

Statement of Finances

(incorporating Quarterly Financial Report No. 3)

Budget Paper No. 4



0809

Presented by John Lenders MP
Treasurer of the State of Victoria
on the occasion of the Budget 2008-09



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Authorised by the Victorian Government
1 Treasury Place, Melbourne.

Printed by On Demand,
152 Sturt Street, Southbank 3006.

2008-09 Budget Paper set includes:
Budget Paper No. 1 – Treasurer’s Speech
Budget Paper No. 2 – Strategy and Outlook
Budget Paper No. 3 – Service Delivery
Budget Paper No. 4 – Statement of Finances
(incorporating Quarterly Financial Report No. 3)
Victorian Budget Overview

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ISSN 1440-6969

Published May 2008

Printed on recycled paper

Statement of Finances

2008-09



Presented by

John Lenders, M.P.

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

Budget Paper No. 4

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INTRODUCTION

Budget Paper No. 4, *Statement of Finances*, provides the financial details of the aggregated Victorian general government sector as outlined in Budget Paper No. 2, *Strategy and Outlook*. This information includes details on sources of funding, and how the departments are funding their service delivery.

Budget Paper No. 4 consists of the following chapters and appendices:

Chapter 1 – Estimated Financial Statements and Notes

This chapter presents the Estimated Financial Statements and accompanying notes for the Victorian general government sector for the period 2008-09 to 2011-12. The statements also will be, for the first time, presented in a format that complies with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, issued by the Australian Accounting Standards Board (AASB) in October 2007 and applicable to annual reporting periods commencing 1 July 2008. The statements also comply with the Uniform Presentation Framework (UPF) as it relates to the general government sector, with the UPF adopting AASB 1049 as the presentation framework across jurisdictions from 2008 onwards.

For the first time, an accounting standard requires that, in addition to complying with all other relevant accounting standards, the report for the general government sector must also include key fiscal aggregates determined in a manner consistent with the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) Manual. Any differences between the GFS basis and the amounts presented under Generally Accepted Accounting Principles (GAAP) must also be reconciled.

The Estimated Financial Statements are consistent with the Financial Policy Objectives and Strategies Statement (see Budget Paper No. 2, Chapter 1, Financial Policy Objectives and Strategy) in accordance with the requirements of the *Financial Management Act 1994*.

Additional disclosures in relation to the UPF are included in Chapter 2, along with a compliance index of all UPF tables.

The Victorian Auditor General has reviewed the Estimated Financial Statements for the Victorian general government sector. The Auditor General's Review Statement is presented at the beginning of Chapter 1.

Chapter 2 – Supplementary Uniform Presentation Framework Tables

Chapter 2 forms part of the UPF along with Chapter 1, and provides additional information of sectoral financial statements for the public non-financial corporations sector and for the non-financial public sector plus the Loan Council Allocation table. The statements are also presented in a format that complies with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which has been adopted as the presentation framework by the UPF.

As required by the UPF, Victoria's 2008-09 nominated Loan Council Allocation table is also provided. This includes details of Victoria's infrastructure projects with private sector investment where contracts are expected to be signed in 2008-09.

Chapter 3 – Departmental Financial Statements

Chapter 3 contains departmental financial estimates that detail information on departmental resources, as well as the authority for resources for each department.

The departmental Estimated Financial Statements are presented on a consolidated basis for all general government reporting entities within each departmental portfolio. They form the basis of the consolidated Estimated Financial Statements for the Victorian general government sector provided in Chapter 1.

Adjustments for machinery of government changes announced in August 2007 are reflected in the 2007-08 Adjusted and Revised estimates for the period 1 July 2007 to 30 June 2008. The 2008-09 Budget also takes into account the impact of these machinery of government changes.

Chapter 4 – State Revenue

Chapter 4 outlines the major sources of state revenue, both state-sourced revenue, (including taxes, fines and regulatory fees, dividends, income tax and rate equivalent revenue), and revenue provided through Commonwealth grants, for both general and specific purposes. The estimates of Commonwealth Government grants represent the latest information available to the Victorian Government at the time of finalisation of Victoria's 2008-09 Budget.

Chapter 5 – Tax Expenditures and Concessions

Chapter 5 fulfils the higher level disclosure requirements under the *Financial Management (Financial Responsibility) Act 2000* by providing an overview and forward estimates of tax expenditures. This chapter also outlines the estimated cost of Victorian Government concessions.

Chapter 6 – Public Account

Chapter 6 discloses information on the Public Account, which includes estimated transactions and the year-end balances of the Consolidated Fund and the Trust Fund. Details of estimated consolidated fund receipts, payments, special appropriations and annual departmental appropriations are also provided. Information relating to Trust Fund activities include estimated cash flows and projected year-end balances.

Machinery of government changes since the 2007-08 Budget have been reflected in the 2007-08 Adjusted and Revised estimates for the period 1 July 2007 to 30 June 2008. The 2008-09 Budget also takes into account the full year impact of these machinery of government changes.

Chapter 7 – Contingent Assets and Contingent Liabilities

Chapter 7 discloses information on the state's contingent assets and liabilities. It provides an overview of assets and liabilities that arise from past events and 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 general government sector. This chapter discloses both quantifiable and non-quantifiable contingent assets and liabilities.

Appendix A – Historical and Forward Estimates Tables

The historical and forward estimates tables in Appendix A show the trend in general government sector aggregate cash flows over the period 1986-87 to 2011-12. In addition, the general government net operating result for the period 1996-97 to 2011-12 is also provided.

The remaining tables show information for the general government sector classified by government purpose. Operating expenditure, which has been classified by function, is presented for the period 1961-62 to 1997-98. The accruals expenditure series classified by purpose is presented for the period 1998-99 to 2011-12.

Appendix B – Meeting our Transport Challenges Reserve

On 17 May 2006, the Government announced the creation of the Meeting our Transport Challenges Reserve. The \$5.9 billion reserve was established to fund a ten year program of transport infrastructure investment. Appendix B details the cash flows of projects funded from the reserve and the remaining balance of the reserve.

Appendix C – Revised 2007-08 Budget Outcome

The revised 2007-08 Budget outcome is presented in Appendix C. The revised 2007-08 estimates take into account government policy decisions and economic developments affecting both revenue and expenses since the presentation of the 2007-08 Budget to Parliament in May 2007.

Appendix D – Quarterly Financial Report for the Victorian General Government Sector

Appendix D presents the quarterly financial report for the Victorian general government sector, incorporating the actual outcome for the nine month period ended 31 March 2008, and quarter by quarter results. The March year to date outcome is compared with the full year revised 2007-08 Budget.

Machinery of Government changes – Department of Transport

The government recently announced the creation of a new Department of Transport which takes over responsibility for most of the functions of the former Department of Infrastructure. However, certain functions, in particular relating to Major Projects Victoria, have been transferred to the Department of Innovation, Industry and Regional Development. The new administrative arrangements came into effect on 30 April 2008 through Administrative Arrangements Order No. 199 of 2008. For financial reporting purposes, these transfers do not take effect until after the end of the current financial year 2007-08.

There is no net impact of these changes on the aggregate budget, however the full impact of these changes on the 2008-09 departmental estimates has yet to be quantified. Therefore, this machinery of government change has not been reflected in the 2008-09 Budget Papers. Any consequent adjustments to the departmental estimates and re-allocation of appropriations will be made at a later date.

CHAPTER 1 – ESTIMATED FINANCIAL STATEMENTS AND NOTES

The following Estimated Financial Statements and accompanying explanatory notes set out the forecast financial results for the Victorian general government sector for the period 2008-09 to 2011-12.

The prospective nature of these statements reflects a number of judgements about the most likely operating and financial conditions for the Victorian general government sector. Variations in these assumed conditions, such as international developments and other risks to the national economy, from which Victoria would not be immune, may cause the general government actual result to differ from the projections.

The Estimated Financial Statements have been prepared in accordance with the provisions of the *Financial Management Act 1994*. This Act requires the Estimated Financial Statements to be consistent with the Financial Policy Objectives and Strategies Statement (see Budget Paper No. 2, Chapter 1, *Financial Policy Objectives and Strategy*), in a manner and form determined by the Minister, having regard to appropriate financial reporting frameworks.

The statements have been prepared in accordance with applicable pronouncements and interpretations of the Australian Accounting Standards Board (AASB), including the Australian equivalents to International Financial Reporting Standards (A-IFRS). However, as there is no specific Australian accounting standard or other authoritative pronouncement that prescribes the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared based on New Zealand Financial Reporting Standard 42 *Prospective Financial Statements* (FRS 42).

The statements will also be, for the first time, presented in a format that complies with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, issued by the AASB in October 2007 and applicable to annual reporting periods commencing 1 July 2008. This new standard also complies with the Uniform Presentation Framework (UPF) as it relates to the general government sector. Additional disclosures in relation to the UPF are included in Chapter 2, along with a compliance index of all UPF tables.

Previously Victoria has prepared sector reports under the Australian Accounting Standard AAS31 *Financial Reporting by Government*, as well as a separate set of reports prepared on a Government Finance Statistics (GFS) basis under the UPF, for comparability with other jurisdictions. This dual reporting regime has caused some confusion for users of these financial reports. As a result, the Financial Reporting Council (FRC) requested that the AASB develop a framework that harmonised the two existing financial reporting structures – GAAP and GFS – to achieve an Australian Accounting standard for a single set of government reports, with AASB 1049 being the result of that work. The major features of the new financial statements and summary of the additional disclosures required under AASB 1049 are included in Note 1 (F) *Scope and presentation of financial statements*.

Due to the possibility that circumstances or events outlined in the Estimated Financial Statements may not occur as expected, actual results may differ from those forecast and the difference may be material. Accordingly, no guarantee is given that the financial results will be achieved. However, the best professional judgement has been applied in preparing the Estimated Financial Statements.

The accompanying notes to the statements provide details of the material economic and other assumptions used, and the specific forecast assumptions underlying material items in the financial statements. A number of these assumptions are subject to inherent uncertainties, which are outside the control of the government.

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

AUDITOR GENERAL'S REPORT



Victorian Auditor-General's Office

INDEPENDENT REVIEW REPORT

Estimated Financial Statements

To the Members of the Parliament of Victoria

The Estimated Financial Statements

The accompanying estimated financial statements for the financial year ended 30 June 2009 and the three forward years ended 30 June 2010, 2011 and 2012 of the Victorian General Government Sector, as defined in note 23 to the statements, which comprises the estimated operating statement, estimated balance sheet, estimated cash flow statement and a summary of significant accounting policies and other explanatory notes to and forming part of the estimated financial statements, and the supporting declaration, has been reviewed. The accompanying revised 2008 estimated balance sheet has also been reviewed. The remaining parts of the Budget Papers have not been subject to my review.

Treasurers' Responsibility for the Estimated Financial Statements

The Treasurer of Victoria, through the Secretary of the Department of Treasury and Finance, is responsible for the preparation and presentation of the estimated financial statements in accordance with Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which requires the presentation of Government Finance Statistics information in accordance with the Australian Bureau of Statistics Manual on *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005*.

Auditor's Responsibility

My review of the estimated financial statements has been conducted under section 16B of the *Audit Act 1994* which requires me to state whether anything has come to my attention that would cause me to not believe that the statements have been prepared on a basis consistent with the accounting policies on which they are stated to be based, are consistent with the target established for the key financial measure specified in the accompanying notes to the statements, have been properly prepared on the basis of the economic assumptions stated in the accompanying notes to the statements, and the methodologies used to determine those assumptions are reasonable.

The review has been conducted in accordance with Australian Auditing Standards applicable to the review of financial reports and prospective financial information, and has been limited primarily to inquiries of relevant personnel and assessments of the reasonableness of the key methodologies and processes followed to determine the assumptions and data upon which the estimated financial statements are based, and appropriate analytical procedures. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that which would be given in an audit. Accordingly, an audit has not been performed and an audit opinion is not expressed.

Prospective financial information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions and underlying data upon which prospective financial information is based, such evidence is generally future oriented and therefore less certain in nature. As a result, I am not in a position to obtain the level of assurance necessary to express a positive opinion on those assumptions and the accompanying forecast information included in the estimated financial statements. Accordingly, an opinion is not expressed on whether the forecasts will be achieved.

The estimated financial statements of the Victorian General Government Sector have been prepared for inclusion in the Budget Papers which are presented to the Parliament. I disclaim any assumption of responsibility for any reliance on this report or on the estimated financial statements to which this report relates, to any person other than the Members of the Parliament of Victoria, or for any purpose other than that for which it was prepared.

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Auditing in the Public Interest

Independent Review Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the estimated financial statements published in both the budget papers and on the website of the Department of Treasury and Finance for the year ended 30 June 2009 and the three forward financial years 30 June 2010, 2011 and 2012 and the revised 2008 balance sheet. The Secretary of the Department of Treasury and Finance is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The review report refers only to the statements named above. A review report is not provided on any other information which may have been hyperlinked to or from these estimated financial statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed estimated financial statements to confirm the information included in the estimated financial statements presented on this web site.

Independence

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

Review Statement

Based on my review, which is not an audit, nothing has come to my attention that causes me to not believe that:

- the estimated financial statements have been prepared on a basis consistent with the accounting policies on which they are stated to be based;
- the estimated financial statements are consistent with the target established for the key financial measure specified in the accompanying notes to the statements;
- the estimated financial statements have been properly prepared on the basis of the economic assumptions stated in the accompanying notes to the statements; and
- the methodologies used to determine those assumptions are reasonable.

Actual results achieved by the Victorian General Government Sector are likely to be different from those forecast in the estimated financial statements since anticipated results frequently do not occur as expected and the variation may be material. Accordingly, I express no opinion as to whether the forecasts will be achieved.

MELBOURNE
30 April 2008



D.D.R. Pearson
Auditor-General

DEPARTMENT OF TREASURY AND FINANCE STATEMENT IN RELATION TO THE ESTIMATED FINANCIAL STATEMENTS

The Estimated Financial Statements for 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. Given the prospective nature of the Estimated Financial Statements, it has been necessary to apply the best professional judgement in preparing the Estimated Financial Statements.

In my opinion, the Estimated Financial Statements have been properly prepared for the purposes of sections 23H–23K of the *Financial Management Act 1994* and take into account government decisions and other circumstances that have a material effect.

A handwritten signature in black ink, appearing to read 'G Hehir', is positioned above the printed name and title.

Grant Hehir
Secretary

Department of Treasury and Finance
30 April 2008

ESTIMATED FINANCIAL STATEMENTS FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

Table 1.1: Estimated operating statement for the financial year ending 30 June

(\$ million)					
		2008-09	2009-10	2010-11	2011-12
	Notes	Budget	Estimate	Estimate	Estimate
Revenue					
Taxation revenue	2	13 382.9	13 795.9	14 504.2	14 977.2
Interest		402.2	433.7	443.0	438.3
Dividends and income tax equivalent and rate equivalent revenue	3	669.9	703.7	768.3	772.4
Sales of goods and services	4	4 334.5	4 453.3	4 520.3	4 585.8
Grants	5	17 555.0	18 495.5	19 448.9	20 431.1
Other current revenue	6	1 465.6	1 438.7	1 432.1	1 441.7
Total revenue		37 810.0	39 320.8	41 116.8	42 646.4
Expenses					
Employee expenses		14 225.6	15 107.0	16 059.1	16 845.4
Superannuation interest expense	7	518.6	520.6	520.5	519.7
Other superannuation	7	1 339.6	1 381.1	1 450.9	1 480.7
Depreciation	8	1 609.4	1 712.7	1 826.3	1 946.4
Interest expense	9	499.4	576.9	695.0	804.0
Other operating expenses		12 350.4	12 806.1	13 206.7	13 588.8
Grants and other transfers	10	6 439.4	6 365.2	6 452.2	6 498.7
Total expenses	11	36 982.4	38 469.6	40 210.7	41 683.7
Net result from transactions - Net operating balance	24a	827.5	851.1	906.0	962.6
Other economic flows included in net result					
Net gain/ (loss) on sale of non-financial assets		39.9	14.4	18.7	22.3
Net gain/ (loss) on financial assets or liabilities at fair value		0.6	0.5	0.6	0.7
Net actuarial gains/ (losses) of superannuation defined benefits plans	7	..	..	..	..
Other gains/ (losses) from other economic flows	12	(151.1)	(154.5)	(153.5)	(145.5)
Total other economic flows included in net result		(110.6)	(139.6)	(134.3)	(122.5)
Net result		716.9	711.5	771.8	840.1
Other Economic Flows – Other Movements in Equity					
Revaluations of non-financial assets		2 293.5	4 987.1	3 132.4	3 455.0
Net gain on equity investments in other sector entities at proportional share of net assets	14	407.2	(193.4)	(48.5)	55.6
Other movements in equity		(10.5)	(6.9)	(2.7)	0.5
Total other economic flows – Other movements in equity		2 690.2	4 786.8	3 081.1	3 511.0
Comprehensive result – Total change in net worth	24b	3 407.1	5 498.3	3 852.9	4 351.1

**Table 1.1: Estimated operating statement for the financial year ending 30 June
(continued)**

<i>(\$ million)</i>					
	<i>Notes</i>	<i>2008-09 Budget</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>
FISCAL AGGREGATES					
Net operating balance		827.5	851.1	906.0	962.6
Less: Net acquisition of non-financial assets from transactions	15	1 269.2	1 203.0	1 532.8	2 798.9
Net lending/ (borrowing)	24c	(441.7)	(351.9)	(626.8)	(1 836.2)

The accompanying notes form part of these Estimated Financial Statements.

Table 1.2: Estimated balance sheet as at 30 June

		(\$ million)				
		2008	2009	2010	2011	2012
	Notes	Revised	Budget	Estimate	Estimate	Estimate
Assets						
<i>Financial assets</i>						
Cash and deposits		2 125.5	2 199.6	2 263.4	2 325.3	2 389.3
Advances paid		60.5	613.4	644.3	675.6	707.0
Investments, loans and placements		2 239.8	2 263.1	2 363.5	2 362.8	2 407.6
Receivables	13	2 123.6	2 066.0	1 882.4	1 779.2	1 623.8
Investments in GGS ^(a) entities using the equity method		614.5	614.5	614.5	614.5	614.5
Investments accounted for using equity method - other		25.0	30.0	35.0	40.0	45.0
Investments in other sector entities	14	43 801.3	45 483.4	46 490.0	47 423.0	48 239.5
Total financial assets	19b	50 990.2	53 270.1	54 293.1	55 220.5	56 026.6
<i>Non-financial assets</i>						
Inventories		123.2	124.5	124.8	124.5	124.2
Non-financial assets held for sale		51.9	51.9	52.0	52.0	52.1
Land, buildings, infrastructure, plant and equipment	16, 17	65 386.6	68 926.4	75 141.5	79 818.5	86 151.5
Other non-financial assets	18	529.2	537.7	520.0	521.4	499.2
Total non-financial assets	19b	66 090.9	69 640.6	75 838.3	80 516.4	86 827.0
Total assets	19b	117 081.2	122 910.7	130 131.3	135 736.9	142 853.6
Liabilities						
Deposits held		595.2	595.2	595.2	595.2	595.2
Advances received		3.0	2.3	1.6	0.9	0.2
Borrowings	20	6 713.1	8 831.7	10 646.2	12 285.8	14 987.8
Payables		3 327.4	3 380.4	3 120.7	3 053.2	2 985.7
Superannuation	7	12 939.0	13 067.4	13 100.5	13 156.3	13 158.5
Other employee benefits	21	3 769.8	3 914.2	4 054.5	4 199.3	4 342.9
Other provisions		725.0	683.7	658.7	639.3	625.3
Total liabilities		28 072.5	30 474.9	32 177.3	33 930.0	36 695.5
Net assets		89 008.7	92 435.8	97 954.1	101 807.0	106 158.1
Accumulated surplus/(deficit)		20 690.1	21 395.5	22 099.1	22 867.1	23 706.7
Other reserves	23	68 295.8	70 997.4	75 792.2	78 877.0	82 388.5
Minority interest		22.8	42.8	62.8	62.8	62.8
Net worth	24d	89 008.7	92 435.8	97 954.1	101 807.0	106 158.1
FISCAL AGGREGATES						
Net financial worth		22 917.7	22 795.1	22 115.8	21 290.5	19 331.1
Net financial liabilities		20 883.5	22 688.3	24 374.2	26 132.5	28 908.4
Net debt		2 270.9	3 738.6	5 357.3	6 903.6	9 464.8

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) General government sector.

Table 1.3: Estimated cash flow statement for the financial year ending 30 June

(\$ million)					
	Notes	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash flows from operating activities					
Receipts					
Taxes received		13 518.4	13 853.8	14 504.0	14 977.0
Grants		17 555.0	18 495.5	19 448.9	20 431.1
Sales of goods and services		4 441.7	4 234.4	4 546.5	4 610.6
Interest received		386.2	399.6	408.8	406.3
Dividends and income tax equivalent and rate equivalent receipts		533.6	745.8	737.7	763.3
Other receipts		1 326.6	1 318.9	1 313.4	1 320.8
Total receipts		37 761.7	39 048.0	40 959.3	42 509.0
Payments					
Payments for employees		(14 081.2)	(14 966.8)	(15 914.3)	(16 701.8)
Superannuation		(1 729.9)	(1 868.6)	(1 915.5)	(1 998.2)
Interest paid		(466.8)	(545.2)	(663.3)	(772.5)
Grants and subsidies		(6 432.8)	(6 420.2)	(6 507.2)	(6 553.6)
Goods and services		(12 016.8)	(12 430.1)	(12 814.4)	(13 189.9)
Other payments		(340.1)	(352.0)	(365.8)	(366.9)
Total payments		(35 067.5)	(36 582.9)	(38 180.4)	(39 583.0)
Net cash flows from operating activities ^(a)	22b	2 694.2	2 465.1	2 778.9	2 926.0
Cash flows from investing activities					
Purchases of non-financial assets	19a	(2 837.9)	(3 083.1)	(3 490.6)	(4 072.7)
Sales of non-financial assets		153.8	167.2	130.8	166.8
Cash flows from investments in non-financial assets		(2 684.0)	(2 915.8)	(3 359.8)	(3 905.9)
Net cash flows from investments in financial assets for policy purposes		(1 254.4)	(1 191.7)	(989.7)	(765.8)
Net cash flows from investments in financial assets for liquidity management purposes		(22.7)	(99.9)	1.3	(44.1)
Net cash flows from investing activities		(3 961.1)	(4 207.5)	(4 348.2)	(4 715.8)
Cash flows from financing activities					
Advances received (net)		(0.7)	(0.7)	(0.7)	(0.7)
Net borrowings		1 341.7	1 806.9	1 631.9	1 854.4
Deposits received (net)		..	..	..	..
Net cash flows from financing activities		1 341.0	1 806.1	1 631.2	1 853.7

Table 1.3: Estimated cash flow statement for the financial year ending 30 June (continued)

(\$ million)					
	<i>Notes</i>	<i>2008-09 Budget</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>
Net increase/(decrease) in cash and cash equivalents		74.1	63.8	61.9	63.9
Cash and cash equivalents at beginning of reporting period		2 122.4	2 196.5	2 260.4	2 322.2
Cash and cash equivalents at end of reporting period	22a	2 196.5	2 260.4	2 322.2	2 386.2
FISCAL AGGREGATES					
Net cash flows from operating activities		2 694.2	2 465.1	2 778.9	2 926.0
Net cash flows from investments in non-financial assets		(2 684.0)	(2 915.8)	(3 359.8)	(3 905.9)
Cash surplus / (deficit)	24e	10.2	(450.7)	(580.9)	(979.9)

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) *Inclusive of goods and services tax.*

NOTES TO THE ESTIMATED FINANCIAL STATEMENTS

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Note 1: Statement of significant accounting policies and forecast assumptions

The following summary sets out the significant accounting policies and forecast assumptions that have been adopted in preparing and presenting the Estimated Financial Statements for the forecast period, which includes the budget year and the estimates for the three subsequent years.

To assist users of these accounts gain a better understanding of the terminology and key aggregates, a glossary of terms has been included at Note 26.

(A) Assumptions

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

Material economic and other assumptions^(a)

	<i>(per cent change)</i>			
	2008-09	2009-10	2010-11	2011-12
Real gross state product	3.00	3.00	3.00	3.00
Employment	1.50	1.50	1.50	1.50
Wage price index ^(b)	3.75	3.75	3.50	3.50
Consumer price index	3.00	2.75	2.50	2.50
Population ^(c)	1.50	1.50	1.40	1.40

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

Notes:

- (a) Year-average per cent change on previous year unless otherwise indicated. All projections apart from population are rounded to the nearest 0.25 percentage point. Projections of population are rounded to the nearest 0.1 percentage point.
- (b) Total hourly rate excluding bonuses.
- (c) June quarter, per cent change on previous June quarter.

(B) Key financial measure

The government has set out its key financial measure in the Financial Policy Objectives and Strategies Statement. The key financial measure of a substantial budget operating surplus is expected to be achieved throughout the forecast period.

<i>Fiscal target</i>	
Key financial measure	Target
Maintain a substantial net result from transactions for the budget sector	At least 1 per cent of revenue in each year

(C) Sensitivity analysis

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

As detailed in Budget Paper No. 2, Appendix B, the department's analysis shows that if there were a 1 percentage point rise in each of the following key economic variables in the first year above the forecast growth rate, the budgeted net result from transactions and net result over the forward estimates period would change as described in the following tables. It should be noted that the impact on the net result is inclusive of the impact on the net result from transactions.

Impact on the net result from transactions of selected economic indicators being one per cent higher than expected from 2008-09^(a)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
Gross state product	168	185	202	218
Employment	51	51	57	62
Consumer prices	163	173	187	201
Average weekly earnings	46	51	56	62
Enterprise Bargaining Agreements	-147	-189	-210	-229
Domestic share prices	3	4	4	4
International share prices	4	4	4	4
Property prices	54	58	80	84
Property volumes	38	40	44	46
Interest rate ^(b)	124	-11	-16	-23

Source: Department of Treasury and Finance

Notes:

- (a) A positive number denotes an increase in the net result from transactions.
- (b) Assumes a one percentage point increase across the entire term structure, i.e. short and long rates, over the forward estimates period.

Impact on the net result of selected economic indicators being one per cent higher than expected from 2008-09^(a)

(\$ million)

	2008-09	2009-10	2010-11	2011-12
Gross state product	168	185	202	218
Employment	51	51	57	62
Consumer prices	47	173	187	201
Average weekly earnings	46	51	56	62
Enterprise Bargaining Agreements	-311	-189	-210	-229
Domestic share prices	54	4	4	4
International share prices	50	4	4	4
Property prices	72	58	80	84
Property volumes	38	40	44	46
Interest rate ^(b)	2852	-11	-16	-23

Source: Department of Treasury and Finance

Notes:

- (a) A positive number denotes an increase in the net result.
 (b) Assumes a one percentage point increase across the entire term structure, i.e. short and long rates, over the forward estimates period.

(D) Compliance

The estimated financial statements have generally been prepared in accordance with applicable pronouncements and interpretations of the Australian Accounting Standards Board (AASB), including those Standards formerly referred to as Australian equivalents to International Financial Reporting Standards. In particular the estimated financial statements are presented on a basis consistent with the requirement of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* that will apply to the Annual Financial Report for 2008-09. However, the prospective nature of the Estimated Financial Statements means that some AAS disclosures are neither relevant nor practical and so these have been omitted. Because AASs do not include pronouncements that prescribe the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared consistent with New Zealand Financial Reporting Standard 42 *Prospective Financial Statements* (FRS 42). FRS 42 requires prospective financial statements to be prepared in accordance with the accounting policies expected to be used in future for reporting historically orientated general purpose financial reports. The requirements of FRS 42 have been modified to achieve consistency in the presentation of the estimated financial statements with AASB 101 *Presentation of Financial Statements*.

In addition to compliance with Australian GAAP, including those paragraphs applicable to not-for-profit entities and FRS 42, these estimated financial statements have been prepared in accordance with sections 23H-23K of the *Financial Management Act 1994* (FMA). A summary of the significant accounting policies adopted by the State of Victoria and applicable to the general government sector under GAAP is disclosed below. The information presented in the Estimated Financial Statements takes into account government decisions and other circumstances that may have a material effect on the statements.

(E) Basis of accounting and measurement

The accrual basis of accounting has been employed in the preparation of 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. These Estimated Financial Statements are presented in Australian dollars which has also been identified as the functional currency of the general government sector.

In the application of accounting standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

This report has been prepared in accordance with the historical cost convention. Exceptions to the historical cost convention include:

- non-current physical assets (principally land, buildings and road networks) which, subsequent to acquisition, are measured at valuation and are reassessed with sufficient regularity to ensure the carrying amount does not materially differ from their fair value;
- investments and productive trees in commercial native forests, which are recognised at their net market value;
- available for sale investments, which are measured at fair value with movements reflected in equity until the asset is derecognised; and
- certain liabilities, most notably unfunded superannuation and some insurance claim provisions, which are calculated with regard to actuarial assessments.

Cost is based on the fair values of the consideration given in exchange for assets.

Assets, liabilities, income or expenses arise from past transactions or other past events, and estimates are recognised for those transactions or other events that on best information are expected to occur during each estimated financial reporting period. Where the transactions would result from an agreement between the government and other parties, the estimated transactions are only recognised when the agreement has, or there is reasonable expectation that it will have, become irrevocable during the reporting period.

(F) Scope and presentation of financial statements

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

Under AASB 1049, a financial report is presented for the GGS which consolidates only entities that are within the GGS, using the consolidation procedures within AASB 127 *Consolidated and Separate Financial Statements*.

Other sectors of government, that is, the Public Financial Corporation (PFC) and Public Non-Financial Corporation (PNFC) sectors, are accounted for as an equity investment measured at the government's proportional share of the carrying amount of net assets of the PNFC sector and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity's net assets before consolidation eliminations is less than zero the amount is not included.

AASB 1049 is applicable to annual reporting periods beginning on or after 1 July 2008.

Some of the major features included in this new Standard in relation to the presentation of the estimated financial statements include:

- an extended operating statement incorporating the former statement of recognised income and expense ('*comprehensive operating statement*');
- items being presented by liquidity order in the balance sheet;
- the inclusion of various Government Finance Statistics (GFS) concepts, including key fiscal aggregates, as an integrated part of the financial statements; and
- a glossary of terms included in the notes.

Comprehensive operating statement

The comprehensive estimated operating statement includes items previously included in the statement of recognised income and expense.

Income and expenses in the comprehensive estimated operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'.

Key financial aggregates contained in the statement include:

- net operating balance;
- total change in net worth; and
- net lending/(borrowing).

Balance sheet

Items of assets and liabilities in the estimated balance sheet are:

- ranked in liquidity order;
- aggregated into financial and non-financial assets;
- classified according to GFS terminology, but retain measurement and disclosure rules under accounting standards; and
- current versus non-current assets and liabilities are disclosed in the notes where relevant.

Key aggregates include:

- net financial worth;
- net financial liabilities; and
- net debt.

Cash flow

The cash flow statement classifies flows by operating, investing and financing activities in accordance with AASB 107 *Cash Flow Statements*, and includes those disclosures required under AASB 1049.

Investing activities are split between investing for liquidity management purposes and for policy purposes.

The key financial aggregate is the cash surplus/(deficit).

(G) Basis of consolidation

The estimated financial statements incorporate assets and liabilities of all reporting entities in the Victorian general government sector and their revenues, gains and expenses for the respective period.

Entities in the Public Non-Financial Corporation (PNFC) and Public Financial Corporation (PFC) sectors are not consolidated but are accounted for as equity investments because the intent of the estimated financial statements is to convey the estimated financial results, financial position and cash flows of the general government sector alone.

Where control of an entity is obtained during the financial period, its results are included in the operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period for which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these estimated financial statements.

In the process of reporting the general government sector as a single economic entity all material transactions and balances between entities within the sector are eliminated.

Details of significant entities consolidated within the sector are shown in Note 27 in these estimated financial statements.

(H) Prospective Accounting Changes

Service Concessions

In February 2007, the Australian Accounting Standards Board (AASB) approved Interpretation 12 *Service Concession Arrangements* effective for annual reporting periods commencing on, or after, 1 January 2008. Interpretation 12 is only applicable to private sector operators and explicitly excludes providing guidance on the accounting to be applied by public sector grantors.

To address how public sector grantors should account for service concession arrangements, the AASB constituted a panel to provide advice. That panel made its recommendations to the Board on 14 December 2007. The AASB decided:

- (a) that the requirements of Interpretation 12 are not obligatory for public sector grantors; however
- (b) grantors are required to consider Interpretation 12 when developing their accounting policy under the hierarchy for selecting accounting policies set out in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The AASB agreed to issue an Invitation to Comment on the forthcoming International Public Sector Accounting Standards Board (IPSASB) Consultation Paper on accounting by grantors of service concession arrangements once it becomes available.

As a result of the above and the continuing uncertainty and lack of applicable accounting guidance on the recognition and measurement by the State of assets arising from some service concession arrangements, there has been no change in policy and those assets are currently not recognised.

Land Under Roads

A new standard AASB 1051 Land Under Roads provides the option to recognise or not recognise land under roads acquired before the end of the first reporting period ending on or after 31 December 2007 (i.e. land under roads acquired up to 30 June 2008). Land acquired subsequently must be measured at the cost of acquisition. This clarifies the situation under transitional provisions in AAS 31 and AAS 31A.

A decision on the accounting treatment of land under roads acquired up to 30 June 2008 must be made effective as at 1 July 2008. The state is considering whether to change its policy and has not yet reached a conclusion. Consistent with current policy, existing land under roads is not recognised during the forecast period.

(l) *Income from transactions*

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

Taxation

Estimates of state taxation revenue are recognised upon the earlier of either the receipt by the state of a taxpayer's self-assessment or the time the taxpayer's obligation to pay arises, pursuant to the issue of an assessment.

The types of taxation revenue raised by the state include:

- payroll tax;
- land tax;
- duties levied principally on conveyances and land transfers;
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third party, life and non life policies;
- insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- other taxes, including landfill levies, licence fees and progressive recognition of upfront concession fees paid by Transurban in respect of Melbourne City Link and gambling licence fees; and
- levies (including the environmental levy) on statutory corporations in other sectors of government.

Forecast assumption

The state's tax revenues are forecast by a process that involves:

- application of the Department of Treasury and Finance's economic forecasts, where there is a relationship between taxation revenue and economic variables. This enables an assessment of economic and other factors influencing the tax bases from which taxes are sourced (e.g. for payroll tax, an assessment of the outlook for employment and wages; for motor vehicle taxes, assessment of the outlook for demand for vehicles reflecting various economic influences; for gambling taxes, assessment of the outlook for consumer spending);

- analysis of historical information and relationships using econometric and other statistical methods; and
- consultation with private sector economists, industry associations, and relevant government authorities.

Upfront concession notes received are progressively recognised over the remaining life of the applicable concession term.

Some state taxes are sourced from tax bases which are particularly volatile. Hence, tax revenues from these sources are subject to substantial annual variation. Duty on land transfers is an example of a volatile tax base.

Interest revenue

Interest revenue includes interest received, discount interest on financial assets and interest on bank term deposits and other investments. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported as part of income from other economic flows in the net result or as unrealised gains or losses taken direct to equity total change in net worth in comprehensive statement.

Forecast assumption

Forecast interest revenue arises from budget cash surpluses that are invested.

Dividends, income tax equivalent and rate equivalent revenue

This represents revenue received from other sectors of government. Revenue is recognised when the right to receive payment is established.

Forecast assumption

The forecasts are provided by government business enterprises using their best available estimates.

In determining the forecast dividend payments, the following two general benchmarks are used:

- 50 per cent of net profit after tax; or
- dividends and income tax equivalent paid or payable of 65 per cent of pre-tax profit.

The exception to this is that in the case of the Transport Accident Commission, it has been agreed that dividends will be calculated on 35 per cent of Performance from Insurance Operations (PFIO).

Other commercial factors considered that will affect the dividend forecasts include the views of each agency's board of directors, the liquidity, operating cash flow and forecast cash requirements of each government business enterprise, gearing and interest cover of the business, retained earnings and any other specific commercial factors relating to individual businesses.

Dividend and income tax equivalent forecasts can be significantly influenced by a number of factors, including the volatility of the financial markets and climatic conditions impacting on water authorities. Revenue raised under the National Tax Equivalent Regime (NTER), administered by the Australian Taxation Office, remains with the state. Currently, 35 government business enterprises (including subsidiaries) are subject to the NTER.

Sale of goods and services

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have passed to the buyer and the revenue can be reliably measured.

Revenue from rendering of services is recognised on a stage of completion basis and is measured by reference to the labour hours supplied or as a percentage of total services to be performed. Sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

Forecast assumption

Revenues arising from the sale of goods and rendering of services are forecast by taking into account all known factors, such as proposed fee increases imposed by departments and budget sector agencies in line with the Guidelines for Setting Fees and Charges (issued by the Department of Treasury and Finance) and/or indexation as provided for under the *Monetary Units Act 2004*. Unless government policy states otherwise, fees will be set to recover the full costs of the goods or services provided.

Under provisions in the *Monetary Units Act 2004*, automatic indexation is applied to regulatory fees.

Grants

Grants mainly comprise funds provided by the Commonwealth to assist the state in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on-passing to other recipients. Grants also include grants from other jurisdictions. Income is recognised when the state obtains control over these funds.

Forecast assumption

The forecast receipt of financial assistance from the Commonwealth is determined on the latest available information at the time of preparation of the estimated financial statements, taking into account the payment schedules and escalation factors relevant to each type of grant.

Forecasts of goods and services tax (GST) grants are based on the latest available information. Victoria's share of GST for 2008-09 is based on Victoria's assessed relativity for that year published by the Commonwealth Grants Commission and the Commonwealth Government's population projections. The Commonwealth Grants Commission calculates an assessed relativity as the average of the past five annual per capita relativities. The Victorian Government forecasts future assessed relativities out to

2011-12 using a straight line projection of annual per capita relativities to their current five-year average (which equals the 2008-09 assessed relativity). The forecast GST share is based on these projected assessed relativities and the Commonwealth Government's population projections.

Other current revenue

This category includes non-property rental, fines, assets received free of charge, royalties, donations and other miscellaneous non-operating income.

Income arising from assets received free of charge or for nominal consideration is measured at the fair value of the assets and is recognised when the entity gains control of the assets or the right to receive the assets.

Forecast assumption

The forecasts of fines principally involves assessment of the behaviour of road users.

Under provisions in the *Monetary Units Act 2004*, automatic indexation is applied to fines. An indexation factor of 3 per cent has been applied for the forecast period.

(J) Expenses from transactions

Expenses are recognised when they are incurred, and reported in the financial year to which they relate.

Employee expenses

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Forecast assumption

Employee expenses are forecast on the basis of staffing profiles and current salaries, conditions and on-costs. For the forecast period, employee expenses are adjusted for approved wage agreements with allowance made for further changes in the future consistent with the government's wage policy. Under this policy, costs associated with Enterprise Bargaining Agreement outcomes beyond the normal indexation factor used to escalate departmental output revenue, are funded from real and sustainable productivity improvements, cost savings and improved service delivery.

Superannuation expense

Superannuation expense is determined on the following basis:

- for defined contribution plans, the amount recognised as an expense reflects the state's contribution, paid or accrued, in respect of the reporting period; and
- for defined benefit plans, the superannuation expense relates to service cost (the cost of employer financed benefits that are expected to accrue for defined benefit members during the reporting period), interest cost and the expected return on assets. This excludes the impact of actuarial gains and losses, which are not classified as transactions and therefore are reported separately as other economic flows included in net result.

Forecast assumptions

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

Future defined benefit superannuation expenses are based on actuarial projections of the components outlined above.

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-current physical assets (excluding items under operating leases, assets held for sale and investment properties) that have a limited useful life are depreciated. Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following are typical estimated useful lives for the different asset classes for both current and prior years:

<i>Asset class</i>	<i>Useful life</i>
Dwellings	40 to 50 years
Other buildings	30 to 60 years
Road pavement	60 years
Bridges	90 years
Plant, equipment and vehicles	3 – 10 years
Cultural assets (with finite useful lives)	100 years

Land, earthworks associated with the declared road network and core cultural assets which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets as their service potential has not, in any material sense, been consumed during the reporting period.

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight-line) basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Amortisation of intangible non-produced assets is not classified as a transaction and is included in the net result as an other economic flow.

Forecast assumption

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

Interest expense

Interest expense is recognised in the period in which it is incurred, and includes:

- interest on outstanding borrowings;
- amortisation of discounts or premiums relating to borrowings;
- finance lease charges; and
- the increase in financial liabilities and provisions due to the unwinding of discounts to reflect the passage of time.

Forecast assumption

Estimates for interest expense are based on the forecast level of outstanding general government sector debt and expected changes in non-current financial liabilities and provisions. General government sector debt is expected to mainly comprise a fixed rate facility, and index-linked securities from the Treasury Corporation of Victoria.

Other operating expenses

This item includes supplies and services which generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operation of the general government sector. Other operating expenses also include personal benefit payments made direct to third parties such as for rate concessions.

These items are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The allowance for doubtful receivables is recorded as an other economic flow included in the net result.

Forecast assumption

Supplies and services are forecast on the basis of experience and known activity changes, including the application of government policy such as savings strategies, changes in the method of service delivery, and the application of the appropriate economic parameters.

An allowance is made for emerging demand that may arise over the forecast period.

Grants and other transfer payments

Grants and transfer payments to third parties are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants, subsidies and other transfer payments made to local government, non-government schools, community groups, personal benefit payments in cash to individuals and public non-financial corporations and public financial corporations.

Forecast assumption

Grants and transfer payments are forecast on the basis of known activity and adjusted by the appropriate economic parameters. Where payments are tied to third party revenue, such as Commonwealth grants for on passing, forecasts are in line with estimated receipts.

(K) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions. This includes realised or unrealised gains and losses from disposals; revaluations and impairment of non-current physical assets and intangible assets; actuarial gains and losses from superannuation defined benefit plans; fair value changes of financial instruments recognised in the operating statement and agricultural assets; foreign exchange gains or losses, depletion of natural resources, and allowances for doubtful debts.

Net gain on sale of non-financial assets

Any gain on the sale of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

Net gain / (loss) on financial assets and liabilities at fair value

Any gains or losses on disposal of financial assets are recognised at the expected date of disposal and are determined after deducting from the proceeds the carrying value of the asset at that time.

Net actuarial gains / (losses) on superannuation defined benefit plans

Actuarial gains or losses are a result of the change in defined benefit obligation arising from differences between assumptions used to calculate the estimated obligation (and resultant superannuation service cost) and what has actually occurred. The effect of any change in actuarial assumptions is also included. Actuarial gains or losses are recognised in the period in which they occur.

(L) Assets

Forecast assumption

The 1 July 2008 opening balances of assets represent the audited carrying value as at 30 June 2007, revised for estimated movements for 2007-08.

Financial Assets

Cash and deposits

Cash and deposits, which include cash equivalents, comprise cash on hand, cash at bank, deposits at call and highly liquid investments with short periods to maturity, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Forecast assumption

Cash and cash equivalent assets are assumed to be held at levels sufficient to cover operating requirements over the forecast period.

Investments, loans and placements (including advances paid)

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held to maturity investments; and
- available for sale financial assets.

The classification depends on the purpose for which the investments were acquired and this is determined at initial recognition.

Investments held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Where the State has the positive intent and ability to hold investments to maturity, they are stated at amortised cost less impairment losses.

Investments that are classified as being available for sale are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Forecast assumption

All surplus cash resources for the period 2008-09 to 2011-12 are assumed to be held as financial assets (investments) pending repayment of debt when appropriate.

Receivables

Receivables consist predominantly of debtors in relation to goods and services, taxes and fines, accrued investment income, and GST input tax credits recoverable. Receivables and loans are recognised initially at fair value and subsequently recorded at amortised cost, using the effective interest method, less any accumulated impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

A provision for doubtful receivables is made when there is objective evidence that the debt may not be collectable. Bad debts are written off when identified.

Forecast assumption

Receivables are forecast on the basis of revenue activity levels.

Investments in associated entities and joint ventures

Associates are those entities over which the State exercises significant influence, but not control.

Investments in associates are accounted for in the estimated financial statements using the equity method. Under this method, the State's share of the post-acquisition profits or losses of associates is recognised in the consolidated operating statement and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post acquisition movements are adjusted against the cost of the investment.

Joint ventures are contractual arrangements between the State or a subsidiary entity and one or more other parties to undertake an economic activity that is subject to joint control. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Interests in jointly controlled operations and jointly controlled assets are accounted for by recognising in the estimated financial statements, the share of the assets, liabilities and any income and expenses of such joint ventures.

Interests in jointly controlled entities are accounted for in the estimated financial statements using the equity method, as applied to investments in associates.

Forecast assumption

Investments in existing joint venture operations and assets are assumed to remain unchanged during the forecast period.

Investments in other sectors

Other sectors of government, that is the PFC and PNFC sectors, are accounted for in the GGS reporting entity as an equity investment in other sectors measured at the government's proportional share of the carrying amount of net assets of the PNFC sector and PFC sector entities before consolidation eliminations. Fair value of these entities is not used as it is not reliably measurable. Where the carrying amount of net assets before consolidation eliminations is less than zero the amount is not included in the investment.

Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value and accounted for in a manner consistent with the requirements in AASB 139 *Financial Instruments: Recognition and Measurement*.

Forecast assumption

Investments in other sectors are estimated based on their audited net assets as at 30 June 2007, adjusted by management estimates of subsequent operating results and distributions.

(M) Non-financial assets

Inventories

Inventories include goods and other property held either for sale or for distribution at no or nominal cost in the ordinary course of business operations.

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value.

Cost is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis.

Cost for all other inventory is measured on the basis of weighted average cost.

Forecast assumption

Inventories forecast to be purchased are valued at the forecast cost.

Non-financial assets classified as held for sale

These are assets for which the carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is expected to be completed within one year from the date of classification. An asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell and is not subject to depreciation.

Forecast assumption

Assets held for sale are forecast on the basis of experience and known asset sales programs including the application of government policy such as asset management strategies and changes in the method of output delivery.

Land, buildings and infrastructure

Land and buildings are measured initially at cost and subsequently revalued at the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction (that is, fair value).

National parks, land underlying state forests and other Crown land are measured with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply.

Road network assets (including earthworks of the declared road networks but excluding land under roads) are measured at fair value, determined by reference to the asset's depreciated replacement cost. Land under roads is not recognised.

Cultural depreciated assets and collections, heritage assets and other non-current physical assets that the state intends to preserve because of their unique historical, cultural or environmental attributes are measured at the cost of replacing the asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Plant, equipment and vehicles are measured at cost less accumulated depreciation and impairment.

Forecast assumption

The value of non-current physical assets will change during the forecast period to account for acquisitions, disposals and the impact of depreciation and revaluation.

New investments in assets are valued at the forecast purchase price or, where appropriate, recognised progressively over the estimated construction period.

The forward estimates include the estimated impact of revaluations of non-current physical assets. These estimates have been derived based on examination and extrapolation of historical trends in asset revaluations by major asset class.

Biological assets

Commercial native forests are measured at their fair value less estimated point of sale costs. The fair value is determined as the difference between the net present value of cash flows expected to be generated by the commercial native forests (discounted at a current market determined rate, which reflects the risks associated with forests) less the fair value of the land on which the commercial native forests are growing.

Forecast assumption

The value of biological assets will change during the forecast period to account for acquisitions, disposals and the impact of revaluations.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

As there is no identifiable ready market from which to estimate fair value, intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the relevant entity in the general government sector.

Intangible assets with finite useful lives are amortised on a systematic basis over the asset's useful life. Amortisation commences when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired.

Intangible assets with indefinite useful lives are not amortised. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. All intangible assets with indefinite useful lives are also tested for impairment at least annually or whenever there is an indication that the intangible asset may be impaired.

Where assets are tested for impairment, any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Forecast assumption

The value of intangible assets during the forecast period reflects forecast acquisitions, disposals and the impact of amortisation.

Land under roads

Land under roads acquired prior to 30 June 2008 is currently not recognised.

Forecast assumption

As disclosed above, land under roads acquired after 1 July 2008 must be recognised at the cost of acquisition. Carrying values during the forecast period reflect estimates of acquisitions by the entities concerned. Existing land under roads has not been recognised during the forecast period.

Partnerships Victoria projects

Infrastructure projects that are approved in principle by the government for possible delivery under the Partnerships Victoria model are initially included in the estimated financial statements as non-current physical assets (with associated financing and depreciation costs). An exception to this is EastLink which will be funded by user-pay tolls.

A final decision on whether an infrastructure project is to proceed with a Partnerships Victoria delivery approach is made following evaluation of bids arising from the tender process for the project, based on an assessment of value for money and satisfaction of the public interest. If, at the conclusion of the tender process, a decision is made to proceed with a Partnerships Victoria delivery approach, the budget treatment will be adjusted as required, to convert the applicable budgeted asset investment, depreciation and financing flows to ensure appropriate disclosure.

Due to a lack of accounting guidance applicable to Grantors on the recognition and measurement by the state of assets arising from certain service concession arrangements, there has been no change in policy and those assets are not currently recognised.

Leases

A distinction is made between finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased assets from the lessor to the lessee, and operating leases, where the lessor effectively retains all such risks and benefits.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum lease payments are allocated between the principal component of the lease liability, and the interest expense calculated by using the interest rate implicit in the lease, and charged directly to the estimated operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

The cost of leasehold improvements is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

Operating lease payments are recognised as an expense in the estimated operating statement on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

The aggregate cost (or benefit) associated with operating lease incentives are recognised as a reduction of rental income (or rental expense) on a straight line basis over the lease term.

Forecast assumption

Unless otherwise stated, existing leases are assumed to be replaced by leases with similar terms and conditions.

Restrictive nature of cultural and heritage assets, Crown land and infrastructure

Certain agencies in the Victorian general government sector hold cultural assets, heritage assets, Crown land and infrastructure, which are deemed worthy of preservation because of the social rather than financial benefits they provide to the community.

Consequently, there are certain limitations and restrictions imposed on their use and/or disposal.

Impairment of assets

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount. All other assets are assessed annually for indications of impairment, except for:

- inventories;
- assets arising from construction contracts;
- assets arising from employee benefits;
- deferred tax assets;
- financial assets;
- investment property that is measured at fair value;
- certain biological assets related to agricultural activity;
- certain deferred acquisition costs and intangible assets arising from an insurer's contractual rights; and
- non-current assets classified as held for sale.

If there is an indication of possible impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the operating statement except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. The recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Revaluations

Assets, other than those that are carried at cost, are revalued in accordance with Financial Reporting Directions issued by the Minister for Finance. This revaluation process normally occurs every five years, based on the asset's General Purpose Classification. At least in each annual reporting period, each class of assets shall be subject to fair value assessment indicators of material changes in values. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised as income (other economic flows) in determining the net result.

Revaluation decrements are recognised immediately as expenses (other economic flows) in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

Revaluation increments and decrements relating to individual assets within a class of property, plant and equipment are offset against one another within the same class of non current assets but are not offset in respect of assets in different classes.

Revaluation reserves are not normally transferred to accumulated funds on de-recognition of the relevant asset.

Other non-financial assets

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

Forecast assumption

Unless otherwise stated, prepayments for expenditure extending into the next accounting period are assumed to apply only to minor contractual obligations for goods and services.

(N) Liabilities

Borrowings (including advances received)

The state's interest bearing liabilities mainly represent funds raised from the following sources:

- the residual amount outstanding for loans raised in previous years by the Commonwealth Government on behalf of the state;
- public borrowings mainly raised through the Treasury Corporation of Victoria; and
- finance leases and other interest bearing arrangements.

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Forecast assumption

Borrowing estimates are based on the ability to repay maturing debt and the need to finance capital expenditure.

Payables

Payables consist predominantly of accounts payable and other sundry liabilities. Accounts payable represent liabilities for goods and services provided to the state prior to the end of the financial year that are unpaid, and arise when the state becomes obliged to make future payments in respect of the purchase of those goods and services. Accounts payable are measured at amortised cost.

Other liabilities included in Payables mainly consist of unearned/prepaid income, goods and services tax and fringe benefits tax payables, and are initially recognised at fair value and subsequently remeasured at amortised cost. Unearned income liability includes deferred revenue from concession notes.

Forecast assumption

For the forecast period, accounts payable are based on known movements in contractual arrangements, other outstanding payables and historical experience.

The unearned income liability relating to concession notes will reduce each year as revenue is progressively brought to account over the remaining period of the concession term. The estimated changes in other components is based on historical experience.

Superannuation

At each forward estimate reporting date, a liability or asset in respect of defined benefit superannuation is recognised, and is measured as the difference between the estimated present value of accrued liabilities at the reporting date and the estimated net market value of the superannuation scheme's assets at that date. The present value of accrued liabilities is based on expected future payments which arise from membership of the schemes to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using rates on long-term Commonwealth Bonds.

The superannuation liability recognised in the estimated balance sheet also allows for any past service cost that has not yet been recognised in the estimated operating statement.

Forecast assumptions

The superannuation liabilities at future balance dates are estimated in accordance with the above policy using projections provided by the actuaries of the various defined benefit schemes. These projections are based on a number of demographic and financial assumptions which include, in particular, an expected return on the assets of the defined benefit schemes and a discount rate for determining the present value of accrued liabilities. Consistent with the long term actuarial assumptions, the expected return on assets is assumed to remain constant across the budget and forecast periods. The discount rates used are based on prevailing long term Commonwealth bond rates which are also assumed to remain constant across the forward estimates period. Actual experience may differ significantly from the assumptions used, which may cause significant variation in the superannuation liabilities. Any such variation would primarily impact on other economic flows in the operating statement.

The table below provides additional information regarding the forecast assumptions for the budget and forward years for each relevant defined benefit scheme.

Superannuation assumptions

<i>Victorian statutory schemes</i>	<i>Assumptions</i>	<i>Per cent ^(f)</i>
Emergency Services and State Super	Expected return on assets ^(a)	8.00
	Discount rate ^(b)	6.37
	Wages growth ^(c)	4.00
	Inflation rate ^(e)	3.00
Constitutionally Protected Schemes	Discount rate ^(b)	6.37
	Wages growth ^(c)	4.00
	Inflation rate ^(e)	4.00
Parliamentary Contributory Superannuation Fund	Expected return on assets ^(a)	8.00
	Discount rate ^(b)	6.37
	Wages growth ^(c)	4.00
	Inflation rate ^(e)	4.00
Health Super-Fund - Defined Benefit Scheme	Expected return on assets ^(a)	8.00
	Discount rate ^(b)	6.37
	Wages growth ^(c)	4.00
	Inflation rate ^(e)	3.00

Notes:

- (a) *The expected return on assets stated is gross of tax. Estimated tax payments are explicitly allowed for in the calculation process.*
- (b) *In accordance with accounting standards, the discount rate is based on the longest dated fixed interest Commonwealth Government bond rate. The rate stated above is an annual effective rate, gross of tax.*
- (c) *Wages growth are actuarial assumptions and do not reflect the Government's wages policy.*
- (d) *Parliamentary salaries are determined by reference to equivalent salaries in the Commonwealth Parliament.*
- (e) *Inflation is assumed to be 3.0 per cent a year for the next three years then 2.5 per cent a year in the long term.*
- (f) *Please note that all rates are nominal annual rates.*

The expected return on assets, as shown above, is determined by weighting the expected long term return for each asset class by the target allocation of assets to each class (as depicted in the table below).

<i>Asset class</i>	<i>Per cent</i>
Domestic equity	27.6
International equity	24.8
Domestic & International debt assets	21.8
Property	10.1
Cash	3.6
Other (inc. private equity, hedge funds and infrastructure)	12.1
Total	100.0

Other employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

Provisions made in respect of employee benefits are measured based on their expected settlement. Provisions which are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the State in respect of services provided by employees up to reporting date.

Regardless of the expected timing of settlement, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer the settlement of liability for at least 12 months after the reporting date, in which case it would be classified as a non current liability. The non-current liability includes long service leave entitlements accrued for employees with less than seven years of continuous service.

Forecast assumption

Employee benefits are forecast on the basis of staffing profiles and current salaries and conditions. For the forecast period, employee benefits are adjusted for approved wage agreements with an allowance made for future movements.

Other provisions

Other provisions include a liability for outstanding insurance claims, which is independently assessed by actuaries. This liability covers claims reported but not yet paid, claims incurred but not yet reported, and the anticipated direct and indirect costs of settling those claims. The actuaries take into account projected inflation and other factors to arrive at expected future payments. These are then discounted at the reporting date using a market determined, risk free discount rate.

Forecast assumption

The level of outstanding insurance claims liability at the end of each forecast year is based on historical trends, existing actuarial valuations and projections adjusted for forecast activity levels.

(O) Right to receive assets

The state has entered into a number of concession arrangements with independent private sector entities. These private sector entities typically lease land and sometimes state works, from the State and construct infrastructure. During the concession period, the operator has the right to obtain revenue from services that utilise the infrastructure and has the obligation to supply agreed upon services including maintenance of the asset. At the end of the concession period the land and state works, together with the constructed facilities will be returned to the state. These are sometimes referred to as Build, Own, Operate, and Transfer arrangements.

Significant concession arrangements include the City Link network, which charges tolls to motorists during the concession period, which has a nominal term of 33.5 years expiring 15 January 2034 and EastLink, which will also be a tollway with a nominal term of 35 years expiring 30 November 2043.

There is currently no accounting guidance applicable to Grantors on the recognition and measurement of the right of the state to receive assets from such concession arrangements. Prospective developments are discussed in (H) above.

Due to the ongoing uncertainty and lack of applicable accounting guidance on the recognition and measurement by the state of assets arising from certain service concession arrangements, there has been no change in policy and those assets are not currently recognised.

The impact that may occur as a result of possible changes to the accounting by the state cannot be reliably estimated and is not accounted for in the estimated financial statements.

(P) Accounting for the goods and services tax (GST)

Income, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense. GST receivable from and payable to the Australian Taxation Office is included in receivables and other liabilities.

(Q) Estimated cash flow statement

For the purposes of the estimated cash flow statement, cash and cash equivalents comprises cash on hand, cash at bank, bank overdrafts and deposits at call, and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(R) Rounding

All amounts in the estimated financial statements have been rounded to the nearest hundred thousand dollars unless otherwise stated. Figures in these estimated financial statements may not add due to rounding.

Note 2: Taxation

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Taxes on employers' payroll and labour force	3 963.2	4 200.1	4 449.7	4 710.6
Taxes on property				
Taxes on immovable property				
Land tax	1 049.8	1 023.8	1 076.2	1 049.4
Congestion levy	39.2	40.4	41.4	42.5
Metropolitan improvement levy	105.4	109.1	112.9	112.9
Property owner contributions to fire brigades	42.2	43.7	45.2	46.4
Total taxes on immovable property	1 236.6	1 216.9	1 275.7	1 251.2
Financial and capital transactions				
Land transfer duty	3 736.9	3 710.7	3 865.6	3 880.0
Other property duties	10.2	10.9	11.6	12.5
Financial accommodation levy	32.1	49.5	61.0	67.8
Total financial and capital transactions	3 779.1	3 771.1	3 938.2	3 960.3
Total taxes on property	5 015.7	4 988.0	5 213.9	5 211.4
Taxes on the provision of goods and services				
Gambling taxes				
Private lotteries	354.8	369.0	384.2	399.6
Electronic gaming machines	1 025.0	1 074.0	1 126.4	1 180.8
Casino	135.0	143.3	153.5	164.6
Racing	129.4	136.5	144.1	152.0
Other	7.7	8.2	8.7	9.2
Total gambling taxes	1 651.9	1 731.0	1 816.9	1 906.1
Levies on statutory corporations	73.7	73.7	73.7	73.7
Taxes on insurance	1 207.1	1 270.6	1 350.2	1 402.6
Total taxes on the provision of goods and services	2 932.7	3 075.3	3 240.8	3 382.4
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	829.4	881.1	931.4	984.0
Duty on vehicle registrations and transfers	581.5	602.6	625.1	648.4
Total motor vehicle taxes	1 410.9	1 483.6	1 556.6	1 632.4
Franchise taxes	7.8	7.9	8.0	8.1
Other	52.5	41.1	35.3	32.3
Total taxes on the use of goods and performance of activities	1 471.2	1 532.6	1 599.8	1 672.8
Total taxation	13 382.9	13 795.9	14 504.2	14 977.2

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

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Dividends	421.1	385.5	402.0	396.9
Income tax equivalent revenue	246.5	315.8	363.9	373.1
Local government rate equivalent revenue	2.3	2.4	2.4	2.4
Total dividends and income tax equivalent and rate equivalent revenue	669.9	703.7	768.3	772.4

Note 4: Sales of goods and services

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Motor vehicle regulatory fees	107.8	109.5	111.3	112.7
Other regulatory fees	288.0	295.1	292.1	287.8
Sale of goods	1.8	1.8	1.8	1.8
Provision of services	2 867.5	2 889.4	2 949.4	3 023.0
Rental	39.3	40.5	40.8	41.1
Refunds and reimbursements	51.3	52.4	53.5	54.7
Inter-sector capital asset charge	978.8	1 064.6	1 071.4	1 064.6
Total sales of goods and services	4 334.5	4 453.3	4 520.3	4 585.8

Note 5: Grants

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Current grants				
Current grants from the Commonwealth				
General purpose grants	10 281.4	10 981.3	11 656.2	12 295.0
Specific purpose grants for on-passing	1 967.5	2 074.8	2 189.4	2 310.4
Other specific purpose grants	4 657.0	4 746.7	4 951.6	5 180.2
Total	16 905.9	17 802.8	18 797.2	19 785.6
Other contributions and grants	6.0	6.0	6.0	6.0
Total current grants	16 911.9	17 808.8	18 803.2	19 791.6
Capital grants				
Capital grants from the Commonwealth				
Specific purpose grants for on-passing	150.4	154.9	159.6	164.0
Other specific purpose grants	383.0	424.9	384.7	387.1
Total	533.3	579.8	544.3	551.1
Other contributions and grants	109.8	106.8	101.4	88.5
Total capital grants	643.2	686.7	645.7	639.5
Total grants	17 555.0	18 495.5	19 448.9	20 431.1

Note 6: Other current revenue

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Fair value of assets received free of charge or for nominal consideration	21.8	0.8	0.8	0.8
Fines	492.2	504.0	506.0	505.7
Royalties	42.0	42.5	42.5	42.5
Donations and gifts	175.7	197.2	185.4	185.4
Other non-property rental	15.1	15.0	15.3	15.3
Other miscellaneous income	718.8	679.1	682.1	692.0
Total other current revenue	1 465.6	1 438.7	1 432.1	1 441.7

Note 7: Superannuation

The liability for employee superannuation benefits in the general government sector, is the responsibility of the State's public sector superannuation funds. These funds are not consolidated in the estimated financial statements as they are not controlled by the State. However, the major proportion of unfunded superannuation liabilities is the responsibility of the State and is recognised accordingly.

(a) Superannuation expense recognised in the operating statement

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Defined benefit plans				
Current service cost ^(a)	574.8	576.7	581.4	568.7
Interest cost ^(a)	1 821.0	1 850.1	1 874.0	1 893.6
Expected return on plan assets (net of expenses) ^(a)	(1 302.4)	(1 329.4)	(1 353.5)	(1 373.9)
Amortisation of past service cost ^{(a)(c)}	(14.5)	(10.2)	..	..
Actuarial (gains)/losses ^(b)	..	..	..	..
Total expense recognised in respect of defined benefit plans	1 078.9	1 087.2	1 101.9	1 088.4
Defined contribution plans				
Employer contributions to defined contribution plans ^(a)	731.5	764.7	817.4	857.6
Other (including pensions) ^(a)	47.9	49.9	52.1	54.3
Total expense recognised in respect of defined contribution plans	779.3	814.6	869.4	912.0
Total superannuation expense recognised in operating statement	1 858.2	1 901.7	1 971.3	2 000.4

Notes:

(a) Superannuation expense from transactions.

(b) Superannuation expense from other economic flows.

(c) Past service cost arises due to a change in benefits payable and must be amortised over the period until the benefits become vested. This is expected to occur by 2009-10.

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

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
Opening balance of defined benefit obligation ^(a)	30 459.1	30 981.8	31 413.3	31 770.3
Current service cost	574.8	576.7	581.4	568.7
Interest cost	1 821.0	1 850.1	1 874.0	1 893.6
Contributions by plan participants	211.2	202.7	193.6	184.9
Actuarial (gains)/losses	..	..	..	..
Benefits paid	(2 084.2)	(2 198.0)	(2 292.0)	(2 369.9)
Closing balance of defined benefit obligation	30 981.8	31 413.3	31 770.3	32 047.7

Note:

- (a) The figure in 2008-09 incorporates a downward adjustment of \$237.8 million arising from an actuarial re-assessment of the tax liability of the Emergency Services and State Superannuation Scheme, from the figure reported in the 2006-07 Annual Financial Report.

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

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
Opening balance of plan assets	17 544.7	17 924.8	18 312.9	18 614.3
Expected return on plan assets	1 302.4	1 329.4	1 353.5	1 373.9
Actuarial gains/(losses)	..	..	..	..
Employer contributions	950.7	1 054.0	1 046.2	1 086.2
Contributions by plan participants	211.2	202.7	193.6	184.9
Benefits paid (including tax paid)	(2 084.2)	(2 198.0)	(2 292.0)	(2 369.9)
Closing balance of plan assets	17 924.8	18 312.9	18 614.3	18 889.4

(d) Reconciliation of the superannuation liabilities

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
ESSS (including SSF)				
Defined benefit obligation	28 523.0	28 850.3	29 100.9	29 266.0
Tax liability ^(a)	766.2	837.8	925.8	1 020.2
Plan assets	(16 542.3)	(16 906.1)	(17 196.2)	(17 459.3)
Unrecognised past service cost ^(b)	10.2	..	..	..
Net liability/(asset)	12 757.1	12 782.0	12 830.6	12 827.0
Other funds ^(c)				
Defined benefit obligation	1 691.6	1 726.4	1 746.9	1 766.6
Tax liability ^(a)	1.2	(1.1)	(3.1)	(5.0)
Plan assets	(1 382.5)	(1 406.9)	(1 418.1)	(1 430.2)
Unrecognised past service cost	..	..	..	..
Net liability/(asset)	310.3	318.5	325.7	331.5
Total superannuation				
Defined benefit obligation	30 214.6	30 576.7	30 847.8	31 032.6
Tax liability	767.4	836.7	922.7	1 015.3
Plan assets	(17 924.8)	(18 312.9)	(18 614.3)	(18 889.4)
Unrecognised past service cost	10.2	..	..	..
Superannuation liability	13 067.4	13 100.5	13 156.3	13 158.5
Represented by:				
Current liability	535.0	544.0	601.4	616.4
Non-current liability	12 532.4	12 556.5	12 554.9	12 542.1

Notes:

- (a) Tax liability represents the present value of future tax payments on investment income from assets supporting the accrued benefits and the present value of future tax payments on the expected employer contributions (if any) to fund these accrued benefits.
- (b) Past service cost arises due to a change in benefits payable. This cost is recognised as an expense over the period until the benefits become vested. Unrecognised past service cost represents the amount of past service cost yet to be recognised in the operating statement.
- (c) Other funds include constitutionally protected schemes, the Parliamentary Contributory Superannuation Fund and the State's share of liabilities of the defined benefit scheme of the Health Super Fund.

Note 8: Depreciation

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Depreciation				
Buildings ^(a)	452.2	489.5	542.1	605.1
Plant, equipment and infrastructure systems	636.9	674.7	692.5	702.1
Road networks	395.0	406.2	459.3	486.5
Other assets	11.5	11.5	11.6	11.6
Leased plant and equipment	41.5	41.5	36.6	32.1
Leasehold buildings	51.1	56.0	56.8	73.9
Intangible produced assets ^(b)	21.2	33.2	27.4	35.1
Total depreciation	1 609.4	1 712.7	1 826.3	1 946.4

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2008-09 to 2010-11.

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

Note 9: Interest expense

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Interest on long-term interest-bearing liabilities	343.9	410.2	531.2	642.7
Interest on short-term interest-bearing liabilities	36.5	36.5	36.5	36.5
Finance charges on finance leases	86.7	98.8	95.8	93.5
Discount interest on payables	32.3	31.4	31.5	31.3
Total interest expense	499.4	576.9	695.0	804.0

Note 10: Grants and other transfers

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Current grants expense				
Commonwealth Government	72.2	74.7	70.7	70.7
Local Government on-passing	581.0	606.7	609.8	610.4
Private sector and not for profit on-passing	2 986.7	3 119.3	3 152.0	3 184.8
Other private sector and not for profit	447.7	427.7	509.5	523.9
Grants within the Victorian Government	1 960.4	1 959.9	1 976.4	1 975.6
Grants to other state governments	15.1	14.0	13.8	13.9
Total current grants and other transfers	6 063.0	6 202.2	6 332.1	6 379.3
Capital grants expense				
Commonwealth Government	..	..	..	..
Local Government on-passing	8.7	9.7	6.8	6.8
Private sector and not for profit on-passing	143.7	108.2	98.3	98.0
Other private sector and not for profit	137.3	33.7	4.0	4.0
Grants within the Victorian Government	27.6	11.0	10.5	10.1
Other grants	59.2	0.4	0.4	0.4
Total capital grants and other transfers	376.4	163.0	120.1	119.3
Total grants and other transfers	6 439.4	6 365.2	6 452.2	6 498.7

Note 11: Total expenses by government purpose classification

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
General public services	2 725.4	3 894.6	4 738.0	5 572.7
Public order and safety	4 192.9	4 220.0	4 357.2	4 412.4
Education	9 694.2	9 941.3	10 296.8	10 534.4
Health	9 836.3	9 874.2	10 122.9	10 337.6
Social security and welfare	2 896.3	2 963.0	3 038.8	3 109.4
Housing and community amenities	1 963.5	1 876.3	1 857.8	1 827.6
Recreation and culture	841.6	830.2	826.7	822.5
Fuel and energy	83.2	70.9	71.8	72.3
Agriculture, forestry, fishing, and hunting	361.0	321.1	326.5	323.6
Mining, manufacturing, and construction	27.0	27.0	19.8	19.4
Transport and communications	3 877.8	3 958.1	4 121.1	4 252.9
Other economic affairs	456.5	465.8	405.8	371.0
Other purposes	27.0	27.3	27.6	27.8
Total expenses by government purpose classification^(a)	36 982.4	38 469.6	40 210.7	41 683.7

Note:

(a) Classifications have been determined using ratios based on historical data. The methodology differs from the one used to construct previous tables by purpose that were prepared on a GFS basis and are therefore not completely comparable.

Note 12: Other gains/(losses) from other economic flows

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Net gain/(loss) from revaluation of biological assets	8.4	8.4	8.4	8.4
Net (increase)/decrease in provision for doubtful receivables	(147.6)	(154.0)	(154.0)	(154.0)
Other gains/(losses)	(11.8)	(8.9)	(7.9)	0.1
Total other gains/(losses) from other economic flows	(151.1)	(154.5)	(153.5)	(145.5)

Note 13: Receivables

(\$ million)

	2008	2009	2010	2011	2012
	<i>Revised</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Sales of goods and services	515.0	524.0	534.6	495.4	457.6
Taxes receivables	802.6	667.0	609.2	609.4	609.6
Fines and regulatory fees	676.5	730.0	783.9	837.8	891.7
Accrued investment income	13.7	150.0	107.8	138.3	147.4
Other receivables	408.0	433.6	439.0	443.5	415.8
GST input tax credits recoverable	252.6	253.4	253.9	254.6	255.3
<i>Provision for doubtful receivables</i>	<i>(544.9)</i>	<i>(692.0)</i>	<i>(845.9)</i>	<i>(999.8)</i>	<i>(1 153.7)</i>
Total receivables	2 123.6	2 066.0	1 882.4	1 779.2	1 623.8

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

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Balance of investment in PNFC and PFC sectors at beginning of period	43 801.3	45 483.4	46 490.0	47 423.0
Net contributions to other sectors by owner	1 275.0	1 199.9	981.6	760.9
Revaluation gain/ (loss) for period	407.2	(193.4)	(48.5)	55.6
Balance of investment in PNFC and PFC sectors at end of period	45 483.4	46 490.0	47 423.0	48 239.5

Note 15: Net acquisition of non-financial assets

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Purchases of non-financial assets	2 837.9	3 083.1	3 490.6	4 072.7
Less: Sales of non-financial assets	(153.8)	(167.2)	(130.8)	(166.8)
Less: Depreciation	(1 609.4)	(1 712.7)	(1 826.3)	(1 946.4)
Plus: Change in inventories	1.4	0.2	(0.3)	(0.3)
Plus: Other movements in non-financial assets	193.2	(0.4)	(0.4)	839.7
Total net acquisition of non-financial assets	1 269.2	1 203.0	1 532.8	2 798.9

Note 16: Land, buildings, infrastructure, plant and equipment

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

(\$ million)

	2008 Revised	2009 Budget	2010 Estimate	2011 Estimate	2012 Estimate
Buildings (written down value)	16 665.9	18 251.3	20 099.9	22 885.8	27 513.1
Land and national parks	20 716.1	22 174.9	23 769.1	25 580.0	27 621.9
Infrastructure systems (written down value)	390.5	563.4	618.1	632.5	634.6
Plant, equipment and vehicles (written down value)	2 185.4	2 078.4	1 922.2	1 632.1	1 299.4
Roads (written down value)	16 687.6	17 113.8	19 220.6	19 466.9	19 455.5
Earthworks	5 121.7	5 121.7	5 692.0	5 692.0	5 692.0
Cultural assets (written down value)	3 619.5	3 623.0	3 819.6	3 929.1	3 935.0
Total land, buildings, infrastructure, plant and equipment	65 386.6	68 926.4	75 141.5	79 818.5	86 151.5

(b) Land and buildings

(\$ million)

	2008 Revised	2009 Budget	2010 Estimate	2011 Estimate	2012 Estimate
Buildings	18 259.0	20 300.8	22 644.0	25 971.5	31 220.6
Accumulated depreciation	(1 593.1)	(2 049.6)	(2 544.1)	(3 085.7)	(3 707.5)
Buildings (written down value)	16 665.9	18 251.3	20 099.9	22 885.8	27 513.1
Land	18 415.9	19 874.4	21 468.2	23 278.8	25 320.2
National Parks and other 'land only' holdings	2 300.2	2 300.6	2 300.9	2 301.3	2 301.6
Land and national parks	20 716.1	22 174.9	23 769.1	25 580.0	27 621.9
Total land and buildings	37 382.0	40 426.2	43 869.0	48 465.8	55 134.9

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

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Infrastructure systems	432.5	632.4	715.8	759.3	790.8
<i>Accumulated depreciation</i>	(42.1)	(69.1)	(97.7)	(126.8)	(156.2)
Infrastructure systems (written down value)	390.5	563.4	618.1	632.5	634.6
Plant, equipment and vehicles	4 937.5	5 337.2	5 704.2	5 930.6	6 119.1
<i>Accumulated depreciation</i>	(2 882.8)	(3 353.2)	(3 840.2)	(4 325.3)	(4 819.6)
Leased plant, equipment and vehicles	187.4	187.4	187.4	187.4	187.4
<i>Accumulated depreciation</i>	(56.7)	(93.0)	(129.2)	(160.6)	(187.4)
Plant, equipment and vehicles (written down value)	2 185.4	2 078.4	1 922.2	1 632.1	1 299.4
Total plant, equipment and vehicles, and infrastructure systems	2 575.9	2 641.8	2 540.2	2 264.6	1 934.0

(d) Road networks and earthworks

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Roads	19 787.2	20 333.8	23 992.1	24 367.0	24 503.5
<i>Accumulated depreciation</i>	(7 550.0)	(7 862.7)	(9 049.3)	(9 410.8)	(9 797.0)
Road infrastructure	6 842.3	7 116.9	7 100.7	7 431.4	7 770.1
<i>Accumulated depreciation</i>	(2 391.9)	(2 474.2)	(2 822.9)	(2 920.7)	(3 021.1)
Roads (written down value)	16 687.6	17 113.8	19 220.6	19 466.9	19 455.5
Earthworks	5 121.7	5 121.7	5 692.0	5 692.0	5 692.0
Total road networks and earthworks	21 809.3	22 235.5	24 912.6	25 158.9	25 147.5

(e) Cultural assets

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Cultural assets	3 716.6	3 729.3	3 935.1	4 054.2	4 069.7
<i>Accumulated depreciation</i>	(97.1)	(106.3)	(115.5)	(125.1)	(134.7)
Total cultural assets	3 619.5	3 623.0	3 819.6	3 929.1	3 935.0

Cultural assets comprise non-current physical assets intended to be preserved because of their unique historical, cultural or environmental attributes, such as the Royal Botanic Gardens, Government House, Parliament House, historic houses, monuments, museum exhibits, art collections and archival collections.

Note 17: Reconciliation of movements in land, buildings, infrastructure, plant and equipment

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
Carrying amount at the start of the year ^(a)	65 386.6	68 926.4	75 141.5	79 818.5
Additions ^(b)	3 060.3	3 065.6	3 460.0	4 898.1
Disposals at written down value	(198.9)	(150.1)	(109.5)	(109.7)
Revaluations	2 281.5	4 978.0	3 124.2	3 454.8
Assets reclassified	(16.0)	..	..	..
Depreciation expense	(1 587.1)	(1 678.4)	(1 797.8)	(1 910.3)
Carrying amount at the end of the year	68 926.4	75 141.5	79 818.5	86 151.5

Notes:

- (a) Property, plant and equipment comprises land and buildings, infrastructure systems, plant, equipment, vehicles, road networks and cultural assets. Excludes movements in intangible, investment properties and other non-financial assets.
- (b) Includes assets acquired under finance lease arrangements.

Note 18: Other non-financial assets

(\$ million)

	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Intangibles produced assets	393.0	421.5	433.7	458.6	467.4
Accumulated depreciation	(181.6)	(201.9)	(235.5)	(262.6)	(297.3)
Intangibles non-produced assets	20.7	20.7	20.7	20.7	20.7
Accumulated depreciation	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)
Total intangibles	220.2	228.3	207.0	204.8	178.9
Investment properties	19.2	19.2	19.2	19.2	19.2
Biological assets ^(a)	89.0	97.4	105.8	114.2	122.6
Other assets	200.8	192.7	187.9	183.2	178.4
Total other non-financial assets	529.2	537.7	520.0	521.4	499.2

Note:

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

Note 19: Assets classified by government purpose classification

(a) Purchases of non-financial assets

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
General public services	192.4	302.2	335.1	246.3
Public order and safety	273.6	337.4	269.7	204.5
Education	849.6	616.2	356.8	270.2
Health	564.6	459.3	283.5	136.9
Social security and welfare	79.4	41.9	50.6	38.3
Housing and community amenities	361.0	159.2	124.8	102.9
Recreation and culture	45.5	34.5	28.4	27.9
Fuel and energy	3.6	2.7	2.6	2.6
Agriculture, forestry, fishing, and hunting	60.8	95.4	39.6	8.2
Mining, manufacturing, and construction	..	..	..	..
Transport and communications	825.2	941.8	715.0	476.6
Other economic affairs	26.2	36.7	11.6	2.4
Other purposes	1.8	1.8	1.8	1.8
Not allocated by purpose ^(a)	(445.9)	54.0	1 271.4	2 554.2
Total purchases of non-financial assets ^(b)	2 837.9	3 083.1	3 490.6	4 072.7

Note:

- (a) Estimated amount available to be allocated to specific departments and projects. This includes an allowance for departmental underspending in 2008-09 which may be subject to carryover in 2009-10.
- (b) Classifications have been determined using ratios based on historical data.

(b) Total assets

(\$ million)

	2009	2010	2011	2012
	Budget	Estimate	Estimate	Estimate
General public services	593.3	789.7	1 054.8	1 221.6
Public order and safety	3 497.7	3 588.8	3 694.6	3 725.6
Education	13 823.3	14 050.5	14 008.1	13 871.8
Health	6 656.3	6 648.0	6 490.2	6 996.3
Social security and welfare	1 092.2	1 070.3	1 054.7	1 024.3
Housing and community amenities	11 467.1	11 514.3	11 535.0	11 543.1
Recreation and culture	5 844.6	5 855.6	5 837.4	5 819.1
Fuel and energy	31.6	31.4	31.1	30.8
Agriculture, forestry, fishing, and hunting	354.1	424.2	439.2	424.0
Mining, manufacturing, and construction	..	..	..	..
Transport and communications	23 522.0	26 374.0	26 595.5	26 562.9
Other economic affairs	255.5	287.2	291.1	282.0
Other purposes	7.3	7.4	7.5	7.6
Not allocated by purpose ^(a)	55 765.6	59 489.8	64 697.7	71 344.6
Total assets ^(b)	122 910.7	130 131.3	135 736.9	142 853.6

Note:

- (a) Includes financial assets which are not able to be allocated by purpose.
- (b) Classifications have been determined using ratios based on historical data.

Note 20: Borrowings

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Current borrowings					
Domestic borrowings	237.7	238.2	237.7	236.2	234.7
Finance lease liabilities	50.7	62.2	60.8	61.8	32.2
Total current borrowings	288.3	300.4	298.5	298.0	266.9
Non-current borrowings					
Domestic borrowings	5 431.8	6 849.1	8 752.7	10 481.6	12 433.8
Finance lease liabilities	993.0	1 682.3	1 595.1	1 506.2	2 287.1
Total non-current borrowings	6 424.8	8 531.4	10 347.8	11 987.8	14 720.9
Total borrowings	6 713.1	8 831.7	10 646.2	12 285.8	14 987.8

Note 21: Other employee benefits

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Current					
Accrued salaries and wages ^(a)	1 137.6	1 161.6	1 194.3	1 227.7	1 260.6
Long service leave	2 220.7	2 275.8	2 345.0	2 417.6	2 488.4
Total current employee benefits	3 358.3	3 437.4	3 539.3	3 645.3	3 749.0
Non-current					
Accrued salaries and wages ^(a)	..	..	..	..	..
Long service leave	411.5	476.8	515.1	554.0	593.9
Total non-current employee benefits	411.5	476.8	515.1	554.0	593.9
Total employee benefits	3 769.8	3 914.2	4 054.5	4 199.3	4 342.9

Note:

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

Current employee benefits are defined in AASB 101 *Presentation of Financial Statements*, as the amount for which the State of Victoria does not have an unconditional right to defer settlement beyond 12 months, entirely in relation to long service leave.

Note 22: Cash flow information

(a) Reconciliation of cash and cash equivalents

(\$ million)

	2009 Budget	2010 Estimate	2011 Estimate	2012 Estimate
Cash	1 100.7	1 157.0	1 223.0	1 293.8
Deposits at call	1 099.0	1 106.4	1 102.3	1 095.5
Cash and cash equivalents	2 199.6	2 263.4	2 325.3	2 389.3
Bank overdraft	(3.1)	(3.1)	(3.1)	(3.1)
Balances as per cash flow statement	2 196.5	2 260.4	2 322.2	2 386.2

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

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Net result	716.9	711.5	771.8	840.1
Non-cash movements				
Depreciation	1 609.4	1 712.7	1 826.3	1 946.4
Revaluation of investments	(0.6)	(0.5)	(0.6)	(0.7)
Assets (received) / provided free of charge	38.2	0.4	0.4	0.4
Revaluation of assets	3.5	0.6	(0.4)	(8.4)
Discount/premium on other financial assets/ borrowings	7.5	7.6	7.7	7.5
Movements included in investing and financing activities				
Net gain from disposal of property, plant and equipment	(39.9)	(14.4)	(18.7)	(22.3)
Movements in assets and liabilities				
Increase/(decrease) in provision for doubtful debts	147.1	154.0	153.9	153.9
Increase/(decrease) in payables	(85.8)	(88.8)	(92.3)	(92.3)
Increase/(decrease) in employee benefits	144.4	140.3	144.8	143.6
Increase/(decrease) in superannuation	128.3	33.1	55.8	2.2
Increase/(decrease) in other provisions	(41.2)	(25.1)	(19.3)	(14.1)
Increase/(decrease) in other liabilities	122.6	(202.9)	(7.2)	(7.3)
(Increase)/decrease in receivables	(63.8)	31.8	(48.6)	(28.5)
(Increase)/decrease in other non-financial assets	7.5	4.9	5.2	5.3
Net cash flows from operating activities	2 694.2	2 465.1	2 778.9	2 926.0

Note 23: Reserves

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Property plant and equipment revaluation reserve	28 531.4	30 824.9	35 812.0	38 944.3	42 399.3
Available-for-sale investments revaluation reserve	37.7	37.7	37.7	37.7	37.7
Revaluation reserve for investments in PFC and PNFC entities	39 066.3	39 473.4	39 280.1	39 231.6	39 287.1
Other reserves	660.4	661.4	662.4	663.4	664.4
Total reserves	68 295.8	70 997.4	75 792.2	78 877.0	82 388.5

Note 24: Reconciliations to Government Finance Statistics**(a) Reconciliation to GFS Net operating balance^(a)**

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
Net result from transactions – net operating balance	827.5	851.1	906.0	962.6
Convergence differences	..	..	..	..
GFS Net operating balance	827.5	851.1	906.0	962.6

Note:

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

(b) Reconciliation to GFS Total change in net worth^(a)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
Total change in net worth	3 427.1	5 518.3	3 852.9	4 351.1
Convergence differences:				
Contribution by minority interest	(20.0)	(20.0)	..	..
Relating to net operating balance (from (a) above)	..	..	..	..
Relating to other economic flows:				
Doubtful receivables ^(b)	147.1	154.0	153.9	153.9
Net gain on equity investments in other sector entities measured at proportional share of net assets/(liabilities) ^(c)	20.0	38.5	34.3	50.6
Total convergence differences	147.1	172.5	188.2	204.5
GFS Total change in net worth	3 574.2	5 690.8	4 041.1	4 555.6

Notes:

- (a) Determined in accordance with the ABS GFS Manual.
- (b) The convergence difference arises because GFS does not recognise doubtful receivables, whereas the operating statement recognises it and classifies doubtful receivables as other economic flows.
- (c) The convergence difference arises because the amount of net assets (and therefore the change in carrying amount of net assets) of other sector entities determined under GFS principles and rules differs from the carrying amount of net assets (and therefore the change in carrying amount of net assets) of the subsidiaries recognised in the balance sheet. The difference is therefore the total change in net worth impacting either through the net operating balance or other economic flows. The components are doubtful receivables in the PNFC and PFC sectors, and the change in future tax benefits and future tax liabilities in those sectors.

(c) Reconciliation GFS Net lending/(borrowing)^(a)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
Net lending/(borrowing)	(441.7)	(351.9)	(626.8)	(1 836.2)
Convergence differences	..	..	..	..
GFS Net lending/ (borrowing)	(441.7)	(351.9)	(626.8)	(1 836.2)

Note:

- (a) Determined in accordance with the ABS GFS Manual.

(d) Reconciliation to GFS net worth^(a)

(\$ million)

	2009 Budget	2010 Estimate	2011 Estimate	2012 Estimate
Net worth	92 435.8	97 954.1	101 807.0	106 158.1
Convergence differences:				
Minority interest	(42.8)	(62.8)	(62.8)	(62.8)
Accounts receivable - provision for doubtful debts ^(b)	692.0	845.9	999.8	1 153.7
Investments in other sector entities ^(c) :				
Doubtful receivables of the PNFC sector	20.3	21.3	22.4	23.6
Doubtful receivables of the PFC sector	34.8	34.8	34.8	34.8
Future tax benefits of the PNFC sector	(124.5)	(136.7)	(149.3)	(155.7)
Future tax benefits of the PFC sector	(463.2)	(463.2)	(463.2)	(463.2)
Deferred tax liability of the PNFC sector	1 876.2	1 925.9	1 971.7	2 027.5
Deferred tax liability of the PFC sector	467.7	467.7	467.7	467.7
Total adjustments for investments in other sector entities	1 811.4	1 849.9	1 884.2	1 934.8
Total convergence differences	2 460.5	2 633.0	2 821.2	3 025.7
GFS Net worth	94 896.3	100 587.1	104 628.2	109 183.8

Notes:

- (a) Determined in accordance with the ABS GFS Manual.
- (b) The convergence difference in accounts receivable arises because GFS does not recognise doubtful receivables, whereas a provision for doubtful receivables is recognised in the balance sheet.
- (c) The convergence difference in investments in other sector entities arises in the GGS in relation to the accounts receivable (provisions for doubtful receivables) in the PNFC and PFC sectors, future tax benefits and deferred tax liability in those sectors. In addition to the non-recognition of doubtful receivables mentioned above, GFS does not recognise deferred tax liabilities or future tax benefits unless or until those liabilities or benefits are realised.

(e) Derivation of GFS Cash surplus/(deficit)^(a)

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash surplus/(deficit)	10.2	(450.7)	(580.9)	(979.9)
Convergence differences:				
Less: Acquisitions under finance leases and similar arrangements	(231.4)	..	..	( 840.1)
Total convergence differences	(231.4)	..	..	( 840.1)
GFS Cash surplus/ (deficit)	(221.2)	(450.7)	(580.9)	(1 820.0)

Note:

- (a) Determined in accordance with the ABS GFS Manual

Note 25: Financial Instruments – financial risk management objectives and policies

The Annual Financial Report (Note 32) contains a comprehensive disclosure of the state's (including the general government sector's) financial risk management objectives and policies. There has been no substantive change to these objectives and policies since the 2006-07 Report. In relation to the general government sector, the following is a summary of how these risks are reviewed and managed.

The general government sector's principal holdings of financial instruments comprise domestic loans and long term liabilities, finance leases, cash, Australian currency term deposits and other debt securities.

These financial instruments arise primarily as a consequence of the need to raise finance for the state's operations including investment in productive assets or from the effective management of financial surpluses. The state also has various other financial assets and liabilities such as receivables and payables, which arise directly from its operations. Although certain state controlled entities outside the general government sector may enter into derivative transactions, none of these entities are included in the general government sector.

It is not the state's policy to enter into or trade financial instruments for speculative purposes. The main risks arising from the state's financial instruments are fair value and cash flow interest rate risks, credit risk, liquidity risk and foreign currency risk.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Only a small portion of the state's financial instruments are exposed to cash flow interest risk. The majority of the state's exposure to interest rate risk arises from fair value interest rate risk in relation to the state's long term debt obligations with fixed interest rates.

The state's borrowings are mainly managed by Treasury Corporation of Victoria (TCV), the state's central borrowing authority. Interest rate risk inherent in TCV's asset and liability management activities is monitored on a daily basis against Board approved limits using the Value at Risk methodology. Value at Risk is a measure of the estimated loss faced by TCV within a certain level of confidence over a given holding period under normal market conditions.

The state's policy for the management of interest rate risk on general government borrowings is to achieve relative certainty of interest cost while seeking to minimise net borrowing costs within portfolio risk management guidelines. Generally, this is achieved by undertaking fixed rate borrowings with relatively even maturity profiles. Over 95 per cent of the State's borrowings are at a fixed rate of interest.

Credit risk

The general government sector's maximum exposure to credit risk, in relation to each class of financial asset, is the carrying amount of those assets in the estimated balance sheet.

With respect to credit risk arising from financial assets, which mainly comprise cash and cash equivalents, available for sale assets and receivables, the exposure to credit risk arises from default of the counterparty.

Cash equivalents and available for sale investments are mainly managed through the state's principal borrowing and investing authorities. These corporations manage credit risks by avoiding concentration of exposures to any one counterparty and having a wide range of approved counterparties.

Entities in the general government sector manage other receivables, predominantly debtors in relation to goods and services, statutory debtors in relation to taxes and fines, accrued investment income, and GST input tax credits recoverable, in accordance with guidelines consistent with the compliance framework issued by the Minister for Finance. A prudent level of provisions for doubtful receivables is included in the estimated balance sheet.

Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The state manages liquidity through rigorous cash flow and maturities planning and monitoring, including the annual budget process and through holding high quality liquid assets.

Foreign exchange risk

The general government sector has no interest bearing liabilities or financial assets denominated in foreign currencies. The currency risk arising from the state's offshore funding program is managed primarily through TCV using currency swaps, forward foreign exchange contracts and foreign exchange options. It is the state's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Note 26: Glossary of technical terms

ABS GFS manual

The ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods* as updated from time to time.

Advances paid

Loans acquired for policy rather than liquidity management purposes. Included are long and short term loans, non marketable debentures and long and short term promissory agreements (bond and bills) issued to public sector units for achieving government policy objectives.

Capital grants

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset or in which the funds realised by the disposal of another asset are transferred for which no economic benefits of equal value are receivable or payable in return.

Cash surplus/deficit

Net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less dividends paid for the PNFC and PFC sectors).

Cash surplus/deficit – ABS GFS version

Equal to the cash surplus deficit (above) less the value of assets acquired under finance leases and similar arrangements.

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other movements in equity.

Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Fiscal aggregates

Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 prescribes: net operating balance, net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net worth, and cash surplus/deficit. Additional fiscal aggregates not included in AASB 1049 are net debt, net financial worth, net financial liabilities.

Government units

Legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area and which: (i) provide goods and services to the community and/or individuals free of charge or at prices that are not economically significant; and (ii) redistribute income and wealth by means of taxes and other compulsory transfers.

Government Finance Statistics (GFS)

GFS enables policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of the government. More details about the GFS can be found in the Australian Bureau of Statistics (ABS) GFS Manual *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005*.

General government sector (GGS)

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community, and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, other compulsory levies and user charges. A listing of all entities comprising the GGS is included at Note 27.

Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be of a current or capital nature (see current grants and capital grants).

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on-passing

All grants paid to one institutional sector (e.g. a State general government) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

Institutional unit

An economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.

Interest expense

Costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Key fiscal aggregates

Referred to as analytical balances in the ABS GFS Manual, are data identified as useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. They are: opening net worth, net operating balance, net lending/(borrowing), change in net worth due to revaluations, change in net worth due to other changes in the volume of assets, total change in net worth, closing net worth and cash surplus/(deficit).

Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

Net cash from investments in financial assets (liquidity management purposes)

Net cash flows from investments in financial assets (liquidity management purposes) is cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

Net cash from investments in financial assets (policy purposes)

Net cash flows from investments in financial assets (policy purposes) is cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.

Net gain on equity investments in other sector entities

Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) comprises the net gains relating to the equity held by the GGS in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of inter sector balances.

Net debt

Net debt equals sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements, and investment in GGS entities using the equity method.

Net financial liabilities

Total liabilities less financial assets, other than equity in PNFCs and PFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net lending/borrowing

The financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and 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

Assets less liabilities. It is an economic measure of wealth and reflects the contribution of jurisdictions to the wealth of Australia.

Net financial worth

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt in that it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

Non-financial public sector (NFPS)

The non-financial public sector represents the consolidated transactions and assets and liabilities of the general government and public non-financial corporations sectors. In compiling statistics for the non-financial public sector, transactions and debtor-creditor relationships between sub-sectors are eliminated to avoid double counting.

Non-produced assets

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

Non-profit institution

A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal. In simple terms, other economic flows are changes arising from market re-measurements.

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Public Financial Corporations (PFC) sector

Public financial corporations are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services). The public financial corporations sector includes the Treasury Corporation of Victoria and the Transport Accident Commission. Estimates are not published for the public financial corporations sector. A listing of all PFCs controlled by the Victorian government is included at Note 27.

Public Non-Financial Corporations (PNFC) sector

The public non-financial corporations sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, public non-financial corporations are legally distinguishable from the governments which own them. A listing of all PNFCs controlled by the Victorian government is included at Note 27.

Quasi-corporation

An unincorporated enterprise that functions as if it were a corporation, has the same relationship with its owner as a corporation, and keeps a separate set of accounts.

Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

Sale of goods and services

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services revenue.

Superannuation interest expense

The expense resulting from the increase in the liability due to the fact that, for all participants in the scheme, retirement (and death) is one year nearer, and so one fewer discount factors must be used to calculate the present value of the benefits for each future year. Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement. The cost is measured net of the actuarial return on plan assets of defined benefit schemes calculated using an actuarially determined long term rate of return.

Superannuation

Includes all superannuation expenses from transactions except superannuation interest cost; generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered other economic flows.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include 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 taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

Note 27: Controlled entities

The following is a list of general government sector entities which have been consolidated for the purposes of the estimated financial statements. For further details on consolidation policy, refer to Note 1 (G) 'Basis of consolidation' in the statement of significant accounting policies and forecast assumptions. In addition, the list also provides the names of controlled entities which have been consolidated within the general government sector balance sheet, measured at the proportional share of the carrying amount of their net assets. Unless otherwise noted below, all such entities are wholly owned.

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Education and Early Childhood Development	*		
Victorian Curriculum and Assessment Authority	*		
Victorian Institute of Teaching	*		
Victorian Registration and Qualifications Authority	*		
Department of Human Services	*		
Health Purchasing Victoria	*		
<i>Hospitals, Health and Ambulance Services including:</i>			
Alexandra District Ambulance Service	*		
Alexandra District Hospital	*		
Alpine Health	*		
Ambulance Services Victoria Metropolitan Region	*		
Austin Health	*		

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Bairnsdale Regional Health Service	*		
Ballarat Health Services	*		
Barwon Health	*		
Bass Coast Regional Health	*		
Bayside Health	*		
Beaufort and Skipton Health Service	*		
Beechworth Health Service	*		
Benalla and District Memorial Hospital	*		
Bendigo Health Care Group	*		
Boort District Hospital	*		
Casterton Memorial Hospital	*		
Central Gippsland Health Service	*		
Cobram District Hospital	*		
Cohuna District Hospital	*		
Colac Area Health	*		
Dental Health Services Victoria	*		
Djerriwarrh Health Services	*		
Dunmunkle Health Services	*		
East Grampians Health Service	*		
East Wimmera Health Service	*		
Eastern Health	*		
Echuca Regional Health	*		
Edenhope and District Memorial Hospital	*		
Gippsland Southern Health Service	*		
Goulburn Valley Health	*		
Hepburn Health Service	*		
Hesse Rural Health Service	*		
Heywood Rural Health	*		
Infertility Treatment Authority	*		
Inglewood and District Health Service	*		
Kerang and District Hospital	*		
Kooweerup Regional Health Service	*		
Kyabram and District Health Services	*		
Kyneton District Health Service	*		
Latrobe Regional Hospital	*		
Lorne Community Hospital	*		
Maldon Hospital	*		
Mallee Track Health and Community Services	*		
Manangatang and District Hospital	*		
Mansfield District Hospital	*		
Maryborough District Health Service	*		

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Mclvor Health and Community Services	*		
Melbourne Health	*		
Moyne Health Services	*		
Mt Alexander Hospital	*		
Nathalia District Hospital	*		
Northeast Health Wangaratta	*		
Northern Health	*		
Numurkah District Health Service	*		
Omeo District Health	*		
Orbost Regional Health	*		
Otway Health and Community Services	*		
Peninsula Health	*		
Peter MacCallum Cancer Institute	*		
Portland District Health	*		
Robinvale District Health Services	*		
Rochester and Elmore District Health Service	*		
Rural Ambulance Victoria	*		
Rural Northwest Health	*		
Seymour District Memorial Hospital	*		
South Gippsland Hospital	*		
South West Healthcare	*		
Southern Health	*		
Stawell Regional Health	*		
Swan Hill District Hospital	*		
Tallangatta Health Service	*		
Terang and Mortlake Health Service	*		
The Kilmore and District Hospital	*		
The Queen Elizabeth Centre	*		
The Royal Children's Hospital	*		
The Royal Victorian Eye and Ear Hospital	*		
The Royal Women's Hospital	*		
Timboon and District Healthcare Service	*		
Tweddle Child and Family Health Service	*		
Upper Murray Health and Community Services	*		
Victorian Institute of Forensic Mental Health	*		
West Gippsland Healthcare Group	*		
West Wimmera Health Service	*		

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Western District Health Service	*		
Western Health	*		
Wimmera Health Care Group	*		
Wodonga Regional Health Service	*		
Yarram and District Health Service	*		
Yarrawonga District Health Service	*		
Yea and District Memorial Hospital	*		
Dental Practice Board of Victoria	*		
Medical Practitioners Board of Victoria	*		
Mental Health Review Board	*		
Nurses Board of Victoria	*		
Pharmacy Board of Victoria	*		
Psychosurgery Review Board	*		
Registration Boards including:	*		
Chinese Medicine Registration Board of Victoria	*		
Chiropractors Registration Board of Victoria	*		
Optometrists Registration Board of Victoria	*		
Osteopaths Registration Board of Victoria	*		
Physiotherapists Registration Board of Victoria	*		
Podiatrists Registration Board of Victoria	*		
Psychologists Registration Board of Victoria	*		
Victorian Health Promotion Foundation	*		
<i>Cemeteries including:</i>			
Anderson's Creek Cemetery Trust		*	
Ballarat General Cemeteries Trust		*	
Bendigo Cemeteries Trust		*	
Fawkner Crematorium and Memorial Park		*	
Keilor Cemetery Trust		*	
Necropolis Springvale, Trustees of the		*	
Preston Cemetery Trust		*	
Templestowe Cemetery Trust		*	
The Cheltenham and Regional Cemeteries Trust		*	
The Lilydale Cemeteries Trust		*	
The Mildura Cemetery Trust		*	
The Trustee of the Altona Memorial Park		*	

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Trustees of the Geelong Cemeteries Trust		*	
Wyndham Cemeteries Trust		*	
Director of Housing (PNFC)		*	
Department of Infrastructure	*		
Roads Corporation	*		
Southern and Eastern Integrated Transport Authority	*		
Southern Cross Station Authority	*		
Port of Hastings Corporation		*	
Port of Melbourne Corporation		*	
Public Transport Ticketing Body		*	
V/Line Passenger Corporation		*	
Victorian Rail Track		*	
Victorian Regional Channels Authority		*	
Department of Innovation Industry and Regional Development	*		
Australian Synchrotron Holding Company ^(a)	*		
Film Victoria	*		
<i>TAFEs including:</i>			
Bendigo Regional Institute of TAFE	*		
Box Hill Institute of TAFE	*		
Central Gippsland Institute of TAFE	*		
Chisholm Institute of TAFE	*		
Driver Education Centre Australia Ltd	*		
East Gippsland Institute of TAFE	*		
Faculty of Land and Food Resources	*		
Gordon Institute of TAFE	*		
Goulburn Ovens Institute of TAFE	*		
Holmesglen Institute of TAFE	*		
International Fibre Centre Limited	*		
Kangan Batman Institute of TAFE	*		
Northern Melbourne Institute of TAFE	*		
Royal Melbourne Institute of Technology (TAFE Division)	*		
South West Institute of TAFE	*		
Sunraysia Institute of TAFE	*		
Swinburne University of Technology (TAFE Division)	*		
University of Ballarat (TAFE Division)	*		
Victoria University TAFE Division	*		
William Angliss Institute of TAFE	*		

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Wodonga Institute of TAFE	*		
Prince Henry's Institute of Medical Research	*		
Regional Development Victoria	*		
Tourism Victoria	*		
Victorian Learning and Employment Skills Commission	*		
Australian Grand Prix Corporation		*	
Emerald Tourist Railway Board		*	
Fed Square Pty Ltd		*	
Melbourne Convention and Exhibition Trust		*	
Victorian Major Events Company Limited		*	
Department of Justice	*		
Country Fire Authority	*		
Emergency Services Telecommunications Authority	*		
Equal Opportunity and Human Rights Commission	*		
Judicial College of Victoria	*		
Legal Services Board	*		
Legal Services Commissioner	*		
Liquor Licensing Panel	*		
Metropolitan Fire and Emergency Services Board	*		
Office of Police Integrity	*		
Office of Public Prosecutions	*		
Office of the Public Advocate	*		
Office of the Victorian Privacy Commissioner	*		
Sentencing Advisory Council	*		
Victoria Legal Aid	*		
Victoria Police (Office of the Chief Commissioner of Police)	*		
Victoria State Emergency Service Authority	*		
Victorian Commission for Gambling Regulation	*		
Victorian Electoral Commission	*		
Victorian Institute of Forensic Medicine	*		
Victorian Law Reform Commission	*		
Victorian Professional Standards Council	*		
Greyhound Racing Victoria		*	
Harness Racing Victoria		*	

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Planning and Community Development	*		
2007 World Swimming Championships Corporation	*		
Adult Community and Further Education Board	*		
Adult Multicultural Education Services	*		
Architects Registration Board of Victoria	*		
Building Commission	*		
Centre for Adult Education	*		
Growth Areas Authority	*		
Heritage Council	*		
Melbourne Cricket Ground Trust	*		
Plumbing Industry Commission	*		
Shrine of Remembrance Trustees	*		
Victorian Institute of Sport Limited	*		
Victorian Institute of Sport Trust	*		
Victorian Veterans Council	*		
Melbourne and Olympic Parks Trust		*	
Queen Victoria Women's Centre		*	
State Sport Centres Trust		*	
Victorian Urban Development Authority (VicUrban)		*	
VITS Languagelink		*	
Department of Premier and Cabinet	*		
Australian Centre for the Moving Image	*		
Library Board of Victoria	*		
Melbourne Recital Centre Limited	*		
Museums Board of Victoria	*		
National Gallery of Victoria, Council of Trustees	*		
Office of the Ombudsman	*		
State Services Authority	*		
Geelong Performing Arts Centre Trust		*	
Victorian Arts Centre Trust		*	
Department of Primary Industries	*		
Energy Safe Victoria	*		
Veterinary Practitioners Registration Board of Victoria	*		
Agriculture Victoria Services Pty Ltd		*	
Dairy Food Safety Victoria		*	
Melbourne Market Authority		*	
Murray Valley Citrus Board		*	

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Murray Valley Wine Grape Industry Development Committee		*	
Northern Victorian Fresh Tomato Industry Development Committee		*	
Phytogene Pty Ltd		*	
PrimeSafe		*	
Victorian Energy Networks Corporation (VENCorp)		*	
Victorian Strawberry Industry Development Committee		*	
Department of Sustainability and Environment	*		
<i>Catchment Management Authorities including:</i>	*		
Corangamite Catchment Management Authority	*		
East Gippsland Catchment Management Authority	*		
Glenelg Hopkins Catchment Management Authority	*		
Goulburn Broken Catchment Management Authority	*		
Mallee Catchment Management Authority	*		
North Central Catchment Management Authority	*		
North East Catchment Management Authority	*		
Port Phillip and Westernport Catchment Management Authority	*		
West Gippsland Catchment Management Authority	*		
Wimmera Catchment Management Authority	*		
Environment Protection Authority	*		
Office of the Commissioner for Environmental Sustainability	*		
Parks Victoria	*		
Royal Botanic Gardens Board	*		
Surveyors Registration Board of Victoria	*		
Sustainability Victoria	*		
Trust for Nature (Victoria)	*		

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
<i>Alpine Resorts Management Board including:</i>			
Alpine Resorts Co-ordinating Council		*	
Falls Creek Alpine Resort Management Board		*	
Lake Mountain Alpine Resort Management Board		*	
Mount Baw Baw Alpine Resort Management Board		*	
Mount Buller and Mount Stirling Alpine Resort Management Board		*	
Mount Hotham Alpine Resort Management Board		*	
Phillip Island Nature Park Board of Management Inc.		*	
<i>Waste Management Groups including:</i>		*	
Barwon Regional Waste Management Group		*	
Calder Regional Waste Management Group		*	
Central Murray Regional Waste Management Group		*	
Desert Fringe Regional Waste Management Group		*	
Gippsland Regional Waste Management Group		*	
Goulburn Valley Regional Waste Management Group		*	
Grampians Regional Waste Management Group		*	
Highlands Regional Waste Management Group		*	
Metropolitan Waste Management Group		*	
Mildura Regional Waste Management Group		*	
Mornington Peninsula Regional Waste Management Group		*	
Northern East Victorian Regional Waste Management Group		*	
South Western Regional Waste Management Group		*	
<i>Water Authorities including:</i>		*	
Barwon Region Water Corporation		*	
Central Gippsland Region Water Corporation		*	

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Central Highlands Region Water Corporation		*	
Coliban Region Water Corporation		*	
East Gippsland Region Water Corporation		*	
First Mildura Irrigation Trust		*	
Gippsland and Southern Rural Water Corporation		*	
Goulburn Valley Region Water Corporation		*	
Goulburn-Murray Rural Water Corporation		*	
Grampians Wimmera-Mallee Water Corporation		*	
Lower Murray Urban and Rural Water Corporation		*	
Melbourne Water Corporation		*	
North East Region Water Corporation		*	
South Gippsland Region Water Corporation		*	
Wannon Region Water Corporation		*	
Western Region Water Corporation		*	
Westernport Region Water Corporation		*	
Yarra Bend Park Trust		*	
Zoological Parks and Gardens Board of Victoria		*	
Department of Treasury and Finance	*		
Essential Services Commission	*		
Domestic (HIH) Indemnity Fund and Housing Guarantee Claims	*		
Victorian Competition and Efficiency Commission	*		
City West Water Limited		*	
South East Water Limited		*	
State Electricity Commission of Victoria (shell)		*	
VicFleet Pty Ltd		*	
VicForests		*	
Victorian Plantations Corporation (shell)		*	
Yarra Valley Water Limited		*	
Rural Finance Corporation of Victoria			*
State Trustees Limited			*
Transport Accident Commission			*
Treasury Corporation of Victoria			*

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Victorian Funds Management Corporation			*
Victorian Managed Insurance Authority			*
Victorian WorkCover Authority			*
Parliament of Victoria	*		
Victorian Auditor-General's Office	*		

Notes:

(a) *The Victorian government has a controlling interest in the Australian Synchrotron Holding Company and is expected to hold approximately 80 per cent of the issued shares as at 30 June 2008.*

Entities commenced operations during 2008-09:

– *Nil.*

Entities ceased operations during 2008-09:

– *Nil.*

CHAPTER 2 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

THE UNIFORM PRESENTATION FRAMEWORK (UPF) GAAP/GFS HARMONISATION

In October 2007, the Australian Accounting Standards Board (AASB) issued a new standard for Financial Reporting of General Government Sectors by Governments, applicable from 1 July 2008. The objective as set out by the Financial Reporting Council in December 2002 is ‘to achieve an Australian accounting standard for a single set of government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements’.

For the first time, an accounting standard requires that, in addition to complying with all other relevant accounting standards, the report for the general government sector must also include key fiscal aggregates determined in a manner consistent with the Australian Bureau of Statistics (ABS) GFS Manual. Any differences between ‘pure’ GFS and the amounts presented under GAAP must also be reconciled.

The new UPF was approved by Loan Council in March 2008. Chapter 1 provides the statements for the general government sector under the new framework, whilst this chapter provides additional information of sectoral financial statements for the public non-financial corporations sector and the non-financial public sector (the general government and public non-financial corporations sector less inter-sector eliminations) plus the Loan Council Allocation table.

Comprehensive operating statement

The comprehensive operating statement is designed to capture the composition of revenues and expenses and the net cost of a government’s activities (net result from transactions) within a financial year. As well as the full cost of resources consumed by government in achieving its objectives, and how these costs are met from various revenue sources, it also shows the impact of other economic flows on the net assets of the sector.

Thus the comprehensive operating statement reports three major fiscal measures: the net operating balance, also referred to as the net result from transactions, net lending/borrowing and total changes in net worth. The net operating balance is calculated as revenue from transactions minus expenses from transactions. Net lending/borrowing, or fiscal balance, includes net acquisition of non-financial assets from transactions but excludes depreciation, thereby giving a measure of a jurisdiction's call on financial markets. Total change in net worth is the comprehensive result from all items of income and expense recognised for the period, including other economic flows recognised in the net result as well as revaluations and other adjustments taken directly to equity.

Balance sheet

The balance sheet records a government's stocks of financial and non-financial assets and liabilities. This statement discloses the resources over which a government maintains control.

The balance sheet under GAAP/GFS harmonisation differs from the standard accounting presentation in that it no longer distinguishes between current and non-current assets.

Major fiscal aggregates published in relation to the balance sheet include net financial worth, net financial liabilities and net debt. A description and definition of each of these aggregates is included in the glossary of terms in the preceding chapter.

Cash flow statement

The cash flow statement records a government's cash receipts and payments and shows how a government obtains and expends cash.

The cash flow statement reports the cash surplus/deficit as a fiscal aggregate. Unlike in the GFS cash flow statement, the GAAP-based cash surplus/deficit excludes finance leases and similar arrangements.

SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

Table 2.1: Public non-financial corporations sector operating statement

	(\$ million)			
	2008-09 <i>Budget</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>
Revenue				
Interest	85.8	77.9	79.2	78.8
Dividends income tax equivalent and rate equivalent revenue	5.1	34.1	39.9	45.9
Sales of goods and services	3 841.8	4 327.3	4 717.5	5 183.6
Grants	1 947.5	1 962.7	1 981.1	1 965.3
Other current revenue	436.1	484.7	502.8	507.7
Total revenue	6 316.4	6 886.6	7 320.5	7 781.4
Expenses				
Employee expenses	768.4	792.4	814.4	840.6
Superannuation interest expense	..	..	..	..
Other superannuation	53.8	55.3	56.9	58.2
Depreciation	968.2	1 067.4	1 105.3	1 231.1
Interest expense	540.5	729.5	897.3	1 002.9
Other operating expenses	3 704.3	3 845.5	3 939.7	4 149.9
Grants and other transfers	184.0	178.5	176.0	97.6
Other property expenses	93.8	96.9	118.0	106.8
Total expenses	6 312.9	6 765.5	7 107.6	7 487.0
Net result from transactions - Net operating balance	3.4	121.2	212.9	294.4
Other economic flows included in net result				
Net gain on sale of non-financial assets	(0.3)	14.4	9.2	11.7
Net gain/ (loss) on financial assets or liabilities at fair value	57.2	67.3	77.1	69.3
Net actuarial gains/ (losses) of superannuation defined benefits plans	(4.7)	(4.5)	(4.5)	(4.2)
Share of net profit/(loss) from associates, excluding dividends	..	..	..	..
Other gains/ (losses) from other economic flows	(27.7)	(108.1)	(112.2)	(121.1)
Total other economic flows included in net result	24.4	(30.9)	(30.4)	(44.3)
Net result	27.9	90.3	182.5	250.0
Other Economic Flows – Other Movements in Equity				
Net gain on financial assets at fair value	..	..	..	..
Revaluations of non-financial assets	664.7	(30.1)	(21.1)	(29.7)
Other movements in equity	989.6	929.7	755.0	579.5
Total other economic flows – Other movements in equity	1 654.3	899.6	733.9	549.8
Comprehensive result – Total change in net worth	1 682.1	990.0	916.5	799.8
FISCAL AGGREGATES				
Net operating balance	3.4	121.2	212.9	294.4
Less: net acquisition of non-financial assets	4 006.4	4 267.8	2 735.2	1 541.8
Net Lending/ (borrowing)	(4 003.0)	(4 146.6)	(2 522.3)	(1 247.4)

Source: Department of Treasury and Finance

Table 2.2: Non-financial public sector operating statement

	(\$ million)			
	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Revenue				
Taxation revenue	13 214.5	13 607.3	14 300.8	14 764.3
Interest	471.7	477.2	487.8	484.9
Dividends and income tax equivalents and rate equivalents	298.5	364.5	446.8	506.6
Sales of goods and services	7 129.6	7 647.6	8 097.7	8 586.8
Grants	17 553.5	18 496.2	19 445.3	20 425.4
Other current revenue	1 851.2	1 872.8	1 884.3	1 898.9
Total revenue	40 519.0	42 465.7	44 662.6	46 666.9
Expenses				
Employee expenses	14 961.5	15 866.1	16 839.2	17 651.1
Superannuation interest expense	518.6	520.6	520.5	519.7
Other superannuation	1 393.4	1 436.4	1 507.7	1 538.9
Depreciation	2 577.5	2 780.1	2 931.6	3 177.5
Interest expense	1 027.6	1 271.6	1 557.3	1 774.0
Other operating expenses	14 896.1	15 361.3	15 826.6	16 388.5
Grants and other transfers	4 608.9	4 506.7	4 574.5	4 543.5
Other property expenses	..	..	..	..
Total expenses	39 983.6	41 742.7	43 757.4	45 593.2
Net result from transactions - Net operating balance	535.4	723.0	905.2	1 073.8
Other economic flows included in net result				
Net gain on sale of non-financial assets	43.9	28.8	27.9	34.1
Net gain/ (loss) on financial assets or liabilities at fair value	57.7	67.8	77.7	70.0
Net actuarial gains/ (losses) of superannuation defined benefits plans	(4.7)	(4.5)	(4.5)	(4.2)
Share of net profit/(loss) from associates, excluding dividends	..	..	..	..
Other gains/ (losses) from other economic flows	(159.7)	(225.1)	(232.6)	(217.3)
Total other economic flows included in net result	(62.9)	(133.0)	(131.5)	(117.5)
Net result	472.5	590.0	773.7	956.3
Other Economic Flows – Other Movements in Equity				
Net gain on financial assets at fair value	..	..	..	..
Revaluations of non-financial assets	2 958.2	4 957.0	3 111.2	3 425.3
Net gain on equity investments in other sector entities at proportional share of net assets	..	..	..	..
Other movements in equity	(15.5)	(7.3)	11.1	29.5
Total other economic flows – Other movements in equity	2 942.7	4 949.6	3 122.3	3 454.8
Comprehensive result – Total change in net worth	3 415.3	5 539.7	3 896.1	4 411.1

Table 2.2: Non-financial public sector operating statement (continued)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
FISCAL AGGREGATES				
Net operating balance	535.4	723.0	905.2	1 073.8
less Net acquisition of non-financial assets from transactions	5 278.7	5 470.8	4 268.0	4 340.6
Net Lending/ (borrowing)	(4 743.2)	(4 747.8)	(3 362.8)	(3 266.8)

Source: Department of Treasury and Finance

Table 2.3: Public non-financial corporations sector balance sheet

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Assets					
<i>Financial assets</i>					
Cash and deposits	649.3	369.7	348.5	413.8	416.9
Advances paid	99.7	87.6	78.3	71.2	66.7
Investments, loans and placements	1 888.2	1 639.0	1 486.8	1 331.0	1 148.2
Receivables	520.1	577.9	649.0	637.1	649.4
Investments accounted for using equity method	374.7	374.7	374.7	374.7	374.7
Investments in other sector entities	..	..	..	..	..
Total financial assets	3 532.1	3 048.9	2 937.4	2 827.8	2 655.8
<i>Non-financial Assets</i>					
Inventories	621.2	532.2	473.8	401.9	463.5
Non-financial assets held for sale	16.5	21.6	25.5	27.1	28.5
Land, buildings, infrastructure, plant and equipment	44 294.0	49 888.9	54 319.9	57 073.5	58 353.9
Other non-financial assets	385.6	468.5	455.8	454.6	447.2
Total non-financial assets	45 317.3	50 911.2	55 275.0	57 957.0	59 293.0
Total assets	48 849.3	53 960.2	58 212.3	60 784.8	61 948.9
Liabilities					
Deposits held	111.4	92.6	85.2	85.4	84.9
Advances received	0.6	0.4	0.3	0.3	0.3
Borrowings	5 974.2	9 281.1	12 545.1	14 396.2	14 961.6
Payables	833.0	1 130.7	1 206.0	1 074.6	934.5
Superannuation	14.3	11.2	9.3	6.9	3.8
Other employee benefits	213.1	221.0	227.4	234.0	241.1
Other provisions	2 932.1	2 770.4	2 696.3	2 628.2	2 563.6
Total liabilities	10 078.8	13 507.4	16 769.7	18 425.7	18 789.9
Net assets	38 770.6	40 452.7	41 442.7	42 359.1	43 159.0
Accumulated surplus/(deficit)	5 743.9	5 504.8	5 347.2	5 342.1	5 443.2
Other reserves	33 026.7	34 947.9	36 095.5	37 017.1	37 715.8
Net worth	38 770.6	40 452.7	41 442.7	42 359.1	43 159.0
FISCAL AGGREGATES					
Net financial worth	(6 546.7)	(10 458.5)	(13 832.3)	(15 597.9)	(16 134.0)
Net financial liabilities	6 546.7	10 458.5	13 832.3	15 597.9	16 134.0
Net debt	3 449.0	7 277.8	10 717.0	12 665.9	13 415.0

Source: Department of Treasury and Finance

Table 2.4: Non-financial public sector balance sheet

	(\$ million)				
	2008	2009	2010	2011	2012
	<i>Revised</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Assets					
Financial assets					
Cash and deposits	2 774.9	2 569.3	2 612.0	2 739.1	2 806.2
Advances paid	160.2	147.0	136.6	128.8	123.6
Investments, loans and placements	4 128.1	3 902.1	3 850.4	3 693.9	3 555.9
Receivables	2 595.0	2 497.2	2 403.9	2 296.5	2 156.8
Investments in GGS entities using the equity method	614.5	614.5	614.5	614.5	614.5
Investments accounted for using equity method - other	399.7	404.7	409.7	414.7	419.7
Investments in other sector entities	5 030.7	5 030.7	5 047.3	5 063.9	5 080.5
Total financial assets	15 703.1	15 165.5	15 074.3	14 951.4	14 757.2
Non-financial Assets					
Inventories	744.4	656.8	598.6	526.4	587.7
Non-financial assets held for sale	68.4	73.5	77.5	79.1	80.6
Land, buildings, infrastructure, plant and equipment	109 680.6	118 815.3	129 461.5	136 891.9	144 505.3
Other non-financial assets	805.9	881.8	839.1	826.6	790.6
Total non-financial assets	111 299.3	120 427.4	130 976.6	138 324.1	145 964.3
Total assets	127 002.4	135 592.9	146 050.9	153 275.5	160 721.5
Liabilities					
Deposits held	706.5	687.8	680.4	680.6	680.0
Advances received	3.3	2.6	1.8	1.1	0.4
Borrowings	12 682.7	17 553.5	22 599.4	26 057.3	29 291.8
Payables	3 919.6	4 183.6	4 015.1	3 824.1	3 621.4
Superannuation	12 953.4	13 078.6	13 109.8	13 163.3	13 162.3
Other employee benefits	3 982.9	4 135.2	4 281.9	4 433.3	4 584.0
Other provisions	1 815.4	1 577.9	1 429.1	1 286.4	1 141.0
Total liabilities	36 063.9	41 219.2	46 117.5	49 446.1	52 480.9
Net assets	90 938.5	94 373.7	99 933.4	103 829.5	108 240.6
Accumulated surplus/(deficit)	(216.7)	269.2	869.0	1 684.9	2 686.1
Other reserves	91 132.4	94 061.7	99 001.6	102 081.8	105 491.6
Minority interest of contributed capital	22.8	42.8	62.8	62.8	62.8
Net worth	90 938.5	94 373.7	99 933.4	103 829.5	108 240.6
FISCAL AGGREGATES					
Net financial worth	(20 360.8)	(26 053.7)	(31 043.2)	(34 494.6)	(37 723.7)
Net financial liabilities	25 391.5	31 084.4	36 090.5	39 558.5	42 804.2
Net debt	5 715.0	11 011.0	16 068.2	19 562.7	22 872.0

Source: Department of Treasury and Finance

Table 2.5: Public non-financial corporations sector cash flow statement

	(\$ million)			
	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash flows from operating activities				
Receipts				
Grants and subsidies	1 947.8	1 963.0	1 982.8	1 966.6
Sales of goods and services	3 769.7	4 263.6	4 697.3	5 164.5
Interest received	86.1	77.7	79.2	78.9
Dividends and income tax equivalent and rate equivalents	5.1	33.9	39.9	45.9
Other receipts	280.5	309.4	357.3	343.0
Total receipts	6 089.2	6 647.6	7 156.5	7 598.8
Payments				
Payments for employees	(760.4)	(786.0)	(807.8)	(833.4)
Superannuation	(61.7)	(61.7)	(63.7)	(65.5)
Interest paid	(1 483.2)	(1 731.0)	(1 916.8)	(2 030.2)
Grants and subsidies	(121.5)	(114.5)	(111.9)	(32.7)
Goods and services	(2 641.6)	(2 728.2)	(2 827.3)	(3 020.7)
Other payments	(184.2)	(190.5)	(214.0)	(205.0)
Total payments	(5 252.7)	(5 611.8)	(5 941.5)	(6 187.6)
Net cash flows from operating activities ^(a)	836.5	1 035.8	1 214.9	1 411.1
Cash flows from investing activities				
<i>Non-financial assets</i>				
Purchases of non-financial assets	(5 045.5)	(5 394.8)	(3 881.1)	(2 628.0)
Sales of non-financial assets	126.8	147.6	119.0	64.2
Cash flows from investments in non-financial assets	(4 918.7)	(5 247.2)	(3 762.1)	(2 563.7)
Net cash flows from investments in financial assets for policy purposes	1 258.9	1 187.1	964.4	739.5
Net cash flows from investments in financial assets for liquidity purposes	81.9	16.9	25.6	52.5
Net cash flows from investing activities	(3 577.9)	(4 043.2)	(2 772.1)	(1 771.7)
Cash flows from financing activities				
Advances received (net)	(0.2)	..	(0.1)	(0.1)
Net borrowings	2 761.3	3 246.6	1 827.6	536.6
Deposits received (net)	(18.8)	(7.4)	0.2	(0.5)
Other financing (net)	(280.4)	(253.1)	(205.5)	(172.5)
Net cash flows from financing activities	2 462.0	2 986.0	1 622.2	363.5
Net increase/(decrease) in cash and cash equivalents	(279.4)	(21.4)	65.1	2.9
Cash and cash equivalents at beginning of reporting period	648.9	369.5	348.1	413.2
Cash and cash equivalents at end of reporting period	369.5	348.1	413.2	416.1

**Table 2.5: Public non-financial corporations sector cash flow statement
(continued)**

(\$ million)

	2008-09 <i>Budget</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>
FISCAL AGGREGATES				
Net cash flows from operating activities	836.5	1 035.8	1 214.9	1 411.1
Cash flows from investments in non-financial assets	(4 918.7)	(5 247.2)	(3 762.1)	(2 563.7)
Dividends paid	(280.4)	(253.1)	(205.5)	(172.5)
Cash surplus / (deficit)	(4 362.6)	(4 464.5)	(2 752.7)	(1 325.1)

Source: Department of Treasury and Finance

Note:

(a) This item is inclusive of goods and services tax.

Table 2.6: Non-financial public sector cash flow statement

	(\$ million)			
	2008-09 <i>Budget</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>
Cash flows from operating activities				
Receipts				
Taxes received	13 350.1	13 665.2	14 300.5	14 764.1
Grants	17 553.5	18 495.8	19 445.3	20 425.4
Sales of goods and services	7 164.8	7 365.0	8 103.7	8 592.5
Interest received	455.8	445.0	455.8	453.9
Dividends and income tax equivalent and rate equivalents	234.2	384.5	405.6	493.0
Other receipts	1 557.6	1 577.1	1 620.3	1 614.6
Total receipts	40 315.9	41 932.6	44 331.3	46 343.5
Payments				
Payments for employees	(14 809.2)	(15 719.4)	(16 687.8)	(17 500.3)
Superannuation	(1 791.5)	(1 930.3)	(1 979.2)	(2 063.8)
Interest paid	(954.7)	(1 178.9)	(1 475.8)	(1 705.2)
Grants and subsidies	(4 600.5)	(4 559.8)	(4 627.4)	(4 596.1)
Goods and services	(14 574.1)	(14 944.4)	(15 415.6)	(15 956.6)
Other payments	(339.4)	(351.3)	(365.1)	(366.3)
Total payments	(37 069.4)	(38 684.2)	(40 551.0)	(42 188.2)
Net cash flows from operating activities ^(a)	3 246.5	3 248.4	3 780.3	4 155.2
Cash flows from investing activities				
<i>Non-financial assets</i>				
Purchases of non-financial assets	(7 916.4)	(8 479.9)	(7 374.0)	(6 700.7)
Sales of non-financial assets	310.7	316.9	252.0	231.1
Cash flows from investments in non-financial assets	(7 605.7)	(8 163.0)	(7 121.9)	(6 469.6)
Net cash flows from investments in financial assets for policy purposes	565.8	27.3	15.5	16.1
Net cash flows from investments in financial assets for liquidity purposes	59.2	(83.0)	26.9	8.4
Net cash flows from investing activities	(6 980.7)	(8 218.7)	(7 079.5)	(6 445.1)
Cash flows from financing activities				
Advances received (net)	(0.7)	(0.7)	(0.8)	(0.8)
Net borrowings	3 548.4	5 020.8	3 426.7	2 358.1
Deposits received (net)	(18.8)	(7.4)	0.2	(0.6)
Other financing (net)	..	..	..	..
Net cash flows from financing activities	3 528.9	5 012.7	3 426.1	2 356.7
Net increase/(decrease) in cash and cash equivalents	(205.3)	42.4	126.9	66.9
Cash and cash equivalents at beginning of reporting period	2 771.4	2 566.0	2 608.5	2 735.4
Cash and cash equivalents at end of reporting period	2 566.0	2 608.5	2 735.4	2 802.3

Table 2.6: Non-financial public sector cash flow statement (continued)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
FISCAL AGGREGATES				
Net cash flows from operating activities	3 246.5	3 248.4	3 780.3	4 155.2
Net cash flows from investments in non-financial assets	(7 605.7)	(8 163.0)	(7 121.9)	(6 469.6)
Cash surplus / (deficit)	(4 359.2)	(4 914.6)	(3 341.6)	(2 314.3)

Source: Department of Treasury and Finance

Note:

(a) This item is inclusive of goods and services tax.

Table 2.7: Public non-financial corporations sector: Derivation of GFS cash surplus/(deficit)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Estimate	Estimate	Estimate	Estimate
Cash surplus/(deficit)	(4 362.6)	(4 464.5)	(2 752.7)	(1 325.1)
Acquisitions under finance leases and similar arrangements	..	..	..	..
GFS Cash surplus/ (deficit) ^(a)	(4 362.6)	(4 464.5)	(2 752.7)	(1 325.1)

Source: Department of Treasury and Finance

Note:

(a) Determined in accordance with ABS GFS manual.

Table 2.8: Non-financial public sector: Derivation of GFS cash surplus/(deficit)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Estimate	Estimate	Estimate	Estimate
Cash surplus/(deficit)	(4 359.2)	(4 914.6)	(3 341.6)	(2 314.3)
Acquisitions under finance leases and similar arrangements	(231.4)	..	..	( 840.1)
GFS Cash surplus/ (deficit) ^(a)	(4 590.6)	(4 914.6)	(3 341.6)	(3 154.4)

Source: Department of Treasury and Finance

Note:

(a) Determined in accordance with ABS GFS manual.

Table 2.9: Net acquisition of non-financial assets – Public non-financial corporations sector

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Estimate	Estimate	Estimate	Estimate
Purchases of non-financial assets	5 045.5	5 394.8	3 881.1	2 628.0
Less: Sales of non-financial assets	(126.8)	(147.6)	(119.0)	(64.2)
Less: Depreciation	(968.2)	(1 067.4)	(1 105.3)	(1 231.1)
Plus: Change in inventories	(89.0)	(58.4)	(71.9)	61.5
Plus: Other movements in non-financial assets	144.9	146.4	150.3	147.6
Total net acquisition of non-financial assets	4 006.4	4 267.8	2 735.2	1 541.8

Source: Department of Treasury and Finance

Table 2.10: Net acquisition of non-financial assets – Non-financial public sector

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Estimate	Estimate	Estimate	Estimate
Purchases of non-financial assets	7 916.4	8 479.9	7 374.0	6 700.7
Less: Sales of non-financial assets	(310.7)	(316.9)	(252.0)	(231.1)
Less: Depreciation	(2 577.5)	(2 780.1)	(2 931.6)	(3 177.5)
Plus: Change in inventories	(87.6)	(58.2)	(72.2)	61.3
Plus: Other movements in non-financial assets	338.1	146.0	149.9	987.3
Total net acquisition of non-financial assets	5 278.7	5 470.8	4 268.0	4 340.6

Source: Department of Treasury and Finance

Victoria's 2008-09 Loan Council Allocation

As required under the UPF, Victoria is required to publish the Loan Council Allocation (LCA) estimates. The LCA is a measure of each government's net call on financial markets in a given financial year to meet its budget obligations. The method of public release is the responsibility of each individual jurisdiction. Victoria discloses its LCA information through the *Financial Report for the State of Victoria*, Budget Paper No. 4, *Statement of Finances and Budget Update*.

Table 2.11 compares Victoria's 2008-09 LCA based on the 2007-08 *Budget Update* estimates and approved by the Loan Council in March 2008, with the revised LCA based on 2008-09 Budget estimates.

Table 2.11: Loan Council Allocation

	(\$ million)	
	2008-09 Nomination	2008-09 Revised
General government cash deficit (+)/ surplus (-)	564.9	(10.2)
Public non-financial corporations sector cash deficit (+)/ surplus (-)	3 732.1	4 362.6
Non-financial public sector cash deficit (+)/ surplus (-) ^(a)	4 297.0	4 359.2
Acquisitions under finance leases and similar arrangements	231.4	231.4
ABS GFS cash deficit(+)/surplus(-)	4 528.4	4 590.6
Net cash flows from investments in financial assets for policy purposes ^(b)	25.7	565.8
Memorandum items ^(c)	196.0	196.0
Loan Council Allocation	4 698.7	4 220.8
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities ^(d))	792.3	792.3

Notes:

- (a) *The sum of the surplus/deficit of the general government and public non-financial corporation sector does not directly equal the non-financial public sector surplus due to intersectoral transfers, which are netted out in the calculation of the non-financial public sector figure. Surplus (+)/deficit(-) excludes finance lease acquisitions.*
- (b) *The non-financial public sector surplus/deficit relating to 2008-09 includes net cash flows from investments in financial assets for policy purposes.*
- (c) *Memorandum items are used to adjust the ABS deficit to include in LCAs certain transactions, such as operating leases, that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the over/under funding of employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities).*
- (d) *A tolerance limit equal to 2 per cent of 'total non-financial public sector cash receipts from operating activities' (2007-08 Budget Update) applies to jurisdictions' LCA nomination and revised LCA at budget time, and between the budget time LCA and LCA outcome. The tolerance limit applying to Victoria in 2008-09 is \$792 million (2 per cent of \$39 613 million – sourced from 2007-08 Budget Update).*

As part of the Loan Council arrangements, the Loan Council has agreed that if at any time a jurisdiction finds that it is likely to exceed its tolerance limit, in either direction, it is required to provide an explanation to the Loan Council and, in line with the emphasis of the increased transparency, to make the explanation public. The 2008-09 revised LCA (deficit of \$4 221 million) remained within the tolerance limit. The change of \$478 million in the LCA between 2008-09 nomination and 2008-09 revised is due to a revision in the public non-financial corporations sector cash position from \$3 732 million deficit to a \$4 363 million deficit primarily due to higher than estimated net cash flows on purchases of non-financial assets. The general government cash position has also changed from a \$565 million deficit to a \$10 million surplus due to higher than expected cash receipts from operating activities.

In the interests of transparency, the State is required to disclose the details of infrastructure projects with private sector involvement and to report the full contingent exposure, if any. Exposure is to be measured by the government's termination liabilities in a case of private sector default and disclosed as a footnote to, rather than a component, of LCAs. The amount payable will not exceed the fair market value of the project (which is usually calculated by an independent valuer) less any costs incurred by government as a result of the default.

Listed below are details of Victorian Schools Public Private Partnerships (PPP) project, which are expected to be contracted in the 2008-09 financial year.

Victorian Schools PPP Project (VSP)

On 6 December 2007, the Victorian Premier announced the delivery of a package of new schools in the growth areas of Melbourne that will provide high quality, flexible world class teaching and learning environments to drive excellence in education outcomes. This package of schools would be delivered under the Government's Partnerships Victoria policy if it is shown that delivery by PPP offers value for money compared to the Private Sector Comparator.

These schools form part of the VSP commitment of \$1.9 billion TEI over the four years to 2010-11. The government has committed funding to deliver these schools.

The contract term is expected to be approximately 25 years post construction and commissioning with a common end date for all schools.

Financial close is anticipated by the end of 2008, at which time the nature and magnitude of the service payments can be determined for the forward estimates. It should be noted that no payment will be made until the operational commencement of the facility.

There are no current contingent liabilities. The project contract is expected to include appropriate provisions to compensate the proponent upon early termination taking into account any amounts owing to the State by the proponent.

CHAPTER 3 – DEPARTMENTAL FINANCIAL STATEMENTS

This chapter provides financial reports for each department. The total resources made available to a department are applied to three uses:

- the provision of outputs;
- asset investment; or
- payments on behalf of the state.

The financial statements are presented in the format consistent with Australian Accounting Standards. For the purposes of this budget paper, controlled and administered items are presented in separate statements.

Administered items refer to those resources over which a department does not exercise direct control. Authority is provided through an appropriation for payments made on behalf of the State. Under Australian Accounting Standard AASB 1050 *Administered Items*, these items would normally appear as notes to the financial statements.

Machinery of government changes

The government recently announced the creation of a new Department of Transport which takes over responsibility for most of the functions of the former Department of Infrastructure. However, certain functions, in particular relating to Major Projects Victoria, have been transferred to the Department of Innovation, Industry and Regional Development. The new administrative arrangements came into effect on 30 April 2008 through Administrative Arrangements Order No. 199 of 2008. For financial reporting purposes, these transfers do not take effect until after the end of the current financial year 2007-08.

There is no net impact of these changes on the aggregate budget, however the full impact of these changes on the 2008-09 departmental estimates has yet to be quantified. Therefore, this machinery of government change has not been reflected in the 2008-09 Budget Papers. Any consequent adjustments to the departmental estimates and re-allocation of appropriations will be made at a later date.

Adjustments for other machinery of government changes announced in August 2007 after the publication of the 2007-08 Budget, are reflected in the '2007-08 Adjusted' and '2007-08 Revised' estimates for the period 1 July 2007 to 30 June 2008, in tables 3.3.1 onwards.

Machinery of government changes since the 2007-08 Budget include the transfer of responsibility for early childhood development to the Department of Education from the Department of Human Services. As a consequence, the former Department of Education is now the Department of Education and Early Childhood Development.

The Department of Education and Early Childhood Development has also assumed responsibility for Adolescent Health Services, Child Health and Support Services, Early Childhood Education and Care, and Early Childhood Intervention Services from the Department of Human Services.

Other machinery of government changes announced since the 2007-08 Budget are summarised below:

- the former Department of Victorian Communities is now the Department of Planning and Community Development, having assumed responsibility for Heritage Victoria, the Building Policy and Housing Affordability Unit, and the Office of Planning and Urban Design from the Department of Sustainability and Environment;
- the Department of Planning and Community Development has also assumed responsibility for the Transit Cities Unit from the Department of Infrastructure; and
- the Department of Innovation, Industry and Regional Development has assumed responsibility for Employment Programs from the Department of Planning and Community Development.

This publication fully reflects the impact of these machinery of government changes, effective from 1 September 2007.

Departmental Financial Statements

The following tables can be used to assess each department's financial performance, its use of and authority for resources:

- operating statement - provides details of the department's revenue and expenses on an accrual basis reflecting the cost of providing its outputs;
- cash flow statement - shows all movements of cash (cash receipts and payments). The cash impact of financing and investing activities on departmental resources is highlighted in this statement;
- balance sheet - shows all controlled assets and liabilities of the department. The difference between these represents the net asset position, which is an indicator of the state's equity in the department;
- statement of changes in equity - adds together the net result from the operating statement and items deferred in equity such as the revaluation of property, plant and equipment, to present total income and expense;

- administered items statement - provides details of the department's administered revenue and expenses, and its administered assets and liabilities. By their nature, most if not all administered items are expensed and paid in cash in the year in which the item is recognised. Thus an administered departmental cash flow statement is not provided;
- parliamentary authority for resources – provides details of the department's appropriation authorities available to fund the provision of outputs, administered items and additions to the net asset base; and
- payments on behalf of the state (where applicable) – provides details of payments made by the department on behalf of the State Government as a whole, not directly reflecting the operations of the department.

The following Table 3.1 'Total expenses from transactions by department' and Table 3.2 'Total purchases of non-financial assets by department' are presented as breakdowns, by department, of totals as reported in Table 1.1 'Estimated operating statement' and Table 1.3 'Estimated cash flow statement' for the general government sector in Chapter 1 (prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*).

Table 3.1 Total expenses from transactions by department

	(\$ million)			
	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Expenses from transactions				
Education and Early Childhood Development ^(a)	8 999.4	9 234.1	9 552.1	9 799.7
Human Services	13 709.2	13 854.9	14 197.5	14 475.9
Infrastructure	4 344.6	4 445.1	4 623.9	4 769.2
Innovation, Industry and Regional Development	2 178.8	2 265.4	2 218.5	2 166.3
Justice	3 691.1	3 747.1	3 902.1	3 925.8
Planning and Community Development	993.7	949.3	919.5	921.6
Premier and Cabinet	595.5	536.0	539.5	536.7
Primary Industries	480.0	435.9	441.8	438.3
Sustainability and Environment	1 328.5	1 180.4	1 153.8	1 113.9
Treasury and Finance	2 018.6	1 995.0	2 121.8	2 280.4
Parliament	131.4	129.7	131.9	133.9
Contingencies not allocated to departments ^(b)	429.3	1 687.3	2 434.0	3 121.1
Regulatory bodies and other part funded agencies ^(c)	1 642.4	1 669.9	1 680.9	1 676.9
Total	40 542.5	42 130.2	43 917.4	45 359.8
<i>Less eliminations</i> ^(d)	(3560.0)	(3660.6)	(3706.6)	(3676.0)
Total expenses from transactions	36 982.4	38 469.6	40 210.7	41 683.7

Notes:

- (a) Includes a reduction in revenue and expenditure, with a nil impact on the net result from transactions, due to an adjustment to the estimates by DEECD in 2010-11.
- (b) This contingency includes a provision for programs lapsing, future demand growth, items not yet formalised at the time of the budget and an allowance for departmental underspending in 2008-09 which may be subject to carryover into 2009-10. Under the departmental funding model, since 1 July 2004, departments have been required to manage all costs within their departmental budgets.
- (c) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to department.
- (d) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers.

Table 3.2 Total purchases of non-financial assets by department

(\$ million)

	2008-09 <i>Budget</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>	2010-12 <i>Estimate</i>
Education	705.0	481.8	257.5	174.1
Human Services	643.2	500.3	333.2	174.4
Infrastructure	936.8	974.7	730.2	491.3
Innovation, Industry and Regional Development	166.2	167.3	106.5	93.8
Justice	281.9	299.0	234.5	177.2
Planning and Community Development	47.9	46.9	13.3	13.4
Premier and Cabinet	39.2	26.8	23.3	23.3
Primary Industries	63.2	99.1	41.1	8.5
Sustainability and Environment	130.6	59.8	53.0	40.8
Treasury and Finance	126.4	235.8	307.6	224.9
Parliament	8.1	4.6	3.8	2.7
Regulatory bodies and other part budget funded agencies	135.3	133.0	115.1	94.0
Not allocated to departments ^(a)	(445.9)	54.0	1 271.4	2 554.2
Total purchase of property, plant and equipment	2 837.9	3 083.1	3 490.6	4 072.7

Note:

(a) Amount available to be allocated to specific departments and projects. This includes an allowance for departmental underspending in 2008-09 which may be subject to carryover in 2009-10.

DEPARTMENT OF EDUCATION AND EARLY CHILDHOOD DEVELOPMENT

Operating performance

The Department of Education and Early Childhood Development (DEECD) is projecting an operating surplus of \$125 million for 2008-09. This is primarily as a result of anticipated third party revenue in excess of local expenses in the school sector.

The operating statement shows an increase in total operating income of \$449 million (6.4 per cent) between the 2007-08 Revised and the 2008-09 Budget. This is primarily a result of:

- increased income as a result of funding for new initiatives announced in the 2008-09 Budget, including: School Reform Resourcing to Support the Blueprint; Expanded Student Support Funding to meet the learning and development needs of at risk students; Improving Year 12 or Equivalent Completion by Young People in Victoria; and A New Focus on Quality in Family Day Care and Outside School Hours Care;
- machinery of government transfer of Early Childhood Development from the Department of Human Services to the Department of Education as at 1 September 2007. The Department received appropriation for Early Childhood Development for 10 months in 2007-08; and
- output price increases arising from price escalation for anticipated cost increases in 2008-09.

Total operating expenses for DEECD in 2008-09 are budgeted to increase by \$447 million (6.5 per cent) between the 2007-08 revised and the 2008-09 Budget primarily as a result of the factors referred to above.

Investing and financing

Cash flows from investing activities include payments for property, plant and equipment (totalling \$705 million) reflecting the continued asset investment in Schools through initiatives funded under *The Victorian Schools Plan* including *Better Schools Today* program; School Modernisation, and New Schools.

Balance sheet performance

DEECD's net asset position is expected to increase by \$491 million between the 2007-08 Revised and the 2008-09 Budget. This reflects a projected increase in total assets of \$509 million (4.0 per cent) and an increase in total liabilities of \$18 million (1.4 per cent) over the same period.

The increase in Property Plant and Equipment from the 2007-08 Budget to 2007-08 Revised is mainly due to a \$1.16 billion dollar revaluation of the department's assets.

The expected increase in total assets from the 2007-08 Revised to the 2008-09 Budget is mainly attributable to an increase in non-current assets of \$430 million (3.9 per cent). This movement is primarily as a result of increased capital investment in schools (after depreciation) to improve and add to the education infrastructure base as announced in the 2008-09 Budget.

Statement of administered items

Transactions administered by the department are grants received from the Commonwealth for government schools and for on-passing to non-government schools.

Total administered income is projected to decrease by \$0.7 million from the 2007-08 Revised to the 2008-09 Budget. This is due to the completion of the Investing in Our Schools Program, offset by increased Commonwealth funding to support non-government schools.

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

Table 3.3.1 Operating statement

	(\$ million)				
	2006-07 Actual ^(a)	2007-08 Budget	2007-08 Adjusted ^(b)	2007-08 Revised	2008-09 Budget
Income					
Output appropriations	6 391.4	6 213.3	6 461.5	6 398.2	6 840.2
Special appropriations	0.3	0.3	0.3	0.3	0.3
Resources received free of charge or for nominal consideration	2.2	..	..	..	..
Sale of goods and services	450.5	163.7	163.7	165.3	165.5
Commonwealth grants	158.3	6.6	6.6	6.6	6.6
Revenue from other parties and other income	428.0	307.6	307.6	418.0	424.6
	7 430.7	6 691.4	6 939.6	6 988.4	7 437.1
Expenses					
Employee benefits	4 271.8	4 044.6	4 081.5	3 946.7	4 146.3
Depreciation and amortisation	248.4	277.9	278.4	216.9	259.2
Resources provided free of charge or for nominal consideration	..	..	1.4	1.4	..
Grants and other payments	643.8	598.9	598.6	598.8	619.9
Capital asset charge	762.0	727.3	728.1	727.3	762.0
Supplies and services	1 442.0	883.0	1 093.2	1 373.9	1 524.3
Finance costs	1.2	0.5	0.5	0.5	0.5
Other expenses	0.2	..	..	..	..
	7 369.6	6 532.1	6 781.8	6 865.4	7 312.4
Net result for the reporting period	61.2	159.3	157.9	122.9	124.7

Source: Departments of Education and Early Childhood Development and Treasury and Finance

Notes:

- (a) 2006-07 actual figures include the Training and Further Education and Adult and Community Education sectors from 1 July 2006 to 31 December 2006. These sectors were transferred due to machinery of government changes to Department of Innovation, Industry and Regional Development (DIIRD) and Department of Planning and Community Development (DPCD) respectively at 1 January 2007.

(b) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.3.2 Cash flow statement

	(\$ million)				
	2006-07 Actual ^(a)	2007-08 Budget	2007-08 Adjusted ^(b)	2007-08 Revised	2008-09 Budget
Cash flows from operating activities					
Receipts from Government	6 515.2	6 158.3	6 401.5	6 390.4	6 773.6
Receipts from other entities	476.3	118.9	118.9	164.7	163.7
Payments for supplies, grants and employees	(6 433.1)	(5 509.3)	(5 751.7)	(6 032.5)	(6 271.7)
	558.4	767.9	768.7	522.6	665.5
Interest received	47.2	27.6	27.6	37.8	38.9
Finance costs expense	(1.2)	(0.5)	(0.5)	(0.5)	(0.5)
Capital asset charge	(762.0)	(727.3)	(728.1)	(727.3)	(762.0)
Other receipts	409.0	295.6	295.6	395.6	402.2
Net cash inflow from operating activities	251.3	363.2	363.2	228.2	344.0
Cash flows from investing activities					
Payments for property, plant and equipment	658.4	(633.1)	(633.1)	(620.5)	(705.0)
Proceeds from sale of property, plant and equipment	1.7	2.4	2.4	2.4	2.4
(Repayment of) loans by other entities	69.2	(5.0)	(5.0)	48.0	(5.2)
Net cash (outflow) from investing activities	729.3	(635.7)	(635.7)	(570.1)	(707.8)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	(930.8)	264.2	264.2	316.8	366.3
Net proceeds from borrowing	(11.1)	..	..	..	..
Net cash inflows/(outflow) from financing activities	(941.9)	264.2	264.2	316.8	366.3
Net increase/(decrease) in cash held	38.7	(8.4)	(8.4)	(25.2)	2.5
Cash at the beginning of the financial year	689.2	727.9	727.9	727.9	702.8
Cash at the end of the financial year	727.9	719.6	719.6	702.8	705.2

Source: Departments of Education and Early Childhood Development and Treasury and Finance

Notes:

- (a) 2006-07 actual figures include the Training and Further Education and Adult and Community Education sectors from 1 July 2006 to 31 December 2006. These sectors were transferred due to machinery of government changes to Department of Innovation, Industry and Regional Development (DIIRD) and Department of Planning and Community Development (DPCD) respectively at 1 January 2007.
- (b) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.3.3 Balance Sheet

(\$ million)

	<i>Estimated as at 30 June</i>				
	2007 <i>Actual</i> ^(a)	2008 <i>Budget</i>	2008 <i>Adjusted</i> ^(b)	2008 <i>Revised</i>	2009 <i>Budget</i>
Current assets					
Cash assets	727.9	719.6	719.6	702.8	705.2
Other financial assets	57.3	57.3	57.3	4.3	4.3
Receivables	723.0	831.9	836.9	740.7	817.2
Prepayments	4.4	4.6	4.6	4.6	4.8
	1 512.6	1 613.3	1 618.3	1 452.3	1 531.5
Non-current assets classified as held for sale	23.9	23.9	23.9	23.9	23.9
Total current assets	1 536.5	1 637.2	1 642.2	1 476.1	1 555.3
Non-current assets					
Receivables	0.3	0.3	0.3	0.3	0.3
Other financial assets	14.3	19.3	19.3	19.3	24.5
Property, plant and equipment	9 249.3	9 582.0	9 581.4	11 104.7	11 528.7
Intangible assets	2.9	4.4	4.4	4.4	5.1
Total non-current assets	9 266.7	9 605.9	9 605.4	11 128.7	11 558.6
Total assets	10 803.2	11 243.1	11 247.6	12 604.8	13 114.0
Current liabilities					
Payables	321.5	323.3	323.3	215.0	216.8
Interest-bearing liabilities	3.1	3.1	3.1	3.1	3.1
Employee provisions	941.4	949.5	953.9	927.4	935.5
Other	85.7	85.7	85.7	85.7	85.7
Total current liabilities	1 351.7	1 361.6	1 366.0	1 231.3	1 241.2
Non-current liabilities					
Interest-bearing liabilities	3.2	3.2	3.2	3.2	3.2
Employee provisions	67.3	73.9	75.3	75.3	83.6
Other	..	..	..	..	..
Amounts owing to other departments	..	..	..	..	..
Total non-current liabilities	70.5	77.1	78.5	78.5	86.8
Total liabilities	1 422.3	1 438.7	1 444.5	1 309.8	1 328.0
Net assets	9 381.0	9 804.4	9 803.0	11 295.0	11 786.0
Equity					
Contributed capital	5 040.8	5 305.0	5 305.0	5 357.6	5 723.9
Reserves	3 016.7	3 016.7	3 016.7	4 491.0	4 491.0
Accumulated surplus/(deficit)	1 323.5	1 482.7	1 481.3	1 446.4	1 571.1
Total equity	9 381.0	9 804.4	9 803.0	11 295.0	11 786.0

Source: Departments of Education and Early Childhood Development and Treasury and Finance

Notes:

- (a) 2006-07 actual figures include the Training and Further Education and Adult and Community Education sectors from 1 July 2006 to 31 December 2006. These sectors were transferred due to machinery of government changes to Department of Innovation, Industry and Regional Development (DIIRD) and Department of Planning and Community Development (DPCD) respectively at 1 January 2007.
- (b) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.3.4 Statement of changes in equity

	(\$ million)				
	2006-07 Actual ^(a)	2007-08 Budget	2007-08 Adjusted ^(b)	2007-08 Revised	2008-09 Budget
Gains/(losses) on revaluation of properties	(1 024.2)	..	..	1 474.3	..
Other	(692.6)	..	..	..	..
Net income recognised directly in equity	(1 716.8)	..	..	1 474.3	..
Net result for the period	61.2	159.3	157.9	122.9	124.7
Total recognised income and expense for the period	(1 655.6)	159.3	157.9	1 597.2	124.7

Source: Departments of Education and Early Childhood Development and Treasury and Finance

Notes:

- (a) 2006-07 actual figures include the Training and Further Education and Adult and Community Education sectors from 1 July 2006 to 31 December 2006. These sectors were transferred due to machinery of government changes to Department of Innovation, Industry and Regional Development (DIIRD) and Department of Planning and Community Development (DPCD) respectively at 1 January 2007.
- (b) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.3.5 Administered items statement

	(\$ million)				
	2006-07 Actual ^(a)	2007-08 Budget	2007-08 Adjusted ^(b)	2007-08 Revised	2008-09 Budget
Administered income					
Sale of goods and services	1.5	1.5	2.4	2.4	1.9
Commonwealth grants	2 263.4	2 175.4	2 181.6	2 341.8	2 341.6
Other	(10.3)	9.9	9.9	8.7	8.7
Total administered income	2 254.6	2 186.8	2 193.8	2 352.8	2 352.1
Administered expenses					
Expenses on behalf of the State	0.7	..	..	..	..
Grants and other payments	1 551.7	1 541.4	1 541.4	1 620.9	1 687.0
Payments into the Consolidated Fund	725.7	645.4	652.4	731.9	665.0
Total administered expenses	2 278.2	2 186.8	2 193.8	2 352.8	2 352.1
Income less expenses	(23.6)	0.1	0.1	0.1	0.1
Administered assets					
Cash assets	..	0.1	0.1	0.1	0.1
Receivables	5.1	5.1	5.1	5.1	5.1
Other financial assets	1.5	1.5	1.5	1.5	1.5
Prepayments	3.3	3.3	3.3	3.3	3.3
Total administered assets	10.0	10.0	10.0	10.0	10.1
Administered liabilities					
Payables	..	..	..	..	..
Other	3.3	3.3	3.3	3.3	3.3
Total administered liabilities	3.3	3.3	3.3	3.3	3.3
Net assets	6.7	6.7	6.7	6.7	6.8

Source: Departments of Education and Early Childhood Development and Treasury and Finance

Notes:

- (a) 2006-07 actual figures include the Training and Further Education and Adult and Community Education sectors from 1 July 2006 to 31 December 2006. These sectors were transferred due to machinery of government changes to Department of Innovation, Industry and Regional Development (DIIRD) and Department of Planning and Community Development (DPCD) respectively at 1 January 2007.
- (b) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the department to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.3.6 Parliamentary authority for resources

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	6 196.6	6 438.7	6 330.6	6 881.7
Receipts credited to appropriations	213.2	219.4	290.5	203.8
Unapplied previous years appropriation	67.6	67.6	93.9	121.0
Gross annual appropriation	6 477.4	6 725.7	6 715.0	7 206.5
Special appropriations	0.3	0.3	0.3	0.3
Trust funds	1 606.6	1 606.6	1 686.3	1 751.3
Total Parliamentary authority	8 084.3	8 332.5	8 401.5	8 958.0

Source: Departments of Education and Early Childhood Development and Treasury and Finance

Notes:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

DEPARTMENT OF HUMAN SERVICES

Operating performance

The Department of Human Services (DHS) is expected to have a net result of \$104 million in 2008-09.

The operating statement shows an increase in income of \$389 million between the 2007-08 Revised Budget to the 2008-09 Budget. This increase is primarily a result of:

- funding provided for government policy commitments (\$344 million) in the 2008-09 budget, including *Maintaining Health System Performance, Ambulance Service Strategy, Improving Mental Health Services, Enhancing Disability Services and Outcomes, Concessions* and the full year effect of initiatives announced in previous years budgets;
- output price increases of \$311 million arising from price escalation for anticipated cost increases in 2008-09;
- output price increases (\$58 million) for depreciation, amortisation and capital asset charge associated with the approved asset investment program for 2008-09; and
- a reduction in revenue of \$300 million in 2008-09 reflecting the one off payment in 2007-08 to establish the housing investment fund.

Operating expenses are budgeted to increase by \$633 million between the 2007-08 Revised Budget and 2008-09 Budget largely due to the increases in income outlined above.

Investing and financing

Cashflows from operating activities are consistent with the trends discussed in the statement of operating performance above.

Cashflows from investing activities include payments for property, plant and equipment (totalling \$643 million) reflecting the continued asset investment in the Department and hospitals, and include new initiatives to expand service capacity, enhance infrastructure and comply with regulatory requirements.

Balance sheet performance

DHS's net asset position is expected to improve by \$229 million between 2007-08 Revised Budget and 2008-09 Budget, reflecting an increase in total assets of \$477 million and an increase in total liabilities of \$248 million.

The expected increase in assets reflects the State Government's commitment to build new health and community facilities and other infrastructure across the state, based on modern service models and needs for the future. The movement in assets from the 2007-08 Budget to the 2008-09 Budget reflects funding provided for redevelopments and expansions at Dandenong Hospital, Kingston Centre, Latrobe Community Health Service, Olivia Newton-John Cancer Centre, Sunbury Day Hospital, Sunshine Hospital, Warrnambool Hospital and Werribee Mercy Hospital. Funding is also provided for hospital medical equipment replacement and infrastructure renewal.

The expected increase in liabilities is largely due to the recognition of the Royal Women's Hospital lease liability from 2008-09 and the increases in liabilities for leave entitlements for staff employed in the human services sector.

Statement of administered items

This statement includes items from the Commonwealth Government and revenue from the sale of assets, goods and services collected by the department. Total income has reduced by \$32 million from the 2007-08 Revised Budget to the 2008-09 Budget, due mainly to additional one off funds provided by the Commonwealth in 2007-08 in relation to the Australian Immunisation Agreement for Human Papilloma Virus vaccine and Childhood Pneumococcal vaccine.

Total expenditure has reduced by \$182 million from the 2007-08 Revised Budget to the 2008-09 Budget, due mainly to the transfer in 2007-08 of \$150 million of housing stock to Housing Associations for disadvantaged and low-income Victorians.

Table 3.4.1: Operating statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Income					
Output appropriations	9 710.9	10 722.1	10 473.8	10 635.6	10 981.6
Special appropriations	1 172.4	1 187.9	1 187.9	1 251.7	1 256.3
Resources received free of charge or for nominal consideration	10.8	..	1.4	1.4	..
Sale of goods and services	1 079.9	998.1	998.1	1 054.2	1 082.8
Commonwealth grants	150.3	133.1	133.1	127.6	130.7
Fines and fees	0.1	..	..	..	..
Revenue from other parties and other income	432.0	273.8	273.5	354.6	362.2
	12 556.3	13 315.0	13 067.9	13 425.0	13 813.5
Expenses					
Employee benefits	5 857.0	6 125.1	6 088.1	6 227.7	6 558.6
Depreciation and amortisation	336.3	391.6	391.1	402.4	428.3
Resources provided free of charge or for nominal consideration	0.9	..	..	..	..
Grants and other payments	1 155.8	842.7	842.7	594.6	543.9
Capital asset charge	536.2	584.0	583.2	571.3	603.5
Supplies and services	4 840.4	5 084.3	4 874.1	5 275.4	5 569.6
Finance costs	5.3	2.4	2.4	5.2	5.3
Other expenses	28.6	..	..	..	..
	12 760.4	13 030.0	12 781.5	13 076.5	13 709.2
Net result for the reporting period	(204.1)	285.0	286.4	348.4	104.3

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.4.2: Cash flow statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Cash flows from operating activities					
Receipts from Government	11 005.9	11 986.5	11 743.3	12 091.0	12 351.1
Receipts from other entities	1 041.2	1 002.2	1 001.9	1 053.4	1 079.4
Payments for supplies, grants and employees	(11 659.0)	(11 967.8)	(11 726.4)	(12 005.7)	(12 653.7)
	388.2	1 020.9	1 018.7	1 138.7	776.7
Interest received	74.2	51.8	51.8	61.9	63.4
Finance costs expense	(4.8)	(2.4)	(2.4)	(5.2)	(5.3)
Capital asset charge	(536.2)	(584.0)	(583.2)	(571.3)	(603.5)
Other receipts	334.3	233.9	235.3	224.2	305.4
Dividends received	0.5	..	..	..	..
Net cash inflow from operating activities	256.1	720.3	720.3	848.4	536.8
Cash flows from investing activities					
Payments for property, plant and equipment	(768.0)	(767.7)	(767.7)	(670.4)	(643.2)
Proceeds from sale of property, plant and equipment	33.8	40.0	40.0	40.0	40.0
(Repayment of) loans by other entities	25.5	..	..	5.3	..
Net cash (outflow) from investing activities	(708.8)	(727.7)	(727.7)	(625.1)	(603.2)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	521.8	19.5	19.5	(165.4)	124.7
Net proceeds from borrowing	6.0	(8.1)	(8.1)	(0.1)	(1.5)
Net cash inflows/(outflow) from financing activities	527.8	11.4	11.4	(165.5)	123.3
Net increase/(decrease) in cash held	75.2	4.0	4.0	57.8	56.9
Cash at the beginning of the financial year	471.8	547.0	547.0	547.0	604.8
Cash at the end of the financial year	547.0	551.0	551.0	604.8	661.6

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.4.3: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2007</i>	<i>2008</i>	<i>2008</i>	<i>2008</i>	<i>2009</i>
	<i>Actual</i>	<i>Budget</i>	<i>Adjusted^(a)</i>	<i>Revised</i>	<i>Budget</i>
Current assets					
Cash assets	550.1	554.1	554.1	607.9	664.7
Other financial assets	412.0	412.0	412.0	412.0	412.0
Receivables	811.9	917.6	912.6	810.1	828.1
Inventories	55.4	55.4	55.4	55.4	55.4
Prepayments	22.7	22.7	22.7	22.7	22.7
	1 852.1	1 961.8	1 956.8	1 908.0	1 982.9
Non-current assets classified as held for sale	8.9	8.9	8.9	8.9	8.9
Total current assets	1 861.0	1 970.7	1 965.7	1 916.9	1 991.8
Non-current assets					
Receivables	8.2	8.2	8.2	2.9	2.9
Other financial assets	179.4	179.4	179.4	179.4	179.4
Investments accounted for using equity method	1.2	1.2	1.2	1.2	1.2
Property, plant and equipment	6 956.7	7 227.7	7 228.2	7 111.0	7 513.6
Intangible assets	64.2	64.2	64.2	64.9	64.9
Other	19.4	19.4	19.4	19.4	19.4
Total non-current assets	7 229.1	7 500.1	7 500.6	7 378.8	7 781.4
Total assets	9 090.1	9 470.8	9 466.3	9 295.7	9 773.1
Current liabilities					
Payables	1 043.1	791.8	791.8	784.7	784.7
Interest-bearing liabilities	25.0	29.4	29.4	25.0	34.4
Employee provisions	1 271.4	1 281.4	1 277.0	1 359.2	1 430.0
Other	237.2	241.7	241.7	229.7	234.2
Total current liabilities	2 576.6	2 344.2	2 339.9	2 398.5	2 483.2
Non-current liabilities					
Interest-bearing liabilities	146.4	133.8	133.8	146.3	366.8
Employee provisions	180.8	237.1	235.7	180.8	180.8
Amounts owing to other departments	5.0	5.0	5.0	5.0	5.0
Other	349.5	314.3	314.3	314.3	257.4
Total non-current liabilities	681.7	690.3	688.8	646.4	810.0
Total liabilities	3 258.4	3 034.5	3 028.7	3 044.9	3 293.2
Net assets	5 831.7	6 436.3	6 437.7	6 250.9	6 479.9
Equity					
Contributed capital	4 391.9	4 711.4	4 711.4	4 462.6	4 587.4
Reserves	1 736.6	1 736.6	1 736.6	1 736.6	1 736.6
Accumulated surplus/(deficit)	(296.8)	(11.8)	(10.4)	51.6	156.0
Total equity	5 831.7	6 436.3	6 437.7	6 250.9	6 479.9

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.4.4: Statement of changes in equity

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Gains/(losses) on revaluation of properties	50.3	..	..	..	..
Available for sale financial assets	7.7	..	..	..	..
Other	15.2	..	..	..	..
Net income recognised directly in equity	73.2	..	..	..	..
Net result for the period	(204.1)	285.0	286.4	348.4	104.3
Total recognised income and expense for the period	(130.9)	285.0	286.4	348.4	104.3

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.4.5: Administered items statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Administered income					
Sale of goods and services	270.4	281.3	280.5	272.7	269.0
Commonwealth grants	3 052.9	3 256.1	3 249.9	3 424.0	3 393.0
Other grants	0.3	..	..	50.0	50.0
Fines	..	..	..	..	..
Fees	3.0	4.1	4.1	3.0	2.6
Other	6.2	74.5	74.5	9.0	12.2
Total administered income	3 332.7	3 616.0	3 609.0	3 758.7	3 726.7
Administered expenses					
Expenses on behalf of the State	1.3	..	..	149.9	..
Grants and other payments	0.3	..	..	..	..
Payments into the Consolidated Fund	3 333.7	3 616.0	3 609.0	3 708.7	3 676.7
Total administered expenses	3 335.3	3 616.0	3 609.0	3 858.6	3 676.7
Income less expenses	(2.6)	..	..	( 99.9)	50.0
Administered assets					
Cash assets	0.4	0.4	0.4	(49.6)	(99.6)
Receivables	11.1	11.1	11.1	61.1	111.1
Other financial assets	0.7	0.7	0.7	0.7	0.7
Other	53.2	53.2	53.2	53.2	53.2
Total administered assets	65.5	65.5	65.5	65.5	65.5
Administered liabilities					
Other	57.3	57.3	57.3	57.3	57.3
Total administered liabilities	57.3	57.3	57.3	57.3	57.3
Net assets	8.2	8.2	8.2	8.2	8.2

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the department to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.4.6: Parliamentary authority for resources

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	9 698.9	9 456.8	9 488.3	9 831.4
Receipts credited to appropriations	1 281.9	1 275.7	1 268.7	1 269.5
Unapplied previous years appropriation	91.4	91.4	66.6	62.3
Accumulated surplus - previously applied appropriation	..	..	139.0	9.2
Gross annual appropriation	11 072.2	10 823.9	10 962.6	11 172.3
Special appropriations	1 187.9	1 187.9	1 251.7	1 256.3
Trust funds	47.2	46.9	101.7	100.1
Total Parliamentary authority	12 307.2	12 058.7	12 316.0	12 528.7

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

DEPARTMENT OF INFRASTRUCTURE

The government recently announced the creation of a new Department of Transport which takes over responsibility for most of the functions of the former Department of Infrastructure. However, certain functions, in particular relating to Major Projects Victoria, have been transferred to the Department of Innovation, Industry and Regional Development. The new administrative arrangements came into effect on 30 April 2008-through Administrative Arrangements Order No. 199 of 2008. For financial reporting purposes, these transfers do not take effect until after the end of the current financial year 2007-08.

There is no net impact of these changes on the aggregate budget, however the full impact of these changes on the 2008-09 departmental estimates has yet to be quantified. Therefore, this machinery of government change has not been reflected in the 2008-09 Budget Papers. Any consequent adjustments to the departmental estimates and re allocation of appropriations will be made at a later date.

Operating performance

The Department of Infrastructure is estimated to have a net result of \$47 million in 2008-09, as shown in Table 3.5.1.

Total operating income is expected to decrease by \$241 million (5.2 per cent) in 2008-09 compared with the 2007-08 Revised Budget. Included in the 2007-08 Budget is one-off income of \$161 million to fund expenses incurred in prior years, including the buyback of the regional rail network lease and the settlement of claims in relation to the Southern Cross Station redevelopment and \$83 million relating to assets provided to the State by ConnectEast. In addition, funding from the Commonwealth for road projects is expected to reduce by \$179 million in 2008-09 reflecting the winding down of the Commonwealth Government's commitments under AusLink 1.

After discounting for these one-off items, operating income is estimated to increase by \$183 million (4.3 per cent). This increase is largely attributable to 2008-09 Budget initiatives, the ongoing impact of initiatives approved in prior years and increases in the capital assets charge relating to investments in rail assets held by VicTrack.

These increases have been partly offset by savings and the funding of some initiatives within existing resources.

Operating expenses, adjusted for items given free of charge in 2007-08, are estimated to increase by \$196 million (4.7 per cent) between the 2007-08 Revised Budget and the 2008-09 Budget. This reflects the increase in income outlined above and the impact of the revaluation of VicRoads' assets on depreciation expenses.

Investing and financing

Cash flows from operating activities are consistent with the trends discussed above.

The expected investments in new property, plant and equipment in 2008-09 reflect the approved cashflows for existing and new road asset initiatives announced in the 2008 09 Budget. New road asset funding in the 2008-09 Budget totals \$729 million.

Rail infrastructure investment is recorded in the balance sheet of VicTrack. In 2008-09, new rail initiatives include Dandenong Corridor Stage 2 – Westall Rail Upgrade with funding of \$151 million TEI, Country Passenger Rail Network Renewal and Maintenance with funding of \$142 million TEI, Laverton Rail Upgrade with funding of \$92 million TEI, Craigieburn Station Track Upgrade with funding of \$30 million TEI, Country Rail Freight Network Renewal and Maintenance with funding of \$24 million and procurement of rollingstock with funding of \$291 million TEI.

Balance sheet performance

The department's net assets are budgeted to increase by \$602 million from the 2007-08 Revised Budget to the 2008-09 budget.

Major movements in total assets include the impact of the revaluation of road assets and the construction of new roads and other infrastructure.

Statement of administered items

Transactions administered by the Department of Infrastructure on behalf of the state include the collection of road and public transport regulatory fees and fines revenues and revenue received from the Commonwealth for road and rail projects. The budget also includes the progressive recognition of concession fees paid in advance by Transurban under the City Link contract.

Total administered income is budgeted to reduce in 2008-09 by \$125 million from the 2007-08 Revised Budget. This reduction is largely a result of a reduction in Commonwealth Revenue of \$159 million for road and rail projects, reflecting the winding-down of the Commonwealth Government's commitments under AusLink and land sales of \$17 million. This has been partly offset by additional taxation revenue of \$54 million.

Administered payments are likewise affected by the items outlined above.

Table 3.5.1: Operating statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Income					
Output appropriations	3 705.3	4 017.4	3 985.8	4 011.1	3 823.8
Special appropriations	1.7	1.7	1.7	2.0	2.0
Resources received free of charge or for nominal consideration	16.3	..	..	83.0	..
Sale of goods and services	207.4	166.4	166.4	185.6	194.9
Commonwealth grants	..	4.4	4.4	4.4	17.0
Taxes	9.0	..	..	..	..
Fines and fees	63.0	67.6	67.6	71.3	69.7
Revenue from other parties and other income	277.1	275.2	275.2	286.9	296.3
	4 279.8	4 532.6	4 501.0	4 644.2	4 403.7
Expenses					
Employee benefits	298.6	292.3	291.9	309.9	324.2
Depreciation and amortisation	365.5	358.9	358.9	358.4	422.2
Resources provided free of charge or for nominal consideration	27.0	..	..	72.9	..
Grants and other payments	1 488.6	1 478.7	1 447.6	1 446.8	1 552.6
Capital asset charge	68.3	70.8	70.8	70.8	73.6
Supplies and services	1 791.7	1 926.6	1 926.6	1 948.3	1 965.4
Finance costs	7.2	6.5	6.5	6.5	6.6
Other expenses	(3.3)	..	..	19.8	11.9
	4 043.6	4 133.9	4 102.3	4 233.2	4 356.5
Net result for the reporting period	236.2	398.8	398.8	411.0	47.3

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.5.2: Cash flow statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Cash flows from operating activities					
Receipts from Government	3 591.3	3 999.2	3 967.6	3 994.4	3 863.6
Receipts from other entities	493.5	427.3	427.3	460.7	473.6
Payments for supplies, grants and employees	(3 755.8)	(3 653.0)	(3 621.4)	(3 669.2)	(3 839.0)
	329.0	773.5	773.5	785.8	498.2
Interest received	5.9	0.9	0.9	1.2	1.2
Finance costs expense	(7.2)	(6.5)	(6.5)	(6.5)	(6.6)
Capital asset charge	(68.3)	(70.8)	(70.8)	(70.8)	(73.6)
Other receipts	94.3	60.6	60.6	76.1	69.3
Net cash inflow from operating activities	353.7	757.8	757.8	785.9	488.4
Cash flows from investing activities					
Payments for property, plant and equipment	(852.9)	(983.0)	(983.0)	(922.0)	(936.8)
Proceeds from sale of property, plant and equipment	15.2	16.2	16.2	19.3	15.0
(Repayment of) loans by other entities	(4.9)	..	..	..	..
Net cash (outflow) from investing activities	(842.6)	(966.8)	(966.8)	(902.7)	(921.8)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	244.2	75.3	75.3	65.0	404.3
Net proceeds from borrowing	(12.7)	..	..	( 5.3)	..
Net cash inflows/(outflow) from financing activities	231.6	75.3	75.3	59.7	404.3
Net increase/(decrease) in cash held	(257.3)	(133.7)	(133.7)	(57.1)	(29.0)
Cash at the beginning of the financial year	727.2	469.8	469.8	469.8	412.7
Cash at the end of the financial year	469.8	336.2	336.2	412.7	383.7

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.5.3: Balance sheet

(\$ million)					
	<i>Estimated as at 30 June</i>				
	<i>2007</i>	<i>2008</i>	<i>2008</i>	<i>2008</i>	<i>2009</i>
	<i>Actual</i>	<i>Budget</i>	<i>Adjusted^(a)</i>	<i>Revised</i>	<i>Budget</i>
Current assets					
Cash assets	469.8	336.2	336.2	412.7	383.7
Other financial assets	50.0	50.0	50.0	50.0	50.0
Receivables	548.6	577.1	577.1	572.7	552.3
Inventories	4.6	5.6	5.6	4.6	4.6
Prepayments	6.8	6.8	6.8	6.8	6.8
Other assets	8.9	8.9	8.9	..	..
Total current assets	1 088.7	984.4	984.4	1 046.7	997.3
Non-current assets					
Receivables	0.2	0.2	0.2	0.2	0.2
Property, plant and equipment	19 528.8	20 151.8	20 151.8	22 572.7	23 075.4
Intangible assets	18.8	18.8	18.8	18.8	18.8
Other	51.5	4.2	4.2	50.5	50.5
Total non-current assets	19 599.3	20 175.0	20 175.0	22 642.2	23 144.8
Total assets	20 687.9	21 159.4	21 159.4	23 688.9	24 142.1
Current liabilities					
Payables	809.7	573.7	573.7	752.0	582.8
Interest-bearing liabilities	0.8	0.8	0.8	0.8	0.8
Employee provisions	87.7	86.6	86.6	90.0	92.4
Other	36.4	36.4	36.4	36.4	36.4
Total current liabilities	934.6	697.6	697.6	879.3	712.4
Non-current liabilities					
Interest-bearing liabilities	8.1	8.1	8.1	2.8	2.8
Employee provisions	7.6	7.6	7.6	8.2	8.9
Other	212.3	229.7	229.7	229.7	247.4
Total non-current liabilities	228.0	245.4	245.4	240.8	259.1
Total liabilities	1 162.6	943.0	943.0	1 120.0	971.6
Net assets	19 525.3	20 216.5	20 216.5	22 568.9	23 170.5
Equity					
Contributed capital	14 735.6	15 028.0	15 028.0	14 860.6	15 415.0
Reserves	5 000.0	5 000.0	5 000.0	7 507.5	7 507.5
Accumulated surplus/(deficit)	(210.3)	188.5	188.5	200.7	248.0
Total equity	19 525.3	20 216.5	20 216.5	22 568.9	23 170.5

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.5.4: Statement of changes in equity

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Gains/(losses) on revaluation of properties	32.2	..	..	2 507.5	..
Other	5.0	..	..	..	..
Net income recognised directly in equity	37.1	..	..	2 507.5	..
Net result for the period	236.2	398.8	398.8	411.0	47.3
Total recognised income and expense for the period	273.3	398.8	398.8	2 918.5	47.3

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.5.5: Administered items statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Administered income					
Appropriations - Payments made on behalf of the State	18.5	..	..	..	..
Sale of goods and services	0.9	0.7	0.7	0.8	0.8
Commonwealth grants	339.8	394.7	394.7	426.6	268.0
Other grants	5.2	..	..	..	..
Taxes	1 319.2	1 373.2	1 373.2	1 366.1	1 419.6
Fines	13.3	15.1	15.1	22.4	15.8
Fees	60.3	52.1	52.1	52.1	55.8
Other	125.4	44.3	44.3	16.9	..
Total administered income	1 882.6	1 880.2	1 880.2	1 884.9	1 760.0
Administered expenses					
Expenses on behalf of the State	4.7	6.1	6.1	..	..
Grants and other payments	23.7	..	..	..	..
Payments into the Consolidated Fund	1 734.3	2 063.6	2 063.6	2 261.9	1 901.1
Total administered expenses	1 762.7	2 069.7	2 069.7	2 261.9	1 901.1
Income less expenses	119.9	(189.5)	(189.5)	(377.0)	(141.1)
Administered assets					
Cash assets	7.8	7.8	7.8	7.8	7.8
Receivables	575.5	495.2	495.2	203.7	67.9
Total administered assets	583.4	503.0	503.0	211.6	75.8
Administered liabilities					
Payables	10.7	10.7	10.7	10.7	10.7
Other	316.5	425.6	425.6	321.7	327.0
Total administered liabilities	327.2	436.3	436.3	332.4	337.7
Net assets	256.2	66.7	66.7	(120.8)	(261.9)

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the department to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.5.6: Parliamentary authority for resources

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	4 251.0	4 215.6	4 095.5	4 745.6
Receipts credited to appropriations	395.5	395.5	427.4	268.8
Unapplied previous years appropriation	223.4	205.4	203.4	162.8
Accumulated surplus - previously applied appropriation	8.4	8.4	9.5	41.6
Gross annual appropriation	4 878.2	4 824.8	4 735.9	5 218.8
Special appropriations	1.7	1.7	2.0	2.0
Trust funds	237.0	237.0	258.5	261.1
Total Parliamentary authority	5 116.9	5 063.5	4 996.3	5 481.9

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

The government recently announced the creation of a new Department of Transport which takes over responsibility for most of the functions of former Department of Infrastructure. However, certain functions, in particular relating to Major Projects Victoria, have been transferred to the Department of Innovation, Industry and Regional Development (DIIRD). The new administrative arrangements came into effect on 30 April 2008 through Administrative Arrangements Order No. 199 of 2008. For financial reporting purposes, these transfers do not take effect until after the end of the current financial year 2007-08.

There is no net impact of these changes on the aggregate budget, however the full impact of these changes on the 2008-09 departmental estimates has yet to be quantified. Therefore, this machinery of government change has not been reflected in the 2008-09 Budget Papers. Any consequent adjustments to the departmental estimates and re-allocation of appropriations will be made at a later date.

Operating performance

DIIRD is expected to have a net result of \$118 million in 2008-09. This is an increase of \$13 million from the 2007-08 Revised Budget and \$88 million from the initial 2007-08 Budget.

DIIRD's surplus relates primarily to the TAFE Sector, partly as a result of Commonwealth revenue for capital projects that is received as income but applied to capital expenditure, therefore appearing as an operating surplus. The increased surplus in 2008-09 is the result of revised TAFE revenue and expenditure forecasts. DIIRD is also receiving non-recurrent funding to repay an advance relating to the Australian Synchrotron, which has contributed to the operating surplus in 2008-09.

Operating income for DIIRD is sourced from state government appropriations, commonwealth grants and external revenue for services provided primarily by TAFE colleges.

The total budgeted revenue in 2008-09 has declined by a total of \$19 million from the 2007-08 Revised Budget. This is due mainly to one-off funding received in 2007-08 for initiatives including Victorian Government International Networks, TAFE maintenance, drought and flood initiatives. This reduction has been partly offset by funding for new output initiatives including Creative Industries, Positioning Victoria Promoting Tourism, Australian Tourism Exchange, New Workforce New Workplace and non-recurring funding provided for the repayment of an advance relating to the Australian Synchrotron. Operating expenses for 2008-09 have also declined in line with the above.

Investing and financing

Cash flows from investing activities primarily reflect the purchase of property plant and equipment, associated with the TAFE capital program.

Balance sheet performance

DIIRD's net asset position is expected to increase by \$126 million compared to the 2007-08 Revised Budget. This reflects an increase in total assets relating to TAFE buildings, plant and equipment funded by Commonwealth and state government capital initiatives, and a decrease in liabilities related primarily to the repayment of an advance for the Australian Synchrotron.

Statement of administered items

DIIRD will receive an administered appropriation in 2008-09 for lease payments associated with the Melbourne Convention Centre which is expected to be operational in 2008-09. DIIRD has recognised an administered liability in relation to the lease payments, and also a loan payable to the department in relation to this.

Table 3.6.1: Operating statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Income					
Output appropriations	971.7	1 420.5	1 441.6	1 507.7	1 485.1
Resources received free of charge or for nominal consideration	(1.9)	..	..	..	..
Sale of goods and services	143.8	471.4	471.4	388.6	401.1
Commonwealth grants	148.6	294.4	294.4	313.5	312.5
Revenue from other parties and other income	70.6	48.8	48.8	85.7	77.6
	1 332.9	2 235.1	2 256.2	2 295.4	2 276.3
Expenses					
Employee benefits	406.1	924.3	927.3	911.3	938.4
Depreciation and amortisation	39.8	78.9	78.9	78.3	85.9
Resources provided free of charge or for nominal consideration	..	..	..	..	..
Grants and other payments	409.2	421.7	438.4	506.3	391.2
Capital asset charge	84.8	170.8	170.8	170.8	179.2
Supplies and services	232.9	609.7	611.0	523.9	563.9
Finance costs	0.1	0.5	0.5	0.2	0.2
Other expenses	1.1	..	..	..	..
	1 174.1	2 205.7	2 226.8	2 190.8	2 158.8
Net result for the reporting period	158.8	29.4	29.4	104.6	117.5

Source: Departments of Innovation, Industry and Regional Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.6.2: Cash flow statement

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Cash flows from operating activities					
Receipts from Government	1 100.2	1 712.4	1 733.5	1 812.9	1 793.6
Receipts from other entities	21.0	468.3	468.3	497.0	402.2
Payments for supplies, grants and employees	(846.5)	(1 953.2)	(1 974.3)	(1 932.6)	(1 893.0)
	274.6	227.5	227.5	377.3	302.9
Interest received	18.8	14.0	14.0	35.5	35.3
Finance costs expense	(0.1)	(0.5)	(0.5)	(0.2)	(0.2)
Capital asset charge	(84.8)	(170.8)	(170.8)	(170.8)	(179.2)
Other receipts	102.1	37.9	37.9	39.2	25.2
Net cash inflow from operating activities	310.6	108.1	108.2	280.9	184.0
Cash flows from investing activities					
Payments for property, plant and equipment	(1 161.0)	(114.0)	(114.0)	(219.7)	(166.2)
Proceeds from sale of property, plant and equipment	21.7	..	..	..	..
(Repayment of) loans by other entities	(170.5)	(4.9)	(4.9)	(224.0)	12.0
Net cash (outflow) from investing activities	(1 309.8)	(118.9)	(118.9)	(443.7)	(154.2)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	1 283.7	2.9	2.9	40.8	(29.6)
Net proceeds from borrowing	2.9	..	..	..	..
Net cash inflows/(outflow) from financing activities	1 286.5	2.9	2.9	40.8	(29.6)
Net increase/(decrease) in cash held	287.3	(7.8)	(7.8)	(121.9)	0.2
Cash at the beginning of the financial year	138.5	425.8	425.8	425.8	303.9
Cash at the end of the financial year	425.8	418.0	418.0	303.9	304.1

Source: Departments of Innovation, Industry and Regional Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.6.3: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2007</i>	<i>2008</i>	<i>2008</i>	<i>2008</i>	<i>2009</i>
	<i>Actual</i>	<i>Budget</i>	<i>Adjusted^(a)</i>	<i>Revised</i>	<i>Budget</i>
Current assets					
Cash assets	425.8	418.0	418.0	303.9	304.1
Other financial assets	111.6	111.5	111.5	323.2	306.1
Receivables	226.8	229.3	229.3	131.3	133.3
Inventories	10.0	10.0	10.0	8.6	9.5
Prepayments	10.2	10.2	10.2	17.8	10.1
Other assets	0.5	0.5	0.5	0.9	0.5
	785.0	779.5	779.5	785.7	763.6
Non-current assets classified as held for sale	0.1	0.1	0.1	0.1	0.1
Total current assets	785.0	779.6	779.6	785.7	763.6
Non-current assets					
Receivables	0.1	0.1	0.1	0.1	0.1
Other financial assets	58.8	58.8	58.8	61.3	61.3
Investments accounted for using equity method	15.0	20.0	20.0	25.0	30.0
Property, plant and equipment	2 243.7	2 278.8	2 278.8	2 385.8	2 449.3
Intangible assets	3.0	3.0	3.0	3.6	3.6
Other	0.1	0.1	0.1	0.1	0.1
Total non-current assets	2 320.8	2 360.9	2 361.0	2 475.9	2 544.5
Total assets	3 105.8	3 140.5	3 140.5	3 261.7	3 308.1
Current liabilities					
Payables	166.9	166.9	166.9	179.0	113.3
Interest-bearing liabilities	1.8	1.8	1.8	1.8	1.8
Employee provisions	131.5	132.2	132.2	142.4	116.3
Other	54.7	54.7	54.7	58.5	50.5
Total current liabilities	354.9	355.6	355.6	381.6	281.9
Non-current liabilities					
Interest-bearing liabilities	3.6	3.6	3.6	3.6	3.6
Employee provisions	25.3	27.0	27.0	26.1	55.9
Amounts owing to other departments	0.9	0.9	0.9	0.9	0.9
Other	40.0	40.0	40.0	30.0	20.0
Total non-current liabilities	69.8	71.4	71.4	60.6	80.4
Total liabilities	424.6	427.0	427.0	442.2	362.3
Net assets	2 681.2	2 713.5	2 713.5	2 819.4	2 945.8
Equity					
Contributed capital	702.1	726.0	726.0	756.8	765.7
Reserves	979.2	979.2	979.2	979.2	979.2
Accumulated surplus/(deficit)	999.9	1 008.3	1 008.3	1 083.5	1 201.0
Total equity	2 681.2	2 713.5	2 713.5	2 819.4	2 945.8

Source: Departments of Innovation, Industry and Regional Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.6.4: Statement of changes in equity

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Gains/(losses) on revaluation of properties	968.7	..	..	..	..
Other	722.9	..	..	..	..
Net income recognised directly in equity	1 691.6	..	..	..	..
Net result for the period	158.8	29.4	29.4	104.6	117.5
Total recognised income and expense for the period	1 850.3	29.4	29.4	104.6	117.5

Source: Departments of Innovation, Industry and Regional Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.6.5: Administered items statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Administered income					
Appropriations - Payments made on behalf of the State	..	..	..	..	27.0
Commonwealth grants	0.1	..	..	..	..
Fines	..	0.2	0.2	..	..
Fees	..	2.2	2.2	..	..
Other	6.3	5.3	5.3	5.3	22.2
Total administered income	6.4	7.6	7.6	5.3	49.2
Administered expenses					
Expenses on behalf of the State	(0.3)	0.1	0.1	0.1	16.1
Grants and other payments	..	..	..	..	4.0
Payments into the Consolidated Fund	5.7	7.5	7.5	5.2	5.2
Total administered expenses	5.4	7.6	7.6	5.3	25.3
Income less expenses	1.0	..	..	..	23.9
Administered assets					
Cash assets	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Receivables	45.8	45.8	45.8	45.8	599.8
Total administered assets	45.7	45.7	45.7	45.7	599.7
Administered liabilities					
Payables	..	..	..	..	..
Interest bearing liabilities	..	..	..	..	531.0
Other	93.2	93.2	93.2	93.2	92.3
Total administered liabilities	93.2	93.2	93.2	93.2	623.3
Net assets	(47.5)	(47.5)	(47.5)	(47.5)	(23.6)

Source: Departments of Innovation, Industry and Regional Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Payments made on behalf of the State

Payments on behalf of the state are payments made by the department on behalf of the State Government as a whole and do not directly reflect the operations of the department. They are usually on-passed or administered by the state.

Table 3.6.6: Payments made on behalf of the State

Accounts	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Finance Lease Interest	16.0
Grants to Govt PNFCs - Within P/folio	4.0
Finance Lease Liability	7.0
Total	27.0

Source: Departments of Innovation, Industry and Regional Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.6.7: Parliamentary authority for resources

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	1 406.5	1 424.1	1 468.5	1 507.7
Unapplied previous years appropriation	16.9	20.4	50.1	9.2
Accumulated surplus - previously applied appropriation	..	..	2.5	..
Gross annual appropriation	1 423.4	1 444.5	1 521.1	1 517.0
Trust funds	319.5	319.5	24.0	18.6
Total Parliamentary authority	1 742.9	1 764.0	1 545.0	1 535.5

Source: Departments of Innovation, Industry and Regional Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

DEPARTMENT OF JUSTICE

Operating performance

The Department of Justice operating result is forecast to improve marginally in 2008-09 to \$27 million up from a revised forecast of \$20 million for 2007-08.

The revised 2007-08 operating surplus is lower than originally forecast for 2007-08 due mainly to the payment of \$50 million in grants from the Victorian Property Fund to the Office of Housing for investment in new public housing. This is partly offset by industry-based trust account revenue, which forms the dominant funding source for consumer protection services and continues to be the major influence on the underlying operating performance of the department.

Output appropriation revenue in 2008-09 will increase by \$248 million compared to the 2007-08 Revised Budget and is mainly due to either new output initiatives announced in this budget or the continuing implementation of initiatives commenced in earlier budgets. Expenses are estimated to increase by approximately the same amount as revenue. The 2008-09 Budget estimate also includes escalation funding reflecting the increasing cost of providing existing outputs, as well as \$54 million (Police \$25 million, Justice \$29 million) of output funding expected to be carried over from the 2007-08 Budget.

Major initiatives funded in the 2008-09 Budget account for most of the increase in appropriation revenue. These include:

- \$53 million for Building Confidence in Corrections;
- \$9.1 million for the Gambling Licences Review;
- \$6.0 million for Reducing Court Delays;
- \$4.2 million for Victoria Police Forensic Capability;
- \$4.2 million for Mortuary Services; and
- \$3.8 million for Maritime Security.

Estimated 2008-09 Justice operating expenses also include \$14 million in additional depreciation and capital asset charge costs which flow directly from new asset initiatives being funded in the 2008-09 Budget.

Initiatives announced in the 2007-08 Budget that will receive further incremental funding in the 2008-09 Budget include: Additional Police Resources; Increase in the Police Vehicle Fleet and Increase in State Compensation for Victims of Crime.

Investing and financing

The increase in payments for property, plant and equipment in 2008-09 reflects the new asset investment program for Justice and Police including major new initiatives such as Building Confidence in Corrections and the refurbishment of the old county court in William Street.

New asset investments for 2008-09 are financed by a net cash inflow from operating activities of \$158 million and a capital contribution from the state government of \$141 million.

The increase in net proceeds from capital contribution by state government in 2007-08 relates to the transfer of assets totalling \$122 million to the Emergency Services Telecommunications Authority (ESTA). This transfer is offset by a reduction in liabilities of \$138 million shown as a reduction in net proceeds from borrowing.

Balance sheet performance

The department's 2008-09 net asset position is estimated to improve by \$169 million compared to the 2007-08 Revised Budget. This comprises an estimated increase in total assets of \$184 million, partially offset by an estimated increase in total liabilities of \$15 million, the latter being attributable largely to movements in the value of employee entitlement provisions.

Movements in property, plant and equipment reflect continued investment in new assets across the justice portfolio in areas such as corrections, forensic services and police, offset by the transfer of assets to ESTA as noted above. Reductions in interest bearing liabilities in 2007-08 reflect the transfer of lease liabilities to ESTA associated with emergency communications assets.

Statement of administered items

Revenues administered by the Department of Justice on behalf of the state and third parties are forecast to rise by \$158 million (6.6 per cent) in 2008-09 relative to the 2007-08 Revised Budget. Total administered expenses are forecast to increase by \$188 million over the same period.

Revenue from fines is expected to rise in 2008-09 when compared with the 2007-08 Revised Budget. This increase is partly attributable to the commencement of the new EastLink tollway and the subsequent installation of road safety cameras.

The aggregate level of taxation, regulatory fee and fine revenue expected to be paid into the consolidated fund in 2008-09 will increase by \$160 million. Excluding the increase in fines described above this remains generally consistent with expectations in relation to other gaming revenue.

Expenses on behalf of the state have increased relative to the 2007-08 published target due to the recognition of bad and doubtful debts resulting from fine related enforcement activities. Outstanding debts will continue to be vigorously pursued through all legal means, however prudent accounting requires that provision be made for such debts.

Table 3.7.1: Operating statement

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Income					
Output appropriations	2 790.4	2 979.6	2 979.6	3 056.0	3 303.7
Special appropriations	100.3	74.5	74.5	93.9	113.7
Resources received free of charge or for nominal consideration	..	..	..	14.7	..
Sale of goods and services	55.9	..	..	10.4	2.8
Commonwealth grants	1.1	0.3	0.3	..	..
Fines and fees	7.2	7.9	7.9	7.7	8.0
Revenue from other parties and other income	157.7	137.8	137.8	184.6	180.3
	3 112.6	3 200.2	3 200.2	3 367.2	3 608.5
Expenses					
Employee benefits	1 645.5	1 701.5	1 701.5	1 790.1	1 870.3
Depreciation and amortisation	142.8	138.0	138.0	148.3	154.5
Resources provided free of charge or for nominal consideration	0.7	..	..	..	..
Grants and other payments	177.5	174.9	174.9	258.9	234.9
Capital asset charge	114.5	122.5	122.5	122.5	138.8
Supplies and services	867.9	962.3	962.3	977.1	1 135.9
Finance costs	58.8	51.7	51.7	48.5	46.7
Other expenses	6.6	4.5	4.5	1.5	..
	3 014.3	3 155.3	3 155.3	3 346.9	3 581.1
Net result for the reporting period	98.3	44.9	44.9	20.3	27.4

Source: Departments of Justice and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.7.2: Cash flow statement

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Cash flows from operating activities					
Receipts from Government	2 843.6	3 011.4	3 011.4	3 110.7	3 371.8
Receipts from other entities	42.3	39.7	39.7	55.1	46.4
Payments for supplies, grants and employees	(2 595.7)	(2 806.2)	(2 806.2)	(2 995.3)	(3 206.5)
	290.2	244.9	244.9	170.5	211.8
Interest received	93.2	87.8	87.8	104.4	111.1
Finance costs expense	(58.8)	(51.5)	(51.5)	(48.3)	(46.4)
Capital asset charge	(114.5)	(122.5)	(122.5)	(122.5)	(138.8)
Other receipts	8.6	15.2	15.2	39.6	20.3
Net cash inflow from operating activities	218.6	174.0	174.0	143.7	158.0
Cash flows from investing activities					
Payments for property, plant and equipment	(232.3)	(177.2)	(177.2)	(169.0)	(281.9)
Proceeds from sale of property, plant and equipment	26.8	20.0	20.0	34.0	34.0
(Repayment of) loans by other entities	(60.6)	(48.8)	(48.8)	(11.0)	(17.6)
Net cash (outflow) from investing activities	(266.1)	(206.0)	(206.0)	(146.0)	(265.5)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	110.1	51.3	51.3	173.5	141.3
Net proceeds from borrowing	(44.2)	(20.2)	(20.2)	(158.6)	(20.9)
Net cash inflows/(outflow) from financing activities	65.9	31.0	31.0	14.9	120.3
Net increase/(decrease) in cash held	18.4	(0.9)	(0.9)	12.6	12.8
Cash at the beginning of the financial year	43.2	61.5	61.5	61.5	74.2
Cash at the end of the financial year	61.5	60.6	60.6	74.2	87.0

Source: Departments of Justice and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.7.3: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2007 Actual</i>	<i>2008 Budget</i>	<i>2008 Adjusted^(a)</i>	<i>2008 Revised</i>	<i>2009 Budget</i>
Current assets					
Cash assets	61.5	60.6	60.6	74.2	87.0
Other financial assets	381.1	429.9	429.9	392.1	409.7
Receivables	470.7	517.7	517.7	509.0	558.0
Inventories	9.8	9.8	9.8	9.8	9.8
Prepayments	9.0	9.0	9.0	9.0	9.0
	932.1	1 027.0	1 027.0	994.0	1 073.5
Non-current assets classified as held for sale	15.2	15.2	15.2	15.2	15.2
Total current assets	947.3	1 042.2	1 042.2	1 009.2	1 088.7
Non-current assets					
Property, plant and equipment	2 348.3	2 364.2	2 363.6	2 224.8	2 330.4
Intangible assets	32.6	31.5	31.5	31.1	29.7
Total non-current assets	2 380.9	2 395.7	2 395.1	2 255.9	2 360.0
Total assets	3 328.2	3 437.9	3 437.3	3 265.1	3 448.7
Current liabilities					
Payables	196.3	196.3	196.3	186.5	186.5
Interest-bearing liabilities	94.8	83.0	83.0	69.3	68.6
Employee provisions	465.6	484.1	484.1	484.1	504.6
Other	8.7	8.7	8.7	8.7	8.7
Total current liabilities	765.3	772.0	772.0	748.6	768.4
Non-current liabilities					
Interest-bearing liabilities	569.9	561.4	561.4	436.7	416.6
Employee provisions	44.2	59.3	59.3	59.3	74.3
Other	0.1	0.1	0.1	0.1	0.1
Amounts owing to other departments	7.3	7.6	7.6	7.6	7.8
Total non-current liabilities	621.5	628.4	628.4	503.7	498.9
Total liabilities	1 386.8	1 400.5	1 400.5	1 252.3	1 267.3
Net assets	1 941.3	2 037.5	2 036.9	2 012.8	2 181.4
Equity					
Contributed capital	1 016.3	1 067.6	1 067.0	1 067.5	1 208.7
Reserves	434.7	434.7	434.7	434.7	434.7
Accumulated surplus/(deficit)	490.3	535.2	535.2	510.6	538.0
Total equity	1 941.3	2 037.5	2 036.9	2 012.8	2 181.4

Source: Departments of Justice and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.7.4: Statement of changes in equity

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Gains/(losses) on revaluation of properties	227.6	..	..	..	..
Other	3.1	..	..	..	..
Net income recognised directly in equity	230.7	..	..	..	..
Net result for the period	98.3	44.9	44.9	20.3	27.4
Total recognised income and expense for the period	329.0	44.9	44.9	20.3	27.4

Source: Departments of Justice and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.7.5: Administered items statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Administered income					
Appropriations - Payments made on behalf of the State	47.0	46.4	46.4	46.3	48.3
Special appropriations	37.3	35.2	35.2	38.9	39.9
Sale of goods and services	103.4	100.5	100.5	113.5	126.6
Commonwealth grants	52.2	53.7	53.7	54.0	55.2
Other grants	0.5	..	..	..	..
Taxes	1 508.4	1 529.8	1 529.8	1 586.3	1 651.9
Fines	381.9	464.9	464.9	398.9	467.3
Fees	114.2	112.5	112.5	128.5	138.3
Other	21.0	18.1	18.1	20.5	17.2
Total administered income	2 265.9	2 361.0	2 361.0	2 386.9	2 544.8
Administered expenses					
Expenses on behalf of the State	156.5	58.2	58.2	194.8	221.9
Grants and other payments	40.6	31.0	31.0	34.7	35.6
Payments into the Consolidated Fund	2 006.2	2 197.2	2 197.2	2 217.5	2 377.7
Total administered expenses	2 203.3	2 286.3	2 286.3	2 447.0	2 635.2
Income less expenses	62.6	74.7	74.7	(60.2)	(90.4)
Administered assets					
Cash assets	58.0	58.7	58.7	61.2	64.3
Receivables	470.2	544.1	544.1	408.6	315.1
Other financial assets	6.5	6.6	6.6	6.5	6.5
Property, plant and equipment	..	..	..	..	..
Total administered assets	534.7	609.4	609.4	476.2	385.8
Administered liabilities					
Payables	64.0	63.9	63.9	63.9	63.9
Provisions	0.2	0.2	0.2	0.2	0.2
Other	0.9	0.9	0.9	0.9	0.9
Total administered liabilities	65.1	65.1	65.1	65.1	65.1
Net assets	469.7	544.3	544.3	411.2	320.8

Source: Departments of Justice and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Payments made on behalf of the State

Payments on behalf of the state are payments made by the department on behalf of the State Government as a whole and do not directly reflect the operations of the department. They are usually on-passed or administered by the state.

Table 3.7.6: Payments made on behalf of the State

(\$ million)				
Accounts	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Tattersalls duty payments to other jurisdictions	46.4	46.4	46.3	48.3
Total	46.4	46.4	46.3	48.3

Source: Departments of Justice and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the department to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.7.7: Parliamentary authority for resources

(\$ million)				
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	2 949.2	2 949.2	2 956.9	3 331.5
Receipts credited to appropriations	91.0	91.0	119.4	108.5
Unapplied previous years appropriation	34.2	34.2	74.2	58.9
Accumulated surplus - previously applied appropriation	..	..	19.1	..
Gross annual appropriation	3 074.4	3 074.4	3 169.6	3 498.9
Special appropriations	114.4	114.4	137.2	153.6
Trust funds	147.6	147.6	223.7	197.2
Total Parliamentary authority	3 336.4	3 336.4	3 530.4	3 849.8

Source: Departments of Justice and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

Operating performance

The Department of Planning and Community Development (DPCD) is estimated to have an operating deficit of \$5.3 million in the 2008-09 Budget. This deficit results from the timing of payments from the Community Support Fund (CSF) for community projects in the 2008-09 year. The CSF itself is not in deficit.

The largest component of DPCD's income is output appropriation provided by the state government of Victoria. Most of this will be applied in the provision of grants to external organisations for delivery of a range of programs. The statement also includes a portion of revenue from electronic gaming machines, which is paid into the CSF and applied to CSF programs.

The estimated increase in revenue and expenses in 2008-09 compared to 2007-08 is largely due to the transfer of Planning portfolio functions to DPCD from the Department of Sustainability and Environment (DSE) as a result of the machinery of government changes. Further contributing to movements between the two budget years are new output initiatives announced in the 2008-09 Budget.

The decrease in the deficit from the 2007-08 Adjusted year to the 2007-08 Revised year relates to higher revenue and lower than estimated expenditure from the CSF.

Investing and financing

Payments for property, plant and equipment for the 2008-09 Budget year are budgeted at \$48 million. Cash outflows for investing activities relate to DPCD's existing capital investment program and new capital investment initiatives announced in the 2008-09 Budget. The net cash inflow from financing activities is mostly due to an increase in capital funding transferred to DPCD as part of the machinery of government changes along with new initiatives as part of the 2008-09 Budget.

Balance sheet performance

DPCD's net asset position is budgeted to increase due to the new capital investments initiatives announced as part of the 2008-09 Budget.

Statement of administered items

Transactions administered by DPCD on behalf of the State include:

- Commonwealth payments to local government; and
- ANZAC Day racing proceeds.

Table 3.8.1: Operating statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Income					
Output appropriations	301.3	292.6	370.6	405.1	448.3
Special appropriations	92.4	88.4	88.4	96.5	101.8
Resources received free of charge or for nominal consideration	0.6	..	..	..	..
Sale of goods and services	12.1	..	1.0	1.0	1.0
Revenue from other parties and other income	36.2	15.3	15.3	41.4	11.0
	442.6	396.3	475.3	544.0	562.1
Expenses					
Employee benefits	55.8	50.1	72.4	73.7	75.1
Depreciation and amortisation	4.9	4.6	4.9	4.9	4.9
Resources provided free of charge or for nominal consideration	4.5	..	..	..	..
Grants and other payments	325.5	310.7	339.6	389.7	373.4
Capital asset charge	5.0	3.7	4.6	4.6	5.7
Supplies and services	58.5	45.2	71.8	74.5	103.2
Finance costs	0.2	..	..	..	..
Other expenses	1.9	..	..	1.8	5.2
	456.4	414.3	493.3	549.3	567.5
Net result for the reporting period	(13.8)	(18.1)	(18.1)	(5.4)	(5.3)

Source: Departments of Planning and Community Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.8.2: Cash flow statement

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Cash flows from operating activities					
Receipts from Government	400.2	381.0	450.0	494.3	550.7
Receipts from other entities	44.8	13.5	13.8	38.1	5.1
Payments for supplies, grants and employees	(367.2)	(406.0)	(474.5)	(530.6)	(551.7)
	77.8	(11.6)	(10.7)	1.9	4.2
Interest received	4.2	1.8	1.8	3.6	1.7
Finance costs expense	(0.2)	..	..	..	..
Capital asset charge	(5.0)	(3.7)	(4.6)	(4.6)	(5.7)
Other receipts	4.9	..	(0.2)	(0.2)	..
Net cash inflow from operating activities	81.6	(13.4)	(13.7)	0.7	0.2
Cash flows from investing activities					
Payments for property, plant and equipment	93.0	(2.8)	(22.3)	(18.8)	(47.9)
Proceeds from sale of property, plant and equipment	0.1	..	..	..	..
(Repayment of) loans by other entities	8.3	18.0	18.0	5.2	5.1
Net cash (outflow) from investing activities	101.3	15.2	(4.2)	(13.5)	(42.8)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	(177.8)	(1.6)	18.1	13.8	43.2
Net proceeds from borrowing	0.6	..	..	..	..
Net cash inflows/(outflow) from financing activities	(177.2)	(1.6)	18.1	13.8	43.2
Net increase/(decrease) in cash held	5.8	0.1	0.2	1.0	0.5
Cash at the beginning of the financial year	31.0	36.8	36.8	36.8	37.7
Cash at the end of the financial year	36.8	36.9	36.9	37.7	38.3

Source: Departments of Planning and Community Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.8.3: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2007</i>	<i>2008</i>	<i>2008</i>	<i>2008</i>	<i>2009</i>
	<i>Actual</i>	<i>Budget</i>	<i>Adjusted^(a)</i>	<i>Revised</i>	<i>Budget</i>
Current assets					
Cash assets	36.8	36.9	36.9	37.7	38.3
Other financial assets	45.5	27.4	27.4	40.2	35.1
Receivables	46.9	46.9	56.7	55.0	54.4
Inventories	0.3	0.3	(0.1)	(0.1)	(0.1)
Prepayments	0.1	0.1	0.3	0.3	0.3
Total current assets	129.5	111.6	121.2	133.1	127.9
Non-current assets					
Property, plant and equipment	34.7	32.9	139.9	136.3	177.1
Intangible assets	6.0	6.0	6.0	6.0	8.3
Total non-current assets	40.7	38.9	145.9	142.3	185.3
Total assets	170.2	150.5	267.1	275.4	313.2
Current liabilities					
Payables	32.9	32.9	34.3	34.3	34.3
Interest-bearing liabilities	2.1	2.1	2.1	2.1	2.1
Employee provisions	13.4	13.4	15.2	15.2	15.2
Other	2.2	2.2	2.3	2.3	2.3
Total current liabilities	50.6	50.6	54.0	54.0	54.0
Non-current liabilities					
Interest-bearing liabilities	0.6	0.6	0.6	0.6	0.6
Employee provisions	1.6	1.6	7.3	7.3	7.3
Total non-current liabilities	2.2	2.2	7.8	7.8	7.8
Total liabilities	52.8	52.8	61.8	61.8	61.8
Net assets	117.4	97.7	205.3	213.6	251.4
Equity					
Contributed capital	110.9	109.3	216.9	212.5	255.7
Reserves	79.2	79.2	79.2	79.2	79.2
Accumulated surplus/(deficit)	(72.7)	(90.8)	(90.8)	(78.1)	(83.4)
Total equity	117.4	97.7	205.3	213.6	251.4

Source: Departments of Planning and Community Development and Treasury and Finance

Note:

(a) *The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.*

Table 3.8.4: Statement of changes in equity

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Gains/(losses) on revaluation of properties	0.4	..	..	..	..
Other	0.1	..	..	..	..
Net income recognised directly in equity	0.5	..	..	..	..
Net result for the period	(13.8)	(18.1)	(18.1)	(5.4)	(5.3)
Total recognised income and expense for the period	(13.3)	(18.1)	(18.1)	(5.4)	(5.3)

Source: Departments of Planning and Community Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.8.5: Administered items statement

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Administered income					
Appropriations - Payments made on behalf of the State	0.4	0.4	0.4	1.3	0.5
Sale of goods and services	14.3	1.9	1.9	1.9	1.9
Commonwealth grants	395.1	408.8	408.8	415.4	430.9
Fees	3.9	..	..	..	..
Other	6.5	..	..	..	..
Total administered income	420.2	411.1	411.1	418.6	433.3
Administered expenses					
Expenses on behalf of the State	(0.4)	..	..	..	..
Grants and other payments	395.5	409.2	409.2	416.7	431.4
Payments into Consolidated Fund	21.5	1.9	1.9	1.9	1.9
Total administered expenses	416.5	411.1	411.1	418.6	433.3
Income less expenses	3.6	..	..	..	..
Administered assets					
Cash assets	0.1	0.1	0.1	0.1	0.1
Receivables	0.1	0.1	0.2	0.2	0.2
Inventories	..	..	..	..	..
Total administered assets	0.2	0.2	0.2	0.2	0.2
Administered liabilities					
Other	..	..	..	..	..
Total administered liabilities	..	..	..	..	..
Net assets	0.2	0.2	0.2	0.2	0.2

Source: Departments of Planning and Community Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Payments made on behalf of the State

Payments on behalf of the state are payments made by the department on behalf of the State Government as a whole and do not directly reflect the operations of the department. They are usually on-passed or administered by the state.

Table 3.8.6: Payments made on behalf of the State

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Current grants	..	..	0.9	..
Anzac Day administered trust	0.4	0.4	0.4	0.5
Total	0.4	0.4	1.3	0.5

Source: Departments of Planning and Community Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the DPCD to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.8.7: Parliamentary authority for resources

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	360.3	461.1	480.7	588.7
Unapplied previous years appropriation	10.0	28.3	39.8	21.4
Accumulated surplus - previously applied appropriation	..	..	1.7	..
Gross annual appropriation	370.3	489.4	522.3	610.1
Special appropriations	88.4	88.4	96.5	101.8
Trust funds	424.0	425.0	457.8	437.4
Total Parliamentary authority	882.8	1 002.8	1 076.6	1 149.3

Source: Departments of Planning and Community Development and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

DEPARTMENT OF PREMIER AND CABINET

Operating performance

The Department of Premier and Cabinet (DPC) is estimated to have an operating surplus of \$7.2 million for 2008-09, compared to a \$7.5 million deficit in 2007-08, representing a difference of \$15 million.

Overall, DPC's revenue estimates for 2008-09 reflect an \$88 million increase compared with the 2007-08 Revised Budget. This increase consists mainly of:

- an increase in operating funding provided by government (\$35 million);
- a contribution by Melbourne University towards the building of the Melbourne Theatre Company (MTC) complex (\$17 million); and
- land received free of charge for the Melbourne Recital Centre (MRC) complex (\$21 million).

The increase in operational income provided by government includes increased funding for depreciation expenses, reflecting solely a change in the accounting treatment of capital funding (\$24 million) and new output initiatives, including:

- the MRC's operations;
- ACMI: Supporting the New Gallery The Story of the Moving Image;
- Centre for Books, Writing and Ideas; and
- Late Night Thursdays at Federation Square.

The expenditure increase (\$73 million) is due primarily to the transfer (free of charge) of the MTC land and building at Southbank to Melbourne University (\$59m), with the remainder reflecting the increases in funding for activities referred to above.

Investing and financing

The Cash flow statement shows a decrease of \$63 million in capital expenditure between the 2007-08 Revised Budget and the 2008-09 Budget. This reflects that the MRC/MTC complex was largely completed during 2007-08.

Balance sheet performance

The department's net asset position in 2008-09 is estimated to increase by \$18 million compared with the 2007-08 Revised Budget, principally as a result of the following:

- liabilities are estimated to reduce, as unearned income is brought to account for the MRC/MTC complex;
- receivables are expected to increase as appropriation received for depreciation is not expected to be fully drawn down in cash; and
- property, plant and equipment will decrease, principally due to the transfer of the MTC land and buildings to Melbourne University. This will be partially offset by increases due to various existing and new initiatives, net of depreciation charged.

Table 3.9.1: Operating statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Income					
Output appropriations	452.8	469.7	469.7	438.5	473.1
Special appropriations	6.0	6.2	6.2	6.2	6.2
Resources received free of charge or for nominal consideration	0.5	0.4	0.4	0.4	21.4
Sale of goods and services	31.9	31.0	31.0	34.7	35.5
Commonwealth grants	1.1	..	..	..	..
Revenue from other parties and other income	57.5	45.0	45.0	35.2	66.5
	549.8	552.3	552.3	515.1	602.8
Expenses					
Employee benefits	164.9	176.9	176.9	171.2	179.7
Depreciation and amortisation	35.8	45.1	45.1	44.3	44.7
Resources provided free of charge or for nominal consideration	0.5	0.6	0.6	0.4	59.2
Grants and other payments	75.7	63.0	63.0	65.6	69.9
Capital asset charge	93.3	97.0	97.0	97.0	97.7
Supplies and services	147.7	161.2	161.2	144.1	144.1
Finance costs	0.4	0.2	0.2	0.2	0.2
Other expenses	0.3	0.5	0.5	..	..
	518.5	544.5	544.5	522.6	595.5
Net result for the reporting period	31.3	7.8	7.8	(7.5)	7.2

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.9.2: Cash flow statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Cash flows from operating activities					
Receipts from Government	466.2	472.1	472.1	434.5	464.5
Receipts from other entities	46.1	40.0	40.0	43.7	43.1
Payments for supplies, grants and employees	(393.0)	(399.7)	(399.7)	(381.3)	(392.5)
	119.3	112.4	112.4	96.9	115.1
Interest received	9.9	5.8	5.8	4.8	4.8
Finance costs expense	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)
Capital asset charge	(93.3)	(97.0)	(97.0)	(97.0)	(97.7)
Other receipts ^(b)	27.0	32.8	32.8	41.6	16.1
Net cash inflow from operating activities	62.5	53.7	53.7	46.1	38.1
Cash flows from investing activities					
Payments for property, plant and equipment ^(b)	(83.9)	(96.0)	(96.0)	(102.8)	(40.2)
Proceeds from sale of property, plant and equipment	0.8	..	..	..	..
(Repayment of) loans by other entities	16.7	3.0	3.0	3.7	(5.3)
Net cash inflow/(outflow) from investing activities	(66.3)	(93.0)	(93.0)	(99.1)	(45.5)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	(6.7)	38.9	38.9	57.6	10.2
Net proceeds from borrowing	(1.3)	(1.8)	(1.8)	(1.8)	..
Net cash inflow/(outflow) from financing activities	(7.9)	37.1	37.1	55.9	10.2
Net increase/(decrease) in cash held	(11.7)	(2.1)	(2.1)	2.8	2.8
Cash at the beginning of the financial year	28.5	16.8	16.8	16.8	19.6
Cash at the end of the financial year	16.8	14.7	14.7	19.6	22.5

Source: Departments of Premier and Cabinet and Treasury and Finance

Notes:

- (a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.
- (b) 2008-09 Budget variance partly relates to accounting treatment for contributions received towards the construction of the Melbourne Recital Centre and Melbourne Theatre Company Theatre

Table 3.9.3: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2007</i>	<i>2008</i>	<i>2008</i>	<i>2008</i>	<i>2009</i>
	<i>Actual</i>	<i>Budget</i>	<i>Adjusted^(a)</i>	<i>Revised</i>	<i>Budget</i>
Current assets					
Cash assets	16.8	14.7	14.7	19.6	22.5
Other financial assets	85.3	82.6	82.6	81.6	87.1
Receivables	61.7	62.3	62.3	68.8	83.2
Inventories	6.3	6.3	6.3	6.3	6.3
Prepayments	3.4	3.3	3.3	3.3	3.2
Total current assets	173.5	169.2	169.2	179.6	202.3
Non-current assets					
Other financial assets	2.2	2.2	2.2	2.5	2.9
Property, plant and equipment	4 675.9	4 721.4	4 721.4	4 759.4	4 716.7
Intangible assets	5.9	5.9	5.9	5.9	5.9
Total non-current assets	4 683.9	4 729.4	4 729.4	4 767.8	4 725.4
Total assets	4 857.4	4 898.7	4 898.7	4 947.4	4 927.7
Current liabilities					
Payables	30.7	25.8	25.8	24.1	23.7
Interest-bearing liabilities	2.0	2.0	2.0	2.0	2.0
Employee provisions	30.4	30.8	30.8	30.7	30.9
Other	4.0	3.8	3.8	20.9	3.6
Total current liabilities	67.1	62.3	62.3	77.6	60.1
Non-current liabilities					
Interest-bearing liabilities	3.6	1.8	1.8	1.8	1.8
Employee provisions	4.1	5.0	5.0	4.9	5.8
Other	21.0	21.0	21.0	21.0	..
Total non-current liabilities	28.7	27.8	27.8	27.7	7.6
Total liabilities	95.8	90.1	90.1	105.3	67.7
Net assets	4 761.6	4 808.5	4 808.5	4 842.1	4 860.0
Equity					
Contributed capital	1 578.5	1 615.1	1 615.1	1 635.3	1 644.9
Reserves	3 067.3	3 067.3	3 067.3	3 098.4	3 099.4
Accumulated surplus/(deficit)	115.9	123.7	123.7	108.4	115.7
Total equity	4 761.6	4 806.1	4 806.1	4 842.1	4 860.0

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.9.4: Statement of changes in equity

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Gains/(losses) on revaluation of properties	101.2	..	..	30.2	..
Available for sale financial assets	(1.7)	..	..	..	..
Other	(1.5)	..	..	1.0	1.0
Net income recognised directly in equity	98.0	..	..	31.2	1.0
Net result for the period	31.3	7.8	7.8	(7.5)	7.2
Total recognised income and expense for the period	129.3	7.8	7.8	23.7	8.2

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.9.5: Administered items statement

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Administered income					
Sale of goods and services	0.3	0.9	0.9	0.9	1.0
Other grants	0.4	..	..	..	..
Other	0.4	0.3	0.3	0.3	0.3
Total administered income^(b)	1.1	1.2	1.2	1.2	1.2
Administered expenses					
Expenses on behalf of the State	..	..	..	..	..
Payments into the Consolidated Fund	0.9	1.2	1.2	1.2	1.2
Total administered expenses^(b)	0.9	1.2	1.2	1.2	1.2
Income less expenses	0.2	..	..	..	..
Administered assets					
Cash assets	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Receivables	2.0	0.3	0.3	0.3	0.3
Total administered assets	1.9	0.2	0.2	0.2	0.2
Administered liabilities					
Payables	1.7	(0.1)	(0.1)	(0.1)	(0.1)
Total administered liabilities	1.7	(0.1)	(0.1)	(0.1)	(0.1)
Net assets	0.3	0.3	0.3	0.3	0.3

Source: Departments of Premier and Cabinet and Treasury and Finance

Notes:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

(b) Relates to sale of goods and services receipts retention.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to DPC to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.9.6: Parliamentary authority for resources

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	498.0	498.0	486.4	471.6
Receipts credited to appropriations	0.9	0.9	0.9	0.9
Unapplied previous years appropriation	10.3	10.3	8.5	10.8
Accumulated surplus - previously applied appropriation	..	..	1.0	..
Gross annual appropriation	509.3	509.3	496.8	483.3
Special appropriations	6.2	6.2	6.2	6.2
Trust funds	15.6	15.6	8.7	37.6
Total Parliamentary authority	531.1	531.1	511.8	527.1

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

- (a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

DEPARTMENT OF PRIMARY INDUSTRIES

Operating performance

The Department of Primary Industries (DPI) is expected to break even for 2008-09, in line with the 2007-08 Revised Budget position.

Operating income for DPI is sourced from state government appropriations, Commonwealth grants and external revenue received predominantly for scientific research and extension projects. The operating income for DPI for the 2008-09 Budget is expected to be \$481 million, a \$113 million reduction from the 2007-08 Revised Budget. This decrease is primarily due to the currently scheduled end dates of Commonwealth grants for Exceptional Circumstances drought assistance, and the expected completion of other drought initiatives such as the Municipal Rate Subsidy Scheme, Water Tank Rebates and On-Farm Productivity grants. This decrease is offset by new approved initiatives related to the Future Farming Statement and future energy technology.

Operating expenses are anticipated to decrease in line with income, with a projected reduction in grant payments with the reduction in Commonwealth/State Exceptional Circumstances drought relief assistance. If further extensions of Exceptional Circumstances are declared then this may need to be revised during 2008-09 along with the matching increase in revenue.

Investing and financing

The increase in cash flows from investing activities from \$16 million in the 2007-08 Revised Budget to \$105 million in the 2008-09 Budget is due primarily to a capital injection for new scientific infrastructure, namely the Biosciences Research Centre being developed at Latrobe University's Bundoora campus. Payments for construction works on the Melbourne Wholesale Market relocation project due to commence in early 2009 have also contributed to the increase in cash flows from investing activities.

The increase in cash flows from financing activities reflects the government's commitment to the relocation of the Melbourne Wholesale Market from Footscray to Epping, and the development of the Biosciences Research Centre.

Balance sheet performance

DPI's net asset position is expected to increase by \$96 million from the 2007-08 Revised Budget to \$386 million in 2008-09. This increase is mainly due to commitments to improving Victoria's scientific infrastructure through the Biosciences Research Centre and construction works for the Melbourne Wholesale Market relocation project.

Statement of administered items

Administered income is anticipated to decrease to \$144 million in the 2008-09 Budget, mainly as a result of an expected wind down in Commonwealth grants for Exceptional Circumstances drought assistance and the completion of the Electricity Network Tariff Rebate Scheme in 2007-08.

Table 3.10.1: Operating statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Income					
Output appropriations	467.2	440.3	440.3	546.9	435.8
Sale of goods and services	39.8	34.9	34.9	34.9	32.8
Commonwealth grants	1.3	..	..	..	..
Taxes	4.7	5.3	5.3	5.3	5.3
Fines and fees	5.2	4.7	4.7	4.7	4.7
Other revenue and revenue from other parties	19.1	2.0	2.0	2.0	2.7
	537.4	487.2	487.2	593.8	481.2
Expenses					
Employee benefits	164.2	177.1	177.1	182.2	179.7
Depreciation and amortisation	19.9	20.5	20.5	20.5	20.7
Grants and other payments	165.6	94.6	94.6	193.7	85.8
Capital asset charge	15.6	15.6	15.6	15.7	15.9
Supplies and services	139.5	178.1	178.1	180.4	177.9
Finance costs	8.6	..	..	..	..
Other expenses	16.9	1.0	1.0	1.0	1.0
	530.3	487.0	487.0	593.6	481.0
Net result for the reporting period	7.1	0.1	0.1	0.1	0.2

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.10.2: Cash flow statement

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Cash flows from operating activities					
Receipts from Government ^(b)	441.9	442.3	442.3	548.9	436.5
Receipts from other entities	92.4	45.5	45.5	45.5	44.1
Payments for supplies, grants and employees	(454.1)	(460.9)	(460.9)	(564.3)	(456.1)
	80.2	26.8	26.8	30.1	24.5
Interest received	4.5	1.0	1.0	1.0	1.1
Finance costs expense	(8.6)	..	..	..	..
Capital asset charge	(15.6)	(15.6)	(15.6)	(15.7)	(15.9)
Other receipts	(44.1)	..	..	..	..
Net cash inflow from operating activities	16.4	12.2	12.2	15.3	9.6
Cash flows from investing activities					
Payments for property, plant and equipment	(63.6)	(19.5)	(19.5)	(15.9)	(63.2)
Proceeds from sale of property, plant and equipment	5.9	..	..	..	..
(Repayment of) loans by other entities	(1.7)	0.4	0.4	0.4	(41.8)
Net cash (outflow) from investing activities	(59.5)	(19.1)	(19.1)	(15.5)	(105.0)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	2.6	6.5	6.5	(0.3)	95.0
Net proceeds from borrowing	42.0	..	..	..	..
Net cash inflows/(outflow) from financing activities	44.6	6.5	6.5	(0.3)	95.0
Net increase/(decrease) in cash held	1.5	(0.5)	(0.5)	(0.5)	(0.4)
Cash at the beginning of the financial year	34.8	36.3	36.3	36.3	35.9
Cash at the end of the financial year	36.3	35.9	35.9	35.9	35.5

Source: Departments of Primary Industries and Treasury and Finance

Notes:

- (a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.
- (b) This decrease from the 2007-08 Revised Budget to the 2008-09 Budget is primarily due to the currently scheduled end dates of Commonwealth grants for Exceptional Circumstances drought assistance, and the expected completion of other one-off drought relief initiatives.

Table 3.10.3: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2007</i> <i>Actual</i>	<i>2008</i> <i>Budget</i>	<i>2008</i> <i>Adjusted ^(a)</i>	<i>2008</i> <i>Revised</i>	<i>2009</i> <i>Budget</i>
Current assets					
Cash assets	36.3	35.9	35.9	35.9	35.5
Other financial assets	15.5	15.1	15.1	15.1	14.7
Receivables	101.3	98.7	98.7	98.7	97.3
Inventories	0.7	0.7	0.7	0.7	0.7
Prepayments	0.7	0.7	0.7	0.7	0.7
	154.6	151.1	151.1	151.1	148.8
Non-current assets classified as held for sale	0.2	0.2	0.2	0.2	0.2
Total current assets	154.8	151.3	151.3	151.3	149.0
Non-current assets					
Receivables	45.4	45.4	45.4	45.4	45.4
Other financial assets	0.1	0.1	0.1	0.1	42.3
Property, plant and equipment	344.9	343.9	343.9	340.2	382.7
Other	2.0	2.0	2.0	2.0	2.0
Total non-current assets	392.3	391.2	391.2	387.6	472.3
Total assets	547.0	542.6	542.6	538.9	621.3
Current liabilities					
Payables	29.6	27.6	27.6	27.6	24.9
Interest-bearing liabilities	14.0	14.0	14.0	14.0	14.0
Employee provisions	58.1	56.5	56.5	56.5	55.3
Other	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Total current liabilities	99.9	96.3	96.3	96.3	92.4
Non-current liabilities					
Interest-bearing liabilities	61.4	61.4	61.4	61.4	61.4
Employee provisions	4.2	5.5	5.5	5.5	6.9
Other	92.2	82.3	82.3	85.4	74.2
Total non-current liabilities	157.8	149.2	149.2	152.3	142.5
Total liabilities	257.6	245.5	245.5	248.7	234.9
Net assets	289.4	297.0	297.0	290.3	386.4
Equity					
Contributed capital	294.5	302.0	302.0	295.2	391.2
Reserves	0.1	0.1	0.1	0.1	0.1
Accumulated surplus/(deficit)	(5.2)	(5.0)	(5.0)	(5.0)	(4.9)
Total equity	289.4	297.0	297.0	290.3	386.4

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) *The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.*

Table 3.10.4: Statement of changes in equity

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Available for sale financial assets	0.1	..	..	..	..
Other	(8.5)	..	..	..	..
Net income recognised directly in equity	(8.5)	..	..	..	..
Net result for the period	7.1	0.1	0.1	0.1	0.2
Total recognised income and expense for the period	(1.3)	0.1	0.1	0.1	0.2

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.10.5: Administered items statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Administered income					
Appropriations - Payments made on behalf of the State	18.4	27.9	27.9	27.9	..
Sale of goods and services	61.3	48.7	48.7	50.4	49.2
Commonwealth grants	107.3	28.3	28.3	114.2	37.7
Other grants	11.0	8.7	8.7	12.0	8.7
Fines	..	..	..	..	..
Fees	6.5	5.5	5.5	9.6	5.5
Other	40.3	42.4	42.4	40.9	42.5
Total administered income	244.9	161.4	161.4	255.1	143.6
Administered expenses					
Expenses on behalf of the State	0.2	..	..	..	..
Grants and other payments	18.4	27.9	27.9	27.9	..
Payments into the Consolidated Fund	217.1	133.2	133.2	226.9	143.3
Total administered expenses	235.7	161.1	161.1	254.8	143.3
Income less expenses	9.1	0.3	0.3	0.3	0.3
Administered assets					
Cash assets	1.4	1.7	1.7	1.7	2.0
Receivables	62.8	62.8	62.8	62.8	62.8
Other financial assets	..	..	..	..	..
Total administered assets	64.2	64.5	64.5	64.5	64.8
Administered liabilities					
Payables	..	..	..	..	..
Other	15.6	15.6	15.6	15.6	15.6
Total administered liabilities	15.7	15.7	15.7	15.7	15.7
Net assets	48.5	48.8	48.8	48.8	49.1

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Payments made on behalf of the State

Payments on behalf of the state are payments made by the department on behalf of the State Government as a whole and do not directly reflect the operations of the department. They are usually on-passed or administered by the state.

Table 3.10.6: Payments made on behalf of the State

Accounts	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Electricity Network Tariff Rebate	27.9	27.9	27.9	..
Total	27.9	27.9	27.9	..

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the department to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.10.7: Parliamentary authority for resources

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	378.8	378.8	340.7	403.7
Receipts credited to appropriations	85.6	85.6	176.6	95.6
Unapplied previous years appropriation	42.8	42.8	59.2	33.5
Gross annual appropriation	507.2	507.2	576.6	532.8
Trust funds	46.2	46.2	46.2	44.7
Total Parliamentary authority	553.4	553.4	622.8	577.5

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

Operating performance

The Department of Sustainability and Environment (DSE) forecasts a \$17 million budget surplus for the 2008-09 financial year, following a \$15 million surplus forecast for 2007-08.

Total revenue in 2008-09 is expected to decrease by \$85 million compared to the revised 2007-08 estimate. This reflects a decrease in appropriation for various non-recurring items, such as drought assistance and flood recovery, and a decrease in sales of services due to non-recurring projects being undertaken in 2007-08. Additional appropriation in 2008-09 for new initiatives, including \$49 million for Stage 1 of the Wonthaggi Desalination Project and the continuation of the *Natural Resources Investment* program (formerly the *National Action Plan for Salinity and Water Quality* and *Natural Heritage Trust* programs), will partially offset this decrease.

Expenses are expected to decrease by a similar amount in 2008-09 as a result of these same factors.

Investing and financing

DSE's net cash outflows from investing activities of \$125 million in 2008-09 reflects the approved asset investment program. New asset investments for 2008-09 are summarised in the following section.

The investment activity is financed by a net cash inflow from operations of \$56 million, and a capital contribution from the government of \$110 million.

Balance sheet performance

DSE's 2008-09 net asset position is estimated to improve by \$178 million. This comprises an estimated increase in total assets of \$100 million and an estimated decrease in total liabilities of \$78 million.

The increase in total assets is due to a re-establishment of cash reserves in trust funds combined with asset investments in property, plant and equipment. Major capital initiative spending in 2008-09 will include \$30 million towards the establishment of the Wonthaggi Desalination Project and \$15 million to upgrade bridges and stream crossings on public land to facilitate fire protection.

The forecast reduction in payables reflects the repayment of intra-government borrowings undertaken to accelerate major water infrastructure and other projects in previous years.

Statement of administered items

Transactions administered by DSE on behalf of the state relate to the Murray Darling Basin Commission contribution. These payments represent Victoria's obligations under agreed cost-sharing arrangements between the states and the Commonwealth for the management of water flows within the Murray-Darling Basin.

Administered income other than Commonwealth grants represents the collection of fees and charges for land title transactions, environmental levy contributions, Crown land leases and licences and forest royalties.

Commonwealth funding reported as administered income covers a range of Commonwealth specific purpose payments, including projects under the Natural Resources Investment program. Significant additional special purpose payments reflected in the 2007-08 Revised Estimate include \$90 million towards the Ballarat component of the *Goldfields Superpipe*, \$25 million towards the Bendigo component of the Goldfields Superpipe and \$123 million towards the *Wimmera-Mallee Pipeline*. The large reduction in Commonwealth revenue between 2007-08 and 2008-09 is explained by the cessation of these payments.

Table 3.11.1: Operating statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Income					
Output appropriations	1 094.7	995.1	927.6	1 104.6	1 055.4
Special appropriations	..	..	..	15.2	..
Sale of goods and services	41.7	15.4	14.5	55.5	28.3
Commonwealth grants	7.5	7.5	7.5	15.9	15.9
Taxes	141.6	145.3	145.3	147.4	150.7
Fines and fees	19.9	29.0	29.0	33.9	39.5
Revenue from other parties and other income	70.6	22.1	22.1	33.7	31.8
	1 376.0	1 214.4	1 145.9	1 406.2	1 321.6
Expenses					
Employee benefits	277.3	250.9	226.0	227.7	229.3
Depreciation and amortisation	34.2	39.4	39.1	39.3	41.2
Grants and other payments	524.9	474.7	460.3	543.4	581.5
Capital asset charge	69.1	68.9	68.0	68.0	68.8
Supplies and services	384.9	359.8	331.9	509.6	380.6
Finance costs	2.3	0.1	0.1	0.2	0.2
Other expenses	36.8	3.3	3.3	3.3	3.3
	1 329.4	1 197.1	1 128.6	1 391.4	1 304.9
Net result for the reporting period	46.6	17.3	17.3	14.8	16.7

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.11.2: Cash flow statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Cash flows from operating activities					
Receipts from Government	1 064.9	1 007.7	949.2	1 155.0	1 082.3
Receipts from other entities	214.0	187.5	187.1	241.0	218.9
Payments for supplies, grants and employees	(1 170.7)	(1 081.6)	(1 023.6)	(1 286.1)	(1 187.6)
	108.2	113.6	112.7	109.8	113.5
Interest received	5.1	1.6	1.6	3.3	2.9
Finance costs expense	(2.2)	(0.1)	(0.1)	(0.2)	(0.2)
Capital asset charge	(69.1)	(68.9)	(68.0)	(68.0)	(68.8)
Other receipts	(1.4)	8.7	8.9	9.1	8.9
Net cash inflow from operating activities	40.7	54.9	55.2	54.1	56.3
Cash flows from investing activities					
Payments for property, plant and equipment	3.5	(122.1)	(102.5)	(117.9)	(130.6)
Proceeds from sale of property, plant and equipment	3.7	..	..	..	..
(Repayment of) loans by other entities	5.3	(8.8)	(8.8)	(8.0)	5.6
Net cash (outflow) from investing activities	12.5	(130.9)	(111.3)	(125.9)	(125.1)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	(25.2)	78.2	58.4	22.1	109.5
Net proceeds from borrowing	2.6	..	..	..	..
Net cash inflows/(outflow) from financing activities	(22.6)	78.2	58.4	22.1	109.5
Net increase/(decrease) in cash held	30.5	2.3	2.3	(49.8)	40.8
Cash at the beginning of the financial year	76.0	106.6	106.6	106.6	56.8
Cash at the end of the financial year	106.6	108.8	108.8	56.8	97.6

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.11.3: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>				<i>2009 Budget</i>
	<i>2007 Actual</i>	<i>2008 Budget</i>	<i>2008 Adjusted^(a)</i>	<i>2008 Revised</i>	
Current assets					
Cash assets	106.6	108.8	108.8	56.8	97.6
Other financial assets	34.6	43.4	43.4	42.6	37.0
Receivables	182.5	192.1	182.3	177.1	182.5
Inventories	13.6	13.6	14.0	14.0	14.0
Prepayments	17.3	17.3	17.1	17.1	17.1
	354.5	375.1	365.6	307.6	348.2
Non-current assets classified as held for sale	0.5	0.5	0.5	0.5	0.5
Total current assets	355.0	375.6	366.1	308.0	348.7
Non-current assets					
Receivables	0.8	0.8	0.8	0.8	0.8
Property, plant and equipment	10 690.3	10 773.7	10 666.8	10 685.9	10 750.1
Intangible assets	53.7	48.9	48.9	48.9	44.2
Other	78.6	78.6	78.6	78.6	78.6
Total non-current assets	10 823.4	10 902.1	10 795.1	10 814.3	10 873.7
Total assets	11 178.4	11 277.7	11 161.1	11 122.3	11 222.3
Current liabilities					
Payables	229.5	235.6	234.1	251.8	169.5
Interest-bearing liabilities	14.6	14.6	14.6	14.6	14.6
Employee provisions	72.9	73.8	72.0	72.0	72.9
Other	5.9	5.9	5.9	5.9	5.9
Total current liabilities	323.0	329.9	326.6	344.3	262.9
Non-current liabilities					
Interest-bearing liabilities	16.4	16.4	16.4	16.4	16.4
Employee provisions	7.5	10.4	4.7	4.7	7.7
Other	8.6	8.6	8.6	8.6	8.6
Total non-current liabilities	32.4	35.3	29.7	29.7	32.6
Total liabilities	355.4	365.3	356.3	374.0	295.5
Net assets	10 823.0	10 912.4	10 804.9	10 748.3	10 926.8
Equity					
Contributed capital	2 305.8	2 377.9	2 270.4	2 216.4	2 378.1
Reserves	8 420.8	8 420.8	8 420.8	8 420.8	8 420.8
Accumulated surplus/(deficit)	96.3	113.6	113.6	111.1	127.8
Total equity	10 823.0	10 912.4	10 804.9	10 748.3	10 926.8

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.11.4: Statement of changes in equity

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Gains/(losses) on revaluation of properties	1 055.9	..	..	..	..
Other	(67.0)	..	..	..	..
Net income recognised directly in equity	988.9	..	..	..	..
Net result for the period	46.6	17.3	17.3	14.8	16.7
Total recognised income and expense for the period	1 035.5	17.3	17.3	14.8	16.7

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

- (a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.11.5: Administered items statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Administered income					
Appropriations - Payments made on behalf of the State	25.0	25.9	25.9	26.0	27.2
Sale of goods and services	244.0	248.1	248.1	259.8	251.0
Commonwealth grants	146.8	98.8	98.8	346.8	74.2
Other grants	16.2	..	..	..	..
Taxes	60.2	61.6	61.6	61.6	73.7
Fines	0.4	0.5	0.5	0.4	0.4
Fees	16.0	22.5	22.5	21.0	21.4
Other	30.4	20.4	20.4	23.1	17.1
Total administered income	539.0	477.9	477.9	738.8	465.0
Administered expenses					
Expenses on behalf of the State	(0.8)	4.1	4.1	4.2	5.4
Grants and other payments	25.2	21.8	21.8	21.8	21.8
Payments into the Consolidated Fund	504.1	452.1	452.1	712.8	442.1
Total administered expenses	528.6	477.9	477.9	738.8	469.3
Income less expenses	10.5	..	..	..	( 4.3)
Administered assets					
Cash assets	1.9	1.9	1.9	1.9	1.9
Receivables	18.3	18.2	18.2	18.2	43.9
Other financial assets	0.1	0.1	0.1	0.1	0.1
Investments accounted for using the equity method	614.5	614.5	614.5	614.5	614.5
Property, plant and equipment	..	..	..	0.7	0.7
Total administered assets	634.7	634.7	634.6	635.3	661.0
Administered liabilities					
Payables	0.6	0.6	0.6	0.6	0.6
Other	14.6	14.6	14.6	14.6	14.6
Total administered liabilities	15.2	15.2	15.2	15.2	15.2
Net assets	619.5	619.4	619.4	620.1	645.8

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Payments made on behalf of the State

Payments on behalf of the state are payments made by the department on behalf of the State Government as a whole and do not directly reflect the operations of the department. They are usually on-passed or administered by the state.

Table 3.11.6: Payments made on behalf of the State

Accounts	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Murray-Darling Basin Contribution	25.9	25.9	26.0	27.2
Total	25.9	25.9	26.0	27.2

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the department to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.11.7 Parliamentary authority for resources

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	1 079.1	996.1	1 247.5	1 257.8
Receipts credited to appropriations	150.7	150.7	405.2	125.5
Unapplied previous years appropriation	29.7	25.9	52.4	49.4
Accumulated surplus - previously applied appropriation	..	..	2.7	3.6
Gross annual appropriation	1 259.5	1 172.8	1 707.7	1 436.3
Special appropriations	..	..	45.2	..
Trust funds	220.0	219.1	283.1	262.9
Total Parliamentary authority	1 479.5	1 391.8	2 036.0	1 699.2

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

DEPARTMENT OF TREASURY AND FINANCE

Operating performance

The revenue for output delivery and corresponding budgeted expenses is expected to increase from \$232 million in 2007-08 to \$238 million in 2008-09. This increase includes additional funding to improve government productivity and efficiency by consolidating and rationalising administrative services across government including library services and property and facilities management. The program also includes development work to investigate options for standardising core information technology services.

The department traditionally runs an operating deficit for its controlled activities, as the write back of book values upon sales of crown land is recorded as an expense, whilst offsetting revenue is recorded as administered revenue.

Investing and financing

The department's 2008-09 budgeted net cash inflow from operating activities is \$17 million higher than the 2007-08 Revised Budget, largely due to the final payment associated with the previous whole-of-government motor vehicle lease arrangements occurring in 2007-08.

Net cash outflow from investing activities is expected to increase by \$42 million from the 2007-08 Revised Budget to 2008-09 Budget, reflecting higher level of capital expenditure for municipal valuations and property, plant and equipment.

Balance sheet performance

Controlled net assets of the department are budgeted to increase by \$27 million between 2007-08 Revised Budget and 2008-09 Budget, mainly due to an increase in receivables reflecting the financing arrangement provided to the department for capital expenditure (\$29 million).

Statement of administered items

A large number of transactions are managed on behalf of the State, for which the department does not exercise direct control, for example, the collection of state taxation income and administration of the state's superannuation expenses.

Total administered income is estimated to increase by \$2 354 million between the 2007-08 Revised Budget and the 2008-09 Budget. The increase in commonwealth grants mainly relates to an expected increase in GST-related grants (\$892 million), reflecting growth in the total GST pool and an increase in Victoria's share as determined by the Commonwealth Grants Commission. In addition, there is an increase of \$274 million in special appropriations, which relates to superannuation payments made to reduce the state's unfunded superannuation liability and repayment of income tax equivalent to public financial corporations.

Total administered operating expenses are estimated to decrease by \$999 million compared to the 2007-08 Revised Budget. The revised 2007-08 result includes \$2 783 million for the state's superannuation expense, resulting from lower than expected investment returns on state superannuation fund assets and an actuarial adjustment due to the decrease in the discount rate being used to measure superannuation liabilities. The year-on-year decrease this creates, is partially offset by the increase in revenue transferred to the consolidated fund resulting from the expected increase in GST-related commonwealth grants.

Table 3.12.1: Operating statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Income					
Output appropriations	214.7	228.8	228.8	232.4	237.8
Resources received free of charge or for nominal consideration	0.1	..	..	..	..
Sale of goods and services	34.5	43.2	43.2	55.0	57.1
Revenue from other parties and other income	42.8	31.1	31.1	31.1	31.6
	292.0	303.0	303.0	318.5	326.5
Expenses					
Employee benefits	106.9	108.3	108.3	114.2	107.5
Depreciation and amortisation	27.2	36.1	36.1	38.1	35.2
Resources provided free of charge or for nominal consideration	0.1	..	..	..	..
Grants and other payments	9.0	6.6	6.6	6.6	8.1
Capital asset charge	22.8	23.2	23.2	23.5	24.0
Supplies and services	90.1	110.7	110.7	121.2	131.1
Finance costs	15.1	16.1	16.1	16.1	16.6
Other expenses	8.1	6.4	6.4	6.4	6.4
	279.3	307.3	307.3	326.1	328.9
Net result for the reporting period	12.7	(4.3)	(4.3)	(7.6)	(2.3)

Source: Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.12.2: Cash flow statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Cash flows from operating activities					
Receipts from Government	211.9	195.8	195.8	220.0	209.3
Receipts from other entities	(13.6)	0.3	0.3	0.3	0.3
Payments for supplies, grants and employees	(185.2)	(229.7)	(229.7)	(246.1)	(250.8)
	13.1	(33.6)	(33.6)	(25.8)	(41.3)
Interest received	13.4	15.4	15.4	15.4	15.9
Finance costs expense	(15.8)	(16.1)	(16.1)	(31.5)	(16.6)
Capital asset charge	(22.8)	(23.2)	(23.2)	(23.5)	(24.0)
Other receipts	97.5	54.5	54.5	64.5	82.0
Net cash inflow from operating activities	85.4	(3.0)	(3.0)	(0.9)	16.1
Cash flows from investing activities					
Payments for property, plant and equipment	(48.5)	(41.0)	(41.0)	(8.7)	(50.4)
Proceeds from sale of property, plant and equipment	0.5	..	..	..	..
Net cash (outflow) from investing activities	(48.0)	(41.0)	(41.0)	(8.7)	(50.4)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	19.0	12.7	12.7	10.4	29.2
Net proceeds from borrowings	(42.1)	32.7	32.7	15.9	0.5
Net cash inflows/(outflow) from financing activities	(23.1)	45.4	45.4	26.3	29.7
Net increase/(decrease) in cash held	14.3	1.4	1.4	16.7	(4.7)
Cash at the beginning of the financial year	12.7	27.0	27.0	27.0	43.8
Cash at the end of the financial year	27.0	28.5	28.5	43.8	39.1

Source: Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.12.3: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2007</i>	<i>2008</i>	<i>2008</i>	<i>2008</i>	<i>2009</i>
	<i>Actual</i>	<i>Budget</i>	<i>Adjusted^(a)</i>	<i>Revised</i>	<i>Budget</i>
Current assets					
Cash assets	27.0	28.5	28.5	43.8	39.1
Receivables	239.8	272.7	272.7	252.2	280.8
Inventories	11.5	11.5	11.5	11.5	11.5
Prepayments	6.1	6.1	6.1	6.1	6.1
Total current assets	284.4	318.8	318.8	313.5	337.5
Non-current assets					
Receivables	99.2	115.1	115.1	115.1	115.6
Property, plant and equipment	233.0	216.9	216.9	207.2	202.9
Intangible assets	31.5	23.9	23.9	17.9	27.4
Total non-current assets	363.7	355.9	355.9	340.2	345.9
Total assets	648.1	674.7	674.7	653.7	683.3
Current liabilities					
Payables	45.7	45.7	45.7	45.7	45.7
Interest-bearing liabilities	16.7	16.7	16.7	1.2	1.2
Employee provisions	25.2	24.7	24.7	24.7	24.2
Other	27.6	27.6	27.6	27.6	27.6
Total current liabilities	115.1	114.6	114.6	99.1	98.6
Non-current liabilities					
Interest-bearing liabilities	1.3	16.3	16.3	1.3	1.3
Employee provisions	2.7	5.5	5.5	5.5	8.3
Amounts owing to other departments	215.2	216.1	216.1	231.1	231.6
Total non-current liabilities	219.2	237.9	237.9	237.9	241.2
Total liabilities	334.3	352.5	352.5	337.0	339.9
Net assets	313.8	322.2	322.2	316.6	343.5
Equity					
Contributed capital	107.5	120.2	120.2	117.9	147.1
Reserves	84.3	84.3	84.3	84.3	84.3
Accumulated surplus/(deficit)	122.0	117.6	117.6	114.4	112.0
Total equity	313.8	322.2	322.2	316.6	343.5

Source: Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.12.4: Statement of changes in equity

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	<i>Actual</i>	<i>Budget</i>	<i>Adjusted</i> ^(a)	<i>Revised</i>	<i>Budget</i>
Gains/(losses) on revaluation of properties	(31.8)	..	..	..	..
Other	7.6	..	..	..	..
Net income recognised directly in equity	(24.2)	..	..	..	..
Net result for the period	12.7	(4.3)	(4.3)	(7.6)	(2.3)
Total recognised income and expense for the period	(11.5)	(4.3)	(4.3)	(7.6)	(2.3)

Source: Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.12.5: Administered items statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Administered income					
Appropriations - Payments made on behalf of the State	1 038.6	1 465.3	1 465.3	1 283.4	1 980.1
Special appropriations	296.2	415.9	415.9	417.9	691.9
Sale of goods and services	8.2	18.8	18.8	8.8	20.9
Commonwealth grants	8 589.7	9 125.1	9 125.1	9 399.2	10 281.7
Taxes	8 656.2	8 472.5	8 472.5	9 793.3	10 051.3
Fees	11.0	10.5	10.5	10.5	10.8
Other	4 289.1	3 832.6	3 832.6	3 551.3	3 782.3
Total administered income	22 889.0	23 340.6	23 340.6	24 464.5	26 818.9
Administered expenses					
Expenses on behalf of the State ^(b)	(2 337.8)	1 405.9	1 405.9	4 001.0	1 958.0
Grants and other payments	527.6	503.3	503.3	500.1	499.1
Payments into the Consolidated Fund	21 035.1	21 570.1	21 570.1	23 306.2	24 351.0
Total administered expenses	19 224.9	23 479.3	23 479.3	27 807.3	26 808.1
Income less expenses	3 664.1	(138.7)	(138.7)	(3 342.8)	10.8
Administered assets					
Cash assets	1 900.0	1 902.9	1 902.9	860.9	867.2
Receivables	156.9	1 636.5	1 636.5	350.1	1 868.8
Other financial assets	8.3	8.3	8.3	8.3	8.3
Property, plant and equipment	2.4	4.3	4.3	1.7	77.1
Total administered assets	2 067.6	3 552.0	3 552.0	1 221.1	2 821.3
Administered liabilities					
Payables	92.8	92.8	92.8	90.8	69.6
Interest-bearing liabilities	4 878.8	6 466.1	6 466.1	5 341.1	6 757.7
Provisions	10 137.9	10 200.8	10 200.8	12 939.2	13 067.5
Amounts owing to other departments	800.6	800.6	800.6	0.6	0.6
Other	353.9	357.2	357.2	388.3	548.4
Total administered liabilities	16 264.0	17 917.4	17 917.4	18 760.0	20 443.8
Net assets	(14 196.4)	(14 365.4)	(14 365.4)	(17 538.9)	(17 622.5)

Source: Department of Treasury and Finance

Notes:

- (a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.
- (b) Includes actuarial interest income, and income on superannuation plan assets, interest expense on superannuation liabilities and actuarial adjustments to the unfunded superannuation liability.

Payments made on behalf of the State

Payments on behalf of the state are payments made by the department on behalf of the State Government as a whole and do not directly reflect the operations of the department. They are usually on-passed or administered by the state.

Table 3.12.6: Payments made on behalf of the State

Accounts	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Superannuation and pension payments	16.5	16.5	16.4	16.4
Interest	325.8	325.8	321.3	343.9
Current and capital grants	491.6	491.6	488.4	487.4
Operating supplies and consumables	492.8	492.8	234.4	424.0
Buildings	2.6	2.6	..	76.0
Other	136.2	136.2	222.9	632.5
Total	1 465.4	1 465.4	1 283.4	1 980.1

Source: Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the department to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.12.7: Parliamentary authority for resources

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	1 703.6	1 703.6	1 515.7	2 238.6
Receipts credited to appropriations	3.1	3.1	5.5	5.5
Unapplied previous years appropriation	..	..	5.1	3.0
Accumulated surplus - previously applied appropriation	..	..	1.4	..
Gross annual appropriation	1 706.7	1 706.7	1 527.7	2 247.0
Special appropriations	415.9	415.9	417.9	691.9
Trust funds	88.8	88.8	100.6	103.4
Total Parliamentary authority	2 211.5	2 211.5	2 046.3	3 042.3

Source: Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

PARLIAMENT

Operating performance

Parliament, including the Victorian Auditor-General's Office (VAGO), is estimated to have a balanced operating result for 2008-09. For Parliament excluding VAGO, this is the same as the 2007-08 Revised Budget, with VAGO estimated to have a slightly improved position in comparison to the 2007-08 Revised Budget.

The operating statement shows an increase in total operating income of \$6.7 million (or 5.4 per cent) from the 2007-08 Budget to the 2008-09 Budget. The increase in annual appropriation revenue is due to additional output appropriations from the government, including funding for:

- the relocation and refurbishment of electorate offices; and
- increased operating costs of the Parliament.

VAGO will continue to access a receipts retention agreement under Section 29 of the *Financial Management Act 1994* to meet costs associated with the output 'Audit reports on Financial Statements'.

Investing and financing

Cash flows from investing and financing activities are expected to reduce slightly in 2008-09 as asset investments are completed. Payments for property, plant and equipment in the 2008-09 Budget includes funding provided for the Webcasting of Parliamentary Proceedings.

Balance sheet performance

The net asset position in 2008-09 is estimated to improve by \$5.4 million compared with the 2007-08 Revised Budget. This is a result of the additional asset funding noted above, for the Webcasting of Parliamentary Proceedings.

Statement of administered items

VAGO administers certain resources on behalf of the state. These resources predominantly comprise financial statement audit fees collected from audit agencies under the authority of the *Audit Act 1994*.

Table 3.13.1: Operating statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Income					
Output appropriations	94.4	105.3	105.3	103.0	111.1
Special appropriations	18.5	19.5	19.5	19.5	20.3
Resources received free of charge or for nominal consideration	..	..	..	0.3	..
Sale of goods and services	1.2	..	..	..	..
Revenue from other parties and other income	..	..	..	..	..
	114.2	124.7	124.7	122.7	131.4
Expenses					
Employee benefits	63.7	60.2	60.2	60.4	57.7
Depreciation and amortisation	6.2	6.8	6.8	6.0	6.9
Resources provided free of charge or for nominal consideration	..	..	..	..	..
Grants and other payments	0.1	0.5	0.5	0.5	0.5
Capital asset charge	1.6	2.2	2.2	1.7	1.7
Supplies and services	35.7	57.1	57.1	56.1	64.6
Finance costs	0.3	..	..	..	..
Other expenses	0.3	..	..	..	..
	107.8	126.9	126.9	124.6	131.4
Net result for the reporting period	6.4	(2.1)	(2.1)	(1.9)	..

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.13.2: Cash flow statement

	(\$ million)				
	2006-07 Actual	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Cash flows from operating activities					
Receipts from Government	102.7	128.1	128.1	118.7	127.0
Receipts from other entities	1.2	..	..	..	..
Payments for supplies, grants and employees	(97.8)	(113.5)	(113.5)	(112.6)	(122.6)
	6.1	14.6	14.6	6.1	4.4
Finance costs expense	(0.3)	..	..	..	..
Capital asset charge	(1.6)	(2.2)	(2.2)	(1.7)	(1.7)
Other receipts	0.1	..	..	0.3	..
Net cash inflow from operating activities	4.4	12.3	12.3	4.7	2.7
Cash flows from investing activities					
Payments for property, plant and equipment	(10.7)	(24.0)	(24.0)	(11.2)	(8.1)
Proceeds from sale of property, plant and equipment	1.1	..	..	..	..
Net cash (outflow) from investing activities	(9.5)	(24.0)	(24.0)	(11.2)	(8.1)
Cash flows from financing activities					
Net proceeds from capital contribution by State Government	5.6	11.2	11.2	6.2	5.4
Net proceeds from borrowing	(0.3)	0.4	0.4	0.4	..
Net cash inflows/(outflow) from financing activities	5.3	11.6	11.6	6.5	5.4
Net increase/(decrease) in cash held	0.1	..	..	..	..
Cash at the beginning of the financial year	(0.9)	(0.9)	(0.9)	(0.9)	(0.8)
Cash at the end of the financial year	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.13.3: Balance sheet

(\$ million)

	<i>Estimated as at 30 June</i>				<i>2009 Budget</i>
	<i>2007 Actual</i>	<i>2008 Budget</i>	<i>2008 Adjusted^(a)</i>	<i>2008 Revised</i>	
Current assets					
Cash assets	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)
Receivables	44.8	41.5	41.5	48.6	52.9
Inventories	..	..	..	..	..
Prepayments	1.0	1.1	1.1	1.1	1.1
	45.0	41.8	41.8	48.9	53.3
Non-current assets classified as held for sale	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Total current assets	44.4	41.2	41.2	48.3	52.7
Non-current assets					
Property, plant and equipment	212.2	229.3	229.3	217.4	218.7
Total non-current assets	212.2	229.3	229.3	217.4	218.7
Total assets	256.6	270.6	270.6	265.8	271.4
Current liabilities					
Payables	3.9	4.8	4.8	4.8	4.8
Interest-bearing liabilities	2.4	2.5	2.5	2.5	2.5
Employee provisions	9.3	12.6	12.6	12.6	12.6
Other	0.7	0.7	0.7	0.7	0.7
Total current liabilities	16.1	20.6	20.6	20.6	20.6
Non-current liabilities					
Interest-bearing liabilities	1.8	2.0	2.0	2.0	2.0
Employee provisions	0.9	1.1	1.1	1.1	1.3
Total non-current liabilities	2.7	3.1	3.1	3.1	3.4
Total liabilities	18.8	23.7	23.7	23.7	24.0
Net assets	237.7	246.9	246.9	242.0	247.4
Equity					
Contributed capital	158.3	169.6	169.6	164.5	169.9
Reserves	55.4	55.4	55.4	55.4	55.4
Accumulated surplus/(deficit)	24.1	21.9	21.9	22.2	22.2
Total equity	237.7	246.9	246.9	242.0	247.4

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.13.4: Statement of changes in equity

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Gains/(losses) on revaluation of properties	7.3	..	..	..	..
Other	..	..	..	..	..
Net income recognised directly in equity	7.3	..	..	..	..
Net result for the period	6.4	(2.1)	(2.1)	(1.9)	..
Total recognised income and expense for the period	13.7	(2.1)	(2.1)	(1.9)	..

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Table 3.13.5: Administered items statement

	(\$ million)				
	2006-07	2007-08	2007-08	2007-08	2008-09
	Actual	Budget	Adjusted ^(a)	Revised	Budget
Administered income					
Sale of goods and services	15.7	15.5	15.5	15.5	15.5
Other	0.1	..	..	..	..
Total administered income	15.8	15.5	15.5	15.5	15.5
Administered expenses					
Expenses on behalf of the State	0.1	..	..	..	..
Payments into Consolidated Fund	14.0	15.5	15.5	15.5	15.5
Total administered expenses	14.0	15.5	15.5	15.5	15.5
Income less expenses	1.8	..	..	..	..
Administered assets					
Cash assets	..	..	..	..	..
Receivables	5.6	5.6	5.6	5.6	5.6
Total administered assets	5.6	5.6	5.6	5.6	5.6
Administered liabilities					
Total administered liabilities	..	..	..	..	..
Net assets	5.6	5.6	5.6	5.6	5.6

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to Parliament to fund the provision of outputs, additions to the net asset base and payments made on behalf of the state.

Table 3.13.6: Parliamentary authority for resources

	(\$ million)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2007-08 Revised	2008-09 Budget
Annual appropriations	92.1	92.1	84.4	93.4
Receipts credited to appropriations	15.5	15.5	15.5	15.5
Unapplied previous years appropriation	8.9	8.9	9.2	7.6
Accumulated surplus - previously applied appropriation	..	..	..	0.6
Gross annual appropriation	116.5	116.5	109.2	117.2
Special appropriations	19.5	19.5	19.5	20.3
Total Parliamentary authority	136.0	136.0	128.6	137.4

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

- (a) The 2007-08 adjusted estimates include the 2007-08 Budget adjusted for machinery of government changes for the period 1 September 2007 to 30 June 2008.

CHAPTER 4 – STATE REVENUE

SUMMARY OF GENERAL GOVERNMENT SECTOR REVENUE

This chapter describes the major categories of revenue, comprising both state-sourced revenue and Commonwealth grants, and examines the expected movement in revenue between the 2007-08 revised estimates and the 2008-09 Budget estimates.

Total revenue comprises revenue from transactions and revenue from economic flows. Revenue from transactions represents the majority of total revenue in the 2008-09 Budget estimates and is the focus of discussion in this chapter.

As shown in Table 4.1, general government sector revenue is expected to increase by 2.8 per cent in 2008-09 to \$37 810 million.

Table 4.1: General government sector revenue and grants received

	(\$ million)		
	2007-08 Revised	2008-09 Budget	Change %
Taxation	12 997.4	13 382.9	3.0
Interest	372.9	402.2	7.9
Dividends, income tax and rate equivalent revenue	679.8	669.9	- 1.5
Sales of goods and services ^(a)	4 121.6	4 334.5	5.2
Other current revenue ^(a)	1 435.8	1 465.6	2.1
Grants received	17 180.7	17 555.0	2.2
Total revenue from transactions	36 788.1	37 810.0	2.8

Source: Department of Treasury and Finance

Note:

(a) Sales of goods and services and other current revenue 2007-08 revised estimates differ from that reported in Appendix C as the estimates in this chapter are based on AASB 1049 Whole of Government and General Government Sector Financial Reporting, while Appendix C is prepared under the Australian equivalents to International Financial Reporting Standards (A-IFRS).

Taxation revenue in 2008-09 is estimated to be \$13 383 million, an increase of \$385 million or 3.0 per cent on the 2007-08 revised estimate. This increase primarily reflects:

- growth in payroll tax revenue reflecting expected moderate employment and wages growth, partly offset by a further reduction in the payroll tax rate;
- higher land tax revenue reflecting the expected increase in land values, partially offset by land tax changes announced in this budget including an increase in land tax thresholds and a further cut in the top land tax rate;

- increases across most other tax categories reflecting a range of factors including continued economic growth and inflation; but
- partially offset by a decline in stamp duty on land transfer revenue due to an expected stabilisation of property prices and easing in transaction volumes, and changes announced in this budget, including the impact of a reduction in the effective rates of duty (through threshold adjustments).

Interest revenue in 2008-09 is expected to be \$402 million or 7.9 per cent higher than the 2007-08 revised estimate, due to changes in the holdings of cash and liquid assets and increases in deposit rates and interest revenue received as part of the Melbourne Exhibition and Convention Centre financing arrangements.

Dividends, income tax and rate equivalent revenue are estimated to be \$670 million in 2008-09, a decrease of \$9.9 million or 1.5 per cent on the 2007-08 revised estimate. This decrease reflects an expected return to a more normal level of income tax equivalent payments in 2008-09, which is partially offset by recognition of a dividend from SECV in 2008-09.

Sales of goods and services revenue is expected to increase by 5.2 per cent in 2008-09 to \$4 334 million primarily reflecting an increase in capital asset charge revenue as well as smaller increases in revenue from the provision of services and regulatory fees.

Other current revenue from transactions is expected to increase by 2.1 per cent to \$1 466 million. This is due to an increase in fines revenue, as well as smaller increases in other revenue categories, largely offset by a decline from fair value of assets received free of charge for which there was a large one-off transaction in 2007-08.

Grants revenue estimates and details provided in this chapter represent the latest information available to the Victorian Government at the time of finalisation of the 2008-09 Budget, and do not reflect the (not yet finalised) changes to the system of specific purpose payments agreed to by the Council of Australian Governments (COAG) in March 2008, expected to take effect from 1 January 2009.

General purpose grants from the Commonwealth are expected to increase by \$882 million (9.4 per cent) to \$10 281 million, reflecting growth in GST grants. The increase in GST grants of 9.5 per cent in 2008-09 compares with estimated growth of 5.9 per cent in the estimated GST revenue pool. Victoria's share of the GST revenue pool has been revised upward as a result of the Commonwealth Grants Commission (CGC) update on state revenue sharing relativities.

Specific purpose own use grants are expected to decrease by \$608 million (11.1 per cent) in 2008-09 due to a reduction in specific purpose own use capital grants arising from the completion or winding down of several programs and projects. Specific purpose grants for on-passing are forecast to increase by 4.0 per cent to \$2 118 million primarily driven by increased grants for on-passing to non-government schools.

STATE SOURCED REVENUE

Taxation

Taxation revenue in 2008-09 is estimated to be \$13 383 million, which is \$385 million (3.0 per cent) higher than the 2007-08 revised estimate (Table 4.2).

Table 4.2: Taxation estimates

	(\$ million)		
	2007-08 Revised	2008-09 Budget	Change %
Payroll tax	3 824.1	3 963.2	3.6
Taxes on property			
Land tax	871.0	1 049.8	20.5
Congestion levy	37.6	39.2	4.3
Land transfer duty	3 874.5	3 736.9	- 3.6
Other property duties	9.8	10.2	4.1
Metropolitan improvement levy	101.8	105.4	3.5
Property owners contributions to fire brigades	40.8	42.2	3.5
Financial accommodation levy	20.9	32.1	53.2
	4 956.4	5 015.7	1.2
Gambling taxes			
Private lotteries	337.3	354.8	5.2
Electronic gaming machines	992.3	1 025.0	3.3
Casino	127.1	135.0	6.2
Racing	122.6	129.4	5.6
Other	7.0	7.7	9.5
	1 586.3	1 651.9	4.1
Levies on statutory corporations	61.6	73.7	19.6
Taxes on insurance			
Non-life insurance	613.0	640.0	4.4
Life insurance	9.3	9.5	2.6
Duty on compulsory third party	126.1	133.4	5.7
Insurance contributions to fire brigades	400.3	424.2	6.0
	1 148.8	1 207.1	5.1
Motor vehicle taxes			
Vehicle registration fees	781.7	829.4	6.1
Duty on vehicle registrations and transfers	565.1	581.5	2.9
	1 346.7	1 410.9	4.8
Other taxes			
Liquor licence fees ^(a)	7.7	7.8	1.3
Transurban concession fees	20.1	7.2	- 64.4
Landfill levy	45.6	45.3	- 0.6
	73.4	60.3	- 17.9
Total taxation	12 997.4	13 382.9	3.0

Source: Department of Treasury and Finance

Note:

(a) Part of the 'Franchise taxes' category in Note 5 of Budget Paper No.4, Chapter 1, Estimated Financial Statements.

Payroll tax

Payroll tax is levied on taxable wages, which are defined to include salaries and wages, commissions, bonuses, allowances, remunerations, employer superannuation contributions, fringe benefits, and payments to some contractors. Payroll tax of 5.05 per cent is currently applicable on the payments of taxable wages in excess of the annual tax free threshold of \$550 000.

The payroll tax rate was scheduled to fall to 5.0 per cent from 1 July 2008, but measures introduced in this budget will see it fall to 4.95 per cent effective from that date.

This additional rate reduction sees the Victorian payroll tax rate drop to the lowest rate since 1974-75 and means that Victorian businesses with payrolls between \$4 million and \$13.5 million will pay lower payroll tax rates than in any other state.

From 1 July 2007, Victoria and NSW harmonised payroll tax legislation including common definitions and exemptions, but excluding rates and thresholds, to help reduce red tape for businesses, streamline administration and reduce compliance costs.

Victoria and NSW are also moving towards introducing harmonised administrative arrangements, such as common payroll tax forms/systems, a one-stop-shop for businesses paying payroll tax in both states, and common interpretations of the law by revenue offices. Work is continuing on developing common revenue rulings: 22 joint revenue rulings have been published in the period to March 2008. NSW also made changes to its 2007-08 online monthly tax calculator to make it consistent with the Victorian application. These initiatives will make it easier for the approximately 8 000 businesses that operate in both Victoria and NSW to comply with their payroll tax obligations.

Victoria remains committed to expanding harmonisation arrangements already adopted with NSW to other jurisdictions.

In 2008-09 payroll tax revenue is estimated to be \$3 963 million, an increase of \$139 million (3.6 per cent) over the 2007-08 revised estimate, reflecting moderate employment and wages growth, partly offset by the further reduction in the payroll tax rate.

Taxes on property

Land tax

Land tax is an annual tax assessed on the total taxable land owned by a landowner. The taxable value of land is the municipal value provided by the relevant municipality. There are several exemptions, including land owned and used by charitable institutions for charitable purposes, land used for primary production, and land that is used as the landowner's principal place of residence.

The 2008-09 Budget provides an increase of approximately 10 per cent to all tax thresholds, increasing the tax free threshold from \$225 000 to \$250 000, and reduces the top land tax rate from 2.5 per cent to 2.25 per cent effective from the 2009 land tax year.

These initiatives will mean that virtually all Victorian businesses with land holdings valued between \$0.4 million and \$5.7 million will pay lower rates of land tax than in NSW and Queensland.

This budget also extends the exemptions for aged care facilities, supported residential care services and rooming houses, announced in the 2005-06 Budget, to include facilities which cater to groups such as young people with disabilities.

Table 4.3 shows the land tax rates that are applicable from the 2009 land tax year onwards.

Table 4.3: 2009 land tax rates

General land tax rates	
<i>Value of property</i>	<i>Land tax payable</i>
Not more than \$249 999	Nil
\$250 000 to \$599 999	\$275 plus 0.2% of the value in excess of \$250 000
\$600 000 to \$ 999 999	\$975 plus 0.5% of the value in excess of \$600 000
\$1 000 000 to \$1 799 999	\$2 975 plus 0.8% of the value in excess of \$1 000 000
\$1 800 000 to 2 999 999	\$9 375 plus 1.3% of the value in excess of \$1 800 000
\$3 000 000 and over	\$24 975 plus 2.25% of the value in excess of \$3 000 000

Trusts land tax rates ^(a)	
<i>Value of property</i>	<i>Land tax payable</i>
\$0 to \$24 999	Nil
\$25 000 to \$249 999	\$82 plus 0.375% of the value in excess of \$25 000
\$250 000 to \$599 999	\$926 plus 0.575% of the value in excess of \$250 000
\$600 000 to \$ 999 999	\$2 938 plus 0.875% of the value in excess of \$600 000
\$1 000 000 to \$1 799 999	\$6 438 plus 1.175% of the value in excess of \$1 000 000
\$1 800 000 to 2 999 999	\$15 838 plus 0.7614% of the value in excess of \$1 800 000
\$3 000 000 and over	\$24 975 plus 2.25% of the value in excess of \$3 000 000

Source: Department of Treasury and Finance

Note:

(a) The surcharge phases out for taxable values in excess of \$1.8 million. For landholdings valued at over \$3 million, the surcharge is zero and the general marginal rate applies.

Land tax revenue is expected to reach \$1 050 million in 2008-09, a 20.5 per cent increase on the 2007-08 revised estimate of \$871 million. This reflects the expected increase in land values for the two years to 2008-09, consistent with the strength in the property market, as well as the progressiveness in land tax scales. It is partly offset by the changes announced in this budget and by the ongoing disaggregation of land holdings.

Land tax on trust lands

Certain trusts are subject to a land tax surcharge of 0.375 per cent (on top of the ordinary land tax rates). The surcharge is phased out for taxable land values between \$1.8 million and \$3 million to ensure that the special trusts rate is the same as the ordinary rate on values above \$3 million.

Congestion levy

The Congestion levy is an annual charge on owners of long-stay off-street car parking spaces in Melbourne's Central Business District and adjacent areas such as Southbank, Docklands and the St Kilda Road precinct.

The levy for 2008 is \$820 per car parking space, and is subject to indexation based on the consumer price index (CPI), with the exception of the area bounded by Montague Street, the West Gate Freeway, City Link and the Yarra River for which the levy was fixed at \$400 in 2007 and 2008 pending the outcome of the government's review of parking requirements in planning schemes. Various car parking spaces are exempt from the levy, including short-stay parking spaces, parking spaces used exclusively for residential purposes, and certain other parking spaces such as those used by ambulances and charitable institutions.

A review of the Implementation of the Congestion Levy was released in April 2007. As a result of this review, the government has amended the law to ensure that, in cases where there is joint and several liability, the party who has the ability to set the fees for the car park under relevant contractual agreements indemnifies the other for the full amount of the levy. The SRO has also reviewed and substantially improved its administrative processes including levy forms and website information to better assist compliance by owners and operators of car parks.

All revenue generated from the levy is used to fund metropolitan transport improvements. Each year, \$5 million of the revenue is provided to the City of Melbourne to fund urban upgrades.

Revenue in 2008-09 is expected to be \$39 million, 4.3 per cent higher than the 2007-08 revised estimate mainly due to CPI indexation.

Stamp duty on land transfer

Stamp duty is payable on any transaction that results in a change of beneficial ownership of land and associated real assets.

Properties bought as a principal place of residence attract a lower marginal rate for certain dutiable values. Effective on or after 2008-09 Budget day, there will be an adjustment of approximately 10 per cent to the general rate of stamp duty and principal place of residence concession thresholds while leaving all tax rates unchanged.

The new rates of duty are shown in Table 4.4.

Table 4.4: Duty on land transfer

General land transfer duty rates	
<i>Value of property transferred</i>	<i>Duty payable</i>
Up to \$25 000	1.4% of the value of the property
\$25 001 - \$130 000	\$350 plus 2.4% of the value in excess of \$25 000
\$130 001 - \$960 000	\$2 870 plus 6% of the value in excess of \$130 000
\$960 001 and over	5.5% of the value of the property

Land transfer duty rates for principal place of residence purchases	
<i>Value of property transferred</i>	<i>Duty payable</i>
Up to \$25 000	1.4% of the value of the property
\$25 001 - \$130 000	\$350 plus 2.4% of the value in excess of \$25 000
\$130 001 - \$440 000	\$2 870 plus 5% of the value in excess of \$130 000
\$440 001 - \$550 000	\$18 370 plus 6% of the value in excess of \$440 000
\$550 001 - \$960 000	\$28 070 plus 6% of the value in excess of \$550 000
\$960 001 and over	5.5% of the value of the property

Source: Duties Act 2000

Victorian first homebuyers who qualify for the government's \$7 000 *First Home Owner Grant* are also eligible for a \$3 000 *First Home Bonus* for homes valued up to \$500 000. The value of the bonus increases to \$5 000 for purchases of newly constructed homes, and is available until 30 June 2009.

The 2008-09 Budget provides for an additional \$3 000 *First Home Bonus* for eligible first homebuyers purchasing newly constructed homes in regional Victoria, for contracts entered into on, or after, 2008-09 Budget day and will also be available until 30 June 2009. This brings the total assistance for such purchases to \$15 000.

In addition, first homebuyers that qualify for the bonus on or after budget day are also eligible for the concessional rate of duty for principal places of residence (PPR). This replaces the current requirement for first homebuyers to elect between the two. For a first home buyer purchasing a home at the median first home buyer price (\$317 000) the extension of the PPR concessions and the threshold adjustments equate to a \$2 460 saving. These arrangements are summarised in Table 4.5.

Table 4.5: First home buyer support

	<i>Established homes</i>	<i>New homes</i>	
		<i>Metropolitan</i>	<i>Regional</i>
First Home Owner Grant	\$7 000	\$7 000	\$7 000
First Home Bonus ^(a)	\$3 000	\$5 000	\$8 000
Access to principal place of residence concessional rate	Yes	Yes	Yes

Source: Department of Treasury and Finance

Note:

(a) For homes valued up to \$500 000 and for contracts entered into before 1 July 2009.

First homebuyers with families have the option of a full duty exemption in lieu of the *First Home Bonus* when they purchase property worth not more than \$150 000, with a partial exemption available for property worth not more than \$200 000.

This budget also introduces a stamp duty exemption for homes transferred into special disability trusts in recognition of the particular nature of the arrangements for persons with a severe disability.

The budget also increases the thresholds for duty concessions on property purchases for pensioner and concession cardholders. A full stamp duty exemption will now apply to property purchases valued up to \$330 000, while a partial exemption will apply to purchases valued over \$330 000 up to \$440 000.

Furthermore, a corporate reconstruction exemption will provide relief to certain stapled real estate investment trusts in circumstances that are consistent with the Commonwealth Government's arrangements with respect to capital gains tax rollover relief. This will allow Australian Listed Property Trusts to become more competitive in off-shore markets and achieve stronger returns for Australian investors. It further supports this government's objectives of cutting red tape and strengthening Victoria's financial services sector.

Stamp duty revenue is expected to have grown unusually strongly by \$913 million or 30.8 per cent in 2007-08 over 2006-07. The growth in revenue in 2007-08 is due to both increases in the volume of transactions and the average value per transaction. The increase in volumes may in part be attributable to changes by the Commonwealth Government to superannuation laws which appear to have generated extra buying and selling of properties, with some of the revenue accruing in 2007-08.

The increase in average value per transaction in 2007-08 is consistent with growth in property prices over the year. Solid economic growth, including significant growth in household financial wealth as well as strong population growth, have contributed, but changes in these 'fundamentals' cannot fully explain the increase in property prices.

It is expected that over the forward estimates period growth of property prices will re-align with economic fundamentals, as well as respond to the more recent interest rate rises and financial volatility. In particular, the increases in mortgage interest rates from August 2007, and the shock to financial wealth resulting from the decline in equity prices since November 2007, may relieve the upward pressure on property prices. The decline in auction clearance rates experienced so far in 2008 suggests that a re-alignment of the property market is already underway. The estimates assume that this correction towards fundamentals will occur over several years, and that property prices will stabilise over the estimates period.

The increase in interest rates, the neutral outlook for prices, and the absence of one-off superannuation impacts, suggest that there will be an initial easing in volumes, before modest growth returns towards the end of the forward estimates period. Before allowing for the measures announced in this budget, stamp duty revenue is expected to be broadly unchanged in 2008-09 and experience a small decline in 2009-10, before increasing slightly over the remainder of the forward estimates period.

The revenue impact from changes to the thresholds result in an expected decline in stamp duty in 2008-09 of \$138 million (or 3.6 per cent) compared with the 2007-08 revised estimate.

Other property duties

This category includes revenue from minor duties such as duty on declarations of trust over property other than land and duty on the sale of certain livestock, with revenue directed to a trust fund relating to disease control.

Revenue also includes any minor adjustment amounts relating to property taxes that have been abolished in recent years.

Revenue in 2008-09 is estimated to be \$10 million, which is \$0.4 million higher than the 2007-08 revised estimate.

Metropolitan improvement levy

The rate of the levy is set each year with regard to expected disbursements from the Parks and Reserves Trust Account, taking into account the inflation rate. The revenue is earmarked by the Department of Sustainability and Environment for expenditure on metropolitan parks, gardens and waterways.

Revenue in 2008-09 is estimated to be \$105 million or \$3.6 million (3.5 per cent) higher than the 2007-08 revised estimate due to both annual indexation of the levy and increases in the number of properties in the metropolitan area.

Property owners contributions to fire brigades

Municipal councils whose districts are within or partly within the metropolitan area serviced by the Metropolitan Fire and Emergency Services Board are collectively required by legislation to contribute 12.5 per cent of the Metropolitan Fire and Emergency Services Board's approved annual budget.

Revenue in 2008-09 is expected to be \$42 million, some \$1.4 million (3.5 per cent) higher than the 2007-08 revised estimate, which reflects continued investment in the state's urban emergency services.

Financial accommodation levy

The financial accommodation levy applies to government-owned entities declared to be leviable authorities for the purposes of the *Financial Management Act 1994*. The purpose of the levy is to remove the competitive advantage that government entities may experience in borrowing, and is consistent with the competitive neutrality principles as prescribed by the National Competition Policy framework.

Revenue in 2008-09 is expected to be \$32 million, some \$11 million (53.2 per cent) higher than the 2007-08 revised estimate. This increase is mainly due to the expected increase in borrowings by water corporations to fund capital projects and higher interest rates.

Gambling taxes

Gambling taxes are imposed on public lotteries, electronic gaming machines (EGMs), the Casino, racing, and some other minor forms of gambling. The taxes are typically in the form of a percentage of 'player loss', with the tax rate varying by category of gambling. Player loss is equal to the amount gambled less prizes or refunds to players. In the case of EGMs, there is also an annual health benefit levy of \$4 333.33 per machine in operation.

Most government revenue from these forms of gambling is transferred by standing appropriation to the Hospitals and Charities Fund, the Mental Health Fund and the Community Support Fund. In 2008-09, it is estimated that 82 per cent (or some \$1 358 million) of total gambling taxation revenue will be transferred by standing appropriation to these funds.

Overall gambling taxes are expected to increase by 4.1 per cent (\$66 million) to \$1 652 million in 2008-09, compared with the 2007-08 revised estimate, principally reflecting growth in household consumption expenditure.

Levies on statutory corporations

Water corporations are required to pay an annual environmental contribution to fund water-related initiatives that seek to promote the sustainable management of water, and to improve environmental performance.

The environmental contribution levy has been extended for a further four years from 1 July 2008 to 30 June 2012, and is estimated to raise an additional \$295 million over this period (compared to an estimated \$227 million over the four years to 30 June 2008). The environmental contribution is calculated based on a percentage of a corporation's revenue, and the percentage rates are expected to be consistent with the original levy (5 per cent for metropolitan water corporations and 2 per cent for rural water corporations). However, the estimates for the environmental contribution levy are still to

be finalised, with the final funding profile being determined in accordance with the process set out in the *Water Industry Act 1994*. This will occur prior to the end of this financial year and will be the subject of an Order in Council to notify water corporations of the final annual amounts to be sought over the next four-year period.

Taxes on insurance

Non-life insurance

Duty is payable on the gross value of premiums on general insurance business at a rate of 10 per cent. General insurance is any sort of insurance that is applicable to property in Victoria, a risk, contingency or event that may occur within, or partly in Victoria, or both. Motor, home and contents insurance are examples of general insurance. The definition includes insurance in respect of trauma and disabilities, but it excludes health insurance, life insurance and compulsory third party motor vehicle insurance.

Exemptions from payment of this duty relate to policies against damage by hail to cereal and fruit crops, workers' compensation premiums, commercial marine hull insurance, private guarantee fidelity insurance schemes, insurance businesses carried on by organisations registered under Part VI of the Commonwealth *National Health Act 1953* and transport insurance policies. Reinsurance policies are also not dutiable.

Non-life insurance revenue is expected to increase to \$640 million in 2008-09, or by \$27 million (4.4 per cent) compared to the 2007-08 revised estimate, mainly reflecting an expected improvement in non-life insurance premium rates for commercial and domestic classes.

Life insurance

Life insurance is any insurance or assurance in respect of life or lives, or an event or contingency relating to or depending on a life or lives, of persons domiciled in Victoria. Temporary or term life insurance is taxed once at 5 per cent of the first year's premium. For whole of life insurance, duty is payable on the sum insured. Revenue is expected to increase by \$0.2 million (2.6 per cent) in 2008-09 to \$9.5 million compared to the 2007-08 revised estimate.

Duty on compulsory third party premiums

Duty is payable on the value of compulsory third party premiums at a rate of 10 per cent. Compulsory third party premium revenue is expected to increase by \$7.2 million (5.7 per cent) in 2008-09 compared to the 2007-08 revised estimate. This growth reflects an expected increase in the number of registered motor vehicles in 2008-09, as well as the indexation of premiums in line with growth in the CPI.

Insurance contributions to fire brigades

Like New South Wales, Victoria partly funds fire services through an insurance-based funding model. Insurance companies generally choose to recover their contributions through an insurance industry ‘fire services levy’ imposed on premiums from policyholders.

The level of required contributions by insurance companies to the approved annual budget of the Victorian fire services is prescribed under Section 37 of the *Metropolitan Fire Brigades Act 1958* (75.0 per cent) and Section 76 of the *Country Fire Authority Act 1958* (77.5 per cent).

As part of the insurance industry’s contribution, non-residential property owners who choose to either self-insure or insure off-shore, are required by legislation to pay a contribution to whichever fire service covers the area in which their property is located.

In 2008-09, revenue from insurance contributions to fire services is anticipated to increase by \$24 million (6.0 per cent) compared to the 2007-08 revised estimate and reflects continued investments in the state’s emergency services such as modernising statewide emergency services communications, and funding increased demands on fire services to respond to new types of major incidents.

Motor vehicle taxes

Motor vehicle taxes include registration fees and motor vehicle duty.

Vehicle registration fees

Motor vehicle registration fees are fees charged upon the registration of a vehicle and vary according to vehicle type and use of the vehicle. Pensioner and health care cardholders receive a 50 per cent concession on their motor vehicle registration fee while Commonwealth Department of Veterans’ Affairs gold cardholders receive a 100 per cent reduction on their motor vehicle registration fee.

Duty on vehicle registrations and transfer

Duty is levied on the registration and transfer of registration of motor vehicles, motorcycles and trailers in Victoria. The duty is levied on the market value or purchase price (whichever is greater) of the vehicle, at a progressive rate on new passenger cars, and at a flat rate for other vehicles. The rate scale is shown in Table 4.6.

Table 4.6: Motor vehicle duty rates

<i>Market value of vehicle</i>	<i>Duty payable</i>
For motor vehicles not previously registered:	
<i>Passenger cars</i>	
\$ 0 - \$ 57 009	\$5.00 per \$200 or part thereof on entire price
\$ 57 010 or more	\$10.00 per \$200 or part thereof on entire price
<i>Other vehicles</i>	
All values	\$5.00 per \$200 or part thereof on entire price
For motor vehicles previously registered, regardless of where:	
All values	\$8.00 per \$200 or part thereof on entire price

Source: Duties Act 2000

Aggregate motor vehicle taxation revenue is expected to grow by \$64 million (4.8 per cent) compared to the 2007-08 revised estimate.

Of this, registration fee revenue is forecast to increase by \$48 million (6.1 per cent) in 2008-09, as a result of an expected increase in registration volumes principally driven by household and population growth, increasing motor vehicle ownership, solid growth in business vehicle ownership, as well as the indexation of motor vehicle registration fees in line with growth in the CPI. Revenue from duty on motor vehicle registrations and transfers is expected to increase by \$16 million (2.9 per cent) in 2008-09 compared to the 2007-08 revised estimate, with forecast growth in transaction volumes in line with economic activity and moderate growth in average duty paid.

Other taxes

This category includes the landfill levy, which is aimed at reducing the volume of non-recyclable waste disposed at Victorian landfills, concession fees paid in advance by Transurban with respect to Melbourne City Link, which are progressively recognised as income, and liquor licence fees.

The expected decline in Transurban concession fees of \$13 million between 2007-08 revised estimate and 2008-09 reflects a change in the accounting treatment of concession fees which affects several categories in the general government operating statement, but has no overall impact on the net result from transactions.

Dividends, income tax and rate equivalent revenue

This category of revenue comprises dividends, income tax and rate equivalent revenue received by the state from government business enterprises as detailed in Table 4.7.

Table 4.7: Dividends, income tax and rate equivalent revenue

	(\$ million)		
	2007-08 Revised	2008-09 Budget	Change %
Dividends	358.5	421.1	17.5
Income tax equivalent revenue	319.1	246.5	- 22.8
Local government rate equivalent revenue	2.2	2.3	4.5
Total dividends, income tax and rate equivalent revenue	679.8	669.9	- 1.5

Source: Department of Treasury and Finance

Dividend, income tax and rate equivalent revenue is expected to be \$670 million in 2008-09, which is \$9.9 million (1.5 per cent) lower than the 2007-08 revised estimate.

Total dividend revenue is expected to increase by \$63 million (17.5 per cent) between the 2007-08 revised estimate and 2008-09. The increase is primarily driven by the recognition of a dividend from SECV of \$75 million in 2008-09.

Total income tax equivalent revenue is expected to decrease by \$73 million (22.8 per cent) in 2008-09 compared with the 2007-08 revised estimate. The 2007-08 revised result is primarily driven by a restructure of investments held by the Transport Accident Commission and Victorian WorkCover Authority, which has triggered significant capital gains tax payments. In 2008-09 the income tax equivalent payments are expected to fall to the anticipated long-term average.

Interest revenue

Interest revenue is estimated to be \$402 million in 2008-09, \$29 million or 7.9 per cent higher than the 2007-08 revised estimate. This is mainly due to the finalisation of accounting entries relating to the Melbourne Exhibition and Convention Centre which reflect the first full financial year following financial close. The increase in interest revenue also reflects a small increase in cash and liquid assets held within the general government sector and increases in deposit rates.

Sales of goods and services

As reported in Table 4.1, revenue from sales of goods and services is estimated to be \$4 334 million in 2008-09, an increase of 5.2 per cent or \$213 million on the 2007-08 revised estimate. Factors contributing to this change include:

- an increase in inter-sector capital asset charge revenue from VicTrack reflecting increased VicTrack asset values due to additional capital expenditure arising from past budget initiatives;

- growth in regulatory fee revenue due to increased warrant issue fees for unpaid fines and an increase in revenue from the Prescribed Industrial Waste levy;
- an increase in revenue from the provision of services, including hospitals revenue from other parties (such as commercial and private practice arrangements, ambulance and aged care residential services) and from VicRoads external works; and
- CPI indexation of a range of fees and charges.

Note 4 of the *Estimated Financial Statements*, Budget Paper No.4, Chapter 1, *Estimated Financial Statements and Notes*, provides a breakdown by major category.

Other current revenue

Other revenue includes the fair value of assets received free of charge, the inter-sector capital asset charge, royalties and rents, donations and gifts and other miscellaneous income. These are shown in Table 4.8.

Table 4.8: Other current revenue

(\$ million)			
	2007-08 Revised	2008-09 Budget	Change %
Fair value of assets received free of charge or for nominal consideration	85.5	21.8	- 74.5
Fines	430.0	492.2	14.5
Royalties	40.4	42.0	3.8
Donations and gifts	168.5	175.7	4.3
Forgiveness of liability	..	..
Other non-property rental	15.1	15.1	0.2
Other miscellaneous income	696.3	718.8	3.2
Other current revenue	1 435.8	1 465.6	2.1

Source: Department of Treasury and Finance

In 2008-09 other revenue is expected to be \$1 466 million, or \$30 million (2.1 per cent) higher than the 2007-08 revised estimate. This is due to an increase in revenue from fines, as well as small changes in other revenue sources, being largely offset by reduced revenue from assets received free of charge or for nominal consideration.

The decline in revenue in the form of assets received free of charge from the 2007-08 revised estimate of \$85 million to an expected \$22 million in 2008-09 is due to the one-off boost to 2007-08 revenue arising from the transfer of assets from EastLink to the state.

Fines revenue is expected to increase by 14.5 per cent between the 2007-08 revised estimate and 2008-09 to \$492 million. This is principally due to an expected increase in traffic camera and on-the-spot speeding fines arising from the planned opening of the EastLink Tollway which will begin to contribute fine revenue in early 2008-09 and the annual CPI indexation of fines. This is expected to be partially offset by lower infringement volumes in 2008-09 due to improved driver behaviour.

Other miscellaneous income is expected to increase by \$22 million to \$719 million in 2008-09. This reflects several factors including the partial forgiveness of a 2007-08 payment relating to social housing, and, in 2008-09, a contribution towards the Melbourne Theatre Company building by Melbourne University and fund raising by the Melbourne Recital Centre. Partly offsetting these factors is an expected return to more typical levels of unclaimed monies revenue, and the absence of several one-off receipts in 2007-08 (including a contribution from Connect East).

GRANTS

Summary information on the amounts budgeted to be received under the various grant categories in 2007-08 and 2008-09 are shown in Table 4.9.

The detailed estimates provided in this chapter represent the latest information available to the Victorian Government at the time of finalisation of the 2008-09 Budget. The changes to the system of specific purpose payments agreed to by COAG in March 2008, which are expected to commence on 1 January 2009, are discussed in Budget Paper No.2, Chapter 5, *Economic Reform Agenda*. Existing special purpose payments which lapse before 31 December 2008 are expected to be rolled over until 31 December 2008, with the exception of the Australian Health Care Agreement (AHCA). New arrangements for the AHCA and related health grants will be finalised by 31 December 2008 and commence on 1 July 2009. As the Commonwealth has indicated that ongoing grants will be extended on the basis of current terms and conditions, including existing indexation arrangements, grants that lapse over the estimates period have been forecast using current funding and growth factors.

Table 4.9: Grants

(\$ million)

	2007-08 Revised	2008-09 Budget	Change %
Current grants			
GST grants	9 389.1	10 281.4	9.5
Other general purpose grants	9.9	..	- 100.0
General purpose grants	9 399.0	10 281.4	9.4
Specific purpose own use grants ^(a)	4 551.2	4 487.3	- 1.4
Specific purpose grants for on-passing	1 865.5	1 967.5	5.5
Other Commonwealth grants ^(a)	159.9	169.7	6.1
Other contributions and grants	6.0	6.0	..
Total current grants	15 981.5	16 911.9	5.8
Capital grants			
Specific purpose own use grants ^(a)	920.2	376.5	- 59.1
Specific purpose grants for on-passing	170.7	150.4	- 11.9
Other Commonwealth grants ^(a)	0.5	6.5	1 268.5
Other contributions and grants	107.8	109.8	1.9
Total capital grants	1 199.2	643.2	- 46.4
Total grants	17 180.7	17 555.0	2.2

Source: Department of Treasury and Finance

Note:

(a) Specific purpose own use grants and other Commonwealth grants are equal to 'other specific purpose grants' in Note 5 of Budget Paper No.4, Chapter 1, Estimated Financial Statements.

General purpose grants are expected to increase by \$882 million (9.4 per cent) to \$10 281 million in 2008-09 reflecting growth in GST grants, which encompasses growth in the estimated GST pool (generally in line with economic growth) and an increase in Victoria's share of the GST pool.

Total specific purpose own use grants are expected to decline by \$608 million (11.1 per cent) in 2008-09 largely due to a reduction in specific purpose own use capital grants arising from the completion or winding down of several programs and projects.

Total specific purpose grants for on-passing are forecast to increase by \$82 million (4.0 per cent) in 2008-09, largely because of increased grants for on-passing to non-government schools.

General purpose grants

In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth State Financial Relations*, the states and territories receive all GST revenue. The GST grant distributions between states and territories are determined by the GST relativities that are recommended by the Commonwealth Grants Commission (CGC) to the Commonwealth Government. These recommendations are underpinned by the principle of horizontal fiscal equalisation. The system is expected to distribute over \$45 billion in GST revenue in 2008-09.

The CGC attempts to comprehensively equalise the financial capacities of all states by conducting detailed assessments of capacity and disability for 13 revenue and 39 expenditure categories. The CGC updates its relativities annually to reflect movements in state circumstances, while the methodologies underpinning the annual updates are subject to detailed review by the CGC approximately every five years. The 2008 Update, released in March this year, was based on the application of the methodologies developed by the 2004 methodology review.

Based on the new relativities recommended in the 2008 Update, which was calculated from data for the five years to 2006-07, Victoria's GST grants for 2008-09 would notionally increase by \$317 million, or just 0.7 per cent of the total estimated GST pool, compared to the previous assessed relativity. According to the CGC, the improvement in Victoria's 2008-09 relativity mainly reflects the increased relative capacity of other states, in particular Western Australia and Queensland, to raise revenue from mining and stamp duty on land transfers.

The 2008 Update incorporated population and socio-demographic composition data from the 2006 Census for the first time. The Victorian population was revised up by proportionally more than the national population in all years between 2002 and 2006, which increased Victoria's population share. This in turn increased Victoria's share of the GST pool regardless of changes in CGC relativities.

Since the Commonwealth Government ceased National Competition Policy payments in 2005-06, general purpose grants to Victoria reflect solely GST grants, although in 2007-08, a National Competition Policy payment of \$9.9 million was received. This amount was part of the 2005 payment which had been suspended by the Commonwealth pending satisfactory progress by Victoria, South Australia and New South Wales on water trading in the Murray-Darling Basin.

In 2008-09, GST grant payments are expected to be \$10 281 million which represents an increase of \$892 million (9.5 per cent), compared to the 2007-08 revised estimate. This compares with an estimated growth of 5.9 per cent in the estimated total GST pool. Victoria's higher GST growth mainly reflects the increased share of the GST revenue pool as a result of the revised relativities outlined above.

2010 Commonwealth Grants Commission Review

Approximately every five years, the CGC undertakes a review of the methodology used to distribute the GST. The review to determine the methodology to apply from 2010-11 is currently underway (2010 Review).

The 2010 Review is examining key issues such as whether the present approach, which is based on a comprehensive assessment of virtually all revenue and expense items received or incurred by states, is appropriate and necessary, the size and trend of the redistributions, simplification, and data issues.

Specific purpose own use operational grants

Specific purpose own use operational (current) grants in 2008-09 are expected to be \$4 487 million. These mainly relate to the departments of Education and Early Childhood Development; Innovation, Industry and Regional Development; and Human Services (Table 4.10), although there are grants relating to other departments (Table 4.11).

Table 4.10: Specific purpose own use operational grants – Education and Early Childhood Development; Innovation, Industry and Regional Development and Human Services

	(\$ million)		
	2007-08 Revised	2008-09 Budget	Change %
Department of Education and Early Childhood Development			
Assistance to government schools	440.0	460.3	4.6
Literacy, Numeracy and Special Learning Needs	73.3	76.7	4.7
Special Learning Needs - ESL New Arrivals	28.8	20.3	- 29.6
All other current grants	31.5	27.4	- 13.0
	573.6	584.7	1.9
Department of Innovation, Industry and Regional Development			
Commonwealth TAFE	261.0	260.0	- 0.4
Australian Synchrotron	10.0	10.0	..
	271.0	270.0	- 0.4
Department of Human Services			
Health Care grant	2 348.1	2 349.4	0.1
Home and Community Care Program	246.8	263.3	6.7
Housing Agreement	216.1	216.1	..
Disability Agreement	143.0	145.4	1.7
Highly Specialised Drugs Program	130.0	143.0	10.0
Australian Immunisation Agreement	133.5	64.1	- 52.0
Compensation for extension of pensioner benefits	51.3	52.4	2.2
Public Health Outcome Funding Agreement	40.6	41.5	2.3
Supported Accommodation Assistance Program	38.9	39.9	2.5
Aged Care Assessment	16.5	17.5	5.8
COAG Drug Diversion Initiative	15.2	15.2	..
Elective surgery waiting list reduction plan	11.4	22.8	100.0
All other current grants	21.9	22.2	1.4
	3 413.2	3 392.8	- 0.6

Source: Department of Treasury and Finance

Education and Early Childhood Development

Commonwealth funding is provided for a range of Commonwealth and state programs for government and non-government schools. Funds are also provided to support Victoria's participation in national priority programs.

For school programs, the Commonwealth legislates funding allocations quadrennially without predicting likely cost movements over time. Supplementary funding is then provided retrospectively through regulation to meet any changes in costs that have occurred over the period.

Current funding to schools is usually supplemented according to changes in actual average per student costs in government schools (known as the Average Government School Recurrent Cost (AGSRC) Index).

Commonwealth financial assistance for schools is appropriated through the *Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Act 2004*. Funding conditions are specified in detail in the Quadrennial Funding Agreement and associated administrative guidelines and regulations. The current Quadrennial Funding Agreement was signed for the 2005-08 quadrennium on 22 June 2005. Victoria is expected to receive \$2.5 billion for government schools under the agreement comprising \$1.7 billion in general current grants and \$800 million for targeted programs and capital grants including the Investing in Our Schools Programme. A new agreement is currently subject to negotiation and is expected to apply from 1 January 2009. In 2008-09, overall operating Commonwealth assistance to government schools is estimated to be \$460 million, an increase of \$20 million on the 2007-08 revised estimate. As mentioned above, these estimates relate to the movements in AGSRC, which is set by the Commonwealth each year.

Literacy, Numeracy and Special Learning Needs is estimated to be \$77 million in 2008-09, an increase of \$3.4 million on the 2007-08 revised estimate. These estimates also relate to the movements in the AGSRC.

In 2008-09, Special Learning Needs – ESL New Arrivals is estimated to be \$20 million, a decrease of \$8.5 million on the revised 2007-08 estimate. In 2007-08 the department will receive the first of two instalments at 75 per cent instead of the usual 50 per cent. This is a one-off measure by the Commonwealth to cater for a rate increase introduced for humanitarian students only. The 2008-09 Budget does not reflect the full impact of this rate increase as the audited student numbers and composition will not become available until late 2008.

Innovation, Industry and Regional Development

Commonwealth funding for vocational education and training (VET) is appropriated and distributed under the 2005-08 Commonwealth-State agreement for Skilling Australia's Workforce, which has replaced the Australian National Training Authority annual agreement. The use of funds is subject to a VET plan which aligns with national priorities, along with an annual review process with the Commonwealth Government.

In 2008-09, operational funding for TAFEs is expected to be \$260 million. The Commonwealth Government allocates an indexed pool of funding for all states and allocates this funding based on each state's population share of certain demographic groups. The small decline between 2008-09 and the 2007-08 revised estimate reflects changes in Victoria's population shares for the relevant demographic groups between 2007 and 2008.

The Commonwealth and the Victorian Government have agreed to jointly contribute to the operating costs of the Australian Synchrotron under a deed of agreement between the Commonwealth of Australia, as represented by the Department of Education, Science and Training; and the State of Victoria, as represented by the Department of Innovation, Industry and Regional Development. Under the deed, the Commonwealth agreed to contribute \$50 million for expenses of the Synchrotron Company or the holding company over a five year period.

Human Services

The Health Care grant is provided through the *Australian Health Care Agreement* (AHCA) to assist Victoria to meet the cost of providing public hospital services to eligible persons. The current agreement ceases at 30 June 2008 and is to be rolled over until 30 June 2009. New arrangements for the AHCA will be finalised by 31 December 2008 and commence on 1 July 2009.

The aim of the *Home and Community Care Program* is to develop and deliver a range of integrated home and community care services to frail older people, people with disabilities and their carers. Services funded by the program include home care, respite, nursing, allied health, personal care, social support and meals. Local governments, district nursing services, community health services and non-government organisations deliver these services, either in the home or in community centres.

The *Commonwealth-State Housing Agreement* provides funding for the provision of long term housing assistance to low income Victorians, including through the public, community and Indigenous housing sectors. The agreement includes commitments to increase the provision of non-government participation in affordable housing, reduce workforce disincentives for tenants and improve Indigenous housing outcomes. This agreement is due to expire at the end of June 2008, but it is expected to be rolled-over until January 2009 to provide sufficient time for the finalisation of negotiations for its replacement - a broader National Affordable Housing Agreement.

The *Commonwealth State-Territory Disability Agreement* (CSTDA) funds specialist disability services and measures and reports progress on the national framework for people with a disability. The objective of the national framework is to enhance the quality of life experienced by people with a disability by assisting them to live as valued and participating members of the community. Victoria has administrative responsibility for accommodation and support services, while the Commonwealth Government has administrative responsibility for employment related services for people with

disabilities, with advocacy and print disability a shared responsibility between the Victorian and Commonwealth Governments. The CSTDA has an interim agreement to 30 June 2008. This is expected to be extended until January 2009 and replaced with a new, broader agreement.

The Commonwealth provides funding for a list of highly specialised medicines with a high unit cost that have a significant role in maintaining patients in a community setting. The Commonwealth provides these funds to the state to reimburse hospitals that have supplied the highly specialised medicines to community patients. The medicines that are funded are for chronic conditions that, because of their clinical use or special features, are restricted to supply through hospitals that have access to appropriate specialist facilities.

The *Australian Immunisation Agreement* provides funding and accountability mechanisms to enable Victoria and the Commonwealth to work cooperatively to prevent major vaccine preventable diseases. This is achieved through the provision of free immunisation to eligible cohorts and improved vaccine management.

Under the arrangement for the extension of pensioner benefits, the Commonwealth compensates state and territory governments for extending concessions to eligible pensioners, older long term allowees and beneficiaries.

The *Public Health Outcome Funding Agreement* creates flexible funding and accountability mechanisms to enable Victoria and the Commonwealth to work cooperatively to improve the health and wellbeing of Victorians. This is achieved through the enhanced delivery of public health activities, to adhere to nationally agreed policies and strategies. The broad public health objectives focus on communicable diseases, cancer screening and health risk factors.

The *Supported Accommodation Assistance Program Agreement* provides funding for the delivery of homelessness assistance and support services for people experiencing or at risk of homelessness, and to those affected by family violence. These services provide crisis accommodation directly, access to transitional housing management services for short to medium term accommodation and support to help people move to sustainable, long term housing options. Consideration is being given to subsuming the *Supported Accommodation Assistance Program Agreement* under the proposed *National Affordable Housing Agreement*.

Aged Care Assessment provides funding to ensure that older people (and in some exceptional circumstances younger people with disabilities) have access to services appropriate to meet their support needs. The funding allows for assessment of the physical, medical, psychological and social care needs of clients; development of a care plan with the individual and their carer/family along with provision of information and support to clients about appropriate services and referral to services which are available to meet clients' needs and preferences. The assessment determines eligibility for Commonwealth funded residential care facilities, community aged care, extended aged care at home, dementia and transition care program places, if appropriate.

The *COAG Drug Diversion Initiative* provides funding to increase incentives for drug users to identify and treat their illicit drug use early. It also aims to decrease the social impact of illicit drug use within the community and to prevent drug users committing drug-related crime therefore leading to safer community environments.

The *Elective surgery waiting list reduction plan* provides funding to perform elective surgery on patients that are waiting longer than the clinically recommended time for elective surgery. This funding will add to the capacity of Victoria's health services in undertaking elective surgery procedures and the provision of public hospital services.

In 2008-09, operational specific purpose grants for human services in Victoria are estimated to be \$3 393 million, a decrease of \$20 million (0.6 per cent) compared to the 2007-08 revised estimate, with major changes occurring in:

- the Health Care grant which is expected to increase by \$1.4 million (0.1 per cent) due to additional one-off funding of \$121 million anticipated to be received in 2007-08, to relieve pressure on public hospitals in 2008-09;
- *Home and Community Care Program* grants which are expected to increase by \$16 million (6.7 per cent) reflecting an expansion of the program by the Commonwealth;
- the *Highly Specialised Drugs Program* grant is expected to increase by \$13 million (10.0 per cent) reflecting the expansion of the Pharmaceutical Benefits Scheme;
- grants under the *Australian Immunisation Agreement* which are expected to decrease by \$69 million due to fixed-term funding for Human Papilloma Virus vaccine and Childhood Pneumococcal vaccine provided in 2007-08; and
- the Commonwealth's *Elective surgery waiting list reduction plan* funding which provides an additional \$11 million (100 per cent) to meet negotiated elective surgery activity.

Other specific purpose own use operational grants

Other operational specific purpose own use operational (current) grants are detailed in Table 4.11.

Table 4.11: Specific purpose own use operational grants – other Departments

(\$ million)			
	2007-08 <i>Revised</i>	2008-09 <i>Budget</i>	<i>Change</i> %
Department of Infrastructure			
Interstate road transport	14.4	14.7	2.5
	14.4	14.7	2.5
Department of Justice			
Compensation for transfer of corporate regulatory function to Commonwealth	50.7	52.0	2.5
Legal aid	31.6	28.9	-8.6
All other current grants	10.00	10.00	..
	92.3	90.9	-1.6
Department of Primary Industries			
Exceptional Circumstances relief payments	112.5	36.0	-68.0
All other current grants	1.7	1.7	..
	114.2	37.7	-67.0
Department of Sustainability and Environment			
Natural Heritage Trust ^(a)	31.8	43.3	36.2
National Action Plan - Salinity and Water Quality ^(a)	6.2	15.0	141.5
Snowy River environmental flows	15.9	15.9	..
All other current grants	18.4	22.0	19.7
	72.3	96.2	33.1
Other departments			
	0.3	0.3	..

Source: Department of Treasury and Finance

Note:

(a) *From 2008-09 these initiatives will be integrated into the new Commonwealth program Caring for our Country (with Victoria's program to be known as the Natural Resources Investment Program).*

These grants include:

- Interstate road transport: The Federal Interstate Registration Scheme (FIRS) levies registration charges on vehicles engaged in interstate trade and commerce under the *Interstate Road Transport Act 1985*. The Commonwealth Government pays a share of revenue collected under the FIRS scheme to states and territories, to cover the costs of maintenance and upkeep on roads used by motor vehicles registered under this Act.
- Compensation for transfer of corporate regulatory function to Commonwealth: In 1991, to ensure uniformity and efficiency in company and securities regulation, the states agreed to hand over their regulatory functions to the Commonwealth. The states are compensated by the Commonwealth for the financial loss of companies and securities regulation revenues as a result of this change.
- Legal aid: Commonwealth specific purpose grants are paid to assist the functioning of state legal aid schemes. The Commonwealth provides funding for a share of the operating costs of state legal aid commissions and for referrals to private practitioners on Commonwealth matters.
- Exceptional Circumstances relief payments: These payments relate to Commonwealth Government grant payments for drought assistance for farmers and farm-related small businesses in drought declared areas in Victoria. Based on the current declarations of Exceptional Circumstances, the funding requirement for these grants is expected to decline by \$77 million (68.0 per cent) in 2008-09 compared with the 2007-08 revised estimate. This will be reviewed during the year if there are any changes to the criteria or extensions to Exceptional Circumstances declared areas.
- The Commonwealth has introduced a new program, Caring for our Country, which will commence in 2008-09. This program will integrate a number of existing natural resource management programs, including the National Action Plan for Salinity and Water Quality and the Natural Heritage Trust, into a consolidated program. Victoria's contribution towards this program will be through the state's *Natural Resources Investment Program*. The 2008-09 estimates have yet to be confirmed by the Commonwealth, and are subject to the new funding framework that has been introduced by the Commonwealth for this program. Therefore, for budgeting purposes it has been assumed that the arrangements and expected funding profile in place prior to the introduction of this new program, will continue to be applicable in 2008-09.
- Snowy River environmental flows: funding to increase environmental flows to the Snowy River.

Specific purpose own use capital grants

Specific purpose own use capital grants are expected to be \$376 million in 2008-09 a decline of \$544 million (59.1 per cent) on the 2007-08 revised estimate. The major grants are detailed in Table 4.12.

Table 4.12: Specific purpose own use capital grants

(\$ million)			
	2007-08 Revised	2008-09 Budget	Change %
Department of Education and Early Childhood Development			
Government Schools	74.7	75.7	1.4
Investing in Our Schools: Government Schools	78.6	..	- 100.0
All other capital grants	0.8	0.8	..
	154.0	76.5	- 50.3
Department of Innovation, Industry and Regional Development			
Commonwealth TAFE	42.5	42.5	..
	42.5	42.5	..
Department of Human Services			
	10.9	0.2	- 98.3
Department of Infrastructure			
Roads	412.2	253.2	- 38.6
	412.2	253.2	- 38.6
Department of Sustainability and Environment			
Wimmera-Mallee Pipeline	164.5	1.0	- 99.4
National Water Initiative - Living Murray	11.0	2.2	- 80.3
Goldfields Superpipe	115.0	..	- 100.0
All other capital grants	10.1	0.9	- 91.5
	300.6	4.0	- 98.7
Total specific purpose own use capital grants	920.2	376.5	- 59.1

Source: Department of Treasury and Finance

Education and Early Childhood Development

For school programs, the Commonwealth legislates funding allocations quadrennially without predicting likely cost movements over time. Supplementary funding is then provided retrospectively through regulation to meet any changes in costs that have occurred over the period. Capital funding is supplemented in accordance with movements in the Building Price Index.

In 2008-09, capital funding for the Department of Education and Early Childhood Development is estimated to be \$77 million, a decrease of \$78 million (50.3 per cent) on the 2007-08 revised estimate. This reflects a \$79 million reduction in funding due to the conclusion of the Commonwealth's Investing in Our Schools Programme at the end of the 2007-08 financial year.

Innovation, Industry and Regional Development

In 2008-09 capital funding for TAFEs is estimated to be \$43 million, unchanged from the 2007-08 revised estimate. This funding is provided for TAFE institutions to purchase specialist training equipment and undertake specific approved major capital projects and a range of minor capital programs.

Human Services

The \$11 million reduction in specific purpose own use capital grants funding for human services primarily relates to the cessation of the *Pathways Home* program in 2007-08.

Infrastructure

The Commonwealth contributes roads funding through *AusLink*, which is an integrated approach to road and rail development launched in June 2004. *AusLink* provides for funding to key road and rail links throughout Australia that are of national significance. Through *AusLink*, the Commonwealth will commit \$1.5 billion from 2004-05 to 2008-09 to the development of Victorian road and rail infrastructure.

In 2008-09, roads grants under the *AusLink* program are estimated to be \$253 million, a decrease of \$159 million (38.6 per cent) compared to the 2007-08 revised estimate. This is mostly due to the original *AusLink* program winding down, resulting in lower cash flows for the remaining projects as they near completion. The amount of funding received each year varies depending on project timelines.

Additional roads grants will be provided by the Commonwealth in future years under an extension of the *AusLink* program, which will begin in 2009-10 and conclude in 2013-14.

Sustainability and Environment

The Wimmera-Mallee Pipeline project is currently running ahead of the original schedule, and as a consequence the majority of the Commonwealth funding was brought forward into 2007-08. The pipeline is now targeted to be completed in late 2009.

Under the Living Murray Initiative the Victorian Government has a commitment to achieve water savings of 214 billion litres a year for the River Murray and its Victorian tributaries by June 2009. The National Water Initiative - Living Murray grant provides funding for the Goulburn-Murray Water Recovery Package which will generate water savings through measures including the upgrade of headworks, development of reconfiguration plans and undertaking of reconfiguration works across the Goulburn-Murray area. The \$8.8 million decline between the 2007-08 revised estimate and 2008-09 reflects the payments schedules agreed to for the current projects under this initiative.

Construction on the Goldfields Superpipe project commenced in February 2007 and has been fast tracked to secure water supplies for Ballarat and Bendigo for the next 50 years. The Bendigo link of the Superpipe was completed in August 2007 and the Ballarat link is estimated to be completed by mid 2008. The \$115 million decline in grants for the Goldfields Superpipe project in 2008-09 compared to the 2007-08 revised estimate reflects the project timing.

Specific purpose grants for on-passing

The state also receives specific purpose grants which are 'on-passed' to various bodies such as non-government schools and local government authorities. In such cases, the state simply acts as the vehicle for distributing the Commonwealth funds. Specific purpose grants for on-passing in 2008-09 are estimated to be \$2 118 million, with the major grants as set out in Table 4.13.

Table 4.13: Specific purpose grants for on-passing

	(\$ million)		
	2007-08 Revised	2008-09 Budget	Change %
Current grants			
Assistance to non-government schools	1 495.6	1 584.9	6.0
Financial assistance grants to local government (operating)	303.4	314.7	3.7
Targeted programs for non-government schools	66.5	67.9	2.2
Total current grants	1 865.5	1 967.5	5.5
Capital grants			
Identified local roads grants to local government	112.0	116.2	3.7
Non-government schools	33.7	34.1	1.4
Investing in Our Schools: Non-government schools	25.0	..	- 100.0
Total capital grants	170.7	150.4	- 11.9
Total grants	2 036.2	2 117.9	4.0

Source: Department of Treasury and Finance

Assistance to non-government schools

Assistance is provided to non-government schools for operating and capital costs of school education. It is a major revenue source for a large proportion of non-government schools. Under the Commonwealth's socio-economic status (SES) of school communities model, the minimum funding entitlement on a per student basis is set at 13.7 per cent of the AGSRC, and payable to schools with an SES score of 130 points or more. The maximum payment is set at 70 per cent of the AGSRC and payable to schools with SES scores of 85 points or below.

Current and capital funding to non-government schools is expected to increase by \$66 million (4.1 per cent) in 2008-09 compared to the 2007-08 revised estimate, primarily reflecting an increase in the operational grants to non-government schools. This movement in the general current grant for non-government schools represents anticipated enrolment growth and estimated indexation as determined by the movement in the AGSRC. This increase has been partly offset by a \$25 million reduction in funding due to the conclusion of the Commonwealth Investing in Our Schools Programme at the end of 2007-08.

Financial assistance grants to local government (operating)

An equal per capita basis for distributing total assistance to the states and territories occurs pursuant to the *Local Government (Financial Assistance) Act 1995*. These grants are estimated to increase by 3.7 per cent to \$315 million in 2008-09, in line with Commonwealth estimates of population and CPI growth.

Identified local roads grants to local government

Funding to local councils is provided on a per capita and road length basis pursuant to the *Local Government (Financial Assistance) Act 1995*. These grants are estimated to increase by 3.7 per cent to \$116 million in 2008-09, in line with Commonwealth estimates of population and CPI growth.

CHAPTER 5 – TAX EXPENDITURES AND CONCESSIONS

TAX EXPENDITURES

Tax expenditures are tax concessions granted to certain taxpayers, activities or assets, which are a deviation from the normal taxation treatment. This includes tax free thresholds and can also take the form of exempting or applying a lower rate, deductions or rebate of a tax for a certain class of taxpayer, activity or asset (this excludes generally applying marginal tax rates).

Table 5.1 shows aggregate tax expenditure estimates by the main categories of tax for the period 2007-08 to 2011-12. Between 2007-08 and 2011-12, total estimated tax expenditures excluding thresholds are expected to increase by \$497 million. Land tax expenditures will broadly grow in line with the tax revenue profile, with a sharp increase in 2008-09 reflecting property revaluations. Estimates of payroll tax expenditures are anticipated to increase steadily, reflecting wage and employment growth forecasts in the coming years. Estimates of motor vehicle tax expenditures have been revised up from the 2007-08 Budget Update as part of the ongoing review into the calculation of tax expenditures.

Table 5.1: Aggregate tax expenditures (excluding thresholds) by type of tax

<i>Description</i>	<i>(\$ million)</i>				
	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>
Land tax	1233	1484	1448	1521	1484
Payroll tax	740	758	789	819	851
Gambling tax	67	67	70	74	78
Motor vehicle taxes	75	79	82	85	88
Other stamp duties ^(a)	150	253	253	254	256
Congestion levy	41	43	44	45	46
Total estimated tax expenditures	2 307	2 684	2 686	2 800	2 803

Source: Department of Treasury and Finance

Note:

(a) *Principally stamp duty on land transfer.*

Table 5.2 lists the estimated individual tax expenditures that can be costed for the period 2007-08 to 2011-12 (including tax free thresholds). Including the estimated value of tax free thresholds for land and payroll tax, the total value of tax assistance provided by the government is estimated at \$4.6 billion in 2008-09. Tax initiatives reported in the 2008-09 Budget that have implications for tax expenditures include:

- an adjustment of approximately 10 per cent to stamp duty on land transfer thresholds;
- enabling first homebuyers to receive both the principal place of residence stamp duty concession and the *First Home Bonus* in 2008-09;
- introducing a stamp duty exemption for homes transferred into special disability trusts;
- increasing the pensioner and concession cardholder exemption thresholds for stamp duty;
- introducing a stamp duty exemption to provide relief to certain trusts consistent with Commonwealth arrangements and capital gains tax relief;
- introducing a land tax exemption for long term accommodation for young people with disabilities, from 2008-09;
- a reduction in the payroll tax rate to 4.95 per cent; and
- an expansion of the corporate reconstruction exemption to certain stapled real estate investment trust.

In addition, a 10 per cent increase in all land tax thresholds will increase the tax expenditure associated with the tax-free threshold. This measure removes approximately 19 000 landholders from the 2008-09 land tax base. However, the land tax threshold increases are expected to reduce tax expenditures on other land tax exemptions.

Table 5.2: Tax expenditures that can be costed (including thresholds)

<i>Description</i>	<i>(\$ million)</i>				
	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>
Land tax exemptions					
Crown Property (right of Victoria)	133	160	156	164	160
Principal place of residence	489	589	574	604	589
Land held in trust for public or municipal purposes or vested in any municipality	85	102	100	105	102
Land used by a charitable institution	24	29	28	29	29
Commonwealth land	126	152	148	155	152
Land used for primary production	195	235	229	241	235
Land vested in a public statutory authority	124	149	145	153	149
Land used for the City Link network	14	17	17	18	17
Land used for EastLink	10	10	10	10	10
Assessment on a single holding basis for land owned by a municipality	3	3	3	4	3
Partial exemption for non-profit organisations solely for social, sporting, cultural, literary purposes; or horse, pony or harness racing	5	6	5	6	6
Assessment on a single holding basis for land owned by a charity	2	3	3	3	3
Retirement villages	6	8	7	8	8
Non-profit organisations providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	12	15	14	15	15
Associations of ex-servicemen	..	..	..	..	..
Caravan parks	2	3	3	3	3
Residential care facilities	3	4	4	4	4
Low-cost accommodation	..	..	..	..	..
Capping of land tax	..	..	..	..	..
Land tax trust provisions ^(a)	..	..	..	..	..
Aggregated site value below tax free threshold	55	67	65	68	67
Total land tax expenditures	1289	1551	1513	1590	1551
Payroll tax exemptions					
Wages paid by public hospitals	220	226	234	242	251
Wages paid by a public benevolent institution/charity	207	211	219	228	237
Wages paid by a non-profit, non-public school	112	115	119	124	129
Commonwealth departments/agencies (not transport and communication)	38	39	41	42	44
Wages paid by non-profit hospitals	44	45	47	48	50
Municipal councils (not wages for trading activities)	93	95	98	102	106
Fringe benefits excluded from Fringe Benefits Tax Assessment Act 1986	20	21	24	25	26
Religious institutions	3	3	3	4	4

Table 5.2: Tax expenditures that can be costed (including thresholds) (continued)

<i>Description</i>	<i>(\$ million)</i>				
	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>
Construction industry leave entitlements paid by CoINVEST	2	2	2	2	2
Paid maternity leave	1	1	1	1	1
Government school councils	..	..	..	1	1
Wages paid to employees participating in voluntary emergency service work	..	..	..	..	..
Employers' payroll below \$550 000	1 873	1 877	1 884	1 885	1 879
Total payroll tax expenditures	2 613	2 635	2 673	2 704	2 730
Congestion levy tax exemptions					
Residential	3	3	3	3	3
Commercial and private	9	10	10	10	11
Short stay car parks	29	30	31	32	33
Total congestion levy tax exemptions	41	43	44	45	46
Gambling tax exemptions					
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	67	67	70	74	78
Total gambling tax expenditures	67	67	70	74	78
Motor vehicle tax expenditures					
Motor vehicle registration fee for eligible beneficiaries	61	64	67	70	72
Registration fee for primary production vehicle (4.5 tonnes or less)	13	13	13	14	14
Exemption for non-commercial vehicle owned by incapacitated war service pensioner	1	1	1	1	1
Motor vehicle duty concession for incapacitated and disabled persons	..	..	..	..	..
Motor registration discount for hybrid cars	..	..	..	..	1
Total motor vehicle tax expenditures	75	79	82	85	88
Other stamp duties exemptions ^(b)					
Stamp duty for corporate reconstruction	57	95	95	95	95
Conveyance duty concession for first home buyers with families	..	..	..	..	..
Conveyance duty concession for pensioners and concession cardholders	54	56	56	58	59
Stamp duty for principal place of residence	39	102	102	102	102
Total other stamp duties expenditures	150	253	253	254	256
Total estimated tax expenditures	4 235	4 628	4 635	4 753	4 749

Source: Department of Treasury and Finance

Notes:

(a) *No reliable estimate currently available.*

(b) *Principally stamp duty on land transfer.*

Table 5.3 provides the ratio of tax expenditure to revenue by the main categories of tax in 2007-08. The ratio of tax expenditures (excluding thresholds) to tax revenue in 2007-08 is estimated at 18 per cent, compared with 22 per cent in 2006-07. This decrease is driven by a downward revision to estimates of land tax expenditures due to improved State Revenue Office estimation methodologies and data collection.

Table 5.3: Estimated aggregate tax expenditures (excluding thresholds) and tax revenue in 2007-08

<i>Description</i>	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	1 233	871	1.42
Payroll tax	740	3 824	0.19
Gambling tax	67	1 586	0.04
Motor vehicle taxes	75	1 347	0.06
Other stamp duties ^(a)	150	3 986	0.04
Congestion levy	41	38	1.10
Other/miscellaneous	..	1 345	..
Total for items estimated	2 307	12 997	0.18

Source: Department of Treasury and Finance

Note:

(a) Principally stamp duty on land transfer.

Table 5.4 provides a grouping of estimated tax expenditures to particular persons or entities based on the legal incidence of state taxes. Total aggregate expenditures are set to increase by \$497 million between 2007-08 and 2011-12, driven by increases in tax expenditures for property owners, primary producers, businesses, charitable organisations, local government, hospitals and Commonwealth and state government entities.

Table 5.4: Aggregate tax expenditures (excluding thresholds) classified by persons or entities affected

<i>Description</i>	<i>(\$ million)</i>				
	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>
Business	144	188	192	195	197
Construction industry	2	2	2	2	2
Charitable organisations	233	243	250	260	269
Educational institutions	113	115	120	125	130
Gambling clubs	67	67	70	74	78
Commonwealth and state government	420	500	490	515	504
Local government	181	201	202	210	211
Hospitals	264	270	280	290	301
Pensioners/concession cardholders	123	130	132	136	140
Property owners	531	695	680	710	695
Primary producers	207	248	242	254	249
Religious institutions	3	3	3	4	4
Sporting, recreation and cultural organisations	17	20	20	21	20
Other	2	2	2	2	2
Total for items estimated	2 307	2 684	2 686	2 800	2 803

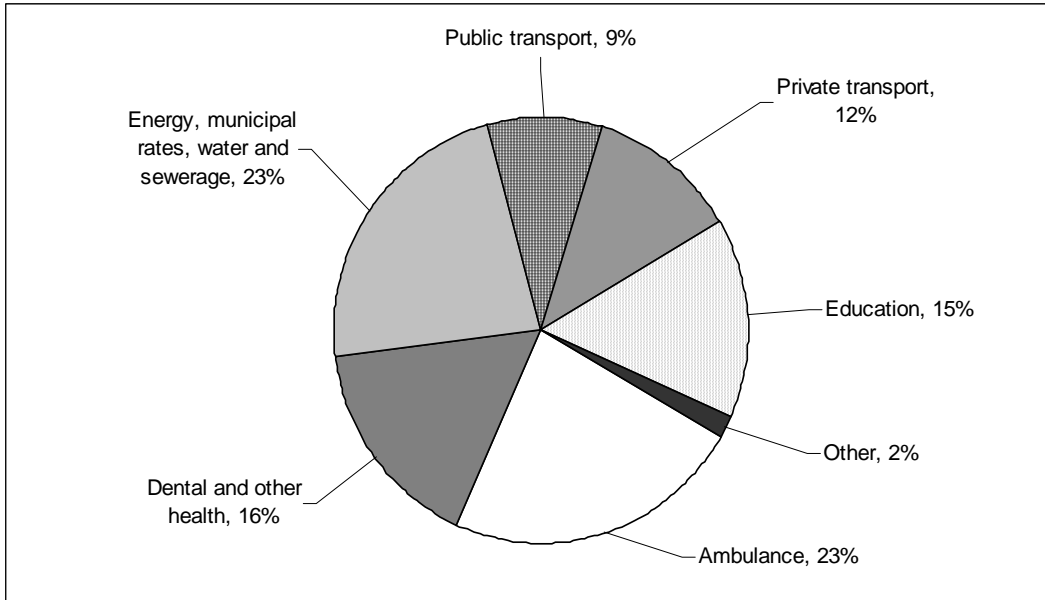
Source: Department of Treasury and Finance

CONCESSIONS

Concessions are a direct budget outlay or reduction in government charges that have the effect of reducing the price of a good or service for particular groups. Certain characteristics of the consumer, such as possession of a Commonwealth pension card or a health care card, are the basis for entitlement. Concessions allow certain groups in the community to access and/or purchase important amenities like energy, health and transportation at a cheaper rate or zero cost.

Chart 5.1 shows the estimated distribution of concessions by category for 2007-08. The majority of concessions are concentrated in health, accounting for 39 per cent of total concessions. Energy, municipal rates, water and sewerage is the next largest category, accounting for 23 per cent of total concessions in 2007-08, while transport accounts for 21 per cent of total concessions. Education represents 15 per cent of total concessions and other concessions account for 2 per cent.

Chart 5.1: Estimated concessions by category 2007-08



Source: Department of Treasury and Finance

Table 5.5 classifies the major concessions provided by the Victorian Government by category. The estimated total value of major concessions in 2007-08 is \$1 225 million.

In 2008-09, a number of new initiatives affecting outlays for tax concessions will be introduced. These initiatives will increase the water and sewerage concession cap and modify other concessions programs to assist the most vulnerable members of the Victorian community to afford water, energy and other essential services. The concessions initiatives will cost \$27 million in 2008-09 and \$82 million over four years to 2011-12.

Table 5.5: Concessions by category^(a)

Description	(\$ million)		
	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Energy, municipal rates, water and sewerage	257	281	309
Education	179	188	200
Health	449	486	506
Hardship assistance	16	21	22
Transport	236	249	258
Total for items estimated	1 137	1 225	1 294

Source: Department of Treasury and Finance

Note:

(a) These figures include the cost of administration.

The energy, municipal rates, water and sewerage category consists of concessions for electricity and gas usage, municipal rates, water and sewerage charges and other small concessions related to energy usage. Education concessions include the education maintenance allowance, the student transport allowance, the school start bonus and concessions for pre-school.

Health is the largest category and includes free emergency ambulance transport for concession holders, as well as school, community and specialist dental services and optical concessions. Health also includes community health programs. The hardship assistance programs category includes the utility relief, capital grant schemes and trustee services. These schemes provide one-off assistance to concession holders for, among other things, the upgrade of essential appliances or to pay utility bills in the event of an unforeseen financial crisis. Trustee services include the provision of administration services for people unable to manage their own financial affairs.

Transport concessions consist of a discount on Transport Accident Commission premiums for pensioners and funding for the multi-purpose taxi program, as well as public transport concessions.

CHAPTER 6 – 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 Public Account is maintained at one or more banks, as required by the *Financial Management Act 1994* (FMA). The state's financial transactions on the Public Account are recorded in a public ledger.

The FMA also provides for:

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

Machinery of Government changes – Department of Transport.

The government recently announced the creation of a new Department of Transport which takes over responsibility for most of the functions of the former Department of Infrastructure. However, certain functions, in particular relating to Major Projects Victoria, have been transferred to the Department of Innovation, Industry and Regional Development. The new administrative arrangements came into effect on 30 April 2008 through Administrative Arrangements Order No. 199 of 2008. For financial reporting purposes, these transfers do not take effect until after the end of the current financial year 2007-08.

There is no net impact of these changes on the aggregate budget, however the full impact of these changes on the 2008-09 departmental estimates has yet to be quantified. Therefore, this machinery of government change has not been reflected in the 2008-09 Budget Papers. Any consequent adjustments to the departmental estimates and re-allocation of appropriations will be made at a later date.

Consolidated Fund

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

The Trust Fund

Within the Public Account, the Trust Fund embraces a range of special purpose accounts established for funds that are not necessarily subject to state appropriation. Examples of these accounts include specific purpose payments from the commonwealth on passed by the state to third parties, accounts holding balances in suspense accounts 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 funds may also be established within the Trust Fund to receive state revenues hypothecated to particular purposes (e.g. lotteries revenue for hospitals and charities).

Table 6.1: The Consolidated Fund

Estimated receipts and payments for the year ended 30 June 2008 and for the year ended 30 June 2009.

	(\$ million)		
	2007-08 Budget	2008-09 Budget	Variation %
Receipts			
Taxation	11 568	13 380	15.7
Fines and regulatory fees	567	600	5.8
Grants received	13 604	14 778	8.6
Sales of goods and services (including Section 29 FMA annotated)	714	733	2.8
Interest received	37	40	8.1
Public authority income	1 001	702	(29.8)
Other receipts	3 110	3 296	6.0
Total operating activities	30 601	33 530	9.6
Total cash inflows from investing and financing	153	71	(53.6)
Total receipts	30 754	33 601	9.3
Payments			
Special appropriations	1 843	2 287	24.1
Appropriations ^(a)			
Provision of outputs	25 896	27 294	5.4
Additions to the net asset base	1 688	2 515	49.0
Payments made on behalf of the State	1 566	2 083	33.0
Receipts credited to appropriation			
Provision of outputs	1 989	1 902	(4.4)
Additions to the net asset base	249	192	(22.9)
Sub total	33 229	36 273	9.2
Applied appropriations remaining unspent	(227)	(147)	(35.2)
Total payments	33 002	36 125	9.5

Source: Department of Treasury and Finance

Note:

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

Table 6.2: Consolidated Fund receipts

(\$ thousand)

	2007-08 Budget	2008-09 Budget	Variation %
Operating receipts			
Taxation			
Payroll tax	4 001 953	4 391 385	9.7
Land Tax	765 560	1 049 939	37.1
Congestion levy	38 700	39 239	1.4
Duties from financial and capital transactions			
Land transfer duty	2 858 251	3 817 929	33.6
Other duties ^(a)	4 547	5 039	10.8
Financial accommodation levy	20 638	32 056	55.3
Levies on Statutory Corporations	61 600	73 700	19.6
Gambling			
Private lotteries	368 700	403 099	9.3
Electronic gaming machines	941 400	1 025 018	8.9
Casino taxes	130 800	135 026	3.2
Racing	129 400	129 379	..
Other gambling	5 900	7 707	30.6
Insurance	770 900	782 885	1.6
Motor vehicle			
Road Safety Act (Registration Fees)	783 137	836 969	6.9
Duty on vehicle registrations and transfers	559 304	581 525	4.0
Liquor licence fees	7 700	7 800	1.3
Other taxes ^(b)	119 390	61 702	(48.3)
Total	11 567 880	13 380 398	15.7
Fines and regulatory fees			
Fines	406 722	577 011	41.9
Regulatory fees	160 379	22 973	(85.7)
Total	567 101	599 984	5.8
Grants received			
Grants received by department			
Department of Education and Early Childhood Development	634 190	654 657	3.2
Department of Human Services	3 256 103	3 392 996	4.2
Department of Infrastructure	394 740	267 955	(32.1)
Department of Innovation, Industry and Regional Development	5 000	5 000	..
Department of Justice	53 720	55 225	2.8
Department for Planning and Community Development	..	..	..
Department of Premier and Cabinet	..	..	..
Department of Primary Industries	36 950	46 400	25.6
Department of Sustainability and Environment	98 832	74 189	(24.9)
Department of Treasury and Finance	9 124 800	10 281 400	12.7
Parliament	..	..	..
Total	13 604 334	14 777 822	8.6

Table 6.2: Consolidated Fund receipts (continued)

(\$ thousand)

	2007-08 <i>Budget</i>	2008-09 <i>Budget</i>	Variation %
Sales of goods and services	713 563	733 255	2.8
Interest received	37 012	40 009	8.1
Public authority income			
Public authority dividends	683 035	420 967	(38.4)
Public authorities income tax equivalent receipts	314 679	279 013	(11.3)
Public authorities local government tax equivalent receipts	2 800	2 300	(17.9)
Total	1 000 514	702 279	(29.8)
Other receipts			
Land rent received	14 871	14 436	(2.9)
Royalties received	41 149	41 661	1.2
Other ^(c)	3 054 231	3 239 989	6.1
Total	3 110 251	3 296 086	6.0
Total operating activities	30 600 655	33 529 832	9.6
Cash inflows from investing and financing			
Other loans	631	655	3.8
Other	152 408	70 288	(53.9)
Total cash inflows from investing and financing	153 039	70 943	(53.6)
Total Consolidated Funds receipts	30 753 694	33 600 775	9.3

Notes:

- (a) Duties on Rental Business has been abolished, effective 1 January 2007.
- (b) Other taxes include Concessional Fees (Transurban).
- (c) Includes Capital Assets Charge.

Table 6.3: Consolidated Fund appropriations - Summary

	(\$ thousand)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2008-09 Budget	Variation %
Education and Early Childhood Development				
Special appropriations	250	250	250	..
Annual appropriations ^(b)	6 477 447	6 725 677	7 206 489	11.3
Total	6 477 697	6 725 927	7 206 739	11.3
Human Services				
Special appropriations	1 187 900	1 187 900	1 265 465	6.5
Annual appropriations ^(b)	11 072 173	10 823 943	11 163 165	0.8
Total	12 260 073	12 011 843	12 428 630	1.4
Infrastructure				
Special appropriations	10 100	10 100	43 572	331.4
Annual appropriations ^(b)	4 869 843	4 816 398	5 177 223	6.3
Total	4 879 943	4 826 498	5 220 795	7.0
Innovation, Industry and Regional Development				
Special appropriations	..	..	..	..
Annual appropriations ^(b)	1 423 400	1 444 504	1 516 959	6.6
Total	1 423 400	1 444 504	1 516 959	6.6
Justice				
Special appropriations	114 394	114 394	153 628	34.3
Annual appropriations ^(b)	3 074 365	3 074 365	3 498 945	13.8
Total	3 188 759	3 188 759	3 652 573	14.5
Planning and Community Development				
Special appropriations	88 400	88 400	101 801	15.2
Annual appropriations ^(b)	370 313	489 392	610 108	64.8
Total	458 713	577 792	711 909	55.2
Premier and Cabinet				
Special appropriations	6 230	6 230	6 230	..
Annual appropriations ^(b)	509 264	509 264	483 269	(5.1)
Total	515 494	515 494	489 499	(5.0)
Primary Industries				
Special appropriations	..	..	..	..
Annual appropriations ^(b)	507 179	507 179	532 811	5.1
Total	507 179	507 179	532 811	5.1
Sustainability and Environment				
Special appropriations	..	..	3 600	..
Annual appropriations ^(b)	1 259 530	1 172 791	1 432 708	13.7
Total	1 259 530	1 172 791	1 436 308	14.0
Treasury and Finance				
Special appropriations	415 883	415 883	691 906	66.4
Annual appropriations ^(b)	1 706 744	1 706 744	2 247 049	31.7
Total	2 122 627	2 122 627	2 938 955	38.5

Table 6.3: Consolidated Fund appropriations - Summary (continued)

(\$ thousand)

	2007-08 Budget	2007-08 Adjusted ^(a)	2008-09 Budget	Variation %
Parliament				
Special appropriations	19 455	19 455	20 893	7.4
Annual appropriations ^(b)	116 515	116 515	116 528	..
Total	135 970	135 970	137 421	1.1
Total special appropriations	1 842 612	1 842 612	2 287 345	24.1
Total annual appropriations	31 386 772	31 386 772	33 985 253	8.3
Total appropriations	33 229 384	33 229 384	36 272 598	9.2

Source: Department of Treasury and Finance

Notes:

- (a) Reflects adjusted appropriations arising from machinery of government changes for the period 1 July 2007 to 30 June 2008.
- (b) Includes receipts credited to appropriation and unapplied previous year appropriation carried over.

Table 6.4: Consolidated Fund payments: special appropriations

	(\$ thousand)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2008-09 Budget	Variation %
Education and Early Childhood Development				
Education Act No. 6240, Section 34 - Volunteer Workers Compensation	250	250	..	(100.0)
Education and Training Reform Act No. 24/26 of 2006, Section 5.6.8 - Volunteer Workers Compensation	..	..	250	..
Total	250	250	250	..
Human Services				
Casino Control Act No. 47 of 1991, Section 114 - Hospitals and Charities Fund	11 500	11 500	11 670	1.5
Casino Control Act No. 47 of 1991, Section 114B - Hospitals and Charities Fund	10 725	10 725	10 833	1.0
Financial Management Act No. 18 of 1994, Section 33 -Appropriation to meet certain obligations ^(c)	..	..	9 150	..
Gambling Regulation Act No. 114 of 2003, Section 3.6.4 - Hospitals and Charities Fund	117 975	117 975	117 369	(0.5)
Gambling Regulation Act No. 114 of 2003, Section 3.6.11 - Hospitals and Charities Fund and Mental Health Fund	594 300	594 300	633 586	6.6
Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 - Hospitals and Charities Fund	129 400	129 400	129 379	..
Gambling Regulation Act No. 114 of 2003, Section 5.4.6 - Hospitals and Charities Fund and Mental Health Fund	322 300	322 300	351 688	9.1
Gambling Regulation Act No. 114 of 2003, Section 6.3.3 - Hospitals and Charities Fund and Mental Health Fund	1 700	1 700	1 790	5.3
Total	1 187 900	1 187 900	1 265 465	6.5
Infrastructure				
Financial Management Act No. 18 of 1994, Section 33 -Appropriation to meet certain obligations ^(c)	8 400	8 400	41 572	394.9
Transport Act No. 9921 of 1983, Section 213A	1 700	1 700	2 000	17.6
Total	10 100	10 100	43 572	331.4

Table 6.4: Consolidated Fund payments: special appropriations (continued)

	(\$ thousand)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2008-09 Budget	Variation %
Justice				
Constitution Act No. 8750 - Judges Supreme Court	11 413	11 413	14 681	28.6
Constitution Act No. 8750 - President Court of Appeal	375	375	420	12.0
Constitution Act No. 8750 - Judges Court of Appeal	3 765	3 765	4 841	28.6
Constitution Act No. 8750 - Chief Justice	377	377	525	39.3
County Court Act No. 6230 - Judges	16 365	16 365	22 743	39.0
Crown Proceedings - Act No. 6232	4 203	4 203	4 308	2.5
Electoral Act No. 23 of 2002, Section 181 - Electoral Expenses	20 518	20 518	31 534	53.7
Electoral Act No. 23 of 2002, Section 215 - Electoral Entitlement ^(b)	..	..	..	..
Juries Act No. 53 of 2000, Section 59 - Compensation to Jurors	17	17	18	5.9
Magistrates Court Act No. 51 of 1989	24 031	24 031	36 210	50.7
Melbourne City Link, Act No. 107 of 1995, Section 14(4)	2 100	2 100	3 100	47.6
Victims of Crime Assistance Act No. 81 of 1996, Section 69 Expenses	1 736	1 736	2 095	20.7
Victims of Crime Assistance Act No. 81 of 1996, Section 69 Awards	28 878	28 878	32 522	12.6
Victoria State Emergency Service Act No. 51 of 2005, Section 52 - Volunteer Workers Compensation	616	616	631	2.4
Total	114 394	114 394	153 628	34.3
Planning and Community Development				
Gambling Regulation Act No. 114 of 2003, Section 3.6.12 - Community Support Fund	88 400	88 400	101 801	15.2
Total	88 400	88 400	101 801	15.2
Premier and Cabinet				
Constitution Act No. 8750 - Executive Council	50	50	50	..
Constitution Act No. 8750 - Governor's Salary	320	320	320	..
Ombudsman Act No. 8414	360	360	360	..
Parliamentary Salaries and Superannuation Act No. 7723 of 1968	5 500	5 500	5 500	..
Total	6 230	6 230	6 230	..
Sustainability and Environment				
Financial Management Act No. 18 of 1994, Section 33 -Appropriation to meet certain obligations ^(c)	..	..	3 600	..
Total	..	..	3 600	..

Table 6.4: Consolidated Fund payments: special appropriations (continued)

	(\$ thousand)			
	2007-08 Budget	2007-08 Adjusted ^(a)	2008-09 Budget	Variation %
Treasury and Finance				
Business Franchise (Petroleum Products) Act No. 9272, Section 17(2) ^(b)	..	..	..	..
Constitution Act No. 8750 - Governor's Pension	660	660	147	(77.7)
Constitution Act No. 8750 - Judges of the Supreme Court	4 653	4 653	6 090	30.9
County Court Act No. 6230 - Judges	6 765	6 765	7 875	16.4
Financial Management Act No. 18 of 1994, Section 39 - Interest on Advances	20 000	20 000	20 000	..
Liquor Control Reform Act No.94 of 1998, Section 177(2)	3 500	3 500	3 500	..
State Electricity Commission Act 1958, Section 85B(2) - Indemnity ^(b)	11 300	11 300	33 100	192.9
State Owned Ent Act No. 94 of 1994, Section 88 - State Eqv. Tax Payments	..	..	168 800	..
State Superannuation Act No. 50 of 1988, Section 90(2) - contributions	367 360	367 360	450 694	22.7
Taxation (Interest on Overpayments) Act No 35 of 1986, Section 11	1 000	1 000	1 000	..
Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 - Debt Retirement	645	645	700	8.5
Total	415 883	415 883	691 906	66.4
Parliament				
Audit Act No. 2 of 1994, Section 17(3) - Audit of Auditor-General's Office	25	25	25	..
Constitution Act No. 8750, Section 94A - Auditor-General's Salary	438	438	276	(37.0)
Constitution Act No. 8750 - Clerk of the Parliaments	2	2	2	..
Constitution Act No. 8750 - Legislative Assembly	550	550	550	..
Constitution Act No. 8750 - Legislative Council	200	200	200	..
Financial Management Act No. 18 of 1994, Section 33 - Appropriation to meet certain obligations ^(c)	..	..	640	..
Parliamentary Salaries and Superannuation Act No. 7723 - salaries and allowances	18 240	18 240	19 200	5.3
Total	19 455	19 455	20 893	7.4
Total special appropriations	1 842 612	1 842 612	2 287 345	24.1

Source: Department of Treasury and Finance

Notes:

(a) Reflects adjusted special appropriations arising from machinery of government changes for the period 1 July 2007 to 30 June 2008.

(b) Reflects classification changes and new items.

(c) Relates to accumulated surplus - previously applied appropriation.

Table 6.5: Consolidated Fund payments: total annual appropriations

Details of total annual appropriations for 2008-09, including amounts of estimates of unapplied 2007-08 appropriation carried forward pursuant to Section 32 of the *Financial Management Act 1994* and receipts credited to appropriation pursuant to Section 29 of the *Financial Management Act 1994*. Estimates for 2008-09 Budget are in bold; estimates for 2007-08 Budget in italics.

	(\$ 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 Early Childhood Development				
Appropriation ^(a)	6 654 513	227 186	..	6 881 699
	<i>6 091 977</i>	<i>104 668</i>	..	<i>6 196 645</i>
Receipts credited to appropriation ^(b)	119 302	84 526	..	203 829
	<i>101 287</i>	<i>111 915</i>	..	<i>213 203</i>
Unapplied previous year appropriation carried over ^(c)	66 400	54 561	..	120 961
	<i>20 000</i>	<i>47 599</i>	..	<i>67 599</i>
Total appropriation	6 840 216	366 273	..	7 206 489
	<i>6 213 264</i>	<i>264 182</i>	..	<i>6 477 447</i>
Human Services				
Appropriation ^(a)	9 683 924	147 433	..	9 831 356
	<i>9 429 477</i>	<i>269 416</i>	..	<i>9 698 893</i>
Receipts credited to appropriation ^(b)	1 257 210	12 330	..	1 269 540
	<i>1 259 200</i>	<i>22 680</i>	..	<i>1 281 880</i>
Unapplied previous year appropriation carried over ^(c)	40 450	21 819	..	62 269
	<i>33 400</i>	<i>58 000</i>	..	<i>91 400</i>
Total appropriation	10 981 584	181 582	..	11 163 165
	<i>10 722 077</i>	<i>350 096</i>	..	<i>11 072 173</i>
Infrastructure				
Appropriation ^(a)	3 634 329	1 111 280	..	4 745 609
	<i>3 591 110</i>	<i>659 857</i>	..	<i>4 250 967</i>
Receipts credited to appropriation ^(b)	178 306	90 468	..	268 774
	<i>348 159</i>	<i>47 300</i>	..	<i>395 459</i>
Unapplied previous year appropriation carried over ^(c)	11 200	151 640	..	162 840
	<i>78 123</i>	<i>145 294</i>	..	<i>223 417</i>
Total appropriation	3 823 835	1 353 388	..	5 177 223
	<i>4 017 392</i>	<i>852 451</i>	..	<i>4 869 843</i>
Innovation, Industry and Regional Development				
Appropriation ^(a)	1 475 867	4 877	27 000	1 507 744
	<i>1 403 587</i>	<i>2 913</i>	..	<i>1 406 500</i>
Receipts credited to appropriation ^(b)	..	..	..	..

Unapplied previous year appropriation carried over ^(c)	9 215	..	..	9 215
	<i>16 900</i>	..	..	<i>16 900</i>
Total appropriation	1 485 082	4 877	27 000	1 516 959
	<i>1 420 487</i>	<i>2 913</i>	..	<i>1 423 400</i>

Table 6.5: Consolidated Fund payments: total annual appropriations (continued)

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Justice				
Appropriation ^(a)	3 141 588	141 648	48 311	3 331 547
	2 859 346	43 415	46 400	2 949 161
Receipts credited to appropriation ^(b)	108 218	330	..	108 548
	86 043	4 945	..	90 988
Unapplied previous year appropriation carried over ^(c)	53 850	5 000	..	58 850
	34 216	..	..	34 216
Total appropriation	3 303 656	146 978	48 311	3 498 945
	2 979 605	48 360	46 400	3 074 365
Planning and Community Development				
Appropriation ^(a)	438 074	150 104	500	588 678
	282 603	77 310	400	360 313
Receipts credited to appropriation ^(b)	..	..	..	..

Unapplied previous year appropriation carried over ^(c)	10 258	11 172	..	21 430
	10 000	..	..	10 000
Total appropriation	448 332	161 275	500	610 108
	292 603	77 310	400	370 313
Premier and Cabinet				
Appropriation ^(a)	466 676	4 888	..	471 564
	462 236	35 786	..	498 022
Receipts credited to appropriation ^(b)	945	..	..	945
	932	..	..	932
Unapplied previous year appropriation carried over ^(c)	5 500	5 260	..	10 760
	6 500	3 810	..	10 310
Total appropriation	473 121	10 148	..	483 269
	469 668	39 596	..	509 264
Primary Industries				
Appropriation ^(a)	311 156	92 554	..	403 710
	312 499	38 419	27 900	378 818
Receipts credited to appropriation ^(b)	95 614	..	..	95 614
	85 604	..	..	85 604
Unapplied previous year appropriation carried over ^(c)	28 982	4 505	..	33 487
	42 175	582	..	42 757
Total appropriation	435 752	97 059	..	532 811
	440 278	39 001	27 900	507 179
Sustainability and Environment				
Appropriation ^(a)	895 237	335 342	27 221	1 257 800
	878 488	174 779	25 880	1 079 147
Receipts credited to appropriation ^(b)	121 450	4 029	..	125 479
	88 976	61 728	..	150 704
Unapplied previous year appropriation carried over ^(c)	38 721	10 708	..	49 429
	27 644	2 034	..	29 678
Total appropriation	1 055 408	350 079	27 221	1 432 708
	995 109	238 541	25 880	1 259 530

Table 6.5: 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>
Treasury and Finance				
Appropriation ^(a)	232 319	27 169	1 979 062	2 238 551
	225 662	12 731	1 465 254	1 703 646
Receipts credited to appropriation ^(b)	5 498	..	..	5 498
	3 098	..	..	3 098
Unapplied previous year appropriation carried over ^(c)	..	2 000	1 000	3 000

Total appropriation	237 817	29 169	1 980 062	2 247 049
	228 760	12 731	1 465 254	1 706 744
Parliament				
Appropriation ^(d)	92 542	860	..	93 402
	86 718	5 420	..	92 138
Receipts credited to appropriation ^(b)	15 517	..	..	15 517
	15 517	..	..	15 517
Unapplied previous year appropriation carried over ^(c)	3 060	4 549	..	7 609
	3 060	5 800	..	8 860
Total appropriation	111 119	5 409	..	116 528
	105 295	11 220	..	116 515

Source: Department of Treasury and Finance

Notes:

- (a) Appropriation (2008-09) Act. Figures for 2007-08 have not been adjusted for machinery of government changes.
- (b) Financial Management Act, 1994 Section 29.
- (c) Financial Management Act, 1994 Section 32.
- (d) Appropriation (Parliament 2008-09) Act.

Table 6.6: Appropriation of receipts pursuant to Section 29 of the *Financial Management Act 1994*

Estimates for 2008-09 Budget are in bold; estimates for 2007-08 Budget 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 Early Childhood Development	1 519	194 310	8 000	203 829
	<i>1 519</i>	<i>202 484</i>	<i>9 200</i>	<i>213 203</i>
Human Services	266 224	991 166	12 150	1 269 540
	<i>275 575</i>	<i>993 255</i>	<i>13 050</i>	<i>1 281 880</i>
Infrastructure	820	267 955	..	268 775
	<i>720</i>	<i>394 740</i>	..	<i>395 460</i>
Innovation, Industry and Regional Development	..	..	..	..
Justice	105 043	3 175	330	108 548
	<i>83 106</i>	<i>2 937</i>	<i>4 945</i>	<i>90 988</i>
Planning and Community Development	..	..	..	..
Premier and Cabinet	945	..	..	945
	<i>932</i>	..	..	<i>932</i>
Primary Industries	57 914	37 700	..	95 614
	<i>48 654</i>	<i>28 250</i>	<i>8 700</i>	<i>85 604</i>
Sustainability and Environment	51 291	74 189	..	125 479
	<i>51 872</i>	<i>98 832</i>	..	<i>150 704</i>
Treasury & Finance	5 498	..	..	5 498
	<i>3 098</i>	..	..	<i>3 098</i>
Parliament	15 517	..	..	15 517
	<i>15 517</i>	..	..	<i>15 517</i>

Note:

(a) Includes Addition to Net Asset Base (ATNAB), Local Government and other Territory Government contributions.

Table 6.7: The Trust Fund

	(\$ thousand)			
	2007-08 Budget	2007-08 Revised	2008-09 Budget	Variation %
Cash flows from operating activities				
Receipts				
Taxation	150 546	152 641	155 926	3.6
Fines and regulatory fees	41 639	46 280	52 239	25.5
Grants received	2 469 483	2 384 195	2 430 662	(1.6)
Sale of goods and services	246 656	296 112	254 633	3.2
Interest received	107 853	135 652	140 784	30.5
Other receipts ^(a)	9 158 016	9 141 440	9 648 544	5.4
	12 174 194	12 156 320	12 682 787	4.2
Payments				
Employee entitlements	(72 717)	(92 740)	(87 459)	20.3
Superannuation	(4 830)	(6 205)	(5 938)	22.9
Interest paid	(15 801)	(16 252)	(16 670)	5.5
Grants paid	(9 800 727)	(9 693 477)	(9 992 974)	2.0
Supplies and consumables	(2 311 548)	(2 408 753)	(2 425 768)	4.9
	(12 205 623)	(12 217 428)	(12 528 809)	2.6
Net cash flows from operating activities	(31 429)	(61 108)	153 978	(589.9)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	20 000	34 000	34 000	70.0
Purchases of property, plant and equipment	(26 837)	(28 326)	(38 342)	42.9
Other investing activities	(76 762)	(76 871)	(100 257)	30.6
Net cash flows from investing activities	(83 600)	(71 197)	(104 600)	25.1
Cash flows from financing activities				
Net proceeds from/(repayment) of borrowings ^(b)	(8 226)	(147 728)	(22 631)	175.1
Net cash flow from financing activities	(8 226)	(147 728)	(22 631)	175.1
Net cash inflow/(-) outflow	(123 255)	(280 033)	26 747	(121.7)
Represented by:				
Cash and deposits held at beginning of reporting period ^(c)	2 007 241	2 007 241	1 727 209	(14.0)
Cash and deposits held at end year	1 883 987	1 727 209	1 753 956	(6.9)

Source: Department of Treasury and Finance

Notes:

(a) Includes transfers between funds.

(b) Relates to loans and advances.

(c) Cash and deposits held at the end of the year for 2007-08 Budget and 2007-08 Revised are based on 2007-08 actual opening balance plus 2007-08 budgeted movement.

CHAPTER 7 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

CONTINGENT ASSETS

A contingent asset is a possible asset that arises from past events and 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 can be classified into either quantifiable, where the potential economic benefit is known, or non-quantifiable. Table 7.1 contains quantifiable contingent assets as at June 2007 and a revised estimate of these contingent assets as at June 2008.

Quantifiable contingent assets

Table 7.1: Quantifiable contingent assets

	(\$ million)	
	As at June 2007	Estimate for June 2008 ^(a)
Guarantees, Indemnities	1.3	1.3
Potential early termination of contractual arrangements ^(b)	119.3	119.3
Legal proceedings and disputes	17.0	17.0
Other ^(c)	112.7	112.7
Total contingent assets	250.2	250.2

Source: Department of Treasury and Finance

Notes:

- (a) There have been no material changes to quantifiable contingent assets since last reported in the 2006-07 Financial Report for the State of Victoria.
- (b) Included under 'potential early termination of contractual arrangements' are any additional costs arising to the Director of Public Transport on early termination of the public transport partnership agreements. The operator must, to the extent of the performance bonds, indemnify the Director for any losses, damages or costs incurred by him as a result of early termination. If the operator does not do so, the Director has the right to draw on the operator's performance bonds for the amount of losses, damages or costs. The nominal value of these bonds is \$119.3 million.
- (c) 'Other' includes the EastLink project of \$92 million. The remaining amounts in 'Other' relate to smaller individual contingencies.

EastLink

On 14 October 2004, the state entered into a concession deed with ConnectEast to design, construct, finance and operate EastLink. Various performance bonds provided under the concession deed can be drawn by the state in circumstances where the concessionaire (ConnectEast) or one of its contractors fails to meet its obligations. These bonds include a construction bond (\$87 million) and an operation phase bond (\$5 million). In the event of certain default events, there is potential for the \$5 million to increase to \$20 million.

Non-quantifiable contingent assets

City Link compensable enhancement claims

The Melbourne City Link Concession Deed contains compensable enhancement provisions that enable the Victorian Government to claim 50 per cent of additional revenue derived by City Link Melbourne Limited as a result of certain events that particularly benefit City Link, including changes to the adjoining road network.

On 20 May 2005, the Victorian Government lodged a compensable enhancement claim relating to works to improve the traffic flow on the Westgate Freeway between Lorimer and Montague Streets.

Under the Monash Westgate Freeways Improvement project, the Victorian Government's share of revenue uplifts will be calculated and paid three years after the completion of the project.

EastLink

As indicated above, on 14 October 2004, the state entered into a concession deed with ConnectEast to design, construct, finance and operate EastLink. In addition to the quantifiable contingent assets listed above, there is a non-quantifiable contingent asset relating to the Hand Over Bond through which ConnectEast has an obligation to the State, in certain limited circumstances, to provide a bond to cover project rectification costs to the end of the concession period in 2043.

Channel Deepening Project Environmental Performance Bond

On 14 December 2007, the Minister for Environment and Climate Change approved the Channel Deepening Project under the *Coastal Management Act 1995*. The approval was subject to a number of conditions, including the Port of Melbourne Corporation providing a \$100 million environmental performance bond. The potential impact from this arrangement is that, in the event the bond is called upon, the Minister for Environment and Climate Change (being the beneficiary of the bond) will receive funds up to an amount of \$100 million, which are to be used for remedial or recovery works as agreed with the Minister for Roads and Ports.

CONTINGENT LIABILITIES

A contingent liability is:

- a possible obligation that arises from past events and 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
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

As with contingent assets, contingent liabilities are also classified as either quantifiable or non-quantifiable. Table 7.2 contains quantifiable contingent liabilities as at June 2007 and a revised estimate of these contingent liabilities as at June 2008.

Quantifiable contingent liabilities

Table 7.2: Quantifiable contingent liabilities

	(\$ million)	
	As at June 2007	Estimate for June 2008
Guarantees, Indemnities	364.7	425.3
Potential early termination of contractual arrangements	..	..
Legal proceedings and disputes	285.1	242.9
Other	355.8	207.8
Non-general government debt ^(a)	3 678.6	4 803.4
Total contingent liabilities	4 684.3	5 679.4

Source: Department of Treasury and Finance

Note:

(a) Represents guarantees for loans made by the general government sector to agencies in the public non-financial corporations sector, primarily the water entities and other non-general government sector entities. The increase since June 2007 is mainly due to increased water industry capital works.

Non-quantifiable contingent liabilities

A number of potential obligations, which are non-quantifiable at this time, have been recognised by the government arising from:

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

Asset sales

Potential exposures are associated with the sale of a number of assets and services where the purchaser was provided with various indemnities and warranties.

Royal Melbourne Showgrounds

A contingent liability exists relative to any claims which may be made against the Showgrounds Nominees Pty Ltd arising from joint venture dealings as outlined in the Development and Operations Agreement for the Royal Melbourne Showgrounds. An undertaking has been given by the joint venture parties to meet the indexed service fees payable to the Concessionaire (Developer) under the Development and Operations Agreement as and when they fall due, subject to the Concessionaire's achievement of defined service standards at the Showgrounds and relevant abatement if there are service failures.

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

Under the State Commitment to the Royal Agricultural Society (RAS), the state has agreed to support certain obligations of the RAS which may arise out of the Joint Venture Agreement. In accordance with the terms in the State Commitment to the RAS, the State will meet certain RAS obligations, in the form of a loan, if requested by RAS when RAS does not have financial capacity to pay and provided RAS has materially complied with all its material obligations under the Project Objectives Agreement, RAS Events Agreement and other Joint Venture project documents. If any outstanding loan amount remains unpaid at a date which is 25 years after the commencement of the operation term under the Development and Operation Agreement, the RAS will be obliged to satisfy and discharge each such outstanding loan amount. This may take the form of the transfer to the state of the whole of the RAS' participating interest in the joint venture.

The state has also entered into an agreement through the State Support Deed – Non-Core Land with Showgrounds Retail Developments Pty Ltd and the RAS whereby the State agrees to support certain payment obligations of the Royal Agricultural Society of Victoria Limited that may arise under the Non-Core Development Agreement. In March 2007 Showgrounds Retail Developments Pty Ltd subsequently assigned all its rights and obligations under these agreements, via an Assignment Deed, to Coles Group Property Developments Ltd.

Public transport rail partnership agreements

The Director of Public Transport, on behalf of the Crown, entered into new partnership contractual arrangements with franchisees to operate rail transport services in the State, operative from 18 April 2004. The following summarises the major contingent liabilities arising from those arrangements.

Contingent liabilities on early termination or expiry of franchise agreement

Franchise assets: to maintain continuity of services, the Director at early termination or expiry of the franchise agreement will either purchase the assets or have the assets transferred to the successor.

Unfunded superannuation: at the early termination or expiry of the contract, the Director will assume any unfunded superannuation amounts (apart from contributions the franchisee is required to pay over the contract term) to the extent that the State becomes the successor operator.

National Express receivership

In December 2002, the government appointed receivers and managers to the National Express train and tram franchises, in order to protect government interests, ensure continuation of services up to the commencement of new franchise agreements, and deal with any subsequent termination issues.

The Treasurer, under the Receivership Deed of Indemnity, has agreed to indemnify the receivers for debts properly incurred by them in the course of receivership. The Treasurer has also agreed to remunerate the receivers in accordance with the rates set out in the deed.

Melbourne City Link

An outstanding claim exists from Transurban City Link Limited, pursuant to the Melbourne City Link Concession Deed, relating to an alleged Material Adverse Effect in respect of the construction of Wurundjeri Way. Expert determination found in favour of the state. However, the claim has now been appealed to arbitration, which is currently proceeding. VicRoads is defending this claim and is unable to assess the likelihood of success at this time.

EastLink

On 14 October 2004, the state entered into a Concession Deed with ConnectEast to design, construct, finance and operate EastLink. The major non quantifiable contingent liability arising from the concession deed relates to the Key Risk Management Regime. The Regime relates to the occurrence of certain circumstances that may have a detrimental impact on the concessionaire's ability to achieve its forecast returns. It identifies the areas that enable the concessionaire to claim redress from the State. These may include acts of prevention, failure to support a principal road interface, changes in state law, Native Title and the environmental effects statement.

Native Title

A number of claims have been filed with the Federal Court under the *Native Title Act 1993* that affect Victoria. While many such claims are being processed through the legal system, the government has committed itself to resolving claims through mediation, where possible. It is not feasible at this time to quantify any future liability.

HIH Insurance

The state's quantifiable direct exposures arising from the collapse of the HIH Insurance Group are included in the liabilities shown in the financial statements of the agencies directly responsible for them – such as the Victorian WorkCover Authority and the Victorian Managed Insurance Authority (VMIA) – and are consolidated in the financial statements of the state.

The state's obligations in respect of its builders' warranty insurance rescue package are direct liabilities of the state itself. They do not form part of the liabilities of the VMIA which manages claims on behalf of the state, this responsibility having been transferred to VMIA from the Housing Guarantee Fund Limited, under the *House Contracts Guarantee (Amendment) Act 2005*.

The state also retains some unquantifiable contingent exposures arising from the collapse of the HIH Insurance Group. These contingent exposures arise primarily through the possibility that the state may be involved in litigation in which it would be entitled to recover damages from third parties. If these third parties were insured by HIH, recovery in full may not be possible.

Land remediation – environmental concerns

A number of Victorian Government 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.

Victorian Managed Insurance Authority – property and public liability

The VMIA was established in 1996 as a captive insurer for departments and participating bodies, predominantly in the general government sector. VMIA provides its client bodies with a range of insurance cover, including for property, public and products liability, professional indemnity and contract works. VMIA reinsures in the private market for losses above \$50 million arising out of any one event, up to a maximum for each type of cover (e.g. \$1,500 million for property and \$750 million for public liability). The risk of losses above these reinsured levels and below \$50 million is borne by the state.

Victorian Managed Insurance Authority – public healthcare insurances

VMIA insures the public healthcare system for a range of insurances, including medical indemnity risks. The government has indemnified VMIA for losses on its public sector medical indemnity portfolio that exceed 120 per cent of claims estimates to be incurred in any one policy year.

Gambling licences

In 1992, a gaming operator's licence was issued to the Trustees of the Will and Estate of the late George Adams, now trading as Tatts Group. In 1994, the state issued a wagering and gaming licence to TABCORP Holdings Limited (TABCORP). These licences expire in 2012 and the end of licence arrangements are specified in the *Gambling Regulation Act 2003*.

These end of licence arrangements include compensation provisions for the licensees predicated on the current licensing arrangements being rolled over for a further period beyond 2012.

On 10 April 2008, the government announced a new regulatory model for the post-2012 licences. The main changes include:

- separating the wagering and gaming licence to instead license wagering on a stand-alone basis; and
- transitioning from the current gaming operator duopoly to a system where venue operators are licensed to own and operate gaming machines in their own right.

After considering the end of licence arrangements in the *Gambling Regulation Act 2003*, the government has formed the view that neither Tatts Group nor TABCORP will be entitled to compensation after the expiration of their current licences.

The government does not intend to alter or amend the provisions in the *Gambling Regulation Act 2003* that deal specifically with the end of licence arrangements for Tatts Group and TABCORP.

Builders' warranty

On 13 March 2002, Victoria and New South Wales jointly announced a series of reforms to Builders' warranty insurance arrangements. This announcement included a commitment to provide a catastrophe fund capable of supporting claims above \$10 million. To meet this commitment, the two states offered reinsurance arrangements to all builders' warranty insurers covering claims in respect of any one builder in excess of \$10 million, with each state reinsuring claims relating to properties in that state. South Australia has since also become involved in these arrangements. Since builders' warranty insurance commenced, there have been no losses by an insurer to any one builder that exceed this amount.

Victoria has reinsurance agreements giving effect to these arrangements with three insurers. These agreements require each insurer to pay reinsurance premiums to Victoria (and to any other state that is also a party to such an agreement) that are estimated to be sufficient for the state to at least break even on these arrangements. However, the state retains an unquantifiable contingent liability for additional claims.

APPENDIX A – HISTORICAL AND FORWARD ESTIMATES TABLES

This appendix provides historical data stretching back 20 to 40 years for major fiscal aggregates. Wherever possible, adjustments have been made to make the historical series consistent with the forward estimates. For instance, all historical accounting-based tables have been presented in the format adopted under Australian equivalent to International Financial Reporting Standards (A-IFRS), and GFS statistical aggregates have been converted to an accruals basis. Also, the historical operating statement and cash flow statement have been revised back to 2004-05 for consistency with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. However, some breaks in series remain.

Table A.1 shows the trends in general government sector aggregate cash flows over the period 1986-87 to 2011-12. This table of historical data has been compiled as far as possible on an A-IFRS basis and from 2004-05 onwards is consistent with the cash flow statement included in *Chapter 1, Estimated Financial Statements and Notes*. Note all footnotes are shown at the end of the table.

The data from 1997-98 include the transactions of government schools and the arts institutions on a gross operating basis, as well as the full trading operations of TAFE institutes and hospitals, nursing homes and ambulances. Although this expanded coverage does not materially influence the net operating result for the general government sector, it does significantly increase the inflows and outflows presented in the cash flow statement.

Table A.3 shows the general government sector net operating result from 1996-97 to 2011-12, with 2004-05 onwards presented in compliance with AASB 1049.

Table A.5 presents general government sector operating expenses, sourced from Australian Bureau of Statistics historical data, classified by government purpose. The underlying data from 1961-62 to 1997-98 represent a conversion from the original cash series to an accruals basis by estimating depreciation and superannuation expenses based on statistical modelling. Although this conversion provides a basis for comparison with total expenses in the current series of accrual GFS information from 1998-2012 in Table A.6 and in Chapter 1 *Estimated Financial Statements and Notes* Table 1.1, the estimated accrued expense items have not been apportioned to individual purpose classifications. The absence of these splits between functional classifications in Table A.5 therefore represents a break in the series and it is not possible to compare individual purpose categories with those in other tables.

Table A.1: General government cash flow statement - historical series

	(\$ million)				
	1986-87	1987-88	1988-89	1989-90	1990-91
	Actual	Actual	Actual	Actual	Actual
Cash flows from operating activities					
Receipts					
Taxes received	3 867	4 420	5 004	5 302	5 641
Fines and regulatory fees	143	150	147	168	201
Grants	4 665	4 857	5 011	5 240	5 676
Sales of goods and services	646	724	811	907	963
Interest received	189	155	162	144	152
Dividends received	251	296	354	399	327
Other receipts	483	493	487	484	326
Total receipts	10 245	11 094	11 975	12 645	13 287
Payments					
Payments for employees ^(a)	(4 457)	(4 808)	(5 110)	(5 471)	(5 855)
Superannuation	(367)	(416)	(519)	(586)	(685)
Interest paid	(1 079)	(1 163)	(1 254)	(1 423)	(1 602)
Grants and subsidies ^(a)	(2 463)	(2 533)	(2 788)	(2 834)	(2 807)
Goods and services	(2 138)	(2 327)	(2 530)	(2 869)	(2 885)
Total payments	(10 505)	(11 247)	(12 200)	(13 184)	(13 834)
Net cash flows from operating activities	(260)	(152)	(225)	(538)	(547)
Cash flows from investing activities					
Purchases of non-financial assets	(953)	(1 031)	(1 042)	(1 085)	(1 129)
Sales of non-financial assets	104	207	189	168	114
Net (purchase)/disposal of investments	77	77	99	111	186
Net customer loans (granted)/repaid	..	..	..	..	..
Net privatisation proceeds and other abnormals ^(b)	35	35	35	35	1 292
Net cash flows from investing activities	(737)	(712)	(720)	(771)	464
Cash flows from financing activities					
Net borrowings	1 038	973	852	1 233	410
Net cash flows from financing activities	1 038	973	852	1 233	410
Net increase in cash and deposits held	42	109	(93)	(76)	327
Cash and deposits at beginning of reporting period	841	883	992	898	823
Cash and deposits at end of reporting period	883	992	898	823	1 149

Source: Department of Treasury and Finance

Table A.1: General government cash flow statement - historical series (continued)

	(\$ million)				
	1991-92	1992-93	1993-94	1994-95	1995-96
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Cash flows from operating activities					
Receipts					
Taxes received	5 968	6 498	7 342	7 677	8 268
Fines and regulatory fees	263	260	284	304	293
Grants	5 921	6 138	6 215	6 355	6 659
Sales of goods and services	1 038	1 006	1 004	1 034	1 136
Interest received	121	95	94	117	107
Dividends received	566	581	815	765	624
Other receipts	308	251	323	285	346
Total receipts	14 185	14 830	16 076	16 537	17 432
Payments					
Payments for employees ^(a)	(6 337)	(6 846)	(7 184)	(6 299)	(6 276)
Superannuation	(782)	(853)	(493)	(1 149)	(1 046)
Interest paid	(1 787)	(2 064)	(2 195)	(2 007)	(1 923)
Grants and subsidies ^(a)	(3 134)	(3 501)	(3 893)	(3 324)	(3 101)
Goods and services	(2 943)	(3 024)	(2 148)	(2 975)	(3 593)
Total payments	(14 983)	(16 288)	(15 912)	(15 754)	(15 939)
Net cash flows from operating activities	(798)	(1 458)	164	783	1 493
Cash flows from investing activities					
Purchases of non-financial assets	(1 066)	(1 068)	(980)	(1 288)	(1 285)
Sales of non-financial assets	103	132	189	189	156
Net (purchase)/disposal of investments	143	(261)	(501)	402	(464)
Net customer loans (granted)/repaid	..	..	..	..	..
Net privatisation proceeds and other abnormals ^(b)	6	304	498	735	4 794
Net cash flows from investing activities	(815)	(892)	(793)	39	3 200
Cash flows from financing activities					
Net borrowings	1 506	2 315	841	(902)	(4 703)
Net cash flows from financing activities	1 506	2 315	841	(902)	(4 703)
Net increase in cash and deposits held	(107)	(36)	211	(80)	(9)
Cash and deposits at beginning of reporting period	1 149	1 043	1 007	1 219	1 138
Cash and deposits at end of reporting period	1 043	1 007	1 219	1 138	1 129

Source: Department of Treasury and Finance

Table A.1: General government cash flow statement - historical series (continued)

	(\$ million)			
	1996-97	1997-98	1998-99	1999-00
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Cash flows from operating activities				
Receipts				
Taxes received	8 714	8 515	8 794	9 666
Fines and regulatory fees	258	247	324	359
Grants	6 928	7 440	7 480	7 735
Sales of goods and services	1 119	1 606	1 659	1 776
Interest received	129	140	202	195
Dividends and income tax and rate equivalents	967	930	1 142	1 088
Other receipts ^{(c) (d)}	275	838	1 220	1 038
Total receipts	18 389	19 717	20 821	21 857
Payments				
Payments for employees ^(a)	(6 608)	(6 621)	(7 041)	(7 378)
Superannuation	(1 213)	(1 257)	(2 083)	(1 370)
Interest paid	(1 403)	(1 162)	(732)	(448)
Grants and subsidies ^{(a) (d)}	(3 238)	(3 514)	(3 598)	(3 363)
Goods and services	(3 892)	(5 503)	(5 796)	(6 373)
Total payments	(16 354)	(18 057)	(19 250)	(18 931)
Net cash flows from operating activities	2 035	1 660	1 571	2 926
Cash flows from investing activities				
Purchases of non-financial assets	(1 288)	(1 209)	(1 327)	(1 208)
Sales of non-financial assets	163	363	211	187
Net (purchase)/disposal of investments	(141)	(422)	390	(1 091)
Net customer loans (granted)/repaid	..	297	309	122
Net privatisation proceeds and other abnormals ^(b)	4 514	1 610	3 344	..
Net cash flows from investing activities	3 248	639	2 927	(1 991)
Cash flows from financing activities				
Net borrowings	(5 406)	(2 364)	(4 718)	(766)
Net cash flows from financing activities	(5 406)	(2 364)	(4 718)	(766)
Net increase in cash and deposits held	(124)	(65)	(221)	169
Cash and deposits at beginning of reporting period	1 129	1 005	940	719
Cash and deposits at end of reporting period	1 005	940	719	889

Table A.1: General government cash flow statement - historical series (continued)

(\$ million)

	2000-01 <i>Actual</i>	2001-02 <i>Actual</i>	2002-03 <i>Actual</i>	2003-04 <i>Actual</i>
Cash flows from operating activities				
Receipts				
Taxes received	8 458	8 611	9 101	9 874
Fines and regulatory fees	377	398	509	502
Grants	10 370	11 879	12 101	12 611
Sales of goods and services	1 957	2 066	2 757	2 792
Interest received	301	303	375	411
Dividends and income tax and rate equivalents	986	606	774	599
Other receipts ^{(c) (d)}	865	1 143	1 655	1 455
Total receipts	23 314	25 006	27 271	28 244
Payments				
Payments for employees	(7 962)	(8 692)	(9 302)	(9 809)
Superannuation	(1 898)	(1 030)	(2 558)	(2 027)
Interest paid	(464)	(453)	(468)	(457)
Grants and subsidies ^(d)	(3 757)	(4 205)	(3 985)	(4 549)
Goods and services	(7 077)	(7 531)	(9 034)	(8 931)
Total payments	(21 158)	(21 910)	(25 347)	(25 773)
Net cash flows from operating activities	2 155	3 096	1 924	2 471
Cash flows from investing activities				
Purchases of non-financial assets	(1 629)	(1 941)	(1 924)	(2 347)
Sales of non-financial assets	150	123	128	127
Net (purchase)/disposal of investments	(689)	(547)	(256)	951
Net customer loans (granted)/repaid	98	71	(25)	(12)
Net contribution to other sectors of government	..	(13)	(314)	(158)
Net cash flows from investing activities	(2 071)	(2 306)	(2 391)	(1 439)
Cash flows from financing activities				
Net borrowings	(72)	(29)	(89)	(844)
Net cash flows from financing activities	(72)	(29)	(89)	(844)
Net increase in cash and deposits held	13	761	(555)	187
Cash and deposits at beginning of reporting period	889	902	1 663	1 108
Cash and deposits at end of reporting period	902	1 663	1 108	1 295

Table A.1: General government cash flow statement - historical series (continued)

	(\$ million)			
	2004-05 Actual ^(g)	2005-06 Actual ^(g)	2006-07 Actual ^(g)	2007-08 Revised
Cash flows from operating activities				
Receipts				
Taxes received	10 318	10 974	11 264	13 380
Grants	13 452	14 620	15 602	17 177
Sales of goods and services	4 214	4 409	5 327	4 259
Interest received	343	374	420	373
Dividends and income tax and rate equivalents	877	1 163	1 016	1 177
Other receipts ^{(c) (d)}	1 143	1 257	1 313	1 130
Total receipts	30 347	32 797	34 942	37 497
Payments				
Payments for employees	(10 748)	(11 469)	(12 202)	(13 068)
Superannuation	(1 797)	(1 888)	(1 212)	(1 594)
Interest paid	(366)	(409)	(430)	(443)
Grants and subsidies ^(d)	(5 290)	(5 919)	(6 674)	(6 401)
Goods and services ^(f)	(9 665)	(10 563)	(11 660)	(11 741)
Other payments	0	20	0	(326)
Total payments	(27 866)	(30 227)	(32 178)	(33 575)
Net cash flows from operating activities	2 480	2 570	2 764	3 922
Cash flows from investing activities				
<i>Non-financial assets</i>				
Purchases of non-financial assets	(1 960)	(2 302)	(2 812)	(2 994)
Sales of non-financial assets	128	159	226	212
Cash flows from investments in non-financial assets	(1 832)	(2 143)	(2 587)	(2 782)
<i>Financial assets for policy purposes</i>				
Net (purchase)/disposal of investments	(569)	(83)	(600)	(1 384)
Net cash flows from investments in financial assets for policy purposes	(569)	(83)	(600)	(1 384)
<i>Investments in financial assets for liquidity purposes</i>				
Net (purchase)/disposal of investments	473	638	53	(180)
Net cash flows from investments in financial assets for liquidity purposes	473	638	53	(180)
Net cash flows from investing activities	(1 928)	(1 587)	(3 134)	(4 345)
Cash flows from financing activities				
Advances received (net)	..	(5)	(1)	(1)
Net borrowings	(45)	(171)	614	(468)
Deposits received (net)	(3)	71	76	..
Other financing (net)	..	..	..	..
Net cash flows from financing activities	(48)	(105)	689	(469)
Net increase in cash and deposits held	504	878	320	(892)
Cash and deposits at beginning of reporting period ^(e)	1 295	1 817	2 695	3 015
Cash and deposits at end of reporting period	1 799	2 695	3 015	2 122
FISCAL AGGREGATES				
Net cash flows from operating activities	2 480	2 570	2 764	3 922
Net cash flows from investments in non-financial assets	(1 832)	(2 143)	(2 587)	(2 782)
Cash surplus / (deficit)	648	427	178	1 140

Table A.1: General government cash flow statement - historical series (continued)

(\$ million)

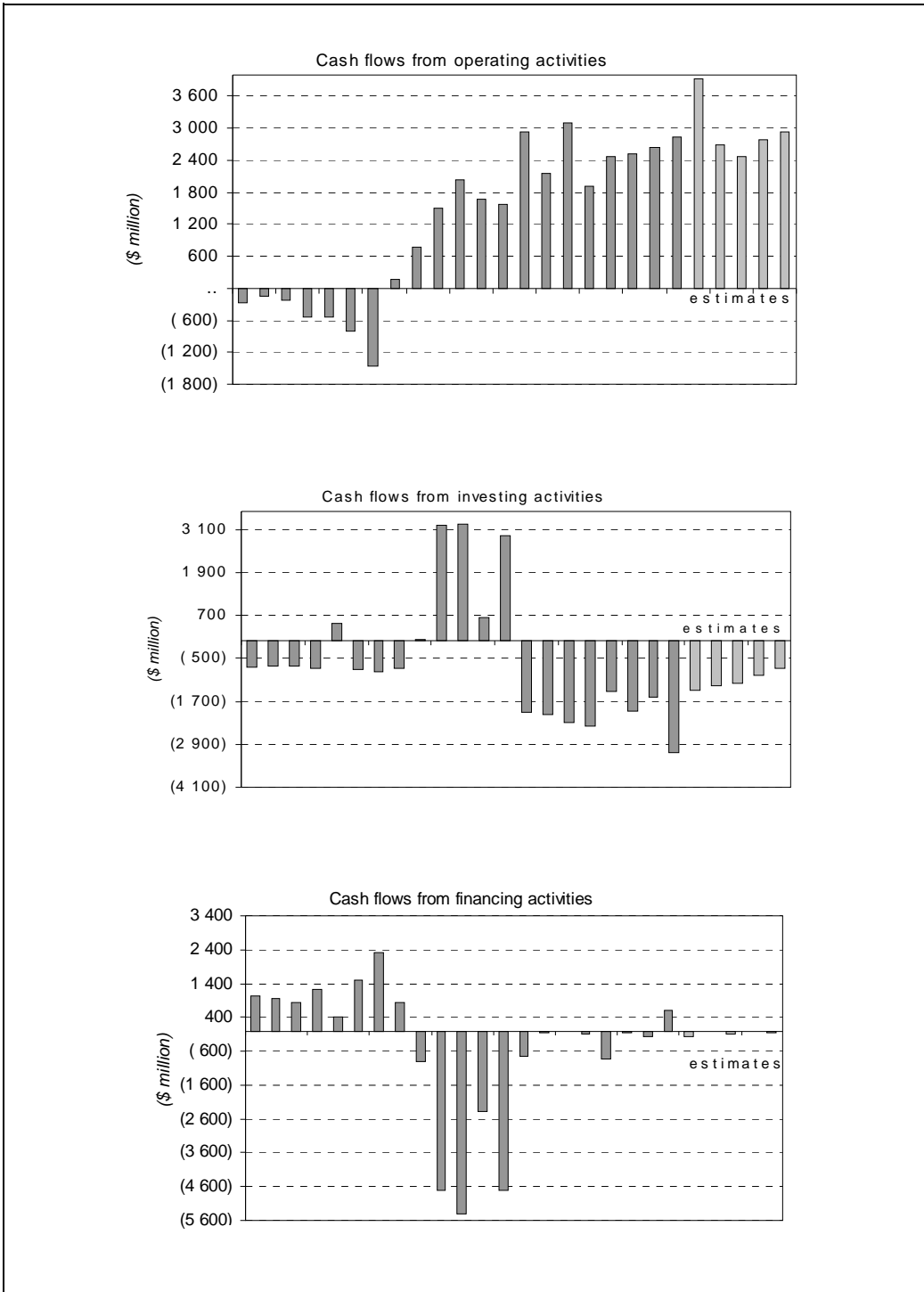
	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash flows from operating activities				
Receipts				
Taxes received	13 518	13 854	14 504	14 977
Grants	17 555	18 496	19 449	20 431
Sales of goods and services	4 442	4 234	4 547	4 611
Interest received	386	400	409	406
Dividends and income tax and rate equivalents	534	746	738	763
Other receipts ^{(c) (d)}	1 327	1 319	1 313	1 321
Total receipts	37 762	39 048	40 959	42 509
Payments				
Payments for employees	(14 081)	(14 967)	(15 914)	(16 702)
Superannuation	(1 730)	(1 869)	(1 915)	(1 998)
Interest paid	(467)	(545)	(663)	(772)
Grants and subsidies ^(d)	(6 433)	(6 420)	(6 507)	(6 554)
Goods and services ^(f)	(12 017)	(12 430)	(12 814)	(13 190)
Other payments	(340)	(352)	(366)	(367)
Total payments	(35 067)	(36 583)	(38 180)	(39 583)
Net cash flows from operating activities	2 694	2 465	2 779	2 926
Cash flows from investing activities				
<i>Non-financial assets</i>				
Purchases of non-financial assets	(2 838)	(3 083)	(3 491)	(4 073)
Sales of non-financial assets	154	167	131	167
Cash flows from investments in non-financial assets	(2 684)	(2 916)	(3 360)	(3 906)
<i>Financial assets for policy purposes</i>				
Net (purchase)/disposal of investments	(1 254)	(1 192)	(990)	(766)
Net cash flows from investments in financial assets for policy purposes	(1 254)	(1 192)	(990)	(766)
<i>Investments in financial assets for liquidity purposes</i>				
Net (purchase)/disposal of investments	(23)	(100)	1	(44)
Net cash flows from investments in financial assets for liquidity purposes	(23)	(100)	1	(44)
Net cash flows from investing activities	(3 961)	(4 207)	(4 348)	(4 716)
Cash flows from financing activities				
Advances received (net)	(1)	(1)	(1)	(1)
Net borrowings	1 342	1 807	1 632	1 854
Deposits received (net)	..	..	..	..
Other financing (net)	..	..	..	..
Net cash flows from financing activities	1 341	1 806	1 631	1 854
Net increase in cash and deposits held	74	64	62	64
Cash and deposits at beginning of reporting period	2 122	2 197	2 260	2 322
Cash and deposits at end of reporting period	2 197	2 260	2 322	2 386
FISCAL AGGREGATES				
Net cash flows from operating activities	2 694	2 465	2 779	2 926
Net cash flows from investments in non-financial assets	(2 684)	(2 916)	(3 360)	(3 906)
Cash surplus / (deficit)	10	(451)	(581)	(980)

Table A.1: General government cash flow statement - historical series (continued)

Notes:

- (a) *Separation payments up to 1989-90, mainly for early retirement and enhanced resignation packages to the Public Transport Corporation, are included under 'grants and transfer payments' (to the Public non-financial corporations (PNFC) sector). Payments in later years were for voluntary redundancy and targeted separation packages across the general government sector and are included under 'employee entitlements'.*
- (b) *Privatisation and other abnormal cash items to the general government sector include:*
 - *1986-87 to 1990-91: payments received from the former Melbourne and Metropolitan Board of Works regarding the transfer of ownership of the Thomson Cardinia Dam of \$35 million a year;*
 - *1990-91: net proceeds from the sale of the State Bank (\$1 257 million);*
 - *1992-93: sale of the State Insurance Office (\$140 million);*
 - *1993-94: recall of capital from the Transport Accident Commission (\$1 200 million), wind up of the Victorian Equity Trust (\$437 million), casino licence fee (\$200 million), offset by a special payment to the State Superannuation Fund (\$1 399 million);*
 - *1994-95: sale of Totalisator Agency Board (\$609 million);*
 - *1995-96: sale of electricity sector businesses (\$4 641 million), 1996-97 (\$4 262 million), and 1997-98 (\$2 101 million) offset by a special payment to the State Superannuation Fund (\$490 million); and*
 - *1998-99: sale of the remainder of the electricity businesses (\$361 million), gas businesses (\$4 690 million), Victorian Plantations Corporation (\$550 million), Aluvic (\$401 million), V/Line Freight (\$20 million), offset by a special payment to reduce the State's unfunded superannuation liabilities (\$2 574 million).*
- (c) *From 1997-98, includes school own purpose receipts and payments which boosted sales of goods and services and other receipts by up to \$500 million, but had little impact on the net cash flows because of offsetting payments. This year also saw the introduction of tax equivalent receipts from public non-financial corporations and public financial corporations.*
- (d) *From 1998-99, includes a capital asset charge receipt from the PNFC sector, offset by a similar increase in grants and transfer payments.*
- (e) *Cash and deposits at beginning of reporting period in 2005-06 do not equal cash and deposits at end of reporting period in 2004-05, due to a change in definition of cash and cash equivalents under A-IFRS.*
- (f) *Goods and services from 2007-08 onwards includes other payments.*
- (g) *Net borrowings from 2007-08 onwards includes advances received and deposits received.*

Chart A.1: General government cash flows

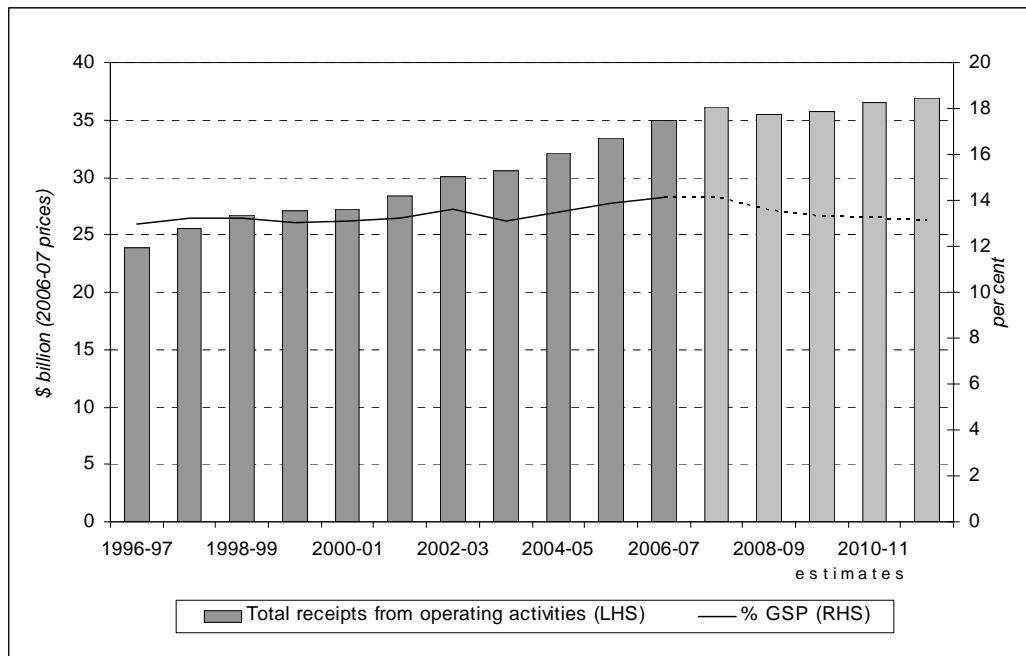


Source: Department of Treasury and Finance

Table A.2: General government cash aggregates, 2006-07 prices

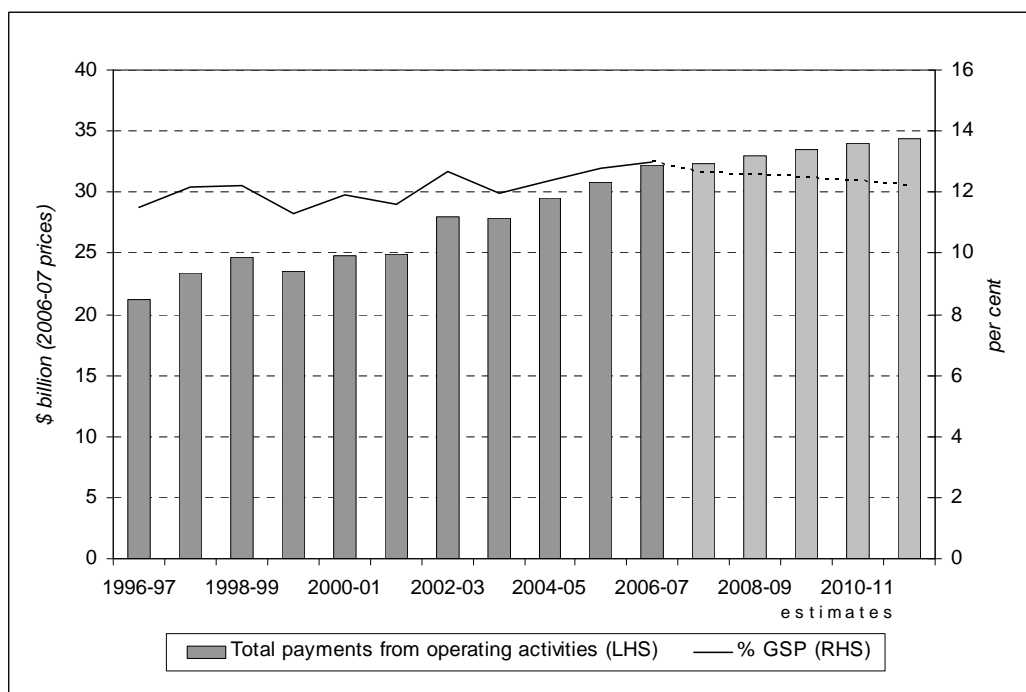
Year	Cash Receipts			Cash Payments			Net Cash Flows 2006-07 prices (\$ billion)
	2006-07 prices (\$ billion)	% change	% GSP	2006-07 prices (\$ billion)	% change	% GSP	
1986-87	19.8	-0.6	13.4	20.3	-1.3	13.7	(0.5)
1987-88	20.0	0.9	12.8	20.3	-0.3	13.0	(0.3)
1988-89	20.2	1.0	12.4	20.6	1.5	12.7	(0.4)
1989-90	19.2	-5.1	11.5	20.0	-2.9	12.0	(0.8)
1990-91	19.4	1.0	11.9	20.2	0.9	12.4	(0.8)
1991-92	20.4	5.4	12.7	21.5	6.9	13.5	(1.1)
1992-93	21.0	2.7	12.7	23.0	6.8	13.9	(2.1)
1993-94	22.3	6.6	13.1	22.1	-4.0	13.0	0.2
1994-95	22.1	-0.9	12.9	21.1	-4.6	12.3	1.0
1995-96	22.8	2.8	12.9	20.8	-1.4	11.8	1.9
1996-97	23.9	4.9	13.0	21.2	2.0	11.5	2.6
1997-98	25.5	6.9	13.3	23.4	10.0	12.1	2.1
1998-99	26.7	4.6	13.2	24.7	5.6	12.2	2.0
1999-00	27.1	1.5	13.1	23.5	-4.9	11.3	3.6
2000-01	27.3	0.7	13.1	24.8	5.5	11.9	2.5
2001-02	28.4	4.2	13.2	24.9	0.6	11.6	3.5
2002-03	30.1	6.0	13.6	28.0	12.4	12.7	2.1
2003-04	30.5	1.4	13.1	27.9	-0.4	12.0	2.7
2004-05	32.1	5.3	13.5	29.5	5.9	12.4	2.6
2005-06	33.4	4.0	13.9	30.8	4.4	12.8	2.6
2006-07	34.9	4.5	14.1	32.2	4.4	13.0	2.8
2007-08	36.1	3.3	14.1	32.3	0.5	12.6	3.8
2008-09	35.5	-1.8	13.5	32.9	1.8	12.6	2.5
2009-10	35.7	0.7	13.3	33.5	1.6	12.5	2.3
2010-11	36.5	2.2	13.3	34.0	1.7	12.4	2.5
2011-12	37.0	1.2	13.1	34.4	1.1	12.2	2.5

Chart A.2: Total receipts from operating activities



Source: Department of Treasury and Finance

Chart A.3: Total payments from operating activities



Source: Department of Treasury and Finance

Table A.3: General government sector operating statement – historical series

(\$ million)

	1996-97	1997-98	1998-99	1999-00
	Actual	Actual	Actual	Actual
Revenue				
Taxation	8 598.2	8 573.3	9 099.6	9 707.6
Fines and regulatory fees	313.8	278.1	382.0	411.7
Interest	203.8	153.9	201.7	199.1
Dividends, income tax and rate equivalent revenue	1 068.5	948.0	990.3	1 090.3
Sales of goods and services	813.8	1 246.3	1 428.3	1 788.6
Grants	7 516.1	7 533.3	7 480.0	7 710.6
Fair value of assets received free of charge or for nominal consideration	69.8	42.7	65.5	19.8
Other current revenue	1 527.2	2 890.9	2 730.0	1 101.7
Total revenue ^(a)	20 111.2	21 666.5	22 377.4	22 029.5
Expenses				
Employee expenses	6 722.4	6 831.8	6 983.7	7 438.6
Superannuation	1 821.1	1 834.8	1 777.8	1 751.4
Depreciation	711.9	782.8	804.2	788.9
Interest expense	1 948.9	1 127.0	704.2	460.4
Other operating expenses	4 269.2	6 209.2	5 692.5	6 548.9
Grants and other transfers	2 574.7	3 422.5	3 595.6	3 382.7
Total expenses	18 048.3	20 208.2	19 558.1	20 370.9
Net result from transactions - Net operating balance	2 062.9	1 458.3	2 819.3	1 658.7
Other economic flows				
Net gain/(loss) from disposal of physical assets	(36.6)	106.3	6.7	2.0
Actuarial gains/(losses) on superannuation defined benefit plans	(456.3)	475.1	474.1	(464.7)
Other gains/(expenses) from other economic flows ^(a)	2 749.6	1 252.4	4 149.6	(28.6)
Total other economic flows	2 256.7	1 833.8	4 630.3	(491.2)
Net result	4 319.6	3 292.1	7 449.7	1 167.5

Source: Department of Treasury and Finance

Note:

- (a) Significant income and other gains were recorded in 1996-97, 1997-98 and 1998-99 from business asset sales. More information is provided in footnote (b) to Table A.1, and in the Budget Papers for those years.

**Table A.3: General government sector operating statement – historical series
(continued)**

	(\$ million)			
	2000-01	2001-02	2002-03	2003-04
	Actual	Actual	Actual	Actual
Revenue				
Taxation	8 515.9	8 757.8	9 250.5	10 043.4
Fines and regulatory fees	455.6	520.7	667.5	616.7
Interest	336.2	317.8	365.8	353.3
Dividends, income tax and rate equivalent revenue	987.9	607.9	775.8	601.3
Sales of goods and services	1 992.1	2 168.1	2 224.0	2 265.4
Grants	10 365.5	11 873.2	12 103.2	12 628.4
Fair value of assets received free of charge or for nominal consideration	69.4	95.5	85.8	374.0
Other current revenue	987.8	1 089.7	1 504.2	1 494.1
Total revenue ^(a)	23 710.4	25 430.7	26 976.7	28 376.7
Expenses				
Employee expenses	8 170.2	8 893.7	9 542.9	9 988.4
Superannuation	1 602.6	1 604.6	1 890.0	1 936.7
Depreciation	799.3	859.5	1 016.5	1 067.9
Interest expense	586.9	463.7	475.2	451.3
Other operating expenses	7 559.7	7 836.0	8 501.6	9 359.3
Grants and other transfers	3 793.0	4 175.5	4 038.0	4 611.3
Total expenses	22 511.5	23 833.0	25 464.1	27 414.9
Net result from transactions - Net operating balance	1 198.9	1 597.8	1 512.6	961.7
Other economic flows				
Net gain/(loss) from disposal of physical assets	21.4	(97.5)	(336.1)	(44.8)
Actuarial gains/(losses) on superannuation defined benefit plans	164.8	(990.6)	(722.2)	1 636.5
Share of net profits/(losses) of associates and joint venture entities	..	..	..	..
Net gains/(losses) on financial assets at fair value	..	..	..	..
Other gains/(expenses) from other economic flows ^(a)	(168.9)	(236.3)	(218.3)	(331.4)
Total other economic flows	17.3	(1 324.4)	(1 276.7)	1 260.4
Net result	1 216.2	273.4	235.9	2 222.1

**Table A.3: General government sector operating statement – historical series
(continued)**

	(\$ million)			
	2004-05 <i>Actual</i>	2005-06 <i>Actual</i>	2006-07 <i>Actual</i>	2007-08 <i>Revised</i>
Revenue				
Taxation revenue	10 414.9	10 885.4	11 701.8	12 997.4
Interest	339.7	390.5	422.7	372.9
Dividends and income tax equivalent and rate equivalent revenue	948.8	1 009.2	1 422.3	679.8
Sales of goods and services	3 379.6	3 731.3	4 177.1	4 121.6
Grants	13 462.3	14 624.3	15 600.9	17 180.7
Other current revenue	1 279.8	1 331.3	1 560.9	1 435.8
Total revenue	29 825.1	31 972.0	34 885.7	36 788.1
Expenses				
Employee expenses	10 971.9	11 690.2	12 393.7	13 217.1
Superannuation interest expense	819.7	479.6	419.1	330.2
Other superannuation	1 089.2	1 437.7	1 223.8	1 282.8
Depreciation	1 138.8	1 279.3	1 334.7	1 456.6
Interest expense	426.2	451.6	458.6	459.9
Other operating expenses	9 079.8	9 982.9	10 954.0	12 144.4
Grants and other transfers	5 504.6	5 826.4	6 737.1	6 901.1
Total expenses	29 030.2	31 147.5	33 521.1	35 792.1
Net result from transactions - Net operating balance	794.9	824.5	1 364.7	996.0
Other economic flows included in net result				
Net gain/ (loss) on sale of non-financial assets	(26.6)	(53.3)	(29.8)	70.3
Net gain/ (loss) on financial assets or liabilities at fair value	(10.4)	7.0	21.7	1.9
Net actuarial gains/ (losses) of superannuation defined benefits plans	1 328.8	2 420.9	3 190.1	(2 782.7)
Other gains/ (losses) from other economic flows	57.1	590.4	318.4	(132.1)
Total other economic flows included in net result	1 349.0	2 965.0	3 500.4	(2 842.7)
Net result	2 143.9	3 789.5	4 865.1	(1 846.7)
Other Economic Flows – Other Movements in Equity				
Net gain on financial assets at fair value	(3.7)	23.2	13.4	..
Revaluations of non-financial assets	8 868.2	1 913.1	1 920.4	4 644.1
Net gain on equity investments in other sector entities at proportional share of net assets	2 294.1	1 411.9	1 829.2	(1 649.7)
Other movements in equity	89.1	34.4	530.6	912.0
Total other economic flows – Other movements in equity	11 247.7	3 382.6	4 293.5	3 906.4
Comprehensive result – Total change in net worth	13 391.6	7 172.0	9 158.6	2 059.7
FISCAL AGGREGATES				
Net operating balance	794.9	824.5	1 364.7	996.0
Less: Net acquisition of non-financial assets from transactions	430.8	1 266.7	1 591.7	1 182.7
Net Lending/ (borrowing)	364.1	(442.2)	(227.1)	(186.7)

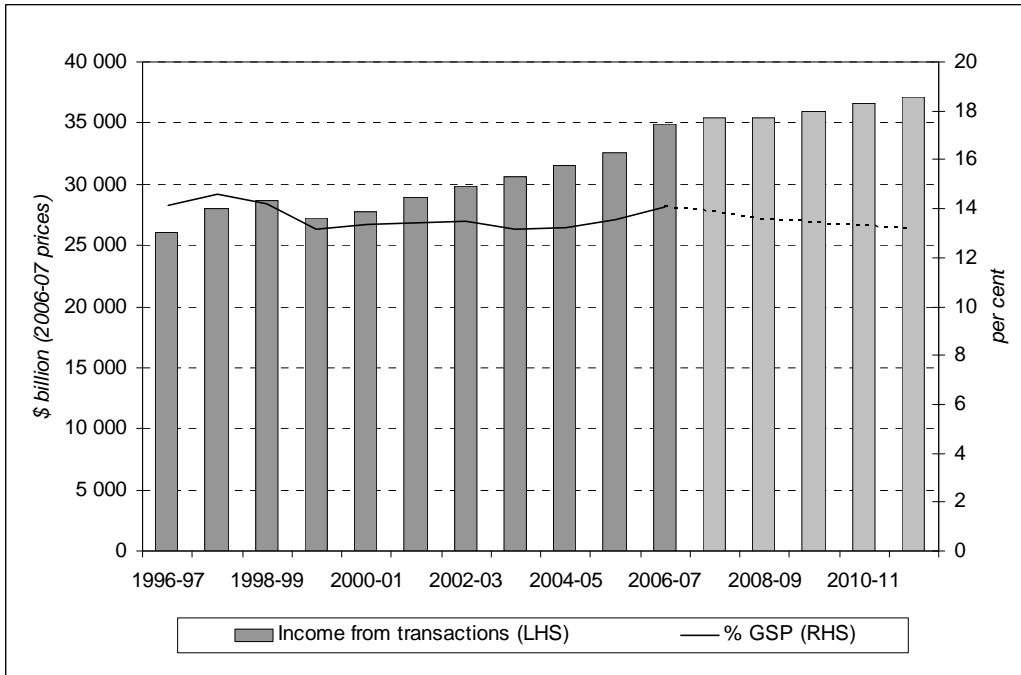
**Table A.3: General government sector operating statement – historical series
(continued)**

	(\$ million)			
	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Revenue				
Taxation revenue	13 382.9	13 795.9	14 504.2	14 977.2
Interest	402.2	433.7	443.0	438.3
Dividends and income tax equivalent and rate equivalent revenue	669.9	703.7	768.3	772.4
Sales of goods and services	4 334.5	4 453.3	4 520.3	4 585.8
Grants	17 555.0	18 495.5	19 448.9	20 431.1
Other current revenue	1 465.6	1 438.7	1 432.1	1 441.7
Total revenue	37 810.0	39 320.8	41 116.8	42 646.4
Expenses				
Employee expenses	14 225.6	15 107.0	16 059.1	16 845.4
Superannuation interest expense	518.6	520.6	520.5	519.7
Other superannuation	1 339.6	1 381.1	1 450.9	1 480.7
Depreciation	1 609.4	1 712.7	1 826.3	1 946.4
Interest expense	499.4	576.9	695.0	804.0
Other operating expenses	12 350.4	12 806.1	13 206.7	13 588.8
Grants and other transfers	6 439.4	6 365.2	6 452.2	6 498.7
Total expenses	36 982.4	38 469.6	40 210.7	41 683.7
Net result from transactions - Net operating balance	827.5	851.1	906.0	962.6
Other economic flows included in net result				
Net gain/ (loss) on sale of non-financial assets	39.9	14.4	18.7	22.3
Net gain/ (loss) on financial assets or liabilities at fair value	0.6	0.5	0.6	0.7
Net actuarial gains/ (losses) of superannuation defined benefits plans	..	..	..	..
Other gains/ (losses) from other economic flows	(151.1)	(154.5)	(153.5)	(145.5)
Total other economic flows included in net result	(110.6)	(139.6)	(134.3)	(122.5)
Net result	716.9	711.5	771.8	840.1
Other Economic Flows – Other Movements in Equity				
Net gain on financial assets at fair value	..	..	..	..
Revaluations of non-financial assets	2 293.5	4 987.1	3 132.4	3 455.0
Net gain on equity investments in other sector entities at proportional share of net assets	407.2	(193.4)	(48.5)	55.6
Other movements in equity	(10.5)	(6.9)	(2.7)	0.5
Total other economic flows – Other movements in equity	2 690.2	4 786.8	3 081.1	3 511.0
Comprehensive result – Total change in net worth	3 407.1	5 498.3	3 852.9	4 351.1
FISCAL AGGREGATES				
Net operating balance	827.5	851.1	906.0	962.6
Less: Net acquisition of non-financial assets from transactions	1 269.2	1 203.0	1 532.8	2 798.9
Net Lending/ (borrowing)	(441.7)	(351.9)	(626.8)	(1 836.2)

Table A.4: General government accrual aggregates

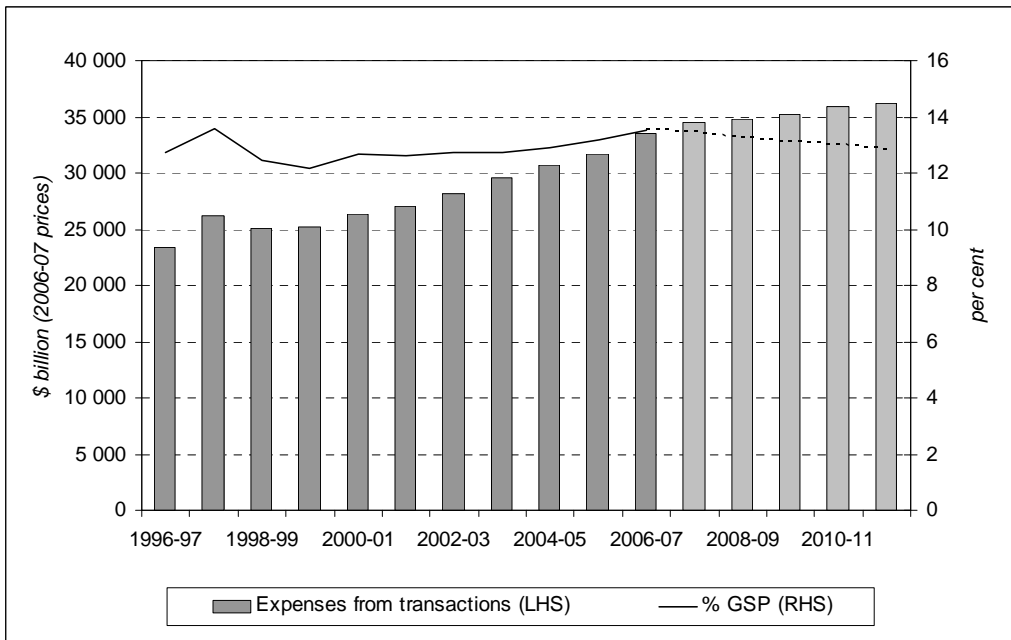
Year	Income from transactions			Expenses from transactions			Net Result from transactions 2006-07 prices (\$ billion)
	2006-07 prices (\$ billion)	% change	% GSP	2006-07 prices (\$ billion)	% change	% GSP	
1996-97	26.1		14.2	23.4		12.7	2.7
1997-98	28.0	7.4	14.6	26.1	11.6	13.6	1.9
1998-99	28.7	2.3	14.2	25.0	-4.2	12.4	3.6
1999-00	27.3	-4.8	13.2	25.2	0.8	12.2	2.1
2000-01	27.7	1.6	13.3	26.3	4.4	12.7	1.4
2001-02	28.9	4.2	13.4	27.1	2.9	12.6	1.8
2002-03	29.8	3.1	13.5	28.1	3.8	12.7	1.7
2003-04	30.7	3.0	13.2	29.6	5.4	12.7	1.0
2004-05	31.6	3.0	13.2	30.7	3.7	12.9	0.8
2005-06	32.6	3.2	13.5	31.8	3.3	13.2	0.8
2006-07	34.9	7.0	14.1	33.5	5.5	13.5	1.4
2007-08	35.4	1.6	13.9	34.5	2.8	13.5	1.0
2008-09	35.5	0.2	13.5	34.7	0.7	13.2	0.8
2009-10	36.0	1.3	13.4	35.2	1.3	13.1	0.8
2010-11	36.7	1.9	13.3	35.8	1.9	13.0	0.8
2011-12	37.1	1.2	13.2	36.2	1.1	12.9	0.8

Chart A.4: General government income from transactions



Source: Department of Treasury and Finance

Chart A.5: General government expenses from transactions



Source: Department of Treasury and Finance

Table A.5: General government operating expenses by purpose 1961-62 to 1997-98 – historical series

	(\$ million)			
	1961-62	1962-63	1963-64	1964-65
	Actual	Actual	Actual	Actual
General public services	21	20	20	22
Public order and safety	29	31	33	35
Primary and secondary	67	76	86	93
University	20	25	29	33
Technical and further education				
Other tertiary				
Other	9	10	11	12
Education	98	111	126	138
Acute care institutions	28	30	31	33
Other health institutions	15	15	16	17
Community health services	2	2	2	2
Pharmaceutical	3	3	4	4
Other	3	4	4	5
Health	51	55	57	61
Social security				
Welfare services	1	1	1	1
Other	7	7	7	8
Social security and welfare	8	8	8	9
Housing and community development	1	1	1	1
Water supply				
Sanitation and protection of the environment	1		1	
Other community amenities				
Housing and community amenities	1	1	2	1
Recreational facilities and services	2	2	2	2
Cultural facilities and services	2	2	2	2
Broadcasting and film production				
Other recreation and culture				
Recreation and culture	4	4	4	5
Fuel and energy				
Agriculture, forestry and fishing	11	11	15	15
Mining, manufacturing and construction	2	2	2	2
Road transport	16	17	18	20
Water transport	1	1	2	1
Rail transport	15	16	16	15
Air transport				
Communications and other transport	18	18	19	20
Transport and communications	50	52	55	56
Other economic affairs	5	6	6	6
Superannuation interest expense	9	9	10	13
Public debt transactions	60	65	69	73
Other	- 2	- 2	- 3	- 3
Superannuation not allocated to purpose	30	31	34	37
Depreciation not allocated to purpose				
Total GFS expenses^(a)	376	402	439	470

Note:

(a) Total GFS expenses - accruals basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.

1965-66 <i>Actual</i>	1966-67 <i>Actual</i>	1967-68 <i>Actual</i>	1968-69 <i>Actual</i>	1969-70 <i>Actual</i>	1970-71 <i>Actual</i>	1971-72 <i>Actual</i>	1972-73 <i>Actual</i>
24	26	28	30	34	37	34	37
37	40	44	47	52	59	69	80
104	115	124	145	168	198	235	292
39	45	65	74	80	111	126	158
	1	1	1	9	11	12	13
13	14	16	17	19	21	26	31
156	175	204	236	276	341	398	494
36	40	42	48	57	72	84	101
18	19	21	22	24	28	33	36
2	2	2	2	2	3	3	4
4	4	4	5	6	7	8	7
5	8	8	9	9	12	13	14
66	73	77	86	99	122	142	163
				1	2	6	9
1	1	1	1	2	2	6	7
8	9	9	10	12	15	17	21
9	10	11	12	14	19	29	37
1	1	1	2	2	2	3	4
	1	1	1	1	2	2	3
2	2	2	3	3	4	6	8
3	3	3	3	4	4	5	6
2	3	3	4	4	5	6	7
5	5	6	7	8	9	10	13
15	17	18	19	22	24	27	36
2	2	2	2	1	2	2	2
21	26	31	34	37	40	46	54
1	2	2	2	3	2	2	2
16	16	17	17	16	16	15	63
21	21	23	23	24	25	27	27
59	66	72	76	79	82	91	147
7	7	8	8	9	13	13	15
14	15	17	21	29	32	31	41
79	85	90	94	98	105	122	120
- 3	- 4	1	2	- 5	- 6	1	1
40	46	50	55	61	72	82	103
510	564	628	699	781	914	1 057	1 296

Table A.5: General government operating expenses by purpose 1961-62 to 1997-98 – historical series (continued)

	(\$ million)			
	1973-74	1974-75	1975-76	1976-77
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
General public services	51	65	82	100
Public order and safety	101	134	166	193
Primary and secondary	364	497	628	751
University	199	286	306	344
Technical and further education	18	26	34	42
Other tertiary			1	1
Other	37	64	81	98
Education	619	873	1 050	1 237
Acute care institutions	135	183	366	422
Other health institutions	44	60	77	91
Community health services	7	12	17	22
Pharmaceutical	13	13	6	2
Other	18	24	36	44
Health	217	292	502	581
Social security	6	3	9	6
Welfare services	9	13	18	21
Other	20	30	41	54
Social security and welfare	34	47	68	81
Housing and community development	12	23	29	29
Water supply	1	1	4	3
Sanitation and protection of the environment	6	17	19	15
Other community amenities				
Housing and community amenities	18	41	52	47
Recreational facilities and services	8	13	20	21
Cultural facilities and services	9	13	17	21
Broadcasting and film production				
Other recreation and culture		1	1	2
Recreation and culture	17	27	38	44
Fuel and energy				
Agriculture, forestry and fishing	41	51	65	70
Mining, manufacturing and construction	3	4	6	7
Road transport	69	62	73	112
Water transport	3	3	4	5
Rail transport	97	152	170	192
Air transport				
Communications and other transport	28	53	60	71
Transport and communications	197	270	307	379
Other economic affairs	18	23	28	34
Superannuation interest expense	66	77	97	121
Public debt transactions	106	191	209	252
Other	1	23	26	37
Superannuation not allocated to purpose	129	181	221	256
Depreciation not allocated to purpose		218	269	300
Total GFS expenses^(a)	1 617	2 517	3 186	3 739

Note:

(a) Total GFS expenses - accruals basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.

1977-78 <i>Actual</i>	1978-79 <i>Actual</i>	1979-80 <i>Actual</i>	1980-81 <i>Actual</i>	1981-82 <i>Actual</i>	1982-83 <i>Actual</i>	1983-84 <i>Actual</i>	1984-85 <i>Actual</i>
112	128	136	154	173	188	239	284
220	247	291	342	389	483	512	563
878	962	1 089	1 238	1 355	1 529	1 778	1 881
358	362	383	415	458	489	532	538
43	51	59	72	152	183	204	222
1	1	1	1	1	6	3	15
110	120	133	160	171	191	191	211
1 390	1 497	1 666	1 887	2 137	2 399	2 708	2 867
466	513	551	633	699	788	877	1 238
101	108	124	141	153	183	205	216
32	39	38	37	55	63	68	128
1	3	1	2	3	3	3	1
42	44	54	74	91	98	119	250
641	706	768	888	1 002	1 134	1 271	1 834
9	9	7	5	5	5	5	83
33	41	47	55	71	91	84	208
60	70	79	74	85	101	126	4
101	120	132	134	161	197	215	296
34	18	19	24	34	97	112	212
2	2	1	17	20	25	29	53
13	15	14	15	19	23	26	26
49	35	34	56	73	145	167	291
25	28	32	36	44	58	43	58
27	29	35	33	37	36	25	61
						1	6
2	1	2	2	4	5	7	7
54	59	69	72	85	100	75	133
		1	3	2	6	46	20
78	84	93	100	116	149	159	213
7	- 12	32	39	45	50	66	59
127	139	161	171	214	284	283	279
5	5	6	10	10	12	14	14
211	230	238	235	275	375	230	231
32	38	39	44	53	65	227	257
374	412	444	460	552	735	753	781
38	43	47	68	82	93	148	268
126	162	223	293	432	470	513	583
304	329	351	399	440	529	596	639
50	52	61	77	94	232	191	189
291	315	363	420	469	527	537	583
335	362	421	483	548	628	682	706
4 171	4 539	5 134	5 875	6 801	8 063	8 878	10 311

Table A.5: General government operating expenses by purpose 1961-62 to 1997-98 – historical series (continued)

	(\$ million)				
	1985-86	1986-87	1987-88	1988-89	1989-90
	Actual	Actual	Actual	Actual	Actual
General public services	331	405	410	448	443
Public order and safety	632	678	729	830	978
Primary and secondary	1 994	2 089	2 188	2 451	2 564
University	654	673	760	726	736
Technical and further education	259	288	305	343	372
Other tertiary	17	23	4	5	7
Other	260	293	345	306	331
Education	3 186	3 366	3 601	3 833	4 010
Acute care institutions	1 382	1 572	1 726	1 881	2 025
Other health institutions	243	267	323	356	387
Community health services	114	119	159	161	174
Pharmaceutical	1	2	2		
Other	263	274	332	415	467
Health	2 003	2 234	2 542	2 813	3 052
Social security	88	93	97	105	111
Welfare services	246	327	329	396	442
Other	1	1			
Social security and welfare	334	421	426	501	554
Housing and community development	210	218	222	262	359
Water supply	65	31	32	33	39
Sanitation and protection of the environment	23	18	18	18	23
Other community amenities			1		
Housing and community amenities	299	268	274	313	421
Recreational facilities and services	82	87	96	138	154
Cultural facilities and services	62	67	69	83	92
Broadcasting and film production	4	4	4	4	4
Other recreation and culture	3	1			
Recreation and culture	152	159	170	225	250
Fuel and energy	32	32	22	8	20
Agriculture, forestry and fishing	168	193	207	215	229
Mining, manufacturing and construction	94	64	66	46	47
Road transport	362	334	376	421	431
Water transport	14	20	17	15	9
Rail transport	274	374	307	317	1
Air transport					
Communications and other transport	249	478	326	323	675
Transport and communications	899	1 206	1 027	1 076	1 116
Other economic affairs	251	198	189	173	184
Superannuation interest expense	642	723	752	937	1 040
Public debt transactions	719	805	1 124	1 219	1 514
Other	147	153	167	170	176
Superannuation not allocated to purpose	638	705	784	827	876
Depreciation not allocated to purpose	776	842	894	945	998
Total GFS expenses^(a)	11 302	12 450	13 384	14 579	15 908

Note:

(a) Total GFS expenses - accruals basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.

<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1997-98</i>
<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
454	477	423	391	350	332	376	464
1 052	1 122	1 175	1 202	1 251	1 301	1 505	1 761
2 504	2 783	2 765	2 699	2 669	2 850	2 963	3 312
630	572	499	149	143	148	159	118
386	418	450	432	454	540	533	727
230	267	19					43
320	333	336	347	372	343	396	434
4 069	4 373	4 070	3 627	3 638	3 881	4 051	4 634
2 286	2 376	2 261	2 112	2 133	2 377	2 425	2 491
306	311	353	331	351	364	390	253
200	220	253	230	253	251	254	
					9	11	
411	396	408	463	431	499	515	1 265
3 204	3 302	3 274	3 136	3 168	3 501	3 595	4 010
105	134	148	186	222	216	236	244
586	640	704	674	745	524	543	922
1	1	1	1	1			
692	775	852	861	967	740	779	1 167
383	431	461	407	453	416	454	445
36	42	27	22	24	22	30	20
27	26	25	27	30	22	33	42
1	5	6					2
447	504	519	456	508	460	517	508
151	136	134	157	128	138	147	180
77	92	95	95	108	112	123	157
3	3	3	4	6	6	12	1
	1	2				7	1
231	232	233	256	242	256	289	339
17	14	58	20	68	216	22	9
253	257	262	263	289	273	331	376
32	42	47	31	45	59	47	56
484	514	482	502	573	475	662	799
6	3	3	3	11	11	12	4
1					9	10	43
724	676	660	612	321	452	390	394
1 214	1 193	1 145	1 118	905	947	1 074	1 239
200	204	188	176	217	207	195	124
967	841	744	999	988	985	824	674
1 523	1 717	2 027	2 185	1 972	1 909	1 450	1 132
187	354	571	527	421	336	387	389
958	1 012	1 043	960	930	954	1 017	1 056
1 073	1 136	1 156	1 185	1 208	1 257	1 278	1 320
16 572	17 555	17 786	17 392	17 167	17 615	17 737	19 259

Table A.6: General government expenses by purpose 1998-99 to 2011-12

	(\$ million)				
	1998-99	1999-00	2000-01	2001-02	2002-03
	Actual	Actual	Actual	Actual	Actual
General public services ^(b)	125	462	837	642	431
Public order and safety	1 784	1 965	2 005	2 110	2 390
Primary and secondary	3 987	4 279	4 708	5 102	5 267
University					87
Technical and further education	909	941	1 115	1 146	1 185
Other tertiary					
Other	310	332	367	391	436
Education	5 205	5 552	6 190	6 639	6 975
Acute care institutions	3 651	3 832	4 337	4 683	5 210
Other health institutions	187	191	211	231	30
Community health services	838	889	976	1 085	1 003
Pharmaceutical	35	39	40	46	58
Other	51	52	53	57	490
Health	4 763	5 003	5 619	6 101	6 790
Social security					
Welfare services	1 366	1 497	1 665	1 832	1 934
Other	2				
Social security and welfare	1 367	1 497	1 665	1 832	1 934
Housing and community development	357	359	675	856	601
Water supply	55	97	81	104	188
Sanitation and protection of the environment	30	33	56	69	224
Other community amenities	336	368	434	393	377
Housing and community amenities	778	856	1 245	1 422	1 390
Recreational facilities and services	329	391	410	434	458
Cultural facilities and services	130	205	220	224	250
Broadcasting and film production		13	15	21	39
Other recreation and culture	10	5	16	11	2
Recreation and culture	469	614	661	690	748
Fuel and energy	126	55	71	71	23
Agriculture, forestry and fishing	503	434	432	433	353
Mining, manufacturing and construction	30	20	12	23	17
Road transport	1 118	1 157	1 206	1 284	1 449
Water transport	4	12	2	2	2
Rail transport	888	946	997	1 009	988
Air transport					
Communications and other transport	24	29	44	51	91
Transport and communications	2 034	2 144	2 249	2 346	2 530
Other economic affairs	280	211	235	327	351
Superannuation interest expense	1 035	806	859	827	937
Public debt transactions	666	600	639	616	691
Other					
Superannuation not allocated to purpose					
Depreciation not allocated to purpose					
Total GFS expenses ^(c)	19 166	20 219	22 721	24 079	25 559

Source: 1998-2002 to 2008-12 Department of Treasury and Finance; 2002-07 ABS Catalogue 5512.0

2003-04	2004-05	2005-06	2006-07	2007-08 ^(a)	2008-09 ^(a)	2009-10 ^(a)	2010-11 ^(a)	2011-12 ^(a)
Actual	Actual	Actual	Actual	Revised	Estimate	Estimate	Estimate	Estimate
702	579	729	507	1 544	1 707	2 797	3 522	4 249
2 502	2 808	3 165	3 613	4 050	4 193	4 220	4 357	4 412
5 531	5 854	6 225	6 705					
74	74	228	267					
1 262	1 357	1 446	1 345					
443	651	614	764					
7 310	7 936	8 513	9 082	9 180	9 694	9 941	10 297	10 534
5 585	6 027	6 426	6 847					
32	33	34	40					
960	1 059	1 186	1 286					
59	75	80	102					
512	521	556	586					
7 148	7 715	8 282	8 860	9 330	9 836	9 874	10 123	10 338
2 077	2 286	2 421	2 533					
2 077	2 286	2 421	2 533	2 957	2 896	2 963	3 039	3 109
498	998	1 007	1 328					
162	182	165	228					
166	252	238	290					
412	502	535	537					
1 238	1 934	1 945	2 383	1 975	1 963	1 876	1 858	1 828
409	379	550	450					
213	265	277	289					
38								
2								
661	644	827	739	804	842	830	827	822
108	48	63	100	68	83	71	72	72
449	276	267	404	478	361	321	326	324
31	22	91	20	27	27	27	20	19
1 400	1 640	1 375	1 603					
2	13	12	12					
1 924	1 282	1 619	1 787					
80	81	164	166					
3 406	3 016	3 169	3 568	3 762	3 878	3 958	4 121	4 253
317	356	394	378	487	456	466	406	371
916	820	480	419	330	519	521	520	520
681	590	452	459	460	499	577	695	804
		180	408	29	27	27	28	28
27 547	29 029	30 977	33 473	35 481	36 982	38 470	40 211	41 684

**Table A.6: General government expenses by purpose 1998-99 to 2011-12
(continued)**

Notes:

- (a) Detailed estimates are not available.*
- (b) General Public Services in the forward estimates includes superannuation expenses and contingencies not allocated to departments.*
- (c) Total GFS expenses - accruals basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.*

APPENDIX B – MEETING OUR TRANSPORT CHALLENGES RESERVE

In 2008-09, the government will continue to deliver its \$10.5 billion *Meeting Our Transport Challenges* statement was launched in 2006, for building a world class transport system that will be able to cope with the state's growing challenges and transport pressures.

The government also recognises the need to respond quickly to emerging challenges and will therefore accelerate project outlined in *Meeting Our Transport Challenges* (MOTC) as well as delivering additional projects.

Of the total \$10.5 billion in MOTC funding, \$1.7 billion is for recurrent expenditure and \$8.8 billion is for new transport capital projects.

Of the \$8.8 billion capital investment, \$2.9 billion is funded from sources including the Better Roads Victoria Trust Account, the Transport Accident Commission and VicTrack. The remaining \$5.9 billion is funded from the MOTC Asset Reserve.

The following table details the cash flows of projects, agreed by government in the 2008-09 Budget, that are to be funded from the MOTC Asset Reserve, as well as the remaining balance of the Asset Reserve.

Table B.1: Update of Meeting Our Transport Challenges (MOTC) Asset Reserve

	(\$ million)						
	Pre 2008-09	2008-09	2009-10	2010-11	2011-12	10-Year Remainder	Total 10-Year Funding
2007-08 Budget MOTC Asset Reserve Balance	7.5	56.5	212.9	460.9	719.2	2 613.8	4 070.9
Pre 2008-09 Budget Project approvals							
<i>Interim Rolling Stock</i>	- 40.5	- 140.8	- 68.8	..	- 40.8	..	- 290.9
Contribution from the Public Transport Fund	..	..	20.0	20.0	..	..	40.0
Contribution from Savings of other MOTC approved projects	..	13.0	16.8	..	..	..	29.8
MOTC Asset Reserve rephasing	33.4	157.9	448.5	138.9	- 7.2	- 771.4	..
Revised MOTC Asset Reserve Balance	0.4	86.6	629.4	619.8	671.2	1 842.4	3 849.8
2008-09 Budget Approved MOTC projects							
<i>Dandenong Rail Corridor Stage 2 - Westall Rail Upgrade</i>	..	19.6	98.1	33.4	..	..	151.1
<i>South Morang Rail Extension Development Funding</i>	..	4.0	6.4	..	..	..	10.4
<i>Metropolitan Park and Ride Program - Stage 2</i>	..	4.2	9.4	8.0	5.3	..	26.9
<i>Noble Park Train Station Upgrade</i>	0.4	1.1	..	..	..	..	1.5
2008-09 Additional Projects to be funded from the MOTC Asset Reserve							
<i>Craigieburn Station and Track Upgrade</i>	..	13.0	16.8	..	..	..	29.8
<i>Laverton Rail Upgrade</i>	..	23.1	38.2	30.7	..	..	92.0
<i>Monash-West Gate Improvement Project</i>	..	20.7	238.5	103.7	..	..	362.9
Total 2008-09 Budget MOTC Asset Reserve commitments	0.4	85.7	407.4	175.8	5.3	..	674.6
<i>2008-09 Budget MOTC Asset Reserve balance</i>	..	0.9	222.0	444.0	666.0	1 842.4	3 175.3

APPENDIX C – REVISED 2007-08 BUDGET OUTCOME

This appendix provides revised estimates of the budget outcome for the 2007-08 financial year. The revised 2007-08 estimates take into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the *2007-08 Budget* to the Parliament in May 2007. This appendix also references the policy decisions and commitments of the Commonwealth Government that have impacted on the financial position of Victoria in 2007-08.

REVISED 2007-08 OPERATING STATEMENT

The revised 2007-08 operating statement is presented in Table C.1. It shows that the revised general government sector net result from transactions for 2007-08 is estimated at \$996 million, some \$672 million higher than the *2007-08 Budget* estimate or \$154 million higher than that estimated in the *2007-08 Budget Update*.

Table C.1: 2007-08 Operating statement

(\$ million)

	2007-08 Budget	2007-08 Revised	Change	Change %
Income from transactions				
Taxation	11 589.0	12 997.4	1 408.3	12.2
Fines and regulatory fees	842.8	811.1	(31.7)	(3.8)
Dividends, income tax and rate equivalent revenue	905.4	679.8	(225.6)	(24.9)
Interest	301.9	372.9	71.0	23.5
Grants	16 158.7	17 180.7	1 022.0	6.3
Sale of goods and services	2 643.8	2 832.2	188.5	7.1
Fair value of assets received free of charge or for nominal consideration	..	85.5	85.5	n.a.
Other income	1 827.6	1 828.6	1.0	0.1
Total income from transactions	34 269.2	36 788.1	2 518.9	7.4
Expenses from transactions				
Employee benefits	12 726.2	13 025.9	299.6	2.4
Superannuation	1 622.9	1 613.0	(9.9)	(0.6)
Depreciation and amortisation	1 470.1	1 456.6	(13.5)	(0.9)
Finance costs	486.3	480.3	(6.0)	(1.2)
Grants and transfer payments	6 520.3	6 466.9	(53.3)	(0.8)
Supplies and services	11 118.6	12 584.7	1 466.0	13.2
Other expenses	0.4	164.7	164.3	n.a.
Total expenses from transactions	33 944.9	35 792.1	1 847.2	5.4
Net result from transactions	324.3	996.0	671.7	207.1
Income/(expenses) from other economic flows				
Net gain/(loss) from disposal of physical assets	15.5	70.3	54.8	353.7
Actuarial gains/(losses) of superannuation defined benefit plans	..	(2 782.7)	(2 782.7)	n.a.
Net gains/(losses) on financial assets at fair value	4.1	1.9	(2.3)	(54.9)
Other gains/(expenses) from other economic flows	(40.6)	(132.1)	(91.6)	225.6
Net result from other economic flows	(21.0)	(2 842.7)	(2 821.7)	n.a.
Net result	303.3	(1 846.7)	(2 150.0)	(708.9)

Source: Department of Treasury and Finance

Income from transactions

Total estimated income from transactions for 2007-08 has been revised upward by \$2 519 million (7.4 per cent) from the *2007-08 Budget* estimate of \$34 269 million. Of this movement, \$1 523 million was reported in the *2007-08 Budget Update*. The major factors contributing to the revision in estimates are further discussed below.

Taxation

In 2007-08, taxation revenue is expected to total \$12 997 million, \$1 408 million (12.2 per cent) higher than the original *2007-08 Budget* estimate and an upward revision of \$433 million since the *2007-08 Budget Update*. The increase for 2007-08 is primarily the result of higher than expected land transfer duty revenue, as well as higher than expected payroll tax, land tax, gambling taxes and insurance taxes revenue. These increases have been largely driven by the continuing strength of the Victorian economy.

Table C.2: 2007-08 Taxation

	(\$ million)			
	2007-08 Budget	2007-08 Revised	Change	Change %
Payroll tax	3 601.8	3 824.1	222.4	6.2
Taxes on immovable property				
Land tax	765.4	871.0	105.6	13.8
Congestion levy	38.7	37.6	(1.1)	(2.8)
Metropolitan improvement levy	100.6	101.8	1.3	1.3
Property owner contributions to fire brigades	41.1	40.8	(0.3)	(0.8)
Total taxes on immovable property	945.8	1 051.2	105.5	11.2
Financial and capital transactions				
Land transfer duty	2 854.3	3 874.5	1 020.2	35.7
Rental business duty	..	..	..	..
Other property duties	9.8	9.8	..	(0.1)
Financial accommodation levy	20.6	20.9	0.3	1.4
Total financial and capital transactions	2 884.7	3 905.2	1 020.4	35.4
Levies on statutory corporations	61.6	61.6	..	..
Gambling taxes				
Private lotteries	322.3	337.3	15.0	4.6
Electronic gaming machines	941.4	992.3	50.9	5.4
Casino	130.8	127.1	(3.7)	(2.8)
Racing	129.4	122.6	(6.8)	(5.3)
Other	5.9	7.0	1.1	19.3
Total gambling taxes	1 529.8	1 586.3	56.5	3.7
Taxes on insurance	1 135.5	1 148.8	13.3	1.2
Motor vehicle taxes				
Vehicle registration fees	779.1	781.7	2.6	0.3
Duty on vehicle registrations and transfers	559.3	565.1	5.7	1.0
Total motor vehicle taxes	1 338.4	1 346.7	8.3	0.6
Other taxes	91.4	73.4	(18.0)	(19.7)
Total taxation	11 589.0	12 997.4	1 408.3	12.2

Source: Department of Treasury and Finance

Major variations from the *2007-08 Budget* estimates are:

- Land tax revenue in 2007-08 has been revised upward by \$106 million or 13.8 per cent, reflecting the flow-on effect of a higher revenue base in 2006-07, largely stemming from the new trust surcharge and higher compliance activity;
- Land transfer duty revenue in 2007-08 is expected to increase by \$1 020 million (35.7 per cent) compared with the original *2007-08 Budget*. Of this increase, \$700 million was reported in the *2007-08 Budget Update*. The higher than expected revenue during the year reflects the unexpected strength in the property market, associated with a larger number of transactions and large increases in property prices;
- Payroll tax revenue has been revised up by \$222 million (or 6.2 per cent) since the *2007-08 Budget*, including an upward revision of \$143 million reported in the *2007-08 Budget Update*. The increase for the year mainly reflects higher than expected employment growth;
- Gambling taxation revenue has been revised upwards by \$57 million (3.7 per cent), in part reflecting the strength in household consumption expenditure; and
- Insurance taxation revenue in 2007-08 has been revised up by \$13 million (or 1.2 per cent), as a result of an increase in the insurance contribution to fire brigades. This is partly offset by lower than expected non-life insurance revenue, generally reflecting further softening in the non-life insurance market.

Fines and regulatory fees

The 2007-08 published estimates of \$843 million for revenue from fines and regulatory fees has been revised downward by \$32 million (3.8 per cent) mainly due to a decrease in the number of traffic infringements, reflecting improved driver behaviour, increased public awareness of road safety cameras, higher than scheduled camera downtime arising from increased maintenance requirements and the impact of transitioning to the new traffic camera contracts.

Dividends, income tax and rate equivalent revenue

In 2007-08, dividends, income tax and rate equivalent income is expected to be \$680 million, \$226 million (24.9 per cent) lower than forecast in the *2007-08 Budget* (see Table C.3), including a downwards revision of \$202 million reported in the *2007-08 Budget Update*. The revision reflects a change in the government's approach to assessing dividends from the Transport Accident Commission (TAC) to better reflect the entity's underlying insurance operations. The revision also reflects lower dividends from the water sector as a result of lower than expected water consumption. The decrease in investment revenue is offset to some extent by increases in income tax revenue, largely driven by a restructuring of the investment portfolios of the TAC and the Victorian WorkCover Authority, which has resulted in the realisation of higher than expected taxable gains.

Table C.3: Dividends, income tax and rate equivalent revenue

	(\$ million)			
	2007-08 Budget	2007-08 Revised	Change	Change %
Dividends	683.2	358.5	(324.7)	(47.5)
Income tax and rate equivalent revenue	222.2	321.3	99.1	44.6
Total dividends, income tax and rate equivalent revenue	905.4	679.8	(225.6)	(24.9)

Source: Department of Treasury and Finance

Grants income

Total grants revenue is expected to be \$17 181 million in 2007-08, \$653 million higher than at *2007-08 Budget Update* and \$1 022 million (6.3 per cent) higher than the *2007-08 Budget* (see Table C.4). The upward revision reflects:

- Increased GST revenue of \$264 million (3.0 per cent), resulting from a rise in the GST pool above that expected at the time of the *2007-08 Budget*;
- Higher specific purpose payments, including specific purpose grants for on-passing. In aggregate these payments have been revised upwards by \$748 million since the *2007-08 Budget*, including an increase of \$503 million since the *2007-08 Budget Update*. The increase for the year mainly relates to policy decisions of the Commonwealth in the areas of education, health, transport and roads and various drought and water related projects. The revenue is matched by increased expenditure in these areas on both output and capital initiatives; and
- At the 26 March 2008 Council of Australian Governments (COAG) meeting, the Prime Minister, Premiers and Chief Ministers, and Treasurers agreed to allocate an additional \$500 million grant from the Commonwealth to the public hospital system. Victoria anticipates an additional \$121 million from the Commonwealth in 2007-08 under the Australian Health Care Agreement. As a result, the state has been able to invest in maintaining health system performance, long-term reform of the sector and improved health outcomes for Victorians.

Table C.4: Grants

	(\$ million)			
	2007-08 Budget	2007-08 Revised	Change	Change %
Operating grants				
General purpose grants	9 124.8	9 399.0	274.2	3.0
Specific purpose grants for on-passing	1 808.6	1 865.5	56.9	3.1
Other specific purpose grants	4 430.1	4 717.1	287.0	6.5
Total operating grants	15 363.5	15 981.5	618.0	4.0
Capital grants				
Specific purpose grants for on-passing	141.4	145.7	4.3	3.0
Other specific purpose grants	653.8	1 053.5	399.7	61.1
Total capital grants	795.2	1 199.2	404.0	50.8
Total grants	16 158.7	17 180.7	1 022.0	6.3

Source: Department of Treasury and Finance

Sales of goods and services and other income

In 2007-08, revenue from the sale of goods and services and other income are expected to total \$2 832 million, \$188 million higher than the original 2007-08 Budget estimate, including an increase of \$120 million on the 2007-08 Budget Update. This mainly reflects an increase in third party revenue in the education and health sectors.

Expenses from transactions

As shown in Table C 1, general government sector operating expenses for 2007-08 are now projected to be \$35 792 million for 2007-08, \$1 847 million higher than the May 2007 budget estimate of \$33 945 million. Of this movement, \$1 006 million was reported in the 2007-08 Budget Update.

The major variation within operating expenses is attributable to an upward revision of the supplies and services expense of \$1 466 million (13.2 per cent), largely attributable to the impact of policy decisions taken since the 2007-08 Budget. Details of specific policy decisions since the 2007-08 Budget are summarised in Appendix A, *Specific Policy Initiatives Affecting the Budget Position*.

The movement in supplies and services expense has also been impacted by the reclassification to this item of \$309 million, previously classified as grants and transfer payments, to more correctly account for this expenditure in compliance with the requirements of the new accounting standard relating to government reporting; the transfer of \$150 million of properties to registered housing associations to achieve further social housing growth; and the transfer of Docklands assets valued at \$211 million to the Melbourne City Council.

Revised expenditure estimates also include an increase in employee benefits of \$300 million since the 2007 08 Budget, reflecting the government's continuing commitment to improved service delivery primarily in the areas of health, education and justice, and an increase of \$164 million in other expenses resulting from an upward revision of bad and doubtful debts.

Net Result

The difference between the net result and the net result from transactions is due to other economic flows. Other economic flows include actuarial gains and losses on defined benefit superannuation plans, various revaluation gains and losses on assets and liabilities and provision for doubtful debts. In particular, the non-cash impact of actuarial gains and losses on superannuation liabilities that arise due to movements in bond rates and investment markets add substantial volatility to the net result. Given that the government has no direct control over these factors, the net result from transactions is the more appropriate measure of the government's financial management.

The net result for 2007-08 is expected to be negative \$1 847 million, compared with a positive estimated net result of \$303 million in the *2007-08 Budget*. This accounting variance is largely due to a negative revaluation of \$2 783 million as at 31 March 2008 associated with the state's defined benefit superannuation plans, largely driven by lower than expected investment market returns on superannuation assets and movements in the discount rate used to value the superannuation liability. Given the volatility inherent in the net result, the final outcome for the year will be significantly affected by market movements until 30 June 2008, which the government does not seek to forecast.

REVISED 2007-08 BALANCE SHEET

The 2007-08 balance sheet is presented in Table C.5. Net assets are projected to increase by \$1 722 million over the course of 2007-08 to be \$45 207 million at 30 June 2008, \$268 million lower than 2007-08 Budget estimates.

Table C.5: 2007-08 Balance sheet as at 30 June

	(\$ million)				
	2007 Actual	Budgeted movement	2008 Budget ^(a)	Revised movement	2008 Revised
Current assets					
Cash and cash equivalents	3 017.7	(7.4)	3 010.3	(892.2)	2 125.5
Receivables	2 909.5	101.8	3 011.4	(939.6)	1 969.9
Prepayments	99.6	0.2	99.8	(4.0)	95.6
Inventories	125.2	1.6	126.8	(2.1)	123.2
Other financial assets	1 531.9	43.4	1 575.2	157.4	1 689.2
	7 683.9	139.6	7 823.5	(1 680.5)	6 003.4
Non-current assets classified as held for sale	51.9		51.9		51.9
Total current assets	7 735.9	139.6	7 875.5	(1 680.5)	6 055.3
Non-current assets					
Receivables	342.3	(81.4)	260.9	(128.2)	214.1
Investments accounted for using the equity method	629.5	5.0	634.5	10.0	639.5
Other financial assets	526.4	18.5	544.9	24.2	550.6
Property, plant and equipment	59 399.3	3 859.4	63 258.7	5 987.3	65 386.6
Intangibles	235.0	(12.5)	222.5	(14.7)	220.2
Other assets	206.0	(38.9)	167.1	7.4	213.4
Total non-current assets	61 338.5	3 750.1	65 088.6	5 886.0	67 224.5
Total assets	69 074.4	3 889.8	72 964.1	4 205.5	73 279.9
Current liabilities					
Payables	2 631.4	34.0	2 665.4	(78.1)	2 553.3
Interest-bearing liabilities	1 088.2	(3.4)	1 084.8	(799.9)	288.3
Employee benefits	3 245.2	40.6	3 285.8	113.2	3 358.5
Superannuation	335.0	82.0	417.0	82.0	417.0
Other provisions	214.3	(0.4)	214.0	(12.7)	201.6
Other liabilities	507.9	114.9	622.8	45.0	552.8
Total current liabilities	8 022.1	267.8	8 289.8	(650.5)	7 371.6
Non-current liabilities					
Payables	242.1	(0.4)	241.7	88.2	330.3
Interest-bearing liabilities	6 106.0	1 588.2	7 694.3	322.3	6 428.3
Employee benefits	375.6	89.6	465.2	35.7	411.3
Superannuation	9 802.7	(19.1)	9 783.6	2 719.3	12 522.0
Other provisions	543.4	(19.7)	523.7	(20.0)	523.3
Other liabilities	496.5	(5.9)	490.6	(10.9)	485.6
Total non-current liabilities	17 566.5	1 632.6	19 199.1	3 134.5	20 700.9
Total liabilities	25 588.5	1 900.4	27 488.9	2 484.0	28 072.5
Net assets	43 485.8	1 989.4	45 475.3	1 721.6	45 207.4

Source: Department of Treasury and Finance

Note:

(a) 2007-08 Budget is based on actual opening balances at 1 July 2007 plus 2007-08 Budgeted movement.

Total assets are projected to increase by \$4 206 million, \$316 million higher than the budgeted increase of \$3 890 million. This movement largely reflects an increase in infrastructure assets driven by additional investment and asset revaluations, partially offset by a reduction in cash and receivables.

REVISED 2007-08 CASH FLOW STATEMENT

Table C.6 provides the revised cash flow statement for 2007-08. Table C.7 provides a summary of cash generated through the operations of Victorian government departments and other general government sector agencies during the year, and how cash is applied to infrastructure investment and financing activities. Table C.7 also provides a reconciliation of the projected budget operating surplus to the projected change in general government net debt.

Net cash flows from operating activities are expected to be \$1 840 million higher than at the *2007-08 Budget*, including \$1 102 million reported in the *2007-08 Budget Update*. The variation reflects the impact of a \$3 210 million increase in operating receipts, offset by a \$1 370 million increase in payments in relation to operating activities. The expected increase in receipts generally reflects the factors underlying the increase in operating income. The increase in revised operating payments is similarly reflected in the increased expenditure of cash for operating purposes.

Table C.6: 2007-08 Cash flow statement

	(\$ million)			
	2007-08 Budget	2007-08 Revised	Change	Change %
Cash flows from operating activities				
Receipts				
Taxation	11 673.4	13 380.1	1 706.7	14.6
Fines and regulatory fees	719.9	688.2	(31.7)	(4.4)
Dividends, income tax and rate equivalent revenue received	898.1	697.2	(200.9)	(22.4)
Interest received	301.7	373.0	71.4	23.7
Grants	16 159.0	17 176.5	1 017.5	6.3
Sale of goods and services	2 590.7	2 932.6	341.9	13.2
Other receipts	1 944.0	2 249.1	305.1	15.7
Total receipts	34 286.7	37 496.7	3 210.1	9.4
Payments				
Employee benefits	(12 596.1)	(12 877.0)	(280.9)	2.2
Superannuation	(1 560.0)	(1 594.4)	(34.4)	2.2
Interest paid	(448.5)	(463.9)	(15.5)	3.4
Grants and transfer payments	(6 482.6)	(6 401.0)	81.6	(1.3)
Supplies and services	(11 118.2)	(12 238.7)	(1 120.5)	10.1
Total payments	(32 205.3)	(33 575.0)	(1 369.7)	4.3
Net cash flows from operating activities	2 081.4	3 921.7	1 840.3	88.4
Cash flows from investing activities				
Purchases of non-financial assets	(2 925.6)	(2 993.6)	(68.0)	2.3
Proceeds from sale of non-financial assets	202.3	212.1	9.7	4.8
Net (purchase)/disposal of investments	(62.7)	(189.7)	(127.0)	202.4
Net customer loans (granted)/repaid	0.8	0.8	..	..
Net contribution to other sectors of government	(898.4)	(1 374.4)	(476.0)	53.0
Net cash flows from investing activities	(3 683.6)	(4 344.9)	(661.2)	18.0
Cash flows from financing activities				
Net borrowings	1 594.9	(469.0)	(2 063.9)	(129.4)
Net cash flows from financing activities	1 594.9	(469.0)	(2 063.9)	(129.4)
Net increase/(decrease) in cash and deposits held	(7.4)	(892.2)	(884.8)	n.a.
Cash and deposits at beginning of reporting period	3 014.6	3 014.6	..	..
Cash and deposits at end of reporting period	3 007.2	2 122.4	(884.8)	-29.4

Source: Department of Treasury and Finance

Infrastructure investment

As shown in Table C.7, the \$3 922 million net cash inflows from operating activities is a significant source of financing for the Government's infrastructure investment program in 2007-08. Net debt is expected to decrease by \$358 million in 2007-08. The decrease is largely attributable to a greater than expected increase in operating cash flows mainly from taxation and grants.

Compared with the 2007-08 budget estimates, net debt is expected to be \$1 895 million lower than originally anticipated. This includes a reduction of \$872 million reported in the *2007-08 Budget Update*.

Table C.7: Application of cash resources

	(\$ million)	
	2007-08 Budget	2007-08 Revised
Net result from transactions	324.3	996.0
Add back: Non-cash income and expenses (net) ^(a)	1 757.1	2 925.7
Net cash flows from operating activities	2 081.4	3 921.7
Less:		
Net investment in fixed assets		
Expenditure on approved projects ^(b)	3 816.5	4 355.4
Meeting Our Transport Challenges Reserve to be allocated in future	7.5	12.6
Proceeds from asset sales	(202.3)	(212.1)
Total net investment in fixed assets	3 621.7	4 156.0
Finance leases	..	..
Other investment activities (net)	(2.8)	(592.1)
Decrease/(increase) in net debt	(1 537.6)	357.8

Source: Department of Treasury and Finance

Notes:

- (a) Includes depreciation and movements in the unfunded superannuation liability and liability for employee benefits.
- (b) Includes purchases of property, plant and equipment and net contributions to other sectors of government.

APPENDIX D – QUARTERLY FINANCIAL REPORT FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

This appendix presents the financial results for the general government sector for the nine months ending 31 March 2008, prepared consistent with the requirements of the *Financial Management Act 1994*. Comparisons are made to the revised 2007-08 full year estimates, as presented in Appendix C, *Revised 2007-08 Budget Outcome*.

Strong economic growth has contributed to the achievement of the net result from transactions of \$1 997 million for the nine month period. The result is consistent with expectations for this time of year, in achieving a full year revised budget estimate of \$996 million, given seasonal revenue and expenditure patterns.

Income from transactions was \$27 656 million for the nine months to 31 March 2008, representing 75.2 per cent of the full year revised budget estimate of \$36 788 million. This mainly reflects higher than pro-rata income from taxation, along with higher than pro-rata dividend income from the state's public financial corporations, flowing from the strength of financial markets in 2006-07.

Taxation revenue was \$9 895 million (76.1 per cent of revised estimate) for the nine month period. A major contribution to this higher than pro-rata result was land tax revenue, which is recognised in the March quarter when the assessment notices are issued.

Income from dividends, income tax equivalent and rate equivalent revenue for the first nine months of 2007-08 was \$573 million, which represents 84.3 per cent of the revised budget estimate of \$680 million. Dividend income was \$357.3 million, or 99.7 per cent of the revised budget estimate of \$359 million. Almost all dividends due from public authorities for 2007-08 were received in October 2007. This was offset by lower than pro-rata tax equivalent income, with remaining amounts due in the final quarter of 2007-08.

Expenses from transactions as at 31 March 2008 totalled \$25 659 million, which represents 71.7 per cent of the full year revised budget estimate of \$35 792 million. This result, in line with historical trends, reflects the normal seasonal pattern of service delivery, where expenses are weighted towards the last quarter of the financial year.

FINANCIAL STATEMENTS FOR THE GENERAL GOVERNMENT SECTOR

Operating statement for the period ended 31 March

(\$ million)				
2006-07 Actual to Mar.		Notes	2007-08	
			Actual to Mar.	Revised Budget
8 860.7	Taxation	2	9 894.9	12 997.4
577.8	Fines and regulatory fees	3	595.6	811.1
882.6	Dividends and income tax equivalent and rate equivalent revenue	4	573.4	679.8
301.1	Interest		305.3	372.9
11 452.7	Grants	5	12 544.8	17 180.7
2 010.2	Sale of goods and services		2 292.8	2 832.2
8.7	Fair value of assets received free of charge or for nominal consideration		..	85.5
1 331.4	Other income	6	1 448.9	1 828.6
25 425.3	Total income from transactions		27 655.8	36 788.1
	Expenses from transactions			
9 062.8	Employee benefits		9 662.0	13 025.9
1 263.8	Superannuation	7	1 236.8	1 613.0
1 011.0	Depreciation and amortisation	8	1 007.4	1 456.6
353.6	Finance costs		333.8	480.3
4 571.0	Grants and transfer payments		4 787.4	6 466.9
8 216.7	Supplies and services		8 554.0	12 584.7
10.8	Other expenses		77.8	164.7
24 489.6	Total expenses from transactions	9	25 659.1	35 792.1
935.7	Net result from transactions		1 996.6	996.0
	Income/(expenses) from other economic flows			
(17.1)	Net gain/(loss) from disposal of physical assets		(2.3)	70.3
1 486.7	Actuarial gains/(losses) of superannuation defined benefit plans	7	(2 782.7)	(2 782.7)
..	Share of net profits/ (losses) of associates and joint venture entities		4.9	..
20.7	Net gains/(losses) on financial assets at fair value		(10.4)	1.9
(119.6)	Other gains/(losses) from other economic flows	10	(100.6)	(132.1)
1 370.7	Total other economic flows		(2 891.2)	(2 842.7)
2 306.5	Net result		(894.6)	(1 846.7)

The accompanying notes form part of these financial statements.

Balance sheet as at 31 March

(\$ million)

2006-07		Notes	Opening	2007-08	
Actual	31 Mar.			Actual	Revised
			1 July	31 Mar.	Budget ^(a)
Current assets					
1 731.7	Cash and cash equivalents	16	3 017.7	2 817.9	2 125.5
2 425.7	Receivables	11	2 909.5	2 823.4	1 969.9
197.8	Prepayments		99.6	169.6	95.6
137.3	Inventories		125.2	142.3	123.2
2 050.5	Other financial assets		1 531.9	1 994.0	1 689.2
6 543.0			7 683.9	7 947.2	6 003.4
36.3	Non-current assets classified as held for sale		51.9	47.3	51.9
6 579.3	Total current assets		7 735.9	7 994.4	6 055.3
Non-current assets					
398.1	Receivables	11	342.3	350.2	214.1
602.6	Investments accounted for using the equity method		629.5	639.3	639.5
470.4	Other financial assets		526.4	565.1	550.6
57 600.7	Property, plant and equipment	12	59 399.3	59 893.7	65 386.6
213.5	Intangibles	13	235.0	232.4	220.2
240.8	Other assets	14	206.0	201.6	213.4
59 526.1	Total non-current assets		61 338.5	61 882.2	67 224.5
66 105.4	Total assets		69 074.4	69 876.6	73 279.9
Current liabilities					
2 975.3	Payables		2 631.4	2 564.2	2 553.3
301.9	Interest-bearing liabilities		1 088.2	282.1	288.3
2 687.4	Employee benefits	15	3 245.2	3 379.7	3 358.5
..	Superannuation		335.0	335.0	417.0
186.4	Other provisions		214.3	177.4	201.6
446.4	Other liabilities		507.9	636.6	552.8
6 597.4	Total current liabilities		8 022.1	7 375.1	7 371.6
Non-current liabilities					
558.2	Payables		242.1	264.6	330.3
5 989.7	Interest-bearing liabilities		6 106.0	6 092.4	6 428.3
727.3	Employee benefits	15	375.6	303.1	411.3
11 778.9	Superannuation		9 802.7	12 647.2	12 522.0
598.4	Other provisions		543.4	538.5	523.3
250.4	Other liabilities		496.5	498.4	485.6
19 902.9	Total non-current liabilities		17 566.5	20 344.1	20 700.9
26 500.3	Total liabilities		25 588.5	27 719.2	28 072.5
39 605.1	Net assets		43 485.8	42 157.4	45 207.4

The accompanying notes form part of these financial statements.

Note:

(a) 2007-08 Budget above and its accompanying notes are based on actual opening balances at 1 July 2007 plus 2007-08 budgeted movement.

Statement of recognised income and expense for the period ended 31 March

(\$ million)

<i>2006-07</i>		<i>2007-08</i>	
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar</i>		<i>to Mar.</i>	<i>Budget</i>
137.2	Gains on revaluation of property plant and equipment	89.9	4 644.1
..	Revaluation writeback / Impairment loss on property plant and equipment	(1.7)	..
	Available-for-sale investments:		
(15.4)	Gain/(loss) taken to equity	(5.1)	..
0.6	Transferred to profit or loss for the period	(0.6)	..
6.2	Other	(4.8)	0.8
128.7	Net income recognised directly in equity	77.7	4 644.9
2 306.5	Net result for the period	(894.6)	(1 846.7)
2 435.2	Total recognised income and expense for the period	(816.9)	2 798.2

Cash flow statement for the period ended 31 March

(\$ million)

2006-07 Actual to Mar.	Notes	2007-08	
		Actual to Mar.	Revised Budget
Cash flows from operating activities			
Receipts			
8 398.5	Taxation	9 683.5	13 380.1
442.3	Fines and regulatory fees	384.5	688.2
846.5	Dividends and income tax equivalent and rate equivalent revenue	586.1	697.2
301.4	Interest received	300.4	373.0
11 383.2	Grants	12 540.7	17 176.5
2 390.1	Sale of goods and services ^(a)	2 639.6	2 932.6
1 562.9	Other receipts	2 043.4	2 249.1
25 324.9	Total receipts	28 178.2	37 496.7
Payments			
(9 077.2)	Employee benefits	(9 600.1)	(12 877.0)
(894.7)	Superannuation	(1 175.1)	(1 594.4)
(348.3)	Interest paid	(319.5)	(463.9)
(4 431.9)	Grants and transfer payments	(4 843.0)	(6 401.0)
(8 454.4)	Supplies and services ^(a)	(8 849.2)	(12 238.7)
(23 206.6)	Total payments	(24 786.9)	(33 575.0)
2 118.4	Net cash flows from operating activities	16 (b) 3 391.3	3 921.7
Cash flows from investing activities			
(2 134.7)	Purchase of non-financial assets	(1 940.8)	(2 993.6)
100.5	Proceeds from sale of non-financial assets	120.0	212.1
(336.6)	Net (purchase)/disposal of investments	(521.8)	(189.7)
(2.2)	Net customer loans (granted)/repaid	(14.9)	0.8
(341.2)	Net contribution to other sectors of government	(607.2)	(1 374.4)
(2 714.2)	Net cash flows from investing activities	(2 964.6)	(4 344.9)
Cash flows from financing activities			
(372.0)	Net borrowings	(627.7)	(469.0)
(372.0)	Net cash flows from financing activities	(627.7)	(469.0)
(967.9)	Net increase/(decrease) in cash and cash equivalents	(201.1)	(892.2)
2 695.0	Cash and cash equivalents at beginning of reporting period	3 014.6	3 014.6
1 727.1	Cash and cash equivalents at end of reporting period	16 (a) 2 813.6	2 122.4

The accompanying notes form part of these financial statements.

Note:

(a) These items are inclusive of good and service tax.

NOTES TO THE FINANCIAL STATEMENTS

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Note 1: Statement of significant accounting policies

The following summarises the significant accounting policies that have been adopted in preparing and presenting this *Quarterly Financial Report*.

(A) Compliance framework

This report is a specific purpose consolidated financial report of the general government sector for the quarter ending 31 March 2008, as required by Section 26 of the *Financial Management Act 1994*.

The *Quarterly Financial Report* has been prepared in accordance with the *Financial Management Act 1994*, and applicable pronouncements and interpretations of the Australian Accounting Standards Board, including Australian equivalents to International Financial Reporting Standards (A-IFRS).

This unaudited specific purpose financial report should be read in conjunction with the *2006-07 Financial Report for the State of Victoria* and *2007-08 Mid Year Financial Report*. This quarterly report only includes explanatory notes that provide relevant information on a quarterly reporting basis.

(B) Basis of accounting and measurement

The accrual basis of accounting has been employed in the preparation of this financial report whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash will be received or paid.

(C) General government sector reporting entity

The Victorian general government sector includes all government departments, offices and other government bodies engaged in providing services free of charge or at prices significantly below their cost of production. The services provided by these not for profit entities are financed mainly through taxes, other compulsory levies and user charges. The general government sector is not a separate entity but represents a sector within the State of Victoria whole of government reporting entity.

(D) Basis of consolidation

The *Quarterly Financial Report* includes all reporting entities in the general government sector that are controlled by the state. Details of entities consolidated for the general government sector are included in Budget Paper No. 4, Chapter 1, *Estimated Financial Statements and Notes*, at Note 27.

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

Note 2: Taxation

(\$ million)

2006-07		2007-08	
<i>Actual to Mar.</i>		<i>Actual to Mar.</i>	<i>Revised Budget</i>
2 611.8	Payroll tax	2 879.5	3 824.1
	Taxes on immovable property		
853.5	Land tax	861.0	871.0
35.9	Congestion levy	(1.1)	37.6
85.8	Metropolitan improvement levy	84.3	101.8
30.9	Property owner contributions to fire brigades	32.7	40.8
1 006.1	Total taxes on immovable property	976.9	1 051.2
	Financial and capital transactions		
2 158.0	Land transfer duty	2 836.4	3 874.5
34.3	Rental business duty ^(a)	(0.4)	..
7.2	Other property duties	6.4	9.8
0.6	Debits tax ^(b)	..	..
11.7	Financial accommodation levy	15.1	20.9
2 211.7	Total financial and capital transactions	2 857.6	3 905.2
45.2	Levies on statutory corporations	44.3	61.6
	Gambling taxes		
246.3	Private lotteries	246.7	337.3
698.1	Electronic gaming machines	753.7	992.3
84.0	Casino	88.6	127.1
93.5	Racing	94.4	122.6
4.2	Other	4.6	7.0
1 126.1	Total gambling taxes	1 188.0	1 586.3
833.8	Taxes on insurance	878.0	1 148.8
	Motor vehicle taxes		
545.1	Vehicle registration fees	582.4	781.7
412.9	Stamp duty on vehicle transfers	425.4	565.1
958.0	Total motor vehicle taxes	1 007.8	1 346.7
68.0	Other taxes	62.7	73.4
8 860.7	Total taxation	9 894.9	12 997.4

Notes:

(a) Rental business duty was abolished on 1 January 2007.

(b) Debit tax was abolished on 1 July 2005.

Note 3: Fines and regulatory fees

(\$ million)

<i>2006-07</i>		<i>2007-08</i>	
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar.</i>		<i>to Mar.</i>	<i>Budget</i>
307.4	Fines	316.0	430.0
46.9	Motor vehicle regulatory fees	34.7	50.8
223.5	Other regulatory fees	245.0	330.2
577.8	Total fines and regulatory fees	595.6	811.1

Note 4: Dividends and income tax equivalent and rate equivalent revenue

(\$ million)

<i>2006-07</i>		<i>2007-08</i>	
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar.</i>		<i>to Mar.</i>	<i>Budget</i>
542.8	Dividends	357.3	358.5
339.8	Income tax equivalent and rate equivalent revenue	216.1	321.3
882.6	Total dividends and income tax equivalent and rate equivalent revenue	573.4	679.8

Note 5: Grants

(\$ million)

<i>2006-07</i>		<i>2007-08</i>	
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar.</i>		<i>to Mar.</i>	<i>Budget</i>
Operating grants			
6 348.6	General purpose grants	6 920.4	9 399.0
1 337.5	Specific purpose grants for on-passing	1 420.4	1 865.5
3 153.2	Other specific purpose grants	3 464.6	4 717.1
10 839.3	Total operating grants	11 805.4	15 981.5
Capital grants			
130.4	Specific purpose grants for on-passing	110.2	145.7
483.0	Other specific purpose grants	629.2	1 053.5
613.4	Total capital grants	739.4	1 199.2
11 452.7	Total grants	12 544.8	17 180.7

Note 6: Other income from transactions

(\$ million)

2006-07 Actual to Mar.		2007-08	
		Actual to Mar.	Revised Budget
625.1	Inter-sector capital asset charge	670.3	820.0
6.9	Royalties	30.9	40.4
16.0	Rents	15.3	14.9
111.4	Donations and gifts	154.3	168.5
..	Forgiveness of liability	..	..
3.0	Other non-property rental	1.5	0.2
569.1	Other miscellaneous income	576.5	784.6
1 331.4	Total other income from transactions	1 448.9	1 828.6

Note 7: Superannuation

(\$ million)

2006-07 Actual to Mar.		2007-08	
		Actual to Mar.	Revised Budget
	Defined benefit plans		
480.4	Current service cost ^(a)	482.9	596.0
1 282.0	Interest cost ^(a)	1 344.3	1 776.4
(967.4)	Expected return on plan assets (net of expenses) ^(a)	(1 085.3)	(1 446.2)
(10.9)	Amortisation of past service cost ^(a)	(10.9)	(14.5)
(1 486.7)	Actuarial (gains)/losses ^(b)	2 782.7	2 782.7
(702.6)	Total expense recognised in respect of defined benefit plans	3 513.7	3 694.5
	Defined contribution plans		
450.4	Employer contributions to defined contribution plans ^(a)	473.3	654.7
29.3	Other (including pensions) ^(a)	32.5	46.5
479.7	Total expense recognised in respect of defined contribution plans	505.8	701.3
(222.9)	Total superannuation expense recognised in operating statement	4 019.5	4 395.7

Notes:

(a) Superannuation expense from transactions.

(b) Superannuation expense from other economic flows.

Note 8: Depreciation and amortisation

(\$ million)

2006-07		2007-08	
Actual to Mar.		Actual to Mar.	Revised Budget
Depreciation			
271.4	Buildings	301.1	415.6
380.0	Plant, equipment and infrastructure systems	346.8	576.5
244.8	Road networks	250.5	335.0
8.2	Other assets	7.1	10.2
904.3	Total depreciation	905.4	1 337.4
Amortisation			
38.7	Leased plant and equipment	26.9	41.6
43.2	Leasehold improvements	38.5	47.1
1.8	Leased Infrastructure	..	..
23.0	Intangible produced assets	36.7	30.6
106.7	Total amortisation	102.0	119.3
1 011.0	Total depreciation and amortisation	1 007.4	1 456.6

Note 9: Total expenses from transactions by department

(\$ million)

2006-07		2007-08	
Actual to Mar.		Actual to Mar.	Revised Budget
Expenses from transactions			
78.7	Parliament	86.0	124.6
7 203.3	Education and Early Childhood Development	6 404.7	8 486.3
9 396.0	Human Services	9 808.3	13 226.4
3 116.9	Infrastructure	3 210.6	4 213.4
278.1	Innovation, Industry and Regional Development	1 507.9	2 190.8
2 273.6	Justice	2 411.9	3 454.3
375.4	Premier and Cabinet	390.2	522.6
317.6	Primary Industries	441.4	620.5
951.4	Sustainability and Environment	902.4	1 413.8
1 353.7	Treasury and Finance	1 307.8	2 038.0
623.3	Planning and Community Development	665.0	964.2
..	Contingencies not allocated to departments ^(a)	..	408.5
929.1	Regulatory bodies and other part budget funded agencies ^(b)	1 150.1	1 570.1
(2 407.5)	Less eliminations ^(c)	(2 627.2)	(3 441.6)
24 489.6	Total expenses from transactions ^(d)	25 659.1	35 792.1

Notes:

- (a) Includes a provision for programs lapsing, future demand growth, items not yet formalised at the time of the budget, and an allowance for departmental underspending in 2006 07.
- (b) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to departments.
- (c) Mainly comprises payroll tax, capital asset charge and inter-departmental and inter-agency transfers.
- (d) For individual departments, 2007-08 includes the impact of the machinery of government changes effective 1 September 2007. In particular, the movement of TAFEs from Education and Early Childhood Development to Innovation, Industry and Regional Development makes the year-on-year data not directly comparable.

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

(\$ million)

2006-07		2007-08	
Actual		Actual	Revised
to Mar.		to Mar.	Budget
..	Net gains/(losses) from revaluation of biological assets	..	8.4
(114.2)	Net (increase)/decrease in provision for doubtful debts	(79.7)	(120.8)
(0.7)	Amortisation of intangible non-produced assets	(1.6)	..
(4.7)	Other gains/(losses)	(19.2)	(19.8)
(119.6)	Total other gains/(losses) from other economic flows	(100.6)	(132.1)

Note 11: Receivables

(\$ million)

2006-07		2007-08		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
Current receivables				
577.7	Sale of goods and services	617.2	669.9	497.5
976.0	Taxes receivable	1 003.2	1 208.8	748.0
847.7	Fines and regulatory fees	617.5	731.3	676.5
82.8	Accrued investment income	511.6	164.2	13.8
13.7	Loans	2.9	17.4	2.7
197.3	Other receivables	219.0	241.0	316.3
199.6	GST input tax credits recoverable	255.3	159.1	252.6
(469.3)	Provision for doubtful receivables	(317.2)	(368.3)	(537.6)
2 425.7	Total current receivables	2 909.5	2 823.4	1 969.9
Non-current receivables				
16.2	Sale of goods and services	17.5	17.3	17.5
242.2	Taxes receivable	182.1	187.9	54.5
58.0	Loans	58.1	58.4	57.5
89.3	Other receivables	91.9	93.9	91.9
(7.6)	Provision for doubtful receivables	(7.3)	(7.3)	(7.3)
398.1	Total non-current receivables	342.3	350.2	214.1
2 823.7	Total receivables	3 251.8	3 173.6	2 184.1

Note 12: Property, plant and equipment

(a) Total property, plant and equipment

(\$ million)

2006-07		2007-08		
Actual 31 Mar.		Opening 1 July	Actual 31 Mar.	Revised Budget
14 309.0	Buildings (written down value)	15 363.3	15 598.5	16 665.9
18 151.0	Land and national parks	19 424.9	19 504.1	20 716.1
536.4	Infrastructure systems (written down value)	195.9	265.0	390.5
2 143.3	Plant, equipment and vehicles (written down value)	2 024.6	1 894.3	2 185.4
14 375.9	Roads (written down value)	14 392.4	14 543.1	16 687.6
4 438.7	Earthworks	4 494.7	4 575.7	5 121.7
3 646.4	Cultural assets (written down value)	3 503.5	3 513.1	3 619.5
57 600.7	Total property, plant and equipment	59 399.3	59 893.7	65 386.6

(b) Land and Buildings

(\$ million)

2006-07		2007-08		
Actual 31 Mar.		Opening 1 July	Actual 31 Mar.	Revised Budget
15 954.7	Buildings	16 902.3	17 415.0	18 259.0
(1 645.7)	Accumulated depreciation	(1 539.1)	(1 816.5)	(1 593.1)
14 309.0	Buildings (written down value)	15 363.3	15 598.5	16 665.9
16 193.9	Land	17 130.9	17 216.7	18 415.9
1 957.1	National Parks and other 'land only' holdings	2 294.0	2 287.4	2 300.2
18 151.0	Land and national parks	19 424.9	19 504.1	20 716.1
32 460.1	Total land and buildings	34 788.2	35 102.6	37 382.0

(c) Plant, equipment and infrastructure systems

(\$ million)

2006-07		2007-08		
Actual 31 Mar.		Opening 1 July	Actual 31 Mar.	Revised Budget
557.6	Infrastructure systems	213.0	291.0	432.5
(21.2)	Accumulated depreciation	(17.1)	(26.0)	(42.1)
536.4	Infrastructure systems (written down value)	195.9	265.0	390.5
4 787.0	Plant, equipment and vehicles	4 341.3	4 346.4	4 937.5
(2 820.5)	Accumulated depreciation	(2 486.3)	(2 590.6)	(2 882.8)
343.7	Leased plant, equipment and vehicles	233.2	178.4	187.4
(166.9)	Accumulated amortisation	(63.5)	(40.0)	(56.7)
2 143.3	Plant, equipment and vehicles (written down value)	2 024.6	1 894.3	2 185.4
2 679.7	Total plant, equipment and vehicles, and infrastructure systems	2 220.5	2 159.3	2 575.9

(d) Road networks and earthworks

(\$ million)

2006-07		2007-08		
<i>Actual</i>		<i>Opening</i>	<i>Actual</i>	<i>Revised</i>
<i>31 Mar.</i>		<i>1 July</i>	<i>31 Mar.</i>	<i>Budget</i>
16 753.7	Roads	16 750.6	17 053.3	19 787.2
(6 225.3)	Accumulated depreciation	(6 298.1)	(6 496.5)	(7 550.0)
5 837.8	Road infrastructure	5 950.7	6 049.2	6 842.3
(1 990.3)	Accumulated depreciation	(2 010.8)	(2 062.9)	(2 391.9)
14 375.9	Roads (written down value)	14 392.4	14 543.1	16 687.6
4 438.7	Earthworks	4 494.7	4 575.7	5 121.7
18 814.6	Total road networks and earthworks	18 887.1	19 118.8	21 809.3

(e) Cultural assets

(\$ million)

2006-07		2007-08		
<i>Actual</i>		<i>Opening</i>	<i>Actual</i>	<i>Revised</i>
<i>31 Mar.</i>		<i>1 July</i>	<i>31 Mar.</i>	<i>Budget</i>
3 757.6	Cultural assets	3 587.4	3 602.6	3 716.6
(111.2)	Accumulated depreciation	(84.0)	(89.6)	(97.1)
3 646.4	Total cultural assets (written down value)	3 503.5	3 513.1	3 619.5

Note 13: Intangibles

(\$ million)

2006-07		2007-08		
<i>Actual</i>		<i>Opening</i>	<i>Actual</i>	<i>Revised</i>
<i>31 Mar.</i>		<i>1 July</i>	<i>31 Mar.</i>	<i>Budget</i>
340.9	Intangibles produced assets	380.2	411.8	393.0
(131.4)	Accumulated amortisation	(154.0)	(189.4)	(181.6)
10.3	Intangibles non produced assets	20.7	23.8	20.7
(6.3)	Accumulated amortisation	(11.9)	(13.8)	(11.9)
213.5	Intangibles (written down value)	235.0	232.4	220.2

Note 14: Other assets

(\$ million)

2006-07		2007-08		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
Non-current other assets				
19.4	Investment properties	19.2	19.3	19.2
2.4	Biological assets	2.0	2.0	10.4
219.0	Other assets	184.8	180.4	183.8
240.8	Total non-current other assets	206.0	201.6	213.4

Note 15: Employee benefits

(\$ million)

2006-07		2007-08		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
Current				
881.1	Accrued salaries and wages ^(a)	1 102.1	1 116.9	1 137.8
1 806.3	Long service leave	2 143.1	2 262.8	2 220.7
2 687.4	Total current employee benefits	3 245.2	3 379.7	3 358.5
Non-current				
30.2	Accrued salaries and wages ^(a)	..	..	..
697.1	Long service leave	375.6	303.1	411.3
727.3	Total non-current employee benefits	375.6	303.1	411.3
3 414.7	Total employee benefits	3 620.9	3 682.8	3 769.8

Notes:

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

Note 16: Reconciliation of net result to net cash flows from operating activities for the period ended 31 March

(a) Reconciliation of cash

(\$ million)

2006-07 Actual 31 Mar.		2007-08 Actual 30 Mar.
673.4	Cash	954.9
1 058.3	Deposits at call	1 863.0
1 731.7	Cash and cash equivalents	2 817.9
(4.6)	Bank overdraft	(4.3)
1 727.1	Balances as per cash flow statement	2 813.6

(b) Reconciliation of the net result to net cash flows from operating activities for the period ended 31 March

(\$ million)

2006-07 Actual 31 Mar.		2007-08 Actual to Mar.
2 306.5	Net result	(894.6)
	Non-cash movements	
1 011.7	Depreciation and amortisation	1 009.1
(11.5)	Revaluation of investments	8.9
(5.0)	Assets received/(provided) free of charge	232.3
(1.0)	Assets not previously recognised	(0.6)
7.2	Revaluation of other assets	13.6
6.1	Discount/(premium) on other financial assets/interest-bearing liabilities	5.6
	Movements included in investing and financing activities	
16.9	Net revenue from sale of property, plant and equipment	2.2
(10.2)	Net revenue from sale of investments	(3.3)
	Movements in assets and liabilities	
96.2	Increase/(decrease) in provision of doubtful debts	51.1
568.8	Increase/(decrease) in payables	16.0
(14.5)	Increase/(decrease) in employee benefits	61.9
(1 117.6)	Increase/(decrease) in superannuation	2 844.5
48.9	Increase/(decrease) in other provisions	(42.1)
26.0	Increase/(decrease) in other liabilities	130.6
(635.8)	(Increase)/decrease in receivables	23.8
(174.2)	(Increase)/decrease in other assets	(67.8)
2 118.4	Net cash flows from operating activities	3 391.3

Note 17: Public Account

(a) Consolidated Fund receipts and payments

		(\$ million)	
2006-07 Actual to Mar.		2007-08	
		Actual to Mar.	Revised Budget
	Receipts		
8 298.5	Taxation	9 526.8	13 236.4
270.4	Fines and regulatory fees	304.6	523.5
9 532.7	Grants received	10 482.3	14 502.6
516.4	Sales of goods and services	593.2	722.4
45.2	Interest received	13.9	37.0
901.4	Public authority receipts	1 057.5	1 177.3
2 210.3	Other receipts	2 195.0	2 901.6
21 774.9	Total operating activities	24 173.4	33 100.8
(44.8)	Total inflows from investing and financing	34.4	139.0
21 730.1	Total receipts	24 207.8	33 239.7
	Payments to Departments		
5 289.6	Education and Early Childhood Development	4 867.2	6 700.6
8 229.7	Human Services	9 105.5	12 151.4
3 182.6	Infrastructure	3 568.7	4 705.2
349.1	Innovation, Industry and Regional Development	1 047.1	1 510.3
2 264.8	Justice	2 367.8	3 245.1
385.7	Premier and Cabinet	369.4	491.8
308.3	Primary Industries	440.4	578.6
872.5	Sustainability and Environment	981.3	1 759.4
1 141.6	Treasury and Finance	1 168.7	1 933.8
301.6	Planning and Community Development	363.2	610.0
78.2	Parliament	87.4	124.9
22 403.6	Total payments	24 366.7	33 811.1
(673.6)	Net receipts/(payments) ^(a)	(158.9)	(571.4)

Note:

(a) For individual departments, 2007-08 includes the impact of the machinery of government changes effective 1 September 2007. In particular, the movement of TAFE's from Education and Early Childhood Development to Innovation, Industry and Regional Development makes the year-on-year data not directly comparable.

(b) Trust Fund cash flows statement

(\$ million)

2006-07 Actual to Mar.		2007-08	
		Actual to Mar.	Revised Budget
	Cash flows from operating activities		
	Receipts		
119.5	Taxation	155.9	152.6
19.3	Regulatory fees and fines	3.8	46.3
2 178.5	Grants received	2 133.5	2 384.2
224.4	Sale of goods and services	269.7	296.1
93.9	Interest received	114.3	135.7
6 719.7	Other receipts	7 161.9	9 141.4
9 355.3	Total receipts	9 839.0	12 156.3
	Payments		
(61.0)	Employee entitlements	(83.4)	(92.7)
(4.5)	Superannuation	(4.9)	(6.2)
(7 593.1)	Grants paid	(7 632.6)	(9 693.5)
(1 646.6)	Supplies and consumables	(1 803.1)	(2 408.8)
(25.1)	Interest paid	(15.6)	(16.3)
(9 330.2)	Total payments	(9 539.6)	(12 217.4)
25.1	Net cash flows from operating activities	299.4	(61.1)
	Cash flows from investing activities		
(60.2)	Net proceeds from customer loans	(39.5)	..
26.1	Proceeds from sale of property, plant and equipment	39.8	34.0
(59.6)	Purchases of property, plant and equipment	(29.9)	(28.3)
(17.2)	Other investing activities	(152.8)	(76.9)
(110.9)	Net cash flows from investing activities	(182.5)	(71.2)
	Cash flows from financing activities		
(36.1)	Net proceeds (repayments) from borrowings	(960.0)	(147.7)
(36.1)	Net cash flows from financing activities	(960.0)	(147.7)
(122.0)	Net cash inflow/(outflow)	(843.1)	(280.0)

(c) Details of securities held in the Public Account

(\$ million)

2006-07		2007-08	
Actual		Opening	Actual
Mar.		1 July	31 Mar.
647.9	Amounts invested on behalf of specific trust accounts	673.1	957.0
1.3	Amounts invested on behalf of general trust accounts	1.3	1.3
1 065.3	General account balances	2 082.3	1 083.6
1 714.5	Total Public Account	2 756.7	2 041.9
	Represented by:		
649.2	Stocks and securities	674.4	958.3
763.0	Cash and investments	1 231.1	822.2
1 412.2	Total stock, securities, cash and investments	1 905.5	1 780.5
	Add cash advanced for:		
302.2	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	851.2	261.4
1 714.5	Total Public Account	2 756.7	2 041.9

RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

The following tables present the operating statement, balance sheet and cash flow statement for the general government sector on a quarter by quarter basis for the preceding five quarters.

These quarterly financial statements should be read in conjunction with Note 1 of this Appendix and the *Statement of significant accounting policies and forecast assumptions* (Note 1) in Budget Paper No. 4, Chapter 1, *Estimated Financial Statements and Notes*.

Table D.1: Operating statement for the past five quarters

	(\$ million)				
	Mar.	2006-07		2007-08	
		June	Sept.	Dec.	Mar.
Income from transactions					
Taxation	3 419.0	2 841.1	3 014.8	3 042.3	3 837.7
Fines and regulatory fees	199.8	187.4	212.2	199.7	183.7
Dividends and income tax equivalent and rate equivalent revenue	24.1	539.7	75.9	388.0	109.5
Interest	100.0	121.6	100.7	106.5	98.2
Grants	3 806.8	4 148.2	3 982.7	4 335.6	4 226.6
Sale of goods and services	687.3	853.1	706.4	817.1	769.3
Fair value of assets received free of charge or for nominal consideration	6.5	13.2	0.3	(0.3)	..
Other income	459.5	756.2	527.9	436.1	484.8
Total income from transactions	8 703.1	9 460.4	8 621.0	9 325.0	9 709.8
Expenses from transactions					
Employee benefits	3 041.4	3 124.4	3 098.7	3 231.0	3 332.3
Superannuation	423.7	379.1	402.5	429.1	405.2
Depreciation and amortisation	342.7	323.6	333.3	327.5	346.6
Finance costs	112.0	125.6	111.4	120.6	101.7
Grants and transfer payments	1 629.6	2 135.0	1 530.0	1 665.0	1 592.4
Supplies and services	3 143.6	2 754.5	2 671.4	2 825.0	3 057.6
Other expenses	(15.7)	189.2	15.5	12.6	49.7
Total expenses from transactions	8 677.3	9 031.5	8 162.8	8 610.9	8 885.4
Net result from transactions	25.7	428.9	458.1	714.1	824.4
Income/(expenses) from other economic flows					
Net gain/(loss) from disposal of physical assets	(4.6)	(12.7)	(17.2)	(14.8)	29.6
Actuarial gains/(losses) of superannuation defined benefit plans	436.7	1 703.4	(232.6)	(262.6)	(2 287.6)
Share of net profits/ (losses) of associates and joint venture entities	..	5.2	..	4.8	0.1
Net gains/(losses) on financial assets at fair value	4.6	1.0	0.8	(2.4)	(8.9)
Other gains/(losses) from other economic flows	(22.1)	438.0	(50.2)	(33.0)	(17.4)
Total other economic flows	414.6	2 135.0	(299.1)	(308.0)	(2 284.1)
Net result	440.3	2 563.9	159.0	406.1	(1 459.8)

Table D.2: Balance sheet as at the end of the quarter

(\$ million)

	2006-07			2007-08	
	Mar.	June	Sept.	Dec.	Mar
Current assets					
Cash and cash equivalents	1 731.7	3 017.7	2 101.9	2 737.3	2 817.9
Receivables	2 425.7	2 909.5	2 778.6	1 994.4	2 823.4
Prepayments	197.8	99.6	286.5	253.8	169.6
Inventories	137.3	125.2	129.0	143.7	142.3
Other financial assets	2 050.5	1 531.9	1 715.8	1 981.4	1 994.0
	6 543.0	7 683.9	7 011.9	7 110.6	7 947.2
Non-current assets classified as held for sale	36.3	51.9	50.6	48.8	47.3
Total current assets	6 579.3	7 735.9	7 062.5	7 159.4	7 994.4
Non-current assets					
Receivables	398.1	342.3	341.4	349.8	350.2
Investments accounted for using the equity method	602.6	629.5	634.5	639.3	639.3
Other financial assets	470.4	526.4	532.2	561.3	565.1
Property, plant and equipment	57 600.7	59 399.3	59 443.4	59 751.4	59 893.7
Intangibles	213.5	235.0	234.1	234.9	232.4
Other assets	240.8	206.0	206.0	206.1	201.6
Total non-current assets	59 526.1	61 338.5	61 391.7	61 742.8	61 882.2
Total assets	66 105.4	69 074.4	68 454.2	68 902.3	69 876.6
Current liabilities					
Payables	2 975.3	2 631.4	2 661.9	2 475.4	2 564.2
Interest-bearing liabilities	301.9	1 088.2	420.2	294.6	282.1
Employee benefits	2 687.4	3 245.2	3 131.2	3 321.9	3 379.7
Superannuation	..	335.0	335.0	335.0	335.0
Other provisions	186.4	214.3	216.2	207.4	177.4
Other liabilities	446.4	507.9	475.8	438.3	636.6
Total current liabilities	6 597.4	8 022.1	7 240.3	7 072.5	7 375.1
Non-current liabilities					
Payables	558.2	242.1	229.4	344.0	264.6
Interest-bearing liabilities	5 989.7	6 106.0	6 097.8	6 019.0	6 092.4
Employee benefits	727.3	375.6	373.8	347.1	303.1
Superannuation	11 778.9	9 802.7	10 050.6	10 339.2	12 647.2
Other provisions	598.4	543.4	544.4	537.0	538.5
Other liabilities	250.4	496.5	496.6	513.6	498.4
Total non-current liabilities	19 902.9	17 566.5	17 792.6	18 100.0	20 344.1
Total liabilities	26 500.3	25 588.5	25 032.9	25 172.5	27 719.2
Net assets	39 605.1	43 485.8	43 421.3	43 729.8	42 157.4

Table D.3: Cash flow statement for the past five quarters

	(\$ million)				
	2006-07		2007-08		
	Mar.	June	Sept.	Dec	Mar.
Cash flows from operating activities					
Receipts					
Taxation	2 751.6	2 866.0	3 401.4	3 156.7	3 125.3
Fines and regulatory fees	110.3	235.6	108.3	215.4	60.8
Dividends and income tax equivalent and rate equivalent revenue	(14.8)	582.7	72.4	403.7	110.0
Interest received	100.7	118.2	100.6	99.0	100.8
Grants	3 731.4	4 218.3	3 998.2	4 325.6	4 216.8
Sale of goods and services	617.1	1 201.8	634.9	1 301.4	703.3
Other receipts	470.2	394.7	390.9	993.8	658.7
Total receipts	7 766.5	9 617.2	8 706.8	10 495.6	8 975.8
Payments					
Employee benefits	(3 121.6)	(2 918.2)	(3 214.6)	(3 067.0)	(3 318.4)
Superannuation	(302.5)	(316.9)	(387.1)	(403.1)	(384.8)
Interest paid	(112.5)	(102.4)	(110.3)	(113.1)	(96.0)
Grants and transfer payments	(1 365.7)	(2 242.3)	(1 508.0)	(1 785.2)	(1 549.7)
Supplies and services	(2 382.4)	(3 315.7)	(2 967.7)	(3 033.6)	(2 848.0)
Total payments	(7 284.7)	(8 895.4)	(8 187.8)	(8 402.1)	(8 197.0)
Net cash flows from operating activities	481.8	721.8	519.0	2 093.6	778.7
Cash flows from investing activities					
Purchase of non-financial assets	(814.4)	(677.8)	(388.6)	(960.2)	(592.0)
Proceeds from sale of non-financial assets	33.0	125.2	22.7	35.9	61.5
Net (purchase)/disposal of investments	(15.4)	475.6	(193.7)	(298.4)	(29.7)
Net customer loans (granted)/repaid	(9.9)	10.6	(0.3)	(14.5)	..
Net contribution to other sectors of government	(155.0)	(353.5)	(196.3)	(214.0)	(196.8)
Net cash flows from investing activities	(961.8)	(419.9)	(756.3)	(1 451.3)	(757.0)
Cash flows from financing activities					
Net borrowings	(232.1)	985.7	(680.1)	(6.5)	58.9
Net cash flows from financing activities	(232.1)	985.7	(680.1)	(6.5)	58.9
Net increase/(decrease) in cash and cash equivalents	(712.1)	1 287.6	(917.4)	635.7	80.6
Cash and cash equivalents at beginning of reporting period	2 439.1	1 727.1	3 014.6	2 097.3	2 733.0
Cash and cash equivalents at end of reporting period	1 727.1	3 014.6	2 097.3	2 733.0	2 813.6

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 variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

n.a.	not available or not applicable
..	zero, or rounded to zero
(xxx.x)	negative numbers
200x – 0x	year period

The notation used in the text is as follows:

–xxx.x	negative numbers within text.
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