



VICTORIAN BUDGET

2009-10 Statement of Finances
(incorporating Quarterly Financial Report No. 3)

Budget Paper No. 4

Presented by John Lenders MP
Treasurer of the State of Victoria

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Victorian Budget Overview

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Statement of Finances

2009-10



Presented by

John Lenders, M.P.

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

Budget Paper No. 4

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INTRODUCTION

Budget Paper No. 4, *Statement of Finances*, provides the financial details of the aggregated Victorian general government (GG) 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.

This budget paper takes into account the financial impacts of all policy decisions taken by the Victorian Government, as well as Commonwealth Government funding revisions and other information that affects the projected GG sector financial statements as at 29 April 2009 unless otherwise stated. Financial impacts of decisions taken after that date, including the April meeting of the Council of Australian Governments will be reflected in the *2009-10 Budget Update*.

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 GG sector for the period 2009-10 to 2012-13. The statements are presented in a format consistent with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, issued by the Australian Accounting Standards Board (AASB) in October 2007 and applicable to annual reporting periods commencing 1 July 2008. The statements also comply with the Uniform Presentation Framework (UPF) as it relates to the GG sector, with the UPF adopting AASB 1049 as the presentation framework across jurisdictions from 2008 onwards.

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

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

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

Chapter 2 – Supplementary Uniform Presentation Framework Tables

Chapter 2 forms part of the UPF along with Chapter 1, and provides additional information of sectoral financial statements for the public non-financial corporations sector and for the non-financial public sector. These financial statements are also presented in a format consistent with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which has been adopted as the presentation framework by the UPF. In addition, the chapter includes details of Victoria's infrastructure projects with private sector investment where contracts are expected to be signed in 2009-10.

Chapter 3 – Departmental Financial Statements

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

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

Chapter 4 – State Revenue

Chapter 4 outlines the major sources of state revenue, both state-sourced revenue, (including taxes, fines and regulatory fees, dividends, income tax and rate equivalent revenue), and revenue provided through Commonwealth grants, for both general and specific purposes. The estimates of Commonwealth Government grants represent the latest information available to the Victorian Government at the time of finalisation of Victoria's *2009-10 Budget*.

Chapter 5 – Tax Expenditures and Concessions

Chapter 5 fulfils the higher level disclosure requirements under the *Financial Management Act 1994* by providing an overview and forward estimates of tax expenditures. This chapter also outlines the estimated cost of Victorian Government concessions.

Chapter 6 – Public Account

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

Chapter 7 – Contingent Assets and Contingent Liabilities

Chapter 7 discloses information on the State's contingent assets and liabilities. It provides an overview of assets and liabilities that could arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the GG sector. This chapter discloses both quantifiable and non-quantifiable contingent assets and liabilities.

Appendix A – Historical and Forward Estimates Tables

The historical and forward estimates tables in Appendix A show the trend in GG sector aggregate cash flows over the period 1986-87 to 2012-13. In addition, the general government net results for the period 1996-97 to 2012-13 is provided.

The remaining tables show information for the GG sector classified by government purpose. The accruals expenditure series classified by purpose is presented for the period 1961-62 to 2012-13.

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

Appendix B presents the quarterly financial report for the Victorian GG sector, incorporating the actual outcomes for the nine month period ended 31 March 2009, and quarter by quarter results. The March year to date outcomes are compared with the full year revised *2008-09 Budget*.

Appendix C – Revised 2008-09 Budget Outcome

The Revised *2008-09 Budget* outcome is presented in Appendix C. The revised 2008-09 estimates take into account government policy decisions and economic developments affecting both revenue and expenses since the presentation of the *2008-09 Budget* to Parliament in May 2008.

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 (GG) sector for the period 2009-10 to 2012-13.

The prospective nature of these statements reflects a number of judgements about the most likely operating and financial conditions for the Victorian GG 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 GG 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, *Economic and Fiscal Strategies and Objectives*), in a manner and form determined by the Minister, having regard to appropriate financial reporting frameworks.

The statements, including the GG sector's investment in other sectors, have been prepared in accordance with applicable pronouncements and interpretations of the Australian Accounting Standards Board (AASB), except that certain infrastructure assets of water, rail and port entities within the public non-financial corporation (PNFC) sector are measured on their existing historical cost basis. 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 having regard to the New Zealand Financial Reporting Standard 42 *Prospective Financial Statements* (FRS 42).

The statements are presented in a format that complies with AASB 1049 Whole of Government and General Government Sector Financial Reporting. This standard also complies with the Uniform Presentation Framework (UPF) as it relates to the GG sector. Additional disclosures in relation to the UPF are included in Chapter 2, *Supplementary Uniform Presentation Framework Tables*, along with a compliance index of all UPF tables.

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 substantial. Accordingly, no guarantee is given that the financial results will be achieved. However, the best professional judgement has been applied in preparing the Estimated Financial Statements.

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

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

AUDITOR GENERAL'S REPORT



Victorian Auditor-General's Office

INDEPENDENT REVIEW REPORT

Estimated Financial Statements

To the Members of the Parliament of Victoria

The Estimated Financial Statements

The accompanying estimated financial statements for the financial year ended 30 June 2010 and the three forward years ended 30 June 2011, 2012 and 2013 of the Victorian General Government Sector, as defined in note 26 to the statements, which comprises the estimated operating statement, estimated balance sheet, estimated cash flow statement, estimated statement of changes in equity, a statement of significant accounting policies and forecast assumptions and other explanatory notes to and forming part of the estimated financial statements, and the supporting declaration, has been reviewed. The accompanying revised 2009 estimated balance sheet has also been reviewed. The remaining parts of the Budget Papers have not been subject to my review.

Treasurers' Responsibility for the Estimated Financial Statements

The Treasurer of Victoria, through the Secretary of the Department of Treasury and Finance, is responsible for the preparation and presentation of the estimated financial statements in accordance with sections 23H-23K of the *Financial Management Act 1994*.

Auditor's Responsibility

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

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

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

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

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Auditing in the Public Interest

Independent Review Report (continued)

Matters Relating to the Electronic Presentation of the Estimated Financial Statements

This review report relates to the estimated financial statements published in both the budget papers and on the website of the Department of Treasury and Finance for the year ended 30 June 2010 and the three forward financial years 30 June 2011, 2012 and 2013 and the 2009 revised balance sheet. The Secretary of the Department of Treasury and Finance is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The review report refers only to the statements named above. A review report is not provided on any other information which may have been hyperlinked to or from these estimated financial statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed estimated financial statements to confirm the information included in the estimated financial statements presented on this web site.

Independence

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

Review Statement

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

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

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

MELBOURNE
30 April 2009



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 consistent with the requirements of sections 23H–23K of the *Financial Management Act 1994* and take into account government decisions and other circumstances that have a material effect.

A handwritten signature in black ink, appearing to read 'G Hehir', written in a cursive style.

Grant Hehir
Secretary

Department of Treasury and Finance
29 April 2009

ESTIMATED FINANCIAL STATEMENTS FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

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

		(\$ million)			
	Notes	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Revenue					
Taxation revenue	2	13 273.7	13 987.7	14 439.4	14 951.0
Interest		434.1	432.8	438.0	440.1
Dividends and income tax equivalent and rate equivalent revenue	3	379.4	529.9	811.2	636.1
Sales of goods and services	4	5 044.1	5 294.3	5 487.4	5 599.6
Grants	5	21 554.1	20 733.9	20 559.2	21 238.7
Other current revenue	6	1 702.9	1 623.4	1 534.1	1 524.5
Total revenue		42 388.3	42 602.1	43 269.3	44 390.0
Expenses					
Employee expenses		15 276.5	15 925.5	16 629.4	17 247.1
Superannuation interest expense	7a	659.2	677.8	699.9	722.9
Other superannuation	7a	1 599.3	1 661.4	1 689.5	1 769.1
Depreciation and amortisation	8	1 646.4	1 785.8	1 931.1	2 014.3
Interest expense	9	713.8	959.9	1 106.9	1 136.2
Other operating expenses		13 885.7	13 779.4	13 775.6	13 855.4
Grants and other transfers	10	8 442.3	7 617.0	7 146.6	7 083.0
Total expenses	11	42 223.2	42 406.8	42 979.1	43 827.9
Net result from transactions – Net operating balance	24a	165.1	195.3	290.3	562.1
Other economic flows included in net result					
Net gain/(loss) on sale of non-financial assets		54.1	112.5	120.1	113.6
Net gain/(loss) on financial assets or liabilities at fair value		16.1	3.4	3.7	4.0
Net actuarial gains/(losses) of superannuation defined benefits plans	7	..	..	..	..
Other gains/(losses) from other economic flows	12	7.5	(13.6)	(14.1)	(14.6)
Total other economic flows included in net result		77.6	102.3	109.6	103.0
Net result		242.8	297.5	399.9	665.1
Other Economic Flows – Other movements in equity					
Revaluations of non-financial assets		3 168.2	3 234.1	4 615.2	2 663.3
Net gain on equity investments in other sector entities at proportional share of net assets	14	244.5	759.0	544.4	695.2
Other movements in equity		(5.9)	7.5	1.5	(8.5)
Total other economic flows – Other movements in equity		3 406.8	4 000.7	5 161.1	3 350.0
Comprehensive result – Total change in net worth	24b	3 649.5	4 298.2	5 561.0	4 015.1

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

<i>(\$ million)</i>					
	<i>Notes</i>	<i>2009-10 Budget</i>	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>	<i>2012-13 Estimate</i>
FISCAL AGGREGATES					
Net operating balance		165.1	195.3	290.3	562.1
Less: Net acquisition of non-financial assets from transactions	15	3 490.4	2 800.1	2 489.2	860.0
Net lending/(borrowing)	24c	(3 325.3)	(2 604.8)	(2 198.9)	(298.0)

The accompanying notes form part of these Estimated Financial Statements

Table 1.2: Estimated balance sheet as at 30 June

(\$ million)						
	Notes	2009 Revised	2010 Budget	2011 Estimate	2012 Estimate	2013 Estimate
Assets						
Financial assets						
Cash and deposits		3 005.8	2 743.6	2 891.8	3 263.3	3 692.9
Advances paid		635.9	666.8	698.1	729.5	760.8
Investments, loans and placements		2 477.3	2 568.3	2 568.2	2 581.8	2 595.3
Receivables	13	2 657.7	2 676.3	2 749.0	2 751.4	2 779.5
Investments accounted for using equity method – other		27.9	32.9	37.9	42.9	47.9
Investments in other sector entities	14	42 186.9	44 396.1	46 438.1	47 658.7	48 651.5
Total financial assets		50 991.6	53 084.1	55 383.1	57 027.5	58 528.0
Non-financial assets						
Inventories		233.9	234.0	233.7	233.5	233.4
Non-financial assets held for sale		37.6	31.0	24.4	17.8	11.2
Land, buildings, infrastructure, plant and equipment	16, 17	67 826.5	74 569.2	80 710.5	87 982.6	91 635.3
Other non-financial assets	18	524.2	507.6	516.1	499.1	503.8
Total non-financial assets		68 622.2	75 341.7	81 484.6	88 733.0	92 383.7
Total assets	19b	119 613.7	128 425.8	136 867.7	145 760.6	150 911.7
Liabilities						
Deposits held		386.5	386.5	386.5	386.5	386.5
Advances received		1.9	1.2	0.5	..	..
Borrowings	20	10 965.1	15 509.8	19 123.0	21 925.4	22 668.3
Payables		4 032.5	4 180.6	4 224.5	4 264.9	4 320.4
Superannuation	7d	24 439.4	24 726.1	25 046.8	25 392.2	25 582.6
Other employee benefits	21	4 357.4	4 546.6	4 732.9	4 891.2	5 052.5
Other provisions		670.6	645.2	625.6	611.4	597.2
Total liabilities		44 853.4	49 996.0	54 139.8	57 471.6	58 607.6
Net assets		74 760.3	78 429.8	82 728.0	88 289.0	92 304.1
Accumulated surplus/(deficit)		25 528.4	25 765.2	26 070.2	26 471.6	27 128.1
Other reserves	23	49 179.9	52 592.6	56 585.7	61 745.4	65 104.0
Minority interest		52.0	72.0	72.0	72.0	72.0
Net worth	24d	74 760.3	78 429.8	82 728.0	88 289.0	92 304.1
FISCAL AGGREGATES						
Net financial worth		6 138.1	3 088.1	1 243.4	(444.0)	(79.6)
Net financial liabilities		36 048.8	41 308.0	45 194.7	48 102.7	48 731.1
Net debt		5 234.5	9 918.7	13 351.8	15 737.3	16 005.8

The accompanying notes form part of these Estimated Financial Statements

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

(\$ million)					
	Notes	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Cash flows from operating activities					
Receipts					
Taxes received		13 431.6	14 087.4	14 539.1	15 050.8
Grants		21 554.1	20 733.9	20 559.2	21 238.7
Sales of goods and services ^(a)		5 573.7	5 751.5	5 956.1	6 097.9
Interest received		400.1	398.6	406.1	408.1
Dividends and income tax equivalent and rate equivalent receipts		389.0	524.0	841.3	641.4
Other receipts		1 518.7	1 442.6	1 404.0	1 393.9
Total receipts		42 867.1	42 938.1	43 705.8	44 830.8
Payments					
Payments for employees		(15 087.3)	(15 739.2)	(16 471.1)	(17 085.7)
Superannuation		(1 971.7)	(2 018.5)	(2 044.0)	(2 301.5)
Interest paid		(675.5)	(920.7)	(1 068.0)	(1 097.3)
Grants and subsidies		(8 442.3)	(7 617.0)	(7 146.6)	(7 083.0)
Goods and services ^(a)		(14 002.9)	(13 894.9)	(13 891.5)	(13 966.6)
Other payments		(376.0)	(384.3)	(398.4)	(418.5)
Total payments		(40 555.8)	(40 574.5)	(41 019.6)	(41 952.6)
Net cash flows from operating activities ^(a)	22b	2 311.3	2 363.6	2 686.2	2 878.2
Cash flows from investing activities					
Purchases of non-financial assets	19a	(5 228.6)	(4 643.2)	(3 841.7)	(3 126.6)
Sales of non-financial assets		222.8	228.3	261.5	252.4
Cash flows from investments in non-financial assets		(5 005.8)	(4 414.9)	(3 580.2)	(2 874.2)
Net cash flows from investments in financial assets for policy purposes		(1 954.8)	(1 287.8)	(679.1)	(300.5)
Net cash flows from investments in financial assets for liquidity management purposes		(75.0)	3.5	(9.9)	(9.5)
Net cash flows from investing activities		(7 035.6)	(5 699.2)	(4 269.1)	(3 184.2)
Cash flows from financing activities					
Advances received (net)		(0.7)	(0.7)	(0.5)	..
Net borrowings		4 462.7	3 484.5	1 954.9	735.6
Deposits received (net)		..	..	..	..
Net cash flows from financing activities		4 462.0	3 483.8	1 954.4	735.6
Net increase/(decrease) in cash and cash equivalents		(262.2)	148.1	371.5	429.7
Cash and cash equivalents at beginning of reporting period		3 003.2	2 741.0	2 889.1	3 260.6
Cash and cash equivalents at end of reporting period	22a	2 741.0	2 889.1	3 260.6	3 690.3

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

	(\$ million)			
	2009-10	2010-11	2011-12	2012-13
Notes	Budget	Estimate	Estimate	Estimate
FISCAL AGGREGATES				
Net cash flows from operating activities	2 311.3	2 363.6	2 686.2	2 878.2
Net cash flows from investments in non-financial assets	(5 005.8)	(4 414.9)	(3 580.2)	(2 874.2)
Cash surplus / (deficit)	24e	(2 694.4)	(893.9)	4.1

The accompanying notes form part of these Estimated Financial Statements

Note:

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

Table 1.4: Estimated statement of changes in equity for the financial year ending 30 June

	(\$ million)			
	<i>Equity at 1 July</i>	<i>Total compre-hens ive result</i>	<i>Transactions with owners in their capacity as owners</i>	<i>Equity at 30 June</i>
General government sector				
2009-10				
Accumulated surplus/(deficit)	25 528.4	242.8	..	25 771.1
Other movements in equity	..	(5.9)	..	(5.9)
Minority interest	52.0	..	20.0	72.0
Property, plant and equipment revaluation reserve	28 962.9	3 168.2	..	32 131.1
Net movements in other reserves	789.8	..	..	789.8
Accumulated net gain on equity investments in other sector entities	19 427.2	244.5	..	19 671.7
Total equity at end of the period	74 760.3	3 649.5	20.0	78 429.8
2010-11				
Accumulated surplus/(deficit)	25 765.2	297.5	..	26 062.7
Other movements in equity	..	7.5	..	7.5
Minority interest	72.0	..	..	72.0
Property, plant and equipment revaluation reserve	32 131.1	3 234.1	..	35 365.2
Net movements in other reserves	789.8	..	..	789.8
Accumulated net gain on equity investments in other sector entities	19 671.7	759.0	..	20 430.7
Total equity at end of the period	78 429.8	4 298.2	..	82 728.0
2011-12				
Accumulated surplus/(deficit)	26 070.2	399.9	..	26 470.1
Other movements in equity	..	1.5	..	1.5
Minority interest	72.0	..	..	72.0
Property, plant and equipment revaluation reserve	35 365.2	4 615.2	..	39 980.5
Net movements in other reserves	789.8	..	..	789.8
Accumulated net gain on equity investments in other sector entities	20 430.7	544.4	..	20 975.1
Total equity at end of the period	82 728.0	5 561.0	..	88 289.0
2012-13				
Accumulated surplus/(deficit)	26 471.6	665.1	..	27 136.7
Other movements in equity	..	(8.5)	..	(8.5)
Minority interest	72.0	..	..	72.0
Property, plant and equipment revaluation reserve	39 980.5	2 663.3	..	42 643.8
Net movements in other reserves	789.8	..	..	789.8
Accumulated net gain on equity investments in other sector entities	20 975.1	695.2	..	21 670.4
Total equity at end of the period	88 289.0	4 015.1	..	92 304.1

NOTES TO THE ESTIMATED FINANCIAL STATEMENTS

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Note 1: Statement of significant accounting policies and forecast assumptions

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

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

(A) Assumptions

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

Material economic and other assumptions^(a)

	<i>(per cent change)</i>			
	2009-10	2010-11	2011-12	2012-13
Real gross state product	0.25	2.25	3.00	3.00
Employment	-1.00	0.50	1.50	1.50
Unemployment rate ^(b)	7.00	7.75	7.75	7.75
Consumer price index	2.00	2.25	2.50	2.50
Wage price index ^(c)	3.75	3.25	3.50	3.50
Population ^(d)	1.60	1.50	1.40	1.40

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

Notes:

- (a) Average per cent change on previous year unless otherwise indicated. All economic projections are rounded to the nearest 0.25 percentage point, except population projections which are rounded to the nearest 0.1 percentage point.
- (b) Year-average level, per cent.
- (c) Total hourly rate excluding bonuses.
- (d) June quarter, per cent change on previous June quarter.

(B) Key financial measure

The Government has set out its key financial measure in the financial objectives and strategies statement as detailed in Budget Paper No. 2, Chapter 1, *Economic and Fiscal Strategies and Objectives*. The key financial measure of a substantial net result from transactions for the GG sector is expected to be achieved throughout the forecast period.

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

(C) Sensitivity analysis

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

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

Impact on the net result from transactions of selected economic indicators being 1 per cent higher than expected in 2009-10^(a)

(\$ million)

	2009-10	2010-11	2011-12	2012-13
Gross state product	124	139	155	169
Employment	47	52	57	62
Consumer prices	152	160	175	190
Average weekly earnings	46	51	56	61
Enterprise Bargaining Agreements	-141	-182	-198	-214
Domestic share prices	..	3	3	3
International share prices	..	3	3	3
Property prices	43	71	75	80
Property volumes	34	40	42	45
Interest rate ^(b)	-2	-122	-159	-192

Source: Department of Treasury and Finance

Notes:

- (a) A positive number denotes an increase in the net result from transactions.
(b) Assumes a 1 percentage point increase across the entire term structure, i.e. short and long rates, over the forward estimates period.

Impact on the net result of selected economic indicators being 1 per cent higher than expected in 2009-10^(a)

(\$ million)

	2009-10	2010-11	2011-12	2012-13
Gross state product	124	139	155	169
Employment	47	52	57	62
Consumer prices	-8	161	176	191
Average weekly earnings	46	51	56	61
Enterprise Bargaining Agreements	-383	-182	-198	-214
Domestic share prices	35	3	3	3
International share prices	34	3	3	3
Property prices	60	72	77	81
Property volumes	34	40	42	45
Interest rate ^(b)	4291	-122	-159	-192

Source: Department of Treasury and Finance

Notes:

- (a) A positive number denotes an increase in the net result.
(b) Assumes a 1 percentage point increase across the entire term structure, i.e. short and long rates, over the forward estimates period.

(D) Compliance

The Estimated Financial Statements have generally been prepared in accordance with applicable Australian Accounting Standards and Interpretations (AASs). In particular the Estimated Financial Statements are presented on a basis consistent with the requirement of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* that will apply to the Financial Report for 2009-10, except that certain infrastructure assets of water, rail and port entities within the public non-financial corporation (PNFC) sector (see section F below) are measured on their existing historical basis. However, the prospective nature of the Estimated Financial Statements means that some AAS disclosures are neither relevant nor practical and so these have been omitted. Because AASs do not include pronouncements that prescribe the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared having regard to New Zealand Financial Reporting Standard 42 Prospective Financial Statements (FRS 42). FRS 42 requires prospective financial statements to be prepared in accordance with the accounting policies expected to be used in future for reporting historically orientated general purpose financial reports. The requirements of FRS 42 have been modified to achieve consistency in the presentation of the Estimated Financial Statements with AASB 101 Presentation of Financial Statements.

In addition to compliance with AASs, 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 GG sector under AASs is disclosed below. The information presented in the Estimated Financial Statements takes into account government decisions and other circumstances that may have a material effect on the statements.

(E) Basis of accounting, preparation and measurement

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

In the application of AASs, 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 judgements. Actual results may differ from these estimates.

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

- investment in other sectors measured at net asset value;
- non-current physical assets which are measured at fair value, determined by references to depreciated replacement cost, and are subsequently revalued with sufficient regularity in accordance with Financial Reporting Directions issued by the Minister for Finance;
- productive trees in commercial native forests, which are recognised at their net market value;
- derivative financial instruments, managed investment schemes, certain debt securities and investment properties after initial recognition, which are measured at fair value through profit and loss;
- 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.

Historical 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, therefore 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, become irrevocable during the reporting period.

These Estimated Financial Statements take into account the financial impacts of all policy decisions taken by the Victorian Government, as well as Commonwealth Government funding revisions and other information that affect the projected GG sector financial statements as at 29 April 2009 unless otherwise stated. Financial impacts of decisions taken after that date, including the April meeting of the Council of Australian Governments will be reflected in the *2009-10 Budget Update*.

Scope and presentation of financial statements

Estimated Financial Statements are presented for the Victorian GG sector. This sector includes all government departments, offices and other public bodies engaged in providing services free of charge or at prices significantly below their cost of production.

Under AASB 1049, the GG sector consolidates its entities in accordance with AASB 127 Consolidated and Separate Financial Statements. Other sectors of government, that is, the Public Financial Corporation (PFC) and PNFC sectors, are accounted for as an equity investment measured at the Government's proportional share of the carrying amount of net assets of the PNFC sector and PFC sector entities before consolidation eliminations. The accounting policies of entities in those sectors are aligned with those of the GG sector, except that certain infrastructure assets of water, rail and port entities within the PNFC sector are measured on their existing historical cost basis. Where the carrying amount of the entity's net assets before consolidation eliminations is less than zero, the amount is not included.

Some of the major features of AASB 1049 in relation to the presentation of the Estimated Financial Statements include:

- an extended operating statement incorporating the former statement of recognised income and expense ('comprehensive operating statement');
- items being presented by liquidity order in the balance sheet;
- the inclusion of various Government Finance Statistics (GFS) concepts, including key fiscal aggregates, as an integrated part of the financial statements; and
- a glossary of terms included in the notes (Note 26).

Estimated comprehensive operating statement

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

Income and expenses in the estimated operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. Key fiscal aggregates contained in the statement include:

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

Estimated balance sheet

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

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

Key fiscal aggregates include:

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

Estimated cash flow statement

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

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

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

Estimated statement of changes in equity

The estimated statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the year to the closing balance at the end of the year. It also shows separately movements due to amounts recognised in the estimated result and amounts recognised in equity related to estimated transactions with owners in their capacity as owners.

(F) Basis of consolidation

The estimated financial statements incorporate assets, liabilities, income and expenses of all reporting entities in the GG sector for the respective period.

Entities in the PNFC and PFC sectors are not consolidated, but are accounted for as equity investments because the intent of the estimated financial statements is to convey the estimated financial results, financial position and cash flows of the GG 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 GG sector as a single economic entity, all material transactions and balances between entities within the sector are eliminated.

Details of significant entities consolidated within the sector are shown in Note 27 in these Estimated Financial Statements.

(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 revenue

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

Taxation revenue represents revenue received from the State's taxpayers and includes:

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

Forecast assumption

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

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

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

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

Interest revenue

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

Forecast assumption

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

Dividends, income tax equivalent and rate equivalent revenue

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

Forecast assumption

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

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

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

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

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), which is administered by the Australian Taxation Office, remains with the State. Currently, 37 government business enterprises (including subsidiaries) are subject to the NTER.

Sales of goods and services

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.

The revenue from sales 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.

Sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

Forecast assumption

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

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

Grants Revenue

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

Forecast assumption

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

Forecasts of goods and services tax (GST) grants are based on the latest available information. Victoria's share of GST for 2009-10 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 by assuming that annual per capita relativities will move over the forecast period to equal the current (2009-10) assessed relativity. The forecast GST share is based on these projected assessed relativities and the Commonwealth Government's population projections.

Other current revenue

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

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

Forecast assumption

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

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

(H) Expenses from transactions

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

Employee expenses

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

Forecast assumption

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

Superannuation expense

The 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. In addition, actuarial gains and losses, which are not classified as transactions, are reported separately as other economic flows and included in the net result.

Forecast assumptions

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

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

Depreciation and amortisation

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

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

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

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

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

Forecast assumption

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

Interest expense

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

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

Forecast assumption

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

Other operating expenses

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

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

Other operating expenses 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.

Grants and other transfers

Grants and other 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, personal benefit payments made in cash to individuals, and other transfer payments made to local government, non-government schools, community groups, and PNFCs and PFCs.

Forecast assumption

Grants and other 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.

(I) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions. These include:

- realised or unrealised gains and losses from disposals;
- revaluations and impairment of non-current physical assets, intangible assets and agricultural assets;
- amortisation of non-produced intangible assets;
- actuarial gains and losses from superannuation defined benefit plans;
- fair value changes of financial instruments recognised in the operating statement;
- changes in non-current provisions for long service leave due to changes in the market discount rate;
- foreign exchange gains or losses;
- depletion of natural resources;
- allowances for doubtful debts; and
- valuation changes associated with the indemnity to SECV for the electricity supply arrangements to the smelters of Alcoa of Australia Ltd.

Net gain/(loss) on sale of non-financial assets

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

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

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

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

Actuarial gains or losses reflect the change in the defined benefit obligation that has arisen due to differences between the assumptions used to calculate the superannuation expense from transactions and what has actually occurred. The effect of any change in actuarial assumptions during the period is also included. Actuarial gains or losses are fully recognised in the period in which they occur. Forecast assumptions are detailed in section (M) of this Note.

(J) Financial Assets

Forecast assumption

The estimated 1 July 2009 opening balances of assets represent the audited carrying value as at 30 June 2008, revised for estimated movements during 2008-09.

Cash and deposits

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

Forecast assumption

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

Investments, loans and placements (including advances paid)

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

Investments are classified in the following categories:

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

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

Investments held for trading purposes are stated at fair value, with any resultant gain or loss recognised in profit or loss as other economic flows. Any dividend or interest earned on the financial asset is recognised in profit or loss as transactions.

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

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

Forecast assumption

All surplus cash resources for the period 2009-10 to 2012-13 are assumed to be held as financial assets (investments) pending repayment of debt when appropriate.

Receivables

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

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

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

Forecast assumption

Receivables are forecast on the basis of revenue activity levels.

Investments in associated entities and joint ventures

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

Investments in associates are accounted for in the Estimated Financial Statements using the equity method. Under this method, the State's share of the post acquisition profits or losses of associates is recognised in the consolidated estimated 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 proportional share of the assets, liabilities and any income and expenses of such joint ventures.

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

Forecast assumption

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

Investments in other sectors

Other sectors of government, that is the PFC and PNFC sectors, are accounted for in the GG sector reporting entity as an equity investment in other sectors measured at the Government's proportional share of the carrying amount of net assets of the PNFC sector and PFC sector entities before consolidation eliminations. Certain infrastructure assets held by water, rail and port entities that form part of the PNFC sector are measured at historical cost. Where the carrying amount of net assets before consolidation eliminations is less than zero the amount is not included in the investment.

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

Forecast assumption

Investments in other sectors are estimated based on their audited net assets as at 30 June 2008, adjusted by management estimates of subsequent operating results and distributions. To comply with AASB 1049, the State intends to revalue the infrastructure assets of water, rail and port entities to fair value (unless not reliably determinable) when preparing the annual financial reports as at 30 June 2009 for the State and the GG sector. At the time of preparing the budget, these revaluations are not available and the forecast assumptions for the PNFC sector are based on existing historically-based cost estimates for these entities and their infrastructure assets.

(K) Non-financial assets

Forecast assumption

The estimated 1 July 2009 opening balances of assets represent the audited carrying value as at 30 June 2008, revised for estimated movements during 2008-09.

Inventories

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

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

Cost is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items by using specific identification of their individual costs.

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

Forecast assumption

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

Non-financial assets classified as held for sale

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

Forecast assumption

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

Land, buildings, infrastructure, plant and equipment

All non-current physical assets, except land under declared roads, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Non-current physical assets such as national parks, other Crown land and heritage assets are measured at fair value 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 declared roads) are measured at fair value, determined by reference to the asset's depreciated replacement cost. Land under declared roads which was acquired prior to 1 July 2008 is not recognised. Land under declared roads which was acquired on or after 1 July 2008 is recognised at cost.

The fair value of 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, is measured at the replacement cost of 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 and any accumulated impairment.

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

Certain agencies in the Victorian GG 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.

Revaluations

Non-current physical assets measured at fair value are revalued in accordance with Financial Reporting Directions issued by the Minister for Finance. This revaluation process normally occurs every five years, based on the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Revaluation increases are credited directly to equity in the revaluation reserve, except to the extent that an increase reverses a revaluation decrease in respect of that class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result. The increase is recognised as income (other economic flows) in determining the net result.

Revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except to the extent that a credit balance exists in the revaluation reserve in respect of the same class of property, plant and equipment. In this circumstance, these items are debited to the revaluation reserve.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class 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.

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.

Carrying values of land under declared roads during the forecast period reflect estimates of acquisitions by the entities concerned. Existing land under roads acquired before 1 July 2008 has not been recognised during the forecast period.

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 estimated impact of revaluations.

Intangible assets

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

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

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

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

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

Forecast assumption

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

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).

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

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

Leases

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

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

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

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

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

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

Forecast assumption

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

Impairment of assets

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

- inventories;
- assets arising from construction contracts;
- assets arising from employee benefits;
- deferred tax assets;
- financial assets;

- investment property that is measured at fair value;
- certain biological assets related to agricultural activity;
- certain deferred acquisition costs and intangible assets arising from an insurer's contractual rights; and
- non current physical assets (or disposal groups) 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.

Other non- financial assets

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

Forecast assumption

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

(L) Liabilities

Borrowings (including advances received)

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

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

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

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

Forecast assumption

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

Payables

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

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

Forecast assumption

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

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

Superannuation

At each forward estimate reporting date, a liability or asset in respect of defined benefit superannuation is recognised. This 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. In accordance with prevailing accounting standards, expected future payments are discounted to present values using rates applying to long term Commonwealth Government Bonds.

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

Forecast assumptions

The superannuation liability at future balance dates is estimated in accordance with the above policy using projections provided by the actuaries of the various defined benefit superannuation 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 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 Government Bonds 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 liability. Any such variation would primarily impact on other economic flows in the estimated operating statement.

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

Superannuation assumptions

<i>Victorian statutory schemes</i>	<i>Assumptions</i>	<i>Per cent ^(a)</i>
Emergency Services and State Super	Expected return on assets ^(b)	8.0
	Discount rate ^(c)	4.7
	Wages growth ^(d)	4.0
	Inflation rate ^(e)	2.5
Constitutionally Protected Schemes ^(f)	Discount rate ^(c)	4.7
	Wages growth ^(d)	4.0
	Inflation rate ^(e)	4.0
Parliamentary Contributory Superannuation Fund ^(f)	Expected return on assets ^(b)	8.0
	Discount rate ^(c)	4.7
	Wages growth ^(d)	4.0
	Inflation rate ^(e)	4.0
Health Super Fund Defined Benefit Scheme	Expected return on assets ^(b)	6.0
	Discount rate ^(c)	4.7
	Wages growth ^(d)	4.0
	Inflation rate ^(e)	2.5

Notes:

- (a) Please note that all rates are nominal annual rates.
- (b) The expected return on assets stated is gross of tax. Estimated tax payments are explicitly allowed for in the calculation process.
- (c) 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.
- (d) Wages growth are actuarial assumptions and do not reflect the Government's wages policy.
- (e) Pensions payable from both the Parliamentary Contributory Superannuation Fund and Constitutionally Protected Schemes are linked to wages growth, not inflation.
- (f) Inflation rate is based on the actuary's long-term CPI expectation.

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 detailed in the table below).

<i>Asset class</i>	<i>Per cent</i>
Domestic equity	24.7
International equity	24.4
Domestic & International debt assets	22.6
Property	11.1
Cash	1.7
Other (inc. private equity, hedge funds and infrastructure)	15.5
Total	100.0

Other employee benefits

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

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

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

Employee benefit on-costs are recognised and included with long service leave employee benefits.

Forecast assumption

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

Other provisions

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

Forecast assumption

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

(M) Right to receive assets

The State has entered into a number of concession arrangements with independent private sector entities. These private sector entities typically lease land and sometimes state works, from the State and construct infrastructure. During the concession period, the operator has the right to obtain revenue from services that utilise the infrastructure and has the obligation to supply agreed upon services including maintenance of the asset.

At the end of the concession period, the land and state works, together with the constructed facilities will be returned to the State. These are sometimes referred to as Build, Own, Operate, and Transfer arrangements or, more commonly as Public Private Partnerships.

Significant concession arrangements include the CityLink network, which has a nominal term of 33.5 years expiring 15 January 2034 and EastLink, which is also a tollway with a nominal term of 35 years expiring 30 November 2043.

There is currently no accounting guidance applicable to grantors on the recognition and measurement of the right of the State to receive assets from such concession arrangements. Prospective developments for service concessions are discussed in section (Q) below.

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.

(N) Accounting for the goods and services tax

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 payables.

(O) Estimated cash flow statement

For the purposes of the estimated cash flow statement, cash and deposits, including cash equivalents, comprise cash on hand, cash at bank, deposits at call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(P) Prospective Accounting Changes

Service Concessions

In December 2007, the Australian Accounting Standards Board (AASB) decided that:

- the requirements of Interpretation 12 Service Concession Arrangements (which, for operators, sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements) are not obligatory for public sector grantors; however
- grantors are required to consider Interpretation 12 when developing their accounting policy under the hierarchy for selecting accounting policies set out in AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The AASB did not decide on a preferred accounting policy for grantors, as the International Public Sector Accounting Standards Board (IPSASB) currently has a project looking at accounting for service concessions from an international public sector perspective. The IPSASB intends to issue an Exposure Draft in May 2009 and a new IPSASB standard is expected around early 2010. Any Australian public sector standard is therefore unlikely before 2010-11.

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

Borrowing costs

In May 2007, the AASB agreed on amendments to AASB 123 Borrowing Costs in respect of both for-profit entities and not-for-profit entities for application to annual reporting periods beginning on or after 1 January 2009. These amendments removed the option of recognising borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

In 2008, the IPSASB considered whether to withdraw the expensing option and proposed in Exposure Draft 35 Borrowing Costs, retention of the expense option. The IPSASB intends to issue a standard at its May 2009 meeting. In February 2009, the AASB decided to extend the option to expense borrowing cost attributable to qualifying assets while AASB continues to observe developments from IPSASB. This extension is applicable to not-for-profit public sector entities only. Pending resolution of this matter, the State is continuing with its existing policy of expensing borrowing costs in the period in which they are incurred.

(Q) *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)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Taxes on employers' payroll and labour force	4 083.3	4 256.0	4 491.1	4 733.5
Taxes on property				
Taxes on immovable property				
Land tax	1 217.9	1 187.9	1 158.8	1 249.3
Congestion levy	43.1	44.1	45.2	46.3
Metropolitan improvement levy	114.2	118.1	122.5	127.2
Property owner contributions to fire brigades	41.6	41.9	43.0	44.1
Total taxes on immovable property	1 416.8	1 392.1	1 369.5	1 466.8
Financial and capital transactions				
Land transfer duty	3 194.7	3 574.8	3 612.3	3 749.1
Growth areas infrastructure contribution	84.7	51.3	46.8	46.8
Other property duties	8.6	8.6	8.6	8.6
Financial accommodation levy	54.2	68.6	77.6	84.9
Total financial and capital transactions	3 342.2	3 703.3	3 745.3	3 889.4
Total taxes on property	4 759.0	5 095.3	5 114.8	5 356.2
Taxes on the provision of goods and services				
Gambling taxes				
Private lotteries	350.3	359.9	372.9	387.4
Electronic gaming machines	1 004.6	1 031.7	1 068.9	1 084.1
Casino	144.4	162.3	182.7	206.2
Racing	133.1	138.5	145.5	71.9
Other	9.3	9.8	10.2	6.9
Total gambling taxes	1 641.8	1 702.1	1 780.2	1 756.5
Levies on statutory corporations	73.7	73.7	73.7	..
Taxes on insurance	1 275.9	1 349.8	1 404.0	1 460.8
Total taxes on the provision of goods and services	2 991.4	3 125.6	3 257.9	3 217.3
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	864.5	914.7	958.7	1 004.3
Duty on vehicle registrations and transfers	483.9	507.6	529.6	551.4
Total motor vehicle taxes	1 348.4	1 422.3	1 488.2	1 555.7
Franchise taxes	12.1	12.3	12.7	13.0
Other	79.6	76.1	74.6	75.4
Total taxes on the use of goods and performance of activities	1 440.1	1 510.7	1 575.5	1 644.0
Total taxation	13 273.7	13 987.7	14 439.4	14 951.0

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

(\$ million)

	2009-10 <i>Budget</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>	2012-13 <i>Estimate</i>
Dividends	255.3	386.4	645.1	430.2
Income tax equivalent revenue	117.9	136.8	158.9	198.1
Local government rate equivalent revenue	6.2	6.8	7.2	7.8
Total dividends and income tax equivalent and rate equivalent revenue	379.4	529.9	811.2	636.1

Note 4: Sales of goods and services

(\$ million)

	2009-10 <i>Budget</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>	2012-13 <i>Estimate</i>
Motor vehicle regulatory fees	109.5	111.3	113.1	113.1
Other regulatory fees	295.5	301.0	298.6	296.2
Sale of goods	1.9	1.8	1.8	1.8
Provision of services	3 475.6	3 576.4	3 693.1	3 727.9
Rental	44.7	45.3	45.8	45.8
Refunds and reimbursements	52.4	81.5	55.7	55.7
Inter-sector capital asset charge	1 064.5	1 177.0	1 279.3	1 359.0
Total sales of goods and services	5 044.1	5 294.3	5 487.4	5 599.6

Note 5: Grants

(\$ million)

	2009-10 <i>Budget</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>	2012-13 <i>Estimate</i>
Current grants				
Current grants from the Commonwealth				
General purpose grants	9 415.1	10 039.9	10 734.4	11 386.6
Specific purpose grants for on-passing	2 079.5	2 193.3	2 314.4	2 314.4
Payments for specific purposes	6 261.8	6 062.0	6 432.3	6 658.7
Total	17 756.3	18 295.2	19 481.1	20 359.7
Other contributions and grants	92.6	87.6	77.6	87.6
Total current grants	17 848.9	18 382.8	19 558.7	20 447.3
Capital grants				
Capital grants from the Commonwealth				
Specific purpose grants for on-passing	793.1	566.4	171.1	171.1
Payments for specific purposes	2 803.0	1 683.3	740.9	531.8
Total	3 596.1	2 249.7	912.0	702.9
Other contributions and grants	109.1	101.4	88.5	88.5
Total capital grants	3 705.3	2 351.1	1 000.5	791.4
Total grants	21 554.1	20 733.9	20 559.2	21 238.7

Note 6: Other current revenue

(\$ million)

	2009-10 <i>Budget</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>	2012-13 <i>Estimate</i>
Fair value of assets received free of charge or for nominal consideration	56.7	51.0	0.7	0.8
Fines	506.5	581.5	583.7	586.3
Royalties	48.9	47.4	47.8	48.8
Donations and gifts	267.4	214.8	222.0	207.0
Other non-property rental	15.3	15.4	15.5	15.5
Other miscellaneous income	807.9	713.4	664.4	666.2
Total other current revenue	1 702.9	1 623.4	1 534.1	1 524.5

Note 7: Superannuation

The liability for employee superannuation benefits in the GG 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)			
	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Defined benefit plans				
Interest cost ^(a)	1 649.1	1 671.5	1 690.9	1 703.0
Expected return on plan assets (net of expenses) ^(a)	(989.9)	(993.8)	(991.0)	(980.1)
Superannuation interest expense	659.2	677.8	699.9	722.9
Current service cost ^(a)	705.6	695.3	679.3	666.2
Amortisation of past service cost ^{(a)(c)}	(10.2)	..	..	..
Actuarial (gains)/losses ^(b)	..	..	..	..
Total expense recognised in respect of defined benefit plans	695.4	695.3	679.3	666.2
Defined contribution plans				
Employer contributions to defined contribution plans ^(a)	854.0	914.0	955.8	1 048.5
Other (including pensions) ^(a)	49.9	52.1	54.3	54.3
Total expense recognised in respect of defined contribution plans	903.9	966.1	1 010.1	1 102.9
Total superannuation expense recognised in operating statement	2 258.4	2 339.1	2 389.4	2 491.9

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)			
	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Opening balance of defined benefit obligation	37 777.3	38 195.9	38 546.4	38 796.0
Current service cost	705.6	695.3	679.4	666.2
Interest cost	1 649.1	1 671.5	1 690.9	1 703.0
Contributions by plan participants	203.4	191.5	180.1	169.0
Actuarial (gains)/losses	..	..	..	..
Benefits paid	(2 139.4)	(2 207.8)	(2 300.7)	(2 518.1)
Closing balance of defined benefit obligation	38 196.0	38 546.4	38 795.9	38 816.1

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

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Opening balance of plan assets	13 348.1	13 469.8	13 499.7	13 403.8
Expected return on plan assets	989.9	993.8	991.0	980.1
Actuarial gains/(losses)	..	..	..	..
Employer contributions	1 067.8	1 052.4	1 033.8	1 198.7
Contributions by plan participants	203.4	191.5	180.1	169.0
Benefits paid (including tax paid)	(2 139.4)	(2 207.8)	(2 300.7)	(2 518.1)
Closing balance of plan assets	13 469.8	13 499.7	13 403.8	13 233.5

(d) Reconciliation of the superannuation liabilities

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
ESSS (including SSF)				
Defined benefit obligation	33 697.8	33 924.1	34 069.4	34 133.8
Tax liability ^(a)	2 439.2	2 552.1	2 649.9	2 603.5
Plan assets	(12 370.3)	(12 397.7)	(12 309.7)	(12 153.3)
Net liability/(asset)	23 766.7	24 078.5	24 409.6	24 584.0
Other funds ^(b)				
Defined benefit obligation	2 041.7	2 055.4	2 064.2	2 068.1
Tax liability ^(a)	17.2	14.8	12.5	10.6
Plan assets	(1 099.5)	(1 101.9)	(1 094.1)	(1 080.2)
Net liability/(asset)	959.4	968.3	982.6	998.5
Total superannuation				
Defined benefit obligation	35 739.5	35 979.5	36 133.6	36 202.0
Tax liability	2 456.4	2 566.9	2 662.4	2 614.1
Plan assets	(13 469.8)	(13 499.7)	(13 403.8)	(13 233.6)
Superannuation liability	24 726.1	25 046.7	25 392.2	25 582.5
Represented by:				
Current liability	544.0	560.0	750.0	1 060.8
Non-current liability	24 182.1	24 486.8	24 642.2	24 521.8

Notes:

- (a) Tax liability represents the present value of future tax payments on investment income from assets supporting the accrued benefits and the present value of future tax payments on the expected employer contributions (if any) to fund these accrued benefits.
- (b) Other funds include constitutionally protected schemes, the Parliamentary Contributory Superannuation Fund and the State's share of liabilities of the defined benefit scheme of the Health Super Fund.

Note 8: Depreciation and amortisation

(\$ million)

	2009-10	2010-11	2011-12	2012-13
	Budget	Estimate	Estimate	Estimate
Buildings ^(a)	517.3	581.6	664.1	743.7
Plant, equipment and infrastructure systems	563.0	595.3	606.9	613.4
Road networks	406.2	459.3	486.5	486.5
Other assets	12.8	12.9	14.3	14.3
Leased plant and equipment	44.7	39.8	35.3	35.4
Leasehold buildings	60.9	63.3	82.3	82.1
Intangible produced assets ^(b)	41.6	33.5	41.7	38.9
Total depreciation and amortisation	1 646.4	1 785.8	1 931.1	2 014.3

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2009-10 to 2012-13.

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

Note 9: Interest expense

(\$ million)

	2009-10	2010-11	2011-12	2012-13
	Budget	Estimate	Estimate	Estimate
Interest on long-term interest-bearing liabilities	543.3	791.0	940.6	969.0
Interest on short-term interest-bearing liabilities	35.9	36.3	36.3	36.3
Finance charges on finance leases	96.6	93.7	91.4	92.2
Discount interest on payables	38.0	39.0	38.7	38.7
Total interest expense	713.8	959.9	1 106.9	1 136.2

Note 10: Grants and other transfers

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Current grants expense				
Commonwealth Government	77.2	73.3	73.6	73.8
Local Government on-passing	652.0	622.0	610.8	606.8
Private sector and not-for-profit on-passing	3 403.8	3 328.3	3 432.5	3 351.5
Other private sector and not-for-profit	463.4	431.2	403.4	408.0
Grants within the Victorian Government	2 907.7	2 506.8	2 374.6	2 396.8
Grants to other state governments	14.1	13.8	13.9	13.9
Total current grants and other transfers	7 518.3	6 975.3	6 908.8	6 851.0
Capital grants expense				
Local Government on-passing	6.8	6.8	6.8	6.8
Private sector and not-for-profit on-passing	776.2	494.1	90.9	88.7
Other private sector and not-for-profit	136.3	129.4	124.7	124.0
Grants within the Victorian Government	4.8	11.4	15.4	12.4
Total capital grants and other transfers	924.0	641.7	237.8	232.0
Total grants and other transfers	8 442.3	7 617.0	7 146.6	7 083.0

Note 11: Total expenses by government purpose classification

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
General public services	790.6	1 187.0	1 254.4	1 456.6
Public order and safety	4 449.6	4 471.5	4 486.2	4 588.8
Education	11 766.0	11 451.4	11 313.2	11 459.6
Health	11 378.8	11 570.0	11 805.2	12 022.8
Social security and welfare	2 664.0	2 749.6	2 844.7	2 917.5
Housing and community amenities	3 571.3	3 344.1	3 295.9	3 318.3
Recreation and culture	767.5	732.1	724.2	724.3
Fuel and energy	20.3	21.2	22.3	22.3
Agriculture, forestry, fishing, and hunting	500.5	401.8	423.4	428.2
Mining, manufacturing, and construction	27.6	22.1	22.4	21.4
Transport and communications	4 382.0	4 395.9	4 581.5	4 646.3
Other economic affairs	530.3	433.3	411.1	374.0
Other purposes	1 374.6	1 626.7	1 794.6	1 847.7
Total expenses by government purpose classification^(a)	42 223.2	42 406.8	42 979.1	43 827.9

Note:

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

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

	(\$ million)			
	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 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	4.1	(16.9)	(17.2)	(17.6)
Amortisation of intangible non-produced assets	(5.1)	(5.3)	(5.4)	(5.5)
Other gains/(losses)	0.1	0.1	0.1	0.1
Total other gains/(losses) from other economic flows	7.5	(13.6)	(14.1)	(14.6)

Note 13: Receivables

	(\$ million)				
	2009 Revised	2010 Budget	2011 Estimate	2012 Estimate	2013 Estimate
Current receivables					
Contractual					
Sales of goods and services	729.3	743.2	755.8	769.4	783.8
Accrued investment income	84.6	75.0	80.9	50.8	45.5
Other receivables	333.8	348.4	356.5	361.5	366.7
Provision for doubtful contractual receivables	(45.1)	(45.2)	(45.2)	(45.3)	(45.4)
	1 102.6	1 121.5	1 148.0	1 136.5	1 150.7
Statutory					
Taxes receivables	688.9	631.1	631.3	631.5	631.7
Fines and regulatory fees	679.8	730.8	790.9	851.3	912.1
GST input tax credits recoverable	266.8	267.3	268.0	268.6	269.3
Provision for doubtful statutory receivables	(174.0)	(169.6)	(186.3)	(203.3)	(220.6)
	1 461.5	1 459.6	1 503.9	1 548.2	1 592.4
Total current receivables	2 564.1	2 581.1	2 651.9	2 684.6	2 743.1
Non-current receivables					
Contractual					
Sales of goods and services	18.1	17.7	17.4	17.0	16.6
Other receivables	80.6	82.7	84.9	54.9	24.9
Provision for doubtful contractual receivables	(5.1)	(5.1)	(5.1)	(5.1)	(5.1)
	93.5	95.3	97.1	66.7	36.4
Statutory					
Taxes receivables	..	..	..	..	..
Provision for doubtful statutory receivables	..	..	..	..	..

Total non-current receivables	93.5	95.3	97.1	66.7	36.4
Total receivables	2 657.7	2 676.3	2 749.0	2 751.4	2 779.5

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

(\$ million)

	2009-10 <i>Budget</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>	2012-13 <i>Estimate</i>
Balance of investment in PNFC and PFC sectors at beginning of period	42 186.9	44 396.1	46 438.1	47 658.7
Net contributions to other sectors by owner	1 964.7	1 282.9	676.2	297.6
Revaluation gain/ (loss) for period	244.5	759.0	544.4	695.2
Balance of investment in PNFC and PFC sectors at end of period	44 396.1	46 438.1	47 658.7	48 651.5

Note 15: Net acquisition of non-financial assets

(\$ million)

	2009-10 <i>Budget</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>	2012-13 <i>Estimate</i>
Purchases of non-financial assets	5 228.6	4 643.2	3 841.7	3 126.6
Less: Sales of non-financial assets	(222.8)	(228.3)	(261.5)	(252.4)
Less: Depreciation	(1 646.4)	(1 785.8)	(1 931.1)	(2 014.3)
Plus: Change in inventories	0.1	(0.3)	(0.2)	(0.1)
Plus: Other movements in non-financial assets	130.9	171.3	840.4	0.2
Total net acquisition of non-financial assets	3 490.4	2 800.1	2 489.2	860.0

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

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

	(\$ million)				
	2009	2010	2011	2012	2013
	Revised	Budget	Estimate	Estimate	Estimate
Buildings (written down value)	17 383.3	20 291.8	23 036.5	26 385.3	28 036.5
Land and national parks	20 546.9	20 797.0	22 960.6	23 149.6	25 227.7
Infrastructure systems (written down value)	1 038.4	1 286.3	1 471.3	1 510.2	1 518.3
Plant, equipment and vehicles (written down value)	2 152.2	2 452.6	2 479.4	2 390.9	2 298.8
Roads (written down value)	17 146.5	18 984.4	19 680.3	22 490.6	22 497.6
Earthworks	5 245.3	6 439.2	6 439.2	7 413.2	7 413.2
Cultural assets (written down value)	4 313.9	4 317.7	4 643.2	4 642.9	4 643.2
Total land, buildings, infrastructure, plant and equipment	67 826.5	74 569.2	80 710.5	87 982.6	91 635.3

(b) Land and buildings

	(\$ million)				
	2009	2010	2011	2012	2013
	Revised	Budget	Estimate	Estimate	Estimate
Buildings	19 414.1	22 843.4	26 160.2	30 180.8	32 581.8
Accumulated depreciation	(2 030.8)	(2 551.5)	(3 123.8)	(3 795.5)	(4 545.3)
Buildings (written down value)	17 383.3	20 291.8	23 036.5	26 385.3	28 036.5
Land	18 406.4	18 656.1	20 819.3	21 008.0	23 085.7
National Parks and other 'land only' holdings	2 140.5	2 140.9	2 141.3	2 141.6	2 142.0
Land and national parks	20 546.9	20 797.0	22 960.6	23 149.6	25 227.7
Total land and buildings	37 930.3	41 088.9	45 997.0	49 534.9	53 264.3

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

	(\$ million)				
	2009	2010	2011	2012	2013
	Revised	Budget	Estimate	Estimate	Estimate
Infrastructure systems	1 085.3	1 362.4	1 577.2	1 646.1	1 684.6
Accumulated depreciation	(46.9)	(76.1)	(105.9)	(135.9)	(166.3)
Infrastructure systems (written down value)	1 038.4	1 286.3	1 471.3	1 510.2	1 518.3
Plant, equipment and vehicles	4 823.5	5 536.8	5 966.9	6 285.8	6 577.4
Accumulated depreciation	(2 775.8)	(3 151.5)	(3 522.6)	(3 902.3)	(4 282.9)
Leased plant, equipment and vehicles	188.5	188.5	188.5	188.5	213.2
Accumulated depreciation	(84.0)	(121.1)	(153.3)	(181.1)	(208.9)
Plant, equipment and vehicles (written down value)	2 152.2	2 452.6	2 479.4	2 390.9	2 298.8
Total plant, equipment and vehicles, and infrastructure systems	3 190.6	3 738.9	3 950.7	3 901.0	3 817.0

(d) Road networks and earthworks

	(\$ million)				
	2009	2010	2011	2012	2013
	<i>Revised</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Roads	20 260.1	23 634.7	24 451.2	27 409.3	27 564.2
<i>Accumulated depreciation</i>	(7 856.9)	(9 043.5)	(9 405.1)	(9 791.2)	(10 177.4)
Road infrastructure	7 254.2	7 253.0	7 591.7	7 930.4	8 269.1
<i>Accumulated depreciation</i>	(2 510.9)	(2 859.7)	(2 957.5)	(3 057.9)	(3 158.3)
Roads (written down value)	17 146.5	18 984.4	19 680.3	22 490.6	22 497.6
Earthworks	5 245.3	6 439.2	6 439.2	7 413.2	7 413.2
Total road networks and earthworks	22 391.7	25 423.7	26 119.5	29 903.8	29 910.9

(e) Cultural assets

	(\$ million)				
	2009	2010	2011	2012	2013
	<i>Revised</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Cultural assets	4 419.0	4 432.3	4 767.7	4 778.5	4 789.9
<i>Accumulated depreciation</i>	(105.1)	(114.6)	(124.4)	(135.7)	(146.8)
Total cultural assets	4 313.9	4 317.7	4 643.2	4 642.9	4 643.2

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

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

(\$ million)

	2009-10	2010-11	2011-12	2012-13
	Budget	Estimate	Estimate	Estimate
Carrying amount at the start of the year ^(a)	67 826.5	74 569.2	80 710.5	87 982.6
Additions ^(b)	5 348.7	4 768.4	4 656.7	3 082.5
Disposals at written down value	(170.8)	(118.0)	(111.4)	(108.8)
Revaluations	3 168.2	3 234.1	4 615.2	2 663.3
Assets reclassified	0.3	8.0	..	(10.0)
Depreciation expense	(1 603.7)	(1 751.2)	(1 888.3)	(1 974.3)
Carrying amount at the end of the year	74 569.2	80 710.5	87 982.6	91 635.3

Notes:

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

Note 18: Other non-financial assets

(\$ million)

	2009	2010	2011	2012	2013
	Revised	Budget	Estimate	Estimate	Estimate
Intangibles produced assets	476.7	494.4	529.9	548.3	585.6
Accumulated depreciation	(245.3)	(285.2)	(316.2)	(355.5)	(391.9)
Intangibles non-produced assets	58.9	58.9	58.9	58.9	58.9
Accumulated depreciation	(21.9)	(27.1)	(32.3)	(37.7)	(43.2)
Total intangibles	268.4	241.2	240.3	214.1	209.4
Investment properties	22.5	22.5	22.5	22.5	22.5
Biological assets ^(a)	42.8	51.2	59.6	68.0	76.4
Other assets	190.5	192.8	193.7	194.6	195.5
Total other non-financial assets	524.2	507.6	516.1	499.1	503.8

Note:

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

Note 19: Assets classified by government purpose classification

(a) Purchases of non-financial assets

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
General public services	323.1	614.6	642.4	712.2
Public order and safety	580.1	472.5	426.6	282.9
Education	2 487.8	1 428.3	365.7	297.6
Health	574.7	355.0	188.1	137.3
Social security and welfare	98.2	80.2	48.9	26.1
Housing and community amenities	366.5	265.5	163.6	156.2
Recreation and culture	17.3	43.1	37.5	0.6
Fuel and energy	0.6	0.6	0.6	0.6
Agriculture, forestry, fishing, and hunting	108.4	40.5	63.0	22.5
Mining, manufacturing, and construction	19.6	7.0	1.8	1.4
Transport and communications	1 392.6	1 253.2	964.9	536.5
Other economic affairs	43.8	12.0	5.9	4.9
Other purposes	3.2	3.0	2.8	2.6
Not allocated by purpose ^(a)	(787.3)	67.8	929.9	944.9
Total purchases of non-financial assets ^(b)	5 228.6	4 643.2	3 841.7	3 126.6

Notes:

- (a) Estimated amount available to be allocated to specific departments and projects. This includes an allowance for departmental underspending in 2009-10 which may be subject to carryover in 2010-11.
- (b) Classifications have been determined using ratios based on historical data.

(b) Total assets

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
General public services	1 567.6	2 143.3	2 694.0	3 314.4
Public order and safety	3 484.2	3 757.8	3 887.0	3 909.6
Education	16 283.7	17 508.3	17 455.0	17 329.6
Health	8 403.6	9 109.3	9 690.9	9 357.7
Social security and welfare	356.3	386.3	385.9	372.7
Housing and community amenities	10 804.5	11 076.2	11 237.1	11 367.7
Recreation and culture	6 720.3	6 759.3	6 769.3	6 746.0
Fuel and energy	1.4	1.4	1.4	1.4
Agriculture, forestry, fishing, and hunting	439.5	455.6	494.1	491.5
Mining, manufacturing, and construction	5.3	5.6	4.6	3.5
Transport and communications	27 188.2	27 929.7	28 359.4	28 355.6
Other economic affairs	286.4	288.4	281.4	274.1
Other purposes	5.8	8.0	10.0	11.7
Not allocated by purpose ^(a)	52 879.1	57 438.6	64 490.5	69 376.3
Total assets ^(b)	128 425.8	136 867.7	145 760.6	150 911.7

Note:

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

Note 20: Borrowings

	(\$ million)				
	2009	2010	2011	2012	2013
	Revised	Budget	Estimate	Estimate	Estimate
Current borrowings					
Domestic borrowings	226.0	232.5	231.0	229.5	228.0
Finance lease liabilities	57.7	56.0	56.7	41.1	64.1
Total current borrowings	283.7	288.5	287.7	270.6	292.2
Non-current borrowings					
Domestic borrowings	8 950.5	13 502.8	17 084.8	19 140.7	19 953.0
Finance lease liabilities	1 730.9	1 718.4	1 750.6	2 514.1	2 423.2
Total non-current borrowings	10 681.4	15 221.2	18 835.3	21 654.8	22 376.2
Total borrowings	10 965.1	15 509.8	19 123.0	21 925.4	22 668.3

Note 21: Other employee benefits

	(\$ million)				
	2009	2010	2011	2012	2013
	Revised	Budget	Estimate	Estimate	Estimate
Current					
Accrued salaries and wages ^(a)	1 376.4	1 411.6	1 446.6	1 481.4	1 516.5
Long service leave	2 540.1	2 614.2	2 686.9	2 763.2	2 841.3
Total current employee benefits	3 916.5	4 025.8	4 133.4	4 244.6	4 357.8
Non-current					
Long service leave	440.9	520.8	599.5	646.6	694.8
Total non-current employee benefits	440.9	520.8	599.5	646.6	694.8
Total employee benefits	4 357.4	4 546.6	4 732.9	4 891.2	5 052.5

Note:

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

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

Note 22: Cash flow information

(a) Reconciliation of cash and cash equivalents

(\$ million)

	2010 Budget	2011 Estimate	2012 Estimate	2013 Estimate
Cash	1 683.7	1 512.7	1 834.0	2 620.6
Deposits at call	1 059.9	1 379.1	1 429.2	1 072.3
Cash and cash equivalents	2 743.6	2 891.8	3 263.3	3 692.9
Bank overdraft	(2.6)	(2.6)	(2.6)	(2.6)
Balances as per cash flow statement	2 741.0	2 889.1	3 260.6	3 690.3

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

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Net result	242.8	297.5	399.9	665.1
Non-cash movements				
Depreciation and amortisation	1 651.5	1 791.1	1 936.5	2 019.8
Revaluation of investments	(14.5)	(1.7)	(1.9)	(2.0)
Assets (received) / provided free of charge	(56.3)	(50.3)	(0.3)	(0.2)
Revaluation of assets	(8.4)	(8.4)	(8.4)	(8.4)
Discount/premium on other financial assets/ borrowings	7.2	7.7	7.4	7.4
Movements included in investing and financing activities				
Net gain/(loss) from disposal of property, plant and equipment	(54.1)	(112.5)	(120.1)	(113.6)
Net gain/(loss) from Sale of Investments	(1.6)	(1.7)	(1.9)	(2.0)
Movements in assets and liabilities				
Increase/(decrease) in provision for doubtful debts	(4.3)	16.7	17.1	17.4
Increase/(decrease) in payables	13.0	(74.7)	(81.9)	(66.9)
Increase/(decrease) in employee benefits	189.2	186.3	158.3	161.4
Increase/(decrease) in superannuation	286.7	320.7	345.4	190.4
Increase/(decrease) in other provisions	(25.4)	(19.6)	(14.2)	(14.2)
(Increase)/decrease in receivables	87.7	12.8	50.6	24.5
(Increase)/decrease in other non-financial assets	(2.3)	(0.4)	(0.4)	(0.4)
Net cash flows from operating activities	2 311.4	2 363.6	2 686.3	2 878.3

Note 23: Reserves

	(\$ million)				
	2009	2010	2011	2012	2013
	Revised	Budget	Estimate	Estimate	Estimate
Property plant and equipment revaluation reserve	28 962.9	32 131.1	35 365.2	39 980.5	42 643.8
Available-for-sale investments revaluation reserve	3.0	3.0	3.0	3.0	3.0
Revaluation reserve for investments in PFC and PNFC entities	19 427.2	19 671.7	20 430.7	20 975.1	21 670.4
Other reserves	786.8	786.8	786.8	786.8	786.8
Total reserves	49 179.9	52 592.6	56 585.7	61 745.4	65 104.0

Note 24: Reconciliations to Government Finance Statistics

(a) Reconciliation to GFS Net operating balance^(a)

	(\$ million)			
	2009-10	2010-11	2011-12	2012-13
	Budget	Estimate	Estimate	Estimate
Net result from transactions – net operating balance	165.1	195.3	290.3	562.1
Convergence differences	..	..	..	..
GFS Net operating balance	165.1	195.3	290.3	562.1

Note:

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

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

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Total change in net worth	3 669.5	4 298.2	5 561.0	4 015.1
Convergence differences:				
Contribution by minority interest	(20.0)	..	..	..
Relating to net operating balance (from (a) above)	..	..	..	..
Relating to other economic flows:				
Doubtful receivables ^(b)	(4.3)	16.7	17.1	17.4
Net gain on equity investments in other sector entities measured at proportional share of net assets/(liabilities) ^(c)	41.5	29.4	(32.6)	132.5
Total convergence differences	17.2	46.1	(15.5)	149.9
GFS Total change in net worth	3 686.8	4 344.3	5 545.5	4 165.0

Notes:

*(a) Determined in accordance with the ABS GFS Manual.**(b) The convergence difference arises because GFS does not recognise doubtful receivables, whereas AASB 1049 recognises the cost of this provision in the operating statement classified as other economic flows.**(c) The convergence difference arises because the amount of net assets (and therefore the change in carrying amount of net assets) of other sector entities determined under GFS principles and rules differs from the carrying amount of net assets (and therefore the change in carrying amount of net assets) of the subsidiaries recognised in the balance sheet. The difference is therefore the total change in net worth impacting either through the net operating balance or other economic flows. The components are doubtful receivables in the PNFC and PFC sectors, and the change in future tax benefits and future tax liabilities in those sectors.***(c) Reconciliation GFS Net lending/(borrowing)^(a)**

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Net lending/(borrowing)	(3 325.3)	(2 604.8)	(2 198.9)	(298.0)
Convergence differences	..	..	..	..
GFS Net lending/ (borrowing)	(3 325.3)	(2 604.8)	(2 198.9)	(298.0)

Note:

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

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

(\$ million)

	2010 Budget	2011 Estimate	2012 Estimate	2013 Estimate
Net worth	78 429.8	82 728.0	88 289.0	92 304.1
Convergence differences:				
Minority interest	(72.0)	(72.0)	(72.0)	(72.0)
Accounts receivable – provision for doubtful debts ^(b) :	220.0	236.7	253.7	271.1
Investments in other sector entities ^(c) :				
Doubtful receivables of the PNFC sector	22.3	23.4	24.8	26.3
Doubtful receivables of the PFC sector	38.4	38.4	38.4	38.4
Future tax benefits of the PNFC sector	(165.1)	(180.5)	(188.4)	(191.8)
Future tax benefits of the PFC sector	(846.1)	(846.1)	(846.1)	(846.1)
Deferred tax liability of the PNFC sector	2 086.4	2 130.1	2 104.1	2 238.5
Deferred tax liability of the PFC sector	1.1	1.1	1.1	1.1
Total adjustments for investments in other sector entities	1 137.0	1 166.4	1 133.8	1 266.3
Total convergence differences	1 284.9	1 331.1	1 315.5	1 465.5
GFS Net worth	79 714.7	84 059.0	89 604.5	93 769.5

Notes:

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

(b) The convergence difference in accounts receivable arises because GFS does not recognise doubtful receivables, whereas a provision for doubtful receivables is recognised in the balance sheet.

(c) The convergence difference in investments in other sector entities arises in the GGS in relation to the accounts receivable (provisions for doubtful receivables) in the PNFC and PFC sectors, future tax benefits and deferred tax liability in those sectors. In addition to the non recognition of doubtful receivables mentioned above, GFS does not recognise deferred tax liabilities or future tax benefits unless or until those liabilities or benefits are realised.

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

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Cash surplus/(deficit)	(2 694.4)	(2 051.4)	(893.9)	4.1
Convergence differences:				
Less: Acquisitions under finance leases and similar arrangements	(74.7)	(121.0)	(840.1)	..
Total convergence differences	(74.7)	(121.0)	(840.1)	..
GFS Cash surplus/ (deficit)	(2 769.1)	(2 172.4)	(1 734.0)	4.1

Note:

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

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

The 2007-08 Financial Report for the State of Victoria (Note 32) contains a comprehensive disclosure of the State's (including the GG sector's) financial risk management objectives and policies. There has been no subsequent substantive change to these objectives and policies.

In relation to the GG sector, the following is a summary of how these risks are reviewed and managed.

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

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

Responsible and prudent financial risk management is carried out individually by each consolidated entity, in accordance with the State's risk management framework, developed by the Department of Treasury and Finance (DTF) and established by the Treasurer. The State's risk management framework comprises the following key components:

- the Treasurer is responsible for the approval and establishment of the prudential framework containing policies and guidelines on financial risk management;
- the Senior Executive Group of DTF is responsible for the management of the State's financial risk and for providing advice to the Treasurer;
- DTF's Balance Sheet Management Committee is responsible for monitoring the balance sheet and risk management activities of the State and advising or making recommendations to the Senior Executive Group;
- the Treasury Corporation of Victoria (TCV) is the state's central borrowing authority and financing advisor. An independent Prudential Supervisor and Prudential Auditor are appointed by the Treasurer to monitor TCV's compliance with its prudential framework;

- the Victorian Funds Management Corporation (VFMC) acts as the State's central investment fund manager through the provision of expertise in investment strategy development and delivery of funds management services in accordance with each entity's investment objectives; and
- all entities are responsible for the day-to-day operational management of their financial instruments and associated risks in accordance with the Treasury Management Guideline.

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

Interest rate risk

The GG sector adopts a conservative risk philosophy, and operates within prescribed portfolio management guidelines to limit the impact on the budget of adverse movements in interest rates within acceptable bounds.

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

The State's borrowings are mainly managed by TCV, the State's central borrowing authority. Interest rate risk inherent in TCV's asset and liability management activities is monitored on a daily basis against Board approved limits using the Value at Risk methodology. Value at Risk is a measure of the estimated loss faced by TCV within a certain level of confidence over a given holding period under normal market conditions. The value at risk is based on the historical movement of prices, yield and spread of potential losses a portfolio may incur over a certain period.

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

Credit risk

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

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

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

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

Liquidity risk

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

Foreign currency risk

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

Equity price risk

The GG sector is exposed to equity price risk in equities and managed investment schemes. Such investments are allocated and traded to match investment objectives appropriate to the State's liabilities. The equity price risk is limited through diversification of the investment portfolio. This is determined by VFMC and reflected in the Investment Risk Management Plan approved by the Treasurer, and in accordance with the *Borrowing and Investments Powers Act 1987* and the prudential supervisory policies and framework of the state.

Note 26: Glossary of technical terms

The following is a summary of the major technical terms used in this budget.

ABS GFS manual

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

Advances paid

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

Capital grants

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

Cash surplus/deficit

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

Cash surplus/deficit – ABS GFS version

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

Comprehensive result

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

Current grants

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

Financial asset

A financial asset is any asset that is:

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

Fiscal aggregates

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

Government units

Legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area and which:

- (i) provide goods and services to the community and/or individuals free of charge or at prices that are not economically significant; and
- (ii) redistribute income and wealth by means of taxes and other compulsory transfers.

Government Finance Statistics

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

General government sector

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

Grants

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

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

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

Grants for on passing

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

Institutional unit

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

Interest expense

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

Key fiscal aggregates

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

Net acquisition of non- financial assets (from transactions)

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

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

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

Net cash from investments in financial assets (policy purposes)

Net cash flows from investments in financial assets (policy purposes) is cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes.

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

Net gain on equity investments in other sector entities

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

Net debt

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

Net financial liabilities

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

Net lending/borrowing

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

Net result

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

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth

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

Net financial worth

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

Non-financial assets

Non-financial assets are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, road networks, plant and equipment, cultural and heritage assets, intangibles and biological assets such as commercial forests.

Non-financial public sector (NFPS)

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

Non-produced assets

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

Non-profit institution

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

Other economic flows

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

Payables

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

Public financial corporations sector

PFCs 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 TCV and the Transport Accident Commission. Estimates are not published for the public financial corporations sector. A listing of all PFCs controlled by the Victorian government is included at Note 27.

Public non-financial corporations sector

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

Quasi corporation

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

Receivables

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

Sale of goods and services

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

Superannuation interest expense

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

Superannuation

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

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

Note 27: Controlled Entities

The following is a list of significant GG sector entities which have been consolidated for the purposes of the estimated financial statements. For further details on consolidation policy, refer to Note 1(G) Basis of consolidation. In addition, the list also provides the names of significant controlled entities in the PNFC and PFC sectors which have been accounted for as equity investments, measured at the proportionate share of the carrying amount of their net assets, refer also Note 1(G). Unless otherwise noted below, all such entities are wholly owned.

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Education and Early Childhood Development	*		
Victorian Curriculum and Assessment Authority	*		
Victorian Institute of Teaching	*		
Victorian Registration and Qualifications Authority	*		
Department of Human Services	*		
Health Purchasing Victoria	*		
<i>Hospitals, Health and Ambulance Services including:</i>			
Albury Wodonga Health ^(a)	*		
Alexandra District Hospital	*		
Alfred Health	*		
Alpine Health	*		
Ambulance Victoria	*		
Austin Health	*		
Bairnsdale Regional Health Service	*		
Ballarat Health Services	*		
Barwon Health	*		
Bass Coast Regional Health	*		
Beaufort and Skipton Health Service	*		
Beechworth Health Service	*		
Benalla and District Memorial Hospital	*		
Bendigo Health Care Group	*		
Boort District Health ^(b)	*		
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	*		

Note 27: Controlled Entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
East Grampians Health Service	*		
East Wimmera Health Service	*		
Eastern Health	*		
Echuca Regional Health	*		
Edenhope and District Memorial Hospital	*		
Gippsland Southern Health Service	*		
Goulburn Valley Health	*		
Hepburn Health Service	*		
Hesse Rural Health Service	*		
Heywood Rural Health	*		
Infertility Treatment Authority	*		
Inglewood and District Health Service	*		
Kerang and District Hospital	*		
Kooweerup Regional Health Service	*		
Kyabram and District Health Services	*		
Kyneton District Health Service	*		
Latrobe Regional Hospital	*		
Lorne Community Hospital	*		
Maldon Hospital	*		
Mallee Track Health and Community Services	*		
Manangatang and District Hospital	*		
Mansfield District Hospital	*		
Maryborough District Health Service	*		
Mclvor Health and Community Services	*		
Melbourne Health	*		
Moyne Health Services	*		
Mt Alexander Hospital	*		
Nathalia District Hospital	*		
Northeast Health Wangaratta	*		
Northern Health	*		
Numurkah District Health Service	*		
Omeo District Health	*		
Orbost Regional Health	*		
Otway Health and Community Services	*		
Peninsula Health	*		
Peter MacCallum Cancer Institute	*		
Portland District Health	*		
Robinvale District Health Services	*		
Rochester and Elmore District Health Service	*		
Rural Northwest Health	*		
Seymour District Memorial Hospital	*		

Note 27: Controlled Entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
South Gippsland Hospital	*		
South West Healthcare	*		
Southern Health	*		
Stawell Regional Health	*		
Swan Hill District Health ^(b)	*		
Tallangatta Health Service	*		
Terang and Mortlake Health Service	*		
The Kilmore and District Hospital	*		
The Queen Elizabeth Centre	*		
The Royal Children's Hospital	*		
The Royal Victorian Eye and Ear Hospital	*		
The Royal Women's Hospital	*		
Timboon and District Healthcare Service	*		
Tweddle Child and Family Health Service	*		
Upper Murray Health and Community Services	*		
Victorian Institute of Forensic Mental Health	*		
West Gippsland Healthcare Group	*		
West Wimmera Health Service	*		
Western District Health Service	*		
Western Health	*		
Wimmera Health Care Group	*		
Wodonga Regional Health Service	*		
Yarram and District Health Service	*		
Yarrawonga District Health Service	*		
Yea and District Memorial Hospital	*		
Dental Practice Board of Victoria	*		
Medical Practitioners Board of Victoria	*		
Medical Radiation Practitioners Board of Victoria	*		
Mental Health Review Board	*		
Nurses Board of Victoria	*		
Pharmacy Board of Victoria	*		
Psychosurgery Review Board	*		
<i>Registration Boards including:</i>			
Chinese Medicine Registration Board of Victoria	*		
Chiropractors Registration Board of Victoria	*		
Optometrists Registration Board of Victoria	*		

Note 27: Controlled Entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Osteopaths Registration Board of Victoria	*		
Physiotherapists Registration Board of Victoria	*		
Podiatrists Registration Board of Victoria	*		
Psychologists Registration Board of Victoria	*		
Victorian Health Promotion Foundation	*		
<i>Cemeteries including:</i>			
Anderson's Creek Cemetery Trust		*	
Ballarat General Cemeteries Trust		*	
Bendigo Cemeteries Trust		*	
Fawkner Crematorium and Memorial Park		*	
Keilor Cemetery Trust		*	
Necropolis Springvale, Trustees of the		*	
Preston Cemetery Trust		*	
Templestowe Cemetery Trust		*	
The Trustee of the Altona Memorial Park		*	
The Cheltenham and Regional Cemeteries Trust		*	
The Lilydale Cemeteries Trust		*	
The Mildura Cemetery Trust		*	
Trustees of the Geelong Cemeteries Trust		*	
Wyndham Cemeteries Trust		*	
Director of Housing (PNFC)		*	
Department of Innovation Industry and Regional Development ^(c)	*		
Australian Synchrotron Holding Company ^(d)	*		
Film Victoria	*		
Melbourne Central City Studios Pty Ltd	*		
Regional Development Victoria	*		
Tourism Victoria	*		
Victorian Skills Commission	*		
<i>TAFEs including:</i>			
Bendigo Regional Institute of TAFE	*		
Box Hill Institute of TAFE	*		
Central Gippsland Institute of TAFE	*		
Chisholm Institute of TAFE	*		
Driver Education Centre Australia Ltd	*		
East Gippsland Institute of TAFE	*		
Faculty of Land and Food Resources	*		
Gordon Institute of TAFE	*		

Note 27: Controlled Entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Goulburn Ovens Institute of TAFE	*		
Holmesglen Institute of TAFE	*		
International Fibre Centre Limited	*		
Kangan Batman Institute of TAFE	*		
Northern Melbourne Institute of TAFE	*		
Royal Melbourne Institute of Technology (TAFE Division)	*		
South West Institute of TAFE	*		
Sunraysia Institute of TAFE	*		
Swinburne University of Technology (TAFE Division)	*		
University of Ballarat (TAFE Division)	*		
Victoria University TAFE Division	*		
William Angliss Institute of TAFE	*		
Wodonga Institute of TAFE	*		
Australian Grand Prix Corporation		*	
Emerald Tourist Railway Board		*	
Fed Square Pty Ltd		*	
Melbourne Convention and Exhibition Trust		*	
Victorian Major Events Company Limited		*	
Department of Justice	*		
Country Fire Authority	*		
Emergency Services Telecommunications Authority	*		
Equal Opportunity and Human Rights Commission	*		
Judicial College of Victoria	*		
Legal Services Board	*		
Legal Services Commissioner	*		
Liquor Licensing Panel	*		
Metropolitan Fire and Emergency Services Board	*		
Office of Police Integrity	*		
Office of Public Prosecutions	*		
Office of the Public Advocate	*		
Office of the Victorian Privacy Commissioner	*		
Sentencing Advisory Council	*		
Victoria Legal Aid	*		
Victoria Police (Office of the Chief Commissioner of Police)	*		
Victoria State Emergency Service Authority	*		
Victorian Commission for Gambling Regulation	*		

Note 27: Controlled Entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Victorian Electoral Commission	*		
Victorian Institute of Forensic Medicine	*		
Victorian Law Reform Commission	*		
Victorian Professional Standards Council	*		
Greyhound Racing Victoria		*	
Harness Racing Victoria		*	
Department of Planning and Community Development	*		
Adult Community and Further Education Board	*		
Adult Multicultural Education Services	*		
Architects Registration Board of Victoria	*		
Building Commission	*		
Centre for Adult Education	*		
Growth Areas Authority	*		
Heritage Council	*		
Melbourne Cricket Ground Trust	*		
Plumbing Industry Commission	*		
Shrine of Remembrance Trustees	*		
Victorian Institute of Sport Limited	*		
Victorian Institute of Sport Trust	*		
Victorian Veterans Council	*		
Melbourne and Olympic Parks Trust		*	
Queen Victoria Women's Centre		*	
State Sport Centres Trust		*	
Victorian Urban Development Authority (VicUrban)		*	
VITS Languagelink		*	
Department of Premier and Cabinet	*		
Australian Centre for the Moving Image	*		
Library Board of Victoria	*		
Melbourne Recital Centre Limited	*		
Museums Board of Victoria	*		
National Gallery of Victoria, Council of Trustees	*		
Ombudsman Victoria	*		
State Services Authority	*		
Victorian Multicultural Commission ^(e)	*		
Geelong Performing Arts Centre Trust		*	
Victorian Arts Centre Trust		*	

Note 27: Controlled Entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Primary Industries ^(f)	*		
Energy Safe Victoria	*		
Veterinary Practitioners Registration Board of Victoria	*		
Agriculture Victoria Services Pty Ltd		*	
Dairy Food Safety Victoria		*	
Melbourne Market Authority		*	
Murray Valley Citrus Board		*	
Murray Valley Wine Grape Industry Development Committee		*	
Northern Victorian Fresh Tomato Industry Development Committee		*	
Phytogene Pty Ltd		*	
PrimeSafe		*	
Victorian Strawberry Industry Development Committee		*	
Department of Sustainability and Environment	*		
<i>Catchment Management Authorities including:</i>			
Corangamite Catchment Management Authority	*		
East Gippsland Catchment Management Authority	*		
Gleneig Hopkins Catchment Management Authority	*		
Goulburn Broken Catchment Management Authority	*		
Mallee Catchment Management Authority	*		
North Central Catchment Management Authority	*		
North East Catchment Management Authority	*		
Port Phillip and Westernport Catchment Management Authority	*		
West Gippsland Catchment Management Authority	*		
Wimmera Catchment Management Authority	*		
Environment Protection Authority	*		
Office of the Commissioner for Environmental Sustainability	*		
Parks Victoria	*		
Royal Botanic Gardens Board	*		

Note 27: Controlled Entities (continued)

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

Note 27: Controlled Entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
<i>Water Authorities including:</i>			
Barwon Region Water Corporation		*	
Central Gippsland Region Water Corporation		*	
Central Highlands Region Water Corporation		*	
Coliban Region Water Corporation		*	
East Gippsland Region Water Corporation		*	
Gippsland and Southern Rural Water Corporation		*	
Goulburn Valley Region Water Corporation		*	
Goulburn-Murray Rural Water Corporation		*	
Grampians Wimmera-Mallee Water Corporation		*	
Lower Murray Urban and Rural Water Corporation		*	
Melbourne Water Corporation		*	
North East Region Water Corporation		*	
South Gippsland Region Water Corporation		*	
Wannon Region Water Corporation		*	
Western Region Water Corporation		*	
Westernport Region Water Corporation		*	
Yarra Bend Park Trust		*	
Zoological Parks and Gardens Board of Victoria		*	
Department of Transport	*		
Roads Corporation	*		
Southern and Eastern Integrated Transport Authority	*		
Southern Cross Station Authority	*		
Port of Hastings Corporation		*	
Port of Melbourne Corporation		*	
Transport Ticketing Authority		*	
V/Line Passenger Corporation		*	
Victorian Rail Track		*	
Victorian Regional Channels Authority		*	

Note 27: Controlled Entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Treasury and Finance	*		
GenITex	*		
Domestic (HIH) Indemnity Fund and Housing Guarantee Claims	*		
Essential Services Commission	*		
Victorian Competition and Efficiency Commission	*		
City West Water Limited		*	
South East Water Limited		*	
State Electricity Commission of Victoria (shell)		*	
VicFleet Pty Ltd		*	
VicForests		*	
Victorian Plantations Corporation (shell)		*	
Yarra Valley Water Limited		*	
Rural Finance Corporation of Victoria			*
State Trustees Limited			*
Transport Accident Commission			*
Treasury Corporation of Victoria			*
Victorian Funds Management Corporation			*
Victorian Managed Insurance Authority			*
Victorian WorkCover Authority			*
Parliament of Victoria	*		
Victorian Auditor-General's Office	*		

Notes:

- (a) *Entities commenced operations during 2008-09 include:*
- *Albury Wodonga Health, as of 31 March 2009.*
- (b) *Entity name changes:*
- *On 10 February 2009 Boort District Hospital became Boort District Health; and*
 - *On 10 February 2009 Swan Hill District Hospital became Swan Hill District Health.*
- (c) *Entities ceased operations during 2008-09 include:*
- *Prince Henry's Institute of Medical Research, as of 1 January 2009.*
- (d) *The Victorian Government has a controlling interest in the Australian Synchrotron Holding Company and holds approximately 82 per cent of the issued shares.*
- (e) *Entities moved from Department of Planning and Community Development to the Department of Premier and Cabinet:*
- *Victorian Multicultural Commission, effective 1 January 2009.*
- (f) *Entities to cease operations during 2009-10 include:*
- *Victorian Energy Networks Corp (VENCorp), as of 1 July 2009.*

CHAPTER 2 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

THE UNIFORM PRESENTATION FRAMEWORK – GENERALLY ACCEPTED ACCOUNTING PRINCIPLES/ GOVERNMENT FINANCE STATISTICS (GAAP/GFS) HARMONISATION

In October 2007, the Australian Accounting Standards Board (AASB) issued a revised standard AASB 1049: Whole of Government and General Government Sector Financial Reporting which governs the financial reporting of the GG sector. The objective of the revised standard 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’.

AASB 1049, effective from 1 July 2008 requires that, in addition to complying with all other relevant Australian Accounting Standards (AAS), the financial report for the GG sector includes key fiscal aggregates determined in a manner consistent with the Australian Bureau of Statistics (ABS) GFS Manual.

The new Uniform Presentation Framework (UPF) was approved by Loan Council in March 2008. Chapter 1, *Estimated Financial Statements and Notes* provides the statements for the GG sector under this framework. This chapter provides additional information about sectoral financial statements for the public non-financial corporations sector and the non-financial public sector (the GG and public non-financial corporations sectors less inter-sector eliminations) plus the Loan Council Allocation table.

Comprehensive operating statement

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

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

Balance sheet

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

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

Cash flow statement

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

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

Statement of changes in equity

The estimated statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the year to the closing balance at the end of the year. It also shows separately, movements due to amounts recognised in the estimated comprehensive result and amounts recognised in equity related to estimated transactions with owners in their capacity as owners.

SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

Table 2.1: Public non-financial corporations sector comprehensive operating statement

	(\$ million)				
	2008-09 Revised	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Revenue					
Interest	87.2	55.5	47.2	47.5	48.6
Dividends	7.2	35.9	41.9	47.9	51.0
Sales of goods and services	4 039.9	4 148.6	4 514.2	4 980.3	5 351.6
Grants	2 198.0	2 851.7	2 516.4	2 376.2	2 385.5
Other current revenue	444.7	467.8	492.4	478.1	487.5
Total revenue	6 776.9	7 559.6	7 612.2	7 930.1	8 324.2
Expenses					
Employee expenses	783.8	803.4	831.2	854.9	875.5
Other superannuation	68.0	69.4	71.6	73.1	74.7
Depreciation and amortisation	1 007.5	1 055.4	1 110.1	1 175.0	1 215.1
Interest expense	532.4	700.7	883.1	1 025.3	1 095.3
Other operating expenses	3 949.0	3 865.9	3 911.5	4 057.5	4 221.9
Grants and other transfers	468.9	943.7	558.2	283.8	245.6
Other property expenses	54.5	90.3	116.4	134.2	173.1
Total expenses	6 864.1	7 528.7	7 482.0	7 604.0	7 901.1
Net result from transactions – Net operating balance	(87.2)	30.8	130.2	326.1	423.1
Other economic flows included in net result					
Net gain/(loss) on sale of non-financial assets	3.0	(14.9)	16.3	12.4	12.9
Net gain/(loss) on financial assets or liabilities at fair value	(924.3)	29.7	24.8	22.4	20.2
Net actuarial gains/(losses) of superannuation defined benefits plans	(29.5)	..	..	..	..
Other gains/(losses) from other economic flows	255.8	(22.4)	51.8	54.0	56.2
Total other economic flows included in net result	(695.0)	(7.6)	92.9	88.8	89.3
Net result	(782.2)	23.3	223.1	414.9	512.4
Other Economic Flows – Other Movements in Equity					
Net gain on financial assets at fair value	(1.0)	..	..	..	..
Revaluations of non-financial assets	548.8	(168.2)	(25.0)	(37.2)	(37.0)
Other movements in equity	(7.6)	23.0	(46.5)	(54.1)	(102.8)
Total other economic flows – Other movements in equity	540.1	(145.2)	(71.5)	(91.3)	(139.8)
Comprehensive result – Total change in net worth	(242.1)	(122.0)	151.6	323.6	372.5
FISCAL AGGREGATES					
Net operating balance	(87.2)	30.8	130.2	326.1	423.1
Less: net acquisition of non-financial assets	3 464.7	4 648.2	4 069.8	2 470.9	926.4
Net lending/ (borrowing)	(3 551.9)	(4 617.4)	(3 939.7)	(2 144.8)	(503.4)

Source: Department of Treasury and Finance

Table 2.2: Non-financial public sector comprehensive operating statement

	(\$ million)				
	2008-09 Revised	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Revenue					
Taxation revenue	12 554.8	13 070.6	13 766.9	14 204.9	14 777.5
Interest	479.0	455.2	445.5	453.3	456.3
Dividends and income tax equivalents and rate equivalents	170.6	117.7	272.6	324.2	314.3
Sales of goods and services	7 994.4	7 957.5	8 496.8	9 025.8	9 451.0
Grants	18 651.2	21 475.8	20 647.5	20 482.7	21 152.3
Other current revenue	2 077.9	2 120.2	2 065.3	1 961.7	1 961.6
Total revenue	41 928.1	45 197.1	45 694.6	46 452.7	48 113.0
Expenses					
Employee expenses	15 116.0	16 042.9	16 721.0	17 447.6	18 085.0
Superannuation interest expense	609.7	659.2	677.8	699.9	722.9
Other superannuation	1 462.6	1 668.7	1 733.0	1 762.6	1 843.8
Depreciation and amortisation	2 564.9	2 701.8	2 895.9	3 106.2	3 229.4
Interest expense	1 087.0	1 379.7	1 808.0	2 099.3	2 198.7
Other operating expenses	15 987.2	16 342.0	16 195.1	16 212.8	16 460.5
Grants and other transfers	5 309.3	6 386.9	5 501.9	4 895.4	4 774.3
Total expenses	42 136.6	45 181.2	45 532.6	46 223.9	47 314.3
Net result from transactions – Net operating balance	(208.5)	15.9	162.1	228.8	798.6
Other economic flows included in net result					
Net gain on sale of non-financial assets	19.0	39.2	128.8	132.4	126.4
Net gain/(loss) on financial assets or liabilities at fair value	(950.4)	45.8	28.2	26.1	24.3
Net actuarial gains/(losses) of superannuation defined benefits plans	(11 346.2)	..	..	..	..
Other gains/(losses) from other economic flows	(697.2)	13.5	69.0	73.7	75.4
Total other economic flows included in net result	(12 974.8)	98.5	226.1	232.3	226.1
Net result	(13 183.3)	114.4	388.1	461.1	1 024.7
Other Economic Flows – Other Movements in Equity					
Net gain on financial assets at fair value	(1.0)	..	..	..	..
Revaluations of non-financial assets	1 051.9	3 000.0	3 209.2	4 578.0	2 626.3
Net gain on equity investments in other sector entities at proportional share of net assets	(3 511.8)	577.1	781.0	626.0	545.2
Other movements in equity	(45.0)	2.7	(61.2)	(68.5)	(127.2)
Total other economic flows – Other movements in equity	(2 505.9)	3 579.8	3 928.9	5 135.5	3 044.2
Comprehensive result – Total change in net worth	(15 689.1)	3 694.2	4 317.0	5 596.6	4 069.0
FISCAL AGGREGATES					
Net operating balance	(208.5)	15.9	162.1	228.8	798.6
Less Net acquisition of non-financial assets from transactions	5 131.4	8 138.6	6 869.9	4 960.1	1 786.5
Net lending/ (borrowing)	(5 339.9)	(8 122.7)	(6 707.8)	(4 731.3)	(987.8)

Source: Department of Treasury and Finance

Table 2.3: Public non-financial corporations balance sheet

	(\$ million)				
	2008-09	2009-10	2010-11	2011-12	2012-13
	Revised	Budget	Estimate	Estimate	Estimate
Assets					
Financial assets					
Cash and deposits	597.3	518.7	519.7	305.3	383.8
Advances paid	89.1	75.3	69.1	61.4	58.0
Investments, loans and placements	1 716.1	1 589.8	1 453.7	1 309.5	1 170.5
Receivables	1 485.0	1 570.1	1 680.7	1 753.3	1 990.8
Investments accounted for using equity method	403.1	403.1	403.1	403.1	403.1
Total financial assets	4 290.6	4 157.0	4 126.2	3 832.5	4 006.1
Non-financial assets					
Inventories	623.9	624.3	567.6	541.9	474.7
Non-financial assets held for sale	5.2	37.4	39.2	33.7	20.4
Land, buildings, infrastructure, plant and equipment	49 999.7	54 406.4	58 439.2	60 854.7	61 783.2
Other non-financial assets	474.4	539.6	587.9	580.2	567.5
Total non-financial assets	51 103.2	55 607.7	59 634.0	62 010.5	62 845.8
Total assets	55 393.8	59 764.7	63 760.2	65 843.0	66 852.0
Liabilities					
Deposits held	84.2	83.9	81.6	83.5	73.1
Advances received	0.2	0.3	0.3	0.3	0.3
Borrowings	8 303.1	11 259.3	14 257.6	16 024.0	16 800.0
Payables	1 118.7	1 056.9	1 023.8	1 026.1	927.7
Superannuation	50.5	42.4	40.0	36.9	32.7
Other employee benefits	229.3	231.2	237.7	245.4	252.4
Other provisions	3 673.9	3 533.0	3 337.5	3 066.6	2 954.4
Total liabilities	13 459.9	16 206.9	18 978.5	20 482.7	21 040.6
Net assets	41 933.9	43 557.8	44 781.7	45 360.3	45 811.4
Accumulated surplus/(deficit)	5 690.8	5 551.3	5 556.1	5 528.2	5 751.2
Other reserves	36 243.1	38 006.5	39 225.6	39 832.1	40 060.2
Net worth	41 933.9	43 557.8	44 781.7	45 360.3	45 811.4
FISCAL AGGREGATES					
Net financial worth	(9 169.3)	(12 049.9)	(14 852.3)	(16 650.2)	(17 034.5)
Net financial liabilities	9 169.3	12 049.9	14 852.3	16 650.2	17 034.5
Net debt	5 985.0	9 159.6	12 297.0	14 431.5	15 261.2

Source: Department of Treasury and Finance

Table 2.4: Non-financial public sector balance sheet

	(\$ million)				
	2008-09 Revised	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Assets					
Financial assets					
Cash and deposits	3 603.1	3 262.3	3 411.5	3 568.5	4 076.8
Advances paid	171.0	156.1	149.2	140.9	136.8
Investments, loans and placements	4 193.5	4 158.2	4 021.9	3 891.4	3 765.9
Receivables	3 506.7	3 620.1	3 806.4	3 920.3	4 198.1
Investments accounted for using equity method – other	431.0	436.0	441.0	446.0	451.0
Investments in other sector entities	234.8	828.4	1 626.0	2 268.5	2 830.3
Total financial assets	12 140.0	12 461.2	13 456.0	14 235.7	15 458.8
Non-financial assets					
Inventories	857.8	858.3	801.3	775.4	708.1
Non-financial assets held for sale	42.8	68.4	63.6	51.4	31.6
Land, buildings, infrastructure, plant and equipment	117 824.3	128 973.7	139 147.8	148 835.5	153 416.7
Other non-financial assets	844.6	882.1	923.5	891.0	879.5
Total non-financial assets	119 569.5	130 782.4	140 936.2	150 553.3	155 035.9
Total assets	131 709.5	143 243.7	154 392.2	164 788.9	170 494.7
Liabilities					
Deposits held	470.7	470.4	468.1	470.0	459.6
Advances received	2.1	1.3	0.6	0.1	0.2
Borrowings	18 714.9	26 183.3	32 762.0	37 297.8	38 783.5
Payables	4 311.0	4 411.7	4 415.2	4 429.0	4 496.7
Superannuation	24 489.9	24 768.5	25 086.8	25 429.1	25 615.3
Other employee benefits	4 586.7	4 777.8	4 970.6	5 136.6	5 304.9
Other provisions	2 309.5	2 091.8	1 833.0	1 573.9	1 313.2
Total liabilities	54 884.9	62 704.8	69 536.3	74 336.6	75 973.3
Net assets	76 824.6	80 538.8	84 855.8	90 452.4	94 521.4
Accumulated surplus/(deficit)	32 765.4	32 884.6	33 211.5	33 604.1	34 501.6
Other reserves	44 007.3	47 582.2	51 572.3	56 776.3	59 947.7
Minority interest of contributed capital	52.0	72.0	72.0	72.0	72.0
Net worth	76 824.6	80 538.8	84 855.8	90 452.4	94 521.4
FISCAL AGGREGATES					
Net financial worth	(42 744.8)	(50 243.6)	(56 080.3)	(60 100.9)	(60 514.5)
Net financial liabilities	42 979.6	51 072.0	57 706.3	62 369.4	63 344.8
Net debt	11 220.1	19 078.4	25 648.1	30 167.1	31 263.9

Source: Department of Treasury and Finance

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

	(\$ million)				
	2008-09 Revised	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Cash flows from operating activities					
Receipts					
Grants	2 198.9	2 808.9	2 518.1	2 376.5	2 381.4
Sales of goods and services ^(a)	4 396.3	4 492.6	4 838.5	5 315.7	5 732.9
Interest	88.3	55.4	47.2	47.6	48.6
Dividends	7.3	36.0	41.9	47.9	51.0
Other receipts	248.2	248.1	303.3	380.1	223.0
Total receipts	6 939.0	7 641.0	7 749.0	8 167.6	8 436.9
Payments					
Payments for employees	(770.5)	(801.5)	(824.8)	(847.2)	(868.6)
Superannuation	(78.9)	(77.6)	(74.0)	(76.2)	(78.9)
Interest	(1 488.8)	(1 716.4)	(2 014.4)	(2 265.8)	(2 411.8)
Grants	(406.6)	(887.0)	(494.2)	(220.2)	(182.0)
Goods and services ^(a)	(3 371.7)	(3 254.7)	(3 105.5)	(3 165.0)	(3 406.0)
Other payments	(205.3)	(172.1)	(224.4)	(310.8)	(189.3)
Total payments	(6 321.9)	(6 909.2)	(6 737.2)	(6 885.2)	(7 136.6)
Net cash flows from operating activities	617.2	731.8	1 011.8	1 282.4	1 300.2
Cash flows from investing activities					
Non-financial assets					
Purchases of non-financial assets	(4 339.8)	(5 677.9)	(5 211.4)	(3 584.3)	(2 116.0)
Sales of non-financial assets	93.2	151.6	150.6	70.3	63.7
Cash flows from investments in non-financial assets	(4 246.6)	(5 526.3)	(5 060.9)	(3 514.0)	(2 052.4)
Net cash flows from investments in financial assets for policy purposes	1 278.7	1 944.9	1 250.4	651.3	268.6
Net cash flows from investments in financial assets for liquidity purposes	216.3	35.9	6.8	17.3	14.1
Net cash flows from investing activities	(2 751.5)	(3 545.4)	(3 803.7)	(2 845.3)	(1 769.7)
Cash flows from financing activities					
Advances received (net)	(0.1)	0.1	(0.1)	..	..
Net borrowings	2 049.3	2 923.1	2 967.0	1 735.0	744.8
Deposits received (net)	(31.6)	(0.3)	(2.3)	1.9	(10.4)
Other financing (net)	(207.6)	(187.9)	(171.8)	(388.7)	(186.6)
Net cash flows from financing activities	1 809.9	2 735.1	2 792.8	1 348.2	547.8
Net increase/(decrease) in cash and cash equivalents	(324.4)	(78.6)	0.8	(214.7)	78.4
Cash and cash equivalents at beginning of reporting period	921.7	597.3	518.7	519.5	304.9
Cash and cash equivalents at end of reporting period	597.3	518.7	519.5	304.9	383.2

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

	(\$ million)				
	2008-09	2009-10	2010-11	2011-12	2012-13
	<i>Revised</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
FISCAL AGGREGATES					
Net cash flows from operating activities	617.2	731.8	1 011.8	1 282.4	1 300.2
Cash flows from investments in non-financial assets	(4 246.6)	(5 526.3)	(5 060.9)	(3 514.0)	(2 052.4)
Dividends paid	(207.6)	(187.9)	(171.8)	(388.7)	(186.6)
Cash surplus / (deficit)	(3 837.0)	(4 982.4)	(4 220.9)	(2 620.2)	(938.7)

Source: Department of Treasury and Finance

Note:

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

Table 2.6: Non-financial public sector cash flow statement

	(\$ million)				
	2008-09 <i>Revised</i>	2009-10 <i>Budget</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>	2012-13 <i>Estimate</i>
Cash flows from operating activities					
Receipts					
Taxes	12 690.4	13 228.5	13 866.7	14 304.7	14 877.3
Grants	18 652.7	21 432.3	20 647.5	20 481.7	21 146.9
Sales of goods and services ^(a)	8 822.0	8 831.2	9 278.2	9 829.8	10 330.6
Interest	468.4	423.0	413.5	422.3	425.4
Dividends and income tax equivalent and rate equivalents	217.8	117.0	271.9	323.9	314.0
Other receipts	1 484.3	1 713.5	1 684.5	1 725.2	1 560.2
Total receipts	42 335.7	45 745.5	46 162.3	47 087.7	48 654.4
Payments					
Payments for employees	(14 943.5)	(15 851.8)	(16 528.2)	(17 281.6)	(17 916.7)
Superannuation	(1 887.3)	(2 049.3)	(2 092.5)	(2 120.2)	(2 380.4)
Interest	(1 019.4)	(1 294.8)	(1 725.2)	(2 021.6)	(2 117.3)
Grants	(5 249.0)	(6 386.3)	(5 501.3)	(4 894.8)	(4 773.6)
Goods and services ^(a)	(16 538.2)	(16 932.1)	(16 727.2)	(16 790.9)	(17 055.2)
Other payments	(362.8)	(375.4)	(383.7)	(397.8)	(417.9)
Total payments	(40 000.3)	(42 889.7)	(42 958.0)	(43 506.8)	(44 661.1)
Net cash flows from operating activities	2 335.4	2 855.8	3 204.3	3 580.9	3 993.2
Cash flows from investing activities					
Non-financial assets					
Purchases of non-financial assets	(7 617.9)	(10 908.6)	(9 856.9)	(7 425.9)	(5 242.6)
Sales of non-financial assets	313.7	376.5	381.1	331.8	316.1
Cash flows from investments in non-financial assets	(7 304.2)	(10 532.1)	(9 475.8)	(7 094.1)	(4 926.5)
Net cash flows from investments in financial assets for policy purposes	(16.3)	(9.9)	(37.4)	(27.7)	(32.0)
Net cash flows from investments in financial assets for liquidity purposes	35.0	(39.1)	10.3	7.4	4.7
Net cash flows from investing activities	(7 285.5)	(10 581.1)	(9 503.0)	(7 114.4)	(4 953.8)
Cash flows from financing activities					
Advances received (net)	(0.8)	(0.7)	(0.8)	(0.5)	..
Net borrowings	4 787.0	7 385.4	6 450.8	3 688.9	1 479.0
Deposits received (net)	(16.6)	(0.3)	(2.3)	1.9	(10.4)
Other financing (net)	..	..	..	..	..
Net cash flows from financing activities	4 769.6	7 384.4	6 447.6	3 690.3	1 468.6
Net increase/(decrease) in cash and cash equivalents	(180.5)	(340.9)	149.0	156.8	508.0
Cash and cash equivalents at beginning of reporting period	3 781.0	3 600.5	3 259.7	3 408.6	3 565.5
Cash and cash equivalents at end of reporting period	3 600.5	3 259.7	3 408.6	3 565.5	4 073.5

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

	(\$ million)				
	2008-09	2009-10	2010-11	2011-12	2012-13
	Revised	Budget	Estimate	Estimate	Estimate
FISCAL AGGREGATES					
Net cash flows from operating activities	2 335.4	2 855.8	3 204.3	3 580.9	3 993.2
Net cash flows from investments in non-financial assets	(7 304.2)	(10 532.1)	(9 475.8)	(7 094.1)	(4 926.5)
Cash surplus / (deficit)	(4 968.8)	(7 676.3)	(6 271.5)	(3 513.2)	(933.3)

Source: Department of Treasury and Finance

Note:

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

Table 2.7: Public non-financial corporations sector statement of changes in equity

	(\$ million)				
	Equity at 1 July	Total compre- hensive result	Transactions with owners in their capacity as owners	Dividends	Equity at 30 June
2008-09					
Accumulated surplus/(deficit)	6 684.7	(782.2)	..	(207.6)	5 694.8
Other movements in equity	..	(4.7)	..	..	( 4.7)
Adjustment for change in accounting policy	..	0.6	..	..	0.6
Contributed capital	20 904.9	..	1 291.3	..	22 196.3
Physical asset revaluation reserve	12 612.9	548.8	..	..	13 161.7
Net movements in other reserves	889.7	(4.6)	..	..	885.2
Total equity at end of the period	41 092.3	(242.1)	1 291.3	(207.6)	41 933.9
2009-10					
Accumulated surplus/(deficit)	5 690.1	23.3	..	(187.9)	5 525.6
Other movements in equity	..	25.3	..	..	25.3
Adjustment for change in accounting policy	0.6	(0.2)	..	..	0.4
Contributed capital	22 196.3	..	1 933.8	..	24 130.0
Physical asset revaluation reserve	13 161.7	(168.2)	..	..	12 993.5
Net movements in other reserves	885.2	(2.1)	..	..	883.0
Total equity at end of the period	41 933.9	(122.0)	1 933.8	(187.9)	43 557.8
2010-11					
Accumulated surplus/(deficit)	5 550.9	223.1	..	(171.8)	5 602.2
Other movements in equity	..	(46.5)	..	..	( 46.5)
Adjustment for change in accounting policy	0.4	..	..	..	0.4
Contributed capital	24 130.0	..	1 244.1	..	25 374.1
Physical asset revaluation reserve	12 993.5	(25.0)	..	..	12 968.5
Net movements in other reserves	883.0	..	..	..	883.0
Total equity at end of the period	43 557.8	151.6	1 244.1	(171.8)	44 781.7
2011-12					
Accumulated surplus/(deficit)	5 555.7	414.9	..	(388.7)	5 581.9
Other movements in equity	..	(54.1)	..	..	( 54.1)
Adjustment for change in accounting policy	0.4	..	..	..	0.4
Contributed capital	25 374.1	..	643.7	..	26 017.8
Physical asset revaluation reserve	12 968.5	(37.2)	..	..	12 931.3
Net movements in other reserves	883.0	..	..	..	883.0
Total equity at end of the period	44 781.7	323.6	643.7	(388.7)	45 360.3
2012-13					
Accumulated surplus/(deficit)	5 527.8	512.4	..	(186.6)	5 853.5
Other movements in equity	..	(102.8)	..	..	( 102.8)
Adjustment for change in accounting policy	0.4	..	..	..	0.4
Contributed capital	26 017.8	..	265.2	..	26 283.0
Physical asset revaluation reserve	12 931.3	(37.0)	..	..	12 894.2
Net movements in other reserves	883.0	..	..	..	883.0
Total equity at end of the period	45 360.3	372.5	265.2	(186.6)	45 811.4

Source: Department of Treasury and Finance

Table 2.8: Non-financial public sector statement of changes in equity

(\$ million)

	Equity at 1 July	Total compre- hensive result	Transactions with owners in their capacity as owners	Dividends	Equity at 30 June
2008-09					
Accumulated surplus/(deficit)	45 999.2	(13 183.3)	..	..	32 815.9
Other movements in equity	..	(51.2)	..	..	( 51.2)
Adjustment for change in accounting policy	..	0.6	..	..	0.6
Minority interest	32.0	..	20.0	..	52.0
Physical asset revaluation reserve	41 209.0	1 051.9	..	..	42 260.9
Net movements in other reserves	1 670.4	4.6	..	..	1 675.0
Accumulated net gain (loss) on equity investments in other sector entities	3 583.2	(3 511.8)	..	..	71.4
Total equity at end of the period	92 493.8	(15 689.1)	20.0	..	76 824.6
2009-10					
Accumulated surplus/(deficit)	32 764.7	114.4	..	..	32 879.2
Other movements in equity	..	5.1	..	..	5.1
Adjustment for change in accounting policy	0.6	(0.2)	..	..	0.4
Minority interest	52.0	..	20.0	..	72.0
Physical asset revaluation reserve	42 260.9	3 000.0	..	..	45 260.9
Net movements in other reserves	1 675.0	(2.1)	..	..	1 672.9
Accumulated net gain (loss) on equity investments in other sector entities	71.4	577.1	..	..	648.4
Total equity at end of the period	76 824.6	3 694.2	20.0	..	80 538.8
2010-11					
Accumulated surplus/(deficit)	32 884.2	388.1	..	..	33 272.4
Other movements in equity	..	(61.2)	..	..	( 61.2)
Adjustment for change in accounting policy	0.4	..	..	..	0.4
Minority interest	72.0	..	..	..	72.0
Physical asset revaluation reserve	45 260.9	3 209.2	..	..	48 470.1
Net movements in other reserves	1 672.9	..	..	..	1 672.9
Accumulated net gain (loss) on equity investments in other sector entities	648.4	781.0	..	..	1 429.4
Total equity at end of the period	80 538.8	4 317.0	..	..	84 855.8
2011-12					
Accumulated surplus/(deficit)	33 211.1	461.1	..	..	33 672.2
Other movements in equity	..	(68.5)	..	..	( 68.5)
Adjustment for change in accounting policy	0.4	..	..	..	0.4
Minority interest	72.0	..	..	..	72.0
Physical asset revaluation reserve	48 470.1	4 578.0	..	..	53 048.1
Net movements in other reserves	1 672.9	..	..	..	1 672.9
Accumulated net gain (loss) on equity investments in other sector entities	1 429.4	626.0	..	..	2 055.3
Total equity at end of the period	84 855.8	5 596.6	..	..	90 452.4

Table 2.8: Non-financial public sector statement of changes in equity (continued)

	(\$ million)				
	Equity at 1 July	Total compre- hensive result	Transactions with owners in their capacity as owners	Dividends	Equity at 30 June
2012-13					
Accumulated surplus/(deficit)	33 603.7	1 024.7	..	..	34 628.4
Other movements in equity	..	(127.2)	..	..	( 127.2)
Adjustment for change in accounting policy	0.4	..	..	..	0.4
Minority interest	72.0	..	..	..	72.0
Physical asset revaluation reserve	53 048.1	2 626.3	..	..	55 674.4
Net movements in other reserves	1 672.9	..	..	..	1 672.9
Accumulated net gain (loss) on equity investments in other sector entities	2 055.3	545.2	..	..	2 600.5
Total equity at end of the period	90 452.4	4 069.0	..	..	94 521.4

Source: Department of Treasury and Finance

Table 2.9: Derivation of public non-financial corporations sector GFS cash Surplus/(Deficit)

	(\$ million)				
	2008-09 Revised	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Cash surplus/(deficit)	(3 837.0)	(4 982.4)	(4 220.9)	(2 620.2)	(938.7)
Convergence differences:					
Acquisitions under finance leases and similar arrangements	..	(0.7)	..	..	..
GFS Cash surplus/ (deficit) ^(a)	(3 837.0)	(4 983.1)	(4 220.9)	(2 620.2)	(938.7)

Source: Department of Treasury and Finance

Note:

(a) Determined in accordance with ABS GFS manual.

Table 2.10: Derivation of non-financial public sector GFS cash surplus/(Deficit)

	(\$ million)				
	2008-09	2009-10	2010-11	2011-12	2012-13
	Revised	Budget	Estimate	Estimate	Estimate
Cash surplus/(deficit)	(4 968.8)	(7 676.3)	(6 271.5)	(3 513.2)	(933.3)
Acquisitions under finance leases and similar arrangements	..	(75.4)	(121.0)	(840.1)	..
GFS Cash surplus/ (deficit) ^(a)	(4 968.8)	(7 751.7)	(6 392.5)	(4 353.3)	(933.3)

Source: Department of Treasury and Finance

Note:

(a) Determined in accordance with ABS GFS manual.

Table 2.11: Net acquisition of non-financial assets – public non-financial corporations sector

	(\$ million)				
	2008-09	2009-10	2010-11	2011-12	2012-13
	Revised	Budget	Estimate	Estimate	Estimate
Purchases of non-financial assets	4 339.8	5 677.9	5 211.4	3 584.3	2 116.0
Less: Sales of non-financial assets	(93.2)	(151.6)	(150.6)	(70.3)	(63.7)
Less: Depreciation	(1 007.5)	(1 055.4)	(1 110.1)	(1 175.0)	(1 215.1)
Plus: Change in inventories	47.9	0.4	(56.7)	(25.7)	(67.3)
Plus: Other movements in non-financial assets	177.7	177.0	175.7	157.6	156.4
Total net acquisition of non-financial assets	3 464.7	4 648.2	4 069.8	2 470.9	926.4

Source: Department of Treasury and Finance

Table 2.12: Net acquisition of non-financial assets – non-financial public sector

	(\$ million)				
	2008-09	2009-10	2010-11	2011-12	2012-13
	Revised	Budget	Estimate	Estimate	Estimate
Purchases of non-financial assets	7 617.9	10 908.6	9 856.9	7 425.9	5 242.6
Less: Sales of non-financial assets	(313.7)	(376.5)	(381.1)	(331.8)	(316.1)
Less: Depreciation	(2 564.9)	(2 701.8)	(2 895.9)	(3 106.2)	(3 229.4)
Plus: Change in inventories	60.7	0.5	(57.0)	(25.8)	(67.3)
Plus: Other movements in non-financial assets	331.3	307.9	346.9	997.9	156.6
Total net acquisition of non-financial assets	5 131.4	8 138.6	6 869.9	4 960.1	1 786.5

Source: Department of Treasury and Finance

Victoria's 2009-10 Loan Council Allocation

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

Table 2.13 compares Victoria's 2009-10 LCA based on the 2008-09 Budget Update estimates and approved by the Loan Council in March 2009, with the revised LCA based on 2009-10 Budget estimates.

Table 2.13: Loan Council Allocation

	(\$ million)	
	2009-10 Nomination	2009-10 Revised
General government cash deficit (+)/ surplus (-)	703.0	2 694.4
Public non-financial corporations sector cash deficit (+)/ surplus (-)	4 120.2	4 982.4
Non-financial public sector cash deficit (+)/ surplus (-) ^(a)	4 822.7	7 676.3
Acquisitions under finance leases and similar arrangements	..	75.4
ABS GFS cash deficit(+)/surplus(-)	4 822.7	7 751.7
Net cash flows from investments in financial assets for policy purposes ^(b)	(2.6)	(9.9)
Memorandum items ^(c)	328.0	332.7
Loan Council Allocation	5 153.3	8 094.3
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities) ^(d)	858.6	858.6

Notes:

- (a) *The sum of the surplus/deficit of the general government and public non-financial corporation sectors does not directly equal the non-financial public sector surplus due to intersectoral transfers, which are netted out in the calculation of the non-financial public sector figure. Surplus (+)/deficit() excludes finance lease acquisitions.*
- (b) *The non-financial public sector surplus/deficit relating to 2009-10 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' (2008-09 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 2009-10 is \$858.6 million (2 per cent of \$42 928.6 million – sourced from 2008-09 Budget Update).*

As part of the Loan Council arrangements, the Loan Council has agreed that if at any time a jurisdiction finds that it is likely to exceed its tolerance limit, in either direction, it is required to provide an explanation to the Loan Council and, in line with the emphasis of the increased transparency, to make the explanation public. The 2009-10 revised LCA (deficit of \$8 094.3 million) exceeded the tolerance limit estimated for Victoria at budget time. The change of \$2 941 million in the LCA between 2009-10 nomination and 2009-10 revised is due to:

- revision in the GG cash position from a \$703 million deficit to a \$2 694.4 million deficit due to a significant increase in net cash flows from investments in non-financial assets for additional funding of capital expenditure programs, as outlined in Budget Paper No. 2, *Strategy and Outlook*;
- change in the public non-financial corporation sector cash position from a \$4 120.2 million deficit to a \$4 982.4 million deficit, also mainly due to higher capital expenditure; and
- recognition of a finance lease of \$75.4 million for the Victorian Schools Public Private Partnerships Project.

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

Listed below are details of Public Private Partnerships (PPP) projects, which are expected to be contracted in the 2009-10 financial year.

Desalination Project

The Desalination Project was announced in June 2007, with a capital cost of \$3.1 billion, as part of *Our Water Our Future: The Next Stage of the Government's Water Plan*. A private sector consortium will be responsible for the design, construction, financing, operations and maintenance of the facility, which will be located in the Wonthaggi region.

In 2008, the project was put to the market and bids were received in March 2009, with contract execution expected to take place in the third quarter of 2009. The term of the contract is 30 years from the date of financial close. Construction is scheduled to commence in late 2009 with the first water due to be supplied by the end of 2011.

The project contract will most likely include an obligation for government to make a payment to the contractor should the 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.

Ararat Prison

In July 2008 it was announced that the new 350-bed medium-security Ararat prison would be procured as a PPP, adjacent to the existing Ararat prison. The prison is a key part of the progressive upgrade of Victoria's correctional system and will meet future projected prisoner growth.

The private sector partner will design, construct, finance and maintain the facilities over the contract period, while core custodial services will be retained by the State. The project is a key component of the *Building confidence in corrections* initiative, which was allocated \$317 million for capital costs in the *2008-09 Budget*. Contract execution is expected to take place in the first quarter of 2010, with the prison expected to be completed in 2012.

The term of the contract is 25 years from the date of commercial acceptance. The project contract will include an obligation for government to make a payment to the contractor should the 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.

Peninsula Link

In March 2009 the Peninsula Link road project was announced as a PPP using an availability model. Under this model there is no tolling of users. Payment to the private sector proponent is subject to the ongoing achievement of specific service standards.

The project is to build 25 kilometres of freeway standard road between the Frankston Freeway-EastLink interchange at Carrum Downs and the Mornington Peninsula Freeway at Mount Martha. The private sector partner will design, build, finance, operate and maintain the Peninsula Link at a budgeted cost of \$750 million under the *Victorian Transport Plan*. The State Government continues to work cooperatively with the Commonwealth Government to secure a funding contribution to deliver this initiative.

Contract execution is expected to take place in the last quarter of 2009, with the road expected to be completed in early 2013. The term of the contract is likely to be 25-30 years from the date of commercial acceptance. The project contract will include an obligation for government to make a payment to the contractor should the 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.

CHAPTER 3 – DEPARTMENTAL FINANCIAL STATEMENTS

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

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

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

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

Departmental financial statements

The following tables are presented to assist assessments of each department's forecast financial performance, and its use of and authority for resources:

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

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

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

Table 3.1 Total expenses by department^(a)

	(\$ million)			
	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Expenses				
Education and Early Childhood Development	11 043.7	10 776.9	10 725.6	10 893.1
Human Services	16 087.8	16 031.9	16 203.6	16 457.0
Innovation, Industry and Regional Development	2 562.8	2 428.2	2 403.8	2 338.1
Justice	6 363.0	6 570.2	6 643.7	6 746.3
Planning and Community Development	992.8	934.8	911.8	878.8
Premier and Cabinet	629.5	582.2	580.0	593.5
Primary Industries	669.4	561.7	585.3	591.8
Sustainability and Environment	1 863.6	1 710.1	1 687.5	1 544.5
Transport	6 431.2	6 406.9	6 639.0	6 806.1
Treasury and Finance	31 089.4	32 887.5	35 187.3	36 199.3
Parliament	176.8	172.9	157.6	161.0
Contingencies not allocated to departments ^(b)	181.5	868.7	1 325.4	1 501.1
Regulatory bodies and other part funded agencies ^(c)	1 775.7	1 744.7	1 741.0	1 744.4
Total	79 867.1	81 676.7	84 791.5	86 455.1
Less eliminations ^(d)	(37 644.0)	(39 269.9)	(41 812.4)	(42 627.3)
Total expenses ^(e)	42 223.2	42 406.8	42 979.1	43 827.9

Notes:

- (a) Departmental expenses are pre-eliminated and include payments made to the Consolidated Fund.
- (b) This contingency includes a provision for programs lapsing, future demand growth, items not yet formalised at the time of the budget and an allowance for departmental underspending in 2009-10 which may be subject to carryover into 2010-11. Under the Departmental Funding Model, since 1 July 2004, departments have been required to manage all costs within their departmental budgets.
- (c) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to departments.
- (d) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers.
- (e) Total expenses include administered items and reconcile to Note 11 of Chapter 1.

Table 3.2 Total purchases of non-financial assets by department

(\$ million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Education and Early Childhood Development	1 925.8	1 231.4	168.3	160.8
Human Services	700.2	467.9	262.4	177.2
Innovation, Industry and Regional Development	259.6	220.2	201.1	140.3
Justice	337.4	258.2	263.1	133.3
Planning and Community Development	85.1	93.7	45.9	41.1
Premier and Cabinet	50.3	85.8	61.5	22.3
Primary Industries	109.4	40.9	63.6	22.7
Sustainability and Environment	138.2	105.7	72.7	44.1
Transport	1 395.5	1 261.9	970.6	540.1
Treasury and Finance	281.6	517.0	552.3	625.7
Parliament	6.0	5.0	3.7	3.5
Regulatory bodies and other part budget funded agencies	281.9	258.6	190.0	212.2
Not allocated to departments ^(a)	(342.4)	97.0	986.3	1 003.0
Total purchase of property, plant and equipment	5 228.6	4 643.2	3 841.7	3 126.6

Note:

(a) Amount available to be allocated to specific departments and projects. This includes an allowance for departmental underspending in 2009-10 which may be subject to carryover in 2010-11.

DEPARTMENT OF EDUCATION AND EARLY CHILDHOOD DEVELOPMENT

Operating performance

The Department of Education and Early Childhood Development (DEECD) anticipates a positive net result from transactions of \$19 million for 2009-10, primarily due to locally raised funds in the school sector.

The projected departmental comprehensive result is break-even in 2009-10 and follows a \$77 million deficit forecast for 2008-09 resulting from the recognition of a one-off loss from the revaluation of the long service leave provision due to changes in the bond rate used to calculate the net present value of the liability.

The Comprehensive Operating Statement shows an increase in total income from transactions of 6.3 per cent to \$8.4 billion in 2009-10, compared to the 2008-09 Revised Budget of \$7.9 billion. This is primarily a result of increased Commonwealth funding including Building the Education Revolution (BER), the National Secondary School Computer Fund (NSSCF), National Partnerships to improve educational outcomes in Victorian schools, the National Partnership on Early Childhood Education and general inflation-related indexation.

Total expenses from transactions for the Department in 2009-10 are budgeted at \$8.4 billion, an increase of 6.7 per cent in comparison to the 2008-09 Revised Budget. This reflects an increase in expenses as a result of the factors above.

Balance sheet performance

The Department's net asset position is expected to increase by \$1.6 billion in 2009-10 from the 2008-09 Revised Budget. This reflects a projected increase in total assets of \$1.8 billion (13.0 per cent) and an increase in total liabilities of \$136 million (8.2 per cent) over the same period.

The expected increase in total assets from the 2008-09 Revised Budget to the *2009-10 Budget* is mainly attributable to an increase in property, plant and equipment funded under the Commonwealth's BER and the State's continued investment to modernise, regenerate, replace existing schools, buy land and build new schools in growth areas.

Investing and financing

Cash flows from operating activities are consistent with the trends discussed in the Comprehensive Operating Statement above.

Cash flows used in investing activities include payments for non-financial assets, which reflect the continued asset investment in schools through initiatives funded under the *Victorian Schools Plan* and the implementation of the BER initiatives.

Statement of administered items

Total income from transactions administered by the Department on behalf of the State is forecast to increase by \$172 million in 2009-10. This is primarily due to an increase in Commonwealth funding provided to the Non-Government School sector under the BER and the NSSCF initiatives. Offsetting this is a decrease in Commonwealth funding received via the Administered Entity. This is due to a change in the payment arrangements under the new framework for Federal financial relations agreed by the Council of Australian Governments. Under these arrangements, the Department of Treasury and Finance receives payments from the Commonwealth rather than the Department.

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

Table 3.1.1: Comprehensive operating statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Output appropriations	6 422.3	6 840.2	7 256.8	7 757.6
Special appropriations	5.9	0.3	1.9	0.3
Interest	45.1	38.9	47.0	45.5
Sale of goods and services	204.0	165.5	196.6	196.7
Grants	42.5	8.7	8.7	8.7
Other income	413.1	402.2	383.8	383.8
Total income from transactions	7 132.9	7 455.7	7 894.8	8 392.6
Expenses from transactions				
Employee benefits	4 042.8	4 146.3	4 416.5	4 542.8
Depreciation and amortisation	217.2	259.2	249.0	238.6
Interest expense	0.4	0.2	0.2	0.2
Grants and other transfers	597.3	619.9	665.2	666.1
Capital asset charge	727.3	762.0	762.0	808.2
Other operating expenses	1 509.4	1 524.7	1 753.5	2 117.8
Total expenses from transactions	7 094.3	7 312.4	7 846.4	8 373.6
Net result from transactions (net operating balance)	38.5	143.4	48.4	19.0
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(14.3)	(18.6)	(9.4)	(9.4)
Other gains/(losses) from economic flows	..	..	( 107.2)	..
Total other economic flows included in net result	(14.3)	(18.6)	(116.6)	(9.4)
Net result	24.2	124.7	(68.2)	9.6
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	2 067.0	..	(9.2)	(9.2)
Total other economic flows – other non-owner changes in equity	2 067.0	..	(9.2)	(9.2)
Comprehensive result	2 091.2	124.7	(77.4)	0.4

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

Note:

- (a) The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.1.2: Balance Sheet

(\$ million)

	Estimated as at 30 June			
	2008 Actual	2009 Budget ^(a)	2009 Revised	2010 Budget
Assets				
Financial assets				
Cash and deposits	776.1	778.6	747.8	713.1
Receivables	115.4	118.5	122.2	129.1
Other financial assets	716.8	795.6	773.5	837.8
Total financial assets	1 608.4	1 692.6	1 643.4	1 680.0
Non-financial assets				
Non-financial assets classified as held for sale, including disposal group assets	38.6	38.6	12.1	12.1
Property, plant and equipment	11 478.8	11 902.8	12 000.0	13 740.9
Intangible assets	..	0.7	0.7	0.7
Other	33.2	33.3	33.3	33.5
Total non-financial assets	11 550.6	11 975.5	12 046.2	13 787.2
Total assets	13 159.0	13 668.1	13 689.6	15 467.1
Liabilities				
Payables	288.8	290.5	293.1	294.9
Interest-bearing liabilities	6.6	6.6	6.6	81.3
Provisions	1 185.9	1 202.3	1 356.8	1 416.7
Total liabilities	1 481.3	1 499.5	1 656.5	1 793.0
Net assets	11 677.6	12 168.7	12 033.1	13 674.2
Equity				
Accumulated surplus/(deficit)	1 347.7	1 472.4	1 279.5	1 289.0
Reserves	5 083.7	5 083.7	5 074.5	5 065.3
Contributed capital	5 246.3	5 612.6	5 679.1	7 319.8
Total equity	11 677.6	12 168.7	12 033.1	13 674.2

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

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.1.3: Cash flow statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	6 462.2	6 847.1	7 265.3	7 764.5
Receipts from other entities	194.1	163.7	194.9	194.9
Goods and Services Tax recovered from ATO	(1.5)	..	..	..
Interest received	45.1	38.9	47.0	45.5
Other receipts	420.9	403.0	380.8	380.8
Total receipts	7 120.9	7 452.7	7 888.0	8 385.7
Payments				
Payments of grants and other transfers	(606.6)	(618.1)	(663.4)	(664.3)
Payments to suppliers and employees	(5 481.0)	(5 654.8)	(6 104.7)	(6 600.8)
Goods and Services Tax paid to the ATO	(1.7)	..	0.8	..
Capital asset charge	(727.3)	(762.0)	(762.0)	(808.2)
Interest and other costs of finance paid	(0.4)	(0.2)	(0.2)	(0.2)
Total payments	(6 817.1)	(7 035.2)	(7 529.5)	(8 073.4)
Net cash flows from/(used in) operating activities	303.8	417.5	358.5	312.3
Cash flows from investing activities				
Net investment	(35.7)	(78.8)	(56.6)	(64.3)
Payments for non-financial assets	(487.3)	(705.0)	(792.0)	(1 925.8)
Proceeds from sale of non-financial assets	2.6	2.4	2.4	2.4
Net loans to other parties	0.1	..	..	..
Net cash flow from/(used in) investing activities	(520.4)	(781.3)	(846.2)	(1 987.7)
Cash flows from financing activities				
Owner contributions by State Government ^(b)	266.6	366.3	459.4	1 640.7
Net borrowings	(1.9)	..	..	..
Net cash flows from/(used in) financing activities	264.8	366.3	459.4	1 640.7
Net increase/(decrease) in cash and cash equivalents	48.2	2.5	(28.4)	(34.7)
Cash and cash equivalents at the beginning of the financial year	727.9	776.1	776.1	747.8
Cash and cash equivalents at the end of the financial year	776.1	778.6	747.8	713.1

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

Notes:

- (a) The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.

Table 3.1.4: Statement of changes in equity

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owner ^(a)	Other Reserves	Asset revaluation reserve	Total Equity
Opening balance 1 July 2007	1 323.5	5 040.8	..	3 016.7	9 381.0
Comprehensive result	24.2	..	..	2 067.0	2 091.2
Transactions with owners in their capacity as owners	..	205.5	..	..	205.5
Closing balance 30 June 2008 (Actual)	1 347.7	5 246.3	..	5 083.7	11 677.6
Comprehensive result	124.7	..	..	..	124.7
Transactions with owners in their capacity as owners	..	366.3	..	..	366.3
Closing balance 30 June 2009 (Budget)	1 472.4	5 612.6	..	5 083.7	12 168.7
Comprehensive result	(68.2)	..	..	( 9.2)	(77.4)
Transactions with owners in their capacity as owners	..	432.8	..	..	432.8
Closing balance 30 June 2009 (Revised)	1 279.5	5 679.1	..	5 074.5	12 033.1
Comprehensive result	9.6	..	..	( 9.2)	0.4
Transactions with owners in their capacity as owners	..	1 640.7	..	..	1 640.7
Closing balance 30 June 2010 (Estimate)	1 289.0	7 319.8	..	5 065.3	13 674.2

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

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.1.5: Administered items statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Sale of goods and services	1.7	1.9	1.9	1.8
Grants	2 324.2	2 341.6	2 487.2	2 659.7
Interest	0.1	0.1	0.1	0.1
Other income	1.4	0.6	0.6	0.6
Total administered income	2 327.4	2 344.1	2 489.7	2 662.2
Administered expenses				
Expenses on behalf of the State	0.6	..	..
Grants and other transfers	1 647.9	1 687.0	1 819.0	2 542.5
Payments into the Consolidated Fund	630.0	665.0	678.7	127.6
Total administered expenses	2 278.6	2 352.1	2 497.6	2 670.1
Income less expenses	48.9	(8.0)	(8.0)	(8.0)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(51.6)	8.0	8.0	8.0
Total other economic flows included in net result	(51.6)	8.0	8.0	8.0
Net result	(2.7)	0.1	0.1	0.1
Administered assets				
Cash and deposits	0.3	0.3	0.3	0.4
Receivables	2.1	2.1	2.1	2.1
Other financial assets	1.6	1.6	1.6	1.6
Other	3.9	3.9	3.9	3.9
Total administered assets	7.8	7.9	7.9	7.9
Administered liabilities				
Payables	3.9	3.9	3.9	3.9
Total administered liabilities	3.9	3.9	3.9	3.9
Net assets	3.9	4.0	4.0	4.0
Equity				
Contributed capital	..	..	..	..
Accumulated surplus/(deficit)	3.9	4.0	4.0	4.0
Total equity	3.9	4.0	4.0	4.0

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

Note:

- (a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Authority for resources

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

Table 3.1.6: Parliamentary authority for resources

	(\$ million)		
	2008-09 Budget	2008-09 Revised	2009-10 Budget
Annual appropriations	6 881.7	7 121.2	7 511.4
Receipts credited to appropriations	203.8	491.6	1 764.9
Unapplied previous years appropriation	121.0	103.5	122.1
Accumulated surplus – previously applied appropriation	..	4.1	..
Gross annual appropriation	7 206.5	7 720.3	9 398.4
Special appropriations	0.3	1.9	0.3
Trust funds	1 751.3	1 883.2	2 606.7
Total Parliamentary authority	8 958.0	9 605.4	12 005.3

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

DEPARTMENT OF HUMAN SERVICES

Operating performance

The Department of Human Services (DHS) is expected to have a net result from transactions of \$176 million in 2009-10.

The operating statement shows an increase in income of \$1 350 million (9.4 per cent) between the 2008-09 Revised Budget and *2009-10 Budget*. This increase is primarily a result of:

- funding provided for government policy commitments (\$864 million) in the *2009-10 Budget*, including: *supporting health and hospital outcomes and sustaining health services capacity, mental health reform strategy, enhancing disability services and outcomes, out of home care reform, increase in the water and sewerage concession cap, Commonwealth Government's stimulus package for social and community housing initiatives* and the full year effect of initiatives announced in previous years' budgets;
- output price increases (\$57.9 million) for depreciation, amortisation and capital asset charge associated with the approved asset investment program for 2009-10; and
- the remaining increase in income (\$80 million) mainly relates to sale of goods and services to other parties including the establishment of Albury Wodonga Health.

Operating expenses are budgeted to increase by \$1 281 million (9.0 per cent) between the 2008-09 Revised Budget and *2009-10 Budget* largely due to the increases in expenditures due to the factors outlined above.

Balance sheet performance

DHS's net asset position is expected to improve by \$346 million between 2008-09 Revised Budget and *2009-10 Budget*, reflecting an increase in total assets of \$363 million and an increase in total liabilities of \$17 million.

The expected increase in assets reflects the 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 *2008-09 Budget* to the *2009-10 Budget* includes funding provided for redevelopments and expansions at Alexandra District Hospital and Ambulance Station, Bendigo Hospital, Dandenong Hospital, Geelong Hospital, Warrnambool Hospital, Sunbury Day Hospital and Rosebud Community Health Centre.

The expected increase in liabilities is largely due the increases of leave entitlements for staff employed in the human services sector.

Investing and financing

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

Cashflows from investing activities include payments for property, plant and equipment (totalling \$700 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.

Statement of administered items

This statement includes items from the Commonwealth Government and revenue from the sale of assets, goods and services collected by the Department. Total income has reduced by \$2 893 million from the 2008-09 Revised Budget to the *2009-10 Budget*, primarily due to revised arrangements following the Council of Australian Government reforms whereby Commonwealth Revenue is paid directly to the Department of Treasury and Finance.

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

Table 3.2.1: Comprehensive operating statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Output appropriations	10 617.5	10 981.6	11 203.2	12 579.4
Special appropriations	1 270.5	1 256.3	1 347.8	1 265.2
Interest	79.5	63.4	73.4	75.7
Sale of goods and services	1 127.2	1 082.8	1 187.3	1 214.2
Grants	212.2	146.8	199.2	203.4
Fair value of assets and services received free of charge or for nominal consideration	11.2	..	..	..
Other income	331.0	286.4	315.3	338.3
Total income from transactions	13 649.0	13 817.3	14 326.1	15 676.2
Expenses from transactions				
Employee benefits	6 292.5	6 558.6	6 873.0	7 292.0
Depreciation and amortisation	378.4	428.3	407.8	429.7
Interest expense	16.6	5.3	2.9	3.0
Grants and other transfers	651.7	543.9	738.4	1 216.7
Capital asset charge	571.3	603.5	603.5	639.5
Other operating expenses	5 396.2	5 569.6	5 593.7	5 919.7
Total expenses from transactions	13 306.7	13 709.2	14 219.3	15 500.8
Net result from transactions (net operating balance)	342.4	108.1	106.9	175.5
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(4.3)	(3.8)	(3.8)	(43.8)
Share of net profits/(losses) of associates and joint venture entities, excluding dividends	(0.3)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(0.8)	..	..	..
Other gains/(losses) from economic flows	14.5	..	(58.5)	..
Total other economic flows included in net result	9.2	(3.8)	(62.3)	(43.8)
Net result	351.5	104.3	44.6	131.7
Other economic flows – other non-owner changes in equity				
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	..	..	( 7.4)	..
Asset revaluation reserve	417.7	..	491.6	..
Financial assets available-for-sale reserve:	(32.3)	..	..	..
Other	(6.3)	..	..	..
Total other economic flows – other non-owner changes in equity	379.1	..	484.2	..
Comprehensive result	730.7	104.3	528.8	131.7

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

Note:

(a) *The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.*

Table 3.2.2: Balance Sheet

(\$ million)

	Estimated as at 30 June			
	2008 Actual	2009 Budget ^(a)	2009 Revised	2010 Budget
Assets				
Financial assets				
Cash and deposits	552.6	609.4	605.5	653.4
Receivables	371.3	371.8	371.7	372.1
Other financial assets	962.4	979.9	1 001.5	1 129.8
Investments accounted for using equity method	0.6	0.6	0.6	0.6
Total financial assets	1 886.9	1 961.7	1 979.3	2 155.9
Non-financial assets				
Inventories	64.4	64.4	64.4	64.4
Non-financial assets classified as held for sale, including disposal group assets	11.2	11.2	11.2	11.2
Property, plant and equipment	7 809.2	8 211.7	8 456.9	8 659.1
Investment properties	14.5	14.5	14.5	14.5
Intangible assets	70.5	70.5	55.2	39.7
Other	26.9	26.9	26.9	26.9
Total non-financial assets	7 996.7	8 399.2	8 629.1	8 815.8
Total assets	9 883.5	10 360.9	10 608.4	10 971.8
Liabilities				
Payables	923.9	928.4	924.4	924.9
Interest-bearing liabilities	443.0	672.9	441.5	430.6
Provisions	1 920.1	1 934.0	1 992.8	2 020.6
Total liabilities	3 287.0	3 535.3	3 358.8	3 376.1
Net assets	6 596.5	6 825.6	7 249.7	7 595.6
Equity				
Accumulated surplus/(deficit)	(17.3)	87.0	19.9	151.6
Reserves	2 189.9	2 189.9	2 681.5	2 681.5
Contributed capital	4 423.9	4 548.7	4 548.3	4 762.5
Total equity	6 596.5	6 825.6	7 249.7	7 595.6

Sources: Departments of Human Services and Treasury and Finance

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.2.3: Cash flow statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	12 074.0	12 368.6	12 731.6	14 032.4
Receipts from other entities	1 009.4	1 079.4	1 171.8	1 194.8
Goods and Services Tax recovered from ATO	37.4	(0.5)	(0.4)	(0.4)
Interest received	78.4	63.4	73.4	75.7
Dividends received	2.3	..	..	..
Other receipts	364.3	305.9	349.3	373.3
Total receipts	13 565.8	13 816.8	14 325.7	15 675.8
Payments				
Payments of grants and other transfers	(621.0)	(543.9)	(738.4)	(1 216.7)
Payments to suppliers and employees	(11 554.4)	(12 114.4)	(12 452.4)	(13 184.0)
Goods and Services Tax paid to the ATO	(46.2)	4.5	0.5	0.5
Capital asset charge	(571.3)	(603.5)	(603.5)	(639.5)
Interest and other costs of finance paid	(15.8)	(5.3)	(2.9)	(3.0)
Total payments	(12 808.7)	(13 262.5)	(13 796.8)	(15 042.7)
Net cash flows from/(used in) operating activities	757.1	554.3	529.0	633.1
Cash flows from investing activities				
Net investment	2.6	(17.5)	(39.1)	(68.6)
Payments for non-financial assets	(677.1)	(643.2)	(592.4)	(700.2)
Proceeds from sale of non-financial assets	35.2	40.0	40.0	40.0
Net loans to other parties	5.4	..	..	..
Net (purchase)/disposal of investments – policy purposes	0.6	..	..	..
Net cash flow from/(used in) investing activities	(633.2)	(620.7)	(591.4)	(728.9)
Cash flows from financing activities				
Owner contributions by State Government ^(b)	104.5	124.7	116.9	214.2
Repayment of finance leases	(2.1)	(2.9)	(2.9)	(12.4)
Net borrowings	(223.5)	1.4	1.4	(58.2)
Dividends paid	0.1	..	..	..
Net cash flows from/(used in) financing activities	(120.9)	123.3	115.5	143.7
Net increase/(decrease) in cash and cash equivalents	2.9	56.9	53.0	47.9
Cash and cash equivalents at the beginning of the financial year	547.0	549.9	549.9	602.9
Cash and cash equivalents at the end of the financial year	549.9	606.8	602.9	650.8

Sources: Departments of Human Services and Treasury and Finance

Notes:

- (a) The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.

Table 3.2.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner ^(a)</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
Opening balance 1 July 2007	(296.8)	4 391.9	503.0	1 233.6	5 831.7
Comprehensive result	279.4	..	35.6	417.7	732.7
Transactions with owners in their capacity as owners	..	32.0	..	..	32.0
Closing balance 30 June 2008 (Actual)	(17.4)	4 423.9	538.6	1 651.3	6 596.5
Comprehensive result	104.3	..	..	..	104.3
Transactions with owners in their capacity as owners	..	124.7	..	..	124.7
Closing balance 30 June 2009 (Budget)	87.0	4 548.7	538.6	1 651.3	6 825.6
Comprehensive result	37.2	..	..	491.6	528.8
Transactions with owners in their capacity as owners	..	124.4	..	..	124.4
Closing balance 30 June 2009 (Revised)	19.8	4 548.3	538.6	2 142.9	7 249.7
Comprehensive result	131.7	..	..	..	131.7
Transactions with owners in their capacity as owners	..	214.2	..	..	214.2
Closing balance 30 June 2010 (Estimate)	151.6	4 762.5	538.6	2 142.9	7 595.6

Sources: Departments of Human Services and Treasury and Finance

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.2.5: Administered items statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Sale of goods and services	280.6	269.0	272.0	320.8
Grants	3 507.3	3 443.0	3 205.9	263.2
Other income	6.9	2.6	3.8	4.9
Total administered income	3 794.8	3 714.6	3 481.7	588.8
Administered expenses				
Expenses on behalf of the State	156.3	..	1.2	1.2
Grants and other transfers	0.6	..	..	..
Payments into the Consolidated Fund	3 733.6	3 676.7	3 449.0	585.9
Total administered expenses	3 890.5	3 676.7	3 450.2	587.1
Income less expenses	(95.6)	37.9	31.5	1.8
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	8.7	12.2	18.6	48.3
Total other economic flows included in net result	8.7	12.2	18.6	48.3
Net result	(87.0)	50.0	50.0	50.0
Administered assets				
Cash and deposits	0.3	(49.7)	0.3	0.3
Receivables	29.3	29.3	29.3	29.3
Other financial assets	0.8	50.8	0.8	0.8
Other	49.4	49.4	49.4	49.4
Total administered assets	79.9	79.9	79.9	79.9
Administered liabilities				
Payables	49.4	49.4	49.4	49.4
Provisions	4.1	4.1	4.1	4.1
Total administered liabilities	53.5	53.5	53.5	53.5
Net assets	26.3	26.3	26.3	26.3
Equity				
Contributed capital	114.5	64.5	64.5	14.5
Accumulated surplus/(deficit)	(88.2)	(38.2)	(38.2)	11.8
Total equity	26.3	26.3	26.3	26.3

Sources: Departments of Human Services and Treasury and Finance

Note:

- (a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Authority for resources

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

Table 3.2.6: Parliamentary authority for resources

	(\$ million)		
	2008-09 Budget	2008-09 Revised	2009-10 Budget
Annual appropriations	9 831.4	9 897.9	10 776.6
Receipts credited to appropriations	1 269.5	1 340.3	2 450.8
Unapplied previous years appropriation	62.3	95.4	103.6
Accumulated surplus – previously applied appropriation	9.2	10.6	17.8
Gross annual appropriation	11 172.3	11 344.2	13 348.8
Special appropriations	1 256.3	1 424.4	1 265.2
Trust funds ^(a)	100.1	105.2	103.0
Total Parliamentary authority	12 528.7	12 873.8	14 717.1

Sources: Departments of Human Services and Treasury and Finance

Note:

- (a) 2008-09 Revised Budget excludes \$312 million of revenue received into the Victorian Bushfire Appeal Fund after the 2009 Victorian bushfires. The Victorian Government has collected appeal proceeds for the Red Cross Victorian Bushfire Appeal.

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 from transactions of \$97 million in 2009-10. This is a decrease of \$24 million from the 2008-09 Revised Budget and \$21 million from the initial *2008-09 Budget*.

The Department's surplus relates primarily to the TAFE sector, driven largely by the sale of goods and services to overseas students and Commonwealth revenue for capital projects that is received as income but applied to capital expenditure.

The operating income for DIIRD is sourced from State Government appropriations, Commonwealth grants and external revenue for services provided primarily by TAFE Institutes.

The total budgeted income in 2009-10 has increased by a total of \$133 million from the 2008-09 Revised Budget, mainly related to an increase in State Government appropriations relating to skills reform initiatives, Skills to Transition Program, New Workforce Partnerships initiative, Bushfire Recovery and initiatives under the *Victorian Transport Plan*. Operating expenses for DIIRD have also increased in line with the above.

Balance sheet performance

DIIRD's net asset position is expected to increase by \$170 million compared to the 2008-09 Revised Budget. This reflects an increase in total assets relating to TAFE buildings, plant and equipment funded by Commonwealth and State Governments and from TAFE institutes' own resources. In addition, other increases are for new and existing capital initiatives including Princes Pier, Parkville Gardens and planning related to the E-gate Redevelopment.

Investing and financing

Cash flows from investing activities primarily reflect the purchase of property, plant and equipment associated with new and existing capital initiatives. The movement in net investments from the 2008-09 Revised Budget reflects transfers between 'at call' deposits and term deposits within the TAFE sector.

Statement of administered items

The increase in administered appropriations and expenses in 2009-10 relates to the full year of lease payments associated with the Melbourne Convention Centre which became operational during 2008-09. The Department has recognised an administered liability in relation to the lease payments, and also a loan receivable to the Department from Melbourne Convention and Exhibition Trust in relation to this item.

Table 3.3.1: Comprehensive operating statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised ^(b)	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Output appropriations	1 505.0	1 485.1	1 560.3	1 669.2
Interest	54.1	35.3	49.5	37.1
Sale of goods and services	428.0	401.1	487.5	520.2
Grants	358.5	314.0	344.7	349.3
Other income	28.1	40.7	27.4	27.0
Total income from transactions	2 373.7	2 276.2	2 469.3	2 602.8
Expenses from transactions				
Employee benefits	920.6	938.4	1 000.7	1 019.0
Depreciation and amortisation	71.9	85.9	81.6	84.9
Interest expense	0.2	..	..	..
Grants and other transfers	503.0	391.2	483.1	544.3
Capital asset charge	170.8	179.2	182.2	195.0
Other operating expenses	505.6	564.1	601.2	662.9
Total expenses from transactions	2 172.0	2 158.8	2 348.8	2 506.1
Net result from transactions (net operating balance)	201.7	117.4	120.5	96.8
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(3.4)	..	(6.0)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	..	0.1	(14.9)	0.1
Other gains/(losses) from economic flows	..	..	( 0.8)	..
Total other economic flows included in net result	(3.4)	0.1	(21.7)	0.1
Net result	198.3	117.5	98.8	96.9
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	163.9	..	90.4	(1.1)
Other	(21.4)	..	12.7	0.3
Total other economic flows – other non-owner changes in equity	142.5	..	103.1	(0.7)
Comprehensive result	340.8	117.5	201.9	96.2

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

Notes:

- (a) The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Major Projects Victoria was transferred to the Department of Innovation, Industry and Regional Development from the Department of Transport following a machinery of government change with an effective financial reporting date of 1 July 2008. The 2008-09 Revised Budget reflects the current structure of the Department.

Table 3.3.2: Balance Sheet

(\$ million)

	Estimated as at 30 June			
	2008 Actual	2009 Budget ^(a)	2009 Revised ^(b)	2010 Budget
Assets				
Financial assets				
Cash and deposits	350.7	350.9	316.6	328.6
Receivables	119.4	117.4	139.9	142.7
Other financial assets	468.9	510.3	641.7	616.2
Investments accounted for using equity method	20.0	25.0	27.9	32.9
Total financial assets	959.0	1 003.6	1 126.1	1 120.4
Non-financial assets				
Inventories	10.5	11.5	82.8	82.9
Non-financial assets classified as held for sale, including disposal group assets	0.2	0.2	0.2	0.2
Property, plant and equipment	2 257.8	2 321.3	2 458.2	2 633.1
Intangible assets	2.8	2.7	3.0	2.1
Other	19.1	10.9	68.2	68.4
Total non-financial assets	2 290.3	2 346.6	2 612.4	2 786.7
Total assets	3 249.3	3 350.2	3 738.5	3 907.1
Liabilities				
Payables	202.0	172.9	264.8	258.1
Interest-bearing liabilities	6.5	6.5	4.9	4.1
Provisions	163.6	167.3	177.9	184.1
Total liabilities	372.2	346.7	447.5	446.3
Net assets	2 877.1	3 003.5	3 291.0	3 460.8
Equity				
Accumulated surplus/(deficit)	1 161.9	1 279.4	1 264.2	1 361.4
Reserves	1 158.0	1 158.0	1 257.6	1 256.5
Contributed capital	557.2	566.1	769.2	842.9
Total equity	2 877.1	3 003.5	3 291.0	3 460.8

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

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Major Projects Victoria was transferred to the Department of Innovation, Industry and Regional Development from the Department of Transport following a machinery of government change with an effective financial reporting date of 1 July 2008. The 2008-09 Revised Budget reflects the current structure of the Department.

Table 3.3.3: Cash flow statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised ^(b)	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	1 833.4	1 797.6	1 895.2	2 011.2
Receipts from other entities	537.3	402.2	475.1	525.2
Goods and Services Tax recovered from ATO	(15.2)	..	(2.4)	..
Interest received	49.0	35.3	49.5	37.1
Other receipts	39.8	25.2	35.4	16.5
Total receipts	2 444.4	2 260.3	2 452.8	2 590.0
Payments				
Payments of grants and other transfers	(508.0)	(391.2)	(483.1)	(544.3)
Payments to suppliers and employees	(1 419.5)	(1 502.0)	(1 617.1)	(1 672.5)
Goods and Services Tax paid to the ATO	1.7	..	2.4	..
Capital asset charge	(170.8)	(179.2)	(182.2)	(195.0)
Interest and other costs of finance paid	(0.2)	..	..	..
Total payments	(2 096.8)	(2 072.4)	(2 280.0)	(2 411.8)
Net cash flows from/(used in) operating activities	347.7	187.9	172.8	178.2
Cash flows from investing activities				
Net investment	(318.2)	13.1	(138.3)	40.5
Payments for non-financial assets	(69.6)	(166.2)	(293.0)	(259.6)
Proceeds from sale of non-financial assets	0.5	..	..	..
Net loans to other parties	(17.3)	..	..	..
Net (purchase)/disposal of investments – policy purposes	(5.0)	15.0	12.1	15.0
Net cash flow from/(used in) investing activities	(409.5)	(138.1)	(419.3)	(204.1)
Cash flows from financing activities				
Owner contributions by State Government ^(c)	(25.8)	4.9	227.6	53.7
Repayment of finance leases	(1.4)	..	..	( 0.2)
Net borrowings	13.9	(54.5)	(15.2)	(15.6)
Net cash flows from/(used in) financing activities	(13.3)	(49.6)	212.4	37.9
Net increase/(decrease) in cash and cash equivalents	(75.1)	0.2	(34.1)	12.0
Cash and cash equivalents at the beginning of the financial year	425.8	350.7	350.7	316.6
Cash and cash equivalents at the end of the financial year	350.7	350.9	316.6	328.6

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

Notes:

- (a) The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Major Projects Victoria was transferred to the Department of Innovation, Industry and Regional Development from the Department of Transport following a machinery of government change with an effective financial reporting date of 1 July 2008. The 2008-09 Revised Budget reflects the current structure of the Department.
- (c) Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.

Table 3.3.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner ^(a)</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
Opening balance 1 July 2007	999.9	702.1	6.4	972.8	2 681.2
Comprehensive result	162.0	..	14.9	163.9	340.8
Transactions with owners in their capacity as owners	..	(144.9)	..	..	( 144.9)
Closing balance 30 June 2008 (Actual)	1 161.9	557.2	21.3	1 136.7	2 877.1
Comprehensive result	117.5	..	..	..	117.5
Transactions with owners in their capacity as owners	..	8.9	..	..	8.9
Closing balance 30 June 2009 (Budget)	1 279.4	566.1	21.3	1 136.7	3 003.5
Comprehensive result	102.2	..	9.2	90.4	201.9
Transactions with owners in their capacity as owners	..	212.0	..	..	212.0
Closing balance 30 June 2009 (Revised)	1 264.2	769.2	30.6	1 227.0	3 291.0
Comprehensive result	97.2	..	..	( 1.1)	96.2
Transactions with owners in their capacity as owners	..	73.7	..	..	73.7
Closing balance 30 June 2010 (Estimate)	1 361.4	842.9	30.6	1 226.0	3 460.8

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

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.3.5: Administered items statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Appropriations – Payments made on behalf of the State	..	27.0	27.0	54.0
Sale of goods and services	1.9	..	1.2	1.2
Grants	16.0	5.0	16.2	10.0
Interest	0.9	16.0	16.0	32.0
Other income	0.1	1.2	1.2	2.1
Total administered income	19.0	49.2	61.5	99.3
Administered expenses				
Expenses on behalf of the State	(1.4)	16.1	16.1	32.1
Grants and other transfers	..	4.0	4.0	8.0
Payments into the Consolidated Fund	11.7	5.2	31.7	16.6
Total administered expenses	10.3	25.3	51.8	56.7
Income less expenses	8.7	23.9	9.7	42.6
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	..	0.7	5.3
Total other economic flows included in net result	..	..	0.7	5.3
Net result	8.7	23.9	10.5	47.8
Administered assets				
Cash and deposits	(0.1)	(0.1)	(0.1)	(0.1)
Receivables	59.2	613.2	613.2	645.2
Other financial assets	0.1	0.1	0.1	0.1
Property, plant and equipment	..	..	13.1	13.1
Total administered assets	59.2	613.2	626.3	658.3
Administered liabilities				
Payables	98.0	97.1	97.1	95.3
Interest bearing liabilities	..	531.0	531.0	517.0
Total administered liabilities	98.0	628.1	628.1	612.3
Net assets	(38.8)	(14.9)	(1.8)	46.0
Equity				
Contributed capital	30.8	30.8	57.4	57.4
Accumulated surplus/(deficit)	(69.6)	(45.7)	(59.1)	(11.3)
Total equity	(38.8)	(14.9)	(1.8)	46.0

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

Note:

- (a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Payments made on behalf of the State

Table 3.3.6: Payments made on behalf of the State

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

<i>(\$ million)</i>			
<i>Accounts</i>	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Finance Lease Interest	16.0	16.0	32.0
Grants to Government Public Non-Financial Corporations – Within Portfolio	4.0	4.0	8.0
Finance Lease Liability	7.0	7.0	14.0
Total	27.0	27.0	54.0

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

Authority for resources

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

Table 3.3.7: Parliamentary authority for resources

<i>(\$ million)</i>			
	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Annual appropriations	1 507.7	1 572.2	1 707.3
Receipts credited to appropriations	..	11.2	5.0
Unapplied previous years appropriation	9.2	34.2	64.5
Gross annual appropriation	1 517.0	1 617.6	1 776.9
Trust funds	18.6	22.3	20.1
Total Parliamentary authority	1 535.5	1 639.9	1 797.0

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

DEPARTMENT OF JUSTICE

Operating performance

The Department of Justice operating net result from transactions is forecast to slightly increase from a revised deficit of \$12 million in 2008-09 to a \$20 million deficit in 2009-10.

The revised 2008-09 operating deficit position compares to an originally forecasted surplus of \$17 million for 2008-09. The movement is due in large part to additional expenses relating to higher demand for Legal Aid and the implementation of a new Human Resource System to provide improve personnel management information in Victoria Police, both funded from prior year surpluses.

Output appropriation revenue in 2009-10 will increase by \$288 million compared to the 2008-09 Revised Budget and is due to either new output initiatives announced in this budget or the continuing implementation of initiatives commenced in earlier budgets. Expenses are estimated to increase by approximately the same amount as revenue. The *2009-10 Budget* estimate also includes escalation funding reflecting the increasing cost of providing existing outputs.

Major initiatives funded in the *2009-10 Budget* account for the majority of the increase in appropriation revenue. These include:

- \$25 million for Victoria Legal Aid Functions and Funding Review;
- \$21 million for the Road Safety Initiative;
- \$31 million for Response to Victorian Bushfire Emergency;
- \$16 million for Gambling Licenses Review; and
- \$4.6 million for Transit Safety Initiative.

Estimated 2009-10 departmental operating expenses also include \$11 million in additional depreciation and capital asset charge costs which flow directly from new asset initiatives being funded in the *2009-10 Budget*.

Balance sheet performance

The Department's 2009-10 net asset position is estimated to improve by \$172 million compared to the 2008-09 Revised Budget. This comprises an estimated increase in total assets of \$183 million, partially offset by an estimated increase in total liabilities of \$12 million, the latter being attributable largely to movements in the value of employee entitlement provisions.

Movements in Property, Plant and Equipment reflect continued investment in new assets across the Justice Portfolio in areas such as road safety initiatives, police stations (as part of the Physical Assets Building – Regional Police Stations Program) and corrections.

Investing and financing

The increase in payments for Property, Plant and Equipment in 2009-10 reflects new asset investment programs for the Department of Justice, including major new initiatives such as Road Safety and the Victoria Police Physical Assets Building – Regional Police Stations Program which will provide functional police facilities that support police service delivery. Investment in the Corrections Demand Management Strategy will see an additional 100 temporary beds across the prison system to manage demand pending the completion of the new prison at Ararat announced in the *2008-09 Budget*. Additionally, funding is provided to improve emergency services communications in response to the 2009 Victorian bushfires.

New asset investments for 2009-10 are financed by a net cash inflow from operating activities of \$197 million and a capital contribution from the Government of \$181 million.

Statement of administered items

Revenues administered by the Department of Justice on behalf of the State and third parties are forecast to rise by \$50 million in 2009-10 relative to the 2008-09 Revised Budget. Total administered expenses are forecast to increase by \$57 million over the same period.

Revenue from fines is expected to rise by \$37 million in 2009-10 when compared with the 2008-09 Revised Budget. This increase is largely attributable to the commencement of expanded road safety initiatives such as increasing the number of mobile camera hours, installing Moving Mode Radar in 200 police vehicles and extending drug driving testing by a further 20 000 tests per annum.

Expenses on behalf of the State have increased relative to the 2008-09 revised target due to the recognition of bad and doubtful debts resulting from fine related enforcement activities. Outstanding debts will continue to be vigorously pursued through all legal means however prudent accounting requires that provision be made for such debts.

Table 3.4.1: Comprehensive operating statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Output appropriations	3 020.8	3 303.7	3 323.9	3 612.0
Special appropriations	88.9	113.7	114.3	106.1
Interest	111.5	111.1	94.3	95.3
Sale of goods and services	18.7	2.8	2.8	2.8
Grants	43.6	41.9	46.6	44.3
Fair value of assets and services received free of charge or for nominal consideration	14.7	..	..	..
Other income	21.8	24.6	26.4	26.5
Total income from transactions	3 320.0	3 597.8	3 608.3	3 887.0
Expenses from transactions				
Employee benefits	1 751.6	1 870.3	1 874.3	1 985.1
Depreciation and amortisation	132.5	154.5	147.9	180.7
Interest expense	46.1	43.7	43.7	42.5
Grants and other transfers	244.7	234.9	276.7	321.4
Capital asset charge	122.5	138.8	138.6	155.8
Other operating expenses	912.8	1 139.0	1 139.5	1 221.4
Total expenses from transactions	3 210.1	3 581.1	3 620.6	3 906.7
Net result from transactions (net operating balance)	109.9	16.7	(12.3)	(19.7)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(0.4)	10.7	10.7	10.7
Other gains/(losses) from economic flows	..	..	( 43.0)	..
Total other economic flows included in net result	(0.4)	10.7	(32.3)	10.7
Net result	109.5	27.4	(44.6)	(8.9)
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	..	..	..	..
Other	(30.6)	..	..	..
Total other economic flows – other non-owner changes in equity	(30.6)	..	..	..
Comprehensive result	78.9	27.4	(44.6)	(8.9)

Sources: Departments of Justice and Treasury and Finance

Note:

- (a) The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.4.2: Balance Sheet

(\$ million)

	Estimated as at 30 June			
	2008 Actual	2009 Budget ^(a)	2009 Revised	2010 Budget
Assets				
Financial assets				
Cash and deposits	68.8	131.6	80.3	94.3
Receivables	57.2	57.2	57.2	57.2
Other financial assets	867.9	884.6	876.2	912.1
Total financial assets	994.0	1 073.5	1 013.7	1 063.6
Non-financial assets				
Inventories	9.7	9.7	9.7	9.7
Non-financial assets classified as held for sale, including disposal group assets	15.4	15.4	8.8	2.1
Property, plant and equipment	2 207.5	2 313.1	2 233.7	2 375.2
Intangible assets	39.1	37.6	48.0	46.5
Other	6.2	6.2	6.3	6.3
Total non-financial assets	2 277.9	2 382.0	2 306.4	2 439.9
Total assets	3 271.9	3 455.5	3 320.1	3 503.5
Liabilities				
Payables	158.2	158.4	158.4	158.7
Interest-bearing liabilities	517.1	496.2	495.1	471.1
Provisions	544.2	579.9	585.6	621.1
Total liabilities	1 219.5	1 234.5	1 239.1	1 250.9
Net assets	2 052.4	2 221.0	2 081.0	2 252.6
Equity				
Accumulated surplus/(deficit)	569.2	596.6	524.6	515.6
Reserves	434.7	434.7	434.7	434.7
Contributed capital	1 048.4	1 189.7	1 121.7	1 302.3
Total equity	2 052.4	2 221.0	2 081.0	2 252.6

Sources: Departments of Justice and Treasury and Finance

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.4.3: Cash flow statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	3 115.0	3 420.9	3 441.7	3 721.6
Receipts from other entities	56.1	46.4	52.1	50.6
Goods and Services Tax recovered from ATO	(3.1)	..	..	..
Interest received	110.0	111.1	94.3	95.3
Other receipts	28.2	20.3	21.2	20.4
Total receipts	3 306.3	3 598.7	3 609.2	3 888.0
Payments				
Payments of grants and other transfers	(246.2)	(235.9)	(277.7)	(322.3)
Payments to suppliers and employees	(2 656.7)	(2 973.6)	(3 015.5)	(3 170.9)
Goods and Services Tax paid to the ATO	0.1	..	..	..
Capital asset charge	(122.5)	(138.8)	(138.6)	(155.8)
Interest and other costs of finance paid	(45.6)	(43.4)	(43.4)	(42.2)
Total payments	(3 070.9)	(3 391.7)	(3 475.2)	(3 691.2)
Net cash flows from/(used in) operating activities	235.4	207.0	134.0	196.7
Cash flows from investing activities				
Net investment	(94.2)	(66.7)	(8.2)	(35.9)
Payments for non-financial assets	(146.9)	(281.9)	(199.7)	(337.4)
Proceeds from sale of non-financial assets	33.7	34.0	34.0	34.0
Net loans to other parties	6.0	..	..	..
Net cash flow from/(used in) investing activities	(201.3)	(314.5)	(173.8)	(339.3)
Cash flows from financing activities				
Owner contributions by State Government ^(b)	127.4	141.3	73.3	180.6
Repayment of finance leases	(139.7)	(20.2)	(20.2)	(21.8)
Net borrowings	(14.5)	49.3	(1.8)	(2.2)
Net cash flows from/(used in) financing activities	(26.8)	170.3	51.3	156.6
Net increase/(decrease) in cash and cash equivalents	7.3	62.8	11.5	14.0
Cash and cash equivalents at the beginning of the financial year	61.5	68.8	68.8	80.3
Cash and cash equivalents at the end of the financial year	68.8	131.6	80.3	94.3

Sources: Departments of Justice and Treasury and Finance

Notes:

- (a) The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.

Table 3.4.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner ^(a)</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
Opening balance 1 July 2007	490.3	1 016.3	..	434.7	1 941.3
Comprehensive result	78.9	..	..	..	78.9
Transactions with owners in their capacity as owners	..	32.1	..	..	32.1
Closing balance 30 June 2008 (Actual)	569.2	1 048.4	..	434.7	2 052.4
Comprehensive result	27.4	..	..	..	27.4
Transactions with owners in their capacity as owners	..	141.3	..	..	141.3
Closing balance 30 June 2009 (Budget)	596.6	1 189.7	..	434.7	2 221.0
Comprehensive result	(44.6)	..	..	..	( 44.6)
Transactions with owners in their capacity as owners	..	73.3	..	..	73.3
Closing balance 30 June 2009 (Revised)	524.6	1 121.7	..	434.7	2 081.0
Comprehensive result	(8.9)	..	..	..	( 8.9)
Transactions with owners in their capacity as owners	..	180.6	..	..	180.6
Closing balance 30 June 2010 (Estimate)	515.6	1 302.3	..	434.7	2 252.6

Sources: Departments of Justice and Treasury and Finance

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.4.5: Administered items statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Appropriations – Payments made on behalf of the State	46.2	48.3	48.3	50.3
Special appropriations	26.5	39.9	40.0	40.0
Sale of goods and services	120.5	126.6	143.2	121.0
Grants	57.5	58.5	4.3	4.3
Interest	1.0	..	..	..
Other income	2 147.1	2 271.0	2 227.2	2 297.2
Total administered income	2 398.8	2 544.4	2 463.0	2 512.9
Administered expenses				
Expenses on behalf of the State	170.5	221.9	64.0	72.7
Grants and other transfers	27.4	35.6	35.7	35.6
Payments into the Consolidated Fund	2 191.8	2 377.7	2 299.4	2 347.9
Total administered expenses	2 389.8	2 635.2	2 399.1	2 456.3
Income less expenses	9.0	(90.8)	64.0	56.6
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(1.8)	0.4	4.7	0.7
Total other economic flows included in net result	(1.8)	0.4	4.7	0.7
Net result	7.2	(90.4)	68.7	57.3
Administered assets				
Cash and deposits	73.6	76.7	85.7	84.9
Receivables	487.2	393.7	554.1	609.6
Other financial assets	20.5	20.5	25.2	27.9
Property, plant and equipment	0.1	..	..	..
Total administered assets	581.4	491.0	665.1	722.4
Administered liabilities				
Payables	102.5	102.5	117.5	117.4
Provisions	2.0	2.0	2.0	2.0
Total administered liabilities	104.5	104.5	119.5	119.5
Net assets	476.9	386.5	545.6	602.9
Total equity	476.9	386.5	545.6	602.9

Sources: Departments of Justice and Treasury and Finance

Note:

- (a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Payments made on behalf of the State

Table 3.4.6: Payments made on behalf of the State

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

<i>(\$ million)</i>			
<i>Accounts</i>	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Tattersalls duty payments to other jurisdictions	48.3	48.3	50.3
Total	48.3	48.3	50.3

Sources: Departments of Justice and Treasury and Finance

Authority for resources

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

Table 3.4.7: Parliamentary authority for resources

<i>(\$ million)</i>			
	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Annual appropriations	3 331.5	3 218.0	3 700.4
Receipts credited to appropriations	108.5	129.4	122.3
Unapplied previous years appropriation	58.9	105.6	40.0
Accumulated surplus – previously applied appropriation	..	48.3	18.8
Gross annual appropriation	3 498.9	3 501.3	3 881.5
Special appropriations	153.6	154.3	146.4
Trust funds	197.2	188.0	165.0
Total Parliamentary authority	3 849.8	3 843.6	4 192.9

Sources: Departments of Justice and Treasury and Finance

DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT

Operating performance

The Department of Planning and Community Development (DPCD) is estimated to have a net result from transactions deficit of \$5.9 million in 2009-10. This deficit results from the timing of payments from the Community Support Fund (CSF) for community projects in the 2009-10 year. The CSF itself is not in deficit.

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

The estimated decrease in revenue and expenses in 2009-10 compared to 2008-09 is largely due to the transfer of the Multicultural Affairs portfolio functions to the Department of Premier and Cabinet as a result of the Machinery of Government changes.

Balance sheet performance

The Department's net asset position is budgeted to increase due to the increase in the Department's capital program in 2009-10.

Investing and financing

Payments for property, plant and equipment for the *2009-10 Budget* year are budgeted at \$85 million, and relate to DPCD's existing capital investment program and new capital investment initiatives announced as part of the *2008-09 Budget*. The increase in the net cash inflow from financing activities in *2008-09 Budget* reflects the increase in capital funding of existing projects as well as new initiatives as part of the *2008-09 Budget*.

Statement of administered items

Transactions administered by DPCD on behalf of the State include:

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

Table 3.5.1: Comprehensive operating statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Output appropriations	407.9	448.3	429.7	433.7
Special appropriations	96.9	101.8	98.4	98.9
Interest	4.9	1.7	4.0	3.0
Sale of goods and services	2.2	1.0	1.0	1.0
Grants	47.9	4.1	44.0	2.6
Other income	0.4	..	..	0.5
Total income from transactions	560.2	556.9	577.1	539.6
Expenses from transactions				
Employee benefits	79.1	75.1	86.5	88.4
Depreciation and amortisation	3.3	4.9	4.7	5.7
Interest expense	0.2	..	..	..
Grants and other transfers	399.0	373.4	407.2	368.5
Capital asset charge	4.6	5.7	5.3	5.8
Other operating expenses	65.1	103.2	81.8	77.2
Total expenses from transactions	551.3	562.3	585.4	545.5
Net result from transactions (net operating balance)	8.9	(5.3)	(8.3)	(5.9)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(0.6)	..	..	..
Other gains/(losses) from economic flows	..	..	( 1.0)	..
Total other economic flows included in net result	(0.6)	..	(1.0)	..
Net result	8.3	(5.3)	(9.3)	(5.9)
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	15.5	..	..	..
Other	0.8	..	..	..
Total other economic flows – other non-owner changes in equity	16.3	..	..	..
Comprehensive result	24.6	(5.3)	(9.3)	(5.9)

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

Note:

- (a) The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.5.2: Balance Sheet

(\$ million)

	Estimated as at 30 June			
	2008 Actual	2009 Budget ^(a)	2009 Revised	2010 Budget
Assets				
Financial assets				
Cash and deposits	42.7	43.3	40.3	32.4
Receivables	20.6	20.6	20.6	20.6
Other financial assets	110.2	104.4	102.5	104.2
Total financial assets	173.5	168.4	163.5	157.2
Non-financial assets				
Inventories	0.1	0.1	0.1	0.1
Property, plant and equipment	142.5	183.3	156.3	231.8
Intangible assets	7.1	9.4	12.5	16.3
Other	0.2	0.2	0.2	0.2
Total non-financial assets	150.0	193.0	169.0	248.4
Total assets	323.5	361.3	332.5	405.7
Liabilities				
Payables	63.9	63.9	63.9	63.9
Interest-bearing liabilities	3.8	3.8	3.8	3.8
Provisions	23.4	23.4	23.4	23.4
Total liabilities	91.2	91.2	91.2	91.2
Net assets	232.4	270.2	241.4	314.5
Equity				
Accumulated surplus/(deficit)	(63.6)	(68.9)	(72.8)	(78.7)
Reserves	94.7	94.7	94.7	94.7
Contributed capital	201.3	244.4	219.5	298.6
Total equity	232.4	270.2	241.4	314.5

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

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.5.3: Cash flow statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	504.9	550.1	528.1	532.6
Receipts from other entities	46.2	5.1	45.0	3.6
Goods and Services Tax recovered from ATO	(6.7)	..	..	..
Interest received	4.6	1.7	4.0	3.0
Other receipts	0.1	..	..	0.5
Total receipts	549.0	556.9	577.1	539.6
Payments				
Payments of grants and other transfers	(398.6)	(373.4)	(407.2)	(368.5)
Payments to suppliers and employees	(97.1)	(178.3)	(169.3)	(165.6)
Goods and Services Tax paid to the ATO	0.6	..	..	..
Capital asset charge	(4.6)	(5.7)	(5.3)	(5.8)
Interest and other costs of finance paid	(0.2)	..	..	..
Total payments	(500.0)	(557.3)	(581.7)	(539.9)
Net cash flows from/(used in) operating activities	49.0	(0.4)	(4.6)	(0.2)
Cash flows from investing activities				
Net investment	(40.8)	5.7	7.6	(1.7)
Payments for non-financial assets	(22.7)	(47.9)	(23.8)	(85.1)
Net loans to other parties	1.3	..	..	..
Net cash flow from/(used in) investing activities	(62.2)	(42.2)	(16.1)	(86.8)
Cash flows from financing activities				
Owner contributions by State Government ^(b)	13.7	43.2	18.3	79.1
Net borrowings	5.4	..	..	..
Net cash flows from/(used in) financing activities	19.2	43.2	18.3	79.1
Net increase/(decrease) in cash and cash equivalents	6.0	0.6	(2.4)	(7.9)
Cash and cash equivalents at the beginning of the financial year	36.8	42.7	42.7	40.3
Cash and cash equivalents at the end of the financial year	42.7	43.3	40.3	32.4

Sources: *Departments of Planning and Community Development and Treasury and Finance*

Notes:

- (a) *The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.*
- (b) *Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.*

Table 3.5.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner ^(a)</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
Opening balance 1 July 2007	(72.7)	110.9	..	79.2	117.4
Comprehensive result	9.1	..	..	15.5	24.6
Transactions with owners in their capacity as owners	..	90.3	..	..	90.3
Closing balance 30 June 2008 (Actual)	(63.6)	201.3	..	94.7	232.4
Comprehensive result	(5.3)	..	..	..	( 5.3)
Transactions with owners in their capacity as owners	..	43.2	..	..	43.2
Closing balance 30 June 2009 (Budget)	(68.9)	244.4	..	94.7	270.2
Comprehensive result	(9.3)	..	..	..	( 9.3)
Transactions with owners in their capacity as owners	..	18.3	..	..	18.3
Closing balance 30 June 2009 (Revised)	(72.8)	219.5	..	94.7	241.4
Comprehensive result	(5.9)	..	..	..	( 5.9)
Transactions with owners in their capacity as owners	..	79.1	..	..	79.1
Closing balance 30 June 2010 (Estimate)	(78.7)	298.6	..	94.7	314.5

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

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.5.5: Administered items statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Appropriations – Payments made on behalf of the State	1.3	0.5	0.5	0.5
Sale of goods and services	0.9	1.9	1.7	0.7
Grants	415.5	430.9	444.3	446.0
Other	0.2	..	..	..
Total administered income	417.8	433.3	446.5	447.2
Administered expenses				
Expenses on behalf of the State	0.8	..	..	..
Grants and other transfers	416.3	431.4	444.8	446.5
Payments into Consolidated Fund	5.0	1.9	3.3	0.7
Total administered expenses	422.1	433.3	448.0	447.2
Income less expenses	(4.3)	..	(1.6)	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	3.3	..	1.6	..
Total other economic flows included in net result	3.3	..	1.6	..
Net result	(1.0)	..	..	..
Administered assets				
Cash and deposits	(0.6)	(0.6)	(0.6)	(0.6)
Receivables	(0.2)	(0.2)	(0.2)	(0.2)
Total administered assets	(0.8)	(0.8)	(0.8)	(0.8)
Administered liabilities				
Payables	..	..	..	..
Total administered liabilities	..	..	..	..
Net assets	(0.8)	(0.8)	(0.8)	(0.8)
Equity				
Contributed capital	..	..	..	..
Accumulated surplus/(deficit)	(0.8)	(0.8)	(0.8)	(0.8)
Total equity	(0.8)	(0.8)	(0.8)	(0.8)

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

Note:

- (a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Payments made on behalf of the State

Table 3.5.6: Payments made on behalf of the State

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

(\$ million)			
	2008-09 Budget	2008-09 Revised	2009-10 Budget
Anzac Day administered trust	0.5	0.5	0.5
Total	0.5	0.5	0.5

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

Authority for resources

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

Table 3.5.7: Parliamentary authority for resources

(\$ million)			
	2008-09 Budget	2008-09 Revised	2009-10 Budget
Annual appropriations	588.7	552.6	527.7
Receipts credited to appropriations	..	2.6	..
Unapplied previous years appropriation	21.4	10.9	11.1
Accumulated surplus – previously applied appropriation	..	3.6	..
Gross annual appropriation	610.1	569.7	538.9
Special appropriations	101.8	98.4	98.9
Trust funds	437.4	492.9	452.6
Total Parliamentary authority	1 149.3	1 161.0	1 090.3

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

DEPARTMENT OF PREMIER AND CABINET

Operating performance

The net result from transactions for the Department of Premier and Cabinet (DPC) is estimated to increase from \$9 million in 2008-09 to \$35 million in 2009-10, an increase of \$26 million.

Overall, DPC's income estimates for 2009-10 reflect a \$39 million decrease compared with the 2008-09 Revised Budget. This decrease results mainly from the inclusion in 2008-09 of contributions by the University of Melbourne towards the building of the Melbourne Theatre Company (MTC) complex, in the form of cash (\$17 million) and land received free of charge (\$21 million).

The minor net decrease in operating funding provided by Government reflects the net effect of higher funding received by DPC in 2008-09 for reconstruction, recovery and related activities associated with the 2009 Victorian bushfires; partly offset by the full year effect of the December 2008 machinery of government transfer of the Victorian Multicultural Commission (VMC) from the Department of Planning and Community Development. It also reflects additional funding for new output initiatives, including:

- Securing a Future for Victorian Opera;
- Cultural Agencies Programming and Maintenance;
- Physical Theatre Development; and
- Arts Audience Expansion.

The expenditure decrease (\$65 million) is due to the inclusion in 2008-09 of the transfer (free of charge) of the MTC land and newly completed building at Southbank to the University of Melbourne (\$54 million) and the fact that expenditure for the aforementioned bushfire related activities will be \$33 million less in 2009-10. These decreases will be partly offset by expenditure in 2009-10 related to VMC and the new initiatives referred to above.

The Department's *2009-10 Budget* net operating cash flow is \$47 million higher than the 2008-09 Revised Budget, reflecting the increase in the net result as referred to above and differences in the timing of certain grants payments.

Balance sheet performance

The Department's net asset position in 2009-10 is estimated to increase by \$57 million compared with the 2008-09 Revised Budget, principally as a result of:

- an increase in financial assets of the National Gallery of Victoria, following the temporary investment of donations received (\$18 million); and
- an increase in receivables largely representing appropriation received for depreciation not being fully drawn down for cash (\$34 million).

Investing and financing

The cash flow statement shows a decrease of \$9 million in capital expenditure within the department between the 2008-09 Revised Budget and the *2009-10 Budget*. This principally reflects the completion during 2008-09 of the Melbourne Recital Centre/Melbourne Theatre Company complex. The department's only significant capital project in 2009-10 will be the progression of the Southbank Cultural Precinct Redevelopment.

The \$35 million increase in net investment – as compared to 2008-09 – reflects the reduced level of draw down of depreciation funding by the Department and the increased level of temporary investment by the National Gallery of Victoria.

Statement of administered items

The only significant administered activity included in the Department's results is the conduct of the Royal Commission into the 2009 Victorian bushfires. A total of \$40 million has been approved for this process, with the expenditure to occur during 2008-09 and 2009-10.

Table 3.6.1: Comprehensive operating statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Output appropriations	453.9	473.1	534.1	532.4
Special appropriations	6.3	6.2	6.6	6.6
Interest	4.8	4.8	3.2	3.7
Sale of goods and services	37.7	35.5	41.0	41.1
Grants	14.1	9.3	15.8	15.8
Fair value of assets and services received free of charge or for nominal consideration	0.4	21.4	21.4	0.4
Other income	34.1	52.3	55.5	38.4
Total income from transactions	551.3	602.7	677.5	638.3
Expenses from transactions				
Employee benefits	171.8	179.7	186.4	202.4
Depreciation and amortisation	41.0	44.7	46.8	49.2
Interest expense	0.2	..	..	..
Grants and other transfers	93.2	69.9	75.6	88.3
Capital asset charge	97.0	97.7	97.8	97.9
Other operating expenses	155.0	203.4	262.4	165.9
Total expenses from transactions	558.2	595.5	669.0	603.6
Net result from transactions (net operating balance)	(6.9)	7.1	8.5	34.7
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(0.5)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	(4.8)	0.1	..	..
Other gains/(losses) from economic flows	..	..	( 0.6)	..
Total other economic flows included in net result	(5.4)	0.1	(0.6)	..
Net result	(12.3)	7.2	7.9	34.7
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	804.2	..	0.3	..
Other	..	1.0	(2.6)	..
Total other economic flows – other non-owner changes in equity	804.3	1.0	(2.3)	..
Comprehensive result	792.0	8.2	5.6	34.7

Sources: Departments of Premier and Cabinet and Treasury and Finance

Note:

- (a) The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.6.2: Balance Sheet

(\$ million)

	Estimated as at 30 June			
	2008 Actual	2009 Budget ^(a)	2009 Revised	2010 Budget
Assets				
Financial assets				
Cash and deposits	51.1	54.0	36.5	40.3
Receivables	12.9	12.5	12.2	11.8
Other financial assets	110.6	131.7	118.6	172.7
Total financial assets	174.6	198.2	167.3	224.8
Non-financial assets				
Inventories	6.5	6.5	4.3	4.3
Property, plant and equipment	5 521.5	5 478.8	5 500.4	5 501.1
Intangible assets	5.5	5.5	5.5	5.5
Other	1.8	1.7	1.6	1.6
Total non-financial assets	5 535.3	5 492.4	5 511.7	5 512.4
Total assets	5 709.9	5 690.6	5 679.1	5 737.2
Liabilities				
Payables	88.1	49.8	35.4	35.4
Interest-bearing liabilities	3.9	3.9	3.1	3.1
Provisions	36.9	38.0	39.3	40.7
Total liabilities	128.9	91.7	77.8	79.1
Net assets	5 581.0	5 598.9	5 601.3	5 658.1
Equity				
Accumulated surplus/(deficit)	88.8	96.0	94.2	128.9
Reserves	3 886.4	3 887.4	3 886.6	3 886.6
Contributed capital	1 605.9	1 615.5	1 620.6	1 642.7
Total equity	5 581.0	5 598.9	5 601.3	5 658.1

Sources: Departments of Premier and Cabinet and Treasury and Finance

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.6.3: Cash flow statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	461.3	479.4	540.6	538.9
Receipts from other entities	50.4	43.1	56.0	55.4
Goods and Services Tax recovered from ATO	..	..	( 0.2)	..
Interest received	4.7	4.8	3.2	3.7
Other receipts	63.6	15.7	18.6	39.8
Total receipts	580.0	543.0	618.2	637.9
Payments				
Payments of grants and other transfers	(78.5)	(69.9)	(90.6)	(88.3)
Payments to suppliers and employees	(324.6)	(322.4)	(391.6)	(366.0)
Goods and Services Tax paid to the ATO	0.6	..	0.1	..
Capital asset charge	(97.0)	(97.7)	(97.8)	(97.9)
Interest and other costs of finance paid	(0.2)	..	..	..
Total payments	(499.7)	(490.0)	(579.9)	(552.2)
Net cash flows from/(used in) operating activities	80.3	53.0	38.3	85.7
Cash flows from investing activities				
Net investment	9.1	(20.6)	(13.5)	(48.6)
Payments for non-financial assets	(90.9)	(39.2)	(59.2)	(50.3)
Proceeds from sale of non-financial assets	1.2	..	..	..
Net loans to other parties	0.5	0.5	0.5	0.5
Net cash flow from/(used in) investing activities	(80.2)	(59.3)	(72.2)	(98.5)
Cash flows from financing activities				
Owner contributions by State Government ^(b)	33.8	9.6	14.7	22.1
Repayment of finance leases	(0.1)	..	..	..
Net borrowings	0.5	(0.5)	4.5	(5.5)
Net cash flows from/(used in) financing activities	34.2	9.2	19.3	16.7
Net increase/(decrease) in cash and cash equivalents	34.3	2.8	(14.6)	3.8
Cash and cash equivalents at the beginning of the financial year	16.8	51.1	51.1	36.5
Cash and cash equivalents at the end of the financial year	51.1	54.0	36.5	40.3

Sources: Departments of Premier and Cabinet and Treasury and Finance

Notes:

- (a) The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.

Table 3.6.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner ^(a)</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
Opening balance 1 July 2007	115.9	1 578.5	159.5	2 907.8	4 761.6
Comprehensive result	(27.2)	..	14.9	804.2	792.0
Transactions with owners in their capacity as owners	..	27.4	..	..	27.4
Closing balance 30 June 2008 (Actual)	88.8	1 605.9	174.4	3 712.0	5 581.0
Comprehensive result	7.2	..	1.0	..	8.2
Transactions with owners in their capacity as owners	..	9.6	..	..	9.6
Closing balance 30 June 2009 (Budget)	96.0	1 615.5	175.4	3 712.0	5 598.9
Comprehensive result	5.4	..	(0.1)	0.3	5.6
Transactions with owners in their capacity as owners	..	14.7	..	..	14.7
Closing balance 30 June 2009 (Revised)	94.2	1 620.6	174.2	3 712.3	5 601.3
Comprehensive result	34.7	..	..	..	34.7
Transactions with owners in their capacity as owners	..	22.1	..	..	22.1
Closing balance 30 June 2010 (Estimate)	128.9	1 642.7	174.2	3 712.3	5 658.1

Sources: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.6.5: Administered items statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Appropriations – payments made on behalf of the State	..	..	..	40.0
Sale of goods and services	0.5	1.0	0.5	0.6
Other income	0.4	0.3	0.3	0.3
Total administered income	0.9	1.2	0.8	40.8
Administered expenses				
Expenses on behalf of the State	..	..	12.0	25.0
Payments into the Consolidated Fund	3.3	1.2	0.8	0.8
Total administered expenses	3.3	1.2	12.8	25.8
Income less expenses	(2.4)	..	(12.0)	15.0
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	2.2	..	..	..
Total other economic flows included in net result	2.2	..	..	..
Net result	(0.2)	..	(12.0)	15.0
Administered assets				
Cash and deposits	(0.1)	(0.1)	(0.1)	(0.1)
Receivables	0.9	0.9	0.9	0.9
Other financial assets	(0.9)	(0.9)	(15.9)	(0.9)
Property, plant and equipment	..	..	3.0	3.0
Total administered assets	..	..	( 12.0)	3.0
Administered liabilities				
Payables	(0.1)	(0.1)	(0.1)	(0.1)
Total administered liabilities	(0.1)	(0.1)	(0.1)	(0.1)
Net assets	0.1	0.1	(11.9)	3.1
Equity				
Contributed capital	..	..	..	..
Accumulated surplus/(deficit)	0.1	0.1	(11.9)	3.1
Total equity	0.1	0.1	(11.9)	3.1

Sources: Departments of Premier and Cabinet and Treasury and Finance

Note:

- (a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Payments made on behalf of the State

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

Table 3.6.6: Payments made on behalf of the State

<i>(\$ million)</i>			
<i>Accounts</i>	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Royal Commission into 2009 Victorian Bushfires	40.0
Total	40.0

Sources: Departments of Premier and Cabinet and Treasury and Finance

Authority for resources

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

Table 3.6.7: Parliamentary authority for resources

<i>(\$ million)</i>			
	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Annual appropriations	471.6	536.1	587.6
Receipts credited to appropriations	0.9	0.5	0.5
Unapplied previous years appropriation	10.8	12.6	8.9
Gross annual appropriation	483.3	549.3	597.0
Special appropriations	6.2	6.6	6.6
Trust funds	37.6	51.2	21.6
Total Parliamentary authority	527.1	607.0	625.1

Sources: Departments of Premier and Cabinet and Treasury and Finance

DEPARTMENT OF PRIMARY INDUSTRIES

Operating performance

The Department of Primary Industries (DPI) is estimated to have an operating deficit of \$1.5 million in the *2009-10 Budget*. This deficit results from operating expenses funded from the use of prior year accumulated trust fund monies.

Most of DPI's operating income is sourced from State Government appropriations and supplemented by external funding predominantly received for scientific research and extension projects.

The operating income for DPI for the *2009-10 Budget* is expected to be \$523 million, an \$18 million reduction from the 2008-09 Revised Budget. This decrease primarily relates to the completion of the Municipal Rate Subsidy (MRS) drought assistance program. A reduction in sales of goods and services to external parties also contributed to the variance.

The corresponding decrease in operating expenses relates to the completion of the MRS program in 2008-09 offset by minor cash flow revisions relating to the Energy Technology Innovation Strategy.

Balance sheet performance

DPI's net asset position is expected to increase from \$318 million in the 2008-09 Revised Budget to \$532 million in the *2009-10 Budget*. This increase is mainly due to commitments to improving Victoria's scientific infrastructure through the Biosciences Research Centre and preparatory works for the Melbourne Market relocation project.

Investing and financing

The increase in cash flows for investing activities from \$12 million in the 2008-09 Revised Budget to \$228 million in the *2009-10 Budget* is mainly due to contributions towards the Biosciences Research Centre being developed at La Trobe University's Bundoora campus and preparatory works for the Melbourne Market Relocation Project.

The increase in cash flow from financing activities also reflects the Government's commitment to the relocation of the Melbourne Market from Footscray to Epping and the development of the Biosciences Research Centre.

Statement of administered items

Administered income is expected to decrease from \$176 million in the 2008-09 Revised Budget to \$124 million in the *2009-10 Budget*, mainly due to the new Council of Australian Governments framework whereby Commonwealth revenue for the Exceptional Circumstances drought assistance program is no longer received directly by DPI. Funds instead will be remitted to the Department of Treasury and Finance. Administered expenses reflect a corresponding reduction in payments to the consolidated fund as a result of these new arrangements.

The reduction to administered expenses is partly offset by an increase in operating expenses of \$22 million in 2009-10 due to the transfer of Victorian Energy Networks Corporation (VENCorp) assets at net market value free-of-charge to the Australian Energy Market Operator (AEMO) – a single, industry-funded national energy market operator for both electricity and gas.

Table 3.7.1: Comprehensive operating statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Appropriations – Payments made on behalf of the State	569.4	435.8	496.9	483.8
Interest	4.9	1.1	1.1	1.1
Sale of goods and services	39.8	32.8	32.4	27.6
Grants	..	0.7	0.7	..
Other income	8.7	10.0	10.0	10.0
Total income from transactions	622.8	480.2	540.9	522.6
Expenses from transactions				
Employee benefits	175.7	179.7	182.0	185.1
Depreciation and amortisation	21.7	20.7	20.7	22.5
Interest expense	8.2			
Grants and other transfers	224.8	85.8	122.0	110.6
Capital asset charge	15.7	15.9	15.9	20.0
Other operating expenses	167.8	177.9	200.5	185.9
Total expenses from transactions	613.9	480.0	541.1	524.0
Net result from transactions (net operating balance)	8.9	0.2	(0.2)	(1.5)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	0.6	..	..	..
Other gains/(losses) from economic flows	..	..	( 1.0)	..
Total other economic flows included in net result	0.6	..	(1.0)	..
Net result	9.5	0.2	(1.2)	(1.5)
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	15.2	..	..	..
Financial assets available-for-sale reserve:	..	..	..	..
Other	0.3	..	..	..
Total other economic flows – other non-owner changes in equity	15.5	..	..	..
Comprehensive result	25.0	0.2	(1.2)	(1.5)

Sources: Departments of Primary Industries and Treasury and Finance

Note:

(a) The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.7.2: Balance Sheet

(\$ million)

	<i>Estimated as at 30 June</i>			
	<i>2008 Actual</i>	<i>2009 Budget^(a)</i>	<i>2009 Revised</i>	<i>2010 Budget</i>
Assets				
Financial assets				
Cash and deposits	48.6	48.2	46.8	44.7
Receivables	68.1	67.4	67.4	66.7
Other financial assets	116.0	158.1	115.8	235.8
Total financial assets	232.7	273.6	230.0	347.2
Non-financial assets				
Inventories	0.6	0.6	0.6	0.6
Non-financial assets classified as held for sale, including disposal group assets	1.2	1.2	1.2	1.2
Property, plant and equipment	355.6	398.1	348.0	434.9
Biological assets	2.4	2.4	2.4	2.4
Other	0.5	0.5	0.5	0.5
Total non-financial assets	360.2	402.6	352.6	439.5
Total assets	592.8	676.3	582.6	786.7
Liabilities				
Payables	140.7	127.8	127.8	117.6
Interest-bearing liabilities	73.1	73.1	73.1	73.1
Provisions	63.2	63.4	63.4	63.6
Total liabilities	277.0	264.3	264.3	254.3
Net assets	315.9	412.0	318.3	532.4
Equity				
Accumulated surplus/(deficit)	4.6	4.8	3.4	2.0
Reserves	15.2	15.2	15.2	15.2
Contributed capital	296.0	392.0	299.7	515.2
Total equity	315.9	412.0	318.3	532.4

Sources: Departments of Primary Industries and Treasury and Finance

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.7.3: Cash flow statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	569.4	435.8	496.9	483.8
Receipts from other entities	44.8	44.1	43.7	38.4
Goods and Services Tax recovered from ATO	(2.6)	..	..	..
Interest received	4.6	1.1	1.1	1.1
Other receipts	1.1	..	..	..
Total receipts	617.4	480.9	541.6	523.3
Payments				
Payments of grants and other transfers	(224.8)	(85.8)	(122.0)	(110.6)
Payments to suppliers and employees	(319.3)	(370.3)	(396.3)	(381.0)
Goods and Services Tax paid to the ATO	2.3	..	..	..
Capital asset charge	(15.7)	(15.9)	(15.9)	(20.0)
Interest and other costs of finance paid	(8.2)	..	..	..
Total payments	(565.7)	(472.1)	(534.2)	(511.5)
Net cash flows from/(used in) operating activities	51.7	8.8	7.4	11.8
Cash flows from investing activities				
Net investment	(19.5)	(41.0)	1.2	(118.9)
Payments for non-financial assets	(15.3)	(63.2)	(13.1)	(109.4)
Proceeds from sale of non-financial assets	6.8	..	..	..
Net cash flow from/(used in) investing activities	(28.0)	(104.2)	(11.9)	(228.4)
Cash flows from financing activities				
Owner contributions by State Government ^(b)	1.8	96.0	3.7	215.6
Repayment of finance leases	(0.6)	..	..	..
Net borrowings	(12.6)	(1.0)	(1.0)	(1.0)
Net cash flows from/(used in) financing activities	(11.4)	95.0	2.7	214.6
Net increase/(decrease) in cash and cash equivalents	12.2	(0.4)	(1.8)	(2.1)
Cash and cash equivalents at the beginning of the financial year	36.3	48.6	48.6	46.8
Cash and cash equivalents at the end of the financial year	48.6	48.2	46.8	44.7

Sources: Departments of Primary Industries and Treasury and Finance

Note:

- (a) The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.

Table 3.7.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner ^(a)</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
Opening balance 1 July 2007	(5.2)	294.5	..	..	289.3
Comprehensive result	9.8	..	..	15.2	25.0
Transactions with owners in their capacity as owners	..	1.5	..	..	1.5
Closing balance 30 June 2008 (Actual)	4.6	296.0	..	15.2	315.8
Comprehensive result	0.2	..	..	..	0.2
Transactions with owners in their capacity as owners	..	96.0	..	..	96.0
Closing balance 30 June 2009 (Budget)	4.8	392.0	..	15.2	412.0
Comprehensive result	(1.2)	..	..	..	( 1.2)
Transactions with owners in their capacity as owners	..	3.7	..	..	3.7
Closing balance 30 June 2009 (Revised)	3.4	299.7	..	15.2	318.3
Comprehensive result	(1.5)	..	..	..	( 1.5)
Transactions with owners in their capacity as owners	..	215.6	..	..	215.6
Closing balance 30 June 2010 (Estimate)	2.0	515.2	..	15.2	532.4

Sources: Departments of Primary Industries and Treasury and Finance

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.7.5: Administered items statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Output appropriations	27.9	..	..	..
Sale of goods and services	50.9	49.2	47.6	58.4
Grants	148.7	46.4	73.4	10.7
Interest	0.1	..	..	..
Other income	53.0	48.0	54.7	55.0
Total administered income	280.6	143.6	175.6	124.0
Administered expenses				
Expenses on behalf of the State	0.2	..	..	21.6
Grants and other transfers	27.9	..	..	..
Payments into the Consolidated Fund	239.7	143.3	175.3	123.7
Total administered expenses	267.7	143.3	175.3	145.4
Income less expenses	12.9	0.3	0.3	(21.3)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(0.3)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	..	..	..	12.9
Total other economic flows included in net result	(0.3)	..	..	12.9
Net result	12.6	0.3	0.3	(8.4)
Other economic flows – other non-owner changes in equity				
Other	0.3	..	..	..
Total other economic flows – other non-owner changes in equity	0.3	..	..	..
Comprehensive result	12.8	0.3	0.3	(8.4)
Administered assets				
Cash and deposits	1.9	2.2	2.2	2.5
Receivables	63.4	63.4	63.4	63.4
Other financial assets	0.8	0.8	0.8	0.8
Total administered assets	66.2	66.5	66.5	66.8
Administered liabilities				
Payables	4.8	4.8	4.8	4.8
Total administered liabilities	4.8	4.8	4.8	4.8
Net assets	61.4	61.7	61.7	62.0
Equity				
Contributed capital	19.0	19.0	19.0	27.7
Accumulated surplus/(deficit)	42.4	42.7	42.7	34.3
Total equity	61.4	61.7	61.7	62.0

Sources: Departments of Primary Industries and Treasury and Finance

Note:

(a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Authority for resources

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

Table 3.7.6: Parliamentary authority for resources

	<i>(\$ million)</i>		
	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Annual appropriations	403.7	337.3	536.6
Receipts credited to appropriations	95.6	120.9	128.4
Unapplied previous years appropriation	33.5	43.4	34.4
Gross annual appropriation	532.8	501.6	699.4
Trust funds	44.7	44.4	39.1
Total Parliamentary authority	577.5	546.0	738.4

Sources: Departments of Primary Industries and Treasury and Finance

DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

Operating performance

The Department of Sustainability and Environment (DSE) forecasts a negative \$14.9 million net result from transactions for the 2009-10 financial year, with a \$13.0 million surplus forecast for 2008-09.

The expected negative result forecast for 2009-10 is attributable to the planned use of prior year accumulated surpluses for several projects, including the Shepparton Irrigation Area Modernisation project.

Total revenue in 2009-10 is expected to decrease by \$541.5 million compared with the revised 2008-09 estimate. This is due mainly to a combination of the completion of initiatives commenced in prior financial years, such as water saving projects under the Living Murray Initiative and the Victorian Water Trust, and once off non-recurring funding provided in 2008-09.

The major components of the once off non-recurring funding being provided in 2008-09 are \$353.9 million for fire suppression and response activities in light of Victoria's severe 2008-09 fire season and to undertake a trial of large scale mosaic burns, and \$57.8 million provided for drought relief support in the form of water rate subsidies.

Total expenditure in 2009-10 is expected to decrease by \$513.6 million compared with the 2008-09 revised estimate as a result of these same factors.

Balance sheet performance

DSE's 2009-10 net asset position is estimated to improve by \$73.7 million. This comprises an estimated increase in total assets of \$77.5 million offset by an estimated increase in total liabilities of \$3.8 million.

Financial assets are expected to increase by \$5.5 million by 30 June 2010 and non-financial assets by \$71.9 million. New capital initiatives included in the *2009-10 Budget* with funding in the 2009-10 year include:

- Point Nepean Quarantine Station and Integrated National Park: \$10.0 million;
- Bays and Maritime Initiative: \$2.0 million; and
- Project 000 Response: \$3.0 million.

Investing and financing

DSE's net cash outflows from operating and financing activities of \$121.2 million in 2009-10 reflects the approved asset investment program. New asset investments for 2009-10 are summarised in the above section.

The investment activity is financed by a net cash inflow from operations of \$27.1 million and a capital contribution from government of \$110.1 million. This contribution is comprised of the new asset investment detailed above, as well as asset funding announced in previous Budgets.

Statement of administered items

Transactions administered by DSE on behalf of the State relate to the Murray Darling Basin Authority contribution. These payments represent Victoria's share of agreed cost-sharing arrangements between the States and the Commonwealth for the Murray-Darling Basin Authority for the management of water flows.

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

Commonwealth funding reflected as Administered Income covers a range of Commonwealth specific purpose payments including projects under the National 'Caring for Our Country' program and the Living Murray Initiative. From 2009-10 these revenues will be paid directly to the Department of Treasury and Finance by the Commonwealth as a result of recent COAG reforms of the administration of special purpose payments.

Table 3.8.1: Comprehensive operating statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Output appropriations	1 098.9	1 055.4	1 478.2	1 027.0
Special appropriations	15.2	..	7.4	..
Interest	7.1	2.9	8.5	7.0
Sale of goods and services	73.5	28.3	88.0	1.2
Grants	29.0	32.9	120.2	98.5
Fair value of assets and services received free of charge or for nominal consideration	2.6	..	..	..
Other income	189.2	198.8	211.8	239.0
Total income from transactions	1 415.5	1 318.3	1 914.2	1 372.7
Expenses from transactions				
Employee benefits	248.1	229.3	231.5	235.6
Depreciation and amortisation	41.8	41.2	44.6	44.0
Interest expense	2.4	0.1	0.1	0.1
Grants and other transfers	669.6	581.5	679.2	649.9
Capital asset charge	68.0	68.8	68.8	70.5
Other operating expenses	354.8	380.7	877.0	387.5
Total expenses from transactions	1 384.7	1 301.6	1 901.2	1 387.6
Net result from transactions (net operating balance)	30.8	16.7	13.0	(14.9)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(59.1)	..	..	..
Total other economic flows included in net result	(59.1)	..	..	..
Net result	(28.3)	16.7	13.0	(14.9)
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	(1 721.9)	..	..	..
Other	(1.6)	..	..	..
Total other economic flows – other non-owner changes in equity	(1 723.5)	..	..	..
Comprehensive result	(1 751.8)	16.7	13.0	(14.9)

Sources: *Departments of Sustainability and Environment and Treasury and Finance*

Note:

- (a) *The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.*

Table 3.8.2: Balance Sheet

(\$ million)

	Estimated as at 30 June			
	2008 Actual	2009 Budget ^(a)	2009 Revised	2010 Budget
Assets				
Financial assets				
Cash and deposits	82.6	123.4	112.0	87.4
Receivables	57.0	63.4	63.6	69.5
Other financial assets	132.0	207.6	197.0	221.3
Total financial assets	271.6	394.4	372.7	378.2
Non-financial assets				
Inventories	21.4	21.4	21.4	21.4
Non-financial assets classified as held for sale including disposal group assets	2.0	2.0	2.0	2.0
Property, plant and equipment	8 777.5	8 841.7	8 830.0	8 906.8
Intangible assets	89.3	84.5	84.5	79.7
Other	2.8	2.8	2.8	2.8
Total non-financial assets	8 892.9	8 952.3	8 940.7	9 012.6
Total assets	9 164.5	9 346.8	9 313.4	9 390.9
Liabilities				
Payables	181.1	181.1	181.1	181.1
Interest-bearing liabilities	29.1	29.1	29.1	29.1
Provisions	90.5	94.3	94.3	98.1
Total liabilities	300.7	304.5	304.5	308.3
Net assets	8 863.8	9 042.2	9 008.9	9 082.5
Equity				
Accumulated surplus/(deficit)	239.9	256.6	252.9	238.0
Reserves	6 466.9	6 466.9	6 466.9	6 466.9
Contributed capital	2 157.0	2 318.8	2 289.1	2 377.7
Total equity	8 863.8	9 042.2	9 008.9	9 082.5

Sources: Departments of Sustainability and Environment and Treasury and Finance

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.8.3: Cash flow statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	1 131.6	1 081.2	1 503.1	1 034.5
Receipts from other entities	267.3	218.9	377.1	277.6
Goods and Services Tax recovered from ATO	10.6	..	..	..
Interest received	6.2	2.9	8.5	7.0
Other receipts	5.6	8.9	18.7	47.7
Total receipts	1 421.3	1 311.9	1 907.4	1 366.8
Payments				
Payments of grants and other transfers	(645.2)	(581.5)	(679.2)	(649.9)
Payments to suppliers and employees	(520.8)	(606.1)	(1 104.6)	(619.2)
Goods and Services Tax paid to the ATO	(2.6)	..	..	..
Capital asset charge	(68.0)	(68.8)	(68.8)	(70.5)
Interest and other costs of finance paid	(2.1)	(0.1)	(0.1)	(0.1)
Total payments	(1 238.6)	(1 256.6)	(1 852.7)	(1 339.8)
Net cash flows from/(used in) operating activities	182.7	55.3	54.7	27.1
Cash flows from investing activities				
Net investment	(129.3)	6.6	10.0	(8.4)
Payments for non-financial assets	(46.1)	(130.6)	(122.3)	(137.5)
Proceeds from sale of non-financial assets	2.5	..	..	..
Net cash flow from/(used in) investing activities	(172.9)	(124.0)	(112.3)	(145.8)
Cash flows from financing activities				
Owner contributions by State Government ^(b)	(40.9)	191.8	162.1	110.1
Net borrowings	7.0	(82.2)	(75.1)	(15.9)
Net cash flows from/(used in) financing activities	(33.9)	109.5	87.0	94.2
Net increase/(decrease) in cash and cash equivalents	(24.0)	40.8	29.4	(24.6)
Cash and cash equivalents at the beginning of the financial year	106.6	82.6	82.6	112.0
Cash and cash equivalents at the end of the financial year	82.6	123.4	112.0	87.4

Sources: Departments of Sustainability and Environment and Treasury and Finance

Notes:

- (a) The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.

Table 3.8.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner^(a)</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
Opening balance 1 July 2007	269.8	2 305.8	..	8 188.7	10 764.4
Comprehensive result	(29.9)	..	..	(1 721.9)	(1 751.8)
Transactions with owners in their capacity as owners	..	(148.8)	..	..	( 148.8)
Closing balance 30 June 2008 (Actual)	239.9	2 157.0	..	6 466.9	8 863.8
Comprehensive result	16.7	..	..	..	16.7
Transactions with owners in their capacity as owners	..	161.8	..	..	161.8
Closing balance 30 June 2009 (Budget)	256.6	2 318.8	..	6 466.9	9 042.2
Comprehensive result	13.0	..	..	..	13.0
Transactions with owners in their capacity as owners	..	132.1	..	..	132.1
Closing balance 30 June 2009 (Revised)	252.9	2 289.1	..	6 466.9	9 008.9
Comprehensive result	(14.9)	..	..	..	( 14.9)
Transactions with owners in their capacity as owners	..	88.6	..	..	88.6
Closing balance 30 June 2010 (Estimate)	238.0	2 377.7	..	6 466.9	9 082.5

Sources: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.8.5: Administered items statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Appropriations – Payments made on behalf of the State	26.0	27.2	27.2	27.9
Sale of goods and services	284.5	251.0	238.3	307.5
Grants	361.9	74.2	104.7	..
Interest	..	..	..	2.1
Other income	102.0	115.3	115.3	116.7
Total administered income	774.4	467.7	485.5	454.2
Administered expenses				
Expenses on behalf of the State	..	5.4	5.4	5.9
Grants and other transfers	28.6	21.8	25.3	22.1
Payments into the Consolidated Fund	680.9	442.1	456.4	448.0
Total administered expenses	709.5	469.3	487.1	476.0
Income less expenses	64.9	(1.6)	(1.6)	(21.7)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(51.9)	(2.7)	(2.7)	2.3
Share of net profits/(losses) of associates and joint venture entities, excluding dividends	10.6	..	..	..
Total other economic flows included in net result	(41.4)	(2.7)	(2.7)	2.3
Net result	23.5	(4.3)	(4.3)	(19.4)
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	23.0	..	..	..
Other	..	..	..	..
Total other economic flows – other non-owner changes in equity	23.0	..	..	..
Comprehensive result	46.6	(4.3)	(4.3)	(19.4)
Administered assets				
Cash and deposits	0.5	0.5	(3.1)	(3.1)
Receivables	33.5	59.1	59.1	61.2
Other financial assets	(1.0)	(1.0)	2.5	2.5
Investments accounted for using equity method	648.1	648.1	150.0	150.0
Property, plant and equipment	..	..	473.2	473.9
Intangible assets	..	..	24.9	24.9
Total administered assets	681.0	706.7	706.7	709.5
Administered liabilities				
Payables	16.2	16.2	16.2	16.2
Total administered liabilities	16.2	16.2	16.2	16.2
Net assets	664.8	690.5	690.5	693.3
Equity				
Reserves	136.0	136.0	136.0	136.0
Contributed capital	(18.4)	11.6	11.6	33.8
Accumulated surplus/(deficit)	547.2	542.9	542.9	523.4
Total equity	664.8	690.5	690.5	693.3

Sources: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.8.6: Payments made on behalf of the State

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

(\$ million)			
Accounts	2008-09 Budget	2008-09 Revised	2009-10 Budget
Murray-Darling Basin Contribution	27.2	27.2	27.9
Total	27.2	27.2	27.9

Sources: Departments of Sustainability and Environment and Treasury and Finance

Authority for resources

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

Table 3.8.7: Parliamentary authority for resources

(\$ million)			
	2008-09 Budget	2008-09 Revised	2009-10 Budget
Annual appropriations	1 257.8	1 623.5	1 149.4
Receipts credited to appropriations	125.5	192.6	135.9
Unapplied previous years appropriation	49.4	58.0	69.5
Accumulated surplus – previously applied appropriation	3.6	22.4	3.8
Gross annual appropriation	1 436.3	1 896.6	1 358.5
Special appropriations	..	24.8	..
Trust funds	262.9	432.0	345.7
Total Parliamentary authority	1 699.2	2 353.4	1 704.2

Sources: Departments of Sustainability and Environment and Treasury and Finance

DEPARTMENT OF TRANSPORT

Operating performance

The Department of Transport is estimated to have a net result from transactions of \$267.5 million in 2009-10. This is primarily due to the funding for Commonwealth road projects being receipted as operating income but applied as asset investments.

Total income from transactions is expected to increase by \$438 million (9.5 per cent) in 2009-10 compared with the 2008 09 revised budget. This increase is largely the result of:

- new output initiatives for 2009-10 including *Victorian Transport Plan* initiatives,
- additional funding from the State Government to meet contracted service payments, primarily in the areas of public transport and road services, including the full year effect of initiatives approved in prior years,
- increases in the capital charge relating to investments in rail assets reflecting net assets held by VicTrack, and
- funding from the Commonwealth for new road projects under the Nation Building Program (AusLink II).

Expenses from transactions are estimated to increase by \$345 million (7.8 per cent) in 2009-10. The additional expenditure in 2009-10 reflects the increased funding provided for public transport and road services, capital charge and Nation Building Program (AusLink II) road projects outlined above.

Balance sheet performance

The Department's net assets are budgeted to increase by \$3,241 million from the 2008-09 revised budget to the *2009-10 Budget*.

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

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 2009-10 reflect the approved cashflows for existing and new road asset initiatives announced in the *2009-10 Budget*. New initiatives include the Nation Building Program (AusLink II) totalling \$1.8 billion, Peninsula Link totalling \$354 million TEI, the construction of the Dingley Arterial with funding totalling \$75 million TEI, the Outer Suburban Arterial Road program totalling \$29 million TEI, the Better Roads – Regional Victoria Development program totalling \$102 million TEI, SmartBus Yellow Orbital totalling \$38 million TEI and the Doncaster Area Rapid Transit totalling \$42 million TEI.

Rail infrastructure investment is recorded in the balance sheet of VicTrack. In 2009-10, new rail initiatives include the procurement of new metropolitan rollingstock and associated infrastructure with funding of \$610 million TEI, the South Morang Rail Extension with funding of \$559 million TEI, Sunbury Electrification with funding of \$195 million TEI, New Stations in Growth Areas with funding of \$151 million TEI, and Improving Train Operations with funding of \$112 million TEI.

Statement of administered items

Transactions administered by the Department of Transport on behalf of the State include the collection of road and public transport regulatory fees and fines revenues. Revenue received from the Commonwealth for road and rail projects is also included in 2007-08 and 2008-09. 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 2009-10 by \$189 million from the 2008-09 revised budget. This reflects the change in the administrative arrangements for the receipt of Commonwealth funding under the new framework for federal financial relations as agreed by the Council of Australian Governments where some grants are now paid directly to the Department of Treasury and Finance before being on-passed to the Department of Transport. Other income is budgeted to increase by \$168 million. This largely reflects the release of additional taxi licenses as part of the Government's response to the Essential Services Commission's Taxi Fare Review 2007-08.

Administered payments are likewise affected by the items outlined above.

Table 3.9.1: Comprehensive operating statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised ^(b)	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Output appropriations	3 994.0	3 823.8	3 963.9	4 460.5
Special appropriations	1.8	2.0	2.0	2.0
Interest	7.8	1.2	1.2	1.2
Sale of goods and services	249.5	194.9	211.3	221.5
Grants	235.4	256.7	265.7	244.2
Fair value of assets and services received free of charge or for nominal consideration	76.7	..	23.1	6.0
Other income	173.2	110.0	130.9	100.6
Total income from transactions	4 738.2	4 388.7	4 598.1	5 036.1
Expenses from transactions				
Employee benefits	317.1	324.2	351.3	359.3
Depreciation and amortisation	366.1	422.2	422.2	437.9
Interest expense	0.2	..	..	..
Grants and other transfers	1 475.0	1 552.6	1 566.2	1 736.4
Capital asset charge	70.8	73.6	72.8	75.8
Other operating expenses	1 987.1	1 972.0	2 011.2	2 159.1
Total expenses from transactions	4 216.2	4 344.6	4 423.8	4 768.6
Net result from transactions (net operating balance)	522.0	44.2	174.3	267.5
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(52.9)	3.1	(3.5)	..
Other gains/(losses) from economic flows	..	..	( 4.2)	..
Total other economic flows included in net result	(52.9)	3.1	(7.7)	..
Net result	469.1	47.3	166.6	267.5
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	2 747.0	..	(70.4)	2 338.1
Other	0.2	..	(19.6)	..
Total other economic flows – other non-owner changes in equity	2 747.2	..	(90.0)	2 338.1
Comprehensive result	3 216.2	47.3	76.6	2 605.6

Sources: Departments of Transport and Treasury and Finance

Note:

- (a) The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) The 2008-09 Budget reflects the department's structure as at May 2008 which included Major Projects Victoria. The responsibility for Major Projects Victoria subsequently transferred to the Department of Innovation, Industry and Regional Development following a machinery of government change. The 2008-09 Revised Budget reflects the current structure of the department.

Table 3.9.2: Balance Sheet

(\$ million)

	Estimated as at 30 June			
	2008 Actual	2009 Budget ^(a)	2009 Revised ^(b)	2010 Budget
Assets				
Financial assets				
Cash and deposits	447.2	418.2	429.6	421.4
Receivables	260.8	261.1	246.3	247.1
Other financial assets	331.1	460.3	431.3	408.7
Total financial assets	1 039.1	1 139.6	1 107.2	1 077.1
Non-financial assets				
Inventories	68.3	68.3	10.9	10.9
Property, plant and equipment	22 712.5	23 215.1	23 165.0	26 460.7
Investment properties	7.4	7.4	7.4	7.4
Intangible assets	22.5	22.5	22.5	22.5
Other	52.5	52.5	5.1	5.1
Total non-financial assets	22 863.2	23 365.9	23 211.0	26 506.6
Total assets	23 902.3	24 505.5	24 318.1	27 583.8
Liabilities				
Payables	741.3	722.1	719.2	723.1
Interest-bearing liabilities	3.4	3.4	3.4	3.4
Provisions	317.8	338.5	342.2	363.2
Total liabilities	1 062.5	1 064.1	1 064.8	1 089.7
Net assets	22 839.8	23 441.4	23 253.3	26 494.1
Equity				
Accumulated surplus/(deficit)	259.0	306.3	406.0	673.5
Reserves	7 747.0	7 747.0	7 676.5	10 014.6
Contributed capital	14 833.9	15 388.2	15 170.8	15 805.9
Total equity	22 839.8	23 441.4	23 253.3	26 494.1

Sources: Departments of Transport and Treasury and Finance

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) The 2008-09 Budget reflects the department's structure as at May 2008 which included Major Projects Victoria. The responsibility for Major Projects Victoria subsequently transferred to the Department of Innovation, Industry and Regional Development following a machinery of government change. The 2008-09 Revised Budget reflects the current structure of the department..

Table 3.9.3: Cash flow statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised ^(b)	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	3 999.0	3 842.8	3 973.6	4 469.3
Receipts from other entities	449.5	473.6	520.6	498.3
Goods and Services Tax recovered from ATO	(27.5)	..	2.4	..
Interest received	7.8	1.2	1.2	1.2
Other receipts	112.2	70.8	91.7	60.4
Total receipts	4 540.9	4 388.4	4 589.5	5 029.3
Payments				
Payments of grants and other transfers	(1 452.6)	(1 552.6)	(1 566.2)	(1 736.4)
Payments to suppliers and employees	(2 205.8)	(2 294.6)	(2 274.0)	(2 496.6)
Goods and Services Tax paid to the ATO	4.5	..	(2.4)	..
Capital asset charge	(70.8)	(73.6)	(72.8)	(75.8)
Interest and other costs of finance paid	(0.2)	..	..	..
Total payments	(3 725.0)	(3 920.8)	(3 915.5)	(4 308.8)
Net cash flows from/(used in) operating activities	815.9	467.6	674.0	720.5
Cash flows from investing activities				
Net investment	(25.8)	20.8	49.8	22.6
Payments for non-financial assets	(923.5)	(936.8)	(891.1)	(1 395.5)
Proceeds from sale of non-financial assets	11.4	15.0	11.9	9.0
Net cash flow from/(used in) investing activities	(937.8)	(901.0)	(829.4)	(1 363.9)
Cash flows from financing activities				
Owner contributions by State Government ^(c)	126.1	554.3	323.8	635.1
Net borrowings	(26.8)	(150.0)	(186.0)	..
Net cash flows from/(used in) financing activities	99.2	404.3	137.8	635.1
Net increase/(decrease) in cash and cash equivalents	(22.6)	(29.0)	(17.6)	(8.2)
Cash and cash equivalents at the beginning of the financial year	469.8	447.2	447.2	429.6
Cash and cash equivalents at the end of the financial year	447.2	418.2	429.6	421.4

Sources: Departments of Transport and Treasury and Finance

Notes:

- (a) The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) The 2008-09 Budget reflects the department's structure as at May 2008 which included Major Projects Victoria. The responsibility for Major Projects Victoria subsequently transferred to the Department of Innovation, Industry and Regional Development following a machinery of government change. The 2008-09 Revised Budget reflects the current structure of the department.
- (c) Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.

Table 3.9.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner ^(a)</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
Opening balance 1 July 2007	(210.3)	14 735.6	..	5 000.0	19 525.3
Comprehensive result	469.3	..	..	2 747.0	3 216.2
Transactions with owners in their capacity as owners	..	98.3	..	..	98.3
Closing balance 30 June 2008 (Actual)	259.0	14 833.9	..	7 747.0	22 839.8
Comprehensive result	47.3	..	..	..	47.3
Transactions with owners in their capacity as owners	..	554.3	..	..	554.3
Closing balance 30 June 2009 (Budget)	306.3	15 388.2	..	7 747.0	23 441.4
Comprehensive result	147.0	..	..	( 70.4)	76.6
Transactions with owners in their capacity as owners	..	336.9	..	..	336.9
Closing balance 30 June 2009 (Revised)	406.0	15 170.8	..	7 676.5	23 253.3
Comprehensive result	267.5	..	..	2 338.1	2 605.6
Transactions with owners in their capacity as owners	..	635.1	..	..	635.1
Closing balance 30 June 2010 (Estimate)	673.5	15 805.9	..	10 014.6	26 494.1

Sources: Departments of Transport and Treasury and Finance

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.9.5: Administered items statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Sale of goods and services	1.4	0.8	0.8	0.8
Grants	455.9	268.0	357.4	..
Interest	0.1	..	..	..
Other income	1 460.5	1 491.2	1 430.6	1 598.8
Total administered income	1 917.8	1 760.0	1 788.7	1 599.6
Administered expenses				
Expenses on behalf of the State	274.1	..	30.3	30.8
Grants and other transfers	16.4	..	..	..
Payments into the Consolidated Fund	2 275.2	1 901.1	1 899.6	1 631.9
Total administered expenses	2 565.7	1 901.1	1 929.9	1 662.6
Income less expenses	(647.9)	(141.1)	(141.1)	(63.0)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	11.5	..	..	..
Total other economic flows included in net result	11.5	..	..	..
Net result	(636.4)	(141.1)	(141.1)	(63.0)
Other economic flows – other non-owner changes in equity				
Other	217.4	..	..	..
Total other economic flows – other non-owner changes in equity	217.4	..	..	..
Comprehensive result	(419.0)	(141.1)	(141.1)	(63.0)
Administered assets				
Cash and deposits	5.1	5.1	5.1	5.1
Receivables	213.5	77.7	77.7	19.6
Total administered assets	218.6	82.8	82.8	24.7
Administered liabilities				
Payables	324.6	329.9	329.9	334.9
Total administered liabilities	324.6	329.9	329.9	334.9
Net assets	(106.0)	(247.2)	(247.2)	(310.2)
Equity				
Contributed capital	56.7	56.7	56.7	56.7
Accumulated surplus/(deficit)	(162.8)	(303.9)	(303.9)	(366.9)
Total equity	(106.0)	(247.2)	(247.2)	(310.2)

Sources: Departments of Transport and Treasury and Finance

Note:

- (a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Authority for resources

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

Table 3.9.6: Parliamentary authority for resources

	<i>(\$ million)</i>		
	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Annual appropriations	4 745.6	4 904.4	5 737.3
Receipts credited to appropriations	268.8	358.2	582.4
Unapplied previous years appropriation	162.8	187.4	100.5
Accumulated surplus – previously applied appropriation	41.6	76.8	62.1
Gross annual appropriation	5 218.8	5 526.8	6 482.4
Special appropriations	2.0	2.0	2.0
Trust funds	261.1	290.0	274.7
Total Parliamentary authority	5 481.9	5 818.8	6 759.0

Sources: Departments of Transport and Treasury and Finance

DEPARTMENT OF TREASURY AND FINANCE

Operating performance

The department's revenue for output delivery and corresponding budgeted expenses is expected to increase from \$236 million in 2008-09 to \$294 million in 2009-10. The increase can be primarily attributed to:

- funding of \$32 million for the standardisation of core information technology services;
- funding of \$3.5 million for the State Revenue Office for tax compliance activities; and
- funding of \$15 million for the implementation of the Seamless National Economy National Partnership project.

The increases in other income and other operating expenses between 2008-09 Published and Revised Budgets were mainly related to maintaining government-owned buildings.

The improvement in the budgeted 2008-09 comprehensive result is due to the transfer of the write-back of book values on sales of Crown Land to the Administered items statement.

Balance sheet performance

Controlled net assets of the department are budgeted to increase by \$24 million between 2008-09 Revised Budget and *2009-10 Budget*, mainly due to an increase in other financial assets, reflecting the financing arrangement provided to the department for capital expenditure.

Investing and financing

The department's *2009-10 Budgeted* cash flow for operating payments is \$49 million higher than the 2008-09 Revised Budget, reflecting the increased expenditure for the new initiatives referred to above.

The department's net cash flow used in investing activities is expected to increase by \$12 million from 2008-09 Revised Budget to *2009-10 Budget*, predominantly reflecting the purchase of equipment for the standardisation of core information technology services.

Statement of administered items

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

Total administered income is estimated to increase by \$5 329 million in 2009-10 compared to the 2008-09 Revised Budget. The increase in grants by \$3 859 million is mainly due to the new arrangements for federal financial relations agreed by COAG in November 2008 to make aggregate payments direct to the Department of Treasury and Finance from 1 January 2009, covering most Specific Purpose and National Partnership payments. Previously, these grant payments were paid directly to the relevant departments.

Total special appropriations are also estimated to increase by \$121 million, mainly in relation to the State’s superannuation payments.

Total administered expenses are estimated to increase by \$5 192 million in 2009-10 compared to the 2008-09 Revised Budget. This increase mainly reflects the additional revenue transferred to the Consolidated Fund following implementation of the new financial arrangements with the Commonwealth Government.

The estimated losses of \$12 001 million in total other economic flows in the 2008-09 Revised Budget is mainly related to the State’s unfunded superannuation liability. This is driven by lower than expected investment returns in superannuation assets, and the movement in the long-term bond rate used to value the unfunded liability.

Table 3.10.1: Comprehensive operating statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Output appropriations	226.9	237.8	236.1	293.5
Interest	15.0	15.9	15.7	15.7
Sale of goods and services	50.2	57.1	59.1	63.4
Grants	1.4	..	3.6	1.6
Other income	24.2	19.3	24.6	24.4
Total income from transactions	317.7	330.1	339.2	398.6
Expenses from transactions				
Employee benefits	108.7	107.5	114.5	119.0
Depreciation and amortisation	35.2	35.2	28.6	43.1
Interest expense	15.4	16.0	15.6	15.8
Grants and other transfers	(4.2)	8.1	4.0	15.5
Capital asset charge	23.5	24.0	23.5	24.7
Other operating expenses	133.0	131.6	142.9	176.4
Total expenses from transactions	311.6	322.5	329.1	394.5
Net result from transactions (net operating balance)	6.1	7.7	10.1	4.2
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(0.3)	(10.0)	..	..
Other gains/(losses) from economic flows	..	..	( 0.6)	..
Total other economic flows included in net result	(0.3)	(10.0)	(0.6)	..
Net result	5.8	(2.3)	9.5	4.2
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	..	..	..	..
Other	..	..	..	..
Total other economic flows – other non-owner changes in equity	..	..	..	..
Comprehensive result	5.8	(2.3)	9.5	4.2

Source: Department of Treasury and Finance

Note:

- (a) The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.10.2: Balance Sheet

(\$ million)

	Estimated as at 30 June			
	2008 Actual	2009 Budget ^(a)	2009 Revised	2010 Budget
Assets				
Financial assets				
Cash and deposits	42.0	37.3	49.9	48.4
Receivables	246.0	246.5	242.4	242.9
Other financial assets	89.4	118.0	112.9	142.7
Total financial assets	377.4	401.8	405.2	434.1
Non-financial assets				
Inventories	17.6	17.6	17.6	17.6
Property, plant and equipment	229.9	225.6	229.1	236.5
Intangible assets	11.4	20.9	18.6	9.0
Other	6.4	6.4	6.8	6.8
Total non-financial assets	265.2	270.4	272.0	269.9
Total assets	642.6	672.2	677.3	703.9
Liabilities				
Payables	73.0	73.0	71.8	71.8
Interest-bearing liabilities	221.1	221.6	221.6	222.1
Provisions	28.8	31.2	31.4	33.7
Total liabilities	322.9	325.7	324.7	327.5
Net assets	319.7	346.5	352.5	376.4
Equity				
Accumulated surplus/(deficit)	127.8	125.5	137.3	141.5
Reserves	84.3	84.3	84.3	84.3
Contributed capital	107.5	136.7	130.9	150.6
Total equity	319.7	346.5	352.5	376.4

Source: Department of Treasury and Finance

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.10.3: Cash flow statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	226.9	237.8	236.1	293.5
Receipts from other entities	0.1	0.3	7.8	1.6
Goods and Services Tax recovered from ATO	(4.8)	..	(0.1)	..
Interest received	15.0	15.9	15.7	15.7
Other receipts	90.0	82.0	91.7	95.9
Total receipts	327.2	336.0	351.2	406.7
Payments				
Payments of grants and other transfers	(5.8)	(14.5)	(12.4)	(24.1)
Payments to suppliers and employees	(239.0)	(236.9)	(257.0)	(293.1)
Goods and Services Tax paid to the ATO	5.7	..	..	..
Capital asset charge	(23.5)	(24.0)	(23.5)	(24.7)
Interest and other costs of finance paid	(31.6)	(16.0)	(15.6)	(15.8)
Total payments	(294.2)	(291.4)	(308.7)	(357.6)
Net cash flows from/(used in) operating activities	33.1	44.7	42.6	49.1
Cash flows from investing activities				
Net investment	(2.2)	(28.6)	(23.4)	(29.9)
Payments for non-financial assets	(18.8)	(50.4)	(45.0)	(51.0)
Proceeds from sale of non-financial assets	0.7	..	..	..
Net cash flow from/(used in) investing activities	(20.4)	(79.0)	(68.5)	(80.8)
Cash flows from financing activities				
Owner contributions by State Government ^(a)	..	29.2	33.3	29.7
Net borrowings	2.2	0.5	0.5	0.5
Net cash flows from/(used in) financing activities	2.2	29.7	33.8	30.2
Net increase/(decrease) in cash and cash equivalents	14.9	(4.7)	8.0	(1.5)
Cash and cash equivalents at the beginning of the financial year	27.0	42.0	42.0	49.9
Cash and cash equivalents at the end of the financial year	42.0	37.3	49.9	48.4

Source: Department of Treasury and Finance

Note:

- (a) The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.

Table 3.10.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner ^(a)</i>	<i>Other revaluation Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
Opening balance 1 July 2007	122.0	107.5	..	84.3	313.8
Comprehensive result	5.8	..	..	..	5.8
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2008 (Actual)	127.8	107.5	..	84.3	319.7
Comprehensive result	(2.3)	..	..	..	( 2.3)
Transactions with owners in their capacity as owners	..	29.2	..	..	29.2
Closing balance 30 June 2009 (Budget)	125.5	136.7	..	84.3	346.5
Comprehensive result	9.5	..	..	..	9.5
Transactions with owners in their capacity as owners	..	23.3	..	..	23.3
Closing balance 30 June 2009 (Revised)	137.3	130.9	..	84.3	352.5
Comprehensive result	4.2	..	..	..	4.2
Transactions with owners in their capacity as owners	..	19.7	..	..	19.7
Closing balance 30 June 2010 (Estimate)	141.5	150.6	..	84.3	376.4

Source: Department of Treasury and Finance

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.10.5: Administered items statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Appropriations – Payments made on behalf of the State	958.7	1 980.1	1 456.7	2 247.6
Special Appropriations	812.8	691.9	489.0	610.1
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	7.8	20.9	7.2	26.9
Grants	9 272.4	10 281.7	10 929.4	14 788.3
Interest	19.3	40.0	20.0	41.0
Other income	13 270.4	13 777.0	13 022.1	13 539.5
Total administered income	24 341.4	26 791.5	25 924.3	31 253.3
Administered expenses				
Expenses on behalf of the State	955.8	1 958.0	1 409.3	2 318.5
Grants and other transfers	453.1	499.1	783.5	591.0
Payments into the Consolidated Fund	23 602.3	24 351.0	23 976.3	28 451.6
Total administered expenses	25 011.2	26 808.1	26 169.1	31 361.0
Income less expenses	(669.7)	(16.6)	(244.7)	(107.7)
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	0.6	27.4	(6.9)	32.4
Net actuarial gains/(losses) of superannuation defined benefit plans	(3 378.1)	..	(11 316.7)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	205.9	..	(677.8)	..
Total other economic flows included in net result	(3 171.6)	27.4	(12 001.4)	32.4
Net result	(3 841.4)	10.8	(12 246.1)	(75.3)
Other economic flows – other non-owner changes in equity				
Financial assets available-for-sale reserve	(4.1)	..	..	..
Total other economic flows – other non-owner changes in equity	(4.1)	..	..	..
Comprehensive result	(3 845.5)	10.8	(12 246.1)	(75.3)
Administered assets				
Cash and deposits	1 407.0	1 413.2	1 372.0	786.7
Receivables	637.7	773.5	639.9	634.3
Other financial assets	(570.8)	812.0	2 130.4	7 272.3
Property, plant and equipment	2.4	77.8	3.8	233.8
Total administered assets	1 476.3	3 076.6	4 146.2	8 927.2
Administered liabilities				
Payables	207.5	345.7	857.4	850.8
Interest bearing liabilities	6 138.5	7 555.8	8 835.5	13 401.4
Provisions	7.4	7.4	53.7	53.7
Other	12 926.8	13 055.1	24 439.4	24 726.1
Total administered liabilities	19 280.2	20 964.0	34 185.9	39 031.9
Net assets	(17 803.9)	(17 887.5)	(30 039.7)	(30 104.8)

Table 3.10.5: Administered items statement (continued)

	(\$ million)			
	2007-08	2008-09	2008-09	2009-10
	Actual	Budget ^(a)	Revised	Budget
Equity				
Reserves	4.1	4.1	4.1	4.1
Contributed capital	44.2	(50.2)	54.5	64.8
Accumulated surplus/(deficit)	(17 852.2)	(17 841.3)	(30 098.3)	(30 173.6)
Total equity	(17 803.9)	(17 887.5)	(30 039.7)	(30 104.8)

Source: Department of Treasury and Finance

Note:

- (a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Payments made on behalf of the State

Table 3.10.6: Payments made on behalf of the State

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

<i>(\$ million)</i>			
<i>Accounts</i>	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Superannuation and pension payments	16.4	16.4	16.4
Interest	343.9	408.9	566.5
Current and capital grants	487.4	703.5	574.2
Operating supplies and consumables	424.0	167.9	482.4
Buildings	76.0	2.1	230.7
Other	632.5	157.9	377.4
Total	1 980.1	1 456.7	2 247.6

Source: Department of Treasury and Finance

Authority for resources

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

Table 3.10.7: Parliamentary authority for resources

<i>(\$ million)</i>			
	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Annual appropriations	2 238.6	1 713.5	2 556.6
Receipts credited to appropriations	5.5	6.8	6.0
Unapplied previous years appropriation	3.0	5.9	24.7
Accumulated surplus – previously applied appropriation	..	..	1.9
Gross annual appropriation	2 247.0	1 726.2	2 589.3
Special appropriations	691.9	489.0	610.1
Trust funds	103.4	57.0	54.2
Total Parliamentary authority	3 042.3	2 272.1	3 253.5

Source: Department of Treasury and Finance

PARLIAMENT

Operating performance

The Parliament, including the Victorian Auditor General's Office (VAGO), is estimated to have a balanced operating result for 2009-10.

The operating statement shows an increase in total operating income of \$12 million (or 8.4 per cent) from the 2008-09 Revised Budget to the *2009-10 Budget*. The increase in annual appropriation revenue is due to additional output appropriations from the Government to fund increased operating costs to VAGO and Parliament.

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

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

Balance sheet performance

The net asset position in 2009-10 is estimated to have no movement from the 2008-09 Revised Budget. This is a result of no additional funding for assets in 2009-10.

Investing and financing

Cash out flows from investing and financing activities are expected to be less in 2009-10 compared to 2008-09 as asset investments are completed.

Statement of administered items

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

Table 3.11.1: Comprehensive operating statement

	(\$ million)			
	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Net result from continuing operations				
Income from transactions				
Output appropriations	103.7	111.1	109.1	121.4
Special appropriations	19.5	20.3	38.9	39.0
Sale of goods and services	1.2	..	..	..
Fair value of assets and services received free of charge or for nominal consideration	0.4	..	..	..
Other income	(0.1)	..	..	..
Total income from transactions	124.6	131.4	148.0	160.4
Expenses from transactions				
Employee benefits	70.3	57.7	81.0	81.5
Depreciation and amortisation	4.7	6.9	6.2	6.6
Interest expense	0.3	..	..	..
Grants and other transfers	..	0.5	0.5	0.5
Capital asset charge	2.2	1.7	1.7	1.7
Other operating expenses	45.2	64.6	58.7	70.1
Total expenses from transactions	122.6	131.4	148.0	160.4
Net result from transactions (net operating balance)	2.0	..	..	..
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	(0.1)	..	..	..
Total other economic flows included in net result	(0.1)	..	..	..
Net result	1.8	..	..	..
Other economic flows – other non-owner changes in equity				
Asset revaluation reserve	..	..	..	..
Other	..	..	..	..
Total other economic flows – other non-owner changes in equity	..	..	..	..
Comprehensive result	1.8	..	..	..

Sources: Parliament of Victoria and Department of Treasury and Finance

Note:

- (a) The classification of revenues and expenses has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.11.2: Balance Sheet

(\$ million)

	Estimated as at 30 June			
	2008 Actual	2009 Budget ^(a)	2009 Revised	2010 Budget
Assets				
Financial assets				
Cash and deposits	(0.8)	(0.8)	(0.8)	(0.8)
Receivables	1.1	1.1	1.1	1.1
Other financial assets	48.3	52.7	51.8	56.5
Total financial assets	48.6	52.9	52.1	56.8
Non-financial assets				
Inventories	0.1	0.1	0.1	0.1
Non-financial assets classified as held for sale, including disposal group assets	0.3	0.3	0.3	0.3
Property, plant and equipment	211.7	213.0	213.0	212.4
Other	1.0	1.0	1.0	1.3
Total non-financial assets	213.0	214.3	214.3	214.0
Total assets	261.6	267.2	266.4	270.7
Liabilities				
Payables	3.7	3.7	3.7	4.6
Interest-bearing liabilities	3.7	3.7	3.7	3.9
Provisions	11.9	12.1	12.1	15.4
Total liabilities	19.3	19.5	19.5	23.9
Net assets	242.3	247.7	246.9	246.9
Equity				
Accumulated surplus/(deficit)	25.9	25.9	25.9	25.9
Reserves	55.4	55.4	55.4	55.4
Contributed capital	161.1	166.5	165.6	165.6
Total equity	242.3	247.7	246.9	246.9

Sources: Parliament of Victoria and Department of Treasury and Finance

Note:

- (a) The classification of balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Table 3.11.3: Cash flow statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	123.1	131.4	148.0	160.3
Receipts from other entities	1.2	..	..	..
Goods and Services Tax recovered from ATO	(0.1)	..	..	..
Other receipts	..	..	..	..
Total receipts	124.2	131.4	148.0	160.3
Payments				
Payments of grants and other transfers	(0.1)	(0.5)	(0.5)	(0.5)
Payments to suppliers and employees	(113.6)	(122.1)	(139.5)	(147.7)
Goods and Services Tax paid to the ATO	(0.2)	..	..	..
Capital asset charge	(2.2)	(1.7)	(1.7)	(1.7)
Interest and other costs of finance paid	(0.3)	..	..	..
Total payments	(116.4)	(124.3)	(141.6)	(149.9)
Net cash flows from/(used in) operating activities	7.9	7.1	6.4	10.5
Cash flows from investing activities				
Net investment	(5.0)	(4.4)	(3.5)	(4.7)
Payments for non-financial assets	(6.3)	(8.1)	(7.4)	(6.0)
Proceeds from sale of non-financial assets	1.2	..	..	..
Net cash flow from/(used in) investing activities	(10.2)	(12.5)	(10.9)	(10.7)
Cash flows from financing activities				
Owner contributions by State Government ^(b)	2.7	5.4	4.5	..
Net borrowings	(0.3)	..	..	0.2
Net cash flows from/(used in) financing activities	2.4	5.4	4.5	0.2
Net increase/(decrease) in cash and cash equivalents	0.1	..	..	..
Cash and cash equivalents at the beginning of the financial year	(0.9)	(0.8)	(0.8)	(0.8)
Cash and cash equivalents at the end of the financial year	(0.8)	(0.8)	(0.8)	(0.8)

Sources: Parliament of Victoria and Department of Treasury and Finance

Note:

- (a) The classification of cashflow categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.
- (b) Excludes the effect of any equity transfers to other government entities. Such equity transfers are classified as payments for non-financial assets in this statement.

Table 3.11.4: Statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner ^(a)</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
Opening balance 1 July 2007	24.1	158.3	..	55.4	237.7
Comprehensive result	1.8	..	..	..	1.8
Transactions with owners in their capacity as owners	..	2.7	..	..	2.7
Closing balance 30 June 2008 (Actual)	25.9	161.1	..	55.4	242.3
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	5.4	..	..	5.4
Closing balance 30 June 2009 (Budget)	25.9	166.5	..	55.4	247.7
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	4.5	..	..	4.5
Closing balance 30 June 2009 (Revised)	25.9	165.6	..	55.4	246.9
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..
Closing balance 30 June 2010 (Estimate)	25.9	165.6	..	55.4	246.9

Sources: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) Represents net contributions by owner, including the effect of any equity transfers to other government entities.

Table 3.11.5: Administered items statement

(\$ million)

	2007-08 Actual	2008-09 Budget ^(a)	2008-09 Revised	2009-10 Budget
Administered income				
Sale of goods and services	17.9	15.5	18.2	19.5
Other income	0.1	..	..	..
Total administered income	18.0	15.5	18.2	19.5
Administered expenses				
Expenses on behalf of the State	0.1	..	..	..
Payments into the Consolidated Fund	18.7	15.5	18.2	16.4
Total administered expenses	18.7	15.5	18.2	16.4
Income less expenses	(0.7)	..	..	3.2
Other economic flows included in net result				
Net gain/(loss) on non-financial assets	..	..	..	..
Total other economic flows included in net result	..	..	..	..
Net result	(0.7)	..	..	3.2
Administered assets				
Receivables	4.9	4.9	4.9	8.0
Total administered assets	4.9	4.9	4.9	8.0
Administered liabilities				
Other	..	..	..	..
Total administered liabilities	..	..	..	..
Net assets	4.9	4.9	4.9	8.0
Equity				
Accumulated surplus/(deficit)	4.9	4.9	4.9	8.0
Total equity	4.9	4.9	4.9	8.0

Sources: Parliament of Victoria and Department of Treasury and Finance

Note:

- (a) The classification of revenues, expenses and balance sheet categories has been changed from those published in the 2008-09 Budget, to ensure consistency with the new reporting format adopted in the Model Report for Victorian Government Departments for 2008-09.

Authority for resources

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

Table 3.11.6: Parliamentary authority for resources

	<i>(\$ million)</i>		
	<i>2008-09 Budget</i>	<i>2008-09 Revised</i>	<i>2009-10 Budget</i>
Annual appropriations	93.4	87.1	96.0
Receipts credited to appropriations	15.5	18.2	19.5
Unapplied previous years appropriation	7.6	8.4	5.8
Accumulated surplus – previously applied appropriation	0.6	0.6	0.6
Gross annual appropriation	117.2	114.3	122.0
Special appropriations	20.3	38.9	39.0
Total Parliamentary authority	137.4	153.2	161.0

Sources: Parliament of Victoria and Department of Treasury and Finance

CHAPTER 4 – STATE REVENUE

SUMMARY OF GENERAL GOVERNMENT 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 2008-09 revised estimates and the 2009-10 *Budget* estimates.

Total revenue comprises revenue from transactions and revenue from economic flows. Revenue from transactions represents the majority of total revenue in the 2009-10 *Budget* estimates and is the focus of discussion in this chapter.

As shown in Table 4.1, general government sector revenue is expected to increase by 8.3 per cent in 2009-10 to \$42 388 million.

Table 4.1: General government sector revenue and grants received

	(\$ million)		
	2008-09 <i>Revised</i>	2009-10 <i>Budget</i>	Change %
Taxation	12 720.0	13 273.7	4.4
Interest	408.2	434.1	6.4
Dividends, income tax and rate equivalent revenue	474.2	379.4	-20.0
Sales of goods and services	5 076.6	5 044.1	-0.6
Other current revenue	1 683.8	1 702.9	1.1
Grants received	18 789.4	21 554.1	14.7
Total revenue from transactions	39 152.1	42 388.3	8.3

Source: Department of Treasury and Finance

Taxation revenue in 2009-10 is estimated to be \$13 274 million, an increase of \$554 million or 4.4 per cent on the 2008-09 revised estimate. This increase primarily reflects:

- an expected recovery in property market activity through the course of 2009-10, initially in response to historically low mortgage interest rates in early 2009;
- the introduction of the Growth Areas Infrastructure Contribution;
- relatively weak growth in payroll tax revenue as labour market conditions soften;

- increased motor vehicle registration fees in line with population growth and the consumer price index (CPI); and
- the effects of several special factors including rising domestic home and vehicle insurance premiums (insurance taxes), increased borrowings by water corporations and higher credit risk spreads (financial accommodation levy) and modernising emergency services (insurance contributions to fire brigades).

Partly offsetting these increases are declines in land tax, reflecting ongoing disaggregation of ownership holdings, and duty on vehicle registrations and transfers in response to falling volumes of car sales and a shift to smaller vehicles.

Interest revenue is estimated to be \$434 million in 2009-10, \$26 million or 6.4 per cent higher than the 2008-09 revised estimate. This mainly reflects a restoration of public account balances in 2009-10 for liquidity management purposes, following the impact of the Global Financial Crisis.

Dividends, income tax and rate equivalent revenue are estimated to be \$379 million in 2009-10, a decrease of 20.0 per cent on the 2008-09 revised estimate. This decrease is mainly driven by a decline in dividend revenue from the Transport Accident Commission (TAC) reflecting reduced investment returns during 2008-09 under challenging financial conditions.

Sales of goods and services revenue is expected to decrease by 0.6 per cent in 2009-10 to \$5 044 million reflecting a decrease in refunds and reimbursements.

Other current revenue from transactions is expected to increase by 1.1 per cent to \$1 703 million. This is due to increases in donations and gifts, fines and other miscellaneous income, partially offset by a decrease in fair value of assets received free of charge or for nominal consideration.

The Council of Australian Governments (COAG) has agreed to a new framework for federal financial relations. The new arrangements commenced 1 January 2009 and focus on removing prescriptions imposed by the Commonwealth on service delivery by the states, while moving to clearer roles and responsibilities and outcomes-based public accountability.

Total grants revenue is estimated to increase by \$2 765 million or 14.7 per cent to \$21 554 million in 2009-10 largely due to increases in payments for specific purposes and grants for on-passing arising from the additional funding through the COAG reforms to federal financial relations and the Commonwealth's *Nation Building – Economic Stimulus Plan*. Goods and services tax (GST) grants are expected to grow by 0.7 per cent in 2009-10 reflecting the current economic downturn.

The detailed federal grant estimates provided in this chapter are based on information available at 29 April 2009.

STATE SOURCED REVENUE

Taxation

Taxation revenue in 2009-10 is estimated to be \$13 274 million, which is \$554 million (4.4 per cent) higher than the 2008-09 revised estimate (Table 4.2).

Table 4.2: Taxation estimates

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Taxes on employers payroll and labour force	4 023.5	4 083.3	1.5
Taxes on property			
Land tax	1 236.8	1 217.9	-1.5
Congestion levy	42.1	43.1	2.4
Land transfer duty	2 894.6	3 194.7	10.4
Other property duties	8.6	8.6	..
Metropolitan improvement levy	106.0	114.2	7.8
Property owners contributions to fire brigades	41.3	41.6	0.8
Growth Areas Infrastructure Contribution	..	84.7	..
Financial accommodation levy	26.6	54.2	103.6
	4 356.0	4 759.0	9.3
Gambling taxes			
Private lotteries	343.3	350.3	2.0
Electronic gaming machines	1 000.7	1 004.6	0.4
Casino	142.5	144.4	1.4
Racing	130.4	133.1	2.1
Other	8.4	9.3	10.9
	1 625.3	1 641.8	1.0
Levies on statutory corporations	73.7	73.7	..
Taxes on insurance			
Non-life insurance	645.3	677.4	5.0
Life insurance	8.8	8.7	-1.0
Duty on compulsory third party premiums	131.6	137.7	4.6
Insurance contributions to fire brigades	435.3	452.1	3.9
	1 221.0	1 275.9	4.5
Motor vehicle taxes			
Vehicle registration fees	822.0	864.5	5.2
Duty on vehicle registrations and transfers	498.0	483.9	-2.8
	1 320.0	1 348.4	2.2
Other taxes			
Liquor licence fees ^(a)	11.7	12.1	3.0
Transurban concession fees	37.5	29.5	-21.2
Landfill levy	51.3	50.1	-2.5
	100.5	91.6	-8.8
Total taxation	12 720.0	13 273.7	4.4

Source: Department of Treasury and Finance

Note:

(a) Part of the 'Franchise taxes' category in Note 2 of Budget Paper No.4, Chapter 1, Estimated Financial Statements.

Payroll tax

Payroll tax is levied on taxable Victorian wages, which are defined to include salaries and wages, commissions, bonuses, taxable fringe benefits, and payments to some contractors. Payroll tax of 4.95 per cent is currently levied on businesses with a taxable total wage bill above a maximum annual tax free threshold of \$550 000.

From 1 July 2007, Victoria and NSW were forerunners in harmonising payroll tax legislation including common definitions and exemptions (excluding rates and thresholds), to streamline administration and reduce compliance costs for businesses. Tasmania has also harmonised its legislation from 1 July 2008, with other jurisdictions set to follow with respect to eight main provisions of the law.

Victoria, NSW and Tasmania have commenced the process of harmonising administrative arrangements, such as developing common revenue rulings: 32 joint revenue rulings have been published in the period to March 2009. In addition, a Payroll Tax Harmonisation Committee was recently established, which comprises a member from each jurisdiction, to oversee the design, implementation and maintenance of an administrative framework in line with the Protocol For Maintaining Payroll Tax Harmonisation Between States and Territories signed by all State Commissioners on 11 July 2008.

In 2009-10 payroll tax revenue is estimated to be \$4 083 million, an increase of \$60 million (1.5 per cent) over the 2008-09 revised estimate. This relatively weak growth rate reflects the forecast decline in employment and moderating wages growth in 2009-10.

Taxes on property

Land tax

Land tax is an annual tax assessed on the aggregated taxable value of all land owned by a landowner in Victoria. There are several exemptions, including land used for charitable purposes, land used for primary production, and land that is used as the principal place of residence of the owner.

Table 4.3 shows the land tax rates that are applicable for the 2010 land tax year (being the *2009-10 Budget year*).

Table 4.3: 2010 land tax rates*General land tax rates*

<i>Value of property</i>	<i>Land tax payable</i>
\$0 to \$249 999	Nil
\$250 000 to \$599 999	\$275 plus 0.2% of the value in excess of \$250 000
\$600 000 to \$ 999 999	\$975 plus 0.5% of the value in excess of \$600 000
\$1 000 000 to \$1 799 999	\$2 975 plus 0.8% of the value in excess of \$1 000 000
\$1 800 000 to 2 999 999	\$9 375 plus 1.3% of the value in excess of \$1 800 000
\$3 000 000 and over	\$24 975 plus 2.25% of the value in excess of \$3 000 000

Trusts land tax rates ^(a)

<i>Value of property</i>	<i>Land tax payable</i>
\$0 to \$24 999	Nil
\$25 000 to \$249 999	\$82 plus 0.375% of the value in excess of \$25 000
\$250 000 to \$599 999	\$926 plus 0.575% of the value in excess of \$250 000
\$600 000 to \$ 999 999	\$2 938 plus 0.875% of the value in excess of \$600 000
\$1 000 000 to \$1 799 999	\$6 438 plus 1.175% of the value in excess of \$1 000 000
\$1 800 000 to 2 999 999	\$15 838 plus 0.7614% of the value in excess of \$1 800 000
\$3 000 000 and over	\$24 975 plus 2.25% of the value in excess of \$3 000 000

Source: Land Tax Act 2005

Note:

(a) *The surcharge phases out for taxable values in excess of \$1.8 million. For landholdings valued at over \$3 million, the surcharge is zero and the general marginal rate applies.*

Land tax revenue is expected to reach \$1 218 million in 2009-10, below the 2008-09 revised estimate of \$1 237 million because of the assumed effect of the ongoing disaggregation of land holdings. The 2010 land tax assessments will be based on the 2008 level valuations which were also used in 2009. Legislation states that valuations are required to be conducted biennially. This means that 2010 valuations will be used for the first time in the 2011 tax year.

Land tax on trusts

Certain trusts are subject to a land tax surcharge of 0.375 per cent (on top of the ordinary land tax rates). The surcharge is phased out for site values between \$1.8 million and \$3.0 million to ensure that the rate on trusts is the same as standard land tax rates on land values above \$3.0 million.

Congestion levy

The congestion levy is an annual charge on owners of long-stay off-street car parking spaces in Melbourne's Central Business District and adjacent areas such as Southbank, Docklands and the St Kilda Road precinct.

The levy for 2009 is \$850 per car parking space, and is subject to indexation based on the CPI. An exception is the area bounded by Montague Street, the West Gate Freeway, City Link and the Yarra River for which the levy is currently set at \$400 pending the outcome of the Government's review of parking requirements in planning schemes. Various car parking spaces are exempt from the levy, including short-stay parking spaces, parking spaces used exclusively for residential purposes, and certain other parking spaces such as those used by ambulances and charitable institutions.

Revenue in 2009-10 is expected to be \$43 million, 2.4 per cent higher than the 2008-09 revised estimate mainly due to CPI indexation.

Land transfer duty

Duty is payable on any transaction that results in a change of beneficial ownership of land and associated real assets. Properties bought as a principal place of residence attract a lower marginal rate for certain dutiable values.

The rates of conveyancing duty are shown in Table 4.4 and reflect the 10 per cent movement in the rate thresholds as part of the 2008-09 stamp duty reductions.

Table 4.4: Duty on land transfers

General land transfer duty rates

<i>Value of property transferred</i>	<i>Duty payable</i>
Up to \$25 000	1.4% of the value of the property
\$25 001 to \$130 000	\$350 plus 2.4% of the value in excess of \$25 000
\$130 001 to \$960 000	\$2 870 plus 6% of the value in excess of \$130 000
\$960 001 and over	5.5% of the value of the property

Land transfer duty rates for principal place of residence purchases

<i>Value of property transferred</i>	<i>Duty payable</i>
Up to \$25 000	1.4% of the value of the property
\$25 001 to \$130 000	\$350 plus 2.4% of the value in excess of \$25 000
\$130 001 to \$440 000	\$2 870 plus 5% of the value in excess of \$130 000
\$440 001 to \$550 000	\$18 370 plus 6% of the value in excess of \$440 000
\$550 001 to \$960 000	\$28 070 plus 6% of the value in excess of \$550 000
\$960 001 and over	5.5% of the value of the property

Source: Duties Act 2000

There is a land transfer duty exemption for homes transferred into special disability trusts in recognition of the particular nature of the arrangements for persons with a severe disability.

There is also a full duty concession on property purchases of not more than \$330 000 for concession cardholders with a partial concession available for property worth not more than \$440 000.

The Government has introduced legislation to close a loophole to counter schemes or arrangements which were deliberately structured in ways to avoid paying stamp duty. The practice typically involved large commercial transactions for leases of sometimes up to 199 years, with large upfront payments and nominal rent. These contractual arrangements, for all intents and purposes, result in a transfer of rights that are analogous to a sale and purchase transaction. The loophole arose as a result of Victoria meeting its obligations to abolish lease duty in 2001 as part of the transition to the GST. These changes are anti-avoidance in nature and not expected to lead to significant additional duty being collected.

Land transfer duty revenue is expected to increase by \$300 million or 10.4 per cent in 2009-10. This follows an estimated 22 per cent fall in land transfer revenue in 2008-09 due to a sizeable contraction in the volume of transactions and modest fall in the average value per transaction. The fall in land transfer volumes reflects the property market downturn associated with the global fall in asset prices.

In the near-term, the property market is expected to respond to the recent monetary easing and the stimulatory effect coming from the Commonwealth Government's First Home Owner Boost and the Victorian Government's First Home Bonus. Recent market sales activity reported by the Real Estate Institute of Victoria, and the number of dwelling finance approvals reported by the ABS, are broadly in line with corresponding levels in 2004-05 and 2005-06, consistent with expectations for activity in 2009-10.

There are early indications of a rebound in the number of housing finance commitments, which have trended up in the five successive months to February, as well as first home buyer demand. The number of dwellings financed for first homebuyers in Victoria in February was 20.3 per cent higher than in October 2008. There has also been a marked improvement in housing affordability in Victoria, with measures of housing affordability increasing to the highest level in at least two years.

Other property 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 in recent years.

Revenue is estimated to be \$8.6 million in 2009-10, unchanged from the revised 2008-09 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 2009-10 is estimated to be \$114 million or \$8.2 million (7.8 per cent) higher than the 2008-09 revised estimate due to both annual indexation of the levy and an increase in the number of properties in the metropolitan area.

Property owners contributions to fire brigades

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

Revenue in 2009-10 is expected to be \$42 million, \$0.3 million (0.8 per cent) higher than the 2008-09 revised estimate, which reflects continued investment in the state's urban emergency services.

Growth Areas Infrastructure Contribution

The Growth Areas Infrastructure Contribution (GAIC) is the implementation of the November 2005 decision on infrastructure funding for growth areas. The GAIC will partly fund the provision of infrastructure in growth areas and enable a more timely provision of facilities and services. The GAIC applies to land brought into the Urban Growth Boundary in 2005 with a rate of \$80 000 per hectare and on land to be brought into the Boundary in future with a rate of \$95 000 per hectare.

The GAIC will be applied to all eligible Urban Growth Boundary land sold or subdivided since December 2008. Revenue from the GAIC will be used to establish the Growth Areas Development Fund which will provide financial assistance for capital works in growth areas focusing on projects that support economic and community infrastructure.

Revenue from the GAIC in 2009-10 is estimated to be \$85 million.

Financial accommodation levy

The financial accommodation levy (FAL) 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.

The FAL in 2009-10 is expected to be \$54 million, higher than the 2008-09 revised estimate of \$27 million. This increase is mainly due to the expected increase in borrowings by water corporations to fund capital projects and wider credit risk spreads.

Gambling taxes

Gambling taxes are imposed on public lotteries, electronic gaming machines (EGMs), the casino, racing, and some other minor forms of gambling. The taxes are typically in the form of a percentage of player loss, with the tax rate varying by category of gambling. Player loss is equal to the amount gambled less prizes or refunds to players. In the case of EGMs, there is also an annual health benefit levy of \$4 333 per machine in operation.

Most government revenue from these forms of gambling is transferred by standing appropriation to the Hospitals and Charities Fund, the Mental Health Fund and the Community Support Fund. In 2009-10, it is estimated that 83 per cent (\$1 364 million) of total gambling taxation revenue will be transferred by standing appropriation to these funds.

Overall gambling taxes are expected to increase by only 1.0 per cent (\$16 million) in 2009-10, compared with the 2008-09 revised estimate.

From 2012, the tax applying to wagering will be reduced to support the post-2012 licensing arrangements and provide the Victorian racing industry with additional funding from wagering. Also, the Government will introduce a new progressive tax system for EGMs post-2012 applying to each venue's average monthly per gaming machine revenue.

Levies on statutory corporations

Water corporations are required to pay an annual environmental contribution to fund water related initiatives that seek to promote the sustainable management of water, and to improve environmental performance.

The environmental contribution levy was extended for a further four years from 1 July 2008 to 30 June 2012, and is estimated to raise an additional \$295 million over this period (compared to an estimated \$227 million over the four years to 30 June 2008). A decision on whether to continue the environmental contribution levy beyond this four year period has not been made to date and will be subject to the process set out in the *Water Industry Act 1994*.

Taxes on insurance

Non-life insurance

Duty is payable on the gross value of premiums on general insurance business at a rate of 10 per cent. General insurance is any sort of insurance that is applicable to property in Victoria, a risk, contingency or event that may occur within, or partly in Victoria, or both. Motor, home and contents insurance are examples of general insurance. The definition includes insurance in respect of trauma and disabilities but it excludes health insurance, life insurance and compulsory third party motor vehicle insurance.

Exemptions from payment of this duty relate to policies against damage by hail to cereal and fruit crops, workers' compensation premiums, commercial marine hull insurance, private guarantee fidelity insurance schemes, insurance businesses carried on by organisations registered under Part VI of the Commonwealth *National Health Act 1953* and transport insurance policies. Reinsurance policies are not dutiable.

Non-life insurance revenue is expected to increase by \$32 million (5.0 per cent) in 2009-10 compared to the 2008-09 revised estimate, mainly reflecting an expected increase in non-life insurance premium rates for domestic home and motor vehicle classes.

Life insurance

Life insurance is any insurance or assurance in respect of life or lives, or an event or contingency relating to or depending on a life or lives, of persons domiciled in Victoria. Temporary or term life insurance is taxed once at the 5 per cent rate upon commencement of the policy. For whole of life insurance, duty is payable on the sum insured. Revenue is expected to be broadly unchanged in 2009-10 compared to the 2008-09 revised estimate.

Duty on compulsory third party premiums

Duty is payable on the value of compulsory third party premiums at a rate of 10 per cent. Compulsory third party premium revenue is expected to increase by \$6.1 million (4.6 per cent) in 2009-10 compared to the 2008-09 revised estimate. This growth reflects an expected increase in the number of motor vehicle registrations, as well as indexation in line with the CPI.

Insurance contributions to fire brigades

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 2009-10, revenue from insurance contributions to fire services is anticipated to increase by \$17 million (3.9 per cent) compared to the 2008-09 revised estimate and reflects continued investments in the State's emergency services such as modernising statewide emergency services communications and infrastructure, and funding increased demands on fire services to respond to major incidents.

Motor vehicle taxes

Motor vehicle taxes include registration fees and motor vehicle duty.

Vehicle registration fees

Motor vehicle registration fees are fees charged upon the registration of a vehicle and vary according to vehicle type and use of the vehicle. Pensioner and health care cardholders receive a 50 per cent concession on their motor vehicle registration fee while Department of Veteran Affairs gold cardholders receive a 100 per cent reduction on their motor vehicle registration fee.

Duty on vehicle registrations and transfer

Duty is levied on the 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. Victoria has the lowest stamp duty on new conventionally-powered passenger cars up to \$57 009, which includes most common Australian-made family cars. The rate scale is shown in Table 4.5.

Table 4.5: Motor vehicle duty rates

<i>Market value of vehicle</i>	<i>Duty payable</i>
For motor vehicles not previously registered:	
Passenger cars	
\$0 to \$57 009	\$5 per \$200 or part thereof on entire price
\$57 010 or more	\$10 per \$200 or part thereof on entire price
Other vehicles	
All values	\$5 per \$200 or part thereof on entire price
For motor vehicles previously registered, regardless of where:	
All values	\$8 per \$200 or part thereof on entire price

Source: Duties Act 2000

Aggregate motor vehicle taxation revenue is expected to grow by \$28 million (2.2 per cent) compared to the 2008-09 revised estimate.

Of this, registration fee revenue is forecast to increase by \$43 million (5.2 per cent) in 2009-10, as a result of an expected increase in registration volumes principally driven by household and population growth, increasing motor vehicle ownership, as well as the indexation of motor vehicle registration fees in line with growth in the CPI. Revenue from duty on motor vehicle transfers is expected to decrease by \$14 million (down 2.8 per cent) in 2009-10 compared to the 2008-09 revised estimate, as a result of declining volumes in car sales and also decreases in average duty paid due to changes in consumer preferences towards smaller vehicles.

Other taxes

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

Interest revenue

Interest revenue is estimated to be \$434 million in 2009-10, \$26 million or 6.4 per cent higher than the 2008-09 revised estimate. This mainly reflects a restoration of public account balances in 2009-10 for liquidity management purposes, following the impact of the Global Financial Crisis.

Dividends, income tax and rate equivalent revenue

This category of revenue comprises dividends, income tax and rate equivalent revenue received by the state from government business enterprises as detailed in Table 4.6.

Table 4.6: Dividends, income tax and rate equivalent revenue

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Dividends	361.2	255.3	-29.3
Income tax equivalent revenue	107.9	117.9	9.3
Local government rate equivalent revenue	5.1	6.2	21.8
Total dividends, income tax and rate equivalent revenue	474.2	379.4	-20.0

Source: Department of Treasury and Finance

Dividend, income tax and rate equivalent revenue is expected to be \$379 million in 2009-10, which is \$95 million (20.0 per cent) lower than the 2008-09 revised estimate, driven by a decline in dividend revenue.

Total dividend revenue is expected to decrease by \$106 million (29.3 per cent) in 2009-10. This is largely due to a decline in dividend revenue from the TAC reflecting reduced profitability during 2008-09 under challenging financial conditions.

Total income tax equivalent revenue is expected to increase by \$10 million (9.3 per cent) in 2009-10, mainly as a result of higher forecast profits for the metropolitan water sector.

Sales of goods and services

As reported in Table 4.1, revenue from sales of goods and services is estimated to be \$5 044 million in 2009-10, a decrease of 0.6 per cent or \$32 million on the 2008-09 revised estimate. This is due to 2008-09 being boosted by the anticipated refund from the Commonwealth Government under the National Disaster Relief arrangements of \$266 million for bushfire-related costs. The reduction in sales of goods and services and services revenue is partially offset by:

- an increase in inter sector capital asset charge revenue from VicTrack reflecting increased VicTrack asset values due to additional capital expenditure;
- increases in TAFE institutes fee revenue due to increased enrolments and fee adjustments; and
- CPI indexation of a range of fees and charges.

Note 4 of the Estimated Financial Statements, Budget Paper No.4, Chapter 1, *Estimated Financial Statements and Notes*, provides a breakdown by major category.

Other current revenue

Other revenue includes the fair value of assets received free of charge, royalties, donations and gifts and other miscellaneous income. These are shown in Table 4.7.

Table 4.7: Other current revenue

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Fair value of assets received free of charge or for nominal consideration	214.8	56.7	-73.6
Fines			
Traffic camera and on the spot fines	397.6	437.2	10.0
Other fines	73.0	69.3	-5.1
Total Fines	470.7	506.5	7.6
Royalties	48.7	48.9	0.4
Donations and gifts	210.5	267.4	27.1
Forgiveness of liability	..	..
Other non-property rental	15.3	15.3	0.4
Other miscellaneous income	723.8	807.9	11.6
Other current revenue	1 683.8	1 702.9	1.1

Source: Department of Treasury and Finance

In 2009-10 other revenue is expected to be \$1 703 million, or \$19 million (1.1 per cent) higher than the 2008-09 revised estimate. This is due to increases in donations and gifts, fines and other miscellaneous income but is partially offset by a decrease in fair value of assets received free of charge or for nominal consideration.

The decline in revenue from fair value of assets received free of charge or for nominal consideration reflects one-off transactions in 2008-09, such as land received for the Melbourne Recital Centre and the transfer of works carried out by the EastLink consortium to the State.

Other miscellaneous income is expected to increase by \$84 million to \$808 million in 2009-10. This is mainly due to the release of a further 330 wheelchair accessible taxi licences and 200 conventional taxi licences. These reforms are due to the government's response to the Essential Services Commission's *Taxi Fare Review 2007-08*.

Donations and gifts are expected to increase by 27.1 per cent to \$267 million in 2009-10, largely due to funding received from other states for various water projects and anticipated increased revenue by health services.

Fines revenue is expected to increase by 7.6 per cent to \$507 million in 2009-10. This increase includes additional revenue following the commencement of expanded road safety initiatives as part of *arrive alive 2*. The Government has invested in a number of road safety initiatives, including enhanced enforcement of speed restrictions, increasing the use of moving mode radar technology, additional drug and alcohol testing and extending the vehicle impoundment scheme. These initiatives will assist in reducing the impact of road trauma on the community, as set out in Victoria's road safety strategy, *arrive alive 2*.

GRANTS

The COAG has agreed to a new framework for federal financial relations. The new arrangements commenced 1 January 2009 and focus on removing prescriptions imposed by the Commonwealth on service delivery by the States, while moving to clearer roles and responsibilities and outcomes-based public accountability.

To drive national economic and social reforms, COAG also agreed to the establishment of a new stream of reform oriented National Partnerships. Through these payments, the Commonwealth will support the states and territories to undertake priority reforms and pursue continuous improvements in service delivery. More information on these reforms can be found in Budget Paper No. 2, Chapter 5, *Economic Reform Agenda*.

Table 4.8 provides summary information on the estimates for the various grant categories for the 2008-09 revised estimate and the 2009-10 Budget estimate.

Table 4.8: Grants

(\$ million)

	2008-09 Revised	2009-10 Budget	Change %
Current grants			
GST grants	9 347.9	9 415.1	0.7
General purpose grants	9 347.9	9 415.1	0.7
Other Commonwealth grants ^(a)	8 208.7	8 341.2	1.6
Other contributions and grants	144.2	92.6	-35.8
Total current grants	17 700.8	17 848.9	0.8
Capital grants			
Other Commonwealth grants ^(a)	950.4	3 596.1	278.4
Other contributions and grants	138.2	109.1	-21.0
Total capital grants	1 088.6	3 705.3	240.4
Total grants	18 789.4	21 554.1	14.7

Source: Department of Treasury and Finance

Note:

(a) Other Commonwealth grants equal 'other specific purpose grants' in Note 5 of Budget Paper No. 4 Chapter 1, Estimated Financial Statements.

Total grants are expected to increase by 14.7 per cent between 2008-09 and 2009-10 reflecting a 30.3 per cent increase in Other Commonwealth grants, mainly due to the Commonwealth's *Nation Building – Economic Stimulus Plan*, additional funding for the five new broad-banded specific purpose payments and funding for new National Partnerships. General purpose grants (GST grants) are only expected to grow by 0.7 per cent, reflecting the current economic downturn.

General purpose grants

In accordance with the *Intergovernmental Agreement on Federal Financial Relations*, the states and territories receive all GST revenue. The GST grant distributions between states and territories are determined by the GST relativities that are recommended by the Commonwealth Grants Commission (CGC) to the Commonwealth Government. These recommendations are underpinned by the principle of horizontal fiscal equalisation. The system is expected to distribute over \$41 billion in GST revenue in 2009-10.

The CGC attempts to comprehensively equalise the financial capacities of all states by conducting detailed assessments of capacity and disability for 13 revenue and 39 expenditure categories. The CGC updates its relativities annually to reflect movements in state circumstances, while the methodologies underpinning the annual updates are subject to detailed review by the CGC approximately every five years. The 2009 Update, released in March this year, was based on the application of the methodologies developed by the 2004 methodology review.

The 2009 Update recommended an increase in Victoria's relativity which means that Victoria will receive a slightly greater share of the GST pool in 2009-10. According to the CGC, the improvement in Victoria's 2009-10 relativity mainly reflects the increased relative capacity of other states, in particular Western Australia and Queensland, to raise revenue from mining and stamp duty on land transfers.

In 2009-10, GST grant payments are expected to be \$9 415 million which represents an increase of \$67 million (0.7 per cent), compared to the 2008-09 revised estimate. This compares with an estimated decline of 0.1 per cent in the estimated total GST pool, reflecting the economic downturn. Victoria's higher GST growth mainly reflects the increased share of the GST revenue pool principally as a result of the revised relativities outlined above.

2010 Commonwealth Grants Commission Review

Approximately every five years, the CGC reviews the methodology used to distribute the GST. A review to determine the methodology to apply from 2010-11 is currently underway (2010 Review) and will be complete in February 2010.

The 2010 Review is examining key issues such as whether the present method of GST distribution is appropriate and necessary, whilst retaining a comprehensive assessment of State fiscal capabilities. The 2010 Review aims to simplify the assessments and use more robust data and methods; it is also examining the size and trend of redistributions.

The 2010 Review will incorporate the new regime of Commonwealth payments to the States, which sees health care grants contribute to the distribution of the GST, rather than be part of the distributed pool, and Special Purpose Payments generally distributed on an equal per capita basis.

OTHER COMMONWEALTH GRANTS

Other Commonwealth grants in 2009-10 are expected to be \$11 937 million. The majority of the grants relate to the Department of Education and Early Childhood Development, the Department of Human Services, and the Department of Innovation, Industry and Regional Development, although there are a range of grants relating to other departments.

The total Other Commonwealth grants for 2009-10 are expected to increase by 30.3 per cent on 2008-09 revised. This increase principally reflects:

- additional funding of approximately \$1.7 billion over five years for the five new broadbanded specific purpose payments in the areas of healthcare, schools, skills, affordable housing and disability;

- new funding associated with the creation of a new stream of reform oriented National Partnerships to drive national economic and social reforms; and
- approximately \$5.0 billion from 2009-10 to 2011-12 for the *Nation Building – Economic Stimulus Plan* for timely economic stimulus aimed at improved nation building and supporting economic growth and jobs.

As part of the new framework for federal financial relations, payment arrangements have changed in regard to the receipt of many payments for Commonwealth grants. Previously, a large number of grant payments were paid directly to the relevant departments. However, under the new arrangements these grant payments are now paid directly to the Department of Treasury and Finance. More information can be found in Budget Paper No. 2, Chapter 5, *Economic Reform Agenda*.

Many Commonwealth grants are detailed in Table 4.9 below and are listed under the relevant department on the basis of responsibility of the service delivery.

Table 4.9: Payments for specific purposes and grants for on-passing

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Department of Education and Early Childhood Development			
National Education Agreement	694.1	759.6	9.4
Assistance to Non-Government Schools			
Assistance to non-government Schools	1 588.5	1 685.4	6.1
Targeted programs for non-government schools	65.3	68.4	4.7
Assistance to non-government Schools (Capital) – excluding Building the Education Revolution	37.0	38.7	4.6
Nation Building – Economic Stimulus Plan			
Building the Education Revolution			
National Schools Pride Program	62.8	146.6	133.4
Primary Schools of the 21st Century	97.6	1 074.3	1 000.7
Science and Language Centres ^(a)	...	140.6	..
National Schools Pride Program: Non-government schools	28.4	66.2	133.3
Primary Schools of the 21st Century: Non-government schools	46.2	508.6	1 000.8
Science and Language Centres: Non-government schools ^(a)	...	59.4	..
National Partnerships			
Early Childhood Education	7.4	15.3	106.8
Indigenous Early Childhood Development	1.0	5.0	400.0
Literacy and Numeracy	12.5	14.3	14.4
Low Socio-Economic Status School Communities	2.1	27.9	1 228.6
National Secondary Schools Computer Fund	179.1	42.4	-76.3
National Secondary Schools Computer Fund: Non-government schools	108.2	29.9	-72.4
Teacher Quality	1.6	3.4	112.5
Trade Training Centres in Schools ^(a)	68.8	77.6	12.8
Trade Training Centres in Schools: Non-government schools ^(a)	17.2	19.4	12.8

Table 4.9: Payments for specific purposes and grants for on-passing (continued)

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Department of Human Services			
National Disability Agreement	198.8	208.2	4.7
National Healthcare Agreement	2 528.5	2 710.7	7.2
National Partnerships			
Aged Care Assessment	17.7	18.6	5.1
Elective Surgery Waiting List Reduction Plan	48.0	11.6	-75.8
Hospital and Workforce Reform			
Activity Based Funding	9.7	...	-100.0
Taking Pressure of Public Hospitals	181.3	...	-100.0
Enhancing the Provision of Sub-Acute Services	125.1	...	-100.0
Preventive Health	...	0.6	-100.0
Commonwealth Own Purpose Expenses			
Australian Immunisation Agreement	105.8	46.8	-55.8
Highly Specialised Medicines	143.0	157.3	10.0
Home and Community Care Program	264.5	282.6	6.8
National Affordable Housing Agreement	259.5	265.8	2.4
Nation Building – Economic Stimulus Plan			
Social Housing	64.4	1 009.5	1 467.5
National Partnerships			
Homelessness	4.9	18.8	283.7
Indigenous Housing	5.8	4.5	-22.4
Social Housing	49.6	49.6	..
Department of Innovation Industry and Regional Development			
National Agreement for Skills and Workforce Development	324.9	326.3	0.4
Australian Synchrotron	10.0	10.0	..
National Partnerships			
Productivity Places Program	25.8	68.9	167.1
Department of Justice			
National Partnerships			
Victorian Legal Aid	33.0	28.9	-12.4
Department of Primary Industries			
National Partnerships			
Exceptional Circumstances Relief Payments	63.0	59.4	-5.7
Department of Sustainability and Environment			
National Partnerships			
Caring for Our Country	48.6	45.4	-6.6
Living Murray	13.1	21.3	62.6
Department of Transport			
Nation Building – Economic Stimulus Plan			
Black Spot Program / Boom Gates	21.1	54.3	157.3
National Partnerships			
Nation Building (<i>AusLink II</i>)	336.3	527.3	56.8

Table 4.9: Payments for specific purposes and grants for on-passing (continued)

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Department of Treasury and Finance			
National Partnerships			
Commonwealth New Home Grant	202.6	103.3	-49.0
Commonwealth Grants to Local Government	444.2	446.0	0.4
All other payments for specific purposes and grants for on-passing	612.1	678.6	10.9
Total payments for specific purposes and grants for on-passing	9 159.1	11 937.3	30.3

Source: Department of Treasury and Finance – based on information available as at 29 April 2009

Note:

(a) Funding is based on an estimate of the possible Victorian share of Commonwealth funding, the actual share may vary and is yet to be determined.

Education and Early Childhood Development

National Education Agreement

The funding delivered under the National Education Agreement will provide a strong foundation for reforms in the schooling sector which will better link investment in schooling to improved educational outcomes. It demonstrates the commitment of all Australian governments to ensuring that all school students acquire the knowledge and skills to participate effectively in society and employment in a globalised economy. Consistent with the new approach to intergovernmental financial relations, the assistance is free from input controls and the State may determine the best allocation of resources to the delivery of educational outputs.

Assistance to non-government schools

Commonwealth Government 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. Non-government school funding is provided through the *School Assistance Act 2008* as well as through participation in National Partnership agreements with the Commonwealth.

The general current grant for non-government schools represents the introduction of new Commonwealth initiatives as well as anticipated enrolment growth and estimated indexation as determined by the movement in the Average Government School Recurrent Cost.

In addition to this, a significant level of new funding in 2009-10 is expected to flow to non-government schools through the Building the Education Revolution and other *National Partnerships*.

Nation Building – Economic Stimulus Plan

Building the Education Revolution

Funding is provided as part of the Commonwealth Government's \$42 billion *Nation Building – Economic Stimulus Plan* (Building the Education Revolution). For Government schools, the funding will be used collaboratively with the State Government Victorian Schools Plan funding to ensure that the opportunities provided to schools are maximised. These investments recognise that high quality school infrastructure is critical to delivering excellent educational outcomes and demonstrates the commitment of the Commonwealth and State governments in working together to ensure immediate construction activity to stimulate the economy and create jobs. The funding is provided through: National School Pride program; Primary Schools for the 21st Century; and Science and Language Centres in Secondary Schools.

National School Pride

Funding is provided for a National School Pride program to enable primary and secondary government and non-government schools to undertake construction of small scale infrastructure and/or minor refurbishment projects.

Primary Schools for the 21st Century

Funding is provided to Primary Schools for the 21st Century. The funding will enable the building of major new infrastructure for government and non-government primary schools and special schools, including for new facilities such as libraries, multipurpose halls, classrooms or the upgrade of existing facilities.

Science and Language Centres in Secondary Schools

Funding will be provided for science and language centres in government and non-government secondary schools. This funding will be on a contestable basis and will flow to those government Victorian secondary schools that have the greatest need as well as a demonstrated capacity to be able to build the facilities within 2009-10.

National Partnerships

Early Childhood Education

Funding is provided to assist Victoria to work towards the Council of Australian Governments' target of access to 15 hours of early childhood education per week for all children in the year before school by 2013.

Indigenous Early Childhood Development

Funding is provided to address the high levels of disadvantage experienced by Indigenous children in Victoria and provides funding for two Children and Family Centres, additional maternal and child health services, antenatal care services for Indigenous women under 20 and teenage reproductive and sexual health programs.

Literacy and Numeracy

Funding is provided for a range of systematic reforms to improve the quality of teaching and leadership in Victorian schools, improve educational outcomes and reduce educational inequities. It is anticipated that non-government schools will also participate in this National Partnership.

Low Socio-economic Status School Communities

Funding is provided to support a suite of school and community reforms designed to provide high quality teaching for participating schools, increase flexibility for principals, strengthen school accountability and improve partnerships between schools and the community. It is anticipated that non-government schools will also participate in this National Partnership.

National Secondary School Computer Fund

Funding will be provided to government and non-government schools for the purchase and deployment of computers under the National Secondary School Computer Fund, part of the Commonwealth's Digital Education Revolution election commitment.

Teacher Quality

Funding for the National Partnership in Teacher Quality acknowledges that improving and maintaining the quality of the teaching workforce in this country will be fundamental to any overall improvements in Australian schooling. It is anticipated that non-government schools will also participate in this National Partnership.

Trade Training Centres in Schools

Funding for government and non-government schools has been estimated as part of the Commonwealth Government's *Trade Training Centres in Schools* program. The allocation of Commonwealth funding in these areas is yet to be finalised. The Trade Training Centres are being established to help increase the proportion of students achieving Year 12 or an equivalent qualification and help address skill shortages in traditional trades and emerging industries. Schools will have an opportunity to apply for Commonwealth funding to build new, or upgrade existing, trade or vocational education and training facilities.

Human Services – Disability

National Disability Agreement

The Agreement provides funding for the disability services sector to achieve mutually agreed objectives as set out in the National Disability Agreement. The Agreement will contribute to the overall objective of ensuring that people with a disability and their carers have an enhanced quality of life and participate as valued members of the community. The Agreement also contributes to reforms in disability services, including improved access to disability care, consideration of nationally consistent assessment schemes and quality assurance systems.

Human Services – Health

National Healthcare Agreement

The National Healthcare Agreement provides funding to ensure that free public hospital services continue for the community and to put public hospital funding on a more sustainable footing. The Agreement encompasses the collective efforts of Commonwealth, state and territory governments on prevention, primary and community care, hospital and related care and aged care. The Agreement encompasses a broad range of hospital services, including emergency department presentations, outpatient appointments, same day presentations and overnight separations.

National Partnerships

Aged Care Assessment

Aged Care Assessment provides funding to ensure that older people (and in some exceptional circumstances younger people with disabilities) have access to services appropriate to meet their support needs. The funding allows for assessment of the physical, medical, psychological and social care needs of clients; development of a care plan with the individual and their carer/family along with provision of information and support to clients about appropriate services and referral to services which are available to meet clients' needs and preferences. The assessment determines eligibility for Commonwealth funded residential care facilities, community aged care, extended aged care at home, dementia and transition care program places, if appropriate.

Elective Surgery Waiting List Reduction Plan

The Elective Surgery Waiting List Reduction Plan provides funding to increase physical capacity and elective surgery throughput by redeveloping facilities, purchasing surgical equipment and technology and developing innovation initiatives.

Hospital and Health Workforce Reform

Activity Based Funding

This funding commits the Commonwealth and states to reforms in relation to accountability and performance of the health and hospital system and a range of health outcomes. This includes reporting against a number of performance measures to address outcomes including: preventable disease and injuries; timely access to hospital services, general practitioners, dental and other primary health care professionals; life expectancy, including the gap between Indigenous and non-Indigenous Australians; waiting times for services; and net growth in the health workforce.

Taking Pressure off Public Hospitals

Funding will be provided for *Taking Pressure off Public Hospitals* to relieve pressure on public hospital emergency departments. This is largely in recognition that emergency departments are increasingly treating patients who could otherwise be treated by primary care type services. In addition, the Commonwealth is undertaking reform in the primary care sector.

Enhancing the Provision of Sub-Acute Services

The funding to be provided for *Enhancing the Provision of Sub Acute Services* aims to improve health outcomes, functional capacity and quality of life of patients by increasing the volume and quality of sub-acute care services in both hospital and community settings. This will enable many older people to leave hospital and help free up hospital beds and reduce hospital readmission rates.

Preventive Health

The *National Partnership Agreement on Preventive Health* provides funding to tackle preventive health issues. This funding will lead to reductions in the proportion of people who smoke, are at an unhealthy bodyweight and/or do not meet national guidelines for physical activity and healthy eating. Funding in 2009-10 precedes significant investment from 2011-12.

Commonwealth Own Purpose Expenses

Australian Immunisation Agreement

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 immunisation to eligible cohorts and improved vaccine management.

Highly Specialised Medicines

The Commonwealth provides funding for a list of highly specialised medicines with a high unit cost that have a significant role in maintaining patients in a community setting. The Commonwealth provides these funds to reimburse hospitals that have supplied the highly specialised medicines to community patients. The medicines that are funded are for chronic conditions that, because of their clinical use or special features, are restricted to supply through hospitals that have access to appropriate specialist facilities.

Home and Community Care Program

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.

Human Services – Housing

National Affordable Housing Agreement

The *National Affordable Housing Agreement* provides funding to support the provision of affordable, safe and sustainable housing that contributes to economic and social participation. The Agreement encompasses a broad range of housing issues including outcomes for people who are homeless and at risk of homelessness, rental housing, home purchase, an efficient and responsive housing market, and reducing Indigenous housing disadvantage. The Commonwealth and the States have also committed to ongoing reform in the housing sector.

Nation Building – Economic Stimulus Plan

Social Housing

The *Nation Building – Economic Stimulus Plan* was established to meet the twin objectives of significantly increasing the supply of social housing and supporting economic growth and jobs. The once-off injection of funding will enable construction of around 5 000 new dwellings in Victoria and the refurbishment of existing stock that would otherwise be unavailable for occupancy. The majority of new housing provided under this agreement will be completed by the end of 2010.

In addition to providing a stimulus to the building and construction industry, the Agreement will also drive significant reform of social housing through consolidation of waiting lists, growth of the not-for-profit housing sector, funding reform and reducing concentrations of disadvantage.

National Partnerships

Homelessness

The *National Partnership Agreement on Homelessness* commits the Commonwealth and States to work together towards the objectives of achieving a 50 per cent reduction in homelessness, and an end to primary homelessness, by 2020.

Actions undertaken by individual jurisdictions will be linked to a national strategic approach focused on three key themes of investing in effective prevention and early intervention, breaking the cycle of homelessness, and reforming the homelessness service system to improve integration between mainstream and homeless specific services and enhance service quality.

Indigenous Housing

Through the *National Partnership Agreement on Remote Indigenous Housing*, funding will be provided to facilitate the transfer of responsibility for Indigenous Community Housing Organisations' properties from the Commonwealth to Victoria.

Social Housing

The *National Partnership Agreement on Social Housing* provides funding to increase the supply of social housing dwellings, which will enable more disadvantaged households and homeless people to access safe and secure housing. The Commonwealth and the States have also agreed to consider further reforms to address supply shortfalls and consider the possible payment of Commonwealth funding through means such as Commonwealth Rent Assistance.

Innovation, Industry and Regional Development

National Agreement for Skills and Workforce Development

Commonwealth funding for VET is now distributed under the *National Agreement for Skills and Workforce Development*. The Agreement focuses on outcomes and provides greater policy flexibility to the State. The outcomes and targets contained in the agreement are long-term and aspirational. However, the State is expected to make substantive progress towards these outcomes and targets over the life of the Agreement.

The 2008-09 figures are a combination of the new Agreement and the previous *Skilling Australia's Workforce Specific Purpose Agreement*.

Australian Synchrotron

The Commonwealth Government is making a \$50 million contribution over 5 years towards the Australian Synchrotron. The Commonwealth and the Victorian Governments have agreed to jointly contribute to the operating costs of the Australian Synchrotron under a deed of agreement.

National Partnerships

Productivity Places Program

Victoria has signed an Intergovernmental Agreement for additional training delivery in Victoria under the *Productivity Places Program* which commenced on 1 January 2009. This Agreement states that Victoria and the Commonwealth Government will work together to increase both the number of people with qualifications and the number of people with higher level qualifications.

Justice

National Partnerships

Victorian Legal Aid

For the *National Partnership Agreement on Legal Aid* the Commonwealth has provided funding of \$29 million in 2009-10 for a share of the service delivery costs of Victorian Legal Aid on Commonwealth law matters.

Primary Industries

National Partnerships

Exceptional Circumstances Relief Payments

In the *National Partnership Agreement on Exceptional Circumstances Relief* payments the Commonwealth has provided grant payments of \$59 million in 2009-10 for drought assistance for farmers and farm-related small businesses in drought declared areas in Victoria.

Sustainability and Environment

National Partnerships

Caring for Our Country

Caring for our Country commenced on 1 July 2008 and integrates delivery of the Australian Government's previous natural resource management programs, including the *Natural Heritage Trust*, the *National Landcare Program*, the *Environmental Stewardship Program* and the *Working on Country Indigenous Land and Sea Ranger* program.

Funding of \$45 million during 2009-10 is provided to address key environmental issues including species and habitat loss, salinity and water quality, coastal and peri urban pressures, productive and sustainable landscapes, developing community capacity, climate change, Indigenous community and local government engagement.

Living Murray

The *Living Murray* program was established in 2002 to restore the health of the Murray River by returning water to the river's environment. It is a partnership between the Commonwealth, NSW, Victorian, SA and ACT governments. In December 2008, the Murray Darling Basin Authority assumed responsibility for all of the functions of the former Murray–Darling Basin Commission, including responsibility for this program.

The program's first step started in 2004, and finishes in 2009. It focuses on recovering 500 gegalitres of water for the Murray River specifically for the benefit of plants, animals and the millions of Australians it supports, along with improving the environment at six icon sites: Barmah–Millewa Forest; Gunbower–Koondrook–Perricoota Forest; Hattah Lakes; Chowilla Floodplain and Lindsay–Wallpolla Islands; Lower Lakes, Coorong and Murray Mouth; and Murray River Channel. Funding for the 2009-10 year is expected to be \$21 million.

Transport

Nation Building – Economic Stimulus Plan

Black Spot Program / Boom Gates

The Commonwealth has made a contribution of \$75 million under its *Nation Building – Economic Stimulus Plan* announced in February 2009. This funding has been allocated to Black Spot Program on the National Network and new boom gates for level crossings in the 2008-09 and 2009-10 year.

National Partnerships

Nation Building (AusLink II)

In early 2009, the State and Commonwealth Governments entered into a memorandum of understanding for agreed rail and road projects to be delivered under the *Nation Building Program* (which includes *National Network* construction projects, formerly named *AusLink II*). Over the program timeframe 2009-2014, the Commonwealth Government will make a funding contribution of over \$2.0 billion towards the agreed projects TEI.

Treasury and Finance

National Partnerships

Commonwealth New Home Grant

On 14 October 2008, the Commonwealth announced the *First Home Owners Boost*, which provides one-off financial assistance to eligible first home buyers of \$7 000 for an established home and \$14 000 for a new home or a newly constructed home. While administered by the states and territories, it is fully funded by the Commonwealth. The decline in grants in 2009-10 for the Commonwealth's *First Home Owner Boost* is due to it only being available for eligible home purchases until 30 June 2009 and therefore most payments will occur in 2008-09.

Commonwealth Grants for on-passing to Local Government

The State receives Commonwealth grants which are on-passed to local government authorities. In such cases, the State simply acts as the vehicle for distributing the Commonwealth funds. Commonwealth grants for on-passing to local government in 2009-10 are estimated to be \$446 million. These grants are detailed in Table 4.10.

Table 4.10: Commonwealth Grants for On-passing to Local Government

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Financial assistance grants to local government (operating)	324.4	325.7	0.4
Identified local roads grants to local government	119.8	120.3	0.4
Total grants to local government	444.2	446.0	0.4

Source: Department of Treasury and Finance

Financial assistance grants to local government (operating)

An equal per capita basis for distributing total assistance to the states and territories occurs pursuant to the *Local Government (Financial Assistance) Act 1995*. These grants are estimated to increase by 0.4 per cent to \$326 million in 2009-10.

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 0.4 per cent to \$120 million in 2009-10.

CHAPTER 5 – TAX EXPENDITURES AND CONCESSIONS

TAX EXPENDITURES

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

Table 5.1 shows aggregate tax expenditure estimates by the main categories of tax for the period 2008-09 to 2012-13. Tax expenditures are estimated to increase gradually over the forward estimates, reflecting the impact of the Global Financial Crisis. Between 2008-09 and 2012-13, total estimated tax expenditures excluding thresholds are expected to increase by \$194 million. Land tax expenditures are expected to grow in line with the tax revenue profile. Estimates of payroll tax expenditures are anticipated to increase modestly, reflecting the slowdown in wage and employment growth forecasts in the coming years.

Table 5.1: Aggregate tax expenditures (excluding thresholds) by type of tax

Description	(\$ million)				
	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Land tax	1 749	1 723	1 681	1 640	1 767
Payroll tax	757	785	813	841	869
Gambling tax	77	77	80	83	87
Motor vehicle taxes	79	82	85	88	92
Other stamp duties ^(a)	181	195	220	216	218
Congestion levy	33	33	34	35	36
Total estimated tax expenditures	2 876	2 896	2 912	2 903	3 069

Source: Department of Treasury and Finance.

Note:

(a) Principally stamp duty on land transfer.

Table 5.2 lists the estimated individual tax expenditures that can be costed for the period 2008-09 to 2012-13 (including tax free thresholds). The total value of tax assistance provided by the Government is estimated at \$4.9 billion in 2009-10, increasing to \$5.1 billion by 2012-13.

Table 5.2: Tax expenditures that can be costed (including thresholds)

Description	(\$ million)				
	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Land tax exemptions					
Crown Property (right of Victoria)	163	161	157	153	165
Principal place of residence	783	771	752	734	791
Land held in trust for public or municipal purposes or vested in any municipality	111	109	107	104	112
Land used by a charitable institution	31	31	30	29	31
Commonwealth land	173	170	166	162	175
Land used for primary production	270	266	259	253	273
Land vested in a public statutory authority	143	141	138	134	145
Land used for the City Link network	20	20	19	19	20
Land used for EastLink	10	10	10	10	10
Assessment on a single holding basis for land owned by a municipality	4	4	4	3	4
Partial exemption for non-profit organisations solely for social, sporting, cultural, literary purposes; or horse, pony or harness racing	6	6	6	5	6
Assessment on a single holding basis for land owned by a charity	4	4	3	3	4
Retirement villages	8	8	8	8	8
Non-profit organisation providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	15	15	15	14	15
Associations of ex-servicemen	..	..	..	..	..
Caravan parks	3	3	3	3	3
Residential care facilities	4	4	4	4	5
Low cost accommodation	..	..	..	..	..
Aggregated site value below tax free threshold	66	65	63	62	67
Total land tax expenditures	1 815	1 788	1 744	1 701	1 834
Payroll tax exemptions					
Wages paid by public hospitals	218	226	233	241	249
Wages paid by a public benevolent institution/charity	217	225	232	241	249
Wages paid by a non-profit, non-public school	121	125	129	134	138
Commonwealth departments/agencies (not transport and communication)	40	41	43	44	45
Wages paid by non-profit hospitals	44	46	47	49	51
Municipal councils (not wages for trading activities)	93	96	100	103	107

Table 5.2: Tax expenditures that can be costed (including thresholds)

Description	(\$ million)				
	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986</i> (Cwlth)	18	20	20	21	22
Religious institutions	4	4	4	4	4
Construction industry leave entitlements paid by CoINVEST	2	2	2	2	2
Paid maternity leave	1	1	1	1	1
Government school councils	..	..	1	1	1
Wages paid to employees participating in voluntary emergency service work	..	..	..	..	..
Employers' payroll below \$550 000	1 941	1 933	1 944	1 975	2 003
Total payroll tax expenditures	2 698	2 718	2 757	2 815	2 872
Congestion levy tax exemptions					
Residential	2	2	2	2	2
Commercial and private	11	11	12	12	12
Short stay car parks	19	20	21	21	22
Total congestion levy tax exemptions	33	33	34	35	36
Gambling tax exemptions					
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	77	77	80	83	87
Total gambling tax expenditures	77	77	80	83	87
Motor vehicle tax expenditures					
Motor vehicle registration fee for eligible beneficiaries	64	67	69	72	75
Registration fee for primary production vehicle (4.5 tonnes or less)	13	13	13	14	14
Exemption for non-commercial vehicle owned by incapacitated war service pensioner	1	1	1	1	1
Motor vehicle duty concession for incapacitated and disabled persons	..	..	..	..	..
Motor registration discount for hybrid cars	..	..	..	1	2
Total motor vehicle tax expenditures	79	82	85	88	92
Other stamp duties exemptions ^(a)					
Stamp duty for corporate reconstruction	66	71	86	86	86
Conveyance duty concession for first home buyers with families	..	..	..	..	..
Conveyance duty concession for pensioners and concession cardholders	45	48	52	51	52
Stamp duty for principal place of residence	70	75	81	79	80
Total other stamp duties expenditures	181	195	220	216	218
Total estimated tax expenditures	4 883	4 894	4 920	4 939	5 139

Source: Department of Treasury and Finance

Notes:

(a) Principally stamp duty on land transfer.

Table 5.3 provides the ratio of tax expenditure to revenue by the main categories of tax in 2008-09. The ratio of tax expenditures (excluding thresholds) to tax revenue in 2008-09 is estimated at 23 per cent, compared with 18 per cent in 2007-08. This increase is driven by an increase in the ratio for land transfer duty and an increase in the relative importance of land tax, which has a high ratio of tax expenditures.

Table 5.3: Ratio of aggregate tax expenditures (excluding thresholds) to tax revenue in 2008-09

Description	(\$ million)		
	Tax expenditure	Tax revenue	Ratio
Land tax	1 749	1 237	1.41
Payroll tax	757	4 023	0.19
Gambling tax	77	1 625	0.05
Motor vehicle taxes	79	1 320	0.06
Other stamp duties ^(a)	181	2 903	0.06
Congestion levy	33	42	0.77
Other/miscellaneous	..	1 569	..
Total for items estimated	2 876	12 720	0.23

Source: Department of Treasury and Finance.

Note:

(a) Principally stamp duty on land transfer.

Table 5.4 provides a grouping of estimated tax expenditures to particular persons or entities based on the legal incidence of state taxes. Total aggregate expenditures are set to increase by \$194 million between 2008-09 and 2012-13, driven by increases in tax expenditures for hospitals, charitable organisations, business, educational institutions, property owners and local government.

Table 5.4: Aggregate tax expenditures (excluding thresholds) classified by persons or entities affected

<i>Description</i>	<i>(\$ million)</i>				
	<i>2008-09 Estimate</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>	<i>2012-13 Estimate</i>
Business	149	157	173	174	178
Construction industry	2	2	2	2	2
Charitable organisations	252	259	266	273	284
Educational institutions	121	125	130	135	139
Gambling clubs	77	77	80	83	87
Commonwealth and state government	519	513	503	493	530
Local government	208	210	210	211	223
Hospitals	262	271	281	290	300
Pensioners/concession cardholders	119	125	131	132	136
Property owners	858	851	838	817	876
Primary producers	283	279	273	267	287
Religious institutions	4	4	4	4	4
Sporting, recreation and cultural organisations	21	21	20	20	21
Other	2	2	2	2	3
Total for items estimated	2 875	2 896	2 912	2 903	3 069

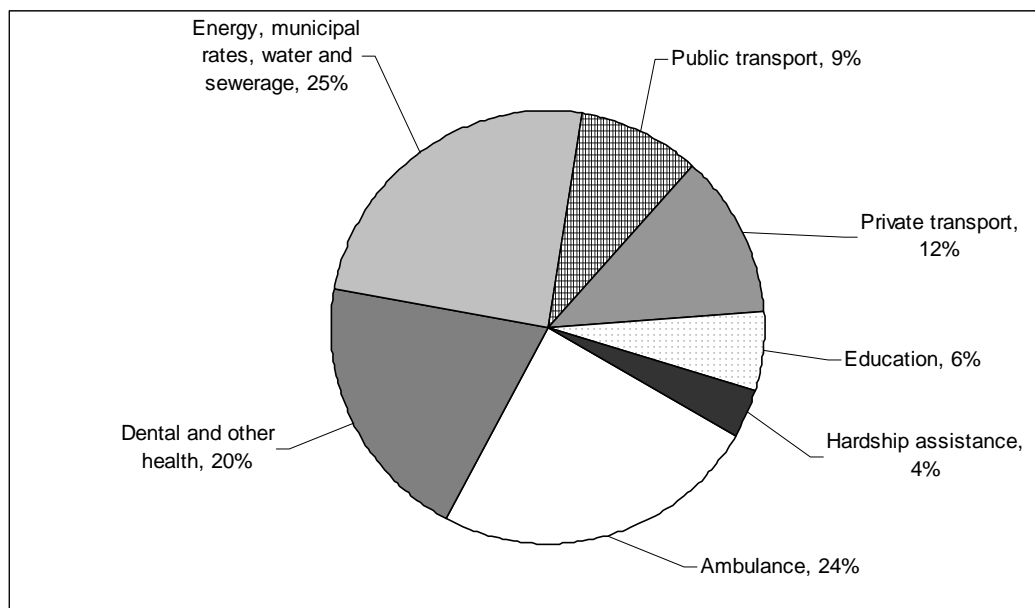
Source: Department of Treasury and Finance.

CONCESSIONS

Concessions are a direct budget outlay or reduction in government charges that have the effect of reducing the price of a good or service for particular groups. Certain characteristics of the consumer, such as possession of a Commonwealth pension card or a health care card, are the basis for entitlement. Concessions allow certain groups in the community to access and/or purchase important amenities like energy, health and transportation at a cheaper rate or zero cost.

Chart 5.1 shows the estimated distribution of concessions by category for 2008-09. The majority of concessions are concentrated in health, accounting for 44 per cent of total concessions. Energy, municipal rates, water and sewerage is the next largest category, accounting for 25 per cent of total concessions in 2008-09, while transport accounts for 21 per cent of total concessions. Education represents 6 per cent of total concessions and hardship assistance accounts for 4 per cent.

Chart 5.1: Estimated concessions by category 2008-09



Source: Department of Treasury and Finance.

Table 5.5 classifies the major concessions provided by the Victorian Government by category. The estimated total value of major concessions in 2008-09 is \$1 192 million. Any change in the economic outlook will impact on the estimates of concessions.

Table 5.5: Concessions by category

Description	(\$ million)		
	2007-08 Estimate	2008-09 Estimate	2009-10 Estimate
Energy, municipal rates, water and sewerage	268	295	319
Education	70	71	76
Health	506	529	558
Hardship assistance	23	42	44
Transport	247	256	266
Total for items estimated	1 115	1 192	1 262

Source: Department of Treasury and Finance.

The energy, municipal rates, water and sewerage category consists of concessions for electricity and gas usage, municipal rates, water and sewerage charges and other small concessions related to energy usage. In 2009-10, the water and sewerage concession cap was increased to assist with the expected water price rise due 1 July 2009. Additional funding was provided to assist the most vulnerable members of the Victorian community to afford water, by providing water audits and retrofits through the Water Wise program.

As reported in the *2008-09 Budget Update*, amendments were made to the education category for concessions. The student transport (conveyance allowance) and the school start bonus have been removed from the table, as the education programs are not income tested and are available to all students, thus they do not meet the definition of concessions. Education concessions now only include the education maintenance allowance and concessions for pre school.

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

The hardship assistance programs category includes utility relief, capital grant schemes and trustee services. These schemes provide one-off assistance to concession holders for, among other things, the upgrade of essential appliances or to pay utility bills in the event of an unforeseen financial crisis. Trustee services include the provision of administration services for people unable to manage their own financial affairs.

Transport concessions consist of a discount on Transport Accident Commission premiums for pensioners and funding for the Multi-Purpose Taxi program, as well as public transport concessions.

CHAPTER 6 – PUBLIC ACCOUNT

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

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

The Trust Fund

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

Table 6.1: The Consolidated Fund

Estimated receipts and payments for the year ended 30 June 2009 and for the year ended 30 June 2010.

(\$ million)			
	2008-09 Budget	2009-10 Budget	Variation %
Receipts			
Taxation	13 380	13 098	(2.1)
Fines and regulatory fees	600	635	5.9
Grants received	14 778	17 764	20.2
Sales of goods and services (including Section 29 FMA annotated)	733	853	16.4
Interest received	40	41	2.5
Public authority income	702	389	(44.6)
Other receipts	3 296	3 214	(2.5)
Total operating activities	33 530	35 994	7.4
Total cash inflows from investing and financing	71	149	110.2
Total receipts	33 601	36 144	7.6
Payments			
Special appropriations	2 287	2 273	(0.6)
Appropriations ^(a)			
Provision of outputs	27 294	29 738	9.0
Additions to the net asset base	2 515	3 314	31.8
Payments made on behalf of the State	2 083	2 420	16.2
Receipts credited to appropriation			
Provision of outputs	1 902	3 233	70.0
Additions to the net asset base	192	1 983	934.5
Sub total	36 273	42 961	18.4
Applied appropriations remaining unspent	(147)	(326)	121.5
Total payments	36 125	42 635	18.0

Source: Department of Treasury & Finance.

Note:

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

Table 6.2: Consolidated Fund receipts

(\$ thousand)

	2008-09 Budget	2009-10 Budget	Variation %
Operating receipts			
Taxation			
Payroll tax	4 391 385	4 538 808	3.4
Land Tax	1 049 939	1 218 030	16.0
Congestion levy	39 239	43 111	9.9
Duties from financial and capital transactions			
Land transfer duty	3 817 929	3 252 490	(14.8)
Other duties	5 039	3 803	(24.5)
Financial accommodation levy	32 056	54 227	69.2
Levies on Statutory Corporations	73 700	73 700	..
Gambling			
Private lotteries	403 099	400 582	(0.6)
Electronic gaming machines	1 025 018	1 004 597	(2.0)
Casino taxes	135 026	144 432	7.0
Racing	129 379	133 085	2.9
Other gambling	7 707	9 318	20.9
Insurance	782 885	823 798	5.2
Motor vehicle			
Road Safety Act (Registration Fees)	836 969	872 161	4.2
Duty on vehicle registrations and transfers	581 525	483 912	(16.8)
Liquor licence fees	7 800	12 051	54.5
Other taxes ^(a)	61 702	29 522	(52.2)
Total	13 380 398	13 097 626	(2.1)
Fines and regulatory fees			
Fines ^(b)	365 631	383 382	4.9
Regulatory fees ^(b)	234 353	252 054	7.6
Total	599 984	635 436	5.9
Grants received			
Grants received by department ^(c)			
Department of Education and Early Childhood Development	654 657	117 329	(82.1)
Department of Human Services	3 392 996	213 173	(93.7)
Department of Innovation, Industry and Regional Development	5 000	10 000	100.0
Department of Justice	55 225	..	(100.0)
Department for Planning and Community Development	..	..	..
Department of Premier and Cabinet	..	..	..
Department of Primary Industries	46 400	10 700	(76.9)
Department of Sustainability and Environment	74 189	..	(100.0)
Department of Transport	267 955	..	(100.0)
Department of Treasury and Finance	10 281 400	17 413 214	69.4
Parliament	..	..	..
Total	14 777 822	17 764 416	20.2

Table 6.2: Consolidated Fund receipts (continued)

	(\$ thousand)		
	2008-09 Budget	2009-10 Budget	Variation %
Sales of goods and services	733 255	853 345	16.4
Interest received	40 009	41 009	2.5
Public authority income			
Public authority dividends	420 967	255 103	(39.4)
Public authorities income tax equivalent receipts	279 013	127 451	(54.3)
Public authorities local government tax equivalent receipts	2 300	6 247	171.6
Total	702 279	388 801	(44.6)
Other receipts			
Land rent received	14 436	14 350	(0.6)
Royalties received	41 661	48 610	16.7
Other ^(d)	3 239 989	3 150 879	(2.8)
Total	3 296 086	3 213 839	(2.5)
Total operating activities	33 529 832	35 994 472	7.4
Cash inflows from investing and financing			
Other loans	655	655	..
Other	70 288	148 442	111.2
Total cash inflows from investing and financing	70 943	149 097	110.2
Total Consolidated Funds receipts	33 600 775	36 143 569	7.6

Source: Department of Treasury & Finance.

Notes:

- (a) Other taxes include Concessional Fees (Transurban).
- (b) Fines and regulatory fees differ from past publications due to reclassification of bad and doubtful expenses.
- (c) Movements in amounts between 2008-09 Budget and 2009-10 Budget are due to revised funding arrangements following the Council of Australian Government reforms whereby Commonwealth Revenue is paid directly to the Department of Treasury and Finance.
- (d) Includes Capital Assets Charge.

Table 6.3: Consolidated Fund appropriations – Summary

(\$ thousand)

	2008-09 Budget	2009-10 Budget	Variation %
Education and Early Childhood Development			
Special appropriations	250	250	..
Annual appropriations ^(a)	7 206 489	9 398 362	30.4
Total	7 206 739	9 398 612	30.4
Human Services			
Special appropriations	1 265 465	1 282 986	1.4
Annual appropriations ^(a)	11 163 165	13 331 035	19.4
Total	12 428 630	14 614 021	17.6
Innovation, Industry and Regional Development			
Special appropriations	..	..	..
Annual appropriations ^(a)	1 516 959	1 776 893	17.1
Total	1 516 959	1 776 893	17.1
Justice			
Special appropriations	153 628	165 185	7.5
Annual appropriations ^(a)	3 498 945	3 862 730	10.4
Total	3 652 573	4 027 915	10.3
Planning and Community Development			
Special appropriations	101 801	98 867	(2.9)
Annual appropriations ^(a)	610 108	538 864	(11.7)
Total	711 909	637 731	(10.4)
Premier and Cabinet			
Special appropriations	6 230	6 566	5.4
Annual appropriations ^(a)	483 269	596 980	23.5
Total	489 499	603 546	23.3
Primary Industries			
Special appropriations	..	..	..
Annual appropriations ^(a)	532 811	699 353	31.3
Total	532 811	699 353	31.3
Sustainability and Environment			
Special appropriations	3 600	3 820	6.1
Annual appropriations ^(a)	1 432 708	1 354 706	(5.4)
Total	1 436 308	1 358 526	(5.4)
Transport			
Special appropriations	43 572	64 120	47.2
Annual appropriations ^(a)	5 177 223	6 420 233	24.0
Total	5 220 795	6 484 353	24.2
Treasury and Finance			
Special appropriations	691 906	611 971	(11.6)
Annual appropriations ^(a)	2 247 049	2 587 393	15.1
Total	2 938 955	3 199 364	8.9

Table 6.3: Consolidated Fund appropriations – Summary (continued)

(\$ thousand)

	2008-09	2009-10	Variation
	<i>Budget</i>	<i>Budget</i>	%
Parliament			
Special appropriations	20 893	39 597	89.5
Annual appropriations ^(a)	116 528	121 392	4.2
Total	137 421	160 989	17.2
Total special appropriations	2 287 345	2 273 362	(0.6)
Total annual appropriations	33 985 253	40 687 941	19.7
Total appropriations	36 272 598	42 961 303	18.4

Source: Department of Treasury and Finance.

Notes:

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

Table 6.4: Consolidated Fund payments: special appropriations

(\$ thousand)

	2008-09 Budget	2009-10 Budget	Variation %
Education and Early Childhood Development			
Education and Training Reform Act No. 24/26 of 2006, Section 5.6.8 – Volunteer Workers Compensation	250	250	..
Total	250	250	..
Human Services			
Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund	11 670	12 234	4.8
Casino Control Act No. 47 of 1991, Section 114B – Hospitals and Charities Fund	10 833	10 833	..
Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)	9 150	17 752	94.0
Gambling Regulation Act No. 114 of 2003, Section 3.6.4 – Hospitals and Charities Fund	117 369	116 127	(1.1)
Gambling Regulation Act No. 114 of 2003, Section 3.6.11 – Hospitals and Charities Fund and Mental Health Fund	633 586	644 211	1.7
Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 – Hospitals and Charities Fund	129 379	133 085	2.9
Gambling Regulation Act No. 114 of 2003, Section 5.4.6 – Hospitals and Charities Fund and Mental Health Fund	351 688	347 080	(1.3)
Gambling Regulation Act No. 114 of 2003, Section 6.3.3 – Hospitals and Charities Fund and Mental Health Fund	1 790	1 664	(7.0)
Total	1 265 465	1 282 986	1.4
Justice			
Constitution Act No. 8750 – Judges Supreme Court	14 681	16 336	11.3
Constitution Act No. 8750 – President Court of Appeal	420	439	4.5
Constitution Act No. 8750 – Judges Court of Appeal	4 841	5 059	4.5
Constitution Act No. 8750 – Chief Justice	525	549	4.6
County Court Act No. 6230 – Judges	22 743	23 931	5.2
Crown Proceedings – Act No. 6232	4 308	4 416	2.5
EastLink Project Act No 39 of 2004, Sec. 26	..	1 000	..
Electoral Act No. 23 of 2002, Section 181 – Electoral Expenses	31 534	19 283	(38.9)
Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)	..	18 773	..
Juries Act No. 53 of 2000, Section 59 – Compensation to Jurors	18	19	5.6
Magistrates Court Act No. 51 of 1989	36 210	37 963	4.8
Melbourne City Link, Act No. 107 of 1995, Section 14(4)	3 100	2 100	(32.3)
Victims of Crime Assistance Act No. 81 of 1996, Section 69 Expenses	2 095	2 148	2.5
Victims of Crime Assistance Act No. 81 of 1996, Section 69 Awards	32 522	32 522	..
Victoria State Emergency Service Act No. 51 of 2005, Section 52 – Volunteer Workers Compensation	631	647	2.5
Total	153 628	165 185	7.5
Planning and Community Development			
Gambling Regulation Act No. 114 of 2003, Section 3.6.12 – Community Support Fund	101 801	98 867	(2.9)
Total	101 801	98 867	(2.9)

Table 6.4: Consolidated Fund payments: special appropriations (continued)

(\$ thousand)

	2008-09 Budget	2009-10 Budget	Variation %
Premier and Cabinet			
Constitution Act No. 8750 – Executive Council	50	50	..
Constitution Act No. 8750 – Governor's Salary	320	351	9.7
Ombudsman Act No. 8414	360	440	22.2
Parliamentary Salaries and Superannuation Act No. 7723 of 1968	5 500	5 725	4.1
Total	6 230	6 566	5.4
Sustainability and Environment			
Financial Management Act No. 18 of 1994, Section 33 -Appropriation to meet certain obligations ^(a)	3 600	3 820	6.1
Total	3 600	3 820	6.1
Transport			
Financial Management Act No. 18 of 1994, Section 33 -Appropriation to meet certain obligations ^(a)	41 572	62 120	49.4
Transport Act No. 9921 of 1983, Section 213A	2 000	2 000	..
Total	43 572	64 120	47.2
Treasury and Finance			
Constitution Act No. 8750 – Governor's Pension	147	154	4.8
Constitution Act No. 8750 – Judges of the Supreme Court	6 090	6 395	5.0
County Court Act No. 6230 – Judges	7 875	8 269	5.0
Financial Management Act No. 18 of 1994, Section 33 -Appropriation to meet certain obligations (a)	..	1 912	..
Financial Management Act No. 18 of 1994, Section 39 – Interest on Advances	20 000	20 000	..
Liquor Control Reform Act No.94 of 1998, Section 177(2)	3 500	3 500	..
State Electricity Commission Act 1958, Section 85B(2) – Indemnity ^(b)	33 100	..	(100.0)
State Owned Ent Act No.94 of 1994, Section 88 – State Eqv. Tax Payments	168 800	..	(100.0)
State Superannuation Act No. 50 of 1988, Section 90(2) – contributions	450 694	570 042	26.5
Taxation (Interest on Overpayments) Act No 35 of 1986, Section 11	1 000	1 000	..
Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 – Debt Retirement	700	700	..
Total	691 906	611 971	(11.6)
Parliament			
Audit Act No. 2 of 1994, Section 17(3) – Audit of Auditor-General's Office	25	37	48.0
Constitution Act No. 8750, Section 94A – Auditor-General's Salary	276	451	63.4
Constitution Act No. 8750 – Clerk of the Parliaments	2	2	..
Constitution Act No. 8750 – Legislative Assembly	550	550	..
Constitution Act No. 8750 – Legislative Council	200	200	..
Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations ^(a)	640	640	..

Table 6.4: Consolidated Fund payments: special appropriations (continued)

(\$ thousand)

	2008-09 Budget	2009-10 Budget	Variation %
Parliamentary Salaries and Superannuation Act No. 7723, Section 13(1)(c) – contributions	..	18 000	n.a
Parliamentary Salaries and Superannuation Act No. 7723 – salaries and allowances	19 200	19 717	2.7
Total	20 893	39 597	89.5
Total special appropriations	2 287 345	2 273 362	(0.6)

Source: Department of Treasury and Finance.

Notes:

- (a) Relates to accumulated surplus – previously applied appropriation.
- (b) Reflects classification changes and new items.

Table 6.5: Consolidated Fund payments: total annual appropriations

Details of total annual appropriations for 2009-10, including amounts of estimates of unapplied 2008-09 appropriation carried forward pursuant to Section 32 of the *Financial Management Act* and receipts credited to appropriation pursuant to Section 29 of the *Financial Management Act*. Estimates for 2009-10 Budget are in bold; estimates for 2008-09 Budget in italics. Please note that these figures are rounded to the nearest thousand dollars.

(\$ thousand)				
	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Education and Early Childhood Development				
Appropriation ^(a)	7 321 515	189 861	..	7 511 376
	<i>6 654 513</i>	<i>227 186</i>	..	<i>6 881 699</i>
Receipts credited to appropriation ^(b)	382 163	1 382 752	..	1 764 915
	<i>119 302</i>	<i>84 526</i>	..	<i>203 829</i>
Unapplied previous year appropriation carried over ^(c)	53 972	68 100	..	122 072
	<i>66 400</i>	<i>54 561</i>	..	<i>120 961</i>
Total appropriation	7 757 649	1 640 713	..	9 398 363
	<i>6 840 216</i>	<i>366 273</i>	..	<i>7 206 489</i>
Human Services				
Appropriation ^(a)	10 612 348	164 227	..	10 776 575
	<i>9 683 924</i>	<i>147 432</i>	..	<i>9 831 355</i>
Receipts credited to appropriation ^(b)	1 926 635	524 187	..	2 450 822
	<i>1 257 210</i>	<i>12 330</i>	..	<i>1 269 540</i>
Unapplied previous year appropriation carried over ^(c)	40 390	63 248	..	103 638
	<i>40 450</i>	<i>21 819</i>	..	<i>62 269</i>
Total appropriation	12 579 373	751 662	..	13 331 035
	<i>10 981 584</i>	<i>181 581</i>	..	<i>11 163 164</i>
Innovation, Industry and Regional Development				
Appropriation ^(a)	1 629 006	24 338	54 000	1 707 344
	<i>1 475 867</i>	<i>4 877</i>	<i>27 000</i>	<i>1 507 744</i>
Receipts credited to appropriation ^(b)	5 000	..	..	5 000

Unapplied previous year appropriation carried over ^(c)	35 162	29 387	..	64 549
	<i>9 215</i>	..	..	<i>9 215</i>
Total appropriation	1 669 168	53 725	54 000	1 776 893
	<i>1 485 082</i>	<i>4 877</i>	<i>27 000</i>	<i>1 516 959</i>
Justice				
Appropriation ^(a)	3 460 312	189 823	50 262	3 700 397
	<i>3 141 588</i>	<i>141 648</i>	<i>48 311</i>	<i>3 331 547</i>
Receipts credited to appropriation ^(b)	121 703	630	..	122 333
	<i>108 218</i>	<i>330</i>	..	<i>108 548</i>
Unapplied previous year appropriation carried over ^(c)	30 000	10 000	..	40 000
	<i>53 850</i>	<i>5 000</i>	..	<i>58 850</i>
Total appropriation	3 612 015	200 453	50 262	3 862 730
	<i>3 303 656</i>	<i>146 978</i>	<i>48 311</i>	<i>3 498 945</i>

Table 6.5: Consolidated Fund payments: total annual appropriations (continued)

(\$ thousand)

	Provision of outputs	Additions to net asset base	Payments made on behalf of the State	Total
Planning and Community Development				
Appropriation ^(a)	424 094	103 134	500	527 728
	438 074	150 104	500	588 678
Receipts credited to appropriation ^(b)	..	..	..	..

Unapplied previous year appropriation carried over ^(c)	9 619	1 518	..	11 137
	10 258	11 172	..	21 430
Total appropriation	433 713	104 652	500	538 865
	448 332	161 275	500	610 108
Premier and Cabinet				
Appropriation ^(a)	526 831	20 728	40 000	587 559
	466 676	4 888	..	471 564
Receipts credited to appropriation ^(b)	540	..	..	540
	945	..	..	945
Unapplied previous year appropriation carried over ^(c)	5 000	3 881	..	8 881
	5 500	5 260	..	10 760
Total appropriation	532 371	24 609	40 000	596 980
	473 121	10 148	..	483 269
Primary Industries				
Appropriation ^(a)	333 697	202 895	..	536 592
	311 156	92 554	..	403 710
Receipts credited to appropriation ^(b)	128 386	..	..	128 386
	95 614	..	..	95 614
Unapplied previous year appropriation carried over ^(c)	21 719	12 657	..	34 375
	28 982	4 505	..	33 487
Total appropriation	483 802	215 552	..	699 353
	435 752	97 059	..	532 811
Sustainability and Environment				
Appropriation ^(a)	875 049	246 376	27 938	1 149 363
	895 237	335 342	27 221	1 257 800
Receipts credited to appropriation ^(b)	108 578	27 312	..	135 890
	121 450	4 029	..	125 479
Unapplied previous year appropriation carried over ^(c)	43 400	26 055	..	69 454
	38 721	10 708	..	49 429
Total appropriation	1 027 026	299 743	27 938	1 354 707
	1 055 408	350 079	27 221	1 432 708
Transport				
Appropriation ^(a)	3 884 742	1 852 602	..	5 737 344
	3 634 329	1 111 280	..	4 745 609
Receipts credited to appropriation ^(b)	534 242	48 166	..	582 408
	178 306	90 468	..	268 774
Unapplied previous year appropriation carried over ^(c)	41 523	58 959	..	100 482
	11 200	151 640	..	162 840
Total appropriation	4 460 507	1 959 727	..	6 420 234
	3 823 835	1 353 388	..	5 177 223

Table 6.5: Consolidated Fund payments: total annual appropriations (continued)

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Treasury and Finance				
Appropriation ^(a)	264 998	44 054	2 247 560	2 556 612
	232 319	27 170	1 979 062	2 238 551
Receipts credited to appropriation ^(b)	6 048	..	..	6 048
	5 498	..	..	5 498
Unapplied previous year appropriation carried over ^(c)	22 493	2 240	..	24 733
	..	2 000	1 000	3 000
Total appropriation	293 539	46 294	2 247 560	2 587 393
	237 817	29 170	1 980 062	2 247 049
Parliament				
Appropriation ^(d)	96 048	..	..	96 048
	92 542	860	..	93 402
Receipts credited to appropriation ^(b)	19 519	..	..	19 519
	15 517	..	..	15 517
Unapplied previous year appropriation carried over ^(c)	5 825	..	..	5 825
	3 060	4 549	..	7 609
Total appropriation	121 392	..	..	121 392
	111 119	5 409	..	116 528

Source: Department of Treasury and Finance.

Notes:

- (a) Appropriation (2009-10) Act.
(b) Financial Management Act, 1994 Section 29.
(c) Financial Management Act, 1994 Section 32.
(d) Appropriation (Parliament 2009-10) Act.

Table 6.6: Appropriation of receipts pursuant to Section 29 of the *Financial Management Act 1994*

Estimates for *2009-10 Budget* are in bold; estimates for *2008-09 Budget* in italics.

(\$ thousand)

Department	Outputs	Receipt source		Total
		Commonwealth	Other ^(a)	
Education and Early Childhood Development	1 519	1 755 396	8 000	1 764 915
	<i>1 519</i>	<i>194 310</i>	<i>8 000</i>	<i>203 829</i>
Human Services	316 866	2 125 706	8 250	2 450 822
	<i>266 224</i>	<i>991 166</i>	<i>12 150</i>	<i>1 269 540</i>
Innovation, Industry and Regional Development	5 000	..	..	5 000

Justice	118 528	3 175	630	122 333
	<i>105 043</i>	<i>3 175</i>	<i>330</i>	<i>108 548</i>
Planning and Community Development	..	..	..	..

Premier and Cabinet	540	..	..	540
	<i>945</i>	..	..	<i>945</i>
Primary Industries	67 286	61 100	..	128 386
	<i>57 914</i>	<i>37 700</i>	..	<i>95 614</i>
Sustainability and Environment	59 708	75 482	700	135 890
	<i>51 291</i>	<i>74 188</i>	..	<i>125 479</i>
Transport	830	581 578	..	582 408
	<i>820</i>	<i>267 954</i>	..	<i>268 774</i>
Treasury and Finance	6 048	..	..	6 048
	<i>5 498</i>	..	..	<i>5 498</i>
Parliament	19 519	..	..	19 519
	<i>15 517</i>	..	..	<i>15 517</i>

Source: Department of Treasury and Finance.

Note:

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

Table 6.7: The Trust Fund

	(\$ thousand)			
	2008-09 Budget	2008-09 Revised	2009-10 Budget	Variation %
Cash flows from operating activities				
Receipts				
Taxation	155 926	162 605	169 203	8.5
Fines and regulatory fees	52 239	49 377	41 226	(21.1)
Grants received	2 430 662	2 718 876	3 366 252	38.5
Sale of goods and services	254 633	281 963	187 921	(26.2)
Interest received	140 784	132 833	130 553	(7.3)
Other receipts ^(a)	9 648 544	10 025 977	10 234 516	6.1
	12 682 787	13 371 633	14 129 672	11.4
Payments				
Employee entitlements	(87 459)	(90 747)	(97 471)	11.4
Superannuation	(5 938)	(5 786)	(5 525)	(7.0)
Interest paid	(16 670)	(15 932)	(15 963)	(4.2)
Grants paid	(9 992 974)	(10 363 684)	(11 464 693)	14.7
Supplies and consumables	(2 425 768)	(2 434 856)	(2 480 399)	2.3
	(12 528 809)	(12 911 004)	(14 064 050)	12.3
Net cash flows from operating activities	153 978	460 629	65 621	(57.4)
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	34 000	34 000	34 000	..
Purchases of property, plant and equipment	(38 342)	(32 340)	(20 110)	(47.6)
Other investing activities	(100 257)	(110 366)	(74 592)	(25.6)
Net cash flows from investing activities	(104 600)	(108 706)	(60 701)	(42.0)
Cash flows from financing activities				
Net proceeds from/(repayment) of borrowings ^(b)	(22 631)	(22 688)	(14 631)	(35.4)
Net cash flow from financing activities	(22 631)	(22 688)	(14 631)	(35.4)
Net cash inflow/(-) outflow	26 747	329 234	(9 711)	(136.3)
Represented by:				
Cash and deposits held at beginning of reporting period ^(c)	1 648 619	1 648 619	1 977 853	20.0
Cash and deposits held at end year ^(d)	1 675 366	1 977 853	1 968 142	17.5

Source: Department of Treasury and Finance.

Notes:

- (a) Includes transfers between funds.
- (b) Relates to loans and advances.
- (c) Cash and deposits held at the end of the year for 2008-09 Budget and 2008-09 Revised Budget are based on 2008-09 actual opening balance plus 2008-09 Budgeted movement.
- (d) Includes funds raised from the Victorian Bushfire Appeal after the 2009 February bushfires. The Victorian Government has collected appeal proceeds for the Red Cross Victorian Bushfire Appeal.

CHAPTER 7 – CONTINGENCIES AND LIABILITIES

CONTINGENT ASSETS

A contingent asset is a possible asset that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These can be classified into either quantifiable, where the potential economic benefit is known, or non-quantifiable. Table 7.1 contains quantifiable contingent assets as at June 2008 and a revised estimate of these contingent assets as at June 2009.

Quantifiable contingent assets

Table 7.1: Quantifiable contingent assets

	(\$ million)	
	As at June 2008	Estimate for June 2009
Guarantees, Indemnities	1.3	2.0
Legal proceedings and disputes	3.3	3.3
Other ^(a)	112.1	78.5
Total contingent assets	116.7	83.9

Source: Department of Treasury and Finance

Notes:

(a) Other includes the EastLink project of \$49 million. The remaining amounts in Other relate to smaller individual contingencies.

EastLink

The EastLink Concession Deed provides for staged reductions in the amount of the Construction Bond at certain milestone dates. The first of these reductions was prescribed to occur on the date which was one month after the last Date of Tolling Completion, which occurred on 13 June 2008. Accordingly, the Construction Bond was reduced by 50 per cent from \$88 million to \$44 million (as required by the Concession Deed) on 13 July 2008. The Operation Phase Bond, in the sum of \$5 million, does not reduce.

Non-quantifiable contingent assets

City Link compensable enhancement claims

The Melbourne City Link Concession Deed contains compensable enhancement provisions that enable the Victorian Government to claim 50 per cent of additional revenue derived by City Link Melbourne Limited as a result of certain events that particularly benefit City Link, including changes to the adjoining road network.

On 20 May 2005, the Victorian Government lodged a compensable enhancement claim relating to works to improve the traffic flow on the Westgate Freeway between Lorimer and Montague Streets.

On 29 September 2006, the Victorian Government lodged a compensable enhancement claim relating to works to improve the traffic flow in the vicinity of the intersection of Bulla Road and the Tullamarine Freeway.

Under the Monash Westgate Freeways Improvement project, the Victorian Government's share of revenue uplifts will be calculated and paid three years after the completion of the project.

Channel Deepening Project Environmental Performance Bond

On 14 December 2007, the Minister for Environment and Climate Change approved the Channel Deepening Project under the *Coastal Management Act 1995*. The approval was subject to a number of conditions, including the Port of Melbourne Corporation providing a \$100 million environmental performance bond. The potential impact from this arrangement is that, in the event the bond is called upon, the Minister for Environment and Climate Change (being the beneficiary of the bond) will receive funds up to an amount of \$100 million, which are to be used for remedial or recovery works as agreed with the Minister for Roads and Ports.

EastLink

On 14 October 2004, the State entered into a concession deed with ConnectEast to design, construct, finance and operate EastLink. In addition to the quantifiable contingent assets listed earlier, there is a non-quantifiable contingent asset relating to the Hand Over Bond through which ConnectEast has an obligation to the State, in certain limited circumstances, to cover project rectification costs to the end of the concession period in 2043.

CONTINGENT LIABILITIES

A contingent liability is:

- a possible obligation that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

As with contingent assets, contingent liabilities are also classified as either quantifiable or non-quantifiable. Table 7.2 contains quantifiable contingent liabilities as at June 2008 and a revised estimate of these contingent liabilities as at June 2009.

Quantifiable contingent liabilities

Table 7.2: Quantifiable contingent liabilities

	(\$ million)	
	As at June 2008	Estimate for June 2009
Guarantees, Indemnities	338.4	366.5
Legal proceedings and disputes	349.9	349.3
Other	182.9	188.5
Non-general government debt ^(a)	4 516.5	7 203.9
Total contingent liabilities	5 387.7	8 108.1

Source: Department of Treasury and Finance

Note:

- (a) Represents guarantees by the GG sector to agencies in the public non-financial corporations sector (primarily the water entities and other non-GG sector entities) for loans. The increase since June 2008 is due mainly to increased water sector capital works funded from borrowings.

Non-quantifiable contingent liabilities

A number of potential obligations, which are non-quantifiable at this time, have been recognised by the Government arising from:

- indemnities provided in relation to transactions, including financial arrangements and consultancy services, as well as for directors and administrators;
- performance guarantees, warranties, letters of comfort, and the like;
- deeds in respect of certain obligations; and
- unclaimed moneys which may be subject to future claims by the general public against the State.

An overview of the more significant non-quantifiable liabilities follows.

2009 Victorian Bushfires

In February 2009, devastating fires ravaged many parts of Victoria. These fires have impacted significantly on local communities and have required the application of material resources by the State to assist with the fire suppression, recovery and reconstruction of the affected areas, with the Commonwealth Government agreeing to jointly fund relevant programs. The Victorian Government has announced the establishment of the Victorian Bushfire Reconstruction and Recovery Authority to coordinate the activities of Local, State and Commonwealth Government agencies, and the communities involved, to assist with recovery and rebuilding activity across Victoria. While a significant quantum of expenditure has been included in the *2009-10 Budget Papers*, as at the date of the publication of this report, the full financial impact of this catastrophic event on the State of Victoria is yet to be quantified.

Asset sales

Potential exposures are associated with the sale of a number of assets and services where the purchaser was provided with various indemnities and warranties.

Royal Melbourne Showgrounds

A contingent liability exists relative to any claims which may be made against the Showgrounds Nominees Pty Ltd arising in relation to joint venture dealings as outlined in the Development and Operations Agreement for Royal Melbourne Showgrounds. An undertaking has been given by the joint venture parties to meet the indexed service fees payable to the concessionaire (developer) under the Development and Operations Agreement as and when they fall due, subject to the concessionaire's achievement of defined service standards at the showgrounds and relevant abatement if there are service failures.

Under the State Support Deed – Core Land, the State undertakes to ensure the performance of the payment obligations in favour of the concessionaire and the performance of the joint venture financial obligations in favour of the security trustee.

Under the State Commitment to the Royal Agricultural Society (RAS), the State has agreed to support certain obligations of the RAS which may arise out of the Joint Venture Agreement. In accordance with the terms in the State Commitment to the RAS, the State will meet certain RAS obligations, in the form of a loan, if requested by the RAS when the RAS does not have financial capacity to pay, and provided the RAS has materially complied with all its material obligations under the Project Objectives Agreement, RAS Events Agreement and other Joint Venture project documents. If any outstanding loan amount remains unpaid at a date which is 25 years after the commencement of the operation term under the Development and Operation Agreement (commencement being 24 August 2006), the RAS will be obliged to satisfy and discharge each such outstanding loan amount. This may take the form of the transfer to the State of part or the whole of the RAS' participating interest in the joint venture.

The State has also entered into an agreement through the State Support Deed – Non-Core Land with Showgrounds Retail Developments Pty Ltd and the RAS whereby the State agrees to support certain payment obligations of the Royal Agricultural Society of Victoria Limited that may arise under the Non-Core Development Agreement. This agreement concerns the development of a non-core site on Epsom Road involving construction of a supermarket, shops and child care centre. In March 2007, Showgrounds Retail Developments Pty Ltd subsequently assigned all its rights and obligations under these agreements, via an Assignment Deed, to Coles Group Property Developments Ltd.

National Electricity Code Administrator

As part of the wind up of the National Electricity Code Administrator (NECA), the State has undertaken to indemnify the actions of the NECA Directors for a period of seven years upon completion of their tenure.

Public transport rail partnership agreements

The Director of Public Transport (the Director), on behalf of the Crown, entered into revised partnership contractual arrangements with franchisees to operate rail transport services in the State, operative from 18 April 2004 to November 2009. The following summarises the major contingent liabilities arising from those arrangements.

Contingent liabilities on early termination or expiry of franchise agreement

Franchise assets: to maintain continuity of services, the Director, at early termination or expiry of the franchise agreement, will either purchase the assets or have the assets transferred to the successor.

Unfunded superannuation: at the early termination or expiry of the contract, the Director will assume any unfunded superannuation amounts (apart from contributions the franchisee is required to pay over the contract term) to the extent that the State becomes the successor operator.

National Express receivership

In December 2002, the Government appointed receivers and managers to the National Express train and tram franchises, in order to protect government interests, ensure continuation of services up to the commencement of new franchise agreements, and deal with any subsequent termination issues.

The Treasurer, under the Receivership Deed of Indemnity, has agreed to indemnify the receivers for debts properly incurred by them in the course of receivership. The Treasurer has also agreed to remunerate the receivers in accordance with the rates set out in the deed.

Melbourne City Link

An outstanding claim exists from Transurban City Link Limited, pursuant to the Melbourne City Link Concession Deed, relating to an alleged Material Adverse Effect in respect of the construction of Wurundjeri Way. Expert determination found in favour of the State. However, the claim has now been appealed to arbitration, which is currently proceeding. VicRoads is defending this claim and is unable to assess the likelihood of success at this time.

EastLink

On 14 October 2004, the State entered into a Concession Deed with ConnectEast to design, construct, finance and operate EastLink. The major non-quantifiable contingent liability arising from the concession deed relates to the Key Risk Management Regime. The regime relates to the occurrence of certain circumstances that may have a detrimental impact on the concessionaire's ability to achieve its forecast returns. It identifies the areas that enable the concessionaire to claim redress from the State. These may include acts of prevention, failure to support a principal road interface, changes in State law, native title and the environmental effects statement.

Native Title

A number of claims have been filed with the Federal Court under the *Native Title Act 1993 (Cwth)* that affect Victoria. While many such claims are being processed through the legal system, the Government has committed itself to resolving claims through mediation, where possible. It is not feasible at this time to quantify any future liability.

Department of Education and Early Childhood Development

Contractual and funding arrangements entered into by the Department of Education and Early Childhood Development with the Commonwealth, State departments and non-government entities may provide for indemnities, the scope of which are negotiated on a project-by-project basis in accordance with the risk associated with the individual project.

Indemnities are provided by Department of Education and Early Childhood Development to teachers, volunteer workers, school chaplains and school councils. This indemnity for teachers protects them against liability for personal injuries to students provided the teacher was not intoxicated, or engaged in a criminal offence, or engaged in outrageous conduct, and was incurred in the course of the teacher's employment.

Indemnities are provided by Department of Education and Early Childhood Development to members of school councils. The *Education and Training Reform Act 2006* provides a comprehensive indemnity to members of school councils for any legal liability, whether in contract, negligence, and defamation, etc.

The Government also provides an indemnity for persons employed under the *Public Administration Act 2004*.

HIH Insurance

The State's quantifiable direct exposures arising from the collapse of the HIH Insurance Group (HIH) are included in the liabilities shown in the financial statements of the entities directly responsible for them. The State's obligations in respect of its builders' warranty insurance rescue package are also shown as direct liabilities of the relevant government entities.

The State also retains some unquantifiable contingent exposures arising from the collapse. These contingent exposures arise primarily through the possibility that the State may be involved in litigation in which it would be entitled to recover damages from third parties. If these third parties were insured by HIH, recovery in full may not be possible.

Land remediation – environmental concerns

In addition to properties for which remediation costs have been provided in the State's financial statements, certain other properties have been identified as potentially contaminated sites. The State does not admit any liability in respect of these sites. However, remedial expenditure may be incurred to restore the sites to an acceptable environmental standard.

Victorian Managed Insurance Authority – Insurance Cover

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for departments and participating bodies (predominantly in the general government sector). VMIA provides its client bodies with a range of insurance cover, including for property, public and products liability, professional indemnity and contract works. VMIA re-insures in the private market for losses above \$50 million arising out of any one event, up to a maximum for each type of cover (e.g. \$1 250 million for property and \$750 million for public liability). The risk of losses above these re insured levels is borne by the State.

Builders' warranty

On 13 March 2002, Victoria and New South Wales jointly announced a series of reforms to builders' warranty insurance arrangements. This announcement included a commitment to provide a catastrophe fund capable of supporting claims above \$10 million. To meet this commitment, the two states offered re-insurance arrangements to all builders' warranty insurers covering claims in respect of any one builder in excess of \$10 million, with each state reinsuring claims relating to properties in that state. South Australia has since also become involved in these arrangements. Since builders' warranty insurance commenced, there have been no losses by an insurer to any one builder exceeding this amount.

Victoria has re-insurance agreements giving effect to these arrangements with three insurers. The agreements require the insurers to pay the re-insurance premiums that are estimated to be sufficient for the states to at least break even on these arrangements. However, the State retains an unquantifiable contingent liability for additional claims.

Gambling licences

In 1992, a gaming operator's licence was issued to the Trustees of the Will and Estate of the late George Adams, now trading as Tatts Group. In 1994, the State issued a wagering and gaming licence to TABCORP Holdings Limited (TABCORP). These licences expire in 2012 and the end-of-licence arrangements are specified in the *Gambling Regulation Act 2003*.

These end of licence arrangements include compensation provisions for the licensees predicated on the current licensing arrangements being rolled over for a further period beyond 2012.

On 10 April 2008, the Government announced a new regulatory model for the post 2012 licences. Subject to legislative amendment, the main changes involve transitioning from the current gaming operator duopoly to a system where venue operators are licensed to own and operate gaming machines in their own right.

After considering the end of licence arrangements in the *Gambling Regulation Act 2003*, the government has formed the view that neither Tatts Group nor TABCORP will be entitled to compensation after the expiration of their current licences.

The Government does not intend to alter or amend the provisions in the *Gambling Regulation Act 2003* that deal specifically with the end of licence arrangements for Tatts Group and TABCORP.

APPENDIX A – HISTORICAL AND FORWARD ESTIMATES TABLES

This appendix provides historical data for 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 Accounting Standards (AAS), and GFS statistical aggregates have been converted to an accruals basis. Also, the historical operating statement and cash flow statement have been revised back to 2004-05 for consistency with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. However, some breaks in series remain.

Table A.1 shows the trends in general government sector (GG) aggregate cash flows over the period 1986-87 to 2012-13. This table of historical data has been compiled as far as possible on an AAS basis and from 2004-05 onwards is consistent with the cash flow statement included in *Chapter 1, Estimated Financial Statements and Notes*. Note all footnotes are shown at the end of the table.

The data from 1997-98 include the transactions of government schools and 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 GG sector, it does significantly increase the inflows and outflows presented in the cash flow statement.

Table A.3 shows the GG sector net operating result from 1996-97 to 2012-13, with 2004-05 onwards presented in compliance with AASB 1049.

Table A.5 presents GG 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 both with total expenses in the current series of accrual GFS information from 1998-2013 in Table A.5 and in Chapter 1, *Estimated Financial Statements and Notes* Table 1.1, the estimated accrued expense items have not been apportioned to individual purpose classifications. The absence of these splits between functional classifications in Table A.5 therefore represents a break in the series and it is not possible to compare individual purpose categories with those in other tables.

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

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

Source: Department of Treasury and Finance.

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

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

Source: Department of Treasury and Finance.

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

	(\$ million)			
	1996-97	1997-98	1998-99	1999-00
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Cash flows from operating activities				
Receipts				
Taxes received	8 714	8 515	8 794	9 666
Fines and regulatory fees	258	247	324	359
Grants	6 928	7 440	7 480	7 735
Sales of goods and services	1 119	1 606	1 659	1 776
Interest received	129	140	202	195
Dividends and income tax and rate equivalents	967	930	1 142	1 088
Other receipts ^{(c)(d)}	275	838	1 220	1 038
Total receipts	18 389	19 717	20 821	21 857
Payments				
Payments for employees ^(a)	(6 608)	(6 621)	(7 041)	(7 378)
Superannuation	(1 213)	(1 257)	(2 083)	(1 370)
Interest paid	(1 403)	(1 162)	(732)	(448)
Grants and subsidies ^{(a) (d)}	(3 238)	(3 514)	(3 598)	(3 363)
Goods and services	(3 892)	(5 503)	(5 796)	(6 373)
Total payments	(16 354)	(18 057)	(19 250)	(18 931)
Net cash flows from operating activities	2 035	1 660	1 571	2 926
Cash flows from investing activities				
Purchases of non-financial assets	(1 288)	(1 209)	(1 327)	(1 208)
Sales of non-financial assets	163	363	211	187
Net (purchase)/disposal of investments	(141)	(422)	390	(1 091)
Net customer loans (granted)/repaid	..	297	309	122
Net privatisation proceeds and other abnormals ^(b)	4 514	1 610	3 344	..
Net cash flows from investing activities	3 248	639	2 927	(1 991)
Cash flows from financing activities				
Net borrowings	(5 406)	(2 364)	(4 718)	(766)
Net cash flows from financing activities	(5 406)	(2 364)	(4 718)	(766)
Net increase in cash and deposits held	(124)	(65)	(221)	169
Cash and deposits at beginning of reporting period	1 129	1 005	940	719
Cash and deposits at end of reporting period	1 005	940	719	889

Source: Department of Treasury and Finance.

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

	(\$ million)			
	2000-01	2001-02	2002-03	2003-04
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Cash flows from operating activities				
Receipts				
Taxes received	8 458	8 611	9 101	9 874
Fines and regulatory fees	377	398	509	502
Grants	10 370	11 879	12 101	12 611
Sales of goods and services	1 957	2 066	2 757	2 792
Interest received	301	303	375	411
Dividends and income tax and rate equivalents	986	606	774	599
Other receipts ^{(c)(d)}	865	1 143	1 655	1 455
Total receipts	23 314	25 006	27 271	28 244
Payments				
Payments for employees	(7 962)	(8 692)	(9 302)	(9 809)
Superannuation	(1 898)	(1 030)	(2 558)	(2 027)
Interest paid	(464)	(453)	(468)	(457)
Grants and subsidies ^(d)	(3 757)	(4 205)	(3 985)	(4 549)
Goods and services	(7 077)	(7 531)	(9 034)	(8 931)
Total payments	(21 158)	(21 910)	(25 347)	(25 773)
Net cash flows from operating activities	2 155	3 096	1 924	2 471
Cash flows from investing activities				
Purchases of non-financial assets	(1 629)	(1 941)	(1 924)	(2 347)
Sales of non-financial assets	150	123	128	127
Net (purchase)/disposal of investments	(689)	(547)	(256)	951
Net customer loans (granted)/repaid	98	71	(25)	(12)
Net contribution to other sectors of government	..	(13)	(314)	(158)
Net cash flows from investing activities	(2 071)	(2 306)	(2 391)	(1 439)
Cash flows from financing activities				
Net borrowings	(72)	(29)	(89)	(844)
Net cash flows from financing activities	(72)	(29)	(89)	(844)
Net increase in cash and deposits held	13	761	(555)	187
Cash and deposits at beginning of reporting period	889	902	1 663	1 108
Cash and deposits at end of reporting period	902	1 663	1 108	1 295

Source: Department of Treasury and Finance

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

	(\$ million)			
	2004-05 <i>Actual</i> ^(g)	2005-06 <i>Actual</i> ^(g)	2006-07 <i>Actual</i> ^(g)	2007-08 <i>Actual</i>
Cash flows from operating activities				
Receipts				
Taxes received	10 318	10 974	11 264	13 213
Grants	13 452	14 620	15 602	17 210
Sales of goods and services	4 214	4 409	5 327	4 682
Interest received	343	374	420	441
Dividends and income tax and rate equivalents	877	1 163	1 016	1 200
Other receipts ^{(c)(d)}	1 143	1 257	1 313	1 220
Total receipts	30 347	32 797	34 942	37 965
Payments				
Payments for employees	(10 748)	(11 469)	(12 202)	(12 887)
Superannuation	(1 797)	(1 888)	(1 212)	(1 999)
Interest paid	(366)	(409)	(430)	(445)
Grants and subsidies ^(d)	(5 290)	(5 919)	(6 674)	(6 435)
Goods and services ^(f)	(9 665)	(10 563)	(11 660)	(11 733)
Other payments	0	20	0	(365)
Total payments	(27 866)	(30 227)	(32 178)	(33 864)
Net cash flows from operating activities	2 480	2 570	2 764	4 101
Cash flows from investing activities				
<i>Non-financial assets</i>				
Purchases of non-financial assets	(1 960)	(2 302)	(2 812)	(2 768)
Sales of non-financial assets	128	159	226	177
Cash flows from investments in non-financial assets	(1 832)	(2 143)	(2 587)	(2 591)
<i>Financial assets for policy purposes</i>				
Net (purchase)/disposal of investments	(569)	(83)	(600)	(1 367)
Net cash flows from investments in financial assets for policy purposes	(569)	(83)	(600)	(1 367)
<i>Investments in financial assets for liquidity purposes</i>				
Net (purchase)/disposal of investments	473	638	53	(323)
Net cash flows from investments in financial assets for liquidity purposes	473	638	53	(323)
Net cash flows from investing activities	(1 928)	(1 587)	(3 134)	(4 281)
Cash flows from financing activities				
Advances received (net)	(0)	(5)	(1)	(1)
Net borrowings	(45)	(171)	614	250
Deposits received (net)	(3)	71	76	(223)
Other financing (net)	..	..	..	..
Net cash flows from financing activities	(48)	(105)	689	25
Net increase in cash and deposits held	504	878	320	(155)
Cash and deposits at beginning of reporting period ^(e)	1 295	1 817	2 695	3 015
Cash and deposits at end of reporting period	1 799	2 695	3 015	2 859
FISCAL AGGREGATES				
Net cash flows from operating activities	2 480.3	2 569.7	2 764.5	4 100.9
Net cash flows from investments in non-financial assets	(1 831.9)	(2 142.8)	(2 586.7)	(2 591.3)
Cash surplus / (deficit)	648	427	178	1 510

Source: Department of Treasury and Finance

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

	(\$ million)				
	2008-09 Revised	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Cash flows from operating activities					
Receipts					
Taxes received	12 856	13 432	14 087	14 539	15 051
Grants	18 789	21 554	20 734	20 559	21 239
Sales of goods and services	5 548	5 574	5 752	5 956	6 098
Interest received	392	400	399	406	408
Dividends and income tax and rate equivalents	472	389	524	841	641
Other receipts ^{(c)(d)}	1 288	1 519	1 443	1 404	1 394
Total receipts	39 344	42 867	42 938	43 706	44 831
Payments					
Payments for employees	(14 207)	(15 087)	(15 739)	(16 471)	(17 086)
Superannuation	(1 808)	(1 972)	(2 018)	(2 044)	(2 301)
Interest paid	(526)	(676)	(921)	(1 068)	(1 097)
Grants and subsidies ^(d)	(7 182)	(8 442)	(7 617)	(7 147)	(7 083)
Goods and services ^(f)	(13 325)	(14 003)	(13 895)	(13 892)	(13 967)
Other payments	(363)	(376)	(384)	(398)	(419)
Total payments	(37 411)	(40 556)	(40 575)	(41 020)	(41 953)
Net cash flows from operating activities	1 933	2 311	2 364	2 686	2 878
Cash flows from investing activities					
<i>Non-financial assets</i>					
Purchases of non-financial assets	(3 248)	(5 229)	(4 643)	(3 842)	(3 127)
Sales of non-financial assets	190	223	228	261	252
Cash flows from investments in non-financial assets	(3 058)	(5 006)	(4 415)	(3 580)	(2 874)
<i>Financial assets for policy purposes</i>					
Net (purchase)/disposal of investments	(1 295)	(1 955)	(1 288)	(679)	(301)
Net cash flows from investments in financial assets for policy purposes	(1 295)	(1 955)	(1 288)	(679)	(301)
<i>Investments in financial assets for liquidity purposes</i>					
Net (purchase)/disposal of investments	(181)	(75)	4	(10)	(9)
Net cash flows from investments in financial assets for liquidity purposes	(181)	(75)	4	(10)	(9)
Net cash flows from investing activities	(4 534)	(7 036)	(5 699)	(4 269)	(3 184)
Cash flows from financing activities					
Advances received (net)	(1)	(1)	(1)	(0)	0
Net borrowings	2 731	4 463	3 485	1 955	736
Deposits received (net)	15	(0)	(0)	(0)	(0)
Other financing (net)	..	..	..	..	..
Net cash flows from financing activities	2 745	4 462	3 484	1 954	736
Net increase in cash and deposits held	144	(262)	148	372	430
Cash and deposits at beginning of reporting period	2 859	3 003	2 741	2 889	3 261
Cash and deposits at end of reporting period	3 003	2 741	2 889	3 261	3 690

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

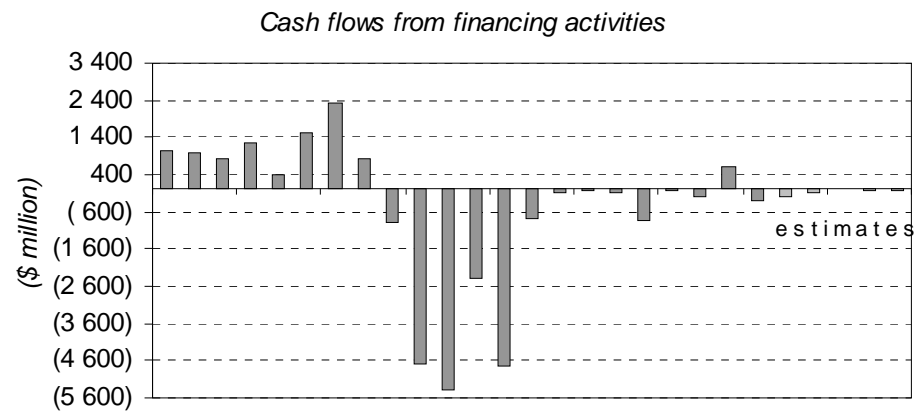
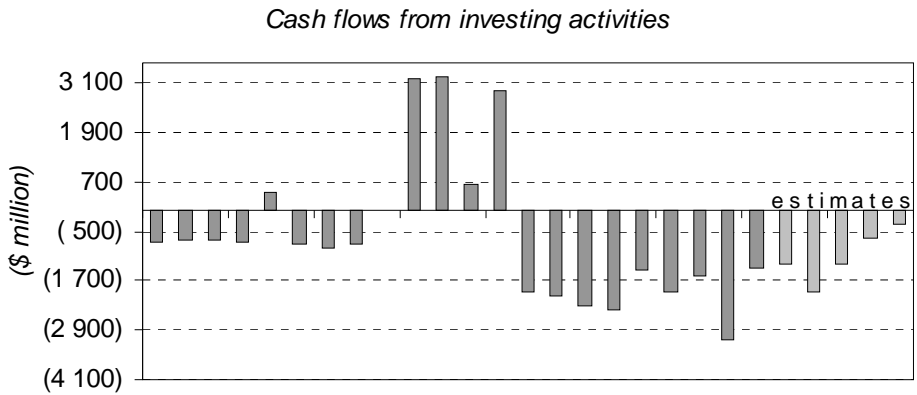
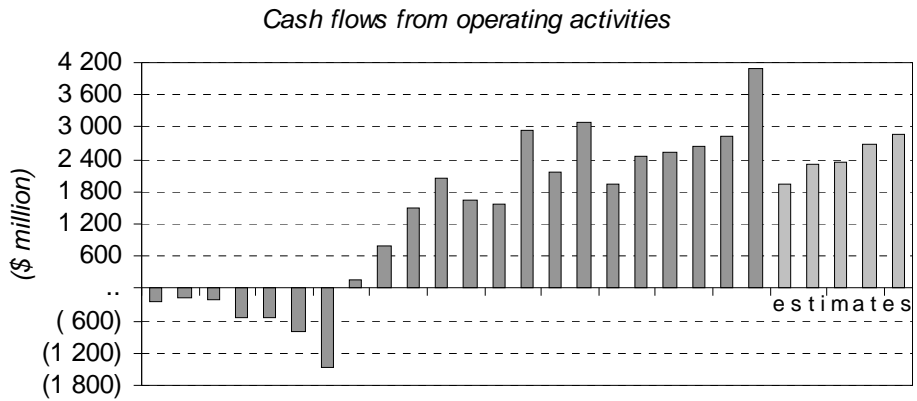
	(\$ million)				
	2008-09	2009-10	2010-11	2011-12	2012-13
	Revised	Budget	Estimate	Estimate	Estimate
FISCAL AGGREGATES					
Net cash flows from operating activities	1 933	2 311	2 364	2 686	2 878
Net cash flows from investments in non-financial assets	(3 058)	(5 006)	(4 415)	(3 580)	(2 874)
Cash surplus/(deficit)	(1 125)	(2 694)	(2 051)	(894)	4

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.
- (f) Goods and services from 2007-08 onwards include other payments.
- (g) Net borrowings from 2007-08 onwards includes advances received and deposits received.

Chart A.1: General government cash flows – 1986-87 to 2012-13



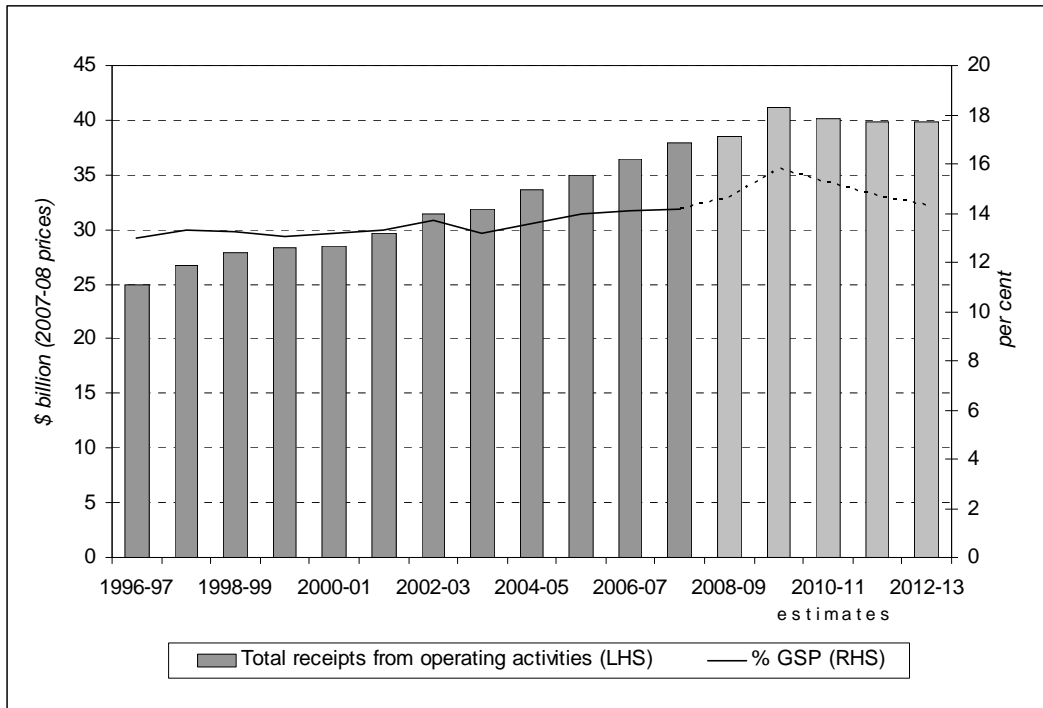
Source: Department of Treasury and Finance.

Table A.2: General government cash aggregates, 2007-08 prices

Year	Cash Receipts			Cash Payments			Net Cash Flows 2007-08 prices (\$ billion)
	2007-08 prices (\$ billion)	% change	% GSP	2007-08 prices (\$ billion)	% change	% GSP	
1986-87	20.7	-0.6	13.4	21.2	-1.3	13.7	(0.5)
1987-88	20.9	0.9	12.8	21.2	-0.3	13.0	(0.3)
1988-89	21.1	1.0	12.4	21.5	1.5	12.7	(0.4)
1989-90	20.0	-5.1	11.6	20.9	-2.9	12.1	(0.9)
1990-91	20.2	1.0	12.0	21.0	0.9	12.4	(0.8)
1991-92	21.3	5.4	12.8	22.5	6.9	13.5	(1.2)
1992-93	21.9	2.7	12.7	24.0	6.8	14.0	(2.2)
1993-94	23.3	6.6	13.2	23.1	-4.0	13.0	0.2
1994-95	23.1	-0.9	13.0	22.0	-4.6	12.4	1.1
1995-96	23.8	2.8	12.9	21.7	-1.4	11.8	2.0
1996-97	24.9	4.9	13.0	22.2	2.0	11.5	2.8
1997-98	26.6	6.9	13.3	24.4	10.0	12.2	2.2
1998-99	27.8	4.6	13.3	25.7	5.6	12.3	2.1
1999-00	28.3	1.5	13.1	24.5	-4.9	11.3	3.8
2000-01	28.5	0.7	13.2	25.9	5.5	12.0	2.6
2001-02	29.7	4.2	13.3	26.0	0.6	11.7	3.7
2002-03	31.5	6.0	13.7	29.2	12.4	12.7	2.2
2003-04	31.9	1.4	13.2	29.1	-0.4	12.0	2.8
2004-05	33.6	5.3	13.5	30.8	5.9	12.4	2.7
2005-06	34.9	4.0	13.9	32.2	4.4	12.8	2.7
2006-07	36.5	4.5	14.1	33.6	4.4	13.0	2.9
2007-08	38.0	4.0	14.2	33.9	0.8	12.6	4.1
2008-09	38.5	1.4	14.6	36.6	8.1	13.9	1.9
2009-10	41.1	6.9	15.8	38.9	6.3	15.0	2.2
2010-11	40.1	-2.4	15.2	37.9	-2.5	14.3	2.2
2011-12	39.8	-0.7	14.7	37.4	-1.4	13.8	2.4
2012-13	39.9	0.1	14.3	37.3	-0.2	13.4	2.6

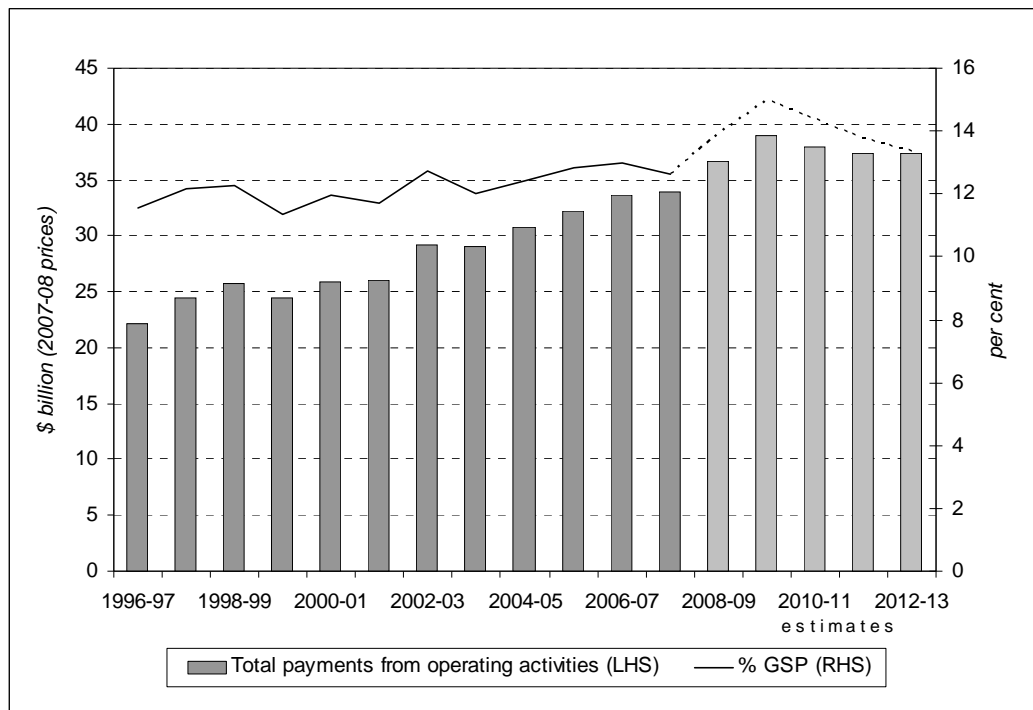
Source: Department of Treasury and Finance.

Chart A.2: Total receipts from operating activities



Source: Department of Treasury and Finance.

Chart A.3: Total payments from operating activities



Source: Department of Treasury and Finance.

Table A.3: General government sector operating statement – historical series

(\$ million)

	1996-97	1997-98	1998-99	1999-00
	Actual	Actual	Actual	Actual
Revenue	..	..	..	..
Taxation	8 598.2	8 573.3	9 099.6	9 707.6
Fines and regulatory fees	313.8	278.1	382.0	411.7
Interest	203.8	153.9	201.7	199.1
Dividends, income tax and rate equivalent revenue	1 068.5	948.0	990.3	1 090.3
Sales of goods and services	813.8	1 246.3	1 428.3	1 788.6
Grants	7 516.1	7 533.3	7 480.0	7 710.6
Fair value of assets received free of charge or for nominal consideration	69.8	42.7	65.5	19.8
Other current revenue	1 527.2	2 890.9	2 730.0	1 101.7
Total revenue ^(a)	20 111.2	21 666.5	22 377.4	22 029.5
Expenses	.	.	.	.
Employee expenses	6 722.4	6 831.8	6 983.7	7 438.6
Superannuation	1 821.1	1 834.8	1 777.8	1 751.4
Depreciation	711.9	782.8	804.2	788.9
Interest expense	1 948.9	1 127.0	704.2	460.4
Other operating expenses	4 269.2	6 209.2	5 692.5	6 548.9
Grants and other transfers	2 574.7	3 422.5	3 595.6	3 382.7
Total expenses	18 048.3	20 208.2	19 558.1	20 370.9
Net result from transactions – Net operating balance	2 062.9	1 458.3	2 819.3	1 658.7
Other economic flows				
Net gain/(loss) from disposal of physical assets	(36.6)	106.3	6.7	2.0
Actuarial gains/(losses) on superannuation defined benefit plans	(456.3)	475.1	474.1	(464.7)
Other gains/(expenses) from other economic flows ^(a)	2 749.6	1 252.4	4 149.6	(28.6)
Total other economic flows	2 256.7	1 833.8	4 630.3	(491.2)
Net result	4 319.6	3 292.1	7 449.7	1 167.5

Source: Department of Treasury and Finance.

Note:

(a) Significant income and other gains were recorded in 1996-97, 1997-98 and 1998-99 from business asset sales. More information is provided in footnote (b) to Table A.1, and in the Budget Papers for those years.

**Table A.3: General government sector operating statement – historical series
(continued)**

	(\$ million)			
	2000-01	2001-02	2002-03	2003-04
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Revenue				
Taxation	8 515.9	8 757.8	9 250.5	10 043.4
Fines and regulatory fees	455.6	520.7	667.5	616.7
Interest	336.2	317.8	365.8	353.3
Dividends, income tax and rate equivalent revenue	987.9	607.9	775.8	601.3
Sales of goods and services	1 992.1	2 168.1	2 224.0	2 265.4
Grants	10 365.5	11 873.2	12 103.2	12 628.4
Fair value of assets received free of charge or for nominal consideration	69.4	95.5	85.8	374.0
Other current revenue	987.8	1 089.7	1 504.2	1 494.1
Total revenue ^(a)	23 710.4	25 430.7	26 976.7	28 376.7
Expenses				
Employee expenses	8 170.2	8 893.7	9 542.9	9 988.4
Superannuation	1 602.6	1 604.6	1 890.0	1 936.7
Depreciation	799.3	859.5	1 016.5	1 067.9
Interest expense	586.9	463.7	475.2	451.3
Other operating expenses	7 559.7	7 836.0	8 501.6	9 359.3
Grants and other transfers	3 793.0	4 175.5	4 038.0	4 611.3
Total expenses	22 511.5	23 833.0	25 464.1	27 414.9
Net result from transactions – Net operating balance	1 198.9	1 597.8	1 512.6	961.7
Other economic flows				
Net gain/(loss) from disposal of physical assets	21.4	(97.5)	(336.1)	(44.8)
Actuarial gains/(losses) on superannuation defined benefit plans	164.8	(990.6)	(722.2)	1 636.5
Share of net profits/(losses) of associates and joint venture entities	..	..	..	..
Net gains/(losses) on financial assets at fair value	..	..	..	..
Other gains/(expenses) from other economic flows ^(a)	(168.9)	(236.3)	(218.3)	(331.4)
Total other economic flows	17.3	(1 324.4)	(1 276.7)	1 260.4
Net result	1 216.2	273.4	235.9	2 222.1

**Table A.3: General government sector operating statement – historical series
(continued)**

	(\$ million)			
	2004-05 <i>Actual</i>	2005-06 <i>Actual</i>	2006-07 <i>Actual</i>	2007-08 <i>Actual</i>
Revenue				
Taxation revenue	10 414.9	10 885.4	11 701.8	12 862.9
Interest	339.7	390.5	422.7	451.6
Dividends and income tax equivalent and rate equivalent revenue	948.8	1 009.2	1 422.3	759.9
Sales of goods and services	3 379.6	3 731.3	4 177.1	4 488.3
Grants	13 462.3	14 624.3	15 600.9	17 210.1
Other current revenue	1 279.8	1 331.3	1 560.9	1 567.5
Total revenue	29 825.1	31 972.0	34 885.7	37 340.3
Expenses				
Employee expenses	10 971.9	11 690.2	12 393.7	13 239.4
Superannuation interest expense	819.7	479.6	419.1	330.3
Other superannuation	1 089.2	1 437.7	1 223.8	1 317.7
Depreciation	1 138.8	1 279.3	1 334.7	1 416.2
Interest expense	426.2	451.6	458.6	438.5
Other operating expenses	9 079.8	9 982.9	10 954.0	12 069.6
Grants and other transfers	5 504.6	5 826.4	6 767.3	7 046.9
Total expenses	29 030.2	31 147.5	33 551.2	35 858.6
Net result from transactions – Net operating balance	794.9	824.5	1 334.5	1 481.7
Other economic flows included in net result				
Net gain/ (loss) on sale of non-financial assets	(26.6)	(53.3)	(29.8)	16.0
Net gain/ (loss) on financial assets or liabilities at fair value	(10.4)	7.0	21.7	(34.8)
Net actuarial gains/ (losses) of superannuation defined benefits plans	1 328.8	2 420.9	3 428.1	(3 378.1)
Other gains/ (losses) from other economic flows	57.1	590.4	551.9	39.7
Total other economic flows included in net result	1 349.0	2 965.0	3 972.0	(3 357.2)
Net result	2 143.9	3 789.5	5 306.5	(1 875.5)
Other Economic Flows – Other Movements in Equity				
Net gain on financial assets at fair value	(3.7)	23.2	13.4	(34.7)
Revaluations of non-financial assets	8 868.2	1 913.1	1 807.7	4 565.2
Net gain on equity investments in other sector entities at proportional share of net assets	2 294.1	1 411.9	1 829.2	2 889.3
Other movements in equity	89.1	34.4	(88.7)	661.8
Total other economic flows – Other movements in equity	11 247.7	3 382.6	3 561.6	8 081.7
Comprehensive result – Total change in net worth	13 391.6	7 172.0	8 868.1	6 206.2
FISCAL AGGREGATES				
Net operating balance	794.9	824.5	1 334.5	1 481.7
Less: Net acquisition of non-financial assets from transactions ^(b)	430.8	1 266.7	1 591.7	1 068.8
Net Lending/ (borrowing)	364.1	(442.2)	(257.2)	413.0

Table A.3: General government sector operating statement – historical series (continued)

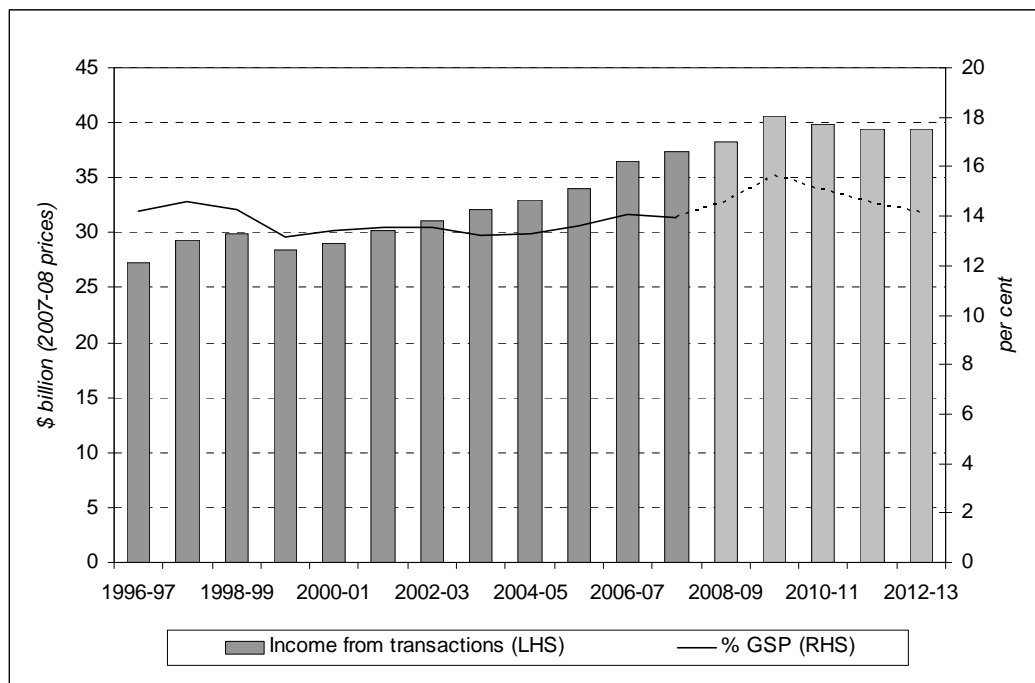
	(\$ million)				
	2008-09 Revised	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Revenue					
Taxation revenue	12 720.0	13 273.7	13 987.7	14 439.4	14 951.0
Interest	408.2	434.1	432.8	438.0	440.1
Dividends and income tax equivalent and rate equivalent revenue	474.2	379.4	529.9	811.2	636.1
Sales of goods and services	5 076.6	5 044.1	5 294.3	5 487.4	5 599.6
Grants	18 789.4	21 554.1	20 733.9	20 559.2	21 238.7
Other current revenue	1 683.8	1 702.9	1 623.4	1 534.1	1 524.5
Total revenue	39 152.1	42 388.3	42 602.1	43 269.3	44 390.0
Expenses					
Employee expenses	14 366.6	15 276.5	15 925.5	16 629.4	17 247.1
Superannuation interest expense	609.7	659.2	677.8	699.9	722.9
Other superannuation	1 394.6	1 599.3	1 661.4	1 689.5	1 769.1
Depreciation	1 557.4	1 646.4	1 785.8	1 931.1	2 014.3
Interest expense	566.7	713.8	959.9	1 106.9	1 136.2
Other operating expenses	13 251.1	13 885.7	13 779.4	13 775.6	13 855.4
Grants and other transfers	7 243.0	8 442.3	7 617.0	7 146.6	7 083.0
Total expenses	38 989.1	42 223.2	42 406.8	42 979.1	43 827.9
Net result from transactions – Net operating balance	163.0	165.1	195.3	290.3	562.1
Other economic flows included in net result					
Net gain/ (loss) on sale of non-financial assets	11.7	54.1	112.5	120.1	113.6
Net gain/ (loss) on financial assets or liabilities at fair value	(26.1)	16.1	3.4	3.7	4.0
Net actuarial gains/ (losses) of superannuation defined benefits plans	(11 316.7)	..	..	..	..
Other gains/ (losses) from other economic flows	(1 021.7)	7.5	(13.6)	(14.1)	(14.6)
Total other economic flows included in net result	(12 352.7)	77.6	102.3	109.6	103.0
Net result	(12 189.7)	242.8	297.5	399.9	665.1
Other Economic Flows – Other Movements in Equity					
Net gain on financial assets at fair value	..	..	..	..	..
Revaluations of non-financial assets	503.2	3 168.2	3 234.1	4 615.2	2 663.3
Net gain on equity investments in other sector entities at proportional share of net assets	(3 979.9)	244.5	759.0	544.4	695.2
Other movements in equity	(19.0)	(5.9)	7.5	1.5	(8.5)
Total other economic flows – Other movements in equity	(3 495.7)	3 406.8	4 000.7	5 161.1	3 350.0
Comprehensive result – Total change in net worth	(15 685.4)	3 649.5	4 298.2	5 561.0	4 015.1
FISCAL AGGREGATES					
Net operating balance	163.0	165.1	195.3	290.3	562.1
Less: Net acquisition of non-financial assets from transactions	1 666.7	3 490.4	2 800.1	2 489.2	860.0
Net Lending/ (borrowing)	(1 503.7)	(3 325.3)	(2 604.8)	(2 198.9)	(298.0)

Table A.4: General government accrual aggregates

Year	Income from transactions			Expenses from transactions			Net Result from transactions
	2007-08 prices (\$ billion)	% change	% GSP	2007-08 prices (\$ billion)	% change	% GSP	2007-08 prices (\$ billion)
1996-97	27.3		14.2	24.5		12.7	2.8
1997-98	29.3	7.4	14.6	27.3	11.6	13.6	2.0
1998-99	29.9	2.3	14.3	26.2	-4.2	12.5	3.8
1999-00	28.5	-4.8	13.2	26.4	0.8	12.2	2.1
2000-01	29.0	1.6	13.4	27.5	4.4	12.7	1.5
2001-02	30.2	4.2	13.6	28.3	2.9	12.7	1.9
2002-03	31.1	3.1	13.5	29.4	3.8	12.8	1.7
2003-04	32.0	3.0	13.2	31.0	5.4	12.8	1.1
2004-05	33.0	3.0	13.3	32.1	3.7	13.0	0.9
2005-06	34.0	3.2	13.6	33.2	3.3	13.2	0.9
2006-07	36.4	7.0	14.1	35.0	5.6	13.5	1.4
2007-08	37.3	2.5	13.9	35.9	2.3	13.4	1.5
2008-09	38.3	2.6	14.6	38.1	6.4	14.5	0.2
2009-10	40.7	6.2	15.6	40.5	6.2	15.6	0.2
2010-11	39.8	-2.1	15.1	39.6	-2.1	15.0	0.2
2011-12	39.4	-1.0	14.5	39.2	-1.2	14.4	0.3
2012-13	39.5	0.1	14.1	39.0	-0.5	14.0	0.5

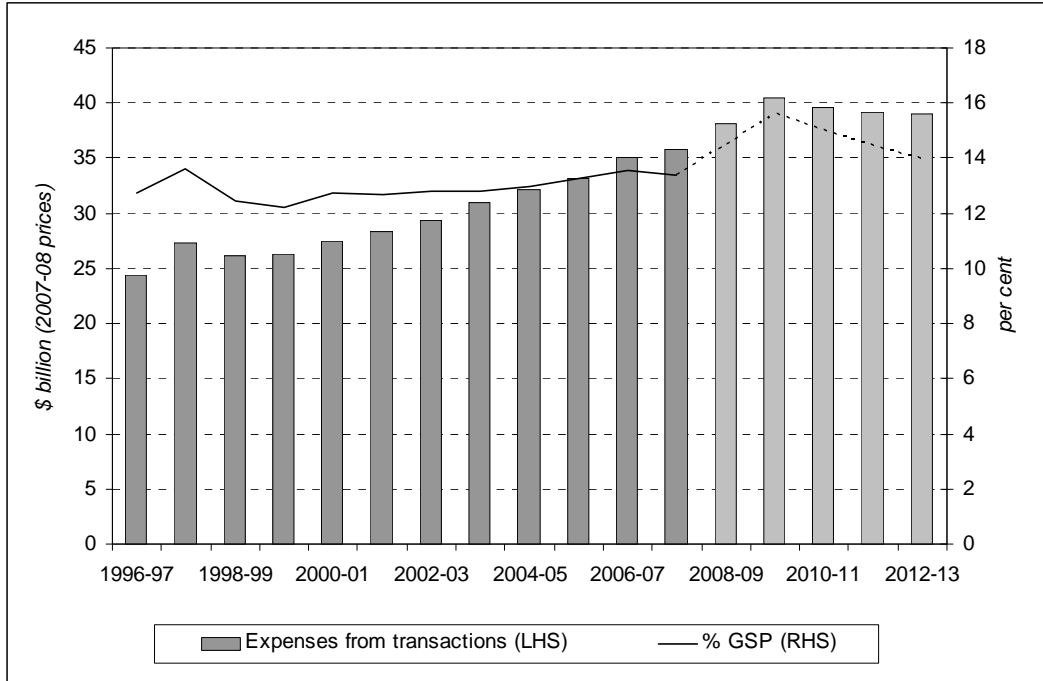
Source: Department of Treasury and Finance

Chart A.4: General government income from transactions



Source: Department of Treasury and Finance.

Chart A.5: General government expenses from transactions



Source: Department of Treasury and Finance.

Table A.5: General government operating expenses by purpose 1961-62 to 2012-13 – historical series

	(\$ million)			
	1961-62	1962-63	1963-64	1964-65
	Actual	Actual	Actual	Actual
General public services	21	20	20	22
Public order and safety	29	31	33	35
Primary and secondary	67	76	86	93
University	20	25	29	33
Technical and further education	..	..	..	..
Other tertiary	..	..	..	..
Other	9	10	11	12
Education	98	111	126	138
Acute care institutions	28	30	31	33
Other health institutions	15	15	16	17
Community health services	2	2	2	2
Pharmaceutical	3	3	4	4
Other	3	4	4	5
Health	51	55	57	61
Social security	..	..	..	..
Welfare services	1	1	1	1
Other	7	7	7	8
Social security and welfare	8	8	8	9
Housing and community development	1	1	1	1
Water supply	..	..	..	..
Sanitation and protection of the environment	1	..	1	..
Other community amenities	..	..	..	..
Housing and community amenities	1	1	2	1
Recreational facilities and services	2	2	2	2
Cultural facilities and services	2	2	2	2
Broadcasting and film production	..	..	..	..
Other recreation and culture	..	..	..	..
Recreation and culture	4	4	4	5
Fuel and energy	..	..	..	..
Agriculture, forestry and fishing	11	11	15	15
Mining, manufacturing and construction	2	2	2	2
Road transport	16	17	18	20
Water transport	1	1	2	1
Rail transport	15	16	16	15
Air transport	..	..	..	..
Communications and other transport	18	18	19	20
Transport and communications	50	52	55	56
Other economic affairs	5	6	6	6
Superannuation interest expense	9	9	10	13
Public debt transactions	60	65	69	73
Other	-2	-2	-3	-3
Superannuation not allocated to purpose	30	31	34	37
Depreciation not allocated to purpose	..	..	..	..
Total GFS expenses^(a)	376	402	439	470

Note:

(a) Total GFS expenses – accruals basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.

1965-66 <i>Actual</i>	1966-67 <i>Actual</i>	1967-68 <i>Actual</i>	1968-69 <i>Actual</i>	1969-70 <i>Actual</i>	1970-71 <i>Actual</i>	1971-72 <i>Actual</i>	1972-73 <i>Actual</i>
24	26	28	30	34	37	34	37
37	40	44	47	52	59	69	80
104	115	124	145	168	198	235	292
39	45	65	74	80	111	126	158
..	1	1	1	9	11	12	13
..
13	14	16	17	19	21	26	31
156	175	204	236	276	341	398	494
36	40	42	48	57	72	84	101
18	19	21	22	24	28	33	36
2	2	2	2	2	3	3	4
4	4	4	5	6	7	8	7
5	8	8	9	9	12	13	14
66	73	77	86	99	122	142	163
..	..	..	..	1	2	6	9
1	1	1	1	2	2	6	7
8	9	9	10	12	15	17	21
9	10	11	12	14	19	29	37
1	1	1	2	2	2	3	4
..
..	1	1	1	1	2	2	3
..
2	2	2	3	3	4	6	8
3	3	3	3	4	4	5	6
2	3	3	4	4	5	6	7
..
..
5	5	6	7	8	9	10	13
..
15	17	18	19	22	24	27	36
2	2	2	2	1	2	2	2
21	26	31	34	37	40	46	54
1	2	2	2	3	2	2	2
16	16	17	17	16	16	15	63
..
21	21	23	23	24	25	27	27
59	66	72	76	79	82	91	147
7	7	8	8	9	13	13	15
14	15	17	21	29	32	31	41
79	85	90	94	98	105	122	120
-3	-4	1	2	-5	-6	1	1
40	46	50	55	61	72	82	103
..
510	564	628	699	781	914	1 057	1 296

Table A.5: General government operating expenses by purpose 1961-62 to 2012-13 – historical series (continued)

	(\$ million)			
	1973-74	1974-75	1975-76	1976-77
	Actual	Actual	Actual	Actual
General public services	51	65	82	100
Public order and safety	101	134	166	193
Primary and secondary	364	497	628	751
University	199	286	306	344
Technical and further education	18	26	34	42
Other tertiary	..	..	1	1
Other	37	64	81	98
Education	619	873	1 050	1 237
Acute care institutions	135	183	366	422
Other health institutions	44	60	77	91
Community health services	7	12	17	22
Pharmaceutical	13	13	6	2
Other	18	24	36	44
Health	217	292	502	581
Social security	6	3	9	6
Welfare services	9	13	18	21
Other	20	30	41	54
Social security and welfare	34	47	68	81
Housing and community development	12	23	29	29
Water supply	1	1	4	3
Sanitation and protection of the environment	6	17	19	15
Other community amenities	..	..	..	..
Housing and community amenities	18	41	52	47
Recreational facilities and services	8	13	20	21
Cultural facilities and services	9	13	17	21
Broadcasting and film production	..	..	..	..
Other recreation and culture	..	1	1	2
Recreation and culture	17	27	38	44
Fuel and energy	..	..	..	..
Agriculture, forestry and fishing	41	51	65	70
Mining, manufacturing and construction	3	4	6	7
Road transport	69	62	73	112
Water transport	3	3	4	5
Rail transport	97	152	170	192
Air transport	..	..	..	..
Communications and other transport	28	53	60	71
Transport and communications	197	270	307	379
Other economic affairs	18	23	28	34
Superannuation interest expense	66	77	97	121
Public debt transactions	106	191	209	252
Other	1	23	26	37
Superannuation not allocated to purpose	129	181	221	256
Depreciation not allocated to purpose		218	269	300
Total GFS expenses^(a)	1 617	2 517	3 186	3 739

Note:

(a) Total GFS expenses – accruals basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.

<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>
<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
112	128	136	154	173	188	239	284
220	247	291	342	389	483	512	563
878	962	1 089	1 238	1 355	1 529	1 778	1 881
358	362	383	415	458	489	532	538
43	51	59	72	152	183	204	222
1	1	1	1	1	6	3	15
110	120	133	160	171	191	191	211
1 390	1 497	1 666	1 887	2 137	2 399	2 708	2 867
466	513	551	633	699	788	877	1 238
101	108	124	141	153	183	205	216
32	39	38	37	55	63	68	128
1	3	1	2	3	3	3	1
42	44	54	74	91	98	119	250
641	706	768	888	1 002	1 134	1 271	1 834
9	9	7	5	5	5	5	83
33	41	47	55	71	91	84	208
60	70	79	74	85	101	126	4
101	120	132	134	161	197	215	296
34	18	19	24	34	97	112	212
2	2	1	17	20	25	29	53
13	15	14	15	19	23	26	26
..
49	35	34	56	73	145	167	291
25	28	32	36	44	58	43	58
27	29	35	33	37	36	25	61
..	..	..	..	..	..	1	6
2	1	2	2	4	5	7	7
54	59	69	72	85	100	75	133
..	..	1	3	2	6	46	20
78	84	93	100	116	149	159	213
7	- 12	32	39	45	50	66	59
127	139	161	171	214	284	283	279
5	5	6	10	10	12	14	14
211	230	238	235	275	375	230	231
..
32	38	39	44	53	65	227	257
374	412	444	460	552	735	753	781
38	43	47	68	82	93	148	268
126	162	223	293	432	470	513	583
304	329	351	399	440	529	596	639
50	52	61	77	94	232	191	189
291	315	363	420	469	527	537	583
335	362	421	483	548	628	682	706
4 171	4 539	5 134	5 875	6 801	8 063	8 878	10 311

Table A.5: General government operating expenses by purpose 1961-62 to 2012-13 – historical series (continued)

	(\$ million)				
	1985-86	1986-87	1987-88	1988-89	1989-90
	Actual	Actual	Actual	Actual	Actual
General public services	331	405	410	448	443
Public order and safety	632	678	729	830	978
Primary and secondary	1 994	2 089	2 188	2 451	2 564
University	654	673	760	726	736
Technical and further education	259	288	305	343	372
Other tertiary	17	23	4	5	7
Other	260	293	345	306	331
Education	3 186	3 366	3 601	3 833	4 010
Acute care institutions	1 382	1 572	1 726	1 881	2 025
Other health institutions	243	267	323	356	387
Community health services	114	119	159	161	174
Pharmaceutical	1	2	2	..	..
Other	263	274	332	415	467
Health	2 003	2 234	2 542	2 813	3 052
Social security	88	93	97	105	111
Welfare services	246	327	329	396	442
Other	1	1	..	..	..
Social security and welfare	334	421	426	501	554
Housing and community development	210	218	222	262	359
Water supply	65	31	32	33	39
Sanitation and protection of the environment	23	18	18	18	23
Other community amenities	..	..	1	..	..
Housing and community amenities	299	268	274	313	421
Recreational facilities and services	82	87	96	138	154
Cultural facilities and services	62	67	69	83	92
Broadcasting and film production	4	4	4	4	4
Other recreation and culture	3	1	..	..	..
Recreation and culture	152	159	170	225	250
Fuel and energy	32	32	22	8	20
Agriculture, forestry and fishing	168	193	207	215	229
Mining, manufacturing and construction	94	64	66	46	47
Road transport	362	334	376	421	431
Water transport	14	20	17	15	9
Rail transport	274	374	307	317	1
Air transport	..	..	..	..	..
Communications and other transport	249	478	326	323	675
Transport and communications	899	1 206	1 027	1 076	1 116
Other economic affairs	251	198	189	173	184
Superannuation interest expense	642	723	752	937	1 040
Public debt transactions	719	805	1 124	1 219	1 514
Other	147	153	167	170	176
Superannuation not allocated to purpose	638	705	784	827	876
Depreciation not allocated to purpose	776	842	894	945	998
Total GFS expenses^(a)	11 302	12 450	13 384	14 579	15 908

Note:

(a) Total GFS expenses – accruals basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.

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>
454	477	423	391	350	332	376	464
1 052	1 122	1 175	1 202	1 251	1 301	1 505	1 761
2 504	2 783	2 765	2 699	2 669	2 850	2 963	3 312
630	572	499	149	143	148	159	118
386	418	450	432	454	540	533	727
230	267	19	..	..	..	..	43
320	333	336	347	372	343	396	434
4 069	4 373	4 070	3 627	3 638	3 881	4 051	4 634
2 286	2 376	2 261	2 112	2 133	2 377	2 425	2 491
306	311	353	331	351	364	390	253
200	220	253	230	253	251	254	..
..	..	..	..	..	9	11	..
411	396	408	463	431	499	515	1 265
3 204	3 302	3 274	3 136	3 168	3 501	3 595	4 010
105	134	148	186	222	216	236	244
586	640	704	674	745	524	543	922
1	1	1	1	1	..	..	..
692	775	852	861	967	740	779	1 167
383	431	461	407	453	416	454	445
36	42	27	22	24	22	30	20
27	26	25	27	30	22	33	42
1	5	6	..	..	..	..	2
447	504	519	456	508	460	517	508
151	136	134	157	128	138	147	180
77	92	95	95	108	112	123	157
3	3	3	4	6	6	12	1
..	1	2	..	..	..	7	1
231	232	233	256	242	256	289	339
17	14	58	20	68	216	22	9
253	257	262	263	289	273	331	376
32	42	47	31	45	59	47	56
484	514	482	502	573	475	662	799
6	3	3	3	11	11	12	4
1	..	..	..	..	9	10	43
..
724	676	660	612	321	452	390	394
1 214	1 193	1 145	1 118	905	947	1 074	1 239
200	204	188	176	217	207	195	124
967	841	744	999	988	985	824	674
1 523	1 717	2 027	2 185	1 972	1 909	1 450	1 132
187	354	571	527	421	336	387	389
958	1 012	1 043	960	930	954	1 017	1 056
1 073	1 136	1 156	1 185	1 208	1 257	1 278	1 320
16 572	17 555	17 786	17 392	17 167	17 615	17 737	19 259

Table A.5: General government operating expenses by purpose 1961-62 to 2012-13 – historical series (continued)

	(\$ million)					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Actual	Actual	Actual	Actual	Actual
General public services ^(c)	125	462	837	642	431	702
Public order and safety	1 784	1 965	2 005	2 110	2 390	2 502
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
Education	5 205	5 552	6 190	6 639	6 975	7 310
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
Health	4 763	5 003	5 619	6 101	6 790	7 148
Social security	..	..	..	..	..	..
Welfare services	1 366	1 497	1 665	1 832	1 934	2 077
Other	2	..	..	..	..	..
Social security and welfare	1 367	1 497	1 665	1 832	1 934	2 077
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
Housing and community amenities	778	856	1 245	1 422	1 390	1 238
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
Recreation and culture	469	614	661	690	748	661
Fuel and energy	126	55	71	71	23	108
Agriculture, forestry and fishing	503	434	432	433	353	449
Mining, manufacturing and construction	30	20	12	23	17	31
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
Transport and communications	2 034	2 144	2 249	2 346	2 530	3 406
Other economic affairs	280	211	235	327	351	317
Superannuation interest expense	1 035	806	859	827	937	916
Public debt transactions	666	600	639	616	691	681
Other	..	..	..	..	..	..
Superannuation not allocated to purpose	..	..	..	..	..	..
Depreciation not allocated to purpose	..	..	..	..	..	..
Total GFS expenses ^(a)	19 166	20 219	22 721	24 079	25 559	27 547

(\$ million)

2004-05	2005-06	2006-07	2007-08	2008-09 ^(b)	2009-10 ^(b)	2010-11 ^(b)	2011-12 ^(b)	2012-13 ^(b)
<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
579	729	507	269	608	791	1 187	1 254	1 457
2 808	3 165	3 613	3 885	4 278	4 446	4 467	4 481	4 583
5 854	6 225	6 705	7 037	..	..	..	..	..
74	228	267	127	..	..	..	..	..
1 357	1 446	1 345	1 592	..	..	..	..	..
..
651	614	764	870	..	..	..	..	..
7 936	8 513	9 082	9 626	10 508	11 766	11 451	11 313	11 460
6 027	6 426	6 847	7 366	..	..	..	..	..
33	34	40	45	..	..	..	..	..
1 059	1 186	1 286	1 439	..	..	..	..	..
75	80	102	109	..	..	..	..	..
521	556	586	766	..	..	..	..	..
7 715	8 282	8 860	9 726	10 402	11 034	11 268	11 558	11 798
..
2 286	2 421	2 533	2 818	..	..	..	..	..
..
2 286	2 421	2 533	2 818	2 935	3 139	3 138	3 154	3 201
998	1 007	1 328	1 460	..	..	..	..	..
182	165	228	222	..	..	..	..	..
252	238	290	328	..	..	..	..	..
502	535	537	762	..	..	..	..	..
1 934	1 945	2 383	2 772	3 232	3 445	3 262	3 239	3 266
379	550	450	319	..	..	..	..	..
265	277	289	391	..	..	..	..	..
..
..
644	827	739	710	821	767	732	724	724
48	63	100	36	20	20	21	22	22
276	267	404	575	495	501	402	423	428
22	91	20	27	25	28	22	22	21
1 640	1 375	1 603	1 742	..	..	..	..	..
13	12	12	15	..	..	..	..	..
1 282	1 619	1 787	1 882	..	..	..	..	..
..
81	164	166	205	..	..	..	..	..
3 016	3 169	3 568	3 845	4 055	4 382	4 396	4 581	4 646
356	394	378	392	434	530	433	411	374
820	480	419	330	610	659	678	700	723
590	452	459	439	536	683	916	1 062	1 091
..	180	408	401	30	33	33	33	34
..
..
29 029	30 977	33 473	35 850	38 989	42 223	42 407	42 979	43 828

Table A.5: General government operating expenses by purpose 1961-62 to 2012-13 – historical series (continued)

Source: 1998-2002 to 2009-13 Department of Treasury and Finance; 2002-08 ABS Catalogue 5512.0.

Notes:

- (a) Detailed estimates are not available.*
- (b) General Public Services in the forward estimates includes contingencies not allocated to departments.*
- (c) Total GFS expenses – accrual basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.*

APPENDIX B – QUARTERLY FINANCIAL REPORT FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

This appendix presents the financial results for the general government (GG) sector for the nine months ending 31 March 2009, prepared consistent with the requirements of the *Financial Management Act 1994*. Comparisons are made to the revised 2008-09 full year estimates, as presented in Appendix C, *Revised 2008-09 Budget Outcome*.

The net result from transactions was a surplus of \$528 million for the nine month period, despite the recent difficult economic and financial market conditions.

Total revenue was \$28 497 million for the nine months to 31 March 2009, representing 72.8 per cent of the full year revised budget estimate of \$39 152 million. This mainly reflects lower than pro rata income from grants received from the Commonwealth Government.

Taxation revenue was \$9 765 million (76.8 per cent of the revised estimate) for the nine month period. A key contribution for this higher than pro rata result was land tax revenue which is recognised in the March quarter, when assessment notices are issued.

Expenses from transactions as at 31 March 2009 totalled \$27 969 million, which represents 71.7 per cent of the full year revised budget estimate of \$38 989 million. This result, in line with historical trends, reflects the normal seasonal pattern of service delivery, where expenses are weighted towards the last quarter of the financial year.

Comprehensive operating statement for the period ended 31 March

(\$ million)

2007-08 Actual to Mar		Notes	2008-09 Actual to Mar	Revised Budget
	Revenue			
9 894.9	Taxation revenue	2	9 765.3	12 720.0
305.3	Interest		306.3	408.2
573.4	Dividends and income tax equivalent and rate equivalent revenue	3	362.0	474.2
3 302.4	Sales of goods and services	4	3 484.7	5 076.6
12 544.8	Grants	5	13 383.1	18 789.4
1 034.9	Other current revenue	6	1 195.8	1 683.8
27 655.8	Total revenue		28 497.3	39 152.1
	Expenses			
9 907.7	Employee expenses		10 620.0	14 366.6
259.0	Superannuation interest expense	7	457.7	609.7
977.8	Other superannuation	7	1 019.3	1 394.6
1 007.4	Depreciation and amortisation	8	1 102.3	1 557.4
319.4	Interest expense		397.2	566.7
8 182.8	Other operating expenses		9 226.0	13 251.1
5 005.0	Grants and other transfers		5 146.4	7 243.0
25 659.1	Total expenses	9	27 968.9	38 989.1
1 996.6	Net result from transactions – Net operating balance		528.4	163.0
	Other economic flows included in net result			
(2.3)	Net gain/ (loss) on sale of non-financial assets		13.3	11.7
(10.4)	Net gain/ (loss) on financial assets or liabilities at fair value		(55.5)	(26.1)
(2 782.7)	Net actuarial gains/ (losses) of superannuation defined benefits plans		(11 375.5)	(11 316.7)
4.9	Share of net profit/(loss) from associates/ joint venture entities, excluding dividends		(0.1)	..
(100.6)	Other gains/ (losses) from other economic flows	10	(525.3)	(1 021.7)
(2 891.2)	Total other economic flows included in net result		(11 943.1)	(12 352.7)
(894.6)	Net result		(11 414.7)	(12 189.7)
	Other economic flows – Other movements in equity			
(5.7)	Net gain on financial assets at fair value		(3.9)	..
320.4	Revaluations of non-financial assets		(121.9)	503.2
203.2	Net gain on equity investments in other sector entities at proportional share of net assets		(5 420.1)	(3 979.9)
56.2	Transfers to accumulated funds/other movements in equity		105.8	(19.0)
574.0	Total other economic flows – Other movements in equity		(5 440.1)	(3 495.7)
(320.6)	Comprehensive result – Total change in net worth		(16 854.8)	(15 685.4)

Comprehensive operating statement for the period ended 31 March (continued)

(\$ million)

<i>2007-08</i>		<i>2008-09</i>	
<i>Actual</i>	<i>Notes</i>	<i>Actual</i>	<i>Revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>Budget</i>
FISCAL AGGREGATES			
1 996.6	Net operating balance	528.4	163.0
598.2	Less: Net acquisition of non-financial assets from transactions	651.2	1 666.7
1 398.4	Net lending/ (borrowing)	(122.8)	(1 503.7)

Balance Sheet as at 31 March

(\$ million)

2007-08 Actual 31 Mar	Notes	Opening 1 Jul	2008-09 Actual 31 Mar		Revised Budget ^(a)
Assets					
Financial assets					
2 817.9	Cash and deposits	16(a)	2 975.0	2 080.6	3 005.8
76.2	Advances paid		78.0	44.0	635.9
2 559.0	Investments, loans and placements		2 322.0	2 518.3	2 477.3
3 097.4	Receivables	11	2 620.2	3 224.2	2 657.7
..	Investments in general government sector entities using the equity method		648.1	649.3	..
639.3	Investments accounted for using the equity method – other		20.0	24.8	27.9
41 979.4	Investments in other sector entities		44 857.1	40 391.5	42 186.9
51 169.2	Total financial assets		53 520.5	48 932.6	50 991.6
Non-financial assets					
142.3	Inventories		221.1	208.9	233.9
47.3	Non-financial assets held for sale		70.8	59.5	37.6
59 893.7	Land, buildings, infrastructure, plant and equipment	13	65 224.2	66 295.4	67 826.5
603.6	Other non-financial assets	14	482.2	597.6	524.2
60 686.9	Total non-financial assets		65 998.2	67 161.3	68 622.2
111 856.0	Total assets		119 518.7	116 094.0	119 613.7
Liabilities					
677.9	Deposits held		371.5	312.0	386.5
3.3	Advances received		2.6	2.6	1.9
6 370.7	Borrowings		7 799.1	9 344.8	10 965.1
3 286.5	Payables		3 354.4	3 600.4	4 032.5
12 982.2	Superannuation		12 926.8	24 463.0	24 439.4
3 682.8	Other employee benefits	15	3 973.3	4 033.2	4 357.4
715.9	Other provisions		665.4	765.3	670.6
27 719.2	Total liabilities		29 092.9	42 521.3	44 853.4
84 136.8	Net assets		90 425.7	73 572.6	74 760.3
38 090.0	Accumulated surplus/(deficit)		37 746.2	26 447.1	25 528.4
46 046.8	Other reserves		52 647.5	47 091.7	49 179.9
..	Minority interest		32.0	33.8	52.0
84 136.8	Net worth		90 425.7	73 572.6	74 760.3
FISCAL AGGREGATES					
23 450.0	Net financial worth		24 427.5	6 411.3	6 138.1
18 529.5	Net financial liabilities		20 429.6	33 980.2	36 048.8
1 598.8	Net debt		2 150.0	4 367.2	5 234.5

The accompanying notes form part of these Financial Statements.

Note:

(a) 2008-09 Budget above and its accompanying notes are based on actual opening balances at 1 July 2008 plus 2008-09 Budgeted movement.

Statement of changes in equity for the period ended 31 March

(\$ million)

	Equity at 1 July	Total compre- hensive result	Transactions with owners in their capacity as owners	Equity at 31 March
2008-09				
Accumulated surplus/(deficit)	37 746.2	(11 414.7)	..	26 331.5
Other movements in equity	..	115.7	..	115.7
Minority interest	32.0	..	1.8	33.8
Physical asset revaluation reserve	28 459.7	(121.9)	..	28 337.8
Net movements in other reserves	780.7	(13.7)	..	767.0
Accumulated net gain/(loss) on equity investments in other sector entities	23 407.1	(5 420.1)	..	17 987.0
Total equity at end of the period	90 425.7	(16 854.8)	1.8	73 572.6
2007-08				
Accumulated surplus/(deficit)	22 037.2	(894.6)	..	21 142.6
Other movements in equity	..	26.6	..	26.6
Minority interest	..	..	..	..
Physical asset revaluation reserve	23 655.2	320.4	..	23 975.6
Net movements in other reserves	697.1	23.8	..	720.9
Accumulated net gain on equity investments in other sector entities ^(a)	38 068.0	203.2	..	38 271.1
Total equity at end of the period	84 457.5	(320.6)	..	84 136.9

The accompanying notes form part of these Financial Statements.

Note:

- (a) Adjustment to amount published in 2008-09 mid year financial report required to reflect net gain on equity investments in other sector entities.

Statement of cash flows for the period ended 31 March

(\$ million)

2007-08 Actual to Mar	Notes	2008-09	
		Actual to Mar	Revised Budget
Cash flows from operating activities			
Receipts			
9 683.5	Taxes received	9 018.3	12 855.6
12 540.7	Grants	13 409.0	18 789.4
3 928.6	Sales of goods and services ^(a)	3 815.7	5 547.7
300.4	Interest received	311.4	392.5
1 058.9	Dividends and income tax equivalent and rate equivalent receipts	404.3	471.5
666.1	Other receipts	1 049.9	1 287.5
28 178.2	Total receipts	28 008.7	39 344.2
Payments			
(9 845.8)	Payments for employees	(10 728.0)	(14 207.4)
(1 175.1)	Superannuation	(1 316.3)	(1 808.4)
(305.2)	Interest paid	(381.1)	(525.9)
(4 843.0)	Grants and subsidies	(5 204.0)	(7 182.3)
(8 696.2)	Goods and services ^(a)	(9 452.5)	(13 324.7)
(4.4)	Other payments	(312.2)	(362.7)
(24 869.6)	Total payments	(27 394.1)	(37 411.4)
3 308.6	Net cash flows from operating activities ^(b)	614.6	1 932.8
Cash flows from investing activities			
(1 940.8)	Purchases of non-financial assets	(1 917.1)	(3 248.1)
120.0	Sales of non-financial assets	110.5	190.5
(1 820.8)	Cash flows from investments in non-financial assets	(1 806.6)	(3 057.6)
(631.8)	Net cash flows from investments in financial assets for policy purposes	(924.3)	(1 295.0)
(512.1)	Net cash flows from investments in financial assets for liquidity management purposes	(255.7)	(181.4)
(2 964.6)	Net cash flows from investing activities	(2 986.6)	(4 534.0)
Cash flows from financing activities			
(0.7)	Advances received (net)	..	(0.7)
(627.0)	Net borrowings	1 199.4	2 730.8
82.7	Deposits received (net)	(59.5)	15.0
(545.0)	Net cash flows from financing activities	1 139.9	2 745.1
(201.1)	Net increase/(decrease) in cash and cash equivalents	(1 232.1)	143.9
3 014.6	Cash and cash equivalents at beginning of reporting period	2 859.3	2 859.3
2 813.6	Cash and cash equivalents at end of reporting period	1 627.2	3 003.2

Statement of cash flows for the period ended 31 March

(\$ million)

2007-08 Actual to Mar	Notes	2008-09 Actual to Mar	Revised Budget
FISCAL AGGREGATES			
3 308.6	Net cash flows from operating activities	614.6	1 932.8
(1 820.8)	Net cash flows from investments in non-financial assets	(1 806.6)	(3 057.6)
1 487.8	Cash surplus/(deficit)	(1 192.1)	(1 124.9)

The accompanying notes form part of these Financial Statements.

Notes:

- (a) *Inclusive of goods and services tax.*
- (b) *Adoption of AASB 1049 has resulted in classification changes to the previously published figures for March 2007-08.*

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Note 1: Statement of significant accounting policies

The following summarises the significant accounting policies that have been adopted in preparing and presenting this Quarterly Financial Report.

(R) Compliance framework

This report is a special purpose consolidated interim financial report of the general government sector for the quarter ending 31 March 2009 as required by Section 26 of the *Financial Management Act 1994*.

The Quarterly Financial Report has been prepared in accordance with the *Financial Management Act 1994*, relevant Australian Accounting Standards (AAS) issued by the Australian Accounting Standards Board (AASB), including those paragraphs applicable to not-for-profit entities, and AASB Interpretations and other authoritative pronouncements.

This unaudited special purpose financial report should be read in conjunction with the *2007-08 Financial Report for the State of Victoria* and *2008-09 Mid-Year Financial Report*. It only includes explanatory notes that provide relevant information on a quarterly reporting basis.

(S) Basis of accounting and measurement

The accrual basis of accounting has been employed in the preparation of this financial report whereby assets, liabilities, equity, revenues and expenses are recognised in the reporting period to which they relate, regardless of when cash will be received or paid.

(T) General government sector reporting entity

The GG 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 entities are financed mainly through taxes, other compulsory levies and user charges. The GG sector is not a separate entity but represents a sector within the State of Victoria reporting entity.

(U) 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 27 of Chapter 1. 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)

2007-08		2008-09	
<i>Actual to Mar</i>		<i>Actual to Mar</i>	<i>Revised Budget</i>
2 879.5	Taxes on employers' payroll and labour force	3 010.7	4 023.5
	Taxes on property		
	Taxes on immovable property		
861.0	Land tax	1 185.5	1 236.8
(1.1)	Congestion levy	42.7	42.1
84.3	Metropolitan improvement levy	93.5	106.0
32.7	Property owner contributions to fire brigades	32.2	41.3
976.9	Total taxes on immovable property	1 353.9	1 426.2
	Financial and capital transactions		
2 836.4	Land transfer duty	2 140.9	2 894.6
6.0	Other property duties	5.9	8.6
15.1	Financial accommodation levy	12.3	26.6
2 857.6	Total financial and capital transactions	2 159.1	2 929.9
3 834.5	Total taxes on property	3 513.0	4 356.0
	Taxes on the provision of goods and services		
	Gambling taxes		
246.7	Private lotteries	248.4	343.3
753.7	Electronic gaming machines	760.3	1 000.7
88.6	Casino	97.5	142.5
94.4	Racing	99.2	130.4
4.6	Other	5.3	8.4
1 188.0	Total gambling taxes	1 210.6	1 625.3
44.3	Levies on statutory corporations	50.8	73.7
878.0	Taxes on insurance	936.9	1 221.0
2 110.3	Total taxes on the provision of goods and services	2 198.4	2 920.0
	Taxes on the use of goods and performance of activities		
	Motor vehicle taxes		
582.4	Vehicle registration fees	613.2	822.0
425.4	Duty on vehicle registrations and transfers	383.3	498.0
1 007.8	Total motor vehicle taxes	996.5	1 320.0
7.6	Franchise taxes	11.7	11.7
55.1	Other	35.1	88.8
1 070.5	Total taxes on the use of goods and performance of activities	1 043.3	1 420.5
9 894.9	Total taxation	9 765.3	12 720.0

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

(\$ million)

<i>2007-08</i>		<i>2008-09</i>	
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>Budget</i>
357.3	Dividends	293.4	361.2
212.0	Income tax equivalent revenue	64.1	107.9
4.1	Local government rate equivalent revenue	4.5	5.1
573.4	Total dividends and income tax equivalent and rate equivalent revenue	362.0	474.2

Note 4: Sales of goods and services

(\$ million)

<i>2007-08</i>		<i>2008-09</i>	
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>Budget</i>
70.6	Motor vehicle regulatory fees	73.6	107.8
209.1	Other regulatory fees	220.9	298.8
24.0	Sale of goods	26.8	1.9
2 268.8	Provision of services	2 382.4	3 327.3
31.6	Rental	33.6	43.3
28.0	Refunds and reimbursements	28.1	318.7
670.3	Inter-sector capital asset charge	719.3	978.8
3 302.4	Total sales of goods and services	3 484.7	5 076.6

Note 5: Grants

(\$ million)

<i>2007-08</i>		<i>2008-09</i>	
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>Budget</i>
Current grants			
Current grants from the Commonwealth			
6 920.4	General purpose grants	7 247.3	9 347.9
1 420.4	Payments to specific purposes	1 600.9	1 978.3
3 457.5	Other specific purpose grants	3 929.4	6 230.4
11 798.3	Total	12 777.6	17 556.6
7.1	Other contributions and grants	12.5	144.2
11 805.4	Total current grants	12 790.1	17 700.8
Capital grants			
Capital grants from the Commonwealth			
146.5	Payments to specific purposes	155.0	231.4
535.6	Other specific purpose grants	367.0	718.9
682.1	Total	522.0	950.4
57.3	Other contributions and grants	71.1	138.2
739.4	Total capital grants	593.1	1 088.6
12 544.8	Total grants	13 383.1	18 789.4

Note 6: Other current revenue

(\$ million)

<i>2007-08</i>		<i>2008-09</i>	
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>Budget</i>
..	Fair value of assets received free of charge or for nominal consideration	42.4	214.8
316.0	Fines	354.7	470.7
30.9	Royalties	37.6	48.7
154.3	Donations and gifts	169.9	210.5
16.9	Other non-property rental	17.3	15.3
516.9	Other miscellaneous income	573.9	723.8
1 034.9	Total other current revenue	1 195.8	1 683.8

Note 7: Superannuation

(\$ million)

2007-08 Actual to Mar		2008-09 Actual to Mar		Revised Budget
Defined benefit plans				
1 344.3	Interest cost ^(a)	1 402.0		1 867.6
(1 085.3)	Expected return on plan assets (net of expenses) ^(a)	(944.3)		(1 257.9)
259.0	Superannuation interest expense	457.7		609.7
482.9	Current service cost ^(a)	648.8		579.4
(10.9)	Amortisation of past service cost ^(a)	(10.9)		(14.5)
2 782.7	Actuarial (gains)/losses(b)	11 375.5		11 316.7
3 513.7	Total expense recognised in respect of defined benefit plans	12 471.1		12 491.3
Defined contribution plans				
473.3	Employer contributions to defined contribution plans ^(a)	339.8		781.9
32.5	Other (including pensions) ^(a)	41.6		47.9
505.8	Total expense recognised in respect of defined contribution plans	381.4		829.7
4 019.5	Total superannuation expense	12 852.5		13 321.0

Notes:

(a) Superannuation expense from transactions.

(b) Superannuation expense from other economic flows.

Note 8: Depreciation and amortisation

(\$ million)

2007-08 Actual to Mar		2008-09 Actual to Mar		Revised Budget
301.1	Buildings	359.2		475.2
346.8	Plant, equipment and infrastructure systems	337.9		540.7
250.5	Road networks	290.3		395.0
7.1	Other assets	8.4		11.5
26.9	Leased plant and equipment	27.8		44.6
38.5	Leasehold buildings	44.7		57.0
36.7	Intangible produced assets ^(a)	34.0		33.4
1 007.4	Total depreciation	1 102.3		1 557.4

Note:

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

Note 9: Total expenses from transactions by department

(\$ million)

2007-08		2008-09	
Actual		Actual	Revised
to Mar		to Mar	Budget
Expenses from transactions			
6 404.7	Education and Early Childhood Development	7 074.5	9 665.4
9 580.3	Human Services	10 483.8	14 215.5
1 507.9	Innovation, Industry and Regional Development	1 679.7	2 368.8
2 356.9	Justice	2 557.6	3 748.1
665.0	Planning and Community Development	831.6	1 030.2
387.2	Premier and Cabinet	472.3	681.0
441.4	Primary Industries	371.3	541.1
902.4	Sustainability and Environment	1 042.5	1 931.5
3 051.1	Transport	3 252.1	4 454.1
1 307.8	Treasury and Finance	1 693.4	2 521.9
86.0	Parliament	91.8	148.0
1 150.1	Regulatory bodies and other part-funded agencies	1 185.9	1 747.2
..	Contingencies not allocated to departments	..	(288.0)
(2 181.7)	Less eliminations	(2 767.7)	(3 775.9)
25 659.1	Total expense from transactions	27 968.9	38 989.1

Note 10: Other gains/(losses) from other economic flows

(\$ million)

2007-08		2008-09	
Actual		Actual	Revised
to Mar		to Mar	Budget
..	Net gain/(loss) from revaluation of biological assets	(0.3)	8.4
(79.7)	Net decrease in provision for doubtful receivables	(103.7)	27.7
(1.6)	Amortisation of intangible non-produced assets	(2.6)	(5.0)
(19.2)	Other gains/(losses)	(418.6)	(1 052.7)
(100.6)	Total other gains/(losses) from other economic flows	(525.3)	(1 021.7)

Note 11: Receivables

(\$ million)

<i>2007-08</i>		<i>2008-09</i>		
<i>Actual</i>		<i>Opening</i>	<i>Actual</i>	<i>Revised</i>
<i>31 Mar</i>		<i>1 Jul</i>	<i>31 Mar</i>	<i>Budget</i>
	Contractual			
687.2	Sales of goods and services	731.5	753.9	747.4
164.1	Accrued investment income	82.3	34.7	84.6
334.6	Other receivables	324.6	255.1	414.4
(375.6)	Provision for doubtful contractual receivables	(252.9)	(326.5)	(224.2)
	Statutory			
1 396.7	Tax receivables	824.5	1 571.5	688.9
731.3	Fines and regulatory fees	641.3	742.9	679.8
159.1	GST input tax credits recoverable	268.9	192.5	266.8
3 097.4	Total receivables	2 620.2	3 224.2	2 657.7

Note 12: Net acquisition of non-financial assets

(\$ million)

<i>2007-08</i>		<i>2008-09</i>	
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>Budget</i>
1 940.8	Purchases of non-financial assets	1 917.1	3 248.1
(120.0)	Less: Sales of non-financial assets	(110.5)	(190.5)
(1 007.4)	Less: Depreciation	(1 102.3)	(1 557.4)
17.1	Plus: Change in inventories	(12.2)	12.8
(232.2)	Plus: Other movements in non-financial assets	(40.9)	153.6
598.2	Total net acquisition of non-financial assets	651.2	1 666.7

Note 13: Property, plant and equipment

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

(\$ million)

2007-08		2008-09		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
15 598.5	Buildings (written down value)	16 259.9	16 469.2	17 383.3
19 504.1	Land and national parks	20 413.7	20 818.9	20 546.9
265.0	Infrastructure systems (written down value)	359.1	450.8	1 038.4
1 894.3	Plant, equipment and vehicles (written down value)	2 131.5	2 097.3	2 152.2
14 543.1	Roads (written down value)	16 508.7	16 851.9	17 146.5
4 575.7	Earthworks	5 245.8	5 262.7	5 245.3
3 513.1	Cultural assets (written down value)	4 305.5	4 344.6	4 313.9
59 893.7	Total land, buildings, infrastructure, plant and equipment	65 224.2	66 295.4	67 826.5

(b) Land and buildings

(\$ million)

2007-08		2008-09		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
17 415.0	Buildings	17 758.8	18 312.2	19 414.1
(1 816.5)	Accumulated depreciation	(1 498.8)	(1 843.0)	(2 030.8)
15 598.5	Buildings (written down value)	16 259.9	16 469.2	17 383.3
17 216.7	Land	18 273.5	18 678.7	18 406.4
2 287.4	National Parks and other 'land only' holdings	2 140.2	2 140.2	2 140.5
19 504.1	Land and national parks	20 413.7	20 818.9	20 546.9
35 102.6	Total land and buildings	36 673.6	37 288.1	37 930.3

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

(\$ million)

2007-08		2008-09		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
291.0	Infrastructure systems	379.0	479.6	1 085.3
(26.0)	Accumulated depreciation	(19.9)	(28.8)	(46.9)
265.0	Infrastructure systems (written down value)	359.1	450.8	1 038.4
4 346.4	Plant, equipment and vehicles	4 474.3	4 609.2	4 823.5
(2 590.6)	Accumulated depreciation	(2 484.4)	(2 634.2)	(2 775.8)
178.4	Leased plant, equipment and vehicles	188.5	196.8	188.5
(40.0)	Accumulated depreciation	(47.0)	(74.4)	(84.0)
1 894.3	Plant, equipment and vehicles (written down value)	2 131.5	2 097.3	2 152.2
2 159.3	Total plant, equipment and vehicles, and infrastructure systems	2 490.6	2 548.2	3 190.6

(d) Road networks and earthworks

(\$ million)

2007-08		2008-09		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
17 053.3	Roads	19 521.0	20 141.0	20 260.1
(6 496.5)	Accumulated depreciation	(7 544.2)	(7 775.2)	(7 856.9)
6 049.2	Road infrastructure	6 964.1	6 977.6	7 254.2
(2 062.9)	Accumulated depreciation	(2 432.2)	(2 491.5)	(2 510.9)
14 543.1	Roads (written down value)	16 508.7	16 851.9	17 146.5
4 575.7	Earthworks	5 245.8	5 262.7	5 245.3
19 118.8	Total road networks and earthworks	21 754.5	22 114.5	22 391.7

(e) Cultural assets

(\$ million)

2007-08		2008-09		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
3 602.6	Cultural assets	4 398.6	4 446.4	4 419.0
(89.6)	Accumulated depreciation	(93.1)	(101.8)	(105.1)
3 513.1	Total cultural assets	4 305.5	4 344.6	4 313.9

Note 14: Other non-financial assets

(\$ million)

2007-08		2008-09		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
411.8	Intangible produced assets	432.6	442.9	476.7
(189.4)	Accumulated depreciation	(212.0)	(205.7)	(245.3)
23.8	Intangible non-produced assets	34.0	29.7	58.9
(13.8)	Accumulated depreciation	(16.9)	(17.6)	(21.9)
232.4	Total intangibles	237.8	249.3	268.4
19.3	Investment properties	22.5	22.3	22.5
80.6	Biological assets ^(a)	34.4	34.1	42.8
271.4	Other assets	187.5	291.9	190.5
603.6	Total other non-financial assets	482.2	597.6	524.2

Note:

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

Note 15: Other employee benefits

(\$ million)

2007-08		2008-09		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
	Current			
1 116.9	Accrued salaries and wages ^(a)	1 339.9	1 110.8	1 376.4
2 262.8	Long service leave	2 275.9	2 421.9	2 540.1
3 379.7	Total current employee benefits	3 615.8	3 532.7	3 916.5
	Non-current			
303.1	Long service leave	357.4	500.5	440.9
303.1	Total non-current employee benefits	357.4	500.5	440.9
3 682.8	Total employee benefits	3 973.3	4 033.2	4 357.4

Note:

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

Note 16: Cash flow information

(a) Reconciliation of cash and cash equivalents

(\$ million)		
2007-08 Actual to Mar		2008-09 Actual to Mar
954.9	Cash	1 164.4
1 863.0	Deposits at call	916.2
2 817.9	Cash and cash equivalents	2 080.6
(4.3)	Bank overdraft	(453.4)
2 813.6	Balances as per cash flow statement	1 627.2

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

(\$ million)		
2007-08 Actual to Mar		2008-09 Actual to Mar
(894.6)	Net result	(11 414.7)
	Non-cash movements	
1 009.1	Depreciation	1 104.9
8.9	Revaluation of investments	20.3
232.3	Assets (received)/provided free of charge	41.2
(0.6)	Assets not previously recognised	(467.2)
13.6	Revaluation of assets	68.8
5.6	Discount/premium on other financial assets/borrowings	8.3
..	Bad/doubtful debts	..
..	Foreign currency dealings	..
..	Unrealised gains/losses on borrowings	..
..	Discounting of assets and liabilities	..
	Movements included in investing and financing activities	
(3.3)	Net revenues from sale of investments	35.4
2.2	Net revenues from sale of plant & equipment	(13.4)
..	Realised gains/losses on borrowings	..
	Movements in assets and liabilities	
51.1	Increase/(Decrease) in provision for doubtful debts	73.6
63.9	Increase/(Decrease) in payables	251.0
61.9	Increase/(Decrease) in employee benefits	60.0
2 844.5	Increase/(Decrease) in superannuation	11 536.2
(42.1)	Increase/(Decrease) in other provisions	99.7
..	Increase/(Decrease) in other liabilities	..
23.8	(Increase)/Decrease in receivables	(678.9)
(67.8)	(Increase)/Decrease in other non-financial assets	(110.5)
3 308.6	Net cash flows from operating activities	614.6

Note 17: Public account

(a) Consolidated Fund receipts and payments

(\$ million)			
2007-08 Actual to Mar		2008-09 Actual to Mar	Revised Budget
	Receipts		
9 526.8	Taxation	8 891.4	13 380.4
304.6	Fines and regulatory fees	345.1	600.0
10 482.3	Grants received	11 155.6	14 777.8
593.2	Sales of goods and services	535.2	733.3
13.9	Interest received	5.7	40.0
1 057.5	Public authority receipts	434.5	702.3
2 195.0	Other receipts	2 354.0	3 296.1
24 173.4	Total operating activities	23 721.5	33 529.8
34.4	Total inflows from investing and financing	2 438.6	70.9
24 207.8	Total receipts	26 160.1	33 600.8
	Payments to departments		
4 867.2	Education and Early Childhood Development	5 467.6	7 666.7
9 105.5	Human Services	9 427.9	12 718.9
3 568.7	Transport	4 069.1	5 501.8
1 047.1	Innovation, Industry and Regional Development	1 176.0	1 614.3
2 367.8	Justice	2 568.8	3 600.0
369.4	Premier and Cabinet	352.9	557.5
440.4	Primary Industries	350.6	502.5
981.3	Sustainability and Environment	1 208.2	1 919.0
1 168.7	Treasury and Finance	1 551.2	2 213.0
363.2	Planning and Community Development	449.4	668.7
87.4	Parliament	93.9	149.1
24 366.7	Total payments	26 715.6	37 111.4
(158.9)	Net receipts/(payments)	(555.5)	(3 510.7)

Note 17: Public Account (continued)

(b) Trust Fund cash flow statement

(\$ million)

2007-08 Actual to Mar.		2008-09 Actual to Mar.	Revised Budget
Cash flows from operating activities			
Receipts			
155.9	Taxation	134.9	162.6
3.8	Regulatory fees and fines	39.2	49.4
2 133.5	Grants received	2 404.1	2 718.9
269.7	Sale of goods and services	237.9	282.0
114.3	Interest received	118.8	132.8
7 161.9	Other receipts ^(a)	7 957.2	10 026.0
9 839.0	Total receipts	10 892.1	13 371.6
Payments			
(83.4)	Employee entitlements	(80.6)	(90.7)
(4.9)	Superannuation	(5.4)	(5.8)
(7 632.6)	Grants paid	(8 376.0)	(10 363.7)
(1 803.1)	Supplies and consumables	(1 998.7)	(2 434.9)
(15.6)	Interest paid	(14.7)	(15.9)
..	Other payments	..	..
(9 539.6)	Total payments	(10 475.4)	(12 911.0)
299.4	Net cash flows from operating activities	416.7	460.6
Cash flows from investing activities			
(39.5)	Net proceeds from customer loans	0.2	..
39.8	Proceeds from sale of property, plant and equipment	36.5	34.0
(29.9)	Purchases of property, plant and equipment	(29.0)	(32.3)
(152.8)	Other investing activities	(124.8)	(110.4)
(182.5)	Net cash flows from investing activities	(117.1)	(108.7)
Cash flows from financing activities			
(960.0)	Net proceeds (repayments) from borrowings	(614.3)	(22.7)
(960.0)	Net cash flows from financing activities	(614.3)	(22.7)
(843.1)	Net cash inflow/(outflow)	(314.7)	329.2

Note:

- (a) Includes funds raised from the Victorian Bushfire Appeal after the 2009 February bushfires. The Victorian Government has collected appeal proceeds for the Red Cross Victorian Bushfire Appeal.

Note 17: Public Account (continued)

(c) Details of securities held

(\$ million)

2007-08 Actual to Mar		2008-09 Opening 1 July	Actual 31 Mar
957.0	Amounts invested on behalf of specific trust accounts	892.4	574.2
1.3	Amounts invested on behalf of general trust accounts	1.3	1.3
1 083.6	General account balances	1 593.4	364.4
2 041.9	Total Public Account	2 487.2	939.9
	Represented by:		
958.3	Stocks and securities	893.8	575.5
822.2	Cash and investments	953.9	22.2
1 780.5	Total stock, securities, cash and investments	1 847.6	597.7
	Add cash advanced for:		
261.4	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	541.4	342.2
..	Temporary Advance to the Consolidated Fund pursuant to Section 38 of the <i>Financial Management Act, No. 18 of 1994</i>	98.1	..
2 041.9	Total Public Account	2 487.2	939.9

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 forecast assumptions* (Note 1) in Budget Paper No. 4, Chapter 1, *Estimated Financial Statements and Notes*.

Table B.1: Comprehensive operating statement for the past five quarters

	(\$ million)				
	2007-08			2008-09	
	Mar	Jun	Sept	Dec	Mar
Revenue					
Taxation revenue	3 837.7	2 968.0	2 948.1	2 945.4	3 871.8
Interest	98.2	146.3	103.9	113.2	89.2
Dividends and income tax equivalent and rate equivalent revenue	109.5	186.5	52.4	278.4	31.2
Sales of goods and services	1 090.7	1 185.9	1 121.9	1 196.7	1 166.1
Grants	4 226.6	4 665.3	4 216.8	4 517.5	4 648.7
Other current revenue	347.1	532.6	327.2	470.7	397.9
Total revenue	9 709.8	9 684.6	8 770.4	9 521.9	10 204.9
Expenses					
Employee expenses	3 395.9	3 331.7	3 395.8	3 592.4	3 631.8
Superannuation interest expense	85.5	71.3	130.7	176.6	150.3
Other superannuation	319.7	339.9	328.3	352.6	338.4
Depreciation	346.6	408.8	355.9	363.2	383.1
Interest expense	97.3	119.1	128.8	142.8	125.5
Other operating expenses	2 903.2	3 886.8	2 845.0	3 191.2	3 189.8
Grants and other transfers	1 737.2	2 041.9	1 490.2	1 752.6	1 903.6
Total expenses	8 885.4	10 199.5	8 674.6	9 571.6	9 722.7
Net result from transactions – Net operating balance	824.4	(514.9)	95.8	(49.6)	482.2
Other economic flows included in net result					
Net gain/(loss) on sale of non-financial assets	29.6	18.4	5.5	8.3	(0.4)
Net gain/(loss) on financial assets or liabilities at fair value	(8.9)	(24.4)	2.8	(44.9)	(13.4)
Net actuarial gains/(losses) of superannuation defined benefits plans	(2 287.6)	(595.4)	(3 877.3)	(9 131.0)	1 632.8
Share of net profit/(loss) from associates/ joint venture entities, excluding dividends	0.1	5.7	..	(1.4)	1.3
Other gains/(losses) from other economic flows	(17.4)	129.7	(37.4)	(734.5)	246.6
Total other economic flows included in net result	(2 284.1)	(466.0)	(3 906.4)	(9 903.6)	1 866.9
Net result	(1 459.8)	(980.9)	(3 810.6)	(9 953.3)	2 349.2
Other economic flows – Other movements in equity					
Net gain on financial assets at fair value	(4.5)	(28.9)	(1.7)	(8.4)	6.2
Revaluations of non-financial assets	(2.2)	4 484.1	(0.5)	(13.9)	(107.6)
Net gain on equity investments in other sector entities at proportional share of net assets	..	2 686.2	..	(5 002.0)	(418.1)
Other movements in equity	(14.9)	757.8	..	72.6	33.2
Total other economic flows – Other movements in equity	(21.6)	7 899.2	(2.2)	(4 951.7)	(486.2)
Comprehensive result – Total change in net worth	(1 481.4)	6 918.3	(3 812.8)	(14 905.0)	1 863.0

**Table B.1: Comprehensive operating statement for the past five quarters
(continued)**

	(\$ million)				
	2007-08		2008-09		
	Mar	Jun	Sept	Dec	Mar
FISCAL AGGREGATES					
Net operating balance	824.4	(514.9)	95.8	(49.6)	482.2
Less: Net acquisition of non-financial assets from transactions ^(a)	22.9	470.5	171.6	436.0	43.6
Net lending/(borrowing)	801.4	(985.4)	(75.8)	(485.6)	438.6

The accompanying notes form part of these Financial Statements.

Note:

(a) *Net acquisitions of non-financial assets has been adjusted since the last publication to include infrastructure assets given free of charge.*

Table B.2: Balance sheet as at the end of the quarter

	(\$ million)				
	Mar	2007-08 Jun	Sept	2008-09 Dec	Mar
Assets					
Financial assets					
Cash and deposits	2 817.9	2 975.0	2 382.1	2 032.6	2 080.6
Advances paid	76.2	78.0	78.4	45.2	44.0
Investments, loans and placements	2 559.0	2 322.0	2 423.8	2 491.4	2 518.3
Receivables	3 097.4	2 620.2	2 171.2	2 123.9	3 224.2
Investments in general government sector entities using the equity method	..	648.1	648.1	648.0	649.3
Investments accounted for using equity method – other	639.3	20.0	25.6	24.8	24.8
Investments in other sector entities	41 979.4	44 857.1	45 017.7	40 391.5	40 391.5
Total financial assets	51 169.2	53 520.5	52 746.8	47 757.4	48 932.6
Non-financial assets					
Inventories	142.3	221.1	218.1	216.4	208.9
Non-financial assets held for sale	47.3	70.8	66.2	58.6	59.5
Land, buildings, infrastructure, plant and equipment	59 893.7	65 224.2	65 392.4	65 912.8	66 295.4
Other non-financial assets	603.6	482.2	672.1	724.6	597.6
Total non-financial assets	60 686.9	65 998.2	66 348.8	66 912.4	67 161.3
Total assets	111 856.0	119 518.7	119 095.5	114 669.7	116 094.0
Liabilities					
Deposits held	677.9	371.5	382.1	324.9	312.0
Advances received	3.3	2.6	2.6	2.6	2.6
Borrowings	6 370.7	7 799.1	7 935.7	8 561.2	9 344.8
Payables	3 286.5	3 354.4	2 876.3	3 419.3	3 600.4
Superannuation	12 982.2	12 926.8	16 836.8	26 043.0	24 463.0
Other employee benefits	3 682.8	3 973.3	3 742.1	3 873.9	4 033.2
Other provisions	715.9	665.4	706.5	733.4	765.3
Total liabilities	27 719.2	29 092.9	32 482.1	42 958.3	42 521.3
Net assets	84 136.8	90 425.7	86 613.4	71 711.4	73 572.6
Accumulated surplus/(deficit)	38 090.0	37 746.2	33 935.6	24 075.2	26 447.1
Other reserves	46 046.8	52 647.5	52 645.8	47 600.7	47 091.7
Minority interest	..	32.0	32.0	35.5	33.8
Net worth	84 136.8	90 425.7	86 613.4	71 711.4	73 572.6
FISCAL AGGREGATES					
Net financial worth	23 450.0	24 427.5	20 264.7	4 799.1	6 411.3
Net financial liabilities	18 529.5	20 429.6	24 753.0	35 592.5	33 980.2
Net debt	1 598.8	2 150.0	2 788.1	3 671.5	4 367.2

The accompanying notes form part of these Financial Statements.

Table B.3: Statement of cash flows for the past five quarters

	(\$ million)				
	Mar	2007-08 Jun	Sept	2008-09 Dec	Mar
Cash flows from operating activities					
Receipts					
Taxes received	3 125.3	3 529.7	3 193.0	3 012.1	2 813.3
Grants	4 216.8	4 669.0	4 212.8	4 538.7	4 657.6
Sales of goods and services ^(a)	1 220.2	753.2	1 279.8	1 364.9	1 171.0
Interest received	100.8	140.6	102.3	120.7	88.4
Dividends and income tax equivalent and rate equivalent receipts	171.8	140.7	17.1	392.6	(5.3)
Other receipts	140.8	553.7	381.0	344.5	324.4
Total receipts	8 975.8	9 786.8	9 185.9	9 773.4	9 049.3
Payments					
Payments for employees	(3 382.1)	(3 041.3)	(3 626.9)	(3 535.6)	(3 565.5)
Superannuation	(384.8)	(824.0)	(426.3)	(454.1)	(436.0)
Interest paid	(91.6)	(140.0)	(114.5)	(143.7)	(122.9)
Grants and subsidies	(1 549.7)	(1 592.3)	(1 639.3)	(1 807.2)	(1 757.5)
Goods and services ^(a)	(2 756.8)	(3 036.3)	(3 227.6)	(3 297.9)	(2 927.0)
Other payments	(4.4)	(360.7)	(80.0)	(158.1)	(74.1)
Total payments	(8 169.4)	(8 994.5)	(9 114.7)	(9 396.6)	(8 882.8)
Net cash flows from operating activities	806.3	792.3	71.2	376.9	166.4
Cash flows from investing activities					
Purchases of non-financial assets	(592.0)	(827.5)	(568.4)	(856.7)	(492.0)
Sales of non-financial assets	61.5	57.0	35.5	50.3	24.7
Cash flows from investments in non-financial assets	(530.5)	(770.5)	(533.0)	(806.4)	(467.2)
Net cash flows from investments in financial assets for policy purposes	(196.8)	(735.6)	(173.8)	(362.2)	(388.2)
Net cash flows from investments in financial assets for liquidity management purposes	(29.7)	189.4	(100.6)	(122.4)	(32.7)
Net cash flows from investing activities	(757.0)	(1 316.7)	(807.4)	(1 291.0)	(888.2)
Cash flows from financing activities					
Advances received (net)	(0.2)	(0.4)	..	..	..
Net borrowings	59.0	876.7	(203.4)	750.2	652.6
Deposits received (net)	(27.6)	(306.1)	10.6	(57.3)	(12.8)
Net cash flows from financing activities	31.3	570.2	(192.7)	693.0	639.7
Net increase/(decrease) in cash and cash equivalents	80.6	45.8	(928.9)	(221.2)	(82.0)
Cash and cash equivalents at beginning of reporting period	2 733.0	2 813.6	2 859.3	1 930.4	1 709.2
Cash and cash equivalents at end of reporting period	2 813.6	2 859.3	1 930.4	1 709.2	1 627.2

Table B.3: Statement of cash flows for the past five quarters (continued)

(\$ million)

	2007-08		2008-09		
	Mar	Jun	Sept	Dec	Mar
FISCAL AGGREGATES					
Net cash flows from operating activities	806.3	792.3	71.2	376.9	166.4
Net cash flows from investments in non-financial assets	(530.5)	(770.5)	(533.0)	(806.4)	(467.2)
Cash surplus / (deficit)	275.8	21.8	(461.7)	(429.6)	(300.8)

The accompanying notes form part of these Financial Statements.

Note:

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

APPENDIX C – REVISED 2008-09 BUDGET OUTCOME

This appendix provides revised estimates of the budget outcome for the 2008-09 financial year. The revised 2008-09 estimates take into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the *2008-09 Budget* to Parliament in May 2008. This appendix also references the major policy decisions and commitments of the Commonwealth Government that have impacted on the financial position of Victoria in 2008-09.

REVISED 2008-09 COMPREHENSIVE OPERATING STATEMENT

The revised 2008-09 comprehensive operating statement is presented in Table C.1. It shows that the revised GG sector net result from transactions for 2008-09 is estimated at \$163 million, \$665 million lower than the *2008-09 Budget* estimate and \$219 million lower than that estimated in the *2008-09 Budget Update*.

Table C.1: 2008-09 Comprehensive operating statement

	(\$ million)			
	2008-09 Budget	2008-09 Revised	Change	Change %
Revenue				
Taxation revenue	13 382.9	12 720.0	(662.8)	(5.0)
Interest	402.2	408.2	6.0	1.5
Dividends and income tax equivalent and rate equivalent revenue	669.9	474.2	(195.7)	(29.2)
Sales of goods and services	4 334.5	5 076.6	742.1	17.1
Grants	17 555.0	18 789.4	1 234.3	7.0
Other current revenue	1 465.6	1 683.8	218.2	14.9
Total revenue	37 810.0	39 152.1	1 342.1	3.5
Expenses				
Employee expenses	14 225.6	14 366.6	141.0	1.0
Superannuation interest expense	518.6	609.7	91.1	17.6
Other superannuation	1 339.6	1 394.6	55.0	4.1
Depreciation	1 609.4	1 557.4	(52.0)	(3.2)
Interest expense	499.4	566.7	67.3	13.5
Other operating expenses	12 350.4	13 251.1	900.6	7.3
Grants and other transfers	6 439.4	7 243.0	803.6	12.5
Total expenses	36 982.4	38 989.1	2 006.7	5.4
Net result from transactions – Net operating balance	827.5	163.0	(664.6)	(80.3)
Other economic flows included in net result				
Net gain/ (loss) on sale of non-financial assets	39.9	11.7	(28.1)	(70.6)
Net gain/ (loss) on financial assets or liabilities at fair value	0.6	(26.1)	(26.7)	(4846.7)
Net actuarial gains/ (losses) of superannuation defined benefits plans	..	(11 316.7)	(11 316.7)	n.a
Other gains/ (losses) from other economic flows	(151.1)	(1 021.7)	(870.6)	576.4
Total other economic flows included in net result	(110.6)	(12 352.7)	(12 242.1)	11065.6
Net result	716.9	(12 189.7)	(12 906.7)	(1800.3)
Other Economic Flows – Other Movements in Equity				
Revaluations of non-financial assets	2 293.5	503.2	(1 790.3)	(78.1)
Net gain on equity investments in other sector entities at proportional share of net assets	407.2	(3 979.9)	(4 387.0)	(1077.5)
Other movements in equity	(10.5)	(19.0)	(8.5)	80.9
Total other economic flows – Other movements in equity	2 690.2	(3 495.7)	(6 185.9)	(229.9)
Comprehensive result – Total change in net worth	3 407.1	(15 685.4)	(19 092.5)	(560.4)
FISCAL AGGREGATES				
Net operating balance	827.5	163.0	(664.6)	(80.3)
Less: Net acquisition of non-financial assets from transactions	1 269.2	1 666.7	397.4	31.3
Net lending/ (borrowing)	(441.7)	(1 503.7)	(1 062.0)	240.4

Source: Department of Treasury and Finance.

Revenue from transactions

Total estimated revenue from transactions for 2008-09 has been revised upward by \$1 342 million (3.5 per cent) from the *2008-09 Budget* estimate of \$37 810 million. Of this movement, \$160 million was reported in the *2008-09 Budget Update*. The major factors contributing to the revision in estimates are discussed below.

Taxation

In 2008-09, taxation revenue is expected to amount to \$12 720 million, \$663 million (5.0 per cent) lower than the original *2008-09 Budget* estimate and a downward revision of \$160 million since the *2008-09 Budget Update*. The decrease for 2008-09 is primarily the result of lower than expected land transfer duty revenue, gambling and motor vehicle taxes, offset by higher than expected land tax revenue.

Table C.2: 2008-09 Taxation

	(\$ million)			
	2008-09 Budget	2008-09 Revised	Change	Change %
Taxes on employers' payroll and labour force	3 963.2	4 023.5	60.3	1.5
Taxes on property				
Taxes on immovable property				
Land tax	1 049.8	1 236.8	187.0	17.8
Congestion levy	39.2	42.1	2.9	7.3
Metropolitan improvement levy	105.4	106.0	0.6	0.6
Property owner contributions to fire brigades	42.2	41.3	(1.0)	(2.3)
Total taxes on immovable property	1 236.6	1 426.2	189.6	15.3
Financial and capital transactions				
Land transfer duty	3 736.9	2 894.6	(842.2)	(22.5)
Other property duties	10.2	8.6	(1.6)	(15.8)
Financial accommodation levy	32.1	26.6	(5.4)	(16.9)
Total financial and capital transactions	3 779.1	2 929.9	(849.3)	(22.5)
Total taxes on property	5 015.7	4 356.0	(659.7)	(13.2)
Taxes on the provision of goods and services				
Gambling taxes				
Private lotteries	354.8	343.3	(11.5)	(3.2)
Electronic gaming machines	1 025.0	1 000.7	(24.3)	(2.4)
Casino	135.0	142.5	7.4	5.5
Racing	129.4	130.4	1.0	0.8
Other	7.7	8.4	0.7	9.0
Total gambling taxes	1 651.9	1 625.3	(26.6)	(1.6)
Levies on statutory corporations	73.7	73.7	..	..
Taxes on insurance	1 207.1	1 221.0	13.9	1.2
Total taxes on the provision of goods and services	2 932.7	2 920.0	(12.7)	(0.4)
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	829.4	822.0	(7.4)	(0.9)
Duty on vehicle registrations and transfers	581.5	498.0	(83.5)	(14.4)
Total motor vehicle taxes	1 410.9	1 320.0	(90.9)	(6.4)
Franchise taxes	7.8	11.7	3.9	50.0
Other	52.5	88.8	36.4	69.3
Total taxes on the use of goods and performance of activities	1 471.2	1 420.5	(50.7)	(3.4)
Total taxation	13 382.9	12 720.0	(662.8)	(5.0)

Source: Department of Treasury and Finance.

Major variations from the *2008-09 Budget* estimates are:

- land tax revenue in 2008-09 has been revised upward by \$187 million or 17.8 per cent, because of higher than expected revaluations of site values as at 1 January 2008;
- land transfer duty revenue in 2008-09 is expected to be lower by \$842 million (22.5 per cent) compared with the original *2008-09 Budget*. Of this decrease, \$609 million was reported in the *2008-09 Budget Update*. The *2008-09 Budget* estimates were predicated on a gradual re-alignment of the property market with underlying economic fundamentals. This re-alignment has occurred at a much more rapid pace than expected, reinforced by the current economic downturn;
- payroll tax revenue has been revised up by \$60 million (or 1.5 per cent) since the *2008-09 Budget*, including an upward revision of \$50 million reported in the *2008-09 Budget Update*. The increase reflects stronger than expected collections for the year-to-date; and
- motor vehicle taxation revenue has been revised downwards by \$91 million (6.4 per cent), mainly due to lower motor vehicle duty because of a decline in car sales.

Dividends, income tax and rate equivalent revenue

In 2008-09, dividends, income tax and rate equivalent income is expected to be \$474 million, \$196 million (29.2 per cent) lower than forecast in the *2008-09 Budget* (see Table C.3), but an upwards revision of \$27 million from that reported in the *2008-09 Budget Update*. This largely reflects the impact of the decline in the financial markets on the performance of the State's public financial corporations and therefore the income tax and rate equivalent levied on their forecast profits.

Table C.3: Dividends, income tax and rate equivalent revenue

	(\$ million)			
	2008-09 <i>Budget</i>	2008-09 <i>Revised</i>	<i>Change</i>	<i>Change %</i>
Dividends	421.1	361.2	(59.9)	(14.2)
Income tax equivalent revenue	246.5	107.9	(138.6)	(56.2)
Local government rate equivalent revenue	2.3	5.1	2.8	123.0
Total dividends and income tax equivalent and rate equivalent revenue	669.9	474.2	(195.7)	(29.2)

Source: Department of Treasury and Finance.

Grants income

Total grants revenue is expected to be \$18 789 million in 2008-09, \$1 071 million higher than at *2008-09 Budget Update* and \$1 234 million (7.0 per cent) higher than the *2008-09 Budget* (see Table C.4). The upward revision reflects higher payments for specific purpose current grants have been revised upwards by \$1 573 million since the *2008-09 Budget*, including an increase of \$1 223 million since the *2008-09 Budget Update*. The increase for the year mainly relates to additional funding secured through the new Intergovernmental Agreement on Federal Financial Relations announced by the Council of Australian Governments (COAG) in November 2008, together with the Commonwealth Government's fiscal stimulus package and provides a significant funding injection by the Commonwealth into the areas of health, education, skills and workforce development and housing.

This increase is partially offset by lower GST revenue of \$933 million (9.1 per cent) since the *2008-09 Budget* (including \$591 million since the *2008-09 Budget Update*). This is due to a lower than expected GST pool reflecting the economic downturn.

Table C.4: Grants

(\$ million)

	2008-09 Budget	2008-09 Revised	Change	Change %
Current grants				
Current grants from the Commonwealth				
General purpose grants	10 281.4	9 347.9	(933.5)	(9.1)
Specific purpose grants for on-passing	1 967.5	1 978.3	10.8	0.5
Payments for specific purposes	4 657.0	6 230.4	1 573.4	33.8
Total	16 905.9	17 556.6	650.7	3.8
Other contributions and grants	6.0	144.2	138.2	na
Total current grants	16 911.9	17 700.8	788.9	4.7
Capital grants				
Capital grants from the Commonwealth				
Specific purpose grants for on-passing	150.4	231.4	81.1	53.9
Payments for specific purposes	383.0	718.9	336.0	87.7
Total	533.3	950.4	417.1	78.2
Other contributions and grants	109.8	138.2	28.4	25.8
Total capital grants	643.2	1 088.6	445.4	69.3
Total grants	17 555.0	18 789.4	1 234.3	7.0

Source: Department of Treasury and Finance.

Sales of goods and services and other current revenue

In 2008-09, revenue from the sale of goods and services is expected to total \$5 077 million, \$742 million higher than the original 2008-09 Budget estimate, including an increase of \$287 million on the 2008-09 Budget Update. This includes a \$266 million reimbursement from the Commonwealth with regards to the February 2009 bushfires, along with an increase in third party revenue in the hospital, TAFE and schools sectors. This additional revenue is offset by an increase in expenditure incurred in the delivery of relief to victims of the bushfire and health and education services. The additional third party revenue will be used, in part, to fund asset related expenditure.

Other current revenue is also \$218 million higher than the original 2008-09 Budget estimate. Of this movement, \$180 million was reported in the 2008-09 Budget Update. The increase is primarily driven by the increase in number of both conventional and wheelchair accessible taxi licences. These reforms arise from the Government's response to the Essential Services Commission's Taxi Fare Review 2007-08.

Expenses from transactions

As shown in Table C.1, GG sector operating expenses for 2008-09 are now projected to be \$38 989 million, \$2 007 million higher than the May 2008 budget estimate of \$36 982 million. Of this movement, \$606 million was reported in the *2008-09 Budget Update*.

The major variation within operating expenses is attributable to an upward revision of other operating expenses of \$901 million (7.3 per cent), largely due to expenditure on bushfire relief, expenditure on the *Digital Education Revolution*, and the impact of policy decisions taken since the *2008-09 Budget*. Details of specific policy decisions since the *2008-09 Budget* are summarised in Budget Paper No. 3, *Appendix A, Specific Policy Initiatives Affecting the Budget Position*.

Grants and other transfers have also increased by \$804 million (12.5 per cent) since the *2008-09 Budget* estimate, largely attributable to funding received as part of the Commonwealth Government's fiscal stimulus package to increase affordable housing, as well as a boost of the First Home Owner's Grant.

Employee expenses have also increased by \$141 million since the *2008-09 Budget* estimate. Of this increase, \$32 million was reported in the *2008-09 Budget Update*. The increase in employee expenses mainly reflects the provision of additional service delivery in the health and education sectors, reflecting the policy decisions made by Government and the impact of wages growth arising from enterprise bargaining agreements. These agreements are consistent with the Government's wages policy in the GG sector.

Net Result

The difference between the net result and the net result from transactions is due to other economic flows. Other economic flows include actuarial gains and losses on defined benefit superannuation plans, various revaluation gains and losses on assets and liabilities and provision for doubtful debts. In particular, the non-cash impact of actuarial gains and losses on superannuation liabilities that arise due to movements in bond rates and investment markets add substantial volatility to the net result. Given that the Government has no direct control over these factors, the net result from transactions is the more appropriate measure of the Government's financial management.

The net result for 2008-09 is expected to be negative \$12 190 million, compared with a positive estimated net result of \$717 million in the *2008-09 Budget*. This variance is largely due to a net actuarial loss on the State's defined benefit superannuation plans of \$11 317 million. Of this, over \$7 billion relates to the impact of the change in the discount rate used to value the superannuation liability. Movements in the discount rate do not impact on funding requirements and the State continues towards full funding of the State Superannuation Fund section of the Emergency Services and State Superannuation by 2035. The remaining loss on superannuation for 2008-09 of \$3.9 billion is due to lower than expected investment returns for the financial year to 31 March 2009.

The net result is also impacted by the recognition of the liability payable to State Electricity Commission of Victoria under an indemnity associated with onerous contracts related to the provision of electricity to the Alcoa aluminium smelters, attributable to declining world aluminium prices.

REVISED 2008-09 BALANCE SHEET

The 2008-09 balance sheet is presented in Table C.5. Net assets are projected to decrease by \$15 665 million over the course of 2008-09 to be \$74 760 million at 30 June 2009, \$19 093 million lower than forecast in the *2008-09 Budget Update* estimates.

Table C.5: 2008-09 Balance sheet as at 30 June

	(\$ million)				
	2008 Actual	Budgeted movement	2009 Budget ^(a)	Revised movement	2009 Revised
Assets					
Financial assets					
Cash and deposits	2 975.0	74.1	3 049.1	30.9	3 005.8
Advances paid	78.0	552.9	630.9	557.9	635.9
Investments, loans and placements	2 322.0	23.3	2 345.3	155.3	2 477.3
Receivables	2 620.2	(57.6)	2 562.7	37.4	2 657.7
Investments in GG sector entities using the equity method	648.1	..	648.1	(648.1)	..
Investments accounted for using equity method – other	20.0	5.0	25.0	7.9	27.9
Investments in other sector entities	44 857.1	1 682.1	46 539.3	(2 670.2)	42 186.9
Total financial assets	53 520.5	2 279.8	55 800.3	(2 528.9)	50 991.6
Non-financial assets					
Inventories	221.1	1.4	222.5	12.8	233.9
Non-financial assets held for sale	70.8	..	70.8	(33.2)	37.6
Land, buildings, infrastructure, plant and equipment	65 224.2	3 539.8	68 764.0	2 602.3	67 826.5
Other non-financial assets	482.2	8.5	490.6	42.1	524.2
Total non-financial assets	65 998.2	3 549.7	69 547.9	2 624.0	68 622.2
Total assets	119 518.7	5 829.5	125 348.2	95.0	119 613.7
Liabilities					
Deposits held	371.5	(..)	371.5	15.0	386.5
Advances received	2.6	(0.7)	1.9	(0.7)	1.9
Borrowings	7 799.1	2 118.6	9 917.7	3 166.1	10 965.1
Payables	3 354.4	53.0	3 407.3	678.1	4 032.5
Superannuation	12 926.8	128.3	13 055.1	11 512.6	24 439.4
Other employee benefits	3 973.3	144.4	4 117.7	384.2	4 357.4
Other provisions	665.4	(41.2)	624.1	5.2	670.6
Total liabilities	29 092.9	2 402.4	31 495.4	15 760.5	44 853.4
Net assets	90 425.7	3 427.1	93 852.8	(15 665.4)	74 760.3
Accumulated surplus/(deficit)	37 746.2	705.4	38 451.6	(12 217.8)	25 528.4
Other reserves	52 647.5	2 701.7	55 349.2	(3 467.6)	49 179.9
Minority interest	32.0	20.0	52.0	20.0	52.0
Net worth	90 425.7	3 427.1	93 852.8	(15 665.4)	74 760.3
FISCAL AGGREGATES					
Net financial worth	24 427.5	(122.6)	24 304.9	(18 289.4)	6 138.1
Net financial liabilities	20 429.6	1 804.7	22 234.3	15 619.2	36 048.8
Net debt	2 150.0	1 467.6	3 617.7	3 084.4	5 234.5

Source: Department of Treasury and Finance.

Note:

(a) The 2008-09 Budget is based on actual opening balances at 1 July 2008 plus 2008-09 Budgeted movement.

Total assets are projected to increase by \$95 million from 2008 to 2009, \$5 735 million lower than the budgeted increase of \$5 830 million. This movement largely reflects a decrease in the net assets of the public financial corporations sector (which is shown in investment in other sector entities) due to the impact of the global financial crisis on the value of investment holdings.

Total liabilities are projected to increase by \$15 761 million, \$13 358 million higher than the budgeted increase of \$2 402 million. This movement largely reflects an increase in the reported superannuation liability which is primarily attributed to a reduction in the Commonwealth Government bond rate which underpins the discount rate that is required to be used to value the liability for reporting purposes. The impact of share market volatility on superannuation assets has also contributed to the increase in the superannuation liability by reducing the value of the underlying investment holdings of superannuation funds.

The increase in liabilities also reflects increased borrowings to fund investment in infrastructure, and higher other employee benefit liabilities due to the reduction in the bond rate affecting the valuation of long service leave liabilities.

REVISED 2008-09 CASH FLOW STATEMENT

Table C.6 provides the revised cash flow statement for 2008-09. Table C.7 provides a summary of cash generated through the operations of Victorian government departments and other GG sector agencies during the year, and how cash is applied to infrastructure investment and financing activities. Table C.7 also provides a reconciliation of the projected budget operating surplus to the projected change in general government net debt.

Net cash flows from operating activities are expected to be \$761 million lower than at the *2008-09 Budget*, and \$359 million lower than reported in the *2008-09 Budget Update*. The variation reflects the impact of a \$1 582 million increase in operating receipts, offset by a \$2 344 million increase in payments in relation to operating activities. The expected increase in receipts mainly reflects the factors underlying the increase in operating income, in particular, the increased grants received from the Commonwealth and the reimbursement for the February 2009 bushfire expenditure under sales of goods and services. The increase in expenditure on grants and goods and services payments is similarly reflected in increased expenditure of cash for operating purposes.

Table C.6: 2008-09 Cash flow statement

	(\$ million)			
	2008-09 Budget	2008-09 Revised	Change	Change %
Cash flows from operating activities				
Receipts				
Taxes received	13 518.4	12 855.6	(662.8)	(4.9)
Grants	17 555.0	18 789.4	1 234.3	7.0
Sales of goods and services ^(a)	4 441.7	5 547.7	1 105.9	24.9
Interest received	386.2	392.5	6.3	1.6
Dividends and income tax equivalent and rate equivalent receipts	533.6	471.5	(62.1)	(11.6)
Other receipts	1 326.6	1 287.5	(39.1)	(2.9)
Total receipts	37 761.7	39 344.2	1 582.5	4.2
Payments				
Payments for employees	(14 081.2)	(14 207.4)	(126.3)	0.9
Superannuation	(1 729.9)	(1 808.4)	(78.5)	4.5
Interest paid	(466.8)	(525.9)	(59.0)	12.6
Grants and subsidies	(6 432.8)	(7 182.3)	(749.6)	11.7
Goods and services ^(a)	(12 016.8)	(13 324.7)	(1 307.9)	10.9
Other payments	(340.1)	(362.7)	(22.7)	6.7
Total payments	(35 067.5)	(37 411.4)	(2 344.0)	6.7
Net cash flows from operating activities ^(a)	2 694.2	1 932.8	(761.4)	(28.3)
Cash flows from investing activities				
Purchases of non-financial assets	(2 837.9)	(3 248.1)	(410.3)	14.5
Sales of non-financial assets	153.8	190.5	36.6	23.8
Cash flows from investments in non-financial assets	(2 684.0)	(3 057.6)	(373.6)	13.9
Net cash flows from investments in financial assets for policy purposes	(1 254.4)	(1 295.0)	(40.6)	3.2
Net cash flows from investments in financial assets for liquidity management purposes	(22.7)	(181.4)	(158.7)	698.4
Net cash flows from investing activities	(3 961.1)	(4 534.0)	(572.9)	14.5
Cash flows from financing activities				
Advances received (net)	(0.7)	(0.7)	..	0.0
Net borrowings	1 341.7	2 730.8	1 389.1	103.5
Deposits received (net)	..	15.0	15.0	n.a
Net cash flows from financing activities	1 341.0	2 745.1	1 404.1	104.7
Net increase/(decrease) in cash and cash equivalents	74.1	143.9	69.8	94.1
Cash and cash equivalents at beginning of reporting period	2 859.3	2 859.3	..	0.0
Cash and cash equivalents at end of reporting period	2 933.4	3 003.2	69.8	2.4
FISCAL AGGREGATES				
Net cash flows from operating activities	2 694.2	1 932.8	(761.4)	(28.3)
Net cash flows from investments in non-financial assets	(2 684.0)	(3 057.6)	(373.6)	13.9
Cash surplus / (deficit)	10.2	(1 124.9)	(1 135.1)	(11131.2)

Source: Department of Treasury and Finance.

Note:

(a) Inclusive of goods and services tax.

Infrastructure investment

As shown in Table C.7, the \$1 933 million net cash inflows from operating activities is a significant source of financing for the Government's infrastructure investment program in 2008-09. The Government's net investment in fixed assets (which includes purchases of property, plant and equipment, capital contributions to other sectors of government and net proceeds from sale of assets) is projected to be \$4 353 million in 2008-09.

Compared with the 2008-09 Budget estimates, net debt is expected to be \$1 617 million higher than originally anticipated, primarily due to higher than expected borrowings and the movement of Murray-Darling Basin Commission assets from investments using the equity method to buildings, plant and equipment.

Table C.7: Application of cash resources

	(\$ million)	
	2008-09 Budget	2008-09 Revised
Net result from transactions	827.5	163.0
Add back: Non-cash income and expenses (net) ^(a)	1 866.7	1 769.8
Net cash flow from operating activities	2 694.2	1 932.8
Less:		
Net investment in fixed assets		
Expenditure on approved projects ^(b)	4 092.2	4 543.1
Proceeds from asset sales	(153.8)	(190.5)
Total net investment in fixed assets	3 938.4	4 352.6
Finance leases	231.4	..
Other investment activities (net) ^(c)	(7.9)	664.6
Decrease/(increase) in net debt	(1 467.6)	(3 084.4)

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.
- (c) Includes movement of Murray Darling Basin Commission assets from investments using the equity method to buildings, plant and equipment.

STYLE CONVENTIONS AND EDITING

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

n.a.	not available or not applicable
..	zero, or rounded to zero
(xxx.x)	negative numbers
200x – 0x	year period

The notation used in the text is as follows:

–xxx.x	negative numbers within text.
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