a)</i>	<i>2019 revised</i>	<i>2020 budget</i>
Assets				
Financial assets				
Receivables from government	54	68	65	84
Other receivables	1	1	1	1
Total financial assets	54	69	66	85
Non-financial assets				
Property, plant and equipment ^(b)	707	694	699	708
Other	2	2	2	2
Total non-financial assets	709	697	702	711
Total assets	764	766	768	795
Liabilities				
Payables	19	14	14	14
Borrowings ^(b)	3	3	3	32
Provisions	23	23	23	21
Total liabilities	45	41	41	67
Net assets	719	726	727	728
Equity				
Accumulated surplus/(deficit)	56	56	56	57
Reserves	483	483	483	483
Contributed capital	180	187	188	188
Total equity	719	726	727	728

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

Notes:

(a) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

(b) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet, recognising a right-of-use asset and lease liability.

Table 3.9.3: Statement of cash flows

(\$ million)

	2017-18 actual	2018-19 budget	2018-19 revised	2019-20 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	222	215	219	226
Receipts from other entities	2	..	..	..
Other receipts	5	..	..	..
Total receipts	229	215	219	226
Payments				
Payments to suppliers and employees	(183)	(206)	(206)	(210)
Capital asset charge	(7)	(7)	(7)	(7)
Total payments	(190)	(213)	(213)	(217)
Net cash flows from/(used in) operating activities ^(a)	39	2	6	9
Cash flows from investing activities				
Payments for non-financial assets	(43)	(4)	(10)	(2)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flow from/(used in) investing activities	(41)	(4)	(10)	(2)
Cash flows from financing activities				
Owner contributions by State Government	6	7	8	..
Repayment of leases and service concession liabilities	..	..	..	(7)
Net borrowings	(4)	(5)	(5)	..
Net cash flows from/(used in) financing activities ^(a)	2	2	4	(7)
Net increase/(decrease) in cash and cash equivalents	..	..	..	..
Cash and cash equivalents at the beginning of the financial year	..	(1)	(1)	(1)
Cash and cash equivalents at the end of the financial year	(1)	(1)	(1)	(1)

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

Note:

(a) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires the capital component of lease expenses to be reclassified from operating activities to financing activities.

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 2017	51	173	483	..	708
Comprehensive result	5	..	..	..	5
Transactions with owners in their capacity as owners	..	6	..	..	6
Closing balance 30 June 2018 (actual)	56	180	483	..	719
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	7	..	..	7
Closing balance 30 June 2019 (budget) ^(a)	56	187	483	..	726
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	8	..	..	8
Closing balance 30 June 2019 (revised)	56	188	483	..	727
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	1	..	..	..	1
Closing balance 30 June 2020 (budget)	57	188	483	..	728

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

Note:

(a) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

Table 3.9.5: Administered items statement

(\$ million)

	2017-18 actual	2018-19 budget ^(a)	2018-19 revised	2019-20 budget
Administered income				
Sale of goods and services	29	27	27	27
Total administered income	29	27	27	27
Administered expenses				
Payments into the Consolidated Fund	28	27	27	27
Total administered expenses	28	27	27	27
Income less expenses	1	..	..	..
Net result	1	..	..	..
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	1	..	..	..
Administered assets				
Receivables	7	7	7	7
Total administered assets	7	7	7	7
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	7	7	7	7

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

Note:

(a) The 2018-19 budget figures have been restated to reflect the 2017-18 actual closing balances.

COURT SERVICES VICTORIA

Operating performance

Court Services Victoria is expected to report a balanced net result from transactions in 2019-20.

The operating statement shows an increase in income of \$32 million between the 2018-19 revised budget and the 2019-20 budget. This is primarily due to growth funding from previous budget initiatives and new funding announced in the *2019-20 Budget*, including:

- Bendigo law court redevelopment;
- Coroners Court expansion;
- Essential resources for Victorian courts;
- Family Drug Treatment Court;
- Fast Track Remand Court;
- Implementing Youth Control Orders and Intensive Bail Orders;
- Reducing reoffending and improving community safety;
- Security upgrades to strengthen court safety; and
- Transport of Deceased Persons.

Balance sheet

Court Services Victoria's net assets position is estimated to increase by \$72 million in 2019-20, compared to the 2018-19 revised budget, reflecting the Government's continued investment in courts infrastructure.

The increase in total assets and liabilities reflects the recognition of right-of-use assets and liabilities as part of the adoption of the new Australian Accounting Standard AASB 16 *Leases*, which is applicable from 1 July 2019.

Investing and financing

Court Services Victoria is anticipating a balanced net cash position in 2019-20, compared to the 2018-19 revised budget, effectively maintaining a balanced cash flow.

Cash flows from investing activities primarily reflect the Government's continued asset investment in existing courts infrastructure and new asset projects funded in the *2019-20 Budget* including:

- Bendigo law court redevelopment;
- Improving court access through additional audio-visual technology; and
- Security upgrades to strengthen court safety.

Administered items statement

Court Services Victoria is responsible for administering revenue on behalf of the State in 2019-20 to proceed civil case lodgements and hearings and to award compensation to victims who suffer earnings loss or are reasonably likely to suffer as a direct result of an act of violence and revenue from court fees for civil case lodgements and hearings.

Total administered income of Court Services Victoria is expected to increase by \$4 million in 2019-20, compared to the 2018-19 revised budget.

Total administered expenses of Court Services Victoria are expected to similarly increase by \$4 million in 2019-20, compared to the 2018-19 revised budget.

Table 3.10.1: Comprehensive operating statement

(\$ million)

	2017-18 actual	2018-19 budget	2018-19 revised	2019-20 budget
Net result from continuing operations				
Income from transactions				
Output appropriations	378	432	447	472
Special appropriations	140	166	169	178
Grants	25	18	19	17
Other income	(2)	..	..	..
Total income from transactions	542	616	635	667
Expenses from transactions				
Employee benefits	309	347	354	384
Depreciation ^(a)	47	49	49	59
Interest expense ^(a)	6	6	6	9
Grants and other transfers	6	3	3	3
Capital asset charge	39	45	45	46
Other operating expenses ^(a)	131	166	178	166
Total expenses from transactions	537	616	635	667
Net result from transactions (net operating balance)	4	..	..	..
Other economic flows included in net result				
Total other economic flows included in net result	..	..	..	..
Net result	4	..	..	..
Changes in non-financial assets revaluation surplus	63	..	..	..
Total other economic flows – other comprehensive income	63	..	..	..
Comprehensive result	68	..	..	..

Sources: Court Services Victoria and Department of Treasury and Finance

Note:

(a) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet also increasing depreciation and interest expenses.

Table 3.10.2: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2018 actual</i>	<i>2019 budget ^(a)</i>	<i>2019 revised</i>	<i>2020 budget</i>
Assets				
Financial assets				
Cash and deposits	14	14	14	14
Receivables from government	88	113	91	121
Other receivables	6	6	6	6
Total financial assets	108	133	111	141
Non-financial assets				
Property, plant and equipment ^(b)	1 067	1 121	1 086	1 214
Intangible assets	18	24	19	16
Other	3	3	3	3
Total non-financial assets	1 088	1 148	1 107	1 232
Total assets	1 196	1 281	1 218	1 373
Liabilities				
Payables	43	43	43	43
Borrowings ^(b)	67	59	59	142
Provisions	80	80	80	80
Total liabilities	191	182	182	265
Net assets	1 005	1 099	1 036	1 108
Equity				
Accumulated surplus/(deficit)	7	7	7	7
Reserves	250	250	250	250
Contributed capital	748	842	779	851
Total equity	1 005	1 099	1 036	1 108

Sources: Court Services Victoria and Department of Treasury and Finance

Notes:

(a) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.*(b)* The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires most operating leases to be brought onto the balance sheet, recognising a right-of-use asset and lease liability.

Table 3.10.3: Statement of cash flows

(\$ million)

	2017-18 actual	2018-19 budget	2018-19 revised	2019-20 budget
Cash flows from operating activities				
Receipts				
Receipts from Government	509	573	612	620
Receipts from other entities	22	18	19	17
Total receipts	531	590	632	637
Payments				
Payments of grants and other transfers	(6)	(3)	(3)	(3)
Payments to suppliers and employees	(426)	(513)	(532)	(550)
Capital asset charge	(39)	(45)	(45)	(46)
Interest and other costs of finance paid	(6)	(6)	(6)	(9)
Total payments	(477)	(567)	(586)	(607)
Net cash flows from/(used in) operating activities ^(a)	54	23	46	30
Cash flows from investing activities				
Payments for non-financial assets	(70)	(109)	(68)	(83)
Proceeds from sale of non-financial assets	2	..	..	..
Net cash flow from/(used in) investing activities	(68)	(109)	(68)	(83)
Cash flows from financing activities				
Owner contributions by State Government	36	94	32	72
Repayment of leases and service concession liabilities	(13)	(9)	(9)	(18)
Net borrowings	(5)	..	..	..
Net cash flows from/(used in) financing activities ^(a)	18	85	23	54
Net increase/(decrease) in cash and cash equivalents	4	..	..	..
Cash and cash equivalents at the beginning of the financial year	10	14	14	14
Cash and cash equivalents at the end of the financial year	14	14	14	14

Sources: Court Services Victoria and Department of Treasury and Finance

Note:

(a) The 2019-20 budget incorporates the new accounting standard AASB 16 Leases, which requires the capital component of lease expenses to be reclassified from operating activities to financing activities.

Table 3.10.4: 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 2017	2	712	187	..	901
Comprehensive result	4	..	63	..	68
Transactions with owners in their capacity as owners	..	36	..	..	36
Closing balance 30 June 2018 (actual) ^(a)	7	748	250	..	1 005
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	94	..	..	94
Closing balance 30 June 2019 (budget) ^(a)	7	842	250	..	1 099
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	32	..	..	32
Closing balance 30 June 2019 (revised)	7	779	250	..	1 036
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	72	..	..	72
Closing balance 30 June 2020 (budget)	7	851	250	..	1 108

Sources: Court Services Victoria and Department of Treasury and Finance

Note:

(a) The 2019 budget figures have been restated to reflect the 2018 actual closing balance.

Table 3.10.5: Administered items statement

(\$ million)

	2017-18 actual	2018-19 budget ^(a)	2018-19 revised	2019-20 budget
Administered income				
Special appropriations	43	42	42	43
Sale of goods and services	62	66	66	69
Other income	19	21	21	21
Total administered income	124	129	129	133
Administered expenses				
Expenses on behalf of the State	12	9	9	10
Grants and other transfers	32	33	33	33
Payments into the Consolidated Fund	82	87	87	90
Total administered expenses	126	129	129	133
Income less expenses	(1)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(1)	..	..	..
Total other economic flows included in net result	(1)	..	..	..
Net result	(2)	..	..	..
Comprehensive result	(2)	..	..	..
Administered assets				
Cash and deposits	9	9	9	9
Receivables	3	3	3	3
Total administered assets	12	12	12	12
Administered liabilities				
Payables	10	10	10	10
Provisions	3	3	3	3
Total administered liabilities	14	14	14	14
Net assets	(1)	(1)	(1)	(1)

Sources: Court Services Victoria and Department of Treasury and Finance

Note:

(a) The 2018-19 budget figures have been restated to reflect the 2017-18 actual closing balances.

CHAPTER 4 – STATE REVENUE

This chapter outlines expected movements in the major categories of general government revenue between 2018-19 and 2022-23. The revenue forecasts are closely linked to developments in key macroeconomic variables reflecting the outlook for international, national and domestic economic conditions as outlined in Budget Paper No. 2, Chapter 2 *Economic Outlook*.

Total revenue is expected to grow by a subdued 2.2 per cent to reach \$71.0 billion in 2019-20, then recover to average growth of 5.0 per cent a year over the forward estimates (Table 4.1). The revenue forecasts are supported by the outlook for continued strong economic conditions in Victoria, underpinning steady growth in Victoria's non-property tax revenues, including payroll tax, insurance, and GST. However, property-related revenue has been further downgraded, reflecting weaker conditions in Victoria's property market since the *2018-19 Budget Update*.

Victoria's economic expansion is forecast to continue in 2019-20, driven by population growth, low interest rates, a record pipeline of public infrastructure investment, and high levels of business investment. Successive years of above-trend economic expansion has translated into record levels of employment, with more than 450 000 additional people employed since November 2014. This strength in the labour market is expected to translate into improved wage outcomes, supporting steady growth in payroll tax collections.

Risks to the outlook are elevated as the economic cycle matures, reflecting unfolding conditions in east coast residential property markets. Lower property prices are dampening growth in consumption (particularly durables goods purchases) and dwelling investment, which are weighing on the outlook for the national GST pool. Victoria's GST revenue is expected to grow by 4.9 per cent to be \$17.5 billion in 2019-20, an outcome resulting from Victoria's assessed relativity of 0.98 in 2019-20, moderate growth in the national GST pool, and growth in Victoria's population.

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

	2018-19 <i>revised</i>	2019-20 <i>budget</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>	2022-23 <i>estimate</i>
Taxation revenue	23 814	24 328	25 303	26 620	28 140
Grants	33 396	34 093	36 075	37 999	40 389
Sales of goods and services	7 712	8 030	8 682	8 915	9 013
Dividends, income tax equivalent and rate equivalent revenue	952	863	566	554	594
Interest revenue	796	719	680	645	631
Other revenue	2 825	2 999	3 147	3 252	3 384
Total revenue from transactions	69 495	71 032	74 453	77 984	82 151

Source: Department of Treasury and Finance

TAXATION

Tax revenue is forecast to grow by 2.2 per cent to be \$24.3 billion in 2019-20, and is expected to grow by an average of 5.0 per cent a year over the forward estimates.

Land transfer duty revenue has been downgraded by \$2.8 billion over five years, in addition to a \$2.4 billion downgrade reported in the *2018 Pre-election Budget Update*, primarily reflecting the impact of declining property prices and transaction volumes. Since the *2018-19 Budget*, land transfer duty revenue has been downgraded by \$5.2 billion.

Land transfer duty revenue is expected to decline by 1.6 per cent to \$5.9 billion in 2019-20 (Table 4.2), following an estimated 13.6 per cent decline in 2018-19. The property market is then projected to recover from around 2020-21, with land transfer duty revenue forecast to increase by 5.9 per cent in 2020-21, rising to an increase of 6.3 per cent by 2022-23.

The Valuer-General of Victoria has undertaken the first annual revaluation for 2019, which estimates changes in unimproved land values from 1 January 2018 to 1 January 2019. The shift to annual valuations is likely to reduce the volatility in land tax revenues previously associated with biennial valuations.

Expectations for the residential land revaluation have eased as observed capital improved property prices have softened. Based on preliminary land revaluation data, residential valuations for Victoria are expected to be modestly negative, which will be partially offset by flat revaluation outcomes for industrial and commercial land revaluations in 2019. Land tax revenue is expected to be \$3.7 billion in 2019-20. Unimproved land values are largely unobserved and can be volatile. Given the outlook for the property market, risks remain elevated for the residential land tax outlook.

Payroll tax revenue is forecast to grow by 4.1 per cent to be \$6.5 billion in 2019-20 and to grow by an average of 4.5 per cent a year over the forward estimates. Victoria's labour market is expected to be robust in 2019-20 and over the forecast period. Wages growth is expected to return to trend growth at around 3.5 per cent, as excess capacity in the labour market reduces.

Gambling tax revenue is forecast to decline by 0.3 per cent to be \$2.0 billion in 2019-20. Additional revenue from renewed electronic gaming machine licenses will contribute to higher revenue collections from 2022-23.

Motor vehicle taxes are expected to grow by 8.2 per cent to be \$2.8 billion in 2019-20 and grow by an average of 4.2 per cent a year over the forward estimates. Population growth in Victoria is anticipated to sustain steady motor vehicle revenue over the forward estimates.

Insurance taxes are expected to grow by 7.3 per cent to be \$1.5 billion in revenue in 2019-20 and grow by 6.1 per cent a year on average over the forward estimates.

Table 4.2: Taxation estimates

(\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Taxes on employers' payroll and labour force	6 277	6 537	6 901	7 181	7 465
Taxes on immovable property					
Land tax	3 672	3 659	3 753	4 078	4 497
Fire Services Property Levy ^(a)	645	709	738	756	776
Congestion levy	111	101	101	100	100
Metropolitan improvement levy	173	183	187	191	195
Total taxes on property	4 602	4 653	4 778	5 125	5 568
Gambling taxes					
Public lotteries ^(b)	521	444	443	445	451
Electronic gaming machines	1 123	1 140	1 158	1 172	1 240
Casino	220	238	246	252	260
Racing and other sportsbetting	104	140	143	147	151
Other	12	13	14	14	15
Financial and capital transactions ^(c)					
Land Transfer Duty	5 990	5 896	6 245	6 612	7 029
Metropolitan planning levy	21	22	22	23	23
Financial accommodation levy	151	178	193	206	215
Growth areas infrastructure contribution	287	285	311	369	413
Levies on statutory corporations ^(c)	157	157	..	..	..
Taxes on insurance	1 379	1 479	1 570	1 667	1 769
Total taxes on the provision of goods and services	9 964	9 992	10 345	10 906	11 566
Motor vehicle taxes					
Vehicle registration fees	1 683	1 784	1 857	1 934	2 016
Duty on vehicle registrations and transfers	916	1 029	1 082	1 123	1 166
Liquor licence fees	27	26	27	28	30
Other	344	307	313	322	329
Total taxes on the use of goods and performance of activities	2 970	3 146	3 279	3 407	3 540
Total taxation	23 814	24 328	25 303	26 620	28 140

Source: Department of Treasury and Finance

Notes:

- (a) The Fire Services Property Levy is capped for 2017-18 and 2018-19. In 2018-19, revenue is estimated to be \$17 million lower than the Government's cap of \$662 million (the amount collected in 2016-17), returning the over-collection from 2017-18. Levy rates for 2019-20 will be determined by the Treasurer by the end of May 2019.
- (b) Higher lottery revenue in 2018-19 reflects an unusually high number of large jackpots in the year to date, which are random in nature.
- (c) The fourth tranche of the environmental contribution levy commenced on 1 July 2016 for a period of four years concluding on 30 June 2020.

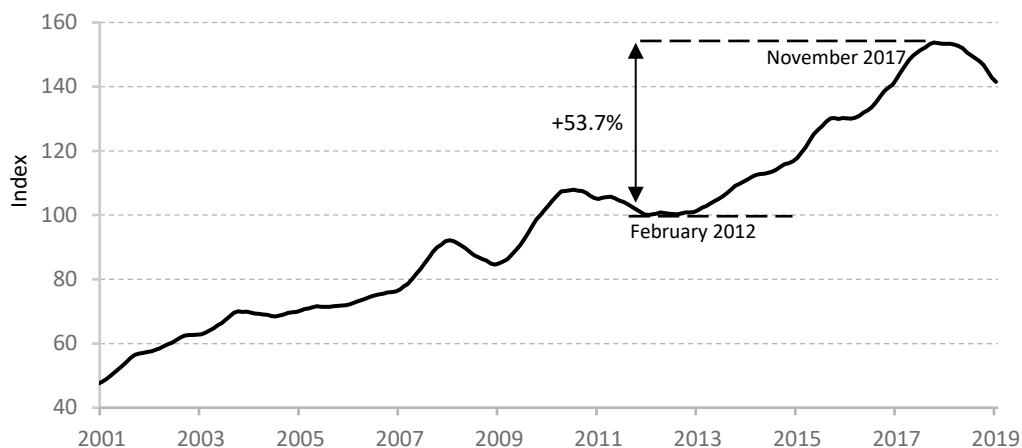
Land transfer duty

Land transfer 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 certain concession card holders and eligible first home buyers. This includes the first home buyer stamp duty exemption/concession scheme, implemented on 1 July 2017, as part of *Homes for Victorians*.

Land transfer duty is expected to contract by 1.6 per cent to \$5.9 billion in 2019-20 and is expected to grow by 5.9 per cent in 2020-21, rising to an increase of 6.3 per cent by 2022-23.

The Victorian property market experienced dwelling price growth of 53.7 per cent between February 2012 and November 2017 (Chart 4.1). Property market conditions have since weakened, with Victorian dwelling prices declining by 8.7 per cent over the year to April 2019. Larger declines of 10.0 per cent were experienced in metropolitan Melbourne.

Chart 4.1: Dwelling prices in Victoria

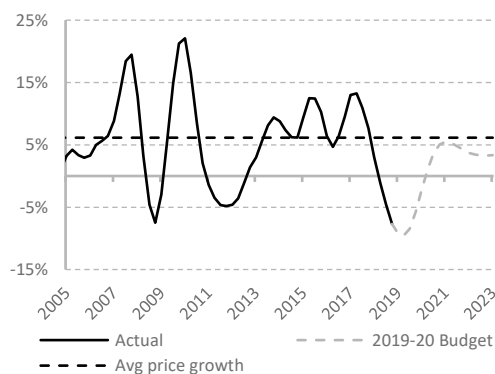


Source: CoreLogic

The land transfer duty forecasts anticipate further softening in residential dwelling prices in 2019, with a forecast peak to trough fall of 13.1 per cent reflecting price declines observed so far and further expected weakening in demand for housing based on surveyed housing sentiment. Residential property prices are projected to recover from 2020-21 (Chart 4.2), supported by strong population growth along with ongoing low interest rates. The recovery is projected to be gradual; historically, property market cycles are characterised by long-lived expansions and sharp but shorter-lived downturns.

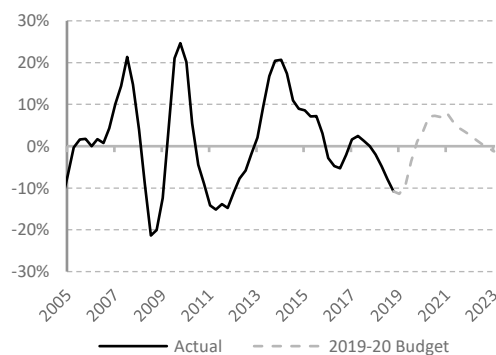
Transaction volumes are estimated to be 12.7 per cent lower over the year to the March quarter 2019. Market participants have delayed property transactions in response to price declines, leading to lower transaction volumes (Chart 4.3). Transaction volumes are forecast to decline until late 2019, before returning to moderate growth from mid-2020.

Chart 4.2:
Dwelling prices in Victoria
(through the year growth, quarterly)



Sources: CoreLogic, Department of Treasury and Finance

Chart 4.3:
Transaction volumes (at contract date) in
Victoria (through the year growth, quarterly)



Sources: Valuer-General of Victoria,
Department of Treasury and Finance

Reflecting Victoria's strong economic conditions and high levels of business investment, non-residential duties, which include commercial, industrial and other types of transactions, have been growing in importance in recent years and now account for around 21 per cent of land transfer duty revenue. Solid growth in non-residential duties partially offset weakness in the residential sector in 2018-19, supported by low vacancy rates and high rental yields in the office sector, and strong demand for industrial property. However, growth in non-residential duties is beginning to weaken.

As a result, following the expected contraction in 2019-20, growth in land transfer duty is forecast to remain below trend in 2020-21 and 2021-22. Box 4.1 below explores risks to property-related revenue from a hypothetical sharper than anticipated weakening in property market conditions.

From 1 July 2019, a land transfer duty concession will be provided to commercial and industrial property transactions in regional Victoria to provide support to regional businesses. A 10 per cent concession will be provided for contracts signed from 1 July 2019, increasing by 10 percentage points each year to provide a full 50 per cent discount from 1 July 2023. The concession will be based on the contract date and will be applied to the land transfer duty payable at settlement date.

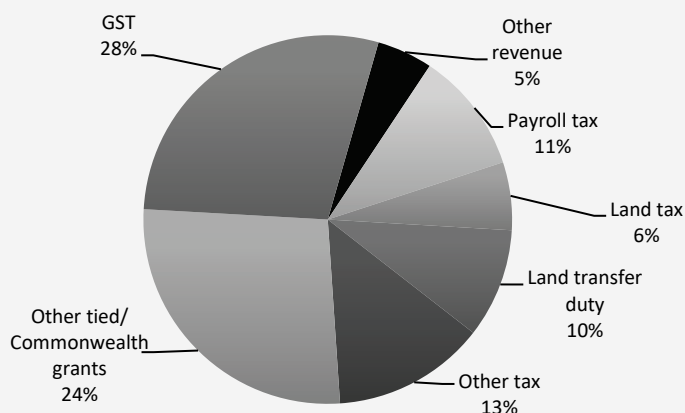
In addition, the land transfer duty surcharge on foreign buyers of residential property will be increased from 7 per cent to 8 per cent for contracts entered into on or after 1 July 2019. The surcharge will apply to the greater of the purchase price or the market value of the property, in addition to any other stamp duty payable, and will be payable at settlement. This will align the Victorian and New South Wales rates.

From 1 July 2019, the current exemption applying to qualifying transactions of corporate reconstructions will also be replaced with a duty rate of 10 per cent of the duty otherwise payable. This expands the qualifying provisions for corporate reconstruction relief under the *Duties Act 2000*, which is expected to facilitate business restructuring and promote business efficiency.

Box 4.1: Revenue scenario analysis of a sharper property market downturn

Victoria's revenue is raised from a variety of sources, and direct exposure to any single economic sector is low. This diversity and the relative strength of different sectors within the Victorian economy (e.g. property versus labour markets) can play an important role in buffering state revenue from economic shocks. Nevertheless, co-movement between macroeconomic variables can depend on the stage of the economic cycle.

Chart 4.4: Composition of Victoria's revenue base³



This box analyses the impact of a hypothetical sharper property market downturn on revenue. While macroeconomic conditions and revenue are clearly linked, the analysis shows that the revenue impacts of a possible further downturn in the property market are manageable within the Government's current fiscal settings.

The revenue effects of two scenarios are modelled where it is assumed continued property market adjustments and changes in international financial conditions lead to broad weakness in the Australian economy. The application of a significant domestic and global shock results in a muted impact on Victorian state revenue that is no greater than a 3.4 per cent decline relative to baseline in any single year, before any fiscal policy response. The two scenarios are modelled using a large scale macro-econometric model.⁴ The first scenario (referred to as the 'sentiment shock') is characterised by further weakness in domestic housing market sentiment and investor expectations compared with levels experienced so far. The second scenario (referred to as the 'combined shock') combines weaker housing sentiment and expectations with a global monetary policy shock that results in an unexpected increase in global interest rates.

Under the sentiment shock scenario, the peak to trough fall in Victorian dwelling prices is 6 percentage points larger than the model's baseline. Compared with the central forecasts of a 13.1 per cent peak to trough fall, this scenario represents a fall of roughly 19 per cent in Victorian dwelling prices. Dwelling investment experiences a peak to trough fall, which is 15 percentage points greater in magnitude than the model baseline. This trough in dwelling investment occurs in the second half of 2019.

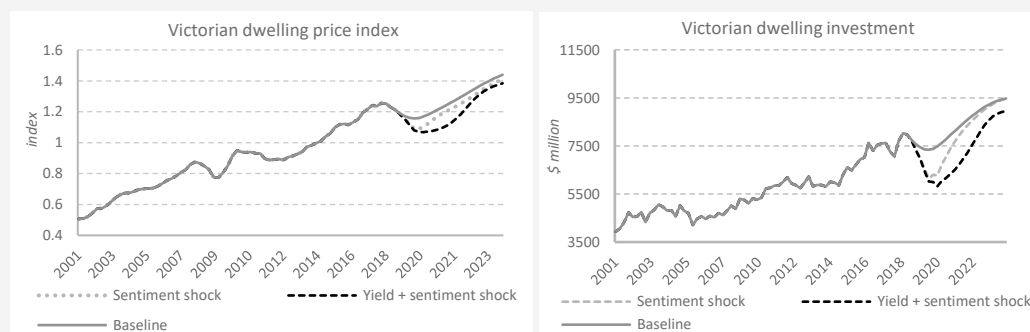
³ Sales of goods and services, dividends and interest revenue are excluded from this analysis for simplicity.

⁴ The Australian Macroeconomic (AUS-M) model is used for these scenarios. This is a large-scale macroeconomic model of the Australian economy with some characteristics of a computable general equilibrium (CGE) model. AUS-M has three sectors (household, business and public) and three markets (product, labour and financial) linked by eight systems of around 700 equations that are estimated using historical data.

In the combined shock scenario, Australian interest rates initially increase in response to higher international yields relative to the baseline, reflecting a repricing of domestic fixed income assets against a higher nominal return for global bonds. The addition of the shock to global interest rates with the contemporaneous shock to housing sentiment in the combined scenario produces a downturn that is deeper and significantly more prolonged than the baseline or sentiment shock in isolation (in the first scenario).

The combined shocks cause a peak to trough fall in house prices that is 8 percentage points greater in magnitude than the model baseline, and so models a total peak to trough fall of roughly 21 per cent in Victorian dwelling prices. For Victorian dwelling investment, the peak to trough fall is 19 percentage points lower than the baseline. Chart 4.5 depicts the paths of Victorian dwelling prices and dwelling investment in the baseline and scenarios.

Chart 4.5: Victorian dwelling prices and Victorian dwelling investment



Source: Department of Treasury and Finance

Revenue impact

Table 4.3 shows how changes in the key macroeconomic variables translate to revenue using a first-order (linear) Taylor Series approximation around the baseline scenario.⁵

Both the sentiment shock and the combined shock have meaningful but manageable revenue impacts over the budget and forward estimates period.

The largest impact of the sentiment shock scenario is on property taxes, with total property tax revenue expected to fall around 6.4 per cent in the budget year. Other revenue sources such as payroll tax and GST are much less responsive, and the total revenue effect is only around -1.4 per cent in the budget year, or \$1.0 billion in nominal terms out of an approximate \$70 billion revenue base.

In the combined shock modelled in the second scenario, total revenue is more resilient in the budget year compared with the first scenario, due to the immediate effect of higher consumer prices (and a flow-on effect to wages) on GST and payroll revenue. In later years, the effects of the combined shock in the second scenario crystallise into weaker consumption and employment and a more prolonged recovery in the housing market compared with the baseline or sentiment shock in isolation.

⁵ The total change in revenue is the weighted average of the per cent changes in each line where the weights are determined by each line's relative size.

This leads to lower revenue from 2019-20 onwards, although the total revenue effect of this major dislocation is considerably smaller than the size of the precipitating economic shocks modelled. In the scenario, total revenue experiences a peak fall of 3.4 per cent compared with the baseline in 2021-22. The effect on property taxes is again larger than other revenue sources in each year of the forward estimates period, with total property tax revenue around 15 per cent lower in 2020-21 and 2021-22 compared with a total effect of around -2.8 to -3.4 per cent in these years. Total revenue is around 2.2 per cent lower over the five years modelled, or \$8.2 billion dollars lower out of a cumulative revenue base of around \$375 billion.

Nevertheless, the total magnitude of the revenue impact even under a relatively severe shock appears to be relatively manageable in an overall budget context. A reduction of revenue of this magnitude has previously been met by a Government fiscal response, including reducing expenditure to match a revenue write down.

Table 4.3: Estimated yearly per cent changes in revenue relative to the base case

Sentiment shock scenario					Yields and sentiment shock scenario				
	Payroll	Property	GST grants	Total		Payroll	Property	GST grants	Total
2018-19	(0.07)	(1.40)	(0.10)	(0.29)	2018-19	0.03	(1.47)	0.15	(0.19)
2019-20	(0.68)	(6.38)	(0.72)	(1.43)	2019-20	(0.01)	(8.94)	0.24	(1.43)
2020-21	(1.14)	(6.62)	(0.79)	(1.58)	2020-21	(0.71)	(15.03)	(0.35)	(2.78)
2021-22	(1.30)	(5.19)	(0.88)	(1.40)	2021-22	(2.18)	(14.70)	(1.56)	(3.37)
2022-23	(1.43)	(4.60)	(0.99)	(1.36)	2022-23	(3.34)	(9.45)	(2.25)	(2.88)

Source: Department of Treasury and Finance

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 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 valuations for mixed-use properties or where land sales data for metropolitan areas are insufficient.

The strong property market and resulting price growth in the two years to January 2018 saw an increase in the land tax base in Victoria. This contributed to increased land tax revenue in 2018-19.

The weaker residential property market is expected to result in lower than anticipated land values in 2019, although the magnitude of change will not be finalised until the Valuer-General of Victoria releases the final revaluation. As a result of the Government's reforms to move to annual valuations, the 2019 valuation is expected to impact land tax revenue in 2019-20, which is forecast to decline by 0.3 per cent to \$3.7 billion.

The preliminary residential land revaluation has resulted in a fall in the aggregate value of residential land, compared to a relatively flat revaluation outcome in commercial and industrial land values for the 2019 revaluation year.

Land tax revenue growth is expected to be modest in 2020-21 reflecting further residential property price declines in 2019, weighing on the 2020 revaluation. Revaluation outcomes are expected to recover to around historical revaluation outcomes in 2021-22 and 2022-23.

From the 2020 land tax year, land in metropolitan Melbourne that is contiguous with a principal place of residence but on a separate title and without a separate residence will no longer be exempt from land tax. This measure will promote the efficient use of land and discourage land banking.

A landowner who does not ordinarily reside in Australia is liable for an absentee landowner surcharge in addition to any other land tax payable. The absentee landowner surcharge will be increased from 1.5 per cent to 2.0 per cent from the 2020 land tax year, in line with the rate in New South Wales.

Growth areas infrastructure contribution

The growth areas infrastructure contribution (GAIC) applies to certain types of land in Melbourne's growth areas: Cardinia, Casey, Hume, Melton, Mitchell, Whittlesea and Wyndham. Revenue from GAIC is tied to community infrastructure development in these areas.

GAIC revenue is expected to decrease by 0.4 per cent to \$285 million in 2019-20, then grow by an annual average rate of 13.1 per cent over the forward estimates.

Demand for new housing is moderating in the outer suburbs of Melbourne, consistent with soft dwelling prices and slower growth in lending finance for first home buyers. This will lead to weaker growth in GAIC revenue until the expected recovery in property market conditions eventuates.

The amount of GAIC revenue available to be invested in projects is determined by the actual cash received each year due to deferred payment mechanisms and work in kind arrangements. The *2019-20 Budget* allocates \$68 million of GAIC receipts over the budget and forward estimates to fund infrastructure across several growth areas, including land acquisition and construction of new schools in Hume, Melton, Casey and Wyndham as well as public transport initiatives and assets in these areas.

Metropolitan planning levy

The metropolitan planning levy applies to planning permits for land to be developed in metropolitan Melbourne, where the estimated cost of development is over the threshold. In 2019-20, the threshold is \$1 071 000. Revenue from the levy helps fund the work of the Victorian Planning Authority and its *Plan Melbourne* initiative, a long-term strategy to accommodate Melbourne's growth. Revenue from the metropolitan planning levy is forecast to grow by 5.4 per cent to be \$22 million in 2019-20, and is estimated to grow by an average of 1.2 per cent a year over the forward estimates.

Congestion levy

The congestion levy applies to off-street parking spaces in inner Melbourne, aimed at reducing traffic congestion and encouraging alternative forms of transport. For 2019, the levy rate is \$1 440 for parking spaces in the Category 1 geographic area, and \$1 020 for spaces in the Category 2 area. Revenue from the congestion levy is expected to decline by 9.0 per cent to be \$101 million in 2019-20, then decline by an average of 0.4 per cent a year over the forward estimates. This represents a downgrade of \$113 million over five years from the *2018-19 Budget*. This reflects changes in the number of car parks subject to the levy.

Fire Services Property Levy

The Fire Services Property Levy is an annually recurring charge on property owners. Revenue from the levy goes to supporting the State's fire services, including vital life-saving equipment, firefighters, staff and volunteers, training, infrastructure and community education.

The Fire Services Property Levy rates are set each year to specifically target an amount of revenue to raise. The Fire Services Property Levy is expected to be \$709 million in 2019-20.

Payroll tax

Payroll tax revenue is expected to grow by 4.1 per cent to be \$6.5 billion in 2019-20 and grow by an average of 4.5 per cent a year over the forward estimates. Victoria's labour market is expected to be robust in 2019-20 and over the forward estimates. Wages growth is expected to return to trend growth at around 3.5 per cent, as excess capacity in the labour market reduces. Consistent with this, payroll tax collections are expected to remain solid.

Stronger than anticipated labour market conditions would have implications for payroll tax revenue. However, downside risks remain; there is uncertainty about both the pace and size of the adjustment in the residential property market and its impact on overall economic growth and labour market conditions.

From 1 July 2019, the payroll tax exemption for wages paid to employees on maternity leave will be extended to all types of parental leave. This provides a fair tax treatment for employers that offer any type of parental leave and encourages employers to give parents more time to spend with their children. The exemption will apply for up to 14 weeks of wages paid to employees taking parental leave.

The regional payroll tax rate paid by eligible businesses will also be reduced to 1.2125 per cent, or 25 per cent of the metropolitan rate by 2022-23. The reduction will be phased in over three years from 1 July 2020, with reductions of around 0.4 percentage points each year in 2020-21, 2021-22 and 2022-23. Around 3 500 businesses that qualify as regional employers will pay the reduced rate on all their wages.

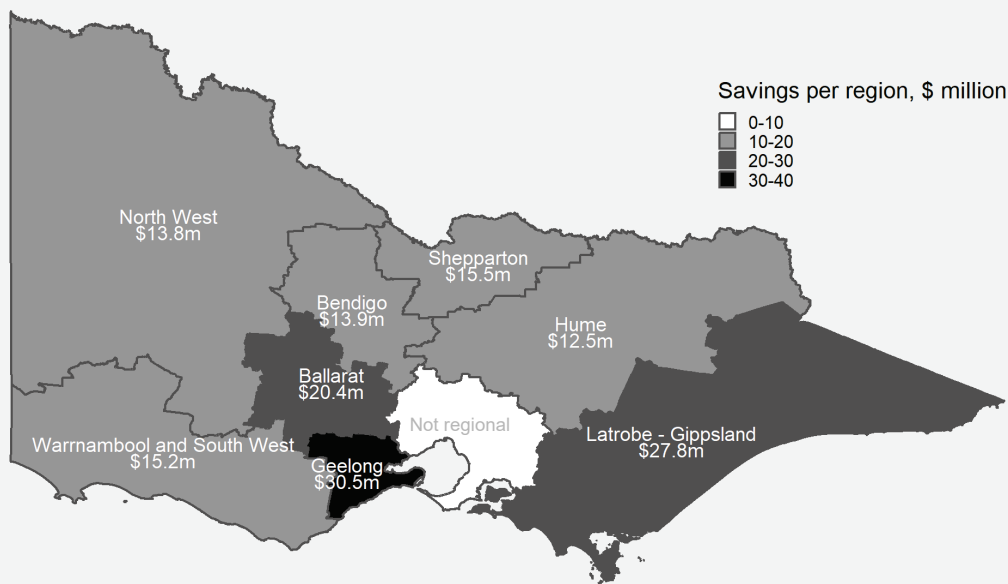
Furthermore, from 1 July 2021, the current payroll tax-free threshold of \$650 000 will be increased to \$675 000, with a further increase of \$25 000 to \$700 000 in 2022-23. This will reduce payroll tax for over 38 000 businesses, and reduce the number of businesses paying payroll tax by around 700 in 2021-22 and a further 700 in 2022-23.

Box 4.2: Supporting regional employment

On 1 July 2018, the payroll tax free threshold increased from \$625 000 to \$650 000 for all businesses in Victoria. The payroll tax rate for businesses based in regional Victoria, and with at least 85 per cent of Victorian wages associated with regional employees, was also reduced from 3.65 per cent to 2.425 per cent – half the metropolitan rate.

In 2019-20, 3 500 businesses based in regional Victoria that qualify for the regional employer rate are estimated to share in payroll tax savings of more than \$150 million. By 2022-23, the regional payroll tax rate will be further reduced from 50 per cent to 25 per cent of the metropolitan rate, allowing more regional businesses to expand their operations and take on new employees.

Chart 4.6: Regional business savings from the regional employer rate, 2019-20



Source: Department of Treasury and Finance

Since November 2014, more than 66 000 new jobs have been created in regional Victoria, with the regional unemployment rate falling to 4.6 per cent in the three months to March 2019.

Gambling taxes

Gambling taxes are levied on public lotteries, electronic gaming machines (EGMs), the casino, racing, wagering and betting and other forms of gambling. These 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 decline by 0.3 per cent to be \$2.0 billion in 2019-20 and is expected to increase modestly over the forward estimates. Gambling has steadily declined as a share of total household final consumption expenditure in recent years. This reflects several factors, including the success of measures designed to minimise gambling-related harms, such as the capped numbers of EGMs, as well as changing consumer preferences.

Partly offsetting this decline is the introduction of the point of consumption tax from 1 January 2019, which applies to revenue derived from all wagering and betting activity from customers in Victoria, regardless of the location of the provider.

In 2019-20, approximately 82 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 in hospitals and community organisations, mental health services, programs to tackle problem gambling, including funding for the Victorian Responsible Gambling Foundation, as well as drug education, treatment and rehabilitation.

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 grow by 8.2 per cent to be \$2.8 billion in revenue in 2019-20 and grow by an average of 4.2 per cent a year over the forward estimates. Stamp duty revenue from new vehicle sales continues to be weak in the first half of 2018-19, likely reflecting more cautious consumer spending behaviour in response to easing dwelling prices. Despite this, strong population growth and new policy decisions are contributing to upgrades to motor vehicle stamp duty revenue from 2019-20.

From 1 July 2019, motor vehicle duty for used passenger motor vehicles valued above the luxury threshold will be aligned with the rate for new cars, ensuring consistent treatment of new and used cars regardless of value.

In addition, two new super-luxury thresholds will be introduced from 1 July 2019. All passenger motor vehicles valued between \$100 001 and \$150 000 will be charged a motor vehicle duty of \$14.00 per \$200 of market value and all passenger motor vehicles valued above \$150 001 will be charged a motor vehicle duty of \$18.00 per \$200 of market value.

All low-emission passenger cars (with carbon dioxide emissions less than 120g/km) and cars owned by primary producers used in the business of primary production will be exempt from the existing and new luxury car duty rates. This will result in a reduced duty rate for all eligible cars valued above the luxury car threshold.

The Transport and Infrastructure Council's (comprising state, territory and Commonwealth transport, infrastructure and planning ministers) heavy vehicle road reform agenda is a source of uncertainty for heavy vehicle registration revenue. Heavy vehicle registration charges, which are set through a cost recovery methodology, have been frozen at 2017-18 levels until 30 June 2020. There are currently no charges set beyond 2019-20, with the current reform agenda aiming to develop a new charging methodology for agreement in late 2019.

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 \$1.5 billion in revenue in 2019-20, up 7.3 per cent from 2018-19. Revenue from insurance taxes is anticipated to grow by 6.1 per cent a year on average over the forward estimates.

GRANT REVENUE

Total grant revenue is expected to be \$34.1 billion in 2019-20, an increase of 2.1 per cent from 2018-19. Total grant revenue growth over the next four years is largely driven by GST revenue.

Table 4.4: Grant revenue (\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
General purpose grants – goods and services tax ^(a)	16 720	17 535	18 779	19 983	21 407
Specific purpose grants for on-passing	4 047	3 936	4 564	4 832	5 108
Other grants for specific purposes	11 942	11 026	11 367	11 883	13 149
Total	32 709	32 497	34 710	36 698	39 664
Other contributions and grants	687	1 596	1 365	1 301	726
Total grant revenue	33 396	34 093	36 075	37 999	40 389

Source: Department of Treasury and Finance

Note:

(a) The budget and forward estimates forecast for GST grants are based on Victorian forecasts of national GST collections and Victoria's population share.

GST

GST revenue is forecast to grow by 4.9 per cent to \$17.5 billion in 2019-20 and grow by an average of 6.9 per cent over the forward estimates.

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

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

Victoria is forecast to receive \$16.7 billion in GST revenue in 2018-19. Any differences between the forecasts of GST collections in 2018-19 and the final outcome will be reconciled as a separate payment to the states and territories in 2019-20.

National GST pool

National household consumption is forecast to grow at a moderate pace in 2019-20, consistent with increasing household incomes, although household wealth is expected to grow more slowly.

National dwelling investment, which is also subject to GST, is expected to ease from its peak in 2018-19 as the strong pipeline of building approvals and commencements is worked through. In 2019-20, the level of activity is forecast to decline, as the property market slowdown in the eastern states flows through to lower building approvals, and the construction pipeline eases. There are further risks to the national GST pool from dwelling investment if the property market cycle moderates faster or is deeper than anticipated.

Population

Victoria's population is forecast to grow by 2.0 per cent in 2019-20, well above the national growth rate of 1.6 per cent. Victoria has benefited from strong population growth, both reflecting and contributing to strong economic and jobs growth.

The national pool of overseas migration is projected to decline throughout 2019-20, however, Victoria's share of overseas migrants is expected to remain elevated. Victoria's overall population share is expected to increase, largely driven by interstate migration.

GST relativities

Victoria's assessed GST relativity decreased slightly from 0.99 in 2018-19 to 0.98 in 2019-20. The decline in Victoria's assessed relativity between 2018-19 to 2019-20 is largely driven by previous growth in the value of Victorian property sales, which was the highest of the states and territories over the past four years.

Victoria's assessed relativity is expected to remain high over the forward estimates. Continued strength in commodity prices will likely sustain high royalty revenues for Queensland and Western Australia, while declining residential property prices and transaction volumes are expected to reduce Victoria's ability to raise land transfer duty revenue, reducing its revenue raising capacity relative to other states. This is likely to have implications for the new distribution framework of the GST (Box 4.3). Victoria's current low share of Commonwealth grants is also expected to contribute to Victoria's higher GST requirement over the budget and forward estimates.

Box 4.3: Changes to the distribution of the national GST pool

Since its introduction in 2000, GST has been distributed among states on a principle called horizontal fiscal equalisation (HFE). HFE is the allocation of fiscal resources between states and territories with the aim of addressing differences in revenue raising capacity and the cost of delivering services. Its principle aim is to allow state governments to provide similar standards of public services to their communities, such as health, education and urban transport, at a similar tax burden.

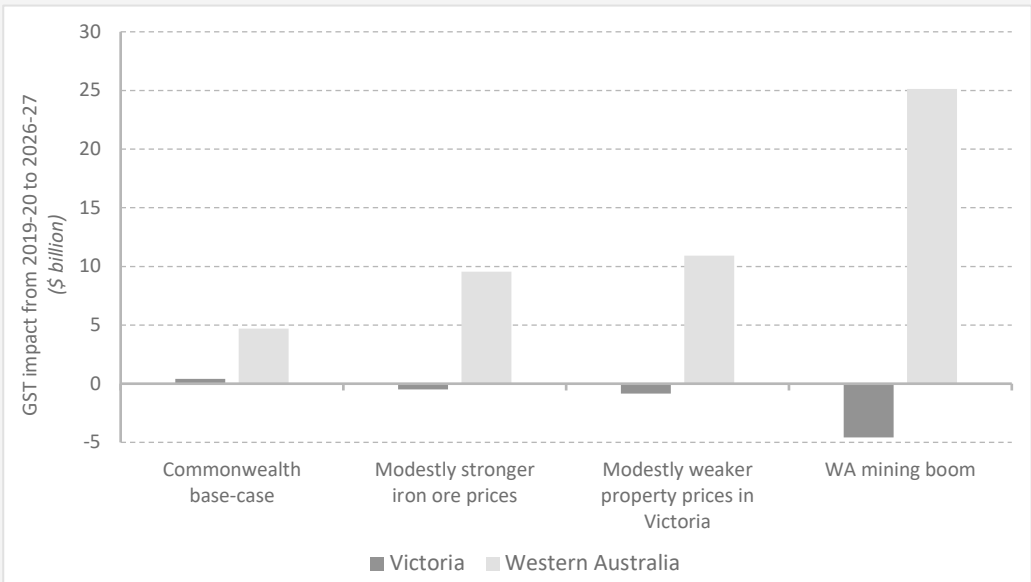
In late 2018, the Commonwealth Government reformed the system of HFE. Key features of the new system are:

- the introduction of a minimum GST revenue-sharing relativity (relativity floor) of 0.70 in 2019-20, rising to 0.75 from 2024-25;
- a permanent boost to the GST revenue pool with additional Commonwealth financial assistance from 2021-22 onwards; and
- the transition of the HFE system from full equalisation (so-called equalising to the strongest state) to 'reasonable' equalisation, based on the fiscal capacity of the stronger of New South Wales and Victoria.

Through the collaborative arrangements of the Board of Treasurers, the Victorian Government strongly advocated for a legislated 'no worse off' guarantee. As a result, the legislation now ensures that a state will receive additional Commonwealth financial assistance so it is not worse off compared to its GST entitlement had full equalisation been maintained.

The importance of the ‘no worse off’ guarantee is shown in possible scenarios set out in Chart 4.7. For example, Victoria could have been between \$482 million and \$4.6 billion worse off by 2026-27 without this guarantee. On the other hand, Western Australia would gain between \$9.5 billion and \$25.1 billion of additional GST revenue based on the same scenarios.

Chart 4.7: Potential impact on Victoria’s GST revenue without no-worse-off guarantee



Source: Department of Treasury and Finance and Commonwealth Grants Commission

Grants for on-passing

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

Table 4.5: Grants for on-passing	(\$ million)		
	<i>2018-19 revised</i>	<i>2019-20 budget</i>	<i>Change %</i>
Commonwealth Government grants to local government			
<i>Financial assistance grants to local government ^(a)</i>			
An equal per capita basis is used for distributing total assistance to the states and territories pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .			
	449	229	(49.0)
<i>Identified local roads grants to local government ^(a)</i>			
Funding to local councils is provided on a per capita and road length basis pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .			
	159	81	(49.1)
Quality Schools Funding			
Support for non-government schools.			
	3 440	3 626	5.4
Total grants for on-passing	4 047	3 936	(2.7)

Source: Department of Treasury and Finance

Note:

(a) The lower grants in 2019-20 largely reflect bringing forward part of the 2019-20 Commonwealth grants for local councils into 2018-19.

Grants for specific purposes

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

Table 4.6: Grants for specific purposes ^{(a)(b)}

(\$ million)

	2018-19 revised	2019-20 budget	Change %
Affordable housing	395	406	2.7
Community services ^(c)	1 645	246	(85.0)
Education	2 297	2 475	7.7
Environment	175	46	(74.0)
Health	5 199	5 510	6.0
Infrastructure	697	564	(19.0)
Contingent/Other	1 534	1 779	16.0
Total grants for specific purposes	11 942	11 026	(7.7)

Source: Department of Treasury and Finance

Notes:

(a) Grants may not match Commonwealth Budget publications for newly announced agreements yet to be signed by Victoria.

(b) There may be a difference in categorisation between Commonwealth and Victorian figures.

(c) 2018-19 includes previous-year payments for Assistance to States for DisabilityCare Australia that have not been received by Victoria at the time of publication. The National Disability Agreement and the National Partnership Agreement on specialist disability services for over 65s cease in 2018-19, and will not be funded in 2019-20 due to the commencement of the National Disability Insurance Scheme (NDIS). See Table 4.8: Payments for community services for further detail.

Table 4.7: Payments for affordable housing

(\$ million)

	2018-19 revised	2019-20 budget	Change %
National Housing and Homelessness Agreement			
Funding will contribute to improving access to affordable, safe and sustainable housing, including to address homelessness, and to support social and economic participation.			
	395	406	
Total affordable housing	395	406	2.7

Source: Department of Treasury and Finance

Table 4.8: Payments for community services (\$ million)

	2018-19 revised	2019-20 budget	Change %
National Disability Agreement ^(a)			
Funding to ensure that people with disability and their carers have an enhanced quality of life and participate as valued members of the community.	418	..	(100.0)
National Partnerships			
<i>Assistance to States for DisabilityCare Australia ^(b)</i>			
Funding to assist the transition to the National Disability Insurance Scheme.	1 102	244	(77.9)
Specialist Disability Services for over 65s ^(c)			
Funding for specialist disability services for people aged 65 years and over (for Indigenous people 50 years and over).	77	..	(100.0)
Pay equity for the social and community services sector ^(d)			
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.	46	..	(100.0)
Other	3	2	(19.7)
Total community services	1 645	246	(85.0)

Source: Department of Treasury and Finance

Notes:

(a) Funding ceasing in 2018-19 due to commencement of the National Disability Insurance Scheme (NDIS).

(b) 2018-19 figure includes payments related to previous-year amounts that Victoria has not received at the time of publication.

(c) Funding was provided to states during the transition to the NDIS. Funding is expected to cease in 2019-20 following full NDIS commencement.

(d) This agreement is due to expire on 30 June 2019.

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

	2018-19 revised	2019-20 budget	Change %
Quality Schools Funding			
Support for government schools.	1 769	1 933	9.3
National Agreement for Skills and Workforce Development			
Funding for the delivery of training services.	393	402	2.1
National Partnerships			
<i>Universal access to 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.	121	126	4.2
<i>School Chaplaincy Program</i>			
Funding to support the emotional wellbeing of students by providing pastoral care services.	13	13	..
Other	2	1	(37.4)
Total education services	2 297	2 475	7.7

Source: Department of Treasury and Finance

Table 4.10: Payments for environment services (\$ million)

	2018-19 revised	2019-20 budget	Change %
National Partnerships			
<i>Sustainable Rural Water Use and Infrastructure Program ^(a)</i>			
This funding is provided under a number of arrangements, such as the National Partnership on Water for the Future and Water Management Partnership Agreements under the Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin.	124	21	(83.2)
<i>Hydrogen Energy Supply Chain Pilot Project</i>			
Funding to support a pilot project to demonstrate the feasibility of a hydrogen energy supply chain.	10	18	75.0
Other	42	7	(82.4)
Total environment services	175	46	(74.0)

Source: Department of Treasury and Finance

Note:

(a) The decrease in funding in 2019-20 is driven by a reduction of available funding for the Goulburn-Murray Water Connections project.

Table 4.11: Payments for health services

(\$ million)

	2018-19 revised	2019-20 budget	Change %
National Health Reform Agreement			
The National Health Reform Agreement sets out the terms on which the Commonwealth contributes funding to the State's public hospital system. Hospitals are funded on the basis of an activity based funding formula.			
	5 146	5 489	6.7
National Partnerships			
<i>Adult Public Dental Services</i> ^(a)			
Funding to assist states to reduce wait times and provide public dental services to adults.			
	27	..	(100.0)
<i>Victorian Cytology Service</i>			
Funding to the Victorian Cytology Service.	10	10	1.5
Other	15	11	(29.8)
Total health services	5 199	5 510	6.0

Source: Department of Treasury and Finance

Note:

(a) The current Adult Public Dental Services agreement expires on 30 June 2019. While the Commonwealth has announced its intention to roll over the current agreement for another year, the one-year extension has not been signed.

Table 4.12: Payments for infrastructure services

(\$ million)

	2018-19 revised	2019-20 budget	Change %
National Partnerships			
<i>Infrastructure Investment Program</i>			
Funding is provided for road and rail infrastructure. The program assists economic and social development regionally and nationally by providing funding to improve the performance of land transport infrastructure.			
	691	537	(22.4)
<i>Geelong City Deal</i>			
Funding to support projects under the Geelong City Deal, including the Shipwreck Coast Master Plan, Great Ocean Road projects and projects in the Geelong city centre.			
	5	27	487.0
Other	1	1	(33.3)
Total infrastructure	697	564	(19.0)

Source: Department of Treasury and Finance

Table 4.13: Payments for contingent and other services

(\$ million)

	2018-19 revised	2019-20 budget	Change %
National Partnerships			
<i>Legal Assistance Services</i>			
Funding for a share of the service delivery costs of Victoria Legal Aid on Commonwealth law matters.	61	62	1.6
<i>Small Business Regulatory Reform</i>			
Funding to deliver reforms that drive Australia's economic performance, including reforms that reduce the regulatory burden on small business.	15	59	285.7
Other ^(a)	1 458	1 658	13.7
Total other services	1 534	1 779	16.0

Source: Department of Treasury and Finance

Note:

(a) Includes payments from the Commonwealth to hospitals including for the pharmaceutical benefits scheme and residential aged care subsidies and other Commonwealth Own Purpose Expenditure.

SALES OF GOODS AND SERVICES

Revenue from the sales of goods and services is expected to grow by 4.1 per cent in 2019-20 to \$8.0 billion. Over the forward estimates, growth is expected to average 3.9 per cent a year.

Table 4.14: Sales of goods and services

(\$ million)

	2018-19 revised	2019-20 budget	2020-21 estimate	2021-22 estimate	2022-23 estimate
Motor vehicle regulatory fees	233	242	274	308	317
Other regulatory fees	539	579	592	619	634
Sale of goods	91	99	105	106	107
Provision of services	4 498	4 630	5 049	5 096	5 086
Rental	79	86	86	89	91
Refunds and reimbursements	15	11	11	11	11
Inter-sector capital asset charge	2 257	2 384	2 566	2 686	2 766
Total sales of goods and services	7 712	8 030	8 682	8 915	9 013

Source: Department of Treasury and Finance

DIVIDENDS, INCOME TAX EQUIVALENT AND RATE EQUIVALENT REVENUE

Table 4.15 details the dividends, income tax and rate equivalent revenue received by the State from government business enterprises.

Dividend and income tax equivalent (ITE) revenue is projected to be \$863 million in 2019-20 and decline by an average of 11.7 per cent a year over the following three years. The higher revenue in 2019-20 is largely due to dividends to be received from the Victorian Managed Insurance Authority and the Treasury Corporation of Victoria.

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

	<i>2018-19 revised</i>	<i>2019-20 budget</i>	<i>2020-21 estimate</i>	<i>2021-22 estimate</i>	<i>2022-23 estimate</i>
Dividends	656	624	327	305	331
Income tax equivalent revenue	289	232	231	242	255
Local government rate equivalent revenue	7	7	7	7	8
Total dividends, income tax equivalent and rate equivalent revenue	952	863	566	554	594

Source: Department of Treasury and Finance

INTEREST REVENUE

Interest revenue is earned on cash and deposits across a number of general government sector agencies, including departments, hospitals and schools. Interest revenue is expected to be \$719 million in 2019-20, and decline by an average of 4.0 per cent a year over the following three years.

OTHER REVENUE

Table 4.16 shows other revenue, which includes fines, donations and gifts, and royalties. Other revenue is projected to increase to \$3.0 billion in 2019-20.

Table 4.16: Other revenue

(\$ million)

	2018-19 <i>revised</i>	2019-20 <i>budget</i>	2020-21 <i>estimate</i>	2021-22 <i>estimate</i>	2022-23 <i>estimate</i>
Fines					
Road safety camera fines	390	410	450	506	529
Police on-the-spot fines	155	163	166	169	173
Toll road evasion fines	103	123	125	128	130
Non-traffic statutory and court fines	127	127	127	128	128
Total fines	774	822	868	931	960
Fair value of assets received free of charge or for nominal consideration	82	56	56	57	57
Royalties	99	110	120	123	116
Donations and gifts	214	209	239	249	239
Other non-property rental	27	28	29	31	33
Other revenue – Education	635	651	667	684	700
Other revenue – Health	207	220	233	238	242
Other miscellaneous revenue	787	566	583	588	594
Revenue recognition related to economic service concession arrangements	..	337	351	352	443
Total other revenue	2 825	2 999	3 147	3 252	3 384

Source: Department of Treasury and Finance

CHAPTER 5 – TAX EXPENDITURES AND CONCESSIONS

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

This chapter includes the recently announced Government decisions providing tax incentives and benefits to targeted taxpayers.

Starting from 1 July 2019:

- the payroll tax exemption for wages paid under maternity leave will be extended to cover all types of parental leave;
- passenger vehicles with low emissions (less than CO₂ 120g/km) and light passenger vehicles used in the operation of primary production valued above the luxury car threshold will be charged the standard passenger car duty rate;
- licenced motor car traders may be entitled to a motor vehicle duty exemption on service demonstrator vehicles;
- the current exemption applying to corporate reconstruction under the *Duties Act 2000* will be replaced with a duty rate of 10 per cent of the duty otherwise payable, along with expanded eligibility for business restructuring; and
- commercial and industrial properties in regional Victoria will receive a land transfer duty concession. This concession will increase by 10 percentage points each year to provide a full 50 per cent discount from 2023-24.

Commencing in 2020-21, the payroll tax regional employer rate will be progressively reduced from 50 per cent to 25 per cent of the metropolitan rate by 2022-23.

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

TAX EXPENDITURES

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

Over the past decade, the State has forgone \$54.2 billion in revenue from tax expenditures. In 2019-20, tax expenditures are forecast to be about \$9.2 billion.

The tax expenditures outlined below include exemptions, reduced rates and deductions or rebates of tax for a certain type of taxpayer, activity or asset. Table 5.1 aggregates tax expenditure estimates by the main tax categories for the period 2018-19 to 2022-23. In estimating tax expenditures, it is assumed taxpayer behaviour is unchanged by the concession.

Land tax expenditures form a significant portion of total estimated tax expenditures. On 19 December 2017, the Government passed legislation centralising the property valuation functions with the Valuer-General Victoria and moved from biennial to annual valuations for rates setting purposes. The first annual valuation will be the 2019 revaluation year. Since the revaluation is performed on all land, including exempt land, movements in revaluations will also be reflected in the land tax expenditures.

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

Description	2018-19	2019-20	2020-21	2021-22	2022-23
Land tax ^(a)	5 883	5 768	5 767	6 273	6 940
Fire Services Property Levy	22	22	22	22	22
Payroll tax	1 467	1 531	1 648	1 753	1 863
Gambling tax	78	79	80	81	84
Motor vehicle taxes	216	235	245	255	265
Land transfer duties ^(b)	1 764	1 490	1 436	1 491	1 599
Congestion levy	61	62	63	65	66
Total estimated tax expenditures	9 490	9 187	9 261	9 939	10 840

Source: Department of Treasury and Finance

Notes:

- (a) The 2018-19 estimate has increased compared to the 2018-19 budget, reflecting updated information from the State Revenue Office regarding the size of the land tax base. The decline in estimated land tax expenditures in 2020-21 reflects the expected weaker revaluations for 2019 and 2020 related to softening property prices. Land values are expected to recover in the 2021 revaluation.
- (b) The decline in estimated land transfer duty expenditures over the forward estimates largely reflects a reduction in estimated expenditures for corporate reconstruction and the removal of the off-the-plan stamp duty concession for investors.

Table 5.2 breaks down the aggregate tax expenditures that can be costed by type of tax.

<i>Description</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>
Land tax					
Crown property (right of Victoria)	374	366	366	398	440
Principal place of residence	3 501	3 407	3 407	3 706	4 101
Land held in trust for public or municipal purposes or vested in any municipality	386	377	377	410	453
Land used by charitable and religious institutions	261	255	255	277	307
Commonwealth land	326	319	318	346	383
Land used for primary production	509	497	496	540	597
Land vested in public statutory authorities	218	213	213	232	256
Land used for the CityLink network	40	39	39	42	46
Assessment on a single holding basis for land owned by a municipality	10	10	10	11	12
Partial exemption for not-for-profit organisations solely for social, sporting, cultural or literary purposes, or horse, pony or harness racing	11	11	11	12	13
Assessment on a single holding basis for land owned by charities	20	20	20	21	23
Retirement villages	39	38	38	41	46
Not-for-profit organisations providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	45	44	44	48	53
Land tax exemption for friendly societies	..	..	..	..	..
Associations of ex-servicemen	3	3	3	4	4
Caravan parks	7	6	6	7	8
Residential care facilities	23	23	23	25	27
Low cost accommodation	2	2	2	2	2
Land tax exemption for mining	..	..	..	..	..
Absentee owner surcharge exemption ^(a)	105	136	136	148	164
Vacant residential land tax exemptions ^(b)	3	3	3	3	4
Total land tax expenditures	5 883	5 768	5 767	6 273	6 940
Fire Services Property Levy					
Fire Services Property Levy concession for pensioners and Department of Veterans' Affairs cardholders	22	22	22	22	22
Total Fire Services Property Levy expenditures	22	22	22	22	22

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

<i>Description</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>
Payroll tax ^(c)					
Wages paid by public hospitals	452	471	498	522	547
Wages paid by public benevolent institutions/charities	334	349	370	388	407
Wages paid by non-profit non-government schools	202	212	225	236	247
Commonwealth departments/agencies (excluding transport and communication)	89	93	98	103	108
Wages paid by non-profit hospitals	46	48	51	53	56
Municipal councils (not wages for trading activities)	128	133	141	147	154
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986 (Commonwealth)</i>	16	18	18	19	20
Religious institutions	4	5	5	5	6
Construction industry leave entitlements paid by CoINVEST	5	5	6	6	6
Paid parental leave ^(d)	28	32	33	35	37
Wages paid to employees participating in voluntary emergency service work	1	1	1	1	1
Displaced apprentices and trainees	12	13	13	13	14
Reduce the payroll tax rate for regional businesses ^{(e)(f)}	149	154	190	225	262
Total payroll tax expenditures	1 467	1 531	1 648	1 753	1 863
Gambling tax					
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	78	79	80	81	84
Total gambling tax expenditures	78	79	80	81	84
Motor vehicle taxes					
Discounted registration fee for vehicles operated by Health Care Card holders and pensioners	130	140	146	153	160
Discounted registration fee for vehicles operated by totally and permanently incapacitated persons	2	2	2	2	2
Discounted registration fee for light vehicles operated by primary producers	9	9	9	9	10
Discounted registration fee for heavy vehicles operated by primary producers	49	50	51	52	53
Discounted registration for hybrid or electric cars	4	4	4	5	5
Discounted registration fee for trade apprentices	1	1	1	1	1
Stamp duty exemption on mobile plant registration	16	17	18	19	20
Discounted registration fee for vehicles operated by charitable, benevolent, or religious institutions ^(g)	5	6	6	7	7
Concessions to motor vehicle luxury duty for green vehicles and primary producers ^(h)	..	3	4	4	4
Licensed motor car traders' service demonstrator vehicles exemption ⁽ⁱ⁾	..	3	3	3	3
Total motor vehicle tax expenditures	216	235	245	255	265

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

Description	2018-19	2019-20	2020-21	2021-22	2022-23
Land transfer duties					
Land transfer duty concession for first home buyers of properties valued up to \$750 000	614	596	630	667	711
Land transfer duty concession for farmers under 35 years of age buying their first farmland	2	2	2	2	2
Stamp duty for corporate reconstruction ^{(j)(k)}	415	297	316	336	361
Conveyance duty concession for pensioners and concession card holders	94	91	97	102	109
Stamp duty for principal place of residence ^(l)	108	105	111	118	125
Off-the-plan stamp duty concession for investors ^(m)	314	178	39	1	1
Off-the-plan stamp duty concession for owner-occupiers	165	160	169	179	191
Foreign Purchaser Additional Duty exemption for corporations and trustees ⁽ⁿ⁾	52	55	60	64	69
Land transfer duty concession for commercial and industrial properties in regional Victoria ^(o)	..	5	12	21	31
Total land transfer duties expenditures	1 764	1 490	1 436	1 491	1 599
Congestion levy					
Residential	8	8	8	9	9
Commercial and private	53	54	55	56	57
Total congestion levy expenditures	61	62	63	65	66
Total estimated tax expenditures	9 490	9 187	9 261	9 939	10 840

Source: Department of Treasury and Finance

Notes:

- (a) This reflects the increase in the absentee owner surcharge from 1.5 per cent to 2.0 per cent from the 2020 land tax year.
- (b) This is the first year that vacant residential land tax exemptions have been estimated.
- (c) While tax free thresholds are not considered tax expenditures, an increase in the payroll tax free threshold from \$650 000 to \$700 000 by 2022-23 will reduce payroll tax expenditure estimates.
- (d) From July 2019, the payroll tax exemption for wages paid under maternity leave will be extended to cover all types of parental leave.
- (e) The increase in the regional payroll tax expenditure since 2018-19 Budget reflects revisions to the estimates made following higher than anticipated savings to businesses in 2017-18.
- (f) Commencing in 2020-21, the payroll tax regional employer rate will be progressively reduced from 50 per cent to 25 per cent of the metropolitan rate by 2022-23.
- (g) This is the first time that the charitable, benevolent or religious institutions expenditure item has been split out from the eligible beneficiaries (e.g. pensioners and health care card holders) expenditure item.
- (h) From 1 July 2019, light passenger vehicles with low emissions (less than CO₂ 120g/km) and cars owned by primary producers valued above the luxury car threshold will be charged a concessionary duty rate of \$8.40 per \$200 of the market value.
- (i) From 1 July 2019, licenced motor car traders (LMCT) may also be entitled to an exemption on service demonstrator vehicles, consistent with the existing exemption for other demonstrator vehicles. The existing exemptions for motor vehicles used as demonstrator vehicles or LMCT trading stock are not costed due to a lack of available data to produce a reliable estimate.
- (j) As stamp duty exemptions for corporate reconstructions are volatile due to the irregular nature of large corporate reconstructions, historic averages are used to estimate future expenditures. This tax expenditure is also impacted by weaker property market conditions.
- (k) This incorporates the change from a duty exemption to a concession for qualifying corporate reconstruction transactions from 1 July 2019. These figures do not reflect the expansion of the qualifying corporate reconstruction transactions as there is currently no information available to calculate a reliable estimate.
- (l) The 2018-19 revised estimate has been updated to reflect 2018-19 year-to-date actuals and weaker property market conditions.
- (m) The declining off-the-plan stamp duty expenditure for investors reflects the Government's policy to restrict the concession to those who qualify for the principal place of residence or first home buyer stamp duty exemption or concession.
- (n) This incorporates the increased land transfer duty surcharge on foreign buyers of residential property from 7 per cent to 8 per cent for contracts entered into after 1 July 2019.
- (o) From 1 July 2019, commercial and industrial properties in regional Victoria will receive a land transfer duty concession. This concession will increase by 10 percentage points each year to provide a full 50 per cent discount from 2023-24.

Table 5.3 shows the ratio of tax expenditures to revenue by the main categories of tax in 2019-20. Overall, the ratio decreases from 40 per cent in 2018-19 to 38 per cent in 2019-20. The overall ratio of estimated tax expenditures for 2019-20 is higher than estimates over the past decade, increasing from around 23 per cent in 2009-10.

Table 5.3: Estimated aggregate tax expenditures and tax revenue in 2019-20 (\$ million)

<i>Description</i>	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	5 768	3 659	1.58
Payroll tax	1 531	6 537	0.23
Gambling tax	79	1 974	0.04
Motor vehicle taxes	235	2 814	0.08
Land transfer duties	1 490	5 896	0.25
Congestion levy	62	101	0.61
Fire Services Property Levy	22	709	0.03
Other/miscellaneous	..	2 637	..
Total for items estimated	9 187	24 328	0.38

Source: Department of Treasury and Finance

Table 5.4 estimates tax expenditures for groups of potential taxpayers based on the legal incidence of State taxes. The largest beneficiaries of tax expenditures are owner-occupier households, mainly as a result of the principal place of residence being exempt from land tax. Revenue forgone from this group is expected to be around \$4.3 billion in 2019-20.

Table 5.4: Estimated aggregate tax expenditures classified by persons or entities affected (\$ million)

<i>Description</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>	<i>2021-22</i>	<i>2022-23</i>
Business not elsewhere included	900	833	904	993	1 097
Charitable, religious and educational institutions	827	846	881	935	997
Gambling clubs	78	79	80	81	84
Commonwealth and State governments	1 008	990	996	1 079	1 187
Local government	523	519	527	568	619
Hospitals	498	519	548	574	602
Pensioners/concession cardholders	287	293	304	320	339
Owner-occupier households	4 387	4 268	4 317	4 670	5 127
Off-the-plan stamp duty concession for investors	314	178	39	1	1
Primary producers	569	559	560	605	663
Sporting, recreation and cultural organisations	56	55	55	60	66
Other	42	48	50	53	56
Total for items estimated	9 490	9 187	9 261	9 939	10 840

Source: Department of Treasury and Finance

CONCESSIONS

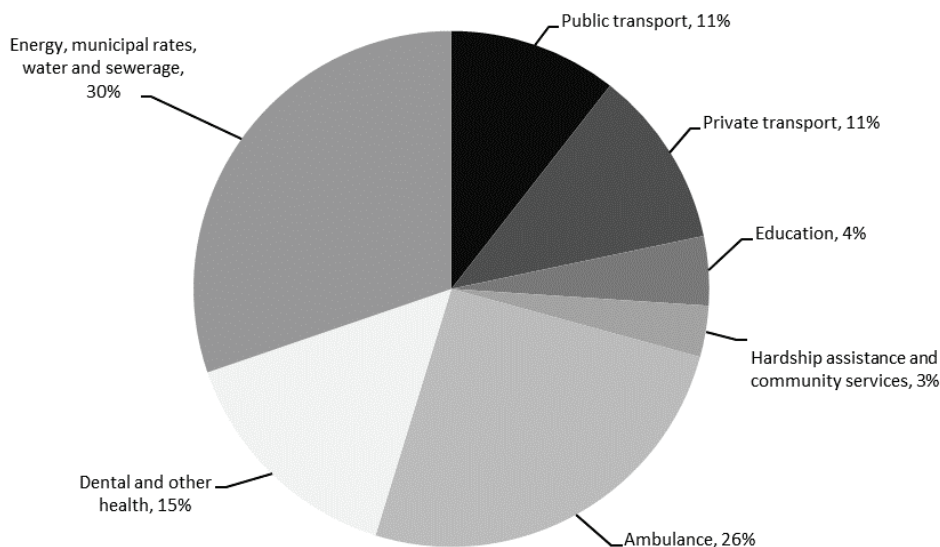
Concessions are direct budget outlays or reduced government charges that reduce the price of a good or service for particular groups. Over the past decade, the State has provided \$15.3 billion in concessions. In 2019-20, concessions are forecast to be about \$1.7 billion.

Certain characteristics of a consumer, such as possessing a Commonwealth Government pension card or health care card, can be the basis for such entitlements. Concessions allow certain groups in the community to access or purchase important public services such as energy, education, health and transportation at a reduced cost.

Chart 5.1 shows the estimated distribution of concessions by category for 2019-20. The two largest categories account for more than two-thirds of total concessions:

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

Chart 5.1: Estimated concessions by category 2019-20



Source: Department of Treasury and Finance

Table 5.5 classifies the major concessions by category.

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

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

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

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

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

Table 5.5: Concessions by category **(\$ million)**

<i>Description</i>	<i>2018-19</i>	<i>2019-20</i>
Electricity	154	156
Mains gas	66	72
Municipal rates	97	100
Water and sewerage	174	175
Total energy, municipal rates, water and sewerage	491	503
Ambulance	412	425
Dental services and spectacles ^(a)	174	138
Community health programs	102	112
Total health	688	674
Education	85	67
Hardship schemes	46	48
Social and community services	5	6
Private transport	179	179
Public transport	168	176
Total for items estimated	1 663	1 652

Source: Department of Treasury and Finance

Note:

(a) The variance primarily reflects the current Commonwealth Adult Dental Services national partnership agreement ceasing in 2018-19. As a new agreement has yet to be finalised, this has not been reflected in the 2019-20 budget.

CHAPTER 6 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

This chapter contains information on contingent assets and liabilities for the general government sector and should be read in conjunction with Chapter 1.

CONTINGENT ASSETS

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

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable. Table 6.1 contains quantifiable contingent assets as at 13 May 2019.

Table 6.1: Quantifiable contingent assets	(\$ million)	
	<i>As at Dec 2018 ^(a)</i>	<i>As at May 2019</i>
Guarantees, indemnities and warranties	34	37
Legal proceedings and disputes	2	23
Other ^(b)	113	107
Total contingent assets	149	167

Source: Department of Treasury and Finance

Notes:

(a) As published in the 2018-19 Budget Update.

(b) Other contingent assets in the general government sector consists of a contingent payment for Crown Melbourne licence amendments that may be payable in calendar year 2022 and which was not recognised under AASB 15 principles.

Non-quantifiable contingent assets

Peninsula Link compensable enhancement claim

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

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

CONTINGENT LIABILITIES

Contingent liabilities are:

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

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

Table 6.2 contains quantifiable contingent liabilities as at 13 May 2019.

	As at Dec 2018 ^(a)	As at May 2019
Guarantees, indemnities and warranties	181	239
Legal proceedings and disputes	176	174
Other	66	70
Non-general government debt ^(b)	12 086	12 341
Total contingent liabilities	12 509	12 825

Source: Department of Treasury and Finance

Notes:

(a) As published in the 2018-19 Budget Update.

(b) Mainly represents the guarantee of borrowings provided by the Treasurer for the public sector borrowings portfolio. Expected losses under any financial guarantees are recorded as financial liabilities in the balance sheet.

Non-quantifiable contingent liabilities

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

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

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

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

The quarterly service fee payment obligations of the AgriBio Centre for AgriBioscience on behalf of the joint venture participants (Department of Jobs, Precincts and Regions, and La Trobe University) are backed by the State of Victoria under a State Support Deed. Under this Deed, the State ensures 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.

Cladding rectification

The 2014 fire at the Lacrosse apartment building in Melbourne's Docklands, and the Grenfell fire in London in June 2017, highlighted the fire safety risks from the non-compliant use of exterior cladding on buildings. Subsequent investigations, and the February 2019 fire at the Neo200 Tower on Spencer Street have highlighted that dangerous materials have been used on some buildings throughout Victoria.

The Victorian Government Cladding Taskforce is investigating the extent of non-compliant cladding on buildings statewide.

On behalf of the Cladding Taskforce, the Victorian Building Authority has undertaken a building audit to assess the extent of non-compliant cladding on buildings.

The building audit has identified a number of buildings that require rectification. These buildings are being risk-assessed to inform the extent of rectification works required. The Government has committed funding in the *2019-20 Budget* for cladding rectification initiatives.

Department of Education and Training

The Department has a number of non-quantifiable 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 indemnity for personal injuries or death (and at the discretion of the Minister, for property damage) 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;
- 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 under the influence of illicit drugs or alcohol or engaging in a criminal offence and the behaviour was not outrageous and was related to their employment;
- board members: the *Education and Training Reform Act 2006* requires the State to indemnify a member of a Merit Protection Board or a Disciplinary Appeals Board for anything done or omitted to be done in good faith in the exercise of a power or the discharge of their statutory duties;
- school councils: the *Education and Training Reform Act 2006* requires the Department to indemnify individual members of school councils for any legal liability, whether in contract, negligence or defamation, if they acted in good faith and in the exercise of their powers or functions. The Department may decide to indemnify school councils (which are separate entities to the Department), in claims of common law negligence, and often 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.

National Redress Scheme – sexual abuse of children in institutions

On 13 June 2018, the *National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 (Vic)* commenced.

The Act refers powers to the Commonwealth Parliament to ensure Victorian institutions can participate in the National Redress Scheme. The National Redress Scheme commenced on 1 July 2018 and will run for 10 years. The scheme will deliver a financial payment of up to \$150 000, access to psychological counselling and an apology from the responsible institution, to eligible survivors of institutional child abuse. This implements a recommendation of the Victorian Parliamentary Inquiry Betrayal of Trust report and the Royal Commission into Institutional Responses to Child Sexual Abuse.

The Government has set aside funding over the next 10 years for redress. Due to the historical nature of the abuse in question, the precise number of eligible survivors of abuse is difficult to estimate. Consequently, the exact financial implications for Victoria remain uncertain.

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 contractual arrangements with franchisees to operate metropolitan rail transport services across the State, from 30 November 2017 until 30 November 2024. 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 the State. In the case of some assets, a reversion back to the State would entail those assets being purchased; and
- unfunded superannuation – at the early termination or expiry of the contract, PTV will assume any unfunded superannuation amounts (apart from contributions the operator is required to pay over the contract term) to the extent that the State becomes the successor operator.

Fiskville independent investigation and closure of training college

An independent investigation was undertaken into the historical use of chemicals for live firefighting training at Fiskville Training College (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. Fiskville and Victorian Emergency Management Training Centre training grounds owned by the CFA at Penshurst, Bangholme, West Sale, Wangaratta, Huntly, and Longerenong have been the subject of notices issued by the Environment Protection Authority Victoria (EPA).

The Government's response to the Fiskville Inquiry was tabled in Parliament on 24 November 2016. The response supports all of the 31 recommendations of the Victorian Parliamentary Inquiry into the CFA Training College at Fiskville, either in full, in principle or in part.

The CFA has a number of contingent liabilities arising from the closure of Fiskville and the notices issued by the EPA. These relate to any further notices that may be issued by the EPA, any regulatory infringements that may be imposed by the EPA, compensation that may be sought, any legal claims that may be made, recommendations made by the Inquiry 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.

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 contamination is identified.

Native Title

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

Royal Melbourne Showgrounds redevelopment

Under the State's commitment to the Royal Agriculture Society of Victoria (RASV), the State backs certain obligations of RASV that may arise out of the joint venture agreement between RASV and the State. Under the State's commitment to RASV, the State will pay (in the form of a loan) the amount requested by RASV. If any outstanding loan amount remains unpaid at the date 25 years after the operation term has commenced, RASV will be obliged to satisfy the outstanding loan amount. This may take the form of a transfer to the State, of the whole of the RASV participating interest in the joint venture.

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

The State has also entered into 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 insures its clients for property, public and products liability, professional indemnity, contract works and domestic building insurance for the Victorian residential builders.

The VMIA reinsures in the private market for losses above \$50 million arising out of any one occurrence, up to a limit of \$1 billion for public and products liability, and for losses above \$50 million arising out of any one event, up to a limit of \$3.6 billion for property. Further, the VMIA reinsures in the private market for losses above \$10 million arising out of any one event, up to a limit of \$1.5 billion for terrorism. The risk of losses above these reinsured levels is borne by the State.

The VMIA also insures the Department of Health and Human Services for all public sector medical indemnity claims incurred in each policy year from 1 July 1993, 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 in any policy year from 1 July 2003 exceed the initial estimate, on which the risk premium was based, by more than 20 per cent.

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

A.1 The Consolidated Fund

Estimated receipts and payments for the year ending 30 June 2019 and 30 June 2020

(\$ million)

	2018-19 budget	2019-20 budget	Variation %
Receipts			
Taxation	24 247	24 437	0.8
Fines and regulatory fees	895	922	3.0
Grants received	22 386	22 871	2.2
Sales of goods and services (including section 29 FMA annotated)	9 273	7 480	(19.3)
Interest received	491	484	(1.4)
Dividends, income tax equivalent and rate equivalent receipts	830	751	(9.5)
Other receipts	469	665	41.9
Total operating activities	58 591	57 610	(1.7)
Total cash inflows from investing and financing	7 370	9 172	24.5
Total receipts	65 961	66 783	1.2
Payments			
Special appropriations	4 657	5 361	15.1
Appropriations ^(a)			
Provision of outputs	47 109	48 941	3.9
Additions to the net asset base	6 067	7 687	26.7
Payments made on behalf of the State	7 150	8 649	21.0
Receipts credited to appropriation			
Provision of outputs	1 848	2 129	15.2
Additions to the net asset base	100	276	176.0
Sub total	66 931	73 043	9.1
Appropriations remaining unspent	(573)	(1 087)	89.8
Total payments	66 358	71 956	8.4
Net receipts/(payments)	(397)	(5 174)	1 203.0
Opening balance 1 July ^(b)	(593)	516	(187.0)
Estimated closing balance 30 June	(990)	(4 657)	370.4

Source: Department of Treasury and Finance

Notes:

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

(b) The opening balance of cash and deposits for the 2019-20 budget is based on the 2018-19 opening balances plus the estimated movements for the 2018-19 revised budget (see Appendix B Note B.10.1).

A.2 Consolidated Fund receipts ^(a)

(\$ thousand)

	2018-19 budget	2019-20 budget	Variation %
Operating receipts			
Taxation			
Payroll tax	6 878 312	7 239 981	5.3
Land tax	2 923 593	3 495 718	19.6
Fire Services Property Levy	641 800	709 049	10.5
Congestion levy	121 703	101 326	(16.7)
Gambling taxes	1 859 967	1 849 986	(0.5)
Financial and capital transactions			
Land transfer duty	7 075 088	5 901 396	(16.6)
Growth areas infrastructure contribution	136 200	124 963	(8.3)
Metropolitan Planning Levy	25 942	22 417	(13.6)
Financial accommodation levy	174 139	178 007	2.2
Levies on statutory corporations	156 609	156 609	..
Insurance	1 366 753	1 479 344	8.2
Motor vehicle			
Registration fees pursuant to the <i>Road Safety Act</i> , No. 127 of 1986	1 688 478	1 797 269	6.4
Stamp duty on vehicle transfers	974 902	1 029 361	5.6
Liquor licence fees	23 617	25 794	9.2
Other taxes	199 712	325 664	63.1
Total	24 246 816	24 436 885	0.8
Fines and regulatory fees			
Fines	380 435	377 597	(0.7)
Regulatory fees	514 840	544 112	5.7
Total	895 275	921 709	3.0
Grants received			
Grants received by department			
Department of Education and Training	7 500	8 178	9.0
Department of Environment, Land, Water and Planning	10 029	150	(98.5)
Department of Health and Human Services	38 953	44 041	13.1
Department of Transport	1 000	..	(100.0)
Department of Treasury and Finance	22 328 282	22 818 519	2.2
Parliament	458	..	..
Total	22 386 222	22 870 887	2.2
Sales of goods and services	9 272 929	7 480 372	(19.3)
Interest received	491 337	484 259	(1.4)
Dividends, income tax equivalent and rate equivalent receipts			
Dividends	666 454	517 018	(22.4)
Income tax equivalent receipts	156 137	226 527	45.1
Local government tax equivalent receipts	6 950	7 004	0.8
Total	829 541	750 549	(9.5)
Other receipts			
Land rent received	16 186	16 657	2.9
Royalties received	99 387	109 423	10.1
Other	353 283	539 381	52.7
Total	468 855	665 461	41.9
Total operating activities	58 590 976	57 610 122	(1.7)

A.2 Consolidated Fund receipts (*continued*)

(\$ thousand)

	2018-19 budget	2019-20 budget	Variation %
Cash inflows from investing and financing			
Proceeds from sale of investments	..	114 045	..
Other loans	655	642	(2.0)
Return of capital – government entities	329 555	1 370 555	315.9
Borrowings	7 039 525	7 687 201	9.2
Total cash inflows from investing and financing	7 369 735	9 172 443	24.5
Total Consolidated Fund receipts	65 960 711	66 782 565	1.2

Source: Department of Treasury and Finance

Note:

(a) On 29 November 2018 the Premier announced various machinery of government changes effective from 1 January 2019.

Please see Note 1.7.5 Controlled entities in Chapter 1 for further details.

A.3 Consolidated Fund appropriations – summary ^(a)

(\$ thousand)

	2018-19 budget	2019-20 budget	Variation %
Education and Training			
Special appropriations	10 598	6 783	(36.0)
Annual appropriations	14 664 809	15 489 849	5.6
Total	14 675 407	15 496 632	5.6
Environment, Land, Water and Planning			
Special appropriations	173 262	159 434	(8.0)
Annual appropriations	2 362 804	2 624 587	11.1
Total	2 536 066	2 784 021	9.8
Health and Human Services			
Special appropriations	1 446 352	1 590 928	10.0
Annual appropriations	16 500 193	16 710 441	1.3
Total	17 946 545	18 301 369	2.0
Jobs, Precincts and Regions			
Special appropriations	..	1 775	..
Annual appropriations	..	2 424 441	..
Total	..	2 426 216	..
Justice and Community Safety			
Special appropriations	12 643	102 372	709.7
Annual appropriations	7 976 274	8 715 279	9.3
Total	7 988 917	8 817 651	10.4
Premier and Cabinet			
Special appropriations	113 462	50 268	(55.7)
Annual appropriations	644 003	611 078	(5.1)
Total	757 466	661 346	(12.7)
Transport ^(b)			
Special appropriations	304 071	828 046	172.3
Annual appropriations	12 757 240	12 114 556	(5.0)
Total	13 061 311	12 942 601	(0.9)
Treasury and Finance			
Special appropriations	2 338 403	2 351 014	0.5
Annual appropriations	6 654 886	8 253 844	24.0
Total	8 993 289	10 604 859	17.9
Parliament			
Special appropriations	49 918	49 642	(0.6)
Annual appropriations	187 425	194 451	3.7
Total	237 343	244 093	2.8
Courts			
Special appropriations	208 034	220 851	6.2
Annual appropriations	526 172	543 585	3.3
Total	734 206	764 437	4.1
Total special appropriations	4 656 743	5 361 113	15.1
Total annual appropriations	62 273 806	67 682 111	8.7
Total appropriations ^{(b)(c)}	66 930 549	73 043 225	9.1

Source: Department of Treasury and Finance

Notes:

(a) On 29 November 2018 the Premier announced various machinery of government changes effective from 1 January 2019.

Please see Note 1.7.5 Controlled entities in Chapter 1 for further details.

(b) The Transport Legislation Amendment (Better Roads Victoria and Other Amendments) Act 2019 was assented to 26 March 2019 for the Better Roads Victoria Trust account which results in an increase in the Special Appropriation and a decrease in the annual appropriation.

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

A.4 Consolidated Fund payments – special appropriations ^(a)

(\$ thousand)

	2018-19 budget	2019-20 budget	Variation %
Education and Training			
<i>Education and Training Reform Act No. 24/26 of 2006, section 5.6.8</i>	283	283	..
– Volunteer Workers Compensation			
<i>Financial Management Act No. 18 of 1994, section 33 –</i>	10 315	6 500	(37.0)
Appropriation to meet certain obligations ^(b)			
Total	10 598	6 783	(37)
Environment, Land, Water and Planning			
<i>Financial Management Act No. 18 of 1994, section 33 –</i>	28 674	19 913	(30.6)
Appropriation to meet certain obligations ^(b)			
Payments to Building New Communities Fund pursuant to section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	72 294	69 761	(3.5)
Payments to Growth Areas Public Transport Fund pursuant to section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	72 294	69 761	(3.5)
Total	173 262	159 434	(8.0)
Health and Human Services			
<i>Casino Control Act No. 47 of 1991, section 114 –</i>	18 573	18 541	(0.2)
Hospitals and Charities Fund			
<i>Financial Management Act No. 18 of 1994, section 33 –</i>	91 838	132 209	44.0
Appropriation to meet certain obligations ^(b)			
<i>Gambling Regulation Act No. 114 of 2003, sections 4.4.11 and 4.6.8 –</i>	54 544	106 000	94.3
Hospitals and Charities Fund			
<i>Gambling Regulation Act No. 114 of 2003, section 3.6.11 –</i>	868 716	905 550	4.2
Hospitals and Charities Fund and Mental Health Fund			
<i>Gambling Regulation Act No. 114 of 2003, section 5.4.6 –</i>	405 967	421 719	3.9
Hospitals and Charities Fund and Mental Health Fund			
<i>Gambling Regulation Act No. 114 of 2003, section 6A.4.4(1) –</i>	6 704	6 910	3.1
Contributions to Hospital and Charities Fund and Mental Health Fund			
Total	1 446 352	1 590 928	10.0
Jobs, Precincts and Regions			
<i>Financial Management Act No. 18 of 1994, section 10 –</i>	..	1 775	..
Appropriation of Commonwealth grants			
Total	..	1 775	..
Justice and Community Safety			
<i>Crown Proceedings Act No. 6232</i>	5 622	5 763	2.5
<i>EastLink Project Act No. 39 of 2004, section 26</i>	2 199	2 309	5.0
<i>Emergency Management Act No 30 of 1986, section 32 –</i>	356	356	..
Volunteer Workers Compensation			
<i>Financial Management Act No. 18 of 1994, section 33 –</i>	..	16 636	..
Appropriation to Meet Certain Obligations ^(b)			
<i>Melbourne City Link Act No. 107 of 1995, section 14(4)</i>	3 373	3 380	0.2
<i>National Redress Scheme for Institutional Child Sexual Abuse</i>	..	67 750	..
(Commonwealth Powers) Act 2018 Act No 21 of 2018, section 11 (a): Payments to the Commonwealth			
<i>National Redress Scheme for Institutional Child Sexual Abuse</i>	..	3 148	..
(Commonwealth Powers) Act 2018 Act No 21 of 2018, section 11 (b): Provision of Counselling and Psychological Services			
<i>National Redress Scheme for Institutional Child Sexual Abuse</i>	..	1 817	..
(Commonwealth Powers) Act 2018 Act No 21 of 2018, section 11 (c): State Administration Costs			

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

(\$ thousand)

	2018-19 budget	2019-20 budget	Variation %
Justice and Community Safety (<i>continued</i>)			
<i>Victoria State Emergency Service Act No. 51 of 2005, section 52 – Volunteer Workers Compensation</i>	972	972	..
<i>Work Cover Authority Fund, Corrections Act 1986, part 9D, S.104ZW</i>	121	241	99.2
Total	12 643	102 372	709.7
Premier and Cabinet			
<i>Constitution Act No. 8750 – Executive Council</i>	50	50	..
<i>Constitution Act No. 8750 – Governor's Salary</i>	223	317	42.0
<i>Electoral Act No. 23 of 2002, section 215 – Electoral Entitlement</i>	11 583	..	(100.0)
<i>Electoral Act No. 23 of 2002, section 181 – Electoral Expenses</i>	101 028	49 309	(51.2)
<i>Ombudsman Act No. 8414</i>	578	593	2.5
Total	113 462	50 268	(55.7)
Transport			
<i>Financial Management Act No. 18 of 1994, section 10 – Appropriation of Commonwealth grants</i>	291 971	351 209	20.3
<i>Financial Management Act No. 18 of 1994, section 33 – Appropriation to meet certain obligations ^(b)</i>	10 100	..	(100.0)
<i>Transport (Compliance and Miscellaneous) Act, section 213A(4)</i>	2 000	2 000	..
<i>Transport Legislation Amendment (Better Roads Victoria and Other Amendments) Act 2019 ^(c)</i>	..	474 837	..
Total	304 071	828 046	172.3
Treasury and Finance			
<i>Constitution Act No. 8750 – Governor's Pension</i>	1 697	1 748	3.0
<i>Constitution Act No. 8750 – Judges of the Supreme Court</i>	12 638	13 017	3.0
<i>County Court Act No. 6230 – Judges</i>	17 392	17 914	3.0
<i>Essential Services Commission Act No. 61 of 2001, section 540 – Refund of Penalty</i>	200	200	..
<i>Financial Management Act No. 18 of 1994, section 33 – Appropriation to meet certain obligations ^(b)</i>	13 000	..	(100.0)
<i>Financial Management Act No. 18 of 1994, section 39 – Interest on Advances</i>	20 000	20 000	..
<i>Gambling Regulation Act No. 114 of 2003, section 3.6.12 – Community Support Fund</i>	149 342	149 913	0.4
<i>Gambling Regulation Amendment (Wagering and Betting) Act 2018, section 4.6A.5</i>	..	19 900	..
<i>Liquor Control Reform Act No. 94 of 1998, section 177(2)</i>	3 500	3 500	..
<i>State Superannuation Act No. 50 of 1988, section 90(2) – Contributions</i>	1 117 934	1 122 123	0.4
<i>Taxation Administration Act 1997, section 121 – Funding for court costs awarded against the Commissioner of State Revenue</i>	1 000	1 000	..
<i>Taxation (Interest on Overpayments) Act No. 35 of 1986, section 11</i>	1 000	1 000	..
<i>Treasury Corporation of Victoria Act No. 80 of 1992, section 38 – Debt Retirement</i>	1 000 700	1 000 700	..
Total	2 338 403	2 351 014	0.5

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

(\$ thousand)

	2018-19 budget	2019-20 budget	Variation %
Parliament			
<i>Audit Act No. 2 of 1994, section 17(3) – Audit of Auditor-General's Office</i>	33	25	(24.2)
<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>Constitution Act No. 8750, section 94A – Auditor-General's Salary</i>	572	587	2.6
<i>Financial Management Act No. 18 of 1994, section 33 – Appropriation to meet certain obligations ^(b)</i>	500	..	(100.0)
<i>Parliamentary Salaries and Superannuation Act No. 7723 – Salaries and Allowances</i>	38 761	38 978	0.6
<i>Parliamentary Salaries and Superannuation Act No. 7723, section 13(1) – Contributions</i>	9 300	9 300	..
Total	49 918	49 642	(0.6)
Courts			
<i>Constitution Act No. 8750 – Chief Justice</i>	850	889	4.5
<i>Constitution Act No. 8750 – Judges Court of Appeal</i>	8 192	8 565	4.6
<i>Constitution Act No. 8750 – Judges of the Supreme Court</i>	28 133	29 934	6.4
<i>Constitution Act No. 8750 – President Court of Appeal</i>	684	715	4.6
<i>County Court Act No. 6230 – Judges</i>	39 022	41 921	7.4
<i>Juries Act No. 53 of 2000, section 59 – Compensation to Jurors</i>	28	29	4.6
<i>Magistrates Court Act No. 51 of 1989</i>	68 238	73 946	8.4
<i>Victims of Crime Assistance Act No. 81 of 1996, section 69 – Awards</i>	42 025	43 076	2.5
<i>Victims of Crime Assistance Act No. 81 of 1996, section 69 – Expenses</i>	3 431	3 567	4.0
<i>Victorian Civil and Administrative Tribunal Act 53 of 1998, section 17AA</i>	17 430	18 209	4.5
Total	208 034	220 851	6.2
Total special appropriations	4 656 743	5 361 113	15.1

Source: Department of Treasury and Finance

Notes:

- (a) On 29 November 2018 the Premier announced various machinery of government changes effective from 1 January 2019. Please see Note 1.7.5 Controlled entities in Chapter 1 for further details.
- (b) Relates to previously applied appropriations.
- (c) The Transport Legislation Amendment (Better Roads Victoria and Other Amendments) Act 2019 was assented to 26 March 2019 for the Better Roads Victoria Trust account.

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

Details of total annual appropriations for 2019-20 are outlined below, including estimated amounts of unapplied 2018-19 appropriation carried forward pursuant to section 32 of the FMA and certain revenue and asset sales proceeds credited to appropriation pursuant to section 29 of the FMA. Estimates for the *2019-20 Budget* are in **bold**. Estimates for the *2018-19 Budget* in *italics* reflect amounts published in the *2018-19 Budget*.

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Education and Training				
Appropriation ^(b)	13 968 306	902 865	..	14 871 171
	<i>13 249 912</i>	<i>723 915</i>	..	<i>13 973 827</i>
Receipts credited to appropriation ^(c)	610 500	8 178	..	618 678
	<i>543 044</i>	<i>40 500</i>	..	<i>583 544</i>
Unapplied previous year appropriation carried over ^(d)	..	..	..	..
	<i>55 206</i>	<i>52 232</i>	..	<i>107 438</i>
Total appropriation	14 578 806	911 043	..	15 489 849
	<i>13 848 162</i>	<i>816 647</i>	..	<i>14 664 809</i>
Environment, Land, Water and Planning				
Appropriation ^(b)	1 566 928	196 810	717 546	2 481 284
	<i>1 299 488</i>	<i>145 413</i>	<i>676 816</i>	<i>2 121 717</i>
Receipts credited to appropriation ^(c)	143 304	..	..	143 304
	<i>190 487</i>	<i>33 900</i>	..	<i>224 387</i>
Unapplied previous year appropriation carried over ^(d)	..	..	..	..
	<i>11 700</i>	<i>5 000</i>	..	<i>16 700</i>
Total appropriation	1 710 232	196 810	717 546	2 624 587
	<i>1 501 675</i>	<i>184 313</i>	<i>676 816</i>	<i>2 362 804</i>
Health and Human Services				
Appropriation ^(b)	15 590 526	261 597	63 852	15 915 975
	<i>15 408 952</i>	<i>374 867</i>	<i>62 494</i>	<i>15 846 313</i>
Receipts credited to appropriation ^(c)	785 134	9 331	..	794 465
	<i>553 225</i>	<i>10 289</i>	..	<i>563 515</i>
Unapplied previous year appropriation carried over ^(d)	..	..	..	..
	<i>90 366</i>	..	..	<i>90 366</i>
Total appropriation	16 375 660	270 929	63 852	16 710 441
	<i>16 052 543</i>	<i>385 156</i>	<i>62 494</i>	<i>16 500 193</i>
Jobs, Precincts and Regions				
Appropriation ^(b)	1 884 530	367 069	75 245	2 326 844

Receipts credited to appropriation ^(c)	97 597	..	..	97 597

Unapplied previous year appropriation carried over ^(d)	..	..	..	..

Total appropriation	1 982 126	367 069	75 245	2 424 441

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

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Justice and Community Safety				
Appropriation ^(b)	7 512 312	889 262	36 001	8 437 575
	7 119 514	471 381	36 001	7 626 896
Receipts credited to appropriation ^(c)	221 194	600	..	221 794
	207 500	600	..	208 100
Unapplied previous year appropriation carried over ^(d)	..	55 910	..	55 910
	73 236	68 041	..	141 277
Total appropriation	7 733 506	945 772	36 001	8 715 279
	7 400 250	540 022	36 001	7 976 274
Premier and Cabinet				
Appropriation ^(b)	609 049	1 389	..	610 438
	608 252	7 596	..	615 848
Receipts credited to appropriation ^(c)	640	..	..	640
	600	..	..	600
Unapplied previous year appropriation carried over ^(d)	..	..	..	..
	25 698	1 857	..	27 555
Total appropriation	609 689	1 389	..	611 078
	634 550	9 453	..	644 003
Transport				
Appropriation ^(b)	6 780 659	4 936 463	..	11 717 122
	8 316 672	4 112 258	72 507	12 501 437
Receipts credited to appropriation ^(c)	139 519	257 734	..	397 254
	241 603	14 200	..	255 803
Unapplied previous year appropriation carried over ^(d)	..	180	..	180

Total appropriation	6 920 179	5 194 377	..	12 114 556
	8 558 275	4 126 458	72 507	12 757 240
Treasury and Finance				
Appropriation ^(b)	467 436	2 590	7 756 313	8 226 339
	340 637	3 590	6 302 147	6 646 374
Receipts credited to appropriation ^(c)	26 030	..	..	26 030
	8 514	..	..	8 514
Unapplied previous year appropriation carried over ^(d)	475	1 000	..	1 475

Total appropriation	493 941	3 590	7 756 313	8 253 844
	349 150	3 590	6 302 147	6 654 887

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

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Parliament				
Appropriation ^(e)	160 733	..	..	160 733
	147 703	6 590	..	154 293
Receipts credited to appropriation ^(c)	27 437	..	..	27 437
	26 742	458	..	27 200
Unapplied previous year appropriation carried over ^(d)	6 281	..	..	6 281
	5 932	..	..	5 932
Total appropriation	194 451	..	..	194 451
	180 377	7 048	..	187 425
Courts				
Appropriation ^(b)	394 091	71 717	..	465 808
	347 656	80 433	..	428 089
Receipts credited to appropriation ^(c)	77 777	..	..	77 777
	75 982	..	..	75 982
Unapplied previous year appropriation carried over ^(d)	..	..	..	..
	8 501	13 600	..	22 101
Total appropriation	471 869	71 717	..	543 585
	432 139	94 033	..	526 172

Source: Department of Treasury and Finance

Notes:

(a) On 29 November 2018 the Premier announced various machinery of government changes effective from 1 January 2019. Please see Note 1.7.5 Controlled entities in Chapter 1 for further details.

(b) Appropriation (2019-20) Bill.

(c) Financial Management Act 1994 section 29.

(d) Financial Management Act 1994 section 32.

(e) Appropriation (Parliament 2019-20) Bill.

A.6 Appropriation of certain revenue and asset sale proceeds pursuant to section 29 of the *Financial Management Act 1994* ^(a)

Estimates for the 2019-20 Budget are in **bold**; estimates for the 2018-19 Budget are in *italics*.
(\$ thousand)

Department	Outputs	Receipt source		Total
		Commonwealth	Other ^(b)	
Education and Training	69 961	541 539	7 178	618 678
	<i>66 634</i>	<i>477 410</i>	<i>39 500</i>	<i>583 544</i>
Environment, Land, Water and Planning	125 654	17 650	..	143 304
	<i>159 150</i>	<i>55 336</i>	<i>9 900</i>	<i>224 387</i>
Health and Human Services	316 065	469 069	9 331	794 465
	<i>348 916</i>	<i>205 310</i>	<i>9 289</i>	<i>563 515</i>
Jobs, Precincts and Regions	88 737	8 860	..	97 597
	<i>..</i>	<i>..</i>	<i>..</i>	<i>..</i>
Justice and Community Safety	153 591	67 603	600	221 794
	<i>141 298</i>	<i>66 202</i>	<i>600</i>	<i>208 100</i>
Premier and Cabinet	640	..	..	640
	<i>600</i>	<i>..</i>	<i>..</i>	<i>600</i>
Transport	22 404	374 850	..	397 254
	<i>78 251</i>	<i>177 552</i>	<i>..</i>	<i>255 803</i>
Treasury and Finance	8 530	17 500	..	26 030
	<i>8 514</i>	<i>..</i>	<i>..</i>	<i>8 514</i>
Parliament	27 437	..	..	27 437
	<i>26 742</i>	<i>..</i>	<i>458</i>	<i>27 200</i>
Courts	68 553	9 224	..	77 777
	<i>65 723</i>	<i>10 259</i>	<i>..</i>	<i>75 982</i>

Source: Department of Treasury and Finance

Notes:

(a) On 29 November 2018, the Premier announced various machinery of government changes effective from 1 January 2019.

Please see Note 1.7.5 Controlled entities in Chapter 1 for further details.

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

A.7 The Trust Fund

(\$ thousand)

	2018-19 budget	2018-19 revised	2019-20 budget	Variation %
Cash flows from operating activities				
Receipts				
Taxation	385 390	401 364	422 307	9.6
Regulatory fees and fines	55 746	79 254	72 143	29.4
Grants received	17 231 990	17 922 864	17 893 498	3.8
Sale of goods and services	88 127	479 617	510 164	478.9
Interest received	214 272	175 969	155 066	(27.6)
Dividends received	14 455	63 205	89 990	522.6
Net transfers from Consolidated Fund	3 084 644	3 538 334	4 204 371	36.3
Other receipts	95 639	101 310	97 125	1.6
	21 170 263	22 761 916	23 444 664	10.7
Payments				
Payments for employees	(211 380)	(252 100)	(262 505)	24.2
Superannuation	(15 470)	(17 857)	(18 172)	17.5
Interest paid	(5 766)	(5 550)	(9 542)	65.5
Grants and subsidies	(20 255 522)	(20 584 551)	(19 851 302)	(2.0)
Goods and services	(1 550 178)	(1 794 899)	(1 713 056)	10.5
	(22 038 316)	(22 654 957)	(21 854 577)	(0.8)
Net cash flows from operating activities	(868 053)	106 959	1 590 087	(283.2)
Cash flows from investing activities				
Purchases of non-financial assets	(873 797)	(436 359)	(2 714 601)	210.7
Sales of non-financial assets	46 446	56 080	58 008	24.9
Net proceeds from customer loans	1 787 072	1 335 109	1 878 238	5.1
Other investing activities	(909 884)	(1 245 220)	(675 315)	(25.8)
Net cash flows from investing activities	49 837	(290 390)	(1 453 669)	n.a.
Cash flows from financing activities				
Net borrowings	(23 953)	(579 713)	49 364	(306.1)
Net cash flow from financing activities	(23 953)	(579 713)	49 364	(306.1)
Net cash inflow/(outflow)	(842 170)	(763 144)	185 782	(122.1)
Represented by:				
Cash and cash equivalents held at beginning of reporting period	3 406 317	3 406 317	2 643 173	(22.4)
Cash and cash equivalents held at end of reporting period	2 564 147	2 643 173	2 828 955	10.3

Source: Department of Treasury and Finance

APPENDIX B – 2018-19 BUDGET OUTCOME INCORPORATING THE FINANCIAL REPORT FOR THE MARCH QUARTER 2019

The financial statements included in this appendix estimate the budget outcomes for the 2018-19 financial year, taking into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the *2018-19 Budget* to Parliament in May 2018. This appendix also presents the financial results for the general government sector for the nine months ended 31 March 2019, prepared in accordance with the *Financial Management Act 1994*.

FINANCIAL RESULTS FOR THE GENERAL GOVERNMENT SECTOR

Revised 2018-19 budget outcome and result for the period to 31 March 2019

The net result from transactions for the nine months to 31 March 2019 is a surplus of \$3.1 billion. This result compares with a full-year revised budget of \$1.1 billion. This interim result is consistent with achieving the full-year estimate, and cannot be extrapolated for the likely full 2018-19 financial year result. This is due to seasonal and other factors impacting on the timing of activities and transactions.

Revenue from transactions

Total revenue for the nine months ended 31 March 2019 is \$52.4 billion, 75.4 per cent of the revised budget estimate for the year. This is slightly above pro rata mainly due to the recognition pattern of certain taxation revenues such as land tax and the Fire Services Property Levy, which are primarily recognised by the end of March, offset by the timing of dividends from public financial corporations, which are expected in the last quarter of the financial year.

Revenue is \$4.0 billion or 8.2 per cent higher than the same period in the prior year. This is primarily due to growth in GST grants largely resulting from Victoria's strong population growth and an increase in Victoria's GST relativity, an increase in payroll tax revenue, and higher land tax collections resulting from an increase in the number of properties liable for land tax. The increase in revenue also reflects higher Commonwealth funding associated with increased National Health Reform program activity and increased school enrolments. These increases were partially offset by lower land transfer duty resulting from the current downturn in the Victorian property market.

Expenses from transactions

Expenditure to the end of March 2019 totals \$49.3 billion, equal to 72 per cent of the full-year revised budget estimate. Compared with the same time last year, expenditure is higher by \$3.9 billion or 8.5 per cent, primarily due to increased service delivery in the health, education, transport and community safety sectors.

Other economic flows

Total other economic flows for the period represented a loss of \$3.4 billion, driven by:

- a re-measurement loss on the State's defined benefit superannuation plans of \$2.2 billion which is primarily attributable to a reduction in the bond yields that underlie the key superannuation valuation assumptions, along with lower than expected investment returns on superannuation assets; and
- a loss of \$1.2 billion in the general government sector's reported 'investment in other sectors' primarily due to lower equities' investment performance by public financial corporations (PFC) entities due to financial market conditions.

Balance sheet

The net asset position of the general government sector as at March 2019 is \$183.2 billion, a decrease of \$928 million from 30 June 2018. This decrease is largely due to:

- a \$2.5 billion increase in the superannuation liability driven by the reduction in bond yields and lower than expected investment returns discussed above; and
- a \$2.6 billion increase in borrowings during the period to fund infrastructure delivery.

This decrease is partially offset by:

- a \$1.7 billion increase in land, buildings, infrastructure, plant and equipment, which largely reflects the progressive delivery of the State's infrastructure program net of depreciation; and
- a \$2.2 billion increase in receivables, primarily relating to accrued land tax.

Cash flow statement

Net cash flows from operations were \$5.0 billion to March 2019 against a revised budget estimate of \$6.1 billion. These results are consistent with the combined impact of the previously mentioned drivers associated with the operating statement and balance sheet, and the upfront proceeds from the commercialisation of the land titles and registry functions of Land Use Victoria in the year.

Infrastructure investment

For the year to 31 March 2019, net infrastructure investment totalled \$6.9 billion, mainly reflecting investment in the transport, community safety, education and health sectors.

The Government's infrastructure scorecard as at 31 March 2019

Major projects under procurement or in progress include:

- Ballarat Base Hospital expansion and redevelopment;
- Casey Hospital expansion;
- Caulfield to Dandenong conventional signalling and power infrastructure upgrade;
- Chandler Highway upgrade;
- Chisholm Road Prison Project;
- City Loop fire and safety upgrade (Stage 2) and intruder alarm;
- Community Safety Statement (Police Assistance Line/Online reporting);
- Courts case management system;
- Cranbourne-Pakenham and Sunbury line upgrade;
- Drysdale Bypass and High Street upgrades;
- Echuca-Moama Bridge;
- Electronic medical records in Parkville;
- Family violence information sharing system reform (Central Information Point);
- Frankston line stabling;
- Goulburn-Murray Water Connections Project (Northern Victoria Irrigation Renewal Project);
- Goulburn Valley Health redevelopment;
- High Capacity Metro Trains;
- Hurstbridge Corridor upgrade – Stage 1;
- Joan Kirner Women's and Children's Hospital;
- Level Crossing Removal Program;
- M80 Ring Road upgrade:
 - Sunshine Avenue to Calder Freeway;
 - Princes Freeway to Western Highway;
 - Sydney Road to Edgars Road; and
 - Plenty Road to Greensborough Highway.
- Melbourne Park redevelopment – Stages 2 and 3;
- Mernda Rail Extension;
- Metro Tunnel;
- Metropolitan Network Modernisation program;
- Monash Freeway Upgrade – Stage 2;
- Mordialloc Bypass;

- More E-Class trams and infrastructure;
- Murray Basin Rail Project;
- New E-Class trams;
- New youth justice facility;
- Non-urban train radio renewal;
- North East Link;
- Northern Hospital inpatient expansion – Stage 2;
- Princes Highway West duplication project – Winchelsea to Colac;
- Public housing renewal program;
- Public Safety – Police Response (Intelligence capability);
- Public Safety – Police Response (Mobile technology solution);
- Regional rail infrastructure and new regional trains;
- Regional Rail Revival;
- Royal Victorian Eye and Ear Hospital redevelopment;
- Shepparton Line Upgrade – Stage 2;
- Suburban Roads Upgrade;
- The new Footscray Hospital;
- Thompsons Road duplication;
- Tram procurement and supporting infrastructure;
- Victorian Heart Hospital;
- Victorian Infringement Enforcement and Warrant System;
- West Gate Tunnel Project;
- Western Highway duplication – Ballarat to Stawell;
- Western Roads Upgrade; and
- Yan Yean Road duplication.

B.1 CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the period ended 31 March

(\$ million)

2017-18 actual 31 Mar		Notes	2018-19 actual 31 Mar	revised budget	published budget	Budget to revised budget change	Change %
Revenue from transactions							
17 688	Taxation revenue	B.6.1	18 708	23 814	24 081	(267)	(1)
617	Interest revenue		608	796	864	(69)	(8)
518	Dividends, income tax equivalent and rate equivalent revenue	B.6.2	427	952	922	30	3
5 438	Sales of goods and services	B.6.3	5 763	7 712	7 541	172	2
22 390	Grant revenue	B.6.4	24 966	33 396	33 458	(62)	..
1 736	Other revenue	B.6.5	1 894	2 825	2 622	203	8
48 387	Total revenue from transactions		52 365	69 495	69 487	8	..
Expenses from transactions							
16 995	Employee expenses		18 489	25 096	25 562	(466)	(2)
536	Net superannuation interest expense	B.7.3	517	688	662	26	4
1 886	Other superannuation	B.7.3	2 072	2 790	2 676	114	4
1 978	Depreciation	B.8.2	2 067	2 833	2 876	(43)	(1)
1 522	Interest expense		1 535	2 130	2 167	(37)	(2)
8 410	Grant expense		9 839	13 622	12 901	720	6
14 053	Other operating expenses		14 737	21 228	21 264	(35)	..
45 380	Total expenses from transactions	B.7.4	49 256	68 387	68 108	279	..
3 007	Net result from transactions – net operating balance		3 110	1 108	1 380	(271)	(20)
Other economic flows included in net result							
84	Net gain/(loss) on disposal of non-financial assets		(65)	88	77	12	15
34	Net gain/(loss) on financial assets or liabilities at fair value		(127)	(122)	27	(148)	(559)
(4)	Share of net profit/(loss) from associates/joint venture entities		1	..	..	..	..
(219)	Other gains/(losses) from other economic flows	B.11.1	(472)	(404)	(345)	(59)	17
(104)	Total other economic flows included in net result		(662)	(438)	(242)	(196)	81
2 903	Net result		2 447	670	1 137	(467)	(41)
Other economic flows – other comprehensive income							
Items that will not be reclassified to net result							
64	Changes in non-financial assets revaluation surplus		85	3 794	699	3 095	443
496	Remeasurement of superannuation defined benefits plans	B.7.3	(2 179)	(1 920)	1 014	(2 934)	(289)
(105)	Other movements in equity		21	(15)	(9)	(6)	67

B.1 CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT (continued)

For the period ended 31 March

(\$ million)

2017-18 actual 31 Mar		Notes	2018-19 actual 31 Mar	revised budget	published budget	Budget to revised budget change	Change %
	Items that may be reclassified subsequently to net result						
9	Net gain/(loss) on financial assets at fair value		(63)	2	2	1	39
686	Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		(1 240)	(560)	34	(595)	n.a.
1 150	Total other economic flows – other comprehensive income		(3 375)	1 302	1 741	(439)	(25)
4 053	Comprehensive result – total change in net worth		(928)	1 972	2 878	(906)	(31)
	KEY FISCAL AGGREGATES						
3 007	Net operating balance		3 110	1 108	1 380	(271)	(20)
1 985	Less: Net acquisition of non-financial assets from transactions	B.7.5	1 994	2 330	1 921	410	21
1 021	Net lending/(borrowing)		1 116	(1 222)	(541)	(681)	126

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

B.2 CONSOLIDATED BALANCE SHEET

As at 31 March

(\$ million)

2017-18 actual 31 Mar		Notes	opening 1 Jul	2018-19 actual 31 Mar	revised budget	published budget ^(a)	Opening to revised budget change	Opening to published budget change
Assets								
Financial assets								
3 900	Cash and deposits	B.11.2	6 257	5 722	8 189	6 325	1 932	68
11 095	Advances paid		10 019	8 667	8 745	8 289	(1 274)	(1 730)
7 756	Receivables	B.9.1	6 208	8 376	6 132	6 465	(76)	256
4 163	Investments, loans and placements		3 928	5 059	2 242	4 197	(1 686)	270
44	Investments accounted for using the equity method		53	45	44	53	(8)	..
96 575	Investments in other sector entities		101 253	102 979	104 773	107 036	3 521	5 783
123 533	Total financial assets		127 717	130 847	130 126	132 364	2 408	4 647
Non-financial assets								
176	Inventories		175	177	190	179	15	4
355	Non-financial assets held for sale		389	345	362	391	(27)	1
123 897	Land, buildings, infrastructure, plant and equipment	B.8.1	134 141	135 875	140 129	136 801	5 988	2 661
1 756	Other non-financial assets	B.8.7	1 872	2 197	2 111	1 978	239	106
126 184	Total non-financial assets		136 577	138 595	142 792	139 349	6 215	2 772
249 718	Total assets		264 294	269 442	272 917	271 712	8 623	7 419
Liabilities								
7 781	Deposits held and advances received		6 700	5 224	5 115	4 669	(1 585)	(2 031)
5 902	Payables	B.9.2	6 713	9 146	9 425	8 638	2 712	1 925
31 902	Borrowings		33 506	36 060	36 859	38 859	3 353	5 352
6 458	Employee benefits	B.7.2	7 020	7 056	7 318	7 372	299	352
24 714	Superannuation	B.7.3	25 205	27 699	27 182	24 164	1 977	(1 041)
880	Other provisions		1 034	1 070	929	1 016	(104)	(17)
77 637	Total liabilities		80 178	86 254	86 829	84 718	6 652	4 540
172 080	Net assets		184 116	183 188	186 088	186 995	1 972	2 878
54 751	Accumulated surplus/(deficit)		52 574	52 812	51 323	54 730	(1 251)	2 156
117 329	Reserves		131 543	130 377	134 765	132 265	3 223	722
172 080	Net worth		184 116	183 188	186 088	186 995	1 972	2 878
FISCAL AGGREGATES								
45 896	Net financial worth		47 540	44 594	43 297	47 646	(4 243)	106
50 679	Net financial liabilities		53 713	58 386	61 477	59 390	7 764	5 677
20 524	Net debt		20 003	21 837	22 799	24 717	2 796	4 714

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

(a) Balances represent actual opening balances at 1 July 2018 plus 2018-19 budgeted movements.

B.3 CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 March

(\$ million)

2017-18 actual 31 Mar	Notes	2018-19 actual 31 Mar	revised budget	published budget	Budget to revised budget change	Change %
Cash flows from operating activities						
Receipts						
16 316	Taxes received	16 702	23 760	23 907	(147)	(1)
22 386	Grants	24 967	33 391	33 458	(67)	..
6 014	Sales of goods and services ^{(a)(b)}	9 224	11 215	10 086	1 129	11
619	Interest received	606	790	864	(73)	(8)
562	Dividends, income tax equivalent and rate equivalent receipts	477	891	861	30	4
1 149	Other receipts	1 173	2 212	2 168	44	2
47 046	Total receipts	53 149	72 261	71 343	917	1
Payments						
(17 024)	Payments for employees	(18 573)	(24 805)	(25 213)	408	(2)
(2 113)	Superannuation	(2 273)	(3 420)	(3 364)	(56)	2
(1 519)	Interest paid	(1 532)	(2 093)	(2 130)	37	(2)
(8 921)	Grants and subsidies	(10 045)	(13 935)	(13 158)	(777)	6
(14 528)	Goods and services ^(a)	(15 091)	(21 138)	(21 141)	3	..
(558)	Other payments	(587)	(790)	(787)	(3)	..
(44 662)	Total payments	(48 101)	(66 181)	(65 792)	(389)	1
2 384	Net cash flows from operating activities	5 048	6 080	5 551	529	10
Cash flows from investing activities						
Cash flows from investments in non-financial assets						
(6 518)	Purchases of non-financial assets B.7.5	(6 731)	(8 654)	(10 091)	1 437	(14)
217	Sales of non-financial assets	137	319	368	(49)	(13)
(6 302)	Net cash flows from investments in non-financial assets	(6 594)	(8 335)	(9 723)	1 388	(14)
1 543	Net cash flows from investments in financial assets for policy purposes	1 184	1 190	1 624	(434)	(27)
(4 759)	Subtotal	(5 410)	(7 145)	(8 099)	954	(12)
(460)	Net cash flows from investments in financial assets for liquidity management purposes	(1 194)	1 688	(248)	1 936	(780)
(5 218)	Net cash flows from investing activities	(6 604)	(5 458)	(8 347)	2 889	(35)
Cash flows from financing activities						
(1 585)	Advances received (net)	(1 503)	(1 579)	(2 031)	452	(22)
2 512	Net borrowings	2 497	2 895	4 895	(2 000)	(41)
278	Deposits received (net)	27	(6)	..	(6)	n.a.
1 205	Net cash flows from financing activities	1 021	1 310	2 864	(1 554)	(54)
(1 629)	Net increase/(decrease) in cash and cash equivalents	(535)	1 932	68	1 864	n.a.
5 530	Cash and cash equivalents at beginning of reporting period	6 257	6 257	6 257	..	..
3 900	Cash and cash equivalents at end of the reporting period	5 722	8 189	6 325	1 864	29

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

For the period ended 31 March

(\$ million)

2017-18 actual 31 Mar		Notes	2018-19 actual 31 Mar	revised budget	published budget	Budget to revised budget change	Change %
FISCAL AGGREGATES							
2 384	Net cash flows from operating activities		5 048	6 080	5 551	529	10
(6 302)	Net cash flows from investments in non-financial assets		(6 594)	(8 335)	(9 723)	1 388	(14)
(3 917)	Cash surplus/(deficit)		(1 546)	(2 256)	(4 172)	1 916	(46)

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

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

(b) The March 2019 amount includes the upfront proceeds from the commercialisation of the land titles and registry functions of Land Use Victoria.

B.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owners	Non-financial assets revaluation surplus
2017-18 (actual)			
Balance at 1 July 2017 ^(a)	51 464	..	55 320
Net result for the year	2 903	..	..
Other comprehensive income for the year	384	..	64
Total equity as at 31 March 2018 ^(a)	54 751	..	55 384
2018-19 (actual)			
Balance at 1 July 2018	52 574	..	64 084
Net result for the year	2 447	..	..
Other comprehensive income for the year	(2 209)	..	85
Total equity as at 31 March 2019	52 812	..	64 169
2018-19 (revised)			
Balance at 1 July 2018	52 574	..	64 084
Net result for the year	670	..	..
Other comprehensive income for the year	(1 921)	..	3 794
Budget equity as at 30 June 2019	51 323	..	67 878
2018-19 (budget)			
Balance at 1 July 2018	52 574	..	64 084
Net result for the year	1 137	..	..
Other comprehensive income for the year	1 019	..	699
Budget equity as at 30 June 2019	54 730	..	64 783

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

(a) The 1 July 2017 balance has been restated to reflect the reclassification of \$425 million from the non-financial assets revaluation surplus to other reserves, reflecting accumulated revenue dedicated to the purchase of assets for the National Gallery of Victoria.

<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
60 149	1 094	168 027
..	..	2 903
686	16	1 150
60 835	1 110	172 080
66 351	1 108	184 116
..	..	2 447
(1 240)	(11)	(3 375)
65 111	1 097	183 188
66 351	1 108	184 116
..	..	670
(560)	(11)	1 302
65 790	1 097	186 088
66 351	1 108	184 116
..	..	1 137
34	(12)	1 741
66 385	1 096	186 995

B.5 ABOUT THIS REPORT

Basis of preparation

This March Quarterly Financial Report presents the unaudited consolidated financial statements for the general government sector for the nine months ended 31 March 2019.

The accounting policies applied are consistent with those applied for the financial statements published in the *2017-18 Financial Report* for the State of Victoria. Full presentation and disclosure of transition to AASB 9 *Financial Instruments* will be reflected in the *2018-19 Financial Report* for the state of Victoria. This quarterly financial report does not include all the notes normally included with the annual financial report and should be read in conjunction with the *2017-18 Financial Report*.

It should be noted that the 2018-19 revised estimates in this quarterly financial report have not been prepared on the same basis as the Estimated Financial Statements, as the new suite of Accounting Standards (disclosed in Note 1.7.2 of Chapter 1) are effective only from 1 July 2019 and therefore do not apply to the March Quarterly Financial Report.

Statement of compliance

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

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

Basis of accounting and measurement

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

Reporting entity

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

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

Basis of consolidation

The March Quarterly Financial Report includes all reporting entities in the general government sector that are controlled by the State. Information on entities consolidated for the general government sector is included in Note 1.7.5 of Chapter 1 of this budget paper. In the process of reporting the general government sector as a single economic entity, all material transactions and balances within the sector are eliminated.

B.6 HOW FUNDS ARE RAISED

Introduction

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

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

B.6.1 Taxation revenue

(\$ million)

2017-18 actual 31 Mar		2018-19 actual 31 Mar revised budget	
4 437	Taxes on employers' payroll and labour force	4 702	6 277
	Taxes on immovable property		
2 294	Land tax	3 369	3 672
682	Fire Services Property Levy ^(a)	645	645
102	Congestion levy	111	111
174	Metropolitan improvement levy	173	173
3 253	Total taxes on property	4 298	4 602
	Gambling taxes		
316	Public lotteries	401	521
832	Electronic gaming machines	850	1 123
155	Casino	160	220
54	Racing and other sports betting	71	104
21	Other	9	12
	Financial and capital transactions		
5 181	Land transfer duty	4 538	5 990
17	Metropolitan planning levy	15	21
112	Financial accommodation levy	147	151
186	Growth areas infrastructure contribution	227	287
82	Levies on statutory corporations	91	157
986	Taxes on insurance	1 036	1 379
7 944	Total taxes on the provision of goods and services	7 544	9 964
	Motor vehicle taxes		
1 159	Vehicle registration fees	1 225	1 683
683	Duty on vehicle registrations and transfers	685	916
23	Liquor licence fees	23	27
190	Other	231	344
2 055	Total taxes on the use of goods and performance of activities	2 164	2 971
17 688	Total taxation revenue	18 708	23 814

Source: Department of Treasury and Finance

Note:

(a) The Fire Services Property Levy was capped for 2017-18 and 2018-19. The 2018-19 revenue estimate was estimated to be \$17 million lower than the Government's cap of \$662 million (the amount collected in 2016-17), returning the over-collection from 2017-18.

B.6.2 Dividends, income tax equivalent and rate equivalent revenue (\$ million)

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
94	Dividends from PFC sector	12	420
229	Dividends from PNFC sector	158	158
27	Dividends from non-public sector	43	78
350	Dividends	213	656
2	Income tax equivalent revenue from PFC sector	25	29
161	Income tax equivalent revenue from PNFC sector	184	260
163	Income tax equivalent revenue	209	289
5	Local government rate equivalent revenue	5	7
518	Total dividends, income tax equivalent and rate equivalent revenue	427	952

Source: Department of Treasury and Finance

Dividends by entity (\$ million)

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
Public financial corporations			
..	Victorian Managed Insurance Authority	..	408
..	Transport Accident Commission ^(a)	..	..
83	Treasury Corporation of Victoria	..	..
5	State Trustees Ltd	5	5
7	Victorian Funds Management Corporation	7	7
94	Dividends from PFC sector	12	420
Public non-financial corporations			
48	City West Water Corporation	20	20
51	Melbourne Water Corporation	24	24
82	South East Water Corporation	59	59
31	Yarra Valley Water Corporation	44	44
15	Development Victoria	9	9
1	Others	1	1
229	Dividends from PNFC sector	158	158

Source: Department of Treasury and Finance

Note:

(a) 'Amounts equivalent to dividends' to be paid by the Transport Accident Commission are received and reported as contributions forming part of grant revenue, consistent with the requirements of AASB 1023 General Insurance Contracts (AASB 1023).

B.6.3 Sales of goods and services

(\$ million)

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
167	Motor vehicle regulatory fees	174	233
445	Other regulatory fees	426	539
63	Sale of goods	60	91
3 170	Provision of services	3 351	4 498
57	Rental	58	79
4	Refunds and reimbursements	1	15
1 533	Inter-sector capital asset charge	1 692	2 257
5 438	Total sales of goods and services	5 763	7 712

Source: Department of Treasury and Finance

B.6.4 Grant revenue

(\$ million)

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
11 513	General purpose grants	12 762	16 720
3 436	Specific purpose grants for on-passing	3 661	4 047
7 230	Other specific purpose grants	7 994	11 942
22 179	Total	24 417	32 709
211	Other contributions and grants	549	687
22 390	Total grant revenue	24 966	33 396

Source: Department of Treasury and Finance

B.6.5 Other revenue

(\$ million)

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
34	Fair value of assets received free of charge or for nominal consideration	31	82
558	Fines	553	774
75	Royalties	78	99
182	Donations and gifts	118	214
20	Other non-property rental	22	27
448	Other revenue – Education	449	635
38	Other revenue – Health	143	207
381	Other miscellaneous revenue	500	787
1 736	Total other revenue	1 894	2 825

Source: Department of Treasury and Finance

B.7 HOW FUNDS ARE SPENT

Introduction

This section details the major components of expenditure incurred by the general government sector on operating activities (expenses from transactions) and on capital or infrastructure projects during the period, as well as any related obligations outstanding as at 31 March 2019.

B.7.1 Employee expenses and provision for outstanding employee benefits

Employee expenses (operating statement)

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

Employee expenses (balance sheet)

As part of operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to reflect the estimated timing and amount of benefit payment. Table B.7.2 shows the key components of this provision as at 31 March 2019.

B.7.2 Employee benefits (balance sheet) (\$ million)

2017-18 actual 31 Mar		opening 1 Jul	2018-19 actual 31 Mar	revised budget
Current				
373	Accrued salaries and wages	592	343	606
77	Other employee benefits	87	84	87
1 438	Annual leave	1 615	1 550	1 647
3 769	Long service leave	3 888	4 179	4 025
5 658	Total current employee benefits and on-costs	6 182	6 156	6 364
Non-current				
800	Long service leave	837	899	954
800	Total non-current employee benefits and on-costs	837	899	954
6 458	Total employee benefits and on-costs	7 020	7 056	7 318

Source: Department of Treasury and Finance

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

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
Defined benefit plans			
536	Net superannuation interest expense	517	688
692	Current service cost	751	1 001
Remeasurements:			
(713)	Expected return on superannuation assets excluding interest income	(780)	(1 039)
120	Other actuarial (gain)/loss on superannuation assets	1 138	1 138
97	Actuarial and other adjustments to unfunded superannuation liability	1 821	1 821
732	Total expense recognised in respect of defined benefit plans	3 446	3 609
Defined contribution plans			
1 138	Employer contributions to defined contribution plans	1 257	1 717
56	Other (including pensions)	65	72
1 194	Total expense recognised in respect of defined contribution plans	1 321	1 789
1 926	Total superannuation (gain)/expense recognised in operating statement	4 767	5 398
Represented by:			
536	Net superannuation interest expense	517	688
1 886	Other superannuation	2 072	2 790
2 422	Superannuation expense from transactions	2 589	3 478
(496)	Remeasurement recognised in other comprehensive income	2 179	1 920
1 926	Total superannuation costs recognised in operating statement	4 767	5 398

Source: Department of Treasury and Finance

B.7.4 Total operating expenses by classification of the functions of government (COFOG) and by portfolio department

(a) Expenses by classification of the functions of government ^(a) (\$ million)

2017-18 actual to Mar		2018-19 actual to Mar revised budget	
2 803	General public services	2 980	3 866
5 435	Public order and safety	6 060	8 273
1 043	Economic affairs	1 189	2 197
490	Environmental protection	585	884
1 260	Housing and community amenities	1 454	2 458
13 233	Health	14 196	19 719
522	Recreation, culture and religion	649	968
11 902	Education	12 478	16 227
3 615	Social protection	4 183	6 753
5 565	Transport	6 087	8 380
(488)	Not allocated by purpose	(604)	(1 337)
45 380	Total expenses from transactions	49 256	68 387

Source: Department of Treasury and Finance

Note:

(a) The COFOG framework has replaced the former Government Purpose Classification (GPC) framework under the new ABS GFS Manual. This was implemented for the first time in the 2018-19 Budget. Note 1.7.5 of Budget Paper No.5 of the 2018-19 Budget provides definitions and descriptions of the COFOG.

(b) Total expenses by portfolio department ^(a) (\$ million)

2017-18 actual to Mar		2018-19 actual to Mar revised budget	
Expenses from transactions			
13 351	Education and Training	14 079	18 346
2 075	Environment, Land, Water and Planning	2 814	4 136
17 863	Health and Human Services	19 500	27 693
..	Jobs, Precincts and Regions	591	1 621
5 106	Justice and Community Services	5 656	7 837
402	Premier and Cabinet	544	791
7 084	Transport	7 186	9 613
5 912	Treasury and Finance	6 251	7 976
139	Parliament	155	231
426	Courts	468	677
1 717	Regulatory bodies and other-part funded agencies ^(b)	1 843	2 487
54 075	Total expenses by department	59 086	81 407
(8 695)	Less eliminations and adjustments ^(c)	(9 830)	(13 020)
45 380	Total expenses from transactions	49 256	68 387

Source: Department of Treasury and Finance

Notes:

(a) On 29 November 2018 the Premier announced various machinery of government changes effective from 1 January 2019. Please see Note 1.7.5 Controlled entities in Chapter 1 for further details.

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

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

B.7.5 Net acquisition of non-financial assets from transactions (\$ million)

2017-18		2018-19	
<i>actual</i>		<i>actual</i>	<i>revised</i>
<i>31 Mar</i>		<i>31 Mar</i>	<i>budget</i>
6 521	Purchases of non-financial assets (including change in inventories) ^(a)	6 732	8 663
(217)	Less: Sales of non-financial assets	(137)	(319)
(1 978)	Less: Depreciation and amortisation	(2 067)	(2 833)
(2 341)	Plus/(less): Other movements in non-financial assets ^(a)	(2 534)	(3 181)
1 985	Total net acquisition of non-financial assets from transactions	1 994	2 330

Source: Department of Treasury and Finance

Note:

(a) The March 2017-18 comparative figures have been restated to reflect more current information.

B.8 MAJOR ASSETS AND INVESTMENTS

Introduction

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

B.8.1 Total land, buildings, infrastructure, plant and equipment (\$ million)

2017-18		2018-19		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
28 598	Buildings	30 232	31 026	31 088
5 472	Leased buildings	5 600	5 536	5 467
50 744	Land and national parks	58 442	58 596	59 077
1 386	Infrastructure systems	1 353	1 300	1 509
2 353	Plant, equipment and vehicles	2 538	2 751	2 533
178	Leased plant, equipment and vehicles	240	284	220
21 027	Roads and road infrastructure	21 496	22 137	24 687
558	Leased roads and road infrastructure	556	549	652
7 961	Earthworks	8 039	8 042	9 247
5 617	Cultural assets	5 646	5 655	5 649
123 897	Total land, buildings, infrastructure, plant and equipment	134 141	135 875	140 129

Source: Department of Treasury and Finance

B.8.2 Depreciation (\$ million)

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
846	Buildings	857	1 222
117	Leased buildings	139	191
30	Infrastructure systems	43	47
..	Leased Infrastructure systems	..	..
391	Plant, equipment and vehicles	418	607
22	Leased plant, equipment and vehicles	23	22
457	Roads and road infrastructure	466	556
7	Leased roads and road infrastructure	7	9
15	Cultural assets	14	18
94	Intangible produced assets ^(a)	100	160
1 978	Total depreciation	2 067	2 833

Source: Department of Treasury and Finance

Note:

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

B.8.3 Land and buildings

(\$ million)

2017-18 actual 31 Mar		2018-19 opening 1 Jul actual 31 Mar revised budget		
32 109	Buildings	32 525	34 153	34 737
(3 511)	Accumulated depreciation	(2 293)	(3 127)	(3 649)
28 598	Buildings (net carrying amount)	30 232	31 026	31 088
6 201	Leased buildings	6 242	6 319	6 308
(729)	Leased buildings accumulated depreciation	(643)	(783)	(841)
5 472	Leased buildings (net carrying amount)	5 600	5 536	5 467
49 691	Land	57 209	57 363	57 853
1 053	National parks and other 'land only' holdings	1 233	1 233	1 224
50 744	Land and national parks	58 442	58 596	59 077
84 815	Total land and buildings	94 273	95 157	95 632

Source: Department of Treasury and Finance

B.8.4 Plant, equipment and vehicles and infrastructure systems

(\$ million)

2017-18 actual 31 Mar		2018-19 opening 1 Jul actual 31 Mar revised budget		
1 908	Infrastructure systems	1 840	1 829	2 042
(522)	Accumulated depreciation	(487)	(529)	(533)
1 386	Infrastructure systems (net carrying amount)	1 353	1 300	1 509
6 279	Plant, equipment and vehicles	6 561	7 060	7 033
(3 925)	Accumulated depreciation	(4 024)	(4 309)	(4 500)
450	Leased plant, equipment and vehicles	519	582	519
(272)	Accumulated depreciation	(279)	(298)	(300)
2 532	Plant, equipment and vehicles (net carrying amount)	2 778	3 035	2 753
3 918	Total plant, equipment and vehicles, and infrastructure systems	4 131	4 334	4 262

Source: Department of Treasury and Finance

B.8.5 Road networks and earthworks

(\$ million)

2017-18		2018-19		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
40 825	Roads and roads infrastructure	41 627	42 735	48 148
(19 798)	Accumulated depreciation	(20 132)	(20 598)	(23 462)
21 027	Roads and roads infrastructure (net carrying amount)	21 496	22 137	24 687
584	Leased roads and roads infrastructure	584	584	694
(26)	Accumulated depreciation	(28)	(35)	(43)
558	Leased roads and roads infrastructure (net carrying amount)	556	549	652
7 961	Earthworks	8 039	8 042	9 247
29 547	Total roads, roads infrastructure and earthworks	30 091	30 729	34 585

Source: Department of Treasury and Finance

B.8.6 Cultural assets

(\$ million)

2017-18		2018-19		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
5 785	Cultural assets	5 818	5 842	5 840
(168)	Accumulated depreciation	(172)	(186)	(191)
5 617	Total cultural assets	5 646	5 655	5 649

Source: Department of Treasury and Finance

B.8.7 Other non-financial assets

(\$ million)

2017-18		2018-19		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
1 792	Intangible produced assets	1 946	2 039	2 112
(965)	Accumulated depreciation	(1 010)	(1 046)	(1 154)
118	Intangible non-produced assets	118	119	119
(37)	Accumulated amortisation	(39)	(44)	(44)
908	Total intangibles	1 015	1 068	1 032
166	Investment properties	186	184	185
3	Biological assets	2	2	4
679	Other assets	669	942	889
1 756	Total other non-financial assets	1 872	2 197	2 111

Source: Department of Treasury and Finance

B.9 OTHER ASSETS AND LIABILITIES

Introduction

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

B.9.1 Receivables

(\$ million)

2017-18		2018-19		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
Contractual				
897	Sales of goods and services	682	931	651
17	Accrued investment income	19	17	19
1 326	Other receivables	675	893	673
(97)	Provision for doubtful contractual receivables	(108)	(106)	(107)
Statutory				
2	Sales of goods and services	3	2	2
3 893	Taxes receivable	3 153	5 044	3 158
2 206	Fines and regulatory fees	2 510	2 852	2 973
318	GST input tax credits recoverable	443	316	442
(806)	Provision for doubtful statutory receivables	(1 169)	(1 573)	(1 679)
7 756	Total receivables	6 208	8 376	6 132
Represented by:				
6 936	Current receivables	5 890	8 059	5 818
820	Non-current receivables	318	317	314

Source: Department of Treasury and Finance

B.9.2 Payables

(\$ million)

2017-18		2018-19		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
	Contractual			
1 160	Accounts payable	1 542	1 403	1 523
2 353	Accrued expenses	2 814	2 417	2 715
2 339	Unearned income	2 298	5 282	5 126
	Statutory			
50	Accrued taxes payable	60	43	61
5 902	Total payables	6 713	9 146	9 425
	Represented by:			
4 301	Current payables	4 856	4 607	4 783
1 601	Non-current payables	1 856	4 539	4 642

Source: Department of Treasury and Finance

B.10 PUBLIC ACCOUNT

Introduction

This section discloses information in respect of the Public Account, in accordance with the requirements of the *Financial Management Act 1994*.

B.10.1 Consolidated fund receipts and payments ^(a) (\$ million)

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
Receipts			
16 515	Taxation	16 941	24 119
559	Fines and regulatory fees	566	836
14 022	Grants received	16 140	22 436
5 106	Sales of goods and services	8 027	9 872
339	Interest received	341	496
547	Public authority receipts	434	813
112	Other receipts	421	947
37 200	Total operating activities	42 870	59 519
2 718	Total inflows from investing and financing	4 812	5 970
39 917	Total receipts	47 681	65 489
Payments to departments			
10 080	Education and Training	10 867	14 586
1 558	Environment, Land, Water and Planning	2 195	2 947
12 360	Health and Human Services	13 604	17 759
..	Jobs, Precincts and Regions	250	1 477
5 501	Justice and Community Services	5 888	8 054
380	Premier and Cabinet	567	793
7 422	Transport	8 264	11 548
4 837	Treasury and Finance	4 992	6 696
166	Parliament	166	227
429	Courts	476	686
42 733	Total payments	47 269	64 773
(2 815)	Net receipts/(payments)	412	716

Source: Department of Treasury and Finance

Notes:

(a) On 29 November 2018 the Premier announced various machinery of government changes effective from 1 January 2019. Please see Note 1.7.5 Controlled entities in Chapter 1 for further details.

B.10.2 Trust fund cash flow statement

(\$ million)

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
Cash flows from operating activities			
Receipts			
336	Taxation	323	401
60	Regulatory fees and fines	65	79
12 475	Grants received	13 814	17 923
45	Sale of goods and services	366	480
157	Interest received	139	176
16	Dividends received	25	63
2 522	Net transfers from consolidated fund	2 637	3 538
122	Other receipts	128	101
15 733	Total receipts	17 498	22 762
(167)	Payments for employees	(209)	(252)
(14)	Superannuation	(17)	(18)
(14 388)	Grants and subsidies	(15 546)	(20 585)
(1 260)	Goods and services	(1 357)	(1 795)
(3)	Interest paid	(5)	(6)
(15 831)	Total payments	(17 134)	(22 655)
(98)	Net cash flows from operating activities	365	107
(1)	Purchases of property, plant and equipment	(38)	(436)
37	Proceeds from sale of property, plant and equipment	49	56
1 851	Net proceeds from customer loans	1 320	1 335
(1 638)	Other investing activities	(1 524)	(1 245)
250	Net cash flows from investing activities	(193)	(290)
Cash flows from financing activities			
(451)	Net proceeds (repayments) from borrowings	(556)	(580)
(451)	Net cash flows from financing activities	(556)	(580)
(299)	Net cash inflow/(outflow)	(384)	(763)

Source: Department of Treasury and Finance

B.10.3 Reconciliation of cash flows to balances held

(\$ million)

	Balances held at 30 Jun 2018	Mar movement YTD	Balances held at 31 Mar 2019
Cash and deposits			
Cash and balances outside of the Public Account	(1)	..	(1)
Deposits held with the Public Account – specific trusts	697	(441)	256
Other balances held in the Public Account	3 212	(328)	2 884
Total cash and deposits	3 908	(769)	3 140
Investments			
Investments held with the Public Account – specific trusts	1 500	(133)	1 367
Total investments	1 500	(133)	1 367
Total fund balances	5 409	(902)	4 507
Less funds held outside the public account			
Cash	(1)	..	(1)
Total fund balances held outside the Public Account	(1)	..	(1)
Total fund balances held in the Public Account	5 409	(902)	4 507

Source: Department of Treasury and Finance

B.10.4 Details of securities held

(\$ million)

2017-18 actual 31 Mar		2018-19 opening 1 Jul	actual 31 Mar
1 924	Total Public Account ^(a)	5 409	4 507
	Represented by:		
1 283	Stock, securities, cash and investments ^(a)	3 629	3 805
	Add cash advanced for:		
..	Temporary Advance from the Treasury Corporation of Victoria to the Consolidated Fund pursuant to section 38 of the <i>Financial Management Act, No. 18 of 1994</i>	851	..
641	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	929	702
1 924	Total Public Account ^(a)	5 409	4 507

Source: Department of Treasury and Finance

Note:

(a) The 2017-18 comparative figures have been restated to reflect more current information.

B.11 OTHER DISCLOSURES

Introduction

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

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

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
(142)	Net (increase)/decrease in provision for doubtful receivables	(442)	(484)
(4)	Amortisation of intangible non-produced assets	(4)	(6)
(89)	Bad debts written off	(14)	(15)
16	Other gains/(losses)	(12)	101
(219)	Total other gains/(losses) from other economic flows	(472)	(404)

Source: Department of Treasury and Finance

B.11.2 Reconciliation of cash and cash equivalents (\$ million)

2017-18		2018-19	
actual		actual	revised
31 Mar		31 Mar	budget
1 341	Cash	1 416	1 394
2 560	Deposits at Call	4 306	6 795
3 900	Cash and cash equivalents	5 722	8 189
..	Bank Overdraft	..	..
3 900	Balances as per cash flow statement	5 722	8 189

Source: Department of Treasury and Finance

B.11.3 Controlled entities

Note 9.8 *Controlled entities* in the 2017-18 Financial Report for the State of Victoria contains a list of the significant controlled entities, which have been consolidated in this financial report.

Reference should be made to Note 1.7.5 of Chapter 1 of this budget paper for changes to general government sector entities since 1 July 2018.

B.11.4 Glossary of technical terms

The 2017-18 Financial Report for the State of Victoria (Note 9.9) summarises the major technical terms used in this report.

B.12 RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

Introduction

This section includes the comprehensive operating statement, balance sheet and cash flow statement for the past five quarters in accordance with the requirements of the *Financial Management Act 1994*.

B.12.1 Consolidated comprehensive operating statement for the past five quarters (\$ million)

	2017-18		2018-19		
	Mar	Jun	Sep	Dec	Mar
Revenue from transactions					
Taxation revenue	6 980	5 241	5 896	5 049	7 763
Interest revenue	202	228	210	206	191
Dividends, income tax equivalent and rate equivalent revenue	85	263	82	248	97
Sales of goods and services	1 801	1 901	1 905	1 944	1 914
Grant revenue	8 162	7 538	7 923	7 878	9 165
Other revenue	566	1 031	573	774	547
Total revenue from transactions	17 796	16 202	16 589	16 100	19 676
Expenses from transactions					
Employee expenses	5 698	6 276	6 081	6 213	6 196
Net superannuation interest expense	176	178	167	180	170
Other superannuation	631	649	671	711	690
Depreciation	666	767	680	690	698
Interest expense	513	570	493	539	503
Grant expense	3 346	2 719	2 853	3 127	3 858
Other operating expenses	4 709	5 736	4 812	5 107	4 818
Total expenses from transactions	15 739	16 896	15 757	16 567	16 932
Net result from transactions – net operating balance	2 057	(694)	832	(467)	2 744
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	63	(25)	5	(55)	(15)
Net gain/(loss) on financial assets or liabilities at fair value	(5)	19	(4)	(195)	72
Share of net profit/(loss) from associates/joint venture entities	(4)	(2)	..	..	1
Other gains/(losses) from other economic flows	(78)	(714)	(116)	(190)	(166)
Total other economic flows included in net result	(23)	(722)	(115)	(439)	(109)
Net result	2 035	(1 417)	718	(906)	2 636

B.12.1 Consolidated comprehensive operating statement for the past five quarters
(continued) (\$ million)

	2017-18		2018-19		
	Mar	Jun	Sep	Dec	Mar
Other economic flows –					
other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	66	8 700	16	(13)	82
Remeasurement of superannuation defined benefits plans	(263)	(754)	1 213	(2 304)	(1 087)
Other movements in equity	2	2	14	..	7
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(16)	(10)	(12)	(36)	(15)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	..	5 515	..	(1 240)	..
Total other economic flows – other comprehensive income	(210)	13 453	1 230	(3 593)	(1 013)
Comprehensive result – total change in net worth	1 825	12 036	1 948	(4 499)	1 623
KEY FISCAL AGGREGATES					
Net operating balance	2 057	(694)	832	(467)	2 744
Less: Net acquisition of non-financial assets from transactions	235	1 237	690	973	330
Net lending/(borrowing)	1 823	(1 932)	142	(1 440)	2 414

Source: Department of Treasury and Finance

B.12.2 Consolidated balance sheet as at the end of the past five quarters (\$ million)

	2017-18		2018-19		
	Mar	Jun	Sep	Dec	Mar
Assets					
Financial assets					
Cash and deposits	3 900	6 257	5 940	4 567	5 722
Advances paid	11 095	10 019	9 189	8 918	8 667
Receivables	7 756	6 208	6 400	5 738	8 376
Investments, loans and placements	4 163	3 928	3 940	3 965	5 059
Investments accounted for using the equity method	44	53	52	53	45
Investments in other sector entities	96 575	101 253	102 157	102 040	102 979
Total financial assets	123 533	127 717	127 679	125 281	130 847
Non-financial assets					
Inventories	176	175	171	177	177
Non-financial assets held for sale	355	389	391	361	345
Land, buildings, infrastructure, plant and equipment	123 897	134 141	134 414	135 411	135 875
Other non-financial assets	1 756	1 872	2 411	2 289	2 197
Total non-financial assets	126 184	136 577	137 386	138 238	138 595
Total assets	249 718	264 294	265 065	263 519	269 442
Liabilities					
Deposits held and advances received	7 781	6 700	5 772	5 491	5 224
Payables	5 902	6 713	9 143	8 694	9 146
Borrowings	31 902	33 506	31 974	32 974	36 060
Employee benefits	6 458	7 020	6 893	7 141	7 056
Superannuation	24 714	25 205	24 257	26 600	27 699
Other provisions	880	1 034	962	1 053	1 070
Total liabilities	77 637	80 178	79 001	81 954	86 254
Net assets	172 080	184 116	186 064	181 565	183 188
Accumulated surplus/(deficit)	54 751	52 574	54 496	51 256	52 812
Reserves	117 329	131 543	131 569	130 310	130 377
Net worth	172 080	184 116	186 064	181 565	183 188
FISCAL AGGREGATES					
Net financial worth	45 896	47 540	48 678	43 327	44 594
Net financial liabilities	50 679	53 713	53 479	58 713	58 386
Net debt	20 524	20 003	18 677	21 015	21 837

Source: Department of Treasury and Finance

B.12.3 Consolidated cash flow statement for the past five quarters

(\$ million)

	2017-18 Mar	Jun	2018-19 Sep	Dec	Mar
Cash flows from operating activities					
Receipts					
Taxes received	5 317	6 126	5 994	5 650	5 058
Grants	8 160	7 606	7 927	7 877	9 163
Sales of goods and services ^(a)	1 937	2 004	4 984	1 939	2 302
Interest received	203	224	209	203	194
Dividends, income tax equivalent and rate equivalent receipts	85	213	82	298	97
Other receipts	240	788	491	381	301
Total receipts	15 942	16 960	19 686	16 348	17 115
Payments					
Payments for employees	(5 796)	(5 729)	(6 211)	(5 994)	(6 369)
Superannuation	(794)	(1 091)	(572)	(853)	(848)
Interest paid	(529)	(534)	(514)	(507)	(510)
Grants and subsidies	(3 466)	(2 494)	(2 908)	(3 228)	(3 909)
Goods and services ^(a)	(4 544)	(5 203)	(5 694)	(5 009)	(4 388)
Other payments	(165)	(199)	(211)	(202)	(174)
Total payments	(15 294)	(15 250)	(16 110)	(15 793)	(16 198)
Net cash flows from operating activities	649	1 710	3 577	555	916
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(1 949)	(3 286)	(2 139)	(2 712)	(1 880)
Sales of non-financial assets	121	166	45	39	53
Net cash flows from investments in non-financial assets	(1 828)	(3 120)	(2 095)	(2 672)	(1 828)
Net cash flows from investments in financial assets for policy purposes	825	3 016	729	156	298
Sub-total	(1 003)	(104)	(1 365)	(2 516)	(1 529)
Net cash flows from investments in financial assets for liquidity management purposes	(34)	224	(35)	(123)	(1 036)
Net cash flows from investing activities	(1 037)	120	(1 400)	(2 639)	(2 565)
Cash flows from financing activities					
Advances received (net)	(648)	(1 075)	(834)	(340)	(329)
Net borrowings	768	1 607	(1 566)	993	3 070
Deposits received (net)	177	(6)	(94)	59	62
Other financing (net)	..	..	..	..	..
Net cash flows from financing activities	296	526	(2 494)	712	2 803
Net increase/(decrease) in cash and cash equivalents	(92)	2 356	(317)	(1 372)	1 154
Cash and cash equivalents at beginning of the reporting period	3 992	3 900	6 257	5 940	4 567
Cash and cash equivalents at end of the reporting period	3 900	6 257	5 940	4 567	5 722
FISCAL AGGREGATES					
Net cash flows from operating activities	649	1 710	3 577	555	916
Net cash flows from investments in non-financial assets	(1 828)	(3 120)	(2 095)	(2 672)	(1 828)
Cash surplus/(deficit)	(1 180)	(1 410)	1 482	(2 117)	(911)

Source: Department of Treasury and Finance

Note:

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

APPENDIX C – COMPLIANCE INDEX: REQUIREMENTS OF THE *FINANCIAL MANAGEMENT ACT 1994*

The budget papers comply with the provisions of the *Financial Management Act 1994*. Table C.1 details these requirements together with appropriate references in the document.

Table C.1: Statements required by the *Financial Management Act 1994* and their location in the 2019-20 Budget

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
Sections 23E-G of the <i>Financial Management Act 1994</i>	
Statement of financial policy objectives and strategies for the year.	Budget Paper No. 2, Chapter 1 <i>Economic and fiscal overview</i> Budget Paper No. 5, Chapter 1 <i>Estimated financial statements for the general government sector</i>
Sections 23H-J of the <i>Financial Management Act 1994</i>	
Estimated financial statements for the year comprising:	Budget Paper No. 5, Chapter 1 <i>Estimated financial statements for the general government sector</i>
– 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.	
Section 23K of the <i>Financial Management Act 1994</i>	
Accompanying statements in association with each set of estimated financial statements comprising:	
– 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 outlook</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>
– a discussion of the sensitivity of the estimated financial statements to changes in those economic and other assumptions;	Budget Paper No. 2, Appendix A <i>Sensitivity analysis</i>

Table C.1: Statements required by the *Financial Management Act 1994* and their location in the 2019-20 Budget (continued)

<i>Relevant section of the Act and corresponding requirement</i>	<i>Location</i>
<ul style="list-style-type: none"> – 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. 5, Chapter 5 <i>Tax expenditures and concessions</i></p> <p>Budget Paper No. 2, Chapter 2 <i>Economic outlook</i></p> <p>Budget Paper No. 2, Chapter 4 <i>Budget position and outlook</i></p> <p>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></p> <p>A quarterly financial report for each quarter of each financial year.</p>	<p>Budget Paper No. 5, Appendix B <i>2018-19 Budget outcome incorporating the financial report for the March quarter 2019</i></p>
<p>Section 40 of the <i>Financial Management Act 1994</i></p> <p>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>Department 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>Department performance statements</i></p>
<p>Section 16B of the <i>Audit Act 1994</i></p> <p>The Auditor-General reviews and reports on the estimated financial statements to ensure they are consistent with accounting convention and that the methodologies and assumptions used are reasonable.</p>	<p>Budget Paper No. 5, Chapter 1 <i>Estimated financial statements for the general government sector</i></p>

STYLE CONVENTIONS

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

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

n.a. or na	not available or not applicable
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
tbc	to be confirmed
ongoing	continuing output, program, project etc.
(x xxx.x)	negative amount
x xxx.0	rounded amount

Please refer to the **Treasury and Finance glossary for budget and financial reports** at dtf.vic.gov.au for additional terms and references.

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VICTORIAN BUDGET 19/20

STATEMENT OF FINANCES

(incorporating Quarterly Financial Report No. 3)

Budget Paper No. 5

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