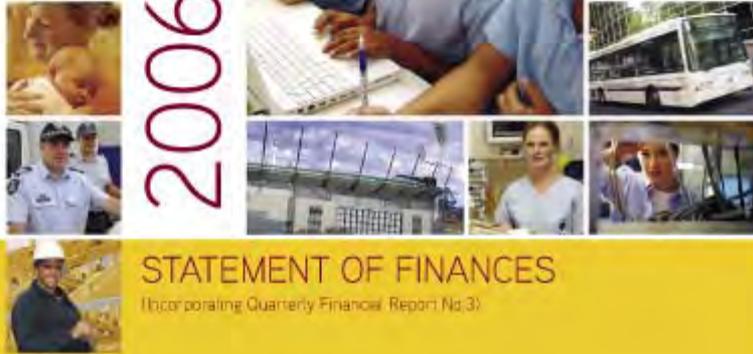




2006-07



## STATEMENT OF FINANCES

(Incorporating Quarterly Financial Report No. 3)

Budget Paper No. 4  
Presented by the Honorable John Brunby MP  
Treasurer of the State of Victoria  
on the occasion of the Budget 2006-07



# Statement of Finances

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**2006-07**



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

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

### **Chapter 1 – Estimated Financial Statements and Notes**

This chapter presents the Estimated Financial Statements and accompanying notes for the Victorian general government sector for the period 2006-07 to 2009-10. The Estimated Financial Statements are based on the Australian equivalents to International Financial Reporting Standards (A-IFRS), and are consistent with the Financial Policy Objectives and Strategies Statement (see Budget Paper No. 2, Chapter 1, *Financial Policy Objectives and Strategy*).

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

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

Chapter 2 contains departmental financial estimates that detail information on departmental resources, as well as the authority for resources for each department.

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

## **Chapter 3 – State Revenue**

Chapter 3 outlines the major sources of state revenue, both state sourced revenue, including taxes, fines and regulatory fees, dividends, income tax and rate equivalent revenue, and that provided through Commonwealth grants, for both general and specific purposes. The estimates of the Commonwealth Government grants represent the latest information available to the Victorian Government at the time of finalisation of Victoria's 2006-07 Budget.

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

Chapter 4 fulfils the higher level disclosure requirements under the *Financial Management (Financial Responsibility) Act 2000* by providing an overview and forward estimates of tax expenditures. This chapter also outlines the estimated cost of Victorian Government concessions.

## **Chapter 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, payments, special appropriation and annual departmental appropriations are also provided. Information relating to Trust Fund activities includes estimated cash flows and projected year end balances.

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

The Uniform Presentation Framework (UPF), based on Government Finance Statistics (GFS), is outlined in Chapter 6. GFS shows consolidated transactions of the institutional sectors of government from an economic viewpoint. The GFS framework also includes a statement of general government expenses by function and a taxation table classified by type. A reconciliation statement between GFS and the general government estimated financial statements presented in Chapter 1 is also provided.

The 2006-07 Budget for the first time publishes forward year estimates of the public non-financial corporations sector. Previous estimates for the sector were not provided for the periods beyond the current budget year.

As required by the UPF, Victoria's 2006-07 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 2006-07.

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

The historical and forward estimates tables in Appendix A show the trend in general government sector aggregate cash flows over the period 1986-87 to 2009-10. In

addition, the general government net operating result for the period 1996-97 to 2009-10 is also provided.

The remaining tables show GFS information for the general government sector classified by government purpose. Operating expenditure classified by function is presented for the period 1961-62 to 1997-98. The GFS accruals expenditure series classified by purpose is presented for the period 1998-99 to 2009-10.

## **Appendix B – Meeting our Transport Challenges Reserve**

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

## **Appendix C – Revised 2005-06 Budget Outcome**

The revised 2005-06 Budget outcome is presented in Appendix C. The revised 2005-06 estimates take into account government policy decisions and economic developments affecting both revenue and expenses since the presentation of the 2005-06 Budget to the Parliament in May 2005.

## **Appendix D – Operating Statement Analysis**

An analysis of the Operating Statement is provided in Appendix D. This analysis focuses on the major factors driving movements between revised 2005-06 estimates and 2006-07 estimates, and over the forward estimates period. It also presents an explanation of the changes to the 2006-07 to 2008-09 estimates since these estimates were published in the *2005-06 Budget Update*.

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

Appendix E presents the Quarterly Financial Report for the Victorian general government sector, incorporating the actual outcome for the nine-month period ended 31 March 2006 and quarter-by-quarter results. The March year-to-date outcome is compared with the full year revised 2005-06 Budget.



## 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 2006-07 to 2009-10.

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

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

The statements have been prepared in accordance with applicable pronouncements and interpretations of the Australian Accounting Standards Board (AASB), including the Australian equivalents to International Financial Reporting Standards (A-IFRS). However, as there is no specific Australian accounting standard or other authoritative pronouncement that prescribes the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared based on New Zealand Financial Reporting Standard *Prospective Financial Information* (FRS 29), and presented with a format that complies with AASB 101 *Presentation of Financial Statements*.

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

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

# AUDITOR-GENERAL'S REPORT



AUDITOR GENERAL  
VICTORIA

## INDEPENDENT REVIEW REPORT

**To the Members of the Parliament of Victoria**

### **Scope of Review**

#### *The Estimated Financial Statements*

The accompanying estimated financial statements of the Victorian General Government Sector, as defined in note 19 to the statements, for the financial year ended 30 June 2007 and the three forward financial years ended 30 June 2008, 2009 and 2010 have been reviewed. The statements comprise an estimated operating statement, an estimated balance sheet, an estimated statement of recognised income and expense, an estimated statement of cash flows and accompanying notes. The remaining parts of the Budget Papers have not been subject to my review.

#### *Treasurer's Responsibility*

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.

#### *Review Approach*

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.

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*Auditing in the Public Interest*



AUDITOR GENERAL  
VICTORIA

**Independent Review Report (continued)**

**Independence**

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

**Review Statement**

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

- the estimated financial statements have been prepared on a basis consistent with the accounting policies on which they are stated to be based;
- the estimated financial statements are consistent with the target established for the key financial measure specified in the accompanying notes to the statements;
- the estimated financial statements have been properly prepared on the basis of the economic assumptions stated in the accompanying notes to the statements; and
- the methodologies used to determine those assumptions 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  
25 May 2006

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  
25 May 2006

## ESTIMATED FINANCIAL STATEMENTS FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

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

		(\$ million)			
	Notes	2006-07 Budget	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>Income from transactions</b>					
Taxation	2	10 971.0	11 167.3	11 573.4	12 110.6
Fines and regulatory fees		832.4	820.5	830.4	832.8
Dividends, income tax and rate equivalent revenue	3	958.1	803.1	786.5	805.3
Interest		293.1	294.8	288.0	274.6
Grants	4	15 077.9	15 925.5	16 456.1	17 003.3
Sale of goods and services		2 552.4	2 589.9	2 653.2	2 658.1
Fair value of assets received free of charge or for nominal consideration		..	..	160.0	..
Other income	5	1 757.2	1 861.9	1 847.1	1 815.2
<b>Total income from transactions</b>		<b>32 442.1</b>	<b>33 462.9</b>	<b>34 594.7</b>	<b>35 499.8</b>
<b>Expenses from transactions</b>					
Employee benefits		12 019.5	12 297.0	12 648.5	12 902.6
Superannuation	6	1 710.4	1 760.7	1 784.2	1 816.7
Depreciation and amortisation	7	1 322.1	1 403.1	1 464.0	1 543.5
Finance costs	8	428.0	454.1	550.0	617.6
Grants and transfer payments	9	6 207.2	6 071.5	5 944.3	5 946.4
Supplies and services		10 437.7	11 170.6	11 871.9	12 360.8
Other expenses		0.5	0.5	0.5	0.5
<b>Total expenses from transactions</b>	10	<b>32 125.3</b>	<b>33 157.5</b>	<b>34 263.4</b>	<b>35 188.0</b>
<b>Net result from transactions</b>		<b>316.8</b>	<b>305.4</b>	<b>331.3</b>	<b>311.9</b>
<b>Income/(expenses) from other economic flows</b>					
Net gains/(losses) from disposal of physical assets		9.7	6.0	6.1	6.5
Other gains/(expenses) from other economic flows	11	( 50.9)	( 40.8)	( 35.8)	( 35.8)
<b>Total other economic flows</b>		<b>( 41.2)</b>	<b>( 34.8)</b>	<b>( 29.7)</b>	<b>( 29.3)</b>
<b>Net result</b>		<b>275.6</b>	<b>270.6</b>	<b>301.6</b>	<b>282.5</b>

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

**Table 1.2: Estimated balance sheet as at 30 June**

	(\$ million)				
	Notes	2007 Budget	2008 Estimate	2009 Estimate	2010 Estimate
<b>Current assets</b>					
Cash and cash equivalents		1 609.6	1 619.8	1 619.1	1 622.2
Other financial assets		1 841.1	1 721.7	1 475.7	1 226.7
Receivables		1 771.3	2 088.1	2 294.6	2 399.6
Prepayments		67.8	68.0	68.2	68.4
Inventories		136.8	138.3	139.9	141.4
		5 426.5	5 635.9	5 597.4	5 458.3
Non-current assets classified as held for sale		44.7	44.7	44.7	44.7
<b>Total current assets</b>		<b>5 471.2</b>	<b>5 680.6</b>	<b>5 642.1</b>	<b>5 503.0</b>
<b>Non-current assets</b>					
Other financial assets		411.5	428.9	448.0	467.0
Investments accounted for using the equity method		89.1	94.1	99.1	104.1
Receivables		580.0	377.6	236.7	173.4
Property, plant and equipment	12, 13	60 243.4	64 566.4	69 564.8	74 565.2
Other assets	14	436.6	380.4	381.5	371.9
<b>Total non-current assets</b>		<b>61 760.5</b>	<b>65 847.3</b>	<b>70 730.0</b>	<b>75 681.6</b>
<b>Total assets</b>		<b>67 231.7</b>	<b>71 527.9</b>	<b>76 372.2</b>	<b>81 184.6</b>
<b>Current liabilities</b>					
Payables		2 216.8	2 245.3	2 303.4	2 361.5
Interest-bearing liabilities		253.7	261.3	271.5	272.2
Employee benefits	15	1 047.8	1 094.7	1 140.9	1 187.1
Superannuation	6	510.1	592.1	535.1	778.5
Other provisions		114.5	78.9	51.3	23.6
Other liabilities		351.0	357.1	363.2	369.2
<b>Total current liabilities</b>		<b>4 493.9</b>	<b>4 629.4</b>	<b>4 665.3</b>	<b>4 992.1</b>
<b>Non-current liabilities</b>					
Payables		587.4	587.0	571.1	526.1
Interest-bearing liabilities		6 136.3	7 675.0	9 018.6	9 869.0
Employee benefits	15	2 571.5	2 649.7	2 728.3	2 808.1
Superannuation	6	12 551.6	12 523.2	12 560.6	12 363.2
Other provisions		629.1	646.2	663.1	679.4
Other liabilities		221.7	208.8	195.9	182.9
<b>Total non-current liabilities</b>		<b>22 697.7</b>	<b>24 290.0</b>	<b>25 737.5</b>	<b>26 428.7</b>
<b>Total liabilities</b>		<b>27 191.6</b>	<b>28 919.4</b>	<b>30 402.8</b>	<b>31 420.9</b>
<b>Net assets</b>		<b>40 040.1</b>	<b>42 608.5</b>	<b>45 969.3</b>	<b>49 763.8</b>

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

**Table 1.3: Estimated statement of recognised income and expense for the financial year ending 30 June**

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Gains/(losses) on revaluation of properties	2 799.8	3 123.0	3 479.6	3 869.4
<b>Net income recognised directly in equity</b>	<b>2 799.8</b>	<b>3 123.0</b>	<b>3 479.6</b>	<b>3 869.4</b>
Net result for the period	275.6	270.6	301.6	282.5
<b>Total recognised income and expense for the period</b>	<b>3 075.4</b>	<b>3 393.7</b>	<b>3 781.2</b>	<b>4 151.9</b>

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

**Table 1.4: Estimated statement of cash flows for the financial year ending 30 June**

	(\$ million)				
	Notes	2006-07 Budget	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation		11 176.8	11 368.4	11 713.1	12 172.7
Fines and regulatory fees		699.5	697.6	712.5	714.8
Grants		15 078.2	15 925.8	16 456.4	17 003.6
Sale of goods and services		2 540.5	2 588.1	2 646.6	2 652.3
Interest received		292.9	294.6	287.8	274.4
Dividends, income tax and rate equivalent revenue received		965.0	790.9	765.2	826.5
Other receipts		1 709.1	1 623.3	1 732.7	1 759.0
<b>Total receipts</b>		<b>32 462.0</b>	<b>33 288.8</b>	<b>34 314.2</b>	<b>35 403.3</b>
<b>Payments</b>					
Employee benefits		(11 853.7)	(12 171.9)	(12 523.7)	(12 776.6)
Superannuation		(1 173.6)	(1 707.2)	(1 803.8)	(1 770.7)
Interest paid		(414.3)	(421.3)	(517.5)	(585.7)
Grants and transfer payments		(6 151.9)	(6 033.8)	(5 928.4)	(5 954.6)
Supplies and services		(10 492.5)	(11 169.5)	(11 871.1)	(12 372.3)
<b>Total payments</b>		<b>(30 086.0)</b>	<b>(31 503.8)</b>	<b>(32 644.4)</b>	<b>(33 459.8)</b>
<b>Net cash flows from operating activities</b>	16	<b>2 375.9</b>	<b>1 785.0</b>	<b>1 669.8</b>	<b>1 943.5</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	18	(2 349.3)	(2 808.3)	(2 711.2)	(2 746.2)
Proceeds from sale of property, plant and equipment		130.8	205.8	116.2	96.6
Net (purchase)/disposal of investments		387.5	97.1	222.0	225.0
Net customer loans (granted)/repaid		0.6	0.6	0.7	0.7
Net contribution to other sectors of government		(963.3)	(825.3)	(420.4)	(357.5)
<b>Net cash flows from investing activities</b>		<b>(2 793.7)</b>	<b>(3 330.0)</b>	<b>(2 792.7)</b>	<b>(2 781.4)</b>
<b>Cash flows from financing activities</b>					
Net borrowings		253.8	1 555.3	1 122.2	841.1
<b>Net cash flows from financing activities</b>		<b>253.8</b>	<b>1 555.3</b>	<b>1 122.2</b>	<b>841.1</b>
<b>Net increase/(decrease) in cash and deposits held</b>		<b>(164.0)</b>	<b>10.3</b>	<b>(0.8)</b>	<b>3.2</b>
Cash and deposits at beginning of reporting period		1 769.3	1 605.3	1 615.6	1 614.8
<b>Cash and deposits at end of reporting period</b>	17	<b>1 605.3</b>	<b>1 615.6</b>	<b>1 614.8</b>	<b>1 618.0</b>

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

*Memorandum item: The International Monetary Fund GFS cash surplus/(deficit) shown below can be calculated from the statement of cash flows above and is equal to the net cash flows from operating activities less the net purchase of property, plant and equipment (i.e. purchases less sale proceeds).*

<b>Cash surplus/(deficit)</b>	<b>157.5</b>	<b>(817.5)</b>	<b>(925.3)</b>	<b>(706.1)</b>
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## 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>			
	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>
Real gross state product	3.25	3.50	3.25	3.25
Employment	1.25	1.50	1.25	1.25
Consumer price index	2.50	2.50	2.50	2.50
Wage price index <sup>(b)</sup>	3.50	3.50	3.50	3.50
Population <sup>(c)</sup>	1.00	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 point.
- (b) Total hourly rate excluding bonuses.
- (c) June quarter, per cent change on previous June quarter.

## Economic risks

The main short- to medium-term risks to the Victorian economic projections stem from potential movements in domestic and foreign interest rates, the crude oil price and the Australian dollar, as well as the risks from possible wage pressures, any disruption to strong world economic growth and specific events such as avian influenza.

The Reserve Bank recently responded to inflationary pressures by lifting interest rates by 25 basis points to 5.75 per cent in May 2006, the first rise in 14 months. The Bank has left its forecast for underlying inflation broadly unchanged at 2.75 per cent, but expects a temporary increase in headline CPI inflation above 3 per cent in the near term, before gradually declining to between 2.5 and 3 per cent. The Bank has already demonstrated it will respond if demand or inflation pressures prove stronger than expected. Possible upside risks to inflation include higher-than-expected oil prices, stronger labour demand (resulting in wage pressures) and any substantial depreciation in the Australian dollar. Financial markets expect a further modest increase in interest rates. Any larger adjustment would place pressure on the medium-term growth forecasts.

Oil prices have been increasing on the back of strong world demand and recent concerns about supply from Iran and Nigeria. Australian and global economic growth outcomes have been marked by their resilience to recent increases in oil prices. Compared with previous episodes of sharply rising oil prices, the advanced economies are now less oil dependent and inflation expectations are better anchored under prevailing monetary regimes.

One of the possible reasons for moderate core inflation in Australia has been the relative strength of the Australian dollar which has resulted in lower import and oil prices (in Australian dollar terms). While the Australian dollar may continue to be supported by higher commodity prices, any significant depreciation could have inflationary impacts. However, a weakening in the Australian dollar would provide some support to the State's exporters.

Employment growth has slowed from 2004-05 to be more in line with output, but the Reserve Bank believes that the labour market remains tight. Anecdotal evidence suggests some Victorian businesses continue to suffer skills shortages. However evidence of wage pressures is mixed. There have been significant wage rises in some States and industries: for example, wages in construction in Western Australia grew 8.7 per cent through 2005. Overall wage growth in Australia is currently around 4 per cent. Nevertheless there is a risk that the currently tight labour market could result in increased wage pressures which may precipitate a tightening of monetary policy.

A possible risk to world demand is the potentially unsustainable size of the US budget and current account deficits, mirrored by significant surpluses in Asia and oil-producing countries. If US dollar-denominated assets become less attractive to investors, any resulting upward pressure on US interest rates could have negative implications for world growth. Similarly, if overcapacity in China's manufacturing sector leads to a slowdown in its industrial production, this could also adversely affect world demand.

Finally, there are risks from specific events of uncertain likelihood, including a possible avian influenza pandemic, which have the potential to cause considerable economic disruption globally and in Australia.

### **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 net result from transactions for the budget sector

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 budgeted net result from transactions and net result over the forward estimates period would change as described in the following tables. It should be noted that the impact on the net result is inclusive of the impact on the net result from transactions.

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

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
Gross state product	142	156	170	181
Employment	35	38	41	45
Consumer prices	178	32	34	35
Average weekly earnings	21	9	25	28
Domestic share prices	5	8	4	5
International share prices	4	7	3	4
Property prices	36	39	57	61
Property volumes	26	28	29	32
Interest rate	82	70	16	1

Source: Department of Treasury and Finance

Note:

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

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

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
Gross state product	142	156	170	181
Employment	35	38	41	45
Consumer prices	60	32	34	35
Average weekly earnings	-142	9	25	28
Domestic share prices	64	8	4	5
International share prices	50	7	3	4
Property prices	47	39	57	61
Property volumes	26	28	29	32
Interest rate	3260	70	16	1

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**

The Estimated Financial Statements have generally been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS), including those paragraphs applicable to not-for-profit entities. A-IFRS requires inclusion of an additional financial statement, being a statement of recognised income and expenses. However, the prospective nature of the Estimated Financial Statements means that not all A-IFRS disclosures are relevant or practical and so have been omitted. Because A-IFRS do not include pronouncements that prescribe the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared based on New Zealand Financial Reporting Standard *Prospective Financial Information* (FRS 29). FRS 29 requires prospective financial statements to be prepared in accordance with the accounting policies expected to be used in future for reporting historically orientated general purpose financial reports.

In addition to compliance with A-IFRS and FRS 29, these Estimated Financial Statements have been prepared in accordance with sections 23H-23K of the *Financial Management Act 1994* (FMA), Urgent Issues Group Interpretations approved by the Australian Accounting Standards Board and other mandatory professional requirements. A summary of the significant accounting policies adopted by the State of Victoria under A-IFRS is disclosed below. The information presented in the Estimated Financial Statements takes into account government decisions and other circumstances that may have a material effect on the statements.

The presentation of the Estimated Financial Statements complies with AASB 101 *Presentation of Financial Statements*.

### **(B) Basis of accounting and measurement**

This financial report is presented in Australian dollars, which has also been identified as the functional currency of the general government sector.

The report has been prepared in accordance with the historical cost convention except for:

- non-current physical assets (excluding plant, equipment and vehicles) 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;
- certain liabilities, most notably unfunded superannuation which are calculated with regard to actuarial assessments in accordance with AASB 119 *Employee Benefits*; and
- certain financial instruments.

### **(C) Reporting entity**

The Victorian general government sector includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. The general government sector is not a separate entity but represents a sector within the State of Victoria whole-of-government 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, involve the transfer or redistribution of income and are financed mainly through taxes and other compulsory levies. These entities are not-for-profit entities and apply, where appropriate, those paragraphs of accounting standards applicable to not-for-profit entities.

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

The Estimated Financial Statements incorporate assets and liabilities of all reporting entities within the Victorian general government sector and their revenues, gains and expenses for the respective period.

Where control of an entity is obtained during a financial year, its results are included in the operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period 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 single economic entity, all material transactions and balances between entities within the sector are eliminated.

Details of significant entities consolidated within the sector are shown in Note 19 in this Financial Report.

### **(E) Forecast reporting periods**

The reporting period for most consolidated 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 2006. For example, TAFE institutes have a reporting period ending on 31 December. Consequently, the results of these entities for the year ended 31 December 2005 and the balances existing as at 31 December 2005 have been used in the preparation of these financial statements, revised for estimated movements in the six months to 30 June 2006.

### **(F) Presentation of the operating statement**

Income and expenses in the operating statement are classified according to whether or not they arise from ‘transactions’ or ‘other economic flows’. Hence, results on the face of the operating statement are grouped under headings of ‘income from transactions’, ‘expenses from transactions’, ‘net result from transactions’, and ‘total other economic flows’. This style of presentation is intended to improve users’ understanding of financial performance. It was first used in the 2005-06 Budget and is intended to transitionally address the needs of all users pending finalisation and introduction of a reporting standard for government that converges the two frameworks used by governments: Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP).

A *transaction* is defined under the *Government Finance Statistics Manual 2001* published by the International Monetary Fund (IMF). Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement, and also flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in-kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

For Victoria the net result from transactions is derived on the same basis as the Government Finance Statistics net operating balance.

*Other economic flows* are also defined in the *Government Finance Statistics Manual 2001* published by the IMF. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal. In simple terms, other economic flows are changes arising from market re-measurements.

Net result is equivalent to profit or loss derived in accordance with A-IFRS.

## **(G) Income from transactions**

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

### *Taxation*

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 conveyances and land transfers and rental business (with rental business duty to be abolished from 1 January 2007);
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third party, life and non-life policies;
- insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- other taxes, including landfill levies, concession and licence fees; and
- levies (including the environmental levy) on statutory corporations in other sectors of government.

### **Forecast assumption**

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

- 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 taxes, assessment of the outlook for demand for cars reflecting both 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, Victorian Commission for 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. Duty on land transfers is an example of a volatile tax base.

In addition, the Government has announced that it is:

- undertaking a licence-awarding process for the next public lotteries licence(s) to apply from 2007 to 2017;
- reviewing the licences in place for electronic gaming and wagering post-2012; and
- reviewing the funding for the racing industry post-2012.

At this stage, it is expected that an announcement in relation to the next public lotteries licence(s) will be made in mid-2006. Whilst the budget estimates have been based on historical lotteries sales growth, no assumptions have been made concerning possible changes to future licensing structures. The forecasts may be subject to revision following the licence-awarding process.

### *Fines and regulatory fees*

Revenue is recognised at the time the fine is issued or the regulatory fee is billed. Drivers licence fees are included in regulatory fees.

#### **Forecast assumption**

The forecasts of regulatory fees and fines are prepared by those government agencies that collect them. Some of the components may be based on contractual obligations, while the prediction of fines principally involves assessment of the behaviour of road users.

Automatic indexation is applied to fees and fines payable to the Public Account under provisions included in the *Monetary Units Act 2004*.

An indexation factor of 2.5 per cent has been applied to fines and regulatory fees for the forecast period.

### *Dividends, income tax and rate equivalent revenue*

Dividends, income tax and rate equivalent revenue includes dividends and income tax and rate equivalent revenue received from other sectors of government. Revenue is recognised when dividends are determined.

#### **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 that will affect the dividend forecasts include the views of each agency's board of directors, the liquidity, operating cash flow and forecast cash requirements of each government business enterprise (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. Revenue raised under the National Tax Equivalent Regime (NTER), administered by the Australian Taxation Office, remains with the State. Currently, about 40 government business enterprises (including subsidiaries) are subject to the NTER.

### *Interest revenue*

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

#### **Forecast assumption**

Forecast interest revenue assumes projected budget cash surpluses are invested.

### *Grants income*

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

Forecasts of Goods and Services Tax (GST) grants are based on the latest published Commonwealth forecast of the national GST pool. Victoria's share of future GST grants is obtained using the Commonwealth's population projections and forecasting the assessed relativities out to 2009-10 using a straight line projection of annual per capita relativities to its current five year average. In addition, an adjustment is made to the share to reflect anticipated movements in the assessed relativities as a result of the phased abolition of certain State duties over the forward estimates period.

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

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

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

### **(H) Expenses from transactions**

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 consistent

with the Government's wage policy. Under this policy, costs associated with Enterprise Bargaining Agreement outcomes beyond the maintenance of real wages (based on the normal indexation factor used to escalate departmental output revenue) are funded from real and sustainable productivity improvements, cost savings and improved service delivery.

### *Superannuation*

Superannuation expense is determined on the following basis:

- Defined contribution plans  
The amount recognised as an expense reflects the State's contribution, paid or accrued, in respect of the reporting period.
- Defined benefit plans  
The amount recognised under superannuation expense for defined benefit plans reflects service costs during the reporting period plus the notional interest on accrued superannuation liabilities, less the expected earnings on fund assets. Actuarial gains and losses are not classified as transactions and therefore are reported separately as superannuation expenses from other economic flows.

### **Forecast assumptions**

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

Future defined benefit superannuation expenses are based on forecast movements in the State's net defined benefit superannuation liabilities. Refer to Note 1(K) for the forecast assumptions for the State's net defined benefit superannuation liabilities.

### *Depreciation*

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is generally calculated on a straight-line basis, so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Non-current assets deemed as held for sale are not depreciated.

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 structure	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, but includes the estimated impact of future revaluation of assets. However, any future changes in depreciable lives, carrying value, residual value, or methodology would result in a change in future depreciation expense.

#### ***Finance costs***

Finance costs are recognised as expenses in the period in which they are incurred, and 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; and
- the increase in financial liabilities and provisions due to the unwinding of discount to reflect the passage of time.

#### **Forecast assumption**

Estimates for finance costs are based on the forecast level of outstanding general government sector debt and expected changes in non-current financial liabilities and provisions. General government sector debt is expected to mainly comprise a fixed

rate facility, and index-linked securities from the Treasury Corporation of Victoria. All maturities in the forecast period are assumed to be refinanced at forward interest rates.

### ***Grants and transfer payments***

Non-reciprocal grants and transfer payments to third parties are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants, subsidies and other transfer payments made to local government, non-government schools, community groups, 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 cost of goods sold and 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. The carrying amounts of any inventories held for distribution are expensed when distributed.

#### **Forecast assumption**

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

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

### ***(I) Income and expenses from other economic flows***

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

### *Gains/(losses) from disposal of physical assets*

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

### *Actuarial gains/(losses) on superannuation defined benefit plans*

Actuarial gains or losses on superannuation defined benefit plans represents the impact on the net superannuation defined benefit liability as a result of differences between actual experience and assumptions used in estimating the net superannuation defined benefit liability. Actuarial gains or losses are recognised in the operating statement in the period in which they occur.

### *Gains/(losses) from disposal of investments*

Any gains or losses on disposal of financial assets are recognised at the date of disposal and are determined after deduction from the proceeds the carrying value of the asset at that time. No impact is included in the future estimates for any gains from the proposed disposal of the government's investment in the Snowy Hydro Scheme.

## **(J) Assets**

The 1 July 2006 opening balance of assets represents the audited carrying value as at 30 June 2005, revised for estimated movements for 2005-06 and adjustments due to the adoption of A-IFRS.

### *Cash assets*

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

#### **Forecast assumption**

Cash 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 that part of expenditure made in one accounting period covering a term in 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*

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

Other investments are classified in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired and this is determined at initial recognition.

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

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

#### **Forecast assumption**

All surplus cash resources for the period 2006-07 to 2009-10 are assumed to be held as financial assets (investments) to preserve budget decision-making flexibility.

### *Receivables*

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment.

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

#### **Forecast assumption**

Receivables are forecast on the basis of revenue activity levels.

### *Inventories*

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

Inventories held for distribution are measured at the lower of cost and current replacement cost. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

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

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

#### **Forecast assumption**

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

#### ***Assets held for sale***

Assets held for sale include non-current assets classified as held for sale, for which the carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use. An asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell and is not subject to depreciation.

#### **Forecast assumption**

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

#### ***Property, plant and equipment***

Land and buildings are measured at fair value.

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

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

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

Plant, equipment, vehicles and water infrastructure assets and rail infrastructure assets are measured at cost less accumulated depreciation and impairment.

#### **Forecast assumption**

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

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

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

### *Land under roads*

#### **Forecast assumption**

AASB 1045 *Land Under Roads* provides transitional relief to governments to not recognise land under roads until the reporting period ending 30 June 2007. As permitted by AASB 1045, the State has adopted an accounting policy to not recognise land under roads. No authoritative guidance exists on the recognition and measurement of land under roads. Australian jurisdictions are in the early stages of consultation with the intention of establishing an approach that is relevant to users and comparable between jurisdictions. The State has not yet established the policy that will apply for the recognition and measurement of land under roads. Accordingly, land under roads has not been recognised during the forecast period.

### *Partnerships Victoria projects*

Infrastructure projects that are approved in-principle by the Government for possible delivery under the *Partnerships Victoria* model are initially included in the Estimated Financial Statements as non-current physical assets (with associated financing and depreciation costs). An exception to this would include EastLink which is funded by user pay tolls.

A final decision on whether an infrastructure project is 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 ensure appropriate disclosure as either an operating or finance lease.

### *Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases are recognised at their inception as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the

minimum lease payment. The lease asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum lease payments are allocated between the principal component of the lease liability, and the interest expense calculated using the interest rate implicit in the lease, and charged directly to the estimated operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

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

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

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

### **Forecast assumption**

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

### *Impairment of assets*

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

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

If there is an indication of possible impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off by a

charge to the operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

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

### *Revaluations*

Assets, other than those that are carried at cost, are revalued with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value. This revaluation process normally occurs every five years. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised as income 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 revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

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

Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

### *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.

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

## *Other non-current assets*

### **Biological assets**

The majority of biological assets comprise commercial native forests.

Commercial native forests are measured at their fair value less estimated point-of-sale costs, however, the General Government sector does not normally sell these assets and consequently point-of-sale costs are estimated to be zero. The fair value is determined as the difference between the net present value of cash flows expected to be generated by the commercial native forests (discounted at a current market determined rate, which reflects the risks associated with the forests and the fair value of the land on which the trees are grown) less the fair value of the land on which the commercial native forests are growing.

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

### **Forecast assumption**

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

## *Investments in jointly controlled entities and associates*

### **Investments in associated entities**

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

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

### **Joint ventures**

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

Interests in jointly controlled operations and jointly controlled assets are accounted for by recognising in the Estimated Financial Statements, the share of the assets, liabilities and any revenue and expenses of such joint ventures.

Interests in jointly controlled entities are accounted for in the Estimated Financial Statements using the equity method.

### *Intangible assets*

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

Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the relevant entity in the General Government sector.

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

Intangible assets with indefinite useful lives are not amortised. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, all intangible assets with indefinite useful lives are tested for impairment by comparing its recoverable amount with its carrying amount annually or whenever there is an indication that the intangible asset may be impaired. Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

#### **Forecast assumption**

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

### **(K) Liabilities**

#### *Payables*

Payables are recognised when there is an obligation to make future payments resulting from the purchase of goods and services.

#### **Forecast assumption**

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

#### *Interest-bearing liabilities*

The General Government sector'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 for General Government sector entities through the Treasury Corporation of Victoria; and
- finance leases relating to that sector.

Interest-bearing liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, interest-bearing liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the operating statement over the period of the interest-bearing liability using the effective interest rate method.

#### **Forecast assumption**

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

#### *Employee benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to 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 an allowance made for future movements.

#### *Superannuation*

At each forward estimate reporting date, a liability or asset in respect of defined benefit superannuation is recognised in the provision for employee benefits, and is measured as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation plan's assets at that date. The present value of accrued benefits is based on expected future payments which arise from membership of the plans to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using rates on Commonwealth Bonds with terms to maturity that match, as closely as possible, the timing of estimated future cash outflows.

The amount charged to the operating statement in respect of superannuation represents the contributions made to superannuation plans, adjusted by the movement in the defined benefit plan liability or surplus.

### Forecast assumptions

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

The table below provides additional information as part of the forecast assumptions for the budget and forward years for each relevant defined benefit plan.

### Superannuation assumptions

<i>Victorian statutory superannuation funds</i>	<i>Assumptions</i>	<i>Per cent</i>
Emergency Services Superannuation Scheme (incorporating the former State Superannuation Fund)	Expected return on assets <sup>(a)</sup>	7.50
	Discount rate <sup>(b)</sup>	5.28
	Wages growth <sup>(c)</sup>	4.00
	Inflation rate	2.50
Constitutionally Protected Schemes	Discount rate <sup>(b)</sup>	5.28
	Wages growth	4.00
	Inflation rate	4.00
Parliamentary Contributory Superannuation Scheme	Expected return on assets <sup>(a)</sup>	7.60
	Discount rate <sup>(b)</sup>	5.28
	Wages growth <sup>(d)</sup>	4.00
	Inflation rate	4.00
HealthSuper Fund	Expected return on assets <sup>(a)</sup>	6.50
	Discount rate <sup>(b)</sup>	5.28
	Wages growth <sup>(c)</sup>	4.00
	Inflation rate	2.50

*Notes:*

- (a) *The expected return on assets stated is gross of tax. This rate is adjusted in the calculation process to reflect the assumed rate of tax payable by each scheme.*
- (b) *In accordance with accounting standards, the discount rate is based on the longest dated Commonwealth Government bond rate. The rate stated above is an annual effective rate, gross of tax.*
- (c) *Wages growth are actuarial assumptions and do not reflect the Government's wages policy.*
- (d) *Parliamentary salaries are determined by reference to equivalent salaries in the Commonwealth Parliament.*

### *Other provisions*

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

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

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

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

There is currently no consistent or authoritative accounting guidance on the recognition or measurement of the right of the State to receive assets in the future from such concession arrangements. This matter is being considered by a cross jurisdictional government working party and by the accounting profession. In particular the International Financial Reporting Interpretations Committee (IFRIC) is considering this matter as part of its review of accounting treatment of service concessions. Given the variety of conclusions reached, a decision on appropriate accounting treatment has been deferred until authoritative guidance is available. Accordingly, these assets are not recognised pending authoritative guidance or the development of relevant accounting standards.

**(M) 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 is included in assets or liabilities.

**(N) Estimated cash flow statement**

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

**(O) Rounding**

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

## Note 2: Taxation

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	Budget	Estimate	Estimate	Estimate
<b>Payroll tax</b>	<b>3 418.1</b>	<b>3 497.7</b>	<b>3 607.9</b>	<b>3 787.3</b>
<b>Taxes on immovable property</b>				
Land tax	747.6	758.4	786.8	774.3
Congestion levy	38.8	39.7	40.6	41.5
Metropolitan improvement levy	97.3	100.6	104.0	107.5
Property owner contributions to fire brigades	35.6	36.4	38.0	38.0
<b>Total taxes on immovable property</b>	<b>919.3</b>	<b>935.1</b>	<b>969.4</b>	<b>961.3</b>
<b>Financial and capital transactions</b>				
Land transfer duty	2 424.4	2 458.7	2 577.1	2 714.2
Rental business duty	43.3	..	..	..
Other property duties	9.3	9.8	10.2	10.9
Financial accommodation levy	16.4	19.3	23.5	43.0
<b>Total financial and capital transactions</b>	<b>2 493.4</b>	<b>2 487.8</b>	<b>2 610.7</b>	<b>2 768.1</b>
<b>Levies on statutory corporations</b>	<b>60.4</b>	<b>61.6</b>	<b>..</b>	<b>..</b>
<b>Gambling taxes</b>				
Private lotteries	309.3	310.0	317.0	324.0
Electronic gaming machines	1 006.4	968.4	1 022.4	1 076.8
Casino	118.1	126.6	137.7	150.4
Racing	119.0	116.7	120.5	124.5
Other	3.5	3.8	4.0	4.2
<b>Total gambling taxes</b>	<b>1 556.3</b>	<b>1 525.5</b>	<b>1 601.6</b>	<b>1 679.9</b>
<b>Taxes on insurance</b>	<b>1 104.1</b>	<b>1 164.5</b>	<b>1 218.4</b>	<b>1 272.2</b>
<b>Motor vehicle taxes</b>				
Vehicle registration fees	747.6	793.3	838.9	887.4
Duty on vehicle registrations and transfers	591.5	626.1	661.6	700.0
<b>Total motor vehicle taxes</b>	<b>1 339.1</b>	<b>1 419.4</b>	<b>1 500.5</b>	<b>1 587.4</b>
<b>Other taxes</b>	<b>80.3</b>	<b>75.7</b>	<b>64.9</b>	<b>54.4</b>
<b>Total taxation</b>	<b>10 971.0</b>	<b>11 167.3</b>	<b>11 573.4</b>	<b>12 110.6</b>

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

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	Budget	Estimate	Estimate	Estimate
Dividends	769.9	531.2	459.3	459.3
Income tax and rate equivalent revenue	188.2	271.8	327.1	345.9
<b>Total dividends, income tax and rate equivalent revenue</b>	<b>958.1</b>	<b>803.1</b>	<b>786.5</b>	<b>805.3</b>

#### Note 4: Grants

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Operating grants</b>				
General purpose grants	8 469.2	9 006.4	9 544.1	9 961.0
Specific purpose grants for on-passing	1 740.2	1 798.3	1 858.7	1 858.7
Other specific purpose grants	4 094.0	4 275.3	4 413.9	4 598.1
<b>Total operating grants</b>	<b>14 303.5</b>	<b>15 080.1</b>	<b>15 816.8</b>	<b>16 417.8</b>
<b>Capital grants</b>				
Specific purpose grants for on-passing	136.4	137.1	137.9	137.9
Other specific purpose grants	638.1	708.4	501.5	447.6
<b>Total capital grants</b>	<b>774.5</b>	<b>845.5</b>	<b>639.3</b>	<b>585.5</b>
<b>Total grants</b>	<b>15 077.9</b>	<b>15 925.5</b>	<b>16 456.1</b>	<b>17 003.3</b>

#### Note 5: Other income from transactions

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Inter-sector capital asset charge	833.5	855.2	858.0	845.7
Royalties	63.1	63.4	64.0	64.5
Rents	15.4	15.5	15.6	15.6
Donations and gifts	183.4	197.7	200.9	200.9
Other non-property rental	0.2	0.2	0.2	0.2
Other miscellaneous income	661.8	729.9	708.6	688.4
<b>Total other income from transactions</b>	<b>1 757.2</b>	<b>1 861.9</b>	<b>1 847.1</b>	<b>1 815.2</b>

## Note 6: Superannuation

The liability for employee superannuation benefits in the General Government sector, is the responsibility of the State's public sector superannuation funds. These funds are not consolidated in the Estimated Financial Statements as they are not controlled by the State. However, the major proportion of unfunded superannuation liabilities is the responsibility of the State and is recognised accordingly.

### (a) Superannuation expense recognised in the operating statement

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	Budget	Estimate	Estimate	Estimate
<b>Defined benefit plans</b>				
Current service cost <sup>(a)</sup>	683.7	686.2	688.6	683.5
Interest cost <sup>(a)</sup>	1 554.7	1 582.0	1 602.1	1 617.6
Expected return on plan assets (net of expenses) <sup>(a)</sup>	(1 206.0)	(1 219.7)	(1 244.4)	(1 263.1)
Amortisation of past service cost <sup>(a)</sup>	( 14.5)	( 14.5)	( 14.5)	( 10.2)
<b>Total expense recognised in respect of defined benefit plans</b>	<b>1 018.0</b>	<b>1 034.0</b>	<b>1 031.8</b>	<b>1 027.8</b>
<b>Defined contribution plans</b>				
Employer contributions to defined contribution plans <sup>(a)</sup>	652.1	684.9	708.8	743.6
Other (including pensions) <sup>(a)</sup>	40.3	41.9	43.6	45.3
<b>Total expense recognised in respect of defined contribution plans</b>	<b>692.4</b>	<b>726.8</b>	<b>752.4</b>	<b>788.9</b>
<b>Total superannuation expense recognised in operating statement</b>	<b>1 710.4</b>	<b>1 760.7</b>	<b>1 784.2</b>	<b>1 816.7</b>

Note:

(a) Superannuation expense from transactions.

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

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	Budget	Estimate	Estimate	Estimate
<b>Opening balance of defined benefit obligation</b>	<b>29 608.6</b>	<b>30 195.3</b>	<b>30 628.1</b>	<b>30 974.8</b>
Current service cost	682.7	685.2	687.5	682.5
Interest cost	1 554.7	1 582.0	1 602.1	1 617.6
Contributions by plan participants	216.0	207.9	199.4	190.4
Benefits paid	(1 866.9)	(2 042.5)	(2 142.5)	(2 233.9)
<b>Closing balance of defined benefit obligation</b>	<b>30 195.2</b>	<b>30 627.9</b>	<b>30 974.6</b>	<b>31 231.5</b>

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

(\$ million)

	2006-07 Budget	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>Opening balance of plan assets</b>	<b>17 137.4</b>	<b>17 172.8</b>	<b>17 537.5</b>	<b>17 889.4</b>
Expected return on plan assets	1 206.0	1 219.7	1 244.4	1 263.1
Employer contributions	480.3	979.6	1 050.6	980.9
Contributions by plan participants	216.0	207.9	199.4	190.4
Benefits paid (including tax paid)	(1 866.9)	(2 042.5)	(2 142.5)	(2 233.9)
<b>Closing balance of plan assets</b>	<b>17 172.8</b>	<b>17 537.5</b>	<b>17 889.4</b>	<b>18 090.0</b>

**(d) Reconciliation of the superannuation liabilities**

(\$ million)

	2006-07 Budget	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>ESSS (including SSF)</b>				
Defined benefit obligation	27 498.4	27 885.8	28 198.3	28 419.0
Tax liability <sup>(a)</sup>	977.4	1 000.5	1 016.8	1 037.2
Plan assets	(15 909.8)	(16 247.9)	(16 576.5)	(16 757.4)
Unrecognised past service cost	39.2	24.7	10.2	..
<b>Net liability/(asset)</b>	<b>12 605.3</b>	<b>12 663.1</b>	<b>12 648.7</b>	<b>12 698.8</b>
<b>Other funds <sup>(b)</sup></b>				
Defined benefit obligation	1 714.9	1 739.8	1 760.3	1 778.4
Tax liability <sup>(a)</sup>	4.6	1.9	(0.6)	(2.9)
Plan assets	(1 263.0)	(1 289.6)	(1 312.8)	(1 332.6)
<b>Net liability/(asset)</b>	<b>456.4</b>	<b>452.1</b>	<b>446.9</b>	<b>442.9</b>
<b>Total unfunded superannuation</b>				
Defined benefit obligation	29 213.3	29 625.7	29 958.6	30 197.4
Tax liability	982.0	1 002.4	1 016.2	1 034.3
Plan assets	(17 172.8)	(17 537.5)	(17 889.4)	(18 090.0)
Unrecognised past service cost	39.2	24.7	10.2	..
<b>Unfunded superannuation liability</b>	<b>13 061.7</b>	<b>13 115.3</b>	<b>13 095.7</b>	<b>13 141.7</b>
<b>Represented by:</b>				
Current liability	510.1	592.1	535.1	778.5
Non-current liability	12 551.6	12 523.2	12 560.6	12 363.2

*Notes:*

- (a) Tax liability represents the present value of future tax payments on investment income from assets supporting the accrued benefits and the present value of future tax payments on the expected employer contributions (if any) to fund these accrued benefits.
- (b) Other funds consists of constitutionally protected schemes, Parliamentary Contributory Superannuation Scheme, Health Super Fund and the General Government element of the Local Authorities Fund.

## Note 7: Depreciation and amortisation

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	Budget	Estimate	Estimate	Estimate
<b>Depreciation from transactions</b>				
Plant, equipment and infrastructure systems	570.4	607.7	621.0	628.7
Buildings <sup>(a)</sup>	363.4	395.4	421.9	466.9
Road networks	308.0	321.6	335.6	352.2
Other assets	29.2	27.5	27.6	27.7
<b>Total depreciation from transactions</b>	<b>1 271.0</b>	<b>1 352.3</b>	<b>1 406.0</b>	<b>1 475.5</b>
<b>Amortisation from transactions</b>				
Leased plant and equipment	7.7	8.5	8.4	8.5
Leasehold buildings	22.9	22.9	27.5	32.2
Intangible produced assets	20.4	19.5	22.1	27.3
<b>Total amortisation from transactions</b>	<b>51.1</b>	<b>50.8</b>	<b>58.0</b>	<b>68.0</b>
<b>Total depreciation and amortisation from transactions <sup>(b)</sup></b>	<b>1 322.1</b>	<b>1 403.1</b>	<b>1 464.0</b>	<b>1 543.5</b>

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2007-08 to 2009-10.

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

## Note 8: Finance costs

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	Budget	Estimate	Estimate	Estimate
Interest on long-term interest-bearing liabilities	318.7	343.5	436.1	503.6
Interest on short-term interest-bearing liabilities	26.1	26.4	26.3	26.3
Finance charges on finance leases	41.4	42.0	42.5	42.5
Discount interest on payables	23.8	24.7	24.8	23.8
Other finance costs	18.0	17.5	20.2	21.3
<b>Total finance costs</b>	<b>428.0</b>	<b>454.1</b>	<b>550.0</b>	<b>617.6</b>

## Note 9: Grants and transfer payments

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	Budget	Estimate	Estimate	Estimate
Commonwealth Government	65.8	67.3	69.2	71.2
Local Government	547.9	535.4	536.0	536.2
Private sector	3 700.3	3 553.2	3 538.7	3 543.1
Grants within the Victorian Government	1 887.8	1 911.8	1 796.6	1 792.0
Grants to other state governments	5.3	3.9	3.9	3.9
<b>Total grants and transfer payments</b>	<b>6 207.2</b>	<b>6 071.5</b>	<b>5 944.3</b>	<b>5 946.4</b>

## Note 10: Total expenses from transactions by department

	(\$ million)			
	2006-07 Budget	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>Expenses from transactions</b>				
Parliament	116.1	114.0	115.0	116.9
Education and Training	9 545.3	9 666.3	9 912.0	10 090.7
Human Services	12 223.5	12 504.0	12 835.7	13 212.5
Infrastructure	3 865.5	3 968.1	4 079.4	4 165.3
Innovation, Industry and Regional Development	433.5	403.7	328.4	326.6
Justice	3 119.4	3 115.4	3 182.2	3 229.0
Premier and Cabinet	539.5	550.0	589.0	520.0
Primary Industries	398.7	333.4	338.9	338.5
Sustainability and Environment	1 089.8	1 082.1	1 049.6	1 059.7
Treasury and Finance	1 848.9	1 824.6	1 923.3	2 009.5
Victorian Communities	815.5	788.8	739.8	725.6
Contingencies not allocated to departments <sup>(a)</sup>	( 60.1)	712.5	1 062.9	1 286.6
Regulatory bodies and other part budget funded agencies <sup>(b)</sup>	1 075.7	1 106.9	1 126.5	1 126.5
<b>Total</b>	<b>35 011.4</b>	<b>36 169.8</b>	<b>37 282.8</b>	<b>38 207.6</b>
<i>Less eliminations <sup>(c)</sup></i>	<i>(2 886.1)</i>	<i>(3 012.4)</i>	<i>(3 019.4)</i>	<i>(3 019.6)</i>
<b>Total expenses from transactions</b>	<b>32 125.3</b>	<b>33 157.5</b>	<b>34 263.4</b>	<b>35 188.0</b>

### Notes:

- (a) This contingency includes a provision for programs lapsing, future demand growth, items not yet formalised at the time of the Budget, and an allowance for departmental underspending in 2006-07 which may be subject to carryover into 2007-08. Under the Departmental Funding Model, since 1 July 2004, departments have been 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) Comprising payroll tax, capital asset charge and inter-departmental transfers.

## Note 11: Other gains/(expenses) from other economic flows

	(\$ million)			
	2006-07 Budget	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
Net gains/(losses) on financial assets at fair value	0.1	0.1	0.1	0.1
Net gain from revaluation of biological assets	8.4	8.4	8.4	8.4
Net (increase)/decrease in provision for doubtful debts	( 59.1)	( 49.1)	( 44.1)	( 44.1)
Other gains/(losses)	( 0.2)	( 0.2)	( 0.2)	( 0.2)
<b>Total other gains/(expenses) from other economic flows</b>	<b>( 50.9)</b>	<b>( 40.8)</b>	<b>( 35.8)</b>	<b>( 35.8)</b>

## Note 12: Property, plant and equipment

### (a) Land and buildings

	(\$ million)			
	2007	2008	2009	2010
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Buildings <sup>(a)</sup>	16 028.6	17 754.0	20 132.0	22 882.1
<i>Accumulated depreciation</i>	<i>(1 495.8)</i>	<i>(1 902.7)</i>	<i>(2 341.1)</i>	<i>(2 829.8)</i>
<b>Buildings (written down value)</b>	<b>14 532.7</b>	<b>15 851.3</b>	<b>17 790.9</b>	<b>20 052.2</b>
<b>Land, national parks and other 'land only' holdings</b>	<b>20 402.1</b>	<b>21 910.2</b>	<b>23 625.4</b>	<b>25 572.7</b>
<b>Total land and buildings</b>	<b>34 934.9</b>	<b>37 761.5</b>	<b>41 416.3</b>	<b>45 625.0</b>

Note:

(a) Includes amounts not yet allocated to projects in 2007-08 to 2009-10.

### (b) Plant, equipment and infrastructure systems

	(\$ million)			
	2007	2008	2009	2010
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Infrastructure systems	1 092.5	1 267.3	1 425.5	1 548.1
<i>Accumulated depreciation and amortisation</i>	<i>( 69.3)</i>	<i>( 93.6)</i>	<i>( 120.3)</i>	<i>( 147.8)</i>
<b>Infrastructure systems (written down value)</b>	<b>1 023.2</b>	<b>1 173.7</b>	<b>1 305.2</b>	<b>1 400.3</b>
Plant, equipment and vehicles	5 175.5	5 507.4	5 773.2	6 027.4
<i>Accumulated depreciation</i>	<i>(3 278.0)</i>	<i>(3 798.0)</i>	<i>(4 327.7)</i>	<i>(4 865.7)</i>
Leased plant, equipment and vehicles	53.6	34.6	34.5	34.5
<i>Accumulated amortisation</i>	<i>( 29.4)</i>	<i>( 32.7)</i>	<i>( 35.9)</i>	<i>( 39.1)</i>
<b>Plant, equipment and vehicles (written down value)</b>	<b>1 921.7</b>	<b>1 711.4</b>	<b>1 444.1</b>	<b>1 157.1</b>
<b>Total plant, equipment and infrastructure systems</b>	<b>2 944.8</b>	<b>2 885.1</b>	<b>2 749.3</b>	<b>2 557.5</b>

### (c) Road networks and earthworks

	(\$ million)			
	2007	2008	2009	2010
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Roads	16 521.0	18 053.1	19 450.7	20 218.7
<i>Accumulated depreciation</i>	<i>(5 714.2)</i>	<i>(5 971.8)</i>	<i>(6 240.6)</i>	<i>(6 523.0)</i>
Road infrastructure	5 033.6	5 287.1	5 608.3	6 075.8
<i>Accumulated depreciation</i>	<i>(1 762.4)</i>	<i>(1 826.4)</i>	<i>(1 893.2)</i>	<i>(1 962.9)</i>
<b>Roads (written down value)</b>	<b>14 078.0</b>	<b>15 542.0</b>	<b>16 925.2</b>	<b>17 808.5</b>
Earthworks	4 589.8	4 589.8	4 589.8	4 589.8
<b>Total road networks and earthworks</b>	<b>18 667.8</b>	<b>20 131.7</b>	<b>21 515.0</b>	<b>22 398.3</b>

#### (d) Cultural assets

(\$ million)

	2007	2008	2009	2010
	Budget	Estimate	Estimate	Estimate
Cultural assets	3 794.2	3 894.3	3 998.4	4 106.6
Accumulated depreciation	( 98.3)	( 106.3)	( 114.2)	( 122.2)
<b>Total cultural assets</b>	<b>3 695.9</b>	<b>3 788.0</b>	<b>3 884.2</b>	<b>3 984.4</b>

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

#### Note 13: Reconciliation of movements in property, plant and equipment

(\$ million)

	2007	2008	2009	2010
	Budget	Estimate	Estimate	Estimate
Carrying amount at the start of the year <sup>(a)</sup>	56 528.9	60 243.4	64 566.4	69 564.8
Additions <sup>(b)</sup>	2 329.0	2 801.9	3 070.5	2 736.9
Disposals at written down value	( 112.7)	( 218.4)	( 109.7)	( 89.7)
Revaluations increments	2 799.8	3 123.0	3 479.6	3 869.4
Depreciation/amortisation expense	(1 301.7)	(1 383.6)	(1 442.0)	(1 516.2)
<b>Carrying amount at the end of the year</b>	<b>60 243.4</b>	<b>64 566.4</b>	<b>69 564.8</b>	<b>74 565.2</b>

Notes:

(a) Property, plant and equipment comprises land and buildings, infrastructure systems, plant, equipment, vehicles, road networks and cultural assets. Excludes movements in other assets in Note 14 below.

(b) Includes assets acquired under finance lease arrangements.

#### Note 14: Other assets

(\$ million)

	2007	2008	2009	2010
	Budget	Estimate	Estimate	Estimate
Investment properties	29.7	29.7	29.7	29.7
Accumulated depreciation	..	..	..	..
<b>Investment properties</b>	<b>29.7</b>	<b>29.7</b>	<b>29.7</b>	<b>29.7</b>
Intangibles	289.8	296.2	319.0	328.4
Accumulated amortisation	( 122.7)	( 142.3)	( 164.5)	( 191.9)
<b>Intangibles (written down value)</b>	<b>167.0</b>	<b>153.9</b>	<b>154.5</b>	<b>136.5</b>
Biological assets <sup>(a)</sup>	95.7	104.1	112.5	120.9
Other assets	144.1	92.6	84.8	84.8
<b>Total other assets</b>	<b>436.6</b>	<b>380.4</b>	<b>381.5</b>	<b>371.9</b>

Note:

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

## Note 15: Employee benefits

	(\$ million)			
	2007	2008	2009	2010
	Budget	Estimate	Estimate	Estimate
<b>Current</b>				
Accrued salaries and wages <sup>(a)</sup>	781.1	801.6	821.4	841.2
Long service leave	266.6	293.1	319.5	345.9
<b>Total current employee benefits</b>	<b>1 047.8</b>	<b>1 094.7</b>	<b>1 140.9</b>	<b>1 187.1</b>
<b>Non-current</b>				
Accrued salaries and wages <sup>(a)</sup>	135.6	135.6	135.6	135.6
Long service leave	2 435.9	2 514.1	2 592.7	2 672.5
<b>Total non-current employee benefits</b>	<b>2 571.5</b>	<b>2 649.7</b>	<b>2 728.3</b>	<b>2 808.1</b>
<b>Total employee benefits</b>	<b>3 619.3</b>	<b>3 744.4</b>	<b>3 869.2</b>	<b>3 995.2</b>

Note:

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

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

	(\$ million)			
	2006-07	2007-08	2008-09	2009-10
	Budget	Estimate	Estimate	Estimate
<b>Net result</b>	275.6	270.6	301.6	282.5
<b>Non-cash movements</b>				
Depreciation and amortisation	1 322.1	1 403.1	1 464.0	1 543.5
Revaluation of investments	( 0.1)	( 0.1)	( 0.1)	( 0.1)
Assets received/provided free of charge	..	..	( 160.0)	..
Revaluation of assets	( 8.4)	( 8.4)	( 8.4)	( 8.4)
Discount/premium on other financial assets/interest-bearing liabilities	5.4	4.8	7.5	7.8
<b>Movements included in investing and financing activities</b>				
Net revenue from sale of property, plant and equipment	( 9.7)	( 6.0)	( 6.1)	( 6.5)
<b>Movements in assets and liabilities</b>				
Increase/(decrease) in provision of doubtful debts	59.0	49.0	43.9	43.9
Increase/(decrease) in payables	1.3	31.0	42.2	13.2
Increase/(decrease) in employee benefits	165.8	125.1	124.8	126.0
Increase/(decrease) in superannuation	536.8	53.6	( 19.6)	46.1
Increase/(decrease) in other provisions <sup>(a)</sup>	( 30.0)	( 18.5)	( 10.9)	( 11.4)
Increase/(decrease) in other liabilities <sup>(a)</sup>	( 6.9)	( 6.7)	( 6.9)	( 6.9)
(Increase)/decrease in receivables	31.8	( 162.1)	( 108.4)	( 84.4)
(Increase)/decrease in other assets	33.3	49.7	6.1	( 1.8)
<b>Net cash flows from operating activities</b>	<b>2 375.9</b>	<b>1 785.0</b>	<b>1 669.8</b>	<b>1 943.5</b>

Note:

(a) Other provisions has been renamed from outstanding insurance claims, as it appeared in the 2005-06 Budget Papers, and the definition has been broadened to include certain items previously classified as other liabilities.

## Note 17: Reconciliation of cash

(\$ million)

	2006-07	2007-08	2008-09	2009-10
	Budget	Estimate	Estimate	Estimate
Cash	613.0	628.5	643.9	659.3
Deposits at call	996.6	991.3	975.1	962.9
<b>Cash and cash equivalents</b>	<b>1 609.6</b>	<b>1 619.8</b>	<b>1 619.1</b>	<b>1 622.2</b>
Bank overdraft	(4.2)	(4.2)	(4.2)	(4.2)
<b>Cash and deposits held as at 30 June</b>	<b>1 605.3</b>	<b>1 615.6</b>	<b>1 614.8</b>	<b>1 618.0</b>

## Note 18: Purchase of property, plant and equipment by department

(\$ million)

	2006-07	2007-08	2008-09	2009-10
	Budget	Estimate	Estimate	Estimate
Parliament	9.3	7.3	2.7	2.7
Education and Training	716.5	446.2	238.5	222.5
Human Services	659.9	551.1	617.8	342.0
Infrastructure	702.9	1 112.7	816.2	388.7
Innovation, Industry and Regional Development	11.6	11.7	11.7	16.7
Justice	205.2	103.4	87.6	73.4
Premier and Cabinet	66.6	80.7	23.7	12.7
Primary Industries	6.6	7.9	6.8	6.1
Sustainability and Environment	147.6	144.5	124.0	111.9
Treasury and Finance <sup>(a)</sup>	54.3	28.7	16.0	95.7
Victorian Communities	10.2	6.3	6.2	6.2
Regulatory bodies and other part budget funded agencies	118.5	84.9	85.2	85.2
Not allocated to departments <sup>(b)</sup>	(360.0)	223.0	675.0	1 382.5
<b>Total purchase of property, plant and equipment</b>	<b>2 349.3</b>	<b>2 808.3</b>	<b>2 711.2</b>	<b>2 746.2</b>

Notes:

- (a) Includes amounts under the vehicle leasing facility not allocated to departments.
- (b) Amount available to be allocated to specific departments and projects in future budgets. This includes an allowance for departmental underspending in 2006-07 which may be subject to carryover in 2007-08.

## **Note 19: 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

TAFEs including:

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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Health Purchasing Victoria

Hospitals, Health and Ambulance Services including:

Alexandra District Ambulance Service

Alexandra District Hospital

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**General government sector entities (continued)**

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Alpine Health  
Ambulance Service Victoria Metropolitan Region  
Austin Health  
Bairnsdale Regional Health Service  
Ballarat Health Services  
Barwon Health  
Bass Coast Regional Health  
Bayside Health  
Beaufort and Skipton Health Service  
Beechworth Health Service  
Benalla and District Memorial Hospital  
Bendigo Health Care Group  
Boort District Hospital  
Casterton Memorial Hospital  
Central Gippsland Health Service  
Cobram District Hospital  
Cohuna District Hospital  
Colac Area Health  
Dental Health Services Victoria  
Djerriwarrh Health Services  
Dunmunkle Health Services  
East Grampians Health Service  
East Wimmera Health Service  
Eastern Health  
Echuca Regional Health  
Edenhope and District Memorial Hospital  
Gippsland Southern Health Service  
Goulburn Valley Health  
Hepburn Health Service  
Hesse Rural Health Service  
Heywood Rural Health  
Inglewood and District Health Service  
Kerang and District Hospital  
Kooweerup Regional Health Service  
Kyabram and District Health Services  
Kyneton District Health Service  
Latrobe Regional Hospital  
Lorne Community Hospital  
Maldon Hospital  
Mallee Track Health and Community Services  
Manangatang and District Hospital  
Mansfield District Hospital

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**General government sector entities (continued)**

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Maryborough District Health Service  
Mclvor Health and Community Services  
Melbourne Health  
Moyne Health Services  
Mt Alexander Hospital  
Nathalia District Hospital  
Northeast Health Wangaratta  
Northern Health  
Numurkah District Health Service  
Omeo District Health  
Orbost Regional Health  
Otway Health and Community Services  
Peninsula Health  
Peter MacCallum Cancer Institute  
Portland District Health  
Robinvale District Health Services  
Rochester and Elmore District Health Service  
Rural Ambulance Victoria  
Rural Northwest Health  
Seymour District Memorial Hospital  
South Gippsland Hospital  
South West Healthcare  
Southern Health  
Stawell Regional Health  
Swan Hill District Hospital  
Tallangatta Health Service  
Terang and Mortlake Health Service  
The Kilmore and District Hospital  
The Queen Elizabeth Centre  
The Royal Children's Hospital  
The Royal Victorian Eye and Ear Hospital  
The Royal Women's Hospital  
Timboon and District 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 (formerly the Western District Health Service and the Coleraine District Health Services)  
Western Health  
Wimmera Health Care Group

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**General government sector entities (continued)**

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Wodonga Regional Health Service  
Yarram and District Health Service  
Yarrawonga District Health Service  
Yea and District Memorial Hospital  
Infertility Treatment Authority  
Mental Health Review Board  
Psychosurgery Review Board  
Registration Boards including:  
Chinese Medicine Registration Board of Victoria  
Chiropractors Registration Board of Victoria  
Dental Practice Board of Victoria  
Medical Practitioners Board of Victoria  
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  
Victorian Health Promotion Foundation  
Victorian Relief Committee

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**Department of Infrastructure**

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Energy Safe Victoria  
Roads Corporation  
Southern and Eastern Integrated Transport Authority (SEITA)  
Southern Cross Station Authority (formerly Spencer Street Station Authority )

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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 Services Telecommunications Authority (formerly Emergency Communications Victoria)  
Equal Opportunity Commission  
Judicial College of Victoria  
Legal Services Board (formerly Legal Practice Board)  
Legal Services Commissioner (formerly Office of the Legal Ombudsman)

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**General government sector entities (continued)**

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Liquor Licensing Panel  
Metropolitan Fire and Emergency Services Board  
Office of Police Integrity  
Office of Public Prosecutions  
Office of the Public Advocate  
Office of the Victorian Privacy Commissioner  
Sentencing Advisory Council  
Victoria Legal Aid  
Victoria Police (Office of the Chief Commissioner of Police)  
Victoria State Emergency Service Authority  
Victorian Commission for Gambling Regulation  
Victorian Electoral Commission  
Victorian Institute of Forensic Medicine  
Victorian Law Reform Commission

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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 the Ombudsman  
State Services Authority

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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  
Catchment Management Authorities including:  
Corangamite Catchment Management Authority  
East Gippsland Catchment Management Authority  
Glenelg Hopkins Catchment Management Authority  
Goulburn Broken Catchment Management Authority  
Mallee Catchment Management Authority  
North Central Catchment Management Authority  
North East Catchment Management Authority  
Port Phillip and Westernport Catchment Management Authority  
West Gippsland Catchment Management Authority  
Wimmera Catchment Management Authority  
Environment Protection Authority

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**General government sector entities (continued)**

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Heritage Council  
Office of the Commissioner for Environmental Sustainability  
Parks Victoria  
Plumbing Industry Commission  
Royal Botanic Gardens Board  
Surveyors Registration Board of Victoria (formerly Surveyors Board)  
Sustainability Victoria (formerly Sustainability Energy Authority and Eco Recycle Victoria)  
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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2007 World Swimming Championship Corporation  
Shrine of Remembrance Trustees  
Victorian Institute of Sport Limited  
Victorian Institute of Sport Trust

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**Parliament of Victoria**

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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 AAS 29 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 AAS 29 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.

- **operating statement** – provides details of the Department's 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;
- **balance sheet** – 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;
- **statement of recognised income and expense** – adds together the net result from the operating statement and items deferred in equity such as the revaluation of property, plant and equipment to present total income and expense; 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 is estimated to have a net result of \$135 million for 2006-07. This is primarily generated in the School and TAFE sectors, where State and Commonwealth funding for capital and locally raised funds are received as income in the operating statement but applied to capital expenditure (shown as an asset in the balance sheet), therefore appearing as an operating surplus.

The operating statement shows an increase in total operating income of \$388 million (or 5.0 per cent) between the 2005-06 revised budget and the 2006-07 Budget. This is primarily a result of:

- funding for new initiatives announced in the 2006-07 Budget, including the School Start Bonus, Victorian Certificate of Applied Learning, Schools for Innovation and Excellence, and Skills Statement initiatives for the Training and Further Education sector;
- the flow-through effect of initiatives approved in previous budgets (which will have a further impact in 2006-07), including Increased Support for Non-Government Schools and Equity in Education and Training;
- additional funding for the Program for Students with Disabilities to manage increased demand for services provided to government school students with special education needs; and
- general inflation-related indexation.

Total operating expenses for the Department in 2006-07 are budgeted to increase by \$371 million (or 4.8 per cent) between the 2005-06 revised budget and the 2006-07 Budget and flow from the increases in income discussed above.

### Investment and financing

Cash flows from investing activities include payments for property plant and equipment (totalling \$717 million) reflecting the continued asset investment in Schools and TAFE institutes as part of the 2006-07 State Budget. Commonwealth funded asset initiatives in Schools and TAFE have also increased investment in assets for the education and training sector.

This additional investment includes modernisation of existing schools, replacement and building of new schools, classroom replacement, providing specialist facilities in secondary schools, the upgrade of teaching equipment in TAFE institutes and further land acquisition to build new and replacement schools.

Initiatives announced in the 2006-07 Budget include investment from the *Building Tomorrow's Schools Today* Fund, to be established from the sale of Victoria's share of the Snowy Hydro Limited.

## Balance sheet performance

The Department's net asset position is expected to improve by \$385 million between the 2006 revised Budget and the 2007 Budget. This reflects a projected increase in total assets of \$440 million (or 3.7 per cent) and an increase in total liabilities of \$55 million (or 3.8 per cent) over the same period.

The expected increase in total assets is mainly attributable to an increase in non-current assets of \$383 million (or 3.6 per cent) from the 2006 revised Budget to the 2007 Budget, reflecting:

- increased capital investment in schools and TAFE institutes to improve and add to the education infrastructure base as announced in the 2006-07 Budget;
- Government's capital investment from the *Building Tomorrow's Schools Today* Fund to be established from the sale of Victoria's share of the Snowy Hydro Limited; and
- the Commonwealth funded *Investing in Our Schools* capital infrastructure program.

The expected increase in total liabilities primarily reflects an increase in long service leave entitlements for staff employed in the education sector for 2006-07 wage increases and underlying growth in years of service.

## Statement of administered items

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

Total administered income is projected to increase by \$117 million from the 2005-06 revised budget to the 2006-07 Budget, largely due to increased Commonwealth funding to support non-government schools and increased capital infrastructure grants through the *Investing in Our Schools* Program.

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

**Table 2.1.1: Operating Statement**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Income</b>				
Output appropriations	6 205.4	6 515.2	6 605.4	6 969.2
Special appropriations	0.5	0.3	0.3	0.3
Resources received free of charge or for nominal consideration	5.2	0.7	0.7	0.7
Sale of goods and services	546.9	537.7	602.6	615.7
Commonwealth grants	288.1	274.8	274.8	278.8
Revenue from other parties and other income	362.5	313.8	325.7	332.9
	<b>7 408.5</b>	<b>7 642.5</b>	<b>7 809.4</b>	<b>8 197.6</b>
<b>Expenses</b>				
Employee benefits	4 280.3	4 438.1	4 463.0	4 691.8
Depreciation and amortisation	301.0	302.5	306.0	317.3
Grants and other payments	590.7	612.5	636.6	708.9
Capital asset charge	764.6	801.2	799.4	843.4
Supplies and services	1 260.1	1 379.8	1 485.3	1 500.4
Finance costs	0.9	1.0	1.0	1.0
Other expenses	0.6	..	..	..
	<b>7 198.3</b>	<b>7 535.1</b>	<b>7 691.4</b>	<b>8 062.8</b>
<b>Net result for the reporting period</b>	<b>210.2</b>	<b>107.3</b>	<b>118.0</b>	<b>134.8</b>

Source: Departments of Education and Training and Treasury and Finance

**Table 2.1.2: Statement of cash flows**

	(\$ million)			
	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	6 388.1	6 662.5	6 834.1	7 166.1
Receipts from other entities	554.6	534.9	599.7	612.8
Payments for supplies, grants and employees	(6 090.4)	(6 379.8)	(6 533.7)	(6 845.4)
	<b>852.3</b>	<b>817.6</b>	<b>900.1</b>	<b>933.5</b>
Interest received	42.8	31.9	37.6	38.5
Finance costs expense	( 0.9)	( 1.0)	( 1.0)	( 1.0)
Capital asset charge	( 764.6)	( 801.2)	( 799.4)	( 843.4)
Other receipts	343.7	303.4	309.6	315.9
<b>Net cash inflow from operating activities</b>	<b>473.2</b>	<b>350.7</b>	<b>446.8</b>	<b>443.5</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 463.2)	( 555.7)	( 599.3)	( 716.5)
Proceeds from sale of property, plant and equipment	14.5	2.4	2.4	2.4
(Repayment of) loans by other entities	( 24.9)	..	( 4.7)	( 4.8)
<b>Net cash (outflow) from investing activities</b>	<b>( 473.6)</b>	<b>( 553.3)</b>	<b>( 601.6)</b>	<b>( 719.0)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	72.4	174.6	123.5	250.6
Net proceeds from borrowing	1.7	..	..	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>74.1</b>	<b>174.6</b>	<b>123.5</b>	<b>250.6</b>
<b>Net increase/(decrease) in cash held</b>	<b>73.8</b>	<b>( 28.1)</b>	<b>( 31.3)</b>	<b>( 25.0)</b>
Cash at the beginning of the financial year	520.8	594.6	594.6	563.3
<b>Cash at the end of the financial year</b>	<b>594.6</b>	<b>566.5</b>	<b>563.3</b>	<b>538.3</b>

Source: Departments of Education and Training and Treasury and Finance

**Table 2.1.3: Balance Sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	594.6	566.5	563.3	538.3
Other financial assets	181.4	181.4	181.4	181.4
Receivables	570.4	698.2	616.8	699.0
Inventories	8.6	8.6	8.6	8.6
Prepayments	15.1	15.2	15.2	15.4
	<b>1 370.0</b>	<b>1 469.9</b>	<b>1 385.3</b>	<b>1 442.7</b>
Non-current assets classified as held for sale	15.4	15.4	15.4	15.4
<b>Total current assets</b>	<b>1 385.4</b>	<b>1 485.3</b>	<b>1 400.7</b>	<b>1 458.1</b>
<b>Non-current assets</b>				
Receivables	0.3	0.3	0.3	0.3
Other financial assets	20.2	20.2	24.9	29.7
Property, plant and equipment	10 213.7	10 445.6	10 440.3	10 817.4
Intangible assets	4.4	4.4	49.8	50.8
Other	0.1	0.1	0.1	0.1
<b>Total non-current assets</b>	<b>10 238.7</b>	<b>10 470.6</b>	<b>10 515.4</b>	<b>10 898.3</b>
<b>Total assets</b>	<b>11 624.1</b>	<b>11 955.9</b>	<b>11 916.1</b>	<b>12 356.4</b>
<b>Current liabilities</b>				
Payables	208.4	210.2	210.2	212.0
Interest-bearing liabilities	2.0	2.0	2.0	2.0
Employee provisions	238.5	247.3	247.3	256.1
Other	93.9	93.9	93.9	93.9
<b>Total current liabilities</b>	<b>542.9</b>	<b>553.4</b>	<b>553.4</b>	<b>564.0</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	7.6	7.6	7.6	7.6
Employee provisions	857.5	896.8	897.4	941.8
Other	0.2	0.2	0.2	0.2
Amounts owing to other departments	0.8	0.8	0.8	0.8
<b>Total non-current liabilities</b>	<b>866.0</b>	<b>905.3</b>	<b>905.9</b>	<b>950.4</b>
<b>Total liabilities</b>	<b>1 408.9</b>	<b>1 458.8</b>	<b>1 459.4</b>	<b>1 514.4</b>
<b>Net assets</b>	<b>10 215.2</b>	<b>10 497.1</b>	<b>10 456.7</b>	<b>10 842.0</b>
<b>Equity</b>				
Contributed capital	5 217.0	5 391.6	5 340.5	5 591.1
Reserves	3 266.4	3 266.4	3 266.4	3 266.4
Accumulated surplus/(deficit)	1 731.8	1 839.1	1 849.8	1 984.6
<b>Total equity</b>	<b>10 215.2</b>	<b>10 497.1</b>	<b>10 456.7</b>	<b>10 842.0</b>

Source: Departments of Education and Training and Treasury and Finance

**Table 2.1.4: Statement of recognised income and expense**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
Gains/(losses) on revaluation of properties	467.2	..	..	..
Available for sale financial assets	..	..	..	..
Other	7.8	..	..	..
<b>Net income recognised directly in equity</b>	<b>475.0</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	210.2	107.3	118.0	134.8
<b>Total recognised income and expense for the period</b>	<b>685.2</b>	<b>107.3</b>	<b>118.0</b>	<b>134.8</b>

Source: Departments of Education and Training and Treasury and Finance

**Table 2.1.5: Administered items statement**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Administered income</b>				
Sale of goods and services	1.9	1.5	1.5	1.5
Commonwealth grants	1 899.2	2 008.4	2 016.0	2 133.1
Other	( 3.2)	9.9	9.9	9.9
<b>Total administered income</b>	<b>1 897.9</b>	<b>2 019.8</b>	<b>2 027.4</b>	<b>2 144.4</b>
<b>Administered expenses</b>				
Grants and other payments	1 363.3	1 438.2	1 415.2	1 482.5
Payments into the Consolidated Fund	552.9	581.5	612.1	661.8
<b>Total administered expenses</b>	<b>1 916.2</b>	<b>2 019.8</b>	<b>2 027.3</b>	<b>2 144.4</b>
<b>Income less expenses</b>	<b>( 18.3)</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Administered assets</b>				
Cash assets	0.4	0.5	0.5	0.5
Receivables	19.9	19.9	19.9	19.9
Other financial assets	1.5	1.5	1.5	1.5
Prepayments	3.3	3.3	3.3	3.3
Property, plant and equipment	11.3	11.3	11.3	11.3
<b>Total administered assets</b>	<b>36.4</b>	<b>36.4</b>	<b>36.4</b>	<b>36.5</b>
<b>Administered liabilities</b>				
Payables	3.5	3.5	3.5	3.5
Other	3.4	3.4	3.4	3.4
<b>Total administered liabilities</b>	<b>6.9</b>	<b>6.9</b>	<b>6.9</b>	<b>6.9</b>
<b>Net assets</b>	<b>29.5</b>	<b>29.5</b>	<b>29.5</b>	<b>29.6</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 2.1.6: Parliamentary authority for resources**

	(\$ million)		
	2005-06 Budget	2005-06 Revised	2006-07 Budget
Annual appropriations	6 522.4	6 471.7	6 936.9
Receipts credited to appropriations	163.1	211.7	246.1
Unapplied previous years appropriation	4.2	45.5	36.7
<b>Gross annual appropriation</b>	<b>6 689.8</b>	<b>6 728.9</b>	<b>7 219.7</b>
Special appropriations	0.3	0.3	0.3
Trust funds	1 779.8	1 756.9	1 828.1
<b>Total Parliamentary authority</b>	<b>8 469.8</b>	<b>8 486.0</b>	<b>9 048.1</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 a net result of \$30 million in 2006-07.

The operating statement shows an increase in income of \$723 million from the 2005-06 revised budget to the 2006-07 Budget. These increases are largely due to:

- funding provided for government policy commitments (\$256 million) including for Hospital Futures, mental health strategy, Growing Communities – Thriving Children, implementation of the new *Children, Youth and Families Act 2005*, Commonwealth of Australian Government initiatives, disability services strategy, home and community care growth, increasing support to homeless people, supported accommodation assistance program and the full year effect of initiatives announced in previous years budgets;
- output price increases arising from Australian Industrial Relations Commission decisions and enterprise bargaining agreements across a range of DHS outputs and price escalation (\$275 million) for anticipated cost increases in 2006-07; and
- output price increases (\$87 million) for depreciation, amortisation and capital asset charge associated with the approved asset investment program for 2006-07.

Other income increases (\$82 million) relate to increased Commonwealth payments due to the expansion of a number of programs (including highly specialised drugs, home and community care, the Department of Veteran Affairs, and the Pharmaceutical Benefits Scheme), expansion of Transport Accident Commission programs and increases in income from the sale of goods and services from other parties.

Operating expenses are budgeted to increase by \$722 million between the 2005-06 revised budget and 2006-07 Budget and flow from the increases in income outlined above.

### Investment and financing

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

Cash flows from investing activities include payments for property, plant and equipment (totalling \$660 million) reflecting the continued asset investment in the Department and hospitals, and include new initiatives to expand service capacity, enhance infrastructure and comply with regulatory requirements.

The reduction in 2005-06 revised budget for investing activities reflects the withdrawal of funds associated with the redevelopment of the Royal Women's Hospital, which was originally budgeted as a public sector asset. The project will

now be constructed under the Partnership Victoria model with a private sector consortium building and maintaining the hospital for 25 years with the Government owning and operating the Royal Women's Hospital.

### **Balance sheet performance**

DHS's net asset position is expected to improve by \$370 million between the 2005-06 revised budget and 2006-07 Budget, reflecting an increase in total assets of \$449 million and an increase in total liabilities of \$79 million.

The expected increase in assets reflects the State Government's commitment to build new health and community facilities and other infrastructure across the State, based on modern service models and needs for the future. The movement in assets from the 2005-06 Budget to the 2006-07 Budget reflects funding provided for the Box Hill Hospital, Casey Aged Care, Caulfield General Medical Centre, Kingston Centre, Grovedale Aged Care Facility, North Richmond Community Health Centre, Rochester and Elmore District Health Services, Royal Melbourne Hospital and Warracknabeal Nursing Home redevelopment.

The expected increase in liabilities is primarily a result of increased long service leave entitlements for staff employed in the human services sector. Under the funding arrangements, a corresponding asset matches this item.

### **Statement of administered items**

This statement includes items from the Commonwealth Government and revenue from the sale of goods and services collected by the Department. Total income has increased by \$154 million from the 2005-06 revised budget to the 2006-07 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: Operating Statement**

	(\$ million)			
	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Income</b>				
Output appropriations	8 493.7	9 062.3	9 027.6	9 713.1
Special appropriations	1 056.2	1 112.0	1 161.1	1 167.8
Resources received free of charge or for nominal consideration	4.9	..	..	..
Sale of goods and services	892.0	931.5	948.1	975.2
Commonwealth grants	110.1	97.2	106.6	116.6
Fines and fees	0.1	..	..	..
Revenue from other parties and other income	368.6	257.3	286.8	280.3
	<b>10 925.6</b>	<b>11 460.3</b>	<b>11 530.2</b>	<b>12 253.0</b>
<b>Expenses</b>				
Employee benefits	5 142.0	5 400.1	5 499.7	5 793.3
Depreciation and amortisation	272.7	310.5	310.2	356.1
Resources provided free of charge or for nominal consideration	0.4	..	..	..
Grants and other payments	748.4	793.9	801.7	816.2
Capital asset charge	427.4	482.8	482.8	536.2
Supplies and services	4 140.8	4 444.1	4 405.6	4 719.4
Finance costs	2.7	1.8	1.8	2.4
Other expenses	10.0	..	..	..
	<b>10 744.4</b>	<b>11 433.2</b>	<b>11 501.9</b>	<b>12 223.5</b>
<b>Net result for the reporting period</b>	<b>181.2</b>	<b>27.2</b>	<b>28.3</b>	<b>29.5</b>

Source: Departments of Human Services and Treasury and Finance

**Table 2.2.2: Statement of cash flows**

(\$ million)

	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
<b>Cash flows from operating activities</b>				
Receipts from Government	9 583.9	10 197.6	10 221.5	10 867.6
Receipts from other entities	921.0	945.8	965.8	985.7
Payments for supplies, grants and employees	(9 917.3)	(10 503.0)	(10 597.0)	(11 242.4)
	<b>587.5</b>	<b>640.4</b>	<b>590.2</b>	<b>610.9</b>
Interest received	45.4	35.0	35.0	35.0
Finance costs expense	( 2.7)	( 1.8)	( 1.8)	( 2.4)
Capital asset charge	( 427.4)	( 482.8)	( 482.8)	( 536.2)
Other receipts	321.8	154.5	180.5	183.9
<b>Net cash inflow from operating activities</b>	<b>524.7</b>	<b>345.3</b>	<b>321.1</b>	<b>291.2</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 671.8)	( 773.7)	( 674.1)	( 659.9)
Proceeds from sale of property, plant and equipment	37.0	40.0	40.0	40.0
(Repayment of) loans by other entities	283.1	15.3	15.3	..
<b>Net cash (outflow) from investing activities</b>	<b>( 351.7)</b>	<b>( 718.4)</b>	<b>( 618.8)</b>	<b>( 619.9)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	( 138.6)	365.8	290.1	340.1
Net proceeds from borrowing	0.5	11.3	11.6	( 7.5)
<b>Net cash inflows/(outflow) from financing activities</b>	<b>( 138.1)</b>	<b>377.1</b>	<b>301.7</b>	<b>332.7</b>
<b>Net increase/(decrease) in cash held</b>	<b>34.8</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
Cash at the beginning of the financial year	328.7	363.5	363.5	367.5
<b>Cash at the end of the financial year</b>	<b>363.5</b>	<b>367.5</b>	<b>367.5</b>	<b>371.5</b>

Source: Departments of Human Services and Treasury and Finance

**Table 2.2.3: Balance Sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	367.7	371.8	371.8	375.8
Other financial assets	365.1	365.1	365.1	365.1
Receivables	701.3	832.4	832.4	1 017.0
Inventories	59.3	59.3	59.3	59.3
Prepayments	15.5	15.5	15.5	15.5
	<b>1 508.9</b>	<b>1 644.1</b>	<b>1 644.1</b>	<b>1 832.7</b>
Non-current assets classified as held for sale	12.7	15.3	15.3	15.3
<b>Total current assets</b>	<b>1 521.7</b>	<b>1 659.4</b>	<b>1 659.4</b>	<b>1 847.9</b>
<b>Non-current assets</b>				
Receivables	17.2	1.9	1.9	1.9
Other financial assets	130.3	130.3	130.3	130.3
Property, plant and equipment	5 889.2	6 306.1	6 206.8	6 466.9
Intangible assets	35.7	35.7	35.7	35.7
Other	36.4	36.4	36.4	36.4
<b>Total non-current assets</b>	<b>6 108.8</b>	<b>6 510.4</b>	<b>6 411.1</b>	<b>6 671.2</b>
<b>Total assets</b>	<b>7 630.4</b>	<b>8 169.7</b>	<b>8 070.5</b>	<b>8 519.1</b>
<b>Current liabilities</b>				
Payables	628.5	644.3	644.3	698.5
Interest-bearing liabilities	16.1	19.7	19.7	24.2
Employee provisions	476.2	482.6	482.6	492.5
Other	170.5	175.0	150.0	110.8
<b>Total current liabilities</b>	<b>1 291.3</b>	<b>1 321.6</b>	<b>1 296.6</b>	<b>1 326.0</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	109.9	117.6	117.9	105.9
Employee provisions	747.6	813.5	813.5	875.0
Amounts owing to other departments	4.2	4.2	4.2	4.2
Other	380.4	380.4	380.4	380.4
<b>Total non-current liabilities</b>	<b>1 242.1</b>	<b>1 315.6</b>	<b>1 315.9</b>	<b>1 365.5</b>
<b>Total liabilities</b>	<b>2 533.3</b>	<b>2 637.2</b>	<b>2 612.5</b>	<b>2 691.5</b>
<b>Net assets</b>	<b>5 097.1</b>	<b>5 532.5</b>	<b>5 458.0</b>	<b>5 827.6</b>
<b>Equity</b>				
Contributed capital	3 849.2	4 256.0	4 180.3	4 520.4
Reserves	1 310.3	1 310.3	1 310.3	1 310.3
Accumulated surplus/(deficit)	( 62.4)	( 33.8)	( 32.7)	( 3.1)
<b>Total equity</b>	<b>5 097.1</b>	<b>5 532.5</b>	<b>5 458.0</b>	<b>5 827.6</b>

Source: Departments of Human Services and Treasury and Finance

**Table 2.2.4: Statement of recognised income and expense**

	(\$ million)			
	2004-05	2005-06	2005-06	2006-07
	Actual	Budget	Revised	Budget
Gains/(losses) on revaluation of properties	238.4	..	..	..
Available for sale financial assets	0.9	..	..	..
Other	103.2	..	..	..
<b>Net income recognised directly in equity</b>	<b>342.5</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	181.2	27.2	28.3	29.5
<b>Total recognised income and expense for the period</b>	<b>523.7</b>	<b>27.2</b>	<b>28.3</b>	<b>29.5</b>

Source: Departments of Human Services and Treasury and Finance

**Table 2.2.5: Administered items statement**

	(\$ million)			
	2004-05	2005-06	2005-06	2006-07
	Actual	Budget	Revised	Budget
<b>Administered income</b>				
Sale of goods and services	248.5	273.0	272.1	283.4
Commonwealth grants	2 759.8	2 867.7	2 897.1	3 037.9
Other grants	0.1	..	..	..
Fees	3.2	3.0	3.6	4.0
Other	6.9	3.8	5.3	6.3
<b>Total administered income</b>	<b>3 018.6</b>	<b>3 147.4</b>	<b>3 178.0</b>	<b>3 331.6</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	1.2	..	..	..
Grants and other payments	0.1	..	..	..
Payments into the Consolidated Fund	3 015.1	3 147.4	3 178.0	3 331.6
<b>Total administered expenses</b>	<b>3 016.4</b>	<b>3 147.4</b>	<b>3 178.0</b>	<b>3 331.6</b>
<b>Income less expenses</b>	<b>2.2</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>				
Cash assets	0.4	0.4	0.4	0.4
Receivables	11.5	11.5	11.5	11.5
Other financial assets	0.6	0.6	0.6	0.6
Other	93.1	93.1	93.1	93.1
<b>Total administered assets</b>	<b>105.5</b>	<b>105.5</b>	<b>105.5</b>	<b>105.5</b>
<b>Administered liabilities</b>				
Other	97.0	97.0	97.0	97.0
<b>Total administered liabilities</b>	<b>97.0</b>	<b>97.0</b>	<b>97.0</b>	<b>97.0</b>
<b>Net assets</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</b>	<b>8.5</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 2.2.6: Parliamentary authority for resources**

	<i>(\$ million)</i>		
	<i>2005-06 Budget</i>	<i>2005-06 Revised</i>	<i>2006-07 Budget</i>
Annual appropriations	8 355.1	8 199.6	8 819.9
Receipts credited to appropriations	1 085.0	1 067.7	1 158.2
Unapplied previous years appropriation	104.5	167.1	121.4
<b>Gross annual appropriation</b>	<b>9 544.6</b>	<b>9 434.3</b>	<b>10 099.5</b>
Special appropriations	1 112.0	1 164.4	1 167.8
Trust funds	47.1	50.5	44.1
<b>Total Parliamentary authority</b>	<b>10 703.6</b>	<b>10 649.2</b>	<b>11 311.4</b>

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

## DEPARTMENT OF INFRASTRUCTURE

### Operating performance

The Department of Infrastructure is estimated to have a net result of \$246 million in 2006-07. This is primarily due to the funding for Commonwealth roads projects being receipted as operating revenue but applied for asset investments.

Total operating revenue is expected to increase by \$255 million (6.7 per cent) in 2006-07 compared with the 2005-06 revised budget. This increase is largely the result of:

- new output initiatives for 2006-07 totalling \$187 million including \$51 million for initiatives announced as part of the *Meeting our Transport Challenges* statement and \$99 million for the new public transport ticketing system; and
- increases in the capital charge relating to investments in rail assets of \$65 million reflecting increases in net assets held by VicTrack.

Operating expenses are estimated to increase by \$316 million in 2006-07 (9.0 per cent) between the 2005-06 revised budget and the 2006-07 Budget. The additional expenditure in 2006-07 primarily reflects the increased funding provided for public transport initiatives outlined above and the additional capital charge relating to rail assets.

### 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 2006-07 reflect the approved cash flows for existing and new road asset initiatives announced in the 2006-07 Budget and the *Meeting our Transport Challenges* statement. New initiatives include the West Gate - Monash Freeway Improvement Package of \$22 million, the Middleborough Road/Rail Separation Project of \$18 million, Outer Metropolitan and Rural Arterial Roads Program of \$21 million and \$14 million respectively.

Rail infrastructure investment is recorded in the balance sheet of VicTrack. In 2006-07, new rail initiatives include the Accessible Public Transport Package of \$21 million, North Melbourne Station Interchange Upgrade of \$14 million and the Vigilance Control and Event Recording System of \$15 million.

## **Balance sheet performance**

The Department's net assets are budgeted to increase by \$833 million from the 2005-06 revised budget to the 2006-07 Budget.

Major movements in total assets include an estimated revaluation of road assets of \$518 million (approximately 3 per cent movement) plus the impact of the construction of new roads and other infrastructure.

## **Statement of recognised income and expense**

This Statement shows changes in the Department's equity arising from operating surpluses or deficits for its controlled and administered operations and the revaluation of road assets as explained above.

## **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.

The 2005-06 revised budget includes around \$289 million (subject to interest rate and tax adjustments) reflecting the impact of the agreement between Transurban and the State for the early redemption of all future Concession Notes, owed under the City Link contract, to fund works on the Monash and West Gate Freeways. The flow on effect of the agreement is reflected in the 2006-07 Budget.

After excluding Concession Notes from Transurban, total administered revenue is budgeted to increase in 2006-07 by \$138 million from the 2005-06 revised budget. Additional revenue from vehicle registration of \$54 million and stamp duty on motor vehicle transfers of \$31 million is estimated in 2006-07 together with an additional \$79 million from the Commonwealth Government for roads projects.

Administered payments are likewise affected by the items outlined above.

**Table 2.3.1: Operating Statement**

(\$ million)

	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
<b>Income</b>				
Output appropriations	2 800.7	3 312.5	3 345.1	3 609.5
Special appropriations	1.1	1.7	1.7	1.7
Resources received free of charge or for nominal consideration	4.3	..	..	..
Sale of goods and services	182.1	155.3	173.1	163.8
Taxes	8.4	11.9	..	..
Fines and fees	47.3	47.7	65.7	67.3
Revenue from other parties and other income	172.0	253.7	234.7	232.8
	<b>3 215.9</b>	<b>3 782.8</b>	<b>3 820.3</b>	<b>4 075.1</b>
<b>Expenses</b>				
Employee benefits	239.2	244.5	256.9	264.6
Depreciation and amortisation	304.8	336.1	323.3	335.2
Resources provided free of charge or for nominal consideration	336.0	..	4.6	8.0
Grants and other payments	948.4	1 149.9	1 182.9	1 409.3
Capital asset charge	59.7	66.4	66.4	68.4
Supplies and services	1 511.1	1 663.1	1 672.9	1 736.8
Finance costs	5.4	10.0	6.2	6.3
Other expenses	3.4	..	..	..
	<b>3 407.9</b>	<b>3 469.9</b>	<b>3 513.0</b>	<b>3 828.6</b>
<b>Net result for the reporting period</b>	<b>( 192.0)</b>	<b>312.9</b>	<b>307.2</b>	<b>246.5</b>

Source: Departments of Infrastructure and Treasury and Finance

**Table 2.3.2: Statement of cash flows**

	(\$ million)			
	2004-05 Actual	2005-06 Budget <sup>(a)</sup>	2005-06 Revised	2006-07 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	2 733.3	3 314.4	3 324.2	3 567.0
Receipts from other entities	363.2	374.3	384.0	348.9
Payments for supplies, grants and employees	(2 682.5)	(3 031.6)	(3 085.2)	(3 447.1)
	<b>414.0</b>	<b>657.0</b>	<b>623.0</b>	<b>468.8</b>
Interest received	4.4	0.8	0.8	0.8
Finance costs expense	( 5.4)	( 10.0)	( 6.2)	( 6.3)
Capital asset charge	( 59.7)	( 66.4)	( 66.4)	( 68.4)
Other receipts	89.3	73.7	81.7	88.4
<b>Net cash inflow from operating activities</b>	<b>442.7</b>	<b>655.2</b>	<b>633.0</b>	<b>483.3</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 350.7)	( 660.7)	( 518.6)	( 703.3)
Proceeds from sale of property, plant and equipment	13.0	19.9	14.4	14.8
<b>Net cash (outflow) from investing activities</b>	<b>( 337.7)</b>	<b>( 640.8)</b>	<b>( 504.2)</b>	<b>( 688.5)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	8.4	25.5	( 73.6)	68.6
Net proceeds from borrowing	1.2	( 15.3)	( 15.3)	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>9.6</b>	<b>10.2</b>	<b>( 88.9)</b>	<b>68.6</b>
<b>Net increase/(decrease) in cash held</b>	<b>114.6</b>	<b>24.6</b>	<b>39.9</b>	<b>( 136.7)</b>
Cash at the beginning of the financial year	459.2	573.8	573.8	613.7
<b>Cash at the end of the financial year</b>	<b>573.8</b>	<b>598.3</b>	<b>613.7</b>	<b>477.0</b>

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) 2005-06 Budget data in this table varies from that published in the 2005-06 Budget Papers due to changes to the classification structure within the Chart of Accounts.

**Table 2.3.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	573.8	598.3	613.7	477.0
Other financial assets	50.0	50.0	50.0	50.0
Receivables	466.9	466.7	500.7	556.0
Inventories	14.8	15.8	15.9	17.3
Prepayments	3.1	3.1	3.1	3.1
<b>Total current assets</b>	<b>1 108.6</b>	<b>1 134.0</b>	<b>1 183.5</b>	<b>1 103.4</b>
<b>Non-current assets</b>				
Receivables	2.2	2.2	2.2	2.2
Property, plant and equipment	17 821.1	18 648.4	18 495.8	19 373.6
Intangible assets	9.1	9.1	9.1	9.1
<b>Total non-current assets</b>	<b>17 832.3</b>	<b>18 659.6</b>	<b>18 507.0</b>	<b>19 384.8</b>
<b>Total assets</b>	<b>18 940.9</b>	<b>19 793.6</b>	<b>19 690.5</b>	<b>20 488.2</b>
<b>Current liabilities</b>				
Payables	626.2	604.9	592.9	543.2
Interest-bearing liabilities	0.2	0.2	0.2	0.2
Employee provisions	28.2	28.1	28.1	28.1
Other	46.0	46.0	46.0	46.0
<b>Total current liabilities</b>	<b>700.6</b>	<b>679.3</b>	<b>667.3</b>	<b>617.6</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	16.7	1.4	1.4	1.4
Employee provisions	57.3	55.8	55.8	54.6
Other	201.7	201.7	215.4	231.3
<b>Total non-current liabilities</b>	<b>275.7</b>	<b>258.9</b>	<b>272.6</b>	<b>287.3</b>
<b>Total liabilities</b>	<b>976.3</b>	<b>938.1</b>	<b>939.9</b>	<b>904.8</b>
<b>Net assets</b>	<b>17 964.6</b>	<b>18 855.4</b>	<b>18 750.6</b>	<b>19 583.4</b>
<b>Equity</b>				
Contributed capital	14 725.5	14 800.6	14 701.5	14 770.1
Reserves	3 963.4	4 466.1	4 466.1	4 983.8
Accumulated surplus/(deficit)	( 724.2)	( 411.3)	( 417.0)	( 170.5)
<b>Total equity</b>	<b>17 964.6</b>	<b>18 855.4</b>	<b>18 750.6</b>	<b>19 583.4</b>

Source: Departments of Infrastructure and Treasury and Finance

**Table 2.3.4: Statement of recognised income and expense**

	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
Gains/(losses) on revaluation of properties Available for sale financial assets	706.9	502.7	502.7	517.7
Other	..	..	..	..
Other	( 7.7)	..	..	..
<b>Net income recognised directly in equity</b>	<b>699.2</b>	<b>502.7</b>	<b>502.7</b>	<b>517.7</b>
Net result for the period	( 192.0)	312.9	307.2	246.5
<b>Total recognised income and expense for the period</b>	<b>507.2</b>	<b>815.6</b>	<b>809.9</b>	<b>764.2</b>

Source: Departments of Infrastructure and Treasury and Finance

**Table 2.3.5: Administered items statement**

	(\$ million)			
	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
<b>Administered income</b>				
Appropriations - Payments made on behalf of the State	9.0	35.9	35.9	36.9
Sale of goods and services	1.0	2.9	0.9	0.9
Commonwealth grants	253.1	234.1	246.6	326.0
Other grants	1.8	..	6.1	..
Taxes	1 248.9	1 330.9	1 298.8	1 375.3
Fines	8.3	8.2	14.4	14.8
Fees	85.7	87.4	84.3	69.8
Other	120.8	10.7	307.7	11.5
<b>Total administered income</b>	<b>1 728.6</b>	<b>1 710.1</b>	<b>1 994.7</b>	<b>1 835.1</b>
<b>Administered expenses</b>				
Grants and other payments	10.8	35.9	42.0	36.9
Payments into the Consolidated Fund	1 591.1	1 740.6	1 722.1	1 992.0
<b>Total administered expenses</b>	<b>1 601.9</b>	<b>1 776.5</b>	<b>1 764.1</b>	<b>2 028.9</b>
<b>Income less expenses</b>	<b>126.7</b>	<b>( 66.3)</b>	<b>230.6</b>	<b>( 193.7)</b>
<b>Administered assets</b>				
Cash assets	15.7	15.7	15.7	15.7
Receivables	335.3	268.0	601.9	409.6
<b>Total administered assets</b>	<b>351.0</b>	<b>283.7</b>	<b>617.6</b>	<b>425.3</b>
<b>Administered liabilities</b>				
Payables	16.0	16.0	16.0	16.0
Other	95.5	94.5	131.4	132.8
<b>Total administered liabilities</b>	<b>111.5</b>	<b>110.5</b>	<b>147.4</b>	<b>148.8</b>
<b>Net assets</b>	<b>239.5</b>	<b>173.2</b>	<b>470.2</b>	<b>276.4</b>

Source: Departments of Infrastructure and Treasury and Finance

## Payments of 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 on behalf the State**

(\$million)			
Accounts	2005-06 Budget	2005-06 Revised	2006-07 Budget
Electricity Network Tariff Rebate	35.9	35.9	36.9
<b>Total</b>	<b>35.9</b>	<b>35.9</b>	<b>36.9</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, additions to the net asset base and payments made on behalf of the state.

**Table 2.3.7: Parliamentary authority for resources**

(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget
Annual appropriations	3 440.2	3 401.5	3 802.4
Receipts credited to appropriations	237.0	247.5	326.9
Unapplied previous years appropriation	24.1	90.1	163.9
Accumulated surplus - previously applied appropriation	..	40.0	..
<b>Gross annual appropriation</b>	<b>3 701.3</b>	<b>3 779.1</b>	<b>4 293.2</b>
Special appropriations	1.7	1.7	1.7
Trust funds	208.5	224.6	223.1
<b>Total Parliamentary authority</b>	<b>3 911.5</b>	<b>4 005.4</b>	<b>4 518.0</b>

Source: Departments of Infrastructure and Treasury and Finance

## **DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT**

### **Operating performance**

The Department of Innovation Industry and Regional Development (DIIRD) is expected to achieve a net result of zero in 2006-07. Operating income for DIIRD is sourced mainly from state government appropriations and is projected to be \$35 million higher in the 2006-07 Budget. This \$35 million is made up of an increase in annual appropriation revenue of \$37 million offset by a decrease in grants of \$2 million. The increase in annual appropriations is made up of the carryover into 2006-07 of unspent appropriation for existing initiatives, as well as new output initiatives announced as part of the 2006-07 Budget. New output initiatives total \$26 million, including:

- small business programs;
- design sector strategy;
- tourism and events strategy;
- Skills Statement – Careers in Manufacturing and Small Business Skills for the Future; and
- establishment of the Office of Workplace Rights Advocate.

Operating expenses are expected to increase in line with income, reflecting expenditure in line with initiatives as detailed above.

### **Investment and financing**

DIIRD's major asset investment program for 2005-06 was the Australian Synchrotron project, with \$49 million included in the 2005-06 revised budget. The Synchrotron project and the city office accommodation project are nearing completion in 2005-06, and cash outflows for these projects are expected to reduce by \$42 million and \$3 million respectively in 2006-07.

### **Balance sheet performance**

DIIRD's net asset position is expected to increase by \$12 million compared to the 2005-06 revised budget. This increase primarily relates to final expenditure of \$6 million on the Australian Synchrotron Project and \$5 million investment in the Australian Regenerative Medicine project.

## Statement of administered items

Payments into the consolidated fund for 2006-07 are expected to remain consistent with 2005-06 estimates. There is expected to be a decrease of only \$0.2 million relating to the cessation of a Commonwealth grant for Tradestart.

**Table 2.4.1: Operating Statement**

	(\$ million)			
	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
<b>Income</b>				
Output appropriations	328.7	274.2	395.2	432.0
Sale of goods and services	..	1.5	1.5	1.5
Revenue from other parties and other income	15.0	1.2	1.6	..
	<b>343.7</b>	<b>276.9</b>	<b>398.4</b>	<b>433.5</b>
<b>Expenses</b>				
Employee benefits	62.5	65.4	66.7	75.3
Depreciation and amortisation	2.5	4.9	3.3	5.1
Grants and other payments	200.9	142.7	241.3	233.6
Capital asset charge	4.3	3.8	3.8	4.0
Supplies and services	71.6	60.0	83.2	115.5
Finance costs	0.1	..	..	..
	<b>342.1</b>	<b>276.9</b>	<b>398.4</b>	<b>433.5</b>
<b>Net result for the reporting period</b>	<b>1.6</b>	<b>..</b>	<b>..</b>	<b>..</b>

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

**Table 2.4.2: Statement of cash flows**

	(\$ million)			
	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	331.7	274.4	395.4	432.0
Receipts from other entities	4.8	2.7	3.1	1.5
Payments for supplies, grants and employees	( 334.6)	( 268.2)	( 391.2)	( 424.4)
	<b>1.9</b>	<b>8.9</b>	<b>7.3</b>	<b>9.1</b>
Interest received	0.7	..	..	..
Finance costs expense	( 0.1)	..	..	..
Capital asset charge	( 4.3)	( 3.8)	( 3.8)	( 4.0)
Other receipts	5.8	..	..	..
<b>Net cash inflow from operating activities</b>	<b>4.1</b>	<b>5.0</b>	<b>3.5</b>	<b>5.0</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 72.9)	( 48.9)	( 55.1)	( 11.6)
Proceeds from sale of property, plant and equipment	0.1	..	..	..
(Repayment of) loans by other entities	..	..	( 15.0)	( 5.0)
<b>Net cash (outflow) from investing activities</b>	<b>( 72.8)</b>	<b>( 48.9)</b>	<b>( 70.1)</b>	<b>( 16.6)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	71.1	44.1	66.9	11.6
Net proceeds from borrowing	0.7	..	..	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>71.9</b>	<b>44.1</b>	<b>66.9</b>	<b>11.6</b>
<b>Net increase/(decrease) in cash held</b>	<b>3.1</b>	<b>0.3</b>	<b>0.3</b>	<b>..</b>
Cash at the beginning of the financial year	117.2	120.3	120.3	120.6
<b>Cash at the end of the financial year</b>	<b>120.3</b>	<b>120.6</b>	<b>120.6</b>	<b>120.6</b>

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

**Table 2.4.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	2005 <i>Actual</i>	2006 <i>Budget</i>	2006 <i>Revised</i>	2007 <i>Budget</i>
<b>Current assets</b>				
Cash assets	120.3	120.6	120.6	120.6
Receivables	35.8	35.6	35.6	35.7
Prepayments	0.5	0.5	0.5	0.5
<b>Total current assets</b>	<b>156.6</b>	<b>156.7</b>	<b>156.7</b>	<b>156.7</b>
<b>Non-current assets</b>				
Other financial assets	0.1	0.1	0.1	0.1
Investments accounted for using equity method	..	..	15.0	20.0
Property, plant and equipment	142.1	186.2	193.9	200.4
<b>Total non-current assets</b>	<b>142.2</b>	<b>186.2</b>	<b>209.0</b>	<b>220.5</b>
<b>Total assets</b>	<b>298.8</b>	<b>342.9</b>	<b>365.6</b>	<b>377.2</b>
<b>Current liabilities</b>				
Payables	19.2	19.2	19.2	19.2
Interest-bearing liabilities	0.5	0.5	0.5	0.5
Employee provisions	8.7	8.7	8.7	8.7
Other	1.5	1.5	1.5	1.5
<b>Total current liabilities</b>	<b>29.8</b>	<b>29.8</b>	<b>29.8</b>	<b>29.8</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	0.7	0.7	0.7	0.7
Employee provisions	12.4	12.4	12.4	12.4
<b>Total non-current liabilities</b>	<b>13.1</b>	<b>13.1</b>	<b>13.1</b>	<b>13.1</b>
<b>Total liabilities</b>	<b>42.9</b>	<b>42.9</b>	<b>42.9</b>	<b>42.9</b>
<b>Net assets</b>	<b>255.9</b>	<b>300.0</b>	<b>322.8</b>	<b>334.3</b>
<b>Equity</b>				
Contributed capital	138.4	182.5	205.2	216.8
Reserves	4.1	4.1	4.1	4.1
Accumulated surplus/(deficit)	113.4	113.4	113.4	113.4
<b>Total equity</b>	<b>255.9</b>	<b>300.0</b>	<b>322.8</b>	<b>334.3</b>

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

**Table 2.4.4: Statement of recognised income and expense**

(\$ million)

	2004-05	2005-06	2005-06	2006-07
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
Gains/(losses) on revaluation of properties	3.7	..	..	..
Available for sale financial assets	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>3.7</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	1.6	..	..	..
<b>Total recognised income and expense for the period</b>	<b>5.4</b>	<b>..</b>	<b>..</b>	<b>..</b>

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

**Table 2.4.5: Administered items statement**

(\$ million)

	2004-05 Actual	2005-06 Budget <sup>(a)</sup>	2005-06 Revised	2006-07 Budget
<b>Administered income</b>				
Commonwealth grants	0.3	0.1	0.2	..
Fines	..	0.2	0.2	0.2
Fees	..	2.2	2.2	2.2
Other	0.1	5.3	5.3	5.3
<b>Total administered income</b>	<b>0.4</b>	<b>7.7</b>	<b>7.8</b>	<b>7.6</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	3.5	0.1	0.1	0.1
Payments into the Consolidated Fund	0.5	7.6	7.7	7.5
<b>Total administered expenses</b>	<b>4.0</b>	<b>7.7</b>	<b>7.8</b>	<b>7.6</b>
<b>Income less expenses</b>	<b>( 3.6)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>				
Receivables	43.4	43.4	43.4	43.4
<b>Total administered assets</b>	<b>43.4</b>	<b>43.4</b>	<b>43.4</b>	<b>43.4</b>
<b>Administered liabilities</b>				
<b>Total administered liabilities</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net assets</b>	<b>43.4</b>	<b>43.4</b>	<b>43.4</b>	<b>43.4</b>

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

Note:

(a) 2005-06 Budget data in this table varies from that published in the 2005-06 Budget Papers due to changes to the classification structure within the Chart of Accounts.

## 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 2.4.6: Parliamentary authority for resources**

(\$ million)

	2005-06 Budget	2005-06 Revised	2006-07 Budget
Annual appropriations	414.8	410.7	437.7
Receipts credited to appropriations	0.1	0.2	..
Unapplied previous years appropriation	..	51.2	8.9
<b>Gross annual appropriation</b>	<b>414.9</b>	<b>462.1</b>	<b>446.6</b>
Trust funds	1.2	1.6	..
<b>Total Parliamentary authority</b>	<b>416.1</b>	<b>463.7</b>	<b>446.6</b>

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

## DEPARTMENT OF JUSTICE

### Operating performance

The Department of Justice (DOJ) net result is expected to improve from a \$2 million 2005-06 deficit to a \$34 million 2006-07 surplus.

The expected reported deficit for 2005-06 is due mainly to the decision to fund additional Government policy initiatives from accumulated prior year appropriation surpluses pursuant to Section 33 of the *Financial Management Act 1994*. It represents less than 0.1 per cent of income.

Industry-based trust account revenue that forms the dominant funding source for consumer protection services continues to be a major influence on the underlying operating performance of the portfolio.

Nearly all of the estimated \$306 million increase in 2006-07 DOJ revenue (11.2 per cent of the 2005-06 Budget) is attributable to increased appropriation funding for either new output initiatives announced in this Budget, since the 2005-06 Budget or earlier Budget and machinery of Government decisions. Expenses are estimated to increase by an equivalent amount.

Major initiatives announced in the 2006-07 Budget contributing to the increase in appropriation revenue are:

- \$25 million to further improve road safety and reduce the State's road toll;
- \$13 million to fund further initiatives as part of the Government's counter terrorism and organised crime fighting strategy;
- \$13 million to improve/upgrade Victoria Police information technology;
- \$5 million to implement new Sexual Assault reforms;
- \$3 million in new initiative funding as part of the Aboriginal Justice Agreement strategy; and
- \$3 million to implement a Human Rights Charter.

Transfer of the Office of Police Integrity on 1 July 2006 from the Department of Premier and Cabinet to DOJ, accounts for \$17 million in additional output appropriation funding. Initiatives commenced in the 2005-06 Budget and which will achieve their first full year of operation in 2006-07 include the Neighbourhood Justice Centre in Collingwood and the Working with Children Check initiative. Output funding to operate the new Metropolitan Mobile Radio network at a cost of \$28 million in 2006-07 is also reflected in the Justice Operating Statement.

The Operating Statement also reflects funding being provided to the Victorian Electoral Commission to conduct the November 2006 State Election.

## Investment and financing

At about \$225 million, the Department of Justice's 2005-06 investment activities, reflecting the approved asset investment program, will not differ materially from the original 2005-06 Budget estimate.

New asset investments for 2006-07 are highlighted in the following section. The investing activity is financed by a net cash inflow from operations of \$107 million, a capital contribution from the State Government of \$138 million. The increase in financing costs and interest bearing liabilities represents the cost of two new public prisons developed under *Partnerships Victoria* as well as the progressive transfer of the department's motor vehicle fleet to finance leasing arrangements.

## Balance sheet performance

DOJ's 2006-07 net asset position is estimated to improve by \$129 million (or 8.6 per cent) on the 2005-06 Budget. This comprises an estimated increase in total assets of \$152 million, partially offset by an estimated increase in total liabilities of \$22 million, the latter being attributable largely to movements in the value of employee entitlement provisions.

The increase in total assets mainly reflects:

- a projected increase of \$36 million in managed investments and term deposits held in the Victorian Property Fund; and
- increases in property, plant and equipment arising from new and previously commenced capital initiatives.

New asset investment initiative spending projected in 2006-07 includes:

- \$18 million to enhance Victoria's organised crime and counter terrorism fighting capability;
- \$17 million of the first stage of the Melbourne Legal Precinct Master Plan, specifically the Supreme Court of Victoria;
- \$9 million in further Road Safety Initiative equipment;
- \$4 million in Rural/Regional Police and CFA Stations;
- \$3 million in the Lilydale Police station;
- \$2 million in further Victoria Police information technology;
- \$2 million in Victoria Police and VIFM forensic equipment;
- \$2 million in an Indigenous Adult Residential Diversion Facility - Won Wron;
- \$1 million in Victoria Police Complex project; and
- \$1 million in critical road accident rescue equipment for the Victoria State Emergency Service.

The balance of the estimated increase in property, plant and equipment reflects the continued delivery of asset initiatives approved and commenced in prior financial years.

### **Statement of recognised income and expense**

This Net income recognised directly in equity section of this statement reflects the impact of the revaluation impact of land and buildings undertaken during 2004-05.

### **Statement of administered items**

Revenues administered by the Department of Justice on behalf of the State and third parties are expected to increase by \$197 million or 8.8 per cent in 2006-07. This increase pertains predominately to the expected growth in Police and traffic fines resulting from the full implementation of Road Safety initiatives and gambling and gaming related taxes.

The Special Appropriations income and Grants and Other Payments expense amounts for 2006-07 include an estimate of \$8 million for Electoral Expenses Entitlements of State Election candidates.

**Table 2.5.1: Operating Statement**

(\$ million)

	2004-05 Actual	2005-06 Budget <sup>(a)</sup>	2005-06 Revised	2006-07 Budget
<b>Income</b>				
Output appropriations	2 260.7	2 499.9	2 534.1	2 795.2
Special appropriations	64.7	75.6	78.6	96.0
Resources received free of charge or for nominal consideration	2.3	..	0.3	..
Sale of goods and services	0.5	..	..	..
Commonwealth grants	1.9	0.3	0.3	0.3
Fines and fees	6.6	7.8	7.8	8.4
Revenue from other parties and other income	98.2	128.0	157.1	117.4
	<b>2 434.7</b>	<b>2 711.5</b>	<b>2 778.2</b>	<b>3 017.3</b>
<b>Expenses</b>				
Employee benefits	1 429.8	1 492.6	1 514.6	1 577.8
Depreciation and amortisation	61.4	81.5	89.2	99.9
Grants and other payments	125.7	133.2	160.3	157.6
Capital asset charge	93.6	109.9	109.9	114.5
Supplies and services	671.8	850.4	889.2	1 007.4
Finance costs	4.1	16.9	17.7	25.5
Other expenses	6.4	( 0.7)	( 0.7)	0.3
	<b>2 392.8</b>	<b>2 683.9</b>	<b>2 780.1</b>	<b>2 983.0</b>
<b>Net result for the reporting period</b>	<b>41.9</b>	<b>27.6</b>	<b>( 2.0)</b>	<b>34.3</b>

Source: Departments of Justice and Treasury and Finance

Note:

(a) 2005-06 Budget data in this table varies from that published in the 2005-06 Budget Papers due to changes to the classification structure within the Chart of Accounts.

**Table 2.5.2: Statement of cash flows**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	2 283.4	2 552.9	2 625.0	2 836.5
Receipts from other entities	13.9	57.6	83.4	38.4
Payments for supplies, grants and employees	(2 202.4)	(2 450.6)	(2 539.2)	(2 714.8)
	<b>94.9</b>	<b>160.0</b>	<b>169.2</b>	<b>160.1</b>
Interest received	65.5	64.7	68.8	72.6
Finance costs expense	( 4.1)	( 16.3)	( 17.0)	( 25.3)
Capital asset charge	( 93.6)	( 109.9)	( 109.9)	( 114.5)
Other receipts	24.1	14.3	14.6	14.6
<b>Net cash inflow from operating activities</b>	<b>86.8</b>	<b>112.7</b>	<b>125.7</b>	<b>107.4</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 114.0)	( 194.1)	( 187.6)	( 205.2)
Proceeds from sale of property, plant and equipment	2.9	..	..	..
(Repayment of) loans by other entities	( 38.1)	( 32.4)	( 37.4)	( 39.5)
<b>Net cash (outflow) from investing activities</b>	<b>( 149.1)</b>	<b>( 226.5)</b>	<b>( 225.1)</b>	<b>( 244.7)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	70.7	105.6	92.2	137.9
Net proceeds from borrowing	( 1.6)	6.1	3.4	( 2.7)
<b>Net cash inflows/(outflow) from financing activities</b>	<b>69.1</b>	<b>111.7</b>	<b>95.7</b>	<b>135.2</b>
<b>Net increase/(decrease) in cash held</b>	<b>6.7</b>	<b>( 2.1)</b>	<b>( 3.7)</b>	<b>( 2.1)</b>
Cash at the beginning of the financial year	27.7	34.4	34.4	30.7
<b>Cash at the end of the financial year</b>	<b>34.4</b>	<b>32.3</b>	<b>30.7</b>	<b>28.6</b>

Source: Departments of Justice and Treasury and Finance

**Table 2.5.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	34.4	32.3	30.7	28.6
Other financial assets	274.7	307.1	312.1	351.6
Receivables	314.5	337.8	302.8	358.3
Inventories	11.2	11.2	11.2	11.2
Prepayments	7.1	7.1	7.1	7.1
Non-current assets classified as held for sale	14.1	14.1	14.1	14.1
<b>Total current assets</b>	<b>655.9</b>	<b>709.5</b>	<b>677.9</b>	<b>770.8</b>
<b>Non-current assets</b>				
Property, plant and equipment	1 306.4	1 627.4	1 612.5	1 718.6
Intangible assets	18.5	17.3	17.3	16.2
Other	..	..	..	..
<b>Total non-current assets</b>	<b>1 324.9</b>	<b>1 644.7</b>	<b>1 629.8</b>	<b>1 734.9</b>
<b>Total assets</b>	<b>1 980.8</b>	<b>2 354.2</b>	<b>2 307.8</b>	<b>2 505.7</b>
<b>Current liabilities</b>				
Payables	117.7	117.7	117.7	117.7
Interest-bearing liabilities	32.8	43.5	40.8	42.9
Employee provisions	86.9	112.9	112.0	140.1
Other	1.8	1.8	1.8	1.8
<b>Total current liabilities</b>	<b>239.3</b>	<b>275.9</b>	<b>272.4</b>	<b>302.5</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	26.9	229.8	229.8	225.0
Employee provisions	352.7	352.8	352.8	352.9
Other	7.2	7.9	7.9	8.2
<b>Total non-current liabilities</b>	<b>386.9</b>	<b>590.6</b>	<b>590.6</b>	<b>586.1</b>
<b>Total liabilities</b>	<b>626.2</b>	<b>866.4</b>	<b>862.9</b>	<b>888.6</b>
<b>Net assets</b>	<b>1 354.6</b>	<b>1 487.8</b>	<b>1 444.9</b>	<b>1 617.0</b>
<b>Equity</b>				
Contributed capital	798.8	904.4	891.0	1 028.9
Reserves	207.7	207.7	207.7	207.7
Accumulated surplus/(deficit)	348.2	375.7	346.2	380.4
<b>Total equity</b>	<b>1 354.6</b>	<b>1 487.8</b>	<b>1 444.9</b>	<b>1 617.0</b>

Source: Departments of Justice and Treasury and Finance

**Table 2.5.4: Statement of recognised income and expense**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
Gains/(losses) on revaluation of properties	41.5	..	..	..
Available for sale financial assets	..	..	..	..
Other	( 3.8)	..	..	..
<b>Net income recognised directly in equity</b>	<b>37.7</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	41.9	27.6	( 2.0)	34.3
<b>Total recognised income and expense for the period</b>	<b>79.6</b>	<b>27.6</b>	<b>( 2.0)</b>	<b>34.3</b>

Source: Departments of Justice and Treasury and Finance

**Table 2.5.5: Administered items statement**

(\$ million)

	2004-05 Actual	2005-06 Budget <sup>(a)</sup>	2005-06 Revised	2006-07 Budget
<b>Administered income</b>				
Appropriations - Payments made on behalf of the State	61.2	53.3	51.5	55.7
Special appropriations	31.2	33.8	33.8	41.6
Sale of goods and services	93.2	89.2	97.7	93.9
Commonwealth grants	49.2	45.1	48.5	49.7
Other grants	0.1	..	..	..
Taxes	1 369.0	1 479.0	1 497.2	1 556.3
Fines	317.1	390.8	384.8	487.7
Fees	81.8	86.8	72.8	73.6
Other	49.6	54.9	76.3	71.1
<b>Total administered income</b>	<b>2 052.6</b>	<b>2 232.9</b>	<b>2 262.5</b>	<b>2 429.5</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	114.7	133.1	156.3	148.0
Grants and other payments	48.4	38.0	38.1	47.6
Payments into the Consolidated Fund	1 806.5	2 028.3	2 045.5	2 157.8
<b>Total administered expenses</b>	<b>1 969.6</b>	<b>2 199.4</b>	<b>2 239.9</b>	<b>2 353.4</b>
<b>Income less expenses</b>	<b>82.9</b>	<b>33.5</b>	<b>22.7</b>	<b>76.1</b>
<b>Administered assets</b>				
Cash assets	74.9	76.0	66.1	68.2
Receivables	331.8	364.2	363.2	437.2
Other financial assets	6.9	7.0	7.1	7.1
Property, plant and equipment	0.1	..	..	..
<b>Total administered assets</b>	<b>413.6</b>	<b>447.1</b>	<b>436.4</b>	<b>512.5</b>
<b>Administered liabilities</b>				
Payables	34.0	34.0	34.0	34.0
Provisions	0.2	0.2	0.2	0.2
Other	62.6	62.6	62.6	62.6
<b>Total administered liabilities</b>	<b>96.8</b>	<b>96.8</b>	<b>96.8</b>	<b>96.8</b>
<b>Net assets</b>	<b>316.9</b>	<b>350.4</b>	<b>339.5</b>	<b>415.7</b>

Source: Departments of Justice and Treasury and Finance

Note:

(a) 2005-06 Budget data in this table varies from that published in the 2005-06 Budget Papers due to changes to the classification structure within the Chart of Accounts.

## 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**

<i>Accounts</i>	<i>(\$million)</i>		
	<i>2005-06 Budget</i>	<i>2005-06 Revised</i>	<i>2006-07 Budget</i>
Health benefits levy transitional payment to racing clubs	7.5	7.5	9.3
Tattersalls duty payments to other jurisdictions	45.8	44.0	46.4
<b>Total</b>	<b>53.3</b>	<b>51.5</b>	<b>55.7</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, additions to the net asset base and payments made on behalf of the state.

**Table 2.5.7: Parliamentary authority for resources**

	<i>(\$ million)</i>		
	<i>2005-06 Budget</i>	<i>2005-06 Revised</i>	<i>2006-07 Budget</i>
Annual appropriations	2 531.0	2 543.3	2 896.4
Receipts credited to appropriations	89.6	94.1	93.3
Unapplied previous years appropriation	37.6	39.9	..
Accumulated surplus - previously applied appropriation	..	53.7	..
<b>Gross annual appropriation</b>	<b>2 658.3</b>	<b>2 731.0</b>	<b>2 989.8</b>
Special appropriations	109.9	112.9	137.6
Trust funds	202.0	250.0	213.9
<b>Total Parliamentary authority</b>	<b>2 970.2</b>	<b>3 093.8</b>	<b>3 341.3</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 break even for 2006-07, a decrease of \$14 million as compared with the surplus forecast in the 2005-06 revised budget. This surplus arises mainly from land received free of charge (\$21 million).

Overall, the Department's revenue estimates for 2006-07 reflect a \$10 million increase compared with the 2005-06 revised budget. This results mainly from the net effect of:

- an increase in operating funding provided by Government (\$32 million);
- land received free of charge in 2005-06 only (\$21 million); and
- the transfer of the Office of Police Integrity (OPI) to the Department of Justice (\$13 million in 2005-06).

The increase in operational income provided by Government is for existing and new output initiatives and includes operating funding being provided to DPC for:

- the State Library of Victoria for Creating the Library of the 21st Century;
- Film Victoria for the Strategy for TV and Digital Media;
- for the Growing Regional Arts initiative in *Moving Forward*;
- increasing opera activity and diversity in Victoria;
- the establishment of the Office of the Victorian State Architect; and
- the Victorian Arts Centre Trust for Modernising the Arts Centre.

Expenditure increases primarily reflect the increases in funding for activities as referred to above, net of the effect of the transfer of OPI to the Department of Justice.

### Investment and financing

The Statement of Cash Flows shows a budgeted capital expenditure amount of \$67 million for 2006-07. Included in this capital expenditure is the funding of Melbourne Recital Centre (\$33 million), the Arts and Cultural Facilities Maintenance Fund (\$5 million) and the cost of completing the State Library of Victoria redevelopment (\$10 million).

## Balance sheet performance

The Department's net asset position in 2006-07 is estimated to improve by \$22 million compared to the 2005-06 revised budget. This increase is predominantly due to a \$21 million increase in property, plant and equipment. This reflects capital expenditure as detailed above net of depreciation charges for 2006-07.

**Table 2.6.1: Operating Statement**

	(\$ million)			
	2004-05	2005-06	2005-06	2006-07
	Actual	Budget	Revised	Budget
<b>Income</b>				
Output appropriations	397.4	430.6	436.0	468.3
Special appropriations	5.2	5.2	5.6	5.6
Resources received free of charge or for nominal consideration	1.8	11.3	21.4	0.4
Sale of goods and services	30.0	26.0	33.4	34.1
Commonwealth grants	1.0	..	..	..
Revenue from other parties and other income	48.2	23.6	33.2	31.4
	<b>483.8</b>	<b>496.7</b>	<b>529.6</b>	<b>539.9</b>
<b>Expenses</b>				
Employee benefits	145.7	151.9	164.9	167.8
Depreciation and amortisation	44.4	44.2	46.2	45.4
Resources provided free of charge or for nominal consideration	0.7	..	0.6	0.6
Grants and other payments	59.2	55.0	68.4	77.2
Capital asset charge	76.8	89.7	89.7	91.8
Supplies and services	134.8	141.2	145.4	156.3
Finance costs	0.3	0.1	0.3	0.3
Other expenses	..	..	0.5	0.5
	<b>461.7</b>	<b>482.1</b>	<b>516.0</b>	<b>539.9</b>
<b>Net result for the reporting period</b>	<b>22.0</b>	<b>14.6</b>	<b>13.6</b>	<b>..</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

**Table 2.6.2: Statement of cash flows**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	377.7	402.0	425.2	467.4
Receipts from other entities	25.4	26.2	39.7	36.0
Payments for supplies, grants and employees	( 335.8)	( 346.8)	( 376.2)	( 401.3)
	<b>67.3</b>	<b>81.5</b>	<b>88.8</b>	<b>102.1</b>
Interest received	9.5	2.4	7.6	6.7
Finance costs expense	( 0.3)	( 0.1)	( 0.3)	( 0.3)
Capital asset charge	( 76.8)	( 89.7)	( 89.7)	( 91.8)
Other receipts	35.2	21.7	21.2	25.5
<b>Net cash inflow from operating activities</b>	<b>34.9</b>	<b>15.8</b>	<b>27.6</b>	<b>42.3</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 43.8)	( 81.8)	( 58.3)	( 66.6)
(Repayment of) loans by other entities	( 35.2)	0.4	5.2	2.5
<b>Net cash (outflow) from investing activities</b>	<b>( 79.0)</b>	<b>( 81.5)</b>	<b>( 53.1)</b>	<b>( 64.1)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	17.8	68.6	28.9	22.3
Net proceeds from borrowing	( 0.5)	( 1.8)	( 1.7)	( 2.3)
<b>Net cash inflows/(outflow) from financing activities</b>	<b>17.3</b>	<b>66.8</b>	<b>27.2</b>	<b>20.0</b>
<b>Net increase/(decrease) in cash held</b>	<b>( 26.7)</b>	<b>1.1</b>	<b>1.7</b>	<b>( 1.8)</b>
Cash at the beginning of the financial year	41.7	15.0	15.0	16.6
<b>Cash at the end of the financial year</b>	<b>15.0</b>	<b>16.1</b>	<b>16.6</b>	<b>14.8</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

**Table 2.6.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	15.0	16.1	16.6	14.8
Other financial assets	97.1	96.8	92.1	89.7
Receivables	71.6	105.4	84.9	91.4
Inventories	3.9	3.9	3.9	3.9
Prepayments	1.0	0.9	0.9	0.9
<b>Total current assets</b>	<b>188.5</b>	<b>223.1</b>	<b>198.5</b>	<b>200.7</b>
<b>Non-current assets</b>				
Receivables	3.0	3.0	3.0	..
Other financial assets	4.9	4.9	4.9	4.9
Property, plant and equipment	4 342.8	4 390.5	4 366.9	4 387.5
<b>Total non-current assets</b>	<b>4 350.7</b>	<b>4 398.4</b>	<b>4 374.8</b>	<b>4 392.4</b>
<b>Total assets</b>	<b>4 539.2</b>	<b>4 621.5</b>	<b>4 573.2</b>	<b>4 593.1</b>
<b>Current liabilities</b>				
Payables	29.1	29.1	30.3	30.1
Interest-bearing liabilities	0.9	0.9	0.9	0.4
Employee provisions	16.0	16.3	16.3	16.1
Other	2.8	2.3	1.9	1.7
<b>Total current liabilities</b>	<b>48.7</b>	<b>48.6</b>	<b>49.3</b>	<b>48.3</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	6.7	5.0	5.0	3.2
Employee provisions	12.1	13.0	13.1	13.5
<b>Total non-current liabilities</b>	<b>18.8</b>	<b>17.9</b>	<b>18.0</b>	<b>16.7</b>
<b>Total liabilities</b>	<b>67.5</b>	<b>66.5</b>	<b>67.4</b>	<b>65.0</b>
<b>Net assets</b>	<b>4 471.7</b>	<b>4 555.0</b>	<b>4 505.9</b>	<b>4 528.1</b>
<b>Equity</b>				
Contributed capital	1 326.5	1 395.1	1 359.4	1 381.7
Reserves	2 983.3	2 983.3	2 971.2	2 971.2
Accumulated surplus/(deficit)	161.9	176.5	175.2	175.2
<b>Total equity</b>	<b>4 471.7</b>	<b>4 555.0</b>	<b>4 505.9</b>	<b>4 528.1</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

**Table 2.6.4: Statement of recognised income and expense**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
Gains/(losses) on revaluation of properties	793.5	..	( 12.5)	..
Available for sale financial assets	( 1.4)	..	..	..
Other	18.5	..	..	..
<b>Net income recognised directly in equity</b>	<b>810.6</b>	<b>..</b>	<b>( 12.5)</b>	<b>..</b>
Net result for the period	22.1	14.6	13.6	..
<b>Total recognised income and expense for the period</b>	<b>832.7</b>	<b>14.6</b>	<b>1.2</b>	<b>..</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

**Table 2.6.5: Administered items statement**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Administered income</b>				
Sale of goods and services	..	0.6	0.5	0.4
Other	0.4	0.3	0.3	0.3
<b>Total administered income</b>	<b>0.4</b>	<b>1.0</b>	<b>0.8</b>	<b>0.7</b>
<b>Administered expenses</b>				
Payments into the Consolidated Fund	0.4	1.0	0.8	0.7
<b>Total administered expenses</b>	<b>0.4</b>	<b>1.0</b>	<b>0.8</b>	<b>0.7</b>
<b>Income less expenses</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>				
Receivables	5.2	3.4	3.4	1.7
<b>Total administered assets</b>	<b>5.2</b>	<b>3.4</b>	<b>3.4</b>	<b>1.7</b>
<b>Administered liabilities</b>				
Payables	5.2	3.4	3.4	1.7
<b>Total administered liabilities</b>	<b>5.2</b>	<b>3.4</b>	<b>3.4</b>	<b>1.7</b>
<b>Net assets</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</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 2.6.6: Parliamentary authority for resources**

	(\$ million)		
	2005-06 Budget	2005-06 Revised	2006-07 Budget
Annual appropriations	501.3	455.9	475.3
Receipts credited to appropriations	0.5	0.5	0.4
Unapplied previous years appropriation	..	15.2	17.5
Accumulated surplus - previously applied appropriation	..	2.4	5.0
<b>Gross annual appropriation</b>	<b>501.8</b>	<b>473.9</b>	<b>498.2</b>
Special appropriations	5.2	5.6	5.6
Trust funds	4.0	5.3	3.8
<b>Total Parliamentary authority</b>	<b>511.0</b>	<b>484.8</b>	<b>507.6</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

## DEPARTMENT OF PRIMARY INDUSTRIES

### Operating performance

The Department of Primary Industries (DPI) is expected to break even for 2006-07. The deficit in 2005-06 revised budget is mainly due to payments associated with the rehabilitation of the Benambra Mine site in East Gippsland, and the voluntary buyback of commercial fishing access licences in Victoria's bays and inlets. Both of these initiatives are funded by one off loans which are repayable in future years.

Most of DPI's operating income is sourced from State Government appropriations and supplemented by external funding received for scientific research and extension projects. The operating income for DPI for the 2006-07 Budget is expected to be \$399 million, a \$15 million decrease from the 2005-06 revised budget. This decrease is primarily due to a decrease in funding from the Commonwealth for Exceptional Circumstances drought support and the one-off funding in 2005-06 for the purchase of land for the Melbourne Markets redevelopment initiative, as well as the conclusion of a number of initiatives such as the Red Imported Fire Ants eradication program and developing Greenhouse Abatement technologies. These decreases have been offset by funding provided from Government for new initiatives, such as Drought Assistance for Farming Family Shire Rate Rebates, and those included in *Moving Forward*.

Operating expenses are anticipated to decrease in line with income, particularly grant payments, associated with reduced Exceptional Circumstances drought relief subsidies.

### Investment and financing

The decrease in payments for supplies, grants and employees from \$396 million in the 2005-06 revised budget to \$369 million is largely due to the decrease in DPI's grants program as a result of the improved seasonal conditions and reduced Exceptional Circumstances payments, and one-off payment to Major Projects Victoria for the purchase of land for the Melbourne Markets redevelopment initiative.

The decrease in cash flows from financing activities reflects DPI's commitment to Major Projects Victoria for the Melbourne Markets Redevelopment. The decrease from 2005-06 revised budget is also due to the one-off impact of the repayable advances for the rehabilitation of the Benambra Mine, and the voluntary buyback of commercial fishing access licences in Victoria's bays and inlets.

## Balance sheet performance

DPI's net asset position is estimated to decrease to \$261 million in 2006-07. The decrease in property, plant and equipment reflects the depreciation on existing assets which is only partly offset by the new investment.

The decrease in other non current liabilities relates to DPI's commitment to the Showgrounds Redevelopment Joint Venture.

## Statement of administered items

Transactions administered by DPI on behalf of the State mainly represent mining royalties and contributions to agricultural research projects by rural industry research corporations. Administered income is expected to decrease by \$16 million from the 2005-06 revised budget to the 2006-07 Budget. This is largely due to the decrease in Commonwealth Grants as a result of the wind down of the Exceptional Circumstances program. This decrease is offset by an estimated increase in revenue from Brown Coal Royalties following a legislated increase in the coal royalty rate and new production estimates.

**Table 2.7.1: Operating Statement**

	(\$ million)			
	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Income</b>				
Output appropriations	310.9	314.1	367.0	350.6
Special appropriations	0.3	..	..	..
Sale of goods and services	34.0	27.8	36.8	37.8
Taxes	4.5	5.0	5.0	5.1
Fines and fees	4.5	4.3	4.3	4.7
Other revenue and revenue from other parties	4.8	0.3	0.4	0.4
	<b>359.1</b>	<b>351.5</b>	<b>413.6</b>	<b>398.7</b>
<b>Expenses</b>				
Employee benefits	145.9	144.6	156.2	164.3
Depreciation and amortisation	13.8	18.3	20.5	20.5
Grants and other payments	49.0	28.2	86.1	32.3
Capital asset charge	15.4	15.6	15.6	15.6
Supplies and services	125.0	144.8	148.0	166.0
Finance costs	0.6	..	..	..
Other expenses	47.4	..	..	..
	<b>397.0</b>	<b>351.5</b>	<b>426.4</b>	<b>398.7</b>
<b>Net result for the reporting period</b>	<b>( 37.9)</b>	<b>..</b>	<b>( 12.8)</b>	<b>..</b>

Source: Departments of Primary Industries and Treasury and Finance

**Table 2.7.2: Statement of cash flows**

	(\$ million)			
	2004-05 Actual	2005-06 Budget <sup>(a)</sup>	2005-06 Revised	2006-07 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	307.9	315.0	350.3	351.9
Receipts from other entities	39.7	37.5	46.5	48.1
Payments for supplies, grants and employees	( 249.0)	( 318.8)	( 396.0)	( 369.3)
	<b>98.6</b>	<b>33.6</b>	<b>0.9</b>	<b>30.7</b>
Interest received	0.7	0.3	0.4	0.4
Finance costs expense	( 0.6)	..	..	..
Capital asset charge	( 15.4)	( 15.6)	( 15.6)	( 15.6)
Other receipts	( 2.9)	..	..	..
<b>Net cash inflow from operating activities</b>	<b>80.4</b>	<b>18.3</b>	<b>( 14.4)</b>	<b>15.5</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 55.4)	( 4.9)	( 7.6)	( 6.6)
Proceeds from sale of property, plant and equipment	0.1	..	..	..
(Repayment of) loans by other entities	( 74.4)	0.3	0.3	0.3
<b>Net cash (outflow) from investing activities</b>	<b>( 129.7)</b>	<b>( 4.6)</b>	<b>( 7.3)</b>	<b>( 6.3)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	43.1	( 14.1)	16.4	( 10.9)
Net proceeds from borrowing	11.1	..	0.3	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>54.2</b>	<b>( 14.1)</b>	<b>16.7</b>	<b>( 10.9)</b>
<b>Net increase/(decrease) in cash held</b>	<b>4.9</b>	<b>( 0.4)</b>	<b>( 4.9)</b>	<b>( 1.7)</b>
Cash at the beginning of the financial year	26.5	31.4	31.4	26.4
<b>Cash at the end of the financial year</b>	<b>31.4</b>	<b>31.0</b>	<b>26.4</b>	<b>24.8</b>

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) 2005-06 Budget data in this table varies from that published in the 2005-06 Budget Papers due to changes to the classification structure within the Chart of Accounts.

**Table 2.7.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	31.4	31.0	26.4	24.8
Other financial assets	11.8	11.5	11.5	11.2
Receivables	68.5	67.2	84.8	83.1
Inventories	3.1	3.1	3.1	3.1
Prepayments	0.4	0.4	0.4	0.4
	<b>115.2</b>	<b>113.2</b>	<b>126.3</b>	<b>122.6</b>
<b>Total current assets</b>	<b>115.2</b>	<b>113.2</b>	<b>126.3</b>	<b>122.6</b>
<b>Non-current assets</b>				
Investments accounted for using the equity method	69.1	69.1	69.1	69.1
Property, plant and equipment	271.2	257.8	258.3	244.4
<b>Total non-current assets</b>	<b>340.3</b>	<b>326.9</b>	<b>327.4</b>	<b>313.5</b>
<b>Total assets</b>	<b>455.5</b>	<b>440.1</b>	<b>453.7</b>	<b>436.0</b>
<b>Current liabilities</b>				
Payables	21.2	19.5	27.5	24.5
Interest-bearing liabilities	14.3	14.3	14.3	14.3
Employee provisions	18.7	17.2	17.2	15.1
Other	0.5	0.5	0.5	0.5
<b>Total current liabilities</b>	<b>54.6</b>	<b>51.4</b>	<b>59.4</b>	<b>54.3</b>
<b>Non-current liabilities</b>				
Employee provisions	38.0	39.2	39.2	40.6
Other	88.9	88.9	84.4	79.4
Amounts owing to other departments	..	..	0.3	0.3
<b>Total non-current liabilities</b>	<b>126.9</b>	<b>128.1</b>	<b>124.0</b>	<b>120.3</b>
<b>Total liabilities</b>	<b>181.5</b>	<b>179.5</b>	<b>183.4</b>	<b>174.6</b>
<b>Net assets</b>	<b>274.0</b>	<b>260.6</b>	<b>270.3</b>	<b>261.4</b>
<b>Equity</b>				
Contributed capital	277.9	264.5	287.0	278.1
Accumulated surplus/(deficit)	( 3.9)	( 3.9)	( 16.7)	( 16.7)
<b>Total equity</b>	<b>274.0</b>	<b>260.6</b>	<b>270.3</b>	<b>261.4</b>

Source: Departments of Primary Industries and Treasury and Finance

**Table 2.7.4: Statement of recognised income and expenses**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
Gains/(losses) on revaluation of properties	..	..	..	..
Available for sale financial assets	..	..	..	..
Other	1.5	..	..	..
<b>Net income recognised directly in equity</b>	<b>1.5</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	( 37.9)	..	( 12.8)	..
<b>Total recognised income and expense for the period</b>	<b>( 36.4)</b>	<b>..</b>	<b>( 12.8)</b>	<b>..</b>

Source: Departments of Primary Industries and Treasury and Finance

**Table 2.7.5: Administered items statement**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Administered income</b>				
Sale of goods and services	67.7	43.4	46.3	46.5
Commonwealth grants	14.6	11.7	38.5	11.7
Other grants	..	7.7	8.7	8.7
Fees	5.0	8.1	6.2	5.6
Other	29.6	33.8	31.1	42.1
<b>Total administered income</b>	<b>116.9</b>	<b>104.7</b>	<b>130.7</b>	<b>114.6</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	0.2	0.3	0.4	0.1
Payments into the Consolidated Fund	125.5	104.4	130.4	114.3
<b>Total administered expenses</b>	<b>125.7</b>	<b>104.7</b>	<b>130.8</b>	<b>114.4</b>
<b>Income less expenses</b>	<b>( 8.8)</b>	<b>..</b>	<b>( 0.1)</b>	<b>0.2</b>
<b>Administered assets</b>				
Cash assets	1.4	1.4	1.3	1.5
Receivables	30.6	30.6	30.6	30.6
<b>Total administered assets</b>	<b>32.0</b>	<b>32.0</b>	<b>31.9</b>	<b>32.1</b>
<b>Administered liabilities</b>				
Payables	0.1	0.1	0.1	0.1
Other	4.8	4.8	4.8	4.8
<b>Total administered liabilities</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
<b>Net assets</b>	<b>27.0</b>	<b>27.0</b>	<b>26.9</b>	<b>27.2</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 2.7.6: Parliamentary authority for resources**

	(\$ million)		
	2005-06 Budget	2005-06 Revised	2006-07 Budget
Annual appropriations	307.9	256.3	417.7
Receipts credited to appropriations	62.6	93.4	66.8
Unapplied previous years appropriation	15.8	37.4	18.9
Accumulated surplus - previously applied appropriation	..	0.7	..
<b>Gross annual appropriation</b>	<b>386.4</b>	<b>387.8</b>	<b>503.4</b>
Trust funds	37.7	46.8	48.4
<b>Total Parliamentary authority</b>	<b>424.1</b>	<b>434.6</b>	<b>551.8</b>

Source: Departments of Primary Industries and Treasury and Finance

## **DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT**

### **Operating performance**

The Department of Sustainability and Environment (DSE) is estimated to have a net result of \$10 million for 2006-07, a reduction of \$3 million on the 2005-06 revised budget.

The largest part of DSE's 2006-07 projected operating income is provided through State Government appropriations. This consists of funding of new initiatives in the 2006-07 Budget (including funding the establishment of the Growth Areas Authority, Victoria's Heritage Strategy, Transit Cities and Liveable Cities) as well as the flow-through effect funding for initiatives approved in previous budgets (including Water White Paper initiatives and Bush fire initiatives). A further \$138 million is sourced from the taxation receipts derived from the Metropolitan Parks Charge (MPC) and other revenue sources. The MPC is hypothecated (legislatively dedicated) to expenses relating to metropolitan parks.

The increase in DSE's overall income between the 2005-06 revised budget and 2006-07 Budget can be mainly attributed to appropriation revenue associated with new initiatives.

Operating expenses have increased proportionately in order to fully deliver against the Department's new initiatives and ongoing activities.

The increases in MPC will result in an increase in projected taxation income from the 2005-06 revised budget to 2006-07 Budget. The additional income 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.

### **Investment and financing**

Cash flows from operating activities are consistent with the above trends. Operating cash flows are expected to be lower in 2006-07 largely due to payments for supplies, grants and employees and the anticipated debtors outstanding, but collectable, in relation to these activities at the end of the financial year.

The cash flows from investing activities in the 2006-07 budget reflect DSE's continuing investment in property, plant and equipment. This investment primarily relates to initiatives such as the Wimmera-Mallee Pipeline, the Victorian Water Trust initiatives, various parks initiatives and the long-term Zoo Strategy.

### **Balance sheet performance**

DSE's net asset position in 2007 is estimated to improve by \$121 million on the 2006 revised budget. This increase is mainly attributable to DSE's continuing investment in property, plant and equipment.

## **Statement of administered items**

Transactions administered by DSE on behalf of the State are the Murray-Darling Basin Commission contribution. 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.

Total administered income for the 2006-07 Budget represents the collection of fees and charges for land title transactions, Crown land leases, and licences and forest royalties. DSE also collects Commonwealth specific purpose payments relating to projects under the National Action Plan for Salinity and Water Quality and Natural Heritage Trust.

Total administered income is projected to increase mainly due to a rise in sales of services, an increase in Commonwealth Grants and an increase in levies on statutory corporations.

**Table 2.8.1: Operating Statement**

(\$ million)

	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
<b>Income</b>				
Output appropriations	791.7	777.0	828.5	905.6
Resources received free of charge or for nominal consideration	0.9	12.0	12.0	..
Sale of goods and services	36.5	15.1	33.3	15.3
Commonwealth grants	5.8	..	..	..
Taxes	123.8	125.9	128.6	137.9
Fines and fees	8.1	6.5	12.0	12.9
Revenue from other parties and other income	30.5	1.8	2.2	4.0
	<b>997.2</b>	<b>938.3</b>	<b>1 016.6</b>	<b>1 075.7</b>
<b>Expenses</b>				
Employee benefits	223.8	232.8	238.2	247.6
Depreciation and amortisation	26.1	36.7	37.1	38.1
Resources provided free of charge or for nominal consideration	13.2	..	..	..
Grants and other payments	423.3	319.7	405.0	414.5
Capital asset charge	46.6	67.2	67.2	69.6
Supplies and services	212.9	268.6	254.3	293.8
Finance costs	0.8	..	..	0.1
Other expenses	107.9	1.6	1.6	2.5
	<b>1 054.5</b>	<b>926.6</b>	<b>1 003.5</b>	<b>1 066.2</b>
<b>Net result for the reporting period</b>	<b>( 57.3)</b>	<b>11.6</b>	<b>13.2</b>	<b>9.6</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

**Table 2.8.2: Statement of cash flows**

(\$ million)

	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
<b>Cash flows from operating activities</b>				
Receipts from Government	804.8	795.8	846.4	887.6
Receipts from other entities	181.9	144.9	171.3	162.6
Payments for supplies, grants and employees	( 845.7)	( 812.1)	( 888.7)	( 952.1)
	<b>141.0</b>	<b>128.5</b>	<b>128.9</b>	<b>98.1</b>
Interest received	2.8	0.6	1.0	2.0
Finance costs expense	( 0.6)	..	..	( 0.1)
Capital asset charge	( 46.6)	( 67.2)	( 67.2)	( 69.6)
Other receipts	0.3	3.8	3.8	3.7
<b>Net cash inflow from operating activities</b>	<b>96.9</b>	<b>65.7</b>	<b>66.5</b>	<b>34.1</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 80.4)	( 131.9)	( 195.2)	( 147.6)
Proceeds from sale of property, plant and equipment	0.9	..	..	..
(Repayment of) loans by other entities	( 10.0)	..	( 1.0)	( 10.0)
<b>Net cash (outflow) from investing activities</b>	<b>( 89.4)</b>	<b>( 131.9)</b>	<b>( 196.2)</b>	<b>( 157.6)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	24.7	67.5	129.5	119.7
Net proceeds from borrowing	8.4	..	..	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>33.2</b>	<b>67.5</b>	<b>129.5</b>	<b>119.7</b>
<b>Net increase/(decrease) in cash held</b>	<b>40.6</b>	<b>1.2</b>	<b>( 0.2)</b>	<b>( 3.8)</b>
Cash at the beginning of the financial year	52.8	93.4	93.4	93.2
<b>Cash at the end of the financial year</b>	<b>93.4</b>	<b>94.6</b>	<b>93.2</b>	<b>89.4</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

**Table 2.8.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	93.4	94.6	93.2	89.4
Other financial assets	29.4	29.4	30.4	40.4
Receivables	102.3	86.0	86.9	108.2
Inventories	10.1	10.1	10.1	10.1
Prepayments	4.5	4.5	4.5	4.5
<b>Total current assets</b>	<b>239.8</b>	<b>224.7</b>	<b>225.1</b>	<b>252.7</b>
<b>Non-current assets</b>				
Receivables	0.6	0.6	0.6	0.6
Property, plant and equipment	9 606.6	9 714.4	9 816.3	9 926.6
Intangible assets	46.6	42.0	42.0	37.3
Other	72.2	72.2	72.2	72.2
<b>Total non-current assets</b>	<b>9 726.1</b>	<b>9 829.3</b>	<b>9 931.2</b>	<b>10 036.7</b>
<b>Total assets</b>	<b>9 965.9</b>	<b>10 053.9</b>	<b>10 156.3</b>	<b>10 289.3</b>
<b>Current liabilities</b>				
Payables	47.3	52.3	79.8	88.2
Interest-bearing liabilities	3.2	3.2	3.2	3.2
Employee provisions	23.5	24.5	24.4	25.3
Other	3.2	3.2	3.2	3.2
<b>Total current liabilities</b>	<b>77.3</b>	<b>83.3</b>	<b>110.6</b>	<b>119.9</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	7.7	7.7	7.7	7.7
Employee provisions	48.4	51.3	51.3	54.3
Other	0.2	0.2	0.2	0.2
<b>Total non-current liabilities</b>	<b>56.3</b>	<b>59.2</b>	<b>59.2</b>	<b>62.1</b>
<b>Total liabilities</b>	<b>133.5</b>	<b>142.5</b>	<b>169.8</b>	<b>182.0</b>
<b>Net assets</b>	<b>9 832.3</b>	<b>9 911.5</b>	<b>9 986.5</b>	<b>10 107.3</b>
<b>Equity</b>				
Contributed capital	2 297.6	2 365.1	2 438.6	2 549.9
Reserves	7 466.1	7 466.1	7 466.1	7 466.1
Accumulated surplus/(deficit)	68.6	80.2	81.7	91.3
<b>Total equity</b>	<b>9 832.3</b>	<b>9 911.5</b>	<b>9 986.5</b>	<b>10 107.3</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

**Table 2.8.4: Statement of recognised income and expense**

	(\$ million)			
	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
Gains/(losses) on revaluation of properties	6 451.0	..	..	..
Available for sale financial assets	..	..	..	..
Other	36.2	..	..	..
<b>Net income recognised directly in equity</b>	<b>6 487.2</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	( 57.3)	11.6	13.2	9.6
<b>Total recognised income and expense for the period</b>	<b>6 429.9</b>	<b>11.6</b>	<b>13.2</b>	<b>9.6</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

**Table 2.8.5: Administered items statement**

	(\$ million)			
	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Administered income</b>				
Appropriations - Payments made on behalf of the State	26.9	25.7	25.7	26.1
Sale of goods and services	197.6	206.7	214.9	236.2
Commonwealth grants	55.4	55.8	88.4	117.5
Taxes	44.6	60.4	60.4	60.4
Fines	0.3	..	0.2	0.3
Fees	21.9	20.6	21.6	22.2
Other	20.3	39.6	39.6	38.7
<b>Total administered income</b>	<b>367.1</b>	<b>408.7</b>	<b>450.8</b>	<b>501.4</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	1.2	1.1	1.1	4.3
Grants and other payments	27.0	24.6	24.6	21.8
Payments into the Consolidated Fund	349.7	383.1	425.1	475.3
<b>Total administered expenses</b>	<b>377.8</b>	<b>408.8</b>	<b>450.8</b>	<b>501.5</b>
<b>Income less expenses</b>	<b>( 10.7)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>				
Cash assets	2.0	2.0	2.0	2.0
Receivables	14.5	14.5	14.5	14.5
Other financial assets	0.1	0.1	0.1	0.1
<b>Total administered assets</b>	<b>16.6</b>	<b>16.6</b>	<b>16.6</b>	<b>16.6</b>
<b>Administered liabilities</b>				
Payables	0.4	0.4	0.4	0.4
Other	4.7	4.7	4.7	4.7
<b>Total administered liabilities</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>
<b>Net assets</b>	<b>11.5</b>	<b>11.4</b>	<b>11.4</b>	<b>11.4</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

## 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)		
	2005-06 Budget	2005-06 Revised	2006-07 Budget
Murray-Darling Basin Contribution	24.6	24.6	25.0
Timber Promotion Council Trust Fund	1.1	1.1	1.1
<b>Total</b>	<b>25.7</b>	<b>25.7</b>	<b>26.1</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, additions to the net asset base and payments made on behalf of the state.

**Table 2.8.7: Parliamentary authority for resources**

	(\$ million)		
	2005-06 Budget	2005-06 Revised	2006-07 Budget
Annual appropriations	814.9	843.5	886.8
Receipts credited to appropriations	61.3	115.8	162.2
Unapplied previous years appropriation	..	2.9	..
<b>Gross annual appropriation</b>	<b>876.1</b>	<b>962.1</b>	<b>1 049.0</b>
Trust funds	151.7	178.6	171.6
<b>Total Parliamentary authority</b>	<b>1 027.8</b>	<b>1 140.7</b>	<b>1 220.7</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

## DEPARTMENT OF TREASURY AND FINANCE

### Operating performance

Total income budgeted for 2006-07 is \$3 million lower than the 2005-06 revised position. While three new initiatives, Reducing the Regulatory Burden (\$2 million), Strategic Sourcing of Goods and Services (\$1 million) and Land Tax Land Valuation and Appeal Changes (\$1 million), have increased output appropriation, total income has reduced primarily due to an \$11 million reduction in revenue associated with the former vehicle lease facility.

In general, DTF's operational budgeted expenses are estimated to decrease by a net \$2 million from 2005-06 to 2006-07 due primarily to a combination of:

- cessation of one-off surplus funded projects in 2005-06, including the Essential Services Commission's price determination for electricity distribution, rural water and rail access arrangements (\$3 million) and DTF's ICT infrastructure renewal strategy (\$2 million); and
- the three new initiatives for 2006-07, being Reducing the Regulatory Burden (\$2 million), Strategic Sourcing of Goods and Services (\$1 million) and Land Tax Land Valuation and Appeal Charges (\$1 million).

The total variation in operating expenses of \$18 million between 2005-06 and 2006-07 is largely due to a one-off reduction to 2005-06 expenses, which relates to the reversal of a provision no longer required for the former vehicle lease facility.

### Investment and financing

The Statement of Cash Flows highlights payments for property, plant and equipment, totalling \$26 million in 2006-07. This includes SRO Municipal Valuations (\$17 million) and Electronic Revenue Management Systems (\$2 million), with these projects budgeted to be funded by capital contributions from Government.

### Balance sheet performance

Contributed capital for DTF is budgeted to increase by a net \$32 million in 2006-07, largely due to government funding of SRO's purchase of municipal valuations (\$17 million), new funding for enhancements to SRO's electronic revenue collection systems (\$2 million) and capital injections provided for the Victorian Managed Insurance Authority (\$18 million).

## Statement of administered items

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

Administered income is estimated to increase by \$62 million in 2006-07 compared to the 2005-06 revised budget.

Commonwealth grants revenue is estimated to increase by \$396 million between the 2005-06 revised budget and the 2006-07 Budget. This increase comprises a larger increase in GST grants of \$619 million, partly offset by decreases in National Competition Policy grants and Borrowing Cost Compensation (as both of these programs finish in 2005-06). The increase in GST revenue reflects growth in the GST pool as well as an increase in Victoria's share as determined by the Commonwealth Grants Commission.

These increases are offset by a \$517 million reduction in special appropriations, mainly due to the bringing forward of superannuation payments to 2005-06.

The \$3 558 million increase in total administered expenses compared to the 2005-06 revised budget is mainly associated with the State's superannuation expenses (a \$2 902 million increase) which is a factor of higher than expected investment returns for 2005-06 on assets invested by the State's Superannuation Schemes and movements in the discount rate used to measure the underlying unfunded liability. In addition, the 2005-06 revised expenditure budget includes the effect of a \$408 million expected gain on the revaluation of the State's liability relating to the Portland smelter electricity tariff rebates.

**Table 2.9.1: Operating Statement**

(\$ million)

	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
<b>Income</b>				
Output appropriations	183.6	182.4	182.9	192.0
Resources received free of charge or for nominal consideration	0.1	..	..	..
Sale of goods and services	..	0.3	0.3	0.3
Revenue from other parties and other income	64.2	51.1	51.1	38.6
	<b>247.8</b>	<b>233.8</b>	<b>234.2</b>	<b>230.9</b>
<b>Expenses</b>				
Employee benefits	83.5	85.4	88.0	90.1
Depreciation and amortisation	41.4	32.5	31.4	25.7
Resources provided free of charge or for nominal consideration	0.1	..	..	..
Grants and other payments	5.5	6.0	6.0	6.1
Capital asset charge	20.9	21.6	21.6	22.1
Supplies and services	69.9	54.7	65.0	62.6
Finance costs	16.9	17.2	17.2	16.2
Other expenses	11.3	12.0	( 10.5)	13.4
	<b>249.6</b>	<b>229.4</b>	<b>218.7</b>	<b>236.3</b>
<b>Net result for the reporting period</b>	<b>( 1.8)</b>	<b>4.3</b>	<b>15.5</b>	<b>( 5.4)</b>

Source: Department of Treasury and Finance

**Table 2.9.2: Statement of cash flows**

	(\$ million)			
	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Cash flows from operating activities</b>				
Receipts from Government	203.2	165.2	180.7	170.7
Receipts from other entities	1.6	0.3	0.3	0.3
Payments for supplies, grants and employees	( 146.4)	( 157.8)	( 148.2)	( 170.0)
	<b>58.4</b>	<b>7.6</b>	<b>32.8</b>	<b>1.1</b>
Interest received	4.8	12.1	12.1	15.1
Finance costs expense	( 23.7)	( 28.6)	( 42.2)	( 32.1)
Capital asset charge	( 20.9)	( 21.6)	( 21.6)	( 22.1)
Other receipts	21.3	37.6	37.6	29.4
<b>Net cash inflow from operating activities</b>	<b>39.9</b>	<b>7.2</b>	<b>18.7</b>	<b>( 8.6)</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 38.5)	( 15.7)	( 15.3)	( 25.7)
Proceeds from sale of property, plant and equipment	0.8	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>( 37.7)</b>	<b>( 15.7)</b>	<b>( 15.3)</b>	<b>( 25.7)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	0.8	3.7	( 5.5)	31.6
Net proceeds from borrowings	36.2	4.9	2.0	2.7
<b>Net cash inflows/(outflow) from financing activities</b>	<b>37.0</b>	<b>8.5</b>	<b>( 3.4)</b>	<b>34.3</b>
<b>Net increase/(decrease) in cash held</b>	<b>39.2</b>	<b>..</b>	<b>..</b>	<b>..</b>
Cash at the beginning of the financial year	33.7	72.9	72.9	72.9
<b>Cash at the end of the financial year</b>	<b>72.9</b>	<b>72.9</b>	<b>72.9</b>	<b>72.9</b>

Source: Department of Treasury and Finance

**Table 2.9.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	72.9	72.9	72.9	72.9
Other financial assets	0.2	0.2	0.2	0.2
Receivables	179.3	196.6	181.5	202.7
Inventories	10.8	10.8	10.8	10.8
Prepayments	3.6	3.6	3.6	3.6
<b>Total current assets</b>	<b>266.8</b>	<b>284.1</b>	<b>269.0</b>	<b>290.2</b>
<b>Non-current assets</b>				
Receivables	60.0	133.4	190.6	221.6
Property, plant and equipment	331.8	267.5	271.8	249.4
Intangible assets	28.1	17.1	16.7	21.5
<b>Total non-current assets</b>	<b>419.9</b>	<b>418.0</b>	<b>479.2</b>	<b>492.5</b>
<b>Total assets</b>	<b>686.8</b>	<b>702.0</b>	<b>748.1</b>	<b>782.7</b>
<b>Current liabilities</b>				
Payables	39.8	39.8	39.8	39.8
Interest-bearing liabilities	72.9	61.6	47.9	32.1
Employee provisions	11.2	10.7	10.7	10.2
Other	70.5	68.6	68.6	68.6
<b>Total current liabilities</b>	<b>194.5</b>	<b>180.7</b>	<b>167.0</b>	<b>150.7</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	43.1	61.4	119.2	141.2
Employee provisions	12.1	14.8	14.8	17.5
Amounts owing to other departments	125.2	125.2	125.2	125.2
<b>Total non-current liabilities</b>	<b>180.4</b>	<b>201.4</b>	<b>259.2</b>	<b>283.9</b>
<b>Total liabilities</b>	<b>374.8</b>	<b>382.1</b>	<b>426.2</b>	<b>434.7</b>
<b>Net assets</b>	<b>311.9</b>	<b>319.9</b>	<b>321.9</b>	<b>348.1</b>
<b>Equity</b>				
Contributed capital	97.8	101.5	92.4	124.0
Reserves	116.2	116.2	116.2	116.2
Accumulated surplus/(deficit)	97.9	102.3	113.4	108.0
<b>Total equity</b>	<b>311.9</b>	<b>319.9</b>	<b>321.9</b>	<b>348.2</b>

Source: Department of Treasury and Finance

**Table 2.9.4: Statement of recognised income and expense**

(\$ million)

	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
Gains/(losses) on revaluation of properties	..	..	..	..
Available for sale financial assets	..	..	..	..
Other	0.2	..	..	..
<b>Net income recognised directly in equity</b>	<b>0.2</b>	..	..	..
Net result for the period	( 1.8)	4.3	15.5	( 5.4)
<b>Total recognised income and expense for the period</b>	<b>( 1.6)</b>	<b>4.3</b>	<b>15.5</b>	<b>( 5.4)</b>

*Source: Department of Treasury and Finance*

**Table 2.9.5: Administered items statement**

(\$ million)

	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
<b>Administered income</b>				
Appropriations - Payments made on behalf of the State	1 115.7	1 321.3	1 123.8	1 511.9
Special appropriations	929.1	224.4	615.4	98.3
Sale of goods and services	6.4	6.4	6.4	6.3
Commonwealth grants	7 552.4	8 085.6	8 073.2	8 469.5
Taxes	7 626.4	7 299.9	7 793.7	7 852.8
Fees	13.0	8.3	14.0	12.2
Other	3 322.0	3 609.9	4 056.9	3 794.0
<b>Total administered income</b>	<b>20 565.1</b>	<b>20 555.9</b>	<b>21 683.3</b>	<b>21 745.0</b>
<b>Administered expenses</b>				
Expenses on behalf of the State <sup>(a)</sup>	2 722.8	1 521.4	(2 207.0)	1 471.6
Grants and other payments	495.6	459.8	540.5	510.5
Payments into the Consolidated Fund	18 473.0	19 237.4	20 295.8	20 205.5
<b>Total administered expenses</b>	<b>21 691.4</b>	<b>21 218.6</b>	<b>18 629.2</b>	<b>22 187.6</b>
<b>Income less expenses</b>	<b>(1 126.3)</b>	<b>( 662.8)</b>	<b>3 054.1</b>	<b>( 442.6)</b>
<b>Administered assets</b>				
Cash assets	565.5	570.5	567.7	402.0
Receivables	( 518.0)	( 139.6)	( 927.9)	( 123.5)
Other financial assets	858.1	395.2	904.2	461.2
Property, plant and equipment	2.5	2.4	3.4	29.7
<b>Total administered assets</b>	<b>908.1</b>	<b>828.5</b>	<b>547.3</b>	<b>769.3</b>
<b>Administered liabilities</b>				
Payables	156.2	156.2	181.8	156.2
Interest-bearing liabilities	5 078.5	5 082.6	4 852.4	5 220.5
Provisions	15 287.7	16 021.2	12 608.9	13 145.7
Amounts owing to other departments	0.6	0.6	113.3	0.6
Other	1 158.8	1 064.7	510.3	507.5
<b>Total administered liabilities</b>	<b>21 681.8</b>	<b>22 325.2</b>	<b>18 266.7</b>	<b>19 030.4</b>
<b>Net assets</b>	<b>(20 773.8)</b>	<b>(21 496.7)</b>	<b>(17 719.4)</b>	<b>(18 261.2)</b>

Source: Department of Treasury and Finance

Note:

(a) Includes actuarial interest income, and income on superannuation plan assets, interest expense on superannuation liabilities, and actuarial adjustments to the unfunded superannuation liability. In the 2005-06 Revised, this amounted to negative \$2 517.8 million.

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

<i>Accounts</i>	<i>(\$million)</i>		
	<i>2005-06 Budget</i>	<i>2005-06 Revised</i>	<i>2006-07 Budget</i>
Superannuation and pension payments	16.4	16.4	16.5
Interest	356.3	354.6	318.8
Current and capital grants	402.8	492.4	455.6
Operating supplies and consumables	429.5	148.3	540.9
Buildings	..	..	26.5
Other	116.3	112.1	153.6
<b>Total</b>	<b>1 321.3</b>	<b>1 123.8</b>	<b>1 511.9</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, additions to the net asset base and payments made on behalf of the state.

**Table 2.9.7: Parliamentary authority for resources**

	<i>(\$ million)</i>		
	<i>2005-06 Budget</i>	<i>2005-06 Revised</i>	<i>2006-07 Budget</i>
Annual appropriations	1 523.5	1 325.9	1 739.0
Receipts credited to appropriations	3.2	3.2	3.1
Unapplied previous years appropriation	..	1.7	..
Accumulated surplus - previously applied appropriation	..	8.7	..
<b>Gross annual appropriation</b>	<b>1 526.7</b>	<b>1 339.6</b>	<b>1 742.1</b>
Special appropriations	224.4	615.4	98.3
Trust funds	41.5	41.3	47.0
<b>Total Parliamentary authority</b>	<b>1 792.6</b>	<b>1 996.2</b>	<b>1 887.4</b>

*Source: Department of Treasury and Finance*

## **DEPARTMENT FOR VICTORIAN COMMUNITIES**

### **Operating performance**

The Department for Victorian Communities (DVC) is estimated to have a net result of \$3 million in 2006-07. This surplus results from the timing of payments from the Community Support Fund (CSF) for community projects in the 2006-07 Budget year.

The largest component of DVC's income 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 statement also includes electronic gaming machine income for payment into the CSF.

The estimated decrease in revenue and expenses from 2005-06 is largely due to the impact of non-recurring items for the Melbourne 2006 Commonwealth Games held in 2005-06. This is partially offset by other new output initiatives announced in the 2006-07 Budget.

### **Investment and financing**

Payments for property, plant and equipment for the 2006-07 Budget year are budgeted at \$10 million. cash flows for investment relate to DVC's existing capital investment program and new capital investment initiatives announced in the 2006-07 Budget. A net cash outflow from financing activities is offset by operating contributions.

### **Balance sheet performance**

The Department's net asset position is budgeted to increase marginally due to the timing of payments from the Community Support Fund and investments in plant and equipment.

### **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;
- Births, deaths and marriages regulatory fees; and
- Proceeds from sales of assets.

**Table 2.10.1: Operating Statement**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Income</b>				
Output appropriations	352.3	559.6	549.1	312.6
Special appropriations	86.2	98.3	112.5	106.6
Sale of goods and services	3.3	..	..	..
Other grants	30.3	0.5	25.9	..
Other revenue and revenue from other parties	6.3	4.1	4.1	4.3
	<b>478.4</b>	<b>662.5</b>	<b>691.6</b>	<b>423.4</b>
<b>Expenses</b>				
Employee benefits	53.6	53.3	66.4	58.3
Depreciation and amortisation	4.7	9.1	9.1	8.4
Grants and other payments	362.5	450.9	507.5	268.1
Capital asset charge	5.4	6.3	6.3	6.5
Supplies and services	56.6	146.4	116.6	79.7
Finance costs	0.1	..	..	..
	<b>483.0</b>	<b>666.0</b>	<b>705.9</b>	<b>420.9</b>
<b>Net result for the reporting period</b>	<b>( 4.5)</b>	<b>( 3.5)</b>	<b>( 14.3)</b>	<b>2.5</b>

Source: Departments for Victorian Communities and Treasury and Finance

**Table 2.10.2: Statement of cash flows**

(\$ million)

	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
<b>Cash flows from operating activities</b>				
Receipts from Government	431.8	658.0	662.1	419.3
Receipts from other entities	34.1	0.5	25.9	..
Payments for supplies, grants and employees	( 499.7)	( 662.9)	( 718.7)	( 370.3)
	<b>( 33.9)</b>	<b>( 4.3)</b>	<b>( 30.8)</b>	<b>49.0</b>
Interest received	5.7	4.1	4.1	4.3
Finance costs expense	( 0.1)	..	..	..
Capital asset charge	( 5.4)	( 6.3)	( 6.3)	( 6.5)
Other receipts	3.4	..	..	..
<b>Net cash inflow from operating activities</b>	<b>( 30.2)</b>	<b>( 6.5)</b>	<b>( 33.0)</b>	<b>46.8</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 73.6)	( 24.2)	( 72.9)	( 10.2)
(Repayments of) loans by other entities	20.0	20.0	20.0	11.1
<b>Net cash (outflow) from investing activities</b>	<b>( 53.6)</b>	<b>( 4.2)</b>	<b>( 52.8)</b>	<b>0.9</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	104.9	27.4	92.1	( 33.9)
Net proceeds from borrowings	0.5	..	..	..
<b>Net cash inflows/(outflows) from financing activities</b>	<b>105.5</b>	<b>27.4</b>	<b>92.1</b>	<b>( 33.9)</b>
<b>Net increase/(decrease) in cash held</b>	<b>21.6</b>	<b>16.6</b>	<b>6.2</b>	<b>13.8</b>
Cash at the beginning of the financial year	13.3	34.9	34.9	41.1
<b>Cash at the end of the financial year</b>	<b>34.9</b>	<b>51.6</b>	<b>41.1</b>	<b>54.9</b>

Source: Departments for Victorian Communities and Treasury and Finance

**Table 2.10.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Cash assets	34.9	51.6	41.1	54.9
Other financial assets	69.0	49.0	49.0	37.9
Receivables	46.8	46.6	46.3	46.2
Inventories	0.7	0.7	0.7	0.7
Prepayments	0.6	0.6	0.6	0.6
Other	6.0	6.0	6.0	6.0
<b>Total current assets</b>	<b>158.0</b>	<b>154.5</b>	<b>143.7</b>	<b>146.2</b>
<b>Non-current assets</b>				
Property, plant and equipment	342.5	307.6	357.5	359.3
Intangible assets	4.4	4.4	4.4	4.4
Other	58.5	70.8	86.8	51.1
<b>Total non-current assets</b>	<b>405.4</b>	<b>382.8</b>	<b>448.7</b>	<b>414.8</b>
<b>Total assets</b>	<b>563.4</b>	<b>537.3</b>	<b>592.4</b>	<b>561.0</b>
<b>Current liabilities</b>				
Payables	73.7	81.5	97.5	61.8
Interest-bearing liabilities	0.1	0.1	0.1	0.1
Employee provisions	5.3	5.3	5.3	5.3
Other	0.8	0.8	0.8	0.8
<b>Total current liabilities</b>	<b>79.9</b>	<b>87.7</b>	<b>103.7</b>	<b>67.9</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	0.6	0.6	0.6	0.6
Employee provisions	8.1	8.1	8.1	8.1
<b>Total non-current liabilities</b>	<b>8.7</b>	<b>8.7</b>	<b>8.7</b>	<b>8.7</b>
<b>Total liabilities</b>	<b>88.5</b>	<b>96.3</b>	<b>112.4</b>	<b>76.6</b>
<b>Net assets</b>	<b>474.9</b>	<b>441.0</b>	<b>480.0</b>	<b>484.4</b>
<b>Equity</b>				
Contributed capital	443.3	412.9	461.5	463.4
Reserves	77.5	77.5	78.7	78.7
Accumulated surplus/(deficit)	( 45.9)	( 49.4)	( 60.2)	( 57.7)
<b>Total equity</b>	<b>474.9</b>	<b>441.0</b>	<b>480.0</b>	<b>484.4</b>

Source: Departments for Victorian Communities and Treasury and Finance

**Table 2.10.4: Statement of recognised income and expense**

	(\$ million)			
	2004-05	2005-06	2005-06	2006-07
	Actual	Budget	Revised	Budget
Gains/(losses) on revaluation of properties	35.0	..	1.2	..
Available for sale financial assets	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>35.0</b>	<b>..</b>	<b>1.2</b>	<b>..</b>
Net result for the period	( 4.5)	( 3.5)	( 14.3)	2.5
<b>Total recognised income and expense for the period</b>	<b>30.5</b>	<b>( 3.5)</b>	<b>( 13.1)</b>	<b>2.5</b>

Source: Departments for Victorian Communities and Treasury and Finance

**Table 2.10.5: Administered items statement**

	(\$ million)			
	2004-05	2005-06	2005-06	2006-07
	Actual	Budget	Revised	Budget
<b>Administered income</b>				
Appropriations - Payments made on behalf of the State	18.4	18.0	17.3	0.4
Sale of goods and services	6.2	6.1	6.7	6.1
Commonwealth grants	361.1	442.8	454.2	394.2
Fees	5.4	7.7	6.2	7.8
Other revenue and revenue from other parties	..	6.0	..	31.8
<b>Total administered income</b>	<b>391.1</b>	<b>480.5</b>	<b>484.4</b>	<b>440.3</b>
<b>Administered expenses</b>				
Grants and other payments	379.3	398.4	398.3	394.6
Payments into Consolidated Fund	11.9	82.0	86.2	45.7
<b>Total administered expenses</b>	<b>391.2</b>	<b>480.5</b>	<b>484.4</b>	<b>440.3</b>
<b>Income less expenses</b>	<b>( 0.1)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>				
Receivables	0.3	0.3	0.3	0.3
<b>Total administered assets</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>Administered liabilities</b>				
Other	0.1	0.1	0.1	0.1
<b>Total administered liabilities</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Net assets</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>

Source: Departments for Victorian Communities and Treasury and Finance

## Payments made on behalf of the State

Payments made 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)		
	2005-06 Budget	2005-06 Revised	2006-07 Budget
Current grants	17.6	16.9	..
Anzac Day administered trust	0.4	0.4	0.4
<b>Total</b>	<b>18.0</b>	<b>17.3</b>	<b>0.4</b>

Source: Departments for Victorian Communities 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, additions to the net asset base and payments made on behalf of the state.

**Table 2.10.7: Parliamentary authority for resources**

	(\$ million)		
	2005-06 Budget	2005-06 Revised	2006-07 Budget
Annual appropriations	595.9	591.9	362.6
Receipts credited to appropriations	4.1	4.7	4.1
Unapplied previous years appropriation	8.5	49.2	4.7
Accumulated surplus - previously applied appropriation	..	0.3	..
<b>Gross annual appropriation</b>	<b>608.5</b>	<b>646.2</b>	<b>371.4</b>
Special appropriations	98.3	112.5	106.6
Trust funds	385.1	410.9	398.5
<b>Total Parliamentary authority</b>	<b>1 091.8</b>	<b>1 169.7</b>	<b>876.4</b>

Source: Departments for Victorian Communities and Treasury and Finance

## PARLIAMENT

### Operating performance

The Parliament, including the Victorian Auditor-General's Office (VAGO), is estimated to have a net result of zero for 2006-07, the same as the 2005-06 revised budget.

The operating statement shows an increase in total operating income of \$5.5 million (or 5.0 per cent), between the 2005-06 revised budget and the 2006-07 Budget. The increase in annual appropriation revenue is due to additional output appropriations from the Government, including funding for:

- the election of the 56<sup>th</sup> Parliament of Victoria; and
- the relocation of the Department of Parliamentary Services and the Parliamentary Committees.

The budget of VAGO is incorporated into the financial statements of the Parliament.

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

### Investment and financing

Cash flows from investing and financing activities are expected to remain substantially unchanged in 2006-07. Payments for property, plant and equipment in 2006-07 include funding provided for the following asset initiatives in the 2006-07 Budget:

- replacement of the sound systems in both the Legislative Assembly and Legislative Council Chambers; and
- the relocation of the Department of Parliamentary Services and the Parliamentary Committees.

### Balance sheet performance

The net asset position in 2006-07 is estimated to improve by \$6.7 million compared with the 2005-06 revised budget. This is primarily a result of the additional asset funding noted above and previously funded capital works at Parliament house.

### Statement of administered items

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

**Table 2.11.1: Operating Statement**

(\$ million)

	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Income</b>				
Output appropriations	85.1	88.8	91.3	96.8
Special appropriations	32.5	18.9	19.3	19.3
Resources received free of charge or for nominal consideration	0.3	..	..	..
Sale of goods and services	1.4	..	..	..
	<b>119.3</b>	<b>107.7</b>	<b>110.6</b>	<b>116.1</b>
<b>Expenses</b>				
Employee benefits	74.5	56.7	56.6	56.9
Depreciation and amortisation	4.3	5.3	5.3	6.1
Grants and other payments	0.1	0.5	0.5	0.5
Capital asset charge	0.6	1.4	1.4	1.6
Supplies and services	36.2	43.9	46.8	51.0
Other expenses from ordinary activities	0.1	..	..	..
Finance costs	0.1	..	..	..
	<b>116.0</b>	<b>107.7</b>	<b>110.6</b>	<b>116.1</b>
<b>Net result for the reporting period</b>	<b>3.3</b>	<b>..</b>	<b>..</b>	<b>..</b>

Source: Parliament of Victoria and Department of Treasury and Finance

**Table 2.11.2: Statement of cash flows**

(\$ million)

	2004-05 <i>Actual</i>	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
<b>Cash flows from operating activities</b>				
Receipts from Government	111.9	104.1	108.1	112.4
Receipts from other entities	1.4	..	..	..
Payments for supplies, grants and employees	( 110.8)	( 100.8)	( 103.7)	( 108.2)
	<b>2.4</b>	<b>3.4</b>	<b>4.4</b>	<b>4.2</b>
Finance costs expense	( 0.1)	..	..	..
Capital asset charge	( 0.6)	( 1.4)	( 1.4)	( 1.6)
Other receipts	0.3	..	..	..
<b>Net cash inflow from operating activities</b>	<b>2.0</b>	<b>2.0</b>	<b>3.0</b>	<b>2.6</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	( 4.6)	( 6.1)	( 10.9)	( 9.3)
Proceeds from sale of property, plant and equipment	0.1	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>( 4.5)</b>	<b>( 6.1)</b>	<b>( 10.9)</b>	<b>( 9.3)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from capital contribution by State Government	0.4	4.1	7.9	6.7
Net proceeds from borrowings	1.5	..	..	..
<b>Net cash inflows/(outflows) from financing activities</b>	<b>2.0</b>	<b>4.1</b>	<b>7.9</b>	<b>6.7</b>
<b>Net increase/(decrease) in cash held</b>	<b>( 0.5)</b>	<b>..</b>	<b>..</b>	<b>..</b>
Cash at the beginning of the financial year	( 0.9)	( 1.4)	( 1.4)	( 1.4)
<b>Cash at the end of the financial year</b>	<b>( 1.4)</b>	<b>( 1.4)</b>	<b>( 1.4)</b>	<b>( 1.4)</b>

Source: Parliament of Victoria and Department of Treasury and Finance

**Table 2.11.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2005</i>	<i>2006</i>	<i>2006</i>	<i>2007</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>	<i>Budget</i>
<b>Current assets</b>				
Receivables	30.8	34.3	33.3	37.0
Inventories	0.1	0.1	0.1	0.1
Prepayments	0.9	0.9	0.9	0.9
<b>Total current assets</b>	<b>31.7</b>	<b>35.3</b>	<b>34.3</b>	<b>38.0</b>
<b>Non-current assets</b>				
Property, plant and equipment	193.7	194.5	199.3	202.4
<b>Total non-current assets</b>	<b>193.7</b>	<b>194.5</b>	<b>199.3</b>	<b>202.4</b>
<b>Total assets</b>	<b>225.4</b>	<b>229.7</b>	<b>233.5</b>	<b>240.4</b>
<b>Current liabilities</b>				
Payables	2.6	2.6	2.6	2.6
Interest-bearing liabilities	2.9	2.9	2.9	2.9
Employee provisions	3.9	3.9	3.9	3.9
Other	0.2	0.2	0.2	0.2
<b>Total current liabilities</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>	<b>9.7</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	1.3	1.3	1.3	1.3
Employee provisions	4.6	4.8	4.8	5.0
<b>Total non-current liabilities</b>	<b>5.8</b>	<b>6.0</b>	<b>6.0</b>	<b>6.3</b>
<b>Total liabilities</b>	<b>15.5</b>	<b>15.7</b>	<b>15.7</b>	<b>16.0</b>
<b>Net assets</b>	<b>209.9</b>	<b>214.0</b>	<b>217.8</b>	<b>224.5</b>
<b>Equity</b>				
Contributed capital	147.8	151.9	155.7	162.4
Reserves	46.6	46.6	46.6	46.6
Accumulated surplus/(deficit)	15.5	15.5	15.5	15.5
<b>Total equity</b>	<b>209.9</b>	<b>214.0</b>	<b>217.8</b>	<b>224.5</b>

Source: Parliament of Victoria and Department of Treasury and Finance

**Table 2.11.4: Statement of recognised income and expense**

	(\$ million)			
	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
Gains/(losses) on revaluation of properties	..	..	..	..
Available for sale financial assets	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	3.3	..	..	..
<b>Total recognised income and expense for the period</b>	<b>3.3</b>	<b>..</b>	<b>..</b>	<b>..</b>

Source: Parliament of Victoria and Department of Treasury and Finance

**Table 2.11.5: Administered items statement**

	(\$ million)			
	2004-05 Actual	2005-06 Budget	2005-06 Revised	2006-07 Budget
<b>Administered income</b>				
Sale of goods and services	14.2	15.1	15.1	15.5
Other revenue and revenue from other parties	0.1	..	..	..
<b>Total administered income</b>	<b>14.3</b>	<b>15.1</b>	<b>15.1</b>	<b>15.5</b>
<b>Administered expenses</b>				
Payments into Consolidated Fund	14.9	15.1	15.1	15.5
<b>Total administered expenses</b>	<b>14.9</b>	<b>15.1</b>	<b>15.1</b>	<b>15.5</b>
<b>Income less expenses</b>	<b>(0.6)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>				
Receivables	2.0	2.0	2.0	2.0
<b>Total administered assets</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>Administered liabilities</b>				
<b>Total administered liabilities</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net assets</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</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 2.11.6: Parliamentary authority for resources**

(\$ million)

	2005-06 <i>Budget</i>	2005-06 <i>Revised</i>	2006-07 <i>Budget</i>
Annual appropriations	77.8	78.0	88.0
Receipts credited to appropriations	15.1	15.1	15.5
Unapplied previous years appropriation	..	6.1	..
Accumulated surplus - previously applied appropriation	0.5	1.5	0.8
<b>Gross annual appropriation</b>	<b>93.3</b>	<b>100.7</b>	<b>104.3</b>
Special appropriations	18.9	19.3	19.3
Trust funds	..	..	..
<b>Total Parliamentary authority</b>	<b>112.3</b>	<b>120.0</b>	<b>123.6</b>

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

## CHAPTER 3 – STATE REVENUE

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### SUMMARY OF GENERAL GOVERNMENT SECTOR REVENUE

This chapter describes the major categories of revenue, comprising both state sourced revenue and Commonwealth grants, and examines the expected movement in revenue between the 2005-06 revised estimates and the 2006-07 Budget estimates.

Total revenue comprises revenue from transactions and revenue from economic flows. Revenue from transactions represents the majority of total revenue in the 2006-07 Budget estimates and is the focus of discussion in this Chapter.

As shown in Table 3.1, general government sector revenue and grants received are expected to increase by 4.0 per cent to \$32 442 million in 2006-07.

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

	(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget	Change <sup>(a)</sup> %
Taxation	10 306.2	10 770.0	10 971.0	1.9
Fines and regulatory fees	726.9	737.5	832.4	12.9
Dividends, income tax and rate equivalent revenue	903.5	826.7	958.1	15.9
Interest	361.7	318.1	293.1	- 7.9
Sale of goods and services	2 397.1	2 522.3	2 552.4	1.2
Other revenue	1 666.1	1 641.8	1 757.2	7.0
Grants received	14 262.1	14 382.5	15 077.9	4.8
<b>Total income from transactions</b>	<b>30 623.6</b>	<b>31 198.9</b>	<b>32 442.1</b>	<b>4.0</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2005-06 Revised and 2006-07 Budget.

Taxation revenue in 2006-07 is estimated to be \$10 971 million, which is \$201 million (1.9 per cent) higher than the 2005-06 revised estimate. The increase in taxation revenue reflects several factors:

- increased payroll tax revenue reflecting expected solid employment and wages growth, with growth partly offset by the announced reduction in the tax rate from 1 July 2006;
- congestion levy increase from 1 January 2007;

- growth in gambling taxation revenue in accordance with estimated growth in household final consumption expenditure;
- insurance taxation revenue expected to grow in line with economic growth. In addition the introduction, from 1 January 2006 of the option for concession card holders to pay their registration in two six monthly instalments means a non-recurring revenue transfer from the last two quarters of 2005-06 into 2006-07; and
- growth in motor vehicle taxation revenue reflecting several factors including continued population growth, increasing motor vehicle ownership, indexation of registration fees and expected growth in consumer prices.

These increases have been partly offset by decreases resulting from:

- impact of the land tax reforms announced by the Government in the 2005-06 and 2006-07 Budgets largely offsetting underlying increases resulting from increasing land valuations;
- expected moderation of property market activity;
- the introduction of the option of a full land transfer duty concession in lieu of the *First Home Bonus* for first homebuyers with families when they purchase property up to \$150 000 with a partial concession available up to \$200 000;
- increase in the thresholds for the pensioner and concession cardholder land transfer duty concession;
- full year impact of the abolition of debits tax from 1 July 2005; and
- the abolition of rental business duty from 1 January 2007.

Fines and regulatory fees revenue is expected to increase by 12.9 per cent to \$832 million in 2006-07 compared to 2005-06 reflecting several factors including the completion of the replacement program of the Western Ring Road cameras, the completion of the roll-out of the red light speed camera network and the annual indexation of fees and charges.

Revenue from dividends and income tax equivalents in 2006-07 is expected to be \$958 million which is \$131 million (or 15.9 per cent) higher than the 2005-06 revised estimate. Increases in dividend revenue reflect both better than anticipated investment market performance in 2005-06 by the State public financial sector which flows through to increased dividends in 2006-07 combined with increases in dividends from the SECV and water authorities. The increases are partly offset by a decrease in port authority dividends and the impact of non-recurring additional 2005-06 tax equivalent income resulting from the transfer of council assets to the Melbourne Water Corporation.

Interest revenue is estimated to decrease by \$25 million (7.9 per cent) in 2006-07, compared to the 2005-06 revised estimate. This projected decline in interest revenue

is primarily due to the reduction in cash and liquid assets as the Government funds its infrastructure program.

Proceeds from the sale of goods and services is estimated to increase by \$30 million (1.2 per cent) in 2006-07, compared to 2005-06.

Other revenue from transactions is expected to increase by \$115 million (or 7.0 per cent) compared to the 2005-06 revised estimate. The increase reflects several factors including the full year impact of the increase in the brown coal royalty rate, the introduction of development contributions to be paid by developers of Melbourne's five designated growth areas and a rise in the intersector capital asset charge reflecting an increase in net assets.

Commonwealth grants are expected to increase by \$695 million (or 4.8 per cent) to \$15 078 million in 2006-07 compared to the 2005-06 revised estimate.

General purpose grants are expected to increase by \$431 million (5.4 per cent) to \$8 469 million. In 2006-07, GST grants are expected to increase by 7.9 per cent compared with estimated growth of 6.3 per cent in the total GST pool. Victoria's share of GST growth is higher than overall GST growth because Victoria's share of the GST revenue pool has been revised upward as a result of the CGC's *2006 Update of State Revenue Sharing Relativities*.

The increase in Victoria's share of the GST pool was primarily due to the revision of historical compensation for employees data by the Australian Bureau of Statistics rather than improved equity in the methods used to distribute GST grants amongst the jurisdictions.

The growth in GST grants is partly offset by the Commonwealth abolition of National Competition Policy grants from 2006-07 onwards.

Specific purpose own use grants are expected to increase by \$169 million (3.9 per cent) largely due to higher funding for education, human services and roads. The increase will be partly offset by the non-recurring 2005-06 Commonwealth contribution to the Melbourne 2006 Commonwealth Games.

Specific purpose grants for on passing are forecast to increase by \$81 million (4.5 per cent), largely because of increases in Commonwealth assistance to non-government schools.

## **STATE SOURCED REVENUE**

### **Taxation**

Taxation revenue in 2006-07 is estimated to be \$10 971 million, which is \$201 million (1.9 per cent) higher than the 2005-06 revised estimate (Table 3.2).

**Table 3.2: Taxation estimates**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget	Change <sup>(a)</sup> %
<b>Payroll tax</b>	<b>3 179.2</b>	<b>3 356.9</b>	<b>3 418.1</b>	<b>1.8</b>
<b>Taxes on property</b>				
Land tax	824.1	771.7	747.6	- 3.1
Congestion levy	19.4	19.4	38.8	100.0
Land transfer duty	2 075.6	2 460.5	2 424.4	- 1.5
Rental business duty	57.5	57.4	43.3	- 24.6
Other miscellaneous duties	11.1	8.8	9.3	5.7
Debits tax	21.5	22.3	..	- 100.0
Metropolitan improvement levy	92.1	93.6	97.3	3.9
Property owners contributions to fire brigades	34.9	34.9	35.6	2.1
Financial accommodation levy	10.2	13.3	16.4	22.8
	<b>3 146.4</b>	<b>3 482.0</b>	<b>3 412.7</b>	<b>- 2.0</b>
<b>Levies on statutory corporations</b>	<b>60.4</b>	<b>60.4</b>	<b>60.4</b>	<b>..</b>
<b>Gambling taxes</b>				
Public lotteries	314.7	302.3	309.3	2.3
Electronic gaming machines	931.0	961.1	1 006.4	4.7
Casino	113.5	115.2	118.1	2.5
Racing	116.5	115.2	119.0	3.3
Other	3.3	3.4	3.5	2.9
	<b>1 479.0</b>	<b>1 497.2</b>	<b>1 556.3</b>	<b>3.9</b>
<b>Taxes on insurance</b>				
Non-life insurance	590.5	585.5	616.1	5.2
Life insurance	12.5	6.9	7.3	5.8
Duty on compulsory third party	121.0	106.7	131.9	23.6
Insurance contributions to fire brigades	337.2	337.2	348.8	3.4
	<b>1 061.2</b>	<b>1 036.3</b>	<b>1 104.1</b>	<b>6.5</b>
<b>Motor vehicle taxes</b>				
Vehicle registration fees	711.4	693.8	747.6	7.8
Duty on vehicle registrations and transfers	594.9	560.7	591.5	5.5
	<b>1 306.3</b>	<b>1 254.5</b>	<b>1 339.1</b>	<b>6.7</b>
<b>Other taxes</b>				
Liquor licence fees	7.2	7.4	7.4	..
Transurban concession fees	32.7	40.4	32.2	- 20.2
Landfill levy	33.8	35.0	40.7	16.2
	<b>73.7</b>	<b>82.8</b>	<b>80.3</b>	<b>- 3.0</b>
<b>Total taxation</b>	<b>10 306.2</b>	<b>10 770.0</b>	<b>10 971.0</b>	<b>1.9</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2005-06 Revised and 2006-07 Budget.

### **Payroll tax**

Payroll tax is levied on taxable wages, which are defined to include salaries and wages, commissions, bonuses, allowances, remunerations, employer superannuation contributions, fringe benefits, and payments to some contractors. Payroll tax of

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

In this Budget, the Government is further reducing the payroll tax rate to 5.0 per cent over three years, from 5.25 per cent to 5.15 per cent on 1 July 2006, to 5.05 per cent on 1 July 2007 and to 5.0 per cent on 1 July 2008. These cuts are worth around \$533 million over four years. The annual tax free threshold will be maintained at \$550 000.

Payroll tax revenue for 2005-06 has been revised up (\$99 million) since the 2005-06 Budget Update as a result of continued strong revenue collections during the first half of 2005-06.

In 2006-07, revenue is expected to be \$3 418 million, an increase of \$61 million (1.8 per cent) over the 2005-06 revised estimate. The projected growth in 2006-07 primarily reflects expected solid employment and wages growth over the course of 2005-06, largely offset by the reduction in the payroll tax rate from 5.25 per cent to 5.15 per cent from 1 July 2006.

Over the forecast period, payroll taxation revenue is forecast to increase in line with the expected growth in employment and wages, offset by the effect of the future rate reductions as announced by the Government.

## ***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 a number of land tax exemptions, including land owned by charitable institutions, land used for primary production, and land that is used as the landowner's principal place of residence.

In the 2006-07 Budget the Government has announced further land tax relief worth around \$167 million over four years. The major focus of the reforms of the land tax system are:

- reducing the 1.0 per cent, 1.5 per cent and 2.25 per cent rates by 20 per cent to 0.8 per cent, 1.2 per cent and 1.8 per cent respectively from 2007 onwards;
- bringing forward the final stage of the previously-announced cut to the top rate by one year, giving Victoria a top land tax rate of 3.0 per cent from 2007 onwards;
- again capping land tax increases at 50 per cent in 2007 with respect to the same landholdings;
- eliminating the use of indexation factors, which are currently used to adjust land valuations across entire municipalities in non-valuation years; and

- enabling taxpayers to appeal their land valuation upon receipt of their land tax assessment from 2007 onwards.

To enable taxpayers to appeal their land tax valuation upon receipt of their land tax assessment, it is necessary to bring forward the use of valuations by a year. Together these measures mean that land tax liabilities will generally remain unchanged every second year with respect to the same landholdings. In addition, land tax will now always be levied on the actual valuation of individual properties, improving the accuracy and credibility of land valuations and more accurately reflecting the current state of the property market.

Whilst the bringing forward of valuations has the effect of drawing forward a small amount of revenue, this has been more than offset by the new land tax relief measures that have been announced.

It should be noted that the land tax rate cuts will flow through to the special trusts land tax rate scale.

The land tax rates that are applicable from 2007 onwards are shown in Table 3.3.

**Table 3.3: 2007 land tax rates**

<b>General land tax rates</b>	
<i>Value of property</i>	<i>Land tax payable</i>
Up to \$199 999	Nil
\$200 000 - \$539 999	\$200 plus 0.20% for each dollar over \$200 000
\$540 000 - \$899 999	\$880 plus 0.50% for each dollar over \$540 000
\$900 000 - \$1 189 999	\$2 680 plus 0.80% for each dollar over \$900 000
\$1 190 000 - \$1 619 999	\$5 000 plus 1.20% for each dollar over \$1 190 000
\$1 620 000 - \$2 699 999	\$10 160 plus 1.80% for each dollar over \$1 620 000
\$2 700 000 and over	\$29 600 plus 3.00% for each dollar over \$2 700 000

<b>Special trusts land tax rates <sup>(a)</sup></b>	
<i>Value of property</i>	<i>Land tax payable</i>
Up to \$20 000	Nil
\$20 000 - \$199 999	\$75 plus 0.375% for each dollar over \$20 000
\$200 000 - \$539 999	\$750 plus 0.575% for each dollar over \$200 000
\$540 000 - \$899 999	\$2 705 plus 0.875% for each dollar over \$540 000
\$900 000 - \$1 189 999	\$5 855 plus 1.175% for each dollar over \$900 000
\$1 190 000 - \$1 619 999	\$9 263 plus 1.575% for each dollar over \$1 190 000
\$1 620 000 - \$2 699 999	\$16 035 plus 1.256% for each dollar over \$1 620 000
\$2 700 000 and over	\$29 600 plus 3.00% for each dollar over \$2 700 000

*Source: Department of Treasury and Finance*

*Note:*

- (a) *The 0.375 per cent surcharge starts to phase out at a rate of approximately \$54 for every \$10 000 increase in value for unimproved landholdings in excess of \$1.62 million (the phase out is in the form of the 1.256 per cent rate). At \$2.7 million, the surcharge is zero and the general marginal rate applies.*

Land tax revenue is expected to increase marginally from \$748 million in 2006-07 to \$774 million in 2009-10, an increase of only 3.6 per cent (or \$27 million) over the four year forecast period. Underlying forecast growth in property values will be largely offset by the land tax policy initiatives announced by the Government in the 2005-06 and 2006-07 Budgets.

### **Land tax on trusts**

In the 2005-06 Budget the Government announced that a special land tax would be levied on certain trusts. Following extensive consultations with key industry groups, new provisions to clarify land tax on trusts were announced in October 2005.

While in many cases a trust structure is used for legitimate reasons, such as asset protection, certain taxpayers have spread their properties through separate trusts, thereby paying significantly less land tax (because Victoria's land tax rates are extremely progressive) than if the properties were held by a single person or entity. This is one of the reasons why the Government introduced the new land tax on trusts arrangements. These new arrangements ensure greater certainty and help provide a simpler, fairer, and more equitable land tax system overall.

The provisions include applying a surcharge of 0.375 per cent to certain trusts (on top of the ordinary land tax rates). The surcharge is phased out for site values between \$1.62 million and \$2.7 million to ensure that the special trusts rate is the same as the ordinary rate on values above \$2.7 million.

### ***Congestion levy***

City traffic congestion, particularly during the morning and afternoon peak, has been identified as a major issue impacting on Melbourne's prosperity and liveability. In the 2005-06 Budget the Government introduced a Congestion Levy, an annual levy charged on owners of long stay off-street car parking spaces in Melbourne's Central Business District and adjacent highly congested areas such as Southbank, Docklands and the St Kilda Road precincts.

The Levy will act as an incentive for motorists commuting to the city to consider using public transport or to car pool, which is anticipated to lead to a reduction in congestion, pollution and greenhouse gas emissions.

The Congestion Levy has applied from 1 January 2006 at a rate of \$400 per taxable car parking space; this will rise to \$800 (subject to indexation) from 2007 onwards. Various car parking spaces are exempt from the Levy, including, short stay parking spaces, parking spaces used exclusively for residential purpose, and certain other parking spaces, such as those used by ambulances and charitable institutions.

All revenue generated from the Levy will be used to fund metropolitan transport improvements. Each year, \$5 million of the revenue will be provided to the City of Melbourne to fund urban and transport upgrades including a free commuter and visitor shuttle bus to help make getting around the city easier.

The increase in the estimated revenue between 2005-06 and 2006-07 reflects the increase in the levy from \$400 to \$800 from 1 January 2007.

### *Land transfer duty*

Duty is payable on any transaction that results in a change of beneficial ownership of land and associated real assets.

In 2006-07, land transfer duty revenue is expected to be \$2 424 million, a decline of \$36 million (1.5 per cent) from the 2005-06 revised estimate and \$87 million (3.7 per cent) above the level recorded in 2004-05.

Land transfer revenue has been higher than anticipated, with strong first homebuyer activity and an apparent increase in both non-residential property prices and activity over 2005-06. The strength of the high value residential market in terms of price growth and solid activity has also contributed to higher collections and hence higher estimates.

Land transfer revenue is expected to remain broadly flat in both 2006-07 and 2007-08, before returning to a modest growth profile in line with an expected return of house price growth, and transaction volumes increasing as a result of rising household numbers.

As a share of gross state product (GSP), conveyance duty is expected to decline over the projection period.

The rates of conveyancing duty are shown in Table 3.4.

**Table 3.4: Duty on land transfers**

<i>Value of property transferred</i>	<i>Duty payable</i>
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*

Victorian first homebuyers who qualify for the Government's current \$7 000 *First Home Owner Grant* can apply for a \$3 000 *First Home Bonus* for homes valued up to \$500 000. The \$3 000 Bonus will be available until 30 June 2007 (for contracts entered into between 1 May 2004 and 31 December 2005 the *First Home Bonus* was \$5 000).

The Government is also providing first homebuyers with families the option of a full duty concession in lieu of the *First Home Bonus* when they purchase property up to \$150 000 with a partial concession available up to \$200 000.

In addition the Government is raising the thresholds for the pensioner and concession cardholder conveyancing duty concession. From 30 May 2006, a full duty concession is available to eligible pensioners or concession cardholders purchasing property valued up to \$300 000, with a partial concession available up to \$400 000.

### *Rental business duty*

Rental business duty revenue is being abolished from 1 January 2007. As a result revenue in 2006-07 is expected to be \$43 million, some \$14 million (or 24.6 per cent) lower than the 2005-06 revised estimate.

Rental business duty is levied on rental revenue in excess of \$6 000 in any month. The rate of duty is 0.75 per cent of gross rental revenue. Hire purchase agreements are also subject to rental business duty.

### *Other miscellaneous duties*

This category includes revenue 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.

Revenue also includes any minor adjustment amounts relating to property taxes that have been abolished since 2001-02.

Revenue in 2006-07 is expected to be \$9 million, some \$1 million (or 5.7 per cent) higher than the 2005-06 revised estimate.

### *Debits tax*

Debits tax was formerly levied on debits to accounts with a cheque facility. The duty was imposed on all debits of \$1 or more to such accounts, not simply debits made by way of a cheque. As foreshadowed under the IGA and as confirmed at the *Commonwealth State Ministerial Council on Financial Relations* on 26 March 2004, debits tax ceased to apply from 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, taking into account the inflation rate. The revenue is earmarked by the Department of Sustainability and Environment for expenditure on metropolitan parks, gardens and waterways.

Revenue in 2006-07 is expected to be \$97 million, some \$4 million (or 3.9 per cent) higher than the 2005-06 revised estimate due to both annual indexation of the levy combined with increases in the number of properties in the metropolitan area.

### *Property owners contributions to fire brigades*

Municipal councils whose districts are within or partly within the metropolitan area serviced by the metropolitan fire brigade are required by legislation 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 by legislation to pay a contribution.

### ***Financial accommodation levy***

The financial accommodation levy applies to government owned entities declared to be leviable authorities for the purposes of the *Financial Management Act 1994*. The purpose of the levy is to remove the competitive advantage that government entities may experience in borrowing, and is consistent with the competitive neutrality principles as prescribed by the National Competition Policy framework.

Revenue in 2006-07 is expected to be \$16 million, some \$3 million (or 22.8 per cent) higher than the 2005-06 revised estimate. This increase is mainly due to the expected increase in interest bearing liabilities in the water sector which is associated with the expected requirement to fund network growth, infrastructure upgrades and renewal and environmental and recycling projects.

### ***Levies on statutory corporations***

Water authorities are required to pay an annual environmental contribution to fund water related initiatives that seek to promote the sustainable management of water and to improve environmental performance. It is anticipated that approximately \$227 million will be raised from contributions over the period 1 October 2004 to 30 June 2008, with all of this revenue being used to fund water related initiatives.

These revenues will be used to finance various water initiatives, including:

- COAG Living Murray;
- Protecting and Repairing our Water Sources;
- Smart Urban Water Initiatives;
- Smart Farms Sustainable Irrigation, and
- Water Security for Cities, Towns and the Environment.

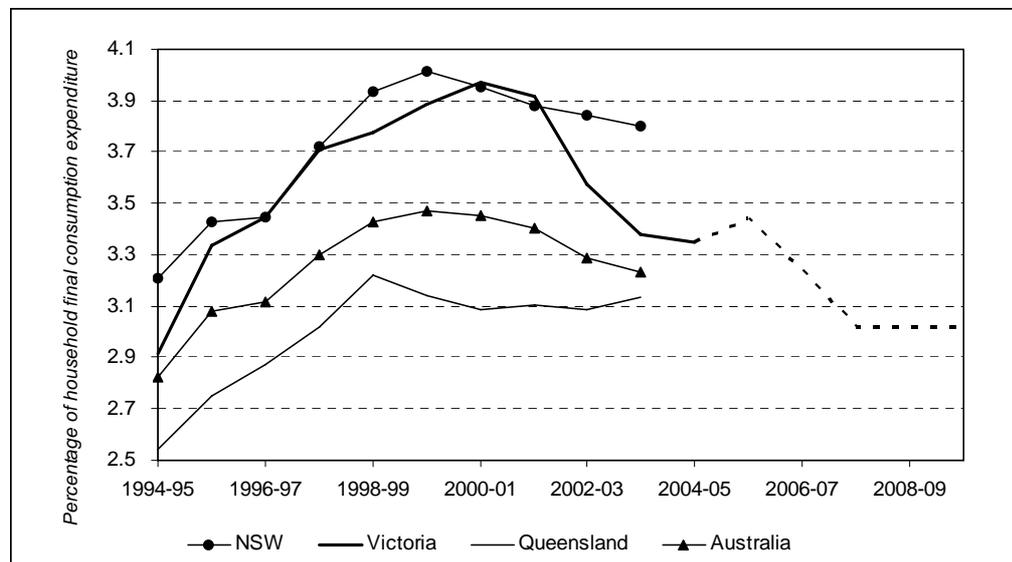
### ***Gambling taxes***

Gambling taxes are imposed on public lotteries, electronic gaming machines (EGMs), the Casino, the racing industry, and some other minor forms of gambling. Most government revenue from these forms of gambling are transferred by standing appropriation to the Hospitals and Charities Fund and the Community Support Fund. In 2006-07, it is estimated that 84.0 per cent of total gambling taxation revenue will be transferred by standing appropriation to these funds.

Between June 2000 and September 2002, total player loss (the difference between the amounts bet and the amounts paid out as prizes) on gambling activities averaged 3.8 per cent of household final consumption expenditure.

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 EGM gambling activity and, to a lesser extent, the Casino. Total player loss has declined to 3.3 per cent of household final consumption expenditure.

**Chart 3.1: Total estimated gambling player loss**



Sources: Office of Economic and Statistical Research(Queensland) Australian Gambling Statistics 1978-79 to 2003-04; Department of Treasury and Finance

The 2006-07 Budget estimates continue to assume that gambling behaviour has now adjusted to the impact of the smoking ban, with gambling player loss, and consequently gambling taxation revenue, remaining permanently lower as a result of the smoking ban.

The Government has announced the introduction of a complete smoking ban within enclosed licensed premises (with some exceptions) from 1 July 2007. The estimated impact of the complete smoking ban and other problem gaming initiatives is to reduce total gambling player loss to 3.0 per cent of household final consumption expenditure, a total decrease of some 21 per cent since the initial smoking ban was introduced in September 2002.

In particular, in 2005-06, it is estimated that the loss of revenue due to the impact of the smoking ban is around \$265 million.

Gambling taxes are expected to grow by 3.9 per cent (\$59 million) in 2006-07 compared to the 2005-06 revised estimate. The main contributor to growth will be an increase in revenue from EGMs (\$45 million or 4.7 per cent), in accordance with estimated growth in household final consumption expenditure.

The health benefit levy of \$3 033.33 on each electronic gaming machine raises \$90 million each year which is transferred into the Hospitals and Charities Fund.

The 2009-10 estimate assumes that gambling behaviour adjusts to the impact of the complete smoking ban, with gambling player loss and taxation revenue, remaining permanently lower.

## ***Taxes on insurance***

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

Duty is payable on the value of premiums 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 \$31 million (5.2 per cent) in 2006-07 compared to the 2005-06 revised estimate. Several factors underpin the expected increase in non-life insurance duty revenue between 2005-06 and 2006-07 including:

- the Victorian economy is expected to grow at 3.25 per cent in 2006-07 compared to 2.75 per cent in 2005-06;
- insurance premium rates are expected to recover from the low/negative growth in 2005-06;
- premiums for domestic insurance classes are expected to grow faster in 2006-07 than 2005-06; and
- the size of premiums reduction for the commercial insurance classes will be much less in 2006-07 than in 2005-06.

Over the forward estimates period, revenue is expected to grow generally in line with economic growth subject to cyclical fluctuations in the insurance market.

### ***Life insurance***

Duty is payable on life insurance policies for the sum insured. Revenue is expected to increase by 5.8 per cent to \$7 million in 2006-07 compared to the 2005-06 revised estimate.

In recent years, life insurance revenue has fallen significantly. The September 2005 Australian Prudential Regulatory Authority report noted the decline in the share of life office superannuation assets as a percentage of total superannuation assets which contributed to a fall in life office premiums during the preceding year. In addition,

the industry structure is also changing with non-investment linked statutory fund assets falling over the year.

### *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.

The introduction from 1 January 2006 of the option for concession card holders to pay their registration in two six-monthly instalments means a non-recurring revenue transfer of approximately \$18 million from the last two quarters of 2005-06 into 2006-07.

Excluding the impact of the introduction of the instalment plan for concession card holders, underlying duty on compulsory third party premium revenue is expected to increase by \$7 million (6.6 per cent) compared to the 2005-06 revised estimate. The growth is generally in line with forecast growth in motor vehicle volumes and registrations combined with annual CPI indexation of premiums. Over the forward estimates period, revenue is forecast to increase in line with motor vehicle volumes and CPI indexation.

### *Insurance contributions to fire brigades*

Insurance companies are required to make contributions towards the availability of the two fire services in Victoria. Like New South Wales, Victoria 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 2006-07, revenue from insurance contributions to fire services is anticipated to increase by \$12 million (3.4 per cent) compared to the 2005-06 revised estimate. The increase between 2005-06 and 2006-07 includes significant investments in the State's emergency services such as modernising statewide emergency services communications and funding increased demands on fire services to respond to new types of major incidents.

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

Motor vehicle taxes include registration fees and motor vehicle duty. In the 2005-06 Budget, drivers' licences and other motor vehicle charges were reclassified to regulatory fees, in accordance with the ABS-GFS classification. In 2006-07 aggregate motor vehicle taxation revenue is expected to grow by \$85 million (6.7 per cent) compared to the 2005-06 revised estimate.

The introduction from 1 January 2006 of the option for concession card holders to pay their registration in two six-monthly instalments means a non-recurring revenue transfer of approximately \$9 million from the last two quarters of 2005-06 into 2006-07.

Excluding the impact of the introduction of the instalment plan for concession card holders, underlying registration fee revenue is forecast to increase by \$45 million (6.5 per cent) between 2005-06 and 2006-07 as a result of continued population growth and increasing motor vehicle ownership along with the indexation of registration fees in line with growth in the consumer price index. Improved compliance measures for ensuring concession card validity are expected to add to revenue during 2006-07.

Revenue from duty on motor vehicle transfers and registrations is expected to increase by \$31 million (5.5 per cent) to \$592 million in 2006-07 as a result of expected higher transaction volumes which are assumed to grow in line with economic activity combined with moderate growth in average duty paid in line with expected growth in consumer prices.

These factors are forecast to continue to influence growth in motor vehicle taxation revenue over the entire forecast period.

### ***Vehicle registration fees***

Pensioner, health care and DVA gold cardholders receive a 50 per cent concession on their motor vehicle registration fee. Pensioner concession cardholders also receive a 50 per cent discount on compulsory third party insurance.

Victorian pensioners continue to be provided with the lowest cost motor vehicle registration and third party insurance package of any State or Territory.

### ***Duty on vehicle registrations and transfers***

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: Motor vehicle duty rates**

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

*Source: Duties Act 2000*

### ***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.

In 2006-07, revenue is anticipated to decrease by \$3 million (3.0 per cent) compared to the 2005-06 revised estimate.

### **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 from fines and regulatory fees is expected to increase by 12.9 per cent to \$832 million in 2006-07. The increase between 2005-06 and 2006-07 largely reflects:

- re-establishment of the Western Ring Road camera network;
- completion of the roll-out of the red light speed camera network; and
- the effect of annual indexation of fees and charges.

**Table 3.6 Fines and regulatory fees**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget	Change <sup>(a)</sup> %
<b>Fines</b>				
Police fines	324.2	316.2	416.0	31.6
Court and other fines	77.2	87.4	90.8	3.9
<b>Total fines</b>	<b>401.4</b>	<b>403.6</b>	<b>506.8</b>	<b>25.6</b>
<b>Regulatory fees</b>	<b>325.4</b>	<b>333.9</b>	<b>325.6</b>	<b>- 2.5</b>
<b>Total fines and regulatory fees</b>	<b>726.9</b>	<b>737.5</b>	<b>832.4</b>	<b>12.9</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2005-06 Revised and 2006-07 Budget.

Revenue from fines has increased from \$301 million in 2002-03 to an estimated \$416 million in 2006-07, an increase of approximately \$29 million (or 9.5 per cent) each year over the last four years.

The decrease in regulatory fees between 2005-06 and 2006-07 largely reflects the cyclical movement in the renewal of driver licences which was partly offset by the effects of annual indexation of the regulatory fees.

From 1 July 2005, receipts collected from traffic camera and on the spot speeding fines have been channelled into improving Victoria's roads through the *Better Roads Victoria Trust Account*. This initiative establishes a transparent link between traffic fines and Government's expenditure on roads, road safety and road maintenance programs.

From 1 January 2006, drivers who have not received any demerit points in the previous three years receive a 25 per cent discount when they renew their driver's licence. This initiative rewards motorists displaying consistent safe driving behaviour and leads to improved road safety throughout the State.

### **Dividends, income tax and rate equivalent revenue**

This category of revenue comprises dividends and income tax and rate equivalent amounts received by the State from government business enterprises.

**Table 3.7 Dividends, income tax and rate equivalent revenue**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget	Change <sup>(a)</sup> %
Dividends	699.9	591.3	769.9	30.2
Income tax and rate equivalent revenue	203.6	235.4	188.2	- 20.0
<b>Total dividends, income tax and rate equivalent revenue</b>	<b>903.5</b>	<b>826.7</b>	<b>958.1</b>	<b>15.9</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2005-06 Revised and 2006-07 Budget.

Revenue in 2006-07 is expected to be \$958 million which is \$131 million (or 15.9 per cent) higher than the 2005-06 revised estimate.

Dividend revenue is expected to increase by \$179 million (30.2 per cent) between 2005-06 and 2006-07. The increase reflects both better than anticipated investment market performance in 2005-06 by the State public financial sector which flows through to increased dividends in 2006-07 combined with increases in dividends from the SECV and water authorities. The increases are partly offset by a decrease in port authority dividends.

Income tax and rate equivalent revenue is expected to decrease by \$47 million (20.0 per cent) in 2006-07 compared to the 2005-06 revised estimate. The decrease largely reflects the non-recurring additional 2005-06 income resulting from the transfer of council assets to the Melbourne Water Corporation.

### Interest revenue

As reported in Table 3.1, interest revenue is estimated to decrease by \$25 million (7.9 per cent) in 2006-07, compared to the revised estimate of \$318 million for 2005-06. This projected decline in interest revenue is primarily due to the reduction in cash and liquid assets as the Government funds its infrastructure program.

### Sale of goods and services

As reported in Table 3.1, revenue from the sale of goods and services is estimated to increase by \$30 million (1.2 per cent) in 2006-07, compared to the revised estimate of \$2 522 million for 2005-06.

Major factors contributing to this change are:

- expected increases in TAFE fees and schools revenue;
- expected increases in hospitals revenue from other parties, including commercial and private practice arrangements, ambulance services and aged care residential services, which provide funding for the health sector. The expected revenue also

includes increased Commonwealth fees received for the provision of hospital services to veterans; and

- the effects of annual indexation of a range of fees and charges;

These increases are largely offset by an expected decrease in external works undertaken by VicRoads in 2006-07 compared to 2005-06.

## Other revenue

Other revenue includes the fair value of assets received free of charge, the inter-sector capital asset charge, royalties and rents, donations and gifts and other miscellaneous income.

**Table 3.8: Other revenue**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget	Change <sup>(a)</sup> %
Fair value of assets free of charge	22.0	22.0	..	- 100.0
Inter sector capital asset charge	778.8	777.4	833.5	7.2
Royalties	55.7	53.1	63.1	18.9
Rents	15.3	15.3	15.4	0.7
Donations and gifts	106.3	127.2	183.4	44.2
Other non-property rental income	0.2	0.2	0.2	..
Other miscellaneous income	687.8	646.7	661.8	2.3
<b>Other revenue</b>	<b>1 666.1</b>	<b>1 641.8</b>	<b>1 757.2</b>	<b>7.0</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2005-06 Revised and 2006-07 Budget.

In 2006-07, other revenue is expected to increase by \$115 million (or 7.0 per cent) compared to the 2005-06 revised estimate.

Major contributions to the increase in other revenue between 2005-06 and 2006-07 are:

- full year impact of the increase, from 1 January 2006, in the brown coal royalty rate to 5.88 cents per gigajoule unit of coal. The new rate better reflects the environmental costs associated with the extraction of a natural resource and ensures that the State receives a fairer share of the returns to the industry from extracting brown coal;
- donations and gifts are estimated to increase by \$56 million (or 44.2 per cent) largely reflecting the introduction of the development contribution which is to be paid by the developers of Melbourne's five designated growth areas as contributions towards the cost of transport, environmental and community infrastructure projects;

- intersector capital asset charge is estimated to increase by \$56 million (7.2 per cent) reflecting increases in the value of assets; and
- other miscellaneous income is estimated to increase by \$15 million (or 2.3 per cent) principally reflecting estimated 2006-07 proceeds from the sale of the Commonwealth Games Village.

## GRANTS

Summary information on the amounts budgeted to be received under the various grant categories in 2005-06 and 2006-07 are shown in Table 3.9.

The detailed estimates provided in this chapter represent the latest information available to the Victorian Government at the time of finalisation of the 2006-07 Budget.

General purpose grants are expected to increase by \$431 million (5.4 per cent) to \$8 469 million reflecting growth in GST grants (generally in line with economic growth) which is partly offset by the Commonwealth's abolition of National Competition Policy grants from 2006-07 onwards.

Specific purpose own use grants are expected to increase by \$169 million (3.9 per cent) largely due to higher funding for education, human services and roads. The increase was partly offset by the non-recurring 2005-06 Commonwealth contribution to the Melbourne 2006 Commonwealth Games.

Specific purpose grants for on passing are forecast to increase by \$81 million (4.5 per cent), largely because of increases in Commonwealth assistance to non-government schools.

**Table 3.9: Grants**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
GST grants	7 854.9	7 850.5	8 469.2	7.9
National Competition Policy	195.5	187.7	..	- 100.0
<b>General purpose grants</b>	<b>8 050.4</b>	<b>8 038.2</b>	<b>8 469.2</b>	<b>5.4</b>
Commonwealth specific purpose grants	3 844.4	3 919.0	3 947.4	0.7
Specific purpose grants for on-passing	1 686.3	1 663.6	1 740.2	4.6
Other current grants	126.7	136.4	146.6	7.5
<b>Total current grants</b>	<b>13 707.7</b>	<b>13 757.2</b>	<b>14 303.5</b>	<b>4.0</b>
<b>Capital grants</b>				
Commonwealth specific purpose grants	341.7	413.2	554.0	34.1
Specific purpose grants for on-passing	132.3	132.5	136.4	3.0
Other capital grants	80.3	79.6	84.1	5.7
<b>Total capital grants</b>	<b>554.3</b>	<b>625.2</b>	<b>774.5</b>	<b>23.9</b>
<b>Total grants</b>	<b>14 262.1</b>	<b>14 382.5</b>	<b>15 077.9</b>	<b>4.8</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2005-06 Revised and 2006-07 Budget.

## **General purpose grants**

General purpose grants to Victoria are made up of GST grants and National Competition Policy payments. Revenue in 2006-07 is expected to increase by \$431 million (5.4 per cent) compared to the 2005-06 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 2006-07, GST grants are expected to increase by \$619 million (7.9 per cent) compared to the 2005-06 revised estimate. This compares with an estimated growth of 6.3 per cent in the estimated total GST pool. Victoria's share of GST growth is higher than overall GST growth because Victoria's share of the GST revenue pool has been revised upward as the result of the CGC's *2006 Update of State Revenue Sharing Relativities*. The increase in Victoria's share of the GST pool was primarily due to the revision of historical compensation for employees data by the Australian Bureau of Statistics rather than improved equity in the methods used to distribute GST grants amongst the jurisdictions.

The *Agreement to Implement National Competition Policy and Related Reforms 1995* provided for a series of competition payments to States and Territories from the Commonwealth. The competition payments were in exchange for implementation of reform commitments contained in this and other agreements that were 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 related to satisfactory progress in implementing these commitments.

The competition payments were 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 2004-05 the Commonwealth Government unilaterally decided to cease making NCP payments to the States and Territories from 2006-07 at an annual cost to Victoria of around \$200 million.

## **Specific purpose operational grants**

Specific purpose operational own use grants in 2006-07 are expected to be \$3 947 million, an increase of \$28 million (or 0.7 per cent) over the 2005-06 revised estimate.

Major increases in grants over the two years are in relation to the Department of Human Services (\$143 million) and the Department of Education and Training (\$23 million).

These increases have been partly offset by decreases in grants to Victorian Communities (\$73 million), Treasury and Finance (\$35 million) and Primary Industries (\$27 million).

**Table 3.10 Specific purpose operational grants – Education and Human Services**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget	Change <sup>(a)</sup> %
<b>Department of Education and Training</b>				
Assistance to government schools	417.9	400.0	415.2	3.8
Commonwealth TAFE	225.7	225.7	229.7	1.8
Strategic assistance for improving student outcomes	66.8	65.7	68.3	4.0
Special learning needs - ESL new arrivals	14.1	14.2	14.7	4.0
All other current grants	17.8	17.4	17.8	2.4
	<b>742.3</b>	<b>722.9</b>	<b>745.8</b>	<b>3.2</b>
<b>Department of Human Services</b>				
Health care grant	2 003.7	2 005.2	2 113.7	5.4
Home and community care	214.5	215.5	230.7	7.1
Housing	206.6	210.2	213.1	1.4
Disability services	131.9	136.2	140.3	3.0
Highly specialised drugs program	108.0	113.0	124.0	9.7
Compensation for extension of pensioner benefits	49.0	49.1	50.3	2.4
Public health outcomes funding agreement	38.6	38.7	39.6	2.3
Supported accommodation assistance	37.6	38.2	38.5	0.8
Immunisation program	23.7	26.7	28.5	6.8
All other current grants	42.0	47.5	44.3	- 6.7
	<b>2 855.5</b>	<b>2 880.3</b>	<b>3 023.0</b>	<b>5.0</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2005-06 Revised and 2006-07 Budget.

### **Education and Training**

Commonwealth funding is provided for a range of Commonwealth and state programs for government and non-government schools, and for vocational education and training. Funds are also provided to support Victoria's participation in national priority programs. These grants are estimated to comprise 18.9 per cent of total operational own use grants to Victoria.

For school programs, the Commonwealth legislates funding allocations quadrennially without predicting likely cost movements over time. Supplementary funding is then provided retrospectively through regulation to meet any changes in costs that have occurred over the period.

Current funding to schools is supplemented according to changes in actual average per student costs in government schools (known as the Average Government School

Recurrent Cost (AGSRC) Index). Capital funding is supplemented in accordance with movements in the Building Price Index with the exception of the Investing in our Schools Program.

Commonwealth financial assistance for schools is appropriated through the *Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Act 2004*. Funding conditions are specified in detail in the Quadrennial Funding Agreement and associated administrative guidelines and regulations. The new Quadrennial Funding Agreement was signed for the 2005-08 quadrennial on 22 June 2005. Victoria is expected to receive \$2.3 billion for government schools under the agreement comprising of \$1.7 billion in general recurrent grants and \$600 million for targeted programs and capital grants.

In 2006-07 assistance to government schools is estimated to be \$746 million, an increase of \$23 million (or 3.2 per cent) on the 2005-06 revised estimate. As mentioned above, these movements relate to the movements in the AGSRC, which is set by the Commonwealth each year.

Commonwealth funding for vocational education and training (VET) is appropriated and distributed under the 2005–08 Commonwealth State Agreement for Skilling Australia’s Workforce, which has replaced the Australian National Training Authority annual agreement. The use of funds is subject to a VET Plan which aligns with national priorities, along with an annual review process with the Australian Government.

### ***Human Services***

The Department of Human Services receives a large number of specific purpose payments from the Commonwealth for various programs. These grants are estimated to comprise 76.6 per cent of all operational own use specific purpose grants to Victoria in 2006-07.

The Health Care grant is provided through the *Australian Health Care Agreement* to assist Victoria to meet the cost of providing public hospital services to eligible persons.

The aim of the *Home and Community Care Program* is to develop and deliver a range of integrated home and community care services to frail older people, people with disabilities and their carers. Services funded by the program include home care, respite, nursing, allied health, personal care, social support and meals. Local governments, district nursing services, community health services and non-government organisations deliver these services, either in the home or in community centres.

The *Commonwealth-State Housing Agreement* provides funding for the provision of long term housing assistance to low income Victorians, including through the public, community and Indigenous housing sectors. The agreement includes commitments to

increase the provision of non-government participation in affordable housing, reduce workforce disincentives for tenants and improve Indigenous housing outcomes.

The *Commonwealth State/Territory Disability Agreement* 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.

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.

Under the arrangement for the extension of pensioner benefits, the Commonwealth compensates State and Territory Governments for extending concessions to eligible pensioners, older long term allowees and beneficiaries.

The *Public Health Outcome Funding Agreement* creates flexible funding and accountability mechanisms to enable Victoria and the Commonwealth to work cooperatively to improve the health and wellbeing of Victorians. This is achieved through the enhanced delivery of public health activities, to adhere to nationally agreed policies and strategies. The broad public health objectives focus on communicable diseases, cancer screening and health risk factors.

This joint Commonwealth State funded Supported Accommodation Assistance Program provides funding for the delivery of homelessness assistance and support services for people experiencing or at risk of homelessness and to those affected by family violence. These services provide crisis accommodation directly, access transitional housing management services for short to medium term accommodation and support to help people move to sustainable, long term housing options.

The Australian Immunisation Agreement provides funding and accountability mechanisms to enable Victoria and the Commonwealth to work cooperatively to prevent major vaccine preventable diseases. This is achieved through the provision of free immunisation of eligible cohorts and minimisation of vaccine wastage.

In 2006-07, grants for human services in Victoria are estimated to be \$3 023 million, an increase of \$143 million (or 5.0 per cent) compared to the 2005-06 revised estimate with major changes occurring in:

- Health care grant which is expected to increase by \$109 million (or 5.4 per cent) due to population and demand growth and cost indexation;

- Home and Community Care grants are expected to increase by \$15 million (or 7.1 per cent) reflecting an expansion of the program by the Commonwealth; and
- Highly Specialised Drugs Program grant is expected to increase by \$11 million (or 9.7 per cent) reflecting the expansion of the Pharmaceutical Benefits Scheme.

***Other operational grants***

Operational specific purpose grants for all other departments in 2006-07 are expected to be \$179 million, an overall decrease of \$137 million (or 43.4 per cent) compared to the 2005-06 revised estimate.

**Table 3.11 Specific purpose operational grants – Other Departments**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget	Change <sup>(a)</sup> %
<b>Department of Infrastructure</b>	<b>9.5</b>	<b>12.0</b>	<b>12.3</b>	<b>2.5</b>
<b>Department of Innovation, Industry and Regional Development</b>	<b>0.1</b>	<b>0.2</b>	<b>..</b>	<b>- 100.0</b>
<b>Department of Justice</b>				
Compensation for transfer of corporate regulatory function to Commonwealth	44.1	47.5	48.7	2.5
Legal Aid	28.9	28.9	28.9	..
All other current grants	1.0	1.0	1.0	..
	<b>74.0</b>	<b>77.4</b>	<b>78.6</b>	<b>1.5</b>
<b>Department of Primary Industries</b>				
Exceptional circumstances relief payments	8.0	34.8	8.0	- 77.0
All other current grants	3.7	3.7	3.7	..
	<b>11.7</b>	<b>38.5</b>	<b>11.7</b>	<b>- 69.6</b>
<b>Department of Sustainability and Environment</b>				
National Heritage Trust	29.5	33.8	27.3	- 19.3
National Action Plan - Salinity and Water Quality	22.5	30.8	22.4	- 27.3
Regional Development Program	..	4.1	26.1	544.1
National Water Initiative - Living Murray	..	10.8	..	- 100.0
All other current grants	1.8	..	..	..
	<b>53.8</b>	<b>79.4</b>	<b>75.8</b>	<b>- 4.6</b>
<b>Department of Treasury and Finance</b>				
Borrowing cost compensation	34.9	34.9	..	- 100.0
All other current grants	0.3	0.1	0.3	363.7
	<b>35.2</b>	<b>35.0</b>	<b>0.3</b>	<b>- 99.3</b>
<b>Department for Victorian Communities</b>				
Commonwealth contribution - Melbourne 2006 Commonwealth Games	62.3	72.9	..	- 100.0
All other current grants	..	0.4	..	..
	<b>62.3</b>	<b>73.3</b>	<b>..</b>	<b>- 100.0</b>
<b>Total</b>	<b>246.6</b>	<b>315.8</b>	<b>178.6</b>	<b>- 43.4</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2005-06 Revised and 2006-07 Budget.

Major variations to current specific purpose grants to other departments between 2005-06 and 2006-07 are:

- non-recurring 2005-06 Commonwealth funding towards the *Melbourne 2006 Commonwealth Games* which were hosted by Melbourne in March 2006;

- non-recurring 2005-06 borrowing cost compensation to Victoria where the basis of the compensation was set out in an agreement between the Commonwealth and Victoria, referred to in section 10 of the Schedule to the *Financial Agreement Act 1994*. The debt arrangements between the Commonwealth and Victoria ceased in 2005-06 with a final balloon payment to Victoria;
- exceptional circumstances relief payment grants represent the Commonwealth's share of interest rate subsidies for Victorian farms in municipalities enduring hardship resulting from a range of conditions, including drought. The requirement for these grants is expected to decline by \$27 million (77.0 per cent) in 2006-07 compared to 2005-06. The forecast decline in 2006-07 is primarily driven by the fact that of the nine current Victorian exceptional circumstances declared regions, six will expire before December 2006, one will expire in February 2007 and the last two in early June 2007. The forecast revenue decline is predicated on the assumption that none of the exceptional circumstance declarations are extended; and
- while total Sustainability and Environment grants remain largely unchanged between 2005-06 and 2006-07, there are significant variations between individual grants reflecting the changed focus between the programs. The major change relate to the increase in Regional development projects, and the slowing down of the Salinity, Living Murray and general national heritage trust projects.

### **Specific purpose capital grants**

Capital specific purpose grants in 2006-07 are expected to be \$554 million, an increase of \$141 million (or 34.1 per cent) compared to the 2005-06 revised estimate.

**Table 3.12: Specific purpose capital grants**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget	Change <sup>(a)</sup> %
<b>Department of Education and Training</b>				
Government Schools	60.4	61.2	62.6	2.4
Investing in our schools	..	49.1	78.5	59.8
Commonwealth TAFE	42.5	42.5	42.5	..
	<b>102.9</b>	<b>152.8</b>	<b>183.6</b>	<b>20.2</b>
<b>Department of Human Services</b>				
Pathways Home	3.4	3.4	14.0	311.7
Commonwealth radiology funding	6.0	12.0	..	- 100.0
All other capital grants	2.8	1.4	0.8	- 39.7
	<b>12.2</b>	<b>16.8</b>	<b>14.9</b>	<b>- 11.4</b>
<b>Department of Infrastructure</b>				
<b>Roads</b>	<b>224.6</b>	<b>234.6</b>	<b>313.7</b>	<b>33.7</b>
<b>Department of Sustainability and Environment</b>				
<b>Wimmera Mallee pipeline</b>	<b>2.0</b>	<b>9.0</b>	<b>41.8</b>	<b>363.9</b>
<b>Total</b>	<b>341.7</b>	<b>413.2</b>	<b>554.0</b>	<b>34.1</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2005-06 Revised and 2006-07 Budget.

### **Education and Training**

In 2006-07 capital funding for government schools and TAFE is estimated to be \$184 million, with an increase of \$31 million (or 20.2 per cent) within the schools sector, compared to the revised 2005-06 estimate. This primarily relates to the new *Investing in our Schools Program* Funding Agreement between the Commonwealth and the Department of Education and Training. The focus for this program is on delivering small scale projects which improve and enhance the infrastructure of schools in accordance with priorities identified by school communities.

### **Human Services**

Pathways Home is part of the Australian Health Care Agreement 2003-2008 and is aimed at providing greater focus on the care and services provided to support the transition of patients from hospital to home. In 2006-07 funding for this program is expected to increase by \$11 million reflecting the cash flow requirements to deliver this five-year project.

Commonwealth Radiology funding in 2006-07 is expected to decrease by \$12 million representing the conclusion of the Commonwealth's contribution towards this program after 2005-06.

## **Infrastructure**

The Commonwealth contributes roads funding through *AusLink*, the new integrated approach to road and rail development launched in June 2004. *AusLink* provides for funding to key road and rail links throughout Australia that are of national significance. Through *AusLink*, the Commonwealth has committed over \$1.5 billion over five years to the development of Victorian road and rail infrastructure.

Major roads included in the *AusLink* national network are the Hume Highway, Western Highway, Princes Freeway, Monash Freeway and Calder Freeway. Rail links between Geelong and Mildura, Melbourne, Sydney and Adelaide are also included in the national network.

In 2006-07, roads grants are estimated to be \$314 million, an increase of \$79 million (or 33.7 per cent) compared to revised 2005-06 funding. The amount of funding received each year varies depending on project timelines. In 2006-07, new and increased funding is to be provided for the Geelong Bypass, Dynon intermodal precinct, and the Deer Park Bypass.

## **Sustainability and Environment**

In 2006-07 capital funding for the Wimmera-Mallee pipeline is estimated to be \$42 million, an increase of \$33 million compared to the revised 2005-06 estimate. The increase between 2005-06 and 2006-07 is essentially a readjustment of cash flows to provide indicative numbers pending final negotiations with the Commonwealth prior to signing an Inter-Governmental Agreement on the pipeline construction.

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

The State also receives specific purpose grants which are 'on passed' to various bodies such as non-government schools and local government authorities. In such cases, the State simply acts as the vehicle for distributing the Commonwealth funds.

Specific purpose grants for on passing in 2006-07 are estimated to be \$1 877 million, an increase of some \$81 million (or 4.5 per cent) on the 2005-06 revised estimate.

**Table 3.13: Specific purpose grants for on-passing**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	2006-07 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
Assistance to non-government schools	1 343.6	1 318.2	1 385.9	5.1
Financial assistance grants to local government	278.0	278.0	288.0	3.6
Targetted programs for non-government schools	64.7	67.4	66.4	- 1.5
<b>Total current grants</b>	<b>1 686.3</b>	<b>1 663.6</b>	<b>1 740.2</b>	<b>4.6</b>
<b>Capital grants</b>				
Identified local roads grants to local government	102.5	102.9	106.2	3.1
Non-government schools	29.9	29.5	30.2	2.4
<b>Total capital grants</b>	<b>132.3</b>	<b>132.5</b>	<b>136.4</b>	<b>3.0</b>
<b>Total grants</b>	<b>1 818.6</b>	<b>1 796.1</b>	<b>1 876.6</b>	<b>4.5</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2005-06 Revised and 2006-07 Budget.

### **Assistance for non-government schools**

Assistance is provided to non-government schools for operating and capital costs of school education. It is a major revenue source for a large proportion of non-government schools. Under the Commonwealth's socio-economic status (SES) of school communities model, the minimum funding entitlement on a per student basis is set at 13.7 per cent of the Average Government School Recurrent Costs (AGSRC), and payable to schools with an SES score of 130 points or more. The maximum payment is set at 70 per cent of the AGSRC and payable to schools with SES scores of 85 points or below.

Operational and capital funding to non-government schools is expected to increase by \$67 million (4.8 per cent) in 2006-07, compared to the 2005-06 revised estimate primarily reflecting an increase in the operational Grants to Non-Government Schools. This movement in the General Recurrent Grant for non-government schools is also product of the movements in the AGSRC.

### **Financial assistance grants 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 \$10 million (3.6 per cent) between 2005-06 and 2006-07, reflecting an upwards revision of the Commonwealth's estimates of CPI and population growth.

**Identified local roads grants to local government**

Funding to local councils is provided on a per capita and road length basis pursuant to the *Local Government (Financial Assistance) Act 1995*. The increased funding of \$3 million (or 3.1 per cent) forecast to be provided in 2006-07 reflects the Commonwealth's upwards estimates of CPI and population growth.

## CHAPTER 4 – TAX EXPENDITURES AND CONCESSIONS

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### TAX EXPENDITURES

Tax expenditures are tax concessions granted to certain taxpayers, activities or assets, which are a deviation from the normal taxation treatment. This includes tax-free thresholds and can also take the form of exempting or applying a lower rate, 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 expenditure estimates by the main categories of tax for the period 2005-06 to 2009-10. Total estimated tax expenditures are expected to decrease by \$43 million between 2005-06 and 2009-10. Land tax expenditures are expected to decline in 2006-07 before increasing again but remaining below their 2005-06 levels by 2009-10. Payroll tax expenditure estimates are expected to increase steadily over the forward years, reflecting ongoing strength in employment and wage growth which will be partly offset by reductions in the payroll tax rate. Estimates of gambling tax expenditures are expected to fall slightly in 2007-08, with the further implementation of smoking bans, before increasing again thereafter.

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

<i>Description</i>	<i>(\$ million)</i>				
	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>
	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Land tax	1 598	1 507	1 528	1 585	1 560
Payroll tax	670	681	693	711	737
Gambling tax	75	79	75	80	85
Other stamp duties	303	178	178	178	179
Motor vehicle taxes	67	69	73	76	80
Congestion levy	25	50	51	52	54
<b>Total estimated tax expenditures</b>	<b>2 737</b>	<b>2 563</b>	<b>2 598</b>	<b>2 683</b>	<b>2 694</b>

*Source: Department of Treasury and Finance*

Table 4.2 lists the estimated individual tax expenditures that can be costed for the period 2005-06 to 2009-10 (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 \$4.3 billion in 2006-07, growing to \$4.4 billion by 2009-10.

Several initiatives have been announced in the 2006-07 Budget, which will have implications for tax expenditure estimates, including:

- further reductions in land tax rates, which will lead to a reduction in land tax expenditure estimates from 2006-07 onwards;
- reductions in the payroll tax rate, which will also lead to reductions in estimated payroll tax expenditure estimates from 2006-07 onwards relative to the 2005-06 Budget Update;
- the Government is raising the thresholds for the pensioner and concession cardholder conveyancing duty concession. From 30 May 2006, a full stamp duty concession will be available to eligible pensioners or concession cardholders purchasing property valued up to \$300 000, with a partial concession available up to \$400 000; and
- the Government is also providing first homebuyers with families the option of a full stamp duty concession in lieu of the First Home Bonus when they purchase property valued up to \$150 000, with a partial concession available up to \$200 000.

Improved State Revenue Office methodologies and data collection have changed estimates of several land tax expenditures. In particular, the estimates for crown property, principal place of residence and land used for primary production have been revised upwards since the 2005-06 Budget.

Congestion levy tax expenditures did not appear in the 2005-06 Budget as the impact was still being assessed. The congestion levy applies to long-stay car parking spaces within a boundary that includes the CBD grid and adjacent highly congested areas such as Southbank, Docklands and St Kilda Road precincts. Congestion levy tax expenditures relate to exemptions within the boundary. Various car parking spaces are exempt from the levy, including, short stay parking spaces, parking spaces used exclusively for residential purpose, and certain other parking spaces, such as those used by ambulances and charitable institutions. Congestion levy tax expenditures are expected to be \$25 million in 2005-06, rising to \$50 million 2006-07 (in line with the doubling of the levied amount) and increasing to \$54 million in 2009-10.

Corporate reconstruction comprises the majority of tax expenditures in other stamp duties. Due to the tendency for the overall estimate to be influenced by large, one-off exemptions, the actual tax expenditure can vary significantly from year to year. This means that actual exemptions may differ significantly from estimates. The larger value for other stamp duties in 2005-06 reflects a single large exemption for corporate reconstruction in the September quarter 2005.

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

<i>Description</i>	<i>(\$ million)</i>				
	<i>2005-06 Estimate</i>	<i>2006-07 Estimate</i>	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>	<i>2009-10 Estimate</i>
<b>Land tax exemptions</b>					
Crown Property (right of Victoria)	385	346	351	365	359
Principal place of residence	502	486	493	511	503
Land held in trust for public or municipal purposes or vested in any municipality	127	123	125	130	128
Land used by a charitable institution	88	86	87	90	89
Commonwealth land	111	99	101	105	103
Land used for primary production	159	154	156	162	159
Land vested in a public statutory authority	99	89	90	93	92
Land used for the City Link network	13	11	12	12	12
Land used for EastLink	10	10	10	10	10
Assessment on a single holding basis for land owned by a municipality	4	4	4	4	4
Partial exemption for non-profit organisations solely for social, sporting, cultural, literary purposes; or horse, pony or harness racing	21	20	20	21	21
Assessment on a single holding basis for land owned by a charity	9	9	9	9	9
Retirement villages	18	18	18	19	18
Non-profit organisation providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	19	18	18	19	19
Friendly societies	12	12	12	12	12
Associations of ex-servicemen	12	12	12	13	12
Caravan parks	3	3	3	3	3
Low-cost accommodation	2	2	2	2	2
Residential care facilities	5	5	5	5	5
Threshold for aggregated site value below \$200 000	42	41	41	43	42
<b>Total land tax expenditures</b>	<b>1640</b>	<b>1547</b>	<b>1569</b>	<b>1627</b>	<b>1602</b>
<b>Payroll tax exemptions</b>					
Wages paid by public hospitals	202	205	208	214	221
Wages paid by a public benevolent institution/charity	180	183	186	190	197
Wages paid by a non-profit, non-public school	101	103	104	107	110
Commonwealth departments/agencies (not transport and communication)	41	42	44	45	47
Wages paid by non-profit hospitals	39	40	41	42	43
Municipal councils (not wages for trading activities)	83	84	85	87	90

**Table 4.2: Tax expenditures that can be costed (including thresholds) – (continued)**

Description	(\$ million)				
	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986</i>	17	17	19	19	21
Religious institutions	4	4	4	4	4
Construction industry leave entitlements paid by CoINVEST	1	1	2	2	2
Paid maternity leave	1	1	1	1	1
Government school councils	..	..	..	..	..
Employers' payroll below \$550 000	1705	1709	1714	1711	1703
<b>Total payroll tax expenditures</b>	<b>2375</b>	<b>2390</b>	<b>2407</b>	<b>2422</b>	<b>2440</b>
<b>Congestion levy tax exemptions</b>					
Residential	6	11	12	12	12
Commercial and private	15	30	31	32	33
Short stay car parks	4	8	8	9	9
<b>Total congestion levy tax exemptions</b>	<b>25</b>	<b>50</b>	<b>51</b>	<b>52</b>	<b>54</b>
<b>Gambling tax exemptions</b>					
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	75	79	75	80	85
<b>Total gambling tax expenditures</b>	<b>75</b>	<b>79</b>	<b>75</b>	<b>80</b>	<b>85</b>
<b>Other stamp duties exemptions</b>					
Stamp duty for corporate reconstruction	266	133	133	133	133
Conveyance duty concession for first home buyers with families	..	..	..	..	..
Conveyance duty concession for pensioners and concession cardholders	38	45	45	46	46
<b>Total other stamp duties expenditures</b>	<b>303</b>	<b>178</b>	<b>178</b>	<b>178</b>	<b>179</b>
<b>Motor vehicle tax expenditures</b>					
Motor vehicle registration fee for eligible beneficiaries	61	63	66	70	74
Registration fee for primary production vehicle (4.5 tonnes or less)	4	4	4	4	4
Registration fee concession for commercial school buses	1	1	1	1	1
Exemption for non-commercial vehicle owned by an incapacitated war service pensioner	1	1	1	1	1
Motor vehicle duty concession for incapacitated and disabled persons	..	..	..	..	..
<b>Total motor vehicle tax expenditures</b>	<b>67</b>	<b>69</b>	<b>73</b>	<b>76</b>	<b>80</b>
<b>Total estimated tax expenditures</b>	<b>4 485</b>	<b>4 314</b>	<b>4 353</b>	<b>4 436</b>	<b>4 439</b>

Source: Department of Treasury and Finance

The ratio of tax expenditures to tax revenue in 2005-06 is estimated at 25 per cent (Table 4.3), compared with 22 per cent in 2004-05. This increase is mainly associated with upward revisions to land tax expenditure estimates following improvements in estimation techniques and data collection.

**Table 4.3: Estimated aggregate tax expenditures (excluding thresholds) and tax revenue in 2005-06**

<i>Description</i>	<i>(\$ million)</i>		
	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	1598	772	2.07
Payroll tax	670	3 357	0.20
Gambling tax	75	1 497	0.05
Other stamp duties	303	2 527	0.12
Motor vehicle taxes	67	1 254	0.05
Congestion levy	25	19	1.29
Other/miscellaneous	..	1 344	..
<b>Total for items estimated</b>	<b>2 737</b>	<b>10 770</b>	<b>0.25</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. A single large tax exemption for corporate reconstruction is the reason for the larger figure for business in 2005-06. Increases in tax expenditures for hospitals, charitable organisations and property owners are expected to drive the increase in tax expenditures out to 2009-10.

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

<i>Description</i>	<i>(\$ million)</i>				
	<i>2005-06 Estimate</i>	<i>2006-07 Estimate</i>	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>	<i>2009-10 Estimate</i>
Business	333	224	227	230	232
Construction industry	1	1	2	2	2
Charitable organisations	277	277	281	289	294
Educational institutions	102	104	105	108	112
Gambling clubs	75	79	75	80	85
Commonwealth and state government	635	577	586	608	600
Local government	214	211	214	221	222
Hospitals	242	245	249	255	264
Pensioners/concession cardholders	130	139	142	147	152
Property owners	509	493	500	518	510
Primary producers	163	158	160	166	163
Religious institutions	4	4	4	4	4
Sporting, recreation and cultural organisations	39	38	39	40	39
Other	14	14	14	14	14
<b>Total for items estimated</b>	<b>2737</b>	<b>2563</b>	<b>2598</b>	<b>2683</b>	<b>2694</b>

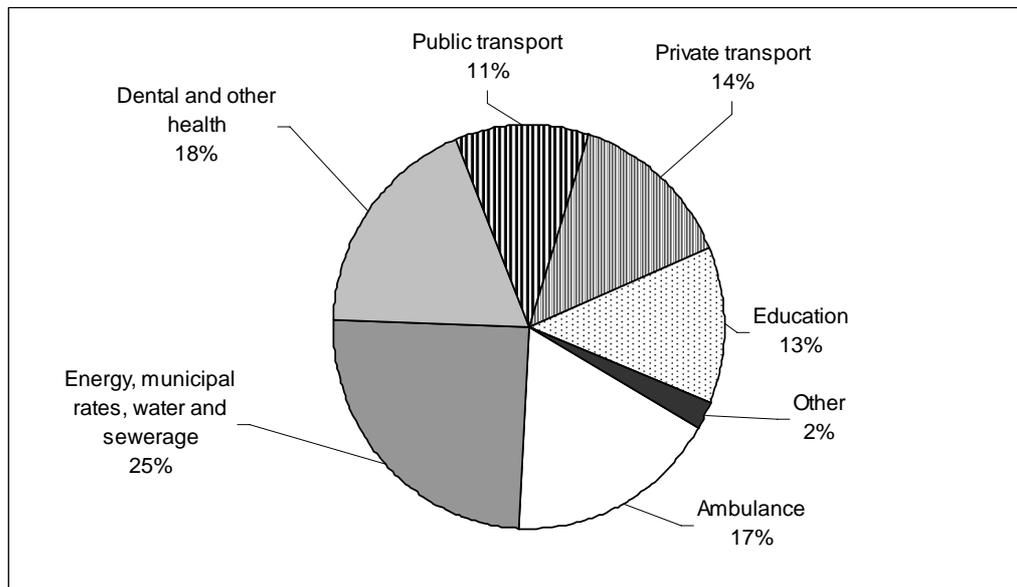
*Source: Department of Treasury and Finance*

## CONCESSIONS

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

Chart 4.1 shows the estimated expenditure on concessions by category for 2005-06. The majority of concessions are concentrated in health, accounting for 36 per cent of total concessions. Transport and Energy, municipal rates, water and sewerage both represent 25 per cent of total concessions. Education comprises 13 per cent of total concessions and other concessions represent 2 per cent.

**Chart 4.1: Estimated concessions by category 2005-06**



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

Table 4.5 classifies the major concessions provided by the Victorian Government by the various categories. The estimated total value of major concessions in 2005-06 is \$977 million, up from \$917 million in 2004-05.

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

<i>Description</i>	<i>(\$ million)</i>		
	<i>2004-05 Actual</i>	<i>2005-06 Estimate</i>	<i>2006-07 Estimate</i>
Energy, municipal rates, water and sewerage	239	241	252
Education	114	123	126
Health	323	349	359
Hardship assistance	21	22	22
Transport	220	241	250
<b>Total for items estimated</b>	<b>917</b>	<b>977</b>	<b>1 009</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 2004-05 and 2005-06 figures.*

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 holders, as well as school, community and specialist dental services and optical concessions. Health also includes the community health programs.

The hardship assistance programs category includes 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. Trustee services include the provision of administration services for people unable to manage their own financial affairs.

Transport concessions consist of a discount on Transport Accident Commission premiums for pensioners and funding for the multi-purpose taxi program, as well as public transport concessions.



## CHAPTER 5 – PUBLIC ACCOUNT

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The Public Account is the Government's official bank account. The Public Account holds the cash balances of the Consolidated Fund and the Trust Fund.

The Public Account is maintained at one or more deposit-taking institutions, as required by the *Financial Management Act 1994* (FMA). The State's financial transactions on the Public Account are recorded in a public ledger.

The FMA also provides for:

- temporary advances from the Public Account for a number of purposes related to the needs of the Government;
- investment of the Public Account in trustee securities; and
- temporary borrowings, should the balance in the Consolidated Fund be insufficient to meet commitments during a financial year.

### CONSOLIDATED FUND

The Consolidated Fund is the Government's primary financial account, established by the FMA, and receives all Consolidated Revenue under the *Constitution Act 1975* from which payments, appropriated by the Parliament, are made.

### THE TRUST FUND

Within the Public Account, the Trust Fund embraces a range of special purpose accounts established for funds that are not necessarily subject to State appropriation. Examples of these accounts include specific purpose payments from the Commonwealth on passed by the State to third parties, accounts holding balances in suspense accounts for accounting purposes, working accounts for commercial and departmental service units, and accounts facilitating the receipt and disbursement of private funds held by the State in trust. Additional funds may also be established within the Trust Fund to receive State revenues hypothecated to particular purposes (e.g. lotteries revenue for hospitals and charities).

**Table 5.1: The Consolidated Fund**

Estimated receipts and payments for the year ending 30 June 2006 and for the year ending 30 June 2007.

(\$ million)			
	2005-06 Budget	2006-07 Budget	Variation %
<b>Receipts</b>			
Taxation	10 296	11 099	7.8
Fines and regulatory fees	502	541	7.8
Grants received	11 945	12 676	6.1
Sales of goods and services (including Section 29 FMA annotated)	641	688	7.2
Interest received	150	60	(60.2)
Public authority income	1 047	966	(7.7)
Other receipts	2 632	2 862	8.7
<b>Total operating activities</b>	<b>27 214</b>	<b>28 891</b>	<b>6.2</b>
<b>Total cash inflows from investing and financing</b>	<b>35</b>	<b>77</b>	<b>121.6</b>
<b>Total receipts</b>	<b>27 249</b>	<b>28 968</b>	<b>6.3</b>
<b>Payments</b>			
Special appropriations	1 571	1 543	(1.8)
Appropriations <sup>(a)</sup>			
Provision of outputs	22 383	24 027	7.3
Additions to the net asset base	1 443	1 577	9.3
Payments made on behalf of the State	1 454	1 631	12.2
Receipts credited to appropriation			
Provision of outputs	1 634	1 818	11.3
Additions to the net asset base	88	259	194.7
<b>Sub total</b>	<b>28 572</b>	<b>30 854</b>	<b>8.0</b>
Applied appropriations remaining unspent	( 337)	( 328)	(2.9)
<b>Total payments</b>	<b>28 235</b>	<b>30 527</b>	<b>8.1</b>

Source: Department of Treasury and Finance

Note:

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

**Table 5.2: Consolidated Fund receipts**

	(\$ thousand)		
	2005-06 Budget	2006-07 Budget	Variation %
<b>Operating receipts</b>			
<b>Taxation</b>			
Payroll tax	3 554 140	3 815 290	7.3
Land Tax	824 260	747 760	(9.3)
Congestion levy <sup>(a)</sup>	19 400	38 800	100.0
Duties from financial and capital transactions <sup>(b)</sup>			
Land transfer duty	2 074 616	2 473 900	19.2
Other duties	63 600	47 475	(25.4)
Financial accommodation levy	10 196	16 375	60.6
Debits tax <sup>(c)</sup>	21 500	..	(100.0)
Levies on Statutory Corporations	60 400	60 400	..
Gambling			
Private lotteries	360 500	355 700	(1.3)
Electronic gaming machines	931 000	1 006 400	8.1
Casino taxes	113 500	118 100	4.1
Racing	116 470	119 000	2.2
Other gambling	3 340	3 500	4.8
Insurance	724 000	755 300	4.3
Motor vehicle			
Road Safety Act (Registration Fees)	703 300	751 628	6.9
Duty on vehicle registrations and transfers	594 900	591 500	(0.6)
Liquor licence fees	7 200	7 400	2.8
Other taxes <sup>(d)</sup>	114 000	190 900	67.5
<b>Total</b>	<b>10 296 322</b>	<b>11 099 428</b>	<b>7.8</b>
<b>Fines and regulatory fees</b>			
Fines	343 495	402 228	17.1
Regulatory fees	158 212	138 381	(12.5)
<b>Total</b>	<b>501 707</b>	<b>540 609</b>	<b>7.8</b>
<b>Grants received</b>			
<b>Grants received by department</b>			
Department of Education and Training	570 302	650 612	14.1
Department of Human Services	2 867 727	3 037 896	5.9
Department of Infrastructure	234 110	326 020	39.3
Department of Innovation, Industry and Regional Development	5 120	5 000	(2.3)
Department of Justice	45 053	49 641	10.2
Department of Premier and Cabinet	..	..	..
Department of Primary Industries	19 400	20 400	5.2
Department of Sustainability and Environment	55 790	117 539	110.7
Department of Treasury and Finance	8 085 330	8 469 200	4.7
Department for Victorian Communities Parliament	62 323	..	(100.0)
<b>Total</b>	<b>11 945 155</b>	<b>12 676 308</b>	<b>6.1</b>

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

(\$ thousand)

	2005-06 Budget	2006-07 Budget	Variation %
<b>Sales of goods and services</b>	<b>641 474</b>	<b>687 565</b>	<b>7.2</b>
<b>Interest received</b>	<b>150 384</b>	<b>59 845</b>	<b>(60.2)</b>
<b>Public authority income</b>			
Public authority dividends	699 562	769 694	10.0
Public authorities income tax equivalent receipts	343 785	193 340	(43.8)
Public authorities local government tax equivalent receipts	3 182	2 660	(16.4)
<b>Total</b>	<b>1 046 529</b>	<b>965 694</b>	<b>(7.7)</b>
<b>Other receipts</b>			
Land rent received	14 864	14 871	..
Royalties received	55 411	62 808	13.4
Other <sup>(e)</sup>	2 562 077	2 784 092	8.7
<b>Total</b>	<b>2 632 352</b>	<b>2 861 771</b>	<b>8.7</b>
<b>Total operating activities</b>	<b>27 213 923</b>	<b>28 891 221</b>	<b>6.2</b>
<b>Cash inflows from investing and financing</b>			
Other loans	594	608	2.4
Other	34 075	76 209	123.7
<b>Total cash inflows from investing and financing</b>	<b>34 669</b>	<b>76 817</b>	<b>121.6</b>
<b>Total Consolidated Funds receipts</b>	<b>27 248 592</b>	<b>28 968 038</b>	<b>6.3</b>

Source: Department of Treasury and Finance

Notes:

- (a) Long stay car parks levy has been renamed as Congestion levy.
- (b) Stamp Duty has now been renamed as Duties from Financial and Capital Transactions.
- (c) Financial transaction taxes has been renamed as Debit tax. (This tax was abolished on 1 July 2005).
- (d) Other taxes include Concessional Fees (Transurban).
- (e) Includes capital assets charge.

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

(\$ thousand)

	2005-06 Budget	2006-07 Budget	Variation %
<b>Education and Training</b>			
Special appropriations	250	250	..
Annual appropriations <sup>(a)</sup>	6 689 761	7 219 739	7.9
<b>Total</b>	6 690 011	7 219 989	7.9
<b>Human Services</b>			
Special appropriations	1 112 000	1 167 800	5.0
Annual appropriations <sup>(a)</sup>	9 544 556	10 099 528	5.8
<b>Total</b>	10 656 556	11 267 328	5.7
<b>Infrastructure</b>			
Special appropriations	1 700	1 700	..
Annual appropriations <sup>(a)</sup>	3 701 289	4 293 166	16.0
<b>Total</b>	3 702 989	4 294 866	16.0
<b>Innovation, Industry and Regional Development</b>			
Special appropriations	..	..	..
Annual appropriations <sup>(a)</sup>	414 942	446 612	7.6
<b>Total</b>	414 942	446 612	7.6
<b>Justice</b>			
Special appropriations	109 916	137 579	25.2
Annual appropriations <sup>(a)</sup>	2 658 285	2 989 782	12.5
<b>Total</b>	2 768 201	3 127 361	13.0
<b>Premier and Cabinet</b>			
Special appropriations	5 195	10 658	105.2
Annual appropriations <sup>(a)</sup>	501 783	493 185	(1.7)
<b>Total</b>	506 978	503 843	(0.6)
<b>Primary Industries</b>			
Special appropriations	..	..	..
Annual appropriations <sup>(a)</sup>	386 394	503 444	30.3
<b>Total</b>	386 394	503 444	30.3
<b>Sustainability and Environment</b>			
Special appropriations	..	..	..
Annual appropriations <sup>(a)</sup>	876 148	1 049 030	19.7
<b>Total</b>	876 148	1 049 030	19.7
<b>Treasury and Finance</b>			
Special appropriations	224 424	98 315	(56.2)
Annual appropriations <sup>(a)</sup>	1 526 699	1 742 091	14.1
<b>Total</b>	1 751 123	1 840 406	5.1
<b>Victorian Communities</b>			
Special appropriations	98 254	106 554	8.4
Annual appropriations <sup>(a)</sup>	608 526	371 401	(39.0)
<b>Total</b>	706 780	477 955	(32.4)
<b>Parliament</b>			
Special appropriations	19 407	20 063	3.4
Annual appropriations <sup>(a)</sup>	92 857	103 506	11.5
<b>Total</b>	112 264	123 569	10.1
<b>Total special appropriations</b>	<b>1 571 146</b>	<b>1 542 919</b>	<b>(1.8)</b>
<b>Total annual appropriations</b>	<b>27 001 240</b>	<b>29 311 485</b>	<b>8.6</b>
<b>Total appropriations</b>	<b>28 572 386</b>	<b>30 854 404</b>	<b>8.0</b>

Source: Department of Treasury and Finance

Note:

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

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

	(\$ thousand)		
	2005-06 Budget	2006-07 Budget	Variation %
<b>Education and Training</b>			
Education Act No. 6240, Section 34 - Volunteer Workers Compensation	250	250	..
<b>Total</b>	<b>250</b>	<b>250</b>	<b>..</b>
<b>Human Services</b>			
Casino Control Act No. 47 of 1991, Section 114 - Hospitals and Charities Fund	9 900	10 800	9.1
Casino Control Act No. 47 of 1991, Section 114B - Hospitals and Charities Fund	7 550	7 500	(0.7)
Gambling Regulation Act No. 114 of 2003, Section 3.6.4 - Hospitals and Charities Fund	82 850	82 200	(0.8)
Gambling Regulation Act No. 114 of 2003, Section 3.6.11 - Hospitals and Charities Fund and Mental Health Fund	580 900	636 700	9.6
Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 - Hospitals and Charities Fund	114 500	119 000	3.9
Gambling Regulation Act No. 114 of 2003, Section 5.4.6 - Hospitals and Charities Fund and Mental Health Fund	314 700	310 100	(1.5)
Gambling Regulation Act No. 114 of 2003, Section 6.3.3 - Hospitals and Charities Fund and Mental Health Fund	1 600	1 500	(6.3)
<b>Total</b>	<b>1 112 000</b>	<b>1 167 800</b>	<b>5.0</b>
<b>Infrastructure</b>			
Transport Act No. 9921 of 1983, Section 213A	1 700	1 700	..
<b>Total</b>	<b>1 700</b>	<b>1 700</b>	<b>..</b>
<b>Justice</b>			
Constitution Act No. 8750 - Judges Supreme Court	7 774	10 552	35.7
Constitution Act No. 8750 - President Court of Appeal	315	373	18.4
Constitution Act No. 8750 - Judges Court of Appeal	3 228	3 753	16.3
Constitution Act No. 8750 - Chief Justice	344	376	9.3
County Court Act No. 6230 - Judges	12 953	15 662	20.9
Crown Proceedings - Act No. 6232	4 000	4 100	2.5
Electoral Act No. 23 of 2002, Section 181 - Electoral Expenses	27 311	39 012	42.8
Electoral Act No. 23 of 2002, Section 215 - Electoral Entitlement <sup>(a)</sup>	..	8 281	..
Juries Act No. 53 of 2000, Section 59 - Compensation to Jurors	17	17	..
Magistrates Court Act No. 51 of 1989	22 170	24 213	9.2
Melbourne City Link, Act No. 107 of 1995, Section 14(4)	3 600	2 100	(41.7)
Victims of Crime Assistance Act No. 81 of 1996, Section 69 Expenses	1 682	1 723	2.4
Victims of Crime Assistance Act No. 81 of 1996, Section 69 Awards	26 200	27 100	3.4
Victoria State Emergency Services Act No. 57 of 1987 - Volunteer Workers Compensation <sup>(a)</sup>	322	..	(100.0)
Victoria State Emergency Service Act No. 51 of 2005, Section 52 - Volunteer Workers Compensation <sup>(a)</sup>	..	317	..
<b>Total</b>	<b>109 916</b>	<b>137 579</b>	<b>25.2</b>

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

(\$ thousand)

	2005-06 Budget	2006-07 Budget	Variation %
<b>Premier and Cabinet</b>			
Constitution Act No. 8750 - Executive Council	50	50	..
Constitution Act No. 8750 - Governor's Salary	145	190	31.0
Financial Management Act No. 18 of 1994, Section 33 - Appropriation to meet certain obligations <sup>(a)</sup>	..	5 039	..
Ombudsman Act No. 8414	280	347	23.9
Parliamentary Salaries and Superannuation Act No. 7723 of 1968	4 720	5 032	6.6
<b>Total</b>	<b>5 195</b>	<b>10 658</b>	<b>105.2</b>
<b>Treasury and Finance</b>			
Business Franchise (Petroleum Products) Act No. 9272, Section 17(2)	40 000	40 000	..
Constitution Act No. 8750 - Governor's Pension	576	599	4.0
Constitution Act No. 8750 - Judges of the Supreme Court	4 058	4 220	4.0
Co-Operative Housing Societies Act No. 6226, Section 77(2) - Indemnities <sup>(a)</sup>	2 000	..	(100.0)
County Court Act No. 6230 - Judges	5 848	6 136	4.9
Financial Management Act No. 18 of 1994, Section 39 - Interest on Advances	10 000	10 000	..
Liquor Control Reform Act No.94 of 1998, Section 177(2)	6 700	6 700	..
State Electricity Commission Act 1958, Section 85B(2) - Indemnity <sup>(a)</sup>	126 000	..	(100.0)
State Superannuation Act No. 50 of 1988, Section 90(2) - contributions	27 580	29 035	5.3
Taxation (Interest on Overpayments) Act No 35 of 1986, Section 11	1 000	1 000	..
The Mint - Act No. 6323, Section 3 <sup>(a)</sup>	56	..	(100.0)
Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 - Debt Retirement	606	625	3.1
<b>Total</b>	<b>224 424</b>	<b>98 315</b>	<b>(56.2)</b>
<b>Victorian Communities</b>			
Discharged Servicemens Preference Act No. 4989, Section 14	54	54	..
Gambling Regulation Act No. 114 of 2003, Section 3.6.12 - Community Support Fund	98 200	106 500	8.5
<b>Total</b>	<b>98 254</b>	<b>106 554</b>	<b>..</b>

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

(\$ thousand)

	2005-06 Budget	2006-07 Budget	Variation %
<b>Parliament</b>			
Audit Act No. 2 of 1994, Section 17(3) - Audit of Auditor-General's Office	25	25	..
Constitution Act No. 8750, Section 94A - Auditor-General's Salary	276	276	..
Constitution Act No. 8750 - Clerk of the Parliaments	1	2	100.0
Constitution Act No. 8750 - Legislative Assembly	275	550	100.0
Constitution Act No. 8750 - Legislative Council	100	200	100.0
Financial Management Act No. 18 of 1994, Section 33 - Appropriation to meet certain obligations	490	770	57.1
Parliamentary Salaries and Superannuation Act No. 7723 - salaries and allowances	18 240	18 240	..
<b>Total</b>	<b>19 407</b>	<b>20 063</b>	<b>3.4</b>
<b>Total special appropriations</b>	<b>1 571 146</b>	<b>1 542 919</b>	<b>(1.8)</b>

Source: Department of Treasury and Finance

Note:

(a) Reflects either machinery of government changes, classification changes, changes in legislation or new items.

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

Details of total annual appropriations for 2006-07, including amounts of estimates of unapplied 2005-06 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 2006-07 Budget are in bold; estimates for 2005-06 Budget are in italics.

(\$ thousand)				
	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
<b>Education and Training</b>				
Appropriation <sup>(a)</sup>	<b>6 836 695</b>	<b>100 206</b>	..	<b>6 936 902</b>
	<i>6 417 384</i>	<i>105 025</i>	..	<i>6 522 409</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>95 789</b>	<b>150 348</b>	..	<b>246 137</b>
	<i>93 570</i>	<i>69 550</i>	..	<i>163 120</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>36 700</b>	..	..	<b>36 700</b>
	<i>4 232</i>	..	..	<i>4 232</i>
<b>Total appropriation</b>	<b>6 969 184</b>	<b>250 555</b>	..	<b>7 219 739</b>
	<i>6 515 186</i>	<i>174 575</i>	..	<i>6 689 761</i>
<b>Human Services</b>				
Appropriation <sup>(a)</sup>	<b>8 544 577</b>	<b>275 331</b>	..	<b>8 819 908</b>
	<i>7 933 757</i>	<i>421 316</i>	..	<i>8 355 073</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>1 137 136</b>	<b>21 110</b>	..	<b>1 158 246</b>
	<i>1 069 009</i>	<i>15 974</i>	..	<i>1 084 983</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>31 374</b>	<b>90 000</b>	..	<b>121 374</b>
	<i>59 500</i>	<i>45 000</i>	..	<i>104 500</i>
<b>Total appropriation</b>	<b>9 713 087</b>	<b>386 441</b>	..	<b>10 099 528</b>
	<i>9 062 266</i>	<i>482 290</i>	..	<i>9 544 556</i>
<b>Infrastructure</b>				
Appropriation <sup>(a)</sup>	<b>3 305 871</b>	<b>459 648</b>	<b>36 900</b>	<b>3 802 419</b>
	<i>3 054 627</i>	<i>349 653</i>	<i>35 900</i>	<i>3 440 180</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>281 890</b>	<b>45 000</b>	..	<b>326 890</b>
	<i>236 975</i>	..	..	<i>236 975</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>21 730</b>	<b>142 127</b>	..	<b>163 857</b>
	<i>20 928</i>	<i>3 206</i>	..	<i>24 134</i>
<b>Total appropriation</b>	<b>3 609 491</b>	<b>646 775</b>	<b>36 900</b>	<b>4 293 166</b>
	<i>3 312 530</i>	<i>352 859</i>	<i>35 900</i>	<i>3 701 289</i>
<b>Innovation, Industry and Regional Development</b>				
Appropriation <sup>(a)</sup>	<b>423 138</b>	<b>14 563</b>	..	<b>437 701</b>
	<i>274 085</i>	<i>140 737</i>	..	<i>414 822</i>
Receipts credited to appropriation <sup>(b)</sup>	..	..	..	..
	<i>120</i>	..	..	<i>120</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>8 911</b>	..	..	<b>8 911</b>
	..	..	..	..
<b>Total appropriation</b>	<b>432 049</b>	<b>14 563</b>	..	<b>446 612</b>
	<i>274 205</i>	<i>140 737</i>	..	<i>414 942</i>

**Table 5.5: Consolidated Fund payments – total annual appropriations (continued)**

(\$ thousand)

	Provision of outputs	Additions to net asset base	Payments made on behalf of the State	Total
<b>Justice</b>				
Appropriation <sup>(a)</sup>	<b>2 702 602</b>	<b>138 161</b>	<b>55 681</b>	<b>2 896 444</b>
	2 372 949	104 785	53 300	2 531 034
Receipts credited to appropriation <sup>(b)</sup>	<b>92 613</b>	<b>725</b>	..	<b>93 338</b>
	89 287	325	..	89 612
Unapplied previous year appropriation carried over <sup>(c)</sup>	..	..	..	..
	37 639	..	..	37 639
<b>Total appropriation</b>	<b>2 795 215</b>	<b>138 886</b>	<b>55 681</b>	<b>2 989 782</b>
	2 499 875	105 110	53 300	2 658 285
<b>Premier and Cabinet</b>				
Appropriation <sup>(a)</sup>	<b>459 609</b>	<b>15 706</b>	..	<b>475 315</b>
	430 113	71 173	..	501 286
Receipts credited to appropriation <sup>(b)</sup>	<b>415</b>	..	..	<b>415</b>
	497	..	..	497
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>8 300</b>	<b>9 155</b>	..	<b>17 455</b>
	..	..	..	..
<b>Total appropriation</b>	<b>468 324</b>	<b>24 861</b>	..	<b>493 185</b>
	430 610	71 173	..	501 783
<b>Primary Industries</b>				
Appropriation <sup>(a)</sup>	<b>264 895</b>	<b>152 811</b>	..	<b>417 706</b>
	235 611	72 309	..	307 920
Receipts credited to appropriation <sup>(b)</sup>	<b>66 811</b>	..	..	<b>66 811</b>
	62 644	..	..	62 644
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>18 927</b>	..	..	<b>18 927</b>
	15 830	..	..	15 830
<b>Total appropriation</b>	<b>350 633</b>	<b>152 811</b>	..	<b>503 444</b>
	314 085	72 309	..	386 394
<b>Sustainability and Environment</b>				
Appropriation <sup>(a)</sup>	<b>785 129</b>	<b>75 527</b>	<b>26 143</b>	<b>886 799</b>
	717 684	71 480	25 690	814 854
Receipts credited to appropriation <sup>(b)</sup>	<b>120 480</b>	<b>41 750</b>	..	<b>162 230</b>
	59 294	2 000	..	61 294
Unapplied previous year appropriation carried over <sup>(c)</sup>	..	..	..	..
	..	..	..	..
<b>Total appropriation</b>	<b>905 610</b>	<b>117 277</b>	<b>26 143</b>	<b>1 049 030</b>
	776 978	73 480	25 690	876 148
<b>Treasury and Finance</b>				
Appropriation <sup>(a)</sup>	<b>188 842</b>	<b>38 220</b>	<b>1 511 891</b>	<b>1 738 953</b>
	179 223	22 960	1 321 328	1 523 511
Receipts credited to appropriation <sup>(b)</sup>	<b>3 138</b>	..	..	<b>3 138</b>
	3 188	..	..	3 188
Unapplied previous year appropriation carried over <sup>(c)</sup>	..	..	..	..
	..	..	..	..
<b>Total appropriation</b>	<b>191 980</b>	<b>38 220</b>	<b>1 511 891</b>	<b>1 742 091</b>
	182 411	22 960	1 321 328	1 526 699

**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 the State</i>	<i>Total</i>
<b>Victorian Communities</b>				
Appropriation <sup>(a)</sup>	<b>306 692</b>	<b>55 523</b>	<b>400</b>	<b>362 615</b>
	554 017	23 905	17 995	595 917
Receipts credited to appropriation <sup>(b)</sup>	<b>4 086</b>	..	..	<b>4 086</b>
	4 109	..	..	4 109
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>1 800</b>	<b>2 900</b>	..	<b>4 700</b>
	1 500	7 000	..	8 500
<b>Total appropriation</b>	<b>312 578</b>	<b>58 423</b>	<b>400</b>	<b>371 401</b>
	559 626	30 905	17 995	608 526
<b>Parliament</b>				
Appropriation <sup>(d)</sup>	<b>81 319</b>	<b>6 670</b>	..	<b>87 989</b>
	73 692	4 100	..	77 792
Receipts credited to appropriation <sup>(b)</sup>	<b>15 517</b>	..	..	<b>15 517</b>
	15 065	..	..	15 065
Unapplied previous year appropriation carried over <sup>(c)</sup>	..	..	..	..
	..	..	..	..
<b>Total appropriation</b>	<b>96 836</b>	<b>6 670</b>	..	<b>103 506</b>
	88 757	4 100	..	92 857

Source: Department of Treasury and Finance

Notes:

- (a) Appropriation (2006-07) Act.
- (b) Financial Management Act 1994, Section 29.
- (c) Financial Management Act 1994, Section 32.
- (d) Appropriation (Parliament 2006-07) Act.

**Table 5.6: Appropriation of receipts pursuant to Section 29 of the *Financial Management Act 1994***

Estimates for 2006-07 Budget are in bold; Estimates for 2005-06 Budget in italics.

(\$ thousand)

<i>Department</i>	<i>Outputs</i>	<i>Receipt source</i>		<i>Total</i>
		<i>Commonwealth</i>	<i>Other</i> <sup>(a)</sup>	
Education and Training	<b>1 519</b>	<b>235 418</b>	<b>9 200</b>	<b>246 137</b>
	<i>1 519</i>	<i>152 401</i>	<i>9 200</i>	<i>163 120</i>
Human Services	<b>278 094</b>	<b>873 902</b>	<b>6 250</b>	<b>1 158 246</b>
	<i>266 233</i>	<i>815 000</i>	<i>3 750</i>	<i>1 084 983</i>
Infrastructure	<b>870</b>	<b>326 020</b>	..	<b>326 890</b>
	<i>2 865</i>	<i>234 110</i>	..	<i>236 975</i>
Innovation, Industry and Regional Development	..	..	..	..
	..	<i>120</i>	..	<i>120</i>
Justice	<b>91 736</b>	<b>877</b>	<b>725</b>	<b>93 338</b>
	<i>88 410</i>	<i>877</i>	<i>325</i>	<i>89 612</i>
Premier and Cabinet	<b>415</b>	..	..	<b>415</b>
	<i>497</i>	..	..	<i>497</i>
Primary Industries	<b>46 411</b>	<b>11 700</b>	<b>8 700</b>	<b>66 811</b>
	<i>43 244</i>	<i>11 700</i>	<i>7 700</i>	<i>62 644</i>
Sustainability and Environment	<b>45 401</b>	<b>116 829</b>	..	<b>162 230</b>
	<i>6 164</i>	<i>55 130</i>	..	<i>61 294</i>
Treasury and Finance	<b>3 138</b>	..	..	<b>3 138</b>
	<i>3 188</i>	..	..	<i>3 188</i>
Victorian Communities	<b>4 086</b>	..	..	<b>4 086</b>
	<i>4 086</i>	<i>23</i>	..	<i>4 109</i>
Parliament	<b>15 517</b>	..	..	<b>15 517</b>
	<i>15 065</i>	..	..	<i>15 065</i>

*Note:*

(a) *Includes ATNAB, Local Government and Other Territory Government contributions.*

**Table 5.7: The Trust Fund**

(\$ thousand)

	2005-06 Budget	2006-07 Budget	Variation %
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation	130 902	143 060	9.3
Fines and regulatory fees	41 819	52 756	26.2
Grants received	2 271 105	2 314 064	1.9
Sale of goods and services	171 246	212 208	23.9
Interest received	81 994	94 716	15.5
Other receipts <sup>(a)</sup>	8 150 274	8 941 460	9.7
	<b>10 847 340</b>	<b>11 758 263</b>	<b>8.4</b>
<b>Payments</b>			
Employee entitlements	( 72 607)	( 72 499)	(0.1)
Superannuation	( 5 857)	( 5 077)	(13.3)
Interest paid	( 12 268)	( 15 265)	24.4
Grants paid	(8 649 482)	(9 527 449)	10.2
Supplies and consumables	(2 092 163)	(2 239 289)	7.0
Other payments	..	..	..
<b>Net cash flows from operating activities</b>	<b>14 963</b>	<b>(101 316)</b>	<b>(777.1)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(27 500)	(23 154)	(15.8)
Other investing activities	(15 593)	(37 029)	137.5
<b>Net cash flows from investing activities</b>	<b>(43 093)</b>	<b>(60 183)</b>	<b>39.7</b>
<b>Cash flows from financing activities</b>			
Net proceeds from/(repayment) of borrowings <sup>(b)</sup>	72 862	30 782	(57.8)
Other	..	..	..
<b>Net cash flow from financing activities</b>	<b>72 862</b>	<b>30 782</b>	<b>(57.8)</b>
<b>Net cash inflow/(-) outflow</b>	<b>44 732</b>	<b>(130 717)</b>	<b>(392.2)</b>
<b>Represented by:</b>			
Cash and deposits held at beginning of reporting period	962 397	1 172 084	21.8
<b>Cash and deposits held at end year</b>	<b>1 007 128</b>	<b>1 041 367</b>	<b>3.4</b>

Source: Department of Treasury and Finance

Notes:

(a) Includes transfers between funds.

(b) Relates to loans and advances.



## **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 revenue, expenses, payments, receipts, assets and liabilities. It includes only those transactions over which a government exercises control under its legislative or policy framework and 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 resulting from discoveries, depletion and destruction of assets.

#### **Operating statement**

The operating statement 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.

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. 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.

Previously, differences arose between the GFS and accounting frameworks, particularly in the operating statement. With the introduction of the Australian equivalents to International Financial Reporting Standards (A-IFRS), for Victoria the net result from transactions is derived on the same basis as the GFS net operating balance. Both measures exclude the effects of revaluations (holding gains or losses) arising from changes in the market prices and other changes in the volume of assets.

## **Balance sheet**

The GFS balance sheet records a government's stocks of financial and non-financial assets and liabilities and 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 GFS cash flow statement records a government's cash receipts and payments and shows how a government obtains and expends cash.

The cash flow statement reports 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 GFS cash flow statement measures the cash surplus/deficit excluding finance leases and similar arrangements consistent with the International Monetary Fund definition. However, the Australian GFS measure continues to adjust for non-cash finance leased capital formation. This is a follow on from the old GFS cash series which ended in 1998-99. In the Australian context, this presentation of non-cash items in the cash flow statement is being reviewed as part of the GAAP/GFS harmonisation process.

## **INSTITUTIONAL SECTORS**

### **General government sector**

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

### **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 which own them.

The 2006-07 Budget for the first time publishes forward year estimates of the public non-financial corporations sector. Previously estimates for the sector were not provided for the periods beyond the current budget year. Publishing forward estimates of the public non-financial corporations sector (on a GFS basis) improves fiscal transparency, assists in making interstate data comparisons, creates consistency with the general government sector and enhances the quality of data for the non-financial public sector (comprising the general government and public non-financial corporations sectors).

### **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 Commission. Estimates are not published for the public financial corporations sector.

## UNIFORM PRESENTATION FRAMEWORK TABLES

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

	(\$ million)				
	2005-06	2006-07	2007-08	2008-09	2009-10
	Revised	Estimate	Estimate	Estimate	Estimate
<b>GFS revenue</b>					
Taxation revenue	10 770	10 971	11 167	11 573	12 111
Current grants and subsidies	13 757	14 303	15 080	15 817	16 418
Capital grants	625	774	845	639	585
Sales of goods and services	3 712	3 790	3 838	3 913	3 910
Interest income	318	293	295	288	275
Other	2 017	2 310	2 237	2 364	2 201
<b>Total revenue</b>	<b>31 199</b>	<b>32 442</b>	<b>33 463</b>	<b>34 595</b>	<b>35 500</b>
<b>GFS expenses</b>					
Employee expenses	12 888	13 603	13 922	14 304	14 599
Depreciation	1 244	1 322	1 403	1 464	1 543
Other operating expenses	9 734	10 229	10 957	11 656	12 140
Nominal superannuation interest expense	479	349	362	358	355
Other interest expense	459	415	441	537	604
Other property expenses	..	..	..	..	..
Current transfers	5 490	5 908	5 897	5 797	5 816
Capital transfers	454	299	174	147	131
<b>Total expenses</b>	<b>30 749</b>	<b>32 125</b>	<b>33 157</b>	<b>34 263</b>	<b>35 188</b>
<b>GFS net operating balance</b>	<b>449</b>	<b>317</b>	<b>305</b>	<b>331</b>	<b>312</b>
Less: Net acquisition of non-financial assets					
Purchases of non-financial assets	2 373	2 351	2 809	2 712	2 747
Sales of non-financial assets	- 148	- 131	- 206	- 116	- 97
Less: Depreciation	1 244	1 322	1 403	1 464	1 543
Plus: Change in inventories	..	1	1	1	1
Plus: Other movements in non-financial assets	637	..	..	382	..
<b>Total net acquisition of non-financial assets</b>	<b>1 618</b>	<b>898</b>	<b>1 201</b>	<b>1 515</b>	<b>1 108</b>
<b>GFS net lending (+) / borrowing (-)</b>	<b>-1 169</b>	<b>- 582</b>	<b>- 896</b>	<b>-1 183</b>	<b>- 796</b>

Source: Department of Treasury and Finance

**Table 6.2: Public non-financial corporations sector operating statement**

	(\$ million)				
	2005-06	2006-07	2007-08	2008-09	2009-10
	Revised	Estimate	Estimate	Estimate	Estimate
<b>GFS revenue</b>					
Sales of goods and services	3 298	3 410	3 524	3 637	3 790
Current grants and subsidies	1 408	1 676	1 721	1 610	1 611
Capital grants	265	191	178	181	185
Interest income	124	94	88	84	80
Other	470	396	396	411	489
<b>Total revenue</b>	<b>5 565</b>	<b>5 767</b>	<b>5 907</b>	<b>5 924</b>	<b>6 156</b>
<b>GFS expenses</b>					
Employee expenses	651	650	674	696	718
Depreciation	825	853	887	910	923
Other operating expenses	3 186	3 344	3 376	3 283	3 312
Other interest expense	343	357	379	413	438
Property expenses	498	519	520	482	480
Current transfers	91	90	91	91	90
Capital transfers	59	49	49	50	50
<b>Total expenses</b>	<b>5 654</b>	<b>5 863</b>	<b>5 976</b>	<b>5 924</b>	<b>6 012</b>
<b>GFS net operating balance</b>	<b>- 89</b>	<b>- 96</b>	<b>- 70</b>	<b>..</b>	<b>143</b>
Less: Net acquisition of non-financial assets					
Purchases of non-financial assets <sup>(a)</sup>	1 935	2 317	2 078	1 942	1 891
Sales of non-financial assets	- 62	- 68	- 72	- 78	- 71
Less: Depreciation	825	853	887	910	923
Plus: Change in inventories	1	2	4	3	4
Plus: Other movements in non-financial assets	191	133	136	135	136
<b>Total net acquisition of non-financial assets</b>	<b>1 240</b>	<b>1 531</b>	<b>1 259</b>	<b>1 093</b>	<b>1 036</b>
<b>GFS net lending (+) / borrowing (-)</b>	<b>-1 328</b>	<b>-1 627</b>	<b>-1 328</b>	<b>-1 093</b>	<b>- 893</b>

Source: Department of Treasury and Finance

Note:

(a) From 2007–08 the estimated infrastructure investment includes a contingency to allow for future capital spending.

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

	(\$ million)				
	2005-06 Revised	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>GFS revenue</b>					
Taxation revenue	10 632	10 827	11 017	11 479	11 995
Current grants and subsidies	13 758	14 303	15 080	15 817	16 418
Capital grants	625	775	846	640	586
Sales of goods and services	6 204	6 335	6 475	6 661	6 824
Interest income	393	363	358	347	331
Other	1 998	2 190	2 129	2 281	2 202
<b>Total revenue</b>	<b>33 610</b>	<b>34 794</b>	<b>35 905</b>	<b>37 224</b>	<b>38 355</b>
<b>GFS expenses</b>					
Employee expenses	13 539	14 253	14 597	15 000	15 318
Depreciation	2 070	2 175	2 290	2 374	2 466
Other operating expenses	12 005	12 566	13 314	13 962	14 447
Nominal superannuation interest expense	479	349	362	358	355
Other interest expense	753	749	795	925	1 017
Other property expenses	..	..	..	..	..
Current transfers	3 890	4 063	4 014	4 032	4 055
Capital transfers	491	346	222	196	181
<b>Total expenses</b>	<b>33 227</b>	<b>34 501</b>	<b>35 594</b>	<b>36 846</b>	<b>37 839</b>
<b>GFS net operating balance</b>	<b>383</b>	<b>292</b>	<b>310</b>	<b>378</b>	<b>516</b>
Less: Net acquisition of non-financial assets					
Purchases of non-financial assets	4 282	4 667	4 887	4 654	4 623
Sales of non-financial assets	- 210	- 199	- 278	- 194	- 168
Less: Depreciation	2 070	2 175	2 290	2 374	2 466
Plus: Change in inventories	1	3	4	4	4
Plus: Other movements in non-financial assets	828	133	136	517	136
<b>Total net acquisition of non-financial assets</b>	<b>2 831</b>	<b>2 429</b>	<b>2 459</b>	<b>2 607</b>	<b>2 129</b>
<b>GFS net lending (+) / borrowing (-)</b>	<b>-2 449</b>	<b>-2 137</b>	<b>-2 149</b>	<b>-2 229</b>	<b>-1 612</b>

Source: Department of Treasury and Finance

**Table 6.4: General government sector balance sheet**

	(\$ million)					
as at 30 June	2005 <sup>(a)</sup>	2006	2007	2008	2009	2010
	Opening	Revised	Estimate	Estimate	Estimate	Estimate
<b>Assets</b>						
Financial assets						
Cash and deposits	1 803	1 774	1 610	1 620	1 619	1 622
Advances paid	96	95	95	94	93	93
Investments, loans and placements	2 630	2 729	2 342	2 245	2 023	1 798
Other non-equity assets	2 673	2 791	2 771	2 935	3 045	3 131
Equity	36 807	37 180	38 258	39 312	40 047	40 706
<b>Total financial assets</b>	<b>44 009</b>	<b>44 569</b>	<b>45 075</b>	<b>46 205</b>	<b>46 827</b>	<b>47 350</b>
Non-financial assets						
Land and fixed assets	50 988	55 003	58 711	63 030	68 030	73 032
Other non-financial assets	2 144	2 237	2 218	2 168	2 169	2 160
<b>Total non-financial assets</b>	<b>53 131</b>	<b>57 240</b>	<b>60 929</b>	<b>65 198</b>	<b>70 199</b>	<b>75 192</b>
<b>Total assets</b>	<b>97 140</b>	<b>101 809</b>	<b>106 004</b>	<b>111 403</b>	<b>117 026</b>	<b>122 541</b>
<b>Liabilities</b>						
Deposits held	450	456	462	469	477	485
Advances received	9	9	8	7	7	6
Borrowing	5 560	6 117	6 381	7 928	9 282	10 134
Superannuation liability	15 288	12 525	13 062	13 115	13 096	13 142
Other employee entitlements and provisions	3 975	4 232	4 368	4 475	4 589	4 703
Other non-equity liabilities	3 477	2 907	2 911	2 926	2 953	2 951
<b>Total liabilities</b>	<b>28 758</b>	<b>26 246</b>	<b>27 191</b>	<b>28 919</b>	<b>30 403</b>	<b>31 421</b>
<b>Net worth</b>	<b>68 383</b>	<b>75 563</b>	<b>78 813</b>	<b>82 484</b>	<b>86 623</b>	<b>91 120</b>
<b>Net financial worth <sup>(b)</sup></b>	<b>15 251</b>	<b>18 323</b>	<b>17 883</b>	<b>17 286</b>	<b>16 424</b>	<b>15 929</b>
<b>Net debt <sup>(c)</sup></b>	<b>1 490</b>	<b>1 984</b>	<b>2 805</b>	<b>4 445</b>	<b>6 030</b>	<b>7 112</b>

Source: Department of Treasury and Finance

Notes:

- (a) The opening balances of 1 July 2005 have been restated for the adoption of A-IFRS.
- (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.

**Table 6.5: Public non-financial corporations sector balance sheet**

	(\$ million)					
as at 30 June	2005 <sup>(a)</sup>	2006	2007	2008	2009	2010
	Opening	Revised	Estimate	Estimate	Estimate	Estimate
<b>Assets</b>						
Financial assets						
Cash and deposits	518	422	310	287	375	386
Advances paid	159	132	114	95	83	74
Investments, loans and placements	1 115	889	803	794	754	884
Other non-equity assets	1 566	992	1 036	1 086	1 102	1 075
Equity	..	..	..	..	..	..
<b>Total financial assets</b>	<b>3 358</b>	<b>2 435</b>	<b>2 262</b>	<b>2 262</b>	<b>2 313</b>	<b>2 420</b>
Non-financial assets						
Land and fixed assets	38 143	39 276	40 977	42 559	43 979	45 184
Other non-financial assets	196	215	291	297	297	295
<b>Total non-financial assets</b>	<b>38 340</b>	<b>39 491</b>	<b>41 268</b>	<b>42 856</b>	<b>44 276</b>	<b>45 478</b>
<b>Total assets</b>	<b>41 697</b>	<b>41 926</b>	<b>43 530</b>	<b>45 117</b>	<b>46 589</b>	<b>47 898</b>
<b>Liabilities</b>						
Deposits held	87	78	73	72	72	71
Advances received	11	8	8	8	8	7
Borrowing	4 181	4 545	4 891	5 229	5 802	6 344
Superannuation liability	57	57	57	57	57	57
Other employee entitlements and provisions	2 682	2 305	2 472	2 666	2 822	2 891
Other non-equity liabilities	745	626	643	646	655	694
<b>Total liabilities</b>	<b>7 763</b>	<b>7 618</b>	<b>8 144</b>	<b>8 677</b>	<b>9 414</b>	<b>10 065</b>
<b>Shares and other contributed capital</b>	<b>33 935</b>	<b>34 308</b>	<b>35 386</b>	<b>36 440</b>	<b>37 174</b>	<b>37 834</b>
<b>Net worth</b>						
<b>Net financial worth<sup>(b)</sup></b>	<b>-38 340</b>	<b>-39 491</b>	<b>-41 268</b>	<b>-42 856</b>	<b>-44 276</b>	<b>-45 478</b>
<b>Net debt<sup>(c)</sup></b>	<b>2 487</b>	<b>3 188</b>	<b>3 746</b>	<b>4 132</b>	<b>4 671</b>	<b>5 078</b>

Source: Department of Treasury and Finance

Notes:

- (a) The opening balances of 1 July 2005 have been restated for the for the adoption of A-IFRS.
- (b) Net financial worth equals total financial assets minus total liabilities, and shares and other contributed capital.
- (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.

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

	(\$ million)					
as at 30 June	2005 <sup>(a)</sup>	2006	2007	2008	2009	2010
	Opening	Revised	Estimate	Estimate	Estimate	Estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	2 322	2 195	1 919	1 907	1 994	2 008
Advances paid	254	226	207	188	175	166
Investments, loans and placements	3 745	3 618	3 145	3 039	2 777	2 682
Other non-equity assets	3 041	3 075	3 054	3 215	3 380	3 479
Equity	2 872	2 872	2 872	2 872	2 872	2 872
<b>Total financial assets</b>	<b>12 233</b>	<b>11 987</b>	<b>11 198</b>	<b>11 221</b>	<b>11 197</b>	<b>11 207</b>
<b>Non-financial assets</b>						
Land and fixed assets	89 131	94 279	99 688	105 587	112 007	118 213
Other non-financial assets	2 312	2 405	2 451	2 396	2 390	2 372
<b>Total non-financial assets</b>	<b>91 443</b>	<b>96 684</b>	<b>102 138</b>	<b>107 983</b>	<b>114 397</b>	<b>120 585</b>
<b>Total assets</b>	<b>103 676</b>	<b>108 671</b>	<b>113 336</b>	<b>119 204</b>	<b>125 594</b>	<b>131 792</b>
<b>Liabilities</b>						
Deposits held	537	534	536	540	548	556
Advances received	20	16	15	15	14	13
Borrowing	9 740	10 662	11 271	13 154	15 082	16 475
Superannuation liability	15 345	12 582	13 118	13 172	13 152	13 198
Other employee entitlements and provisions	5 677	5 455	5 675	5 871	6 045	6 184
Other non-equity liabilities	3 034	2 896	2 874	2 858	2 973	3 028
<b>Total liabilities</b>	<b>34 351</b>	<b>32 144</b>	<b>33 488</b>	<b>35 611</b>	<b>37 814</b>	<b>39 454</b>
<b>Net worth</b>	<b>69 325</b>	<b>76 527</b>	<b>79 848</b>	<b>83 594</b>	<b>87 780</b>	<b>92 339</b>
<b>Net financial worth<sup>(b)</sup></b>	<b>-22 118</b>	<b>-20 157</b>	<b>-22 291</b>	<b>-24 390</b>	<b>-26 617</b>	<b>-28 247</b>
<b>Net debt<sup>(c)</sup></b>	<b>3 976</b>	<b>5 172</b>	<b>6 550</b>	<b>8 576</b>	<b>10 699</b>	<b>12 188</b>

Source: Department of Treasury and Finance

Notes:

- (a) The opening balances of 1 July 2005 have been restated for the adoption of A-IFRS.
- (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.

**Table 6.7: General government sector cash flow statement**

	(\$ million)				
	2005-06	2006-07	2007-08	2008-09	2009-10
	Revised	Estimate	Estimate	Estimate	Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	10 821	11 177	11 368	11 713	12 173
Receipts from sales of goods and services	3 568	3 712	3 780	3 855	3 853
Grants/subsidies received	14 382	15 078	15 926	16 456	17 004
Other receipts	2 630	2 500	2 220	2 295	2 379
<b>Total receipts</b>	<b>31 402</b>	<b>32 467</b>	<b>33 294</b>	<b>34 319</b>	<b>35 408</b>
<b>Cash payments from operating activities</b>					
Payment for goods and services	-22 585	-23 527	-25 084	-26 197	-26 890
Grants and subsidies paid	-5 351	-5 432	-5 325	-5 206	-5 220
Interest paid	- 428	- 402	- 409	- 505	- 572
Other payments	- 693	- 729	- 691	- 740	- 782
<b>Total payments</b>	<b>-29 057</b>	<b>-30 090</b>	<b>-31 508</b>	<b>-32 648</b>	<b>-33 464</b>
<b>Net cash flows from operating activities</b>	<b>2 345</b>	<b>2 377</b>	<b>1 786</b>	<b>1 671</b>	<b>1 944</b>
<b>Net cash flows from investing in non-financial assets</b>					
Sales of non-financial assets	148	131	206	116	97
Purchases of non-financial assets	-2 373	-2 351	-2 809	-2 712	-2 747
<b>Total cash flows - non-financial assets</b>	<b>-2 225</b>	<b>-2 220</b>	<b>-2 604</b>	<b>-2 596</b>	<b>-2 651</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>- 520</b>	<b>- 963</b>	<b>- 825</b>	<b>- 420</b>	<b>- 357</b>
<b>Net cash flows from investments in financial assets for liquidity</b>	<b>486</b>	<b>387</b>	<b>97</b>	<b>222</b>	<b>225</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	- 1	- 1	- 1	- 1	- 1
Borrowings (net)	- 116	254	1 556	1 123	842
Deposits received (net)	..	..	..	..	..
Other financing (net)	..	..	..	..	..
<b>Net cash flows from financing activities</b>	<b>- 116</b>	<b>254</b>	<b>1 555</b>	<b>1 122</b>	<b>841</b>
<b>Net increase in cash held</b>	<b>- 30</b>	<b>- 164</b>	<b>10</b>	<b>- 1</b>	<b>3</b>
<b>Surplus (+) /deficit (-) excluding acquisitions under finance leases <sup>(a)</sup></b>	<b>120</b>	<b>157</b>	<b>- 818</b>	<b>- 925</b>	<b>- 706</b>
Acquisitions under finance leases	615	..	..	222	..
<b>Surplus (+) /deficit (-) including finance leases</b>	<b>- 495</b>	<b>157</b>	<b>- 818</b>	<b>-1 147</b>	<b>- 706</b>

Source: Department of Treasury and Finance

Note:

(a) Net cash flows from operating activities less investments in non-financial assets.

**Table 6.8: Public non-financial corporations sector cash flow statement**

	(\$ million)				
	2005-06 Revised	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>Cash receipts from operating activities</b>					
Receipts from sales of goods and services	3 263	3 385	3 509	3 616	3 768
Grants/subsidies received	1 779	1 877	1 909	1 826	1 860
Other receipts	346	308	297	313	401
<b>Total receipts</b>	<b>5 388</b>	<b>5 570</b>	<b>5 715</b>	<b>5 755</b>	<b>6 029</b>
<b>Cash payments from operating activities</b>					
Payment for goods and services	-2 959	-3 009	-3 058	-2 969	-3 031
Grants and subsidies paid	- 143	- 15	- 20	- 44	- 77
Interest paid	- 285	- 328	- 353	- 372	- 383
Other payments	- 959	-1 033	-1 051	-1 056	-1 044
<b>Total payments</b>	<b>-4 346</b>	<b>-4 384</b>	<b>-4 482</b>	<b>-4 442</b>	<b>-4 535</b>
<b>Net cash flows from operating activities</b>	<b>1 042</b>	<b>1 185</b>	<b>1 233</b>	<b>1 313</b>	<b>1 494</b>
<b>Net cash flows from investing in non-financial assets</b>					
Sales of non-financial assets	62	68	72	78	71
Purchases of non-financial assets <sup>(a)</sup>	-1 935	-2 317	-2 078	-1 942	-1 891
<b>Total cash flows from investing in non-financial assets</b>	<b>-1 873</b>	<b>-2 249</b>	<b>-2 006</b>	<b>-1 865</b>	<b>-1 820</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>554</b>	<b>963</b>	<b>827</b>	<b>416</b>	<b>364</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>226</b>	<b>86</b>	<b>9</b>	<b>40</b>	<b>- 130</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	- 3	..	..	..	..
Borrowings (net)	369	349	340	576	544
Deposits received (net)	..	..	..	..	..
Distributions paid	- 415	- 446	- 427	- 393	- 441
Other Financing (net)	5	..	..	..	..
<b>Total net cash flows from financing activities</b>	<b>- 45</b>	<b>- 97</b>	<b>- 86</b>	<b>182</b>	<b>103</b>
<b>Net increase in cash held</b>	<b>- 96</b>	<b>- 112</b>	<b>- 23</b>	<b>88</b>	<b>11</b>
<b>Surplus (+) /deficit (-) excluding acquisitions under finance leases <sup>(b)</sup></b>	<b>-1 246</b>	<b>-1 510</b>	<b>-1 200</b>	<b>- 945</b>	<b>- 767</b>
Acquisition of assets under finance leases and similar arrangements	..	..	..	..	..
<b>Surplus (+) /deficit (-) including finance leases</b>	<b>-1 246</b>	<b>-1 510</b>	<b>-1 200</b>	<b>- 945</b>	<b>- 767</b>

Source: Department of Treasury and Finance

Notes:

(a) From 2007–08 the estimated infrastructure investment includes a contingency to allow for future capital spending.

(b) Net cash flows from operating activities less investments in non-financial assets and distributions paid.

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

	(\$ million)				
	2005-06 Revised	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	10 683	11 033	11 218	11 619	12 057
Receipts from sales of goods and services	6 025	6 232	6 402	6 582	6 744
Grants/subsidies received	13 926	15 097	15 946	16 387	17 013
Other receipts	2 513	2 303	2 030	2 155	2 283
<b>Total receipts</b>	<b>33 146</b>	<b>34 665</b>	<b>35 597</b>	<b>36 742</b>	<b>38 098</b>
<b>Cash payments from operating activities</b>					
Payment for goods and services	-25 529	-26 490	-28 109	-29 181	-29 894
Grants and subsidies paid	-3 239	-3 586	-3 436	-3 344	-3 460
Interest paid	- 713	- 729	- 762	- 877	- 954
Other payments	- 692	- 743	- 698	- 750	- 791
<b>Total payments</b>	<b>-30 174</b>	<b>-31 549</b>	<b>-33 005</b>	<b>-34 152</b>	<b>-35 100</b>
<b>Net cash flows from operating activities</b>	<b>2 973</b>	<b>3 116</b>	<b>2 592</b>	<b>2 590</b>	<b>2 998</b>
<b>Net cash flows from investing in non-financial assets</b>					
Sales of non-financial assets	210	199	278	194	168
Purchases of non-financial assets	-4 282	-4 667	-4 887	-4 654	-4 623
<b>Total cash flows from investing in non-financial assets</b>	<b>-4 072</b>	<b>-4 469</b>	<b>-4 609</b>	<b>-4 460</b>	<b>-4 455</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>8</b>	<b>..</b>	<b>2</b>	<b>- 3</b>	<b>- 8</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>712</b>	<b>474</b>	<b>106</b>	<b>262</b>	<b>95</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	- 4	- 1	- 1	- 1	- 1
Borrowings (net)	253	603	1 896	1 698	1 385
Deposits received (net)	..	..	..	..	..
Other financing (net)	5	..	..	..	..
<b>Total net cash flows from financing activities</b>	<b>254</b>	<b>602</b>	<b>1 895</b>	<b>1 697</b>	<b>1 385</b>
<b>Net increase in cash held</b>	<b>- 126</b>	<b>- 276</b>	<b>- 13</b>	<b>87</b>	<b>14</b>
<b>Surplus (+) /deficit (-) excluding acquisitions under finance leases <sup>(a)</sup></b>	<b>-1 100</b>	<b>-1 352</b>	<b>-2 017</b>	<b>-1 870</b>	<b>-1 458</b>
Acquisition of assets under finance leases and similar arrangements	615	..	..	222	..
<b>Surplus (+) /deficit (-) including finance leases</b>	<b>-1 715</b>	<b>-1 352</b>	<b>-2 017</b>	<b>-2 092</b>	<b>-1 458</b>

Source: Department of Treasury and Finance

Note:

(a) Net cash flows from operating activities less investments in non-financial assets.

**Table 6.10: General government sector expenses by function**

	(\$ million)	
	2005-06 Revised	2006-07 Budget
General public services	1 345	1 713
Public order and safety	3 201	3 407
Education	8 366	8 790
Health	8 042	8 544
Social security and welfare	2 626	2 798
Housing and community amenities	1 619	1 625
Recreation and culture	844	702
Fuel and energy	72	75
Agriculture, forestry, fishing, and hunting	340	328
Mining, manufacturing, and construction	50	48
Transport and communications	3 081	3 338
Other economic affairs	441	462
Other purposes	723	294
<b>Total GFS expenses</b>	<b>30 749</b>	<b>32 125</b>

Source: Department of Treasury and Finance

**Table 6.11: General government sector taxation**

	(\$ million)				
	2005-06 Revised	2006-07 Budget	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>Taxes on employers' payroll and labour force</b>	<b>3 357</b>	<b>3 418</b>	<b>3 498</b>	<b>3 608</b>	<b>3 787</b>
<b>Taxes on property</b>					
Land taxes	772	748	758	787	774
Stamp duties on financial and capital transactions	2 540	2 493	2 488	2 611	2 768
Financial institutions' transaction taxes	22	..	..	..	..
Other	148	172	177	183	187
<b>Total</b>	<b>3 482</b>	<b>3 413</b>	<b>3 423</b>	<b>3 580</b>	<b>3 729</b>
<b>Taxes on the provision of goods and services</b>					
Excises and levies	60	60	62	..	..
Taxes on gambling	1 497	1 556	1 526	1 602	1 680
Taxes on insurance	1 036	1 104	1 164	1 218	1 272
<b>Total</b>	<b>2 594</b>	<b>2 721</b>	<b>2 752</b>	<b>2 820</b>	<b>2 952</b>
<b>Taxes on the use of goods and performance of activities</b>					
Motor vehicle taxes	1 254	1 339	1 419	1 501	1 587
Franchise taxes	7	7	7	8	8
Other	75	73	68	57	47
<b>Total</b>	<b>1 337</b>	<b>1 419</b>	<b>1 495</b>	<b>1 565</b>	<b>1 642</b>
<b>Total GFS taxation revenue</b>	<b>10 770</b>	<b>10 971</b>	<b>11 167</b>	<b>11 573</b>	<b>12 111</b>

Source: Department of Treasury and Finance

**Table 6.12: Reconciliation between general government AAS 31 net result from transactions and GFS measures**

	(\$ million)				
	2005-06 Revised	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>General government net result from transactions</b>	<b>450</b>	<b>317</b>	<b>305</b>	<b>331</b>	<b>312</b>
equals: <b>General government net operating balance (GFS)</b>					
Less: Gross fixed capital formation	2 862	2 220	2 604	2 978	2 651
Plus: Depreciation	1 244	1 322	1 403	1 464	1 543
Less: Change in inventories	..	1	1	1	1
<b>GFS net lending(+)/borrowing(-)</b>	<b>-1 169</b>	<b>- 582</b>	<b>- 896</b>	<b>-1 183</b>	<b>- 796</b>
Plus:					
Superannuation difference between GFS operating statement, including nominal interest, and cash flow statement	234	537	54	- 20	46
Acquisitions under finance leases	615	..	..	222	..
Other non-cash items	- 176	202	24	- 167	44
<b>GFS cash surplus(+)/deficit(-)</b>	<b>- 495</b>	<b>157</b>	<b>- 818</b>	<b>-1 147</b>	<b>- 706</b>
Less: Net contributions to other sectors of government	520	963	825	420	357
Other non-cash items	- 521	16	- 2	18	18
<b>Decrease in general government net debt</b>	<b>- 494</b>	<b>- 821</b>	<b>-1 640</b>	<b>-1 585</b>	<b>-1 081</b>

Source: Department of Treasury and Finance

## VICTORIA'S 2006-07 LOAN COUNCIL ALLOCATION

Under the Uniform Presentation Framework, Victoria is required to publish the Loan Council Allocation (LCA) estimates. The LCA is a measure of each government's net call on financial markets in a given financial year to meet its budget obligations. The method of public release is the responsibility of each individual jurisdiction. Victoria discloses its LCA information through the Annual Financial Report for the State of Victoria, Budget Papers and Budget Update.

Table 6.13 compares Victoria's 2006-07 LCA based on the 2005-06 Budget Update estimates and approved by Loan Council in March 2006, with the revised LCA based on 2006-07 Budget estimates.

**Table 6.13: Loan Council Allocation 2006-07**

(\$ million)

	2006-07 Nomination	2006-07 Revised
General government sector cash (+) deficit / (-) surplus	714	- 157
Public non-financial corporation sector cash (+) deficit / (-) surplus	1 231	1 510
Non-financial public sector cash (+) deficit / (-) surplus <sup>(a)</sup>	1 945	1 352
Less: Net cash flows from investments in financial assets for policy purposes <sup>(b)</sup>	1	..
Plus: Memorandum items <sup>(c)</sup>	2	2
<b>Loan Council Allocation <sup>(a)</sup></b>	<b>1 947</b>	<b>1 354</b>
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities) <sup>(d)</sup>	678	678

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. Surplus (+)/deficit(-) includes finance lease acquisitions. Due to the discovery of a compilation error in the 2005-06 Budget Update the non-financial public sector cash deficit has been amended from \$1 942 million to \$1 945 million. As a consequence the 2006-07 nomination for the loan council should be amended from \$1 943 million to \$1 947 million.
- (b) The non-financial public sector surplus/deficit relating to 2006-07 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' (2005-06 Budget Update) applies to jurisdictions' LCA nomination and revised LCA at budget time, and between the budget time LCA and LCA outcome. The tolerance limit applying to Victoria in 2006-07 is \$678 million (2 per cent of \$33 877 million – sourced from 2005-06 Budget Update).

As part of the Loan Council arrangements, Loan Council has agreed that if at any time a jurisdiction finds that it is likely to exceed its tolerance limit, in either direction, it is required to provide an explanation to Loan Council and, in line with the emphasis of increased transparency, to make the explanation public. The 2006-07 revised LCA (deficit of \$1 354 million) remains within the tolerance limit. The change of \$593 million in the LCA between 2006-07 nomination and 2006-07 revised is mainly due to:

- a revision in the general government sector cash position from \$714 million deficit to \$157 million surplus primarily due to an increase in net cash flows from operating activities and change in the timing of investments in non-financial assets, and

- an increase in the public non-financial corporations sector infrastructure investment (\$272 million), which is primarily funded by an increase in contribution from the general government sector.

#### **Infrastructure project**

In the interest of transparency, the State is required to disclose the details of infrastructure projects with private sector involvement and to report full contingent exposure, if any. Exposure is to be measured by the Government's termination liabilities in case of a private sector default and disclosed as a footnote to, rather than a component of, LCA's.

It is expected that the contract for the following infrastructure project with private sector involvement will be signed in 2006-07. As the project is still in development stage, full details about the extent and nature of actual payments cannot be provided at this stage, but will be included in the 2006-07 LCA outcome.

#### **Barwon Water – Biosolids Management Project**

- the objective of this project is to manage the biosolids removed during the sewage treatment process at Black Rock Sewage Treatment Plant and other treatment plants in the Barwon Water region. Management of biosolids includes a treatment process to ensure that the final product is suitable for beneficial re-use in accordance with EPA requirements;
- the project contract is expected to include an obligation for government to make a payment to the contractor should government terminate the contract for default. The quantum of the payment is not expected to exceed the remaining balance of the approved project funding at any time; and
- the project is expected to be contracted in the first quarter of 2006-07 financial year.

## APPENDIX A – HISTORICAL AND FORWARD ESTIMATES TABLES

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This appendix provides historical data stretching back 20 to 40 years for major fiscal aggregates. Wherever possible, adjustments have been made to make the historical series consistent with the forward estimates, for instance all historical accounting-based tables have been presented in the format adopted under Australian equivalent to International Financial Reporting Standards (A-IFRS), and GFS statistical aggregates have been converted to an accruals basis. However some breaks in series remain.

Table A.1 shows the trends in general government sector aggregate cash flows over the period 1986-87 to 2009-10. This table of historical data has been compiled as far as possible on an A-IFRS basis and is 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.

Table A.3 shows the general government sector net operating result from 1996-97 to 2009-10 presented in A-IFRS format which was first introduced for the 2005-06 budget.

Table A.5 presents general government sector operating expenses, sourced from Australian Bureau of Statistics historical data, classified by government purpose on a Government Finance Statistics (GFS) basis. The underlying data from 1961-62 to 1997-98 represent a conversion from the original cash series to an accruals basis by estimating depreciation and superannuation expenses based on statistical modelling. Although this conversion provides a basis for comparison with total expenses in the current series of accrual GFS information from 1998-2010 in Table A.6 and in Chapter 6 Uniform Presentation of Government Finance Statistics Table 6.1, the estimated accrued expense items have not been apportioned to individual purpose classifications. The absence of these splits between functional classifications in Table A.5 therefore represents a break in the series and it is not possible to compare individual purpose categories with those in other tables.

**Table A.1: General government cash flow statement – historical series**

	(\$ million)				
	1986-87	1987-88	1988-89	1989-90	1990-91
	Actual	Actual	Actual	Actual	Actual
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	3 867	4 420	5 004	5 302	5 641
Fines and regulatory fees	143	150	147	168	201
Grants	4 665	4 857	5 011	5 240	5 676
Sales of goods and services	646	724	811	907	963
Interest received	189	155	162	144	152
Dividends received	251	296	354	399	327
Other receipts <sup>(c) (d)</sup>	483	493	487	484	326
<b>Total receipts</b>	<b>10 245</b>	<b>11 094</b>	<b>11 975</b>	<b>12 645</b>	<b>13 287</b>
<b>Payments</b>					
Employee benefits <sup>(a)</sup>	(4 457)	(4 808)	(5 110)	(5 471)	(5 855)
Superannuation	( 367)	( 416)	( 519)	( 586)	( 685)
Interest paid	(1 079)	(1 163)	(1 254)	(1 423)	(1 602)
Grants and transfer payments <sup>(a)</sup>	(2 463)	(2 533)	(2 788)	(2 834)	(2 807)
Supplies and services	(2 138)	(2 327)	(2 530)	(2 869)	(2 885)
<b>Total payments</b>	<b>(10 505)</b>	<b>(11 247)</b>	<b>(12 200)</b>	<b>(13 184)</b>	<b>(13 834)</b>
<b>Net cash flows from operating activities</b>	<b>( 260)</b>	<b>( 152)</b>	<b>( 225)</b>	<b>( 538)</b>	<b>( 547)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	( 953)	(1 031)	(1 042)	(1 085)	(1 129)
Proceeds from sale of property, plant and equipment	104	207	189	168	114
Net (purchases)/disposal of investments	77	77	99	111	186
Net customer loans (granted)/repaid	..	..	..	..	..
Net privatisation proceeds and other abnormals <sup>(b)</sup>	35	35	35	35	1 292
<b>Net cash flows from investing activities</b>	<b>( 737)</b>	<b>( 712)</b>	<b>( 720)</b>	<b>( 771)</b>	<b>464</b>
<b>Cash flows from financing activities</b>					
Net borrowings	1 038	973	852	1 233	410
<b>Net cash flows from financing activities</b>	<b>1 038</b>	<b>973</b>	<b>852</b>	<b>1 233</b>	<b>410</b>
<b>Net increase in cash and deposits held</b>	<b>42</b>	<b>109</b>	<b>( 93)</b>	<b>( 76)</b>	<b>327</b>
Cash and deposits at beginning of reporting period	841	883	992	898	823
<b>Cash and deposits at end of reporting period</b>	<b>883</b>	<b>992</b>	<b>898</b>	<b>823</b>	<b>1 149</b>

**Table A.1: General government cash flow statement – historical series  
(continued)**

	(\$ million)				
	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Actual	Actual	Actual	Actual
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	5 968	6 498	7 342	7 677	8 268
Fines and regulatory fees	263	260	284	304	293
Grants	5 921	6 138	6 215	6 355	6 659
Sales of goods and services	1 038	1 006	1 004	1 034	1 136
Interest received	121	95	94	117	107
Dividends received	566	581	815	765	624
Other receipts <sup>(c) (d)</sup>	308	251	323	285	346
<b>Total receipts</b>	<b>14 185</b>	<b>14 830</b>	<b>16 076</b>	<b>16 537</b>	<b>17 432</b>
<b>Payments</b>					
Employee benefits <sup>(a)</sup>	(6 337)	(6 846)	(7 184)	(6 299)	(6 276)
Superannuation	( 782)	( 853)	( 493)	(1 149)	(1 046)
Interest paid	(1 787)	(2 064)	(2 195)	(2 007)	(1 923)
Grants and transfer payments <sup>(a)</sup>	(3 134)	(3 501)	(3 893)	(3 324)	(3 101)
Supplies and services	(2 943)	(3 024)	(2 148)	(2 975)	(3 593)
<b>Total payments</b>	<b>(14 983)</b>	<b>(16 288)</b>	<b>(15 912)</b>	<b>(15 754)</b>	<b>(15 939)</b>
<b>Net cash flows from operating activities</b>	<b>( 798)</b>	<b>(1 458)</b>	<b>164</b>	<b>783</b>	<b>1 493</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(1 066)	(1 068)	( 980)	(1 288)	(1 285)
Proceeds from sale of property, plant and equipment	103	132	189	189	156
Net (purchases)/disposal of investments	143	( 261)	( 501)	402	( 464)
Net customer loans (granted)/repaid	..	..	..	..	..
Net privatisation proceeds and other abnormals <sup>(b)</sup>	6	304	498	735	4 794
<b>Net cash flows from investing activities</b>	<b>( 815)</b>	<b>( 892)</b>	<b>( 793)</b>	<b>39</b>	<b>3 200</b>
<b>Cash flows from financing activities</b>					
Net borrowings	1 506	2 315	841	( 902)	(4 703)
<b>Net cash flows from financing activities</b>	<b>1 506</b>	<b>2 315</b>	<b>841</b>	<b>( 902)</b>	<b>(4 703)</b>
<b>Net increase in cash and deposits held</b>	<b>( 107)</b>	<b>( 36)</b>	<b>211</b>	<b>( 80)</b>	<b>( 9)</b>
Cash and deposits at beginning of reporting period	1 149	1 043	1 007	1 219	1 138
<b>Cash and deposits at end of reporting period</b>	<b>1 043</b>	<b>1 007</b>	<b>1 219</b>	<b>1 138</b>	<b>1 129</b>

**Table A.1: General government cash flow statement – historical series  
(continued)**

	(\$ million)			
	1996-97	1997-98	1998-99	1999-00
	Actual	Actual	Actual	Actual
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Taxation	8 714	8 515	8 794	9 666
Fines and regulatory fees	258	247	324	359
Grants	6 928	7 440	7 480	7 735
Sales of goods and services	1 119	1 606	1 659	1 776
Interest received	129	140	202	195
Dividends, income tax and rate equivalent revenue received	967	930	1 142	1 088
Other receipts <sup>(c) (d)</sup>	275	838	1 220	1 038
<b>Total receipts</b>	<b>18 389</b>	<b>19 717</b>	<b>20 821</b>	<b>21 857</b>
<b>Payments</b>				
Employee benefits <sup>(a)</sup>	(6 608)	(6 621)	(7 041)	(7 378)
Superannuation	(1 213)	(1 257)	(2 083)	(1 370)
Interest paid	(1 403)	(1 162)	( 732)	( 448)
Grants and transfer payments <sup>(a) (d)</sup>	(3 238)	(3 514)	(3 598)	(3 363)
Supplies and services	(3 892)	(5 503)	(5 796)	(6 373)
<b>Total payments</b>	<b>(16 354)</b>	<b>(18 057)</b>	<b>(19 250)</b>	<b>(18 931)</b>
<b>Net cash flows from operating activities</b>	<b>2 035</b>	<b>1 660</b>	<b>1 571</b>	<b>2 926</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1 288)	(1 209)	(1 327)	(1 208)
Proceeds from sale of property, plant and equipment	163	363	211	187
Net (purchases)/disposal of investments	( 141)	( 422)	390	(1 091)
Net customer loans (granted)/repaid	..	297	309	122
Net privatisation proceeds and other abnormals <sup>(b)</sup>	4 514	1 610	3 344	..
<b>Net cash flows from investing activities</b>	<b>3 248</b>	<b>639</b>	<b>2 927</b>	<b>(1 991)</b>
<b>Cash flows from financing activities</b>				
Net borrowings	(5 406)	(2 364)	(4 718)	( 766)
<b>Net cash flows from financing activities</b>	<b>(5 406)</b>	<b>(2 364)</b>	<b>(4 718)</b>	<b>( 766)</b>
<b>Net increase in cash and deposits held</b>	<b>( 124)</b>	<b>( 65)</b>	<b>( 221)</b>	<b>169</b>
Cash and deposits at beginning of reporting period	1 129	1 005	940	719
<b>Cash and deposits at end of reporting period</b>	<b>1 005</b>	<b>940</b>	<b>719</b>	<b>889</b>

**Table A.1: General government cash flow statement – historical series  
(continued)**

	(\$ million)				
	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Actual	Actual	Actual	Actual
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	8 458	8 611	9 101	9 874	10 318
Fines and regulatory fees	377	398	509	502	533
Grants	10 370	11 879	12 101	12 611	13 452
Sales of goods and services	1 957	2 066	2 757	2 792	3 173
Interest received	301	303	375	411	343
Dividends, income tax and rate equivalent revenue received	986	606	774	599	877
Other receipts <sup>(c)(d)</sup>	865	1 143	1 655	1 455	1 652
<b>Total receipts</b>	<b>23 314</b>	<b>25 006</b>	<b>27 271</b>	<b>28 244</b>	<b>30 347</b>
<b>Payments</b>					
Employee benefits	(7 962)	(8 692)	(9 302)	(9 809)	(10 522)
Superannuation	(1 898)	(1 030)	(2 558)	(2 027)	(1 797)
Interest paid	( 464)	( 453)	( 468)	( 457)	( 385)
Grants and transfer payments <sup>(d)</sup>	(3 757)	(4 205)	(3 985)	(4 549)	(5 290)
Supplies and services	(7 077)	(7 531)	(9 034)	(8 931)	(9 823)
<b>Total payments</b>	<b>(21 158)</b>	<b>(21 910)</b>	<b>(25 347)</b>	<b>(25 773)</b>	<b>(27 818)</b>
<b>Net cash flows from operating activities</b>	<b>2 155</b>	<b>3 096</b>	<b>1 924</b>	<b>2 471</b>	<b>2 529</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(1 629)	(1 941)	(1 924)	(2 347)	(2 011)
Proceeds from sale of property, plant and equipment	150	123	128	127	128
Net (purchases)/disposal of investments	( 689)	( 547)	( 256)	951	404
Net customer loans (granted)/repaid	98	71	( 25)	( 12)	13
Net contribution to other sectors of government	..	( 13)	( 314)	( 158)	( 513)
<b>Net cash flows from investing activities</b>	<b>(2 071)</b>	<b>(2 306)</b>	<b>(2 391)</b>	<b>(1 439)</b>	<b>(1 980)</b>
<b>Cash flows from financing activities</b>					
Net borrowings	( 72)	( 29)	( 89)	( 844)	( 45)
<b>Net cash flows from financing activities</b>	<b>( 72)</b>	<b>( 29)</b>	<b>( 89)</b>	<b>( 844)</b>	<b>( 45)</b>
<b>Net increase in cash and deposits held</b>	<b>13</b>	<b>761</b>	<b>( 555)</b>	<b>187</b>	<b>504</b>
Cash and deposits at beginning of reporting period	889	902	1 663	1 108	1 295
<b>Cash and deposits at end of reporting period</b>	<b>902</b>	<b>1 663</b>	<b>1 108</b>	<b>1 295</b>	<b>1 799</b>

**Table A.1: General government cash flow statement – historical series  
(continued)**

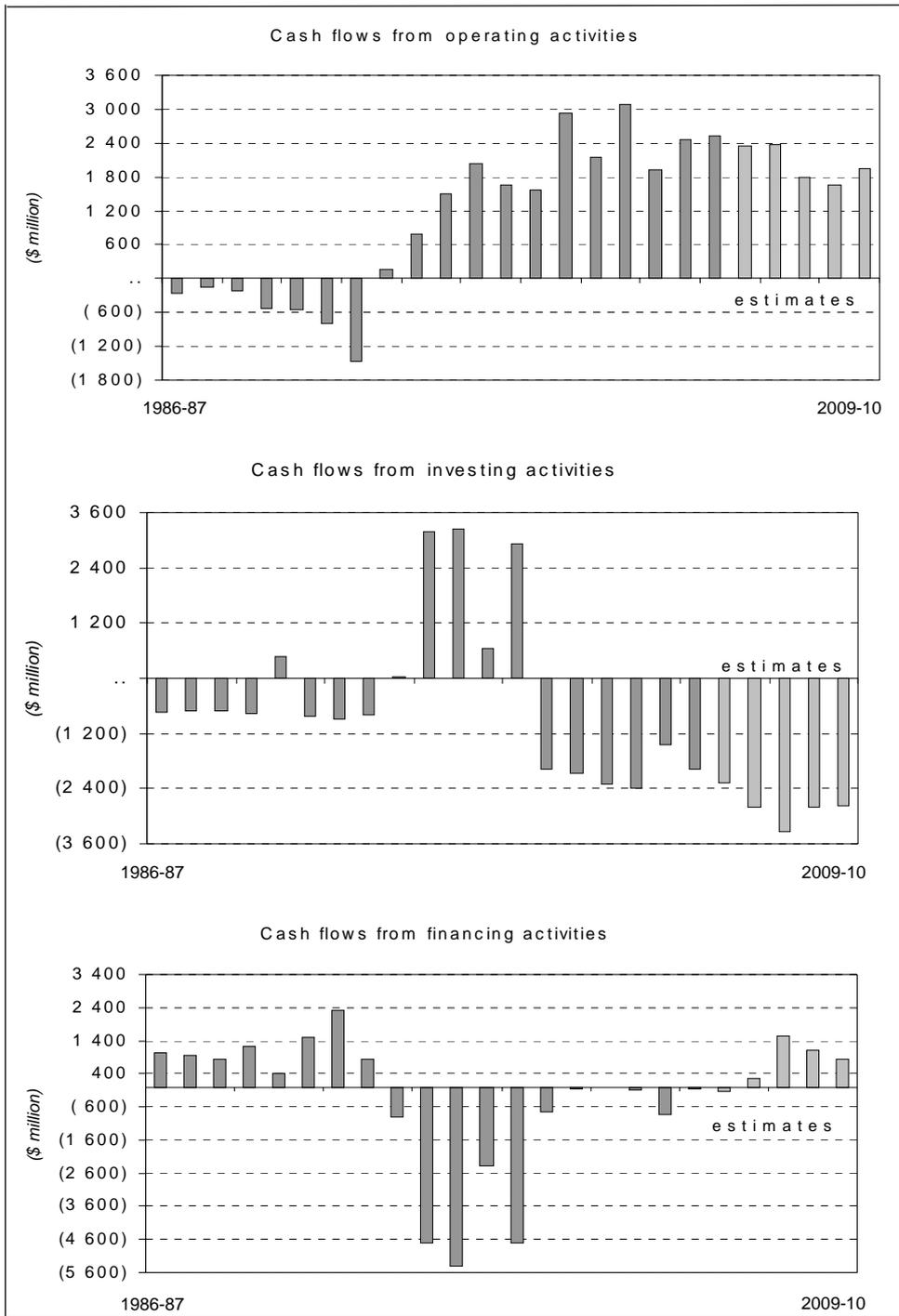
	(\$ million)				
	2005-06	2006-07	2007-08	2008-09	2009-10
	Revised	Budget	Estimate	Estimate	Estimate
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	10 821	11 177	11 368	11 713	12 173
Fines and regulatory fees	647	700	698	712	715
Grants	14 382	15 078	15 926	16 456	17 004
Sales of goods and services	2 504	2 540	2 588	2 647	2 652
Interest received	318	293	295	288	274
Dividends, income tax and rate equivalent revenue received	1 041	965	791	765	827
Other receipts <sup>(c) (d)</sup>	1 684	1 709	1 623	1 733	1 759
<b>Total receipts</b>	<b>31 396</b>	<b>32 462</b>	<b>33 289</b>	<b>34 314</b>	<b>35 403</b>
<b>Payments</b>					
Employee benefits	(11 148)	(11 854)	(12 172)	(12 524)	(12 777)
Superannuation	(1 523)	(1 174)	(1 707)	(1 804)	(1 771)
Interest paid	( 440)	( 414)	( 421)	( 517)	( 586)
Grants and transfer payments <sup>(d)</sup>	(6 014)	(6 152)	(6 034)	(5 928)	(5 955)
Supplies and services	(9 927)	(10 492)	(11 169)	(11 871)	(12 372)
<b>Total payments</b>	<b>(29 052)</b>	<b>(30 086)</b>	<b>(31 504)</b>	<b>(32 644)</b>	<b>(33 460)</b>
<b>Net cash flows from operating activities</b>	<b>2 344</b>	<b>2 376</b>	<b>1 785</b>	<b>1 670</b>	<b>1 944</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(2 372)	(2 349)	(2 808)	(2 711)	(2 746)
Proceeds from sale of property, plant and equipment	148	131	206	116	97
Net (purchases)/disposal of investments	486	387	97	222	225
Net customer loans (granted)/repaid	1	1	1	1	1
Net contribution to other sectors of government	( 520)	( 963)	( 825)	( 420)	( 358)
<b>Net cash flows from investing activities</b>	<b>(2 258)</b>	<b>(2 794)</b>	<b>(3 330)</b>	<b>(2 793)</b>	<b>(2 781)</b>
<b>Cash flows from financing activities</b>					
Net borrowings	( 116)	254	1 555	1 122	841
<b>Net cash flows from financing activities</b>	<b>( 116)</b>	<b>254</b>	<b>1 555</b>	<b>1 122</b>	<b>841</b>
<b>Net increase in cash and deposits held</b>	<b>( 30)</b>	<b>( 164)</b>	<b>10</b>	<b>( 1)</b>	<b>3</b>
Cash and deposits at beginning of reporting period	1 799	1 769	1 605	1 616	1 615
<b>Cash and deposits at end of reporting period</b>	<b>1 769</b>	<b>1 605</b>	<b>1 616</b>	<b>1 615</b>	<b>1 618</b>

Source: Department of Treasury and Finance

## NOTES

- (a) Separation payments up to 1989-90, mainly for early retirement and enhanced resignation packages to the Public Transport Corporation, are included under 'grants and transfer payments' (to the Public non-financial corporations (PNFC) sector). Payments in later years were for voluntary redundancy and targeted separation packages across the general government sector and are included under 'employee entitlements'.
- (b) Privatisation and other abnormal cash items to the general government sector include:
- 1986-87 to 1990-91: payments received from the former Melbourne and Metropolitan Board of Works regarding the transfer of ownership of the Thomson Cardinia Dam of \$35 million a year;
  - 1990-91: net proceeds from the sale of the State Bank (\$1 257 million);
  - 1992-93: sale of the State Insurance Office (\$140 million);
  - 1993-94: recall of capital from the Transport Accident Commission (\$1 200 million), wind up of the Victorian Equity Trust (\$437 million), casino licence fee (\$200 million), offset by a special payment to the State Superannuation Fund (\$1 399 million);
  - 1994-95: sale of Totalisator Agency Board (\$609 million);
  - 1995-96: sale of electricity sector businesses (\$4 641 million), 1996-97 (\$4 262 million), and 1997-98 (\$2 101 million) offset by a special payment to the State Superannuation Fund (\$490 million); and
  - 1998-99: sale of the remainder of the electricity businesses (\$361 million), gas businesses (\$4 690 million), Victorian Plantations Corporation (\$550 million), Aluvic (\$401 million), V/Line Freight (\$20 million), offset by a special payment to reduce the State's unfunded superannuation liabilities (\$2 574 million).
- (c) From 1997-98, includes school own purpose receipts and payments which boosted sales of goods and services and other receipts by up to \$500 million, but had little impact on the net cash flows because of offsetting payments. This year also saw the introduction of tax equivalent receipts from public non-financial corporations and public financial corporations.
- (d) From 1998-99, includes a capital asset charge receipt from the PNFC sector, offset by a similar increase in grants and transfer payments.

**Chart A.1: General government cash flows**



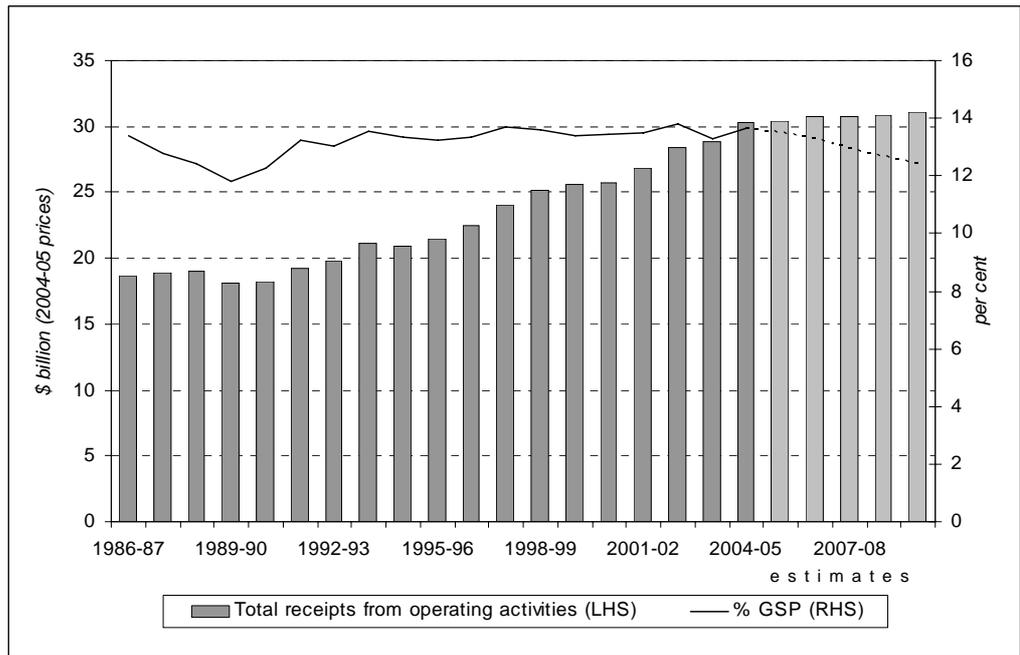
Source: Department of Treasury and Finance

**Table A.2: General government cash aggregates, 2004-05 prices**

Year	Cash Receipts			Cash Payments			Net Cash Flows
	2004-05 prices (\$ billion)	% change	% GSP	2004-05 prices (\$ billion)	% change	% GSP	2004-05 prices (\$ billion)
1986-87	18.7	-0.6	13.4	19.2	-1.3	13.7	( 0.5)
1987-88	18.9	0.9	12.8	19.1	-0.3	13.0	( 0.3)
1988-89	19.1	1.0	12.4	19.4	1.5	12.7	( 0.4)
1989-90	18.1	-5.1	11.8	18.9	-2.9	12.3	( 0.8)
1990-91	18.3	1.0	12.2	19.0	0.9	12.8	( 0.8)
1991-92	19.3	5.4	13.2	20.3	6.9	14.0	( 1.1)
1992-93	19.8	2.7	13.0	21.7	6.8	14.3	( 1.9)
1993-94	21.1	6.6	13.5	20.9	-4.0	13.4	0.2
1994-95	20.9	-0.9	13.3	19.9	-4.6	12.7	1.0
1995-96	21.5	2.8	13.3	19.6	-1.4	12.1	1.8
1996-97	22.5	4.9	13.4	20.0	2.0	11.9	2.5
1997-98	24.1	6.9	13.7	22.0	10.0	12.6	2.0
1998-99	25.2	4.6	13.6	23.3	5.6	12.6	1.9
1999-00	25.6	1.5	13.4	22.1	-4.9	11.6	3.4
2000-01	25.8	0.7	13.4	23.4	5.5	12.2	2.4
2001-02	26.8	4.2	13.5	23.5	0.6	11.8	3.3
2002-03	28.4	6.0	13.8	26.4	12.4	12.8	2.0
2003-04	28.8	1.4	13.3	26.3	-0.4	12.1	2.5
2004-05	30.3	5.3	13.7	27.8	5.7	12.5	2.5
2005-06	30.5	0.4	13.5	28.2	1.3	12.5	2.3
2006-07	30.7	0.9	13.3	28.5	1.0	12.3	2.2
2007-08	30.7	..	12.9	29.1	2.1	12.2	1.6
2008-09	30.9	0.6	12.7	29.4	1.1	12.1	1.5
2009-10	31.1	0.6	12.4	29.4	..	11.7	1.7

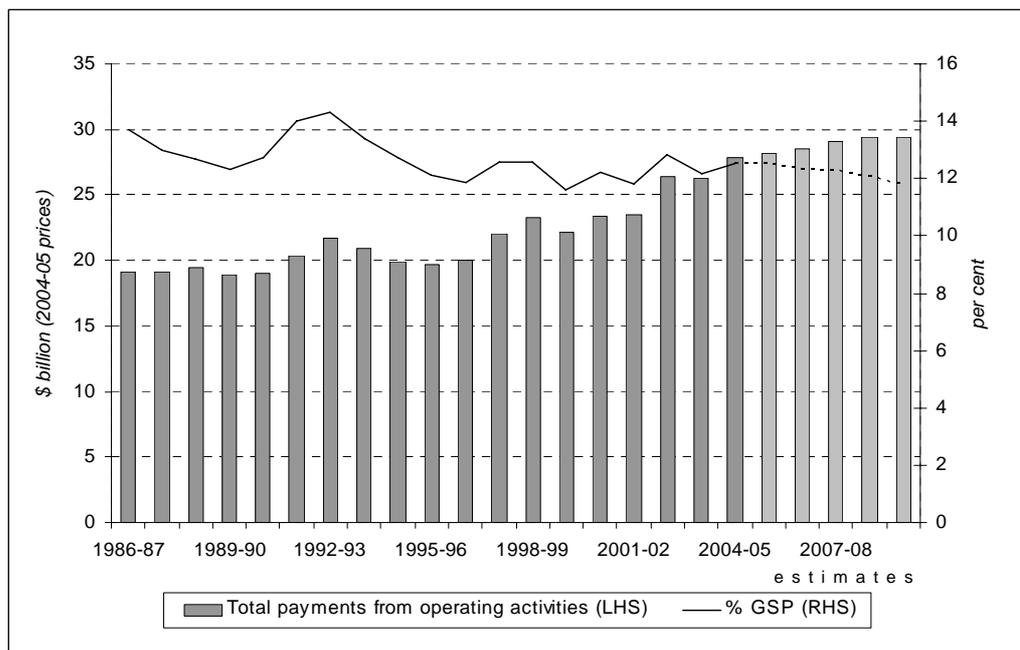
Source: Department of Treasury and Finance

**Chart A.2: Total receipts from operating activities, 2004-05 prices (\$ billion)**



Source: Department of Treasury and Finance

**Chart A.3: Total payments from operating activities, 2004-05 prices (\$ billion)**



Source: Department of Treasury and Finance

**Table A.3: General government sector operating statement – historical series**

(\$ million)

	1996-97	1997-98	1998-99	1999-00
	Actual	Actual	Actual	Actual
<b>Income from transactions</b>				
Taxation	8 598.2	8 573.3	9 099.6	9 707.6
Fines and regulatory fees	313.8	278.1	382.0	411.7
Dividends, income tax and rate equivalent revenue	1 068.5	948.0	990.3	1 090.3
Interest	203.8	153.9	201.7	199.1
Grants income	7 516.1	7 533.3	7 480.0	7 710.6
Sales of goods and services	813.8	1 246.3	1 428.3	1 788.6
Fair value of assets received free of charge or for nominal consideration	69.8	42.7	65.5	19.8
Other income	1 527.2	2 890.9	2 730.0	1 101.7
<b>Total income from transactions</b> <sup>(a)</sup>	<b>20 111.2</b>	<b>21 666.5</b>	<b>22 377.4</b>	<b>22 029.5</b>
<b>Expenses from transactions</b>				
Employee benefits	6 722.4	6 831.8	6 983.7	7 438.6
Superannuation	1 821.1	1 834.8	1 777.8	1 751.4
Depreciation and amortisation	711.9	782.8	804.2	788.9
Finance costs	1 948.9	1 127.0	704.2	460.4
Grants and transfer payments	2 574.7	3 422.5	3 595.6	3 382.7
Supplies and services	4 162.8	4 785.6	5 447.6	6 221.8
Other expenses	106.4	1 423.6	244.9	327.0
<b>Total expenses from transactions</b>	<b>18 048.3</b>	<b>20 208.2</b>	<b>19 558.1</b>	<b>20 370.9</b>
<b>Net result from transactions</b>	<b>2 062.9</b>	<b>1 458.3</b>	<b>2 819.3</b>	<b>1 658.7</b>
<b>Income/(expenses) from other economic flows</b>				
Net gain/(loss) from disposal of physical assets	( 36.6)	106.3	6.7	2.0
Actuarial gains/(losses) on superannuation defined benefit plans	( 456.3)	475.1	474.1	( 464.7)
Other gains/(expenses) from other economic flows <sup>(a)</sup>	2 749.6	1 252.4	4 149.6	( 28.6)
<b>Total other economic flows</b>	<b>2 256.7</b>	<b>1 833.8</b>	<b>4 630.3</b>	<b>( 491.2)</b>
<b>Net result</b>	<b>4 319.6</b>	<b>3 292.1</b>	<b>7 449.7</b>	<b>1 167.5</b>

**Table A.3: General government sector operating statement – historical series  
(continued)**

	(\$ million)				
	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Actual	Actual	Actual	Actual
<b>Income from transactions</b>					
Taxation	8 515.9	8 757.8	9 250.5	10 043.4	10 414.9
Fines and regulatory fees	455.6	520.7	667.5	616.7	651.8
Dividends, income tax and rate equivalent revenue	987.9	607.9	775.8	601.3	948.8
Interest	336.2	317.8	365.8	353.3	339.7
Grants income	10 365.5	11 873.2	12 103.2	12 628.4	13 462.3
Sales of goods and services	1 992.1	2 168.1	2 224.0	2 265.4	2 381.8
Fair value of assets received free of charge or for nominal consideration	69.4	95.5	85.8	374.0	16.7
Other income	987.8	1 089.7	1 504.2	1 494.1	1 588.4
<b>Total income from transactions <sup>(a)</sup></b>	<b>23 710.4</b>	<b>25 430.7</b>	<b>26 976.7</b>	<b>28 376.7</b>	<b>29 804.3</b>
<b>Expenses from transactions</b>					
Employee benefits	8 170.2	8 893.7	9 542.9	9 988.4	10 746.5
Superannuation	1 602.6	1 604.6	1 890.0	1 936.7	1 908.9
Depreciation and amortisation	799.3	859.5	1 016.5	1 067.9	1 120.8
Finance costs	586.9	463.7	475.2	451.3	444.9
Grants and transfer payments	3 793.0	4 175.5	4 038.0	4 611.3	5 160.0
Supplies and services	7 486.1	7 816.0	8 465.9	9 318.9	9 460.1
Other expenses	73.5	20.0	35.6	40.3	171.0
<b>Total expenses from transactions</b>	<b>22 511.5</b>	<b>23 833.0</b>	<b>25 464.1</b>	<b>27 414.9</b>	<b>29 012.2</b>
<b>Net result from transactions</b>	<b>1 198.9</b>	<b>1 597.8</b>	<b>1 512.6</b>	<b>961.7</b>	<b>792.1</b>
<b>Income/(expenses) from other economic flows</b>					
Net gain/(loss) from disposal of physical assets	21.4	( 97.5)	( 336.1)	( 44.8)	( 26.6)
Actuarial gains/(losses) on superannuation defined benefit plans	164.8	( 990.6)	( 722.2)	1 636.5	1 328.8
Other gains/(expenses) from other economic flows <sup>(a)</sup>	( 168.9)	( 236.3)	( 218.3)	( 331.4)	49.5
<b>Total other economic flows</b>	<b>17.3</b>	<b>(1 324.4)</b>	<b>(1 276.7)</b>	<b>1 260.4</b>	<b>1 351.7</b>
<b>Net result</b>	<b>1 216.2</b>	<b>273.4</b>	<b>235.9</b>	<b>2 222.1</b>	<b>2 143.9</b>

Note:

- (a) Significant income and other gains were recorded in 1996-97, 1997-98 and 1998-99 from business asset sales. More information is provided in footnote (b) to Table A.1, and in the Budget Papers for those years.

**Table A.3: General government sector operating statement – historical series  
(continued)**

	(\$ million)				
	2005-06	2006-07	2007-08	2008-09	2009-10
	Revised	Budget	Estimate	Estimate	Estimate
<b>Income from transactions</b>					
Taxation	10 770.0	10 971.0	11 167.3	11 573.4	12 110.6
Fines and regulatory fees	737.5	832.4	820.5	830.4	832.8
Dividends, income tax and rate equivalent revenue	826.7	958.1	803.1	786.5	805.3
Interest	318.1	293.1	294.8	288.0	274.6
Grants income	14 382.5	15 077.9	15 925.5	16 456.1	17 003.3
Sales of goods and services	2 522.3	2 552.4	2 589.9	2 653.2	2 658.1
Fair value of assets received free of charge or for nominal consideration	22.0	..	..	160.0	..
Other income	1 619.8	1 757.2	1 861.9	1 847.1	1 815.2
<b>Total income from transactions</b>	<b>31 198.9</b>	<b>32 442.1</b>	<b>33 462.9</b>	<b>34 594.7</b>	<b>35 499.8</b>
<b>Expenses from transactions</b>					
Employee benefits	11 394.1	12 019.5	12 297.0	12 648.5	12 902.6
Superannuation	1 757.3	1 710.4	1 760.7	1 784.2	1 816.7
Depreciation and amortisation	1 244.4	1 322.1	1 403.1	1 464.0	1 543.5
Finance costs	471.6	428.0	454.1	550.0	617.6
Grants and transfer payments	5 944.5	6 207.2	6 071.5	5 944.3	5 946.4
Supplies and services	9 937.0	10 437.7	11 170.6	11 871.9	12 360.8
Other expenses	0.5	0.5	0.5	0.5	0.5
<b>Total expenses from transactions</b>	<b>30 749.4</b>	<b>32 125.3</b>	<b>33 157.5</b>	<b>34 263.4</b>	<b>35 188.0</b>
<b>Net result from transactions</b>	<b>449.5</b>	<b>316.8</b>	<b>305.4</b>	<b>331.3</b>	<b>311.9</b>
<b>Income/(expenses) from other economic flows</b>					
Net gain/(loss) from disposal of physical assets	20.3	9.7	6.0	6.1	6.5
Actuarial gains/(losses) on superannuation defined benefit plans	2 996.9	..	..	..	..
Other gains/(expenses) from other economic flows	1 339.5	( 50.9)	( 40.8)	( 35.8)	( 35.8)
<b>Total other economic flows</b>	<b>4 356.7</b>	<b>( 41.2)</b>	<b>( 34.8)</b>	<b>( 29.7)</b>	<b>( 29.3)</b>
<b>Net result</b>	<b>4 806.3</b>	<b>275.6</b>	<b>270.6</b>	<b>301.6</b>	<b>282.5</b>

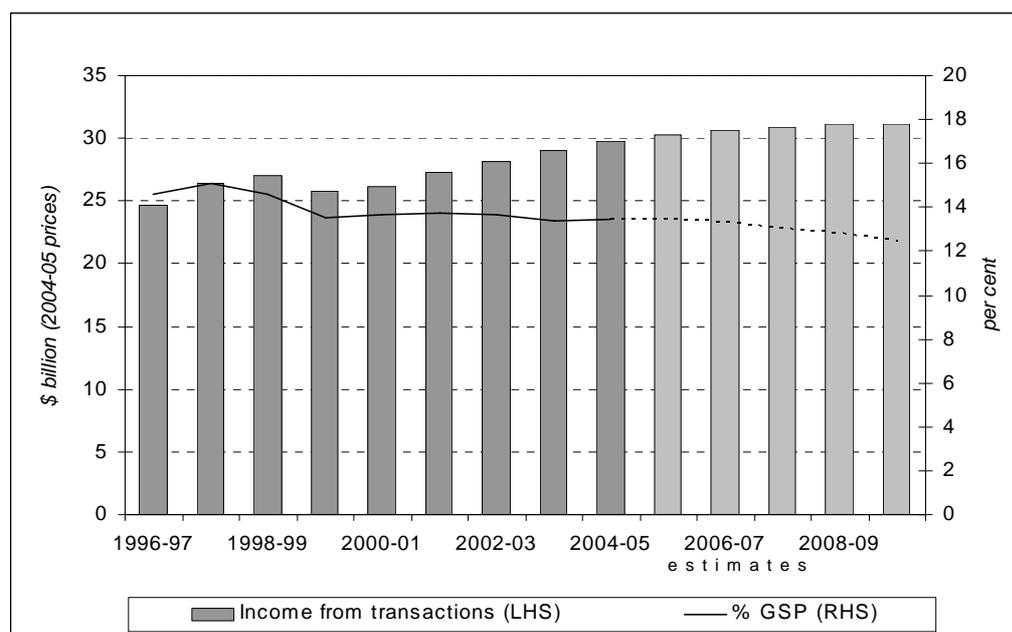
Source: Department of Treasury and Finance

**Table A.4: General Government Accrual Aggregates**

Year	Income from transactions			Expenses from transactions			Net Result from transactions
	2004-05 prices (\$ billion)	% change	% GSP	2004-05 prices (\$ billion)	% change	% GSP	2004-05 prices (\$ billion)
1996-97	24.6		14.6	22.1		13.1	2.5
1997-98	26.5	7.4	15.1	24.7	11.6	14.1	1.8
1998-99	27.1	2.3	14.6	23.6	-4.2	12.8	3.4
1999-00	25.8	-4.8	13.5	23.8	0.8	12.5	1.9
2000-01	26.2	1.6	13.7	24.9	4.4	13.0	1.3
2001-02	27.3	4.2	13.7	25.6	2.9	12.8	1.7
2002-03	28.1	3.1	13.7	26.5	3.8	12.9	1.6
2003-04	29.0	3.0	13.4	28.0	5.4	12.9	1.0
2004-05	29.8	2.9	13.4	29.0	3.7	13.1	0.8
2005-06	30.3	1.5	13.4	29.8	2.8	13.2	0.4
2006-07	30.7	1.4	13.3	30.4	1.9	13.2	0.3
2007-08	30.9	0.6	13.0	30.6	0.7	12.9	0.3
2008-09	31.2	0.8	12.8	30.9	0.8	12.7	0.3
2009-10	31.2	0.1	12.4	30.9	0.2	12.3	0.3

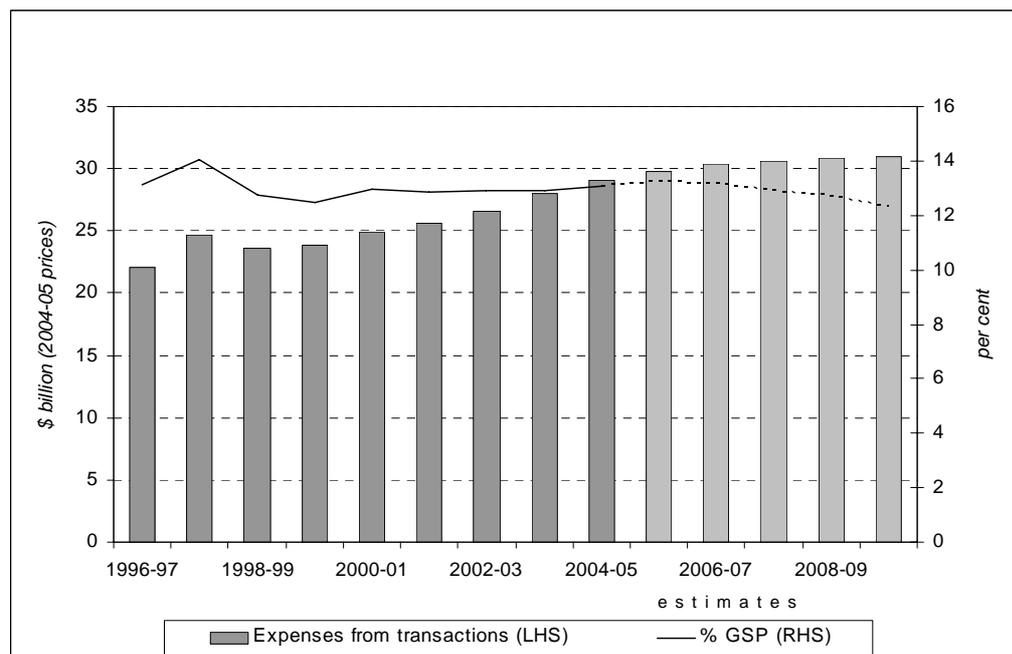
Source: Department of Treasury and Finance

**Chart A.4: General Government Income from transactions**



Source: Department of Treasury and Finance

**Chart A.5: General Government Expenses from transactions, 2004-05 prices**



Source: Department of Treasury and Finance

**Table A.5: General government operating expenses by purpose 1961-62 to 1997-98 – historical series**

(\$ million)

	1961-62 <i>Actual</i>	1962-63 <i>Actual</i>	1963-64 <i>Actual</i>	1964-65 <i>Actual</i>
<b>General public services</b>	<b>21</b>	<b>20</b>	<b>20</b>	<b>22</b>
<b>Public order and safety</b>	<b>29</b>	<b>31</b>	<b>33</b>	<b>35</b>
Primary and secondary	67	76	86	93
University	20	25	29	33
Technical and further education	..	..	..	..
Other tertiary	..	..	..	..
Other	9	10	11	12
<b>Education</b>	<b>98</b>	<b>111</b>	<b>126</b>	<b>138</b>
Acute care institutions	28	30	31	33
Other health institutions	15	15	16	17
Community health services	2	2	2	2
Pharmaceutical	3	3	4	4
Other	3	4	4	5
<b>Health</b>	<b>51</b>	<b>55</b>	<b>57</b>	<b>61</b>
Social security	..	..	..	..
Welfare services	1	1	1	1
Other	7	7	7	8
<b>Social security and welfare</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>9</b>
Housing and community development	1	1	1	1
Water supply	..	..	..	..
Sanitation and protection of the environment	1	..	1	..
Other community amenities	..	..	..	..
<b>Housing and community amenities</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>
Recreational facilities and services	2	2	2	2
Cultural facilities and services	2	2	2	2
Broadcasting and film production	..	..	..	..
Other recreation and culture	..	..	..	..
<b>Recreation and culture</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>
<b>Fuel and energy</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Agriculture, forestry and fishing</b>	<b>11</b>	<b>11</b>	<b>15</b>	<b>15</b>
<b>Mining, manufacturing and construction</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Road transport	16	17	18	20
Water transport	1	1	2	1
Rail transport	15	16	16	15
Air transport	..	..	..	..
Communications and other transport	18	18	19	20
<b>Transport and communications</b>	<b>50</b>	<b>52</b>	<b>55</b>	<b>56</b>
<b>Other economic affairs</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Nominal interest on superannuation</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>13</b>
<b>Public debt transactions</b>	<b>60</b>	<b>65</b>	<b>69</b>	<b>73</b>
<b>Other</b>	<b>-2</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>
Superannuation not allocated to purpose	30	31	34	37
Depreciation not allocated to purpose	..	..	..	..
<b>Total GFS expenses<sup>(a)</sup></b>	<b>376</b>	<b>402</b>	<b>439</b>	<b>470</b>

**Table A.5: General government operating expenses by purpose 1961-62 to 1997-98 – historical series (continued)**

(\$ million)							
1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
24	26	28	30	34	37	34	37
37	40	44	47	52	59	69	80
104	115	124	145	168	198	235	292
39	45	65	74	80	111	126	158
..	1	1	1	9	11	12	13
..	..	..	..	..	..	..	..
13	14	16	17	19	21	26	31
<b>156</b>	<b>175</b>	<b>204</b>	<b>236</b>	<b>276</b>	<b>341</b>	<b>398</b>	<b>494</b>
36	40	42	48	57	72	84	101
18	19	21	22	24	28	33	36
2	2	2	2	2	3	3	4
4	4	4	5	6	7	8	7
5	8	8	9	9	12	13	14
<b>66</b>	<b>73</b>	<b>77</b>	<b>86</b>	<b>99</b>	<b>122</b>	<b>142</b>	<b>163</b>
..	..	..	..	1	2	6	9
1	1	1	1	2	2	6	7
8	9	9	10	12	15	17	21
<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>14</b>	<b>19</b>	<b>29</b>	<b>37</b>
1	1	1	2	2	2	3	4
..	..	..	..	..	..	..	..
..	1	1	1	1	2	2	3
..	..	..	..	..	..	..	..
<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>8</b>
3	3	3	3	4	4	5	6
2	3	3	4	4	5	6	7
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..
<b>5</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>13</b>
..	..	..	..	..	..	..	..
<b>15</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>22</b>	<b>24</b>	<b>27</b>	<b>36</b>
<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>
21	26	31	34	37	40	46	54
1	2	2	2	3	2	2	2
16	16	17	17	16	16	15	63
..	..	..	..	..	..	..	..
21	21	23	23	24	25	27	27
<b>59</b>	<b>66</b>	<b>72</b>	<b>76</b>	<b>79</b>	<b>82</b>	<b>91</b>	<b>147</b>
7	7	8	8	9	13	13	15
14	15	17	21	29	32	31	41
79	85	90	94	98	105	122	120
-3	-4	1	2	-5	-6	1	1
40	46	50	55	61	72	82	103
..	..	..	..	..	..	..	..
<b>510</b>	<b>564</b>	<b>628</b>	<b>699</b>	<b>781</b>	<b>914</b>	<b>1,057</b>	<b>1,296</b>

Note:

(a) Total GFS expenses - accruals basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.

**Table A.5: General government operating expenses by purpose 1961-62 to 1997-98 – historical series (continued)**

	(\$ million)			
	1973-74	1974-75	1975-76	1976-77
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<b>General public services</b>	<b>51</b>	<b>65</b>	<b>82</b>	<b>100</b>
<b>Public order and safety</b>	<b>101</b>	<b>134</b>	<b>166</b>	<b>193</b>
Primary and secondary	364	497	628	751
University	199	286	306	344
Technical and further education	18	26	34	42
Other tertiary	..	..	1	1
Other	37	64	81	98
<b>Education</b>	<b>619</b>	<b>873</b>	<b>1 050</b>	<b>1 237</b>
Acute care institutions	135	183	366	422
Other health institutions	44	60	77	91
Community health services	7	12	17	22
Pharmaceutical	13	13	6	2
Other	18	24	36	44
<b>Health</b>	<b>217</b>	<b>292</b>	<b>502</b>	<b>581</b>
Social security	6	3	9	6
Welfare services	9	13	18	21
Other	20	30	41	54
<b>Social security and welfare</b>	<b>34</b>	<b>47</b>	<b>68</b>	<b>81</b>
Housing and community development	12	23	29	29
Water supply	1	1	4	3
Sanitation and protection of the environment	6	17	19	15
Other community amenities	..	..	..	..
<b>Housing and community amenities</b>	<b>18</b>	<b>41</b>	<b>52</b>	<b>47</b>
Recreational facilities and services	8	13	20	21
Cultural facilities and services	9	13	17	21
Broadcasting and film production	..	..	..	..
Other recreation and culture	..	1	1	2
<b>Recreation and culture</b>	<b>17</b>	<b>27</b>	<b>38</b>	<b>44</b>
<b>Fuel and energy</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Agriculture, forestry and fishing</b>	<b>41</b>	<b>51</b>	<b>65</b>	<b>70</b>
<b>Mining, manufacturing and construction</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>7</b>
Road transport	69	62	73	112
Water transport	3	3	4	5
Rail transport	97	152	170	192
Air transport	..	..	..	..
Communications and other transport	28	53	60	71
<b>Transport and communications</b>	<b>197</b>	<b>270</b>	<b>307</b>	<b>379</b>
<b>Other economic affairs</b>	<b>18</b>	<b>23</b>	<b>28</b>	<b>34</b>
<b>Nominal interest on superannuation</b>	<b>66</b>	<b>77</b>	<b>97</b>	<b>121</b>
<b>Public debt transactions</b>	<b>106</b>	<b>191</b>	<b>209</b>	<b>252</b>
<b>Other</b>	<b>1</b>	<b>23</b>	<b>26</b>	<b>37</b>
Superannuation not allocated to purpose	129	181	221	256
Depreciation not allocated to purpose	..	218	269	300
<b>Total GFS expenses <sup>(a)</sup></b>	<b>1,617</b>	<b>2517</b>	<b>3186</b>	<b>3 739</b>

**Table A.5: General government operating expenses by purpose 1961-62 to 1997-98 – historical series (continued)**

(\$ million)

1977-78 <i>Actual</i>	1978-79 <i>Actual</i>	1979-80 <i>Actual</i>	1980-81 <i>Actual</i>	1981-82 <i>Actual</i>	1982-83 <i>Actual</i>	1983-84 <i>Actual</i>	1984-85 <i>Actual</i>
<b>112</b>	<b>128</b>	<b>136</b>	<b>154</b>	<b>173</b>	<b>188</b>	<b>239</b>	<b>284</b>
<b>220</b>	<b>247</b>	<b>291</b>	<b>342</b>	<b>389</b>	<b>483</b>	<b>512</b>	<b>563</b>
878	962	1 089	1 238	1 355	1 529	1 778	1 881
358	362	383	415	458	489	532	538
43	51	59	72	152	183	204	222
1	1	1	1	1	6	3	15
110	120	133	160	171	191	191	211
<b>1 390</b>	<b>1 497</b>	<b>1 666</b>	<b>1 887</b>	<b>2 137</b>	<b>2 399</b>	<b>2 708</b>	<b>2 867</b>
466	513	551	633	699	788	877	1 238
101	108	124	141	153	183	205	216
32	39	38	37	55	63	68	128
1	3	1	2	3	3	3	1
42	44	54	74	91	98	119	250
<b>641</b>	<b>706</b>	<b>768</b>	<b>888</b>	<b>1 002</b>	<b>1 134</b>	<b>1 271</b>	<b>1 834</b>
9	9	7	5	5	5	5	83
33	41	47	55	71	91	84	208
60	70	79	74	85	101	126	4
<b>101</b>	<b>120</b>	<b>132</b>	<b>134</b>	<b>161</b>	<b>197</b>	<b>215</b>	<b>296</b>
34	18	19	24	34	97	112	212
2	2	1	17	20	25	29	53
13	15	14	15	19	23	26	26
..	..	..	..	..	..	..	..
<b>49</b>	<b>35</b>	<b>34</b>	<b>56</b>	<b>73</b>	<b>145</b>	<b>167</b>	<b>291</b>
25	28	32	36	44	58	43	58
27	29	35	33	37	36	25	61
..	..	..	..	..	..	1	6
2	1	2	2	4	5	7	7
<b>54</b>	<b>59</b>	<b>69</b>	<b>72</b>	<b>85</b>	<b>100</b>	<b>75</b>	<b>133</b>
<b>0</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>46</b>	<b>20</b>
<b>78</b>	<b>84</b>	<b>93</b>	<b>100</b>	<b>116</b>	<b>149</b>	<b>159</b>	<b>213</b>
<b>7</b>	<b>-12</b>	<b>32</b>	<b>39</b>	<b>45</b>	<b>50</b>	<b>66</b>	<b>59</b>
127	139	161	171	214	284	283	279
5	5	6	10	10	12	14	14
211	230	238	235	275	375	230	231
..	..	..	..	..	..	..	..
32	38	39	44	53	65	227	257
<b>374</b>	<b>412</b>	<b>444</b>	<b>460</b>	<b>552</b>	<b>735</b>	<b>753</b>	<b>781</b>
<b>38</b>	<b>43</b>	<b>47</b>	<b>68</b>	<b>82</b>	<b>93</b>	<b>148</b>	<b>268</b>
<b>126</b>	<b>162</b>	<b>223</b>	<b>293</b>	<b>432</b>	<b>470</b>	<b>513</b>	<b>583</b>
<b>304</b>	<b>329</b>	<b>351</b>	<b>399</b>	<b>440</b>	<b>529</b>	<b>596</b>	<b>639</b>
<b>50</b>	<b>52</b>	<b>61</b>	<b>77</b>	<b>94</b>	<b>232</b>	<b>191</b>	<b>189</b>
291	315	363	420	469	527	537	583
335	362	421	483	548	628	682	706
<b>4 171</b>	<b>4 539</b>	<b>5 134</b>	<b>5 875</b>	<b>6 801</b>	<b>8 063</b>	<b>8 878</b>	<b>10 311</b>

Note:

(a) Total GFS expenses - accruals basis. Estimated superannuation and depreciation expenses have not been allocated by purpose.

**Table A.5: General government operating expenditure by purpose 1961-62 to 1997- 98 – historical series (continued)**

	(\$ million)				
	1985-86	1986-87	1987-88	1988-89	1989-90
	Actual	Actual	Actual	Actual	Actual
<b>General public services</b>	<b>331</b>	<b>405</b>	<b>410</b>	<b>448</b>	<b>443</b>
<b>Public order and safety</b>	<b>632</b>	<b>678</b>	<b>729</b>	<b>830</b>	<b>978</b>
Primary and secondary	1 994	2 089	2 188	2 451	2 564
University	654	673	760	726	736
Technical and further education	259	288	305	343	372
Other tertiary	17	23	4	5	7
Other	260	293	345	306	331
<b>Education</b>	<b>3 186</b>	<b>3 366</b>	<b>3 601</b>	<b>3 833</b>	<b>4 010</b>
Acute care institutions	1 382	1 572	1 726	1 881	2 025
Other health institutions	243	267	323	356	387
Community health services	114	119	159	161	174
Pharmaceutical	1	2	2	..	..
Other	263	274	332	415	467
<b>Health</b>	<b>2 003</b>	<b>2 234</b>	<b>2 542</b>	<b>2 813</b>	<b>3 052</b>
Social security	88	93	97	105	111
Welfare services	246	327	329	396	442
Other	1	1	..	..	..
<b>Social security and welfare</b>	<b>334</b>	<b>421</b>	<b>426</b>	<b>501</b>	<b>554</b>
Housing and community development	210	218	222	262	359
Water supply	65	31	32	33	39
Sanitation and protection of the environment	23	18	18	18	23
Other community amenities	..	..	1	..	..
<b>Housing and community amenities</b>	<b>299</b>	<b>268</b>	<b>274</b>	<b>313</b>	<b>421</b>
Recreational facilities and services	82	87	96	138	154
Cultural facilities and services	62	67	69	83	92
Broadcasting and film production	4	4	4	4	4
Other recreation and culture	3	1	..	..	..
<b>Recreation and culture</b>	<b>152</b>	<b>159</b>	<b>170</b>	<b>225</b>	<b>250</b>
<b>Fuel and energy</b>	<b>32</b>	<b>32</b>	<b>22</b>	<b>8</b>	<b>20</b>
<b>Agriculture, forestry and fishing</b>	<b>168</b>	<b>193</b>	<b>207</b>	<b>215</b>	<b>229</b>
<b>Mining, manufacturing and construction</b>	<b>94</b>	<b>64</b>	<b>66</b>	<b>46</b>	<b>47</b>
Road transport	362	334	376	421	431
Water transport	14	20	17	15	9
Rail transport	274	374	307	317	1
Air transport	..	..	..	..	..
Communications and other transport	249	478	326	323	675
<b>Transport and communications</b>	<b>899</b>	<b>1 206</b>	<b>1 027</b>	<b>1 076</b>	<b>1 116</b>
<b>Other economic affairs</b>	<b>251</b>	<b>198</b>	<b>189</b>	<b>173</b>	<b>184</b>
<b>Nominal interest on superannuation</b>	<b>642</b>	<b>723</b>	<b>752</b>	<b>937</b>	<b>1040</b>
<b>Public debt transactions</b>	<b>719</b>	<b>805</b>	<b>1 124</b>	<b>1 219</b>	<b>1 514</b>
<b>Other</b>	<b>147</b>	<b>153</b>	<b>167</b>	<b>170</b>	<b>176</b>
Superannuation not allocated to purpose	638	705	784	827	876
Depreciation not allocated to purpose	776	842	894	945	998
<b>Total GFS expenses<sup>(a)</sup></b>	<b>11 302</b>	<b>12 450</b>	<b>13 384</b>	<b>14 579</b>	<b>15 908</b>

**Table A.5: General government operating expenses by purpose 1961-62 to 1997-98 – historical series (continued)**

(\$ million)							
1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<b>454</b>	<b>477</b>	<b>423</b>	<b>391</b>	<b>350</b>	<b>332</b>	<b>376</b>	<b>464</b>
<b>1 052</b>	<b>1 122</b>	<b>1 175</b>	<b>1 202</b>	<b>1 251</b>	<b>1 301</b>	<b>1 505</b>	<b>1 761</b>
2 504	2 783	2 765	2 699	2 669	2 850	2 963	3 312
630	572	499	149	143	148	159	118
386	418	450	432	454	540	533	727
230	267	19	..	..	..	..	43
320	333	336	347	372	343	396	434
<b>4 069</b>	<b>4 373</b>	<b>4 070</b>	<b>3 627</b>	<b>3 638</b>	<b>3 881</b>	<b>4 051</b>	<b>4 634</b>
2 286	2 376	2 261	2 112	2 133	2 377	2 425	2 491
306	311	353	331	351	364	390	253
200	220	253	230	253	251	254	..
..	..	..	..	..	9	11	..
411	396	408	463	431	499	515	1 265
<b>3 204</b>	<b>3 302</b>	<b>3 274</b>	<b>3 136</b>	<b>3 168</b>	<b>3 501</b>	<b>3 595</b>	<b>4 010</b>
105	134	148	186	222	216	236	244
586	640	704	674	745	524	543	922
1	1	1	1	1	..	..	..
<b>692</b>	<b>775</b>	<b>852</b>	<b>861</b>	<b>967</b>	<b>740</b>	<b>779</b>	<b>1 167</b>
383	431	461	407	453	416	454	445
36	42	27	22	24	22	30	20
27	26	25	27	30	22	33	42
1	5	6	..	..	..	..	2
<b>447</b>	<b>504</b>	<b>519</b>	<b>456</b>	<b>508</b>	<b>460</b>	<b>517</b>	<b>508</b>
151	136	134	157	128	138	147	180
77	92	95	95	108	112	123	157
3	3	3	4	6	6	12	1
..	1	2	..	..	..	7	1
<b>231</b>	<b>232</b>	<b>233</b>	<b>256</b>	<b>242</b>	<b>256</b>	<b>289</b>	<b>339</b>
<b>17</b>	<b>14</b>	<b>58</b>	<b>20</b>	<b>68</b>	<b>216</b>	<b>22</b>	<b>9</b>
<b>253</b>	<b>257</b>	<b>262</b>	<b>263</b>	<b>289</b>	<b>273</b>	<b>331</b>	<b>376</b>
<b>32</b>	<b>42</b>	<b>47</b>	<b>31</b>	<b>45</b>	<b>59</b>	<b>47</b>	<b>56</b>
484	514	482	502	573	475	662	799
6	3	3	3	11	11	12	4
1	..	..	..	..	9	10	43
0	..	..	..	..	..	..	..
724	676	660	612	321	452	390	394
<b>1 214</b>	<b>1 193</b>	<b>1 145</b>	<b>1 118</b>	<b>905</b>	<b>947</b>	<b>1 074</b>	<b>1 239</b>
<b>200</b>	<b>204</b>	<b>188</b>	<b>176</b>	<b>217</b>	<b>207</b>	<b>195</b>	<b>124</b>
<b>967</b>	<b>841</b>	<b>744</b>	<b>999</b>	<b>988</b>	<b>985</b>	<b>824</b>	<b>674</b>
<b>1 523</b>	<b>1 717</b>	<b>2 027</b>	<b>2 185</b>	<b>1 972</b>	<b>1 909</b>	<b>1 450</b>	<b>1 132</b>
<b>187</b>	<b>354</b>	<b>571</b>	<b>527</b>	<b>421</b>	<b>336</b>	<b>387</b>	<b>389</b>
958	1012	1043	960	930	954	1017	1056
1 073	1 136	1 156	1 185	1 208	1 257	1 278	1 320
<b>16 572</b>	<b>17 555</b>	<b>17 786</b>	<b>17 392</b>	<b>17 167</b>	<b>17 615</b>	<b>17 737</b>	<b>19 259</b>

Source: Australian Bureau of Statistics (ABS), Catalogue 5512.0

Note:

(a) Total GFS expenses - accruals basis. Estimated superannuation and depreciation expenses have not been allocated by purpose.

**Table A.6: General government expenses by purpose 1998-99 to 2009-10**

	(\$ million)				
	1998-99	1999-00	2000-01	2001-02	2002-03
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<b>General public services</b>	<b>125</b>	<b>462</b>	<b>837</b>	<b>642</b>	<b>431</b>
<b>Public order and safety</b>	<b>1 784</b>	<b>1 965</b>	<b>2 005</b>	<b>2 110</b>	<b>2 390</b>
Primary and secondary	3 987	4 279	4 708	5 102	5 267
University	..	..	..	..	87
Technical and further education	909	941	1 115	1 146	1 185
Other tertiary	..	..	..	..	..
Other	310	332	367	391	436
<b>Education</b>	<b>5 205</b>	<b>5 552</b>	<b>6 190</b>	<b>6 639</b>	<b>6 975</b>
Acute care institutions	3 651	3 832	4 337	4 683	5 210
Other health institutions	187	191	211	231	30
Community health services	838	889	976	1,085	1,003
Pharmaceutical	35	39	40	46	58
Other	51	52	53	57	490
<b>Health</b>	<b>4 763</b>	<b>5 003</b>	<b>5 619</b>	<b>6 101</b>	<b>6 790</b>
Social security	..	..	..	..	..
Welfare services	1 366	1 497	1 665	1 832	1 934
Other	2	..	..	..	..
<b>Social security and welfare</b>	<b>1 367</b>	<b>1 497</b>	<b>1 665</b>	<b>1 832</b>	<b>1 934</b>
Housing and community development	357	359	675	856	601
Water supply	55	97	81	104	188
Sanitation and protection of the environment	30	33	56	69	224
Other community amenities	336	368	434	393	377
<b>Housing and community amenities</b>	<b>778</b>	<b>856</b>	<b>1 245</b>	<b>1 422</b>	<b>1 390</b>
Recreational facilities and services	329	391	410	434	458
Cultural facilities and services	130	205	220	224	250
Broadcasting and film production	..	13	15	21	39
Other recreation and culture	10	5	16	11	2
<b>Recreation and culture</b>	<b>469</b>	<b>614</b>	<b>661</b>	<b>690</b>	<b>748</b>
<b>Fuel and energy</b>	<b>126</b>	<b>55</b>	<b>71</b>	<b>71</b>	<b>23</b>
<b>Agriculture, forestry and fishing</b>	<b>503</b>	<b>434</b>	<b>432</b>	<b>433</b>	<b>353</b>
<b>Mining, manufacturing and construction</b>	<b>30</b>	<b>20</b>	<b>12</b>	<b>23</b>	<b>17</b>
Road transport	1 118	1 157	1 206	1 284	1 449
Water transport	4	12	2	2	2
Rail transport	888	946	997	1 009	988
Air transport	..	..	..	..	..
Communications and other transport	24	29	44	51	91
<b>Transport and communications</b>	<b>2 034</b>	<b>2 144</b>	<b>2 249</b>	<b>2 346</b>	<b>2 530</b>
<b>Other economic affairs</b>	<b>280</b>	<b>211</b>	<b>235</b>	<b>327</b>	<b>351</b>
<b>Nominal interest on superannuation</b>	<b>1 035</b>	<b>806</b>	<b>859</b>	<b>827</b>	<b>937</b>
<b>Public debt transactions</b>	<b>666</b>	<b>600</b>	<b>639</b>	<b>616</b>	<b>691</b>
<b>Other</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Total GFS expenses <sup>(a)</sup></b>	<b>19 166</b>	<b>20 219</b>	<b>22 721</b>	<b>24 079</b>	<b>25 559</b>

**Table A.6: General government expenses by purpose 1998-99 to 2009-10  
(continued)**

(\$ million)						
2003-04	2004-05	2005-06 <sup>(b)</sup>	2006-07 <sup>(b)</sup>	2007-08 <sup>(b)</sup>	2008-09 <sup>(b)</sup>	2009-10 <sup>(b)</sup>
Actual	Actual	Revised	Budget	Estimate	Estimate	Estimate
<b>702</b>	<b>579</b>	<b>1 345</b>	<b>1 713</b>	<b>2 037</b>	<b>2 394</b>	<b>2 614</b>
<b>2 502</b>	<b>2 808</b>	<b>3 201</b>	<b>3 407</b>	<b>3 429</b>	<b>3 495</b>	<b>3 545</b>
5 531	5 854	..	..	..	..	..
74	74	..	..	..	..	..
1 262	1 357	..	..	..	..	..
..	..	..	..	..	..	..
443	651	..	..	..	..	..
<b>7 310</b>	<b>7 936</b>	<b>8 366</b>	<b>8 790</b>	<b>8 880</b>	<b>9 127</b>	<b>9 308</b>
5 585	6 027	..	..	..	..	..
32	33	..	..	..	..	..
960	1,059	..	..	..	..	..
59	75	..	..	..	..	..
512	521	..	..	..	..	..
<b>7 148</b>	<b>7 715</b>	<b>8 042</b>	<b>8 544</b>	<b>8 721</b>	<b>8 932</b>	<b>9 192</b>
..	..	..	..	..	..	..
2 077	2 286	..	..	..	..	..
..	..	..	..	..	..	..
<b>2 077</b>	<b>2 286</b>	<b>2 626</b>	<b>2 798</b>	<b>2 852</b>	<b>2 916</b>	<b>2 997</b>
498	998	..	..	..	..	..
162	182	..	..	..	..	..
166	252	..	..	..	..	..
412	502	..	..	..	..	..
<b>1 238</b>	<b>1 934</b>	<b>1 619</b>	<b>1 625</b>	<b>1 601</b>	<b>1 570</b>	<b>1 583</b>
409	379	..	..	..	..	..
213	265	..	..	..	..	..
38	..	..	..	..	..	..
2	..	..	..	..	..	..
<b>661</b>	<b>644</b>	<b>844</b>	<b>702</b>	<b>708</b>	<b>666</b>	<b>641</b>
<b>108</b>	<b>48</b>	<b>72</b>	<b>75</b>	<b>68</b>	<b>46</b>	<b>46</b>
<b>449</b>	<b>276</b>	<b>340</b>	<b>328</b>	<b>272</b>	<b>276</b>	<b>276</b>
<b>31</b>	<b>22</b>	<b>50</b>	<b>48</b>	<b>40</b>	<b>40</b>	<b>40</b>
1 400	1 640	..	..	..	..	..
2	13	..	..	..	..	..
1 924	1 282	..	..	..	..	..
..	..	..	..	..	..	..
80	81	..	..	..	..	..
<b>3 406</b>	<b>3 016</b>	<b>3 081</b>	<b>3 338</b>	<b>3 446</b>	<b>3 574</b>	<b>3 646</b>
<b>317</b>	<b>356</b>	<b>441</b>	<b>462</b>	<b>436</b>	<b>376</b>	<b>374</b>
<b>916</b>	<b>820</b>	<b>479</b>	<b>349</b>	<b>362</b>	<b>358</b>	<b>355</b>
<b>681</b>	<b>590</b>	<b>459</b>	<b>415</b>	<b>441</b>	<b>537</b>	<b>604</b>
..	..	- 215	- 470	- 136	- 45	- 32
<b>27 547</b>	<b>29 029</b>	<b>30 749</b>	<b>32 125</b>	<b>33 157</b>	<b>34 263</b>	<b>35 188</b>

Source: 1998-2002, 2006-10 Department of Treasury and Finance; 2002-05 ABS Catalogue 5512.0

Notes:

(a) The classification of transactions for the years 1998-2002 is currently under review by the ABS.

(b) Detailed estimates are not available.



## APPENDIX B – MEETING OUR TRANSPORT CHALLENGES RESERVE

The Government's *Meeting our Transport Challenges* statement committed to inject \$10.5 billion into the transport network over the next ten years, of which \$1.7 billion is for recurrent expenditure and \$8.8 billion is for new transport projects. Around \$2.9 billion of this investment will be funded from a number of sources including the *Better Roads Victoria Trust Account*, the Transport Accident Commission (TAC) and VicTrack. The remaining \$5.9 billion will be funded through the *Meeting our Transport Challenges Reserve*.

The following table details the cash flows of the projects funded from the Reserve and the remaining balance of the Reserve.

**Table 1B: Meeting our Transport Challenges Reserve**

	(\$ million)					
	2006-07	2007-08	2008-09	2009-10	10 Year Remainder	Total 10 year funding
<b>Department of Infrastructure</b>						
Accessible Public Transport in Victoria: DDA Compliance for Train, Tram and Bus	21.2	31.2	40.1	36.7	..	129.2
Additional Shoulder Peak Services	5.0	..	..	..	..	5.0
Friday and Saturday Late Night Services	1.9	..	..	..	..	1.9
Local Metropolitan Bus Service Improvements	5.6	5.6	0.9	0.9	..	13.0
Metropolitan Park and Ride	3.0	4.0	..	..	..	7.0
Metropolitan Premium Stations Upgrades - Initial Priorities	0.9	..	..	..	..	0.9
Metropolitan Train Control Reliability	10.4	37.3	32.1	8.1	..	87.9
Metropolitan Train Safety Communications System	7.5	34.0	57.0	36.4	..	134.9
North Melbourne Station Interchange Upgrade	14.0	19.9	1.0	..	..	34.9
Railway Level Crossing Program Upgrade	6.0	6.0	6.0	6.0	..	24.0

**Table 1B: Meeting our Transport Challenges Reserve (continued)**

	(\$ million)					
	2006-07	2007-08	2008-09	2009-10	10 Year Remainder	Total 10 year funding
Regional Bus Interchange Facilities Upgrade and Renewal	5.0	..	..	..	..	5.0
SmartBus: Green Orbital - Nunawading to Airport West	..	1.8	13.6	13.9	..	29.3
SmartBus: Red Orbital - Box Hill to Altona	1.6	13.0	14.5	..	..	29.1
Sunshine Rail Corridor: Third Track Development Funding	5.6	0.9	..	..	..	6.6
Track Duplication: Clifton Hill to Westgarth	4.0	..	..	..	..	4.0
West Gate - Monash Freeways Improvement Package <sup>(a)</sup>	22.1	199.0	265.3	176.9	73.7	737.0
Vigilance Control and Event Recording System on Metropolitan Trains (VICERS)	14.9	22.3	..	..	..	37.3
<b>Department of Sustainability and Environment</b>						
Bike Trails for a Liveable City	0.3	0.2	1.0	0.7	..	2.2
<b>Government-wide</b>						
Transit Cities: Revitalising Central Dandenong <sup>(b)</sup>	..	29.7	22.7	..	9.9	62.3
<b>Cost of Meeting Our Transport Challenges Reserve commitment to date</b>	<b>129.0</b>	<b>405.0</b>	<b>454.2</b>	<b>279.6</b>	<b>83.6</b>	<b>1 351.5</b>
<b>Meeting Our Transport Challenges Reserve balance</b>	<b>20.0</b>	<b>65.6</b>	<b>114.8</b>	<b>199.7</b>	<b>4 136.8</b>	<b>4 536.9</b>
<b>Total Meeting Our Transport Challenges Reserve</b>	<b>149.0</b>	<b>470.6</b>	<b>569.0</b>	<b>479.3</b>	<b>4 220.4</b>	<b>5 888.4</b>

Notes:

- (a) This package is partly funded by the redemption of City Link Concession Notes. Funds from the redemption will be credited to the Reserve.
- (b) This reflects the net impact on the reserve and therefore does not reconcile to Budget Paper No. 3, Appendix A - Output, Asset Investment and Revenue Initiatives which shows the gross cost.

## **APPENDIX C – REVISED 2005-06 BUDGET OUTCOME**

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This appendix provides revised estimates of the budget outcome for the 2005-06 financial year. The revised 2005-06 estimates take into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the 2005-06 Budget to the Parliament in May 2005.

### **REVISED 2005-06 OPERATING STATEMENT**

The revised 2005-06 operating statement is presented in Table C1. The revised general government sector net result from transactions for 2005-06 is \$450 million, \$85 million higher than the 2005-06 Budget estimate.

**Table C.1: 2005-06 Operating statement**

	(\$ million)			
	2005-06 Budget <sup>(a)</sup>	2005-06 Revised	Change	Change %
<b>Income from transactions</b>				
Taxation	10 306.2	10 770.0	463.9	4.5
Fines and regulatory fees	726.9	737.5	10.6	1.5
Dividends, income tax and rate equivalent revenue	903.5	826.7	( 76.8)	(8.5)
Interest	361.7	318.1	( 43.6)	(12.1)
Grants income	14 262.1	14 382.5	120.4	0.8
Sale of goods and services	2 397.1	2 522.3	125.2	5.2
Fair value of assets received free of charge or for nominal consideration	22.0	22.0	..	..
Other income	1 644.1	1 619.8	( 24.3)	(1.5)
<b>Total income from transactions</b>	<b>30 623.6</b>	<b>31 198.9</b>	<b>575.3</b>	<b>1.9</b>
<b>Expenses from transactions</b>				
Employee benefits	11 201.5	11 394.1	192.7	1.7
Superannuation	1 759.3	1 757.3	( 2.0)	(0.1)
Depreciation and amortisation	1 235.1	1 244.4	9.3	0.8
Finance costs	492.1	471.6	( 20.5)	(4.2)
Grants and transfer payments	5 579.3	5 944.5	365.1	6.5
Supplies and services	9 991.2	9 937.0	( 54.2)	(0.5)
Other expenses	0.4	0.5	0.1	28.3
<b>Total expenses from transactions</b>	<b>30 258.9</b>	<b>30 749.4</b>	<b>490.5</b>	<b>1.6</b>
<b>Net result from transactions</b>	<b>364.7</b>	<b>449.5</b>	<b>84.8</b>	<b>23.3</b>
<b>Income/(expenses) from other economic flows</b>				
Net gain/(loss) from disposal of physical assets	25.7	20.3	( 5.4)	(20.9)
Actuarial gains/(losses) of superannuation defined benefit plans	..	2 996.9	2 996.9	n.a.
Other gains/(expenses) from other economic flows	( 66.3)	1 339.5	1 405.8	(2121.0)
<b>Net result from other economic flows</b>	<b>( 40.6)</b>	<b>4 356.7</b>	<b>4 397.4</b>	<b>(10 823.2)</b>
<b>Net result</b>	<b>324.1</b>	<b>4 806.3</b>	<b>4 482.2</b>	<b>1 383.1</b>

Source: Department of Treasury and Finance

Note:

(a) Estimates included in the 2005-06 Budget presented to the Parliament in May 2005.

### Income from transactions

Total estimated income from transactions for 2005-06 has been revised upward by \$575 million (1.9 per cent) from the 2005-06 Budget estimate of \$30 624 million.

## Taxation

In 2005-06, taxation revenue is expected to total \$10 770 million, \$464 million (4.5 per cent) higher than the 2005-06 Budget estimate. This increase is primarily the result of increases in payroll and property taxation revenues. The increase is partly offset by a reduction in taxation revenue from insurance and motor vehicles.

**Table C.2: 2005-06 Taxation**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	Change	Change %
<b>Payroll tax</b>	<b>3 179.2</b>	<b>3 356.9</b>	<b>177.7</b>	<b>5.6</b>
<b>Taxes on immovable property</b>				
Land tax	824.1	771.7	( 52.4)	(6.4)
Congestion levy	19.4	19.4	..	..
Metropolitan improvement levy	92.1	93.6	1.5	1.7
Property owner contributions to fire brigades	34.9	34.9	..	..
<b>Total taxes on immovable property</b>	<b>970.5</b>	<b>919.6</b>	<b>( 50.9)</b>	<b>(5.2)</b>
<b>Financial and capital transactions</b>				
Land transfer duty	2 075.6	2 460.5	384.9	18.5
Rental business duty	57.5	57.4	( 0.1)	(0.2)
Other property duties	11.1	8.8	( 2.3)	(20.7)
Debits tax	21.5	22.3	0.8	3.7
Financial accommodation levy	10.2	13.3	3.1	30.8
<b>Total financial and capital transactions</b>	<b>2 175.9</b>	<b>2 562.4</b>	<b>386.5</b>	<b>17.8</b>
<b>Levies on statutory corporations</b>	<b>60.4</b>	<b>60.4</b>	<b>..</b>	<b>..</b>
<b>Gambling taxes</b>				
Private lotteries	314.7	302.3	( 12.4)	(3.9)
Electronic gaming machines	931.0	961.1	30.1	3.2
Casino	113.5	115.2	1.7	1.5
Racing	116.5	115.2	( 1.3)	(1.1)
Other	3.3	3.4	0.1	1.8
<b>Total gambling taxes</b>	<b>1 479.0</b>	<b>1 497.2</b>	<b>18.2</b>	<b>1.2</b>
<b>Taxes on insurance</b>	<b>1 061.2</b>	<b>1 036.3</b>	<b>( 24.9)</b>	<b>(2.3)</b>
<b>Motor vehicle taxes</b>				
Vehicle registration fees	711.4	693.8	( 17.6)	(2.5)
Duty on vehicle registrations and transfers	594.9	560.7	( 34.2)	(5.7)
<b>Total motor vehicle taxes</b>	<b>1 306.3</b>	<b>1 254.5</b>	<b>( 51.8)</b>	<b>(4.0)</b>
<b>Other taxes</b>	<b>73.7</b>	<b>82.8</b>	<b>9.0</b>	<b>12.3</b>
<b>Total taxation</b>	<b>10 306.2</b>	<b>10 770.0</b>	<b>463.9</b>	<b>4.5</b>

Source: Department of Treasury and Finance

Major variations from the 2005-06 Budget estimates are:

- Payroll tax has been revised upward by \$178 million (5.6 per cent) due to stronger than expected employment and wages growth, combined with growth biased towards larger firms with payrolls above the minimum \$550 000 threshold;
- Land transfer revenue is \$385 million (18.5 per cent) higher than originally expected reflecting a smaller than expected fall-off in the number of land transfer

transactions, an increase in non-residential property activity and the robustness of the high value end of the property market;

- Taxes on property have been revised downward by \$51 million (5.2 per cent). This decrease reflects the Government's decision to revise the changes to land tax on trusts announced in the 2005-06 Budget, together with the impact of a High Court decision on land tax;
- Total tax revenue from insurance taxes is estimated to be \$25 million (2.3 per cent) lower than the 2005-06 Budget estimate. The downward revision since the 2005-06 Budget generally reflects softening in the non-life insurance market and the impact of the introduction of the option for concession card holders to pay their registration in two six monthly instalments;
- Motor vehicle tax has been revised downward by \$52 million (4.0 per cent), largely reflecting continuing softness in average stamp duty per vehicle, combined with the introduction of short-term registration renewals for eligible concession card holders.

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

In 2005-06, fines and regulatory fees are expected to total \$738 million, remaining broadly in line with 2005-06 Budget estimates.

### ***Dividends, income tax and rate equivalent revenue***

In 2005-06, dividends, income tax and rate equivalent revenue are expected to total \$827 million, \$77 million (8.5 per cent) lower than the 2005-06 Budget estimate, reflecting a reduction in dividend income including a downward revision to dividends received from water authorities. This is offset by increased income tax and rate equivalent revenue (see Table C.3).

**Table C.3: Dividends, income tax and rate equivalent revenue**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	Change	Change %
Dividends	699.9	591.3	( 108.5)	(15.5)
Income tax and rate equivalent revenue	203.6	235.4	31.8	15.6
<b>Total dividends, income tax and rate equivalent revenue</b>	<b>903.5</b>	<b>826.7</b>	<b>( 76.8)</b>	<b>(8.5)</b>

*Source: Department of Treasury and Finance*

### ***Grants income***

In 2005-06, grants income is expected to total \$14 383 million, remaining broadly in line with 2005-06 Budget estimates (see Table C.4).

**Table C.4: Grants**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	Change	Change %
<b>Operating grants</b>				
General purpose grants	8 050.4	8 038.2	( 12.2)	(0.2)
Specific purpose grants for on-passing	1 686.3	1 663.6	( 22.7)	(1.3)
Other specific purpose grants	3 971.1	4 055.4	84.3	2.1
<b>Total operating grants</b>	<b>13 707.7</b>	<b>13 757.2</b>	<b>49.5</b>	<b>0.4</b>
<b>Capital grants</b>				
Specific purpose grants for on-passing	132.3	132.5	0.1	0.1
Other specific purpose grants	422.0	492.8	70.7	16.8
<b>Total capital grants</b>	<b>554.3</b>	<b>625.2</b>	<b>70.9</b>	<b>12.8</b>
<b>Total grants</b>	<b>14 262.1</b>	<b>14 382.5</b>	<b>120.4</b>	<b>0.8</b>

Source: Department of Treasury and Finance

### **Sales of goods and services and other income**

In 2005-06, sales of goods and services and other income (comprising fair value of assets received free of charge, capital asset charge and other miscellaneous income) is expected to total \$4 164 million, \$101 million (2.5 per cent) higher than the 2005-06 Budget estimate.

This increase is mainly due to updated projections in the TAFE and school sectors together with higher than expected donations, bequests and grants to hospitals from the private sector.

### **Expenses from transactions**

Total estimated expenses from transactions for 2005-06 has been revised upward by \$491 million (1.6 per cent) from the 2005-06 Budget estimate of \$30 259 million.

Since the 2005-06 Budget, policy decisions account for additional expenses of \$344 million in 2005-06. However, a number of these decisions are to be funded from Treasurer's Advance and have no impact on total expenses.

Budget Paper No. 3, Chapter 1, *Service and Budget Initiatives*, provides more detailed information on the Government's service delivery and strategy, while Budget Paper No. 3, Appendix A, *Output, Asset Investment and Revenue Initiatives*, provides a detailed list and description of all service delivery initiatives implemented in this budget.

Changes to Commonwealth funding have had a moderate impact on expense in 2005-06 (\$72 million) relative to 2005-06 Budget estimates. This includes increase expenditure relating to health and community service and an increase in Exceptional Circumstances funding.

Expenditure associated with an increase in own-source revenue (as discussed above) has increased by \$184 million in 2005-06. This primarily relates to TAFEs and

schools, hospitals and waste-management programs and Sustainability Fund initiatives.

An additional \$90 million in the First Home Bonus and First Home Owner's Grants as a result of the stronger than anticipated property market. This increase is consistent with the increase in conveyancing revenue forecasts.

### **Other economic flows**

The difference between the net result and the net result from transactions is due to *other economic flows*. Other economic flows includes various revaluation gains and losses on assets and liabilities and provision for doubtful debts. In particular, the non-cash impact of revaluation gains and losses on superannuation liabilities in the current financial year adds substantial volatility to the net result through movements in factors, such as interest rates or share markets, over which the Government has no direct control. This is the primary reason why the net result from transactions is a more appropriate measure of the Government's financial management.

Other economic flows for 2005-06 are expected to be \$4 357 million, \$4 397 million higher than the 2005-06 Budget estimate. This is largely due to:

- \$2 997 million associated with higher than expected gains in the financial position of superannuation defined benefit plans. This significant gain is influenced by higher than expected investment market returns and a change in the annualised ten-year Commonwealth bond rate. These improvements served to reduce the underlying value of the superannuation liability;
- a \$484 million gain associated with the State's indemnity to the State Electricity Commission of Victoria in respect of the Electricity Supply Agreements with the aluminium smelters at Point Henry and Portland, in light of much higher current and prospective aluminium prices;
- a gain to the general government sector's equity investment in TAC (\$600 million). TAC's surplus capital will be returned to the general government sector to support new infrastructure investment; and
- the early redemption of City Link concession notes to partly fund the West Gate - Monash Freeways Improvement Package as announced in *Meeting Our Transport Challenges*.

### **REVISED 2005-06 BALANCE SHEET**

The 2005-06 balance sheet is presented in Table C.5. Net assets are projected to increase by \$6 768 million over the course of 2005-06 to be \$37 928 million at 30 June 2006, \$4 765 million higher than 2005-06 Budget estimates.

**Table C.5: 2005-06 Balance sheet as at 30 June**

	(\$ million)				
	2005 Actual <sup>(a)</sup>	Budgeted movement	2006 Budget <sup>(b)</sup>	Revised movement	2006 Revised
<b>Current assets</b>					
Cash and cash equivalents	1 803.2	( 7.3)	1 795.9	( 29.6)	1 773.5
Other financial assets	2 187.6	( 434.8)	1 752.8	63.1	2 250.7
Receivables	2 020.6	( 28.0)	1 992.6	( 307.0)	1 713.6
Prepayments	67.0	0.4	67.3	0.4	67.3
Inventories	131.8	2.8	134.6	2.9	134.7
	6 210.1	( 466.8)	5 743.3	( 270.2)	5 939.9
Non-current assets classified as held for sale	42.2	2.5	44.7	2.5	44.7
<b>Total current assets</b>	<b>6 252.3</b>	<b>( 464.3)</b>	<b>5 788.0</b>	<b>( 267.7)</b>	<b>5 984.6</b>
<b>Non-current assets</b>					
Other financial assets	377.0	60.8	437.8	17.3	394.3
Investments accounted for using the equity method	69.1	..	69.1	15.0	84.1
Receivables	329.7	( 99.6)	230.1	388.4	718.1
Property, plant and equipment	52 489.2	4 024.7	56 513.8	4 039.8	56 528.9
Other assets	399.3	3.7	403.0	64.9	464.2
<b>Total non-current assets</b>	<b>53 664.3</b>	<b>3 989.5</b>	<b>57 653.8</b>	<b>4 525.4</b>	<b>58 189.6</b>
<b>Total assets</b>	<b>59 916.5</b>	<b>3 525.2</b>	<b>63 441.8</b>	<b>4 257.7</b>	<b>64 174.2</b>
<b>Current liabilities</b>					
Payables	2 125.0	90.5	2 215.6	79.7	2 204.8
Interest-bearing liabilities	275.3	1.6	276.9	98.0	373.2
Employee benefits	960.3	42.6	1 002.9	41.6	1 001.9
Superannuation	38.8	285.0	323.8	( 38.7)	0.1
Other provisions	193.9	( 9.5)	184.4	( 34.5)	159.4
Other liabilities	401.5	5.1	406.5	( 56.4)	345.0
<b>Total current liabilities</b>	<b>3 994.7</b>	<b>415.3</b>	<b>4 410.0</b>	<b>89.6</b>	<b>4 084.3</b>
<b>Non-current liabilities</b>					
Payables	1 150.4	( 60.5)	1 089.9	( 568.0)	582.4
Interest-bearing liabilities	5 304.4	611.8	5 916.2	449.6	5 754.0
Employee benefits	2 248.1	202.8	2 450.9	203.5	2 451.6
Superannuation	15 249.0	364.4	15 613.4	( 2 724.1)	12 524.9
Other provisions	568.2	( 4.4)	563.8	46.2	614.4
Other liabilities	241.2	( 6.6)	234.6	( 6.6)	234.6
<b>Total non-current liabilities</b>	<b>24 761.3</b>	<b>1 107.5</b>	<b>25 868.8</b>	<b>( 2 599.5)</b>	<b>22 161.9</b>
<b>Total liabilities</b>	<b>28 756.0</b>	<b>1 522.8</b>	<b>30 278.8</b>	<b>( 2 509.8)</b>	<b>26 246.2</b>
<b>Net assets</b>	<b>31 160.5</b>	<b>2 002.5</b>	<b>33 162.9</b>	<b>6 767.5</b>	<b>37 928.0</b>

Source: Department of Treasury and Finance

Notes:

- (a) For comparative purposes, the Actual 30 June 2005 balances have been restated from the original, which were presented under generally accepted accounting principles (A-GAAP), to A-IFRS.
- (b) 2005-06 Budget is based on actual opening balances at 1 July 2005 plus 2005-06 Budgeted movement.

Total assets are projected to increase by \$4 258 million, \$733 million higher than the budgeted increase of \$3 525 million. This movement largely reflects a higher than expected increase in financial assets and receivables.

Total liabilities are projected to decrease by \$2 510 million, compared to the budgeted increase of \$1 523 million. This movement largely reflects lower than expected superannuation liabilities and a lower payable to SECV as discussed above.

## **REVISED 2005-06 CASH FLOW STATEMENT**

Table C.6 provides the revised cash flow statement for 2005-06. Table C.7 provides a summary of cash generated through the operations of Victorian government departments and other general government sector agencies during the year, and how that cash is applied to infrastructure investment and financing activities. Table C.7 also provides a reconciliation of the projected budget operating surplus to the projected change in general government net debt.

Net cash flow from operating activities is now expected to be \$2 344 million compared with the published estimate of \$2 578 million. The \$234 million variation reflects the impact of a \$670 million increase in operating receipts offset by a \$904 million increase in payments in relation to operating activities. The expected increase in receipts is generally attributable to the factors that form the basis of the increase in operating income. The increase in the revised operating payments generally reflects the increase in the cash related operating expenses and an additional \$400 million payment to the State Superannuation Fund, representing payments due in future years being brought forward to 2005-06.

**Table C.6: 2005-06 Cash flow statement**

	(\$ million)			
	2005-06 Budget	2005-06 Revised	Change	Change %
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Taxation	10 386.5	10 820.8	434.3	4.2
Fines and regulatory fees	628.5	647.1	18.6	3.0
Grants	14 262.1	14 382.5	120.4	0.8
Sale of goods and services	2 390.3	2 504.2	113.9	4.8
Interest received	361.6	317.9	( 43.6)	(12.1)
Dividends, income tax and rate equivalent revenue received	1 046.9	1 040.5	( 6.3)	(0.6)
Other receipts	1 650.5	1 683.5	33.0	2.0
<b>Total receipts</b>	<b>30 726.3</b>	<b>31 396.5</b>	<b>670.2</b>	<b>2.2</b>
<b>Payments</b>				
Employee benefits	(10 955.3)	(11 148.3)	( 193.0)	1.8
Superannuation	(1 109.9)	(1 523.3)	( 413.4)	37.2
Interest paid	( 439.0)	( 440.0)	( 1.0)	0.2
Grants and transfer payments	(5 649.3)	(6 014.1)	( 364.8)	6.5
Supplies and services	(9 995.1)	(9 926.7)	68.4	(0.7)
<b>Total payments</b>	<b>(28 148.7)</b>	<b>(29 052.4)</b>	<b>( 903.7)</b>	<b>3.2</b>
<b>Net cash flows from operating activities</b>	<b>2 577.6</b>	<b>2 344.1</b>	<b>( 233.5)</b>	<b>(9.1)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(2 528.3)	(2 372.3)	156.0	(6.2)
Proceeds from sale of property, plant and equipment	134.0	148.4	14.4	10.8
Net (purchase)/disposal of investments	370.2	486.0	115.8	31.3
Net customer loans (granted)/repaid	0.6	0.6	..	(1.5)
Net contribution to other sectors of government	( 569.6)	( 520.2)	49.3	(8.7)
<b>Net cash flows from investing activities</b>	<b>(2 593.1)</b>	<b>(2 257.6)</b>	<b>335.5</b>	<b>(12.9)</b>
<b>Cash flows from financing activities</b>				
Net borrowings	8.2	( 116.2)	( 124.4)	(1509.1)
<b>Net cash flows from financing activities</b>	<b>8.2</b>	<b>( 116.2)</b>	<b>( 124.4)</b>	<b>(1509.1)</b>
<b>Net increase/(decrease) in cash and deposits held</b>	<b>( 7.3)</b>	<b>( 29.7)</b>	<b>( 22.4)</b>	<b>307.4</b>
Cash and deposits at beginning of reporting period	1 799.0	1 799.0	..	..
<b>Cash and deposits at end of reporting period</b>	<b>1 791.7</b>	<b>1 769.3</b>	<b>( 22.4)</b>	<b>(1.2)</b>

Source: Department of Treasury and Finance

## Infrastructure investment

As shown in Table C.7, the \$2 344 million net cash inflows from operating activities is a significant source of financing for the Government's infrastructure investment program in 2005-06. Net debt is expected to increase by \$494 million in 2005-06. The recognition of new finance lease arrangements, with an equivalent increase in fixed assets, is expected to be \$615 million following the expected completion and handover of Southern Cross Station and the completion of two new prisons.

Compared with the 2005-06 budget estimates, net debt is expected to be \$523 million lower than originally anticipated.

**Table C.7: Application of cash resources**

	(\$ million)	
	2005-06 Budget	2005-06 Revised
<b>Net result from transactions</b>	<b>364.7</b>	<b>449.5</b>
Add back: Non-cash income and expenses (net) <sup>(a)</sup>	2 212.9	1 894.6
<b>Net cash flows from operating activities</b>	<b>2 577.6</b>	<b>2 344.1</b>
Less:		
<b>Net investment in fixed assets</b>		
Expenditure on approved projects <sup>(b)</sup>	3 097.9	2 892.6
Proceeds from asset sales	( 134.0)	( 148.4)
<b>Total net investment in fixed assets</b>	<b>2 963.9</b>	<b>2 744.2</b>
Finance leases	615.1	615.1
Other investment activities (net)	15.6	( 520.9)
<b>Decrease/(increase) in net debt</b>	<b>(1 017.0)</b>	<b>( 494.2)</b>

Source: Department of Treasury and Finance

Note:

- (a) Includes depreciation and non-cash movements in liabilities such as unfunded superannuation and employee benefits.
- (b) Includes purchases of property, plant and equipment and net contributions to other sectors of government.

## APPENDIX D – OPERATING STATEMENT ANALYSIS

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### INTRODUCTION

This chapter supports the information contained in Table 1.1 of the *Estimated Financial Statements for the Victorian General Government Sector* by providing an analysis of:

- major factors driving movements in the operating statement between 2005-06 to 2006-07, and over the forward estimates period; and
- an explanation of the changes to the 2006-07 to 2008-09 estimates since these estimates were published in the *2005-06 Budget Update*.

This chapter should be read in conjunction with Chapter 3, *State Revenue*, which contains a comprehensive discussion of expected movements in revenue between the 2005-06 revised estimates and the 2006-07 Budget estimates.

Comprehensive discussion on Balance Sheet movements is contained in Budget Paper No. 2, Chapter 4, *Balance Sheet Management and Outlook*.

## 2006-07 OPERATING STATEMENT ESTIMATES AND OUTLOOK

Table D.1 below sets out the revised 2005-06 estimate, together with the projected outlook over the budget and forward estimates period.

**Table D.1: Summary net result from transactions 2005-06 to 2009-10<sup>(a)</sup>**

	(\$ million)				
	2005-06 Revised	2006-07 Budget	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>Income from transactions</b>					
Taxation	10 770.0	10 971.0	11 167.3	11 573.4	12 110.6
Dividends, TER and interest <sup>(b)</sup>	1 144.8	1 251.2	1 097.8	1 074.5	1 079.9
Grants	14 382.5	15 077.9	15 925.5	16 456.1	17 003.3
Sales of goods and services	2 522.3	2 552.4	2 589.9	2 653.2	2 658.1
Other income <sup>(c)</sup>	2 379.2	2 589.7	2 682.4	2 837.5	2 648.0
<b>Total income from transactions</b>	<b>31 198.9</b>	<b>32 442.1</b>	<b>33 462.9</b>	<b>34 594.7</b>	<b>35 499.8</b>
% change		4.0%	3.1%	3.4%	2.6%
<b>Expenses from transactions</b>					
Employee benefits	11 394.1	12 019.5	12 297.0	12 648.5	12 902.6
Superannuation	1 757.3	1 710.4	1 760.7	1 784.2	1 816.7
Depreciation and amortisation	1 244.4	1 322.1	1 403.1	1 464.0	1 543.5
Finance costs	471.6	428.0	454.1	550.0	617.6
Supplies and services	9 937.0	10 437.7	11 170.6	11 871.9	12 360.8
Other expenses <sup>(d)</sup>	5 944.9	6 207.6	6 071.9	5 944.8	5 946.9
<b>Total expenses from transactions</b>	<b>30 749.4</b>	<b>32 125.3</b>	<b>33 157.5</b>	<b>34 263.4</b>	<b>35 188.0</b>
% change		4.5%	3.2%	3.3%	2.7%
<b>Net result from transactions</b>	<b>449.5</b>	<b>316.8</b>	<b>305.4</b>	<b>331.3</b>	<b>311.9</b>

Notes:

- (a) This is an abbreviated table showing the net result from transactions. The full statement (including net result) is shown in Chapter 1, *Estimated Financial Statements and Notes*.
- (b) Comprises dividends, income tax and rate equivalent revenue (TER) and interest.
- (c) Comprises regulatory fees and fines, fair value of assets received free of charge, capital asset charge and other miscellaneous income.
- (d) Includes grants and transfer payments.

As highlighted in Budget Paper No. 2, Chapter 1, *Financial Policy Objectives and Strategy*, the Government has committed to achieving an operating surplus of at least \$100 million in each year on a 'net result from transactions' basis. Table D.1 shows that the Government is forecast to achieve this financial objective. The net result from transactions is budgeted to be \$317 million in 2006-07, before averaging \$316 million a year over the following three years.

These strong forecast surpluses demonstrate that the Government is continuing to responsibly manage the State's finances. They are also an important funding source for the Government's substantial capital investment program.

## **Income from transactions**

### ***2006-07 Budget estimates***

Total income from transactions is projected to be \$32 442 million in 2006-07, which represents growth of \$1 243 million or 4 per cent compared to the revised 2005-06 estimate.

Taxation revenue in 2006-07 is projected to increase by \$201 million or 1.9 per cent relative to the revised estimate for 2005-06. Major impacts on the change in taxation from the previous year are:

- the payroll tax rate has been reduced from the current 5.25 per cent to 5.15 per cent from 1 July 2006. Reflecting continuing strong economic performance, overall payroll tax revenue for 2005-06 has been revised up (\$99 million) since the 2005-06 Budget Update. In 2006-07, revenue is expected to be \$3 418 million, an increase of \$61 million (1.8 per cent) over the 2005-06 revised estimate, reflecting solid employment and wages growth;
- the Government has announced in this budget further land tax relief worth around \$167 million over four years. Land tax revenue in 2006-07 is expected to be \$748 million, \$24 million lower than the 2005-06 revised estimates, and reflects the combined effect of tax relief with rising land values;
- revenue from financial and capital transactions is estimated to decrease by \$69 million (2.7 per cent) in 2006-07 compared to the 2005-06 revised estimates, reflecting several factors including an expected moderation in property market activity, the full year impact of the abolition of debits tax from 1 July 2005 and the abolition of rental business duty from 1 January 2007;
- gambling taxes are expected to grow by 3.9 per cent (\$59 million) in 2006-07 compared to the 2005-06 revised estimate, in line with estimated growth in household final consumption expenditure;
- revenue from taxes on insurance is expected to be \$1 104 million in 2006-07, an increase of \$68 million (or 6.5 per cent) on the 2005-06 revised estimates. Underlying growth in revenue is in line with economic growth, but the introduction, from 1 January 2006, of an option for concession card holders to pay their registration in two six monthly instalments means a non-recurring transfer of revenue from the last two quarters of 2005-06 into 2006-07; and
- in 2006-07 aggregate motor vehicle taxation revenue is expected to grow by \$85 million (6.7 per cent) compared to the 2005-06 revised estimate, reflecting continued population growth and increasing motor vehicle ownership.

Dividends, tax equivalent receipts and interest revenue in 2006-07 is expected to be \$1 251 million, \$106 million (or 9.3 per cent) higher than the 2005-06 revised estimate. This growth largely reflects better than anticipated investment market performance in 2005-06 by the State public financial corporations sector, flowing

through to increased dividends and tax equivalent payments in 2006-07, together with increases in dividends from the State Electricity Commission of Victoria and water authorities.

Grants are expected to increase by \$695 million (4.8 per cent) in 2006-07. This growth, relative to the previous year, is largely a result of:

- general purpose grants which are expected to increase by \$431 million (5.4 per cent) to \$8 469 million, reflecting growth in GST grants; and
- specific purpose grants, which are expected to increase by \$250 million (4.1 per cent), largely due to higher funding for government and non-government schools, health care and roads.

Increases in other income of \$211 million in 2006-07, compared with the 2005-06 revised estimates, mainly include:

- revenue from fines and regulatory fees which is expected to increase by 12.9 per cent to \$832 million in 2006-07. The increase between 2005-06 and 2006-07 reflects the re-establishment of the Western Ring Road camera network, the completion of the roll-out of the red light speed camera network and the effect of annual indexation of fees and charges;
- donations and gifts which are estimated to increase by \$56 million (44.2 per cent), largely reflecting the introduction of the development contribution levy which is to be paid by the developers of Melbourne's five designated growth areas as contributions towards the cost of transport, environmental and community infrastructure projects; and
- an inter-sector capital charge applied to VicTrack which is estimated to increase by \$56 million (7.2 per cent) reflecting increases in the value of assets.

### ***Forward estimates outlook***

Beyond 2006-07, income from transactions is expected to increase on average by 3.1 per cent a year over the forward estimates period.

Taxation is projected to grow by 3.5 per cent a year on average, generally reflecting the positive impact of continuing strength in employment and overall economic growth, as well as the flow through of property value growth, offset by:

- the Government's announced staged reduction in the payroll tax rate from the current rate of 5.25 per cent to 5 per cent by 1 July 2008;
- the land tax relief packages announced in the 2005-06 and 2006-07 Budget; and
- the impact on gaming revenue of the introduction of the complete smoking ban within enclosed licensed premises effective from 1 July 2007.

Grants income is expected to grow at an average rate of 4.3 per cent a year over the forward estimates period. This reflects several factors, including:

- growth in GST grants due to increases in the national GST pool (which in turn is driven by rises in consumption and dwelling investment) and on improvement in Victoria's share; and
- growth in specific purpose operating and capital grants, largely comprising grants for education and health related services.

## **Expenses from transactions**

### ***2006-07 Budget estimates***

Total expenses from transactions are forecast to be \$32 125 million in 2006-07, representing an increase of \$1 376 million, or 4.5 per cent, compared to the revised estimate for 2005-06. The increase in expenses in 2006-07 compared to the previous year is due to:

- net new output policy funding of \$584 million (including \$162 million announced as part of the *2005-06 Budget Update*);
- the indexation of total departmental expenses under the departmental funding model across the budget and forward estimates period. This expense growth provides for:
  - general wages growth in line with government wages policy; and
  - the impact of inflation on non-wage costs, such as the purchase of supplies and services;
- flow-on expense impacts of increased Commonwealth specific purpose grants;
- depreciation expense which is expected to increase by 6.2 per cent, reflecting growth in the capital stock as a result of the Government's continuing substantial infrastructure investment program and revaluations of physical assets;
- an increase in grants provision of \$56 million in 2006-07 to the Victorian Rail Track (VicTrack), resulting from its requirement to pay a higher capital charge due to its increased net asset position; and
- funding the Transport Ticketing Authority for the design, development and implementation of a new ticketing system, based on re-usable smartcard technology, of \$114 million in 2006-07.

### ***Forward estimates outlook***

Expenses from transactions are expected to increase by an average of 3.1 per cent over the forward estimates period.

Over the forward estimates period, employee entitlements, purchases of supplies and services and other expenses are expected to increase by 3 per cent a year on average. This growth is reflective of the Government's continuing commitment to improve

services such as health, education and community safety, and is broadly in line with expected inflation and population growths of 3.5 per cent.

Depreciation expense is expected to increase by 5.6 per cent a year on average, reflecting growth in the capital stock as a result of the Government's continuing substantial infrastructure investment program and revaluations of physical assets.

Financing costs are projected to increase by an average of 14.8 per cent a year over the forward estimates. As discussed in Budget Paper No. 2, Chapter 4, *Balance Sheet Management and Outlook*, this is largely due to the impact of an increase in the general government sector debt portfolio from 2007-08.

Marginal growth in superannuation expense (averaging 2.0 per cent a year) reflects the peaking of the unfunded superannuation liability in real terms and the assumption that asset returns on state superannuation schemes return to long run actuarial rates.

## **RECONCILIATION OF 2006-07 TO 2008-09 ESTIMATES TO PREVIOUSLY PUBLISHED ESTIMATES**

Table 2.2 compares the net result from transactions as published in the *2005-06 Budget Update* to the 2006-07 Budget through detailing the key movements in total income and expenses that have impacted on the Government's operating surplus result.

**Table D.2: Reconciliation of 2005-06 Budget Update to 2006-07 Budget estimates**

	(\$ million)		
	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
<b>Net result from transactions - 2005-06 Budget Update</b>	<b>316.6</b>	<b>413.0</b>	<b>518.3</b>
<b>Plus: Variations in income from transactions since 2005-06 Budget Update</b>			
<b>Tax policy decision variations</b>	<b>( 132.7)</b>	<b>( 177.2)</b>	<b>( 197.1)</b>
Economic/demographic variations			
Taxation	223.1	212.4	214.1
Investment income	257.4	32.1	68.0
<b>Total economic/demographic variations</b>	<b>480.5</b>	<b>244.6</b>	<b>282.2</b>
Commonwealth grant variations			
General purpose grants	121.5	154.9	181.8
Specific purpose payment grants	118.3	234.1	168.3
<b>Total Commonwealth grant variations</b>	<b>239.8</b>	<b>389.0</b>	<b>350.1</b>
<b>Increase in own source revenue</b>	<b>27.6</b>	<b>19.7</b>	<b>39.6</b>
<b>Administrative variations</b>	<b>15.8</b>	<b>264.4</b>	<b>214.4</b>
<b>Total variation in income from transactions since 2005-06 Budget Update</b>	<b>630.9</b>	<b>740.5</b>	<b>689.2</b>
<b>Less: Variations in expenses from transactions since 2005-06 Budget Update</b>			
<b>Policy decision variations <sup>(a)</sup></b>	<b>422.6</b>	<b>522.0</b>	<b>493.3</b>
<b>Commonwealth variations</b>	<b>63.6</b>	<b>43.4</b>	<b>0.5</b>
<b>Variations due to changes in own source revenue</b>	<b>44.1</b>	<b>36.3</b>	<b>56.0</b>
<b>Administrative variations</b>			
Superannuation variations	( 61.9)	( 17.3)	10.5
Other administrative variations	162.4	263.6	316.0
<b>Total administrative variations</b>	<b>100.5</b>	<b>246.3</b>	<b>326.4</b>
<b>Total variation in expenses from transactions since 2005-06 Budget Update</b>	<b>630.8</b>	<b>848.0</b>	<b>876.2</b>
<b>Revised net result from transactions</b>	<b>316.8</b>	<b>305.4</b>	<b>331.3</b>

Note:

(a) Policy decisions are net of funding from demand contingency and other efficiencies.

## Variations to income

Relative to the estimates published in the 2005-06 Budget Update, total income is expected to be \$631 million higher in 2006-07 and \$715 million higher on average in 2007-08 and 2008-09.

Tax policy decisions have resulted in a decrease in overall income of \$133 million in 2006-07, and \$187 million on average in 2007-08 and 2008-09. Major changes include:

- a reduction in land tax of \$63 million in 2006-07 and \$41 million in 2007-08 and \$21 million in 2008-09, reflecting the impact of the package of land tax relief measures announced in this budget; and
- a reduction in payroll tax of \$61 million in 2006-07, \$128 million in 2007-08 and \$168 million in 2008-09, as a result of the cuts to the payroll tax rate announced in this budget.

Favourable economic and demographic changes have driven upwards revisions of \$217 million a year on average in taxation estimates, including:

- an upward revision to land transfer duty estimates (up \$245 million a year on average). Land transfer revenue has been higher than anticipated, due to strong first homebuyer activity, an apparent increase in non-residential property prices and activity over 2005-06 and continued strength of the high value residential market;
- an upward revision to payroll tax estimates (up \$44 million a year on average) as the result of continued strong revenue collections during the first half of 2005-06 and expected solid employment and wages growth over the forward estimates period;
- a downward revision to insurance taxation revenue (down \$18 million a year on average) generally reflecting continuing softening in the non-life insurance market and particularly in the area of commercial insurance; and
- a downward revision to motor vehicle taxation of \$33 million a year on average, following softer transaction volumes and average duty per transaction.

Investment income has been revised upwards as a result of strong economic conditions, rising by \$257 million in 2006-07 and \$50 million a year on average in 2007-08 and 2008-09, with major changes including:

- an increase in dividends and income tax equivalent payments in 2006-07 from the public financial corporations sector of \$212 million, mainly due to the strong performances of the investment markets; and
- an increase in dividends and income tax equivalent revenue estimates across a range of public non-financial corporations (\$53 million in 2006-07 rising to \$136 million in 2008-09), as a result of revised estimates of profitability and the cash requirements of those businesses.

Commonwealth grants have been revised upwards by \$240 million in 2006-07 and \$370 million a year on average over the next two years. The major changes include:

- higher GST grants of around of \$153 million a year on average. This reflects the net impact over the forward estimates period of Victoria's share of the GST revenue pool being revised upwards by the Commonwealth Grants Commission in its *2006 Update of State Revenue Sharing Relativities* update, offset by lower than expected growth in the GST revenue pool as disclosed in the Commonwealth's *2006-07 Budget*; and
- higher than expected specific purpose grants of \$173 million a year on average, including increases in Commonwealth funding for government and non-government schools, health care, housing and Natural Heritage Trust funding for *National Landcare Programs*.

Own source revenue is \$29 million higher a year on average, mainly as a result of increased third party revenue to hospitals and increased ambulance subscription revenue.

Administrative variations are expected to be \$16 million higher in 2006-07 rising to be \$239 million higher a year on average in 2007-08 and 2008-09, and reflect the impact of:

- a higher capital charge applied from 2006-07 to VicTrack (\$56 million in 2006-07 to be \$102 million higher by 2008-09) as a result of the improvement in its net asset position;
- an additional \$61 million in 2007-08 and 2008-09 as part of TAC funding to improve Victoria's road safety and infrastructure in both rural and metropolitan areas;
- higher than expected revenue estimates from the Victorian Government Solicitor of \$20 million a year based on increased work forecasts, offset by an increase in departmental expenses; and
- a reduction in interest revenue estimate of \$58 million in 2006-07, followed by an increase of \$5 million in 2008-09, consistent with the State's management of its debt profile.

## **Variations to expenses**

Total expenses have been revised upward by \$631 million in 2006-07, to be \$862 million higher on average between 2007-08 and 2008-09.

The main driver of increased expenses is new output policy initiatives, which have increased projected expenses by \$423 million in 2006-07, rising to be \$493 million higher in 2008-09.

Budget Paper No 3, Chapter 1, *Service and Budget Initiatives*, provides more detailed information on the Government's service delivery and strategy, while Budget

Paper No 3, Appendix A, *Output, Asset Investment and Revenue Initiatives*, provides a detailed list and description of all service delivery initiatives announced in this budget.

Changes to Commonwealth funding have had a moderate impact on expenses, averaging \$36 million a year. These revisions mainly relate to the on-passing of additional Commonwealth Grants for *National Landcare Programs* and Healthcare.

Expenses associated with the own-source revenue generating activities, described above, are expected to be \$45 million higher on average, particularly in relation to health care activities.

Administrative variations are expected to be \$101 million higher in 2006-07, increasing to \$286 million higher a year (on average) in 2007-08 and 2008-09. These variations mainly relate to:

- an increase in departmental expenses of \$56 million a year (on average), associated with an increase in revenue provided to departments following a higher consumer price index (CPI) forecast for the 2005-06 financial year;
- additional service delivery payments of \$37 million a year (on average) relating to the transfer of asset funding to output funding upon achieving financial closure for a number of Partnership Victoria projects, including the Metropolitan Mobile Radio project and the Royal Women's Hospital redevelopment;
- an increase from 2006-07 in operating grants to VicTrack (up \$56 million in 2006-07, to be \$102 million higher by 2008-09) resulting from an adjustment to its net asset position; and
- a decrease in superannuation expenses, which are \$62 million lower in 2006-07 and \$17 million lower in 2007-08, rising to be \$11 million higher in 2008-09. This reflects:
  - the stronger than expected equity market performance in 2005-06, which increases the value of the investment assets held by the schemes. The expected return on the higher asset base leads to reduced superannuation expenses; and
  - for 2008-09, the effect of the strong equity market returns on the superannuation expenses has been offset by the allowance made for an upward movement in the bond rate since the 2005-06 Budget Update, thereby increasing expenditure by \$11 million.

## APPENDIX E – QUARTERLY FINANCIAL REPORT FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

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This appendix presents the specific purpose consolidated financial results to 31 March 2006 for the 2005-06 financial year, prepared under the Australian equivalents to International Financial Reporting Standards (A-IFRS). Comparisons are made to the revised 2005-06 estimates as presented in Appendix C, *Revised 2005-06 Budget Outcome*. It should also be noted that the 2004-05 comparatives have not been re-measured on an A-IFRS basis, so caution should be taken when comparing between the years.

The net result from transactions for the nine months to 31 March 2006 was \$980 million, compared with the revised budget estimate for 2005-06 of \$450 million. This result reflects seasonal expenditure patterns and higher than expected income from taxation and income tax equivalents. This was primarily driven by continuing price growth and solid activity in the high value residential market and a stronger than expected performance in equity markets.

Net assets were \$34 794 million compared to \$27 609 million as at 31 March 2005. The increase in assets is primarily due to land revaluations. The decline in liabilities is primarily due to a reduced amount of unfunded superannuation liabilities driven by the better than expected performance of equity markets.

## FINANCIAL STATEMENTS FOR THE GENERAL GOVERNMENT SECTOR

### Operating statement for the period ended 31 March<sup>(a)</sup>

(\$ million)

2004-05 Actual to Mar.	Notes	2005-06	
		Actual to Mar.	Revised Budget
<b>Income from transactions</b>			
8 007.9	2	8 231.4	10 770.0
472.6	3	517.2	737.5
588.1	4	697.7	826.7
			revenue <sup>(b)</sup>
238.7		258.8	318.1
9 799.4	5	10 831.4	14 382.5
1 693.8		1 866.0	2 522.3
		6.9	22.0
			Fair value of assets received free of charge or for nominal consideration
1 089.9	6	1 306.2	1 619.8
<b>21 897.2</b>		<b>23 720.4</b>	<b>31 198.9</b>
<b>Expenses from transactions</b>			
7 889.1		8 496.5	11 394.1
1 419.9	7	1 314.2	1 757.3
838.0	8	881.3	1 244.4
332.9		332.1	471.6
3 771.0		4 405.5	5 944.5
6 807.0		7 293.3	9 937.0
		3.4	0.5
			Other expenses
<b>21 061.3</b>	9	<b>22 739.9</b>	<b>30 749.4</b>
<b>836.0</b>		<b>980.4</b>	<b>449.5</b>
<b>Income/(expenses) from other economic flows</b>			
39.9		( 32.6)	20.3
950.0	7	2 996.9	2 996.9
			Actuarial gains/(losses) of superannuation defined benefit plans
( 202.2)	10	( 6.9)	1 339.5
			Other gains/(expenses) from other economic flows
<b>787.7</b>		<b>2 957.3</b>	<b>4 356.7</b>
<b>1 623.7</b>	15	<b>3 937.8</b>	<b>4 806.3</b>

*The accompanying notes form part of the financial statements.*

*Notes:*

- (a) *Figures for 2004-05 for this statement have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.*
- (b) *The components of investment income were reclassified as dividends, income tax and rate equivalent revenue, interest and other income.*
- (c) *Capital assets charge was reclassified as other income.*

## Balance sheet as at 31 March<sup>(a)</sup>

(\$ million)

2004-05 Actual to Mar.	Notes	Opening 1 July	2005-06 Actual to Mar.	Revised Budget
<b>Current assets</b>				
1 782.1		1 803.2	1 298.9	1 773.5
2 570.4		2 187.6	3 330.8	2 250.7
2 178.1	11	2 020.6	2 195.6	1 713.6
473.1		67.0	490.5	67.3
113.0		131.8	135.4	134.7
7 116.7		6 210.1	7 451.4	5 939.9
..		42.2	39.7	44.7
<b>7 116.7</b>		<b>6 252.3</b>	<b>7 491.0</b>	<b>5 984.6</b>
<b>Non-current assets</b>				
334.6		377.0	380.7	394.3
..		69.1	69.4	84.1
283.4	11	329.7	359.3	718.1
31.3		..	..	..
44 004.7	12	52 489.2	52 849.8	56 528.9
379.8	13	399.3	466.0	464.2
<b>45 033.8</b>		<b>53 664.3</b>	<b>54 125.1</b>	<b>58 189.6</b>
<b>52 150.4</b>		<b>59 916.5</b>	<b>61 616.1</b>	<b>64 174.2</b>
<b>Current liabilities</b>				
1 833.8		2 125.0	2 334.8	2 204.8
196.8		275.3	346.9	373.2
1 037.2	14	960.3	1 006.3	1 001.9
51.8		38.8	40.2	0.1
208.4		193.9	174.6	159.4
588.6		401.5	817.2	345.0
<b>3 916.6</b>		<b>3 994.7</b>	<b>4 719.9</b>	<b>4 084.3</b>
<b>Non-current liabilities</b>				
1 249.9		1 170.3	1 073.4	582.4
5 330.8		5 284.6	5 237.9	5 754.0
1 982.1	14	2 248.1	2 248.2	2 451.6
11 252.9		15 249.0	12 729.7	12 524.9
573.7		568.2	575.4	614.4
235.1		241.2	237.1	234.6
<b>20 624.4</b>		<b>24 761.3</b>	<b>22 101.7</b>	<b>22 161.9</b>
<b>24 541.0</b>		<b>28 756.0</b>	<b>26 821.6</b>	<b>26 246.2</b>
<b>27 609.4</b>		<b>31 160.5</b>	<b>34 794.4</b>	<b>37 928.0</b>

The accompanying notes form part of the financial statements.

### Notes:

- (a) Figures for 2004-05 for this statement have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.
- (b) Components of non-current assets held for sale was reclassified to inventories.
- (c) Cultural assets were reclassified from other assets to property, plant and equipment.
- (d) Investment property was reclassified from property, plant and equipment to other assets.

**Statement of recognised income and expense for the period ended 31 March<sup>(a)</sup>**

(\$ million)

2004-05 Actual to Mar.	2005-06	
	Actual to Mar.	Revised Budget
( 67.0) Gains/(losses) on revaluation of properties	( 95.3)	2 470.6
1.3 Available for sale financial assets	1.3	..
55.3 Other	16.2	..
<b>( 10.5) Net income recognised directly in equity</b>	<b>( 77.8)</b>	<b>2 470.6</b>
1 623.7 Net result for the period	3 937.8	4 806.3
<b>1 613.2 Total recognised income and expense for the period</b>	<b>3 860.0</b>	<b>7 276.8</b>

Note:

(a) Figures for 2004-05 for this statement have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.

## Statement of cash flows for the period ended 31 March<sup>(a)</sup>

(\$ million)

2004-05 Actual to Mar.	Notes	2005-06	
		Actual to Mar.	Revised Budget
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
7 425.1	Taxation	7 990.1	10 820.8
357.2	Fines and regulatory fees	388.2	647.1
10 098.5	Grants	11 078.4	14 382.5
1 905.7	Sale of goods and services	2 086.2	2 504.2
713.2	Dividends, income tax and rate equivalent revenue received <sup>(b)</sup>	905.0	1 040.5
243.5	Interest received	259.2	317.9
1 054.2	Other receipts <sup>(b) (c)</sup>	1 492.4	1 683.5
<b>21 797.3</b>	<b>Total receipts</b>	<b>24 199.5</b>	<b>31 396.5</b>
<b>Payments</b>			
(7 847.1)	Employee benefits	(8 450.4)	(11 148.3)
( 875.9)	Superannuation	( 835.1)	(1 523.3)
( 300.8)	Interest paid	( 330.4)	( 440.0)
(4 200.5)	Grants and transfer payments	(4 952.7)	(6 014.1)
(6 899.0)	Supplies and services	(7 386.9)	(9 926.7)
<b>(20 123.2)</b>	<b>Total payments</b>	<b>(21 955.5)</b>	<b>(29 052.4)</b>
<b>1 674.1</b>	<b>Net cash flows from operating activities</b>	<b>2 244.0</b>	<b>2 344.1</b>
	15		
<b>Cash flows from investing activities</b>			
(1 337.0)	Purchase of property, plant and equipment	(1 501.2)	(2 372.3)
74.6	Proceeds from sale of property, plant and equipment	84.5	148.4
141.1	Net (purchase)/disposal of investments	(1 138.7)	486.0
10.8	Net customer loans (granted)/repaid	44.0	0.6
( 40.0)	Net contribution to other sectors of government	( 211.7)	( 520.2)
<b>(1 150.6)</b>	<b>Net cash flows from investing activities</b>	<b>(2 723.1)</b>	<b>(2 257.6)</b>
<b>Cash flows from financing activities</b>			
( 44.6)	Net borrowings	( 27.0)	( 116.2)
<b>( 44.6)</b>	<b>Net cash flows from financing activities</b>	<b>( 27.0)</b>	<b>( 116.2)</b>
<b>478.9</b>	<b>Net increase/(decrease) in cash and deposits held</b>	<b>( 506.1)</b>	<b>( 29.7)</b>
1 295.2	Cash and deposits at beginning of reporting period	1 799.0	1 799.0
<b>1 774.1</b>	<b>Cash and deposits at end of reporting period</b>	<b>1 292.8</b>	<b>1 769.3</b>

The accompanying notes form part of the financial statements.

### Notes:

- (a) Figures for 2004-05 for this statement have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.
- (b) The components relating to income tax equivalent receipts were reclassified from other receipts to dividends, income tax and rate equivalent revenue received.
- (c) Capital assets charge received was reclassified as other receipts.

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## **Note 1: Statement of significant accounting policies**

The following summarises the significant accounting policies that have been adopted in preparing and presenting this Quarterly Financial Report.

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

This report is a specific purpose consolidated financial report of the General Government sector for the quarter ending 31 March 2006 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 (including Australian equivalents to International Financial Reporting Standards, A-IFRS), Urgent Issues Group Interpretations and other mandatory professional requirements, except that the quarterly results from the prior year have not been restated to reflect the adoption of A-IFRS.

This unaudited specific purpose financial report should be read in conjunction with the *2004-05 Financial Report for the State of Victoria* and *2005-06 Mid-Year Financial Report*. This quarterly report only includes explanatory notes that provide relevant information on a quarterly reporting basis.

### **(B) Basis of accounting and measurement**

The accrual basis of accounting has been employed in the preparation of this financial report whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash will be received or paid. The opening balances of 1 July 2005 represent the actual values as at 30 June 2005 restated to comply with A-IFRS.

### **(C) General government sector reporting entity**

The Victorian General Government sector includes all government departments, offices and other government bodies engaged in providing services free of charge or at prices significantly below their cost of production. The services provided by these not-for-profit entities are financed mainly through taxes, other compulsory levies and user charges. The general government sector is not a separate entity but represents a sector within the State of Victoria whole-of-government reporting entity.

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

The Quarterly Financial Report includes all reporting entities in the general government sector that are controlled by the State. Details of entities consolidated for the general government sector are included in Note 17.

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<sup>(a)</sup>

(\$ million)

2004-05 Actual to Mar.	2005-06	
	Actual to Mar.	Revised Budget
<b>2 256.9 Payroll tax</b>	<b>2 449.3</b>	<b>3 356.9</b>
<b>Taxes on immovable property</b>		
890.4 Land tax	704.0	771.7
.. Congestion levy	1.1	19.4
88.9 Metropolitan improvement levy <sup>(b)</sup>	86.5	93.6
28.5 Property owner contributions to fire brigades	29.8	34.9
<b>1 007.7 Total taxes on immovable property</b>	<b>821.3</b>	<b>919.6</b>
<b>Financial and capital transactions</b>		
1 740.9 Land transfer duty	1 949.8	2 460.5
13.4 Mortgage duty	..	..
39.0 Rental business duty	43.5	57.4
6.1 Other property duties	5.9	8.8
196.2 Debits tax <sup>(c)</sup>	22.3	22.3
8.5 Financial accommodation levy	10.0	13.3
<b>2 004.1 Total financial and capital transactions</b>	<b>2 031.5</b>	<b>2 562.4</b>
.. <b>Levies on statutory corporations</b>	<b>44.3</b>	<b>60.4</b>
<b>Gambling taxes</b>		
227.4 Private lotteries	233.1	302.3
628.2 Electronic gaming machines	684.5	961.1
80.0 Casino	82.0	115.2
88.5 Racing	86.9	115.2
2.7 Other	3.2	3.4
<b>1 026.7 Total gambling taxes</b>	<b>1 089.7</b>	<b>1 497.2</b>
<b>757.2 Taxes on insurance</b>	<b>799.1</b>	<b>1 036.3</b>
<b>Motor vehicle taxes<sup>(d)</sup></b>		
495.5 Vehicle registration fees <sup>(e)</sup>	523.5	693.8
409.7 Duty on vehicle transfers <sup>(e)</sup>	415.5	560.7
<b>905.1 Total motor vehicle taxes</b>	<b>939.0</b>	<b>1 254.5</b>
<b>50.3 Other taxes</b>	<b>57.3</b>	<b>82.8</b>
<b>8 007.9 Total taxation</b>	<b>8 231.4</b>	<b>10 770.0</b>

### Notes:

- (a) Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.
- (b) The 2004-05 metropolitan improvement levy figures were rephased subsequent to the 2004-05 September Quarterly Report. The 2005-06 figures are based on the new phasings.
- (c) Debits tax was abolished on 1 July 2005. Revenue in 2005-06 represent carryover amounts from the previous year.
- (d) In 2005, taxation was adjusted to bring the definition into line with that used in Government Finance Statistics (GFS). Consequently, motor drivers' licence fees and other miscellaneous motor vehicle fees are not classified as regulatory fees for periods going forward.
- (e) The 2004-05 Actual to March data has been revised due to a change in the way accounts are reported within motor vehicle taxes.

### Note 3: Fines and regulatory fees<sup>(a)</sup>

(\$ million)

2004-05 Actual to Mar.	2005-06	
	Actual to Mar.	Revised Budget
235.0 Fines	264.9	403.6
61.2 Motor vehicle regulatory fees <sup>(b)</sup>	59.7	81.3
176.4 Other regulatory fees	192.6	252.5
<b>472.6 Total fines and regulatory fees</b>	<b>517.2</b>	<b>737.5</b>

Notes:

- (a) Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.
- (b) As taxation has been adjusted to bring the definition into line with that used in Government Finance Statistics (GFS), motor drivers' licence fees and other miscellaneous motor vehicle fees are now classified as regulatory fees.

### Note 4: Dividends, income tax and rate equivalent revenue<sup>(a)</sup>

(\$ million)

2004-05 Actual to Mar.	2005-06	
	Actual to Mar.	Revised Budget
431.1 Dividends	529.0	591.3
157.0 Income tax and rate equivalent revenue	168.7	235.4
<b>588.1 Total dividends, income tax and rate equivalent revenue</b>	<b>697.7</b>	<b>826.7</b>

Note:

- (a) Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.

**Note 5: Grants<sup>(a)</sup>**

(\$ million)

2004-05 Actual to Mar.	2005-06 Actual to Mar.    Revised Budget	
<b>Specific purpose grants</b>		
.. Parliament	..	..
485.5 Education and Training	646.3	875.8
2 071.4 Human Services	2 166.9	2 897.1
88.1 Infrastructure	118.4	246.6
0.2 Innovation, Industry and Regional Development	0.1	0.2
37.8 Justice	39.5	48.5
1.3 Premier and Cabinet	0.7	..
8.0 Primary Industries	27.7	38.5
58.0 Sustainability and Environment	65.0	88.4
15.5 Treasury and Finance	50.7	35.0
.. Victorian Communities	72.9	73.3
21.4 Regulatory bodies and other part budget funded agencies	22.7	28.9
<b>Grants for on-passing<sup>(b)</sup></b>		
1 030.0 Education and Training	1 088.4	1 415.1
270.6 Victorian Communities	285.7	381.0
<b>4 087.7 Total specific purpose and on-passing grants</b>	<b>4 585.0</b>	<b>6 128.3</b>
5 569.9 General purpose Commonwealth grants	6 087.3	8 038.2
64.9 Inter-sector grants	60.3	74.1
76.9 Other specific purpose grants <sup>(c)</sup>	98.8	141.8
<b>9 799.4 Total grants</b>	<b>10 831.4</b>	<b>14 382.5</b>

*Notes:*

- (a) *Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.*
- (b) *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.*
- (c) *Specific purpose grants not allocated to departments.*

**Note 6: Other income from transactions<sup>(a)</sup>**

(\$ million)

2004-05 Actual to Mar.	2005-06 Actual to Mar.    Revised Budget	
449.3 Inter-sector capital asset charge	583.0	777.4
10.0 Royalties	5.9	53.1
12.3 Rents	13.5	15.3
67.3 Donations and gifts	96.7	127.2
0.3 Other non-property rental	0.9	0.2
550.6 Other miscellaneous income	606.2	646.7
<b>1 089.9 Total other income from transactions</b>	<b>1 306.2</b>	<b>1 619.8</b>

*Note:*

- (a) *Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.*

## Note 7: Superannuation<sup>(a)</sup>

(\$ million)		
2004-05 Actual to Mar.	2005-06	
	Actual to Mar.	Revised Budget
<b>Superannuation expense from transactions</b>		
n.a. Current service cost	548.6	665.9
n.a. Interest cost	1 113.0	1 522.1
n.a. Expected return on plan assets (net of expenses)	( 807.4)	(1 043.0)
n.a. Amortisation of past service cost	( 11.3)	( 14.5)
n.a. Employer contributions to defined contribution plans	443.3	588.2
n.a. Other (including pensions)	27.9	38.7
<b>1 419.9 Total superannuation expense from transactions</b>	<b>1 314.2</b>	<b>1 757.3</b>
( 950.0) Actuarial (gains)/losses	(2 996.9)	(2 996.9)
<b>( 950.0) Total superannuation expense from economic flows</b>	<b>(2 996.9)</b>	<b>(2 996.9)</b>
<b>469.9 Total superannuation expense</b>	<b>(1 682.7)</b>	<b>(1 239.6)</b>

Note:

- (a) Figures for 2004-05 have been prepared on the basis of Australian Accounting Standards that applied at the time which did not require a detailed breakdown of superannuation expenses. Figures for 2005-06 have been prepared on the basis of A-IFRS.

## Note 8: Depreciation and amortisation<sup>(a)</sup>

(\$ million)		
2004-05 Actual to Mar.	2005-06	
	Actual to Mar.	Revised Budget
<b>Depreciation from transactions</b>		
334.3 Plant, equipment and infrastructure systems	341.9	538.5
224.0 Buildings	260.7	342.3
211.0 Road networks	218.2	294.5
12.0 Other assets	8.9	11.9
<b>781.3 Total depreciation from transactions</b>	<b>829.7</b>	<b>1 187.2</b>
<b>Amortisation from transactions</b>		
24.5 Leased plant and equipment	11.5	11.0
21.2 Leasehold buildings	16.1	21.3
11.0 Intangible produced assets	24.0	24.8
<b>56.7 Total amortisation from transactions</b>	<b>51.5</b>	<b>57.2</b>
<b>838.0 Total depreciation and amortisation from transactions</b>	<b>881.3</b>	<b>1 244.4</b>

Note:

- (a) Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.

## Note 9: Total expenses by departments<sup>(a)</sup>

(\$ million)

2004-05 Actual to Mar. <sup>(b)</sup>	2005-06	
	Actual to Mar.	Revised Budget
<b>Expenses from transactions</b>		
83.8 Parliament	76.3	110.6
6 348.3 Education and Training	6 825.0	9 106.6
7 882.3 Human Services	8 604.6	11 501.9
2 558.0 Infrastructure	2 543.9	3 548.9
211.8 Innovation, Industry and Regional Development	278.9	398.4
1 796.9 Justice	2 069.9	2 913.3
334.1 Premier and Cabinet	361.5	515.6
235.9 Primary Industries	298.0	426.8
682.3 Sustainability and Environment	789.1	1 027.6
1 617.9 Treasury and Finance	1 512.5	2 043.5
628.9 Victorian Communities	834.5	1 104.1
.. Contingencies not allocated to departments <sup>(c)</sup>	..	( 139.0)
695.8 Regulatory bodies and part budget funded agencies <sup>(d)</sup>	792.3	1 039.3
<b>23 075.9 Total</b>	<b>24 986.4</b>	<b>33 597.6</b>
<i>(2 014.6) Eliminations <sup>(e)</sup></i>	<i>(2 246.5)</i>	<i>(2 848.2)</i>
<b>21 061.3 Total expenses from transactions</b>	<b>22 739.9</b>	<b>30 749.4</b>

Notes:

- (a) Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.
- (b) 2004-05 March figures do not match previously published data in the 2004-05 Quarterly Financial Report No. 3. This note reports expenses from transactions whereas the previous publication reported total expenses.
- (c) Departmental expenses will be supplemented for certain costs that are provided for in contingencies.
- (d) 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.
- (e) Mainly comprising of payroll tax, capital asset charge and inter-departmental and inter-agencies transfers.

## Note 10: Other gains/(expenses) from other economic flows<sup>(a)</sup>

(\$ million)			
2004-05 Actual to Mar.	2005-06		
	Actual to Mar.	Revised Budget	
( 1.9) Net gains/(losses) on financial assets at fair value	6.3	889.6	
( 19.5) Net gains/(losses) from revaluation of biological assets	..	8.4	
( 189.3) Net (increase)/decrease in provision for doubtful debts	( 31.5)	( 62.1)	
.. Amortisation of intangible non-produced assets	( 0.1)	..	
( 2.7) Net revaluation/(impairment loss) of property plant and equipment	( 5.6)	..	
11.2 Other gains/(losses)	24.0	503.7	
<b>( 202.2) Total other gains/(expenses) from other economic flows</b>	<b>( 6.9)</b>	<b>1 339.5</b>	

Note:

(a) Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.

## Note 11: Receivables<sup>(a)</sup>

(\$ million)				
2004-05 Actual 31 Mar.	2005-06			
	Opening 1 July	Actual 31 Mar.	Revised Budget	
<b>Current receivables</b>				
538.0 Sale of goods and services	410.5	489.4	422.6	
1 029.0 Taxes receivable	669.6	891.2	570.6	
659.9 Fines and regulatory fees	631.4	718.9	721.7	
56.7 Accrued investment income	254.8	64.5	( 73.7)	
3.7 Loans	29.5	2.5	19.8	
176.8 Other receivables	199.9	238.7	288.3	
137.9 GST input tax credits recoverable	208.9	176.7	210.1	
( 423.9) Provision for doubtful debts	( 383.9)	( 386.3)	( 445.7)	
<b>2 178.1 Total current receivables</b>	<b>2 020.6</b>	<b>2 195.6</b>	<b>1 713.6</b>	
<b>Non-current receivables</b>				
12.8 Sale of goods and services	32.8	14.7	12.3	
206.5 Taxes receivable	166.8	186.4	519.3	
61.1 Loans	75.7	58.6	75.1	
9.0 Other receivables	63.8	108.8	120.7	
( 5.9) Provision for doubtful debts	( 9.3)	( 9.3)	( 9.3)	
<b>283.4 Total non-current receivables</b>	<b>329.7</b>	<b>359.3</b>	<b>718.1</b>	
<b>2 461.5 Total receivables</b>	<b>2 350.3</b>	<b>2 554.9</b>	<b>2 431.8</b>	

Note:

(a) Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.

## Note 12: Property, plant and equipment<sup>(a)</sup>

### (a) Land and buildings

(\$ million)

2004-05 Actual 31 Mar.	Opening 1 July	2005-06	
		Actual 31 Mar.	Revised Budget
13 032.8 Buildings	13 054.8	13 641.7	14 639.1
( 895.7) Accumulated depreciation	( 769.2)	(1 023.3)	(1 121.2)
<b>12 137.1 Buildings (written down value)</b>	<b>12 285.7</b>	<b>12 618.4</b>	<b>13 517.8</b>
<b>10 497.4 Land, national parks and other 'land only' holdings</b>	<b>17 641.2</b>	<b>17 738.7</b>	<b>18 958.9</b>
<b>22 634.4 Total land and buildings</b>	<b>29 926.8</b>	<b>30 357.1</b>	<b>32 476.8</b>

Note:

(a) Figures for 2004-05 for all parts of this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.

### (b) Plant equipment and infrastructure systems

(\$ million)

2004-05 Actual 31 Mar.	Opening 1 July	2005-06	
		Actual 31 Mar.	Revised Budget
318.6 Infrastructure systems	333.8	369.1	935.3
( 25.7) Accumulated depreciation	( 20.1)	( 23.6)	( 47.6)
<b>292.8 Infrastructure systems (written down value)</b>	<b>313.7</b>	<b>345.5</b>	<b>887.7</b>
4 249.0 Plant, equipment and vehicles	4 169.4	4 323.6	4 683.6
(2 372.8) Accumulated depreciation	(2 363.2)	(2 550.4)	(2 791.7)
164.7 Leased plant, equipment and vehicles	149.3	75.1	68.3
( 58.4) Accumulated amortisation	( 53.9)	( 39.1)	( 31.6)
<b>1 982.5 Plant, equipment and vehicles (written down value)</b>	<b>1 901.7</b>	<b>1 809.1</b>	<b>1 928.6</b>
<b>2 275.3 Total plant, equipment and infrastructure systems</b>	<b>2 215.3</b>	<b>2 154.6</b>	<b>2 816.3</b>

### (c) Road networks and earthworks

(\$ million)

2004-05 Actual 31 Mar.	Opening 1 July	2005-06	
		Actual 31 Mar.	Revised Budget
14 117.8 Roads	14 415.3	14 705.2	15 370.9
(5 053.4) Accumulated depreciation	(5 231.4)	(5 405.9)	(5 467.4)
4 477.2 Road infrastructure	4 692.1	4 692.1	4 836.3
(1 555.9) Accumulated depreciation	(1 642.7)	(1 686.4)	(1 701.2)
<b>11 985.7 Roads (written down value)</b>	<b>12 233.2</b>	<b>12 304.9</b>	<b>13 038.5</b>
4 392.6 Earthworks	4 589.8	4 589.8	4 589.8
<b>16 378.4 Total road networks and earthworks</b>	<b>16 823.0</b>	<b>16 894.7</b>	<b>17 628.3</b>

**(d) Cultural assets**

(\$ million)

2004-05 Actual 31 Mar.		Opening 1 July	2005-06	
			Actual 31 Mar.	Revised Budget
2 789.6	Cultural assets	3 602.2	3 532.1	3 697.4
( 73.0)	Accumulated depreciation	( 78.2)	( 88.8)	( 89.8)
<b>2 716.6</b>	<b>Total cultural assets</b>	<b>3 524.0</b>	<b>3 443.3</b>	<b>3 607.6</b>

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

**Note 13: Other assets<sup>(a)</sup>**

(\$ million)

2004-05 Actual 31 Mar.		Opening 1 July	2005-06	
			Actual 31 Mar.	Revised Budget
	<b>Non-current</b>			
	.. Investment properties	29.7	28.8	29.7
	.. Accumulated amortisation	..	..	..
	<b>.. Investment properties</b>	<b>29.7</b>	<b>28.8</b>	<b>29.7</b>
186.4	Intangibles	216.3	293.1	269.4
( 59.2)	Accumulated amortisation	( 77.2)	( 106.4)	( 102.2)
<b>127.1</b>	<b>Intangibles (written down value)</b>	<b>139.1</b>	<b>186.8</b>	<b>167.3</b>
107.1	Biological assets <sup>(b)</sup>	78.9	68.3	87.3
145.5	Other assets	151.6	182.0	179.9
<b>379.8</b>	<b>Total non-current other assets</b>	<b>399.3</b>	<b>466.0</b>	<b>464.2</b>

Notes:

- (a) Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.
- (b) The majority of biological assets comprises of commercial forests and also includes any living animal or plant or agricultural produce, which is the harvested product of biological assets.

**Note 14: Employee benefits<sup>(a)</sup>**

(\$ million)

2004-05 Actual 31 Mar.		Opening 1 July	2005-06 Actual 31 Mar.	Revised Budget
<b>Current</b>				
760.7	Accrued salaries and wages <sup>(b)</sup>	746.3	736.1	761.8
276.5	Long service leave	214.0	270.1	240.1
<b>1 037.2</b>	<b>Total current employee benefits</b>	<b>960.3</b>	<b>1 006.3</b>	<b>1 001.9</b>
<b>Non-current</b>				
6.4	Accrued salaries and wages <sup>(b)</sup>	133.6	118.0	135.6
1 975.7	Long service leave	2 114.5	2 130.2	2 316.0
<b>1 982.1</b>	<b>Total non-current employee benefits</b>	<b>2 248.1</b>	<b>2 248.2</b>	<b>2 451.6</b>
<b>3 019.2</b>	<b>Total employee benefits</b>	<b>3 208.4</b>	<b>3 254.5</b>	<b>3 453.5</b>

*Notes:*

- (a) *Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.*
- (b) *Includes accrual annual leave, payroll tax and other similar on-costs.*

**Note 15: Reconciliation of the net result to net cash flows from operating activities for the period ended 31 March<sup>(a)</sup>**

(\$ million)	
2004-05 Actual to Mar.	2005-06 Actual to Mar.
<b>1 623.7</b>	<b>Net result</b>
	<b>3 937.8</b>
	<b>Non-cash movements</b>
838.0	Depreciation and amortisation 881.4
( 4.7)	Revaluation of investments ( 6.4)
353.8	Assets received/given free of charge 23.4
( 15.0)	Assets not previously recognised ( 23.6)
22.2	Revaluation of fixed assets 5.6
4.0	Discount/premium on investments/interest-bearing liabilities 4.5
129.3	Bad and doubtful debts from customer loans ..
	<b>Movements included in investing/financing activities</b>
( 39.9)	Net revenue from sale of property, plant and equipment 32.6
6.5	Net revenue from sale of investments ..
3.8	Realised gains/(losses) on interest-bearing liabilities ..
	<b>Movements in assets and liabilities</b>
25.3	Increase/(decrease) in provision of doubtful debts 2.4
( 177.4)	Increase/(decrease) in payables 104.0
42.0	Increase/(decrease) in employee benefits 46.1
( 406.0)	Increase/(decrease) in superannuation (2 517.8)
22.0	Increase/(decrease) in other provisions ( 15.3)
209.3	Increase/(decrease) in other liabilities 411.7
( 578.9)	(Increase)/decrease in receivables ( 184.8)
( 384.0)	(Increase)/decrease in other assets ( 457.7)
<b>1 674.1</b>	<b>Net cash flows from operating activities</b>
	<b>2 244.0</b>

Note:

- (a) Figures for 2004-05 for this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.

## Note 16: Public Account<sup>(a)</sup>

### (a) Consolidated Fund receipts and payments

		(\$ million)	
2004-05		2005-06	
Actual		Actual	Revised
to Mar.		to Mar.	Budget
<b>Receipts</b>			
7 339.1	Taxation	7 910.1	10 766.7
252.3	Fines and regulatory fees	271.0	491.1
8 147.0	Grants received	9 045.8	12 080.3
411.6	Sales of goods and services	444.1	658.8
60.2	Interest received	63.0	91.2
715.4	Public authority receipts	1 039.9	1 155.2
1 712.3	Other receipts	1 899.8	2 541.1
<b>18 637.8</b>	<b>Total operating activities</b>	<b>20 673.7</b>	<b>27 784.4</b>
121.9	Total inflows from investing and financing	64.8	654.5
<b>18 759.8</b>	<b>Total receipts</b>	<b>20 738.5</b>	<b>28 438.9</b>
<b>Payments to Departments</b>			
82.9	Parliament	77.6	116.0
4 667.9	Education	4 840.9	6 682.8
7 157.9	Human Services	7 678.7	10 524.9
2 288.7	Infrastructure	2 571.6	3 718.2
256.9	Innovation, Industry and Regional Development	261.4	462.3
1 851.9	Justice	2 051.3	2 801.8
288.5	Premier and Cabinet	344.9	460.7
238.9	Primary Industries	262.5	370.3
553.5	Sustainability and Environment	650.3	980.0
1 205.8	Treasury and Finance	1 122.1	1 841.1
413.2	Victorian Communities	386.4	758.9
<b>19 006.1</b>	<b>Total payments</b>	<b>20 247.7</b>	<b>28 717.0</b>
<b>( 246.3)</b>	<b>Net receipts</b>	<b>490.8</b>	<b>( 278.0)</b>

Note:

(a) Figures for 2004-05 for all parts of this note have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.

## Note 16: Public Account (continued)

### (b) Trust Fund cash flows statement

		(\$ million)	
2004-05 Actual to Mar.		2005-06 Actual to Mar.	Revised Budget
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
115.7	Taxation	114.0	133.6
34.7	Regulatory fees and fines	40.7	53.1
1 985.8	Grants received	2 031.8	2 324.0
117.3	Sale of goods and services	161.5	223.2
67.3	Interest received	76.5	86.9
5 461.1	Other receipts	6 027.3	8 162.4
<b>7 781.9</b>	<b>Total receipts</b>	<b>8 451.8</b>	<b>10 983.3</b>
<b>Payments</b>			
( 51.4)	Employee entitlements	( 55.8)	( 84.7)
( 4.0)	Superannuation	( 4.2)	( 6.4)
( 3.5)	Interest paid	( 8.9)	( 12.3)
(6 038.2)	Grants paid	(6 804.2)	(8 751.5)
(1 497.6)	Supplies and consumables	(1 660.3)	(2 160.5)
<b>(7 594.7)</b>	<b>Total payments</b>	<b>(8 533.4)</b>	<b>(11 015.4)</b>
<b>187.2</b>	<b>Net cash flows from operating activities</b>	<b>( 81.6)</b>	<b>( 32.1)</b>
<b>Cash flows from investing activities</b>			
..	Net proceeds from customer loans	0.2	..
1.0	Proceeds from sale of property, plant and equipment	13.8	..
( 31.8)	Purchases of property, plant and equipment	( 37.9)	( 48.2)
( 30.2)	Other investing activities	( 9.8)	( 13.8)
<b>( 61.0)</b>	<b>Net cash flows from investing activities</b>	<b>( 33.7)</b>	<b>( 61.9)</b>
<b>Cash flows from financing activities</b>			
31.3	Net proceeds (repayments) from borrowings	84.5	131.4
<b>31.3</b>	<b>Net cash flows from financing activities</b>	<b>84.5</b>	<b>131.4</b>
<b>157.5</b>	<b>Net cash inflow/(outflow)</b>	<b>( 30.8)</b>	<b>37.4</b>

## Note 16: Public Account (continued)

### (c) Details of securities held in the Public Account

(\$ million)

2004-05 Actual Mar.		2005-06 Opening 1 July	Actual 31-Mar.
661.4	Amounts invested on behalf of specific trust accounts	604.4	587.1
1.3	Amounts invested on behalf of general trust accounts	1.3	1.3
1 885.3	General account balances	1 698.2	2 161.4
<b>2 548.0</b>	<b>Total Public Account</b>	<b>2 303.9</b>	<b>2 749.8</b>
	<b>Represented by:</b>		
662.7	Stocks and securities	605.7	588.4
1 690.6	Cash and investments	1 413.0	1 945.5
<b>2 353.3</b>	<b>Total stock, securities, cash and investments</b>	<b>2 018.7</b>	<b>2 534.0</b>
	Add cash advanced for:		
194.7	Advances pursuant to Sections 36 and 37 of the FMA 1994 <sup>(a)</sup>	285.2	215.8
<b>2 548.0</b>	<b>Total Public Account</b>	<b>2 303.9</b>	<b>2 749.8</b>

Note:

(a) *Financial Management Act 1994.*

## Note 17: 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 19.

## RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

The following tables present the operating statement, balance sheet and statement of cash flows for the general government sector on a quarter-by-quarter basis for the preceding five quarters.

These quarterly financial statements should be read in conjunction with Note 1 of this Appendix and the *Statement of significant accounting policies and assumptions* in Budget Paper No. 4, Chapter 1, *Estimated Financial Statements and Notes*, at Note 1.

**Table E.1: Operating statement for the past five quarters<sup>(a)</sup>**

(\$ million)

Previous A-GAAP 2004-05				A-IFRS 2005-06		
Mar.	June			Sept.	Dec.	Mar.
<b>Income from transactions</b>						
3 118.6	2 407.0	Taxation <sup>(b)</sup>		2 566.2	2 548.2	3 117.0
165.9	179.2	Fines and regulatory fees <sup>(b)</sup>		167.4	163.5	186.3
55.1	360.6	Dividends, income tax and rate equivalent revenue		75.7	565.3	56.7
77.8	101.0	Interest		82.0	83.5	93.3
3 165.4	3 662.9	Grants		3 407.6	3 821.7	3 602.1
592.2	688.0	Sale of goods and services		572.9	615.6	677.5
5.2	9.8	Fair value of assets received free of charge or for nominal consideration		0.2	11.3	0.1
307.9	519.3	Other income		420.4	470.1	415.7
<b>7 488.1</b>	<b>7 927.9</b>	<b>Total income from transactions</b>		<b>7 292.4</b>	<b>8 279.2</b>	<b>8 148.8</b>
<b>Expenses from transactions</b>						
2 594.8	2 857.4	Employee benefits		2 769.8	2 851.4	2 875.3
473.1	489.0	Superannuation		439.9	433.4	441.0
300.6	300.8	Depreciation and amortisation		297.8	294.2	289.2
105.4	112.0	Finance costs		110.6	106.9	114.6
1 231.9	1 389.0	Grants and transfer payments		1 336.8	1 489.1	1 579.7
2 570.1	2 653.0	Supplies and services		2 248.8	2 379.9	2 664.5
0.1	167.7	Other expenses		1.5	1.0	14.5
<b>7 276.1</b>	<b>7 969.0</b>	<b>Total expenses from transactions</b>		<b>7 205.1</b>	<b>7 555.9</b>	<b>7 978.9</b>
<b>212.0</b>	<b>( 41.1)</b>	<b>Net result from transactions</b>		<b>87.3</b>	<b>723.3</b>	<b>169.8</b>
<b>Income/(expenses) from other economic flows</b>						
0.9	( 66.5)	Net gain/(loss) from disposal of physical assets		( 8.4)	( 15.1)	( 9.2)
341.3	378.8	Actuarial gains/(losses) of superannuation defined benefit plans		1 284.9	( 275.1)	1 987.2
( 163.8)	248.9	Other gains/(expenses) from other economic flows		( 6.3)	( 1.5)	0.8
<b>178.5</b>	<b>561.2</b>	<b>Net result from other economic flows</b>		<b>1 270.2</b>	<b>( 291.7)</b>	<b>1 978.8</b>
<b>390.5</b>	<b>520.2</b>	<b>Net result</b>		<b>1 357.5</b>	<b>431.7</b>	<b>2 148.7</b>

Source: Department of Treasury and Finance

Notes:

- (a) Figures for 2004-05 for this statement have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.
- (b) In 2005, taxation was adjusted to bring the definition into line with that used in Government Finance Statistics (GFS). Consequently, motor drivers' licence fees and other miscellaneous motor vehicle fees are not classified as regulatory fees for periods going forward.

**Table E.2: Balance sheet as at the end of the quarter<sup>(a)</sup>**

(\$ million)

Previous A-GAAP 2004-05				A-IFRS 2005-06		
Mar.	June			Sept.	Dec.	Mar.
<b>Current assets</b>						
1 782.1	1 803.2	Cash assets and cash equivalents		1 844.4	1 335.9	1 298.9
2 570.4	2 183.3	Other financial assets		2 198.9	3 329.5	3 330.8
2 178.1	1 934.7	Receivables		1 526.9	1 415.4	2 195.6
473.1	65.2	Prepayments		272.4	220.8	490.5
113.0	118.8	Inventories		133.4	139.1	135.4
7 116.7	6 105.1			5 976.0	6 440.8	7 451.4
..	..	Non-current assets classified as held for sale		39.2	38.4	39.7
<b>7 116.7</b>	<b>6 105.1</b>	<b>Total current assets</b>		<b>6 015.3</b>	<b>6 479.1</b>	<b>7 491.0</b>
<b>Non-current assets</b>						
334.6	376.6	Other financial assets		378.1	384.7	380.7
..	69.1	Investments accounted for using the equity method		69.7	69.1	69.4
283.4	260.3	Receivables		269.8	276.9	359.3
31.3	24.5	Inventories		..	..	..
44 004.7	53 416.4	Property, plant and equipment		52 528.3	52 809.6	52 849.8
379.8	371.3	Other assets		412.9	426.4	466.0
<b>45 033.8</b>	<b>54 518.2</b>	<b>Total non-current assets</b>		<b>53 658.9</b>	<b>53 966.7</b>	<b>54 125.1</b>
<b>52 150.4</b>	<b>60 623.3</b>	<b>Total assets</b>		<b>59 674.2</b>	<b>60 445.8</b>	<b>61 616.1</b>
<b>Current liabilities</b>						
1 833.8	2 083.8	Payables		1 942.8	1 776.0	2 334.8
196.8	210.3	Interest-bearing liabilities		238.1	269.9	346.9
1 037.2	1 074.6	Employee benefits		867.2	1 015.2	1 006.3
51.8	38.8	Superannuation		40.2	38.8	40.2
208.4	191.6	Other provisions		185.8	179.8	174.6
588.6	401.0	Other liabilities		375.0	509.8	817.2
<b>3 916.6</b>	<b>4 000.1</b>	<b>Total current liabilities</b>		<b>3 649.2</b>	<b>3 789.6</b>	<b>4 719.9</b>
<b>Non-current liabilities</b>						
1 249.9	1 071.7	Payables		1 126.3	1 005.7	1 073.4
5 330.8	5 320.0	Interest-bearing liabilities		5 300.7	5 278.3	5 237.9
1 982.1	2 126.8	Employee benefits		2 247.5	2 290.3	2 248.2
11 252.9	10 454.7	Superannuation		14 126.3	14 557.8	12 729.7
573.7	559.6	Other provisions		567.6	556.3	575.4
235.1	241.5	Other liabilities		239.9	238.1	237.1
<b>20 624.4</b>	<b>19 774.3</b>	<b>Total non-current liabilities</b>		<b>23 608.3</b>	<b>23 926.5</b>	<b>22 101.7</b>
<b>24 541.0</b>	<b>23 774.3</b>	<b>Total liabilities</b>		<b>27 257.5</b>	<b>27 716.1</b>	<b>26 821.6</b>
<b>27 609.4</b>	<b>36 848.9</b>	<b>Net assets</b>		<b>32 416.6</b>	<b>32 729.8</b>	<b>34 794.4</b>

Source: Department of Treasury and Finance

Note:

(a) Figures for 2004-05 for this statement have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.

**Table E.3: Statement of cash flows for the past five quarters<sup>(a)</sup>**

(\$ million)					
Previous A-GAAP 2004-05			A-IFRS 2005-06		
Mar.	June		Sept.	Dec.	Mar.
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
2 360.9	2 893.2	Taxation	2 874.0	2 586.7	2 529.5
92.7	175.5	Fines and regulatory fees	78.1	152.0	158.2
3 458.6	3 353.1	Grants	3 430.9	3 799.2	3 848.2
575.3	1 266.9	Sale of goods and services	562.5	931.5	592.2
77.7	99.9	Interest received	82.7	82.4	94.1
48.7	163.3	Dividends, income tax and rate equivalent revenue received	116.1	731.7	57.3
139.2	597.5	Other receipts	593.8	533.5	365.2
<b>6 753.1</b>	<b>8 549.4</b>	<b>Total receipts</b>	<b>7 738.0</b>	<b>8 816.9</b>	<b>7 644.6</b>
<b>Payments</b>					
(2 655.3)	(2 675.3)	Employee benefits	(2 863.4)	(2 660.6)	(2 926.4)
( 290.5)	( 921.3)	Superannuation	( 276.3)	( 278.4)	( 280.4)
( 104.8)	( 84.0)	Interest paid	( 110.8)	( 75.9)	( 143.7)
(1 536.4)	(1 089.9)	Grants and transfer payments	(1 514.7)	(1 504.5)	(1 933.5)
(2 017.1)	(2 924.0)	Supplies and services	(2 480.2)	(3 009.7)	(1 897.0)
<b>(6 604.2)</b>	<b>(7 694.6)</b>	<b>Total payments</b>	<b>(7 245.4)</b>	<b>(7 529.2)</b>	<b>(7 180.9)</b>
<b>148.9</b>	<b>854.8</b>	<b>Net cash flows from operating activities</b>	<b>492.6</b>	<b>1 287.7</b>	<b>463.6</b>
<b>Cash flows from investing activities</b>					
( 102.8)	( 866.3)	Purchase of property, plant and equipment	( 395.6)	( 682.1)	( 423.4)
25.8	53.5	Proceeds from sale of property, plant and equipment	44.6	22.7	17.2
203.6	262.5	Net (purchase)/disposal of investments	( 12.9)	(1 130.0)	4.1
39.5	2.0	Net customer loans (granted)/repaid	33.6	10.5	( 0.1)
( 206.8)	( 280.8)	Net contribution to other sectors of government	( 18.9)	( 105.4)	( 87.5)
<b>( 40.7)</b>	<b>( 829.2)</b>	<b>Net cash flows from investing activities</b>	<b>( 349.2)</b>	<b>(1 884.3)</b>	<b>( 489.6)</b>
<b>Cash flows from financing activities</b>					
( 25.3)	( 0.8)	Net borrowings	( 102.4)	86.4	( 11.0)
<b>( 25.3)</b>	<b>( 0.8)</b>	<b>Net cash flows from financing activities</b>	<b>( 102.4)</b>	<b>86.4</b>	<b>( 11.0)</b>
<b>82.9</b>	<b>24.8</b>	<b>Net increase/(decrease) in cash and deposits held</b>	<b>41.1</b>	<b>( 510.2)</b>	<b>( 37.0)</b>
1 691.2	1 774.1	Cash and deposits at beginning of reporting period	1 799.0	1 840.0	1 329.8
<b>1 774.1</b>	<b>1 799.0</b>	<b>Cash and deposits at end of reporting period</b>	<b>1 840.0</b>	<b>1 329.8</b>	<b>1 292.8</b>

Source: Department of Treasury and Finance

Note:

(a) Figures for 2004-05 for this statement have been prepared on the basis of Australian Accounting Standards applicable at that time. Figures for 2005-06 have been prepared on the basis of A-IFRS.

## STYLE CONVENTIONS

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Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

n.a.	not available or not applicable
..	zero, or rounded to zero
(xxx.x)	negative numbers (other than Chapter 6 and certain tables in Appendix A)
200x – 0x	year period

The notation used in the text is as follows:

–xxx.x	negative numbers within text.
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