

# Statement of Finances

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**2004-05**



Presented by

**The Honourable John Brumby, M.P.**

Treasurer of the State of Victoria

for the information of Honourable Members

**Budget Paper No. 4**



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## INTRODUCTION

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The Budget Paper No. 4, *Statement of Finances*, provides the financial details of the aggregated general government sector as outlined in the *Budget Statement*. This 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 for the Victorian general government sector, based on generally accepted accounting principles (GAAP) and consistent with the Financial Policy Objectives and Strategies Statement (see Budget Paper No. 2 Chapter 1, *Financial Policy Objectives and Strategy*).

The accompanying notes to these statements provide details of the material economic and other assumptions used, and the specific forecast assumptions underlying material items in the financial statements. In addition, Note 1 contains a statement of significant accounting policies on which these statements are based.

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

### **Chapter 2 – Departmental Financial Statements**

Chapter 2 contains departmental financial estimates that detail information on departmental resources, including output and financial statements, as well as authority for resources for each department.

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 general government sector provided in Chapter 1.

As with the consolidated financial reports for the general government sector, there are no Australian accounting standards for prospective reporting by government entities. In so far as it is possible, the primary statements have been prepared consistent with AAS29, which prescribes the form and content of general purpose financial reports of government departments.

### **Chapter 3 – State Revenue**

Chapter 3 outlines the major sources of state revenue, both own source revenue including taxes, fines and regulatory fees and investment revenue, and that provided through Commonwealth grants, for both general and specific purposes. The Commonwealth Government grants estimates represent the latest information available to the Victorian Government. However, the Commonwealth budget is not due to be brought down until 11 May 2004 and, as a result, there may be variations between the information published in this chapter and the amounts actually provided by the Commonwealth.

### **Chapter 4 – Tax Expenditures and Concessions**

Chapter 4 fulfils the higher-level disclosure requirement under the *Financial Management (Financial Responsibility) Act 2000* by providing an overview and forward estimates of tax expenditures. This chapter also details concession reforms included in the 2004-05 Budget.

### **Chapter 5 – Public Account**

Chapter 5 discloses information on the Public Account, which includes the estimated transactions and the year-end balances of the Consolidated Fund and the Trust Fund. Details of estimated consolidated fund receipts and payments against each special appropriation and annual departmental appropriations are also provided. Information relating to the Trust Fund activities includes estimated cash flows and projected year end balances.

### **Chapter 6 – Uniform Presentation of Government Finance Statistics**

The uniform presentation framework, based on Government Finance Statistics (GFS), is disclosed in Chapter 6. GFS shows consolidated transactions of the institutional sectors of government from an economic viewpoint, and provide details of the revenue, expenses, payments, receipts, assets and liabilities. It includes only those transactions over which the government exercises control under its legislative or policy framework. The GFS framework also includes a statement of general government expenses by function and a taxation table classified by type. Conceptual and measurement differences arise between GFS and the general government financial statements presented in Chapter 1 based on accounting concepts. A reconciliation statement is also provided.

As required by the Uniform Presentation Framework, Victoria's 2004-05 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 2004-05.

## **Appendix A – Historical and Forward Estimates tables**

Historical and forward estimates tables show the trend in general government sector aggregate cash flows on a generally accepted accounting principles (GAAP) basis over the period 1986-87 to 2007-08. In addition, the general government operating result for the period 1996-97 to 2007-08 is also provided.

The remaining tables show Government Finance Statistics (GFS) information for the general government sector classified by government purpose. Table A4 shows current (cash) outlays for the period 1986-87 to 1998-99 when this cash series ceased. The new series of GFS expenses on an accruals basis, classified by purpose, is provided for the period 1999-2000 to 2007-08.

Care should be taken in any comparison between historical GFS cash data and current accrual information as the basis of presentation is different. Reliable accrual GFS information was not available prior to 1999-2000.

## **Appendix B – Revised 2003-04 Budget Outcome**

The revised 2003-04 Budget outcome is presented in Appendix B. The revised 2003-04 estimates take into account government policy decisions and economic developments impacting on both revenue and expenses since the presentation of the 2003-04 Budget to the Parliament in May 2003.

## **Appendix C – Quarterly Financial Report for the Victorian General Government Sector**

The Quarterly Financial Report for the Victorian General Government Sector incorporating the actual outcome for the nine-month period ended 31 March 2004 and quarter-by-quarter results, are included in Appendix C. The March year to date outcome is compared with the full year 2003-04 Revised Budget included in the Appendix B of this document.





## CHAPTER 1 – ESTIMATED FINANCIAL STATEMENTS AND NOTES

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The following Estimated Financial Statements and accompanying explanatory notes set out the forecast financial results for the Victorian general government sector for the period 2004-05 to 2007-08.

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 based on generally accepted accounting principles (GAAP) and to be consistent with the Financial Policy Objectives and Strategies Statement (see Budget Paper No. 2 Chapter 1, *Financial Policy Objectives and Strategy*).

The purpose of the Estimated Financial Statements is to set out the forecast financial results for the general government sector. Because of the prospective nature of these statements, they reflect a number of professional judgements about the most likely operating and financial conditions for the Victorian general government sector. 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 statements have been prepared in accordance with applicable pronouncements and abstracts of the Australian Accounting Standards Board. However, as there is no specific Australian accounting standard or other authoritative pronouncement for prospective financial statements, this presentation is based on New Zealand Financial Reporting Standard Prospective Financial Information (FRS29), modified to achieve consistency in presentation with various Australian accounting standards.

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. In particular, no adjustment has been made for any consequent effect of the intended adoption in Australia from 1 January 2005 of International Accounting Standards, the impacts of which are still uncertain.

The Victorian Auditor-General has reviewed these Estimated Financial Statements and his review opinion follows.



AUDITOR GENERAL  
VICTORIA

AUDITOR-GENERAL'S REPORT

To the Members of the Parliament of Victoria

Scope of Review

I have reviewed the accompanying estimated financial statements of the Victorian General Government Sector, as defined in note 18 to the statements, for the financial year ended 30 June 2005 and the three forward financial years ended 30 June 2006, 2007 and 2008. The statements comprise an estimated statement of financial performance, an estimated statement of financial position, an estimated statement of cash flows and accompanying notes. The remaining parts of the Budget Papers have not been subject to my review.

The Treasurer of Victoria is responsible for the preparation and presentation of the estimated financial statements and the information they contain. The estimated financial statements have been prepared for inclusion in the Budget Papers which are presented to the Parliament. Any assumption of responsibility for any reliance on this report or on the estimated financial statements of the Victorian General Government Sector to which this report relates is disclaimed to any person other than the Members of the Parliament of Victoria.

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 and 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 were reasonable.

The review has been conducted in accordance with Australian Auditing Standards applicable to review engagements, 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.


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 were 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 / 4 / 2004



J W CAMERON  
Auditor-General

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Auditing in the Public Interest

## 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.



Ian Little  
**Secretary**

Department of Treasury and Finance  
29 April 2004

## ESTIMATED FINANCIAL STATEMENTS FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

**Table 1.1: Estimated statement of financial performance for the financial year ending 30 June**

(\$ million)					
	Notes	2004-05 Budget	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate
<b>Revenue from ordinary activities</b>					
Taxation	2	10 384.2	10 385.6	10 709.8	11 097.4
Fines and regulatory fees		617.0	656.4	677.5	681.1
Investment revenue	3	1 225.4	1 307.7	1 265.6	1 347.6
Grants	4	13 080.5	13 716.2	14 207.6	14 852.4
Sale of goods and services		2 231.3	2 272.8	2 309.1	2 327.7
Gain (loss) on the disposal of physical assets		11.9	9.6	11.9	2.9
Inter sector capital asset charge		587.5	592.2	594.2	596.0
Other revenue		847.1	814.5	819.8	819.7
<b>Total revenue</b>		<b>28 984.9</b>	<b>29 755.0</b>	<b>30 595.6</b>	<b>31 724.6</b>
<b>Expenses from ordinary activities</b>					
Employee benefits		10 480.5	10 854.5	11 221.3	11 486.0
Superannuation		1 789.2	1 843.4	1 890.3	1 883.9
Depreciation	5	1 142.7	1 206.7	1 267.3	1 337.5
Amortisation	6	67.0	63.1	48.4	34.9
Borrowing costs	7	476.2	482.1	468.2	456.0
Grants and transfer payments	8	5 087.7	4 932.4	5 002.8	5 071.5
Supplies and services		9 311.0	9 780.0	10 083.2	10 695.8
Other expenses		85.4	87.4	83.4	83.4
<b>Total expenses</b>	9	<b>28 439.9</b>	<b>29 249.6</b>	<b>30 065.0</b>	<b>31 048.9</b>
<b>Net result</b>		<b>545.0</b>	<b>505.4</b>	<b>530.5</b>	<b>675.7</b>
Movements in asset revaluation reserve		1 283.6	1 373.9	1 385.3	1 389.7
<b>Total changes in equity other than contributions to other sectors by the State in its capacity as owner</b>		<b>1 828.6</b>	<b>1 879.3</b>	<b>1 915.8</b>	<b>2 065.4</b>

*The accompanying notes form part of these Estimated Financial Statements.*

**Table 1.2: Estimated statement of financial position as at 30 June**

	(\$ million)				
	Notes	2005 Budget	2006 Estimate	2007 Estimate	2008 Estimate
<b>Current assets</b>					
Cash assets		1 073.1	1 117.0	1 145.9	1 171.4
Other financial assets		1 159.0	1 186.1	1 212.0	1 235.2
Receivables		1 397.8	1 487.4	1 571.7	1 659.5
Prepayments		52.0	52.1	52.2	52.3
Inventories		104.7	105.5	105.4	105.3
<b>Total current assets</b>		<b>3 786.6</b>	<b>3 948.1</b>	<b>4 087.2</b>	<b>4 223.6</b>
<b>Non-current assets</b>					
Other financial assets		2 516.2	2 697.2	2 373.6	2 157.2
Receivables		464.4	469.3	476.3	494.4
Inventories		43.4	43.4	43.4	43.4
Property, plant and equipment	10,12	24 207.3	25 909.6	27 053.6	28 352.8
Road networks	11,12	18 271.7	19 208.4	20 020.9	20 647.5
Other assets	13	3 471.5	3 549.7	3 633.1	3 715.8
<b>Total non-current assets</b>		<b>48 974.4</b>	<b>51 877.7</b>	<b>53 600.8</b>	<b>55 411.1</b>
<b>Total assets</b>		<b>52 761.1</b>	<b>55 825.8</b>	<b>57 688.0</b>	<b>59 634.7</b>
<b>Current liabilities</b>					
Payables		1 703.6	1 761.5	1 818.3	1 876.7
Interest bearing liabilities		129.2	121.4	133.9	143.4
Employee benefits	14	1 040.9	1 085.9	1 133.6	1 181.2
Superannuation	15	54.8	730.9	897.1	998.3
Outstanding insurance claims		4.1	3.6	3.1	2.6
Other liabilities		461.3	460.2	465.9	472.4
<b>Total current liabilities</b>		<b>3 393.9</b>	<b>4 163.5</b>	<b>4 451.9</b>	<b>4 674.8</b>
<b>Non-current liabilities</b>					
Payables		1 411.2	1 397.2	1 362.1	1 338.3
Interest bearing liabilities		6 320.3	6 760.5	6 747.3	6 714.6
Employee benefits	14	2 164.3	2 326.2	2 404.5	2 486.3
Superannuation	15	12 822.6	12 966.4	12 969.4	12 816.1
Outstanding insurance claims		175.9	171.3	138.5	109.1
Other liabilities		430.8	426.2	415.5	404.9
<b>Total non-current liabilities</b>		<b>23 325.1</b>	<b>24 047.8</b>	<b>24 037.4</b>	<b>23 869.3</b>
<b>Total liabilities</b>		<b>26 718.9</b>	<b>28 211.3</b>	<b>28 489.2</b>	<b>28 544.0</b>
<b>Net assets</b>		<b>26 042.1</b>	<b>27 614.5</b>	<b>29 198.8</b>	<b>31 090.7</b>

*The accompanying notes form part of these Estimated Financial Statements.*

**Table 1.3: Estimated statement of cash flows for the financial year ending 30 June**

	(\$ million)				
	Notes	2004-05 Budget	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation		10 361.7	10 359.8	10 680.2	11 058.2
Fines and regulatory fees		497.9	536.7	557.8	561.3
Grants		13 080.0	13 715.7	14 207.1	14 851.9
Sale of goods and services		2 230.2	2 270.6	2 311.2	2 327.2
Interest received		434.8	445.5	476.6	519.9
Dividends received		478.1	535.2	441.6	471.0
Capital assets charge received		587.5	592.2	594.2	596.0
Other receipts		1 119.7	1 072.4	1 096.5	1 103.3
<b>Total receipts</b>		<b>28 789.9</b>	<b>29 528.1</b>	<b>30 365.3</b>	<b>31 488.8</b>
<b>Payments</b>					
Employee benefits		(10 283.1)	(10 647.5)	(11 095.3)	(11 356.5)
Superannuation		(1 121.8)	(1 023.4)	(1 721.2)	(1 936.0)
Grants and transfer payments		(5 030.6)	(4 880.5)	(4 953.7)	(5 021.0)
Supplies and services		(9 330.3)	(9 792.8)	(10 135.7)	(10 732.2)
Interest paid		(483.5)	(492.9)	(471.4)	(455.7)
<b>Total payments</b>		<b>(26 249.3)</b>	<b>(26 837.2)</b>	<b>(28 377.2)</b>	<b>(29 501.4)</b>
<b>Net cash flows from operating activities</b>	16	<b>2 540.6</b>	<b>2 690.9</b>	<b>1 988.1</b>	<b>1 987.4</b>
<b>Cash flows from investing activities</b>					
Net customer loans (granted) repaid		20.0	20.0	22.4	22.4
Net contribution to other sectors of government		(481.6)	(306.9)	(331.5)	(173.5)
Proceeds from sale of property, plant and equipment		80.9	91.3	62.6	126.2
Purchase of property, plant and equipment		(2 470.9)	(2 249.8)	(2 012.9)	(2 106.5)
Net disposal of investments		173.6	(208.2)	297.7	193.1
<b>Net cash flows from investing activities</b>		<b>(2 677.9)</b>	<b>(2 653.6)</b>	<b>(1 961.7)</b>	<b>(1 938.3)</b>
<b>Cash flows from financing activities</b>					
Net borrowings		213.6	6.5	0.4	(25.5)
<b>Net cash flows from financing activities</b>		<b>213.6</b>	<b>6.5</b>	<b>0.4</b>	<b>(25.5)</b>
<b>Net increase in cash and deposits held</b>		<b>76.2</b>	<b>43.8</b>	<b>26.8</b>	<b>23.5</b>
Cash at beginning of reporting period		978.9	1 055.1	1 099.0	1 125.8
<b>Cash and deposits at end of reporting period</b>	17	<b>1 055.1</b>	<b>1 099.0</b>	<b>1 125.8</b>	<b>1 149.3</b>

*The accompanying notes form part of these Estimated Financial Statements.*

## NOTES TO THE ESTIMATED 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.

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## Assumptions

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

### Material economic and other assumptions<sup>(a)</sup>

	<i>(per cent change)</i>			
	2004-05	2005-06	2006-07	2007-08
Gross state product	3.25	3.50	3.50	3.50
Employment	1.50	1.50	1.50	1.50
Consumer price index	2.00	2.25	2.50	2.50
Wage cost index <sup>(b)</sup>	3.50	3.50	3.50	3.50
Population <sup>(c)</sup>	1.10	1.00	1.00	1.00

Source: 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 points. Projections of population are rounded to the nearest 0.1 percentage points.
- (b) Total hourly rate excluding bonuses.
- (c) June quarter, per cent change on previous June quarter.

## Economic risks

Victoria's major economic risk is that the forecast recovery in net exports does not sufficiently offset a decline in the housing market. The worst case scenario is a larger than expected decline in residential building, combined with a continued sluggish performance of net exports.

While a softening in the housing market is expected, a more severe decline will impact on taxation revenue by lowering stamp duty further than the 17.4 per cent currently accounted for in the forward estimates. As a significant revenue stream, changes to residential dwelling related stamp duty will impact directly on the budget operating surplus.

Recent subdued results from exports can be attributed to the drought severely curtailing the agricultural sector's capacity to supply export goods, and a succession of global market disruptions due to terrorism and the SARS epidemic. While the drought appears to have passed, with rain in late 2003 producing a record grain crop, the March quarter of 2004 has been one of the driest on record according to the Bureau of Meteorology. A return to drought conditions across the State would reimpose many of these export supply constraints.

On the other hand, the international economic situation has strengthened, and will lead to a greater demand for Victorian exports. Export data for late 2003 indicate a rebound in Victoria's two major export categories of food and elaborately transformed manufactures. Global policy settings are currently highly accommodative, with the United States engaged in high levels of military spending



while cutting taxes, and interest rates at generation-low levels in many of the major economies. There is a risk that growth among Victoria's major trading partners may be greater than expected, contributing to stronger than anticipated outcomes for exports.

Weaker than expected population growth is a risk to Victoria's economic outlook. Victoria currently gains a greater share of overseas migrants compared with its share of national population, so a significant, sustained outflow of population to other States would dampen the outlook for Victorian economic growth. The population forecasts used for the 2004-05 Budget assume no net interstate migration into or out of Victoria over the forward estimates period.

### 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.

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#### Fiscal target

Key financial measure	Target
Maintain a substantial budget sector operating surplus.	At least \$100 million.

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### Sensitivity analysis

The estimates of revenue, expenses and the net result have been subject to sensitivity analysis by the Department of Treasury and Finance.

As detailed in Budget Paper No. 2, Chapter 6 *Statement of Risks*, the Department's analysis shows that if there were a 1 per cent rise in each of the following key economic variables in the first year above the forecast growth rate, the budget's net result over the forward estimates period would change as follows:

#### Impact of a 1 percentage point increase in the economic variable on the budget net result<sup>(a)</sup>

	(\$ million)			
	2004-05	2005-06	2006-07	2007-08
Gross state product	125	137	148	159
Employment	30	33	36	39
Consumer prices	33	32	34	36
Average weekly earnings	-94	8	24	27
Domestic share prices	50	8	4	4
International share prices	35	6	3	3
Property prices	44	34	55	58
Property volumes	25	24	25	26
Interest rate	-24	65	21	17

Source: Department of Treasury and Finance

Note:

(a) A positive number denotes an improvement in the net result.

## **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).

### **(A) Compliance framework**

These Estimated Financial Statements have been prepared in accordance with sections 23H–23K of the *Financial Management Act 1994* (FMA), applicable pronouncements issued by the Australian Accounting Standards Board (AASB), Urgent Issues Group consensus views and other authoritative pronouncements, and are based on Australian generally accepted accounting principles (GAAP). Their presentation is based on New Zealand Financial Reporting Standard Prospective Financial Information (FRS29) as there are no specific Australian authoritative pronouncements which prescribe the preparation and presentation of prospective financial statements. 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.

The requirements of FRS29 have been modified to achieve consistency in the presentation of the Estimated Financial Statements with AASB 1018 Statement of Financial Performance, AAS36 Statement of Financial Position and AAS37 Financial Report Presentation and Disclosures.

### **Impacts of adopting IASB standards**

Australia is currently making changes to accounting standards designed to enhance comparability across jurisdictions. The public sector will be affected by changes to *ex-post* reporting requirements affecting reporting periods from 2005-06 onwards, involving the harmonisation of Australian and international accounting standards together with a second proposed harmonisation of the new accounting standards to a revised framework of Government Finance Statistics (GFS). There is currently no firm deadline for this second element of changes affecting the public sector.

The Victorian Government is actively monitoring the proposed changes to the accounting framework, and the project for harmonisation of accounting frameworks with GFS. Both sets of possible changes are likely to affect the presentation of financial information across government, at the aggregate level as well as at entity level.

No adjustments have been made in the Estimated Financial Statements for any consequent effect of the intended adoption from 2005-06 onwards of international accounting standards as their impacts are still uncertain.

## **(B) 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, revenues and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The opening balances of 1 July 2004 are based on the audited financial report as at 30 June 2003, adjusted for revised estimated movements for 2003-04 and have been prepared in accordance with the historical cost convention except for those items measured at valuation, which include:

- non-current physical assets (other than plant, equipment and vehicles which are valued at historical cost), which are reassessed with sufficient regularity to ensure the carrying amount does not differ from their fair value;
- investments and productive trees in commercial native forests which are recognised at their net market value; and
- certain liabilities, most notably unfunded superannuation, which are calculated with regard to actuarial assessments.

## **(C) Reporting entity**

The Victorian Budget Sector, referred to in this report as the general government sector, includes all government departments, agencies and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity.

The primary function of entities within the general government sector is to provide public services (outputs) which are mainly non-market in nature, for the collective consumption of the community, and involve the transfer or redistribution of income and are financed mainly through taxes and other compulsory levies.

## **(D) Basis of consolidation**

The Estimated Financial Statements incorporate assets and liabilities of all reporting entities within the Victorian general government sector, which is a sector of the State of Victoria reporting entity. Details of the entities included in the general government sector are shown in Note 18 to the financial statements.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Statement of Financial Performance 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 in 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 separate segment of the Government, all material transactions and balances between agencies within the general government sector are eliminated.

**(E) Forecast reporting periods**

The reporting period for most reporting entities is the year ended 30 June. However, for those entities with a reporting period other than 30 June, the most recently audited financial year results are used as a basis for the opening balance beginning 1 July 2004. For example, schools and TAFE institutes have a reporting period ending on 31 December. Consequently, the results of these entities for the year ended 31 December 2003 and the balances existing as at 31 December 2003 have been used in the preparation of these financial statements.

**(F) Revenues**

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

**Taxation**

State taxation and fee revenue is 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 conveyancing and land transfers and rental business;
- bank account debits tax;
- 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 and insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees, duty on registrations and transfers, drivers' licences fees; and
- other taxes, including landfill levies, concession fees payable by Transurban in respect of Melbourne City Link and licence fees.

### **Forecast assumption**

The State's tax revenues are forecast by a process, which involves:

- assessment of economic and other factors influencing the tax bases from which taxes are sourced (e.g. in the case of payroll tax, assessment of employment and wages outlooks; in the case of motor vehicle fees, assessment of the outlook for demand for cars reflecting long-term underlying demand factors and cyclical demand factors);
- analysis of historical information and relationships using econometric and other statistical methods;
- application of the Department of Treasury and Finance's economic forecasts where there is a relationship between taxation revenue and economic variables; and
- consultation with private sector economists, industry associations, and relevant government authorities (e.g. State Revenue Office, Roads Corporation, Office of Gambling Regulation).

Some State taxes are sourced from tax bases, which are particularly volatile. Hence, tax revenues from these sources are subject to substantial annual variation. Stamp duty on land transfers is an example of such volatility.

### ***Fines and regulatory fees***

Revenue is recognised at the time the fine or regulatory fee is issued.

### **Forecast assumption**

The forecasts of regulatory fees and fines are prepared by those government agencies which collect them. Some of the components may be based on contractual obligations, while the prediction of fines involves assessment of the behaviour of people on the roads and elsewhere.

The Government announced, as part of the 2003-04 Budget, that a policy of automatic indexation of fees and fines payable to the Public Account would be applied. The key implementation mechanism is the provisions included in the *Monetary Units Bill 2004* currently before Parliament.

Fees and fines payable to the Public Account will be annually indexed by the Treasurer's annual rate, which is based on the expected Consumer Price Index (CPI) for Victoria calculated at the time of the Budget Update. Revenue from fines and regulatory fees for 2004-05 are projected to increase by 2.25 per cent, which was the expected CPI for Victoria at the time the *2003-04 Budget Update* was released.

## *Investment revenue*

Investment revenue includes interest, dividends, royalties and other revenue from bank term deposits, shares and other investments, including dividends from other government sectors and income tax and rate equivalent revenue. Interest revenue is recognised on an accrual basis and dividend income is recognised when dividends are determined. Net realised and unrealised gains/losses on the revaluation of investments form part of investment revenue.

### **Forecast assumption**

As part of the budget process, government business enterprises provide their best available estimates of these future payments for the forecast period.

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.

Other commercial factors considered which 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 (including planned capital works), 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 the water authorities. The National Tax Equivalent Regime (NTER), administered by the Australian Taxation Office, has effectively replaced the Victorian Income Tax Equivalent Regime. Currently 35 government business enterprises are subject to the NTER. Revenue raised under the NTER remains with the State.

Forecast interest revenue is based on projected cash budget surpluses being invested.

## *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. Grants also include grants from other jurisdictions. Revenue 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 advice from the Commonwealth 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. The payment schedules for some financial assistance from the Commonwealth are on a monthly, quarterly or annual basis, while others are on an irregular basis such as on a progress basis.

### ***Sale of goods and services***

Revenue from sale of goods is recognised when control of goods has passed to the buyer and the revenue can be reliably measured.

Revenue for rendering of services is recognised on a stage of completion basis and is measured by reference to the labour hours or as a percentage of total services to be performed.

### **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 Bill 2004*. Unless government policy states otherwise, fees will be set to recover the full costs of the goods or services provided.

### ***Gain (loss) from disposal of physical assets***

Any gain or loss on disposal of physical 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.

### ***Fair value of assets received free of charge or for nominal consideration***

Revenues arising from assets received free of charge or for nominal consideration are measured at the fair value of the contribution and are recognised when the entity within the general government sector gains control of the contribution or the right to receive the contribution.

## **(G) Expenses**

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

## *Employee benefits*

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 and redundancy payments.

### **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 allowance made for further changes in the future, based on wages policy of 2.25 per cent a year, with any additional amount to be funded through productivity gains or improved service delivery.

## *Superannuation*

Superannuation expense is determined on the following basis:

- *Defined contribution superannuation plans*

The amount recognised as an expense reflects the State's contribution, paid or accrued, in respect of the reporting period.
- *Defined benefit superannuation plans*

The amount recognised as an expense reflects the net movement in the unfunded superannuation liability during the reporting period based on an actuarial assessment, after taking account of superannuation contributions, paid or accrued in the period.

### **Forecast assumption**

The net movement in the unfunded superannuation liability becomes more sensitive to investment earnings as fund assets increase. The budget assumes a standard fund earning rate across the budget and forward estimates period, consistent with long-term actuarial assumptions as detailed in Note 15. However, in any year, the actual fund earnings can vary significantly from assumed earnings, producing a large variance in the actual result compared to budget.

For the forecast period, superannuation expense for unfunded schemes has been estimated by the Department of Treasury and Finance and is consistent with projections provided by various actuaries of each superannuation fund.

## *Depreciation*

All infrastructure, buildings, plant and equipment and other non-current physical assets (excluding leased items) 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 residual value, over its estimated useful life. Depreciation rates and methods are reviewed annually.



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
Other infrastructure	10 to 32 years
Road pavement	60 years
Bridges	90 years
Plant, equipment and vehicles	3 to 10 years
Cultural assets	100 years

Land and 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.

#### **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. The estimated impact of future revaluation of assets on depreciation is also included in the expense.

#### ***Borrowing costs***

Borrowing costs, other than those capitalised in relation to qualifying assets, are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on outstanding borrowings;
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- finance lease charges;
- certain exchange differences arising from foreign currency borrowings;
- indexation of principal outstanding for capital indexed securities and indexed annuities, in line with movements in the CPI; and
- capital gains/losses incurred on debt retirement or debt portfolio restructuring.

**Forecast assumption**

Estimates for borrowing costs are based on the forecast level of outstanding general government sector debt. This is expected to mainly comprise a fixed rate facility, and indexed-linked securities from the Treasury Corporation of Victoria. All maturities in the forecast period are assumed to be refinanced at forward interest rates. The indexed securities are adjusted in line with movements in the CPI and any movements in the principal outstanding is recognised as a finance cost.

***Grants and transfer payments***

Grants and transfer payments to third parties are recognised as an expense during 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, 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.

***Supplies and services***

Supplies and services generally represent the day-to-day running costs, including maintenance costs, incurred in the normal operation of the general government sector. These items are recognised as an expense in the reporting period in which they are incurred.

**Forecast assumption**

Supplies and services are forecast on the basis of 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.

***(H) Assets***

The 1 July 2004 opening balance of assets represents the audited value as at 30 June 2003, revised for estimated movements for 2003-04.

***Cash assets***

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

**Forecast assumption**

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

***Prepayments***

Prepayments represent payments in advance of receipt of goods or services or an expenditure made in one accounting period covering a term extending into the next accounting 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.

***Other financial assets***

Other financial assets comprise of marketable securities (less provision for diminution) and deposits that are valued at market value, except for long-term investments. Long-term investments, such as international bonds, are investments that are expected to be held for greater than twelve months. Long-term investments are recognised using the cost method of valuation, being the cost at the date of acquisition. Any discount or premium is amortised over the life of the investments, and gains or losses arising from the investments prior to maturity are recognised in the Estimated Statement of Financial Performance.

**Forecast assumption**

All surplus cash resources for the period 2004-05 to 2007-08 are assumed to be held as financial assets (investments) to preserve budget decision-making flexibility.

***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 are recognised at the nominal amounts due, less any provision for bad and doubtful debts.

**Forecast assumption**

Receivables are forecast on the basis of revenue activity levels.

***Inventories***

Inventories include goods and other property held for sale in the ordinary course of business. It includes land held for resale and excludes depreciable assets.

Inventories including land held for resale are measured at the lower of cost and net realisable value. The methods used to assign costs to inventories, other than land held for resale, are based either on purchase cost on a weighted average cost, or cost on a 'first-in-first-out' basis, whichever is appropriate.

#### **Forecast assumption**

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

#### ***Non-current physical assets***

Non-current physical assets include land and buildings, infrastructure assets, national parks, state forests and other Crown land, cultural assets and plant, equipment and vehicles.

In general, all non-current physical assets with a value over \$1 000 are capitalised.

Non-current physical assets, other than plant, equipment and vehicles, are measured at fair value. Fair value is determined on the following basis:

- land and buildings are measured at the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction;
- infrastructure assets, including road pavements and bridges and earthworks, are measured by reference to the assets' written down replacement cost;
- national parks, state forests and other Crown land are determined by reference to the estimated current market-buying price of adjacent land assuming existing purpose, discounted to adjust for the restricted nature of current use. This valuation methodology does not take into account the intrinsic value of these assets to the community. Other Crown land in rural areas has been recognised at values determined by applying an average valuation for broad area rural improved land (cropping and grazing) and unimproved land (bushland) for all parishes and townships in the State; and
- cultural assets and collections, including heritage assets, are those assets that the State intends to preserve because of their unique historical, cultural or environmental attributes. These assets include items such as the Royal Botanical Gardens, Herbarium, State Library, Government House, Parliament House, historic houses, monuments, certain museum exhibits, art collections, archival collections and other items of cultural significance. Heritage assets and collections that generate substantial revenue are valued at the greater of current market buying price and net present value. Natural heritage assets and collections are valued at estimated realisable value or net present value, whichever is higher. All other heritage assets and collections are valued at estimated written-down replacement cost.

Plant, equipment and vehicles comprise of furniture and fittings, office equipment, general library collections, information technology systems and computer equipment, machinery, motor vehicles, musical equipment and sporting equipment, and are measured at cost.

Revaluations are made with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value by independent assessments. As a general expectation, this will occur at least every three years.

Revaluation increments are credited directly to the asset revaluation reserve, except where the increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, in which case the increment is recognised immediately as revenue in determining the net result.

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

Revaluation increments and decrements are offset against one another within the same class of non-current assets.

### ***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. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community.

The nature of these assets means that there are certain limitations and restrictions imposed on their use and/or disposal.

#### **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. These estimates have been included in the forward estimates at a total general government level.

## *Other non-current physical assets*

### **Land under roads**

Land under roads and road reserves have not been recognised, consistent with current accounting standards.

### **Natural resources**

The majority of natural resource assets comprise of commercial native forests.

Commercial native forests are measured at their net market value. The net market 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 risk adjusted interest rate) less the net market value of the land on which the commercial native forests are growing.

The net market value of the land has been determined in accordance with an independent valuation.

### **Forecast assumption**

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

## *Partnerships Victoria projects*

Infrastructure projects 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 the Mitcham-Frankston freeway, which is projected to be predominantly funded by user pay tolls.

A final decision on whether to proceed with a *Partnerships Victoria* delivery approach will be made following evaluation of bids arising from the tender process for the project and will be 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 budgeted asset investment, depreciation and financing flows to an appropriate stream of service payments to the private sector.

## **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 the present value of the minimum lease payments. The lease asset is amortised 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 using the interest rate implicit in the lease, and charged directly to the Estimated Statement of Financial Performance.

Operating lease payments are recognised as an expense in the Estimated Statement of Financial Performance in the periods in which they are incurred.

Any lease incentive liability in relation to a non-cancellable operating lease is reduced on an imputed interest basis over the lease term at the rate implicit in the lease.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

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

#### **Forecast assumption**

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

### **(I) Liabilities**

The 1 July 2004 opening balance of liabilities represents the audited value as at 30 June 2003, revised for estimated movements for 2003-04.

#### ***Payables***

Payables consist predominantly of creditors and other sundry liabilities and are recognised at the nominal amounts to be paid in the future for goods and services received, whether or not billed, as at the end of each reporting period to the economic entity.

#### **Forecast assumption**

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

### *Interest-bearing liabilities*

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.

Debt is recognised at book value, which represents historical cost adjusted for amortisation of discount and premium.

#### **Forecast assumption**

General government sector debt is assumed to be refinanced at forward interest rates.

### *Employee benefits*

An estimate of the provision is made in the Estimated Financial Statements mainly for benefits not taken at the end of each forecast reporting date in respect of wages and salaries, annual leave and long service leave. The provisions are measured at the amounts expected to be paid, except for long service leave, which is estimated at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to each reporting date.

#### **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 allowance made for future movements.

### *Superannuation*

The opening balance of the State's superannuation obligations is based on the latest actuarial assessment of the members' benefits, net of scheme assets, and represents the audited value as at 30 June 2003, revised for the impact of the triennial State Superannuation Fund actuarial review and estimated movements in 2003-04, in respect of the contributory service of current and past government employees. The valuation is determined by discounting to present value future benefit payments arising from past service at a current, actuarially determined, risk-adjusted discount rate appropriate to the respective plans.

#### **Forecast assumption**

For the forecast period, the superannuation liability has been estimated by the Department of Treasury and Finance and is consistent with projections provided by the various fund actuaries.



### *Outstanding insurance claims*

The outstanding claims liability is independently assessed by actuaries. It 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-adjusted 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.

### *Other liabilities*

Other liabilities consist of income tax equivalent, dividends payable, deferred tax liability, unearned/prepaid income, GST and FBT payables, and are recognised at the estimated amounts payable in each reporting period.

#### **(J) Right to receive assets**

An independent private sector entity has leased land and State works from the State and has constructed the City Link network on which it charges tolls to motorists during the concession period.

The concession period has a nominal term (33.5 years) and at the end of the period, the State works, together with the constructed facilities, will be returned to the State.

The recognition of the right to receive infrastructure assets is currently being considered by the Accounting Profession and a cross-jurisdictional government working party, but the accounting treatment has been deferred until authoritative guidance is available.

Accordingly, the asset is not disclosed, pending authoritative guidance or the development of relevant accounting standards on the appropriate treatment in the Estimated Statement of Financial Position and Estimated Statement of Financial Performance.

#### **(K) Accounting for the goods and services tax (GST)**

Revenues, 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 has been included in the Estimated Statement of Financial Position.

**(L) Estimated statement of cash flows**

For the purposes of the Estimated Statement of Cash Flows, cash comprises of cash on hand, cash at bank, bank overdrafts and deposits at call, and highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

**(M) Rounding**

All amounts in the Estimated Financial Statements have been rounded to the nearest hundred thousand dollars unless otherwise stated. Figures in the Estimated Financial Statements may not add due to rounding.

## Note 2: Taxation

	(\$ million)			
	2004-05	2005-06	2006-07	2007-08
	Budget	Estimate	Estimate	Estimate
Payroll tax	2 875.5	3 027.3	3 179.2	3 338.9
Taxes on immovable property	1 036.9	1 129.8	1 089.2	1 052.8
Financial and capital transactions <sup>(a)</sup>	2 610.6	2 172.4	2 189.6	2 252.9
Gambling	1 371.7	1 445.5	1 527.1	1 606.4
Insurance	1 060.7	1 102.8	1 158.7	1 218.6
Motor vehicles	1 355.2	1 428.7	1 482.3	1 544.1
Other licences and levies	73.5	79.1	83.7	83.7
<b>Total taxation</b>	<b>10 384.2</b>	<b>10 385.6</b>	<b>10 709.8</b>	<b>11 097.4</b>

Note:

(a) Financial and capital transactions mainly include duty on land transfers, debits tax and other property stamp duty. Duty on mortgages will be abolished from 1 July 2004; however, there is an estimated three months carryover of revenue into 2004-05. Bank accounts debits tax will be abolished from 1 July 2005.

## Note 3: Investment revenue

	(\$ million)			
	2004-05	2005-06	2006-07	2007-08
	Budget	Estimate	Estimate	Estimate
Dividends	478.1	535.2	441.6	471.0
Income tax and rate equivalent revenue	186.5	197.3	215.5	224.8
Interest	435.5	446.1	477.3	520.4
Royalties	43.3	46.3	45.5	45.5
Rents	15.6	15.7	15.7	15.7
Other	66.3	67.1	69.9	70.2
<b>Total investment revenue</b>	<b>1 225.4</b>	<b>1 307.7</b>	<b>1 265.6</b>	<b>1 347.6</b>

## Note 4: Grants

	(\$ million)			
	2004-05	2005-06	2006-07	2007-08
	Budget	Estimate	Estimate	Estimate
<b>Operating grants</b>				
General purpose grants	7 281.7	7 672.1	8 097.1	8 521.8
Specific purpose grants for on-passing	1 561.5	1 663.4	1 772.2	1 878.0
Other specific purpose grants	3 653.9	3 833.7	3 914.3	4 091.7
<b>Total operating grants</b>	<b>12 497.2</b>	<b>13 169.2</b>	<b>13 783.6</b>	<b>14 491.5</b>
<b>Capital grants</b>				
Specific purpose grants for on-passing	127.9	132.2	136.6	137.3
Other specific purpose grants	455.4	414.8	287.5	223.6
<b>Total capital grants</b>	<b>583.4</b>	<b>547.0</b>	<b>424.1</b>	<b>360.9</b>
<b>Total grants</b>	<b>13 080.5</b>	<b>13 716.2</b>	<b>14 207.6</b>	<b>14 852.4</b>

## Note 5: Depreciation

(\$ million)

	2004-05	2005-06	2006-07	2007-08
	Budget	Estimate	Estimate	Estimate
Plant and equipment	496.1	523.9	553.3	572.1
Infrastructure	34.4	38.4	32.5	32.4
Buildings <sup>(a)</sup>	311.6	337.5	367.6	419.2
Road networks	286.8	299.8	309.5	309.5
Other assets	13.9	7.1	4.4	4.4
<b>Total depreciation</b>	<b>1 142.7</b>	<b>1 206.7</b>	<b>1 267.3</b>	<b>1 337.5</b>

Note:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2005-06 to 2007-08.

## Note 6: Amortisation

(\$ million)

	2004-05	2005-06	2006-07	2007-08
	Budget	Estimate	Estimate	Estimate
Leased plant and equipment	40.5	26.8	12.3	7.6
Leasehold buildings	16.9	17.9	18.0	18.2
Intangible assets	9.6	18.3	18.1	9.1
<b>Total amortisation</b>	<b>67.0</b>	<b>63.1</b>	<b>48.4</b>	<b>34.9</b>

## Note 7: Borrowing costs

(\$ million)

	2004-05	2005-06	2006-07	2007-08
	Budget	Estimate	Estimate	Estimate
Interest on long-term interest bearing liabilities	414.0	406.0	397.8	391.5
Interest on short-term interest bearing liabilities	20.8	23.5	19.6	17.1
Finance charges on finance leases	16.9	28.7	26.6	23.8
Other borrowing costs	24.5	23.9	24.2	23.6
<b>Total borrowing costs</b>	<b>476.2</b>	<b>482.1</b>	<b>468.2</b>	<b>456.0</b>

## Note 8: Grants and transfer payments

(\$ million)

	2004-05	2005-06	2006-07	2007-08
	Budget	Estimate	Estimate	Estimate
Commonwealth	52.9	53.6	54.8	56.0
Local government	492.7	446.1	477.5	474.6
Private sector	3 291.4	3 131.9	3 278.3	3 294.8
Grants within Victorian Government	1 246.2	1 297.2	1 190.5	1 245.7
Grants to other State Governments	4.5	3.7	1.8	0.5
<b>Total grants and transfer payments</b>	<b>5 087.7</b>	<b>4 932.4</b>	<b>5 002.8</b>	<b>5 071.5</b>

## Note 9: Total expenses from ordinary activities by department

(\$ million)

	2004-05	2005-06	2006-07	2007-08
	Budget	Estimate	Estimate	Estimate
<b>Expenses from ordinary activities</b>				
Education and Training	8 389.5	8 656.4	8 895.9	8 912.5
Human Services	10 530.5	10 842.7	11 177.8	11 404.3
Infrastructure	3 063.0	3 179.1	3 218.2	3 291.2
Innovation, Industry and Regional Development	349.1	267.6	306.8	274.1
Justice	2 596.9	2 709.9	2 799.0	2 896.7
Parliament	121.5	104.9	107.7	109.0
Premier and Cabinet	440.9	443.2	450.5	456.8
Primary Industries	342.9	314.9	318.5	299.6
Sustainability and Environment	890.3	866.5	878.4	869.3
Treasury and Finance	2 115.9	2 030.9	2 050.8	2 080.0
Victorian Communities	943.6	923.6	752.0	709.1
Contingencies not allocated to departments <sup>(a)</sup>	268.1	502.6	711.6	1 406.0
Regulatory bodies and other part budget funded agencies <sup>(b)</sup>	954.2	1 014.7	1 046.0	1 079.4
<b>Total</b>	<b>31 006.5</b>	<b>31 856.9</b>	<b>32 713.3</b>	<b>33 788.0</b>
Less eliminations <sup>(c)</sup>	(2 566.6)	(2 607.3)	(2 648.3)	(2 739.1)
<b>Total expenses from ordinary expenses</b>	<b>28 439.9</b>	<b>29 249.6</b>	<b>30 065.0</b>	<b>31 048.9</b>

Notes:

- (a) This contingency includes a provision for programs lapsing in 2007-08, future demand growth and for wage outcomes the government expects to settle prior to the commencement of 2004-05. Under the departmental funding model, from 1 July 2004 departments are required to manage all costs within their departmental budgets.
- (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) Comprised of payroll tax, capital assets charge and inter-departmental transfers.

## Note 10: Property, plant and equipment and infrastructure systems other than roads

(\$ million)

	2005	2006	2007	2008
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Land, national parks and other land only holdings</b>	<b>9 404.8</b>	<b>9 747.8</b>	<b>10 077.0</b>	<b>10 406.1</b>
Buildings <sup>(a)</sup>	13 459.9	14 729.2	16 015.3	17 586.7
Less: Accumulated depreciation	(1 024.3)	(1 320.9)	(1 673.9)	(2 078.3)
<b>Buildings (written down value)</b>	<b>12 435.6</b>	<b>13 408.3</b>	<b>14 341.4</b>	<b>15 508.3</b>
Infrastructure systems	542.3	1 060.9	1 119.0	1 178.2
Less: Accumulated depreciation	( 75.2)	( 110.6)	( 139.9)	( 169.2)
<b>Infrastructure systems (written down value)</b>	<b>467.1</b>	<b>950.3</b>	<b>979.1</b>	<b>1 009.0</b>
Plant, equipment and vehicles	4 491.4	4 902.3	5 227.1	5 479.7
Less: Accumulated depreciation	(2 672.8)	(3 122.0)	(3 579.1)	(4 039.1)
<b>Plant, equipment and vehicles (written down value)</b>	<b>1 818.6</b>	<b>1 780.3</b>	<b>1 648.0</b>	<b>1 440.6</b>
Leased plant, equipment and vehicles	132.3	51.4	36.7	17.7
Less: Accumulated depreciation	( 51.0)	( 28.3)	( 28.7)	( 28.8)
<b>Leased plant, equipment and vehicles (written down value)</b>	<b>81.3</b>	<b>23.0</b>	<b>8.0</b>	<b>( 11.2)</b>
<b>Total property, plant and equipment</b>	<b>24 207.3</b>	<b>25 909.6</b>	<b>27 053.6</b>	<b>28 352.8</b>

Note:

(a) Includes amounts not yet allocated to projects in 2005-06 to 2007-08.

## Note 11: Road networks

(\$ million)

	2005	2006	2007	2008
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Road infrastructure	20 567.9	21 800.9	22 919.4	23 855.5
Accumulated depreciation	(6 536.1)	(6 835.9)	(7 145.4)	(7 454.9)
<b>Roads (written down value)</b>	<b>14 031.8</b>	<b>14 965.0</b>	<b>15 774.1</b>	<b>16 400.7</b>
Earthworks	4 239.8	4 243.3	4 246.8	4 246.8
<b>Total road networks</b>	<b>18 271.7</b>	<b>19 208.4</b>	<b>20 020.9</b>	<b>20 647.5</b>

## Note 12: Reconciliation of movements in fixed assets

(\$ million)

	2005	2006	2007	2008
	Budget	Estimate	Estimate	Estimate
Carrying amount at the start of the year <sup>(a)</sup>	40 080.1	42 479.0	45 118.0	47 074.5
Additions <sup>(b)</sup>	2 446.6	2 669.9	1 996.6	2 099.8
Disposals at written down value	( 69.0)	( 81.7)	( 50.7)	( 123.3)
Revaluations increments	1 207.6	1 295.2	1 303.9	1 308.3
Depreciation/amortisation expense	(1 186.3)	(1 244.3)	(1 293.3)	(1 359.0)
<b>Carrying amount at the end of the year</b>	<b>42 479.0</b>	<b>45 118.0</b>	<b>47 074.5</b>	<b>49 000.3</b>

Notes:

(a) Fixed assets comprise land and buildings, infrastructure systems, plant, equipment, vehicles, road networks. Excludes movements in other assets in Note 13 below.

(b) Includes assets acquired under finance lease arrangements.

## Note 13: Other assets

(\$ million)

	2005	2006	2007	2008
	Budget	Estimate	Estimate	Estimate
Natural resources reserves at valuation	275.0	283.4	291.8	300.2
Other assets - including works of art, museum collection, rare book collections and intangibles	3 349.0	3 440.3	3 532.4	3 624.6
Less: Accumulated depreciation/amortisation	( 152.4)	( 173.9)	( 191.1)	( 209.0)
<b>Total other assets</b>	<b>3 471.5</b>	<b>3 549.7</b>	<b>3 633.1</b>	<b>3 715.8</b>

## Note 14: Employee benefits

(\$ million)

	2005	2006	2007	2008
	Budget	Estimate	Estimate	Estimate
<b>Current</b>				
Accrued salaries and wages <sup>(a)</sup>	801.4	821.3	843.6	866.0
Long service leave	239.5	264.6	290.0	315.3
<b>Total current employee benefits</b>	<b>1 040.9</b>	<b>1 085.9</b>	<b>1 133.6</b>	<b>1 181.2</b>
<b>Non-current</b>				
Accrued salaries and wages <sup>(a)</sup>	4.5	4.5	4.5	4.5
Long service leave	2 159.8	2 321.8	2 400.1	2 481.9
<b>Total non-current employee benefits</b>	<b>2 164.3</b>	<b>2 326.2</b>	<b>2 404.5</b>	<b>2 486.3</b>
<b>Total employee benefits</b>	<b>3 205.2</b>	<b>3 412.1</b>	<b>3 538.1</b>	<b>3 667.6</b>

Note:

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

## Note 15: Superannuation

The liability for employee superannuation benefits 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 are the responsibility of the State and are recognised accordingly.

In previous budgets, an earnings rate of 7 per cent a year had been assumed for all fund assets. In the recent triennial actuarial review, the State Superannuation Fund's (SSF) actuary refined the earning rate assumptions for fund assets to recognise that investment returns on assets backing current pension liabilities are not subject to tax, while investment returns on assets backing non-pension liabilities are taxed at 15 per cent. Assets which back current pension liabilities are therefore assumed to earn 7.5 per cent a year, while assets which back non-pension liabilities are assumed to earn 6.6 per cent a year.

As the SSF's pension liabilities exceed its assets, and will do so for the foreseeable future, the actuary has adopted a 7.5 per cent a year investment earnings assumption to reflect the tax free status of earnings.

The actuary for the SSF made several other assumption changes, including a reduction in the assumed long-term CPI growth rate from 3 per cent to 2.5 per cent a year. The assumed weighted average rate of salary increase remained at 4 per cent a year (excluding promotions).

All other Superannuation liabilities are consistent with projections provided by the various fund actuaries.

(\$ million)

	2005	2006	2007	2008
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
State Superannuation Fund	12 422.7	13 218.2	13 398.0	13 370.4
Other funds <sup>(a)</sup>	454.7	479.2	468.5	444.0
<b>Total unfunded superannuation liability</b>	<b>12 877.4</b>	<b>13 697.4</b>	<b>13 866.5</b>	<b>13 814.4</b>
Current liability	54.8	730.9	897.1	998.3
Non-current liability	12 822.6	12 966.4	12 969.4	12 816.1
<b>Total liability</b>	<b>12 877.4</b>	<b>13 697.4</b>	<b>13 866.5</b>	<b>13 814.4</b>

Note:

(a) Other consists of Emergency Services Superannuation Fund, Constitutionally Protected Schemes, Parliamentary Contributory Superannuation Scheme, HealthSuper Fund and the general government element of the Local Authorities Fund.



## Note 16: Reconciliation of cash and net cash flows from operating activities

(\$ million)

	2004-05 <i>Budget</i>	2005-06 <i>Estimate</i>	2006-07 <i>Estimate</i>	2007-08 <i>Estimate</i>
<b>Net result</b>	545.0	505.4	530.5	675.7
<b>Non-cash movements</b>				
Depreciation	1 142.7	1 206.7	1 267.3	1 337.5
Amortisation	67.0	63.1	48.4	34.9
Revaluation of investments	0.1	0.1	0.1	0.1
Revaluation of assets	( 8.4)	( 8.4)	( 8.4)	( 8.4)
Discount /premium on other financial assets/interest bearing liabilities	0.9	0.6	0.9	0.3
<b>Movements included in investing and financing activities</b>				
Net revenue from sale of property, plant and equipment	( 11.9)	( 9.6)	( 11.9)	( 2.9)
<b>Movements in assets and liabilities</b>				
Increase (decrease) in provision of doubtful debts	84.9	86.9	82.9	82.9
Increase (decrease) in payables	51.8	48.3	26.6	39.6
Increase (decrease) in employee benefits	197.4	207.0	126.0	129.4
Increase (decrease) in superannuation	667.4	820.0	169.1	( 52.1)
Increase (decrease) in insurance claims liabilities	( 5.4)	( 5.1)	( 33.4)	( 29.9)
Increase (decrease) in other liabilities	( 22.4)	( 10.3)	( 9.4)	( 8.7)
(Increase) decrease in receivables	( 171.6)	( 212.8)	( 200.7)	( 211.2)
(Increase) decrease in other current assets	3.1	( 0.9)	..	0.1
<b>Net cash flows from operating activities</b>	<b>2 540.6</b>	<b>2 690.9</b>	<b>1 988.1</b>	<b>1 987.4</b>

## Note 17: Reconciliation of cash

(\$ million)

	2004-05 <i>Budget</i>	2005-06 <i>Estimate</i>	2006-07 <i>Estimate</i>	2007-08 <i>Estimate</i>
Cash	346.8	388.3	400.2	407.8
Deposits at call	726.4	728.7	745.7	763.7
<b>Cash and deposits</b>	<b>1 073.1</b>	<b>1 117.0</b>	<b>1 145.9</b>	<b>1 171.4</b>
Bank overdraft	( 18.0)	( 18.0)	( 20.1)	( 22.2)
<b>Cash and deposits held as at 30 June</b>	<b>1 055.1</b>	<b>1 099.0</b>	<b>1 125.8</b>	<b>1 149.3</b>

## **Note 18: General government sector 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 (D) 'Basis of consolidation' in the Statement of significant accounting policies and forecast assumptions.

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### **General government sector entities**

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#### **Department of Education and Training**

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Adult Community and Further Education Board  
Adult Multicultural Education Services  
Centre for Adult Education  
Bendigo Regional Institute of TAFE  
Box Hill Institute of TAFE  
Central Gippsland Institute of TAFE  
Chisholm Institute of TAFE  
Driver Education Centre of Australia Ltd (DECA)  
East Gippsland Institute of TAFE  
Gordon Institute of TAFE  
Goulburn Ovens Institute of TAFE  
Holmesglen Institute of TAFE  
Institute of Land and Food Resources (TAFE Division)  
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 of Technology (TAFE Division)  
William Angliss Institute of TAFE  
Wodonga Institute of TAFE  
Victorian Curriculum and Assessment Authority  
Victorian Institute of Teaching  
Victorian Learning and Employment Skills Commission  
Victorian Qualifications Authority

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#### **Department of Human Services**

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Alexandra and District Ambulance Service  
Alexandra District Hospital  
Alpine Health  
Ambulance Service Victoria Metropolitan Region  
Austin Health (formerly Austin and Repatriation Medical Centre)  
Bairnsdale Regional Health Service  
Ballarat Health Services  
Barwon Health  
Bass Coast Regional Health (formerly Wonthaggi and District Hospital)  
Bayside Health  
Beaufort and Skipton Health Service

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**General government sector entities (continued)**

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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  
Coleraine and District Health Services  
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  
Health Purchasing Victoria  
Hepburn Health Service  
Hesse Rural Health Service  
Heywood Rural Health (formerly Heywood and District Memorial Hospital)  
Infertility Treatment Authority  
Inglewood and District Health Service  
Kerang and District Hospital  
Kilmore 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  
McIvor Health and Community Services  
Melbourne Health  
Mildura Base Hospital  
Moyne Health Services  
Mt Alexander Hospital  
Nathalia District Hospital  
Northeast Health Wangaratta (formerly Wangaratta District Base Hospital)  
Northern Health  
Numurkah District Health Service  
Omeo District Hospital  
Orbost Regional Health  
Otway Health and Community Services  
Peninsula Health

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**General government sector entities (continued)**

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Peter MacCallum Cancer Institute  
Portland District Health  
Queen Elizabeth Centre, The  
Robinvale District Health Services  
Rochester and Elmore District Health Service  
Royal Victorian Eye and Ear Hospital  
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  
Timboon and District Health Care Service  
Tweddle Child and Family Health Service  
Upper Murray Health and Community Services  
Victorian Institute of Forensic Mental Health  
West Gippsland Health Care Group  
West Wimmera Health Service  
Western District Health Service  
Western Health  
Wimmera Health Care Group  
Wodonga Regional Health Service  
Women's and Children's Health  
Yarram and District Health Service  
Yarrawonga District Health Service  
Yea and District Memorial Hospital  
Chinese Medicine Registration Board of Victoria  
Chiropractors Registration Board of Victoria  
Dental Practice Board of Victoria  
Medical Practitioners Board of Victoria  
Mental Health Review Board  
Nurses Board of Victoria  
Optometrists Registration Board of Victoria  
Osteopaths Registration Board of Victoria  
Pharmacy Board of Victoria  
Physiotherapists Registration Board of Victoria  
Podiatrists Registration Board of Victoria  
Psychologists Registration Board of Victoria  
Psychosurgery Review Board  
Victorian Health Promotion Foundation  
Victorian Relief Committee

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**Department of Infrastructure**

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Office of Gas Safety  
Office of the Chief Electrical Inspector  
Roads Corporation  
Spencer Street Station Authority  
Southern and Eastern Integrated Transport Authority (SEITA)

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**General government sector entities (continued)**

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**Department of Innovation Industry and Regional Development**

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Prince Henry's Institute of Medical Research  
Regional Development Victoria  
Tourism Victoria

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**Department of Justice**

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Country Fire Authority  
Domestic Building (HIH) Indemnity Fund  
Emergency Communications Victoria  
Equal Opportunity Commission  
Gambling Research Panel  
Legal Practice Board  
Liquor Licensing Panel  
Metropolitan Fire and Emergency Services Board  
Office of Public Prosecutions  
Office of the Legal Ombudsman  
Office of the Public Advocate  
Office of the Victorian Privacy Commissioner  
Victoria Legal Aid  
Victoria Police (Office of the Chief Commissioner of Police)  
Victorian Casino and Gaming Authority  
Victorian Electoral Commission  
Victorian Institute of Forensic Medicine  
Victorian Law Reform Commission

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**Department of Premier and Cabinet**

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Australian Centre for the Moving Image  
Film Victoria  
Library Board of Victoria  
Museums Board of Victoria  
National Gallery of Victoria, Council of Trustees  
Office of Public Employment  
Office of the Ombudsman

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**Department of Primary Industries**

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Veterinary Practitioners Registration Board of Victoria

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**Department of Sustainability and Environment**

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Architects Registration Board of Victoria  
Building Commission  
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  
EcoRecycle Victoria

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**General government sector entities (continued)**

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Environment Protection Authority  
Heritage Council  
Office of the Commissioner for Environmental Sustainability  
Parks Victoria  
Plumbing Industry Commission  
Royal Botanic Gardens Board  
Shrine of Remembrance Trustees  
Surveyors Board  
The Smart Water Fund  
Trust for Nature (Victoria)

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**Department of Treasury and Finance**

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Essential Services Commission  
Victorian Competition and Efficiency Commission

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**Department for Victorian Communities**

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Victorian Institute of Sport Limited  
Victorian Institute of Sport Trust

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**Parliament**

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Victorian Auditor-General's Office

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## CHAPTER 2 – DEPARTMENTAL FINANCIAL STATEMENTS

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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 the AAS29 accounting standard. However, for the purposes of this budget paper they have been divided into controlled and administered items. Administered items refer to those resources over which a department cannot exercise direct control. Authority is provided through an appropriation for payments made on behalf of the State. Under the AAS29 standard, these items would normally appear as notes to the financial statements.

The following tables can be used to assess each department's financial performance and use of resources.

- **Statement of Financial Performance** – provides details of the Department's controlled revenue and expenses on an accrual basis reflecting the cost of providing its outputs;
- **Statement of Cash Flows** – shows all movements of cash (cash received and paid). The cash impact of financing and investing activities on departmental resources is highlighted in this statement;
- **Statement of Financial Position** – shows all controlled assets and liabilities of the Department. The difference between these represents the net assets position, which is an indicator of the State's equity in the Department; and
- **Administered Items Statement** – provides details of the Department's administered revenue and expenses, and its administered assets and liabilities.

## **Department of Education and Training**

### **Operating performance**

The Department of Education and Training (DE&T) is estimated to have an operating surplus of \$152 million for 2004-05, which is in line with the 2002-03 actual result and the 2003-04 Budget. The revised 2003-04 surplus of \$139 million is expected to be below budget, mainly due to schools using locally-raised funds to purchase more supplies and services than expected and the costs associated with the head office restructure.

The Statement of Financial Performance shows an increase in total operating revenue of \$368 million (or 5.4 per cent) between the 2003-04 revised budget and the 2004-05 Budget. This increase in total revenue primarily reflects additional output revenue from the Government, including:

- the flow-through effect of initiatives approved in previous budgets (which will have a further impact in 2004-05);
- funding for new initiatives announced in the 2004-05 Budget, primarily for maintenance works in schools, transition to the new resource allocation model for government schools, an increase in the education maintenance allowance payment, improved internet access for students and to provide more resources for TAFE and training;
- increases in the capital asset charge as the value of the State's assets increase in line with strong growth in the property market; and
- general inflation-related indexation.

Total operating expenses for the Department for 2004-05 are budgeted to increase by \$355 million (or 5.3 per cent) between the 2003-04 revised budget and the 2004-05 Budget. This expenditure reflects the increased cost to the Department of providing the additional education and training services discussed above. The increase in total operating expenses is partially offset by general efficiencies in the operation of the Department.

Cash flows from operating activities are consistent with these trends.

### **Investment and financing**

The increased investment in both schools and TAFE institutes is to continually improve and add to buildings and general teaching and training facilities and equipment. This investment reflects additional revenue from the State Government, in line with the commitments made at the last election, the Commonwealth Government and schools locally-raised funds used to purchase assets.



## **Balance sheet performance**

The Department's net asset position is expected to improve by \$220 million from 30 June 2004 to 30 June 2005. This reflects a projected increase in total assets of \$230 million and an increase in total liabilities of \$10 million from 30 June 2004 to 30 June 2005.

The increase in total assets is mainly attributable to an increase in non-current assets of \$205 million from 30 June 2004 to 30 June 2005, reflecting:

- the Government's ongoing asset investment program in education and training and new initiatives in the 2004-05 Budget targeted at the modernisation of existing schools, replacement and building of new schools, classroom replacement, providing specialist facilities in secondary schools and the upgrade of TAFE institutes' teaching equipment;
- further investment in IT infrastructure aimed at reducing the human resource management administrative burden on schools, increasing bandwidth to improve internet access for school students and upgrading the Victorian Curriculum and Assessment Authority's Assessment Processing System which manages the VCE and year 3, 5 and 7 Achievement Improvement Monitor (AIM) tests; and
- Commonwealth funded asset initiatives in schools and TAFE institutes.

## **Statement of administered items**

Transactions administered by DE&T on behalf of the State are grants received from the Commonwealth for on-passing to non-government schools and revenue from other sources.

Total administered revenue has increased by \$156 million from 2003-04 revised budget to 2004-05 Budget, due to increased grants to government and non-government schools from the Commonwealth.

**Table 2.1.1: Statement of financial performance**

	(\$ million)			
	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Revenue from ordinary activities</b>				
Output appropriations	5 533.6	5 694.7	5 737.9	6 082.1
Special appropriations	0.2	0.3	0.3	0.3
Resources received free of charge or for nominal consideration	..	0.7	0.7	0.7
Sale of goods and services	461.6	487.4	489.8	499.1
Commonwealth grants	299.4	273.8	266.8	270.8
Other revenue and revenue from other parties	312.5	285.0	355.4	365.7
	<b>6 607.3</b>	<b>6 741.9</b>	<b>6 850.9</b>	<b>7 218.7</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	3 947.0	3 907.7	4 023.1	4 135.0
Depreciation and amortisation	288.1	270.2	273.2	291.2
Resources provided free of charge or for nominal consideration	..	..	..	..
Grants and other payments	555.7	565.0	563.5	582.7
Capital asset charge	565.2	666.7	666.8	764.6
Supplies and services	1 094.6	1 179.1	1 184.8	1 292.7
Other expenses from ordinary activities	1.3	..	0.0	0.0
Borrowing costs	0.7	1.7	0.8	0.9
	<b>6 452.6</b>	<b>6 590.4</b>	<b>6 712.2</b>	<b>7 067.1</b>
<b>Result from ordinary activities</b>	<b>154.7</b>	<b>151.6</b>	<b>138.7</b>	<b>151.6</b>
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>154.7</b>	<b>151.6</b>	<b>138.7</b>	<b>151.6</b>
Net increase in asset revaluation reserve	1 015.7	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	1 015.7	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>1 170.4</b>	<b>151.6</b>	<b>138.7</b>	<b>151.6</b>

Source: Departments of Education and Training and Treasury and Finance

**Table 2.1.2: Statement of cash flows**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	5 805.8	5 904.2	5 952.4	6 301.5
Receipts from other entities	514.0	496.6	493.5	494.7
Payments for supplies, grants and employees	(5 649.1)	(5 624.7)	(5 756.6)	(5 999.4)
	<b>670.6</b>	<b>776.1</b>	<b>689.3</b>	<b>796.8</b>
Interest received	33.8	20.0	28.3	30.1
Other revenue	344.7	265.1	350.0	364.7
Capital asset charge	( 565.2)	( 666.7)	( 666.8)	( 764.6)
Borrowing costs expense	( 0.7)	( 1.7)	( 0.8)	( 0.9)
<b>Net cash inflow from operating activities</b>	<b>483.2</b>	<b>392.7</b>	<b>399.9</b>	<b>426.2</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 506.8)	( 460.7)	( 473.0)	( 471.2)
Proceeds from sale of property, plant and equipment	10.0	1.5	1.5	1.5
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	( 15.1)	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>( 511.9)</b>	<b>( 459.3)</b>	<b>( 471.5)</b>	<b>( 469.7)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	29.1	68.2	68.2	68.1
Net proceeds of borrowings	( 1.2)	..	..	..
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>27.9</b>	<b>68.2</b>	<b>68.2</b>	<b>68.1</b>
<b>Net increase (decrease) in cash held</b>	<b>( 0.8)</b>	<b>1.7</b>	<b>( 3.4)</b>	<b>24.6</b>
Cash at the beginning of the financial year	478.0	477.2	477.2	473.9
<b>Cash at the end of the financial year</b>	<b>477.2</b>	<b>478.9</b>	<b>473.9</b>	<b>498.5</b>

Source: Departments of Education and Training and Treasury and Finance

**Table 2.1.3: Statement of financial position**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2003</i>	<i>2004</i>	<i>2004</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	477.2	478.9	476.1	500.7
Other financial assets	156.1	156.1	156.1	156.1
Receivables	69.7	69.8	69.8	69.9
Inventories	8.4	8.4	8.4	8.4
Prepayments	12.5	12.7	12.7	12.9
Other	1.2	1.2	1.2	1.2
<b>Total current assets</b>	<b>725.2</b>	<b>727.1</b>	<b>724.3</b>	<b>749.1</b>
<b>Non-current assets</b>				
Receivables	384.2	448.9	436.9	488.6
Inventories	..	..	..	..
Other financial assets	8.9	8.9	8.9	8.9
Property, plant and equipment	9 116.2	9 295.7	9 287.6	9 441.2
Intangible assets	0.5	0.5	0.5	0.5
Other	13.1	13.1	13.1	13.1
<b>Total non-current assets</b>	<b>9 522.9</b>	<b>9 767.1</b>	<b>9 746.9</b>	<b>9 952.2</b>
<b>Total assets</b>	<b>10 248.1</b>	<b>10 494.2</b>	<b>10 471.3</b>	<b>10 701.4</b>
<b>Current liabilities</b>				
Payables	181.5	183.2	183.2	184.9
Interest bearing liabilities	1.8	1.8	4.1	4.1
Provisions	181.8	198.6	198.6	207.4
Other	75.9	75.9	75.9	75.9
<b>Total current liabilities</b>	<b>441.0</b>	<b>459.5</b>	<b>461.8</b>	<b>472.3</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	2.6	2.6	2.6	2.6
Provisions	780.9	788.7	776.4	776.3
Other	..	..	..	..
Amounts owing to other departments	1.1	1.1	1.1	1.1
<b>Total non-current liabilities</b>	<b>784.7</b>	<b>792.5</b>	<b>780.2</b>	<b>780.0</b>
<b>Total liabilities</b>	<b>1 225.6</b>	<b>1 252.0</b>	<b>1 241.9</b>	<b>1 252.3</b>
<b>Net assets</b>	<b>9 022.5</b>	<b>9 242.2</b>	<b>9 229.3</b>	<b>9 449.1</b>
<b>Equity</b>				
Contributed capital	5 856.4	5 924.6	5 924.6	5 992.8
Reserves	2 708.4	2 708.4	2 708.4	2 708.4
Accumulated surplus	457.7	609.2	596.4	747.9
<b>Total equity</b>	<b>9 022.5</b>	<b>9 242.2</b>	<b>9 229.3</b>	<b>9 449.1</b>

Source: Departments of Education and Training and Treasury and Finance

**Table 2.1.4: Administered items statement**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	..	..	..	..
Special appropriations	..	..	..	..
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	2.0	1.7	1.7	1.7
Commonwealth grants	1 552.7	1 627.6	1 694.4	1 851.8
Other grants	..	..	..	..
Taxes	..	..	..	..
Fines	..	..	..	..
Fees	..	..	..	..
Other	( 1.6)	11.7	11.7	9.9
<b>Total administered revenue</b>	<b>1 553.1</b>	<b>1 641.0</b>	<b>1 707.8</b>	<b>1 863.4</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	11.3	..	..	..
Grants and other payments	1 099.3	1 162.0	1 199.2	1 322.4
Payments into the Consolidated Fund	440.2	478.9	508.6	540.9
<b>Total administered expenses</b>	<b>1 550.8</b>	<b>1 640.9</b>	<b>1 707.8</b>	<b>1 863.3</b>
<b>Revenue less expenses</b>	<b>2.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Administered assets</b>				
Cash assets	..	0.1	0.7	0.8
Receivables	16.5	16.5	16.5	16.5
Other financial assets	1.3	1.3	1.3	1.3
Inventories	..	..	..	..
Prepayments	3.0	3.0	3.0	3.0
Property, plant and equipment	14.0	14.0	14.0	14.0
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total administered assets</b>	<b>34.7</b>	<b>34.8</b>	<b>35.5</b>	<b>35.5</b>
<b>Administered liabilities</b>				
Payables	0.2	0.2	0.2	0.2
Interest bearing liabilities	..	..	0.7	0.7
Provisions	..	..	..	..
Amounts owing to other departments	..	..	..	..
Other	3.0	3.0	3.0	3.0
<b>Total administered liabilities</b>	<b>3.2</b>	<b>3.2</b>	<b>3.9</b>	<b>3.9</b>

Source: Departments of Education and Training and Treasury and Finance

## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.1.5: Parliamentary authority for resources**

	<i>(\$ million)</i>		
	<i>2003-04 Budget</i>	<i>2003-04 Revised</i>	<i>2004-05 Budget</i>
Annual appropriations	5 631.8	5 653.3	5 995.6
Receipts credited to appropriations	131.1	149.7	154.7
Unapplied previous years appropriation	..	1.9	..
Accumulated surplus - previously applied appropriation	..	12.1	..
<b>Gross Annual appropriation</b>	<b>5 762.9</b>	<b>5 817.0</b>	<b>6 150.2</b>
Special appropriations	0.3	0.3	0.3
Trust funds	1 502.1	1 533.4	1 659.4
<b>Total Parliamentary authority</b>	<b>7 265.3</b>	<b>7 350.7</b>	<b>7 809.9</b>

*Source: Departments of Education and Training and Treasury and Finance*

## Department of Human Services

### Operating performance

The Department of Human Services (DHS) is expected to have an operating surplus of \$131 million in 2004-05. This surplus is primarily attributable to additional one-off revenue being received to repay an advance made in 2002-03. The advance was required due to a shortfall in gaming revenues received by the Hospitals and Charities Fund, which contributed to the Department's deficit in 2002-03.

The Statement of Financial Performance shows an increase in revenue of \$1 165 million (12.3 per cent) from the 2003-04 Budget to the 2004-05 Budget. This increase is largely due to growth in appropriation revenue as a result of:

- funding provided for *Labor's Financial Statement 2002* commitments and other policy (\$453 million) including hospital sustainability and demand management strategy, affordable housing growth strategy, caring for children initiatives, and disability services, dental health, ambulance services and concessions initiatives;
- costs resulting from Australian Industrial Relations Commission decisions and enterprise bargaining agreements across a range of DHS outputs and price escalation (\$228 million) for anticipated cost increases in 2004-05;
- revenue for repayment of an advance in recognition of a shortfall in gaming revenues received by the Hospitals and Charities Fund (\$107 million) in 2002-03;
- revenue increases (\$89 million) for depreciation, amortisation and capital asset charge associated with the approved asset investment program for 2004-05 and the impact of revaluations on the capital asset charge; and
- additional costs recognised as a consequence of implementing a fully-funded claims occurring insurance policy between DHS and the Victorian Managed Insurance Authority (VMIA) for public sector medical indemnity risks (\$47 million).

Other revenue increases (\$169 million) relate to increased Commonwealth payments to hospitals due to the expansion of the Pharmaceutical Benefits Scheme, improved reporting of revenue targets and increases in revenue for both the sale of goods and services and revenue from other parties. This incorporates additional revenues from community support funded projects (\$27 million) which are being recognised in the budget for the first time.

Operating expenses are budgeted to increase by \$1 028 million (10.8 per cent) between 2003-04 Budget and 2004-05 Budget and flow from the increases in revenue outlined above.

## **Investment and financing**

Cashflows from operating activities are consistent with the trends discussed in the Statement of Financial Performance.

Cashflows from investing activities include payments for property, plant and equipment (totalling \$665 million) reflecting the continued asset investment in the Department and hospitals and include new initiatives relating to growth, infrastructure and regulatory requirements.

## **Balance sheet performance**

The Department's net asset position is expected to improve by \$450 million between 2003-04 and 2004-05, reflecting an increase in total assets of \$720 million and an increase in total liabilities of \$270 million.

The increase in assets is mainly attributed to 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.

There are matching asset and liability increases as a result of increased long service leave entitlements for staff employed in the human services sector and the recognition of a finance lease liability for the Casey Community Hospital.

## **Statement of administered items**

This statement includes items from the Commonwealth Government and fees collected by the Department. Total revenue has increased by \$149 million from 2003-04 revised to the 2004-05 Budget, due mainly to increased funds provided under the Australian Health Care Agreement where funds are escalated to take account of population and demand growth and cost indexation.



**Table 2.2.1: Statement of financial performance**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Revenue from ordinary activities</b>				
Output Appropriations	6 965.5	7 289.3	7 468.1	8 390.4
Special Appropriations	1 034.9	1 136.4	1 029.3	1 032.1
Resources received free of charge or for nominal consideration	55.2	..	..	..
Sale of goods and services	821.7	820.7	874.8	895.2
Commonwealth Grants	65.9	30.8	65.1	74.4
Fines and Fees	..	..	..	..
Other revenue and revenue from other parties	305.4	218.6	304.6	269.1
	<b>9 248.6</b>	<b>9 495.8</b>	<b>9 741.9</b>	<b>10 661.1</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	4 465.9	4 507.7	4 610.2	4 929.6
Depreciation and amortisation	248.4	246.8	246.8	275.9
Resources provided free of charge or for nominal consideration	1.0	..	..	..
Grants and other payments	582.8	597.7	643.9	737.3
Capital asset charge	346.3	367.5	372.3	427.5
Supplies and services	3 761.4	3 782.8	3 851.5	4 159.8
Other expenses from ordinary activities	29.9	..	..	..
Borrowing costs	3.0	..	..	0.4
	<b>9 438.8</b>	<b>9 502.5</b>	<b>9 724.7</b>	<b>10 530.5</b>
<b>Result from ordinary activities</b>	<b>( 190.2)</b>	<b>( 6.7)</b>	<b>17.3</b>	<b>130.6</b>
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>( 190.2)</b>	<b>( 6.7)</b>	<b>17.3</b>	<b>130.6</b>
Net increase in asset revaluation reserve	232.8	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	232.8	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>42.6</b>	<b>( 6.7)</b>	<b>17.3</b>	<b>130.6</b>

Source: Departments of Human Services and Treasury and Finance

**Table 2.2.2: Statement of cash flows**

	(\$ million)			
	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	7 987.3	8 381.8	8 480.1	9 419.1
Receipts from other entities	857.4	856.5	942.6	925.6
Payments for supplies, grants and employees	(8 486.2)	(8 783.6)	(8 941.9)	(9 605.7)
	<b>358.5</b>	<b>454.7</b>	<b>480.8</b>	<b>739.0</b>
Interest received	35.0	35.0	35.0	35.0
Other revenue	249.6	152.3	141.0	151.6
Capital asset charge	( 346.3)	( 367.5)	( 372.3)	( 427.5)
Borrowing costs expense	( 3.0)	..	..	( 0.4)
<b>Net cash inflow from operating activities</b>	<b>293.8</b>	<b>274.5</b>	<b>284.5</b>	<b>497.7</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 541.3)	( 407.1)	( 434.6)	( 664.7)
Proceeds from sale of property, plant and equipment	40.0	..	..	..
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	( 4.8)	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>( 506.1)</b>	<b>( 407.1)</b>	<b>( 434.6)</b>	<b>( 664.7)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	90.2	136.6	154.1	171.1
Net proceeds of borrowings	13.6	..	..	..
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>103.7</b>	<b>136.6</b>	<b>154.1</b>	<b>171.1</b>
<b>Net increase (decrease) in cash held</b>	<b>( 108.6)</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
Cash at the beginning of the financial year	285.6	177.0	177.0	181.0
<b>Cash at the end of the financial year</b>	<b>177.0</b>	<b>181.0</b>	<b>181.0</b>	<b>185.1</b>

Source: Departments of Human Services and Treasury and Finance

**Table 2.2.3: Statement of financial position**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2003</i>	<i>2004</i>	<i>2004</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	187.9	191.9	191.9	195.9
Other financial assets	379.6	379.6	379.6	379.6
Receivables	204.1	204.6	269.9	325.7
Inventories	64.4	64.4	54.4	54.4
Prepayments	17.7	17.7	17.7	17.7
Other	..	..	..	..
<b>Total current assets</b>	<b>853.6</b>	<b>858.1</b>	<b>913.4</b>	<b>973.3</b>
<b>Non-current assets</b>				
Receivables	233.6	308.3	316.1	501.1
Inventories	..	..	..	..
Other financial assets	107.9	107.9	107.9	107.9
Property, plant and equipment	4 861.3	5 016.6	5 044.1	5 429.2
Intangible assets	13.5	13.5	13.5	13.5
Other	7.3	7.3	7.3	7.3
<b>Total non-current assets</b>	<b>5 223.7</b>	<b>5 453.7</b>	<b>5 488.9</b>	<b>6 059.1</b>
<b>Total assets</b>	<b>6 077.3</b>	<b>6 311.8</b>	<b>6 402.3</b>	<b>7 032.3</b>
<b>Current liabilities</b>				
Payables	431.8	431.8	497.1	552.4
Interest bearing liabilities	18.4	18.4	18.4	22.6
Provisions	559.1	570.2	570.2	580.0
Other	94.2	98.7	98.7	103.2
<b>Total current liabilities</b>	<b>1 103.5</b>	<b>1 119.1</b>	<b>1 184.4</b>	<b>1 258.2</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	134.9	134.9	134.9	220.2
Provisions	532.4	605.2	605.2	667.1
Other	202.7	218.9	202.7	202.7
Amounts owing to other departments	0.4	0.4	0.4	0.4
<b>Total non-current liabilities</b>	<b>870.4</b>	<b>959.4</b>	<b>943.2</b>	<b>1 090.4</b>
<b>Total liabilities</b>	<b>1 973.9</b>	<b>2 078.5</b>	<b>2 127.6</b>	<b>2 348.6</b>
<b>Net assets</b>	<b>4 103.4</b>	<b>4 233.3</b>	<b>4 274.7</b>	<b>4 683.7</b>
<b>Equity</b>				
Contributed capital	3 512.8	3 649.4	3 666.8	3 945.2
Reserves	840.9	840.9	840.9	840.9
Accumulated surplus	( 250.3)	( 257.0)	( 233.0)	( 102.4)
<b>Total equity</b>	<b>4 103.4</b>	<b>4 233.3</b>	<b>4 274.7</b>	<b>4 683.7</b>

Source: Departments of Human Services and Treasury and Finance

**Table 2.2.4: Administered items statement**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	..	..	..	..
Special Appropriations	..	..	..	..
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	222.9	225.2	226.4	232.7
Commonwealth grants	2 634.3	2 648.8	2 612.5	2 756.8
Other grants	2.5	..	..	..
Taxes	..	..	..	..
Fines	..	..	..	..
Fees	2.3	2.2	2.9	2.9
Other	9.8	5.1	5.1	3.8
<b>Total administered revenue</b>	<b>2 871.9</b>	<b>2 881.2</b>	<b>2 846.8</b>	<b>2 996.2</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	0.9	..	..	..
Grants and other payments	0.3	..	..	..
Payments into the Consolidated Fund	2 863.5	2 881.2	2 846.8	2 996.2
<b>Total administered expenses</b>	<b>2 864.7</b>	<b>2 881.2</b>	<b>2 846.8</b>	<b>2 996.2</b>
<b>Revenue less expenses</b>	<b>7.1</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>				
Cash assets	..	..	..	..
Receivables	12.2	12.2	12.2	12.2
Other financial assets	0.6	0.6	0.6	0.6
Inventories	..	..	..	..
Prepayments	..	..	..	..
Property, plant and equipment	..	..	..	..
Intangible assets	..	..	..	..
Other	106.8	106.8	106.8	106.8
<b>Total administered assets</b>	<b>119.7</b>	<b>119.7</b>	<b>119.7</b>	<b>119.7</b>
<b>Administered liabilities</b>				
Payables	..	..	..	..
Interest bearing liabilities	106.8	106.8	106.8	106.8
Provisions	..	..	..	..
Amounts owing to other departments	..	..	..	..
Other	3.9	3.9	3.9	3.9
<b>Total administered liabilities</b>	<b>110.7</b>	<b>110.7</b>	<b>110.7</b>	<b>110.7</b>

Source: Departments of Human Services and Treasury and Finance

## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.2.5: Parliamentary authority for resources**

	(\$ million)		
	2003-04	2003-04	2004-05
	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
Annual appropriations	6 491.5	6 707.4	7 714.6
Receipts credited to appropriations	986.3	966.0	1 034.6
Unapplied previous years appropriation	36.4	52.0	31.3
Accumulated surplus - previously applied appropriation	9.2	..	..
<b>Gross Annual appropriation</b>	<b>7 523.4</b>	<b>7 725.4</b>	<b>8 780.5</b>
Special appropriations	1 136.4	1 029.3	1 032.1
Trust funds	27.8	27.8	28.4
<b>Total Parliamentary authority</b>	<b>8 687.7</b>	<b>8 782.5</b>	<b>9 841.0</b>

*Source: Departments of Human Services and Treasury and Finance*

## **Department of Infrastructure**

### **Operating performance**

The Department's Statement of Financial Performance for 2004-05 indicates an expected operating surplus of \$317.4 million, compared to the published budget result for 2003-04 of \$112.6 million.

Total operating revenue is expected to increase by \$701 million in 2004-05 compared to the 2003-04 Budget. This is largely as a result of:

- additional funding of \$225 million provided for the new public transport partnership agreements;
- new output initiatives for 2004-05 totalling \$87 million including the expansion of the TravelSMART Community Program, further development of a new public transport ticketing system, extension of concessions to increase public transport use and payment for additional operating costs for V/Line Passenger Services;
- contribution from the Transport Accident Commission of \$65 million a per as part of a two year road safety infrastructure program;
- additional funding from the Commonwealth Government of \$114 million for roads projects; and
- prior year initiatives including bus services and regional fast rail.

Operating expenses have increased by \$496 million from 2003-04 published budget, primarily reflecting the additional funding identified above, and the increased cost of depreciation associated with the revaluation of roads at the end of 2002-03, less the impact of additional Commonwealth funding used for road construction. The capital asset charge for 2004-05 is \$48 million less than 2003-04 following the reclassification of the charge levied on rail infrastructure as a grant expense.

The major items impacting the 2003-04 revised Budget surplus are the transfer of assets and liabilities under the new public transport partnership agreement and VicRoads unfunded superannuation entitlements transferred to the Department of Treasury and Finance.

### **Investment and financing**

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

The expected investments in new property, plant and equipment in 2004-05 reflect the approved cashflows for existing and new asset initiatives such as public transport safety improvements and new roads.

## **Balance sheet performance**

The Department's net assets are expected to increase by \$486 million by 30 June 2005 from the 2003-04 budgeted position.

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

The decrease in the Department's liabilities is principally due to the transfer in 2003-04 of unfunded superannuation liabilities of \$472 million to the Department of Treasury and Finance. This has been partly offset by the recognition by the State of the accrued entitlements of staff employed by the former public transport franchisees valued at \$148 million.

## **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.

Total administered revenue is budgeted to increase by \$245 million from the 2003-04 Budget, including \$114 million from the Commonwealth Government for roads projects, \$99 million in additional revenue from vehicle registration and \$53 million from stamp duty on motor vehicle transfers. This is partially offset by the \$49 million one-off funding in 2003-04 for the Electricity Network Tariff Scheme.

Administered payments are likewise affected by the items outlined above.

**Table 2.3.1: Statement of financial performance**

	(\$ million)			
	2002-03 Actual <sup>(a)</sup>	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Revenue from ordinary activities</b>				
Output Appropriations	2 442.5	2 388.2	2 733.2	2 977.4
Special Appropriations	..	..	..	..
Resources received free of charge or for nominal consideration	7.8	..	109.5	5.0
Sale of goods and services	130.2	104.4	116.0	129.9
Commonwealth Grants	..	..	..	..
Taxes	50.5	48.1	48.1	48.1
Fines and Fees	1.9	2.0	2.0	2.0
Other revenue and revenue from other parties	( 17.5)	137.0	134.1	218.0
	<b>2 615.3</b>	<b>2 679.6</b>	<b>3 142.8</b>	<b>3 380.4</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements <sup>(b)</sup>	286.3	190.3	( 259.8)	221.3
Depreciation and amortisation	259.4	283.9	318.9	340.0
Resources provided free of charge or for nominal consideration	0.1	..	..	..
Grants and other payments	585.7	566.5	737.3	769.1
Capital asset charge	68.3	126.2	76.1	78.5
Supplies and services	1 482.4	1 393.5	1 908.0	1 647.6
Other expenses from ordinary activities	4.1	..	..	..
Borrowing costs	7.6	6.5	6.5	6.5
	<b>2 693.9</b>	<b>2 567.0</b>	<b>2 787.0</b>	<b>3 063.0</b>
<b>Result from ordinary activities</b>	<b>( 78.6)</b>	<b>112.6</b>	<b>355.8</b>	<b>317.4</b>
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>( 78.6)</b>	<b>112.6</b>	<b>355.8</b>	<b>317.4</b>
Net increase in asset revaluation reserve	611.0	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	611.0	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>532.4</b>	<b>112.6</b>	<b>355.8</b>	<b>317.4</b>

Source: Departments of Infrastructure and Treasury and Finance

Notes:

- (a) The 2002-03 Actual figures reflect only a six-month impact of machinery of government changes that were effective 1 January 2003.
- (b) The 2003-04 Revised employee entitlements figure reflects the impact of the transfer of \$472 million superannuation liabilities of former VicRoads' employees to the Department of Treasury and Finance.



**Table 2.3.2: Statement of cash flows**

(\$ million)

	2002-03 Actual <sup>(a)</sup>	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	2 177.7	2 586.8	2 733.3	2 871.1
Receipts from other entities	235.5	235.4	245.0	344.9
Payments for supplies, grants and employees	(2 272.9)	(2 151.4)	(2 690.2)	(2 647.0)
	<b>140.3</b>	<b>670.9</b>	<b>288.1</b>	<b>569.0</b>
Interest received	4.0	0.4	0.4	0.4
Other revenue	164.6	48.6	48.6	46.5
Capital asset charge	( 68.3)	( 126.2)	( 76.1)	( 78.5)
Borrowing costs expense	( 7.6)	( 6.5)	( 6.5)	( 6.5)
<b>Net cash inflow from operating activities</b>	<b>233.0</b>	<b>587.1</b>	<b>254.4</b>	<b>530.9</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 316.8)	( 733.1)	( 243.4)	( 614.6)
Proceeds from sale of property, plant and equipment	17.0	6.2	6.2	6.2
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	( 26.1)	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>( 325.9)</b>	<b>( 726.8)</b>	<b>( 237.2)</b>	<b>( 608.4)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	51.7	139.8	( 17.3)	82.8
Net proceeds of borrowings	15.3	..	..	..
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>67.0</b>	<b>139.8</b>	<b>( 17.3)</b>	<b>82.8</b>
<b>Net increase (decrease) in cash held</b>	<b>( 25.8)</b>	<b>..</b>	<b>..</b>	<b>5.3</b>
Cash at the beginning of the financial year	85.7	59.9	59.9	59.9
<b>Cash at the end of the financial year</b>	<b>59.9</b>	<b>59.9</b>	<b>59.9</b>	<b>65.2</b>

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2002-03 Actual figures reflect only a six-month impact of machinery of government changes that were effective 1 January 2003.

**Table 2.3.3: Statement of financial position**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2003</i>	<i>2004</i>	<i>2004</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	59.9	59.9	59.9	65.2
Other financial assets	64.0	64.0	64.0	64.0
Receivables	81.9	81.9	81.9	81.9
Inventories	8.1	8.1	8.1	8.1
Prepayments	2.3	2.3	2.3	2.3
Other	..	..	..	..
<b>Total current assets</b>	<b>216.3</b>	<b>216.3</b>	<b>216.3</b>	<b>221.6</b>
<b>Non-current assets</b>				
Receivables	583.0	384.8	583.3	689.6
Inventories	3.8	3.8	3.8	3.8
Other financial assets	..	..	..	..
Property, plant and equipment	17 002.7	17 451.8	17 036.6	17 316.2
Intangible assets	9.3	9.3	9.3	9.3
Other	..	..	..	..
<b>Total non-current assets</b>	<b>17 598.8</b>	<b>17 849.7</b>	<b>17 633.0</b>	<b>18 019.0</b>
<b>Total assets</b>	<b>17 815.1</b>	<b>18 066.1</b>	<b>17 849.3</b>	<b>18 240.6</b>
<b>Current liabilities</b>				
Payables	335.3	335.6	355.6	348.3
Interest bearing liabilities	..	..	..	..
Provisions	61.1	61.3	25.4	25.3
Other	10.9	10.9	10.9	10.9
<b>Total current liabilities</b>	<b>407.3</b>	<b>407.8</b>	<b>391.9</b>	<b>384.5</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	15.3	15.3	15.3	15.3
Provisions	489.0	487.4	51.6	50.1
Other	4.9	4.0	152.9	152.9
Amounts owing to other departments	..	..	..	..
<b>Total non-current liabilities</b>	<b>509.2</b>	<b>506.7</b>	<b>219.8</b>	<b>218.2</b>
<b>Total liabilities</b>	<b>916.4</b>	<b>914.5</b>	<b>611.7</b>	<b>602.8</b>
<b>Net assets</b>	<b>16 898.7</b>	<b>17 151.5</b>	<b>17 237.7</b>	<b>17 637.8</b>
<b>Equity</b>				
Contributed capital	14 660.0	14 799.8	14 642.7	14 725.5
Reserves	2 803.5	2 803.5	2 803.5	2 803.5
Accumulated surplus	( 564.8)	( 451.8)	( 208.6)	108.8
<b>Total equity</b>	<b>16 898.7</b>	<b>17 151.5</b>	<b>17 237.7</b>	<b>17 637.8</b>

Source: Departments of Infrastructure and Treasury and Finance

**Table 2.3.4: Administered items statement**

(\$ million)

	2002-03 Actual <sup>(a)</sup>	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	21.5	49.0	85.5	..
Special Appropriations	..	..	..	..
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	1.1	3.9	..	..
Commonwealth grants	394.2	139.3	101.8	256.8
Other grants	0.3	..	..	..
Taxes	1 083.8	1 194.1	1 216.0	1 348.7
Fines	6.4	3.5	6.3	6.5
Fees	16.1	10.6	9.6	14.2
Other	89.1	4.6	8.8	23.4
<b>Total administered revenue</b>	<b>1 612.4</b>	<b>1 404.9</b>	<b>1 428.0</b>	<b>1 649.6</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	0.2	..	..	..
Grants and other payments	193.7	45.2	85.5	..
Payments into the Consolidated Fund	1 386.9	1 328.6	1 310.2	1 613.7
<b>Total administered expenses</b>	<b>1 580.8</b>	<b>1 373.9</b>	<b>1 395.7</b>	<b>1 613.7</b>
<b>Revenue less expenses</b>	<b>31.6</b>	<b>31.0</b>	<b>32.3</b>	<b>35.8</b>
<b>Administered assets</b>				
Cash assets	7.2	7.2	7.2	7.2
Receivables	188.8	219.5	219.7	254.6
Other financial assets	..	..	..	..
Inventories	..	..	..	..
Prepayments	..	..	..	..
Property, plant and equipment	..	( 0.1)	..	..
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total administered assets</b>	<b>196.0</b>	<b>226.6</b>	<b>226.9</b>	<b>261.8</b>
<b>Administered liabilities</b>				
Payables	15.2	15.2	15.2	15.2
Interest bearing liabilities	..	..	..	..
Provisions	..	..	..	..
Amounts owing to other departments	..	..	..	..
Other	92.2	92.2	91.3	90.4
<b>Total administered liabilities</b>	<b>107.4</b>	<b>107.4</b>	<b>106.5</b>	<b>105.6</b>

Source: Departments of Infrastructure and Treasury and Finance

## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.3.5: Parliamentary authority for resources**

	(\$ million)		
	2003-04 Budget	2003-04 Revised <sup>(a)</sup>	2004-05 Budget
Annual appropriations	2 828.0	2 912.7	3 017.0
Receipts credited to appropriations	146.1	106.7	260.9
Unapplied previous years appropriation	7.2	205.6	32.0
Accumulated surplus - previously applied appropriation	..	..	..
<b>Gross Annual appropriation</b>	<b>2 981.2</b>	<b>3 225.0</b>	<b>3 310.0</b>
Special appropriations	..	..	..
Trust funds	136.2	144.0	184.4
<b>Total Parliamentary authority</b>	<b>3 117.4</b>	<b>3 369.0</b>	<b>3 494.4</b>

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) 2003-04 Revised includes the impact of approved Treasurer's Advances.

## Payments 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 2.3.6: Payments made on behalf of the State**

	(\$ million)		
Accounts	2003-04 Budget	2003-04 Revised	2004-05 Budget
Electricity Network Tariff Rebate	49.0	85.5	..
<b>Total</b>	<b>49.0</b>	<b>85.5</b>	<b>..</b>

Source: Departments of Infrastructure and Treasury and Finance

## Department of Innovation, Industry and Regional Development

### Operating performance

The controlled budget for operating revenue in 2004-05 has been set at \$300.7 million, a decrease of around \$15 million on the 2003-04 published budget. This reflects the continuing focus of the Department on investment facilitation and support, regional development and the promotion of Victoria's growth industries.

The controlled budget includes:

- new policy initiatives, outlined in Appendix A of Budget Paper No. 3; and
- an anticipated carryover of \$23.4 million from 2003-04 to 2004-05, reflecting the revised timing for payment of program grants.

The estimated result for the Department in 2004-05 is an operating deficit of \$48.3 million, compared to an expected deficit of \$65 million in 2003-04. The deficit in both of these years is due to the re-phasing of expenditure for the Regional Infrastructure Development Fund (RIDF). This re-phasing provides a more accurate assessment of when actual RIDF expenditure is likely to occur, and results in the Department having recognised a significant surplus in 2002-03, and offsetting deficits in 2003-04 and 2004-05.

### Investment and financing

In 2004-05 funding for asset initiatives is \$90.5 million and includes the synchrotron, city office accommodation and a new project for 2004-05, the Melbourne Convention Centre (MCC) redevelopment. The MCC redevelopment project is intended to be delivered under a *Partnerships Victoria* model. Pending finalisation of the tender process, however, the forward estimates assume that the redevelopment will be delivered under a State build arrangement. Under this State build arrangement, capital funding for the redevelopment will be \$23.8 million in 2004-05. This funding will be effectively transferred to the Melbourne Convention and Exhibition Trust (a public non-financial corporation within the DIIRD portfolio), thus not increasing the net asset base of the Department itself.

The capital outflows associated with all of these projects will therefore increase the asset position and cash flows of the Department by a net amount of \$66.7 million in 2004-05 (that is, \$90.5 million in new capital funding less the \$23.8 million transferred to the Melbourne Convention and Exhibition Trust).

### Balance sheet performance

The large inflows and outflows relating to the Department's capital projects and trust funds (RIDF), as discussed above, are the main contributing factors in the movement in assets and liabilities between 2003-04 and 2004-05. These movements are reflected in the *Property, Plant and Equipment, Receivables and Contributed Capital* sections of the Statement of Financial Position.

## **Statement of administered items**

In asset terms, the Department currently administers on behalf of the State the Film and TV Studio project and a number of long-term loans made by the Victorian Economic Development Corporation (VEDC). Movements related to these items in the 2004-05 Budget are reflected in the receivables section (loans receivable) of the Administered Items Statement.

Payments into the Consolidated Fund are projected to increase by \$16.6 million in 2004-05. This relates to the sale/divestment of surplus land/development rights related to the Melbourne Convention Centre redevelopment.

**Table 2.4.1: Statement of financial performance**

	(\$ million)			
	2002-03 Actual <sup>(a)</sup>	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Revenue from ordinary activities</b>				
Output appropriations	393.5	313.7	329.2	298.1
Special appropriations	..	..	0.0	..
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	..	1.5	1.5	1.5
Commonwealth grants	..	..	..	..
Other revenue and revenue from other parties	37.4	0.1	0.6	1.1
	<b>430.9</b>	<b>315.3</b>	<b>331.4</b>	<b>300.7</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	66.7	51.4	63.1	67.1
Depreciation and amortisation	3.9	3.6	3.2	3.9
Resources provided free of charge or for nominal consideration	..	..	..	..
Grants and other payments	190.3	217.5	252.1	202.1
Capital asset charge	1.2	4.1	5.2	4.5
Supplies and services	71.5	103.3	72.6	71.4
Other expenses from ordinary activities	( 0.1)	..	..	..
Borrowing costs	0.0	..	..	..
	<b>333.5</b>	<b>379.8</b>	<b>396.3</b>	<b>349.0</b>
<b>Result from ordinary activities</b>	<b>97.4</b>	<b>( 64.5)</b>	<b>( 64.9)</b>	<b>( 48.3)</b>
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>97.4</b>	<b>( 64.5)</b>	<b>( 64.9)</b>	<b>( 48.3)</b>
Net increase in asset revaluation reserve	..	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	..	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>97.4</b>	<b>( 64.5)</b>	<b>( 64.9)</b>	<b>( 48.3)</b>

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

Note:

(a) The 2002-03 Actual figures reflect only a six-months impact of machinery of government changes that were effective on 1 January 2003. This may not reconcile to the total 2002-03 output costs in the output statements in Chapter 3 of Budget Paper No. 3, which is reported on a full year basis. Furthermore, changes in output structure mean that not all of the 2002-03 output costs are reflected in the 2004-05 output statements.

**Table 2.4.2: Statement of cash flows**

	(\$ million)			
	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	325.4	367.8	385.4	348.9
Receipts from other entities	3.3	1.5	2.0	2.6
Payments for supplies, grants and employees	( 336.0)	( 372.2)	( 387.9)	( 340.6)
	<b>( 7.3)</b>	<b>( 2.8)</b>	<b>( 0.5)</b>	<b>10.9</b>
Interest received	0.5	..	..	..
Other revenue	10.2	0.1	0.1	..
Capital asset charge	( 1.2)	( 4.1)	( 5.2)	( 4.5)
Borrowing costs expense	( 0.0)	..	..	..
<b>Net cash inflow from operating activities</b>	<b>2.1</b>	<b>( 6.8)</b>	<b>( 5.6)</b>	<b>6.3</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 16.5)	( 44.1)	( 55.4)	( 73.1)
Proceeds from sale of property, plant and equipment	0.0	..	..	..
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	( 0.1)	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>( 16.6)</b>	<b>( 44.1)</b>	<b>( 55.4)</b>	<b>( 73.1)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	23.1	50.9	61.0	66.7
Net proceeds of borrowings	..	..	..	..
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>23.1</b>	<b>50.9</b>	<b>61.0</b>	<b>66.7</b>
<b>Net increase (decrease) in cash held</b>	<b>8.7</b>	<b>..</b>	<b>..</b>	<b>..</b>
Cash at the beginning of the financial year	( 2.3)	6.4	6.4	6.4
<b>Cash at the end of the financial year</b>	<b>6.4</b>	<b>6.4</b>	<b>6.4</b>	<b>6.4</b>

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



**Table 2.4.3: Statement of financial position**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2003 Actual</i>	<i>2004 Budget</i>	<i>2004 Revised</i>	<i>2005 Budget</i>
<b>Current assets</b>				
Cash assets	6.4	6.4	6.4	6.4
Other financial assets	..	..	..	..
Receivables	( 3.9)	( 3.9)	( 3.9)	8.5
Inventories	..	..	..	..
Prepayments	0.7	0.7	0.7	0.7
Other	..	..	..	..
<b>Total current assets</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>15.6</b>
<b>Non-current assets</b>				
Receivables	145.7	91.6	89.6	26.4
Inventories	..	..	..	..
Other financial assets	0.1	0.1	0.1	0.1
Property, plant and equipment	17.2	57.7	69.3	138.5
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total non-current assets</b>	<b>162.9</b>	<b>149.3</b>	<b>158.9</b>	<b>164.9</b>
<b>Total assets</b>	<b>166.0</b>	<b>152.5</b>	<b>162.1</b>	<b>180.5</b>
<b>Current liabilities</b>				
Payables	6.2	6.2	6.2	6.2
Interest bearing liabilities	..	..	..	..
Provisions	6.5	6.5	6.5	6.5
Other	0.5	0.5	0.5	0.5
<b>Total current liabilities</b>	<b>13.1</b>	<b>13.1</b>	<b>13.1</b>	<b>13.1</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	..	..	..	..
Provisions	10.1	10.1	10.1	10.1
Other	..	..	..	..
Amounts owing to other departments	..	..	..	..
<b>Total non-current liabilities</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>	<b>10.1</b>
<b>Total liabilities</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>	<b>23.2</b>
<b>Net assets</b>	<b>142.8</b>	<b>129.2</b>	<b>138.8</b>	<b>157.3</b>
<b>Equity</b>				
Contributed capital	20.1	71.1	81.1	147.8
Reserves	..	..	..	..
Accumulated surplus	122.7	58.2	57.8	9.5
<b>Total equity</b>	<b>142.8</b>	<b>129.2</b>	<b>138.8</b>	<b>157.3</b>

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

**Table 2.4.4: Administered items statement**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	..	..	..	..
Special appropriations	..	..	..	..
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	0.3	..	0.8	..
Commonwealth grants	0.2	..	0.2	..
Other grants	..	..	..	..
Taxes	..	..	..	..
Fines	0.1	0.2	0.2	0.2
Fees	1.2	2.2	2.2	2.2
Other	0.3	0.3	0.3	0.3
<b>Total administered revenue</b>	<b>2.1</b>	<b>2.6</b>	<b>3.6</b>	<b>2.6</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	..	..	..	0.1
Grants and other payments	..	..	..	..
Payments into the Consolidated Fund	2.1	2.6	3.6	19.1
<b>Total administered expenses</b>	<b>2.1</b>	<b>2.6</b>	<b>3.6</b>	<b>19.2</b>
<b>Revenue less expenses</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>( 16.6)</b>
<b>Administered assets</b>				
Cash assets	..	..	..	..
Receivables	28.2	28.2	28.2	28.2
Other financial assets	..	..	..	..
Inventories	..	..	..	..
Prepayments	..	..	..	..
Property, plant and equipment	..	..	..	..
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total administered assets</b>	<b>28.2</b>	<b>28.2</b>	<b>28.2</b>	<b>28.2</b>
<b>Administered liabilities</b>				
Payables	..	..	..	..
Interest bearing liabilities	..	..	..	..
Provisions	..	..	..	..
Amounts owing to other departments	..	..	..	..
Other	..	..	..	..
<b>Total administered liabilities</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>

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

## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.4.5: Parliamentary authority for resources**

	(\$ million)		
	2003-04 Budget	2003-04 Revised <sup>(a)</sup>	2004-05 Budget
Annual appropriations	333.6	323.7	365.3
Receipts credited to appropriations	..	1.1	..
Unapplied previous years appropriation	31.0	65.2	23.4
Accumulated surplus - previously applied appropriation	..	2.0	..
<b>Gross annual appropriation</b>	<b>364.6</b>	<b>391.9</b>	<b>388.7</b>
Special appropriations	..	..	..
Trust funds	0.1	0.1	1.1
<b>Total Parliamentary authority</b>	<b>364.7</b>	<b>392.0</b>	<b>389.8</b>

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

Note:

(a) 2003-04 Revised includes the impact of approved Treasurer's Advances.

## Department of Justice

### Operating performance

The Department of Justice is estimated to achieve an operating surplus of \$13.4 million for 2004-05, a decrease of \$4.8 million on the 2003-04 revised budget, but approximating the 2003-04 Budget estimate of \$14.1 million. The major influence on the operating surplus is the strong revenue performance of industry-based trust funds, which form a significant proportion of the funding for consumer protection services.

The Statement of Financial Performance shows an increase in total operating revenue of \$205.6 million (or 9.3 per cent) in 2004-05 compared to the 2003-04 revised budget. This is largely attributable to increased appropriation funding of \$211.7 million for existing and new output initiatives. Expenditure is estimated to increase by an equivalent amount.

The major initiatives that account for this increase are:

- \$44.1 million in additional resourcing for Victoria Police following an output price review in 2003-04;
- \$10.1 million to continue the recruitment of 600 additional police commenced in 2003-04;
- \$35.1 million in salary funding for Victoria Police resulting from the 2001 Police enterprise bargain agreement;
- \$41.2 million for the completion of the expansion in permanent prison accommodation;
- \$22.4 million in general operating cost funding provided under the Government's new departmental funding model;
- \$16.3 million for additional capital asset charge and depreciation expense arising from new capital works projects funded in the 2004-05 Budget and asset revaluations in 2003-04;
- \$13.1 million in other enterprise bargain agreement related costs;
- \$7.8 million for continuation of the Victorian Drug Strategy; and
- \$13.5 million for other 2004-05 Budget initiatives.

## **Investment and financing**

Investment activities for the 2004-05 year are budgeted at \$361.4 million. This predominantly relates to the approved capital program. New asset investments for 2004-05 are highlighted in the following section. The investing activity is financed by a net cash inflow from operations of \$82.1 million and a capital contribution from the State Government of some \$279.3 million.

## **Balance sheet performance**

The Department's net asset position in 2004-05 is estimated to improve by \$292.7 million (or 27.8 per cent) on the 2003-04 revised budget. The increased net asset position is reflected in an estimated increase in total assets of \$316.2 million, which is partly offset by the estimated increase in total liabilities of \$23.6 million.

The increase in total assets mainly reflects:

- an increase in Current Assets of \$22.1 million, mainly comprised of an increase in term deposits with TCV of \$20.5 million for the Estate Agents Guarantee Trust Fund; and
- increases in property plant and equipment of \$274.7 million for new and existing asset initiatives.

New initiatives for 2004-05 include:

- funding for new Police stations in Carlton, Cranbourne, Mildura, Springvale, Torquay and a new Police and Courts complex in the La Trobe Valley;
- CFA Tanker Replacement Program;
- upgrade of the State Emergency Communication Centre at Tally Ho; and
- continuation of the Rural Police Stations Replacement Program (Stage 7).

The increase in total liabilities mainly reflects increasing provision for employee benefits, primarily long-service leave provision.

## **Statement of administered items**

The major movement on the Administered Items Statement for the Department of Justice is an anticipated decrease in revenue of \$87.3 million from 2003-04 published Budget, as a combined result of a decrease in anticipated traffic camera and on-the-spot fines, and a decrease in the level of anticipated revenue from electronic gaming machines. These result in a corresponding decrease in payments to the Consolidated Fund.

**Table 2.5.1: Statement of financial performance**

(\$ million)

	2002-03 <i>Actual</i>	2003-04 <i>Budget</i>	2003-04 <i>Revised</i>	2004-05 <i>Budget</i>
<b>Revenue from ordinary activities</b>				
Output Appropriations	1 967.7	2 032.0	2 045.7	2 274.7
Special Appropriations	98.3	83.4	85.6	66.1
Resources received free of charge or for nominal consideration	0.5	..	0.1	..
Sale of goods and services	0.1	..	0.2	..
Commonwealth Grants	0.6	..	1.5	0.8
Taxes	..	..	..	..
Fines and Fees	6.1	10.2	5.8	7.2
Other revenue and revenue from other parties	76.3	66.1	78.6	74.5
	<b>2 149.5</b>	<b>2 191.7</b>	<b>2 217.5</b>	<b>2 423.1</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	1 246.0	1 228.9	1 258.5	1 364.0
Depreciation and amortisation	39.6	56.1	52.5	65.5
Resources provided free of charge or for nominal consideration	0.2	..	..	..
Grants and other payments	122.2	214.5	122.6	135.9
Capital asset charge	70.0	92.6	89.5	113.0
Supplies and services	647.3	582.9	672.5	727.8
Other expenses from ordinary activities	1.3	0.3	0.3	0.3
Borrowing costs	2.7	2.4	3.3	3.3
	<b>2 129.4</b>	<b>2 177.6</b>	<b>2 199.3</b>	<b>2 409.8</b>
<b>Result from ordinary activities</b>	<b>20.1</b>	<b>14.1</b>	<b>18.2</b>	<b>13.4</b>
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>20.1</b>	<b>14.1</b>	<b>18.2</b>	<b>13.4</b>
Net increase in asset revaluation reserve	2.2	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	2.2	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>22.3</b>	<b>14.1</b>	<b>18.2</b>	<b>13.4</b>

Source: *Departments of Justice and Treasury and Finance*

**Table 2.5.2: Statement of cash flows**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	2 036.1	2 095.8	2 114.5	2 320.9
Receipts from other entities	15.4	19.8	24.3	14.1
Payments for supplies, grants and employees	(1 989.3)	(2 005.2)	(2 032.8)	(2 204.4)
	<b>62.2</b>	<b>110.3</b>	<b>106.0</b>	<b>130.6</b>
Interest received	49.7	49.1	50.4	53.4
Other revenue	18.1	7.7	12.1	14.4
Capital asset charge	( 70.0)	( 92.6)	( 89.5)	( 113.0)
Borrowing costs expense	( 2.7)	( 2.4)	( 3.3)	( 3.3)
<b>Net cash inflow from operating activities</b>	<b>57.3</b>	<b>72.2</b>	<b>75.7</b>	<b>82.1</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 147.0)	( 177.3)	( 153.2)	( 339.3)
Proceeds from sale of property, plant and equipment	..	..	..	..
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	( 34.6)	( 21.3)	( 23.8)	( 22.1)
<b>Net cash (outflow) from investing activities</b>	<b>( 181.5)</b>	<b>( 198.6)</b>	<b>( 177.0)</b>	<b>( 361.4)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	121.3	126.4	101.2	279.3
Net proceeds of borrowings	..	..	..	..
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>121.3</b>	<b>126.4</b>	<b>101.2</b>	<b>279.3</b>
<b>Net increase (decrease) in cash held</b>	<b>( 3.0)</b>	<b>..</b>	<b>..</b>	<b>..</b>
Cash at the beginning of the financial year	1.9	( 1.1)	( 1.1)	( 1.1)
<b>Cash at the end of the financial year</b>	<b>( 1.1)</b>	<b>( 1.1)</b>	<b>( 1.1)</b>	<b>( 1.1)</b>

Source: Departments of Justice and Treasury and Finance

**Table 2.5.3: Statement of financial position**

(\$ million)

	<i>Estimated as at 30 June</i>			
	2003 <i>Actual</i>	2004 <i>Budget</i>	2004 <i>Revised</i>	2005 <i>Budget</i>
<b>Current assets</b>				
Cash assets	( 1.1)	( 1.1)	( 1.1)	( 1.1)
Other financial assets	200.3	221.6	224.1	246.2
Receivables	32.2	32.2	32.2	32.2
Inventories	7.9	7.9	7.9	7.9
Prepayments	4.8	4.8	4.8	4.8
Other	..	..	..	..
<b>Total current assets</b>	<b>244.1</b>	<b>265.4</b>	<b>267.9</b>	<b>290.0</b>
<b>Non-current assets</b>				
Receivables	220.4	240.1	238.7	259.3
Inventories	..	..	..	..
Other financial assets	..	..	..	..
Property, plant and equipment	940.3	1 061.1	1 042.6	1 317.3
Intangible assets	9.9	9.9	6.1	4.9
Other	5.2	5.2	5.2	5.2
<b>Total non-current assets</b>	<b>1 175.8</b>	<b>1 316.3</b>	<b>1 292.6</b>	<b>1 586.6</b>
<b>Total assets</b>	<b>1 419.8</b>	<b>1 581.7</b>	<b>1 560.5</b>	<b>1 876.7</b>
<b>Current liabilities</b>				
Payables	109.6	109.6	109.6	109.6
Interest bearing liabilities	1.8	1.8	1.8	1.8
Provisions	72.1	95.0	94.9	120.1
Other	2.0	2.0	2.0	2.0
<b>Total current liabilities</b>	<b>185.4</b>	<b>208.3</b>	<b>208.2</b>	<b>233.4</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	7.2	5.4	5.4	3.7
Provisions	296.9	296.9	296.9	297.0
Other	..	..	..	..
Amounts owing to other departments	..	..	..	..
<b>Total non-current liabilities</b>	<b>304.0</b>	<b>302.4</b>	<b>302.4</b>	<b>300.7</b>
<b>Total liabilities</b>	<b>489.4</b>	<b>510.7</b>	<b>510.5</b>	<b>534.1</b>
<b>Net assets</b>	<b>930.5</b>	<b>1 071.0</b>	<b>1 049.9</b>	<b>1 342.6</b>
<b>Equity</b>				
Contributed capital	611.5	737.9	712.8	992.0
Reserves	99.4	99.4	99.4	99.4
Accumulated surplus	219.6	233.7	237.8	251.2
<b>Total equity</b>	<b>930.5</b>	<b>1 071.0</b>	<b>1 049.9</b>	<b>1 342.6</b>

*Source: Departments of Justice and Treasury and Finance*



**Table 2.5.4: Administered items statement**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	23.1	50.0	47.2	54.0
Special Appropriations	28.9	28.8	30.7	32.6
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	85.0	83.2	84.1	87.4
Commonwealth grants	46.8	46.2	68.1	46.2
Other grants	4.1	1.5	..	..
Taxes	635.1	1 420.1	1 323.4	1 371.7
Fines	350.5	477.6	299.7	416.9
Fees	82.9	58.2	68.7	73.2
Other	49.1	50.0	53.3	46.1
<b>Total administered revenue</b>	<b>1 305.4</b>	<b>2 215.5</b>	<b>1 975.2</b>	<b>2 128.2</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	115.9	147.2	144.1	150.9
Grants and other payments	34.9	28.8	30.7	36.6
Payments into the Consolidated Fund	1 063.3	2 004.8	1 776.6	1 905.4
<b>Total administered expenses</b>	<b>1 214.1</b>	<b>2 180.7</b>	<b>1 951.4</b>	<b>2 092.9</b>
<b>Revenue less expenses</b>	<b>91.3</b>	<b>34.7</b>	<b>23.8</b>	<b>35.3</b>
<b>Administered assets</b>				
Cash assets	60.9	60.9	60.9	60.9
Receivables	276.9	311.5	300.6	335.9
Other financial assets	3.4	3.4	3.4	3.5
Inventories	..	..	..	..
Prepayments	..	..	..	..
Property, plant and equipment	0.1	..	..	..
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total administered assets</b>	<b>341.3</b>	<b>375.9</b>	<b>365.0</b>	<b>400.3</b>
<b>Administered liabilities</b>				
Payables	84.2	84.2	84.2	84.2
Interest bearing liabilities	..	..	..	..
Provisions	0.2	0.2	0.2	0.2
Amounts owing to other departments	..	..	..	..
Other	41.0	41.0	41.0	41.0
<b>Total administered liabilities</b>	<b>125.5</b>	<b>125.4</b>	<b>125.4</b>	<b>125.4</b>

Source: Departments of Justice and Treasury and Finance

## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.5.5: Parliamentary authority for resources**

	(\$ million)		
	2003-04 Budget	2003-04 Revised <sup>(a)</sup>	2004-05 Budget
Annual appropriations	2 099.5	2 091.4	2 495.4
Receipts credited to appropriations	83.7	92.1	94.8
Unapplied previous years appropriation	25.3	16.1	17.4
Accumulated surplus - previously applied appropriation	..	0.2	3.9
<b>Gross Annual appropriation</b>	<b>2 208.5</b>	<b>2 199.7</b>	<b>2 611.6</b>
Special appropriations	112.2	116.8	99.0
Trust funds	123.1	150.7	145.4
<b>Total Parliamentary authority</b>	<b>2 443.8</b>	<b>2 467.2</b>	<b>2 856.0</b>

Source: Departments of Justice and Treasury and Finance

Note:

(a) 2003-04 Revised includes the impact of approved Treasurer's Advances.

## Payments 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 2.5.6: Payments made on behalf of the State**

	(\$ million)		
Accounts	2003-04 Budget	2003-04 Revised	2004-05 Budget
Health Benefit Levy transitional payment to Racing Clubs	4.0	4.0	8.0
Tattersalls duty payments to other jurisdictions	46.0	43.2	46.0
<b>Total</b>	<b>50.0</b>	<b>47.2</b>	<b>54.0</b>

Source: Departments of Justice and Treasury and Finance

## Department of Premier and Cabinet

### Operating performance

The Department of Premier and Cabinet (DPC) is estimated to have an operating surplus of \$3.6 million for 2004-05, an increase of \$0.3 million from the 2003-04 revised budget.

Overall, the Department's revenue estimates for 2003-04 and 2004-05 reflect a significant decline from the 2002-03 (actual) revenue numbers, particularly special appropriations revenue. This is principally due to the transfer of certain activities to the Department for Victorian Communities (DVC), which was effective from 1 January 2003.

The majority of the special appropriations revenue in 2002-03 was received by the Community Support Fund (derived from gaming revenue). This was one of the activities transferred to DVC.

Within output appropriations revenue, the impact of the transfer of activities to DVC has been more than offset by the combined effect of the centralisation of certain activities within the Department (including the Office of the Chief Information Officer) and the increase in operational and development funding provided by Government to the arts agencies, these being:

- additional operating funding provided to the National Gallery of Victoria for the redeveloped gallery at South Melbourne (\$13.4 million in 2003-04 and \$16.1 million in 2004-05);
- additional operating funding provided to the Australian Centre for the Moving Image with respect to its new facility at Federation Square (\$5 million in both 2003-04 and 2004-05); and
- additional operating and development funding provided to Museum Victoria (\$8.7 million in 2003-04 and \$10.2 million in 2004-05).

In addition, specifically for 2004-05, output funding of \$5.2 million has been provided to the Department for a package of measures to grow patronage of cultural and heritage attractions.

The reduction in grants expenditure from 2002-03 is associated with the transfer of the Community Support Fund to DVC (as referred to above). Expenditure increases in other categories reflect the increases in funding commitments to the arts sector and to centralised activities as referred to above.

## **Investment and financing**

The Statement of Cash Flows shows an increase in capital expenditure within the Department between the 2003-04 and 2004-05 years. This is reflective of both the extent of carry over in relation to the State Library redevelopment and the funding of new initiatives as set out in the next section.

## **Balance sheet performance**

The Department's net asset position is estimated to increase by \$70.2 million between 30 June 2004 and 30 June 2005, from \$3 599.3 million to \$3 669.5 million. It is estimated that a total of \$35.4 million of previously approved capital expenditure will be carried over to 2004-05, principally associated with the State Library redevelopment and the State Crisis Centre.

Further, additional capital funding has been provided by Government in the 2004-05 Budget for the following initiatives:

- whole-of-government information and communications technology standardisation strategy (\$9.3 million);
- additional minor maintenance funding covering all arts agencies (\$5.0 million); and
- asset improvement funding, focused on occupational health and safety and disability access, provided to the Victorian Arts Centre Trust (\$3.6 million).

**Table 2.6.1: Statement of financial performance**

(\$ million)

	2002-03 <i>Actual</i>	2003-04 <i>Budget</i>	2003-04 <i>Revised</i>	2004-05 <i>Budget</i>
<b>Revenue from ordinary activities</b>				
Output Appropriations	343.3	352.9	359.6	387.8
Special Appropriations	62.0	4.6	5.0	5.0
Resources received free of charge or for nominal consideration	2.7	1.3	1.3	1.3
Sale of goods and services	17.9	20.6	20.6	24.5
Commonwealth Grants	11.6	0.3	0.3	..
Taxes	..	..	..	..
Fines and Fees	16.4	..	..	..
Other revenue and revenue from other parties	40.0	24.8	25.7	25.9
	<b>493.9</b>	<b>404.5</b>	<b>412.4</b>	<b>444.5</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	110.6	119.0	124.1	135.1
Depreciation and amortisation	34.0	41.1	41.5	41.2
Resources provided free of charge or for nominal consideration	1.0	..	..	..
Grants and other payments	123.4	32.2	43.1	43.5
Capital asset charge	74.0	79.2	79.5	83.7
Supplies and services	100.9	129.7	120.8	137.5
Other expenses from ordinary activities	2.4	..	..	..
Borrowing costs	0.2	0.1	0.1	0.1
	<b>446.6</b>	<b>401.2</b>	<b>409.1</b>	<b>440.9</b>
<b>Result from ordinary activities</b>	<b>47.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.6</b>
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>47.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.6</b>
Net increase in asset revaluation reserve	79.6	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	79.6	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>126.9</b>	<b>3.3</b>	<b>3.3</b>	<b>3.6</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

**Table 2.6.2: Statement of cash flows**

	(\$ million)			
	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	424.5	329.1	336.2	360.5
Receipts from other entities	32.4	20.9	21.7	24.8
Payments for supplies, grants and employees	( 333.1)	( 279.3)	( 286.5)	( 314.9)
	<b>123.8</b>	<b>70.7</b>	<b>71.4</b>	<b>70.4</b>
Interest received	9.2	1.9	1.9	1.8
Other revenue	27.5	23.6	23.6	24.8
Capital asset charge	( 74.0)	( 79.2)	( 79.5)	( 83.7)
Borrowing costs expense	( 0.2)	( 0.1)	( 0.1)	( 0.1)
<b>Net cash inflow from operating activities</b>	<b>86.3</b>	<b>16.9</b>	<b>17.3</b>	<b>13.2</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 9.4)	( 41.2)	( 37.4)	( 78.4)
Proceeds from sale of property, plant and equipment	..	..	..	..
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	139.1	( 3.7)	2.5	2.2
<b>Net cash (outflow) from investing activities</b>	<b>129.8</b>	<b>( 44.9)</b>	<b>( 34.9)</b>	<b>( 76.2)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	( 221.6)	29.3	23.2	66.6
Net proceeds of borrowings	8.7	( 1.8)	( 1.8)	( 1.8)
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>( 212.9)</b>	<b>27.6</b>	<b>21.4</b>	<b>64.8</b>
<b>Net increase (decrease) in cash held</b>	<b>3.1</b>	<b>( 0.5)</b>	<b>3.8</b>	<b>1.8</b>
Cash at the beginning of the financial year	41.7	44.8	44.8	48.6
<b>Cash at the end of the financial year</b>	<b>44.8</b>	<b>44.3</b>	<b>48.6</b>	<b>50.4</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

**Table 2.6.3: Statement of financial position**

(\$ million)

	Estimated as at 30 June			2005 Budget
	2003 Actual	2004 Budget	2004 Revised	
<b>Current assets</b>				
Cash assets	44.8	44.3	48.6	50.4
Other financial assets	40.9	44.5	40.2	37.8
Receivables	15.7	15.7	15.7	15.7
Inventories	2.5	2.5	2.5	2.5
Prepayments	0.7	0.5	0.5	0.5
Other	..	..	..	..
<b>Total current assets</b>	<b>104.7</b>	<b>107.5</b>	<b>107.5</b>	<b>107.0</b>
<b>Non-current assets</b>				
Receivables	37.1	65.8	65.8	98.1
Inventories	..	..	..	..
Other financial assets	23.4	23.4	23.4	23.4
Property, plant and equipment	911.6	909.7	905.5	949.0
Intangible assets	..	..	..	..
Other	2 557.2	2 559.2	2 559.2	2 552.9
<b>Total non-current assets</b>	<b>3 529.3</b>	<b>3 558.1</b>	<b>3 553.8</b>	<b>3 623.4</b>
<b>Total assets</b>	<b>3 633.9</b>	<b>3 665.6</b>	<b>3 661.3</b>	<b>3 730.4</b>
<b>Current liabilities</b>				
Payables	20.0	20.0	20.0	20.1
Interest bearing liabilities	0.1	0.1	0.1	0.1
Provisions	9.1	9.4	9.4	9.7
Other	15.4	14.9	14.9	14.4
<b>Total current liabilities</b>	<b>44.6</b>	<b>44.5</b>	<b>44.5</b>	<b>44.3</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	8.9	7.1	7.1	5.4
Provisions	9.5	10.4	10.4	11.2
Other	..	..	..	..
Amounts owing to other departments	..	..	..	..
<b>Total non-current liabilities</b>	<b>18.4</b>	<b>17.5</b>	<b>17.5</b>	<b>16.6</b>
<b>Total liabilities</b>	<b>63.0</b>	<b>62.0</b>	<b>62.0</b>	<b>60.9</b>
<b>Net assets</b>	<b>3 571.0</b>	<b>3 603.6</b>	<b>3 599.3</b>	<b>3 669.5</b>
<b>Equity</b>				
Contributed capital	1 309.7	1 339.0	1 334.8	1 401.4
Reserves	2 106.3	2 106.3	2 106.3	2 106.3
Accumulated surplus	155.0	158.3	158.3	161.9
<b>Total equity</b>	<b>3 571.0</b>	<b>3 603.6</b>	<b>3 599.3</b>	<b>3 669.5</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

**Table 2.6.4: Administered items statement**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	..	19.7	19.7	..
Special Appropriations	..	..	..	..
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	1.1	0.6	..	..
Commonwealth grants	..	..	..	..
Other grants	..	..	..	..
Taxes	..	..	..	..
Fines	..	..	..	..
Fees	..	..	..	..
Other	5.0	2.1	2.1	5.5
<b>Total administered revenue</b>	<b>6.2</b>	<b>22.4</b>	<b>21.9</b>	<b>5.6</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	0.6	..	..	..
Grants and other payments	..	..	..	..
Payments into the Consolidated Fund	5.3	2.7	2.1	5.6
<b>Total administered expenses</b>	<b>5.9</b>	<b>2.7</b>	<b>2.1</b>	<b>5.6</b>
<b>Revenue less expenses</b>	<b>0.2</b>	<b>19.7</b>	<b>19.7</b>	<b>..</b>
<b>Administered assets</b>				
Cash assets	..	..	..	..
Receivables	( 28.3)	( 8.6)	( 8.6)	( 8.6)
Other financial assets	..	..	..	..
Inventories	..	..	..	..
Prepayments	..	..	..	..
Property, plant and equipment	..	..	..	..
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total administered assets</b>	<b>( 28.3)</b>	<b>( 8.6)</b>	<b>( 8.6)</b>	<b>( 8.6)</b>
<b>Administered liabilities</b>				
Payables	..	..	..	..
Interest bearing liabilities	( 8.8)	( 8.8)	( 8.8)	( 8.8)
Provisions	..	..	..	..
Amounts owing to other departments	..	..	..	..
Other	..	..	..	..
<b>Total administered liabilities</b>	<b>( 8.8)</b>	<b>( 8.8)</b>	<b>( 8.8)</b>	<b>( 8.8)</b>

Source: Departments of Premier and Cabinet and Treasury and Finance



## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.6.5: Parliamentary authority for resources**

	(\$ million)		
	2003-04 Budget	2003-04 Revised <sup>(a)</sup>	2004-05 Budget
Annual appropriations	399.8	381.9	419.7
Receipts credited to appropriations	0.6	..	..
Unapplied previous years appropriation	5.4	26.2	40.9
Accumulated surplus - previously applied appropriation	..	..	..
<b>Gross Annual appropriation</b>	<b>405.7</b>	<b>408.2</b>	<b>460.6</b>
Special appropriations	4.6	5.0	5.0
Trust funds	5.7	5.7	9.1
<b>Total Parliamentary authority</b>	<b>416.1</b>	<b>418.9</b>	<b>474.8</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) 2003-04 Revised includes the impact of approved Treasurer's Advances.

## Payments 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 2.6.6: Payments made on behalf of the State**

	(\$ million)		
Accounts	2003-04 Budget	2003-04 Revised	2004-05 Budget
Ambulance Royal Commission	19.7	19.7	..
<b>Total</b>	<b>19.7</b>	<b>19.7</b>	<b>..</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

## **Department of Primary Industries**

### **Operating performance**

The majority of the Department of Primary Industries' (DPI) operating revenue is provided through State Government appropriations. This is supplemented by external funding received for scientific research and extension projects. In 2003-04, total revenue is expected to increase by \$47.4 million from the published Budget while total expenses are expected to increase by \$46.5 million. These increases are due to additional funding received from the State and Commonwealth Government for the Exceptional Circumstances drought assistance program, the State's contribution to the national eradication program for red imported fire ants and increased external funding towards scientific research.

Both operating revenue and expenses are expected to decrease slightly in 2004-05 due to the winding down of the Exceptional Circumstances program. This reduction is largely offset by new Government initiatives such as the relocation and redevelopment of the Melbourne Wholesale Markets and the continued commitment to biosecurity through the national eradication program for red imported fire ants. Overall, the operating performance of the Department is expected to remain broadly in balance with an estimated surplus of \$0.9 million.

### **Investment and financing**

The net cash outflow of \$32.2 million from investing activities during 2004-05 is mainly attributable to the State's investment in the redevelopment of the Melbourne Showgrounds. The decrease from 2003-04 is due to the completion of the Scientific Education and Innovation Precincts across regional Victoria and the conclusion of the Marine and Freshwater Resources Institute Redevelopment at Queenscliff.

### **Balance sheet performance**

The Statement of Financial Position estimates an increase in net assets of \$15.4 million from June 2004 to June 2005. This increase is attributable to new asset purchases of \$32.2 million, primarily being the substantial investment in the redevelopment of the Melbourne Showgrounds, offset by \$17.6 million depreciation on existing assets.

## Statement of administered items

Transactions administered by DPI on behalf of the State mainly represent mining royalties and contributions towards agricultural research projects from rural industry research corporations. DPI collects a small amount of revenue from various licences and regulatory fees and charges on behalf of Government. The Department also receives funds from the Commonwealth Government, which are expected to decrease in 2004-05 as the Exceptional Circumstances program begins to wind down.

**Table 2.7.1: Statement of financial performance**

	(\$ million)			
	2002-03 <i>Actual</i>	2003-04 <i>Budget</i>	2003-04 <i>Revised</i>	2004-05 <i>Budget</i>
<b>Revenue from ordinary activities</b>				
Output appropriations	186.4	260.2	301.6	305.4
Special appropriations	..	..	4.2	..
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	15.5	27.9	29.5	29.3
Taxes	2.7	4.5	4.5	4.5
Fines and fees	2.6	3.9	4.2	4.3
Commonwealth grants	1.7	..	..	..
Other revenue and revenue from other parties	7.8	0.3	0.3	0.3
	<b>216.8</b>	<b>296.8</b>	<b>344.2</b>	<b>343.8</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	70.5	119.4	130.6	140.7
Depreciation and amortisation	3.7	16.2	16.2	17.7
Resources provided free of charge or for nominal consideration	..	..	..	..
Grants and other payments	69.9	16.2	52.7	32.0
Capital asset charge	5.7	20.9	15.9	18.7
Supplies and services	34.4	124.5	128.4	133.9
Other expenses from ordinary activities	1.7	..	..	..
Borrowing costs	0.1	..	..	..
	<b>186.0</b>	<b>297.3</b>	<b>343.8</b>	<b>342.9</b>
<b>Result from ordinary activities</b>	<b>30.7</b>	<b>( 0.4)</b>	<b>0.5</b>	<b>0.9</b>
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>30.7</b>	<b>( 0.4)</b>	<b>0.5</b>	<b>0.9</b>
Net increase in asset revaluation reserve	..	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	..	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>30.7</b>	<b>( 0.4)</b>	<b>0.5</b>	<b>0.9</b>

Source: Departments of Primary Industries and Treasury and Finance

**Table 2.7.2: Statement of cash flows**

	(\$ million)			
	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	127.8	261.3	321.6	305.2
Receipts from other entities	13.7	36.3	38.1	38.1
Payments for supplies, grants and employees	( 126.1)	( 260.2)	( 311.7)	( 306.6)
	<b>15.4</b>	<b>37.4</b>	<b>48.0</b>	<b>36.7</b>
Interest received	0.2	0.3	0.3	0.3
Other revenue	( 3.9)	..	..	..
Capital asset charge	( 5.7)	( 20.9)	( 15.9)	( 18.7)
Borrowing costs expense	( 0.1)	..	..	..
<b>Net cash inflow from operating activities</b>	<b>6.0</b>	<b>16.9</b>	<b>32.4</b>	<b>18.4</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 227.2)	( 97.8)	( 49.2)	( 6.3)
Proceeds from sale of property, plant and equipment	..	..	..	..
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	( 11.8)	..	( 6.7)	( 25.9)
<b>Net cash (outflow) from investing activities</b>	<b>( 239.0)</b>	<b>( 97.8)</b>	<b>( 55.9)</b>	<b>( 32.2)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	226.9	81.0	23.4	13.8
Net proceeds of borrowings	8.2	..	..	..
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>235.1</b>	<b>81.0</b>	<b>23.4</b>	<b>13.8</b>
<b>Net increase (decrease) in cash held</b>	<b>2.1</b>	<b>..</b>	<b>..</b>	<b>..</b>
Cash at the beginning of the financial year	..	2.1	2.1	2.1
<b>Cash at the end of the financial year</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>

Source: Departments of Primary Industries and Treasury and Finance

**Table 2.7.3: Statement of financial position**

(\$ million)

	<i>Estimated as at 30 June</i>			<i>2005 Budget</i>
	<i>2003 Actual</i>	<i>2004 Budget</i>	<i>2004 Revised</i>	
<b>Current assets</b>				
Cash assets	2.1	2.1	2.1	2.1
Other financial assets	7.1	7.1	7.1	7.1
Receivables	11.3	11.3	11.3	11.3
Inventories	2.9	2.9	2.9	2.9
Prepayments	3.0	3.0	3.0	3.0
Other	..	..	..	..
<b>Total current assets</b>	<b>26.3</b>	<b>26.3</b>	<b>26.3</b>	<b>26.3</b>
<b>Non-current assets</b>				
Receivables	57.1	56.6	42.0	42.9
Inventories	..	..	..	..
Other financial assets	4.7	4.7	11.4	37.3
Property, plant and equipment	211.7	293.3	243.7	231.3
Intangible assets	10.1	10.1	11.1	12.1
Other	..	..	..	..
<b>Total non-current assets</b>	<b>283.6</b>	<b>364.8</b>	<b>308.1</b>	<b>323.6</b>
<b>Total assets</b>	<b>309.9</b>	<b>391.1</b>	<b>334.5</b>	<b>349.9</b>
<b>Current liabilities</b>				
Payables	3.4	3.4	3.4	3.4
Interest bearing liabilities	..	..	..	..
Provisions	14.0	14.0	14.0	14.0
Other	1.4	1.4	1.4	1.4
<b>Total current liabilities</b>	<b>18.7</b>	<b>18.7</b>	<b>18.7</b>	<b>18.7</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	1.9	1.9	1.9	1.9
Provisions	34.9	34.9	34.9	34.9
Other	..	..	..	..
Amounts owing to other departments	..	..	..	..
<b>Total non-current liabilities</b>	<b>36.8</b>	<b>36.8</b>	<b>36.8</b>	<b>36.8</b>
<b>Total liabilities</b>	<b>55.5</b>	<b>55.5</b>	<b>55.5</b>	<b>55.5</b>
<b>Net assets</b>	<b>254.4</b>	<b>335.6</b>	<b>279.0</b>	<b>294.4</b>
<b>Equity</b>				
Contributed capital	223.7	305.4	247.8	262.4
Reserves	..	..	..	..
Accumulated surplus	30.7	30.3	31.2	32.0
<b>Total equity</b>	<b>254.4</b>	<b>335.6</b>	<b>279.0</b>	<b>294.4</b>

Source: Departments of Primary Industries and Treasury and Finance

**Table 2.7.4: Administered items statement**

	(\$ million)			
	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	..	..	..	..
Special Appropriations	..	..	..	..
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	27.5	33.1	46.7	40.2
Commonwealth grants	10.9	6.0	24.2	14.2
Other grants	..	..	5.7	5.7
Taxes	..	..	..	..
Fines	..	..	..	..
Fees	6.0	7.3	7.3	9.0
Other	12.4	28.2	26.6	24.3
<b>Total administered revenue</b>	<b>56.8</b>	<b>74.6</b>	<b>110.5</b>	<b>93.5</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	8.2	0.3	4.2	..
Grants and other payments	..	..	..	..
Payments into the Consolidated Fund	43.2	74.3	110.2	93.2
<b>Total administered expenses</b>	<b>51.4</b>	<b>74.6</b>	<b>114.3</b>	<b>93.2</b>
<b>Revenue less expenses</b>	<b>5.4</b>	<b>..</b>	<b>( 3.9)</b>	<b>0.3</b>
<b>Administered assets</b>				
Cash assets	0.3	0.3	0.3	0.3
Receivables	26.9	26.9	23.0	23.3
Other financial assets	3.4	3.4	3.4	3.4
Inventories	..	..	..	..
Prepayments	..	..	..	..
Property, plant and equipment	..	..	..	..
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total administered assets</b>	<b>30.6</b>	<b>30.6</b>	<b>26.7</b>	<b>26.9</b>
<b>Administered liabilities</b>				
Payables	0.1	0.1	0.1	0.1
Interest bearing liabilities	0.1	0.1	0.1	0.1
Provisions	..	..	..	..
Amounts owing to other departments	..	..	..	..
Other	6.4	6.4	6.4	6.4
<b>Total administered liabilities</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>	<b>6.5</b>

Source: Departments of Primary Industries and Treasury and Finance

## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.7.5: Parliamentary authority for resources**

	(\$ million)		
	2003-04 Budget	2003-04 Revised <sup>(a)</sup>	2004-05 Budget
Annual appropriations	273.8	238.3	246.4
Receipts credited to appropriations	39.1	65.3	60.1
Unapplied previous years appropriation	29.0	22.2	13.5
Accumulated surplus - previously applied appropriation	..	15.8	..
<b>Gross annual appropriation</b>	<b>341.9</b>	<b>341.5</b>	<b>320.0</b>
Special appropriations	..	4.2	..
Trust funds	36.9	38.7	38.7
<b>Total Parliamentary authority</b>	<b>378.8</b>	<b>384.5</b>	<b>358.7</b>

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) 2003-04 Revised includes the impact of approved Treasurer's Advances.

## **Department of Sustainability and Environment**

### **Operating performance**

The Department of Sustainability and Environment (DSE) is estimated to have an operating surplus of \$2.6 million for 2004-05, an increase of \$11.5 million from the 2003-04 revised budget. This improvement in surplus is due to a reduction in forestry trust accounts expenditure on roads and silviculture in line with the overall reduction in forestry activity across the State. The revised deficit in 2003-04 of \$8.9 million was attributable to expenditure on forestry activities lagging behind receipt of royalties.

The largest part of DSE's 2004-05 projected operating revenue is provided through State Government appropriations. A further \$120.4 million is sourced from the Metropolitan Parks Charge (MPC) and the landfill levies. Both of these revenue streams are hypothecated (legislatively dedicated) to expenses relating to metropolitan parks and waste management activities.

The reduction in the Department's revenue since 2002-03 is the result of the completion of a number of government funded programs. These include the completion of the Pride-of-Place urban design program, re-phasing of bushfire recovery funding following the significant fires in 2003 and near completion of the New Directions for Sustainable Forestry program. Further, machinery of government changes announced in December 2002 have also impacted on this result, with functions transferred to the Department of Primary Industries.

The increase in projected taxation revenue from the 2003-04 revised budget to 2004-05 Budget is due to the one-off catch up in the MPC and increases in landfill levies. The additional revenue from the MPC will be used to further develop and manage the network of parks, gardens, trails, waterways, bays and other significant recreation and conservation assets. Landfill levies apply to municipal, commercial and industrial and prescribed wastes that are disposed to licensed landfills in Victoria. The additional revenue collected through land fill levies will be used for activities undertaken by a range of organizations including regional waste management groups, EcoRecycle and Environment Protection Authority, by helping to establish waste management infrastructure, industry waste reduction programs, education programs, regulatory controls and enforcement regimes.



## **Investment and financing**

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

The cash flows from investing activities in the 2004-05 Budget reflect DSE's \$69 million investment in property, plant and equipment during 2004-05. This investment primarily relates to initiatives such as establishing the Land Exchange system, the Wimmera Mallee Pipeline project, Victorian Water Trust initiatives and various bushfire recovery actions.

This expenditure is lower than the \$106 million incurred in 2003-04 Revised Budget due predominantly to the culmination of the CBD accommodation consolidation project.

## **Balance sheet performance**

The Statement of Financial Position estimates an increase in total Non-Current Assets of \$54.5 million from 30 June 2004 revised budget to 30 June 2005 Budget. This increase is mainly attributable to the revaluation of roads.

## **Statement of administered items**

Transactions administered by DSE on behalf of the State are the Murray-Darling Basin Commission contribution and the Timber Promotion Council. These payments represent Victoria's share of agreed cost-sharing arrangements between the States and the Commonwealth for the Murray-Darling Basin Commission for the management of water flows, quality and operating contribution to the Timber Promotion Council.

Total administered revenue for the 2004-05 Budget represents the collection of fees and charges for Land Titles transactions, crown land leases and licences and forest royalties. The increase of \$14.7 million from the 2003-04 revised budget, the majority of which is attributable to land registry revenue and an increase in appropriations for Murray-Darling Basin Commission contributions. DSE also collects Commonwealth specific purpose payments relating to projects under the National Action Plan for Salinity and Water Quality, Natural Heritage Trust and Forestry Industry Structural Adjustment Program.

**Table 2.8.1: Statement of financial performance**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Revenue from ordinary activities</b>				
Output Appropriations	1 003.5	768.2	821.5	729.6
Special Appropriations	..	..	0.2	..
Resources received free of charge or for nominal consideration	0.3	..	..	..
Sale of goods and services	28.7	8.4	10.6	9.3
Commonwealth Grants	..	..	..	..
Taxes	98.9	106.9	106.9	120.4
Fees and Fines	7.7	4.3	4.3	6.6
Other revenue and revenue from other parties	2.0	2.8	3.0	0.9
	<b>1 141.0</b>	<b>890.6</b>	<b>946.4</b>	<b>866.7</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	299.2	198.9	214.3	219.9
Depreciation and amortisation	30.0	30.8	31.0	35.2
Resources provided free of charge or for nominal consideration	1.9	..	..	..
Grants and other payments	313.3	358.4	367.5	303.6
Capital asset charge	65.0	62.1	62.2	65.1
Supplies and services	415.9	250.7	280.4	239.5
Other expenses from ordinary activities	79.2	..	..	0.8
Borrowing costs	0.2	..	..	..
	<b>1 204.7</b>	<b>901.0</b>	<b>955.3</b>	<b>864.1</b>
<b>Result from ordinary activities</b>	<b>( 63.7)</b>	<b>( 10.4)</b>	<b>( 8.9)</b>	<b>2.6</b>
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>( 63.7)</b>	<b>( 10.4)</b>	<b>( 8.9)</b>	<b>2.6</b>
Net increase in asset revaluation reserve	172.8	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	172.8	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>109.2</b>	<b>( 10.4)</b>	<b>( 8.9)</b>	<b>2.6</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

**Table 2.8.2: Statement of cash flows**

(\$ million)

	2002-03 <i>Actual</i>	2003-04 <i>Budget</i>	2003-04 <i>Revised</i>	2004-05 <i>Budget</i>
<b>Cash flows from operating activities</b>				
Receipts from Government	1 063.4	771.6	823.5	720.6
Receipts from other entities	143.0	120.6	123.0	136.3
Payments for supplies, grants and employees	(1 087.8)	( 804.1)	( 858.3)	( 759.1)
	<b>118.6</b>	<b>88.1</b>	<b>88.3</b>	<b>97.8</b>
Interest received	1.7	0.6	0.6	0.7
Other revenue	( 3.7)	5.4	5.4	3.4
Capital asset charge	( 65.0)	( 62.1)	( 62.2)	( 65.1)
Borrowing costs expense	( 0.2)	..	..	..
<b>Net cash inflow from operating activities</b>	<b>51.5</b>	<b>32.0</b>	<b>32.1</b>	<b>36.7</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	107.2	( 109.5)	( 106.2)	( 69.0)
Proceeds from sale of property, plant and equipment	1.1	..	..	..
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	( 0.4)	2.5	16.2	( 15.6)
<b>Net cash (outflow) from investing activities</b>	<b>107.9</b>	<b>( 107.0)</b>	<b>( 89.9)</b>	<b>( 84.6)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	( 151.9)	72.0	54.8	43.9
Net proceeds of borrowings	( 8.2)	..	..	..
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>( 160.1)</b>	<b>72.0</b>	<b>54.8</b>	<b>43.9</b>
<b>Net increase (decrease) in cash held</b>	<b>( 0.7)</b>	<b>( 3.0)</b>	<b>( 3.0)</b>	<b>( 4.0)</b>
Cash at the beginning of the financial year	( 8.6)	( 9.3)	( 9.3)	( 12.3)
<b>Cash at the end of the financial year</b>	<b>( 9.3)</b>	<b>( 12.3)</b>	<b>( 12.3)</b>	<b>( 16.3)</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

**Table 2.8.3: Statement of financial position**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2003</i>	<i>2004</i>	<i>2004</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	( 9.3)	( 12.3)	( 12.3)	( 16.3)
Other financial assets	18.0	15.4	15.4	15.4
Receivables	33.1	32.9	32.9	32.9
Inventories	11.1	11.1	11.1	11.1
Prepayments	1.3	1.3	1.3	1.3
Other	..	..	..	..
<b>Total current assets</b>	<b>54.2</b>	<b>48.5</b>	<b>48.5</b>	<b>44.5</b>
<b>Non-current assets</b>				
Receivables	86.4	82.9	84.5	93.4
Inventories	12.4	12.4	12.4	12.4
Other financial assets	..	..	( 13.7)	1.9
Property, plant and equipment	3 075.0	3 136.8	3 132.8	3 165.3
Intangible assets	39.3	52.3	52.8	50.1
Other	260.0	260.0	260.0	260.0
<b>Total non-current assets</b>	<b>3 473.1</b>	<b>3 544.4</b>	<b>3 528.7</b>	<b>3 583.2</b>
<b>Total assets</b>	<b>3 527.3</b>	<b>3 592.9</b>	<b>3 577.2</b>	<b>3 627.6</b>
<b>Current liabilities</b>				
Payables	21.7	21.7	21.7	21.7
Interest bearing liabilities	..	..	..	..
Provisions	20.2	21.2	21.2	22.2
Other	0.1	0.1	0.1	0.1
<b>Total current liabilities</b>	<b>41.9</b>	<b>42.9</b>	<b>42.9</b>	<b>43.9</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	..	..	..	..
Provisions	45.8	48.8	48.8	51.7
Other	..	..	..	..
Amounts owing to other departments	..	..	..	..
<b>Total non-current liabilities</b>	<b>45.8</b>	<b>48.8</b>	<b>48.8</b>	<b>51.7</b>
<b>Total liabilities</b>	<b>87.8</b>	<b>91.7</b>	<b>91.7</b>	<b>95.6</b>
<b>Net assets</b>	<b>3 439.6</b>	<b>3 501.2</b>	<b>3 485.5</b>	<b>3 532.0</b>
<b>Equity</b>				
Contributed capital	2 219.6	2 291.6	2 274.4	2 318.4
Reserves	1 032.2	1 032.2	1 032.2	1 032.2
Accumulated surplus	187.8	177.4	178.9	181.5
<b>Total equity</b>	<b>3 439.6</b>	<b>3 501.2</b>	<b>3 485.5</b>	<b>3 532.0</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

**Table 2.8.4: Administered items statement**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	22.3	23.0	26.1	26.9
Special Appropriations	..	..	..	..
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	243.1	184.4	174.3	195.2
Commonwealth grants	58.5	41.7	41.2	34.5
Other grants	0.1	..	..	..
Taxes	..	..	..	..
Fines	0.6	..	..	..
Fees	25.9	20.2	20.2	20.4
Other	68.0	46.7	46.9	46.5
<b>Total administered revenue</b>	<b>418.4</b>	<b>316.1</b>	<b>308.8</b>	<b>323.5</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	( 1.2)	1.2	1.2	1.1
Grants and other payments	22.7	21.8	24.9	25.8
Payments into the Consolidated Fund	387.4	293.1	282.8	296.6
<b>Total administered expenses</b>	<b>408.9</b>	<b>316.1</b>	<b>308.8</b>	<b>323.5</b>
<b>Revenue less expenses</b>	<b>9.5</b>	<b>( 0.1)</b>	<b>( 0.1)</b>	<b>..</b>
<b>Administered assets</b>				
Cash assets	..	..	..	..
Receivables	30.8	30.7	30.7	30.7
Other financial assets	0.1	0.1	0.1	0.1
Inventories	..	..	..	..
Prepayments	..	..	..	..
Property, plant and equipment	..	..	..	..
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total administered assets</b>	<b>30.9</b>	<b>30.8</b>	<b>30.8</b>	<b>30.8</b>
<b>Administered liabilities</b>				
Payables	1.0	1.0	1.0	1.0
Interest bearing liabilities	..	..	..	..
Provisions	..	..	..	..
Amounts owing to other departments	..	..	..	..
Other	6.8	6.8	6.8	6.8
<b>Total administered liabilities</b>	<b>7.8</b>	<b>7.8</b>	<b>7.8</b>	<b>7.8</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.8.5: Parliamentary authority for resources**

	(\$ million)		
	2003-04 Budget	2003-04 Revised <sup>(a)</sup>	2004-05 Budget
Annual appropriations	754.9	770.6	734.5
Receipts credited to appropriations	47.8	43.5	45.8
Unapplied previous years appropriation	72.5	104.4	26.1
Accumulated surplus - previously applied appropriation	..	..	..
<b>Gross Annual appropriation</b>	<b>875.2</b>	<b>918.6</b>	<b>806.4</b>
Special appropriations	..	0.2	..
Trust funds	125.4	128.9	140.4
<b>Total Parliamentary authority</b>	<b>1 000.6</b>	<b>1 047.6</b>	<b>946.8</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) 2003-04 Revised includes the impact of approved Treasurer's Advances.

## Payments 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 2.8.6: Payments made on behalf of the State**

	(\$ million)		
Accounts	2003-04 Budget	2003-04 Revised	2004-05 Budget
Murray Darling Basin Contribution	21.8	24.9	25.8
Timber Promotion Council Trust Fund	1.2	1.2	1.1
<b>Total</b>	<b>23.0</b>	<b>26.1</b>	<b>26.9</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

## **Department of Treasury and Finance**

### **Operating performance**

The Department of Treasury and Finance (DTF) historically incurs an operating deficit in its controlled entity, as revenue from the sale of crown land is reported in the Administered Items statement whilst the expense (book value) of the property sold is recorded in the Controlled operating statement.

The Department anticipates reducing its budgeted deficit to \$7.3 million in 2004-05, from an \$18.0 million deficit in 2003-04 revised budget.

The reduction is largely due to the change in financing arrangements for the whole-of-government motor vehicle lease arrangement. The new arrangement (effective 1 February 2004) will result in a \$16 million reduction in amortisation expense and a proportional reduction in interest expenses. These expenses will now be reported by the relevant agencies that utilise vehicles obtained under the new lease arrangement.

DTF's revenue for output delivery and output-related expenses is budgeted to increase by \$7.3 million between the 2003-04 and 2004-05 Budgets. This is largely due to funding for new initiatives, such as the establishment of the new Victorian Competition and Efficiency Commission and the upgrading, replacement and streamlining of the information and communications technology infrastructure that supports both DTF and the Department of Premier and Cabinet, and the implementation of an electronic data management system.

### **Investment and financing**

The majority of the expected increase in payments for property, plant and equipment reflects the new capital investment projects approved for DTF for 2004-05, including the purchase of municipal valuations by the State Revenue Office (\$13.9 million) and the upgrading of the Department's information and communications technology infrastructure (\$5.7 million).

An \$18.3 million increase in capital contribution reflects the injection of capital into the Victorian Managed Insurance Authority to assist its management of various prudential requirements, including medical indemnity issues.

## **Balance sheet performance**

The majority of the movement within the controlled balance sheet for the Department is attributable to the above-mentioned changes to the whole-of-government vehicle lease arrangement. Under the new arrangements, vehicles will be recognised in the financial statements of departments that use the vehicles. Consequently, DTF has recognised a \$150 million reduction in the value of its motor vehicle assets between the 2003-04 and 2004-05 Budgets.

## **Statement of administered items**

Transactions administered by DTF on behalf of the State relate mainly to the collection of State taxation revenue and administration of the State's superannuation schemes.

Total administered revenue is estimated to increase by \$1.5 billion in 2004-05, primarily due to increased taxation revenue in the areas of general own-source revenue such as payroll taxes, and GST-related Commonwealth Grants (the latter as part of general growth in the estimated GST pool).

An additional \$0.18 billion of administered appropriation has been provided in 2004-05 for the Department to formally record the government's borrowing of funds from the Treasury Corporation of Victoria (TCV) for the whole-of-government vehicle leasing facility.

Administered operating expenses are expected to increase, largely reflecting the increase in revenue receipts that are required to be transferred into the Consolidated Fund, as well as the abovementioned TCV loan facility.

Administered net assets are forecast to reduce by \$0.9 billion – mainly due to the recording of a \$1.25 billion increase in liabilities sourced from the discontinuation of the Smelter Reduction Amount. This liability relates to the decision to indemnify the SECV for its liability in respect of the Electricity Supply Agreements with the aluminium smelters at Point Henry and Portland. The increased liability has been offset by general increases in investment balances as a result of the improved whole of government cash holding position and reduced unfunded superannuation liabilities in 2004-05.



**Table 2.9.1: Statement of financial performance**

(\$ million)

	2002-03 <i>Actual</i>	2003-04 <i>Budget</i>	2003-04 <i>Revised</i>	2004-05 <i>Budget</i>
<b>Revenue from ordinary activities</b>				
Output appropriations	181.2	178.1	180.1	185.4
Special appropriations	8.1	..	..	..
Resources received free of charge or for nominal consideration	0.0	..	..	..
Sale of goods and services	..	0.3	0.3	0.3
Commonwealth grants	..	..	..	..
Taxes	..	..	..	..
Fines	..	..	..	..
Fees	..	..	..	..
Other revenue and revenue from other parties	46.7	50.5	61.9	53.1
	<b>236.0</b>	<b>228.9</b>	<b>242.3</b>	<b>238.8</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	75.2	69.7	73.2	78.4
Depreciation and amortisation	68.3	70.2	68.5	50.7
Resources provided free of charge or for nominal consideration	0.0	..	..	..
Grants and other payments	5.7	6.4	6.4	5.2
Capital asset charge	16.5	18.1	16.8	17.6
Supplies and services	122.7	66.5	65.3	68.8
Other expenses from ordinary activities	11.0	12.1	12.1	12.9
Borrowing costs	19.3	12.3	18.0	12.5
	<b>318.7</b>	<b>255.4</b>	<b>260.3</b>	<b>246.1</b>
<b>Result from ordinary activities</b>	<b>( 82.7)</b>	<b>( 26.5)</b>	<b>( 18.0)</b>	<b>( 7.3)</b>
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>( 82.7)</b>	<b>( 26.5)</b>	<b>( 18.0)</b>	<b>( 7.3)</b>
Net increase in asset revaluation reserve	..	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	..	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>( 82.7)</b>	<b>( 26.5)</b>	<b>( 18.0)</b>	<b>( 7.3)</b>

Source: Department of Treasury and Finance

**Table 2.9.2: Statement of cash flows**

	(\$ million)			
	2002-03 Actual <sup>(a)</sup>	2003-04 Budget <sup>(a)</sup>	2003-04 Revised	2004-05 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	462.4	174.5	170.6	172.3
Receipts from other entities	0.9	0.3	0.5	0.3
Payments for supplies, grants and employees	( 161.4)	( 154.8)	( 165.6)	( 160.9)
	<b>301.8</b>	<b>20.0</b>	<b>5.5</b>	<b>11.8</b>
Interest received	0.0	..	..	..
Other revenue	21.7	22.4	23.5	25.7
Capital asset charge	( 16.5)	( 18.1)	( 16.8)	( 17.6)
Borrowing costs expense	( 8.2)	( 17.3)	( 0.7)	( 7.1)
<b>Net cash inflow from operating activities</b>	<b>298.9</b>	<b>7.0</b>	<b>11.5</b>	<b>12.8</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 34.4)	( 9.6)	( 12.5)	( 33.7)
Proceeds from sale of property, plant and equipment	..	..	..	..
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	0.0	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>( 34.4)</b>	<b>( 9.6)</b>	<b>( 12.5)</b>	<b>( 33.7)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	( 9.2)	2.0	0.4	20.3
Net proceeds of borrowings	..	..	..	..
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>( 9.2)</b>	<b>2.0</b>	<b>0.4</b>	<b>20.3</b>
<b>Net increase (decrease) in cash held</b>	<b>255.4</b>	<b>( 0.6)</b>	<b>( 0.6)</b>	<b>( 0.6)</b>
Cash at the beginning of the financial year	( 264.4)	( 8.9)	( 8.9)	( 9.5)
<b>Cash at the end of the financial year</b>	<b>( 8.9)</b>	<b>( 9.5)</b>	<b>( 9.5)</b>	<b>( 10.1)</b>

Source: Department of Treasury and Finance

Note:

(a) Re-alignment has occurred with respect to 2002-03 Actual and 2003-04 Budget figures, to ensure consistency with current treatment of notional intra-government entries associated with leased motor vehicles.

**Table 2.9.3: Statement of financial position**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2003</i>	<i>2004</i>	<i>2004</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	( 8.9)	( 9.5)	( 9.5)	( 10.1)
Other financial assets	0.3	0.3	0.3	0.3
Receivables	5.6	5.6	5.6	5.6
Inventories	2.5	2.5	2.5	2.5
Prepayments	0.7	0.7	0.7	0.7
Other	..	..	..	..
<b>Total current assets</b>	<b>0.0</b>	<b>( 0.6)</b>	<b>( 0.6)</b>	<b>( 1.2)</b>
<b>Non-current assets</b>				
Receivables	132.3	136.0	141.8	154.9
Inventories	26.8	26.8	26.8	26.8
Other financial assets	..	..	..	..
Property, plant and equipment	395.9	372.2	289.0	186.2
Intangible assets	8.6	0.6	1.5	8.8
Other	18.0	17.0	50.3	49.3
<b>Total non-current assets</b>	<b>581.6</b>	<b>552.5</b>	<b>509.5</b>	<b>426.0</b>
<b>Total assets</b>	<b>581.6</b>	<b>552.0</b>	<b>508.9</b>	<b>424.8</b>
<b>Current liabilities</b>				
Payables	13.8	13.8	13.8	13.8
Interest bearing liabilities	106.6	90.0	107.8	99.7
Provisions	9.1	7.8	7.8	6.5
Other	24.0	24.0	16.6	12.9
<b>Total current liabilities</b>	<b>153.5</b>	<b>135.6</b>	<b>146.0</b>	<b>132.9</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	162.4	173.9	113.5	28.2
Provisions	9.9	11.2	11.2	12.5
Other	5.6	5.6	5.6	5.6
Amounts owing to other departments	..	..	..	..
<b>Total non-current liabilities</b>	<b>177.8</b>	<b>190.7</b>	<b>130.3</b>	<b>46.2</b>
<b>Total liabilities</b>	<b>331.4</b>	<b>326.2</b>	<b>276.3</b>	<b>179.1</b>
<b>Net assets</b>	<b>250.3</b>	<b>225.8</b>	<b>232.7</b>	<b>245.7</b>
<b>Equity</b>				
Contributed capital	101.6	103.6	102.0	122.3
Reserves	54.1	54.1	54.1	54.1
Accumulated surplus	94.6	68.1	76.6	69.3
<b>Total equity</b>	<b>250.3</b>	<b>225.8</b>	<b>232.7</b>	<b>245.7</b>

Source: Department of Treasury and Finance

**Table 2.9.4: Administered items statement**

	(\$ million)			
	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	855.2	1 466.7	888.3	1 661.7
Special Appropriations	1 740.0	573.9	932.3	197.6
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	5.7	5.8	7.0	7.1
Commonwealth grants	6 805.7	7 022.6	7 056.3	7 287.7
Other grants	0.2	..	..	..
Taxes	7 534.7	6 861.1	7 561.3	7 510.6
Fines	0.0	0.0	0.0	0.0
Fees	12.9	15.6	8.2	8.2
Other	2 758.7	2 645.3	2 816.2	3 389.2
<b>Total administered revenue</b>	<b>19 713.1</b>	<b>18 591.1</b>	<b>19 269.6</b>	<b>20 062.1</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	2 267.8	2 113.3	837.8	2 039.7
Grants and other payments	333.0	420.0	1 677.3	462.2
Payments into the Consolidated Fund	17 227.6	16 509.0	17 380.0	18 255.7
<b>Total administered expenses</b>	<b>19 828.3</b>	<b>19 042.3</b>	<b>19 895.1</b>	<b>20 757.5</b>
<b>Revenue less expenses</b>	<b>( 115.1)</b>	<b>( 451.2)</b>	<b>( 625.6)</b>	<b>( 695.4)</b>
<b>Administered assets</b>				
Cash assets	20.4	20.4	( 129.6)	( 129.6)
Receivables	(1 857.4)	(1 086.7)	(1 525.3)	(1 125.2)
Other financial assets	2 585.8	1 915.7	2 406.5	2 209.8
Inventories	0.0	0.0	0.0	0.0
Prepayments	..	..	..	..
Property, plant and equipment	0.0	0.0	33.8	120.5
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total administered assets</b>	<b>748.8</b>	<b>849.4</b>	<b>785.4</b>	<b>1 075.5</b>
<b>Administered liabilities</b>				
Payables	34.6	34.6	34.6	34.6
Interest bearing liabilities	5 832.6	5 843.6	7 202.6	7 499.9
Provisions	12 965.1	13 525.4	12 272.5	13 014.1
Amounts owing to other departments	0.7	( 0.3)	( 0.3)	( 1.3)
Other	313.7	294.8	298.9	282.3
<b>Total administered liabilities</b>	<b>19 146.6</b>	<b>19 698.0</b>	<b>19 808.3</b>	<b>20 829.5</b>

Source: Department of Treasury and Finance

## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.9.5: Parliamentary authority for resources**

	(\$ million)		
	2003-04 Budget	2003-04 Revised <sup>(a)</sup>	2004-05 Budget
Annual appropriations	1 642.1	1 080.6	1 881.7
Receipts credited to appropriations	2.6	3.8	4.0
Unapplied previous years appropriation	2.1	2.7	1.1
Accumulated surplus - previously applied appropriation	..	3.2	..
<b>Gross Annual appropriation</b>	<b>1 646.7</b>	<b>1 090.2</b>	<b>1 886.8</b>
Special appropriations	573.9	932.3	197.6
Trust funds	72.7	54.5	34.6
<b>Total Parliamentary authority</b>	<b>2 293.3</b>	<b>2 077.1</b>	<b>2 119.0</b>

Source: Department of Treasury and Finance

Note:

(a) 2003-04 Revised includes the impact of approved Treasurer's Advances.

## Payments 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.

Payments made on behalf of the State have increase by \$789 million from between the 2003-04 revised budget and the 2004-05 Budget. This increase is primarily due to revising the Treasurer's Advance contingency funding to meet emerging cost pressure across all Government departments in 2004-05, the decision to supplement First Home Owner Grant scheme, and the provision of additional funding to facilitate the implementation of the new vehicle leasing arrangement.

**Table 2.9.6: Payments made on behalf of the State**

	(\$ million)		
Accounts	2003-04 Budget	2003-04 Revised	2004-05 Budget
Tattersalls duty payments to other jurisdictions	..	..	..
Superannuation and pension payments	40.0	62.5	32.9
Interest	424.5	411.4	414.6
Current and capital grants	351.1	376.5	567.9
Operating supplies and consumables	470.7	( 2.4)	389.7
Buildings	..	..	..
Other	180.4	40.3	256.5
<b>Total</b>	<b>1 466.7</b>	<b>888.3</b>	<b>1 661.7</b>

Source: Department of Treasury and Finance

## **Department for Victorian Communities**

### **Operating performance**

The Department's Statement of Financial Performance indicates an estimated deficit position for 2004-05 of \$18 million. This deficit results from the draw down of funds previously accumulated in the Community Support Fund for community projects in the 2004-05 financial year. The Community Support Fund itself is not in deficit as a result.

The largest component of DVC's revenue is output appropriation provided by the State Government. Most of this will be applied in the provision of a range of grants to external organisations.

The projected increase in operating revenues and expenses from 2003-04 is largely due to an increase in estimated expenses associated with the Commonwealth Games as well as other new initiatives announced in the budget.

### **Investment and financing**

Investing activities for 2004-05 are budgeted at \$22.4 million. Cash flows for investment relate to the Department's existing capital investment program and new capital investment initiatives announced in the budget. A net cash outflow from operating activities offset by a capital contribution from the State Government to finance the investing activity.

### **Balance sheet performance**

The Department's net asset position is budgeted to increase as a result of increases in cash assets and an increase in non-current assets associated with the Department's capital investment program and the transfer of land for the construction of the Commonwealth Games Village.

### **Statement of administered items**

Transactions administered by DVC on behalf of the State include:

- Commonwealth payments to the State;
- Anzac Day racing proceeds;
- grants to disabled sporting groups; and
- Births Deaths and Marriages regulatory fees.

The statement also includes electronic gaming machine revenue for payment into the Community Support Fund.

**Table 2.10.1: Statement of financial performance**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Revenue from ordinary activities</b>				
Output Appropriations	167.8	294.4	309.0	423.4
Special Appropriations	48.8	..	..	..
Resources received free of charge or for nominal consideration	2.9	..	..	..
Sale of goods and services	..	..	..	..
Commonwealth Grants	..	..	0.1	..
Taxes	..	..	..	..
Fines and Fees	..	..	..	..
Other revenue and revenue from other parties	98.4	121.9	127.5	117.2
	<b>318.0</b>	<b>416.3</b>	<b>436.5</b>	<b>540.6</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	24.5	45.0	49.4	47.8
Depreciation and amortisation	2.9	6.5	6.5	9.0
Resources provided free of charge or for nominal consideration	0.6	..	..	..
Grants and other payments	217.6	384.1	358.0	435.7
Capital asset charge	2.5	5.6	5.6	6.1
Supplies and services	29.9	38.4	55.4	60.0
Other expenses from ordinary activities	53.9	..	..	..
Borrowing costs	..	..	..	..
	<b>331.9</b>	<b>479.7</b>	<b>474.9</b>	<b>558.6</b>
<b>Result from ordinary activities</b>	<b>( 14.0)</b>	<b>( 63.4)</b>	<b>( 38.4)</b>	<b>( 17.9)</b>
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>( 14.0)</b>	<b>( 63.4)</b>	<b>( 38.4)</b>	<b>( 17.9)</b>
Net increase in asset revaluation reserve	5.8	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	5.8	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>( 8.2)</b>	<b>( 63.4)</b>	<b>( 38.4)</b>	<b>( 17.9)</b>

Source: Department for Victorian Communities and Department of Treasury and Finance

**Table 2.10.2: Statement of cash flows**

	(\$ million)			
	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	199.7	381.6	331.3	423.4
Receipts from other entities	12.4	2.3	22.8	4.0
Payments for supplies, grants and employees	( 260.5)	( 352.0)	( 362.2)	( 434.4)
	<b>- 48.3</b>	<b>31.8</b>	<b>- 8.1</b>	<b>- 6.9</b>
Interest received	2.5	4.1	4.1	4.1
Other revenue	26.2	..	..	..
Capital asset charge	( 2.5)	( 5.6)	( 5.6)	( 6.1)
Borrowing costs expense	..	..	..	..
<b>Net cash inflow from operating activities</b>	<b>( 22.2)</b>	<b>30.3</b>	<b>( 9.6)</b>	<b>( 8.9)</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 179.1)	( 22.3)	( 37.3)	( 48.1)
Proceeds from sale of property, plant and equipment	..	..	..	..
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	( 98.9)	..	41.9	25.6
<b>Net cash (outflow) from investing activities</b>	<b>( 278.1)</b>	<b>( 22.3)</b>	<b>4.7</b>	<b>( 22.4)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	311.2	14.0	27.0	53.4
Net proceeds of borrowings	..	..	..	..
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>311.2</b>	<b>14.0</b>	<b>27.0</b>	<b>53.4</b>
<b>Net increase (decrease) in cash held</b>	<b>11.0</b>	<b>22.1</b>	<b>22.1</b>	<b>22.1</b>
Cash at the beginning of the financial year	4.4	15.4	15.4	37.5
<b>Cash at the end of the financial year</b>	<b>15.4</b>	<b>37.5</b>	<b>37.5</b>	<b>59.5</b>

Source: Department for Victorian Communities and Department of Treasury and Finance



**Table 2.10.3: Statement of financial position**

(\$ million)

	Estimated as at 30 June			2005 Budget
	2003 Actual	2004 Budget	2004 Revised	
<b>Current assets</b>				
Cash assets	15.4	37.5	37.5	59.5
Other financial assets	99.0	33.9	61.0	26.5
Receivables	7.2	7.2	7.2	7.2
Inventories	0.5	0.5	0.5	0.5
Prepayments	0.5	0.5	0.5	0.5
Other	..	..	..	..
<b>Total current assets</b>	<b>122.6</b>	<b>79.6</b>	<b>106.7</b>	<b>94.2</b>
<b>Non-current assets</b>				
Receivables	25.4	3.3	3.1	3.1
Inventories	..	..	..	..
Other financial assets	..	..	5.0	5.0
Property, plant and equipment	57.4	74.9	80.9	130.6
Intangible assets	0.2	0.2	0.2	0.2
Other	139.5	137.8	137.8	136.2
<b>Total non-current assets</b>	<b>222.5</b>	<b>216.2</b>	<b>227.1</b>	<b>275.0</b>
<b>Total assets</b>	<b>345.2</b>	<b>295.8</b>	<b>333.8</b>	<b>369.3</b>
<b>Current liabilities</b>				
Payables	6.0	6.0	6.0	6.0
Interest bearing liabilities	..	..	..	..
Provisions	3.7	3.7	3.7	3.7
Other	0.5	0.5	0.5	0.5
<b>Total current liabilities</b>	<b>10.2</b>	<b>10.2</b>	<b>10.2</b>	<b>10.2</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	..	..	..	..
Provisions	5.7	5.7	5.7	5.7
Other	..	..	..	..
Amounts owing to other departments	..	..	..	..
<b>Total non-current liabilities</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>
<b>Total liabilities</b>	<b>15.9</b>	<b>15.9</b>	<b>15.9</b>	<b>15.9</b>
<b>Net assets</b>	<b>329.2</b>	<b>279.9</b>	<b>317.8</b>	<b>353.3</b>
<b>Equity</b>				
Contributed capital	344.6	358.6	371.5	425.0
Reserves	5.8	5.8	5.8	5.8
Accumulated surplus	( 21.1)	( 84.5)	( 59.5)	( 77.4)
<b>Total equity</b>	<b>329.2</b>	<b>279.9</b>	<b>317.8</b>	<b>353.3</b>

Source: Department for Victorian Communities and Department of Treasury and Finance

**Table 2.10.4: Administered items statement**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	2.4	17.2	17.2	17.8
Special Appropriations	..	115.5	100.5	109.1
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	2.4	4.4	6.3	5.9
Commonwealth grants	172.6	351.1	356.2	417.2
Other grants	..	2.8	2.8	..
Taxes	..	..	..	..
Fines	..	..	..	..
Fees	2.0	2.2	4.6	4.1
Other	0.5	..	..	..
<b>Total administered revenue</b>	<b>179.9</b>	<b>493.2</b>	<b>487.6</b>	<b>554.2</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	0.4	115.5	100.5	109.1
Grants and other payments	172.2	368.1	373.1	385.0
Payments into the Consolidated Fund	3.7	9.7	14.0	60.1
<b>Total administered expenses</b>	<b>176.3</b>	<b>493.2</b>	<b>487.6</b>	<b>554.2</b>
<b>Revenue less expenses</b>	<b>3.6</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>				
Cash assets	..	..	..	..
Receivables	1.5	1.5	1.5	1.5
Other financial assets	..	..	..	..
Inventories	..	..	..	..
Prepayments	..	..	..	..
Property, plant and equipment	..	..	..	..
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total administered assets</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
<b>Administered liabilities</b>				
Payables	..	..	..	..
Interest bearing liabilities	..	..	..	..
Provisions	..	..	..	..
Amounts owing to other departments	..	..	..	..
Other	0.3	0.3	0.3	0.3
<b>Total administered liabilities</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

Source: Department for Victorian Communities and Department of Treasury and Finance

## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.10.5: Parliamentary authority for resources**

(\$ million)			
	2003-04 Budget	2003-04 Revised <sup>(a)</sup>	2004-05 Budget
Annual appropriations	345.3	340.1	481.6
Receipts credited to appropriations	2.3	4.3	4.0
Unapplied previous years appropriation	..	13.8	30.1
Accumulated surplus - previously applied appropriation	..	..	..
<b>Gross Annual appropriation</b>	<b>347.6</b>	<b>358.2</b>	<b>515.7</b>
Special appropriations	115.5	100.5	109.1
Trust funds	355.0	360.2	371.3
<b>Total Parliamentary authority</b>	<b>818.1</b>	<b>819.0</b>	<b>996.1</b>

Source: Department for Victorian Communities and Department of Treasury and Finance

Note:

(a) 2003-04 Revised includes the impact of approved Treasurer's Advances.

## Payments 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 2.10.6: Payments made on behalf of the State**

(\$ million)			
Accounts	2003-04 Budget	2003-04 Revised	2004-05 Budget
Current grants	16.8	16.8	17.4
Anzac Day administered trust	0.4	0.4	0.4
<b>Total</b>	<b>17.2</b>	<b>17.2</b>	<b>17.8</b>

Source: Department for Victorian Communities and Department of Treasury and Finance

## Parliament of Victoria

### Operating performance

The Parliament, including the Victorian Auditor-General's Office, is estimated to have a balanced operating result for 2004-05, the same as the 2003-04 Revised Budget.

The Statement of Financial Performance shows an increase in total operating revenue of \$3.6 million (or 3.1 per cent), between the 2003-04 Revised Budget and the 2004-05 Published Budget. The increase in revenue primarily reflects additional output revenue from the Government of \$3.5 million including funding for:

- increased operating costs of the Parliament; and
- 150th anniversary of the Parliament.

The budget of the Victorian Auditor-General's Office is incorporated into the financial statements of Parliament.

The Victorian Auditor-General's Office will continue to access a receipts retention agreement under section 29 of the *Financial Management Act 1994* to meet cost associated with the output, *Audit Reports on Financial Statements*.

### Investment and financing

Changes in cashflows, in particular the increase in investment in property, plant and equipment in 2004-05 relates to funding provided for asset initiatives in the 2004-05 Budget. This mainly relates to funding provided to address structural issues at Parliament House and the replacement of obsolete equipment.

### Balance sheet performance

The Parliament together with the Victorian Auditor-General's Office's net asset position is expected to increase by \$4.0 million between 30 June 2004 and 30 June 2005, from \$195.6 million to \$199.6 million, primarily as a result of additional asset funding noted above.

### Statement of administered items

The Victorian Auditor-General's Office administers certain resources on behalf of the State. These resources predominantly comprise financial statement audit fees collected from audited agencies under the authority of the *Audit Act 1994*.

**Table 2.11.1: Statement of financial performance**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Revenue from ordinary activities</b>				
Output Appropriations	82.7	82.2	83.6	87.1
Special Appropriations	31.4	33.8	34.4	34.4
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	1.6	..	..	..
Commonwealth Grants	..	..	..	..
Taxes	..	..	..	..
Fines and Fees	..	..	..	..
Other revenue and revenue from other parties	..	..	..	..
	<b>115.8</b>	<b>116.0</b>	<b>117.9</b>	<b>121.5</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	70.2	69.7	71.5	72.6
Depreciation and amortisation	4.3	4.8	4.8	5.1
Resources provided free of charge or for nominal consideration	..	..	..	..
Grants and other payments	..	0.5	0.5	0.5
Capital asset charge	0.8	0.8	0.8	1.2
Supplies and services	39.6	40.2	40.3	42.1
Other expenses from ordinary activities	..	..	..	..
Borrowing costs	..	..	..	..
	<b>114.9</b>	<b>116.0</b>	<b>117.9</b>	<b>121.5</b>
<b>Result from ordinary activities</b>	<b>0.9</b>	..	..	..
Loss from extraordinary items	..	..	..	..
<b>Net result for the reporting period</b>	<b>0.9</b>	..	..	..
Net increase in asset revaluation reserve	3.0	..	..	..
Total revenues, expenses and revaluation adjustments recognised directly in equity	3.0	..	..	..
<b>Total changes in equity other than those resulting from transactions with Victorian State Government in its capacity as owner</b>	<b>3.9</b>	..	..	..

Source: Parliament of Victoria and Department of Treasury and Finance

**Table 2.11.2: Statement of cash flows**

	(\$ million)			
	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	113.1	112.6	115.4	118.8
Receipts from other entities	1.6	..	..	..
Payments for supplies, grants and employees	( 109.8)	( 110.3)	( 113.4)	( 115.0)
	<b>5.0</b>	<b>2.3</b>	<b>2.0</b>	<b>3.9</b>
Interest received	..	..	..	..
Other revenue	0.1	..	0.2	..
Capital asset charge	( 0.8)	( 0.8)	( 0.8)	( 1.2)
Borrowing costs expense	..	..	..	..
<b>Net cash inflow from operating activities</b>	<b>4.3</b>	<b>1.5</b>	<b>1.4</b>	<b>2.7</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 5.3)	( 1.5)	( 2.0)	( 6.7)
Proceeds from sale of property, plant and equipment	..	..	..	..
Payments for investments	..	..	..	..
Proceeds from sale of business assets	..	..	..	..
(Repayment of) loans by other entities	..	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>( 5.3)</b>	<b>( 1.5)</b>	<b>( 2.0)</b>	<b>( 6.7)</b>
<b>Cash flows from financing activities</b>				
Net Proceeds from capital contribution by State Government	0.6	..	0.2	4.1
Net proceeds of borrowings	..	..	..	..
Repayment of finance leases	..	..	..	..
<b>Net cash inflows (outflow) from financing activities</b>	<b>0.6</b>	<b>..</b>	<b>0.2</b>	<b>4.1</b>
<b>Net increase (decrease) in cash held</b>	<b>( 0.3)</b>	<b>..</b>	<b>( 0.4)</b>	<b>..</b>
Cash at the beginning of the financial year	( 0.4)	( 0.8)	( 0.8)	( 1.1)
<b>Cash at the end of the financial year</b>	<b>( 0.8)</b>	<b>( 0.8)</b>	<b>( 1.1)</b>	<b>( 1.1)</b>

Source: Parliament of Victoria and Department of Treasury and Finance

**Table 2.11.3: Statement of financial position**

(\$ million)

	Estimated as at 30 June			2005 Budget
	2003 Actual	2004 Budget	2004 Revised	
<b>Current assets</b>				
Cash assets	( 0.8)	( 0.8)	( 1.1)	( 1.1)
Other financial assets	..	..	..	..
Receivables	0.8	0.8	0.6	0.6
Inventories	0.1	0.1	0.1	0.1
Prepayments	0.7	0.7	0.7	0.7
Other	..	..	..	..
<b>Total current assets</b>	<b>0.8</b>	<b>0.8</b>	<b>0.2</b>	<b>0.2</b>
<b>Non-current assets</b>				
Receivables	16.1	19.4	18.6	21.3
Inventories	..	..	..	..
Other financial assets	..	..	..	..
Property, plant and equipment	177.2	173.9	174.3	175.9
Intangible assets	..	..	..	..
Other	11.5	11.5	11.5	11.5
<b>Total non-current assets</b>	<b>204.7</b>	<b>204.8</b>	<b>204.4</b>	<b>208.7</b>
<b>Total assets</b>	<b>205.5</b>	<b>205.6</b>	<b>204.6</b>	<b>208.9</b>
<b>Current liabilities</b>				
Payables	2.3	2.3	1.2	1.2
Interest bearing liabilities	..	..	..	..
Provisions	3.2	3.2	3.2	3.2
Other	0.3	0.3	0.2	0.2
<b>Total current liabilities</b>	<b>5.8</b>	<b>5.8</b>	<b>4.5</b>	<b>4.5</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	..	..	..	..
Provisions	4.3	4.4	4.5	4.7
Other	..	..	..	..
Amounts owing to other departments	..	..	..	..
<b>Total non-current liabilities</b>	<b>4.3</b>	<b>4.4</b>	<b>4.5</b>	<b>4.7</b>
<b>Total liabilities</b>	<b>10.1</b>	<b>10.2</b>	<b>9.0</b>	<b>9.2</b>
<b>Net assets</b>	<b>195.4</b>	<b>195.4</b>	<b>195.6</b>	<b>199.6</b>
<b>Equity</b>				
Contributed capital	147.6	147.6	147.8	151.8
Reserves	41.1	41.1	41.1	41.1
Accumulated surplus	6.7	6.7	6.7	6.7
<b>Total equity</b>	<b>195.4</b>	<b>195.4</b>	<b>195.6</b>	<b>199.6</b>

Source: Parliament of Victoria and Department of Treasury and Finance

**Table 2.11.4: Administered items statement**

(\$ million)

	2002-03 Actual	2003-04 Budget	2003-04 Revised	2004-05 Budget
<b>Administered revenue</b>				
Appropriations - Payments made on behalf of the State	..	..	..	..
Special Appropriations	..	..	..	..
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	14.0	9.9	14.2	14.6
Commonwealth grants	..	..	..	..
Other grants	..	..	..	..
Taxes	..	..	..	..
Fines	..	..	..	..
Fees	..	..	..	..
Other	0.1	..	..	..
<b>Total administered revenue</b>	<b>14.1</b>	<b>9.9</b>	<b>14.2</b>	<b>14.6</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	..	..	..	..
Grants and other payments	..	..	..	..
Payments into the Consolidated Fund	13.6	6.9	14.2	14.6
<b>Total administered expenses</b>	<b>13.6</b>	<b>6.9</b>	<b>14.2</b>	<b>14.6</b>
<b>Revenue less expenses</b>	<b>0.5</b>	<b>3.0</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>				
Cash assets	..	..	..	..
Receivables	3.6	6.6	3.6	3.6
Other financial assets	..	..	..	..
Inventories	..	..	..	..
Prepayments	..	..	..	..
Property, plant and equipment	..	..	..	..
Intangible assets	..	..	..	..
Other	..	..	..	..
<b>Total administered assets</b>	<b>3.6</b>	<b>6.6</b>	<b>3.6</b>	<b>3.6</b>
<b>Administered liabilities</b>				
Payables	..	..	..	..
Interest bearing liabilities	..	..	..	..
Provisions	..	..	..	..
Amounts owing to other departments	..	..	..	..
Other	..	..	..	..
<b>Total administered liabilities</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>

Source: Parliament of Victoria and Department of Treasury and Finance



## Authority for resources

This section provides a summary of the sources of Parliamentary Authority available to the Department to fund the provision of outputs and additions to the net asset base.

**Table 2.11.5: Parliamentary authority for resources**

(\$ million)

	2003-04 <i>Budget</i>	2003-04 <i>Revised</i>	2004-05 <i>Budget</i>
Annual appropriations	82.2	68.4	73.9
Receipts credited to appropriations	..	13.7	14.8
Unapplied previous years appropriation	..	1.7	2.5
Accumulated surplus - previously applied appropriation	..	0.2	0.5
<b>Gross Annual appropriation</b>	<b>82.2</b>	<b>84.1</b>	<b>91.7</b>
Special appropriations	33.8	34.4	34.4
Trust funds	..	..	..
<b>Total Parliamentary authority</b>	<b>116.0</b>	<b>118.4</b>	<b>126.1</b>

*Source: Parliament of Victoria and Department of Treasury and Finance*



## CHAPTER 3 – STATE REVENUE

### SUMMARY OF GENERAL GOVERNMENT STATE AND SECTOR REVENUE

This chapter describes the major categories of revenue, comprising both state-sourced revenue and Commonwealth grants, and examines the expected movement in revenues between the 2003-04 revised estimates and the 2004-05 budget estimates.

As shown in Table 3.1, general government sector revenue and grants received are expected to increase by 4.5 per cent to \$28 985 million in 2004-05.

**Table 3.1: General government sector revenue and grants received**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
Taxation	9 593.2	10 240.1	10 384.2	1.4
Fines and regulatory fees	637.2	483.1	617.0	27.7
Sale of goods and services	2 047.2	2 165.0	2 231.3	3.1
Investment income	895.9	1 034.0	1 225.4	18.5
Other revenue	1 176.9	1 463.3	1 446.4	- 1.2
Grants received	12 248.0	12 345.7	13 080.5	6.0
<b>Total</b>	<b>26 598.4</b>	<b>27 731.2</b>	<b>28 984.9</b>	<b>4.5</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

Taxation revenue is projected to increase by 1.4 per cent in 2004-05 relative to the revised estimate for 2003-04. The growth in 2004-05 is lower than the expected growth in nominal gross state product (GSP). The low year-on-year growth reflects several factors, including:

- an expected moderation in property market activity, through a slowdown in the growth of house prices and reduction in the volume of sales;
- the abolition of mortgage duty from 1 July 2004;
- the net effect of policy changes announced by the Government in the 2004-05 Budget; and
- the one-off impact of duty on the sale of the Loy Yang power station in 2003-04.

Fines and regulatory fees revenue is expected to increase by 27.7 per cent in 2004-05 compared to 2003-04. The increase largely reflects the operational reinstatement and extension of fixed site cameras in 2004-05, including rectification of the issues that were identified in 2003-04 and which led to suspension of fixed site camera operations.

Proceeds from the sale of goods and services are expected to increase by 3.1 per cent in 2004-05 compared to 2003-04.

Investment income is expected to increase by 18.5 per cent to \$1 225 million in 2004-05, largely reflecting the re-commencement of dividend payments by the Transport Accident Commission.

Other revenue is expected to decrease by 1.2 per cent (\$17 million) compared to the 2003-04 revised estimate.

Commonwealth grants are expected to increase by \$735 million (6.0 per cent) in 2004-05 compared to 2003-04. General purpose grants are forecast to increase by \$271 million (3.9 per cent), which is lower than the estimated increase (5.1 per cent) in the overall GST pool. Specific purpose own-use grants are expected to increase by \$257 million (7.0 per cent) largely reflecting an increase in road grants, while grants for on-passing are forecast to increase \$134 million (8.6 per cent) largely reflecting increases in Commonwealth assistance to non-government schools.

## **State sourced revenue**

### **Taxation**

Taxation revenue in 2004-05 is estimated to be \$10 384 million, which is \$144 million (1.4 per cent) higher than the 2003-04 revised estimate (Table 3.2).

### ***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.

From 1 January 2005, employment agencies will become liable for payroll tax for on-hired workers, rather than the clients of the agencies. This measure will reduce confusion concerning who is liable for payroll tax in respect of wages paid to agency workers.

**Table 3.2: Taxation estimates**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
<b>Payroll tax</b>	<b>2 730.0</b>	<b>2 700.7</b>	<b>2 875.5</b>	<b>6.5</b>
<b>Taxes on property</b>				
Land tax <sup>(b)</sup>	767.8	768.0	916.5	19.3
Land transfer duty	1 855.1	2 514.0	2 235.7	- 11.1
Mortgage duty	175.7	235.3	54.4	- 76.9
Rental business duty	53.7	54.3	57.0	5.0
Other miscellaneous duties	8.5	7.0	7.2	1.9
Debits tax	249.5	250.2	248.9	- 0.5
Metropolitan improvement rate	80.4	80.4	88.4	10.0
Property owners contributions to fire brigades	27.9	31.1	32.1	3.1
Financial accommodation levy	5.7	6.5	7.4	14.6
	<b>3 224.3</b>	<b>3 946.8</b>	<b>3 647.5</b>	<b>- 7.6</b>
<b>Gambling taxes</b>				
Private lotteries	314.0	312.4	318.3	1.9
Electronic gaming machines	895.6	798.2	828.8	3.8
Casino	103.9	104.3	112.4	7.8
Racing	103.3	105.7	109.5	3.6
Other	3.3	2.8	2.7	- 3.6
	<b>1 420.1</b>	<b>1 323.4</b>	<b>1 371.7</b>	<b>3.6</b>
<b>Taxes on insurance</b>				
Non-life insurance	540.9	562.9	618.5	9.9
Life insurance	18.4	14.8	15.5	4.7
Compulsory third party	109.2	108.4	113.4	4.6
Insurance contributions to fire brigades	282.1	292.8	313.3	7.0
	<b>950.6</b>	<b>978.9</b>	<b>1 060.7</b>	<b>8.4</b>
<b>Motor vehicle taxes</b>				
Vehicle registration fees	573.5	573.3	672.8	17.3
Duty on vehicle transfers	517.3	542.5	570.0	5.1
Other motor vehicle taxes	113.3	110.1	112.4	2.1
	<b>1 204.1</b>	<b>1 225.9</b>	<b>1 355.2</b>	<b>10.5</b>
<b>Other taxes</b>				
Liquor licence fees	6.3	6.6	6.6	..
Transurban concession fees	31.4	31.4	34.9	11.3
Landfill levy	26.5	26.5	32.0	20.9
	<b>64.1</b>	<b>64.4</b>	<b>73.5</b>	<b>14.1</b>
<b>Total</b>	<b>9 593.2</b>	<b>10 240.1</b>	<b>10 384.2</b>	<b>1.4</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

(b) In 2004-05 includes revenue from land tax on electricity transmission easements.

An exemption from payroll tax will apply to wages paid in respect of on-hired workers, where the worker is hired to a client that is exempt under section 10 of the *Pay-roll Tax Act 1971*. Not-for-profit group training companies, which on-hire apprentices and trainees to host clients, will also be exempt from payroll tax in respect of those employees.

Payroll tax of 5.25 per cent is applicable to the payments of taxable wages in excess of the annual tax-free threshold of \$550 000.

The payroll tax exemption for apprentices and trainees, who were enrolled in approved courses and group apprenticeship and trainee schemes on the date of the 2003-04 Budget, was abolished for wages paid or payable after 31 December 2003 and replaced with a completion bonus scheme. The abolition of the exemption is estimated to have been worth \$30 million in 2003-04 and \$60 million in 2004-05.

In 2004-05, revenue is expected to be \$2 876 million, an increase of \$175 million (6.5 per cent) over the 2003-04 revised estimate. The projected growth in 2004-05 reflects expectations of continued strength in wages and employment growth. However, in the absence of the full-year effect of the abolition of the payroll tax exemption for apprentice and trainee wages together with the policy changes announced in this budget, payroll tax in 2004-05 would increase by 5.0 per cent over the 2003-04 revised estimate.

## ***Taxes on property***

### ***Land tax***

Land tax is an annual tax assessed on the aggregated unimproved site value of taxable land owned by a landowner. There are several land tax exemptions including land that is used for primary production and land that is used as the landowner's principal place of residence.

From 1 July 2004, land tax will be payable on electricity transmission easements held by electricity transmission companies. The 2004 land tax rates will apply to the annual land tax on easements from 1 January 2005. This initiative will raise an estimated \$80 million a year.

As announced in *Victoria: Leading the Way* in April 2004:

- the tax-free threshold for land tax will be increased by \$25 000 to \$175 000 in 2004-05;

- the middle land tax thresholds will be increased to provide tax relief for those that face the largest tax increases during periods of significant property price rises. The three land tax brackets that are between the land values of \$675 000 and \$1 080 000 will be increased by 10 per cent over a two-year period (2004-05 and 2005-06); and
- Victoria's top land tax rate will be reduced substantially from 5 per cent to 3 per cent over the next five years. The rate will drop to 4 per cent in 2004-05 (2005 land tax year) then to 3.75 per cent in 2005-06, 3.5 per cent in 2006-07, 3.25 per cent in 2007-08 and 3 per cent in 2008-09.

The cost of these reforms to land tax revenue is expected to be \$124 million in 2004-05 increasing to \$244 million in 2007-08.

Table 3.3 shows the rates that will apply to land tax assessments.

**Table 3.3: Land tax rates in 2004-05 and 2005-06 land tax years<sup>(a)</sup>**

**In 2004-05**

<i>Value of property</i>	<i>Land tax payable</i>
Up to \$174 999	Nil
\$175 000 - \$199 999	\$175 plus 0.1% for each dollar over \$175 000
\$200 000 - \$539 999	\$200 plus 0.2% for each dollar over \$200 000
\$540 000 - \$709 999	\$880 plus 0.5% for each dollar over \$540 000
\$710 000 - \$849 999	\$1 730 plus 1.0% for each dollar over \$710 000
\$850 000 - \$1 129 999	\$3 130 plus 1.75% for each dollar over \$850 000
\$1 130 000 - \$1 619 999	\$8 030 plus 2.75% for each dollar over \$1 130 000
\$1 620 000 - \$2 699 999	\$21 505 plus 3.0% for each dollar over \$1 620 000
\$2 700 000 and over	\$53 905 plus 4.0% for each dollar over \$2 700 000

**In 2005-06**

<i>Value of property</i>	<i>Land tax payable</i>
Up to \$174 999	Nil
\$175 000 - \$199 999	\$175 plus 0.1% for each dollar over \$175 000
\$200 000 - \$539 999	\$200 plus 0.2% for each dollar over \$200 000
\$540 000 - \$749 999	\$880 plus 0.5% for each dollar over \$540 000
\$750 000 - \$899 999	\$1 930 plus 1.0% for each dollar over \$750 000
\$900 000 - \$1 189 999	\$3 430 plus 1.75% for each dollar over \$900 000
\$1 190 000 - \$1 619 999	\$8 505 plus 2.75% for each dollar over \$1 190 000
\$1 620 000 - \$2 699 999	\$20 330 plus 3.0% for each dollar over \$1 620 000
\$2 700 000 and over	\$52 730 plus 3.75% for each dollar over \$2 700 000

*Source: Department of Treasury and Finance*

*Note:*

(a) *The top rate will drop to 3.5 per cent in 2006-07, 3.25 per cent in 2007-08 and 3 per cent in 2008-09.*

Excluding the impact of the collection of land tax on electricity transmission easements in 2005 (\$80 million), land tax will increase by \$69 million or 8.9 per cent in 2004-05 compared to 2003-04. The remaining change reflects the impact of land tax rate and threshold adjustments, recognition of additional land tax for the 2004 land tax year and site value growth.

### *Duty on financial transactions*

#### **Duty on land transfers**

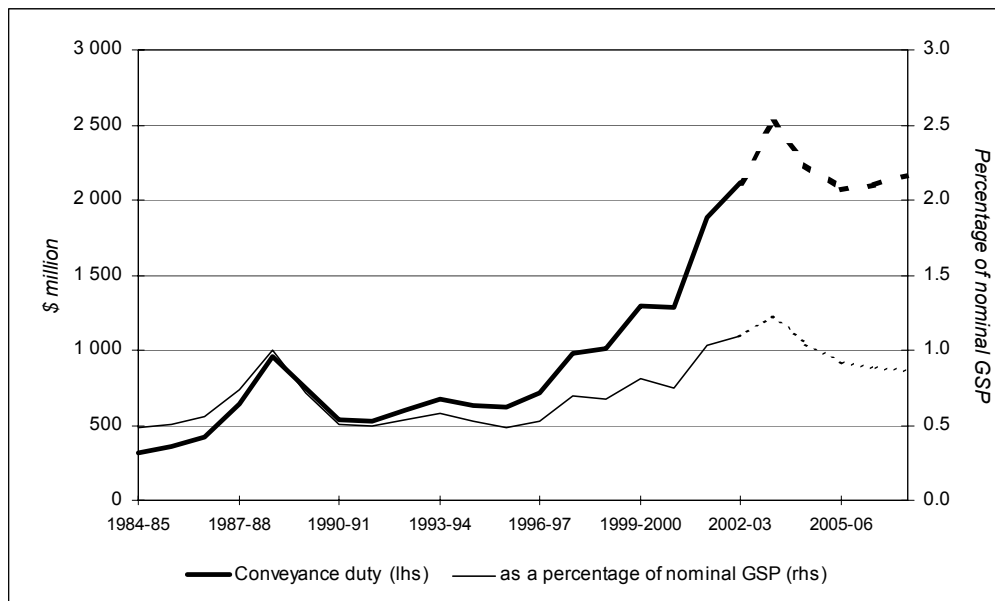
Duty is payable on instruments of transfer involved in the change of ownership of land.

The resilience of the Victorian property market over recent years has reflected various factors, including low interest rates, a robust Victorian economy and labour market and the effect of the First Home Owner Grant (Budget Paper No. 2, Chapter 3, *Budget Position and Outlook*). Although Melbourne house price growth has been exceptionally strong over recent years, the rate of growth in median house prices has now declined, with the December 2003 quarter growth of 0.8 per cent the lowest in the past seven quarters. Transactions and volumes may moderate in response to recent interest rate increases. With housing affordability at low levels, this moderation in the property market is expected to continue into 2004-05.

Chart 3.1 shows the level and share of GSP of conveyance duty revenue, including estimates for the period 2003-04 to 2007-08. In 2004-05 land transfer duty revenue is expected to be \$2 236 million, a decline of \$278 million (11.1 per cent) from the previous year. By 2005-06 conveyance duty is expected to be 17.4 per cent below the level recorded in 2003-04. As a share of GSP, conveyance duty is projected to decline over the projection period.



**Chart 3.1: Conveyance duty on land transfers**



Source: Department of Treasury and Finance

The rates of duty are shown in Table 3.4.

**Table 3.4: Duty on land transfers**

Value of property transferred	Duty payable
Up to \$20 000	1.4% of the value of the property
\$20 001 - \$115 000	\$280 plus 2.4% of the value in excess of \$20 000
\$115 001 - \$870 000	\$2 560 plus 6.0% of the value in excess of \$115 000
\$870 001 and over	5.5% of the value of the property

Source: Duties Act 2000

For purchases ‘off-the-plan’, duty is based on the value of work completed at the time of entering into the contract, as opposed to the total value of the project at the time of occupation. This concession is unique to Victoria.

The Victorian Government will make land rich tests in the *Duties Act 2000* comparable with typical provisions in other States. The amendments to the land-rich tests will apply from the date of the introduction of legislation giving effect to these changes. These amendments will ensure that an appropriate amount of tax is collected on all transactions in property involving land.

Amendments will also be made to the *Duties Act 2000* that will require taxpayers to provide the Commissioner of State Revenue with an independent valuation of dutiable property when a transaction involving the sale of a business takes place. This will ensure taxpayers pay the appropriate amount of conveyance duty.

To further ensure that the appropriate duty is paid, the Commissioner's authority to obtain information in relation to taxable transactions will also be expanded, and supplemented with improved anti-avoidance measures. These provisions will come into effect in relation to transactions that occur on or after 1 July 2004.

The Victorian Government will provide first home owners with a \$5 000 *First Home Bonus* until 30 June 2005. This one-off grant is additional to the Government's current \$7 000 First Home Owner Grant (FHOG). All Victorian first home buyers who qualify for the current \$7 000 FHOG can apply for the additional *First Home Bonus* for homes purchased on or after 1 May 2004 and valued up to \$500 000. During the period that the more generous \$5 000 grant is available, the conveyance duty exemptions for first home buyers with families will be suspended. However, eligible first home buyers will continue to be exempt from mortgage duty prior to its abolition from 1 July 2004.

From 1 May 2004, concession cardholders will be eligible for a full stamp duty exemption for purchases of homes valued at up to \$250 000 and a partial exemption up to \$350 000. This exemption cannot be received in conjunction with the Victorian Government's one-off additional \$5 000 *First Home Bonus*.

#### **Duty on mortgages/debentures**

As previously announced in the Government's *Better Business Taxes* package, duty on mortgages will be abolished from 1 July 2004. The 2004-05 estimate of \$54 million reflects revenue from mortgages entered into, but duty not paid on, prior to 1 July 2004.

#### **Duty on rental business**

Any rental business that receives rental income in excess of \$6 000 in any month must register and pay rental business duty. The rate of duty is 0.75 per cent of gross rental income. Hire purchase agreements are also subject to rental business duty, with exemptions for some categories of commercial vehicles and farm machinery.

#### **Other miscellaneous duties**

This category includes receipts from minor duties such as duty on declarations of trust over property other than land, which is currently set at \$200, and duty on the sale of certain livestock, with revenue directed to a trust fund relating to disease control.

#### **Debits tax**

Debits tax is levied on debits to accounts with a cheque facility. The duty is imposed on all debits of \$1 or more to such accounts, not simply debits made by way of a cheque. As foreshadowed under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* and as confirmed at the Commonwealth-State Ministerial Council on Financial Relations on 26 March 2004, debits tax will cease to apply by 1 July 2005.

### **Metropolitan improvement levy**

The rate of the levy is set each year with regard to expected disbursements from the Parks and Reserves Trust Account, and also taking into account the inflation rate; hence revenue growth is lower than underlying growth in the value of land. The revenue is earmarked for expenditure on metropolitan parks and gardens by the Department of Sustainability and Environment.

In 2004-05, the annual minimum charge will be increased to \$50 with ongoing indexation from 2005-06 and the variable charge, which applies to the net annual value of commercial and residential properties, will be annually adjusted for inflation. All the funds will continue to be directed to the maintenance of Victoria's metropolitan parks and gardens.

### **Property owners contribution to fire brigades**

Municipal councils whose districts are within or partly within the metropolitan area serviced by the metropolitan fire brigade are required, pursuant to section 37 of the *Metropolitan Fire Brigades Act 1958*, to contribute 12.5 per cent of the Metropolitan Fire Brigade's statutory contribution budget allocation.

In addition, non-residential property owners, who choose to either self-insure or insure off-shore, are required to pay a contribution pursuant to section 44A of the *Metropolitan Fire Brigades Act 1958*.

Revenue is expected to increase by 3.1 per cent in 2004-05, reflecting an anticipated increase in costs. The increase includes necessary significant investment in fire fighting vehicles, land and building infrastructure and additional fire fighters to ensure enhanced operational capacity, and the active engagement of local government and the community. The underlying increase between 2003-04 and 2004-05 has been significantly offset by non-recurring 2003-04 revenue arising from compliance activities.

### **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.

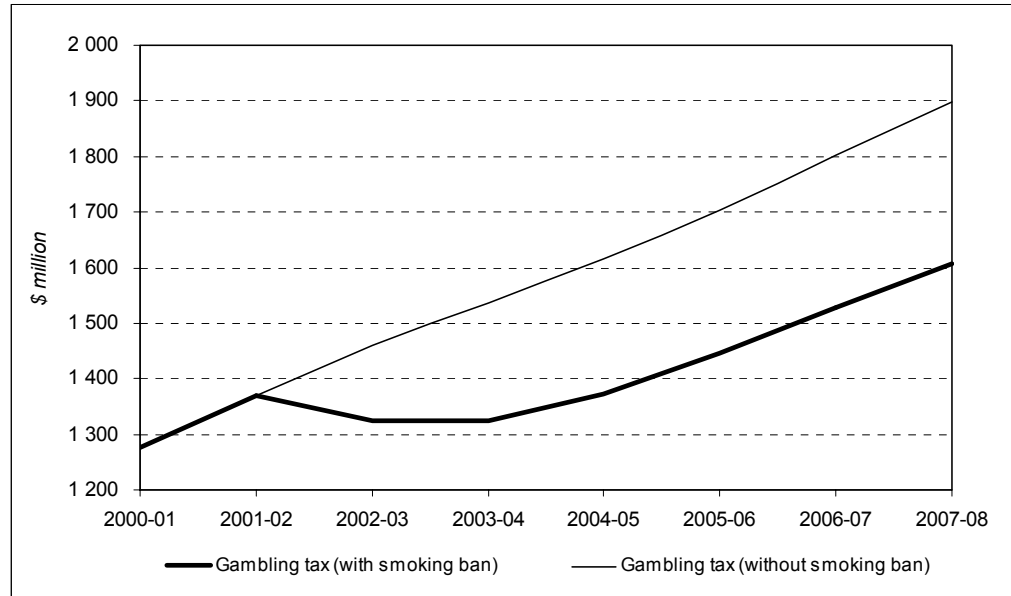
### **Gambling taxes**

Gambling taxes are imposed on private lotteries, electronic gaming machines (EGMs), the casino, the racing industry, and some other minor forms of gambling.

On 1 September 2002 the Government introduced smoking bans in gaming venues. Since the introduction of the bans there has been a substantial decline in gambling activity, particularly in EGM venues and, to a lesser extent, the Casino.

Chart 3.2 shows the estimated impact of the smoking ban on EGM revenue. In particular, in 2003-04 it is estimated that the loss of revenue due to the impact of the smoking ban is around \$213 million. The 2004-05 Budget estimates assume that gambling behaviour has now adjusted to the impact of the smoking ban, with gambling revenue remaining permanently lower as a result of the smoking ban.

**Chart 3.2: Gambling taxation 2000-01 to 2007-08**



Source: Department of Treasury and Finance

Gambling taxes are expected to grow by 3.6 per cent (\$48 million) in 2004-05 compared to the 2003-04 revised estimate. The main contributor to growth will be an increase in revenue from EGMs (\$31 million or 3.8 per cent), as it is expected that gambling behaviour has now adjusted to the impact of the smoking ban and will now grow in line with the economy as revenue did prior to introduction of the smoking ban.

Casino revenue is expected to also recover from the more limited impact of the smoking ban on its operations.

### ***Private lotteries***

Under the *Public Lotteries Act 2000*, the tax rates that apply include 58.41 per cent of player loss in respect of the Tipstar AFL footy tipping competition, 57.52 per cent of player loss on soccer pools, and 79.40 per cent of player loss on all other public lotteries.

Tattersalls also operates lotteries in Tasmania, the Northern Territory, the Australian Capital Territory and various foreign countries as part of the Victorian lottery pool. The Victorian Government collects and remits taxes on behalf of these jurisdictions.

### ***Electronic gaming machines (EGMs)***

Tattersalls and TABCORP are licensed to operate up to 27 500 EGMs in hotels and clubs throughout Victoria. This excludes the 2 500 gaming machines located in Crown Casino.

Under the *Gaming Machine Control Act 1991*, not less than 87 per cent of turnover must be returned to players as prizes. Tax is assessed on the net cash balance of the operators, the difference between the amounts bet and the amounts paid out in prizes. The net cash balance is split between the venue operator, the gaming operator and the Government. In the case of clubs, the gaming operators and the venues each receive 33.33 per cent. Of the balance, the GST accounts for 9.09 per cent, with the State Government receiving the remaining 24.24 per cent. In the case of hotels, the net cash balance is similarly divided up, except that the venue operator's share is 25 per cent, with 8.33 per cent being directed to the Community Support Fund.

Under a licence fee agreement, Tattersalls pays an additional 7 per cent of its net cash balance to the Government.

A levy of \$1 533 applies to each of the 30 000 EGMs operating in Victoria. The levy is payable by the three gaming operators and raises \$46 million a per which is directed to the Hospitals and Charities Fund.

### ***Casino***

The total tax rate on ordinary players in Crown Casino is 22.25 per cent, and on commission-based players it is 10 per cent. This includes a levy of 1 per cent of gross gaming revenue payable by the casino operator. This levy, known as the Community Benefits Levy, is used to finance public health services through a standing appropriation to the Hospitals and Charities Fund.

At least 87 per cent of amounts wagered by players on EGMs in the casino must be paid out as winnings to players. Amounts paid out as winnings on casino table games are determined by the rules of the individual games.

From 1 July 2000, the Government varied its agreement with the casino operator in order to provide the casino with a credit for GST payable to the Commonwealth against casino taxes payable to the Victorian Government. It was not feasible to reduce casino tax rates to accommodate the GST as was done with other gambling taxes because the revenue base for GST purposes is not identical to the revenue base used for calculating state taxation.

### ***Racing taxes***

TABCORP has been granted the exclusive licence to run off-course totalisators in Victoria, and is also authorised to run on-course totalisators at racecourses.

Under the *Gaming and Betting Act 1994*, a minimum of 80 per cent of the investments in any one totalisator must be returned to punters as prizes. The average payout from investments in all totalisators in any financial year cannot be less than 84 per cent. The tax rate is 19.11 per cent of the amount of commission deducted. The Government also receives 19.11 per cent of fractions, whereby fractions of 10 cents in a dividend calculation are rounded down to the nearest five cents.

### ***Other gambling***

Other gambling taxes consist principally of Club Keno, permit fees for raffles, bingo and trade promotions and a tax payable on approved betting competitions (sports betting).

### ***Taxes on insurance***

#### ***Non-life insurance***

Duty is payable on the value of premiums, including GST at a rate of 10 per cent on general insurance business conducted in or outside Victoria, which relates to any property, risk, contingency or event in the State. 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 not dutiable.

Non-life insurance revenue is expected to increase by \$56 million (9.9 per cent) in 2004-05, mainly reflecting an increase in premiums. However, the estimated growth in 2004-05 has diminished compared to the 17.8 per cent average annual growth rate over the past four years.

Large premium rises in some risk categories (for example, public and product liability and professional indemnity) have occurred since 1999, and are anticipated to continue to grow strongly in 2004-05. Global and commercial factors have also contributed to these premium rises.

#### ***Life insurance***

Duty is payable on life insurance policies for the sum insured. Revenue is expected to increase by 4.7 per cent to \$16 million in 2004-05 compared to the 2003-04 revised estimate.

### ***Duty on compulsory third party premiums***

Duty is also payable on the value of compulsory third party premiums at a rate of 10 per cent. Compulsory third party revenue is expected to increase by \$5 million (4.6 per cent) compared to the 2003-04 revised estimate. The growth is generally in line with forecast growth in motor vehicle volumes and registrations together with annual CPI indexation of premiums.

### ***Insurance contributions to fire brigades***

Insurance companies are required to make contributions towards the availability of the two fire services in Victoria. Currently Victoria, like New South Wales, funds fire services through an insurance-based funding model. Insurance companies generally 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 operating expenses 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). The remainder of the operating expenses is met through state government and municipal council contributions, and direct charges by the brigades for attending fires on behalf of property owners who elect not to insure their properties, and also from other services.

In 2004-05, revenue from insurance contributions to fire services is anticipated to increase by \$21 million (7.0 per cent) compared to the 2003-04 revised estimate. The increase includes necessary significant investment in fire fighting vehicles, land and building infrastructure, and additional fire fighters to ensure enhanced operational capacity and the active engagement of local government and the community.

### ***Motor vehicle taxes***

Motor vehicle taxes include registration fees, motor vehicle duty and other taxes including drivers' licences.

In 2004-05, aggregate motor vehicle taxation revenue is expected to grow by \$129 million (10.5 per cent) compared to the 2003-04 revised estimate. The growth in revenue is due to increased:

- registration fee revenue (\$100 million or 17.3 per cent), reflecting annual indexation of registration fees, an increase in the number of vehicles registered and a reduction in the discount applied to concessional registrations; and
- duty on vehicle transfers (\$28 million or 5.1 per cent) because of continued growth in the volume of vehicle sales.

### ***Motor vehicle registration fees***

Currently pensioner, health care and DVA gold cardholders (TPI) receive a 100 per cent concession on their motor vehicle registration fee.

From 1 July 2004, this concession will be reduced to 50 per cent of the registration fee. In addition, there will be improved compliance measures to ensure that only valid concession cardholders receive a concession. These measures are expected to raise an additional \$64 million in revenue in 2004-05. Revenue raised has been re-directed to other concessions programs (such as an increase in the municipal rates concession, indexing of many concession benefits, extended eligibility to public transport concessions and substantial increases in education and health concessions).

Pensioner concession cardholders also receive a 50 per cent discount on compulsory third party insurance. This concession will remain.

This policy initiative will still provide concession cardholders with the lowest cost motor vehicle registration and third party insurance package of any State or Territory.

### ***Motor vehicle duty***

Duty is levied on the transfer and 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 vehicles, and at a flat rate for other vehicles. The rate scale is shown in Table 3.5.

**Table 3.5: Duty on motor vehicles**

<i>Market value of vehicle</i>	<i>Duty payable</i>
For a passenger vehicle not previously registered	
\$ 0 - \$ 35 000	\$5.00 per \$200 or part thereof on entire price
\$ 35 001 - \$ 45 000	\$8.00 per \$200 or part thereof on entire price
\$ 45 001 or more	\$10.00 per \$200 or part thereof on entire price
Non-passenger vehicles and motor cycles, not previously registered	\$5.00 per \$200 or part thereof on entire price
For a vehicle which has been previously registered, regardless of where	\$8.00 per \$200 or part thereof on entire price

*Source: Duties Act 2000*

### ***Other motor vehicle taxes***

Other motor vehicle taxes are expected to increase by \$2 million (2.1 per cent) to \$112 million in 2004-05 which reflects annual indexation of drivers' licences and fees.

This category of revenue includes drivers' licence fees and miscellaneous fees and charges administered by VicRoads, including driver licence testing fees, vehicle permit fees, registration related fees, taxi and tow truck fees, special vehicle licences, registration plate issues and other minor charges.



## **Other taxes on the use of goods and services**

The items in this category are the landfill levy, which is aimed at reducing the volume of non-recyclable waste disposed of at Victorian landfills, concession fees payable by Transurban in respect of Melbourne City Link, and minor liquor licence fees.

## **Fines and regulatory fees**

Fines revenue comprises revenue from traffic infringement notices, the operations of the Traffic Camera Office and payment of penalties imposed by the courts.

Fees from regulatory services are levies that are associated with the granting of a permit to engage in a particular activity or to regulate that activity.

Revenue in 2003-04 from police fines is considerably lower than 2002-03 as a result of the suspension of fixed camera operations and changed driver behaviour.

As a consequence, a return to more normal operational conditions is expected in 2004-05, with revenues around the level of 2002-03.

In particular, police fines are expected to be \$351 million in 2004-05. This largely reflects:

- the operational reinstatement and extension of fixed site cameras in 2004-05, including rectification of the issues that were identified in 2003-04 and which led to the suspension of infringement processing from fixed site cameras since November 2003; and
- the installation and commencement of operation of red light speed cameras at major controlled intersections.

The improved driver behaviour which the Government observed in 2003-04 is expected to continue into 2004-05 and future years.

**Table 3.6: Fines and regulatory fees**

	<i>(\$ million)</i>			
	<i>2003-04 Budget</i>	<i>2003-04 Revised</i>	<i>2004-05 Budget</i>	<i>Change<sup>(a)</sup> %</i>
<b>Fines</b>				
Police fines	427.5	233.5	350.5	50.1
Court and other fines	55.9	74.8	76.4	2.1
<b>Total fines</b>	<b>483.4</b>	<b>308.3</b>	<b>426.9</b>	<b>38.5</b>
<b>Regulatory fees</b>	<b>153.8</b>	<b>174.8</b>	<b>190.1</b>	<b>8.7</b>
<b>Total</b>	<b>637.2</b>	<b>483.1</b>	<b>617.0</b>	<b>27.7</b>

*Source: Department of Treasury and Finance*

*Note:*

*(a) Change between 2003-04 Revised and 2004-05 Budget.*

## Sale of goods and services

Revenue from this source reflects those activities where goods and services are sold to other parties. Examples of these activities include fees paid to TAFE institutes for courses that they provide, car parking fees received by hospitals, visitor fees at national parks and fees collected by courts and tribunals for processing legal documents.

As reported in Table 3.1, revenue from the sale of goods and services is estimated to increase by \$66 million (3.1 per cent) in 2004-05, compared to the revised estimate of \$2 165 million for 2003-04.

The major factors contributing to this increase are:

- inclusion since the 2003-04 Budget of annotated revenue collected by Catchment and Agriculture Services and revision of revenue from commercial projects; and
- escalation of commercial activities by both schools and TAFE institutes.

## Investment revenue

Investment revenue includes interest, royalties, dividends and other investment income. Dividends and other investment income consists primarily of the dividends and income tax and rate equivalent payments made to the State by government business enterprises.

**Table 3.7: Investment revenue**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
Dividends	273.1	301.1	478.1	58.8
Income tax and rate equivalent revenue	148.7	211.2	186.5	-11.7
Interest	287.6	395.1	435.4	10.2
Royalties	44.9	46.0	43.3	-5.7
Rents	15.3	15.5	15.6	1.1
Other	126.2	65.0	66.4	2.1
<b>Total</b>	<b>895.9</b>	<b>1 034.0</b>	<b>1 225.4</b>	<b>18.5</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

The payment of dividends by government business enterprises recognises that equity capital has alternative uses and therefore an appropriate return should be paid to the State for its investment in these enterprises. Because of the absence of contestable capital market disciplines for government business enterprises, compared with those faced by private sector firms, a commercial dividend policy with two broad benchmarks is applied. For enterprises under the tax equivalent regime, the relevant benchmark dividend payout rate is 50 per cent of after-tax profit (where the effective

rate of tax payable is not significantly different from the prima facie corporate tax rate). For other government business enterprises, including those not under the tax equivalent regime, a secondary benchmark payout rate of total distributions to the Government of 65 per cent of pre-tax profit is applicable.

Dividends are set each year with reference to the relevant benchmark and to other commercial considerations, including retained earnings, gearing, interest cover and cash flow projections. The views of the relevant boards and the budgetary requirements of the State are also taken into account. Prior to formal determination by the Treasurer, or resolution by shareholders in the case of Corporations Act companies, all dividend estimates are provisional.

Income tax equivalent regimes, currently covering 35 government business enterprises, ensure competitive neutrality with competing private sector firms and strengthen the financial discipline of the enterprises by factoring income tax equivalent payments into their business decisions.

Significant land-holding government business enterprises (including the Melbourne Water Corporation and VicUrban) are also subject to a local government rate equivalent system.

In 2004-05, investment revenue is estimated to increase by \$191 million (18.5 per cent) compared to the 2003-04 revised estimate. Dividend payments from the Transport Accident Commission (TAC) are expected to re-commence in 2004-05 due to a stronger than expected profit for the December 2003 half-year, which has resulted in an improved funding position for TAC.

The effect of this increase is partly offset by:

- lower water industry dividends (\$40 million or 16.6 per cent) mainly reflecting the impact of subdued consumption and behavioural change in response to water restrictions, together with an expected moderation in developer activity; and
- lower income tax equivalent receipts from the TAC (\$29 million or 24.0 per cent) reflecting a reduced profit forecast for 2004-05 following the stronger than expected profit for the half-year to December 2003 and reflecting the 2004-05 forecasts being based on a return to long-term assumptions.

## **Other revenue**

In 2004-05, other revenue is expected to decrease by 1.2 per cent (\$17 million) compared to the 2003-04 revised estimate. The decrease largely reflects the termination of the old rail franchise arrangements with recognition in 2003-04 of non-recurring revenue of \$110 million representing the difference between the cost to the State and the deemed fair value of the rolling stock.

**Table 3.8: Other revenue**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
Disposal of physical assets	- 7.3	- 6.1	11.9	- 296.1
Assets free of charge	..	109.5	..	- 100.0
Capital asset charge	514.0	564.2	587.5	4.1
Other	670.1	795.7	847.1	6.5
<b>Total</b>	<b>1 176.9</b>	<b>1 463.3</b>	<b>1 446.4</b>	<b>- 1.2</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

The decrease has been largely offset by several increases in other revenue:

- increased revenue from disposal of motor vehicles largely reflecting changed accounting treatment from 2003-04 onwards;
- increased capital asset charge revenue representing an estimated increase in the fixed asset base of some public non-financial corporations (predominantly VicTrack); and
- increased revenue from clients and other third parties by schools and TAFE institutes.

## GRANTS

Summary information on the amounts budgeted to be received under the various grant categories in 2003-04 and 2004-05 is shown in Table 3.9.

### General purpose grants

General purpose grants are made up of GST grants, GST transitional grants and National Competition Policy payments. Revenue in 2004-05 is expected to increase by \$271 million (3.9 per cent) compared to the 2003-04 revised estimate.

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.

In 2004-05, GST grants plus GST transitional grants are expected to increase by \$247 million (3.6 per cent) compared to the 2003-04 revised estimate. This compares with an estimated growth of 5.1 per cent in the estimated total GST pool. The growth in Victoria's GST revenue is lower than overall GST growth because Victoria's share of the GST revenue pool has been revised downward in the CGC's *2004 Report on State Revenue Sharing Relativities*.

As a result of an increase in GST revenue growth, GST transitional payments are not expected in 2004-05.

**Table 3.9: Grants**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
GST grants	6 481.2	6 792.2	7 078.6	4.2
GST transitional grants	288.0	39.9	..	- 100.0
National Competition Policy	188.0	178.7	203.1	13.7
<b>General purpose grants</b>	<b>6 957.2</b>	<b>7 010.8</b>	<b>7 281.7</b>	<b>3.9</b>
Commonwealth specific purpose	3 389.6	3 402.8	3 486.6	2.5
Specific purpose for on-passing	1 387.5	1 430.4	1 561.5	9.2
Other current	54.0	95.2	167.3	75.7
<b>Total current grants</b>	<b>11 788.2</b>	<b>11 939.2</b>	<b>12 497.2</b>	<b>4.7</b>
<b>Capital grants</b>				
Commonwealth specific purpose	328.3	281.5	455.0	61.6
Specific purpose for on-passing	121.6	124.6	127.9	2.7
Other capital	9.9	0.4	0.4	3.1
<b>Total capital grants</b>	<b>459.8</b>	<b>406.5</b>	<b>583.4</b>	<b>43.5</b>
<b>Total grants</b>	<b>12 248.0</b>	<b>12 345.7</b>	<b>13 080.5</b>	<b>6.0</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

The *Agreement to Implement National Competition Policy and Related Reforms 1995* provides for a series of competition payments to States and Territories from the Commonwealth. The competition payments are in exchange for implementation of reform commitments contained in this and other agreements that are collectively known as the National Competition Policy (NCP) Agreements. The criteria for receipt of the full amount of competition payments by the States and Territories relate to satisfactory progress in implementing these commitments.

The competition payments are designed to return to States and Territories the benefits of their reforms that are disproportionately realised by the Commonwealth through revenue effects on the Commonwealth budget.

In 2003-04, the Commonwealth Treasurer on the advice of the National Competition Council suspended \$9.4 million of Victoria's 2003-04 national competition payments.

Victoria has taken significant steps to address the issues identified by the Commonwealth and expects to recover all of its suspended payments in 2004-05.

In 2004-05, National Competition Policy payments to Victoria will increase by \$24 million (13.7 per cent) compared to the 2003-04 revised estimate.

## Specific purpose grants

The Commonwealth gives grants to the States for a large number of specific purposes (such as programs or projects) under section 96 of the Commonwealth Constitution. Such grants are usually made where the Commonwealth wishes to have some involvement in the direction of expenditure. However, the extent of such involvement varies significantly from one program to another. At one extreme, there are programs, such as assistance for higher education, for which the Commonwealth provides the bulk of the funding. At the other, there are programs, such as current funding for schools, for which the States are the major contributor.

**Table 3.10: Commonwealth specific purpose grants by department**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
Education and Training	639.8	663.7	698.9	5.3
Human Services	2 560.4	2 523.6	2 652.5	5.1
Infrastructure	2.8	9.5	9.5	..
Innovation, Industry and Regional Development	..	0.2	..	- 100.0
Justice	72.9	96.2	73.0	- 24.1
Premier and Cabinet	0.3	0.3	..	..
Primary Industries	6.0	24.2	14.2	- 41.3
Sustainability and Environment	41.7	39.2	32.5	- 17.1
Treasury and Finance	65.4	45.5	6.0	- 86.7
Victorian Communities	0.3	0.3	..	- 100.0
<b>Total current grants</b>	<b>3 389.6</b>	<b>3 402.8</b>	<b>3 486.6</b>	<b>2.5</b>
<b>Capital grants</b>				
Education and Training	99.7	98.4	101.4	3.1
Human Services	88.4	88.8	104.3	17.4
Infrastructure	140.2	92.3	247.3	168.1
Sustainability and Environment	..	2.0	2.0	..
<b>Total capital grants</b>	<b>328.3</b>	<b>281.5</b>	<b>455.0</b>	<b>61.6</b>
<b>Total specific purpose grants</b>	<b>3 717.9</b>	<b>3 684.3</b>	<b>3 941.6</b>	<b>7.0</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

Table 3.10 shows a breakdown by agency of the specific purpose grants, excluding those for on-passing received by Victoria. In aggregate, specific purpose grants revenue in 2004-05 is expected to be \$257 million (7.0 per cent) higher than the 2003-04 revised estimate.

The detailed estimates provided in this chapter represent the latest information available to the Victorian Government. However, the Commonwealth budget is not due to be brought down until 11 May 2004 and, as a result, there may be variations to some of the information published in this chapter.

## Education and training

Commonwealth funding is provided for a range of Commonwealth and state programs for government and non-government schools and also vocational education and training. 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.

**Table 3.11: Department of Education and Training – Commonwealth specific purpose grants**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
Assistance to government schools	349.7	358.4	385.8	7.6
Commonwealth TAFE - current	217.7	217.7	221.7	1.8
Strategic assistance for improving student outcomes	50.2	57.8	61.3	5.9
Special Commonwealth projects	13.6	6.6	6.6	..
Special learning needs - ESL new arrivals	6.5	12.9	13.0	0.5
All other current grants	2.1	10.2	10.5	3.4
<b>Total current grants</b>	<b>639.8</b>	<b>663.7</b>	<b>698.9</b>	<b>5.3</b>
<b>Capital grants</b>				
Government schools	57.2	55.9	58.9	5.4
Commonwealth TAFE - capital	42.5	42.5	42.5	..
<b>Total capital grants</b>	<b>99.7</b>	<b>98.4</b>	<b>101.4</b>	<b>3.1</b>
<b>Total specific purpose grants</b>	<b>739.5</b>	<b>762.2</b>	<b>800.3</b>	<b>5.0</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

Current funding is supplemented according to changes in actual per student costs in government schools (known as the Average Government School Recurrent Cost Index). Capital funding is supplemented in accordance with movements in the Building Price Index.

Commonwealth funds aimed at improving the delivery of national priority programs for Australian schools, including the *States Grants (Primary and Secondary Education Assistance) Act 2000*, flow to schools via a number of programs.

### General recurrent – Assistance to government schools

This program provides funds under the *State Grants (Primary and Secondary Education Assistance) Act 2000* to help government schools with the recurrent costs of school education.

Since 1997, this program has been subject to a Commonwealth initiative known as the Enrolment Benchmark Adjustment (EBA). The EBA adjusts general recurrent grants for government schools as a consequence of the movement in the ratio of non-government students to government students compared to a 1996 benchmark. The formula underlying this adjustment takes a half share of notional savings accruing to the State through not having to provide educational services to new students in non-government schools.

In 2001, the Commonwealth offered to return the EBA funding to jurisdictions on the condition that they use it to foster literacy and numeracy in science, mathematics and technology in government schools. Victoria did not incur an EBA liability in 2003. In 2004, the Commonwealth has advised that a \$3 million liability will be imposed. This relates to an accumulated shift in the enrolment ratio between 1996 and 2002.

The Quadrennial Agreement for 2001 to 2004 was renegotiated in 2001 by the Victorian and Commonwealth Governments. An Agreement for the 2005 to 2008 period is scheduled to be finalised by the end of 2004 for implementation from 1 January 2005.

### ***Commonwealth TAFE – Vocational education and training – recurrent and capital***

Commonwealth funding for vocational education and training is appropriated and distributed under the *Australian National Training Authority Act 1992 (Commonwealth)*. How the funds are utilised is subject to an annual agreement with the Australian National Training Authority (ANTA) Ministerial Council, of which Victoria is a member along with the other States and Territories and the Commonwealth.

Under the ANTA arrangements, Commonwealth funding (recurrent and capital) for vocational education and training is provided directly to the Victorian Learning and Employment Skills Commission. A new agreement for the 2004 to 2006 period has not been finalised. The existing agreement has been rolled over in 2004.

### ***Strategic Assistance for Improving Student Outcomes***

This Commonwealth program was introduced in 2001. The Victorian Government uses the resources provided through the program to improve learning outcomes of educationally disadvantaged students, particularly in literacy and numeracy and the educational participation and outcomes of students with disabilities. The program is available for school students from Prep to Year 12 who are educationally disadvantaged due to a range of factors including disability, a language background other than English, Aboriginal and Torres Strait Islander background, low socio-economic background and learning difficulties.



### ***English as a Second Language – New Arrivals***

Victoria receives per capita funding from the Commonwealth to improve the educational opportunities and outcomes of newly arrived students of non-English speaking backgrounds by developing their English language competence and facilitating their participation in mainstream education activities. The program is targeted to students whose first language is not English or whose language commonly spoken in the home is not English, and whose proficiency in the English language is determined to require intensive assistance to enable those students to participate fully in mainstream classroom activities.

### ***Special Commonwealth projects***

This provides for funding under the Australian Government Quality Teacher Program (AGQTP) to strengthen the skills and understanding of the teaching profession. The Program has two components: State/Territory projects that provide professional learning activities in priority areas, and strategic national initiatives, including research, investigation and evaluation of teacher and teaching related issues, particularly professional learning.

### ***Capital grants program – government schools***

The Commonwealth provides funding under this program to improve educational outcomes by assisting in the provision of school facilities, particularly in ways that contribute to raising the overall level of educational achievement of Australian school students.

### ***Human Services***

The Department receives a large number of specific purpose payments from the Commonwealth for various programs.

**Table 3.12: Department of Human Services – Commonwealth specific purpose grants**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
Health care grant	1 840.4	1 811.8	1 903.4	5.1
Home and community care	189.4	189.9	201.3	6.0
Disability services	124.1	124.1	127.9	3.1
Housing grant - other public housing	106.3	106.3	115.7	8.8
Highly specialised drugs program	90.9	87.8	100.0	13.9
Public health outcomes funding agreement	67.5	69.4	70.2	1.2
Compensation for extension of pensioner benefits	45.6	46.0	47.5	3.3
Supported accommodation assistance	36.0	36.0	36.7	1.9
COAG drug diversion initiative	13.5	11.5	12.8	11.8
National health development fund	12.6	..	..	..
Aged care assessment services	11.4	11.9	11.6	- 2.4
Housing - crisis accommodation	9.8	9.8	10.0	2.3
Special education program	6.3	6.5	6.5	..
All other current grants	6.7	12.7	8.9	- 30.0
<b>Total current grants</b>	<b>2 560.4</b>	<b>2 523.6</b>	<b>2 652.5</b>	<b>5.1</b>
<b>Capital grants</b>				
Housing - untied grants	85.3	85.3	78.6	- 7.9
Pathways home	..	..	20.0	..
All other capital grants	3.0	3.5	5.7	62.7
<b>Total capital grants</b>	<b>88.4</b>	<b>88.8</b>	<b>104.3</b>	<b>17.4</b>
<b>Total specific purpose grants</b>	<b>2 648.8</b>	<b>2 612.5</b>	<b>2 756.8</b>	<b>5.5</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

### *Health care grant*

These grants are provided through the Australian Health Care Agreement (AHCA) to assist Victoria to meet the cost of providing public hospital services to eligible persons, including inpatients, outpatients and those requiring emergency care. In 2004-05, these grants are expected to increase by \$92 million (5.1 per cent) due to allowance for population growth and ageing, demand growth and cost indexation.

### *Home and community care*

The aim of this 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.

Under the Commonwealth-State Home and Community Care (HACC) Agreement, the availability of additional Commonwealth funding requires the State to maintain existing levels of expenditure on home and community care services. Funds for expansion are provided by the Commonwealth on the basis that the State will provide matching funds based on an agreed ratio of approximately 60 per cent from the Commonwealth and 40 per cent from the State.

In 2004-05, these grants are expected to increase by \$11 million (6.0 per cent), reflecting an expansion of the program by the Commonwealth.

### *Disability services*

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 through 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.

### *Housing grant – public housing*

The Commonwealth-State Housing Agreement (CSHA) provides funding for the provision of housing assistance to low income Victorians.

Housing assistance is delivered through a number of areas including the public, community and indigenous housing sectors. Opportunities to ensure housing assistance links are effectively made with other programs are also featured in the agreement. The agreement provides for a performance indicator regime, and specifically workforce incentives and attracting investment from the non-government sector are priority areas.

### *Highly specialised drugs program*

The Commonwealth provides funds to the State to meet the cost of specialised medicines with a high unit cost that have a significant role in maintaining patients in a community setting. 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.

In 2004-05, these grants are expected to increase by \$12 million (13.9 per cent), reflecting expansion of the Pharmaceutical Benefits Scheme and the continuing approval of new and more complex drugs.

### ***Public Health Outcomes Funding Agreement***

The Public Health Outcome Funding Agreement creates flexible (broad banded) funding and accountability mechanisms to enable Victoria and the Commonwealth to work cooperatively to improve the health and wellbeing of Victorians through the enhanced delivery of specified public health activities, within the spirit of nominated nationally agreed policies and strategies.

The broad public health activities are to protect the whole population for communicable diseases, to promote lifestyle changes to prevent chronic non-communicable diseases, injury and disability, and to provide preventive services to lessen the chance of developing disease. The national strategies include AIDS education, women's health, breast screening, cervical cancer screening, national drugs strategy and illicit drugs strategy, and immunisation programs.

### ***Compensation for extension of pensioner benefits***

The Commonwealth provides partial compensation to the States for the increased cost they incur in extending state concessions to cardholders eligible under Commonwealth guidelines.

### ***Supported accommodation assistance program***

This joint Commonwealth-State funded program provides funding for support services to homeless people and those affected by family violence to assist them in transition from a crisis accommodation situation to more appropriate longer-term housing options.

### ***COAG drug diversion initiative***

The National Framework for Illicit Drug Diversion provides for a range of drug diversion initiatives. Programs cover drug diversion from the criminal justice system, drug treatment services, prevention and education initiatives, and needle and syringe services.

### ***Pathways home program***

This new five-year program, which is part of the Australian Health Care Agreement 2003-2008, is aimed at providing greater focus on the care and services provided to support the transition of patients from hospital to home.

### ***Infrastructure***

Specific purpose grants in 2004-05 are expected to increase by \$155 million (152.4 per cent), compared to the 2003-04 revised estimate.

**Table 3.13: Department of Infrastructure – Commonwealth specific purpose grants**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
Interstate road transport	2.8	9.5	9.5	..
<b>Capital grants</b>				
Roads	140.2	92.3	247.3	168.1
<b>Total specific purpose grants</b>	<b>143.0</b>	<b>101.8</b>	<b>256.8</b>	<b>152.4</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

### *Interstate road transport*

The *Interstate Road Transport Act 1985* provides for the registration of vehicles and licensing of operators engaged in interstate trade and commerce under the Federal Interstate Registration Scheme (FIRS). The registration charge is designed to ensure that owners of vehicles solely engaged in interstate trade and commerce make a reasonable contribution to the maintenance costs of interstate roads. Since 1995, national heavy vehicle charges have been implemented.

An agreed share of the revenue collected by the Commonwealth is paid to each State and Territory.

### *Roads*

Commonwealth grants for land transport are made through the Australian Land Transport Development Program. Grants from this program are used to construct and maintain national highways and contribute to projects on declared Roads of National Importance (RONIs). These allocations are generally project specific and are made to foster economic development by improving road infrastructure.

National highways in Victoria comprise the Hume, Sturt, Goulburn Valley and Western Highways and the section of the Ring Road between the Hume and Western Highways. The Calder Highway, Geelong Road and Pakenham Bypass are declared RONIs.

In 2004-05, road grants are estimated to be \$247 million, an increase of \$155 million compared to revised 2003-04 funding. This is predominantly due to changes in project cash flows.

### *Justice*

Specific purpose grants in 2004-05 are estimated to be \$23 million (24.1 per cent) lower than the 2003-04 revised estimate.

**Table 3.14: Department of Justice – Commonwealth specific purpose grants**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
Compensation for transfer of corporate regulatory function to Commonwealth	44.1	44.1	44.1	..
Legal Aid	27.8	27.9	27.9	..
National firearms program	..	20.3	..	- 100.0
All other current grants	1.0	3.9	1.0	-74.4
<b>Total current grants</b>	<b>72.9</b>	<b>96.2</b>	<b>73.0</b>	<b>- 24.1</b>
<b>Total specific purpose grants</b>	<b>72.9</b>	<b>96.2</b>	<b>73.0</b>	<b>- 24.1</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

### *Compensation for transfer of corporate regulatory functions*

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.

### *Victoria Legal Aid*

Commonwealth specific purpose grants are also 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.

The grant provided to Victoria for the operating cost of Victoria Legal Aid in 2004-05 is \$28 million, which is unchanged from the 2003-04 revised estimate. The grant is paid directly to Victoria Legal Aid while funds for community legal centres are paid as a separate grant for distribution to the relevant centres.

### *National firearms program*

The program provided funding for the national handgun buyback process in Victoria from 1 July 2003 until 1 January 2004.

### *Primary Industries*

Specific purpose grants in 2004-05 are estimated to be \$10 million (41.3 per cent) lower than the 2003-04 revised estimate.

**Table 3.15: Department of Primary Industries – Commonwealth specific purpose grants**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
Exceptional circumstances relief payments	..	18.5	10.0	- 45.9
Other current grants	6.0	5.7	4.2	- 26.3
<b>Total current grants</b>	<b>6.0</b>	<b>24.2</b>	<b>14.2</b>	<b>- 41.3</b>
<b>Total specific purpose grants</b>	<b>6.0</b>	<b>24.2</b>	<b>14.2</b>	<b>- 41.3</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

### *Exceptional circumstances relief payments*

These grants represent the Commonwealth's share of interest rate subsidies for Victorian farmers in municipalities that were declared to be drought-affected in 2002-03 and 2003-04. The requirement for these grants is expected to decline by \$9 million (45.9 per cent) in 2004-05 compared to 2003-04.

### **Sustainability and Environment**

Specific purpose grants in 2004-05 are estimated to be \$7 million (16.3 per cent) lower than the 2003-04 revised estimate.

### *National Action Plan for Salinity and Water Quality*

The Commonwealth is matching state funding until 2008-09 to prevent, stabilise and reverse trends in salinity, particularly dryland salinity, conserve biological diversity and improve water quality. The plan will also secure reliable water allocations for human uses, industry and the environment.

**Table 3.16: Department of Sustainability and Environment – Commonwealth specific purpose grants**

	(\$ million)			Change <sup>(a)</sup>
	2003-04 Budget	2003-04 Revised	2004-05 Budget	%
<b>Current grants</b>				
National Action Plan - Salinity and water quality	22.4	22.4	22.4	..
National heritage trust	14.0	11.5	10.1	- 12.2
All other current grants	5.3	5.3	..	- 100.0
<b>Total current grants</b>	<b>41.7</b>	<b>39.2</b>	<b>32.5</b>	<b>- 17.1</b>
<b>Capital grants</b>				
National heritage trust - Wimmera Mallee pipeline	..	2.0	2.0	..
<b>Total capital grants</b>	<b>..</b>	<b>2.0</b>	<b>2.0</b>	<b>..</b>
<b>Total specific purpose grants</b>	<b>41.7</b>	<b>41.2</b>	<b>34.5</b>	<b>- 16.3</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

### **Natural Heritage Trust**

The natural resources and environmental management program aims to accelerate Australia's move to environmental sustainability and is designed to increase on-ground activities that address the causes of natural resource and environmental degradation. The program is based on approved investments including those developed through accredited regional catchment strategies for each of Victoria's ten catchment management authorities.

The three current over-arching programs are the Envirofund, Regional Investments and National State Investments, which are delivered through four major themes:

- landcare: reversing land degradation and promoting sustainable agriculture;
- bushcare: conserving and restoring habitat for our unique native flora and fauna which underpins the health of our landscapes;
- rivercare: improving water quality and environmental flows in our river systems and wetlands; and
- coastcare: protecting our coastal catchments, ecosystems and marine environment.

### **Treasury and Finance**

Specific purpose grants in 2004-05 are estimated to be \$40 million (86.7 per cent) lower than the 2003-04 revised estimate.



### *Natural disaster relief arrangements*

The Commonwealth reimburses Victoria for part of what it has spent on relief assistance following an eligible natural disaster, thereby easing the burden placed on state resources. In 2004-05, these grants are expected to decrease by \$29 million (96.5 per cent) compared to the previous year as Commonwealth reimbursement of funding for the 2003 bushfires has been almost finalised.

**Table 3.17: Department of Treasury and Finance – Commonwealth specific purpose grants**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
National disaster relief arrangements	50.0	30.1	1.0	- 96.5
Tax compensation payments	9.0	9.0	..	- 100.0
Borrowing cost compensation	5.0	5.0	5.0	..
All other current grants	1.4	1.4	0.0	- 99.6
<b>Total current grants</b>	<b>65.4</b>	<b>45.5</b>	<b>6.0</b>	<b>- 86.7</b>
<b>Total specific purpose grants</b>	<b>65.4</b>	<b>45.5</b>	<b>6.0</b>	<b>- 86.7</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

### *Tax compensation payments*

Snowy Hydro Limited is a corporatised intergovernment entity that is responsible for managing the Snowy Mountains Hydro Electric Scheme. The shareholders are Victoria, New South Wales and the Commonwealth.

Under a tax compensation deed, the Commonwealth in 2003-04 paid Victoria (and New South Wales) compensation payments for the taxation that Snowy Hydro Limited previously paid to the Commonwealth.

### **Specific purpose grants for on-passing**

Not all specific purpose grants are for state budget programs. A substantial proportion of these are for 'on-passing' 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.

### *Assistance for non-government schools*

This program provides funds to help non-government schools and systems with the recurrent 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 Average Government School Recurrent Costs (AGSRC), and payable to schools with an SES score of 130 or more. The maximum payment is set at 70 per cent of the AGSRC and payable to schools with SES scores of 85 or below.

Funding to non-government schools is expected to increase by \$121 million (10.6 per cent) in 2004-05, compared to the 2003-04 revised estimate.

**Table 3.15: Commonwealth grants for on-passing**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	2004-05 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
Assistance to non-government schools	1 077.9	1 114.0	1 234.7	10.8
Targeted programs for non-government schools	55.8	56.4	58.6	3.9
Financial assistance grants to local government	253.8	260.0	268.3	3.2
<b>Total current grants</b>	<b>1 387.5</b>	<b>1 430.4</b>	<b>1 561.5</b>	<b>9.2</b>
<b>Capital grants</b>				
Non-government schools	28.3	28.6	29.0	1.4
Identified local roads grants to local government	93.3	96.0	98.9	3.0
<b>Total capital grants</b>	<b>121.6</b>	<b>124.6</b>	<b>127.9</b>	<b>2.7</b>
<b>Total specific purpose grants</b>	<b>1 509.0</b>	<b>1 555.0</b>	<b>1 689.5</b>	<b>8.6</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2003-04 Revised and 2004-05 Budget.

### *General purpose financial assistance to local government*

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 \$8 million between 2003-04 and 2004-05, reflecting upwards revision of the Commonwealth's estimates of CPI and population growth.

### *Targeted programs for non-government schools*

The program includes support in areas including English as a second language, languages other than English, disability, geographic disadvantage (country areas), human services and other strategic assistance.

### *Identified road grants to local government*

This funding is paid under the *Local Government (Financial Assistance) Act 1995* and distributed through the Victorian Grants Commission.

## CHAPTER 4 – TAX EXPENDITURES AND CONCESSIONS

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Concessions are an important source of income support to different sectors of the community, valued at \$819 million in 2003-04. As part of an ongoing process of improving the accountability, transparency and breadth of focus of the state budget, the Victorian Government is introducing a range of initiatives to improve concession arrangements. The aim is to make concessions and tax expenditures more transparent, more efficient and more responsive to the changing needs of the community.

The concessions reform package is intended to focus resources to those groups in society in great need, including those low-income Victorians supporting children. It will also help to improve health and education outcomes for some of the most disadvantaged Victorians.

In addition, the Government is providing increased tax relief for concession cardholders by increasing the threshold to which a full exemption from conveyancing duty applies. This ensures that recent house price increases will not reduce access to the concession. This follows reforms introduced last year in which the payroll tax exemption for the wages of apprentices and trainees was replaced with a completion bonus scheme. The completion bonus scheme ensured better targeting of resources towards the completion of training programs and the achievement of *Growing Victoria Together* goals.

### Tax expenditures

Tax expenditures are tax concessions granted to certain taxpayers, activities or assets, which are a deviation from the normal taxation treatment or benchmark taxation. This includes tax-free thresholds and can also take the form of exempting or applying a lower rate, deduction or rebate of a tax for a certain class of taxpayer, activity or asset (this excludes generally applying marginal tax rates).

Table 4.1 shows aggregate tax expenditures by the main categories of tax for the period 2003-04 to 2007-08. The increase in tax expenditures from \$1 993 million in 2003-04 to \$2 195 million in 2005-06 mainly reflects the rise in land prices experienced in recent years and its flow-on impact on land tax concessions. However, land tax reform has reduced the magnitude of this impact.

**Table 4.1: Aggregate tax expenditures (excluding thresholds) by type of tax**

<i>Description</i>	<i>(\$ million)</i>				
	<i>2003-04 Estimate</i>	<i>2004-05 Estimate</i>	<i>2005-06 Estimate</i>	<i>2006-07 Estimate</i>	<i>2007-08 Estimate</i>
Land tax	1 169	1 281	1 410	1 347	1 292
Payroll tax	494	475	485	497	510
Gambling tax	63	65	70	74	79
Other stamp duties	139	161	156	158	159
Motor vehicle taxes	128	70	74	77	81
<b>Total estimated tax expenditures</b>	<b>1 993</b>	<b>2 052</b>	<b>2 195</b>	<b>2 153</b>	<b>2 121</b>

*Source: Department of Treasury and Finance*

Table 4.2 lists individual tax expenditures that can be costed and that exceed zero after rounding, for the period 2002-03 to 2004-05 (including tax-free thresholds).

Including the estimated value of the tax-free thresholds for land and payroll tax, the total value of tax assistance provided by the Government is estimated at \$3.5 billion in 2004-05.

Estimates of several land tax expenditures vary from previous years, reflecting the use of more sophisticated estimation techniques.

Several initiatives have been announced for land tax reform in 2004-05. The tax-free threshold for land tax will be increased to \$175 000, and the middle land tax thresholds (those from \$675 000 to \$1 080 000) will be increased by 10 per cent over a two-year period (2004-05 and 2005-06). The top land tax rate will be reduced from 5 per cent to 4 per cent in 2004-05 (2005 land tax year), and will then be reduced by 0.25 percentage points a year until it reaches 3 per cent in 2008-09. The additional tax expenditure cost of these initiatives is estimated at \$124 million in 2004-05. The 2004 land tax rates will apply to the annual land tax on electricity transmission easements.

Changes to the conveyancing duty concessions affect the tax expenditures for this tax:

- Victorian first home buyers who qualify for the Government's current \$7 000 First Home Owner Grant (FHOG) for purchases made on or after 1 May 2004 now qualify for the Victorian Government's one-off additional \$5 000 *First Home Bonus* until 30 June 2005 (subject to a price cap of \$500 000). During the period the more generous \$5 000 grant is available, the stamp duty exemptions for first home buyers with families will be suspended; and
- from 1 May 2004, concession cardholders will be eligible for a full stamp duty exemption on properties valued up to \$250 000 (currently \$150 000) and a partial exemption on properties valued up to \$350 000 (currently \$200 000). This exemption cannot be received in conjunction with the Victorian Government's one-off additional \$5 000 *First Home Bonus*.

Currently, pensioner, health care and Department of Veteran Affairs gold cardholders (TPI) receive a 100 per cent concession on their motor vehicle registration fee. From 1 July 2004, the concession will be reduced to 50 per cent of the registration fee. In addition, there will be improved compliance measures to ensure that only valid concession cardholders receive entitlement to discounted registration. The reduction in the motor vehicle registration concession to all concession cardholders will enable the Government to increase funding for a range of programs designed to improve education and health outcomes and help low-income households afford essential bills. This will be discussed further in the concessions section of this chapter.

**Table 4.2: Tax expenditures that can be costed and exceed zero (including thresholds)**

	(\$ million)		
<i>Description</i>	<i>2002-03 Estimate</i>	<i>2003-04 Estimate</i>	<i>2004-05 Estimate</i>
<b>Land tax</b>			
Land tax exemption for property of the Crown in right of the State of Victoria	245	287	314
Principal place of residence exemption from land tax	275	322	378
Land tax exemption for land held in trust for public or municipal purposes or vested in any municipality	109	127	127
Land tax exemption for land used by a charitable institution exclusively for charitable purposes	66	78	93
Land tax exemption for Commonwealth land	96	112	108
Land tax exemption for land used for primary production	60	71	70
Land tax exemption for land which is vested in a public statutory authority	69	80	96
Exemption from land tax for the City Link corporation in respect of land used for the City Link network	9	10	10
Assessment of land tax on a single holding basis for land owned by a municipality and not used for other purposes	3	4	4
Land tax concessional rate for non-profit organisations carried on exclusively for social, sporting, cultural, literary purposes; or horse, pony or harness racing	15	18	18
Assessment of land tax on a single holding basis for land owned by a charity and not used for other purposes	5	6	9
Land tax exemption for retirement villages	14	16	16
Land tax exemption for a non-profit organisation providing or promoting outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	14	16	16
Land tax exemption for friendly societies	9	11	11
Land tax exemption for associations of ex-servicemen	9	11	11
Exemption from land tax-aggregated site value below \$150 000 (\$175 000 from 2004-05)	20	23	29
<b>Total land tax</b>	<b>1 018</b>	<b>1 192</b>	<b>1 310</b>
<b>Payroll tax</b>			
Payroll tax exemption for public hospitals	162	165	171
Payroll tax exemption for wages paid by a public benevolent institution or charity	122	126	129
Payroll tax exemption for wages paid by a non-profit, non-public, school	61	63	65
Payroll tax exemption for wages paid to an approved apprentice or trainee	60	30	..

**Table 4.2: Tax expenditures that can be costed and exceed zero (including thresholds) - *continued***

	(\$ million)		
<i>Description</i>	<i>2002-03 Estimate</i>	<i>2003-04 Estimate</i>	<i>2004-05 Estimate</i>
Payroll tax exemption for Commonwealth Government departments and agencies, other than transport and communication enterprises	41	42	44
Payroll tax exemption for wages paid by non-profit hospitals	23	26	27
Payroll tax exemption for municipal councils (except wages associated with a council's trading activities)	25	24	25
Exemption from payroll tax for provision of fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986</i> (Commonwealth)	12	13	9
Payroll tax exemption for religious institutions	3	3	3
Payroll tax exemption for leave entitlements paid by the Construction Industry Long Service Leave Board (now CoINVEST)	1	1	1
Payroll tax exemption for paid maternity leave	..	1	1
Payroll tax exemption for employers' payroll below \$550 000	1 395	1 418	1 441
<b>Total payroll tax</b>	<b>1 905</b>	<b>1 912</b>	<b>1 916</b>
<b>Gambling tax</b>			
Lower rate of tax applied to the net cash balance of electronic gaming machines located in clubs	65	63	65
<b>Total gambling tax</b>	<b>65</b>	<b>63</b>	<b>65</b>
<b>Other stamp duties</b>			
Stamp duty exemptions for corporate reconstruction	122	128	133
Conveyance duty concession for family first home buyers	2	1	..
Conveyance duty concession for concession cardholders	6	10	28
<b>Total other stamp duties</b>	<b>130</b>	<b>139</b>	<b>161</b>
<b>Motor vehicle taxes</b>			
Exemption from motor vehicle (non-commercial) registration fee for eligible beneficiaries	106	122	64
Exemption from registration fee for a vehicle of 4.5 tonnes or less that is used solely for primary production	3	4	4
Registration fee concession for commercial passenger vehicle licensed for the carriage of school children	1	1	1
Registration fee exemption for non-commercial vehicle owned by an incapacitated war service pensioner	..	1	1
Motor vehicle duty concession for incapacitated and disabled persons	..	..	..
<b>Total motor vehicle taxes</b>	<b>110</b>	<b>128</b>	<b>70</b>
<b>Total estimated tax expenditures</b>	<b>3 228</b>	<b>3 434</b>	<b>3 522</b>

*Source: Department of Treasury and Finance*

The ratio of tax expenditures to tax revenue for 2003-04 is estimated at 19 per cent (Table 4.3), the same as in 2002-03.

**Table 4.3: Estimated aggregate tax expenditures (excluding thresholds) and tax revenue in 2003-04**

(\$ million)

<i>Description</i>	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	1 169	768	1.52
Payroll tax	494	2 701	0.18
Gambling tax	63	1 323	0.05
Other stamp duties	139	2 919	0.05
Motor vehicle taxes	128	1 226	0.10
Other/miscellaneous	..	1 303	0.00
<b>Total for items estimated</b>	<b>1 993</b>	<b>10 240</b>	<b>0.19</b>

Source: Department of Treasury and Finance

Table 4.4 provides a grouping of estimated tax expenditures to particular persons or entities based on the legal incidence of state taxes. The rise in tax expenditures for Commonwealth and state governments mainly reflects the large increase in land tax exemptions for Crown property and Commonwealth land, following increases in land values.

**Table 4.4: Aggregate tax expenditures (excluding thresholds) classified by persons or entities affected**

(\$ million)

<i>Description</i>	<i>2002-03 Estimate</i>	<i>2003-04 Estimate</i>	<i>2004-05 Estimate</i>
Business	143	151	152
Construction industry	1	1	1
Charitable organisations	193	210	231
Employers	60	30	..
Educational institutions	62	64	66
Gambling clubs	65	63	65
Commonwealth and state government	451	521	562
Local government	137	155	156
Hospitals	185	191	198
Pensioners/concession cardholders	135	160	120
Property owners	275	322	378
Primary producers	63	75	74
Religious institutions	3	3	3
Sporting, recreation and cultural organisations	29	34	34
Other	11	13	12
<b>Total for items estimated</b>	<b>1 813</b>	<b>1 993</b>	<b>2 052</b>

Source: Department of Treasury and Finance



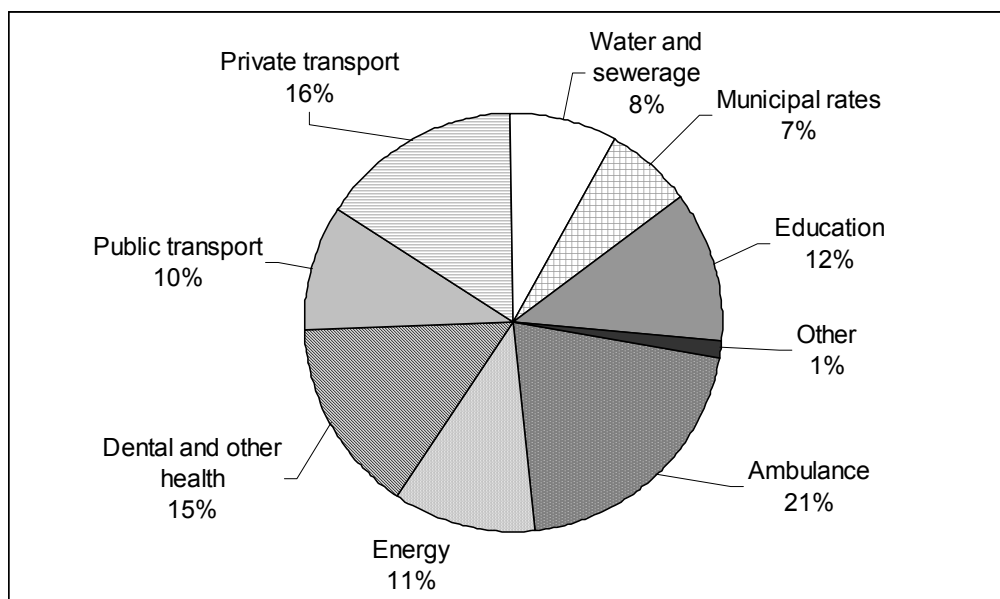
## CONCESSIONS

This is the first year that Victorian Government concessions have been reported in the budget papers. The aim is to improve transparency of an important and growing component of state assistance to disadvantaged Victorians. This enhanced reporting of concessions is part of a broader reform of concession programs in the 2004-05 Budget.

Concessions are a direct budget outlay or reduction in government charges that has 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 pensioner card or a health care card, are the basis for holding an entitlement. The average value of current concessions to pensioner concession cardholders is between \$600 and \$800 a year, and for health care cardholders between \$400 and \$600 a year. Pensioner concession cardholders, including both part and full pensioners, have income ranges from \$12 069 a year to \$33 644 a year (subject to certain asset value tests).

Chart 4.1 shows the estimated expenditure on concessions by category for 2003-04. The majority of concessions are concentrated in health and transport, accounting for around 60 per cent of the total value of concessions. Energy and education together make up almost a quarter of the concessions.

**Chart 4.1: Estimated concessions by category 2003-04<sup>(a)</sup>**



Source: Department of Treasury and Finance and Department of Human Services Concessions Unit Annual Report

Note:

(a) The components within the chart do not sum to 100 per cent, due to rounding.

Table 4.5 classifies the major concessions provided by the Victorian Government by the various categories. The estimated total value of major concessions in 2003-04 is \$819 million, up from \$797 million in 2002-03. With the concession reforms announced for 2004-05, it is estimated that there will be a rise in the total value of concessions to \$890 million in 2004-05.

**Table 4.5: Estimated concessions by category<sup>(a)</sup>**

(\$ million)

<i>Description</i>	<i>2002-03 Actual</i>	<i>2003-04 Estimate</i>	<i>2004-05 Estimate</i>
Energy	93	90	93
Municipal rates	58	55	65
Water and sewerage	58	68	67
Education	89	96	110
Health <sup>(b)</sup>	291	291	309
Hardship assistance <sup>(b)</sup>	12	11	11
Transport <sup>(b)</sup>	196	208	235
<b>Total for items estimated</b>	<b>797</b>	<b>819</b>	<b>890</b>

Source: Department of Treasury and Finance and Department of Human Services Concessions Unit Annual Report

Notes:

(a) These figures include the cost of administration.

(b) Department of Treasury and Finance estimates have been used for some of the 2003-04 and 2004-05 figures.

Concessions allow certain groups in the community to access and/or purchase important amenities like energy, education, health and transportation at a cheaper rate or zero cost.

The energy category mainly includes concessions for electricity and gas usage, as well as several other smaller concessions related to energy usage. Concessions are given for municipal rates and water and sewerage charges. Education concessions include the education maintenance allowance and the student transport allowance.

Health is the largest category and includes free emergency ambulance transport for concession cardholders, as well as school, community and specialist dental services and optical concessions. Health also includes the community health programs.

Hardship assistance programs include the utility relief and capital grant schemes and trustees services. These schemes provide one-off assistance to concession cardholders for, among other things, the upgrade of essential appliances or to pay utility bills in the event of an unforeseen financial crisis.

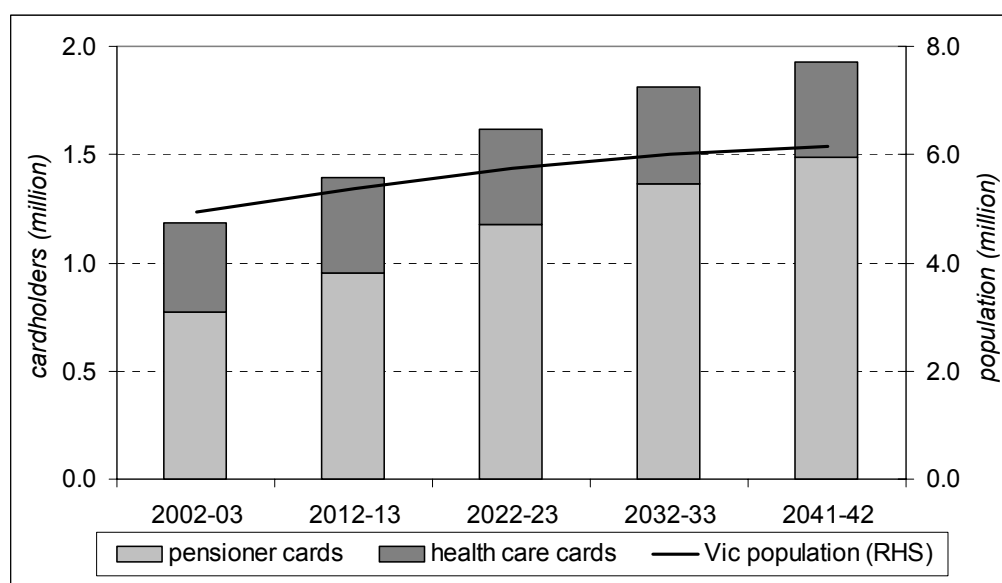
Transport concessions consist of a discount on Transport Accident Commission (TAC) premiums for pensioners and funding for the multi-purpose taxi program, as well as public transport concessions. The motor vehicle registration exemption for concession cardholders is classified as a tax expenditure and is discussed earlier in the chapter. It does, however, have some similarities with other concession programs and, for the purpose of reforming state concessions, was considered alongside concession programs.

Further information regarding Victorian Government concessions can be found in the Department of Human Services Concessions Unit Annual Report.

### Fiscal sustainability of concessions

Work on fiscal sustainability has highlighted the potentially large growth in concession cardholders over the next 20 to 40 years. As part of the Victorian Government’s current work on long-term fiscal sustainability, prospective growth in concessions expenditure is an issue that the Government is monitoring. Modelling conducted for the Victorian Government by the National Centre for Social and Economic Modelling (NATSEM) indicates that the number of concession cardholders in Victoria will grow more than twice as fast as the growth in the general population (Chart 4.2). Most of this growth will come from increasing numbers of aged pensioners as a result of the ageing of the population. In fact, NATSEM has estimated that there will be a 24 per cent growth in the number of pensioners by 2012-13 and that, by 2041-42, 61 per cent of Victorian families will have access to a concession card.

**Chart 4.2: Growth in concession cardholders compared to growth in population**



Source: NATSEM, Department of Treasury and Finance

Furthermore, as part of an Intergovernmental Agreement, the Victorian Government provides the full range of concessions to part pensioners as well as full pensioners in return for partial funding of this extension by the Commonwealth.

By their nature, some concessions such as council rates and motor vehicle registration concessions tend to provide greater benefits to those concession cardholders who hold a larger number or value of assets (e.g. cars and housing) compared with those holding less or no assets.

### **A new concessions package to support low-income Victorians**

The history of state concession provision indicates a haphazard approach that has failed to consider the different circumstances of a range of disadvantaged groups.

The Victorian Government has undertaken a major transformation of its concession programs to ensure that they are better targeted and create greater equity and fairness. The reforms outlined in this budget will provide a substantial benefit to the most disadvantaged, while maintaining the overall budget commitment to support for low-income earners. For the first time, this overhaul has provided a comprehensive understanding of the value of the full range, and types of recipients, of concession card benefits provided by the Victorian Government.

As a result, a substantial increase and major redirection of state funding for concession cardholders will occur. The focus of this package is low-income families, health care cardholders and students. From this budget, \$403 million will be provided for the following:

- \$43 million over four years to increase the municipal rates concession to pensioners;
- \$19 million over four years to annually index the EMA, rates and water concessions to ensure the real value of benefits is maintained;
- \$78 million over four years to extend eligibility for concessions on public transport to all health care cardholders;
- \$15 million over four years to reduce the tertiary student public transport concession card annual fee (currently \$87) to bring it in line with the fee for secondary school students (currently \$8);
- \$58 million over four years to reduce dental waiting lists and reduce the need for emergency treatment;
- \$27 million over four years to provide free dental services to preschool-aged children of low-income earners and more frequent dental services to school-aged children of low-income earners;
- \$74 million over four years to increase the education maintenance allowance;
- \$87 million over four years for an expansion to the current conveyance duty exemption for concession cardholders (details provided in the tax expenditures section of this chapter); and

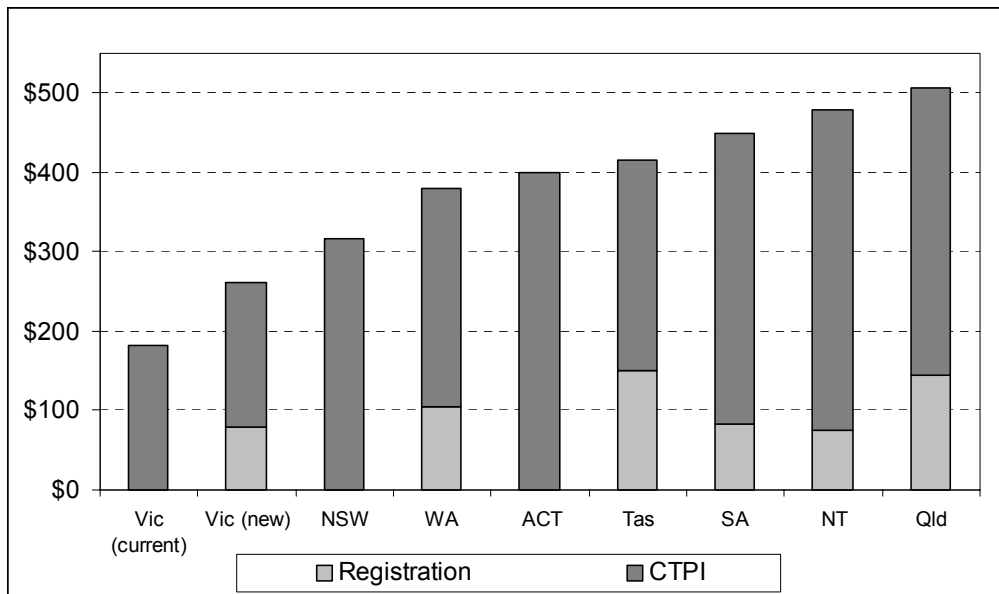
- \$1.5 million in 2004-05 to improve compliance measures to ensure only valid concession cardholders receive concessions so that the maximum benefit is delivered to the most disadvantaged.

The details of these service delivery initiatives are provided in Budget Paper No. 3, Chapter 1, *Service and Budget Initiatives*.

The Government will fund these reforms by providing \$123 million of new funding over four years and reducing the motor vehicle registration concession. Currently, pensioner, health care and Department of Veteran Affairs gold cardholders (TPI) receive a 100 per cent concession on their motor vehicle registration fee. From 1 July 2004, the concession will be reduced to 50 per cent of the registration fee. This redistribution and increase of funding is designed to improve education and health outcomes, and help households afford essential bills.

Even after this policy initiative, Victorian concession cardholders with a typical family car will still be provided with the lowest cost motor vehicle registration and compulsory third party insurance (CTPI) package of any State or Territory. Chart 4.3 compares the current and new registration and TAC charges for Victorian pensioners with those of other States. An analysis of the policy effect on health care cardholders and different vehicle types also found similar results.

**Chart 4.3: Total motor vehicle registration and TAC bill for pensioner concession cardholders<sup>(a)</sup>**



Source: Department of Treasury and Finance

Note:

(a) The analysis in Chart 4.3 is based on 2003-04 registration and compulsory third party insurance costs of a six cylinder family car. Analysis of several other vehicles, including older four cylinder cars, produced similar results.

As part of this transformation, the Government will also put in place major changes in the administration of concessions, to ensure that:

- they are delivered in the most equitable and transparent way;
- only those who are eligible for concessions receive them; and
- the maximum benefit is delivered to the most disadvantaged.

Where feasible, automatic electronic verification of eligibility for concession claims against Centrelink databases will be initiated, administration and responsibilities will be centralised and clarified, and transparency will be improved.

Concessions have a significant role in assisting the most disadvantaged in our community to participate fully in the economic, social and educational aspects of society. The Government's reforms are aimed at improving the delivery, focus and efficiency of concessions so that the available opportunities for all Victorians are maximised.

## CHAPTER 5 – PUBLIC ACCOUNT

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The Public Account is the Government's official bank account. The Account holds the 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 Act 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.

### 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 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 this include specific purpose payments from the Commonwealth on-passed by the State to third parties, holding balances in suspense accounts for accounting purposes, working accounts for commercial and departmental service units, and 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 5.1: The Consolidated Fund**

Estimated receipts and payments for the year ending 30 June 2004 and for the year ending 30 June 2005.

	(\$ million)		
	2003-04 Budget	2004-05 Budget	Variation %
<b>Receipts</b>			
Taxation	9 475	10 255	8.2
Fines and regulatory fees	466	416	-10.7
Grants received	10 327	10 929	5.8
Sales of goods and services (including S.29 FMA annotated)	549	582	6.0
Interest received	123	249	101.5
Public authority income	433	700	61.7
Other receipts	1 796	2 408	34.1
<b>Total operating activities</b>	<b>23 170</b>	<b>25 538</b>	<b>10.2</b>
<b>Total cash inflows from investing and financing</b>	<b>422</b>	<b>66</b>	<b>-84.4</b>
<b>Total receipts</b>	<b>23 592</b>	<b>25 604</b>	<b>8.5</b>
<b>Payments</b>			
Special appropriations	1 977	1 477	-25.3
Appropriations <sup>(a)</sup>			
Provision of outputs	18 378	20 646	12.3
Additions to the net asset base	1 087	1 237	13.8
Payments made on behalf of the State	1 626	1 760	8.3
Receipts credited to appropriation			
Provision of outputs	1 276	1 495	17.2
Additions to the net asset base	164	179	8.9
<b>Sub total</b>	<b>24 508</b>	<b>26 795</b>	<b>9.3</b>
Applied appropriations remaining unspent relating to the 2003-04 appropriations	- 218	- 313	
<b>Total payments</b>	<b>24 290</b>	<b>26 483</b>	<b>9.0</b>

Source: Department of Treasury and Finance

Note:

(a) Includes unspent appropriations from previous year.



**Table 5.2: Consolidated Fund receipts**

	(\$ thousand)		
	2003-04 Budget	2004-05 Budget	Variation %
<b>Operating receipts</b>			
<b>Taxation</b>			
Payroll tax	3 074 703	3 233 802	5.2
Property tax	768 000	916 672	19.4
Stamp duty			
Land transfer duty	1 855 100	2 249 700	21.3
Stamp duties	233 433	114 054	-51.1
Financial accommodation levy	5 668	7 434	31.2
Financial transaction taxes	249 486	248 900	-0.2
Other property taxes	..	..	..
Gambling			
Private lotteries	360 043	364 300	1.2
Electronic gaming machines	880 632	827 253	-6.1
Casino taxes	103 884	112 400	8.2
Racing	103 278	109 520	6.0
Other gambling	3 299	2 700	-18.2
Insurance	668 465	747 400	11.8
Motor vehicle			
Road Safety Act (Registration Fees)	572 514	671 800	17.3
Stamp duty on vehicle transfers	517 335	570 000	10.2
Other drivers' licences	72 878	72 000	-1.2
Franchise fees			
Petroleum	..	..	..
Tobacco	..	..	..
Liquor	6 273	6 600	5.2
Energy (Electricity)	..	..	..
<b>Total</b>	<b>9 474 991</b>	<b>10 254 535</b>	<b>8.2</b>
<b>Fines and regulatory fees</b>			
Fines	347 140	281 387	-18.9
Regulatory fees	118 495	134 204	13.3
<b>Total</b>	<b>465 635</b>	<b>415 591</b>	<b>-10.7</b>
<b>Grants received</b>			
<b>Grants received by department</b>			
Department of Education and Training	465 637	529 500	13.7
Department of Human Services	2 648 758	2 756 809	4.1
Department of Infrastructure	143 040	256 780	79.5
Department of Innovation, Industry and Regional Development	..	..	..
Department of Justice	46 539	45 053	-3.2
Department of Premier and Cabinet	..	..	..
Department of Primary Industries	6 000	19 900	..
Department of Sustainability and Environment	41 710	34 500	-17.3
Department of Treasury and Finance	6 972 493	7 286 695	4.5
Department for Victorian Communities	3 096	23	-99.3
Parliament	..	..	..
<b>Total</b>	<b>10 327 273</b>	<b>10 929 260</b>	<b>5.8</b>

**Table 5.2: Consolidated Fund receipts (continued)**

(\$ thousand)

	2003-04 Budget	2004-05 Budget	Variation %
<b>Sales of goods and services</b>	<b>549 131</b>	<b>581 807</b>	<b>6.0</b>
<b>Interest received</b>	<b>123 468</b>	<b>248 789</b>	<b>101.5</b>
<b>Public authority income</b>			
Public authority dividends	272 808	477 744	75.1
Public authorities income tax equivalent receipts	156 697	218 922	39.7
Public authorities local government tax equivalent receipts	3 200	3 121	-2.5
<b>Total</b>	<b>432 705</b>	<b>699 787</b>	<b>61.7</b>
<b>Other receipts</b>			
Land rent received	14 597	15 145	3.8
Royalties received	44 617	43 045	-3.5
Other	1 737 103	2 350 167	35.3
<b>Total</b>	<b>1 796 317</b>	<b>2 408 357</b>	<b>34.1</b>
<b>Total operating activities</b>	<b>23 169 520</b>	<b>25 538 126</b>	<b>10.2</b>
<b>Cash inflows from investing and financing</b>			
Loans to GBEs	20 050	20 000	-0.2
Proceeds from sale of investments	365 559	..	-100.0
Other loans	1 818	..	-100.0
Other	34 892	45 930	31.6
<b>Total cash inflows from investing and financing</b>	<b>422 319</b>	<b>65 930</b>	<b>-84.4</b>
<b>Total Consolidated Funds receipts</b>	<b>23 591 839</b>	<b>25 604 056</b>	<b>8.5</b>

Source: Department of Treasury and Finance

**Table 5.3: Consolidated Fund payments: summary**

(\$ thousand)

	2003-04 Budget	2004-05 Budget	Variation %
<b>Education and Training</b>			
Special appropriations	250	250	..
Annual appropriations <sup>(a)</sup>	5 762 943	6 150 243	6.7
<b>Total</b>	5 763 193	6 150 493	6.7
<b>Human Services</b>			
Special appropriations	1 136 437	1 032 100	-9.2
Annual appropriations <sup>(a)</sup>	7 514 247	8 780 456	16.9
<b>Total</b>	8 650 684	9 812 556	13.4
<b>Infrastructure</b>			
Annual appropriations <sup>(a)</sup>	2 981 235	3 309 961	11.0
<b>Total</b>	2 981 235	3 309 961	11.0
<b>Innovation, Industry and Regional Development</b>			
Annual appropriations <sup>(a)</sup>	364 647	388 657	6.6
<b>Total</b>	364 647	388 657	6.6
<b>Justice</b>			
Special appropriations	112 227	98 985	-11.8
Annual appropriations <sup>(a)</sup>	2 208 462	2 607 657	18.1
<b>Total</b>	2 320 689	2 706 642	16.6
<b>Premier and Cabinet</b>			
Special appropriations	4 624	5 004	8.2
Annual appropriations <sup>(a)</sup>	405 725	460 601	13.5
<b>Total</b>	410 349	465 605	13.5
<b>Primary Industries</b>			
Annual appropriations <sup>(a)</sup>	341 877	319 969	-6.4
<b>Total</b>	341 877	319 969	-6.4
<b>Sustainability and Environment</b>			
Special appropriations	..	..	..
Annual appropriations <sup>(a)</sup>	875 186	806 429	-7.9
<b>Total</b>	875 186	806 429	-7.9
<b>Treasury and Finance</b>			
Special appropriations	573 901	197 561	-65.6
Annual appropriations <sup>(a)</sup>	1 646 747	1 886 830	14.6
<b>Total</b>	2 220 648	2 084 391	-6.1
<b>Victorian Communities</b>			
Special appropriations	115 500	109 100	-5.5
Annual appropriations <sup>(a)</sup>	347 617	515 656	48.3
<b>Total</b>	463 117	624 756	34.9
<b>Parliament</b>			
Special appropriations	33 819	34 372	1.6
Annual appropriations <sup>(a)</sup>	82 155	91 193	11.0
<b>Total</b>	115 974	125 565	8.3
<b>Total special appropriations</b>	<b>1 976 758</b>	<b>1 477 372</b>	<b>-25.3</b>
<b>Total annual appropriations</b>	<b>22 530 841</b>	<b>25 317 651</b>	<b>12.4</b>
<b>Total appropriations</b>	<b>24 507 599</b>	<b>26 795 023</b>	<b>9.3</b>

Source: Department of Treasury and Finance

Notes:

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

**Table 5.4: Consolidated Fund payments: special appropriations**

(\$ thousand)			
	2003-04 Budget	2004-05 Budget	Variation %
<b>Education and Training</b>			
Education Act No. 6240, Section 34 - Volunteer Workers Compensation	250	250	0.0
	<b>250</b>	<b>250</b>	<b>0.0</b>
<b>Human Services</b>			
Gaming and Betting Act No. 37 of 1994 Section 80 - Hospitals and Charities Fund	103 278	109 600	6.1
Casino Control Act No. 47 of 1991, Section 114 - Hospitals and Charities Fund	9 621	10 500	9.1
Casino Control Act No. 47 of 1991, Section 114B - Hospitals and Charities Fund	3 833	3 800	-0.9
Gaming Machine Control Act No. 53 of 1991, Sections 137 and 138 - Hospitals and Charities Fund <sup>(a)</sup>	616 204	546 500	-11.3
Gaming Machine Control Act No. 53 of 1991, Sec 135B - Hospitals and Charities Fund	41 865	41 800	-0.2
Club Keno Act No. 56 of 1993, Section 7(5) - Hospitals and Charities Fund	1 593	1 600	0.4
Tattersall Consultations Act No. 6390	360 043	..	-100.0
Public Lotteries Act No.73 of 2000 Sec.57	..	318 300	0.0
	<b>1 136 437</b>	<b>1 032 100</b>	<b>-9.2</b>
<b>Justice</b>			
Constitution Act No. 8750 - Judges Supreme Court	6 657	6 909	3.8
Magistrates Court Act No. 51 of 1989	20 112	20 912	4.0
Constitution Act No. 8750 - Judges Court of Appeal	2 986	3 105	4.0
Victims of Crime Assistance Act No.81 of 1996, Section 69 Expenses	1 573	1 633	3.8
Constitution Act No. 8750 - President Court of Appeal	292	304	4.1
Discharged Servicemen's Pref Act No.4989, s.14	52	54	3.8
Patriotic Funds Act No. 6331	191	196	2.6
Melbourne City Link, Act No. 107 of 1995, Section 14(4)	1 700	3 600	111.8
Juries Act No.7651 - Compensation To Jurors	17	17	0.0
Crown Proceedings - Act No. 6232	4 000	4 000	0.0
Electoral Act No. 23 of 2002, Sec. 215 - Electoral Entitlement	19 479	19 151	-1.7
Victims of Crime Assistance Act No.81 of 1996, Section 69 Awards	23 100	25 000	8.2
Victorian State Emergency Services Act No. 57 of 1987 - Volunteer Workers Compensation	310	315	1.6
Constitution Act No. 8750 - Chief Justice	321	333	3.7
County Court Act No. 6230 - Judges	13 226	13 146	-0.6
Gaming and Betting Act No.37 of 1994, Section 94 - Expenses of Victorian Casino and Gaming Authority	18 211	..	-100.0
Electoral Act No. 23 of 2002, Sec 181 Electoral expenses	..	310	0.0
	<b>112 227</b>	<b>98 985</b>	<b>-11.8</b>
<b>Premier and Cabinet</b>			
Gaming Machine Control Act No. 53 of 1991, Section 137 and 138 - Community Support Fund	..	..	0.0

**Table 5.4: Consolidated Fund payments: special appropriations (continued)**

(\$ thousand)

	2003-04 Budget	2004-05 Budget	Variation %
Constitution Act No. 8750 - Executive Council	50	51	2.0
Constitution Act No. 8750 - Governor's Salary	116	133	14.7
Ombudsman - Act No. 8414	210	220	4.8
Parliamentary Salaries and Superannuation - Act No 7723	4 248	4 600	8.3
	<b>4 624</b>	<b>5 004</b>	<b>8.2</b>
<b>Treasury and Finance</b>			
Constitution Act No. 8750 - Judges of the Supreme Court	2 924	3 902	33.4
County Court Act No. 6230 - Judges	3 855	5 367	39.2
Constitution Act No. 8750 - Governor's Pension	620	554	-10.6
Co-Operative Housing Societies Act No. 6226, Section 77(2) - Indemnities	2 000	2 000	0.0
Business Franchise (Petroleum Products) Act No. 9272, Section 17(2)	36 000	38 000	5.6
Liquor Control Reform Act No.94 of 1998 Section 177(2)	22 700	6 600	-70.9
State Superannuation Act No. 50 of 1988, Section 90(2) - contributions	499 989	124 084	-75.2
Financial Management Act No. 18 of 1994, Section 39 - Interest on Advances	4 000	16 000	300.0
Taxation (Interest on Overpayments) Act No 35 of 1986, Section 11	1 000	1 000	0.0
Treasury Corporation of Victoria Act No.80 of 1992, Section 38 - Debt Retirement	695	..	-100.0
The Mint - Act No. 6323, Section 3	118	54	-54.2
	<b>573 901</b>	<b>197 561</b>	<b>-65.6</b>
<b>Victorian Communities</b>			
Gaming Machine Control Act No. 53 of 1991, Section 137 and 138 - Community Support Fund	115 500	109 100	-5.5
	<b>115 500</b>	<b>109 100</b>	<b>0.0</b>
<b>Parliament</b>			
Audit Act No. 2 of 1994, Part 4 - Audit of Auditor General's Office	10	25	150.0
Constitution Act No. 8750, Sec 94A - Auditor General's Salary	231	231	0.0
Constitution Act No. 8750 - Clerk of the Parliaments	1	1	0.0
Constitution Act No. 8750 - Legislative Assembly	275	275	0.0
Constitution Act No. 8750 - Legislative Council	100	100	0.0
Parliamentary Salaries and Superannuation Act No. 7723, Section 13(1)(c) - contributions	15 500	15 500	0.0
Parliamentary Salaries and Superannuation Act No. 7723 - salaries and allowances	17 702	18 240	3.0
	<b>33 819</b>	<b>34 372</b>	<b>1.6</b>
<b>Total special appropriations</b>	<b>1 976 758</b>	<b>1 477 372</b>	<b>-25.3</b>

Source: Department of Treasury and Finance

Note

(a) The 2004-05 Budget Estimate is equivalent to the 2003-04 expected outcome.

**Table 5.5: Consolidated Fund Payments – total annual appropriations**

Details of total annual appropriations for 2004-05, including amounts of estimates of unspent 2003-04 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 2004-05 Budget are in **bold**; estimates for 2003-04 Budget in *italics*.

(\$ thousand)				
	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of State</i>	<i>Total</i>
<b>Education and Training</b>				
Appropriation <sup>(a)</sup>	<b>5 995 560</b>	..	..	<b>5 995 560</b>
	<i>5 631 805</i>	..	..	<i>5 631 805</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>86 547</b>	<b>68 136</b>	..	<b>154 683</b>
	<i>62 936</i>	<i>68 202</i>	..	<i>131 138</i>
Unspent previous year appropriation carried over <sup>(c)</sup>	..	..	..	..
	..	..	..	..
<b>Total Appropriation</b>	<b>6 082 107</b>	<b>68 136</b>	..	<b>6 150 243</b>
	<i>5 694 741</i>	<i>68 202</i>	..	<i>5 762 943</i>
<b>Human Services</b>				
Appropriation <sup>(a)</sup>	<b>7 432 566</b>	<b>282 032</b>	..	<b>7 714 598</b>
	<i>6 384 971</i>	<i>106 535</i>	..	<i>6 491 506</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>926 514</b>	<b>108 044</b>	..	<b>1 034 558</b>
	<i>892 904</i>	<i>93 407</i>	..	<i>986 311</i>
Unspent previous year appropriation carried over <sup>(c)</sup>	<b>31 300</b>	..	..	<b>31 300</b>
	<i>11 430</i>	<i>25 000</i>	..	<i>36 430</i>
<b>Total appropriation</b>	<b>8 390 380</b>	<b>390 076</b>	..	<b>8 780 456</b>
	<i>7 289 305</i>	<i>224 942</i>	..	<i>7 514 247</i>
<b>Infrastructure</b>				
Appropriation <sup>(a)</sup>	<b>2 713 528</b>	<b>303 497</b>	..	<b>3 017 025</b>
	<i>2 241 724</i>	<i>537 270</i>	<i>49 003</i>	<i>2 827 997</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>260 947</b>	..	..	<b>260 947</b>
	<i>146 083</i>	..	..	<i>146 083</i>
Unspent previous year appropriation carried over <sup>(c)</sup>	<b>2 935</b>	<b>29 054</b>	..	<b>31 989</b>
	<i>355</i>	<i>6 800</i>	..	<i>7 155</i>
<b>Total appropriation</b>	<b>2 977 410</b>	<b>332 551</b>	..	<b>3 309 961</b>
	<i>2 388 162</i>	<i>544 070</i>	<i>49 003</i>	<i>2 981 235</i>
<b>Innovation, Industry and Regional Development</b>				
Appropriation <sup>(a)</sup>	<b>274 733</b>	<b>90 534</b>	..	<b>365 267</b>
	<i>282 700</i>	<i>50 947</i>	..	<i>333 647</i>
Receipts credited to appropriation <sup>(b)</sup>	..	..	..	..
	..	..	..	..
Unspent previous year appropriation carried over <sup>(c)</sup>	<b>23 390</b>	..	..	<b>23 390</b>
	<i>31 000</i>	..	..	<i>31 000</i>
<b>Total appropriation</b>	<b>298 123</b>	<b>90 534</b>	..	<b>388 657</b>
	<i>313 700</i>	<i>50 947</i>	..	<i>364 647</i>

**Table 5.5: 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 State</i>	<i>Total</i>
<b>Justice</b>				
Appropriation <sup>(a)</sup>	<b>2 177 654</b>	<b>263 780</b>	<b>54 000</b>	<b>2 495 434</b>
	1 938 322	111 092	50 045	2 099 459
Receipts credited to appropriation <sup>(b)</sup>	<b>94 516</b>	<b>325</b>	..	<b>94 841</b>
	83 333	325	..	83 658
Unspent previous year appropriation carried over <sup>(c)</sup>	<b>2 500</b>	<b>14 882</b>	..	<b>17 382</b>
	10 345	15 000	..	25 345
<b>Total appropriation</b>	<b>2 274 670</b>	<b>278 987</b>	<b>54 000</b>	<b>2 607 657</b>
	2 032 000	126 417	50 045	2 208 462
<b>Premier and Cabinet</b>				
Appropriation <sup>(a)</sup>	<b>382 227</b>	<b>37 427</b>	..	<b>419 654</b>
	346 902	33 119	19 736	399 757
Receipts credited to appropriation <sup>(b)</sup>	<b>13</b>	..	..	<b>13</b>
	559	..	..	559
Unspent previous year appropriation carried over <sup>(c)</sup>	<b>5 565</b>	<b>35 369</b>	..	<b>40 934</b>
	5 409	..	..	5 409
<b>Total appropriation</b>	<b>387 805</b>	<b>72 796</b>	..	<b>460 601</b>
	352 870	33 119	19 736	405 725
<b>Primary Industries</b>				
Appropriation <sup>(a)</sup>	<b>233 055</b>	<b>13 337</b>	..	<b>246 392</b>
	212 119	61 665	..	273 784
Receipts credited to appropriation <sup>(b)</sup>	<b>60 107</b>	..	..	<b>60 107</b>
	39 093	..	..	39 093
Unspent previous year appropriation carried over <sup>(c)</sup>	<b>12 270</b>	<b>1 200</b>	..	<b>13 470</b>
	9 000	20 000	..	29 000
<b>Total appropriation</b>	<b>305 432</b>	<b>14 537</b>	..	<b>319 969</b>
	260 212	81 665	..	341 877
<b>Sustainability and Environment</b>				
Appropriation <sup>(a)</sup>	<b>678 741</b>	<b>28 835</b>	<b>26 920</b>	<b>734 496</b>
	678 984	52 935	23 000	754 919
Receipts credited to appropriation <sup>(b)</sup>	<b>43 828</b>	<b>2 005</b>	..	<b>45 833</b>
	45 767	2 000	..	47 767
Unspent previous year appropriation carried over <sup>(c)</sup>	<b>7 000</b>	<b>19 100</b>	..	<b>26 100</b>
	43 400	29 100	..	72 500
<b>Total appropriation</b>	<b>729 569</b>	<b>49 940</b>	<b>26 920</b>	<b>806 429</b>
	768 151	84 035	23 000	875 186

**Table 5.5: 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 State</i>	<i>Total</i>
<b>Treasury and Finance</b>				
Appropriation <sup>(a)</sup>	<b>180 259</b>	<b>39 795</b>	<b>1 661 667</b>	<b>1 881 721</b>
	173 447	1 960	1 466 689	1 642 096
Receipts credited to appropriation <sup>(b)</sup>	<b>3 984</b>	..	..	<b>3 984</b>
	2 551	..	..	2 551
Unspent previous year appropriation carried over <sup>(c)</sup>	<b>1 125</b>	..	..	<b>1 125</b>
	2 100	..	..	2 100
<b>Total appropriation</b>	<b>185 368</b>	<b>39 795</b>	<b>1 661 667</b>	<b>1 886 830</b>
	178 098	1 960	1 466 689	1 646 747
<b>Victorian Communities</b>				
Appropriation <sup>(a)</sup>	<b>412 424</b>	<b>51 323</b>	<b>17 824</b>	<b>481 571</b>
	292 105	35 995	17 200	345 300
Receipts credited to appropriation <sup>(b)</sup>	<b>3 985</b>	..	..	<b>3 985</b>
	2 317	..	..	2 317
Unspent previous year appropriation carried over <sup>(c)</sup>	<b>7 000</b>	<b>23 100</b>	..	<b>30 100</b>
	..	..	..	..
<b>Total appropriation</b>	<b>423 409</b>	<b>74 423</b>	<b>17 824</b>	<b>515 656</b>
	294 422	35 995	17 200	347 617
<b>Parliament</b>				
Appropriation <sup>(a)</sup>	<b>69 803</b>	<b>4 050</b>	..	<b>73 853</b>
	82 155	..	..	82 155
Receipts credited to appropriation <sup>(b)</sup>	<b>14 820</b>	..	..	<b>14 820</b>
	..	..	..	..
Unspent previous year appropriation carried over <sup>(c)</sup>	<b>2 520</b>	..	..	<b>2 520</b>
	..	..	..	..
<b>Total appropriation</b>	<b>87 143</b>	<b>4 050</b>	..	<b>91 193</b>
	82 155	..	..	82 155

Source: Department of Treasury and Finance

Notes:

(a) Appropriation (2004-05) Act.

(b) Financial Management Act, 1994 Section 29.

(c) Financial Management Act, 1994 Section 32.



**Table 5.6: The Trust Fund**

(\$ thousand)

	2003-04 Budget	2004-05 Budget	Variation %
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation	111 359	124 901	12.2
Fines and regulatory fees	25 304	41 117	62.5
Grants received	1 971 888	2 108 742	6.9
Sale of goods and services	137 401	163 964	19.3
Interest received	54 467	63 273	16.2
Other receipts	6 705 293	7 718 005	15.1
	<b>9 005 712</b>	<b>10 220 002</b>	<b>13.5</b>
<b>Payments</b>			
Employee entitlements	- 60 980	- 64 456	5.7
Superannuation	- 4 585	- 4 740	3.4
Interest paid	- 137	- 9 162	6587.6
Grants paid	-7 246 142	-7 750 175	7.0
Supplies and consumables	-1 888 041	-2 175 001	15.2
Other payments	- 21 181	- 12 953	-38.8
<b>Net cash flows from operating activities</b>	<b>- 215 354</b>	<b>203 516</b>	<b>-194.5</b>
<b>Cash flows from investing activities</b>			
Net proceeds from/(-) purchases of investments	..	..	..
Proceeds from sale of property, plant and equipment	..	192	..
Purchases of property, plant and equipment	- 81 869	- 149 318	82.4
Other investing activities	43 547	12 302	-71.8
<b>Net cash flows from investing activities</b>	<b>- 38 322</b>	<b>- 136 824</b>	<b>257.0</b>
<b>Cash flows from financing activities</b>			
Net proceeds from/(repayment) of borrowings	..	..	..
Other	25 123	..	-100.0
<b>Net cash flow from financing activities</b>	<b>25 123</b>	<b>..</b>	<b>-100.0</b>
<b>Net cash inflow/(-) outflow</b>	<b>- 228 553</b>	<b>66 692</b>	<b>-129.2</b>
<b>Represented by:</b>			
Cash and deposits held at beginning of reporting period	1 130 190	815 387	-27.9
<b>Cash and deposits held at end year</b>	<b>901 637</b>	<b>882 079</b>	<b>-2.2</b>

Source: Department of Treasury and Finance



## **CHAPTER 6 – UNIFORM PRESENTATION OF GOVERNMENT FINANCE STATISTICS**

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### **The accrual GFS presentation**

The Government Finance Statistics (GFS) system employed by the Australian Bureau of Statistics (ABS) is designed to provide statistics relating to all Australian public sector entities. The statistics show consolidated transactions of the various institutional sectors of government from an economic viewpoint, providing details of the revenue, expenses, payments, receipts, assets and liabilities. It includes only those transactions over which a government exercises control under its legislative or policy framework. This means that, unlike the accounting viewpoint, the GFS excludes from the calculation of net operating balance both revaluations (holding gains or losses) arising from a change in market prices, and other changes in the volume of assets that result from discoveries, depletion and destruction of assets. This means that differences arise between the GFS and accounting frameworks, particularly within the operating statement.

### **Operating statement**

The operating statement, also referred to as a statement of financial performance, is designed to capture the composition of GFS revenues and GFS expenses and the net cost of a government's activities within a financial year. It shows the full cost of resources consumed by government in achieving its objectives, and how these costs are met from various revenue sources.

Unlike a standard accounting operating statement, the GFS operating statement reports two major fiscal measures: the GFS net operating balance and GFS net lending. The GFS net operating balance is calculated as GFS revenue minus GFS expenses. In contrast, GFS net lending, or fiscal balance, includes net capital expenditure but excludes depreciation, thereby giving a measure of a jurisdiction's call on financial markets.

### **Balance sheet**

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

The GFS balance sheet differs from the standard accounting presentation in that it provides information on financial and non-financial assets, and does not distinguish between current and non-current assets and liabilities.

### **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 GFS cash flow statement reports two major fiscal measures: the net increase in cash held and the cash surplus. Net increase in cash held is the sum of net cash flows from all operating, investing and financing activities. The cash surplus comprises only net cash received from operating activities, and from sales and purchases of non-financial assets, minus distributions paid (in the case of public financial corporations and public non-financial corporations), minus finance leases and similar arrangements.

The GFS cash surplus measure is broadly comparable with the old cash-GFS surplus measure, allowing for comparisons between the two frameworks.

## **INSTITUTIONAL SECTORS**

### **General government sector**

The general government sector comprises all government departments, offices and other government 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.

### **Public non-financial corporations sector**

The public non-financial corporations sector was formerly known as the public trading enterprises sector. It 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 that own them.

### **Non-financial public sector**

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.

### **Public financial corporations**

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 Corporation. Estimates are not published for the public financial corporations sector.

**Table 6.1: General government sector operating statement**

	(\$ million)				
	2003-04	2004-05	2005-06	2006-07	2007-08
	Revised	Budget	Estimate	Estimate	Estimate
<b>GFS revenue</b>					
Taxation revenue	10 217	10 272	10 270	10 615	11 020
Current grants and subsidies	11 939	12 497	13 169	13 784	14 491
Capital grants	407	583	547	424	361
Sales of goods and services	3 124	3 233	3 302	3 332	3 339
Interest income	394	436	446	477	520
Other	1 734	1 944	2 003	1 943	1 982
<b>Total revenue</b>	<b>27 815</b>	<b>28 965</b>	<b>29 737</b>	<b>30 575</b>	<b>31 713</b>
<b>GFS expenses</b>					
Employee expenses	11 012	11 702	12 100	12 504	12 790
Depreciation	1 118	1 200	1 251	1 298	1 363
Other operating expenses	8 802	9 123	9 585	9 885	10 496
Nominal superannuation interest expense	916	855	901	959	971
Other interest expense	458	453	459	445	433
Other property expenses	..	..	..	..	..
Current transfers	4 523	4 918	4 804	4 905	4 974
Capital transfers	267	184	144	113	113
<b>Total expenses</b>	<b>27 096</b>	<b>28 436</b>	<b>29 244</b>	<b>30 109</b>	<b>31 139</b>
<b>GFS net operating balance</b>	<b>719</b>	<b>529</b>	<b>493</b>	<b>467</b>	<b>574</b>
Less: Net acquisition of non-financial assets					
Purchases of non-financial assets	1 786	2 471	2 250	2 013	2 107
Sales of non-financial assets	- 70	- 81	- 91	- 63	- 126
Less: Depreciation	1 118	1 200	1 251	1 298	1 363
Plus: Change in inventories	1	- 3	1	- 0	- 0
Plus: Other movements in non-financial assets	- 109	0	437	0	0
<b>Total net acquisition of non-financial assets</b>	<b>490</b>	<b>1 186</b>	<b>1 345</b>	<b>653</b>	<b>617</b>
<b>GFS net lending (+) / borrowing (-)<sup>(a)</sup></b>	<b>229</b>	<b>- 658</b>	<b>- 852</b>	<b>- 186</b>	<b>- 43</b>

Source: Department of Treasury and Finance

Note:

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. If the boost to infrastructure investment funded by the Growing Victoria infrastructure reserve is excluded, the GFS net lending / borrowing aggregates are:

<b>GFS net lending (+) / borrowing (-) (excluding Growing Victoria)</b>	<b>851</b>	<b>- 472</b>	<b>- 847</b>	<b>- 186</b>	<b>- 43</b>
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**Table 6.2: Public non-financial corporations sector operating statement**

(\$ million)

	2003-04 Revised	2004-05 Budget
<b>GFS revenue</b>		
Sales of goods and services	2 825	3 031
Current grants and subsidies	1 035	983
Capital grants	50	92
Interest income	57	47
Other	512	426
<b>Total revenue</b>	<b>4 479</b>	<b>4 578</b>
<b>GFS expenses</b>		
Employee expenses	479	502
Depreciation	610	671
Other operating expenses	2 456	2 705
Property expenses	531	506
Current transfers	114	123
Capital transfers	31	7
<b>Total expenses</b>	<b>4 221</b>	<b>4 514</b>
<b>GFS net operating balance</b>	<b>258</b>	<b>64</b>
Less: Net acquisition of non-financial assets		
Purchases of non-financial assets	1 495	1 600
Sales of non-financial assets	- 93	- 82
Less: Depreciation	610	671
Plus: Change in inventories	32	6
Plus: Other movements in non-financial assets	- 216	- 186
<b>Total net acquisition of non-financial assets</b>	<b>607</b>	<b>666</b>
<b>GFS net lending (+) / borrowing (-)<sup>(a)</sup></b>	<b>- 349</b>	<b>- 602</b>

Source: Department of Treasury and Finance

Note:

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities.

**Table 6.3: Non-financial public sector operating statement**

(\$ million)

	2003-04 Revised	2004-05 Budget
<b>GFS revenue</b>		
Taxation revenue	10 211	10 264
Current grants and subsidies	10 690	12 498
Capital grants	407	583
Sales of goods and services	5 372	5 663
Interest income	447	482
Other	1 926	2 066
<b>Total revenue</b>	<b>29 052</b>	<b>31 557</b>
<b>GFS expenses</b>		
Employee expenses	11 491	12 204
Depreciation	1 728	1 871
Other operating expenses	10 829	11 336
Nominal superannuation interest expense	916	855
Other interest expense	632	644
Other property expenses	..	..
Current transfers	2 143	3 802
Capital transfers	298	191
<b>Total expenses</b>	<b>28 037</b>	<b>30 903</b>
<b>GFS net operating balance</b>	<b>1 015</b>	<b>655</b>
Less: Net acquisition of non-financial assets		
Purchases of non-financial assets	3 280	4 071
Sales of non-financial assets	- 163	- 163
Less: Depreciation	1 728	1 871
Plus: Change in inventories	33	2
Plus: Other movements in non-financial assets	- 325	- 186
<b>Total net acquisition of non-financial assets</b>	<b>1 097</b>	<b>1 852</b>
<b>GFS net lending (+) / borrowing (-)<sup>(a)</sup></b>	<b>- 82</b>	<b>-1 198</b>

Source: Department of Treasury and Finance

Note:

(a) GFS net lending also equals net transactions in financial assets less net transactions in liabilities. If the boost to infrastructure investment funded by the Growing Victoria infrastructure reserve is excluded, the GFS net lending / borrowing aggregates are:

<b>GFS net lending (+) / borrowing (-) (excluding Growing Victoria)</b>	<b>541</b>	<b>-1 012</b>
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**Table 6.4: General government sector balance sheet**

	(\$ million)					
as at 30 June	2003	2004	2005	2006	2007	2008
	Opening	Revised	Budget	Estimate	Estimate	Estimate
<b>Assets</b>						
Financial assets						
Cash and deposits	1 123	997	1 073	1 117	1 146	1 171
Advances paid	207	201	181	161	138	116
Investments, loans and placements	4 030	3 845	3 672	3 880	3 582	3 389
Other non-equity assets	1 527	1 758	1 922	2 124	2 321	2 532
Equity	28 564	29 115	29 597	29 904	30 235	30 409
<b>Total financial assets</b>	<b>35 452</b>	<b>35 916</b>	<b>36 444</b>	<b>37 185</b>	<b>37 422</b>	<b>37 617</b>
Non-financial assets						
Land and fixed assets	40 898	42 627	45 095	47 817	49 861	51 874
Other non-financial assets	1 464	1 476	1 489	1 486	1 481	1 476
<b>Total non-financial assets</b>	<b>42 362</b>	<b>44 103</b>	<b>46 584</b>	<b>49 302</b>	<b>51 342</b>	<b>53 350</b>
<b>Total assets</b>	<b>77 813</b>	<b>80 019</b>	<b>83 028</b>	<b>86 487</b>	<b>88 764</b>	<b>90 967</b>
<b>Liabilities</b>						
Deposits held	409	415	420	427	432	436
Advances received	6	- 1	41	41	41	41
Borrowing	6 245	6 242	6 407	6 839	6 838	6 815
Superannuation liability	13 437	12 210	12 877	13 697	13 866	13 814
Other employee entitlements and provisions	3 178	3 511	3 692	3 890	3 987	4 090
Other non-equity liabilities <sup>(a)</sup>	3 196	3 337	3 373	3 408	3 416	3 438
<b>Total liabilities</b>	<b>26 471</b>	<b>25 715</b>	<b>26 810</b>	<b>28 302</b>	<b>28 580</b>	<b>28 635</b>
<b>Net worth</b>	<b>51 342</b>	<b>54 304</b>	<b>56 218</b>	<b>58 184</b>	<b>60 183</b>	<b>62 332</b>
<b>Net financial worth</b> <sup>(b)</sup>	<b>8 980</b>	<b>10 202</b>	<b>9 634</b>	<b>8 882</b>	<b>8 842</b>	<b>8 982</b>
<b>Net debt</b> <sup>(c)</sup>	<b>1 300</b>	<b>1 613</b>	<b>1 942</b>	<b>2 149</b>	<b>2 445</b>	<b>2 616</b>

Source: Department of Treasury and Finance

Notes:

- (a) The opening balance of other liabilities in the general government sector has been adjusted by \$1 246 million to take account of the prior period recognition (1998-99) of a liability to the public non financial corporations sector consequent to the discontinuation of the Smelter Reduction Amount (SRA) in that sector. The estimated balance at 30 June 2004 is \$1 250 million. While the revised treatment has been agreed to by the ABS this did not happen until after the publication of their latest annual GFS publication on 1 April 2004. The ABS expects to incorporate this revision in due course in its annual and quarterly statistics.
- (b) Net financial worth equals total financial assets minus total liabilities.
- (c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements. If Growing Victoria investments are not included as an offset to debt, on the grounds that these investments are earmarked for infrastructure projects and are therefore not available to redeem debt, the net debt figures are:

<b>Net debt (excluding Growing Victoria)</b>	<b>2 113</b>	<b>1 803</b>	<b>1 947</b>	<b>2 149</b>	<b>2 445</b>	<b>2 616</b>
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**Table 6.5: Public non-financial corporations sector balance sheet**

(\$ million)

<i>as at 30 June</i>	<i>2003 Opening</i>	<i>2004 Revised</i>	<i>2005 Budget</i>
<b>Assets</b>			
Financial assets			
Cash and deposits	392	269	251
Advances paid	237	185	147
Investments, loans and placements	1 040	981	812
Other non-equity assets	1 847	1 865	1 841
Equity	..		
<b>Total financial assets</b>	<b>3 516</b>	<b>3 299</b>	<b>3 050</b>
Non-financial assets			
Land and fixed assets	31 312	34 540	36 091
Other non-financial assets	139	115	103
<b>Total non-financial assets</b>	<b>31 451</b>	<b>34 655</b>	<b>36 194</b>
<b>Total assets</b>	<b>34 967</b>	<b>37 954</b>	<b>39 244</b>
<b>Liabilities</b>			
Deposits held	80	57	55
Advances received	31	30	28
Borrowing	3 077	3 365	3 620
Superannuation liability	52	50	52
Other employee entitlements and provisions	2 424	2 420	2 428
Other non-equity liabilities	612	550	545
<b>Total liabilities</b>	<b>6 277</b>	<b>6 472</b>	<b>6 727</b>
<b>Shares and other contributed capital</b>	<b>28 690</b>	<b>31 482</b>	<b>32 516</b>
<b>Net worth</b>	..	..	..
<b>Net financial worth <sup>(a)</sup></b>	<b>-31 451</b>	<b>-34 655</b>	<b>-36 194</b>
<b>Net debt <sup>(b)</sup></b>	<b>1 520</b>	<b>2 017</b>	<b>2 494</b>

Source: Department of Treasury and Finance

Notes:

- (a) Net financial worth equals total financial assets minus total liabilities less shares and other contributed capital.
- (b) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

**Table 6.6: Non-financial public sector balance sheet**

(\$ million)

<i>as at 30 June</i>	<i>2003 Opening</i>	<i>2004 Revised</i>	<i>2005 Budget</i>
<b>Assets</b>			
Financial assets			
Cash and deposits	1 515	1 266	1 324
Advances paid	306	233	195
Investments, loans and placements	5 069	4 825	4 483
Other non-equity assets	2 073	2 332	2 472
Equity	- 126	- 409	- 390
<b>Total financial assets</b>	<b>8 838</b>	<b>8 246</b>	<b>8 083</b>
Non-financial assets			
Land and fixed assets	72 210	77 167	81 186
Other non-financial assets	1 603	1 565	1 566
<b>Total non-financial assets</b>	<b>73 813</b>	<b>78 732</b>	<b>82 752</b>
<b>Total assets</b>	<b>82 651</b>	<b>86 979</b>	<b>90 835</b>
<b>Liabilities</b>			
Deposits held	489	471	475
Advances received	38	9	49
Borrowing	9 183	9 488	9 927
Superannuation liability	13 489	12 260	12 929
Other employee entitlements and provisions	4 742	5 047	5 173
Other non-equity liabilities	2 458	2 623	2 654
<b>Total liabilities</b>	<b>30 399</b>	<b>29 899</b>	<b>31 208</b>
<b>Net worth</b>	<b>52 251</b>	<b>57 080</b>	<b>59 628</b>
<b>Net financial worth <sup>(a)</sup></b>	<b>-21 562</b>	<b>-21 652</b>	<b>-23 125</b>
<b>Net debt <sup>(b)</sup></b>	<b>2 819</b>	<b>3 644</b>	<b>4 450</b>

Source: Department of Treasury and Finance

Notes:

(a) Net financial worth equals total financial assets minus total liabilities.

(b) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements. If Growing Victoria investments are not included as an offset to debt, on the grounds that these investments are earmarked for infrastructure projects and are therefore not available to redeem debt, the net debt figures are:

<b>Net debt (excluding Growing Victoria)</b>	<b>3 632</b>	<b>3 834</b>	<b>4 454</b>
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**Table 6.7: General government sector cash flow statement**

	(\$ million)				
	2003-04	2004-05	2005-06	2006-07	2007-08
	Revised	Budget	Estimate	Estimate	Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	10 124	10 249	10 244	10 585	10 981
Receipts from sales of goods and services	3 046	3 141	3 211	3 244	3 247
Grants/subsidies received	12 346	13 080	13 716	14 207	14 852
Other receipts	1 952	2 324	2 363	2 334	2 414
<b>Total receipts</b>	<b>27 468</b>	<b>28 795</b>	<b>29 533</b>	<b>30 370</b>	<b>31 494</b>
<b>Cash payments from operating activities</b>					
Payment for goods and services	-20 515	-20 713	-21 452	-22 917	-23 992
Grants and subsidies paid	-4 268	-4 356	-4 302	-4 337	-4 413
Interest paid	- 458	- 453	- 459	- 445	- 433
Other payments	- 438	- 730	- 626	- 685	- 673
<b>Total payments</b>	<b>-25 680</b>	<b>-26 252</b>	<b>-26 838</b>	<b>-28 385</b>	<b>-29 511</b>
<b>Net cash flows from operating activities</b>	<b>1 788</b>	<b>2 543</b>	<b>2 696</b>	<b>1 986</b>	<b>1 983</b>
<b>Net cash flows from investing in non-financial assets</b>					
Sales of non-financial assets	70	81	91	63	126
Purchases of non-financial assets	-1 786	-2 471	-2 250	-2 013	-2 107
<b>Total cash flows - non-financial assets</b>	<b>-1 716</b>	<b>-2 390</b>	<b>-2 158</b>	<b>-1 950</b>	<b>-1 980</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>- 381</b>	<b>- 462</b>	<b>- 287</b>	<b>- 309</b>	<b>- 151</b>
<b>Net cash flows from investments in financial assets for liquidity</b>	<b>186</b>	<b>174</b>	<b>- 208</b>	<b>298</b>	<b>193</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	- 7	42	..	..	..
Borrowings (net)	- 3	165	- 4	- 1	- 23
Deposits received (net)	6	5	6	6	4
Other financing (net)	..	..	..	..	..
<b>Net cash flows from financing activities</b>	<b>- 4</b>	<b>211</b>	<b>2</b>	<b>5</b>	<b>- 19</b>
<b>Net increase in cash held</b>	<b>- 126</b>	<b>76</b>	<b>44</b>	<b>29</b>	<b>26</b>
Net cash from operating activities and investments in non-financial assets	72	153	537	35	3
Acquisitions under finance leases	..	..	437	..	..
<b>Surplus (+) /deficit (-) <sup>(a)</sup></b>	<b>72</b>	<b>153</b>	<b>100</b>	<b>35</b>	<b>3</b>

Source: Department of Treasury and Finance

Note:

(a) Table below shows GFS surplus (+)/deficit(-) excluding impact of Growing Victoria:

<b>Surplus (+) /deficit (-) exl Growing Victoria</b>	<b>695</b>	<b>338</b>	<b>105</b>	<b>35</b>	<b>3</b>
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**Table 6.8: Public non-financial corporations sector cash flow statement**

(\$ million)

	2003-04 Revised	2004-05 Budget
<b>Cash receipts from operating activities</b>		
Receipts from sales of goods and services	2 875	3 018
Grants/subsidies received	- 315	1 074
Other receipts	1 677	315
<b>Total receipts</b>	<b>4 238</b>	<b>4 408</b>
Cash payments from operating activities		
Payment for goods and services	-2 478	-2 569
Grants and subsidies paid	- 77	- 56
Interest paid	- 162	- 183
Other payments	- 729	- 786
<b>Total payments</b>	<b>-3 446</b>	<b>-3 594</b>
<b>Net cash flows from operating activities</b>	<b>792</b>	<b>814</b>
<b>Net cash flows from investing in non-financial assets</b>		
Sales of non-financial assets	93	82
Purchases of non-financial assets	-1 495	-1 600
<b>Total cash flows from investing in non-financial assets</b>	<b>-1 401</b>	<b>-1 517</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>475</b>	<b>508</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>60</b>	<b>169</b>
<b>Net cash flows from financing activities</b>		
Advances received (net)	1	- 2
Borrowings (net)	300	259
Deposits received (net)	- 23	- 6
Distributions paid	- 320	- 244
Other Financing (net)	- 5	1
<b>Total net cash flows from financing activities</b>	<b>- 48</b>	<b>9</b>
<b>Net increase in cash held</b>	<b>- 123</b>	<b>- 18</b>
Net cash from operating activities, dividends paid, and investments in non-financial assets	- 929	- 948
Acquisition of assets under finance leases and similar arrangements	2	2
<b>Surplus (+) /deficit (-)</b>	<b>- 927</b>	<b>- 945</b>

Source: Department of Treasury and Finance

**Table 6.9: Non-financial public sector cash flow statement**

	(\$ million)	
	2003-04 Revised	2004-05 Budget
<b>Cash receipts from operating activities</b>		
Taxes received	10 117	10 242
Receipts from sales of goods and services	5 343	5 559
Grants/subsidies received	9 846	13 081
Other receipts	3 293	2 345
<b>Total receipts</b>	<b>28 601</b>	<b>31 226</b>
Cash payments from operating activities		
Payment for goods and services	-23 133	-23 432
Grants and subsidies paid	-2 001	-3 172
Interest paid	- 620	- 636
Other payments	- 599	- 874
<b>Total payments</b>	<b>-26 353</b>	<b>-28 113</b>
<b>Net cash flows from operating activities</b>	<b>2 247</b>	<b>3 112</b>
<b>Net cash flows from investing in non-financial assets</b>		
Sales of non-financial assets	163	163
Purchases of non-financial assets	-3 280	-4 071
<b>Total cash flows from investing in non-financial assets</b>	<b>-3 117</b>	<b>-3 907</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>88</b>	<b>26</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>246</b>	<b>342</b>
<b>Net cash flows from financing activities</b>		
Advances received (net)	- 7	40
Borrowings (net)	317	444
Deposits received (net)	- 18	- 1
Other financing (net)	- 5	1
<b>Total net cash flows from financing activities</b>	<b>287</b>	<b>484</b>
<b>Net increase in cash held</b>	<b>- 249</b>	<b>58</b>
Net cash from operating activities and investments in non-financial assets	- 870	- 795
Acquisition of assets under finance leases and similar arrangements	2	2
<b>Surplus (+) /deficit (-) <sup>(a)</sup></b>	<b>- 868</b>	<b>- 793</b>

Source: Department of Treasury and Finance

Note:

(a) Table below shows GFS surplus (+)/deficit(-) excluding impact of Growing Victoria:

<b>Surplus (+) /deficit (-) excluding Growing Victoria</b>	<b>- 245</b>	<b>- 607</b>
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**Table 6.10: General government sector expenses by function**

(\$ million)

	<i>2003-04 Revised</i>	<i>2004-05 Budget</i>
General public services	1 068	1 649
Public order and safety	2 393	2 590
Education	7 152	7 532
Health	6 851	7 379
Social security and welfare	1 976	2 109
Housing and community amenities	1 236	1 200
Recreation and culture	810	963
Fuel and energy	41	40
Agriculture, forestry, fishing, and hunting	522	469
Mining, manufacturing, and construction	18	18
Transport and communications	3 277	3 086
Other economic affairs	431	391
Other purposes	1 323	1 007
<b>Total GFS expenses</b>	<b>27 096</b>	<b>28 436</b>

*Source: Department of Treasury and Finance*

**Table 6.11: General government sector taxation**

	(\$ million)				
	2003-04 <i>Revised</i>	2004-05 <i>Budget</i>	2005-06 <i>Estimate</i>	2006-07 <i>Estimate</i>	2007-08 <i>Estimate</i>
<b>Taxes on employers' payroll and labour force</b>	2 701	2 876	3 027	3 179	3 339
<b>Taxes on property</b>					
Land taxes	768	916	1 008	964	924
Stamp duties on financial and capital transactions	2 817	2 362	2 151	2 190	2 253
Financial institutions' transaction taxes	250	249	21	..	..
Other	112	120	122	125	128
<b>Total</b>	<b>3 947</b>	<b>3 648</b>	<b>3 302</b>	<b>3 279</b>	<b>3 306</b>
<b>Taxes on the provision of goods and services</b>					
Excises and levies	..	..	..	..	..
Taxes on gambling	1 323	1 372	1 446	1 527	1 606
Taxes on insurance	979	1 061	1 103	1 159	1 219
<b>Total</b>	<b>2 302</b>	<b>2 432</b>	<b>2 548</b>	<b>2 686</b>	<b>2 825</b>
<b>Taxes on the use of goods and performance of activities</b>					
Motor vehicle taxes	1 116	1 243	1 313	1 388	1 467
Franchise taxes	7	7	7	6	6
Other	145	67	73	77	77
<b>Total</b>	<b>1 267</b>	<b>1 316</b>	<b>1 392</b>	<b>1 471</b>	<b>1 551</b>
<b>Total GFS taxation revenue</b>	<b>10 217</b>	<b>10 272</b>	<b>10 270</b>	<b>10 615</b>	<b>11 020</b>

Source: Department of Treasury and Finance



**Table 6.12: Reconciliation between general government AAS31 net result and GFS measures**

	(\$ million)				
	2003-04 Revised	2004-05 Budget	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate
<b>General government net result</b>	<b>432</b>	<b>545</b>	<b>505</b>	<b>531</b>	<b>676</b>
Plus:					
Operating revaluations and gains on sale of physical assets	- 2	- 20	- 18	- 20	- 11
Expense for doubtful debts	79	85	87	83	83
Amortisation not included as GFS expenses	11	10	18	18	9
Prior period adjustment recognised in the AAS31 result in the current year <sup>(a)</sup>	1 337				
Change to provision for employees superannuation (difference between nominal interest and expense)	-1 137	- 91	- 100	- 145	- 183
Gains and losses on re-valuation of financial instruments	- 1	0	0	0	0
<b>General government net operating balance (GFS)</b>	<b>719</b>	<b>529</b>	<b>493</b>	<b>467</b>	<b>574</b>
Less: Gross fixed capital formation	1 607	2 390	2 595	1 950	1 980
Plus: Depreciation	1 118	1 200	1 251	1 298	1 363
Change in inventories	1	- 3	1	- 0	- 0
<b>GFS net lending(+)/borrowing(-) <sup>(b)</sup></b>	<b>229</b>	<b>- 658</b>	<b>- 852</b>	<b>- 186</b>	<b>- 43</b>
Plus:					
Superannuation expense (difference between operating statement, including nominal interest, and cash flow statement)	90	- 758	- 920	- 314	- 131
Other non-cash expenses	66	- 52	- 32	93	85
<b>GFS cash surplus(+)/deficit(-)</b>	<b>72</b>	<b>153</b>	<b>100</b>	<b>35</b>	<b>3</b>
Add back: <i>Growing Victoria</i> cash flow	623	186	5	..	..
<b>GFS cash surplus (+) /deficit (-) (excluding <i>Growing Victoria</i>)</b>	<b>695</b>	<b>338</b>	<b>105</b>	<b>35</b>	<b>3</b>
Add back: Net contributions to other sectors of government and other	386	482	307	332	174
<b>Decrease in general government net debt (excluding <i>Growing Victoria</i>)</b>	<b>310</b>	<b>- 143</b>	<b>- 202</b>	<b>- 296</b>	<b>- 171</b>

Source: Department of Treasury and Finance

Note:

(a) Represents the accounting expense of \$1 250 million for the take up of a payable to the SECV consequent to the discontinuation of the SRA, recognised in GFS as a prior period adjustment, and a subsequent additional GFS taxation revenue of \$87 million representing the receipt of the former SRA in the general government sector. As noted under Table 6.4 the ABS expects to incorporate this revision in due course in its annual and quarterly statistics

(b) GFS net lending (+) / borrowing(-) excluding the impact of *Growing Victoria*:

<b>GFS net lending (+) / borrowing (-) (excluding <i>Growing Victoria</i>)</b>	<b>851</b>	<b>- 472</b>	<b>- 847</b>	<b>- 186</b>	<b>- 43</b>
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## VICTORIA'S 2004-05 NOMINATED LOAN COUNCIL ALLOCATION

Table 6.13 compares Victoria's 2004-05 Loan Council Allocation (LCA) based on the 2003-04 Budget Update estimates and approved by Loan Council in March 2004, with the revised LCA based on the 2004-05 Budget estimates.

**Table 6.13: Loan Council Allocation 2004-05**

	(\$ million)	
	2004-05 Nomination	2004-05 Revised
General government sector cash (+) deficit / (-) surplus	12	- 153
Public non-financial corporation sector cash (+) deficit / (-) surplus	- 128	945
Non-financial public sector cash (+) deficit / (-) surplus <sup>(a)</sup>	- 186	793
Less: Net cash flows from investments in financial assets for policy purposes <sup>(b)</sup>	48	26
Plus: Memorandum items <sup>(c)</sup>	221	221
<b>Loan Council Allocation</b>	<b>- 13</b>	<b>988</b>
Tolerance limit (2% of non-financial public sector cash receipts from operating activities) <sup>(d)</sup>	589	589

Source: Department of Treasury and Finance

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.
- (b) The non-financial public sector surplus relating to the 2004-05 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' (2003-04 Budget Update) applies to jurisdictions' LCA nomination and revised LCA at budget time. The tolerance limit applying to Victoria's 2004-05 LCA nomination and revised is \$589 million (2 per cent of \$29 448 million).

The 2004-05 revised LCA exceeded the tolerance limit by \$412 million. The change of \$1.0 billion in the LCA between 2003-04 Budget Update and 2004-05 Budget is mainly due to revisions in the cash position in the public non-financial corporations (PNFC).

The revision in the PNFC sector cash position from \$128 million surplus to \$945 million deficit is due to an increase in operating expenditure (\$903 million), investments in non-financial assets (\$647 million), offset by an increase in grants/subsidies received (\$302 million).

Listed below are details of Victoria's infrastructure projects with private sector involvement for which it is expected that contracts will be signed in the 2004-05 financial year.

As the following projects are still in development stages, full details about the extent and nature of actual payments, forward commitments and contingent liabilities associated with the projects cannot be provided at this stage, but will be included in the 2004-05 LCA outcome.

## **Infrastructure**

### ***Central Highlands Water – Ballarat North/Creswick Reclaimed Water***

This project is being driven by the need to comply with stricter EPA wastewater discharge standards and involves upgrading the Ballarat North and Creswick Treatment Plants to a tertiary treatment level to cater for re-use of effluent. Central Highlands Water is focusing on Partnerships Victoria opportunities.

The scope of the Request for Proposal (RFP) offer consists of a Design, Build, Finance, Operate (DBFO) arrangement where a private proponent would take responsibility for upgrading the Ballarat North and Creswick Wastewater Treatment Plants, including the construction, ownership and operation of the assets as well as the responsibility of developing and operating reuse enterprises in the Central Highlands area, that comply with EPA guidelines and other statutory requirements.

The term of the contract is proposed to be 25 years.

### ***Mitcham-Frankston Freeway***

This project is a transport solution designed to provide a vital urban 40km freeway link connecting 40 per cent of Melbourne's manufacturing sector and 1.5 million people to Victoria's transport network.

In August 2002, the Government combined the Eastern Freeway Extension Project with the Scoresby Freeway Project to be delivered under Partnerships Victoria. On 14 April 2003, the Premier announced that the freeway will be a toll road. Final tenders were lodged on 27 April 2004.

Estimates of the cost of the project are in the order of \$2.0 billion.

The term of the contract is a bid item.

### ***Royal Melbourne Showgrounds Redevelopment***

The project seeks private sector involvement in the design, construction, finance and maintenance of the new facilities and the provision of venue management and event attraction services as well as the development of the non-core land. It aims to transform the Showgrounds site into a high quality multipurpose venue for the staging of the Royal Melbourne Show and other events.

The Government has allocated \$100.7 million to this project.

The project term offer is 25 years.

### ***Royal Women's Hospital Redevelopment***

A new Royal Women's Hospital will be built adjacent to the Royal Melbourne Hospital site in Parkville.

While clinical service delivery shall remain the responsibility of the Government, it is intended that the new hospital be delivered in partnership with the private sector under the *Partnerships Victoria* policy.

The Government has allocated \$190 million to this project.

The term of the contract is proposed to be 25 years.

## APPENDIX A – HISTORICAL AND FORWARD ESTIMATES TABLES

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Table A.1 shows the trends in general government sector aggregate cash flows over the period 1986-87 to 2007-08. This table of historical data has been compiled as far as possible according to current accounting standards and consistent with the cash flow statement included in Chapter 1, *Estimated Financial Statements and Notes*.

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.

Where possible, significant year-on-year variations in operating receipts and payments and abnormal items (in the main related to major business asset sales, the repatriation of surplus cash to the general government sector from non-budget agencies, and three special payments to reduce the State's unfunded superannuation liability) have been footnoted.

The effects of changes in taxation rates over the years have not been listed, with the exception of the introduction (1992-93) and abolition (from 1995-96) of the state deficit levy, and the introduction of the GST grants from the Commonwealth (from 2000-01).

Table A.2 shows the general government operating result, on a Generally Accepted Accounting Principles (GAAP) basis, since accrual accounts were first introduced in 1996-97. Following changes to accounting standards operative from 2000-01, the statement of financial performance no longer recognises abnormal items as a separate item. Table A.2 has been adjusted to conform to this new reporting standard. However, details of previously reported abnormal items associated with the operating results up to 1999-2000 are included in Table A.3.

Table A.4 presents general government sector current outlays classified by function – that is, by government purpose classification. As there is no functional classification of government expenditure on a GAAP basis, the classifications conform to the standards for presenting cash outlays by government purpose on a Government Finance Statistics (GFS) basis up to 1998-99, when this series ceased with the introduction of accrual GFS. Readers should note that this cash outlay information

has been sourced from the ABS historical data. Because of the absence of accrual information for these years, it is not possible to convert or compare these tables with the current series of accrual GFS information included in Table A.2 and in Chapter 6, *Uniform Presentation of Government Finance Statistics*, Table 6.1.

From 1999-2000, the new GFS accruals series of expenses classified by purpose is included as Table A.5. As noted above, the accrual data are not comparable to the old cash series.

**Table A.1: General government cash flow statement – historical series**

(\$ million)

	1986-87	1987-88	1988-89	1989-90
	Actual	Actual	Actual	Actual
<b>Cash flows from operating activities</b>				
Taxation <sup>(a) (b)</sup>	3 914	4 474	5 061	5 365
Regulatory fees and fines	96	96	90	105
Grants <sup>(b) (c)</sup>	4 665	4 857	5 011	5 240
Sales of goods and services	646	724	811	907
Interest received	189	155	162	144
Dividends received	251	296	354	399
Other receipts	483	493	487	484
<b>Total receipts from operating activities</b>	<b>10 245</b>	<b>11 094</b>	<b>11 975</b>	<b>12 645</b>
Employee entitlements <sup>(d)</sup>	-4 457	-4 808	-5 110	-5 471
Superannuation	- 367	- 416	- 519	- 586
Grants and transfer payments <sup>(d)(e)</sup>	-2 463	-2 533	-2 788	-2 834
Supplies and services	-2 138	-2 327	-2 530	-2 869
Interest paid	-1 079	-1 163	-1 254	-1 423
<b>Total payments from operating activities</b>	<b>-10 505</b>	<b>-11 247</b>	<b>-12 200</b>	<b>-13 184</b>
<b>Net cash flows from operating activities</b>	<b>- 260</b>	<b>- 152</b>	<b>- 225</b>	<b>- 538</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property plant and equipment	104	207	189	168
Purchases of property plant and equipment	- 953	-1 031	-1 042	-1 085
Net privatisation proceeds and other abnormals <sup>(f)</sup>	35	35	35	35
Net customer loans repaid	..	..	..	..
Net purchases of investments	77	77	99	111
<b>Net cash flows from investing activities</b>	<b>- 737</b>	<b>- 712</b>	<b>- 720</b>	<b>- 771</b>
<b>Cash flows from financing activities</b>				
Net proceeds of borrowings	1 038	973	852	1 233
<b>Net cash flows from financing activities</b>	<b>1 038</b>	<b>973</b>	<b>852</b>	<b>1 233</b>
<b>Net increase in cash held</b>	<b>42</b>	<b>109</b>	<b>- 93</b>	<b>- 76</b>
Cash at beginning of reporting period	841	883	992	898
<b>Cash and deposits at end of reporting period</b>	<b>883</b>	<b>992</b>	<b>898</b>	<b>823</b>

**Table A.1: General government cash flow statement – historical series  
(continued)**

	(\$ million)			
	1990-91	1991-92	1992-93	1993-94
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<b>Cash flows from operating activities</b>				
Taxation <sup>(a) (b)</sup>	5 710	6 049	6 582	7 445
Regulatory fees and fines	132	182	176	181
Grants <sup>(b) (c)</sup>	5 676	5 921	6 138	6 215
Sales of goods and services	963	1 038	1 006	1 004
Interest received	152	121	95	94
Dividends received	327	566	581	815
Other receipts	326	308	251	323
<b>Total receipts from operating activities</b>	<b>13 287</b>	<b>14 185</b>	<b>14 830</b>	<b>16 076</b>
Employee entitlements <sup>(d)</sup>	-5 855	-6 337	-6 846	-7 184
Superannuation	- 685	- 782	- 853	-1 892
Grants and transfer payments <sup>(d)(e)</sup>	-2 807	-3 134	-3 501	-3 893
Supplies and services	-2 885	-2 943	-3 024	-2 148
Interest paid	-1 602	-1 787	-2 064	-2 195
<b>Total payments from operating activities</b>	<b>-13 834</b>	<b>-14 983</b>	<b>-16 288</b>	<b>-17 311</b>
<b>Net cash flows from operating activities</b>	<b>- 547</b>	<b>- 798</b>	<b>-1 458</b>	<b>-1 235</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property plant and equipment	114	103	132	189
Purchases of property plant and equipment	-1 129	-1 066	-1 068	- 980
Net privatisation proceeds and other abnormals <sup>(f)</sup>	1 292	6	304	1 897
Net customer loans repaid	..	..	..	..
Net purchases of investments	186	143	- 261	- 501
<b>Net cash flows from investing activities</b>	<b>464</b>	<b>- 815</b>	<b>- 892</b>	<b>606</b>
<b>Cash flows from financing activities</b>				
Net proceeds of borrowings	410	1 506	2 315	841
<b>Net cash flows from financing activities</b>	<b>410</b>	<b>1 506</b>	<b>2 315</b>	<b>841</b>
<b>Net increase in cash held</b>	<b>327</b>	<b>- 107</b>	<b>- 36</b>	<b>211</b>
Cash at beginning of reporting period	823	1 149	1 043	1 007
<b>Cash and deposits at end of reporting period</b>	<b>1 149</b>	<b>1 043</b>	<b>1 007</b>	<b>1 219</b>



**Table A.1 : General government cash flow statement – historical series  
(continued)**

	(\$ million)			
	1994-95	1995-96	1996-97	1997-98
	Actual	Actual	Actual	Actual <sup>(g)</sup>
<b>Cash flows from operating activities</b>				
Taxation <sup>(a) (b)</sup>	7 787	8 368	8 786	8 532
Regulatory fees and fines	194	193	186	230
Grants <sup>(b) (c)</sup>	6 355	6 659	6 928	7 440
Sales of goods and services	1 034	1 136	1 119	1 606
Interest received	117	107	129	140
Dividends received	765	624	967	786
Other receipts	285	346	275	982
<b>Total receipts from operating activities</b>	<b>16 537</b>	<b>17 432</b>	<b>18 389</b>	<b>19 717</b>
Employee entitlements <sup>(d)</sup>	-6 299	-6 276	-6 608	-6 621
Superannuation	-1 149	-1 046	-1 213	-1 257
Grants and transfer payments <sup>(d)(e)</sup>	-3 324	-3 101	-3 238	-3 514
Supplies and services	-2 975	-3 593	-3 892	-5 503
Interest paid	-2 007	-1 923	-1 403	-1 162
<b>Total payments from operating activities</b>	<b>-15 754</b>	<b>-15 939</b>	<b>-16 354</b>	<b>-18 057</b>
<b>Net cash flows from operating activities</b>	<b>783</b>	<b>1 493</b>	<b>2 035</b>	<b>1 660</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property plant and equipment	189	156	163	363
Purchases of property plant and equipment	-1 288	-1 285	-1 288	-1 209
Net privatisation proceeds and other abnormals <sup>(f)</sup>	735	4 794	4 514	1 610
Net customer loans repaid	..	..	..	297
Net purchases of investments	402	- 464	- 141	- 422
<b>Net cash flows from investing activities</b>	<b>39</b>	<b>3 200</b>	<b>3 248</b>	<b>639</b>
<b>Cash flows from financing activities</b>				
Net proceeds of borrowings	- 902	-4 703	-5 406	-2 364
<b>Net cash flows from financing activities</b>	<b>- 902</b>	<b>-4 703</b>	<b>-5 406</b>	<b>-2 364</b>
<b>Net increase in cash held</b>	<b>- 80</b>	<b>- 9</b>	<b>- 124</b>	<b>- 65</b>
Cash at beginning of reporting period	1 219	1 138	1 129	1 005
<b>Cash and deposits at end of reporting period</b>	<b>1 138</b>	<b>1 129</b>	<b>1 005</b>	<b>940</b>

**Table A.1: General government cash flow statement – historical series  
(continued)**

	(\$ million)				
	1998-99 Actual <sup>(h)</sup>	1999-00 Actual <sup>(i)</sup>	2000-01 Actual	2001-02 Actual	2002-03 Actual
<b>Cash flows from operating activities</b>					
Taxation <sup>(b)</sup>	8 846	9 719	8 533	8 708	9 200
Regulatory fees and fines	272	306	302	302	410
Grants <sup>(b)(c)</sup>	7 480	7 735	10 370	11 879	12 101
Sales of goods and services	1 659	1 776	1 957	2 066	2 757
Interest received	202	195	301	303	375
Dividends received	932	888	798	503	581
Other receipts	1 430	1 238	1 053	1 246	1 847
<b>Total receipts from operating activities</b>	<b>20 821</b>	<b>21 857</b>	<b>23 314</b>	<b>25 006</b>	<b>27 271</b>
Employee entitlements <sup>(d)</sup>	-7 041	-7 378	-7 962	-8 692	-9 302
Superannuation	-2 083	-1 370	-1 898	-1 030	-2 558
Grants and transfer payments <sup>(d)(e)</sup>	-3 598	-3 363	-3 757	-4 205	-3 985
Supplies and services	-5 796	-6 373	-7 077	-7 531	-9 034
Interest paid	- 732	- 448	- 464	- 453	- 468
<b>Total payments from operating activities</b>	<b>-19 250</b>	<b>-18 931</b>	<b>-21 158</b>	<b>-21 910</b>	<b>-25 347</b>
<b>Net cash flows from operating activities</b>	<b>1 571</b>	<b>2 926</b>	<b>2 155</b>	<b>3 096</b>	<b>1 924</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property plant and equipment	211	187	150	123	128
Purchases of property plant and equipment	-1 327	-1 208	-1 629	-1 941	-1 924
Net contribution to other sectors of government <sup>(f)</sup>	3 344	..	..	- 13	- 314
Net customer loans repaid	309	122	98	71	- 25
Net purchases of investments	390	-1 091	- 689	- 547	- 256
<b>Net cash flows from investing activities</b>	<b>2 927</b>	<b>-1 991</b>	<b>-2 071</b>	<b>-2 306</b>	<b>-2 391</b>
<b>Cash flows from financing activities</b>					
Net proceeds of borrowings	-4 718	- 766	- 72	- 29	- 89
<b>Net cash flows from financing activities</b>	<b>-4 718</b>	<b>- 766</b>	<b>- 72</b>	<b>- 29</b>	<b>- 89</b>
<b>Net increase in cash held</b>	<b>- 221</b>	<b>169</b>	<b>13</b>	<b>761</b>	<b>- 555</b>
Cash at beginning of reporting period	940	719	889	902	1 663
<b>Cash and deposits at end of reporting period</b>	<b>719</b>	<b>889</b>	<b>902</b>	<b>1 663</b>	<b>1 108</b>

**Table A.1 : General government cash flow statement – historical series  
(continued)**

	(\$ million)				
	2003-04 Revised	2004-05 Budget	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate
<b>Cash flows from operating activities</b>					
Taxation <sup>(b)</sup>	10 147	10 362	10 360	10 680	11 058
Regulatory fees and fines	382	498	537	558	561
Grants <sup>(b)(c)</sup>	12 346	13 080	13 716	14 207	14 852
Sales of goods and services	2 165	2 230	2 271	2 311	2 327
Interest received	394	435	446	477	520
Dividends received	301	478	535	442	471
Other receipts	1 649	1 707	1 665	1 691	1 699
<b>Total receipts from operating activities</b>	<b>27 383</b>	<b>28 790</b>	<b>29 528</b>	<b>30 365</b>	<b>31 489</b>
Employee benefits <sup>(d)</sup>	-9 628	-10 283	-10 648	-11 095	-11 357
Superannuation	-2 002	-1 122	-1 023	-1 721	-1 936
Grants and transfer payments <sup>(d)(e)</sup>	-4 703	-5 031	-4 880	-4 954	-5 021
Supplies and services	-8 764	-9 330	-9 793	-10 136	-10 732
Interest paid	- 469	- 483	- 493	- 471	- 456
<b>Total payments from operating activities</b>	<b>-25 565</b>	<b>-26 249</b>	<b>-26 837</b>	<b>-28 377</b>	<b>-29 501</b>
<b>Net cash flows from operating activities</b>	<b>1 818</b>	<b>2 541</b>	<b>2 691</b>	<b>1 988</b>	<b>1 987</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of property plant and equipment	70	81	91	63	126
Purchases of property plant and equipment	-1 796	-2 471	-2 250	-2 013	-2 107
Net contribution to other sectors of government	- 387	- 482	- 307	- 331	- 173
Net customer loans repaid	7	20	20	22	22
Net purchases of investments	186	174	- 208	298	193
<b>Net cash flows from investing activities</b>	<b>-1 921</b>	<b>-2 678</b>	<b>-2 654</b>	<b>-1 962</b>	<b>-1 938</b>
<b>Cash flows from financing activities</b>					
Net proceeds of borrowings	- 26	214	6	0	- 26
<b>Net cash flows from financing activities</b>	<b>- 26</b>	<b>214</b>	<b>6</b>	<b>0</b>	<b>- 26</b>
<b>Net increase in cash held</b>	<b>- 129</b>	<b>76</b>	<b>44</b>	<b>27</b>	<b>23</b>
Cash at beginning of reporting period	1 108	979	1 055	1 099	1 126
<b>Cash and deposits at end of reporting period</b>	<b>979</b>	<b>1 055</b>	<b>1 099</b>	<b>1 126</b>	<b>1 149</b>

Source: Department of Treasury and Finance

## Notes

### Receipts from operating activities

- (a) State deficit levy commenced in 1992-93 (\$173 million), and ceased in 1994-95 (\$180 million).
- (b) Includes effect of GST grants from 2000-01 onwards. However, the GST collected on sales of goods and services and the GST paid on purchases of supplies and services has not been included in this cash flow statement since this amount is recouped in full from the Australian Taxation Office.
- (c) Significant offshore petroleum compensation grants from the Commonwealth in 1990-91 (\$178 million) and 1991-92 (\$191 million, including \$60 million rent resource tax compensation).

The works (capital) grant from the Commonwealth ceased in 1993-94 (\$68 million a year).

### Payments from operating activities

- (d) Separation payments up to 1989-90, mainly for early retirement and enhanced resignation packages to the Public Transport Corporation, are included under 'grants'. Payments in later years were for voluntary redundancy and targeted separation packages across the general government sector and are included under 'employee entitlements'.
- (e) Operating subsidy payments to Tricontinental Corporation commenced in 1991-92 subsequent to the sale of the State Bank. Significant payments were in 1991-92 (\$150 million), 1992-93 (\$123 million), 1993-94 (\$53 million), and 1994-95 (\$39 million).

Major annual subsidy payments to the State Electricity Commission of Victoria (SECV) for electricity supplied by the agency to the Portland and Point Henry smelters under flexible tariff agreements with the State commenced in 1992-93 and ceased in 1997-98. The liability has again been taken up by the general government sector in 2003-04 as an operating subsidy to the SECV following the discontinuation of the Smelter Reduction Amount in that year. However cash payments are not scheduled to re-commence until 2006-07.

Cost of restructure of the Accelerated Infrastructure Program in 1994-95 (\$200 million).

## Investing activities

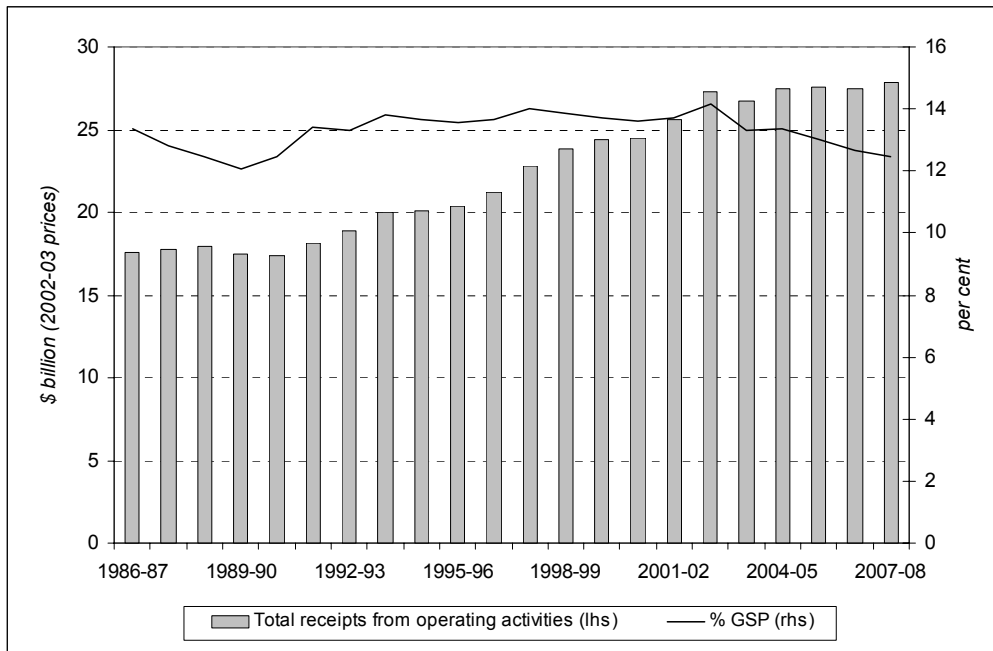
- (f) Privatisation and other abnormal items to the general government sector include:
- 1986-87 to 1990-91: payments received from the former Melbourne and Metropolitan Board of Works regarding the transfer of ownership of the Thomson-Cardinia Dam of \$35 million a year;
  - 1990-91: net proceeds from 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).

The above proceeds from the sale of government businesses are the amounts paid in cash (net) to the Consolidated Fund and are not necessarily the total proceeds of sale.

## Other

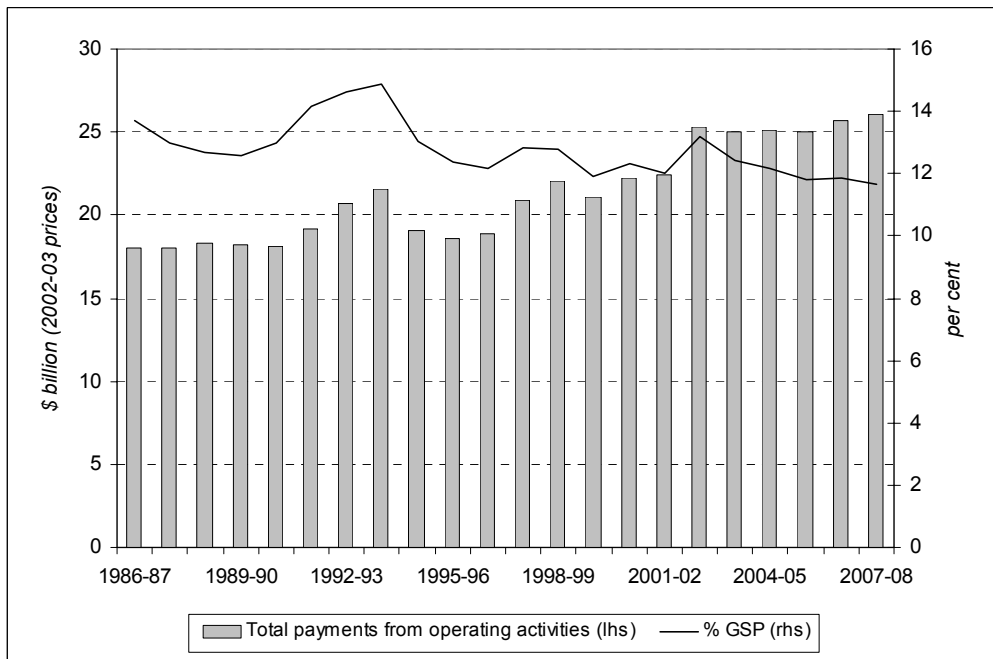
- (g) From 1997-98 includes school own-purpose receipts and payments and equivalent receipts from public non-financial corporations and public financial corporations.
- (h) From 1998-99 other receipts includes a capital assets charge receipt from the public non-financial corporations sector.
- (i) Sales of goods and services and purchases supplies and services do not include the GST component following its introduction in 1999-2000.

**Chart A.1: Total receipts from operating activities (in real terms)**



Source: Department of Treasury and Finance

**Chart A.2: Total payments from operating activities (in real terms)**



Source: Department of Treasury and Finance

**Table A.2: General government sector statement of financial performance – historical series**

	(\$ million)		
	1996-97	1997-98	1998-99
	Actual	Actual	Actual
<b>Revenue from ordinary activities</b>			
Taxation	8 670.2	8 590.3	9 151.6
Fines and regulatory fees	241.7	261.2	330.1
Investment revenue	5 147.9	3 568.0	7 061.9
Grants	7 516.1	7 533.3	7 480.0
Sale of goods and services	813.8	1 246.3	1 428.3
Gain (loss) on disposal of physical assets	- 36.6	106.3	6.7
Fair value of assets received free of charge or for nominal consideration	69.8	42.7	65.5
Inter sector capital asset charge			493.0
Other revenue	477.6	2 139.4	1 263.6
<b>Total revenue</b>	<b>22 900.5</b>	<b>23 487.4</b>	<b>27 280.6</b>
<b>Expenses from ordinary activities</b>			
Employee entitlements	6 722.4	6 831.8	6 983.7
Superannuation	1 364.8	1 359.7	1 303.7
Depreciation	696.4	759.7	776.2
Amortisation	15.5	28.7	28.6
Borrowing costs	1 948.9	1 127.0	735.7
Grants and transfer payments	2 574.7	3 422.5	3 595.6
Supplies and services	4 162.8	4 846.3	5 447.6
Other expenses	182.7	1 819.5	466.6
<b>Total expenses</b>	<b>17 668.2</b>	<b>20 195.3</b>	<b>19 337.9</b>
<b>Result from ordinary activities</b>	<b>5 232.3</b>	<b>3 292.1</b>	<b>7 942.7</b>
Movement in asset revaluation reserve	..	1 174.1	1 543.7
Other adjustments other than contributions by owner <sup>(a)</sup>	..	..	496.0
<b>Total</b>	<b>..</b>	<b>1 174.1</b>	<b>2 039.7</b>
<b>Total changes in equity other than contributions to other sectors by the State in its capacity as owner</b>	<b>5 232.3</b>	<b>4 466.2</b>	<b>9 982.4</b>

**Table A.2 : General government sector statement of financial performance – historical series (continued)**

	(\$ million)			
	1999-00 <i>Actual</i>	2000-01 <i>Actual</i>	2001-02 <i>Actual</i>	2002-03 <i>Actual</i>
<b>Revenue from ordinary activities</b>				
Taxation	9 760.0	8 590.9	8 854.2	9 350.3
Fines and regulatory fees	359.3	380.6	424.4	567.7
Investment revenue	1 416.1	1 476.8	1 002.4	1 205.7
Grants	7 710.6	10 365.5	11 873.2	12 103.2
Sale of goods and services	1 788.6	1 992.1	2 168.1	2 224.0
Gain (loss) on disposal of physical assets	2.0	21.4	- 97.5	- 336.1
Fair value of assets received free of charge or for nominal consideration	19.8	69.4	95.5	85.8
Inter sector capital asset charge	493.0	477.0	489.0	501.0
Other revenue	510.3	422.6	553.7	929.0
<b>Total revenue</b>	<b>22 059.8</b>	<b>23 796.3</b>	<b>25 363.0</b>	<b>26 630.5</b>
<b>Expenses from ordinary activities</b>				
Employee entitlements	7 438.6	8 170.2	8 893.7	9 542.9
Superannuation	2 216.0	1 437.7	2 595.2	2 612.2
Depreciation	761.8	799.3	859.5	947.1
Amortisation	27.2	39.1	78.2	90.0
Borrowing costs	477.3	605.3	472.8	501.8
Grants and transfer payments	3 382.7	3 793.0	4 175.5	4 038.0
Supplies and services	6 221.8	7 486.1	7 816.0	8 465.9
Other expenses	366.9	249.4	198.8	196.7
<b>Total expenses</b>	<b>20 892.4</b>	<b>22 580.1</b>	<b>25 089.6</b>	<b>26 394.6</b>
<b>Result from ordinary activities</b>	<b>1 167.5</b>	<b>1 216.2</b>	<b>273.4</b>	<b>235.9</b>
Movement in asset revaluation reserve	1 534.6	815.8	2 967.9	2 453.2
Other adjustments other than contributions by owner <sup>(a)</sup>	301.6	46.6	..	178.1
<b>Total</b>	<b>1 836.2</b>	<b>862.4</b>	<b>2 967.9</b>	<b>2 631.3</b>
<b>Total changes in equity other than contributions to other sectors by the State in its capacity as owner</b>	<b>3 003.6</b>	<b>2 078.6</b>	<b>3 241.3</b>	<b>2 867.2</b>



**Table A.2 : General government sector statement of financial performance – historical series (continued)**

	(\$ million)				
	2003-04 Revised	2004-05 Budget	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate
<b>Revenue from ordinary activities</b>					
Taxation	10 240.1	10 384.2	10 385.6	10 709.8	11 097.4
Fines and regulatory fees	483.1	617.0	656.4	677.5	681.1
Investment revenue	1 034.0	1 225.4	1 307.7	1 265.6	1 347.6
Grants	12 345.7	13 080.5	13 716.2	14 207.6	14 852.4
Sale of goods and services	2 165.0	2 231.3	2 272.8	2 309.1	2 327.7
Gain (loss) on disposal of physical assets	- 6.1	11.9	9.6	11.9	2.9
Fair value of assets received free of charge or for nominal consideration	109.5	..	..	..	..
Inter-sector capital asset charge	564.2	587.5	592.2	594.2	596.0
Other revenue	795.7	847.1	814.5	819.8	819.7
<b>Total revenue</b>	<b>27 731.2</b>	<b>28 984.9</b>	<b>29 755.0</b>	<b>30 595.6</b>	<b>31 724.6</b>
<b>Expenses from ordinary activities</b>					
Employee benefits	9 837.3	10 480.5	10 854.5	11 221.3	11 486.0
Superannuation	774.7	1 789.2	1 843.4	1 890.3	1 883.9
Depreciation	1 057.1	1 142.7	1 206.7	1 267.3	1 337.5
Amortisation	71.7	67.0	63.1	48.4	34.9
Borrowing costs	483.4	476.2	482.1	468.2	456.0
Grants and transfer payments	6 025.0	5 087.7	4 932.4	5 002.8	5 071.5
Supplies and services	8 970.4	9 311.0	9 780.0	10 083.2	10 695.8
Other expenses	79.1	85.4	87.4	83.4	83.4
<b>Total expenses</b>	<b>27 298.7</b>	<b>28 439.9</b>	<b>29 249.6</b>	<b>30 065.0</b>	<b>31 048.9</b>
<b>Result from ordinary activities</b>	<b>432.5</b>	<b>545.0</b>	<b>505.4</b>	<b>530.5</b>	<b>675.7</b>
Movement in asset revaluation reserve	1 151.5	1 283.6	1 373.9	1 385.3	1 389.7
Other adjustments other than contributions by owner	53.8	..	..	..	..
<b>Total</b>	<b>1 205.3</b>	<b>1 283.6</b>	<b>1 373.9</b>	<b>1 385.3</b>	<b>1 389.7</b>
<b>Total changes in equity other than contributions to other sectors by the State in its capacity as owner</b>	<b>1 637.8</b>	<b>1 828.6</b>	<b>1 879.3</b>	<b>1 915.8</b>	<b>2 065.4</b>

Source: Department of Treasury and Finance

Note:

(a) Transitional adjustments consequent to the introduction of accruals- ceased from 1 July 2001.

**Table A.3: Abnormal items – historical series**

	(\$ million)		
	1996-97 <i>Actual</i>	1997-98 <i>Actual</i>	1998-99 <i>Actual</i>
<b>Revenue from ordinary activities</b>			
Taxation			
- Business asset sales <sup>(a)</sup>	468.9	16.0	295.7
Investment income			
- Business asset sales <sup>(a)</sup>	3 820.3	1 880.2	5 722.9
- Gascor disaggregation - assumption of debt		391.7	
Other revenue			
- Business asset sales <sup>(a)</sup>	87.5	60.2	234.5
- Reversal of Flexible Tariff Management Unit Trust liability		1 275.2	
- Forgiveness of debt owed to Department of Treasury and Finance by SEMCL			106.7
<b>Expenses from ordinary activities</b>			
Supplies and services			
- Business asset sales <sup>(a)</sup>	- 55.7	- 49.5	- 100.8
Other expenses			
- Forgiveness of debt owed by Director of Housing to Department of Treasury and Finance	..	- 1 086.8	..
- Loss on revaluation of water sector debt		- 334.4	
- Diminution of VAIP bonds	..	..	- 122.0
<b>Total abnormal items</b>	<b>4 321.0</b>	<b>2 152.6</b>	<b>6 136.9</b>

Source: Department of Treasury and Finance

Note:

(a) Total business asset sales.

**Table A.4: General government current outlays<sup>(a)</sup> by purpose 1986-87 to 1998-99 – historical series**

	(\$ million)				
	1986-87	1987-88	1988-89	1989-90	1990-91
	Actual	Actual	Actual	Actual	Actual
Government superannuation benefits	524	632	609	657	819
Other general public services	293	306	326	336	268
<b>General public services</b>	<b>817</b>	<b>938</b>	<b>935</b>	<b>993</b>	<b>1 087</b>
Police and fire protection services	478	518	560	625	670
Law courts and legal services	32	24	31	76	126
Prisons and corrective services	62	75	86	104	116
Other public order and safety	3	2	3	3	8
<b>Public order and safety</b>	<b>575</b>	<b>619</b>	<b>680</b>	<b>808</b>	<b>920</b>
Primary and secondary education	2 044	2 135	2 398	2 520	2 467
Tertiary education	922	1 031	1 044	1 097	1 261
Pre-school education and education not definable by level	136	170	187	204	185
Transportation of students	72	78	84	91	99
Education n.e.c.	78	92	34	37	17
<b>Education</b>	<b>3 252</b>	<b>3 506</b>	<b>3 747</b>	<b>3 949</b>	<b>4 029</b>
Acute care institutions	1 374	1 480	1 609	1 737	1 962
Mental health institutions	255	312	346	377	295
Nursing homes for the aged	69	103	119	130	41
Community health services	75	112	111	121	139
Public health services	52	82	128	155	145
Pharmaceuticals	- 1	- 2	..	..	..
Health research	2	3	5	6	7
Health administration n.e.c.	29	20	32	44	78
<b>Health</b>	<b>1 855</b>	<b>2 110</b>	<b>2 350</b>	<b>2 570</b>	<b>2 667</b>
Social security	93	97	105	111	105
Welfare services	298	302	370	416	554
Social security and welfare n.e.c.	1	..	..	..	1
<b>Social security and welfare</b>	<b>392</b>	<b>399</b>	<b>475</b>	<b>527</b>	<b>660</b>
Housing and community development	119	117	146	149	178
Water supply	13	15	16	11	7
Sanitation and protection of the environment	7	7	7	12	17
Other community amenities	..	..	..	..	1
<b>Housing and community amenities</b>	<b>139</b>	<b>139</b>	<b>169</b>	<b>172</b>	<b>203</b>
Recreation facilities and services	69	74	111	118	121
Cultural facilities and services	65	66	77	84	72
Broadcasting and film production	4	5	4	3	3
Recreation and culture n.e.c.	- 1	..	..	..	..
<b>Recreation and culture</b>	<b>137</b>	<b>145</b>	<b>192</b>	<b>205</b>	<b>196</b>

**Table A.4 : General government current outlays<sup>(a)</sup> by purpose 1986-87 to 1998-99 – historical series (continued)**

	(\$ million)				
	1986-87	1987-88	1988-89	1989-90	1990-91
	Actual	Actual	Actual	Actual	Actual
Fuel affairs and services	..	1	..	1	1
Electricity and other energy	27	15	2	2	1
Fuel and energy n.e.c.	6	6	5	17	16
<b>Fuel and energy</b>	<b>33</b>	<b>22</b>	<b>7</b>	<b>20</b>	<b>18</b>
Agriculture	90	92	109	120	107
Forestry	58	63	69	72	85
<b>Agriculture, forestry, fishing and hunting</b>	<b>148</b>	<b>155</b>	<b>178</b>	<b>192</b>	<b>192</b>
Mining and mineral resources other than fuels	6	5	6	9	5
Manufacturing	51	54	38	37	28
Construction	1	2	1	..	..
<b>Mining and mineral resources other than fuels; manufacturing; and construction</b>	<b>58</b>	<b>61</b>	<b>45</b>	<b>46</b>	<b>33</b>
Road transport	231	257	290	291	328
Water transport	..	1	2	2	3
Rail transport	374	307	316	..	..
Other transport	476	327	323	671	720
Communications	..	..	..	3	2
<b>Transport and communications</b>	<b>1 081</b>	<b>892</b>	<b>931</b>	<b>967</b>	<b>1 053</b>
Storage	..	1	..	..	..
Tourism and area promotion	23	26	26	30	35
Labour and employment affairs	102	97	70	72	95
Other economic affairs n.e.c.	- 2	- 15	- 23	- 27	- 22
<b>Other economic affairs</b>	<b>123</b>	<b>109</b>	<b>73</b>	<b>75</b>	<b>108</b>
Public debt transactions	804	1 124	1 219	1 410	1 523
General purpose inter-government transactions	148	166	173	177	182
Natural disaster relief	2	..	..	1	1
Other purposes n.e.c.	1	..	- 4	- 2	- 12
<b>Other purposes</b>	<b>955</b>	<b>1 290</b>	<b>1 388</b>	<b>1 586</b>	<b>1 694</b>
<b>Total current outlays</b>	<b>9 565</b>	<b>10 385</b>	<b>11 170</b>	<b>12 110</b>	<b>12 860</b>

**Table A.4 : General government current outlays<sup>(a)</sup> by purpose 1986-87 to 1998-99 – historical series (continued)**

	(\$ million)				
	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Actual	Actual	Actual	Actual
Government superannuation benefits	1 023	1 392	1 454	1 411	1 114
Other general public services	226	271	229	202	250
<b>General public services</b>	<b>1 249</b>	<b>1 663</b>	<b>1 683</b>	<b>1 613</b>	<b>1 364</b>
Police and fire protection services	706	760	778	799	854
Law courts and legal services	107	118	121	122	168
Prisons and corrective services	115	103	98	106	108
Other public order and safety	9	4	3	2	- 2
<b>Public order and safety</b>	<b>937</b>	<b>985</b>	<b>1 000</b>	<b>1 029</b>	<b>1 128</b>
Primary and secondary education	2 745	2 723	2 655	2 627	2 697
Tertiary education	1 269	853	460	468	576
Pre-school education and education not definable by level	187	183	186	207	223
Transportation of students	102	106	112	121	127
Education n.e.c.	24	21	20	14	- 6
<b>Education</b>	<b>4 327</b>	<b>3 886</b>	<b>3 433</b>	<b>3 437</b>	<b>3 617</b>
Acute care institutions	2 064	1 974	1 828	1 879	2 139
Mental health institutions	308	356	333	353	372
Nursing homes for the aged	33	52	109	91	115
Community health services	151	179	180	204	243
Public health services	135	118	119	133	140
Pharmaceuticals	..	..	..	..	9
Health research	8	6	5	5	6
Health administration n.e.c.	80	85	85	- 1	- 47
<b>Health</b>	<b>2 779</b>	<b>2 770</b>	<b>2 659</b>	<b>2 664</b>	<b>2 977</b>
Social security	134	148	186	222	216
Welfare services	604	677	656	734	735
Social security and welfare n.e.c.	1	1	1	1	..
<b>Social security and welfare</b>	<b>739</b>	<b>826</b>	<b>843</b>	<b>957</b>	<b>951</b>
Housing and community development	213	199	203	295	192
Water supply	11	19	16	20	5
Sanitation and protection of the environment	20	20	22	25	18
Other community amenities	1	..	..	..	- 1
<b>Housing and community amenities</b>	<b>245</b>	<b>238</b>	<b>241</b>	<b>340</b>	<b>214</b>
Recreation facilities and services	104	104	62	51	88
Cultural facilities and services	89	91	92	118	118
Broadcasting and film production	3	3	3	4	5
Recreation and culture n.e.c.	..	..	..	..	..
<b>Recreation and culture</b>	<b>196</b>	<b>198</b>	<b>157</b>	<b>173</b>	<b>211</b>

**Table A.4 : General government current outlays<sup>(a)</sup> by purpose 1986-87 to 1998-99 – historical series (continued)**

	(\$ million)				
	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Actual	Actual	Actual	Actual
Fuel affairs and services	- 1	1	13	28	- 1
Electricity and other energy	1	52	3	28	212
Fuel and energy n.e.c.	12	5	2	- 2	- 6
<b>Fuel and energy</b>	<b>12</b>	<b>58</b>	<b>18</b>	<b>54</b>	<b>205</b>
Agriculture	112	83	87	103	153
Forestry	81	90	91	95	47
<b>Agriculture, forestry, fishing and hunting</b>	<b>193</b>	<b>173</b>	<b>178</b>	<b>198</b>	<b>200</b>
Mining and mineral resources other than fuels	5	7	6	8	10
Manufacturing	37	36	17	34	36
Construction	..	..	..	..	..
<b>Mining and mineral resources other than fuels; manufacturing; and construction</b>	<b>42</b>	<b>43</b>	<b>23</b>	<b>42</b>	<b>46</b>
Road transport	386	357	366	434	342
Water transport	- 2	- 2	- 2	5	5
Rail transport	..	..	..	..	9
Other transport	671	657	613	321	448
Communications	2	..	..	..	4
<b>Transport and communications</b>	<b>1 057</b>	<b>1 012</b>	<b>977</b>	<b>760</b>	<b>808</b>
Storage	..	..	..	..	..
Tourism and area promotion	38	41	46	58	29
Labour and employment affairs	95	82	57	69	62
Other economic affairs n.e.c.	171	139	37	86	9
<b>Other economic affairs</b>	<b>304</b>	<b>262</b>	<b>140</b>	<b>213</b>	<b>100</b>
Public debt transactions	1 717	2 027	2 185	1 972	1 910
General purpose inter-government transactions	186	191	191	191	202
Natural disaster relief	..	..	..	30	..
Other purposes n.e.c.	..	251	259	153	9
<b>Other purposes</b>	<b>1 903</b>	<b>2 469</b>	<b>2 635</b>	<b>2 346</b>	<b>2 121</b>
<b>Total current outlays</b>	<b>13 983</b>	<b>14 583</b>	<b>13 987</b>	<b>13 826</b>	<b>13 942</b>

**Table A.4 : General government current outlays<sup>(a)</sup> by purpose 1986-87 to 1998-99 – historical series (continued)**

	(\$ million)		
	1996-97	1997-98	1998-99
	Actual	Actual	Actual
Government superannuation benefits	1 295	1 732	1 712
Other general public services	288	324	421
<b>General public services</b>	<b>1 583</b>	<b>2 056</b>	<b>2 133</b>
Police and fire protection services	998	941	979
Law courts and legal services	138	133	- 46
Prisons and corrective services	144	131	148
Other public order and safety	43	161	173
<b>Public order and safety</b>	<b>1 323</b>	<b>1 366</b>	<b>1 254</b>
Primary and secondary education	2 824	3 213	3 362
Tertiary education	617	540	502
Pre-school education and education not definable by level	248	24	126
Transportation of students	136	108	157
Education n.e.c.	20	118	- 61
<b>Education</b>	<b>3 845</b>	<b>4 003</b>	<b>4 086</b>
Acute care institutions	2 186	2 599	2 482
Mental health institutions	400	313	401
Nursing homes for the aged	122	..	153
Community health services	248	..	288
Public health services	187	781	203
Pharmaceuticals	11	..	14
Health research	7	16	22
Health administration n.e.c.	- 74	- 111	- 51
<b>Health</b>	<b>3 087</b>	<b>3 598</b>	<b>3 512</b>
Social security	236	244	261
Welfare services	762	966	902
Social security and welfare n.e.c.	..	..	..
<b>Social security and welfare</b>	<b>998</b>	<b>1 210</b>	<b>1 163</b>
Housing and community development	187	477	96
Water supply	11	1	10
Sanitation and protection of the environment	31	35	35
Other community amenities	- 1	1	- 1
<b>Housing and community amenities</b>	<b>228</b>	<b>514</b>	<b>140</b>
Recreation facilities and services	89	84	70
Cultural facilities and services	127	152	159
Broadcasting and film production	12	1	9
Recreation and culture n.e.c.	6	..	11
<b>Recreation and culture</b>	<b>234</b>	<b>237</b>	<b>249</b>

**Table A.4 : General government current outlays<sup>(a)</sup> by purpose 1986-87 to 1998-99 – historical series (continued)**

	(\$ million)		
	1996-97 <i>Actual</i>	1997-98 <i>Actual</i>	1998-99 <i>Actual</i>
Fuel affairs and services	- 1	- 3	- 3
Electricity and other energy	22	2	92
Fuel and energy n.e.c.	- 4	- 4	- 5
<b>Fuel and energy</b>	<b>17</b>	<b>- 5</b>	<b>84</b>
Agriculture	162	170	208
Forestry	76	108	89
<b>Agriculture, forestry, fishing and hunting</b>	<b>238</b>	<b>278</b>	<b>297</b>
Mining and mineral resources other than fuels	12	12	10
Manufacturing	28	44	41
Construction	..	..	..
<b>Mining and mineral resources other than fuels; manufacturing; and construction</b>	<b>40</b>	<b>56</b>	<b>51</b>
Road transport	348	427	246
Water transport	4	- 3	4
Rail transport	10	42	190
Other transport	378	384	377
Communications	11	10	7
<b>Transport and communications</b>	<b>751</b>	<b>860</b>	<b>824</b>
Storage	..	..	..
Tourism and area promotion	57	36	69
Labour and employment affairs	45	29	26
Other economic affairs n.e.c.	- 14	- 23	10
<b>Other economic affairs</b>	<b>88</b>	<b>42</b>	<b>105</b>
Public debt transactions	1 450	1 132	801
General purpose inter-government transactions	210	1	301
Natural disaster relief	..	..	..
Other purposes n.e.c.	176	180	- 7
<b>Other purposes</b>	<b>1 836</b>	<b>1 313</b>	<b>1 095</b>
<b>Total current outlays</b>	<b>14 268</b>	<b>15 528</b>	<b>14 993</b>

Source: Australian Bureau of Statistics

Note:

(a) Current outlays – cash GFS basis.



**Table A.5 : General government expenses by purpose 1999-2000 to 2007-08 – historical series**

	(\$ million)				
	1999-00	2000-01	2001-02	2002-03	2003-04
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Revised</i>
General public services	838	744	630	712	1 068
Public order and safety	1 956	2 004	2 105	2 424	2 393
Education	5 629	6 274	6 541	6 797	7 152
Health	5 027	5 666	6 128	6 736	6 851
Social security and welfare	1 594	1 737	1 807	1 799	1 976
Housing and community amenities	833	1 336	1 776	1 158	1 236
Recreation and culture	486	491	545	766	810
Fuel and energy	16	134	149	12	41
Agriculture, forestry, fishing and hunting	480	468	465	558	522
Mining and mineral resources other than fuels; manufacturing; and construction	27	12	12	17	18
Transport and communications	2 029	2 151	2 155	2 747	3 277
Other economic affairs	146	158	292	353	431
Other purposes <sup>(a)</sup>	1 260	1 337	1 267	1 410	1 323
<b>Total expenses <sup>(b)</sup></b>	<b>20 321</b>	<b>22 512</b>	<b>23 871</b>	<b>25 489</b>	<b>27 096</b>

**Table A.5 : General government expenses by purpose 1999-2000 to 2007-08 – historical series (continued)**

	(\$ million)			
	2004-05 Budget	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate
General public services	1 649	1 557	1 950	2 536
Public order and safety	2 590	2 692	2 780	2 887
Education	7 532	7 776	8 011	8 017
Health	7 379	7 580	7 806	7 906
Social security and welfare	2 109	2 169	2 235	2 279
Housing and community amenities	1 200	1 198	1 235	1 239
Recreation and culture	963	954	732	707
Fuel and energy	40	42	43	44
Agriculture, forestry, fishing and hunting	469	431	435	421
Mining and mineral resources other than fuels; manufacturing; and construction	18	19	20	20
Transport and communications	3 086	3 189	3 225	3 310
Other economic affairs	391	309	326	272
Other purposes <sup>(a)</sup>	1 007	1 329	1 310	1 502
<b>Total expenses <sup>(b)</sup></b>	<b>28 436</b>	<b>29 244</b>	<b>30 109</b>	<b>31 139</b>

Source: Department of Treasury and Finance

Notes:

(a) Includes nominal superannuation interest expense.

(b) Expenses by purpose – accrual GFS basis.

## **APPENDIX B – REVISED 2003-04 BUDGET OUTCOME**

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This appendix provides revised estimates of the budget outcome for the 2003-04 financial year. The revised 2003-04 estimates take into account government policy decisions and economic developments impacting on both revenues and expenses since the presentation of the 2003-04 Budget to the Parliament in May 2003.

### **REVISED 2003-04 STATEMENT OF FINANCIAL PERFORMANCE**

The revised 2003-04 statement of financial performance is presented in Table B.1. The revised general government sector operating result for 2003-04 is a surplus of \$432 million, \$188 million higher than the original budget estimate. The increase is mainly attributable to strong equity market returns on State superannuation funds' assets and related growth in property revenue. This was partly offset by a one-off expense resulting from the Government's decision to discontinue collections of the Smelter Reduction Amount from 30 June 2004, and expenses relating to drought response and relief activities.

#### **Operating revenue**

Total estimated operating revenue for 2003-04 has been revised upward by \$1 133 million, or 4.3 per cent, from the budget estimate of \$26 598 million. A large part of the improvement in the revenue outlook is attributable to taxation resulting from the continued growth in the Victorian property market, partly offset by lower than expected gambling taxation as a result of the smoking bans. There has also been higher than budgeted revenue from dividends and Commonwealth specific purpose grants.

**Table B.1: 2003-04 Statement of financial performance**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	Change	Change %
<b>Revenue from ordinary activities</b>				
Taxation	9 593.2	10 240.1	647.0	6.7
Fines and regulatory fees	637.2	483.1	( 154.1)	(24.2)
Investment revenue	895.9	1 034.0	138.0	15.4
Grants	12 248.0	12 345.7	97.7	0.8
Sale of goods and services	2 047.2	2 165.0	117.8	5.8
Gain (loss) on the disposal of physical assets	( 7.3)	( 6.1)	1.2	(16.7)
Fair value of assets received free of charge or for nominal consideration	..	109.5	109.5	..
Inter-sector capital asset charge	514.0	564.2	50.2	9.8
Other revenue	670.1	795.7	125.5	18.7
<b>Total revenue</b>	<b>26 598.4</b>	<b>27 731.2</b>	<b>1 132.8</b>	<b>4.3</b>
<b>Expenses from ordinary activities</b>				
Employee benefits	9 597.7	9 837.3	239.7	2.5
Superannuation	1 950.8	774.7	(1 176.1)	(60.3)
Depreciation	1 024.8	1 057.1	32.3	3.2
Amortisation	67.9	71.7	3.8	5.6
Borrowing costs	483.3	483.4	0.1	0.0
Grants and transfer payments <sup>(a)</sup>	4 537.2	6 025.0	1 487.8	32.8
Supplies and services	8 598.2	8 970.4	372.2	4.3
Other expenses	94.0	79.1	( 15.0)	(15.9)
<b>Total expenses</b>	<b>26 353.9</b>	<b>27 298.7</b>	<b>944.8</b>	<b>3.6</b>
<b>Net result</b>	<b>244.5</b>	<b>432.5</b>	<b>188.0</b>	<b>76.9</b>

Source: Department of Treasury and Finance

Note:

(a) 2003-04 Revised includes a payable of \$1 250 million to the SECV.

### **Taxation**

In 2003-04, taxation revenue is expected to total \$10 240 million, \$647 million or 6.7 per cent higher than the 2003-04 Budget estimate (see Table B.2). This increase is largely the result of stronger than expected property sales and prices, resulting in higher revenue from conveyance and mortgage duties. Offsetting these increases is a reduction in gambling taxation revenue as a result of the continuing impact of smoking bans in gaming venues.

**Table B.2: 2003-04 Taxation**

(\$ million)

	2003-04 Budget	2003-04 Revised	Change	Change %
Payroll tax	2 730.0	2 700.7	( 29.3)	(1.1)
Taxes on immovable property	876.1	879.5	3.4	0.4
Financial and capital transactions	2 348.2	3 067.3	719.1	30.6
Gambling	1 420.1	1 323.4	( 96.6)	(6.8)
Insurance	950.6	978.9	28.3	3.0
Motor vehicles	1 204.1	1 225.9	21.8	1.8
Other licences and levies	64.1	64.4	0.3	0.5
<b>Total taxation</b>	<b>9 593.2</b>	<b>10 240.1</b>	<b>647.0</b>	<b>6.7</b>

Source: Department of Treasury and Finance

Payroll tax revenue in 2003-04 has been revised down 1.1 per cent or \$29 million since the budget estimate, to \$2 701 million. The decrease reflects continuing changes in the composition of employment, with relatively higher growth occurring in small firms with annual wage bills below the tax-free threshold.

Total taxes on financial and capital transactions in 2003-04 are estimated to generate \$3 067 million, \$719 million or 30.6 per cent higher than the 2003-04 Budget estimate. Higher land transfer and mortgage duty revenue outcomes are expected to account for the revision. The upward revision reflects several factors, including higher than expected growth in transaction volumes and house prices, as well as revenue recognised from the sale of the Loy Yang power station.

Gambling tax revenue in 2003-04 is estimated at \$1 323 million, down \$97 million or 6.8 per cent from the budget estimate. The downward revision is the result of the continued impact of the September 2002 introduction of smoking bans in gaming venues.

Total tax revenue collected from insurance taxes is estimated to be \$979 million, up \$28 million or 3.0 per cent from the budget estimate. This reflects continued high growth of premium rates, particularly in the areas of public and product liability and professional indemnity.

Taxes generated from motor vehicles are estimated to be \$1 226 million, \$22 million or 1.8 per cent higher than the budget estimate. The increase mainly reflects higher than expected duty on vehicle transfers as a consequence of stronger than expected transaction volume growth.

### ***Fines and regulatory fees***

Fines and regulatory fees are estimated to be \$483 million, \$154 million or 24.2 per cent lower than the budget estimate. This decrease in the estimated fines revenue reflects delays in the implementation of a number of road safety initiatives, in particular road safety cameras, the temporary suspension of the issue of infringement notices from fixed site safety cameras, and also reflects a general improvement in driver behaviour.

## **Investment income**

Total investment income is expected to be \$138 million (15.4 per cent) higher than forecast in the 2003-04 Budget (see Table B.3). This mainly reflects higher than expected dividends and tax equivalent payments from public trading enterprises and increases in estimated interest revenue.

Dividends for 2003-04 are forecast to be \$301 million, \$28 million (or 10.3 per cent) higher than the 2003-04 budget estimate of \$273 million. This is mainly attributable to higher dividends from the water industry reflecting the continued strength of the building industry and the associated developer revenue, and the impact of the 2002-03 final dividends received in 2003-04 from the water businesses.

Income tax and rate equivalent revenue for 2003-04 is expected to be \$211 million, \$63 million (or 42 per cent) higher than the 2003-04 budget estimate of \$149 million. This is mainly attributable to higher income tax equivalent revenue from the Transport Accident Commission, reflecting the stronger than expected profit for the half-year to December 2003 associated with higher than forecast investment returns and a positive contribution from higher bond yields.

Interest revenue is expected to be some \$106 million above the budget estimate of \$288 million. This is due to increased investment assets held by the State.

**Table B.3: 2003-04 Investment income**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	Change	Change %
Dividends	273.1	301.1	28.1	10.3
Income tax and rate equivalent revenue	148.7	211.2	62.5	42.0
Interest	287.7	394.0	106.3	36.9
Royalties	44.9	46.0	1.0	2.3
Rents	15.3	15.5	0.1	0.8
Other	126.1	66.1	( 60.0)	(47.6)
<b>Total investment revenue</b>	<b>895.9</b>	<b>1 034.0</b>	<b>138.0</b>	<b>15.4</b>

*Source: Department of Treasury and Finance*

## **Grants**

As highlighted in Table B.4, total grants received are now expected to be \$98 million (0.8 per cent) higher than the 2003-04 Budget forecast, with an increase in operating grants being partially offset by a decline in capital grants.

**Table B.4: 2003-04 Grants**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	Change	Change %
<b>Operating grants</b>				
General purpose grants	6 957.2	7 010.8	53.6	0.8
Specific purpose grants for on-passing	1 387.5	1 430.4	42.9	3.1
Other specific purpose grants	3 443.6	3 498.0	54.4	1.6
<b>Total operating grants</b>	<b>11 788.2</b>	<b>11 939.2</b>	<b>151.0</b>	<b>1.3</b>
<b>Capital grants</b>				
Specific purpose grants for on-passing	121.6	124.6	3.0	2.5
Other specific purpose grants	338.2	281.9	( 56.3)	(16.6)
<b>Total capital grants</b>	<b>459.8</b>	<b>406.5</b>	<b>( 53.2)</b>	<b>(11.6)</b>
<b>Total grants</b>	<b>12 248.0</b>	<b>12 345.7</b>	<b>97.7</b>	<b>0.8</b>

Source: Department of Treasury and Finance

The \$54 million increase in general purpose grants to \$7 011 million reflects the upward revision of the 2003-04 estimate of the Guaranteed Minimum Amount, which is the minimum amount of GST grants that the Commonwealth guaranteed Victoria would receive after the GST was introduced. The movement in the Guaranteed Minimum Amount is the result of the upward revision of forgone financial assistance grants and revenue replacement payments (due to movements in CPI), and the First Home Owner Grant expenditures. This was partially offset by a fall in forgone gambling revenue, and the Commonwealth Treasurer, on the advice of the National Competition Council, suspending \$9.4 million of Victoria's 2003-04 national competition payments. Victoria has taken significant steps to address the issues identified by the Commonwealth and expects to recover all of its suspended payments in 2004-05.

The increase in specific purpose payments from the Commonwealth mainly relates to:

- Commonwealth assistance to non-government schools. The increase reflects changed Commonwealth estimates of enrolment numbers. This increase in funding was not shown in the 2003-04 budget figure as the Commonwealth Budget is released after the State Budget; and
- additional financial assistance to local government due to the increases in the Commonwealth's estimate of CPI and population over the past 12 months.

The decrease in capital grants is due to the cessation of Commonwealth funding for road maintenance, pending finalisation of arrangements under the new road funding model *Auslink*.

### **Other revenue**

The 2003-04 revised estimate for other revenue (comprising sales of goods and services, assets received free of charge, gains on disposal of physical assets, inter-sector capital assets charge and other revenue) totals \$3 628 million, \$404 million (12.5 per cent) higher than the original budget estimate.

This increase is mainly attributable to the anticipated profit on acquisition of certain rolling stock arising from the re-franchise arrangements (\$110 million), increases in sales of goods and services and other revenue of \$243 million across the budget sector, with significant increases in estimates of fund raising and other third party activities of the State's hospitals (\$60 million), schools and TAFE Institutes (\$98 million).

### **Operating expenses**

As shown in Table B.1, general government sector operating expenses for 2003-04 are now projected to be \$27 299 million, \$945 million higher than the original budget estimate of \$26 354 million.

The major variations within operating expenses consist of an increase in estimates for employee benefits, grants and transfer payments and supplies and services. These increases above original budget estimates are partly offset by a reduction in superannuation expense as a result of higher than expected investment returns on superannuation fund assets in 2003-04 due to improvements in global equity markets and the results of the 2003 triennial review of the State Superannuation Fund (SSF). Superannuation expenses for 2003-04 are now estimated to total \$775 million, \$1 176 million (or 60.3 per cent) lower than the budget estimate.

The State's superannuation funds have substantial holdings of domestic and global equities. Equity market performance therefore has a significant impact on the State's superannuation expenses and unfunded superannuation liability. In addition, the triennial actuarial review found that the SSF's accrued liabilities were \$345 million lower than previously estimated.

The increase in employee benefits of \$240 million (or 2.5 per cent) from the budget estimate of \$9 598 million reflects additional wage growth in service delivery areas of health, education and community safety.

Grants and transfer payments are now estimated to total \$6 025 million (or 32.8 per cent) higher than the budget estimate. This increase is mainly attributable to a one-off expense (and corresponding payable) of \$1 250 million which relates to the Government's decision to cease collections of the Smelter Reduction Amount (SRA) from 30 June 2004. The SRA was introduced in 1997 and is a levy paid primarily by Victorian electricity retailers on wholesale purchases of electricity from the National Electricity Market.



The discontinuation of this levy creates an asset shortfall in the State Electricity Commission of Victoria (SECV), which the Government is required to fund. The shortfall relates to SECV's obligations under the Electricity Supply Agreements with the aluminium smelters at Point Henry and Portland. The smelter obligations will be met after 30 June 2004 from the consolidated fund. To minimise the impact on the Budget, the Government will extend land tax to electricity transmission easements owned by electricity transmission companies from 1 July 2004. Budget Paper No. 2 *Strategy and Outlook*, Chapter 3, *Budget Position and Outlook* provides further details.

Grants and transfer payments also include the new rail transport partnerships, including anticipated expenses of \$148 million relating to the recognition of a liability for the guarantee of employee benefits in the event employees of the rail transport operators return to the State.

Growth in supplies and services of \$372 million over the original budget estimate is primarily due to increased expenditure of hospitals, schools and TAFE Institutes, which is largely funded by third party revenue sources.

## **REVISED 2003-04 CASH FLOW STATEMENT**

Table B.5 provides the revised cash flow statement for 2003-04, while Table B.6 provides a summary of cash generated through the operations of Victorian government departments and other general government sector agencies during the year, and how that cash is applied to infrastructure investment and financing activities. Table B.6 also provides a reconciliation of the projected budget operating surplus to the projected change in general government net debt.

Net cash flow from operating activities is now expected to be \$1 818 million compared with the published estimate of \$1 967 million. The \$149 million variation reflects the impact of a \$963 million increase in operating receipts offset by an \$1 112 million increase in payments in relation to operating activities.

The expected increase in receipts is broadly attributable to the factors underpinning the \$1 133 million increase in operating revenue outlined earlier in this appendix (see Table B.1), after removing the non-cash impact of the profit on acquisition of rolling stock. Projected increases in operating payments also largely reflect increases in the estimated operating expenses.

**Table B.5: 2003-04 Cash flow statement**

	(\$ million)			
	2003-04 Budget	2003-04 Revised	Change	Change %
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Taxation	9 546.8	10 147.1	600.3	6.3
Fines and regulatory fees	510.0	381.9	( 128.1)	(25.1)
Grants	12 247.5	12 345.8	98.2	0.8
Sale of goods and services	2 041.7	2 164.9	123.2	6.0
Interest received	287.1	393.7	106.7	37.2
Dividends received	273.1	301.1	28.1	10.3
Capital assets charge received	514.0	564.2	50.2	9.8
Other receipts	999.8	1 084.8	85.0	8.5
<b>Total receipts</b>	<b>26 420.0</b>	<b>27 383.4</b>	<b>963.4</b>	<b>3.6</b>
<b>Payments</b>				
Employee benefits	(9 394.3)	(9 627.5)	( 233.2)	2.5
Superannuation	(1 453.2)	(2 001.9)	( 548.7)	37.8
Grants and transfer payments	(4 535.5)	(4 702.5)	( 167.1)	3.7
Supplies and services	(8 581.6)	(8 763.8)	( 182.2)	2.1
Interest paid	( 488.2)	( 469.4)	18.9	(3.9)
<b>Total payments</b>	<b>(24 452.8)</b>	<b>(25 565.1)</b>	<b>(1 112.3)</b>	<b>4.5</b>
<b>Net cash flows from operating activities</b>	<b>1 967.2</b>	<b>1 818.3</b>	<b>( 148.8)</b>	<b>(7.6)</b>
<b>Cash flows from investing activities</b>				
Net customer loans (granted) repaid	20.1	6.6	( 13.5)	(67.3)
Net contribution to other sectors of government	( 525.9)	( 387.3)	138.6	(26.4)
Proceeds from sale of property, plant and equipment	66.7	69.6	2.9	4.4
Purchase of property, plant and equipment	(2 130.7)	(1 795.6)	335.1	(15.7)
Net disposal of investments	644.0	186.0	( 458.0)	(71.1)
<b>Net cash flows from investing activities</b>	<b>(1 925.8)</b>	<b>(1 920.8)</b>	<b>5.1</b>	<b>(0.3)</b>
<b>Cash flows from financing activities</b>				
Net repayment of borrowings	13.7	( 26.4)	( 40.1)	(293.1)
<b>Net cash flows from financing activities</b>	<b>13.7</b>	<b>( 26.4)</b>	<b>( 40.1)</b>	<b>(293.1)</b>
<b>Net increase (decrease) in cash and deposits held</b>	<b>55.0</b>	<b>( 128.8)</b>	<b>( 183.9)</b>	<b>(334.1)</b>
Cash at beginning of reporting period	1 723.0	1 107.8	( 615.2)	(35.7)
<b>Cash and deposits at end of reporting period</b>	<b>1 778.0</b>	<b>978.9</b>	<b>( 799.1)</b>	<b>(44.9)</b>

Source: Department of Treasury and Finance

**Table B.6: Application of cash resources**

(\$ million)

	2003-04 Budget	2003-04 Revised
Operating surplus	244.5	432.5
Plus: Non-cash expenses (net) <sup>(a)</sup>	1 722.7	1 385.9
<b>Net cash flow from operating activities</b>	<b>1 967.2</b>	<b>1 818.3</b>
Plus: Net drawdown of Growing Victoria infrastructure reserve	653.3	622.8
<b>Total cash available for asset investment</b>	<b>2 620.5</b>	<b>2 441.1</b>
Less:		
Net investment in fixed assets	2 064.0	1 726.0
Net contribution to other sectors of government	525.9	387.3
Other investment activities (net)	6.5	18.1
<b>Decrease in net debt (excluding Growing Victoria)</b>	<b>24.1</b>	<b>309.7</b>

Source: Department of Treasury and Finance

Note:

(a) Includes depreciation and movements in the unfunded superannuation liability and liability for employee benefits.

As shown in Table B.6, the \$1 818 million cash surplus from operating activities will be the main source of financing for the 2003-04 net infrastructure investment program. The balance will be entirely funded by a \$623 million drawdown from the Growing Victoria infrastructure reserve. As a result, net debt (excluding Growing Victoria) is expected to decline by around \$310 million in 2003-04. This exceeds the original budget estimate of a \$24 million decline, primarily due to lower than anticipated cash drawdown by infrastructure projects.

## REVISED 2003-04 STATEMENT OF FINANCIAL POSITION

The estimated 2003-04 statement of financial position is presented in Table B.7. Net assets are now projected to increase from \$23 608 million at 30 June 2003 to a revised estimate of \$24 695 million at 30 June 2004. This represents an increase of \$1 087 million (4.6 per cent) over the course of 2003-04.

The increase in net assets reflects the impact of the projected operating surplus of \$432 million and an increase in reserves of \$1 152 million (mainly relating to revaluation of physical assets), net of contributions to other sectors of government (including the non-cash transfer of rolling stock assets of \$110 million) of \$497 million.

The projected increase in total assets of \$1 577 million is mainly due to significant increases in infrastructure expenditure, partly offset by reductions in financial assets held.

The projected increase in total liabilities of \$489 million over 2003-04 reflects the net impact of:

- an increase in total payables of \$1 392 million, \$1 250 million of which is due to the Government's decision to indemnify the SECV following the discontinuation of the SRA from 30 June 2004. The indemnity relates to the SECV's liability in respect of the Electricity Supply Agreements with the aluminium smelters at Point Henry and Portland. The agreements expire in 2014 and 2016 respectively;
- a reduction of the total superannuation liability of \$1 227 million, due to greater than expected returns on superannuation fund assets and the actuarial review; and
- increases in other liabilities including employee benefits, provisions, interest bearing liabilities and other liabilities totalling \$324 million.

**Table B.7: 2003-04 Statement of financial position as at 30 June**

	(\$ million)				
	2003	2004	2004	Change <sup>(b)</sup>	Change
	Actual	Budget <sup>(a)</sup>	Revised		%
<b>Current assets</b>					
Cash assets	1 123.1	1 178.7	996.9	( 126.1)	(11.2)
Other financial assets	1 187.3	1 206.8	1 167.4	( 19.9)	(1.7)
Receivables	1 265.5	1 308.5	1 340.4	74.9	5.9
Prepayments	51.8	51.5	51.7	( 0.1)	(0.2)
Inventories	116.7	116.8	108.1	( 8.7)	(7.4)
<b>Total current assets</b>	<b>3 744.5</b>	<b>3 862.2</b>	<b>3 664.5</b>	<b>( 79.9)</b>	<b>(2.1)</b>
<b>Non-current assets</b>					
Other financial assets	2 846.5	2 182.9	2 681.6	( 165.0)	(5.8)
Receivables	391.6	403.0	463.2	71.5	18.3
Inventories	43.4	43.4	43.4	0.0	0.0
Plant, equipment and infrastructure systems	21 805.7	22 882.5	22 752.2	946.5	4.3
Road networks	16 695.0	17 694.8	17 327.9	632.9	3.8
Other assets	3 215.7	3 306.2	3 386.3	170.6	5.3
<b>Total non-current assets</b>	<b>44 998.0</b>	<b>46 512.8</b>	<b>46 654.5</b>	<b>1 656.5</b>	<b>3.7</b>
<b>Total assets</b>	<b>48 742.4</b>	<b>50 375.0</b>	<b>50 319.0</b>	<b>1 576.6</b>	<b>3.2</b>
<b>Current liabilities</b>					
Payables	1 546.0	1 556.2	1 642.4	96.3	6.2
Interest bearing liabilities	131.2	114.2	134.2	2.9	2.2
Employee benefits	946.6	999.4	997.3	50.7	5.4
Superannuation	534.9	177.6	150.8	( 384.1)	(71.8)
Outstanding insurance claims	7.1	6.3	4.5	( 2.6)	(36.3)
Other liabilities	483.8	475.7	474.6	( 9.2)	(1.9)
<b>Total current liabilities</b>	<b>3 649.7</b>	<b>3 329.4</b>	<b>3 403.8</b>	<b>( 246.0)</b>	<b>(6.7)</b>
<b>Non current-liabilities</b>					
Payables	129.1	129.0	1 425.2	1 296.1	1004.3
Interest bearing liabilities	6 121.6	6 146.3	6 109.0	( 12.6)	(0.2)
Employee benefits	1 851.3	2 001.9	2 010.4	159.1	8.6
Superannuation	12 902.3	13 757.2	12 059.2	( 843.1)	(6.5)
Outstanding insurance claims	187.0	198.5	180.9	( 6.1)	(3.3)
Other liabilities	293.5	291.7	435.4	141.9	48.3
<b>Total non current-liabilities</b>	<b>21 484.8</b>	<b>22 524.7</b>	<b>22 220.1</b>	<b>735.3</b>	<b>3.4</b>
<b>Total liabilities</b>	<b>25 134.5</b>	<b>25 854.1</b>	<b>25 623.9</b>	<b>489.4</b>	<b>1.9</b>
<b>Net assets</b>	<b>23 607.9</b>	<b>24 521.0</b>	<b>24 695.1</b>	<b>1 087.2</b>	<b>4.6</b>

Source: Department of Treasury and Finance

Notes:

(a) 2003-04 Budget is based on actual opening balances as at 1 July 2003 plus 2003-04 Budget movement.

(b) The change reflects the difference between 2003-04 revised and 2002-03 actuals.



## **APPENDIX C – QUARTERLY FINANCIAL REPORT FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR**

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This appendix provides the quarterly financial results to March 2004 for the 2003-04 financial year. Generally, the actuals are on track to meet the revised 2003-04 Budget as presented in Appendix B *Revised 2003-04 Budget Outcome*.

### **GENERAL GOVERNMENT SECTOR OUTCOME**

The net result for the nine months to 31 March 2004 was a surplus of \$876 million, compared with the revised budget estimate for 2003-04 of \$433 million. This result reflects seasonal expenditure patterns, reduced superannuation expense due to improved performance in the equity market and the impact of the triennial actuarial review, and a payable of \$1 250 million to the State Electricity Commission of Victoria resulting from the discontinuation of the Smelter Reduction Amount.

Revenue was \$20 503 million, or 73.9 per cent of revised budget estimate of \$27 731 million. This reflects the normal seasonal pattern of investment revenue, with the majority occurring in the fourth quarter. The revised budget estimate also includes an anticipated profit on acquisition of certain rolling stock assets arising from the re-franchise arrangements (\$110 million), which is also expected to occur in the fourth quarter.

Expenses were \$19 627 million, or 71.9 per cent of the revised budget estimate of \$27 299 million. This underspending reflects seasonal trends with an expected increase in expenditure in the last quarter. The revised budget estimate includes \$148 million relating to the recognition of a liability for the guarantee of employee benefits in the event employees of the rail transport operators return to the State.

## FINANCIAL STATEMENTS FOR THE GENERAL GOVERNMENT SECTOR

### Statement of financial performance for the period ended 31 March

(\$ million)

2002-03 <i>Actual to Mar</i>	<i>Notes</i>	2003-04	
		<i>Actual to Mar</i>	<i>Revised Budget</i>
<b>Revenues from ordinary activities</b>			
7 152.9	2	7 776.7	10 240.1
395.2		372.8	483.1
577.8	3	591.7	1 034.0
8 926.1	4	9 212.0	12 345.7
1 757.8		1 643.3	2 165.0
( 33.1)		20.8	( 6.1)
35.5		0.0	109.5
375.8		385.5	564.2
536.2		500.5	795.7
<b>19 724.2</b>		<b>20 503.4</b>	<b>27 731.2</b>
<b>Expenses from ordinary activities</b>			
6 943.6		7 244.3	9 837.3
2 379.4		552.6	774.7
684.0	5	744.0	1 057.1
55.2		63.6	71.7
370.0		351.1	483.4
2 967.9		4 412.4	6 025.0
5 939.8		6 157.4	8 970.4
63.4		101.5	79.1
<b>19 403.2</b>	<b>6</b>	<b>19 626.9</b>	<b>27 298.7</b>
<b>321.0</b>		<b>876.4</b>	<b>432.5</b>
19.7		177.3	1 151.5
<b>340.7</b>		<b>1 053.8</b>	<b>1 584.0</b>

*The accompanying notes form part of the financial statements.*

*Note:*

(a) 2003-04 Revised includes a payable of \$1 250 million to the SECV.



## Statement of financial position as at 31 March

(\$ million)

2002-03		2003-04			
Actual		Notes	Opening	Actual	Revised
31 Mar			1 July	31 Mar	Budget
<b>Current assets</b>					
1 558.0	Cash assets		1 123.1	1 531.0	996.9
1 206.6	Other financial assets		1 187.3	1 294.0	1 167.4
1 611.5	Receivables	7	1 265.5	1 732.5	1 340.4
351.8	Prepayments		51.8	418.7	51.7
151.9	Inventories		116.7	111.4	108.1
<b>4 879.8</b>	<b>Total current assets</b>		<b>3 744.5</b>	<b>5 087.6</b>	<b>3 664.5</b>
<b>Non-current assets</b>					
2 708.6	Other financial assets		2 846.5	2 588.1	2 681.6
346.0	Receivables	7	391.6	397.2	463.2
166.6	Inventories		43.4	32.3	43.4
18 181.9	Land and buildings	8	19 649.5	20 076.7	20 591.6
2 315.5	Plant, equipment and infrastructure systems other than roads	9	2 156.2	2 164.9	2 160.6
16 150.7	Road network	10	16 695.0	16 639.8	17 327.9
3 078.9	Other assets	11	3 215.7	3 289.5	3 386.3
<b>42 948.3</b>	<b>Total non-current assets</b>		<b>44 998.0</b>	<b>45 188.5</b>	<b>46 654.5</b>
<b>47 828.1</b>	<b>Total assets</b>		<b>48 742.4</b>	<b>50 276.1</b>	<b>50 319.0</b>
<b>Current liabilities</b>					
1 370.6	Payables		1 546.0	1 418.5	1 642.4
121.3	Interest bearing liabilities		131.2	141.9	134.2
997.8	Employee benefits	12	946.6	994.8	997.3
655.8	Superannuation		534.9	271.5	150.8
9.2	Outstanding insurance claims		7.1	7.1	4.5
627.4	Other liabilities		483.8	666.4	474.6
<b>3 782.1</b>	<b>Total current liabilities</b>		<b>3 649.7</b>	<b>3 500.2</b>	<b>3 403.8</b>
<b>Non-current liabilities</b>					
7.7	Payables		129.1	1 397.9	1 425.2
6 231.6	Interest bearing liabilities		6 121.6	6 103.3	6 109.0
1 718.7	Employee benefits	12	1 851.3	1 872.4	2 010.4
13 712.2	Superannuation		12 902.3	12 499.6	12 059.2
104.0	Outstanding insurance claims		187.0	195.7	180.9
311.5	Other liabilities		293.5	306.6	435.4
<b>22 085.6</b>	<b>Total non-current liabilities</b>		<b>21 484.8</b>	<b>22 375.3</b>	<b>22 220.1</b>
<b>25 867.6</b>	<b>Total liabilities</b>		<b>25 134.5</b>	<b>25 875.5</b>	<b>25 623.9</b>
<b>21 960.5</b>	<b>Net assets</b>		<b>23 607.9</b>	<b>24 400.6</b>	<b>24 695.1</b>

The accompanying notes form part of the financial statements.

## Statement of cash flows for the period ended 31 March

(\$ million)

2002-03 Actual to Mar	Notes	2003-04 Actual to Mar	Revised Budget
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
6 650.8	Taxation	7 281.2	10 147.1
288.4	Fines and regulatory fees	293.0	381.9
9 199.8	Grants	9 475.8	12 345.8
1 747.6	Sale of goods and services	1 549.0	2 164.9
269.7	Interest received	266.0	393.7
208.0	Dividends received	153.8	301.1
375.8	Capital asset charge received	385.5	564.2
737.2	Other receipts	737.3	1 084.8
<b>19 477.3</b>	<b>Total receipts</b>	<b>20 141.6</b>	<b>27 383.4</b>
<b>Payments</b>			
(6 773.4)	Employee benefits	(7 175.0)	(9 627.5)
(1 394.2)	Superannuation	(1 218.7)	(2 001.9)
(3 206.4)	Grants and transfer payments	(3 499.8)	(4 702.5)
(6 276.1)	Supplies and services	(6 260.7)	(8 763.8)
( 355.6)	Interest paid	( 342.7)	( 469.4)
<b>(18 005.7)</b>	<b>Total payments</b>	<b>(18 496.8)</b>	<b>(25 565.1)</b>
<b>1 471.6</b>	<b>Net cash flows from operating activities</b>	<b>1 644.7</b>	<b>1 818.3</b>
<b>Cash flows from investing activities</b>			
( 7.2)	Net customer loans (granted) repaid	( 10.8)	6.6
( 117.9)	Net disposal (purchase) investments	113.0	186.0
( 224.9)	Net contributions to other sectors of government	( 261.1)	( 387.3)
50.7	Proceeds from sale of property, plant and equipment	71.6	69.6
(1 260.7)	Purchases of property, plant and equipment	(1 137.1)	(1 795.6)
<b>(1 560.1)</b>	<b>Net cash flows from investing activities</b>	<b>(1 224.4)</b>	<b>(1 920.8)</b>
<b>Cash flows from financing activities</b>			
( 29.9)	Net repayment of borrowings	( 21.9)	( 26.4)
<b>( 29.9)</b>	<b>Net cash flows from financing activities</b>	<b>( 21.9)</b>	<b>( 26.4)</b>
<b>( 118.4)</b>	<b>Net increase (decrease) in cash and deposits held</b>	<b>398.4</b>	<b>( 128.8)</b>
1 663.2	Cash and deposits held at beginning of period	1 107.8	1 107.8
<b>1 544.7</b>	<b>Cash and deposits held at end of reporting period</b>	<b>1 506.2</b>	<b>978.9</b>

*The accompanying notes form part of the financial statements.*

## 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 general-purpose consolidated financial report of the general government sector for the quarter ending 31 March 2004 and the period July 2003 to March 2004 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*, relevant Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements.

This unaudited general-purpose financial report should be read in conjunction with the *2002-03 Financial Report for the State of Victoria*, the *2003-04 Mid Year Financial Report* and the *Statement of Significant Accounting Policies and Assumptions* in Chapter 1 of this budget paper. 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, revenues and expenses are recognised in the reporting period to which they relate, regardless of when cash will be received or was paid. The opening balances of 1 July 2003 represent the actual audited values as at 30 June 2003.

### **(C) General government sector reporting entity**

The budget sector is defined as being the same as the general government sector and 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 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 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, Note 18.

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)

2002-03 <i>Actual to Mar</i>	2003-04	
	<i>Actual to Mar</i>	<i>Revised Budget</i>
1 944.4 Payroll tax	2 025.5	2 700.7
732.8 Taxes on property	826.4	879.5
1 978.4 Financial and capital transactions	2 245.0	3 067.3
1 001.2 Gambling	999.3	1 323.4
635.5 Insurance	717.1	978.9
825.3 Motor vehicles	923.6	1 225.9
35.2 Other licences and levies	39.8	64.4
<b>7 152.9 Total taxation</b>	<b>7 776.7</b>	<b>10 240.1</b>

## Note 3: Investment revenue

(\$ million)

2002-03 <i>Actual to Mar</i>	2003-04	
	<i>Actual to Mar</i>	<i>Revised Budget</i>
207.6 Dividends	153.5	301.1
258.1 Interest	259.2	394.0
( 37.8) Investment gain (losses)	( 21.7)	1.1
25.4 Royalties	21.8	46.0
11.8 Rents	14.3	15.5
112.6 Other	164.5	276.3
<b>577.8 Total investment revenue</b>	<b>591.7</b>	<b>1 034.0</b>

## Note 4: Grants

(\$ million)

2002-03 Actual to Mar	2003-04	
	Actual to Mar	Revised Budget
<b>Specific purpose grants</b>		
572.7	601.9	762.2
1 980.4	1 944.9	2 612.5
119.0	44.4	101.8
0.0	0.2	0.2
33.8	57.8	68.3
..	..	..
0.4	0.3	0.3
11.0	2.9	0.3
2.0	18.1	24.2
20.7	36.5	41.2
29.2	42.4	45.5
21.0	20.9	27.9
<b>Grants for on-passing <sup>(a)</sup></b>		
835.9	909.5	1 199.1
257.7	..	..
..	266.9	355.9
<b>3 883.6</b>	<b>3 946.7</b>	<b>5 239.3</b>
4 990.1	5 191.4	7 010.8
3.3	5.8	0.1
49.1	68.2	95.5
<b>8 926.1</b>	<b>9 212.0</b>	<b>12 345.7</b>

Notes:

- (a) Grants for on-passing represent grants made by the Commonwealth Government to state governments to be passed on to third parties, such as non-government schools and local governments.
- (b) Specific purpose grants not allocated to departments.

## Note 5: Depreciation

(\$ million)

2002-03 Actual to Mar	2003-04	
	Actual to Mar	Revised Budget
293.1	302.9	464.5
48.1	50.1	21.9
194.2	218.4	271.6
138.5	162.0	283.8
10.0	10.6	15.3
<b>684.0</b>	<b>744.0</b>	<b>1 057.1</b>

## Note 6: Total expenses from ordinary activities by department

(\$ million)

2002-03 Actual to Mar		2003-04	
		Actual to Mar	Revised Budget
<b>Expenses from operating activities</b>			
5 607.4	Education and Training	5 894.2	7 911.3
6 805.1	Human Services	7 187.9	9 724.7
2 103.3	Infrastructure	1 560.6	2 872.5
249.0	Innovation, Industry and Regional Development	216.7	396.3
1 637.7	Justice	1 771.7	2 373.7
76.7	Parliament	81.7	117.9
373.6	Premier and Cabinet	302.5	409.1
82.8	Primary Industries	220.6	347.9
896.9	Sustainability and Environment	728.0	981.4
2 605.3	Treasury and Finance	2 386.1	2 758.1
98.6	Victorian Communities	613.2	848.0
..	Contingencies not allocated to departments <sup>(a)</sup>	..	13.8
612.9	Regulatory bodies and part budget funded agencies <sup>(b)</sup>	575.5	946.2
<b>21 149.3</b>	<b>Total</b>	<b>21 538.8</b>	<b>29 701.0</b>
<b>(1 746.1)</b>	<b>Eliminations <sup>(c)</sup></b>	<b>(1 911.9)</b>	<b>(2 402.3)</b>
<b>19 403.2</b>	<b>Total operating expenses</b>	<b>19 626.9</b>	<b>27 298.7</b>

Notes:

- (a) Departmental expenses will be supplemented for certain costs that are provided for in contingencies.
- (b) Includes other general government sector agencies that receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to portfolios.
- (c) Mainly comprised of payroll tax, capital asset charge and inter-departmental and inter-agencies transfers.

## Note 7: Receivables

(\$ million)

2002-03 Actual 31 Mar	Opening 1 July	2003-04	
		Actual 31 Mar	Revised Budget
<b>Current</b>			
353.1 Sale of goods and services	310.9	410.9	310.2
713.9 Taxes receivable	333.6	813.9	349.1
468.1 Fines and regulatory fees	508.6	558.8	609.9
72.1 Accrued investment income	156.6	92.7	132.3
11.4 Loans	3.9	3.3	3.9
233.4 Other receivables	125.2	137.9	191.7
107.4 GST credits receivables	173.6	114.2	168.8
( 347.8) <i>Provision for doubtful debts</i>	( 346.8)	( 399.0)	( 425.3)
<b>1 611.5 Total current receivables</b>	<b>1 265.5</b>	<b>1 732.5</b>	<b>1 340.4</b>
<b>Non-current</b>			
12.7 Sale of goods and services	21.0	2.7	21.3
143.0 Taxes receivable	157.8	173.0	235.3
191.8 Loans	202.9	214.3	196.4
5.2 Other receivables	16.6	12.9	16.8
( 6.6) <i>Provision for doubtful debts</i>	( 6.6)	( 5.7)	( 6.6)
<b>346.0 Total non-current receivables</b>	<b>391.6</b>	<b>397.2</b>	<b>463.2</b>
<b>1 957.5 Total receivables</b>	<b>1 657.2</b>	<b>2 129.8</b>	<b>1 803.6</b>

## Note 8: Land and buildings

(\$ million)

2002-03 Actual 31 Mar	Opening 1 July	2003-04	
		Actual 31 Mar	Revised Budget
11 221.3 Buildings	11 376.4	11 803.9	12 303.9
( 727.8) <i>Accumulated depreciation</i>	( 491.7)	( 670.7)	( 766.5)
<b>10 493.5 Buildings (written down value)</b>	<b>10 884.7</b>	<b>11 133.2</b>	<b>11 537.4</b>
7 188.6 Land	7 816.6	7 995.3	8 106.0
499.8 National parks and other 'land only' holdings	948.2	948.2	948.2
<b>7 688.5 Land</b>	<b>8 764.8</b>	<b>8 943.5</b>	<b>9 054.2</b>
<b>18 181.9 Total land and buildings</b>	<b>19 649.5</b>	<b>20 076.7</b>	<b>20 591.6</b>



## Note 9: Plant equipment and infrastructure systems other than roads

(\$ million)

2002-03		Opening 1 July	2003-04	
Actual 31 Mar	Actual 31 Mar		Revised Budget	
544.5	Infrastructure systems other than roads	340.1	351.5	443.4
( 37.3)	Accumulated depreciation	( 23.0)	( 29.5)	( 42.5)
<b>507.2</b>	<b>Infrastructure systems other than roads (written down value)</b>	<b>317.2</b>	<b>322.0</b>	<b>401.0</b>
3 596.8	Plant, equipment and vehicles	3 471.3	3 728.3	3 858.2
(1 996.2)	Accumulated depreciation	(1 852.1)	(2 079.0)	(2 267.9)
269.1	Leased plant, equipment and vehicles	275.1	256.2	230.5
( 61.3)	Accumulated depreciation	( 55.3)	( 62.7)	( 61.3)
<b>1 808.3</b>	<b>Plant, equipment and vehicles (written down value)</b>	<b>1 839.0</b>	<b>1 842.9</b>	<b>1 759.6</b>
<b>2 315.5</b>	<b>Total plant, equipment and infrastructure systems other than roads</b>	<b>2 156.2</b>	<b>2 164.9</b>	<b>2 160.6</b>

## Note 10: Road networks

(\$ million)

2002-03		Opening 1 July	2003-04	
Actual 31 Mar	Actual 31 Mar		Actual 31 Mar	Revised Budget
4 609.0	Road infrastructure	5 115.9	4 399.9	5 115.9
(1 269.9)	Road infrastructure accumulated depreciation	(1 406.4)	(1 450.3)	(1 406.4)
12 281.4	Roads	13 307.9	13 456.6	14 224.6
(3 706.6)	Roads accumulated depreciation	(4 559.3)	(4 721.3)	(4 843.0)
4 236.8	Earthworks	4 236.8	4 954.8	4 236.8
<b>16 150.7</b>	<b>Total road network</b>	<b>16 695.0</b>	<b>16 639.8</b>	<b>17 327.9</b>

## Note 11: Other assets

(\$ million)

2002-03 Actual 31 Mar		Opening 1 July	2003-04 Actual 31 Mar		Revised Budget
	<b>Non-current</b>				
2 653.5	Cultural assets	2 806.2	2 886.6	2 982.0	
( 52.6)	Accumulated depreciation	( 54.4)	( 66.5)	( 71.5)	
<b>2 600.9</b>	<b>Cultural assets (written down value)</b>	<b>2 751.8</b>	<b>2 820.1</b>	<b>2 910.4</b>	
101.8	Intangibles	126.9	152.4	148.1	
( 25.9)	Amortisation	( 35.5)	( 55.0)	( 53.1)	
<b>75.9</b>	<b>Intangibles (written down value)</b>	<b>91.4</b>	<b>97.5</b>	<b>95.0</b>	
280.3	Natural resource reserves at valuation	258.2	258.2	266.6	
121.9	Other assets	114.4	113.7	114.3	
<b>3 078.9</b>	<b>Total non-current other assets</b>	<b>3 215.7</b>	<b>3 289.5</b>	<b>3 386.3</b>	
<b>3 078.9</b>	<b>Total other assets</b>	<b>3 215.7</b>	<b>3 289.5</b>	<b>3 386.3</b>	

## Note 12: Employee benefits

(\$ million)

2002-03 Actual 31 Mar		Opening 1 July	2003-04 Actual 31 Mar		Revised Budget
	<b>Current</b>				
752.1	Accrued salaries and wages, including other benefits <sup>(a)</sup>	755.8	753.4	782.5	
245.8	Long service leave	190.8	241.5	214.8	
<b>997.8</b>	<b>Total current employee benefits</b>	<b>946.6</b>	<b>994.8</b>	<b>997.3</b>	
	<b>Non-current</b>				
7.0	Accrued salaries and wages, including other benefits <sup>(a)</sup>	4.5	5.5	4.5	
1 711.6	Long service leave	1 846.7	1 866.9	2 006.0	
<b>1 718.7</b>	<b>Total non-current employee benefits</b>	<b>1 851.3</b>	<b>1 872.4</b>	<b>2 010.4</b>	
<b>2 716.5</b>	<b>Total employee benefits</b>	<b>2 797.9</b>	<b>2 867.2</b>	<b>3 007.7</b>	

Note:

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

**Note 13: Reconciliation of the operating surplus to net cash flows from operating activities for the period ended 31 March**

(\$ million)

<i>2002-03 Actual to Mar</i>	<i>2003-04 Actual to Mar</i>
<b>321.0 Result from ordinary activities</b>	<b>876.4</b>
<b>Non-cash movements</b>	
684.0 Depreciation	743.9
55.2 Amortisation	63.8
1.0 Revaluation of investments	( 4.5)
( 34.3) Assets received/given free of charge	0.0
( 2.3) Assets previously not recognised	( 7.0)
4.1 Revaluation of fixed assets	13.9
26.5 Discount/premium on investments/ interest bearing liabilities	20.6
( 0.8) Forgiveness of liabilities	..
<b>Movements included in investing/financing activities</b>	
33.1 Net revenues from sale of plant and equipment	( 20.8)
19.3 Net revenues from sale of investments	7.5
17.4 Realised gains (losses) on interest bearing liabilities	10.5
<b>Movements in assets and liabilities</b>	
32.3 Increase (decrease) in provision of doubtful debts	51.2
( 252.1) Increase (decrease) in payables	1 150.3
163.1 Increase (decrease) in employee benefits	62.5
985.1 Increase (decrease) in superannuation	( 666.2)
( 3.7) Increase (decrease) in insurance claims liabilities	8.7
263.2 Increase (decrease) in other liabilities	202.4
( 527.3) (Increase) decrease in receivables	( 518.7)
( 313.4) (Increase) decrease in other current assets	( 349.8)
<b>1 471.6 Net cash flows from operating activities</b>	<b>1 644.7</b>

## Note 14: Public Account

### Consolidated Fund receipts and payments

		(\$ million)	
2002-03		2003-04	
Actual to Mar		Actual to Mar	Revised Budget
<b>Receipts</b>			
6 589.9	Taxation	7 131.8	10 050.8
258.3	Fines and regulatory fees	239.5	306.0
7 519.0	Grants received	7 670.8	10 377.3
397.2	Sales of goods and services	412.0	561.5
123.9	Interest received	89.3	216.6
344.4	Public authority receipts	341.5	536.0
1 502.9	Other receipts	1 409.1	2 148.3
<b>16 735.6</b>	<b>Total operating activities</b>	<b>17 293.9</b>	<b>24 196.6</b>
27.3	Total inflows from investing and financing	38.3	53.7
<b>16 762.9</b>	<b>Total receipts</b>	<b>17 332.2</b>	<b>24 250.3</b>
<b>Payments to Departments</b>			
4 215.5	Education and Training	4 382.1	5 752.5
5 997.3	Human Services	6 296.9	8 670.8
1 661.2	Infrastructure	1 937.6	3 224.8
272.4	Innovation, Industry and Regional Development	251.5	381.8
1 647.5	Justice	1 741.3	2 296.1
341.4	Premier and Cabinet	300.6	384.7
85.4	Primary Industries	194.0	345.7
787.0	Sustainability and Environment	606.1	914.2
1 940.4	Treasury and Finance	1 275.7	1 945.4
132.1	Victorian Communities	298.6	458.7
76.6	Parliament	80.0	115.6
<b>17 157.0</b>	<b>Total payments</b>	<b>17 364.4</b>	<b>24 490.5</b>
<b>( 394.1)</b>	<b>Net receipts</b>	<b>( 32.2)</b>	<b>( 240.3)</b>

## Note 14: Public Account (continued)

### Trust Fund cash flow statement

		(\$ million)	
2002-03		2003-04	
Actual to Mar		Actual to Mar	Revised Budget
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
97.3	Taxation	105.2	111.4
19.1	Regulatory fees and fines	29.5	37.1
1 711.2	Grants received	1 924.6	2 064.9
72.8	Sale of goods and services	82.5	147.6
48.2	Interest received	57.5	56.2
4 484.8	Other receipts	4 856.2	6 999.7
<b>6 433.3</b>	<b>Total receipts</b>	<b>7 055.5</b>	<b>9 416.8</b>
<b>Payments</b>			
( 50.4)	Employee entitlements	( 50.3)	( 61.9)
( 4.3)	Superannuation	( 4.3)	( 4.6)
( 0.1)	Interest paid	( 0.2)	( 1.4)
(4 989.0)	Grants paid	(5 430.2)	(7 193.7)
(1 323.9)	Supplies and consumables	(1 524.0)	(2 217.4)
( 29.4)	Other payments	( 32.4)	( 20.4)
<b>(6 397.0)</b>	<b>Total payments</b>	<b>(7 041.3)</b>	<b>(9 499.4)</b>
<b>36.3</b>	<b>Net cash flows from operating activities</b>	<b>14.1</b>	<b>( 82.5)</b>
<b>Cash flows from investing activities</b>			
( 15.8)	Net proceeds from customer loans	( 59.1)	..
0.7	Proceeds from sale of property, plant and equipment	1.1	..
( 9.4)	Purchases of property, plant and equipment	( 2.7)	( 57.9)
( 86.0)	Other investing activities	( 49.8)	162.6
<b>( 110.5)</b>	<b>Net cash flows from investing activities</b>	<b>( 110.5)</b>	<b>104.7</b>
<b>Cash flows from financing activities</b>			
0.1	Net proceeds (repayments) from borrowings	12.4	..
<b>0.1</b>	<b>Net cash flows from financing activities</b>	<b>12.4</b>	<b>..</b>
<b>( 74.1)</b>	<b>Net cash inflow/(outflow)</b>	<b>( 83.9)</b>	<b>22.2</b>

## Note 14: Public Account (continued)

### Details of securities held

(\$ million)		
2002-03 Actual 31 Mar	2003-04	
	Opening 1 July	Actual 31 Mar
553.5 Amounts invested on behalf of specific trust accounts	521.5	594.0
1.3 Amounts invested on behalf of general trust accounts	1.3	1.3
2 912.0 General account balances	2 930.9	2 802.2
<b>3 466.8 Total Public Account</b>	<b>3 453.7</b>	<b>3 397.6</b>
<b>Represented by:</b>		
485.2 Stocks and securities	522.8	595.3
2 856.8 Cash and investments	2 654.7	2 582.1
<b>3 342.0 Total stock, securities, cash and investments</b>	<b>3 177.5</b>	<b>3 177.5</b>
Add cash advanced for:		
124.8 Advances pursuant to sections 36 and 37 of the FMA 1994 <sup>(a)</sup>	276.2	220.1
<b>3 466.8 Total Public Account</b>	<b>3 453.7</b>	<b>3 397.6</b>

Note:

(a) Financial Management Act 1994.

## Note 15: Events occurring after reporting date

On 18 April 2004, subsequent to the reporting date, the State entered into new rail transport partnerships. The financial impact of this event has not been incorporated in the financial report for the nine months ended 31 March 2004. It is anticipated that the effect of these arrangements will result in the recognition of certain rolling stock assets and the recording of a liability for the guarantee of qualifying employee benefits during the final quarter of 2003-04. The net effect of these two events is not expected to be material to the overall net result for the 2003-04 financial year.

## Note 16: Controlled entities

A list of General Government entities which have been consolidated for the purposes of this Quarterly Financial Report is included in Budget Paper No. 4, Chapter 1, *Estimated Financial Statements and Notes*, at Note 18.

## Results quarter by quarter – Victorian general government sector

These quarterly financial statements should be read in conjunction with Note 1 of this appendix and the *Statement of Significant Accounting Policies and Assumptions* in Budget Paper No. 4, Chapter 1.

**Table C.1: Statement of financial performance for the past five quarters**

	(\$ million)				
	2002-03		2003-04		
	Mar	Jun	Sept	Dec	Mar
<b>Revenues from ordinary activities</b>					
Taxation	2 659.4	2 197.4	2 433.2	2 373.2	2 970.3
Fines and regulatory fees	138.4	172.5	115.8	116.7	140.3
Investment revenue	119.4	627.8	129.7	297.2	164.8
Grants revenue	2 897.2	3 177.1	2 908.5	3 365.7	2 937.9
Sales of goods and services	629.7	466.2	558.4	515.2	569.7
Gain (loss) from disposal of physical assets	( 33.9)	( 303.1)	( 13.2)	29.3	4.8
Fair value of assets received free of charge or for nominal consideration	( 0.0)	50.3	( 0.0)	0.2	( 0.2)
Inter-sector capital asset charge	125.3	125.3	128.5	122.0	135.0
Other revenue	136.4	392.8	162.0	185.4	153.1
<b>Total revenue</b>	<b>6 671.9</b>	<b>6 906.3</b>	<b>6 422.8</b>	<b>7 004.8</b>	<b>7 075.7</b>
<b>Expenses from ordinary activities</b>					
Employee benefits	2 286.9	2 599.3	2 385.7	2 484.3	2 374.3
Superannuation	1 026.6	232.9	222.8	486.8	( 157.0)
Depreciation	231.3	263.2	242.8	255.8	245.4
Amortisation	18.4	34.8	20.3	21.9	21.5
Borrowing costs	124.5	131.8	125.7	113.7	111.7
Grants and transfer payments	865.6	1 070.1	1 059.8	1 082.5	2 270.0
Supplies and services	2 092.9	2 526.1	1 933.5	2 164.6	2 059.3
Other expenses	9.4	133.3	23.9	34.4	43.2
<b>Total expenses</b>	<b>6 655.6</b>	<b>6 991.4</b>	<b>6 014.5</b>	<b>6 644.0</b>	<b>6 968.4</b>
<b>Net result</b>	<b>16.3</b>	<b>( 85.1)</b>	<b>408.3</b>	<b>360.8</b>	<b>107.3</b>
Movement in asset revaluation reserve	( 3.4)	2 433.5	( 14.0)	61.3	130.0
<b>Total changes in equity other than contributions to other sectors by the State in its capacity as owner</b>	<b>12.9</b>	<b>2 348.3</b>	<b>394.3</b>	<b>422.1</b>	<b>237.4</b>
Net contributions to other sectors by the State in its capacity as owner	( 159.8)	( 700.9)	( 63.3)	( 85.1)	( 112.8)
<b>Total changes in equity</b>	<b>( 146.9)</b>	<b>1 647.5</b>	<b>331.1</b>	<b>337.0</b>	<b>124.6</b>

Source: Department of Treasury and Finance

**Table C.2: Statement of financial position as at the end of the quarter**

(\$ million)

	2002-03			2003-04	
	Mar	Jun	Sept	Dec	Mar
<b>Current assets</b>					
Cash assets	1 558.0	1 123.1	1 339.3	1 405.7	1 531.0
Other financial assets	1 206.6	1 187.3	1 298.4	1 267.9	1 294.0
Receivables	1 611.5	1 265.5	1 168.3	1 012.0	1 732.5
Prepayments	351.8	51.8	117.8	151.7	418.7
Inventories	151.9	116.7	119.8	113.7	111.4
<b>Total current assets</b>	<b>4 879.8</b>	<b>3 744.5</b>	<b>4 043.6</b>	<b>3 951.0</b>	<b>5 087.6</b>
<b>Non-current assets</b>					
Other financial assets	2 708.6	2 846.5	2 623.2	2 537.1	2 588.1
Receivables	346.0	391.6	352.9	409.6	397.2
Inventories	166.6	43.4	42.3	32.2	32.3
Land and buildings	18 181.9	19 649.5	19 700.8	19 937.3	20 076.7
Plant, equipment and infrastructure systems other than roads	2 315.5	2 156.2	2 129.4	2 194.8	2 164.9
Road networks	16 150.7	16 695.0	16 670.9	16 651.6	16 639.8
Other assets	3 078.9	3 215.7	3 215.4	3 243.8	3 289.5
<b>Total non-current assets</b>	<b>42 948.3</b>	<b>44 998.0</b>	<b>44 734.9</b>	<b>45 006.4</b>	<b>45 188.5</b>
<b>Total assets</b>	<b>47 828.1</b>	<b>48 742.4</b>	<b>48 778.5</b>	<b>48 957.4</b>	<b>50 276.1</b>
<b>Current liabilities</b>					
Payables	1 370.6	1 546.0	1 478.5	1 269.7	1 418.5
Interest bearing liabilities	121.3	131.2	127.6	130.4	141.9
Employee benefits	997.8	946.6	1 037.7	985.0	994.8
Superannuation	655.8	534.9	394.4	352.2	271.5
Outstanding insurance claims	9.2	7.1	6.9	7.1	7.1
Other liabilities	627.4	483.8	369.2	372.3	666.4
<b>Total current liabilities</b>	<b>3 782.1</b>	<b>3 649.7</b>	<b>3 414.3</b>	<b>3 116.7</b>	<b>3 500.2</b>
<b>Non-current liabilities</b>					
Payables	7.7	129.1	129.1	147.9	1 397.9
Interest bearing liabilities	6 231.6	6 121.6	6 114.7	6 125.1	6 103.3
Employee benefits	1 718.7	1 851.3	1 854.6	1 854.1	1 872.4
Superannuation	13 712.2	12 902.3	12 845.1	12 940.0	12 499.6
Outstanding insurance claims	104.0	187.0	185.8	189.4	195.7
Other liabilities	311.5	293.5	296.0	308.2	306.6
<b>Total non-current liabilities</b>	<b>22 085.6</b>	<b>21 484.8</b>	<b>21 425.2</b>	<b>21 564.6</b>	<b>22 375.3</b>
<b>Total liabilities</b>	<b>25 867.6</b>	<b>25 134.5</b>	<b>24 839.5</b>	<b>24 681.4</b>	<b>25 875.5</b>
<b>Net assets</b>	<b>21 960.5</b>	<b>23 607.9</b>	<b>23 939.0</b>	<b>24 276.0</b>	<b>24 400.6</b>
<b>Equity</b>					
Reserves	8 229.7	10 584.2	10 570.2	10 634.0	10 764.2
Accumulated funds	13 730.8	13 023.7	13 368.8	13 642.0	13 636.4
<b>Total equity</b>	<b>21 960.5</b>	<b>23 607.9</b>	<b>23 939.0</b>	<b>24 276.0</b>	<b>24 400.6</b>

Source: Department of Treasury and Finance



**Table C.3: Statement of cash flows for the past five quarters**

	(\$ million)				
	2002-03			2003-04	
	Mar	Jun	Sept	Dec	Mar
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	2 131.5	2 549.6	2 475.3	2 453.2	2 352.7
Fines and regulatory fees	90.5	121.2	93.0	99.4	100.6
Grants	3 162.3	2 901.0	2 906.8	3 352.9	3 216.1
Sale of goods and services	305.5	1 009.6	552.2	876.2	120.6
Interest received	84.7	105.2	87.6	76.0	102.5
Dividends received	0.3	373.0	0.9	152.9	0.0
Capital asset charge received	125.3	125.3	128.5	122.0	135.0
Other receipts	300.3	609.0	185.5	301.0	250.8
<b>Total receipts</b>	<b>6 200.4</b>	<b>7 793.8</b>	<b>6 429.8</b>	<b>7 433.6</b>	<b>6 278.2</b>
<b>Payments</b>					
Employee entitlements	(2 201.9)	(2 528.7)	(2 291.3)	(2 537.4)	(2 346.3)
Superannuation	( 442.7)	(1 163.6)	( 420.5)	( 434.2)	( 364.0)
Grants and transfer payments	(1 107.4)	( 778.9)	(1 125.1)	(1 065.2)	(1 309.5)
Supplies and services	(1 748.3)	(2 758.0)	(1 965.4)	(2 728.0)	(1 567.3)
Interest paid	( 120.6)	( 112.4)	( 117.9)	( 113.5)	( 111.3)
<b>Total payments</b>	<b>(5 620.9)</b>	<b>(7 341.6)</b>	<b>(5 920.2)</b>	<b>(6 878.3)</b>	<b>(5 698.3)</b>
<b>Net cash flows from operating activities</b>	<b>579.5</b>	<b>452.2</b>	<b>509.6</b>	<b>555.3</b>	<b>579.9</b>
<b>Cash flows from investing activities</b>					
Net customer loans (granted) repaid	( 2.7)	( 17.7)	( 10.0)	( 0.0)	( 0.8)
Net disposal (purchase) investments	27.0	( 138.2)	87.7	101.4	( 76.1)
Net contributions to other sectors of government	( 115.3)	( 89.0)	( 63.3)	( 85.1)	( 112.8)
Proceeds from sale of property, plant and equipment	( 3.0)	77.6	16.3	37.5	17.8
Purchases of property, plant and equipment	( 280.4)	( 663.1)	( 307.9)	( 528.5)	( 300.7)
<b>Net cash flows from investing activities</b>	<b>( 374.4)</b>	<b>( 830.5)</b>	<b>( 277.2)</b>	<b>( 474.7)</b>	<b>( 472.5)</b>
<b>Cash flows from financing activities</b>					
Net repayment of borrowings	6.0	( 58.6)	( 15.9)	( 23.9)	18.0
<b>Net cash flows from financing activities</b>	<b>6.0</b>	<b>( 58.6)</b>	<b>( 15.9)</b>	<b>( 23.9)</b>	<b>18.0</b>
<b>Net increase (decrease) in cash and deposits held</b>	<b>211.1</b>	<b>( 437.0)</b>	<b>216.5</b>	<b>56.7</b>	<b>125.3</b>
Cash and deposits held at beginning of period	1 333.6	1 544.7	1 107.8	1 324.2	1 380.9
<b>Cash and deposits held at end of reporting period</b>	<b>1 544.7</b>	<b>1 107.8</b>	<b>1 324.2</b>	<b>1 380.9</b>	<b>1 506.2</b>

Source: Department of Treasury and Finance

