



# Victorian Budget

2010-11 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

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## 2010-11



Presented by

**John Lenders MP**

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

**Budget Paper No. 4**



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## INTRODUCTION

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

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 general government sector Estimated Financial Statements as at 28 April 2010 unless otherwise stated.

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

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

This chapter presents the Estimated Financial Statements and accompanying notes for the Victorian general government sector for the period 2010-11 to 2013-14. 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 general government 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 general government sector. The Auditor-General's Review Statement is presented at the beginning of Chapter 1.

## **Chapter 2 – Supplementary uniform presentation framework tables**

Chapter 2 forms part of the UPF along with Chapter 1, and provides additional information of sectoral financial statements for the public non-financial corporations sector and for the non-financial public sector. 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 under the UPF. In addition, the chapter includes the Loan Council Allocation estimates (the government's net call on financial markets in a given financial year to meet its budget obligations), and details of Victoria's infrastructure projects with private sector investment where contracts are expected to be signed in 2010-11.

## **Chapter 3 – Departmental financial statements**

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

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

## **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 *2010-11 Budget*.

## **Chapter 5 – Tax expenditures and concessions**

Chapter 5 provides an overview and forward estimates of tax expenditures as required by Section 23K of the *Financial Management Act 1994*. 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 includes 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 or future risks, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the general government sector. This chapter discloses both quantifiable and non-quantifiable contingent assets and liabilities.

## **Appendix A – Historical and forward estimates tables**

The historical and forward estimates tables in Appendix A show the trend in general government sector aggregate cash flows over the period 1986-87 to 2013-14 and the general government net results for the period 1996-97 to 2013-14.

The remaining tables show information for the general government sector classified by government purpose. The accruals expenditure series classified by purpose is presented for the period 1961-62 to 2013-14.

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

Appendix B presents the quarterly financial report for the Victorian general government sector, incorporating the actual outcomes for the nine month period ended 31 March 2010, and quarter by quarter results. The March year to date outcomes are compared with the full year revised *2009-10 Budget*.

## **Appendix C – Revised 2009-10 Budget Outcome**

The revised *2009-10 Budget* outcome is presented in Appendix C. The revised 2009-10 estimates take into account government policy decisions and economic developments affecting both revenue and expenses since the presentation of the *2009-10 Budget* to Parliament in May 2009.



## CHAPTER 1 – ESTIMATED FINANCIAL STATEMENTS AND NOTES

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The following Estimated Financial Statements and accompanying explanatory notes set out the forecast financial results for the Victorian general government sector for the period 2010-11 to 2013-14.

The prospective nature of these statements reflects a number of judgements about the most likely operating and financial conditions for the Victorian general government sector. Variations in these assumed conditions, such as international developments and other risks to the national economy, from which Victoria would not be immune, may cause the Victorian general government sector actual result to differ from the projections. In particular, the actual outcome resulting from the recently announced changes to health funding may differ from the estimates included in these Estimated Financial Statements, as details are yet to be finalised.

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 Victorian general government sector's investment in other sectors, have been prepared in accordance with applicable Australian Accounting Standards, including Interpretations. 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 principles set out in 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 general government 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, appropriate professional judgement has been applied in preparing the Estimated Financial Statements.

The accompanying notes to the financial 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.



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 2011 and the three forward years ended 30 June 2012, 2013 and 2014 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 2010 estimated balance sheet has also been reviewed. The remaining parts of the Budget Papers have not been subject to my review.

*Treasurer's 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 2011 and the three forward financial years 30 June 2012, 2013 and 2014 and the 2010 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.



D.D.R. Pearson  
Auditor-General

MELBOURNE  
30 April 2010

## **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

30 April 2010

## ESTIMATED FINANCIAL STATEMENTS FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

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

(\$ million)					
	Notes	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Revenue from transactions</b>					
Taxation revenue	2	14 437.8	14 915.3	15 649.4	16 484.9
Interest		358.0	592.5	858.6	859.0
Dividends and income tax equivalent and rate equivalent revenue	3	504.9	525.0	510.8	754.3
Sales of goods and services	4	5 847.4	6 306.2	6 542.4	6 623.2
Grants	5	22 893.1	22 527.9	24 009.8	24 056.7
Other revenue	6	1 718.0	1 728.6	1 597.9	1 622.1
<b>Total revenue from transactions</b>		<b>45 759.3</b>	<b>46 595.5</b>	<b>49 169.1</b>	<b>50 400.1</b>
<b>Expenses from transactions</b>					
Employee expenses		16 221.0	17 036.2	17 939.4	18 560.3
Superannuation interest expense	7a	884.1	910.8	935.1	944.5
Other superannuation expenses	7a	1 597.8	1 624.8	1 670.3	1 667.3
Depreciation	8	2 214.3	2 381.2	2 557.7	2 630.7
Interest expense	9	939.5	1 320.9	1 762.9	1 894.9
Other operating expenses		15 120.6	15 559.8	15 788.7	16 122.1
Grants and other transfers	10	7 910.1	7 111.4	7 127.4	7 087.2
<b>Total expenses from transactions</b>	11	<b>44 887.4</b>	<b>45 945.1</b>	<b>47 781.5</b>	<b>48 906.9</b>
<b>Net result from transactions – Net operating balance</b>	<b>24a</b>	<b>871.9</b>	<b>650.4</b>	<b>1 387.6</b>	<b>1 493.2</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on sale of non-financial assets		134.7	143.1	141.9	110.4
Net gain/(loss) on financial assets or liabilities at fair value		1.0	0.7	2.9	3.3
Other gains/(losses) from other economic flows	12	( 155.2)	( 155.5)	( 159.2)	( 162.2)
<b>Total other economic flows included in net result</b>		<b>( 19.5)</b>	<b>( 11.6)</b>	<b>( 14.4)</b>	<b>( 48.6)</b>
<b>Net result</b>		<b>852.3</b>	<b>638.7</b>	<b>1 373.2</b>	<b>1 444.7</b>
<b>Other economic flows – Other movements in equity</b>					
Movement of non-financial asset reserves		2 182.2	4 557.2	2 138.9	4 674.9
Net gain on equity investments in other sector entities at proportional share of the carrying amount of net assets	14	1 286.4	777.0	694.8	320.5
Other movements in equity		11.7	39.1	56.8	( 7.9)



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

(\$ million)

	Notes	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Total other economic flows – Other movements in equity</b>		<b>3 480.4</b>	<b>5 373.3</b>	<b>2 890.5</b>	<b>4 987.4</b>
<b>Comprehensive result – Total change in net worth</b>	<b>24b</b>	<b>4 332.7</b>	<b>6 012.0</b>	<b>4 263.6</b>	<b>6 432.1</b>
<b>FISCAL AGGREGATES</b>					
<b>Net operating balance</b>		<b>871.9</b>	<b>650.4</b>	<b>1 387.6</b>	<b>1 493.2</b>
Less: Net acquisition of non-financial assets from transactions	15	2 097.0	2 161.7	1 563.1	( 65.2)
<b>Net lending/(borrowing)</b>	<b>24c</b>	<b>(1 225.2)</b>	<b>(1 511.3)</b>	<b>( 175.4)</b>	<b>1 558.4</b>

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

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

		(\$ million)				
	Notes	2010 Revised	2011 Budget	2012 Estimate	2013 Estimate	2014 Estimate
<b>Assets</b>						
<b>Financial assets</b>						
Cash and deposits		2 266.0	2 387.2	2 648.8	3 034.4	3 298.7
Advances paid <sup>(a)</sup>		282.7	297.3	4 514.7	4 479.7	4 438.4
Investments, loans and placements		2 576.4	2 601.0	2 559.1	2 539.4	2 544.2
Receivables	13	2 555.9	2 518.8	2 523.7	2 540.6	2 570.0
Investments accounted for using equity method		35.0	40.0	45.0	50.0	55.0
Investments in other sector entities	14	63 467.2	66 945.4	69 284.6	71 391.8	73 121.6
<b>Total financial assets</b>		<b>71 183.1</b>	<b>74 789.8</b>	<b>81 575.8</b>	<b>84 035.8</b>	<b>86 027.9</b>
<b>Non-financial assets</b>						
Inventories		251.2	251.2	251.1	250.8	250.7
Non-financial assets held for sale		60.5	51.0	41.4	31.9	25.3
Land, buildings, infrastructure, plant and equipment	16a, 17	92 287.0	96 719.3	103 655.7	107 570.2	112 324.3
Other non-financial assets	18	672.5	655.7	612.8	591.7	531.6
<b>Total non-financial assets</b>		<b>93 271.2</b>	<b>97 677.1</b>	<b>104 560.9</b>	<b>108 444.5</b>	<b>113 131.9</b>
<b>Total assets</b>	19b	<b>164 454.3</b>	<b>172 466.9</b>	<b>186 136.7</b>	<b>192 480.4</b>	<b>199 159.8</b>
<b>Liabilities</b>						
Deposits held and advances received		315.8	315.1	314.6	314.6	314.6
Borrowings	20	13 519.9	16 670.2	23 879.6	25 573.8	25 762.0
Payables		3 695.1	3 657.1	3 535.7	3 500.0	3 497.1
Superannuation	7d	20 268.5	20 667.8	21 095.8	21 373.1	21 288.0
Employee benefits	21	4 444.0	4 631.7	4 789.1	4 947.3	5 107.0
Other provisions		762.4	743.6	728.6	714.6	701.9
<b>Total liabilities</b>		<b>43 005.7</b>	<b>46 685.6</b>	<b>54 343.4</b>	<b>56 423.4</b>	<b>56 670.7</b>
<b>Net assets</b>		<b>121 448.6</b>	<b>125 781.3</b>	<b>131 793.3</b>	<b>136 057.0</b>	<b>142 489.1</b>
Accumulated surplus/(deficit)		50 178.3	51 007.6	51 654.1	53 062.7	54 477.3
Reserves	23	71 210.8	74 714.2	80 079.7	82 934.7	87 952.2
Non-controlling interest		59.5	59.5	59.5	59.5	59.5
<b>Net worth</b>	24d	<b>121 448.6</b>	<b>125 781.3</b>	<b>131 793.3</b>	<b>136 057.0</b>	<b>142 489.1</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth		28 177.4	28 104.2	27 232.4	27 612.4	29 357.2
Net financial liabilities		35 289.8	38 841.2	42 052.2	43 779.4	43 764.4
Net debt		8 710.7	11 699.7	14 471.7	15 834.9	15 795.2

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

*Note:*

(a) *The 2011-12 estimate and beyond reflect the recognition of the finance lease arrangement between the Government and Melbourne Water Corporation for the desalination plant.*

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

(\$ million)

	Notes	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxes received		14 529.7	14 924.6	15 758.8	16 584.2
Grants		22 893.1	22 527.9	24 009.8	24 056.7
Sales of goods and services <sup>(a)</sup>		6 420.4	6 928.6	7 189.5	7 257.4
Interest received		322.9	560.2	826.4	858.7
Dividends and income tax equivalent and rate equivalent receipts		534.6	539.7	510.7	753.8
Other receipts		1 540.6	1 428.1	1 390.2	1 445.2
<b>Total Receipts</b>		<b>46 241.3</b>	<b>46 909.0</b>	<b>49 685.3</b>	<b>50 955.9</b>
<b>Payments</b>					
Payments for employees		(16 032.7)	(16 878.9)	(17 780.8)	(18 400.6)
Superannuation		(2 082.6)	(2 107.6)	(2 328.1)	(2 696.8)
Interest paid		( 878.9)	(1 263.2)	(1 710.6)	(1 846.7)
Grants and subsidies		(7 955.1)	(7 142.4)	(7 151.4)	(7 110.2)
Goods and services <sup>(a)</sup>		(15 418.2)	(15 906.8)	(16 165.2)	(16 458.9)
Other payments		( 381.1)	( 388.1)	( 402.7)	( 420.3)
<b>Total payments</b>		<b>(42 748.6)</b>	<b>(43 686.9)</b>	<b>(45 538.7)</b>	<b>(46 933.5)</b>
<b>Net cash flows from operating activities <sup>(a)</sup></b>	22b	<b>3 492.8</b>	<b>3 222.2</b>	<b>4 146.6</b>	<b>4 022.4</b>
<b>Cash flows from investing activities</b>					
Purchases of non-financial assets	19a	(4 435.0)	(3 881.3)	(3 533.3)	(2 791.2)
Sales of non-financial assets		244.9	268.6	257.4	225.9
Cash flows from investments in non-financial assets		(4 190.1)	(3 612.7)	(3 275.9)	(2 565.3)
Net cash flows from investments in financial assets for policy purposes		(2 179.4)	(1 549.5)	(1 350.5)	(1 372.9)
Net cash flows from investments in financial assets for liquidity management purposes		( 23.7)	42.7	22.6	( 1.6)
<b>Net cash flows from investing activities</b>		<b>(6 393.2)</b>	<b>(5 119.5)</b>	<b>(4 603.9)</b>	<b>(3 939.9)</b>
<b>Cash flows from financing activities</b>					
Advances received (net)		( 0.7)	( 0.5)	..	..
Net borrowings		3 022.4	2 159.4	842.9	181.8
Deposits received (net)		..	..	..	..
<b>Net cash flows from financing activities</b>		<b>3 021.7</b>	<b>2 158.9</b>	<b>842.9</b>	<b>181.8</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>121.3</b>	<b>261.5</b>	<b>385.7</b>	<b>264.3</b>
Cash and cash equivalents at beginning of reporting period		2 265.5	2 386.8	2 648.3	3 034.0
<b>Cash and cash equivalents at end of reporting period</b>	22a	<b>2 386.8</b>	<b>2 648.3</b>	<b>3 034.0</b>	<b>3 298.3</b>

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

(\$ million)

	Notes	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>FISCAL AGGREGATES</b>					
Net cash flows from operating activities		3 492.8	3 222.2	4 146.6	4 022.4
Net cash flows from investments in non-financial assets		(4 190.1)	(3 612.7)	(3 275.9)	(2 565.3)
<b>Cash surplus/(deficit)</b>	<b>24e</b>	<b>( 697.4)</b>	<b>( 390.5)</b>	<b>870.7</b>	<b>1 457.1</b>

*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)

	Equity at 1 Jul	Total comprehensive result	Equity at 30 Jun
<b>2010-11</b>			
Accumulated surplus/(deficit)	50 178.3	852.3	51 030.7
Other movements in equity	..	( 23.0)	( 23.0)
Non-controlling interest	59.5	..	59.5
Property, plant and equipment revaluation reserve	31 656.0	2 182.2	33 838.2
Net movements in other reserves	820.1	34.8	854.9
Accumulated net gain on equity investments in other sector entities	38 734.7	1 286.4	40 021.1
<b>Total equity at end of the period</b>	<b>121 448.6</b>	<b>4 332.7</b>	<b>125 781.3</b>
<b>2011-12</b>			
Accumulated surplus/(deficit)	51 007.6	638.7	51 646.4
Other movements in equity	..	7.8	7.8
Non-controlling interest	59.5	..	59.5
Property, plant and equipment revaluation reserve	33 838.2	4 557.2	38 395.4
Net movements in other reserves	854.9	31.3	886.2
Accumulated net gain on equity investments in other sector entities	40 021.1	777.0	40 798.2
<b>Total equity at end of the period</b>	<b>125 781.3</b>	<b>6 012.0</b>	<b>131 793.3</b>
<b>2012-13</b>			
Accumulated surplus/(deficit)	51 654.1	1 373.2	53 027.3
Other movements in equity	..	35.4	35.4
Non-controlling interest	59.5	..	59.5
Property, plant and equipment revaluation reserve	38 395.4	2 138.9	40 534.2
Net movements in other reserves	886.2	21.4	907.6
Accumulated net gain on equity investments in other sector entities	40 798.2	694.8	41 492.9
<b>Total equity at end of the period</b>	<b>131 793.3</b>	<b>4 263.6</b>	<b>136 057.0</b>
<b>2013-14</b>			
Accumulated surplus/(deficit)	53 062.7	1 444.7	54 507.4
Other movements in equity	..	( 30.1)	( 30.1)
Non-controlling interest	59.5	..	59.5
Property, plant and equipment revaluation reserve	40 534.2	4 674.9	45 209.1
Net movements in other reserves	907.6	22.1	929.7
Accumulated net gain on equity investments in other sector entities	41 492.9	320.5	41 813.4
<b>Total equity at end of the period</b>	<b>136 057.0</b>	<b>6 432.1</b>	<b>142 489.1</b>

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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 gain a better understanding of the terminology and key aggregates used in this report, a glossary of terms can be found in Note 26 to these Estimated Financial Statements.

### (A) Assumptions

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

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

	<i>(per cent change)</i>			
	2010-11	2011-12	2012-13	2013-14
Real gross state product	3.25	3.00	3.00	3.00
Employment	2.00	1.75	1.75	1.75
Unemployment rate <sup>(b)</sup>	5.50	5.25	5.25	5.25
Consumer price index	2.25	2.50	2.50	2.50
Wage price index <sup>(c)</sup>	3.25	3.50	3.50	3.50
Population <sup>(d)</sup>	1.90	1.80	1.70	1.70

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

Notes:

- (a) Year average per cent change on previous year unless otherwise indicated. All projections apart from population are rounded to the nearest 0.25 percentage point. Projections of population are rounded to the nearest 0.1 percentage point.
- (b) 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 Policy Objectives and Strategies Statement as detailed in Budget Paper No. 2, Chapter 1. The key financial measure of a substantial net result from transactions 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, the net result from transactions, 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*, analysis by the Department of Treasury and Finance shows that if there was, in the first year, 2010-11, a one percentage point rise in each of the following key economic variables above the forecast growth rate, the budgeted and estimated net result from transactions and net result over the forward estimates period would change as described in the following tables. It should be noted that the impact on the net result is inclusive of the impact on the net result from transactions.

#### Impact on the net result from transactions of selected economic indicators being one per cent higher than expected in 2010-11<sup>(a)</sup>

(\$ million)

	2010-11	2011-12	2012-13	2013-14
Gross state product	158	175	192	207
Employment	54	60	67	73
Consumer prices	180	189	207	223
Average weekly earnings	53	59	66	73
Enterprise Bargaining Agreements	-158	-203	-223	-239
Domestic share prices	..	4	4	4
International share prices	..	3	4	4
Property prices	56	82	90	100
Property volumes	41	43	48	53
Interest rate <sup>(b)</sup>	8	-92	-119	-137

Source: Department of Treasury and Finance

Notes:

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

(b) Assumes a one percentage point increase across the entire term structure, i.e. short and long rates, over the forward estimates period.

#### Impact on the net result of selected economic indicators being one per cent higher than expected in 2010-11<sup>(a)</sup>

(\$ million)

	2010-11	2011-12	2012-13	2013-14
Gross state product	158	175	192	207
Employment	54	60	67	73
Consumer prices	38	190	208	223
Average weekly earnings	53	59	66	73
Enterprise Bargaining Agreements	-372	-203	-223	-239
Domestic share prices	45	4	4	4
International share prices	43	3	4	4
Property prices	71	83	91	102
Property volumes	41	43	48	53
Interest rate <sup>(b)</sup>	1059	-92	-119	-137

Source: Department of Treasury and Finance

Notes:

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

(b) Assumes a one percentage point increase across the entire term structure, i.e. short and long rates, over the forward estimates period.



## **(D) Statement of compliance**

The Estimated Financial Statements for the 2010-11 budget year, and the subsequent forecast years, have been prepared as required by Section 23H-23K of the *Financial Management Act 1994*.

The Estimated Financial Statements have been prepared in accordance with applicable Australian Accounting Standards, including interpretations (AASs). In particular, they are presented in a manner consistent with the requirements of the Australian Accounting Standards Board (AASB) 1049 *Whole of Government and General Government Sector Financial Reporting*. 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 the principles set out in New Zealand Financial Reporting Standard 42 *Prospective Financial Statements* (FRS-42).

The Estimated Financial Statements for the 2010-11 budget year have been prepared in accordance with the accounting policies expected to be used in preparing historically oriented general purpose financial statements for that year, and the same accounting policies have been used for the subsequent forecast years.

The Government Financial Statistics (GFS) information included in this report is based on the Australian Bureau of Statistics (ABS) GFS manual.

The consolidated Victorian general government sector has, where applicable, applied those AAS paragraphs applicable to not-for-profit entities.

The information presented in the Estimated Financial Statements takes into account all policy decisions taken by the Victorian Government, as well as Commonwealth Government funding revisions and circumstances that may have a material effect on the statements as at 28 April 2010.

## **(E) Basis of accounting, preparation and measurement**

The accrual basis of accounting has been applied 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 is also the functional currency of the Victorian general government 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. The currently expected financial impact of the recently announced health agreement between the Commonwealth and the State taken at the Council of Australian Government's meeting on 20 April 2010 is included in these financial statements. However the final legislated form of the health agreement may differ from current expectations, and so the timing and amount of revenues and expenditures may differ from estimates included in these financial statements.

This report has been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

Exceptions to the historical cost convention include:

- investments in other sector entities measured at net asset value;
- non-current physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset other than land is generally based on its depreciated replacement value;
- productive trees in commercial native forests, which are recognised at their fair value less costs to sell;
- 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;
- certain liabilities, most notably superannuation and some insurance claim provisions, which are subject to an actuarial assessment; and
- available for sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.

Assets, liabilities, revenue 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 reflect management judgements and assumptions as of the date of authorisation for issue of 28 April 2010, taking into account government decisions and other circumstances as at that date.

## **(F) Reporting entity**

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

The primary function of entities within the Victorian general government sector is to provide public services (outputs), which are mainly non-market in nature, for the collective consumption of the community, and involve the transfer or redistribution of revenue that is financed mainly through taxes and other compulsory levies. These entities are not-for-profit entities and apply, where appropriate, those paragraphs of accounting standards applicable to not-for-profit entities.

## **(G) Basis of consolidation**

The Estimated Financial Statements present the consolidated assets and liabilities of all reporting entities in the Victorian general government sector, and their revenue, gains and expenses for the respective period, in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and AASB 127 *Consolidated and Separate Financial Statements*.

Other sectors of government, that is, the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors, are accounted for as an equity investment measured at the government's proportional share of the carrying amount of net assets of the PNFC sector and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity's net assets before consolidation eliminations is less than zero the investment is measured at zero.

Where control of an entity is expected to be obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control would commence. Where control is expected to cease during a financial period, the entity's results are included for that part of the period for which control would exist. 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 Victorian general government sector, 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.

## **Scope and presentation of financial statements**

### *Estimated comprehensive operating statement*

Revenue and expenses in the comprehensive operating statement are classified according to whether or not they arise from ‘transactions’ or ‘other economic flows’ consistent with AASB 1049.

‘Transactions’ and ‘other economic flows’ are defined by the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005 Cat. No. 5514.0* published by the Australian Bureau of Statistics. Note 24 *Reconciliations to Government Finance Statistics* identifies and reconciles convergence differences between GFS and the AASs.

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions 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.

Other economic flows are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

The ‘net result’ is equivalent to profit or loss derived in accordance with AASs.

### *Estimated balance sheet*

Assets and liabilities are presented in liquidity order, with assets aggregated into financial assets and non-financial assets consistent with the GFS manual and AASB 1049.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

### *Estimated cash flow statement*

Cash flows are classified according to whether they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

### *Estimated statement of changes in equity*

The estimated statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also separately shows changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

### **(H) Revenue from transactions**

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

#### *Taxation 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 CityLink and gambling licence fees; and
- levies (including the environmental levy) on statutory corporations in other sectors of government.

#### **Forecast assumption**

The State's taxation revenue is forecast by a process that involves:

- application of the Department of Treasury and Finance's economic forecasts, where there is a relationship between taxation revenue and economic variables. This enables an assessment of economic and other factors influencing the tax bases from which taxes are sourced (e.g. for payroll tax, an assessment of the outlook for employment

- and wages; for motor vehicle taxes, assessment of the outlook for demand for vehicles reflecting various economic influences; for gambling taxes, assessment of the outlook for consumer spending);
- analysis of historical information and relationships using econometric and other statistical methods; and
- consultation with private sector economists, industry associations, and relevant government authorities.

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

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

### *Interest revenue*

Interest revenue includes the unwinding over time of the discount on financial assets and interest received 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 revenue 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 forecast dividend payments, the following two general benchmarks are used:

- fifty 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 exceptions:

- the Transport Accident Commission, which is forecast to pay dividends of 50 per cent of Performance from Insurance Operations (PFIO); and
- Treasury Corporation of Victoria, which pays dividends of 100 per cent of profit.

Other commercial factors considered that will affect the dividend forecasts include the views of each agency's board of directors, the liquidity, operating cash flow and forecast cash requirements of each government business enterprise, gearing and interest cover of the business, accumulated surplus/(deficit) 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 corporations. Income raised under the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office, remains with the State.

### *Sales of goods and services*

#### **Revenue from the rendering of services**

Revenue from the rendering of services is recognised by reference to the stage of completion basis. The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity or department.

The stage of completion is measured by reference to labour hours supplied or as a percentage of total services to be performed.

#### **Revenue from the sale of goods**

Revenue from the sale of goods is recognised when:

- the significant risks and rewards of ownership of the goods have transferred to the buyer;
- the Victorian general government sector retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue, and the costs incurred or to be incurred in respect of the transactions, can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Victorian general government sector; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

### **Forecast assumption**

Revenue arising from the sale of goods and rendering of services is forecast by taking into account all known factors, such as proposed fee increases imposed by departments and budget sector agencies in line with the *Guidelines for Setting Fees and Charges* (issued by the Department of Treasury and Finance) and/or indexation as provided for under the *Monetary Units Act 2004*.

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

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

### *Grants*

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

Revenue is recognised when the State obtains control over the underlying assets.

### **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 state's assessment of the latest Commonwealth information on the national GST pool, and assume a move back towards trend growth from 2011-12. Victoria's share of GST for 2010-11 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 three 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 (2010-11) assessed relativity. This projection is made on a basis excluding the impact of non-GST Commonwealth grants, and is then adjusted for the latest available estimates of non-GST Commonwealth grants. The forecast GST share is based on these projected assessed relativities and the Commonwealth Government's population projections.



### *Other revenue*

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

#### **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 2.25 per cent has been applied for the forecast period.

### **(I) 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 interest expense and other superannuation expenses*

The superannuation expense is determined on the following basis:

- in relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period; and
- for defined benefit plans, the superannuation expense reflects the employer financed component of defined benefits that are expected to accrue over the reporting period (i.e. service cost), along with the superannuation interest expense.

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.

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

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight-line) basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation of intangible non-produced assets with finite useful life is not classified as a transaction and it is included in the net result as an other economic flow.

These assets are assessed annually for impairment as set out in Note 1(K).

Intangible assets with indefinite useful lives are not depreciated, but are tested for impairment annually or whenever there is an indication that the asset may be impaired.

### **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.

Amortisation is forecast on the basis of the known profile of assets, approved new asset investment programs and projected asset sales.

### *Interest expense*

Interest expense (excluding swap interest which is classified as an other economic flow) is recognised in the period in which it is incurred.

Interest expense includes the following items:

- interest on outstanding borrowings;
- amortisation of discounts or premiums relating to borrowings;
- finance lease charges;
- the increase in financial liabilities and provisions due to the unwinding of discount to reflect the passage of time; and
- borrowing costs of qualifying assets, in accordance with the paragraphs of AASB 123 *Borrowing Costs* applicable to not for profit public sector entities. The Victorian general government sector recognises borrowing costs immediately as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset

Refer to the glossary of terms in Note 26 to these Estimated Financial Statements for explanation of interest expense items.

### **Forecast assumption**

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

### *Other operating expenses*

Other operating expenses generally represent the day to day running costs incurred in normal operations. Other operating expenses include:

- supplies and services costs which 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; and

- bad and doubtful debts, which are assessed on a regular basis. Only bad debts considered as written off by mutual consent are classified as a transaction expense. Doubtful debts expense is recorded as an other economic flow included in the net result (refer to Note 1(K)). The provision for doubtful receivables is recorded in the balance sheet (see Note 1(L)).

### **Forecast assumption**

Supplies and services expenses 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.

Bad and doubtful debts are forecast on the basis of experience and known activity changes.

### *Grants and other transfers*

Grants and other transfers 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.

## **(J) 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.

### *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.

### **Impairment of non-financial assets**

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (i.e. as to whether their carrying values exceeds their recoverable amount, and so require write downs) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- inventories (refer Note 1(M));
- financial assets (refer Note 1(L));
- certain biological assets related to agricultural activity (refer Note 1(M));
- investment properties that are measured at fair value (refer Note 1(M));
- non-current physical assets held-for-sale (refer Note 1(M)); and
- assets arising from construction contracts (refer Note 1(M)).

If there is an indication of 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 as an other economic flow, except to the extent that the write down can be debited to an asset revaluation surplus 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.

Refer to Note 1(M) in relation to the recognition and measurement of non-financial assets.

#### *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 gain/(loss) on financial instruments**

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held for trading;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets.

#### **Revaluations of financial instruments at fair value**

Equities and managed investment schemes, and certain debt securities, are designated at fair value through profit or loss on initial recognition on the basis that the financial assets form part of a group of financial assets that are managed and have their performance evaluated by management in accordance with documented role strategies.

The financial assets are subsequently stated at fair value, with any resultant gain/(loss) recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions (refer Note 25 Financial Instruments).

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

These actuarial gains or losses reflect the change in the superannuation liability that arises due to differences between the assumptions used to calculate the superannuation expense from transactions and actual outcomes.

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 Note 1(N).

#### *Other gains/(losses) from other economic flows*

Other gains/(losses) from other economic flows include the gains or losses from:

- transfer of amounts from the reserves and/or accumulated surplus to net result due to disposal or derecognition or reclassification;
- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- valuation changes associated with the indemnity to SECV for the electricity supply arrangements to the smelters of Alcoa of Australia Ltd.

### **(K) Financial assets**

#### **Forecast assumption**

The estimated 1 July 2010 opening balances of assets represent the audited carrying value as at 30 June 2009, revised for estimated movements during 2009-10.

#### *Cash and deposits*

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as borrowings on the balance sheet.

#### **Forecast assumption**

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

### *Advances paid*

Advances paid represent inter-sector loans and advances, at fair value, made by the Victorian general government sector to the PNFC and PFC sectors, for policy rather than liquidity management purposes. They exclude equity contributions.

#### **Forecast assumption**

The estimated 1 July 2010 opening balance is based on the 2008-09 audited closing balance adjusted for revised activities. Repayments of existing balances are based on entities' activity schedules.

### *Investments, loans and placements*

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. Management determines the classification of its investments 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.

#### **Forecast assumption**

All surplus cash resources for the period 2010-11 to 2013-14 are assumed to be held as financial assets (investments) pending repayment of debt when appropriate.

### **Loans and receivables – term deposits**

Term deposits with maturity greater than three months, trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment.

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

## **Available for sale financial assets**

Other investments held by Victorian general government sector entities are classified as being available for sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the net result as an other economic flow for the period.

Fair value is determined in the manner described in Note 25: Financial Instruments.

## *Receivables*

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

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written off when identified (refer to Note 1(J)).

## **Forecast assumption**

Receivables are forecast on the basis of revenue activity levels (refer to Note 1(O) for finance lease receivables).

## *Investments accounted for using the equity method*

Investments in associates are accounted for in the Estimated Financial Statements using the equity method. Associates are those entities over which the State exercises significant influence, but not control. Under this method, the State's share of the post acquisition profits or losses of associates is recognised in the net result of the estimated operating statement and its share of post acquisition movements in revaluation surpluses and any other reserves is recognised in both the estimated comprehensive operating statement and the estimated statement of changes in equity. 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 sector entities*

Other sectors of government, that is the PNFC and PFC sectors, are accounted for 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. Where the carrying amount of net assets before consolidation eliminations is less than zero the investment is measured at zero.

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 accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 1049.

### **Forecast assumption**

Investments in other sector entities are estimated based on their audited net assets as at 30 June 2009, adjusted by management estimates of subsequent operating results and distributions.

#### *Impairment of financial assets*

At the end of each reporting period, the State assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows.

In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, the Victorian general government sector entities apply professional judgement in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

### **(L) Non-financial assets**

The estimated 1 July 2010 opening balances of assets represent the audited carrying value as at 30 June 2009, revised for estimated movements during 2009-10.

#### *Inventories*

Inventories include goods and other property held either for sale, or for distribution at zero or nominal cost, or for consumption in the ordinary course of business operations. It includes land held for sale and excludes depreciable assets.

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

Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

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

Cost for all other inventory is measured on the basis of weighted average cost. Inventories acquired for no cost or nominal consideration are measured at current replacement cost at the date of acquisition.

### **Forecast assumption**

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

### *Non-financial assets held-for-sale*

Non-financial assets (or disposal group assets) classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation.

Non-financial assets (or disposal group assets), related liabilities and financial assets are treated as current and classified as held-for-sale if their carrying amount will be recovered 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's sale (or disposal group sale) is expected to be completed within twelve months from the date of classification.

### **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, 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.

Refer to the section below on the restrictive nature of cultural and heritage assets, Crown land and infrastructure.

Road network assets (including earthworks of the declared road networks) are measured at fair value, determined by reference to the asset's depreciated replacement cost.

Land under declared roads acquired prior to 1 July 2008 is measured at fair value. Land under declared roads acquired on or after 1 July 2008 is measured initially at cost of acquisition and subsequently at fair value.

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.

#### *Leasehold improvements*

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.

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

Certain agencies 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.

#### *Non-current physical assets arising from finance leases*

Refer to Note 1(O).

#### *Revaluations of non-current physical assets*

Non-current physical assets are measured at fair value in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Certain specialised infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in other comprehensive income and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase shall be recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as other economic flows in the net result, except that the net revaluation decrease shall be recognised in other comprehensive income to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under the asset revaluation surplus.

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. Any asset revaluation surplus is 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.

### *Biological assets*

Productive trees in commercial native forests and breeding livestock are recognised as biological assets. These biological assets are measured at fair value less costs to sell and are revalued at 30 June each year.

For breeding livestock, fair value is based on the amount that could be expected to be received from the disposal of livestock.

For productive trees, revaluation to fair value is determined using a discounted cash flow method based on expected net future cash flows, discounted by a current market determined rate.

An increase or decrease in the fair value of these biological assets is recognised as an other economic flow in the net result.

### **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 are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Victorian general government sector (refer to Note 1(J)).

### **Forecast assumption**

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

### *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.

### *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 (also refer to Note 1(Q)).

### *Impairment of non-financial assets*

Refer to Note 1(K).

## **(M) Liabilities**

### *Deposits held and advances received*

Deposits held include deposits, security deposits, and trust fund provisions held on behalf of public sector or private sector bodies. Advances received include loans and other repayable funds from public sector bodies for policy purposes.

#### **Forecast assumption**

These are forecast on the basis of estimated activity in trust funds and on agreed loan activities between central government and agencies.

### *Borrowings*

The State's borrowings 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 (refer to Note 1(O)) and other interest bearing arrangements.

Borrowings are initially measured at fair value, being the cost of the borrowings, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in net result over the period of the borrowing, using the effective interest method.

#### **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 Victorian general government sector prior to the end of the financial year that are unpaid, and arise when the Victorian general government sector becomes obliged to make future payments in respect of the purchase of those goods and services.

Other liabilities included in payables mainly consist of unearned/prepaid income, goods and services tax and fringe benefits tax payables.

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

Unearned income liability includes deferred income 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 income 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 schemes' assets at that date.

The present value of accrued liabilities is based upon future payments which are expected to arise due to the projected membership at each reporting date. Consideration is given to expected future salary levels and the experience of employee departures. 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 by the actuaries of the various defined benefit superannuation schemes. These estimates 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 and inflation rates that are adopted are based on prevailing long term Commonwealth Government Bonds (both nominal and inflation linked) which are also assumed to remain constant across the forward estimates period. Actual experience may differ significantly from assumptions which may cause significant variations in the reported superannuation liability. Any such variation would primarily be reported under 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 <sup>(a)</sup></i>
Emergency Services and State Super	Expected return on assets <sup>(b)</sup>	8.0
	Discount rate <sup>(c)</sup>	5.9
	Wages growth <sup>(d)</sup>	4.3
	Inflation rate <sup>(e)</sup>	2.8
Constitutionally Protected Schemes <sup>(f)</sup>	Discount rate <sup>(c)</sup>	5.9
	Wages growth <sup>(d)</sup>	4.3
	Inflation rate <sup>(f)</sup>	4.3
Parliamentary Contributory Superannuation Fund <sup>(f)</sup>	Expected return on assets <sup>(b)</sup>	8.0
	Discount rate <sup>(c)</sup>	5.9
	Wages growth <sup>(d)</sup>	4.3
	Inflation rate <sup>(f)</sup>	4.3
Health Super Fund Defined Benefit Scheme	Expected return on assets <sup>(b)</sup>	6.0
	Discount rate <sup>(c)</sup>	5.9
	Wages growth <sup>(d)</sup>	4.3
	Inflation rate <sup>(e)</sup>	2.8

*Source: Department of Treasury and Finance*

*Notes:*

- (a) 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 is based on actuarial expectations.*
- (e) For these schemes, the inflation rate assumed by the actuary reflects market expectations of price inflation as implied based on the relationship between the yields on Commonwealth Government bonds, both nominal and inflation linked, at the reporting date. This varies from previous years when the inflation assumption was based upon long term actuarial expectations.*
- (f) Pensions payable from both the Parliamentary Contributory Superannuation Fund and Constitutionally Protected Schemes are linked to wages growth, not inflation.*



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).

### Asset allocations

<i>Asset class</i>	<i>Per cent</i>
Domestic equity	29.3
International equity	27.9
Domestic and International debt assets	19.0
Property	9.0
Cash	2.4
Other (inc. private equity, hedge funds and infrastructure)	12.3
<b>Total</b>	<b>100.0</b>

*Source: Department of Treasury and Finance*

### 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 other 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 the 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 benefits on costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for 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 are recognised when the Victorian general government sector has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Other provisions principally 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 costs of settling those claims. Because of the inherent uncertainty in the estimate of the outstanding insurance claims, a risk margin is included. The risk margin is set to increase the probability that the liability estimate will be sufficient.

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.

### **(N) Leases**

A lease is a right to use an asset for an agreed period of time in exchange for payment.

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 rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

### *Finance leases*

#### **State as lessor**

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are apportioned between periodic interest income and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

### **State as lessee**

At the commencement of the lease term, finance leases are initially 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 payment, each determined at the inception of the lease. The lease asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments are apportioned between the reduction of the outstanding lease liability and the periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

### *Operating leases*

#### **State as lessor**

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental income over the lease term, on a straight line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

#### **State as lessee**

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### **Forecast assumption**

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

## **(O) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet. However, they are disclosed in Chapter 7: *Contingencies and Liabilities* of this Budget Paper No. 4.

## **(P) Service concession arrangements**

The State enters into certain arrangements to design and construct or upgrade assets used to provide public services. These arrangements are typically complex and usually include the provision of operational and maintenance services for a specified period of time. These arrangements are often referred to as either public private partnerships (PPPs) or service concession arrangements (SCAs).

These SCAs usually take one of two main forms. In the more common form, the State pays the operator over the period of the arrangement, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as a lease payment (refer to Note 1(O)). The remaining components are accounted for as commitments for operating costs which are expensed in the comprehensive operating statement as they are incurred.

The other, less common form of SCA, is one in which the State grants to an operator, for a specified period of time, the right to collect fees from users of the SCA asset, in return for which the operator constructs the asset and has the obligation to supply agreed upon services, including maintenance of the asset for the period of the concession. These private sector entities typically lease land, and sometimes State works, from the State and construct infrastructure. At the end of the concession period, the land and State works, together with the constructed facilities, will be returned to the State.

Significant service 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 authoritative accounting guidance applicable to grantors (the State) on the recognition and measurement of the right of the State to receive assets from such concession arrangements. Due to the lack of such guidance, there has been no change to existing 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.

**(Q) Accounting for the goods and services tax**

Income, expenses and assets are recognised net of goods and services tax (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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are included as an operating cash flow.

**(R) 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.

**(S) Foreign currency**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in other economic flows in comprehensive income and accumulated in a separate component of equity, in the period in which they arise.

**(T) Prospective accounting changes**

The following AASs have been issued by the AASB up until the date of issue of these Estimated Financial Statements. The following AASs will become operative during the forecast period, in the financial years subsequent to the 2010-11 budget year:

- AASB 9 *Financial Instruments*, operative from 1 January 2013;
- 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023, 1038, and Interpretations 10 and 12]*, operative from 1 January 2013; and
- 2009-12 *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]*, operative from 1 January 2011.

The impact of all prospective changes has not yet been determined, and therefore not incorporated in the Estimated Financial Statements.

**(U)     *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 revenue

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Taxes on employers' payroll and labour force</b>	<b>4 258.5</b>	<b>4 542.1</b>	<b>4 826.2</b>	<b>5 123.0</b>
<b>Taxes on property</b>				
<b>Taxes on immovable property</b>				
Land tax	1 362.4	1 324.7	1 430.9	1 394.9
Congestion levy	45.8	46.9	48.1	49.3
Metropolitan improvement levy	125.4	129.8	134.3	139.0
Property owner contributions to fire brigades	35.9	38.4	38.6	39.6
<b>Total taxes on immovable property</b>	<b>1 569.4</b>	<b>1 539.8</b>	<b>1 651.9</b>	<b>1 622.8</b>
<b>Financial and capital transactions</b>				
Land transfer duty	3 672.4	3 663.7	3 874.6	4 213.9
Other property duties	8.6	8.6	8.6	8.6
Financial accommodation levy	80.5	94.8	105.7	111.6
<b>Total financial and capital transactions</b>	<b>3 761.5</b>	<b>3 767.1</b>	<b>3 988.9</b>	<b>4 334.1</b>
<b>Total taxes on property</b>	<b>5 330.9</b>	<b>5 306.9</b>	<b>5 640.8</b>	<b>5 956.9</b>
<b>Taxes on the provision of goods and services</b>				
<b>Gambling taxes <sup>(a)</sup></b>	<b>1 722.7</b>	<b>1 810.0</b>	<b>1 883.1</b>	<b>1 947.9</b>
Levies on statutory corporations	73.7	73.7	..	..
<b>Taxes on insurance</b>	<b>1 478.1</b>	<b>1 529.6</b>	<b>1 563.5</b>	<b>1 639.0</b>
<b>Total taxes on the provision of goods and services</b>	<b>3 274.6</b>	<b>3 413.3</b>	<b>3 446.6</b>	<b>3 586.9</b>
<b>Taxes on the use of goods and performance of activities</b>				
<b>Motor vehicle taxes</b>				
Vehicle registration fees	887.0	935.6	986.5	1 038.6
Duty on vehicle registrations and transfers	561.7	573.5	599.2	625.1
<b>Total motor vehicle taxes</b>	<b>1 448.8</b>	<b>1 509.0</b>	<b>1 585.7</b>	<b>1 663.7</b>
<b>Franchise taxes</b>	<b>29.2</b>	<b>29.2</b>	<b>29.2</b>	<b>29.5</b>
<b>Other</b>	<b>95.8</b>	<b>114.8</b>	<b>121.0</b>	<b>124.9</b>
<b>Total taxes on the use of goods and performance of activities</b>	<b>1 573.8</b>	<b>1 653.0</b>	<b>1 735.8</b>	<b>1 818.1</b>
<b>Total taxation</b>	<b>14 437.8</b>	<b>14 915.3</b>	<b>15 649.4</b>	<b>16 484.9</b>

Note:

(a) Gambling taxes aggregated reflecting the commercial sensitivity of forecasts due to the licence allocation process currently underway.

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

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Dividends	340.8	377.1	371.7	601.1
Income tax equivalent revenue	159.1	142.8	133.8	147.8
Local government rate equivalent revenue	5.1	5.1	5.3	5.4
<b>Total dividends and income tax equivalent and rate equivalent revenue</b>	<b>504.9</b>	<b>525.0</b>	<b>510.8</b>	<b>754.3</b>

#### Note 4: Sales of goods and services

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
Motor vehicle regulatory fees	131.3	151.8	151.9	119.6
Other regulatory fees	304.2	300.1	296.8	286.7
Sale of goods	123.3	112.9	82.0	41.4
Provision of services	4 004.9	4 339.1	4 510.1	4 648.7
Rental	43.2	44.0	44.3	44.5
Refunds and reimbursements	56.8	58.0	59.2	60.4
Inter-sector capital asset charge	1 183.6	1 300.3	1 398.3	1 422.0
<b>Total sales of goods and services</b>	<b>5 847.4</b>	<b>6 306.2</b>	<b>6 542.4</b>	<b>6 623.2</b>

#### Note 5: Grants

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
General purpose grants	11 142.7	11 777.9	12 519.7	12 953.2
Specific purpose grants for on-passing	2 768.2	2 485.5	2 485.5	2 485.5
Grants for specific purposes	8 868.6	8 171.6	8 920.9	8 534.2
<b>Total</b>	<b>22 779.5</b>	<b>22 434.9</b>	<b>23 926.0</b>	<b>23 972.8</b>
Other contributions and grants	113.7	93.0	83.8	83.9
<b>Total Grants</b>	<b>22 893.1</b>	<b>22 527.9</b>	<b>24 009.8</b>	<b>24 056.7</b>

Note:

(a) *The allocation of Commonwealth grants between GST ('general purpose') grants and grants for 'specific purposes' under a new 'National Health and Hospital Network Agreement' is not reflected in the above estimates as the final determination of any re-allocation is yet to be determined. This is to be phased in over a four year period and is expected to be revenue neutral.*

#### Note 6: Other revenue

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
Fair value of assets received free of charge or for nominal consideration	1.0	90.7	0.7	1.0
Fines	559.4	579.2	602.5	616.0
Royalties	46.2	46.7	47.7	48.8
Donations and gifts	233.9	302.7	236.0	241.9
Other non-property rental	21.7	21.7	21.8	21.9
Other miscellaneous revenue	855.9	687.5	689.3	692.5
<b>Total other revenue</b>	<b>1 718.0</b>	<b>1 728.6</b>	<b>1 597.9</b>	<b>1 622.1</b>



## Note 7: Superannuation

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

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

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Defined benefit plans				
Interest cost	2 018.0	2 050.6	2 074.7	2 090.1
Expected return on plan assets (net of expenses)	(1 133.9)	(1 139.9)	(1 139.7)	(1 145.6)
<b>Superannuation interest expense <sup>(a)</sup></b>	<b>884.1</b>	<b>910.8</b>	<b>935.1</b>	<b>944.5</b>
Current service cost	597.7	587.4	583.8	555.6
Employer contributions to defined contribution plans	947.2	982.5	1 029.4	1 052.3
Other (including pensions)	52.9	55.0	57.2	59.5
<b>Other superannuation</b>	<b>1 597.8</b>	<b>1 624.8</b>	<b>1 670.3</b>	<b>1 667.3</b>
<b>Total superannuation expense from transactions</b>	<b>2 481.9</b>	<b>2 535.6</b>	<b>2 605.4</b>	<b>2 611.7</b>
<b>Superannuation expense from other economic flows</b>				
Net actuarial (gains)/losses of superannuation defined benefit plans	..	..	..	..
<b>Total superannuation expense recognised in operating statement</b>	<b>2 481.9</b>	<b>2 535.6</b>	<b>2 605.4</b>	<b>2 611.7</b>

Note:

(a) Superannuation interest expense shown on the operating statement is the interest cost less the expected return on plan assets.

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

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Opening balance of defined benefit obligation</b>	<b>35 593.0</b>	<b>36 174.7</b>	<b>36 611.2</b>	<b>36 923.5</b>
Current service cost	597.7	587.4	583.8	555.6
Interest cost	2 018.0	2 050.6	2 074.7	2 090.1
Contributions by plan participants	200.7	188.8	177.5	166.3
Actuarial (gains)/losses	..	..	..	..
Benefits paid	(2 234.8)	(2 390.4)	(2 523.8)	(2 671.2)
<b>Closing balance of defined benefit obligation</b>	<b>36 174.7</b>	<b>36 611.2</b>	<b>36 923.5</b>	<b>37 064.2</b>

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

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Opening balance of plan assets</b>	<b>15 324.4</b>	<b>15 506.9</b>	<b>15 515.4</b>	<b>15 550.4</b>
Expected return on plan assets	1 133.9	1 139.9	1 139.7	1 145.6
Actuarial gains/(losses)	..	..	..	..
Employer contributions	1 082.6	1 070.2	1 241.6	1 585.1
Contributions by plan participants	200.7	188.8	177.5	166.3
Benefits paid (including tax paid)	(2 234.8)	(2 390.4)	(2 523.8)	(2 671.2)
<b>Closing balance of plan assets</b>	<b>15 506.9</b>	<b>15 515.4</b>	<b>15 550.4</b>	<b>15 776.2</b>

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

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>ESSS (including SSF)</b>				
Defined benefit obligation	31 961.7	32 289.3	32 546.6	32 685.9
Tax liability <sup>(a)</sup>	2 319.5	2 394.0	2 418.5	2 389.5
Plan assets	(14 149.4)	(14 135.7)	(14 152.6)	(14 364.0)
<b>Net liability/(asset)</b>	<b>20 131.9</b>	<b>20 547.7</b>	<b>20 812.6</b>	<b>20 711.4</b>
<b>Other funds <sup>(b)</sup></b>				
Defined benefit obligation	1 898.7	1 934.7	1 966.7	1 998.6
Tax liability <sup>(a)</sup>	( 5.2)	( 6.9)	( 8.4)	( 9.9)
Plan assets	(1 357.5)	(1 379.7)	(1 397.8)	(1 412.1)
<b>Net liability/(asset)</b>	<b>536.0</b>	<b>548.1</b>	<b>560.5</b>	<b>576.6</b>
<b>Total superannuation</b>				
Defined benefit obligation	33 860.4	34 224.0	34 513.4	34 684.5
Tax liability	2 314.3	2 387.2	2 410.1	2 379.7
Plan assets	(15 506.9)	(15 515.4)	(15 550.4)	(15 776.2)
<b>Superannuation liability</b>	<b>20 667.8</b>	<b>21 095.8</b>	<b>21 373.1</b>	<b>21 288.0</b>
<b>Represented by:</b>				
Current liability	560.0	750.0	1 108.8	1 138.5
Non-current liability	20 107.8	20 345.8	20 264.3	20 149.5

Notes:

- (a) Tax liability represents the present value of future tax payments on investment income generated by superannuation assets plus the present value of future tax payments on expected future employer contributions.
- (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

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
Buildings <sup>(a)</sup>	933.8	1 035.3	1 080.8	1 115.7
Plant, equipment and infrastructure systems	598.4	623.6	630.5	636.3
Road networks	497.8	508.0	633.1	652.8
Other assets	14.1	21.1	21.7	22.1
Leased plant and equipment	41.0	36.5	36.6	36.6
Leasehold buildings	75.5	94.8	95.9	96.8
Intangible produced assets <sup>(b)</sup>	53.7	61.9	59.1	70.4
<b>Total depreciation</b>	<b>2 214.3</b>	<b>2 381.2</b>	<b>2 557.7</b>	<b>2 630.7</b>

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2010-11 to 2013-14.

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

## Note 9: Interest expense

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
Interest on long-term interest-bearing liabilities	699.6	871.4	1 005.3	1 096.0
Interest on short-term interest-bearing liabilities	32.7	33.5	34.0	37.2
Finance charges on finance leases	146.8	358.5	671.5	713.7
Discount interest on payables	60.4	57.5	52.0	47.9
<b>Total interest expense</b>	<b>939.5</b>	<b>1 320.9</b>	<b>1 762.9</b>	<b>1 894.9</b>

## Note 10: Grants and other transfers

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
<b>Current grants and other transfers expense</b>				
Commonwealth Government	136.7	123.4	130.0	136.9
Local Government on-passing	657.4	618.6	610.0	609.9
Private sector and not for profit on-passing	3 359.1	3 392.6	3 378.2	3 316.9
Other private sector and not for profit	398.8	345.1	351.0	355.7
Grants within the Victorian Government	2 664.7	2 361.4	2 388.5	2 403.1
Grants to other state governments	13.2	13.2	13.2	13.2
<b>Total current grants and other transfers</b>	<b>7 229.9</b>	<b>6 854.3</b>	<b>6 870.9</b>	<b>6 835.7</b>
<b>Capital grants expense</b>				
Local Government on-passing	14.8	15.8	14.5	14.6
Private sector and not for profit on-passing	509.4	100.4	98.3	94.6
Other private sector and not for profit	156.1	140.9	143.7	142.3
<b>Total capital grants and other transfers</b>	<b>680.2</b>	<b>257.0</b>	<b>256.5</b>	<b>251.5</b>
<b>Total grants and other transfers</b>	<b>7 910.1</b>	<b>7 111.4</b>	<b>7 127.4</b>	<b>7 087.2</b>

**Note 11: Total expenses by government purpose classification**

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
General public services	815.2	834.4	867.8	888.2
Public order and safety	4 890.5	5 005.7	5 205.8	5 328.4
Education	12 009.9	12 292.9	12 784.2	13 085.4
Health	12 163.8	12 450.4	12 948.0	13 253.0
Social security and welfare	3 467.6	3 549.3	3 691.2	3 778.1
Housing and community amenities	3 366.4	3 445.7	3 583.5	3 667.9
Recreation and culture	925.1	946.9	984.7	1 007.9
Fuel and energy	21.8	22.3	23.2	23.8
Agriculture, forestry, fishing, and hunting	582.7	596.4	620.3	634.9
Mining, manufacturing, and construction	23.4	24.0	24.9	25.5
Transport and communications	4 669.2	4 779.2	4 970.2	5 087.3
Other economic affairs	541.8	554.5	576.7	590.3
Other purposes	1 410.0	1 443.2	1 500.9	1 536.3
<b>Total expenses by government purpose classification<sup>(a)</sup></b>	<b>44 887.4</b>	<b>45 945.1</b>	<b>47 781.5</b>	<b>48 906.9</b>

Note:

(a) Classifications have been determined using ratios based on historical data.

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

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
Net (increase)/decrease in provision for doubtful receivables	( 69.6)	( 69.5)	( 68.1)	( 65.1)
Amortisation of intangible non-produced assets	( 8.3)	( 8.4)	( 8.5)	( 8.5)
Net (increase)/decrease in bad debts	( 94.0)	( 94.0)	( 95.2)	( 98.3)
Other gains/(losses)	16.7	16.4	12.6	9.8
<b>Total other gains/(losses) from other economic flows</b>	<b>( 155.2)</b>	<b>( 155.5)</b>	<b>( 159.2)</b>	<b>( 162.2)</b>

## Note 13: Receivables

(\$ million)

	2010 Revised	2011 Budget	2012 Estimate	2013 Estimate	2014 Estimate
<b>Contractual</b>					
Sales of goods and services	671.3	652.0	632.8	611.7	625.7
Accrued investment income	88.8	60.0	45.7	46.2	47.0
Other receivables	470.9	492.4	509.1	525.0	528.8
<i>Provision for doubtful contractual receivables</i>	( 57.6)	( 56.0)	( 55.8)	( 54.0)	( 54.0)
<b>Statutory</b>					
Taxes receivables	715.5	705.7	695.9	686.1	686.4
Fines and regulatory fees	805.6	869.9	935.0	997.8	1 038.5
GST input tax credits recoverable	259.2	259.8	260.3	261.0	261.6
<i>Provision for doubtful statutory receivables</i>	( 397.7)	( 465.1)	( 499.3)	( 533.2)	( 564.0)
<b>Total receivables</b>	<b>2 555.9</b>	<b>2 518.8</b>	<b>2 523.7</b>	<b>2 540.6</b>	<b>2 570.0</b>
<b>Represented by:</b>					
Current receivables	2 486.3	2 447.1	2 452.1	2 469.3	2 499.0
Non-current receivables	69.6	71.7	71.6	71.3	70.9

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

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Balance of investment in PNFC and PFC sectors at beginning of period	63 467.2	66 945.4	69 284.6	71 391.8
Net contributions to other sectors by owner	2 191.7	1 562.1	1 412.5	1 409.2
Revaluation gain/(loss) for period	1 286.4	777.0	694.8	320.5
<b>Investment in other sector entities at end of period</b>	<b>66 945.4</b>	<b>69 284.6</b>	<b>71 391.8</b>	<b>73 121.6</b>

## Note 15: Net acquisition of non-financial assets from transactions

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Purchases of non-financial assets	4 435.0	3 881.3	3 533.3	2 791.2
Less: Sales of non-financial assets	( 244.9)	( 268.6)	( 257.4)	( 225.9)
Less: Depreciation	(2 214.3)	(2 381.2)	(2 557.7)	(2 630.7)
Plus: Change in inventories	..	( 0.1)	( 0.2)	( 0.1)
Plus: Other movements in non-financial assets	121.3	930.3	845.1	0.2
<b>Total net acquisition of non-financial assets</b>	<b>2 097.0</b>	<b>2 161.7</b>	<b>1 563.1</b>	<b>( 65.2)</b>

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

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

(\$ million)

	2010	2011	2012	2013	2014
	Revised	Budget	Estimate	Estimate	Estimate
Buildings (written down value)	19 491.1	21 740.4	24 587.9	25 946.0	28 143.7
Land and national parks	39 806.2	41 041.1	42 340.8	44 159.0	44 517.1
Infrastructure systems (written down value)	1 062.2	1 219.7	1 258.1	1 260.1	1 237.1
Plant, equipment and vehicles (written down value)	2 492.4	2 582.0	2 411.3	2 150.4	2 039.3
Roads and road networks (written down value)	19 004.2	19 475.2	21 739.3	22 729.9	24 302.9
Earthworks	6 036.6	6 036.6	6 684.9	6 684.9	7 443.0
Cultural assets (written down value)	4 394.3	4 624.3	4 633.5	4 639.9	4 641.2
<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>92 287.0</b>	<b>96 719.3</b>	<b>103 655.7</b>	<b>107 570.2</b>	<b>112 324.3</b>

### (b) Land, national parks and buildings

(\$ million)

	2010	2011	2012	2013	2014
	Revised	Budget	Estimate	Estimate	Estimate
Buildings	21 873.2	25 087.6	29 020.8	31 502.3	34 837.1
Accumulated depreciation	(2 382.1)	(3 347.1)	(4 432.9)	(5 556.2)	(6 693.5)
<b>Buildings (written down value)</b>	<b>19 491.1</b>	<b>21 740.4</b>	<b>24 587.9</b>	<b>25 946.0</b>	<b>28 143.7</b>
Land	37 666.0	38 900.9	40 200.6	42 018.8	42 376.9
National Parks and 'land only' holdings	2 140.2	2 140.2	2 140.2	2 140.2	2 140.2
<b>Land and national parks</b>	<b>39 806.2</b>	<b>41 041.1</b>	<b>42 340.8</b>	<b>44 159.0</b>	<b>44 517.1</b>
<b>Total land and buildings</b>	<b>59 297.3</b>	<b>62 781.6</b>	<b>66 928.6</b>	<b>70 105.0</b>	<b>72 660.8</b>

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

(\$ million)

	2010	2011	2012	2013	2014
	Revised	Budget	Estimate	Estimate	Estimate
Infrastructure systems	1 394.6	1 574.5	1 635.2	1 660.1	1 660.2
Accumulated depreciation	( 332.4)	( 354.7)	( 377.1)	( 400.0)	( 423.1)
<b>Infrastructure systems (written down value)</b>	<b>1 062.2</b>	<b>1 219.7</b>	<b>1 258.1</b>	<b>1 260.1</b>	<b>1 237.1</b>
Plant, equipment and vehicles	5 372.2	5 853.4	6 095.3	6 224.5	6 526.9
Accumulated depreciation	(2 959.8)	(3 318.2)	(3 702.0)	(4 088.1)	(4 494.9)
Leased plant, equipment and vehicles	203.6	209.6	215.8	246.7	271.4
Accumulated depreciation	( 123.5)	( 162.8)	( 197.7)	( 232.8)	( 264.1)
<b>Plant, equipment and vehicles (written down value)</b>	<b>2 492.4</b>	<b>2 582.0</b>	<b>2 411.3</b>	<b>2 150.4</b>	<b>2 039.3</b>
<b>Total plant, equipment and vehicles, and infrastructure systems</b>	<b>3 554.7</b>	<b>3 801.8</b>	<b>3 669.4</b>	<b>3 410.5</b>	<b>3 276.4</b>

**(d) Road networks and earthworks**

(\$ million)

	2010	2011	2012	2013	2014
	Revised	Budget	Estimate	Estimate	Estimate
Roads	23 561.4	24 191.5	27 114.6	28 400.0	30 889.0
Accumulated depreciation	(8 992.9)	(9 387.7)	(10 770.8)	(11 285.2)	(12 980.8)
Road infrastructure	7 312.7	7 651.4	8 778.4	9 117.1	10 372.8
Accumulated depreciation	(2 877.1)	(2 980.1)	(3 383.0)	(3 502.0)	(3 978.1)
<b>Roads (written down value)</b>	<b>19 004.2</b>	<b>19 475.2</b>	<b>21 739.3</b>	<b>22 729.9</b>	<b>24 302.9</b>
<b>Earthworks</b>	<b>6 036.6</b>	<b>6 036.6</b>	<b>6 684.9</b>	<b>6 684.9</b>	<b>7 443.0</b>
<b>Total road networks and earthworks</b>	<b>25 040.7</b>	<b>25 511.7</b>	<b>28 424.1</b>	<b>29 414.8</b>	<b>31 745.9</b>

**(e) Cultural assets**

(\$ million)

	2010	2011	2012	2013	2014
	Revised	Budget	Estimate	Estimate	Estimate
Cultural assets	4 513.6	4 758.3	4 790.6	4 821.4	4 842.2
Accumulated depreciation	( 119.3)	( 134.1)	( 157.1)	( 181.5)	( 201.0)
<b>Total cultural assets</b>	<b>4 394.3</b>	<b>4 624.3</b>	<b>4 633.5</b>	<b>4 639.9</b>	<b>4 641.2</b>

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

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

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
Carrying amount at the start of the year <sup>(a)</sup>	92 287.0	96 719.3	103 655.7	107 570.2
Additions <sup>(b)</sup>	4 512.1	8 988.9	4 334.1	2 761.9
Disposals at written down value	( 112.4)	(4 328.4)	( 115.5)	( 115.5)
Revaluations	2 182.2	4 557.2	2 138.9	4 674.9
Assets reclassified	9.9	36.9	54.5	( 7.9)
Depreciation expense	(2 159.5)	(2 318.2)	(2 497.5)	(2 559.2)
<b>Carrying amount at the end of the year</b>	<b>96 719.3</b>	<b>103 655.7</b>	<b>107 570.2</b>	<b>112 324.3</b>

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)

	2010	2011	2012	2013	2014
	Revised	Budget	Estimate	Estimate	Estimate
Intangible produced assets	550.0	580.3	592.9	639.5	655.0
Accumulated depreciation	( 297.3)	( 343.7)	( 398.2)	( 464.8)	( 532.7)
Intangible non-produced assets	68.7	68.7	68.7	68.7	68.7
Accumulated depreciation	( 28.6)	( 36.8)	( 45.2)	( 53.8)	( 62.3)
<b>Total intangibles</b>	<b>292.8</b>	<b>268.5</b>	<b>218.1</b>	<b>189.6</b>	<b>128.6</b>
Investment properties	21.1	21.1	21.1	21.1	21.1
Biological assets <sup>(a)</sup>	31.4	36.3	41.4	46.7	46.7
Other assets	327.2	329.8	332.2	334.4	335.3
<b>Total other non-financial assets</b>	<b>672.5</b>	<b>655.7</b>	<b>612.8</b>	<b>591.7</b>	<b>531.6</b>

Note:

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

## Note 19: Assets classified by government purpose classification

### (a) Purchases of non-financial assets

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
General public services	357.7	551.7	909.4	654.4
Public order and safety	429.1	408.2	261.3	188.0
Education	1 696.2	334.8	194.5	113.2
Health	498.6	434.5	624.2	422.4
Social security and welfare	222.4	121.5	106.8	76.8
Housing and community amenities	532.0	365.7	277.5	199.7
Recreation and culture	240.9	173.3	52.0	37.4
Fuel and energy	0.7	0.7	0.7	0.5
Agriculture, forestry, fishing, and hunting	44.1	71.9	24.8	17.9
Mining, manufacturing, and construction	2.7	4.4	1.5	1.1
Transport and communications	1 390.3	1 136.3	603.6	434.4
Other economic affairs	11.1	4.7	3.1	2.2
Other purposes	3.4	3.4	3.0	2.2
Not allocated by purpose <sup>(a)</sup>	( 994.2)	270.3	470.9	641.1
<b>Total purchases of non-financial assets <sup>(b)</sup></b>	<b>4 435.0</b>	<b>3 881.3</b>	<b>3 533.3</b>	<b>2 791.2</b>

Notes:

(a) Estimated amount available to be allocated to specific departments and projects. This includes departmental underspending, which maybe subject to carryover.

(b) Classifications have been determined using ratios based on historical data.



**(b) Total assets**

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
General public services	1 190.3	1 735.7	2 480.2	2 566.3
Public order and safety	6 054.8	6 217.7	6 274.9	6 492.7
Education	17 223.1	17 160.7	17 047.5	17 639.1
Health	10 350.7	11 145.1	11 307.0	11 699.3
Social security and welfare	668.3	677.3	667.9	691.0
Housing and community amenities	8 931.5	9 125.6	9 326.0	9 649.6
Recreation and culture	6 715.2	6 740.8	6 755.7	6 990.2
Fuel and energy	2.0	2.0	2.0	2.1
Agriculture, forestry, fishing, and hunting	481.7	521.1	521.5	539.6
Mining, manufacturing, and construction	..	..	..	..
Transport and communications	46 236.6	46 776.8	47 032.7	48 664.8
Other economic affairs	268.4	265.5	262.9	272.0
Other purposes	7.5	9.4	11.2	11.6
Not allocated by purpose <sup>(a)</sup>	74 336.9	85 758.9	90 790.9	93 941.5
<b>Total assets <sup>(b)</sup></b>	<b>172 466.9</b>	<b>186 136.7</b>	<b>192 480.4</b>	<b>199 159.8</b>

Notes:

(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)

	2010 Revised	2011 Budget	2012 Estimate	2013 Estimate	2014 Estimate
<b>Current borrowings</b>					
Domestic borrowings	628.3	626.5	624.6	622.8	621.3
Finance lease liabilities	61.6	62.5	47.3	70.7	93.7
Derivative financial instruments	7.4	7.4	7.4	7.4	7.4
<b>Total current borrowings</b>	<b>697.3</b>	<b>696.4</b>	<b>679.3</b>	<b>700.9</b>	<b>722.4</b>
<b>Non-current borrowings</b>					
Domestic borrowings	11 163.3	14 267.8	16 511.1	17 449.0	17 770.7
Finance lease liabilities	1 658.1	1 704.8	6 688.0	7 422.8	7 267.7
Derivative financial instruments	1.1	1.1	1.1	1.1	1.1
<b>Total non-current borrowings</b>	<b>12 822.6</b>	<b>15 973.7</b>	<b>23 200.3</b>	<b>24 872.9</b>	<b>25 039.5</b>
<b>Total borrowings</b>	<b>13 519.9</b>	<b>16 670.2</b>	<b>23 879.6</b>	<b>25 573.8</b>	<b>25 762.0</b>

## Note 21: Employee benefits

(\$ million)

	2010 Revised	2011 Budget	2012 Estimate	2013 Estimate	2014 Estimate
<b>Current</b>					
Accrued salaries and wages <sup>(a)</sup>	1 391.0	1 424.0	1 456.8	1 489.7	1 524.6
Long service leave	2 585.4	2 662.7	2 741.5	2 821.5	2 897.7
<b>Total current employee benefits</b>	<b>3 976.5</b>	<b>4 086.7</b>	<b>4 198.4</b>	<b>4 311.2</b>	<b>4 422.2</b>
<b>Non-current</b>					
Long service leave	467.5	545.0	590.8	636.1	684.8
<b>Total non-current employee benefits</b>	<b>467.5</b>	<b>545.0</b>	<b>590.8</b>	<b>636.1</b>	<b>684.8</b>
<b>Total employee benefits</b>	<b>4 444.0</b>	<b>4 631.7</b>	<b>4 789.1</b>	<b>4 947.3</b>	<b>5 107.0</b>

Note:

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

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

## Note 22: Cash flow information

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

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Cash	424.0	564.0	1 143.6	1 756.3
Deposits at call	1 963.3	2 084.8	1 890.8	1 542.5
<b>Cash and cash equivalents</b>	<b>2 387.2</b>	<b>2 648.8</b>	<b>3 034.4</b>	<b>3 298.7</b>
Bank overdraft	(0.5)	(0.5)	(0.5)	(0.5)
<b>Balances as per cash flow statement</b>	<b>2 386.8</b>	<b>2 648.3</b>	<b>3 034.0</b>	<b>3 298.3</b>

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

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
<b>Net result</b>	852.3	638.7	1 373.2	1 444.7
<b>Non-cash movements</b>				
Depreciation and amortisation	2 222.6	2 389.6	2 566.3	2 639.3
Revaluation of investments	(0.5)	(0.4)	(1.4)	(1.6)
Assets and services (received)/provided free of charge	(0.2)	(90.2)	(0.2)	(0.2)
Discount/premium on other financial assets/ borrowings	6.8	7.0	6.5	6.4
<b>Movements included in investing and financing activities</b>				
Net revenues from sale of plant and equipment	(134.7)	(143.1)	(141.9)	(110.4)
Net revenues from sale of investments	(0.5)	(0.4)	(1.4)	(1.6)
<b>Movements in assets and liabilities</b>				
Increase/(decrease) in provision for bad and doubtful debts	65.7	34.1	32.1	30.8
Increase/(decrease) in payables	(135.0)	(136.5)	(151.0)	(86.2)
Increase/(decrease) in employee benefits	187.8	157.4	158.2	159.8
Increase/(decrease) in superannuation	399.3	428.0	277.3	(85.1)
Increase/(decrease) in other provisions	(18.8)	(15.1)	(13.9)	(12.7)
(Increase)/decrease in receivables	56.1	(38.9)	51.1	39.8
(Increase)/decrease in other non-financial assets	(8.2)	(8.0)	(7.9)	(0.4)
<b>Net cash flows from operating activities</b>	<b>3 492.8</b>	<b>3 222.2</b>	<b>4 146.6</b>	<b>4 022.4</b>

**Note 23: Reserves**

(\$ million)

	2010	2011	2012	2013	2014
	Revised	Budget	Estimate	Estimate	Estimate
Property plant and equipment revaluation reserve	31 656.0	33 838.2	38 395.4	40 534.2	45 209.1
Available-for-sale investments revaluation reserve	13.5	13.5	13.5	13.5	13.5
Revaluation reserve for investments in PFC and PNFC entities	38 734.7	40 021.1	40 798.2	41 492.9	41 813.4
Other reserves	806.6	841.4	872.7	894.1	916.3
<b>Total reserves</b>	<b>71 210.8</b>	<b>74 714.2</b>	<b>80 079.7</b>	<b>82 934.7</b>	<b>87 952.2</b>

## Note 24: Reconciliations to government finance statistics

### (a) Reconciliation to GFS net operating balance<sup>(a)</sup>

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Net result from transactions – net operating balance	871.9	650.4	1 387.6	1 493.2
Convergence differences	..	..	..	..
<b>GFS Net operating balance</b>	<b>871.9</b>	<b>650.4</b>	<b>1 387.6</b>	<b>1 493.2</b>

Note:

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

### (b) Reconciliation to GFS Total change in net worth<sup>(a)</sup>

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Total change in net worth	4 332.7	6 012.0	4 263.6	6 432.1
Convergence differences:				
Non-controlling interest	..	..	..	..
Relating to net operating balance (from (a) above)	..	..	..	..
Relating to other economic flows:				
Doubtful receivables <sup>(b)</sup>	65.7	34.1	32.1	30.8
Net gain on equity investments in other sector entities measured at proportional share of net assets/(liabilities) <sup>(c)</sup>	152.0	143.0	297.4	385.7
Total convergence differences	217.7	177.0	329.5	416.6
<b>GFS Total change in net worth</b>	<b>4 550.4</b>	<b>6 189.1</b>	<b>4 593.1</b>	<b>6 848.7</b>

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)<sup>(a)</sup>

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Net lending/(borrowing)	(1 225.2)	(1 511.3)	(175.4)	1 558.4
Convergence differences	..	..	..	..
<b>GFS Net lending/(borrowing)</b>	<b>(1 225.2)</b>	<b>(1 511.3)</b>	<b>(175.4)</b>	<b>1 558.4</b>

Note:

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

**(d) Reconciliation to GFS net worth<sup>(a)</sup>**

(\$ million)

	2011 Budget	2012 Estimate	2013 Estimate	2014 Estimate
Net worth	125 781.3	131 793.3	136 057.0	142 489.1
Convergence differences:				
Non-controlling interest	( 59.5)	( 59.5)	( 59.5)	( 59.5)
Accounts receivable – provision for doubtful debts <sup>(b):</sup>	521.1	555.1	587.2	618.0
Investments in other sector entities <sup>(c):</sup>				
Doubtful receivables of the PNFC sector	20.8	21.7	22.6	23.8
Doubtful receivables of the PFC sector	0.3	0.3	0.3	0.3
Future tax benefits of the PNFC sector	( 137.6)	( 125.8)	( 125.4)	( 128.6)
Future tax benefits of the PFC sector	(1 287.6)	(1 070.6)	( 863.1)	( 639.4)
Deferred tax liability of the PNFC sector	3 096.5	3 010.0	3 098.7	3 262.7
Deferred tax liability of the PFC sector	0.2	..	..	..
Total adjustments for investments in other sector entities	1 692.7	1 835.7	2 133.1	2 518.8
Total convergence differences	2 154.3	2 331.3	2 660.8	3 077.3
<b>GFS Net worth</b>	<b>127 935.6</b>	<b>134 124.6</b>	<b>138 717.7</b>	<b>145 566.4</b>

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 general government sector 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)<sup>(a)</sup>**

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Cash surplus/(deficit)</b>	<b>( 697.4)</b>	<b>( 390.5)</b>	<b>870.7</b>	<b>1 457.1</b>
Convergence differences:				
Less: Acquisitions under finance leases and similar arrangements	( 121.0)	( 840.1)	( 844.8)	..
Total convergence differences	( 121.0)	( 840.1)	( 844.8)	..
<b>GFS Cash surplus/(deficit)</b>	<b>( 818.4)</b>	<b>(1 230.6)</b>	<b>25.9</b>	<b>1 457.1</b>

Note:

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

## **Note 25: Financial instruments – financial risk management objectives and policies**

The *2008-09 Financial Report for the State of Victoria* (Note 32) contains a comprehensive disclosure of the State's (including the general government sector's) financial risk management objectives and policies. There has been no subsequent substantive change to these objectives and policies.

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

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

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

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;
- DTF is responsible for providing advice to the Treasurer on the management of the State's financial risk;
- DTF's Risk Management Committee is responsible for monitoring the balance sheet and risk management activities of the State and advising or making recommendations to the DTF board;
- the 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 Guidelines.

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

### ***Credit risk***

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

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

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

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

### **Liquidity risk**

Liquidity risk arises from being unable to meet financial obligations as they fall due. The State is exposed to liquidity risk mainly through the maturity of its external borrowings raised from TCV and the need to fund cash deficits. TCV, as the State's central treasury, has the responsibility of ensuring the State's liquidity needs can be met at all times and has in place liquidity policies to ensure that it can meet its obligations in this area. The State also 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 general government sector has no interest bearing liabilities or financial assets denominated in foreign currencies. The currency risk arising from the State's offshore funding program is managed primarily through TCV using currency swaps, forward foreign exchange contracts and foreign exchange options. It is the State's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

### **Equity price risk**

The general government 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 2005* 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**

Amounts payable or receivable for capital purposes 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 titled *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005*.

### ***General government sector***

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

### **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 general government sector in other sector entities (i.e. PNFC and PFC 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 general government 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***

Public financial corporations (PFC) are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services). The public financial corporations sector includes the Treasury Corporation of Victoria (TCV) and the Transport Accident Commission (TAC). 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 public non-financial corporations (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***

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, fees from regulatory services, and 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***

Superannuation interest expense reflects the increase in the present value of the defined benefit obligation, due to the fact that benefits are one period closer to settlement, net of the expected return on superannuation assets.

### ***Other superannuation***

Includes all superannuation expenses from transactions except the superannuation interest expense. That is, it primarily reflects employer contributions to defined contribution plans along with the current service cost associated with defined benefit superannuation, 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 all general government sector entities which have been consolidated for the purposes of the estimated financial statements. For further details on consolidation policy, refer to Note 1(F) 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(F). Unless otherwise noted below, all such entities are wholly owned.

Controlled Entities	General government	Entities included as investments in other sectors	
		Public non-financial corporation	Public financial corporation
<b>Department of Education and Early Childhood Development</b>	*		
Victorian Curriculum and Assessment Authority	*		
Victorian Institute of Teaching	*		
Victorian Registration and Qualifications Authority	*		
<hr/>			
<b>Department of Health <sup>(a) (e)</sup></b>	*		
Health Purchasing Victoria	*		
Hospitals, Health and Ambulance Services including:			
Albury Wodonga Health	*		
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	*		
Casterton Memorial Hospital	*		
Central Gippsland Health Service	*		
Cobram District Health	*		
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	*		
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	*		
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	*		
South Gippsland Hospital	*		
South West Healthcare	*		

**Note 27: Controlled entities (continued)**

Controlled Entities	General government	Entities included as investments in other sectors	
		Public non-financial corporation	Public financial corporation
Southern Health	*		
Stawell Regional Health	*		
Swan Hill District Health	*		
Tallangatta Health Service	*		
Terang and Mortlake Health Service	*		
The Kilmore and District Hospital	*		
The Royal Children's Hospital	*		
The Royal Victorian Eye and Ear Hospital	*		
The Royal Women's Hospital	*		
Timboon and District Healthcare Service	*		
Upper Murray Health and Community Services	*		
Victorian Assisted Reproductive Treatment Authority <sup>(b)</sup>	*		
Victorian Institute of Forensic Mental Health	*		
West Gippsland Healthcare Group	*		
West Wimmera Health Service	*		
Western District Health Service	*		
Western Health	*		
Wimmera Health Care Group	*		
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	*		
Registration Boards including:			
Chinese Medicine Registration Board of Victoria	*		
Chiropractors Registration Board of Victoria	*		
Optometrists Registration Board of Victoria	*		
Osteopaths Registration Board of Victoria	*		
Physiotherapists Registration Board of Victoria	*		
Podiatrists Registration Board of Victoria	*		

**Note 27: Controlled entities (continued)**

Controlled Entities	Entities included as investments in other sectors		
	General government	Public non-financial corporation	Public financial corporation
Psychologists Registration Board of Victoria	*		
Victorian Health Promotion Foundation	*		
Cemeteries including:			
Ballarat General Cemeteries Trust		*	
Bendigo Cemeteries Trust		*	
Greater Metropolitan Cemeteries Trust <sup>(f)</sup>		*	
The Mildura Cemetery Trust		*	
Southern Metropolitan Cemeteries Trust <sup>(f)</sup>		*	
Trustees of the Geelong Cemeteries Trust		*	
<b>Department of Human Services</b>	*		
The Queen Elizabeth Centre	*		
Tweddle Child and Family Health Service	*		
Director of Housing (PNFC)		*	
<b>Department of Innovation Industry and Regional Development</b>	*		
Australian Synchrotron Holding Company <sup>(c)</sup>	*		
Film Victoria	*		
Melbourne Central City Studios Pty Ltd	*		
Regional Development Victoria	*		
Tourism Victoria	*		
Victorian Skills Commission	*		
TAFEs including:			
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	*		
Gordon Institute of TAFE	*		
Goulburn Ovens Institute of TAFE	*		
Holmesglen Institute of TAFE	*		
International Fibre Centre Limited	*		
Kangan Batman Institute of TAFE	*		
Northern Melbourne Institute of TAFE	*		
Royal Melbourne Institute of Technology (TAFE Division)	*		
South West Institute of TAFE	*		
Sunraysia Institute of TAFE	*		
Swinburne University of Technology (TAFE Division)	*		

**Note 27: Controlled entities (continued)**

Controlled Entities	General government	Entities included as investments in other sectors	
		Public non-financial corporation	Public financial corporation
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		*	
Melbourne Market Authority <sup>(d)</sup>		*	
Victorian Major Events Company Limited		*	
<b>Department of Justice</b>	*		
Country Fire Authority	*		
Emergency Services Telecommunications Authority	*		
Judicial College of Victoria	*		
Legal Services Board	*		
Legal Services Commissioner	*		
Metropolitan Fire and Emergency Services Board	*		
Office of Police Integrity	*		
Office of Public Prosecutions	*		
Office of the Victorian Privacy Commissioner	*		
Sentencing Advisory Council	*		
Victoria Legal Aid	*		
Victoria Police (Office of the Chief Commissioner of Police)	*		
Victoria State Emergency Service Authority	*		
Victorian Commission for Gambling Regulation	*		
Victorian Electoral Commission	*		
Victorian Equal Opportunity and Human Rights Commission	*		
Victorian Institute of Forensic Medicine	*		
Victorian Law Reform Commission	*		
Victorian Professional Standards Council	*		
Greyhound Racing Victoria		*	
Harness Racing Victoria		*	
<b>Department of Planning and Community Development</b>	*		
Adult Community and Further Education Board	*		
Adult Multicultural Education Services	*		

**Note 27: Controlled entities (continued)**

Controlled Entities	Entities included as investments in other sectors		
	General government	Public non-financial corporation	Public financial corporation
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 Aboriginal Heritage Council	*		
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)		*	
<hr/>			
<b>Department of Premier and Cabinet</b>	*		
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	*		
Geelong Performing Arts Centre Trust		*	
Victorian Arts Centre Trust		*	
VITS LanguageLink		*	
<hr/>			
<b>Department of Primary Industries <sup>(e)</sup></b>	*		
Energy Safe Victoria	*		
Veterinary Practitioners Registration Board of Victoria	*		
Agriculture Victoria Services Pty Ltd		*	
Dairy Food Safety Victoria		*	
Murray Valley Citrus Board		*	
Murray Valley Wine Grape Industry Development Committee		*	
Northern Victorian Fresh Tomato Industry Development Committee		*	
Phytogene Pty Ltd		*	
PrimeSafe		*	

**Note 27: Controlled entities (continued)**

<i>Controlled Entities</i>	<i>General government</i>	<i>Entities included as investments in other sectors</i>	
		<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Victorian Strawberry Industry Development Committee		*	
<b>Department of Sustainability and Environment</b>	*		
Catchment Management Authorities including:			
Corangamite Catchment Management Authority	*		
East Gippsland Catchment Management Authority	*		
Glenelg Hopkins Catchment Management Authority	*		
Goulburn Broken Catchment Management Authority	*		
Mallee Catchment Management Authority	*		
North Central Catchment Management Authority	*		
North East Catchment Management Authority	*		
Port Phillip and Westernport Catchment Management Authority	*		
West Gippsland Catchment Management Authority	*		
Wimmera Catchment Management Authority	*		
Environment Protection Authority	*		
Office of the Commissioner for Environmental Sustainability	*		
Parks Victoria	*		
Royal Botanic Gardens Board	*		
State Owned Enterprise for Irrigation Modernisation in Northern Victoria	*		
Surveyors Registration Board of Victoria	*		
Sustainability Victoria	*		
Trust for Nature (Victoria)	*		
Alpine Resorts Management Board including:			
Alpine Resorts Co-ordinating Council		*	
Falls Creek Alpine Resort Management Board		*	
Lake Mountain Alpine Resort Management Board		*	

**Note 27: Controlled entities (continued)**

Controlled Entities	Entities included as investments in other sectors		
	General government	Public non-financial corporation	Public financial corporation
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.		*	
Waste Management Groups including:			
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		*	
Water Authorities including:			
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		*	



**Note 27: Controlled entities (continued)**

Controlled Entities	General government	Entities included as investments in other sectors	
		Public non-financial corporation	Public financial 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		*	
<hr/>			
<b>Department of Transport <sup>(e)</sup></b>	*		
Roads Corporation	*		
Linking Melbourne Authority <sup>(b)</sup>	*		
Port of Hastings Corporation		*	
Port of Melbourne Corporation		*	
Transport Ticketing Authority		*	
V/Line Passenger Corporation		*	
Victorian Rail Track		*	
Victorian Regional Channels Authority		*	
<hr/>			
<b>Department of Treasury and Finance</b>	*		
CenITex	*		
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)		*	
VicForests		*	
Victorian Plantations Corporation (shell)		*	
Yarra Valley Water Limited		*	
Rural Finance Corporation of Victoria			*
State Trustees Limited			*

## Note 27: Controlled entities (continued)

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

### Notes:

- (a) Entities moved from the Department of Human Services to the Department of Health, effective 1 October 2009.
- (b) Entity name change:
- on 1 January 2010 the Infertility Treatment Authority became the Victorian Assisted Reproductive Treatment Authority; and
  - on 1 September 2009 the Southern and Eastern Integrated Transport Authority became the Linking Melbourne Authority.
- (c) The Victorian Government has a controlling interest in the Australian Synchrotron Holding Company and holds approximately 76 per cent of the issued shares.
- (d) Entity moved from the Department of Primary Industries to the Department of Innovation Industry and Regional Development:
- Melbourne Market Authority, effective 1 July 2009.
- (e) Entity ceased operations during 2009-10:
- Southern Cross Station Authority (abolished 31 July 2009).
  - Victorian Energy Networks Corp (VENCorp), as of 1 July 2009.
- Merged into the Southern Metropolitan Cemeteries Trust:
- the trustees of the Necropolis Springvale; and
  - Cheltenham and Regional Cemeteries Trust.
- Merged into the Greater Metropolitan Cemeteries Trust:
- Fawkner Crematorium and Memorial Park;
  - Altona Memorial Park;
  - Andersons's Creek Cemetery Trust;
  - Keilor Cemetery Trust;
  - Lilydale Cemetery Trust;
  - Preston Cemetery Trust;
  - Templestowe Cemetery Trust; and
  - Wyndham Cemeteries Trust.
- Merged into Robinvale District Health Services:
- Manangatang and District Hospital
- (f) Entities commenced operations during 2009-10:
- Southern Metropolitan Cemeteries Trust; and
  - Greater Metropolitan Cemeteries Trust.

## CHAPTER 2 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

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### 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 general government 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 general government 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 general government 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 general government 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	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Revised	Estimate	Estimate	Estimate	Estimate
<b>Revenue</b>						
Interest	100.3	47.7	46.0	45.4	43.8	44.8
Dividends	5.7	45.8	58.7	62.0	71.8	69.0
Sales of goods and services	3 922.1	3 910.7	4 538.1	4 875.2	5 423.6	5 667.2
Grants	2 009.9	2 734.6	2 695.9	2 419.3	2 443.8	2 458.5
Other current revenue	507.1	509.6	502.9	530.2	500.2	506.5
<b>Total revenue</b>	<b>6 545.0</b>	<b>7 248.5</b>	<b>7 841.6</b>	<b>7 932.1</b>	<b>8 483.2</b>	<b>8 746.0</b>
<b>Expenses</b>						
Employee expenses	775.2	842.6	870.8	887.7	909.6	927.7
Other superannuation	85.3	71.3	75.1	76.3	76.1	77.7
Depreciation	1 004.0	1 312.7	1 454.1	1 573.7	1 675.3	1 724.4
Interest expense	490.6	543.8	671.1	960.3	1 287.5	1 339.8
Other operating expenses	3 714.7	3 814.3	4 123.2	4 161.0	4 377.8	4 507.1
Grants and other transfers	249.8	734.4	485.1	213.9	211.9	174.8
Other property expenses	61.1	116.3	146.2	123.4	89.8	139.1
<b>Total expenses</b>	<b>6 380.7</b>	<b>7 435.5</b>	<b>7 825.5</b>	<b>7 996.4</b>	<b>8 628.0</b>	<b>8 890.6</b>
<b>Net result from transactions</b>	<b>164.4</b>	<b>( 186.9)</b>	<b>16.1</b>	<b>( 64.3)</b>	<b>( 144.8)</b>	<b>( 144.6)</b>
<b>– Net operating balance</b>						
<b>Other economic flows included in net result</b>						
Net gain/(loss) on sale of non-financial assets	4.6	( 4.0)	8.0	8.8	6.4	6.4
Net gain/(loss) on financial assets or liabilities at fair value	(1 118.9)	342.7	57.9	66.2	53.1	42.2
Net actuarial gains/(losses) of superannuation defined benefits plans	( 62.4)	6.4	..	..	..	..
Share of net profit/(loss) from associates/ joint venture entities, excluding dividends	61.5	..	..	..	..	..
Other gains/(losses) from other economic flows	395.9	( 388.0)	( 106.4)	( 117.9)	( 105.4)	( 94.1)
<b>Total other economic flows included in net result</b>	<b>( 719.3)</b>	<b>( 42.9)</b>	<b>( 40.5)</b>	<b>( 42.9)</b>	<b>( 46.0)</b>	<b>( 45.5)</b>
<b>Net result</b>	<b>( 554.9)</b>	<b>( 229.8)</b>	<b>( 24.4)</b>	<b>( 107.2)</b>	<b>( 190.7)</b>	<b>( 190.1)</b>
<b>Other economic flows – Other movements in equity</b>						
Net gain on financial assets at fair value	( 18.8)	14.6	..	..	..	..
Revaluations of non-financial assets	18 017.3	478.9	1 145.9	644.3	659.0	405.1

**Table 2.1: Public non-financial corporations sector comprehensive operating statement (continued)**

(\$ million)

	2008-09 Actual	2009-10 Revised	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Other movements in equity	( 232.2)	( 2.8)	..	..	..	( 8.0)
<b>Total other economic flows – Other movements in equity</b>	<b>17 766.3</b>	<b>490.6</b>	<b>1 145.9</b>	<b>644.3</b>	<b>659.0</b>	<b>397.0</b>
<b>Comprehensive result – Total change in net worth</b>	<b>17 211.4</b>	<b>260.8</b>	<b>1 121.5</b>	<b>537.1</b>	<b>468.2</b>	<b>206.9</b>
<b>FISCAL AGGREGATES</b>						
<b>Net operating balance</b>	<b>164.4</b>	<b>( 186.9)</b>	<b>16.1</b>	<b>( 64.3)</b>	<b>( 144.8)</b>	<b>( 144.6)</b>
Less: net acquisition of non-financial assets	3 572.4	3 383.6	3 305.7	6 443.4	1 413.0	1 423.7
<b>Net lending/(borrowing)</b>	<b>(3 408.0)</b>	<b>(3 570.6)</b>	<b>(3 289.6)</b>	<b>(6 507.7)</b>	<b>(1 557.7)</b>	<b>(1 568.4)</b>

Source: Department of Treasury and Finance

**Table 2.2: Non-financial public sector comprehensive operating statement**

	(\$ million)					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Revised	Estimate	Estimate	Estimate	Estimate
<b>Revenue</b>						
Taxation revenue	12 456.9	13 434.3	14 209.3	14 668.5	15 463.2	16 292.2
Interest	473.7	379.6	387.6	417.3	414.2	421.3
Dividends and income tax equivalents and rate equivalents	163.8	113.8	226.5	252.6	299.0	337.7
Sales of goods and services	7 768.2	8 079.1	9 069.4	9 612.7	10 279.3	10 556.1
Grants	18 849.6	22 104.4	22 883.7	22 523.9	24 003.3	24 050.2
Other current revenue	2 335.5	2 215.7	2 170.5	2 208.3	2 047.7	2 078.1
<b>Total revenue</b>	<b>42 047.7</b>	<b>46 326.9</b>	<b>48 946.9</b>	<b>49 683.3</b>	<b>52 506.7</b>	<b>53 735.6</b>
<b>Expenses</b>						
Employee expenses	15 032.9	16 199.6	17 053.4	17 884.5	18 808.6	19 446.7
Superannuation interest expense	610.4	866.7	884.1	910.8	935.1	944.5
Other superannuation	1 488.8	1 613.3	1 672.8	1 701.1	1 746.4	1 745.0
Depreciation	2 519.8	3 201.2	3 668.4	3 954.9	4 233.0	4 355.1
Interest expense	1 128.3	1 357.0	1 593.7	2 266.6	3 034.2	3 218.0
Other operating expenses	15 651.6	16 747.6	17 738.1	17 758.6	17 881.5	18 297.3
Grants and other transfers	5 419.3	6 376.1	5 614.8	4 813.6	4 800.4	4 708.4
<b>Total expenses</b>	<b>41 851.0</b>	<b>46 361.5</b>	<b>48 225.4</b>	<b>49 290.2</b>	<b>51 439.1</b>	<b>52 715.0</b>
<b>Net result from transactions – Net operating balance</b>	<b>196.7</b>	<b>(34.6)</b>	<b>721.6</b>	<b>393.1</b>	<b>1 067.6</b>	<b>1 020.6</b>
<b>Other economic flows included in net result</b>						
Net gain on sale of non-financial assets	66.8	76.7	142.7	152.0	148.3	116.7
Net gain/(loss) on financial assets or liabilities at fair value	(1 202.7)	362.4	58.8	66.9	56.0	45.5
Net actuarial gains/(losses) of superannuation defined benefits plans	(7 572.5)	788.3	..	..	..	..
Share of net profit/(loss) from associates/ joint venture entities, excluding dividends	(13.0)	..	..	..	..	..
Other gains/(losses) from other economic flows	(621.9)	(137.4)	(230.7)	(239.6)	(230.8)	(222.4)
<b>Total other economic flows included in net result</b>	<b>(9 343.3)</b>	<b>1 090.1</b>	<b>(29.2)</b>	<b>(20.7)</b>	<b>(26.6)</b>	<b>(60.2)</b>
<b>Net result</b>	<b>(9 146.7)</b>	<b>1 055.5</b>	<b>692.3</b>	<b>372.4</b>	<b>1 041.0</b>	<b>960.4</b>
<b>Other economic flows – Other movements in equity</b>						
Net gain on financial assets at fair value	(10.1)	14.6	..	..	..	..
Revaluations of non-financial assets	20 442.5	2 338.4	3 293.1	5 096.7	2 878.1	5 201.5

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

	(\$ million)					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	<i>Actual</i>	<i>Revised</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Net gain on equity	(2 966.4)	1 093.5	371.7	453.1	400.6	466.3
investments in other sector entities at proportional share of net assets						
Other movements in equity	19 063.2	283.3	11.7	39.1	56.8	( 16.0)
<b>Total other economic flows –   Other movements in equity</b>	<b>36 529.2</b>	<b>3 729.8</b>	<b>3 676.5</b>	<b>5 588.9</b>	<b>3 335.6</b>	<b>5 651.8</b>
<b>Comprehensive result –   Total change in net worth</b>	<b>27 382.5</b>	<b>4 785.3</b>	<b>4 368.9</b>	<b>5 961.4</b>	<b>4 376.5</b>	<b>6 612.2</b>
<b>FISCAL AGGREGATES</b>						
<b>Net operating balance</b>	<b>196.7</b>	<b>( 34.6)</b>	<b>721.6</b>	<b>393.1</b>	<b>1 067.6</b>	<b>1 020.6</b>
Less: net acquisition of non-financial assets from transactions	5 008.0	6 283.6	5 437.8	8 709.8	2 895.7	1 237.0
<b>Net lending/(borrowing)</b>	<b>(4 811.3)</b>	<b>(6 318.2)</b>	<b>(4 716.2)</b>	<b>(8 316.7)</b>	<b>(1 828.2)</b>	<b>( 216.4)</b>

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	2013-14
	Actual	Revised	Estimate	Estimate	Estimate	Estimate
<b>Assets</b>						
Financial assets						
Cash and deposits	715.9	490.0	482.4	475.4	494.1	177.6
Advances paid	96.1	83.4	77.3	70.7	66.9	69.7
Investments, loans and placements	1 509.1	1 736.2	1 610.3	1 411.8	1 154.9	981.4
Receivables	1 260.9	801.6	828.8	875.7	1 011.2	1 091.5
Investments accounted for using equity method	447.1	447.1	447.1	447.1	447.1	447.1
<b>Total financial assets</b>	<b>4 029.2</b>	<b>3 558.2</b>	<b>3 445.9</b>	<b>3 280.7</b>	<b>3 174.3</b>	<b>2 767.4</b>
Non-financial assets						
Inventories	676.0	724.1	766.2	733.7	651.8	495.0
Non-financial assets held for sale	6.0	1.7	0.9	..	..	0.1
Land, buildings, infrastructure, plant and equipment	68 511.3	72 005.8	76 170.0	83 260.2	85 443.5	87 568.4
Other non-financial assets	569.2	727.2	829.4	820.7	830.5	817.4
<b>Total non-financial assets</b>	<b>69 762.5</b>	<b>73 458.9</b>	<b>77 766.5</b>	<b>84 814.6</b>	<b>86 925.8</b>	<b>88 880.8</b>
<b>Total assets</b>	<b>73 791.7</b>	<b>77 017.1</b>	<b>81 212.4</b>	<b>88 095.3</b>	<b>90 100.0</b>	<b>91 648.3</b>
<b>Liabilities</b>						
Deposits held	100.5	97.5	93.9	92.6	92.4	92.1
Advances received	234.5	250.5	267.4	267.7	269.5	268.9
Borrowings	7 387.5	9 341.0	10 663.2	15 964.3	16 416.8	16 829.2
Payables	1 425.1	1 177.2	1 086.9	1 041.7	1 030.6	987.7
Superannuation	82.9	56.3	52.3	49.1	46.1	37.6
Other employee benefits	233.5	236.6	240.9	249.5	261.5	270.2
Other provisions	4 491.5	4 299.4	4 159.3	3 912.4	3 775.0	3 707.7
<b>Total liabilities</b>	<b>13 955.4</b>	<b>15 458.5</b>	<b>16 563.9</b>	<b>21 577.4</b>	<b>21 892.0</b>	<b>22 193.5</b>
<b>Net assets</b>	<b>59 836.3</b>	<b>61 558.6</b>	<b>64 648.5</b>	<b>66 518.0</b>	<b>68 208.0</b>	<b>69 454.8</b>
Accumulated surplus/(deficit)	5 886.6	5 406.7	5 197.8	4 893.3	4 544.3	4 009.3
Other reserves	53 949.7	56 151.9	59 450.7	61 624.7	63 663.7	65 445.5
<b>Net worth</b>	<b>59 836.3</b>	<b>61 558.6</b>	<b>64 648.5</b>	<b>66 518.0</b>	<b>68 208.0</b>	<b>69 454.8</b>
<b>FISCAL AGGREGATES</b>						
Net financial worth	(9 926.2)	(11 900.2)	(13 118.0)	(18 296.6)	(18 717.8)	(19 426.1)
Net financial liabilities	9 926.2	11 900.2	13 118.0	18 296.6	18 717.8	19 426.1
Net debt	5 401.2	7 379.5	8 854.5	14 366.8	15 062.8	15 961.5

Source: Department of Treasury and Finance

**Table 2.4: Non-financial public sector balance sheet**

(\$ million)

	2008-09 Actual	2009-10 Revised	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Assets</b>						
Financial assets						
Cash and deposits	3 561.9	2 755.9	2 869.6	3 124.2	3 528.6	3 476.3
Advances paid	125.8	112.3	105.7	99.0	95.2	97.3
Investments, loans and placements	4 059.7	4 312.6	4 211.4	3 970.9	3 694.3	3 525.7
Receivables	3 544.7	3 302.3	3 391.4	3 526.2	3 687.7	3 803.6
Investments accounted for using equity method – other	477.1	482.1	487.1	492.1	497.1	502.1
Investments in other sector entities	780.2	1 890.3	2 278.5	2 748.3	3 165.5	3 648.5
<b>Total financial assets</b>	<b>12 549.4</b>	<b>12 855.5</b>	<b>13 343.7</b>	<b>13 960.7</b>	<b>14 668.3</b>	<b>15 053.6</b>
Non-financial assets						
Inventories	925.3	975.3	1 017.4	984.8	902.7	745.7
Non-financial assets held for sale	80.2	62.2	51.8	41.4	31.9	25.3
Land, buildings, infrastructure, plant and equipment	155 919.1	164 291.0	172 887.5	186 914.0	193 011.8	199 890.7
Other non-financial assets	1 100.8	1 248.1	1 347.5	1 307.7	1 296.7	1 220.5
<b>Total non-financial assets</b>	<b>158 025.3</b>	<b>166 576.6</b>	<b>175 304.2</b>	<b>189 247.9</b>	<b>195 243.0</b>	<b>201 882.3</b>
<b>Total assets</b>	<b>170 574.7</b>	<b>179 432.0</b>	<b>188 648.0</b>	<b>203 208.6</b>	<b>209 911.3</b>	<b>216 935.8</b>
<b>Liabilities</b>						
Deposits held	414.8	411.3	407.7	406.4	406.2	405.9
Advances received	2.8	2.0	1.3	0.8	0.8	0.8
Borrowings	18 026.2	22 859.8	27 332.3	35 639.8	37 786.5	38 387.1
Payables	4 881.0	4 600.1	4 514.6	4 391.4	4 369.7	4 343.6
Superannuation	20 755.1	20 324.8	20 720.2	21 144.9	21 419.2	21 325.6
Other employee benefits	4 510.7	4 680.5	4 872.6	5 038.6	5 208.8	5 377.3
Other provisions	2 159.5	1 923.7	1 800.7	1 626.6	1 383.6	1 146.8
<b>Total liabilities</b>	<b>50 750.2</b>	<b>54 802.2</b>	<b>59 649.3</b>	<b>68 248.5</b>	<b>70 574.7</b>	<b>70 987.0</b>
<b>Net assets</b>	<b>119 824.5</b>	<b>124 629.8</b>	<b>128 998.7</b>	<b>134 960.1</b>	<b>139 336.6</b>	<b>145 948.8</b>
Accumulated surplus/(deficit)	11 168.6	12 478.2	13 147.5	13 527.7	14 604.1	15 526.4
Other reserves	108 616.4	112 092.1	115 791.7	121 372.9	124 673.0	130 362.9
Minority interest of contributed capital	39.5	59.5	59.5	59.5	59.5	59.5
<b>Net worth</b>	<b>119 824.5</b>	<b>124 629.8</b>	<b>128 998.7</b>	<b>134 960.1</b>	<b>139 336.6</b>	<b>145 948.8</b>

**Table 2.4: Non-financial public sector balance sheet (continued)**

(\$ million)

	2008-09 Actual	2009-10 Revised	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>FISCAL AGGREGATES</b>						
Net financial worth	(38 200.8)	(41 946.8)	(46 305.6)	(54 287.8)	(55 906.4)	(55 933.5)
Net financial liabilities	38 981.0	43 837.0	48 584.1	57 036.1	59 071.9	59 581.9
Net debt	10 696.4	16 092.3	20 554.6	28 852.9	30 875.5	31 694.4

*Source: Department of Treasury and Finance*

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

	(\$ million)					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Revised	Estimate	Estimate	Estimate	Estimate
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Grants	1 990.5	2 741.2	2 697.5	2 420.6	2 445.1	2 459.8
Sales of goods and services <sup>(a)</sup>	4 319.8	4 352.6	4 885.5	5 221.7	5 893.0	6 211.8
Interest	98.1	47.6	45.9	44.7	57.8	58.6
Dividends	5.7	45.8	58.7	62.0	71.8	69.0
Other receipts	276.7	255.5	335.6	380.1	187.6	191.2
<b>Total receipts</b>	<b>6 690.8</b>	<b>7 442.7</b>	<b>8 023.2</b>	<b>8 129.2</b>	<b>8 655.2</b>	<b>8 990.3</b>
<b>Payments</b>						
Payments for employees	( 762.3)	( 840.3)	( 867.2)	( 879.8)	( 898.4)	( 918.9)
Superannuation	( 96.8)	( 91.5)	( 79.0)	( 79.6)	( 79.0)	( 86.2)
Interest	(1 434.9)	(1 565.2)	(1 803.4)	(2 201.2)	(2 610.8)	(2 719.4)
Grants	( 181.6)	( 666.1)	( 417.0)	( 144.8)	( 142.6)	( 105.5)
Goods and services <sup>(a)</sup>	(2 987.5)	(3 288.1)	(3 365.3)	(3 299.9)	(3 495.9)	(3 651.8)
Other payments	( 174.4)	( 232.7)	( 310.5)	( 342.9)	( 147.4)	( 124.9)
<b>Total payments</b>	<b>(5 637.4)</b>	<b>(6 683.8)</b>	<b>(6 842.4)</b>	<b>(6 948.2)</b>	<b>(7 374.1)</b>	<b>(7 606.6)</b>
<b>Net cash flows from operating activities</b>	<b>1 053.3</b>	<b>758.9</b>	<b>1 180.8</b>	<b>1 181.0</b>	<b>1 281.1</b>	<b>1 383.7</b>
<b>Cash flows from investing activities</b>						
Non-financial assets						
Purchases of non-financial assets	(4 225.8)	(4 532.6)	(4 642.4)	(3 723.0)	(3 008.8)	(3 134.9)
Sales of non-financial assets	75.7	104.6	121.0	76.8	43.9	43.8
Cash flows from investments in non-financial assets	(4 150.1)	(4 428.0)	(4 521.4)	(3 646.1)	(2 964.9)	(3 091.1)
Net cash flows from investments in financial assets for policy purposes	( 83.2)	12.7	6.1	6.6	3.7	( 10.9)
Net cash flows from investments in financial assets for liquidity purposes	275.4	43.2	63.3	68.4	66.0	( 26.8)
<b>Net cash flows from investing activities</b>	<b>(3 957.9)</b>	<b>(4 372.0)</b>	<b>(4 452.0)</b>	<b>(3 571.2)</b>	<b>(2 895.2)</b>	<b>(3 128.7)</b>
<b>Cash flows from financing activities</b>						
Advances received (net) <sup>(b)</sup>	227.9	16.0	16.9	0.4	1.8	( 0.7)
Net borrowings <sup>(b)</sup>	1 423.0	1 910.8	1 278.2	1 052.3	406.2	396.5
Deposits received (net) <sup>(b)</sup>	( 15.3)	( 2.9)	( 3.7)	( 1.3)	( 0.2)	( 0.3)
Other financing (net) <sup>(c)</sup>	1 062.4	1 463.8	1 971.9	1 330.9	1 224.8	1 032.7
<b>Net cash flows from financing activities</b>	<b>2 698.1</b>	<b>3 387.7</b>	<b>3 263.3</b>	<b>2 382.3</b>	<b>1 632.6</b>	<b>1 428.3</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 206.5)</b>	<b>( 225.4)</b>	<b>( 7.8)</b>	<b>( 7.9)</b>	<b>18.5</b>	<b>( 316.7)</b>
Cash and cash equivalents at beginning of reporting period	921.7	715.2	489.8	482.0	474.1	492.6
<b>Cash and cash equivalents at end of reporting period</b>	<b>715.2</b>	<b>489.8</b>	<b>482.0</b>	<b>474.1</b>	<b>492.6</b>	<b>175.9</b>

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

(\$ million)

	2008-09 Actual	2009-10 Revised	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>FISCAL AGGREGATES</b>						
Net cash flows from operating activities	1 053.3	758.9	1 180.8	1 181.0	1 281.1	1 383.7
Cash flows from investments in non-financial assets	(4 150.1)	(4 428.0)	(4 521.4)	(3 646.1)	(2 964.9)	(3 091.1)
Dividends paid	(193.2)	(252.3)	(187.9)	(195.9)	(161.3)	(329.7)
<b>Cash surplus/(deficit)</b>	<b>(3 289.9)</b>	<b>(3 921.4)</b>	<b>(3 528.5)</b>	<b>(2 661.0)</b>	<b>(1 845.1)</b>	<b>(2 037.1)</b>

Source: Department of Treasury and Finance

Notes:

- (a) These items are inclusive of goods and services tax.
- (b) Investments from the general government sector received by the PNFC sector for policy purposes have been reclassified as 'other financing activities'.

**Table 2.6: Non-financial public sector cash flow statement**

(\$ million)

	2008-09 <i>Actual</i>	2009-10 <i>Revised</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>	2012-13 <i>Estimate</i>	2013-14 <i>Estimate</i>
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxes	12 281.4	13 784.2	14 301.1	14 677.9	15 572.5	16 391.5
Grants	19 389.3	21 680.8	22 844.5	22 495.6	23 981.1	24 027.4
Sales of goods and services <sup>(a)</sup>	8 738.0	9 068.1	9 989.9	10 581.7	11 395.7	11 734.9
Interest	472.4	347.6	355.6	385.3	382.4	421.4
Dividends and income tax equivalent and rate equivalents	210.3	113.8	225.7	252.1	298.9	337.5
Other receipts	1 658.6	1 614.2	1 792.5	1 718.4	1 555.1	1 616.8
<b>Total receipts</b>	<b>42 750.0</b>	<b>46 608.6</b>	<b>49 509.4</b>	<b>50 111.0</b>	<b>53 185.8</b>	<b>54 529.5</b>
<b>Payments</b>						
Payments for employees	(14 838.2)	(16 029.5)	(16 861.5)	(17 719.2)	(18 638.7)	(19 278.1)
Superannuation	(1 875.4)	(2 122.0)	(2 161.6)	(2 187.2)	(2 407.2)	(2 783.0)
Interest	(1 042.9)	(1 250.0)	(1 495.5)	(2 175.1)	(2 951.8)	(3 162.1)
Grants	(5 908.6)	(5 986.6)	(5 620.5)	(4 816.2)	(4 802.2)	(4 708.6)
Goods and services <sup>(a)</sup>	(15 842.7)	(17 630.1)	(18 478.2)	(18 541.9)	(18 765.7)	(19 207.9)
Other payments	(406.8)	(430.3)	(384.9)	(392.2)	(407.1)	(425.0)
<b>Total payments</b>	<b>(39 914.6)</b>	<b>(43 448.3)</b>	<b>(45 002.3)</b>	<b>(45 831.7)</b>	<b>(47 972.7)</b>	<b>(49 564.8)</b>
<b>Net cash flows from operating activities</b>	<b>2 835.4</b>	<b>3 160.3</b>	<b>4 507.1</b>	<b>4 279.3</b>	<b>5 213.1</b>	<b>4 964.7</b>
<b>Cash flows from investing activities</b>						
Non-financial assets						
Purchases of non-financial assets	(7 372.5)	(9 408.3)	(9 114.5)	(7 621.0)	(6 461.8)	(5 804.6)
Sales of non-financial assets	343.9	377.6	368.0	257.4	301.2	269.7
Cash flows from investments in non-financial assets	(7 028.7)	(9 030.8)	(8 746.5)	(7 363.6)	(6 160.6)	(5 534.9)
Net cash flows from investments in financial assets for policy purposes	11.4	291.4	(15.0)	(15.0)	(17.7)	(31.8)
Net cash flows from investments in financial assets for liquidity purposes	(96.1)	37.1	39.6	111.0	88.6	(28.4)
<b>Net cash flows from investing activities</b>	<b>(7 113.4)</b>	<b>(8 702.3)</b>	<b>(8 721.9)</b>	<b>(7 267.5)</b>	<b>(6 089.8)</b>	<b>(5 595.1)</b>

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

(\$ million)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Revised	Estimate	Estimate	Estimate	Estimate
<b>Cash flows from financing activities</b>						
Advances received (net) <sup>(b)</sup>	( 1.1)	( 0.8)	( 0.7)	( 0.5)	..	..
Net borrowings <sup>(b)</sup>	4 131.1	4 740.9	4 332.7	3 243.6	1 281.0	578.3
Deposits received (net) <sup>(b)</sup>	( 72.2)	( 3.5)	( 3.7)	( 1.3)	( 0.2)	( 0.3)
Other financing (net) <sup>(c)</sup>	..	..	..	..	..	..
<b>Net cash flows from financing activities</b>	<b>4 057.8</b>	<b>4 736.6</b>	<b>4 328.3</b>	<b>3 241.9</b>	<b>1 280.8</b>	<b>578.0</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 220.2)</b>	<b>( 805.4)</b>	<b>113.4</b>	<b>253.6</b>	<b>404.2</b>	<b>( 52.4)</b>
Cash and cash equivalents at beginning of reporting period	3 781.0	3 560.7	2 755.3	2 868.8	3 122.4	3 526.6
<b>Cash and cash equivalents at end of reporting period</b>	<b>3 560.8</b>	<b>2 755.3</b>	<b>2 868.8</b>	<b>3 122.4</b>	<b>3 526.6</b>	<b>3 474.1</b>
<b>FISCAL AGGREGATES</b>						
Net cash flows from operating activities	2 835.4	3 160.3	4 507.1	4 279.3	5 213.1	4 964.7
Net cash flows from investments in non-financial assets	(7 028.7)	(9 030.8)	(8 746.5)	(7 363.6)	(6 160.6)	(5 534.9)
<b>Cash surplus/(deficit)</b>	<b>(4 193.3)</b>	<b>(5 870.5)</b>	<b>(4 239.4)</b>	<b>(3 084.3)</b>	<b>( 947.5)</b>	<b>( 570.2)</b>

Source: Department of Treasury and Finance

Notes:

(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 Jul	Total compre- hensive result	Transactions with owners in their capacity as owners	Dividends	Equity at 30 Jun
<b>2008-09 Actual</b>					
Accumulated surplus/(deficit)	6 684.7	( 554.9)	..	( 193.2)	5 936.5
Other movements in equity	..	( 49.9)	..	..	( 49.9)
Contributed capital	20 904.9	..	1 532.7	..	22 437.7
Minority Interest	..	..	..	..	..
Physical asset revaluation reserve	12 612.9	18 017.3	..	..	30 630.3
Net movements in other reserves	889.7	( 7.9)	..	..	881.8
<b>Total equity at end of the period</b>	<b>41 092.3</b>	<b>17 404.5</b>	<b>1 532.7</b>	<b>( 193.2)</b>	<b>59 836.3</b>
<b>2009-10 Revised</b>					
Accumulated surplus/(deficit)	5 886.6	( 229.8)	..	( 250.0)	5 406.7
Other movements in equity	..	..	..	..	..
Adjustment for change in accounting policy	..	..	..	..	..
Contributed capital	22 437.7	..	1 711.6	..	24 149.2
Physical asset revaluation reserve	30 630.3	478.9	..	..	31 109.1
Net movements in other reserves	881.8	11.8	..	..	893.6
<b>Total equity at end of the period</b>	<b>59 836.3</b>	<b>260.8</b>	<b>1 711.6</b>	<b>( 250.0)</b>	<b>61 558.6</b>
<b>2010-11 Budget</b>					
Accumulated surplus/(deficit)	5 406.7	( 24.4)	..	( 184.5)	5 197.8
Other movements in equity	..	..	..	..	..
Adjustment for change in accounting policy	..	..	..	..	..
Contributed capital	24 149.2	..	2 152.9	..	26 302.1
Physical asset revaluation reserve	31 109.1	1 145.9	..	..	32 255.0
Net movements in other reserves	893.6	..	..	..	893.6
<b>Total equity at end of the period</b>	<b>61 558.6</b>	<b>1 121.5</b>	<b>2 152.9</b>	<b>( 184.5)</b>	<b>64 648.5</b>
<b>2011-12 Estimate</b>					
Accumulated surplus/(deficit)	5 197.8	( 107.2)	..	( 197.3)	4 893.3
Other movements in equity	..	..	..	..	..
Adjustment for change in accounting policy	..	..	..	..	..
Contributed capital	26 302.1	..	1 529.7	..	27 831.8
Physical asset revaluation reserve	32 255.0	644.3	..	..	32 899.3
Net movements in other reserves	893.6	..	..	..	893.6
<b>Total equity at end of the period</b>	<b>64 648.5</b>	<b>537.1</b>	<b>1 529.7</b>	<b>( 197.3)</b>	<b>66 518.0</b>



**Table 2.7: Public non-financial corporations sector statement of changes in equity (continued)**

(\$ million)

	Equity at 1 Jul	Total compre- hensive result	Transactions with owners in their capacity as owners	Dividends	Equity at 30 Jun
<b>2012-13 Estimate</b>					
Accumulated surplus/(deficit)	4 893.3	( 190.7)	..	( 158.2)	4 544.3
Other movements in equity	..	..	..	..	..
Adjustment for change in accounting policy	..	..			..
Contributed capital	27 831.8		1 380.0	..	29 211.8
Physical asset revaluation reserve	32 899.3	659.0	..	..	33 558.3
Net movements in other reserves	893.6	..	..	..	893.6
<b>Total equity at end of the period</b>	<b>66 518.0</b>	<b>468.2</b>	<b>1 380.0</b>	<b>( 158.2)</b>	<b>68 208.0</b>
<b>2013-14 Estimate</b>					
Accumulated surplus/(deficit)	4 544.3	( 190.1)	..	( 336.9)	4 017.3
Other movements in equity	..	( 8.0)	..	..	( 8.0)
Adjustment for change in accounting policy	..	..			..
Contributed capital	29 211.8		1 376.8	..	30 588.6
Physical asset revaluation reserve	33 558.3	405.1	..	..	33 963.4
Net movements in other reserves	893.6	..	..	..	893.6
<b>Total equity at end of the period</b>	<b>68 208.0</b>	<b>206.9</b>	<b>1 376.8</b>	<b>( 336.9)</b>	<b>69 454.8</b>

Source: Department of Treasury and Finance

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

(\$ million)

	Equity at 1 Jul	Total compre- hensive result	Transactions with owners in their capacity as owners	Dividends	Equity at 30 Jun
<b>2008-09 Actual</b>					
Accumulated surplus/(deficit)	45 939.9	(9 146.7)	..	..	36 793.2
First time recognition of land under roads <sup>(a)</sup>	..	18 682.5	..	..	18 682.5
Other movements in equity	..	371.1	..	..	371.1
Adjustment for change in accounting policy	..	..	..	..	..
Minority interest	32.0		7.5		39.5
Physical asset revaluation reserve	41 209.0	20 442.5	..	..	61 651.5
Net movements in other reserves	1 670.4	( 0.6)	..	..	1 669.9
Accumulated net gain (loss) on equity investments in other sector entities	3 583.2	(2 966.4)	..	..	616.8
<b>Total equity at end of the period</b>	<b>92 434.5</b>	<b>27 382.5</b>	<b>7.5</b>	<b>..</b>	<b>119 824.5</b>
<b>2009-10 Revised</b>					
Accumulated surplus/(deficit)	55 846.8	1 055.5	..	..	56 902.3
Other movements in equity	..	254.1	..	..	254.1
Adjustment for change in accounting policy	..	..	..	..	..
Minority interest	39.5		20.0		59.5
Physical asset revaluation reserve	61 651.5	2 338.4	..	..	63 990.0
Net movements in other reserves	1 669.9	43.8	..	..	1 713.7
Accumulated net gain (loss) on equity investments in other sector entities	616.8	1 093.5	..	..	1 710.3
<b>Total equity at end of the period</b>	<b>119 824.5</b>	<b>4 785.3</b>	<b>20.0</b>	<b>..</b>	<b>124 629.8</b>
<b>2010-11 Budget</b>					
Accumulated surplus/(deficit)	57 156.4	692.3	..	..	57 848.7
Other movements in equity	..	( 23.0)	..	..	( 23.0)
Adjustment for change in accounting policy	..	..			..
Minority interest	59.5		..		59.5
Physical asset revaluation reserve	63 990.0	3 293.1	..	..	67 283.1
Net movements in other reserves	1 713.7	34.8	..	..	1 748.4
Accumulated net gain (loss) on equity investments in other sector entities	1 710.3	371.7	..	..	2 082.0
<b>Total equity at end of the period</b>	<b>124 629.8</b>	<b>4 368.9</b>	<b>..</b>	<b>..</b>	<b>128 998.7</b>

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

(\$ million)

	Equity at 1 Jul	Total compre- hensive result	Transactions with owners in their capacity as owners	Dividends	Equity at 30 Jun
<b>2011-12 Estimate</b>					
Accumulated surplus/(deficit)	57 825.7	372.4	..	..	58 198.1
Other movements in equity	..	7.8	..	..	7.8
Adjustment for change in accounting policy	..	..			..
Minority interest	59.5		..		59.5
Physical asset revaluation reserve	67 283.1	5 096.7	..	..	72 379.8
Net movements in other reserves	1 748.4	31.3	..	..	1 779.7
Accumulated net gain (loss) on equity investments in other sector entities	2 082.0	453.1	..	..	2 535.1
<b>Total equity at end of the period</b>	<b>128 998.7</b>	<b>5 961.4</b>	<b>..</b>	<b>..</b>	<b>134 960.1</b>
<b>2012-13 Estimate</b>					
Accumulated surplus/(deficit)	58 205.9	1 041.0	..	..	59 246.9
Other movements in equity	..	35.4	..	..	35.4
Adjustment for change in accounting policy	..	..			..
Minority interest	59.5		..		59.5
Physical asset revaluation reserve	72 379.8	2 878.1	..	..	75 257.9
Net movements in other reserves	1 779.7	21.4	..	..	1 801.1
Accumulated net gain (loss) on equity investments in other sector entities	2 535.1	400.6			2 935.7
<b>Total equity at end of the period</b>	<b>134 960.1</b>	<b>4 376.5</b>	<b>..</b>	<b>..</b>	<b>139 336.6</b>
<b>2013-14 Estimate</b>					
Accumulated surplus/(deficit)	59 282.3	960.4	..	..	60 242.7
Other movements in equity	..	( 38.1)	..	..	( 38.1)
Adjustment for change in accounting policy	..	..			..
Minority interest	59.5		..		59.5
Physical asset revaluation reserve	75 257.9	5 201.5	..	..	80 459.4
Net movements in other reserves	1 801.1	22.1	..	..	1 823.3
Accumulated net gain (loss) on equity investments in other sector entities	2 935.7	466.3	..	..	3 402.1
<b>Total equity at end of the period</b>	<b>139 336.6</b>	<b>6 612.2</b>	<b>..</b>	<b>..</b>	<b>145 948.8</b>

Source: Department of Treasury and Finance

**Table 2.9: Derivation of public non-financial corporations sector GFS cash surplus/(deficit)**

	(\$ million)					
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
	Actual	Revised	Estimate	Estimate	Estimate	Estimate
<b>Cash surplus/(deficit)</b>	<b>(3 289.9)</b>	<b>(3 921.4)</b>	<b>(3 528.5)</b>	<b>(2 661.0)</b>	<b>(1 845.1)</b>	<b>(2 037.1)</b>
Convergence differences:						
Acquisitions under finance leases and similar arrangements	( 128.1)	( 17.4)	( 12.3)	(4 216.6)	( 15.0)	( 16.5)
<b>GFS cash surplus/(deficit) <sup>(a)</sup></b>	<b>(3 418.0)</b>	<b>(3 938.8)</b>	<b>(3 540.8)</b>	<b>(6 877.6)</b>	<b>(1 860.1)</b>	<b>(2 053.6)</b>

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	2013-14
	Actual	Revised	Estimate	Estimate	Estimate	Estimate
<b>Cash surplus/(deficit)</b>	<b>(4 193.3)</b>	<b>(5 870.5)</b>	<b>(4 239.4)</b>	<b>(3 084.3)</b>	<b>( 947.5)</b>	<b>( 570.2)</b>
Acquisitions under finance leases and similar arrangements	( 128.4)	( 92.1)	( 133.3)	(5 056.7)	( 859.8)	( 16.5)
<b>GFS cash surplus/(deficit) <sup>(a)</sup></b>	<b>(4 321.7)</b>	<b>(5 962.6)</b>	<b>(4 372.7)</b>	<b>(8 141.0)</b>	<b>(1 807.3)</b>	<b>( 586.8)</b>

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	2013-14
	Actual	Revised	Estimate	Estimate	Estimate	Estimate
Purchases of non-financial assets	4 225.8	4 532.6	4 642.4	3 723.0	3 008.8	3 134.9
Less: Sales of non-financial assets	( 75.7)	( 104.6)	( 121.0)	( 76.8)	( 43.9)	( 43.8)
Less: Depreciation	(1 004.0)	(1 312.7)	(1 454.1)	(1 573.7)	(1 675.3)	(1 724.4)
Plus: Change in inventories	100.0	48.1	42.1	( 32.5)	( 81.9)	( 156.9)
Plus: Other movements in non-financial assets	326.3	220.3	196.3	4 403.5	205.2	213.9
<b>Total net acquisition of non-financial assets</b>	<b>3 572.4</b>	<b>3 383.6</b>	<b>3 305.7</b>	<b>6 443.4</b>	<b>1 413.0</b>	<b>1 423.7</b>

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	2013-14
	Actual	Revised	Estimate	Estimate	Estimate	Estimate
Purchases of non-financial assets	7 372.5	9 408.3	9 114.5	7 621.0	6 461.8	5 804.6
Less: Sales of non-financial assets	( 343.9)	( 377.6)	( 368.0)	( 257.4)	( 301.2)	( 269.7)
Less: Depreciation	(2 519.8)	(3 201.2)	(3 668.4)	(3 954.9)	(4 233.0)	(4 355.1)
Plus: Change in inventories	128.2	50.1	42.1	( 32.7)	( 82.1)	( 157.0)
Plus: Other movements in non-financial assets	370.9	404.0	317.6	5 333.8	1 050.2	214.2
<b>Total net acquisition of non-financial assets</b>	<b>5 008.0</b>	<b>6 283.6</b>	<b>5 437.8</b>	<b>8 709.8</b>	<b>2 895.7</b>	<b>1 237.0</b>

Source: Department of Treasury and Finance

## Victoria's 2010-11 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 the Victorian 2010-11 LCA nomination (based on *2009-10 Budget Update* estimates) approved by the Loan Council in March 2010, with the 2010-11 revised LCA based upon *2010-11 Budget* estimates.

**Table 2.13: Loan Council Allocation**

(\$ million)

	2010-11 Nomination	2010-11 Revised
General government cash deficit (+)/surplus (-)	1 528.5	697.4
Public non-financial corporations sector cash deficit (+)/surplus (-)	3 162.0	3 528.5
Non-financial public sector cash deficit (+)/surplus (-) <sup>(a)</sup>	4 712.0	4 239.4
Acquisitions under finance leases and similar arrangements	..	133.3
ABS GFS cash deficit(+)/surplus(-)	4 712.0	4 372.7
Net cash flows from investments in financial assets for policy purposes <sup>(b)</sup>	( 15.0)	( 15.0)
Memorandum items <sup>(c)</sup>	688.0	789.7
<b>Loan Council Allocation</b>	<b>5 415.0</b>	<b>5 177.4</b>
Tolerance limit <sup>(d)</sup>	944.8	944.8

Notes:

- (a) *The sum of the surplus/ deficit of the general government and public non-financial corporation sector does not directly equal the non-financial public sector surplus due to inter-sectoral 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 2010-11 includes net cash flows from investments in financial assets for policy purposes. These amounts are excluded from the surplus/ deficit when calculating the LCA.*
- (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 nonfinancial public sector cash receipts from operating activities' 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 2010-11 is \$944.8 million (2 per cent of \$47 241.1 million – sourced from 2009-10 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 increased transparency, to make the explanation public. Victoria's 2010-11 revised LCA of

\$5 177.4 million did not exceed the tolerance limit established in the LCA nomination process.

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 the public private partnerships (PPP) project, that is expected to be contracted in the 2010-11 financial year.

### **Parkville Comprehensive Cancer Centre project**

The new world-class Parkville Comprehensive Cancer Centre (Parkville CCC) to be built in Parkville as announced by the Government in May 2009, will bring together six clinical and research partners who will utilise the facilities, including the Peter MacCallum Cancer Centre, Ludwig Institute for Cancer Research, Melbourne Health (which includes the Royal Melbourne Hospital), the University of Melbourne, Walter and Eliza Hall Institute of Medical Research and the Royal Women's Hospital.

Capital costs of the project are to be equally funded by Commonwealth and State contributions (\$426.1 million each) and will be complemented by the sale of surplus land, non-government partner contributions and philanthropic donations.

Under the Health and Hospitals Fund agreement between the Commonwealth and Victoria, the State assumes complete and total responsibility for the delivery of the Parkville CCC with the funding contribution from the Commonwealth to be linked to procurement milestones, namely the release of the Project Brief to market and achievement of Contractual Close.

The project, under the *Partnerships Victoria* framework, was put to market in November 2009. A private consortium will design, build, finance and maintain the Parkville CCC facilities, with responsibility for delivery of all core clinical, research and education services to be retained by the project partners. Once operations at the Parkville CCC commence, government will subsequently begin quarterly payments to the private consortium, which will be 'at risk' and dependent on attainment of key performance indicators relating to ongoing service provision.

Contract execution is expected to occur in the fourth quarter of the 2010-11 financial year, with the centre to be completed in 2015.

The project contract will most likely include an obligation for the State to make a payment to the private consortium 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.

There are no other *Partnerships Victoria* contracts greater than \$5 million that involve private finance that are currently expected to be signed during the 2010-11 financial year.





## CHAPTER 3 – DEPARTMENTAL FINANCIAL STATEMENTS

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

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

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

Administered items are 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 department's 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:

- the comprehensive operating statement provides details of the department's revenue and expenses on an accrual basis reflecting the cost of providing its outputs;
- the 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;
- the 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;
- the 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;
- the 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 by department' and Table 3.2: 'Purchase 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<sup>(a)</sup>**

(\$ million)

	2010-11 Budget	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Expenses</b>				
Education and Early Childhood Development	10 961.1	10 681.0	10 823.2	10 810.0
Health	13 738.6	13 909.5	14 226.9	14 587.2
Human Services	3 396.9	3 120.1	3 160.4	3 179.3
Innovation, Industry and Regional Development	2 611.7	2 511.9	2 436.8	2 451.0
Justice	6 726.5	6 730.4	6 856.8	7 101.2
Planning and Community Development	1 040.0	977.8	909.0	908.7
Premier and Cabinet	617.7	583.5	590.0	614.9
Primary Industries	619.2	578.2	576.0	560.3
Sustainability and Environment	1 869.6	2 298.1	2 953.9	2 836.0
Transport	7 162.4	7 393.6	7 733.0	7 987.9
Treasury and Finance	41 271.6	40 129.7	42 236.9	42 935.0
Parliament	182.8	162.2	166.0	169.8
Contingencies not allocated to departments <sup>(b)</sup>	442.5	1 815.0	2 576.6	2 979.9
Regulatory bodies and other part funded agencies <sup>(c)</sup>	1 838.7	1 818.8	1 762.6	1 726.5
<b>Total</b>	<b>92 479.2</b>	<b>92 709.7</b>	<b>97 008.1</b>	<b>98 847.7</b>
Less eliminations and adjustments <sup>(d)</sup>	(47 591.8)	(46 764.6)	(49 226.6)	(49 940.8)
<b>Total expenses <sup>(a)</sup></b>	<b>44 887.4</b>	<b>45 945.1</b>	<b>47 781.5</b>	<b>48 906.9</b>

Notes:

- (a) Total expenses include administered items and reconcile to Note 11 of Chapter 1.
- (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 2010-11 which may be subject to carryover into 2011-12. 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.

**Table 3.2: Purchase of non-financial assets by department**

(\$ million)

	2010-11	2011-12	2012-13	2013-14
	Budget	Estimate	Estimate	Estimate
Education and Early Childhood Development	2 056.7	357.5	156.5	160.8
Health	769.4	818.7	913.7	778.4
Human Services	85.3	48.5	24.0	23.5
Innovation, Industry and Regional Development	245.6	140.9	8.9	142.8
Justice	336.4	358.0	186.3	134.1
Planning and Community Development	111.5	71.4	36.8	17.2
Premier and Cabinet	90.6	106.4	33.7	30.1
Primary Industries	28.0	15.0	5.9	6.9
Sustainability and Environment	119.3	95.7	59.4	41.6
Transport	1 146.7	1 058.7	838.3	360.4
Treasury and Finance	204.3	326.2	588.4	332.4
Parliament	7.4	3.5	3.3	3.3
Regulatory bodies and other part budget funded agencies	314.6	215.0	218.2	210.5
Not allocated to departments <sup>(a)</sup>	(1 080.8)	265.7	460.1	549.2
<b>Total purchase of property, plant and equipment</b>	<b>4 435.0</b>	<b>3 881.3</b>	<b>3 533.3</b>	<b>2 791.2</b>

Note:

(a) Amount available to be allocated to specific departments and projects in future budgets.

## 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 \$63 million for 2010-11.

The projected departmental Comprehensive result is a \$45 million surplus in 2010-11 and follows an \$81 million deficit forecast for 2009-10. The 2009-10 result is primarily due to the late receipt in 2008-09 of \$75 million in grants for the *Building the Education Revolution* National School Pride (NSP) program, which meant that \$63 million was expended in 2009-10.

The Comprehensive Operating Statement shows an increase in total income from transactions of 4.2 per cent to \$8.7 billion in 2010-11, compared to the 2009-10 revised budget of \$8.3 billion. This is primarily a result of indexation and increased funding for initiatives including:

- Supporting Children and Young People with a Disability or Developmental Delay;
- Continued Support for Non-Government Schools; and
- The National Partnership on Youth Attainment and Transitions.

Total expenses from transactions for the Department in 2010-11 are budgeted at \$8.6 billion, an increase of 2.6 per cent on the 2009-10 revised budget. This reflects an increase in expenses as a result of the initiatives above.

### Balance sheet performance

The Department's net asset position is expected to increase by \$1.8 billion in 2010-11 from the 2009-10 revised budget. This reflects a projected increase in total assets of \$2.0 billion (13.3 per cent) and an increase in total liabilities of \$185 million (10.8 per cent) over the same period.

The expected increase in total assets from the 2009-10 revised budget to the *2010-11 Budget* is mainly attributable to an increase in property, plant and equipment funded under the Commonwealth's and the State's continued investment under the Victorian Schools Plan 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 operating performance.

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

## Statement of administered items

Total income from transactions administered by the Department on behalf of the State is forecast to decrease by \$233 million in 2010-11. This is primarily due to a decrease in Commonwealth funding provided to the non-government school sector with the completion of the *Building the Education Revolution* and reduced funding for the National Secondary Schools Computer Fund from 2009-10 to 2010-11.

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

**Table 3.3.1: Operating statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Net result from continuing operations</b>				
<b>Income from transactions</b>				
Output appropriations	7 129.6	7 757.6	7 457.3	7 898.7
Special appropriations	0.3	0.3	179.3	72.3
Interest	35.9	45.5	23.7	30.7
Sale of goods and services	165.3	196.7	166.6	144.4
Grants	35.9	8.7	29.8	18.0
Fair value of assets and services received free of charge or for nominal consideration	1.4	..	..	..
Other income	409.1	383.8	475.7	514.5
<b>Total income from transactions</b>	<b>7 777.4</b>	<b>8 392.6</b>	<b>8 332.4</b>	<b>8 678.5</b>
<b>Expenses from transactions</b>				
Employee benefits	4 363.6	4 542.8	4 625.9	4 712.9
Depreciation and amortisation	215.1	238.6	203.7	271.9
Interest expense	0.6	0.2	1.5	7.5
Grants and other transfers	685.0	666.1	685.7	716.6
Capital asset charge	762.0	808.2	808.2	894.9
Other operating expenses	1 742.7	2 117.8	2 069.3	2 011.4
<b>Total expenses from transactions</b>	<b>7 769.0</b>	<b>8 373.6</b>	<b>8 394.3</b>	<b>8 615.1</b>
<b>Net result from transactions (net operating balance)</b>	<b>8.4</b>	<b>19.0</b>	<b>( 61.8)</b>	<b>63.4</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	1.8	( 9.4)	( 9.4)	( 9.4)
Net gain/(loss) on financial instruments and statutory receivables/payables	( 1.1)	..	..	..
Other gains/(losses) from economic flows	( 60.9)	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 60.2)</b>	<b>( 9.4)</b>	<b>( 9.4)</b>	<b>( 9.4)</b>
<b>Net result</b>	<b>( 51.8)</b>	<b>9.6</b>	<b>( 71.3)</b>	<b>54.0</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Asset revaluation reserve	( 218.7)	( 9.2)	( 9.2)	( 9.2)
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	( 59.3)	..	..	..
<b>Total other economic flows – other non-owner changes in equity</b>	<b>( 278.0)</b>	<b>( 9.2)</b>	<b>( 9.2)</b>	<b>( 9.2)</b>
<b>Comprehensive result</b>	<b>( 329.7)</b>	<b>0.4</b>	<b>( 80.5)</b>	<b>44.8</b>

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

**Table 3.3.2: Balance sheet**

(\$ million)

	Estimated as at 30 Jun			
	2009 Actual	2010 Budget	2010 Revised	2011 Budget
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	732.3	697.6	622.1	624.6
Receivables	110.0	116.9	88.7	95.6
Other financial assets	827.0	891.3	914.0	980.3
<b>Total financial assets</b>	<b>1 669.2</b>	<b>1 705.8</b>	<b>1 624.7</b>	<b>1 700.4</b>
<b>Non-financial assets</b>				
Non-financial assets classified as held for sale, including disposal group assets	29.8	29.8	29.8	29.8
Property, plant and equipment	11 493.8	13 234.6	13 085.8	14 970.6
Intangible assets	6.1	6.1	6.1	6.1
Other	11.9	12.1	12.1	12.3
<b>Total non-financial assets</b>	<b>11 541.5</b>	<b>13 282.5</b>	<b>13 133.7</b>	<b>15 018.7</b>
<b>Total assets</b>	<b>13 210.7</b>	<b>14 988.3</b>	<b>14 758.4</b>	<b>16 719.1</b>
<b>Liabilities</b>				
Payables	335.8	337.6	360.7	362.5
Interest-bearing liabilities	7.8	82.5	82.5	203.5
Provisions	1 236.8	1 296.7	1 272.6	1 334.7
<b>Total liabilities</b>	<b>1 580.4</b>	<b>1 716.9</b>	<b>1 715.8</b>	<b>1 900.7</b>
<b>Net assets</b>	<b>11 630.3</b>	<b>13 271.4</b>	<b>13 042.6</b>	<b>14 818.4</b>
<b>Equity</b>				
Accumulated surplus/(deficit)	1 236.6	1 246.2	1 165.3	1 219.3
Reserves	4 865.0	4 855.8	4 855.8	4 846.6
Contributed capital	5 528.7	7 169.4	7 021.4	8 752.4
<b>Total equity</b>	<b>11 630.3</b>	<b>13 271.4</b>	<b>13 042.6</b>	<b>14 818.4</b>

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

**Table 3.3.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Receipts from Government	7 161.0	7 764.5	7 647.7	7 975.7
Receipts from other entities	181.6	194.9	207.4	153.7
Interest received	35.9	45.5	23.7	30.7
Other receipts	433.4	380.8	503.7	511.5
<b>Total receipts</b>	<b>7 811.9</b>	<b>8 385.7</b>	<b>8 382.5</b>	<b>8 671.6</b>
<b>Payments</b>				
Payments of grants and other transfers	( 648.8)	( 664.3)	( 683.9)	( 714.8)
Payments to suppliers and employees	(6 165.4)	(6 600.8)	(6 665.3)	(6 662.3)
Capital asset charge	( 762.0)	( 808.2)	( 808.2)	( 894.9)
Interest and other costs of finance paid	( 0.6)	( 0.2)	( 1.5)	( 7.5)
<b>Total payments</b>	<b>(7 576.8)</b>	<b>(8 073.4)</b>	<b>(8 158.8)</b>	<b>(8 279.4)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>235.0</b>	<b>312.3</b>	<b>223.7</b>	<b>392.2</b>
<b>Cash flows from investing activities</b>				
Net investment	( 115.9)	( 64.3)	( 86.9)	( 66.4)
Payments for non-financial assets	( 435.6)	(1 925.8)	(1 742.1)	(2 056.7)
Proceeds from sale of non-financial assets	3.5	2.4	2.4	2.4
Net loans to other parties	( 0.5)	..	..	..
<b>Net cash flow from/(used in) investing activities</b>	<b>( 548.4)</b>	<b>(1 987.7)</b>	<b>(1 826.6)</b>	<b>(2 120.7)</b>
<b>Cash flows from financing activities</b>				
Owner contributions by State Government	267.5	1 640.7	1 492.7	1 731.0
Net borrowings	2.0	..	..	..
<b>Net cash flows from/(used in) financing activities</b>	<b>269.5</b>	<b>1 640.7</b>	<b>1 492.7</b>	<b>1 731.0</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 43.8)</b>	<b>( 34.7)</b>	<b>( 110.2)</b>	<b>2.5</b>
Cash and cash equivalents at the beginning of the financial year	776.1	732.3	732.3	622.1
<b>Cash and cash equivalents at the end of the financial year</b>	<b>732.3</b>	<b>697.6</b>	<b>622.1</b>	<b>624.6</b>

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

**Table 3.3.4: Statement of changes in equity**

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
<b>Opening balance 1 July 2008</b>	<b>1 347.7</b>	<b>5 246.3</b>	..	<b>5 083.7</b>	<b>11 677.6</b>
Comprehensive result	( 111.1)	..	..	( 218.7)	( 329.7)
Transactions with owners in their capacity as owners	..	282.4	..	..	<b>282.4</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>1 236.6</b>	<b>5 528.7</b>	..	<b>4 865.0</b>	<b>11 630.3</b>
Comprehensive result	9.6	..	..	( 9.2)	<b>0.4</b>
Transactions with owners in their capacity as owners	..	1 640.7	..	..	<b>1 640.7</b>
<b>Closing balance 30 June 2010 (Budget)</b>	<b>1 246.2</b>	<b>7 169.4</b>	..	<b>4 855.8</b>	<b>13 271.4</b>
Comprehensive result	( 71.3)	..	..	( 9.2)	( 80.5)
Transactions with owners in their capacity as owners	..	1 492.7	..	..	<b>1 492.7</b>
<b>Closing balance 30 June 2010 (Revised)</b>	<b>1 165.3</b>	<b>7 021.4</b>	..	<b>4 855.8</b>	<b>13 042.6</b>
Comprehensive result	54.0	..	..	( 9.2)	<b>44.8</b>
Transactions with owners in their capacity as owners	..	1 731.0	..	..	<b>1 731.0</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>1 219.3</b>	<b>8 752.4</b>	..	<b>4 846.6</b>	<b>14 818.4</b>

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



**Table 3.3.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Administered income</b>				
Sale of goods and services	1.3	1.8	1.8	2.4
Grants	2 233.9	2 659.7	2 541.3	2 307.1
Interest	0.1	0.1	0.1	0.1
Other income	2.9	0.6	0.7	1.2
<b>Total administered income</b>	<b>2 238.2</b>	<b>2 662.2</b>	<b>2 544.0</b>	<b>2 310.7</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	0.7	..	..	..
Grants and other transfers	1 899.6	2 542.5	2 541.4	2 307.2
Payments into the consolidated fund	334.9	127.6	23.6	38.9
<b>Total administered expenses</b>	<b>2 235.2</b>	<b>2 670.1</b>	<b>2 565.0</b>	<b>2 346.1</b>
<b>Income less expenses</b>	<b>3.1</b>	<b>( 8.0)</b>	<b>( 21.0)</b>	<b>( 35.4)</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	( 4.5)	8.0	21.1	35.4
<b>Total other economic flows included in net result</b>	<b>( 4.5)</b>	<b>8.0</b>	<b>21.1</b>	<b>35.4</b>
<b>Net result</b>	<b>( 1.5)</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Administered assets</b>				
Cash and deposits	22.1	22.2	22.2	22.2
Receivables	0.6	0.6	0.6	0.6
Other financial assets	1.6	1.6	1.6	1.6
Other	..	..	..	..
<b>Total administered assets</b>	<b>24.3</b>	<b>24.3</b>	<b>24.3</b>	<b>24.3</b>
<b>Administered liabilities</b>				
Payables	21.8	21.8	21.8	21.8
<b>Total administered liabilities</b>	<b>21.8</b>	<b>21.8</b>	<b>21.8</b>	<b>21.8</b>
<b>Net assets</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
<b>Equity</b>				
Contributed capital	..	..	..	..
Accumulated surplus/(deficit)	2.5	2.5	2.5	2.6
<b>Total equity</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>

Sources: Departments of Education and Early Childhood 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 3.3.6: Parliamentary authority for resources**

(\$ million)

	2009-10 Budget	2009-10 Revised	2010-11 Budget
Annual appropriations	7 511.4	7 423.2	8 007.5
Receipts credited to appropriations	1 764.9	1 133.7	1 063.1
Unapplied previous years appropriation	122.1	310.8	559.1
Accumulated surplus – previously applied appropriation	..	..	..
<b>Gross annual appropriation</b>	<b>9 398.4</b>	<b>8 867.7</b>	<b>9 629.7</b>
Special appropriations	0.3	261.6	72.3
Trust funds	2 606.7	2 626.8	2 380.7
<b>Total parliamentary authority</b>	<b>12 005.3</b>	<b>11 756.1</b>	<b>12 082.7</b>

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

## DEPARTMENT OF HEALTH

On 12 August 2009, the Premier announced the creation of a new Department of Health, incorporating health, mental health and drugs and aged care. This machinery of government change effected a transfer of functions from the Department of Human Services, effective 1 October 2009.

The financial statements for the Department of Health report:

- 2009-10 adjusted budget – a full twelve month equivalent presentation of the 2009-10 published budget for the new department;
- 2009-10 revised budget for the period 1 October 2009 to 30 June 2010; and
- 2010-11 budget for the 2010-11 year.

### Operating performance

The Department of Health operating statement shows an increase in income of \$837 million (6.9 per cent) between the 2009-10 adjusted and *2010-11 Budget*. This increase is primarily a result of:

- funding provided for government policy commitments announced in the *2010-11 Budget*, including: Growth in Hospital Services; Support for Public Hospitals; and Home and Community Care funding,
- the full year effect of initiatives announced in previous years' budgets;
- Council of Australian Governments (COAG) approved funding for national health and hospitals reform; and
- output price increases arising from price escalation for anticipated costs increases in 2010-11.

Operating expenses are budgeted to increase by \$1 130 million (9.3 per cent) between 2009-10 adjusted budget and *2010-11 Budget* largely due to the increases in expenditures due to the factors outlined above, and other associated non-cash expenses.

The department is expected to have a net deficit from transactions of \$177 million in 2010-11. This result is primarily due to accounting for additional depreciation and amortisation expenditure as a result of revaluation of health services' buildings and other non-current physical assets, together with a reassessment of the useful lives of these assets, performed by the Victorian Valuer-General's Office.

### Balance sheet performance

The Department's net asset position is expected to increase by \$353 million between 2009-10 adjusted budget and *2010-11 Budget*, reflecting an increase in total assets of \$398 million and an increase in total liabilities of \$45 million.

The expected increase in assets reflects the Government's commitment to build new health facilities and other infrastructure across the State, based on modern service models and needs for the future. The movement in assets from 2009-10 adjusted budget to the *2010-11 Budget* includes funding for: the Parkville Comprehensive Cancer Centre, the new Bendigo Hospital, the Box Hill Hospital redevelopment, Sunshine Hospital expansion and redevelopment – Stage 3, Olivia Newton John Cancer and Wellness Centre – Stage 2a and Ballarat Regional Integrated Cancer Centre. The expected increase in assets is also attributable to the anticipated net impact of asset revaluations in 2010-11.

The expected increase in liabilities is largely due to increases in leave entitlements for staff employed in the health sector.

### **Investing and financing**

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

Cash flows from investing activities include payments for property, plant and equipment (totalling \$769 million) reflecting the Government's continued asset investment in the health sector, including new initiatives to expand service capacity and enhance infrastructure.

### **Statement of administered items**

This Statement includes funding from the Commonwealth Government and revenue from the sale of assets and services collected by the Department. Total income has reduced by \$3 million from the 2009-10 adjusted budget to the *2010-11 Budget*, primarily due to lower anticipated funding from the Commonwealth Department of Veterans' Affairs (DVA) due to anticipated declining numbers of DVA cardholders.

**Table 3.4.1: Operating statement**

(\$ million)

	2008-09	2009-10	2009-10	2009-10	2010-11
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised <sup>(b)</sup>	Budget
<b>Net result from continuing operations</b>					
<b>Income from transactions</b>					
Output appropriations	..	..	9 171.6	6 823.5	9 796.5
Special appropriations	..	..	1 201.3	944.1	1 252.6
Interest	..	..	75.5	39.0	57.4
Sale of goods and services	..	..	1 212.7	1 025.7	1 377.2
Grants	..	..	202.4	169.8	224.4
Fair value of assets and services received free of charge or for nominal consideration	..	..	..	..	..
Other income	..	..	337.9	247.3	330.3
<b>Total income from transactions</b>	..	..	<b>12 201.5</b>	<b>9 249.4</b>	<b>13 038.3</b>
<b>Expenses from transactions</b>					
Employee benefits	..	..	6 835.0	5 212.8	7 218.9
Depreciation and amortisation	..	..	381.9	558.1	675.6
Interest expense	..	..	..	35.0	35.0
Grants and other transfers	..	..	124.4	95.5	143.6
Capital asset charge	..	..	591.3	441.2	626.6
Other operating expenses	..	..	4 153.2	3 102.2	4 515.6
<b>Total expenses from transactions</b>	..	..	<b>12 085.8</b>	<b>9 444.8</b>	<b>13 215.3</b>
<b>Net result from transactions (net operating balance)</b>	..	..	<b>115.7</b>	<b>( 195.4)</b>	<b>( 176.9)</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on non-financial assets	..	..	( 40.0)	( 40.0)	..
Share of net profits/(losses) of associates and joint venture entities, excluding dividends	..	..	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	..	..	..	..	..
Other gains/(losses) from economic flows	..	..	( 5.0)	( 8.1)	( 8.2)
<b>Total other economic flows included in net result</b>	..	..	<b>( 45.0)</b>	<b>( 48.1)</b>	<b>( 8.2)</b>
<b>Net result</b>	..	..	<b>70.6</b>	<b>( 243.5)</b>	<b>( 185.1)</b>
<b>Other economic flows – other non-owner changes in equity</b>					
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	..	..	..	..	..
Asset revaluation reserve	..	..	..	..	650.0

**Table 3.4.1: Operating statement (continued)**

(\$ million)

	2008-09	2009-10	2009-10	2009-10	2010-11
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised <sup>(b)</sup>	Budget
Financial assets available-for-sale reserve:	..	..	..	..	..
Other	..	..	..	..	..
<b>Total other economic flows – other non-owner changes in equity</b>	..	..	..	..	<b>650.0</b>
<b>Comprehensive result</b>	..	..	<b>70.6</b>	<b>( 243.5)</b>	<b>464.9</b>

Sources: Departments of Health and Treasury and Finance

Notes:

(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.

(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.

**Table 3.4.2: Balance sheet**

(\$ million)

	<i>Estimated as at 30 Jun</i>				
	2009 <i>Actual</i>	2010 <i>Budget</i>	2010 <i>Adjusted<sup>(a)</sup></i>	2010 <i>Revised<sup>(b)</sup></i>	2011 <i>Budget</i>
<b>Assets</b>					
<b>Financial assets</b>					
Cash and deposits	..	..	615.2	615.6	654.9
Receivables	..	..	256.3	256.3	262.3
Other financial assets	..	..	922.5	921.4	921.4
Investments accounted for using equity method	..	..	6.1	6.1	6.1
<b>Total financial assets</b>	..	..	<b>1 800.0</b>	<b>1 799.4</b>	<b>1 844.7</b>
<b>Non-financial assets</b>					
Inventories	..	..	69.0	69.0	69.0
Non-financial assets classified as held for sale, including disposal group assets	..	..	5.1	5.1	5.1
Property, plant and equipment	..	..	9 186.7	8 864.8	9 592.3
Investment properties	..	..	15.0	15.0	15.0
Intangible assets	..	..	53.8	33.4	1.6
Other	..	..	30.2	30.2	30.2
<b>Total non-financial assets</b>	..	..	<b>9 359.8</b>	<b>9 017.4</b>	<b>9 713.1</b>
<b>Total assets</b>	..	..	<b>11 159.9</b>	<b>10 816.8</b>	<b>11 557.8</b>
<b>Liabilities</b>					
Payables	..	..	808.2	808.2	808.7
Interest-bearing liabilities	..	..	407.7	407.7	395.3
Provisions	..	..	1 340.9	1 381.8	1 398.1
<b>Total liabilities</b>	..	..	<b>2 556.7</b>	<b>2 597.6</b>	<b>2 602.1</b>
<b>Net assets</b>	..	..	<b>8 603.1</b>	<b>8 219.2</b>	<b>8 955.7</b>
<b>Equity</b>					
Accumulated surplus/(deficit)	..	..	29.2	( 285.0)	( 470.1)
Contributed capital and Reserves	..	..	8 573.9	8 504.1	9 425.8
<b>Total equity</b>	..	..	<b>8 603.1</b>	<b>8 219.2</b>	<b>8 955.7</b>

Sources: Departments of Health and Treasury and Finance

Notes:

(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.

(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.

**Table 3.4.3: Statement of cash flows**

	(\$ million)				
	2008-09	2009-10	2009-10	2009-10	2010-11
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised <sup>(b)</sup>	Budget
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Receipts from Government	..	..	10 560.4	7 918.4	11 256.3
Receipts from other entities	..	..	1 322.2	1 139.2	1 358.3
Interest received	..	..	75.5	39.0	57.4
Dividends received	..	..	..	..	..
Other receipts	..	..	354.8	264.2	360.4
<b>Total receipts</b>	..	..	<b>12 312.9</b>	<b>9 360.8</b>	<b>13 032.3</b>
<b>Payments</b>					
Payments of Grants and other transfers	..	..	( 78.4)	( 49.5)	( 143.6)
Payments to suppliers and employees	..	..	(11 189.7)	(8 475.6)	(11 717.7)
Capital asset charge	..	..	( 591.3)	( 441.2)	( 626.6)
Interest and other costs of finance paid	..	..	..	( 35.0)	( 35.0)
<b>Total payments</b>	..	..	<b>(11 859.4)</b>	<b>(9 001.3)</b>	<b>(12 522.8)</b>
<b>Net cash flows from/(used in) operating activities</b>	..	..	<b>453.6</b>	<b>359.5</b>	<b>509.5</b>
<b>Cash flows from investing activities</b>					
Net investment	..	..	( 210.1)	( 209.1)	..
Payments for non-financial assets	..	..	( 632.7)	( 469.6)	( 769.4)
Proceeds from sale of non-financial assets	..	..	40.0	40.0	40.0
Net loans to other parties	..	..	( 0.1)	( 0.1)	..
Net (purchase)/disposal of investments – policy purposes	..	..	..	..	..
<b>Net cash flow from/(used in) investing activities</b>	..	..	<b>( 802.9)</b>	<b>( 638.7)</b>	<b>( 729.5)</b>
<b>Cash flows from financing activities</b>					
Owner contributions by State Government	..	..	492.8	423.0	271.6
Repayment of finance leases	..	..	( 12.4)	( 12.4)	( 12.4)
Net borrowings	..	..	( 8.7)	( 8.7)	..
Dividends paid	..	..	..	..	..
<b>Net cash flows from/(used in) financing activities</b>	..	..	<b>471.8</b>	<b>402.0</b>	<b>259.2</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	..	..	<b>122.5</b>	<b>122.8</b>	<b>39.3</b>
Cash and cash equivalents at the beginning of the financial year	..	..	492.3	492.3	615.1
<b>Cash and cash equivalents at the end of the financial year</b>	..	..	<b>614.8</b>	<b>615.1</b>	<b>654.4</b>

Sources: Departments of Health and Treasury and Finance

Notes:

(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.

(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.



**Table 3.4.4: Statement of changes in equity**

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owners and Other Reserves	Total Equity
<b>Opening balance 1 July 2008</b>	..	..	..
Comprehensive result	..	..	..
Transactions with owners in their capacity as owners	..	..	..
<b>Closing balance 30 June 2009 (Actual)</b>	..	..	..
Comprehensive result	..	..	..
Transactions with owners in their capacity as owners	..	..	..
<b>Closing balance 30 June 2010 (Budget)</b>	..	..	..
Comprehensive result	..	..	..
Transactions with owners in their capacity as owners	29.2	8 573.9	8 603.1
<b>Closing balance 30 June 2010 (Adjusted) <sup>(a)</sup></b>	<b>29.2</b>	<b>8 573.9</b>	<b>8 603.1</b>
Comprehensive result	( 314.2)	..	( 314.2)
Transactions with owners in their capacity as owners	..	( 69.8)	( 69.8)
<b>Closing balance 30 June 2010 (Revised) <sup>(b)</sup></b>	<b>( 285.0)</b>	<b>8 504.1</b>	<b>8 219.2</b>
Comprehensive result	( 185.1)	650.0	<b>464.9</b>
Transactions with owners in their capacity as owners	..	271.6	<b>271.6</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>( 470.1)</b>	<b>9 425.8</b>	<b>8 955.7</b>

Sources: Departments of Health and Treasury and Finance

## Notes:

*(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.**(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.*

**Table 3.4.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Adjusted <sup>(a)</sup>	2009-10 Revised <sup>(b)</sup>	2010-11 Budget
<b>Administered income</b>					
Sale of goods and services	..	..	311.4	274.0	343.8
Grants	..	..	210.4	137.3	173.4
Other income	..	..	3.1	3.2	4.6
<b>Total administered income</b>	..	..	<b>524.9</b>	<b>414.4</b>	<b>521.8</b>
<b>Administered expenses</b>					
Expenses on behalf of the State	..	..	0.4	0.3	0.4
Grants and other transfers	..	..	..	..	..
Payments into the consolidated fund	..	..	566.0	455.7	522.9
<b>Total administered expenses</b>	..	..	<b>566.4</b>	<b>455.9</b>	<b>523.3</b>
<b>Income less expenses</b>	..	..	<b>( 41.5)</b>	<b>( 41.5)</b>	<b>( 1.5)</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on non-financial assets	..	..	41.5	41.5	1.5
<b>Total other economic flows included in net result</b>	..	..	<b>41.5</b>	<b>41.5</b>	<b>1.5</b>
<b>Net result</b>	..	..	..	..	..
<b>Administered assets</b>					
Cash and deposits	..	..	..	..	..
Receivables	..	..	..	..	..
Other financial assets	..	..	..	..	..
Other	..	..	45.4	45.4	45.4
<b>Total administered assets</b>	..	..	<b>45.4</b>	<b>45.4</b>	<b>45.4</b>
<b>Administered liabilities</b>					
Payables	..	..	45.4	45.4	45.4
Provisions	..	..	..	..	..
<b>Total administered liabilities</b>	..	..	<b>45.4</b>	<b>45.4</b>	<b>45.4</b>
<b>Net assets</b>	..	..	..	..	..
<b>Equity</b>					
Contributed capital	..	..	..	..	..
Accumulated surplus/(deficit)	..	..	..	..	..
<b>Total equity</b>	..	..	..	..	..

Sources: Departments of Health and Treasury and Finance

Notes:

(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.

(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.

## Authority for resources

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

**Table 3.4.6: Parliamentary authority for resources**

(\$ million)

	2009-10 Budget	2009-10 Adjusted <sup>(a)</sup>	2009-10 Revised <sup>(b)</sup>	2010-11 Budget
Annual appropriations	..	8 350.5	6 066.0	8 751.9
Receipts credited to appropriations	..	908.8	740.5	1 220.9
Unapplied previous years appropriation	..	137.6	113.7	95.3
Accumulated surplus – previously applied appropriation	..	17.8	7.8	..
<b>Gross annual appropriation</b>	..	<b>9 414.6</b>	<b>6 928.0</b>	<b>10 068.1</b>
Special appropriations	..	1 201.3	950.6	1 252.6
Trust funds	..	51.6	43.1	51.4
<b>Total parliamentary authority</b>	..	<b>10 667.5</b>	<b>7 921.6</b>	<b>11 372.2</b>

Sources: Departments of Health and Treasury and Finance

Notes:

(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.

(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.

## DEPARTMENT OF HUMAN SERVICES

The 2010-11 financial statements for the Department of Human Services represent the new responsibilities of the department following machinery of government changes which transferred health related functions to the Department of Health, effective from 1 October 2009. Prior year results continue to include financial information of the former Department of Human Services and the 2009-10 Budget has been adjusted to reflect the comparative impact of machinery of government changes.

### Operating performance

The Department of Human Services is projecting a net result from transactions of \$5 million for 2010-11.

The operating statement shows a decrease in total income from transactions of \$88 million (2.5 per cent) between 2009-10 adjusted budget and *2010-11 Budget*. This is primarily a result of reductions to 2010-11 revenue from the Commonwealth Government's stimulus package for social and community housing initiatives relative to the funds provided in *2009-10 Budget*.

However, excluding the Commonwealth Government's stimulus package reductions, revenue increases as a result of:

- Funding for new initiatives announced in the *2010-11 Budget*, including addressing out of home care growth, sustaining new models of care in shared supported accommodation, expanding individual support packages, strengthening capacity in family services, helping low income Victorians with the rising cost of water; and
- Output price increases arising from price escalation for anticipated cost increases in 2010-11.

Operating expenses are budgeted to decrease by \$28 million (0.8 per cent) between 2009-10 adjusted budget and *2010-11 Budget* largely due to the factors outlined above.

### Balance sheet performance

The Department's net asset position is expected to increase by \$186 million between the 2009-10 adjusted budget and *2010-11 Budget*, reflecting an increase in total assets of \$166 million and a decrease in total liabilities of \$20 million.

The expected increase in assets reflects the Government's commitment to build new community service facilities and infrastructure to meet future needs. The movement in assets from 2009-10 revised budget and *2010-11 Budget* includes funding for disability reform program expanding accommodation with support.

The increase in liabilities is largely due to increases of leave entitlements for staff employed in the community service sector.

## **Investing and financing**

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

Cash flows from investing activities include payments for property, plant and equipment (totalling \$85 million) reflecting the Government's continued asset investment in the community services sector.

## **Statement of administered items**

Transactions administered by the Department primarily relate to grants received from the Department of Justice's Victorian Housing Fund to provide additional public housing units. In addition, the Department receives minor revenue from sale of assets, goods and services.

**Table 3.5.1: Operating statement**

	(\$ million)				
	2008-09	2009-10	2009-10	2009-10	2010-11
	Actual	Budget	Adjusted <sup>(a)</sup>	Revised <sup>(b)</sup>	Budget
<b>Net result from continuing operations</b>					
<b>Income from transactions</b>					
Output appropriations	1 188.4	1 257.4	3 407.8	5 536.7	3 300.6
Special appropriations	1 367.1	1 265.2	63.9	392.3	63.9
Interest	69.5	75.7	0.2	16.8	0.2
Sale of goods and services	1 176.9	1 214.2	1.5	300.5	15.5
Grants	254.2	203.4	1.0	48.3	5.9
Fair value of assets and services received free of charge or for nominal consideration	4.0	..	..	..	..
Other income	397.6	338.3	0.3	93.5	0.4
<b>Total income from transactions</b>	<b>14 457.6</b>	<b>15 676.2</b>	<b>3 474.8</b>	<b>6 388.0</b>	<b>3 386.7</b>
<b>Expenses from transactions</b>					
Employee benefits	6 802.5	7 292.0	658.5	2 259.3	694.6
Depreciation and amortisation	408.6	424.6	42.7	136.4	40.1
Interest expense	37.4	3.0	3.0	3.0	3.1
Grants and other transfers	679.8	1 216.7	1 092.3	936.2	857.0
Capital asset charge	603.5	639.5	48.2	195.9	50.5
Other operating expenses	5 773.3	5 919.7	1 565.1	2 751.6	1 736.0
<b>Total expenses from transactions</b>	<b>14 305.1</b>	<b>15 495.6</b>	<b>3 409.8</b>	<b>6 282.4</b>	<b>3 381.4</b>
<b>Net result from transactions (net operating balance)</b>	<b>152.5</b>	<b>180.6</b>	<b>64.9</b>	<b>105.6</b>	<b>5.3</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on non-financial assets	( 53.7)	( 43.8)	( 3.8)	( 3.8)	( 3.8)
Share of net profits/(losses) of associates and joint venture entities, excluding dividends	4.2	..	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	( 69.5)	..	..	..	..
Other gains/(losses) from economic flows	( 22.2)	( 5.1)	( 0.1)	( 0.1)	( 0.1)
<b>Total other economic flows included in net result</b>	<b>( 141.3)</b>	<b>( 48.9)</b>	<b>( 3.8)</b>	<b>( 3.8)</b>	<b>( 3.8)</b>
<b>Net result</b>	<b>11.2</b>	<b>131.7</b>	<b>61.1</b>	<b>101.8</b>	<b>1.4</b>
<b>Other economic flows – Other non-owner changes in equity</b>					
Adjustment to accumulated surplus/(deficit) due to a change in accounting policy	..	..	..	..	..
Asset revaluation reserve	1 554.4	..	..	..	118.4
Financial assets available-for-sale reserve:	13.3	..	..	..	..
Other	( 18.7)	..	..	..	..
<b>Total other economic flows – Other non-owner changes in equity</b>	<b>1 548.9</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>118.4</b>
<b>Comprehensive result</b>	<b>1 560.1</b>	<b>131.7</b>	<b>61.1</b>	<b>101.8</b>	<b>119.8</b>

Sources: Departments of Human Services and Treasury and Finance

Notes:

(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.

(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.

**Table 3.5.2: Balance sheet**

(\$ million)

	Estimated as at 30 Jun				
	2009 Actual	2010 Budget	2010 Adjusted <sup>(a)</sup>	2010 Revised <sup>(b)</sup>	2011 Budget
<b>Assets</b>					
<b>Financial assets</b>					
Cash and deposits	603.3	651.2	36.0	35.6	42.8
Receivables	327.9	328.3	72.1	72.1	66.5
Other financial assets	944.2	1 072.5	150.0	134.6	162.7
Investments accounted for using equity method	6.1	6.1	..	..	..
<b>Total financial assets</b>	<b>1 881.5</b>	<b>2 058.1</b>	<b>258.1</b>	<b>242.2</b>	<b>272.0</b>
<b>Non-financial assets</b>					
Inventories	69.2	69.2	0.3	0.3	0.3
Non-financial assets classified as held for sale, including disposal group assets	13.4	13.4	8.3	8.3	8.3
Property, plant and equipment	9 730.8	9 933.0	746.3	739.0	903.6
Investment properties	15.0	15.0	..	..	..
Intangible assets	98.2	82.7	28.9	28.5	23.7
Other	35.7	35.7	5.5	5.5	5.5
<b>Total non-financial assets</b>	<b>9 962.3</b>	<b>10 149.0</b>	<b>789.2</b>	<b>781.6</b>	<b>941.3</b>
<b>Total assets</b>	<b>11 843.8</b>	<b>12 207.2</b>	<b>1 047.3</b>	<b>1 023.8</b>	<b>1 213.2</b>
<b>Liabilities</b>					
Payables	941.4	941.9	133.8	133.8	133.8
Interest-bearing liabilities	463.8	452.9	45.2	45.2	46.7
Provisions	2 059.9	2 087.7	746.8	705.9	725.1
<b>Total liabilities</b>	<b>3 465.1</b>	<b>3 482.5</b>	<b>925.8</b>	<b>884.9</b>	<b>905.6</b>
<b>Net assets</b>	<b>8 378.7</b>	<b>8 724.6</b>	<b>121.5</b>	<b>138.9</b>	<b>307.6</b>
<b>Equity</b>					
Accumulated surplus/(deficit)	( 16.4)	115.3	86.1	126.8	128.2
Contributed capital and Reserves	8 395.1	8 609.3	35.4	12.1	179.4
<b>Total equity</b>	<b>8 378.7</b>	<b>8 724.6</b>	<b>121.5</b>	<b>138.9</b>	<b>307.6</b>

Sources: Departments of Human Services and Treasury and Finance

Notes:

(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.

(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.

**Table 3.5.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Adjusted <sup>(a)</sup>	2009-10 Revised <sup>(b)</sup>	2010-11 Budget
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Receipts from Government	12 785.7	14 032.4	3 452.1	5 976.0	3 365.0
Receipts from other entities	1 207.8	1 194.8	4.4	172.3	7.0
Interest received	69.0	75.7	0.2	16.8	0.2
Dividends received	1.0	..	..	..	..
Other receipts	440.2	372.9	12.2	111.2	20.1
<b>Total receipts</b>	<b>14 503.7</b>	<b>15 675.8</b>	<b>3 468.9</b>	<b>6 276.2</b>	<b>3 392.3</b>
<b>Payments</b>					
Payments of grants and other transfers	( 682.5)	(1 216.7)	(1 092.4)	( 982.2)	( 857.0)
Payments to suppliers and employees	(12 523.9)	(13 183.5)	(2 145.7)	(4 822.1)	(2 411.4)
Capital asset charge	( 603.5)	( 639.5)	( 48.2)	( 195.9)	( 50.5)
Interest and other costs of finance paid	( 36.4)	( 3.0)	( 3.0)	( 3.0)	( 3.1)
<b>Total payments</b>	<b>(13 846.2)</b>	<b>(15 042.7)</b>	<b>(3 289.3)</b>	<b>(6 003.2)</b>	<b>(3 322.0)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>657.5</b>	<b>633.1</b>	<b>179.5</b>	<b>273.0</b>	<b>70.2</b>
<b>Cash flows from investing activities</b>					
Net investment	( 15.2)	( 68.6)	( 18.5)	( 3.1)	( 28.1)
Payments for non-financial assets	( 706.7)	( 700.2)	( 67.5)	( 153.5)	( 85.3)
Proceeds from sale of non-financial assets	36.8	40.0	..	..	..
Net loans to other parties	..	..	0.1	0.1	..
Net (purchase)/disposal of investments – policy purposes	( 5.4)	..	..	..	..
<b>Net cash flow from/(used in) investing activities</b>	<b>( 690.5)</b>	<b>( 728.9)</b>	<b>( 86.0)</b>	<b>( 156.6)</b>	<b>( 113.4)</b>
<b>Cash flows from financing activities</b>					
Owner contributions by State Government	74.1	214.2	( 118.6)	( 141.8)	48.9
Repayment of finance leases	( 4.3)	( 12.4)	..	..	..
Net borrowings	14.6	( 58.2)	( 49.5)	( 49.5)	1.5
Dividends paid	1.6	..	..	..	..
<b>Net cash flows from/(used in) financing activities</b>	<b>86.0</b>	<b>143.7</b>	<b>( 168.1)</b>	<b>( 191.4)</b>	<b>50.4</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>52.9</b>	<b>47.9</b>	<b>( 74.5)</b>	<b>( 74.9)</b>	<b>7.2</b>
Cash and cash equivalents at the beginning of the financial year	549.9	602.8	110.5	110.5	35.6
<b>Cash and cash equivalents at the end of the financial year</b>	<b>602.8</b>	<b>650.8</b>	<b>36.0</b>	<b>35.6</b>	<b>42.8</b>

Sources: Departments of Human Services and Treasury and Finance

Notes:

(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.

(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.



**Table 3.5.4: Statement of changes in equity**

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owners and Other Reserves	Total Equity
<b>Opening balance 1 July 2008</b>	<b>( 17.3)</b>	<b>6 613.8</b>	<b>6 596.5</b>
Comprehensive result	( 0.8)	1 559.2	<b>1 558.5</b>
Transactions with owners in their capacity as owners	..	222.1	<b>222.1</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>( 18.1)</b>	<b>8 395.1</b>	<b>8 377.0</b>
Comprehensive result	131.7	..	<b>131.7</b>
Transactions with owners in their capacity as owners	..	214.2	<b>214.2</b>
<b>Closing balance 30 June 2010 (Budget)</b>	<b>113.7</b>	<b>8 609.3</b>	<b>8 723.0</b>
Comprehensive result	..	..	..
Transactions with owners in their capacity as owners	( 29.2)	(8 573.9)	<b>(8 603.1)</b>
<b>Closing balance 30 June 2010 (Adjusted) <sup>(a)</sup></b>	<b>84.5</b>	<b>35.4</b>	<b>119.8</b>
Comprehensive result	40.7	..	<b>40.7</b>
Transactions with owners in their capacity as owners	..	( 23.3)	<b>( 23.3)</b>
<b>Closing balance 30 June 2010 (Revised)</b>	<b>125.2</b>	<b>12.1</b>	<b>137.3</b>
Comprehensive result	1.4	118.4	<b>119.8</b>
Transactions with owners in their capacity as owners	..	48.9	<b>48.9</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>126.6</b>	<b>179.4</b>	<b>306.0</b>

Sources: Departments of Human Services and Treasury and Finance

Notes:

- (a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.  
(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.

**Table 3.5.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Adjusted <sup>(a)</sup>	2009-10 Revised <sup>(b)</sup>	2010-11 Budget
<b>Administered income</b>					
Sale of goods and services	269.4	320.8	9.4	77.9	9.4
Grants	3 333.2	263.2	52.7	79.1	51.0
Other income	8.1	4.9	1.8	23.2	0.8
<b>Total administered income</b>	<b>3 610.7</b>	<b>588.8</b>	<b>64.0</b>	<b>180.1</b>	<b>61.2</b>
<b>Administered expenses</b>					
Expenses on behalf of the State	2.0	1.2	0.8	0.9	0.8
Grants and other transfers	2.4	..	..	..	..
Payments into the consolidated fund	3 590.1	585.9	19.9	139.5	14.7
<b>Total administered expenses</b>	<b>3 594.5</b>	<b>587.1</b>	<b>20.7</b>	<b>140.5</b>	<b>15.5</b>
<b>Income less expenses</b>	<b>16.2</b>	<b>1.8</b>	<b>43.3</b>	<b>39.7</b>	<b>45.7</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on non-financial assets	13.7	48.3	6.8	10.3	4.3
<b>Total other economic flows included in net result</b>	<b>13.7</b>	<b>48.3</b>	<b>6.8</b>	<b>10.3</b>	<b>4.3</b>
<b>Net result</b>	<b>29.9</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>
<b>Administered assets</b>					
Cash and deposits	0.2	0.2	0.2	0.2	0.2
Receivables	9.3	9.3	9.3	9.3	9.3
Other financial assets	0.8	0.8	0.8	0.8	0.8
Other	45.4	45.4	..	..	..
<b>Total administered assets</b>	<b>55.7</b>	<b>55.7</b>	<b>10.3</b>	<b>10.3</b>	<b>10.3</b>
<b>Administered liabilities</b>					
Payables	45.4	45.4	..	..	..
Provisions	4.1	4.1	4.1	4.1	4.1
<b>Total administered liabilities</b>	<b>49.5</b>	<b>49.5</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>
<b>Net assets</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>
<b>Equity</b>					
Contributed capital	64.5	14.5	14.5	14.5	( 35.5)
Accumulated surplus/(deficit)	( 58.3)	( 8.3)	( 8.3)	( 8.3)	41.7
<b>Total equity</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>

Sources: Departments of Human Services and Treasury and Finance

Notes:

(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.

(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.

## Authority for resources

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

**Table 3.5.6: Parliamentary authority for resources**

(\$ million)

	2009-10 Budget	2009-10 Adjusted <sup>(a)</sup>	2009-10 Revised <sup>(b)</sup>	2010-11 Budget
Annual appropriations	10 776.6	2 426.1	4 541.0	2 529.8
Receipts credited to appropriations	2 450.8	1 508.2	1 343.1	1 076.6
Unapplied previous years appropriation	103.6	..	6.8	27.0
Accumulated surplus – previously applied appropriation	17.8	..	..	..
<b>Gross annual appropriation</b>	<b>13 348.8</b>	<b>3 934.3</b>	<b>5 890.9</b>	<b>3 633.5</b>
Special appropriations	1 265.2	63.9	398.3	63.9
Trust funds <sup>(a)</sup>	103.0	51.4	62.2	70.3
<b>Total parliamentary authority</b>	<b>14 717.1</b>	<b>4 049.6</b>	<b>6 351.4</b>	<b>3 767.7</b>

Sources: Departments of Human Services and Treasury and Finance

Notes:

(a) The 2009-10 adjusted estimates include the 2009-10 Budget adjusted for machinery of government.

(b) 2009-10 revised budget relates to the period from 1 October 2009 to 30 June 2010.

## 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 \$37 million in 2010-11. This is a decrease of \$66 million from the 2009-10 revised budget and \$60 million from the initial *2009-10 Budget* and is largely due to a reduction in Commonwealth grant revenue for capital projects.

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 as capital expenditure, therefore appearing as an operating surplus.

The operating income for DIIRD is sourced from State Government appropriations, Commonwealth grants, external revenue for education and training services provided by TAFE Institutes and other fee for service income relating to Major Projects Victoria.

The total budgeted income from transactions in 2010-11 has decreased by a total of \$197 million from the 2009-10 revised budget. This decrease mainly relates to a number of one-off grants received from the Commonwealth during 2009-10 for TAFE capital projects. The decrease is partly offset by additional State Government appropriations in 2010-11 for the Apprentice and Trainee Support Package, Melbourne Marketing Campaigns, and the Olivia Newton-John Cancer and Wellness Centre. Expenses in 2010-11 have decreased by \$130 million from the 2009-10 revised budget, across the grants and other transfers and other operating expenses categories.

### Balance sheet performance

DIIRD's net asset position is expected to increase by \$254 million compared to the 2009-10 revised budget. This reflects an increase in total assets relating to TAFE buildings, plant and equipment funded by the Commonwealth and State Governments and contributions from TAFE resources. In addition, other increases for new and existing capital initiatives relate to:

- Melbourne Wholesale Markets redevelopment;
- Melbourne Exhibition Centre expansion – Land acquisition;
- TAFE institutes specialist teaching equipment;
- Princes Pier Restoration Stage 2; and
- Docklands Film and Television Studios – Future directions – Infrastructure enhancement.

## **Investing and financing**

Cash flow from investing activities primarily reflects the purchase of property, plant and equipment from the continued asset investment in the Department and TAFE sector. These new and existing capital initiatives will assist in expanding service capacity and enhancing infrastructure.

The investment activity in the *2010-11 Budget* of \$310 million is financed largely by a net cash inflow from operations of \$99 million and a capital contribution from government of \$178 million. This contribution is comprised of new investments mentioned above, in addition to asset funding announced in previous budgets.

## **Statement of administered items**

The administered appropriations and expenses for 2010-11 primarily relate to lease payments associated with the Melbourne Convention and Exhibition Centre. The Department has recognised an administered liability for these lease payments and a loan receivable to the Department from the Melbourne Convention and Exhibition trust in relation to this item.

**Table 3.6.1: Operating statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Net result from continuing operations</b>				
<b>Income from transactions</b>				
Output appropriations	1 667.6	1 669.2	2 108.6	1 973.3
Interest	57.4	37.1	38.7	32.3
Sale of goods and services	487.8	520.2	531.2	545.4
Grants	205.7	349.3	79.7	19.3
Other income	91.9	27.0	35.3	26.6
<b>Total income from transactions</b>	<b>2 510.3</b>	<b>2 602.8</b>	<b>2 793.6</b>	<b>2 596.9</b>
<b>Expenses from transactions</b>				
Employee benefits	988.2	1 019.0	1 082.0	1 090.0
Depreciation and amortisation	84.5	84.9	89.2	100.0
Interest expense	0.2	..	..	..
Grants and other transfers	473.0	544.3	606.2	504.3
Capital asset charge	182.2	195.0	205.0	219.2
Other operating expenses	647.7	662.9	708.2	646.6
<b>Total expenses from transactions</b>	<b>2 375.7</b>	<b>2 506.1</b>	<b>2 690.5</b>	<b>2 560.1</b>
<b>Net result from transactions (net operating balance)</b>	<b>134.6</b>	<b>96.8</b>	<b>103.0</b>	<b>36.8</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	( 53.2)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	( 14.3)	0.1	( 0.2)	0.1
Other gains/(losses) from economic flows	( 0.5)	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 68.0)</b>	<b>0.1</b>	<b>( 0.2)</b>	<b>0.1</b>
<b>Net result</b>	<b>66.6</b>	<b>96.9</b>	<b>102.8</b>	<b>36.9</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Asset revaluation reserve	34.7	( 1.1)	24.1	28.9
Other	..	0.3	( 0.8)	10.5
<b>Total other economic flows – other non-owner changes in equity</b>	<b>34.7</b>	<b>( 0.7)</b>	<b>23.3</b>	<b>39.4</b>
<b>Comprehensive result</b>	<b>101.3</b>	<b>96.2</b>	<b>126.1</b>	<b>76.3</b>

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

**Table 3.6.2: Balance sheet**

(\$ million)

	Estimated as at 30 Jun			
	2009 Actual	2010 Budget	2010 Revised	2011 Budget
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	262.3	274.4	255.0	222.7
Receivables	121.3	124.1	157.3	149.9
Other financial assets	703.1	677.5	595.7	654.6
Investments accounted for using equity method	30.0	35.0	35.0	40.0
<b>Total financial assets</b>	<b>1 116.7</b>	<b>1 111.1</b>	<b>1 043.0</b>	<b>1 067.3</b>
<b>Non-financial assets</b>				
Inventories	64.5	64.6	64.6	65.1
Non-financial assets classified as held for sale, including disposal group assets	11.3	11.3	8.4	5.4
Property, plant and equipment	2 494.3	2 669.2	2 790.3	2 979.2
Biological assets	4.7	4.7	9.1	14.0
Intangible assets	2.7	1.9	5.0	4.7
Other	53.7	53.9	66.3	68.5
<b>Total non-financial assets</b>	<b>2 631.2</b>	<b>2 805.5</b>	<b>2 943.7</b>	<b>3 137.0</b>
<b>Total assets</b>	<b>3 747.9</b>	<b>3 916.6</b>	<b>3 986.7</b>	<b>4 204.2</b>
<b>Liabilities</b>				
Payables	261.4	254.8	263.2	225.2
Interest-bearing liabilities	10.9	10.1	9.7	10.3
Provisions	179.0	185.3	196.8	197.9
<b>Total liabilities</b>	<b>451.4</b>	<b>450.1</b>	<b>469.8</b>	<b>433.3</b>
<b>Net assets</b>	<b>3 296.5</b>	<b>3 466.4</b>	<b>3 516.9</b>	<b>3 770.9</b>
<b>Equity</b>				
Accumulated surplus/(deficit)	1 222.1	1 319.3	1 324.9	1 373.0
Reserves	1 199.0	1 198.0	1 222.3	1 250.5
Contributed capital	875.4	949.1	969.7	1 147.3
<b>Total equity</b>	<b>3 296.5</b>	<b>3 466.4</b>	<b>3 516.9</b>	<b>3 770.9</b>

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

**Table 3.6.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Receipts from Government	1 860.7	2 011.2	2 186.3	1 987.2
Receipts from other entities	481.7	525.2	514.8	550.1
Interest received	62.1	37.1	38.6	32.3
Other receipts	105.0	16.5	9.6	9.9
<b>Total receipts</b>	<b>2 509.6</b>	<b>2 590.0</b>	<b>2 749.3</b>	<b>2 579.6</b>
<b>Payments</b>				
Payments of grants and other transfers	( 480.1)	( 544.3)	( 606.2)	( 504.3)
Payments to suppliers and employees	(1 611.1)	(1 672.5)	(1 780.9)	(1 757.0)
Capital asset charge	( 182.2)	( 195.0)	( 205.0)	( 219.2)
Interest and other costs of finance paid	( 0.2)	..	..	..
<b>Total payments</b>	<b>(2 273.6)</b>	<b>(2 411.8)</b>	<b>(2 592.0)</b>	<b>(2 480.5)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>236.1</b>	<b>178.2</b>	<b>157.3</b>	<b>99.0</b>
<b>Cash flows from investing activities</b>				
Net investment	( 192.4)	40.5	122.4	( 58.9)
Payments for non-financial assets	( 179.2)	( 259.6)	( 360.1)	( 245.6)
Proceeds from sale of non-financial assets	16.0	..	..	..
Net loans to other parties	6.2	..	..	..
Net (purchase)/disposal of investments – policy purposes	( 10.0)	15.0	15.0	( 5.0)
<b>Net cash flow from/(used in) investing activities</b>	<b>( 359.4)</b>	<b>( 204.1)</b>	<b>( 222.7)</b>	<b>( 309.5)</b>
<b>Cash flows from financing activities</b>				
Owner contributions by State Government	71.4	53.7	74.3	177.7
Repayment of finance leases	..	( 0.2)	0.1	0.7
Net borrowings	( 36.4)	( 15.6)	( 16.3)	( 0.1)
<b>Net cash flows from/(used in) financing activities</b>	<b>35.0</b>	<b>37.9</b>	<b>58.1</b>	<b>178.2</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 88.3)</b>	<b>12.0</b>	<b>( 7.3)</b>	<b>( 32.3)</b>
Cash and cash equivalents at the beginning of the financial year	350.7	262.3	262.3	255.0
<b>Cash and cash equivalents at the end of the financial year</b>	<b>262.3</b>	<b>274.4</b>	<b>255.0</b>	<b>222.7</b>

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



**Table 3.6.4: Statement of changes in equity**

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
<b>Opening balance 1 July 2008</b>	<b>1 161.9</b>	<b>557.2</b>	<b>21.3</b>	<b>1 136.7</b>	<b>2 877.1</b>
Comprehensive result	60.2	..	6.4	34.7	<b>101.3</b>
Transactions with owners in their capacity as owners	..	318.2	..	..	<b>318.2</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>1 222.1</b>	<b>875.4</b>	<b>27.7</b>	<b>1 171.3</b>	<b>3 296.5</b>
Comprehensive result	97.2	..	..	( 1.1)	<b>96.2</b>
Transactions with owners in their capacity as owners	..	73.7	..	..	<b>73.7</b>
<b>Closing balance 30 June 2010 (Budget)</b>	<b>1 319.3</b>	<b>949.1</b>	<b>27.7</b>	<b>1 170.3</b>	<b>3 466.4</b>
Comprehensive result	102.8	..	( 0.8)	24.1	<b>126.1</b>
Transactions with owners in their capacity as owners	..	94.3	..	..	<b>94.3</b>
<b>Closing balance 30 June 2010 (Revised)</b>	<b>1 324.9</b>	<b>969.7</b>	<b>26.9</b>	<b>1 195.5</b>	<b>3 516.9</b>
Comprehensive result	48.1	..	( 0.7)	28.9	<b>76.3</b>
Transactions with owners in their capacity as owners	..	177.7	..	..	<b>177.7</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>1 373.0</b>	<b>1 147.3</b>	<b>26.2</b>	<b>1 224.3</b>	<b>3 770.9</b>

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

**Table 3.6.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Administered income</b>				
Appropriations – Payments made on behalf of the State	27.0	54.0	54.0	54.0
Sale of goods and services	1.2	1.2	1.2	1.2
Grants	11.2	10.0	10.0	5.0
Interest	4.6	32.0	14.8	15.3
Other income	0.7	2.1	2.1	2.1
<b>Total administered income</b>	<b>44.7</b>	<b>99.3</b>	<b>82.1</b>	<b>77.5</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	38.1	32.0	32.0	32.0
Grants and other transfers	2.2	8.0	8.0	8.0
Payments into the consolidated fund	39.7	16.6	16.6	11.6
<b>Total administered expenses</b>	<b>80.0</b>	<b>56.6</b>	<b>56.6</b>	<b>51.6</b>
<b>Income less expenses</b>	<b>( 35.3)</b>	<b>42.6</b>	<b>25.4</b>	<b>25.9</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	19.4	5.3	5.3	5.3
Net gain/(loss) on financial instruments and statutory receivables/payables	7.9	( 0.1)	( 0.1)	( 0.1)
<b>Total other economic flows included in net result</b>	<b>27.3</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>
<b>Net result</b>	<b>( 8.0)</b>	<b>47.8</b>	<b>30.6</b>	<b>31.1</b>
<b>Administered assets</b>				
Cash and deposits	..	..	..	..
Receivables	283.1	315.1	297.9	313.2
Other financial assets	12.6	12.6	12.6	12.6
Property, plant and equipment	..	..	..	..
<b>Total administered assets</b>	<b>295.6</b>	<b>327.6</b>	<b>310.4</b>	<b>325.7</b>
<b>Administered liabilities</b>				
Payables	93.1	91.3	91.3	89.5
Interest bearing liabilities	455.8	441.8	441.8	427.8
<b>Total administered liabilities</b>	<b>548.9</b>	<b>533.1</b>	<b>533.1</b>	<b>517.3</b>
<b>Net assets</b>	<b>( 253.3)</b>	<b>( 205.5)</b>	<b>( 222.7)</b>	<b>( 191.6)</b>
<b>Equity</b>				
Contributed capital	( 175.8)	( 175.8)	( 175.8)	( 175.8)
Accumulated surplus/(deficit)	( 77.6)	( 29.8)	( 47.0)	( 15.9)
<b>Total equity</b>	<b>( 253.4)</b>	<b>( 205.6)</b>	<b>( 222.8)</b>	<b>( 191.7)</b>

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

**Table 3.6.6: Payments made on behalf of the State**

(\$ million)

<i>Accounts</i>	<i>2009-10 Budget</i>	<i>2009-10 Revised</i>	<i>2010-11 Budget</i>
Finance lease interest	32.0	32.0	32.0
Grants to Government public non-financial corporations – within portfolio	8.0	8.0	8.0
Finance lease liability	14.0	14.0	14.0
<b>Total</b>	<b>54.0</b>	<b>54.0</b>	<b>54.0</b>

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 3.6.7: Parliamentary authority for resources**

(\$ million)

	<i>2009-10 Budget</i>	<i>2009-10 Revised</i>	<i>2010-11 Budget</i>
Annual appropriations	1 707.3	1 780.1	1 841.6
Receipts credited to appropriations	5.0	377.5	335.9
Unapplied previous years appropriation	64.5	79.3	27.4
<b>Gross annual appropriation</b>	<b>1 776.9</b>	<b>2 236.9</b>	<b>2 204.9</b>
Trust funds	20.1	26.2	16.6
<b>Total parliamentary authority</b>	<b>1 797.0</b>	<b>2 263.2</b>	<b>2 221.5</b>

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

## DEPARTMENT OF JUSTICE

### Operating performance

The Department's 2010-11 net result from transactions is an estimated deficit of \$15 million. This is due to grant payments from the Victorian Property Fund for public housing and other projects being funded from prior year accumulated surpluses within the Property Fund. This is an improvement over the 2009-10 revised estimate reflecting an increase in interest revenue as the economy recovers and while interest rates are slowly improving in 2010-11 they have still not recovered to normal levels. The improvement in the deficit is also driven by one-off Victoria Police expenses funded from accumulated surplus in the 2009-10 revised budget.

The 2009-10 revised budget reflects the reduction in interest rates during 2009-10 and the grant payments from the Victorian Property Fund have not reduced in line with the interest revenue.

Total income in 2010-11 will increase by \$317 million compared to the 2009-10 revised budget and is due to both new output initiatives announced in the *2010-11 Budget* and the continued rollout of initiatives approved in earlier budgets. Expenses are estimated to increase by \$279 million. The *2010-11 Budget* estimate also includes escalation funding reflecting the increased cost of providing existing outputs.

Major initiatives funded in the *2010-11 Budget* account for the majority of the increase in appropriation revenue. These include:

- \$51 million for the first phase of the strategy to recruit an additional 1 700 police and the return of a further 200 police to operational roles;
- \$5.5 million to consolidate police call taking and dispatch in country areas which will free up 66 police to operational duties;
- \$24 million for Victoria Legal Aid;
- \$16 million for bushfire preparedness initiatives and initiatives to improve emergency response;
- \$10 million for increased demand in the women's prison system;
- \$8 million for Managing Court Demand; and
- \$6 million for The Better Pathways program.

Estimated 2010-11 departmental operating expenses also include \$31 million in additional depreciation and capital asset charge costs which flow directly from new and existing asset initiatives being funded in the *2010-11 Budget*.

## **Balance sheet performance**

The Department's 2010-11 net asset position is estimated to improve by \$297 million compared to the 2009-10 revised budget. This comprises an estimated increase in total assets of \$309 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 the new assets across the Department in areas such as increasing prison capacity in both the men's and women's prison systems, the Victoria Police CBD Accommodation Strategy and additional funding for Victoria State Emergency Services emergency response vehicles.

## **Investing and financing**

The increase in payments for property, plant and equipment in 2010-11 reflects new asset investment programs for the Justice portfolio, including major new initiatives such as increasing prison capacity in the men's and women's prison systems, the Victoria Police CBD Accommodation Strategy and additional funding for Victoria State Emergency Services emergency response vehicles.

New asset investments for 2010-11 are financed by a net cash inflow from operating activities of \$209 million and a capital contribution from the Government of \$168 million.

## **Statement of administered items**

Revenues administered by the department on behalf of the State and third parties are forecast to rise by \$128 million in the *2010-11 Budget* relative to the 2009-10 revised budget. Total administered expenses are forecast to increase by \$129 million over the same period.

Revenue from fines is expected to rise by \$49 million in 2010-11 when compared with the 2009-10 revised budget. This increase is attributable to the expansion of road safety initiatives approved in previous budgets.

Payments made on behalf of the State have increased relative to the 2009-10 revised budget due to the recognition of bad and doubtful debts resulting from fine related enforcement activities. Outstanding debts will continue to be vigorously pursued through all legal means however prudent accounting requires that provision be made for such debts.

**Table 3.7.1: Operating statement**

(\$ million)

	2008-09	2009-10	2009-10	2010-11
	Actual	Budget	Revised	Budget
<b>Net result from continuing operations</b>				
<b>Income from transactions</b>				
Output appropriations	3 289.3	3 612.0	3 614.6	3 884.4
Special appropriations	106.7	106.1	106.1	143.1
Interest	96.9	95.3	77.6	94.1
Sale of goods and services	9.7	2.8	2.8	2.8
Grants	45.0	44.3	53.9	47.6
Fair value of assets and services received free of charge or for nominal consideration	1.0	..	..	..
Other income	35.5	26.5	25.1	25.1
<b>Total income from transactions</b>	<b>3 584.1</b>	<b>3 887.0</b>	<b>3 880.1</b>	<b>4 197.1</b>
<b>Expenses from transactions</b>				
Employee benefits	1 887.4	1 985.1	2 008.7	2 117.9
Depreciation and amortisation	128.2	180.7	180.3	189.3
Interest expense	45.8	42.5	42.5	42.0
Grants and other transfers	280.4	321.4	371.6	367.2
Capital asset charge	138.8	155.8	150.9	173.7
Other operating expenses	1 031.3	1 221.4	1 179.5	1 322.1
<b>Total expenses from transactions</b>	<b>3 511.8</b>	<b>3 906.7</b>	<b>3 933.4</b>	<b>4 212.3</b>
<b>Net result from transactions (net operating balance)</b>	<b>72.3</b>	<b>( 19.7)</b>	<b>( 53.2)</b>	<b>( 15.3)</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	2.1	10.7	10.7	13.6
Other gains/(losses) from economic flows	( 20.1)	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 18.1)</b>	<b>10.7</b>	<b>10.7</b>	<b>13.6</b>
<b>Net result</b>	<b>54.2</b>	<b>( 8.9)</b>	<b>( 42.5)</b>	<b>( 1.7)</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Asset revaluation reserve	( 0.1)	..	..	130.1
Other	0.1	..	..	..
<b>Total other economic flows – other non-owner changes in equity</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>130.1</b>
<b>Comprehensive result</b>	<b>54.2</b>	<b>( 8.9)</b>	<b>( 42.5)</b>	<b>128.4</b>

Sources: Departments of Justice and Treasury and Finance

**Table 3.7.2: Balance sheet**

(\$ million)

	Estimated as at 30 Jun			
	2009 Actual	2010 Budget	2010 Revised	2011 Budget
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	101.0	115.1	113.8	127.2
Receivables	62.7	62.7	63.3	64.2
Other financial assets	973.2	1 009.1	975.3	1 015.7
<b>Total financial assets</b>	<b>1 137.0</b>	<b>1 186.9</b>	<b>1 152.4</b>	<b>1 207.0</b>
<b>Non-financial assets</b>				
Inventories	9.6	9.6	9.6	9.6
Non-financial assets classified as held for sale, including disposal group assets	14.2	7.5	7.5	0.9
Property, plant and equipment	2 285.4	2 426.9	2 369.6	2 631.6
Intangible assets	46.2	44.7	61.0	59.5
Other	8.7	8.7	8.7	8.7
<b>Total non-financial assets</b>	<b>2 364.0</b>	<b>2 497.5</b>	<b>2 456.5</b>	<b>2 710.3</b>
<b>Total assets</b>	<b>3 501.0</b>	<b>3 684.5</b>	<b>3 608.8</b>	<b>3 917.4</b>
<b>Liabilities</b>				
Payables	205.6	205.8	205.8	206.1
Interest-bearing liabilities	496.1	472.2	472.2	448.4
Provisions	594.3	629.9	629.8	665.3
<b>Total liabilities</b>	<b>1 296.1</b>	<b>1 307.8</b>	<b>1 307.8</b>	<b>1 319.8</b>
<b>Net assets</b>	<b>2 205.0</b>	<b>2 376.6</b>	<b>2 301.0</b>	<b>2 597.6</b>
<b>Equity</b>				
Accumulated surplus/(deficit)	623.5	614.5	581.0	579.2
Reserves	434.6	434.6	434.6	564.8
Contributed capital	1 146.9	1 327.4	1 285.4	1 453.6
<b>Total equity</b>	<b>2 205.0</b>	<b>2 376.6</b>	<b>2 301.0</b>	<b>2 597.6</b>

Sources: Departments of Justice and Treasury and Finance

**Table 3.7.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Receipts from Government	3 399.6	3 721.6	3 724.3	4 031.0
Receipts from other entities	58.7	50.6	60.3	54.2
Interest received	99.2	95.3	77.1	93.1
Other receipts	20.4	20.4	18.8	18.5
<b>Total receipts</b>	<b>3 577.9</b>	<b>3 888.0</b>	<b>3 880.3</b>	<b>4 196.9</b>
<b>Payments</b>				
Payments of grants and other transfers	( 281.5)	( 322.3)	( 372.3)	( 367.9)
Payments to suppliers and employees	(2 855.7)	(3 170.9)	(3 152.7)	(3 404.5)
Capital asset charge	( 138.8)	( 155.8)	( 150.9)	( 173.7)
Interest and other costs of finance paid	( 45.5)	( 42.2)	( 42.2)	( 41.8)
<b>Total payments</b>	<b>(3 321.6)</b>	<b>(3 691.2)</b>	<b>(3 718.1)</b>	<b>(3 988.0)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>256.3</b>	<b>196.7</b>	<b>162.2</b>	<b>208.9</b>
<b>Cash flows from investing activities</b>				
Net investment	( 107.9)	( 35.9)	( 2.1)	( 40.4)
Payments for non-financial assets	( 217.2)	( 337.4)	( 296.0)	( 336.4)
Proceeds from sale of non-financial assets	28.8	34.0	34.0	36.9
Net loans to other parties	1.6	..	..	..
<b>Net cash flow from/(used in) investing activities</b>	<b>( 294.7)</b>	<b>( 339.3)</b>	<b>( 264.0)</b>	<b>( 339.9)</b>
<b>Cash flows from financing activities</b>				
Owner contributions by State Government	102.6	180.6	138.6	168.2
Repayment of finance leases	( 19.1)	( 21.8)	( 21.8)	( 22.4)
Net borrowings	( 12.9)	( 2.2)	( 2.2)	( 1.4)
<b>Net cash flows from/(used in) financing activities</b>	<b>70.6</b>	<b>156.6</b>	<b>114.6</b>	<b>144.4</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>32.2</b>	<b>14.0</b>	<b>12.8</b>	<b>13.3</b>
Cash and cash equivalents at the beginning of the financial year	68.8	101.0	101.0	113.8
<b>Cash and cash equivalents at the end of the financial year</b>	<b>101.0</b>	<b>115.1</b>	<b>113.8</b>	<b>127.2</b>

Sources: Departments of Justice and Treasury and Finance



**Table 3.7.4: Statement of changes in equity**

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
<b>Opening balance 1 July 2008</b>	<b>569.2</b>	<b>1 048.4</b>	..	<b>434.7</b>	<b>2 052.4</b>
Comprehensive result	54.3	..	..	( 0.1)	<b>54.2</b>
Transactions with owners in their capacity as owners	..	98.4	..	..	<b>98.4</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>623.5</b>	<b>1 146.9</b>	..	<b>434.6</b>	<b>2 205.0</b>
Comprehensive result	( 8.9)	..	..	..	<b>( 8.9)</b>
Transactions with owners in their capacity as owners	..	180.6	..	..	<b>180.6</b>
<b>Closing balance 30 June 2010 (Budget)</b>	<b>614.5</b>	<b>1 327.4</b>	..	<b>434.6</b>	<b>2 376.6</b>
Comprehensive result	( 42.5)	..	..	..	<b>( 42.5)</b>
Transactions with owners in their capacity as owners	..	138.6	..	..	<b>138.6</b>
<b>Closing balance 30 June 2010 (Revised)</b>	<b>581.0</b>	<b>1 285.4</b>	..	<b>434.6</b>	<b>2 301.0</b>
Comprehensive result	( 1.7)	..	..	130.1	<b>128.4</b>
Transactions with owners in their capacity as owners	..	168.2	..	..	<b>168.2</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>579.2</b>	<b>1 453.6</b>	..	<b>564.8</b>	<b>2 597.6</b>

*Sources: Departments of Justice and Treasury and Finance*

**Table 3.7.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Administered income</b>				
Appropriations – Payments made on behalf of the State	43.1	50.3	50.3	52.3
Special appropriations	35.0	40.0	40.0	48.3
Sale of goods and services	141.7	121.0	145.4	136.4
Grants	7.2	4.3	4.0	4.3
Interest	1.0	..	0.2	..
Other income	2 278.1	2 297.2	2 306.5	2 432.5
<b>Total administered income</b>	<b>2 506.0</b>	<b>2 512.9</b>	<b>2 546.4</b>	<b>2 673.9</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	19.6	13.2	23.2	13.3
Grants and other transfers	28.4	35.6	35.6	43.8
Payments into the consolidated fund	2 198.9	2 347.9	2 326.6	2 457.0
<b>Total administered expenses</b>	<b>2 246.9</b>	<b>2 396.8</b>	<b>2 385.4</b>	<b>2 514.2</b>
<b>Income less expenses</b>	<b>259.1</b>	<b>116.1</b>	<b>161.0</b>	<b>159.7</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	1.3	0.7	10.8	1.5
Net gain/(loss) on financial instruments and statutory receivables/payables	( 231.8)	( 59.6)	( 163.2)	( 162.4)
Other gains/(losses) from economic flows	..	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 230.5)</b>	<b>( 58.8)</b>	<b>( 152.4)</b>	<b>( 160.9)</b>
<b>Net result</b>	<b>28.6</b>	<b>57.3</b>	<b>8.6</b>	<b>( 1.2)</b>
<b>Administered assets</b>				
Cash and deposits	61.8	61.0	60.8	60.0
Receivables	520.6	576.1	524.1	521.1
Other financial assets	22.0	24.7	24.7	27.4
Property, plant and equipment	( 2.4)	( 2.5)	1.0	1.0
Non-current assets classified as held for sale	0.2	0.2	0.2	0.2
<b>Total administered assets</b>	<b>602.1</b>	<b>659.5</b>	<b>610.8</b>	<b>609.6</b>
<b>Administered liabilities</b>				
Payables	92.7	92.7	92.7	92.7
Provisions	2.6	2.6	2.6	2.6
<b>Total administered liabilities</b>	<b>95.3</b>	<b>95.3</b>	<b>95.3</b>	<b>95.3</b>
<b>Net assets</b>	<b>506.8</b>	<b>564.1</b>	<b>515.4</b>	<b>514.3</b>
<b>Equity</b>				
Contributed capital	..	..	..	..
Accumulated surplus/(deficit)	506.8	564.1	515.4	514.3
<b>Total equity</b>	<b>506.8</b>	<b>564.1</b>	<b>515.4</b>	<b>514.3</b>

Sources: Departments of Justice and Treasury and Finance

**Table 3.7.6: Payments made on behalf of the State**

(\$ million)

<i>Accounts</i>	<i>2009-10 Budget</i>	<i>2009-10 Revised</i>	<i>2010-11 Budget</i>
Tattersalls duty payments to other jurisdictions	50.3	50.3	52.3
<b>Total</b>	<b>50.3</b>	<b>50.3</b>	<b>52.3</b>

*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 3.7.7: Parliamentary authority for resources**

(\$ million)

	<i>2009-10 Budget</i>	<i>2009-10 Revised</i>	<i>2010-11 Budget</i>
Annual appropriations	3 700.4	3 577.3	3 906.7
Receipts credited to appropriations	122.3	205.5	170.3
Unapplied previous years appropriation	40.0	40.9	47.1
Accumulated surplus – previously applied appropriation	18.8	25.8	3.2
<b>Gross annual appropriation</b>	<b>3 881.5</b>	<b>3 849.5</b>	<b>4 127.2</b>
Special appropriations	146.4	146.4	192.4
Trust funds	165.0	155.1	165.4
<b>Total parliamentary authority</b>	<b>4 192.9</b>	<b>4 150.9</b>	<b>4 485.1</b>

*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 \$3 million in 2010-11. This deficit results from the timing of payments from the Community Support Fund (CSF) for community projects in the 2010-11 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 2010-11 compared to 2009-10 is largely due to funding for major events which is finalised post budget.

### Balance sheet performance

The Department's net asset position is budgeted to increase in 2010-11, largely due to budgeted investment in Central Activity Districts and sporting infrastructure.

### Investing and financing

Payments for property, plant and equipment for the *2010-11 Budget* year are budgeted at \$112 million, and relate to DPCD's existing capital investment program and new capital investment initiatives announced as part of the *2010-11 Budget*. The increase in the net cash inflow from financing activities in the *2010-11 Budget* reflects the increase in capital funding of existing projects as well as new initiatives as part of the *2010-11 Budget*.

### Statement of administered items

Transactions administered by DPCD on behalf of the State include:

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

**Table 3.8.1: Operating statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Net result from continuing operations</b>				
<b>Income from transactions</b>				
Output appropriations	429.3	433.7	419.2	456.2
Special appropriations	100.9	98.9	98.1	102.6
Interest	3.7	3.0	3.0	2.4
Sale of goods and services	2.3	1.0	0.4	..
Grants	53.5	2.6	57.3	3.8
Other income	( 2.4)	0.5	0.5	0.5
<b>Total income from transactions</b>	<b>587.2</b>	<b>539.6</b>	<b>578.5</b>	<b>565.5</b>
<b>Expenses from transactions</b>				
Employee benefits	94.0	88.4	102.6	104.4
Depreciation and amortisation	4.5	5.7	5.7	6.0
Interest expense	0.3	..	..	..
Grants and other transfers	408.1	368.5	399.8	381.0
Capital asset charge	5.3	5.8	5.8	6.5
Other operating expenses	77.6	77.2	74.7	70.3
<b>Total expenses from transactions</b>	<b>589.8</b>	<b>545.5</b>	<b>588.5</b>	<b>568.3</b>
<b>Net result from transactions (net operating balance)</b>	<b>( 2.6)</b>	<b>( 5.9)</b>	<b>( 10.0)</b>	<b>( 2.8)</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	( 1.6)	..	..	..
Other gains/(losses) from economic flows	( 0.4)	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 2.0)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net result</b>	<b>( 4.6)</b>	<b>( 5.9)</b>	<b>( 10.0)</b>	<b>( 2.8)</b>
<b>Other economic flows – other non-owner changes in equity</b>				
<b>Total other economic flows – other non-owner changes in equity</b>	<b>( 1.8)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Comprehensive result</b>	<b>( 6.3)</b>	<b>( 5.9)</b>	<b>( 10.0)</b>	<b>( 2.8)</b>

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

**Table 3.8.2: Balance sheet**

(\$ million)

	Estimated as at 30 Jun			
	2009 Actual	2010 Budget	2010 Revised	2011 Budget
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	52.7	44.8	44.5	35.3
Receivables	16.1	16.1	16.1	16.1
Other financial assets <sup>(a)</sup>	88.6	90.3	85.4	91.3
<b>Total financial assets</b>	<b>157.4</b>	<b>151.1</b>	<b>146.0</b>	<b>142.6</b>
<b>Non-financial assets</b>				
Inventories	0.1	0.1	..	..
Property, plant and equipment	159.4	234.9	204.5	307.3
Intangible assets	11.0	14.8	17.4	20.1
Other	0.7	0.7	0.7	0.7
<b>Total non-financial assets</b>	<b>171.1</b>	<b>250.5</b>	<b>222.5</b>	<b>328.0</b>
<b>Total assets</b>	<b>328.5</b>	<b>401.7</b>	<b>368.5</b>	<b>470.6</b>
<b>Liabilities</b>				
Payables	48.9	48.9	48.9	48.9
Interest-bearing liabilities	5.4	5.4	5.4	5.4
Provisions	25.7	25.7	25.7	25.7
<b>Total liabilities</b>	<b>80.0</b>	<b>80.0</b>	<b>80.0</b>	<b>80.0</b>
<b>Net assets</b>	<b>248.5</b>	<b>321.7</b>	<b>288.5</b>	<b>390.6</b>
<b>Equity</b>				
Accumulated surplus/(deficit) <sup>(a)</sup>	9.3	3.4	( 0.7)	( 3.5)
Reserves	15.4	15.4	15.4	15.4
Contributed capital	223.8	302.8	273.8	378.7
<b>Total equity</b>	<b>248.5</b>	<b>321.7</b>	<b>288.5</b>	<b>390.6</b>

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

*(a)* This amount is consistent with the number published in the DPCD's 2008-09 Annual Departmental Report.

**Table 3.8.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Receipts from Government	530.4	532.6	517.3	558.8
Receipts from other entities	56.4	3.6	57.7	3.8
Interest received	4.0	3.0	3.0	2.4
Other receipts	5.0	0.5	0.5	0.5
<b>Total receipts</b>	<b>595.8</b>	<b>539.6</b>	<b>578.5</b>	<b>565.5</b>
<b>Payments</b>				
Payments of grants and other transfers	( 412.2)	( 368.5)	( 399.8)	( 381.0)
Payments to suppliers and employees	( 184.4)	( 165.6)	( 177.3)	( 174.8)
Capital asset charge	( 5.3)	( 5.8)	( 5.8)	( 6.5)
Interest and other costs of finance paid	( 0.3)	..	..	..
<b>Total payments</b>	<b>( 602.1)</b>	<b>( 539.9)</b>	<b>( 582.8)</b>	<b>( 562.3)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>( 6.3)</b>	<b>( 0.2)</b>	<b>( 4.4)</b>	<b>3.3</b>
<b>Cash flows from investing activities</b>				
Net investment	19.9	( 1.7)	3.2	( 5.9)
Payments for non-financial assets	( 27.6)	( 85.1)	( 57.1)	( 111.5)
Net loans to other parties	..	..	..	..
<b>Net cash flow from/(used in) investing activities</b>	<b>( 7.7)</b>	<b>( 86.8)</b>	<b>( 53.9)</b>	<b>( 117.4)</b>
<b>Cash flows from financing activities</b>				
Owner contributions by State Government	21.7	79.1	50.0	104.9
Net borrowings	2.2	..	..	..
<b>Net cash flows from/(used in) financing activities</b>	<b>24.0</b>	<b>79.1</b>	<b>50.0</b>	<b>104.9</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9.9</b>	<b>( 7.9)</b>	<b>( 8.2)</b>	<b>( 9.3)</b>
Cash and cash equivalents at the beginning of the financial year	42.7	52.7	52.7	44.5
<b>Cash and cash equivalents at the end of the financial year</b>	<b>52.7</b>	<b>44.8</b>	<b>44.5</b>	<b>35.3</b>

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

**Table 3.8.4: Statement of changes in equity**

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owner	Other Reserves	Asset revaluation reserve	Total Equity
<b>Opening balance 1 July 2008</b>	<b>( 63.6)</b>	<b>201.3</b>	<b>..</b>	<b>94.7</b>	<b>232.4</b>
Comprehensive result <sup>(a)</sup>	72.9	..	( 1.8)	( 77.5)	<b>( 6.3)</b>
Transactions with owners in their capacity as owners	..	22.5	..	..	<b>22.5</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>9.3</b>	<b>223.8</b>	<b>( 1.8)</b>	<b>17.2</b>	<b>248.5</b>
Comprehensive result	( 5.9)	..	..	..	<b>( 5.9)</b>
Transactions with owners in their capacity as owners	..	79.1	..	..	<b>79.1</b>
<b>Closing balance 30 June 2010 (Budget)</b>	<b>3.4</b>	<b>302.8</b>	<b>( 1.8)</b>	<b>17.2</b>	<b>321.7</b>
Comprehensive result	( 10.0)	..	..	..	<b>( 10.0)</b>
Transactions with owners in their capacity as owners	..	50.0	..	..	<b>50.0</b>
<b>Closing balance 30 June 2010 (Revised)</b>	<b>( 0.7)</b>	<b>273.8</b>	<b>( 1.8)</b>	<b>17.2</b>	<b>288.5</b>
Comprehensive result	( 2.8)	..	..	..	<b>( 2.8)</b>
Transactions with owners in their capacity as owners	..	104.9	..	..	<b>104.9</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>( 3.5)</b>	<b>378.7</b>	<b>( 1.8)</b>	<b>17.2</b>	<b>390.6</b>

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

Note:

(a) This amount is consistent with the number published in the DPCD's 2008-09 Annual Departmental Report.



**Table 3.8.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Administered income</b>				
Appropriations – Payments made on behalf of the State	0.7	0.5	0.5	0.9
Sale of goods and services	0.2	0.7	1.7	0.7
Grants	558.8	446.0	343.4	470.1
Other	4.9	..	..	..
<b>Total administered income</b>	<b>564.5</b>	<b>447.2</b>	<b>345.6</b>	<b>471.7</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	( 0.6)	..	..	..
Grants and other transfers	557.8	446.5	343.9	471.0
Payments into consolidated fund	7.7	0.7	2.3	0.7
<b>Total administered expenses</b>	<b>564.9</b>	<b>447.2</b>	<b>346.2</b>	<b>471.7</b>
<b>Income less expenses</b>	<b>( 0.4)</b>	<b>..</b>	<b>( 0.6)</b>	<b>..</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	1.3	..	0.6	..
<b>Total other economic flows included in net result</b>	<b>1.3</b>	<b>..</b>	<b>0.6</b>	<b>..</b>
<b>Net result</b>	<b>0.9</b>	<b>..</b>	<b>..</b>	<b>..</b>
Other	0.3	..	..	..
<b>Administered assets</b>				
Cash and deposits	0.3	0.3	0.3	0.3
Other financial assets	0.1	0.1	0.1	0.1
<b>Total administered assets</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
<b>Administered liabilities</b>				
Payables	..	..	..	..
<b>Total administered liabilities</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net assets</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
<b>Equity</b>				
Contributed capital	..	..	..	..
Accumulated surplus/(deficit)	0.4	0.4	0.4	0.4
<b>Total equity</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>

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

**Table 3.8.6: Payments made on behalf of the State**

(\$ million)

	2009-10 Budget	2009-10 Revised	2010-11 Budget
Anzac Day administered trust	0.5	0.5	0.9
<b>Total</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>

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 3.8.7: Parliamentary authority for resources**

(\$ million)

	2009-10 Budget	2009-10 Revised	2010-11 Budget
Annual appropriations	527.7	502.4	598.5
Receipts credited to appropriations	..	1.7	..
Unapplied previous years appropriation	11.1	20.8	24.7
Accumulated surplus – previously applied appropriation	..	3.4	..
<b>Gross annual appropriation</b>	<b>538.9</b>	<b>528.3</b>	<b>623.1</b>
Special appropriations	98.9	98.1	102.6
Trust funds	452.6	404.1	476.3
<b>Total parliamentary authority</b>	<b>1 090.3</b>	<b>1 030.5</b>	<b>1 202.1</b>

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 decrease from \$37 million in 2009-10 to \$34 million in 2010-11, a decrease of \$3 million.

Overall, DPC's income estimates for 2010-11 reflect a \$30 million decrease compared with the 2009-10 revised budget. This decrease results mainly from a decrease in operating funding provided by government, reflecting the downscaling of operations of the Victorian Bushfire Reconstruction and Recovery Authority. This is partially offset by additional funding for new output initiatives, including:

- Cultural Precincts and community infrastructure fund; and
- Sustaining the State Library of Victoria.

The expenditure decrease (\$27 million) is primarily due to the fact that the expenditure for the aforementioned bushfire related activities will be \$28 million less in 2010-11 and the inclusion in 2009-10 of a one-off transition grant paid to the Department of Health (\$5 million). These decreases will be partially offset by expenditure in 2010-11 related to the new initiatives mentioned above.

### Balance sheet performance

The Department's net asset position in 2010-11 is estimated to increase by \$82 million compared with the 2009-10 revised budget, principally as a result of:

- an increase in other financial assets largely representing appropriation received for depreciation not being fully drawn down in cash;
- an increase in property, plant and equipment primarily associated with the Southbank Cultural Precinct Redevelopment; and
- an increase in financial assets of the National Gallery of Victoria, following the temporary investment of donations received.

### Investing and financing

The cash flow statement shows an increase of \$25 million in payments for non-financial assets by the Department between the 2009-10 revised budget and the *2010-11 Budget*. This is primarily as a result of the Department's only significant capital project in 2010-11, the Southbank Cultural Precinct Redevelopment.

### Statement of administered items

The administered items statement shows a decrease in the net result of \$15 million. This is related to the conduct of the Royal Commission into the 2009 Victorian bushfires. A total of \$40 million is appropriated as revenue in 2009-10, with expenditure occurring over 2008-09, 2009-10, and 2010-11.

**Table 3.9.1: Operating statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Net result from continuing operations</b>				
<b>Income from transactions</b>				
Output appropriations	549.8	532.4	561.4	532.6
Special appropriations	6.5	6.6	6.6	6.6
Interest	6.4	3.7	3.0	2.2
Sale of goods and services	39.2	41.1	45.8	44.2
Grants	27.8	15.8	23.1	16.3
Fair value of assets and services received free of charge or for nominal consideration	24.2	0.4	0.5	0.5
Other income	52.4	38.4	39.8	48.3
<b>Total income from transactions</b>	<b>706.2</b>	<b>638.3</b>	<b>680.2</b>	<b>650.7</b>
<b>Expenses from transactions</b>				
Employee benefits	187.0	202.4	203.0	204.2
Depreciation and amortisation	43.0	49.2	49.2	50.4
Interest expense	0.2	..	..	..
Grants and other transfers	72.7	88.3	94.8	89.9
Capital asset charge	97.8	97.9	98.0	98.7
Other operating expenses	294.1	165.8	198.7	173.3
<b>Total expenses from transactions</b>	<b>694.9</b>	<b>603.6</b>	<b>643.7</b>	<b>616.4</b>
<b>Net result from transactions (net operating balance)</b>	<b>11.3</b>	<b>34.7</b>	<b>36.5</b>	<b>34.3</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	( 1.6)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	( 9.1)	..	( 0.1)	..
Other gains/(losses) from economic flows	( 0.5)	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 11.2)</b>	<b>..</b>	<b>( 0.1)</b>	<b>..</b>
<b>Net result</b>	<b>0.1</b>	<b>34.7</b>	<b>36.5</b>	<b>34.3</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Asset revaluation reserve	2.2	..	..	..
Other	1.5	..	7.4	1.2
<b>Total other economic flows – other non-owner changes in equity</b>	<b>3.7</b>	<b>..</b>	<b>7.4</b>	<b>1.2</b>
<b>Comprehensive result</b>	<b>3.8</b>	<b>34.7</b>	<b>43.9</b>	<b>35.5</b>

Sources: Departments of Premier and Cabinet and Treasury and Finance

**Table 3.9.2: Balance sheet**

(\$ million)

	Estimated as at 30 Jun			
	2009 Actual	2010 Budget	2010 Revised	2011 Budget
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	50.3	54.2	42.2	40.1
Receivables	20.9	20.5	19.0	19.0
Other financial assets	137.4	191.5	183.1	227.4
<b>Total financial assets</b>	<b>208.7</b>	<b>266.1</b>	<b>244.2</b>	<b>286.4</b>
<b>Non-financial assets</b>				
Inventories	4.4	4.4	4.4	4.4
Property, plant and equipment	5 484.8	5 485.5	5 508.3	5 549.3
Intangible assets	4.4	4.4	4.4	4.3
Other	3.5	3.5	3.5	3.5
<b>Total non-financial assets</b>	<b>5 497.0</b>	<b>5 497.7</b>	<b>5 520.6</b>	<b>5 561.5</b>
<b>Total assets</b>	<b>5 705.7</b>	<b>5 763.9</b>	<b>5 764.8</b>	<b>5 847.9</b>
<b>Liabilities</b>				
Payables	70.4	70.4	73.3	73.3
Interest-bearing liabilities	3.5	3.5	3.5	3.5
Provisions	41.9	43.2	42.7	44.0
<b>Total liabilities</b>	<b>115.8</b>	<b>117.1</b>	<b>119.4</b>	<b>120.7</b>
<b>Net assets</b>	<b>5 589.9</b>	<b>5 646.8</b>	<b>5 645.4</b>	<b>5 727.2</b>
<b>Equity</b>				
Accumulated surplus/(deficit)	90.9	125.6	101.9	102.0
Reserves	3 888.1	3 888.1	3 921.0	3 956.4
Contributed capital	1 611.0	1 633.1	1 622.5	1 668.8
<b>Total equity</b>	<b>5 589.9</b>	<b>5 646.8</b>	<b>5 645.4</b>	<b>5 727.2</b>

Sources: Departments of Premier and Cabinet and Treasury and Finance

**Table 3.9.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Receipts from Government	557.6	538.9	568.0	539.2
Receipts from other entities	62.1	55.4	69.0	59.2
Interest received	6.4	3.7	3.0	2.2
Other receipts	4.1	39.8	41.2	49.6
<b>Total receipts</b>	<b>630.2</b>	<b>637.9</b>	<b>681.1</b>	<b>650.1</b>
<b>Payments</b>				
Payments of grants and other transfers	( 88.5)	( 88.3)	( 94.8)	( 89.9)
Payments to suppliers and employees	( 379.2)	( 366.0)	( 397.0)	( 375.1)
Capital asset charge	( 97.8)	( 97.9)	( 98.0)	( 98.7)
Interest and other costs of finance paid	( 0.2)	..	..	..
<b>Total payments</b>	<b>( 565.7)</b>	<b>( 552.2)</b>	<b>( 589.8)</b>	<b>( 563.7)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>64.5</b>	<b>85.7</b>	<b>91.3</b>	<b>86.5</b>
<b>Cash flows from investing activities</b>				
Net investment	( 46.7)	( 48.6)	( 40.2)	( 41.3)
Payments for non-financial assets	( 35.5)	( 50.3)	( 65.8)	( 90.6)
Proceeds from sale of non-financial assets	0.6	..	..	..
Net loans to other parties	0.5	0.5	0.5	..
<b>Net cash flow from/(used in) investing activities</b>	<b>( 81.0)</b>	<b>( 98.5)</b>	<b>( 105.6)</b>	<b>( 131.9)</b>
<b>Cash flows from financing activities</b>				
Owner contributions by State Government	5.4	22.1	11.5	46.3
Repayment of finance leases	..	..	..	..
Net borrowings	10.3	( 5.5)	( 5.5)	( 3.0)
<b>Net cash flows from/(used in) financing activities</b>	<b>15.7</b>	<b>16.7</b>	<b>6.1</b>	<b>43.3</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 0.8)</b>	<b>3.8</b>	<b>( 8.2)</b>	<b>( 2.1)</b>
Cash and cash equivalents at the beginning of the financial year	51.1	50.3	50.3	42.2
<b>Cash and cash equivalents at the end of the financial year</b>	<b>50.3</b>	<b>54.2</b>	<b>42.2</b>	<b>40.1</b>

Sources: Departments of Premier and Cabinet and Treasury and Finance

**Table 3.9.4: Statement of changes in equity**

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owner	Other Reserves	Asset revaluation reserve	Total Equity
<b>Opening balance 1 July 2008</b>	<b>88.8</b>	<b>1 605.9</b>	<b>174.4</b>	<b>3 712.0</b>	<b>5 581.0</b>
Comprehensive result	2.1	..	(0.5)	2.2	<b>3.8</b>
Transactions with owners in their capacity as owners	..	5.1	..	..	<b>5.1</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>90.9</b>	<b>1 611.0</b>	<b>173.9</b>	<b>3 714.2</b>	<b>5 589.9</b>
Comprehensive result	34.7	..	..	..	<b>34.7</b>
Transactions with owners in their capacity as owners	..	22.1	..	..	<b>22.1</b>
<b>Closing balance 30 June 2010 (Budget)</b>	<b>125.6</b>	<b>1 633.1</b>	<b>173.9</b>	<b>3 714.2</b>	<b>5 646.8</b>
Comprehensive result	11.1	..	32.9	..	<b>43.9</b>
Transactions with owners in their capacity as owners	..	11.5	..	..	<b>11.5</b>
<b>Closing balance 30 June 2010 (Revised)</b>	<b>101.9</b>	<b>1 622.5</b>	<b>206.7</b>	<b>3 714.2</b>	<b>5 645.4</b>
Comprehensive result	..	..	35.5	..	<b>35.5</b>
Transactions with owners in their capacity as owners	..	46.3	..	..	<b>46.3</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>102.0</b>	<b>1 668.8</b>	<b>242.2</b>	<b>3 714.2</b>	<b>5 727.2</b>

Sources: Departments of Premier and Cabinet and Treasury and Finance

**Table 3.9.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Administered income</b>				
Appropriations – Payments made on behalf of the State	..	40.0	40.0	..
Sale of goods and services	0.5	0.6	0.5	0.6
Grants	0.8	..	3.9	0.4
Other income	0.3	0.3	1.9	0.3
<b>Total administered income</b>	<b>1.6</b>	<b>40.8</b>	<b>46.3</b>	<b>1.3</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	6.1	25.0	25.0	..
Payments into the consolidated fund	0.9	0.8	6.3	1.3
<b>Total administered expenses</b>	<b>7.0</b>	<b>25.8</b>	<b>31.3</b>	<b>1.3</b>
<b>Income less expenses</b>	<b>( 5.5)</b>	<b>15.0</b>	<b>15.0</b>	<b>..</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	..	..	..	..
<b>Total other economic flows included in net result</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net result</b>	<b>( 5.5)</b>	<b>15.0</b>	<b>15.0</b>	<b>..</b>
<b>Administered assets</b>				
Cash and deposits	( 0.2)	( 0.2)	( 0.2)	( 0.2)
Receivables	1.4	1.4	1.4	1.4
Other financial assets	( 3.3)	11.7	11.7	11.7
Property, plant and equipment	1.4	1.4	1.4	1.4
<b>Total administered assets</b>	<b>( 0.6)</b>	<b>14.4</b>	<b>14.4</b>	<b>14.4</b>
<b>Administered liabilities</b>				
Payables	4.1	4.1	4.1	4.1
Provisions	0.7	0.7	0.7	0.7
<b>Total administered liabilities</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>
<b>Net assets</b>	<b>( 5.4)</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>
<b>Equity</b>				
Contributed capital	..	..	..	..
Accumulated surplus/(deficit)	( 5.4)	9.6	9.6	9.6
<b>Total equity</b>	<b>( 5.4)</b>	<b>9.6</b>	<b>9.6</b>	<b>9.6</b>

Sources: Departments of Premier and Cabinet and Treasury and Finance



**Table 3.9.6: Payments made on behalf of the State**

(\$ million)

Accounts	2009-10 Budget	2009-10 Revised	2010-11 Budget
Royal Commission into 2009 Victorian Bushfires	40.0	40.0	..
<b>Total</b>	<b>40.0</b>	<b>40.0</b>	<b>..</b>

*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 3.9.7: Parliamentary authority for resources**

(\$ million)

	2009-10 Budget	2009-10 Revised	2010-11 Budget
Annual appropriations	587.6	614.3	565.3
Receipts credited to appropriations	0.5	1.4	4.0
Unapplied previous years appropriation	8.9	0.8	10.2
<b>Gross annual appropriation</b>	<b>597.0</b>	<b>616.4</b>	<b>579.4</b>
Special appropriations	6.6	6.6	6.6
Trust funds	21.6	23.3	20.6
<b>Total parliamentary authority</b>	<b>625.1</b>	<b>646.3</b>	<b>606.6</b>

*Sources: Departments of Premier and Cabinet and Treasury and Finance*

## DEPARTMENT OF PRIMARY INDUSTRIES

### Operating performance

The Department of Primary Industries (DPI) is estimating an operating deficit of \$1.0 million in the *2010-11 Budget*. This budgeted deficit is due to the planned use of prior years' accumulated cash balances.

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 total income from transactions for the *2010-11 Budget* is expected to be \$510 million, a \$37 million reduction from the 2009-10 revised budget. This decrease primarily relates to the reduction in estimates for the Exceptional Circumstances Interest Rate Subsidy (ECIRS) drought assistance program in Victoria as assistance is no longer extended to the South and West Gippsland area after 30 April 2010 and the South Western area after 31 March 2010. The reduction is also attributable to a lower amount of budget brought forward into 2010-11 compared to the budget brought forward into 2009-10. This is a consequence of expenditure being more accurately aligned with the budget cash flows.

The decrease in operating expenses from \$556 million in 2009-10 revised budget to \$511 million in *2010-11 Budget* relates to additional 2009-10 funding for the Victorian Government's drought initiatives undertaken in 2009-10 and the reduction in the number of areas in Victoria declared as areas of exceptional circumstances, which lowers expenditure estimates for the ECIRS drought assistance program.

### Balance sheet performance

DPI's net asset position is expected to increase from \$342 million in the 2009-10 revised budget to \$364 million in the *2010-11 Budget*. This increase is mainly due to commitments to improving Victoria's scientific infrastructure through the Biosciences Research Centre project.

The decrease in net assets of \$191 million from the 2009-10 Budget to the *2010-11 Budget* is due to the transfer of responsibility of the Melbourne Wholesale Markets redevelopment project to the Department of Innovation, Industry and Regional Development and the cash flow adjustment of the Biosciences Research Centre project to reflect the *Partnerships Victoria* framework.

## **Investing and financing**

The increase in cash flows for investing activities from \$11 million in the 2009-10 revised budget to \$27 million in the *2010-11 Budget* is mainly due to contributions towards the Biosciences Research Centre project, an investment in a new world-class facility for agricultural biosciences research and development. In addition, upgrading advanced computing for biological and farm systems research contributes to the increase in investing activities in 2010-11.

The increase in cash flow from financing activities also reflects the Government's contribution to the Biosciences Research Centre project being developed at the La Trobe University's Bundoora campus and the development of advanced computing for biological and farm systems research.

## **Statement of administered items**

Administered income is expected to decrease from \$121 million in the 2009-10 revised budget to \$109 million in the *2010-11 Budget* as a result of lower estimates in revenue received from external parties for research activities. However a further \$7 million of research contracts are pending contract finalisation, which will increase administered income accordingly.

Administered expenses in 2009-10 revised budget is higher than *2010-11 Budget* by \$35 million mainly related to the 2009-10 transfer of Victorian Energy Networks Corporation (VENCorp) assets at net market value free-of-charge to the Australian Energy Market Operator (AEMO).

**Table 3.10.1: Operating statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Net result from continuing operations</b>				
<b>Income from transactions</b>				
Output appropriations	519.4	483.8	506.4	467.9
Interest	4.4	1.1	1.1	1.1
Sale of goods and services	30.9	27.6	29.2	30.9
Grants	..	..	..	..
Other income	6.4	10.0	10.0	10.0
<b>Total income from transactions</b>	<b>561.0</b>	<b>522.6</b>	<b>546.7</b>	<b>509.9</b>
<b>Expenses from transactions</b>				
Employee benefits	191.2	185.1	188.3	188.3
Depreciation and amortisation	21.7	22.5	21.5	22.0
Interest expense	6.8			
Grants and other transfers	162.3	110.6	124.8	91.1
Capital asset charge	15.9	20.0	17.2	17.9
Other operating expenses	166.9	185.9	203.8	191.7
<b>Total expenses from transactions</b>	<b>564.9</b>	<b>524.0</b>	<b>555.5</b>	<b>510.9</b>
<b>Net result from transactions (net operating balance)</b>	<b>( 3.8)</b>	<b>( 1.5)</b>	<b>( 8.8)</b>	<b>( 1.0)</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	( 1.1)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	( 0.1)	..	..	..
Other gains/(losses) from economic flows	( 0.7)	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 1.9)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net result</b>	<b>( 5.8)</b>	<b>( 1.5)</b>	<b>( 8.8)</b>	<b>( 1.0)</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Asset revaluation reserve	22.6	..	..	..
Financial assets available-for-sale reserve:	..	..	..	..
Other	( 0.2)	..	..	..
<b>Total other economic flows – other non-owner changes in equity</b>	<b>22.4</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Comprehensive result</b>	<b>16.6</b>	<b>( 1.5)</b>	<b>( 8.8)</b>	<b>( 1.0)</b>

Sources: Departments of Primary Industries and Treasury and Finance

**Table 3.10.2: Balance sheet**

(\$ million)

	Estimated as at 30 Jun			
	2009 Actual	2010 Budget	2010 Revised	2011 Budget
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	46.5	44.4	45.4	44.8
Receivables	58.9	58.2	58.2	57.5
Other financial assets	121.0	241.0	112.3	111.0
<b>Total financial assets</b>	<b>226.4</b>	<b>343.6</b>	<b>216.0</b>	<b>213.3</b>
<b>Non-financial assets</b>				
Inventories	0.3	0.3	0.3	0.3
Non-financial assets classified as held for sale, including disposal group assets	0.8	0.8	0.8	0.8
Property, plant and equipment	377.8	464.7	376.4	382.4
Biological assets	1.7	1.7	1.7	1.7
Other	1.1	1.1	1.1	1.1
<b>Total non-financial assets</b>	<b>381.7</b>	<b>468.6</b>	<b>380.4</b>	<b>386.3</b>
<b>Total assets</b>	<b>608.2</b>	<b>812.3</b>	<b>596.3</b>	<b>599.6</b>
<b>Liabilities</b>				
Payables	127.3	117.1	114.2	89.8
Interest-bearing liabilities	72.3	72.3	72.3	77.9
Provisions	67.3	67.5	67.5	67.7
<b>Total liabilities</b>	<b>266.9</b>	<b>256.9</b>	<b>254.0</b>	<b>235.4</b>
<b>Net assets</b>	<b>341.2</b>	<b>555.3</b>	<b>342.3</b>	<b>364.2</b>
<b>Equity</b>				
Accumulated surplus/(deficit)	( 1.3)	( 2.8)	( 10.1)	( 11.2)
Reserves	37.8	37.8	37.8	37.8
Contributed capital	304.7	520.3	314.7	337.5
<b>Total equity</b>	<b>341.2</b>	<b>555.3</b>	<b>342.3</b>	<b>364.2</b>

Sources: Departments of Primary Industries and Treasury and Finance

**Table 3.10.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Receipts from Government	519.4	483.8	506.4	467.9
Receipts from other entities	46.1	38.4	39.9	41.6
Interest received	4.5	1.1	1.1	1.1
Other receipts	3.5	..	..	..
<b>Total receipts</b>	<b>573.4</b>	<b>523.3</b>	<b>547.4</b>	<b>510.6</b>
<b>Payments</b>				
Payments of grants and other transfers	( 165.6)	( 110.6)	( 124.8)	( 91.1)
Payments to suppliers and employees	( 368.5)	( 381.0)	( 405.0)	( 404.1)
Capital asset charge	( 15.9)	( 20.0)	( 17.2)	( 17.9)
Interest and other costs of finance paid	( 6.8)	..	..	..
<b>Total payments</b>	<b>( 556.8)</b>	<b>( 511.5)</b>	<b>( 547.0)</b>	<b>( 513.1)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>16.6</b>	<b>11.8</b>	<b>0.4</b>	<b>( 2.5)</b>
<b>Cash flows from investing activities</b>				
Net investment	( 2.1)	( 118.9)	8.7	1.3
Payments for non-financial assets	( 17.2)	( 109.4)	( 20.1)	( 28.0)
Proceeds from sale of non-financial assets	7.5	..	..	..
<b>Net cash flow from/(used in) investing activities</b>	<b>( 11.8)</b>	<b>( 228.4)</b>	<b>( 11.4)</b>	<b>( 26.7)</b>
<b>Cash flows from financing activities</b>				
Owner contributions by State Government	8.6	215.6	9.9	22.9
Repayment of finance leases	( 0.6)	..	..	5.6
Net borrowings	( 14.8)	( 1.0)	..	..
<b>Net cash flows from/(used in) financing activities</b>	<b>( 6.9)</b>	<b>214.6</b>	<b>9.9</b>	<b>28.5</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 2.1)</b>	<b>( 2.1)</b>	<b>( 1.1)</b>	<b>( 0.6)</b>
Cash and cash equivalents at the beginning of the financial year	48.6	46.5	46.5	45.4
<b>Cash and cash equivalents at the end of the financial year</b>	<b>46.5</b>	<b>44.4</b>	<b>45.4</b>	<b>44.8</b>

Sources: Departments of Primary Industries and Treasury and Finance

**Table 3.10.4: Statement of changes in equity**

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owner	Other Reserves	Asset revaluation reserve	Total Equity
<b>Opening balance 1 July 2008</b>	<b>4.6</b>	<b>296.0</b>	<b>..</b>	<b>15.2</b>	<b>315.9</b>
Comprehensive result	( 5.9)	..	..	22.6	<b>16.6</b>
Transactions with owners in their capacity as owners	..	8.7	..	..	<b>8.7</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>( 1.3)</b>	<b>304.7</b>	<b>0.1</b>	<b>37.8</b>	<b>341.2</b>
Comprehensive result	( 1.5)	..	..	..	<b>( 1.5)</b>
Transactions with owners in their capacity as owners	..	215.6	..	..	<b>215.6</b>
<b>Closing balance 30 June 2010 (Budget)</b>	<b>( 2.8)</b>	<b>520.3</b>	<b>0.1</b>	<b>37.8</b>	<b>555.3</b>
Comprehensive result	( 8.8)	..	..	..	<b>( 8.8)</b>
Transactions with owners in their capacity as owners	..	9.9	..	..	<b>9.9</b>
<b>Closing balance 30 June 2010 (Revised)</b>	<b>( 10.1)</b>	<b>314.7</b>	<b>0.1</b>	<b>37.8</b>	<b>342.3</b>
Comprehensive result	( 1.0)	..	..	..	<b>( 1.0)</b>
Transactions with owners in their capacity as owners	..	22.9	..	..	<b>22.9</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>( 11.2)</b>	<b>337.5</b>	<b>0.1</b>	<b>37.8</b>	<b>364.2</b>

Sources: Departments of Primary Industries and Treasury and Finance

**Table 3.10.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Administered income</b>				
Appropriations – Payments made on behalf of the State	..	..	..	..
Sale of goods and services	61.3	58.4	57.2	45.9
Grants	39.5	10.7	10.7	10.7
Interest	..	..	..	..
Other income	56.4	55.0	53.6	51.9
<b>Total administered income</b>	<b>157.2</b>	<b>124.0</b>	<b>121.4</b>	<b>108.5</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	0.2	21.6	21.6	..
Grants and other transfers	..	..	..	..
Payments into the Consolidated Fund	177.3	123.7	121.1	108.2
<b>Total administered expenses</b>	<b>177.5</b>	<b>145.4</b>	<b>142.8</b>	<b>108.2</b>
<b>Income less expenses</b>	<b>( 20.3)</b>	<b>( 21.3)</b>	<b>( 21.3)</b>	<b>0.3</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	( 0.3)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	0.2	12.9	12.9	..
<b>Total other economic flows included in net result</b>	<b>( 0.1)</b>	<b>12.9</b>	<b>12.9</b>	<b>..</b>
<b>Net result</b>	<b>( 20.4)</b>	<b>( 8.4)</b>	<b>( 8.4)</b>	<b>0.3</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Other	( 0.4)	..	..	..
<b>Total other economic flows – other non-owner changes in equity</b>	<b>( 0.4)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Comprehensive result</b>	<b>( 20.8)</b>	<b>( 8.4)</b>	<b>( 8.4)</b>	<b>0.3</b>
<b>Administered assets</b>				
Cash and deposits	2.3	2.6	2.6	2.8
Receivables	47.9	47.9	47.9	47.9
Other financial assets	2.8	2.8	2.8	2.8
<b>Total administered assets</b>	<b>53.0</b>	<b>53.3</b>	<b>53.3</b>	<b>53.6</b>
<b>Administered liabilities</b>				
Payables	12.4	12.4	12.4	12.4
<b>Total administered liabilities</b>	<b>12.4</b>	<b>12.4</b>	<b>12.4</b>	<b>12.4</b>
<b>Net assets</b>	<b>40.6</b>	<b>40.9</b>	<b>40.9</b>	<b>41.2</b>
<b>Equity</b>				
Contributed capital	19.0	27.7	27.7	27.7
Accumulated surplus/(deficit)	21.6	13.2	13.2	13.5
<b>Total equity</b>	<b>40.6</b>	<b>40.9</b>	<b>40.9</b>	<b>41.2</b>

Sources: Departments of Primary Industries and Treasury and Finance



## Authority for resources

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

**Table 3.10.6: Parliamentary authority for resources**

(\$ million)

	2009-10 Budget	2009-10 Revised	2010-11 Budget
Annual appropriations	536.6	345.5	371.4
Receipts credited to appropriations	128.4	129.0	97.7
Unapplied previous years appropriation	34.4	38.9	21.6
Accumulated surplus – previously applied appropriation	..	7.5	..
<b>Gross annual appropriation</b>	<b>699.4</b>	<b>520.9</b>	<b>490.7</b>
Special appropriations	..	2.9	..
Trust funds	39.1	40.6	42.3
<b>Total parliamentary authority</b>	<b>738.4</b>	<b>564.4</b>	<b>533.1</b>

*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 \$7.4 million loss for the 2010-11 financial year compared with a surplus of \$6.4 million net result from transactions for the 2009-10 revised budget.

The expected deficit forecast for 2010-11 is attributable to the planned use of prior year accumulated trust fund monies.

Total income from transactions in 2010-11 is expected to decrease by \$111 million compared to the 2009-10 revised budget. This is due to a combination of the completion of a range of initiatives in 2009-10, \$17 million in further savings and efficiencies planned to be achieved from 2010-11 and non recurring funding provided in 2009-10. Non-recurring funding includes \$77 million in Treasurer's Advance funding offset by \$54 million in 2009-10 appropriation funding carried forward into 2010-11 and funding of new initiatives to commence in the *2010-11 Budget*.

The major components of Treasurer's Advance funding being provided in 2009-10 are \$57.0 million for fire preparedness activities in light of Victoria's severe 2009-10 fire season which includes funding for programs approved via the Victorian Bushfire Reconstruction and Recovery Authority, \$9 million in additional water rate rebates for farmers as part of the Government's 2009 drought response package and \$6.9 million for additional solar hot water rebates in regional Victoria.

Total expenses from transactions in 2010-11 is expected to decrease by \$97 million compared to the 2009-10 revised budget as a result of these same factors.

Total other economic flows included in the net result forecast for 2009-10 include asset write-off of \$20 million for parks assets.

### Balance sheet performance

DSE's 2010-11 net asset position is estimated to improve by \$66 million. This comprises of an estimated increase in total assets of \$70 million offset by an estimated increase in total liabilities of \$4 million. Financial assets are expected to increase by \$20 million by 30 June 2011 and non-financial assets by \$51 million.

Major new capital initiatives commencing in the *2010-11 Budget*:

- Asset replacement and renewal at Victoria's parks and public land: \$7.1 million (\$11.2 million over two years);
- Grasslands Reserves to protect endangered species: \$10 million in 2010-11; and
- Hume Dam – Southern Training Wall Remedial Works: \$3.5 million (\$10.5 million over three years).

## **Investing and financing**

DSE's net cash position is forecast to reduce by \$11 million in *2010-11 Budget* resulting from a net cash flow from operating activities of \$39 million and an equity contribution from Government of \$94 million offset by a net cash outflow in investing activities of \$124 million and an increase of \$20 million in borrowings.

The equity contribution from Government provides the additional funding required to finance the Department's asset investment program which is not generated from cash flows arising from operating activities.

## **Statement of administered items**

Expenses administered by DSE on behalf of the State relate to 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. Amounts shown as grants and other transfers also form part of this arrangement.

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 grants and other income covers a range of Commonwealth own purpose payments including the National Water Initiative, Purchase of Grasslands as well as payments to be distributed under the Commonwealth Natural Disaster Relief and Recovery Arrangements.

**Table 3.11.1: Operating statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Net result from continuing operations</b>				
<b>Income from transactions</b>				
Output appropriations	1 247.4	1 027.0	1 106.6	1 045.5
Special appropriations	227.4	..	3.7	..
Interest	6.8	7.0	4.3	4.0
Sale of goods and services	61.0	1.2	46.2	31.5
Grants	38.7	98.5	42.7	24.1
Fair value of assets and services received free of charge or for nominal consideration	1.9	..	..	..
Other income	195.7	239.0	245.7	233.5
<b>Total income from transactions</b>	<b>1 779.1</b>	<b>1 372.7</b>	<b>1 449.2</b>	<b>1 338.6</b>
<b>Expenses from transactions</b>				
Employee benefits	291.4	235.6	302.3	271.4
Depreciation and amortisation	44.3	44.0	44.0	48.8
Interest expense	3.7	0.1	0.4	0.4
Grants and other transfers	739.4	649.9	528.9	513.3
Capital asset charge	68.8	70.5	70.5	73.8
Other operating expenses	528.5	387.5	496.8	438.3
<b>Total expenses from transactions</b>	<b>1 676.2</b>	<b>1 387.6</b>	<b>1 442.8</b>	<b>1 345.9</b>
<b>Net result from transactions (net operating balance)</b>	<b>102.9</b>	<b>( 14.9)</b>	<b>6.4</b>	<b>( 7.4)</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	( 3.8)	..	( 20.0)	..
Net gain/(loss) on financial instruments and statutory receivables/payables	( 1.3)	( 0.1)	( 0.1)	( 0.1)
Other gains/(losses) from economic flows	( 0.8)	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 5.9)</b>	<b>( 0.1)</b>	<b>( 20.1)</b>	<b>( 0.1)</b>
<b>Net result</b>	<b>97.0</b>	<b>( 14.9)</b>	<b>( 13.6)</b>	<b>( 7.4)</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Asset revaluation reserve	112.3	..	..	..
Other	0.5	..	..	( 11.8)
<b>Total other economic flows – other non-owner changes in equity</b>	<b>112.8</b>	<b>..</b>	<b>..</b>	<b>( 11.8)</b>
<b>Comprehensive result</b>	<b>209.8</b>	<b>( 14.9)</b>	<b>( 13.6)</b>	<b>( 19.2)</b>

Sources: Departments of Sustainability and Environment and Treasury and Finance

**Table 3.11.2: Balance sheet**

(\$ million)

	Estimated as at 30 Jun			
	2009 Actual	2010 Budget	2010 Revised	2011 Budget
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	193.5	168.9	158.4	147.4
Receivables	58.6	64.4	64.4	70.3
Other financial assets	305.6	329.9	312.2	337.1
<b>Total financial assets</b>	<b>557.8</b>	<b>563.3</b>	<b>535.0</b>	<b>554.7</b>
<b>Non-financial assets</b>				
Inventories	13.0	13.0	13.0	13.0
Non-financial assets classified as held for sale including disposal group assets	1.8	1.8	1.8	1.8
Property, plant and equipment	8 986.2	9 062.9	9 030.9	9 086.1
Intangible assets	70.7	65.9	65.9	61.1
Other	8.6	8.6	8.6	8.6
<b>Total non-financial assets</b>	<b>9 080.3</b>	<b>9 152.3</b>	<b>9 120.2</b>	<b>9 170.7</b>
<b>Total assets</b>	<b>9 638.1</b>	<b>9 715.6</b>	<b>9 655.2</b>	<b>9 725.4</b>
<b>Liabilities</b>				
Payables	216.8	216.8	205.6	205.6
Interest-bearing liabilities	29.8	29.8	29.8	29.8
Provisions	160.0	163.8	163.8	167.6
<b>Total liabilities</b>	<b>406.6</b>	<b>410.4</b>	<b>399.2</b>	<b>403.0</b>
<b>Net assets</b>	<b>9 231.5</b>	<b>9 305.2</b>	<b>9 256.0</b>	<b>9 322.4</b>
<b>Equity</b>				
Accumulated surplus/(deficit)	337.4	322.5	323.8	304.7
Reserves	6 579.1	6 579.1	6 579.1	6 579.1
Contributed capital	2 314.9	2 403.5	2 353.0	2 438.6
<b>Total equity</b>	<b>9 231.5</b>	<b>9 305.2</b>	<b>9 256.0</b>	<b>9 322.4</b>

Sources: Departments of Sustainability and Environment and Treasury and Finance

**Table 3.11.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Receipts from Government	1 496.5	1 034.5	1 127.7	1 057.0
Receipts from other entities	270.8	277.6	266.3	261.7
Interest received	7.4	7.0	4.3	4.0
Other receipts	(0.7)	47.7	38.8	10.0
<b>Total receipts</b>	<b>1 774.0</b>	<b>1 366.8</b>	<b>1 437.1</b>	<b>1 332.7</b>
<b>Payments</b>				
Payments of grants and other transfers	( 726.0)	( 649.9)	( 533.9)	( 513.3)
Payments to suppliers and employees	( 775.5)	( 619.2)	( 815.5)	( 706.1)
Capital asset charge	( 68.8)	( 70.5)	( 70.5)	( 73.8)
Interest and other costs of finance paid	( 2.3)	( 0.1)	( 0.1)	( 0.1)
<b>Total payments</b>	<b>(1 572.6)</b>	<b>(1 339.8)</b>	<b>(1 419.9)</b>	<b>(1 293.4)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>201.4</b>	<b>27.1</b>	<b>17.2</b>	<b>39.3</b>
<b>Cash flows from investing activities</b>				
Net investment	( 97.3)	( 8.4)	7.8	( 4.9)
Payments for non-financial assets	( 81.9)	( 137.5)	( 108.9)	( 119.3)
Proceeds from sale of non-financial assets	0.6	..	..	..
<b>Net cash flow from/(used in) investing activities</b>	<b>( 178.7)</b>	<b>( 145.8)</b>	<b>( 101.1)</b>	<b>( 124.2)</b>
<b>Cash flows from financing activities</b>				
Owner contributions by State Government	163.8	110.1	63.1	93.9
Net borrowings	( 75.7)	( 15.9)	( 14.3)	( 20.0)
<b>Net cash flows from/(used in) financing activities</b>	<b>88.2</b>	<b>94.2</b>	<b>48.8</b>	<b>73.9</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>110.9</b>	<b>( 24.6)</b>	<b>( 35.2)</b>	<b>( 11.0)</b>
Cash and cash equivalents at the beginning of the financial year	82.6	193.5	193.5	158.4
<b>Cash and cash equivalents at the end of the financial year</b>	<b>193.5</b>	<b>168.9</b>	<b>158.4</b>	<b>147.4</b>

Sources: Departments of Sustainability and Environment and Treasury and Finance

**Table 3.11.4: Statement of changes in equity**

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owner	Other Reserves	Asset revaluation reserve	Total Equity
<b>Opening balance 1 July 2008</b>	<b>239.9</b>	<b>2 157.0</b>	..	<b>6 466.9</b>	<b>8 863.8</b>
Comprehensive result	97.6	..	..	112.3	<b>209.8</b>
Transactions with owners in their capacity as owners	..	157.9	..	..	<b>157.9</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>337.4</b>	<b>2 314.9</b>	..	<b>6 579.1</b>	<b>9 231.5</b>
Comprehensive result	( 14.9)	..	..	..	<b>( 14.9)</b>
Transactions with owners in their capacity as owners	..	88.6	..	..	<b>88.6</b>
<b>Closing balance 30 June 2010 (Budget)</b>	<b>322.5</b>	<b>2 403.5</b>	..	<b>6 579.1</b>	<b>9 305.2</b>
Comprehensive result	( 13.6)	..	..	..	<b>( 13.6)</b>
Transactions with owners in their capacity as owners	..	38.1	..	..	<b>38.1</b>
<b>Closing balance 30 June 2010 (Revised)</b>	<b>323.8</b>	<b>2 353.0</b>	..	<b>6 579.1</b>	<b>9 256.0</b>
Comprehensive result	( 19.2)	..	..	..	<b>( 19.2)</b>
Transactions with owners in their capacity as owners	..	85.6	..	..	<b>85.6</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>304.7</b>	<b>2 438.6</b>	..	<b>6 579.1</b>	<b>9 322.4</b>

Sources: Departments of Sustainability and Environment and Treasury and Finance

**Table 3.11.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Administered income</b>				
Appropriations – Payments made on behalf of the State	27.1	27.9	28.4	29.5
Fair value of assets and services received free of charge or for nominal consideration	78.3	..	..	..
Sale of goods and services	252.5	307.5	337.6	288.5
Grants	208.7	..	13.4	11.4
Interest	..	2.1	2.1	2.2
Other income	175.7	116.7	181.8	194.2
<b>Total administered income</b>	<b>742.4</b>	<b>454.2</b>	<b>563.4</b>	<b>525.9</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	3.6	5.8	..	..
Grants and other transfers	30.6	22.1	29.0	29.5
Payments into the consolidated fund	572.7	448.0	578.0	494.1
<b>Total administered expenses</b>	<b>606.8</b>	<b>475.9</b>	<b>607.0</b>	<b>523.7</b>
<b>Income less expenses</b>	<b>135.6</b>	<b>(21.7)</b>	<b>(43.6)</b>	<b>2.2</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	38.8	2.3	0.7	..
Share of net profits/(losses) of associates and joint venture entities, excluding dividends	(78.6)	..	..	..
<b>Total other economic flows included in net result</b>	<b>(39.7)</b>	<b>2.3</b>	<b>0.7</b>	<b>..</b>
<b>Net result</b>	<b>95.8</b>	<b>(19.4)</b>	<b>(42.9)</b>	<b>2.2</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Asset revaluation reserve	(125.9)	..	..	..
Other	145.6	..	..	..
<b>Total other economic flows – other non-owner changes in equity</b>	<b>19.7</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Comprehensive result</b>	<b>115.5</b>	<b>(19.4)</b>	<b>(42.9)</b>	<b>2.2</b>
<b>Administered assets</b>				
Cash and deposits	0.9	0.9	0.9	0.9
Receivables	196.8	198.9	198.9	201.0
Other financial assets	..	..	..	..
Investments accounted for using equity method	..	..	..	..
Other	126.5	126.5	126.5	126.5
Property, plant and equipment	518.3	519.0	528.9	538.9
Intangible assets	18.9	18.9	18.9	18.9
<b>Total administered assets</b>	<b>861.4</b>	<b>864.2</b>	<b>874.1</b>	<b>886.2</b>
<b>Administered liabilities</b>				
Payables	73.1	73.1	73.1	73.1
<b>Total administered liabilities</b>	<b>73.1</b>	<b>73.1</b>	<b>73.1</b>	<b>73.1</b>
<b>Net assets</b>	<b>788.3</b>	<b>791.1</b>	<b>801.0</b>	<b>813.2</b>
<b>Equity</b>				
Accumulated funds and reserves	788.3	791.1	801.0	813.2
<b>Total equity</b>	<b>788.3</b>	<b>791.1</b>	<b>801.0</b>	<b>813.2</b>

Sources: Departments of Sustainability and Environment and Treasury and Finance



**Table 3.11.6: Payments made on behalf of the State**

(\$ million)

<i>Accounts</i>	<i>2009-10 Budget</i>	<i>2009-10 Revised</i>	<i>2010-11 Budget</i>
Murray-Darling Basin contribution	27.9	28.1	29.5
<b>Total</b>	<b>27.9</b>	<b>28.1</b>	<b>29.5</b>

*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 3.11.7: Parliamentary authority for resources**

(\$ million)

	<i>2009-10 Budget</i>	<i>2009-10 Revised</i>	<i>2010-11 Budget</i>
Annual appropriations	1 149.4	1 097.3	1 074.2
Receipts credited to appropriations	135.9	278.8	221.0
Unapplied previous years appropriation	69.5	65.5	93.5
Accumulated surplus – previously applied appropriation	3.8	15.1	0.3
<b>Gross annual appropriation</b>	<b>1 358.5</b>	<b>1 456.7</b>	<b>1 389.0</b>
Special appropriations	..	3.7	..
Trust funds	345.7	339.5	299.9
<b>Total parliamentary authority</b>	<b>1 704.2</b>	<b>1 799.9</b>	<b>1 688.9</b>

*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 \$312 million in 2010-11. 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 \$490 million (9.2 per cent) in 2010-11 compared with the 2009-10 revised budget. This increase is largely the result of:

- new output initiatives for 2010-11 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 effect of initiatives approved in prior years;
- funding from the Commonwealth Government for road projects under the Nation Building (AusLink II) Program;
- changes to the arrangements for public transport fare revenue. Under the new franchise agreements which commenced on 30 November 2009, all fare revenue is received by the State and then paid to rail operators. Under the previous franchise agreements, the rail operators received fare revenue directly;
- increases in the capital charge relating to investments in rail assets reflecting net assets held by VicTrack; and
- the transfer of responsibility for local ports from the Department of Sustainability and Environment in 2010-11.

Expenses from transactions are estimated to increase by \$349 million (6.7 per cent) in 2010-11. The additional expenditure in 2010-11 reflects the increased funding provided for public transport and road services, capital charge and the change to the arrangements for public transport fare revenue outlined above.

### Balance sheet performance

The Department's net assets are budgeted to increase by \$634 million from the 2009-10 revised budget to the *2010-11 Budget*.

Major movements in total assets include the impact of 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 2010-11 reflect approved cash flows for existing and new road asset initiatives announced in the *2010-11 Budget*. New initiatives including:

- the construction of Geelong Ring Road Stage 4C with funding totalling \$77 million total estimated investment (TEI);
- the Outer Suburban Arterial Roads program totalling \$66 million TEI;
- the Better Roads – Regional Victoria Development Package totalling \$52 million TEI and;
- Nation Building (AusLink II) Program with projects totalling \$231 million TEI.

Rail infrastructure investment is recorded in the balance sheet of VicTrack. In 2010-11, new rail initiatives include:

- Regional Rail Link with funding in partnership with the Commonwealth Government of \$4.3 billion TEI;
- Tram Procurements and Supporting Infrastructure with funding of \$805 million TEI and;
- Melbourne Metro with funding of \$40 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 2008-09. The *2010-11 Budget* also includes the progressive recognition of concession fees paid in advance by Transurban under the CityLink contract.

Total administered income is budgeted to increase in 2010-11 by \$88 million from the 2009-10 revised budget. This largely reflects additional taxation revenue and the release of new 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 3.12.1: Operating statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Net result from continuing operations</b>				
<b>Income from transactions</b>				
Output appropriations	3 961.4	4 460.5	4 476.4	4 801.9
Special appropriations	1.8	2.0	4.7	2.0
Interest	4.8	1.2	1.4	1.4
Sale of goods and services	244.9	221.5	493.2	703.2
Grants	274.0	244.2	266.8	231.2
Fair value of assets and services received free of charge or for nominal consideration	19.2	6.0	3.9	..
Other income	135.3	100.6	105.1	101.5
<b>Total income from transactions</b>	<b>4 641.4</b>	<b>5 036.1</b>	<b>5 351.5</b>	<b>5 841.2</b>
<b>Expenses from transactions</b>				
Employee benefits	337.6	359.3	371.8	383.7
Depreciation and amortisation	408.5	437.9	445.8	503.6
Interest expense	0.3	..	31.9	32.2
Grants and other transfers	1 629.8	1 736.4	1 697.6	1 770.1
Capital asset charge	72.8	75.8	75.7	78.4
Other operating expenses	2 013.3	2 159.1	2 557.3	2 761.4
<b>Total expenses from transactions</b>	<b>4 462.2</b>	<b>4 768.6</b>	<b>5 180.1</b>	<b>5 529.2</b>
<b>Net result from transactions (net operating balance)</b>	<b>179.2</b>	<b>267.5</b>	<b>171.4</b>	<b>312.0</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	( 5.1)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	0.2	..	( 0.4)	( 0.4)
Other gains/(losses) from economic flows	( 4.0)	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 8.9)</b>	<b>..</b>	<b>( 0.4)</b>	<b>( 0.4)</b>
<b>Net result</b>	<b>170.3</b>	<b>267.5</b>	<b>170.9</b>	<b>311.6</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Asset revaluation reserve	( 80.4)	2 338.1	2 148.3	..
Other	80.4	..	..	11.8
<b>Total other economic flows – other non-owner changes in equity</b>	<b>..</b>	<b>2 338.1</b>	<b>2 148.3</b>	<b>11.8</b>
<b>Comprehensive result</b>	<b>170.3</b>	<b>2 605.6</b>	<b>2 319.3</b>	<b>323.3</b>

Sources: Departments of Transport and Treasury and Finance

**Table 3.12.2: Balance sheet**

(\$ million)

	Estimated as at 30 June			
	2009 Actual	2010 Budget	2010 Revised	2011 Budget
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	380.9	372.7	244.2	280.1
Receivables	160.1	161.0	178.6	178.5
Other financial assets	480.7	458.1	471.2	459.4
<b>Total financial assets</b>	<b>1 021.7</b>	<b>991.7</b>	<b>893.9</b>	<b>918.0</b>
<b>Non-financial assets</b>				
Inventories	12.7	12.7	14.2	14.2
Non-financial assets classified as held for sale, including disposal group assets	..	..	..	..
Property, plant and equipment	23 118.2	26 413.8	26 749.7	27 363.3
Investment properties	..	..	..	..
Intangible assets	25.2	25.2	25.2	25.2
Other	9.9	9.9	5.9	5.9
<b>Total non-financial assets</b>	<b>23 166.1</b>	<b>26 461.8</b>	<b>26 795.0</b>	<b>27 408.7</b>
<b>Total assets</b>	<b>24 187.8</b>	<b>27 453.5</b>	<b>27 689.0</b>	<b>28 326.6</b>
<b>Liabilities</b>				
Payables	575.0	578.9	590.0	572.7
Interest-bearing liabilities <sup>(a)</sup>	3.7	3.7	374.4	377.0
Provisions	357.2	378.2	374.8	393.6
<b>Total liabilities</b>	<b>935.9</b>	<b>960.8</b>	<b>1 339.2</b>	<b>1 343.2</b>
<b>Net assets</b>	<b>23 251.9</b>	<b>26 492.7</b>	<b>26 349.8</b>	<b>26 983.4</b>
<b>Equity</b>				
Accumulated surplus/(deficit)	509.7	777.3	680.7	1 004.0
Reserves	7 666.5	10 004.6	9 814.9	9 814.9
Contributed capital	15 075.7	15 710.8	15 854.2	16 164.5
<b>Total equity</b>	<b>23 251.9</b>	<b>26 492.7</b>	<b>26 349.8</b>	<b>26 983.4</b>

Sources: Departments of Transport and Treasury and Finance

Note:

(a) The 2009-10 revised budget reflects the transfer of responsibilities of the former Southern Cross Station Authority to the Department. The Authority was abolished on 31 July 2009.

**Table 3.12.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised <sup>(a)</sup>	2010-11 Budget
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Receipts from Government	3 964.9	4 469.3	4 487.8	4 803.9
Receipts from other entities	619.8	498.3	776.0	976.8
Interest received	4.8	1.2	1.4	1.4
Other receipts	129.0	60.4	63.4	58.8
<b>Total receipts</b>	<b>4 718.4</b>	<b>5 029.3</b>	<b>5 328.7</b>	<b>5 840.9</b>
<b>Payments</b>				
Payments of grants and other transfers	(1 637.6)	(1 736.4)	(1 697.6)	(1 770.1)
Payments to suppliers and employees	(2 323.3)	(2 496.6)	(2 897.7)	(3 126.1)
Capital asset charge	( 72.8)	( 75.8)	( 75.7)	( 78.4)
Interest and other costs of finance paid	( 0.3)	..	( 31.9)	( 32.2)
<b>Total payments</b>	<b>(4 034.0)</b>	<b>(4 308.8)</b>	<b>(4 702.9)</b>	<b>(5 006.7)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>684.4</b>	<b>720.5</b>	<b>625.8</b>	<b>834.2</b>
<b>Cash flows from investing activities</b>				
Net investment	4.5	22.6	5.2	1.7
Payments for non-financial assets	(1 106.7)	(1 395.5)	(1 235.6)	(1 146.7)
Proceeds from sale of non-financial assets	20.8	9.0	10.8	12.0
<b>Net cash flow from/(used in) investing activities</b>	<b>(1 081.4)</b>	<b>(1 363.9)</b>	<b>(1 219.5)</b>	<b>(1 133.0)</b>
<b>Cash flows from financing activities</b>				
Owner contributions by State Government	558.0	635.1	82.0	322.0
Repayment of finance leases <sup>(a)</sup>	..	..	370.6	2.6
Net borrowings	( 227.3)	..	4.3	10.1
<b>Net cash flows from/(used in) financing activities</b>	<b>330.7</b>	<b>635.1</b>	<b>457.0</b>	<b>334.7</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 66.3)</b>	<b>( 8.2)</b>	<b>( 136.7)</b>	<b>36.0</b>
Cash and cash equivalents at the beginning of the financial year	447.2	380.9	380.9	244.2
<b>Cash and cash equivalents at the end of the financial year</b>	<b>380.9</b>	<b>372.7</b>	<b>244.2</b>	<b>280.1</b>

Sources: Departments of Transport and Treasury and Finance

Note:

(a) The 2009-10 revised budget reflects the transfer of responsibilities of the former Southern Cross Station Authority to the Department. The Authority was abolished on 31 July 2009.

**Table 3.12.4: Statement of changes in equity**

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owner	Other Reserves	Asset revaluation reserve	Total Equity
<b>Opening balance 1 July 2008</b>	<b>259.0</b>	<b>14 833.9</b>	..	<b>7 747.0</b>	<b>22 839.8</b>
Comprehensive result	250.7	..	..	( 80.4)	<b>170.3</b>
Transactions with owners in their capacity as owners	..	241.8	..	..	<b>241.8</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>509.7</b>	<b>15 075.7</b>	..	<b>7 666.5</b>	<b>23 251.9</b>
Comprehensive result	267.5	..	..	2 338.1	<b>2 605.6</b>
Transactions with owners in their capacity as owners	..	635.1	..	..	<b>635.1</b>
<b>Closing balance 30 June 2010 (Budget)</b>	<b>777.3</b>	<b>15 710.8</b>	..	<b>10 004.6</b>	<b>26 492.7</b>
Comprehensive result	170.9	..	..	2 148.3	<b>2 319.3</b>
Transactions with owners in their capacity as owners	..	778.6	..	..	<b>778.6</b>
<b>Closing balance 30 June 2010 (Revised)</b>	<b>680.7</b>	<b>15 854.2</b>	..	<b>9 814.9</b>	<b>26 349.8</b>
Comprehensive result	323.3	..	..	..	<b>323.3</b>
Transactions with owners in their capacity as owners	..	310.3	..	..	<b>310.3</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>1 004.0</b>	<b>16 164.5</b>	..	<b>9 814.9</b>	<b>26 983.4</b>

Sources: Departments of Transport and Treasury and Finance

**Table 3.12.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Administered income</b>				
Sale of goods and services	0.8	0.8	0.8	0.9
Grants	399.9	..	23.6	..
Interest	..	..	..	..
Other income	1 464.9	1 598.8	1 516.5	1 628.5
<b>Total administered income</b>	<b>1 865.6</b>	<b>1 599.6</b>	<b>1 541.0</b>	<b>1 629.4</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	30.3	30.8	30.8	31.2
Grants and other transfers	17.8	..	23.6	..
Payments into the consolidated fund	1 943.3	1 631.9	1 549.6	1 602.0
<b>Total administered expenses</b>	<b>1 991.3</b>	<b>1 662.6</b>	<b>1 604.0</b>	<b>1 633.2</b>
<b>Income less expenses</b>	<b>( 125.7)</b>	<b>( 63.0)</b>	<b>( 63.0)</b>	<b>( 3.9)</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	..	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	( 17.1)	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 17.1)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net result</b>	<b>( 142.7)</b>	<b>( 63.0)</b>	<b>( 63.0)</b>	<b>( 3.9)</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Other	..	..	..	..
<b>Total other economic flows – other non-owner changes in equity</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Comprehensive result</b>	<b>( 142.7)</b>	<b>( 63.0)</b>	<b>( 63.0)</b>	<b>( 3.9)</b>
<b>Administered assets</b>				
Cash and deposits	7.6	7.6	7.6	7.6
Receivables	78.1	20.0	20.0	20.0
<b>Total administered assets</b>	<b>85.7</b>	<b>27.6</b>	<b>27.6</b>	<b>27.6</b>
<b>Administered liabilities</b>				
Payables	334.5	339.5	339.5	343.3
<b>Total administered liabilities</b>	<b>334.5</b>	<b>339.5</b>	<b>339.5</b>	<b>343.3</b>
<b>Net assets</b>	<b>( 248.8)</b>	<b>( 311.8)</b>	<b>( 311.8)</b>	<b>( 315.7)</b>
<b>Equity</b>				
Contributed capital	56.7	56.7	56.7	56.7
Accumulated surplus/(deficit)	( 305.5)	( 368.6)	( 368.6)	( 372.4)
<b>Total equity</b>	<b>( 248.8)</b>	<b>( 311.8)</b>	<b>( 311.8)</b>	<b>( 315.7)</b>

Sources: Departments of Transport 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 3.12.6: Parliamentary authority for resources**

(\$ million)

	2009-10 Budget	2009-10 Revised	2010-11 Budget
Annual appropriations	5 737.3	5 400.1	5 606.1
Receipts credited to appropriations	582.4	372.2	942.5
Unapplied previous years appropriation	100.5	309.6	162.2
Accumulated surplus – previously applied appropriation	62.1	43.0	22.5
<b>Gross annual appropriation</b>	<b>6 482.4</b>	<b>6 124.9</b>	<b>6 733.4</b>
Special appropriations	2.0	46.7	109.5
Trust funds	274.7	532.0	728.9
<b>Total parliamentary authority</b>	<b>6 759.0</b>	<b>6 703.6</b>	<b>7 571.8</b>

Sources: Departments of Transport and Treasury and Finance

## DEPARTMENT OF TREASURY AND FINANCE

### Operating performance

The Department of Treasury and Finance is expected to have a surplus net result from transactions of \$6.5 million in 2010-11. This is an increase of \$23 million from the 2009-10 revised budget.

The Department's revenue for output delivery and corresponding budgeted expenses is expected to decrease from \$287 million to \$235 million. The decrease is primarily attributable to:

- reduction of \$26 million in operating funding required to implement the next stage of the standardisation of core information technology services;
- reduction of \$5 million in funding required for implementation of the final stage of the Commonwealth's Seamless National Economy National Partnership project;
- funding reduction which reflects lower amortisation costs of \$8 million for municipal land valuations; and
- reduction in capital asset charge of \$6 million for land and buildings.

Revenue from sales of goods and services (and corresponding underlying expenditure) is expected to increase by \$24 million, principally representing the impact of more departments now being serviced by the centralised information technology provider.

The decrease in other income between 2009-10 published and revised budgets was mainly associated with a one-off transfer of accumulated rental income from government-owned buildings to the Consolidated Fund (\$17 million). This was also the principal cause of the net deficit result from transactions.

### Balance sheet performance

Controlled net assets of the department are budgeted to increase by \$29 million between 2009-10 revised budget and *2010-11 Budget*. Non-financial assets will increase by \$42 million, resulting from the purchase of municipal land valuations and information technology equipment, in addition to building projects to improve energy performance at government-owned buildings across Melbourne and regional Victoria. The increase in liabilities of \$9 million includes the repayable advance provided for the building projects.

### Investing and financing

The Department's 2010-11 budgeted net cash flows from operating activities is \$16 million higher than the 2009-10 revised budget, largely due to the \$17 million transfer payment of rental income into the Consolidated Fund occurring in 2009-10.

## 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 \$3 903 million between the 2009-10 revised budget and the *2010-11 Budget*. The \$957 million increase in other income is primarily associated with the areas of general own-source revenue such as taxation and dividends. The increase of \$740 million in grants is due to the net effect of a \$998 million increase in GST-related Commonwealth Grants, and a \$258 million decrease in Council of Australian Governments (COAG) related aggregate payments, covering most Specific Purpose and National Partnership payments for Victoria.

Total special appropriations are estimated to increase by \$1 515 million, providing the Department with the authority to make payments for maturing loans as part of managing the State's debt.

Total administered operating expenses are estimated to increase by \$3 642 million, largely reflecting the increase in revenue receipts that are required to be transferred to the Consolidated Fund.

Grants and other transfers are estimated to increase by \$2 928 million between 2009-10 budget and 2009-10 revised budget, mainly due to increased transfer payments of COAG related funding to non-government schools.

Total other economic flows for the 2009-10 revised budget is estimated to be \$1 229 million. The State's superannuation liability is estimated to decrease by \$400 million primarily due to higher than expected investment returns on superannuation assets. In addition, the improvement in the aluminium market is estimated to result in a \$414 million decrease in liabilities. This is in respect of the State fully indemnifying the State Electricity Commission of Victoria for the electricity supply agreements with the aluminium smelters.

**Table 3.13.1: Operating statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Net result from continuing operations</b>				
<b>Income from transactions</b>				
Output appropriations	235.7	293.5	286.6	234.8
Interest	17.3	15.7	12.5	12.5
Sale of goods and services	68.7	63.4	70.6	94.5
Grants	3.4	1.6	1.7	..
Fair value of assets and services received free of charge or for nominal consideration	0.3	..	..	..
Other income	34.3	24.4	6.6	24.3
<b>Total income from transactions</b>	<b>359.7</b>	<b>398.6</b>	<b>378.0</b>	<b>366.1</b>
<b>Expenses from transactions</b>				
Employee benefits	115.5	119.0	124.9	134.6
Depreciation and amortisation	28.7	43.1	37.2	30.5
Interest expense	14.7	15.8	12.6	12.8
Grants and other transfers	0.9	15.5	15.1	10.7
Capital asset charge	23.5	24.7	24.7	18.4
Other operating expenses	155.0	176.4	179.8	152.5
<b>Total expenses from transactions</b>	<b>338.3</b>	<b>394.5</b>	<b>394.3</b>	<b>359.6</b>
<b>Net result from transactions (net operating balance)</b>	<b>21.4</b>	<b>4.2</b>	<b>( 16.3)</b>	<b>6.5</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	( 0.2)	..	..	..
Net gain/(loss) on financial instruments and statutory receivables/payables	( 0.1)	..	..	..
Other gains/(losses) from economic flows	( 0.4)	..	..	..
<b>Total other economic flows included in net result</b>	<b>( 0.7)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net result</b>	<b>20.6</b>	<b>4.2</b>	<b>( 16.3)</b>	<b>6.5</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Asset revaluation reserve	( 3.2)	..	..	15.7
Other	3.2	..	..	..
<b>Total other economic flows – other non-owner changes in equity</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>15.7</b>
<b>Comprehensive result</b>	<b>20.6</b>	<b>4.2</b>	<b>( 16.3)</b>	<b>22.2</b>

Source: Department of Treasury and Finance

**Table 3.13.2: Balance sheet**

(\$ million)

	Estimated as at 30 Jun			
	2009 Actual	2010 Budget	2010 Revised	2011 Budget
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	64.2	62.7	40.6	40.2
Receivables	238.0	238.5	248.5	257.3
Other financial assets	88.0	117.9	98.2	86.0
<b>Total financial assets</b>	<b>390.2</b>	<b>419.1</b>	<b>387.3</b>	<b>383.5</b>
<b>Non-financial assets</b>				
Inventories	14.4	14.4	14.4	14.4
Property, plant and equipment	214.2	221.7	225.0	247.8
Intangible assets	27.3	17.7	18.1	37.0
Other	8.2	8.2	8.2	8.2
<b>Total non-financial assets</b>	<b>264.1</b>	<b>262.0</b>	<b>265.8</b>	<b>307.4</b>
<b>Total assets</b>	<b>654.4</b>	<b>681.0</b>	<b>653.1</b>	<b>691.0</b>
<b>Liabilities</b>				
Payables	74.1	74.1	74.4	75.0
Interest-bearing liabilities	221.1	221.6	223.8	229.5
Provisions	32.6	34.9	34.9	37.2
<b>Total liabilities</b>	<b>327.8</b>	<b>330.6</b>	<b>333.1</b>	<b>341.7</b>
<b>Net assets</b>	<b>326.6</b>	<b>350.4</b>	<b>320.0</b>	<b>349.2</b>
<b>Equity</b>				
Accumulated surplus/(deficit)	151.6	155.8	135.3	141.8
Reserves	81.2	81.2	81.2	96.9
Contributed capital	93.8	113.5	103.5	110.5
<b>Total equity</b>	<b>326.6</b>	<b>350.4</b>	<b>320.0</b>	<b>349.2</b>

Source: Department of Treasury and Finance

**Table 3.13.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
Cash flows from operating activities				
Receipts				
Receipts from Government	235.7	293.5	286.6	234.8
Receipts from other entities	9.6	1.6	1.7	..
Interest received	17.3	15.7	12.5	12.5
Other receipts	108.2	95.9	102.1	127.5
<b>Total receipts</b>	<b>370.8</b>	<b>406.7</b>	<b>403.0</b>	<b>374.8</b>
Payments				
Payments of grants and other transfers	( 3.4)	( 24.1)	( 40.1)	( 19.4)
Payments to suppliers and employees	( 269.2)	( 293.1)	( 302.4)	( 284.8)
Capital asset charge	( 23.5)	( 24.7)	( 24.7)	( 18.4)
Interest and other costs of finance paid	( 14.7)	( 15.8)	( 12.6)	( 12.8)
<b>Total payments</b>	<b>( 310.8)</b>	<b>( 357.6)</b>	<b>( 379.8)</b>	<b>( 335.5)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>59.9</b>	<b>49.1</b>	<b>23.2</b>	<b>39.3</b>
Cash flows from investing activities				
Net investment	2.4	( 29.9)	( 20.7)	3.4
Payments for non-financial assets	( 45.3)	( 51.0)	( 48.8)	( 66.5)
Proceeds from sale of non-financial assets	0.8	..	..	..
Net loans to other parties	..	..	( 10.5)	( 8.8)
<b>Net cash flow from/(used in) investing activities</b>	<b>( 42.1)</b>	<b>( 80.8)</b>	<b>( 80.0)</b>	<b>( 71.9)</b>
Cash flows from financing activities				
Owner contributions by State Government	5.6	29.7	19.7	17.0
Net borrowings	( 1.2)	0.5	13.5	15.1
<b>Net cash flows from/(used in) financing activities</b>	<b>4.4</b>	<b>30.2</b>	<b>33.2</b>	<b>32.1</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>22.2</b>	<b>( 1.5)</b>	<b>( 23.6)</b>	<b>( 0.4)</b>
Cash and cash equivalents at the beginning of the financial year	42.0	64.2	64.2	40.6
<b>Cash and cash equivalents at the end of the financial year</b>	<b>64.2</b>	<b>62.7</b>	<b>40.6</b>	<b>40.2</b>

Source: Department of Treasury and Finance

**Table 3.13.4: Statement of changes in equity**

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
<b>Opening balance 1 July 2008</b>	<b>127.8</b>	<b>107.5</b>	..	<b>84.3</b>	<b>319.7</b>
Comprehensive result	23.8	..	..	( 3.2)	<b>20.6</b>
Transactions with owners in their capacity as owners	..	( 13.7)	..	..	<b>( 13.7)</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>151.6</b>	<b>93.8</b>	..	<b>81.2</b>	<b>326.6</b>
Comprehensive result	4.2	..	..	..	<b>4.2</b>
Transactions with owners in their capacity as owners	..	19.7	..	..	<b>19.7</b>
<b>Closing balance 30 June 2010 (Budget)</b>	<b>155.8</b>	<b>113.5</b>	..	<b>81.2</b>	<b>350.4</b>
Comprehensive result	( 16.3)	..	..	..	<b>( 16.3)</b>
Transactions with owners in their capacity as owners	..	9.7	..	..	<b>9.7</b>
<b>Closing balance 30 June 2010 (Revised)</b>	<b>135.3</b>	<b>103.5</b>	..	<b>81.2</b>	<b>320.0</b>
Comprehensive result	6.5	..	..	15.7	<b>22.2</b>
Transactions with owners in their capacity as owners	..	7.0	..	..	<b>7.0</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>141.8</b>	<b>110.5</b>	..	<b>96.9</b>	<b>349.2</b>

*Source: Department of Treasury and Finance*

**Table 3.13.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Administered income</b>				
Appropriations – Payments made on behalf of the State	1 116.2	2 247.6	1 850.7	2 532.8
Special Appropriations	748.9	610.1	652.3	2 167.0
Resources received free of charge or for nominal consideration	..	..	..	..
Sale of goods and services	6.5	26.9	23.7	33.4
Grants	12 135.1	14 788.3	21 078.3	21 818.4
Interest	4.7	41.0	41.0	41.0
Other income	12 943.1	13 539.5	13 978.7	14 935.3
<b>Total administered income</b>	<b>26 954.4</b>	<b>31 253.3</b>	<b>37 624.6</b>	<b>41 527.8</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	1 401.1	2 318.5	1 863.0	2 912.9
Grants and other transfers	956.9	591.0	3 519.1	2 838.6
Payments into the consolidated fund	27 304.1	28 451.6	32 825.7	36 098.6
<b>Total administered expenses</b>	<b>29 662.1</b>	<b>31 361.0</b>	<b>38 207.8</b>	<b>41 850.0</b>
<b>Income less expenses</b>	<b>(2 707.7)</b>	<b>( 107.7)</b>	<b>( 583.2)</b>	<b>( 322.1)</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	7.6	32.4	32.4	42.4
Net actuarial gains/(losses) of superannuation defined benefit plans	(7 510.1)	..	781.9	..
Net gain/(loss) on financial instruments and statutory receivables/payables	( 545.2)	..	414.4	16.1
<b>Total other economic flows included in net result</b>	<b>(8 047.6)</b>	<b>32.4</b>	<b>1 228.7</b>	<b>58.5</b>
<b>Net result</b>	<b>(10 755.4)</b>	<b>( 75.3)</b>	<b>645.6</b>	<b>( 263.6)</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Financial assets available-for-sale reserve	( 2.5)	..	..	..
<b>Total other economic flows – other non-owner changes in equity</b>	<b>( 2.5)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Comprehensive result</b>	<b>(10 757.9)</b>	<b>( 75.3)</b>	<b>645.6</b>	<b>( 263.6)</b>
<b>Administered assets</b>				
Cash and deposits	1 041.1	455.8	3 033.1	5 358.4
Receivables	936.4	930.8	728.5	688.4
Other financial assets	( 519.8)	4 622.1	393.7	1 128.6
Property, plant and equipment	2.5	232.4	18.5	165.4
<b>Total administered assets</b>	<b>1 460.2</b>	<b>6 241.1</b>	<b>4 173.8</b>	<b>7 340.7</b>
<b>Administered liabilities</b>				
Payables	739.4	732.8	303.3	257.5
Interest bearing liabilities	8 550.7	13 116.7	11 448.3	14 515.0
Provisions	50.5	50.5	50.5	50.5
Other	20 672.3	20 959.0	20 268.5	20 667.8
<b>Total administered liabilities</b>	<b>30 012.9</b>	<b>34 858.9</b>	<b>32 070.7</b>	<b>35 490.9</b>
<b>Net assets</b>	<b>(28 552.8)</b>	<b>(28 617.8)</b>	<b>(27 896.9)</b>	<b>(28 150.2)</b>



**Table 3.13.5: Administered items statement (continued)**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Equity</b>				
Reserves	1.6	1.6	1.6	1.6
Contributed capital	53.2	63.5	63.5	73.8
Accumulated surplus/(deficit)	(28 607.5)	(28 682.9)	(27 962.0)	(28 225.6)
<b>Total equity</b>	<b>(28 552.8)</b>	<b>(28 617.8)</b>	<b>(27 896.9)</b>	<b>(28 150.2)</b>

Source: Department of Treasury and Finance

**Table 3.13.6: Payments made on behalf of the State**

(\$ million)

Accounts	2009-10 Budget	2009-10 Revised	2010-11 Budget
Superannuation and pension payments	16.4	16.4	16.4
Interest	566.5	600.8	730.1
Current and capital grants	574.2	910.6	508.6
Operating supplies and consumables	482.4	169.7	878.7
Buildings	230.7	17.0	147.8
Other	377.4	136.2	251.2
<b>Total</b>	<b>2 247.6</b>	<b>1 850.7</b>	<b>2 532.8</b>

Source: Department of Treasury and Finance

### Authority for resources

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

**Table 3.13.7: Parliamentary authority for resources**

(\$ million)

	2009-10 Budget	2009-10 Revised	2010-11 Budget
Annual appropriations	2 556.6	2 137.1	2 781.5
Receipts credited to appropriations	6.0	5.5	5.2
Unapplied previous years appropriation	24.7	31.1	14.5
Accumulated surplus – previously applied appropriation	1.9	5.2	3.9
<b>Gross annual appropriation</b>	<b>2 589.3</b>	<b>2 178.9</b>	<b>2 805.1</b>
Special appropriations	610.1	652.3	2 167.0
Trust funds	54.2	2 611.0	2 397.2
<b>Total parliamentary authority</b>	<b>3 253.5</b>	<b>5 442.1</b>	<b>7 369.3</b>

Source: Department of Treasury and Finance

## **PARLIAMENT**

### **Operating performance**

Parliament, including the Victorian Auditor General's Office (VAGO), is estimated to have a balanced operating result for 2010-11.

The operating statement shows an increase in total operating income of \$10 million (or 6 per cent) from the 2009-10 revised budget to the *2010-11 Budget*. The increase in annual appropriation revenue is due to additional output appropriations from the Government, including funding for \$1.3 million increased operating costs for VAGO.

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 2010-11 will have a movement of \$2 million from the 2009-10 revised budget due to the continuation of Parliament's capital program.

### **Investing and financing**

Cash flow from financing activities are expected to increase in 2010-11 compared to 2009-10 as asset investment is increased.

### **Statement of administered items**

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

**Table 3.14.1: Operating statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Net result from continuing operations</b>				
<b>Income from transactions</b>				
Output appropriations	109.8	121.4	115.8	125.5
Special appropriations	38.9	39.0	40.0	40.1
Sale of goods and services	1.3	..	..	..
Grants	..	..	0.2	0.1
Fair value of assets and services received free of charge or for nominal consideration	0.1	..	0.1	0.3
Other income	(0.1)	..	..	..
<b>Total income from transactions</b>	<b>150.0</b>	<b>160.4</b>	<b>156.1</b>	<b>165.9</b>
<b>Expenses from transactions</b>				
Employee benefits	90.8	81.5	94.6	95.2
Depreciation and amortisation	5.0	6.6	6.3	6.6
Interest expense	0.3	..	0.3	0.3
Grants and other transfers	..	0.5	..	..
Capital asset charge	1.7	1.7	1.7	1.9
Other operating expenses	50.0	70.1	53.7	62.0
<b>Total expenses from transactions</b>	<b>147.7</b>	<b>160.4</b>	<b>156.6</b>	<b>165.9</b>
<b>Net result from transactions (net operating balance)</b>	<b>2.3</b>	<b>..</b>	<b>(0.5)</b>	<b>..</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	(0.2)	..	..	..
Other gains/(losses) from economic flows	(0.3)	..	..	..
<b>Total other economic flows included in net result</b>	<b>(0.5)</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net result</b>	<b>1.9</b>	<b>..</b>	<b>(0.5)</b>	<b>..</b>
<b>Other economic flows – other non-owner changes in equity</b>				
Asset revaluation reserve	..	..	..	..
Other	..	..	..	..
<b>Total other economic flows – other non-owner changes in equity</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Comprehensive result</b>	<b>1.9</b>	<b>..</b>	<b>(0.5)</b>	<b>..</b>

Sources: Parliament of Victoria and Department of Treasury and Finance

**Table 3.14.2: Balance sheet**

(\$ million)

	Estimated as at 30 Jun			
	2009 Actual	2010 Budget	2010 Revised	2011 Budget
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	1.0	1.0	1.0	1.0
Receivables	1.5	1.5	1.5	1.5
Other financial assets	51.6	56.3	53.2	58.6
<b>Total financial assets</b>	<b>54.0</b>	<b>58.7</b>	<b>55.6</b>	<b>61.0</b>
<b>Non-financial assets</b>				
Inventories	0.1	0.1	0.1	0.1
Non-financial assets classified as held for sale, including disposal group assets	0.1	0.1	0.1	0.1
Property, plant and equipment	214.8	214.2	216.8	217.6
Other	1.3	1.5	1.5	1.8
<b>Total non-financial assets</b>	<b>216.3</b>	<b>215.9</b>	<b>218.5</b>	<b>219.5</b>
<b>Total assets</b>	<b>270.3</b>	<b>274.6</b>	<b>274.1</b>	<b>280.6</b>
<b>Liabilities</b>				
Payables	4.6	5.5	5.5	6.4
Interest-bearing liabilities	3.6	3.9	3.9	4.1
Provisions	13.5	16.7	16.7	20.1
<b>Total liabilities</b>	<b>21.7</b>	<b>26.1</b>	<b>26.1</b>	<b>30.5</b>
<b>Net assets</b>	<b>248.6</b>	<b>248.6</b>	<b>248.0</b>	<b>250.0</b>
<b>Equity</b>				
Accumulated surplus/(deficit)	27.7	27.7	27.2	27.2
Reserves	55.4	55.4	55.4	55.4
Contributed capital	165.5	165.5	165.5	167.5
<b>Total equity</b>	<b>248.6</b>	<b>248.6</b>	<b>248.0</b>	<b>250.0</b>

Sources: Parliament of Victoria and Department of Treasury and Finance

**Table 3.14.3: Statement of cash flows**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Receipts from Government	148.7	160.3	155.8	165.6
Receipts from other entities	1.2	..	0.2	0.1
Other receipts	( 0.4)	..	..	..
<b>Total receipts</b>	<b>149.5</b>	<b>160.3</b>	<b>156.0</b>	<b>165.6</b>
<b>Payments</b>				
Payments of grants and other transfers	( 0.1)	( 0.5)	..	..
Payments to suppliers and employees	( 138.9)	( 147.7)	( 144.3)	( 152.9)
Capital asset charge	( 1.7)	( 1.7)	( 1.7)	( 1.9)
Interest and other costs of finance paid	( 0.3)	..	( 0.3)	( 0.3)
<b>Total payments</b>	<b>( 140.9)</b>	<b>( 149.9)</b>	<b>( 146.3)</b>	<b>( 155.1)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>8.6</b>	<b>10.5</b>	<b>9.7</b>	<b>10.6</b>
<b>Cash flows from investing activities</b>				
Net investment	( 5.6)	( 4.7)	( 1.6)	( 5.4)
Payments for non-financial assets	( 9.1)	( 6.0)	( 8.3)	( 7.4)
Proceeds from sale of non-financial assets	1.4	..	..	..
<b>Net cash flow from/(used in) investing activities</b>	<b>( 13.3)</b>	<b>( 10.7)</b>	<b>( 9.9)</b>	<b>( 12.8)</b>
<b>Cash flows from financing activities</b>				
Owner contributions by State Government	4.4	..	..	2.0
Net borrowings	0.1	0.2	0.2	0.2
<b>Net cash flows from/(used in) financing activities</b>	<b>4.5</b>	<b>0.2</b>	<b>0.2</b>	<b>2.2</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 0.2)</b>	<b>..</b>	<b>..</b>	<b>..</b>
Cash and cash equivalents at the beginning of the financial year	1.2	1.0	1.0	1.0
<b>Cash and cash equivalents at the end of the financial year</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>

Sources: Parliament of Victoria and Department of Treasury and Finance

**Table 3.14.4: Statement of changes in equity**

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owner</i>	<i>Other Reserves</i>	<i>Asset revaluation reserve</i>	<i>Total Equity</i>
<b>Opening balance 1 July 2008</b>	<b>25.9</b>	<b>161.1</b>	..	<b>55.4</b>	<b>242.3</b>
Comprehensive result	1.9	..	..	..	<b>1.9</b>
Transactions with owners in their capacity as owners	..	4.4	..	..	<b>4.4</b>
<b>Closing balance 30 June 2009 (Actual)</b>	<b>27.7</b>	<b>165.5</b>	..	<b>55.4</b>	<b>248.6</b>
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..
<b>Closing balance 30 June 2010 (Budget)</b>	<b>27.7</b>	<b>165.5</b>	..	<b>55.4</b>	<b>248.6</b>
Comprehensive result	( 0.5)	..	..	..	<b>( 0.5)</b>
Transactions with owners in their capacity as owners	..	..	..	..	..
<b>Closing balance 30 June 2010 (Revised)</b>	<b>27.2</b>	<b>165.5</b>	..	<b>55.4</b>	<b>248.0</b>
Comprehensive result	..	..	..	..	..
Transactions with owners in their capacity as owners	..	2.0	..	..	<b>2.0</b>
<b>Closing balance 30 June 2011 (Estimate)</b>	<b>27.2</b>	<b>167.5</b>	..	<b>55.4</b>	<b>250.0</b>

Sources: Parliament of Victoria and Department of Treasury and Finance

**Table 3.14.5: Administered items statement**

(\$ million)

	2008-09 Actual	2009-10 Budget	2009-10 Revised	2010-11 Budget
<b>Administered income</b>				
Sale of goods and services	19.3	19.5	19.5	20.1
Other income	0.1	..	..	..
<b>Total administered income</b>	<b>19.4</b>	<b>19.5</b>	<b>19.5</b>	<b>20.1</b>
<b>Administered expenses</b>				
Expenses on behalf of the State	0.1	..	..	..
Payments into the Consolidated Fund	19.8	16.4	16.4	16.9
<b>Total administered expenses</b>	<b>19.9</b>	<b>16.4</b>	<b>16.4</b>	<b>16.9</b>
<b>Income less expenses</b>	<b>( 0.5)</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on non-financial assets	..	..	..	..
<b>Total other economic flows included in net result</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net result</b>	<b>( 0.5)</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>
<b>Administered assets</b>				
Receivables	4.4	7.6	7.6	10.8
<b>Total administered assets</b>	<b>4.4</b>	<b>7.6</b>	<b>7.6</b>	<b>10.8</b>
<b>Administered liabilities</b>				
Other	..	..	..	..
<b>Total administered liabilities</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Net assets</b>	<b>4.4</b>	<b>7.6</b>	<b>7.6</b>	<b>10.8</b>
<b>Equity</b>				
Accumulated surplus/(deficit)	4.4	7.6	7.6	10.8
<b>Total equity</b>	<b>4.4</b>	<b>7.6</b>	<b>7.6</b>	<b>10.8</b>

Sources: Parliament of Victoria and Department of Treasury and Finance

## Authority for resources

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

**Table 3.14.6: Parliamentary authority for resources**

(\$ million)

	2009-10 Budget	2009-10 Revised	2010-11 Budget
Annual appropriations	96.0	90.0	101.4
Receipts credited to appropriations	19.5	19.5	20.0
Unapplied previous years appropriation	5.8	6.2	6.1
Accumulated surplus – previously applied appropriation	0.6	4.3	..
<b>Gross annual appropriation</b>	<b>122.0</b>	<b>120.1</b>	<b>127.5</b>
Special appropriations	39.0	40.0	40.1
Trust funds	..	0.2	0.1
<b>Total parliamentary authority</b>	<b>161.0</b>	<b>160.3</b>	<b>167.7</b>

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



## CHAPTER 4 – STATE REVENUE

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### SUMMARY OF GENERAL GOVERNMENT REVENUE

This chapter describes the major categories of revenue comprising both state sourced revenue and Commonwealth Government grants, and examines the expected movement in revenue between the 2009-10 revised estimates and the *2010-11 Budget* estimates.

Total revenue comprises revenue from transactions and revenue from economic flows. Revenue from transactions represents the majority of total revenue in the *2010-11 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 4.6 per cent in 2010-11 to \$45 759 million.

**Table 4.1: General government sector revenue and grants received**

(\$ million)

	2008-09 Actual	2009-10 Revised	2010-11 Budget	Change % <sup>(a)</sup>
Taxation	12 626.9	13 642.1	14 437.8	5.8
Interest	378.2	348.5	358.0	2.7
Dividends, income tax and rate equivalent revenue	490.4	459.2	504.9	10.0
Sales of goods and services	4 940.5	5 427.9	5 847.4	7.7
Grants received	18 970.0	22 111.3	22 893.1	3.5
Other current revenue	1 878.9	1 756.5	1 718.0	-2.2
<b>Total revenue from transactions</b>	<b>39 284.8</b>	<b>43 745.5</b>	<b>45 759.3</b>	<b>4.6</b>

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2009-10 and 2010-11.

Taxation revenue in 2010-11 is expected to be \$14 438 million, an increase of \$796 million or 5.8 per cent on the 2009-10 revised estimate. This increase primarily reflects:

- growth in payroll tax revenue consistent with the continuing recovery in the labour market, partially offset by the reduction in the payroll tax rate to 4.90 per cent from 1 July 2010;
- continuing growth in land transfer duty reflecting the strength in the property market despite recent monetary tightening and an easing in first home owner demand;
- growth in land tax revenue as a result of increased property values;
- an increase in gambling tax revenue in line with expected growth in household consumption expenditure, and the impact of changes to Crown Casino's licence conditions; and
- increased revenue from taxes on insurance reflecting an expected increase in non-life insurance revenue due to premium rate increases and growth in the economy.

Interest revenue is estimated to be \$358 million in 2010-11, \$9 million or 2.7 per cent higher than the 2009-10 revised estimate.

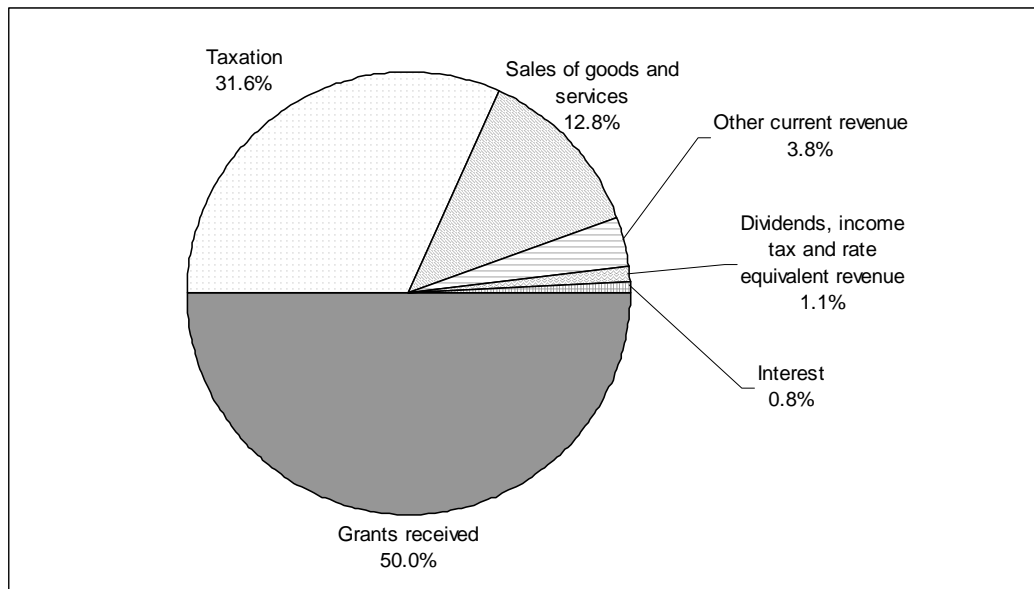
Dividend, income tax and rate equivalent revenue is expected to be \$505 million in 2010-11, an increase of 10.0 per cent on the 2009-10 revised estimate. This mainly reflects an increase in dividend revenue from the Transport Accident Commission (TAC) following a decision in 2009-10 not to take a dividend as a result of challenging financial conditions.

Sales of goods and services revenue is expected to increase by 7.7 per cent in 2010-11 to \$5 847 million primarily reflecting increases in revenue from the provision of services and regulatory fees as well as a smaller increase in capital asset charge revenue.

Total grants revenue is estimated to increase by \$782 million or 3.5 per cent to \$22 893 million in 2010-11. This is largely due to an increase in goods and services tax (GST) grants, partly offset by a decline in grants for specific purposes primarily driven by the wind back built into the *Nation Building – Economic Stimulus Plan*.

Other current revenue is expected to be \$1 718 million, or \$38 million (2.2 per cent) lower than the 2009-10 revised estimate. This is mainly due to declines in fair value of assets received free of charge or for nominal consideration and donations and gifts, partly offset by increases in fines and other miscellaneous income.

**Chart 4.1: General government sector revenue and grants received in 2010-11**



*Source: Department of Treasury and Finance*

## STATE SOURCED REVENUE

### Taxation

Taxation revenue in 2010-11 is estimated to be \$14 438 million, which is \$796 million (5.8 per cent) higher than the 2009-10 revised estimate (Table 4.2). This reflects the recent strength in the property market, continued economic and population growth and other factors such as increases in insurance premiums.

**Table 4.2: Taxation estimates**

(\$ million)

	2008-09 Actual	2009-10 Revised	2010-11 Budget	Change % <sup>(a)</sup>
<b>Taxes on employers payroll and labour force</b>	<b>3 979.7</b>	<b>4 022.9</b>	<b>4 258.5</b>	<b>5.9</b>
<b>Taxes on property</b>				
Land tax	1 237.6	1 218.6	1 362.4	11.8
Congestion levy	44.1	44.9	45.8	2.1
Land transfer duty	2 801.0	3 498.0	3 672.4	5.0
Other property duties	8.3	8.6	8.6	0.0
Metropolitan improvement levy	107.0	121.6	125.4	3.1
Property owner contributions to fire brigades <sup>(b)</sup>	41.4	34.4	35.9	4.4
Financial accommodation levy	30.2	53.4	80.5	50.7
	<b>4 269.6</b>	<b>4 979.5</b>	<b>5 330.9</b>	<b>7.1</b>
<b>Gambling taxes</b>				
Private lotteries	359.8	369.4	384.5	4.1
Electronic gaming machines	1 011.6	990.6	1 018.6	2.8
Casino	140.8	154.4	170.9	10.7
Racing	129.1	132.1	139.3	5.5
Other	7.3	9.3	9.4	1.4
	<b>1 648.6</b>	<b>1 655.9</b>	<b>1 722.7</b>	<b>4.0</b>
<b>Levies on statutory corporations</b>	<b>69.4</b>	<b>73.7</b>	<b>73.7</b>	<b>0.0</b>
<b>Taxes on insurance</b>				
Non-life insurance	657.6	727.1	788.7	8.5
Life insurance	9.0	5.5	5.7	3.9
Duty on compulsory third party premiums	131.9	141.4	147.5	4.3
Insurance contributions to fire brigades <sup>(b)</sup>	436.9	526.9	536.2	1.8
	<b>1 235.4</b>	<b>1 400.9</b>	<b>1 478.1</b>	<b>5.5</b>
<b>Motor vehicle taxes</b>				
Vehicle registration fees	808.9	843.4	887.0	5.2
Duty on vehicle registrations and transfers	514.9	563.9	561.7	-0.4
	<b>1 323.8</b>	<b>1 407.3</b>	<b>1 448.8</b>	<b>2.9</b>
<b>Other taxes</b>				
Liquor licence fees <sup>(c)</sup>	11.8	26.3	29.2	11.2
Transurban concession fees	39.1	29.5	27.4	-7.3
Landfill levy	49.4	46.2	68.5	48.3
	<b>100.3</b>	<b>102.0</b>	<b>125.0</b>	<b>22.6</b>
<b>Total taxation</b>	<b>12 626.9</b>	<b>13 642.1</b>	<b>14 437.8</b>	<b>5.8</b>

Source: Department of Treasury and Finance

Notes:

(a) Per cent change between 2009-10 and 2010-11.

(b) From 2009-10 contributions to the Metropolitan Fire and Emergency Services Board from non-residential property owners who choose to either self insure or insure off-shore are now reported in 'insurance contributions to fire brigades,' consistent with Country Fire Authority reporting.

(c) 'Franchise taxes' category of 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 an annual tax free threshold of \$550 000.

As part of measures introduced in this budget, the payroll tax rate is scheduled to decrease to 4.90 per cent, effective from 1 July 2010. This represents the 7<sup>th</sup> rate reduction of this government.

Around 31 000 businesses in Victoria will benefit from the cuts to the payroll tax rate. Victorian businesses operating with payrolls valued between \$5.5 million to \$17.95 million will pay the lowest payroll tax in Australia.

Since 1 July 2007, Victoria and NSW have led the nation in harmonising payroll tax legislation including common definitions and exemptions (excluding rates and thresholds), to streamline administration and reduce compliance costs for businesses. Tasmania, South Australia and recently, the Northern Territory have since joined with Victoria and NSW to harmonise their legislation, with other jurisdictions set to follow with respect to eight main provisions of the law.

All jurisdictions have commenced the process of harmonising administrative arrangements, such as developing common revenue rulings. Thirty-six joint Victorian and NSW revenue office revenue rulings have been published in the period to March 2010, most of which have now been adopted by Tasmania, Queensland, South Australia and the Northern Territory. The Payroll Tax Harmonisation Committee established by all the jurisdictions in Australia, to oversee the design, implementation and maintenance of an administrative framework has established key draft protocols designed to assist revenue offices by articulating processes to ensure taxpayers who employ people across jurisdictions are dealt with consistently and without the need to repeat basic interactions with multiple offices.

In 2010-11 payroll tax revenue is estimated to be \$4 259 million, an increase of \$236 million (5.9 per cent) over the 2009-10 revised estimate. This growth reflects increasing employment and wages, as well as an expected recovery in average hours worked per employee, moderated by the reduction in the payroll tax rate.

## **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. In 2010-11, more than \$2 billion worth of 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 will be provided by the government (see Chapter 5 *Tax Expenditures and Concessions* for more details).

In this budget, the Government has extended the current land tax exemption for retirement villages, residential care facilities, supported residential services and residential services for people with disabilities to include the construction phase of these facilities for a maximum construction period of two years, with a view to reduce construction costs and encourage private investment in the sector.

Table 4.3 shows the land tax rates that are applicable for the 2011 land tax year (being the 2010-11 Budget year).

**Table 4.3: 2011 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<sup>(a)</sup>*

<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 be \$1 362 million in 2010-11, above the 2009-10 revised estimate of \$1 219 million. This reflects the expected increase in land values for the two years to 1 January 2010, as well as the progressiveness in the land tax scales. Legislation requires that valuations be conducted biennially: the 2010 valuations will be used for both the 2011 and 2012 land tax years.

**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 is subject to indexation based on the Consumer Price Index (CPI) and for 2010 is \$860 per car parking space. An exception is the area bounded by Montague Street, the West Gate Freeway, CityLink 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 so as not to inhibit retail trade within the boundaries, parking spaces used exclusively for residential purposes, and certain other parking spaces such as those used by ambulances and charitable institutions.

Congestion levy revenue in 2010-11 is expected to be \$46 million, 2.1 per cent higher than the 2009-10 revised estimate mainly due to CPI indexation.

In line with the Government's commitment to review the effectiveness of the levy, the Government has asked the Department of Treasury and Finance to undertake a review of the levy. The objectives of the review are to gauge the levy's contribution to congestion management and to assess progress on streamlining its administration.

## 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.

**Table 4.4: Duty on land transfers**

### General land transfer duty rates

Value of property transferred	Duty payable
\$0 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

Value of property transferred	Duty payable
\$0 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.

Land transfer duty revenue is expected to increase by \$174 million or 5.0 per cent in 2010-11, following an estimated 25 per cent increase in land transfer revenue in 2009-10. After a trough due to the global downturn in 2008-09, the property market rebounded, in part due to the Commonwealth Government's *First Home Owner Boost* and the Victorian Government's *First Home Bonus*, and declines in mortgage interest rates. The recovery in the economy has provided further support to the market.

The property market remains strong despite recent monetary tightening and the easing of the first home owner demand. Recent market activity, as reported by the Real Estate Institute of Victoria and the Australian Bureau of Statistics, is showing continuing strong sales and prices.

The Government's First Home Bonus provides targeted relief to Victorian's entering the housing market for the first time.

#### *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.

This revenue also includes any minor adjustment amounts relating to property taxes that have been abolished in recent years.

Revenue from other property duties is estimated to be \$8.6 million in 2010-11, unchanged from the revised 2009-10 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 2010-11 is estimated to be \$125 million or \$3.8 million (3.1 per cent) higher than the 2009-10 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 2010-11 is expected to be \$36 million, \$1.5 million (4.4 per cent) higher than the 2009-10 revised estimate, which reflects continued investment in the state's urban fire services.

### *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 2010-11 is expected to be \$80 million, higher than the 2009-10 revised estimate of \$53 million. This increase is mainly due to the expected increase in borrowings by water corporations to fund capital projects.

### **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 net expenditure, with the tax rate varying by category of gambling. Net expenditure 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 one of the Hospitals and Charities Fund, the Mental Health Fund, the Community Support Fund. In 2010-11, it is estimated that 82 per cent (\$1 419 million) of total gambling taxation revenue will be transferred by standing appropriation to these funds.

Overall gambling taxes are expected to increase by 4.0 per cent (\$67 million) in 2010-11, compared with the 2009-10 revised estimate. This is in line with household consumption expenditure growth and the impact of changes to Crown Casino's licence conditions, including a progressive increase in the tax rate on the Casino's gaming machines (which commenced on 1 January 2010) and changes to table game arrangements.

From August 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. The Government will also introduce a new progressive tax system for EGMs post 2012 applying to each venue's average monthly per gaming machine net expenditure.

## **Levies on statutory corporations**

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

The environmental contribution levy 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 \$62 million (8.5 per cent) in 2010-11 compared to the 2009-10 revised estimate. This mainly reflects an expected increase in non-life insurance premium rates, consistent with industry expectations, and growth in the economy.

### *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.

Life insurance revenue is expected to rise by \$0.2 million (3.9 per cent) compared to the 2009-10 revised estimate broadly in line with the expected growth in the economy.

### *Duty on compulsory third party premiums*

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

Compulsory third party premium revenue is expected to increase by \$6.1 million (4.3 per cent) compared to the 2009-10 revised estimate. This reflects an anticipated rise in the volume 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).

The legislation also prescribes that non-residential property owners who choose to either self insure or insure off-shore, are required to pay a contribution to whichever fire service covers the area in which their property is located.

In 2010-11, revenue from insurance contributions to fire services is anticipated to increase by \$9 million (1.8 per cent) compared to the 2009-10 revised estimate and reflects a slight increase to the Metropolitan Fire and Emergency Services Board's expected insurance contribution, including indexation. There is no expected change to insurance industry contributions to the Country Fire Authority. The government is undertaking a review of the fire services levy as part of the commitment to release a White Paper by February 2010.

## **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 cars, and at a flat rate for other vehicles. Victoria currently has the lowest stamp duty on new conventionally powered passenger cars up to \$57 009 of the major states, which includes most common Australian made family cars. The rate scale is shown in Table 4.5.

**Table 4.5: Motor vehicle duty rates**

Market value of vehicle	Duty payable
For motor vehicles not previously registered:	
<i>Passenger cars</i>	
\$ 0 – \$ 57 009 <sup>(a)</sup>	\$5.00 per \$200 or part thereof on entire price
\$ 57 010 <sup>(a)</sup> or more	\$10.00 per \$200 or part thereof on entire price
<i>Other vehicles</i>	
All values	\$5.00 per \$200 or part thereof on entire price
For motor vehicles previously registered, regardless of where:	
All values	\$8.00 per \$200 or part thereof on entire price

*Source:* Duties Act 2000

*Note:*

(a) From 1 July 2010, this threshold will be aligned with Commonwealth luxury car tax threshold, which is currently \$57 180 and indexed annually.

Aggregate motor vehicle taxation revenue in 2010-11 is expected to grow by \$41 million (2.9 per cent) compared to the 2009-10 revised estimate.

Of this, registration fee revenue is forecast to increase by \$44 million (5.2 per cent) in 2010-11, as a result of an expected increase in registration volumes principally driven by household and population growth, increasing motor vehicle ownership, as well as growth in motor vehicle registration fees in line with the CPI. Revenue from duty on motor vehicle registrations and transfers is expected to decrease by \$2.1 million (down 0.4 per cent) in 2010-11 compared to the 2009-10 revised estimate, mainly due to movements in interest rates, and the ending of the Commonwealth's small and general business tax break on 31 December 2009.

### **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 CityLink, which are progressively recognised as income, and liquor licence fees. Landfill revenue is expected to increase by 48.3 per cent in 2010-11 to \$68 million.

In March 2010, the Government announced two initial increases to landfill levy rates and further progressive increases over the following four years to 2014-15. These increases recognise that incentives are needed to reduce the level of waste and to stimulate the recycling industry and encourage new recycling technologies.

### **Interest revenue**

Interest revenue is estimated to be \$358 million in 2010-11, \$9 million or 2.7 per cent higher than the 2009-10 revised estimate. Changes in interest revenue reflect movements in cash balances held by general government entities and changes in interest rates on those balances.

## 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 Actual	2009-10 Revised	2010-11 Budget	Change % <sup>(a)</sup>
Dividends	344.6	307.8	340.8	10.7
Income tax equivalent revenue	141.2	146.7	159.1	8.4
Local government rate equivalent revenue	4.5	4.6	5.1	9.8
<b>Total dividends, income tax and rate equivalent revenue</b>	<b>490.4</b>	<b>459.2</b>	<b>504.9</b>	<b>10.0</b>

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2009-10 and 2010-11.

Dividend, income tax and rate equivalent revenue is expected to be \$505 million in 2010-11, which is \$46 million (10.0 per cent) higher than the 2009-10 revised estimate, mainly driven by higher dividend revenue.

Total dividend revenue is expected to increase by \$33 million (10.7 per cent) in 2010-11. This is largely due to an increase in dividend revenue from the TAC following a decision in 2009-10 not to take a dividend as a result of challenging financial conditions.

Total income tax equivalent revenue is expected to increase by \$12 million (8.4 per cent) in 2010-11, 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 \$5 847 million in 2010-11, an increase of 7.7 per cent or \$419 million on the 2009-10 revised estimate. Factors contributing to this change include:

- an increase in revenue from farebox collections under new rail contracts which came into operation on 30 November 2009;
- an increase in inter-sector capital asset charge revenue from VicTrack reflecting increased VicTrack asset values due to additional capital expenditure;
- increased third party revenue in the health sector and ambulance services;
- increases in TAFE institutes fee revenue from both international and domestic students; and
- increases in a range of other fees and charges broadly in line with increases in the CPI.

Note 4 of the Estimated Financial Statements, Budget Paper No. 4, Chapter 1 *Estimated Financial Statements and Notes*, provides a breakdown of sales of goods and services by major category.

## Other current revenue

Other current revenue includes the fair value of assets received free of charge, fines, royalties, donations and gifts and other miscellaneous income. These are shown in Table 4.7.

**Table 4.7: Other current revenue**

(\$ million)

	2008-09 Actual	2009-10 Revised	2010-11 Budget	Change % <sup>(a)</sup>
Fair value of assets received free of charge or for nominal consideration	131.3	109.6	1.0	-99.1
Traffic camera and on the spot fines	381.4	437.2	476.8	9.1
Other fines	89.1	72.2	82.6	14.4
<b>Total Fines</b>	<b>470.5</b>	<b>509.4</b>	<b>559.4</b>	<b>9.8</b>
Royalties	48.1	47.8	46.2	-3.2
Donations and gifts	269.3	271.4	233.9	-13.8
Other non-property rental	23.8	21.6	21.7	0.5
Other miscellaneous income	936.0	796.8	855.9	7.4
<b>Other current revenue</b>	<b>1 878.9</b>	<b>1 756.5</b>	<b>1 718.0</b>	<b>-2.2</b>

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2009-10 and 2010-11.

In 2010-11 other current revenue is expected to be \$1 718 million, or \$38 million (2.2 per cent) lower than the 2009-10 revised estimate. This is mainly due to a decrease in fair value of assets received free of charge or for nominal consideration and donations and gifts, partly offset by increases in fines and other miscellaneous income.

The decline in revenue from fair value of assets received free of charge or for nominal consideration represents one-off transactions such as transfers of land, which are lower in aggregate in 2010-11 than the 2009-10 revised estimate.

Other miscellaneous income is expected to increase by \$59 million or 7.4 per cent to \$856 million in 2010-11, partly due to an increase in taxi license revenue from increased sales of taxi license plates to put more taxis on the road.

The 2010-11 fines estimate of \$559 million has been revised down from last year's budget estimate of \$581.5 million for 2010-11, which can partially be attributed to improved driver behaviour. Fines revenue is expected to increase by \$50 million or 9.8 per cent to \$559 million in 2010-11 compared to 2009-10 revised budget. This increase includes additional revenue from the ongoing implementation of expanded road safety initiatives as part of *arrive alive 2*. The Government has invested in a number of road safety initiatives, including expansion of the fixed digital road safety camera network, enhanced enforcement of speed restrictions, increasing the use of moving mode radar technology, additional drug and alcohol testing, tougher sanctions within the reissuing of the road regulations in November 2009 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*.

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

## GRANTS

Summary information on the estimates for the various grant categories for the 2009-10 revised estimate and the *2010-11 Budget* estimate are shown in Table 4.8.

The detailed estimates provided in this chapter represent the latest information available to the Victorian Government at the time of finalisation of the *2010-11 Budget*.

**Table 4.8: Grants**

(\$ million)

	2008-09 Actual	2009-10 Revised	2010-11 Budget	Change % <sup>(a)</sup>
GST grants	9 319.0	10 145.0	11 142.7	9.8
<b>General purpose grants</b>	<b>9 319.0</b>	<b>10 145.0</b>	<b>11 142.7</b>	<b>9.8</b>
Specific purpose grants for on-passing	2 232.8	2 862.3	2 768.2	-3.3
Grants for specific purposes	7 159.6	8 979.9	8 868.6	-1.2
<b>Total</b>	<b>18 711.4</b>	<b>21 987.3</b>	<b>22 779.5</b>	<b>3.6</b>
Other contributions and grants	258.5	124.1	113.7	-8.4
<b>Total grants</b>	<b>18 970.0</b>	<b>22 111.3</b>	<b>22 893.1</b>	<b>3.5</b>

Source: Department of Treasury and Finance

Note:

(a) Per cent change between 2009-10 and 2010-11.

Total grants are expected to increase by 3.5 per cent between 2009-10 and 2010-11 reflecting a 9.8 per cent increase in general purpose grants (GST). However, GST revenue in 2010-11 is expected to remain over \$500 million below what was projected in the *2008-09 Budget*. The increase in GST revenue in 2010-11 is partly offset by a decline in grants for specific purposes of 1.2 per cent.

Specific purpose grants for on passing are also forecast to decrease by \$94 million or 3.3 per cent in 2010-11.

## General purpose grants

In accordance with the *Intergovernmental Agreement on Federal Financial Relations*, agreed to in 2008, the states and territories currently receive all GST revenue. From 2011-12 an amount of GST revenue will be dedicated to the provision of healthcare services in Victoria, and will no longer be available for 'general purposes'. This will not impact upon the aggregate amount of GST paid to Victoria, or distribution of GST among states and territories. The distribution of GST grants between states and territories is determined by the GST relativities, which are determined by the Commonwealth Treasurer on the basis of recommendations from the Commonwealth Grants Commission (CGC).

The CGC updates its relativities annually to reflect movements in data, with a comprehensive methodology review every five years. The latest review, the *Report on GST Revenue Sharing Relativities 2010 Review* (the 2010 Review), was completed in February 2010. The recommendations of the 2010 Review were accepted by the Commonwealth Treasurer in March 2010 and will be used for the first time to distribute GST revenue in 2010-11. This will increase Victoria's GST share to 23.4 per cent of the total GST pool in 2010-11, compared with 22.8 per cent in 2009-10.

In 2010-11, GST grant payments are expected to be \$11 143 million which represents an increase of \$998 million (9.8 per cent), compared to the 2009-10 revised estimate. This compares with an estimated increase of 7.3 per cent in the total GST pool. Victoria's higher GST growth reflects its increased share of the GST revenue pool principally as a result of the revised relativities recommended by the 2010 Review.

### **Outcomes from the 2010 Commonwealth Grants Commission Review**

The recommendations of the CGC are underpinned by the principle of horizontal fiscal equalisation. The CGC attempts to comprehensively equalise the financial capacities of all states based on estimates of their revenue raising capacities, the cost of providing standard state services and the cost of providing required capital. The 2010 Review introduced the assessment of capital requirements (in terms of infrastructure and financial assets) for the first time.

Approximately every five years, the CGC reviews the methodology used to distribute the GST. Terms of reference for the 2010 Review (issued May 2005) instructed the CGC to simplify its assessments and to use more robust data and methods. This sought to make the methodology more transparent and the results more easily explained and justified. The 2010 Review was completed in February 2010.

The 2010 Review represents an improvement in the current redistribution model. The CGC's revised methodology has been simplified through the aggregation of expense and revenue categories, the use of broader indicators of differences among states and the application of materiality thresholds. The new relativities more appropriately share the responsibility for supporting the smaller states and territories across the four largest states.



However, Victoria still has serious concerns about the appropriateness of some aspects of the CGC methodology. This includes the inappropriate treatment of funding for Victoria's *Regional Rail Link*, the impact of which would be to substantially offset Commonwealth funding for this project (see Chapter 5, Budget Paper No. 2). More broadly, the current approach to horizontal fiscal equalisation remains unacceptably volatile and unduly complex, and Victoria continues to seek more comprehensive reform.

## **OTHER COMMONWEALTH GRANTS**

Grants for specific purposes (including specific purpose grants for on-passing) are expected to be \$11 637 million in 2010-11, a decrease of \$205 million (1.7 per cent) on the 2009-10 revised estimate.

These Commonwealth grants are detailed in Table 4.9 below.

**Table 4.9: Grants for specific purposes and grants for on passing**

(\$ million)

	2009-10 <i>Revised</i>	2010-11 <i>Budget</i>	Change %
<b>Assistance to non-government Schools</b>	1 821.7	1 939.6	6.5
<b>National Affordable Housing Agreement</b>	257.1	265.9	3.4
<b>National Agreement for Skills and Workforce Development</b>	326.0	332.6	2.0
<b>National Disability Agreement</b>	208.2	246.0	18.2
<b>National Education Agreement</b>	759.6	809.2	6.5
<b>National Healthcare Agreement</b>	2 710.1	2 918.3	7.7
<b>Nation Building – Economic Stimulus Plan</b>			
Blackspot Program/Boom Gates	31.1	..	-100.0
Nation Building and Jobs Plan	612.5	573.7	-6.3
Building the Education Revolution			
Building the Education Revolution: Non-government schools	732.3	457.3	-37.6
National Schools Pride Program	145.0	..	-100.0
Primary Schools of the 21st Century	1 198.6	939.4	-21.6
Science and Language Centres	111.8	27.4	-75.5
<b>National Partnerships</b>			
Aged Care Assessment	18.5	18.7	1.0
Ballarat Regional Integrated Cancer Centre	3.0	32.0	966.7
Better TAFE Facilities	46.5	2.4	-94.7
Caring for our Country	36.9	32.4	-12.3
Certain Concessions for Pensioners and Seniors Card Holders	53.5	54.7	2.2
Commonwealth First Home Owner Boost	291.2	15.5	-94.7
Early Childhood Education	15.3	19.3	26.0
Elective Surgery Waiting List Reduction Plan	31.6	47.7	50.7
Essential Vaccines	83.3	84.6	1.6
Exceptional Circumstances Interest Rate Subsidy	59.4	39.6	-33.3
Expansion of Gippsland Cancer Care Centre	5.0	5.0	0.0
Healthy Kids Health Checks	0.4	0.4	10.0
Home and Community Care	284.5	304.3	6.9
Home and Community Care Services for Veterans	4.2	4.2	0.0
Homelessness	18.8	24.9	32.8
Indigenous Early Childhood Development	4.2	3.9	-9.0
Infrastructure Employment Projects	6.4	..	-100.0
Literacy and Numeracy	9.6	31.3	226.0
Literacy and Numeracy: Non-government schools	6.5	..	-100.0
Low Socio-Economic Status School Communities	21.3	29.3	37.9
Low Socio-Economic Status School Communities: Non-government schools	6.6	8.3	25.7
Nation Building – AusLink (Road and Rail)	324.9	523.0	61.0
National Disaster Resilience Program	2.1	2.1	0.0
National Emergency Warning System	15.7	..	-100.0
National Quality Agenda on Early Childhood Education and Care	..	1.3	na

**Table 4.9: Grants for specific purposes and grants for on passing (continued)**

(\$ million)

	2009-10 Revised	2010-11 Budget	Change %
National Secondary Schools Computer Fund	57.7	14.8	-74.4
National Secondary Schools Computer Fund: Non-government schools	18.2	9.9	-45.7
National Solar Schools Plan	11.2	11.2	-0.1
Olivia Newton John Cancer and Wellness Centre	10.0	..	-100.0
Parkville Comprehensive Cancer Centre	5.2	104.4	1907.7
Point Nepean	16.0	1.0	-93.8
Productivity Places Program	68.9	105.2	52.7
Public Transport Concessions	1.6	1.7	6.3
Regional Rail Link	150.0	353.0	135.3
Remote Indigenous Housing	4.5	2.5	-44.0
Social Housing	49.6	..	-100.0
Statewide Enhancements to Regional Cancer Services	..	7.7	na
Teacher Quality	1.5	5.4	261.2
Teacher Quality: Non-government schools	1.9	3.3	74.0
The Living Murray	17.9	..	-100.0
Trade Training Centres in Schools	80.7	44.6	-44.7
Victorian Cytology Service	7.0	7.3	5.0
Victorian Legal Aid	37.0	34.0	-8.1
Water for the Future	17.1	27.3	59.6
Youth Attainment and Transitions	8.5	17.0	100.0
<b>COAG – National Health and Hospitals Reform</b>	..	168.2	na
<b>National Jobs Fund – Victorian Bushfire Reconstruction and Recovery Plan</b>			
Australian Government's Jobs Fund Community Sewage Solutions	0.4	0.4	0.0
Bushfire Reconstruction	5.8	2.7	-53.4
Implementation and Project Management	3.0	..	-100.0
Phase 2 of Marysville urban design	0.5	..	-100.0
<b>Other payments to the States</b>			
Interstate Road Transport	15.3	14.5	-5.5
<b>Commonwealth Own Purpose Expenses</b>			
Highly Specialised Drugs Program – Department of Health	157.3	173.0	10.0
<b>Commonwealth Grants to Local Government</b>			
Financial assistance grants to local government (operating)	247.9	343.4	38.6
Identified local roads grants to local government	91.4	126.7	38.6
<b>Other</b>	492.6	263.2	-46.6
<b>Total</b>	11 842.2	11 636.8	-1.7

Source: Department of Treasury and Finance

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

Commonwealth Government assistance is provided to non-government schools for operating and capital costs of school education. Non-government school funding is provided through the *School Assistance Act 2008* as well as through participation in National Partnership agreements with the Commonwealth.

In 2010-11, grants for Assistance to Non-Government Schools are estimated to be \$1 940 million, an increase of \$118 million (6.5 per cent) compared to the 2009-10 revised estimates of \$1 822 million, due to indexation as determined by the movement in the Average Government School Recurrent Cost.

### **National Affordable Housing Agreement**

The *National Affordable Housing Agreement* provides support for the provision of affordable, safe and sustainable housing that contributes to economic and social participation.

### **National Agreement for Skills and Workforce Development**

The *National Agreement for Skills and Workforce Development* provides support for the delivery of publicly funded training services.

### **National Disability Agreement**

The *National Disability Agreement* confirms the roles and responsibilities of Commonwealth and State and Territory governments in funding and delivering disability services, contributing 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.

### **National Education Agreement**

The *National Education Agreement* provides support for government school services.

In 2010-11, grants for the *National Education Agreement* are estimated to be \$809 million, an increase of \$50 million (6.5 per cent) compared to the 2009-10 revised estimates of \$760 million, which is due to indexation as determined by the movement in the Average Government School Recurrent Cost.

### **National Healthcare Agreement**

The *National Healthcare Agreement* provides funding to support state provision of free public hospital services.

A new Healthcare specific purpose payment, with continuation of funding (including annual indexation) equal to the current agreement, will support provision of hospital services from 2010-11.

Total Commonwealth funding for health and hospitals will be affected by the new National Health and Hospitals Reform agreed by COAG. Further detail on this Agreement can be found in the Putting Patients First Statement (Budget Information Paper No. 2).

## ***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.

### *Nation Building and Jobs Plan*

Funding is provided under the *Nation Building – Economic Stimulus Plan* to increase the supply of social housing. The once-off injection of funding will enable construction of around 4 500 new dwellings in Victoria and the refurbishment of existing stock that would otherwise be unavailable for occupancy. A significant proportion of new housing provided under this agreement will be completed by the end of 2010.

### *Building the Education Revolution*

Funding is provided as part of the Commonwealth Government's *Nation Building – Economic Stimulus Plan* (Building the Education Revolution). For government schools, funding is being used collaboratively with the State Government Victorian Schools Plan funding to ensure that the opportunities provided to schools are maximised. Funding is provided through: National School Pride program; Primary Schools for the 21st Century; and Science and Language Centres in Secondary Schools.

In 2010-11, funding for initiatives within Building the Education Revolution is estimated to total \$1 424 million, a decrease of \$764 million (34.9 per cent) compared to the 2009-10 revised estimates of \$2 188 million. The Commonwealth's economic stimulus package was designed to increase immediate spending in 2009-10, resulting in a drop in funding in 2010-11.

Non-government schools also participate in the Building the Education Revolution.

#### **National School Pride**

Funding is provided for construction of small scale infrastructure and/or minor refurbishment projects.

#### **Primary Schools for the 21st Century**

Funding is provided for construction 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**

Funding is provided for science and language centres in government and non-government secondary schools. Funding is being provided on a contestable basis 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***

### *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.

### *Ballarat Regional Integrated Cancer Centre*

Funding is provided to redevelop the Ballarat Regional Integrated Cancer Centre, to deliver enhanced outpatient radiotherapy and chemotherapy capacity. When complete, the redeveloped Cancer Centre will house four new radiotherapy bunkers, and two new linear accelerators along with the existing linear accelerator. It will also support the co-location and integration of a range of other cancer services, including a Wellness Centre, clinical trials and research and education services.

### *Better TAFE Facilities*

Funding provides support to assist TAFE institutes to address immediate maintenance needs, small capital works and the purchase of plant and equipment with a focus on modernising and improving the quality of teaching and learning across the TAFE sector.

In 2010-11, grants for Better TAFE Facilities are estimated to be \$2 million, a decrease of \$44 million (94.7 per cent) compared to the 2009-10 revised estimates of \$47 million. Funding for this initiative was initially anticipated to be received in full in 2009-10, however a small amount will now be received in 2010-11.

### *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 Native Vegetation, 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 \$32 million during 2010-11 is expected to be 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.

#### *Certain Concessions for Pensioners and Seniors Card Holders*

Provides on-going funding and provision of Certain Concessions for Pensioners and Seniors Card Holders, being rebates made available to pensioners for council/land and water rates, utilities including energy and sewerage, motor vehicle registration and public transport.

#### *Commonwealth First Home Owner Boost*

On 14 October 2008, the Commonwealth announced the *First Home Owner 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 *First Home Owner Boost* was reduced on 1 October 2009, to \$3 500 for an established home and \$7 000 for a new home or a newly constructed home, and terminated on the 31 December 2009. As such, *First Home Owner Boost* revenue is expected to decrease from \$291 million in 2009-10 to \$16 million in 2010-11.

#### *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.

#### *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.

#### *Essential Vaccines*

The Essential Vaccines Program provides funding to ensure improved health and wellbeing of Victorians through the cost-effective delivery of immunisation programs, reducing the incidence of vaccine preventable diseases in the Australian population.

#### *Exceptional Circumstances Interest Rate Subsidy*

Funding is provided for grant payments for drought assistance for farmers and farm-related small businesses in drought declared areas in Victoria.

### *Expansion of Gippsland Cancer Care Centre*

This initiative will expand the capacity of the Gippsland Cancer Care Centre at the Latrobe Regional Hospital, providing additional radiation chemotherapy treatments.

### *Healthy Kids Health Checks*

Funding is provided for the administration of the Healthy Kids Health Check for 3.5 year olds program.

### *Home and Community Care*

The aim of the Home and Community Care (HACC) Program is to develop and deliver a range of integrated home and community care services to frail older people, people with disabilities and their carers. Services funded by the program include home care, respite, nursing, allied health, personal care, social support and meals. Local governments, district nursing services, community health services and non-government organisations deliver these services, either in the home or in community centres. The Department of Veterans Affairs makes a small contribution to the Victorian HACC Program, primarily for delivered meals and social support, services not provided through Veterans Home Care.

### *Homelessness*

The *National Partnership Agreement on Homelessness* commits the Commonwealth and States to work together to assist people who are homeless or at risk of homelessness achieve sustainable housing and social inclusion.

Actions undertaken by individual jurisdictions are 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 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.

### *Infrastructure Employment Projects*

The Victorian Government is committed on tackling climate change and reducing green house gas emissions. Under the Commonwealth's Job Fund, funding of \$6.4 million was provided in 2009-10 for a Renewable Power Generation Project. This was part of the Commonwealth's Infrastructure Employment Projects which provides investment in infrastructure projects to generate jobs.



### *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. Non-government schools 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. Non-government schools also participate in this National Partnership.

### *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 2009-14, the Commonwealth Government will make a funding contribution of over \$2.0 billion towards the agreed projects total estimated investment (TEI).

### *National Disaster Resilience Program*

In 2009-2010, the funding for natural disaster mitigation related projects previously offered under the Natural Disaster Mitigation Program was incorporated into the Natural Disaster Resilience Program. This Program aims to identify and address natural disaster risk priorities across the nation. Funding is provided by the Commonwealth for initiatives to create safer and sustainable communities by better enabling them to withstand the effects of floods, storms, fires and other natural disasters.

In 2009-2010, the funding for bushfire mitigation related projects previously offered under Bushfire Mitigation Program was incorporated into the Natural Disaster Resilience Program. Funding is provided by the Commonwealth to assist bushfire mitigation through the construction, maintenance and signage of fire trail networks to assist with better bushfire preparedness.

### *National Emergency Warning System*

In April 2009, the Council of Australian Governments agreed that a National Emergency Warning System would be implemented across participating states and territories. It was also agreed that Victoria would lead the process for the development and implementation of the system. Funding is provided by the Commonwealth to develop the National Emergency Warning System, which will deliver warnings of imminent bushfire danger to fixed and mobile phones.

### *National Quality Agenda on Early Childhood Education and Care*

The National Quality Agenda for Early Childhood Education and Care provides funding to support the establishment of a jointly governed and unified National Quality Framework. The framework aims to improve the quality of early childhood services, provide parents with information about the quality of early childhood services, and reduce the administrative burden for early childhood services.

### *National Secondary School Computer Fund*

Funding is provided to government and non-government schools for the purchase and deployment of computers under the National Secondary School Computer Fund.

In 2010-11, grants for the National Secondary School Computer Fund are estimated to be \$25 million, a decrease of \$51 million (67.5 per cent) compared to the 2009-10 revised estimates of \$76 million. Additional funding was received in 2009-10 for this initiative as part of the Commonwealth's economic stimulus package, resulting in a drop in funding in 2010-11.

### *National Solar Schools Plan*

The National Solar Schools Program offers grants to install solar and other renewable power systems, solar hot water systems, rainwater tanks and a range of energy efficiency measures.

### *Olivia Newton John Cancer and Wellness Centre*

The Commonwealth has provided funding to contribute towards the development of the Olivia Newton John Cancer and Wellness Centre, a purpose-built facility that will combine cancer treatment services with the clinical research programs currently run by Austin Health and the International Ludwig Institute for Cancer Research. The centre will have a focus on improving support for cancer patients and their families, and will provide training for medical oncology and specialist cancer nursing and allied health staff.

### *Parkville Comprehensive Cancer Centre*

The Parkville Comprehensive Cancer Centre (Parkville CCC) will drive leadership and innovation in the fields of cancer treatment, research and education by having the largest concentration of cancer clinicians and researchers in the southern hemisphere, ranking it among the top ten cancer centres in the world.

The *Parkville CCC* will facilitate the rapid translation of ground-breaking discoveries into new treatments, train cancer specialists in all disciplines to work across Victoria and provide a centre of excellence for people affected by cancer. The centre will attract the best and brightest researchers and clinicians and draw international investment and research collaborations to Australia.

In 2010-11, Commonwealth funding for the Parkville Comprehensive Cancer Centre is estimated to be \$104 million.

### *Point Nepean*

The Commonwealth Government agreed to transfer the 90 hectare Point Nepean Quarantine station site to the Victorian Government to create an expanded park. This transfer was formalised in 2009. Funding of \$16 million was provided in 2009-10 by the Commonwealth Government with a further \$1 million expected in 2010-11 to assist with the ongoing management of the park.

### *Productivity Places Program*

The Productivity Places Program provides for Victoria and the Commonwealth Government to work together to increase both the number of people with skills and trades qualifications, as well as the number of people with higher level qualifications.

In 2010-11, grants for the Productivity Places Program are estimated to be \$105 million, an increase of \$36 million (52.7 per cent) compared to the 2009-10 revised estimates of \$69 million, in line with the Agreement.

### *Public Transport Concessions*

This *National Partnership Agreement* has been established to provide for on-going funding and provision of Certain Concessions for Pensioners and Seniors Card holders. The first component continues the practice of the Commonwealth sharing the costs of funding Certain Concessions for Pensioners. This dates from the 1993 agreement whereby the Commonwealth and the States and Territories agreed that Certain Concessions would be provided by State and Territory governments to all Pensioner Concession Card holders without discrimination between cardholders, in return for on-going, indexed Commonwealth funding. The second component relates to provision by State and Territory governments of Designated Public Transport Concessions for all Australian Seniors Card Holders on public transport services, irrespective of the Seniors Card holder's state of residence.

### *Regional Rail Link*

In May 2009, the Commonwealth Government announced a contribution of \$3.2 billion to the *Regional Rail Link* project. Funding is being provided over six years, from 2008-09 to 2013-14.

The project will construct a dual track link of up to 50 kilometres from West Werribee to central Melbourne's Southern Cross Station, via Sunshine. This includes construction of a new rail line from Werribee to Deer Park, new stations at Tarneit and Wyndham Vale, and duplication of existing tracks between Sunshine and Kensington. The project will deliver capacity for an extra 9 000 regional and suburban passengers every hour and will allow regional rail services to run express into Melbourne, increasing transport capacity and reliability for Geelong, Ballarat and Bendigo.

### *Remote Indigenous Housing*

Through the *National Partnership Agreement on Remote Indigenous Housing*, funding is 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, enabling 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.

### *Statewide Enhancements to Regional Cancer Services*

This initiative will provide statewide enhancements to existing regional cancer services in Victoria, to benefit areas including Bendigo, Traralgon and Albury-Wodonga.

### *Teacher Quality*

Funding is provided for measures to improve and maintain the quality of the teaching workforce. Non-government schools also participate in this National Partnership.

### *The 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, Victoria, SA and ACT governments.

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.

### *Trade Training Centres in Schools*

Funding is provided to build new, or upgrade existing, trade or vocational education and training facilities.

In 2010-11, grants for Trade Training Centres in Schools are estimated to be \$45 million, a decrease of \$36 million (44.7 per cent) compared to the 2009-10 revised estimates of \$81 million. This is due to additional funding being received in 2009-10 for this initiative as part of the Commonwealth's economic stimulus package, which was designed to increase immediate spending in 2009-10, resulting in a drop in funding in 2010-11.

### *Victorian Cytology Service*

Victorian Cytology Service reports cervical cytology tests. It is the largest single laboratory reporting Pap tests in Australia, examining approximately 300,000 Pap smears per year. This represents just over half of the smears taken annually in Victoria.

### *Victorian Legal Aid*

The *National Partnership Agreement on Legal Aid* provides funding for a share of the service delivery costs of Victoria Legal Aid on Commonwealth law matters.

### *Water for the Future*

The Victorian Government is acting to secure water supplies across the State, and is continuing to implement a range of measures, including the Victorian Desalination Project, irrigation renewal and increased recycling projects. The Commonwealth's Water for the Future initiative provides funding in four areas – Taking Action on Climate Change, Using Water Wisely, Securing Water Supplies and Supporting Healthy Rivers.

In 2009-10, funding of \$17.1 million was contributed by the Commonwealth Government to assist with a number of Victorian water projects, including the Black Rock water recycling project, the Northern Water Plan, the National Groundwater Action Plan and funding to assist with the restoration of Victorian rivers. Funding of \$273 million will also be provided in 2010-11 to continue with these water initiatives.

### *Youth Attainment and Transitions*

This initiative provides funding to increase participation of young people in education and training, increase attainment levels, and improve successful transitions from school.

### **COAG – National Health and Hospitals Reform**

The COAG agreement on national health and hospitals reform is expected to provide an additional \$168.2 million (excluding reward funding of \$15.5 million) in 2010-11 for the Victorian health and hospitals system. This includes funding for sub acute care, elective surgery, emergency departments, long stay older patients in hospitals and multi purpose services (which provide aged care and step down services in small rural communities). This figure is based on estimates provided by the Commonwealth and will be revised when the Commonwealth Budget is released.

### **Victorian Bushfire Reconstruction and Recovery Plan**

Funding is provided to contribute to the reconstruction and recovery of Victorian communities affected by the bushfires in February 2009.

## Other Payments to the State

### Interstate Road Transport

The Federal Interstate Registration Scheme (FIRS) levies registration charges on vehicles engaged in interstate trade and commerce under the *Interstate Road Transport Act 1985*. The Commonwealth Government pays a share of revenue collected under the FIRS scheme to states and territories, to cover the costs of maintenance and upkeep on roads used by motor vehicles registered under this Act.

## Commonwealth Own Purpose Expenses

### Highly Specialised Drugs Program – Department of Health

Highly Specialised Drugs are medicines for the treatment of chronic conditions which, because of their clinical use or other special features, are restricted to supply through public or private hospitals having access to appropriate specialist facilities. To prescribe these drugs as pharmaceutical benefit items, medical practitioners are required to be affiliated with these specialist hospital units. A general practitioner or non-specialist hospital doctor may only prescribe Highly Specialised Drugs to provide maintenance therapy under the guidance of the treating specialist. The Highly Specialised Drugs Program is a joint initiative of the Australian Government and the States and Territories.

## 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 2010-11 are estimated to be \$470 million. These grants are detailed in Table 4.10.

**Table 4.10: Commonwealth Grants for on passing to local government**

(\$million)

	2009-10 Revised	2010-11 Budget	Change %
Financial assistance grants to local government (operating)	247.9	343.4	38.6
Identified local roads grants to local government	91.4	126.7	38.6
<b>Total grants</b>	<b>339.3</b>	<b>470.1</b>	<b>38.6</b>

Source: Department of Treasury and Finance

### *Financial assistance grants to local government (operating)*

An equal per capita basis is used for distributing total assistance to the states and territories pursuant to the *Local Government (Financial Assistance) Act 1995*. These grants are estimated to increase by 38.6 per cent to \$343 million in 2010-11.

The variance from the 2009-10 revised estimate to the *2010-11 Budget* estimate is due to the receipt of 25 per cent of the 2009-10 payment in the fourth quarter of 2008-09 and the indexation of the grants pool in line with inflation and population growth.

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

Funding to local councils is provided on a per capita and road length basis pursuant to the *Local Government (Financial Assistance) Act 1995*. These grants are estimated to increase by 38.6 per cent to \$127 million in 2010-11.

The variance from the 2009-10 revised estimate to the *2010-11 Budget* estimate is due to the receipt of 25 per cent of the 2009-10 payment in the fourth quarter of 2008-09 and the indexation of the grants pool in line with inflation and population growth.





## CHAPTER 5 – TAX EXPENDITURES AND CONCESSIONS

### TAX EXPENDITURE

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 excluding thresholds by the main categories of tax for the period 2009-10 to 2013-14. Tax expenditures are expected to increase by \$451 million over this period, reflecting the growth in property prices and the economy more generally. In particular, land tax expenditures are expected to grow in line with the land tax revenue profile, while estimates of payroll tax expenditures are anticipated to increase moderately, reflecting expected employment and wages growth.

**Table 5.1: Aggregate tax expenditures (excluding thresholds) by type of tax**

Description	(\$ million)				
	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Land tax	1 939	2 173	2 119	2 287	2 230
Payroll tax	834	857	888	920	952
Gambling tax	75	77	81	86	89
Motor vehicle taxes	82	86	89	93	97
Other duties <sup>(a)</sup>	209	215	216	216	218
Congestion levy	32	33	33	34	35
<b>Total estimated tax expenditures</b>	<b>3 171</b>	<b>3 441</b>	<b>3 427</b>	<b>3 637</b>	<b>3 621</b>

Source: Department of Treasury and Finance

Note:

(a) Principally duty on land transfer.

Table 5.2 lists the estimated individual tax expenditures that can be costed for the period 2009-10 to 2013-14 (including tax free thresholds). The total value of tax assistance provided by the Government is estimated at \$5.5 billion in 2010-11, increasing to \$5.6 billion by 2013-14.

**Table 5.2: Tax expenditures that can be costed (including thresholds)**

Description	(\$ million)				
	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Land tax exemptions</b>					
Crown property (right of Victoria)	191	214	209	225	220
Principal place of residence	882	989	964	1 041	1 015
Land held in trust for public or municipal purposes or vested in any municipality	139	156	152	164	160
Land used by a charitable institution	57	64	62	67	66
Commonwealth land	174	195	190	206	200
Land used for primary production	249	279	272	293	286
Land vested in a public statutory authority	160	179	175	188	184
Land used for the CityLink network	21	24	23	25	24
Land used for EastLink	10	10	10	10	10
Assessment on a single holding basis for land owned by a municipality	5	5	5	6	5
Partial exemption for non-profit organisations solely for social, sporting, cultural, literary purposes; or horse, pony or harness racing	5	5	5	6	6
Assessment on a single holding basis for land owned by a charity	5	5	5	6	5
Retirement villages	13	15	14	15	15
Non-profit organisation providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	19	22	21	23	22
Associations of ex-servicemen	1	1	1	1	1
Caravan parks	4	4	4	4	4
Residential care facilities	6	7	7	7	7
Low cost accommodation	0	1	1	1	1
Aggregated site value below tax free threshold	65	73	72	77	75
<b>Total land tax expenditures</b>	<b>2 004</b>	<b>2 246</b>	<b>2 191</b>	<b>2 365</b>	<b>2 306</b>
<b>Payroll tax exemptions</b>					
Wages paid by public hospitals	252	258	267	277	286
Wages paid by a public benevolent institution/charity	232	238	247	255	264
Wages paid by a non-profit, non-public school	133	137	142	147	152
Commonwealth departments/agencies (not transport and communication)	36	37	39	40	41
Wages paid by non-profit hospitals	50	51	53	55	57
Municipal councils (not wages for trading activities)	106	108	112	116	120
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986</i> (Commonwealth)	18	19	20	21	22
Religious institutions	5	5	5	5	5
Construction industry leave entitlements paid by CoINVEST	2	2	2	2	2
Paid maternity leave	1	1	1	1	1

**Table 5.2: Tax expenditures that can be costed (including thresholds) (continued)**

(\$ million)

Description	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Government school councils	0	0	0	1	1
Wages paid to employees participating in voluntary emergency service work	0	0	0	0	0
Employers' payroll below \$550 000	1 956	1 968	1 967	1 958	1 939
<b>Total payroll tax expenditures</b>	<b>2 790</b>	<b>2 825</b>	<b>2 855</b>	<b>2 877</b>	<b>2 891</b>
<b>Congestion levy tax exemptions</b>					
Residential	1	2	2	2	2
Commercial and private	11	12	12	12	12
Short stay car parks	19	20	20	21	21
<b>Total congestion levy tax exemptions</b>	<b>32</b>	<b>33</b>	<b>33</b>	<b>34</b>	<b>35</b>
<b>Gambling tax exemptions</b>					
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	75	77	81	86	89
<b>Total gambling tax expenditures</b>	<b>75</b>	<b>77</b>	<b>81</b>	<b>86</b>	<b>89</b>
<b>Motor vehicle tax expenditures</b>					
Motor vehicle registration fee for eligible beneficiaries	67	70	73	76	79
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	2
Motor vehicle duty concession for incapacitated and disabled persons	0	0	0	0	0
Other (including motor registration discount for hybrid cars)	0	1	1	1	1
<b>Total motor vehicle tax expenditures</b>	<b>82</b>	<b>86</b>	<b>89</b>	<b>93</b>	<b>97</b>
<b>Other duties exemptions <sup>(a)</sup></b>					
Duty for corporate reconstruction	87	87	86	86	86
Conveyance duty concession for first home buyers with families	0	0	0	0	0
Conveyance duty concession for pensioners and concession cardholders	46	52	52	53	53
Duty for principal place of residence	76	77	78	77	79
<b>Total other duties expenditures</b>	<b>209</b>	<b>215</b>	<b>216</b>	<b>216</b>	<b>218</b>
<b>Total estimated tax expenditures</b>	<b>5 192</b>	<b>5 482</b>	<b>5 466</b>	<b>5 672</b>	<b>5 635</b>

Source: Department of Treasury and Finance

Note:

(a) Principally duty on land transfer.

Table 5.3 provides the ratio of tax expenditure to revenue by the main categories of tax in 2009-10. The ratio of tax expenditures (excluding thresholds) to tax revenue in 2009-10 is estimated at 23.2 per cent, up slightly from 22.6 per cent in 2008-09. In 2009-10, the ratio of land tax expenditures to tax revenue has risen, driven by an increase in land tax principal place of residence exemptions. However, the relative importance of land tax fell from 9.8 per cent of total taxation revenue in 2008-09 to 8.9 per cent in 2009-10.

**Table 5.3: Ratio of aggregate tax expenditures (excluding thresholds) to tax revenue in 2009-10**

(\$ million)

Description	Tax expenditure	Tax revenue	Ratio
Land tax	1 939	1 219	1.59
Payroll tax	834	4 023	0.21
Gambling tax	75	1 656	0.05
Motor vehicle taxes	82	1 407	0.06
Other duties <sup>(a)</sup>	209	3 507	0.06
Congestion levy	32	45	0.71
Other/miscellaneous	..	1 786	..
<b>Total for items estimated</b>	<b>3 171</b>	<b>13 642</b>	<b>0.23</b>

Source: Department of Treasury and Finance

Note:

(a) Principally 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. The estimated increase in aggregate expenditures is largely driven by increases in tax expenditures for property owners, Commonwealth and State Government, charitable organisations, hospitals, primary producers and local government.

**Table 5.4: Aggregate tax expenditures (excluding thresholds) classified by persons or entities affected**

Description	(\$ million)				
	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
Business	171	176	176	180	181
Construction industry	2	2	2	2	2
Charitable organisations	294	307	314	328	335
Educational institutions	134	137	142	148	153
Gambling clubs	75	77	81	86	89
Commonwealth and State Government	560	625	612	659	645
Local government	249	269	269	286	285
Hospitals	302	310	321	332	343
Pensioners/concession cardholders	128	138	142	147	149
Property owners	964	1 073	1 049	1 126	1 102
Primary producers	261	292	285	307	300
Religious institutions	5	5	5	5	5
Sporting, recreation and cultural organisations	24	27	26	29	28
Other	2	2	3	3	3
<b>Total for items estimated</b>	<b>3 171</b>	<b>3 441</b>	<b>3 427</b>	<b>3 637</b>	<b>3 621</b>

Source: Department of Treasury and Finance

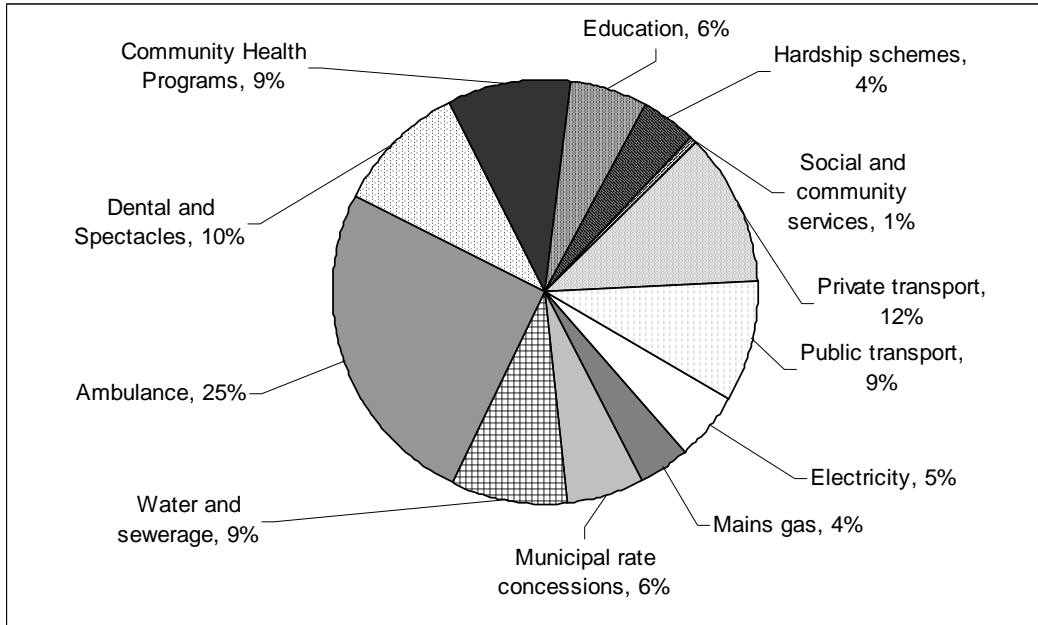
## CONCESSIONS

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.

This year, concessions reporting aims to provide a more detailed analysis on each major category, with an increase in the number of categories from five in the *2009-10 Budget* to 12, acting upon the recommendation made by the Public Accounts and Estimates Committee.

Chart 5.1 shows the estimated distribution of concessions by category for 2009-10. At an aggregate level, the majority of concessions are concentrated in health (ambulance, dental and spectacles and community health programs) accounting for 45 per cent of total concessions. Energy, municipal rates, water and sewerage is the next largest category, accounting for 24 per cent of total concessions in 2009-10, while transport accounts for 21 per cent of total concessions.

**Chart 5.1: Estimated concessions by category 2009-10**



*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 2009-10 is \$1 261 million. Any change in the economic outlook will impact on the estimates of concessions.

**Table 5.5: Concessions by category**

(\$ million)

Description	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
Electricity	69	66	68
Mains gas	43	48	49
Municipal rate concessions	65	75	76
Water and sewerage	101	110	113
<b>Total energy, municipal rates, water and sewerage</b>	<b>278</b>	<b>300</b>	<b>306</b>
Ambulance	312	321	330
Dental and spectacles	117	124	135
Community health programs	114	119	123
<b>Total health <sup>(a)</sup></b>	<b>543</b>	<b>564</b>	<b>588</b>
<b>Education</b>	<b>71</b>	<b>76</b>	<b>74</b>
<b>Hardship schemes</b>	<b>41</b>	<b>51</b>	<b>41</b>
<b>Social and community services</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>Private transport</b>	<b>145</b>	<b>148</b>	<b>151</b>
<b>Public transport</b>	<b>111</b>	<b>116</b>	<b>118</b>
<b>Total for items estimated</b>	<b>1 197</b>	<b>1 261</b>	<b>1 284</b>

Source: Department of Treasury and Finance

Note:

(a) The difference in aggregate health concessions estimate for 2008-09 from that published in 2009-10 Budget Update is due to revisions in ambulance concessions data.

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.

Health concessions include free emergency ambulance transport for concession holders, as well as community and dental services and optical concessions. Health also includes community health programs.

Education concessions include the education maintenance allowance and concessions for pre-school.

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.

The social and community services category include concessions for non-profit organisations such as the Good Shepherd Youth and Family Buying Service, Victorian Council of Social Service, Community Information Victoria, Bereavement Assistance Limited, the charity freight service and the VicRelief Foodbank.

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

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The Public Account is the Government's official bank account. The Public Account holds the cash balances of the consolidated fund and the trust fund.

The Public Account is maintained at one or more 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 2010 and for the year ended 30 June 2011.

(\$ million)

	2009-10 Budget	2010-11 Budget	Variation %
<b>Receipts</b>			
Taxation	13 098	14 221	8.6
Fines and regulatory fees	635	663	4.4
Grants received	17 764	19 702	10.9
Sales of goods and services (including Section 29 FMA annotated)	853	959	12.3
Interest received	41	24	(40.7)
Public authority income	389	534	37.5
Other receipts	3 214	3 860	20.1
<b>Total operating activities</b>	<b>35 994</b>	<b>39 963</b>	<b>11.0</b>
<b>Total cash inflows from investing and financing</b>	<b>149</b>	<b>5 483</b>	<b>..</b>
<b>Total receipts</b>	<b>36 144</b>	<b>45 446</b>	<b>25.7</b>
<b>Payments</b>			
Special appropriations	2 273	4 037	77.6
Appropriations <sup>(a)</sup>			
Provision of outputs	29 738	31 275	5.2
Additions to the net asset base	3 314	3 280	(1.0)
Payments made on behalf of the State	2 420	2 670	10.3
Receipts credited to appropriation			
Provision of outputs	3 233	3 243	0.3
Additions to the net asset base	1 983	1 914	(3.5)
<b>Sub total</b>	<b>42 961</b>	<b>46 419</b>	<b>8.0</b>
Applied appropriations remaining unspent	( 326)	( 224)	(31.4)
<b>Total payments</b>	<b>42 635</b>	<b>46 195</b>	<b>8.3</b>

Source: Department of Treasury and Finance

Note:

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

**Table 6.2: Consolidated Fund receipts**

(\$ thousand)

	2009-10 Budget	2010-11 Budget	Variation %
<b>Operating receipts</b>			
<b>Taxation</b>			
Payroll tax	4 538 808	4 735 848	4.3
Land Tax	1 218 030	1 368 724	12.4
Congestion levy	43 111	45 796	6.2
Duties from financial and capital transactions			
Land transfer duty	3 252 490	3 682 223	13.2
Other duties	3 803	3 828	0.7
Financial accommodation levy	54 227	80 495	48.4
Levies on Statutory Corporations	73 700	73 700	..
Gambling taxes <sup>(a)</sup>	1 692 014	1 775 073	4.9
Insurance	823 798	941 924	14.3
Motor vehicle			
<i>Road Safety Act (Registration Fees) 1986</i>	872 161	894 827	2.6
Duty on vehicle registrations and transfers	483 912	561 748	16.1
Liquor licence fees	12 051	29 207	142.4
Other taxes <sup>(b)</sup>	29 522	27 366	(7.3)
<b>Total</b>	<b>13 097 626</b>	<b>14 220 758</b>	<b>8.6</b>
<b>Fines and regulatory fees</b>			
Fines	383 382	391 162	2.0
Regulatory fees	252 054	272 178	8.0
<b>Total</b>	<b>635 436</b>	<b>663 340</b>	<b>4.4</b>
<b>Grants received</b>			
<b>Grants received by department</b>			
Department of Education and Early Childhood Development	117 329	..	(100.0)
Department of Health	..	173 373	..
Department of Human Services	213 173	978	(99.5)
Department of Innovation, Industry and Regional Development	10 000	5 000	(50.0)
Department of Justice	..	..	..
Department for Planning and Community Development	..	..	..
Department of Premier and Cabinet	..	400	..
Department of Primary Industries	10 700	10 700	..
Department of Sustainability and Environment	..	11 350	..
Department of Transport	..	..	..
Department of Treasury and Finance	17 413 214	19 499 914	12.0
Parliament	..	..	..
<b>Total</b>	<b>17 764 416</b>	<b>19 701 716</b>	<b>10.9</b>
<b>Sales of goods and services</b>	<b>853 345</b>	<b>958 582</b>	<b>12.3</b>
<b>Interest received</b>	<b>41 009</b>	<b>24 306</b>	<b>(40.7)</b>
<b>Public authority income</b>			
Public authority dividends	255 103	340 605	33.5
Public authorities income tax equivalent receipts	127 451	188 775	48.1

**Table 6.2: Consolidated Fund receipts (continued)**

(\$ thousand)

	2009-10 Budget	2010-11 Budget	Variation %
Public authorities local government tax equivalent receipts	6 247	5 063	(19.0)
<b>Total</b>	<b>388 801</b>	<b>534 443</b>	<b>37.5</b>
<b>Other receipts</b>			
Land rent received	14 350	20 651	43.9
Royalties received	48 610	45 923	(5.5)
Other <sup>(c)</sup>	3 150 879	3 793 748	20.4
<b>Total</b>	<b>3 213 839</b>	<b>3 860 322</b>	<b>20.1</b>
<b>Total operating activities</b>	<b>35 994 472</b>	<b>39 963 467</b>	<b>11.0</b>
<b>Cash inflows from investing and financing</b>			
GBEs loans repaid	..	16 703	..
Other loans	655	655	..
Borrowings	148 442	5 465 522	..
<b>Total cash inflows from investing and financing</b>	<b>149 097</b>	<b>5 482 880</b>	<b>..</b>
<b>Total Consolidated Funds receipts</b>	<b>36 143 569</b>	<b>45 446 347</b>	<b>25.7</b>

Source: Department of Treasury and Finance

Notes:

- (a) Gambling taxes aggregated reflecting the commercial sensitivity of forecasts due to the gambling industry re-licensing process currently underway.
- (b) Other taxes include concession fees (Transurban).
- (c) Includes Capital Assets Charge.

**Table 6.3: Consolidated Fund appropriations – Summary**

(\$ thousand)

	2009-10 Budget	2010-11 Budget	Variation %
<b>Education and Early Childhood Development</b>			
Special appropriations	250	72 263	..
Annual appropriations <sup>(a)</sup>	9 398 362	9 629 734	2.5
<b>Total</b>	9 398 612	9 701 997	3.2
<b>Health</b>			
Special appropriations	..	1 252 641	..
Annual appropriations <sup>(a)</sup>	..	10 068 114	..
<b>Total</b>	..	11 320 755	..
<b>Human Services</b>			
Special appropriations	1 282 986	63 935	(95.0)
Annual appropriations <sup>(a)</sup>	13 331 035	3 633 460	(72.7)
<b>Total</b>	14 614 021	3 697 395	(74.7)
<b>Innovation, Industry and Regional Development</b>			
Special appropriations	..	..	..
Annual appropriations <sup>(a)</sup>	1 776 893	2 204 927	24.1
<b>Total</b>	1 776 893	2 204 927	24.1
<b>Justice</b>			
Special appropriations	165 185	195 583	18.4
Annual appropriations <sup>(a)</sup>	3 862 729	4 124 091	6.8
<b>Total</b>	4 027 914	4 319 674	7.2
<b>Planning and Community Development</b>			
Special appropriations	98 867	102 616	3.8
Annual appropriations <sup>(a)</sup>	538 864	623 115	15.6
<b>Total</b>	637 731	725 731	13.8
<b>Premier and Cabinet</b>			
Special appropriations	6 566	6 566	..
Annual appropriations <sup>(a)</sup>	596 980	579 403	(2.9)
<b>Total</b>	603 546	585 969	(2.9)
<b>Primary Industries</b>			
Special appropriations	..	..	..
Annual appropriations <sup>(a)</sup>	699 353	490 730	(29.8)
<b>Total</b>	699 353	490 730	(29.8)
<b>Sustainability and Environment</b>			
Special appropriations	3 820	330	(91.4)
Annual appropriations <sup>(a)</sup>	1 354 706	1 388 671	2.5
<b>Total</b>	1 358 526	1 389 001	2.2
<b>Transport</b>			
Special appropriations	64 120	132 012	105.9
Annual appropriations <sup>(a)</sup>	6 420 233	6 710 865	4.5
<b>Total</b>	6 484 353	6 842 877	5.5
<b>Treasury and Finance</b>			
Special appropriations	611 971	2 170 885	254.7
Annual appropriations <sup>(a)</sup>	2 587 393	2 801 194	8.3
<b>Total</b>	3 199 364	4 972 079	55.4

**Table 6.3: Consolidated Fund appropriations – Summary (continued)**

(\$ thousand)

	2009-10 Budget	2010-11 Budget	Variation %
<b>Parliament</b>			
Special appropriations	39 597	40 135	1.4
Annual appropriations <sup>(a)</sup>	121 392	127 453	5.0
<b>Total</b>	<b>160 989</b>	<b>167 588</b>	<b>4.1</b>
<b>Total special appropriations</b>	<b>2 273 362</b>	<b>4 036 966</b>	<b>77.6</b>
<b>Total annual appropriations</b>	<b>40 687 941</b>	<b>42 381 756</b>	<b>4.2</b>
<b>Total appropriations</b>	<b>42 961 303</b>	<b>46 418 722</b>	<b>8.0</b>

Source: Department of Treasury and Finance

Note:

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

**Table 6.4: Consolidated Fund payments: special appropriations**

(\$ thousand)

	2009-10 Budget	2010-11 Budget	Variation %
<b>Education and Early Childhood Development</b>			
<i>FMA No. 18/1994 s10-Approp of Cwllth grants etc</i>	..	72 013	..
<i>Education and Training Reform Act No. 24/26 of 2006, Section 5.6.8 – Volunteer Workers Compensation</i>	250	250	..
<b>Total</b>	<b>250</b>	<b>72 263</b>	<b>..</b>
<b>Health</b>			
<i>Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund</i>	..	13 424	..
<i>Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund</i>	..	10 833	..
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.4 – Hospitals and Charities Fund</i>	..	115 206	..
<i>Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 – Hospitals and Charities Fund</i>	..	139 328	..
<i>Gambling Regulation Act No. 114 of 2003, Section 5.4.6 – Hospitals and Charities Fund and Mental Health Fund</i>	..	317 358	..
<i>Gambling Regulation Act No. 114 of 2003, Section 6.3.3 – Hospitals and Charities Fund and Mental Health Fund</i>	..	1 557	..
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.11 – Hospitals and Charities Fund and Mental Health Fund</i>	..	654 935	..
<b>Total</b>	<b>..</b>	<b>1 252 641</b>	<b>..</b>
<b>Human Services</b>			
<i>Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund</i>	12 234	..	(100.0)
<i>Casino Control Act No. 47 of 1991, Section 114 – Hospitals and Charities Fund</i>	10 833	..	(100.0)
<i>Financial Management Act No. 18 of 1994, Section 33 -Appropriation to meet certain obligations <sup>(a)</sup></i>	17 752	..	(100.0)
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.4 – Hospitals and Charities Fund</i>	116 127	..	(100.0)
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.11 – Hospitals and Charities Fund and Mental Health Fund</i>	644 211	..	(100.0)
<i>Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 – Hospitals and Charities Fund</i>	133 085	..	(100.0)
<i>Gambling Regulation Act No. 114 of 2003, Section 5.4.6 – Hospitals and Charities Fund and Mental Health Fund</i>	347 080	63 935	(81.6)
<i>Gambling Regulation Act No. 114 of 2003, Section 6.3.3 – Hospitals and Charities Fund and Mental Health Fund</i>	1 664	..	(100.0)
<b>Total</b>	<b>1 282 986</b>	<b>63 935</b>	<b>(95.0)</b>
<b>Justice</b>			
<i>Constitution Act No. 8750 – Judges Supreme Court</i>	16 336	17 194	5.3
<i>Constitution Act No. 8750 – President Court of Appeal</i>	439	459	4.6
<i>Constitution Act No. 8750 – Judges Court of Appeal</i>	5 059	5 767	14.0
<i>Constitution Act No. 8750 – Chief Justice</i>	549	574	4.6
<i>County Court Act No. 6230 – Judges</i>	23 931	24 974	4.4
<i>Crown Proceedings – Act No. 6232</i>	4 416	4 526	2.5

**Table 6.4: Consolidated Fund payments: special appropriations (continued)**

(\$ thousand)

	2009-10 Budget	2010-11 Budget	Variation %
<i>EastLink Project Act No 39 of 2004, Sec. 26</i>	1 000	1 000	..
<i>Electoral Act No. 23 of 2002, Section 181 – Electoral Expenses</i>	19 283	52 431	171.9
<i>Electoral Act No. 23 of 2002, Section 215 – Electoral Entitlement (a)</i>	..	8 200	..
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations (a)</i>	18 773	3 150	(83.2)
<i>Juries Act No. 53 of 2000, Section 59 – Compensation to Jurors</i>	19	20	5.3
<i>Magistrates Court Act No. 51 of 1989</i>	37 963	39 801	4.8
<i>Melbourne CityLink, Act No. 107 of 1995, Section 14(4)</i>	2 100	2 100	..
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 Expenses</i>	2 148	2 201	2.5
<i>Victims of Crime Assistance Act No. 81 of 1996, Section 69 Awards</i>	32 522	32 522	..
<i>Victoria State Emergency Service Act No. 51 of 2005, Section 52 – Volunteer Workers Compensation</i>	647	664	2.6
<b>Total</b>	<b>165 185</b>	<b>195 583</b>	<b>18.4</b>
<b>Planning and Community Development</b>			
<i>Gambling Regulation Act No. 114 of 2003, Section 3.6.12 – Community Support Fund</i>	98 867	102 616	3.8
<b>Total</b>	<b>98 867</b>	<b>102 616</b>	<b>3.8</b>
<b>Premier and Cabinet</b>			
<i>Constitution Act No. 8750 – Executive Council</i>	50	50	..
<i>Constitution Act No. 8750 – Governor's Salary</i>	351	351	..
<i>Ombudsman Act No. 8414</i>	440	440	..
<i>Parliamentary Salaries and Superannuation Act No. 7723 of 1968</i>	5 725	5 725	..
<b>Total</b>	<b>6 566</b>	<b>6 566</b>	<b>..</b>
<b>Sustainability and Environment</b>			
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations (a)</i>	3 820	330	(91.4)
<b>Total</b>	<b>3 820</b>	<b>330</b>	<b>(91.4)</b>
<b>Transport</b>			
<i>Financial Management Act No. 18 of 1994, Section 10 – Appropriation of Commonwealth Grants</i>	..	107 512	..
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations (a)</i>	62 120	22 500	(63.8)
<i>Transport Act No. 9921 of 1983, Section 213A</i>	2 000	2 000	..
<b>Total</b>	<b>64 120</b>	<b>132 012</b>	<b>105.9</b>
<b>Treasury and Finance</b>			
<i>Constitution Act No. 8750 – Governor's Pension</i>	154	874	..
<i>Constitution Act No. 8750 – Judges of the Supreme Court</i>	6 395	8 125	27.1
<i>County Court Act No. 6230 – Judges</i>	8 269	11 089	34.1



**Table 6.4: Consolidated Fund payments: special appropriations (continued)**

(\$ thousand)

	2009-10 Budget	2010-11 Budget	Variation %
<i>Financial Management Act No. 18 of 1994, Section 33</i>	1 912	3 882	103.0
-Appropriation to meet certain obligations (a)			
<i>Financial Management Act No. 18 of 1994, Section 39 – Interest on Advances</i>	20 000	20 000	..
<i>Liquor Control Reform Act No.94 of 1998, Section 177(2)</i>	3 500	3 500	..
<i>State Electricity Commission Act 1958, Section 85B(2) – Indemnity <sup>(b)</sup></i>	..	45 000	..
<i>State Owned Ent Act No.94 of 1994, Section 88 – State Eqv. Tax Payments</i>	..	..	..
<i>State Superannuation Act No. 50 of 1988, Section 90(2) – contributions</i>	570 042	576 715	1.2
<i>Taxation (Interest on Overpayments) Act No 35 of 1986, Section 11</i>	1 000	1 000	..
<i>Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 – Debt Retirement</i>	700	1 500 700	..
<b>Total</b>	<b>611 971</b>	<b>2 170 885</b>	<b>254.7</b>
<b>Parliament</b>			
<i>Audit Act No. 2 of 1994, Section 17(3) – Audit of Auditor-General's Office</i>	37	25	(32.4)
<i>Constitution Act No. 8750, Section 94A – Auditor-General's Salary</i>	451	461	2.2
<i>Constitution Act No. 8750 – Clerk of the Parliaments</i>	2	2	..
<i>Constitution Act No. 8750 – Legislative Assembly</i>	550	550	..
<i>Constitution Act No. 8750 – Legislative Council</i>	200	200	..
<i>Financial Management Act No. 18 of 1994, Section 33 – Appropriation to meet certain obligations <sup>(a)</sup></i>	640	..	(100.0)
<i>Parliamentary Salaries and Superannuation Act No. 7723, Section 13(1)(c) – contributions</i>	18 000	18 000	..
<i>Parliamentary Salaries and Superannuation Act No. 7723 – salaries and allowances</i>	19 717	20 897	6.0
<b>Total</b>	<b>39 597</b>	<b>40 135</b>	<b>1.4</b>
<b>Total special appropriations</b>	<b>2 273 362</b>	<b>4 036 966</b>	<b>77.6</b>

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 2010-11, including amounts of estimates of unapplied 2009-10 appropriation carried forward pursuant to Section 32 of the *Financial Management Act 1994* and certain revenue and asset sales proceeds credited to appropriation pursuant to Section 29 of the *Financial Management Act 1994*. Estimates for *2010-11 Budget* are in bold; estimates for *2009-10 Budget* in italics. Please note that these figures are rounded to the nearest thousand dollars.

(\$ thousand)

	Provision of outputs	Additions to net asset base	Payments made on behalf of the State	Total
<b>Education and Early Childhood Development</b>				
Appropriation <sup>(a)</sup>	<b>7 769 785</b>	<b>237 740</b>	..	<b>8 007 525</b>
	<i>7 321 515</i>	<i>189 861</i>	..	<i>7 511 376</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>16 300</b>	<b>1 046 822</b>	..	<b>1 063 122</b>
	<i>382 163</i>	<i>1 382 752</i>	..	<i>1 764 915</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>112 613</b>	<b>446 474</b>	..	<b>559 087</b>
	<i>53 972</i>	<i>68 100</i>	..	<i>122 072</i>
<b>Total appropriation</b>	<b>7 898 698</b>	<b>1 731 036</b>	..	<b>9 629 734</b>
	<i>7 757 649</i>	<i>1 640 713</i>	..	<i>9 398 363</i>
<b>Health</b>				
Appropriation <sup>(a)</sup>	<b>8 668 014</b>	<b>83 931</b>	..	<b>8 751 945</b>
Receipts credited to appropriation <sup>(b)</sup>	<b>1 076 912</b>	<b>143 974</b>	..	<b>1 220 885</b>
	<i>1 076 912</i>	<i>143 974</i>	..	<i>1 220 885</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>51 584</b>	<b>43 700</b>	..	<b>95 284</b>
	<i>51 584</i>	<i>43 700</i>	..	<i>95 284</i>
<b>Total appropriation</b>	<b>9 796 510</b>	<b>271 604</b>	..	<b>10 068 114</b>
	<i>9 796 510</i>	<i>271 604</i>	..	<i>10 068 114</i>
<b>Human Services</b>				
Appropriation <sup>(a)</sup>	<b>2 467 777</b>	<b>62 048</b>	..	<b>2 529 825</b>
	<i>2 467 777</i>	<i>62 048</i>	..	<i>2 529 825</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>816 962</b>	<b>259 673</b>	..	<b>1 076 635</b>
	<i>816 962</i>	<i>259 673</i>	..	<i>1 076 635</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>15 900</b>	<b>11 100</b>	..	<b>27 000</b>
	<i>15 900</i>	<i>11 100</i>	..	<i>27 000</i>
<b>Total appropriation</b>	<b>3 300 639</b>	<b>332 821</b>	..	<b>3 633 460</b>
	<i>3 300 639</i>	<i>332 821</i>	..	<i>3 633 460</i>
<b>Innovation, Industry and Regional Development</b>				
Appropriation <sup>(a)</sup>	<b>1 609 889</b>	<b>177 677</b>	<b>54 000</b>	<b>1 841 566</b>
	<i>1 609 889</i>	<i>177 677</i>	<i>54 000</i>	<i>1 841 566</i>
Receipts credited to appropriation <sup>(b)</sup>	<b>335 948</b>	..	..	<b>335 948</b>
	<i>335 948</i>	..	..	<i>335 948</i>
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>27 413</b>	..	..	<b>27 413</b>
	<i>27 413</i>	..	..	<i>27 413</i>
<b>Total appropriation</b>	<b>1 973 250</b>	<b>177 677</b>	<b>54 000</b>	<b>2 204 927</b>
	<i>1 973 250</i>	<i>177 677</i>	<i>54 000</i>	<i>2 204 927</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
<b>Justice</b>				
Appropriation <sup>(a)</sup>	<b>3 671 580</b>	<b>182 740</b>	<b>52 345</b>	<b>3 906 665</b>
	3 460 312	189 823	50 262	3 700 397
Receipts credited to appropriation <sup>(b)</sup>	<b>168 934</b>	<b>1 350</b>	..	<b>170 284</b>
	121 703	630	..	122 333
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>43 930</b>	<b>3 212</b>	..	<b>47 142</b>
	30 000	10 000	..	40 000
<b>Total appropriation</b>	<b>3 884 444</b>	<b>187 303</b>	<b>52 345</b>	<b>4 124 091</b>
	3 612 015	200 453	50 262	3 862 730
<b>Planning and Community Development</b>				
Appropriation <sup>(a)</sup>	<b>436 558</b>	<b>161 057</b>	<b>850</b>	<b>598 465</b>
	424 094	103 134	500	527 728
Receipts credited to appropriation <sup>(b)</sup>	..	..	..	..
	..	..	..	..
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>19 650</b>	<b>5 000</b>	..	<b>24 650</b>
	9 619	1 518	..	11 137
<b>Total appropriation</b>	<b>456 208</b>	<b>166 057</b>	<b>850</b>	<b>623 115</b>
	433 713	104 652	500	538 865
<b>Premier and Cabinet</b>				
Appropriation <sup>(a)</sup>	<b>521 345</b>	<b>43 948</b>	..	<b>565 293</b>
	526 831	20 728	40 000	587 559
Receipts credited to appropriation <sup>(b)</sup>	<b>3 950</b>	..	..	<b>3 950</b>
	540	..	..	540
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>7 310</b>	<b>2 850</b>	..	<b>10 160</b>
	5 000	3 881	..	8 881
<b>Total appropriation</b>	<b>532 605</b>	<b>46 798</b>	..	<b>579 403</b>
	532 371	24 609	40 000	596 980
<b>Primary Industries</b>				
Appropriation <sup>(a)</sup>	<b>351 904</b>	<b>19 504</b>	..	<b>371 408</b>
	333 697	202 895	..	536 592
Receipts credited to appropriation <sup>(b)</sup>	<b>97 743</b>	..	..	<b>97 743</b>
	128 386	..	..	128 386
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>18 227</b>	<b>3 351</b>	..	<b>21 578</b>
	21 719	12 657	..	34 375
<b>Total appropriation</b>	<b>467 875</b>	<b>22 855</b>	..	<b>490 730</b>
	483 802	215 552	..	699 353
<b>Sustainability and Environment</b>				
Appropriation <sup>(a)</sup>	<b>802 118</b>	<b>242 573</b>	<b>29 540</b>	<b>1 074 231</b>
	875 049	246 376	27 938	1 149 363
Receipts credited to appropriation <sup>(b)</sup>	<b>189 660</b>	<b>31 309</b>	..	<b>220 969</b>
	108 578	27 312	..	135 890
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>53 691</b>	<b>39 780</b>	..	<b>93 471</b>
	43 400	26 055	..	69 454

**Table 6.5: Consolidated fund payments: total annual appropriations**

(\$ thousand)

	Provision of outputs	Additions to net asset base	Payments made on behalf of the State	Total
<b>Total appropriation</b>	<b>1 045 469</b>	<b>313 662</b>	<b>29 540</b>	<b>1 388 671</b>
	1 027 026	299 743	27 938	1 354 707
<b>Transport</b>				
Appropriation <sup>(a)</sup>	<b>4 271 219</b>	<b>1 334 917</b>	..	<b>5 606 136</b>
	3 884 742	1 852 602	..	5 737 344
Receipts credited to appropriation <sup>(b)</sup>	<b>511 380</b>	<b>431 168</b>	..	<b>942 548</b>
	534 242	48 166	..	582 408
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>19 283</b>	<b>142 898</b>	..	<b>162 181</b>
	41 523	58 959	..	100 482
<b>Total appropriation</b>	<b>4 801 882</b>	<b>1 908 983</b>	..	<b>6 710 865</b>
	4 460 507	1 959 727	..	6 420 234
<b>Treasury and Finance</b>				
Appropriation <sup>(a)</sup>	<b>226 971</b>	<b>21 690</b>	<b>2 532 790</b>	<b>2 781 451</b>
	264 998	44 054	2 247 560	2 556 612
Receipts credited to appropriation <sup>(b)</sup>	<b>5 218</b>	..	..	<b>5 218</b>
	6 048	..	..	6 048
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>2 586</b>	<b>11 940</b>	..	<b>14 526</b>
	22 493	2 240	..	24 733
<b>Total appropriation</b>	<b>234 775</b>	<b>33 630</b>	<b>2 532 790</b>	<b>2 801 195</b>
	293 539	46 294	2 247 560	2 587 393
<b>Parliament</b>				
Appropriation <sup>(a)</sup>	<b>99 431</b>	<b>2 000</b>	..	<b>101 431</b>
	96 048	..	..	96 048
Receipts credited to appropriation <sup>(b)</sup>	<b>19 959</b>	..	..	<b>19 959</b>
	19 519	..	..	19 519
Unapplied previous year appropriation carried over <sup>(c)</sup>	<b>6 063</b>	..	..	<b>6 063</b>
	5 825	..	..	5 825
<b>Total appropriation</b>	<b>125 453</b>	<b>2 000</b>	..	<b>127 453</b>
	121 392	..	..	121 392

Source: Department of Treasury and Finance

Notes:

- (a) Appropriation (2010-11) Act.
- (b) Financial Management Act, 1994 Section 29.
- (c) Financial Management Act, 1994 Section 32.
- (d) Appropriation (Parliament 2010-11) Act.

**Table 6.6: Appropriation of certain revenue and asset sales proceeds pursuant to Section 29 of the *Financial Management Act 1994***

Estimates for 2010-11 Budget are in bold; estimates for 2009-10 Budget in italics.

(\$ thousand)

Department	Receipt source		Total
	Outputs	Commonwealth Other <sup>(a)</sup>	
Education and Early Childhood Development	<b>1 519</b>	<b>1 026 203</b>	<b>1 063 122</b>
	<i>1 519</i>	<i>1 755 396</i>	<i>1 764 915</i>
Health	<b>340 900</b>	<b>878 485</b>	<b>1 220 885</b>
Human Services	<b>7 150</b>	<b>1 065 154</b>	<b>1 076 635</b>
	<i>316 866</i>	<i>2 125 706</i>	<i>2 450 822</i>
Innovation, Industry and Regional Development	<b>..</b>	<b>335 948</b>	<b>335 948</b>
	<i>5 000</i>	<i>..</i>	<i>5 000</i>
Justice	<b>132 834</b>	<b>36 100</b>	<b>170 284</b>
	<i>118 528</i>	<i>3 175</i>	<i>122 333</i>
Planning and Community Development	<b>..</b>	<b>..</b>	<b>..</b>
Premier and Cabinet	<b>3 950</b>	<b>..</b>	<b>3 950</b>
	<i>540</i>	<i>..</i>	<i>540</i>
Primary Industries	<b>58 143</b>	<b>39 600</b>	<b>97 743</b>
	<i>67 286</i>	<i>61 100</i>	<i>128 386</i>
Sustainability and Environment	<b>147 728</b>	<b>73 241</b>	<b>220 969</b>
	<i>59 708</i>	<i>75 482</i>	<i>135 890</i>
Transport	<b>851</b>	<b>941 697</b>	<b>942 548</b>
	<i>830</i>	<i>581 578</i>	<i>582 408</i>
Treasury and Finance	<b>5 218</b>	<b>..</b>	<b>5 218</b>
	<i>6 048</i>	<i>..</i>	<i>6 048</i>
Parliament	<b>19 959</b>	<b>..</b>	<b>19 959</b>
	<i>19 519</i>	<i>..</i>	<i>19 519</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)			
	2009-10 Budget	2009-10 Revised	2010-11 Budget	Variation %
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Taxation	1 69 203	1 72 668	1 98 726	17.4
Fines and regulatory fees	41 226	47 800	44 830	8.7
Grants received	3 366 252	5 848 145	5 414 555	60.8
Sale of goods and services	187 921	496 295	720 641	283.5
Interest received	130 553	107 770	119 982	(8.1)
Other receipts <sup>(a)</sup>	10 234 516	10 625 168	11 714 313	14.5
	<b>14 129 672</b>	<b>17 297 847</b>	<b>18 213 048</b>	<b>28.9</b>
<b>Payments</b>				
Employee entitlements	( 97 471)	( 115 539)	( 118 952)	22.0
Superannuation	( 5 525)	( 6 260)	( 6 744)	22.1
Interest paid	( 15 963)	( 12 934)	( 13 182)	(17.4)
Grants paid	(11 464 693)	(14 332 840)	(14 755 115)	28.7
Supplies and consumables	(2 480 399)	(2 937 610)	(3 291 882)	32.7
	<b>(14 064 050)</b>	<b>(17 405 183)</b>	<b>(18 185 876)</b>	<b>29.3</b>
<b>Net cash flows from operating activities</b>	<b>65 621</b>	<b>( 107 336)</b>	<b>27 172</b>	<b>(58.6)</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	34 000	34 000	34 000	..
Purchases of property, plant and equipment	( 20 110)	( 46 443)	( 26 337)	31.0
Other investing activities	( 74 592)	( 22 287)	24 698	(133.1)
<b>Net cash flows from investing activities</b>	<b>( 60 701)</b>	<b>( 34 730)</b>	<b>32 361</b>	<b>(153.3)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from/(repayment) of borrowings <sup>(b)</sup>	( 14 631)	( 4 631)	( 14 331)	(2.1)
<b>Net cash flow from financing activities</b>	<b>( 14 631)</b>	<b>( 4 631)</b>	<b>( 14 331)</b>	<b>(2.1)</b>
<b>Net cash inflow/(-) outflow</b>	<b>(9 711)</b>	<b>(146 696)</b>	<b>45 201</b>	<b>(565.5)</b>
<b>Represented by:</b>				
Cash and deposits held at beginning of reporting period <sup>(c)</sup>	1 801 564	1 801 564	1 654 869	(8.1)
<b>Cash and deposits held at end year <sup>(d)</sup></b>	<b>1 791 853</b>	<b>1 654 868</b>	<b>1 700 071</b>	<b>(5.1)</b>

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 2009-10 Budget and 2009-10 revised are based on 2009-10 actual opening balance plus 2009-10 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 Fund.

## CHAPTER 7 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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### 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.

#### Quantifiable contingent assets

Table 7.1 below contains quantifiable contingent assets as at June 2009 and revised estimates of these contingent assets as at June 2010.

**Table 7.1: Quantifiable contingent assets**

(\$ million)

	As at Jun 2009	Estimate for Jun 2010
Guarantees, indemnities and warranties	2.0	2.0
Legal proceedings and disputes	..	..
Other <sup>(a),(b)</sup>	128.8	154.7
<b>Total contingent assets</b>	<b>130.8</b>	<b>156.7</b>

Source: Department of Treasury and Finance

Notes:

- (a) 2010 includes the Channel Deepening Project Environmental Performance Bond of \$100 million and the EastLink project construction bond of \$42 million. The remaining amounts in 'Other' relate to smaller individual contingencies.
- (b) 2009 also includes the Channel Deepening Project Environmental Performance Bond of \$100 million and the EastLink project construction bond of \$49 million. The remaining amounts in 'Other' relate to smaller individual contingencies.

## **EastLink**

ConnectEast, the concessionaire for the EastLink project, has provided a construction bond in relation to the project. 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. It was reduced further to \$22 million one month after issue of a certificate of close out, dated 30 July 2009.

ConnectEast has also provided a \$5 million operating phase bond (indexed). In the event of certain 'events of default', there is potential for this amount to increase to \$20 million (indexed).

## **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 of such was subject to a number of conditions, including the Port of Melbourne Corporation providing a \$100 million environmental performance bond in favour of the Minister for Environment and Climate Change. Should it be called upon, the performance bond would be used for any remedial action or post dredging recovery works as agreed with the Minister for Roads and Ports.

## **Non-quantifiable contingent assets**

There are probable future economic benefits to the government which are not quantifiable at this time.

An overview of the more significant non-quantifiable contingent assets follows.

## **CityLink compensable enhancement claims**

The Melbourne CityLink concession deed contains compensable enhancement provisions that enable the Victorian Government to claim 50 per cent of additional revenue derived by CityLink Melbourne Ltd (CML) as a result of certain events that particularly benefit CityLink, including changes to the adjoining road network.

Compensable enhancement claims have previously been lodged by the Victorian Government relating to works improving traffic flows on the West Gate Freeway (between Lorimer and Montague Streets), and the Tullamarine Freeway (in the vicinity of the intersection with Bulla Road). The claims were lodged on 20 May 2005 and 29 September 2006 respectively, and are still outstanding.



### ***Revenue sharing from the Monash-CityLink-West Gate upgrade***

On 25 July 2006, CML, Transurban Infrastructure Management Ltd (TIIML) and the Victorian Government entered into the M1 Corridor redevelopment deed.

Under the terms of this deed, the Victorian Government will upgrade the Monash and West Gate Freeways, while CML will upgrade the Southern Link section of CityLink. The Victorian Government will become entitled to 50 per cent of the additional CityLink revenue created by the Monash-CityLink-West Gate upgrade after CML recovers its construction and additional operating costs relating to works on the Southern Link.

The method used to calculate the additional CityLink revenue generated from the upgrade is to be based on comparing actual CityLink revenue against agreed trends. The actual calculation of the additional CityLink revenue will take place three full financial years after completion of the upgrade.

### ***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 asset arising from goods and services tax***

Eligibility to claim input tax credits for payment of certain transport related subsidies was heard in October 2009 and was found in favour of the Department of Transport. In November 2009, the Commissioner of Taxation appealed the decision. To date, the appeal has not been heard.

## **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.

## Quantifiable contingent liabilities

Table 7.2 below contains quantifiable contingent liabilities as at June 2009 and revised estimates of these contingent liabilities as at June 2010.

**Table 7.2: Quantifiable contingent liabilities**

(\$ million)

	As at June 2009	Estimate for June 2010
Guarantees, indemnities and warranties	611.3	645.9
Legal proceedings and disputes	389.6	409.2
Other	201.5	324.1
Non-general government debt <sup>(a)</sup>	6 220.2	8 178.4
<b>Total contingent liabilities</b>	<b>7 422.6</b>	<b>9 557.6</b>

Source: Department of Treasury and Finance

Note:

(a) Represents guarantees for loans made by the general government sector to agencies in the public non-financial corporations sector, primarily the water entities and other non-general government sector entities.

## Non-quantifiable contingent liabilities

There are other commitments, made by government, which are non-quantifiable at this time, 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 early 2009, devastating fires impacted many parts of Victoria. These fires have impacted significantly on local communities and 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 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 significant expenditure has been funded in 2009-10 and included in the *2010-11 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 redevelopment**

The State, through the Department of Primary Industries (DPI), and the Royal Agricultural Society of Victoria (RASV) formed an unincorporated joint venture for the purposes of undertaking the redevelopment project of the Royal Melbourne Showgrounds (the Showgrounds), with the State and the RASV each holding 50 per cent interest in the joint venture. The joint venture participants (State and RASV) then established an incorporated entity, Showgrounds Nominees Pty Ltd, to enter into contractual arrangements with the concessionaire.

The project is a Public Private Partnership delivered under the Victorian Government's *Partnerships Victoria* (PV) framework. It involves a partnership with a private sector consortium (concessionaire), which was responsible for the design, construction and financing of the Showgrounds redevelopment and continues to be responsible for maintaining and providing facility management services at the Showgrounds for a period of 25 years, commencing from August 2006.

Under the PV contract, the State supports the underlying payment obligations of the joint venture participants to Showgrounds Nominees Pty Ltd, to meet its obligations to pay the service fee to the concessionaire. Any actual financial support provided by the State to the RASV under the PV contract will be treated as a loan, which will be repaid by the RASV by the end of the 25-year contract term. Repayment by the RASV may take the form of the transfer to the State of part or whole of the RASV's participating interest in the joint venture.

Separately and similarly, under another agreement between the State and RASV, the State supports certain obligations of the RASV which may arise out of a suite of joint venture agreements between the State and the RASV or between the joint venture and a third party. In accordance with this agreement, the State will meet certain RASV obligations in the form of a loan, up to a maximum of \$20 million, if requested by the RASV when the RASV does not have the financial capacity to pay.

### **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.

### **Australian Energy Market Operator Ltd**

In order for the State Electricity Commission of Victoria (SECV) to participate in the national electricity market administered by Australian Energy Market Operator Ltd (AEMO), a guarantee must be provided to AEMO by an acceptable financial institution. Treasury Corporation of Victoria (TCV) has provided such a guarantee whereby it undertakes to pay to AEMO on demand any and all amounts to an aggregate amount not exceeding \$147 million as security for the obligations of SECV to AEMO. The guarantee is issued pursuant to Section 9(1) of the *Treasury Corporation of Victoria Act 1992* and is approved by the Treasurer. The guarantee is fully supported by an indemnity from SECV and by non-withdrawable deposits which SECV is obliged to maintain with TCV at an amount of 101 per cent of the amount guaranteed.

### **Public transport rail partnership agreements**

The Director of Public Transport (the Director), on behalf of the Crown, entered into partnership contractual arrangements with franchisees to operate metropolitan rail transport services in the State, operative from 30 November 2009 until 30 November 2017. The following summarises the major contingent liabilities arising from the arrangements.

#### *Contingent liabilities on early termination or expiry of franchise agreement*

Franchise assets: to maintain continuity of services, the assets, at early termination or expiry of the franchise agreement, will revert to the Director or a successor. In the case of some assets, a reversion back to the Director would entail those assets being purchased.

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.

### **OneLink Transit Systems performance bonus**

A contingent liability exists in relation to the performance bonus component of the contract with OneLink Transit Systems. It is more likely than not that system and equipment availability and overall performance achievements in 2010-11 through to the end of the contract may be higher than the originally set forecast level for performance bonus payments given a pro-active maintenance regime that may result in better than expected equipment reliability. At this time, it is not possible to accurately predict the amount of potential performance bonus payments as this will be impacted by variables, such as patronage growth, equipment performance and vandalism. In particular, performance of these variables will be impacted by the reliability of equipment which is nearing the end of its design life.

### **Kamco performance-related payments**

A contingent liability exists in relation to performance-related payments associated with, and incorporated into the new ticketing solution (myki) contract with Kamco (Keane Australia Micropayments Consortium Pty Ltd).

### **Contingent liability arising from goods and services tax**

CityLink Melbourne Ltd and the Victorian Government have approached the Australian Taxation Office seeking clarification as to the applicability of Goods and Services Tax legislation in respect of services and supplies provided under the Melbourne CityLink concession deed. Discussions with the Australian Taxation Office are continuing.

### **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**

Indemnities are provided by the Department of Education and Early Childhood Development (DEECD) to:

- the Commonwealth in various funding contracts entered with the Commonwealth throughout the year. Each indemnity is limited to \$10 million for personal injuries and property damages, and \$50 million for damages arising out of internet usage;
- teachers, volunteer workers and school chaplains. The specific indemnity in respect to teachers is only in relation to negligence claims by 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 also provided to teachers, as well as all other Departmental employees, in accordance with the *Government policy and guidelines: indemnities and immunities, June 2008* (DIF); and
- members of school councils. The *Education and Training Reform Act 2006* provides a specific 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*. In relation to Victorian Public Service (VPS) employees under the *Public Administration Act 2004*, the Department has an additional obligation under the VPS Agreement to indemnify in relation to the costs of employment related legal proceedings.

## **The Biosciences Research Centre Project**

The Biosciences Research Centre (BRC) Project is a joint initiative between the Victorian Government, through the Department of Primary Industries (DPI), and La Trobe University (La Trobe). The project is being delivered as a Public Private Partnership in accordance with the Victorian Government's *Partnerships Victoria* (PV) framework. DPI and La Trobe have formed an unincorporated joint venture for the purposes of undertaking the BRC Project. The State holds 75 per cent participating interest and La Trobe holds 25 per cent participating interest in the joint venture. The facility that is being constructed will be known as *AgriBio*, the Centre for AgriBioscience.

The project involves a partnership between the joint venture and the private sector consortium, Plenary Research Pty Ltd (the concessionaire), which is responsible for the design, construction, commissioning and financing of *AgriBio* and the provision of contracted services required for the maintenance and operation of the facility. The joint venture participants established an incorporated entity known as Biosciences Research Centre Pty Ltd for the purposes of entering into the contractual arrangements with the concessionaire. Construction of *AgriBio* commenced in May 2009, the new facility is expected to be commissioned in late 2011 and fully operational in 2012.

Under the PV contract, the service fee payment obligations of Biosciences Research Centre Pty Ltd (on behalf of the joint venture participants) are supported by the State of Victoria. In accordance with the contract, the State supports the underlying payment obligations of the joint venture participants, including La Trobe, to the joint venture company, thereby enabling the joint venture company to meet its obligations to pay the service fee to the concessionaire pursuant to the contract. Any actual financial support provided by the State to La Trobe under the PV contract will be treated as a loan to be repaid by La Trobe by the end of the 25-year contract term. Repayment by La Trobe may take the form of the transfer to the State of part or whole of the La Trobe's participating interest in the joint venture.

### ***Royal Children's Hospital***

The Royal Children's Hospital Foundation (RCHF) has entered into a funding agreement with the Commonwealth Government for the provision of \$21 million to undertake the Australian Early Development Index Project. The State has entered into this agreement at the request of the Royal Children's Hospital. In consideration of entering into the funding agreement, the State has agreed to be responsible for the obligations and liabilities imposed on RCHF under the funding agreement including, but not limited to, the indemnity granted by RCHF to the Commonwealth of Australia under clause 19 of the funding agreement.

### ***HIH Insurance Group***

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 in the event of future developments taking place.

### ***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 reinsures in the private market for losses above \$50 million arising out of any one event, up to a maximum of \$750 million for public liability and for losses above \$100 million arising out of any one event, up to a maximum of \$1.5 billion for property. The risk of losses above these reinsured levels is borne by the State.

Effective from 31 March 2010, pursuant to a direction from the Minister for Finance under Section 25A of the *Victorian Managed Insurance Authority Act 1996*, the Victorian Managed Insurance Authority will underwrite domestic building insurance.

### ***Domestic building insurance – Dexta's claims***

In mid-April 2002, the State agreed to provide temporary (to 30 June 2002) reinsurance support to domestic building insurance provider Dexta Corporation following the withdrawal of some of its commercial reinsurance support. While this support was subsequently extended to policies issued before 30 September 2002, the Government determined there would be no further extension.

The State received reinsurance premiums for this participation and may be required to contribute to payment of reinsured claims, as well as paying management fees. The precise timing and value of these receipts and payments is uncertain, as claims may be made by home owners for up to six and a half years after the arrangement ceases. These claims may also take an additional several years to be processed through the legal system.

Receipts and payments will be contingent on the volume of insurance underwritten and reinsured by 30 September 2002. Based on Dexta's previous levels of activity, the central estimate of the State's gross exposure (before premium receipts) is no more than \$6 million. While the State expects, like the commercial reinsurers who are party to the agreement, to at least break even on these arrangements, the State retains an unquantifiable contingent liability that claims may exceed the central estimate.

### ***Domestic building insurance – catastrophe cover***

On 13 March 2002, Victoria and New South Wales jointly announced a series of reforms to domestic building insurance arrangements. This announcement included a commitment to provide a catastrophe fund capable of supporting claims above \$10 million. To meet this commitment, the two states offered reinsurance arrangements to all builders' warranty insurers covering claims in respect of any one builder in excess of \$10 million, with each state reinsuring claims relating to properties in that state. South Australia has since also become involved in these arrangements. Since domestic building insurance commenced, there have been no losses by an insurer to any one builder that exceed this amount.



Victoria has reinsurance agreements giving effect to these arrangements with three insurers. The agreements require the insurers to pay the reinsurance premiums to Victoria (and to any other state that is also a party to such an agreement) that are estimated to be sufficient for the State to at least break even on these arrangements. However, the State retains an unquantifiable contingent liability for additional claims.

### ***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 Ltd (TABCORP). These licences expire in 2012. *The Gambling Regulation Act 2003* specifies end of licence arrangements which include compensation provisions for the licensees predicated on the current licensing arrangements being rolled over for a further period beyond 2012.

On 10 April 2008, the Government announced a new regulatory model for the post 2012 licences. The main changes include:

- separating the wagering and gaming licence to instead license wagering on a stand alone basis; and
- transitioning from the current gaming operator duopoly to a system where venue operators are licensed to own and operate gaming machines in their own right.

After considering the end of licence arrangements in the *Gambling Regulation Act 2003*, the Government has formed the view that neither Tatts Group nor TABCORP will be entitled to compensation after the expiration of their current licences. The Government does not intend to alter or amend the provisions in the *Gambling Regulation Act 2003* that deal specifically with the end of licence arrangements for Tatts Group and TABCORP.



## APPENDIX A – HISTORICAL AND FORWARD ESTIMATES TABLES

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This appendix provides historical data for the 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 aggregate cash flows over the period 1986-87 to 2013-14. 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 general government sector, it does significantly increase the inflows and outflows presented in the cash flow statement.

Table A.3 shows the general government sector net operating result from 1996-97 to 2013-14, with 2004-05 onwards presented in compliance with AASB 1049.

Table A.5 presents general government sector operating expenses, sourced from Australian Bureau of Statistics historical data, classified by government purpose. The underlying data from 1961-62 to 1997-98 represent a conversion from the original cash series to an accruals basis by estimating depreciation and superannuation expenses based on statistical modelling. Although this conversion provides a basis for comparison both with total expenses in the current series of accrual GFS information from 1998-2014 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
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
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
<b>Total receipts</b>	<b>10 245</b>	<b>11 094</b>	<b>11 975</b>	<b>12 645</b>	<b>13 287</b>
<b>Payments</b>					
Payments for employees <sup>(a)</sup>	(4 457)	(4 808)	(5 110)	(5 471)	(5 855)
Superannuation	( 367)	( 416)	( 519)	( 586)	( 685)
Interest paid	(1 079)	(1 163)	(1 254)	(1 423)	(1 602)
Grants and subsidies <sup>(a)</sup>	(2 463)	(2 533)	(2 788)	(2 834)	(2 807)
Goods and services	(2 138)	(2 327)	(2 530)	(2 869)	(2 885)
<b>Total payments</b>	<b>(10 505)</b>	<b>(11 247)</b>	<b>(12 200)</b>	<b>(13 184)</b>	<b>(13 834)</b>
<b>Net cash flows from operating activities</b>	<b>( 260)</b>	<b>( 152)</b>	<b>( 225)</b>	<b>( 538)</b>	<b>( 547)</b>
<b>Cash flows from investing activities</b>					
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 <sup>(b)</sup>	35	35	35	35	1 292
<b>Net cash flows from investing activities</b>	<b>( 737)</b>	<b>( 712)</b>	<b>( 720)</b>	<b>( 771)</b>	<b>464</b>
<b>Cash flows from financing activities</b>					
Net borrowings	1 038	973	852	1 233	410
<b>Net cash flows from financing activities</b>	<b>1 038</b>	<b>973</b>	<b>852</b>	<b>1 233</b>	<b>410</b>
<b>Net increase in cash and deposits held</b>	<b>42</b>	<b>109</b>	<b>( 93)</b>	<b>( 76)</b>	<b>327</b>
Cash and deposits at beginning of reporting period	841	883	992	898	823
<b>Cash and deposits at end of reporting period</b>	<b>883</b>	<b>992</b>	<b>898</b>	<b>823</b>	<b>1 149</b>

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

	(\$ million)				
	1991-92	1992-93	1993-94	1994-95	1995-96
	Actual	Actual	Actual	Actual	Actual
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
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
<b>Total receipts</b>	<b>14 185</b>	<b>14 830</b>	<b>16 076</b>	<b>16 537</b>	<b>17 432</b>
<b>Payments</b>					
Payments for employees <sup>(a)</sup>	(6 337)	(6 846)	(7 184)	(6 299)	(6 276)
Superannuation	( 782)	( 853)	( 493)	(1 149)	(1 046)
Interest paid	(1 787)	(2 064)	(2 195)	(2 007)	(1 923)
Grants and subsidies <sup>(a)</sup>	(3 134)	(3 501)	(3 893)	(3 324)	(3 101)
Goods and services	(2 943)	(3 024)	(2 148)	(2 975)	(3 593)
<b>Total payments</b>	<b>(14 983)</b>	<b>(16 288)</b>	<b>(15 912)</b>	<b>(15 754)</b>	<b>(15 939)</b>
<b>Net cash flows from operating activities</b>	<b>( 798)</b>	<b>(1 458)</b>	<b>164</b>	<b>783</b>	<b>1 493</b>
<b>Cash flows from investing activities</b>					
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 <sup>(b)</sup>	6	304	498	735	4 794
<b>Net cash flows from investing activities</b>	<b>( 815)</b>	<b>( 892)</b>	<b>( 793)</b>	<b>39</b>	<b>3 200</b>
<b>Cash flows from financing activities</b>					
Net borrowings	1 506	2 315	841	( 902)	(4 703)
<b>Net cash flows from financing activities</b>	<b>1 506</b>	<b>2 315</b>	<b>841</b>	<b>( 902)</b>	<b>(4 703)</b>
<b>Net increase in cash and deposits held</b>	<b>( 107)</b>	<b>( 36)</b>	<b>211</b>	<b>( 80)</b>	<b>( 9)</b>
Cash and deposits at beginning of reporting period	1 149	1 043	1 007	1 219	1 138
<b>Cash and deposits at end of reporting period</b>	<b>1 043</b>	<b>1 007</b>	<b>1 219</b>	<b>1 138</b>	<b>1 129</b>

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

(\$ million)

	1996-97	1997-98	1998-99	1999-00
	Actual	Actual	Actual	Actual
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
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 <sup>(c)(d)</sup>	275	838	1 220	1 038
<b>Total receipts</b>	<b>18 389</b>	<b>19 717</b>	<b>20 821</b>	<b>21 857</b>
<b>Payments</b>				
Payments for employees <sup>(a)</sup>	(6 608)	(6 621)	(7 041)	(7 378)
Superannuation	(1 213)	(1 257)	(2 083)	(1 370)
Interest paid	(1 403)	(1 162)	( 732)	( 448)
Grants and subsidies <sup>(a)(d)</sup>	(3 238)	(3 514)	(3 598)	(3 363)
Goods and services	(3 892)	(5 503)	(5 796)	(6 373)
<b>Total payments</b>	<b>(16 354)</b>	<b>(18 057)</b>	<b>(19 250)</b>	<b>(18 931)</b>
<b>Net cash flows from operating activities</b>	<b>2 035</b>	<b>1 660</b>	<b>1 571</b>	<b>2 926</b>
<b>Cash flows from investing activities</b>				
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 <sup>(b)</sup>	4 514	1 610	3 344	..
<b>Net cash flows from investing activities</b>	<b>3 248</b>	<b>639</b>	<b>2 927</b>	<b>(1 991)</b>
<b>Cash flows from financing activities</b>				
Net borrowings	(5 406)	(2 364)	(4 718)	( 766)
<b>Net cash flows from financing activities</b>	<b>(5 406)</b>	<b>(2 364)</b>	<b>(4 718)</b>	<b>( 766)</b>
<b>Net increase in cash and deposits held</b>	<b>( 124)</b>	<b>( 65)</b>	<b>( 221)</b>	<b>169</b>
Cash and deposits at beginning of reporting period	1 129	1 005	940	719
<b>Cash and deposits at end of reporting period</b>	<b>1 005</b>	<b>940</b>	<b>719</b>	<b>889</b>

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

(\$ million)

	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Actual
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
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 <sup>(c)(d)</sup>	865	1 143	1 655	1 455
<b>Total receipts</b>	<b>23 314</b>	<b>25 006</b>	<b>27 271</b>	<b>28 244</b>
<b>Payments</b>				
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 <sup>(d)</sup>	(3 757)	(4 205)	(3 985)	(4 549)
Goods and services	(7 077)	(7 531)	(9 034)	(8 931)
<b>Total payments</b>	<b>(21 158)</b>	<b>(21 910)</b>	<b>(25 347)</b>	<b>(25 773)</b>
<b>Net cash flows from operating activities</b>	<b>2 155</b>	<b>3 096</b>	<b>1 924</b>	<b>2 471</b>
<b>Cash flows from investing activities</b>				
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)
<b>Net cash flows from investing activities</b>	<b>(2 071)</b>	<b>(2 306)</b>	<b>(2 391)</b>	<b>(1 439)</b>
<b>Cash flows from financing activities</b>				
Net borrowings	( 72)	( 29)	( 89)	( 844)
<b>Net cash flows from financing activities</b>	<b>( 72)</b>	<b>( 29)</b>	<b>( 89)</b>	<b>( 844)</b>
<b>Net increase in cash and deposits held</b>	<b>13</b>	<b>761</b>	<b>( 555)</b>	<b>187</b>
Cash and deposits at beginning of reporting period	889	902	1 663	1 108
<b>Cash and deposits at end of reporting period</b>	<b>902</b>	<b>1 663</b>	<b>1 108</b>	<b>1 295</b>



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

(\$ million)

	2004-05 Actual <sup>(g)</sup>	2005-06 Actual <sup>(g)</sup>	2006-07 Actual <sup>(g)</sup>	2007-08 Actual
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
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 <sup>(c)(d)</sup>	1 143	1 257	1 313	1 220
<b>Total receipts</b>	<b>30 347</b>	<b>32 797</b>	<b>34 942</b>	<b>37 965</b>
<b>Payments</b>				
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 <sup>(d)</sup>	(5 290)	(5 919)	(6 674)	(6 435)
Goods and services <sup>(f)</sup>	(9 665)	(10 563)	(11 660)	(11 792)
Other payments	0	20	0	( 365)
<b>Total payments</b>	<b>(27 866)</b>	<b>(30 227)</b>	<b>(32 178)</b>	<b>(33 923)</b>
<b>Net cash flows from operating activities</b>	<b>2 480</b>	<b>2 570</b>	<b>2 764</b>	<b>4 042</b>
<b>Cash flows from investing activities</b>				
<i>Non-financial assets</i>				
Purchases of non-financial assets	(1 960)	(2 302)	(2 812)	(2 709)
Sales of non-financial assets	128	159	226	177
Cash flows from investments in non-financial assets	(1 832)	(2 143)	(2 587)	(2 532)
<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)
<b>Net cash flows from investing activities</b>	<b>(1 928)</b>	<b>(1 587)</b>	<b>(3 134)</b>	<b>(4 222)</b>
<b>Cash flows from financing activities</b>				
Advances received (net)	( 0)	( 5)	( 1)	( 1)
Net borrowings	( 45)	( 171)	614	250
Deposits received (net)	( 3)	71	76	( 223)
Other financing (net)	..	..	..	..
<b>Net cash flows from financing activities</b>	<b>( 48)</b>	<b>( 105)</b>	<b>689</b>	<b>25</b>
<b>Net increase in cash and deposits held</b>	<b>504</b>	<b>878</b>	<b>320</b>	<b>( 155)</b>
Cash and deposits at beginning of reporting period <sup>(e)</sup>	1 295	1 817	2 695	3 015
<b>Cash and deposits at end of reporting period</b>	<b>1 799</b>	<b>2 695</b>	<b>3 015</b>	<b>2 859</b>
<b>FISCAL AGGREGATES</b>				
Net cash flows from operating activities	<b>2 480</b>	<b>2 570</b>	<b>2 764</b>	<b>4 042</b>
Net cash flows from investments in non-financial assets	<b>(1 832)</b>	<b>(2 143)</b>	<b>(2 587)</b>	<b>(2 532)</b>
<b>Cash surplus/(deficit)</b>	<b>648</b>	<b>427</b>	<b>178</b>	<b>1 510</b>

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

(\$ million)

	2008-09 Actual	2009-10 Revised	2010-11 Budget
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxes received	12 451	13 992	14 530
Grants	18 970	22 111	22 893
Sales of goods and services	5 513	5 975	6 420
Interest received	389	314	323
Dividends and income tax and rate equivalents	471	461	535
Other receipts <sup>(c),(d)</sup>	1 428	1 426	1 541
<b>Total receipts</b>	<b>39 222</b>	<b>44 280</b>	<b>46 241</b>
<b>Payments</b>			
Payments for employees	(14 115)	(15 228)	(16 033)
Superannuation	(1 779)	(2 030)	(2 083)
Interest paid	( 572)	( 766)	( 879)
Grants and subsidies <sup>(d)</sup>	(7 298)	(8 504)	(7 955)
Goods and services <sup>(f)</sup>	(13 073)	(14 681)	(15 418)
Other payments	( 405)	( 427)	( 381)
<b>Total payments</b>	<b>(37 241)</b>	<b>(41 637)</b>	<b>(42 749)</b>
<b>Net cash flows from operating activities</b>	<b>1 981</b>	<b>2 642</b>	<b>3 493</b>
<b>Cash flows from investing activities</b>			
<i>Non-financial assets</i>			
Purchases of non-financial assets	(3 147)	(4 854)	(4 435)
Sales of non-financial assets	268	271	245
Cash flows from investments in non-financial assets	(2 879)	(4 583)	(4 190)
<i>Financial assets for policy purposes</i>			
Net (purchase)/disposal of investments	(1 173)	(1 430)	(2 179)
Net cash flows from investments in financial assets for policy purposes	(1 173)	(1 430)	(2 179)
<i>Investments in financial assets for liquidity purposes</i>			
Net (purchase)/disposal of investments	( 372)	( 6)	( 24)
Net cash flows from investments in financial assets for liquidity purposes	( 372)	( 6)	( 24)
<b>Net cash flows from investing activities</b>	<b>(4 423)</b>	<b>(6 019)</b>	<b>(6 393)</b>
<b>Cash flows from financing activities</b>			
Advances received (net)	( 1)	( 1)	( 1)
Net borrowings	2 486	2 798	3 022
Deposits received (net)	( 57)	( 1)	( 0)
Other financing (net)	..	( 0)	..
<b>Net cash flows from financing activities</b>	<b>2 428</b>	<b>2 796</b>	<b>3 022</b>
<b>Net increase in cash and deposits held</b>	<b>( 14)</b>	<b>( 580)</b>	<b>121</b>
Cash and deposits at beginning of reporting period	2 859	2 845	2 265
<b>Cash and deposits at end of reporting period</b>	<b>2 845</b>	<b>2 265</b>	<b>2 387</b>
<b>FISCAL AGGREGATES</b>			
Net cash flows from operating activities	1 981	2 642	3 493
Net cash flows from investments in non-financial assets	(2 879)	(4 583)	(4 190)
<b>Cash surplus/(deficit)</b>	<b>( 898)</b>	<b>(1 941)</b>	<b>( 697)</b>

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

(\$ million)

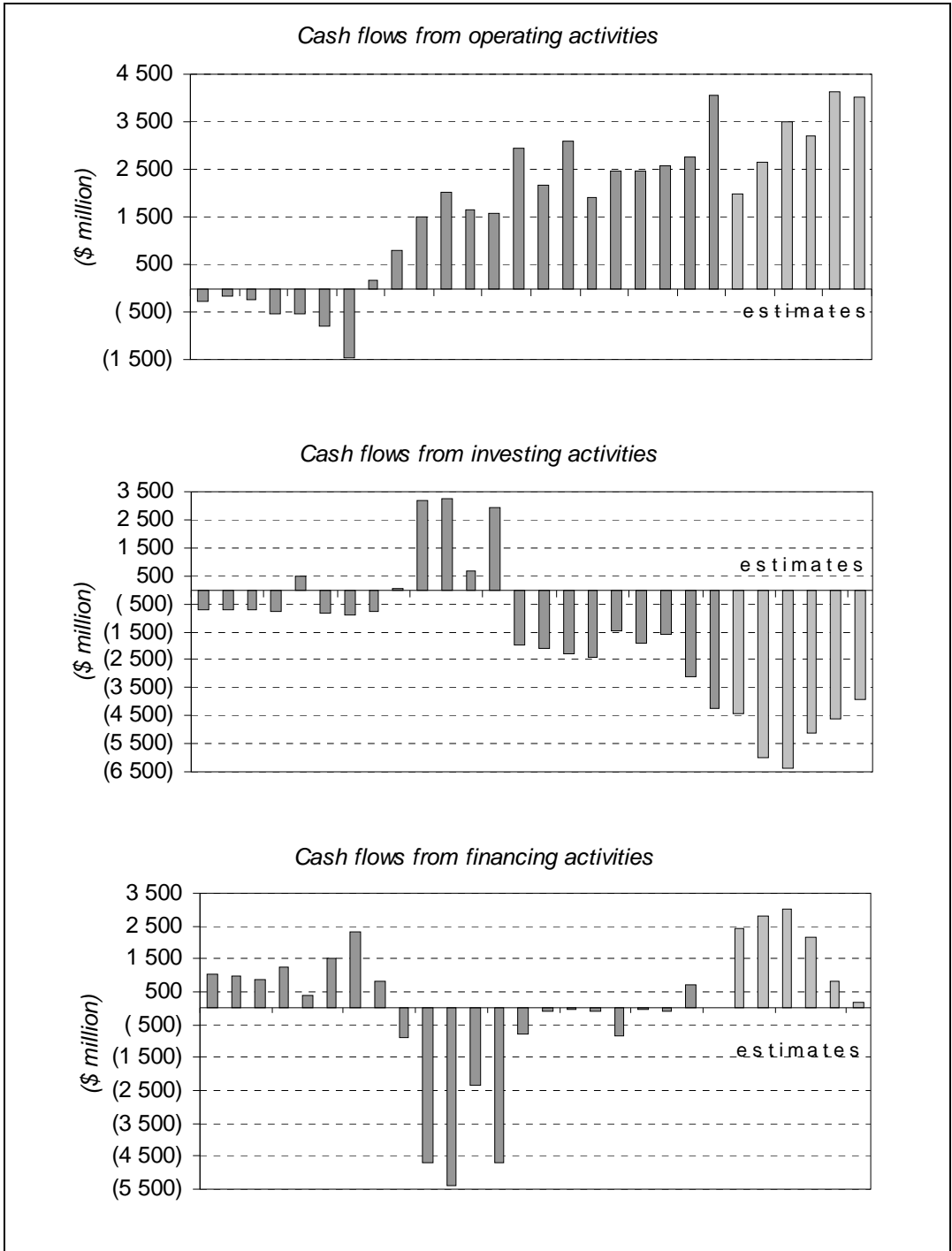
	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxes received	14 925	15 759	16 584
Grants	22 528	24 010	24 057
Sales of goods and services	6 929	7 190	7 257
Interest received	560	826	859
Dividends and income tax and rate equivalents	540	511	754
Other receipts <sup>(c)(d)</sup>	1 428	1 390	1 445
<b>Total receipts</b>	<b>46 909</b>	<b>49 685</b>	<b>50 956</b>
<b>Payments</b>			
Payments for employees	(16 879)	(17 781)	(18 401)
Superannuation	(2 108)	(2 328)	(2 697)
Interest paid	(1 263)	(1 711)	(1 847)
Grants and subsidies <sup>(d)</sup>	(7 142)	(7 151)	(7 110)
Goods and services <sup>(f)</sup>	(15 907)	(16 165)	(16 459)
Other payments	( 388)	( 403)	( 420)
<b>Total payments</b>	<b>(43 687)</b>	<b>(45 539)</b>	<b>(46 934)</b>
<b>Net cash flows from operating activities</b>	<b>3 222</b>	<b>4 147</b>	<b>4 022</b>
<b>Cash flows from investing activities</b>			
<i>Non-financial assets</i>			
Purchases of non-financial assets	(3 881)	(3 533)	(2 791)
Sales of non-financial assets	269	257	226
Cash flows from investments in non-financial assets	(3 613)	(3 276)	(2 565)
<i>Financial assets for policy purposes</i>			
Net (purchase)/disposal of investments	(1 549)	(1 351)	(1 373)
Net cash flows from investments in financial assets for policy purposes	(1 549)	(1 351)	(1 373)
<i>Investments in financial assets for liquidity purposes</i>			
Net (purchase)/disposal of investments	43	23	( 2)
Net cash flows from investments in financial assets for liquidity purposes	43	23	( 2)
<b>Net cash flows from investing activities</b>	<b>(5 119)</b>	<b>(4 604)</b>	<b>(3 940)</b>
<b>Cash flows from financing activities</b>			
Advances received (net)	( 0)	0	0
Net borrowings	2 159	843	182
Deposits received (net)	( 0)	( 0)	( 0)
Other financing (net)	( 0)	..	( 0)
<b>Net cash flows from financing activities</b>	<b>2 159</b>	<b>843</b>	<b>182</b>
<b>Net increase in cash and deposits held</b>	<b>262</b>	<b>386</b>	<b>264</b>
Cash and deposits at beginning of reporting period	2 387	2 648	3 034
<b>Cash and deposits at end of reporting period</b>	<b>2 648</b>	<b>3 034</b>	<b>3 298</b>
<b>FISCAL AGGREGATES</b>			
Net cash flows from operating activities	<b>3 222</b>	<b>4 147</b>	<b>4 022</b>
Net cash flows from investments in non-financial assets	<b>(3 613)</b>	<b>(3 276)</b>	<b>(2 565)</b>
<b>Cash surplus/(deficit)</b>	<b>( 391)</b>	<b>871</b>	<b>1 457</b>

Source: Department of Treasury and Finance

Notes:

- (a) Separation payments up to 1989-90, mainly for early retirement and enhanced resignation packages to the Public Transport Corporation, are included under grants and transfer payments (to the public non financial corporations (PNFC) sector). Payments in later years were for voluntary redundancy and targeted separation packages across the general government sector and are included under 'employee entitlements'.
- (b) Privatisation and other abnormal cash items to the general government sector include:
- 1986-87 to 1990-91: payments received from the former Melbourne and Metropolitan Board of Works regarding the transfer of ownership of the Thomson Cardinia Dam of \$35 million a year;
  - 1990-91: net proceeds from the sale of the State Bank (\$1 257 million);
  - 1992-93: sale of the State Insurance Office (\$140 million);
  - 1993-94: recall of capital from the Transport Accident Commission (\$1 200 million), wind up of the Victorian Equity Trust (\$437 million), casino licence fee (\$200 million), offset by a special payment to the State Superannuation Fund (\$1 399 million);
  - 1994-95: sale of Totalisator Agency Board (\$609 million);
  - 1995-96: sale of electricity sector businesses (\$4 641 million), 1996-97 (\$4 262 million), and 1997-98 (\$2 101 million) offset by a special payment to the State Superannuation Fund (\$490 million); and
  - 1998-99: sale of the remainder of the electricity businesses (\$361 million), gas businesses (\$4 690 million), Victorian Plantations Corporation (\$550 million), Aluvic (\$401 million), V/Line Freight (\$20 million), offset by a special payment to reduce the State's unfunded superannuation liabilities (\$2 574 million).
- (c) From 1997-98, includes school own purpose receipts and payments which boosted sales of goods and services and other receipts by up to \$500 million, but had little impact on the net cash flows because of offsetting payments. This year also saw the introduction of tax equivalent receipts from public non financial corporations and public financial corporations.
- (d) From 1998-99, includes a capital asset charge receipt from the PNFC sector, offset by a similar increase in grants and transfer payments.
- (e) Cash and deposits at beginning of reporting period in 2005-06 do not equal cash and deposits at end of reporting period in 2004-05, due to a change in definition of cash and cash equivalents under A-IFRS.
- (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 2013-14**



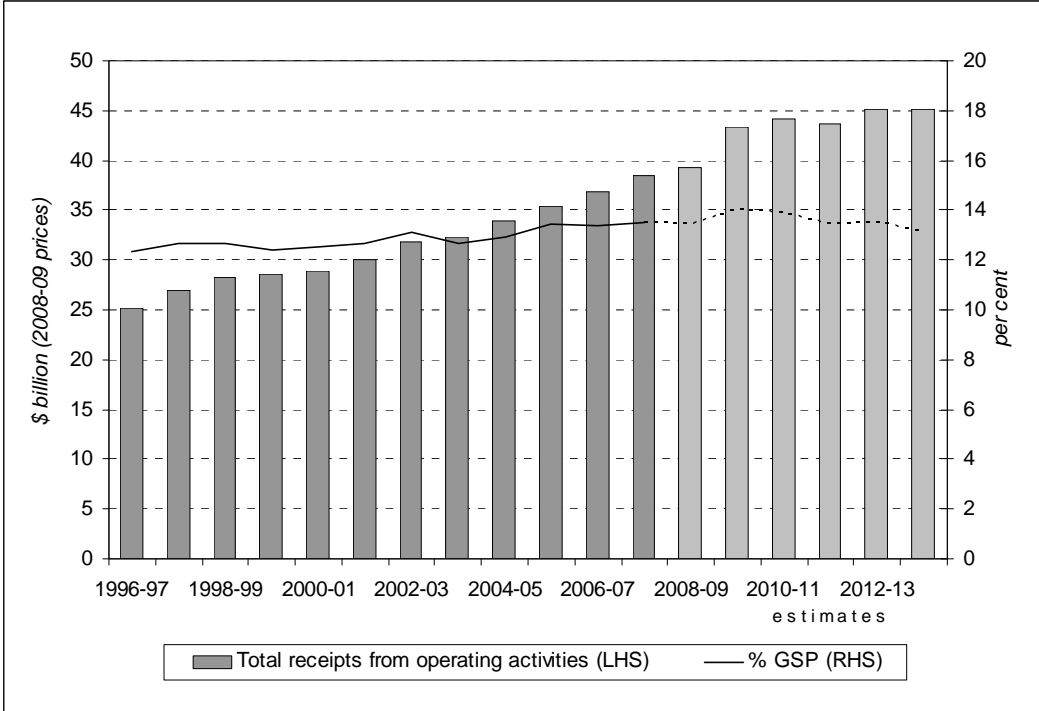
Source: Department of Treasury and Finance

**Table A.2: General government cash aggregates, 2008-09 prices**

Year	Cash Receipts			Cash Payments			Net Cash Flows
	2008-09 prices (\$ billion)	change %	% GSP	2008-09 prices (\$ billion)	change %	% GSP	2008-09 prices (\$ billion)
1986-87	20.9	-0.6	13.4	21.5	-1.3	13.7	( 0.5)
1987-88	21.1	0.9	12.8	21.4	-0.3	13.0	( 0.3)
1988-89	21.3	1.0	12.4	21.7	1.5	12.7	( 0.4)
1989-90	20.2	-5.1	10.9	21.1	-2.9	11.3	( 0.9)
1990-91	20.5	1.0	11.2	21.3	0.9	11.7	( 0.8)
1991-92	21.6	5.4	12.0	22.8	6.9	12.7	( 1.2)
1992-93	22.1	2.7	12.0	24.3	6.8	13.2	( 2.2)
1993-94	23.6	6.6	12.5	23.4	-4.0	12.3	0.2
1994-95	23.4	-0.9	12.3	22.3	-4.6	11.7	1.1
1995-96	24.0	2.8	12.2	22.0	-1.4	11.2	2.1
1996-97	25.2	4.9	12.4	22.4	2.0	11.0	2.8
1997-98	26.9	6.9	12.7	24.7	10.0	11.6	2.3
1998-99	28.2	4.6	12.7	26.0	5.6	11.7	2.1
1999-00	28.6	1.5	12.4	24.8	-4.9	10.7	3.8
2000-01	28.8	0.7	12.6	26.2	5.5	11.4	2.7
2001-02	30.0	4.2	12.7	26.3	0.6	11.1	3.7
2002-03	31.8	6.0	13.1	29.6	12.4	12.2	2.2
2003-04	32.3	1.4	12.6	29.4	-0.4	11.5	2.8
2004-05	34.0	5.3	13.0	31.2	5.9	11.9	2.8
2005-06	35.3	4.0	13.4	32.6	4.4	12.4	2.8
2006-07	36.9	4.5	13.4	34.0	4.4	12.3	2.9
2007-08	38.4	4.0	13.5	34.3	0.9	12.1	4.1
2008-09	39.2	2.1	13.4	37.2	8.5	12.8	2.0
2009-10	43.3	10.4	14.1	40.7	9.4	13.2	2.6
2010-11	44.2	2.0	13.9	40.8	0.3	12.9	3.3
2011-12	43.7	-1.1	13.4	40.7	-0.4	12.5	3.0
2012-13	45.1	3.3	13.5	41.3	1.6	12.4	3.8
2013-14	45.1	0.0	13.1	41.6	0.5	12.1	3.6

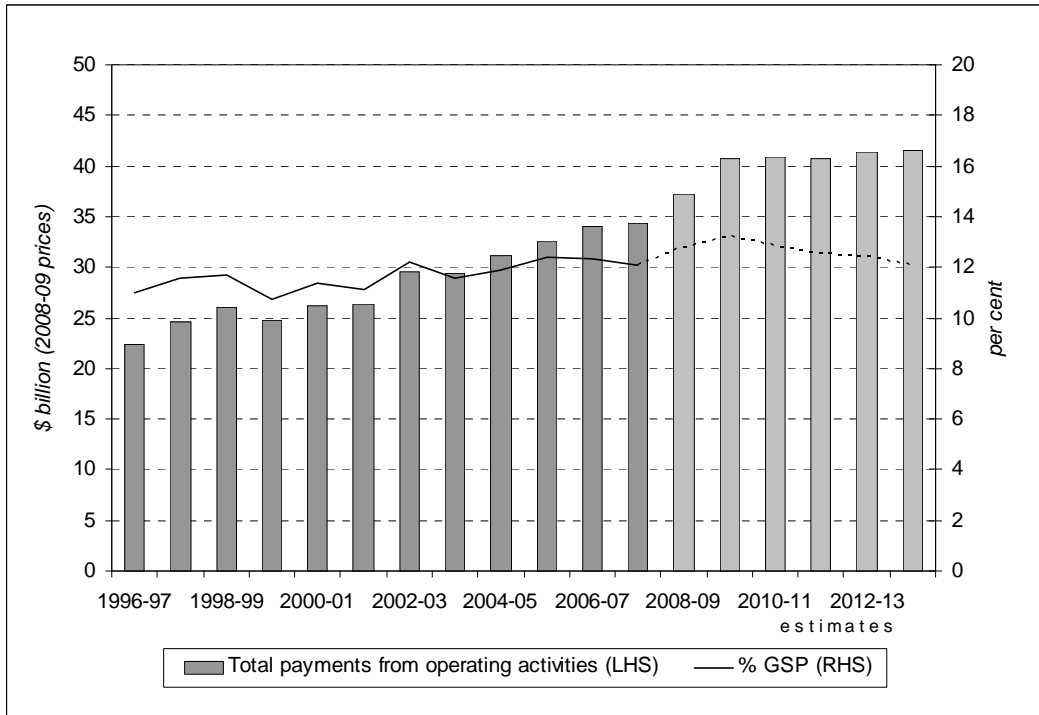
Source: Department of Treasury and Finance

**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
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<b>Revenue</b>				
Taxation	8 598.2	8 573.3	9 099.6	9 707.6
Fines and regulatory fees	313.8	278.1	382.0	411.7
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
<b>Total revenue <sup>(a)</sup></b>	<b>20 111.2</b>	<b>21 666.5</b>	<b>22 377.4</b>	<b>22 029.5</b>
<b>Expenses</b>				
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
<b>Total expenses</b>	<b>18 048.3</b>	<b>20 208.2</b>	<b>19 558.1</b>	<b>20 370.9</b>
<b>Net result from transactions – Net operating balance</b>	<b>2 062.9</b>	<b>1 458.3</b>	<b>2 819.3</b>	<b>1 658.7</b>
<b>Other economic flows</b>				
Net gain/(loss) from disposal of physical assets	( 36.6)	106.3	6.7	2.0
Actuarial gains/(losses) on superannuation defined benefit plans	( 456.3)	475.1	474.1	( 464.7)
Other gains/(expenses) from other economic flows <sup>(a)</sup>	2 749.6	1 252.4	4 149.6	( 28.6)
<b>Total other economic flows</b>	<b>2 256.7</b>	<b>1 833.8</b>	<b>4 630.3</b>	<b>( 491.2)</b>
<b>Net result</b>	<b>4 319.6</b>	<b>3 292.1</b>	<b>7 449.7</b>	<b>1 167.5</b>

**Table A.3: General government sector operating statement – historical series  
(continued)**

(\$ million)

	2000-01	2001-02	2002-03	2003-04
	Actual	Actual	Actual	Actual
<b>Revenue</b>				
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
<b>Total revenue</b> <sup>(a)</sup>	<b>23 710.4</b>	<b>25 430.7</b>	<b>26 976.7</b>	<b>28 376.7</b>
<b>Expenses</b>				
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
<b>Total expenses</b>	<b>22 511.5</b>	<b>23 833.0</b>	<b>25 464.1</b>	<b>27 414.9</b>
<b>Net result from transactions – Net operating balance</b>	<b>1 198.9</b>	<b>1 597.8</b>	<b>1 512.6</b>	<b>961.7</b>
<b>Other economic flows</b>				
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 <sup>(a)</sup>	( 168.9)	( 236.3)	( 218.3)	( 331.4)
<b>Total other economic flows</b>	<b>17.3</b>	<b>(1 324.4)</b>	<b>(1 276.7)</b>	<b>1 260.4</b>
<b>Net result</b>	<b>1 216.2</b>	<b>273.4</b>	<b>235.9</b>	<b>2 222.1</b>

**Table A.3: General government sector operating statement – historical series  
(continued)**

	(\$ million)				
	2004-05	2005-06	2006-07	2007-08	2008-09
	Actual	Actual	Actual	Actual	Actual
<b>Revenue</b>					
Taxation revenue	10 414.9	10 885.4	11 701.8	12 862.9	12 626.9
Interest	339.7	390.5	422.7	451.6	378.2
Dividends and income tax equivalent and rate equivalent revenue	948.8	1 009.2	1 422.3	759.9	490.4
Sales of goods and services	3 379.6	3 731.3	4 177.1	4 488.3	4 940.5
Grants	13 462.3	14 624.3	15 600.9	17 210.1	18 970.0
Other current revenue	1 279.8	1 331.3	1 560.9	1 567.5	1 878.9
<b>Total revenue</b>	<b>29 825.1</b>	<b>31 972.0</b>	<b>34 885.7</b>	<b>37 340.3</b>	<b>39 284.8</b>
<b>Expenses</b>					
Employee expenses	10 971.9	11 690.2	12 393.7	13 239.4	14 296.9
Superannuation interest expense	819.7	479.6	419.1	330.3	609.7
Other superannuation	1 089.2	1 437.7	1 223.8	1 317.7	1 404.2
Depreciation	1 138.8	1 279.3	1 334.7	1 416.2	1 515.8
Interest expense	426.2	451.6	458.6	438.5	642.4
Other operating expenses	9 079.8	9 982.9	10 954.0	11 904.7	13 198.4
Grants and other transfers	5 504.6	5 826.4	6 767.3	7 046.9	7 366.3
<b>Total expenses</b>	<b>29 030.2</b>	<b>31 147.5</b>	<b>33 551.2</b>	<b>35 693.8</b>	<b>39 033.7</b>
<b>Net result from transactions – Net operating balance</b>	<b>794.9</b>	<b>824.5</b>	<b>1 334.5</b>	<b>1 646.6</b>	<b>251.2</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on sale of non-financial assets	( 26.6)	( 53.3)	( 29.8)	16.0	62.2
Net gain/(loss) on financial assets or liabilities at fair value	( 10.4)	7.0	21.7	( 34.8)	( 83.8)
Net actuarial gains/(losses) of superannuation defined benefits plans	1 328.8	2 420.9	3 428.1	(3 378.1)	(7 510.1)
Share of net profit/(loss) from associates/ joint venture entities, excluding dividends			5.2	10.6	( 74.4)
Other gains/(losses) from other economic flows	57.1	590.4	546.7	( 195.0)	(1 017.9)
<b>Total other economic flows included in net result</b>	<b>1 349.0</b>	<b>2 965.0</b>	<b>3 972.0</b>	<b>(3 581.4)</b>	<b>(8 624.0)</b>
<b>Net result</b>	<b>2 143.9</b>	<b>3 789.5</b>	<b>5 306.5</b>	<b>(1 934.8)</b>	<b>(8 372.8)</b>
<b>Other economic flows – Other movements in equity</b>					
Net gain on financial assets at fair value	( 3.7)	23.2	13.4	( 34.7)	8.7
Revaluations of non-financial assets	8 868.2	1 913.1	1 807.7	4 804.5	1 316.8
Net gain on equity investments in other sector entities at proportional share of net assets	2 294.1	1 411.9	1 829.2	23 407.1	14 237.7
Other movements in equity	89.1	34.4	( 88.7)	118.3	19 109.4
<b>Total other economic flows – Other movements in equity</b>	<b>11 247.7</b>	<b>3 382.6</b>	<b>3 561.6</b>	<b>28 295.2</b>	<b>34 672.7</b>

**Table A.3: General government sector operating statement – historical series  
(continued)**

	(\$ million)				
	2004-05	2005-06	2006-07	2007-08	2008-09
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
<b>Comprehensive result – Total change in net worth</b>	<b>13 391.6</b>	<b>7 172.0</b>	<b>8 868.1</b>	<b>26 360.4</b>	<b>26 299.8</b>
<b>FISCAL AGGREGATES</b>					
<b>Net operating balance</b>	<b>794.9</b>	<b>824.5</b>	<b>1 334.5</b>	<b>1 646.6</b>	<b>251.2</b>
Less: Net acquisition of non-financial assets from transactions <sup>(b)</sup>	430.8	1 266.7	1 591.7	1 009.4	1 435.6
<b>Net lending/(borrowing)</b>	<b>364.1</b>	<b>( 442.2)</b>	<b>( 257.2)</b>	<b>637.1</b>	<b>(1 184.4)</b>

**Table A.3: General government sector operating statement – historical series  
(continued)**

	(\$ million)				
	2009-10	2010-11	2011-12	2012-13	2013-14
	Revised	Estimate	Estimate	Estimate	Estimate
<b>Revenue from transactions</b>					
Taxation	13 642.1	14 437.8	14 915.3	15 649.4	16 484.9
Interest	348.5	358.0	592.5	858.6	859.0
Dividends and income tax equivalent and rate equivalent revenue	459.2	504.9	525.0	510.8	754.3
Sales of goods and services	5 427.9	5 847.4	6 306.2	6 542.4	6 623.2
Grants	22 111.3	22 893.1	22 527.9	24 009.8	24 056.7
Other current revenue	1 756.5	1 718.0	1 728.6	1 597.9	1 622.1
<b>Total revenue from transactions</b>	<b>43 745.5</b>	<b>45 759.3</b>	<b>46 595.5</b>	<b>49 169.1</b>	<b>50 400.1</b>
<b>Expenses from transactions</b>					
Employee expenses	15 395.8	16 221.0	17 036.2	17 939.4	18 560.3
Superannuation interest expense	866.7	884.1	910.8	935.1	944.5
Other superannuation	1 542.0	1 597.8	1 624.8	1 670.3	1 667.3
Depreciation	1 888.4	2 214.3	2 381.2	2 557.7	2 630.7
Interest expense	830.1	939.5	1 320.9	1 762.9	1 894.9
Other operating expenses	14 363.1	15 120.6	15 559.8	15 788.7	16 122.1
Grants and other transfers	8 464.5	7 910.1	7 111.4	7 127.4	7 087.2
<b>Total expenses from transactions</b>	<b>43 350.6</b>	<b>44 887.4</b>	<b>45 945.1</b>	<b>47 781.5</b>	<b>48 906.9</b>
<b>Net result from transactions – Net operating balance</b>	<b>394.9</b>	<b>871.9</b>	<b>650.4</b>	<b>1 387.6</b>	<b>1 493.2</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on sale of non-financial assets	80.7	134.7	143.1	141.9	110.4
Net gain/(loss) on financial assets or liabilities at fair value	19.7	1.0	0.7	2.9	3.3
Net actuarial gains/(losses) of superannuation defined benefits plans	781.9	..	..	..	..
Share of net profit/(loss) from associates/ joint venture entities, excluding dividends	..	..	..	..	..
Other gains/(losses) from other economic flows	222.2	(155.2)	(155.5)	(159.2)	(162.2)
<b>Total other economic flows included in net result</b>	<b>1 104.5</b>	<b>(19.5)</b>	<b>(11.6)</b>	<b>(14.4)</b>	<b>(48.6)</b>
<b>Net result</b>	<b>1 499.4</b>	<b>852.3</b>	<b>638.7</b>	<b>1 373.2</b>	<b>1 444.7</b>
<b>Other economic flows – Other movements in equity</b>					
Net gain on financial assets at fair value	..	..	..	..	..
Movement of non-financial asset reserves	1 879.4	2 182.2	4 557.2	2 138.9	4 674.9
Net gain on equity investments in other sector entities at proportional share of the carrying amount of net assets/(liabilities)	1 089.9	1 286.4	777.0	694.8	320.5

**Table A.3: General government sector operating statement – historical series  
(continued)**

	(\$ million)				
	2009-10	2010-11	2011-12	2012-13	2013-14
	Revised	Estimate	Estimate	Estimate	Estimate
Other movements in equity	286.1	11.7	39.1	56.8	(7.9)
<b>Total other economic flows – Other movements in equity</b>	<b>3 255.4</b>	<b>3 480.4</b>	<b>5 373.3</b>	<b>2 890.5</b>	<b>4 987.4</b>
<b>Comprehensive result – Total change in net worth</b>	<b>4 754.8</b>	<b>4 332.7</b>	<b>6 012.0</b>	<b>4 263.6</b>	<b>6 432.1</b>
<b>FISCAL AGGREGATES</b>					
<b>Net operating balance</b>	<b>394.9</b>	<b>871.9</b>	<b>650.4</b>	<b>1 387.6</b>	<b>1 493.2</b>
Less: Net acquisition of non-financial assets from transactions	2 880.2	2 097.0	2 161.7	1 563.1	(65.2)
<b>Net lending/(borrowing)</b>	<b>(2 485.3)</b>	<b>(1 225.2)</b>	<b>(1 511.3)</b>	<b>(175.4)</b>	<b>1 558.4</b>

Source: Department of Treasury and Finance

Note:

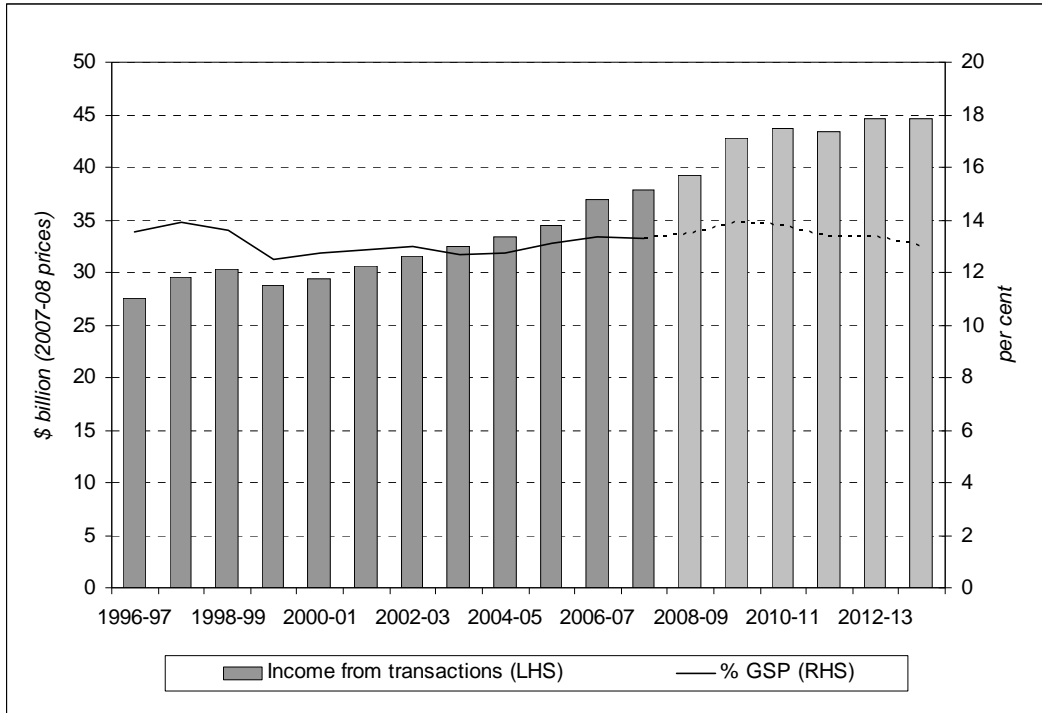
(a) Significant income and other gains were recorded in 1996-97, 1997-98 and 1998-99 from business asset sales. More information is provided in footnote (b) to Table A.1, and in the Budget Papers for those years.

**Table A.4: General government accrual aggregates**

Year	Income from transactions			Expenses from transactions			Net Result from transactions
	2008-09 prices (\$ billion)	change %	% GSP	2008-09 prices (\$ billion)	change %	% GSP	2008-09 prices (\$ billion)
1996-97	27.6		13.5	24.7		12.1	2.8
1997-98	29.6	7.4	13.9	27.6	11.6	13.0	2.0
1998-99	30.3	2.3	13.6	26.5	-4.2	11.9	3.8
1999-00	28.8	-4.8	12.5	26.7	0.8	11.6	2.2
2000-01	29.3	1.6	12.8	27.8	4.4	12.1	1.5
2001-02	30.5	4.2	12.9	28.6	2.9	12.1	1.9
2002-03	31.5	3.1	13.0	29.7	3.8	12.2	1.8
2003-04	32.4	3.0	12.7	31.3	5.4	12.3	1.1
2004-05	33.4	3.0	12.7	32.5	3.7	12.4	0.9
2005-06	34.4	3.2	13.1	33.6	3.3	12.7	0.9
2006-07	36.9	7.0	13.4	35.4	5.6	12.8	1.4
2007-08	37.8	2.5	13.3	36.1	1.9	12.7	1.7
2008-09	39.3	4.0	13.5	39.0	8.1	13.4	0.3
2009-10	42.8	8.9	13.9	42.4	8.6	13.8	0.4
2010-11	43.7	2.1	13.8	42.9	1.1	13.5	0.8
2011-12	43.4	-0.7	13.3	42.8	-0.2	13.1	0.6
2012-13	44.6	2.9	13.4	43.4	1.4	13.0	1.3
2013-14	44.6	0.0	13.0	43.3	-0.2	12.6	1.3

Source: Department of Treasury and Finance

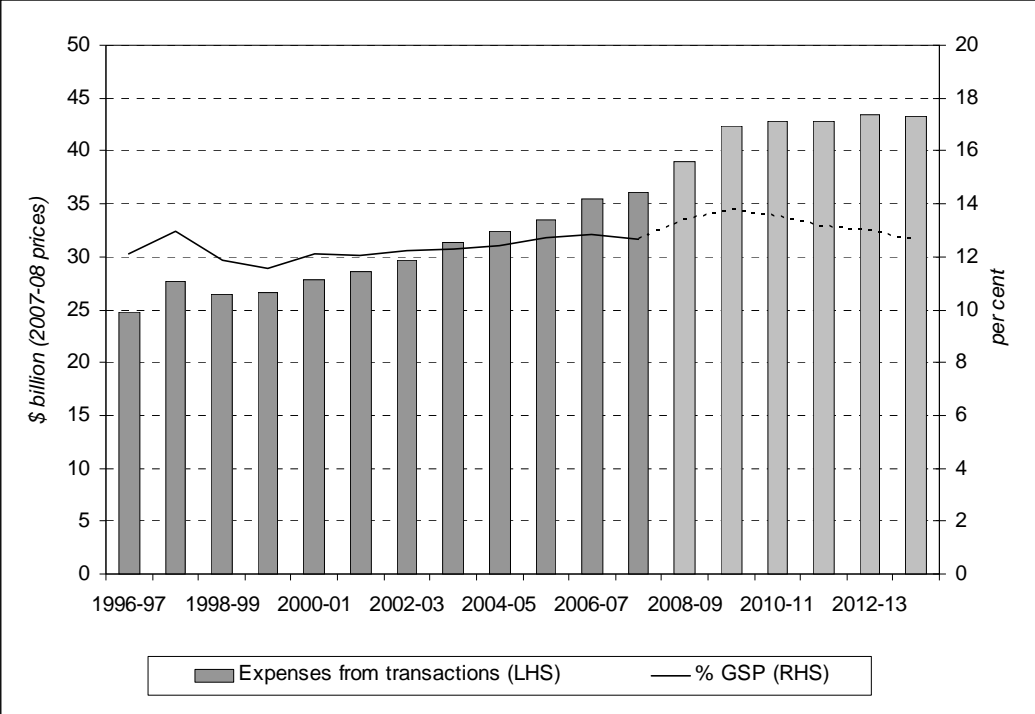
**Chart A.4: General government income from transactions**



Source: Department of Treasury and Finance



**Chart A.5: General government expenses from transactions**



Source: Department of Treasury and Finance

**Table A.5: General government operating expenses by purpose 1961-62 to 2013-14 – historical series**

(\$ million)

	1961-62	1962-63	1963-64	1964-65	1965-66
	Actual	Actual	Actual	Actual	Actual
<b>General public services</b>	<b>21</b>	<b>20</b>	<b>20</b>	<b>22</b>	<b>24</b>
<b>Public order and safety</b>	<b>29</b>	<b>31</b>	<b>33</b>	<b>35</b>	<b>37</b>
Primary and secondary	67	76	86	93	104
University	20	25	29	33	39
Technical and further education	..	..	..	..	..
Other tertiary	..	..	..	..	..
Other	9	10	11	12	13
<b>Education</b>	<b>98</b>	<b>111</b>	<b>126</b>	<b>138</b>	<b>156</b>
Acute care institutions	28	30	31	33	36
Other health institutions	15	15	16	17	18
Community health services	2	2	2	2	2
Pharmaceutical	3	3	4	4	4
Other	3	4	4	5	5
<b>Health</b>	<b>51</b>	<b>55</b>	<b>57</b>	<b>61</b>	<b>66</b>
Social security	..	..	..	..	..
Welfare services	1	1	1	1	1
Other	7	7	7	8	8
<b>Social security and welfare</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>
Housing and community development	1	1	1	1	1
Water supply	..	..	..	..	..
Sanitation and protection of the environment	1	..	1	..	..
Other community amenities	..	..	..	..	..
<b>Housing and community amenities</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>2</b>
Recreational facilities and services	2	2	2	2	3
Cultural facilities and services	2	2	2	2	2
Broadcasting and film production	..	..	..	..	..
Other recreation and culture	..	..	..	..	..
<b>Recreation and culture</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>
Fuel and energy	..	..	..	..	..
<b>Agriculture, forestry and fishing</b>	<b>11</b>	<b>11</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Mining, manufacturing and construction</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Road transport	16	17	18	20	21
Water transport	1	1	2	1	1
Rail transport	15	16	16	15	16
Air transport	..	..	..	..	..
Communications and other transport	18	18	19	20	21
<b>Transport and communications</b>	<b>50</b>	<b>52</b>	<b>55</b>	<b>56</b>	<b>59</b>
<b>Other economic affairs</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>
<b>Other purposes</b>	<b>97</b>	<b>103</b>	<b>110</b>	<b>120</b>	<b>130</b>
<b>Total GFS expenses <sup>(a)</sup></b>	<b>376</b>	<b>402</b>	<b>439</b>	<b>470</b>	<b>510</b>

<i>1966-67</i>	<i>1967-68</i>	<i>1968-69</i>	<i>1969-70</i>	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</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>
<b>26</b>	<b>28</b>	<b>30</b>	<b>34</b>	<b>37</b>	<b>34</b>	<b>37</b>	<b>51</b>
<b>40</b>	<b>44</b>	<b>47</b>	<b>52</b>	<b>59</b>	<b>69</b>	<b>80</b>	<b>101</b>
115	124	145	168	198	235	292	364
45	65	74	80	111	126	158	199
1	1	1	9	11	12	13	18
..	..	..	..	..	..	..	..
14	16	17	19	21	26	31	37
<b>175</b>	<b>204</b>	<b>236</b>	<b>276</b>	<b>341</b>	<b>398</b>	<b>494</b>	<b>619</b>
40	42	48	57	72	84	101	135
19	21	22	24	28	33	36	44
2	2	2	2	3	3	4	7
4	4	5	6	7	8	7	13
8	8	9	9	12	13	14	18
<b>73</b>	<b>77</b>	<b>86</b>	<b>99</b>	<b>122</b>	<b>142</b>	<b>163</b>	<b>217</b>
..	..	..	1	2	6	9	6
1	1	1	2	2	6	7	9
9	9	10	12	15	17	21	20
<b>10</b>	<b>11</b>	<b>12</b>	<b>14</b>	<b>19</b>	<b>29</b>	<b>37</b>	<b>34</b>
1	1	2	2	2	3	4	12
..	..	..	..	..	..	..	1
1	1	1	1	2	2	3	6
..	..	..	..	..	..	..	..
<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>18</b>
3	3	3	4	4	5	6	8
3	3	4	4	5	6	7	9
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..
<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>13</b>	<b>17</b>
..	..	..	..	..	..	..	..
<b>17</b>	<b>18</b>	<b>19</b>	<b>22</b>	<b>24</b>	<b>27</b>	<b>36</b>	<b>41</b>
<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>
26	31	34	37	40	46	54	69
2	2	2	3	2	2	2	3
16	17	17	16	16	15	63	97
..	..	..	..	..	..	..	..
21	23	23	24	25	27	27	28
<b>66</b>	<b>72</b>	<b>76</b>	<b>79</b>	<b>82</b>	<b>91</b>	<b>147</b>	<b>197</b>
<b>7</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>13</b>	<b>15</b>	<b>18</b>
<b>142</b>	<b>158</b>	<b>172</b>	<b>183</b>	<b>203</b>	<b>236</b>	<b>265</b>	<b>302</b>
<b>564</b>	<b>628</b>	<b>699</b>	<b>781</b>	<b>914</b>	<b>1 057</b>	<b>1 296</b>	<b>1 617</b>

**Table A.5: General government operating expenses by purpose 1961-62 to 2013-14 – historical series (continued)**

(\$ million)

	1974-75	1975-76	1976-77	1977-78	1978-79
	Actual	Actual	Actual	Actual	Actual
General public services	<b>65</b>	<b>82</b>	<b>100</b>	<b>112</b>	<b>128</b>
Public order and safety	<b>134</b>	<b>166</b>	<b>193</b>	<b>220</b>	<b>247</b>
Primary and secondary	497	628	751	878	962
University	286	306	344	358	362
Technical and further education	26	34	42	43	51
Other tertiary	..	1	1	1	1
Other	64	81	98	110	120
<b>Education</b>	<b>873</b>	<b>1 050</b>	<b>1 237</b>	<b>1 390</b>	<b>1 497</b>
Acute care institutions	183	366	422	466	513
Other health institutions	60	77	91	101	108
Community health services	12	17	22	32	39
Pharmaceutical	13	6	2	1	3
Other	24	36	44	42	44
<b>Health</b>	<b>292</b>	<b>502</b>	<b>581</b>	<b>641</b>	<b>706</b>
Social security	3	9	6	9	9
Welfare services	13	18	21	33	41
Other	30	41	54	60	70
<b>Social security and welfare</b>	<b>47</b>	<b>68</b>	<b>81</b>	<b>101</b>	<b>120</b>
Housing and community development	23	29	29	34	18
Water supply	1	4	3	2	2
Sanitation and protection of the environment	17	19	15	13	15
Other community amenities	..	..	..	..	..
<b>Housing and community amenities</b>	<b>41</b>	<b>52</b>	<b>47</b>	<b>49</b>	<b>35</b>
Recreational facilities and services	13	20	21	25	28
Cultural facilities and services	13	17	21	27	29
Broadcasting and film production	..	..	..	..	..
Other recreation and culture	1	1	2	2	1
<b>Recreation and culture</b>	<b>27</b>	<b>38</b>	<b>44</b>	<b>54</b>	<b>59</b>
Fuel and energy	..	..	..	..	..
Agriculture, forestry and fishing	<b>51</b>	<b>65</b>	<b>70</b>	<b>78</b>	<b>84</b>
Mining, manufacturing and construction	<b>4</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>- 12</b>
Road transport	62	73	112	127	139
Water transport	3	4	5	5	5
Rail transport	152	170	192	211	230
Air transport	..	..	..	..	..
Communications and other transport	53	60	71	32	38
<b>Transport and communications</b>	<b>270</b>	<b>307</b>	<b>379</b>	<b>374</b>	<b>412</b>
Other economic affairs	<b>23</b>	<b>28</b>	<b>34</b>	<b>38</b>	<b>43</b>
Other purposes	<b>690</b>	<b>822</b>	<b>966</b>	<b>1 106</b>	<b>1 220</b>
<b>Total GFS expenses<sup>(a)</sup></b>	<b>2 517</b>	<b>3 186</b>	<b>3 739</b>	<b>4 171</b>	<b>4 539</b>

1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
<b>136</b>	<b>154</b>	<b>173</b>	<b>188</b>	<b>239</b>	<b>284</b>	<b>331</b>	<b>405</b>
<b>291</b>	<b>342</b>	<b>389</b>	<b>483</b>	<b>512</b>	<b>563</b>	<b>632</b>	<b>678</b>
1 089	1 238	1 355	1 529	1 778	1 881	1 994	2 089
383	415	458	489	532	538	654	673
59	72	152	183	204	222	259	288
1	1	1	6	3	15	17	23
133	160	171	191	191	211	260	293
<b>1 666</b>	<b>1 887</b>	<b>2 137</b>	<b>2 399</b>	<b>2 708</b>	<b>2 867</b>	<b>3 186</b>	<b>3 366</b>
551	633	699	788	877	1 238	1 382	1 572
124	141	153	183	205	216	243	267
38	37	55	63	68	128	114	119
1	2	3	3	3	1	1	2
54	74	91	98	119	250	263	274
<b>768</b>	<b>888</b>	<b>1 002</b>	<b>1 134</b>	<b>1 271</b>	<b>1 834</b>	<b>2 003</b>	<b>2 234</b>
7	5	5	5	5	83	88	93
47	55	71	91	84	208	246	327
79	74	85	101	126	4	1	1
<b>132</b>	<b>134</b>	<b>161</b>	<b>197</b>	<b>215</b>	<b>296</b>	<b>334</b>	<b>421</b>
19	24	34	97	112	212	210	218
1	17	20	25	29	53	65	31
14	15	19	23	26	26	23	18
..	..	..	..	..	..	..	..
<b>34</b>	<b>56</b>	<b>73</b>	<b>145</b>	<b>167</b>	<b>291</b>	<b>299</b>	<b>268</b>
32	36	44	58	43	58	82	87
35	33	37	36	25	61	62	67
..	..	..	..	1	6	4	4
2	2	4	5	7	7	3	1
<b>69</b>	<b>72</b>	<b>85</b>	<b>100</b>	<b>75</b>	<b>133</b>	<b>152</b>	<b>159</b>
<b>1</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>46</b>	<b>20</b>	<b>32</b>	<b>32</b>
<b>93</b>	<b>100</b>	<b>116</b>	<b>149</b>	<b>159</b>	<b>213</b>	<b>168</b>	<b>193</b>
<b>32</b>	<b>39</b>	<b>45</b>	<b>50</b>	<b>66</b>	<b>59</b>	<b>94</b>	<b>64</b>
161	171	214	284	283	279	362	334
6	10	10	12	14	14	14	20
238	235	275	375	230	231	274	374
..	..	..	..	..	..	..	..
39	44	53	65	227	257	249	478
<b>444</b>	<b>460</b>	<b>552</b>	<b>735</b>	<b>753</b>	<b>781</b>	<b>899</b>	<b>1 206</b>
<b>47</b>	<b>68</b>	<b>82</b>	<b>93</b>	<b>148</b>	<b>268</b>	<b>251</b>	<b>198</b>
<b>1 419</b>	<b>1 672</b>	<b>1 983</b>	<b>2 386</b>	<b>2 519</b>	<b>2 700</b>	<b>2 922</b>	<b>3 228</b>
<b>5 134</b>	<b>5 875</b>	<b>6 801</b>	<b>8 063</b>	<b>8 878</b>	<b>10 311</b>	<b>11 302</b>	<b>12 450</b>

**Table A.5: General government operating expenses by purpose 1961-62 to 2013-14 – historical series (continued)**

(\$ million)

	1987-88	1988-89	1989-90	1990-91	1991-92
	Actual	Actual	Actual	Actual	Actual
General public services	<b>410</b>	<b>448</b>	<b>443</b>	<b>454</b>	<b>477</b>
Public order and safety	<b>729</b>	<b>830</b>	<b>978</b>	<b>1 052</b>	<b>1 122</b>
Primary and secondary	2 188	2 451	2 564	2 504	2 783
University	760	726	736	630	572
Technical and further education	305	343	372	386	418
Other tertiary	4	5	7	230	267
Other	345	306	331	320	333
<b>Education</b>	<b>3 601</b>	<b>3 833</b>	<b>4 010</b>	<b>4 069</b>	<b>4 373</b>
Acute care institutions	1 726	1 881	2 025	2 286	2 376
Other health institutions	323	356	387	306	311
Community health services	159	161	174	200	220
Pharmaceutical	2	..	..	..	..
Other	332	415	467	411	396
<b>Health</b>	<b>2 542</b>	<b>2 813</b>	<b>3 052</b>	<b>3 204</b>	<b>3 302</b>
Social security	97	105	111	105	134
Welfare services	329	396	442	586	640
Other	..	..	..	1	1
<b>Social security and welfare</b>	<b>426</b>	<b>501</b>	<b>554</b>	<b>692</b>	<b>775</b>
Housing and community development	222	262	359	383	431
Water supply	32	33	39	36	42
Sanitation and protection of the environment	18	18	23	27	26
Other community amenities	1	..	..	1	5
<b>Housing and community amenities</b>	<b>274</b>	<b>313</b>	<b>421</b>	<b>447</b>	<b>504</b>
Recreational facilities and services	96	138	154	151	136
Cultural facilities and services	69	83	92	77	92
Broadcasting and film production	4	4	4	3	3
Other recreation and culture	..	..	..	..	1
<b>Recreation and culture</b>	<b>170</b>	<b>225</b>	<b>250</b>	<b>231</b>	<b>232</b>
Fuel and energy	<b>22</b>	<b>8</b>	<b>20</b>	<b>17</b>	<b>14</b>
Agriculture, forestry and fishing	<b>207</b>	<b>215</b>	<b>229</b>	<b>253</b>	<b>257</b>
Mining, manufacturing and construction	<b>66</b>	<b>46</b>	<b>47</b>	<b>32</b>	<b>42</b>
Road transport	376	421	431	484	514
Water transport	17	15	9	6	3
Rail transport	307	317	1	1	..
Air transport	..	..	..	..	..
Communications and other transport	326	323	675	724	676
<b>Transport and communications</b>	<b>1 027</b>	<b>1 076</b>	<b>1 116</b>	<b>1 214</b>	<b>1 193</b>
Other economic affairs	<b>189</b>	<b>173</b>	<b>184</b>	<b>200</b>	<b>204</b>
Other purposes	<b>3 721</b>	<b>4 098</b>	<b>4 604</b>	<b>4 708</b>	<b>5 060</b>
<b>Total GFS expenses<sup>(a)</sup></b>	<b>13 384</b>	<b>14 579</b>	<b>15 908</b>	<b>16 572</b>	<b>17 555</b>

1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
<b>423</b>	<b>391</b>	<b>350</b>	<b>332</b>	<b>376</b>	<b>464</b>	<b>125</b>	<b>462</b>
<b>1 175</b>	<b>1 202</b>	<b>1 251</b>	<b>1 301</b>	<b>1 505</b>	<b>1 761</b>	<b>1 784</b>	<b>1 965</b>
2 765	2 699	2 669	2 850	2 963	3 312	3 987	4 279
499	149	143	148	159	118	..	..
450	432	454	540	533	727	909	941
19	..	..	..	..	43	..	..
336	347	372	343	396	434	310	332
<b>4 070</b>	<b>3 627</b>	<b>3 638</b>	<b>3 881</b>	<b>4 051</b>	<b>4 634</b>	<b>5 205</b>	<b>5 552</b>
2 261	2 112	2 133	2 377	2 425	2 491	3 651	3 832
353	331	351	364	390	253	187	191
253	230	253	251	254	..	838	889
..	..	..	9	11	..	35	39
408	463	431	499	515	1 265	51	52
<b>3 274</b>	<b>3 136</b>	<b>3 168</b>	<b>3 501</b>	<b>3 595</b>	<b>4 010</b>	<b>4 763</b>	<b>5 003</b>
148	186	222	216	236	244	..	..
704	674	745	524	543	922	1 366	1 497
1	1	1	..	..	..	2	..
<b>852</b>	<b>861</b>	<b>967</b>	<b>740</b>	<b>779</b>	<b>1 167</b>	<b>1 367</b>	<b>1 497</b>
461	407	453	416	454	445	357	359
27	22	24	22	30	20	55	97
25	27	30	22	33	42	30	33
6	..	..	..	..	2	336	368
<b>519</b>	<b>456</b>	<b>508</b>	<b>460</b>	<b>517</b>	<b>508</b>	<b>778</b>	<b>856</b>
134	157	128	138	147	180	329	391
95	95	108	112	123	157	130	205
3	4	6	6	12	1	..	13
2	..	..	..	7	1	10	5
<b>233</b>	<b>256</b>	<b>242</b>	<b>256</b>	<b>289</b>	<b>339</b>	<b>469</b>	<b>614</b>
<b>58</b>	<b>20</b>	<b>68</b>	<b>216</b>	<b>22</b>	<b>9</b>	<b>126</b>	<b>55</b>
<b>262</b>	<b>263</b>	<b>289</b>	<b>273</b>	<b>331</b>	<b>376</b>	<b>503</b>	<b>434</b>
<b>47</b>	<b>31</b>	<b>45</b>	<b>59</b>	<b>47</b>	<b>56</b>	<b>30</b>	<b>20</b>
482	502	573	475	662	799	1 118	1 157
3	3	11	11	12	4	4	12
..	..	..	9	10	43	888	946
..	..	..	..	..	..	..	..
660	612	321	452	390	394	24	29
<b>1 145</b>	<b>1 118</b>	<b>905</b>	<b>947</b>	<b>1 074</b>	<b>1 239</b>	<b>2 034</b>	<b>2 144</b>
<b>188</b>	<b>176</b>	<b>217</b>	<b>207</b>	<b>195</b>	<b>124</b>	<b>280</b>	<b>211</b>
<b>5 541</b>	<b>5 856</b>	<b>5 519</b>	<b>5 441</b>	<b>4 956</b>	<b>4 571</b>	<b>1 701</b>	<b>1 407</b>
<b>17 786</b>	<b>17 392</b>	<b>17 167</b>	<b>17 615</b>	<b>17 737</b>	<b>19 259</b>	<b>19 166</b>	<b>20 219</b>

**Table A.5: General government operating expenses by purpose 1961-62 to 2013-14 – historical series (continued)**

(\$ million)

	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Actual	Actual	Actual	Actual
General public services <sup>(b)</sup>	<b>837</b>	<b>642</b>	<b>431</b>	<b>702</b>	<b>579</b>
Public order and safety	<b>2 005</b>	<b>2 110</b>	<b>2 390</b>	<b>2 502</b>	<b>2 808</b>
Primary and secondary	4 708	5 102	5 267	5 531	5 854
University	..	..	87	74	74
Technical and further education	1 115	1 146	1 185	1 262	1 357
Other tertiary	..	..	..	..	..
Other	367	391	436	443	651
<b>Education</b>	<b>6 190</b>	<b>6 639</b>	<b>6 975</b>	<b>7 310</b>	<b>7 936</b>
Acute care institutions	4 337	4 683	5 210	5 585	6 027
Other health institutions	211	231	30	32	33
Community health services	976	1 085	1 003	960	1 059
Pharmaceutical	40	46	58	59	75
Other	53	57	490	512	521
<b>Health</b>	<b>5 619</b>	<b>6 101</b>	<b>6 790</b>	<b>7 148</b>	<b>7 715</b>
Social security	..	..	..	..	..
Welfare services	1 665	1 832	1 934	2 077	2 286
Other	..	..	..	..	..
<b>Social security and welfare</b>	<b>1 665</b>	<b>1 832</b>	<b>1 934</b>	<b>2 077</b>	<b>2 286</b>
Housing and community development	675	856	601	498	998
Water supply	81	104	188	162	182
Sanitation and protection of the environment	56	69	224	166	252
Other community amenities	434	393	377	412	502
<b>Housing and community amenities</b>	<b>1 245</b>	<b>1 422</b>	<b>1 390</b>	<b>1 238</b>	<b>1 934</b>
Recreational facilities and services	410	434	458	409	379
Cultural facilities and services	220	224	250	213	265
Broadcasting and film production	15	21	39	38	..
Other recreation and culture	16	11	2	2	..
<b>Recreation and culture</b>	<b>661</b>	<b>690</b>	<b>748</b>	<b>661</b>	<b>644</b>
Fuel and energy	<b>71</b>	<b>71</b>	<b>23</b>	<b>108</b>	<b>48</b>
Agriculture, forestry and fishing	<b>432</b>	<b>433</b>	<b>353</b>	<b>449</b>	<b>276</b>
Mining, manufacturing and construction	<b>12</b>	<b>23</b>	<b>17</b>	<b>31</b>	<b>22</b>
Road transport	1 206	1 284	1 449	1 400	1 640
Water transport	2	2	2	2	13
Rail transport	997	1 009	988	1 924	1 282
Air transport	..	..	..	..	..
Communications and other transport	44	51	91	80	81
<b>Transport and communications</b>	<b>2 249</b>	<b>2 346</b>	<b>2 530</b>	<b>3 406</b>	<b>3 016</b>
Other economic affairs	<b>235</b>	<b>327</b>	<b>351</b>	<b>317</b>	<b>356</b>
Other purposes	<b>1 498</b>	<b>1 443</b>	<b>1 628</b>	<b>1 597</b>	<b>1 410</b>
<b>Total GFS expenses <sup>(a)</sup></b>	<b>22 721</b>	<b>24 079</b>	<b>25 559</b>	<b>27 547</b>	<b>29 029</b>



2005-06	2006-07	2007-08	2008-09	2009-10 <sup>(c)</sup>	2010-11 <sup>(c)</sup>	2011-12 <sup>(c)</sup>	2012-13 <sup>(c)</sup>	2013-14 <sup>(c)</sup>
Actual	Actual	Actual	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
<b>729</b>	<b>507</b>	<b>269</b>	<b>601</b>	<b>787</b>	<b>815</b>	<b>834</b>	<b>868</b>	<b>888</b>
<b>3 165</b>	<b>3 613</b>	<b>3 885</b>	<b>4 253</b>	<b>4 723</b>	<b>4 891</b>	<b>5 006</b>	<b>5 206</b>	<b>5 328</b>
6 225	6 705	7 037	7 811	..	..	..	..	..
228	267	127	108	..	..	..	..	..
1 446	1 345	1 592	1 718	..	..	..	..	..
..	..	..	..	..	..	..	..	..
614	764	870	914	..	..	..	..	..
<b>8 513</b>	<b>9 082</b>	<b>9 626</b>	<b>10 551</b>	<b>11 599</b>	<b>12 010</b>	<b>12 293</b>	<b>12 784</b>	<b>13 085</b>
6 426	6 847	7 366	7 945	..	..	..	..	..
34	40	45	45	..	..	..	..	..
1 186	1 286	1 439	1 518	..	..	..	..	..
80	102	109	118	..	..	..	..	..
556	586	766	952	..	..	..	..	..
<b>8 282</b>	<b>8 860</b>	<b>9 726</b>	<b>10 578</b>	<b>11 747</b>	<b>12 164</b>	<b>12 450</b>	<b>12 948</b>	<b>13 253</b>
..	..	..	..	..	..	..	..	..
2 421	2 533	2 818	3 015	..	..	..	..	..
..	..	..	..	..	..	..	..	..
<b>2 421</b>	<b>2 533</b>	<b>2 818</b>	<b>3 015</b>	<b>3 349</b>	<b>3 468</b>	<b>3 549</b>	<b>3 691</b>	<b>3 778</b>
1 007	1 328	1 460	1 692	..	..	..	..	..
165	228	222	214	..	..	..	..	..
238	290	328	366	..	..	..	..	..
535	537	762	656	..	..	..	..	..
<b>1 945</b>	<b>2 383</b>	<b>2 772</b>	<b>2 928</b>	<b>3 251</b>	<b>3 366</b>	<b>3 446</b>	<b>3 583</b>	<b>3 668</b>
550	450	319	324	..	..	..	..	..
277	289	391	474	..	..	..	..	..
..	..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..	..
<b>827</b>	<b>739</b>	<b>710</b>	<b>798</b>	<b>893</b>	<b>925</b>	<b>947</b>	<b>985</b>	<b>1 008</b>
<b>63</b>	<b>100</b>	<b>36</b>	<b>19</b>	<b>21</b>	<b>22</b>	<b>22</b>	<b>23</b>	<b>24</b>
<b>267</b>	<b>404</b>	<b>575</b>	<b>502</b>	<b>563</b>	<b>583</b>	<b>596</b>	<b>620</b>	<b>635</b>
<b>91</b>	<b>20</b>	<b>27</b>	<b>20</b>	<b>23</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>26</b>
1 375	1 603	1 742	1 949	..	..	..	..	..
12	12	15	12	..	..	..	..	..
1 619	1 787	1 882	1 875	..	..	..	..	..
..	..	..	..	..	..	..	..	..
164	166	205	225	..	..	..	..	..
<b>3 169</b>	<b>3 568</b>	<b>3 845</b>	<b>4 060</b>	<b>4 509</b>	<b>4 669</b>	<b>4 779</b>	<b>4 970</b>	<b>5 087</b>
<b>394</b>	<b>378</b>	<b>392</b>	<b>471</b>	<b>523</b>	<b>542</b>	<b>555</b>	<b>577</b>	<b>590</b>
<b>1 112</b>	<b>1 286</b>	<b>1 170</b>	<b>1 226</b>	<b>1 362</b>	<b>1 410</b>	<b>1 443</b>	<b>1 501</b>	<b>1 536</b>
<b>30 977</b>	<b>33 473</b>	<b>35 850</b>	<b>39 023</b>	<b>43 351</b>	<b>44 887</b>	<b>45 945</b>	<b>47 781</b>	<b>48 907</b>

Source: 1998-2002 to 2010-14 Department of Treasury and Finance; 2002-09 ABS Catalogue 5512.0.

Notes:

- (a) Total GFS expenses – accruals basis. Estimated superannuation expenses have not been allocated by purpose. Estimated depreciation expense not available prior to 1974-75.
- (b) General Public Services in the forward estimates includes contingencies not allocated to departments.
- (c) Detailed estimates are not available.



## **APPENDIX B – QUARTERLY FINANCIAL REPORT FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR**

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This appendix presents the financial results for the general government sector for the nine months ending 31 March 2010, prepared consistent with the requirements of the *Financial Management Act 1994*. Comparisons are made to the revised 2009-10 full year estimates, as presented in Appendix C *Revised 2009-10 Budget Outcome*.

The net result from transactions was a surplus of \$408 million for the nine month period, despite the continuing difficult economic and financial market conditions.

Total revenue was \$32 456 million for the nine months to 31 March 2010, representing 74.2 per cent of the full year revised budget estimate of \$43 746 million. This mainly reflects lower than pro rata income from grants received from the Commonwealth Government.

Taxation revenue was \$10 413 million (76.3 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 2010 totalled \$32 049 million, which represents 73.9 per cent of the full year revised budget estimate of \$43 351 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)

2008-09		Notes	2009-10	
Actual to Mar			Actual to Mar	Revised Budget
<b>Revenue from transactions</b>				
9 765.3	Taxation	2	10 412.7	13 642.1
306.3	Interest		230.3	348.5
362.0	Dividends and income tax equivalent and rate equivalent revenue	3	208.5	459.2
3 484.7	Sales of goods and services	4	3 947.9	5 427.9
13 383.1	Grants	5	16 292.9	22 111.3
1 195.8	Other current revenue	6	1 363.9	1 756.5
<b>28 497.3</b>	<b>Total revenue from transactions</b>		<b>32 456.2</b>	<b>43 745.5</b>
<b>Expenses from transactions</b>				
10 620.0	Employee expenses		11 348.9	15 395.8
457.7	Superannuation interest expense	7	650.6	866.7
1 019.3	Other superannuation	7	1 119.2	1 542.0
1 102.3	Depreciation	8	1 332.7	1 888.4
397.2	Interest expense		603.6	830.1
9 184.8	Other operating expenses <sup>(a)</sup>		9 968.7	14 363.1
5 146.4	Grants and other transfers		7 024.9	8 464.5
<b>27 927.7</b>	<b>Total expenses from transactions<sup>(a)</sup></b>	9	<b>32 048.7</b>	<b>43 350.6</b>
<b>569.6</b>	<b>Net result from transactions – Net operating balance <sup>(a)</sup></b>		<b>407.5</b>	<b>394.9</b>
<b>Other economic flows included in net result</b>				
13.3	Net gain/ (loss) on sale of non-financial assets		53.8	80.7
( 55.5)	Net gain/ (loss) on financial assets or liabilities at fair value		25.8	19.7
(11 375.5)	Net actuarial gains/ (losses) of superannuation defined benefits plans		781.9	781.9
( 0.1)	Share of net profit/ (loss) from associates/ joint venture entities, excluding dividends		..	..
( 566.6)	Other gains/ (losses) from other economic flows <sup>(a)</sup>	10	( 36.9)	222.2
<b>(11 984.4)</b>	<b>Total other economic flows included in net result <sup>(a)</sup></b>		<b>824.5</b>	<b>1 104.5</b>
<b>(11 414.7)</b>	<b>Net result</b>		<b>1 232.0</b>	<b>1 499.4</b>
<b>Other economic flows – Other movements in equity</b>				
( 3.9)	Net gain/ (loss) on financial assets at fair value		18.9	..
( 121.9)	Movement of non-financial asset reserves <sup>(b)</sup>		( 56.3)	1 879.4
(5 420.1)	Net gain on equity investments in other sector entities at proportional share of the carrying amount of net assets / (liabilities)		1 095.2	1 089.9
105.8	Other movements in equity <sup>(b)</sup>		131.0	286.1
<b>(5 440.1)</b>	<b>Total other economic flows – Other movements in equity</b>		<b>1 188.8</b>	<b>3 255.4</b>
<b>(16 854.8)</b>	<b>Comprehensive result – Total change in net worth</b>		<b>2 420.8</b>	<b>4 754.8</b>

## Comprehensive operating statement for the period ended 31 March *(continued)*

(\$ million)

2008-09 Actual to Mar	Notes	2009-10	
		Actual to Mar	Revised Budget
<b>FISCAL AGGREGATES</b>			
<b>569.6</b>	<b>Net operating balance</b>	<b>407.5</b>	<b>394.9</b>
651.2	Less: Net acquisition of non-financial assets from transactions <sup>(a)</sup>	1 098.8	2 880.2
<b>( 81.6)</b>	<b>Net lending/ (borrowing) <sup>(a)</sup></b>	<b>( 691.3)</b>	<b>(2 485.3)</b>

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

Notes:

- (a) *Reclassification of unilaterally decided bad debts expense items from 'transactions expense' to 'other economic flows' has required re-presentation of the 2008-09 results.*
- (b) *Merging of the Southern Cross Station Authority into the Department of Transport from 1 August 2009 has resulted in a reduction in the carrying amount of asset revaluation reserves, offset by a movement in accumulated funds relating to the same transaction.*

## Balance sheet as at 31 March

(\$ million)

2008-09		Notes	Opening 1 Jul	2009-10	
Actual 31 Mar				Actual 31 Mar	Revised Budget <sup>(c)</sup>
<b>Assets</b>					
<b>Financial assets</b>					
2 080.6	Cash and deposits	16(a)	2 846.0	2 347.6	2 266.0
44.0	Advances paid		269.0	276.0	282.7
2 518.3	Investments, loans and placements		2 550.6	2 807.8	2 576.4
3 224.2	Receivables	11	2 783.3	3 574.0	2 555.9
649.3	Investments in general government sector entities using the equity method		..	..	..
24.8	Investments accounted for using the equity method – other		30.0	29.7	35.0
40 391.5	Investments in other sector entities		60 634.8	62 571.2	63 467.2
<b>48 932.6</b>	<b>Total financial assets</b>		<b>69 113.6</b>	<b>71 606.4</b>	<b>71 183.1</b>
<b>Non-financial assets</b>					
208.9	Inventories		249.3	270.5	251.2
59.5	Non-financial assets held for sale		74.2	61.4	60.5
66 236.1	Land, buildings, infrastructure, plant and equipment <sup>(b)</sup>	13	87 409.7	88 459.8	92 287.0
597.6	Other non-financial assets	14	682.1	809.6	672.5
<b>67 102.0</b>	<b>Total non-financial assets</b>		<b>88 415.2</b>	<b>89 601.4</b>	<b>93 271.2</b>
<b>116 034.6</b>	<b>Total assets</b>		<b>157 528.9</b>	<b>161 207.7</b>	<b>164 454.3</b>
<b>Liabilities</b>					
316.6	Deposits held and advances received <sup>(c)</sup>		317.1	374.1	315.8
9 342.7	Borrowings <sup>(c)</sup>		10 640.1	12 979.4	13 519.9
3 600.4	Payables		4 164.0	3 581.1	3 695.1
24 463.0	Superannuation		20 672.3	20 177.1	20 268.5
4 033.2	Employee benefits	15	4 277.2	4 207.3	4 444.0
765.3	Other provisions		784.4	794.2	762.4
<b>42 521.3</b>	<b>Total liabilities</b>		<b>40 855.1</b>	<b>42 113.2</b>	<b>43 005.7</b>
<b>73 513.3</b>	<b>Net assets</b>		<b>116 673.8</b>	<b>119 094.6</b>	<b>121 448.6</b>
26 387.8	Accumulated surplus/(deficit)		48 424.8	49 773.5	50 178.3
47 091.7	Reserves		68 209.5	69 281.6	71 210.8
33.8	Non-controlling interest		39.5	39.5	59.5
<b>73 513.3</b>	<b>Net worth</b>		<b>116 673.8</b>	<b>119 094.6</b>	<b>121 448.6</b>
<b>FISCAL AGGREGATES</b>					
<b>6 411.3</b>	Net financial worth		<b>28 258.5</b>	<b>29 493.2</b>	<b>28 177.4</b>
<b>33 980.2</b>	Net financial liabilities		<b>32 376.3</b>	<b>33 078.0</b>	<b>35 289.8</b>
<b>4 367.2</b>	Net debt		<b>5 291.7</b>	<b>7 922.1</b>	<b>8 710.7</b>

The accompanying notes form part of these Financial Statements.

*Notes:*

- (a) 2009-10 Budget above and its accompanying notes are based on actual opening balances at 1 July 2009 plus 2009-10 budgeted movement.*
- (b) A prior period adjustment of \$59 million has changed the previously published balances for 2008-09 by an equivalent amount, relating to the reclassification of items previously capitalised to expense.*
- (c) Certain items previously classified as borrowings have been more correctly classified as advances, in line with the Government Finance Statistics framework.*

## Statement of changes in equity for the period ended 31 March

(\$ million)

	Equity at 1 Jul	Total comprehensive result	Transactions with owners in their capacity as owners	Equity at 31 Mar
<b>2009-10</b>				
Accumulated surplus/(deficit)	48 424.8	1 232.0	..	49 656.9
Other movements in equity	..	116.6	..	116.6
Adjustments due to change in accounting policy	..	..		..
Minority interest	39.5	..	..	39.5
Physical asset revaluation reserve	29 776.6	( 56.3)	..	29 720.2
Net movements in other reserves	788.1	33.3	..	821.4
Accumulated net gain/(loss) on equity investments in other sector entities	37 644.8	1 095.2	..	38 740.0
<b>Total equity at end of the period</b>	<b>116 673.8</b>	<b>2 420.8</b>	<b>..</b>	<b>119 094.6</b>
<b>2008-09</b>				
Accumulated surplus/(deficit)	37 686.9	(11 414.7)	..	26 272.1
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 on equity investments in other sector entities	23 407.1	(5 420.1)	..	17 987.0
<b>Total equity at end of the period</b>	<b>90 366.4</b>	<b>(16 854.8)</b>	<b>1.8</b>	<b>73 513.3</b>

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



## Statement of cash flows for the period ended 31 March

(\$ million)

2008-09 Actual to Mar	Notes	2009-10 Actual to Mar	Revised Budget
<b>Cash flows from operating activities</b>			
<b>Cash receipts</b>			
9 018.3	Taxes received	9 948.7	13 991.9
13 409.0	Grants	16 399.9	22 111.3
3 815.7	Sales of goods and services <sup>(a)</sup>	4 282.4	5 975.1
311.4	Interest received	227.1	313.8
404.3	Dividends and income tax equivalent and rate equivalent receipts	245.1	461.1
1 049.9	Other receipts	856.0	1 426.3
<b>28 008.7</b>	<b>Total cash receipts</b>	<b>31 959.2</b>	<b>44 279.5</b>
<b>Cash payments</b>			
(10 728.0)	Payments for employees	(11 386.2)	(15 228.1)
(1 316.3)	Superannuation	(1 483.1)	(2 030.5)
( 381.1)	Interest paid	( 551.8)	( 766.5)
(5 204.0)	Grants and subsidies	(7 183.4)	(8 504.5)
(9 452.5)	Goods and services <sup>(a)</sup>	(10 304.7)	(14 681.0)
( 312.2)	Other payments	( 352.8)	( 426.7)
<b>(27 394.1)</b>	<b>Total cash payments</b>	<b>(31 261.9)</b>	<b>(41 637.1)</b>
<b>614.6</b>	<b>Net cash flows from operating activities <sup>(a)</sup></b>	<b>697.3</b>	<b>2 642.4</b>
<b>Cash flows from investing activities</b>			
(1 917.1)	Purchases of non-financial assets	(2 493.3)	(4 853.8)
110.5	Sales of non-financial assets	133.8	270.8
(1 806.6)	Cash flows from investments in non-financial assets	(2 359.5)	(4 583.0)
( 924.3)	Net cash flows from investments in financial assets for policy purposes	(1 014.9)	(1 429.7)
( 255.7)	Net cash flows from investments in financial assets for liquidity management purposes	( 217.8)	( 6.1)
<b>(2 986.6)</b>	<b>Net cash flows from investing activities</b>	<b>(3 592.2)</b>	<b>(6 018.8)</b>
<b>Cash flows from financing activities</b>			
0.1	Advances received (net) <sup>(b)</sup>	0.2	( 0.7)
1 199.4	Net borrowings	2 339.8	2 797.7
( 59.5)	Deposits received (net) <sup>(b)</sup>	56.8	( 0.6)
<b>1 139.9</b>	<b>Net cash flows from financing activities</b>	<b>2 396.8</b>	<b>2 796.4</b>
<b>(1 232.1)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 498.0)</b>	<b>( 580.0)</b>
2 859.3	Cash and cash equivalents at beginning of reporting period	2 845.5	2 845.5
<b>1 627.2</b>	<b>Cash and cash equivalents at end of reporting period</b>	<b>2 347.5</b>	<b>2 265.5</b>

## Statement of cash flows for the period ended 31 March *(continued)*

(\$ million)

2008-09		Notes	2009-10	
Actual to Mar			Actual to Mar	Revised Budget
<b>FISCAL AGGREGATES</b>				
<b>614.6</b>	Net cash flows from operating activities		<b>697.3</b>	<b>2 642.4</b>
<b>(1 806.6)</b>	Net cash flows from investments in non-financial assets		<b>(2 359.5)</b>	<b>(4 583.0)</b>
<b>(1 192.1)</b>	<b>Cash surplus/(deficit)</b>		<b>(1 662.2)</b>	<b>(1 940.6)</b>

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

Notes:

- (a) *Inclusive of goods and services tax.*
- (b) *Certain items previously classified as borrowings have been more correctly classified as advances, in line with the Government Finance Statistics framework.*

## NOTES TO THE FINANCIAL STATEMENTS

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## **Note 1: Statement of significant accounting policies**

The following summarises the significant accounting policies that have been adopted in preparing and presenting this Quarterly Financial Report.

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

This report is a special purpose consolidated interim financial report of the general government sector for the quarter ending 31 March 2010 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 *2008-09 Financial Report for the State of Victoria* and *2009-10 Mid Year Financial Report*. It only includes explanatory notes that provide relevant information on a quarterly reporting basis.

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

The accrual basis of accounting has been employed in the preparation of this financial report whereby assets, liabilities, equity, revenues and expenses are recognised in the reporting period to which they relate, regardless of when cash will be received or paid.

### **(C) General government sector reporting entity**

The general government sector includes all government departments, offices and other government bodies engaged in providing services free of charge or at prices significantly below their cost of production. The services provided by these entities are financed mainly through taxes, other compulsory levies and user charges. The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity.

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

The Quarterly Financial Report includes all reporting entities in the general government sector that are controlled by the State. Details of entities consolidated for the general government sector are included in 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)

2008-09 Actual to Mar		2009-10 Actual to Mar	Revised Budget
<b>3 010.7</b>	<b>Taxes on employers' payroll and labour force</b>	<b>3 025.1</b>	<b>4 022.9</b>
	<b>Taxes on property</b>		
	<b>Taxes on immovable property</b>		
1 185.5	Land tax	1 132.6	1 218.6
42.7	Congestion levy	45.8	44.9
93.5	Metropolitan improvement levy	109.2	121.6
32.2	Property owner contributions to fire brigades	32.4	34.4
<b>1 353.9</b>	<b>Total taxes on immovable property</b>	<b>1 319.9</b>	<b>1 419.4</b>
	<b>Financial and capital transactions</b>		
2 140.9	Land transfer duty	2 564.7	3 498.0
5.9	Other property duties	4.6	8.6
12.3	Financial accommodation levy	35.4	53.4
<b>2 159.1</b>	<b>Total financial and capital transactions</b>	<b>2 604.8</b>	<b>3 560.0</b>
<b>3 513.0</b>	<b>Total taxes on property</b>	<b>3 924.8</b>	<b>4 979.5</b>
	<b>Taxes on the provision of goods and services</b>		
248.4	Private lotteries	262.2	369.4
760.3	Electronic gaming machines	745.2	990.6
97.5	Casino	100.6	154.4
99.2	Racing	100.2	132.1
5.3	Other	7.1	9.3
<b>1 210.6</b>	<b>Total gambling taxes</b>	<b>1 215.3</b>	<b>1 655.9</b>
<b>50.8</b>	<b>Levies on statutory corporations</b>	<b>50.8</b>	<b>73.7</b>
<b>936.9</b>	<b>Taxes on insurance</b>	<b>1 056.0</b>	<b>1 400.9</b>
<b>2 198.4</b>	<b>Total taxes on the provision of goods and services</b>	<b>2 322.1</b>	<b>3 130.5</b>
	<b>Taxes on the use of goods and performance of activities</b>		
	<b>Motor vehicle taxes</b>		
613.2	Vehicle registration fees	645.0	843.4
383.3	Duty on vehicle registrations and transfers	424.0	563.9
<b>996.5</b>	<b>Total motor vehicle taxes</b>	<b>1 069.0</b>	<b>1 407.3</b>
<b>11.7</b>	<b>Franchise taxes</b>	<b>22.4</b>	<b>26.3</b>
<b>35.1</b>	<b>Other</b>	<b>49.2</b>	<b>75.7</b>
<b>1 043.3</b>	<b>Total taxes on the use of goods and performance of activities</b>	<b>1 140.7</b>	<b>1 509.3</b>
<b>9 765.3</b>	<b>Total taxation</b>	<b>10 412.7</b>	<b>13 642.1</b>

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

(\$ million)

2008-09		2009-10	
Actual to Mar		Actual to Mar	Revised Budget
293.4	Dividends	115.0	307.8
64.1	Income tax equivalent revenue	88.9	146.7
4.5	Local government rate equivalent revenue	4.6	4.6
<b>362.0</b>	<b>Total dividends and income tax equivalent and rate equivalent revenue</b>	<b>208.5</b>	<b>459.2</b>

**Note 4: Sales of goods and services**

(\$ million)

2008-09		2009-10	
Actual to Mar		Actual to Mar	Revised Budget
73.6	Motor vehicle regulatory fees	87.5	111.0
220.9	Other regulatory fees	224.8	290.5
26.8	Sale of goods	93.6	110.9
2 382.4	Provision of services	2 681.2	3 724.1
33.6	Rental	32.0	41.6
28.1	Refunds and reimbursements	30.5	83.8
719.3	Inter-sector capital asset charge	798.4	1 066.1
<b>3 484.7</b>	<b>Total sales of goods and services</b>	<b>3 947.9</b>	<b>5 427.9</b>

**Note 5: Grants**

(\$ million)

2008-09		2009-10	
Actual to Mar		Actual to Mar	Revised Budget
7 247.3	General purpose grants	7 205.3	10 145.0
1 755.7	Specific purpose grants for on-passing	2 647.3	2 862.3
4 296.5	Payments for specific purposes	6 353.9	8 979.9
13 299.5	Total	16 206.6	21 987.3
83.6	Other contributions and grants	86.3	124.1
<b>13 383.1</b>	<b>Total Grants</b>	<b>16 292.9</b>	<b>22 111.3</b>

## Note 6: Other current revenue

(\$ million)

2008-09 Actual to Mar		2009-10	
		Actual to Mar	Revised Budget
42.4	Fair value of assets received free of charge or for nominal consideration	92.3	109.6
354.7	Fines	388.1	509.4
37.6	Royalties	36.9	47.8
169.9	Donations and gifts	194.2	271.4
17.3	Other non-property rental	17.3	21.6
573.9	Other miscellaneous income	635.0	796.8
<b>1 195.8</b>	<b>Total other current revenue</b>	<b>1 363.9</b>	<b>1 756.5</b>

## Note 7: Superannuation

(\$ million)

2008-09 Actual to Mar		2009-10	
		Actual to Mar	Revised Budget
	Defined benefit plans		
1 402.0	Interest cost	1 418.2	1 889.2
( 944.3)	Expected return on plan assets (net of expenses)	( 767.6)	(1 022.5)
<b>457.7</b>	<b>Superannuation interest expense</b>	<b>650.6</b>	<b>866.7</b>
648.8	Current service cost	463.5	617.5
( 10.9)	Amortisation of past service cost	( 7.7)	( 10.2)
339.8	Employer contributions to defined contribution plans	614.8	884.8
41.6	Other (including pensions)	48.5	49.9
<b>1 019.3</b>	<b>Other superannuation</b>	<b>1 119.2</b>	<b>1 542.0</b>
<b>1 477.0</b>	<b>Total superannuation expense from transactions</b>	<b>1 769.8</b>	<b>2 408.7</b>
	<b>Superannuation expense from other economic flows</b>		
11 375.5	Net actuarial (gains)/losses of superannuation defined benefit plans	( 781.9)	( 781.9)
<b>12 852.5</b>	<b>Total superannuation expense recognised in operating statement</b>	<b>987.9</b>	<b>1 626.8</b>

## Note 8: Depreciation

(\$ million)

2008-09 Actual to Mar		2009-10	
		Actual to Mar	Revised Budget
359.2	Buildings	517.8	721.2
337.9	Plant, equipment and infrastructure systems	356.4	560.3
290.3	Road networks	296.1	407.5
8.4	Other assets	9.1	12.5
27.8	Leased plant and equipment	29.0	45.9
44.7	Leasehold buildings	67.6	74.9
34.0	Intangible produced assets <sup>(a)</sup>	56.7	66.2
<b>1 102.3</b>	<b>Total depreciation</b>	<b>1 332.7</b>	<b>1 888.4</b>

Note:

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

## Note 9: Total expenses from transactions by department <sup>(a)</sup>

(\$ million)

2008-09 Actual to Mar		2009-10	
		Actual to Mar	Revised Budget
	<b>Expenses from transactions</b>		
7 074.5	Education and Early Childhood Development	8 488.2	10 935.7
..	Health	6 299.2	9 445.1
10 478.4	Human Services <sup>(a)</sup>	5 532.1	6 283.3
1 679.7	Innovation, Industry and Regional Development	1 891.7	2 730.5
2 523.3	Justice <sup>(a)</sup>	2 770.6	3 992.2
831.6	Planning and Community Development	685.1	932.5
472.3	Premier and Cabinet <sup>(a)</sup>	495.2	668.7
371.2	Primary Industries <sup>(a)</sup>	390.7	577.2
1 041.3	Sustainability and Environment <sup>(a)</sup>	1 036.4	1 471.4
3 252.4	Transport <sup>(a)</sup>	3 690.0	5 210.9
1 693.4	Treasury and Finance	4 961.1	5 776.4
91.8	Parliament	112.9	156.6
1 185.4	Regulatory bodies and other part-funded agencies <sup>(a)</sup>	1 225.8	1 811.7
..	Contingencies not allocated to departments	..	(14.9)
(2 767.7)	Less eliminations	(5 530.2)	(6 626.8)
<b>27 927.7</b>	<b>Total expense from transactions <sup>(a)</sup></b>	<b>32 048.7</b>	<b>43 350.6</b>

Note:

(a) Reclassification of unilaterally decided bad debts expense items from 'transactions expense' to 'other economic flows' has required re-representation of the 2008-09 results.



## Note 10: Other gains/(losses) from other economic flows

(\$ million)

2008-09 Actual to Mar		2009-10	
		Actual to Mar	Revised Budget
( 0.3)	Net gain/(loss) from revaluation of biological assets	..	..
( 103.7)	Net (increase)/decrease in provision for doubtful receivables	( 39.4)	( 77.6)
( 2.6)	Amortisation of intangible non-produced assets	( 5.4)	( 8.2)
( 41.2)	Net (increase)/decrease in bad debts <sup>(a)</sup>	( 45.4)	( 87.3)
( 418.6)	Other gains/(losses)	53.3	395.2
<b>( 566.6)</b>	<b>Total other gains/(losses) from other economic flows</b>	<b>( 36.9)</b>	<b>222.2</b>

Note:

(a) Reclassification of unilaterally decided bad debts expense items from 'transactions expense' to 'other economic flows' has required re-presentation of the 2008-09 results.

## Note 11: Receivables

(\$ million)

2008-09 Actual 31 Mar		Opening 1 Jul	2009-10	
			Actual 31 Mar	Revised Budget
	<b>Contractual</b>			
753.9	Sales of goods and services	674.8	727.9	671.3
34.7	Accrued investment income	90.1	56.2	88.8
255.1	Other receivables	422.9	655.6	470.9
( 54.2)	Provision for doubtful contractual receivables	( 54.4)	( 48.9)	( 57.6)
	<b>Statutory</b>			
1 571.5	Tax receivables	983.3	1 447.3	715.5
742.9	Fines and regulatory fees	738.4	842.8	805.6
192.5	GST input tax credits recoverable	262.0	223.4	259.2
( 272.3)	Provision for doubtful statutory receivables	( 333.9)	( 330.2)	( 397.7)
<b>3 224.2</b>	<b>Total receivables</b>	<b>2 783.3</b>	<b>3 574.0</b>	<b>2 555.9</b>
	<b>Represented by:</b>			
3 098.0	Current receivables	2 720.3	3 513.6	2 486.3
126.1	Non-current receivables	63.0	60.4	69.6

## Note 12: Net acquisition of non-financial assets

(\$ million)

2008-09 Actual to Mar		2009-10	
		Actual to Mar	Revised Budget
1 917.1	Purchases of non-financial assets	2 493.3	4 853.8
( 110.5)	Less: Sales of non-financial assets	( 133.8)	( 270.8)
(1 102.3)	Less: Depreciation	(1 332.7)	(1 888.4)
( 12.2)	Plus: Change in inventories	21.3	2.0
( 40.9)	Plus: Other movements in non-financial assets	50.8	183.7
<b>651.2</b>	<b>Total net acquisition of non-financial assets</b>	<b>1 098.8</b>	<b>2 880.2</b>

## Note 13: Property, plant and equipment

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

(\$ million)

2008-09 Actual 31 Mar		Opening 1 Jul	2009-10	
			Actual 31 Mar	Revised Budget
16 469.2	Buildings (written down value)	18 024.5	18 984.2	19 491.1
20 818.9	Land and national parks	39 467.3	39 118.1	39 806.2
450.8	Infrastructure systems (written down value)	964.8	1 127.5	1 062.2
2 038.0	Plant, equipment and vehicles (written down value)	2 265.4	2 088.4	2 492.4
16 851.9	Roads (written down value)	16 820.5	17 266.1	19 004.2
5 262.7	Earthworks	5 486.8	5 486.8	6 036.6
4 344.6	Cultural assets (written down value)	4 380.4	4 388.7	4 394.3
<b>66 236.1</b>	<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>87 409.7</b>	<b>88 459.8</b>	<b>92 287.0</b>

### (b) Land and buildings

(\$ million)

2008-09 Actual 31 Mar		Opening 1 Jul	2009-10	
			Actual 31 Mar	Revised Budget
18 312.2	Buildings	20 204.2	21 278.2	21 873.2
(1 843.0)	Accumulated depreciation	(2 179.7)	(2 294.0)	(2 382.1)
<b>16 469.2</b>	<b>Buildings (written down value)</b>	<b>18 024.5</b>	<b>18 984.2</b>	<b>19 491.1</b>
18 678.7	Land	37 327.1	36 977.9	37 666.0
2 140.2	National Parks and other 'land only' holdings	2 140.2	2 140.2	2 140.2
<b>20 818.9</b>	<b>Land and national parks</b>	<b>39 467.3</b>	<b>39 118.1</b>	<b>39 806.2</b>
<b>37 288.1</b>	<b>Total land and buildings</b>	<b>57 491.7</b>	<b>58 102.2</b>	<b>59 297.3</b>

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

(\$ million)

2008-09		2009-10		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
479.6	Infrastructure systems	1 278.4	1 453.2	1 394.6
( 28.8)	Accumulated depreciation	( 313.6)	( 325.7)	( 332.4)
<b>450.8</b>	<b>Infrastructure systems (written down value)</b>	<b>964.8</b>	<b>1 127.5</b>	<b>1 062.2</b>
4 549.9	Plant, equipment and vehicles	4 754.0	4 796.9	5 372.2
(2 634.2)	Accumulated depreciation	(2 605.9)	(2 793.2)	(2 959.8)
196.8	Leased plant, equipment and vehicles	197.8	193.4	203.6
( 74.4)	Accumulated depreciation	( 80.5)	( 108.7)	( 123.5)
<b>2 038.0</b>	<b>Plant, equipment and vehicles (written down value)</b>	<b>2 265.4</b>	<b>2 088.4</b>	<b>2 492.4</b>
<b>2 488.9</b>	<b>Total plant, equipment and vehicles, and infrastructure systems</b>	<b>3 230.2</b>	<b>3 215.9</b>	<b>3 554.7</b>

**(d) Road networks and earthworks**

(\$ million)

2008-09		2009-10		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
20 141.0	Roads	19 867.1	20 608.7	23 561.4
(7 775.2)	Accumulated depreciation	(7 852.2)	(8 086.7)	(8 992.9)
6 977.6	Road infrastructure	7 342.2	7 342.2	7 312.7
(2 491.5)	Accumulated depreciation	(2 536.5)	(2 598.1)	(2 877.1)
<b>16 851.9</b>	<b>Roads (written down value)</b>	<b>16 820.5</b>	<b>17 266.1</b>	<b>19 004.2</b>
<b>5 262.7</b>	<b>Earthworks</b>	<b>5 486.8</b>	<b>5 486.8</b>	<b>6 036.6</b>
<b>22 114.5</b>	<b>Total road networks and earthworks</b>	<b>22 307.3</b>	<b>22 752.9</b>	<b>25 040.7</b>

**(e) Cultural assets**

(\$ million)

2008-09		2009-10		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
4 446.4	Cultural assets	4 489.1	4 507.3	4 513.6
( 101.8)	Accumulated depreciation	( 108.7)	( 118.6)	( 119.3)
<b>4 344.6</b>	<b>Total cultural assets</b>	<b>4 380.4</b>	<b>4 388.7</b>	<b>4 394.3</b>

**Note 14: Other non-financial assets**

(\$ million)

2008-09		2009-10		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
442.9	Intangibles produced assets	502.3	609.8	550.0
( 205.7)	Accumulated depreciation	( 229.2)	( 277.6)	( 297.3)
29.7	Intangibles non-produced assets	68.7	58.4	68.7
( 17.6)	Accumulated depreciation	( 20.4)	( 34.2)	( 28.6)
<b>249.3</b>	<b>Total intangibles</b>	<b>321.3</b>	<b>356.4</b>	<b>292.8</b>
22.3	Investment properties	21.1	26.3	21.1
34.1	Biological assets <sup>(a)</sup>	27.0	43.3	31.4
291.9	Other assets	312.8	383.6	327.2
<b>597.6</b>	<b>Total other non-financial assets</b>	<b>682.1</b>	<b>809.6</b>	<b>672.5</b>

Note:

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

**Note 15: Employee benefits**

(\$ million)

2008-09		2009-10		
Actual		Opening	Actual	Revised
31 Mar		1 Jul	31 Mar	Budget
<b>Current</b>				
1 110.8	Accrued salaries and wages <sup>(a)</sup>	1 346.4	1 205.5	1 391.0
2 421.9	Long service leave	2 504.9	2 538.2	2 585.4
<b>3 532.7</b>	<b>Total current employee benefits</b>	<b>3 851.3</b>	<b>3 743.7</b>	<b>3 976.5</b>
<b>Non-current</b>				
500.5	Long service leave	425.8	463.6	467.5
<b>500.5</b>	<b>Total non-current employee benefits</b>	<b>425.8</b>	<b>463.6</b>	<b>467.5</b>
<b>4 033.2</b>	<b>Total employee benefits</b>	<b>4 277.2</b>	<b>4 207.3</b>	<b>4 444.0</b>

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)

2008-09 Actual to Mar		2009-10 Actual to Mar
1 164.4	Cash	1 041.6
916.2	Deposits at call	1 306.0
<b>2 080.6</b>	<b>Cash and cash equivalents</b>	<b>2 347.6</b>
( 453.4)	Bank overdraft	( 0.1)
<b>1 627.2</b>	<b>Balances as per cash flow statement</b>	<b>2 347.5</b>

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

(\$ million)

2008-09 Actual to Mar		2009-10 Actual to Mar
<b>(11 414.7)</b>	<b>Net result</b>	<b>1 232.0</b>
	<b>Non-cash movements</b>	
1 104.9	Depreciation and amortisation	1 338.2
20.3	Revaluation of investments	( 29.2)
41.2	Assets (received) / provided free of charge	( 50.9)
( 467.2)	Assets not previously recognised	( 33.1)
68.8	Revaluation of assets	419.3
8.3	Discount/premium on other financial assets/borrowings	5.1
..	Foreign currency dealings	( 0.5)
	<b>Movements included in investing and financing activities</b>	
35.4	Net revenues from sale of investments	( 3.1)
( 13.4)	Net revenues from sale of plant and equipment	( 53.8)
..	Realised gains/losses on borrowings	0.9
	<b>Movements in assets and liabilities</b>	
73.6	Increase/(decrease) in provision for doubtful debts	( 9.2)
251.0	Increase/(decrease) in payables	( 701.1)
60.0	Increase/(decrease) in employee benefits	( 69.8)
11 536.2	Increase/(decrease) in superannuation	( 495.2)
99.7	Increase/(decrease) in other provisions	9.4
( 678.9)	(Increase)/decrease in receivables	( 781.5)
( 110.5)	(Increase)/decrease in other non-financial assets	( 80.3)
<b>614.6</b>	<b>Net cash flows from operating activities</b>	<b>697.3</b>

## Note 17: Public Account

### (a) Consolidated Fund receipts and payments

(\$ million)

2008-09 Actual to Mar		2009-10 Actual to Mar	2009-10 Revised budget
	<b>Receipts</b>		
8 891.4	Taxation	9 761.4	13 708.3
345.1	Fines and regulatory fees	383.7	567.0
11 155.6	Grants received	13 022.2	18 729.3
535.2	Sales of goods and services	678.8	1 004.0
5.7	Interest received	15.6	23.8
434.5	Public authority receipts	244.6	460.9
2 354.0	Other receipts	2 246.5	3 344.6
<b>23 721.5</b>	<b>Total operating activities</b>	<b>26 352.7</b>	<b>37 838.0</b>
2 438.6	Total inflows from investing and financing	2 871.2	4 368.7
<b>26 160.1</b>	<b>Total receipts</b>	<b>29 223.9</b>	<b>42 206.7</b>
	<b>Payments to departments</b>		
5 467.6	Education and Early Childhood Development	6 251.4	9 068.6
..	Health <sup>(a)</sup>	4 899.2	7 661.7
9 427.9	Human Services <sup>(b)</sup>	5 644.4	6 446.1
4 069.1	Transport	4 467.4	6 133.8
1 176.0	Innovation, Industry and Regional Development	1 434.0	2 357.2
2 568.8	Justice	2 893.4	3 941.1
352.9	Premier and Cabinet	445.0	593.5
350.6	Primary Industries	361.9	524.7
1 208.2	Sustainability and Environment	1 096.4	1 454.5
1 551.2	Treasury and Finance	1 949.0	2 805.2
449.4	Planning and Community Development	456.6	625.3
93.9	Parliament	115.1	154.2
<b>26 715.6</b>	<b>Total payments</b>	<b>30 013.9</b>	<b>41 765.7</b>
<b>( 555.5)</b>	<b>Net receipts/(payments)</b>	<b>( 790.0)</b>	<b>441.0</b>

Notes:

- (a) There is no separate published revised budget for DOH as the split from DHS did not occur until post Budget Update 2009-10.
- (b) Effective 1 October 2009, the Department of Human Services (DHS) split into DHS and Department of Health (DOH) as a machinery of government change.

**(b) Trust Fund cash flow statement**

(\$ million)

<i>2008-09</i>		<i>2009-10</i>	<i>2009-10</i>
<i>Actual</i>		<i>Actual</i>	<i>Revised</i>
<i>to Mar</i>		<i>to Mar</i>	<i>budget</i>
	<b>Cash flows from operating activities</b>		
	<b>Receipts</b>		
134.9	Taxation	148.4	172.7
39.2	Regulatory fees and fines	37.1	47.8
2 404.1	Grants received	5 473.3	5 848.1
237.9	Sale of goods and services	345.9	496.3
118.8	Interest received	85.4	107.8
7 957.2	Other receipts	8 504.5	10 625.2
<b>10 892.1</b>	<b>Total receipts</b>	<b>14 594.5</b>	<b>17 297.8</b>
	<b>Payments</b>		
( 80.6)	Employee entitlements	( 90.8)	( 115.5)
( 5.4)	Superannuation	( 6.5)	( 6.3)
(8 376.0)	Grants paid	(11 836.4)	(14 332.8)
(1 998.7)	Supplies and consumables	(2 237.0)	(2 937.6)
( 14.7)	Interest paid	( 12.8)	( 12.9)
..	Other payments	..	..
<b>(10 475.4)</b>	<b>Total payments</b>	<b>(14 183.5)</b>	<b>(17 405.2)</b>
<b>416.7</b>	<b>Net cash flows from operating activities</b>	<b>411.0</b>	<b>( 107.3)</b>
	<b>Cash flows from investing activities</b>		
0.2	Net proceeds from customer loans	0.7	..
36.5	Proceeds from sale of property, plant and equipment	38.9	34.0
( 29.0)	Purchases of property, plant and equipment	( 66.6)	( 46.4)
( 124.8)	Other investing activities	( 134.4)	( 22.3)
<b>( 117.1)</b>	<b>Net cash flows from investing activities</b>	<b>( 161.4)</b>	<b>( 34.7)</b>
	<b>Cash flows from financing activities</b>		
( 614.3)	Net proceeds (repayments) from borrowings	( 409.9)	( 4.6)
<b>( 614.3)</b>	<b>Net cash flows from financing activities</b>	<b>( 409.9)</b>	<b>( 4.6)</b>
<b>( 314.7)</b>	<b>Net cash inflow/(outflow)</b>	<b>( 160.3)</b>	<b>( 146.7)</b>

**(c) Details of securities held**

(\$ million)

2008-09 Actual 31 Mar		2009-10 Actual 31 Mar	2008-09 Actual 30 Jun
574.2	Amounts invested on behalf of specific trust accounts	1 078.7	941.9
1.3	Amounts invested on behalf of general trust accounts	1.3	1.3
364.4	General account balances	577.4	1 474.3
<b>939.9</b>	<b>Total Public Account</b>	<b>1 657.4</b>	<b>2 417.5</b>
	<b>Represented by:</b>		
575.5	Stocks and securities	1 080.0	943.2
22.2	Cash and investments	384.8	870.9
<b>597.7</b>	<b>Total stock, securities, cash and investments</b>	<b>1 464.8</b>	<b>1 814.0</b>
	Add cash advanced for:		
342.2	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	192.6	278.7
	Temporary Advance to the Consolidated Fund pursuant to Section 38 of the <i>Financial Management Act, No. 18 of 1994</i>	..	324.8
<b>939.9</b>	<b>Total Public Account</b>	<b>1 657.4</b>	<b>2 417.5</b>

**(d) Trust Fund reconciliation of cash flows to balances held**

(\$ million)

	Balances held at 31 Mar 2010	Mar movement YTD	Balances held at 30 Jun 2009
<b>Cash and deposits</b>			
Cash balances outside the Public Account	38.7	(200.7)	239.3
Deposits held with the Public Account – specific trusts	75.0	(10.5)	85.4
Deposits held with the Public Account – general trusts	1.3	..	1.3
Other balances held in the Public Account on behalf of trust accounts	577.4	( 896.9)	1 474.3
<b>Total cash and deposits</b>	<b>692.3</b>	<b>(1 108.0)</b>	<b>1 800.4</b>
<b>Investments</b>			
Investments held with the Public Account – specific trusts	1 003.8	147.3	856.5
<b>Total investments</b>	<b>1 003.8</b>	<b>147.3</b>	<b>856.5</b>
<b>Total trust fund balances</b>	<b>1 696.1</b>	<b>( 960.7)</b>	<b>2 656.8</b>
<b>Less funds held outside the Public Account</b>			
Cash	38.7	(200.7)	239.3
<b>Total trust fund balances held outside the Public Account</b>	<b>38.7</b>	<b>(200.7)</b>	<b>239.3</b>
<b>Total trust funds held within the Public Account</b> <sup>(a)(b)</sup>	<b>1 657.4</b>	<b>( 760.1)</b>	<b>2 417.5</b>

Notes:

- (a) Includes funds raised for the Victorian Bushfire Appeal after the 2009 Victorian bushfires. The Victorian Government holds in trust the donations received for the Red Cross Victorian Bushfire Appeal Fund.
- (b) See Note 17(c) above for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.



## 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)				
	2008-09		2009-10		
	Mar	Jun	Sept	Dec	Mar
<b>Revenue</b>					
Taxation revenue	3 871.8	2 861.6	3 068.2	3 091.2	4 253.3
Interest	89.2	71.9	79.9	85.1	65.2
Dividends and income tax equivalent and rate equivalent revenue	31.2	128.4	19.6	157.0	32.0
Sales of goods and services	1 166.1	1 455.8	1 268.6	1 391.0	1 288.3
Grants	4 648.7	5 586.8	4 864.6	6 110.1	5 318.2
Other current revenue	397.9	683.1	467.8	440.0	456.1
<b>Total revenue</b>	<b>10 204.9</b>	<b>10 787.6</b>	<b>9 768.7</b>	<b>11 274.3</b>	<b>11 413.2</b>
<b>Expenses</b>					
Employee expenses	3 631.8	3 676.9	3 639.6	3 907.8	3 801.5
Superannuation interest expense	150.3	152.0	166.1	270.8	213.7
Other superannuation	338.4	384.9	398.3	344.3	376.6
Depreciation	383.1	413.5	375.6	506.8	450.4
Interest expense	125.5	245.3	180.3	218.2	205.1
Other operating expenses	3 188.4	4 013.6	3 157.4	3 378.4	3 432.8
Grants and other transfers	1 903.6	2 219.9	1 869.8	2 617.8	2 537.3
<b>Total expenses</b>	<b>9 721.3</b>	<b>11 106.0</b>	<b>9 787.2</b>	<b>11 244.1</b>	<b>11 017.4</b>
<b>Net result from transactions – Net operating balance</b>	<b>483.7</b>	<b>( 318.5)</b>	<b>( 18.5)</b>	<b>30.2</b>	<b>395.8</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on sale of non-financial assets	( 0.4)	48.8	5.2	31.7	16.8
Net gain/(loss) on financial assets or liabilities at fair value	( 13.4)	( 28.3)	5.5	21.4	( 1.2)
Net actuarial gains/(losses) of superannuation defined benefits plans	1 632.8	3 865.4	330.7	1 525.1	(1 073.9)
Share of net profit/(loss) from associates/ joint venture entities, excluding dividends	1.3	( 74.3)	..	..	..
Other gains/(losses) from other economic flows	245.1	( 451.3)	( 55.7)	93.9	( 75.1)
<b>Total other economic flows included in net result</b>	<b>1 865.5</b>	<b>3 360.3</b>	<b>285.7</b>	<b>1 672.1</b>	<b>(1 133.3)</b>
<b>Net result</b>	<b>2 349.2</b>	<b>3 041.9</b>	<b>267.3</b>	<b>1 702.3</b>	<b>( 737.5)</b>

**Table B.1: Comprehensive operating statement for the past five quarters  
(continued)**

(\$ million)

	2008-09			2009-10	
	Mar	Jun	Sept	Dec	Mar
<b>Other economic flows – Other movements in equity</b>					
Net gain on financial assets at fair value	6.2	12.6	5.3	10.2	3.4
Revaluations of non-financial assets	( 107.6)	1 438.8	( 289.9)	254.8	( 21.2)
Net gain on equity investments in other sector entities at proportional share of net assets	( 418.1)	19 657.8	..	1 391.9	( 296.7)
Other movements in equity	33.2	19 003.6	263.5	107.8	( 240.3)
<b>Total other economic flows – Other movements in equity</b>	<b>( 486.2)</b>	<b>40 112.8</b>	<b>( 21.2)</b>	<b>1 764.7</b>	<b>( 554.8)</b>
<b>Comprehensive result – Total change in net worth</b>	<b>1 863.0</b>	<b>43 154.7</b>	<b>246.1</b>	<b>3 467.1</b>	<b>(1 292.3)</b>
<b>FISCAL AGGREGATES</b>					
<b>Net operating balance</b>	<b>483.7</b>	<b>( 318.5)</b>	<b>( 18.5)</b>	<b>30.2</b>	<b>395.8</b>
Less: Net acquisition of non-financial assets from transactions <sup>(a)</sup>	43.6	784.4	297.5	932.0	( 130.7)
<b>Net lending/(borrowing)</b>	<b>440.1</b>	<b>(1 102.9)</b>	<b>( 316.0)</b>	<b>( 901.8)</b>	<b>526.5</b>

**Table B.2: Balance sheet as at the end of the quarter**

(\$ million)

	2008-09		2009-10		
	Mar	Jun	Sept	Dec	Mar
<b>Assets</b>					
Financial assets					
Cash and deposits	2 080.6	2 846.0	2 199.1	2 186.2	2 347.6
Advances paid	44.0	269.0	303.8	305.8	276.0
Investments, loans and placements	2 518.3	2 550.6	2 780.2	2 806.5	2 807.8
Receivables	3 224.2	2 783.3	2 379.0	2 575.3	3 574.0
Investments in general government sector entities using the equity method	649.3	..	..	..	..
Investments accounted for using equity method – other	24.8	30.0	30.0	29.2	29.7
Investments in other sector entities	40 391.5	60 634.8	60 947.0	62 571.2	62 571.2
<b>Total financial assets</b>	<b>48 932.6</b>	<b>69 113.6</b>	<b>68 639.0</b>	<b>70 474.2</b>	<b>71 606.4</b>
Non-financial assets					
Inventories	208.9	249.3	257.0	333.3	270.5
Non-financial assets held for sale	59.5	74.2	70.2	66.6	61.4
Land, buildings, infrastructure, plant and equipment	66 236.1	87 409.7	87 625.9	88 409.9	88 459.8
Other non-financial assets	597.6	682.1	871.0	884.2	809.6
<b>Total non-financial assets</b>	<b>67 102.0</b>	<b>88 415.2</b>	<b>88 824.2</b>	<b>89 694.0</b>	<b>89 601.4</b>
<b>Total assets</b>	<b>116 034.6</b>	<b>157 528.9</b>	<b>157 463.2</b>	<b>160 168.2</b>	<b>161 207.7</b>
<b>Liabilities</b>					
Deposits held	312.0	314.4	327.4	403.8	371.1
Advances received	4.6	2.7	2.7	2.6	3.0
Borrowings	9 342.7	10 640.1	11 639.4	12 326.2	12 979.4
Payables	3 600.4	4 164.0	3 235.7	3 149.9	3 581.1
Superannuation	24 463.0	20 672.3	20 413.8	19 008.7	20 177.1
Other employee benefits	4 033.2	4 277.2	4 121.4	4 087.5	4 207.3
Other provisions	765.3	784.4	802.9	800.6	794.2
<b>Total liabilities</b>	<b>42 521.3</b>	<b>40 855.1</b>	<b>40 543.3</b>	<b>39 779.2</b>	<b>42 113.2</b>
<b>Net assets</b>	<b>73 513.3</b>	<b>116 673.8</b>	<b>116 919.9</b>	<b>120 388.9</b>	<b>119 094.6</b>
Accumulated surplus/(deficit)	26 387.8	48 424.8	48 956.3	50 763.0	49 773.5
Other reserves	47 091.7	68 209.5	67 924.1	69 584.4	69 281.6
Minority interest	33.8	39.5	39.5	41.5	39.5
<b>Net worth</b>	<b>73 513.3</b>	<b>116 673.8</b>	<b>116 919.9</b>	<b>120 388.9</b>	<b>119 094.6</b>
<b>FISCAL AGGREGATES</b>					
Net financial worth	6 411.3	28 258.5	28 095.7	30 694.9	29 493.2
Net financial liabilities	33 980.2	32 376.3	32 851.3	31 876.3	33 078.0
Net debt	4 367.2	5 291.7	6 686.4	7 434.1	7 922.1

**Table B.3: Statement of cash flows for the past five quarters**

	(\$ million)				
	2008-09			2009-10	
	Mar	Jun	Sept	Dec	Mar
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxes received	2 813.3	3 433.1	3 430.7	3 279.6	3 238.5
Grants	4 657.6	5 561.2	4 632.4	6 097.0	5 670.4
Sales of goods and services <sup>(a)</sup>	1 171.0	1 696.9	1 496.7	1 391.6	1 394.2
Interest received	88.4	77.7	82.3	80.6	64.2
Dividends and income tax equivalent and rate equivalent receipts	( 5.3)	66.4	17.6	198.6	28.9
Other receipts	324.4	377.9	511.1	144.8	200.1
<b>Total receipts</b>	<b>9 049.3</b>	<b>11 213.2</b>	<b>10 170.7</b>	<b>11 192.2</b>	<b>10 596.2</b>
<b>Payments</b>					
Payments for employees	(3 565.5)	(3 387.1)	(3 794.5)	(3 916.2)	(3 675.5)
Superannuation	( 436.0)	( 462.2)	( 492.1)	( 495.1)	( 495.9)
Interest paid	( 122.9)	( 190.7)	( 167.5)	( 195.1)	( 189.2)
Grants and subsidies	(1 757.5)	(2 094.3)	(2 092.4)	(2 585.5)	(2 505.5)
Goods and services <sup>(a)</sup>	(2 927.0)	(3 620.1)	(3 911.4)	(3 173.6)	(3 219.7)
Other payments	( 74.1)	( 92.5)	( 126.1)	( 115.2)	( 111.5)
<b>Total payments</b>	<b>(8 882.8)</b>	<b>(9 847.0)</b>	<b>(10 584.0)</b>	<b>(10 480.7)</b>	<b>(10 197.3)</b>
<b>Net cash flows from operating activities</b>	<b>166.4</b>	<b>1 366.1</b>	<b>( 413.2)</b>	<b>711.6</b>	<b>399.0</b>
<b>Cash flows from investing activities</b>					
Purchases of non-financial assets	( 492.0)	(1 229.6)	( 688.6)	(1 443.4)	( 361.3)
Sales of non-financial assets	24.7	157.7	23.0	86.1	24.6
Cash flows from investments in non-financial assets	( 467.2)	(1 071.9)	( 665.6)	(1 357.2)	( 336.7)
Net cash flows from investments in financial assets for policy purposes	( 388.2)	( 248.4)	( 360.6)	( 133.1)	( 521.2)
Net cash flows from investments in financial assets for liquidity management purposes	( 32.7)	( 115.8)	( 218.0)	( 0.6)	0.7
<b>Net cash flows from investing activities</b>	<b>( 888.2)</b>	<b>(1 436.2)</b>	<b>(1 244.2)</b>	<b>(1 490.8)</b>	<b>( 857.1)</b>
<b>Cash flows from financing activities</b>					
Advances received (net)	( 0.1)	( 1.9)	..	( 0.1)	0.4
Net borrowings	652.7	1 287.8	835.6	852.4	651.9
Deposits received (net)	( 12.8)	2.3	13.0	76.5	( 32.7)
<b>Net cash flows from financing activities</b>	<b>639.7</b>	<b>1 288.3</b>	<b>848.6</b>	<b>928.7</b>	<b>619.5</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 82.0)</b>	<b>1 218.3</b>	<b>( 808.8)</b>	<b>149.4</b>	<b>161.4</b>
Cash and cash equivalents at beginning of reporting period	1 709.2	1 627.2	2 845.5	2 036.6	2 186.1
<b>Cash and cash equivalents at end of reporting period</b>	<b>1 627.2</b>	<b>2 845.5</b>	<b>2 036.6</b>	<b>2 186.1</b>	<b>2 347.5</b>

**Table B.3: Statement of cash flows for the past five quarters (continued)**

(\$ million)

	2008-09			2009-10	
	Mar	Jun	Sept	Dec	Mar
<b>FISCAL AGGREGATES</b>					
Net cash flows from operating activities	166.4	1 366.1	( 413.2)	711.6	399.0
Net cash flows from investments in non-financial assets	( 467.2)	(1 071.9)	( 665.6)	(1 357.2)	( 336.7)
<b>Cash surplus / (deficit)</b>	<b>( 300.8)</b>	<b>294.2</b>	<b>(1 078.8)</b>	<b>( 645.7)</b>	<b>62.3</b>

Note:

(a) Inclusive of goods and services tax.



## **APPENDIX C – REVISED 2009-10 BUDGET OUTCOME**

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This appendix provides estimates of the budget outcome for the 2009-10 financial year. The revised 2009-10 estimates take into account government policy decisions and economic developments impacting on both income and expenses since the presentation of the *2009-10 Budget* to Parliament in May 2009. This appendix also references the major policy decisions and commitments of the Commonwealth Government that have impacted on the financial position of Victoria in 2009-10.

### **REVISED 2009-10 COMPREHENSIVE OPERATING STATEMENT**

The revised 2009-10 comprehensive operating statement is presented in Table C.1. It shows that the revised general government sector net result from transactions for 2009-10 is estimated at \$395 million, \$165 million higher than the *2009-10 Budget* estimate and \$133 million higher than that estimated in the *2009-10 Budget Update*.

**Table C.1: 2009-10 Comprehensive operating statement**

(\$ million)

	2009-10 Budget <sup>a)</sup>	2009-10 Revised	Change	Change %
<b>Revenue</b>				
Taxation revenue	13 273.7	13 642.1	368.3	2.8
Interest	434.1	348.5	( 85.6)	(19.7)
Dividends and income tax equivalent and rate equivalent revenue	379.4	459.2	79.8	21.0
Sales of goods and services	5 044.1	5 427.9	383.9	7.6
Grants	21 554.1	22 111.3	557.2	2.6
Other current revenue	1 702.9	1 756.5	53.7	3.2
<b>Total revenue</b>	<b>42 388.3</b>	<b>43 745.5</b>	<b>1 357.2</b>	<b>3.2</b>
<b>Expenses</b>				
Employee expenses	15 276.5	15 395.8	119.3	0.8
Superannuation interest expense	659.2	866.7	207.6	31.5
Other superannuation	1 599.3	1 542.0	( 57.3)	(3.6)
Depreciation	1 646.4	1 888.4	242.0	14.7
Interest expense	713.8	830.1	116.3	16.3
Other operating expenses	13 821.3	14 363.1	541.7	3.9
Grants and other transfers	8 442.3	8 464.5	22.2	0.3
<b>Total expenses</b>	<b>42 158.8</b>	<b>43 350.6</b>	<b>1 191.8</b>	<b>2.8</b>
<b>Net result from transactions – Net operating balance</b>	<b>229.5</b>	<b>394.9</b>	<b>165.4</b>	<b>72.1</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on sale of non-financial assets	54.1	80.7	26.6	49.2
Net gain/(loss) on financial assets or liabilities at fair value	16.1	19.7	3.6	22.4
Net actuarial gains/(losses) of superannuation defined benefits plans	..	781.9	781.9	n.a
Other gains/(losses) from other economic flows	( 56.9)	222.2	279.1	(490.6)
<b>Total other economic flows included in net result</b>	<b>13.2</b>	<b>1 104.5</b>	<b>1 091.2</b>	<b>8266.7</b>
<b>Net result</b>	<b>242.8</b>	<b>1 499.4</b>	<b>1 256.7</b>	<b>517.7</b>
<b>Other Economic Flows – Other movements in equity</b>				
Revaluations of non-financial assets	3 168.2	1 879.4	(1 288.8)	(40.7)
Net gain on equity investments in other sector entities at proportional share of net assets	244.5	1 089.9	845.4	345.8
Other movements in equity	( 5.9)	286.1	292.0	(4949.2)
<b>Total other economic flows – Other movements in equity</b>	<b>3 406.8</b>	<b>3 255.4</b>	<b>( 151.4)</b>	<b>(4.4)</b>
<b>Comprehensive result – Total change in net worth</b>	<b>3 649.5</b>	<b>4 754.8</b>	<b>1 105.3</b>	<b>30.3</b>
<b>FISCAL AGGREGATES</b>				
<b>Net operating balance</b>	<b>229.5</b>	<b>394.9</b>	<b>165.4</b>	<b>72.1</b>
Less: Net acquisition of non-financial assets from transactions	3 490.4	2 880.2	( 610.2)	(17.5)
<b>Net lending/(borrowing)</b>	<b>(3 260.9)</b>	<b>(2 485.3)</b>	<b>775.6</b>	<b>(23.8)</b>

Note:

a) Reclassification of unilaterally determined bad debts expenses from 'transactions' to 'other economic flows', has required re-presentation of the previously published 2009-10 Budget, consistent with new accounting standard requirements.



## **Revenue from transactions**

Total estimated revenue from transactions for 2009-10 has been revised upward by \$1 357 million (3.2 per cent) from the *2009-10 Budget* estimate of \$42 388 million. Of this movement, \$743 million was reported in the *2009-10 Budget Update*. The major factors contributing to the revision in estimates are discussed below.

## **Taxation**

In 2009-10, taxation revenue is expected to amount to \$13 642 million, \$368 million (2.8 per cent) higher than the original *2009-10 Budget* estimate and an upward revision of \$147 million since the *2009-10 Budget Update*.

**Table C.2: 2009-10 Taxation**

(\$ million)

	2009-10 Budget	2009-10 Revised	Change	Change %
<b>Taxes on employers' payroll and labour force</b>	<b>4 083.3</b>	<b>4 022.9</b>	<b>( 60.4)</b>	<b>(1.5)</b>
<b>Taxes on property</b>				
<b>Taxes on immovable property</b>				
Land tax	1 217.9	1 218.6	0.8	0.1
Congestion levy	43.1	44.9	1.8	4.1
Metropolitan improvement levy	114.2	121.6	7.4	6.4
Property owner contributions to fire brigades	41.6	34.4	( 7.2)	(17.4)
<b>Total taxes on immovable property</b>	<b>1 416.8</b>	<b>1 419.4</b>	<b>2.6</b>	<b>0.2</b>
<b>Financial and capital transactions</b>				
Land transfer duty	3 194.7	3 498.0	303.3	9.5
Growth areas infrastructure contribution	84.7	..	( 84.7)	(100.0)
Other property duties	8.6	8.6	..	..
Financial accommodation levy	54.2	53.4	( 0.8)	(1.5)
<b>Total financial and capital transactions</b>	<b>3 342.2</b>	<b>3 560.0</b>	<b>217.8</b>	<b>6.5</b>
<b>Total taxes on property</b>	<b>4 759.0</b>	<b>4 979.5</b>	<b>220.5</b>	<b>4.6</b>
<b>Taxes on the provision of goods and services</b>				
<b>Gambling taxes</b>				
Private lotteries	350.3	369.4	19.1	5.4
Electronic gaming machines	1 004.6	990.6	( 13.9)	(1.4)
Casino	144.4	154.4	10.0	6.9
Racing	133.1	132.1	( 1.0)	(0.7)
Other	9.3	9.3	..	..
<b>Total gambling taxes</b>	<b>1 641.8</b>	<b>1 655.9</b>	<b>14.1</b>	<b>0.9</b>
<b>Levies on statutory corporations</b>	<b>73.7</b>	<b>73.7</b>	<b>..</b>	<b>..</b>
<b>Taxes on insurance</b>	<b>1 275.9</b>	<b>1 400.9</b>	<b>125.0</b>	<b>9.8</b>
<b>Total taxes on the provision of goods and services</b>	<b>2 991.4</b>	<b>3 130.5</b>	<b>139.1</b>	<b>4.6</b>
<b>Taxes on the use of goods and performance of activities</b>				
<b>Motor vehicle taxes</b>				
Vehicle registration fees	864.5	843.4	( 21.1)	(2.4)
Duty on vehicle registrations and transfers	483.9	563.9	80.0	16.5
<b>Total motor vehicle taxes</b>	<b>1 348.4</b>	<b>1 407.3</b>	<b>58.8</b>	<b>4.4</b>
<b>Franchise taxes</b>	12.1	26.3	14.2	118.0
<b>Other</b>	79.6	75.7	( 3.9)	(4.9)
<b>Total taxes on the use of goods and performance of activities</b>	<b>1 440.1</b>	<b>1 509.3</b>	<b>69.2</b>	<b>4.8</b>
<b>Total taxation</b>	<b>13 273.7</b>	<b>13 642.1</b>	<b>368.3</b>	<b>2.8</b>

Major variations from the *2009-10 Budget* estimates are:

- land transfer duty revenue has been revised upwards by \$303 million (9.5 per cent) in 2009-10. This reflects a greater than expected rebound in the property market, particularly property prices, following the downturn in 2008-09. However, the revised figure of \$3 498 million remains well below the forecast of \$3 711 million presented in the *2008-09 Budget*;
- payroll tax has been revised downwards by \$60 million (1.5 per cent) in 2009-10, including a \$9 million downward revision reported in the *2009-10 Budget Update*, due to lower than expected revenue for the year-to-date, in part reflecting lower than expected average hours worked per employee;
- insurance taxes have been revised upwards by \$125 million (9.8 per cent) in 2009-10 including a \$99 million upward revision reported in the *2009-10 Budget Update*. This reflects higher than expected insurance premiums and growth in the economy, as well as an upward revision of statutory insurance industry contributions to the Country Fire Authority, for initiatives to prepare for the 2009-10 bushfire season and to respond to recommendations by the *2009 Victorian Bushfires Royal Commission's Interim Report* (August 2009); and
- motor vehicle taxation revenue has been revised upwards by \$59 million (4.4 per cent) in 2009-10 including a \$55 million upward revision reported in the *2009-10 Budget Update*. This is driven by stronger than expected revenue in motor vehicle duties, predominately at the end of 2009, coinciding with the ending of the Commonwealth Government's small and general business tax break.

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

In 2009-10, dividends, income tax and rate equivalent income is expected to be \$459 million, \$80 million (21.0 per cent) higher than forecast in the *2009-10 Budget* (see Table C.3), but an upwards revision of \$113 million from that reported in the *2009-10 Budget Update*. This largely reflects the higher profitability of the metropolitan water sector following the Essential Services Commission's final water pricing determinations, as well as higher than expected dividend payments from the Port of Melbourne Corporation due to stronger economic conditions.

**Table C.3: 2009-10 Dividends and income tax equivalent and rate equivalent revenue**

(\$ million)

	2009-10 Budget	2009-10 Revised	Change	Change %
Dividends	255.3	307.8	52.6	20.6
Income tax equivalent revenue	117.9	146.7	28.9	24.5
Local government rate equivalent revenue	6.2	4.6	( 1.6)	(25.8)
<b>Total dividends and income tax equivalent and rate equivalent revenue</b>	<b>379.4</b>	<b>459.2</b>	<b>79.8</b>	<b>21.0</b>

### **Grants revenue**

Total grants revenue is expected to be \$22 111 million in 2009-10, \$557 million (2.6 per cent) higher than the *2009-10 Budget* (see Table C.4). The increase reflects an upward revision to GST revenue of \$730 million (7.8 per cent) since the *2009-10 Budget* (including \$501 million since the *2008-09 Budget Update*). This is due to a higher than expected GST pool, based on an assessment of the latest Commonwealth information.

**Table C.4: Grants**

(\$ million)

	2009-10 Budget	2009-10 Revised	Change	Change %
General purpose grants	9 415.1	10 145.0	730.0	7.8
Specific purpose grants for on-passing	2 872.6	2 862.3	( 10.3)	(0.4)
Payments for specific purposes	9 064.7	8 979.9	( 84.8)	(0.9)
Total	21 352.4	21 987.3	634.9	3.0
Other contributions and grants	201.7	124.1	( 77.7)	(38.5)
<b>Total grants</b>	<b>21 554.1</b>	<b>22 111.3</b>	<b>557.2</b>	<b>2.6</b>

### **Sales of goods and services and other current revenue**

In 2009-10, revenue from the sale of goods and services is expected to total \$5 428 million, \$384 million higher than the original *2009-10 Budget* estimate, including an increase of \$462 million on the *2009-10 Budget Update*. This is largely due to an increase in revenue from farebox collections under new rail contracts which came into operation on 30 November 2009, as well as increases in TAFE institutes fee revenue from both international and domestic students.

Other current revenue is \$54 million higher than the original *2009-10 Budget* estimate. Of this movement, \$39 million was reported in the *2009-10 Budget Update*. The increase is primarily driven by the one-off transfer of land from Melbourne City Council following recent changes in legislation.

### **Expenses from transactions**

As shown in Table C.1, general government sector operating expenses for 2009-10 are now projected to be \$43 351 million, \$1 192 million higher than the May 2009 budget estimate of \$42 159 million. Of this movement, \$711 million was reported in the *2009-10 Budget Update*.

The major variation within operating expenses is attributable to an upward revision of other operating expenses of \$542 million (3.9 per cent), largely as a result of the recognition of expenditure (and related revenue) in relation to the new rail contracts which came into operation on 30 November 2009.

Depreciation is also expected to increase by \$242 million (14.7 per cent) since the *2009-10 Budget* estimate, primarily due to accounting for additional depreciation and amortisation expenditure as a result of revaluation of health services' buildings and other non current physical assets, together with a reassessment of the useful lives of these assets, performed by the Victorian Valuer-General's Office.

### **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 2009-10 is expected to be \$1 499 million, compared with an estimated net result of \$243 million in the *2009-10 Budget*. This variance is largely due to better than expected investment returns on superannuation assets during 2009-10 which contributed approximately \$1.4 billion to the actuarial gain on superannuation. However, the impact of this favourable investment experience was partially offset by actuarial losses that arose due to changes in bond yields that underpin some key valuation assumptions.

### **REVISED 2009-10 BALANCE SHEET**

The 2009-10 balance sheet is presented in Table C.5. Net assets are projected to increase by \$4 812 million over the course of 2009-10 to be \$121 486 million at 30 June 2010, \$25 million higher than forecast in the *2009-10 Budget Update* estimates.

**Table C.5: 2009-10 Balance sheet as at 30 June**

	(\$ million)				
	2009 Actual	Budgeted movement	2010 Budget <sup>(a)</sup>	Revised movement	2010 Revised
<b>Assets</b>					
<i>Financial assets</i>					
Cash and deposits	2 846.0	( 262.2)	2 583.7	( 580.0)	2 266.0
Advances paid	269.0	30.9	299.8	13.7	282.7
Investments, loans and placements	2 550.6	91.0	2 641.6	25.8	2 576.4
Receivables	2 783.3	18.7	2 802.0	( 227.5)	2 555.9
Investments accounted for using equity method	30.0	5.0	35.0	5.0	35.0
Investments in other sector entities	60 634.8	2 209.2	62 844.0	2 832.4	63 467.2
<b>Total financial assets</b>	<b>69 113.6</b>	<b>2 092.5</b>	<b>71 206.2</b>	<b>2 069.5</b>	<b>71 183.1</b>
<i>Non-financial assets</i>					
Inventories	249.3	0.1	249.4	2.0	251.2
Non-financial assets held for sale	74.2	( 6.6)	67.5	( 13.7)	60.5
Land, buildings, infrastructure, plant and equipment	87 409.7	6 742.7	94 152.4	4 877.3	92 287.0
Other non-financial assets	682.1	( 16.6)	665.5	( 9.7)	672.5
<b>Total non-financial assets</b>	<b>88 415.2</b>	<b>6 719.6</b>	<b>95 134.8</b>	<b>4 856.0</b>	<b>93 271.2</b>
<b>Total assets</b>	<b>157 528.9</b>	<b>8 812.1</b>	<b>166 341.0</b>	<b>6 925.4</b>	<b>164 454.3</b>
<b>Liabilities</b>					
Deposits held	314.4	..	314.4	( 0.6)	313.8
Advances received	2.7	( 0.7)	2.0	( 0.7)	2.0
Borrowings	10 640.1	4 544.6	15 184.8	2 879.7	13 519.9
Payables	4 164.0	148.1	4 312.2	( 469.0)	3 695.1
Superannuation	20 672.3	286.7	20 959.0	( 403.7)	20 268.5
Other employee benefits	4 277.2	189.2	4 466.3	166.8	4 444.0
Other provisions	784.4	( 25.4)	759.0	( 22.0)	762.4
<b>Total liabilities</b>	<b>40 855.1</b>	<b>5 142.6</b>	<b>45 997.7</b>	<b>2 150.6</b>	<b>43 005.7</b>
<b>Net assets</b>	<b>116 673.8</b>	<b>3 669.5</b>	<b>120 343.3</b>	<b>4 774.8</b>	<b>121 448.6</b>
Accumulated surplus	48 424.8	236.9	48 661.7	1 753.5	50 178.3
Other reserves	68 209.5	3 412.7	71 622.1	3 001.3	71 210.8
Minority interest	39.5	20.0	59.5	20.0	59.5
<b>Net worth</b>	<b>116 673.8</b>	<b>3 669.5</b>	<b>120 343.3</b>	<b>4 774.8</b>	<b>121 448.6</b>
<b>FISCAL AGGREGATES</b>					
Net financial worth	28 258.5	(3 050.0)	25 208.5	( 81.1)	28 177.4
Net financial liabilities	32 376.3	5 259.2	37 635.5	2 913.5	35 289.8
Net debt	5 291.7	4 684.2	9 976.0	3 418.9	8 710.7

Note:

(a) The 2009-10 Budget is based on actual opening balances at 1 July 2009 plus 2009-10 budgeted movement.

Total assets are projected to increase by \$6 963 million from 2009 to 2010. This movement largely reflects an increase in infrastructure assets driven by additional investment and asset revaluations, partially offset by a reduction in cash and receivables.

Total liabilities are projected to increase by \$2 151 million. The increase in liabilities largely 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.

The reduction in the superannuation liability is primarily attributable to better than expected investment returns on superannuation assets. However, as noted previously, the impact of this favourable investment experience was partially offset by actuarial losses that arose due to changes in bond yields that underpin some key valuation assumptions.

## **REVISED 2009-10 CASH FLOW STATEMENT**

Table C.6 provides the revised cash flow statement for 2009-10. Table C.7 provides a summary of cash generated through the operations of Victorian government departments and other general government sector agencies during the year, and how cash is applied to infrastructure investment and financing activities. Table C.7 also provides a reconciliation of the projected budget operating surplus to the projected change in general government net debt.

Net cash flows from operating activities are expected to be \$331 million higher than at the *2009-10 Budget*. The variation reflects the impact of a \$1 412 million increase in operating receipts, offset by a \$1 081 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. The increase in expenditure on goods and services payments is similarly reflected in increased expenditure of cash for operating purposes.

**Table C.6: 2009-10 Cash flow statement**

(\$ million)

	2009-10 Budget	2009-10 Revised	Change	Change %
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Taxes received	13 431.6	13 991.9	560.4	4.2
Grants	21 554.1	22 111.3	557.2	2.6
Sales of goods and services <sup>(a)</sup>	5 573.7	5 975.1	401.3	7.2
Interest received	400.1	313.8	( 86.3)	(21.6)
Dividends and income tax equivalent and rate equivalent receipts	389.0	461.1	72.1	18.5
Other receipts	1 518.7	1 426.3	( 92.4)	(6.1)
<b>Total receipts</b>	<b>42 867.1</b>	<b>44 279.5</b>	<b>1 412.4</b>	<b>3.3</b>
<b>Payments</b>				
Payments for employees	(15 087.3)	(15 228.1)	( 140.7)	0.9
Superannuation	(1 971.7)	(2 030.5)	( 58.8)	3.0
Interest paid	( 675.5)	( 766.5)	( 90.9)	13.5
Grants and subsidies	(8 442.3)	(8 504.5)	( 62.2)	0.7
Goods and services	(14 002.9)	(14 681.0)	( 678.0)	4.8
Other payments	( 376.0)	( 426.7)	( 50.7)	13.5
<b>Total payments</b>	<b>(40 555.8)</b>	<b>(41 637.1)</b>	<b>(1 081.3)</b>	<b>2.7</b>
<b>Net cash flows from operating activities <sup>(a)</sup></b>	<b>2 311.3</b>	<b>2 642.4</b>	<b>331.1</b>	<b>14.3</b>
<b>Cash flows from investing activities</b>				
Purchases of non-financial assets	(5 228.6)	(4 853.8)	374.8	(7.2)
Sales of non-financial assets	222.8	270.8	48.0	21.6
Cash flows from investments in non-financial assets	(5 005.8)	(4 583.0)	422.8	(8.4)
Net cash flows from investments in financial assets for policy purposes	(1 954.8)	(1 429.7)	525.1	(26.9)
Net cash flows from investments in financial assets for liquidity management purposes	( 75.0)	( 6.1)	68.9	(91.8)
<b>Net cash flows from investing activities</b>	<b>(7 035.6)</b>	<b>(6 018.8)</b>	<b>1 016.8</b>	<b>(14.5)</b>
<b>Cash flows from financing activities</b>				
Advances received (net)	( 0.7)	( 0.7)	..	..
Net borrowings	4 462.7	2 797.7	(1 665.0)	(37.3)
Deposits received (net)	..	( 0.6)	( 0.6)	n.a
<b>Net cash flows from financing activities</b>	<b>4 462.0</b>	<b>2 796.4</b>	<b>(1 665.6)</b>	<b>(37.3)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>( 262.2)</b>	<b>( 580.0)</b>	<b>( 317.8)</b>	<b>121.2</b>
Cash and cash equivalents at beginning of reporting period	2 845.5	2 845.5	..	..
<b>Cash and cash equivalents at end of reporting period</b>	<b>2 583.3</b>	<b>2 265.5</b>	<b>( 317.8)</b>	<b>(12.3)</b>



**Table C.6: 2009-10 Cash flow statement (continued)**

(\$ million)

	2009-10 Budget	2009-10 Revised	Change	Change %
<b>FISCAL AGGREGATES</b>				
Net cash flows from operating activities	2 311.3	2 642.4	331.1	14.3
Net cash flows from investments in non-financial assets	(5 005.8)	(4 583.0)	422.8	(8.4)
<b>Cash surplus/(deficit)</b>	<b>(2 694.4)</b>	<b>(1 940.6)</b>	<b>753.9</b>	<b>(28.0)</b>

Note:

(a) Inclusive of goods and services tax.

## Infrastructure investment

As shown in Table C.7, the \$2 642 million net cash inflows from operating activities is a significant source of financing for the Government's infrastructure investment program in 2009-10. 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 \$6 013 million in 2009-10.

Compared with the 2009-10 Budget estimates, net debt is expected to be \$1 265 million lower than originally anticipated, primarily due to lower than expected borrowings.

**Table C.7: Application of cash resources**

(\$ million)

	2009-10 Budget	2009-10 Revised
<b>Net result from transactions</b>	<b>229.5</b>	<b>394.9</b>
Add back: Non-cash income and expenses (net) <sup>(a)</sup>	2 081.8	2 247.5
<b>Net cash flow from operating activities</b>	<b>2 311.3</b>	<b>2 642.4</b>
Less:		
<b>Net investment in fixed assets</b>		
Expenditure on approved projects <sup>(b)</sup>	7 183.4	6 283.6
Proceeds from asset sales	( 222.8)	( 270.8)
<b>Total net investment in fixed assets</b>	<b>6 960.6</b>	<b>6 012.7</b>
Finance leases	74.7	74.7
Other investment activities (net)	( 39.7)	( 26.0)
<b>Decrease/(increase) in net debt</b>	<b>(4 684.2)</b>	<b>(3 418.9)</b>

Notes:

(a) Includes depreciation and movements in the superannuation liability and liability for employee benefits.

(b) Includes purchases of property, plant and equipment and net contributions to other sectors of government.

## STYLE CONVENTIONS

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Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

n.a.	not available or not applicable
..	zero, or rounded to zero
(xxx.x)	negative numbers
200x – 0x	year period

The notation used in the text is as follows:

–xxx.x	negative numbers within text.
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