



Victorian Budget 2022/23

Putting Patients First

STATEMENT OF FINANCES

(Incorporating Quarterly
Financial Report No. 3)
Budget Paper No. 5

Presented by Tim Pallas MP
Treasurer of the State of Victoria



The Secretary
Department of Treasury and Finance
1 Treasury Place
Melbourne, Victoria, 3002
Australia
Tel: +61 3 9651 5111
Fax: +61 3 9651 2062
Website: budget.vic.gov.au

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

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Statement of Finances

2022-23



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 2022-23 to 2025-26.

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

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

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

Appropriate professional judgement has been applied in preparing the Estimated Financial Statements. However, the COVID-19 pandemic has introduced significant economic and fiscal uncertainties since early 2020. Although the economy has recovered well to date, risks to Victoria's economic outlook remain greater than normal. Beyond risks relating to COVID-19, other key risks include the outlook for inflation, and hence for interest rates, as well as prospects for global economic growth against a backdrop of elevated geopolitical volatility. This means that these estimates are subject to a higher degree of uncertainty.

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 19 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 conclusion.

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">• estimated comprehensive operating statement for the year ending 30 June 2023 and estimated comprehensive operating statement for the three forward years ending 30 June 2024, 2025 and 2026• estimated balance sheet as at 30 June 2023 and estimated balance sheet for the three forward years as at 30 June 2024, 2025 and 2026• estimated cash flow statement for the year ending 30 June 2023 and estimated cash flow statement for the three forward years ending 30 June 2024, 2025 and 2026• estimated statement of changes in equity for the year ending 30 June 2023 and estimated statement of changes in equity for the three forward years ending 30 June 2024, 2025 and 2026• notes to the estimated financial statements including significant accounting policies, 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 2022–23 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 2022–23 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 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.</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 2022–23 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>
Emphasis of matter	<p>I draw attention to Note 1.1 of the estimated financial statements which describes the higher degree of uncertainty in the estimates resulting from the impact of the coronavirus (COVID-19) pandemic, the key COVID-19 assumptions that underpin the estimates, and other key risks to Victoria’s economic outlook. My conclusion is not modified in respect of this matter.</p>

REPORT OF THE AUDITOR-GENERAL (*continued*)

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 2022–23 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 remaining chapters of Budget Paper 5 and Budget Papers 2 through 4 of the 2022–23 State Budget 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>
Treasurer's responsibilities for the estimated financial statements	<p>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.</p>
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 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 they were prepared.</p>

MELBOURNE
29 April 2022



Dave Barry
Deputy of the 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 2023 and the three forward years ending 30 June 2024, 2025 and 2026:

- (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
- (c) have been prepared using best professional judgement given the prospective nature of the Estimated Financial Statements.

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



Tim Pallas MP

Treasurer

28 April 2022



David Martine

Secretary

ESTIMATED CONSOLIDATED GENERAL GOVERNMENT SECTOR COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June

(\$ million)

	Notes	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Revenue and income from transactions					
Taxation	1.2.1	30 488	32 216	33 312	35 003
Interest income		715	761	836	844
Dividends, income tax equivalent and rate equivalent income	1.2.2	602	703	794	807
Sales of goods and services	1.2.3	6 366	6 410	6 495	6 527
Grants	1.2.4	40 351	40 884	43 019	44 825
Other revenue and income	1.2.5	3 459	3 619	3 209	3 434
Total revenue and income from transactions		81 980	84 593	87 665	91 440
Expenses from transactions					
Employee expenses		33 087	34 240	34 774	35 362
Net superannuation interest expense	1.3.2	682	661	641	625
Other superannuation	1.3.2	3 768	3 962	4 072	4 138
Depreciation	1.4.2	4 650	4 656	4 748	4 972
Interest expense	1.5.3	3 899	4 864	5 690	6 384
Grant expense	1.3.3	17 391	15 517	15 109	15 140
Other operating expenses	1.3.4	26 367	23 955	23 757	24 167
Total expenses from transactions	1.3.5	89 844	87 856	88 791	90 788
Net result from transactions – net operating balance		(7 864)	(3 263)	(1 126)	652
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		52	30	30	24
Net gain/(loss) on financial assets or liabilities at fair value		76	79	123	132
Share of net profit/(loss) from associates/ joint venture entities		4	4	4	4
Other gains/(losses) from other economic flows	1.7.1	(479)	(455)	(419)	(408)
Total other economic flows included in net result		(347)	(342)	(262)	(248)
Net result		(8 212)	(3 605)	(1 388)	403
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		5 940	5 750	10 123	1 657
Remeasurement of superannuation defined benefit plans	1.3.2	984	996	1 010	1 023
Other movements in equity		46	27	38	23
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		3	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	(3 869)	(4 837)	(4 590)	(14 209)
Total other economic flows – other comprehensive income		3 105	1 939	6 585	(11 503)
Comprehensive result – total change in net worth		(5 107)	(1 666)	5 197	(11 100)
KEY FISCAL AGGREGATES					
Net operating balance		(7 864)	(3 263)	(1 126)	652
Less: Net acquisition of non-financial assets from transactions	1.3.7	6 504	8 824	8 370	(4 745)
Net lending/(borrowing)		(14 368)	(12 087)	(9 495)	5 396

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

ESTIMATED FINANCIAL STATEMENTS

ESTIMATED CONSOLIDATED GENERAL GOVERNMENT SECTOR
BALANCE SHEET

As at 30 June

(\$ million)

	Notes	2022 revised	2023 budget	2024 estimate	2025 estimate	2026 estimate
Assets						
Financial assets						
Cash and deposits		14 570	14 527	14 630	14 977	15 451
Advances paid	1.5.2	5 094	5 231	6 530	6 417	6 426
Receivables and contract assets		6 968	7 177	7 474	7 786	8 165
Investments, loans and placements	1.5.2	3 776	10 056	11 117	12 316	13 556
Investments accounted for using equity method		10	10	10	10	10
Investments in other sector entities	1.6.1	76 621	79 552	81 557	85 068	89 014
Total financial assets		107 039	116 553	121 318	126 573	132 622
Non-financial assets						
Inventories		588	197	200	204	208
Non-financial assets held for sale		194	182	156	128	122
Land, buildings, infrastructure, plant and equipment	1.4.1, 1.4.3	207 775	217 590	232 848	251 473	248 750
Other non-financial assets	1.4.4	3 292	7 157	6 930	6 703	6 466
Total non-financial assets		211 849	225 125	240 135	258 507	255 546
Total assets	1.4.5	318 888	341 678	361 453	385 081	388 168
Liabilities						
Deposits held and advances received		1 917	1 468	1 485	1 492	1 444
Payables	1.6.2	16 506	21 683	21 909	21 506	21 028
Contract liabilities	1.6.2	273	235	207	194	191
Borrowings	1.5.1	123 465	146 853	168 221	187 061	201 501
Employee benefits	1.3.1	9 711	10 033	10 356	10 688	11 026
Superannuation	1.6.3	24 067	23 555	23 040	22 610	22 377
Other provisions ^(a)		2 274	2 282	2 331	2 429	2 600
Total liabilities		178 212	206 110	227 550	245 981	260 168
Net assets		140 676	135 569	133 903	139 100	128 000
Accumulated surplus/(deficit)		44 170	36 989	34 407	34 068	35 739
Reserves		96 506	98 580	99 496	105 032	92 261
Net worth		140 676	135 569	133 903	139 100	128 000
FISCAL AGGREGATES ^(b)						
Net financial worth		(71 173)	(89 556)	(106 232)	(119 407)	(127 545)
Net financial liabilities		147 795	169 108	187 789	204 476	216 560
Net debt		101 943	118 507	137 429	154 844	167 513

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Notes:

(a) The other provisions line item includes the recognition of upfront provisions in 2021-22 for redress schemes as required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

(b) The fiscal aggregates are defined in Note 9.9 of the 2020-21 Financial Report.

ESTIMATED CONSOLIDATED GENERAL GOVERNMENT SECTOR CASH FLOW STATEMENT

For the financial year ended 30 June

(\$ million)

	Notes	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Cash flows from operating activities					
Receipts					
Taxes received		30 770	32 004	33 009	34 636
Grants		40 319	40 877	43 018	44 825
Sales of goods and services and other receipts ^(a)		13 793	9 142	9 453	9 579
Interest received		682	728	804	812
Dividends, income tax equivalent and rate equivalent receipts		596	698	788	802
Total receipts		86 160	83 449	87 072	90 655
Payments					
Payments for employees		(32 772)	(33 930)	(34 454)	(35 036)
Superannuation		(3 977)	(4 143)	(4 134)	(3 973)
Interest paid		(3 588)	(4 540)	(5 456)	(6 276)
Grants and subsidies		(17 391)	(15 518)	(15 110)	(15 140)
Goods and services ^(a)		(25 845)	(23 731)	(23 439)	(23 788)
Other payments		(1 305)	(811)	(860)	(906)
Total payments		(84 879)	(82 672)	(83 452)	(85 119)
Net cash flows from operating activities		1 281	776	3 620	5 536
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	1.3.6	(15 138)	(17 684)	(18 381)	(16 110)
Sales of non-financial assets		693	599	504	400
Net cash flows from investments in non-financial assets		(14 445)	(17 085)	(17 877)	(15 710)
Net cash flows from investments in financial assets for policy purposes		(1 429)	(1 744)	(2 375)	(2 397)
Subtotal		(15 874)	(18 829)	(20 252)	(18 106)
Net cash flows from investment in financial assets for liquidity management purposes		(6 254)	(1 036)	(1 107)	(1 123)
Net cash flows from investing activities		(22 129)	(19 864)	(21 359)	(19 229)
Cash flows from financing activities					
Advances received (net)		(448)	16	8	(48)
Net borrowings		21 253	19 175	18 078	14 216
Net cash flows from financing activities		20 805	19 192	18 086	14 168
Net increase/(decrease) in cash and cash equivalents		(43)	103	347	475
Cash and cash equivalents at beginning of reporting period		14 570	14 527	14 630	14 977
Cash and cash equivalents at end of reporting period		14 527	14 630	14 977	15 451
FISCAL AGGREGATES					
Net cash flows from operating activities		1 281	776	3 620	5 536
Net cash flows from investments in non-financial assets		(14 445)	(17 085)	(17 877)	(15 710)
Cash surplus/(deficit)		(13 164)	(16 308)	(14 257)	(10 173)

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) Sales of goods and services and payments for goods and services are inclusive of goods and services tax.

ESTIMATED FINANCIAL STATEMENTS

ESTIMATED CONSOLIDATED GENERAL GOVERNMENT SECTOR STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June

(\$ million)

	Accumulated surplus/(deficit)	Non-financial assets revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
2022-23 budget					
Balance at 1 July 2022	44 170	61 604	33 740	1 162	140 676
Net result for the year	(8 212)	..	..	..	(8 212)
Other comprehensive income for the year	1 030	5 940	(3 869)	3	3 105
Transfer to/(from) accumulated surplus	..				..
Total equity as at 30 June 2023	36 989	67 545	29 871	1 165	135 569
2023-24 estimate					
Balance at 1 July 2023	36 989	67 545	29 871	1 165	135 569
Net result for the year	(3 605)	..	..	..	(3 605)
Other comprehensive income for the year	1 023	5 750	(4 837)	3	1 939
Transfer to/(from) accumulated surplus	..				..
Total equity as at 30 June 2024	34 407	73 294	25 034	1 168	133 903
2024-25 estimate					
Balance at 1 July 2024	34 407	73 294	25 034	1 168	133 903
Net result for the year	(1 388)	..	..	..	(1 388)
Other comprehensive income for the year	1 049	10 123	(4 590)	3	6 585
Transfer to/(from) accumulated surplus	..				..
Total equity as at 30 June 2025	34 068	83 417	20 444	1 171	139 100
2025-26 estimate					
Balance at 1 July 2025	34 068	83 417	20 444	1 171	139 100
Net result for the year	403	..	..	..	403
Other comprehensive income for the year	1 046	1 657	(14 209)	3	(11 503)
Transfer to/(from) accumulated surplus	222	(222)	..	..	..
Total equity as at 30 June 2026	35 739	84 853	6 235	1 174	128 000

Source: Department of Treasury and Finance

The accompanying notes form part of these Estimated Financial Statements.

1.1 ABOUT THIS REPORT

Basis of preparation

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

The detailed accounting policies applied in preparing the Estimated Financial Statements for the 2022-23 budget year, and the three forward years, are consistent with those in the *2020-21 Financial Report* for the State of Victoria as presented to Parliament. The audited 30 June 2021 asset and liability balances, as reported in the *2020-21 Financial Report*, form the basis on which asset and liability balances are projected over the next four 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 the functional currency of the Victorian general government sector.

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

- the general government sector investments in other sector entities, which are measured at net asset value
- non-financial physical assets including service concession arrangement assets and right-of-use assets which, subsequent to initial recognition, are measured at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value
- productive trees in commercial native forests, which are measured at their fair value less estimated costs to sell
- certain liabilities, most notably unfunded superannuation, which are subject to actuarial assessments
- financial assets classified at fair value through other comprehensive income which are measured at fair value with movements reflected in other economic flows – other comprehensive income
- financial assets classified at fair value through profit and loss, which are measured at fair value with movements reflected in other economic flows included in net result.

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. However, the COVID-19 pandemic has introduced significant economic and fiscal uncertainties since early 2020. Although the economy has recovered well to date, risks to Victoria's economic outlook remain greater than normal. Beyond risks relating to COVID-19, other key risks include the outlook for inflation, and hence for interest rates, as well as prospects for global economic growth against a backdrop of elevated geopolitical volatility. This means that these estimates are subject to a higher degree of uncertainty. 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
- 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 is obtained. 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 1.7.4 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 2020-21 *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 Australian Accounting Standards Board (AASB).

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

The GFS information included in this report is based on the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 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 21 April 2022.

Expected expenditure includes the impact of all relevant government decisions, including those relating to service delivery and savings. While there are no new major savings decisions in this budget, the previously agreed base review and efficiency savings have now been allocated across their relevant portfolios, and these will be redirected to ensure the continued efficient and effective delivery of government priorities.

The 2022-23 *Budget* accounts for Commonwealth grants (and associated expenditure where relevant) largely relating to infrastructure projects announced in the *Commonwealth Budget 2022-23* that were able to be assessed for inclusion in the estimates. A number of on-passing arrangements have not been able to be fully assessed for inclusion at this point and are subject to further discussions with the Commonwealth. In addition, some grants and funding agreements announced in the *Commonwealth Budget 2022-23*, including those subject to negotiation with the Victorian Government, are not accounted for in the 2022-23 *Budget* pending further State assessment. This includes additional funding for the delivery of the interstate freight terminals, with negotiations continuing on the preferred location of the terminals, commercial and governance arrangements, interface with the Inland Rail project, and associated rail connections to the interstate rail freight network.

Key financial measures

Uncertainty regarding the COVID-19 pandemic and its impact on the State's financial position remains. While Victoria's economic recovery has been stronger than expected, some sectors are continuing to experience challenges. Should the economic recovery path continue as forecast, the Government's financial sustainability objectives for the *2022-23 Budget* are that:

- the net operating balance will return to a surplus by the end of the forward estimates
- an operating cash surplus will be achieved by 2022-23.

These measures give regard to the important role the Government has in supporting the COVID-19 response and the continued economic recovery.

The Government's long-term financial management objectives and fiscal measures and targets for the *2022-23 Budget* are set out in Budget Paper No. 2, Chapter 1 *Economic and fiscal overview*.

Economic assumptions

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

Economic assumptions

	2021-22 forecast	2022-23 forecast	2023-24 forecast	2024-25 projection	2025-26 projection
					(\$ billion)
Nominal gross state product	515.7	545.0	570.4	601.3	633.2
					(percentage change) ^(a)
Real gross state product	5.50	3.25	2.25	2.75	2.75
Employment	3.00	1.75	1.00	1.25	1.75
Unemployment rate ^(b)	4.25	4.00	4.25	4.50	4.75
Consumer price index ^(c)	3.00	2.50	2.25	2.50	2.50
Wage price index ^(d)	2.50	2.75	3.00	3.00	3.00
Population ^(e)	0.10	1.20	1.70	1.70	1.70

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)). The economic assumptions underlying the economic forecasts include: interest rates that follow movements in market expectations; an Australian dollar trade-weighted index of 61.2; 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 approach quantifies the fiscal impacts of a scenario involving simultaneous variations in economic parameters that represent key risks to the economic outlook. Under this approach, a key risk outlined in Budget Paper No. 2, Chapter 2 *Economic Context* is modelled that involves the emergence of a new COVID-19 variant that leads to a renewed downturn in the global economy, which weighs on the Victorian economy. The second approach considers the fiscal impacts of independent variations in major macroeconomic parameters, holding all parameters other than the indicator of interest constant.

Material events impacting on this report

Risks to Victoria's economic outlook remain greater than normal and the forecasts are subject to a higher degree of uncertainty.

COVID-19 risks

The COVID-19 pandemic has introduced significant economic and fiscal uncertainties since early 2020. Although the economy has recovered well to date, risks to Victoria's economic outlook remain greater than normal and the forecasts are subject to a higher degree of uncertainty. These risks continue to be dominated by COVID-19, including risks around emerging strains of COVID-19.

The economic forecasts depend on underlying assumptions in relation to COVID-19. These key assumptions are:

- Further intermittent outbreaks of COVID-19 are assumed to occur. But high vaccination rates, and increased adaptation by consumers and businesses to outbreaks, mean that these have limited economic impacts.
- Migrant flows remain low until mid-2022, before gradually picking up, with international students returning slowly, and tourist numbers picking up throughout 2022.

Other key risks

Beyond risks relating to COVID-19, other key risks include the outlook for inflation, and hence for interest rates, as well as prospects for global economic growth against a backdrop of elevated geopolitical volatility.

Russia's invasion of Ukraine presents a new and major source of uncertainty for the global economy, which could affect Victoria's economic growth and lead to higher inflation. There is significant uncertainty about the inflation outlook more generally, with implications for the Reserve Bank of Australia's monetary policy, economic activity and employment growth. Another source of uncertainty is how quickly wage growth will increase amid a tight labour market.

Further detail on the economic outlook and risks to the outlook is included in Budget Paper No. 2, Chapter 2 *Economic Context*.

1.2 HOW FUNDS ARE RAISED

Introduction

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

The timing of revenue and income recognition is determined by the State in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.

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1.2.4 Grants 21

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1.2.1 Taxation

(\$ million)

	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Taxes on employers' payroll and labour force				
Payroll tax	6 815	7 516	7 861	8 238
Mental Health and Wellbeing Levy	819	852	896	941
Total taxes on employers' payroll and labour force	7 634	8 369	8 757	9 179
Taxes on immovable property				
Land tax	4 836	5 201	5 452	5 956
Fire Services Property Levy	800	839	872	895
Congestion levy	108	109	109	110
Metropolitan improvement levy	215	223	223	223
Windfall gains tax	..	37	55	81
Total taxes on property	5 959	6 408	6 712	7 265
Gambling taxes				
Public lotteries ^(a)	690	714	740	767
Electronic gaming machines ^(a)	1 206	1 257	1 299	1 342
Casino ^{(a)(b)}	223	259	270	282
Racing and other sports betting ^(a)	304	320	335	347
Other ^(a)	14	15	16	17
Financial and capital transactions				
Land transfer duty	8 226	8 311	8 444	8 720
Metropolitan planning levy	20	20	21	22
Financial accommodation levy	184	197	207	215
Growth areas infrastructure contributions	280	320	364	364
Levies on statutory corporations ^(c)	173	173	..	..
Taxes on insurance	1 829	1 953	2 087	2 230
Total taxes on the provision of goods and services	13 150	13 542	13 784	14 305
Motor vehicle taxes				
Vehicle registration fees	1 994	2 083	2 192	2 305
Duty on vehicle registrations and transfers	1 077	1 129	1 167	1 211
Liquor licence fees	26	27	29	30
Other	648	658	671	707
Total taxes on the use of goods and performance of activities	3 745	3 897	4 059	4 254
Total taxation revenue	30 488	32 216	33 312	35 003

Source: Department of Treasury and Finance

Notes:

- (a) The public lotteries, electronic gaming machines, casino, racing and other sports betting and other gambling taxes balances include gambling licence revenue forecasts of \$174 million in 2022-23, \$190 million in 2023-24, \$190 million in 2024-25 and \$190 million in 2025-26, recognised under AASB 15 Revenue from Contracts with Customers. The balance of these items are recognised under AASB 1058 Income of Not-for-Profit Entities.
- (b) The Victorian Royal Commission into the Casino Operator and Licence alleged that Matchplay and other loyalty benefits provided to members should be included in the calculation of tax payable by Crown. The State has engaged legal counsel following the delivery of the Royal Commission's final report in relation to this matter. As the State is still in the process of investigating whether further payments are owing based on the findings of the final report, no further amounts have been recognised as at the compliance date for the 2022-23 Budget.
- (c) The fifth tranche of the environmental contribution levy began on 1 July 2020 for a period of four years concluding on 30 June 2024.

The State's taxation revenue is forecast by:

- assessing economic and other factors influencing the tax base. For example, for payroll tax, it involves an assessment of the outlook for employment, 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
- consulting with relevant market participants, industry associations and government authorities.

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

	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Dividends from PFC sector	60	67	79	70
Dividends from PNFC sector	74	133	165	157
Dividends from non-public sector	233	253	304	317
Dividends	367	454	548	544
Income tax equivalent income from PFC sector	8	10	10	10
Income tax equivalent income from PNFC sector	221	234	230	249
Income tax equivalent income	229	244	240	259
Local government rate equivalent income	5	5	5	5
Total dividends, income tax equivalent and rate equivalent income	602	703	794	807

Source: Department of Treasury and Finance

Dividends and income tax equivalent income are mainly from the PNFC and PFC sectors. This income is 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 Commonwealth income tax, certain larger PNFC and PFC entities are required to pay income tax equivalents 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)

	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Public financial corporations				
Victorian Managed Insurance Authority	..	..	..	..
Transport Accident Commission	..	..	..	..
Treasury Corporation of Victoria	52	61	70	60
State Trustees Ltd	1	1	1	1
Victorian Funds Management Corporation	8	6	9	9
WorkSafe Victoria	..	..	..	..
Dividends from PFC sector	60	67	79	70
Public non-financial corporations				
Greater Western Water	15	47	61	66
Melbourne Water Corporation	..	1	1	1
South East Water Corporation	33	23	24	29
Yarra Valley Water Corporation	15	19	29	40
Development Victoria	10	43	51	22
Dividends from PNFC sector	74	133	165	157

Source: Department of Treasury and Finance

Note:

(a) Amounts equivalent to dividends to be paid by the Transport Accident Commission and the Victorian Managed Insurance Authority are received and reported as contributions forming part of grant revenue, consistent with the requirements of AASB 1023 General Insurance Contracts. The amounts, subject to annual review, that are forecast to be paid are \$400 million in each of 2022-23 and 2023-24, \$900 million in 2024-25 and \$1.3 billion in 2025-26 for the Transport Accident Commission and \$50 million in 2022-23 and \$25 million in each of 2023-24 and 2024-25 for the Victorian Managed Insurance Authority. These payments include the insurance agencies' contributions to the Delivering for all Victorians Infrastructure Fund and will acquit the commitment in Labor's Financial Statement 2018. Based on current projections, the Transport Accident Commission is expected to remain financially sustainable, with an Insurance Funding Ratio (IFR) above the midpoint of the preferred range, across the forward estimates.

1.2.3 Sales of goods and services
(\$ million)

	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Revenue items accounted for under AASB 15				
Sale of goods	90	92	94	93
Provision of services ^(a)	5 230	5 115	5 257	5 284
Income accounted for under AASB 1058				
Motor vehicle regulatory fees	296	326	331	327
Other regulatory fees	653	778	713	722
Lease income accounted for under AASB 16				
Rental	96	98	101	101
Total sales of goods and services	6 366	6 410	6 495	6 527

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, such as indexation as provided for under the *Monetary Units Act 2004*.

1.2.4 Grants ^(a)

(\$ million)

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
General purpose grants	18 721	19 352	20 466	21 383
Specific purpose grants for on-passing	5 171	5 408	5 613	5 834
Grants for specific purposes	15 741	15 555	15 823	16 126
Total	39 633	40 314	41 902	43 343
Other contributions and grants	718	570	1 118	1 482
Total grants	40 351	40 884	43 019	44 825

Source: Department of Treasury and Finance

Note:

(a) Grants predominately relate to grants from the Commonwealth Government which are recognised under AASB 1058 Income of Not-for-Profit Entities.

Grants mainly comprise contributions from the Commonwealth to assist in meeting general or specific service delivery obligations, primarily for aiding in the financing of the operations of the recipient, for 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, where the impacts of these, including from the *Commonwealth Budget 2022-23*, have been able to be fully assessed. Refer to the compliance section in note 1.1 for further details.

Forecast goods and services tax (GST) – or General purpose grants – are based on Victoria's assessment of the national GST pool. For 2022-23, Victoria's share of GST is informed by the assessed relativity for Victoria in 2022-23 as published by the Commonwealth Grants Commission, and Victoria's projections of other state and territory populations.

Beyond 2022-23, Victoria's estimated share of the GST pool is based on the projected fiscal capacity of each state and territory, which is estimated using the latest available information – including state and territory economic and fiscal updates – and Victoria's projections of each state and territory's population. Victoria's GST forecast also includes Commonwealth transition payments, associated with the transition to the new system of horizontal fiscal equalisation.

1.2.5 Other revenue and income

(\$ million)

	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Revenue items accounted for under AASB 15				
Royalties	140	142	144	144
Other revenue – health	248	254	261	261
Other miscellaneous revenue	676	608	648	695
Income accounted for under AASB 1058				
Fair value of assets received free of charge or for nominal consideration ^(a)	382	491	2	2
Fines	857	944	967	985
Donations and gifts ^(b)	209	214	222	222
Other income – education	514	527	540	554
Lease income accounted for under AASB 16				
Other non-property rental	29	29	29	29
Revenue items accounted for under AASB 1059				
Revenue related to economic service concession arrangements	405	410	397	543
Total other revenue and income	3 459	3 619	3 209	3 434

Source: Department of Treasury and Finance

Notes:

- (a) The funding profile of the Fair value of assets received free of charge or for nominal consideration in 2022-23 and 2023-24 includes Cross Yarra Partnership Consortium's contribution to additional costs borne by the operator as part of the Metro Tunnel settlement.
- (b) Primarily relates to donations to health services from non-government sources.

Other revenue and income 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 income mainly comprises locally raised funds held by schools from 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 reflects the progressive unwinding of the grant of a right to the operator liability (Note 1.6.2) by applying AASB 1059 *Service Concession Arrangements: Grantors*.

1.3 HOW FUNDS ARE SPENT

Introduction

This section presents the major components of expenditure incurred by the State towards the delivery of services and on capital or infrastructure projects during the year.

Structure

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1.3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses and employee benefits are forecast on the basis of staffing profiles and current salaries, conditions and on-costs. For the forecast period, employee expenses and employee benefits include the expected financial impact of employing more staff to increase service delivery and approved wage outcomes in line with wages policy. Forecast employee expenses also reflect the estimated impact of budget decisions which affect employee expense levels. The majority of employee expenses in the operating statement are salaries and wages.

Employee benefits (balance sheet)	(\$ million)				
	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Current					
Accrued salaries and wages	609	624	639	655	670
Other employee benefits	102	102	102	102	102
Annual leave	2 443	2 478	2 511	2 545	2 581
Long service leave	5 271	5 417	5 561	5 707	5 853
Total current employee benefits and on-costs	8 425	8 620	8 813	9 008	9 205
Non-current					
Long service leave	1 287	1 413	1 543	1 680	1 821
Total non-current employee benefits and on-costs	1 287	1 413	1 543	1 680	1 821
Total employee benefits	9 711	10 033	10 356	10 688	11 026

Source: Department of Treasury and Finance

1.3.2 Superannuation expenses

Superannuation expense recognised in the comprehensive operating statement (\$ million)

	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Defined benefit plans				
Net superannuation interest expense	682	661	641	625
Current service cost	1 418	1 531	1 625	1 740
Remeasurements:				
Expected return on superannuation assets excluding interest income	(984)	(996)	(1 010)	(1 023)
Total expense recognised in respect of defined benefit plans	1 116	1 196	1 256	1 342
Defined contribution plans				
Employer contributions to defined contribution plans	2 280	2 363	2 378	2 329
Other (including pensions)	69	69	69	69
Total expense recognised in respect of defined contribution plans	2 349	2 432	2 447	2 398
Total superannuation (gain)/expense recognised in operating statement	3 465	3 627	3 703	3 740
Represented by:				
Net superannuation interest expense	682	661	641	625
Other superannuation	3 768	3 962	4 072	4 138
Superannuation expense from transactions	4 449	4 624	4 714	4 763
Remeasurements recognised in other comprehensive income	(984)	(996)	(1 010)	(1 023)
Total superannuation expense recognised in operating statement	3 465	3 627	3 703	3 740

Source: Department of Treasury and Finance

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

Forecast defined benefit superannuation expenses, 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 long-term Commonwealth Government bond yields (both nominal and inflation linked) and are assumed to remain constant thereafter. 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 in the financial statements.

Superannuation assumptions

(per cent)

Underlying assumptions for all listed schemes ^(a)

Discount rate ^(b)	3.0
Wages growth ^(c)	3.9
Inflation rate ^(d)	2.4

Expected return on assets ^(e)

Emergency Services and State Super	7.0
Health Super Fund Defined Benefit Scheme	3.8
Constitutionally protected schemes ^(f)	n.a.

Source: Department of Treasury and Finance

Notes:

- (a) All rates are nominal annual rates and are applicable to all the listed schemes.
- (b) The discount rate is based on a long-term fixed interest Commonwealth bond rate. The rate stated above is an annual effective rate, gross of tax.
- (c) Based on the historical relationship between price and wage inflation, over the long term, wages growth is assumed to be 1.5 per cent higher than price inflation.
- (d) The superannuation assumptions are determined in accordance with 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)

	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Current grant expense				
Commonwealth Government	2 970	3 081	3 193	3 388
Local government (including grants for on-passing)	1 032	892	899	939
Private sector and not-for-profit for on-passing	4 513	4 725	4 904	5 013
Other private sector and not-for-profit	5 948	4 808	4 317	4 042
Grants within the Victorian government	2 335	1 687	1 502	1 477
Grants to other state governments	92	73	72	70
Total current grant expense	16 890	15 266	14 887	14 929
Capital grant expense				
Local government (including grants for on-passing)	188	135	123	118
Private sector and not-for-profit on-passing	294	104	96	89
Other private sector and not-for-profit	19	12	4	4
Total capital grant expense	501	251	223	211
Total grant expense	17 391	15 517	15 109	15 140

Source: Department of Treasury and Finance

Grants expenses 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)

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Purchase of supplies and consumables ^(a)	9 582	7 444	7 596	7 867
Cost of goods sold	28	28	28	28
Finance expenses and fees	64	64	46	46
Purchase of services ^(a)	14 263	13 987	13 606	13 658
Insurance claims expense	353	338	337	338
Maintenance	1 136	1 115	1 114	1 144
Short-term and low-value lease expense	146	149	151	161
Other	795	829	878	924
Total other operating expenses	26 367	23 955	23 757	24 167

Source: Department of Treasury and Finance

Note:

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

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 forward estimates.

Purchase of supplies and consumables

(\$ million)

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Medicinal pharmacy and medical supplies	2 466	1 959	1 959	1 959
Office supplies and consumables	211	206	206	207
Specialised operational supplies and consumables	203	178	154	141
Other purchase of supplies and consumables	6 703	5 102	5 276	5 560
Total purchase of supplies and consumables	9 582	7 444	7 596	7 867

Source: Department of Treasury and Finance

Purchase of services

(\$ million)

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Service contracts	8 549	8 757	8 518	8 598
Accommodation/occupancy	909	890	899	910
Medical and client care services	469	467	469	469
Staff related expenses (non-labour related)	382	368	341	323
Other purchase of services	3 954	3 505	3 379	3 358
Total purchase of services	14 263	13 987	13 606	13 658

Source: Department of Treasury and Finance

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

Expenses from transactions by classification of the functions of government (\$ million)

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
General public services	7 455	8 229	8 959	9 592
Public order and safety ^(a)	10 858	10 350	10 348	10 083
Economic affairs ^(b)	4 148	2 544	1 936	2 376
Environmental protection ^(c)	1 614	852	790	765
Housing and community amenities ^(d)	2 462	2 101	1 768	1 804
Health	27 976	27 254	27 783	28 173
Recreation, culture and religion ^(e)	1 235	654	602	550
Education	20 885	21 524	22 111	23 031
Social protection	7 985	7 568	7 485	7 640
Transport ^(f)	7 349	6 510	6 606	6 947
Not allocated by function ^(g)	(2 124)	271	404	(173)
Total expenses from transactions	89 844	87 856	88 791	90 788

Source: Department of Treasury and Finance

Notes:

- (a) The decrease in the public order and safety classification between 2022-23 and 2023-24 is driven by fixed-term and lapsing COVID-19 initiative funding, including for COVID-19 Quarantine Victoria.
- (b) The decrease in the economic affairs classification over the forward estimates is driven by fixed-term and lapsing initiative funding.
- (c) The schedule of funding for the environmental protection classification over the forward estimates is driven by fixed-term and lapsing initiative funding.
- (d) The decrease in the housing and community amenities classification over the forward estimates is driven by fixed-term and lapsing initiative funding.
- (e) The decrease in the recreation, culture and religion classification over the forward estimates is driven by fixed-term and lapsing initiative funding.
- (f) The decrease in the transport classification in 2023-24 is driven by fixed-term and lapsing initiative funding.
- (g) Mainly comprises the provision for future demand growth, departmental underspending and eliminated purchases of supplies and consumables between government entities.

Total expenses from transactions by portfolio department (\$ million)

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Education and Training	21 018	20 904	21 204	21 733
Environment, Land, Water and Planning	3 680	2 776	2 438	2 371
Families, Fairness and Housing	7 593	7 234	7 212	7 415
Health	26 973	25 620	25 386	25 532
Jobs, Precincts and Regions	3 866	2 639	2 095	1 997
Justice and Community Safety	9 144	8 780	8 733	8 518
Premier and Cabinet	867	578	570	507
Treasury and Finance	11 072	12 156	12 940	13 697
Transport	6 937	6 337	6 452	6 789
Parliament	346	338	344	350
Courts	886	868	864	868
Regulatory bodies and other part funded agencies ^(a)	3 211	2 958	2 849	2 762
Output contingencies not allocated to departments ^(b)	5 411	6 484	7 870	8 865
Total expenses by department	101 006	97 673	98 957	101 406
<i>Less eliminations and adjustments ^(c)</i>	<i>(11 161)</i>	<i>(9 817)</i>	<i>(10 166)</i>	<i>(10 618)</i>
Total expenses from transactions	89 844	87 856	88 791	90 788

Source: Department of Treasury and Finance

Notes:

- (a) Other general government sector agencies not allocated to departmental portfolios.
(b) The following table provides a breakdown of the general government output contingencies not allocated to departments.
(c) Mainly payroll tax, departmental underspend estimates and inter-departmental transfers.

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

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Decisions made but not yet allocated ^(b)	5 311	6 084	7 170	7 765
Funding not allocated to specific purposes ^(c)	100	400	700	1 100
Total general government output contingencies	5 411	6 484	7 870	8 865

Source: Department of Treasury and Finance

Notes:

- (a) The general government output contingencies have primarily been allocated proportionally across the relevant expense lines in the operating statement.
(b) Reflects existing government policy decisions for which funding has yet to be allocated to departments, as well as provisions not yet allocated to meet additional price and demand growth for health, disability, and education.
(c) An unallocated provision available to contribute to future government policy decisions and commitments.

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)

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
General public services	244	92	115	107
Public order and safety	1 742	769	411	262
Economic affairs	226	221	159	97
Environmental protection	232	149	92	62
Housing and community amenities	58	86	51	104
Health	2 479	1 695	1 026	1 077
Recreation, culture and religion	111	76	188	267
Education	2 977	1 905	838	392
Social protection	569	922	469	331
Transport	13 846	14 814	12 880	11 729
Not allocated by function ^(a)	(7 347)	(3 044)	2 154	1 683
Total purchases of non-financial assets	15 138	17 684	18 381	16 110

Source: Department of Treasury and Finance

Note:

(a) Estimated amount available to be allocated to departments and projects in future budgets, including major capital investment. It also includes estimated underspends, which may be subject to carryover.

Purchases of non-financial assets by portfolio department (\$ million)

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Education and Training	2 808	1 725	828	339
Environment, Land, Water and Planning	406	285	199	146
Families, Fairness and Housing	112	60	58	56
Health	1 571	852	493	770
Jobs, Precincts and Regions	54	44	30	30
Justice and Community Safety	958	275	179	131
Premier and Cabinet	47	18	37	37
Transport	8 430	6 117	2 746	737
Treasury and Finance	190	69	77	69
Parliament	19	6	3	3
Courts	158	36	16	10
Regulatory bodies and other part funded agencies ^(a)	165	142	128	137
Asset contingencies not allocated to departments ^(b)	7 611	11 362	11 524	12 628
Adjustments ^(c)	(7 391)	(3 309)	2 063	1 018
Total purchases of non-financial assets	15 138	17 684	18 381	16 110

Source: Department of Treasury and Finance

Notes:

- (a) Other general government sector agencies not allocated to departmental portfolios.
- (b) The following table provides a breakdown of the general government sector asset contingencies not allocated to departments.
- (c) Mainly comprises an estimated departmental underspend, which may be subject to carryover, and estimated underspends by other regulatory bodies and other part-funded agencies.

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

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Decisions made but not yet allocated ^{(a)(b)}	8 831	14 063	13 992	14 599
Funding not allocated to specific purposes ^(c)	..	300	550	1 000
Total general government asset contingencies	8 831	14 363	14 542	15 599

Source: Department of Treasury and Finance

Notes:

- (a) A provision to account for asset policy decisions for which the funding has yet to be allocated to departments.
- (b) Asset contingencies include equity contributions to other sectors for capital projects which are included as part of net cash flows from investments in financial assets for policy purposes, rather than purchases of non-financial assets, on the cash flow statement.
- (c) An unallocated provision available for future government asset investment decisions.

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

	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Purchases of non-financial assets (including change in inventories)	14 746	17 687	18 385	16 114
Less: Sales of non-financial assets	(693)	(599)	(504)	(400)
Less: Depreciation and amortisation	(4 650)	(4 656)	(4 748)	(4 972)
Less: Other movements in non-financial assets ^{(a)(b)}	(2 900)	(3 609)	(4 763)	(15 486)
Total net acquisition of non-financial assets from transactions	6 504	8 824	8 370	(4 745)

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.

(b) The public private partnerships across the budget and forward estimates relate to the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, the Frankston Hospital Redevelopment, and the West Gate Tunnel Project.

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)

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Buildings	49 003	51 148	53 768	57 084	58 065
Land and national parks	78 046	78 853	79 250	85 860	86 282
Infrastructure systems	21 618	25 167	30 001	31 833	25 251
Plant, equipment and vehicles	4 923	5 621	4 029	3 566	3 167
Roads and road infrastructure	37 649	40 465	49 542	55 929	58 542
Earthworks	10 001	9 804	9 719	9 826	9 822
Cultural assets	6 535	6 532	6 538	7 374	7 621
Total land, buildings, infrastructure, plant and equipment	207 775	217 590	232 848	251 473	248 750

Source: Department of Treasury and Finance

Note:

(a) The balances for each class of assets includes those related to service concession arrangement assets and right-of-use assets.

Where an asset has been identified as surplus to the needs of the State 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.

Assets also include the recognition of right-of-use assets at the lease commencement date. The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for prepaid or accrued lease payments immediately before that date less any lease incentive received.

The next four years include the estimated impact of revaluations of non-financial physical assets. They have been estimated based on forecasts of future revaluation indices, provided by the Valuer-General, by major asset classes.

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: buildings, infrastructure, plant and equipment

(\$ million)

	2022	2023	2024	2025	2026
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Buildings	8 774	8 343	7 752	7 191	6 637
Infrastructure systems	1	2	2	2	3
Plant, equipment and vehicles	480	393	294	216	138
Total right-of-use assets: buildings, infrastructure, plant and equipment	9 256	8 737	8 048	7 410	6 778

Source: Department of Treasury and Finance

Victorian Rail Track (VicTrack), a public non-financial corporation (PNFC) sector entity, is the custodial owner of the State's transport-related land, infrastructure, rolling stock and associated assets, which the State, through the Department of Transport (DoT) within the general government sector, is highly dependent on to further its objectives of providing Victorians with a transport system. DoT leases metropolitan, regional and interstate train, tram and rail infrastructure assets from VicTrack at nominal cost (significantly below market value) in order to provide public transport services in Victoria.

The State elected to initially measure the recognition of the right-of-use asset arising from leases that are significantly below market terms and conditions at cost as per the temporary relief given to not-for-profit entities by AASB 16 *Leases*. Therefore, the right-of-use asset and the corresponding liability are recognised at nominal values in the general government sector. This temporary relief has been applied across the budget and forward estimates.

With these assets recognised at nominal value in both the general government and PNFC sectors, their fair value is reinstated as a consolidation adjustment in the non-financial public sector (NFPS). Refer to Chapter 2 *Supplementary uniform presentation framework* for the details of the PNFC sector and the NFPS.

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

(\$ million)

	2022	2023	2024	2025	2026
	<i>revised</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Buildings	1 963	1 925	1 873	1 819	1 765
Land	2 876	2 876	2 876	3 177	3 177
Infrastructure systems	6 879	8 277	10 074	10 216	1 309
Plant, equipment and vehicles	1 078	1 356	21	66	96
Roads and road infrastructure	12 693	14 998	16 296	17 739	17 951
Earthworks	924	924	924	999	999
Total service concession assets: land, buildings, infrastructure, plant and equipment	26 414	30 357	32 065	34 015	25 297

Source: Department of Treasury and Finance

Service concession assets (SCA) are initially recognised at current replacement cost (CRC), calculated in accordance with the cost approach to fair value measurement. The CRC reflects the amount that would be required to currently replace the asset's service capacity.

The CRC for the SCA includes the costs that are directly attributable to the design and construction of the SCA by the operator and includes:

- the purchase price (including costs that the operator seeks to recover from the State)
- costs directly attributable to bringing the asset to its location or condition
- borrowing costs of the operator during the construction phase.

1.4.2 Depreciation	(\$ million)			
	<i>2022-23 budget</i>	<i>2023-24 estimate</i>	<i>2024-25 estimate</i>	<i>2025-26 estimate</i>
Buildings ^(a)	2 448	2 478	2 565	2 652
Infrastructure systems	53	54	60	56
Plant, equipment and vehicles ^(a)	890	884	886	887
Roads and road networks ^(a)	967	949	941	1 084
Cultural assets	16	16	16	16
Intangible produced assets ^(b)	277	276	281	276
Total depreciation	4 650	4 656	4 748	4 972

Source: Department of Treasury and Finance

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2022-23 to 2025-26.

(b) 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)			
	<i>2022-23 budget</i>	<i>2023-24 estimate</i>	<i>2024-25 estimate</i>	<i>2025-26 estimate</i>
Buildings	768	736	778	755
Plant, equipment and vehicles	125	125	123	124
Total depreciation of right-of-use assets	893	861	901	878

Source: Department of Treasury and Finance

Depreciation of service concession assets	(\$ million)			
	<i>2022-23 budget</i>	<i>2023-24 estimate</i>	<i>2024-25 estimate</i>	<i>2025-26 estimate</i>
Buildings	47	47	47	47
Plant, equipment and vehicles	28	28	28	28
Roads and road infrastructure	199	178	177	301
Intangible produced assets	1	1	1	1
Total depreciation of service concession assets	276	255	254	378

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. The depreciation rates used for the different classes of assets are as reported in Note 4.1.2 in Chapter 4 of the *2020-21 Financial Report*. However, any future changes in useful lives, carrying value, residual value or methodology would result in a change in future depreciation expense.

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

(\$ million)

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Carrying amount at the start of the year	195 594	207 775	217 590	232 848	251 473
Additions of self-owned assets ^(b)	13 319	15 326	18 259	18 380	16 117
Additions of right-of-use assets	954	274	130	164	135
Additions of service concession arrangement assets	2 614	2 754	2 503	479	144
Disposals at written down value	(184)	(522)	(456)	(375)	(296)
Revaluations	584	1 927	5 750	10 123	1 657
Asset transfers ^(c)	(970)	(5 572)	(6 547)	(5 679)	(15 783)
Depreciation expense	(4 136)	(4 373)	(4 380)	(4 468)	(4 696)
Carrying amount at the end of the year	207 775	217 590	232 848	251 473	248 750

Source: Department of Treasury and Finance

Notes:

(a) The reconciliation of movements comprises land and buildings, infrastructure systems, plant, equipment, vehicles, roads, roads infrastructure, cultural assets, right-of-use (leased) assets, and service concession assets, and excludes intangible assets, investment properties and other non-financial assets.

(b) Represents additions of assets recognised under AASB 116 Property, Plant and Equipment.

(c) Represents the transfer of assets to the public non-financial corporations sector.

1.4.4 Other non-financial assets

(\$ million)

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Intangible produced assets	3 447	7 601	7 632	7 674	7 688
Accumulated depreciation	(1 641)	(1 910)	(2 161)	(2 428)	(2 677)
Intangible non-produced assets	114	117	118	119	120
Accumulated amortisation	(56)	(62)	(67)	(72)	(76)
Total intangibles	1 864	5 745	5 522	5 292	5 054
Investment properties	306	288	288	288	288
Biological assets	4	5	7	8	10
Other assets	1 118	1 119	1 114	1 114	1 114
Total other non-financial assets	3 292	7 157	6 930	6 703	6 466

Source: Department of Treasury and Finance

Intangible produced assets and service concession intangible produced assets may include computer software, databases, 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 2021, which are adjusted for estimated acquisitions, disposals and amortisation. After initial recognition, service concession intangible assets are measured by applying the revaluation model for the intangible assets using current replacement cost.

Other 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.

1.4.5 Total assets by classification of the functions of government

(\$ million)

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
General public services	4 573	4 403	4 034	3 739	3 767
Public order and safety	15 189	16 145	16 137	17 060	16 920
Economic affairs	1 397	1 435	1 487	2 686	2 980
Environmental protection	14 420	14 581	14 660	14 681	14 673
Housing and community amenities	2 136	2 132	2 377	3 486	3 972
Health	20 980	21 712	24 172	24 194	23 660
Recreation, culture and religion	8 740	8 781	8 786	8 902	9 097
Education	33 857	37 642	38 861	38 967	38 612
Social protection	2 972	3 922	4 176	4 425	4 672
Transport	111 115	125 582	139 926	152 847	148 100
Not allocated by function ^(a)	103 507	105 345	106 836	114 092	121 716
Total assets	318 888	341 678	361 453	385 081	388 168

Source: Department of Treasury and Finance

Note:

(a) Represents financial assets which are not able to be allocated by function. 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, including 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	37
1.5.2	Advances paid and investments, loans and placements	38
1.5.3	Interest expense.....	39

1.5.1 Borrowings

(\$ million)

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Current borrowings					
Domestic borrowings	11 248	11 416	11 439	11 480	11 563
Lease liabilities	583	501	411	318	227
Service concession arrangement liabilities	996	2 278	328	83	55
Derivative financial instruments	43	54	66	76	87
Total current borrowings	12 871	14 249	12 244	11 957	11 933
Non-current borrowings					
Domestic borrowings	97 060	120 421	143 382	162 963	178 067
Lease liabilities	7 796	7 455	6 971	6 495	5 994
Service concession arrangement liabilities	5 316	4 304	5 201	5 218	5 107
Derivative financial instruments	423	423	423	428	400
Total non-current borrowings	110 594	132 604	155 978	175 104	189 568
Total borrowings	123 465	146 853	168 221	187 061	201 501

Source: Department of Treasury and Finance

Borrowings include interest-bearing liabilities mainly raised from domestic borrowings, lease liabilities, service concession arrangement financial liabilities and other interest-bearing arrangements.

Service concession related liabilities are recognised progressively over the forward estimates to reflect the construction profile of the service concession arrangement assets to which they relate and also the payments expected to be made during that time. For lease liabilities, the amounts recorded reflect management's best estimate of the timing of new leases and the renewal of existing lease arrangements over the next four years.

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

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

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Current advances paid and investments, loans and placements					
Loans and advances paid	849	870	573	436	416
Equities and managed investment schemes	930	955	993	1 009	1 026
Australian dollar term deposits	75	85	100	119	122
Debt securities	1	1	1	1	1
Derivative financial instruments	226	172	114	78	59
Total current advances paid and investments, loans and placements	2 081	2 083	1 781	1 643	1 623
Non-current advances paid and investments, loans and placements					
Loans and advances paid	4 244	4 361	5 957	5 981	6 010
Equities and managed investment schemes	2 493	8 792	9 858	11 057	12 298
Australian dollar term deposits	26	26	26	26	26
Debt securities	25	25	25	25	25
Total non-current advances paid and investments, loans and placements	6 788	13 204	15 866	17 089	18 359
Total advances paid and investments, loans and placements	8 869	15 287	17 646	18 732	19 981
Represented by:					
Advances paid	5 094	5 231	6 530	6 417	6 426
Investments, loans and placements	3 776	10 056	11 117	12 316	13 556

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)

	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Interest on interest-bearing liabilities and deposits	3 056	4 084	4 934	5 652
Interest on lease liabilities	369	355	352	340
Interest on service concession liabilities	442	396	377	367
Discount interest on payables	32	30	27	26
Total interest expense	3 899	4 864	5 690	6 384

Source: Department of Treasury and Finance

Estimates for interest expense are based on the forecast levels of outstanding Victorian general government sector debt and non-current financial liabilities. 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 domestic borrowings 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

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1.6.2	Payables and contract liabilities	40
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1.6.1 Investments in other sector entities (\$ million)

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Balance of investment in PNFC and PFC sectors at beginning of period	73 125	76 621	79 552	81 557	85 068
Net contributions to other sectors by owner	2 738	6 799	6 842	8 101	18 156
Revaluation gain/(loss) for period	759	(3 869)	(4 837)	(4 590)	(14 209)
Investment in other sector entities at end of period	76 621	79 552	81 557	85 068	89 014

Source: Department of Treasury and Finance

Investments in other sector entities are estimated based on their audited net assets as at 30 June 2021, adjusted by management estimates of subsequent operating results, capital investments, distributions and returns of capital.

1.6.2 Payables and contract liabilities (\$ million)

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Contractual					
Accounts payable	926	934	955	964	960
Accrued expenses	4 305	4 300	4 279	3 992	3 993
Contract liabilities	273	235	207	194	191
Unearned income and grant of a right to the operator liability	11 231	16 403	16 628	16 503	16 028
Statutory					
Accrued taxes payable	45	47	47	47	48
Total payables and contract liabilities	16 779	21 918	22 117	21 701	21 219
Represented by:					
Current payables and contract liabilities	6 375	6 377	6 286	5 934	5 863
Non-current payables and contract liabilities	10 403	15 541	15 831	15 767	15 356

Source: Department of Treasury and Finance

Payables consist of accounts payable, contract liabilities, accrued taxes such as GST and fringe benefits tax, and unearned income including deferred income from service 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 a right to the operator liabilities will reduce each year as revenue is progressively brought to account over the remaining period of the concession term or licence. The estimated changes in other components are based on historical experience.

1.6.3 Superannuation

Reconciliation of the superannuation liabilities (\$ million)

	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Emergency Services and State Super				
Defined benefit obligation	45 179	45 238	45 369	45 603
Tax liability ^(a)	1 733	1 597	1 465	1 348
Plan assets	(24 950)	(25 462)	(25 958)	(26 393)
Net liability/(asset)	21 962	21 374	20 876	20 558
Other funds ^(b)				
Defined benefit obligation	2 465	2 511	2 549	2 605
Tax liability ^(a)	..	..	..	..
Plan assets	(871)	(845)	(815)	(787)
Net liability/(asset)	1 594	1 666	1 734	1 819
Total superannuation				
Defined benefit obligation	47 644	47 749	47 918	48 209
Tax liability ^(a)	1 733	1 597	1 465	1 348
Plan assets	(25 821)	(26 306)	(26 772)	(27 180)
Superannuation liability	23 555	23 040	22 610	22 377
Represented by:				
Current liability	1 079	1 042	917	940
Non-current liability	22 476	21 998	21 693	21 438
Total superannuation liability	23 555	23 040	22 610	22 377

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)

	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Opening balance of defined benefit obligation	49 496	49 377	49 346	49 382
Current service cost	1 418	1 531	1 625	1 740
Interest expense	1 426	1 417	1 411	1 407
Contributions by plan participants	226	231	236	241
Benefits paid (including tax paid)	(3 189)	(3 209)	(3 236)	(3 214)
Closing balance of defined benefit obligation	49 377	49 346	49 382	49 557

Source: Department of Treasury and Finance

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

	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Opening balance of plan assets	25 429	25 821	26 306	26 772
Interest income	744	756	770	782
Return on plan assets not included in interest income	984	996	1 010	1 023
Employer contributions	1 627	1 711	1 686	1 575
Contributions by plan participants	226	231	236	241
Benefits paid (including tax paid)	(3 189)	(3 209)	(3 236)	(3 214)
Closing balance of plan assets	25 821	26 306	26 772	27 180

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 with understanding the Estimated Financial Statements.

Structure

- 1.7.1 Other gains/(losses) from other economic flows..... 43
- 1.7.2 Reconciliation between Government Finance Statistics and Australian Accounting Standards..... 44
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- 1.7.4 Controlled entities..... 48

1.7.1 Other gains/(losses) from other economic flows	(\$ million)			
	2022-23	2023-24	2024-25	2025-26
	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Net (increase)/decrease in allowances for credit losses	(21)	(114)	(34)	80
Amortisation of intangible non-produced assets	(7)	(7)	(7)	(7)
Bad debts written off	(398)	(316)	(367)	(470)
Other gains/(losses)	(54)	(19)	(12)	(12)
Total other gains/(losses) from other economic flows	(479)	(455)	(419)	(408)

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 Reconciliation between Government Finance Statistics and Australian Accounting Standards

This financial report has been prepared on the basis of relevant Australian Accounting Standards (AAS). This note outlines the key convergence differences between the AAS and Government Finance Statistics (GFS) reporting frameworks, to explain the relationship between the balances and aggregates presented in this financial report and the related balances and aggregates presented under the GFS reporting framework.

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

AASB 1049 provides optional relief from the disclosure of reconciliations of key fiscal aggregates measured in accordance with the GFS where they differ from the key fiscal aggregates provided pursuant to this Accounting Standard.

The State has adopted the optional relief, which requires an explanation of how each of the key fiscal aggregates required per AASB 1049 is calculated and how it differs from the corresponding key fiscal aggregate measured in accordance with the ABS GFS.

The key fiscal aggregates below, as defined by AASB 1049, have convergence differences with the GFS:

- **Cash surplus/deficit** represents the net cash flows from operating activities plus net cash flows from investments in non-financial assets (less dividends paid for the PNFC and PFC sectors)
- **Comprehensive result – total change in net worth** is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners
- **Net lending/borrowing** is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position
- **Net result from transactions – net operating balance** is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies
- **Net worth** is calculated as assets less liabilities, which is an economic measure of wealth.

The convergence differences between AASB 1049 and the GFS and the fiscal aggregates they impact by applying GFS methodology are outlined in the following table.

<i>Convergence difference</i>	<i>AASB 1049 treatment</i>	<i>ABS GFS treatment</i>	<i>Fiscal aggregate impact</i>
AASB 16 Leases			
	Operating leases are recognised on the balance sheet under AASB 16 <i>Leases</i> unless the lease is shorter than 12 months or where the underlying assets are worth less than \$10 000.	Operating leases are not recognised on the balance sheet.	<ul style="list-style-type: none"> • Cash surplus/ deficit • Comprehensive result – total change in net worth • Net lending/ borrowing • Net result from transactions – net operating balance • Net worth
AASB 1059 Service concession arrangements			
	Economic service concession arrangements, such as toll roads, are recognised on the State's balance sheet under AASB 1059 <i>Service Concession Arrangements: Grantors</i> .	Economic service concession arrangements, such as toll roads, are not recognised on the balance sheet.	<ul style="list-style-type: none"> • Cash surplus/deficit • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth
AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities			
	Deferral of revenue recognition, such as where performance obligations have not been satisfied, or for capital grants from the Commonwealth Government, is a requirement under AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> .	Deferral of revenue recognition, such as where performance obligations have not been satisfied, or for capital grants from the Commonwealth Government, is not recognised. This timing difference is expected to impact all the key fiscal aggregates. While it is expected that there will not be a net change to the fiscal aggregates over time, there will be convergence differences in any given year.	<ul style="list-style-type: none"> • Cash surplus/deficit • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth

<i>Convergence difference</i>	<i>AASB 1049 treatment</i>	<i>ABS GFS treatment</i>	<i>Fiscal aggregate impact</i>
Port of Melbourne lease transaction			
Port Licence Fee	The 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne is recognised upfront upon receipt.	The 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne is recognised as revenue over the 15-year period.	<ul style="list-style-type: none"> • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth
Port of Melbourne lease transaction	The Port of Melbourne lease transaction is treated as an operating lease with the leased assets remaining with the PNFC sector.	The Port of Melbourne lease transaction is recognised as a sale of equity from the general government sector.	<ul style="list-style-type: none"> • Cash surplus/deficit • Comprehensive result – total change in net worth • Net lending/borrowing • Net result from transactions – net operating balance • Net worth
Doubtful receivables			
	Provisions for doubtful receivables are included on the balance sheet as a reduction in assets.	The act of creating provisions is not considered an economic event and is therefore not included on the balance sheet.	<ul style="list-style-type: none"> • Comprehensive result – total change in net worth • Net worth
Investment in other sector entities			
	The net worth of investments in other sector entities for the general government sector includes doubtful receivables, future tax benefits and deferred tax liabilities of the PNFC and PFC sectors.	The determination of net worth is exclusive of this.	<ul style="list-style-type: none"> • Comprehensive result – total change in net worth • Net worth

1.7.3 Prospective accounting and reporting changes

New and revised accounting standards have been issued that are not effective for the 2022-23 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*: it is proposed in ED 319 *Insurance Contracts in the Public Sector* that public sector entities would apply AASB 17 to annual periods beginning on or after 1 July 2025, with earlier application permitted. This is later than the application date of AASB 17 to entities that are not public sector entities, which is annual periods beginning on or after 1 January 2023. AASB 17 will supersede AASB 4 *Insurance Contracts* and 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 reinsurance contracts that an insurer holds. The standard also provides new requirements for presentation and disclosure to enhance comparability between entities.

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.

1.7.4 Controlled entities

Note 9.8 Controlled entities in Chapter 4 of the 2020-21 *Financial Report* for the State of Victoria lists significant controlled entities, which were consolidated in that financial report.

The following are changes to entities since 1 July 2021, which have also been incorporated in this financial report.

General government	
Department of Education and Training	Department of Premier and Cabinet
Victorian Academy of Teaching and Leadership ^(a)	Wage Inspectorate Victoria ^(f)
Department of Health	Department of Transport
Grampians Health ^(b)	VicHoldCo ^(g)
Dhelkaya Health ^(c)	
Department of Justice and Community Safety	
Office of the Special Investigator ^(d)	
Victorian Gambling and Casino Control Commission ^(e)	
Public non-financial corporations	
Department of Environment, Land, Water and Planning	Department of Jobs, Precincts and Regions
Greater Western Water ^(h)	Melbourne Arts Precinct Corporation ^(k)
Melbourne Water Corporation ⁽ⁱ⁾	
Department of Transport	
Ports Victoria ^(j)	

Notes:

- (a) Effective from 1 January 2022, the Victorian Academy of Teaching and Leadership was established through the Education and Training Reform Amendment (Victorian Academy of Teaching and Leadership) Act 2021 to deliver teaching excellence programs for teachers in government, Catholic and independent schools.
- (b) Effective from 1 November 2021, Ballarat Health Services, Edenhope and District Memorial Hospital, Stawell Regional Health and Wimmera Health Care Group were amalgamated into Grampians Health.
- (c) Effective from 1 March 2022, Castlemaine Health and Maldon Hospital were amalgamated into Dhelkaya Health.
- (d) In December 2021, the Office of the Special Investigator was established as an independent statutory body to administer the Special Investigator Act 2021 in response to recommendations of the Royal Commission into the Management of Police Informants.
- (e) On 1 January 2022, the Victorian Commission for Gambling and Liquor Regulation became the Victorian Gambling and Casino Control Commission, with liquor regulation functions to be transferred to the Department of Justice and Community Safety on 1 July 2022.
- (f) Effective from 1 July 2021, the Wage Inspectorate Victoria was established by the Wage Theft Act 2020 to promote, monitor, and enforce a range of Victorian workplace laws to ensure workers and businesses are treated fairly.
- (g) Effective from 15 December 2020, VicHoldCo was established under the Corporation Act 2001 with the purpose of holding the State's investment in a joint venture to develop a new technology for better bridge maintenance.
- (h) Effective 1 July 2021, City West Water Corporation and Western Region Water Corporation integrated to form a new water corporation called Greater Western Water.
- (i) Effective from 1 January 2022, the Port Phillip Westernport Catchment Management Authority has been integrated into Melbourne Water Corporation.
- (j) Effective from 1 July 2021, the Victorian Ports Corporation (Melbourne) and Victorian Regional Channels Authority merged and created a new entity called Ports Victoria. Ports Victoria will lead the strategic management and operation of Victorian commercial ports and waterways.
- (k) Effective from 29 March 2022, the Melbourne Arts Precinct Corporation (MAP Co.) was established as a state business corporation under the State Owned Enterprises Act 1992 to deliver the Melbourne Arts Precinct Transformation project and operate and maintain Federation Square and other MAP Co. managed sites. Fed Square Pty Ltd's responsibilities will be transferred to MAP Co.

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)

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Revenue and income from transactions					
Interest income	29	14	6	6	6
Dividend income	22	24	24	24	24
Sales of goods and services	6 789	7 213	7 371	7 484	7 632
Grants	2 181	1 954	1 630	1 448	1 441
Other revenue and income	673	643	648	666	701
Total revenue and income from transactions	9 695	9 848	9 680	9 628	9 804
Expenses from transactions					
Employee expenses	1 593	1 630	1 661	1 687	1 721
Net superannuation interest expense	4	4	4	4	4
Other superannuation	141	146	152	158	165
Depreciation	1 819	1 858	1 904	1 948	1 946
Interest expense	837	843	910	987	1 025
Grant expense	417	433	315	253	258
Other operating expenses	5 036	4 692	4 383	4 161	4 187
Other property expenses	226	222	237	224	236
Total expenses from transactions	10 074	9 828	9 567	9 423	9 542
Net result from transactions – net operating balance	(379)	20	112	205	262
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	67	48	441	37	28
Net gain/(loss) on financial assets or liabilities at fair value	5	(1)	(1)	(1)	(1)
Other gains/(losses) from other economic flows	(3 378)	(4 181)	(5 709)	(4 946)	(15 306)
Total other economic flows included in net result	(3 306)	(4 134)	(5 268)	(4 910)	(15 278)
Net result	(3 685)	(4 114)	(5 155)	(4 705)	(15 016)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	193	4	5	5	824
Other movements in equity	24	3	1	2	2
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(4)	..	..	..	..
Total other economic flows – other comprehensive income	213	7	6	7	826
Comprehensive result – total change in net worth	(3 472)	(4 107)	(5 149)	(4 698)	(14 191)

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

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
KEY FISCAL AGGREGATES					
Net operating balance	(379)	20	112	205	262
Less: Net acquisition of non-financial assets from transactions	3 506	10 298	10 800	9 871	19 783
Net lending/(borrowing)	(3 885)	(10 278)	(10 687)	(9 667)	(19 521)

Source: Department of Treasury and Finance

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

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	1 225	1 071	1 036	1 021	1 040
Advances paid	526	52	50	48	46
Receivables and contract assets	1 638	1 533	1 477	1 431	1 421
Investments, loans and placements	581	557	592	638	636
Total financial assets	3 970	3 213	3 155	3 138	3 142
Non-financial assets					
Inventories	1 571	1 597	1 503	1 315	1 188
Non-financial assets held for sale	24	23	23	23	23
Land, buildings, infrastructure, plant and equipment	104 836	110 666	115 980	120 823	126 272
Other non-financial assets	1 829	2 068	2 307	2 549	2 804
Total non-financial assets	108 259	114 354	119 813	124 711	130 288
Total assets	112 230	117 567	122 968	127 848	133 430
Liabilities					
Deposits held and advances received	1 278	1 190	2 856	2 946	3 038
Payables	9 776	9 522	9 379	9 220	9 055
Contract liabilities	186	199	202	203	205
Borrowings	20 095	23 133	25 283	26 980	28 576
Employee benefits	554	570	589	608	628
Superannuation	26	31	31	31	31
Other provisions	9 672	9 627	9 529	9 429	9 646
Total liabilities	41 588	44 273	47 869	49 417	51 178
Net assets	70 642	73 294	75 099	78 432	82 252
Accumulated surplus/(deficit)	(27 985)	(32 191)	(37 499)	(42 389)	(57 581)
Reserves	98 627	105 486	112 598	120 821	139 834
Net worth	70 642	73 294	75 099	78 432	82 252
FISCAL AGGREGATES					
Net financial worth	(37 618)	(41 060)	(44 715)	(46 279)	(48 036)
Net financial liabilities	37 618	41 060	44 715	46 279	48 036
Net debt	19 041	22 643	26 462	28 219	29 892

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)

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Grants	2 188	1 954	1 630	1 447	1 440
Sales of goods and services ^(a)	7 208	7 741	7 885	8 006	8 175
Interest received	48	14	6	6	6
Dividend receipts	22	23	24	24	24
Other receipts	204	421	381	390	365
Total receipts	9 670	10 154	9 927	9 874	10 011
Payments					
Payments for employees	(1 583)	(1 614)	(1 643)	(1 669)	(1 701)
Superannuation	(147)	(145)	(157)	(163)	(169)
Interest paid	(844)	(839)	(904)	(982)	(1 020)
Grants and subsidies	(198)	(224)	(106)	(39)	(43)
Goods and services ^(a)	(5 831)	(5 357)	(4 992)	(4 816)	(4 858)
Other payments	(432)	(445)	(460)	(460)	(480)
Total payments	(9 034)	(8 624)	(8 261)	(8 128)	(8 272)
Net cash flows from operating activities	636	1 530	1 666	1 746	1 740
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(3 875)	(4 878)	(6 107)	(5 518)	(4 983)
Sales of non-financial assets	311	192	545	136	113
Net cash flows from investments in non-financial assets	(3 564)	(4 686)	(5 562)	(5 382)	(4 870)
Net cash flows from investments in financial assets for policy purposes	796	463	3	3	3
Subtotal	(2 768)	(4 223)	(5 559)	(5 379)	(4 867)
Net cash flows from investment in financial assets for liquidity management purposes	160	39	(35)	(46)	2
Net cash flows from investing activities	(2 607)	(4 185)	(5 595)	(5 425)	(4 865)
Cash flows from financing activities					
Advances received (net)	(499)	(85)	1 664	91	96
Net borrowings	1 487	1 291	1 637	1 141	776
Deposits received (net)	46	(3)	2	(2)	(3)
Other financing (net)	194	1 168	412	2 353	2 228
Net cash flows from financing activities	1 228	2 371	3 716	3 584	3 096
Net increase/(decrease) in cash and cash equivalents	(743)	(284)	(213)	(95)	(29)
Cash and cash equivalents at beginning of reporting period	1 857	1 114	830	617	522
Cash and cash equivalents at end of reporting period ^(b)	1 114	830	617	522	493
FISCAL AGGREGATES					
Net cash flows from operating activities	636	1 530	1 666	1 746	1 740
Dividends paid	(107)	(74)	(133)	(165)	(157)
Net cash flows from investments in non-financial assets	(3 564)	(4 686)	(5 562)	(5 382)	(4 870)
Cash surplus/(deficit)	(3 035)	(3 230)	(4 030)	(3 802)	(3 288)

Source: Department of Treasury and Finance

Notes:

(a) Inclusive of goods and services tax.

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

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>	<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2021-22 revised					
Balance at 1 July 2021 ^(a)	(24 192)	71 602	24 939	604	72 953
Net result for the year	(3 685)	..	..	..	(3 685)
Other comprehensive income for the year	(1)	..	193	21	213
Dividends paid	(107)	..	..	..	(107)
Transactions with owners in their capacity as owners	..	1 268	..	..	1 268
Total equity as at 30 June 2022	(27 985)	72 870	25 132	625	70 642
2022-23 budget					
Balance at 1 July 2022	(27 985)	72 870	25 132	625	70 642
Net result for the year	(4 114)	..	..	..	(4 114)
Other comprehensive income for the year	(18)	..	4	21	7
Dividends paid	(74)	..	..	..	(74)
Transactions with owners in their capacity as owners	..	6 834	..	..	6 834
Total equity as at 30 June 2023	(32 191)	79 704	25 136	646	73 294
2023-24 estimate					
Balance at 1 July 2023	(32 191)	79 704	25 136	646	73 294
Net result for the year	(5 155)	..	..	..	(5 155)
Other comprehensive income for the year	(20)	..	5	21	6
Dividends paid	(133)	..	..	..	(133)
Transactions with owners in their capacity as owners	..	7 087	..	..	7 087
Total equity as at 30 June 2024	(37 499)	86 790	25 140	667	75 099
2024-25 estimate					
Balance at 1 July 2024	(37 499)	86 790	25 140	667	75 099
Net result for the year	(4 705)	..	..	..	(4 705)
Other comprehensive income for the year	(19)	..	5	21	7
Dividends paid	(165)	..	..	..	(165)
Transactions with owners in their capacity as owners	..	8 197	..	..	8 197
Total equity as at 30 June 2025	(42 389)	94 987	25 145	688	78 432
2025-26 estimate					
Balance at 1 July 2025	(42 389)	94 987	25 145	688	78 432
Net result for the year	(15 016)	..	..	..	(15 016)
Other comprehensive income for the year	(19)	..	824	21	826
Dividends paid	(157)	..	..	..	(157)
Transactions with owners in their capacity as owners	..	18 168	..	..	18 168
Total equity as at 30 June 2026	(57 581)	113 156	25 969	709	82 252

Source: Department of Treasury and Finance

Note:

(a) The 1 July 2021 opening balance has been restated to reflect more current information.

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

(\$ million)

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Purchases of non-financial assets (including change in inventories)	3 881	4 878	6 102	5 520	4 984
Less: Sales of non-financial assets	(311)	(192)	(545)	(136)	(113)
Less: Depreciation and amortisation	(1 819)	(1 858)	(1 904)	(1 948)	(1 946)
Plus: Other movements in non-financial assets ^{(a)(b)}	1 756	7 470	7 147	6 437	16 858
Total net acquisition of non-financial assets from transactions	3 506	10 298	10 800	9 871	19 783

Source: Department of Treasury and Finance

Notes:

(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 and recognising service concession arrangements arising from public private partnerships.

(b) The public private partnership across the budget and forward estimates relates to the North East Link.

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

	2021-22 revised	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Revenue and income from transactions					
Taxation	29 609	30 011	31 723	32 980	34 659
Interest income	173	292	301	347	359
Dividends, income tax equivalent and rate equivalent income	282	326	355	417	421
Sales of goods and services	11 839	13 221	13 475	13 681	13 833
Grants	41 854	40 345	40 881	43 017	44 822
Other revenue and income	3 875	4 046	4 211	3 820	4 079
Total revenue and income from transactions	87 632	88 241	90 946	94 262	98 174
Expenses from transactions					
Employee expenses	34 694	34 637	35 820	36 378	36 997
Net superannuation interest expense	485	686	665	646	629
Other superannuation	3 845	3 914	4 115	4 231	4 303
Depreciation	7 109	7 433	7 627	7 911	8 248
Interest expense	3 424	4 321	5 324	6 198	6 934
Grant expense	22 859	15 637	13 971	13 680	13 721
Other operating expenses	34 209	30 476	27 793	27 546	27 948
Total expenses from transactions	106 625	97 104	95 315	96 589	98 779
Net result from transactions – net operating balance	(18 993)	(8 862)	(4 369)	(2 327)	(605)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	107	100	471	67	52
Net gain/(loss) on financial assets or liabilities at fair value	144	75	79	123	132
Share of net profit/(loss) from associates/joint venture entities	5	4	4	4	4
Other gains/(losses) from other economic flows	(1 063)	(547)	(517)	(479)	(468)
Total other economic flows included in net result	(807)	(368)	37	(285)	(280)
Net result	(19 801)	(9 230)	(4 332)	(2 612)	(886)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	667	5 944	5 754	10 127	2 794
Remeasurement of superannuation defined benefit plans	3 396	984	996	1 010	1 023
Other movements in equity	29	43	23	35	20
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(2)	3	3	3	3
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	5 808	53	51	28	22
Total other economic flows – other comprehensive income	9 898	7 027	6 827	11 203	3 862
Comprehensive result – total change in net worth	(9 903)	(2 203)	2 495	8 591	2 976

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

	<i>2021-22 revised</i>	<i>2022-23 budget</i>	<i>2023-24 estimate</i>	<i>2024-25 estimate</i>	<i>2025-26 estimate</i>
KEY FISCAL AGGREGATES					
Net operating balance	(18 993)	(8 862)	(4 369)	(2 327)	(605)
Less: Net acquisition of non-financial assets from transactions	13 205	15 861	18 541	17 012	13 693
Net lending/(borrowing)	(32 199)	(24 724)	(22 910)	(19 338)	(14 299)

Source: Department of Treasury and Finance

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

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	15 795	15 598	15 666	15 997	16 491
Advances paid	680	927	625	494	474
Receivables and contract assets	8 237	8 329	8 560	8 810	9 169
Investments, loans and placements	4 357	10 613	11 709	12 953	14 191
Investments accounted for using equity method	10	10	10	10	10
Investments in other sector entities	5 983	6 261	6 462	6 640	6 765
Total financial assets	35 062	41 738	43 032	44 904	47 101
Non-financial assets					
Inventories	2 159	1 794	1 703	1 519	1 396
Non-financial assets held for sale	218	205	179	151	145
Land, buildings, infrastructure, plant and equipment	348 552	367 693	393 158	420 591	437 530
Other non-financial assets	4 483	8 345	8 131	7 908	7 669
Total non-financial assets	355 411	378 038	403 172	430 169	446 739
Total assets	390 473	419 776	446 204	475 073	493 840
Liabilities					
Deposits held and advances received	1 657	1 665	1 683	1 690	1 638
Payables	25 928	30 816	30 878	30 281	29 614
Contract liabilities	456	431	406	394	391
Borrowings	138 535	165 259	189 239	210 095	226 317
Employee benefits	10 265	10 603	10 945	11 296	11 654
Superannuation	24 093	23 586	23 071	22 641	22 408
Other provisions	2 376	2 456	2 528	2 632	2 797
Total liabilities	203 311	234 817	258 750	279 028	294 819
Net assets	187 162	184 959	187 454	196 045	199 021
Accumulated surplus/(deficit)	68 590	60 366	57 033	55 445	55 802
Reserves	118 572	124 592	130 421	140 600	143 219
Net worth	187 162	184 959	187 454	196 045	199 021
FISCAL AGGREGATES					
Net financial worth	(168 249)	(193 079)	(215 718)	(234 124)	(247 718)
Net financial liabilities	174 232	199 340	222 180	240 764	254 484
Net debt	119 361	139 786	162 922	182 340	196 798

Source: Department of Treasury and Finance

Table 2.8: Non-financial public sector cash flow statement for the financial year ended 30 June (\$ million)

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Taxes received	30 228	30 293	31 511	32 677	34 293
Grants	42 528	40 313	40 874	43 016	44 822
Sales of goods and services and other receipts ^(a)	15 343	21 608	17 116	17 561	17 799
Interest received	172	275	285	331	343
Dividends, income tax equivalent and rate equivalent receipts	282	324	354	417	420
Total receipts	88 552	92 813	90 141	94 002	97 677
Payments					
Payments for employees	(34 362)	(34 306)	(35 492)	(36 040)	(36 651)
Superannuation	(4 086)	(4 122)	(4 299)	(4 296)	(4 142)
Interest paid	(3 128)	(4 006)	(4 993)	(5 959)	(6 821)
Grants and subsidies	(23 146)	(15 655)	(13 990)	(13 699)	(13 740)
Goods and services ^(a)	(33 651)	(30 725)	(28 290)	(27 992)	(28 341)
Other payments	(1 463)	(1 312)	(817)	(866)	(912)
Total payments	(99 836)	(90 126)	(87 881)	(88 851)	(90 608)
Net cash flows from operating activities	(11 284)	2 687	2 259	5 151	7 069
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(17 363)	(19 945)	(23 720)	(23 829)	(21 022)
Sales of non-financial assets	612	885	1 144	640	513
Net cash flows from investments in non-financial assets	(16 751)	(19 061)	(22 576)	(23 189)	(20 509)
Net cash flows from investments in financial assets for policy purposes	(106)	(459)	184	19	(61)
Subtotal	(16 856)	(19 519)	(22 393)	(23 170)	(20 570)
Net cash flows from investment in financial assets for liquidity management purposes	(366)	(6 216)	(1 071)	(1 153)	(1 121)
Net cash flows from investing activities	(17 222)	(25 735)	(23 464)	(24 323)	(21 691)
Cash flows from financing activities					
Advances received (net)	(100)	11	16	8	(48)
Net borrowings	27 778	22 714	21 076	19 417	15 119
Deposits received (net)	46	(3)	2	(2)	(3)
Net cash flows from financing activities	27 724	22 721	21 095	19 423	15 067
Net increase/(decrease) in cash and cash equivalents	(782)	(327)	(110)	252	446
Cash and cash equivalents at beginning of reporting period	16 466	15 684	15 357	15 247	15 499
Cash and cash equivalents at end of reporting period ^(b)	15 684	15 357	15 247	15 499	15 944

Table 2.8: Non-financial public sector cash flow statement for the financial year ended 30 June (continued) (\$ million)

	2021-22 revised	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
FISCAL AGGREGATES					
Net cash flows from operating activities	(11 284)	2 687	2 259	5 151	7 069
Net cash flows from investments in non-financial assets	(16 751)	(19 061)	(22 576)	(23 189)	(20 509)
Cash surplus/(deficit)	(28 034)	(16 373)	(20 317)	(18 038)	(13 440)

Source: Department of Treasury and Finance

Notes:

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

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

	Accumulated surplus/(deficit)	Non-financial assets revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
2021-22 revised					
Balance at 1 July 2021 ^(a)	84 992	109 782	528	1 763	197 065
Net result for the year	(19 801)	..	..	..	(19 801)
Other comprehensive income for the year	3 400	667	5 808	24	9 898
Total equity as at 30 June 2022	68 590	110 450	6 336	1 787	187 162
2022-23 budget					
Balance at 1 July 2022	68 590	110 450	6 336	1 787	187 162
Net result for the year	(9 230)	..	..	..	(9 230)
Other comprehensive income for the year	1 006	5 944	53	24	7 027
Total equity as at 30 June 2023	60 366	116 393	6 389	1 811	184 959
2023-24 estimate					
Balance at 1 July 2023	60 366	116 393	6 389	1 811	184 959
Net result for the year	(4 332)	..	..	..	(4 332)
Other comprehensive income for the year	998	5 754	51	24	6 827
Total equity as at 30 June 2024	57 033	122 147	6 439	1 835	187 454
2024-25 estimate					
Balance at 1 July 2024	57 033	122 147	6 439	1 835	187 454
Net result for the year	(2 612)	..	..	..	(2 612)
Other comprehensive income for the year	1 024	10 127	28	24	11 203
Total equity as at 30 June 2025	55 445	132 274	6 467	1 859	196 045
2025-26 estimate					
Balance at 1 July 2025	55 445	132 274	6 467	1 859	196 045
Net result for the year	(886)	..	..	..	(886)
Other comprehensive income for the year	1 022	2 794	22	24	3 862
Transfer to/(from) accumulated surplus	222	(222)	..	..	..
Total equity as at 30 June 2026	55 802	134 847	6 489	1 883	199 021

Source: Department of Treasury and Finance

Note:

(a) The 1 July 2021 opening balance has been restated to reflect more current information.

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

	<i>2021-22 revised</i>	<i>2022-23 budget</i>	<i>2023-24 estimate</i>	<i>2024-25 estimate</i>	<i>2025-26 estimate</i>
Purchases of non-financial assets (including change in inventories)	17 049	19 554	23 719	23 834	21 027
Less: Sales of non-financial assets	(612)	(885)	(1 144)	(640)	(513)
Less: Depreciation and amortisation	(7 109)	(7 433)	(7 627)	(7 911)	(8 248)
Plus: Other movements in non-financial assets ^{(a)(b)}	3 878	4 625	3 593	1 729	1 427
Total net acquisition of non-financial assets from transactions	13 205	15 861	18 541	17 012	13 693

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 arising from public private partnerships.

(b) The public private partnerships across the budget and forward estimates relate to the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, the Frankston Hospital Redevelopment, the North East Link, and the West Gate Tunnel Project.

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

	2021-22 revised	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Revenue and income from transactions					
Interest income	2 303	3 201	4 273	5 175	5 938
Dividend income	1 673	1 770	1 803	2 374	2 456
Sales of goods and services	5 651	5 868	6 161	6 443	6 740
Grants	69	375	50	50	34
Other revenue and income	27	29	29	29	30
Total revenue and income from transactions	9 724	11 243	12 316	14 072	15 198
Expenses from transactions					
Employee expenses	480	486	500	510	520
Other superannuation	42	44	45	47	48
Depreciation	81	92	91	92	88
Interest expense	2 180	3 084	4 103	4 968	5 724
Grant expense	612	747	576	1 100	1 473
Other operating expenses	10 023	10 963	11 651	12 179	12 772
Other property expenses	142	8	10	10	10
Total expenses from transactions	13 560	15 423	16 976	18 907	20 635
Net result from transactions – net operating balance ^(a)	(3 836)	(4 180)	(4 660)	(4 835)	(5 438)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	1	1	1	1	1
Net gain/(loss) on financial assets or liabilities at fair value	9 293	478	461	822	851
Other gains/(losses) from other economic flows	1 463	1 805	2 072	1 936	2 032
Total other economic flows included in net result	10 757	2 284	2 533	2 759	2 884
Net result	6 921	(1 896)	(2 126)	(2 076)	(2 554)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Other movements in equity	..	(23)	(3)	(5)	(4)
Total other economic flows – other comprehensive income	..	(23)	(3)	(5)	(4)
Comprehensive result – total change in net worth	6 921	(1 919)	(2 130)	(2 080)	(2 558)
KEY FISCAL AGGREGATES					
Net operating balance	(3 836)	(4 180)	(4 660)	(4 835)	(5 438)
Less: Net acquisition of non-financial assets from transactions	188	31	(1)	(3)	5
Net lending/(borrowing)	(4 024)	(4 211)	(4 659)	(4 831)	(5 442)

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 operations 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)

	2022 revised	2023 budget	2024 estimate	2025 estimate	2026 estimate
Assets					
Financial assets					
Cash and deposits	5 431	5 761	5 987	6 295	7 365
Advances paid	24	12	5	4	2
Receivables	1 924	1 906	1 917	1 972	2 034
Investments, loans and placements	44 760	45 990	47 418	48 753	48 630
Loans receivable from non-financial public sector ^(a)	112 350	136 795	160 641	180 974	197 438
Total financial assets	164 489	190 464	215 968	237 998	255 469
Non-financial assets					
Land, buildings, infrastructure, plant and equipment	361	329	295	259	226
Other non-financial assets	4 336	5 161	5 957	6 544	7 174
Total non-financial assets	4 696	5 490	6 252	6 804	7 400
Total assets	169 186	195 954	222 220	244 802	262 869
Liabilities					
Deposits held and advances received	263	255	270	294	296
Payables	2 116	2 076	2 053	2 079	2 090
Borrowings ^(b)	114 014	138 714	163 194	183 802	200 282
Employee benefits	113	116	116	118	121
Other provisions	51 337	55 206	59 047	62 980	67 075
Total liabilities	167 843	196 366	224 680	249 273	269 865
Net assets ^(c)	1 343	(412)	(2 460)	(4 471)	(6 996)
Accumulated surplus/(deficit)	1 278	(701)	(2 898)	(5 058)	(7 685)
Reserves	65	289	438	587	690
Net worth ^(c)	1 343	(412)	(2 460)	(4 471)	(6 996)
FISCAL AGGREGATES					
Net financial worth	(3 354)	(5 902)	(8 712)	(11 274)	(14 395)
Net financial liabilities	3 354	5 902	8 712	11 274	14 395
Net debt	(48 288)	(49 589)	(50 587)	(51 931)	(52 856)

Source: Department of Treasury and Finance

Notes:

(a) Loans receivable 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)

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Grants	64	374	49	49	34
Sales of goods and services ^(a)	6 377	6 380	6 710	7 016	7 351
Interest received	2 311	3 209	4 281	5 183	5 946
Dividend receipts	1 673	1 770	1 803	2 374	2 456
Other receipts	20	95	69	39	32
Total receipts	10 446	11 828	12 913	14 662	15 818
Payments					
Payments for employees	(487)	(483)	(500)	(508)	(518)
Superannuation	(42)	(44)	(45)	(47)	(48)
Interest paid	(2 267)	(3 177)	(4 198)	(5 063)	(6 188)
Grants and subsidies	(607)	(747)	(575)	(1 099)	(1 472)
Goods and services ^(a)	(6 880)	(6 668)	(7 139)	(7 493)	(7 915)
Other payments	(5)	(8)	(9)	(9)	(9)
Total payments	(10 290)	(11 125)	(12 466)	(14 219)	(16 151)
Net cash flows from operating activities	156	703	447	443	(333)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(269)	(123)	(90)	(89)	(93)
Net cash flows from investments in non-financial assets	(269)	(123)	(90)	(89)	(93)
Net cash flows from investments in financial assets for policy purposes	(10)	(10)	3	(3)	(3)
Subtotal	(279)	(133)	(87)	(92)	(96)
Net cash flows from investment in financial assets for liquidity management purposes	(34 620)	(25 205)	(24 820)	(20 853)	(15 496)
Net cash flows from investing activities	(34 900)	(25 339)	(24 907)	(20 945)	(15 592)
Cash flows from financing activities					
Advances received (net)	21	(24)	(12)	(3)	(3)
Net borrowings	32 482	24 810	24 590	20 716	16 959
Deposits received (net)	(64)	16	27	26	6
Other financing (net)	(140)	164	82	70	33
Net cash flows from financing activities	32 299	24 966	24 687	20 810	16 995
Net increase/(decrease) in cash and cash equivalents	(2 445)	330	226	309	1 070
Cash and cash equivalents at beginning of reporting period	7 875	5 431	5 761	5 987	6 295
Cash and cash equivalents at end of reporting period	5 431	5 761	5 987	6 295	7 365
FISCAL AGGREGATES					
Net cash flows from operating activities	156	703	447	443	(333)
Dividends paid	(140)	(61)	(68)	(80)	(70)
Net cash flows from investments in non-financial assets	(269)	(123)	(90)	(89)	(93)
Cash surplus/(deficit)	(253)	519	288	274	(497)

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>	<i>Non-financial assets revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2021-22 revised					
Balance at 1 July 2021	(5 505)	15	7	45	(5 438)
Net result for the year	6 921	..	..	..	6 921
Other comprehensive income for the year	2	..	..	(2)	..
Dividends paid	(140)	..	..	..	(140)
Total equity as at 30 June 2022	1 278	15	7	43	1 343
2022-23 budget					
Balance at 1 July 2022	1 278	15	7	43	1 343
Net result for the year	(1 896)	..	..	..	(1 896)
Other comprehensive income for the year	(22)	..	..	(1)	(23)
Dividends paid	(61)	..	..	..	(61)
Transactions with owners in their capacity as owners	..	225	..	..	225
Total equity as at 30 June 2023	(701)	240	7	42	(412)
2023-24 estimate					
Balance at 1 July 2023	(701)	240	7	42	(412)
Net result for the year	(2 126)	..	..	..	(2 126)
Other comprehensive income for the year	(2)	..	..	(1)	(3)
Dividends paid	(68)	..	..	..	(68)
Transactions with owners in their capacity as owners	..	150	..	..	150
Total equity as at 30 June 2024	(2 898)	390	7	41	(2 460)
2024-25 estimate					
Balance at 1 July 2024	(2 898)	390	7	41	(2 460)
Net result for the year	(2 076)	..	..	..	(2 076)
Other comprehensive income for the year	(4)	..	..	(1)	(5)
Dividends paid	(80)	..	..	..	(80)
Transactions with owners in their capacity as owners	..	150	..	..	150
Total equity as at 30 June 2025	(5 058)	540	7	40	(4 471)
2025-26 estimate					
Balance at 1 July 2025	(5 058)	540	7	40	(4 471)
Net result for the year	(2 554)	..	..	..	(2 554)
Other comprehensive income for the year	(3)	..	..	(1)	(4)
Dividends paid	(70)	..	..	..	(70)
Transactions with owners in their capacity as owners	..	104	..	..	104
Total equity as at 30 June 2026	(7 685)	643	7	39	(6 996)

Source: Department of Treasury and Finance

**Table 2.15: Net acquisition of non-financial assets –
public financial corporations sector**

(\$ million)

	<i>2021-22 revised</i>	<i>2022-23 budget</i>	<i>2023-24 estimate</i>	<i>2024-25 estimate</i>	<i>2025-26 estimate</i>
Purchases of non-financial assets less sales of non-financial assets (including change in inventories)	269	123	90	89	93
Less: Depreciation and amortisation	(81)	(92)	(91)	(92)	(88)
Total net acquisition of non-financial assets from transactions	188	31	(1)	(3)	5

Source: Department of Treasury and Finance

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

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Revenue and income from transactions					
Taxation	29 589	29 991	31 702	32 958	34 637
Interest income	254	375	428	515	532
Dividend income	1 809	2 027	2 080	2 702	2 796
Sales of goods and services	16 262	17 797	18 273	18 705	19 097
Grants	41 244	39 638	40 319	41 913	43 348
Other revenue and income	3 902	4 075	4 240	3 849	4 109
Total revenue and income from transactions	93 061	93 902	97 042	100 642	104 520
Expenses from transactions					
Employee expenses	34 655	34 597	35 783	36 347	36 969
Net superannuation interest expense	485	686	665	646	629
Other superannuation	3 887	3 957	4 160	4 277	4 352
Depreciation	7 190	7 525	7 718	8 003	8 336
Interest expense	3 390	4 294	5 287	6 166	6 901
Grant expense	22 815	15 321	13 954	13 646	13 705
Other operating expenses	43 479	40 632	38 579	38 806	39 748
Total expenses from transactions	115 901	107 012	106 146	107 891	110 640
Net result from transactions – net operating balance	(22 840)	(13 110)	(9 104)	(7 249)	(6 120)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	108	101	472	68	53
Net gain/(loss) on financial assets or liabilities at fair value	9 437	553	539	945	983
Share of net profit/(loss) from associates/ joint venture entities	5	4	4	4	4
Other gains/(losses) from other economic flows	(306)	427	755	869	943
Total other economic flows included in net result	9 244	1 085	1 771	1 886	1 983
Net result	(13 596)	(12 025)	(7 333)	(5 362)	(4 138)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	667	5 944	5 754	10 127	2 794
Remeasurement of superannuation defined benefit plans	3 396	984	996	1 010	1 023
Other movements in equity	29	20	20	30	15
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(2)	3	3	3	3
Total other economic flows – other comprehensive income	4 090	6 951	6 772	11 171	3 835
Comprehensive result – total change in net worth	(9 506)	(5 074)	(560)	5 808	(302)
KEY FISCAL AGGREGATES					
Net operating balance	(22 840)	(13 110)	(9 104)	(7 249)	(6 120)
Less: Net acquisition of non-financial assets from transactions	13 393	15 892	18 541	17 009	13 699
Net lending/(borrowing)	(36 234)	(29 003)	(27 644)	(24 257)	(19 819)

Source: Department of Treasury and Finance

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

(\$ million)

	2022 <i>revised</i>	2023 <i>budget</i>	2024 <i>estimate</i>	2025 <i>estimate</i>	2026 <i>estimate</i>
Assets					
Financial assets					
Cash and deposits	21 083	21 212	21 494	22 127	23 687
Advances paid	680	927	625	494	474
Receivables and contract assets	9 894	9 959	10 194	10 493	10 910
Investments, loans and placements	48 887	56 362	58 871	61 432	62 544
Investments accounted for using equity method	10	10	10	10	10
Total financial assets	80 554	88 470	91 195	94 555	97 625
Non-financial assets					
Inventories	2 159	1 794	1 703	1 519	1 396
Non-financial assets held for sale	218	205	179	151	145
Land, buildings, infrastructure, plant and equipment	348 911	368 021	393 452	420 849	437 755
Other non-financial assets	4 893	8 750	8 534	8 310	8 080
Total non-financial assets	356 181	378 770	403 868	430 829	447 376
Total assets	436 735	467 240	495 063	525 384	545 001
Liabilities					
Deposits held and advances received	1 741	1 737	1 749	1 755	1 702
Payables	27 774	32 614	32 647	32 069	31 409
Contract liabilities	456	431	406	394	391
Borrowings	139 955	166 941	191 563	212 701	228 947
Employee benefits	10 378	10 719	11 060	11 414	11 775
Superannuation	24 093	23 586	23 071	22 641	22 408
Other provisions	53 714	57 663	61 576	65 614	69 874
Total liabilities	258 111	293 691	322 074	346 587	366 506
Net assets	178 624	173 549	172 989	178 797	178 495
Accumulated surplus/(deficit)	66 337	55 296	48 959	44 617	41 720
Reserves	112 287	118 253	124 030	134 180	136 775
Net worth	178 624	173 549	172 989	178 797	178 495
FISCAL AGGREGATES					
Net financial worth	(177 557)	(205 221)	(230 879)	(252 032)	(268 881)
Net financial liabilities	177 557	205 221	230 879	252 032	268 881
Net debt	71 046	90 177	112 322	130 404	143 944

Source: Department of Treasury and Finance

Table 2.18: State of Victoria cash flow statement for the financial year ended 30 June

(\$ million)

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Cash flows from operating activities					
Receipts					
Taxes received	30 208	30 273	31 490	32 655	34 271
Grants	41 918	39 605	40 312	41 912	43 348
Sales of goods and services and other receipts ^(a)	20 513	26 798	22 537	23 202	23 706
Interest received	261	366	420	508	525
Dividend receipts	1 809	2 025	2 080	2 702	2 796
Total receipts	94 711	99 068	96 839	100 979	104 646
Payments					
Payments for employees	(34 331)	(34 263)	(35 454)	(36 006)	(36 621)
Superannuation	(4 128)	(4 166)	(4 345)	(4 343)	(4 191)
Interest paid	(3 181)	(4 073)	(5 053)	(6 022)	(7 253)
Grants and subsidies	(23 103)	(15 340)	(13 973)	(13 664)	(13 724)
Goods and services ^(a)	(39 779)	(36 593)	(34 566)	(34 571)	(35 287)
Other payments	(1 463)	(1 312)	(817)	(866)	(912)
Total payments	(105 986)	(95 746)	(94 208)	(95 472)	(97 988)
Net cash flows from operating activities	(11 275)	3 322	2 631	5 507	6 659
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(17 632)	(20 068)	(23 811)	(23 919)	(21 116)
Sales of non-financial assets	612	885	1 144	640	513
Net cash flows from investments in non-financial assets	(17 020)	(19 183)	(22 667)	(23 278)	(20 603)
Net cash flows from investments in financial assets for policy purposes	(106)	(256)	330	165	39
Subtotal	(17 125)	(19 440)	(22 336)	(23 113)	(20 564)
Net cash flows from investment in financial assets for liquidity management purposes	(2 134)	(6 965)	(2 031)	(1 653)	(151)
Net cash flows from investing activities	(19 259)	(26 405)	(24 367)	(24 767)	(20 715)
Cash flows from financing activities					
Advances received (net)	(89)	(1)	11	7	(49)
Net borrowings	29 617	23 086	21 828	19 807	15 621
Deposits received (net)	46	(3)	2	(2)	(3)
Net cash flows from financing activities	29 573	23 082	21 841	19 813	15 569
Net increase/(decrease) in cash and cash equivalents	(960)	(1)	104	553	1 512
Cash and cash equivalents at beginning of reporting period	21 933	20 972	20 971	21 075	21 628
Cash and cash equivalents at end of reporting period ^(b)	20 972	20 971	21 075	21 628	23 140

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

(\$ million)

	2021-22 revised	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
FISCAL AGGREGATES					
Net cash flows from operating activities	(11 275)	3 322	2 631	5 507	6 659
Net cash flows from investments in non-financial assets	(17 020)	(19 183)	(22 667)	(23 278)	(20 603)
Cash surplus/(deficit)	(28 295)	(15 861)	(20 036)	(17 771)	(13 944)

Source: Department of Treasury and Finance

Notes:

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

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>
2021-22 revised				
Balance at 1 July 2021 ^(a)	76 532	109 790	1 808	188 130
Net result for the year	(13 596)	..	..	(13 596)
Other comprehensive income for the year	3 401	667	22	4 090
Total equity as at 30 June 2022	66 337	110 457	1 830	178 624
2022-23 budget				
Balance at 1 July 2022	66 337	110 457	1 830	178 624
Net result for the year	(12 025)	..	..	(12 025)
Other comprehensive income for the year	984	5 944	23	6 951
Total equity as at 30 June 2023	55 296	116 401	1 853	173 549
2023-24 estimate				
Balance at 1 July 2023	55 296	116 401	1 853	173 549
Net result for the year	(7 333)	..	..	(7 333)
Other comprehensive income for the year	996	5 754	23	6 772
Total equity as at 30 June 2024	48 959	122 154	1 876	172 989
2024-25 estimate				
Balance at 1 July 2024	48 959	122 154	1 876	172 989
Net result for the year	(5 362)	..	..	(5 362)
Other comprehensive income for the year	1 020	10 127	23	11 171
Total equity as at 30 June 2025	44 617	132 281	1 899	178 797
2025-26 estimate				
Balance at 1 July 2025	44 617	132 281	1 899	178 797
Net result for the year	(4 138)	..	..	(4 138)
Other comprehensive income for the year	1 018	2 794	23	3 835
Transfer to/(from) accumulated surplus	222	(222)	..	..
Total equity as at 30 June 2026	41 720	134 854	1 922	178 495

Source: Department of Treasury and Finance

Note:

(a) The 1 July 2021 opening balance has been restated to reflect more current information.

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

	<i>2021-22 revised</i>	<i>2022-23 budget</i>	<i>2023-24 estimate</i>	<i>2024-25 estimate</i>	<i>2025-26 estimate</i>
Purchases of non-financial assets (including change in inventories)	17 318	19 677	23 809	23 923	21 120
Less: Sales of non-financial assets	(612)	(885)	(1 144)	(640)	(513)
Less: Depreciation and amortisation	(7 190)	(7 525)	(7 718)	(8 003)	(8 336)
Plus: Other movements in non-financial assets ^{(a)(b)}	3 878	4 625	3 593	1 729	1 427
Total net acquisition of non-financial assets from transactions	13 393	15 892	18 541	17 009	13 699

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 arising from public private partnerships.

(b) The public private partnerships across the budget and forward estimates relate to the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, the Frankston Hospital Redevelopment, the North East Link, and the West Gate Tunnel Project.

CHAPTER 3 – DEPARTMENTAL FINANCIAL STATEMENTS

This chapter should be read in conjunction with Budget Paper No. 3 *Service Delivery*, which outlines 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 actual and forecast financial performance and position:

- the comprehensive operating statement details the department's revenue and expenses 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
- payments on behalf of the State (where applicable) detail payments made by the department on behalf of the State Government, not directly reflecting the operations of the department.

The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

It should be noted that machinery of government changes effective from 1 February 2021, as outlined in the previous year's budget papers, have been reflected in the relevant Departmental Financial Statements in this Chapter. In all tables, figures for 2020-21 actuals reflect the operations of departments post the machinery of government changes.

As highlighted in Budget Paper No. 3, Chapter 2 *Department Performance Statements*, the Capital Assets Charge (CAC) policy was discontinued from the 2021-22 *Budget* and the financial impacts are recognised in these Departmental Financial Statements for 2021-22 onwards.

DEPARTMENT OF EDUCATION AND TRAINING

Operating performance

The Department of Education and Training is expected to report an operating surplus of \$431 million in 2022-23, compared with an operating surplus in 2021-22 of \$508 million for the revised budget.

The surplus is primarily due to government school operations.

The operating statement shows an increase in operating income of \$853 million between the 2021-22 revised budget and the 2022-23 budget. This is primarily due to additional service delivery funding for initiatives announced in the *2022-23 Budget* including:

- Improving teaching quality
- A coordinated and efficient TAFE system
- Lifting student literacy and numeracy outcomes
- School enrolment-based funding.

Operating expenses are expected to increase by \$930 million in 2022-23, which is primarily driven by the factors outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$2.3 billion in 2022-23, compared with the 2021-22 revised budget, largely reflecting an increase in total assets.

The increase in total assets reflects the Government's continued investment in school building upgrades and the construction of new schools and relocatable buildings.

Investing and finance

The Department is anticipating a decrease of \$42 million in its net cash position in 2022-23, compared with the 2021-22 revised budget, mainly due to a reduction in TAFE cash balances as a result of continued expenditure for the completion of capital works. This decrease is partially offset by an increase in school cash balances, which include locally raised funds and fee-for-service revenue.

Cash flows from investing activities primarily reflect the significant investment in purchases of property, plant, and equipment for asset renewal in schools, and new asset projects funded in the *2022-23 Budget* including:

- Land acquisition for new schools
- New schools construction
- Relocatable Buildings Program
- School upgrades
- Special school upgrades.

Administered items statement

The Department is responsible for administering revenue on behalf of the State, including 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 \$168 million in 2022-23, compared with the 2021-22 revised budget. This is primarily 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 *Australian Education Act 2013*.

Total administered expenses of the Department are expected to increase by \$168 million, in line with the anticipated increase in administered income.

Table 3.1.1: Comprehensive operating statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(a)	16 134	15 120	15 102	15 782
Special appropriations	6	6	6	6
Interest	7	15	5	6
Sale of goods and services	637	872	528	608
Grants	69	33	34	13
Fair value of assets and services received free of charge or for nominal consideration	6	..	5	..
Other income	321	410	409	527
Total income from transactions	17 180	16 457	16 089	16 942
Expenses from transactions				
Employee benefits	8 894	9 382	9 315	9 898
Depreciation	559	605	610	658
Interest expense	28	29	28	28
Grants and other transfers	1 647	1 906	1 863	1 892
Capital Assets Charge ^(a)	1 996	..	..	..
Other operating expenses	3 426	4 001	3 765	4 035
Total expenses from transactions	16 550	15 923	15 581	16 511
Net result from transactions (net operating balance)	630	534	508	431
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(2)	(1)	..	(2)
Share of net profits/(losses) of associates and joint venture entities, excluding dividends	3	..	5	4
Net gain/(loss) on financial instruments and statutory receivables/payables	(4)	..	(2)	(1)
Other gains/(losses) from economic flows	53	..	1	..
Total other economic flows included in net result	49	(1)	3	1
Net result	679	533	512	432
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	2 830	(9)	129	(104)
Other	(2)	..	2	20
Total other economic flows – other comprehensive income	2 828	(9)	131	(84)
Comprehensive result	3 507	524	643	348

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

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.1.2: Balance sheet

(\$ million)

	2021 actual	2022 budget ^(a)	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	1 967	1 990	2 094	2 052
Receivables from government	2 583	2 818	2 840	3 129
Other receivables	216	214	199	194
Other financial assets	41	40	45	50
Total financial assets	4 807	5 062	5 178	5 425
Non-financial assets				
Inventories	1	1	1	1
Non-financial assets classified as held for sale including disposal group assets	..	1	1	17
Property, plant and equipment	31 816	33 541	33 552	35 647
Investment properties	119	119	122	123
Intangible assets	63	50	57	37
Other	123	124	119	119
Total non-financial assets	32 122	33 836	33 852	35 943
Total assets	36 928	38 898	39 030	41 368
Liabilities				
Payables	912	880	947	919
Borrowings	631	586	575	542
Provisions	2 132	2 238	2 254	2 370
Total liabilities	3 675	3 705	3 777	3 832
Net assets	33 253	35 194	35 253	37 536
Equity				
Accumulated surplus/(deficit)	5 075	5 607	5 588	6 039
Reserves	16 491	16 482	16 620	16 516
Contributed capital	11 688	13 104	13 045	14 980
Total equity	33 253	35 194	35 253	37 536

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

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.1.3: Statement of cash flows

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(a)	15 742	14 908	14 866	15 510
Receipts from other entities	646	860	591	561
Interest received	7	15	5	6
Other receipts	311	401	411	540
Total receipts	16 706	16 183	15 872	16 618
Payments				
Payments of grants and other transfers	(1 617)	(1 904)	(1 861)	(1 890)
Payments to suppliers and employees	(12 335)	(13 268)	(12 948)	(13 820)
Capital Assets Charge ^(a)	(1 996)	..	..	..
Interest and other costs of finance paid	(28)	(29)	(28)	(28)
Total payments	(15 975)	(15 201)	(14 837)	(15 738)
Net cash flows from/(used in) operating activities	731	982	1 035	879
Cash flows from investing activities				
Net investment	2	1	..	(1)
Payments for non-financial assets	(1 689)	(2 324)	(2 211)	(2 822)
Proceeds from sale of non-financial assets	8	1	2	1
Net loans to other parties	(2)	3	5	3
Net cash flow from/(used in) investing activities	(1 681)	(2 319)	(2 204)	(2 818)
Cash flows from financing activities				
Owner contributions by State Government	916	1 410	1 351	1 929
Repayment of leases and service concession liabilities	(39)	(44)	(55)	(42)
Net borrowings	(4)	(6)	(1)	9
Net cash flows from/(used in) financing activities	873	1 360	1 296	1 897
Net increase/(decrease) in cash and cash equivalents	(77)	23	127	(42)
Cash and cash equivalents at the beginning of the financial year	2 044	1 967	1 967	2 094
Cash and cash equivalents at the end of the financial year	1 967	1 990	2 094	2 052

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

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

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 2020	4 397	10 822	13 659	1	28 880
Comprehensive result	677	..	2 830	..	3 507
Transactions with owners in their capacity as owners	..	866	..	..	866
Closing balance 30 June 2021 (actual)	5 075	11 688	16 490	1	33 253
Comprehensive result	533	..	(9)	..	524
Transactions with owners in their capacity as owners	..	1 416	..	..	1 416
Closing balance 30 June 2022 (budget) ^(a)	5 607	13 104	16 481	1	35 194
Comprehensive result	513	..	129	..	643
Transactions with owners in their capacity as owners	..	1 357	..	..	1 357
Closing balance 30 June 2022 (revised)	5 588	13 045	16 619	1	35 253
Comprehensive result	451	..	(104)	..	348
Transactions with owners in their capacity as owners	..	1 935	..	..	1 935
Closing balance 30 June 2023 (budget)	6 039	14 980	16 515	1	37 536

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

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.1.5: Administered items statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Administered income				
Sale of goods and services	85	99	106	103
Grants	3 919	4 197	4 325	4 507
Other income	1	2	12	1
Total administered income	4 005	4 298	4 443	4 611
Administered expenses				
Grants and other transfers	3 906	4 197	4 304	4 508
Payments into the Consolidated Fund	58	100	139	103
Total administered expenses	3 964	4 298	4 443	4 611
Income less expenses	41	..	..	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(35)	..	..	..
Total other economic flows included in net result	(35)	..	..	..
Net result	6	..	..	..
Comprehensive result	6	..	..	..
Administered assets				
Cash and deposits	2	3	3	3
Receivables	40	40	40	40
Total administered assets	43	43	43	43
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	43	43	43	43

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

Note:

(a) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

DEPARTMENT OF ENVIRONMENT, LAND, WATER AND PLANNING

Operating performance

The Department of Environment, Land, Water and Planning is expected to report an operating surplus of \$243 million in 2022-23, compared with an operating deficit in 2021-22 of \$127 million for the revised budget.

The surplus is primarily attributable to the funding profile of a number of energy reliability and sustainability initiatives, and infrastructure projects funded from the Growth Areas Infrastructure Contribution Fund.

The operating statement shows a decrease in operating income of \$137 million between the 2021-22 revised budget and the 2022-23 budget. This is primarily due to the funding profiles of a number of energy reliability and sustainability initiatives and one-off funding in 2021-22 for flood and storm recovery. This is partially offset by the funding of new initiatives in the *2022-23 Budget* including:

- \$250 Power Saving Bonus
- Implementation of the Central and Gippsland Region Sustainable Water Strategy
- Building reforms to secure Victoria's economic recovery
- Bushfire prevention and protection.

Operating expenses are expected to decrease by \$508 million in 2022-23, which is primarily driven by the factors outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$421 million in 2022-23, compared with the 2021-22 revised budget, reflecting an increase in total assets of \$398 million and a decrease in total liabilities of \$23 million.

The increase in total assets is primarily the result of the Government's continued asset investment in the environment, land, water and planning sectors and the expenditure profile for initiatives funded from the Municipal and Industrial Landfill Levy and Growth Areas Infrastructure Contribution Fund.

Investing and finance

The Department is anticipating an increase of \$229 million in its net cash position in 2022-23, compared with the 2021-22 revised budget, mainly due the expenditure profile for initiatives funded from the Municipal and Industrial Landfill Levy, the Sustainability Fund and the Growth Areas Infrastructure Contribution Fund.

Cash flows from investing activities primarily reflect payments for non-financial assets of \$404 million, reflecting the Government's continued asset investment in the environment, land, water and planning sectors, and new asset projects funded in the *2022-23 Budget* including:

- Bendigo mine-impacted groundwater long-term management
- VicCoasts: Building a safe, healthier and more resilient marine and coastal environment for the community
- Critical capital works to keep Victorians safe from fire and other emergencies
- Community infrastructure accessibility and sustainability.

Administered items statement

The Department is responsible for administering revenue on behalf of the State, including Victoria's share of the Murray – Darling Basin Authority's operating costs.

The Department's administered income primarily comprises contributions to the Victorian Desalination project, the Environmental Contribution and Consolidated Fund revenue collected by Land Use Victoria and Solar Victoria.

Total administered income of the Department is expected to increase by \$84 million in 2022-23, compared with the 2021-22 revised budget. This is primarily driven by an increase in contributions to the Victorian Desalination project and an increase in Solar Home loan repayments that are returned to the Consolidated Fund.

Total administered expenses of the Department are expected to increase by \$138 million, primarily due to the factors outlined above.

Table 3.2.1: Comprehensive operating statement
(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(a)	2 355	2 081	2 410	2 307
Special appropriations	123	182	140	182
Interest	9	22	19	22
Sale of goods and services	85	81	101	110
Grants	100	6	37	14
Other income	484	515	641	577
Total income from transactions	3 155	2 887	3 349	3 212
Expenses from transactions				
Employee benefits	630	608	705	728
Depreciation	80	65	83	82
Interest expense	13	..	2	2
Grants and other transfers	1 730	1 366	1 656	1 354
Capital Assets Charge ^(a)	96	..	..	..
Other operating expenses	637	851	1 031	802
Total expenses from transactions	3 187	2 890	3 476	2 968
Net result from transactions (net operating balance)	(32)	(3)	(127)	243
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	872	(7)	(1)	(4)
Net gain/(loss) on financial instruments and statutory receivables/payables	(89)	..	119	1
Other gains/(losses) from economic flows	13	..	..	..
Total other economic flows included in net result	796	(7)	118	(3)
Net result	765	(11)	(9)	240
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	702	..	..	..
Total other economic flows – other comprehensive income	702	..	..	..
Comprehensive result	1 467	(11)	(9)	240

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

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.2.2: Balance sheet

(\$ million)

	2021 actual	2022 budget ^(a)	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	1 247	1 300	1 075	1 304
Receivables from government	601	605	617	643
Other receivables	314	350	346	349
Other financial assets	79	79	223	156
Total financial assets	2 240	2 333	2 260	2 453
Non-financial assets				
Inventories	25	29	29	33
Non-financial assets classified as held for sale including disposal group assets	11	11	11	11
Property, plant and equipment	7 992	8 109	8 179	8 381
Intangible assets	40	39	44	43
Other	37	37	37	37
Total non-financial assets	8 104	8 225	8 299	8 505
Total assets	10 344	10 558	10 560	10 958
Liabilities				
Payables	262	256	257	240
Borrowings	251	245	284	276
Provisions	222	224	224	226
Total liabilities	735	726	765	743
Net assets	9 609	9 833	9 794	10 215
Equity				
Accumulated surplus/(deficit)	3 900	3 889	3 891	4 131
Reserves	5 565	5 565	5 565	5 565
Contributed capital	144	379	339	519
Total equity	9 609	9 833	9 794	10 215

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

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.2.3: Statement of cash flows

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(a)	2 196	2 265	2 543	2 472
Receipts from other entities	596	662	709	772
Interest received	3	6	6	6
Other receipts	28	25	144	30
Total receipts	2 822	2 958	3 402	3 280
Payments				
Payments of grants and other transfers	(1 737)	(1 445)	(1 727)	(1 450)
Payments to suppliers and employees	(1 184)	(1 463)	(1 739)	(1 534)
Capital Assets Charge ^(a)	(96)	..	..	..
Interest and other costs of finance paid	(13)	..	(2)	(2)
Total payments	(3 030)	(2 909)	(3 468)	(2 986)
Net cash flows from/(used in) operating activities	(207)	50	(66)	294
Cash flows from investing activities				
Net investment	(88)	..	119	1
Payments for non-financial assets	(80)	(201)	(353)	(404)
Proceeds from sale of non-financial assets	24	19	26	22
Net loans to other parties	(51)	(37)	(33)	(5)
Net cash flow from/(used in) investing activities	(194)	(219)	(241)	(386)
Cash flows from financing activities				
Owner contributions by State Government	92	235	253	281
Repayment of leases and service concession liabilities	(12)	(12)	(13)	(13)
Net borrowings	320	..	(106)	53
Net cash flows from/(used in) financing activities	399	223	135	321
Net increase/(decrease) in cash and cash equivalents	(2)	53	(172)	229
Cash and cash equivalents at the beginning of the financial year	1 249	1 247	1 247	1 075
Cash and cash equivalents at the end of the financial year	1 247	1 300	1 075	1 304

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

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

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 2020	3 135	64	4 863	..	8 062
Comprehensive result	765	..	702	..	1 467
Transactions with owners in their capacity as owners	..	80	..	..	80
Closing balance 30 June 2021 (actual)	3 900	144	5 565	..	9 609
Comprehensive result	(11)	..	..	..	(11)
Transactions with owners in their capacity as owners	..	235	..	..	235
Closing balance 30 June 2022 (budget) ^(a)	3 889	379	5 565	..	9 833
Comprehensive result	(9)	..	..	..	(9)
Transactions with owners in their capacity as owners	..	195	..	..	195
Closing balance 30 June 2022 (revised)	3 891	339	5 565	..	9 794
Comprehensive result	240	..	..	..	240
Transactions with owners in their capacity as owners	..	181	..	..	181
Closing balance 30 June 2023 (budget)	4 131	519	5 565	..	10 215

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

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.2.5: Administered items statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Administered income				
Appropriations – Payments made on behalf of the State	683	684	678	716
Sale of goods and services	685	627	685	710
Grants	..	..	1	..
Interest	404	407	402	399
Other income	272	342	339	364
Total administered income	2 045	2 060	2 105	2 189
Administered expenses				
Expenses on behalf of the State	220	198	227	263
Grants and other transfers	74	59	72	73
Payments into the Consolidated Fund	1 284	1 301	1 394	1 501
Interest and Depreciation expense	386	418	382	376
Total administered expenses	1 964	1 976	2 075	2 213
Income less expenses	81	85	30	(24)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(35)	(28)	(28)	(29)
Total other economic flows included in net result	(35)	(28)	(28)	(29)
Net result	46	57	2	(53)
Other economic flows – other comprehensive income				
Asset revaluation reserve	22	..	..	..
Other	3	..	..	..
Total other economic flows – other comprehensive income	25	..	..	..
Comprehensive result	71	57	2	(53)
Administered assets				
Cash and deposits	50	50	50	51
Receivables	3 675	3 649	3 658	3 622
Property, plant and equipment	721	711	707	693
Intangible assets	773	755	755	726
Total administered assets	5 219	5 166	5 170	5 092
Administered liabilities				
Payables	2 727	2 655	2 655	2 584
Borrowings	3 275	3 226	3 226	3 170
Provisions	34	45	45	47
Total administered liabilities	6 036	5 926	5 926	5 800
Net assets	(817)	(760)	(756)	(708)

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

Note:

(a) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

Table 3.2.6: Payments made on behalf of the State

(\$ million)

	<i>2021-22 budget</i>	<i>2021-22 revised</i>	<i>2022-23 budget</i>
Murray-Darling Basin contribution	22	30	32
Victorian Desalination Project	654	636	671
State Funding Commitments to National Energy Market Bodies	9	9	9
Land Use Victoria	..	4	4
Total	684	678	716

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

DEPARTMENT OF FAMILIES, FAIRNESS AND HOUSING

Operating performance

The Department of Families, Fairness and Housing is expected to report an operating deficit of \$10 million in 2022-23, compared with an operating surplus in 2021-22 of \$4 million for the revised budget.

The deficit is primarily attributable to forecast operating expenditure funded from trust balances.

The operating statement shows a decrease in operating income of \$1.9 billion between the 2021-22 revised budget and the 2022-23 budget. This is primarily due to the reclassification for reporting purposes of National Disability Insurance Scheme (NDIS) payments from output appropriation to payments made on behalf of the State appropriation as a result of changes in the related financial administration arrangements effective from 1 July 2022.

Total operating income for 2022-23 includes funding of the following initiatives announced in the *2022-23 Budget*:

- Improving the capacity and mix of care services
- Supporting community sector jobs
- Responding to demand for child protection and family services
- Investing to make homelessness rare, brief and non-recurring.

Operating expenses are expected to decrease by \$1.9 billion in 2022-23, which is primarily driven by the factors outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$69 million in 2022-23, compared with the 2021-22 revised budget, reflecting an increase in total assets of \$55 million and a decrease in total liabilities of \$14 million.

There are no significant movements in assets and liabilities in the *2022-23 Budget* compared with the 2021-22 revised budget.

Investing and finance

Cash flows from investing activities primarily reflect the Government's continued asset investment in the community services sector.

Administered items statement

Total income administered by the Department on behalf of the State and third parties is mostly impacted by the NDIS payments made on behalf of the State.

Total income administered by the Department is expected to increase due to higher NDIS contributions from the Department and other departments, including the Department of Treasury and Finance, as the scheme reaches full client transition. As a result of the new financial administration arrangements, these contributions will change from Grants to Appropriations – Payments made on behalf of the State effective from 1 July 2022.

Total expenses administered by the Department are also expected to increase due to higher estimated contributions to the NDIS.

Table 3.3.1: Comprehensive operating statement

(\$ million)

	2020-21 actual ^(a)	2021-22 budget ^{(b)(c)}	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(c)	2 540	6 478	6 545	4 710
Special appropriations	27	64	66	72
Sale of goods and services	6	..	..	..
Grants	54	85	156	58
Other income	1	..	..	..
Total income from transactions	2 628	6 627	6 767	4 841
Expenses from transactions				
Employee benefits	338	705	688	737
Depreciation	19	46	46	47
Interest expense	..	3	3	3
Grants and other transfers	1 154	3 121	3 244	1 355
Capital Assets Charge ^(c)	25	..	..	..
Other operating expenses	1 089	2 781	2 781	2 708
Total expenses from transactions	2 624	6 657	6 762	4 851
Net result from transactions (net operating balance)	3	(30)	4	(10)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	(4)	(4)	(4)
Net gain/(loss) on financial instruments and statutory receivables/payables	1	..	..	..
Other gains/(losses) from economic flows	6	..	..	..
Total other economic flows included in net result	7	(4)	(4)	(4)
Net result	11	(34)	1	(14)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	187	..	..	..
Total other economic flows – other comprehensive income	187	..	..	..
Comprehensive result	198	(34)	1	(14)

Sources: Departments of Families, Fairness and Housing, and Treasury and Finance

Notes:

(a) The Department of Families, Fairness and Housing began operations from 1 February 2021.

(b) The 2020-21 actual and 2021-22 budget and revised budget reflect the impact of the machinery of government changes effective from 1 February 2021.

(c) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.3.2: Balance sheet

(\$ million)

	2021 actual ^(a)	2022 budget ^{(b)(c)}	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	51	27	22	17
Receivables from government	764	787	765	772
Other receivables	40	33	33	25
Total financial assets	855	847	820	815
Non-financial assets				
Non-financial assets classified as held for sale including disposal group assets	2	2	2	2
Property, plant and equipment	1 440	1 503	1 503	1 579
Intangible assets	59	42	58	43
Other	7	7	7	7
Total non-financial assets	1 508	1 554	1 570	1 630
Total assets	2 364	2 401	2 390	2 445
Liabilities				
Payables	446	446	446	446
Borrowings	26	27	27	29
Provisions	399	417	351	336
Total liabilities	871	890	824	811
Net assets	1 493	1 511	1 566	1 634
Equity				
Accumulated surplus/(deficit)	11	(23)	11	(3)
Reserves	187	187	187	187
Contributed capital	1 295	1 346	1 367	1 450
Total equity	1 493	1 511	1 566	1 634

Sources: Departments of Families, Fairness and Housing, and Treasury and Finance

Notes:

(a) The Department of Families, Fairness and Housing began operations from 1 February 2021.

(b) The 2020-21 actual and 2021-22 budget and revised budget reflect the impact of the machinery of government changes effective from 1 February 2021.

(c) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.3.3: Statement of cash flows

(\$ million)

	2020-21 actual ^(a)	2021-22 budget ^{(b)(c)}	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(c)	1 803	6 519	6 610	4 775
Receipts from other entities	54	85	156	58
Other receipts	(24)	6	6	6
Total receipts	1 833	6 609	6 771	4 839
Payments				
Payments of grants and other transfers	(1 154)	(3 121)	(3 244)	(1 355)
Payments to suppliers and employees	(601)	(3 467)	(3 515)	(3 459)
Capital Assets Charge ^(c)	(25)	..	..	..
Interest and other costs of finance paid	..	(3)	(3)	(3)
Total payments	(1 780)	(6 591)	(6 763)	(4 817)
Net cash flows from/(used in) operating activities	53	18	8	23
Cash flows from investing activities				
Payments for non-financial assets	(38)	(94)	(110)	(110)
Proceeds from sale of non-financial assets	1	..	..	..
Net loans to other parties	(9)	2	2	2
Net cash flow from/(used in) investing activities	(45)	(92)	(108)	(108)
Cash flows from financing activities				
Owner contributions by State Government	7	51	72	83
Repayment of leases and service concession liabilities	21	..	..	..
Net borrowings	15	(2)	(2)	(2)
Net cash flows from/(used in) financing activities	43	49	70	81
Net increase/(decrease) in cash and cash equivalents	51	(24)	(30)	(5)
Cash and cash equivalents at the beginning of the financial year	..	51	51	22
Cash and cash equivalents at the end of the financial year	51	27	22	17

Sources: Departments of Families, Fairness and Housing, and Treasury and Finance

Notes:

(a) The Department of Families, Fairness and Housing began operations from 1 February 2021.

(b) The 2020-21 actual and 2021-22 budget and revised budget reflect the impact of the machinery of government changes effective from 1 February 2021.

(c) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

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 2020	..	..	..	..	..
Comprehensive result	11	..	187	..	198
Transactions with owners in their capacity as owners	..	1 295	..	..	1 295
Closing balance 30 June 2021 (actual) ^(a)	11	1 295	187	..	1 493
Comprehensive result	(34)	..	..	..	(34)
Transactions with owners in their capacity as owners	..	51	..	..	51
Closing balance 30 June 2022 (budget) ^{(b)(c)}	(23)	1 346	187	..	1 511
Comprehensive result	1	..	..	..	1
Transactions with owners in their capacity as owners	..	72	..	..	72
Closing balance 30 June 2022 (revised)	11	1 367	187	..	1 566
Comprehensive result	(14)	..	..	..	(14)
Transactions with owners in their capacity as owners	..	83	..	..	83
Closing balance 30 June 2023 (budget)	(3)	1 450	187	..	1 634

Sources: Departments of Families, Fairness and Housing, and Treasury and Finance

Notes:

(a) The Department of Families, Fairness and Housing began operations from 1 February 2021.

(b) The 2020-21 actual and 2021-22 budget and revised budget reflect the impact of the machinery of government changes effective from 1 February 2021.

(c) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.3.5: Administered items statement

(\$ million)

	2020-21 actual ^(a)	2021-22 budget ^{(b)(c)}	2021-22 revised	2022-23 budget
Administered income				
Appropriations – Payments made on behalf of the State ^(d)	17	69	69	2 741
Sale of goods and services	8	60	62	58
Grants ^(d)	528	2 450	2 464	1
Other income	3	1	1	1
Total administered income	556	2 580	2 597	2 801
Administered expenses				
Expenses on behalf of the State	4	1	15	2
Grants and other transfers	324	2 616	2 616	2 741
Payments into the Consolidated Fund	33	68	71	65
Total administered expenses	360	2 684	2 701	2 808
Income less expenses	196	(104)	(104)	(6)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	6	6	6
Total other economic flows included in net result	..	6	6	6
Net result	196	(98)	(98)	..
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	196	(98)	(98)	..
Administered assets				
Cash and deposits	..	..	..	..
Receivables	197	99	99	99
Other financial assets	3	3	3	3
Total administered assets	200	102	102	102
Administered liabilities				
Provisions	3	3	3	3
Total administered liabilities	3	3	3	3
Net assets	197	99	99	99

Sources: Departments of Families, Fairness and Housing, and Treasury and Finance

Notes:

(a) The Department of Families, Fairness and Housing began operations from 1 February 2021.

(b) The 2020-21 actual and 2021-22 budget and revised budget reflect the impact of the machinery of government changes effective from 1 February 2021.

(c) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

(d) As a result of new financial administration arrangements, the contribution from the Department and other departments, including the Department of Treasury and Finance, will change from Grants to Appropriations – Payments made on behalf of the State effective from 1 July 2022.

Table 3.3.6: Payments on behalf of the State

(\$ million)

	2021-22 budget ^(a)	2021-22 revised	2022-23 budget ^{(b)(c)}
National Disability Insurance Agency	69	69	2 741
Total	69	69	2 741

Sources: Departments of Families, Fairness and Housing, and Treasury and Finance

Notes:

- (a) The 2021-22 budget and revised budget reflect the impact of the machinery of government changes effective from 1 February 2021.
- (b) As a result of new financial administration arrangements, the contribution from the Department and other departments, including the Department of Treasury and Finance, will change from Grants to Appropriations – Payments made on behalf of the State effective from 1 July 2022.
- (c) The number of NDIS participants Victoria is expected to jointly fund with the Commonwealth under the bilateral Agreement in 2022-23 is 111 236. The expected outcome for 2021-22 is 109 592.

DEPARTMENT OF HEALTH

Operating performance

The Department of Health is expected to report an operating deficit of \$127 million in 2022-23, compared with an operating deficit in 2021-22 of \$242 million for the revised budget.

The deficit in 2022-23 is primarily attributable to the consumption of inventory on hand relating to the State Supply Arrangement for personal protective equipment (PPE) for public hospitals.

The operating statement shows a decrease in operating income of \$2 billion between the 2021-22 revised budget and the 2022-23 budget. This is primarily due to lapsing 2021-22 funding related to COVID-19 response initiatives, partially offset by increased revenue from the continuing implementation of existing initiatives and additional Commonwealth funding available under the National Health Reform Agreement.

Total operating income for 2022-23 includes funding of the following initiatives announced in the *2022-23 Budget*:

- Enabling care and meeting demand for hospital services
- COVID catch-up plan
- Supporting the community and health system through the COVID-19 pandemic
- Better at Home
- COVID-19 transitional operating model.

Operating expenses are expected to decrease by \$2.1 billion in 2022-23, primarily driven by the factors outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$81 million in 2022-23, compared with the 2021-22 revised budget, reflecting an increase in total assets of \$797 million and an increase in total liabilities of \$716 million.

The increase in total assets reflects the Government's continued asset investment in the health sector.

Investing and finance

Cash flows from investing activities primarily reflect the Government's continued asset investment in the health services sector, and new asset projects funded in the *2022-23 Budget* including:

- New Melton Hospital
- Barwon Women's and Children's Hospital
- Additional acute mental health beds in regional Victoria
- Emergency Department Expansion Program - Casey Hospital and Werribee Mercy Hospital
- Regional Health Infrastructure Fund.

Administered items statement

Total administered income of the Department is expected to decrease by \$547 million in 2022-23, compared with the 2021-22 revised budget. This is primarily driven by lapsing 2021-22 Commonwealth funding under the National Partnership on COVID-19 Response, partially offset by increased Commonwealth revenue under the National Health Reform Agreement.

Total administered expenses of the Department are expected to decrease by \$547 million in line with the anticipated decrease in administered income.

Table 3.4.1: Comprehensive operating statement

(\$ million)

	2020-21 actual ^(a)	2021-22 budget ^(b)	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(b)	19 011	12 095	15 051	12 566
Special appropriations ^(c)	1 072	1 990	1 836	2 752
Interest	20	47	17	49
Sale of goods and services	1 798	1 924	1 743	2 012
Grants	8 706	8 181	9 391	8 651
Fair value of assets and services received free of charge or for nominal consideration	5	..	..	..
Other income	775	775	807	819
Total income from transactions	31 389	25 012	28 845	26 848
Expenses from transactions				
Employee benefits	14 706	15 347	16 473	16 412
Depreciation	1 329	1 365	1 400	1 452
Interest expense	187	213	162	166
Grants and other transfers	3 607	1 043	1 422	1 354
Capital Assets Charge ^(b)	1 403	..	..	..
Other operating expenses	9 448	7 193	9 630	7 591
Total expenses from transactions	30 681	25 162	29 087	26 975
Net result from transactions (net operating balance)	708	(149)	(242)	(127)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	14	1	1	1
Net gain/(loss) on financial instruments and statutory receivables/payables	(16)	(26)	(26)	(26)
Other gains/(losses) from economic flows	224	(8)	(8)	(8)
Total other economic flows included in net result	222	(33)	(33)	(33)
Net result	930	(182)	(275)	(160)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	312	33	14	36
Financial assets available-for-sale reserve	3	..	..	..
Other	157	..	..	..
Total other economic flows – other comprehensive income	472	33	14	36
Comprehensive result	1 402	(149)	(261)	(124)

Sources: Departments of Health, and Treasury and Finance

Notes:

- (a) The figures reflect the operations of the former Department of Health and Human Services prior to 1 February 2021 and the impact of the machinery of government changes from 1 February 2021. Effective from 1 February 2021, the Department of Health and Human Services was renamed the Department of Health and the new Department of Families, Fairness and Housing was created.
- (b) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.
- (c) Special Appropriations include the Mental Health and Wellbeing Levy, which is new revenue for the provision of operational funding for mental health services.

Table 3.4.2: Balance sheet

(\$ million)

	2021 actual ^(a)	2022 budget ^(b)	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	2 763	2 863	2 685	2 805
Receivables from government	3 498	3 322	3 915	4 013
Other receivables	722	728	728	734
Other financial assets	470	470	470	470
Investments accounted for using equity method	1	1	1	1
Total financial assets	7 455	7 385	7 799	8 023
Non-financial assets				
Inventories	778	454	454	58
Property, plant and equipment	20 318	21 221	20 906	21 960
Investment properties	141	141	141	141
Intangible assets	475	396	390	307
Other	287	286	286	284
Total non-financial assets	21 999	22 498	22 177	22 750
Total assets	29 453	29 883	29 976	30 773
Liabilities				
Payables	2 887	2 883	2 833	2 799
Borrowings	3 333	3 602	3 568	4 209
Provisions	3 935	4 044	4 044	4 152
Total liabilities	10 156	10 528	10 444	11 160
Net assets	19 298	19 355	19 532	19 613
Equity				
Accumulated surplus/(deficit)	3 844	3 662	3 569	3 408
Reserves	10 507	10 540	10 521	10 557
Contributed capital	4 947	5 154	5 442	5 648
Total equity	19 298	19 355	19 532	19 613

Sources: Departments of Health, and Treasury and Finance

Notes:

(a) The figures reflect the operations of the former Department of Health and Human Services prior to 1 February 2021 and the impact of the machinery of government changes from 1 February 2021. Effective from 1 February 2021, the Department of Health and Human Services was renamed the Department of Health and the new Department of Families, Fairness and Housing was created.

(b) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.4.3: Statement of cash flows

(\$ million)

	2020-21 actual ^(a)	2021-22 budget ^(b)	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(b)	21 001	15 599	17 909	16 591
Receipts from other entities	9 061	8 668	9 607	9 191
Interest received	17	47	16	48
Other receipts	686	836	859	882
Total receipts	30 766	25 150	28 391	26 711
Payments				
Payments of grants and other transfers	(3 607)	(1 043)	(1 422)	(1 354)
Payments to suppliers and employees	(23 701)	(22 107)	(25 747)	(23 498)
Capital Assets Charge ^(b)	(1 403)	..	..	..
Interest and other costs of finance paid	(187)	(213)	(162)	(166)
Total payments	(28 898)	(23 364)	(27 331)	(25 019)
Net cash flows from/(used in) operating activities	1 867	1 786	1 060	1 693
Cash flows from investing activities				
Net investment	80	6	6	6
Payments for non-financial assets	(1 305)	(1 688)	(1 438)	(1 534)
Proceeds from sale of non-financial assets	24	3	3	3
Net loans to other parties	33	..	..	..
Net cash flow from/(used in) investing activities	(1 167)	(1 679)	(1 429)	(1 525)
Cash flows from financing activities				
Owner contributions by State Government	268	207	495	206
Repayment of leases and service concession liabilities	(230)	(216)	(219)	(236)
Net borrowings	(390)	2	16	(18)
Net cash flows from/(used in) financing activities	(352)	(7)	291	(48)
Net increase/(decrease) in cash and cash equivalents	348	100	(78)	120
Cash and cash equivalents at the beginning of the financial year	2 415	2 763	2 763	2 685
Cash and cash equivalents at the end of the financial year	2 763	2 863	2 685	2 805

Sources: Departments of Health, and Treasury and Finance

Notes:

(a) The figures reflect the operations of the former Department of Health and Human Services prior to 1 February 2021 and the impact of the machinery of government changes from 1 February 2021. Effective from 1 February 2021, the Department of Health and Human Services was renamed the Department of Health and the new Department of Families, Fairness and Housing was created.

(b) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

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 2020	2 544	6 225	9 984	421	19 174
Comprehensive result	1 300	..	42	60	1 402
Transactions with owners in their capacity as owners	..	(1 278)	..	..	(1 278)
Closing balance 30 June 2021 (actual) ^(a)	3 844	4 947	10 026	481	19 298
Comprehensive result	(182)	..	33	..	(149)
Transactions with owners in their capacity as owners	..	207	..	..	207
Closing balance 30 June 2022 (budget) ^(b)	3 662	5 154	10 059	481	19 355
Comprehensive result	(275)	..	14	..	(261)
Transactions with owners in their capacity as owners	..	495	..	..	495
Closing balance 30 June 2022 (revised)	3 569	5 442	10 040	481	19 532
Comprehensive result	(160)	..	36	..	(124)
Transactions with owners in their capacity as owners	..	206	..	..	206
Closing balance 30 June 2023 (budget)	3 408	5 648	10 076	481	19 613

Sources: Departments of Health, and Treasury and Finance

Notes:

(a) The figures reflect the operations of the former Department of Health and Human Services prior to 1 February 2021 and the impact of the machinery of government changes from 1 February 2021. Effective from 1 February 2021, the Department of Health and Human Services was renamed the Department of Health and the new Department of Families, Fairness and Housing was created.

(b) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.4.5: Administered items statement

(\$ million)

	2020-21 actual ^(a)	2021-22 budget ^(b)	2021-22 revised	2022-23 budget
Administered income				
Appropriations – Payments made on behalf of the State	50	..	..	..
Sale of goods and services	383	295	294	296
Grants	13 974	12 730	13 891	13 299
Interest	..	3	3	3
Other income	37	33	11	54
Total administered income	14 444	13 060	14 199	13 652
Administered expenses				
Expenses on behalf of the State	861	798	1 044	1 049
Grants and other transfers	13 413	11 851	12 766	12 178
Payments into the Consolidated Fund	507	413	391	427
Total administered expenses	14 780	13 062	14 201	13 654
Income less expenses	(336)	(2)	(2)	(2)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(9)	2	2	2
Total other economic flows included in net result	(9)	2	2	2
Net result	(345)	..	..	..
Comprehensive result	(345)	..	..	..
Administered assets				
Cash and deposits	4	4	4	4
Receivables	513	513	450	450
Total administered assets	517	517	454	454
Administered liabilities				
Payables	511	511	448	448
Total administered liabilities	511	511	448	448
Net assets	6	6	6	6

Sources: Departments of Health, and Treasury and Finance

Notes:

(a) The figures reflect the operations of the former Department of Health and Human Services prior to 1 February 2021 and the impact of the machinery of government changes from 1 February 2021. Effective from 1 February 2021, the Department of Health and Human Services was renamed the Department of Health and the new Department of Families, Fairness and Housing was created.

(b) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

DEPARTMENT OF JOBS, PRECINCTS AND REGIONS

Operating performance

The Department of Jobs, Precincts and Regions is expected to report an operating deficit of \$6 million in 2022-23, compared with an operating deficit in 2021-22 of \$88 million for the revised budget.

The deficit is primarily attributable to forecast trust fund expenditure for various output initiatives.

The operating statement shows a decrease in operating income of \$7.8 billion between the 2021-22 revised budget and the 2022-23 budget. This is primarily due to the completion of one-off services and initiatives in response to the COVID-19 pandemic in 2021-22, including the Business Costs Assistance Program, the Licensed Hospitality Venue Fund and the Small Business COVID Hardship Fund. This has been partly offset by funding for initiatives announced in the *2022-23 Budget* including:

- Sick Pay Guarantee
- Meeting Victoria's demand for local sport and active recreation infrastructure
- Growing Suburbs Fund
- Regional Jobs and Infrastructure Fund
- Our suburbs: Living Local – supporting our suburbs to recover and thrive.

Operating expenses are expected to decrease by \$7.9 billion in 2022-23, primarily driven by the factors outlined above.

Balance sheet

There are no significant movements in net assets and liabilities in the *2022-23 Budget* compared with the 2021-22 revised budget.

Investing and finance

The Department is anticipating a decrease of \$23 million in its net cash position in 2022-23, compared with the 2021-22 revised budget, mainly due to forecast cash drawdowns from trust balances for output initiatives.

Cash flows from investing activities primarily reflect payments for non-financial assets, and new asset projects funded in the *2022-23 Budget* including:

- Horsham alternative proteins glasshouse complex and incubation hub
- Creative industries portfolio agencies recovery.

Administered items statement

The Department is responsible for administering revenue on behalf of the State, including Commonwealth contributions for Financial Assistance Grants to local government, royalty collections, and the quarterly service payments associated with the Melbourne Convention and Exhibition Centre.

Total administered income of the Department is expected to increase by \$311 million in 2022-23, compared with the 2021-22 revised budget. This is primarily driven by Commonwealth funding received for local government grants in 2022-23.

Total administered expenses of the Department are expected to increase by \$308 million in line with the anticipated increase in administered income.

Table 3.5.1: Comprehensive operating statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(a)	6 929	2 534	10 619	2 864
Interest	7	11	11	11
Sale of goods and services	57	126	128	124
Grants	203	13	174	88
Fair value of assets and services received free of charge or for nominal consideration	3	1	1	2
Other income	30	28	29	30
Total income from transactions	7 230	2 712	10 961	3 119
Expenses from transactions				
Employee benefits	647	537	580	508
Depreciation	126	131	124	116
Interest expense	29	27	30	27
Grants and other transfers	5 592	1 542	9 583	1 860
Capital Assets Charge ^(a)	170	..	..	..
Other operating expenses	669	521	731	614
Total expenses from transactions	7 233	2 758	11 049	3 125
Net result from transactions (net operating balance)	(3)	(46)	(88)	(6)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(12)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	18	..	..	..
Other gains/(losses) from economic flows	2	..	..	..
Total other economic flows included in net result	9	..	..	..
Net result	6	(46)	(87)	(6)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	1 320	(1)	(1)	(1)
Financial assets available-for-sale reserve	..	3	3	3
Other	(8)	..	..	..
Total other economic flows – other comprehensive income	1 311	2	2	2
Comprehensive result	1 317	(44)	(85)	(4)

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

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.5.2: Balance sheet

(\$ million)

	2021 actual	2022 budget ^(a)	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	655	603	549	526
Receivables from government	698	783	505	596
Other receivables	405	408	408	414
Other financial assets	112	115	115	118
Total financial assets	1 870	1 909	1 578	1 654
Non-financial assets				
Inventories	3	3	3	3
Property, plant and equipment	9 777	9 739	9 739	9 675
Biological assets	2	2	2	2
Intangible assets	35	37	41	42
Other	36	36	36	37
Total non-financial assets	9 853	9 817	9 822	9 759
Total assets	11 723	11 726	11 399	11 413
Liabilities				
Payables	924	921	642	640
Borrowings	418	408	403	395
Provisions	192	194	194	195
Total liabilities	1 534	1 522	1 239	1 230
Net assets	10 188	10 204	10 160	10 184
Equity				
Accumulated surplus/(deficit)	(447)	(493)	(534)	(540)
Reserves	7 544	7 547	7 547	7 549
Contributed capital	3 090	3 150	3 148	3 175
Total equity	10 188	10 204	10 160	10 184

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

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.5.3: Statement of cash flows

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(a)	6 635	2 451	10 816	2 776
Receipts from other entities	352	130	290	202
Interest received	7	11	11	12
Other receipts	(33)	28	30	30
Total receipts	6 961	2 620	11 147	3 020
Payments				
Payments of grants and other transfers	(5 364)	(1 542)	(9 862)	(1 860)
Payments to suppliers and employees	(1 253)	(1 055)	(1 308)	(1 119)
Capital Assets Charge ^(a)	(170)	..	..	..
Interest and other costs of finance paid	(29)	(27)	(30)	(27)
Total payments	(6 816)	(2 624)	(11 200)	(3 005)
Net cash flows from/(used in) operating activities	145	(4)	(53)	15
Cash flows from investing activities				
Net investment	1	..	..	..
Payments for non-financial assets	(79)	(96)	(93)	(54)
Proceeds from sale of non-financial assets	1	..	..	..
Net loans to other parties	9	3	2	..
Net cash flow from/(used in) investing activities	(68)	(93)	(91)	(54)
Cash flows from financing activities				
Owner contributions by State Government	27	59	57	27
Repayment of leases and service concession liabilities	(48)	(10)	(15)	(9)
Net borrowings	24	(4)	(4)	(3)
Net cash flows from/(used in) financing activities	3	45	39	15
Net increase/(decrease) in cash and cash equivalents	80	(52)	(105)	(23)
Cash and cash equivalents at the beginning of the financial year	575	655	655	549
Cash and cash equivalents at the end of the financial year	655	603	549	526

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

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

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 2020	(410)	2 950	5 664	527	8 731
Comprehensive result	(37)	..	1 320	34	1 317
Transactions with owners in their capacity as owners	..	140	..	..	140
Closing balance 30 June 2021 (actual)	(447)	3 090	6 983	561	10 188
Comprehensive result	(46)	..	(1)	3	(44)
Transactions with owners in their capacity as owners	..	59	..	..	59
Closing balance 30 June 2022 (budget) ^(a)	(493)	3 150	6 983	564	10 204
Comprehensive result	(87)	..	(1)	3	(85)
Transactions with owners in their capacity as owners	..	57	..	..	57
Closing balance 30 June 2022 (revised)	(534)	3 148	6 983	564	10 160
Comprehensive result	(6)	..	(1)	3	(4)
Transactions with owners in their capacity as owners	..	27	..	..	27
Closing balance 30 June 2023 (budget)	(540)	3 175	6 982	567	10 184

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

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.5.5: Administered items statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Administered income				
Appropriations – Payments made on behalf of the State	84	77	90	95
Sale of goods and services	97	108	117	114
Grants	633	636	353	665
Interest	11	10	6	5
Other income	170	144	149	148
Total administered income	995	975	716	1 027
Administered expenses				
Expenses on behalf of the State	25	20	30	32
Grants and other transfers	632	643	332	670
Payments into the Consolidated Fund	262	265	303	271
Interest expense	41	37	40	39
Total administered expenses	960	965	704	1 012
Income less expenses	35	11	12	15
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(136)	..	..	..
Total other economic flows included in net result	(136)	..	..	..
Net result	(101)	11	12	15
Other economic flows – other comprehensive income	..	..	..	..
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	(101)	11	12	15
Administered assets				
Cash and deposits	8	8	8	9
Receivables	367	362	362	357
Investments accounted for using the equity method	11	11	11	11
Property, plant and equipment	..	..	8	8
Total administered assets	386	381	389	384
Administered liabilities				
Payables	78	76	76	74
Borrowings	449	435	433	416
Total administered liabilities	527	512	510	490
Net assets	(141)	(131)	(121)	(106)

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

Note:

(a) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

Table 3.5.6: Payments made on behalf of the State (\$ million)

	<i>2021-22 budget</i>	<i>2021-22 revised</i>	<i>2022-23 budget</i>
Lease payments	51	55	56
Grants and other transfers	6	6	6
Other	20	30	32
Total	77	90	95

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

DEPARTMENT OF JUSTICE AND COMMUNITY SAFETY

Operating performance

The Department of Justice and Community Safety is expected to report an operating surplus of \$1 million in 2022-23, compared with an operating deficit in 2021-22 of \$84 million for the revised budget.

The operating statement shows a decrease in operating income of \$576 million between the 2021-22 revised budget and the 2022-23 budget. This is primarily due to one-off funding in 2021-22 including the COVID-19 Quarantine Victoria initiative, increased costs mainly across the prison system in response to the COVID-19 pandemic and the implementation of the Stolen Generations Reparations Package. The decrease is partially offset by new funding for the following initiatives announced in the *2022-23 Budget*:

- Emergency Services Telecommunications Authority
- Improving Custodial Services for Youth Justice
- Diverting children from youth justice
- Western Plains Correctional Centre.

Operating expenses are expected to decrease by \$661 million in 2022-23, which is primarily driven by the factors outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$845 million in 2022-23, compared with the 2021-22 revised budget, reflecting an increase in total assets of \$768 million and a decrease in total liabilities of \$77 million.

The increase in total assets reflects the Government's continued investments in additional beds across the corrections system.

Investing and finance

Cash flows from investing activities primarily reflect the Government's continued asset investments across the prison systems and youth justice custodial services and new asset projects funded in the *2022-23 Budget* including:

- Delivery of prosecution services
- Critical police infrastructure.

Administered items statement

The Department is responsible for administering revenue on behalf of the State, including a range of fines and regulatory fees, lottery and gaming license taxation, as well as managing funds to assist the State's recovery from natural disasters in accordance with the Commonwealth–State Natural Disaster Arrangements.

Total administered income of the Department is expected to decrease by \$119 million in 2022-23, compared with the 2021-22 revised budget. This is primarily driven by the one-off recognition in 2021-22 of expected payments to third parties up to 30 June 2028 under the National Redress Scheme to support victims experiencing institutional child sexual abuse, in accordance with the relevant Australian accounting standard. The decrease is partially offset by forecast increase in gambling taxation revenue in 2022-23 following the reopening of gaming venues.

Total administered expenses of the Department are expected to decrease by \$127 million, broadly in line with anticipated decrease in administered income.

Table 3.6.1: Comprehensive operating statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(a)	10 400	8 380	9 450	8 911
Special appropriations	55	5	50	43
Interest	22	27	22	22
Sale of goods and services	22	19	15	12
Grants	98	92	104	74
Fair value of assets and services received free of charge or for nominal consideration	3	..	..	..
Other income	45	39	47	50
Total income from transactions	10 646	8 561	9 687	9 111
Expenses from transactions				
Employee benefits	4 829	4 120	4 597	4 452
Depreciation	459	463	420	519
Interest expense	121	146	150	136
Grants and other transfers	2 324	1 684	1 868	1 757
Capital Assets Charge ^(a)	425	..	..	..
Other operating expenses	2 405	2 211	2 736	2 247
Total expenses from transactions	10 564	8 624	9 771	9 110
Net result from transactions (net operating balance)	81	(63)	(84)	1
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	19	13	13	13
Net gain/(loss) on financial instruments and statutory receivables/payables	21	..	..	..
Other gains/(losses) from economic flows	19	..	..	..
Total other economic flows included in net result	58	13	13	13
Net result	139	(49)	(70)	15
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	(21)	..	..	..
Other	(9)	..	..	..
Total other economic flows – other comprehensive income	(30)	..	..	..
Comprehensive result	110	(49)	(70)	15

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

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.6.2: Balance sheet

(\$ million)

	2021 actual	2022 budget ^(a)	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	492	448	427	443
Receivables from government	1 510	1 837	1 935	2 260
Other receivables	122	122	122	122
Other financial assets	225	225	225	225
Total financial assets	2 349	2 632	2 709	3 050
Non-financial assets				
Inventories	24	24	24	24
Non-financial assets classified as held for sale including disposal group assets	1	1	1	1
Property, plant and equipment	8 530	9 440	9 068	9 480
Intangible assets	189	220	222	237
Other	135	135	135	135
Total non-financial assets	8 879	9 821	9 451	9 878
Total assets	11 228	12 453	12 160	12 928
Liabilities				
Payables	763	769	769	774
Borrowings	2 872	2 812	2 797	2 708
Provisions	1 221	1 264	1 404	1 411
Total liabilities	4 856	4 844	4 970	4 893
Net assets	6 372	7 609	7 190	8 035
Equity				
Accumulated surplus/(deficit)	1 340	1 291	1 270	1 284
Reserves	1 779	1 779	1 779	1 779
Contributed capital	3 253	4 538	4 141	4 971
Total equity	6 372	7 609	7 190	8 035

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

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.6.3: Statement of cash flows

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(a)	10 263	8 061	9 077	8 633
Receipts from other entities	238	107	115	82
Interest received	21	26	21	21
Other receipts	28	38	45	49
Total receipts	10 550	8 233	9 259	8 785
Payments				
Payments of grants and other transfers	(2 325)	(1 683)	(1 866)	(1 756)
Payments to suppliers and employees	(7 190)	(6 283)	(7 144)	(6 687)
Capital Assets Charge ^(a)	(425)	..	..	..
Interest and other costs of finance paid	(121)	(146)	(150)	(135)
Total payments	(10 061)	(8 112)	(9 160)	(8 578)
Net cash flows from/(used in) operating activities	489	121	100	208
Cash flows from investing activities				
Net investment	24	..	..	..
Payments for non-financial assets	(926)	(1 408)	(1 053)	(958)
Proceeds from sale of non-financial assets	32	41	41	41
Net loans to other parties	(6)	..	..	..
Net cash flow from/(used in) investing activities	(876)	(1 367)	(1 013)	(917)
Cash flows from financing activities				
Owner contributions by State Government	411	1 285	947	830
Repayment of leases and service concession liabilities	(96)	(85)	(85)	(89)
Net borrowings	260	..	(15)	(15)
Net cash flows from/(used in) financing activities	575	1 201	847	726
Net increase/(decrease) in cash and cash equivalents	187	(45)	(66)	16
Cash and cash equivalents at the beginning of the financial year	305	492	492	427
Cash and cash equivalents at the end of the financial year	492	448	427	443

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

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

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 2020	1 202	2 841	1 815	(8)	5 851
Comprehensive result	138	..	(21)	(8)	110
Transactions with owners in their capacity as owners	..	412	..	..	412
Closing balance 30 June 2021 (actual)	1 340	3 253	1 795	(15)	6 372
Comprehensive result	(49)	..	..	..	(49)
Transactions with owners in their capacity as owners	..	1 285	..	..	1 285
Closing balance 30 June 2022 (budget) ^(a)	1 291	4 538	1 795	(15)	7 609
Comprehensive result	(70)	..	..	..	(70)
Transactions with owners in their capacity as owners	..	947	..	..	947
Closing balance 30 June 2022 (revised)	1 270	4 141	1 795	(15)	7 190
Comprehensive result	15	..	..	..	15
Transactions with owners in their capacity as owners	..	830	..	..	830
Closing balance 30 June 2023 (budget)	1 284	4 971	1 795	(15)	8 035

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

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.6.5: Administered items statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Administered income				
Appropriations – Payments made on behalf of the State	239	53	197	53
Special Appropriations	77	107	574	16
Sale of goods and services	476	561	504	524
Grants	5	4	4	4
Interest	7	13	13	13
Other income	2 081	2 925	2 458	3 021
Total administered income	2 885	3 663	3 751	3 632
Administered expenses				
Expenses on behalf of the State	29	11	90	11
Grants and other transfers	200	110	643	20
Employee benefits	5	4	4	4
Payments into the Consolidated Fund	2 007	2 922	2 527	3 102
Total administered expenses	2 242	3 046	3 263	3 136
Income less expenses	643	616	488	495
Other economic flows included in net result				
Net gain/(loss) on financial assets	(242)	(452)	(340)	(368)
Total other economic flows included in net result	(242)	(452)	(340)	(368)
Net result	401	164	148	128
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	401	164	148	128
Administered assets				
Cash and deposits	304	302	302	299
Receivables	519	524	947	878
Other financial assets	..	2	2	4
Total administered assets	824	827	1 251	1 181
Administered liabilities				
Payables	667	507	507	394
Provisions	152	152	592	507
Total administered liabilities	819	659	1 099	901
Net assets	4	168	152	280

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

Note:

(a) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

Table 3.6.6: Payments made on behalf of the State

(\$ million)

	<i>2021-22 budget</i>	<i>2021-22 revised</i>	<i>2022-23 budget</i>
Tattersalls duty payments to other jurisdictions	45	45	45
Natural disaster relief	8	152	8
Total	53	197	53

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

DEPARTMENT OF PREMIER AND CABINET

Operating performance

The Department of Premier and Cabinet is expected to report a break even result in 2022-23, similar to the operating result for the 2021-22 revised budget.

The operating statement shows a net increase in operating income of \$8 million between the 2021-22 revised budget and the 2022-23 budget. This is predominantly driven by growth in revenue for Cenitex, which is due to an increase in customers as well as new service offerings.

The year-on-year increase also includes funding of the following initiatives announced in the *2022-23 Budget*:

- Service Victoria – enhancing customer experience with more digital services for Victorians
- Progressing Victoria’s historic treaty process with First Peoples
- Boosting capacity and addressing demand in the Aboriginal cultural heritage system
- Supporting public sector diversity, capability, and integrity
- Wage Inspectorate Victoria – Compliance and enforcement of wage theft laws
- Better supports for on-demand workers in Victoria.

Operating expenses are expected to increase by \$9 million in 2022-23, which is primarily driven by the factors outlined above.

Balance sheet

The Department’s net assets position is estimated to increase by \$19 million in 2022-23, compared with the 2021-22 revised budget, reflecting an increase in total assets of \$12 million and a decrease in total liabilities of \$7 million.

The decrease in total liabilities is mainly due to Cenitex lease liabilities, which have been adjusted based on latest lease renewals profile.

Investing and finance

The Department is anticipating a decrease of \$4 million in its net cash position in 2022-23, compared with the 2021-22 revised budget.

Cash flows from investing activities primarily reflect payments for non-financial assets for a new asset project funded in the *2022-23 Budget*.

- Service Victoria – enhancing customer experience with more digital services for Victorians.

Administered items statement

The Department is responsible for administering revenue on behalf of the State including cost recovery activities by the Victorian Electoral Commission.

Total administered income and expenses of the Department are expected to decrease in 2022-23, compared with the 2021-22 revised budget. This is primarily due to lower operating funding on passed by the Department on behalf of the state to the Breakthrough Victoria Proprietary Limited.

Table 3.7.1: Comprehensive operating statement

(\$ million)

	2020-21 actual ^(a)	2021-22 budget ^{(b)(c)}	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(c)	532	470	556	490
Special appropriations	75	43	52	118
Interest	1	1	1	1
Sale of goods and services	178	187	209	218
Grants	28	3	4	4
Other income	119	1	1	1
Total income from transactions	933	706	824	832
Expenses from transactions				
Employee benefits	372	340	376	406
Depreciation	48	44	49	50
Interest expense	1	..	..	..
Grants and other transfers	115	83	101	65
Capital Assets Charge ^(c)	11	..	..	..
Other operating expenses	370	239	298	310
Total expenses from transactions	917	706	823	832
Net result from transactions (net operating balance)	15	..	..	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(1)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	7	..	..	..
Other gains/(losses) from economic flows	5	..	..	..
Total other economic flows included in net result	11	..	..	..
Net result	26	..	..	..
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	31	..	..	..
Other	(58)	..	..	..
Total other economic flows – other comprehensive income	(27)	..	..	..
Comprehensive result	(1)	..	..	..

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

Notes:

(a) The 2020-21 actuals incorporate the Portable Long Service Authority and Labour Hire Authority results, which attained independent regulatory body status, effective 1 July 2021.

(b) The 2021-22 budget reflects the impact of the transfer of Portable Long Service Authority and Labour Hire Authority from the Department of Premier and Cabinet's departmental financial statements because both authorities will be self-funded from 1 July 2021.

(c) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.7.2: Balance sheet

(\$ million)

	2021 actual ^(a)	2022 budget ^{(b)(c)}	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	114	87	90	86
Receivables from government	23	42	41	64
Other receivables	148	118	100	96
Other financial assets	131	10	18	19
Total financial assets	417	256	249	265
Non-financial assets				
Inventories	3	3	3	3
Property, plant and equipment	753	740	764	763
Intangible assets	54	54	61	58
Other	35	35	31	31
Total non-financial assets	845	831	858	855
Total assets	1 262	1 088	1 107	1 120
Liabilities				
Payables	87	76	82	83
Borrowings	42	32	30	23
Provisions	217	75	78	77
Total liabilities	346	183	190	183
Net assets	915	904	918	936
Equity				
Accumulated surplus/(deficit)	95	65	65	65
Reserves	392	392	392	392
Contributed capital	428	446	460	479
Total equity	915	904	918	936

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

Notes:

- (a) The 2021 actuals incorporate the Portable Long Service Authority and Labour Hire Authority balances, which attained independent regulatory body status, effective 1 July 2021.
- (b) The 2022 budget figures have been restated to reflect the 2021 actual closing balances, excluding those balances relating to Portable Long Service Authority and Labour Hire Authority, as they became self-funded entities as of 1 July 2021.
- (c) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.7.3: Statement of cash flows

(\$ million)

	2020-21 actual ^(a)	2021-22 budget ^{(b)(c)}	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(c)	660	495	590	585
Receipts from other entities	55	4	6	10
Interest received	1	1	1	1
Other receipts	191	187	226	216
Total receipts	907	687	823	812
Payments				
Payments of grants and other transfers	(115)	(83)	(101)	(65)
Payments to suppliers and employees	(642)	(581)	(671)	(715)
Capital Assets Charge ^(c)	(11)	..	..	..
Interest and other costs of finance paid	(1)	..	..	..
Total payments	(769)	(664)	(771)	(780)
Net cash flows from/(used in) operating activities	138	23	52	32
Cash flows from investing activities				
Net investment	(99)	..	..	(1)
Payments for non-financial assets	(117)	(32)	(67)	(47)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flow from/(used in) investing activities	(215)	(32)	(68)	(47)
Cash flows from financing activities				
Owner contributions by State Government	71	(9)	3	19
Repayment of leases and service concession liabilities	36	(10)	(11)	(7)
Net borrowings	2	..	..	..
Net cash flows from/(used in) financing activities	109	(19)	(9)	12
Net increase/(decrease) in cash and cash equivalents	33	(27)	(25)	(4)
Cash and cash equivalents at the beginning of the financial year	82	114	114	90
Cash and cash equivalents at the end of the financial year	114	87	90	86

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

Notes:

- (a) The 2020-21 actuals incorporate the Portable Long Service Authority and Labour Hire Authority results, which attained independent regulatory body status, effective 1 July 2021.
- (b) The 2021-22 budget reflects the impact of the transfer of Portable Long Service Authority and Labour Hire Authority from the Department of Premier and Cabinet's departmental financial statements because both authorities will be self-funded from 1 July 2021.
- (c) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

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 2020	126	301	362	..	789
Comprehensive result	(31)	..	31	..	(1)
Transactions with owners in their capacity as owners	..	127	..	..	127
Closing balance 30 June 2021 (actual) ^(a)	95	428	392	..	915
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	(29)	18	..	..	(11)
Closing balance 30 June 2022 (budget) ^{(b)(c)}	65	446	392	..	904
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	(30)	32	..	..	2
Closing balance 30 June 2022 (revised)	65	460	392	..	918
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	19	..	..	19
Closing balance 30 June 2023 (budget)	65	479	392	..	936

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

Notes:

(a) The 2021 actuals incorporate the Portable Long Service Authority and Labour Hire Authority balances, which attained independent regulatory body status, effective 1 July 2021.

(b) The 2022 budget figures have been restated to reflect the 2021 actual closing balances, excluding those balances relating to Portable Long Service Authority and Labour Hire Authority, as they became self-funded entities as of 1 July 2021.

(c) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.7.5: Administered items statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Administered income				
Appropriations – Payments made on behalf of the State	..	..	59	..
Special Appropriations	17	13	13	18
Sale of goods and services	28	1	1	1
Other income	1	..	..	..
Total administered income	46	14	73	19
Administered expenses				
Expenses on behalf of the State	11	..	..	..
Grants and other transfers	..	6	65	35
Employee benefits	1	..	..	..
Payments into the Consolidated Fund	22	1	1	1
Total administered expenses	34	7	66	36
Income less expenses	12	6	6	(17)
Net result	12	6	6	(17)
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	12	6	6	(17)
Administered assets				
Cash and deposits	3	3	3	3
Receivables	31	38	38	20
Total administered assets	34	40	40	23
Administered liabilities				
Payables	3	3	3	3
Total administered liabilities	3	3	3	3
Net assets	30	37	37	20

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

Note:

(a) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

Table 3.7.6: Payments made on behalf of the State

(\$ million)

	2021-22 budget	2021-22 revised	2022-23 budget
Grants and other transfers	..	59	..
Total	..	59	..

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

DEPARTMENT OF TRANSPORT

Operating performance

The Department of Transport is expected to report an operating surplus of \$163 million in 2022-23, compared with an operating surplus in 2021-22 of \$36 million for the revised budget.

Compared to the 2021-22 revised budget, the surplus is primarily due to increases to fare box revenue, as commuters return to the network following the removal of restrictions.

The operating statement shows a decrease in operating income of \$247 million between the 2021-22 revised budget and the 2022-23 budget. This is primarily due to the additional funding received in 2021-22 due to the impact of COVID-19 on public transport. This is partly off-set by the funding of the following initiatives in the *2022-23 Budget*:

- Maintaining Victoria's road network
- Switching on the Big Build
- Regional rail sustainability.

Operating expenses are expected to decrease by \$374 million in 2022-23, primarily due to the impact of COVID-19 on public transport in 2021-22.

The Capital Asset Charge (CAC) policy was discontinued from the *2021-22 Budget* and as a result reduces the total income and expenditure of the department by \$2.6 billion when compared with 2020-21 actuals.

Balance sheet

The Department's net assets position is estimated to increase by \$7.9 billion in 2022-23, compared with the 2021-22 revised budget, reflecting an increase in total assets of \$9 billion and an increase in total liabilities of \$1.2 billion.

The increase in total assets reflects the Government's investment in the transport capital program mainly related to the Big Build program which includes initiatives such as:

- West Gate Tunnel
- Metro Tunnel
- Suburban Roads Upgrade – Northern Roads Upgrade and South Eastern Roads Upgrade
- North East Link (State and Freeway Packages).

Investing and finance

The Department is anticipating an increase of \$70 million in its net cash position in 2022-23, mainly due to increased fine revenues available for investment in the roads capital program.

Cash flows from investing activities primarily reflect significant investment as part of the Government's infrastructure program, including the following asset projects funded in the 2022-23 *Budget*:

- Delivering the Road Safety Action Plan
- More VLocity trains
- Train radio system upgrade.

Administered items statement

The Department is responsible for administering revenue on behalf of the State, including collecting road and public transport regulatory fees and fines revenues.

Total administered income of the Department is expected to increase by \$134 million in 2022-23, compared with the 2021-22 revised budget, primarily driven by an increase relating to motor vehicles taxation.

Total administered expenses of the Department are expected to increase by \$122 million, in line with the anticipated increase in administered income received and paid into the Consolidated Fund.

Total administered assets of the Department are expected to increase by \$428 million in 2022-23, compared with the 2021-22 revised budget, primarily driven by a loan to the State Tolling Corporation.

Total administered liabilities of the Department are expected to decrease by \$129 million in 2022-23, compared with the 2021-2022 revised budget, due to guarantees relating to the North East Link.

Table 3.8.1: Comprehensive operating statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(a)	8 534	4 999	5 622	5 012
Special appropriations	472	621	600	617
Interest	1	3	3	3
Sale of goods and services	121	388	129	384
Grants	418	462	311	454
Fair value of assets and services received free of charge or for nominal consideration	409	708	433	380
Other income	173	248	248	250
Total income from transactions	10 127	7 431	7 347	7 100
Expenses from transactions				
Employee benefits	662	581	588	598
Depreciation	1 020	1 079	1 078	1 081
Interest expense	412	451	406	427
Grants and other transfers	3 590	914	1 035	1 006
Capital Assets Charge ^(a)	78	..	..	..
Other operating expenses	4 584	3 868	4 205	3 824
Total expenses from transactions	10 345	6 894	7 311	6 937
Net result from transactions (net operating balance)	(218)	537	36	163
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(155)	23	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	2	..	..	..
Other gains/(losses) from economic flows	87	..	..	..
Total other economic flows included in net result	(65)	23	..	..
Net result	(284)	560	36	163
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	363	428	405	455
Other	..	1	1	1
Total other economic flows – other comprehensive income	364	428	406	455
Comprehensive result	80	988	442	618

Sources: Departments of Transport, and Treasury and Finance

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.8.2: Balance sheet

(\$ million)

	2021 actual	2022 budget ^(a)	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	594	753	654	723
Receivables from government	1 992	2 236	2 188	2 458
Other receivables	777	757	907	1 171
Total financial assets	3 362	3 746	3 749	4 353
Non-financial assets				
Inventories	8	8	8	8
Non-financial assets classified as held for sale including disposal group assets	148	148	148	148
Property, plant and equipment	99 711	104 979	110 295	118 763
Intangible assets	101	75	74	47
Other	363	143	403	403
Total non-financial assets	100 331	105 354	110 929	119 370
Total assets	103 693	109 101	114 678	123 723
Liabilities				
Payables	9 571	9 443	9 991	10 890
Borrowings	5 976	6 340	5 878	6 145
Provisions	965	995	995	1 025
Total liabilities	16 511	16 778	16 864	18 059
Net assets	87 182	92 322	97 813	105 664
Equity				
Accumulated surplus/(deficit)	(2 345)	(1 784)	(2 308)	(2 144)
Reserves	12 919	13 346	13 324	13 779
Contributed capital	76 607	80 760	86 797	94 029
Total equity	87 182	92 322	97 813	105 664

Sources: Departments of Transport, and Treasury and Finance

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.8.3: Statement of cash flows

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(a)	8 265	5 393	5 768	5 342
Receipts from other entities	529	854	423	834
Interest received	1	3	3	3
Other receipts	59	59	59	57
Total receipts	8 854	6 310	6 253	6 237
Payments				
Payments of grants and other transfers	(3 570)	(914)	(1 035)	(1 006)
Payments to suppliers and employees	(5 104)	(4 234)	(4 830)	(4 418)
Capital Assets Charge ^(a)	(78)	..	..	..
Interest and other costs of finance paid	(150)	(189)	(163)	(159)
Total payments	(8 902)	(5 337)	(6 028)	(5 583)
Net cash flows from/(used in) operating activities	(48)	973	225	654
Cash flows from investing activities				
Payments for non-financial assets	(7 572)	(7 968)	(9 611)	(8 394)
Proceeds from sale of non-financial assets	2	..	..	..
Net loans to other parties	(60)	16	(113)	(261)
Net cash flow from/(used in) investing activities	(7 631)	(7 952)	(9 725)	(8 655)
Cash flows from financing activities				
Owner contributions by State Government	8 838	8 432	10 955	9 070
Repayment of leases and service concession liabilities	(1 300)	(1 015)	(1 391)	(1 015)
Net borrowings	71	(279)	(4)	15
Net cash flows from/(used in) financing activities	7 608	7 138	9 559	8 070
Net increase/(decrease) in cash and cash equivalents	(70)	159	60	70
Cash and cash equivalents at the beginning of the financial year	664	594	594	654
Cash and cash equivalents at the end of the financial year	594	753	654	723

Sources: Departments of Transport, and Treasury and Finance

Note:

(a) The Capital Assets Charge (CAC) policy is discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

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 2020	(2 204)	65 053	12 604	..	75 453
Comprehensive result	(284)	..	363	..	80
Transactions with owners in their capacity as owners	143	11 555	(49)	..	11 648
Closing balance 30 June 2021 (actual)	(2 345)	76 607	12 918	..	87 182
Comprehensive result	560	..	428	..	988
Transactions with owners in their capacity as owners	..	4 153	..	..	4 153
Closing balance 30 June 2022 (budget) ^(a)	(1 784)	80 760	13 346	..	92 322
Comprehensive result	37	..	405	..	442
Transactions with owners in their capacity as owners	..	10 190	..	..	10 190
Closing balance 30 June 2022 (revised)	(2 308)	86 797	13 324	..	97 813
Comprehensive result	164	..	455	..	618
Transactions with owners in their capacity as owners	..	7 232	..	..	7 232
Closing balance 30 June 2023 (budget)	(2 144)	94 029	13 778	..	105 664

Sources: Departments of Transport, and Treasury and Finance

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.8.5: Administered items statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Administered income				
Sale of goods and services	337	410	396	403
Grants	38	6	6	14
Interest	..	1	4	16
Other income	2 866	2 765	2 819	2 925
Total administered income	3 241	3 182	3 225	3 359
Administered expenses				
Payments into the Consolidated Fund	3 245	3 157	3 198	3 320
Total administered expenses	3 245	3 157	3 198	3 320
Income less expenses	(4)	24	27	39
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	12	(16)	(15)	(16)
Total other economic flows included in net result	12	(16)	(15)	(16)
Net result	8	8	11	24
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	8	8	11	24
Administered assets				
Cash and deposits	12	12	12	12
Receivables	30	38	320	709
Property, plant and equipment	..	5	5	44
Total administered assets	43	55	337	765
Administered liabilities				
Payables	12	12	12	12
Borrowings	..	..	735	605
Total administered liabilities	12	12	747	618
Net assets	30	43	(410)	148

Sources: Departments of Transport, and Treasury and Finance

Note:

(a) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

DEPARTMENT OF TREASURY AND FINANCE

Operating performance

The Department of Treasury and Finance is expected to report a balanced budget in 2022-23, compared with an operating surplus in 2021-22 of \$4 million for the revised budget.

The operating statement shows an increase in operating income of \$7 million between the 2021-22 revised budget and the 2022-23 budget. This is primarily due to new funding announced in the *2022-23 Budget* for the following initiatives:

- Supporting Victorian Manufacturing - International investment attraction
- Business Acceleration Fund
- Supporting better customer protections in essential services.

Operating expenses are expected to increase by \$11 million in 2022-23, which is primarily driven by the initiatives outlined above.

Balance sheet

The Department's net assets position is estimated to increase by \$148 million in 2022-23, compared with the 2021-22 revised budget, reflecting an increase in total assets of \$151 million and an increase in total liabilities of \$3 million.

The increase in total assets reflects the Government's investment in the Bendigo GovHub (rephased from the previous year's budget) and Invest Victoria's initiatives.

Investing and finance

The Department's cash position is expected to increase by \$4 million in 2022-23, compared with the 2021-22 revised budget.

Cash flows from investing activities primarily reflects the Government's investments in the Bendigo GovHub and Invest Victoria's initiatives.

Administered items statement

The Department is responsible for administering a number of significant activities on behalf of the State, including State taxation income, administering the State's superannuation expenses and the Advance to the Treasurer's appropriation.

Total administered income of the Department is expected to increase by \$5.8 billion in 2022-23, compared with the 2021-22 revised budget. This is primarily driven by the annual Advance to the Treasurer's appropriation.

The Advance to the Treasurer's appropriation mainly covers existing government policy decisions for which funding is yet to be allocated to other departments; funding to meet additional price and demand growth across all sectors; and provisions for other unforeseen contingencies.

The reduction in total administered expenses in 2022-23 is \$1.7 billion compared with the 2021-22 revised budget. This primarily reflects one-off funding received in 2021-22 from the Commonwealth Government to support businesses in response to the COVID-19 pandemic, which is partially offset by an increase in expenses in 2022-23 relating to the Advance to the Treasurer's appropriation and interest expenses.

Table 3.9.1: Comprehensive operating statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(a)	506	588	559	564
Sale of goods and services	40	15	15	15
Grants	29	18	8	10
Other income	41	37	37	37
Total income from transactions	617	658	619	626
Expenses from transactions				
Employee benefits	239	245	250	245
Depreciation	22	32	32	33
Interest expense	..	1	1	..
Grants and other transfers	63	139	82	161
Capital Assets Charge ^(a)	71	..	..	..
Other operating expenses	187	237	250	187
Total expenses from transactions	582	653	615	626
Net result from transactions (net operating balance)	34	5	4	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(1)	(7)	(7)	(7)
Other gains/(losses) from economic flows	5	..	..	..
Total other economic flows included in net result	4	(7)	(7)	(7)
Net result	39	(2)	(3)	(7)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	(4)	..	..	..
Other	57	..	..	..
Total other economic flows – other comprehensive income	53	..	..	..
Comprehensive result	92	(2)	(3)	(7)

Source: Department of Treasury and Finance

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.9.2: Balance sheet

(\$ million)

	2021 actual	2022 budget ^(a)	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	83	93	93	97
Receivables from government	288	304	307	326
Other receivables	18	18	18	18
Other financial assets	..	..	5	28
Total financial assets	389	415	423	469
Non-financial assets				
Inventories	49	49	49	49
Property, plant and equipment	941	1 054	909	1 005
Intangible assets	16	23	16	24
Other	5	5	5	5
Total non-financial assets	1 012	1 131	979	1 084
Total assets	1 401	1 546	1 402	1 553
Liabilities				
Payables	55	55	55	55
Borrowings	9	7	7	5
Provisions	80	85	85	90
Total liabilities	145	147	147	150
Net assets	1 256	1 399	1 255	1 403
Equity				
Accumulated surplus/(deficit)	258	256	255	248
Reserves	649	649	649	649
Contributed capital	350	494	351	506
Total equity	1 256	1 399	1 255	1 403

Source: Department of Treasury and Finance

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.9.3: Statement of cash flows

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(a)	513	572	539	545
Receipts from other entities	40	18	8	10
Other receipts	68	59	59	59
Total receipts	622	649	607	614
Payments				
Payments of grants and other transfers	(79)	(146)	(89)	(168)
Payments to suppliers and employees	(459)	(477)	(495)	(427)
Capital Assets Charge ^(a)	(71)	..	..	..
Interest and other costs of finance paid	..	(1)	(1)	..
Total payments	(609)	(624)	(585)	(595)
Net cash flows from/(used in) operating activities	13	25	21	19
Cash flows from investing activities				
Net investment	..	..	(5)	(23)
Payments for non-financial assets	(127)	(161)	(9)	(147)
Proceeds from sale of non-financial assets	2	..	..	..
Net cash flow from/(used in) investing activities	(126)	(161)	(14)	(170)
Cash flows from financing activities				
Owner contributions by State Government	119	147	4	157
Repayment of leases and service concession liabilities	(1)	(2)	(2)	(2)
Net borrowings	(12)	..	..	..
Net cash flows from/(used in) financing activities	106	145	2	155
Net increase/(decrease) in cash and cash equivalents	(7)	10	10	4
Cash and cash equivalents at the beginning of the financial year	90	83	83	93
Cash and cash equivalents at the end of the financial year	83	93	93	97

Source: Department of Treasury and Finance

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

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 2020	162	361	652	..	1 176
Comprehensive result	96	..	(4)	..	92
Transactions with owners in their capacity as owners	..	(12)	..	..	(12)
Closing balance 30 June 2021 (actual)	258	350	649	..	1 256
Comprehensive result	(2)	..	..	..	(2)
Transactions with owners in their capacity as owners	..	145	..	..	145
Closing balance 30 June 2022 (budget) ^(a)	256	494	649	..	1 399
Comprehensive result	(3)	..	..	..	(3)
Transactions with owners in their capacity as owners	..	2	..	..	2
Closing balance 30 June 2022 (revised)	255	351	649	..	1 255
Comprehensive result	(7)	..	..	..	(7)
Transactions with owners in their capacity as owners	..	155	..	..	155
Closing balance 30 June 2023 (budget)	248	506	649	..	1 403

Source: Department of Treasury and Finance

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.9.5: Administered items statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Administered income				
Appropriations – Payments made on behalf of the State	4 866	20 026	9 748	17 682
Special Appropriations	1 538	2 728	3 109	2 865
Sale of goods and services	441	408	549	581
Grants	27 610	26 461	30 658	29 052
Interest	9	73	73	58
Other income	27 238	22 507	26 423	26 151
Total administered income	61 702	72 202	70 560	76 388
Administered expenses				
Expenses on behalf of the State	577	2 722	2 970	2 938
Grants and other transfers	5 466	8 628	7 224	7 312
Employee benefits	1 084	3 385	2 649	2 858
Payments into the Consolidated Fund	77 535	49 801	57 053	54 170
Interest expense	1 426	1 733	1 870	2 747
Total administered expenses	86 088	66 269	71 766	70 026
Income less expenses	(24 386)	5 933	(1 206)	6 362
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(15)	23	25	25
Total other economic flows included in net result	(15)	23	25	25
Net result	(24 401)	5 957	(1 181)	6 388
Other economic flows – other comprehensive income				
Remeasurement of superannuation defined benefit plans	3 937	1 241	3 396	984
Other	179	..	..	..
Total other economic flows – other comprehensive income	4 116	1 241	3 396	984
Comprehensive result	(20 285)	7 197	2 215	7 372
Administered assets				
Cash and deposits	1 280	1 478	1 181	1 087
Receivables	8 973	29 058	34 676	55 385
Other financial assets	1 392	1 409	1 958	2 937
Property, plant and equipment	1 427	4 803	2 078	5 655
Total administered assets	13 072	36 747	39 892	65 064
Administered liabilities				
Payables	1 949	898	1 153	699
Borrowings	75 554	99 737	105 338	128 148
Provisions	7	7	9	9
Other	27 219	26 441	24 069	23 557
Total administered liabilities	104 730	127 083	130 569	152 413
Net assets	(91 657)	(90 335)	(90 677)	(87 349)

Source: Department of Treasury and Finance

Note:

(a) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

Table 3.9.6: Payments made on behalf of the State

(\$ million)

	<i>2021-22 budget</i>	<i>2021-22 revised</i>	<i>2022-23 budget</i>
Advance to Treasurer Appropriation	16 021	5 861	14 027
Superannuation and pension payments	16	16	16
Interest	1 657	1 794	2 665
Current and capital grants	1 040	1 041	296
Operating supplies and consumables	155	154	151
Other	1 137	882	527
Total	20 026	9 748	17 682

Source: Department of Treasury and Finance

PARLIAMENT

Operating performance

Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission consolidated are expected to report an operating deficit of \$2 million in 2022-23, compared with an operating deficit in 2021-22 of \$5 million for the revised budget.

The deficit is primarily attributable to the use of Parliament's prior-year surplus for the Protective security upgrades and service enhancements initiative approved in the *2022-23 Budget*.

The operating statement shows an increase in operating income of \$9 million between the 2021-22 revised budget and the 2022-23 budget. This is primarily due to the carryover of Parliament's appropriation funding from 2021-22 to 2022-23, and a year on year increase attributable to funding of the following initiative announced in the *2022-23 Budget*:

- Administration of the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards (VIRTIPS) Act*.

Operating expenses are expected to increase by \$6 million in 2022-23, which is primarily driven by the factors outlined above.

Funding of \$7 million in 2022-23 (which is not included in the following tables) has been centrally provisioned for IBAC's base operational capacity to ensure its future effective and efficient operations and will be released to the entity upon completion of its base review.

A Treasurer's Advance of \$700 000 in 2022-23 (which is not included in the following tables) will also be approved for urgent activities of the Victorian Ombudsman.

Balance sheet

Parliament's net assets position is estimated to increase by \$10 million in 2022-23, compared with the 2021-22 revised budget, reflecting an increase in total assets of \$8 million and a decrease in total liabilities of \$3 million.

The increase in total assets reflects the continued investment in the restoration of Parliament House, relocation/refurbishment of electorate offices, ICT and Cyber Security upgrades, and the following new initiatives announced in the *2022-23 Budget*:

- Parliamentary sitting resilience
- Protective security upgrades and service enhancements.

Investing and finance

Cash flows from investing activities reflect continued asset investment in the restoration of Parliament House building, ICT upgrades, relocation/refurbishment of electorate offices, and new asset projects to be funded from Parliament's prior year surplus in the *2022-23 Budget* including:

- Parliamentary sitting resilience
- Protective security upgrades and service enhancements.

Table 3.10.1: Comprehensive operating statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(a)	271	283	286	294
Special appropriations	46	56	49	50
Total income from transactions	318	339	335	344
Expenses from transactions				
Employee benefits	195	221	214	219
Depreciation	36	37	37	37
Interest expense	2	2	2	2
Capital Assets Charge ^(a)	8	..	..	..
Other operating expenses	67	80	87	88
Total expenses from transactions	308	340	340	346
Net result from transactions (net operating balance)	10	(1)	(5)	(2)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	2	..	..	..
Other gains/(losses) from economic flows	1	..	..	..
Total other economic flows included in net result	2	..	..	..
Net result	12	(1)	(4)	(2)
Other economic flows – other comprehensive income				
Changes in non-financial assets revaluation surplus	49	..	..	..
Total other economic flows – other comprehensive income	49	..	..	..
Comprehensive result	61	(1)	(4)	(2)

Sources: Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission, and Department of Treasury and Finance

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.10.2: Balance sheet

(\$ million)

	2021 actual	2022 budget ^(a)	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	6	5	2	2
Receivables from government	102	124	112	127
Other receivables	3	3	3	3
Total financial assets	111	131	117	132
Non-financial assets				
Property, plant and equipment	854	846	856	849
Intangible assets	3	3	3	3
Other	4	4	4	4
Total non-financial assets	861	853	863	856
Total assets	972	984	980	988
Liabilities				
Payables	16	16	16	17
Borrowings	62	59	62	59
Provisions	36	36	35	35
Total liabilities	114	112	113	110
Net assets	857	872	867	877
Equity				
Accumulated surplus/(deficit)	94	93	90	88
Reserves	556	556	556	556
Contributed capital	208	224	221	234
Total equity	857	872	867	877

Sources: Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission, and Department of Treasury and Finance

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.10.3: Statement of cash flows

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(a)	300	317	325	329
Other receipts	1	..	..	..
Total receipts	302	317	325	329
Payments				
Payments to suppliers and employees	(265)	(302)	(303)	(307)
Capital Assets Charge ^(a)	(8)	..	..	..
Interest and other costs of finance paid	(2)	(2)	(2)	(2)
Total payments	(275)	(303)	(305)	(308)
Net cash flows from/(used in) operating activities	27	14	21	21
Cash flows from investing activities				
Payments for non-financial assets	(31)	(17)	(19)	(19)
Proceeds from sale of non-financial assets	1	..	..	..
Net cash flow from/(used in) investing activities	(29)	(17)	(19)	(19)
Cash flows from financing activities				
Owner contributions by State Government	4	16	14	12
Repayment of leases and service concession liabilities	(5)	(14)	(18)	(14)
Net borrowings	(1)	..	..	..
Net cash flows from/(used in) financing activities	(1)	2	(5)	(2)
Net increase/(decrease) in cash and cash equivalents	(4)	(1)	(3)	..
Cash and cash equivalents at the beginning of the financial year	10	6	6	2
Cash and cash equivalents at the end of the financial year	6	5	2	2

Sources: Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission, and Department of Treasury and Finance

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

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>Total equity</i>
Opening balance 1 July 2020	82	204	507	793
Comprehensive result	12	..	49	61
Transactions with owners in their capacity as owners	..	4	..	4
Closing balance 30 June 2021 (actual)	94	208	556	857
Comprehensive result	(1)	..	..	(1)
Transactions with owners in their capacity as owners	..	16	..	16
Closing balance 30 June 2022 (budget) ^(a)	93	224	556	872
Comprehensive result	(4)	..	..	(4)
Transactions with owners in their capacity as owners	..	14	..	14
Closing balance 30 June 2022 (revised)	90	221	556	867
Comprehensive result	(2)	..	..	(2)
Transactions with owners in their capacity as owners	..	12	..	12
Closing balance 30 June 2023 (budget)	88	234	556	877

Sources: Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission, and Department of Treasury and Finance

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.10.5: Administered items statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Administered income				
Sale of goods and services	28	28	30	31
Total administered income	28	28	30	31
Administered expenses				
Payments into the Consolidated Fund	28	28	30	31
Total administered expenses	28	28	30	31
Income less expenses	..	..	..	..
Other economic flows included in net result				
Total other economic flows included in net result	..	..	..	..
Net result	..	..	..	..
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	..	..	..	..
Administered assets				
Receivables	8	8	8	8
Total administered assets	8	8	8	8
Administered liabilities				
Total administered liabilities	..	..	..	..
Net assets	8	8	8	8

Sources: Parliament, Victorian Auditor-General's Office (VAGO), Victorian Inspectorate, Victorian Ombudsman, Parliamentary Budget Office and Independent Broad-based Anti-corruption Commission, and Department of Treasury and Finance

Note:

(a) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

COURT SERVICES VICTORIA

Court Services Victoria (CSV) is expected to report a balanced net result from transactions in 2022-23.

The operating statement shows an increase in operating income of \$49 million between the 2021-22 revised budget and the 2022-23 budget. This is primarily due to growth in funding from previous budget initiatives and the year-on-year increase, which also includes funding of the following initiatives announced in the *2022-23 Budget*:

- Expanding the Assessment and Referral Court
- Improving access to justice for children and their families
- Operationalising Bendigo Law Courts.

Operating expenses are expected to increase by \$49 million in 2022-23, which is primarily driven by the factors outlined above.

Balance sheet

CSV's net assets position is estimated to increase by \$141 million in 2022-23, compared with the 2021-22 revised budget, reflecting an increase in total assets of \$109 million and a decrease in total liabilities of \$32 million.

The increase in total assets reflects the Government's continued investment in courts infrastructure.

Investing and finance

CSV is anticipating a balanced net cash position in 2022-23, 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 *2022-23 Budget*.

Administered items statement

CSV is responsible for administering revenue on behalf of the State to process 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. CSV also administers revenue from court fees for civil case lodgements and hearings. Total administered income and expenses of CSV are expected to increase by \$9 million in 2022-23, compared with the 2021-22 revised budget.

Table 3.11.1: Comprehensive operating statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Net result from continuing operations				
Income from transactions				
Output appropriations ^(a)	513	531	544	576
Special appropriations	170	201	201	217
Grants	28	24	23	23
Total income from transactions	711	755	767	816
Expenses from transactions				
Employee benefits	406	449	444	459
Depreciation	76	63	67	97
Interest expense	3	8	8	8
Grants and other transfers	7	3	3	3
Capital Assets Charge ^(a)	48	..	..	..
Other operating expenses	169	233	245	248
Total expenses from transactions	709	755	767	816
Net result from transactions (net operating balance)	1	..	..	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	1	..	..	..
Other gains/(losses) from economic flows	9	..	..	..
Total other economic flows included in net result	11	..	..	..
Net result	12	..	..	..
Other economic flows – other comprehensive income				
Total other economic flows – other comprehensive income	..	..	..	..
Comprehensive result	12	..	..	..

Sources: Court Services Victoria and Department of Treasury and Finance

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 Budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.11.2: Balance sheet

(\$ million)

	2021 actual	2022 budget ^(a)	2022 revised	2023 budget
Assets				
Financial assets				
Cash and deposits	24	24	24	24
Receivables from government	131	163	144	192
Other receivables	13	13	13	13
Total financial assets	169	200	181	229
Non-financial assets				
Property, plant and equipment	1 170	1 291	1 705	1 735
Intangible assets	40	77	54	85
Other	7	7	7	7
Total non-financial assets	1 217	1 376	1 766	1 827
Total assets	1 386	1 576	1 947	2 056
Liabilities				
Payables	55	55	55	55
Borrowings	92	70	123	92
Provisions	111	111	111	111
Total liabilities	258	236	289	257
Net assets	1 129	1 340	1 658	1 799
Equity				
Accumulated surplus/(deficit)	(15)	(15)	(15)	(15)
Reserves	245	245	245	245
Contributed capital	899	1 110	1 428	1 569
Total equity	1 129	1 340	1 658	1 799

Sources: Court Services Victoria and Department of Treasury and Finance

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.11.3: Statement of cash flows

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Cash flows from operating activities				
Receipts				
Receipts from Government ^(a)	675	699	732	745
Receipts from other entities	27	24	23	23
Total receipts	703	724	755	768
Payments				
Payments of grants and other transfers	(7)	(3)	(3)	(3)
Payments to suppliers and employees	(564)	(682)	(688)	(707)
Capital Assets Charge ^(a)	(48)	..	..	..
Interest and other costs of finance paid	(3)	(8)	(8)	(8)
Total payments	(623)	(693)	(699)	(718)
Net cash flows from/(used in) operating activities	80	31	55	49
Cash flows from investing activities				
Payments for non-financial assets	(83)	(221)	(559)	(158)
Proceeds from sale of non-financial assets	3	..	..	..
Net cash flow from/(used in) investing activities	(79)	(221)	(559)	(158)
Cash flows from financing activities				
Owner contributions by State Government	72	211	530	141
Repayment of leases and service concession liabilities	(68)	(21)	(26)	(32)
Net borrowings	(2)	..	..	..
Net cash flows from/(used in) financing activities	2	190	504	109
Net increase/(decrease) in cash and cash equivalents	3	..	..	..
Cash and cash equivalents at the beginning of the financial year	22	24	24	24
Cash and cash equivalents at the end of the financial year	24	24	24	24

Sources: Court Services Victoria and Department of Treasury and Finance

Note:

(a) The Capital Assets Charge (CAC) policy was discontinued from the 2021-22 budget. The removal of CAC reduces departmental output appropriations and CAC expenses by the same amount.

Table 3.11.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Revaluation surplus</i>	<i>Total equity</i>
Opening balance 1 July 2020	(27)	827	245	1 044
Comprehensive result	12	..	..	12
Transactions with owners in their capacity as owners	..	72	..	72
Closing balance 30 June 2021 (actual)	(15)	899	245	1 129
Comprehensive result	..	..	..	..
Transactions with owners in their capacity as owners	..	211	..	211
Closing balance 30 June 2022 (budget) ^(a)	(15)	1 110	245	1 340
Comprehensive result	..	..	..	..
Transactions with owners in their capacity as owners	..	530	..	530
Closing balance 30 June 2022 (revised)	(15)	1 428	245	1 658
Comprehensive result	..	..	..	..
Transactions with owners in their capacity as owners	..	141	..	141
Closing balance 30 June 2023 (budget)	(15)	1 569	245	1 799

Sources: Court Services Victoria and Department of Treasury and Finance

Note:

(a) The 2022 budget figures have been restated to reflect the 2021 actual closing balances.

Table 3.11.5: Administered items statement

(\$ million)

	2020-21 actual	2021-22 budget ^(a)	2021-22 revised	2022-23 budget
Administered income				
Special Appropriations	46	71	71	71
Sale of goods and services	50	66	57	66
Other income	3	21	21	21
Total administered income	100	157	148	158
Administered expenses				
Expenses on behalf of the State	14	6	6	6
Grants and other transfers	33	65	65	65
Payments into the Consolidated Fund	55	87	78	87
Total administered expenses	101	157	148	158
Income less expenses	(2)	..	..	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	2	..	..	..
Total other economic flows included in net result	2	..	..	..
Net result	..	..	..	..
Comprehensive result	..	..	..	..
Administered assets				
Cash and deposits	16	16	16	16
Receivables	1	1	1	1
Total administered assets	17	17	17	17
Administered liabilities				
Payables	16	16	16	16
Provisions	2	2	2	2
Total administered liabilities	18	18	18	18
Net assets	(1)	(1)	(1)	(1)

Sources: Court Services Victoria and Department of Treasury and Finance

Note:

(a) The 2021-22 budget figures have been restated to reflect the 2020-21 actual closing balances.

CHAPTER 4 – STATE REVENUE

This chapter outlines expected movements in the major categories of general government sector revenue between 2021-22 and 2025-26. The revenue forecasts take into account developments in key macroeconomic variables reflecting the outlook for global, national and Victorian economic conditions as outlined in Budget Paper No. 2, Chapter 2

Economic outlook.

The Victorian economy is in a strong position heading into 2022-23, supported by high vaccination rates, a gradual increase in migration and an elevated level of household savings. The economy has been resilient to the onset of COVID-19 variants in 2021 and early 2022, with continued strength in the labour market, business investment and household consumption.

The outlook for State revenue is stronger compared with the *2021-22 Budget*, including for both Victoria's taxation revenue and grants. Total revenue is forecast to increase by 0.1 per cent to \$82.0 billion in 2022-23 after growing by 12.7 per cent in 2021-22. Total revenue is expected to grow by an average of 3.7 per cent per year over the forward estimates (Table 4.1).

Risks to Victoria's economic outlook remain greater than were typical prior to the pandemic. Risks relating to COVID-19 continue to create a higher than usual level of uncertainty about the outlook. Other key risks include the outlook for inflation, and hence for interest rates, as well as prospects for global economic growth against a backdrop of elevated geopolitical volatility.

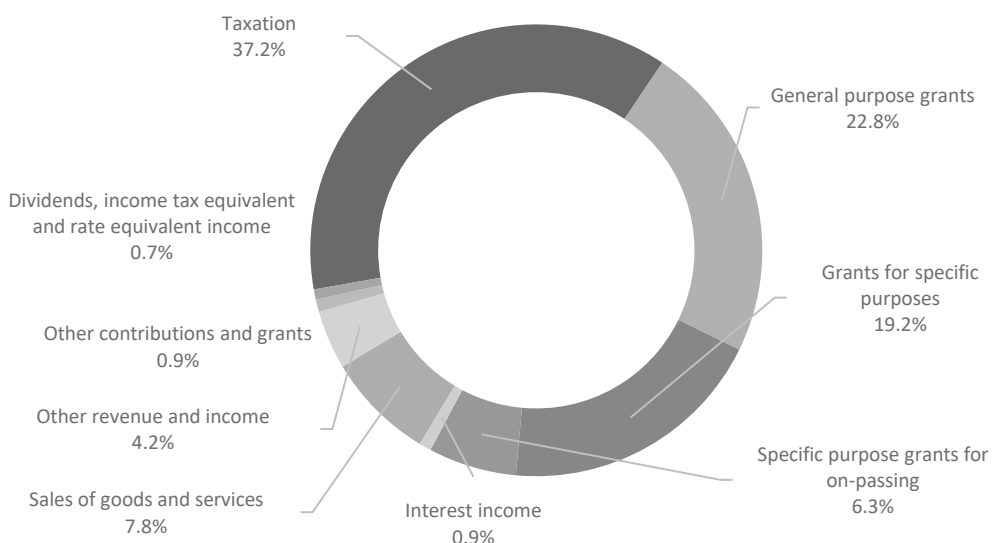
On the upside, the tight labour market could lead to a larger than anticipated rise in household consumption, with robust employment growth and a stronger than expected increase in wages boosting household income.

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

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Taxation	30 063	30 488	32 216	33 312	35 003
Grants	41 869	40 351	40 884	43 019	44 825
Sales of goods and services	5 491	6 366	6 410	6 495	6 527
Dividends, income tax equivalent and rate equivalent income	587	602	703	794	807
Interest income	602	715	761	836	844
Other revenue and income	3 257	3 459	3 619	3 209	3 434
Total revenue and income from transactions	81 870	81 980	84 593	87 665	91 440

Source: Department of Treasury and Finance

Chart 4.1: Composition of forecast general government sector revenue, 2022-23



Source: Department of Treasury and Finance

TAXATION

Taxation revenue is forecast to increase by 1.4 per cent in 2022-23 and grow by an average of 4.7 per cent per year over the forward estimates.

Table 4.2: Taxation estimates (\$ million)

	2021-22 revised	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Taxes on employers' payroll and labour force					
Payroll tax	6 518	6 815	7 516	7 861	8 238
Mental Health and Wellbeing Levy	328	819	852	896	941
Total taxes on employers' payroll and labour force	6 846	7 634	8 369	8 757	9 179
Taxes on immovable property					
Land tax	4 171	4 836	5 201	5 452	5 956
Fire Services Property Levy	759	800	839	872	895
Congestion levy	108	108	109	109	110
Metropolitan improvement levy	206	215	223	223	223
Windfall gains tax	..	..	37	55	81
Total taxes on property	5 244	5 959	6 408	6 712	7 265
Gambling taxes					
Public lotteries ^(a)	663	690	714	740	767
Electronic gaming machines ^(a)	868	1 206	1 257	1 299	1 342
Casino ^{(a)(b)}	137	223	259	270	282
Racing and other sports betting ^(a)	284	304	320	335	347
Other ^(a)	10	14	15	16	17
Financial and capital transactions					
Land transfer duty	10 195	8 226	8 311	8 444	8 720
Metropolitan planning levy	20	20	20	21	22
Financial accommodation levy	165	184	197	207	215
Growth areas infrastructure contributions	240	280	320	364	364
Levies on statutory corporations ^(c)	173	173	173	..	..
Taxes on insurance	1 713	1 829	1 953	2 087	2 230
Total taxes on the provision of goods and services	14 467	13 150	13 542	13 784	14 305
Motor vehicle taxes					
Vehicle registration fees	1 881	1 994	2 083	2 192	2 305
Duty on vehicle registrations and transfers	1 055	1 077	1 129	1 167	1 211
Liquor licence fees	25	26	27	29	30
Other	546	648	658	671	707
Total taxes on the use of goods and performance of activities	3 506	3 745	3 897	4 059	4 254
Total taxation revenue	30 063	30 488	32 216	33 312	35 003

Source: Department of Treasury and Finance

Notes:

- (a) The public lotteries, electronic gaming machines, casino, racing and other sports betting and other gambling taxes balances include gambling licence revenue forecasts of \$174 million in 2022-23, \$190 million in 2023-24, \$190 million in 2024-25 and \$190 million in 2025-26, recognised under AASB 15 Revenue from Contracts with Customers. The balance of these items are recognised under AASB 1058 Income of Not-for-Profit Entities.
- (b) The Victorian Royal Commission into the Casino Operator and Licence alleged that Matchplay and other loyalty benefits provided to members should be included in the calculation of tax payable by Crown. The State has engaged legal counsel following the delivery of the Royal Commission's final report in relation to this matter. As the State is still in the process of investigating whether further payments are owing based on the findings of the final report, no further amounts have been recognised as at the compliance date for the 2022-23 Budget.
- (c) The fifth tranche of the environmental contribution levy began on 1 July 2020 for a period of four years concluding on 30 June 2024.

Land transfer duty

Land transfer duty is payable on most transactions that result in a change of ownership of land and associated real estate assets. Various exemptions and concessions are available, for example, for certain concession card holders and eligible first home buyers.

Revenue from land transfer duty is expected to increase to \$10.2 billion in 2021-22. Land transfer duty revenue in 2020-21 was affected by the time-limited land transfer duty waiver for residential property transactions of up to \$1 million announced in the *2020-21 Budget* and remained slightly below pre-pandemic estimates despite the strong recovery in the property market from late 2020. Land transfer duty is expected to decline to \$8.2 billion in 2022-23, then increase by an average of 2.0 per cent per year over the forward estimates.

The land transfer duty revenue forecast for 2021-22 reflects strong market activity supported by record low interest rates, government stimulus measures, strong housing sentiment and the easing of public health restrictions. Victorian dwelling prices increased by 16.3 per cent over the 2021 calendar year, and property transaction volumes are set to approach record levels in 2021-22. Box 4.1 discusses the key drivers of growth in land transfer duty revenue in more detail.

Since December 2021, price growth in Victoria's residential property market has moderated. Increased supply and the prospect of rising interest rates have weakened sentiment and put downward pressure on prices, especially in greater Melbourne.

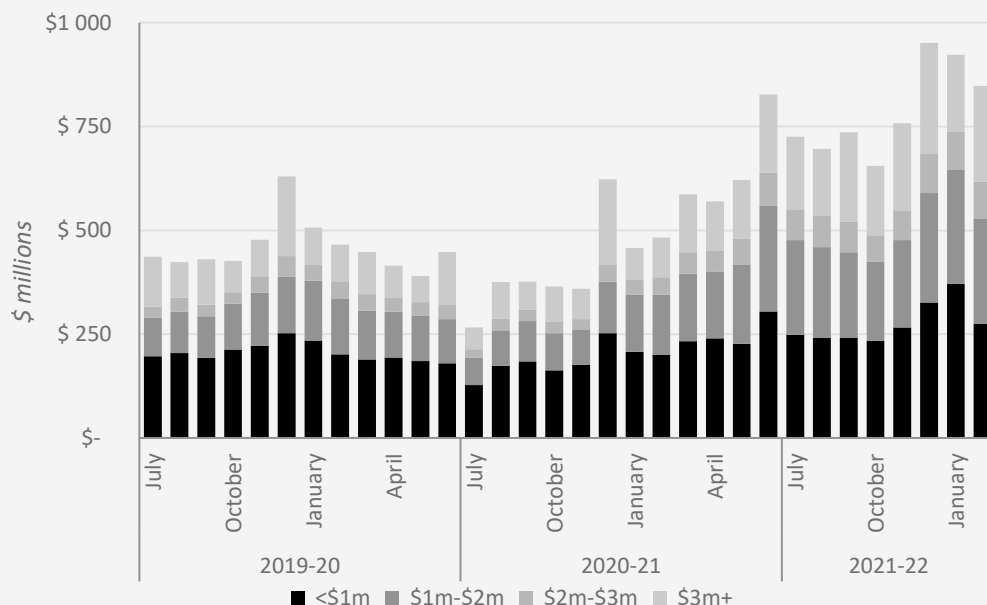
The expected decline in land transfer duty revenue in 2022-23 reflects the combined effects of a forecast contraction in residential dwelling prices and lower property transaction volumes. Victorian dwelling prices are expected to decline by 4 per cent over the 2023 calendar year after peaking during 2022, reflecting in part anticipated rises in the Reserve Bank of Australia's cash rate commencing around mid-2022, in line with market expectations. The price decline is expected to be the strongest in the high-value segment of the market, which has accounted for an elevated share of land transfer duty collections during 2021-22. Transaction volumes are expected to decline in year-on-year terms from the March quarter 2022 until 2024. The residential property market is expected to resume growth over 2024, with Victorian dwelling prices forecast to grow by 4.5 per cent.

Box 4.1: Drivers of land transfer duty revenue

Property market activity surged in late 2021 following the easing of COVID-19 public health restrictions, leading to significant growth in land transfer duty (LTD) collections.

LTD collections grew across all property price ranges (Chart 4.2) between July 2020 and February 2022. Growth in collections has been driven by growth in both property prices and the volume of property settlements and, to a lesser extent, the introduction of a premium rate of LTD on property transactions above \$2 million from 1 July 2021.

Chart 4.2: LTD collections per month, stratified by dutiable value



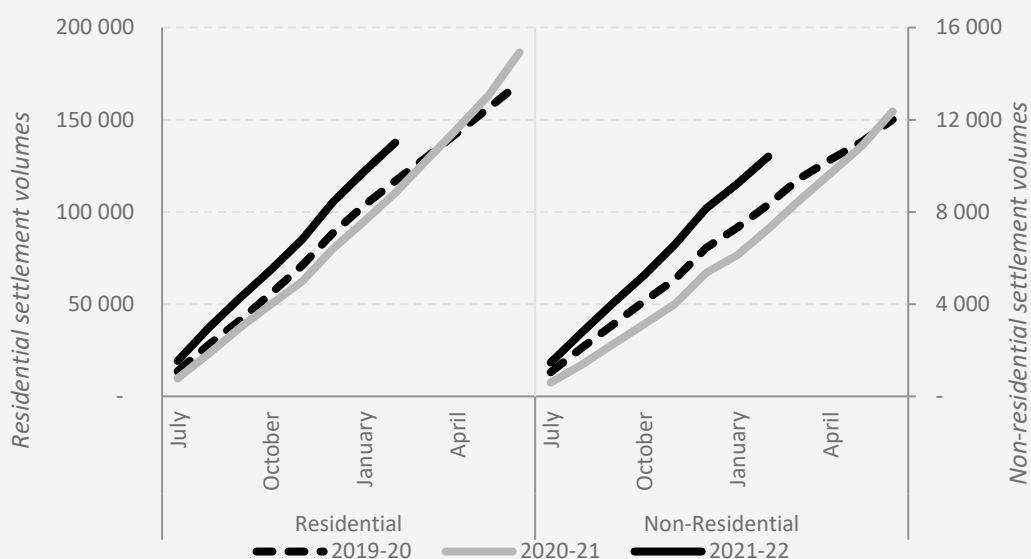
Source: State Revenue Office, Department of Treasury and Finance

The strength in dwelling prices seen at the end of 2020-21 continued into 2021-22, with a 16.3 per cent increase in the CoreLogic Hedonic Home Value Index for Victoria in 2021.

The strength in transaction volumes is broad-based, across higher- and lower-valued property, and is seen for both residential and non-residential property. Cumulative settlement volumes in the 2021-22 financial year until the end of February have exceeded comparable periods from the previous two financial years (Chart 4.3).

Volume growth has been especially strong at the higher end of the market. From July 2021 to February 2022, settlement volumes of transactions with dutiable values greater than \$1 million, \$2 million, and \$3 million exceeded settlements of property from the respective groups for the whole of 2020-21. This level of growth in settlement volumes and LTD collections is expected to subside towards the end of 2021-22 and into 2022-23 alongside the expected contraction in Victorian dwelling prices.

Chart 4.3: Cumulative settlement volumes per financial year



Source: State Revenue Office, 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. The Valuer-General Victoria considers a range of factors in determining the value of land, including 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 are insufficient.

Revenue from land tax is expected to increase to \$4.8 billion in 2022-23. Land tax revenue is expected to grow by an average of 7.2 per cent per year over the forward estimates.

Land valuations for the 2022-23 land tax year reflect property market conditions between 1 January 2021 and 1 January 2022. Residential land valuations over this period are expected to increase significantly, consistent with movements in dwelling prices during 2021. The industrial sector has continued to perform strongly over 2021, supported by strong demand for warehousing and distribution sites. Commercial land valuations are also expected to increase, albeit modestly due to uncertainty around the extent of structural changes stemming from the pandemic.

Consistent with the forecast profile for Victorian dwelling prices, land tax revenue from residential properties is expected to decrease in 2024-25 before recovering in 2025-26. The industrial sector is expected to remain strong as demand for warehouses and distribution sites continues. Commercial land values are expected to grow modestly, with uncertainty in the retail and office sectors remaining a key risk.

Windfall gains tax

From 1 July 2023, a tax will apply to large windfall gains associated with planning decisions to rezone land that create an uplift in land valuations above \$100 000. The tax will apply to the taxable uplift in value, phasing in from a value uplift of \$100 000 and reaching a maximum rate of 50 per cent for value uplifts above \$500 000. Landowners will have the option to defer payment of the tax until the next dutiable transaction or until 30 years elapse, whichever occurs first.

The tax will not apply to residential land which includes a dwelling fit for occupancy at the time of the rezoning, for up to two hectares of land, regardless of whether the dwelling is the landowner's principal place of residence. Additionally, exemptions are provided for certain land held and used by charities and universities, land rezoned to certain rural zones, and rezonings to and from the Urban Growth Zone within the Growth Areas Infrastructure Contribution area.

Transitional arrangements will also apply that will exempt some rezonings that were underway by the announcement date of 15 May 2021, as well as rezonings of land that were subject to a pre-existing contract of sale or option arrangement entered into by 15 May 2021.

Revenue from the windfall gains tax is expected to average \$58 million each year over the forward estimates starting in 2023-24, but is expected to be highly variable as it depends on the extent of rezoning activity in any given year. The tax will help ensure developers and landholders who benefit from planning decisions pay their fair share of large windfall gains to the State.

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 increase to \$280 million in 2022-23. GAIC revenue is expected to grow by an average of 9.1 per cent per year over the forward estimates. Growth is projected to slow over the forward estimates as the pace of development slows in areas subject to the contribution.

The amount of GAIC revenue available to be invested in projects is determined by the actual cash received each year. This differs to accrued GAIC revenue due to deferred payment mechanisms and work in kind arrangements.

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 2021-22, the threshold is \$1.107 million. Revenue from the levy helps fund the work of the Victorian Planning Authority and the Plan Melbourne initiative, a long-term strategy to accommodate Melbourne's growth.

Revenue from the metropolitan planning levy is expected to increase to \$20 million in 2022-23. Metropolitan planning levy revenue is expected to grow by an average of 3.0 per cent per year over the forward estimates.

Congestion levy

The congestion levy applies to off-street private and public parking spaces in inner Melbourne and aims to reduce traffic congestion and encourage greater use of public transport. For 2022, the levy rate is \$1 510 for parking spaces in the Category 1 geographic area, and \$1 070 for spaces in the Category 2 area.

Revenue from the congestion levy is expected to increase to \$108 million in 2022-23. Congestion levy revenue is expected to grow by an average of 0.5 per cent per year in nominal terms over the forward estimates, due to forecast growth in the consumer price index, while the number of car parks that are subject to the levy is forecast to fall slightly.

Fire Services Property Levy

The Fire Services Property Levy is an annual 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. In 2022-23, the revenue target is \$800 million.

Payroll tax

Payroll tax is calculated based on wages paid to employees by an employer above a certain threshold. Unchanged from 2021-22, in the 2022-23 financial year an employer is liable for payroll tax if they pay wages in Victoria, and their national wage bill exceeds the annual threshold of \$700 000. For metropolitan businesses, the payroll tax rate is 4.85 per cent. Regional employers pay a lower rate of 1.2125 per cent.

Revenue from payroll tax is expected to increase to \$6.8 billion in 2022-23. Payroll tax revenue is expected to grow by an average of 6.5 per cent per year over the forward estimates.

Credits earned by business through the New Jobs Tax Credit initiative announced in the *2020-21 Budget* are reducing payroll tax revenue forecasts in 2021-22 and 2022-23. The conclusion of that initiative contributes to the comparatively high growth in payroll tax revenue in 2023-24.

Payroll tax revenue is being supported by the continued resilience of the Victorian labour market, which is in a strong position as it enters 2022-23. The unemployment rate is at a record low and labour force participation is near a record high. Leading indicators of employment, such as job advertisements and job vacancies, remain very strong. Employment has risen by 280 000 since its trough in September 2020.

Employment is forecast to continue to grow in 2022-23, by 1.75 per cent. This follows expected growth of 3 per cent in 2021-22 as the labour market recovers from the effects of COVID-19 and associated necessary public health restrictions. The unemployment rate is forecast to remain around its record low through 2022-23, then gradually rise from very low levels to an estimated trend rate of 4.75 per cent by the end of the forward estimates, consistent with stable inflation within the Reserve Bank of Australia's target band.

Mental Health and Wellbeing Levy

The Government has implemented the recommendation of the Royal Commission into Victoria's Mental Health System to introduce a levy to provide a dedicated stream of mental health funding into the future. The Mental Health and Wellbeing Levy commenced on 1 January 2022 and operates as a payroll tax surcharge on wages paid in Victoria by liable businesses with national payrolls over \$10 million a year.

Revenue from the Levy is estimated to be \$819 million in 2022-23 and is expected to grow by an average of 4.7 per cent per year over the forward estimates.

The Government has legislated that revenue from the Levy must be spent on mental health services. The revenue mechanism provides dedicated funding that will support a substantial increase in investment in Victoria's mental health system, supplementing the current level and future expected growth of the Government's funding commitments as recommended by the Royal Commission into Victoria's Mental Health System.

Gambling taxes

Gambling taxes are levied on public lotteries, electronic gaming machines, casino games, wagering and betting, and other forms of gambling. These taxes are typically calculated as a percentage of net expenditure (equal to the amount gambled less prizes or refunds to players), with the tax rate varying according to the category of gambling. Gambling taxes also include revenue associated with the relevant licence premiums.

Revenue from gambling taxes is forecast to increase to \$2.4 billion in 2022-23. Gambling tax revenue is expected to grow by an average of 4.2 per cent per year over the forward estimates.

Revenue from electronic gaming machines (EGMs) and the casino is forecast to grow strongly in 2022-23, reflecting recovery from the impact of venue closures in 2021-22. Casino taxation revenue will also be supported over the forward estimates by an increase in the marginal tax rate for EGMs operated by the casino licensee.

From 1 July 2023, the Government will equalise the gambling tax rates for all electronic machine operators by bringing the rates paid by the casino license operator in line with those paid by venue operators with club entitlements. The change will improve the equity of electronic gaming machine taxation by ensuring taxes paid by the largest gambling venue in the State are not lower than rates at smaller, not-for-profit, community-based venues. Commission-based play on gaming machines will continue to be taxed at 10 per cent. Budget Paper No. 3, Chapter 1 *Output, asset investment, savings and revenue initiatives* provides further detail on this revenue initiative.

Revenue from public lotteries and wagering and betting has continued to grow since the onset of the COVID-19 pandemic, and growth is expected to continue over the forward estimates.

In 2022-23, approximately 80.3 per cent of total gambling taxation revenue will be allocated 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).

Revenue from motor vehicle taxes is expected to increase to \$2.9 billion in 2021-22, and then increase to \$3.1 billion in 2022-23. Motor vehicle tax revenue is expected to grow by an average of 4.6 per cent per year over the forward estimates. Strong consumer demand and supply constraints have led to increases in the prices of both new and used cars, which have supported strong growth in stamp duty revenue from vehicle sales during 2021-22.

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.

Revenue from insurance taxes is expected to increase to \$1.8 billion in 2022-23. Insurance tax is expected to grow by an average of 6.8 per cent per year over the forward estimates.

GRANT REVENUE

Total grant revenue is expected to be \$40.3 billion in 2022-23, a decrease of 3.6 per cent from 2021-22. GST revenue – or General purpose grants – is the largest source of grant revenue over the budget and forward estimates.

Table 4.3: Grant revenue (\$ million)

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
General purpose grants	17 570	18 721	19 352	20 466	21 383
Specific purpose grants for on-passing	4 630	5 171	5 408	5 613	5 834
Grants for specific purposes	18 991	15 741	15 555	15 823	16 126
Total	41 190	39 633	40 314	41 902	43 343
Other contributions and grants	680	718	570	1 118	1 482
Total grants	41 869	40 351	40 884	43 019	44 825

Source: Department of Treasury and Finance

GST

GST revenue is forecast to grow to \$18.7 billion in 2022-23, after decreasing by 2.7 per cent in 2021-22. The fall in Victoria's GST revenue in 2021-22 is largely driven by a decline in Victoria's population share and weaker GST receipts. GST revenue is expected to grow by an average of 4.5 per cent per year 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
- Victoria's share of the national population.

In addition to Victoria's GST entitlement, the Victorian GST revenue forecast incorporates additional Commonwealth payments reflecting the transition to the new system of horizontal fiscal equalisation (HFE), including the no-worse-off guarantee.

States' GST revenue is typically received monthly throughout the financial year based on the Commonwealth Government's estimates of each state's relative population share and a forecast of the national GST pool for that financial year. Estimates of the GST revenue are used, as the final GST pool outcome for the financial year is unknown until after the year has elapsed. Once the final aggregate GST pool is known, a balancing adjustment is applied to each state's payments to correct for any over or under payment, ensuring all states receive their entitled GST amount. These balancing adjustments are made in the subsequent financial year.

The figures in Table 4.3 above reflect the entitlement to the annual GST pool that forms the basis for GST income recognition, rather than the estimated GST progressively received from the Commonwealth across the financial year.

National GST pool

The outlook for the national GST pool in 2022-23 has improved, driven by a strong outlook for economic growth in 2022-23. The national GST pool remained resilient in 2021-22 despite public health restrictions introduced across Australia in response to the onset of the Delta and Omicron variants of COVID-19, and extreme flooding events.

In 2022-23, the national GST pool growth is forecast to increase sharply, rising above pre-pandemic estimates, underpinned by an expected rise in inflation and construction costs. Over the forward estimates, growth in the national GST pool is supported by an expected increase in consumption activity, flowing on from increases in wage growth and improved household wealth.

National dwelling investment, which contributes to GST revenue, is forecast to broadly increase across the forward estimates. In the near term, this is driven by the progression of a large pipeline of work driven by short-term government incentives. In the longer-term, dwelling investment growth is driven by elevated household wealth levels.

Population share

Victoria's national population share is forecast to be steady in 2022-23 after decreasing in 2021-22. Since the start of the COVID-19 pandemic, there has been a net outflow of Victorian residents to other states. International border restrictions have limited overseas migration, which has historically been strong for Victoria. Victoria's population share is expected to gradually increase from 2023-24 onwards, but overall population share forecasts are expected to remain below projections in the *2021-22 Budget Update*.

GST relativities

Victoria's assessed GST relativity (as calculated under the former full HFE system) fell for a fourth consecutive year in 2022-23, to 0.92 from 0.93 in 2021-22. The reduction in Victoria's assessed relativity between 2021-22 and 2022-23 is largely driven by the decline in Victoria's population growth.

A new GST system was legislated by the Commonwealth in 2018. It introduced a new equalisation standard that lifts states' fiscal capacities to deliver the same level of government services as the stronger of Victoria or New South Wales, rather than the fiscally strongest state overall, which is currently Western Australia. It also introduced a relativity floor of 0.70 within the GST system from 2022-23 onwards, rising to 0.75 in 2024-25, and a small permanent boost to the GST revenue pool from 2021-22. Only Western Australia's relativity is expected to fall below the floor over the Budget and forward estimates. As such, its relativity will be raised to the floor, which increases its share of GST revenue. This results in a decrease in all other states' GST revenue, including Victoria's.

Victoria's recommended GST relativity as calculated under the new system fell from 0.92 in 2021-22 to 0.86 in 2022-23. However, during a six-year transition period that commenced in 2021-22, each state and territory is entitled to receive additional Commonwealth financial assistance to ensure it is no worse off compared to its GST entitlement had full equalisation been maintained. The no-worse-off guarantee is currently legislated until the end of the transition period in 2026-27 (see also Box 4.2).

The outlook for Victoria's assessed relativities has slightly improved since the *2021-22 Budget Update*, reflecting the surge in commodity prices in early 2022. This expected sustained strength in commodity prices will increase mining states' revenue raising capacities, thereby lowering their GST requirements and resulting in more GST revenue being distributed to other states and territories. This is largely offset by a decrease in Victoria's population growth from 2021-22 which contributes to a lower assessed need for infrastructure investment in 2021-22 and 2022-23. Over the forward estimates, Victoria's population growth relative to other states' is expected to recover to its pre-pandemic trend, returning its infrastructure needs to prior levels. Additionally, the substantial growth in Victoria's own-source revenue is expected to weigh on Victoria's assessed relativities over the forecast period.

Box 4.2: The fiscal risk to Victoria from the new GST distribution system

In 2018, the Commonwealth Government legislated a new system for distributing GST to the states through the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*. Despite the Commonwealth Government's initial claim that all states would be better off from the legislation, after two years into the six-year transition it is now clear from several sources that the new system poses a significant fiscal risk for Victoria and most other states if the no-worse-off guarantee is not extended.

GST is an important part of Victoria's revenue base, and its equitable distribution between states is essential to the level of services and infrastructure state governments can provide. In 2022-23, 22.8 per cent of Victoria's revenue is expected to come from GST grants. The Commonwealth Government's new system puts at risk future funding for the services and infrastructure that Victorians rely on.

On 25 March 2022, the Commonwealth Grants Commission (CGC) released its recommended GST sharing relativities for 2022-23. Victoria's recommended relativity, calculated under the new equalisation system fell for the fourth year in a row to 0.86 in 2022-23. This means Victoria will receive just 86 per cent of its population share of the GST pool. If the 2018 legislation were not in place, Victoria's relativity for 2022-23 would have been 0.92, and it would receive 92 per cent of its population share of the GST pool.

The result of the new system is that all other states have less than they need to meet their expenses in 2022-23, as assessed by the CGC without the no-worse-off guarantee, while Western Australia will have more revenue than it needs (Chart 4.4).

Chart 4.4: CGC assessment of state expenditure and revenue needs under the new GST system, excluding the no-worse-off guarantee, for select states, 2022-23



Note: NT and ACT are excluded from the chart for presentation. Both are assessed by the CGC to receive less revenue than required to meet their expenses, without the no-worse-off guarantee, in 2022-23 under the new system.

Source: Commonwealth Grants Commission (CGC).

The *Commonwealth Budget 2022-23* indicates that without the no-worse-off guarantee, Victoria would lose \$4.4 billion over the next four years to 2025-26 (Chart 4.5). This is equivalent to funding for over 8 100 teachers, 8 400 police or 9 000 nurses a year for four years. Without the guarantee, most other states are also estimated to lose funding, whereas Western Australia stands to gain \$17.5 billion over the next four years. The no-worse-off guarantee is currently only legislated until 2026-27.

Impacts may be greater than reported in the Commonwealth Government's budget as it assumes a 50 per cent reduction in no-worse-off payments in 2025-26 on the basis that it expects 'relativities to revert towards historical averages', despite noting it does not forecast future relativities.

Chart 4.5: Impact of the new system on GST distributions compared with the former system, excluding the no-worse-off guarantee, 2022-23 to 2025-26



Source: Commonwealth Budget 2022-23, Victorian Department of Treasury and Finance.

A recent Victorian Parliamentary Inquiry into Commonwealth support for Victoria, tabled on 10 March 2022 found ‘all Australian states and territories other than Western Australia are predicted to lose GST revenue when the Commonwealth’s new equalisation arrangements under the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018* (Cth) come into full effect in 2027–28’.

Several other submissions to the Inquiry, including from the Governments of Tasmania, South Australia and the ACT and several independent economists also provided evidence that the new GST system poses fiscal risks to Victoria.

South Australia, with the public support of Victoria and Tasmania, commissioned an independent review of the new system from consultants PwC, which was completed in March 2022. Under PwC’s baseline forecast, Victoria would receive an estimated cumulative \$6.3 billion less in GST payments under the new arrangements, compared with the previous system over the six-year transition period to 2026-27, while WA would receive \$26 billion more.

The Commonwealth Government also recently failed to allow the CGC to accurately account for COVID-19 expenditures in its GST formula as part of its 2022 Update report. This is estimated to cost Victoria more than \$3 billion over four years. Further discussion on this issue can be found in Budget Paper No. 2, Chapter 3 *Victoria’s economic recovery despite insufficient Commonwealth support*.

Grants for on-passing

Table 4.4 summarises estimates of grants from the Commonwealth that are passed on to other entities.

Table 4.4: Grants for on-passing ^{(a)(b)(c)} (\$ million)

	2021-22 revised	2022-23 budget	Change %
Commonwealth Government grants to local government			
<i>Financial assistance grants to local government</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> .			
	241	493	104.3
<i>Identified local roads grants to local government</i>			
Funding to local councils is provided on a per capita and road length basis pursuant to the <i>Local Government (Financial Assistance) Act 1995</i> .			
	84	171	103.7
Quality Schools Funding			
Support for non-government schools	4 304	4 507	4.7
Other	..	..	n.a.
Total grants for on-passing	4 630	5 171	11.7

Source: Department of Treasury and Finance

Notes:

(a) Grants may not match Commonwealth Budget publications for newly announced agreements or variations to existing agreements, yet to be agreed by Victoria.

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

(c) Totals and percentage changes are based on underlying unrounded figures.

Grants for specific purposes

Table 4.5 lists Commonwealth grants for specific purposes, with detailed tables by expenditure category in Table 4.6 to Table 4.12.

Table 4.5: Grants for specific purposes ^{(a)(b)(c)} (\$ million)

	2021-22 revised	2022-23 budget	Change %
Affordable housing	801	427	(46.7)
Community services	299	307	2.7
Education	2 795	2 995	7.1
Environment	69	82	18.0
Health	8 197	6 915	(15.6)
Infrastructure	1 304	1 617	24.0
Contingent/Other	5 526	3 398	(38.5)
Total grants for specific purposes	18 991	15 741	(17.1)

Source: Department of Treasury and Finance

Notes:

(a) Grants may not match Commonwealth Budget publications for newly announced agreements or variations to existing agreements, yet to be agreed by Victoria.

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

(c) Totals and percentage changes are based on underlying unrounded figures.

Table 4.6: Payments for affordable housing ^{(a)(b)(c)} (\$ million)

	2021-22 revised	2022-23 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.			
	420	427	1.7
National Partnerships			
<i>HomeBuilder</i>			
Funding to support the delivery of the HomeBuilder program, providing assistance to owner-occupiers and the residential construction sector.			
	381	..	(100.0)
Total affordable housing	801	427	(46.7)

Source: Department of Treasury and Finance

Note:

(a) Grants may not match Commonwealth budget publications for newly announced agreements or variations to existing agreements that are yet to be agreed by Victoria.

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

(c) Totals and percentage changes are based on underlying unrounded figures.

Table 4.7: Payments for community services ^{(a)(b)(c)} (\$ million)

	2021-22 revised	2022-23 budget	Change %
National Partnerships			
<i>Assistance to States for DisabilityCare Australia</i>			
Funding to assist the transition to the National Disability Insurance Scheme.	261	271	3.5
<i>Home and Community Care Assessment</i>			
Funding for home and community care services.	36	36	0.6
Other	2	1	(70.1)
Total community services	299	307	2.7

Source: Department of Treasury and Finance

Notes:

- (a) Grants may not match Commonwealth budget publications for newly announced agreements or variations to existing agreements that are yet to be agreed by Victoria.
- (b) There may be a difference in categorisation between Commonwealth and Victorian figures.
- (c) Totals and percentage changes are based on underlying unrounded figures.

Table 4.8: Payments for education services ^{(a)(b)(c)} (\$ million)

	2021-22 revised	2022-23 budget	Change %
Quality Schools Funding			
Support for government schools.	2 280	2 464	8.1
National Agreement for Skills and Workforce Development			
Funding for the delivery of training services.	408	413	1.4
National Partnerships			
<i>Universal Access to Early Childhood Education ^(d)</i>			
Funding to assist Victoria to provide 15 hours of early childhood education a week for all children in the year before full-time school.	90	..	(100.0)
<i>School Chaplaincy Program</i>			
Funding to support the emotional wellbeing of students by providing pastoral care services.	13	..	(100.0)
<i>JobTrainer Fund</i>			
Funding to provide training places that are free or low fee, in areas of identified skills need for job seekers and young people, including school leavers.	5	117	2 368.9
Other	..	..	n.a.
Total education services	2 795	2 995	7.1

Source: Department of Treasury and Finance

Notes:

- (a) Grants may not match Commonwealth budget publications for newly announced agreements or variations to existing agreements that are yet to be agreed by Victoria.
- (b) There may be a difference in categorisation between Commonwealth and Victorian figures.
- (c) Totals and percentage changes are based on underlying unrounded figures.
- (d) The new Preschool Reform Agreement will replace the National Partnership on Universal Access to Early Childhood Education.

Table 4.9: Payments for environment services ^{(a)(b)(c)}**(\$ million)**

	2021-22 revised	2022-23 budget	Change %
National Partnerships			
<i>Sustainable Rural Water Use and Infrastructure Program</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.			
	10	51	393.2
<i>Hydrogen Energy Supply Chain Pilot Project</i>			
Funding to support a pilot project to demonstrate the feasibility of a hydrogen energy supply chain.			
	13	..	(100.0)
<i>Water Infrastructure Development Fund - Capital Component</i>			
Funding to accelerate the detailed planning and construction of water infrastructure projects that will deliver new and affordable water, enhance water security and underpin regional economic growth.			
	45	30	(34.1)
Other	1	0	(54.3)
Total environment services	69	82	18.0

Source: Department of Treasury and Finance

Notes:

- (a) Grants may not match Commonwealth budget publications for newly announced agreements or variations to existing agreements that are yet to be agreed by Victoria.
- (b) There may be a difference in categorisation between Commonwealth and Victorian figures.
- (c) Totals and percentage changes are based on underlying unrounded figures.

Table 4.10: Payments for health services ^{(a)(b)(c)}**(\$ million)**

	2021-22 revised	2022-23 budget	Change %
National Health Reform Agreement ^(d)			
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.			
	8 117	6 826	(15.9)
National Partnerships			
<i>Community Health and Hospitals Program</i>			
Funding for a range of Victorian health infrastructure projects to support the delivery of improved and expanded health services.			
	41	81	96.1
<i>Adult Public Dental Services ^(e)</i>			
Funding to assist states to provide public dental services to adults.			
	27	..	(100.0)
Other	11	9	(22.3)
Total health services	8 197	6 915	(15.6)

Source: Department of Treasury and Finance

Notes:

- (a) Grants may not match Commonwealth budget publications for newly announced agreements or variations to existing agreements that are yet to be agreed by Victoria.
- (b) There may be a difference in categorisation between Commonwealth and Victorian figures.
- (c) Totals and percentage changes are based on underlying unrounded figures.
- (d) Includes payments relating to the National Partnership on COVID-19 response, which are to be considered payments under the National Health Reform Agreement.
- (e) Funding for Adult Public Dental Services beyond 2021-22 is subject to negotiations with the Commonwealth.

Table 4.11: Payments for infrastructure services ^{(a)(b)(c)}**(\$ million)**

	2021-22 revised	2022-23 budget	Change %
National Partnerships			
<i>Infrastructure Investment Programme</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.			
	1 258	1 569	24.7
<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.			
	46	48	4.7
Other	..	..	n.a.
Total infrastructure	1 304	1 617	24.0

Source: Department of Treasury and Finance

Notes:

- (a) Grants may not match Commonwealth budget publications for newly announced agreements or variations to existing agreements that are yet to be agreed by Victoria.
- (b) There may be a difference in categorisation between Commonwealth and Victorian figures.
- (c) Totals and percentage changes are based on underlying unrounded figures.

Table 4.12: Payments for contingent and other services ^{(a)(b)(c)}**(\$ million)**

	2021-22 revised	2022-23 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.			
	90	96	6.9
<i>Commonwealth COVID-19 Business Support</i>			
Funding to support the State to deliver grant support to businesses impacted by COVID-19 public health restrictions.			
	3 147	..	(100.0)
Other ^(d)	2 290	3 302	44.2
Total other services	5 526	3 398	(38.5)

Source: Department of Treasury and Finance

Notes:

- (a) Grants may not match Commonwealth budget publications for newly announced agreements or variations to existing agreements that are yet to be agreed by Victoria.
- (b) There may be a difference in categorisation between Commonwealth and Victorian figures.
- (c) Totals and percentage changes are based on underlying unrounded figures.
- (d) 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 generated by the sales of goods and services is expected to increase to \$6.4 billion in 2022-23, up from pandemic-affected revenue in 2021-22, largely reflecting the expected recovery in various service fees after the easing of public health restrictions. Growth is forecast to average 0.8 per cent per year over the forward estimates.

Table 4.13: Sales of goods and services (\$ million)

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Motor vehicle regulatory fees ^(a)	319	296	326	331	327
Other regulatory fees ^(a)	591	653	778	713	722
Sale of goods ^(b)	98	90	92	94	93
Provision of services ^(b)	4 398	5 230	5 115	5 257	5 284
Rental	85	96	98	101	101
Refunds and reimbursements ^(a)	1	..	..	..	..
Total sales of goods and services	5 491	6 366	6 410	6 495	6 527

Source: Department of Treasury and Finance

Notes:

(a) Motor vehicle, other regulatory fees, and refunds and reimbursements are accounted for under AASB 1058.

(b) Sale of goods and provision of services are accounted for under AASB 15.

DIVIDENDS, INCOME TAX EQUIVALENT AND RATE EQUIVALENT INCOME

Table 4.14 details the dividends, income tax and rate equivalent income received by the State from government business enterprises.

Dividend and income tax equivalent revenue is projected to be \$602 million in 2022-23 and increase by an average of 10.3 per cent per year over the forward estimates.

Table 4.14: Dividends, income tax equivalent and rate equivalent income (\$ million)

	2021-22 <i>revised</i>	2022-23 <i>budget</i>	2023-24 <i>estimate</i>	2024-25 <i>estimate</i>	2025-26 <i>estimate</i>
Dividends	362	367	454	548	544
Income tax equivalent income	221	229	244	240	259
Local government rate equivalent income	4	5	5	5	5
Total dividends, income tax equivalent and rate equivalent income	587	602	703	794	807

Source: Department of Treasury and Finance

INTEREST INCOME

Interest revenue is received on the cash and deposits held by the Government. Total interest is expected to increase to \$715 million in 2022-23 and is forecast to increase by an average of 5.7 per cent per year over the forward estimates.

OTHER REVENUE AND INCOME

Table 4.15 shows other revenue and income, which includes fines, royalties, donations and gifts, assets received free of charge and other miscellaneous revenues. Other revenue is expected to grow to \$3.5 billion in 2022-23, followed by an average decline of 0.2 per cent per year over the forward estimates. This revenue profile is primarily driven by the Fair Value of assets received free of charge or for nominal consideration that, in 2022-23 and 2023-24, includes Cross Yarra Partnership Consortium's contribution to additional costs borne by the operator as part of the Metro Tunnel settlement.

Table 4.15: Other revenue and income (\$ million)

	2021-22 revised	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Revenue items accounted for under AASB 15					
Royalties	140	140	142	144	144
Other revenue – Health	228	248	254	261	261
Other miscellaneous revenue	747	676	608	648	695
Income accounted for under AASB 1058					
Fair value of assets received free of charge or for nominal consideration ^(a)	438	382	491	2	2
Road safety camera fines	471	569	601	618	630
Police on-the-spot fines	144	147	192	196	199
Toll road evasion fines	44	46	53	55	56
Non-traffic statutory and court fines	93	95	98	99	100
Total fines	751	857	944	967	985
Donations and gifts ^(b)	237	209	214	222	222
Other income – Education	400	514	527	540	554
Revenue items accounted for under AASB 16					
Other non-property rental	28	29	29	29	29
Revenue items accounted for under AASB 1059					
Revenue related to economic service concession arrangements	288	405	410	397	543
Total other revenue and income	3 257	3 459	3 619	3 209	3 434

Source: Department of Treasury and Finance

Notes:

(a) The funding profile of the Fair Value of assets received free of charge or for nominal consideration in 2022-23 and 2023-24 includes Cross Yarra Partnership Consortium's contribution to additional costs borne by the operator as part of the Metro Tunnel settlement.

(b) Primarily relates to donations to health services from non-government sources.

CHAPTER 5 – TAX EXPENDITURES AND CONCESSIONS

Tax expenditures and concessions represent foregone 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 new and previously announced government decisions providing tax incentives and benefits to targeted taxpayers.

This chapter includes the motor vehicle duty exemption announced in the *2022-23 Budget*. This exemption will apply from 1 July 2022 to the sale or transfer of wheelchair accessible commercial passenger vehicles that provide unbooked services. Budget Paper No. 3, Chapter 1 *Output, asset investment, savings and revenue initiatives* contains further details on this revenue initiative.

This chapter only includes tax expenditures and concessions that can be costed. 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, tax-free thresholds and full waivers 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 to 2021-22, the State has forgone \$75.0 billion in revenue from tax expenditures. In 2022-23, tax expenditures are forecast to be about \$11.8 billion.

In response to the COVID-19 pandemic, a range of tax relief measures were announced in the *2020-21 Budget* to help businesses, workers, households and the community get through the pandemic and support the economic recovery. A number of these measures have concluded and are no longer included in this chapter. However, the financial impact of some of these measures continues into 2022-23, including the New jobs tax credit and the targeted JobKeeper exemption from payroll tax.

Similar to previous years, land tax expenditures form the highest portion of total estimated tax expenditures in 2022-23, primarily due to the principal place of residence and primary production exemptions. Land tax expenditure estimates have been upgraded compared with the *2021-22 Budget*, consistent with increases in land value forecasts.

Payroll tax expenditures form the highest non-property portion of total estimated tax expenditures, and have also been revised upwards since the *2021-22 Budget* consistent with stronger payroll tax forecasts. Payroll tax expenditures are estimated to rise in 2021-22 and 2022-23 due to COVID-19 relief measures, and then decline from 2023-24 as relief measures conclude.

Compared with the *2021-22 Budget*, land transfer duty expenditure estimates for 2021-22 have been upgraded. This is primarily due to stronger than expected property sales in 2021-22 and uptake of the waiver for residential property transactions of up to \$1 million.

In addition, this chapter now includes tax expenditure estimates for insurance duty due to changes in the availability of data. The introduction of insurance duty expenditures increases total tax expenditures by \$2.2 billion across the budget and forward estimates.

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 2021-22 to 2025-26.

In estimating tax expenditures, it is assumed taxpayer behaviour is unchanged by the relevant exemption or concession.

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

Description	2021-22	2022-23	2023-24	2024-25	2025-26
Land tax ^(a)	6 512	7 555	8 133	8 532	9 321
Fire Services Property Levy	30	30	30	30	31
Payroll tax ^(b)	1 881	1 920	1 563	1 639	1 717
Gambling tax ^(c)	66	79	79	81	82
Motor vehicle taxes	208	222	233	247	268
Land transfer duty ^(d)	2 442	1 353	1 365	1 314	1 329
Congestion levy	66	66	68	70	71
Mental Health and Wellbeing Levy ^(e)	38	94	100	106	113
Insurance duty	503	523	547	573	602
Total estimated tax expenditures	11 745	11 843	12 118	12 591	13 534

Source: Department of Treasury and Finance

Notes:

- (a) Land tax expenditures are expected to increase significantly from 2021-22 in line with actual and forecast increases in land values.
- (b) Payroll tax expenditures are expected to decrease from 2023-24 due to the completion of COVID-19 relief measures.
- (c) Estimated gaming machine tax expenditures for 2021-22 are lower due to reduced gaming machine revenue in the second half of 2021.
- (d) Land transfer duty expenditures for 2021-22 have been upgraded since the 2021-22 Budget, primarily due to stronger than expected property sales in 2021-22 and uptake of the waiver for residential property transactions of up to \$1 million.
- (e) Mental Health and Wellbeing Levy expenditures begin in the 2021-22 financial year as it commenced from 1 January 2022.

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

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

<i>Description</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>
Land tax ^{(a)(b)}					
Crown property (right of Victoria)	504	584	628	659	719
Principal place of residence	3 478	4 034	4 338	4 548	4 969
Land held in trust for public or municipal purposes or vested in any municipality	438	508	546	573	625
Land used by charitable and religious institutions	289	335	361	378	413
Commonwealth land	330	382	411	431	471
Land used for primary production	884	1 025	1 102	1 156	1 263
Land vested in public statutory authorities	283	328	353	370	405
Assessment on a single holding basis for land owned by a municipality	11	13	14	15	16
Land tax concessional rate for horse or harness racing	10	11	12	13	14
Assessment on a single holding basis for land owned by charities	23	26	28	30	32
Retirement villages	48	55	60	63	68
Non-profit organisations providing outdoor cultural or sporting recreation or carried on exclusively for social, sporting, cultural or literary purposes (excluding horse or harness racing)	51	59	64	67	73
Land tax exemption for friendly societies ^(c)	..	..	..	1	1
Associations of ex-servicemen	3	4	4	4	5
Caravan parks	8	9	10	10	11
Residential care facilities	26	30	32	33	37
Low cost accommodation	2	2	3	3	3
Land tax exemption for mining	1	1	1	1	1
Absentee owner surcharge exemption	121	142	157	168	184
Vacant residential land tax exemptions	3	4	4	4	4
Big Housing Build: Land tax discount for build-to-rent projects ^(d)	..	1	4	7	8
Total land tax expenditures	6 512	7 555	8 133	8 532	9 321
Fire Services Property Levy					
Fire Services Property Levy concession for pensioners and Department of Veterans' Affairs cardholders	22	22	22	22	22
Fire Services Property Levy exemption for single farm enterprises	8	8	8	9	9
Total Fire Services Property Levy expenditures	30	30	30	30	31
Payroll tax ^(e)					
Wages paid by public hospitals	191	197	205	214	224
Wages paid by non-profit hospitals	19	20	21	22	23
Wages paid by health care services	32	33	34	36	38
Wages paid by public benevolent institutions/ charities	279	288	300	315	330

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

<i>Description</i>	<i>2021-22</i>	<i>2022-23</i>	<i>2023-24</i>	<i>2024-25</i>	<i>2025-26</i>
Payroll tax (continued)					
Wages paid by religious institutions	5	5	5	6	6
Wages paid by non-profit non-government schools	250	258	269	282	295
Wages paid by Commonwealth departments/agencies (excluding transport and communication)	104	107	112	117	122
Wages paid by municipal councils (not wages for trading activities) ^(f)	180	185	193	201	210
Construction industry leave entitlements paid by CoINVEST	8	9	9	10	10
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986 (Commonwealth)</i>	17	17	17	17	17
Paid parental leave	26	27	28	29	31
Wages paid to employees participating in voluntary emergency service work	1	1	1	1	1
Reduced payroll tax rate for regional employers ^(f)	344	353	369	389	410
New jobs tax credit	404	420	..	..	..
Support for households and businesses: Targeted JobKeeper exemption from payroll tax ^(g)	21	..	..	..	..
Total payroll tax expenditures	1 881	1 920	1 563	1 639	1 717
Gambling tax					
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	66	79	79	81	82
Total gambling tax expenditures	66	79	79	81	82
Motor vehicle taxes					
Discounted registration fee for vehicles operated by Health Care Card holders and pensioners	143	154	161	170	187
Discounted registration fee for vehicles operated by totally and permanently incapacitated persons	2	2	3	3	3
Discounted registration fee for light vehicles operated by primary producers	11	11	12	12	13
Discounted registration fee for heavy vehicles operated by primary producers	33	33	35	36	37
Discounted registration fee for zero and low-emission vehicles (ZLEVs) ^(h)	8	9	11	12	14
Discounted registration fee for trade apprentices	2	2	2	2	2
Discounted registration fee for vehicles operated by charitable or religious institutions	6	6	6	6	7
Concessions to motor vehicle luxury duty for green vehicles and primary producers	3	3	3	4	4
Exempt wheelchair accessible commercial passenger vehicles that provide unbooked services from motor vehicle duty ^{(c)(i)}	..	1	1	1	1
Total motor vehicle tax expenditures	208	222	233	247	268

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

Description	2021-22	2022-23	2023-24	2024-25	2025-26
Land transfer duty					
Land transfer duty concession for first home buyers of properties valued up to \$750 000 ⁽ⁱ⁾	834	673	680	691	714
Land transfer duty concession for farmers under 35 years of age buying their first farmland	2	2	2	2	2
Land transfer duty concession for corporate reconstruction ^(k)	162	131	132	135	139
Land transfer duty concession for pensioners and concession card holders	82	66	67	68	70
Land transfer duty concession for principal place of residence	108	87	88	90	93
Off-the-plan land transfer duty concession for investors ^(l)	52	2	..	..	..
Off-the-plan land transfer duty concession for owner-occupiers ^(m)	115	93	95	98	101
Foreign Purchaser Additional Duty exemption for corporations and trustees	49	40	40	41	42
Land transfer duty concession for commercial and industrial properties in regional Victoria	97	85	86	87	90
Land transfer duty exemption for charities and friendly societies	17	14	14	14	15
Land transfer duty exemption for family farm	40	32	32	33	34
Big Housing Build: Land transfer duty waiver for residential property transactions of up to \$1 million ⁽ⁿ⁾	876	121	120	39	15
Temporary land transfer duty discount for new residential property within the Melbourne local government area ^(o)	7	6	9	17	15
Total land transfer duty expenditures	2 442	1 353	1 365	1 314	1 329
Congestion levy					
Residential	8	9	9	9	9
Commercial and private	56	58	59	61	62
Support for households and businesses: Congestion levy waiver ^(p)	2	..	..	..	..
Total congestion levy expenditures	66	66	68	70	71
Mental Health and Wellbeing Levy ^{(q)(r)}					
Wages paid by public hospitals	13	33	34	36	38
Wages paid by non-profit hospitals	1	3	4	4	4
Wages paid by health care services	1	3	3	3	4
Wages paid by public benevolent institutions/charities	7	17	18	20	21
Wages paid by religious institutions ^(c)	..	..	..	..	..
Wages paid by non-profit non-government schools	6	14	15	16	18
Wages paid by municipal councils (not wages for trading activities)	8	20	21	22	24
Construction industry leave entitlements paid by CoINVEST ^(c)	..	1	1	1	1

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

Description	2021-22	2022-23	2023-24	2024-25	2025-26
Mental Health and Wellbeing Levy (continued)					
Fringe benefits excluded from Fringe Benefits Tax Assessment Act 1986 (Commonwealth) ^(c)	..	1	1	1	1
Paid parental leave	1	1	2	2	2
Wages paid to employees participating in voluntary emergency service work ^(c)	..	1	1	1	1
Total Mental Health and Wellbeing Levy expenditures	38	94	100	106	113
Insurance Duty ^(s)					
Premiums on products provided by friendly societies	5	5	5	6	6
Premiums on life insurance policies	170	181	194	207	221
Premiums on accident cover policies including workers compensation	328	337	348	361	375
Total insurance duty expenditures	503	523	547	573	602
Total estimated tax expenditures	11 745	11 843	12 118	12 591	13 534

Source: Department of Treasury and Finance

Notes:

- (a) Total land tax expenditures are expected to increase significantly from 2022-23 in line with actual and forecast increases in land values.
- (b) Estimates of land tax exemption for the CityLink network can no longer be produced due to data availability.
- (c) Estimated expenditures are below \$500 000 in some years due to a low number or value of concessions provided.
- (d) From 1 January 2022, eligible build-to-rent projects will receive a 50 per cent discount on land tax liabilities. The absentee owner surcharge component of the build-to-rent exemption is included with the general absentee owner surcharge expenditure.
- (e) Estimates for the exemption for wages paid to re-employed apprentices and trainees can no longer be produced due to changes in data availability.
- (f) Estimates revised upwards due to increase in payroll tax forecasts.
- (g) While the Commonwealth JobKeeper program concluded on 28 March 2021, some costs are incurred in 2021-22 where annual payer self-assessments are lodged in the 2021-22 financial year.
- (h) Expenditure estimates for the registration concession for zero and low-emission vehicles are based on 2020-21 financial year data. Current estimates do not reflect the change in policy excluding conventional hybrid vehicles from the registration concession from 1 July 2021 due to data availability.
- (i) From 1 July 2022, a motor vehicle duty exemption will be provided for the sale or transfer of wheelchair accessible commercial passenger vehicles that provide unbooked services. The exemption will only apply to the sale or transfer of eligible vehicles that are less than two years old.
- (j) Expenditure estimates for the concession provided to first home buyers have been downgraded since the 2021-22 Budget due to lower expectations for the number of property transactions below \$750 000 that are eligible for the first home buyer concession.
- (k) These expenditure estimates are typically highly variable due to the lumpy and large nature of the transactions.
- (l) The off-the-plan concession for investors concluded on 1 July 2017. Figures from 2021-22 reflect contracts entered into prior to 1 July 2017 but expected to settle after 1 July 2021.
- (m) Incorporates the increase in the threshold for the land transfer duty off-the-plan concession from \$550 000 to \$1 million for home buyers and \$750 000 to \$1 million for first home buyers for contracts entered into between 1 July 2021 to 30 June 2023.
- (n) Eligibility for this waiver ended on 1 July 2021. Tax expenditures from 2021-22 onward reflect contracts entered into prior to 1 July 2021 but expected to settle after 1 July 2021. The tax expenditure for this waiver has increased compared with the 2021-22 Budget due to stronger than expected property sales and uptake of the concession in 2020-21.
- (o) This concession will end on 1 July 2022. Tax expenditures for 2022-23 and beyond reflect contracts entered into prior to 1 July 2022 but expected to settle from 1 July 2022. The profile of this item has been revised since the 2021-22 Budget reflecting a longer than expected lag between contract and settlement dates for off-the-plan transactions.
- (p) Congestion levy waiver of 25 per cent of the 2020 levy for car park owners and operators.
- (q) The Mental Health and Wellbeing Levy commenced on 1 January 2022 implemented as a payroll tax surcharge on wages paid in Victoria by businesses with national payrolls over \$10 million a year.
- (r) Data limitations mean the cost of the Mental Health and Wellbeing Levy exemptions for wages paid by Commonwealth departments/agencies (excluding transport and communication) is included in the payroll tax estimate of the same name.
- (s) The Duties Act 2000 provides for other exemptions from insurance duty including premiums on health insurance policies, freight and certain freight vehicle policies, crop and livestock policies and agricultural machinery policies. These exemptions are unable to be costed due to availability of data.

Table 5.3 shows the ratio of tax expenditures to revenue by the main categories of tax in 2022-23. Overall, the ratio increased from 36 per cent in 2021-22 (as published in *2021-22 Budget*) to 39 per cent in 2022-23, in part due to the inclusion of insurance duty expenditure estimates for the first time. The ratio of estimated tax expenditures for 2022-23 is higher than estimates over the past decade, increasing from around 25 per cent in 2012-13. However, it remains below the peak ratio of 49 per cent recorded in 2020-21 where significant concessions were provided in response to the COVID-19 pandemic.

Table 5.3: Estimated aggregate tax expenditures and tax revenue in 2022-23 (\$ million)

<i>Description</i>	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	7 555	4 836	1.56
Fire Services Property Levy	30	800	0.04
Payroll tax	1 920	6 815	0.28
Gambling taxes	79	2 437	0.03
Motor vehicle taxes	222	3 071	0.07
Land transfer duties	1 353	8 226	0.16
Congestion levy	66	108	0.62
Mental Health and Wellbeing Levy	94	819	0.12
Insurance duty	523	1 829	0.29
Other/miscellaneous	..	1 546	..
Total for items estimated ^(a)	11 843	30 488	0.39

Source: Department of Treasury and Finance

Note:

(a) Totals may not add due to rounding.

Table 5.4 estimates tax expenditures for groups of potential taxpayers based on the legal incidence of state taxes. The largest beneficiaries of 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 \$5.0 billion in 2022-23.

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

Description	2021-22	2022-23	2023-24	2024-25	2025-26
Business not elsewhere included ^(a)	1 735	1 734	1 370	1 427	1 501
Charitable, religious and educational institutions	886	969	1 023	1 074	1 144
Gambling clubs	66	79	79	81	82
Commonwealth and State governments	1 220	1 402	1 505	1 577	1 717
Local government	637	725	774	811	876
Hospitals	225	253	264	276	289
Pensioners/concession cardholders	249	244	252	263	282
Owner-occupier households	5 411	5 008	5 321	5 466	5 891
Investors purchasing off-the-plan properties	52	2	..	..	..
Primary producers	977	1 112	1 191	1 247	1 357
Sporting, recreation and cultural organisations	61	71	76	80	87
Other	225	242	264	290	308
Total for items estimated ^(b)	11 745	11 843	12 118	12 591	13 534

Source: Department of Treasury and Finance

Note:

(a) The profile of this item captures all payroll tax expenditures not applicable to specific business sectors. The variance over time is due to the completion of bushfire and COVID-19 relief measures.

(b) Totals may not add due to rounding.

CONCESSIONS

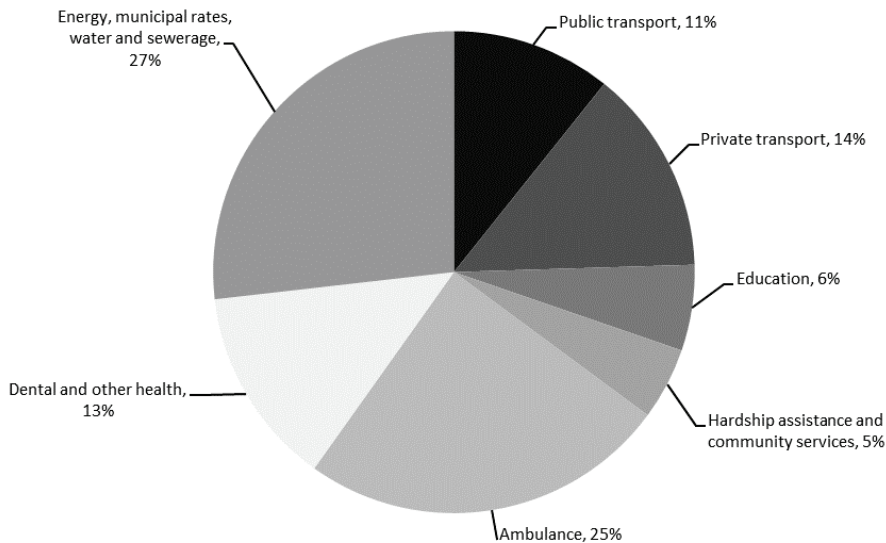
Concessions are direct budget outlays or reduced government charges that reduce the price of a good or service for particular groups. Over the past decade to 2021-22, the State has provided \$16.9 billion in concessions. In 2022-23, concessions are forecast to be about \$1.9 billion.

Certain characteristics of a consumer, such as possessing a Commonwealth Government pension card or healthcare 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 2022-23. The two largest categories account for almost two-thirds of total concessions:

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

Chart 5.1: Estimated concessions by category 2022-23



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, funding of the Multi-Purpose Taxi Program and Veterans package for ANZAC day.

Table 5.5: Concessions by category (\$ million)

<i>Description</i>	<i>2021-22</i>	<i>2022-23</i>
Electricity	163	152
Mains gas	75	69
Municipal rates	103	103
Water and sewerage	197	178
Total energy, municipal rates, water and sewerage	538	503
Ambulance	450	464
Dental services and spectacles ^(a)	210	137
Community health programs ^(b)	231	113
Total health	892	714
Education ^(c)	181	108
Hardship schemes	69	84
Social and community services	16	7
Private transport	239	258
Public transport	193	201
Total for items estimated	2 128	1 875

Source: Department of Treasury and Finance

Notes:

(a) School dental funding is not included in the 2022-23 estimates due to data availability

(b) Decrease in health program concession expenditure is due to the slowing COVID-19 relief funding.

(c) Decrease in education concession expenditure following the conclusion of COVID-19 relief funding and a fall in projected enrolments driven by a reduction in estimated population growth.

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 21 April 2022.

Table 6.1: Quantifiable contingent assets	(\$ million)	
	<i>As at Dec 2021 ^(a)</i>	<i>As at April 2022</i>
Guarantees, indemnities and warranties	56	81
Legal proceedings and disputes	5	3
Other	37	47
Total contingent assets	98	131

Source: Department of Treasury and Finance

Note:

(a) As published in the 2021-22 Budget Update.

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 21 April 2022.

Table 6.2: Quantifiable contingent liabilities (\$ million)

	As at Dec 2021 ^(a)	As at April 2022
Guarantees, indemnities and warranties ^(b)	1 089	999
Legal proceedings and disputes	339	423
Other	385	454
Non-general government debt ^(c)	14 997	14 241
Total contingent liabilities	16 810	16 118

Source: Department of Treasury and Finance

Notes:

(a) As published in the 2021-22 Budget Update.

(b) Guarantees, indemnities and warranties include loans provided by the Treasury Corporation of Victoria to entities other than the State of Victoria and participating authorities, subject to the provision of a guarantee by the Treasurer.

(c) 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
- 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.

Biosciences Research Centre (known as AgriBio)

The quarterly service fee payment obligations of Biosciences Research Centre Pty Ltd (BRC Co) 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 that the joint venture participants have the financial capacity to meet their payment obligations to BRC Co, thereby enabling BRC Co to meet its obligations to pay the quarterly service fee to the concessionaire under the Project Agreement. The State underwrites the risk of any default by BRC Co.

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.

COVID-19 class action – Victorian businesses

A class action has been filed in the Supreme Court of Victoria against the State of Victoria, the Ministers for Health and Jobs, and the Secretaries of the Department of Health and Human Services and the Department of Jobs, Precincts and Regions relating to Stage 3 and 4 public health restrictions. The VMIA has been notified of this proceeding. VMIA's Combined Liability Policy will respond.

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

COVID-19 class action – Public Housing Tower residents

A class action was filed in the Supreme Court of Victoria against the State of Victoria relating to the decision to declare localised public health restrictions. The VMIA has been notified of this proceeding. VMIA's Combined Liability Policy will respond.

At this stage, it is impractical to quantify the financial effects of this contingent liability.

COVID-19 related claim notifications

The Department of Transport may receive notifications under the contractual agreements by the contractors in relation to the possible impact of the COVID-19 pandemic on a number of projects. Possible future claims cannot be reliably estimated at this stage, as quantifiable claims have not yet been provided under the contract.

Until detailed claims have been submitted and substantiated by the contractors, it is not possible to estimate the financial effect of the claims.

Department of Education and Training

The Department of Education and Training 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
- teaching service and public service employees – if a Department employee is named as a defendant in a civil proceeding (for example, personal injury, discrimination or employment claim), any costs and damages will generally be paid by the Department provided the employee 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, employment disputes and other civil claims, for the cost of settlement and/or 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
 - the school council has insufficient funds to pay the claim.

Firefighters' Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Act 2019

The *Firefighters' Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Act 2019* (the Act) received royal assent on 2 July 2019.

Part 2 of the Act, which came into operation on 3 July 2019, provides for the establishment and operation of the Firefighters' Presumptive Rights Compensation scheme for both career and volunteer firefighters. At the time of the preparation of this report, it is impractical to quantify any possible contingent liabilities for the State arising from the scheme.

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). In addition, the CFA has received a clean-up notice to remediate the immediate neighbouring properties located downstream of the former Fiskville Training College.

The Government's response to the Fiskville Inquiry was tabled in Parliament on 24 November 2016. The response supported 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, and recommendations made by the inquiry.

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

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

Planning scheme compensation

Under section 98 of the *Planning and Environment Act 1987*, the owner or occupier of any land may claim compensation from the planning authority for financial loss suffered as the natural, direct and reasonable consequence of the land being reserved, or declared as reserved for a public purpose under a planning scheme.

The future liability depends on a number of factors and cannot be reliably quantified.

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
- 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 landowners. 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

The Department of Transport (DoT) 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 DoT or a successor. In the case of some assets, a reversion back to DoT would entail those assets being purchased
- unfunded superannuation – at the early termination or expiry of the contract, DoT 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.

Royal Commission into the Management of Police Informants

The Royal Commission into the Management of Police Informants began hearings in February 2019. The final report and recommendations were delivered to the Governor of Victoria on 30 November 2020.

Victoria Police anticipates it may receive claims for compensation. Victoria Police will assess any litigation as it arises.

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

Royal Melbourne Showgrounds redevelopment

The State has entered into an agreement with the Royal Agricultural Society of Victoria (RASV) pursuant to which the State agrees to support certain payment obligations of RASV that may arise under the Non-Core Development Agreement subject to the RASV complying with certain obligations as set out in that Deed.

Southern Cross Station target capacity threshold

The State has a possible liability relating to a claim from a contractor responsible for operating and maintaining Southern Cross Station. The claim relates to patronage levels at the station and the contract provides a process to assess whether modifications to the station, compensation to the contractor or changes to the service standards are required. The claim is being considered and the financial effect is yet to be determined.

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 as defined under the *Victorian Managed Insurance Authority Act 1996* and other entities. The VMIA insures its clients for property, public and products liability, professional indemnity, medical indemnity and contract works, and provides domestic building insurance to Victorian residential builders and COVID-19 event insurance to qualifying creative, business, sporting and community event organisers.

The VMIA reinsures in the private market based on the likelihood and impact of events as well as the cost and availability of such cover. The risk of losses above what VMIA reinsures in the private market is borne by the State.

The State, under separate deeds of indemnity, has agreed to reimburse VMIA:

- if the costs of public sector medical indemnity claims for a policy year exceed the initial estimate, on which the risk premium was based, by more than 20 per cent
- for losses above a certain limit that VMIA may incur due to changes in the availability of reinsurance.

Yallourn Power Station safety net

The Government has reached an agreement with EnergyAustralia (EA) to ensure an orderly transition as EA implements the closure of the Yallourn Power Station in June 2028.

The agreement includes, should it be needed, a safety net to avoid an unplanned exit of Yallourn.

As part of this safety net, under certain scenarios, the State agrees to provide partial support to EA in the event of exceptional costs incurred in the operation of the Yallourn Power Station.

This support will help to ensure Yallourn's workers and Victoria's energy system have sufficient time to plan for the plant's closure. The possible liability depends on a number of future events and cannot be reliably and readily quantified.

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
- temporary borrowings, should the balance in the Consolidated Fund be insufficient to meet commitments during a financial year.

The 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 from which funds may be expended without 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 2022 and 30 June 2023

(\$ million)

	2021-22 budget	2022-23 budget	Variation %
Receipts			
Taxation	28 721	31 042	8.1
Fines and regulatory fees	1 249	1 100	(11.9)
Grants received	23 609	26 731	13.2
Interest received	475	478	0.6
Dividends, income tax equivalent and rate equivalent receipts	449	363	(19.1)
Sales of goods and services and other receipts (including section 29 FMA annotated)	5 497	5 573	1.4
Total operating activities	60 001	65 288	8.8
Total cash inflows from investing and financing	26 560	20 294	(23.6)
Total receipts	86 561	85 582	(1.1)
Payments			
Special appropriations	6 501	7 270	11.8
Appropriations ^(a)			
Provision of outputs	51 011	51 440	0.8
Additions to the net asset base	10 854	12 695	17.0
Payments made on behalf of the State	20 909	21 286	1.8
Receipts credited to appropriation			
Provision of outputs	2 548	2 638	3.5
Additions to the net asset base	1 266	1 900	50.0
Sub total	93 089	97 228	4.4
Appropriations remaining unspent ^(b)	(1 009)	(1 085)	7.6
Total payments ^(b)	92 080	96 143	4.4
Net receipts/(payments) ^(b)	(5 519)	(10 561)	n.a.
Opening balance 1 July ^(c)	1 070	(1 175)	(209.8)
Estimated closing balance 30 June ^(b)	(4 449)	(11 736)	163.8

Source: Department of Treasury and Finance

Notes:

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

(b) The 2021-22 Budget figures have been restated to reflect more current information.

(c) The opening balance of the consolidated fund for the 2022-23 Budget is based on the 2021-22 opening balances plus the estimated movements for the 2021-22 revised budget (see Appendix B Note B.10.1).

A.2 Consolidated Fund receipts ^(a)

(\$ thousand)

	2021-22 budget	2022-23 budget	Variation %
Operating receipts			
Taxation			
Payroll tax	9 105 012	8 240 586	(9.5)
Mental Health and Wellbeing Levy	386 700	983 034	154.2
Land tax	4 239 855	4 749 233	12.0
Fire Services Property Levy	769 626	800 240	4.0
Congestion levy	106 276	108 369	2.0
Gambling taxes	2 141 779	2 368 548	10.6
Financial and capital transactions			
Land transfer duty	6 717 473	8 234 381	22.6
Other property duties	17	12	(29.8)
Growth areas infrastructure contribution	181 520	165 000	(9.1)
Metropolitan Planning Levy	20 502	19 998	(2.5)
Financial accommodation levy	165 053	183 513	11.2
Levies on statutory corporations	172 500	173 480	0.6
Insurance	1 626 240	1 829 009	12.5
Motor vehicle			
Registration fees pursuant to the <i>Road Safety Act</i> , No. 127 of 1986	1 944 297	2 006 598	3.2
Stamp duty on vehicle transfers	979 440	1 077 248	10.0
Liquor licence fees	23 457	26 039	11.0
Other taxes	140 974	76 319	(45.9)
Total	28 720 721	31 041 605	8.1
Fines and regulatory fees			
Fines	464 874	424 665	(8.6)
Regulatory fees	784 360	675 310	(13.9)
Total	1 249 234	1 099 975	(11.9)
Grants received by department			
Department of Environment, Land, Water and Planning	211	211	..
Department of Families, Fairness and Housing	1 578	586	(62.9)
Department of Health	81 307	72 541	(10.8)
Department of Jobs, Precincts and Regions	40	1 564	3 810.0
Department of Justice and Community Safety	200	582	191.0
Department of Transport	5 768	14 364	149.0
Department of Treasury and Finance	23 519 801	26 641 250	13.3
Total	23 608 906	26 731 098	13.2
Interest received	475 295	478 271	0.6

A.2 Consolidated Fund receipts (*continued*)

(\$ thousand)

	2021-22 <i>budget</i>	2022-23 <i>budget</i>	Variation %
Dividends, income tax equivalent and rate equivalent receipts			
Dividends	202 709	134 419	(33.7)
Income tax equivalent receipts	239 890	223 910	(6.7)
Local government tax equivalent receipts	6 520	5 090	(21.9)
Total	449 120	363 418	(19.1)
Sales of goods and services and other receipts	5 497 439	5 573 456	1.4
Total operating activities	60 000 715	65 287 823	8.8
Total cash inflows from investing and financing	26 560 410	20 293 869	(23.6)
Total Consolidated Fund receipts	86 561 125	85 581 693	(1.1)

Source: Department of Treasury and Finance

Note:

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

A.3 Consolidated Fund appropriations – summary

(\$ thousand)

	2021-22 budget	2022-23 budget	Variation %
Education and Training			
Special appropriations	6 173	5 563	(9.9)
Annual appropriations	16 530 399	17 711 570	7.1
Total	16 536 572	17 717 133	7.1
Environment, Land, Water and Planning			
Special appropriations	201 938	193 872	(4.0)
Annual appropriations	3 042 948	3 398 035	11.7
Total	3 244 887	3 591 907	10.7
Families, Fairness and Housing			
Special appropriations	65 354	73 280	12.1
Annual appropriations	6 715 195	8 263 297	23.1
Total	6 780 549	8 336 577	22.9
Health			
Special appropriations	2 077 486	2 809 288	35.2
Annual appropriations	12 301 873	12 771 300	3.8
Total	14 379 358	15 580 588	8.4
Jobs, Precincts and Regions			
Special appropriations	..	..	..
Annual appropriations	2 797 346	3 171 772	13.4
Total	2 797 346	3 171 772	13.4
Justice and Community Safety			
Special appropriations	120 888	154 782	28.0
Annual appropriations	9 761 798	9 839 676	0.8
Total	9 882 685	9 994 458	1.1
Premier and Cabinet			
Special appropriations	61 469	141 819	130.7
Annual appropriations	482 850	503 433	4.3
Total	544 318	645 252	18.5
Transport			
Special appropriations	902 132	672 496	(25.5)
Annual appropriations	13 154 097	14 857 706	13.0
Total	14 056 229	15 530 202	10.5
Treasury and Finance			
Special appropriations	2 738 503	2 874 577	5.0
Annual appropriations	20 760 781	18 418 555	(11.3)
Total	23 499 284	21 293 133	(9.4)
Parliament			
Special appropriations	56 131	56 457	0.6
Annual appropriations	298 574	306 384	2.6
Total	354 706	362 841	2.3
Courts			
Special appropriations	271 283	287 387	5.9
Annual appropriations	741 859	716 925	(3.4)
Total	1 013 143	1 004 312	(0.9)
Total special appropriations	6 501 357	7 269 521	11.8
Total annual appropriations	86 587 721	89 958 653	3.9
Total appropriations ^(a)	93 089 078	97 228 174	4.4

Source: Department of Treasury and Finance

Note:

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

A.4 Consolidated Fund payments – special appropriations ^(a)

(\$ thousand)

	2021-22 budget	2022-23 budget	Variation %
Education and Training			
<i>Education and Training Reform Act No. 24/26 of 2006, Section 5.6.8 – Volunteer Workers Compensation</i>	283	283	..
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	5 890	5 280	(10.4)
Total	6 173	5 563	(9.9)
Environment, Land, Water and Planning			
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	20 218	11 710	(42.1)
Payments to Building New Communities Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	90 860	91 081	0.2
Payments to Growth Areas Public Transport Fund pursuant to Section 201V of the <i>Planning and Environment Act No. 45 of 1987</i>	90 860	91 081	0.2
Total	201 938	193 872	(4.0)
Families, Fairness and Housing			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	..	8 045	n.a.
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	1 419	1 300	(8.4)
<i>Gambling Regulation Act No. 114 of 2003, Section 5.4.6 – Contribution to Hospitals and Charities Fund / Mental Health Fund</i>	63 935	63 935	..
Total	65 354	73 280	12.1
Health			
<i>Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund</i>	18 150	18 880	4.0
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	10 956	9 640	(12.0)
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	87 722	57 619	(34.3)
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.11 – Hospitals and Charities Fund and Mental Health Fund</i>	913 042	941 780	3.1
<i>Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 – Hospitals and Charities Fund</i>	148 589	175 500	18.1
<i>Gambling Regulation Act No. 114 of 2003, Section 5.4.6 – Hospitals and Charities Fund and Mental Health Fund</i>	508 093	613 615	20.8
<i>Gambling Regulation Act No. 114 of 2003, Section 6A.4.4(1) – Contributions to Hospital and Charities Fund and Mental Health Fund</i>	4 232	9 220	117.9
<i>Mental Health Act 2014 – Contribution to mental health services funding</i>	386 700	983 034	154.2
Total	2 077 486	2 809 288	35.2

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

(\$ thousand)

	2021-22 budget	2022-23 budget	Variation %
Justice and Community Safety			
<i>Crown Proceedings Act No. 6232</i>	6 055	6 206	2.5
<i>EastLink Project Act No. 39 of 2004, Section 26 – Appropriation</i>	2 485	2 547	2.5
<i>Emergency Management Act No 30 of 1986, Section 32 – Volunteer Workers Compensation</i>	374	383	2.4
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	..	1 935	n.a.
<i>Financial Management Act No. 18 of 1994, Section 23 – Departmental Working Accounts</i>	..	36 000	n.a.
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	9 169	10 663	16.3
<i>Melbourne City Link, Act No. 107 of 1995, Section 14(4)</i>	3 551	3 640	2.5
<i>National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 Act No 21 of 2018 Section 11(a): Payments to the Commonwealth</i>	90 332	84 688	(6.2)
<i>National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 Act No 21 of 2018 Section 11(b): Provision of Counselling and Psychological Services</i>	4 198	3 935	(6.3)
<i>National Redress Scheme for Institutional Child Sexual Abuse (Commonwealth Powers) Act 2018 Act No 21 of 2018 Section 11(c): State Administration Costs</i>	3 456	3 488	0.9
<i>Victoria State Emergency Service Act No. 51 of 2005, Section 52 – Volunteer Workers Compensation</i>	1 021	1 047	2.5
<i>Work Cover Authority Fund, Corrections Act 1986, part 9D, Section 104ZW</i>	247	250	1.2
Total	120 888	154 782	28.0
Premier and Cabinet			
<i>Constitution Act No. 8750 – Executive Council</i>	50	50	..
<i>Constitution Act No. 8750 – Governor's Salary</i>	515	515	..
<i>Electoral Act No. 23 of 2002, Section 215 – Electoral Entitlement</i>	12 760	18 330	43.7
<i>Electoral Act No. 23 of 2002, Section 181 – Electoral Expenses</i>	48 144	122 924	155.3
Total	61 469	141 819	130.7
Transport			
<i>Business Franchise (Petroleum Products) Act, No.9272 of 1979, Section 13</i>	591 536	613 545	3.7
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth grants</i>	308 596	56 951	(81.5)
<i>Transport (Compliance and Miscellaneous) Act, Section 213A(4)</i>	2 000	2 000	..
Total	902 132	672 496	(25.5)

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

(\$ thousand)

	2021-22 budget	2022-23 budget	Variation %
Treasury and Finance			
<i>Constitution Act No. 8750 – Governors Pension</i>	1 854	1 083	(41.6)
<i>Constitution Act No. 8750 – Judges of the Supreme Court</i>	13 810	11 060	(19.9)
<i>County Court Act No. 6230 – Judges</i>	19 005	15 314	(19.4)
<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 ^(a)</i>	10 371	10 018	(3.4)
<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>	149 913	149 913	..
<i>Gambling Regulation Act No. 114/2003 Section 4.6A.5A – Anzac Day Proceeds Fund</i>	652	662	1.5
<i>Gambling Regulation Amendment (Wagering and Betting) Act 2018, Section 4.6A.5</i>	83 290	84 819	1.8
<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>	1 046 908	1 046 908	..
<i>Taxation (Interest on Overpayments) Act No. 35 of 1986, Section 11</i>	1 000	1 000	..
<i>Taxation Administration Act 1997, Section 121</i>	387 300	529 400	36.7
<i>Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 – Debt Retirement</i>	1 000 700	1 000 700	..
Total	2 738 503	2 874 577	5.0
Parliament			
<i>Audit Act No. 2 of 1994, Section 79(3) – Audit of Auditor-Generals Office</i>	41	42	2.4
<i>Constitution Act No. 8750 – Clerk 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>	616	631	2.4
<i>Emergency Services Superannuation Act 1986, Part 4AC, Section 22DT</i>	9 300	..	(100.0)
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)</i>	..	6 367	n.a.
<i>Ombudsman Act No. 8414</i>	607	607	..
<i>Parliamentary Salaries, Allowances and Superannuation Act, No. 7723 of 1968 – Salaries and Allowances</i>	44 815	48 057	7.2
Total	56 131	56 457	0.6

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

(\$ thousand)

	2021-22 budget	2022-23 budget	Variation %
Courts			
<i>Constitution Act No. 8750 - Chief Justice</i>	971	1 015	4.6
<i>Constitution Act No. 8750 - Judges Court of Appeal</i>	9 351	9 772	4.5
<i>Constitution Act No. 8750 - Judges of the Supreme Court</i>	33 335	34 781	4.3
<i>Constitution Act No. 8750 - President Court of Appeal</i>	782	819	4.7
<i>Constitution Act No. 8750 - Section 87AAT(5) – Judicial Commission investigating panel members</i>	227	236	4.0
<i>County Court Act No. 6230 -Judges</i>	45 599	48 960	7.4
<i>Juries Act No. 53 of 2000, Section 59 – Compensation to Jurors</i>	33	36	8.6
<i>Magistrates Court Act No. 51 of 1989</i>	85 125	88 125	3.5
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Awards</i>	70 690	70 690	..
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 – Expenses</i>	5 324	5 392	1.3
<i>Victorian Civil and Administrative Tribunal Act 53 of 1998, Section 17AA</i>	19 847	27 562	38.9
Total	271 283	287 387	5.9
Total special appropriations	6 501 357	7 269 521	11.8

Source: Department of Treasury and Finance

Note:

(a) Relates to previously applied appropriations.

A.5 Consolidated Fund payments: total annual appropriations

Details of total annual appropriations for 2022-23 are outlined below, including estimated amounts of unapplied 2021-22 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 2022-23 *Budget* are in **bold**. Estimates for the 2021-22 *Budget* in *italics* reflect amounts published in the 2021-22 *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 ^(a)	15 199 343	1 929 280	..	17 128 623
	<i>14 473 942</i>	<i>1 409 934</i>	..	<i>15 883 876</i>
Receipts credited to appropriation ^(b)	582 947	..	..	582 947
	<i>615 360</i>	..	..	<i>615 360</i>
Unapplied previous year appropriation carried over ^(c)	..	..	..	..
	<i>31 163</i>	..	..	<i>31 163</i>
Total appropriation	15 782 290	1 929 280	..	17 711 570
	<i>15 120 465</i>	<i>1 409 934</i>	..	<i>16 530 399</i>
Environment, Land, Water and Planning				
Appropriation ^(a)	2 054 587	292 461	715 752	3 062 800
	<i>1 879 359</i>	<i>238 475</i>	<i>684 226</i>	<i>2 802 060</i>
Receipts credited to appropriation ^(b)	252 585	82 650	..	335 235
	<i>201 788</i>	<i>39 100</i>	..	<i>240 888</i>
Unapplied previous year appropriation carried over ^(c)	..	..	..	..

Total appropriation	2 307 172	375 111	715 752	3 398 035
	<i>2 081 147</i>	<i>277 575</i>	<i>684 226</i>	<i>3 042 948</i>
Families, Fairness and Housing				
Appropriation ^(a)	4 247 602	784 818	2 740 966	7 773 386
	<i>6 012 626</i>	<i>140 854</i>	<i>69 107</i>	<i>6 222 587</i>
Receipts credited to appropriation ^(b)	462 790	27 121	..	489 911
	<i>465 488</i>	<i>27 121</i>	..	<i>492 608</i>
Unapplied previous year appropriation carried over ^(c)	..	..	..	..
Total appropriation	4 710 391	811 939	2 740 966	8 263 297
	<i>6 478 113</i>	<i>167 975</i>	<i>69 107</i>	<i>6 715 195</i>

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

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Health				
Appropriation ^(a)	12 175 433	131 554	..	12 306 987
	11 670 875	155 140	..	11 826 015
Receipts credited to appropriation ^(b)	375 825	74 180	..	450 004
	375 335	51 446	..	426 782
Unapplied previous year appropriation carried over ^(c)	14 308	..	..	14 308
	49 076	..	..	49 076
Total appropriation	12 565 566	205 734	..	12 771 300
	12 095 286	206 586	..	12 301 873
Jobs, Precincts and Regions				
Appropriation ^(a)	2 752 483	212 942	94 563	3 059 988
	2 433 481	186 516	76 712	2 696 709
Receipts credited to appropriation ^(b)	111 784	..	..	111 784
	100 637	..	..	100 637
Unapplied previous year appropriation carried over ^(c)	..	..	..	..

Total appropriation	2 864 267	212 942	94 563	3 171 772
	2 534 118	186 516	76 712	2 797 346
Justice and Community Safety				
Appropriation ^(a)	8 613 485	874 988	53 001	9 541 474
	8 108 685	1 328 476	53 000	9 490 162
Receipts credited to appropriation ^(b)	281 833	600	..	282 433
	271 036	600	..	271 636
Unapplied previous year appropriation carried over ^(c)	15 769	..	..	15 769

Total appropriation	8 911 087	875 588	53 001	9 839 676
	8 379 721	1 329 076	53 000	9 761 798
Premier and Cabinet				
Appropriation ^(a)	489 424	13 254	..	502 678
	456 481	12 816	..	469 297
Receipts credited to appropriation ^(b)	755	..	..	755
	755	..	..	755
Unapplied previous year appropriation carried over ^(d)	..	..	..	..
	12 798	..	..	12 798
Total appropriation	490 179	13 254	..	503 433
	470 034	12 816	..	482 850

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>
Transport				
Appropriation ^(a)	4 557 392	8 130 844	..	12 688 236
	4 592 951	7 007 309	..	11 600 260
Receipts credited to appropriation ^(b)	454 462	1 715 008	..	2 169 470
	406 120	1 147 718	..	1 553 837
Unapplied previous year appropriation carried over ^(c)	..	..	..	..

Total appropriation	5 011 854	9 845 852	..	14 857 706
	4 999 071	8 155 026	..	13 154 097
Treasury and Finance				
Appropriation ^(a)	555 941	172 403	17 681 665	18 410 009
	579 292	147 120	20 025 822	20 752 234
Receipts credited to appropriation ^(b)	8 546	..	..	8 546
	8 546	..	..	8 546
Unapplied previous year appropriation carried over ^(c)	..	..	..	..

Total appropriation	564 487	172 403	17 681 665	18 418 555
	587 839	147 120	20 025 822	20 760 781
Parliament				
Appropriation ^(d)	256 452	12 287	..	268 739
	248 181	15 939	..	264 120
Receipts credited to appropriation ^(b)	30 766	..	..	30 766
	27 720	..	..	27 720
Unapplied previous year appropriation carried over ^(c)	6 879	..	..	6 879
	6 684	50	..	6 734
Total appropriation	294 097	12 287	..	306 384
	282 585	15 989	..	298 574
Courts				
Appropriation ^(a)	500 940	140 539	..	641 479
	455 782	211 288	..	667 070
Receipts credited to appropriation ^(b)	75 446	..	..	75 446
	74 790	..	..	74 790
Unapplied previous year appropriation carried over ^(c)	..	..	..	..

Total appropriation	576 386	140 539	..	716 925
	530 571	211 288	..	741 859

Source: Department of Treasury and Finance

Notes:

(a) Appropriation (2022-23) Bill.

(b) Financial Management Act 1994 Section 29.

(c) Financial Management Act 1994 Section 32.

(d) Appropriation (Parliament 2022-23) Bill.

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

Estimates for the 2022-23 *Budget* are in **bold**; estimates for the 2021-22 *Budget* are in *italics*.
(\$ thousand)

<i>Department</i>	<i>Outputs</i>	<i>Receipt source</i>		<i>Total</i>
		<i>Commonwealth</i>	<i>Other^(a)</i>	
Education and Training	99 460	483 487	..	582 947
	<i>95 414</i>	<i>519 946</i>	..	<i>615 360</i>
Environment, Land, Water and Planning	37 069	298 166	..	335 235
	<i>33 567</i>	<i>207 321</i>	..	<i>240 888</i>
Families, Fairness and Housing	56 075	427 586	6 250	489 911
	<i>58 033</i>	<i>428 325</i>	<i>6 250</i>	<i>492 608</i>
Health	287 342	159 483	3 180	450 004
	<i>286 390</i>	<i>137 246</i>	<i>3 146</i>	<i>426 782</i>
Jobs, Precincts and Regions	95 281	16 503	..	111 784
	<i>100 003</i>	<i>634</i>	..	<i>100 637</i>
Justice and Community Safety	181 464	100 369	600	282 433
	<i>185 820</i>	<i>85 216</i>	<i>600</i>	<i>271 636</i>
Premier and Cabinet	755	..	..	755
	<i>755</i>	..	..	<i>755</i>
Transport	271 540	1 897 930	..	2 169 470
	<i>142 691</i>	<i>1 409 602</i>	<i>1 544</i>	<i>1 553 837</i>
Treasury and Finance	8 546	..	..	8 546
	<i>8 546</i>	..	..	<i>8 546</i>
Parliament	30 766	..	..	30 766
	<i>27 720</i>	..	..	<i>27 720</i>
Courts	66 092	9 354	..	75 446
	<i>65 619</i>	<i>9 171</i>	..	<i>74 790</i>

Source: Department of Treasury and Finance

Note:

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

A.7 The Trust Fund

(\$ thousand)

	2021-22 <i>budget</i>	2021-22 <i>revised</i>	2022-23 <i>budget</i>	Variation %
Cash flows from operating activities				
Receipts				
Taxation	584 765	584 765	656 308	12.2
Regulatory fees and fines	109 434	110 020	126 438	15.5
Grants received	21 149 536	21 375 843	19 468 841	(7.9)
Sale of goods and services	832 313	1 170 630	1 111 734	33.6
Interest received	74 950	69 501	54 797	(26.9)
Dividends received	92 154	85 559	95 087	3.2
Net transfers from Consolidated Fund	6 180 103	9 610 654	9 165 072	48.3
Other receipts	137 869	219 411	184 596	33.9
Total receipts	29 161 125	33 226 383	30 862 874	5.8
Payments				
Payments for employees	(260 278)	(517 660)	(287 593)	10.5
Superannuation	(17 945)	(40 997)	(23 168)	29.1
Interest paid	(112 114)	(112 282)	(106 531)	(5.0)
Grants and subsidies	(22 782 170)	(23 524 978)	(21 652 096)	(5.0)
Goods and services	(2 728 662)	(5 535 824)	(3 045 852)	11.6
Total payments	(25 901 170)	(29 731 741)	(25 115 240)	(3.0)
Net cash flows from operating activities	3 259 955	3 494 641	5 747 634	76.3
Cash flows from investing activities				
Purchases of non-financial assets	(3 929 704)	(3 548 682)	(5 269 074)	34.1
Sales of non-financial assets	59 340	67 452	63 677	7.3
Net proceeds from customer loans	995 072	724 212	437 868	(56.0)
Other investing activities	(178 278)	(1 121 291)	(620 229)	247.9
Net cash flows from investing activities	(3 053 570)	(3 878 309)	(5 387 759)	76.4
Cash flows from financing activities				
Net borrowings	(249 711)	(138 988)	(547 135)	119.1
Net cash flow from financing activities	(249 711)	(138 988)	(547 135)	119.1
Net cash inflow/(outflow)	(43 325)	(522 656)	(187 259)	332.2
Represented by:				
Cash and cash equivalents held at beginning of reporting period	2 869 847	2 869 847	2 347 191	(18.2)
Cash and cash equivalents held at end of reporting period	2 826 522	2 347 191	2 159 932	(23.6)

Source: Department of Treasury and Finance

APPENDIX B – 2021-22 BUDGET OUTCOME INCORPORATING THE FINANCIAL REPORT FOR THE MARCH QUARTER 2022

The financial statements included in this appendix estimate the budget outcomes for the 2021-22 financial year, taking into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the *2021-22 Budget* to Parliament in May 2021. This appendix also presents the financial results for the Victorian general government sector financial statements for the nine months ended 31 March 2022, prepared in accordance with the *Financial Management Act 1994*.

FINANCIAL RESULTS FOR THE GENERAL GOVERNMENT SECTOR

Revised 2021-22 budget outcome and result for the period to 31 March 2022

For the nine months to 31 March 2022, the general government sector recorded a net result from transactions deficit of \$9.4 billion. This result compares with a full-year revised budget deficit of \$17.6 billion.

The likely 2021-22 full year results cannot be extrapolated from the interim results due to the economic impact of the COVID-19 pandemic and associated public health restrictions for the first half of the year, together with seasonal and other factors impacting on the timing of activities and transactions. These include land tax and the Fire Services Property Levy, Commonwealth grants, and the timing of activity across departments.

Revenue from transactions

Total revenue for the nine months ended 31 March 2022 was \$61.8 billion. This is 75.5 per cent of the full-year revised budget estimate and an increase of \$10.3 billion compared with the same period last year.

Taxation revenue was \$22.9 billion, or 76.3 per cent of the full-year revised budget estimate. Taxation revenue increased by \$5.2 billion when compared with the same period last year. This was largely due to an increase in land transfer duty resulting from an increase in property prices and higher transaction volumes. Also driving the increase was higher payroll tax, primarily resulting from the tapering of payroll tax waivers and refunds provided in the nine months to 31 March 2021 as part of the Government's COVID-19 response, as well as the strong labour market. Land tax also contributed to an increase in taxation revenue, mainly reflecting the tapering of land tax relief measures implemented in the 2020-21 financial year and an increase in land valuations.

Grants received were \$31.5 billion, or 75.3 per cent of the full-year revised budget estimate. Compared with the same period last year, grants received were \$6.1 billion higher. The increase was primarily due to an increase in grants from the Commonwealth relating to the national partnership on support for COVID-19 impacted businesses, the National Partnership on HomeBuilder, and non-government schools grants. GST revenue also increased, due to an increase in household consumption following the easing of public health restrictions.

Revenue from the sale of goods and services was \$4 billion, or 71.9 per cent of the full-year revised budget estimate. This is below the pro rata revised full-year budget primarily due to TAFE fees for the first half of the year being impacted by public health restrictions.

Sale of goods and services revenue was \$1.7 billion lower compared with the same period last year, primarily due to the discontinuation of the capital assets charge policy from 2021-22, which is associated with a matching decrease in reported expenditure.

The other sources of general government revenue represent a relatively small component of total revenue.

Expenses from transactions

Total expenses to 31 March 2022 were \$71.2 billion, an increase of \$9.1 billion (14.6 per cent) compared with the same period last year. This increase mainly reflects the impact of the support measures implemented by the Government in response to the COVID-19 pandemic. This includes measures to support jobs and businesses and to deliver the frontline health response.

Total expenses were \$3.4 billion below pro rata at 71.6 per cent of the full-year revised budget estimate. The variance to the pro rata revised budget is primarily due to the timing of expenditure programs across departments.

Other economic flows

Other economic flows that are not included in the net result from transactions reflected a gain of \$2.3 billion for the nine months to 31 March 2022. This was primarily due to a remeasurement gain on the State's defined benefit superannuation liability of \$3.1 billion largely resulting from an increase in the bond yields that underlie the key superannuation valuation assumptions over the period. This was partially offset by a loss on investments of the general government sector in other sector entities, including operating losses recorded by Homes Victoria, and the revaluation loss on property, plant and equipment relating to the integration of City West Water Corporation and Western Region Water Corporation to form Greater Western Water.

Balance sheet

Total assets increased by \$11.1 billion in the nine months ended 31 March 2022. This mainly reflects the Government's infrastructure investment program, and an increase in receivables relating to land tax receivables with assessments issued in the March quarter.

Total liabilities increased by \$18.1 billion to \$169 billion due to an increase in borrowings over the period to finance higher expenditure resulting from the Government's response to the COVID-19 pandemic, and to fund the Government's infrastructure investment program. This was partially offset by a \$2.7 billion decrease in the State's defined benefit superannuation liability primarily due to an increase in the bond yields that underlie the key superannuation valuation assumptions over the period.

Net debt increased by \$21.9 billion to \$94.6 billion as at 31 March 2022. This was driven mainly by an increase in borrowings for the reasons outlined above.

Cash flow statement

The table below outlines the use of cash resources. It summarises cash generated through the operations of government departments and other general government sector agencies, and how the cash has been invested in fixed assets.

The net cash flows from operating activities for the nine months ended 31 March 2022 was a deficit of \$8.5 billion and is 72.1 per cent of the revised full-year budget.

Application of cash resources for the general government sector ^(a)

	(\$ million)	
	2021-22 actual 31 Mar	2021-22 revised estimate
Net result from transactions – net operating balance	(9 392)	(17 631)
Add back: Non-cash revenues and expenses (net) ^(b)	911	5 868
Net cash flows from operating activities	(8 481)	(11 763)
Less:		
Net investment in fixed assets		
Purchases of non-financial assets	10 073	13 546
Net cash flows from investments in financial assets for policy purposes	(20)	635
Sales of non-financial assets	(147)	(301)
Net investment in fixed assets	9 906	13 881
Leases and service concession arrangements	1 865	2 588
Other movements	1 640	977
Decrease/(increase) in net debt	(21 892)	(29 208)

Source: Department of Treasury and Finance

Notes:

(a) Figures in this table are subject to rounding to the nearest million dollar and may not add up to totals.

(b) Includes depreciation, prepayments and movements in the unfunded superannuation liability and liability of employee benefits, as well as operating cash flows not required to be recognised in the operating statement for the year.

Government infrastructure investment

The State continues to deliver its infrastructure investment program to support economic activity and jobs, growing community needs and ongoing productivity improvement. Government infrastructure investment, which includes general government net infrastructure investment (net of asset sales) and estimated construction-related cash outflows for Partnerships Victoria projects, totalled \$13 billion for the nine months ended 31 March 2022 or 70.9 per cent of the revised full-year budget (\$9.9 billion for the corresponding period in 2021).

The Government's infrastructure scorecard as at 31 March 2022

Major projects in progress include:

- 85 by 2025
- A Pathway to More Acute Mental Health Beds
- Additional VLocity trains
- Ballarat Health Services expansion and redevelopment
- Barwon Heads Road Upgrade
- Big Housing Build
- Building a world-class Geelong Performing Arts Centre
- City Loop fire and safety upgrade (Stage 2) and intruder alarm
- Courts case management system
- Cranbourne line duplication
- E-Class Tram Infrastructure Program
- Echuca-Moama Bridge
- Expanding and improving bed-based forensic mental health services: Thomas Embling Hospital
- Frankston Hospital Redevelopment
- Frankston line stabling
- Geelong Fast Rail
- Goulburn Valley Health redevelopment
- Gippsland Line Upgrade Stage 1
- High Capacity Metro Trains Project
- Homes Victoria Ground Lease Model Project 1
- Hurstbridge Line upgrade – Stage 2
- Kardinia Park Stadium Stage 5 redevelopment
- M80 Ring Road upgrade
- Melbourne Arts Precinct Transformation – Phase 1
- Melbourne Airport Rail
- Melbourne Park redevelopment – Stage 3
- Men's prison system capacity

The Government's infrastructure scorecard as at 31 March 2022 (continued)

- Melbourne Park redevelopment – Stage 3
- Men's prison system capacity
- Metro Tunnel
- Metropolitan Network Modernisation program
- Monash Freeway Upgrade – Stage 2
- Murray Basin Rail Project
- New Footscray Hospital
- New metropolitan trains
- New schools construction
- New trains for Sunbury
- New Wyndham Law Court
- New youth justice facility
- Next Generation Trams
- North East Link – Primary Package (Tunnels) and North East Link – State and Freeway Packages
- Northern Hospital inpatient expansion – Stage 2
- Princes Highway East Stage 3
- Public housing renewal program
- Royal Victorian Eye and Ear Hospital redevelopment
- School Upgrades – growth
- Shepparton Corridor Upgrade – Stages 2 and 3
- South Dynon train maintenance facility
- Suburban Rail Loop
- Suburban Roads Upgrade
- Technology and resources to support Victoria's fines system
- Ten new community hospitals
- Tram infrastructure upgrades
- Victorian Heart Hospital
- Warrnambool Base Hospital Redevelopment
- Warrnambool Line Upgrade – Stage 2
- Waurin Ponds Track Duplication – Stage 2
- West Gate Tunnel Project
- Western Highway duplication – Ballarat to Stawell
- Western Plains Correctional Centre
- Western Rail Plan
- Women's prison system capacity

B.1 CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the period ended 31 March

(\$ million)

2020-21 actual 31 Mar		Notes	2021-22 actual 31 Mar	revised budget	published budget	Budget to revised budget change	Change %
Revenue and income from transactions							
17 738	Taxation	B.6.1	22 947	30 063	26 577	3 486	13
406	Interest income		395	602	637	(35)	(6)
443	Dividends, income tax equivalent and rate equivalent income	B.6.2	454	587	575	12	2
5 661	Sales of goods and services ^(a)	B.6.3	3 951	5 491	6 405	(914)	(14)
25 394	Grants	B.6.4	31 526	41 869	36 778	5 092	14
1 834	Other revenue and income	B.6.5	2 533	3 257	3 605	(347)	(10)
51 476	Total revenue and income from transactions		61 807	81 870	74 576	7 294	10
Expenses from transactions							
22 033	Employee expenses		23 848	33 178	31 725	1 454	5
229	Net superannuation interest expense	B.7.3	361	481	565	(84)	(15)
2 566	Other superannuation	B.7.3	2 844	3 704	3 682	21	1
3 047	Depreciation	B.8.2	3 190	4 411	4 399	12	..
1 939	Interest expense		2 043	3 042	3 051	(9)	..
15 625	Grant expense ^(a)		19 582	24 865	17 301	7 565	44
16 701	Other operating expenses		19 331	29 820	25 477	4 343	17
62 140	Total expenses from transactions	B.7.4	71 199	99 501	86 200	13 301	15
(10 664)	Net result from transactions – net operating balance		(9 392)	(17 631)	(11 624)	(6 007)	52
Other economic flows included in net result							
21	Net gain/(loss) on disposal of non-financial assets		46	40	30	9	31
112	Net gain/(loss) on financial assets or liabilities at fair value		34	139	20	119	611
(2)	Share of net profit/(loss) from associates/joint venture entities		..	5	..	5	..
194	Other gains/(losses) from other economic flows	B.11.1	9	(430)	(521)	90	(17)
324	Total other economic flows included in net result		90	(247)	(471)	224	(47)
(10 340)	Net result		(9 302)	(17 878)	(12 094)	(5 784)	48

B.1 CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the period ended 31 March

(\$ million)

2020-21 actual 31 Mar		Notes	2021-22 actual 31 Mar	revised budget	published budget	Budget to revised budget change	Change %
	Other economic flows – other comprehensive income						
	Items that will not be reclassified to net result						
289	Changes in non-financial assets revaluation surplus		463	587	563	24	4
2 068	Remeasurement of superannuation defined benefits plans	B.7.3	3 068	3 396	1 241	2 155	174
37	Other movements in equity ^(b)		(20)	11	27	(16)	(59)
	Items that may be reclassified subsequently to net result						
150	Net gain/(loss) on financial assets at fair value		(79)	3	3	..	..
(158)	Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		(1 146)	759	(7 403)	8 162	(110)
2 385	Total other economic flows – other comprehensive income ^(b)		2 287	4 755	(5 570)	10 325	(185)
(7 955)	Comprehensive result – total change in net worth ^(b)		(7 014)	(13 123)	(17 664)	4 541	(26)
	KEY FISCAL AGGREGATES						
(10 664)	Net operating balance		(9 392)	(17 631)	(11 624)	(6 007)	52
7 879	Less: Net acquisition of non-financial assets from transactions	B.7.6	9 165	10 582	7 443	3 139	42
(18 543)	Net lending/(borrowing)		(18 557)	(28 213)	(19 067)	(9 146)	48

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Notes:

(a) As highlighted in the 2021-22 Budget Paper No. 3, Chapter 2 Department Performance Statements, the capital assets charge (CAC) policy is discontinued from 2021-22. The removal of the CAC reduces the Sales of goods and services and Grant expenses by equal amounts.

(b) The 2020-21 comparative figures have been restated to reflect more current information.

B.2 CONSOLIDATED BALANCE SHEET

As at 31 March

(\$ million)

2020-21 actual 31 Mar	Notes	opening 1 Jul	2021-22 actual 31 Mar	revised budget	published budget ^(a)	Opening to revised budget change	Opening to published budget change
Assets							
Financial assets							
14 823	Cash and deposits	14 609	13 573	14 570	14 899	(39)	290
5 977	Advances paid	5 473	4 695	5 094	4 800	(379)	(673)
8 920	Receivables and contract assets	B.9.1 8 201	9 470	6 968	6 410	(1 233)	(1 791)
2 759	Investments, loans and placements	2 960	3 374	3 776	2 924	816	(36)
10	Investments accounted for using the equity method	10	10	10	10	..	..
75 317	Investments in other sector entities	73 125	73 576	76 621	76 802	3 497	3 677
107 806	Total financial assets	104 378	104 697	107 039	105 846	2 661	1 468
Non-financial assets							
901	Inventories	908	1 154	588	588	(320)	(320)
189	Non-financial assets held for sale	182	171	194	194	12	12
181 864	Land, buildings, infrastructure, plant and equipment	B.8.1 195 592	206 017	207 775	204 051	12 184	8 459
3 293	Other non-financial assets	B.8.7 3 357	3 494	3 292	3 036	(65)	(320)
186 247	Total non-financial assets	200 038	210 836	211 849	207 869	11 811	7 831
294 053	Total assets	304 415	315 533	318 888	313 715	14 473	9 299
Liabilities							
3 100	Deposits held and advances received	2 791	1 916	1 917	1 657	(874)	(1 134)
15 668	Payables	B.9.2 16 404	16 192	16 506	19 576	101	3 171
401	Contract liabilities	B.9.2 239	323	273	214	34	(25)
87 113	Borrowings	92 985	114 353	123 465	118 238	30 480	25 254
9 022	Employee benefits	B.7.2 9 384	9 942	9 711	9 697	328	313
29 388	Superannuation	27 217	24 566	24 067	26 439	(3 151)	(779)
1 223	Other provisions	1 597	1 457	2 274	1 760	677	164
145 916	Total liabilities	150 617	168 749	178 212	177 580	27 596	26 964
148 137	Net assets	153 799	146 784	140 676	136 135	(13 123)	(17 664)
60 264	Accumulated surplus/(deficit)	58 642	52 271	44 170	47 814	(14 472)	(10 828)
87 872	Reserves	95 157	94 514	96 506	88 320	1 349	(6 837)
148 137	Net worth	153 799	146 784	140 676	136 135	(13 123)	(17 664)

B.2 CONSOLIDATED BALANCE SHEET *(continued)*

As at 31 March

(\$ million)

2020-21 actual 31 Mar		Notes	opening 1 Jul	2021-22 actual 31 Mar	revised budget	published budget ^(a)	Opening to revised budget change	Opening to published budget change
FISCAL AGGREGATES								
(38 110)	Net financial worth		(46 239)	(64 052)	(71 173)	(71 735)	(24 934)	(25 495)
113 427	Net financial liabilities		119 364	137 628	147 795	148 537	28 431	29 173
66 654	Net debt		72 734	94 627	101 943	97 272	29 208	24 538

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 2021 plus 2021-22 budgeted movements.

B.3 CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 March

(\$ million)

2020-21 actual 31 Mar		Notes	2021-22 actual 31 Mar	revised budget	published budget	Budget to revised budget change	Change %
Cash flows from operating activities							
Receipts							
15 730	Taxes received		21 318	30 682	28 575	2 106	7
24 643	Grants		32 348	42 536	36 859	5 677	15
6 846	Sales of goods and services and other receipts ^(a)		5 864	8 373	11 740	(3 367)	(29)
404	Interest received		391	584	620	(36)	(6)
443	Dividends, income tax equivalent and rate equivalent receipts		454	582	570	12	2
48 066	Total receipts		60 374	82 756	78 364	4 392	6
Payments							
(21 715)	Payments for employees		(23 201)	(32 856)	(31 418)	(1 438)	5
(2 566)	Superannuation		(2 788)	(3 939)	(3 785)	(154)	4
(1 676)	Interest paid		(1 862)	(2 744)	(2 714)	(30)	1
(15 752)	Grants and subsidies		(19 891)	(25 145)	(17 303)	(7 841)	45
(16 961)	Goods and services ^(a)		(20 359)	(28 373)	(23 918)	(4 455)	19
(1 138)	Other payments		(755)	(1 462)	(1 273)	(189)	15
(59 808)	Total payments		(68 855)	(94 519)	(80 411)	(14 108)	18
(11 742)	Net cash flows from operating activities		(8 481)	(11 763)	(2 047)	(9 716)	475
Cash flows from investing activities							
Cash flows from investments in non-financial assets							
(8 137)	Purchases of non-financial assets	B.7.5	(10 073)	(13 546)	(19 834)	6 287	(32)
94	Sales of non-financial assets		147	301	570	(269)	(47)
(8 042)	Net cash flows from investments in non-financial assets		(9 926)	(13 246)	(19 264)	6 018	(31)
162	Net cash flows from investments in financial assets for policy purposes		20	(635)	(485)	(151)	31
(7 880)	Subtotal		(9 906)	(13 881)	(19 749)	5 867	(30)
73	Net cash flows from investments in financial assets for liquidity management purposes		(295)	(526)	62	(588)	(951)
(7 807)	Net cash flows from investing activities		(10 201)	(14 408)	(19 687)	5 279	(27)
Cash flows from financing activities							
(630)	Advances received (net)		(1 162)	(874)	(1 140)	266	(23)
21 916	Net borrowings		18 521	27 006	23 158	3 847	17
49	Deposits received (net)		287	..	6	(6)	(102)
21 335	Net cash flows from financing activities		17 646	26 132	22 024	4 107	19
1 786	Net increase/(decrease) in cash and cash equivalents		(1 036)	(39)	290	(329)	(113)
13 037	Cash and cash equivalents at beginning of reporting period		14 609	14 609	14 609	..	..
14 823	Cash and cash equivalents at end of the reporting period	B.11.2	13 573	14 570	14 899	(329)	(2)

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

For the period ended 31 March

(\$ million)

2020-21 actual 31 Mar		Notes	2021-22 actual 31 Mar	revised budget	published budget	Budget to revised budget change	Change %
FISCAL AGGREGATES							
(11 742)	Net cash flows from operating activities		(8 481)	(11 763)	(2 047)	(9 716)	475
(8 042)	Net cash flows from investments in non-financial assets		(9 926)	(13 246)	(19 264)	6 018	(31)
(19 784)	Cash surplus/(deficit)		(18 407)	(25 009)	(21 311)	(3 698)	17

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

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

B.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March

(\$ million)

	Accumulated surplus/(deficit)	Non-financial assets revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
2020-21 (actual)					
Balance at 1 July 2020 ^(a)	68 166	54 379	32 639	908	156 092
Net result for the year	(10 340)	..	..	..	(10 340)
Other comprehensive income for the year ^(a)	2 118	289	(158)	136	2 385
Transfer to/(from) accumulated surplus	320	(320)	..	..	..
Total equity as at 31 March 2021	60 264	54 348	32 480	1 044	148 137
2021-22 (actual)					
Balance at 1 July 2021	58 642	61 017	32 981	1 159	153 799
Net result for the year	(9 302)	..	..	..	(9 302)
Other comprehensive income for the year	2 930	463	(1 146)	40	2 287
Transfer to/(from) accumulated surplus	..	..	..	..	..
Total equity as at 31 March 2022	52 271	61 480	31 835	1 199	146 784
2021-22 (revised)					
Balance at 1 July 2021	58 642	61 017	32 981	1 159	153 799
Net result for the year	(17 878)	..	..	..	(17 878)
Other comprehensive income for the year	3 406	587	759	3	4 755
Transfer to/(from) accumulated surplus	..	..	..	..	..
Budget equity as at 30 June 2022	44 170	61 604	33 740	1 162	140 676
2021-22 (budget)					
Balance at 1 July 2021	58 642	61 017	32 981	1 159	153 799
Net result for the year	(12 094)	..	..	..	(12 094)
Other comprehensive income for the year	1 267	563	(7 403)	3	(5 570)
Transfer to/(from) accumulated surplus	..	..	..	..	..
Budget equity as at 30 June 2022	47 814	61 580	25 578	1 162	136 135

Source: Department of Treasury and Finance

The accompanying notes form part of these financial statements.

Note:

(a) The 1 July 2020 and 2020-21 comparative figures have been restated to reflect more current information.

B.5 ABOUT THIS REPORT

Basis of preparation

This March Quarterly Financial Report presents the unaudited financial report for the general government sector for the nine months ended 31 March 2022.

The detailed accounting policies applied in preparing the quarterly financial report are consistent with those applied for the financial statements published in the *2020-21 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 *2020-21 Financial Report*.

Statement of compliance

These financial statements have been prepared in accordance with section 26 of the *Financial Management Act 1994*, having regard to the recognition and measurement principles of the applicable Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB).

The financial statements are also presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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

Basis of accounting and measurement

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

Reporting entity

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

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

Basis of consolidation

The March Quarterly Financial Report includes all reporting entities in the general government sector that are controlled by the State. Information on entities consolidated for the general government sector is included in Note 1.7.4 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 in the sector are eliminated.

B.6 HOW FUNDS ARE RAISED

Introduction

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

The income and revenue recognition are determined by the State based on the substance or the relevant arrangement in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.

B.6.1 Taxation		(\$ million)	
2020-21 actual 31 Mar		2021-22 actual 31 Mar	revised budget
	Taxes on employers' payroll and labour force		
4 498	Payroll tax	4 937	6 518
..	Mental Health and Wellbeing Levy	156	328
4 498	Total taxes on employers' payroll and labour force	5 093	6 846
	Taxes on immovable property		
3 122	Land tax	3 500	4 171
718	Fire Services Property Levy	751	759
(26)	Congestion levy	107	108
187	Metropolitan improvement levy	197	206
4 001	Total taxes on property	4 554	5 244
	Gambling taxes		
455	Public lotteries ^(a)	493	663
426	Electronic gaming machines ^(a)	599	868
67	Casino ^(a)	94	137
169	Racing and other sports betting	219	284
7	Other	7	10
	Financial and capital transactions		
4 350	Land transfer duty	7 743	10 195
15	Metropolitan planning levy	17	20
115	Financial accommodation levy	113	165
150	Growth areas infrastructure contribution	208	240
83	Levies on statutory corporations	128	173
1 156	Taxes on insurance	1 303	1 713
6 992	Total taxes on the provision of goods and services	10 924	14 467
	Motor vehicle taxes		
1 346	Vehicle registration fees	1 176	1 881
653	Duty on vehicle registrations and transfers	792	1 055
4	Liquor licence fees	24	25
243	Other	384	546
2 246	Total taxes on the use of goods and performance of activities	2 376	3 506
17 738	Total taxation	22 947	30 063

Source: Department of Treasury and Finance

Note:

(a) The Public lotteries, electronic gaming machines and casino taxes include gambling licence revenue in the nine months to 31 March 2022 of \$118 million (31 March 2021: \$118 million), recognised under AASB 15 *Revenue from Contracts with Customers*. The balance of these items is recognised under AASB 1058 *Income of Not-for-Profit Entities*.

B.6.2 Dividends, income tax equivalent and rate equivalent income (\$ million)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
59	Dividends from PFC sector	139	140
130	Dividends from PNFC sector	82	107
27	Dividends from non-public sector	29	114
216	Dividends	251	362
3	Income tax equivalent income from PFC sector	8	6
220	Income tax equivalent income from PNFC sector	191	216
223	Income tax equivalent income	199	221
5	Local government rate equivalent income	5	4
443	Total dividends, income tax equivalent and rate equivalent income	454	587

Source: Department of Treasury and Finance

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

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
Public financial corporations			
..	Victorian Managed Insurance Authority	..	..
..	Transport Accident Commission	..	..
52	Treasury Corporation of Victoria	132	132
..	State Trustees Ltd	..	1
7	Victorian Funds Management Corporation	8	8
59	Dividends from PFC sector	139	140
Public non-financial corporations			
14	Greater Western Water	6	6
59	Melbourne Water Corporation	7	7
31	South East Water Corporation	25	42
26	Yarra Valley Water Corporation	28	35
1	Development Victoria	16	16
130	Dividends from PNFC sector	82	107

Source: Department of Treasury and Finance

Note:

(a) Amounts equivalent to dividends to be paid by the Transport Accident Commission and the Victorian Managed Insurance Authority are received and reported as contributions forming part of grant revenue, consistent with the requirements of AASB 1023 General Insurance Contracts. The amounts, subject to annual review, that are forecast to be paid are \$400 million in 2021-22 for the Transport Accident Commission and \$50 million in 2021-22 for the Victorian Managed Insurance Authority. These payments from the insurance agencies are contributions to the Delivering for all Victorians Infrastructure Fund, delivering the commitment in Labor's Financial Statement 2018.

B.6.3 Sales of goods and services (\$ million)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
Revenue items accounted for under AASB 15			
49	Sale of goods	61	98
3 095	Provision of services	3 115	4 398
Income accounted for under AASB 1058			
183	Motor vehicle regulatory fees	228	319
348	Other regulatory fees	483	591
1 925	Inter-sector capital asset charge ^(a)	..	..
13	Refunds and reimbursements	2	1
Lease income accounted for under AASB 16			
48	Rental	61	85
5 661	Total sales of goods and services	3 951	5 491

Source: Department of Treasury and Finance

Note:

(a) As highlighted in the 2021-22 Budget Paper No. 3, Chapter 2 Department Performance Statements, the capital assets charge (CAC) policy is discontinued from 2021-22. The removal of the CAC reduces the Sales of goods and services.

B.6.4 Grants ^(a) (\$ million)

2020-21 actual 31 Mar		2021-22 actual 31 Mar		revised budget
11 674	General purpose grants	13 240		17 570
4 110	Specific purpose grants for on-passing	4 506		4 630
9 436	Specific purpose grants	13 651		18 991
25 221	Total	31 397		41 190
173	Other contributions and grants	129		680
25 394	Total grants	31 526		41 869

Source: Department of Treasury and Finance

Note:

(a) Grants predominantly relate to grants from the Commonwealth Government which are recognised under AASB 1058 Income of Not-for-Profit Entities.

B.6.5 Other revenue and income (\$ million)

2020-21		2021-22	
<i>actual</i>		<i>actual</i>	<i>revised</i>
31 Mar		31 Mar	budget
Revenue items accounted for under AASB 15			
93	Royalties	111	140
164	Other revenue – health	183	228
387	Other miscellaneous revenue	641	747
Income accounted for under AASB 1058			
234	Fair value of assets received free of charge or for nominal consideration	373	438
476	Fines	614	751
144	Donations and gifts	116	237
169	Other income – education	278	400
Lease income accounted for under AASB 16			
21	Other non-property rental	18	28
Revenue items accounted for under AASB 1059			
146	Revenue related to economic service concession arrangements	199	288
1 834	Total other revenue and income	2 533	3 257

Source: Department of Treasury and Finance

B.7 HOW FUNDS ARE SPENT

Introduction

This section accounts for the major components of expenditure incurred by the general government sector towards the delivery of services and on capital or infrastructure projects during the period, as well as any related employee benefit obligations outstanding as at 31 March 2022.

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 over the period to 31 March are mainly attributable to increased spending on service delivery as well as wage growth in line with enterprise bargaining agreements, outcomes for which are moderated by the application of wages policy.

Employee benefits (balance sheet)

As part of annual operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. 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 any benefit payments. The table below shows the key components of this provision as at 31 March 2022.

B.7.2 Employee benefits (balance sheet)		(\$ million)		
2020-21 actual 31 Mar		opening 1 Jul	2021-22 actual 31 Mar	revised budget
Current				
744	Accrued salaries and wages	597	817	609
84	Other employee benefits	104	166	102
2 203	Annual leave	2 398	2 469	2 443
4 840	Long service leave	5 118	5 119	5 271
7 871	Total current employee benefits and on-costs	8 217	8 571	8 425
Non-current				
1 152	Long service leave	1 166	1 371	1 287
1 152	Total non-current employee benefits and on-costs	1 166	1 371	1 287
9 022	Total employee benefits and on-costs	9 384	9 942	9 711

Source: Department of Treasury and Finance

B.7.3 Superannuation (operating statement) (\$ million)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
	Defined benefit plans		
229	Net superannuation interest expense	361	481
965	Current service cost	1 013	1 349
	Remeasurements:		
(1 000)	Expected return on superannuation assets excluding interest income	(986)	(1 313)
(1 453)	Other actuarial (gain)/loss on superannuation assets	1 423	1 423
385	Actuarial and other adjustments to unfunded superannuation liability	(3 505)	(3 505)
(875)	Total expense recognised in respect of defined benefit plans	(1 694)	(1 566)
	Defined contribution plans		
1 540	Employer contributions to defined contribution plans	1 765	2 278
61	Other (including pensions)	66	76
1 601	Total expense recognised in respect of defined contribution plans	1 831	2 355
726	Total superannuation (gain)/expense recognised in operating statement	136	789
	Represented by:		
229	Net superannuation interest expense	361	481
2 566	Other superannuation	2 844	3 704
2 794	Superannuation expense from transactions	3 205	4 184
(2 068)	Remeasurement recognised in other comprehensive income	(3 068)	(3 396)
726	Total superannuation costs recognised in operating statement	136	789

Source: Department of Treasury and Finance

B.7.4 Total expenses by classification of the functions of government (COFOG) and by portfolio department

(a) Total expenses by classification of the functions of government (\$ million)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
3 834	General public services	4 528	6 416
7 599	Public order and safety	8 486	12 057
4 042	Economic affairs	9 158	11 019
670	Environmental protection	873	1 263
1 334	Housing and community amenities	1 636	2 308
18 067	Health	20 738	31 947
704	Recreation, culture and religion	888	1 533
13 842	Education	14 963	19 250
5 499	Social protection	5 296	8 253
7 434	Transport	5 471	7 489
(884)	Not allocated by function	(839)	(2 034)
62 140	Total expenses from transactions	71 199	99 501

Source: Department of Treasury and Finance

(b) Total expenses by portfolio department (\$ million)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
Expenses from transactions			
15 916	Education and Training	15 522	19 885
2 424	Environment, Land, Water and Planning	2 788	4 157
851	Families, Fairness and Housing	5 519	7 709
23 956	Health	20 953	29 085
4 790	Jobs, Precincts and Regions	9 980	11 449
7 298	Justice and Community Safety	7 866	10 507
600	Premier and Cabinet	660	938
7 608	Transport	5 577	7 311
7 302	Treasury and Finance	7 993	10 951
222	Parliament	232	340
559	Courts	563	838
2 043	Regulatory bodies and other part funded agencies ^(a)	2 394	3 336
73 569	Total expenses by department	80 047	106 506
(11 429)	Less eliminations and adjustments ^(b)	(8 848)	(7 005)
62 140	Total expenses from transactions	71 199	99 501

Source: Department of Treasury and Finance

Notes:

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

(b) Mainly comprising payroll tax, capital asset charge (in the 2020-21 comparative only) and inter-departmental transfers. The budget includes contingencies not allocated to departments and estimated departmental underspend.

B.7.5 Purchases of non-financial assets by portfolio department (\$ million)

2020-21 actual 31 Mar		2021-22 actual 31 Mar		revised budget
1 182	Education and Training	1 366		2 211
77	Environment, Land, Water and Planning	125		367
13	Families, Fairness and Housing	12		111
750	Health	901		1 452
59	Jobs, Precincts and Regions	62		102
678	Justice and Community Safety	866		1 089
20	Premier and Cabinet	15		67
5 223	Transport	6 505		9 613
13	Treasury and Finance	8		64
11	Parliament	12		19
28	Courts	121		559
158	Regulatory bodies and other part funded agencies ^(a)	156		243
8 213	Total purchases of non-financial assets by department	10 149		15 898
(76)	Eliminations and adjustments ^(b)	(76)		(2 352)
8 137	Total purchases of non-financial assets	10 073		13 546

Source: Department of Treasury and Finance

Notes:

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

(b) The budget includes contingencies not allocated to departments and estimated departmental underspend.

B.7.6 Net acquisition of non-financial assets from transactions (\$ million)

2020-21 actual 31 Mar		2021-22 actual 31 Mar		revised budget
8 374	Purchases of non-financial assets (including change in inventories)	10 303		13 227
(94)	Less: Sales of non-financial assets	(147)		(301)
(3 047)	Less: Depreciation and amortisation	(3 190)		(4 411)
2 647	Plus/(less): Other movements in non-financial assets	2 200		2 067
7 879	Total net acquisition of non-financial assets from transactions	9 165		10 582

Source: Department of Treasury and Finance

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)

2020-21 actual 31 Mar		2021-22 opening 1 Jul actual 31 Mar revised budget		
46 004	Buildings	46 569	48 193	49 003
70 440	Land and national parks	77 599	78 124	78 046
9 481	Infrastructure systems	14 455	19 240	21 618
4 656	Plant, equipment and vehicles	4 581	5 033	4 923
35 774	Roads and road infrastructure	35 841	38 855	37 649
9 829	Earthworks	10 023	10 027	10 001
5 678	Cultural assets	6 525	6 546	6 535
181 863	Total land, buildings, infrastructure, plant and equipment	195 592	206 017	207 775

Source: Department of Treasury and Finance

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: buildings, infrastructure, plant and equipment

(\$ million)

2020-21		2021-22		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
8 771	Buildings	8 453	8 615	8 774
2	Infrastructure systems	1	1	1
540	Plant, equipment and vehicles	533	451	480
9 314	Total right-of-use assets: buildings, infrastructure, plant and equipment	8 988	9 067	9 256

Source: Department of Treasury and Finance

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

(\$ million)

2020-21		2021-22		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
2 159	Buildings	2 016	1 969	1 963
2 529	Land and national parks	2 876	2 876	2 876
4 701	Infrastructure systems	5 293	6 614	6 879
903	Plant, equipment and vehicles	759	1 019	1 078
11 237	Roads and road infrastructure	11 066	12 469	12 693
713	Earthworks	924	924	924
22 243	Total service concession assets: land, buildings, infrastructure, plant and equipment ^(a)	22 935	25 873	26 414

Source: Department of Treasury and Finance

Note:

(a) The 31 March 2021 comparative figure has been restated to reflect more current information.

B.8.2 Depreciation (\$ million)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
1 592	Buildings	1 640	2 231
34	Infrastructure systems	33	52
552	Plant, equipment and vehicles	588	866
683	Roads and road infrastructure	719	972
15	Cultural assets	15	15
171	Intangible produced assets	195	275
3 047	Total depreciation of buildings, infrastructure, plant and equipment	3 190	4 411

Source: Department of Treasury and Finance

The following two tables are subsets of total depreciation expense.

Depreciation of right-of-use (leased) assets (\$ million)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
479	Buildings	503	724
1	Infrastructure systems	..	..
94	Plant, equipment and vehicles	88	130
574	Total depreciation of right-of-use assets	591	854

Source: Department of Treasury and Finance

Depreciation of service concession assets (\$ million)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
57	Buildings	49	47
15	Plant, equipment and vehicles	17	28
145	Roads and road infrastructure	166	201
..	Intangible produced assets	..	1
217	Total depreciation of service concession assets	231	278

Source: Department of Treasury and Finance

B.8.3 Land and buildings (\$ million)

2020-21		2021-22		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
50 635	Buildings	51 277	54 345	56 075
(4 630)	Accumulated depreciation	(4 708)	(6 152)	(7 072)
46 004	Buildings (net carrying amount)	46 569	48 193	49 003
69 061	Land	75 932	76 456	76 388
1 379	National parks and other 'land only' holdings	1 667	1 667	1 658
70 440	Land and national parks	77 599	78 124	78 046
116 444	Total land and buildings	124 168	126 317	127 049

Source: Department of Treasury and Finance

B.8.4 Plant, equipment, vehicles, and infrastructure systems (\$ million)

2020-21		2021-22		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
10 027	Infrastructure systems	14 990	19 807	22 204
(545)	Accumulated depreciation	(535)	(567)	(586)
9 481	Infrastructure systems (net carrying amount)	14 455	19 240	21 618
9 805	Plant, equipment and vehicles	9 834	10 660	10 848
(5 149)	Accumulated depreciation	(5 254)	(5 627)	(5 925)
4 656	Plant, equipment and vehicles (net carrying amount)	4 581	5 033	4 923
14 137	Total plant, equipment and vehicles, and infrastructure systems	19 036	24 272	26 542

Source: Department of Treasury and Finance

B.8.5 Roads, road infrastructure and earthworks (\$ million)

2020-21		2021-22		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
36 527	Roads and roads infrastructure	36 953	40 695	39 734
(753)	Accumulated depreciation	(1 113)	(1 840)	(2 085)
35 774	Roads and roads infrastructure (net carrying amount)	35 841	38 855	37 649
9 829	Earthworks ^(a)	10 023	10 027	10 001
45 603	Total roads, roads infrastructure and earthworks ^(a)	45 863	48 882	47 650

Source: Department of Treasury and Finance

Note:

(a) The 31 March 2021 comparative figure has been restated to reflect more current information.

B.8.6 Cultural assets (\$ million)

2020-21 actual 31 Mar		opening 1 Jul	2021-22 actual 31 Mar	revised budget
5 899	Cultural assets	6 673	6 781	6 699
(220)	Accumulated depreciation	(149)	(235)	(164)
5 678	Total cultural assets	6 525	6 546	6 535

Source: Department of Treasury and Finance

B.8.7 Other non-financial assets (\$ million)

2020-21 actual 31 Mar		opening 1 Jul	2021-22 actual 31 Mar	revised budget
2 585	Intangible produced assets	2 819	3 003	2 962
(1 335)	Accumulated depreciation	(1 401)	(1 624)	(1 639)
477	Service concession assets – intangible produced	485	485	485
..	Accumulated depreciation	..	..	(1)
110	Intangible non-produced assets	112	112	114
(49)	Accumulated amortisation	(52)	(55)	(56)
1 788	Total intangibles	1 962	1 919	1 864
293	Investment properties	303	304	306
2	Biological assets	2	2	4
1 209	Other assets	1 089	1 268	1 118
3 293	Total other non-financial assets	3 357	3 494	3 292

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 and contract assets (\$ million)

2020-21		2021-22		
actual		opening	actual	revised
31 Mar		1 Jul	31 Mar	budget
Contractual				
1 068	Sales of goods and services	662	992	651
6	Accrued investment income	13	6	15
1	Contract assets	1	..	1
1 424	Other receivables	1 699	1 539	1 465
(135)	Allowance for impairment of contractual receivables	(187)	(184)	(184)
Statutory				
5	Sales of goods and services	5	9	5
6 043	Taxes receivable	4 628	6 250	4 241
2 886	Fines and regulatory fees	2 702	3 025	2 588
387	GST input tax credits recoverable	642	442	639
..	Other receivables	614	..	..
(2 766)	Allowance for impairment of statutory receivables	(2 577)	(2 609)	(2 453)
8 920	Total receivables and contract assets	8 201	9 470	6 968
Represented by:				
8 603	Current receivables and contract assets	7 709	8 968	6 479
317	Non-current receivables and contract assets	492	502	489

Source: Department of Treasury and Finance

B.9.2. Payables and contract liabilities

(\$ million)

2020-21		2021-22		
<i>actual</i>		<i>opening</i>	<i>actual</i>	<i>revised</i>
<i>31 Mar</i>		<i>1 Jul</i>	<i>31 Mar</i>	<i>budget</i>
Contractual				
1 169	Accounts payable	910	593	926
3 342	Accrued expenses	4 607	4 281	4 305
401	Contract liabilities	239	323	273
10 794	Unearned income and grant of a right to operate liability	10 841	11 277	11 231
Statutory				
37	Accrued taxes payable	46	42	45
326	Unearned income	..	..	..
16 069	Total payables and contract liabilities	16 643	16 515	16 779
Represented by:				
6 064	Current payables and contract liabilities	6 681	6 058	6 375
10 006	Non-current payables and contract liabilities	9 962	10 456	10 403

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 (\$ million)

2020-21 actual 31 Mar		2021-22 actual 31 Mar		revised budget
	Receipts			
16 003	Taxation	21 645	30 962	
617	Fines and regulatory fees	735	1 029	
13 783	Grants received	20 644	28 598	
6 288	Sales of goods and services	796	1 469	
349	Interest received	336	469	
416	Dividends, income tax equivalent and rate equivalent receipts	425	468	
397	Other receipts	612	803	
37 854	Total operating activities	45 194	63 798	
23 293	Total inflows from investing and financing	23 267	31 724	
61 147	Total receipts	68 460	95 522	
	Payments to departments			
12 447	Education and Training	11 417	16 202	
1 978	Environment, Land, Water and Planning	2 275	3 574	
235	Families, Fairness and Housing	5 963	7 561	
16 526	Health	13 230	16 966	
4 657	Jobs, Precincts and Regions	9 928	11 188	
7 751	Justice and Community Safety	8 271	10 402	
477	Premier and Cabinet	419	744	
12 054	Transport	12 177	16 476	
3 356	Treasury and Finance	5 851	13 158	
226	Parliament	230	332	
570	Courts	620	1 332	
60 277	Total payments	70 381	97 935	
870	Net receipts/(payments)	(1 920)	(2 413)	

Source: Department of Treasury and Finance

B.10.2 Trust fund cash flow statement (\$ million)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
	Cash flows from operating activities		
	Receipts		
397	Taxation	406	585
58	Regulatory fees and fines	74	110
18 762	Grants received	19 117	21 376
696	Sale of goods and services	644	1 171
30	Interest received	24	70
17	Dividends received	16	86
4 288	Net transfers from Consolidated Fund	6 973	9 611
235	Other receipts	225	219
24 483	Total receipts	27 478	33 226
	Payments		
(305)	Payments for employees	(446)	(518)
(27)	Superannuation	(36)	(41)
(57)	Interest paid	(56)	(112)
(18 468)	Grants and subsidies	(19 217)	(23 525)
(2 983)	Goods and services	(4 006)	(5 536)
(21 839)	Total payments	(23 760)	(29 732)
2 644	Net cash flows from operating activities	3 718	3 495
	Cash flows from investing activities		
(46)	Purchases of property, plant and equipment	(56)	(3 549)
52	Proceeds from sale of property, plant and equipment	64	67
564	Net proceeds from customer loans	849	724
(2 493)	Other investing activities	(3 012)	(1 121)
(1 922)	Net cash flows from investing activities	(2 155)	(3 878)
	Cash flows from financing activities		
(178)	Net proceeds/(repayments) from borrowings	234	(139)
(178)	Net cash flows from financing activities	234	(139)
543	Net cash inflow/(outflow)	1 797	(523)

Source: Department of Treasury and Finance

B.10.3 Reconciliation of cash flows to balances held (\$ million)

	<i>Balances held at 30 Jun 2021</i>	<i>Mar movement YTD</i>	<i>Balances held at 31 Mar 2022</i>
Cash and deposits			
Cash and balances outside of the Public Account	..	..	..
Deposits held with the Public Account – specific trusts	17	6	23
Other balances held in the Public Account	6 016	(133)	5 883
Total cash and deposits	6 033	(128)	5 905
Investments			
Investments held with the Public Account – specific trusts	1 552	46	1 598
Total investments	1 552	46	1 598
Total fund balances	7 584	(82)	7 503
Less funds held outside the public account			
Cash	..	..	..
Total fund balances held outside the Public Account	..	..	..
Total fund balances held in the Public Account ^(a)	7 585	(82)	7 503

Source: Department of Treasury and Finance

Note:

(a) See Note B.10.4 for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

B.10.4 Details of securities held (\$ million)

<i>2020-21 actual 31 Mar</i>		<i>2021-22 opening 1 Jul</i>	<i>actual 31 Mar</i>
1 397	Amounts invested on behalf of specific trust accounts	1 569	1 621
6 146	General account balances	6 016	5 883
7 543	Total Public Account	7 585	7 503
	Represented by:		
6 801	Stock, securities, cash and investments	6 692	6 783
	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 1994</i>	..	..
742	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	893	720
7 543	Total Public Account	7 585	7 503

Source: Department of Treasury and Finance

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)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
(102)	Net (increase)/decrease in allowances for credit losses	(44)	87
(4)	Amortisation of intangible non-produced assets	(3)	(7)
(12)	Bad debts written off	(9)	(479)
311	Other gains/(losses)	65	(32)
194	Total other gains/(losses) from other economic flows	9	(430)

Source: Department of Treasury and Finance

B.11.2 Reconciliation of cash and cash equivalents (\$ million)

2020-21		2021-22	
actual		actual	revised
31 Mar		31 Mar	budget
8 572	Cash	994	8 009
6 251	Deposits at call	12 579	6 561
14 823	Cash and cash equivalents	13 573	14 570
..	Bank overdraft	..	..
14 823	Balances as per cash flow statement	13 573	14 570

Source: Department of Treasury and Finance

B.11.3 Controlled entities

Note 9.8 Controlled entities in the *2020-21 Financial Report* for the State of Victoria lists significant controlled entities, which have been consolidated for the purposes of the financial report.

Reference should be made to Note 1.7.4 of Chapter 1 of this budget paper for changes to general government sector entities since 1 July 2021.

B.11.4 Glossary of technical terms

Note 9.9 in the *2020-21 Financial Report* for the State of Victoria contains a summary of the major technical terms used in this report.

B.12 RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

Introduction

This section includes the comprehensive operating statement, balance sheet and cash flow statement for the past five quarters in accordance with the requirements of the *Financial Management Act 1994*.

B.12.1 Consolidated comprehensive operating statement for the past five quarters (\$ million)

	2020-21		2021-22		
	Mar	Jun	Sep	Dec	Mar
Revenue and income from transactions					
Taxation	8 009	5 876	7 018	5 936	9 994
Interest income	127	188	133	132	130
Dividends, income tax equivalent and rate equivalent income	79	177	94	296	64
Sales of goods and services	1 946	2 287	1 283	1 274	1 394
Grants	9 583	11 564	8 698	12 224	10 604
Other revenue and income	791	1 081	690	988	856
Total revenue and income from transactions	20 536	21 173	17 915	20 850	23 042
Expenses from transactions					
Employee expenses	7 396	8 011	7 882	8 226	7 740
Net superannuation interest expense	75	76	142	100	119
Other superannuation	858	860	969	923	952
Depreciation	996	1 117	1 048	1 079	1 063
Interest expense	685	675	639	747	658
Grant expense	5 492	6 460	7 950	6 677	4 955
Other operating expenses	5 577	7 867	5 763	6 600	6 967
Total expenses from transactions	21 079	25 067	24 393	24 352	22 454
Net result from transactions – net operating balance	(544)	(3 894)	(6 477)	(3 502)	588
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	16	(48)	27	9	10
Net gain/(loss) on financial assets or liabilities at fair value	31	11	(33)	15	52
Share of net profit/(loss) from associates/ joint venture entities	..	5	..	..	..
Other gains/(losses) from other economic flows	313	468	113	(164)	60
Total other economic flows included in net result	360	436	108	(141)	123
Net result	(184)	(3 457)	(6 369)	(3 643)	710
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	62	6 668	258	95	110
Remeasurement of superannuation defined benefits plans	4 258	1 869	690	(854)	3 233
Other movements in equity	24	2	(34)	21	(6)

B.12.1 Consolidated comprehensive operating statement for the past five quarters
(continued) (\$ million)

	2020-21		2021-22		
	Mar	Jun	Sep	Dec	Mar
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	138	79	18	(37)	(59)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	..	501	..	(1 193)	48
Total other economic flows – other comprehensive income	4 481	9 120	931	(1 969)	3 326
Comprehensive result – total change in net worth	4 298	5 662	(5 439)	(5 612)	4 036
KEY FISCAL AGGREGATES					
Net operating balance	(544)	(3 894)	(6 477)	(3 502)	588
Less: Net acquisition of non-financial assets from transactions	2 123	6 329	2 483	3 707	2 976
Net lending/(borrowing)	(2 667)	(10 223)	(8 960)	(7 209)	(2 388)

Source: Department of Treasury and Finance

B.12.2 Consolidated balance sheet at the end of the past five quarters (\$ million)

	2020-21		2021-22		
	Mar	Jun	Sep	Dec	Mar
Assets					
Financial assets					
Cash and deposits	14 823	14 609	15 786	13 119	13 573
Advances paid	5 977	5 473	5 284	4 931	4 695
Receivables and contract assets	8 920	8 201	8 142	6 721	9 470
Investments, loans and placements	2 759	2 960	3 017	5 108	3 374
Investments accounted for using the equity method	10	10	10	10	10
Investments in other sector entities	75 317	73 125	73 288	73 292	73 576
Total financial assets	107 806	104 377	105 527	103 181	104 697
Non-financial assets					
Inventories	901	908	849	879	1 154
Non-financial assets held for sale	189	182	183	181	171
Land, buildings, infrastructure, plant and equipment	181 864	195 592	198 442	202 492	206 017
Other non-financial assets	3 293	3 357	3 860	4 002	3 494
Total non-financial assets	186 247	200 038	203 333	207 555	210 836
Total assets	294 053	304 415	308 860	310 736	315 533
Liabilities					
Deposits held and advances received	3 100	2 791	2 366	2 036	1 916
Payables	15 668	16 404	15 731	15 791	16 192
Contract liabilities	401	239	381	375	323
Borrowings	87 113	92 985	103 944	110 693	114 353
Employee benefits	9 022	9 384	9 642	9 873	9 942
Superannuation	29 388	27 217	26 894	27 749	24 566
Other provisions	1 223	1 597	1 542	1 470	1 457
Total liabilities	145 916	150 617	160 500	167 987	168 749
Net assets	148 137	153 799	148 360	142 749	146 784
Accumulated surplus/(deficit)	60 264	58 642	52 746	48 331	52 271
Reserves	87 872	95 157	95 614	94 417	94 514
Net worth	148 137	153 799	148 360	142 749	146 784
FISCAL AGGREGATES					
Net financial worth	(38 110)	(46 239)	(54 973)	(64 806)	(64 052)
Net financial liabilities	113 427	119 364	128 262	138 098	137 628
Net debt	66 654	72 734	82 224	89 571	94 627

Source: Department of Treasury and Finance

B.12.3 Consolidated cash flow statement for the past five quarters (\$ million)

	2020-21		2021-22		
	Mar	Jun	Sep	Dec	Mar
Cash flows from operating activities					
Receipts					
Taxes received	5 905	6 999	6 932	6 771	7 614
Grants	9 356	10 234	8 758	12 937	10 653
Sales of goods and services ^(a)	1 823	2 558	1 709	1 230	1 412
Interest received	125	181	130	131	130
Dividends, income tax equivalent and rate equivalent receipts	79	175	94	288	72
Other receipts	350	895	483	634	396
Total receipts	17 639	21 043	18 106	21 992	20 276
Payments					
Payments for employees	(7 083)	(7 618)	(7 618)	(8 043)	(7 540)
Superannuation	(947)	(1 238)	(746)	(1 022)	(1 020)
Interest paid	(587)	(656)	(578)	(665)	(620)
Grants and subsidies	(5 511)	(5 826)	(8 280)	(6 654)	(4 957)
Goods and services ^(a)	(5 116)	(7 079)	(6 547)	(6 786)	(7 027)
Other payments	(452)	158	(236)	(282)	(237)
Total payments	(19 696)	(22 259)	(24 004)	(23 451)	(21 401)
Net cash flows from operating activities	(2 057)	(1 216)	(5 898)	(1 459)	(1 124)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(2 564)	(3 811)	(3 041)	(3 728)	(3 304)
Sales of non-financial assets	39	39	44	45	58
Net cash flows from investments in non-financial assets	(2 526)	(3 772)	(2 996)	(3 683)	(3 246)
Net cash flows from investments in financial assets for policy purposes	(203)	100	78	(52)	(7)
Sub-total	(2 728)	(3 672)	(2 918)	(3 735)	(3 253)
Net cash flows from investments in financial assets for liquidity management purposes	70	(204)	(69)	(2 117)	1 891
Net cash flows from investing activities	(2 659)	(3 876)	(2 987)	(5 852)	(1 361)
Cash flows from financing activities					
Advances received (net)	(10)	(335)	(499)	(403)	(260)
Net borrowings	5 026	5 193	10 486	4 975	3 060
Deposits received (net)	63	20	74	72	140
Net cash flows from financing activities	5 078	4 877	10 062	4 644	2 939
Net increase/(decrease) in cash and cash equivalents	363	(215)	1 177	(2 667)	454
Cash and cash equivalents at beginning of the reporting period	14 461	14 823	14 609	15 786	13 119
Cash and cash equivalents at end of the reporting period	14 823	14 609	15 786	13 119	13 573

B.12.3 Consolidated cash flow statement for the past five quarters
(continued)

(\$ million)

	2020-21		2021-22		
	Mar	Jun	Sep	Dec	Mar
FISCAL AGGREGATES					
Net cash flows from operating activities	(2 057)	(1 216)	(5 898)	(1 459)	(1 124)
Net cash flows from investments in non-financial assets	(2 526)	(3 772)	(2 996)	(3 683)	(3 246)
Cash surplus/(deficit)	(4 582)	(4 988)	(8 894)	(5 142)	(4 371)

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 2022-23 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	
– 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 context</i> Budget Paper No. 2, Chapter 4 <i>Budget position and outlook</i> Budget Paper No. 5, Chapter 1 <i>Estimated Financial Statements for the general government sector</i>
– 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 2022-23 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 – 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 context</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>2021-22 Budget outcome incorporating the financial report for the March quarter 2022</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 – 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
2022/23

Statement of Finances
(incorporating Quarterly
Financial Report No. 3)
Budget Paper No. 5

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