



# 07|08



## Statement of Finances

(incorporating Quarterly Financial Report No. 3)

Budget Paper No. 4

The Secretary  
Department of Treasury and Finance  
1 Treasury Place  
Melbourne Victoria 3002  
Australia

Telephone: +61 3 9651 5111  
Facsimile: +61 3 9651 5298  
Website: [www.budget.vic.gov.au](http://www.budget.vic.gov.au)

Authorised by the Victorian Government  
1 Treasury Place, Melbourne.

Printed by SEP SPrint (Australia) Pty Ltd  
151 Forster Road, Mount Waverley 3149

2007-08 Budget Paper set includes:  
Budget Paper No. 1 – Treasurer’s Speech  
Budget Paper No. 2 – Strategy and Outlook  
Budget Paper No. 3 – Service Delivery  
Budget Paper No. 4 – Statement of Finances  
(incorporating Quarterly Financial Report No. 3)  
Victorian Budget Overview

© Copyright State of Victoria 2007

This publication is copyright. No part may  
be reproduced by any process except in  
accordance with the provisions of the  
*Copyright Act 1968*.

ISSN 1440-6969  
Published May 2007  
Printed on recycled paper

# Statement of Finances

---

**2007-08**



Presented by

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

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

**Budget Paper No. 4**



# TABLE OF CONTENTS

---

<b>Introduction .....</b>	<b>1</b>
<b>Chapter 1 – Estimated Financial Statements and Notes.....</b>	<b>5</b>
Auditor-General’s Report.....	6
Department of Treasury and Finance Statement in relation to the Estimated Financial Statements .....	8
Estimated Financial Statements for the Victorian general government sector.....	9
Notes to the Estimated Financial Statements .....	13
<b>Chapter 2 – Departmental Financial Statements .....</b>	<b>55</b>
Department of Education.....	57
Department of Human Services .....	64
Department of Infrastructure .....	71
Department of Innovation, Industry and Regional Development.....	78
Department of Justice .....	84
Department of Premier and Cabinet.....	93
Department of Primary Industries.....	99
Department of Sustainability and Environment .....	105
Department of Treasury and Finance.....	113
Department for Victorian Communities .....	121
Parliament .....	127
<b>Chapter 3 – State Revenue .....</b>	<b>133</b>
Summary of general government sector revenue .....	133
State sourced revenue .....	135
Grants .....	147
<b>Chapter 4 – Tax Expenditures and Concessions .....</b>	<b>159</b>
Tax expenditures.....	159
Concessions.....	165
<b>Chapter 5 – Public Account.....</b>	<b>169</b>
Consolidated Fund .....	169
The Trust Fund.....	169
<b>Chapter 6 – Uniform Presentation of Government Finance Statistics.....</b>	<b>183</b>
The accrual GFS presentation .....	183
Institutional sectors.....	185
Uniform Presentation Framework tables .....	186
Victoria’s 2007-08 Loan Council Allocation .....	198
<b>Appendix A – Historical and Forward Estimates Tables .....</b>	<b>201</b>
<b>Appendix B – Meeting our Transport Challenges Reserve .....</b>	<b>225</b>
<b>Appendix C – Revised 2006-07 Budget Outcome.....</b>	<b>227</b>
revised 2006-07 operating statement.....	227
Revised 2006-07 balance sheet.....	231
Revised 2006-07 cash flow statement .....	233

## TABLE OF CONTENTS (continued)

<b>Appendix D – Operating Statement Analysis</b> .....	<b>237</b>
Introduction .....	237
2007-08 Operating statement estimates and outlook .....	238
Reconciliation of 2006-07 to 2008-09 estimates to previously published estimates.....	241
<b>Appendix E – Quarterly Financial Report for the Victorian General Government Sector</b> .....	<b>247</b>
Financial Statements for the general government sector .....	248
Notes to the financial statements.....	252
Results Quarter by quarter – Victorian general government sector.....	264
<b>Style Conventions</b> .....	<b>268</b>

# INTRODUCTION

---

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

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

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

This chapter presents the Estimated Financial Statements and accompanying notes for the Victorian general government sector for the period 2007-08 to 2010-11. 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.

Adjustments for machinery of government changes announced after the 2006 State election are reflected in the 2006-07 adjusted and revised estimates for the period 1 January 2007 to 30 June 2007. The 2007-08 Budget also takes into account the impact of machinery of government changes.

## **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 2007-08 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.

Machinery of government changes since the 2006-07 Budget and those announced after the 2006 State election have been reflected in the 2006-07 adjusted and revised estimates for the period 1 July 2006 to 30 June 2007. The 2007-08 Budget also takes into account the full year impact of these machinery of government changes.

## **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 show 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.

As required by the UPF, Victoria's 2007-08 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 2007-08.

## **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 2010-11. In addition, the general government net operating result for the period 1996-97 to 2010-11 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 2010-11.

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

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



## **Appendix C – Revised 2006-07 Budget Outcome**

The revised 2006-07 Budget outcome is presented in Appendix C. The revised 2006-07 estimates take into account government policy decisions and economic developments affecting both revenue and expenses since the presentation of the 2006-07 Budget to the Parliament in May 2006.

## **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 2006-07 estimates and 2007-08 estimates, and over the forward estimates period. It also presents an explanation of the changes to the 2007-08 to 2009-10 estimates since they were published in the *2006-07 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 2007, and quarter-by-quarter results. The March year-to-date outcome is compared with the full year revised 2006-07 Budget.



## CHAPTER 1 – ESTIMATED FINANCIAL STATEMENTS AND NOTES

---

The following Estimated Financial Statements and accompanying explanatory notes set out the forecast financial results for the Victorian general government sector for the period 2007-08 to 2010-11.

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

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

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



Victorian Auditor-General's Office

## INDEPENDENT REVIEW REPORT

---

### Estimated Financial Statements

To the Members of the Parliament of Victoria

#### Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report for the financial year ended 30 June 2008 and the three forward financial years ended 30 June 2009, 2010 and 2011 relates to the Victorian General Government Sector's estimated financial statements included on its web site. The Secretary of the Department of Treasury and Finance is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The review report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed estimated financial statements to confirm the information included in the estimated financial statements presented on this web site.

#### Scope

##### *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 2008 and the three forward financial years ended 30 June 2009, 2010 and 2011 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, through the Secretary of the Department of Treasury and Finance, 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

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

---

**Independent Review Report (continued)**

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.

**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  
26 April 2007



D.D.R. Pearson  
Auditor-General

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

The Estimated Financial Statements for the Victorian general government sector have been prepared on the basis of the economic and fiscal information available to the Department of Treasury and Finance. Given the prospective nature of the Estimated Financial Statements, it has been necessary to apply the best professional judgement in preparing the Estimated Financial Statements.

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



Grant Hehir

Secretary

Department of Treasury and Finance

26 April 2007

## ESTIMATED FINANCIAL STATEMENTS FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

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

	Notes	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
(\$ million)					
<b>Income from transactions</b>					
Taxation	2	11 589.0	11 997.9	12 367.6	12 856.4
Fines and regulatory fees		842.8	844.6	850.7	856.2
Dividends and income tax equivalent and rate equivalent revenue	3	905.4	650.8	748.4	765.0
Interest		301.9	313.8	321.4	328.1
Grants	4	16 158.7	16 856.8	17 485.9	18 217.0
Sale of goods and services		2 643.8	2 702.4	2 711.7	2 737.3
Fair value of assets received free of charge or for nominal consideration		..	181.0	..	..
Other income	5	1 827.6	1 873.2	1 895.3	1 916.0
<b>Total income from transactions</b>		<b>34 269.2</b>	<b>35 420.5</b>	<b>36 381.0</b>	<b>37 676.0</b>
<b>Expenses from transactions</b>					
Employee benefits		12 726.2	13 122.1	13 426.1	13 802.0
Superannuation	6	1 622.9	1 658.8	1 698.8	1 736.0
Depreciation and amortisation	7	1 470.1	1 537.2	1 623.7	1 773.9
Finance costs	8	486.3	586.7	705.2	769.3
Grants and transfer payments	9	6 520.3	6 279.3	6 222.5	6 323.8
Supplies and services		11 118.6	11 801.9	12 314.4	12 823.7
Other expenses		0.4	0.4	0.4	0.4
<b>Total expenses from transactions</b>	<b>10</b>	<b>33 944.9</b>	<b>34 986.3</b>	<b>35 991.1</b>	<b>37 229.2</b>
<b>Net result from transactions</b>		<b>324.3</b>	<b>434.2</b>	<b>389.9</b>	<b>446.8</b>
<b>Income/(expenses) from other economic flows</b>					
Net gain/(loss) from disposal of physical assets		15.5	3.7	3.7	4.2
Net gains/(losses) on financial assets at fair value		4.1	4.2	4.4	4.5
Other gains/(losses) from other economic flows	11	( 40.6)	( 35.6)	( 35.6)	( 35.6)
<b>Total other economic flows</b>		<b>( 21.0)</b>	<b>( 27.7)</b>	<b>( 27.6)</b>	<b>( 26.9)</b>
<b>Net result</b>		<b>303.3</b>	<b>406.6</b>	<b>362.3</b>	<b>419.9</b>

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

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

		(\$ million)			
	Notes	2008 Budget	2009 Estimate	2010 Estimate	2011 Estimate
<b>Current assets</b>					
Cash and cash equivalents	17	1 513.8	1 506.7	1 500.2	1 493.7
Receivables		2 039.8	2 289.4	2 514.3	2 642.0
Prepayments		103.7	103.9	104.1	104.3
Inventories		139.3	140.9	142.4	144.0
Other financial assets		1 452.4	1 479.5	1 515.6	1 567.2
		5 249.1	5 520.4	5 776.6	5 951.2
Non-current assets classified as held for sale		59.2	59.2	59.2	59.2
<b>Total current assets</b>		<b>5 308.3</b>	<b>5 579.6</b>	<b>5 835.9</b>	<b>6 010.5</b>
<b>Non-current assets</b>					
Receivables		186.9	130.7	106.1	81.6
Investments accounted for using the equity method		612.6	617.6	622.6	627.6
Other financial assets		490.1	503.3	523.4	543.9
Property, plant and equipment	12, 13	63 665.3	68 409.0	76 127.1	79 946.4
Intangibles	14	172.8	173.0	154.7	149.7
Other assets	15	170.9	175.9	184.3	192.7
<b>Total non-current assets</b>		<b>65 298.5</b>	<b>70 009.3</b>	<b>77 718.1</b>	<b>81 541.8</b>
<b>Total assets</b>		<b>70 606.8</b>	<b>75 588.9</b>	<b>83 553.9</b>	<b>87 552.2</b>
<b>Current liabilities</b>					
Payables		2 335.1	2 371.3	2 409.7	2 447.9
Interest-bearing liabilities		248.1	248.0	236.7	225.4
Employee benefits	16	2 726.1	2 765.7	2 805.3	2 844.9
Superannuation	6	417.1	535.1	609.8	625.0
Other provisions		150.4	150.4	150.3	150.3
Other liabilities		613.5	694.3	730.5	766.7
<b>Total current liabilities</b>		<b>6 490.2</b>	<b>6 764.7</b>	<b>6 942.4</b>	<b>7 060.2</b>
<b>Non-current liabilities</b>					
Payables		528.9	513.0	468.0	423.1
Interest-bearing liabilities		7 241.9	9 610.4	10 863.9	11 656.5
Employee benefits	16	994.0	1 082.4	1 171.9	1 261.5
Superannuation	6	11 545.1	11 425.8	11 242.3	11 050.2
Other provisions		532.7	521.3	509.8	498.4
Other liabilities		162.5	135.7	129.8	123.9
<b>Total non-current liabilities</b>		<b>21 005.2</b>	<b>23 288.5</b>	<b>24 385.7</b>	<b>25 013.5</b>
<b>Total liabilities</b>		<b>27 495.4</b>	<b>30 053.3</b>	<b>31 328.1</b>	<b>32 073.7</b>
<b>Net assets</b>		<b>43 111.4</b>	<b>45 535.7</b>	<b>52 225.8</b>	<b>55 478.5</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)

	2007-08	2008-09	2009-10	2010-11
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Gain on revaluation of property plant and equipment	2 584.7	2 941.2	6 833.7	3 331.0
<b>Net income recognised directly in equity</b>	<b>2 584.7</b>	<b>2 941.2</b>	<b>6 833.7</b>	<b>3 331.0</b>
<b>Net result for the period</b>	<b>303.3</b>	<b>406.6</b>	<b>362.3</b>	<b>419.9</b>
<b>Total recognised income and expense for the period</b>	<b>2 888.0</b>	<b>3 347.8</b>	<b>7 196.1</b>	<b>3 750.9</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	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation		11 673.4	12 052.9	12 390.9	12 879.7
Fines and regulatory fees		719.9	726.7	732.8	738.3
Dividends and income tax equivalent and rate equivalent revenue		898.1	636.5	787.0	798.1
Interest received		301.7	313.6	321.2	327.9
Grants		16 159.0	16 857.1	17 486.2	18 217.3
Sale of goods and services <sup>(a)</sup>		2 590.7	2 648.1	2 657.9	2 731.7
Other receipts		1 944.0	1 817.0	1 786.6	1 860.5
<b>Total receipts</b>		<b>34 286.7</b>	<b>35 051.9</b>	<b>36 162.7</b>	<b>37 553.5</b>
<b>Payments</b>					
Employee benefits		(12 596.1)	(12 994.1)	(13 297.1)	(13 672.8)
Superannuation		(1 560.0)	(1 660.0)	(1 807.6)	(1 912.9)
Interest paid		( 448.5)	( 537.8)	( 650.0)	( 714.2)
Grants and transfer payments		(6 482.6)	(6 263.4)	(6 230.7)	(6 332.0)
Supplies and services <sup>(a)</sup>		(11 118.2)	(11 807.7)	(12 367.8)	(12 877.4)
<b>Total payments</b>		<b>(32 205.3)</b>	<b>(33 263.0)</b>	<b>(34 353.2)</b>	<b>(35 509.3)</b>
<b>Net cash flows from operating activities</b>	17 (b)	<b>2 081.4</b>	<b>1 789.0</b>	<b>1 809.6</b>	<b>2 044.2</b>
<b>Cash flows from investing activities</b>					
Purchases of non-financial assets	18	(2 925.6)	(3 077.8)	(2 604.9)	(2 369.9)
Proceeds from sale of non-financial assets		202.3	117.8	117.8	115.4
Net (purchase)/disposal of investments		( 62.7)	( 41.0)	( 56.8)	( 72.7)
Net customer loans (granted)/repaid		0.8	1.1	1.1	0.7
Net contribution to other sectors of government		( 898.4)	( 923.5)	( 505.5)	( 497.9)
<b>Net cash flows from investing activities</b>		<b>(3 683.6)</b>	<b>(3 923.4)</b>	<b>(3 048.3)</b>	<b>(2 824.3)</b>
<b>Cash flows from financing activities</b>					
Net borrowings		1 594.9	2 127.3	1 232.2	773.6
<b>Net cash flows from financing activities</b>		<b>1 594.9</b>	<b>2 127.3</b>	<b>1 232.2</b>	<b>773.6</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>( 7.4)</b>	<b>( 7.1)</b>	<b>( 6.5)</b>	<b>( 6.6)</b>
Cash and cash equivalents at beginning of reporting period		1 518.0	1 510.6	1 503.5	1 497.0
<b>Cash and cash equivalents at end of reporting period</b>	17 (a)	<b>1 510.6</b>	<b>1 503.5</b>	<b>1 497.0</b>	<b>1 490.4</b>

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

*Memorandum item: The IMF 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>( 641.9)</b>	<b>(1 171.1)</b>	<b>( 677.5)</b>	<b>( 210.2)</b>
-------------------------------	-----------------	------------------	-----------------	-----------------

*Note:*

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

## 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.

Note 1: Statement of significant accounting policies and forecast assumptions.....	17
Note 2: Taxation.....	39
Note 3: Dividends and income tax equivalent and rate equivalent revenue .....	39
Note 4: Grants.....	40
Note 5: Other income from transactions.....	40
Note 6: Superannuation .....	41
Note 7: Depreciation and amortisation .....	43
Note 8: Finance costs.....	43
Note 9: Grants and transfer payments .....	43
Note 10: Total expenses from transactions by department .....	44
Note 11: Other gains/(losses) from other economic flows .....	44
Note 12: Property, plant and equipment.....	45
Note 13: Reconciliation of movements in property, plant and equipment.....	46
Note 14: Intangibles .....	47
Note 15: Other assets .....	47
Note 16: Employee benefits .....	47
Note 17: Cash flow information .....	48
Note 18: Purchase of property, plant and equipment by department .....	49
Note 19: Controlled entities .....	50

## 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>			
	2007-08	2008-09	2009-10	2010-11
Real gross state product	3.25	3.25	3.00	3.00
Employment	1.25	1.25	1.25	1.25
Wage price index <sup>(b)</sup>	3.50	3.50	3.50	3.50
Consumer price index	2.50	2.50	2.50	2.50
Population <sup>(c)</sup>	1.20	1.20	1.20	1.20

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

## Economic risks

The main short- to medium-term risks to the Victorian economic projections are from drought conditions, oil price volatility, wage and inflationary pressures, exchange rate movements and global developments.

The prospects for the rural sector remain a risk to the broader Victorian economic outlook. As noted in the *2006-07 Budget Update*, the current drought is expected to detract between 0.5 and 1.0 percentage point from Victorian economic growth. The current projections assume a return to normal seasonal conditions in 2007-08. In particular, good autumn and winter rains are critical for the next winter crop. If Victoria continues to experience severe rainfall deficiencies, the farm sector is likely to continue placing downward pressure on the growth outlook.

After peaking at almost US\$80 a barrel in August 2006, oil prices have retreated, thus removing some of the pressure on headline inflation and reducing downside risks to global growth. However, oil prices remain volatile and at risk of further increases in the face of geo-political tensions and any potential supply disruptions. The oil price has been particularly sensitive to tensions over Iran, the world's fourth-largest oil exporter. Further increases in oil prices would increase input prices and inflationary pressures.

The labour market remains tight, with the national unemployment rate at a generational low and firms reporting increased difficulty in finding suitable labour. Measured wage growth, while firm, has not accelerated, with wage pressures largely concentrated in certain industries in the resource States. There is a risk, though, that the continuation of tight labour market conditions may eventually result in accelerating wage growth, which would put upward pressure on broader consumer price inflation. With underlying inflation at the upper end of the Reserve Bank of Australia's (RBA) target band, this may result in further monetary policy tightening.

Downward pressure on inflation may come from the exchange rate, which has appreciated since early March. However, any further appreciation of the Australian dollar would start placing additional pressures on Victoria's exports. The upward impetus of the Australian dollar has come mainly from interest rate differentials, with financial markets anticipating an increased likelihood of higher interest rates in Australia and cuts to official interest rates in the United States. The other key driver of the Australian dollar is the terms of trade, which are around their highest level since the 1950s, supported by high commodity prices. Once the supply of commodities begins to catch up to demand, there is likely to be some easing in prices and the terms of trade, and possibly less pressure on the exchange rate and Victoria's exporters.

The global economy continues to surprise on the upside, and growth is becoming more broadly based. Nonetheless, there are a number of downside risks to global growth. The main downside risk stems from the correction in the US housing market and the extent to which this weakness spills over into the rest of the US economy. Elsewhere, there is also some uncertainty regarding how the Chinese economy may respond to the government's intentions to slow and rebalance growth.

### **Key financial measure**

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

---

<i>Fiscal target</i>	
<i>Key financial measure</i>	<i>Target</i>
<i>Maintain a substantial net result from transactions for the budget sector</i>	<i>At least \$100 million</i>

---

### **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)

	2007-08	2008-09	2009-10	2010-11
Gross state product	154	174	187	200
Employment	42	46	51	55
Consumer prices	155	167	178	190
Average weekly earnings	42	17	49	54
Enterprise Bargaining Agreements	-131	-166	-177	-190
Domestic share prices	..	14	5	5
International share prices	..	11	4	4
Property prices	42	63	64	68
Property volumes	29	33	33	35
Interest rate	37	104	12	-2

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)

	2007-08	2008-09	2009-10	2010-11
Gross state product	154	174	187	200
Employment	42	46	51	55
Consumer prices	36	167	178	190
Average weekly earnings	42	17	49	54
Enterprise Bargaining Agreements	-300	-166	-177	-190
Domestic share prices	65	14	5	5
International share prices	48	11	4	4
Property prices	52	63	64	68
Property volumes	29	33	33	35
Interest rate	3168	104	12	-2

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 applicable pronouncements and interpretations of the Australian Accounting Standards Board (AASB), including Australian equivalents to International Financial Reporting Standards (A-IFRS). However, the prospective nature of the Estimated Financial Statements means that some A-IFRS disclosures are neither relevant nor practical and so these 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 consistent with New Zealand Financial Reporting Standard 42 *Prospective Financial Statements* (FRS 42). FRS 42 requires prospective financial statements to be prepared in accordance with the accounting policies expected to be used in future for reporting historically orientated general purpose financial reports.

In addition to compliance with A-IFRS, including those paragraphs applicable to not-for-profit entities and FRS 42, these Estimated Financial Statements have been prepared in accordance with sections 23H-23K of the *Financial Management Act 1994* (FMA). A summary of the significant accounting policies adopted by the State of Victoria and applicable to the general government sector under 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.

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

The accrual basis of accounting has been employed in the preparation of the Estimated Financial Statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid. These Estimated Financial Statements are presented in Australian dollars which has also been identified as the functional currency of this sector.

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

This report has been prepared in accordance with the historical cost convention. Plant, equipment, vehicles and certain infrastructure assets held by water and rail entities are valued at historical cost. Exceptions to the historical cost convention include:

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

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

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

### **(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 in the Victorian general government sector and their revenues, gains and expenses for the respective period.

Entities in the public non-financial corporations and public financial corporations sectors are not consolidated because the intent of the Estimated Financial Statements is to convey the estimated financial results, financial position and cash flows of the general government sector alone.



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

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

Details of significant entities consolidated within the sector are shown in Note 19 in these Estimated Financial Statements.

## **(E) Prospective Accounting Changes**

### ***GAAP-GFS Convergence***

The AASB has recently approved a new accounting standard AASB 1049 *Financial Reporting of General Government Sectors by Governments*, which will apply to future financial reports of the Victorian general government sector. The standard, which will be applicable for annual reporting periods beginning on or after 1 July 2008, requires compliance with other Australian accounting standards except as otherwise required by AASB 1049. It also includes additional disclosure requirements. The effect of any changes to recognition or measurement requirements as a result of this new standard is being evaluated.

The AASB is also reviewing the accounting standards specific to government departments (AAS 29) and governments (AAS 31), with the intention of withdrawing and replacing them where required by topic specific financial reporting standards. The final outcome and timing of this project is uncertain.

The AASB also continues to make new and revise existing financial reporting standards, including the July 2004 'stable platform of A-IFRS'. These changes result from both the AASB's own activities and changes made to International Financial Reporting Standards. The impact that may occur as a result of these changes is unknown and is not accounted for in the Estimated Financial Statements.

### ***Service Concessions***

The International Financial Reporting Interpretations Committee (IFRIC) has for several years been reviewing the accounting treatment of service concessions, which may include some concession arrangements that the State has entered into with independent private sector entities. In late 2006, IFRIC 12 *Service Concession Arrangements* was issued. However, IFRIC 12 only applies to the private sector operator and is silent on the accounting to be applied by the public sector grantor of the concession. In February 2007, the AASB approved an Australian equivalent to IFRIC 12 which also only applies to private sector operators, applicable for financial reporting periods commencing 1 July 2008. The AASB intends to consider how public sector grantors should account for service concession arrangements, and has appointed an advisory panel to make recommendations.

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

The impact of any changes that may be required cannot be reliably estimated and is not accounted for in the Estimated Financial Statements.

### *Land Under Roads*

Under AASB 1045 *Land Under Roads: Amendments to AAS 27A (Amendments to the Transitional Provisions in AAS 27)*, AAS 29A (*Amendments to the Transitional Provisions in AAS 29*) and AAS 31A (*Amendments to the Transitional Provisions in AAS 31*) the exemption for not recognising and measuring land under roads has been extended until the first reporting period ending on or after 31 December 2007. Further extensions are not expected. The State is still considering what treatment it will apply after this date. The forecast presumes that the State will continue to not recognise and measure land under roads.

### **(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'. This classification is consistent with that which will be required under AASB 1049 *Financial Reporting of General Government Sectors by Governments*.

A *transaction* is defined under the *Australian System of Government Finance Statistics Cat. No. 5514.0: Concepts, Sources and Methods 2005* published by the Australian Bureau of Statistics (ABS). 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 *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* published by the ABS. 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 remeasurements.

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*

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

The types of taxation revenue raised by the State include:

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

### **Forecast assumption**

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

- application of the Department of Treasury and Finance's economic forecasts, where there is a relationship between taxation revenue and economic variables. This enables an assessment of economic and other factors influencing the tax bases from which taxes are sourced (e.g. for payroll tax, an assessment of the outlook for employment and wages; for motor vehicle taxes, assessment of the outlook for demand for vehicles reflecting various economic influences; for gambling taxes, assessment of the outlook for consumer spending);
- analysis of historical information and relationships using econometric and other statistical methods; and
- consultation with private sector economists, industry associations, and relevant government authorities.

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

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

The government has announced that it is undertaking a licence-awarding process for the next public lotteries licence(s) to apply from 2008. The current estimates are based on existing policy and therefore do not take into account any possible changes to future licensing structures.

### *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.

Under provisions in the *Monetary Units Act 2004*, automatic indexation is applied to fees and fines. An indexation factor of 2.5 per cent has been applied for the forecast period.

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

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

### **Forecast assumption**

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

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

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

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

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

### *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 recognised income and expense.

#### **Forecast assumption**

Forecast interest revenue arises from budget cash surpluses that 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. Income is recognised when the State obtains control over these funds.

#### **Forecast assumption**

The forecast receipt of financial assistance from the Commonwealth is determined on the latest available 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. The share of Victoria's GST for 2007-08 is based on Victoria's assessed relativity for that year published by the Commonwealth Grants Commission and the Commonwealth Government's population projections. The Commonwealth Grants Commission calculates an assessed relativity as the average of the past five annual per capita relativities. The Victorian Government forecasts future assessed relativities out to 2010-11 using a straight line projection of annual per capita relativities to their current five year average (which equals the 2007-08 assessed relativity). The forecast GST share is based on these projected assessed relativities and the Commonwealth Government's population projections.

### *Sale of goods and services*

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

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

#### **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 assets and is recognised when the entity gains control of the assets or the right to receive the assets.

### **(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 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:

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

### **Forecast assumptions**

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

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

## *Depreciation*

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

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

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

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

### **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 discounts 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.

### *Grants and transfer payments*

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

## **Forecast assumption**

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

### *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.

### *Net Gain/(Loss) from disposal of physical assets*

Any gain or loss on disposal of physical assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.



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

Actuarial gains or losses are a result of the change in deferred benefit obligation arising from differences between assumptions used to calculate the estimated obligation (and resultant superannuation service cost) and what has actually occurred. The effect of any change in actuarial assumptions is also included. Actuarial gains or losses are recognised in the 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 expected date of disposal and are determined after deducting from the proceeds the carrying value of the asset at that time.

## **(J) Assets**

### **Forecast assumption**

The 1 July 2007 opening balances of assets represent the audited carrying value as at 30 June 2006, revised for estimated movements for 2006-07.

### *Cash and cash equivalents*

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 and cash equivalent 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 extending beyond that period.

### **Forecast assumption**

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

### *Receivables*

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

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

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

### **Forecast assumption**

Receivables are forecast on the basis of revenue activity levels.

### *Investments and 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.

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

### **Forecast assumption**

All surplus cash resources for the period 2007-08 to 2010-11 are assumed to be held as financial assets (investments) pending repayment of debt when appropriate.

### *Inventories*

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

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

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

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

### **Forecast assumption**

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

### *Non-current assets classified as held for sale*

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

#### **Forecast assumption**

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

### *Property, plant and equipment*

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

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

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

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

Plant, equipment, vehicles, 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.

## *Biological Assets*

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

### **Forecast assumption**

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

## *Land under roads*

### **Forecast assumption**

An exemption until the first reporting period ending on or after 31 December 2007 from the requirement to recognise land under roads is provided to governments by the revised AASB 1045 *Land Under Roads*. No authoritative guidance exists on the recognition and measurement of land under roads. As permitted by AASB 1045 and its predecessor standards, the State has adopted an accounting policy to not recognise land under roads. When the relief under AASB 1045 expires, land under roads is only required to be recognised if its fair value can be measured reliably. The AASB has noted that such a criterion would often not be met, and that in such cases land under roads would not be required to be recognised. The State is considering whether to change its policy after the relief expires and has not yet reached a conclusion. 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 is EastLink which will be funded by user pay tolls.

A final decision on whether an infrastructure project is to proceed with a *Partnerships Victoria* delivery approach 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 applicable budgeted asset investment, depreciation and financing flows to ensure appropriate disclosure.

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

## *Leases*

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

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

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

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

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

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

### **Forecast assumption**

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

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

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

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

### *Investments in associated entities and joint ventures*

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

Investments in associates are accounted for in the Estimated Financial Statements using the equity method. Under this method, the State's share of the post-acquisition profits or losses of associates is recognised in the consolidated operating statement and its share of

post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

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

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

Interests in jointly controlled entities are accounted for in the Estimated Financial Statements using the equity method, as applied to investments in associates.

### **Forecast assumption**

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

### *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.

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

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

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

### **Forecast assumption**

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

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

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

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

### *Revaluations*

Assets, other than those that are carried at cost, are revalued in accordance with FRD 103B. This revaluation process normally occurs every five years, based on the asset's General Purpose Classification. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

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

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

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

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

## **(K) Liabilities**

### *Payables*

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

### **Forecast assumption**

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

### *Interest bearing liabilities*

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

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

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

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

### **Forecast assumption**

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

### *Employee benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service 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 are measured based on their expected settlement. Provisions which are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions which are not expected to be settled within 12 months are



measured as the present value of the estimated future cash outflows to be made by the State in respect of services provided by employees up to reporting date.

Regardless of the expected timing of settlement, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer the settlement of liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability. The non-current liability includes long service leave entitlements accrued for employees with less than seven years of continuous service. Refer to Note 16 for more details.

### **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, and is measured as the difference between the estimated present value of accrued liabilities at the reporting date and the estimated net market value of the superannuation scheme's assets at that date. The present value of accrued liabilities is based on expected future payments which arise from membership of the schemes to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using rates on long term Commonwealth Bonds.

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

### **Forecast assumptions**

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

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

## Superannuation assumptions

<i>Victorian statutory superannuation schemes</i>	<i>Assumptions</i>	<i>Per cent</i>
<i>Emergency Services Superannuation Scheme (incorporating the former State Superannuation Fund)</i>	<i>Expected return on assets <sup>(a)</sup></i>	<i>8.00</i>
	<i>Discount rate <sup>(b)</sup></i>	<i>5.95</i>
	<i>Wages growth <sup>(c)</sup></i>	<i>4.00</i>
	<i>Inflation rate</i>	<i>2.50</i>
<i>Constitutionally Protected Schemes</i>	<i>Discount rate <sup>(b)</sup></i>	<i>5.95</i>
	<i>Wages growth</i>	<i>4.00</i>
	<i>Inflation rate <sup>(e)</sup></i>	<i>4.00</i>
<i>Parliamentary Contributory Superannuation Fund</i>	<i>Expected return on assets <sup>(a)</sup></i>	<i>8.00</i>
	<i>Discount rate <sup>(b)</sup></i>	<i>5.95</i>
	<i>Wages growth <sup>(d)</sup></i>	<i>4.00</i>
	<i>Inflation rate</i>	<i>4.00</i>
<i>HealthSuper Fund - Defined Benefit Scheme</i>	<i>Expected return on assets <sup>(a)</sup></i>	<i>6.00</i>
	<i>Discount rate <sup>(b)</sup></i>	<i>5.95</i>
	<i>Wages growth <sup>(c)</sup></i>	<i>4.00</i>
	<i>Inflation rate</i>	<i>2.50</i>

### *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 fixed interest Commonwealth Government bond rate. The rate stated above is an annual effective rate, gross of tax.*
- (c) *Wages growth are actuarial assumptions and do not reflect the Government's wages policy.*
- (d) *Parliamentary salaries are determined by reference to equivalent salaries in the Commonwealth Parliament.*
- (e) *Inflation for pensioners is forecast to be 11 per cent for 2006-07 based on an agreement to bring salaries in line with Federal Court judges. For 2008-09 onwards inflation for pensioners is forecast to be 4 per cent.*

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

<i>Asset class</i>	<i>Per cent</i>
<i>Domestic equity</i>	<i>35.8</i>
<i>International equity</i>	<i>26.7</i>
<i>Domestic debt assets</i>	<i>13.3</i>
<i>International debt assets</i>	<i>3.6</i>
<i>Property</i>	<i>6.4</i>
<i>Cash</i>	<i>7.9</i>
<i>Other (inc. private equity, hedge funds and infrastructure)</i>	<i>6.3</i>
<b>Total</b>	<b>100.0</b>

### *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-free discount rate.

## **Forecast assumption**

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

### *Other liabilities*

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

## **Forecast assumption**

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

### **(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 infrastructure. During the concession period, the operator has the right to obtain revenue from services that utilise the infrastructure and has the obligation to supply agreed upon services including maintenance of the asset. At the end of the concession period the land and state works, together with the constructed facilities will be returned to the State. In the literature these are sometimes referred to as Build, Own, Operate, and 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 applicable accounting guidance on the recognition and measurement of the right of the State to receive assets from such concession arrangements.

In February 2007, the AASB approved an accounting interpretation on service concession arrangements. This Interpretation applies only to private sector operators, and is applicable for financial reporting periods commencing 1 July 2008.

The AASB intends to consider how public sector grantors should account for service concession arrangements, and has appointed an advisory panel to make recommendations.

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

The impact that may occur as a result of possible changes to the accounting by the State cannot be reliably estimated and is not accounted for in the Estimated Financial Statements.

**(M) Accounting for the goods and services tax (GST)**

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

**(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 these Estimated Financial Statements may not add due to rounding.

## Note 2: Taxation

(\$ million)

	2007-08 <i>Budget</i>	2008-09 <i>Estimate</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>
<b>Payroll tax</b>	<b>3 601.8</b>	<b>3 766.5</b>	<b>3 975.5</b>	<b>4 195.8</b>
<b>Taxes on immovable property</b>				
Land tax	765.4	796.9	780.7	769.2
Congestion levy	38.7	40.6	41.5	42.5
Metropolitan improvement levy	100.6	104.0	107.5	107.5
Property owner contributions to fire brigades	41.1	42.3	43.4	44.5
<b>Total taxes on immovable property</b>	<b>945.8</b>	<b>983.8</b>	<b>973.1</b>	<b>963.6</b>
<b>Financial and capital transactions</b>				
Land transfer duty	2 854.3	2 857.9	2 834.0	2 901.3
Other property duties	9.8	10.2	10.9	11.7
Financial accommodation levy	20.6	24.5	28.9	32.8
<b>Total financial and capital transactions</b>	<b>2 884.7</b>	<b>2 892.6</b>	<b>2 873.8</b>	<b>2 945.8</b>
<b>Levies on statutory corporations</b>	<b>61.6</b>	<b>73.7</b>	<b>73.7</b>	<b>73.7</b>
<b>Gambling taxes</b>				
Private lotteries	322.3	329.4	336.6	344.0
Electronic gaming machines	941.4	990.8	1 043.0	1 097.5
Casino	130.8	141.8	154.0	168.3
Racing	129.4	133.6	138.0	142.5
Other	5.9	6.3	6.6	7.0
<b>Total gambling taxes</b>	<b>1 529.8</b>	<b>1 601.9</b>	<b>1 678.2</b>	<b>1 759.3</b>
<b>Taxes on insurance</b>	<b>1 135.5</b>	<b>1 183.0</b>	<b>1 232.7</b>	<b>1 285.0</b>
<b>Motor vehicle taxes</b>				
Vehicle registration fees	779.1	819.0	861.5	906.4
Duty on vehicle registrations and transfers	559.3	584.7	612.2	640.7
<b>Total motor vehicle taxes</b>	<b>1 338.4</b>	<b>1 403.7</b>	<b>1 473.7</b>	<b>1 547.1</b>
<b>Other taxes</b>	<b>91.4</b>	<b>92.8</b>	<b>86.8</b>	<b>86.2</b>
<b>Total taxation</b>	<b>11 589.0</b>	<b>11 997.9</b>	<b>12 367.6</b>	<b>12 856.4</b>

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

(\$ million)

	2007-08 <i>Budget</i>	2008-09 <i>Estimate</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>
Dividends	683.2	386.0	456.2	460.7
Income tax equivalent and rate equivalent revenue	222.2	264.7	292.2	304.3
<b>Total dividends and income tax equivalent and rate equivalent revenue</b>	<b>905.4</b>	<b>650.8</b>	<b>748.4</b>	<b>765.0</b>

## Note 4: Grants

(\$ million)

	2007-08	2008-09	2009-10	2010-11
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>Operating grants</b>				
General purpose grants	9 124.8	9 816.2	10 271.6	10 768.1
Specific purpose grants for on-passing	1 808.6	1 878.0	1 947.4	2 020.2
Other specific purpose grants	4 430.1	4 510.0	4 671.1	4 857.1
<b>Total operating grants</b>	<b>15 363.5</b>	<b>16 204.2</b>	<b>16 890.2</b>	<b>17 645.4</b>
<b>Capital grants</b>				
Specific purpose grants for on-passing	141.4	145.5	149.0	152.8
Other specific purpose grants	653.8	507.1	446.8	418.7
<b>Total capital grants</b>	<b>795.2</b>	<b>652.6</b>	<b>595.8</b>	<b>571.6</b>
<b>Total grants</b>	<b>16 158.7</b>	<b>16 856.8</b>	<b>17 485.9</b>	<b>18 217.0</b>

## Note 5: Other income from transactions

(\$ million)

	2007-08	2008-09	2009-10	2010-11
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Inter-sector capital asset charge	893.8	950.1	989.1	1 004.2
Royalties	41.4	42.0	42.5	42.5
Rents	15.4	15.5	15.6	15.6
Donations and gifts	151.4	158.0	163.4	166.9
Other non-property rental	0.2	0.2	0.2	0.2
Other miscellaneous income	725.5	707.6	684.6	686.6
<b>Total other income from transactions</b>	<b>1 827.6</b>	<b>1 873.2</b>	<b>1 895.3</b>	<b>1 916.0</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)			
	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Defined benefit plans</b>				
Current service cost <sup>(a)</sup>	615.5	624.6	628.8	623.0
Interest cost <sup>(a)</sup>	1 739.1	1 771.5	1 799.9	1 823.6
Expected return on plan assets (net of expenses) <sup>(a)</sup>	(1 397.0)	(1 434.7)	(1 473.9)	(1 513.8)
Amortisation of past service cost <sup>(a) (c)</sup>	( 14.5)	( 14.5)	( 10.2)	..
Actuarial (gains)/losses <sup>(b)</sup>	..	..	..	..
<b>Total expense recognised in respect of defined benefit plans</b>	<b>943.1</b>	<b>946.8</b>	<b>944.5</b>	<b>932.8</b>
<b>Defined contribution plans</b>				
Employer contributions to defined contribution plans <sup>(a)</sup>	635.2	665.1	705.1	751.6
Other (including pensions) <sup>(a)</sup>	44.6	46.8	49.1	51.6
<b>Total expense recognised in respect of defined contribution plans</b>	<b>679.8</b>	<b>711.9</b>	<b>754.3</b>	<b>803.2</b>
<b>Total superannuation expense recognised in operating statement</b>	<b>1 622.8</b>	<b>1 658.7</b>	<b>1 698.8</b>	<b>1 736.0</b>

Notes:

(a) Superannuation expense from transactions.

(b) Superannuation expense from other economic flows.

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

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

	(\$ million)			
	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Opening balance of defined benefit obligation</b>	<b>30 513.1</b>	<b>31 109.1</b>	<b>31 651.6</b>	<b>32 108.2</b>
Current service cost	615.5	624.6	628.8	623.0
Interest cost	1 739.1	1 771.5	1 799.9	1 823.6
Contributions by plan participants	216.2	207.9	199.2	190.1
Actuarial (gains)/losses	..	..	..	..
Benefits paid	(1 974.7)	(2 061.4)	(2 171.3)	(2 266.1)
<b>Closing balance of defined benefit obligation</b>	<b>31 109.1</b>	<b>31 651.6</b>	<b>32 108.2</b>	<b>32 478.9</b>

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

(\$ million)

	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Opening balance of plan assets</b>	<b>18 653.0</b>	<b>19 171.6</b>	<b>19 700.9</b>	<b>20 256.1</b>
Expected return on plan assets	1 397.0	1 434.7	1 473.9	1 513.8
Employer contributions	880.2	948.1	1 053.3	1 109.7
Contributions by plan participants	216.2	207.9	199.2	190.1
Benefits paid (including tax paid)	(1 974.7)	(2 061.4)	(2 171.3)	(2 266.1)
<b>Closing balance of plan assets</b>	<b>19 171.6</b>	<b>19 700.9</b>	<b>20 256.1</b>	<b>20 803.7</b>

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

(\$ million)

	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>ESSS (including SSF)</b>				
Defined benefit obligation	28 654.3	29 102.3	29 451.7	29 723.8
Tax liability <sup>(a)</sup>	726.2	791.3	871.5	960.4
Plan assets	(17 783.5)	(18 282.5)	(18 810.8)	(19 346.4)
Unrecognised past service cost <sup>(b)</sup>	24.7	10.2	..	..
<b>Net liability/(asset)</b>	<b>11 621.8</b>	<b>11 621.3</b>	<b>11 512.3</b>	<b>11 337.8</b>
<b>Other funds <sup>(c)</sup></b>				
Defined benefit obligation	1 723.8	1 756.0	1 785.6	1 797.6
Tax liability <sup>(a)</sup>	4.7	2.1	(0.6)	(2.9)
Plan assets	(1 388.1)	(1 418.4)	(1 445.3)	(1 457.3)
<b>Net liability/(asset)</b>	<b>340.5</b>	<b>339.6</b>	<b>339.7</b>	<b>337.3</b>
<b>Total unfunded superannuation</b>				
Defined benefit obligation	30 378.2	30 858.3	31 237.3	31 521.4
Tax liability	731.0	793.4	871.0	957.5
Plan assets	(19 171.6)	(19 700.9)	(20 256.1)	(20 803.7)
Unrecognised past service cost	24.7	10.2	..	..
<b>Unfunded superannuation liability</b>	<b>11 962.2</b>	<b>11 960.9</b>	<b>11 852.1</b>	<b>11 675.2</b>
<b>Represented by:</b>				
Current liability	417.1	535.1	609.8	625.0
Non-current liability	11 545.1	11 425.8	11 242.3	11 050.2

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) Past service cost arises due to a change in benefits payable. This cost is recognised as an expense over the period until the benefits become vested. Unrecognised past service cost represents the amount of past service cost yet to be recognised in the operating statement.
- (c) Other funds include constitutionally protected schemes, the Parliamentary Contributory Superannuation Fund and the State's share of liabilities of the defined benefit scheme of the Health Super Fund.



## Note 7: Depreciation and amortisation

(\$ million)

	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Depreciation</b>				
Buildings <sup>(a)</sup>	402.6	423.4	462.4	502.4
Plant, equipment and infrastructure systems	609.2	634.8	656.5	659.5
Road networks	339.8	356.0	372.3	477.2
Other assets	35.0	35.2	35.7	36.0
<b>Total depreciation</b>	<b>1 386.7</b>	<b>1 449.4</b>	<b>1 526.9</b>	<b>1 675.1</b>
<b>Amortisation</b>				
Leased plant and equipment	8.5	8.4	8.5	8.5
Leasehold buildings	52.1	56.0	60.8	60.8
Intangible produced assets	22.9	23.3	27.5	29.5
<b>Total amortisation</b>	<b>83.4</b>	<b>87.7</b>	<b>96.8</b>	<b>98.8</b>
<b>Total depreciation and amortisation <sup>(b)</sup></b>	<b>1 470.1</b>	<b>1 537.2</b>	<b>1 623.7</b>	<b>1 773.9</b>

Notes:

- (a) Includes estimated depreciation on amounts not yet allocated to projects in 2008-09 to 2010-11.  
(b) Amortisation of intangible non-produced assets is included under other economic flows.

## Note 8: Finance costs

(\$ million)

	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
Interest on long-term interest-bearing liabilities	325.8	414.3	526.4	591.1
Interest on short-term interest-bearing liabilities	36.3	36.9	36.9	36.9
Finance charges on finance leases	65.8	65.2	63.9	63.5
Discount interest on payables	30.8	41.1	47.2	47.2
Fees and other finance costs	27.5	29.2	30.8	30.7
<b>Total finance costs</b>	<b>486.3</b>	<b>586.7</b>	<b>705.2</b>	<b>769.3</b>

## Note 9: Grants and transfer payments

(\$ million)

	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
Commonwealth Government	67.2	69.2	71.2	67.4
Local Government	574.1	553.9	571.0	585.0
Private sector	3 765.3	3 743.0	3 674.6	3 730.5
Grants within the Victorian Government	2 109.4	1 909.0	1 901.6	1 936.7
Grants to other state governments	4.2	4.2	4.2	4.2
<b>Total grants and transfer payments</b>	<b>6 520.3</b>	<b>6 279.3</b>	<b>6 222.5</b>	<b>6 323.8</b>

## Note 10: Total expenses from transactions by department

(\$ million)

	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Expenses from transactions</b>				
Parliament	126.9	121.9	123.2	125.4
Education	8 073.5	8 268.0	8 494.5	8 753.4
Human Services	13 030.0	13 392.9	13 773.6	14 089.3
Infrastructure	4 139.9	4 113.1	4 203.9	4 446.5
Innovation, Industry and Regional Development	2 205.7	2 108.0	2 173.8	2 109.9
Justice	3 191.1	3 227.8	3 290.4	3 408.5
Premier and Cabinet	544.0	585.7	547.8	551.6
Primary Industries	513.9	398.3	377.9	368.9
Sustainability and Environment	1 219.3	1 219.6	1 187.0	1 170.0
Treasury and Finance	1 809.3	1 919.5	1 955.4	2 005.0
Victorian Communities	823.5	821.2	802.8	809.2
Contingencies not allocated to departments <sup>(a)</sup>	222.0	849.1	1 154.5	1 499.4
Regulatory bodies and other part budget funded agencies <sup>(b)</sup>	1 144.6	1 177.8	1 186.7	1 191.8
<b>Total</b>	<b>37 043.9</b>	<b>38 203.0</b>	<b>39 271.3</b>	<b>40 528.8</b>
Less eliminations <sup>(c)</sup>	(3 099.0)	(3 216.7)	(3 280.2)	(3 299.7)
<b>Total expenses from transactions</b>	<b>33 944.9</b>	<b>34 986.3</b>	<b>35 991.1</b>	<b>37 229.2</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 2007-08 which may be subject to carryover into 2008-09. 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) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers.

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

(\$ million)

	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
Net gain/(loss) from revaluation of biological assets	8.4	8.4	8.4	8.4
Net (increase)/decrease in provision for doubtful receivables	(49.1)	(44.1)	(44.1)	(44.1)
Amortisation of intangible non-produced assets	..	..	..	..
Other gains/(losses)	0.1	0.1	0.1	0.1
<b>Total other gains/(losses) from other economic flows</b>	<b>(40.6)</b>	<b>(35.6)</b>	<b>(35.6)</b>	<b>(35.6)</b>

## Note 12: Property, plant and equipment

### (a) Total property, plant and equipment

(\$ million)

	2008 Budget	2009 Estimate	2010 Estimate	2011 Estimate
Buildings (written down value)	16 143.2	18 224.8	19 916.1	21 551.5
Land and national parks	20 989.7	22 731.3	24 680.1	26 628.2
Infrastructure systems (written down value)	862.7	1 035.8	1 075.2	1 066.7
Plant, equipment and vehicles (written down value)	2 198.6	2 016.8	1 806.4	1 532.1
Roads (written down value) <sup>(a)</sup>	15 237.4	15 992.1	18 860.4	19 200.6
Earthworks	4 582.7	4 661.0	5 941.5	6 019.8
Cultural assets (written down value)	3 650.9	3 747.1	3 847.3	3 947.5
<b>Total property, plant and equipment</b>	<b>63 665.3</b>	<b>68 409.0</b>	<b>76 127.1</b>	<b>79 946.4</b>

Note:

(a) The increase in 2010 is due to the five-yearly revaluation required under FRD 103B.

### (b) Land and buildings

(\$ million)

	2008 Budget	2009 Estimate	2010 Estimate	2011 Estimate
Buildings <sup>(a)</sup>	18 130.9	20 695.7	22 910.9	25 108.6
Accumulated depreciation	(1 987.7)	(2 470.9)	(2 994.8)	(3 557.1)
<b>Buildings (written down value)</b>	<b>16 143.2</b>	<b>18 224.8</b>	<b>19 916.1</b>	<b>21 551.5</b>
Land	18 997.3	20 738.6	22 687.1	24 634.8
National Parks and other 'land only' holdings	1 992.3	1 992.7	1 993.0	1 993.4
<b>Land and national parks</b>	<b>20 989.7</b>	<b>22 731.3</b>	<b>24 680.1</b>	<b>26 628.2</b>
<b>Total land and buildings</b>	<b>37 132.8</b>	<b>40 956.1</b>	<b>44 596.3</b>	<b>48 179.7</b>

Note:

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

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

(\$ million)

	2008 Budget	2009 Estimate	2010 Estimate	2011 Estimate
Infrastructure systems	918.9	1 124.2	1 195.7	1 217.4
Accumulated depreciation and amortisation	( 56.2)	( 88.4)	( 120.5)	( 150.7)
<b>Infrastructure systems (written down value)</b>	<b>862.7</b>	<b>1 035.8</b>	<b>1 075.2</b>	<b>1 066.7</b>
Plant, equipment and vehicles	5 553.3	5 924.5	6 289.4	6 592.8
Accumulated depreciation	(3 531.7)	(4 081.5)	(4 653.6)	(5 228.0)
Leased plant, equipment and vehicles	343.9	343.9	343.8	343.8
Accumulated amortisation	( 166.8)	( 170.0)	( 173.3)	( 176.5)
<b>Plant, equipment and vehicles (written down value)</b>	<b>2 198.6</b>	<b>2 016.8</b>	<b>1 806.4</b>	<b>1 532.1</b>
<b>Total plant, equipment and infrastructure systems</b>	<b>3 061.3</b>	<b>3 052.6</b>	<b>2 881.6</b>	<b>2 598.8</b>

## (d) Road networks and earthworks

(\$ million)

	2008	2009	2010	2011
	Budget	Estimate	Estimate	Estimate
Roads <sup>(a)</sup>	17 390.2	18 073.9	22 638.6	22 884.7
Accumulated depreciation	(6 557.9)	(6 831.7)	(8 865.8)	(9 227.3)
Road infrastructure	6 487.5	6 914.5	7 873.7	8 445.0
Accumulated depreciation	(2 082.4)	(2 164.6)	(2 786.0)	(2 901.8)
<b>Roads (written down value)</b>	<b>15 237.4</b>	<b>15 992.1</b>	<b>18 860.4</b>	<b>19 200.6</b>
Earthworks	4 582.7	4 661.0	5 941.5	6 019.8
<b>Total road networks and earthworks</b>	<b>19 820.2</b>	<b>20 653.2</b>	<b>24 802.0</b>	<b>25 220.4</b>

Note:

(a) The increase in 2010 is due to the five-yearly revaluation required under FRD 103B.

## (e) Cultural assets

(\$ million)

	2008	2009	2010	2011
	Budget	Estimate	Estimate	Estimate
Cultural assets	3 763.9	3 868.0	3 976.2	4 084.4
Accumulated depreciation	( 112.9)	( 120.9)	( 128.9)	( 136.9)
<b>Total cultural assets</b>	<b>3 650.9</b>	<b>3 747.1</b>	<b>3 847.3</b>	<b>3 947.5</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)

	2008	2009	2010	2011
	Budget	Estimate	Estimate	Estimate
Carrying amount at the start of the year <sup>(a)</sup>	59 805.8	63 665.3	68 409.0	76 127.1
Additions <sup>(b)</sup>	2 909.6	3 465.6	2 594.7	2 344.3
Disposals at written down value	( 187.4)	( 149.2)	( 113.8)	( 111.3)
Revaluations <sup>(c)</sup>	2 584.7	2 941.2	6 833.7	3 331.0
Assets reclassified	( 0.2)	( 0.1)	( 0.4)	( 0.3)
Depreciation/amortisation expense	(1 447.2)	(1 513.9)	(1 596.1)	(1 744.4)
<b>Carrying amount at the end of the year</b>	<b>63 665.3</b>	<b>68 409.0</b>	<b>76 127.1</b>	<b>79 946.4</b>

Notes:

(a) Property, plant and equipment comprises land and buildings, infrastructure systems, plant, equipment, vehicles, road networks and cultural assets. Excludes movements in intangibles and other assets in Notes 14 and 15 below.

(b) Includes assets acquired under finance lease arrangements.

(c) The increase in 2010 is due to the five-yearly revaluation required under FRD 103B.

## Note 14: Intangibles

(\$ million)

	2008 Budget	2009 Estimate	2010 Estimate	2011 Estimate
Intangibles produced assets	370.9	393.7	403.1	427.2
<i>Accumulated amortisation</i>	(202.4)	(225.0)	(252.8)	(281.8)
Intangibles non-produced assets	14.4	14.4	14.4	14.4
<i>Accumulated amortisation</i>	(10.1)	(10.1)	(10.1)	(10.1)
<b>Total intangibles</b>	<b>172.8</b>	<b>173.0</b>	<b>154.7</b>	<b>149.7</b>

## Note 15: Other assets

(\$ million)

	2008 Budget	2009 Estimate	2010 Estimate	2011 Estimate
Investment properties	13.4	13.4	13.4	13.4
Biological assets <sup>(a)</sup>	97.8	106.2	114.6	123.0
Other assets	59.7	56.3	56.3	56.3
<b>Total other assets</b>	<b>170.9</b>	<b>175.9</b>	<b>184.3</b>	<b>192.7</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 16: Employee benefits

(\$ million)

	2008 Budget	2009 Estimate	2010 Estimate	2011 Estimate
<b>Current</b>				
Accrued salaries and wages <sup>(a)</sup>	1 022.9	1 055.5	1 088.1	1 120.7
Long service leave	1 703.2	1 710.2	1 717.2	1 724.1
<b>Total current employee benefits</b>	<b>2 726.1</b>	<b>2 765.7</b>	<b>2 805.3</b>	<b>2 844.9</b>
<b>Non-current</b>				
Accrued salaries and wages <sup>(a)</sup>	27.2	27.5	27.8	28.1
Long service leave	966.8	1 054.9	1 144.1	1 233.4
<b>Total non-current employee benefits</b>	<b>994.0</b>	<b>1 082.4</b>	<b>1 171.9</b>	<b>1 261.5</b>
<b>Total employee benefits</b>	<b>3 720.1</b>	<b>3 848.1</b>	<b>3 977.2</b>	<b>4 106.4</b>

Note:

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

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

## Note 17: Cash flow information

### (a) Reconciliation of cash and cash equivalents

(\$ million)

	2008 Budget	2009 Estimate	2010 Estimate	2011 Estimate
Cash	803.3	819.2	835.7	852.1
Deposits at call	710.5	687.5	664.5	641.6
<b>Cash and cash equivalents</b>	<b>1 513.8</b>	<b>1 506.7</b>	<b>1 500.2</b>	<b>1 493.7</b>
Bank overdraft	(3.2)	(3.2)	(3.2)	(3.2)
<b>Balances as per cash flow statement</b>	<b>1 510.6</b>	<b>1 503.5</b>	<b>1 497.0</b>	<b>1 490.4</b>

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

(\$ million)

	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Net result</b>	<b>303.3</b>	<b>406.6</b>	<b>362.3</b>	<b>419.9</b>
<b>Non-cash movements</b>				
Depreciation and amortisation	1 470.1	1 537.2	1 623.7	1 773.9
Revaluation of investments	(4.1)	(4.2)	(4.4)	(4.5)
Assets (received)/provided free of charge	..	(145.5)	..	..
Revaluation of assets	(8.4)	(8.4)	(8.4)	(8.4)
Discount/premium on other financial assets/interest-bearing liabilities	6.8	7.5	7.9	7.7
<b>Movements included in investing and financing activities</b>				
Net gain from disposal of property, plant and equipment	(15.5)	(3.7)	(3.7)	(4.2)
<b>Movements in assets and liabilities</b>				
Increase/(decrease) in provision for doubtful debts	49.0	43.9	43.9	43.9
Increase/(decrease) in payables	38.2	20.3	(6.6)	(6.8)
Increase/(decrease) in employee benefits	130.1	128.0	129.0	129.2
Increase/(decrease) in superannuation	62.9	(1.3)	(108.8)	(176.9)
Increase/(decrease) in other provisions	(20.1)	(11.5)	(11.5)	(11.5)
Increase/(decrease) in other liabilities	109.0	54.0	30.3	30.3
(Increase)/decrease in receivables	(86.6)	(236.5)	(243.5)	(147.8)
(Increase)/decrease in other assets	46.5	2.7	(0.8)	(0.8)
<b>Net cash flows from operating activities</b>	<b>2 081.4</b>	<b>1 789.0</b>	<b>1 809.6</b>	<b>2 044.2</b>

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

(\$ million)

	2007-08	2008-09	2009-10	2010-11
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Parliament	24.0	2.7	2.7	2.7
Education	633.1	420.3	185.3	169.4
Human Services	767.7	849.7	494.7	261.8
Infrastructure	983.0	849.8	703.4	566.7
Innovation, Industry and Regional Development	114.0	111.2	102.1	78.1
Justice	177.2	178.1	180.4	120.3
Premier and Cabinet	96.0	5.8	12.3	12.3
Primary Industries	19.5	57.0	95.9	36.7
Sustainability and Environment	122.1	105.0	51.0	24.8
Treasury and Finance <sup>(a)</sup>	66.3	47.5	66.4	143.6
Victorian Communities	2.8	3.2	3.4	2.8
Regulatory bodies and other part budget funded agencies	102.2	110.5	101.7	84.3
Not allocated to departments <sup>(b)</sup>	( 182.1)	337.0	605.8	866.5
<b>Total purchase of property, plant and equipment</b>	<b>2 925.6</b>	<b>3 077.8</b>	<b>2 604.9</b>	<b>2 369.9</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. This includes an allowance for departmental underspending in 2007-08 which may be subject to carryover in 2008-09.

## **Note 19: Controlled entities**

The following is a list of general government sector entities which have been consolidated for the purposes of the Estimated Financial Statements. For further details on consolidation policy, refer to Note 1 (D) 'Basis of consolidation' in the statement of significant accounting policies and forecast assumptions.

---

### **General government sector entities**

---

#### **Department of Education (formerly Department of Education and Training)**

---

Victorian Curriculum and Assessment Authority  
Victorian Institute of Teaching  
Victorian Qualifications Authority

---

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

---

Health Purchasing Victoria  
Hospitals, Health and Ambulance Services including:  
Alexandra District Ambulance Service  
Alexandra District Hospital  
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

---



---

**General government sector entities (continued)**

---

Latrobe Regional Hospital  
Lorne Community Hospital  
Maldon Hospital  
Mallee Track Health and Community Services  
Manangatang and District Hospital  
Mansfield District Hospital  
Maryborough District Health Service  
McIvor Health and Community Services  
Melbourne Health  
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  
Western Health  
Wimmera Health Care Group  
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

---

**General government sector entities (continued)**

---

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

---

**Department of Infrastructure**

---

Roads Corporation

Southern and Eastern Integrated Transport Authority

Southern Cross Station Authority

---

**Department of Innovation Industry and Regional Development**

---

Film Victoria

Prince Henry's Institute of Medical Research

Regional Development Victoria

TAFE's 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

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

Tourism Victoria

Victorian Learning and Employment Skills Commission

---

**Department of Justice**

---

Country Fire Authority

Emergency Services Telecommunications Authority

---

---

**General government sector entities (continued)**

---

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

---

**Department of Premier and Cabinet**

---

Australian Centre for the Moving Image  
Library Board of Victoria  
Melbourne Recital Centre  
Museums Board of Victoria  
National Gallery of Victoria, Council of Trustees  
Office of the Ombudsman  
State Services Authority

---

**Department of Primary Industries**

---

Energy Safe Victoria  
Veterinary Practitioners Registration Board of Victoria

---

**Department of Sustainability and Environment**

---

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  
Growth Areas Authority  
Heritage Council  
Office of the Commissioner for Environmental Sustainability  
Parks Victoria  
Plumbing Industry Commission

---

---

**General government sector entities (continued)**

---

Royal Botanic Gardens Board  
Surveyors Registration Board of Victoria  
Sustainability Victoria  
Trust for Nature (Victoria)

---

**Department of Treasury and Finance**

---

Domestic (HH) Indemnity Fund and Housing Guarantee Claims  
Essential Services Commission  
Victorian Competition and Efficiency Commission

---

**Department for Victorian Communities**

---

2007 World Swimming Championships Corporation  
Adult Community and Further Education Board  
Adult Multicultural Education Services  
Centre for Adult Education  
Shrine of Remembrance Trustees  
Victorian Institute of Sport Limited  
Victorian Institute of Sport Trust  
Victorian Veterans Council

---

**Parliament of Victoria**

---

Victorian Auditor-General's Office

---

## CHAPTER 2 – DEPARTMENTAL FINANCIAL STATEMENTS

---

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

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

The financial statements are presented in the format consistent with 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.

Adjustments for machinery of government changes since the 2006-07 Budget and those announced after the 2006 State election are reflected in the '2006-07 Adjusted' and '2006-07 Revised' estimates for the period 1 July 2006 to 30 June 2007. The 2007-08 Budget also takes into account the impact of machinery of government changes.

Machinery of government changes since the 2006-07 Budget include the transfer of responsibility for the Commonwealth Games Village from the Department for Victorian Communities and the Department of Sustainability and Environment to the Department of Infrastructure and the transfer of responsibility for disability services from the Department of Human Services to the Department for Victorian Communities.

Machinery of government changes announced after the 2006 State election transferred responsibility for the Adult, Community and Further Education (ACFE) and the Training and Further Education (TAFE) sectors out of the former Department of Education and Training to the Department for Victorian Communities and the Department of Innovation, Industry and Regional Development respectively. As a consequence, the former Department of Education and Training is now the Department of Education.

Other machinery of government changes announced after the 2006 State election are summarised below:

- the Department of Treasury and Finance, Department of Innovation, Industry and Regional Development and Department for Victorian Communities have assumed responsibility for eGovernment and ICT Policy and Programs from the Department of Infrastructure;
- the Department of Primary Industries has assumed responsibility for all Energy Policy Services functions from the Department of Infrastructure;

- the Department of Innovation, Industry and Regional Development has assumed responsibilities for Film Victoria and Major Events from the Department of Premier and Cabinet;
- the Department of Justice has assumed responsibility for Registry of Births, Deaths and Marriages from the Department for Victorian Communities;
- the Department of Primary Industries has assumed responsibility for Energy technology and innovation strategy from the Department of Innovation, Industry and Regional Development;
- The Department of Treasury and Finance has assumed responsibility for Office of the Shared Services Centre from the Department of Infrastructure;
- the Department of Premier and Cabinet has assumed responsibility for Public Records Office Victoria from the Department for Victorian Communities; and
- the Department of Treasury and Finance and Department for Victorian Communities have assumed responsibility for the Office of the Chief Information Officer (OCIO).

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 changes in equity – adds together the net result from the operating statement and items deferred in equity such as the revaluation of property, plant and equipment to present total income and expense; and
- administered items statement – provides details of the Department's administered revenue and expenses, and its administered assets and liabilities.

## DEPARTMENT OF EDUCATION

### Operating performance

The Department of Education (DOE) is projecting an operating surplus of \$159 million for 2007-08. This is primarily generated in the school sector, where there has been an increase in third party revenue.

The operating statement shows a decrease in total operating income of \$625 million (8.5 per cent) between the 2006-07 Revised Budget and the 2007-08 Budget. This is primarily a result of the machinery of government changes which have resulted in the TAFE and ACFE sectors being transferred to the Department of Innovation, Industry and Regional Development and the Department for Victorian Communities respectively.

However, excluding the TAFE and ACFE transfers, revenue increases as a result of:

- funding for new initiatives announced in the 2007-08 Budget, including 300 Teacher Assistants and the flow-through effect of initiatives approved in previous budgets (which will have a further impact in 2007-08), including Services to Students with Disabilities; and
- general inflation-related indexation.

Total operating expenses for the Department in 2007-08 are budgeted to decrease by \$609 million (8.5 per cent) between the 2006-07 Revised Budget and the 2007-08 Budget as a result of the transfer of the TAFE and ACFE sectors.

### Investing and financing

Cash flows from investing activities include payments for property plant and equipment of \$633 million, reflecting the continued asset investment in schools through initiatives funded under *The Victorian Schools Plan* including Ultranet; School Modernisation, and New Schools.

### Balance sheet performance

The Department's net asset position is expected to increase by \$423 million between the 2006-07 Revised Budget and the 2007-08 Budget. This reflects a projected increase in total assets of \$440 million (4.1 per cent) and an increase in total liabilities of \$16 million (1.3 per cent) over the same period.

The expected increase in total assets is mainly attributable to an increase in non-current assets of \$339 million (3.6 per cent) from the 2006-07 Revised Budget to the 2007-08 Budget. This movement is primarily as a result of increased capital investment in schools to improve and add to the education infrastructure base as announced in the 2007-08 Budget with depreciation taken into account.

### 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 \$20 million from the 2006-07 Revised Budget to the 2007-08 Budget, largely due to increased Commonwealth funding to support non-government schools.

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



**Table 2.1.1: Operating statement**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
<b>Income</b>					
Output appropriations	6 600.3	6 969.2	6 484.3	6 448.7	6 213.3
Special appropriations	0.3	0.3	0.3	0.3	0.3
Resources received free of charge or for nominal consideration	4.0	0.7	0.7	..	..
Sale of goods and services	558.2	615.7	386.4	392.4	163.7
Commonwealth grants	302.4	278.8	133.2	152.2	6.6
Revenue from other parties and other income	321.5	332.9	310.9	322.4	307.6
	<b>7 786.7</b>	<b>8 197.6</b>	<b>7 315.9</b>	<b>7 315.9</b>	<b>6 691.4</b>
<b>Expenses</b>					
Employee benefits	4 468.0	4 691.8	4 271.5	4 301.5	4 044.6
Depreciation and amortisation	316.6	317.3	280.6	290.3	277.9
Grants and other payments	661.4	708.9	647.1	628.4	598.9
Capital asset charge	799.4	843.4	762.0	762.0	727.3
Supplies and services	1 355.0	1 500.4	1 233.6	1 157.7	883.0
Finance costs	1.2	1.0	0.8	0.8	0.5
Other expenses	1.2	..	..	..	..
	<b>7 602.9</b>	<b>8 062.8</b>	<b>7 195.5</b>	<b>7 140.6</b>	<b>6 532.1</b>
<b>Net result for the reporting period</b>	<b>183.8</b>	<b>134.8</b>	<b>120.3</b>	<b>175.3</b>	<b>159.3</b>

Source: Departments of Education and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.1.2: Statement of cash flows**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	6 803.3	7 166.1	6 534.2	6 512.8	6 158.3
Receipts from other entities	506.6	612.8	422.8	383.3	118.9
Payments for supplies, grants and employees	(6 411.4)	(6 845.4)	(6 294.3)	(6 229.7)	(5 509.3)
	<b>898.4</b>	<b>933.5</b>	<b>662.6</b>	<b>666.4</b>	<b>767.9</b>
Interest received	47.8	38.5	32.8	32.8	27.6
Finance costs expense	( 1.2)	( 1.0)	( 0.8)	( 0.8)	( 0.5)
Capital asset charge	( 799.4)	( 843.4)	( 762.0)	( 762.0)	( 727.3)
Other receipts	281.7	315.9	275.4	284.7	295.6
<b>Net cash inflow from operating activities</b>	<b>427.2</b>	<b>443.5</b>	<b>208.0</b>	<b>221.1</b>	<b>363.2</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	( 512.7)	( 716.5)	( 630.0)	( 597.4)	( 633.1)
Proceeds from sale of property, plant and equipment	6.9	2.4	2.4	2.4	2.4
(Repayment of) loans by other entities	42.1	( 4.8)	122.8	122.8	( 5.0)
<b>Net cash (outflow) from investing activities</b>	<b>( 463.7)</b>	<b>( 719.0)</b>	<b>( 504.8)</b>	<b>( 472.2)</b>	<b>( 635.7)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	113.4	250.6	80.1	42.5	264.2
Net proceeds from borrowing	( 0.2)	..	( 8.1)	( 8.1)	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>113.2</b>	<b>250.6</b>	<b>72.0</b>	<b>34.4</b>	<b>264.2</b>
<b>Net increase/(decrease) in cash held</b>	<b>76.7</b>	<b>( 25.0)</b>	<b>( 224.7)</b>	<b>( 216.7)</b>	<b>( 8.4)</b>
Cash at the beginning of the financial year	612.5	689.2	689.2	689.2	472.5
<b>Cash at the end of the financial year</b>	<b>689.2</b>	<b>664.2</b>	<b>464.5</b>	<b>472.5</b>	<b>464.1</b>

Source: Departments of Education and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.1.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>				
	2006 <i>Actual</i>	2007 <i>Budget</i>	2007 <i>Adjusted<sup>(a)</sup></i>	2007 <i>Revised</i>	2008 <i>Budget</i>
<b>Current assets</b>					
Cash assets	689.2	664.2	464.5	472.5	464.1
Other financial assets	84.8	84.8	4.5	4.5	4.5
Receivables	710.4	792.6	745.0	796.7	905.6
Inventories	10.4	10.4	..	..	..
Prepayments	15.2	15.4	6.5	6.5	6.6
Other	0.2	0.2	..	..	..
	<b>1 510.2</b>	<b>1 567.6</b>	<b>1 220.5</b>	<b>1 280.1</b>	<b>1 380.8</b>
Non-current assets classified as held for sale	29.1	29.1	19.0	19.0	19.0
<b>Total current assets</b>	<b>1 539.3</b>	<b>1 596.7</b>	<b>1 239.5</b>	<b>1 299.2</b>	<b>1 399.9</b>
<b>Non-current assets</b>					
Receivables	0.3	0.3	0.3	0.3	0.3
Other financial assets	56.3	61.2	13.8	13.8	18.8
Property, plant and equipment	11 201.7	11 578.8	9 510.8	9 452.4	9 785.1
Intangible assets	5.1	6.1	3.5	19.7	21.1
<b>Total non-current assets</b>	<b>11 263.4</b>	<b>11 646.3</b>	<b>9 528.4</b>	<b>9 486.1</b>	<b>9 825.3</b>
<b>Total assets</b>	<b>12 802.7</b>	<b>13 243.0</b>	<b>10 767.9</b>	<b>10 785.2</b>	<b>11 225.1</b>
<b>Current liabilities</b>					
Payables	274.5	276.3	209.2	209.2	211.0
Interest-bearing liabilities	3.5	3.5	2.7	2.7	2.7
Employee provisions	974.5	983.3	943.7	943.7	951.8
Other	69.4	69.4	35.3	35.3	35.3
<b>Total current liabilities</b>	<b>1 321.8</b>	<b>1 332.4</b>	<b>1 191.0</b>	<b>1 191.0</b>	<b>1 200.9</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	10.0	10.0	3.4	3.4	3.4
Employee provisions	155.5	199.9	96.0	96.0	102.6
Amounts owing to other departments	0.6	0.6	..	..	..
<b>Total non-current liabilities</b>	<b>166.1</b>	<b>210.6</b>	<b>99.4</b>	<b>99.4</b>	<b>106.0</b>
<b>Total liabilities</b>	<b>1 488.0</b>	<b>1 543.0</b>	<b>1 290.4</b>	<b>1 290.4</b>	<b>1 306.8</b>
<b>Net assets</b>	<b>11 314.7</b>	<b>11 700.0</b>	<b>9 477.5</b>	<b>9 494.9</b>	<b>9 918.3</b>
<b>Equity</b>					
Contributed capital	5 318.9	5 569.4	4 354.3	4 316.7	4 580.9
Reserves	4 052.3	4 052.3	3 059.4	3 059.4	3 059.4
Accumulated surplus/(deficit)	1 943.5	2 078.2	2 063.8	2 118.8	2 278.0
<b>Total equity</b>	<b>11 314.7</b>	<b>11 700.0</b>	<b>9 477.5</b>	<b>9 494.9</b>	<b>9 918.3</b>

Source: Departments of Education and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.1.4: Statement of changes in equity**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Gains/(losses) on revaluation of properties Available for sale financial assets	813.3	..	( 981.5)	( 981.5)	..
Other	0.8	..	( 11.4)	( 11.4)	..
<b>Net income recognised directly in equity</b>	<b>814.1</b>	<b>..</b>	<b>( 992.9)</b>	<b>( 992.9)</b>	<b>..</b>
Net result for the period	183.8	134.8	120.3	175.3	159.3
<b>Total recognised income and expense for the period</b>	<b>997.9</b>	<b>134.8</b>	<b>( 872.6)</b>	<b>( 817.6)</b>	<b>159.3</b>

Source: Departments of Education and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.1.5: Administered items statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Administered income</b>					
Sale of goods and services	1.3	1.5	1.5	1.5	1.5
Commonwealth grants	2 033.2	2 133.1	2 133.1	2 145.0	2 175.4
Other	( 4.2)	9.9	9.9	19.9	9.9
<b>Total administered income</b>	<b>2 030.3</b>	<b>2 144.4</b>	<b>2 144.4</b>	<b>2 166.4</b>	<b>2 186.8</b>
<b>Administered expenses</b>					
Grants and other payments	1 441.0	1 482.5	1 482.5	1 482.5	1 541.4
Payments into the Consolidated Fund	531.1	661.8	661.8	683.8	645.4
<b>Total administered expenses</b>	<b>1 972.1</b>	<b>2 144.4</b>	<b>2 144.4</b>	<b>2 166.3</b>	<b>2 186.8</b>
<b>Income less expenses</b>	<b>58.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Administered assets</b>					
Cash assets	1.1	1.2	1.2	1.2	1.2
Receivables	17.5	17.5	17.5	17.5	17.5
Other financial assets	1.5	1.5	1.5	1.5	1.5
Prepayments	3.3	3.3	3.3	3.3	3.3
Property, plant and equipment	11.3	11.3	11.3	11.3	11.3
<b>Total administered assets</b>	<b>34.7</b>	<b>34.7</b>	<b>34.7</b>	<b>34.7</b>	<b>34.8</b>
<b>Administered liabilities</b>					
Other	4.4	4.4	4.4	4.4	4.4
<b>Total administered liabilities</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>
<b>Net assets</b>	<b>30.2</b>	<b>30.3</b>	<b>30.3</b>	<b>30.3</b>	<b>30.3</b>

Source: Departments of Education and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

## 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)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	6 936.9	6 453.5	6 385.7	6 196.6
Receipts credited to appropriations	246.1	246.1	268.1	213.2
Unapplied previous years appropriation	36.7	35.2	7.9	67.6
<b>Gross annual appropriation</b>	<b>7 219.7</b>	<b>6 734.9</b>	<b>6 661.6</b>	<b>6 477.4</b>
Special appropriations	0.3	0.3	0.3	0.3
Trust funds	1 828.1	1 669.9	1 706.3	1 606.6
<b>Total Parliamentary authority</b>	<b>9 048.1</b>	<b>8 405.1</b>	<b>8 368.2</b>	<b>8 084.3</b>

*Source: Departments of Education and Treasury and Finance*

*Note:*

(a) *The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.*

## DEPARTMENT OF HUMAN SERVICES

### Operating performance

The Department of Human Services (DHS) is expected to have a net result of \$285 million in 2007-08.

The operating statement shows an increase in income of \$936 million between the 2006-07 Revised Budget to the 2007-08 Budget. This increase is primarily a result of:

- funding provided for government policy commitments (\$197 million) in the 2007-08 Budget, including hospital futures, additional support for public hospitals, giving children the best start in life, creating opportunities for people with disabilities, high quality ambulance services, mental health and drugs, improving aged care services and the full year effect of initiatives announced in previous years budgets;
- increased income of \$300 million in the 2007-08 Budget in connection with establishment of a housing investment fund in 2006-07, provided under Section 37 of the *Financial Management Act 1994*;
- output price increases of \$304 million arising from price escalation for anticipated cost increases in 2007-08; and
- output price increases (\$59 million) for depreciation, amortisation and capital asset charge associated with the approved asset investment program for 2007-08.

The remaining increase in income (\$76 million) mainly relates to increased Commonwealth receipts due to the expansion of a number of programs (including Australian Immunisation Agreement, Home and Community Care, Highly Specialised Drugs), increases in income from the sale of goods and services from other parties and is partially off-set by the gross value of assets disposed associated with the sale of land at the Royal Women's Hospital.

Operating expenses are budgeted to increase by \$388 million between the 2006-07 Revised Budget and 2007-08 Budget. This increase is the net impact of additional expenditure in line with increases in income as outlined above, and a reduction in expenditure in 2007-08 associated with establishing the housing investment fund in 2006-07. Establishment of the fund increased grants expense in the 2006-07 Revised Budget by \$300 million and is the major contributing factor to the \$263 million operating deficit.

### Investing and financing

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

Cashflows from investing activities include payments for property, plant and equipment (totalling \$768 million) reflecting the continued asset investment in the Department and hospitals, and include new initiatives to expand service capacity, enhance infrastructure and comply with regulatory requirements.

## **Balance sheet performance**

DHS's net asset position is expected to improve by \$605 million between 2006-07 Revised Budget and 2007-08 Budget, reflecting an increase in total assets of \$381 million and a reduction in total liabilities of \$224 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 2006-07 Budget to the 2007-08 Budget reflects funding provided for redevelopments and expansions at Western Hospital, Warrnambool Hospital, Caulfield General Medical Centre, Northern Hospital, Stawell Health and Community Centre, Sunshine Hospital, Frankston Hospital and Peninsula Community Health Centre. Funding is also provided for hospital medical equipment replacement and infrastructure renewal. The expected reduction in liabilities is largely due to the extinguishment of an advance associated with the establishment of a housing investment fund in 2006-07, the reduction in liabilities is off-set by increases in liabilities for long service leave entitlements for staff employed in the human services sector.

## **Statement of administered items**

This statement includes items from the Commonwealth Government and revenue from the sale of assets, goods and services collected by the Department. Total income has increased by \$281 million from the 2006-07 Revised Budget to the 2007-08 Budget, due mainly to increased funds provided under the Australian Health Care Agreement where funds are escalated to take account of population, demand growth and cost indexation and increased income associated with the estimated sale proceeds from the partial sale of land at the Royal Women's Hospital.

**Table 2.2.1: Operating statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Income</b>					
Output appropriations	9 044.2	9 713.1	9 708.5	9 755.2	10 722.1
Special appropriations	1 138.3	1 167.8	1 167.8	1 181.9	1 187.9
Resources received free of charge or for nominal consideration	16.7	..	..	..	..
Sale of goods and services	968.8	975.2	975.2	984.0	998.1
Commonwealth grants	142.1	116.6	116.6	122.1	133.1
Fines and fees	0.1	..	..	..	..
Revenue from other parties and other income	427.2	280.3	280.3	335.7	273.8
	<b>11 737.4</b>	<b>12 253.0</b>	<b>12 248.4</b>	<b>12 378.9</b>	<b>13 315.0</b>
<b>Expenses</b>					
Employee benefits	5 497.2	5 793.3	5 792.3	5 848.8	6 125.1
Depreciation and amortisation	312.2	356.1	356.1	356.1	391.6
Resources provided free of charge or for nominal consideration	7.1	..	..	..	..
Grants and other payments	823.0	816.2	816.2	1 147.8	842.7
Capital asset charge	482.8	536.2	536.2	536.2	584.0
Supplies and services	4 531.7	4 719.4	4 715.7	4 750.5	5 084.3
Finance costs	4.4	2.4	2.4	2.4	2.4
Other expenses	29.7	..	..	..	..
	<b>11 688.1</b>	<b>12 223.5</b>	<b>12 218.8</b>	<b>12 641.7</b>	<b>13 030.0</b>
<b>Net result for the reporting period</b>	<b>49.3</b>	<b>29.5</b>	<b>29.5</b>	<b>( 262.8)</b>	<b>285.0</b>

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.



**Table 2.2.2: Statement of cash flows**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	10 338.1	10 867.6	10 863.0	11 039.4	11 986.5
Receipts from other entities	980.0	985.7	985.7	997.2	1 002.2
Payments for supplies, grants and employees	(10 643.8)	(11 242.4)	(11 237.8)	(11 660.6)	(11 967.8)
	<b>674.4</b>	<b>610.9</b>	<b>610.9</b>	<b>376.0</b>	<b>1 020.9</b>
Interest received	54.8	35.0	35.0	50.3	51.8
Finance costs expense	( 3.8)	( 2.4)	( 2.4)	( 2.4)	( 2.4)
Capital asset charge	( 482.8)	( 536.2)	( 536.2)	( 536.2)	( 584.0)
Other receipts	327.5	183.9	183.9	221.3	233.9
<b>Net cash inflow from operating activities</b>	<b>570.1</b>	<b>291.2</b>	<b>291.2</b>	<b>109.0</b>	<b>720.3</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	( 707.6)	( 659.9)	( 659.9)	( 566.3)	( 767.7)
Proceeds from sale of property, plant and equipment	43.3	40.0	40.0	40.0	40.0
(Repayment of) loans by other entities	(3 567.6)	..	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>(4 231.9)</b>	<b>( 619.9)</b>	<b>( 619.9)</b>	<b>( 526.3)</b>	<b>( 727.7)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	3 776.0	340.1	340.1	468.4	19.5
Net proceeds from borrowing	( 5.9)	( 7.5)	( 7.5)	( 7.5)	( 8.1)
<b>Net cash inflows/(outflow) from financing activities</b>	<b>3 770.1</b>	<b>332.7</b>	<b>332.6</b>	<b>460.9</b>	<b>11.4</b>
<b>Net increase/(decrease) in cash held</b>	<b>108.3</b>	<b>4.0</b>	<b>4.0</b>	<b>43.7</b>	<b>4.0</b>
Cash at the beginning of the financial year	363.5	471.8	471.8	471.8	515.5
<b>Cash at the end of the financial year</b>	<b>471.8</b>	<b>475.8</b>	<b>475.8</b>	<b>515.5</b>	<b>519.5</b>

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

**Table 2.2.3: Balance sheet**

(\$ million)

	Estimated as at 30 June				
	2006 Actual	2007 Budget	2007 Adjusted <sup>(a)</sup>	2007 Revised	2008 Budget
<b>Current assets</b>					
Cash assets	475.0	479.0	479.0	518.7	522.7
Other financial assets	445.8	445.8	445.8	445.8	445.8
Receivables	725.2	909.8	909.8	799.7	905.4
Inventories	53.7	53.7	53.7	53.7	53.7
Prepayments	22.6	22.6	22.6	22.6	22.6
	<b>1 722.4</b>	<b>1 911.0</b>	<b>1 911.0</b>	<b>1 840.6</b>	<b>1 950.3</b>
Non-current assets classified as held for sale	9.4	9.4	9.4	9.4	9.4
<b>Total current assets</b>	<b>1 731.8</b>	<b>1 920.4</b>	<b>1 920.4</b>	<b>1 850.0</b>	<b>1 959.7</b>
<b>Non-current assets</b>					
Receivables	10.9	10.9	10.9	10.9	10.9
Other financial assets	160.4	160.4	160.4	160.4	160.4
Investments accounted for using equity method	1.6	1.6	1.6	1.6	1.6
Property, plant and equipment	6 497.3	6 757.4	6 757.4	6 655.8	6 926.7
Intangible assets	45.6	45.6	45.6	53.6	53.6
Other	19.1	19.1	19.1	19.1	19.1
<b>Total non-current assets</b>	<b>6 735.1</b>	<b>6 995.2</b>	<b>6 995.1</b>	<b>6 901.5</b>	<b>7 172.5</b>
<b>Total assets</b>	<b>8 466.8</b>	<b>8 915.5</b>	<b>8 915.5</b>	<b>8 751.5</b>	<b>9 132.2</b>
<b>Current liabilities</b>					
Payables	655.2	709.4	709.4	1 009.4	758.1
Interest-bearing liabilities	24.1	28.6	28.6	28.6	33.1
Employee provisions	1 125.1	1 135.1	1 135.1	1 135.1	1 145.1
Other	202.8	163.6	163.6	207.3	211.8
<b>Total current liabilities</b>	<b>2 007.3</b>	<b>2 036.7</b>	<b>2 036.7</b>	<b>2 380.4</b>	<b>2 148.0</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	120.2	108.3	108.3	108.3	95.7
Employee provisions	214.9	276.3	276.3	276.3	332.7
Amounts owing to other departments	4.4	4.4	4.4	4.4	4.4
Other	402.9	402.9	402.9	359.2	324.0
<b>Total non-current liabilities</b>	<b>742.4</b>	<b>792.0</b>	<b>792.0</b>	<b>748.3</b>	<b>756.8</b>
<b>Total liabilities</b>	<b>2 749.7</b>	<b>2 828.7</b>	<b>2 828.7</b>	<b>3 128.7</b>	<b>2 904.8</b>
<b>Net assets</b>	<b>5 717.1</b>	<b>6 086.8</b>	<b>6 086.8</b>	<b>5 622.8</b>	<b>6 227.3</b>
<b>Equity</b>					
Contributed capital	4 165.7	4 502.6	4 502.5	4 330.8	4 650.4
Reserves	1 613.7	1 613.7	1 613.7	1 613.7	1 613.7
Accumulated surplus/(deficit)	( 62.3)	( 29.5)	( 29.5)	( 321.8)	( 36.8)
<b>Total equity</b>	<b>5 717.1</b>	<b>6 086.8</b>	<b>6 086.8</b>	<b>5 622.8</b>	<b>6 227.3</b>

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

**Table 2.2.4: Statement of changes in equity**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
Gains/(losses) on revaluation of properties	250.2	..	..	..	..
Available for sale financial assets	20.0	..	..	..	..
Other	( 15.6)	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>254.5</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	49.3	29.5	29.5	( 262.8)	285.0
<b>Total recognised income and expense for the period</b>	<b>303.8</b>	<b>29.5</b>	<b>29.5</b>	<b>( 262.8)</b>	<b>285.0</b>

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

**Table 2.2.5: Administered items statement**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
<b>Administered income</b>					
Sale of goods and services	268.6	283.4	283.4	272.7	281.3
Commonwealth grants	2 894.5	3 037.9	3 037.9	3 051.9	3 256.1
Other grants	0.5	..	..	..	..
Fees	3.0	4.0	4.0	4.0	4.1
Other	6.1	6.3	6.3	6.8	74.5
<b>Total administered income</b>	<b>3 172.7</b>	<b>3 331.6</b>	<b>3 331.6</b>	<b>3 335.3</b>	<b>3 616.0</b>
<b>Administered expenses</b>					
Expenses on behalf of the State	1.1	..	..	..	..
Grants and other payments	0.5	..	..	..	..
Payments into the Consolidated Fund	3 168.9	3 331.6	3 331.6	3 335.3	3 616.0
<b>Total administered expenses</b>	<b>3 170.5</b>	<b>3 331.6</b>	<b>3 331.6</b>	<b>3 335.3</b>	<b>3 616.0</b>
<b>Income less expenses</b>	<b>2.2</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>					
Cash assets	0.4	0.4	0.4	0.4	0.4
Receivables	13.7	13.7	13.7	13.7	13.7
Other financial assets	0.6	0.6	0.6	0.6	0.6
Other	85.5	85.5	85.5	85.5	85.5
<b>Total administered assets</b>	<b>100.2</b>	<b>100.2</b>	<b>100.2</b>	<b>100.2</b>	<b>100.2</b>
<b>Administered liabilities</b>					
Other	89.4	89.4	89.4	89.4	89.4
<b>Total administered liabilities</b>	<b>89.4</b>	<b>89.4</b>	<b>89.4</b>	<b>89.4</b>	<b>89.4</b>
<b>Net assets</b>	<b>10.7</b>	<b>10.7</b>	<b>10.7</b>	<b>10.7</b>	<b>10.7</b>

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

## 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**

	(\$ million)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	8 819.9	8 815.2	8 699.0	9 698.9
Receipts credited to appropriations	1 158.2	1 158.2	1 141.7	1 281.9
Unapplied previous years appropriation	121.4	121.4	133.6	91.4
Accumulated surplus - previously applied appropriation	..	..	47.0	..
<b>Gross annual appropriation</b>	<b>10 099.5</b>	<b>10 094.9</b>	<b>10 021.2</b>	<b>11 072.2</b>
Special appropriations	1 167.8	1 167.8	1 181.9	1 187.9
Trust funds	44.1	44.1	55.2	47.2
<b>Total Parliamentary authority</b>	<b>11 311.4</b>	<b>11 306.7</b>	<b>11 258.3</b>	<b>12 307.2</b>

Source: Departments of Human Services and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

## DEPARTMENT OF INFRASTRUCTURE

### Operating performance

The Department of Infrastructure is estimated to have a net result of \$398.8 million in 2007-08. This is primarily due to the funding for Commonwealth roads projects being receipted as operating income but applied for asset investments and one-off income received in 2007-08 to repay advances provided in previous years.

Total operating income is expected to increase by \$300 million (7.1 per cent) in 2007-08 compared with the 2006-07 Revised Budget. Included in the 2007-08 Budget is one-off income to fund expenses incurred in prior years for the buyback of the regional rail network lease and the settlement of claims in relation to the Southern Cross Station redevelopment. After discounting for these one-off items, and the machinery of government changes, operating income is estimated to increase by around \$208 million (4.9 per cent).

This increase is largely the result of:

- additional funding of \$128 million from the State Government to meet contracted service payments, primarily in the areas of public transport, and prior year initiatives;
- increases in the capital charge relating to investments in rail assets of \$52 million reflecting increases in net assets held by VicTrack; and
- new output initiatives for 2007-08 totalling \$43 million including *A Fare Go* for Public Transport Users, Regional Bus Services and the Walking and Cycling Infrastructure Program.

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

Operating expenses are estimated to increase by around \$29 million (0.7 per cent) between the 2006-07 Revised Budget and the 2007-08 Budget. Included in the 2006-07 Revised Budget are one-off expenses relating to the buyback of the regional rail network lease and activities that have transferred to other departments following machinery of government changes. After discounting for this, operating expenses are estimated to increase by \$150 million (3.7 per cent) primarily reflecting the increases in income outlined above.

### Investing and financing

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

The expected investments in new property, plant and equipment in 2007-08 reflect the approved cashflows for existing and new road asset initiatives announced in the 2007-08 Budget. New initiatives include the Geelong Ring Road – Stage 4 with funding of \$63 million TEI, the upgrade of Ferntree Gully Road with funding of \$32 million TEI, the duplication of Vineyard Road with funding of \$25 million TEI and the Congestion Improvements Program with funding of \$30 million TEI.

Rail infrastructure investment is recorded in the balance sheet of VicTrack. In 2007-08, new rail initiatives include additions to the metropolitan train fleet and associated works of \$38 million, track duplication between Clifton Hill and Westgarth of \$19 million and the Mildura Rail Corridor Upgrade of \$31 million.

### **Balance sheet performance**

The Department's net assets are budgeted to increase by \$691 million from the 2006-07 Revised Budget to the 2007-08 Budget.

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

### **Statement of changes in equity**

This Statement shows changes in the Department's equity arising from operating surpluses or deficits for its controlled and administered operations.

### **Statement of administered items**

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

Total administered income is budgeted to reduce in 2007-08 by \$7.6 million from the 2006-07 revised budget. This reduction is largely a result of a one-off impact relating to the extinguishment of the regional rail network lease, a reduction in motor driver license fees of \$18 million and land sales of \$13 million, and the transfer of the Electricity Network Tariff Rebate Scheme to the Department of Primary Industries of \$18 million. This has been partly offset by additional income from vehicle registration charges of \$42 million and \$95 million from the Commonwealth Government for road and rail projects.

Administered payments are likewise affected by the items outlined above.

**Table 2.3.1: Operating statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Income</b>					
Output appropriations	3 311.6	3 609.5	3 598.8	3 692.7	4 017.4
Special appropriations	1.6	1.7	1.7	1.7	1.7
Resources received free of charge or for nominal consideration	7.9	..	..	..	..
Sale of goods and services	206.6	163.8	147.3	182.8	166.4
Commonwealth grants	..	..	..	..	4.4
Taxes	8.6	..	..	..	..
Fines and fees	54.8	67.3	67.3	66.0	67.6
Revenue from other parties and other income	250.3	232.8	232.8	289.8	275.2
	<b>3 841.4</b>	<b>4 075.1</b>	<b>4 047.9</b>	<b>4 233.1</b>	<b>4 532.6</b>
<b>Expenses</b>					
Employee benefits	270.6	264.6	254.0	292.4	292.3
Depreciation and amortisation	333.5	335.2	329.6	359.8	358.9
Resources provided free of charge or for nominal consideration	1.2	8.0	10.3	40.4	..
Grants and other payments	1 294.9	1 409.3	1 384.4	1 428.8	1 478.7
Capital asset charge	66.4	68.4	68.3	68.3	70.8
Supplies and services	1 613.6	1 736.8	1 750.8	1 907.9	1 926.6
Finance costs	9.0	6.3	6.3	7.0	6.5
Other expenses	1.5	..	..	..	..
	<b>3 590.5</b>	<b>3 828.6</b>	<b>3 803.7</b>	<b>4 104.5</b>	<b>4 133.9</b>
<b>Net result for the reporting period</b>	<b>250.9</b>	<b>246.5</b>	<b>244.2</b>	<b>128.6</b>	<b>398.8</b>

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

**Table 2.3.2: Statement of cash flows**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	3 325.7	3 567.0	3 583.1	3 695.6	3 999.2
Receipts from other entities	446.2	348.9	348.9	437.0	427.3
Payments for supplies, grants and employees	(3 066.1)	(3 445.7)	(3 475.1)	(3 829.8)	(3 653.0)
	<b>705.8</b>	<b>470.2</b>	<b>456.9</b>	<b>302.7</b>	<b>773.5</b>
Interest received	4.7	0.8	0.8	0.9	0.9
Finance costs expense	( 9.0)	( 6.3)	( 6.3)	( 7.0)	( 6.5)
Capital asset charge	( 66.4)	( 68.4)	( 68.3)	( 68.3)	( 70.8)
Other receipts	106.1	88.4	71.9	79.0	60.6
<b>Net cash inflow from operating activities</b>	<b>741.3</b>	<b>484.6</b>	<b>455.0</b>	<b>307.4</b>	<b>757.8</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	( 456.5)	( 704.7)	( 690.1)	( 878.6)	( 983.0)
Proceeds from sale of property, plant and equipment	15.1	14.8	14.8	15.7	16.2
(Repayment of) loans by other entities	( 0.1)	..	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>( 441.5)</b>	<b>( 689.9)</b>	<b>( 675.4)</b>	<b>( 862.9)</b>	<b>( 966.8)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	( 122.9)	68.6	80.6	229.3	75.3
Net proceeds from borrowing	( 23.6)	..	( 0.3)	( 13.1)	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>( 146.5)</b>	<b>68.6</b>	<b>80.3</b>	<b>216.2</b>	<b>75.3</b>
<b>Net increase/(decrease) in cash held</b>	<b>153.4</b>	<b>( 136.7)</b>	<b>( 140.1)</b>	<b>( 339.3)</b>	<b>( 133.7)</b>
Cash at the beginning of the financial year	573.8	727.2	727.2	727.2	387.9
<b>Cash at the end of the financial year</b>	<b>727.2</b>	<b>590.5</b>	<b>587.1</b>	<b>387.9</b>	<b>254.2</b>

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.



**Table 2.3.3: Balance sheet**

(\$ million)

	Estimated as at 30 June				
	2006 Actual	2007 Budget	2007 Adjusted <sup>(a)</sup>	2007 Revised	2008 Budget
<b>Current assets</b>					
Cash assets	727.2	590.5	587.1	387.9	254.2
Other financial assets	50.0	50.0	50.0	50.0	50.0
Receivables	441.5	496.7	469.8	446.2	474.7
Inventories	14.5	15.8	15.8	15.6	16.6
Prepayments	4.2	4.2	4.2	4.2	4.2
Other assets	..	..	30.0	30.0	30.0
<b>Total current assets</b>	<b>1 237.3</b>	<b>1 157.2</b>	<b>1 157.0</b>	<b>934.0</b>	<b>829.7</b>
<b>Non-current assets</b>					
Receivables	0.2	0.2	0.2	0.2	0.2
Property, plant and equipment	19 003.2	19 881.0	19 930.8	19 540.1	20 163.2
Intangible assets <sup>(b)</sup>	10.4	10.4	( 5.1)	( 3.8)	( 3.8)
Other <sup>(b)</sup>	..	..	14.2	14.2	( 33.1)
<b>Total non-current assets</b>	<b>19 013.8</b>	<b>19 891.6</b>	<b>19 940.1</b>	<b>19 550.8</b>	<b>20 126.5</b>
<b>Total assets</b>	<b>20 251.1</b>	<b>21 048.8</b>	<b>21 097.1</b>	<b>20 484.8</b>	<b>20 956.3</b>
<b>Current liabilities</b>					
Payables	748.6	698.9	721.9	750.2	514.2
Interest-bearing liabilities	13.5	13.5	13.4	0.6	0.6
Employee provisions	84.7	84.6	80.7	79.6	78.5
Other	34.2	34.2	34.2	34.2	34.2
<b>Total current liabilities</b>	<b>880.9</b>	<b>831.2</b>	<b>850.2</b>	<b>864.5</b>	<b>627.5</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	8.1	8.1	7.9	7.9	7.9
Employee provisions	7.0	5.8	5.4	6.4	6.4
Other	203.2	219.1	219.1	219.1	236.5
<b>Total non-current liabilities</b>	<b>218.4</b>	<b>233.0</b>	<b>232.4</b>	<b>233.4</b>	<b>250.8</b>
<b>Total liabilities</b>	<b>1 099.3</b>	<b>1 064.2</b>	<b>1 082.6</b>	<b>1 098.0</b>	<b>878.3</b>
<b>Net assets</b>	<b>19 151.8</b>	<b>19 984.6</b>	<b>20 014.5</b>	<b>19 386.8</b>	<b>20 077.9</b>
<b>Equity</b>					
Contributed capital	14 635.4	14 704.0	14 736.2	14 741.8	15 034.2
Reserves	4 967.8	5 485.5	5 485.5	4 967.8	4 967.8
Accumulated surplus/(deficit)	( 451.4)	( 205.0)	( 207.3)	( 322.9)	75.9
<b>Total equity</b>	<b>19 151.8</b>	<b>19 984.6</b>	<b>20 014.5</b>	<b>19 386.8</b>	<b>20 077.9</b>

Source: Departments of Infrastructure and Treasury and Finance

Note:

- (a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.
- (b) As a result of machinery of government changes and other issues, some assets may need to be reclassified. However, this will not impact on the Department's net asset forecast.

**Table 2.3.4: Statement of changes in equity**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Gains/(losses) on revaluation of properties Available for sale financial assets	1 038.2	517.7	517.7	..	..
Other	( 3.3)	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>1 034.9</b>	<b>517.7</b>	<b>517.7</b>	<b>..</b>	<b>..</b>
Net result for the period	250.9	246.5	244.2	128.6	398.8
<b>Total recognised income and expense for the period</b>	<b>1 285.8</b>	<b>764.2</b>	<b>761.9</b>	<b>128.6</b>	<b>398.8</b>

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

**Table 2.3.5: Administered items statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Administered income</b>					
Appropriations - Payments made on behalf of the State	35.9	36.9	18.5	18.5	..
Sale of goods and services	1.2	0.9	0.9	0.7	0.7
Commonwealth grants	300.0	326.0	326.0	299.8	394.7
Other grants	10.7	..	..	..	..
Taxes	1 268.8	1 375.3	1 375.3	1 343.0	1 373.2
Fines	14.0	14.8	14.8	14.8	15.1
Fees	82.6	69.8	69.8	69.8	52.1
Other	38.6	11.5	40.9	141.2	44.3
<b>Total administered income</b>	<b>1 751.7</b>	<b>1 835.1</b>	<b>1 846.1</b>	<b>1 887.8</b>	<b>1 880.2</b>
<b>Administered expenses</b>					
Expenses on behalf of the State	..	..	..	( 1.3)	6.1
Grants and other payments	46.6	36.9	18.5	18.5	..
Payments into the Consolidated Fund	1 808.3	1 992.0	2 021.4	1 978.3	2 063.6
<b>Total administered expenses</b>	<b>1 854.9</b>	<b>2 028.9</b>	<b>2 039.9</b>	<b>1 995.5</b>	<b>2 069.7</b>
<b>Income less expenses</b>	<b>( 103.2)</b>	<b>( 193.7)</b>	<b>( 193.7)</b>	<b>( 107.7)</b>	<b>( 189.5)</b>
<b>Administered assets</b>					
Cash assets	13.7	13.7	13.7	13.7	13.7
Receivables	227.0	34.7	34.7	115.5	35.1
<b>Total administered assets</b>	<b>240.8</b>	<b>48.5</b>	<b>48.5</b>	<b>129.2</b>	<b>48.8</b>
<b>Administered liabilities</b>					
Payables	14.2	14.2	14.2	14.2	14.2
Other	90.3	91.7	91.7	86.4	195.6
<b>Total administered liabilities</b>	<b>104.5</b>	<b>105.9</b>	<b>105.9</b>	<b>100.6</b>	<b>209.8</b>
<b>Net assets</b>	<b>136.3</b>	<b>( 57.4)</b>	<b>( 57.4)</b>	<b>28.6</b>	<b>( 160.9)</b>

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

## Payments on behalf of the State

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

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

Accounts	(\$ million)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Electricity Network Tariff Rebate	36.9	18.5	18.5	..
<b>Total</b>	<b>36.9</b>	<b>18.5</b>	<b>18.5</b>	<b>..</b>

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

## 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)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	3 802.4	3 778.2	3 643.5	4 251.0
Receipts credited to appropriations	326.9	326.9	286.2	395.5
Unapplied previous years appropriation	163.9	163.9	325.7	223.4
Accumulated surplus - previously applied appropriation	..	..	18.5	8.4
<b>Gross annual appropriation</b>	<b>4 293.2</b>	<b>4 268.9</b>	<b>4 273.8</b>	<b>4 878.2</b>
Special appropriations	1.7	1.7	16.3	1.7
Trust funds	223.1	206.6	259.6	237.0
<b>Total Parliamentary authority</b>	<b>4 518.0</b>	<b>4 477.3</b>	<b>4 549.8</b>	<b>5 116.9</b>

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

# DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

## Operating performance

The Department of Innovation Industry and Regional Development (DIIRD) is expected to have a net result of \$29.4 million in 2007-08. This is primarily generated in the TAFE Sector where Commonwealth funding for capital is received as operating income but applied to capital expenditure, therefore appearing as an operating surplus.

The operating income for DIIRD is sourced from state government appropriations, commonwealth grants and external revenue for services provided primarily by TAFE colleges. The increase in total revenues and expenses from the 2006-07 Revised Budget to the 2007-08 Budget primarily reflects the full year impact of the TAFE sector transferred to DIIRD from the Department of Education. The 2006-07 Revised Budget only includes the half year impact effective from 1 January 2006 to 30 June 2007.

The Department also received \$67 million of new funding for existing and new output initiatives including:

- continuation of the Apprentice/Trainee Completion Bonus Scheme;
- continued funding for the Office of the Small Business Commissioner;
- Major Events;
- Tourism Initiatives;
- Returning to Earning; and
- Industry Capability Network.

## Investing and financing

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

## Balance sheet performance

DIIRD's net asset position is expected to increase by \$32 million compared to the 2006-07 Revised Budget. This primarily reflects an increase in total assets and relates to TAFE buildings, plant and equipment funded by Commonwealth and State Government capital initiatives.

## Statement of administered items

Payments into the consolidated fund for 2007-08 are expected to remain consistent with 2006-07 estimates.

**Table 2.4.1: Operating statement**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
<b>Income</b>					
Output appropriations	419.7	432.0	914.7	959.2	1 420.5
Sale of goods and services	..	1.5	230.8	229.3	471.4
Commonwealth grants	..	..	145.6	145.6	294.4
Revenue from other parties and other income	12.3	..	23.2	28.9	48.8
	<b>432.0</b>	<b>433.5</b>	<b>1 314.3</b>	<b>1 362.9</b>	<b>2 235.1</b>
<b>Expenses</b>					
Employee benefits	60.2	75.3	499.2	494.9	924.3
Depreciation and amortisation	2.5	5.1	41.9	42.1	78.9
Grants and other payments	258.6	233.6	306.0	365.6	421.7
Capital asset charge	3.8	4.0	84.8	84.6	170.8
Supplies and services	87.8	115.5	367.4	360.6	609.7
Finance costs	0.1	..	0.2	0.3	0.5
Other expenses	7.7	..	..	..	..
	<b>420.8</b>	<b>433.5</b>	<b>1 299.6</b>	<b>1 348.2</b>	<b>2 205.7</b>
<b>Net result for the reporting period</b>	<b>11.2</b>	<b>..</b>	<b>14.7</b>	<b>14.7</b>	<b>29.4</b>

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

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.4.2: Statement of cash flows**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	408.5	432.0	1 057.0	1 101.4	1 712.4
Receipts from other entities	5.3	1.5	191.6	194.4	468.3
Payments for supplies, grants and employees	( 394.6)	( 424.4)	( 972.9)	(1 021.4)	(1 953.2)
	<b>19.2</b>	<b>9.1</b>	<b>275.7</b>	<b>274.4</b>	<b>227.5</b>
Interest received	0.8	..	6.2	6.7	14.0
Finance costs expense	( 0.1)	..	( 0.2)	( 0.3)	( 0.5)
Capital asset charge	( 3.8)	( 4.0)	( 84.8)	( 84.6)	( 170.8)
Other receipts	4.5	..	41.1	42.0	37.9
<b>Net cash inflow from operating activities</b>	<b>20.5</b>	<b>5.0</b>	<b>237.9</b>	<b>238.2</b>	<b>108.1</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	( 48.0)	( 11.6)	( 84.4)	( 63.0)	( 114.0)
Proceeds from sale of property, plant and equipment	0.2	..	..	..	..
(Repayment of) loans by other entities	( 15.0)	( 5.0)	( 161.0)	( 161.0)	( 4.9)
<b>Net cash (outflow) from investing activities</b>	<b>( 62.8)</b>	<b>( 16.6)</b>	<b>( 245.4)</b>	<b>( 223.9)</b>	<b>( 118.9)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	60.8	11.6	195.0	173.3	2.9
Net proceeds from borrowing	( 0.3)	..	8.2	8.2	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>60.4</b>	<b>11.6</b>	<b>203.2</b>	<b>181.5</b>	<b>2.9</b>
<b>Net increase/(decrease) in cash held</b>	<b>18.2</b>	<b>..</b>	<b>195.7</b>	<b>195.7</b>	<b>( 7.8)</b>
Cash at the beginning of the financial year	120.3	138.5	138.5	138.5	334.2
<b>Cash at the end of the financial year</b>	<b>138.5</b>	<b>138.5</b>	<b>334.2</b>	<b>334.2</b>	<b>326.4</b>

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

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.4.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2006 Actual</i>	<i>2007 Budget</i>	<i>2007 Adjusted <sup>(a)</sup></i>	<i>2007 Revised</i>	<i>2008 Budget</i>
<b>Current assets</b>					
Cash assets	138.5	138.5	334.2	334.2	326.4
Other financial assets	..	..	107.2	107.2	107.0
Receivables	49.6	49.6	102.0	102.0	104.5
Inventories	..	..	10.4	10.4	10.4
Prepayments	0.1	0.1	9.0	9.0	9.0
Other assets	..	..	0.2	0.2	0.2
	<u>188.1</u>	<u>188.2</u>	<u>562.9</u>	<u>562.9</u>	<u>557.5</u>
Non-current assets classified as held for sale	0.1	0.1	10.2	10.2	10.2
<b>Total current assets</b>	<b><u>188.2</u></b>	<b><u>188.3</u></b>	<b><u>573.1</u></b>	<b><u>573.1</u></b>	<b><u>567.6</u></b>
<b>Non-current assets</b>					
Other financial assets	0.1	0.1	48.9	48.9	48.9
Investments accounted for using equity method	15.0	20.0	20.0	20.0	25.0
Property, plant and equipment	180.3	186.8	2 241.3	2 248.5	2 283.6
Intangible assets	..	..	2.8	2.8	2.8
<b>Total non-current assets</b>	<b><u>195.4</u></b>	<b><u>206.9</u></b>	<b><u>2 313.0</u></b>	<b><u>2 320.2</u></b>	<b><u>2 360.3</u></b>
<b>Total assets</b>	<b><u>383.6</u></b>	<b><u>395.2</u></b>	<b><u>2 886.1</u></b>	<b><u>2 893.3</u></b>	<b><u>2 927.9</u></b>
<b>Current liabilities</b>					
Payables	32.9	32.9	100.1	100.1	100.1
Interest-bearing liabilities	1.0	1.0	1.8	1.8	1.8
Employee provisions	16.5	16.5	57.5	57.5	58.2
Other	2.7	2.7	36.8	36.8	36.8
<b>Total current liabilities</b>	<b><u>53.1</u></b>	<b><u>53.1</u></b>	<b><u>196.2</u></b>	<b><u>196.2</u></b>	<b><u>196.9</u></b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	1.2	1.2	8.0	8.0	8.0
Employee provisions	1.6	1.6	105.8	105.8	107.4
Amounts owing to other departments	..	..	0.6	0.6	0.6
<b>Total non-current liabilities</b>	<b><u>2.8</u></b>	<b><u>2.8</u></b>	<b><u>114.4</u></b>	<b><u>114.4</u></b>	<b><u>116.0</u></b>
<b>Total liabilities</b>	<b><u>55.9</u></b>	<b><u>55.9</u></b>	<b><u>310.6</u></b>	<b><u>310.6</u></b>	<b><u>313.0</u></b>
<b>Net assets</b>	<b><u>327.7</u></b>	<b><u>339.3</u></b>	<b><u>2 575.5</u></b>	<b><u>2 582.7</u></b>	<b><u>2 615.0</u></b>
<b>Equity</b>					
Contributed capital	199.0	210.5	1 437.6	1 446.3	1 449.3
Reserves	4.1	4.1	997.0	997.0	997.0
Accumulated surplus/(deficit)	124.7	124.7	140.9	139.4	168.8
<b>Total equity</b>	<b><u>327.7</u></b>	<b><u>339.3</u></b>	<b><u>2 575.5</u></b>	<b><u>2 582.7</u></b>	<b><u>2 615.0</u></b>

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

*Note:*

(a) *The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.*

**Table 2.4.4: Statement of changes in equity**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Gains/(losses) on revaluation of properties	..	..	981.5	981.5	..
Available for sale financial assets	..	..	..	..	..
Other	..	..	12.9	11.4	..
<b>Net income recognised directly in equity</b>	..	..	<b>994.4</b>	<b>992.9</b>	..
Net result for the period	11.2	..	14.7	14.7	29.4
<b>Total recognised income and expense for the period</b>	<b>11.2</b>	..	<b>1 009.1</b>	<b>1 007.6</b>	<b>29.4</b>

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

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.4.5: Administered items statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget <sup>(a)</sup>	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Administered income</b>					
Commonwealth grants	0.2	..	..	0.1	..
Fines	..	0.2	0.2	0.2	0.2
Fees	..	2.2	2.2	2.2	2.2
Other	..	5.3	5.3	5.3	5.3
<b>Total administered income</b>	<b>0.2</b>	<b>7.6</b>	<b>7.6</b>	<b>7.6</b>	<b>7.6</b>
<b>Administered expenses</b>					
Expenses on behalf of the State	( 1.4)	0.1	0.1	0.1	0.1
Payments into the Consolidated Fund	93.5	7.5	7.5	7.6	7.5
<b>Total administered expenses</b>	<b>92.1</b>	<b>7.6</b>	<b>7.6</b>	<b>7.6</b>	<b>7.6</b>
<b>Income less expenses</b>	<b>( 91.9)</b>	..	..	..	..
<b>Administered assets</b>					
Receivables	44.8	44.8	44.8	44.8	44.8
<b>Total administered assets</b>	<b>44.8</b>	<b>44.8</b>	<b>44.8</b>	<b>44.8</b>	<b>44.8</b>
<b>Administered liabilities</b>					
Other	93.2	93.2	93.2	93.2	93.2
<b>Total administered liabilities</b>	<b>93.2</b>	<b>93.2</b>	<b>93.2</b>	<b>93.2</b>	<b>93.2</b>
<b>Net assets</b>	<b>( 48.4)</b>	<b>( 48.4)</b>	<b>( 48.4)</b>	<b>( 48.4)</b>	<b>( 48.4)</b>

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

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.



## 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)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	437.7	918.9	961.2	1 406.5
Receipts credited to appropriations	..	..	0.1	..
Unapplied previous years appropriation	8.9	11.7	18.0	16.9
<b>Gross annual appropriation</b>	<b>446.6</b>	<b>930.6</b>	<b>979.2</b>	<b>1 423.4</b>
Trust funds	..	158.2	161.4	319.5
<b>Total Parliamentary authority</b>	<b>446.6</b>	<b>1 088.7</b>	<b>1 140.6</b>	<b>1 742.9</b>

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

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

## DEPARTMENT OF JUSTICE

### Operating performance

The Department of Justice operating result is forecast to improve marginally in 2007-08 to \$44.9 million up from a revised forecast of \$29.7 million for 2006-07.

The operating result is lower than originally forecast for 2006-07 due mainly to the decision to fund additional Government policy initiatives from accumulated prior year appropriation surpluses approved by the Treasurer pursuant to Section 33 of the *Financial Management Act 1994* rather than by providing additional appropriation revenue to the department.

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

Output appropriation revenue in 2007-08 will increase by \$181.7 million on the 2006-07 Revised Budget and is mainly attributable to either new output initiatives announced in this budget or the continuing implementation of initiatives commenced in earlier budgets. Expenses are estimated to increase by an equivalent amount. The 2007-08 Budget estimate also includes escalation funding reflecting the increasing cost of providing existing outputs, as well as \$34.2 million of output funding expected to be carried over from the 2006-07 Budget.

A significant item forming part of both the 2006-07 Budget and Revised operating statement estimates and which will not reoccur in 2007-08 is funding provided to the Victorian Electoral Commission for conduct of the November 2006 State election.

Major initiatives funded in the 2007-08 Budget which include initiatives announced prior to the November 2006 State election, mostly account for the increase in appropriation revenue:

- \$12.4 million to sustain and enhance the State's prison bed capacity;
- \$11.1 million to continue the provision of services in areas such as asset confiscation, home detention, family violence and legal aid;
- \$9.7 million for Victoria's Courts to further reduce trial delays;
- \$8.2 million for the State Emergency Service;
- \$7.8 million to provide additional resources for Victoria Police including 350 police officers, facial recognition technology and additional forensic officers and equipment; and
- \$3.1 million to modernise Victoria's Coronial Services.

Estimated 2007-08 Justice operating expenses also include \$5.8 million in additional depreciation, maintenance and capital asset charge costs which flow directly from new asset initiatives being funded in the 2007-08 Budget.

Transfer of the Registrar of Births, Deaths and Marriages with effect from 1 January 2007 from the Department for Victorian Communities accounts for

\$8.7 million in additional output appropriation funding relative to originally published estimates for the 2006-07 financial year.

Initiatives commenced in the 2006-07 Budget and which will receive further incremental funding in the 2007-08 Budget include implementation of the Melbourne Legal Precinct Master Plan, a variety of Aboriginal Justice Agreement projects, the Government's Sexual Assault Reform agenda and enhanced training for State Emergency Service volunteers.

## **Investing and financing**

New asset investments for 2007-08 are highlighted in the following section. The investing activity is financed by a net cash inflow from operations of \$174.0 million and a capital contribution from the State Government of \$51.3 million.

Finance costs and interest bearing liabilities represent the cost of the Victorian County Court facility, two privately operated and two public prisons developed under *Partnerships Victoria* as well as the majority of the portfolio's motor vehicle fleet which are funded through finance leases.

## **Balance sheet performance**

The Department's 2007-08 net asset position is estimated to improve by \$96.1 million on the 2006-07 Revised Budget. This comprises an estimated increase in total assets of \$109.7 million, partially offset by an estimated increase in total liabilities of \$13.6 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 \$43.7 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 2007-08 includes:

- \$11.0 million for new and replacement police stations;
- \$5.8 million to establish new State Emergency Service volunteer units and provide vital new and replacement equipment including specialist trucks to existing volunteer units;
- \$6.6 million for Victoria Police for the enhancement of forensic capabilities, new facial recognition technology, additional laptop computers and an upgrade of the crime department; and
- \$1.8 million for the Country Fire Authority and Metropolitan Fire and Emergency Services Board for new and replacement fire stations.

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 administered items

Revenues administered by the Department of Justice on behalf of the State and third parties are forecast to rise by \$74.4 million in 2007-08 relative to the 2006-07 Revised Budget. Total administered expenses are forecast to increase by \$74.4 million over the same period.

A total of \$83.0 million in estimated Other Administered income and expenses on behalf of the State included in the original 2006-07 estimates has been discontinued in the 2006-07 Revised and 2007-08 Budget forecasts. This relates to operation of the Victorian Government Solicitor's Trust Account and other third party trust accounts and is the result of a change in accounting treatment agreed with the Auditor-General and implemented during 2006-07 due to the presentation framework applicable to the Administered Items Statement for government departments being determined as not applicable to third party trust funds.

The Special appropriations income and Grants and other payments expense amounts for 2006-07 originally included an estimate of \$8.3 million for Electoral Expenses Entitlements of State Election candidates. This estimate has been revised to \$7.4 million following finalisation of eligibility for payments in accordance with Section 215 of the *Electoral Act 2002*. This item will not reoccur in 2007-08.

The 2007-08 Special appropriations income and Grants and other payments expenses estimates also include an increase of \$1.8 million for compensation payments to eligible victims of crime.

The aggregate level of taxation, regulatory fee and fine revenue expected to be paid into the Consolidated Fund in 2007-08 remains generally consistent with reduced revenue from gaming and gambling offset by expected increases in fine related enforcement recovery charges.

**Table 2.5.1: Operating statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Income</b>					
Output appropriations	2 530.7	2 795.2	2 799.1	2 797.9	2 979.6
Special appropriations	83.0	96.0	96.0	96.6	74.5
Resources received free of charge or for nominal consideration	0.7	..	..	..	..
Sale of goods and services	26.7	..	..	45.9	..
Commonwealth grants	2.3	0.3	0.3	0.3	0.3
Fines and fees	6.8	8.4	8.4	7.3	7.9
Revenue from other parties and other income	156.1	117.4	119.2	144.7	137.8
	<b>2 806.2</b>	<b>3 017.3</b>	<b>3 023.0</b>	<b>3 092.6</b>	<b>3 200.2</b>
<b>Expenses</b>					
Employee benefits	1 552.9	1 577.8	1 580.0	1 667.7	1 701.5
Depreciation and amortisation	117.6	99.9	99.9	154.8	138.0
Grants and other payments	152.4	157.6	157.6	184.4	174.9
Capital asset charge	109.9	114.5	114.5	114.5	122.5
Supplies and services	769.8	1 007.4	1 010.8	873.2	962.3
Finance costs	44.5	25.5	25.5	63.4	51.7
Other expenses	14.7	0.3	0.3	4.8	4.5
	<b>2 761.7</b>	<b>2 983.0</b>	<b>2 988.7</b>	<b>3 062.9</b>	<b>3 155.3</b>
<b>Net result for the reporting period</b>	<b>44.5</b>	<b>34.3</b>	<b>34.3</b>	<b>29.7</b>	<b>44.9</b>

*Departments of Justice and Treasury and Finance*

*Note:*

(a) *The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.*

**Table 2.5.2: Statement of cash flows**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	2 537.6	2 836.5	2 840.3	2 877.5	3 011.4
Receipts from other entities	61.4	38.4	40.3	44.8	39.7
Payments for supplies, grants and employees	(2 342.3)	(2 714.8)	(2 720.5)	(2 650.4)	(2 806.2)
	<b>256.7</b>	<b>160.1</b>	<b>160.1</b>	<b>271.9</b>	<b>244.9</b>
Interest received	73.3	72.6	72.6	82.6	87.8
Finance costs expense	( 43.8)	( 25.3)	( 25.3)	( 63.2)	( 51.5)
Capital asset charge	( 109.9)	( 114.5)	( 114.5)	( 114.5)	( 122.5)
Other receipts	21.9	14.6	14.6	17.4	15.2
<b>Net cash inflow from operating activities</b>	<b>198.3</b>	<b>107.4</b>	<b>107.4</b>	<b>194.3</b>	<b>174.0</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	( 284.9)	( 205.2)	( 205.5)	( 271.1)	( 177.2)
Proceeds from sale of property, plant and equipment	13.4	..	..	20.0	20.0
(Repayment of) loans by other entities	( 48.1)	( 39.5)	( 39.5)	( 48.7)	( 48.8)
<b>Net cash (outflow) from investing activities</b>	<b>( 319.6)</b>	<b>( 244.7)</b>	<b>( 245.0)</b>	<b>( 299.8)</b>	<b>( 206.0)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	122.5	137.9	138.2	121.6	51.3
Net proceeds from borrowing	7.6	( 2.7)	( 2.7)	( 12.8)	( 20.2)
<b>Net cash inflows/(outflow) from financing activities</b>	<b>130.1</b>	<b>135.2</b>	<b>135.5</b>	<b>108.7</b>	<b>31.0</b>
<b>Net increase/(decrease) in cash held</b>	<b>8.8</b>	<b>( 2.1)</b>	<b>( 2.1)</b>	<b>3.2</b>	<b>( 0.9)</b>
Cash at the beginning of the financial year	34.4	43.2	43.2	43.2	46.4
<b>Cash at the end of the financial year</b>	<b>43.2</b>	<b>41.1</b>	<b>41.1</b>	<b>46.4</b>	<b>45.5</b>

*Departments of Justice and Treasury and Finance*

*Note:*

(a) *The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.*

**Table 2.5.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2006</i> <i>Actual</i>	<i>2007</i> <i>Budget</i>	<i>2007</i> <i>Adjusted<sup>(a)</sup></i>	<i>2007</i> <i>Revised</i>	<i>2008</i> <i>Budget</i>
<b>Current assets</b>					
Cash assets	43.2	41.1	41.1	46.4	45.5
Other financial assets	321.4	360.8	360.8	370.1	418.9
Receivables	405.8	461.3	461.3	430.7	477.7
Inventories	11.3	11.3	11.3	11.3	11.3
Prepayments	7.9	7.9	7.9	7.9	7.9
	<b>789.6</b>	<b>882.5</b>	<b>882.5</b>	<b>866.4</b>	<b>961.3</b>
Non-current assets classified as held for sale	17.8	17.8	17.8	17.8	17.8
<b>Total current assets</b>	<b>807.4</b>	<b>900.3</b>	<b>900.3</b>	<b>884.2</b>	<b>979.1</b>
<b>Non-current assets</b>					
Property, plant and equipment	2 040.9	2 147.0	2 147.3	2 115.3	2 131.2
Intangible assets	20.2	19.1	19.1	19.1	17.9
<b>Total non-current assets</b>	<b>2 061.0</b>	<b>2 166.1</b>	<b>2 166.4</b>	<b>2 134.3</b>	<b>2 149.2</b>
<b>Total assets</b>	<b>2 868.5</b>	<b>3 066.4</b>	<b>3 066.7</b>	<b>3 018.6</b>	<b>3 128.3</b>
<b>Current liabilities</b>					
Payables	170.0	170.0	170.0	156.5	156.5
Interest-bearing liabilities	92.2	94.3	94.3	68.6	56.8
Employee provisions	181.5	209.6	209.6	196.5	215.0
Other	12.9	12.9	12.9	12.9	12.9
<b>Total current liabilities</b>	<b>456.7</b>	<b>486.8</b>	<b>486.8</b>	<b>434.6</b>	<b>441.3</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	603.9	599.1	599.1	595.9	587.5
Employee provisions	303.7	303.8	303.8	318.8	333.9
Other	6.9	7.1	7.1	7.1	7.4
Amounts owing to other departments	0.1	0.1	0.1	0.2	0.2
<b>Total non-current liabilities</b>	<b>914.6</b>	<b>910.1</b>	<b>910.1</b>	<b>922.0</b>	<b>928.9</b>
<b>Total liabilities</b>	<b>1 371.3</b>	<b>1 397.0</b>	<b>1 397.0</b>	<b>1 356.6</b>	<b>1 370.2</b>
<b>Net assets</b>	<b>1 497.2</b>	<b>1 669.4</b>	<b>1 669.7</b>	<b>1 662.0</b>	<b>1 758.1</b>
<b>Equity</b>					
Contributed capital	901.2	1 039.1	1 039.4	1 036.2	1 087.5
Reserves	207.1	207.1	207.1	207.1	207.1
Accumulated surplus/(deficit)	388.9	423.2	423.2	418.6	463.5
<b>Total equity</b>	<b>1 497.2</b>	<b>1 669.4</b>	<b>1 669.7</b>	<b>1 662.0</b>	<b>1 758.1</b>

*Departments of Justice and Treasury and Finance*

*Note:*

(a) *The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.*

**Table 2.5.4: Statement of changes in equity**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Gains/(losses) on revaluation of properties	( 0.6)	..	..	..	..
Available for sale financial assets	..	..	..	..	..
Other	0.6	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>0.0</b>	..	..	..	..
Net result for the period	44.5	34.3	34.3	29.7	44.9
<b>Total recognised income and expense for the period</b>	<b>44.5</b>	<b>34.3</b>	<b>34.3</b>	<b>29.7</b>	<b>44.9</b>

*Departments of Justice and Treasury and Finance*

*Note:*

(a) *The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.*



**Table 2.5.5: Administered items statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Administered income</b>					
Appropriations - Payments made on behalf of the State	51.9	55.7	55.7	46.4	46.4
Special appropriations	31.8	41.6	41.6	40.7	35.2
Sale of goods and services	123.0	93.9	95.5	95.6	100.5
Commonwealth grants	51.7	49.7	49.7	52.5	53.7
Other grants	0.3	..	..	..	..
Taxes	1 459.9	1 556.3	1 556.3	1 514.2	1 529.8
Fines	361.2	487.7	487.7	420.9	464.9
Fees	76.8	73.6	77.5	101.6	112.5
Other	120.7	71.1	71.1	14.7	18.1
<b>Total administered income</b>	<b>2 277.2</b>	<b>2 429.5</b>	<b>2 434.9</b>	<b>2 286.6</b>	<b>2 361.0</b>
<b>Administered expenses</b>					
Expenses on behalf of the State	176.5	148.0	148.0	68.0	58.2
Grants and other payments	11.1	47.6	47.6	37.4	31.0
Payments into the Consolidated Fund	1 942.2	2 157.8	2 163.2	2 106.5	2 197.2
<b>Total administered expenses</b>	<b>2 129.8</b>	<b>2 353.4</b>	<b>2 358.9</b>	<b>2 211.9</b>	<b>2 286.3</b>
<b>Income less expenses</b>	<b>147.4</b>	<b>76.1</b>	<b>76.1</b>	<b>74.7</b>	<b>74.7</b>
<b>Administered assets</b>					
Cash assets	73.2	75.3	75.3	73.9	74.6
Receivables	457.4	531.3	531.3	531.4	605.4
Other financial assets	6.4	6.5	6.5	6.5	6.6
Property, plant and equipment	0.1	..	..	..	..
<b>Total administered assets</b>	<b>537.1</b>	<b>613.2</b>	<b>613.2</b>	<b>611.9</b>	<b>686.6</b>
<b>Administered liabilities</b>					
Payables	36.6	36.6	36.6	36.7	36.6
Provisions	0.1	0.1	0.1	0.1	0.2
Other	36.1	36.1	36.1	36.1	36.1
<b>Total administered liabilities</b>	<b>72.8</b>	<b>72.8</b>	<b>72.8</b>	<b>72.9</b>	<b>72.9</b>
<b>Net assets</b>	<b>464.3</b>	<b>540.4</b>	<b>540.4</b>	<b>539.0</b>	<b>613.7</b>

*Departments of Justice and Treasury and Finance*

*Note:*

*(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.*

## **Payments on behalf of the State**

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

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

(\$ million)

Accounts	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Health benefits levy transitional payment to racing clubs	9.3	9.3	..	..
Tattersalls duty payments to other jurisdictions	46.4	46.4	46.4	46.4
<b>Total</b>	<b>55.7</b>	<b>55.7</b>	<b>46.4</b>	<b>46.4</b>

*Departments of Justice and Treasury and Finance*

*Note:*

(a) *The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.*

### 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**

(\$ million)

	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	2 896.4	2 897.3	2 880.1	2 949.2
Receipts credited to appropriations	93.3	96.6	98.8	91.0
Unapplied previous years appropriation	..	..	1.1	34.2
Accumulated surplus - previously applied appropriation	..	..	19.1	..
<b>Gross annual appropriation</b>	<b>2 989.8</b>	<b>2 993.9</b>	<b>2 999.1</b>	<b>3 074.4</b>
Special appropriations	137.6	137.6	137.6	114.4
Trust funds	213.9	215.8	200.1	147.6
<b>Total Parliamentary authority</b>	<b>3 341.3</b>	<b>3 347.3</b>	<b>3 336.8</b>	<b>3 336.4</b>

*Departments of Justice and Treasury and Finance*

*Note:*

(a) *The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.*

## DEPARTMENT OF PREMIER AND CABINET

### Operating performance

The Department of Premier and Cabinet (DPC) is estimated to have an operating surplus of \$7.8 million for 2007-08, an increase of \$10.6 million from the 2006-07 Revised Budget. The deficit in the Department's 2006-07 Revised Budget is mainly attributed to Film Victoria expenses exceeding their revenue by \$2.3 million. This agency was transferred to the Department of Innovation, Industry and Regional Development as part of the machinery of government changes.

Overall, the Department's revenue estimates for 2007-08 reflect a \$27.3 million increase compared with the 2006-07 Revised Budget. This results mainly from the net effect of:

- an increase in operating funding provided by Government;
- an increase in trust revenue relating to donations received for the Melbourne Recital Centre (MRC) (\$7.7 million) and initiatives funded from the Community Support Fund (\$4.1 million); and
- the full year effect of machinery of government changes on DPC (\$6.4 million reduction in 2007-08).

The increase in operational income provided by Government is for existing and new output initiatives, which includes funding for:

- the MRC's set-up and operations (\$2.1 million);
- Arts Victoria for *Victoria Rocks* (\$0.9 million);
- the Major Performing Arts Companies (\$0.7 million);
- Ombudsman Victoria to undertake additional activities in jurisdictions that have been granted through legislation (\$0.9 million);
- Modernising the Arts Centre (\$2.1 million, approved in 2006-07); and
- MRC interim management (\$2.1 million, approved in 2005-06).

Expenditure increases primarily reflect the increases in funding for activities as referred to above, less the effect of machinery of government changes.

### Investing and financing

The Statement of Cash Flows shows an increase of \$27.5 million in capital expenses within the Department between the 2006-07 Revised Budget and the 2007-08 Budget. This is reflective of both the increased capital expense for the Melbourne Recital Centre (\$9.2 million increase in 2007-08 over 2006-07 revised budget) and the new initiatives detailed below.

The other significant differences in cashflow categories between 2006-07 Revised and 2007-08 Budgets reflect machinery of government changes and an increase in capital contributions received to fund the additional capital expenditure.

## Balance sheet performance

The Department's net asset position in 2007-08 is estimated to improve by \$46.9 million compared with the 2006-07 Revised Budget. This increase is principally due to a \$45.5 million increase in property, plant and equipment. The increase is attributed to previously approved capital expenditure, such as the construction of the Melbourne Recital Centre and Melbourne Theatre Company Theatre (\$54.5 million in 2007-08) and new initiatives net of depreciation charged.

The new initiatives for which additional 2007-08 capital expenditure was approved in the 2007-08 Budget are:

- Arts Centre Precinct (\$4.7 million);
- Australian Centre for the Moving Image - Museum of 100 years of Moving Image (\$5.9 million); and
- City of Literature (\$6.0 million).

**Table 2.6.1: Operating statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Income</b>					
Output appropriations	420.8	468.3	460.2	455.0	469.7
Special appropriations	5.5	5.6	5.6	6.2	6.2
Resources received free of charge or for nominal consideration	1.0	0.4	0.4	0.4	0.4
Sale of goods and services	29.8	34.1	34.1	30.4	31.0
Commonwealth grants	1.0	..	..	..	..
Revenue from other parties and other income	52.2	31.4	30.2	32.9	45.0
	<b>510.3</b>	<b>539.9</b>	<b>530.5</b>	<b>525.0</b>	<b>552.3</b>
<b>Expenses</b>					
Employee benefits	161.1	167.8	166.9	170.0	176.9
Depreciation and amortisation	38.3	45.4	45.7	42.5	45.1
Resources provided free of charge or for nominal consideration	0.4	0.6	0.6	0.6	0.6
Grants and other payments	77.5	77.2	68.5	71.3	63.0
Capital asset charge	89.8	91.8	93.4	93.3	97.0
Supplies and services	143.5	156.3	154.9	149.4	161.2
Finance costs	0.3	0.3	0.3	0.2	0.2
Other expenses	0.1	0.5	0.5	0.5	0.5
	<b>511.0</b>	<b>539.9</b>	<b>530.8</b>	<b>527.8</b>	<b>544.5</b>
<b>Net result for the reporting period</b>	<b>(0.7)</b>	<b>(0.0)</b>	<b>(0.2)</b>	<b>(2.8)</b>	<b>7.8</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.6.2: Statement of cash flows**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	435.1	467.4	461.8	456.5	472.1
Receipts from other entities	45.9	36.0	36.0	32.3	40.0
Payments for supplies, grants and employees	( 372.9)	( 401.3)	( 391.4)	( 391.8)	( 399.7)
	<b>108.2</b>	<b>102.1</b>	<b>106.5</b>	<b>97.1</b>	<b>112.4</b>
Interest received	8.3	6.7	6.2	6.9	5.8
Finance costs expense	( 0.3)	( 0.3)	( 0.2)	( 0.2)	( 0.2)
Capital asset charge	( 89.8)	( 91.8)	( 93.4)	( 93.3)	( 97.0)
Other receipts	53.0	25.5	24.8	26.9	32.8
<b>Net cash inflow from operating activities</b>	<b>79.3</b>	<b>42.3</b>	<b>43.9</b>	<b>37.4</b>	<b>53.7</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	( 88.7)	( 66.6)	( 57.5)	( 68.5)	( 96.0)
Proceeds from sale of property, plant and equipment	( 1.6)	..	..	..	..
(Repayment of) loans by other entities	2.8	2.5	30.9	31.6	3.0
<b>Net cash (outflow) from investing activities</b>	<b>( 87.5)</b>	<b>( 64.1)</b>	<b>( 26.6)</b>	<b>( 36.8)</b>	<b>( 93.0)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	22.5	22.3	( 17.8)	( 2.0)	38.9
Net proceeds from borrowing	( 0.8)	( 2.3)	( 2.2)	( 2.2)	( 1.8)
<b>Net cash inflows/(outflow) from financing activities</b>	<b>21.7</b>	<b>20.0</b>	<b>( 19.9)</b>	<b>( 4.2)</b>	<b>37.1</b>
<b>Net increase/(decrease) in cash held</b>	<b>13.5</b>	<b>( 1.8)</b>	<b>( 2.6)</b>	<b>( 3.6)</b>	<b>( 2.1)</b>
Cash at the beginning of the financial year	15.0	28.5	28.5	28.5	24.8
<b>Cash at the end of the financial year</b>	<b>28.5</b>	<b>26.7</b>	<b>25.8</b>	<b>24.8</b>	<b>22.8</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.6.3: Balance sheet**

(\$ million)

	Estimated as at 30 June				
	2006 Actual	2007 Budget	2007 Adjusted <sup>(a)</sup>	2007 Revised	2008 Budget
<b>Current assets</b>					
Cash assets	28.5	26.7	25.8	24.8	22.8
Other financial assets	97.3	94.9	68.0	67.8	65.1
Receivables	63.8	70.3	67.6	69.4	70.0
Inventories	3.3	3.3	3.7	3.7	3.7
Prepayments	1.4	1.3	1.4	1.4	1.3
<b>Total current assets</b>	<b>194.3</b>	<b>196.6</b>	<b>166.6</b>	<b>167.2</b>	<b>162.9</b>
<b>Non-current assets</b>					
Receivables	..	( 3.0)	( 3.0)	( 3.0)	( 3.0)
Other financial assets	4.8	4.8	3.4	1.7	1.7
Property, plant and equipment	4 299.3	4 319.9	4 539.5	4 558.3	4 603.9
Intangible assets	..	..	4.9	4.9	4.9
<b>Total non-current assets</b>	<b>4 304.1</b>	<b>4 321.7</b>	<b>4 544.8</b>	<b>4 562.0</b>	<b>4 607.5</b>
<b>Total assets</b>	<b>4 498.4</b>	<b>4 518.3</b>	<b>4 711.4</b>	<b>4 729.2</b>	<b>4 770.5</b>
<b>Current liabilities</b>					
Payables	34.8	34.6	33.9	39.7	34.8
Interest-bearing liabilities	1.5	1.0	1.1	1.1	1.1
Employee provisions	22.6	22.5	22.1	22.3	22.7
Other	2.3	2.1	2.1	2.1	1.9
<b>Total current liabilities</b>	<b>61.3</b>	<b>60.2</b>	<b>59.2</b>	<b>65.2</b>	<b>60.4</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	5.2	3.5	3.5	3.5	1.7
Employee provisions	10.4	10.8	11.3	11.0	11.9
Other	21.0	21.0	21.0	21.0	21.0
<b>Total non-current liabilities</b>	<b>36.6</b>	<b>35.3</b>	<b>35.8</b>	<b>35.5</b>	<b>34.6</b>
<b>Total liabilities</b>	<b>97.9</b>	<b>95.5</b>	<b>95.0</b>	<b>100.7</b>	<b>95.1</b>
<b>Net assets</b>	<b>4 400.5</b>	<b>4 422.8</b>	<b>4 616.4</b>	<b>4 628.5</b>	<b>4 675.4</b>
<b>Equity</b>					
Contributed capital	1 348.3	1 370.5	1 564.4	1 579.1	1 618.2
Reserves	2 897.0	2 897.0	2 897.0	2 897.0	2 897.0
Accumulated surplus/(deficit)	155.2	155.2	154.9	152.4	160.2
<b>Total equity</b>	<b>4 400.5</b>	<b>4 422.8</b>	<b>4 616.4</b>	<b>4 628.5</b>	<b>4 675.4</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.6.4: Statement of changes in equity**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Gains/(losses) on revaluation of properties	( 92.6)	..	..	..	..
Available for sale financial assets	1.7	..	..	..	..
Other	..	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>( 90.9)</b>	..	..	..	..
Net result for the period	( 0.7)	..	( 0.2)	( 2.8)	7.8
<b>Total recognised income and expense for the period</b>	<b>( 91.6)</b>	..	<b>( 0.2)</b>	<b>( 2.8)</b>	<b>7.8</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.6.5: Administered items statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Administered income</b>					
Sale of goods and services	..	0.4	0.6	0.6	0.9
Other grants	0.5	..	..	..	..
Other	0.4	0.3	0.3	0.3	0.3
<b>Total administered income</b>	<b>0.9</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>1.2</b>
<b>Administered expenses</b>					
Payments into the Consolidated Fund	0.9	0.7	0.9	0.9	1.2
<b>Total administered expenses</b>	<b>0.9</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>1.2</b>
<b>Income less expenses</b>	..	..	..	..	..
<b>Administered assets</b>					
Cash assets	( 0.1)	( 0.1)	( 0.1)	( 0.1)	( 0.1)
Receivables	3.5	1.8	1.8	1.8	0.1
<b>Total administered assets</b>	<b>3.4</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	..
<b>Administered liabilities</b>					
Payables	3.4	1.7	1.7	1.7	( 0.1)
<b>Total administered liabilities</b>	<b>3.4</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>( 0.1)</b>
<b>Net assets</b>	..	..	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

## 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)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	475.3	455.4	462.7	498.0
Receipts credited to appropriations	0.4	0.8	0.8	0.9
Unapplied previous years appropriation	17.5	16.2	18.3	10.3
Accumulated surplus - previously applied appropriation	5.0	5.0	5.0	..
<b>Gross annual appropriation</b>	<b>498.2</b>	<b>477.4</b>	<b>486.8</b>	<b>509.3</b>
Special appropriations	5.6	5.6	6.2	6.2
Trust funds	3.8	3.8	3.8	15.6
<b>Total Parliamentary authority</b>	<b>507.6</b>	<b>486.8</b>	<b>496.8</b>	<b>531.1</b>

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.



## **DEPARTMENT OF PRIMARY INDUSTRIES**

### **Operating performance**

The Department of Primary Industries (DPI) is expected to break even for 2007-08. The deficit in the 2006-07 Revised Budget is mainly due to the repayment of a loan associated with the voluntary buyback of commercial fishing access licences in Victoria's bays and inlets.

Most of DPI's operating income is sourced from State Government appropriations and supplemented by external funding received from scientific research and extension projects. The operating income for DPI for the 2007-08 Budget is expected to be \$487 million, a \$12 million increase from the 2006-07 Revised Budget. This increase is primarily due to the addition of the Energy portfolio into DPI, and new approved initiatives such as the establishment of a recreational fishing haven in Western Port and new investment in clean coal and carbon storage projects. This increase is offset by initiatives that are concluding, such as the Showgrounds Redevelopment, Naturally Victorian and reduced Commonwealth revenue for Exceptional Circumstances drought assistance.

Operating expenses are expected to increase in line with income, however there is a projected reduction in grant payments in line with the reductions in Commonwealth/State Exceptional Circumstances drought relief subsidies. If extensions of Exceptional Circumstances are declared then this may need to be revised during 2007-08 along with a matching increase in revenue.

### **Investing and financing**

The increase in payments for property, plant and equipment from \$7 million in 2006-07 Revised Budget to \$20 million is mainly due to the establishment of a new biosciences research centre reflecting a large injection of capital investment into new scientific infrastructure for DPI and Victoria.

The increase in cash flows from financing activities reflects the Government's commitment for the redevelopment of the Melbourne Showgrounds and the new biosciences research centre.

### **Balance sheet performance**

DPI's net position is expected to increase to \$281 million in 2007-08. This increase in net assets is mainly due to a reduction in DPI's outstanding commitment to the Showgrounds Redevelopment Joint Venture along with a strategy to reduce both outstanding trade creditors and employee provisions such as accrued annual leave.

### **Statement of administered items**

Administered income is expected to decrease to \$161 million in 2007-08 Budget, mainly as a result of a wind down in Commonwealth grants for Exceptional Circumstances relief payments. This decrease is offset by an increase in grant payments on behalf of the State for the Energy Network Tariff Rebate Scheme, reflecting the full year effect in 2007-08 of the transfer to DPI under machinery of government changes announced in 2006-07.

**Table 2.7.1: Operating statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Income</b>					
Output appropriations	363.6	350.6	377.6	426.1	440.3
Sale of goods and services	37.2	37.8	37.8	35.7	34.9
Commonwealth grants	..	..	..	1.2	..
Taxes	5.0	5.1	5.1	5.1	5.3
Fines and fees	4.5	4.7	4.7	4.7	4.7
Other revenue and revenue from other parties	1.1	0.4	0.4	2.0	2.0
	<b>411.5</b>	<b>398.7</b>	<b>425.7</b>	<b>474.8</b>	<b>487.2</b>
<b>Expenses</b>					
Employee benefits	160.3	164.3	166.4	169.3	177.1
Depreciation and amortisation	16.6	20.5	20.5	20.5	20.5
Grants and other payments	73.6	32.3	53.1	121.4	94.6
Capital asset charge	15.6	15.6	15.6	15.6	15.6
Supplies and services	144.2	166.0	169.9	148.0	178.1
Finance costs	1.3	..	..	..	..
Other expenses	1.2	..	..	1.0	1.0
	<b>412.8</b>	<b>398.7</b>	<b>425.6</b>	<b>475.8</b>	<b>487.0</b>
<b>Net result for the reporting period</b>	<b>( 1.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>( 1.0)</b>	<b>0.1</b>

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.7.2: Statement of cash flows**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	354.5	351.9	378.4	428.1	442.3
Receipts from other entities	6.3	48.1	48.1	46.0	45.5
Payments for supplies, grants and employees	( 381.2)	( 369.3)	( 395.7)	( 447.2)	( 460.9)
	<b>( 20.4)</b>	<b>30.7</b>	<b>30.8</b>	<b>26.9</b>	<b>26.8</b>
Interest received	0.7	0.4	0.4	1.0	1.0
Finance costs expense	( 1.3)	..	..	..	..
Capital asset charge	( 15.6)	( 15.6)	( 15.6)	( 15.6)	( 15.6)
Other receipts	( 0.3)	..	..	..	..
<b>Net cash inflow from operating activities</b>	<b>( 37.0)</b>	<b>15.5</b>	<b>15.6</b>	<b>12.3</b>	<b>12.2</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	( 34.0)	( 6.6)	( 6.7)	( 7.0)	( 19.5)
Proceeds from sale of property, plant and equipment	2.3	..	..	..	..
(Repayment of) loans by other entities	67.1	0.3	0.3	0.3	0.4
<b>Net cash (outflow) from investing activities</b>	<b>35.4</b>	<b>( 6.3)</b>	<b>( 6.4)</b>	<b>( 6.7)</b>	<b>( 19.1)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	10.4	( 10.9)	( 10.4)	( 6.8)	6.5
Net proceeds from borrowing	( 5.4)	..	0.1	0.1	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>5.0</b>	<b>( 10.9)</b>	<b>( 10.3)</b>	<b>( 6.8)</b>	<b>6.5</b>
<b>Net increase/(decrease) in cash held</b>	<b>3.5</b>	<b>( 1.7)</b>	<b>( 1.1)</b>	<b>( 1.1)</b>	<b>( 0.5)</b>
Cash at the beginning of the financial year	31.4	34.8	34.8	34.8	33.7
<b>Cash at the end of the financial year</b>	<b>34.8</b>	<b>33.1</b>	<b>33.7</b>	<b>33.7</b>	<b>33.2</b>

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.7.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2006 Actual</i>	<i>2007 Budget</i>	<i>2007 Adjusted<sup>(a)</sup></i>	<i>2007 Revised</i>	<i>2008 Budget</i>
<b>Current assets</b>					
Cash assets	34.8	33.1	33.7	33.7	33.2
Other financial assets	13.8	13.5	13.5	13.5	13.1
Receivables	118.3	116.5	117.0	117.0	114.4
Inventories	0.9	0.9	0.9	0.9	0.9
Prepayments	0.6	0.6	0.6	0.6	0.6
	<b>168.3</b>	<b>164.6</b>	<b>165.6</b>	<b>165.6</b>	<b>162.2</b>
Non-current assets classified as held for sale	0.3	0.3	0.3	0.3	0.3
<b>Total current assets</b>	<b>168.6</b>	<b>164.9</b>	<b>165.9</b>	<b>165.9</b>	<b>162.5</b>
<b>Non-current assets</b>					
Property, plant and equipment	298.5	284.5	284.7	285.0	284.0
Other	2.4	2.4	2.4	2.4	2.4
<b>Total non-current assets</b>	<b>300.9</b>	<b>286.9</b>	<b>287.1</b>	<b>287.4</b>	<b>286.4</b>
<b>Total assets</b>	<b>469.5</b>	<b>451.9</b>	<b>453.0</b>	<b>453.3</b>	<b>448.8</b>
<b>Current liabilities</b>					
Payables	21.3	18.3	18.3	19.3	17.3
Interest-bearing liabilities	10.9	10.9	10.9	10.9	10.9
Employee provisions	54.4	52.4	52.9	52.9	51.3
Other	0.3	0.3	0.3	0.3	0.3
<b>Total current liabilities</b>	<b>87.0</b>	<b>81.9</b>	<b>82.4</b>	<b>83.4</b>	<b>79.9</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	11.7	11.7	11.7	11.7	11.7
Employee provisions	4.1	5.4	5.4	5.4	6.8
Other	86.6	81.6	81.6	79.4	69.5
<b>Total non-current liabilities</b>	<b>102.4</b>	<b>98.7</b>	<b>98.8</b>	<b>96.5</b>	<b>88.0</b>
<b>Total liabilities</b>	<b>189.4</b>	<b>180.6</b>	<b>181.2</b>	<b>180.0</b>	<b>167.9</b>
<b>Net assets</b>	<b>280.1</b>	<b>271.2</b>	<b>271.8</b>	<b>273.4</b>	<b>281.0</b>
<b>Equity</b>					
Contributed capital	283.9	275.0	275.6	278.1	285.6
Accumulated surplus/(deficit)	( 3.8)	( 3.8)	( 3.8)	( 4.8)	( 4.6)
<b>Total equity</b>	<b>280.1</b>	<b>271.2</b>	<b>271.8</b>	<b>273.4</b>	<b>281.0</b>

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.7.4: Statement of changes in equity**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Gains/(losses) on revaluation of properties	..	..	..	..	..
Available for sale financial assets	..	..	..	..	..
Other	1.4	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>1.4</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	( 1.4)	..	..	( 1.0)	0.1
<b>Total recognised income and expense for the period</b>	<b>0.1</b>	<b>..</b>	<b>..</b>	<b>( 1.0)</b>	<b>0.1</b>

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.7.5: Administered items statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Administered income</b>					
Appropriations - Payments made on behalf of the State	..	..	18.4	18.4	27.9
Sale of goods and services	58.2	46.5	46.5	47.3	48.7
Commonwealth grants	31.6	11.7	11.7	66.9	28.3
Other grants	7.8	8.7	8.7	12.8	8.7
Fees	5.9	5.6	5.6	6.7	5.5
Other	31.3	42.1	42.1	42.5	42.4
<b>Total administered income</b>	<b>134.8</b>	<b>114.6</b>	<b>133.0</b>	<b>194.7</b>	<b>161.4</b>
<b>Administered expenses</b>					
Expenses on behalf of the State	..	0.1	0.1	0.1	..
Grants and other payments	..	..	18.4	18.4	27.9
Payments into the Consolidated Fund	123.1	114.3	114.3	176.0	133.2
<b>Total administered expenses</b>	<b>123.1</b>	<b>114.4</b>	<b>132.8</b>	<b>194.4</b>	<b>161.1</b>
<b>Income less expenses</b>	<b>11.7</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>
<b>Administered assets</b>					
Cash assets	1.2	1.5	1.5	1.5	1.8
Receivables	41.7	41.7	41.7	41.7	41.7
<b>Total administered assets</b>	<b>43.0</b>	<b>43.2</b>	<b>43.2</b>	<b>43.2</b>	<b>43.5</b>
<b>Administered liabilities</b>					
Payables	0.1	0.1	0.1	0.1	0.1
Other	5.6	5.5	5.5	5.5	5.5
<b>Total administered liabilities</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>
<b>Net assets</b>	<b>37.3</b>	<b>37.6</b>	<b>37.6</b>	<b>37.6</b>	<b>37.9</b>

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

## 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)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	417.7	463.1	438.7	378.8
Receipts credited to appropriations	66.8	66.8	126.9	85.6
Unapplied previous years appropriation	18.9	18.9	34.2	42.8
<b>Gross annual appropriation</b>	<b>503.4</b>	<b>548.8</b>	<b>599.9</b>	<b>507.2</b>
Trust funds	48.4	48.4	48.0	46.2
<b>Total Parliamentary authority</b>	<b>551.8</b>	<b>597.2</b>	<b>647.9</b>	<b>553.4</b>

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

## **DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT**

### **Operating performance**

The Department of Sustainability and Environment (DSE) net result is expected to improve from a \$4.6 million operating deficit (2006-07 Revised Budget) to a \$17.3 million operating surplus in 2007-08.

The expected reported deficit for 2006-07 Revised Budget is due to the utilisation of cash reserves to deliver sustainability and water initiatives associated with the Environmental Sustainability Action Statement.

Nearly all of the estimated \$138.7 million increase in 2007-08 revenue (12.9 per cent of the 2006-07 Budget) from the 2006-07 Budget is attributable to increased appropriation funding for new output initiatives announced since the 2006-07 Budget, specifically relating to drought and water initiatives. Expenses are estimated to increase by an equivalent amount.

Major initiatives announced in the 2007-08 Budget contributing to the increase in appropriation revenue include Transit Cities; initiatives such as Rebates for Being Green, CarbonDown and Green Power; Water initiatives and Landcare and National Parks.

The Metropolitan Parks Charge (MPC) continues to be a significant part of the 2007-08 Budget. Total revenue in 2007-08 from this charge is \$100.6 million (8.3 per cent) and represents an increase of \$3.3 million on 2006-07. The MPC is hypothecated (legislatively dedicated) to expenses relating to metropolitan parks. The income is used to fund further development and management of the network of parks, gardens, trails, waterways, bays and other significant recreation and conservation assets.

### **Investing and financing**

At about \$153 million, DSE's 2006-07 investment activities reflect the approved asset investment program, and will not differ materially from the original 2006-07 Budget estimate.

New asset investments for 2007-08 are summarised in the following section. The investing activity is financed by a net cash inflow from operations of \$55 million, and a capital contribution from the State Government of \$78 million.

### **Balance sheet performance**

DSE's 2007-08 net asset position is estimated to improve by \$18 million (or 0.2 per cent) on the 2006-07 Budget. This comprises an estimated increase in total assets of \$78 million, partially offset by an estimated increase in total liabilities of \$60 million, the latter being attributable largely to movements in current payables.

The increase in total assets mainly reflects investment for projects including Transit Cities (\$45.4 million TEI over three years); Australian Garden Stage – Royal Botanic Gardens in Cranbourne (\$20.9 million TEI over four years); National Parks Upgrades (\$11.5 million TEI over three years); and Upgrade of piers and jetties (\$10 million TEI over three years).

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 administered items**

Transactions administered by DSE on behalf of the State relate to 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 2007-08 Budget represents the collection of fees and charges for land title transactions, environmental levy contributions, 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 of \$477.9 million is a decrease of \$23 million (4.6 per cent) and is mainly due to a fall in Commonwealth grants and investment revenue.



**Table 2.8.1: Operating statement**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
<b>Income</b>					
Output appropriations	809.0	905.6	905.6	965.2	995.1
Special appropriations	2.6	..	..	7.2	..
Resources received free of charge or for nominal consideration	5.4	..	..	..	..
Sale of goods and services	39.2	15.3	15.3	15.3	15.4
Commonwealth grants	7.5	..	..	7.5	7.5
Taxes	130.8	137.9	137.9	137.9	145.3
Fines and fees	17.5	12.9	12.9	12.9	29.0
Revenue from other parties and other income	60.1	4.0	4.0	38.5	22.1
	<b>1 072.2</b>	<b>1 075.7</b>	<b>1 075.7</b>	<b>1 184.5</b>	<b>1 214.4</b>
<b>Expenses</b>					
Employee benefits	243.2	247.6	247.6	247.6	250.9
Depreciation and amortisation	31.3	38.1	38.1	37.5	39.4
Grants and other payments	437.0	414.5	414.5	526.9	474.7
Capital asset charge	67.2	69.6	69.6	69.1	68.9
Supplies and services	246.5	293.8	293.8	305.5	359.8
Finance costs	2.2	0.1	0.1	0.1	0.1
Other expenses	( 8.5)	2.5	2.5	2.5	3.3
	<b>1 018.9</b>	<b>1 066.2</b>	<b>1 066.2</b>	<b>1 189.1</b>	<b>1 197.1</b>
<b>Net result for the reporting period</b>	<b>53.2</b>	<b>9.6</b>	<b>9.6</b>	<b>( 4.6)</b>	<b>17.3</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.8.2: Statement of cash flows**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	800.5	887.6	887.6	976.4	1 007.7
Receipts from other entities	185.3	162.6	162.6	167.6	187.5
Payments for supplies, grants and employees	( 891.2)	( 952.1)	( 952.1)	(1 076.2)	(1 081.6)
	<b>94.5</b>	<b>98.1</b>	<b>98.1</b>	<b>67.8</b>	<b>113.6</b>
Interest received	3.2	2.0	2.0	2.0	1.6
Finance costs expense	( 2.0)	( 0.1)	( 0.1)	( 0.1)	( 0.1)
Capital asset charge	( 67.2)	( 69.6)	( 69.6)	( 69.1)	( 68.9)
Other receipts	0.6	3.7	3.7	31.8	8.7
<b>Net cash inflow from operating activities</b>	<b>29.1</b>	<b>34.1</b>	<b>34.1</b>	<b>32.5</b>	<b>54.9</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	( 104.2)	( 147.6)	( 147.6)	( 151.9)	( 122.1)
Proceeds from sale of property, plant and equipment	2.4	..	..	..	..
(Repayment of) loans by other entities	( 9.8)	( 10.0)	( 10.0)	( 1.6)	( 8.8)
<b>Net cash (outflow) from investing activities</b>	<b>( 111.6)</b>	<b>( 157.6)</b>	<b>( 157.6)</b>	<b>( 153.5)</b>	<b>( 130.9)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	47.7	119.7	119.7	113.0	78.2
Net proceeds from borrowing	17.5	..	..	..	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>65.1</b>	<b>119.7</b>	<b>119.7</b>	<b>113.0</b>	<b>78.2</b>
<b>Net increase/(decrease) in cash held</b>	<b>( 17.4)</b>	<b>( 3.8)</b>	<b>( 3.8)</b>	<b>( 8.0)</b>	<b>2.3</b>
Cash at the beginning of the financial year	93.4	76.0	76.0	76.0	68.0
<b>Cash at the end of the financial year</b>	<b>76.0</b>	<b>72.2</b>	<b>72.2</b>	<b>68.0</b>	<b>70.3</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.8.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>				<i>2008 Budget</i>
	<i>2006 Actual</i>	<i>2007 Budget</i>	<i>2007 Adjusted<sup>(a)</sup></i>	<i>2007 Revised</i>	
<b>Current assets</b>					
Cash assets	76.0	72.2	72.2	68.0	70.3
Other financial assets	39.9	49.9	49.9	41.4	50.2
Receivables	135.0	156.3	156.3	148.1	157.7
Inventories	11.4	11.4	11.4	11.4	11.4
Prepayments	3.1	3.1	3.1	3.1	3.1
	<b>265.4</b>	<b>292.9</b>	<b>292.9</b>	<b>272.1</b>	<b>292.8</b>
Non-current assets classified as held for sale	0.6	0.6	0.6	0.6	0.6
<b>Total current assets</b>	<b>266.0</b>	<b>293.5</b>	<b>293.5</b>	<b>272.7</b>	<b>293.3</b>
<b>Non-current assets</b>					
Receivables	0.9	0.9	0.9	0.9	0.9
Property, plant and equipment	9 642.3	9 752.6	9 752.6	9 752.5	9 835.9
Intangible assets	48.6	43.8	43.8	43.8	39.1
Other	78.6	78.6	78.6	78.6	78.6
<b>Total non-current assets</b>	<b>9 770.4</b>	<b>9 875.9</b>	<b>9 875.9</b>	<b>9 875.8</b>	<b>9 954.5</b>
<b>Total assets</b>	<b>10 036.4</b>	<b>10 169.4</b>	<b>10 169.4</b>	<b>10 148.5</b>	<b>10 247.8</b>
<b>Current liabilities</b>					
Payables	94.0	102.4	102.4	152.5	158.6
Interest-bearing liabilities	10.0	10.0	10.0	10.0	10.0
Employee provisions	64.2	65.1	65.1	65.1	66.0
Other	2.6	2.6	2.6	2.6	2.6
<b>Total current liabilities</b>	<b>170.8</b>	<b>180.1</b>	<b>180.1</b>	<b>230.2</b>	<b>237.2</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	18.4	18.4	18.4	18.4	18.4
Employee provisions	10.6	13.5	13.5	13.5	16.5
Other	11.3	11.3	11.3	11.3	11.3
<b>Total non-current liabilities</b>	<b>40.2</b>	<b>43.2</b>	<b>43.2</b>	<b>43.2</b>	<b>46.1</b>
<b>Total liabilities</b>	<b>211.1</b>	<b>223.3</b>	<b>223.3</b>	<b>273.4</b>	<b>283.3</b>
<b>Net assets</b>	<b>9 825.3</b>	<b>9 946.1</b>	<b>9 946.1</b>	<b>9 875.1</b>	<b>9 964.5</b>
<b>Equity</b>					
Contributed capital	2 327.5	2 438.7	2 438.7	2 381.9	2 454.0
Reserves	7 381.1	7 381.1	7 381.1	7 381.1	7 381.1
Accumulated surplus/(deficit)	116.8	126.3	126.3	112.1	129.4
<b>Total equity</b>	<b>9 825.3</b>	<b>9 946.1</b>	<b>9 946.1</b>	<b>9 875.1</b>	<b>9 964.5</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.8.4: Statement of changes in equity**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Gains/(losses) on revaluation of properties	( 101.2)	..	..	..	..
Available for sale financial assets	..	..	..	..	..
Other	14.9	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>( 86.3)</b>	..	..	..	..
Net result for the period	53.2	9.6	9.6	( 4.6)	17.3
<b>Total recognised income and expense for the period</b>	<b>( 33.1)</b>	<b>9.6</b>	<b>9.6</b>	<b>( 4.6)</b>	<b>17.3</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.8.5: Administered items statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Administered income</b>					
Appropriations - Payments made on behalf of the State	24.6	26.1	26.1	25.0	25.9
Sale of goods and services	208.7	236.2	236.2	238.5	248.1
Commonwealth grants	82.2	117.5	117.5	136.6	98.8
Other grants	20.0	..	..	0.2	..
Taxes	60.2	60.4	60.4	60.4	61.6
Fines	0.5	0.3	0.3	0.5	0.5
Fees	18.2	22.2	22.2	22.2	22.5
Other	137.7	38.7	38.7	26.6	20.4
<b>Total administered income</b>	<b>552.2</b>	<b>501.4</b>	<b>501.4</b>	<b>510.0</b>	<b>477.9</b>
<b>Administered expenses</b>					
Expenses on behalf of the State	..	4.3	4.3	3.2	4.1
Grants and other payments	24.6	21.8	21.8	22.0	21.8
Payments into the Consolidated Fund	399.0	475.3	475.3	484.7	452.1
<b>Total administered expenses</b>	<b>423.6</b>	<b>501.5</b>	<b>501.5</b>	<b>510.0</b>	<b>477.9</b>
<b>Income less expenses</b>	<b>128.6</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>					
Cash assets	1.8	1.8	1.8	1.6	1.6
Receivables	13.9	13.9	13.9	14.1	14.1
Other financial assets	0.1	0.1	0.1	0.1	0.1
Investments accounted for using the equity method	587.6	587.6	587.6	587.6	587.6
Property, plant and equipment	..	..	..	2.0	2.0
<b>Total administered assets</b>	<b>603.4</b>	<b>603.4</b>	<b>603.4</b>	<b>605.4</b>	<b>605.4</b>
<b>Administered liabilities</b>					
Payables	0.5	0.5	0.5	0.5	0.5
Other	7.6	7.6	7.6	7.6	7.6
<b>Total administered liabilities</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>
<b>Net assets</b>	<b>595.4</b>	<b>595.4</b>	<b>595.4</b>	<b>597.4</b>	<b>597.3</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

## 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)

	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Murray-Darling Basin Contribution	25.0	25.0	25.0	25.9
Timber Promotion Council Trust Fund	1.1	1.1	..	..
<b>Total</b>	<b>26.1</b>	<b>26.1</b>	<b>25.0</b>	<b>25.9</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

### 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)

	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	886.8	886.8	944.7	1 079.1
Receipts credited to appropriations	162.2	162.2	186.8	150.7
Unapplied previous years appropriation	..	..	28.5	29.7
Accumulated surplus - previously applied appropriation	..	..	3.9	..
<b>Gross annual appropriation</b>	<b>1 049.0</b>	<b>1 049.1</b>	<b>1 163.9</b>	<b>1 259.5</b>
Special appropriations	..	..	37.2	..
Trust funds	171.6	171.6	218.9	220.0
<b>Total Parliamentary authority</b>	<b>1 220.7</b>	<b>1 220.7</b>	<b>1 419.9</b>	<b>1 479.5</b>

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

## **DEPARTMENT OF TREASURY AND FINANCE**

### **Operating performance**

The Department's revenue for output delivery is expected to increase from \$210.6 million in 2006-07 to \$228.8 million in 2007-08. The increase can be primarily attributed to:

- the transfer of Information, Communication and Technology related outputs (\$26.5 million) from the Departments of Premier and Cabinet and Infrastructure, following machinery of government changes;
- additional funding of \$3.6 million for the establishment of the Government Services Output; and
- additional funding of \$3.2 million to the State Revenue Office for tax compliance activities.

These increases will be partially offset by expenditure reductions to be achieved from efficiency measures under the Efficient Government Policy.

Differences between the 2006-07 Published and Revised budgets were mainly the result of machinery of government changes.

The Department traditionally runs an operating deficit for its Controlled activities, as the write back of book values upon sales of Crown land is recorded as an expense, whilst offsetting revenue is recorded as Administered revenue.

### **Investing and financing**

The Department's 2007-08 budgeted cash flow for payments of supplies, grants and employees is \$35.5 million higher than the 2006-07 Revised Budget, reflecting the machinery of government transfer of the Office of the Chief Information Officer from the Department of Premier and Cabinet and the transfer of the Office of Chief Technology Officer and Shared Services Centre from the Department of Infrastructure.

Net cash flow from investing activities is expected to decrease by \$11.3 million from the 2006-07 Revised Budget to 2007-08 Budget, largely reflecting the one-off funding in 2006-07 for the purchase of municipal valuations.

The estimated increase of \$19.2 million in net cash inflow from financing activities is predominantly associated with the financing of the State's motor vehicle lease facility.

### **Balance sheet performance**

Controlled net assets of the Department are budgeted to increase by \$8.4 million between 2006-07 Revised Budget and 2007-08 Budget, as a result of the following:

- receivables are estimated to increase, as appropriation received for depreciation and amortisation expenses is not expected to be fully drawn down in cash; and
- written-down value of property, plant and equipment will be decreasing, as a result of depreciation and amortisation.

## **Statement of administered items**

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

Total administered revenue is estimated to increase by \$1 346 million between the 2006-07 Revised Budget and the 2007-08 Budget. The expected increase in GST-related Commonwealth Grants accounts for \$606 million, reflecting growth in the total GST pool and an increase in Victoria's share as determined by the Commonwealth Grants Commission. In addition, there is an increase of \$322 million in special appropriations, which relates to superannuation payments made to reduce the State's unfunded superannuation liability.

Administered expenses for 2007-08 are estimated to increase by \$2 485 million compared to the 2006-07 Revised Budget. The 2006-07 Revised Budget is deflated due to the effects of a \$1 248 million gain on superannuation fund assets. This has resulted in a decrease in administered expenses for 2006-07 Revised. This forecast gain is driven by higher than expected investment returns and movement in the long term bond rate used to value the unfunded liability. In addition, payments into the Consolidated Fund are estimated to increase by \$689 million resulting from increases in GST-related Commonwealth Grants.



**Table 2.9.1: Operating statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Income</b>					
Output appropriations	182.4	192.0	211.1	210.6	228.8
Sale of goods and services	..	0.3	21.2	21.2	43.2
Revenue from other parties and other income	51.4	38.6	38.6	34.0	31.1
	<b>233.9</b>	<b>230.9</b>	<b>270.9</b>	<b>265.9</b>	<b>303.0</b>
<b>Expenses</b>					
Employee benefits	87.3	90.1	97.0	100.5	108.3
Depreciation and amortisation	43.1	25.7	32.6	33.9	36.1
Resources provided free of charge or for nominal consideration	0.9	..	( 2.3)	( 2.3)	..
Grants and other payments	6.3	6.1	6.6	7.3	6.6
Capital asset charge	21.6	22.1	22.6	22.6	23.2
Supplies and services	50.4	62.6	87.7	86.6	110.7
Finance costs	13.8	16.2	16.2	17.0	16.1
Other expenses	5.4	13.4	13.4	7.5	6.4
	<b>228.8</b>	<b>236.3</b>	<b>273.9</b>	<b>273.2</b>	<b>307.3</b>
<b>Net result for the reporting period</b>	<b>5.1</b>	<b>( 5.4)</b>	<b>( 3.1)</b>	<b>( 7.3)</b>	<b>( 4.3)</b>

Source: Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.9.2: Statement of cash flows**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	195.7	170.7	184.0	205.5	195.8
Receipts from other entities	( 6.6)	0.3	0.3	0.3	0.3
Payments for supplies, grants and employees	( 171.1)	( 170.0)	( 197.1)	( 194.2)	( 229.7)
	<b>18.0</b>	<b>1.1</b>	<b>( 12.8)</b>	<b>11.6</b>	<b>( 33.6)</b>
Interest received	10.4	15.1	15.1	15.1	15.4
Finance costs expense	( 37.9)	( 32.1)	( 32.1)	( 33.0)	( 16.1)
Capital asset charge	( 21.6)	( 22.1)	( 22.6)	( 22.6)	( 23.2)
Other receipts	( 79.1)	29.4	50.3	60.8	54.5
<b>Net cash inflow from operating activities</b>	<b>( 110.3)</b>	<b>( 8.6)</b>	<b>( 2.1)</b>	<b>31.9</b>	<b>( 3.0)</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	27.4	( 25.7)	( 50.6)	( 66.3)	( 41.0)
Proceeds from sale of property, plant and equipment	( 0.5)	..	..	14.0	..
(Repayment of) loans by other entities	0.2	..	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>27.0</b>	<b>( 25.7)</b>	<b>( 50.6)</b>	<b>( 52.3)</b>	<b>( 41.0)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	( 1.4)	31.6	55.6	39.1	12.7
Net proceeds from borrowings	24.5	2.7	2.8	( 13.0)	32.7
<b>Net cash inflows/(outflow) from financing activities</b>	<b>23.1</b>	<b>34.3</b>	<b>58.4</b>	<b>26.2</b>	<b>45.4</b>
<b>Net increase/(decrease) in cash held</b>	<b>( 60.2)</b>	<b>..</b>	<b>5.8</b>	<b>5.8</b>	<b>1.4</b>
Cash at the beginning of the financial year	72.9	12.7	12.7	12.7	18.5
<b>Cash at the end of the financial year</b>	<b>12.7</b>	<b>12.7</b>	<b>18.5</b>	<b>18.5</b>	<b>19.9</b>

Source: Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.9.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>				<i>2008 Budget</i>
	<i>2006 Actual</i>	<i>2007 Budget</i>	<i>2007 Adjusted<sup>(a)</sup></i>	<i>2007 Revised</i>	
<b>Current assets</b>					
Cash assets	12.7	12.7	18.5	18.5	19.9
Receivables	209.0	230.2	236.1	214.1	247.0
Inventories	11.3	11.3	11.3	11.3	11.3
Prepayments	10.2	10.2	10.2	10.2	10.2
<b>Total current assets</b>	<b>243.2</b>	<b>264.4</b>	<b>276.1</b>	<b>254.1</b>	<b>288.4</b>
<b>Non-current assets</b>					
Receivables	101.4	132.4	132.4	121.4	137.3
Property, plant and equipment	273.6	251.2	260.6	281.5	265.4
Intangible assets	9.4	14.2	28.8	27.8	20.3
<b>Total non-current assets</b>	<b>384.5</b>	<b>397.8</b>	<b>421.9</b>	<b>430.8</b>	<b>423.0</b>
<b>Total assets</b>	<b>627.6</b>	<b>662.2</b>	<b>697.9</b>	<b>684.9</b>	<b>711.5</b>
<b>Current liabilities</b>					
Payables	27.9	27.9	28.3	28.3	28.3
Interest-bearing liabilities	32.7	16.9	17.0	2.8	2.8
Employee provisions	17.1	16.6	19.1	19.1	18.6
Other	22.3	22.3	22.3	22.3	22.3
<b>Total current liabilities</b>	<b>100.1</b>	<b>83.7</b>	<b>86.7</b>	<b>72.6</b>	<b>72.1</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	1.5	23.5	23.6	21.8	36.8
Employee provisions	6.6	9.3	9.6	9.6	12.4
Other	..	( 0.1)	( 0.1)	( 0.1)	( 0.1)
Amounts owing to other departments	206.9	206.9	206.9	206.9	207.7
<b>Total non-current liabilities</b>	<b>214.9</b>	<b>239.6</b>	<b>239.9</b>	<b>238.1</b>	<b>256.8</b>
<b>Total liabilities</b>	<b>315.0</b>	<b>323.3</b>	<b>326.6</b>	<b>310.7</b>	<b>328.9</b>
<b>Net assets</b>	<b>312.7</b>	<b>338.9</b>	<b>371.3</b>	<b>374.1</b>	<b>382.5</b>
<b>Equity</b>					
Contributed capital	94.9	126.5	156.6	140.1	152.9
Reserves	116.2	116.2	116.2	139.8	139.8
Accumulated surplus/(deficit)	101.6	96.2	98.5	94.2	89.9
<b>Total equity</b>	<b>312.7</b>	<b>338.9</b>	<b>371.3</b>	<b>374.1</b>	<b>382.5</b>

Source: Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.9.4: Statement of recognised changes in equity**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
Gains/(losses) on revaluation of properties	..	..	..	23.6	..
Available for sale financial assets	..	..	..	..	..
Other	( 1.4)	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>( 1.4)</b>	<b>..</b>	<b>..</b>	<b>23.6</b>	<b>..</b>
Net result for the period	5.1	( 5.4)	( 3.1)	( 7.3)	( 4.3)
<b>Total recognised income and expense for the period</b>	<b>3.7</b>	<b>( 5.4)</b>	<b>( 3.1)</b>	<b>16.3</b>	<b>( 4.3)</b>

Source: Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.9.5: Administered items statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Administered income</b>					
Appropriations - Payments made on behalf of the State	1 072.3	1 511.9	1 511.9	1 056.2	1 465.3
Special appropriations	979.5	98.3	98.3	94.2	415.9
Sale of goods and services	6.0	6.3	6.3	7.4	18.8
Commonwealth grants	8 179.5	8 469.5	8 469.5	8 519.3	9 125.1
Taxes	7 971.0	7 852.8	7 852.8	8 420.2	8 472.5
Fees	9.3	12.2	12.2	12.2	10.5
Other	4 318.7	3 794.0	3 794.0	3 884.9	3 832.6
<b>Total administered income</b>	<b>22 536.4</b>	<b>21 745.0</b>	<b>21 745.0</b>	<b>21 994.5</b>	<b>23 340.6</b>
<b>Administered expenses</b>					
Expenses on behalf of the State <sup>(b)</sup>	(1 447.0)	1 471.6	1 471.6	( 364.6)	1 405.9
Grants and other payments	531.3	510.5	510.5	478.8	503.3
Payments into the Consolidated Fund	20 547.0	20 205.5	20 205.5	20 880.7	21 570.1
<b>Total administered expenses</b>	<b>19 631.3</b>	<b>22 187.6</b>	<b>22 187.6</b>	<b>20 994.8</b>	<b>23 479.3</b>
<b>Income less expenses</b>	<b>2 905.0</b>	<b>( 442.6)</b>	<b>( 442.6)</b>	<b>999.6</b>	<b>( 138.7)</b>
<b>Administered assets</b>					
Cash assets	1 235.0	1 069.2	1 069.2	35.7	38.6
Receivables	( 810.2)	( 5.8)	( 5.8)	44.3	1 523.9
Other financial assets	309.3	( 133.7)	( 133.7)	0.1	..
Property, plant and equipment	3.2	29.5	29.5	2.6	4.5
<b>Total administered assets</b>	<b>737.3</b>	<b>959.3</b>	<b>959.3</b>	<b>82.7</b>	<b>1 567.1</b>
<b>Administered liabilities</b>					
Payables	56.9	31.3	31.3	56.9	56.9
Interest-bearing liabilities	5 085.2	5 453.3	5 453.3	4 454.7	6 042.0
Provisions	12 896.5	13 433.3	13 433.3	11 899.3	11 962.2
Amounts owing to other departments	0.6	( 112.0)	( 112.0)	0.6	0.6
Other	565.6	562.7	562.7	568.7	572.0
<b>Total administered liabilities</b>	<b>18 604.8</b>	<b>19 368.6</b>	<b>19 368.6</b>	<b>16 980.3</b>	<b>18 633.7</b>
<b>Net assets</b>	<b>(17 867.5)</b>	<b>(18 409.3)</b>	<b>(18 409.3)</b>	<b>(16 897.6)</b>	<b>(17 066.6)</b>

Source: Department of Treasury and Finance

Notes:

- (a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.
- (b) 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 2006-07 Revised, this amounted to negative \$1 067.7 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**

(\$ million)

Accounts	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Superannuation and pension payments	16.5	16.5	16.5	16.5
Interest	318.8	318.8	315.2	325.8
Current and capital grants	455.6	455.6	425.0	491.6
Operating supplies and consumables	540.9	540.9	164.4	492.8
Buildings	26.5	26.5	..	2.6
Other	153.6	153.6	134.6	136.2
<b>Total</b>	<b>1 511.9</b>	<b>1 511.9</b>	<b>1 055.7</b>	<b>1 465.4</b>

Source: Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

## 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**

(\$ million)

	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	1 739.0	1 765.8	1 304.6	1 703.6
Receipts credited to appropriations	3.1	3.1	3.1	3.1
Unapplied previous years appropriation	..	2.4	2.6	..
Accumulated surplus - previously applied appropriation	..	..	5.5	..
<b>Gross annual appropriation</b>	<b>1 742.1</b>	<b>1 771.3</b>	<b>1 315.8</b>	<b>1 706.7</b>
Special appropriations	98.3	98.3	94.2	415.9
Trust funds	47.0	73.7	72.2	88.8
<b>Total Parliamentary authority</b>	<b>1 887.4</b>	<b>1 943.3</b>	<b>1 482.3</b>	<b>2 211.5</b>

Source: Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

## **DEPARTMENT FOR VICTORIAN COMMUNITIES**

### **Operating performance**

The Department for Victorian Communities (DVC) is estimated to have an operating deficit of \$18.1 million in 2007-08. This deficit results from the timing of payments from the Community Support Fund (CSF) for community projects in the 2007-08 year. The CSF itself is not in deficit.

The Department is estimated to have an operating deficit of \$23.3 million in the 2006-07 Revised Budget mainly due to lower than forecast electronic gaming machine revenues for payment into the CSF and increased expenditure from the CSF.

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 revenue for payment into the CSF.

The estimated decrease in revenue and expenses in 2007-08 when compared to 2006-07 is largely due to the impact of non-recurring items such as the FINA World Swimming Championships held in 2006-07, the Commonwealth Games wrap up and also lower forecast electronic gaming machine revenues. This is partially offset by new output initiatives announced in the 2007-08 Budget.

### **Investing and financing**

Payments for property, plant and equipment for the 2007-08 Budget year are budgeted at \$2.8 million. Cash flows for investment relate to DVC's existing capital investment program and new capital investment initiatives announced in the 2007-08 Budget. This investment and a net cash outflow from financing activities are offset by operating contributions.

### **Balance sheet performance**

The Department's net asset position is budgeted to decrease due to the timing of payments from the Community Support Fund and a lower investment in plant and equipment. Non-current assets have reduced significantly from the 2006-07 Budget as assets pertaining to the Public Record Office Victoria have been transferred to the Department of Premier and Cabinet as a result of machinery of government changes.

### **Statement of administered items**

Transactions administered by DVC on behalf of the State include:

- Commonwealth payments to the State;
- ANZAC Day racing proceeds; and
- grants to disabled sporting groups.

**Table 2.10.1: Operating statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Income</b>					
Output appropriations	503.0	312.6	288.9	324.3	292.6
Special appropriations	104.3	106.6	106.6	96.0	88.4
Resources received free of charge or for nominal consideration	1.1	..	..	..	..
Sale of goods and services	3.5	..	..	..	..
Revenue from other parties and other income	31.5	4.3	11.0	33.3	15.3
	<b>643.4</b>	<b>423.4</b>	<b>406.5</b>	<b>453.5</b>	<b>396.3</b>
<b>Expenses</b>					
Employee benefits	66.3	58.3	56.2	56.2	50.1
Depreciation and amortisation	6.3	8.4	6.8	6.8	4.6
Resources provided free of charge or for nominal consideration	0.7	..	..	2.9	..
Grants and other payments	428.0	268.1	271.5	344.4	310.7
Capital asset charge	6.3	6.5	5.0	5.0	3.7
Supplies and services	141.5	79.7	64.5	61.5	45.2
Finance costs	0.2	..	..	..	..
Other expenses	7.0	..	..	..	..
	<b>656.5</b>	<b>420.9</b>	<b>404.0</b>	<b>476.9</b>	<b>414.3</b>
<b>Net result for the reporting period</b>	<b>( 13.1)</b>	<b>2.5</b>	<b>2.5</b>	<b>( 23.3)</b>	<b>( 18.1)</b>

Source: Departments for Victorian Communities and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.



**Table 2.10.2: Statement of cash flow**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	599.5	419.3	377.8	413.4	381.0
Receipts from other entities	29.2	..	6.5	30.4	13.5
Payments for supplies, grants and employees	( 646.9)	( 370.3)	( 312.4)	( 392.9)	( 406.0)
	<b>( 18.2)</b>	<b>49.0</b>	<b>72.0</b>	<b>50.9</b>	<b>( 11.6)</b>
Interest received	4.8	4.3	4.3	2.7	1.8
Finance costs expense	( 0.2)	..	..	..	..
Capital asset charge	( 6.3)	( 6.5)	( 5.0)	( 5.0)	( 3.7)
Other receipts	( 2.7)	..	..	..	..
<b>Net cash inflow from operating activities</b>	<b>( 22.7)</b>	<b>46.8</b>	<b>71.2</b>	<b>48.6</b>	<b>( 13.4)</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	( 60.1)	( 10.2)	( 22.0)	( 34.9)	( 2.8)
(Repayment of) loans by other entities	14.0	11.1	11.1	9.1	18.0
<b>Net cash (outflow) from investing activities</b>	<b>( 46.1)</b>	<b>0.9</b>	<b>( 10.9)</b>	<b>( 25.8)</b>	<b>15.2</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	63.5	( 33.9)	( 45.0)	( 29.6)	( 1.6)
Net proceeds from borrowing	1.4	..	..	..	..
<b>Net cash inflows/(outflow) from financing activities</b>	<b>64.9</b>	<b>( 33.9)</b>	<b>( 45.0)</b>	<b>( 29.7)</b>	<b>( 1.6)</b>
<b>Net increase/(decrease) in cash held</b>	<b>( 3.9)</b>	<b>13.8</b>	<b>15.3</b>	<b>( 6.8)</b>	<b>0.1</b>
Cash at the beginning of the financial year	34.9	31.0	31.0	31.0	24.2
<b>Cash at the end of the financial year</b>	<b>31.0</b>	<b>44.8</b>	<b>46.3</b>	<b>24.2</b>	<b>24.3</b>

Source: Departments for Victorian Communities and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

**Table 2.10.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2006 Actual</i>	<i>2007 Budget</i>	<i>2007 Adjusted<sup>(a)</sup></i>	<i>2007 Revised</i>	<i>2008 Budget</i>
<b>Current assets</b>					
Cash assets	31.0	44.8	46.3	24.2	24.3
Other financial assets	55.0	43.9	43.9	45.9	27.8
Receivables	58.2	58.0	76.0	65.2	65.2
Inventories	1.1	1.1	0.8	0.8	0.8
Prepayments	0.1	0.1	..	..	..
Other assets	30.0	30.0	..	..	..
<b>Total current assets</b>	<b>175.4</b>	<b>177.9</b>	<b>167.0</b>	<b>136.0</b>	<b>118.1</b>
<b>Non-current assets</b>					
Property, plant and equipment	316.9	318.7	51.6	59.6	57.8
Intangible assets	8.5	8.5	4.3	5.8	5.8
Other	49.9	14.1	..	..	..
<b>Total non-current assets</b>	<b>375.2</b>	<b>341.3</b>	<b>55.9</b>	<b>65.3</b>	<b>63.5</b>
<b>Total assets</b>	<b>550.6</b>	<b>519.2</b>	<b>222.9</b>	<b>201.3</b>	<b>181.6</b>
<b>Current liabilities</b>					
Payables	97.2	61.4	32.2	28.0	28.0
Interest-bearing liabilities	1.5	1.5	1.5	1.5	1.5
Employee provisions	14.1	14.1	14.1	14.1	14.1
<b>Total current liabilities</b>	<b>112.8</b>	<b>77.1</b>	<b>47.8</b>	<b>43.6</b>	<b>43.6</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	0.6	0.6	0.6	0.6	0.6
Employee provisions	1.3	1.3	0.7	0.7	0.7
<b>Total non-current liabilities</b>	<b>1.9</b>	<b>1.9</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>Total liabilities</b>	<b>114.7</b>	<b>78.9</b>	<b>49.0</b>	<b>44.8</b>	<b>44.8</b>
<b>Net assets</b>	<b>435.9</b>	<b>440.3</b>	<b>173.9</b>	<b>156.5</b>	<b>136.8</b>
<b>Equity</b>					
Contributed capital	416.2	418.0	151.6	160.0	158.4
Reserves	78.8	78.8	78.8	78.8	78.8
Accumulated surplus/(deficit)	( 59.0)	( 56.5)	( 56.5)	( 82.3)	( 100.4)
<b>Total equity</b>	<b>435.9</b>	<b>440.3</b>	<b>173.9</b>	<b>156.5</b>	<b>136.8</b>

Source: Departments for Victorian Communities and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

**Table 2.10.4: Statement of changes in equity**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
Gains/(losses) on revaluation of properties	1.3	..	..	..	..
Available for sale financial assets	..	..	..	..	..
Other	..	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>1.3</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	( 13.1)	2.5	2.5	( 23.3)	( 18.1)
<b>Total recognised income and expense for the period</b>	<b>( 11.8)</b>	<b>2.5</b>	<b>2.5</b>	<b>( 23.3)</b>	<b>( 18.1)</b>

Source: Departments for Victorian Communities and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

**Table 2.10.5: Administered items statement**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
<b>Administered income</b>					
Appropriations - Payments made on behalf of the State	17.3	0.4	0.4	0.4	0.4
Sale of goods and services	6.7	6.1	4.3	14.6	1.9
Commonwealth grants	454.2	394.2	394.2	395.1	408.8
Fees	5.4	7.8	3.9	3.9	..
Other	( 2.9)	31.8	2.4	2.4	..
<b>Total administered income</b>	<b>480.7</b>	<b>440.3</b>	<b>405.2</b>	<b>416.5</b>	<b>411.1</b>
<b>Administered expenses</b>					
Expenses on behalf of the State	..	..	..	..	..
Grants and other payments	398.3	394.6	394.6	395.5	409.2
Payments into Consolidated Fund	86.1	45.7	10.7	21.0	1.9
<b>Total administered expenses</b>	<b>484.3</b>	<b>440.3</b>	<b>405.2</b>	<b>416.5</b>	<b>411.1</b>
<b>Income less expenses</b>	<b>( 3.7)</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>					
Receivables	2.7	2.7	2.6	2.6	2.6
Inventories	4.9	4.9	4.9	4.9	4.9
<b>Total administered assets</b>	<b>7.6</b>	<b>7.6</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>
<b>Administered liabilities</b>					
Other	0.3	0.3	0.3	0.3	0.3
<b>Total administered liabilities</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>Net assets</b>	<b>7.3</b>	<b>7.3</b>	<b>7.2</b>	<b>7.2</b>	<b>7.2</b>

Source: Departments for Victorian Communities and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

## Payments on behalf of the State

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

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

	(\$ million)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Anzac Day administered trust	0.4	0.4	0.4	0.4
<b>Total</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>

Source: Departments for Victorian Communities and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

## 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)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	362.6	342.2	297.3	360.3
Receipts credited to appropriations	4.1	0.4	0.4	..
Unapplied previous years appropriation	4.7	4.7	48.5	10.0
Accumulated surplus - previously applied appropriation	..	..	4.9	..
<b>Gross annual appropriation</b>	<b>371.4</b>	<b>347.4</b>	<b>351.2</b>	<b>370.3</b>
Special appropriations	106.6	106.6	96.0	88.4
Trust funds	398.5	405.2	428.4	424.0
<b>Total Parliamentary authority</b>	<b>876.4</b>	<b>859.2</b>	<b>875.6</b>	<b>882.8</b>

Source: Departments for Victorian Communities and Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 July 2006 to 30 June 2007.

## **PARLIAMENT**

### **Operating performance**

The Parliament, including the Victorian Auditor-General's Office (VAGO), is estimated to have a slight deficit for 2007-08. The accounting treatment for the recent move of VAGO to 35 Collins Street has not yet been resolved. Once resolved, this is expected to eliminate the deficit. The Parliament, excluding VAGO, is estimated to have a balanced operating result for the 2007-08 Budget, the same as the 2006-07 Revised Budget.

The operating statement shows an increase in total operating income of \$6.1 million (or 5.1 per cent) from the 2006-07 Revised Budget to the 2007-08 Budget. The increase in annual appropriation revenue is due to additional output appropriations from the Government, including funding for:

- the relocation and refurbishment of Electorate Offices; and
- the upgrade of the Electorate Office Wide Area Network.

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'.

### **Investing and financing**

Cash flow from investing and financing activities are expected to remain substantially unchanged in 2007-08. Payments for property, plant and equipment in 2007-08 include funding provided for the following asset initiative in the 2007-08 Budget:

- Audio Visual and IT Infrastructure at 55 St Andrews Place.

### **Balance sheet performance**

The net asset position in 2007-08 is estimated to improve by \$9.1 million compared with the 2006-07 Revised Budget. This is primarily a result of the additional asset funding noted above, previously funded capital works at Parliament House, the completion of capital works for the relocation of the Department of Parliamentary Services and the Parliamentary Committees to 55 St Andrews Place and the relocation of the Victorian Auditor-General's Office to 35 Collins Street.

### **Statement of administered items**

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

**Table 2.11.1: Operating statement**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Income</b>					
Output appropriations	89.3	96.8	96.8	99.3	105.3
Special appropriations	18.0	19.3	19.3	19.3	19.5
Sale of goods and services	0.8	..	..	..	..
	<b>108.2</b>	<b>116.1</b>	<b>116.1</b>	<b>118.6</b>	<b>124.7</b>
<b>Expenses</b>					
Employee benefits	62.3	56.9	56.9	56.9	60.2
Depreciation and amortisation	4.5	6.1	6.1	6.1	6.8
Grants and other payments	0.1	0.5	0.5	0.5	0.5
Capital asset charge	1.4	1.6	1.6	1.6	2.2
Supplies and services	37.1	51.0	51.0	53.5	57.1
Finance costs	0.2	..	..	..	..
Other expenses	0.3	..	..	..	..
	<b>106.0</b>	<b>116.1</b>	<b>116.1</b>	<b>118.6</b>	<b>126.9</b>
<b>Net result for the reporting period</b>	<b>2.2</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>(2.1)</b>

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.11.2: Statement of cash flows**

	(\$ million)				
	2005-06 Actual	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
<b>Cash flows from operating activities</b>					
Receipts from Government	103.6	112.4	112.4	114.9	128.1
Receipts from other entities	0.9	..	..	..	..
Payments for supplies, grants and employees	( 97.9)	( 108.2)	( 108.2)	( 110.6)	( 113.5)
	<b>6.6</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>14.6</b>
Finance costs expense	( 0.2)	..	..	..	( 0.0)
Capital asset charge	( 1.4)	( 1.6)	( 1.6)	( 1.6)	( 2.2)
Other receipts	( 0.3)	..	..	..	..
<b>Net cash inflow from operating activities</b>	<b>4.7</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>12.3</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	( 10.3)	( 9.3)	( 9.3)	( 7.3)	( 24.0)
Proceeds from sale of property, plant and equipment	0.8	..	..	..	..
<b>Net cash (outflow) from investing activities</b>	<b>( 9.5)</b>	<b>( 9.3)</b>	<b>( 9.3)</b>	<b>( 7.3)</b>	<b>( 24.0)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from capital contribution by State Government	4.2	6.7	6.7	4.7	11.2
Net proceeds from borrowing	1.1	..	..	..	0.4
<b>Net cash inflows/(outflow) from financing activities</b>	<b>5.2</b>	<b>6.7</b>	<b>6.7</b>	<b>4.7</b>	<b>11.6</b>
<b>Net increase/(decrease) in cash held</b>	<b>0.5</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
Cash at the beginning of the financial year	( 1.4)	( 0.9)	( 0.9)	( 0.9)	( 0.9)
<b>Cash at the end of the financial year</b>	<b>( 0.9)</b>	<b>( 0.9)</b>	<b>( 0.9)</b>	<b>( 0.9)</b>	<b>( 0.9)</b>

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.11.3: Balance sheet**

(\$ million)

	<i>Estimated as at 30 June</i>				
	<i>2006 Actual</i>	<i>2007 Budget</i>	<i>2007 Adjusted<sup>(a)</sup></i>	<i>2007 Revised</i>	<i>2008 Budget</i>
<b>Current assets</b>					
Cash assets	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Receivables	34.7	38.5	38.5	38.5	35.1
Prepayments	0.8	0.8	0.8	0.8	0.9
	<b>34.6</b>	<b>38.3</b>	<b>38.3</b>	<b>38.3</b>	<b>35.2</b>
Non-current assets classified as held for sale	0.2	0.2	0.2	0.2	0.2
<b>Total current assets</b>	<b>34.8</b>	<b>38.6</b>	<b>38.6</b>	<b>38.6</b>	<b>35.4</b>
<b>Non-current assets</b>					
Property, plant and equipment	199.9	203.0	203.0	201.0	218.2
<b>Total non-current assets</b>	<b>199.9</b>	<b>203.0</b>	<b>203.0</b>	<b>201.0</b>	<b>218.2</b>
<b>Total assets</b>	<b>234.7</b>	<b>241.6</b>	<b>241.6</b>	<b>239.6</b>	<b>253.6</b>
<b>Current liabilities</b>					
Payables	2.6	2.6	2.6	2.6	3.5
Interest-bearing liabilities	2.4	2.4	2.4	2.4	2.6
Employee provisions	8.9	8.9	8.9	8.9	12.3
Other	0.4	0.4	0.4	0.4	0.4
<b>Total current liabilities</b>	<b>14.3</b>	<b>14.3</b>	<b>14.3</b>	<b>14.3</b>	<b>18.8</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	1.7	1.7	1.7	1.7	1.9
Employee provisions	1.1	1.3	1.3	1.3	1.5
<b>Total non-current liabilities</b>	<b>2.8</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.5</b>
<b>Total liabilities</b>	<b>17.1</b>	<b>17.3</b>	<b>17.3</b>	<b>17.3</b>	<b>22.2</b>
<b>Net assets</b>	<b>217.6</b>	<b>224.3</b>	<b>224.3</b>	<b>222.3</b>	<b>231.4</b>
<b>Equity</b>					
Contributed capital	151.9	158.6	158.6	156.6	167.8
Reserves	48.0	48.0	48.0	48.0	48.0
Accumulated surplus/(deficit)	17.7	17.7	17.7	17.7	15.6
<b>Total equity</b>	<b>217.6</b>	<b>224.3</b>	<b>224.3</b>	<b>222.3</b>	<b>231.4</b>

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.



**Table 2.11.4: Statement of changes in equity**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
Gains/(losses) on revaluation of properties	1.4	..	..	..	..
Available for sale financial assets	..	..	..	..	..
Other	..	..	..	..	..
<b>Net income recognised directly in equity</b>	<b>1.4</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
Net result for the period	2.2	..	..	..	(2.1)
<b>Total recognised income and expense for the period</b>	<b>3.6</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>(2.1)</b>

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

**Table 2.11.5: Administered items statement**

	(\$ million)				
	2005-06	2006-07	2006-07	2006-07	2007-08
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised	Budget
<b>Administered income</b>					
Sale of goods and services	17.1	15.5	15.5	15.5	15.5
Other	0.1	..	..	..	..
<b>Total administered income</b>	<b>17.2</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>
<b>Administered expenses</b>					
Payments into Consolidated Fund	15.4	15.5	15.5	15.5	15.5
<b>Total administered expenses</b>	<b>15.4</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>
<b>Income less expenses</b>	<b>1.8</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Administered assets</b>					
Receivables	3.8	3.8	3.8	3.8	3.8
<b>Total administered assets</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>
<b>Administered liabilities</b>					
<b>Total administered liabilities</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net assets</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.

## 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 2.11.6: Parliamentary authority for resources**

	(\$ million)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2006-07 Revised	2007-08 Budget
Annual appropriations	88.0	88.0	88.2	92.1
Receipts credited to appropriations	15.5	15.5	15.5	15.5
Unapplied previous years appropriation	..	..	0.2	8.9
Accumulated surplus - previously applied appropriation	0.8	0.8	0.8	..
<b>Gross annual appropriation</b>	<b>104.3</b>	<b>104.3</b>	<b>104.7</b>	<b>116.5</b>
Special appropriations	19.3	19.3	19.3	19.5
Trust funds	..	..	..	..
<b>Total Parliamentary authority</b>	<b>123.6</b>	<b>123.6</b>	<b>124.0</b>	<b>136.0</b>

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

*Note:*

(a) *The 2006-07 adjusted estimates include the 2006-07 Budget adjusted for machinery of government changes for the period 1 January 2007 to 30 June 2007.*

## CHAPTER 3 – STATE REVENUE

### SUMMARY OF GENERAL GOVERNMENT SECTOR REVENUE

This chapter describes the major categories of revenue, comprising both State sourced revenue and Commonwealth grants, and examines the expected movement in revenue between the 2006-07 revised estimates and the 2007-08 Budget estimates.

Total revenue comprises revenue from transactions and revenue from economic flows. Revenue from transactions represents the majority of total revenue in the 2007-08 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 2.8 per cent to \$34 269 million in 2007-08.

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

	(\$ million)			
	2006-07 Budget	2006-07 Revised	2007-08 Budget	Change <sup>(a)</sup> %
Taxation	10 971.0	11 471.5	11 589.0	1.0
Fines and regulatory fees	832.4	793.3	842.8	6.2
Dividends, income tax and rate equivalent revenue	958.1	1 041.5	905.4	- 13.1
Interest	293.1	323.9	301.9	- 6.8
Sale of goods and services	2 552.4	2 590.6	2 643.8	2.1
Other revenue	1 757.2	1 852.3	1 827.6	- 1.3
Grants received	15 077.9	15 278.4	16 158.7	5.8
<b>Total income from transactions</b>	<b>32 442.1</b>	<b>33 351.4</b>	<b>34 269.2</b>	<b>2.8</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2006-07 Revised and 2007-08 Budget.

Taxation revenue in 2007-08 is estimated to be \$11 589 million, which is \$118 million (1 per cent) higher than the 2006-07 revised estimate. This increase reflects several factors:

- growth in payroll tax revenue reflecting expected solid employment and wages growth;
- increased insurance taxation revenue, which is expected to grow in line with the economy;
- growth in motor vehicle taxation revenue in line with the number of households and the economy, which has been partly offset by changes to the duty rate as of 1 May 2007; and

- increased gambling taxation revenue in line with consumption growth and an increase in the health benefit levy, partly offset by the impact of the introduction of a complete smoking ban in licensed premises from 1 July 2007.

These increases have been partly offset by decreases resulting from:

- a decline in land tax revenue as a result of land tax cuts; and
- the abolition of rental business duty from 1 January 2007.

Fines and regulatory fees revenue is expected to increase by 6.2 per cent to \$843 million in 2007-08, compared with the 2006-07 revised estimate. This reflects several factors including the re-establishment of the Western Ring Road camera network, commencement of the Hume Freeway Point to Point camera system, completion of the roll-out of the red light speed camera network and the annual indexation of fees and charges.

Dividend, income tax and rate equivalent revenue is expected to be \$905 million in 2007-08, which is \$136 million (13.1 per cent) lower than the 2006-07 revised estimate. The decline reflects lower income tax equivalent revenue substantially offset by higher dividend revenue from the States public financial corporations, metropolitan water entities and the SECV.

Interest revenue is estimated to decline by \$22 million (6.8 per cent) to \$302 million in 2007-08, compared with the 2006-07 revised estimate. The projected decline is primarily due to the reduction in cash and liquid assets as the Government funds its infrastructure program.

Sale of goods and services is estimated to increase by \$53 million (2.1 per cent) in 2007-08, compared with the 2006-07 revised estimate.

Other revenue from transactions is expected to decrease by \$25 million (1.3 per cent) compared to the 2006-07 revised estimate. The decline reflects a decrease in other miscellaneous income, partly offset by an increase in the inter sector capital asset charge.

Commonwealth grants are expected to increase by \$880 million (5.8 per cent) to \$16 159 million in 2007-08, compared with the 2006-07 revised estimate.

General purpose grants are expected to increase by \$606 million (7.1 per cent) to \$9 125 million reflecting growth in GST grants (generally in line with economic growth). The increase in GST grants of 7.1 per cent in 2007-08 compares with estimated growth of 6.4 per cent in the estimated total GST pool. Victoria's share of the GST revenue pool has been revised upward as the result of the CGC update on State Revenue sharing relativities.

Specific purpose own use grants are expected to increase by \$198 million (4.3 per cent) largely due to higher funding for human services, roads and rail. The increase was partly offset by a decline in exceptional circumstances relief payments.

Specific purpose grants for on passing are forecast to increase by \$72 million (3.9 per cent), largely because of increases in Commonwealth assistance to non-government schools.

## STATE SOURCED REVENUE

### Taxation

Taxation revenue in 2007-08 is estimated to be \$11 589 million, which is \$118 million (1 per cent) higher than the 2006-07 revised estimate (Table 3.2).

**Table 3.2: Taxation estimates**

	(\$ million)			
	2006-07 Budget	2006-07 Revised	2007-08 Budget	Change <sup>(a)</sup> %
<b>Payroll tax</b>	<b>3 418.1</b>	<b>3 454.2</b>	<b>3 601.8</b>	<b>4.3</b>
<b>Taxes on property</b>				
Land tax	747.6	890.0	765.4	- 14.0
Congestion levy	38.8	37.8	38.7	2.4
Land transfer duty	2 424.4	2 849.6	2 854.3	0.2
Rental business duty	43.3	39.0	0.0	- 100.0
Other property duties	9.3	9.3	9.8	5.4
Metropolitan improvement levy	97.3	97.3	100.6	3.4
Property owners contributions to fire brigades	35.6	39.7	41.1	3.5
Financial accommodation levy	16.4	16.2	20.6	27.8
	<b>3 412.7</b>	<b>3 978.8</b>	<b>3 830.5</b>	<b>- 3.7</b>
<b>Levies on statutory corporations</b>	<b>60.4</b>	<b>60.4</b>	<b>61.6</b>	<b>2.0</b>
<b>Gambling taxes</b>				
Public lotteries	309.3	319.6	322.3	0.8
Electronic gaming machines	1 006.4	947.5	941.4	- 0.6
Casino	118.1	119.9	130.8	9.1
Racing	119.0	121.6	129.4	6.4
Other	3.5	5.6	5.9	5.4
	<b>1 556.3</b>	<b>1 514.2</b>	<b>1 529.8</b>	<b>1.0</b>
<b>Taxes on insurance</b>				
Non-life insurance	616.1	605.5	636.6	5.1
Life insurance	7.3	5.3	5.5	3.8
Duty on compulsory third party	131.9	122.6	128.8	5.1
Insurance contributions to fire brigades	348.8	349.4	364.6	4.4
	<b>1 104.1</b>	<b>1 082.8</b>	<b>1 135.5</b>	<b>4.9</b>
<b>Motor vehicle taxes</b>				
Vehicle registration fees	747.6	737.4	779.1	5.7
Duty on vehicle registrations and transfers	591.5	556.5	559.3	0.5
	<b>1 339.1</b>	<b>1 293.9</b>	<b>1 338.4</b>	<b>3.4</b>
<b>Other taxes</b>				
Liquor licence fees	7.4	7.6	7.7	1.3
Transurban concession fees	32.2	38.9	39.0	0.2
Landfill levy	40.7	40.7	44.7	10.0
	<b>80.3</b>	<b>87.2</b>	<b>91.4</b>	<b>4.9</b>
<b>Total taxation</b>	<b>10 971.0</b>	<b>11 471.5</b>	<b>11 589.0</b>	<b>1.0</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2006-07 Revised and 2007-08 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 5.05 per cent is currently applicable on the payments of taxable wages in excess of the annual tax free threshold of \$550 000.

The Government reduced the payroll tax rate from 5.25 per cent to 5.15 per cent on 1 July 2006, which was followed by a further cut to 5.05 per cent on 1 January 2007, six months earlier than originally scheduled. The Government will further reduce the payroll tax rate to 5.0 per cent on 1 July 2008. Combined, these cuts are worth around \$559 million over four years.

In addition to lowering the tax rate, from 1 July 2007 Victoria and New South Wales will have harmonised payroll tax legislation, including common definitions and exemptions, but excluding rates and thresholds. This will cut red tape by reducing payroll tax paperwork for around 8 000 businesses with operations on both sides of the Murray River.

Victoria and New South Wales are also moving towards introducing harmonised administrative arrangements, such as common payroll tax forms/systems, a one-stop shop for businesses paying payroll tax in both States, and common interpretations of the law by revenue offices.

In 2007-08, payroll tax revenue is expected to be \$3 602 million, an increase of \$148 million (4.3 per cent) over the 2006-07 revised estimate. The projected growth in 2007-08 primarily reflects strong collections over the past year, and expected solid employment and wages growth over the course of the year.

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 several 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.

The 2007-08 Budget makes further cuts to land tax rates to strengthen the Government's recent land tax reforms and provide some stability in relation to future land tax liabilities.

Previous budgets committed to significant reductions to the top land tax rate (from 5 per cent to 3 per cent), moderated the extreme progressiveness of the land tax scale through the middle rates, and increased the tax-free threshold to \$200 000. The Government has also eliminated indexation factors and increased land valuation appeal rights.

The 2007-08 Budget increases the tax-free threshold further from \$200 000 to \$225 000. It also provides relief to those taxpayers who have faced the largest land tax increases in recent years by cutting the middle brackets of 1.2 per cent and 1.8 per cent to 0.8 per cent and 1.3 per cent respectively, and cutting the top rate from 3 per cent to 2.5 per cent.

The Government is also abolishing special land tax on primary production land that is wholly or partly in the metropolitan area, as well as on land that is compulsorily acquired.

The latest changes to the land tax scale are worth \$508 million over four years and benefit over 40 000 taxpayers. These changes also significantly improve Victoria's interstate competitiveness, as Victorian companies will now face the lowest levels of land tax in Australia for virtually all landholdings valued between \$0.4 million and \$4.5 million.

The land tax rates that are applicable from 2008 onwards are shown in Table 3.3.

**Table 3.3: 2008 land tax rates**

**General land tax rates**

<i>Value of property</i>	<i>Land tax payable</i>
Up to \$224 999	Nil
\$225 000 to \$539 999	\$250 plus 0.2% of the value in excess of \$225 000
\$540 000 to \$899 999	\$880 plus 0.5% of the value in excess of \$540 000
\$900 000 to \$1 619 999	\$2 680 plus 0.8% of the value in excess of \$900 000
\$1 620 000 to 2 699 999	\$8 440 plus 1.3% of the value in excess of \$1 620 000
\$2 700 000 and over	\$22 480 plus 2.5% of the value in excess of \$2 700 000

**Special trusts land tax rates <sup>(a)</sup>**

<i>Value of property</i>	<i>Land tax payable</i>
\$0 to \$19 999	Nil
\$20 000 to \$224 999	\$75 plus 0.375% of the value in excess of \$20 000
\$225 000 to \$539 999	\$844 plus 0.575% of the value in excess of \$225 000
\$540 000 to \$899 999	\$2 655 plus 0.875% of the value in excess of \$540 000
\$900 000 to \$1 619 999	\$5 805 plus 1.175% of the value in excess of \$900 000
\$1 620 000 to 2 699 999	\$14 265 plus 0.76% of the value in excess of \$1 620 000
\$2 700 000 and over	\$22 480 plus 2.5% of the value in excess of \$2 700 000

*Source: Department of Treasury and Finance*

*Note:*

(a) *The surcharge phases out for unimproved landholdings in excess of \$1.62 million. For landholdings valued at or over \$2.7 million, the surcharge is zero and the general marginal rate applies.*

Land tax revenue in 2006-07 is expected to be \$890 million, an increase of \$108 million compared to the 2006-07 Budget Update estimate. This primarily reflects higher than expected increases in land valuations following the revaluation in 2006, a larger than expected carry forward in revenue from 2005-06 to 2006-07 (mainly associated with land tax on trusts), and hence also a higher revenue base in 2006-07.

Following the land tax cuts announced in this budget, land tax revenue is expected to fall by \$125 million (14 per cent) to \$765 million in 2007-08. Land tax revenue is expected to be broadly flat over the remaining forward estimates period.

### **Land tax on trusts**

From 1 January 2006, certain trusts have been subject to a land tax surcharge of 0.375 per cent (on top of the ordinary land tax rates). The surcharge is phased out for 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.

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 than if the properties were held by a single person or entity. The current arrangements ensure greater certainty and help provide a simpler, fairer, and more equitable land tax system overall.

### *Congestion levy*

City traffic congestion, particularly during the morning and afternoon peaks, has been identified as a major issue affecting Melbourne's prosperity and liveability. In response to this issue, the Government introduced the Congestion Levy in 2006. The Levy is an annual charge 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 precinct.

The Levy acts 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 Levy was introduced on 1 January 2006 at a rate of \$400 per taxable car parking space. The rate was increased from 1 January 2007 to \$800 per car parking space, and will be subject to indexation from 2008 onwards. Various car parking spaces are exempt from the Levy, including short stay parking spaces, parking spaces used exclusively for residential purposes, and certain other parking spaces such as those used by ambulances and charitable institutions.

There will be no increase in the Congestion Levy during 2007 and 2008 in those parts of Southbank and Port Melbourne to the west of Wurundjeri Way. This measure applies retrospectively from 1 January 2007, pending the outcome of the Government's review of parking requirements in planning schemes, and will cost \$0.2 million in 2006-07 and 2007-08.

Revenue in 2007-08 is expected to be \$39 million, which is 2.4 per cent above the revised 2006-07 estimate as a result of indexation.

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 transport upgrades including a free commuter and visitor shuttle bus to help make getting around the city easier.



## *Land transfer duty*

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

In 2007-08, land transfer duty revenue is expected to be \$2 854 million, an increase of \$5 million (0.2 per cent) from the 2006-07 revised estimate and \$183 million (6.9 per cent) above the level recorded in 2005-06.

Land transfer revenue has been higher than anticipated, due partly to the continued strength of the non-residential property market. The high value residential market has also remained strong, despite recent interest rate rises.

Land transfer revenue is expected to remain broadly flat over the forecast period. This is largely due to the effect of tax cuts for principal place of residence purchases, announced in the 2006-07 Budget Update.

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

In the 2006-07 Budget Update, the Government announced a reduction in the land transfer duty rate for contracts entered into from 1 January 2007 with respect to principal places of residence. For properties with dutiable values between \$115 000 and \$400 000 the marginal rate is reduced from 6 per cent to 5 per cent. Over the subsequent \$100 000 range from \$400 000 to \$500 000 a duty saving of \$2 850 applies.

The rates of conveyancing duty are shown in Table 3.4.

**Table 3.4: Duty on land transfers**

### **General land transfer duty rates**

<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% of the value in excess of \$115 000
\$870 001 and over	5.5% of the value of the property

### **Land transfer duty rates for principal place of residence purchases**

<i>Value of property transferred</i>	<i>Duty payable</i>
Up to \$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 - \$400 000	\$2 560 plus 5% of the value in excess of \$115 000
\$400 001 - \$500 000	\$16 810 plus 6% of the value in excess of \$400 000
\$500 001 - \$870 000	\$25 660 plus 6% of the value in excess of \$500 000
\$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 \$7 000 *First Home Owner Grant* can also apply for a \$3 000 *First Home Bonus* for homes valued up to \$500 000. The value of the Bonus increases to \$5 000 for purchases of newly constructed homes,

and will be available until 30 June 2009. Any first homebuyer that qualifies for both the *First Home Bonus* and the land transfer duty concession is required to elect between the two.

First homebuyers with families continue to have 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.

Concession cardholders remain eligible for a full duty concession for property purchases valued up to \$300 000, with a partial concession available up to \$400 000.

### *Rental business duty*

Rental business duty was abolished on 1 January 2007 as part of meeting the Government's commitment under the 1999 *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*.

### *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 2007-08 is expected to be \$10 million, which is \$1 million higher than the 2006-07 revised estimate.

### *Metropolitan improvement levy*

The rate of the levy is set each year with regard to expected disbursements from the Parks and Reserves Trust Account, taking into account the inflation rate. The revenue is earmarked by the Department of Sustainability and Environment for expenditure on metropolitan parks, gardens and waterways.

Revenue in 2007-08 is expected to be \$101 million, some \$3 million (3.4 per cent) higher than the 2006-07 revised estimate due to both annual indexation of the levy combined with increases in the number of properties in the metropolitan area.

### *Municipal councils contributions to fire brigades*

Municipal councils whose districts are within or partly within the metropolitan area serviced by the Metropolitan Fire Brigade are collectively required by legislation to contribute 12.5 per cent of the Metropolitan Fire Brigade's approved annual budget.

Revenue in 2007-08 is expected to be \$41 million, some \$1 million (3.5 per cent) higher than the 2006-07 revised estimate, which reflects continued investments in the State's urban emergency services.

### *Financial accommodation levy*

The financial accommodation levy applies to government owned entities declared to be leviable authorities for the purposes of the *Financial Management Act 1994*. The purpose

of the levy is to remove the competitive advantage that government entities may experience in borrowing, and is consistent with the competitive neutrality principles as prescribed by the National Competition Policy framework.

Revenue in 2007-08 is expected to be \$21 million, some \$4 million (27.8 per cent) higher than the 2006-07 revised estimate. This increase is mainly due to the expected increase in borrowings by the water sector to fund capital 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, 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.

The environmental contribution levy has been extended for a further four years from 1 July 2008 to 30 June 2012, and is estimated to raise an additional \$295 million over this period.

### ***Gambling taxes***

Gambling taxes are imposed on public lotteries, electronic gaming machines (EGMs), the Casino, racing, 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 2007-08, it is estimated that 83.8 per cent (or some \$1 282 million) of total gambling taxation revenue will be transferred by standing appropriation to these funds.

The Government will introduce a complete smoking ban within enclosed licensed premises (with some exceptions) from 1 July 2007. The estimated impact of the complete smoking ban introduction will be to reduce total gambling player loss to 2.9 per cent of household final consumption expenditure compared with an estimated 3 per cent in 2006-07.

The 2007-08 Budget estimates assume that gambling player loss, and consequently gambling taxation revenue, remain permanently lower as a result of the smoking bans and the Government's *Taking Action on Problem Gambling* initiatives.

The Government has announced that the health benefit levy on each electronic gaming machine will increase from \$3 033.33 per machine to \$4 333.33 per machine from 2007-08. The levy will now raise \$39 million each year which is transferred into the Hospitals and Charities Fund. The increase in the levy will not affect returns to players but will come from the profits of the three Victorian operators.

Under the *Gambling Regulation Act 2003* the wagering licensee (TABCORP) applies a maximum commission rate over the course of the year of 16 per cent of wagering turnover, although 25 per cent may be deducted from any one pool. Currently, commission rates vary between different bet types. Wagering taxes are applied to the total commission. From 2007-08, the 16 per cent annual commission rate will be removed, with individual bet type based commission rates retained at their existing levels. Increased wagering activity on bet types above 16 per cent, including trifectas and quadrellas, is expected to increase wagering tax revenue by \$4 million annually.

Overall gambling taxes are expected to increase by 1 per cent (\$16 million) in 2007-08, compared with the 2006-07 revised estimate, reflecting growth in line with consumption and an increase in the health benefit levy, partly offset by the impact of the introduction of the complete smoking ban in enclosed licensed premises from 1 July 2007.

## **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 (5.1 per cent) in 2007-08 compared to the 2006-07 revised estimate, reflecting:

- an expected recovery in non-life insurance premium rates for commercial and domestic classes; and
- an expected increase in the number of motor vehicles purchased in 2007-08, pushing up non-life insurance revenue for the domestic and commercial motor vehicle categories.

Over the forward estimates period, revenue is expected to grow generally in line with economic activity.

### *Life insurance*

Duty is payable on life insurance policies for the sum insured. Revenue is expected to increase by \$0.2 million in 2007-08 compared to the 2006-07 revised estimate.

### *Duty on compulsory third party premiums*

Duty is also payable on the value of compulsory third party premiums at a rate of 10 per cent.

Compulsory third party premium revenue is expected to increase by \$6 million (5.1 per cent) in 2007-08 compared to the 2006-07 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 contribute to the availability of the two fire services in Victoria. Like New South Wales, Victoria partly funds fire services through an insurance-based funding model. Insurance companies generally choose to recover their contributions through an insurance industry 'fire services levy' imposed on premiums from policyholders.

The level of required contributions by insurance companies to the approved annual budget of the Victorian fire services is prescribed under Section 37 of the *Metropolitan Fire Brigades Act 1958* (75.0 per cent) and Section 76 of the *Country Fire Authority Act 1958* (77.5 per cent).

As part of the insurance industry's contribution, non-residential property owners who choose to either self-insure or insure off-shore, are required by legislation to pay a contribution to whichever fire service covers the area in which their property is located.

In 2007-08, revenue from insurance contributions to fire services is anticipated to increase by \$15 million (4.4 per cent) compared to the 2006-07 revised estimate and reflects continued investments in the State's emergency services such as modernising statewide emergency services communications, and funding increased demands on fire services to respond to new types of major incidents.

### **Motor vehicle taxes**

Motor vehicle taxes include registration fees and motor vehicle duty. As part of the 2007-08 Budget, the Government will reduce the duty rate on new passenger vehicles valued between \$35 000 and \$57 009 to 2.5 per cent. This is in line with the rate currently charged for new passenger vehicles valued up to \$35 000. This will come into effect on 1 May 2007 and will cost an estimated \$177 million over five years.

Aggregate motor vehicle taxation revenue is expected to grow by \$45 million (3.4 per cent) compared to the 2006-07 revised estimate, with growth in registration revenue partially offset by a decline in motor vehicle duty.

Registration fee revenue is forecast to increase by \$42 million (5.7 per cent) in 2007-08 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.

Revenue from duty on motor vehicle transfers and registrations is expected to increase by \$2.8 million (0.5 per cent) in 2007-08 compared to the 2006-07 revised estimate, with forecast growth in transaction volumes in line with economic activity and moderate growth in average duty paid partly offset by the tax cuts announced in this budget.

### *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 - \$ 57 009	\$5.00 per \$200 or part thereof on entire price
\$ 57 010 or more	\$10.00 per \$200 or part thereof on entire price
Non-passenger vehicles and motor cycles, not previously registered	\$5.00 per \$200 or part thereof on entire price
For a vehicle which has been previously registered, regardless of where	\$8.00 per \$200 or part thereof on entire price

*Source: Duties Act 2000*

### **Other taxes**

This category includes the landfill levy, which is aimed at reducing the volume of non-recyclable waste disposed of at Victorian landfills, concession fees paid in advance by Transurban in respect of Melbourne City Link, which are progressively recognised as income, and minor liquor licence fees.

In 2007-08, revenue is anticipated to increase by \$4 million (4.9 per cent) compared to the 2006-07 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 6.2 per cent to \$843 million in 2007-08. The increase between the 2006-07 revised estimate and 2007-08 largely reflects:

- re-establishment of the Western Ring Road camera network;
- commencement of the Hume Freeway Point to Point camera system;
- completion of the roll-out of the red light speed camera network; and
- the effect of annual indexation of fees, fines and charges.

**Table 3.6: Fines and regulatory fees**

(\$ million)

	2006-07 Budget	2006-07 Revised	2007-08 Budget	Change <sup>(a)</sup> %
<b>Fines</b>				
Police fines	416.0	376.0	419.3	11.5
Court and other fines	90.8	68.0	68.0	0.1
<b>Total fines</b>	<b>506.8</b>	<b>444.0</b>	<b>487.3</b>	<b>9.8</b>
<b>Regulatory fees</b>	<b>325.6</b>	<b>349.3</b>	<b>355.4</b>	<b>1.8</b>
<b>Total fines and regulatory fees</b>	<b>832.4</b>	<b>793.3</b>	<b>842.8</b>	<b>6.2</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2006-07 Revised and 2007-08 Budget.

Revenue from fines is estimated to be \$487 million in 2007-08, an increase of approximately \$43 million (9.8 per cent) from the 2006-07 revised estimate.

Regulatory fees are expected to increase by \$6 million (1.8 per cent) in 2007-08, with the effects of annual indexation of the regulatory fees, partially offset by a cyclical decline in the renewal of driver licences.

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 the Government's expenditure on roads, road safety and road maintenance programs.

From 1 January 2006, VicRoads implemented a Driver Reward Scheme as part of the Government's Motorist Package. The Scheme offers a 25 per cent discount on the cost of licence renewal to drivers who incur no demerit points or who have not incurred a serious traffic-related offence in the three years before receiving their renewal notice. More than 300 000 drivers are likely to be eligible for the Driver Reward Scheme every year.

### **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)

	2006-07 Budget	2006-07 Revised	2007-08 Budget	Change <sup>(a)</sup> %
Dividends	769.9	563.2	683.2	21.3
Income tax and rate equivalent revenue	188.2	478.2	222.2	- 53.5
<b>Total dividends, income tax and rate equivalent revenue</b>	<b>958.1</b>	<b>1 041.5</b>	<b>905.4</b>	<b>- 13.1</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2006-07 Revised and 2007-08 Budget.

Dividend, income tax and rate equivalent revenue is expected to be \$905 million in 2007-08, which is \$136 million (13.1 per cent) lower than the 2006-07 revised estimate.

Dividend revenue is expected to increase by \$120 million (21.3 per cent) between the 2006-07 revised estimate and 2007-08. The increase reflects both better than anticipated investment market performance in 2006-07 by the State public financial sector which flows through to increased dividends in 2007-08, combined with increases in dividends from the metropolitan water authorities and the SECV.

The increase in dividends from the metropolitan water entities reflects the fact that the 2006-07 interim dividends, normally received in April, are expected to be considered in conjunction with the final dividends in October 2007. The dividends from the SECV are determined in relation to the available cash balances that are considered surplus to its needs and are available to be returned to the shareholder.

Income tax and rate equivalent revenue is expected to decrease by \$256 million (53.5 per cent) in 2007-08 compared to the 2006-07 revised estimate. The decrease between 2006-07 and 2007-08, reflects the strong investment market performance in 2006-07 which has resulted in higher income tax instalments in 2006-07 and the assumption of a return to normal investment market performance in 2007-08.

### Interest revenue

As reported in Table 3.1, interest revenue is estimated to be \$22 million (6.8 per cent) lower in 2007-08, compared to the revised estimate for 2006-07. The 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 \$53 million (2.1 per cent) to \$2 644 million in 2007-08.



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.

## 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)			Change <sup>(a)</sup>
	2006-07 Budget	2006-07 Revised	2007-08 Budget	%
Fair value of assets free of charge	..	..	..	-
Inter sector capital asset charge	833.5	842.7	893.8	6.1
Royalties	63.1	41.6	41.4	- 0.4
Rents	15.4	15.3	15.4	0.7
Donations and gifts	183.4	145.1	151.4	4.4
Other non-property rental income	0.2	0.2	0.2	- 9.0
Other miscellaneous income	661.8	807.5	725.5	- 10.1
<b>Other revenue</b>	<b>1 757.2</b>	<b>1 852.3</b>	<b>1 827.6</b>	<b>- 1.3</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2006-07 Revised and 2007-08 Budget.

In 2007-08, other revenue is expected to decline by \$25 million (1.3 per cent) compared to the 2006-07 revised estimate. The decline reflects a decrease in other miscellaneous income, as a result of the extinguishment of the prepaid lease relating to the buyback of the regional rail network from Pacific National being recognised as revenue in 2006-07 in the General Government sector, partly offset by an increase in the inter sector capital asset charge reflecting increases in the value of assets.

## GRANTS

Summary information on the amounts budgeted to be received under the various grant categories in 2006-07 and 2007-08 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 2007-08 Budget.

General purpose grants are expected to increase by \$606 million (7.1 per cent) to \$9 125 million reflecting growth in GST grants (generally in line with economic growth).

Specific purpose own use grants are expected to increase by \$198 million (4.3 per cent) largely due to higher funding for education, training, human services, roads and rail. The increase was partly offset by a decline in exceptional circumstances relief payments.

Specific purpose grants for on passing are forecast to increase by \$72 million (3.9 per cent), largely because of increases in Commonwealth assistance to non-government schools.

**Table 3.9: Grants**

	(\$ million)			
	2006-07 Budget	2006-07 Revised	2007-08 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
GST grants	8 469.2	8 519.0	9 124.8	7.1
<b>General purpose grants</b>	<b>8 469.2</b>	<b>8 519.0</b>	<b>9 124.8</b>	<b>7.1</b>
Commonwealth specific purpose grants	3 947.4	4 043.1	4 206.6	4.0
Specific purpose grants for on-passing	1 740.2	1 740.5	1 808.6	3.9
Other current grants	146.6	229.6	223.6	- 2.6
<b>Total current grants</b>	<b>14 303.5</b>	<b>14 532.2</b>	<b>15 363.5</b>	<b>5.7</b>
<b>Capital grants</b>				
Commonwealth specific purpose grants	554.0	562.9	597.0	6.0
Specific purpose grants for on-passing	136.4	137.1	141.4	3.2
Other capital grants	84.1	46.2	56.8	22.8
<b>Total capital grants</b>	<b>774.5</b>	<b>746.2</b>	<b>795.2</b>	<b>6.6</b>
<b>Total grants</b>	<b>15 077.9</b>	<b>15 278.4</b>	<b>16 158.7</b>	<b>5.8</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2006-07 Revised and 2007-08 Budget.

### General purpose grants

In accordance with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the States and Territories receive all GST revenue. The GST grant distributions between States and Territories are determined by the GST relativities that are recommended by the Commonwealth Grants Commission (CGC) to the Commonwealth Government.

Since the Commonwealth Government abolished National Competition Policy payments in 2005-06, general purpose grants to Victoria reflect solely GST grants.

In 2007-08, GST grant payments are expected to be \$9 125 million, which represents an increase of \$606 million (7.1 per cent), compared to the 2006-07 revised estimate. This compares with an estimated growth of 6.4 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 *Report on State Revenue Sharing Relativities – 2007 Update*. The upward revision was a result of the CGC's assessment that Victoria's revenue raising capacity declined relative to Western Australia and Queensland, which was only partly offset by a reduction in Victoria's relative costs of providing services.

## Specific purpose operational grants

Specific purpose operational own use grants in 2007-08 are expected to be \$4 207 million, an increase of \$163 million (4.0 per cent) over the 2006-07 revised estimate.

Major increases in the grants relate to the Department of Human Services and Department of Innovation, Industry and Regional Development.

These increases have been partly offset by decreases in grants to the Department of Primary Industries. Grants to the Department of Education have declined as a result of responsibility for Vocational Education and Training (VET) services delivered through TAFE and other registered training organisations being transferred to the Department of Innovation, Industry and Regional Development.

**Table 3.10: Specific purpose operational grants – Education, Innovation, Industry and Regional Development and Human Services**

	(\$ million)			
	2006-07 Budget	2006-07 Revised	2007-08 Budget	Change <sup>(a)</sup> %
<b>Department of Education</b>				
Assistance to government schools	415.2	415.2	431.7	4.0
Commonwealth TAFE	229.7	124.3	..	- 100.0
Strategic assistance for improving student outcomes	68.3	68.3	71.1	4.0
Special learning needs - ESL new arrivals	14.7	19.7	15.3	- 22.2
All other current grants	17.8	24.8	20.0	- 19.4
	<b>745.8</b>	<b>652.4</b>	<b>538.1</b>	<b>- 17.5</b>
<b>Department of Innovation, Industry and Regional Development</b>				
Commonwealth TAFE	..	124.3	251.9	102.6
All other current grants	..	0.1	..	- 100.0
	<b>..</b>	<b>124.4</b>	<b>251.9</b>	<b>102.5</b>
<b>Department of Human Services</b>				
Health care grant	2 113.7	2 104.9	2 211.6	5.1
Home and community care	230.7	230.4	246.4	6.9
Housing	213.1	212.5	216.1	1.7
Disability services	140.3	139.6	142.0	1.7
Highly specialised drugs program	124.0	118.3	130.0	9.9
Compensation for extension of pensioner benefits	50.3	50.2	51.3	2.2
Public health outcomes funding agreement	39.6	39.6	40.5	2.3
Supported accommodation assistance	38.5	37.1	38.9	4.8
Immunisation program	28.5	45.4	113.4	150.0
All other current grants	44.3	59.1	56.2	- 4.9
	<b>3 023.0</b>	<b>3 037.1</b>	<b>3 246.5</b>	<b>6.9</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2006-07 Revised and 2007-08 Budget.

## Education

Commonwealth funding is provided for a range of Commonwealth and State programs for government and non-government schools. Funds are also provided to support

Victoria's participation in national priority programs. These grants are estimated to comprise 18.7 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 current 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 \$1.7 billion in general recurrent grants and \$600 million for targeted programs and capital grants.

In 2007-08, Commonwealth assistance to government schools is estimated to be \$538 million, an increase of \$10 million (1.9 per cent) on the 2006-07 revised estimate. As mentioned above, these movements relate to the movements in the AGSRC, which is set by the Commonwealth each year.

Following recent machinery of government changes, responsibility for VET services delivered through TAFE and other registered training organisations has been transferred to the Department of Innovation, Industry and Regional Development from the Department of Education.

### ***Innovation, Industry and Regional Development***

Commonwealth funding for 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.

In 2007-08, operational funding for TAFEs is expected to be \$252 million, representing an increase of \$3 million compared with the 2006-07 revised estimate. The movement between 2007-08 and the 2006-07 revised estimate reflects annual indexation provided as part of the agreement. Due to machinery of government changes, TAFE funding of \$249 million for the 2006-07 revised estimate is reflected in the Department of Education between 1 July 2006 and 31 December 2006, with the balance found under the Department of Innovation, Industry and Regional Development.

## **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 77.2 per cent of all operational own use specific purpose grants to Victoria in 2007-08.

The Health Care grant is provided through the *Australian Health Care Agreement 2003-08* 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 by assisting them to live as valued and participating members of the community. Victoria has administrative responsibility for accommodation and support services, while the Commonwealth Government has administrative responsibility for employment related services for people with disabilities.

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.

The *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 2007-08, grants for human services in Victoria are estimated to be \$3 247 million, an increase of \$209 million (6.9 per cent) compared to the 2006-07 revised estimate with major changes occurring in:

- Health care grant which is expected to increase by \$107 million (5.1 per cent) due to population and demand growth and cost indexation;
- Grants under the *Australian Immunisation Agreement* are expected to increase by \$68 million (150 per cent) primarily due to the introduction of the cervical cancer vaccine;
- *Home and Community Care* grants are expected to increase by \$16 million (6.9 per cent) reflecting an expansion of the program by the Commonwealth; and
- *Highly Specialised Drugs Program* grant is expected to increase by \$12 million (9.9 per cent) reflecting the expansion of the Pharmaceutical Benefits Scheme.

### ***Other operational grants***

Operational specific purpose grants for all other departments in 2007-08 are expected to be \$170 million, an overall decline of \$59 million (25.8 per cent) compared to the 2006-07 revised estimate.

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

	(\$ million)			
	2006-07 Budget	2006-07 Revised	2007-08 Budget	Change <sup>(a)</sup> %
<b>Department of Infrastructure</b>	<b>12.3</b>	<b>14.0</b>	<b>14.4</b>	<b>2.5</b>
<b>Department of Justice</b>				
Compensation for transfer of corporate regulatory function to Commonwealth	48.7	49.5	50.7	2.5
Legal Aid	28.9	28.9	28.9	..
All other current grants	1.0	3.0	3.0	..
	<b>78.6</b>	<b>81.4</b>	<b>82.6</b>	<b>1.5</b>
<b>Department of Primary Industries</b>				
Exceptional circumstances relief payments	8.0	65.1	26.6	- 59.2
All other current grants	3.7	3.1	1.7	- 44.6
	<b>11.7</b>	<b>68.1</b>	<b>28.3</b>	<b>- 58.5</b>
<b>Department of Sustainability and Environment</b>				
Natural Heritage Trust	27.3	4.7	30.3	538.6
National Action Plan - Salinity and Water Quality	22.4	15.5	6.2	- 59.9
Regional Development Program	26.1	26.1	..	- 100.0
National Water Initiative - Living Murray	..	11.0	..	- 100.0
All other current grants	..	8.1	8.1	- 0.5
	<b>75.8</b>	<b>65.5</b>	<b>44.6</b>	<b>- 31.9</b>
<b>Department of Treasury and Finance</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>..</b>
<b>Total</b>	<b>178.6</b>	<b>229.3</b>	<b>170.1</b>	<b>- 25.8</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2006-07 Revised and 2007-08 Budget.

Major variations to current specific purpose grants to other departments between 2006-07 and 2007-08 are:

- in 2006-07 there was an extension of exceptional circumstances interest rate relief payments announced by the Commonwealth Government to provide support to Victorian farmers enduring hardship as a result of drought. Based on the current declarations of exceptional circumstances, the funding requirement for these grants is expected to decline by \$39 million (59.2 per cent) in 2007-08 compared with the 2006-07 revised estimate. This will be reviewed during the year if changes or extensions to exceptional circumstances declarations occur; and
- a decline in operational grants to the Department of Sustainability and Environment predominately as a result of the completion of Natural Heritage Trust and National Action Plan projects.

### Specific purpose capital grants

Specific purpose capital grants in 2007-08 are expected to be \$597 million, an increase of \$34 million (6 per cent) compared to the 2006-07 revised estimate.

**Table 3.12: Specific purpose capital grants**

(\$ million)

	2006-07 Budget	2006-07 Revised	2007-08 Budget	Change <sup>(a)</sup> %
<b>Department of Education</b>				
Government Schools	62.6	62.6	64.1	2.4
Investing in our Schools	78.5	78.5	38.6	- 50.9
Commonwealth TAFE	42.5	21.3	..	- 100.0
	<b>183.6</b>	<b>162.4</b>	<b>102.7</b>	<b>- 36.8</b>
<b>Department of Innovation, Industry and Regional Development</b>				
Commonwealth TAFE	..	21.3	42.5	100.0
	..	<b>21.3</b>	<b>42.5</b>	<b>100.0</b>
<b>Department of Human Services</b>				
Pathways Home	14.0	14.0	9.1	- 35.5
All other capital grants	0.8	0.8	0.6	- 25.6
	<b>14.9</b>	<b>14.8</b>	<b>9.6</b>	<b>- 35.0</b>
<b>Department of Infrastructure</b>				
Roads	313.7	285.8	380.4	33.1
	<b>313.7</b>	<b>285.8</b>	<b>380.4</b>	<b>33.1</b>
<b>Department of Sustainability and Environment</b>				
Wimmera Mallee pipeline	41.8	60.4	41.4	- 31.3
National Water Initiative - MacAlister project	..	8.2	8.9	8.5
National Water Initiative - Living Murray	..	3.3	11.0	230.5
All other capital grants	..	6.7	0.4	- 94.6
	<b>41.8</b>	<b>78.6</b>	<b>61.7</b>	<b>- 21.5</b>
<b>Total</b>	<b>554.0</b>	<b>562.9</b>	<b>597.0</b>	<b>6.0</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2006-07 Revised and 2007-08 Budget.

**Education**

In 2007-08 capital funding for the Department of Education is estimated to be \$103 million, with a decrease of \$60 million (36.8 per cent) compared to the revised 2006-07 estimate, which in part reflects responsibility for VET services delivered through TAFE and other registered training organisations being transferred to the Department of Innovation, Industry and Regional Development.

Commonwealth funding for Investing in our Schools is expected to decline by \$40 million (50.9 per cent) in 2007-08 compared with the 2006-07 revised estimate, in accordance with the program's scheduled end of funding in the 2007 calendar year.

**Innovation, Industry and Regional Development**

In 2007-08 capital funding for TAFEs is estimated to be \$43 million. This funding is provided for TAFE institutions to purchase specialist training equipment and undertake specific approved major capital projects and a range of minor capital programs.



## **Human Services**

Pathways Home is part of the *Australian Health Care Agreement 2003-08* and is aimed at providing greater focus on the care and services provided to support the transition of patients from hospital to home. In 2007-08 funding for this program is expected to decrease by \$5 million reflecting the cash flow requirement to deliver this project.

## **Infrastructure**

The Commonwealth contributes roads funding through *AusLink*, the 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 Albury-Wodonga Hume Freeway Upgrade, Calder Highway - Faraday to Ravenswood Duplication, Calder Highway - Kyneton to Faraday Duplication, Princes Freeway - Geelong Bypass, Princes Freeway - Pakenham Bypass, Western Freeway - Deer Park Bypass and Leakes Road Interchange.

In 2007-08, roads grants are estimated to be \$380 million, an increase of \$95 million (33.1 per cent) compared to revised 2006-07 funding. The amount of funding received each year varies depending on project timelines. In 2007-08, new and increased funding is to be provided for the Geelong Bypass, the Deer Park Bypass, the Pakenham Bypass and the Calder Highway Upgrade.

## **Sustainability and Environment**

Capital grants for the Department of Sustainability and Environment are expected to decrease by \$17 million (21.5 per cent) in 2007-08 compared to the 2006-07 revised estimate. The decline in 2007-08 primarily reflects the return to the original project grant estimates for the Wimmera Mallee Pipeline project, following the increased commitment from both the State and Commonwealth governments in 2006-07.

The 2007-08 Budget also includes increased funding for the National Water Initiative MacAlister and Living Murray projects. These are phased projects, with next year's phase being the upgrade and rationalisation of irrigation distribution infrastructure.

## **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 2007-08 are estimated to be \$1 950 million, an increase of \$72 million (3.9 per cent) on the 2006-07 revised estimate.

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

	(\$ million)			
	2006-07 Budget	2006-07 Revised	2007-08 Budget	Change <sup>(a)</sup> %
<b>Current grants</b>				
Assistance to non-government schools	1 385.9	1 385.9	1 441.3	4.0
Financial assistance grants to local government	288.0	288.3	298.3	3.5
Targeted programs for non-government schools	66.4	66.4	69.0	4.0
<b>Total current grants</b>	<b>1 740.2</b>	<b>1 740.5</b>	<b>1 808.6</b>	<b>3.9</b>
<b>Capital grants</b>				
Identified local roads grants to local government	106.2	106.8	110.5	3.4
Non-government schools	30.2	30.2	31.0	2.4
<b>Total capital grants</b>	<b>136.4</b>	<b>137.1</b>	<b>141.4</b>	<b>3.2</b>
<b>Total grants</b>	<b>1 876.6</b>	<b>1 877.5</b>	<b>1 950.0</b>	<b>3.9</b>

Source: Department of Treasury and Finance

Note:

(a) Change between 2006-07 Revised and 2007-08 Budget.

### **Assistance to non-government schools**

Assistance is provided to non-government schools for operating and capital costs of school education. It is a major revenue source for a large proportion of non-government schools. Under the Commonwealth's socio-economic status (SES) of school communities model, the minimum funding entitlement on a per student basis is set at 13.7 per cent of the 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 \$59 million (4.0 per cent) in 2007-08 compared to the 2006-07 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 a 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 (3.5 per cent) in 2007-08 compared to the 2006-07 revised estimate, in line with Commonwealth estimates of population and CPI growth.

### ***Identified local roads grants to local government***

Funding to local councils is provided on a per capita and road length basis pursuant to the *Local Government (Financial Assistance) Act 1995*. These grants are estimated to increase by \$4 million (3.4 per cent) in 2007-08 compared to the 2006-07 revised estimate, in line with Commonwealth estimates of population and CPI growth.



## CHAPTER 4 – TAX EXPENDITURES AND CONCESSIONS

### TAX EXPENDITURES

Tax expenditures are tax concessions granted to certain taxpayers, activities or assets, which are a deviation from the normal taxation treatment. This includes tax free thresholds and can also take the form of exempting or applying a lower rate, 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 2006-07 to 2010-11. Between 2006-07 and 2010-11 total estimated tax expenditures excluding thresholds are expected to decrease by \$23 million. Land tax expenditures are expected to fall in 2007-08 due to policy changes announced in the 2007-08 Budget before rising in 2008-09 and then dropping back to be roughly in line with 2007-08 estimates by 2010-11. 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 as from 1 July 2007 the Government will introduce a complete smoking ban within all enclosed licensed premises (with some exceptions). It is expected that the introduction of this extended smoking ban will have an impact on electronic gaming machine expenditure, though to a lesser extent than did the September 2002 smoking ban. The impact of the ban is expected to be ongoing but underlying electronic gaming machine expenditure is forecast to grow in line with growth in household final consumption expenditure.

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

Description	(\$ million)				
	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
Land tax	1 549	1 285	1 337	1 310	1 291
Payroll tax	697	716	735	762	793
Gambling tax	75	71	75	80	84
Motor vehicle taxes	68	71	74	77	79
Other stamp duties	134	197	197	245	248
Congestion levy	42	43	44	45	46
<b>Total estimated tax expenditures</b>	<b>2 565</b>	<b>2 383</b>	<b>2 463</b>	<b>2 519</b>	<b>2 542</b>

Source: Department of Treasury and Finance

Table 4.2 lists the estimated individual tax expenditures that can be costed for the period 2006-07 to 2010-11 (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, falling to around \$4.2 billion in 2007-08 before rising back to around \$4.3 billion by 2010-11.

A number of tax initiatives have implications for the tax expenditure estimates reported in the 2007-08 Budget, including:

- the Government will make further cuts to land tax rates, which will contribute to a decline in land tax expenditure from 2007-08 onwards, although this is partially off set by an increase in the land tax tax-free threshold from \$200 000 to \$225 000;
- NSW and Victoria will have harmonised payroll tax legislation from 1 July 2007, including common definitions and exemptions, but excluding rates and thresholds. This will slightly increase tax expenditure estimates in Victoria from 2007-08 onwards. This includes the introduction of a payroll tax exemption for wages paid to employees participating in voluntary emergency service work. The exemption applies to employees not on official leave;
- the Government will provide land transfer duty relief for homebuyers for contracts entered into from 1 January 2007 in respect of principal places of residence. This increases the cost of land tax expenditure estimates from 2006-07 onwards; and
- the Government will introduce zone transition for the Congestion Levy so that there will be no increase in the Congestion Levy during 2007 and 2008 in those parts of Southbank and Port Melbourne to the west of Wurundjeri Way. This measure will increase the Congestion Levy exemption by \$0.2 million in 2006-07 and 2007-08.

For the 2007-08 Budget, estimates of several land tax expenditures have changed due to improved State Revenue Office estimation methodologies and data collection. In particular, estimates for Crown property, land held in trust for public or municipal purposes or vested in any municipality, retirement villages and non-profit organisations providing outdoor cultural or sporting recreation have been revised downwards since the 2006-07 Budget.

From 1 January 2006, certain trusts have been subject to a land tax surcharge of 0.375 per cent (on top of the ordinary land tax rates). There are a number of exemptions to the trust surcharge, such as a transitional measure which provided trustees of existing discretionary trusts, with property holdings acquired before the 31 December 2005, the one-off opportunity to nominate a beneficiary of the trust. Where the trustee nominated a beneficiary before 31 December 2005, the trustee will then be exempt from the land tax surcharge. A trust entry appears in Table 4.2 below, although a reliable estimate of expenditure relating to the trusts surcharge is currently not available.

Improved State Revenue Office data collection has also changed estimates for congestion levy tax exemptions. Specifically, estimates of residential and short stay car parks have been revised upwards, while those for commercial and private car parks have been revised downwards. Overall, estimates of total congestion levy tax exemptions have been revised downwards from the figures reported in the 2006-07 Budget.

The corporate reconstruction exemption arises where a corporate group reorganises its business structure, for example by transferring assets, such as dutiable property, between corporations that are members of the corporate group. The exemption removes the duty liability that arises from eligible transactions resulting from legitimate reconstructions of

corporate groups. 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 downward revision to estimates in the 2007-08 Budget reflects the absence of any large, one off exemptions for corporate reconstruction reported in 2006-07.

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

<i>Description</i>	<i>(\$ million)</i>				
	<i>2006-07 Estimate</i>	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>
<b>Land tax exemptions</b>					
Crown Property (right of Victoria)	147	127	132	129	127
Principal place of residence	541	468	487	477	470
Land held in trust for public or municipal purposes or vested in any municipality	100	87	90	89	87
Land used by a charitable institution	100	87	90	88	87
Commonwealth land	126	109	113	111	109
Land used for primary production	213	184	191	188	185
Land vested in a public statutory authority	130	112	117	114	113
Land used for the City Link network	14	13	13	13	13
Land used for EastLink	10	10	10	10	10
Assessment on a single holding basis for land owned by a municipality	5	4	4	4	4
Partial exemption for non-profit organisations solely for social, sporting, cultural, literary purposes; or horse, pony or harness racing	34	30	31	30	30
Assessment on a single holding basis for land owned by a charity	10	9	9	9	9
Retirement villages	6	6	6	6	6
Non-profit organisation providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	14	12	13	12	12
Friendly societies	14	12	12	12	12
Associations of ex-servicemen	14	12	13	12	12
Caravan parks	3	2	3	3	2
Residential care facilities	3	3	3	3	3
Low-cost accommodation	..	..	..	..	..
Capping of land tax	64	..	..	..	..
Land tax trust provisions <sup>(a)</sup>	..	..	..	..	..
Threshold for aggregated site value below \$225 000	47	46	48	47	46
<b>Total land tax expenditures</b>	<b>1596</b>	<b>1331</b>	<b>1385</b>	<b>1357</b>	<b>1337</b>
<b>Payroll tax exemptions</b>					
Wages paid by public hospitals	209	214	219	227	235
Wages paid by a public benevolent institution/charity	190	194	199	207	215
Wages paid by a non-profit, non-public school	105	108	111	115	119
Commonwealth departments/agencies (not transport and communication)	44	45	47	48	50
Wages paid by non-profit hospitals	41	42	43	44	46
Municipal councils (not wages for trading activities)	86	88	91	94	97



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

<i>Description</i>	<i>(\$ million)</i>				
	<i>2006-07 Estimate</i>	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>
Fringe benefits excluded from Fringe Benefits Tax Assessment Act 1986	17	19	19	21	22
Religious institutions	3	3	3	3	4
Construction industry leave entitlements paid by CoINVEST	1	2	2	2	2
Paid maternity leave	1	1	1	1	1
Government school councils	..	..	..	..	1
Wages paid to employees participating in voluntary emergency service work	..	..	..	..	..
Employers' payroll below \$550 000	1 718	1 721	1 720	1 714	1704
<b>Total payroll tax expenditures</b>	<b>2 415</b>	<b>2 437</b>	<b>2 455</b>	<b>2 476</b>	<b>2497</b>
<b>Congestion levy tax exemptions</b>					
Residential	15	15	15	16	16
Commercial and private	11	11	11	12	12
Short stay car parks	17	17	17	18	18
<b>Total congestion levy tax exemptions</b>	<b>42</b>	<b>43</b>	<b>44</b>	<b>45</b>	<b>46</b>
<b>Gambling tax exemptions</b>					
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	75	71	75	80	84
<b>Total gambling tax expenditures</b>	<b>75</b>	<b>71</b>	<b>75</b>	<b>80</b>	<b>84</b>
<b>Motor vehicle tax expenditures</b>					
Motor vehicle registration fee for eligible beneficiaries	61	64	66	69	71
Registration fee for primary production vehicle (4.5 tonnes or less)	4	4	4	5	5
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	..	..	..	..	..
Motor registration discount for hybrid cars	..	..	..	..	..
<b>Total motor vehicle tax expenditures</b>	<b>68</b>	<b>71</b>	<b>74</b>	<b>77</b>	<b>79</b>
<b>Other stamp duties exemptions <sup>(b)</sup></b>					
Stamp duty for corporate reconstruction	67	105	105	105	105
Conveyance duty concession for first homebuyers with families	..	..	..	..	..
Conveyance duty concession for pensioners and concession cardholders	48	45	45	45	46
Stamp duty for principal place of residence	19	47	47	95	97
<b>Total other stamp duties expenditures</b>	<b>134</b>	<b>197</b>	<b>197</b>	<b>245</b>	<b>248</b>
<b>Total estimated tax expenditures</b>	<b>4 330</b>	<b>4 150</b>	<b>4 231</b>	<b>4 281</b>	<b>4 293</b>

*Source: Department of Treasury and Finance*

*Note:*

(a) *No reliable estimate currently available.*

(b) *Principally land transfer duty.*

The ratio of tax expenditures (excluding thresholds) to tax revenue in 2006-07 is estimated at 22 per cent (Table 4.3), compared with 25 per cent in 2005-06. This decrease is mainly driven by the downward revisions to land tax expenditure due to improved State Revenue Office estimation techniques and data collection. Also significant are the downward revisions to other stamp duties expenditure due to the smaller corporate reconstruction figure for 2006-07, and to the congestion levy due to improved data collection.

**Table 4.3: Estimated aggregate tax expenditures (excluding thresholds) and tax revenue in 2006-07**

(\$ million)

<i>Description</i>	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	1 549	890	1.74
Payroll tax	697	3 454	0.20
Gambling tax	75	1 514	0.05
Motor vehicle taxes	68	1 294	0.05
Other stamp duties <sup>(a)</sup>	134	2 898	0.05
Congestion levy	42	38	1.12
Other/miscellaneous	..	1 383	..
<b>Total for items estimated</b>	<b>2 565</b>	<b>11 471</b>	<b>0.22</b>

*Source: Department of Treasury and Finance*

*Note:*

(a) Principally land transfer duty.

Table 4.4 provides a grouping of estimated tax expenditures to particular persons or entities based on the legal incidence of state taxes. Total aggregate tax expenditures are roughly flat between 2006-07 and 2010-11, with increases in tax expenditures for business, educational institutions and hospitals largely off set by falls in commonwealth and state government, property owners and primary producers.

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

<i>Description</i>	<i>(\$ million)</i>				
	<i>2006-07 Estimate</i>	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>
Business	154	192	195	197	199
Construction industry	1	2	2	2	2
Charitable organisations	300	290	299	304	311
Educational institutions	107	109	112	116	122
Gambling clubs	75	71	75	80	84
Commonwealth and state government	446	393	409	403	399
Local government	191	179	185	187	189
Hospitals	249	256	262	271	281
Pensioners/concession cardholders	131	127	131	133	136
Property owners	627	518	537	575	570
Primary producers	217	188	196	192	189
Religious institutions	3	3	3	3	4
Sporting, recreation and cultural organisations	48	42	43	43	42
Other	15	14	14	14	14
<b>Total for items estimated</b>	<b>2 565</b>	<b>2 383</b>	<b>2 463</b>	<b>2 519</b>	<b>2 542</b>

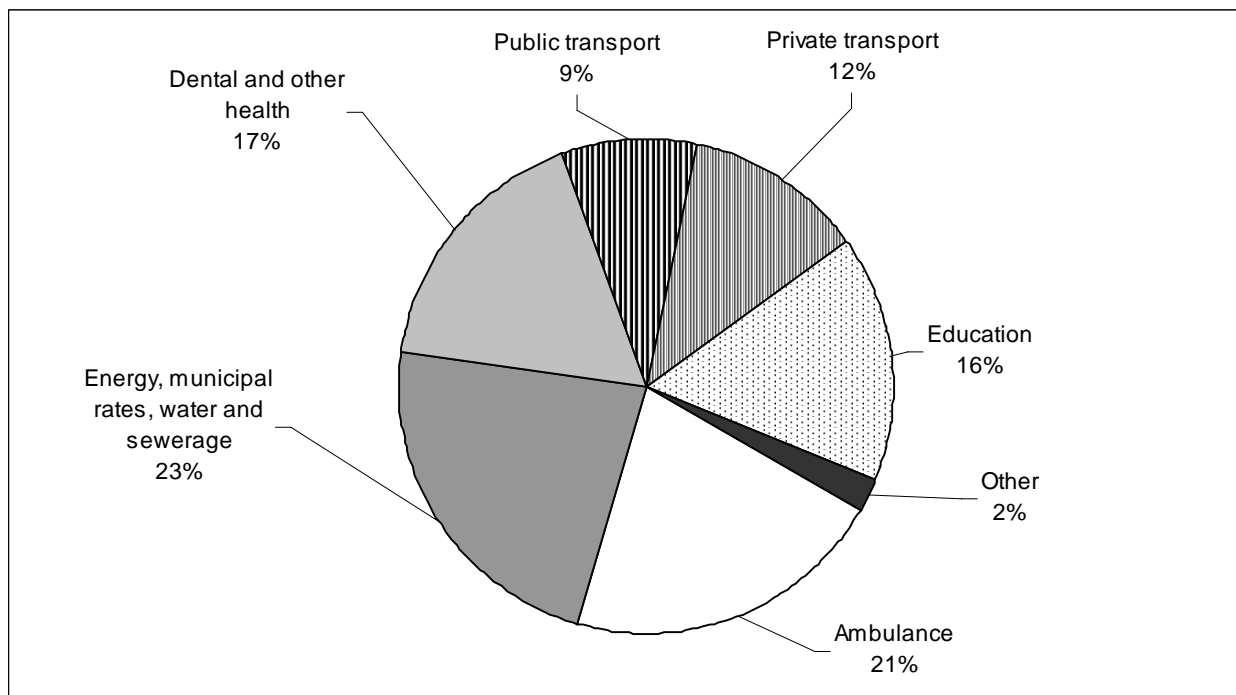
*Source: Department of Treasury and Finance*

## 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 2006-07. The majority of concessions are concentrated in health, accounting for 38 per cent of total concessions. Energy, municipal rates, water and sewerage is the next largest category, accounting for 23 per cent of total concessions in 2006-07, while transport represents 21 per cent of total concessions. Education comprises 16 per cent of total concessions and other concessions represent 2 per cent.

**Chart 4.1: Estimated concessions by category 2006-07**



Source: Department of Treasury and Finance

Table 4.5 classifies the major concessions provided by the Victorian Government by category. The estimated total value of major concessions in 2006-07 is \$1 130 million, up from \$1 029 million in 2005-06.

**Table 4.5: Concessions by category (a)**

Description	(\$ million)		
	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate
Energy, municipal rates, water and sewerage	237	257	263
Education	150	180	196
Health	393	432	456
Hardship assistance	21	25	26
Transport	227	235	245
<b>Total for items estimated</b>	<b>1 029</b>	<b>1 130</b>	<b>1 186</b>

Source: Department of Treasury and Finance

Note:

(a) These figures include the cost of administration.

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 trustee 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

---

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

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

The FMA also provides for:

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

### 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 ended 30 June 2007 and for the year ended 30 June 2008.

	(\$ million)		
	2006-07 Budget	2007-08 Budget	Variation %
<b>Receipts</b>			
Taxation	11 099	11 568	4.2
Fines and regulatory fees	541	567	4.9
Grants received	12 676	13 604	7.3
Sales of goods and services (including Section 29 FMA annotated)	688	714	3.8
Interest received	60	37	(38.2)
Public authority income	966	1 001	3.6
Other receipts	2 862	3 110	8.7
<b>Total operating activities</b>	<b>28 891</b>	<b>30 601</b>	<b>5.9</b>
<b>Total cash inflows from investing and financing</b>	<b>77</b>	<b>153</b>	<b>99.2</b>
<b>Total receipts</b>	<b>28 968</b>	<b>30 754</b>	<b>6.2</b>
<b>Payments</b>			
Special appropriations	1 543	1 843	19.4
Appropriations <sup>(a)</sup>			
Provision of outputs	24 027	25 896	7.8
Additions to the net asset base	1 577	1 688	7.1
Payments made on behalf of the State	1 631	1 566	(4.0)
Receipts credited to appropriation			
Provision of outputs	1 818	1 989	9.4
Additions to the net asset base	259	249	(4.0)
<b>Sub total</b>	<b>30 854</b>	<b>33 229</b>	<b>7.7</b>
Applied appropriations remaining unspent	( 328)	( 227)	(30.6)
<b>Total payments</b>	<b>30 527</b>	<b>33 002</b>	<b>8.1</b>

Sources: Department of Treasury and Finance

Note:

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



**Table 5.2: Consolidated Fund receipts**

(\$ thousand)

	2006-07 Budget	2007-08 Budget	Variation %
<b>Operating receipts</b>			
<b>Taxation</b>			
Payroll tax	3 815 290	4 001 953	4.9
Land Tax	747 760	765 560	2.4
Congestion levy	38 800	38 700	(0.3)
Duties from financial and capital transactions			
Land transfer duty	2 473 900	2 858 251	15.5
Other duties <sup>(a)</sup>	47 475	4 547	(90.4)
Financial accommodation levy	16 375	20 638	26.0
Levies on Statutory Corporations	60 400	61 600	2.0
Gambling			
Private lotteries	355 700	368 700	3.7
Electronic gaming machines	1 006 400	941 400	(6.5)
Casino taxes	118 100	130 800	10.8
Racing	119 000	129 400	8.7
Other gambling	3 500	5 900	68.6
Insurance	755 300	770 900	2.1
Motor vehicle			
Road Safety Act (Registration Fees)	751 628	783 137	4.2
Duty on vehicle registrations and transfers	591 500	559 304	(5.4)
Liquor licence fees	7 400	7 700	4.1
Other taxes <sup>(b)</sup>	190 900	119 390	(37.5)
<b>Total</b>	<b>11 099 428</b>	<b>11 567 880</b>	<b>4.2</b>
<b>Fines and regulatory fees</b>			
Fines	402 228	406 722	1.1
Regulatory fees	138 381	160 379	15.9
<b>Total</b>	<b>540 609</b>	<b>567 101</b>	<b>4.9</b>
<b>Grants received</b>			
<b>Grants received by department</b>			
Department of Education	650 612	634 190	(2.5)
Department of Human Services	3 037 896	3 256 103	7.2
Department of Infrastructure	326 020	394 740	21.1
Department of Innovation, Industry and Regional Development	5 000	5 000	..
Department of Justice	49 641	53 720	8.2
Department of Premier and Cabinet	..	..	..
Department of Primary Industries	20 400	36 950	81.1
Department of Sustainability and Environment	117 539	98 832	(15.9)
Department of Treasury and Finance	8 469 200	9 124 800	7.7
Department for Victorian Communities	..	..	..
Parliament	..	..	..
<b>Total</b>	<b>12 676 308</b>	<b>13 604 334</b>	<b>7.3</b>

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

(\$ thousand)

	2006-07 Budget	2007-08 Budget	Variation %
<b>Sales of goods and services</b>	<b>687 565</b>	<b>713 563</b>	<b>3.8</b>
<b>Interest received</b>	<b>59 845</b>	<b>37 012</b>	<b>(38.2)</b>
<b>Public authority income</b>			
Public authority dividends	769 694	683 035	(11.3)
Public authorities income tax equivalent receipts	193 340	314 679	62.8
Public authorities local government tax equivalent receipts	2 660	2 800	5.3
<b>Total</b>	<b>965 694</b>	<b>1 000 514</b>	<b>3.6</b>
<b>Other receipts</b>			
Land rent received	14 871	14 871	..
Royalties received	62 808	41 149	(34.5)
Other <sup>(c)</sup>	2 784 092	3 054 231	9.7
<b>Total</b>	<b>2 861 771</b>	<b>3 110 251</b>	<b>8.7</b>
<b>Total operating activities</b>	<b>28 891 221</b>	<b>30 600 655</b>	<b>5.9</b>
<b>Cash inflows from investing and financing</b>			
Other loans	608	631	3.8
Other	76 209	152 408	100.0
<b>Total cash inflows from investing and financing</b>	<b>76 817</b>	<b>153 039</b>	<b>99.2</b>
<b>Total Consolidated Funds receipts</b>	<b>28 968 038</b>	<b>30 753 694</b>	<b>6.2</b>

Notes:

(a) Duties on Rental Business has been abolished, effective 1 January 2007.

(b) Other taxes include Concessional Fees (Transurban).

(c) Includes Capital Assets Charge.

**Table 5.3: Consolidated Fund payments - Summary**

(\$ thousand)

	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2007-08 Budget	Variation %
<b>Education</b>				
Special appropriations	250	250	250	..
Annual appropriations <sup>(b)</sup>	7 219 739	6 734 886	6 477 447	(10.3)
<b>Total</b>	7 219 989	6 735 136	6 477 697	(10.3)
<b>Human Services</b>				
Special appropriations	1 167 800	1 167 800	1 187 900	1.7
Annual appropriations <sup>(b)</sup>	10 099 528	10 094 856	11 072 173	9.6
<b>Total</b>	11 267 328	11 262 656	12 260 073	8.8
<b>Infrastructure</b>				
Special appropriations	1 700	1 700	10 100	494.1
Annual appropriations <sup>(b)</sup>	4 293 166	4 268 909	4 869 843	13.4
<b>Total</b>	4 294 866	4 270 609	4 879 943	13.6
<b>Innovation, Industry and Regional Development</b>				
Special appropriations	..	..	..	..
Annual appropriations <sup>(b)</sup>	446 612	930 577	1 423 400	218.7
<b>Total</b>	446 612	930 577	1 423 400	218.7
<b>Justice</b>				
Special appropriations	137 579	137 579	114 394	(16.9)
Annual appropriations <sup>(b)</sup>	2 989 782	2 993 946	3 074 365	2.8
<b>Total</b>	3 127 361	3 131 525	3 188 759	2.0
<b>Premier and Cabinet</b>				
Special appropriations	10 658	10 658	6 230	(41.5)
Annual appropriations <sup>(b)</sup>	493 185	472 349	509 264	3.3
<b>Total</b>	503 843	483 007	515 494	2.3
<b>Primary Industries</b>				
Special appropriations	..	..	..	..
Annual appropriations <sup>(b)</sup>	503 444	548 833	507 179	0.7
<b>Total</b>	503 444	548 833	507 179	0.7
<b>Sustainability and Environment</b>				
Special appropriations	..	..	..	..
Annual appropriations <sup>(b)</sup>	1 049 030	1 049 055	1 259 530	20.1
<b>Total</b>	1 049 030	1 049 055	1 259 530	20.1
<b>Treasury and Finance</b>				
Special appropriations	98 315	98 315	415 883	323.0
Annual appropriations <sup>(b)</sup>	1 742 091	1 771 332	1 706 744	(2.0)
<b>Total</b>	1 840 406	1 869 647	2 122 627	15.3
<b>Victorian Communities</b>				
Special appropriations	106 554	106 554	88 400	(17.0)
Annual appropriations <sup>(b)</sup>	371 401	347 378	370 313	(0.3)
<b>Total</b>	477 955	453 932	458 713	(4.0)
<b>Parliament</b>				
Special appropriations	20 063	20 063	19 455	(3.0)
Annual appropriations <sup>(b)</sup>	103 506	103 506	116 515	12.6
<b>Total</b>	123 569	123 569	135 970	10.0
<b>Total special appropriations</b>	1 542 919	1 542 919	1 842 612	19.4
<b>Total annual appropriations</b>	29 311 485	29 315 627	31 386 772	7.1
<b>Total appropriations</b>	30 854 404	30 858 546	33 229 384	7.7

Source: Department of Treasury and Finance

Notes:

(a) Reflects adjusted appropriations arising from machinery of government changes for the period 1 July 2006 to 30 June 2007.

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

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

	(\$ thousand)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2007-08 Budget	Variation %
<b>Education</b>				
Education Act No. 6240, Section 34 - Volunteer Workers Compensation	250	250	250	..
<b>Total</b>	<b>250</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	10 800	10 800	11 500	6.5
Casino Control Act No. 47 of 1991, Section 114B - Hospitals and Charities Fund	7 500	7 500	10 725	43.0
Gambling Regulation Act No. 114 of 2003, Section 3.6.4 - Hospitals and Charities Fund	82 200	82 200	117 975	43.5
Gambling Regulation Act No. 114 of 2003, Section 3.6.11 - Hospitals and Charities Fund and Mental Health Fund	636 700	636 700	594 300	(6.7)
Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 - Hospitals and Charities Fund	119 000	119 000	129 400	8.7
Gambling Regulation Act No. 114 of 2003, Section 5.4.6 - Hospitals and Charities Fund and Mental Health Fund	310 100	310 100	322 300	3.9
Gambling Regulation Act No. 114 of 2003, Section 6.3.3 - Hospitals and Charities Fund and Mental Health Fund	1 500	1 500	1 700	13.3
<b>Total</b>	<b>1 167 800</b>	<b>1 167 800</b>	<b>1 187 900</b>	<b>1.7</b>
<b>Infrastructure</b>				
Financial Management Act No. 18 of 1994, Section 33 -Appropriation to meet certain obligations <sup>(c)</sup>	..	..	8 400	..
Transport Act No. 9921 of 1983, Section 213A	1 700	1 700	1 700	..
<b>Total</b>	<b>1 700</b>	<b>1 700</b>	<b>10 100</b>	<b>494.1</b>
<b>Justice</b>				
Constitution Act No. 8750 - Judges Supreme Court	10 552	10 552	11 413	8.2
Constitution Act No. 8750 - President Court of Appeal	373	373	375	0.5
Constitution Act No. 8750 - Judges Court of Appeal	3 753	3 753	3 765	0.3
Constitution Act No. 8750 - Chief Justice	376	376	377	0.3
County Court Act No. 6230 - Judges	15 662	15 662	16 365	4.5
Crown Proceedings - Act No. 6232	4 100	4 100	4 203	2.5
Electoral Act No. 23 of 2002, Section 181 - Electoral Expenses	39 012	39 012	20 518	(47.4)
Electoral Act No. 23 of 2002, Section 215 - Electoral Entitlement <sup>(b)</sup>	8 281	8 281	..	(100.0)
Juries Act No. 53 of 2000, Section 59 - Compensation to Jurors	17	17	17	..
Magistrates Court Act No. 51 of 1989	24 213	24 213	24 031	(0.8)
Melbourne City Link, Act No. 107 of 1995, Section 14(4)	2 100	2 100	2 100	..
Victims of Crime Assistance Act No. 81 of 1996, Section 69 Expenses	1 723	1 723	1 736	0.8
Victims of Crime Assistance Act No. 81 of 1996, Section 69 Awards	27 100	27 100	28 878	6.6
Victoria State Emergency Service Act No. 51 of 2005, Section 52 - Volunteer Workers Compensation	317	317	616	94.3
<b>Total</b>	<b>137 579</b>	<b>137 579</b>	<b>114 394</b>	<b>(16.9)</b>

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

	(\$ thousand)			
	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2007-08 Budget	Variation %
<b>Premier and Cabinet</b>				
Constitution Act No. 8750 - Executive Council	50	50	50	..
Constitution Act No. 8750 - Governor's Salary	190	190	320	68.4
Financial Management Act No. 18 of 1994, Section 33 - Appropriation to meet certain obligations <sup>(c)</sup>	5 039	5 039	..	(100.0)
Ombudsman Act No. 8414	347	347	360	3.7
Parliamentary Salaries and Superannuation Act No. 7723 of 1968	5 032	5 032	5 500	9.3
<b>Total</b>	<b>10 658</b>	<b>10 658</b>	<b>6 230</b>	<b>(41.5)</b>
<b>Treasury and Finance</b>				
Business Franchise (Petroleum Products) Act No. 9272, Section 17(2) <sup>(b)</sup>	40 000	40 000	..	(100.0)
Constitution Act No. 8750 - Governor's Pension	599	599	660	10.2
Constitution Act No. 8750 - Judges of the Supreme Court	4 220	4 220	4 653	10.3
County Court Act No. 6230 - Judges	6 136	6 136	6 765	10.3
Financial Management Act No. 18 of 1994, Section 39 - Interest on Advances	10 000	10 000	20 000	100.0
Liquor Control Reform Act No.94 of 1998, Section 177(2)	6 700	6 700	3 500	(47.8)
State Electricity Commission Act 1958, Section 85B(2) - Indemnity <sup>(b)</sup>	..	..	11 300	..
State Superannuation Act No. 50 of 1988, Section 90(2) - contributions	29 035	29 035	367 360	1165.2
Taxation (Interest on Overpayments) Act No 35 of 1986, Section 11	1 000	1 000	1 000	..
Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 - Debt Retirement	625	625	645	3.2
<b>Total</b>	<b>98 315</b>	<b>98 315</b>	<b>415 883</b>	<b>323.0</b>
<b>Victorian Communities</b>				
Discharged Servicemens Preference Act No. 4989, Section 14 <sup>(b)</sup>	54	54	..	(100.0)
Gambling Regulation Act No. 114 of 2003, Section 3.6.12 - Community Support Fund	106 500	106 500	88 400	(17.0)
<b>Total</b>	<b>106 554</b>	<b>106 554</b>	<b>88 400</b>	<b>(17.0)</b>

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

(\$ thousand)

	2006-07 Budget	2006-07 Adjusted <sup>(a)</sup>	2007-08 Budget	Variation %
<b>Parliament</b>				
Audit Act No. 2 of 1994, Section 17(3) - Audit of Auditor-General's Office	25	25	25	..
Constitution Act No. 8750, Section 94A - Auditor-General's Salary	276	276	438	58.7
Constitution Act No. 8750 - Clerk of the Parliaments	2	2	2	..
Constitution Act No. 8750 - Legislative Assembly	550	550	550	..
Constitution Act No. 8750 - Legislative Council	200	200	200	..
Financial Management Act No. 18 of 1994, Section 33 - Appropriation to meet certain obligations <sup>(c)</sup>	770	770	..	(100.0)
Parliamentary Salaries and Superannuation Act No. 7723 - salaries and allowances	18 240	18 240	18 240	..
<b>Total</b>	<b>20 063</b>	<b>20 063</b>	<b>19 455</b>	
<b>Total special appropriations</b>	<b>1 542 919</b>	<b>1 542 919</b>	<b>1 842 612</b>	<b>19.4</b>

Source: Department of Treasury and Finance

Notes:

- (a) Reflects adjusted special appropriations arising from machinery of government changes for the period 1 July 2006 to 30 June 2007.
- (b) Reflects classification changes and new items.
- (c) Relates to accumulated surplus – previously applied appropriation.

## Table 5.5: Consolidated Fund payments: total annual appropriations

Details of total annual appropriations for 2007-08, including amounts of estimates of unapplied 2006-07 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 2007-08 Budget are in bold; estimates for 2006-07 Budget in italics.

## Table 5.5: Consolidated Fund payments: total annual appropriations

(\$ 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</b>				..
Appropriation <sup>(a)</sup>	<b>6 091 977</b>	<b>104 668</b>	..	<b>6 196 645</b>
	<i>6 836 695</i>	<i>100 206</i>	..	<i>6 936 902</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>101 287</b>	<b>111 915</b>	..	<b>213 203</b>
	<i>95 789</i>	<i>150 348</i>	..	<i>246 137</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>20 000</b>	<b>47 599</b>	..	<b>67 599</b>
	<i>36 700</i>	..	..	<i>36 700</i>
<b>Total appropriation</b>	<b>6 213 264</b>	<b>264 182</b>	..	<b>6 477 447</b>
	<i>6 969 184</i>	<i>250 555</i>	..	<i>7 219 739</i>
<b>Human Services</b>				
Appropriation <sup>(a)</sup>	<b>9 429 477</b>	<b>269 416</b>	..	<b>9 698 893</b>
	<i>8 544 577</i>	<i>275 331</i>	..	<i>8 819 908</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>1 259 200</b>	<b>22 680</b>	..	<b>1 281 880</b>
	<i>1 137 136</i>	<i>21 110</i>	..	<i>1 158 246</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>33 400</b>	<b>58 000</b>	..	<b>91 400</b>
	<i>31 374</i>	<i>90 000</i>	..	<i>121 374</i>
<b>Total appropriation</b>	<b>10 722 077</b>	<b>350 096</b>	..	<b>11 072 173</b>
	<i>9 713 087</i>	<i>386 441</i>	..	<i>10 099 528</i>
<b>Infrastructure</b>				
Appropriation <sup>(a)</sup>	<b>3 591 110</b>	<b>659 857</b>	..	<b>4 250 967</b>
	<i>3 305 871</i>	<i>459 648</i>	<i>36 900</i>	<i>3 802 419</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>348 159</b>	<b>47 300</b>	..	<b>395 459</b>
	<i>281 890</i>	<i>45 000</i>	..	<i>326 890</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>78 123</b>	<b>145 294</b>	..	<b>223 417</b>
	<i>21 730</i>	<i>142 127</i>	..	<i>163 857</i>
<b>Total appropriation</b>	<b>4 017 392</b>	<b>852 451</b>	..	<b>4 869 843</b>
	<i>3 609 491</i>	<i>646 775</i>	<i>36 900</i>	<i>4 293 166</i>
<b>Innovation, Industry and Regional Development</b>				
Appropriation <sup>(a)</sup>	<b>1 403 587</b>	<b>2 913</b>	..	<b>1 406 500</b>
	<i>423 138</i>	<i>14 563</i>	..	<i>437 701</i>
Receipts credited to appropriation <sup>(b)</sup>	..	..	..	..
	..	..	..	..
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>16 900</b>	..	..	<b>16 900</b>
	<i>8 911</i>	..	..	<i>8 911</i>
<b>Total appropriation</b>	<b>1 420 487</b>	<b>2 913</b>	..	<b>1 423 400</b>
	<i>432 049</i>	<i>14 563</i>	..	<i>446 612</i>

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

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
<b>Justice</b>				
Appropriation <sup>(a)</sup>	<b>2 859 346</b>	<b>43 415</b>	<b>46 400</b>	<b>2 949 161</b>
	2 702 602	138 161	55 681	2 896 444
Receipts credited to appropriation <sup>(b)</sup>	<b>86 043</b>	<b>4 945</b>	..	<b>90 988</b>
	92 613	725	..	93 338
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>34 216</b>	..	..	<b>34 216</b>
	..	..	..	..
<b>Total appropriation</b>	<b>2 979 605</b>	<b>48 360</b>	<b>46 400</b>	<b>3 074 365</b>
	2 795 216	138 886	55 681	2 989 782
<b>Premier and Cabinet</b>				
Appropriation <sup>(a)</sup>	<b>462 236</b>	<b>35 786</b>	..	<b>498 022</b>
	459 609	15 706	..	475 315
Receipts credited to appropriation <sup>(b)</sup>	<b>932</b>	..	..	<b>932</b>
	415	..	..	415
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>6 500</b>	<b>3 810</b>	..	<b>10 310</b>
	8 300	9 155	..	17 455
<b>Total appropriation</b>	<b>469 668</b>	<b>39 596</b>	..	<b>509 264</b>
	468 324	24 861	..	493 185
<b>Primary Industries</b>				
Appropriation <sup>(a)</sup>	<b>312 499</b>	<b>38 419</b>	<b>27 900</b>	<b>378 818</b>
	264 895	152 811	..	417 706
Receipts credited to appropriation <sup>(b)</sup>	<b>85 604</b>	..	..	<b>85 604</b>
	66 811	..	..	66 811
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>42 175</b>	<b>582</b>	..	<b>42 757</b>
	18 927	..	..	18 927
<b>Total appropriation</b>	<b>440 278</b>	<b>39 001</b>	<b>27 900</b>	<b>507 179</b>
	350 633	152 811	..	503 444
<b>Sustainability and Environment</b>				
Appropriation <sup>(a)</sup>	<b>878 488</b>	<b>174 779</b>	<b>25 880</b>	<b>1 079 147</b>
	785 129	75 527	26 143	886 799
Receipts credited to appropriation <sup>(b)</sup>	<b>88 976</b>	<b>61 728</b>	..	<b>150 704</b>
	120 480	41 750	..	162 230
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>27 644</b>	<b>2 034</b>	..	<b>29 678</b>
	..	..	..	..
<b>Total appropriation</b>	<b>995 109</b>	<b>238 541</b>	<b>25 880</b>	<b>1 259 530</b>
	905 610	117 277	26 143	1 049 030
<b>Treasury and Finance</b>				
Appropriation <sup>(a)</sup>	<b>225 662</b>	<b>12 731</b>	<b>1 465 254</b>	<b>1 703 646</b>
	188 842	38 220	1 511 891	1 738 953
Receipts credited to appropriation <sup>(b)</sup>	<b>3 098</b>	..	..	<b>3 098</b>
	3 138	..	..	3 138
Unapplied previous year appropriation carried over <sup>(c)</sup>	..	..	..	..
	..	..	..	..
<b>Total appropriation</b>	<b>228 760</b>	<b>12 731</b>	<b>1 465 254</b>	<b>1 706 744</b>
	191 980	38 220	1 511 891	1 742 091



**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>282 603</b>	<b>77 310</b>	<b>400</b>	<b>360 313</b>
	306 692	55 523	400	362 615
Receipts credited to appropriation <sup>(b)</sup>	..	..	..	..
	4 086	..	..	4 086
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>10 000</b>	..	..	<b>10 000</b>
	1 800	2 900	..	4 700
<b>Total appropriation</b>	<b>292 603</b>	<b>77 310</b>	<b>400</b>	<b>370 313</b>
	312 578	58 423	400	371 401
<b>Parliament</b>				
Appropriation <sup>(d)</sup>	<b>86 718</b>	<b>5 420</b>	..	<b>92 138</b>
	81 319	6 670	..	87 989
Receipts credited to appropriation <sup>(b)</sup>	<b>15 517</b>	..	..	<b>15 517</b>
	15 517	..	..	15 517
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>3 060</b>	<b>5 800</b>	..	<b>8 860</b>
	..	..	..	..
<b>Total appropriation</b>	<b>105 295</b>	<b>11 220</b>	..	<b>116 515</b>
	96 836	6 670	..	103 506

Source: Department of Treasury and Finance

Notes:

- (a) Appropriation (2007-08) Act.
- (b) Financial Management Act, 1994 Section 29.
- (c) Financial Management Act, 1994 Section 32.
- (d) Appropriation (Parliament 2007-08) Act.

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

Estimates for 2007-08 Budget are in bold; estimates for 2006-07 Budget in italics.

(\$ thousand)

Department	Outputs	Receipt source		Total
		Commonwealth	Other <sup>(a)</sup>	
Education	<b>1 519</b>	<b>202 484</b>	<b>9 200</b>	<b>213 203</b>
	<i>1 519</i>	<i>235 418</i>	<i>9 200</i>	<i>246 137</i>
Human Services	<b>275 575</b>	<b>993 255</b>	<b>13 050</b>	<b>1 281 880</b>
	<i>278 094</i>	<i>873 902</i>	<i>6 250</i>	<i>1 158 246</i>
Infrastructure	<b>720</b>	<b>394 740</b>	..	<b>395 460</b>
	<i>870</i>	<i>326 020</i>	..	<i>326 890</i>
Innovation, Industry and Regional Development	..	..	..	..
	..	..	..	..
Justice	<b>83 106</b>	<b>2 937</b>	<b>4 945</b>	<b>90 988</b>
	<i>91 736</i>	<i>877</i>	<i>725</i>	<i>93 338</i>
Premier and Cabinet	<b>932</b>	..	..	<b>932</b>
	<i>415</i>	..	..	<i>415</i>
Primary Industries	<b>48 654</b>	<b>28 250</b>	<b>8 700</b>	<b>85 604</b>
	<i>46 411</i>	<i>11 700</i>	<i>8 700</i>	<i>66 811</i>
Sustainability and Environment	<b>51 872</b>	<b>98 832</b>	..	<b>150 704</b>
	<i>45 401</i>	<i>116 829</i>	..	<i>162 230</i>
Treasury and Finance	<b>3 098</b>	..	..	<b>3 098</b>
	<i>3 138</i>	..	..	<i>3 138</i>
Victorian Communities	..	..	..	..
	<i>4 086</i>	..	..	<i>4 086</i>
Parliament	<b>15 517</b>	..	..	<b>15 517</b>
	<i>15 517</i>	..	..	<i>15 517</i>

Note:

(a) Includes Addition to Net Asset Base (ATNAB), Local Government and other Territory Government contributions.

**Table 5.7: The Trust Fund**

	(\$ thousand)			
	2006-07 Budget	2006-07 Revised	2007-08 Budget	Variation %
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Taxation	143 060	143 060	150 546	5.2
Fines and regulatory fees	52 756	24 954	41 639	(21.1)
Grants received	2 314 064	2 434 476	2 469 483	6.7
Sale of goods and services	212 208	281 517	246 656	16.2
Interest received	94 716	103 738	107 853	13.9
Other receipts <sup>(a)</sup>	8 941 460	8 875 389	9 158 016	2.4
	<b>11 758 263</b>	<b>11 863 133</b>	<b>12 174 194</b>	<b>3.5</b>
<b>Payments</b>				
Employee entitlements	( 72 499)	( 72 440)	( 72 717)	0.3
Superannuation	( 5 077)	( 5 141)	( 4 830)	(4.9)
Interest paid	( 15 265)	( 27 908)	( 15 801)	3.5
Grants paid	(9 527 449)	(9 772 610)	(9 800 727)	2.9
Supplies and consumables	(2 239 289)	(2 233 653)	(2 311 548)	3.2
	<b>(11 859 579)</b>	<b>(12 111 752)</b>	<b>(12 205 623)</b>	<b>2.9</b>
<b>Net cash flows from operating activities</b>	<b>(101 316)</b>	<b>(248 619)</b>	<b>(31 429)</b>	<b>(69.0)</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	..	20 000	20 000	..
Purchases of property, plant and equipment	(23 154)	(48 067)	(26 837)	15.9
Other investing activities	(37 029)	(46 021)	(76 762)	107.3
<b>Net cash flows from investing activities</b>	<b>(60 183)</b>	<b>(74 087)</b>	<b>(83 600)</b>	<b>38.9</b>
<b>Cash flows from financing activities</b>				
Net proceeds from/(repayment) of borrowings <sup>(b)</sup>	30 782	(16 762)	(8 226)	(126.7)
<b>Net cash flow from financing activities</b>	<b>30 782</b>	<b>(16 762)</b>	<b>(8 226)</b>	<b>(126.7)</b>
<b>Net cash inflow/(-) outflow</b>	<b>(130 717)</b>	<b>(339 468)</b>	<b>(123 255)</b>	<b>(5.7)</b>
<b>Represented by:</b>				
Cash and deposits held at beginning of reporting period <sup>(c)</sup>	1 280 620	1 280 620	941 152	(26.5)
<b>Cash and deposits held at end year</b>	<b>1 149 904</b>	<b>941 152</b>	<b>817 898</b>	<b>(28.9)</b>

Source: Departments of Treasury and Finance

Notes:

(a) Includes transfers between funds.

(b) Relates to loans and advances.

(c) Cash and deposits held at the end of the year for 2006-07 Budget and 2006-07 Adjusted are based on 2006-07 actual opening balance plus 2006-07 budgeted movement.



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

---

### **THE ACCRUAL GFS PRESENTATION**

The Government Finance Statistics (GFS) system employed by the Australian Bureau of Statistics (ABS) is designed to provide statistics relating to all Australian public sector entities. The statistics show consolidated transactions of the various institutional sectors of government from an economic viewpoint, providing details of the revenue, expenses, payments, receipts, assets and liabilities. It includes only those transactions over which a government exercises control under its legislative or policy framework 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 that result from discoveries, depletion and destruction of assets.

### **GAAP/GFS harmonisation**

In September 2006, the Australian Accounting Standards Board (AASB) issued a new standard for Financial Reporting of General Government Sectors by Governments, applicable from 1 July 2008. Early adoption of the standard is permitted. The objective as set out by the Financial Reporting Council in December 2002 is ‘to achieve an Australian accounting standard for a single set of government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements’.

This new standard for reporting the general government sector implements the first of three stages of the strategy to create a single standard for general government sector entities, the general government sector itself, and for all other government entities. The second stage involving the implantation for whole of government sectors is expected to be announced sometime in the 2007 calendar year, while the third stage relates to departments and other general government agencies.

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

Given the complexities of implementing the new standard, timing factors, and the expected impact on a newly harmonised whole of government reporting standard which has not yet been developed, Victoria has decided that it will not early adopt the new standard. However, major components of the standard such as the recognition of 'transactions' and 'other economic flows' in the operating statement on a GFS basis, have already been incorporated into the estimated financial statements in Chapter 6 and in the financial statements for the general government sector, included in the 2007-08 Budget Papers.

## **Operating statement**

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

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

## **Balance sheet**

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

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

## **Cash flow statement**

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

The GFS cash flow statement reports two major fiscal measures: the net increase in cash held and the cash surplus. Net increase in cash held is the sum of net cash flows from all operating, investing and financing activities. The 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.

### **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)				
	2006-07 Revised	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>GFS revenue</b>					
Taxation revenue	11 471	11 589	11 998	12 368	12 856
Current grants and subsidies	14 532	15 364	16 204	16 890	17 645
Capital grants	746	795	653	596	572
Sales of goods and services	3 869	3 981	4 091	4 145	4 191
Interest income	324	302	314	321	328
Other	2 408	2 238	2 161	2 061	2 083
<b>Total revenue</b>	<b>33 351</b>	<b>34 269</b>	<b>35 421</b>	<b>36 381</b>	<b>37 676</b>
<b>GFS expenses</b>					
Employee expenses	13 708	14 229	14 670	15 031	15 466
Depreciation	1 412	1 470	1 537	1 624	1 774
Other operating expenses	9 917	10 918	11 562	12 106	12 610
Superannuation interest expense	419	342	337	326	310
Other interest expense	445	466	565	682	746
Other property expenses	..	..	..	..	..
Current transfers	6 449	6 223	6 003	6 085	6 218
Capital transfers	381	297	312	138	105
<b>Total expenses</b>	<b>32 729</b>	<b>33 945</b>	<b>34 986</b>	<b>35 991</b>	<b>37 229</b>
<b>GFS net operating balance</b>	<b>622</b>	<b>324</b>	<b>434</b>	<b>390</b>	<b>447</b>
Less: Net acquisition of non-financial assets					
Purchases of non-financial assets	2 774	2 926	3 078	2 605	2 370
Sales of non-financial assets	- 164	- 202	- 118	- 118	- 115
Less: Depreciation	1 412	1 470	1 537	1 624	1 774
Plus: Change in inventories	1	1	1	1	1
Plus: Other movements in non-financial assets	354	..	377	..	..
<b>Total net acquisition of non-financial assets</b>	<b>1 553</b>	<b>1 254</b>	<b>1 800</b>	<b>864</b>	<b>481</b>
<b>GFS net lending (+) / borrowing (-)</b>	<b>- 932</b>	<b>- 929</b>	<b>-1 366</b>	<b>- 474</b>	<b>- 34</b>

Source: Department of Treasury and Finance



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

	(\$ million)				
	2006-07 Revised	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>GFS revenue</b>					
Sales of goods and services	3 294	3 542	3 727	3 777	3 923
Current grants and subsidies	2 062	1 851	1 803	1 745	1 756
Capital grants	210	222	228	230	235
Interest income	95	81	76	70	65
Other	433	408	424	451	483
<b>Total revenue</b>	<b>6 095</b>	<b>6 104</b>	<b>6 259</b>	<b>6 273</b>	<b>6 463</b>
<b>GFS expenses</b>					
Employee expenses	652	670	690	714	735
Depreciation	859	905	949	964	974
Other operating expenses	3 457	3 679	3 622	3 628	3 738
Other interest expense	359	391	413	444	469
Other Property expenses	345	507	369	436	411
Current transfers	100	88	155	157	156
Capital transfers	73	123	129	75	75
<b>Total expenses</b>	<b>5 845</b>	<b>6 363</b>	<b>6 328</b>	<b>6 418</b>	<b>6 559</b>
GFS net operating balance	<b>250</b>	<b>- 259</b>	<b>- 69</b>	<b>- 145</b>	<b>- 95</b>
Less: Net acquisition of non-financial assets					
Purchases of non-financial assets	2 171	2 473	2 343	2 080	1 956
Sales of non-financial assets	- 58	- 78	- 71	- 65	- 64
Less: Depreciation	859	905	949	964	974
Plus: Change in inventories	20	8	3	8	4
Plus: Other movements in non-financial assets	141	133	128	124	125
<b>Total net acquisition of non-financial assets</b>	<b>1 415</b>	<b>1 631</b>	<b>1 454</b>	<b>1 184</b>	<b>1 048</b>
<b>GFS net lending (+) / borrowing (-)</b>	<b>-1 165</b>	<b>-1 890</b>	<b>-1 523</b>	<b>-1 329</b>	<b>-1 143</b>

Source: Department of Treasury and Finance

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

	(\$ million)				
	2006-07 Revised	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>GFS revenue</b>					
Taxation revenue	11 331	11 439	11 827	12 191	12 674
Current grants and subsidies	14 532	15 364	16 204	16 890	17 646
Capital grants	749	798	655	599	574
Sales of goods and services	6 276	6 585	6 824	6 889	7 065
Interest income	395	357	365	368	370
Other	2 503	2 147	2 203	2 058	2 149
<b>Total revenue</b>	<b>35 787</b>	<b>36 690</b>	<b>38 079</b>	<b>38 994</b>	<b>40 478</b>
<b>GFS expenses</b>					
Employee expenses	14 359	14 899	15 361	15 745	16 201
Depreciation	2 271	2 375	2 486	2 588	2 748
Other operating expenses	12 420	13 496	13 972	14 512	15 134
Superannuation interest expense	419	342	337	326	310
Other interest expense	780	832	953	1 102	1 191
Other property expenses	..	..	..	..	..
Current transfers	4 118	4 206	4 140	4 219	4 317
Capital transfers	445	387	418	202	170
<b>Total expenses</b>	<b>34 814</b>	<b>36 536</b>	<b>37 666</b>	<b>38 692</b>	<b>40 070</b>
<b>GFS net operating balance</b>	<b>973</b>	<b>154</b>	<b>413</b>	<b>302</b>	<b>408</b>
Less: Net acquisition of non-financial assets					
Purchases of non-financial assets	4 942	5 399	5 420	4 685	4 326
Sales of non-financial assets	- 221	- 281	- 188	- 182	- 180
Less: Depreciation	2 271	2 375	2 486	2 588	2 748
Plus: Change in inventories	20	8	4	8	5
Plus: Other movements in non-financial assets	495	133	505	124	125
<b>Total net acquisition of non-financial assets</b>	<b>2 965</b>	<b>2 885</b>	<b>3 254</b>	<b>2 047</b>	<b>1 529</b>
<b>GFS net lending (+) / borrowing (-)</b>	<b>-1 992</b>	<b>-2 731</b>	<b>-2 841</b>	<b>-1 746</b>	<b>-1 120</b>

Source: Department of Treasury and Finance

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

	(\$ million)					
as at 30 June	2006 Opening <sup>(a)</sup>	2007 Revised	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate
<b>Assets</b>						
Financial assets						
Cash and deposits	2 698	1 521	1 514	1 507	1 500	1 494
Advances paid	70	70	70	68	67	67
Investments, loans and placements	2 162	1 881	1 943	1 983	2 039	2 111
Other non-equity assets	2 579	2 575	2 646	2 884	3 129	3 277
Equity	38 221	39 238	39 885	41 195	41 509	41 866
<b>Total financial assets</b>	<b>45 730</b>	<b>45 286</b>	<b>46 057</b>	<b>47 637</b>	<b>48 245</b>	<b>48 814</b>
Non-financial assets						
Land and fixed assets	54 185	58 030	61 885	66 630	74 349	78 170
Other non-financial assets	2 463	2 471	2 426	2 432	2 423	2 427
<b>Total non-financial assets</b>	<b>56 648</b>	<b>60 501</b>	<b>64 311</b>	<b>69 062</b>	<b>76 772</b>	<b>80 596</b>
<b>Total assets</b>	<b>102 378</b>	<b>105 787</b>	<b>110 368</b>	<b>116 699</b>	<b>125 016</b>	<b>129 411</b>
<b>Liabilities</b>						
Deposits held	520	519	525	533	541	549
Advances received	4	4	3	2	2	1
Borrowing	6 175	5 901	7 486	9 855	11 098	11 880
Superannuation liability	12 896	11 899	11 962	11 961	11 852	11 675
Other employee entitlements and provisions	4 170	4 299	4 409	4 525	4 643	4 761
Other non-equity liabilities	3 088	2 974	3 110	3 176	3 192	3 207
<b>Total liabilities</b>	<b>26 854</b>	<b>25 595</b>	<b>27 495</b>	<b>30 053</b>	<b>31 328</b>	<b>32 074</b>
<b>Net worth</b>	<b>75 524</b>	<b>80 192</b>	<b>82 873</b>	<b>86 646</b>	<b>93 688</b>	<b>97 337</b>
<b>Net financial worth <sup>(b)</sup></b>	<b>18 876</b>	<b>19 690</b>	<b>18 561</b>	<b>17 584</b>	<b>16 916</b>	<b>16 741</b>
<b>Net debt <sup>(c)</sup></b>	<b>1 769</b>	<b>2 951</b>	<b>4 489</b>	<b>6 833</b>	<b>8 035</b>	<b>8 759</b>

Source: Department of Treasury and Finance

Notes:

- (a) The opening balances of 1 July 2006 are based on the most recent audited financial reports of consolidated entities, with an adjustment to Equity that has been changed to reflect the correct treatment of the State's investment in minority interests in joint ventures.
- (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 balance sheet**

	(\$ million)					
as at 30 June	2006	2007	2008	2009	2010	2011
	Opening	Revised	Estimate	Estimate	Estimate	Estimate
<b>Assets</b>						
Financial assets						
Cash and deposits	532	826	614	668	553	466
Advances paid	137	133	115	102	93	88
Investments, loans and placements	1 066	846	685	637	581	590
Other non-equity assets	940	934	986	1 043	1 078	1 030
Equity	376	376	376	376	376	376
<b>Total financial assets</b>	<b>3 051</b>	<b>3 116</b>	<b>2 776</b>	<b>2 827</b>	<b>2 681</b>	<b>2 550</b>
Non-financial assets						
Land and fixed assets	39 334	40 664	42 207	44 126	45 285	46 281
Other non-financial assets	248	299	376	375	364	349
<b>Total non-financial assets</b>	<b>39 582</b>	<b>40 963</b>	<b>42 583</b>	<b>44 501</b>	<b>45 649</b>	<b>46 630</b>
<b>Total assets</b>	<b>42 633</b>	<b>44 079</b>	<b>45 359</b>	<b>47 328</b>	<b>48 330</b>	<b>49 180</b>
<b>Liabilities</b>						
Deposits held	84	64	64	61	58	57
Advances received	1	..	1	1	1	1
Borrowing	4 631	5 148	5 663	6 348	7 067	7 616
Superannuation liability	38	42	42	42	42	42
Other employee entitlements and provisions	2 654	2 649	2 750	2 722	2 688	2 650
Other non-equity liabilities	685	620	640	651	662	650
<b>Total liabilities</b>	<b>8 094</b>	<b>8 522</b>	<b>9 160</b>	<b>9 824</b>	<b>10 517</b>	<b>11 016</b>
<b>Shares and other contributed capital</b>	<b>34 539</b>	<b>35 556</b>	<b>36 199</b>	<b>37 504</b>	<b>37 812</b>	<b>38 164</b>
<b>Net worth</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net financial worth <sup>(a)</sup></b>	<b>-39 582</b>	<b>-40 963</b>	<b>-42 583</b>	<b>-44 501</b>	<b>-45 649</b>	<b>-46 630</b>
<b>Net debt <sup>(b)</sup></b>	<b>2 982</b>	<b>3 407</b>	<b>4 314</b>	<b>5 002</b>	<b>5 898</b>	<b>6 529</b>

Source: Department of Treasury and Finance

Notes:

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

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

	(\$ million)					
as at 30 June	2006 Opening <sup>(a)</sup>	2007 Revised	2008 Estimate	2009 Estimate	2010 Estimate	2011 Estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits	3 234	2 347	2 128	2 175	2 053	1 959
Advances paid	207	204	184	170	160	155
Investments, loans and placements	3 228	2 727	2 628	2 620	2 620	2 702
Other non-equity assets	3 047	2 991	3 053	3 303	3 625	3 757
Equity	4 058	4 058	4 063	4 068	4 073	4 078
<b>Total financial assets</b>	<b>13 773</b>	<b>12 326</b>	<b>12 056</b>	<b>12 336</b>	<b>12 531</b>	<b>12 650</b>
<b>Non-financial assets</b>						
Land and fixed assets	93 517	98 693	104 091	110 755	119 633	124 449
Other non-financial assets	2 632	2 677	2 701	2 700	2 674	2 660
<b>Total non-financial assets</b>	<b>96 149</b>	<b>101 371</b>	<b>106 792</b>	<b>113 455</b>	<b>122 307</b>	<b>127 109</b>
<b>Total assets</b>	<b>109 922</b>	<b>113 697</b>	<b>118 848</b>	<b>125 791</b>	<b>134 838</b>	<b>139 759</b>
<b>Liabilities</b>						
Deposits held	604	583	590	595	599	607
Advances received	5	4	3	3	2	1
Borrowing	10 805	11 047	13 147	16 200	18 162	19 492
Superannuation liability	12 934	11 941	12 005	12 003	11 894	11 717
Other employee entitlements and provisions	5 176	5 206	5 312	5 310	5 361	5 404
Other non-equity liabilities	3 339	3 089	3 190	3 243	3 273	3 280
<b>Total liabilities</b>	<b>32 864</b>	<b>31 870</b>	<b>34 248</b>	<b>37 354</b>	<b>39 292</b>	<b>40 502</b>
<b>Net worth</b>	<b>77 059</b>	<b>81 827</b>	<b>84 600</b>	<b>88 437</b>	<b>95 546</b>	<b>99 256</b>
<b>Net financial worth <sup>(b)</sup></b>	<b>-19 091</b>	<b>-19 544</b>	<b>-22 192</b>	<b>-25 018</b>	<b>-26 761</b>	<b>-27 852</b>
<b>Net debt <sup>(c)</sup></b>	<b>4 746</b>	<b>6 356</b>	<b>8 800</b>	<b>11 832</b>	<b>13 930</b>	<b>15 285</b>

Source: Department of Treasury and Finance

Notes:

- (a) The opening balances of 1 July 2006 are based on the most recent audited financial reports of consolidated entities, with an adjustment to Equity that has been changed to reflect the correct treatment of the State's investment in minority interests in joint ventures.
- (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 6.7: General government sector cash flow statement**

	(\$ million)				
	2006-07 Revised	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	11 597	11 673	12 053	12 391	12 880
Receipts from sales of goods and services	3 899	4 031	4 086	4 116	4 211
Grants/subsidies received	15 279	16 159	16 857	17 486	18 217
Other receipts	2 601	2 423	2 056	2 169	2 246
<b>Total receipts</b>	<b>33 376</b>	<b>34 287</b>	<b>35 052</b>	<b>36 163</b>	<b>37 553</b>
<b>Cash payments from operating activities</b>					
Payment for goods and services	-23 499	-25 299	-26 452	-27 439	-28 403
Grants and subsidies paid	-6 100	-5 774	-5 534	-5 482	-5 487
Interest paid	- 431	- 428	- 516	- 627	- 691
Other payments	- 721	- 704	- 762	- 806	- 928
<b>Total payments</b>	<b>-30 751</b>	<b>-32 205</b>	<b>-33 263</b>	<b>-34 353</b>	<b>-35 509</b>
<b>Net cash flows from operating activities</b>	<b>2 625</b>	<b>2 081</b>	<b>1 789</b>	<b>1 810</b>	<b>2 044</b>
<b>Net cash flows from investing in non-financial assets</b>					
Sales of non-financial assets	164	202	118	118	115
Purchases of non-financial assets	-2 774	-2 926	-3 078	-2 605	-2 370
<b>Total cash flows - non-financial assets</b>	<b>-2 611</b>	<b>-2 723</b>	<b>-2 960</b>	<b>-2 487</b>	<b>-2 254</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>- 807</b>	<b>- 898</b>	<b>- 922</b>	<b>- 504</b>	<b>- 497</b>
<b>Net cash flows from investments in financial assets for liquidity</b>	<b>288</b>	<b>- 63</b>	<b>- 41</b>	<b>- 57</b>	<b>- 73</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	- 1	- 1	- 1	- 1	- 1
Borrowings (net)	- 672	1 596	2 128	1 233	774
Deposits received (net)	..	..	..	..	..
Other financing (net)	..	..	..	..	..
<b>Net cash flows from financing activities</b>	<b>- 673</b>	<b>1 595</b>	<b>2 127</b>	<b>1 232</b>	<b>774</b>
<b>Net increase in cash held</b>	<b>-1 177</b>	<b>- 7</b>	<b>- 7</b>	<b>- 7</b>	<b>- 7</b>
<b>Surplus (+) /deficit (-) excluding acquisitions under finance leases <sup>(a)</sup></b>	<b>15</b>	<b>- 642</b>	<b>-1 171</b>	<b>- 678</b>	<b>- 210</b>
Acquisitions under finance leases	387	..	231	..	..
<b>Surplus (+) /deficit (-) including finance leases</b>	<b>- 372</b>	<b>- 642</b>	<b>-1 402</b>	<b>- 678</b>	<b>- 210</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)				
	2006-07 Revised	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Cash receipts from operating activities</b>					
Receipts from sales of goods and services	3 269	3 513	3 691	3 755	3 906
Grants/subsidies received	2 291	2 068	2 024	1 982	2 074
Other receipts	364	321	333	364	391
<b>Total receipts</b>	<b>5 924</b>	<b>5 902</b>	<b>6 047</b>	<b>6 100</b>	<b>6 372</b>
<b>Cash payments from operating activities</b>					
Payment for goods and services	-3 185	-3 287	-3 207	-3 193	-3 297
Grants and subsidies paid <sup>(a)</sup>	- 212	- 240	- 234	- 194	- 201
Interest paid	- 331	- 367	- 388	- 420	- 446
Other payments	-1 094	-1 027	-1 252	-1 284	-1 297
<b>Total payments</b>	<b>-4 822</b>	<b>-4 921</b>	<b>-5 080</b>	<b>-5 091</b>	<b>-5 240</b>
<b>Net cash flows from operating activities</b>	<b>1 102</b>	<b>981</b>	<b>967</b>	<b>1 010</b>	<b>1 132</b>
<b>Net cash flows from investing in non-financial assets</b>					
Sales of non-financial assets	58	78	71	65	64
Purchases of non-financial assets	-2 171	-2 473	-2 343	-2 080	-1 956
<b>Total cash flows from investing in non-financial assets</b>	<b>-2 113</b>	<b>-2 395</b>	<b>-2 272</b>	<b>-2 016</b>	<b>-1 892</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>807</b>	<b>938</b>	<b>946</b>	<b>506</b>	<b>498</b>
<b>Net cash flows from investments in financial assets for liquidity</b>	<b>74</b>	<b>50</b>	<b>- 17</b>	<b>15</b>	<b>- 28</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	..	..	..	..	..
Borrowings (net) <sup>(a)</sup>	666	629	752	763	569
Deposits received (net)	..	..	..	..	..
Distributions paid	- 242	- 416	- 321	- 393	- 366
Other Financing (net)	..	..	..	..	..
<b>Total net cash flows from financing activities</b>	<b>424</b>	<b>213</b>	<b>430</b>	<b>370</b>	<b>203</b>
<b>Net increase in cash held</b>	<b>294</b>	<b>- 213</b>	<b>54</b>	<b>- 116</b>	<b>- 88</b>
<b>Surplus (+) /deficit (-) excluding acquisitions under finance leases <sup>(b)</sup></b>	<b>-1 253</b>	<b>-1 830</b>	<b>-1 626</b>	<b>-1 399</b>	<b>-1 127</b>
Acquisition of assets under finance leases and similar arrangements	..	..	..	..	..
<b>Surplus (+) /deficit (-) including finance leases</b>	<b>-1 253</b>	<b>-1 830</b>	<b>-1 626</b>	<b>-1 399</b>	<b>-1 127</b>

Source: Department of Treasury and Finance

Notes:

- (a) Movements between the 2006-07 Budget and the 2006-07 Revised in 'Grants and subsidies paid' and 'Borrowings (net)' are largely offsetting and mainly related to items in the SECV which are now grossed up under A-IFRS but previously were on a net basis.
- (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)				
	2006-07 Revised	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	11 453	11 523	11 882	12 214	12 698
Receipts from sales of goods and services	6 280	6 607	6 782	6 837	7 068
Grants/subsidies received	15 282	16 162	16 860	17 489	18 220
Other receipts	2 671	2 274	2 021	2 021	2 247
<b>Total receipts</b>	<b>35 686</b>	<b>36 566</b>	<b>37 545</b>	<b>38 561</b>	<b>40 232</b>
<b>Cash payments from operating activities</b>					
Payment for goods and services	-26 698	-28 511	-29 532	-30 524	-31 621
Grants and subsidies paid	-3 977	-3 963	-3 853	-3 743	-3 720
Interest paid	- 762	- 794	- 904	-1 046	-1 136
Other payments	- 766	- 654	- 837	- 830	- 950
<b>Total payments</b>	<b>-32 202</b>	<b>-33 922</b>	<b>-35 127</b>	<b>-36 143</b>	<b>-37 428</b>
<b>Net cash flows from operating activities</b>	<b>3 484</b>	<b>2 643</b>	<b>2 419</b>	<b>2 418</b>	<b>2 805</b>
<b>Net cash flows from investing in non-financial assets</b>					
Sales of non-financial assets	221	281	188	182	180
Purchases of non-financial assets	-4 942	-5 399	-5 420	-4 685	-4 326
<b>Total cash flows from investing in non-financial assets</b>	<b>-4 721</b>	<b>-5 118</b>	<b>-5 232</b>	<b>-4 502</b>	<b>-4 146</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>- 3</b>	<b>44</b>	<b>39</b>	<b>10</b>	<b>5</b>
<b>Net cash flows from investments in financial assets for liquidity</b>	<b>361</b>	<b>- 13</b>	<b>- 58</b>	<b>- 42</b>	<b>- 101</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	- 1	- 1	- 1	- 1	- 1
Borrowings (net)	- 7	2 224	2 879	1 996	1 343
Deposits received (net)	..	..	..	..	..
<b>Other financing (net)</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Total net cash flows from financing activities</b>	<b>- 7</b>	<b>2 223</b>	<b>2 879</b>	<b>1 995</b>	<b>1 342</b>
<b>Net increase in cash held</b>	<b>- 886</b>	<b>- 220</b>	<b>47</b>	<b>- 122</b>	<b>- 94</b>
<b>Surplus (+) /deficit (-) excluding acquisitions under finance leases <sup>(a)</sup></b>	<b>-1 237</b>	<b>-2 475</b>	<b>-2 813</b>	<b>-2 084</b>	<b>-1 341</b>
Acquisition of assets under finance leases and similar arrangements	387	..	231	..	..
<b>Surplus (+) /deficit (-) including finance leases</b>	<b>-1 624</b>	<b>-2 475</b>	<b>-3 044</b>	<b>-2 084</b>	<b>-1 341</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)	
	2006-07 Revised	2007-08 Budget
General public services	731	1 167
Public order and safety	3 402	3 495
Education	8 681	8 940
Health	8 703	9 117
Social security and welfare	2 704	2 901
Housing and community amenities	2 321	2 078
Recreation and culture	774	746
Fuel and energy	46	32
Agriculture, forestry, fishing, and hunting	334	338
Mining, manufacturing, and construction	114	115
Transport and communications	3 631	3 665
Other economic affairs	510	545
Other purposes	778	806
<b>Total GFS expenses</b>	<b>32 729</b>	<b>33 945</b>

Source: Department of Treasury and Finance

**Table 6.11: General government sector taxes**

	(\$ million)				
	2006-07 Revised	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Taxes on employers' payroll and labour force</b>	<b>3 454</b>	<b>3 602</b>	<b>3 766</b>	<b>3 976</b>	<b>4 196</b>
<b>Taxes on property</b>					
Land taxes	890	765	797	781	769
Stamp duties on financial and capital transactions	2 914	2 885	2 893	2 874	2 946
Financial institutions' transaction taxes	..	..	..	..	..
Other	175	180	187	192	194
<b>Total</b>	<b>3 979</b>	<b>3 831</b>	<b>3 876</b>	<b>3 847</b>	<b>3 909</b>
<b>Taxes on the provision of goods and services</b>					
Excises and levies	60	62	74	74	74
Taxes on gambling	1 514	1 530	1 602	1 678	1 759
Taxes on insurance	1 083	1 135	1 183	1 233	1 285
<b>Total</b>	<b>2 657</b>	<b>2 727</b>	<b>2 859</b>	<b>2 985</b>	<b>3 118</b>
<b>Taxes on the use of goods and performance of activities</b>					
Motor vehicle taxes	1 294	1 338	1 404	1 474	1 547
Franchise taxes	8	8	8	8	8
Other	80	84	85	79	78
<b>Total</b>	<b>1 381</b>	<b>1 430</b>	<b>1 496</b>	<b>1 561</b>	<b>1 633</b>
<b>Total GFS taxation revenue</b>	<b>11 471</b>	<b>11 589</b>	<b>11 998</b>	<b>12 368</b>	<b>12 856</b>

Source: Department of Treasury and Finance

**Table 6.12: General Government Sector Statement of Stocks and Flows**

<i>as at 30 June</i>	(\$ million)				
	2007 Opening balance (Revised)	Transactions	Other economic Flows	2008 Estimate	Transactions
<b>Assets</b>					
Financial assets	45 286	1 017	- 246	46 057	1 188
Non-financial assets	60 501	1 201	2 609	64 311	1 797
<b>Total assets</b>	<b>105 787</b>	<b>2 219</b>	<b>2 363</b>	<b>110 368</b>	<b>2 986</b>
<b>Total liabilities</b>	<b>25 595</b>	<b>1 900</b>	<b>..</b>	<b>27 495</b>	<b>2 558</b>
Accumulated funds	55 355	324	28	55 708	434
Reserves	24 837	- 6	2 335	27 165	- 6
<b>GFS Net worth</b>	<b>80 192</b>	<b>318</b>	<b>2 363</b>	<b>82 873</b>	<b>428</b>

**Table 6.12: General Government Sector Statement of Stocks and Flows  
(continued)**

(\$ million)

	2009		Flows		2010		Flows		2011
<i>Other economic Flows</i>	<i>Estimate</i>	<i>Transactions</i>	<i>Other economic Flows</i>	<i>Estimate</i>	<i>Transactions</i>	<i>Other economic Flows</i>	<i>Estimate</i>		
	392	47 637	794	- 186	48 245	705	- 135	48 814	
	2 953	69 062	864	6 846	76 772	481	3 344	80 596	
	<b>3 345</b>	<b>116 699</b>	<b>1 658</b>	<b>6 660</b>	<b>125 016</b>	<b>1 186</b>	<b>3 208</b>	<b>129 411</b>	
<b>..</b>	<b>30 053</b>	<b>1 275</b>	<b>..</b>	<b>31 328</b>	<b>746</b>	<b>..</b>	<b>32 074</b>		
	16	56 158	390	17	56 565	447	17	57 029	
	3 329	30 487	- 7	6 643	37 124	- 6	3 191	40 308	
	<b>3 345</b>	<b>86 646</b>	<b>383</b>	<b>6 660</b>	<b>93 688</b>	<b>441</b>	<b>3 208</b>	<b>97 337</b>	

**Table 6.13: Reconciliation between AAS 31 net result and GFS net operating balance**

	(\$ million)				
	2006-07	2007-08	2008-09	2009-10	2010-11
	Revised	Estimate	Estimate	Estimate	Estimate
<b>General government net result from transactions</b>	<b>622</b>	<b>324</b>	<b>434</b>	<b>390</b>	<b>447</b>
equals: <b>General government net operating balance (GFS)</b>					
Less: Gross fixed capital formation	2 965	2 723	3 337	2 487	2 254
Plus: Depreciation	1 412	1 470	1 537	1 624	1 774
Less: Change in inventories	1	1	1	1	1
<b>GFS net lending(+)/borrowing(-)</b>	<b>- 932</b>	<b>- 929</b>	<b>-1 366</b>	<b>- 474</b>	<b>- 34</b>
Plus:					
Superannuation expense (difference between operating statement, including interest, and cash flow statement)	490	63	- 1	- 109	- 177
Acquisitions under finance leases	387	..	231	..	..
Other non-cash items	- 317	225	- 267	- 95	1
<b>GFS cash surplus(+)/deficit(-)</b>	<b>- 372</b>	<b>- 642</b>	<b>-1 402</b>	<b>- 678</b>	<b>- 210</b>
Less: Net contributions to other sectors of government	807	898	922	504	497
Other non-cash items	3	- 2	20	20	17
<b>Increase in general government net debt</b>	<b>-1 182</b>	<b>-1 538</b>	<b>-2 344</b>	<b>-1 202</b>	<b>- 724</b>

Source: Department of Treasury and Finance

## VICTORIA'S 2007-08 LOAN COUNCIL ALLOCATION

As required 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 Financial Report for the State of Victoria, Budget Paper No. 4, *Statement of Finances* and Budget Update.

Table 6.14 compares Victoria's 2007-08 LCA based on the 2006-07 Budget Update estimates and approved by the Loan Council in March 2007, with the revised LCA based on 2007-08 Budget estimates.

**Table 6.14: Loan Council Allocation**

(\$ million)

	2007-08 Nomination	2007-08 Revised
General government sector cash (+) deficit / (-) surplus	613	642
Public non-financial corporation sector cash (+) deficit / (-) surplus	1 553	1 830
Non-financial public sector cash (+) deficit / (-) surplus <sup>(a)</sup>	2 179	2 475
Less: Net cash flows from investments in financial assets for policy purposes <sup>(b)</sup>	2	44
Plus: Memorandum items <sup>(c)</sup>	163	180
<b>Loan Council Allocation</b>	<b>2 339</b>	<b>2 611</b>
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities) <sup>(d)</sup>	719	719

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.
- (b) The non-financial public sector surplus/deficit relating to 2007-08 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 2007-08 is \$719 million (2 per cent of \$35 952 million – sourced from 2006-07 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 the increased transparency, to make the explanation public. The 2007-08 revised LCA (deficit of \$2 611 million) remained within the tolerance limit. The change of \$272 million in the LCA between 2007-08 nomination and 2007-08 revised is mainly due to a revision in the public non-financial corporations sector cash position from \$1 553 million deficit to \$1 830 million deficit primary due to higher than estimated net cash flows on purchases of non-financial assets.

In the interests 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 a case of private sector default and disclosed as a footnote to, rather than a component, of LCAs. The amount payable will not exceed the fair market value of the net present value of the project (which is usually calculated by an independent valuer) less any costs incurred by government as a result of the default.

Listed below are details such as infrastructure projects for Melbourne Wholesale Markets Redevelopment and Royal Children's Hospital Redevelopment, which are expected to be contracted in the 2007-08 financial year.

### **Melbourne Wholesale Markets Redevelopment**

The Melbourne Market Relocation Project aims to plan and provide for the future growth of the Melbourne Wholesale Market in a way that supports the longer term development of the horticultural industry across Victoria.

The Government allocated approximately \$300 million to the project in the 2005-06 Budget.

The contract term is expected to be 30 years from the expected date for financial close.

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.

### **Royal Children's Hospital Redevelopment**

In November 2005, the Government announced that the new Royal Children's Hospital will be built in Parkville next door to its current site. The new building will be built immediately west of the current hospital with parkland on three sides, creating a unique and natural setting for Victoria's sick children.

The Government has committed \$850 million to fund the capital cost of the project including the design and construction of the new hospital; demolition of the old hospital; project management costs; and a significant allowance to reinstate parkland into Royal Park.

Financial close is anticipated by the end of 2007, at which time the nature and magnitude of the service payments can be determined for the forward estimates. It should be noted that no payment will be made until operational commencement of the facility, such that there may only be a partial service payment for the 2010-11 year (if at all), given the four year forward estimate period. Following operational commencement, the service payments will likely be either monthly or quarterly.

Given the project has not yet entered into any contractual arrangements there are no current contingent liabilities. Should the State elect to terminate the agreement due to proponent default during the contract term, the draft contractual documents include appropriate provisions (as standardised across recent *Partnerships Victoria* projects) to compensate the proponent via the fair market value of the project at the time of termination, adjusted for any amounts owing to the State.

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.

## APPENDIX A – HISTORICAL AND FORWARD ESTIMATES TABLES

---

This appendix provides historical data stretching back 20 to 40 years for major fiscal aggregates. Wherever possible, adjustments have been made to make the historical series consistent with the forward estimates. For instance, all historical accounting-based tables have been presented in the format adopted under Australian equivalent to International Financial Reporting Standards (A-IFRS), and GFS statistical aggregates have been converted to an accruals basis. 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 2010-11. 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 2010-11 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. 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 1998-2011 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
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<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	2000-01
	Actual	Actual	Actual	Actual	Actual
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	8 714	8 515	8 794	9 666	8 458
Fines and regulatory fees	258	247	324	359	377
Grants	6 928	7 440	7 480	7 735	10 370
Sales of goods and services	1 119	1 606	1 659	1 776	1 957
Interest received	129	140	202	195	301
Dividends, income tax and rate equivalent revenue received	967	930	1 142	1 088	986
Other receipts <sup>(c) (d)</sup>	275	838	1 220	1 038	865
<b>Total receipts</b>	<b>18 389</b>	<b>19 717</b>	<b>20 821</b>	<b>21 857</b>	<b>23 314</b>
<b>Payments</b>					
Employee benefits <sup>(a)</sup>	(6 608)	(6 621)	(7 041)	(7 378)	(7 962)
Superannuation	(1 213)	(1 257)	(2 083)	(1 370)	(1 898)
Interest paid	(1 403)	(1 162)	( 732)	( 448)	( 464)
Grants and transfer payments <sup>(a) (d)</sup>	(3 238)	(3 514)	(3 598)	(3 363)	(3 757)
Supplies and services	(3 892)	(5 503)	(5 796)	(6 373)	(7 077)
<b>Total payments</b>	<b>(16 354)</b>	<b>(18 057)</b>	<b>(19 250)</b>	<b>(18 931)</b>	<b>(21 158)</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>2 155</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(1 288)	(1 209)	(1 327)	(1 208)	(1 629)
Proceeds from sale of property, plant and equipment	163	363	211	187	150
Net (purchases)/disposal of investments	( 141)	( 422)	390	(1 091)	( 689)
Net customer loans (granted)/repaid	..	297	309	122	98
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>(2 071)</b>
<b>Cash flows from financing activities</b>					
Net borrowings	(5 406)	(2 364)	(4 718)	( 766)	( 72)
<b>Net cash flows from financing activities</b>	<b>(5 406)</b>	<b>(2 364)</b>	<b>(4 718)</b>	<b>( 766)</b>	<b>( 72)</b>
<b>Net increase in cash and deposits held</b>	<b>( 124)</b>	<b>( 65)</b>	<b>( 221)</b>	<b>169</b>	<b>13</b>
Cash and deposits at beginning of reporting period	1 129	1 005	940	719	889
<b>Cash and deposits at end of reporting period</b>	<b>1 005</b>	<b>940</b>	<b>719</b>	<b>889</b>	<b>902</b>

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

	(\$ million)				
	2001-02	2002-03	2003-04	2004-05	2005-06
	Actual	Actual	Actual	Actual	Actual
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	8 611	9 101	9 874	10 318	10 974
Fines and regulatory fees	398	509	502	533	560
Grants	11 879	12 101	12 611	13 452	14 620
Sales of goods and services	2 066	2 757	2 792	3 173	3 241
Interest received	303	375	411	343	374
Dividends, income tax and rate equivalent revenue received	606	774	599	877	1 232
Other receipts <sup>(c) (d)</sup>	1 143	1 655	1 455	1 652	1 796
<b>Total receipts</b>	<b>25 006</b>	<b>27 271</b>	<b>28 244</b>	<b>30 347</b>	<b>32 797</b>
<b>Payments</b>					
Employee benefits	(8 692)	(9 302)	(9 809)	(10 522)	(11 252)
Superannuation	(1 030)	(2 558)	(2 027)	(1 797)	(1 888)
Interest paid	( 453)	( 468)	( 457)	( 385)	( 431)
Grants and transfer payments <sup>(d)</sup>	(4 205)	(3 985)	(4 549)	(5 290)	(5 919)
Supplies and services	(7 531)	(9 034)	(8 931)	(9 823)	(10 667)
<b>Total payments</b>	<b>(21 910)</b>	<b>(25 347)</b>	<b>(25 773)</b>	<b>(27 818)</b>	<b>(30 156)</b>
<b>Net cash flows from operating activities</b>	<b>3 096</b>	<b>1 924</b>	<b>2 471</b>	<b>2 529</b>	<b>2 641</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(1 941)	(1 924)	(2 347)	(2 011)	(2 301)
Proceeds from sale of property, plant and equipment	123	128	127	128	159
Net (purchases)/disposal of investments	( 547)	( 256)	951	404	469
Net customer loans (granted)/repaid	71	( 25)	( 12)	13	36
Net contribution to other sectors of government	( 13)	( 314)	( 158)	( 513)	51
<b>Net cash flows from investing activities</b>	<b>(2 306)</b>	<b>(2 391)</b>	<b>(1 439)</b>	<b>(1 980)</b>	<b>(1 587)</b>
<b>Cash flows from financing activities</b>					
Net borrowings	( 29)	( 89)	( 844)	( 45)	( 175)
<b>Net cash flows from financing activities</b>	<b>( 29)</b>	<b>( 89)</b>	<b>( 844)</b>	<b>( 45)</b>	<b>( 175)</b>
<b>Net increase in cash and deposits held</b>	<b>761</b>	<b>( 555)</b>	<b>187</b>	<b>504</b>	<b>878</b>
Cash and deposits at beginning of reporting period <sup>(e)</sup>	902	1 663	1 108	1 295	1 817
<b>Cash and deposits at end of reporting period</b>	<b>1 663</b>	<b>1 108</b>	<b>1 295</b>	<b>1 799</b>	<b>2 695</b>

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

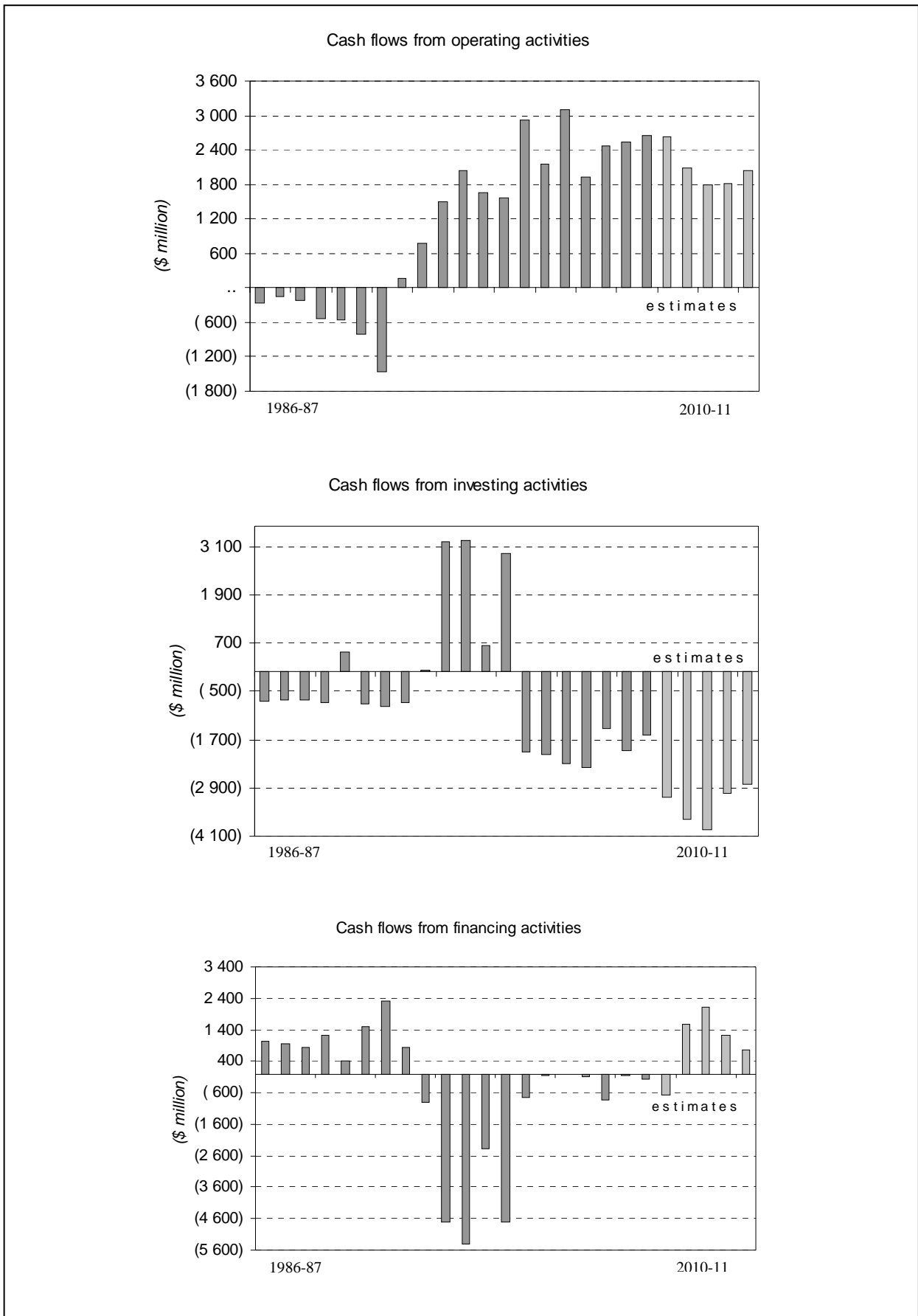
	(\$ million)				
	2006-07 Revised	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	11 597	11 673	12 053	12 391	12 880
Fines and regulatory fees	661	720	727	733	738
Grants	15 279	16 159	16 857	17 486	18 217
Sales of goods and services	2 545	2 591	2 648	2 658	2 732
Interest received	324	302	314	321	328
Dividends, income tax and rate equivalent revenue received	1 051	898	637	787	798
Other receipts <sup>(c) (d)</sup>	1 920	1 944	1 817	1 787	1 861
<b>Total receipts</b>	<b>33 376</b>	<b>34 287</b>	<b>35 052</b>	<b>36 163</b>	<b>37 553</b>
<b>Payments</b>					
Employee benefits	(12 065)	(12 596)	(12 994)	(13 297)	(13 673)
Superannuation	(1 196)	(1 560)	(1 660)	(1 808)	(1 913)
Interest paid	( 452)	( 448)	( 538)	( 650)	( 714)
Grants and transfer payments <sup>(d)</sup>	(6 800)	(6 483)	(6 263)	(6 231)	(6 332)
Supplies and services	(10 237)	(11 118)	(11 808)	(12 368)	(12 877)
<b>Total payments</b>	<b>(30 751)</b>	<b>(32 205)</b>	<b>(33 263)</b>	<b>(34 353)</b>	<b>(35 509)</b>
<b>Net cash flows from operating activities</b>	<b>2 625</b>	<b>2 081</b>	<b>1 789</b>	<b>1 810</b>	<b>2 044</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	(2 774)	(2 926)	(3 078)	(2 605)	(2 370)
Proceeds from sale of property, plant and equipment	164	202	118	118	115
Net (purchases)/disposal of investments	288	( 63)	( 41)	( 57)	( 73)
Net customer loans (granted)/repaid	( 0)	1	1	1	1
Net contribution to other sectors of government	( 806)	( 898)	( 923)	( 505)	( 498)
<b>Net cash flows from investing activities</b>	<b>(3 129)</b>	<b>(3 684)</b>	<b>(3 923)</b>	<b>(3 048)</b>	<b>(2 824)</b>
<b>Cash flows from financing activities</b>					
Net borrowings	( 673)	1 595	2 127	1 232	774
<b>Net cash flows from financing activities</b>	<b>( 673)</b>	<b>1 595</b>	<b>2 127</b>	<b>1 232</b>	<b>774</b>
<b>Net increase in cash and deposits held</b>	<b>(1 177)</b>	<b>( 7)</b>	<b>( 7)</b>	<b>( 7)</b>	<b>( 7)</b>
Cash and deposits at beginning of reporting period	2 695	1 518	1 511	1 504	1 497
<b>Cash and deposits at end of reporting period</b>	<b>1 518</b>	<b>1 511</b>	<b>1 504</b>	<b>1 497</b>	<b>1 490</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.
- (e) Cash and deposits at beginning of reporting period in 2005-06 do not equal cash and deposits at end of reporting period in 2004-05, due to a change in definition of cash and cash equivalents under A-IFRS.

**Chart A.1: General government cash flows**

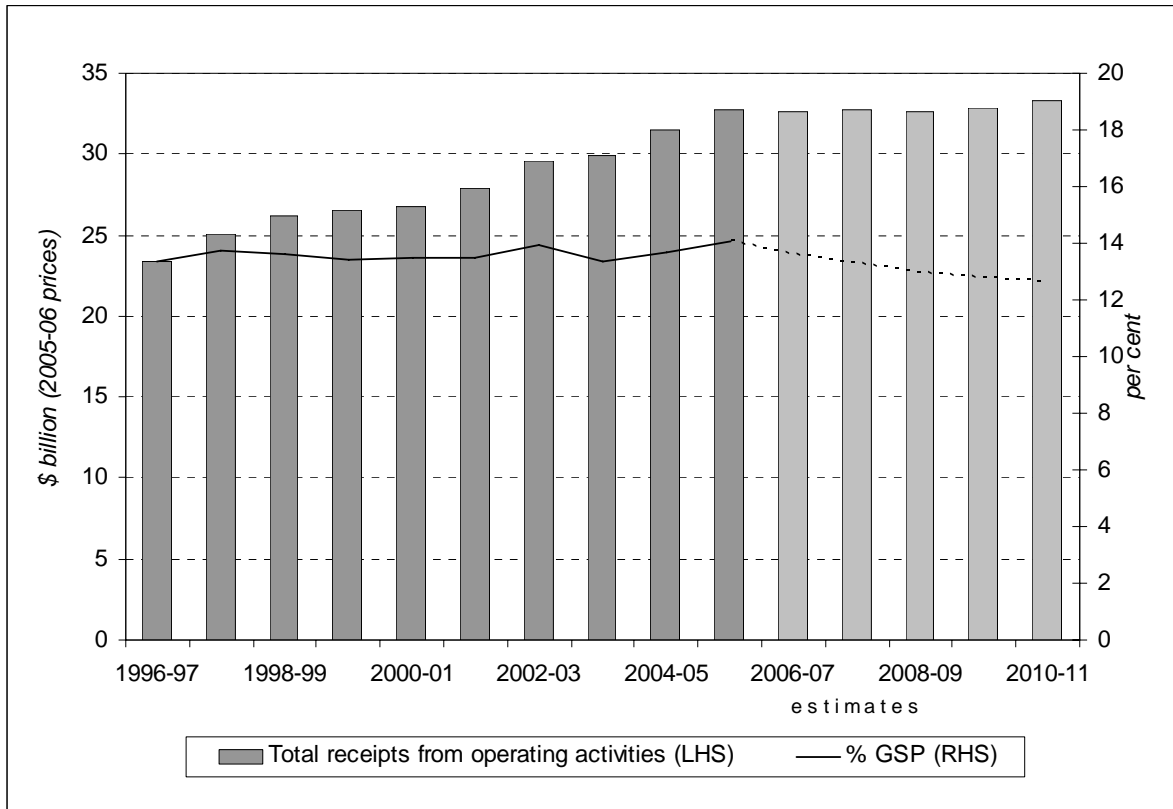


Source: Department of Treasury and Finance

**Table A.2: General government cash aggregates, 2005-06 prices**

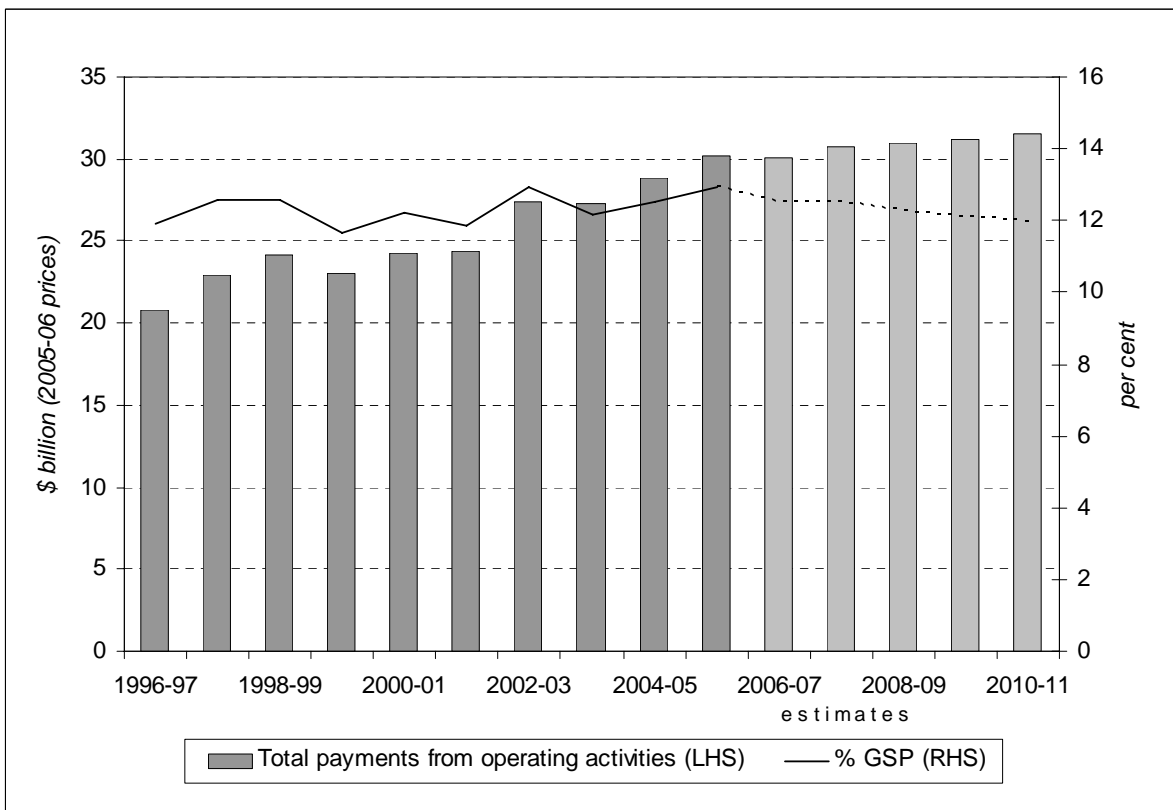
Year	Cash Receipts			Cash Payments			Net Cash Flows
	2005-06 prices (\$ billion)	% change	% GSP	2005-06 prices (\$ billion)	% change	% GSP	2005-06 prices (\$ billion)
1986-87	18.7	-0.6	13.4	19.2	-1.3	13.7	( 0.5)
1987-88	18.9	0.9	12.8	19.1	-0.3	13.0	( 0.3)
1988-89	19.1	1.0	12.4	19.4	1.5	12.7	( 0.4)
1989-90	18.8	-1.4	11.8	19.6	0.9	12.3	( 0.8)
1990-91	19.0	1.0	12.2	19.8	0.9	12.7	( 0.8)
1991-92	20.0	5.4	13.2	21.1	6.9	14.0	( 1.1)
1992-93	20.6	2.7	13.0	22.6	6.8	14.3	( 2.0)
1993-94	21.9	6.6	13.5	21.7	-4.0	13.4	0.2
1994-95	21.7	-0.9	13.4	20.7	-4.6	12.7	1.0
1995-96	22.3	2.8	13.3	20.4	-1.4	12.1	1.9
1996-97	23.4	4.9	13.4	20.8	2.0	11.9	2.6
1997-98	25.0	6.9	13.8	22.9	10.0	12.6	2.1
1998-99	26.2	4.6	13.6	24.2	5.6	12.6	2.0
1999-00	26.6	1.5	13.4	23.0	-4.9	11.6	3.6
2000-01	26.7	0.7	13.5	24.3	5.5	12.2	2.5
2001-02	27.9	4.2	13.5	24.4	0.6	11.8	3.5
2002-03	29.5	6.0	13.9	27.5	12.4	12.9	2.1
2003-04	30.0	1.4	13.3	27.3	-0.4	12.2	2.6
2004-05	31.5	5.3	13.7	28.9	5.7	12.5	2.6
2005-06	32.8	4.0	14.1	30.2	4.4	12.9	2.6
2006-07	32.6	-0.5	13.6	30.1	-0.3	12.5	2.6
2007-08	32.7	0.2	13.3	30.7	2.1	12.5	2.0
2008-09	32.6	-0.2	13.0	31.0	0.8	12.3	1.7
2009-10	32.9	0.7	12.8	31.2	0.8	12.1	1.6
2010-11	33.3	1.4	12.6	31.5	0.9	12.0	1.8

**Chart A.2: Total receipts from operating activities, 2005-06 prices (\$ billion)**



Source: Department of Treasury and Finance

**Chart A.3: Total payments from operating activities, 2005-06 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	2000-01
	Actual	Actual	Actual	Actual	Actual
<b>Income from transactions</b>					
Taxation	8 598.2	8 573.3	9 099.6	9 707.6	8 515.9
Fines and regulatory fees	313.8	278.1	382.0	411.7	455.6
Dividends, income tax and rate equivalent revenue	1 068.5	948.0	990.3	1 090.3	987.9
Interest	203.8	153.9	201.7	199.1	336.2
Grants income	7 516.1	7 533.3	7 480.0	7 710.6	10 365.5
Sales of goods and services	813.8	1 246.3	1 428.3	1 788.6	1 992.1
Fair value of assets received free of charge or for nominal consideration	69.8	42.7	65.5	19.8	69.4
Other income	1 527.2	2 890.9	2 730.0	1 101.7	987.8
<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>23 710.4</b>
<b>Expenses from transactions</b>					
Employee benefits	6 722.4	6 831.8	6 983.7	7 438.6	8 170.2
Superannuation	1 821.1	1 834.8	1 777.8	1 751.4	1 602.6
Depreciation and amortisation	711.9	782.8	804.2	788.9	799.3
Finance costs	1 948.9	1 127.0	704.2	460.4	586.9
Grants and transfer payments	2 574.7	3 422.5	3 595.6	3 382.7	3 793.0
Supplies and services	4 162.8	4 785.6	5 447.6	6 221.8	7 486.1
Other expenses	106.4	1 423.6	244.9	327.0	73.5
<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>22 511.5</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>1 198.9</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	21.4
Actuarial gains/(losses) on superannuation defined benefit plans	( 456.3)	475.1	474.1	( 464.7)	164.8
Other gains/(expenses) from other economic flows <sup>(a)</sup>	2 749.6	1 252.4	4 149.6	( 28.6)	( 168.9)
<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>17.3</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>	<b>1 216.2</b>

**Table A.3: General government sector operating statement – historical series (continued)**

	(\$ million)				
	2001-02	2002-03	2003-04	2004-05	2005-06
	Actual	Actual	Actual	Actual	Actual
<b>Income from transactions</b>					
Taxation	8 757.8	9 250.5	10 043.4	10 414.9	10 885.4
Fines and regulatory fees	520.7	667.5	616.7	651.8	713.8
Dividends, income tax and rate equivalent revenue	607.9	775.8	601.3	948.8	1 009.2
Interest	317.8	365.8	353.3	339.7	390.5
Grants income	11 873.2	12 103.2	12 628.4	13 462.3	14 624.3
Sales of goods and services	2 168.1	2 224.0	2 265.4	2 381.8	2 526.3
Fair value of assets received free of charge or for nominal consideration	95.5	85.8	374.0	16.7	32.0
Other income	1 089.7	1 504.2	1 494.1	1 588.4	1 790.4
<b>Total income from transactions <sup>(a)</sup></b>	<b>25 430.7</b>	<b>26 976.7</b>	<b>28 376.7</b>	<b>29 804.3</b>	<b>31 972.0</b>
<b>Expenses from transactions</b>					
Employee benefits	8 893.7	9 542.9	9 988.4	10 746.5	11 473.5
Superannuation	1 604.6	1 890.0	1 936.7	1 908.9	1 917.2
Depreciation and amortisation	859.5	1 016.5	1 067.9	1 120.8	1 279.3
Finance costs	463.7	475.2	451.3	444.9	473.6
Grants and transfer payments	4 175.5	4 038.0	4 611.3	5 160.0	5 794.8
Supplies and services	7 816.0	8 465.9	9 318.9	9 460.1	10 165.4
Other expenses	20.0	35.6	40.3	171.0	43.7
<b>Total expenses from transactions</b>	<b>23 833.0</b>	<b>25 464.1</b>	<b>27 414.9</b>	<b>29 012.2</b>	<b>31 147.5</b>
<b>Net result from transactions</b>	<b>1 597.8</b>	<b>1 512.6</b>	<b>961.7</b>	<b>792.1</b>	<b>824.5</b>
<b>Income/(expenses) from other economic flows</b>					
Net gain/(loss) from disposal of physical assets	( 97.5)	( 336.1)	( 44.8)	( 26.6)	( 53.3)
Actuarial gains/(losses) on superannuation defined benefit plans	( 990.6)	( 722.2)	1 636.5	1 328.8	2 420.9
Share of net profits/(losses) of associates and joint venture entities	..	..	..	..	132.3
Net gains/(losses) on financial assets at fair value	..	..	..	..	7.0
Other gains/(expenses) from other economic flows <sup>(a)</sup>	( 236.3)	( 218.3)	( 331.4)	49.5	590.4
<b>Total other economic flows</b>	<b>(1 324.4)</b>	<b>(1 276.7)</b>	<b>1 260.4</b>	<b>1 351.7</b>	<b>3 097.2</b>
<b>Net result</b>	<b>273.4</b>	<b>235.9</b>	<b>2 222.1</b>	<b>2 143.9</b>	<b>3 921.7</b>

**Table A.3: General government sector operating statement – historical series (continued)**

	(\$ million)				
	2006-07	2007-08	2008-09	2009-10	2010-11
	Revised	Budget	Estimate	Estimate	Estimate
<b>Income from transactions</b>					
Taxation	11 471.5	11 589.0	11 997.9	12 367.6	12 856.4
Fines and regulatory fees	793.3	842.8	844.6	850.7	856.2
Dividends, income tax and rate equivalent revenue	1 041.5	905.4	650.8	748.4	765.0
Interest	323.9	301.9	313.8	321.4	328.1
Grants income	15 278.4	16 158.7	16 856.8	17 485.9	18 217.0
Sales of goods and services	2 590.6	2 643.8	2 702.4	2 711.7	2 737.3
Fair value of assets received free of charge or for nominal consideration	..	..	181.0	..	..
Other income	1 852.3	1 827.6	1 873.2	1 895.3	1 916.0
<b>Total income from transactions</b>	<b>33 351.4</b>	<b>34 269.2</b>	<b>35 420.5</b>	<b>36 381.0</b>	<b>37 676.0</b>
<b>Expenses from transactions</b>					
Employee benefits	12 226.0	12 726.2	13 122.1	13 426.1	13 802.0
Superannuation	1 686.1	1 622.9	1 658.8	1 698.8	1 736.0
Depreciation and amortisation	1 412.0	1 470.1	1 537.2	1 623.7	1 773.9
Finance costs	466.0	486.3	586.7	705.2	769.3
Grants and transfer payments	6 796.0	6 520.3	6 279.3	6 222.5	6 323.8
Supplies and services	10 142.9	11 118.6	11 801.9	12 314.4	12 823.7
Other expenses	0.4	0.4	0.4	0.4	0.4
<b>Total expenses from transactions</b>	<b>32 729.5</b>	<b>33 944.9</b>	<b>34 986.3</b>	<b>35 991.1</b>	<b>37 229.2</b>
<b>Net result from transactions</b>	<b>621.9</b>	<b>324.3</b>	<b>434.2</b>	<b>389.9</b>	<b>446.8</b>
<b>Income/(expenses) from other economic flows</b>					
Net gain/(loss) from disposal of physical assets	35.3	15.5	3.7	3.7	4.2
Actuarial gains/(losses) on superannuation defined benefit plans	1 486.8	..	..	..	..
Net gains/(losses) on financial assets at fair value	13.3	4.1	4.2	4.4	4.5
Other gains/(expenses) from other economic flows <sup>(a)</sup>	( 50.6)	( 40.6)	( 35.6)	( 35.6)	( 35.6)
<b>Total other economic flows</b>	<b>1 484.8</b>	<b>( 21.0)</b>	<b>( 27.7)</b>	<b>( 27.6)</b>	<b>( 26.9)</b>
<b>Net result</b>	<b>2 106.7</b>	<b>303.3</b>	<b>406.6</b>	<b>362.3</b>	<b>419.9</b>

Source: Department of Treasury and Finance

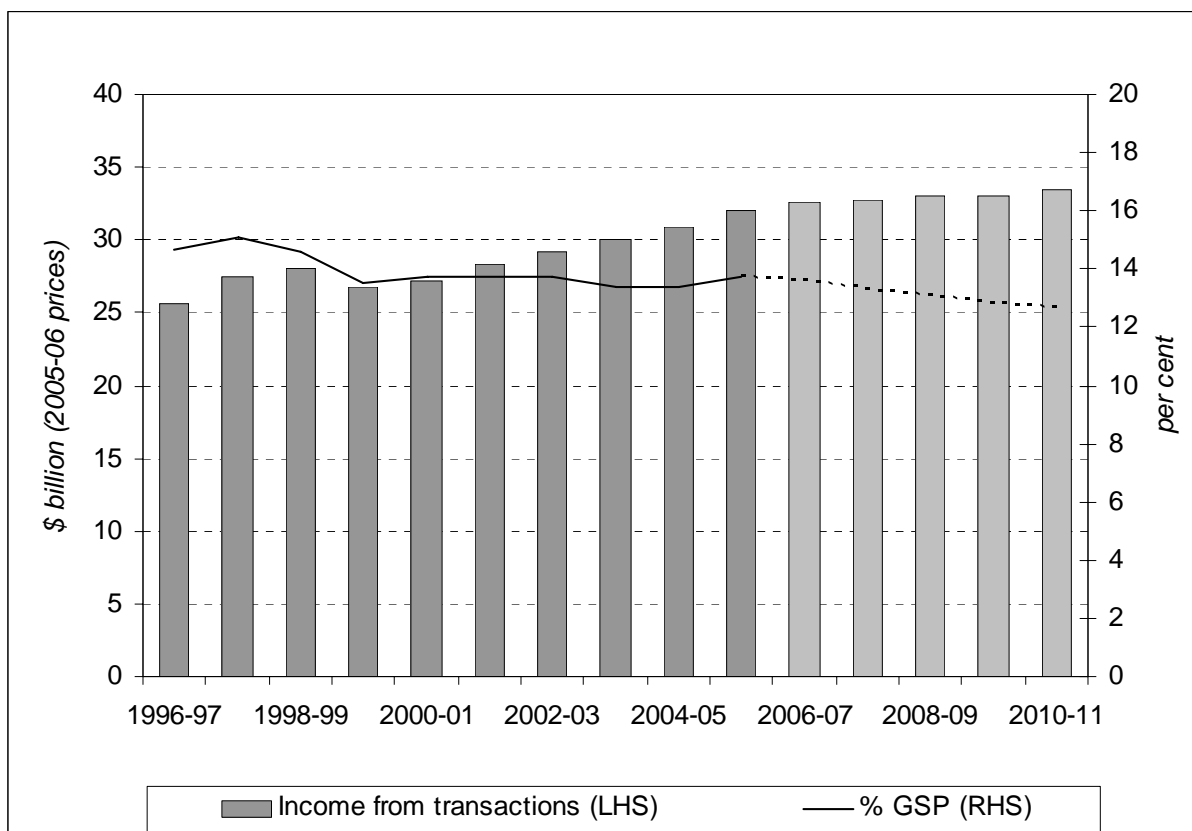
Note:

(a) Significant income and other gains were recorded in 1996-97, 1997-98 and 1998-99 from business asset sales. More information is provided in footnote (b) to Table A.1, and in the Budget Papers for those years.

**Table A.4: General government accrual aggregates**

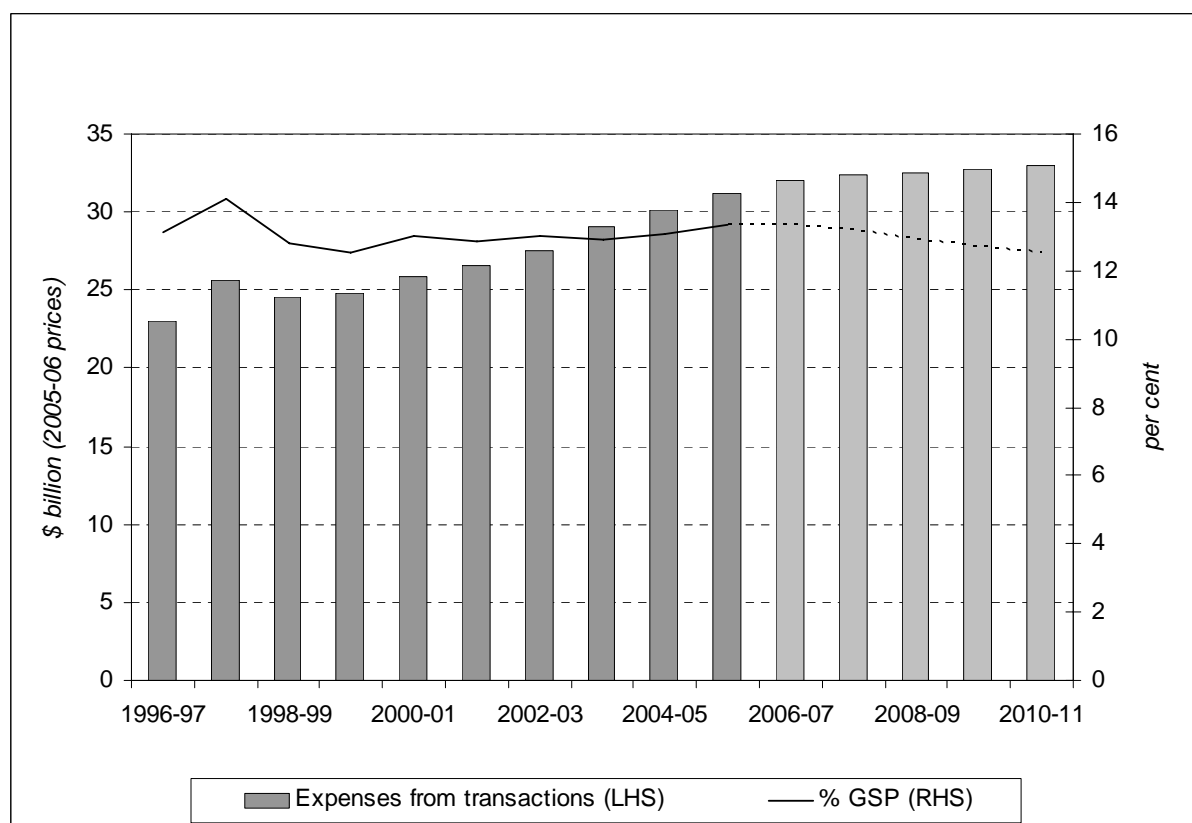
Year	Income from transactions			Expenses from transactions			Net Result from transactions
	2005-06 prices (\$ billion)	% change	% GSP	2005-06 prices (\$ billion)	% change	% GSP	2005-06 prices (\$ billion)
1996-97	25.6		14.6	23.0		13.1	2.6
1997-98	27.5	7.4	15.1	25.6	11.6	14.1	1.8
1998-99	28.1	2.3	14.6	24.6	-4.2	12.8	3.5
1999-00	26.8	-4.8	13.6	24.7	0.8	12.5	2.0
2000-01	27.2	1.6	13.7	25.8	4.4	13.0	1.4
2001-02	28.3	4.2	13.7	26.6	2.9	12.9	1.8
2002-03	29.2	3.1	13.8	27.6	3.8	13.0	1.6
2003-04	30.1	3.0	13.4	29.1	5.4	12.9	1.0
2004-05	31.0	2.9	13.4	30.1	3.7	13.1	0.8
2005-06	32.0	3.3	13.7	31.1	3.3	13.3	0.8
2006-07	32.6	2.0	13.6	32.0	2.7	13.3	0.6
2007-08	32.7	0.2	13.3	32.4	1.2	13.2	0.3
2008-09	33.0	0.9	13.1	32.6	0.6	12.9	0.4
2009-10	33.1	0.3	12.8	32.7	0.4	12.7	0.4
2010-11	33.4	1.1	12.7	33.0	1.0	12.5	0.4

**Chart A.4: General government income from transactions**



Source: Department of Treasury and Finance

**Chart A.5: General government expenses from transactions, 2005-06 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>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</b> <sup>(a)</sup>	<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>
<b>24</b>	<b>26</b>	<b>28</b>	<b>30</b>	<b>34</b>	<b>37</b>	<b>34</b>	<b>37</b>
<b>37</b>	<b>40</b>	<b>44</b>	<b>47</b>	<b>52</b>	<b>59</b>	<b>69</b>	<b>80</b>
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>
<b>7</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>13</b>	<b>15</b>
<b>14</b>	<b>15</b>	<b>17</b>	<b>21</b>	<b>29</b>	<b>32</b>	<b>31</b>	<b>41</b>
<b>79</b>	<b>85</b>	<b>90</b>	<b>94</b>	<b>98</b>	<b>105</b>	<b>122</b>	<b>120</b>
<b>-3</b>	<b>-4</b>	<b>1</b>	<b>2</b>	<b>-5</b>	<b>-6</b>	<b>1</b>	<b>1</b>
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>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</b> <sup>(a)</sup>	<b>1 617</b>	<b>2 517</b>	<b>3 186</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	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
<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>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>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 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)				
	1985-86	1986-87	1987-88	1988-89	1989-90
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<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>1 040</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</b> <sup>(a)</sup>	<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
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	1 012	1 043	960	930	954	1 017	1 056
1 073	1 136	1 156	1 185	1 208	1 257	1 278	1 320
<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>

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.6: General government expenses by purpose 1998-99 to 2010-11**

	(\$ million)					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<b>General public services <sup>(c)</sup></b>	<b>125</b>	<b>462</b>	<b>837</b>	<b>642</b>	<b>431</b>	<b>702</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>	<b>2 502</b>
Primary and secondary	3 987	4 279	4 708	5 102	5 267	5 531
University					87	74
Technical and further education	909	941	1 115	1 146	1 185	1 262
Other tertiary						
Other	310	332	367	391	436	443
<b>Education</b>	<b>5 205</b>	<b>5 552</b>	<b>6 190</b>	<b>6 639</b>	<b>6 975</b>	<b>7 310</b>
Acute care institutions	3 651	3 832	4 337	4 683	5 210	5 585
Other health institutions	187	191	211	231	30	32
Community health services	838	889	976	1 085	1 003	960
Pharmaceutical	35	39	40	46	58	59
Other	51	52	53	57	490	512
<b>Health</b>	<b>4 763</b>	<b>5 003</b>	<b>5 619</b>	<b>6 101</b>	<b>6 790</b>	<b>7 148</b>
Social security						
Welfare services	1 366	1 497	1 665	1 832	1 934	2 077
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>	<b>2 077</b>
Housing and community development	357	359	675	856	601	498
Water supply	55	97	81	104	188	162
Sanitation and protection of the environment	30	33	56	69	224	166
Other community amenities	336	368	434	393	377	412
<b>Housing and community amenities</b>	<b>778</b>	<b>856</b>	<b>1 245</b>	<b>1 422</b>	<b>1 390</b>	<b>1 238</b>
Recreational facilities and services	329	391	410	434	458	409
Cultural facilities and services	130	205	220	224	250	213
Broadcasting and film production		13	15	21	39	38
Other recreation and culture	10	5	16	11	2	2
<b>Recreation and culture</b>	<b>469</b>	<b>614</b>	<b>661</b>	<b>690</b>	<b>748</b>	<b>661</b>
<b>Fuel and energy</b>	<b>126</b>	<b>55</b>	<b>71</b>	<b>71</b>	<b>23</b>	<b>108</b>
<b>Agriculture, forestry and fishing</b>	<b>503</b>	<b>434</b>	<b>432</b>	<b>433</b>	<b>353</b>	<b>449</b>
<b>Mining, manufacturing and construction</b>	<b>30</b>	<b>20</b>	<b>12</b>	<b>23</b>	<b>17</b>	<b>31</b>
Road transport	1 118	1 157	1 206	1 284	1 449	1 400
Water transport	4	12	2	2	2	2
Rail transport	888	946	997	1 009	988	1 924
Air transport						
Communications and other transport	24	29	44	51	91	80
<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>3 406</b>
<b>Other economic affairs</b>	<b>280</b>	<b>211</b>	<b>235</b>	<b>327</b>	<b>351</b>	<b>317</b>
<b>Nominal interest on superannuation</b>	<b>1 035</b>	<b>806</b>	<b>859</b>	<b>827</b>	<b>937</b>	<b>916</b>
<b>Public debt transactions</b>	<b>666</b>	<b>600</b>	<b>639</b>	<b>616</b>	<b>691</b>	<b>681</b>
<b>Other</b>						
Superannuation not allocated to purpose						
Depreciation not allocated to purpose						
<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>	<b>27 547</b>

**Table A.6: General government expenses by purpose 1998-99 to 2010-11  
(continued)**

(\$ million)						
2004-05	2005-06	2006-07 <sup>(b)</sup>	2007-08 <sup>(b)</sup>	2008-09 <sup>(b)</sup>	2009-10 <sup>(b)</sup>	2010-11 <sup>(b)</sup>
<i>Actual</i>	<i>Actual</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
<b>579</b>	<b>729</b>	<b>731</b>	<b>1 167</b>	<b>1 586</b>	<b>1 884</b>	<b>2 175</b>
<b>2 808</b>	<b>3 165</b>	<b>3 402</b>	<b>3 495</b>	<b>3 524</b>	<b>3 607</b>	<b>3 722</b>
5 854	6 225					
74	228					
1 357	1 446					
651	614					
<b>7 936</b>	<b>8 513</b>	<b>8 681</b>	<b>8 940</b>	<b>9 147</b>	<b>9 390</b>	<b>9 727</b>
6 027	6 426					
33	34					
1 059	1 186					
75	80					
521	556					
<b>7 715</b>	<b>8 282</b>	<b>8 703</b>	<b>9 117</b>	<b>9 382</b>	<b>9 658</b>	<b>10 100</b>
2 286	2 421					
<b>2 286</b>	<b>2 421</b>	<b>2 704</b>	<b>2 901</b>	<b>2 932</b>	<b>2 997</b>	<b>2 709</b>
998	1 007					
182	165					
252	238					
502	535					
<b>1 934</b>	<b>1 945</b>	<b>2 321</b>	<b>2 078</b>	<b>2 111</b>	<b>2 011</b>	<b>1 992</b>
379	550					
265	277					
<b>644</b>	<b>827</b>	<b>774</b>	<b>746</b>	<b>761</b>	<b>715</b>	<b>716</b>
<b>48</b>	<b>63</b>	<b>46</b>	<b>32</b>	<b>32</b>	<b>33</b>	<b>33</b>
<b>276</b>	<b>267</b>	<b>334</b>	<b>338</b>	<b>272</b>	<b>254</b>	<b>241</b>
<b>22</b>	<b>91</b>	<b>114</b>	<b>115</b>	<b>93</b>	<b>87</b>	<b>82</b>
1 640	1 375					
13	12					
1 282	1 619					
81	164					
<b>3 016</b>	<b>3 169</b>	<b>3 631</b>	<b>3 665</b>	<b>3 641</b>	<b>3 717</b>	<b>4 036</b>
<b>356</b>	<b>394</b>	<b>510</b>	<b>545</b>	<b>435</b>	<b>466</b>	<b>409</b>
<b>820</b>	<b>480</b>	<b>419</b>	<b>342</b>	<b>337</b>	<b>326</b>	<b>310</b>
<b>590</b>	<b>452</b>	<b>590</b>	<b>590</b>	<b>705</b>	<b>840</b>	<b>929</b>
	<b>180</b>	<b>- 231</b>	<b>- 126</b>	<b>29</b>	<b>7</b>	<b>47</b>
<b>29 029</b>	<b>30 977</b>	<b>32 729</b>	<b>33 945</b>	<b>34 986</b>	<b>35 991</b>	<b>37 229</b>

Source: 1998-2002 to 2007-11 Department of Treasury and Finance; 2002-06 ABS Catalogue 5512.0

Notes:

- (a) Total GFS expenses - accruals basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.
- (b) Detailed estimates are not available.
- (c) General Public Services in the forward estimates includes superannuation expenses and contingencies not allocated to departments.



## APPENDIX B – MEETING OUR TRANSPORT CHALLENGES RESERVE

---

The Government's *Meeting Our Transport Challenges* (MOTC) statement committed to inject \$10.5 billion into Victoria's transport network between 2006-07 and 2015-16. Of this funding, \$1.7 billion is for recurrent expenditure and \$8.8 billion is for new transport capital projects.

Of the \$8.8 billion capital investment, \$2.9 billion is funded from sources including the Better Roads Victoria Trust Account, the Transport Accident Commission and VicTrack. The remaining \$5.9 billion is funded from the *Meeting Our Transport Challenges* Asset Reserve.

The following table details the cash flows of projects agreed by Government since the 2006-07 Budget that are to be funded from the Asset Reserve, as well as the remaining balance of the Asset Reserve.

**Table B1: Update of *Meeting our Transport Challenges* (MOTC) Asset Reserve**

	(\$ million)						
	Pre 2007-08	2007-08	2008-09	2009-10	2010-11	10 Year Remainder	Total 10 year funding
Total <i>Meeting Our Transport Challenges</i> (MOTC) Asset Reserve	149.0	470.6	569.0	479.3	586.4	3 634.1	5 888.4
Previous MOTC Asset Reserve commitments	129.0	405.0	454.2	279.6	76.1	7.6	1 351.4
<b>2006-07 Budget MOTC Asset Reserve balance</b>	<b>20.0</b>	<b>65.6</b>	<b>114.8</b>	<b>199.7</b>	<b>510.3</b>	<b>3 626.5</b>	<b>4 537.0</b>
<b>Pre 2007-08 Budget MOTC Asset Reserve cash flow adjustments</b>							
Bring Forward of MOTC funding for Regional Rolling Stock Requirements	18.9	16.1	16.5	13.6	-17.2	-47.9	..
<b>Pre 2007-08 Budget Project approvals</b>							
Regional Rolling Stock Requirements	18.9	16.1	16.5	13.6	..	..	65.1
<b>Pre 2007-08 Budget MOTC Asset Reserve balance</b>	<b>20.0</b>	<b>65.6</b>	<b>114.8</b>	<b>199.7</b>	<b>493.1</b>	<b>3 578.6</b>	<b>4 471.9</b>
<b>MOTC Asset Reserve cash flow adjustments</b>							
Bring Forward of MOTC funding - primarily for Metropolitan Train Services	..	..	118.4	126.7	-23.4	-221.7	..
Contribution from the Public Transport Fund for Metropolitan Train Services	..	29.9	55.9	7.1	..	7.1	100.0
Rephasing of Mildura Rail Corridor Upgrade	-9.3	9.3	..	..	..	..	..
<b>Revised MOTC Asset Reserve balance (after cash flow adjustments)</b>	<b>10.7</b>	<b>104.8</b>	<b>289.1</b>	<b>333.5</b>	<b>469.7</b>	<b>3 364.0</b>	<b>4 571.9</b>
<b>2007-08 Budget MOTC Asset Reserve commitments</b>							
Caulfield - Dandenong Rail Corridor Stage 1 - Cranbourne Stabling and Station Upgrade	..	5.0	30.1	..	..	..	35.1
Clifton Hill Rail Group - Track Duplication Clifton Hill - Westgarth	..	19.2	25.0	3.8	..	..	48.0
Hallam Station Park and Ride	..	1.5	1.5	..	..	..	3.0
Metropolitan Premium Stations Upgrades	..	0.4	0.6	0.5	..	..	1.5
Metropolitan Train Services	..	37.7	160.3	110.9	..	31.0	339.8
Mildura Rail Corridor Upgrade	10.7	31.4	10.9	..	..	..	53.0
Stations and Modal Interchanges Upgrade Program	..	2.1	4.2	5.4	8.8	..	20.5
<b>Total 2007-08 Budget MOTC Assets Reserve commitments</b>	<b>10.7</b>	<b>97.3</b>	<b>232.6</b>	<b>120.6</b>	<b>8.8</b>	<b>31.0</b>	<b>500.9</b>
<b>2007-08 Budget MOTC Asset Reserve balance</b>	<b>..</b>	<b>7.5</b>	<b>56.5</b>	<b>212.9</b>	<b>460.9</b>	<b>3 332.9</b>	<b>4 070.9</b>



## APPENDIX C – REVISED 2006-07 BUDGET OUTCOME

This appendix provides revised estimates of the budget outcome for the 2006-07 financial year. The revised 2006-07 estimates take into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the 2006-07 Budget to the Parliament in May 2006.

### REVISED 2006-07 OPERATING STATEMENT

The revised 2006-07 operating statement is presented in Table C.1. The revised general government sector net result from transactions for 2006-07 is \$622 million, \$305 million higher than the 2006-07 Budget estimate.

**Table C.1: 2006-07 Operating statement**

	(\$ million)			
	2006-07 Budget	2006-07 Revised	Change	Change %
<b>Income from transactions</b>				
Taxation	10 971.0	11 471.5	500.5	4.6
Fines and regulatory fees	832.4	793.3	( 39.2)	(4.7)
Dividends, income tax and rate equivalent revenue	958.1	1 041.5	83.4	8.7
Interest	293.1	323.9	30.8	10.5
Grants	15 077.9	15 278.4	200.5	1.3
Sale of goods and services	2 552.4	2 590.6	38.2	1.5
Fair value of assets received free of charge or for nominal consideration	..	..	..	n.a.
Other income	1 757.2	1 852.3	95.0	5.4
<b>Total income from transactions</b>	<b>32 442.1</b>	<b>33 351.4</b>	<b>909.3</b>	<b>2.8</b>
<b>Expenses from transactions</b>				
Employee benefits	12 019.5	12 226.0	206.5	1.7
Superannuation	1 710.4	1 686.1	( 24.3)	(1.4)
Depreciation and amortisation	1 322.1	1 412.0	89.8	6.8
Finance costs	428.0	466.0	38.0	8.9
Grants and transfer payments	6 207.2	6 796.0	588.9	9.5
Supplies and services	10 437.7	10 142.9	( 294.7)	(2.8)
Other expenses	0.5	0.4	..	(5.4)
<b>Total expenses from transactions</b>	<b>32 125.3</b>	<b>32 729.5</b>	<b>604.2</b>	<b>1.9</b>
<b>Net result from transactions</b>	<b>316.8</b>	<b>621.9</b>	<b>305.1</b>	<b>96.3</b>
<b>Income/(expenses) from other economic flows</b>				
Net gain/(loss) from disposal of physical assets	9.7	35.3	25.6	264.6
Actuarial gains/(losses) of superannuation defined benefit plans	..	1 486.8	1 486.8	n.a.
Net gains/(losses) on financial assets at fair value	0.1	13.3	13.2	13218.0
Other gains/(expenses) from other economic flows	( 51.0)	( 50.6)	0.3	(0.7)
<b>Net result from other economic flows</b>	<b>( 41.2)</b>	<b>1 484.8</b>	<b>1 526.0</b>	<b>(3 706.9)</b>
<b>Net result</b>	<b>275.6</b>	<b>2 106.7</b>	<b>1 831.1</b>	<b>664.3</b>

Source: Department of Treasury and Finance

## Income from transactions

Total estimated income from transactions for 2006-07 has been revised upward by \$909 million (2.8 per cent) from the 2006-07 Budget estimate of \$32 442 million.

### Taxation

In 2006-07, taxation revenue is expected to total \$11 472 million, \$501 million (4.6 per cent) higher than the original 2006-07 Budget estimate. This increase is primarily the result of increases in taxes on immovable property, financial and capital transactions and payroll tax collections. The increase is partly offset by a reduction in taxation revenue from gambling, insurance and motor vehicle taxes.

**Table C.2: 2006-07 Taxation**

	(\$ million)			
	2006-07 Budget	2006-07 Revised	Change	Change %
<b>Payroll tax</b>	<b>3 418.1</b>	<b>3 454.2</b>	<b>36.1</b>	<b>1.1</b>
<b>Taxes on immovable property</b>				
Land tax	747.6	890.0	142.4	19.0
Congestion levy	38.8	37.8	( 1.0)	(2.6)
Metropolitan improvement levy	97.3	97.3	..	..
Property owner contributions to fire brigades	35.6	39.7	4.1	11.5
<b>Total taxes on immovable property</b>	<b>919.3</b>	<b>1 064.8</b>	<b>145.5</b>	<b>15.8</b>
<b>Financial and capital transactions</b>				
Land transfer duty	2 424.4	2 849.6	425.2	17.5
Rental business duty	43.3	39.0	( 4.3)	(9.9)
Other property duties	9.3	9.3	..	..
Financial accommodation levy	16.4	16.2	( 0.2)	(1.3)
<b>Total financial and capital transactions</b>	<b>2 493.4</b>	<b>2 914.1</b>	<b>420.7</b>	<b>16.9</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	309.3	319.6	10.3	3.3
Electronic gaming machines	1 006.4	947.5	( 58.9)	(5.9)
Casino	118.1	119.9	1.8	1.5
Racing	119.0	121.6	2.6	2.2
Other	3.5	5.6	2.1	60.0
<b>Total gambling taxes</b>	<b>1 556.3</b>	<b>1 514.2</b>	<b>( 42.1)</b>	<b>(2.7)</b>
<b>Taxes on insurance</b>	<b>1 104.1</b>	<b>1 082.8</b>	<b>( 21.3)</b>	<b>(1.9)</b>
<b>Motor vehicle taxes</b>				
Vehicle registration fees	747.6	737.4	( 10.2)	(1.4)
Duty on vehicle registrations and transfers	591.5	556.5	( 35.0)	(5.9)
<b>Total motor vehicle taxes</b>	<b>1 339.1</b>	<b>1 293.9</b>	<b>( 45.2)</b>	<b>(3.4)</b>
<b>Other taxes</b>	<b>80.3</b>	<b>87.2</b>	<b>6.9</b>	<b>8.6</b>
<b>Total taxation</b>	<b>10 971.0</b>	<b>11 471.5</b>	<b>500.5</b>	<b>4.6</b>

Source: Department of Treasury and Finance

Major variations from the 2006-07 Budget estimates are:

- land tax revenue has been revised upward by \$142 million (19.0 per cent) reflecting an unexpected carry forward in revenue from 2005-06 to 2006-07, and higher than expected land value growth in taxable properties;
- land transfer revenue is \$425 million (17.5 per cent) higher than originally expected, reflecting continued strength in non-residential property transactions and high value

residential properties remaining resilient. The underlying increase was partly offset by the introduction of stamp duty relief from 1 January 2007 for purchasers of principal places of residence;

- payroll tax has been revised upward by \$36 million (1.1 per cent) due to stronger than expected employment and wages growth during the first half of 2006-07. The underlying increase was partly offset by the Government bringing forward the reduction in the payroll tax rate from 5.15 per cent to 5.05 per cent to 1 January 2007, which was originally scheduled to apply from 1 July 2007;
- insurance taxation revenue has been revised downward by \$21 million (1.9 per cent) generally reflecting some softening in the non-life insurance market; and
- motor vehicle taxation has been revised downward by \$45 million (3.4 per cent) due to a lower than expected level of new and private sale transactions, which reflects the impact of higher petrol prices combined with lower than expected average duty per transaction as a result of motorists shifting purchases to smaller and cheaper motor vehicles.

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

In 2006-07, fines and regulatory fees are expected to total \$793 million. The \$39 million downward reduction in the fines and regulatory fees revenue estimate is mainly due to delays in the implementation of the Fixed Digital Safety Camera program.

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

In 2006-07, dividends, income tax and rate equivalent revenue are expected to total \$1 042 million, \$83 million or 8.7 per cent higher than the 2006-07 Budget estimate.

This is mainly driven by better than expected investment returns in the public financial corporations sector. This is offset by the reduction in dividend income reflecting a decrease in the dividends from the water authorities, mainly associated with the climatic conditions and current water restrictions. (see Table C.3).

**Table C.3: Dividends, income tax and rate equivalent revenue**

	(\$ million)			
	2006-07 Budget	2006-07 Revised	Change	Change %
Dividends	769.9	563.2	( 206.6)	(26.8)
Income tax and rate equivalent revenue	188.2	478.2	290.0	154.1
<b>Total dividends, income tax and rate equivalent revenue</b>	<b>958.1</b>	<b>1 041.5</b>	<b>83.4</b>	<b>8.7</b>

*Source: Department of Treasury and Finance*

### ***Grants income***

In 2006-07, grants income is expected to total \$15 278 million, (1.3 per cent) higher than the 2006-07 Budget estimate (see Table C.4).

**Table C.4: Grants**

(\$ million)

	2006-07 Budget	2006-07 Revised	Change	Change %
<b>Operating grants</b>				
General purpose grants	8 469.2	8 519.0	49.8	0.6
Specific purpose grants for on-passing	1 740.2	1 740.5	0.2	..
Other specific purpose grants	4 094.0	4 272.7	178.7	4.4
<b>Total operating grants</b>	<b>14 303.5</b>	<b>14 532.2</b>	<b>228.7</b>	<b>1.6</b>
<b>Capital grants</b>				
Specific purpose grants for on-passing	136.4	137.1	0.7	0.5
Other specific purpose grants	638.1	609.2	( 28.9)	(4.5)
<b>Total capital grants</b>	<b>774.5</b>	<b>746.2</b>	<b>( 28.2)</b>	<b>(3.6)</b>
<b>Total grants</b>	<b>15 077.9</b>	<b>15 278.4</b>	<b>200.5</b>	<b>1.3</b>

Source: Department of Treasury and Finance

### **Sales of goods and services and other income**

In 2006-07, sales of goods and services and other income is expected to total \$2 591 million, \$38 million (1.5 per cent) higher than the 2006-07 Budget estimate.

### **Expenses from transactions**

Total estimated expenses from transactions for 2006-07 has been revised upward by \$604 million (1.9 per cent) from the 2006-07 Budget estimate of \$32 125 million.

Since the 2006-07 Budget, policy decisions account for additional expenses of \$349 million in 2006-07. However, a number of these decisions are to be funded from the 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.

A major increase of expenditure is in Grants and Transfer Payments. This is due largely to the expenditure of \$300 million to support the establishment of a housing investment fund in 2006-07, provided under Section 37 of the *Financial Management Act 1994*.

Expenditure is also associated with the governments increased commitment to the water sector. Additional operating grants to the Public Non-Financial Corporations of over \$57 million mainly relate to the provision of additional drought assistance, and provision of additional assistance for the State's waterways.

### **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 actuarial gains and losses on defined benefit superannuation plans, various revaluation gains and losses on assets and liabilities and provision for doubtful debts. In particular, the non-cash impact of actuarial gains and losses on superannuation liabilities that arise due to movements in bond rates and investment markets add substantial volatility to the net result. Given that the

Government has no direct control over these factors the net result from transactions is a more appropriate measure of the Government's financial management.

Other economic flows for 2006-07 are expected to be \$1 485 million, \$1 526 million higher than the 2006-07 Budget estimate. This is largely due to a gain of \$1 487 million associated improvements in the financial position of defined benefit superannuation plans. This gain is driven by higher than expected investment market returns on superannuation assets and a movement in the long-term bond rate used to value the superannuation liability.

## **REVISED 2006-07 BALANCE SHEET**

The 2006-07 balance sheet is presented in Table C.5. Net assets are projected to increase by \$3 597 million over the course of 2006-07 to be \$41 122 million at 30 June 2007, \$1 484 million higher than 2006-07 Budget estimates.

**Table C.5: 2006-07 Balance sheet as at 30 June**

	(\$ million)				
	2006 Actual	Budgeted movement	2007 Budget <sup>(a)</sup>	Revised movement	2007 Revised
<b>Current assets</b>					
Cash and cash equivalents	2 698.2	( 164.0)	2 534.2	(1 177.0)	1 521.2
Receivables	1 877.3	57.7	1 935.0	60.7	1 938.0
Prepayments	102.6	0.4	103.1	0.8	103.4
Inventories	135.8	2.1	137.8	2.0	137.8
Other financial assets	1 700.2	( 409.5)	1 290.6	( 291.1)	1 409.0
Non-current assets classified as held for sale	6 514.0	( 513.4)	6 000.7	(1 404.6)	5 109.4
	59.2	..	59.2	..	59.2
<b>Total current assets</b>	<b>6 573.3</b>	<b>( 513.4)</b>	<b>6 059.9</b>	<b>(1 404.6)</b>	<b>5 168.7</b>
<b>Non-current assets</b>					
Receivables	391.0	( 138.2)	252.9	( 122.8)	268.2
Inventories	..	..	..	..	..
Investments accounted for using the equity method	602.6	5.0	607.6	5.0	607.6
Other financial assets	462.0	17.2	479.1	9.7	471.7
Property, plant and equipment	55 953.8	3 714.8	59 668.6	3 852.0	59 805.8
Intangibles	159.6	( 0.2)	159.4	25.6	185.2
Other assets	237.1	( 27.3)	209.8	( 27.3)	209.9
<b>Total non-current assets</b>	<b>57 806.1</b>	<b>3 571.3</b>	<b>61 377.4</b>	<b>3 742.3</b>	<b>61 548.4</b>
<b>Total assets</b>	<b>64 379.4</b>	<b>3 057.9</b>	<b>67 437.3</b>	<b>2 337.7</b>	<b>66 717.0</b>
<b>Current liabilities</b>					
Payables	2 415.5	12.1	2 427.6	( 114.5)	2 301.0
Interest-bearing liabilities	311.0	( 119.5)	191.5	( 59.5)	251.5
Employee benefits	2 701.1	45.9	2 746.9	( 15.5)	2 685.6
Superannuation	..	510.0	510.1	335.0	335.1
Other provisions	155.3	( 44.9)	110.4	( 4.5)	150.8
Other liabilities	413.2	6.0	419.1	85.4	498.6
<b>Total current liabilities</b>	<b>5 996.0</b>	<b>409.5</b>	<b>6 405.5</b>	<b>226.5</b>	<b>6 222.5</b>
<b>Non-current liabilities</b>					
Payables	526.6	5.0	531.6	2.8	529.3
Interest-bearing liabilities	5 869.4	382.3	6 251.7	( 215.7)	5 653.7
Employee benefits	728.1	119.9	848.1	176.3	904.4
Superannuation	12 896.5	26.8	12 923.2	(1 332.2)	11 564.3
Other provisions	580.6	14.7	595.3	( 28.2)	552.4
Other liabilities	257.1	( 12.9)	244.3	( 88.7)	168.4
<b>Total non-current liabilities</b>	<b>20 858.3</b>	<b>535.9</b>	<b>21 394.1</b>	<b>(1 485.7)</b>	<b>19 372.5</b>
<b>Total liabilities</b>	<b>26 854.3</b>	<b>945.4</b>	<b>27 799.7</b>	<b>(1 259.2)</b>	<b>25 595.0</b>
<b>Net assets</b>	<b>37 525.1</b>	<b>2 112.5</b>	<b>39 637.6</b>	<b>3 596.9</b>	<b>41 122.0</b>

Source: Department of Treasury and Finance

Note:

(a) 2006-07 Budget is based on actual opening balances at 1 July 2006 plus 2006-07 Budgeted movement.

Total assets are projected to increase by \$2 338 million, \$720 million lower than the budgeted increase of \$3 058 million. This movement largely reflects a decrease in cash and cash equivalent assets.

Total liabilities are projected to decrease by \$1 259 million, compared to the budgeted increase of \$945 million. This movement largely reflects the reduction in unfunded superannuation liabilities, which is driven by higher than expected investment market returns and a movement in the long-term bond rate used to value the liability.

## **REVISED 2006-07 CASH FLOW STATEMENT**

Table C.6 provides the revised cash flow statement for 2006-07. Table C.7 provides a summary of cash generated through the operations of Victorian government departments and other general government sector agencies during the year, and how cash is applied to infrastructure investment and financing activities. Table C.7 also provides a reconciliation of the projected budget operating surplus to the projected change in general government net debt.

Net cash flow from operating activities is now expected to be \$2 625 million compared with the published estimate of \$2 377 million. The \$248 million variation reflects the impact of a \$914 million increase in operating receipts offset by a \$666 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. This primarily relates to the expenditure of \$300 million to support the establishment of a housing investment fund.

**Table C.6: 2006-07 Cash flow statement**

(\$ million)

	2006-07 Budget	2006-07 Revised	Change	Change %
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Taxation	11 176.8	11 596.6	419.8	3.8
Fines and regulatory fees	699.5	661.0	( 38.5)	(5.5)
Dividends, income tax and rate equivalent revenue received	965.0	1 050.8	85.8	8.9
Interest received	292.9	323.7	30.8	10.5
Grants	15 078.2	15 278.7	200.5	1.3
Sale of goods and services	2 540.5	2 545.4	4.9	0.2
Other receipts	1 709.1	1 919.7	210.6	12.3
<b>Total receipts</b>	<b>32 462.0</b>	<b>33 375.9</b>	<b>914.0</b>	<b>2.8</b>
<b>Payments</b>				
Employee benefits	(11 853.7)	(12 065.2)	( 211.5)	1.8
Superannuation	(1 173.6)	(1 196.5)	( 22.8)	1.9
Interest paid	( 414.3)	( 451.9)	( 37.6)	9.1
Grants and transfer payments	(6 151.9)	(6 800.4)	( 648.6)	10.5
Supplies and services	(10 491.0)	(10 236.6)	254.5	(2.4)
<b>Total payments</b>	<b>(30 084.5)</b>	<b>(30 750.6)</b>	<b>( 666.1)</b>	<b>2.2</b>
<b>Net cash flows from operating activities</b>	<b>2 377.4</b>	<b>2 625.3</b>	<b>247.9</b>	<b>10.4</b>
<b>Cash flows from investing activities</b>				
Purchases of non-financial assets	(2 351.2)	(2 774.2)	( 423.0)	18.0
Proceeds from sale of non-financial assets	130.8	163.5	32.7	25.0
Net (purchase)/disposal of investments	387.5	287.8	( 99.6)	(25.7)
Net customer loans (granted)/repaid	0.6	( 0.5)	( 1.1)	(180.9)
Net contribution to other sectors of government	( 962.9)	( 806.1)	156.9	(16.3)
<b>Net cash flows from investing activities</b>	<b>(2 795.2)</b>	<b>(3 129.5)</b>	<b>( 334.2)</b>	<b>12.0</b>
<b>Cash flows from financing activities</b>				
Net borrowings	253.8	( 672.8)	( 926.6)	(365.1)
<b>Net cash flows from financing activities</b>	<b>253.8</b>	<b>( 672.8)</b>	<b>( 926.6)</b>	<b>(365.1)</b>
<b>Net increase/(decrease) in cash and deposits held</b>	<b>( 164.0)</b>	<b>(1 177.0)</b>	<b>(1 013.0)</b>	<b>617.7</b>
Cash and deposits at beginning of reporting period	2 695.0	2 695.0	..	..
<b>Cash and deposits at end of reporting period</b>	<b>2 531.0</b>	<b>1 518.0</b>	<b>(1 013.0)</b>	<b>(40.0)</b>

Source: Department of Treasury and Finance

## Infrastructure investment

As shown in Table C.7, the \$2 625 million net cash inflows from operating activities is a significant source of financing for the Government's infrastructure investment program in 2006-07. Net debt is expected to increase by \$1 182 million in 2006-07. The increase is largely attributable to higher infrastructure investment due to a number of road projects being ahead of schedule because of dry weather conditions.

Compared with the 2006-07 budget estimates, net debt is expected to be \$230 million higher than originally anticipated.



**Table C.7: Application of cash resources**

(\$ million)

	2006-07 Budget	2006-07 Revised
<b>Net result from transactions</b>	<b>316.8</b>	<b>621.9</b>
Add back: Non-cash income and expenses (net) <sup>(a)</sup>	2 060.6	2 003.4
<b>Net cash flows from operating activities</b>	<b>2 377.4</b>	<b>2 625.3</b>
Less:		
<b>Net investment in fixed assets</b>		
Expenditure on approved projects <sup>(b)</sup>	3 294.1	3 580.3
Meeting Our Transport Challenges Reserve to be allocated in future	20.0	..
Proceeds from asset sales	( 130.8)	( 163.5)
<b>Total net investment in fixed assets</b>	<b>3 183.3</b>	<b>3 416.8</b>
Finance leases	..	..
Other investment activities (net)	146.4	390.5
<b>Decrease/(increase) in net debt</b>	<b>( 952.3)</b>	<b>(1 181.9)</b>

Source: Department of Treasury and Finance

Notes:

- (a) Includes depreciation and movements in the unfunded superannuation liability and liability for employee benefits.
- (b) Includes purchases of property, plant and equipment and net contributions to other sectors of government.



## APPENDIX D – OPERATING STATEMENT ANALYSIS

---

### 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 2006-07 to 2007-08, and over the forward estimates period; and
- an explanation of the changes to the 2007-08 to 2009-10 estimates since these estimates were published in the *2006-07 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 2006-07 revised estimates and the 2007-08 Budget estimates.

Comprehensive discussion on Balance Sheet movements is contained in Budget Paper No. 2, Chapter 4, *Balance Sheet Management and Outlook*.

## 2007-08 OPERATING STATEMENT ESTIMATES AND OUTLOOK

Table D.1 sets out the revised 2006-07 estimate, together with the projected outlook over the budget and forward estimates period.

**Table D.1: Summary net result from transactions 2006-07 to 2010-11<sup>(a)</sup>**

	(\$ million)				
	2006-07 Revised	2007-08 Budget	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Income from transactions</b>					
Taxation	11 471.5	11 589.0	11 997.9	12 367.6	12 856.4
Dividends, TER and interest <sup>(b)</sup>	1 365.4	1 207.3	964.6	1 069.8	1 093.1
Grants	15 278.4	16 158.7	16 856.8	17 485.9	18 217.0
Sales of goods and services	2 590.6	2 643.8	2 702.4	2 711.7	2 737.3
Other income <sup>(c)</sup>	2 645.5	2 670.4	2 898.8	2 746.0	2 772.2
<b>Total income from transactions</b>	<b>33 351.4</b>	<b>34 269.2</b>	<b>35 420.5</b>	<b>36 381.0</b>	<b>37 676.0</b>
% change		2.8%	3.4%	2.7%	3.6%
<b>Expenses from transactions</b>					
Employee benefits	12 226.0	12 726.2	13 122.1	13 426.1	13 802.0
Superannuation	1 686.1	1 622.9	1 658.8	1 698.8	1 736.0
Depreciation and amortisation	1 412.0	1 470.1	1 537.2	1 623.7	1 773.9
Finance costs	466.0	486.3	586.7	705.2	769.3
Supplies and services	10 142.9	11 118.6	11 801.9	12 314.4	12 823.7
Other expenses <sup>(d)</sup>	6 796.5	6 520.7	6 279.7	6 222.9	6 324.2
<b>Total expenses from transactions</b>	<b>32 729.5</b>	<b>33 944.9</b>	<b>34 986.3</b>	<b>35 991.1</b>	<b>37 229.2</b>
% change		3.7%	3.1%	2.9%	3.4%
<b>Net result from transactions</b>	<b>621.9</b>	<b>324.3</b>	<b>434.2</b>	<b>389.9</b>	<b>446.8</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 above shows that the Government will achieve a net result from transactions of \$324 million in 2007-08, and average \$424 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. These surpluses are also an important funding source for the Government's substantial capital investment program.

## Income from transactions

### ***2007-08 Budget estimates***

Total income from transactions is projected to be \$34 269 million in 2007-08, which represents growth of \$918 million or 2.8 per cent compared to the revised 2006-07 estimate.

Taxation revenue in 2007-08 is projected to increase by \$117.5 million or 1.0 per cent relative to the revised estimate for 2006-07. Major impacts on the change in taxation from the previous year are:

- payroll tax revenue in 2007-08 is expected to be \$3 601.8 million, an increase of \$147.6 million (4.3 per cent) over the revised 2006-07 estimate, reflecting forecasts of solid employment and wage growth in 2007-08;
- land tax revenue in 2007-08 is expected to be \$765.4 million, \$124.6 million lower than the 2006-07 revised estimate. The decrease between the two years represents the impact of the land tax relief measures and the non-recurring effect of the carryover into 2006-07 of assessments for properties held by trusts;
- revenue from financial and capital transactions is estimated to decrease by \$29.3 million (1.0 per cent) in 2007-08 compared to the 2006-07 revised estimate. The decline reflects several factors including the full year impact of stamp duty relief from 1 January 2007 for purchasers of principal places of residence and the full year impact of the abolition of rental business duty from 1 January 2007;
- gambling taxes are expected to grow by \$15.6 million (1.0 per cent) in 2007-08 compared to the 2006-07 revised estimate. The increase reflects the impact of policy changes combined with underlying growth in accordance with estimated growth in household final consumption expenditure, the effects of which are largely offset by the impact of the introduction of the complete smoking ban within enclosed licensed premises (with some exceptions) from 1 July 2007;
- revenue from taxes on insurance is estimated to increase by \$52.7 million (4.9 per cent) in 2007-08 compared to the 2006-07 revised estimate. The increase is generally in line with economic growth; and
- in 2007-08 aggregate motor vehicle taxation revenue is expected to grow by \$44.5 million (3.4 per cent) compared to the 2006-07 revised estimate. Registration fee revenue is expected to increase by \$41.7 million (5.7 per cent) reflecting ongoing growth in motor vehicle ownership and the annual indexation of registration fees. Stamp duty revenue is expected to increase by \$2.8 million (0.5 per cent) reflecting the impact of overall economic growth, offset by the stamp duty rate reduction for new passenger vehicles as announced in this budget.

Grants are expected to increase by \$880 million (5.8 per cent) in 2007-08. This growth, relative to the previous year, is largely due to:

- GST grant payments that are expected to be \$9 124.8 million, which represents an increase of \$605.8 million (7.1 per cent), compared to the 2006-07 revised estimate. This compares with an estimated growth of 6.4 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 Commonwealth Grants Commission's *Report on State Revenue Sharing Relativities – 2007 Update*. The upward revision was a result of the Commission's assessment that Victoria's revenue raising capacity declined relative to Western Australia and Queensland, which was only partly offset by a reduction in Victoria's relative costs of providing services; and

- specific purpose grants, which are expected to increase by \$270 million (or 4.2 per cent), largely due to higher funding from the Commonwealth for health care, assistance to non-government schools, roads and rail.

Other income is expected to increase by \$25 million (or 0.9 per cent), largely due to an inter-sector capital charge applied to VicTrack which is estimated to increase by \$45 million, reflecting increases in the value of assets.

### ***Forward estimates outlook***

Beyond 2007-08, income from transactions is expected to increase on average by 3.1 per cent a year over the forward estimates period.

Taxation revenue is projected to grow by 3.5 per cent on average each year over the forecast horizon (2008-09 to 2010-11), 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 announcement by the Government in this Budget of further land tax relief worth \$508 million over four years;
- the Government's announced reduction in the payroll tax rate from the current rate of 5.05 per cent to 5.00 per cent from 1 July 2008; and
- the expiry of the Government's *First Home Bonus* from 1 July 2009, with first homebuyers then taking advantage of the stamp duty relief for purchasers of principal places of residence. Currently, any first home buyer that qualifies for both the *First Home Bonus* and the land transfer duty concession is required to elect between the two.

Grants income is expected to grow at an average rate of 4.1 per cent a year over the forward estimates period. This is a result of:

- growth in GST grants reflecting forecast increases in the national GST pool as published by the Commonwealth in the *Mid-Year Economic and Fiscal Outlook* and improvement in Victoria's share of the pool; and
- growth in specific purpose operating grants largely comprising grants for health related services.

## Expenses from transactions

### **2007-08 Budget estimates**

Total expenses from transactions are forecast to be \$33 945 million in 2007-08, representing an increase of \$1 215 million, or 3.7 per cent, compared to the revised estimate for 2006-07. The increase in expenses in 2007-08 compared to the previous year is due to:

- net new output policy funding of \$637 million (including \$190.6 million announced as part of the *2006-07 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; and
- depreciation expense which is expected to increase by 4.1 per cent, reflecting the growth in capital stock and revaluations of physical assets.

### **Forward estimates outlook**

Expenses from transactions are expected to increase by an average of 3.2 per cent over the forward estimates period.

Over the forward estimates period, total employee entitlements, superannuation, purchases of supplies and services and other expenses are expected to increase by 3.5 per cent on average each year, which is broadly in line with inflation and population growth.

Depreciation expense is expected to increase by 6.5 per cent on average each year over the forward estimates period, reflecting growth in capital stock and revaluation of physical assets.

Financing costs are expected to increase by 16.6 per cent on average each year over the forward estimates period. This reflects the impact of the increase in the general government sector debt portfolio from 2007-08. For more detail on this refer to Budget Paper No. 2, Chapter 4, *Balance Sheet Management and Outlook*.

## **RECONCILIATION OF 2006-07 TO 2008-09 ESTIMATES TO PREVIOUSLY PUBLISHED ESTIMATES**

Table D.2 compares the net result from transactions as published in the *2006-07 Budget Update* with the *2007-08 Budget* through detailing the key movements in total income and expenses that have affected the Government's operating surplus result.

**Table D.2: Reconciliation of 2006-07 Budget Update to 2007-08 Budget estimates**

	(\$ million)		
	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
<b>Net result from transactions - 2006-07 Budget Update</b>	<b>385.8</b>	<b>392.9</b>	<b>278.3</b>
<b>Plus: Variations in income from transactions since 2006-07 Budget Update</b>			
<b>Tax policy decision variations</b>	<b>( 123.0)</b>	<b>( 129.3)</b>	<b>( 128.0)</b>
Economic/demographic variations			
Taxation	364.8	367.1	333.7
Investment income	114.4	( 82.1)	( 82.0)
<b>Total economic/demographic variations</b>	<b>479.3</b>	<b>285.0</b>	<b>251.7</b>
Commonwealth grant variations			
General purpose grants	118.4	272.1	310.6
Specific purpose payment grants	59.9	144.0	249.4
<b>Total Commonwealth grant variations</b>	<b>178.3</b>	<b>416.1</b>	<b>560.0</b>
<b>Increase in own source revenue</b>	<b>25.1</b>	<b>14.8</b>	<b>15.0</b>
<b>Administrative variations</b>	<b>8.3</b>	<b>41.6</b>	<b>78.0</b>
<b>Total variation in income from transactions since 2006-07 Budget Update</b>	<b>568.0</b>	<b>628.2</b>	<b>776.6</b>
<b>Less: Variations in expenses from transactions since 2006-07 Budget Update</b>			
<b>Policy decision variations <sup>(a)</sup></b>	<b>446.8</b>	<b>363.7</b>	<b>203.1</b>
<b>Commonwealth variations</b>	<b>174.0</b>	<b>149.6</b>	<b>211.3</b>
<b>Variations due to changes in own source revenue</b>	<b>( 59.6)</b>	<b>( 73.1)</b>	<b>( 52.8)</b>
<b>Administrative variations</b>			
Superannuation variations	( 68.9)	( 69.4)	( 63.2)
Other administrative variations	137.2	216.0	366.7
<b>Total administrative variations</b>	<b>68.3</b>	<b>146.6</b>	<b>303.5</b>
<b>Total variation in expenses from transactions since 2006-07 Budget Update</b>	<b>629.5</b>	<b>586.9</b>	<b>665.0</b>
<b>Revised net result from transactions</b>	<b>324.3</b>	<b>434.2</b>	<b>389.9</b>

*Note:*

(a) *Policy decisions are net of funding from contingencies and other efficiencies.*



## Variations to income

Relative to the estimates published in the *2006-07 Budget Update*, total income is expected to be \$568 million higher in 2007-08 and \$702 million higher on average in 2008-09 and 2009-10.

Tax policy decisions have resulted in a decrease in overall taxation revenue of \$123 million in 2007-08, and \$129 million on average over 2008-09 and 2009-10. Major changes include:

- a reduction in land tax reflecting the impact of the package of land tax relief measures announced in this budget;
- the increase in the Health Benefit Levy and the removal of the annual 16 per cent commission rate on wagering; and
- restructuring of the stamp duty rate scale on the purchase of new passenger vehicles as announced in this budget.

Favourable economic and demographic changes over the three year period from 2007-08 to 2009-10 have driven upwards revisions of \$355 million a year on average in taxation estimates, including:

- an upward revision to payroll tax estimates (up \$125 million on average) as the result of ongoing strong revenue collections during the first half of 2006-07 and expected continuing solid employment growth and wages growth over the forward estimates period;
- increased land values over the forward estimates period, which have been reflected in land tax revenue revisions averaging \$135 million;
- upward revision to land transfer estimates (up \$179 million on average) reflecting continuing strong non-residential property prices and activity, and the continued strength of the high value residential market;
- downward revision to gambling taxes (down \$37 million on average) reflecting continuing restrained gambling expenditure by households due to higher petrol prices and interest rate increases;
- downward revision to insurance taxation revenue (down \$33 million on average) generally reflecting continuing softening in the non-life insurance market and particularly in the area of commercial insurance; and
- downward revision to motor vehicle taxation revenue (down \$21 million on average) as a result of weaker than expected registrations in the second half of 2006, partially offset by small upwards revision to stamp duty revenue as a result of a pick up in new motor vehicle sales in early 2007.

Investment income has been revised upwards by \$114 million in 2007-08, and is then lower by \$82 million a year on average in 2008-09 and 2009-10. These movements since budget update are largely due to:

- lower water dividends reflecting the impact on profits of significant reduction in water usage and sewerage disposal revenue ;

- the phasing of the State Electricity Commission of Victoria (SECV) dividends; and
- increases in dividends and income tax equivalent payments in 2007-08 from the public financial corporations sector, mainly due to the strong performances of the investment markets.

Commonwealth grants have been revised upwards by \$178 million in 2007-08 and \$488 million a year on average over the next two years. The major changes include:

- GST grant payments have been revised upwards due to an increase in the GST pool announced in the Commonwealth's *Mid-Year Economic and Fiscal Outlook* released in December 2006 and, for 2007-08 onwards, an upwards revision to Victoria's share of the GST revenue pool as the result of the Commonwealth Grants Commission's *Report on State Revenue Sharing Relativities – 2007 Update*. The upward revision of Victoria's GST share was a result of the Commission's assessment that Victoria's revenue raising capacity declined relative to Western Australia and Queensland, which was only partly offset by a reduction in Victoria's relative costs of providing services; and
- Specific purpose grants have increased by \$151 million a year on average from 2007-08 to 2009-10 relative to budget update including increases in Commonwealth funding for government and non-government schools, health care, local government, roads and rail.

Own source revenue is \$18 million higher a year on average, mainly as a result of increased third party revenue for hospitals and ambulance services within the Department of Human Services as well as higher estimates for VicRoads and farebox revenue within the Department of Infrastructure.

Administrative variations are \$8 million higher in 2007-08, before increasing to \$78 million in 2009-10, and reflect the impact of:

- a higher capital asset charge applied from 2007-08 to VicTrack (\$7 million in 2007-08 rising to be \$70 million higher in 2009-10) as a result of the improvement in its net asset position;
- additional revenue for regulatory fees in the Department of Justice averaging around \$27 million a year; and
- an increase in 2008-09 and 2009-10 of revenue estimates in the Department of Sustainability and Environment due to the Environmental Contribution Levy; offset by
- a decrease in revenue of around \$83 million a year due to movements in the Department Justice administered trust authorities reflecting a change in accounting treatment for receipts within the Victorian Government Solicitors Office which are no longer to be treated as revenue through the operating statement.

## Variations to expenses

Relative to the estimates published in the *2006-07 Budget Update*, total expenses are expected to be \$630 million higher in 2007-08 and \$626 million higher on average in 2008-09 and 2009-10.

The main driver of increased expenses is new output policy initiatives, which have increased expenses by \$447 million in 2007-08. 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 resulted in an increase of \$174 million in 2007-08 and averaging \$180 million a year in 2008-09 and 2009-10, mainly relating to additional health care, TAFE, and local government grants funding.

Expenses associated with own source revenue generating activities are expected to be lower by \$60 million a year on average over 2007-08 to 2009-10, largely reflecting changes to the anticipated spending pattern of schools' own-source revenue.

Administrative variations are \$68 million higher in 2007-08 rising to a variation of \$304 million higher in 2009-10. These variations are mainly a result of:

- a decrease in interest expense of \$13 million in 2007-08 thereafter shifting to an increase reaching \$28 million in 2009-10, reflecting an adjustment in net debt to meet funding of new service delivery initiatives;
- the commencement of service delivery payments of \$27 million in 2008-09 rising to \$50 million in 2009-10 relating to the transfer of asset funding to output funding for the Melbourne Exhibition Convention Centre *Partnerships Victoria* project;
- an increase in land servicing expenses averaging \$25 million a year in 2007-08 and 2008-09, reflecting latest projected estimates; offset by
- a decrease in superannuation expenses of \$67 million a year on average reflecting higher than expected investment returns in 2006-07, which increases the value of assets invested by the schemes. This expected return on the higher asset base reduces the expense in subsequent years. The reduction in expense was partially offset by an increase in the Commonwealth government bond rate that underpins the discount rate used to determine the superannuation liability and expense.



## **APPENDIX E – QUARTERLY FINANCIAL REPORT FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR**

---

This appendix presents the specific purpose consolidated financial results to 31 March 2007 for the 2006-07 financial year, prepared under the Australian equivalents to International Financial Reporting Standards (A-IFRS). Comparisons are made to the revised 2006-07 estimates as presented in Appendix C, *Revised 2006-07 Budget Outcome*.

The net result from transactions for the nine months to 31 March 2007 was \$936 million, compared with the revised budget estimate for 2006-07 of \$622 million. This result reflects seasonal revenue and expenditure patterns, including the full year recognition of land tax 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 \$39 605 million compared to \$35 261 million as at 31 March 2006. The increase in assets is primarily due to capital expenditure in property, plant and equipment. 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

(\$ million)

2005-06 Actual to Mar. <sup>(a)</sup>	Notes	2006-07 Actual to Mar.	Revised Budget
<b>Income from transactions</b>			
8 231.4	2	8 860.7	11 471.5
517.2	3	577.8	793.3
697.7	4	882.6	1 041.5
258.8		301.1	323.9
10 831.4	5	11 452.7	15 278.4
1 866.0		2 010.2	2 590.6
11.7		8.7	..
1 306.2	6	1 331.4	1 852.3
<b>23 720.4</b>		<b>25 425.3</b>	<b>33 351.4</b>
<b>Expenses from transactions</b>			
8 496.5		9 062.8	12 226.0
1 314.2	7	1 263.8	1 686.1
881.3	8	1 011.0	1 412.0
332.1		353.6	466.0
4 405.5		4 571.0	6 796.0
7 293.3		8 216.7	10 142.9
17.0		10.8	0.4
<b>22 739.9</b>	9	<b>24 489.6</b>	<b>32 729.5</b>
<b>980.4</b>		<b>935.7</b>	<b>621.9</b>
<b>Income/(expenses) from other economic flows</b>			
( 32.6)		( 17.1)	35.3
2 996.9	7	1 486.7	1 486.8
..		..	..
6.3		20.7	13.3
( 13.3)	10	( 119.6)	( 50.6)
<b>2 957.3</b>		<b>1 370.7</b>	<b>1 484.8</b>
<b>3 937.8</b>		<b>2 306.5</b>	<b>2 106.7</b>

*The accompanying notes form part of the financial statements.*

*Note:*

*(a) Differences in 2005-06 figures are due to changes in presentation as required by A-IFRS.*

## Balance sheet as at 31 March

(\$ million)

2005-06 Actual to Mar. <sup>(a)</sup>	Notes	Opening 1 July	2006-07 Actual to Mar.	Revised Budget
<b>Current assets</b>				
1 316.8	Cash and cash equivalents	2 698.2	1 731.7	1 521.2
2 195.8	Receivables	1 877.3	2 425.7	1 938.0
490.6	Prepayments	102.6	197.8	103.4
129.1	Inventories	135.8	137.3	137.8
3 294.4	Other financial assets	1 700.2	2 050.5	1 409.0
7 426.7		6 514.0	6 543.0	5 109.4
45.2	Non-current assets classified as held for sale	59.2	36.3	59.2
<b>7 471.9</b>	<b>Total current assets</b>	<b>6 573.3</b>	<b>6 579.3</b>	<b>5 168.7</b>
<b>Non-current assets</b>				
359.3	Receivables	391.0	398.1	268.2
..	Inventories	..	..	..
433.3	Investments accounted for using the equity method	602.6	602.6	607.6
399.3	Other financial assets	462.0	470.4	471.7
53 209.2	Property, plant and equipment	55 953.8	57 600.7	59 805.8
189.4	Intangibles	159.6	213.5	185.3
279.1	Other assets	237.1	240.8	209.8
<b>54 869.7</b>	<b>Total non-current assets</b>	<b>57 806.1</b>	<b>59 526.1</b>	<b>61 548.4</b>
<b>62 341.6</b>	<b>Total assets</b>	<b>64 379.4</b>	<b>66 105.4</b>	<b>66 717.0</b>
<b>Current liabilities</b>				
2 334.8	Payables	2 415.5	2 975.3	2 301.0
394.9	Interest-bearing liabilities	311.0	301.9	251.5
2 254.7	Employee benefits	2 701.1	2 687.4	2 685.6
40.2	Superannuation	..	..	335.1
171.5	Other provisions	155.3	186.4	150.8
815.6	Other liabilities	413.2	446.4	498.6
<b>6 011.8</b>	<b>Total current liabilities</b>	<b>5 996.0</b>	<b>6 597.4</b>	<b>6 222.5</b>
<b>Non-current liabilities</b>				
1 073.4	Payables	526.6	558.2	529.3
5 466.6	Interest-bearing liabilities	5 869.4	5 989.7	5 653.7
999.0	Employee benefits	728.1	727.3	904.4
12 729.7	Superannuation	12 896.5	11 778.9	11 564.3
563.3	Other provisions	580.6	598.4	552.4
237.1	Other liabilities	257.1	250.4	168.4
<b>21 069.1</b>	<b>Total non-current liabilities</b>	<b>20 858.3</b>	<b>19 902.9</b>	<b>19 372.5</b>
<b>27 080.9</b>	<b>Total liabilities</b>	<b>26 854.3</b>	<b>26 500.3</b>	<b>25 595.0</b>
<b>35 260.7</b>	<b>Net assets</b>	<b>37 525.1</b>	<b>39 605.1</b>	<b>41 122.0</b>

The accompanying notes form part of the financial statements.

Note:

(a) Differences in 2005-06 balances are due to A-IFRS opening balance adjustments made during the 2005-06 Annual Financial Report.

**Statement of recognised income and expense for the period ended 31 March**

*(\$ million)*

<i>2005-06</i>		<i>2006-07</i>	
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar.</i>		<i>to Mar.</i>	<i>Budget</i>
( 95.3)	Gains/(losses) on revaluation of properties	137.2	2 298.1
1.3	Available for sale financial assets	( 14.8)	( 1.9)
16.2	Other	6.2	0.1
<b>( 77.8)</b>	<b>Net income recognised directly in equity</b>	<b>128.7</b>	<b>2 296.3</b>
3 937.8	Net result for the period	2 306.5	2 106.7
<b>3 860.0</b>	<b>Total recognised income and expense for the period</b>	<b>2 435.2</b>	<b>4 403.0</b>



## Statement of cash flows for the period ended 31 March

(\$ million)

2005-06 Actual to Mar. <sup>(a)</sup>	Notes	2006-07	
		Actual to Mar.	Revised Budget
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
7 990.1	Taxation	8 398.5	11 596.6
388.2	Fines and regulatory fees	442.3	661.0
905.0	Dividends, income tax and rate equivalent revenue received	846.5	1 050.8
259.2	Interest received	301.4	323.7
11 078.4	Grants	11 383.2	15 278.7
2 086.2	Sale of goods and services	2 390.1	2 545.4
1 492.4	Other receipts	1 562.9	1 919.7
<b>24 199.5</b>	<b>Total receipts</b>	<b>25 324.9</b>	<b>33 375.9</b>
<b>Payments</b>			
(8 450.4)	Employee benefits	(9 077.2)	(12 065.2)
( 835.1)	Superannuation	( 894.7)	(1 196.5)
( 330.4)	Interest paid	( 348.3)	( 451.9)
(4 952.7)	Grants and transfer payments	(4 431.9)	(6 800.4)
(7 384.9)	Supplies and services	(8 454.4)	(10 236.5)
..	Other payments	..	..
<b>(21 953.6)</b>	<b>Total payments</b>	<b>(23 206.6)</b>	<b>(30 750.5)</b>
<b>2 245.9</b>	<b>Net cash flows from operating activities</b>	<b>2 118.4</b>	<b>2 625.4</b>
<b>Cash flows from investing activities</b>			
(1 502.3)	Purchase of non-financial assets	(2 134.7)	(2 774.3)
84.5	Proceeds from sale of non-financial assets	100.5	163.5
(1 139.6)	Net (purchase)/disposal of investments	( 336.6)	287.8
44.0	Net customer loans (granted)/repaid	( 2.2)	( 0.5)
( 211.7)	Net contribution to other sectors of government	( 341.2)	( 806.1)
<b>(2 725.1)</b>	<b>Net cash flows from investing activities</b>	<b>(2 714.2)</b>	<b>(3 129.6)</b>
<b>Cash flows from financing activities</b>			
( 27.0)	Net borrowings	( 372.0)	( 672.8)
<b>( 27.0)</b>	<b>Net cash flows from financing activities</b>	<b>( 372.0)</b>	<b>( 672.8)</b>
<b>( 506.1)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 967.9)</b>	<b>(1 177.0)</b>
1 816.9	Cash and cash equivalents at beginning of reporting period	2 695.0	2 695.0
<b>1 310.7</b>	<b>Cash and cash equivalents at end of reporting period</b>	<b>1 727.1</b>	<b>1 518.0</b>

The accompanying notes form part of the financial statements.

Note:

(a) Differences in 2005-06 figures are due to classification changes required by A-IFRS.

## NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of significant accounting policies.....	253
Note 2: Taxation .....	254
Note 3: Fines and regulatory fees.....	254
Note 4: Dividends and income tax equivalent and rate equivalent revenue .....	255
Note 5: Grants .....	255
Note 6: Other income from transactions .....	256
Note 7: Superannuation.....	256
Note 8: Depreciation and amortisation .....	257
Note 9: Total expenses from transactions by department .....	257
Note 10: Other gains/(expenses) from other economic flows .....	258
Note 11: Receivables .....	258
Note 12: Property, plant and equipment.....	259
Note 13: Intangibles.....	260
Note 14: Other assets.....	260
Note 15: Employee benefits .....	261
Note 16: Reconciliation of net result to net cash flows from operating activities for the period ended 31 March .....	261
Note 17: Public Account .....	262
Note 18: Controlled entities .....	264

## **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 2007, as required by Section 26 of the *Financial Management Act 1994*.

The Quarterly Financial Report has been prepared in accordance with the *Financial Management Act 1994*, and applicable pronouncements and interpretations of the Australian Accounting Standards Board, including Australian equivalents to International Financial Reporting Standards (A-IFRS).

This unaudited specific purpose financial report should be read in conjunction with the *2005-06 Financial Report for the State of Victoria* and *2006-07 Mid-Year Financial Report*. This quarterly report only includes explanatory notes that provide relevant information on a quarterly reporting basis.

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

The accrual basis of accounting has been employed in the preparation of this financial report whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash will be received or paid.

### **(C) General government sector reporting entity**

The Victorian General Government sector includes all government departments, offices and other government bodies engaged in providing services free of charge or at prices significantly below their cost of production. The services provided by these not-for-profit entities are financed mainly through taxes, other compulsory levies and user charges. The general government sector is not a separate entity but represents a sector within the State of Victoria whole-of-government reporting entity.

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

The Quarterly Financial Report includes all reporting entities in the general government sector that are controlled by the State. Details of entities consolidated for the general government sector are included in Note 18.

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

## Note 2: Taxation

(\$ million)

2005-06		2006-07	
<i>Actual to Mar.</i>		<i>Actual to Mar.</i>	<i>Revised Budget</i>
<b>2 449.3</b>	<b>Payroll tax</b>	<b>2 611.8</b>	<b>3 454.2</b>
	<b>Taxes on immovable property</b>		
704.0	Land tax	853.5	890.0
1.1	Congestion levy	35.9	37.8
86.5	Metropolitan improvement levy	85.8	97.3
29.8	Property owner contributions to fire brigades	30.9	39.7
<b>821.3</b>	<b>Total taxes on immovable property</b>	<b>1 006.1</b>	<b>1 064.8</b>
	<b>Financial and capital transactions</b>		
1 949.8	Land transfer duty	2 158.0	2 849.6
..	Mortgage duty	..	..
43.5	Rental business duty	34.3	39.0
5.9	Other property duties	7.2	9.3
22.3	Debits tax	0.6	..
10.0	Financial accommodation levy	11.7	16.2
<b>2 031.5</b>	<b>Total financial and capital transactions</b>	<b>2 211.7</b>	<b>2 914.1</b>
<b>44.3</b>	<b>Levies on statutory corporations</b>	<b>45.2</b>	<b>60.4</b>
	<b>Gambling taxes</b>		
233.1	Private lotteries	246.3	319.6
684.5	Electronic gaming machines	698.1	947.5
82.0	Casino	84.0	119.9
86.9	Racing	93.5	121.6
3.2	Other	4.2	5.6
<b>1 089.7</b>	<b>Total gambling taxes</b>	<b>1 126.1</b>	<b>1 514.2</b>
<b>799.1</b>	<b>Taxes on insurance</b>	<b>833.8</b>	<b>1 082.8</b>
	<b>Motor vehicle taxes</b>		
523.5	Vehicle registration fees	545.1	737.4
415.5	Duty on vehicle transfers	412.9	556.5
<b>939.0</b>	<b>Total motor vehicle taxes</b>	<b>958.0</b>	<b>1 293.9</b>
<b>57.3</b>	<b>Other taxes</b>	<b>68.0</b>	<b>87.2</b>
<b>8 231.4</b>	<b>Total taxation</b>	<b>8 860.7</b>	<b>11 471.5</b>

## Note 3: Fines and regulatory fees

(\$ million)

2005-06		2006-07	
<i>Actual to Mar.</i>		<i>Actual to Mar.</i>	<i>Revised Budget</i>
264.9	Fines	307.4	444.0
59.7	Motor vehicle regulatory fees	46.9	67.9
192.6	Other regulatory fees	223.5	281.4
<b>517.2</b>	<b>Total fines and regulatory fees</b>	<b>577.8</b>	<b>793.3</b>

## Note 4: Dividends and income tax equivalent and rate equivalent revenue

(\$ million)

2005-06		2006-07	
Actual to Mar.		Actual to Mar.	Revised Budget
529.0	Dividends	542.8	563.2
168.7	Income tax equivalent and rate equivalent revenue	339.8	478.2
<b>697.7</b>	<b>Total dividends and income tax equivalent and rate equivalent revenue</b>	<b>882.6</b>	<b>1 041.5</b>

## Note 5: Grants

(\$ million)

2005-06		2006-07	
Actual to Mar.		Actual to Mar.	Revised Budget
<b>Specific purpose grants</b>			
..	Parliament	..	..
646.3	Education	729.9	814.8
2 166.9	Human Services	2 280.9	3 051.9
118.4	Infrastructure	236.4	299.8
0.1	Innovation, Industry and Regional Development	0.1	145.7
39.5	Justice	40.1	52.5
0.7	Premier and Cabinet	0.8	..
27.7	Primary Industries	42.2	68.1
65.0	Sustainability and Environment	85.2	144.1
50.7	Treasury and Finance	0.2	0.3
72.9	Victorian Communities	0.3	..
22.7	Regulatory bodies and other part budget funded agencies	23.0	28.9
<b>Grants for on-passing <sup>(a)</sup></b>			
1 088.4	Education	1 171.6	1 482.4
285.7	Victorian Communities	296.3	395.1
<b>4 585.0</b>	<b>Total specific purpose and on-passing grants</b>	<b>4 906.9</b>	<b>6 483.6</b>
6 087.3	General purpose Commonwealth grants	6 348.6	8 519.0
60.3	Inter-sector grants	57.9	100.2
98.8	Other specific purpose grants <sup>(b)</sup>	139.2	175.6
<b>10 831.4</b>	<b>Total grants</b>	<b>11 452.7</b>	<b>15 278.4</b>

### Notes:

- (a) Grants for on-passing represent grants made by the Commonwealth Government to state governments to be passed on to third parties, such as non-government schools and local governments.
- (b) Specific purpose grants not allocated to departments.

## Note 6: Other income from transactions

(\$ million)

2005-06		2006-07	
Actual to Mar.		Actual to Mar.	Revised Budget
583.0	Inter-sector capital asset charge	625.1	842.7
5.9	Royalties	6.9	41.6
13.5	Rents	16.0	15.3
96.7	Donations and gifts	111.4	145.1
..	Forgiveness of liability	..	83.0
0.9	Other non-property rental	3.0	0.2
606.2	Other miscellaneous income	569.1	724.5
<b>1 306.2</b>	<b>Total other income from transactions</b>	<b>1 331.4</b>	<b>1 852.3</b>

## Note 7: Superannuation

(\$ million)

2005-06		2006-07	
Actual to Mar.		Actual to Mar.	Revised Budget
<b>Defined benefit plans</b>			
548.6	Current service cost <sup>(a)</sup>	480.4	640.0
1 113.0	Interest cost <sup>(a)</sup>	1 282.0	1 707.8
( 807.4)	Expected return on plan assets (net of expenses) <sup>(a)</sup>	( 967.4)	(1 288.7)
( 11.3)	Amortisation of past service cost <sup>(a)</sup>	( 10.9)	( 14.5)
(2 996.9)	Actuarial (gains)/losses <sup>(b)</sup>	(1 486.7)	(1 486.8)
<b>(2 153.9)</b>	<b>Total expense recognised in respect of defined benefit plans</b>	<b>( 702.6)</b>	<b>( 442.2)</b>
<b>Defined contribution plans</b>			
443.3	Employer contributions to defined contribution plans <sup>(a)</sup>	450.4	599.0
<b>27.9</b>	<b>Other (including pensions) <sup>(a)</sup></b>	<b>29.3</b>	<b>42.5</b>
<b>471.2</b>	<b>Total expense recognised in respect of defined contribution plans</b>	<b>479.7</b>	<b>641.5</b>
<b>(1 682.7)</b>	<b>Total superannuation expense recognised in operating statement</b>	<b>( 222.9)</b>	<b>199.3</b>

Notes:

(a) Superannuation expense from transactions.

(b) Superannuation expense from other economic flows.

## Note 8: Depreciation and amortisation

(\$ million)

2005-06		2006-07	
Actual to Mar.		Actual to Mar.	Revised Budget
<b>Depreciation</b>			
260.7	Buildings	271.4	369.8
341.9	Plant, equipment and infrastructure systems	380.0	591.3
218.2	Road networks	244.8	329.5
8.9	Other assets	8.2	8.8
<b>829.7</b>	<b>Total depreciation from transactions</b>	<b>904.3</b>	<b>1 299.6</b>
<b>Amortisation</b>			
11.5	Leased plant and equipment	38.7	41.0
16.1	Leasehold buildings	43.2	50.5
..	Leased infrastructure	1.8	..
24.0	<b>Intangible produced assets</b>	23.0	20.9
<b>51.5</b>	<b>Total amortisation</b>	<b>106.7</b>	<b>112.4</b>
<b>881.3</b>	<b>Total depreciation and amortisation</b>	<b>1 011.0</b>	<b>1 412.0</b>

## Note 9: Total expenses from transactions by department<sup>(a)</sup>

(\$ million)

2005-06		2006-07	
Actual to Mar.		Actual to Mar.	Revised Budget
<b>Expenses from transactions</b>			
76.3	Parliament	78.7	118.6
6 825.0	Education	6 889.7	8 623.2
8 604.6	Human Services	9 396.0	12 641.7
2 543.9	Infrastructure	3 116.9	4 121.7
278.9	Innovation, Industry and Regional Development	572.6	1 348.2
2 069.9	Justice	2 273.6	3 104.6
361.5	Premier and Cabinet	375.4	527.4
298.0	Primary Industries	317.6	493.3
789.1	Sustainability and Environment	951.4	1 211.6
1 512.5	Treasury and Finance	1 353.7	1 866.6
834.5	Victorian Communities	642.4	872.4
..	Contingencies not allocated to departments <sup>(b)</sup>	..	( 246.8)
792.3	Regulatory bodies and part budget funded agencies <sup>(c)</sup>	929.1	1 097.0
<b>24 986.4</b>	<b>Total</b>	<b>26 897.0</b>	<b>35 779.3</b>
(2 246.5)	<i>Eliminations</i> <sup>(d)</sup>	(2 407.5)	(3 049.8)
<b>22 739.9</b>	<b>Total expenses from transactions</b>	<b>24 489.6</b>	<b>32 729.5</b>

### Notes:

- (a) Not all Machinery of Government changes have been reflected in this table.
- (b) Departmental expenses will be supplemented for certain costs that are provided for in contingencies.
- (c) 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.
- (d) Mainly comprising of payroll tax, capital asset charge and inter-departmental and inter-agencies transfers.

## Note 10: Other gains/(expenses) from other economic flows

(\$ million)

2005-06		2006-07	
Actual to Mar.		Actual to Mar.	Revised Budget
..	Net gains/(losses) from revaluation of biological assets	..	8.4
( 31.5)	Net (increase)/decrease in provision for doubtful debts	( 114.2)	( 59.1)
( 0.1)	Amortisation of intangible non-produced assets	( 0.7)	..
18.4	Other gains/(losses)	( 4.7)	0.1
<b>( 13.3)</b>	<b>Total other gains/(expenses) from other economic flows</b>	<b>( 119.6)</b>	<b>( 50.6)</b>

## Note 11: Receivables

(\$ million)

2005-06		2006-07		
Actual 31 Mar.		Opening 1 July	Actual 31 Mar.	Revised Budget
<b>Current receivables</b>				
489.4	Sale of goods and services	448.2	577.7	491.2
891.2	Taxes receivable	536.4	976.0	472.9
718.9	Fines and regulatory fees	732.8	847.7	865.0
64.5	Accrued investment income	102.7	82.8	113.7
2.5	Loans	12.0	13.7	13.1
238.9	Other receivables	165.7	197.3	161.9
176.7	GST input tax credits recoverable	252.6	199.6	252.1
( 386.3)	Provision for doubtful debts	( 373.2)	( 469.3)	( 432.0)
<b>2 195.8</b>	<b>Total current receivables</b>	<b>1 877.3</b>	<b>2 425.7</b>	<b>1 938.0</b>
<b>Non-current receivables</b>				
14.8	Sale of goods and services	15.7	16.2	15.3
186.4	Taxes receivable	219.6	242.2	158.0
58.6	Loans	57.6	58.0	57.0
108.8	Other receivables	105.7	89.3	45.5
( 9.3)	Provision for doubtful debts	( 7.6)	( 7.6)	( 7.6)
<b>359.3</b>	<b>Total non-current receivables</b>	<b>391.0</b>	<b>398.1</b>	<b>268.2</b>
<b>2 555.1</b>	<b>Total receivables</b>	<b>2 268.3</b>	<b>2 823.7</b>	<b>2 206.2</b>



## Note 12: Property, plant and equipment

### (a) Total property, plant and equipment

(\$ million)

2005-06		2006-07		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
12 863.0	Buildings (written down value)	13 924.2	14 309.0	14 886.0
17 495.8	Land and national parks	17 942.5	18 151.0	19 390.6
688.1	Infrastructure systems (written down value)	155.6	536.4	698.4
1 823.9	Plant, equipment and vehicles (written down value)	2 072.4	2 143.3	2 215.6
12 304.9	Roads (written down value)	13 962.7	14 375.9	14 552.0
4 589.8	Earthworks	4 426.2	4 438.7	4 504.5
3 443.6	Total cultural assets (written down value)	3 470.3	3 646.4	3 558.8
<b>53 209.2</b>	<b>Total property, plant and equipment</b>	<b>55 953.8</b>	<b>57 600.7</b>	<b>59 805.8</b>

### (b) Land and buildings

(\$ million)

2005-06		2006-07		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
13 921.4	Buildings	15 037.6	15 954.7	16 417.0
(1 058.5)	Accumulated depreciation	(1 113.4)	(1 645.7)	(1 531.0)
<b>12 863.0</b>	<b>Buildings (written down value)</b>	<b>13 924.2</b>	<b>14 309.0</b>	<b>14 886.0</b>
<b>15 078.4</b>	<b>Land</b>	<b>15 965.0</b>	<b>16 193.9</b>	<b>17 404.7</b>
<b>2 417.4</b>	<b>National Parks and other 'land only' holdings</b>	<b>1 977.5</b>	<b>1 957.1</b>	<b>1 985.9</b>
<b>17 495.8</b>	<b>Land and national parks</b>	<b>17 942.5</b>	<b>18 151.0</b>	<b>19 390.6</b>
<b>30 358.8</b>	<b>Total land and buildings</b>	<b>31 866.8</b>	<b>32 460.1</b>	<b>34 276.6</b>

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

(\$ million)

2005-06		2006-07		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
711.8	Infrastructure systems	164.4	557.6	729.7
( 23.6)	Accumulated depreciation	( 8.9)	( 21.2)	( 31.3)
<b>688.1</b>	<b>Infrastructure systems (written down value)</b>	<b>155.6</b>	<b>536.4</b>	<b>698.4</b>
4 323.0	Plant, equipment and vehicles	4 407.4	4 787.0	5 036.8
(2 553.9)	Accumulated depreciation	(2 564.5)	(2 820.5)	(3 001.6)
182.8	Leased plant, equipment and vehicles	376.5	343.7	343.9
( 128.0)	Accumulated amortisation	( 147.0)	( 166.9)	( 163.6)
<b>1 823.9</b>	<b>Plant, equipment and vehicles (written down value)</b>	<b>2 072.4</b>	<b>2 143.3</b>	<b>2 215.6</b>
<b>2 512.1</b>	<b>Total plant, equipment and infrastructure systems</b>	<b>2 228.0</b>	<b>2 679.7</b>	<b>2 913.9</b>

## (d) Road networks and earthworks

(\$ million)

2005-06		2006-07		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
14 705.2	Roads	16 108.8	16 753.7	16 724.3
(5 405.9)	Accumulated depreciation	(6 030.0)	(6 225.3)	(6 292.0)
4 692.1	Road infrastructure	5 824.8	5 837.8	6 128.1
(1 686.4)	Accumulated depreciation	(1 940.9)	(1 990.3)	(2 008.4)
<b>12 304.9</b>	<b>Roads (written down value)</b>	<b>13 962.7</b>	<b>14 375.9</b>	<b>14 552.0</b>
4 589.8	Earthworks	4 426.2	4 438.7	4 504.5
<b>16 894.7</b>	<b>Total road networks and earthworks</b>	<b>18 388.8</b>	<b>18 814.6</b>	<b>19 056.5</b>

## (e) Cultural assets

(\$ million)

2005-06		2006-07		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
3 532.4	Cultural assets <sup>(a)</sup>	3 560.2	3 757.6	3 663.8
( 88.8)	Accumulated depreciation	( 90.0)	( 111.2)	( 105.0)
<b>3 443.6</b>	<b>Total cultural assets (written down value)</b>	<b>3 470.3</b>	<b>3 646.4</b>	<b>3 558.8</b>

Note:

(a) 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: Intangibles

(\$ million)

2005-06		2006-07		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
290.7	Intangibles produced assets	283.1	340.9	363.4
( 103.3)	Accumulated amortisation	( 127.8)	( 131.4)	( 182.5)
5.0	Intangibles non-produced assets	14.4	10.3	14.4
( 3.1)	Accumulated amortisation	( 10.1)	( 6.3)	( 10.1)
<b>189.4</b>	<b>Intangibles (written down value)</b>	<b>159.6</b>	<b>213.5</b>	<b>185.3</b>

## Note 14: Other assets

(\$ million)

2005-06		2006-07		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
	<b>Non-current</b>			
28.8	Investment properties	13.4	19.4	13.4
..	Biological assets	2.4	2.4	2.4
250.3	Other assets	221.4	219.0	194.0
<b>279.1</b>	<b>Total non-current other assets</b>	<b>237.1</b>	<b>240.8</b>	<b>209.8</b>

## Note 15: Employee benefits

(\$ million)

2005-06		2006-07		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
<b>Current</b>				
728.6	Accrued salaries and wages <sup>(a)</sup>	971.7	881.1	991.4
1 526.1	Long service leave	1 729.3	1 806.3	1 694.2
<b>2 254.7</b>	<b>Total current employee benefits</b>	<b>2 701.1</b>	<b>2 687.4</b>	<b>2 685.6</b>
<b>Non-current</b>				
124.5	Accrued salaries and wages <sup>(a)</sup>	20.0	30.2	26.9
874.5	Long service leave	708.1	697.1	877.5
<b>999.0</b>	<b>Total non-current employee benefits</b>	<b>728.1</b>	<b>727.3</b>	<b>904.4</b>
<b>3 253.7</b>	<b>Total employee benefits</b>	<b>3 429.2</b>	<b>3 414.7</b>	<b>3 590.0</b>

Note:

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

## Note 16: Reconciliation of net result to net cash flows from operating activities for the period ended 31 March

(\$ million)

2005-06		2006-07
Actual		Actual
to Mar.		to Mar.
<b>3 937.8</b>	<b>Net result</b>	<b>2 306.5</b>
<b>Non-cash movements</b>		
881.4	Depreciation and amortisation	1 011.7
( 6.4)	Revaluation of investments	( 11.5)
23.4	Assets received/(provided) free of charge	( 5.0)
( 23.6)	Assets not previously recognised	( 1.0)
5.6	Revaluation of other assets	7.2
4.5	Discount/(premium) on other financial assets/interest-bearing liabilities	6.1
..	Bad and doubtful debts from customer loans	..
<b>Movements included in investing and financing activities</b>		
32.6	Net revenue from sale of property, plant and equipment	16.9
..	Net revenue from sale of investments	( 10.2)
..	Realised (gains)/losses on interest-bearing liabilities	..
<b>Movements in assets and liabilities</b>		
2.4	Increase/(decrease) in provision of doubtful debts	96.2
108.0	Increase/(decrease) in payables	568.8
46.1	Increase/(decrease) in employee benefits	( 14.5)
(2 517.8)	Increase/(decrease) in superannuation	(1 117.6)
( 15.3)	Increase/(decrease) in other provisions	48.9
407.7	Increase/(decrease) in other liabilities	26.0
( 184.8)	(Increase)/decrease in receivables	( 635.8)
( 455.7)	(Increase)/decrease in other assets	( 174.2)
<b>2 245.9</b>	<b>Net cash flows from operating activities</b>	<b>2 118.4</b>

## Note 17: Public Account

### (a) Consolidated Fund receipts and payments

(\$ million)

2005-06 <i>Actual to Mar.</i>		2006-07	
		<i>Actual to Mar.</i>	<i>Revised Budget</i>
	<b>Receipts</b>		
7 910.1	Taxation	8 298.5	11 509.3
271.0	Fines and regulatory fees	270.4	526.1
9 045.8	Grants received	9 532.7	12 807.2
444.1	Sales of goods and services	516.4	690.1
63.0	Interest received	45.2	69.0
1 039.9	Public authority receipts	901.4	1 030.6
1 899.8	Other receipts	2 210.3	2 887.0
<b>20 673.7</b>	<b>Total operating activities</b>	<b>21 774.9</b>	<b>29 519.3</b>
64.8	Total inflows from investing and financing	( 44.8)	190.9
<b>20 738.5</b>	<b>Total receipts</b>	<b>21 730.1</b>	<b>29 710.2</b>
	<b>Payments to Departments</b>		
4 840.9	Education	5 289.6	6 573.5
7 678.7	Human Services	8 229.7	11 136.4
2 571.6	Infrastructure	3 182.6	4 272.7
261.4	Innovation, Industry and Regional Development	349.1	975.9
2 051.3	Justice	2 264.8	3 092.7
344.9	Premier and Cabinet	385.7	483.4
262.5	Primary Industries	308.3	600.6
650.3	Sustainability and Environment	872.5	1 182.3
1 122.1	Treasury and Finance	1 141.6	1 406.2
386.4	Victorian Communities	301.6	435.4
77.6	Parliament	78.2	119.5
<b>20 247.7</b>	<b>Total payments</b>	<b>22 403.6</b>	<b>30 278.6</b>
<b>490.8</b>	<b>Net receipts</b>	<b>( 673.6)</b>	<b>( 568.4)</b>

## Note 17: Public Account (continued)

### (b) Trust Fund cash flows statement

(\$ million)

2005-06 Actual to Mar.		2006-07 Actual to Mar.	Revised Budget
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
114.0	Taxation	119.5	143.1
40.7	Regulatory fees and fines	19.3	25.0
2 031.8	Grants received	2 178.5	2 434.5
161.5	Sale of goods and services	224.4	281.5
76.5	Interest received	93.9	103.7
6 027.3	Other receipts	6 719.7	8 875.4
<b>8 451.8</b>	<b>Total receipts</b>	<b>9 355.3</b>	<b>11 863.1</b>
<b>Payments</b>			
( 55.8)	Employee entitlements	( 61.0)	( 72.4)
( 4.2)	Superannuation	( 4.5)	( 5.1)
( 8.9)	Interest paid	( 25.1)	( 27.9)
(6 804.2)	Grants paid	(7 593.1)	(9 772.6)
(1 660.3)	Supplies and consumables	(1 646.6)	(2 233.7)
<b>(8 533.4)</b>	<b>Total payments</b>	<b>(9 330.2)</b>	<b>(12 111.8)</b>
<b>( 81.6)</b>	<b>Net cash flows from operating activities</b>	<b>25.1</b>	<b>( 248.6)</b>
<b>Cash flows from investing activities</b>			
0.2	Net proceeds from customer loans	( 60.2)	..
13.8	Proceeds from sale of property, plant and equipment	26.1	20.0
( 37.9)	Purchases of property, plant and equipment	( 59.6)	( 48.1)
( 9.8)	Other investing activities	( 17.2)	( 46.0)
<b>( 33.7)</b>	<b>Net cash flows from investing activities</b>	<b>( 110.9)</b>	<b>( 74.1)</b>
<b>Cash flows from financing activities</b>			
84.5	Net proceeds (repayments) from borrowings	( 36.1)	( 16.8)
<b>84.5</b>	<b>Net cash flows from financing activities</b>	<b>( 36.1)</b>	<b>( 16.8)</b>
<b>( 30.8)</b>	<b>Net cash inflow/(outflow)</b>	<b>( 122.0)</b>	<b>( 339.5)</b>

### (c) Details of securities held in the Public Account

(\$ million)

2005-06 Actual Mar		2006-07 Opening 1 July	Actual 31-Mar
587.1	Amounts invested on behalf of specific trust accounts	589.1	647.9
1.3	Amounts invested on behalf of general trust accounts	1.3	1.3
2 161.4	General account balances	1 839.4	1 065.3
<b>2 749.8</b>	<b>Total Public Account</b>	<b>2 429.8</b>	<b>1 714.5</b>
<b>Represented by:</b>			
588.4	Stocks and securities	590.4	649.2
1 945.5	Cash and investments	1 525.6	763.0
<b>2 534.0</b>	<b>Total stock, securities, cash and investments</b>	<b>2 115.9</b>	<b>1 412.2</b>
Add cash advanced for:			
215.8	Advances pursuant to sections 36 and 37 of the FMA 1994 <sup>(a)</sup>	313.8	302.2
<b>2 749.8</b>	<b>Total Public Account</b>	<b>2 429.8</b>	<b>1 714.5</b>

Note:

(a) Financial Management Act 1994.

## **Note 18: Controlled entities**

A list of general government entities which have been consolidated for the purposes of this Quarterly Financial report and 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*, as Note 1.

**Table E.1: Operating statement for the past five quarters**

	(\$ million)				
	2005-06	2005-06	2005-06	2006-07	2006-07
	Mar.	June	Sept.	Dec.	Mar.
<b>Income from transactions</b>					
Taxation	3 117.0	2 654.1	2 727.6	2 714.0	3 419.0
Fines and regulatory fees	186.3	196.7	152.3	225.7	199.8
Dividends and income tax equivalent and rate equivalent revenue	56.7	311.5	89.9	768.6	24.1
Interest	93.3	131.7	81.8	119.3	100.0
Grants	3 602.1	3 792.9	3 688.8	3 957.1	3 806.8
Sale of goods and services	677.5	660.3	627.3	695.6	687.3
Fair value of assets received free of charge or for nominal consideration	0.1	20.4	0.3	1.9	6.5
Other income	415.7	484.2	465.5	406.4	459.5
<b>Total income from transactions</b>	<b>8 148.8</b>	<b>8 251.7</b>	<b>7 833.5</b>	<b>8 888.8</b>	<b>8 703.1</b>
<b>Expenses from transactions</b>					
Employee benefits	2 875.3	2 977.0	2 920.3	3 101.0	3 041.4
Superannuation	441.0	603.0	425.9	414.1	423.7
Depreciation and amortisation	289.2	398.0	331.1	337.2	342.7
Finance costs	114.6	141.5	118.7	122.9	112.0
Grants and transfer payments	1 579.7	1 389.3	1 414.5	1 526.9	1 629.6
Supplies and services	2 664.5	2 872.1	2 351.9	2 721.1	3 143.6
Other expenses	14.5	26.7	0.2	26.3	( 15.7)
<b>Total expenses from transactions</b>	<b>7 978.9</b>	<b>8 407.6</b>	<b>7 562.6</b>	<b>8 249.6</b>	<b>8 677.3</b>
<b>Net result from transactions</b>	<b>169.8</b>	<b>( 155.9)</b>	<b>270.9</b>	<b>639.2</b>	<b>25.7</b>
<b>Income/(expenses) from other economic flows</b>					
Net gains/(losses) from disposal of physical assets	( 9.2)	( 20.6)	( 8.1)	( 4.3)	( 4.6)
Actuarial gains/(losses) of superannuation defined benefit plans	1 987.2	( 576.0)	( 698.2)	1 748.2	436.7
Share of net profits/(losses) of associates and joint venture entities	..	132.3	..	..	..
Net gains/(losses) on financial assets at fair value	0.9	0.7	( 0.8)	17.0	4.6
Other gains/(losses) from other economic flows	( 0.1)	603.7	( 24.6)	( 73.0)	( 22.1)
<b>Total other economic flows</b>	<b>1 978.8</b>	<b>139.9</b>	<b>( 731.7)</b>	<b>1 687.9</b>	<b>414.6</b>
<b>Net result</b>	<b>2 148.7</b>	<b>( 16.0)</b>	<b>( 460.9)</b>	<b>2 327.1</b>	<b>440.3</b>

Source: Department of Treasury and Finance

**Table E.2: Balance sheet as at the end of the quarter**

(\$ million)

	2005-06			2006-07	
	Mar.	June	Sept. <sup>(a)</sup>	Dec.	Mar.
<b>Current assets</b>					
Cash and cash equivalents	1 316.8	2 698.2	1 971.0	2 443.8	1 731.7
Receivables	2 195.8	1 877.3	1 650.4	1 518.5	2 425.7
Prepayments	490.6	102.6	375.4	164.0	197.8
Inventories	129.1	135.8	139.7	139.5	137.3
Other financial assets	3 294.4	1 700.2	1 988.1	2 028.6	2 050.5
	7 426.7	6 514.0	6 124.6	6 294.5	6 543.0
Non-current assets classified as held for sale	45.2	59.2	37.9	36.3	36.3
<b>Total current assets</b>	<b>7 471.9</b>	<b>6 573.3</b>	<b>6 162.5</b>	<b>6 330.8</b>	<b>6 579.3</b>
<b>Non-current assets</b>					
Receivables	359.3	391.0	334.8	400.0	398.1
Inventories	..	..	..	..	..
Investments accounted for using the equity method	433.3	602.6	602.6	602.6	602.6
Other financial assets	399.3	462.0	461.5	471.9	470.4
Property, plant and equipment	53 209.2	55 953.8	56 127.6	57 056.3	57 600.7
Intangibles	189.4	159.6	186.6	199.0	213.5
Other assets	279.1	237.1	234.8	236.4	240.8
<b>Total non-current assets</b>	<b>54 869.7</b>	<b>57 806.1</b>	<b>57 947.9</b>	<b>58 966.3</b>	<b>59 526.1</b>
<b>Total assets</b>	<b>62 341.6</b>	<b>64 379.4</b>	<b>64 110.5</b>	<b>65 297.0</b>	<b>66 105.4</b>
<b>Current liabilities</b>					
Payables	2 334.8	2 415.5	1 948.2	1 855.4	2 975.3
Interest-bearing liabilities	394.9	311.0	304.3	732.9	301.9
Employee benefits	2 254.7	2 701.1	2 537.5	2 769.1	2 687.4
Superannuation	40.2	..	0.1	..	..
Other provisions	171.5	155.3	169.3	184.4	186.4
Other liabilities	815.6	413.2	405.9	453.5	446.4
<b>Total current liabilities</b>	<b>6 011.8</b>	<b>5 996.0</b>	<b>5 365.3</b>	<b>5 995.3</b>	<b>6 597.4</b>
<b>Non-current liabilities</b>					
Payables	1 073.4	526.6	524.2	574.6	558.2
Interest-bearing liabilities	5 466.6	5 869.4	5 873.2	5 780.4	5 989.7
Employee benefits	999.0	728.1	836.2	726.0	727.3
Superannuation	12 729.7	12 896.5	13 729.9	12 094.4	11 778.9
Other provisions	563.3	580.6	585.9	597.2	598.4
Other liabilities	237.1	257.1	255.7	256.0	250.4
<b>Total non-current liabilities</b>	<b>21 069.1</b>	<b>20 858.3</b>	<b>21 805.2</b>	<b>20 028.5</b>	<b>19 902.9</b>
<b>Total liabilities</b>	<b>27 080.9</b>	<b>26 854.3</b>	<b>27 170.5</b>	<b>26 023.8</b>	<b>26 500.3</b>
<b>Net assets</b>	<b>35 260.7</b>	<b>37 525.1</b>	<b>36 939.9</b>	<b>39 273.3</b>	<b>39 605.1</b>

Source: Department of Treasury and Finance

Note:

(a) The September quarterly figures in this table differ from those published previously by reflecting a number of minor adjustments which do not affect the operating result.



**Table E.3: Statement of cash flows for the past five quarters**

	(\$ million)				
	2005-06		2006-07		
	Mar.	June	Sept.	Dec.	Mar.
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation	2 529.5	2 984.1	2 873.9	2 772.9	2 751.6
Fines and regulatory fees	158.2	172.2	67.2	264.8	110.3
Dividends and income tax equivalent and rate equivalent revenue <sup>(b)</sup>	57.3	326.9	40.1	821.2	( 14.8)
Interest received	94.1	114.6	82.5	118.3	100.7
Grants	3 848.2	3 541.3	3 685.0	3 966.8	3 731.4
Sale of goods and services	592.2	1 154.7	626.0	1 147.0	617.1
Other receipts	365.2	303.6	706.3	386.4	470.2
<b>Total receipts</b>	<b>7 644.6</b>	<b>8 597.4</b>	<b>8 081.1</b>	<b>9 477.3</b>	<b>7 766.5</b>
<b>Payments</b>					
Employee benefits	(2 926.4)	(2 801.5)	(2 976.0)	(2 979.6)	(3 121.6)
Superannuation	( 280.4)	(1 052.5)	( 290.7)	( 301.5)	( 302.5)
Interest paid	( 143.7)	( 100.5)	( 115.9)	( 119.9)	( 112.5)
Grants and transfer payments	(1 933.5)	( 966.2)	(1 654.8)	(1 411.4)	(1 365.7)
Supplies and services	(1 900.1)	(3 302.0)	(2 832.5)	(3 239.6)	(2 382.4)
Other payments	..	20.0	..	..	..
<b>Total payments</b>	<b>(7 184.1)</b>	<b>(8 202.7)</b>	<b>(7 869.9)</b>	<b>(8 052.0)</b>	<b>(7 284.7)</b>
<b>Net cash flows from operating activities</b>	<b>460.5</b>	<b>394.7</b>	<b>211.2</b>	<b>1 425.4</b>	<b>481.8</b>
<b>Cash flows from investing activities</b>					
Purchase of non-financial assets <sup>(a)</sup>	( 420.3)	( 799.2)	( 571.8)	( 748.5)	( 814.4)
Proceeds from sale of non-financial assets	17.2	74.3	25.9	41.7	33.0
Net (purchase)/disposal of investments <sup>(a)</sup>	4.1	1 608.4	( 289.1)	( 32.1)	( 15.4)
Net customer loans (granted)/repaid	( 0.1)	( 8.3)	4.0	3.7	( 9.9)
Net contribution to other sectors of government	( 87.5)	262.9	( 60.8)	( 125.4)	( 155.0)
<b>Net cash flows from investing activities</b>	<b>( 486.4)</b>	<b>1 138.1</b>	<b>( 891.8)</b>	<b>( 860.7)</b>	<b>( 961.8)</b>
<b>Cash flows from financing activities</b>					
Net borrowings	( 11.0)	( 148.5)	( 47.6)	( 92.4)	( 232.1)
<b>Net cash flows from financing activities</b>	<b>( 11.0)</b>	<b>( 148.5)</b>	<b>( 47.6)</b>	<b>( 92.4)</b>	<b>( 232.1)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 37.0)</b>	<b>1 384.2</b>	<b>( 728.1)</b>	<b>472.3</b>	<b>( 712.1)</b>
Cash and cash equivalents at beginning of reporting period	1 347.7	1 310.7	2 695.0	1 966.8	2 439.1
<b>Cash and cash equivalents at end of reporting period</b>	<b>1 310.7</b>	<b>2 695.0</b>	<b>1 966.8</b>	<b>2 439.1</b>	<b>1 727.1</b>

Source: Department of Treasury and Finance

Note:

(a) The December quarterly figures in the above table may not reflect previously published figures due to a reclassification between Purchase of non-financial assets and Net (purchase)/disposal of investments.

(b) The March quarterly figure includes an adjustment from a prior period.

## STYLE CONVENTIONS

---

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

n.a.	not available or not applicable
..	zero, or rounded to zero
(xxx.x)	negative numbers (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.
--------	-------------------------------



If you would like to receive this publication in an accessible format such as large print or audio, please telephone 9651 0909 or email [information@dtf.vic.gov.au](mailto:information@dtf.vic.gov.au). This document is also available in PDF format on the internet at [www.budget.vic.gov.au](http://www.budget.vic.gov.au).

2007-08 Statement of Finances  
(incorporating Quarterly Financial Report No. 3)  
Budget Paper No. 4  
[www.budget.vic.gov.au](http://www.budget.vic.gov.au)