



2005-06 Statement of Finances

(Incorporating Quarterly Financial Report No. 3)

Budget Paper No. 4
Presented by the Honourable John Brumby MP
Treasurer of the State of Victoria
on the occasion of the Budget 2005-06

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Budget Paper No. 2 – Strategy and Outlook
Budget Paper No. 3 – Service Delivery
Budget Paper No. 4 – Statement of Finances
(Incorporating Quarterly Financial Report No. 3)
Budget Overview

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Statement of Finances

2005-06



Presented by

The Honourable John Brumby, M.P.

Treasurer of the State of Victoria

for the information of Honourable Members

Budget Paper No. 4

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INTRODUCTION

Budget Paper No. 4, *Statement of Finances*, provides the financial details for the aggregated 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.

The 2005-06 Budget is the first Victorian Budget prepared under the Australian equivalents to International Financial Reporting Standards (A-IFRS), and one of the first financial reports published in Australia under the new standards.

Information in this Budget Paper relating to the years 2005-06 onwards have been presented based on A-IFRS. The years prior to this have been presented on an existing Australian Accounting Standards (AAS) basis. For 2004-05, the A-IFRS transition year, information is provided on both existing AAS and A-IFRS bases.

In 2002, Australia's Financial Reporting Council agreed that Australia would adopt International Financial Reporting Standards (IFRS). The rationale for this decision was that the economy would benefit if Australian standards were comparable with international standards as this would reduce the cost of capital and increase investor confidence.

On 15 July 2004, the Australian Accounting Standards Board (AASB) approved the A-IFRS to come into effect for reporting periods commencing on or after 1 January 2005.

Australia's accounting regime is unusual in that the standards are sector neutral - that is, the same standards are applied to both private and public sector reporting entities.

The 2005-06 *Financial Report for the State of Victoria*, which must be tabled in Parliament on or before 15 October 2006, will be prepared under the new standards. However, unlike the private sector, governments also report prospectively through the annual budget. Victoria's 2005-06 Budget has been prepared on an A-IFRS basis so that users will be able to compare the 2005-06 outcome against the budget estimates.

Major impacts of A-IFRS

The implementation of A-IFRS in Victoria is primarily about achieving compliance with the new standards which, in most cases, do not result in significant changes to the State's balance sheet or operating statement.

However, there is one area in which A-IFRS will have a significant impact. This relates to the changes in the way that the State's net liability for defined benefit superannuation schemes is measured under A-IFRS. The new standards require the liabilities to be measured using the effective Commonwealth ten-year bond rate, rather than the long-term earning rate of the schemes' assets.

All Victoria's defined benefit schemes have been closed, with the exception of the Emergency Services Superannuation Scheme for police, fire-fighters and ambulance employees which is now fully-funded. The Government closed the Parliamentary Scheme in 2004.

The liabilities for these schemes were largely accrued prior to 1988 in a period in which it was the practice of most Australian governments to fund these liabilities as payment fell due rather than as the future liabilities were incurred.

The re-measurement of the State's superannuation liabilities as at the A-IFRS transition date of 1 July 2004 added approximately \$4 billion to the net superannuation liability to be reported in the restated A-IFRS opening balance sheet, bringing the total net liability to \$17 billion. However, the net liability will also change each year with fluctuations in the long-term bond rate, and these movements will impact on the operating statement net result.

Based on the net liability as at 1 July 2004, a 0.5 per cent increase in the bond rate would reduce the net liability by approximately \$1.5 billion, with a corresponding increase in the liability if the bond rate falls. These potential movements are so large as to obscure the underlying financial performance of the State as measured by the Net result.

It is important to note that while there is an increase in the reported net liability under A-IFRS, this does not mean that additional funds will be needed to meet these liabilities. Funding for the State's superannuation liabilities will continued to be determined by independent actuarial assessment of the payments required to meet these obligations

More information on superannuation impacts is available in Budget Paper No. 2 Chapter 4, *Balance Sheet Management and Outlook*.

A-IFRS reporting format and financial measure

As part of its implementation of A-IFRS, the Government has reviewed both the format of its reporting and the financial measure against which the \$100 million operating surplus is to be achieved.

The objective of the review was to ensure that the A-IFRS reporting format and the Government's financial measure met the essential test of providing users with better information, consistent with the Government's commitment to transparency in financial reporting.

As a result of the review, the Government has adopted an A-IFRS operating statement format for the general government sector which separates out those items over which the Government exercises control – its expenditure relative to its income – and reports these as transactions. The second category, other economic flows, is made up of items over which the Government has no control, such as the annual movements in the net superannuation liability resulting from changing financial market conditions.

Transactions and other economic flows are defined terms used in reporting of Government Finance Statistics (GFS) under both the International Monetary Fund and Australian Bureau of Statistics reporting frameworks. Although GFS terminology is used, the A-IFRS operating statement is based on accounting principles and complies with the new accounting standards.

The A-IFRS operating statement includes a sub-total Net result from transactions which reports the outcome of the financial decisions made by Government. The Net result from transactions can be regarded as the Government's primary result under A-IFRS and will be used to measure achievement of its objective to maintain an operating surplus of at least \$100 million.

Net result from transactions is a more robust measure of the Government's management of the State's finances than Net result which, under A-IFRS, will be impacted by potentially large movements in superannuation liabilities. These movements could increase or decrease the Net result by billions of dollars so that it becomes primarily a measure of the impact of market movements, rather than a measure of the Government's financial management.

The Government has decided not to adopt the option provided by the AASB under A-IFRS to report superannuation volatility in a separate statement rather than in the operating statement. The rationale for this decision is that reporting through the operating statement makes the information more easily accessible, and allows users to compare 2005-06 against previous financial reports. In addition, the AASB has expressed the view that recognising these annual movements immediately in the operating statement is the most sound and useful approach. Finally, it is expected that the new reporting standard for governments being developed by the AASB will require that movements in superannuation be reported in the government operating statement. This new reporting standard is discussed below.

GFS/GAAP Convergence

The international standards on which A-IFRS are based have been developed for private sector entities. Although Australia's accounting standards are sector neutral, it is necessary to have a government-specific reporting standard because of the different needs of users of government financial reports.

The Commonwealth and most State and Territory governments use Government Finance Statistics (GFS) as their primary reporting basis, while Victoria and the Australian Capital Territory base their reporting on the accounting standards, here referred to as generally accepted accounting principles (GAAP). The AASB's new reporting standard for Australian governments will be based on convergence of these two reporting frameworks to create a single, consistent basis of reporting by all governments. This GFS/GAAP format will include a number of GFS concepts, including a cash surplus/deficit measure as part of the cash flow statement.

The AASB will soon release an Exposure Draft of the GFS/GAAP converged reporting format for comment, but it is not clear as yet when the new reporting standard will come into effect.

In developing its A-IFRS reporting format for the 2005-06 Budget, the Victorian Government aims to enable a smooth transition to a new GFS/GAAP converged reporting format, avoiding another step change for users.

A-IFRS transition information in the 2005-06 Budget

- Chapter 2, *Departmental Financial Statements*, contains tables detailing the restatement of the balance sheet opening balance from an existing AAS basis to A-IFRS as at 1 July 2004 for controlled and administered items. The Notes accompanying these tables explain the impact of transition.
- Appendix B, *Revised 2004-05 Budget Outcome*, presents the revised Budget outcome on both existing AAS and A-IFRS.
- Appendix D, *Quarterly Financial Report for the Victorian General Government Sector*, also contains an illustrative presentation of the March quarter results in an A-IFRS format.

Contents of Chapters

The following is a summary of the contents in each of the chapters.

Chapter 1 – Estimated Financial Statements and Notes

This chapter presents the Estimated Financial Statements and accompanying notes, for the Victorian general government sector, based on A-IFRS, and is consistent with the Financial Policy Objectives and Strategies Statement (see Budget Paper No. 2, Chapter 1, *Financial Policy Objectives and Strategy*).

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

Chapter 2 – Departmental Financial Statements

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

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

Chapter 3 – State Revenue

Chapter 3 outlines the major sources of state revenue, both state-sourced revenue, including taxes, fines and regulatory fees and investment revenue, and that provided through Commonwealth grants, for both general and specific purposes. The estimates of the Commonwealth Government grants represent the latest information available to the Victorian Government. However, the Commonwealth budget is not due to be brought down until 10 May 2005 and, as a result, there may be variations between the information published in this chapter and the amounts actually granted by the Commonwealth.

Chapter 4 – Tax Expenditures and Concessions

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

Chapter 5 – Public Account

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

Chapter 6 – Uniform Presentation of Government Finance Statistics

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

As required by the UPF, Victoria's 2005-06 nominated Loan Council Allocation table is also provided. This includes details of Victoria's infrastructure projects with private sector investment where contracts are expected to be signed in 2005-06.

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 2008-09. In addition, the general government operating result for the period 1996-97 to 2008-09 is also provided.

The remaining tables show GFS information for the general government sector classified by government purpose. Operating expenditure classified by function is presented for the period 1961-62 to 1997-98. The GFS accruals expenditure series classified by purpose is presented for the period 1998-98 to 2008-09.

Appendix B – Revised 2004-05 Budget Outcome

The revised 2004-05 Budget outcome is presented in Appendix B. The revised 2004-05 estimates take into account government policy decisions and economic developments affecting both revenue and expenses since the presentation of the 2004-05 Budget to the Parliament in May 2004.

Appendix C – Departmental Financial Statements – Revised Estimates 2004-05

The revised 2004-05 departmental financial estimates in Appendix C provide a comparison between 2003-04 actual results and the 2004-05 revised estimate based on existing AAS. These statements are not directly comparable with the departmental statements presented in Chapter 2 of this publication, which are based on A-IFRS.

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

The Quarterly Financial Report for the Victorian general government sector, incorporating the actual outcome for the nine-month period ended 31 March 2005 and quarter-by-quarter results, are included in Appendix D. The March year-to-date outcome is compared with the full year revised 2004-05 Budget included in the Appendix B of this document.

CHAPTER 1 – ESTIMATED FINANCIAL STATEMENTS AND NOTES

The following Estimated Financial Statements and accompanying explanatory notes set out the forecast financial results for the Victorian general government sector for the period 2005-06 to 2008-09.

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

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

The statements have been prepared in accordance with applicable pronouncements and abstracts of the Australian Accounting Standards Board (AASB), including the Australian equivalent to International Financial Reporting Standards (A-IFRS). However, as there is no specific Australian accounting standard or other authoritative pronouncement that prescribes the preparation and presentation of prospective financial statements, the preparation of the Estimated Financial Statements is based on New Zealand Financial Reporting Standard *Prospective Financial Information* (FRS 29), and the presentation format is consistent with the new A-IFRS and is intended to transitionally address the needs of users pending finalisation and introduction of a new reporting standard for government.

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

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



AUDITOR GENERAL
VICTORIA

AUDITOR-GENERAL'S REPORT

To the Members of the Parliament of Victoria

Scope of Review

I have reviewed the accompanying estimated financial statements of the Victorian General Government Sector, as defined in note 19 to the statements, for the financial year ended 30 June 2006 and the three forward financial years ended 30 June 2007, 2008 and 2009. The statements comprise an estimated operating statement, an estimated balance sheet, an estimated statement of cash flows and accompanying notes. The remaining parts of the Budget Papers have not been subject to my review.

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

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

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

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

Review Statement

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

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

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

MELBOURNE
28 April 2005

J.W. CAMERON
Auditor-General

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Auditing in the Public Interest

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

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

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



Ian Little
Secretary

Department of Treasury and Finance
27 April 2005

ESTIMATED FINANCIAL STATEMENTS FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

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

(\$ million)					
	Notes	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Income from transactions					
Taxation	2	10 306.2	10 729.8	11 016.2	11 441.3
Fines and regulatory fees		726.9	772.3	757.1	763.7
Investment income	3	1 397.9	1 260.2	1 235.2	1 138.3
Grants income	4	14 262.1	14 733.3	15 263.7	15 992.0
Sales of goods and services		2 397.1	2 449.8	2 490.8	2 521.6
Fair value of assets received free of charge or for nominal consideration		22.0	..	..	160.0
Inter-sector capital asset charge		778.8	777.7	768.7	755.6
Other income		732.6	731.4	725.2	729.9
Total income from transactions		30 623.6	31 454.5	32 257.0	33 502.4
Expenses from transactions					
Employee benefits		11 201.5	11 552.7	11 887.8	12 191.8
Superannuation	5	1 759.3	1 784.9	1 785.0	1 802.0
Depreciation and amortisation	6	1 235.1	1 291.6	1 383.3	1 444.5
Financing costs	7	492.1	500.7	503.8	524.1
Grants and transfer payments	8	5 579.3	5 539.9	5 545.3	5 574.3
Supplies and services		9 991.2	10 465.0	10 838.4	11 414.4
Other expenses		0.4	0.4	0.4	0.4
Total expenses from transactions	9	30 258.9	31 135.2	31 944.0	32 951.5
Net result from transactions		364.7	319.3	313.0	550.8
Income/(expenses) from other economic flows					
Net gain/(loss) from disposal of physical assets		25.7	21.4	9.1	9.7
Other income from other economic flows	3	8.5	8.5	8.5	8.5
Actuarial gains/(losses) on superannuation defined benefit plans	5	..	..	..	..
Other expenses from other economic flows	6,9	(74.8)	(70.9)	(60.3)	(56.5)
Net result from other economic flows		(40.6)	(41.0)	(42.6)	(38.3)
Net result		324.1	278.2	270.3	512.6
Gain/(loss) on revaluation of properties		2 276.0	2 460.1	2 647.2	2 870.5
Total changes in equity other than contributions to other sectors by the State in its capacity as owner		2 600.1	2 738.3	2 917.6	3 383.1

The accompanying notes form part of these Estimated Financial Statements.

Table 1.2: Estimated balance sheet as at 30 June

	(\$ million)				
	Notes	2006 Budget	2007 Estimate	2008 Estimate	2009 Estimate
Current assets					
Cash and cash equivalents		1 305.0	1 305.5	1 308.1	1 309.2
Other financial assets		1 940.8	1 062.6	798.3	842.1
Receivables		1 609.5	1 729.2	1 862.8	1 954.6
Prepayments		88.0	88.4	88.6	88.8
Inventories		97.1	97.8	98.3	98.8
Assets held for sale		61.9	62.9	63.9	64.9
Total current assets		5 102.1	4 346.3	4 219.9	4 358.4
Non-current assets					
Other financial assets		652.5	626.1	544.8	483.8
Receivables		294.2	262.8	288.2	312.6
Property, plant and equipment and infrastructure systems other than roads	10,12	32 410.8	34 785.1	37 237.1	40 154.1
Road networks	11,12	17 985.5	19 020.4	19 796.4	20 601.8
Other assets	13	3 385.8	3 420.8	3 467.8	3 499.7
Total non-current assets		54 728.7	58 115.2	61 334.3	65 052.1
Total assets		59 830.9	62 461.5	65 554.2	69 410.5
Current liabilities					
Payables		2 048.3	2 095.7	2 150.3	2 208.4
Interest bearing liabilities		189.8	195.9	201.1	202.4
Employee benefits	14	968.7	1 015.2	1 062.2	1 108.6
Superannuation	5	285.0	560.0	652.0	822.0
Outstanding insurance claims		71.2	70.7	70.3	69.8
Other liabilities		494.8	500.1	506.4	512.9
Total current liabilities		4 057.8	4 437.7	4 642.3	4 924.0
Non-current liabilities					
Payables		1 149.7	1 041.9	934.3	831.0
Interest bearing liabilities		6 252.5	6 248.5	6 530.6	7 026.6
Employee benefits	14	2 479.6	2 597.9	2 673.4	2 749.2
Superannuation	5	17 133.8	17 219.8	17 200.2	17 021.5
Outstanding insurance claims		348.2	315.4	286.0	256.8
Other liabilities		464.1	451.3	438.6	426.1
Total non-current liabilities		27 827.9	27 874.8	28 063.1	28 311.2
Total liabilities		31 885.7	32 312.5	32 705.4	33 235.2
Net assets		27 945.1	30 149.0	32 848.7	36 175.3

The accompanying notes form part of these Estimated Financial Statements.

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

		(\$ million)			
	Notes	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Cash flows from operating activities					
Receipts					
Taxation		10 386.5	10 760.0	10 987.6	11 413.8
Fines and regulatory fees		628.5	674.5	669.4	681.0
Grants		14 262.1	14 733.6	15 264.0	15 992.3
Sale of goods and services		2 390.3	2 449.4	2 486.6	2 515.9
Interest received		361.6	338.8	313.3	312.9
Dividends received		699.9	558.8	550.8	437.9
Capital asset charge received		778.8	777.7	768.7	755.6
Other receipts		1 218.7	986.2	993.5	1 057.6
Total receipts		30 726.3	31 279.0	32 033.9	33 167.0
Payments					
Employee benefits		(10 955.3)	(11 387.9)	(11 765.3)	(12 069.6)
Superannuation		(1 109.9)	(1 423.9)	(1 712.5)	(1 810.6)
Interest paid		(439.0)	(444.5)	(447.2)	(465.0)
Grants and transfer payments		(5 649.3)	(5 612.6)	(5 632.4)	(5 661.3)
Supplies and services		(9 994.1)	(10 510.9)	(10 855.6)	(11 415.5)
Total payments		(28 147.6)	(29 379.8)	(30 413.0)	(31 422.1)
Net cash flows from operating activities	15	2 578.6	1 899.2	1 621.0	1 744.9
Cash flows from investing activities					
Purchase of property, plant and equipment	17	(2 529.4)	(2 419.5)	(2 251.3)	(2 315.9)
Proceeds from sale of property, plant and equipment		134.0	142.5	208.8	119.8
Net (purchase)/disposal of investments		370.2	904.7	345.7	17.3
Net customer loans (granted)/repaid		0.6	3.0	3.0	3.1
Net contribution to other sectors of government		(569.6)	(534.5)	(217.8)	(56.6)
Net cash flows from investing activities		(2 594.2)	(1 903.7)	(1 911.5)	(2 232.4)
Cash flows from financing activities					
Net borrowings		8.2	5.1	293.2	488.6
Net cash flows from financing activities		8.2	5.1	293.2	488.6
Net increase in cash and deposits held		(7.3)	0.5	2.6	1.1
Cash and deposits at beginning of reporting period		1 303.9	1 296.6	1 297.1	1 299.7
Cash and deposits at end of reporting period	16	1 296.6	1 297.1	1 299.7	1 300.8

The accompanying notes form part of these Estimated Financial Statements.

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

Cash surplus/(deficit)	183.2	(377.8)	(421.5)	(451.2)
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NOTES TO THE ESTIMATED FINANCIAL STATEMENTS

Due to the possibility that circumstances or events outlined in the Estimated Financial Statements may not occur as expected, actual results may differ from those forecast and the difference may be material. Accordingly, no guarantee is given that the financial results will be achieved. However, the best professional judgement has been applied in preparing the Estimated Financial Statements.

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Assumptions

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

Material economic and other assumptions^(a)

	<i>(per cent change)</i>			
	2005-06	2006-07	2007-08	2008-09
Real gross state product	3.00	3.50	3.50	3.25
Employment	1.00	1.25	1.50	1.25
Consumer price index ^(b)	2.75	2.50	2.50	2.50
Wage price index ^(c)	3.75	3.50	3.50	3.50
Population ^(d)	1.00	1.00	1.00	1.00

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

Notes:

- (a) Year-average per cent change on previous year unless otherwise indicated. All projections apart from population are rounded to the nearest 0.25 percentage points. Projections of population are rounded to the nearest 0.1 percentage points.
- (b) Departmental output revenue for the budget year, that is subject to indexation under the departmental funding model, is indexed by the consumer price index forecast at the time of the Budget Update (2.5 per cent). This may differ from the updated forecast consumer price index as disclosed.
- (c) Total hourly rate excluding bonuses.
- (d) June quarter, per cent change on previous June quarter.

Economic risks

The main risks to the Victorian economic projections stem from prospective financial market developments, including movements in interest rates, the Australian dollar and the price of crude oil. In addition, reports of growing capacity constraints in the economy, including skilled labour shortages, have the potential to contribute to higher inflation and interest rates.

The Reserve Bank raised interest rates by 25 basis points in March 2005, to 5.50 per cent, the first increase in the official cash rate since December 2003. Following the increase in rates, and comments from the Reserve Bank about growing inflation pressures, financial markets are anticipating an additional 25 basis point increase in the cash rate in the near term. Given relatively high debt levels in the household sector, a larger increase in rates could place some pressure on the growth forecast over the coming year.

There have been growing reports of capacity constraints in certain sectors of the Australian economy; in particular, shortages of skilled labour have been reported in several industries, notably construction. With many businesses operating near capacity, there is a risk that shortages of skills and materials will contribute to higher costs, which could push inflation above the Reserve Bank's medium-term target range of 2 to 3 per cent. Such a scenario could see interest rates rise above the profile expected by financial markets, which would put pressure on the medium-term growth

forecast and prospects for the real estate market. The Reserve Bank has noted faster growth in producer prices, including in the construction sector, in the second half of 2004.

The Australian dollar continues to trade at high levels, extending the broad upward trend seen over the past few years. The strength in the currency appears to reflect numerous factors, including Australia's rising terms of trade, relatively high interest rates (by global standards) and concern over the size of the US current account deficit, which has caused the US dollar to weaken. Further increases in the terms of trade could place upward pressure on the exchange rate. Although a positive for the inflation outlook, continued strength in the Australian dollar could threaten returns to Victorian farmers, manufacturers, local tourism and firms exposed to import competition.

On the international front, the US economy recorded strong growth last year, continuing the recovery from the 2001 slowdown. The economy appears to have reasonable momentum, although analysts expect more moderate growth outcomes over the next two years due in part to higher interest rates. The main risks to the US outlook stem from the record high current account deficit, and some signs of emerging inflation pressures. Both scenarios could result in higher interest rates than are currently anticipated by financial markets, with implications for the global economic outlook. Weaker growth in Victoria's major trading partners could negatively affect the projections for exports and economic growth.

The price of crude oil has remained at persistently high levels, and has revisited the peaks seen in October 2004. Financial markets are expecting the oil price to remain broadly steady over the coming year. If the current high oil price is sustained or rises further, this would likely have some effect on both growth and inflation projections for 2005-06.

On the positive side, continued strength in dwelling construction represents an upside risk to the economic outlook. The housing sector has been surprisingly resilient, partly reflecting increases in Victoria's population growth rate (driven by higher international migration).

Key financial measure

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

Fiscal target

Key financial measure

Maintain a substantial budget sector operating surplus

Target

At least \$100 million

Sensitivity analysis

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

As detailed in Budget Paper No. 2, Chapter 7, *Statement of Risks*, the Department's analysis shows that if there were a 1 per cent rise in each of the following key economic variables in the first year above the forecast growth rate, the budget net result from transactions and net result over the forward estimates period would change as described in the following tables. It should be noted that the impact on the net result is inclusive of the impact on the net result from transactions.

Impact of a 1 percentage point increase in the economic variable on the budget net result from transactions^(a)

	(\$ million)			
	2005-06	2006-07	2007-08	2008-09
Gross state product	132	145	156	169
Employment	33	36	40	43
Consumer prices	168	30	31	36
Average weekly earnings	18	4	20	22
Domestic share prices	5	8	4	4
International share prices	4	5	1	1
Property prices	31	34	53	58
Property volumes	22	24	25	27
Interest rate	77	70	16	2

Source: Department of Treasury and Finance

Note:

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

Impact of a 1 percentage point increase in the economic variable on the budget net result^(a)

	(\$ million)			
	2005-06	2006-07	2007-08	2008-09
Gross state product	132	145	156	169
Employment	33	36	40	43
Consumer prices	47	30	31	36
Average weekly earnings	-149	4	20	22
Domestic share prices	57	8	4	4
International share prices	16	5	1	1
Property prices	40	34	53	58
Property volumes	22	24	25	27
Interest rate	2933	70	16	2

Source: Department of Treasury and Finance

Notes:

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

Note 1: Statement of significant accounting policies and forecast assumptions

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

(A) Compliance framework

In July 2002, the Financial Reporting Council announced that Australia would adopt International Financial Reporting Standards (IFRS) for reporting periods ending on or after 1 January 2005. In July 2004, the Australian Accounting Standards Board (AASB) issued 40 new and revised accounting standards based on IFRS. Together with a number of Urgent Issues Group Interpretations which are incorporated by AASB 1048 *Interpretation and Application of Standards*, the AASB pronouncements are to apply to all reporting entities preparing general purpose financial reports. In addition, certain existing Australian accounting standards, including AAS 31 *Financial Reporting by Government*, will continue to apply because there are no IFRS equivalents.

The Australian equivalent to International Financial Reporting Standards (A-IFRS) will be applicable to the *2005-06 Annual Financial Report of the State of Victoria*. As there are no specific Australian authoritative pronouncements that prescribe the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been presented based on a New Zealand Financial Reporting Standard *Prospective Financial Information* (FRS 29). FRS 29 requires prospective financial statements to be prepared in accordance with the accounting policies expected to be used in the future for reporting historically oriented general purpose financial reports; hence, the 2005-06 Estimated Financial Statements have been prepared on an A-IFRS basis. Information on the reconciliation of net assets as at the date of transition to A-IFRS is detailed in Note 18 in this budget paper.

In addition to compliance with A-IFRS and FRS 29, these Estimated Financial Statements have been prepared in accordance with sections 23H–23K of the *Financial Management Act 1994*, applicable pronouncements issued by the AASB, and other authoritative pronouncements. The information presented in the Estimated Financial Statements takes into account government decisions and other circumstances that may have a material effect on the statements.

The requirements of FRS 29 have been modified to achieve consistency in the presentation of the Estimated Financial Statements with AASB 101 *Presentation of Financial Statements*.

As part of the continuous improvement in financial reporting for the State, the Victorian Government has modified the presentation format of the operating statement to improve the usefulness and useability of its financial reports for

government performance reporting. The presentation format for the operating statement is intended to address the needs of all users pending introduction of a proposed Government Financial Statistics (GFS) and generally accepted accounting principles (GAAP) harmonised reporting format. In particular, the classification of income and expenses in the operating statement according to whether they arise from 'transactions' or 'other economic flows' will assist in meeting improved government accountability requirements within an accounting framework. The presentation format was developed with professional consultation and reference to authoritative guidance. More information on the definitions for 'transactions' and 'other economic flows' is detailed in Section F of this Note.

(B) Basis of accounting and measurement

The accrual basis of accounting has been employed in the preparation of the Estimated Financial Statements whereby assets, liabilities, income, expenses and equity are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The opening balances of 1 July 2005 are based on the audited financial report as at 30 June 2004 adjusted for opening adjustments for the adoption of A-IFRS and revised estimated movements for 2004-05, and have been prepared in accordance with the historical cost convention, except for those items measured at valuation, which include:

- non-current physical assets (other than plant, equipment and vehicles, which are valued at historical cost), which are reassessed with sufficient regularity to ensure the carrying amount does not differ from their fair value in accordance with AASB 116 *Property Plant and Equipment* and AASB 136 *Impairment of Assets*;
- investments and productive trees in commercial native forests which are recognised at their fair value less estimated point of sale costs in accordance with AASB 141 *Agriculture*; and
- certain liabilities, most notably unfunded defined benefit superannuation liabilities, which are calculated with regard to actuarial assessments in accordance with AASB 119 *Employee Benefits*.

(C) Reporting entity

The Victorian general government sector includes all government departments, agencies and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. The general government sector is not a separate entity but represents the budget sector within the State of Victoria whole-of-government reporting entity. Details of the entities included in the general government sector are shown in Note 19 to the financial statements.

The primary function of entities within the general government sector is to provide public services (outputs) which are mainly non-market in nature, for the collective

consumption of the community, and involve the transfer or redistribution of income and are financed mainly through taxes and other compulsory levies.

Estimated Financial Statements are not prepared for the State of Victoria reporting entity, but readers are encouraged to refer to the *Annual Financial Report of the State of Victoria*, which includes reporting for both the whole of government and the various sectors of government.

(D) Basis of consolidation

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

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

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

(E) Forecast reporting periods

The reporting period for most consolidated entities is the year ended 30 June. However, for those entities with a reporting period other than 30 June, the most recently audited financial year results are used as a basis for the opening balance beginning 1 July 2005. For example, TAFE institutes have a reporting period ending on 31 December. Consequently, the results of these entities for the year ended 31 December 2004 and the balances existing as at 31 December 2004 have been used in the preparation of these financial statements, revised for estimated movements in the six months to 30 June 2005.

(F) Changes to the presentation of the operating statement

As part of continuous improvement to its financial reports for government performance reporting, the Department of Treasury and Finance has adopted a new format in its presentation of the operating statement.

The presentation format is not inconsistent with A-IFRS, and is intended to transitionally address the needs of all users pending finalisation and introduction of a new reporting standard for government. AASB 101 *Presentation of Financial Statements* has introduced a degree of flexibility not available under the previous standards, to enable more relevant information to be presented to users to improve

understanding of financial performance. This includes the use of subtotals and the functional classification of items into transactions and other economic flows.

The income and expenses in the operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. Hence, the results on the face of the operating statement are grouped under headings of 'income from transactions', 'expenses from transactions', 'net result from transactions', and 'net result from other economic flows'.

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

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

(G) Income from transactions

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

Taxation

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

The types of taxation revenue raised by the State include:

- payroll tax;
- land tax;
- duties levied principally on conveyancing and land transfers and rental business;
- levies on statutory corporations (including the environmental levy);

- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third party, life and non-life policies and insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers; and
- other taxes, including landfill levies, concession fees payable by Transurban in respect of Melbourne City Link and licence fees.

Forecast assumption

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

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

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

The Tattersalls lottery licence expires on 30 June 2007. The Government is currently reviewing the post-2007 lottery arrangements. Estimates have been prepared on the basis of existing arrangements. These may be subject to revision when the review is finalised.

Fines and regulatory fees

Revenue from fines and regulatory fees, including motor driver licence fees and other miscellaneous motor vehicle fees, is recognised at the time the fine is issued or the regulatory fee is billed.

Forecast assumption

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

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

An indexation factor of 2.5 per cent has been applied to fines and regulatory fees for 2005-06.

Investment income

Investment income includes interest received, discount interest on financial assets, royalties, dividends and income tax and rate equivalent revenue from other sectors of government. Interest income is recognised on an accrual basis and dividend income is recognised when dividends are determined. Net realised and unrealised gains and losses on the revaluation of investments do not form part of investment income under income from transactions, but are reported as part of income from other economic flows.

Forecast assumption

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

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

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

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

Dividend and income tax equivalent forecasts can be significantly influenced by a number of factors, including the volatility of the financial markets and climatic conditions impacting on the water authorities. Revenue raised under the National Tax Equivalent Regime (NTER), administered by the Australian Taxation Office, remains with the State. Currently, 40 government business enterprises (including subsidiaries) are subject to the NTER.

Forecast interest revenue assumes projected budget cash surpluses are invested.

Grants income

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

Forecast assumption

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

Forecasts of Goods and Services Tax (GST) grants are based on the latest published Commonwealth forecast of the national GST pool. Victoria's share of future GST grants is obtained using the Commonwealth's population projections and holding the Commonwealth Grants Commission's latest set of assessed relativities constant throughout the forward years.

Sale of goods and services

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

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

Forecast assumption

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

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

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

(H) *Expenses from transactions*

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

Employee benefits

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

Forecast assumption

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

Superannuation

Superannuation expense is determined on the following basis:

- Defined contribution plans
The amount recognised as an expense reflects the State's contribution, paid or accrued, in respect of the reporting period.
- Defined benefit plans
The amount recognised under superannuation expense for defined benefit plans reflects the estimated movement in the State's net defined benefit superannuation liabilities during the reporting period, excluding the impact of actuarial gains and losses. Actuarial gains and losses are not classified as transactions and therefore are reported separately as superannuation expenses from other economic flows.

Forecast assumptions

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

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

Depreciation

All infrastructure, 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 residual value, over its estimated useful life. Depreciation rates and methods are reviewed annually.

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

<i>Asset class</i>	<i>Useful life</i>
Dwellings	40 to 50 years
Other buildings	30 to 60 years
Other infrastructure	10 to 32 years
Road pavement	60 years
Bridges	90 years
Plant, equipment and vehicles	3 to 10 years
Cultural assets	100 years

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

Forecast assumption

Depreciation is forecast on the basis of known asset profiles, asset sales programs and approved new asset investment programs. The expense is based on the assumption that there will be no change in depreciation rates over the forecast period. The estimated impact of future revaluation of assets on depreciation is also included in the expense.

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred, and include:

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

Forecast assumption

Estimates for finance costs are based on the forecast level of outstanding general government sector debt and expected changes in non-current financial liabilities and provisions. General government sector debt is expected to mainly comprise a fixed rate facility, and index-linked securities from the Treasury Corporation of Victoria. All maturities in the forecast period are assumed to be refinanced at forward interest rates.

Grants and transfer payments

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

Forecast assumption

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

Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operation of the general government sector. These items are recognised as an expense in the reporting period in which they are incurred. The carrying amount of any inventories held for distribution are expensed when distributed.

Forecast assumption

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

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

(I) Income and expenses from other economic flows

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

Gain (loss) from disposal of physical assets

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

Actuarial gains (losses) on superannuation defined benefit plans

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

(J) Assets

The 1 July 2005 opening balance of assets represents the audited value as at 30 June 2004, revised for estimated movements for 2004-05 and adjustments due to the adoption of A-IFRS.

Cash assets

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

Forecast assumption

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

Prepayments

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

Forecast assumption

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

Other financial assets

Other financial assets comprise equity investments, debt securities and term deposits and are initially recognised at cost, being the fair value of the consideration given at the date of acquisition. Subsequent to initial recognition, such financial assets, other than financial assets that are intended to be held to maturity, are remeasured at fair value. Any realised or unrealised gains or losses on financial assets held at fair value are recognised in the operating statement as income or expenses from other economic flows. Financial assets intended to be held to maturity are recognised at amortised cost over the life of the investment. Any discount or premium on acquisition is amortised over the period to maturity. Gains or losses prior to maturity resulting from impairment or other derecognition of the financial asset are recognised in the operating statement as other economic flows.

Forecast assumption

All surplus cash resources for the period 2005-06 to 2008-09 are assumed to be held as financial assets (investments) to preserve budget decision-making flexibility.

Receivables

Receivables consist predominantly of debtors in relation to goods and services, taxes and fines, accrued investment income, and GST input tax credits recoverable.

Non-interest bearing loans and receivables are initially recognised at fair value. Subsequent to initial recognition, all loans and receivables are carried at amortised cost using the effective interest method subject to a test for impairment.

The effective interest method calculates the amortised cost of a financial asset or a financial liability and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Debt receivables are initially recognised at fair value. Subsequent to initial recognition, debt receivables that are able to be sold before maturity are remeasured at fair value and any gain or loss is recognised through profit or loss; where the entity has a positive intention and ability to hold the debt receivable to maturity, subsequent to initial recognition, the debt receivables are carried at amortised cost using the effective interest method subject to a test for impairment. An allowance for doubtful debts is made when there is evidence that the collection of the full amount is no longer probable. Bad debts are written off when identified.

Forecast assumption

Receivables are forecast on the basis of revenue activity levels.

Inventories

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

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

Cost is assigned to other high value, low volume inventory items on a specific identification of cost basis.

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

Forecast assumption

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

Assets held for sale

Assets held for sale include assets for which the carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use. An asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

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.

Non-current physical assets

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

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

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

- land and buildings are measured at the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction;
- infrastructure assets and road network assets (including earthworks of the declared road networks but excluding land under roads) are measured by reference to the assets' depreciated replacement cost. Land under roads is not recognised;
- national parks, state forests and other Crown land are measured with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply; and
- cultural assets and collections, including heritage assets, are those assets that the State intends to preserve because of their unique historical, cultural or environmental attributes. These assets include items such as the Royal Botanical Gardens, Herbarium, State Library, Government House, Parliament House, historic houses, monuments, certain museum exhibits, art collections, archival collections and other items of cultural significance. These assets are measured at the cost of replacing the asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

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

Impairment

The carrying values of non-current physical assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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

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

Revaluations

Assets other than those that are carried at cost are revalued with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value. This revaluation process normally occurs every three to four years for assets with useful lives of less than 30 years, or six to eight years for assets with useful lives of 30 or more years. Revaluation increments or decrements arise from differences between an asset's depreciated cost or deemed cost and fair value.

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

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

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

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

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

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

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

Forecast assumption

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

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

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

Intangible assets

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

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

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

Intangible assets with indefinite useful lives are not amortised. The useful life of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, all intangible assets with indefinite useful lives are tested for impairment by comparing its recoverable amount with its carrying

amount annually or whenever there is an indication that the intangible asset may be impaired. Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Forecast assumption

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

Other non-current physical assets

Land under roads

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

Forecast assumption

AASB 1045 *Land Under Roads* provides transitional relief to governments to not recognise land under roads until the reporting period ending 30 June 2007. As permitted by AASB 1045, the State has adopted an accounting policy to not recognise land under roads. Accordingly, land under roads has not been recognised during the forecast period on the assumption that the requirements for the accounting of land under roads will remain unchanged for reporting periods after 30 June 2007.

Biological assets

The majority of biological assets comprise commercial native forests.

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

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

Forecast assumption

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

Partnerships Victoria projects

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

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

Leases

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

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

Finance leases are recognised as assets and liabilities at 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 lease payments are allocated between the principal component of the lease liability, and the interest expense calculated using the interest rate implicit in the lease, and charged directly to the estimated operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

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

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

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

Forecast assumption

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

(K) Liabilities

The 1 July 2005 opening balance of liabilities represents the audited value as at 30 June 2004, revised for estimated movements for 2004-05 and opening adjustments due to the adoption of A-IFRS.

Payables

Payables consist predominantly of creditors and other sundry liabilities. All payables are initially recognised at fair value. For current payables, it will be the nominal amount. Subsequent to initial recognition, all payables are carried at amortised cost using the effective interest method.

Forecast assumption

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

Interest-bearing liabilities

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

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

Interest-bearing loans and borrowings are initially recognised at fair value. Subsequent to initial recognition, the interest-bearing liabilities are remeasured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Forecast assumption

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

Employee benefits

An estimate of the employee benefits provision is made in the Estimated Financial Statements mainly for benefits not taken at the end of each forecast reporting date in respect of wages and salaries, annual leave and long service leave. The provisions for employee benefits that are expected to be settled within 12 months after the end of the reporting period are measured at the amounts expected to be paid. Benefits that are expected to be settled after 12 months are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to each reporting date.

Forecast assumption

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

Superannuation

The State's superannuation liabilities are estimated at each forward estimate reporting date based on the present value of the State's liability to provide members' accrued benefits under defined benefit plans less the net market value of the defined benefit plan's assets and less any unrecognised past service costs. The Projected Unit Credit Method is used to estimate the present value of accrued benefits expected to be paid in future reporting periods, giving consideration to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using rates of Commonwealth bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Forecast assumptions

The State's superannuation liabilities at future balance dates are estimated in accordance with the above policy applying projections provided by the actuaries of the various defined benefit plans under a number of demographic and financial assumptions which include, in particular, an expected return on the assets of the defined benefit plans and a discount rate for determining the present value of accrued benefits. Consistent with the long-term actuarial assumptions detailed below, the expected return on assets is assumed to remain constant across the budget and forecast periods. The discount rates used are based, in accordance with the requirements for reporting under A-IFRS, on the prevailing Commonwealth bond rates and are also assumed not to vary across the forward estimates period. Actual experiences may vary significantly from the assumptions used, which may cause significant variances to the State's superannuation liabilities with consequential impact principally on other economic flows in the operating statement.

The new A-IFRS standard AASB 119 *Employee Benefits*, requires increased disclosure of all the financial assumptions used in estimating the liability and the expenses to government of employee benefits. Consequently the table below provides additional information as part of the forecast assumptions for the budget and forward years for each relevant defined benefit plan.

Superannuation assumptions

<i>Victorian statutory superannuation funds</i>	<i>Assumptions</i>	<i>Per cent ^(a)</i>
State Superannuation Fund/Emergency Services Superannuation Scheme	Expected return on assets ^(b)	7.50
	Discount rate ^(c)	5.47
	Wages growth	4.00
	Inflation rate	2.50
Constitutionally Protected Schemes	Discount rate ^(c)	5.47
	Wages growth	4.00
	Inflation rate	n.a.
Parliamentary Contributory Superannuation Scheme ^(d)	Expected return on assets ^(b)	7.60
	Discount rate ^(c)	5.47
	Wages growth	4.00
	Inflation rate	n.a.
HealthSuper Fund	Expected return on assets ^(b)	7.00
	Discount rate ^(c)	5.47
	Wages growth	4.00
	Inflation rate	2.50

Notes:

- (a) *Wages growth in this table are actuarial assumptions and do not reflect the Government's wages policy.*
- (b) *The expected return on assets stated is gross of tax. This rate is adjusted in the calculation process to reflect the assumed rate of tax payable by each scheme. For the period to 30 June 2005, further adjustment was made in the calculation process to allow for the actual investment performance of each scheme, as available at that time.*
- (c) *In accordance with accounting standards, the discount rate is based on the 10 year Commonwealth Government bond rate. The rate stated above is an annual effective rate, gross of tax.*
- (d) *Parliamentary salaries are determined by reference to equivalent salaries in the Commonwealth Parliament.*

Outstanding insurance claims

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

Forecast assumption

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

Other liabilities

Other liabilities consist of income tax equivalent, dividends payable, deferred tax liability, unearned/prepaid income, goods and services tax and fringe benefits tax payables, and are initially recognised at fair value and subsequently remeasured at amortised cost.

(L) Right to receive assets

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

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

There are also a number of *Partnership Victoria* projects, including EastLink, which may include the right of the State to receive assets in the future. This recognition of the right to receive infrastructure assets is currently being considered by the accounting profession and a cross-jurisdictional government working party, but the accounting treatment has been deferred until authoritative guidance is available.

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

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

Revenues, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense. GST receivable from and payable to the Australian Taxation Office has been included in the Estimated Balance Sheet.

(N) Estimated statement of cash flows

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

(O) Rounding

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

Note 2: Taxation

(\$ million)

	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Payroll tax	3 179.2	3 328.6	3 487.4	3 648.8
Taxes on immovable property				
Land tax	824.1	846.8	837.2	847.5
Long-stay car parks levy	19.4	38.8	39.7	40.6
Metropolitan improvement levy	92.1	95.1	98.2	101.4
Property owner contributions to fire brigades	34.9	35.6	36.4	38.0
Total taxes on immovable property	970.5	1 016.3	1 011.4	1 027.5
Financial and capital transactions				
Land transfers	2 075.6	2 108.8	2 167.5	2 254.4
Rental business stamp duty	57.5	43.5	..	..
Other property stamp duty	11.1	12.9	12.3	13.0
Debits tax	21.5	..	..	..
Financial accommodation levy	10.2	14.1	16.6	16.8
Total financial and capital transactions	2 175.9	2 179.3	2 196.4	2 284.2
Levies on statutory corporations	60.4	60.4	61.6	..
Gambling taxes				
Private lotteries	314.7	330.0	333.4	343.4
Electronic gaming machines	931.0	983.4	944.8	997.0
Casino	113.5	122.5	132.7	144.3
Racing	116.5	120.3	118.0	121.9
Other	3.3	3.4	3.5	3.6
Total gambling taxes	1 479.0	1 559.6	1 532.5	1 610.3
Taxes on insurance	1 061.2	1 114.9	1 173.4	1 229.7
Motor vehicle taxes^(a)				
Vehicle registration fees	711.4	764.5	808.6	855.4
Stamp duty on vehicle transfers	594.9	631.4	670.8	712.3
Total motor vehicle taxes	1 306.3	1 395.9	1 479.4	1 567.7
Other taxes	73.7	74.8	74.1	73.2
Total taxation revenue	10 306.2	10 729.8	11 016.2	11 441.3

Note:

(a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Note 3: Investment income

	(\$ million)			
	2005-06	2006-07	2007-08	2008-09
	Budget	Estimate	Estimate	Estimate
Investment income from transactions				
Dividends	699.9	558.8	550.8	437.9
Income tax and rate equivalent revenue	203.6	217.9	225.5	241.0
Interest	361.7	339.0	313.5	313.1
Royalties	55.7	65.0	65.4	65.9
Rents	15.3	15.4	15.6	15.7
Other	61.6	64.0	64.3	64.7
Total investment income from transactions	1 397.9	1 260.2	1 235.2	1 138.3
Investment income from other economic flows				
Gain on investments	0.1	0.1	0.1	0.1
Total investment income from other economic flows	0.1	0.1	0.1	0.1
Total investment income	1 398.0	1 260.3	1 235.3	1 138.4

Note 4: Grants income

	(\$ million)			
	2005-06	2006-07	2007-08	2008-09
	Budget	Estimate	Estimate	Estimate
Operating grants				
General purpose grants	8 050.4	8 261.2	8 695.8	9 147.4
Specific purpose grants for on-passing	1 686.3	1 797.3	1 905.6	2 021.7
Other specific purpose grants	3 971.1	4 047.8	4 219.5	4 395.1
Total operating grants	13 707.7	14 106.3	14 820.9	15 564.2
Capital grants				
Specific purpose grants for on-passing	132.3	136.7	137.5	138.2
Other specific purpose grants	422.0	490.3	305.3	289.5
Total capital grants	554.3	627.0	442.8	427.8
Total grants income	14 262.1	14 733.3	15 263.7	15 992.0

Note 5: Superannuation

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

(a) Superannuation expense recognised in the operating statement

	(\$ million)			
	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Defined benefit plans				
Current service cost ^(a)	634.5	538.8	508.9	505.6
Interest cost ^(a)	1 401.7	1 428.9	1 449.3	1 465.8
Expected return on plan assets (net of expenses) ^(a)	(958.8)	(960.3)	(965.2)	(978.1)
Amortisation of past service cost ^(a)	(12.0)	(12.0)	(12.0)	(12.0)
Actuarial (gains)/losses ^(b)	..	..	..	..
Total expense recognised in respect of defined benefit plans	1 065.4	995.5	981.1	981.3
Defined contribution plans				
Employer contributions to defined contribution plans ^(a)	655.2	749.2	762.0	777.2
Other (including pensions) ^(a)	38.7	40.3	41.9	43.5
Total expense recognised in respect of defined contribution plans	693.9	789.5	803.9	820.7
Total superannuation expense recognised in operating statement	1 759.3	1 784.9	1 785.0	1 802.0

Notes:

(a) Superannuation expense from transactions.

(b) Superannuation expense from other economic flows.

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

	(\$ million)			
	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Opening balance of defined benefit obligation	30 677.0	31 289.4	31 714.1	32 011.5
Current service cost	634.5	538.8	508.9	505.6
Interest cost	1 401.7	1 428.9	1 449.3	1 465.8
Contributions by plan participants	213.2	207.2	198.4	190.0
Actuarial (gains)/losses	..	..	..	..
Benefits paid	(1 637.0)	(1 750.2)	(1 859.3)	(1 929.6)
Closing balance of defined benefit obligation	31 289.4	31 714.1	32 011.5	32 243.3

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

(\$ million)

	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Opening balance of plan assets	13 961.5	13 913.6	13 965.4	14 178.3
Expected return on plan assets	958.8	960.3	965.2	978.1
Actuarial gains/(losses)	..	..	..	..
Employer contributions	488.0	772.7	1 044.1	1 134.0
Contributions by plan participants	213.2	207.2	198.4	190.0
Benefits paid (including tax paid)	(1 707.8)	(1 888.5)	(1 994.7)	(2 073.7)
Closing balance of plan assets	13 913.6	13 965.4	14 178.3	14 406.7

(d) Reconciliation of the assets and liabilities recognised in the balance sheet

(\$ million)

	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
State Superannuation Fund				
Defined benefit obligation	23 505.4	23 824.2	24 031.7	24 190.2
Plan assets	(9 260.5)	(9 182.5)	(9 118.8)	(9 084.4)
Net liability/(asset)	14 244.9	14 641.7	14 912.9	15 105.9
Other funds^(a)				
Defined benefit obligation	7 784.0	7 890.0	7 979.8	8 053.1
Plan assets	(4 653.2)	(4 782.9)	(5 059.6)	(5 322.4)
Net liability/(asset)	3 130.9	3 107.1	2 920.2	2 730.7
Total unfunded superannuation				
Defined benefit obligation	31 289.4	31 714.1	32 011.5	32 243.3
Plan assets	(13 913.6)	(13 965.4)	(14 178.3)	(14 406.7)
Unrecognised past service cost	43.0	31.0	19.0	7.0
Unfunded superannuation liability	17 418.8	17 779.8	17 852.2	17 843.5
Represented by:				
Current liability	285.0	560.0	652.0	822.0
Non-current liability	17 133.8	17 219.8	17 200.2	17 021.5

Note:

(a) Other consists of Emergency Services Superannuation Fund, constitutionally protected schemes, Parliamentary Contributory Superannuation Scheme, HealthSuper Fund and the general government element of the Local Authorities Fund.

Note 6: Depreciation and amortisation

(\$ million)

	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Depreciation from transactions				
Plant and equipment	513.5	542.6	565.5	568.9
Infrastructure	26.5	21.8	23.9	26.4
Buildings ^(a)	338.5	366.9	419.5	473.9
Road networks	302.3	311.4	325.3	326.1
Other assets	11.9	8.4	8.3	8.3
Total depreciation from transactions	1 192.6	1 251.1	1 342.5	1 403.7
Amortisation from transactions				
Leased plant and equipment	13.3	10.0	10.7	10.7
Leasehold buildings	21.8	24.1	24.2	24.2
Intangible produced assets	7.4	6.4	5.9	5.9
Total amortisation from transactions	42.5	40.5	40.8	40.8
Total depreciation and amortisation from transactions	1 235.1	1 291.6	1 383.3	1 444.5
Amortisation from other economic flows				
Intangible non-produced assets	8.4	9.6	8.9	10.2
Total amortisation from other economic flows	8.4	9.6	8.9	10.2
Total depreciation and amortisation	1 243.5	1 301.1	1 392.2	1 454.7

Note:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2006-07 to 2008-09.

Note 7: Financing costs

(\$ million)

	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Interest on long-term interest bearing liabilities	356.4	348.8	353.8	371.1
Interest on short-term interest bearing liabilities	23.1	26.1	26.4	26.3
Finance charges on finance leases	25.6	41.4	42.0	42.5
Discount interest	59.0	55.0	52.0	52.0
Other financing costs	28.1	29.3	29.7	32.2
Total financing costs	492.1	500.7	503.8	524.1

Note 8: Grants and transfer payments

(\$ million)

	2005-06	2006-07	2007-08	2008-09
	Budget	Estimate	Estimate	Estimate
Commonwealth	53.7	55.0	56.3	56.6
Local government	493.7	520.1	517.3	517.4
Private sector	3 428.7	3 369.0	3 340.5	3 401.9
Grants within Victorian Government	1 599.6	1 594.0	1 630.7	1 597.8
Grants to other state governments	3.7	1.8	0.5	0.5
Total grants and transfer payments	5 579.3	5 539.9	5 545.3	5 574.3

Note 9: Total expenses by department

(\$ million)

	2005-06	2006-07	2007-08	2008-09
	Budget	Estimate	Estimate	Estimate
Expenses				
Education and Training	8 973.4	9 313.0	9 443.2	9 731.5
Human Services	11 433.2	11 774.9	12 080.7	12 317.9
Infrastructure	3 505.8	3 615.6	3 656.3	3 686.5
Innovation, Industry and Regional Development	276.9	304.5	285.8	214.5
Justice	2 855.7	2 897.0	2 982.2	3 066.9
Parliament	107.7	110.8	112.8	113.8
Premier and Cabinet	482.1	488.3	511.1	511.2
Primary Industries	351.8	330.1	309.7	314.3
Sustainability and Environment	950.7	948.1	945.6	979.0
Treasury and Finance	1 978.0	1 989.4	1 986.3	2 003.8
Victorian Communities	1 064.5	766.2	696.4	719.5
Contingencies not allocated to departments ^(a)	9.7	328.7	726.3	1 018.1
Regulatory bodies and other part budget funded agencies ^(b)	1 039.6	1 076.1	1 107.3	1 126.8
Total	33 029.1	33 942.7	34 843.8	35 803.8
Less eliminations ^(c)	(2 695.4)	(2 736.6)	(2 839.6)	(2 795.8)
Total expenses	30 333.6	31 206.1	32 004.2	33 008.0

Notes:

- (a) This contingency includes a provision for programs lapsing in 2008-09, future demand growth and an allowance for departmental underspending in 2005-06 which may be subject to carryover into 2006-07. Under the departmental funding model, since 1 July 2004, departments have been required to manage all costs within their departmental budgets.
- (b) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to departments.
- (c) Comprising payroll tax, capital asset charge and inter-departmental transfers.

Note 10: Property, plant and equipment and infrastructure systems

(\$ million)

	2006 Budget	2007 Estimate	2008 Estimate	2009 Estimate
Land, national parks and other land only holdings	16 139.6	17 274.4	18 437.1	19 735.3
Buildings ^(a)	14 570.0	16 231.4	18 124.8	20 430.2
Less: Accumulated depreciation	(1 298.5)	(1 678.2)	(2 111.4)	(2 599.3)
Buildings (written down value)	13 271.5	14 553.2	16 013.4	17 830.9
Infrastructure systems	973.0	1 082.1	1 177.6	1 246.2
Less: Accumulated depreciation	(69.6)	(91.0)	(114.2)	(139.8)
Infrastructure systems (written down value)	903.5	991.2	1 063.3	1 106.4
Plant, equipment and vehicles	4 968.0	5 291.5	5 536.7	5 777.0
Less: Accumulated depreciation	(2 901.8)	(3 340.2)	(3 809.2)	(4 284.2)
Plant, equipment and vehicles (written down value)	2 066.3	1 951.3	1 727.5	1 492.8
Leased plant, equipment and vehicles	58.7	44.0	25.0	25.0
Less: Accumulated depreciation	(28.7)	(29.0)	(29.2)	(36.3)
Leased plant, equipment and vehicles (written down value)	30.0	15.0	(4.2)	(11.3)
Total property, plant and equipment	32 410.8	34 785.1	37 237.1	40 154.1

Note:

(a) Includes amounts not yet allocated to projects in 2006-07 to 2008-09.

Note 11: Road networks

(\$ million)

	2006 Budget	2007 Estimate	2008 Estimate	2009 Estimate
Road infrastructure	20 580.2	21 926.5	23 027.8	24 159.4
Accumulated depreciation	(6 987.3)	(7 298.7)	(7 624.0)	(7 950.2)
Roads (written down value)	13 592.8	14 627.8	15 403.8	16 209.2
Earthworks	4 392.6	4 392.6	4 392.6	4 392.6
Total road networks	17 985.5	19 020.4	19 796.4	20 601.8

Note 12: Reconciliation of movements in fixed assets

(\$ million)

	2006	2007	2008	2009
	Budget	Estimate	Estimate	Estimate
Carrying amount at the start of the year ^(a)	46 435.9	50 396.2	53 805.5	57 033.5
Additions ^(b)	3 133.5	2 406.6	2 240.3	2 303.6
Disposals at written down value	(140.2)	(113.7)	(211.8)	(110.1)
Revaluations increments	2 211.9	2 394.2	2 579.6	2 800.2
Assets transferred	(29.0)	(1.0)	(11.0)	159.0
Depreciation/amortisation expense	(1 215.8)	(1 276.8)	(1 369.1)	(1 430.3)
Carrying amount at the end of the year	50 396.2	53 805.5	57 033.5	60 755.9

Notes:

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

(b) Includes assets acquired under finance lease arrangements.

Note 13: Other assets

(\$ million)

	2006	2007	2008	2009
	Budget	Estimate	Estimate	Estimate
Natural resources reserves at valuation	123.9	132.3	140.7	149.1
Other assets - including works of art, museum collection, rare book collections and intangibles	3 449.2	3 499.5	3 562.0	3 609.4
Less: Accumulated depreciation/amortisation	(187.3)	(211.1)	(234.9)	(258.7)
Total other assets	3 385.8	3 420.8	3 467.8	3 499.7

Note 14: Employee benefits

(\$ million)

	2006	2007	2008	2009
	Budget	Estimate	Estimate	Estimate
Current				
Accrued salaries and wages ^(a)	747.5	767.4	788.0	807.9
Long service leave	221.3	247.8	274.3	300.7
Total current employee benefits	968.7	1 015.2	1 062.2	1 108.6
Non-current				
Accrued salaries and wages ^(a)	119.3	119.3	119.3	119.3
Long service leave	2 360.3	2 478.6	2 554.1	2 629.9
Total non-current employee benefits	2 479.6	2 597.9	2 673.4	2 749.2
Total employee benefits	3 448.3	3 613.1	3 735.6	3 857.8

Note:

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

Note 15: Reconciliation of net cash flows from operating activities

	(\$ million)			
	2005-06	2006-07	2007-08	2008-09
	Budget	Estimate	Estimate	Estimate
Net result	324.1	278.2	270.3	512.6
Non-cash movements				
Depreciation and amortisation	1 243.5	1 301.1	1 392.2	1 454.7
Revaluation of investments	(0.1)	(0.1)	(0.1)	(0.1)
Assets received/given free of charge	(22.0)	..	10.0	(160.0)
Revaluation of assets	(8.4)	(8.4)	(8.4)	(8.4)
Discount/premium on other financial assets/interest bearing liabilities	4.8	5.0	4.4	6.9
Movements included in investing and financing activities				
Net revenue from sale of property, plant and equipment	(25.7)	(21.4)	(9.1)	(9.7)
Movements in assets and liabilities				
Increase/(decrease) in provision of doubtful debts	65.7	61.0	51.0	45.9
Increase/(decrease) in payables	(1.9)	(64.6)	(52.9)	(45.2)
Increase/(decrease) in employee benefits	246.1	164.8	122.5	122.2
Increase/(decrease) in superannuation	649.4	361.0	72.5	(8.7)
Increase/(decrease) in insurance claims liabilities	(5.1)	(33.4)	(29.9)	(29.7)
Increase/(decrease) in other liabilities	2.5	(11.2)	(16.7)	(4.2)
(Increase)/decrease in receivables	58.8	(172.5)	(213.0)	(165.2)
(Increase)/decrease in other assets	46.9	39.4	28.2	33.9
Net cash flows from operating activities	2 578.6	1 899.2	1 621.0	1 744.9

Note 16: Reconciliation of cash

	(\$ million)			
	2005-06	2006-07	2007-08	2008-09
	Budget	Estimate	Estimate	Estimate
Cash	745.9	760.3	776.1	790.6
Deposits at call	559.1	545.2	531.9	518.6
Cash and deposits	1 305.0	1 305.5	1 308.1	1 309.2
Bank overdraft	(8.4)	(8.4)	(8.4)	(8.4)
Cash and deposits held as at 30 June	1 296.6	1 297.1	1 299.7	1 300.8

Note 17: Purchase of property, plant and equipment by department

(\$ million)

	2005-06	2006-07	2007-08	2008-09
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Education and Training	555.7	368.5	199.9	201.4
Human Services	773.7	537.0	274.4	115.8
Infrastructure	661.7	657.5	359.6	158.2
Innovation, Industry and Regional Development	48.9	11.6	11.7	11.7
Justice	194.1	145.0	94.1	80.5
Parliament	6.1	5.1	6.7	2.2
Premier and Cabinet	81.8	58.1	38.1	37.9
Primary Industries	4.9	5.1	5.2	5.2
Sustainability and Environment	131.9	92.1	83.7	71.2
Treasury and Finance ^(a)	65.8	28.7	14.0	13.9
Victorian Communities	24.2	7.3	6.3	6.2
Other general government sector agencies	105.4	118.5	84.9	85.2
Not allocated to departments ^(b)	(125.0)	385.0	1 072.8	1 526.7
Total purchase of property, plant and equipment	2 529.4	2 419.5	2 251.3	2 315.9

Notes:

(a) Includes amounts under the vehicle fleet leasing facility not allocated to departments.

(b) Amount available to be allocated to specific departments and projects in future budgets. This includes an allowance for departmental underspending in 2005-06 which may be subject to carryover in 2006-07.

Note 18: Reconciliation of net assets as at 1 July 2004

		(\$ million)		
Notes ^(a)		Existing AAS	Transition impact	A-IFRS
	Current assets			
	Cash assets	1 300.9	..	1 300.9
	Other financial assets	2 489.1	..	2 489.1
	Receivables	1 592.4	0.3	1 592.6
	Prepayments	86.9	..	86.9
(b)	Inventories	135.5	(39.8)	95.7
(b)	Assets held for sale	..	83.4	83.4
	Total current assets	5 604.6	43.8	5 648.4
	Non-current assets			
	Other financial assets	557.7	..	557.7
	Receivables	407.4	..	407.4
(b)	Inventories	31.6	(31.6)	(0.0)
(c)	Property, plant and equipment and infrastructure systems other than roads	24 953.6	(887.2)	24 066.4
	Road networks	16 322.1	..	16 322.1
	Other assets	3 206.1	14.2	3 220.3
	Total non-current assets	45 478.4	(904.6)	44 573.8
	Total assets	51 083.0	(860.8)	50 222.2
	Current liabilities			
	Payables	1 933.1	(1.0)	1 932.1
	Interest bearing liabilities	191.5	..	191.5
(d)	Employee benefits	1 011.1	(110.7)	900.5
(e)	Superannuation	150.9	50.0	200.9
	Outstanding insurance claims	63.6	..	63.6
	Other liabilities	507.6	2.5	510.1
	Total current liabilities	3 857.8	(59.3)	3 798.5
	Non-current liabilities			
	Payables	1 301.4	..	1 301.4
	Interest bearing liabilities	5 316.0	..	5 316.0
(d)	Employee benefits	1 966.1	109.7	2 075.8
(e)	Superannuation	11 559.8	4 092.2	15 652.0
	Outstanding insurance claims	340.1	..	340.1
	Other liabilities	463.3	10.4	473.6
	Total non-current liabilities	20 946.5	4 212.3	25 158.9
	Total liabilities	24 804.3	4 153.1	28 957.4
	Net assets	26 278.7	(5 013.9)	21 264.8

Notes:

- (a) This table reconciles the opening balances as at 1 July 2004 restated on an A-IFRS basis. The following notes provide explanations of material restatements.
- (b) Certain assets that were previously classified as inventory are now classified as assets held for sale under A-IFRS, causing a decrease in inventories and an increase in assets held for sale.
- (c) The decrease in property, plant and equipment is due to the write-down of school buildings by the Department of Education and Training as a result of impairment requirements under AASB 116 and AAS 136.
- (d) The movement in employee benefits is due to a reclassification by the Department of Human Services. Consistent with reporting requirements under A-IFRS, certain employee benefits that were previously classified as current liabilities are now classified as non-current liabilities.
- (e) The increase in the unfunded superannuation liability is due to a change in the method of calculating the present value of the underlying obligation under AASB 119.

Note 19: General government sector entities

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

General government sector entities

Department of Education and Training

Adult Community and Further Education Board
Adult Multicultural Education Services
Centre for Adult Education
TAFEs including:
Bendigo Regional Institute of TAFE
Box Hill Institute of TAFE
Central Gippsland Institute of TAFE
Chisholm Institute of TAFE
Driver Education Centre of Australia Ltd (DECA)
East Gippsland Institute of TAFE
Gordon Institute of TAFE
Goulburn Ovens Institute of TAFE
Holmesglen Institute of TAFE
Institute of Land and Food Resources (TAFE Division)
International Fibre Centre Limited
Kangan Batman Institute of TAFE
Northern Melbourne Institute of TAFE
Royal Melbourne Institute of Technology (TAFE Division)
South West Institute of TAFE
Sunraysia Institute of TAFE
Swinburne University of Technology (TAFE Division)
University of Ballarat (TAFE Division)
Victoria University of Technology (TAFE Division)
William Angliss Institute of TAFE
Wodonga Institute of TAFE
Victorian Curriculum and Assessment Authority
Victorian Institute of Teaching
Victorian Learning and Employment Skills Commission
Victorian Qualifications Authority

Department of Human Services

Health Purchasing Victoria
Hospitals, Health and Ambulance Services including:
Alexandra District Ambulance Service
Alexandra District Hospital
Alpine Health
Ambulance Service Victoria Metropolitan Region
Austin Health
Bairnsdale Regional Health Service
Ballarat Health Services
Barwon Health
Bass Coast Regional Health

General government sector entities (continued)

Bayside Health
Beaufort and Skipton Health Service
Beechworth Health Service
Benalla and District Memorial Hospital
Bendigo Health Care Group
Boort District Hospital
Casterton Memorial Hospital
Central Gippsland Health Service
Cobram District Hospital
Cohuna District Hospital
Colac Area Health
Coleraine and District Health Services
Dental Health Services Victoria
Djerriwarrh Health Services
Dunmunkle Health Services
East Grampians Health Service
East Wimmera Health Service
Eastern Health
Echuca Regional Health
Edenhope and District Memorial Hospital
Gippsland Southern Health Service
Goulburn Valley Health
Hepburn Health Service
Hesse Rural Health Service
Heywood Rural Health
Inglewood and District Health Service
Kerang and District Hospital
Kilmore and District Hospital
Kooweerup Regional Health Service
Kyabram and District Health Services
Kyneton District Health Service
Latrobe Regional Hospital
Lorne Community Hospital
Maldon Hospital
Mallee Track Health and Community Services
Manangatang and District Hospital
Mansfield District Hospital
Maryborough District Health Service
McIvor Health and Community Services
Melbourne Health
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

General government sector entities (continued)

Peter MacCallum Cancer Institute
Portland District Health
Robinvale District Health Services
Rochester and Elmore District Health Service
Rural Ambulance Victoria
Rural Northwest Health
Seymour District Memorial Hospital
South Gippsland Hospital
South West Healthcare
Southern Health
Stawell Regional Health
Swan Hill District Hospital
Tallangatta Health Service
Terang and Mortlake Health Service
The Queen Elizabeth Centre
The Royal Children's Hospital
The Royal Victorian Eye and Ear Hospital
The Royal Women's Hospital
Timboon and District Health Care Service
Tweddle Child and Family Health Service
Upper Murray Health and Community Services
Victorian Institute of Forensic Mental Health
West Gippsland Health Care Group
West Wimmera Health Service
Western District Health Service
Western Health
Wimmera Health Care Group
Wodonga Regional Health Service
Yarram and District Health Service
Yarrawonga District Health Service
Yea and District Memorial Hospital
Infertility Treatment Authority
Mental Health Review Board
Psychosurgery Review Board
Registration Boards including:
Chinese Medicine Registration Board of Victoria
Chiropractors Registration Board of Victoria
Dental Practice Board of Victoria
Medical Practitioners Board of Victoria
Nurses Board of Victoria
Optometrists Registration Board of Victoria
Osteopaths Registration Board of Victoria
Pharmacy Board of Victoria
Physiotherapists Registration Board of Victoria
Podiatrists Registration Board of Victoria
Psychologists Registration Board of Victoria
Victorian Health Promotion Foundation
Victorian Relief Committee

General government sector entities (continued)

Department of Infrastructure

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

Department of Innovation Industry and Regional Development

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

Department of Justice

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

Department of Premier and Cabinet

Australian Centre for the Moving Image
Film Victoria
Library Board of Victoria
Museums Board of Victoria
National Gallery of Victoria, Council of Trustees
Office of the Ombudsman
State Services Authority (incorporates former Office of Public Employment)

Department of Primary Industries

Veterinary Practitioners Registration Board of Victoria

Department of Sustainability and Environment

Architects Registration Board of Victoria
Building Commission
Catchment Management Authorities including:
Corangamite Catchment Management Authority
East Gippsland Catchment Management Authority

General government sector entities (continued)

Glenelg Hopkins Catchment Management Authority
Goulburn Broken Catchment Management Authority
Mallee Catchment Management Authority
North Central Catchment Management Authority
North East Catchment Management Authority
Port Phillip and Westernport Catchment Management Authority
West Gippsland Catchment Management Authority
Wimmera Catchment Management Authority
EcoRecycle Victoria
Environment Protection Authority
Heritage Council
Office of the Commissioner for Environmental Sustainability
Parks Victoria
Plumbing Industry Commission
Royal Botanic Gardens Board
Surveyors Registration Board of Victoria (formerly Surveyors Board)
Trust for Nature (Victoria)

Department of Treasury and Finance

Essential Services Commission
Victorian Competition and Efficiency Commission

Department for Victorian Communities

2007 World Swimming Championship Corporation
Shrine of Remembrance Trustees (formerly under DSE)
Victorian Institute of Sport Limited
Victorian Institute of Sport Trust

Parliament of Victoria

Victorian Auditor-General's Office

CHAPTER 2 – DEPARTMENTAL FINANCIAL STATEMENTS

This chapter provides estimated financial reports for each department under Australian equivalents to International Financial Reporting Standards (A-IFRS). 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 following tables can be used to assess each department's estimated financial performance and use of resources.

- **operating statement** – provides details of the department's controlled income and expenses on an accrual basis reflecting the cost of providing its outputs;
- **statement of cash flows** – shows all movements of cash (cash received and paid). The cash impact of financing and investing activities on departmental resources is highlighted in this statement;
- **balance sheet** – shows all controlled assets and liabilities of the department. The difference between these represents the net assets position, which is an indicator of the State's equity in the department; and
- **administered items statement** – provides details of the department's administered income and expenses, and its administered assets and liabilities.

Consistent with the consolidated financial reports for the general government sector provided in Chapter 1, these estimated departmental financial statements have been prepared based on an A-IFRS basis. There are no Australian Accounting Standards (AAS) for prospective reporting by government entities, so as far as it is possible, the primary statements have been prepared consistent with AAS 29, which prescribes the form and content of general purpose financial reports of government departments. For the purposes of this budget paper, the statements have also been divided into controlled and administered items. Administered items refer to those resources over which a department cannot exercise direct control. Authority is provided through an appropriation for payments made on behalf of the State. Under the AAS 29 standard, these items would normally appear as notes to the financial statements.

In addition to the aforementioned statements, this chapter contains tables detailing the restatement of the balance sheet opening balance from an existing AAS basis to A-IFRS as at 1 July 2004 for controlled and administered items. The notes accompanying these tables explain the impact of transition.

Actual departmental results based on existing AAS are presented in Appendix C, *Departmental Financial Statements – Revised Estimates 2004-05*. The revised 2004-05 statements provide a comparison between 2003-04 actual results and the 2004-05 Budget and revised estimates under existing AAS. These statements are not comparable to the estimated financial statements under A-IFRS in this chapter.

DEPARTMENT OF EDUCATION AND TRAINING

Operating performance

The Department of Education and Training (DE&T) is estimated to have an operating surplus of \$107 million for 2005-06, which is in line with the 2004-05 revised operating surplus. This is primarily generated in the schools and TAFE sectors, where state and Commonwealth funding for capital and locally raised funds are received as income in the operating statement but applied to capital expenditure (shown as an asset in the balance sheet), therefore appearing as an operating surplus.

The operating statement shows an increase in total operating income of \$288 million (or 3.9 per cent) between the 2004-05 revised budget and the 2005-06 Budget. This is primarily a result of:

- funding for new initiatives announced in the 2005-06 Budget, such as increased equity funding, additional cleaning costs for schools, increased support to non-government schools and a fibre-optic data communication network connecting all government schools;
- the flow-through effect of funding for initiatives approved in previous budgets (which will have further impact in 2005-06), including the appointment of additional teachers to develop areas of specialisation, and completion bonuses for apprenticeships and trainees;
- the flow-through effect of supplementation to meet the employment costs of various enterprise bargaining outcomes (including the schools and TAFE sectors); and
- general inflation-related indexation.

Total operating expenses for DE&T in 2005-06 are budgeted to increase by \$292 million (or 4.0 per cent) between the 2004-05 revised budget and the 2005-06 Budget. This expenditure reflects the application of the increased income discussed above.

Investment and financing

The increased capital investment in both schools and TAFE institutes is to continually improve and add to the education infrastructure base. This investment reflects DE&T's continuing focus on facilities to support education outcomes in line with election commitments. Increased investment reflected in the 2005-06 Budget includes:

- the modernisation of existing schools, replacement and building of new schools, classroom replacement, providing specialist facilities in secondary schools and the upgrade of teaching equipment in TAFE institutes;

- further investment in Information Technology infrastructure aimed at providing an enhanced data communication network to all government schools to improve internet access for students and the provision of more computers to government school students; and
- the consolidation of the Victorian Curriculum and Assessment Authority's corporate leases through the modernisation of an existing building.

Commonwealth funding has also enabled increased investment in assets for the education sector.

Balance sheet performance

The increase in investment discussed above has been a major contributing factor in DE&T's net asset position which is expected to improve by \$282 million, reflecting a projected increase in total assets of \$332 million offset by an increase in total liabilities of \$50 million.

The expected change in total liabilities reflects increases in long service leave for staff employed in the education sector arising from 2005-06 wage increases and underlying growth in years of service. Under government funding processes, this growth is also reflected in non-current receivables for the department, thus creating an increase in total assets.

Most of the \$332 million increase in total assets can be attributed to an increase in property, plant and equipment, reflecting increased investment as outlined above.

Statement of administered items

This statement primarily comprises grants received from the Commonwealth for government schools and grants for on-passing to non-government schools.

Total administered income is projected to increase by \$127 million from the 2004-05 revised budget to the 2005-06 Budget, largely due to increased grants for government and non-government schools from the Commonwealth.

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

Table 2.1.1: Operating statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	6 248.9	6 515.2
Special appropriations	0.3	0.3
Resources received free of charge or for nominal consideration	0.7	0.7
Sale of goods and services	527.2	537.7
Commonwealth grants	270.8	274.8
Revenue from other parties and other income	306.6	313.8
	7 354.5	7 642.5
Expenses		
Employee benefits	4 248.3	4 438.1
Depreciation and amortisation	285.7	302.5
Grants and other payments	590.2	612.5
Capital asset charge	762.9	801.2
Supplies and services	1 354.8	1 379.8
Financing costs	1.0	1.0
	7 242.9	7 535.1
Net result for the reporting period	111.6	107.3
Net increase in asset revaluation reserve	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	111.6	107.3

Source: Departments of Education and Training and Treasury and Finance

Note:

- (a) Presentation of 2004-05 revised estimates and 2005-06 Budget is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.

Table 2.1.2: Statement of cash flows

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Cash flows from operating activities		
Receipts from Government	6 404.9	6 662.5
Receipts from other entities	524.3	534.9
Payments for supplies, grants and employees	(6 156.4)	(6 379.8)
	772.7	817.6
Interest received	30.0	31.9
Capital asset charge	(762.9)	(801.2)
Financing costs expense	(1.0)	(1.0)
Other receipts	298.0	303.4
Net cash inflow from operating activities	336.8	350.7
Cash flows from investing activities		
Payments for property, plant and equipment	(437.4)	(555.7)
Proceeds from sale of property, plant and equipment	2.3	2.4
Net cash (outflow) from investing activities	(435.1)	(553.3)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	73.6	174.6
Net proceeds from borrowings	2.0	..
Net cash inflows/(outflow) from financing activities	75.7	174.6
Net increase/(decrease) in cash held	(22.6)	(28.1)
Cash at the beginning of the financial year	520.8	498.1
Cash at the end of the financial year^(a)	498.1	470.0

Source: Departments of Education and Training and Treasury and Finance

Note:

(a) There is a difference of \$2 million between cash assets in the balance sheet and cash at the end of the financial year in the statement of cash flows. This is because the cash assets in the balance sheet does not include a payable item of \$2 million, which is instead classified in the payables category.

Table 2.1.3: Balance sheet

(\$ million)

	Estimated as at 30 June ^{(a)(b)}	
	2005 Revised	2006 Budget
Current assets		
Cash assets ^(c)	495.9	467.8
Other financial assets	164.1	164.1
Receivables	76.0	76.1
Inventories	9.4	9.4
Prepayments	19.6	19.8
Assets held for sale	10.1	10.1
Other	1.1	1.1
Total current assets	776.2	748.3
Non-current assets		
Receivables	497.5	625.2
Other financial assets	12.8	12.8
Property, plant and equipment	9 740.2	9 972.1
Intangible assets	0.5	0.5
Other	11.8	11.8
Total non-current assets	10 262.8	10 622.5
Total assets	11 038.9	11 370.8
Current liabilities		
Payables	211.5	213.3
Interest-bearing liabilities	0.5	0.5
Employee provisions	242.8	251.6
Other	78.3	78.3
Total current liabilities	533.1	543.6
Non-current liabilities		
Interest-bearing liabilities	4.7	4.7
Employee provisions	836.7	876.0
Amounts owing to other departments	0.3	0.3
Total non-current liabilities	841.7	881.1
Total liabilities	1 374.8	1 424.7
Net assets	9 664.1	9 946.0
Equity		
Contributed capital	5 246.1	5 420.7
Reserves	4 265.3	4 265.3
Accumulated surplus	152.8	260.1
Total equity	9 664.1	9 946.0

Source: Departments of Education and Training and Treasury and Finance

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.1.6 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.
- (c) There is a difference of \$2 million between cash assets in the balance sheet and cash at the end of the financial year in the statement of cash flows. This is because the cash assets in the balance sheet does not include a payable item of \$2 million, which is instead classified in the payables category.

Table 2.1.4: Administered items statement

	(\$ million)	
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Sale of goods and services	1.7	1.5
Commonwealth grants	1 878.7	2 008.4
Other	12.4	9.9
Total administered income	1 892.7	2 019.8
Administered expenses		
Grants and other payments	1 343.9	1 438.2
Payments into the Consolidated Fund	548.7	581.5
Total administered expenses	1 892.6	2 019.8
Income less expenses	0.1	0.1
Administered assets		
Cash assets	0.4	0.5
Receivables	16.4	16.4
Other financial assets	1.3	1.3
Prepayments	3.2	3.2
Property, plant and equipment	10.9	10.9
Total administered assets	32.2	32.2
Administered liabilities		
Payables	0.1	0.1
Other	3.2	3.2
Total administered liabilities	3.3	3.3

Source: Departments of Education and Training and Treasury and Finance

Note:

(a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.1.7 for details of restated amounts.

Authority for resources

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

Table 2.1.5: Parliamentary authority for resources

	<i>(\$ million)</i>	
	<i>2004-05 Revised</i>	<i>2005-06 Budget</i>
Annual appropriations	6 132.0	6 522.4
Receipts credited to appropriations	160.4	163.1
Unapplied previous years appropriation	27.2	4.2
Gross annual appropriation	6 319.6	6 689.8
Special appropriations	0.3	0.3
Trust funds	1 686.9	1 779.8
Total Parliamentary authority	8 006.7	8 469.8

Source: Departments of Education and Training and Treasury and Finance

Table 2.1.6: Reconciliation of equity at 1 July 2004

		(\$ million)		
Notes		Existing AAS	Transition impact	A-IFRS
	Current assets			
	Cash assets	520.8	..	520.8
	Other financial assets	164.1	..	164.1
	Receivables	76.0	..	76.0
	Inventories	9.4	..	9.4
	Prepayments	19.5	..	19.5
(a)	Assets held for sale	..	10.1	10.1
	Other	1.1	..	1.1
	Total current assets	790.7	10.1	800.8
	Non-current assets			
	Receivables	382.3	..	382.3
	Other financial assets	12.8	..	12.8
(b)	Property, plant and equipment	10 453.1	(843.7)	9 609.4
	Intangible assets	0.5	..	0.5
	Other	11.8	..	11.8
	Total non-current assets	10 860.5	(843.7)	10 016.8
	Total assets	11 651.3	(833.6)	10 817.7
	Current liabilities			
	Payables	209.7	..	209.7
	Interest-bearing liabilities	0.7	..	0.7
	Employee provisions	234.0	..	234.0
	Other	78.3	..	78.3
	Total current liabilities	522.8	..	522.8
	Non-current liabilities			
	Interest-bearing liabilities	4.7	..	4.7
	Employee provisions	811.0	..	811.0
	Amounts owing to other departments	0.3	..	0.3
	Total non-current liabilities	816.0	..	816.0
	Total liabilities	1 338.8	..	1 338.8
	Net assets	10 312.5	(833.6)	9 478.9
	Equity			
(c)	Contributed capital	5 909.9	(737.4)	5 172.4
(c)	Reserves	3 874.3	391.0	4 265.3
(d)	Accumulated surplus	528.3	(487.1)	41.2
	Total equity	10 312.5	(833.6)	9 478.9

Source: Departments of Education and Training and Treasury and Finance

Notes on the reconciliation of equity at 1 July 2004:

- (a) Certain property, plant and equipment has been classified as assets held for sale under A-IFRS and is carried at fair value.
- (b) Consistent with the A-IFRS concept of asset impairment, the value of school building has been reduced by \$814 million. In this context, 'impairment' represents the current level of over-supply of some school buildings due to demographic population shifts. The balance covers the correction to the carrying value of capitalised software (\$20 million) and the offset for assets held for sale (See note (a)).
- (c) Represents a correction to the disclosure of consolidated TAFE equity balances in line with individual TAFE institute accounts.
- (d) Represents the impact on accumulated surplus of the adjustments identified in Notes (b) and (c).

Table 2.1.7: Reconciliation of administered items at 1 July 2004

(\$ million)

	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Administered assets			
Cash assets	0.4	..	0.4
Receivables	16.4	..	16.4
Other financial assets	1.3	..	1.3
Prepayments	3.2	..	3.2
Property, plant and equipment	10.9	..	10.9
Total administered assets	32.1	..	32.1
Administered liabilities			
Payables	0.1	..	0.1
Other	3.2	..	3.2
Total administered liabilities	3.3	..	3.3

Source: Departments of Education and Training and Treasury and Finance

DEPARTMENT OF HUMAN SERVICES

Operating performance

The Department of Human Services (DHS) is expected to have an operating surplus of \$27 million in 2005-06.

The operating statement shows an increase in income of \$601 million from the 2004-05 revised budget to the 2005-06 Budget. These increases are largely due to:

- funding provided for government policy commitments (\$210 million) including initiatives such as the *Hospital Futures*, *Putting Children First*, disability services, mental health, ambulance services, concessions and home and community care growth and the flow through effect of initiatives announced in previous budgets;
- output price increases arising from Australian Industrial Relations Commission decisions and enterprise bargaining agreements across a range of DHS outputs and price escalation (\$277 million) for anticipated cost increases in 2005-06; and
- output price increases (\$78 million) for depreciation, amortisation and capital asset charge associated with the approved asset investment program for 2005-06 and the impact of fixed asset revaluations; but
- offset by a reduction in income associated with one-off income received in 2004-05 in recognition of a shortfall in gaming income (\$107 million).

Other income increases (\$70 million) relate to increased Commonwealth payments due to the expansion of a number of programs (including highly specialised drugs, home and community care, the Department of Veteran Affairs, and the Pharmaceutical Benefits Scheme), expansion of Transport Accident Commission programs and increases in income from the sale of goods and services to other parties.

Operating expenses are budgeted to increase by \$670 million between the 2004-05 revised budget and 2005-06 Budget and flow from the increases in income outlined above.

Investment and financing

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

Cashflows from investing activities include payments for property, plant and equipment (totalling \$774 million) reflecting the continued asset investment in the Department and hospitals, and include new initiatives to expand service capacity, enhance infrastructure and comply with regulatory requirements.

Balance sheet performance

DHS's net asset position is expected to improve by \$434 million between the 2004-05 revised budget and the 2005-06 Budget, reflecting an increase in total assets of \$539 million and an increase in total liabilities of \$105 million.

The expected increase in assets reflects the State Government's commitment to build new health and community facilities and other infrastructure across the State, based on modern service models and needs for the future. The movement in assets from the 2004-05 revised budget to the 2005-06 Budget reflects funding provided for the Royal Children's Hospital, super clinics, renewal of disability shared supported accommodation, metropolitan food services redevelopment and Northern Hospital redevelopment.

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

Statement of administered items

This statement includes items from the Commonwealth Government and income from the sale of goods and services collected by the Department. Total income has increased by \$107 million from the 2004-05 revised budget to the 2005-06 Budget, due mainly to increased funds provided under the Australian Health Care Agreement where funds are escalated to take account of population and demand growth and cost indexation.

Table 2.2.1: Operating statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	8 541.4	9 062.3
Special appropriations	1 059.1	1 112.0
Sale of goods and services	900.4	931.5
Commonwealth grants	85.5	97.2
Revenue from other parties and other income	272.8	257.3
	10 859.3	11 460.3
Expenses		
Employee benefits	5 084.2	5 400.1
Depreciation and amortisation	275.8	310.5
Resources provided free of charge or for nominal consideration	0.7	..
Grants and other payments	744.5	793.9
Capital asset charge	427.4	482.8
Supplies and services	4 230.3	4 444.1
Financing costs	0.4	1.8
	10 763.3	11 433.2
Net result for the reporting period	96.0	27.2
Net increase in asset revaluation reserve	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	96.0	27.2

Source: Departments of Human Services and Treasury and Finance

Note:

(a) Presentation of 2004-05 revised estimates and 2005-06 Budget is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.

Table 2.2.2: Statement of cash flows

(\$ million)

	<i>2004-05 Revised</i>	<i>2005-06 Budget</i>
Cash flows from operating activities		
Receipts from Government	9 615.8	10 197.6
Receipts from other entities	931.0	945.8
Payments for supplies, grants and employees	(9 888.4)	(10 503.0)
	658.4	640.4
Interest received	35.0	35.0
Capital asset charge	(427.4)	(482.8)
Financing costs expense	(0.4)	(1.8)
Other receipts	148.7	154.5
Net cash inflow from operating activities	414.3	345.3
Cash flows from investing activities		
Payments for property, plant and equipment	(698.6)	(773.7)
Proceeds from sale of property, plant and equipment	40.0	40.0
(Repayment of) loans by other entities	..	15.3
Net cash (outflow) from investing activities	(658.6)	(718.4)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	158.2	365.8
Net proceeds from borrowings	89.4	11.3
Net cash inflows/(outflow) from financing activities	247.7	377.1
Net increase/(decrease) in cash held	3.3	4.0
Cash at the beginning of the financial year	334.3	337.6
Cash at the end of the financial year	337.6	341.7

Source: Departments of Human Services and Treasury and Finance

Table 2.2.3: Balance sheet

	(\$ million)	
	Estimated as at 30 June ^{(a)(b)}	
	2005 Revised	2006 Budget
Current assets		
Cash assets	337.6	341.7
Other financial assets	368.8	368.8
Receivables	304.1	361.4
Inventories	49.7	49.7
Prepayments	15.9	15.9
Assets held for sale	18.3	18.3
Total current assets	1 094.4	1 155.7
Non-current assets		
Receivables	493.4	551.9
Other financial assets	115.9	115.9
Property, plant and equipment	5 573.3	5 992.8
Intangible assets	32.1	32.1
Other	8.0	8.0
Total non-current assets	6 222.7	6 700.7
Total assets	7 317.1	7 856.4
Current liabilities		
Payables	651.7	667.5
Interest-bearing liabilities	13.8	17.4
Employee provisions	459.4	469.3
Other	186.0	190.5
Total current liabilities	1 310.9	1 344.7
Non-current liabilities		
Interest-bearing liabilities	105.9	113.6
Employee provisions	751.9	815.7
Amounts owing to other departments	4.0	4.0
Other	401.6	401.6
Total non-current liabilities	1 263.4	1 334.9
Total liabilities	2 574.3	2 679.6
Net assets	4 742.8	5 176.8
Equity		
Contributed capital	3 934.9	4 341.7
Reserves	1 057.0	1 057.0
Accumulated deficit	(249.0)	(221.9)
Total equity	4 742.8	5 176.8

Source: Departments of Human Services and Treasury and Finance

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.2.6 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.

Table 2.2.4: Administered items statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Sale of goods and services	255.3	273.0
Commonwealth grants	2 778.6	2 867.7
Fees	2.9	3.0
Other	3.8	3.8
Total administered income	3 040.6	3 147.4
Administered expenses		
Payments into the Consolidated Fund	3 040.6	3 147.4
Total administered expenses	3 040.6	3 147.4
Income less expenses	..	..
Administered assets		
Cash assets	0.4	0.4
Receivables	11.0	11.0
Other financial assets	0.6	0.6
Other	103.0	103.0
Total administered assets	114.9	114.9
Administered liabilities		
Payables	1.6	1.6
Other	106.9	106.9
Total administered liabilities	108.5	108.5

Source: Departments of Human Services and Treasury and Finance

Note:

(a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.2.7 for details of restated amounts.

Authority for resources

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

Table 2.2.5: Parliamentary authority for resources

	<i>(\$ million)</i>	
	<i>2004-05 Revised</i>	<i>2005-06 Budget</i>
Annual appropriations	7 759.5	8 355.1
Receipts credited to appropriations	1 051.1	1 085.0
Unapplied previous years appropriation	52.8	104.5
Accumulated surplus - previously applied appropriation	7.6	..
Gross annual appropriation	8 871.1	9 544.6
Special appropriations	1 062.8	1 112.0
Trust funds	62.6	47.1
Total Parliamentary authority	9 996.4	10 703.6

Source: Departments of Human Services and Treasury and Finance

Table 2.2.6: Reconciliation of equity at 1 July 2004

		(\$ million)		
Notes		Existing AAS	Transition impact	A-IFRS
	Current assets			
	Cash assets	334.3	..	334.3
	Other financial assets	368.8	..	368.8
	Receivables	241.8	..	241.8
	Inventories	49.7	..	49.7
	Prepayments	15.9	..	15.9
(a)	Assets held for sale	6.5	11.8	18.3
	Total current assets	1 017.0	11.8	1 028.8
	Non-current assets			
	Receivables	423.2	..	423.2
	Other financial assets	115.9	..	115.9
(b)	Property, plant and equipment	5 218.7	(20.2)	5 198.5
(c)	Intangible assets	24.3	4.2	28.5
	Other	8.0	..	8.0
	Total non-current assets	5 790.1	(16.0)	5 774.1
	Total assets	6 807.1	(4.2)	6 802.9
	Current liabilities			
	Payables	697.2	..	697.2
	Interest-bearing liabilities	9.7	..	9.7
(d)	Employee provisions	547.5	(97.8)	449.7
	Other	172.8	..	172.8
	Total current liabilities	1 427.1	(97.8)	1 329.3
	Non-current liabilities			
	Interest-bearing liabilities	20.6	..	20.6
(e)	Employee provisions	583.1	100.6	683.8
	Amounts owing to other departments	4.0	..	4.0
	Other	383.9	..	383.9
	Total non-current liabilities	991.6	100.6	1 092.3
	Total liabilities	2 418.8	2.8	2 421.6
	Net assets	4 388.3	(7.0)	4 381.3
	Equity			
	Contributed capital	3 669.3	..	3 669.3
	Reserves	1 058.7	(1.7)	1 057.0
(f)	Accumulated deficit	(339.7)	(5.3)	(345.0)
	Total equity	4 388.3	(7.0)	4 381.3

Source: Departments of Human Services and Treasury and Finance

Notes on the reconciliation of equity at 1 July 2004:

- (a) Certain property, plant and equipment has been classified as assets held for sale under A-IFRS and are carried at fair value.
- (b) Some property, plant and equipment has been deemed to be impaired by \$4 million and the resultant losses taken to accumulated funds. A further \$12 million has been classified as held for sale and \$4 million as intangible assets.
- (c) Certain property, plant and equipment has been classified as intangible assets under A-IFRS, whilst \$1.2 million of previously revalued intangible assets not being recognised under A-IFRS and the resultant losses taken to reserves.
- (d) These provisions were classified as non-current liabilities.
- (e) These provisions increased due to the re-classification of current employee provisions above.
- (f) The net increase in accumulated deficit is a result of an increase in employee provisions, a loss on the impairment of plant and equipment and other assets not being recognised under A-IFRS.

Table 2.2.7: Reconciliation of administered items at 1 July 2004

(\$ million)

	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Administered assets			
Cash assets	0.4	..	0.4
Receivables	11.0	..	11.0
Other financial assets	0.6	..	0.6
Other	103.0	..	103.0
Total administered assets	114.9	..	114.9
Administered liabilities			
Payables	1.6	..	1.6
Other	106.9	..	106.9
Total administered liabilities	108.5	..	108.5

Source: Departments of Human Services and Treasury and Finance

DEPARTMENT OF INFRASTRUCTURE

Operating performance

The Department of Infrastructure (DOI) is estimated to have an operating surplus of \$313 million in 2005-06. This is primarily due to the funding for Commonwealth roads projects being receipted as operating income but applied for asset investments and income received in 2005-06 to reimburse prior year expenses of VicTrack.

Total operating income is expected to increase by \$607 million (19.1 per cent) in 2005-06 compared with the 2004-05 revised budget. This increase is largely the result of:

- additional funding of \$126 million from the State Government to meet contracted service payments, primarily in the areas of public transport and road services and prior year initiatives such as the public transport partnership agreements;
- new output initiatives for 2005-06 totalling \$29 million including the Safer Roads Infrastructure program, metropolitan bus program, motorists package and Tullamarine–Calder Freeway Interchange project;
- increases in the capital charge relating to investments in rail assets of \$179 million reflecting increases in net assets held by VicTrack;
- additional funding of \$152 million from the State Government to fund its road network improvement program;
- additional funding from the Commonwealth Government of \$52 million for road projects; and
- one-off income of \$70 million in 2005-06 to reimburse the tax liability incurred by VicTrack following the transfer to the corporation of rolling stock assets in 2003-04, and the contribution from ConnectEast for public transport improvements.

Operating expenses are estimated to increase by \$36 million in 2005-06 (1.0 per cent) between the 2004-05 revised budget and the 2005-06 Budget. This increase has been largely offset by the one-off impact in 2004-05 of the contribution of land and works to ConnectEast for the construction of the EastLink project (*formerly the Mitcham-Frankston project*) and the transfer of Station Pier and other assets to other government agencies totalling \$360 million. After discounting for this, operating expenses are estimated to increase by \$396 million (11.5 per cent). The additional expenditure in 2005-06 primarily reflects the increased funding provided for public transport and road services outlined above and the additional capital charge relating to rail assets.

DOI is estimated to have an operating deficit of \$258 million in 2004-05 revised budget. The primary reasons for this are the one-off contribution of assets to

ConnectEast and the transfer of assets to other government agencies as outlined above.

Investment and financing

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

The expected investments in new property, plant and equipment in 2005-06 reflect the approved cashflows for existing and new asset initiatives announced in the 2005-06 Budget. New initiatives include the Tullamarine–Calder Freeway Interchange of \$63 million, the upgrade of the Calder Highway of \$35 million, the outer metropolitan arterial road program of \$21 million and the Dandenong Growth Corridor project of \$12 million.

Balance sheet performance

DOI's net assets are budgeted to increase by \$891 million from the 2004-05 revised budget to the 2005-06 Budget.

Major movements in total assets include an estimated revaluation of road assets of \$503 million (approximately 3 per cent movement on a \$17.7 billion fixed asset base) plus the impact of the construction of new roads and other infrastructure.

Statement of administered items

Transactions administered by DOI on behalf of the State include the collection of road and public transport regulatory fees and fines income.

Total administered income is budgeted to increase in 2005-06 by \$61 million from the 2004-05 revised budget. Additional income from vehicle registrations of \$37 million and stamp duty on motor vehicle transfers of \$34 million is estimated in 2005-06, together with an additional \$52 million from the Commonwealth Government for roads projects. Funding for the Electricity Network Tariff Rebate Scheme will increase by \$27 million following the Government's announcement of the extension of the Scheme. These increases have been partly offset by one-off income in 2004-05 following the agreement between Transurban and the State to redeem concession notes held by the State in order to fund the construction of the Tullamarine–Calder Freeway Interchange, and income from external parties.

Administered payments are likewise affected by the items outlined above.

Table 2.3.1: Operating Statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	2 778.0	3 312.5
Special appropriations	1.7	1.7
Resources received free of charge or for nominal consideration	5.0	..
Sale of goods and services	148.8	155.3
Taxes ^(b)	8.7	11.9
Fines and fees ^(b)	46.6	47.7
Revenue from other parties and other income	187.4	253.7
	3 176.2	3 782.8
Expenses		
Employee benefits	233.8	244.5
Depreciation and amortisation	319.0	336.1
Resources provided free of charge or for nominal consideration	360.3	..
Grants and other payments	914.5	1 149.9
Capital asset charge	67.9	66.4
Supplies and services	1 532.2	1 663.1
Financing costs	5.5	10.0
Other expenses	1.1	..
	3 434.3	3 469.9
Net result for the reporting period	(258.1)	312.9
Net increase in asset revaluation reserve	488.0	502.7
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	229.9	815.6

Source: Departments of Infrastructure and Treasury and Finance

Notes:

- (a) Presentation of 2004-05 revised estimates and 2005-06 Budget is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.
- (b) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Table 2.3.2: Statement of cash flows

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Cash flows from operating activities		
Receipts from Government	2 780.9	3 314.4
Receipts from other entities	337.9	374.3
Payments for supplies, grants and employees	(2 747.2)	(3 030.6)
	371.6	658.1
Interest received	0.8	0.8
Capital asset charge	(67.9)	(66.4)
Financing costs expense	(5.5)	(10.0)
Other receipts	50.1	73.7
Net cash inflow from operating activities	349.1	656.2
Cash flows from investing activities		
Payments for property, plant and equipment	(435.5)	(661.7)
Proceeds from sale of property, plant and equipment	19.4	19.9
Net cash (outflow) from investing activities	(416.1)	(641.8)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	61.6	25.5
Net proceeds from borrowings	..	(15.3)
Net cash inflows/(outflow) from financing activities	61.6	10.2
Net increase/(decrease) in cash held	(5.3)	24.6
Cash at the beginning of the financial year	459.2	453.9
Cash at the end of the financial year	453.9	478.5

Source: Departments of Infrastructure and Treasury and Finance

Table 2.3.3: Balance sheet

(\$ million)

	Estimated as at 30 June ^{(a)(b)}	
	2005 Revised	2006 Budget
Current assets		
Cash assets	453.9	478.5
Other financial assets	50.0	50.0
Receivables	156.1	156.1
Inventories	2.6	2.6
Prepayments	2.7	2.7
Assets held for sale	9.8	10.8
Total current assets	675.1	700.7
Non-current assets		
Receivables	244.2	244.0
Property, plant and equipment	17 710.6	18 537.9
Intangible assets	7.3	7.3
Total non-current assets	17 962.0	18 789.1
Total assets	18 637.1	19 489.8
Current liabilities		
Payables	568.0	546.7
Employee provisions	25.7	25.6
Other	11.7	11.7
Total current liabilities	605.5	584.1
Non-current liabilities		
Interest-bearing liabilities	15.7	0.4
Employee provisions	53.8	52.3
Other	187.7	187.7
Total non-current liabilities	257.2	240.4
Total liabilities	862.7	824.6
Net assets	17 774.4	18 665.2
Equity		
Contributed capital	14 801.3	14 876.5
Reserves	3 744.6	4 247.3
Accumulated deficit	(771.4)	(458.5)
Total equity	17 774.4	18 665.2

Source: Departments of Infrastructure and Treasury and Finance

Notes:

- (a) Presentation of 2005-06 Budget based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.3.7 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.

Table 2.3.4: Administered items statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Appropriations - Payments made on behalf of the State	9.0	35.9
Sale of goods and services	2.8	2.9
Commonwealth grants	182.4	234.1
Taxes ^(b)	1 320.0	1 330.9
Fines	8.0	8.2
Fees ^(b)	87.5	87.4
Other	39.8	10.7
Total administered income	1 649.6	1 710.1
Administered expenses		
Grants and other payments	9.0	35.9
Payments into the Consolidated Fund	1 546.8	1 740.6
Total administered expenses	1 555.8	1 776.5
Income less expenses	93.8	(66.3)
Administered assets		
Cash assets	11.0	11.0
Receivables	298.7	231.4
Total administered assets	309.8	242.5
Administered liabilities		
Payables	13.1	13.1
Other	89.9	89.0
Total administered liabilities	103.1	102.1

Source: Departments of Infrastructure and Treasury and Finance

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.3.8 for details of restated amounts.
- (b) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Payments on behalf of the State

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

Table 2.3.5: Payments made on behalf of the State

Accounts	2004-05 Revised	2005-06 Budget
Electricity Network Tariff Rebate	9.0	35.9
Total	9.0	35.9

Source: Departments of Infrastructure and Treasury and Finance

Authority for resources

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

Table 2.3.6: Parliamentary authority for resources

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Annual appropriations	2 940.2	3 440.2
Receipts credited to appropriations	187.4	237.0
Unapplied previous years appropriation	77.6	24.1
Gross annual appropriation	3 205.2	3 701.3
Special appropriations	1.7	1.7
Trust funds	175.9	208.5
Total Parliamentary authority	3 382.9	3 911.5

Source: Departments of Infrastructure and Treasury and Finance

Table 2.3.7: Reconciliation of equity at 1 July 2004

		(\$ million)		
Notes		Existing AAS	Transition impact	A-IFRS
	Current assets			
	Cash assets	459.2	..	459.2
	Other financial assets	50.0	..	50.0
	Receivables	156.1	..	156.1
	Inventories	2.6	..	2.6
	Prepayments	2.7	..	2.7
(a)	Assets held for sale	4.8	3.2	8.1
	Total current assets	675.5	3.2	678.7
	Non-current assets			
	Receivables	245.5	..	245.5
(a)	Inventories	3.3	(3.3)	..
(b)	Property, plant and equipment	17 480.6	0.3	17 480.9
	Intangible assets	7.3	..	7.3
	Total non-current assets	17 736.6	(3.0)	17 733.6
	Total assets	18 412.1	0.2	18 412.3
	Current liabilities			
	Payables	583.4	..	583.4
(c)	Employee provisions	26.3	(0.6)	25.8
	Other	11.7	..	11.7
	Total current liabilities	621.5	(0.6)	621.0
	Non-current liabilities			
	Interest-bearing liabilities	15.7	..	15.7
(c)	Employee provisions	54.2	1.1	55.3
(b)	Other	187.4	0.3	187.7
	Total non-current liabilities	257.4	1.4	258.8
	Total liabilities	878.9	0.8	879.7
	Net assets	17 533.1	(0.6)	17 532.6
	Equity			
	Contributed capital	14 789.4	..	14 789.4
	Reserves	3 256.5	..	3 256.5
(c)	Accumulated deficit	(512.8)	(0.6)	(513.3)
	Total equity	17 533.1	(0.6)	17 532.6

Source: Departments of Infrastructure and Treasury and Finance

Notes on the reconciliation of equity at 1 July 2004:

- (a) Inventories have been reduced by \$3 million and assets held for sale increased by the same amount. Under A-IFRS, non-current land held for re-sale is required to be treated as a current asset.
- (b) Adjustment relates to make good obligations arising from leases under A-IFRS.
- (c) Adjustment relates to employee entitlements under A-IFRS.

Table 2.3.8: Reconciliation of administered items at 1 July 2004

(\$ million)

	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Administered assets			
Cash assets	11.0	..	11.0
Receivables	205.8	..	205.8
Total administered assets	216.8	..	216.8
Administered liabilities			
Payables	13.1	..	13.1
Other	90.8	..	90.8
Total administered liabilities	104.0	..	104.0

Source: Departments of Infrastructure and Treasury and Finance

DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

Operating performance

The Department of Innovation, Industry and Regional Development (DIIRD) is expected to achieve a balanced operating net result in 2005-06. The anticipated negative operating net result of \$48 million in the 2004-05 revised budget is due to the re-phasing of expenditure in the Regional Infrastructure Development Fund (RIDF).

Total operating income is projected to be \$49 million less in the 2005-06 Budget compared to the 2004-05 revised budget as no carryover for the provision of outputs was included in the 2005-06 Budget. This impact however is offset by income received from government appropriations for initiatives such as:

- RIDF; and
- the Energy Technology Innovation Strategy.

Operating expenses movements for DIIRD from the 2004-05 revised budget to the 2005-06 Budget are expected to reflect the changes explained above for operating income.

Investment and financing

DIIRD's investment program contributes to the achievement of the Government's economic vision of a dynamic, innovative and sustainable economy in which business is encouraged to grow and prosper. Net cash flows from investing activities have fallen by \$15 million from the 2004-05 revised budget to the 2005-06 Budget. This is primarily due to a \$22 million decrease in funding for the Australian Synchrotron and the city office accommodation projects approved in previous budgets.

Balance sheet performance

In 2005-06 DIIRD's funding for asset initiatives is \$141 million including the following initiatives approved in previous budgets:

- the Australian Synchrotron;
- the Melbourne Convention Centre (MCC); and
- the city office accommodation project.

As the Melbourne Convention Centre redevelopment project is intended to be delivered under a *Partnerships Victoria* model, \$97 million of this funding will be effectively transferred to the Melbourne Convention and Exhibition Trust (a public non-financial corporation within the DIIRD portfolio) and thus will not contribute to

an increase in the net asset base of the Department in 2005-06. The remaining funding for asset initiatives is reflected in property, plant and equipment balances.

Statement of administered items

Payments into the Consolidated Fund are expected to decrease by \$12 million compared with the 2004-05 Budget estimates. This reflects the end of the sale/divestment of surplus land/development rights related to the Melbourne Convention Centre redevelopment project.

Table 2.4.1: Operating statement

(\$ million)		
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	323.5	274.2
Sale of goods and services	1.5	1.5
Revenue from other parties and other income	1.1	1.2
	326.1	276.9
Expenses		
Employee benefits	63.7	65.4
Depreciation and amortisation	3.3	4.9
Grants and other payments	191.5	142.7
Capital asset charge	3.6	3.8
Supplies and services	112.3	60.0
	374.4	276.9
Net result for the reporting period	(48.3)	..
Net increase in asset revaluation reserve	3.6	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	(44.7)	..

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

Note:

(a) Presentation of 2004-05 revised estimates and 2005-06 Budget is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.

Table 2.4.2: Statement of cash flows

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Cash flows from operating activities		
Receipts from Government	312.7	274.4
Receipts from other entities	2.6	2.7
Payments for supplies, grants and employees	(367.5)	(268.2)
	(52.3)	8.9
Capital asset charge	(3.6)	(3.8)
Net cash inflow from operating activities	(55.8)	5.0
Cash flows from investing activities		
Payments for property, plant and equipment	(63.4)	(48.9)
Net cash (outflow) from investing activities	(63.4)	(48.9)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	70.4	44.1
Net proceeds from borrowings	0.8	..
Net cash inflows/(outflow) from financing activities	71.2	44.1
Net increase/(decrease) in cash held	(48.0)	0.3
Cash at the beginning of the financial year	117.2	69.2
Cash at the end of the financial year	69.2	69.4

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

Table 2.4.3: Balance sheet

(\$ million)

	Estimated as at 30 June ^{(a)(b)}	
	2005 Revised	2006 Budget
Current assets		
Cash assets	69.2	69.4
Receivables	8.5	8.5
Prepayments	0.7	0.7
Total current assets	78.3	78.6
Non-current assets		
Receivables	37.6	37.4
Other financial assets	0.1	0.1
Property, plant and equipment	131.8	175.9
Total non-current assets	169.5	213.4
Total assets	247.8	292.0
Current liabilities		
Payables	20.3	20.3
Interest-bearing liabilities	1.2	1.2
Employee provisions	7.7	7.7
Other	0.4	0.4
Total current liabilities	29.6	29.6
Non-current liabilities		
Employee provisions	11.4	11.4
Total non-current liabilities	11.4	11.4
Total liabilities	41.0	41.0
Net assets	206.8	250.9
Equity		
Contributed capital	139.3	183.5
Reserves	4.0	4.0
Accumulated surplus	63.5	63.5
Total equity	206.8	250.9

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

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.4.6 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.

Table 2.4.4: Administered items statement

	(\$ million)	
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Commonwealth grants	0.2	5.1
Fines	0.2	0.2
Fees	2.2	2.2
Other	0.3	0.3
Total administered income	2.7	7.7
Administered expenses		
Expenses on behalf of the State	0.1	0.1
Payments into the Consolidated Fund	19.3	7.6
Total administered expenses	19.3	7.7
Income less expenses	(16.6)	..
Administered assets		
Cash assets	(0.1)	(0.1)
Receivables	47.1	47.1
Total administered assets	47.0	47.0
Administered liabilities		
Total administered liabilities	..	..

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

Note:

(a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.4.7 for details of restated amounts.

Authority for resources

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

Table 2.4.5: Parliamentary authority for resources

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Annual appropriations	365.3	414.8
Receipts credited to appropriations	0.2	0.1
Unapplied previous years appropriation	54.3	..
Gross annual appropriation	419.7	414.9
Trust funds	1.1	1.2
Total Parliamentary authority	420.8	416.1

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

Table 2.4.6: Reconciliation of equity at 1 July 2004

(\$ million)

	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Current assets			
Cash assets	117.2	..	117.2
Receivables	8.5	..	8.5
Prepayments	0.7	..	0.7
Total current assets	126.4	..	126.4
Non-current assets			
Receivables	26.7	..	26.7
Other financial assets	0.1	..	0.1
Property, plant and equipment	68.1	..	68.1
Total non-current assets	94.9	..	94.9
Total assets	221.3	..	221.3
Current liabilities			
Payables	20.3	..	20.3
Interest-bearing liabilities	0.4	..	0.4
Employee provisions	7.7	..	7.7
Other	0.4	..	0.4
Total current liabilities	28.8	..	28.8
Non-current liabilities			
Employee provisions	11.4	..	11.4
Total non-current liabilities	11.4	..	11.4
Total liabilities	40.2	..	40.2
Net assets	181.1	..	181.1
Equity			
Contributed capital	68.9	..	68.9
Reserves	0.4	..	0.4
Accumulated surplus	111.8	..	111.8
Total equity	181.1	..	181.1

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

Table 2.4.7: Reconciliation of administered items at 1 July 2004

	<i>(\$ million)</i>		
	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Administered assets			
Cash assets	(0.1)	..	(0.1)
Receivables	47.1	..	47.1
Total administered assets	47.0	..	47.0
Administered liabilities			
Total administered liabilities	..	..	..

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

DEPARTMENT OF JUSTICE

Operating performance

The Department of Justice (DOJ) is estimated to achieve a 2005-06 operating surplus of \$28 million, an increase of \$7 million on the 2004-05 revised budget. Once again, the major influence on the operating performance is the continuing strength of industry-based trust account income that forms a significant funding source for consumer protection services.

The operating statement shows an increase in total estimated 2005-06 operating income of \$325 million (or 13.6 per cent) compared to the 2004-05 revised budget. This is largely attributable to increased output appropriation funding of \$280 million for existing and new output initiatives. Expenses are estimated to increase by an equivalent amount.

Major initiatives announced in the 2005-06 Budget that contribute to the increase in output appropriation in 2005-06 are:

- \$9 million to commence implementation of the *Putting Children First* – an initiative promoting child-safe workplaces;
- \$6 million to commence implementation of the Justice Statement initiatives;
- \$5 million in additional resourcing for the Office of Public Prosecutions;
- \$5 million to enhance Victoria Police's capacity to fight organised crime;
- \$4 million to increase the maritime security capability at Victorian ports;
- \$3 million to establish and meet the ongoing costs of the Special Investigations Monitor and the Chief Examiner appointed under the *Major Crime (Special Investigations Monitor) Act 2004*; and
- \$21 million for other 2005-06 Budget initiatives.

The balance of the increase relates to:

- the continued implementation of initiatives announced in previous budgets. These include the expansion of the State's prison capacity (with two new prisons commencing in 2005-06) and the delivery of the Government's commitment for an additional 600 police during its current term of office; and
- output price increases arising from enterprise bargaining outcomes, price escalation under the departmental funding model and expected carryover of 2004-05 outputs into 2005-06.

Investment and financing

Investment activities for the 2005-06 year are budgeted at \$227 million. This predominantly relates to the approved asset investment program. New asset investments for 2005-06 are highlighted in the following section. The investing activity is financed principally by a net cash inflow from operations of \$113 million and a capital contribution from the State Government of \$106 million. The increase in financing costs and interest-bearing liabilities represents the cost of two new public prisons developed under *Partnerships Victoria*.

Balance sheet performance

DOJ's net asset position in 2005-06 is estimated to improve by \$133 million (or 9.9 per cent) on the 2004-05 revised budget. The increased net asset position is reflected in an estimated increase in total assets of \$374 million, which is partially offset by the estimated increase in total liabilities of \$240 million.

The increase in total assets mainly reflects:

- an increase in current assets of \$30 million, mainly comprising of an increase in term deposits with Treasury Corporation Victoria of \$29 million for the Victorian Property Fund (formerly the Estate Agents Guarantee Trust Account); and
- increases in property, plant and equipment of \$321 million for new and existing assets, including the two new public prisons developed under *Partnerships Victoria*.

New asset investment initiatives for 2005-06 include:

- funding for a number of metropolitan and major regional centre police stations;
- continuation of the rural police stations replacement program (stages 8 and 9);
- Neighbourhood Justice Centre;
- the Integrated Courts Management System; and
- Melbourne Legal Precinct Master Plan.

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

The increase in interest-bearing liabilities, both current and non-current, represents the financing of two new public prisons developed under *Partnerships Victoria*.

Statement of administered items

The major movement on the administered items statement for DOJ is an anticipated increase in income of \$183 million from the 2004-05 revised budget, predominantly the result of expected growth in gaming and racing income and police and traffic fines resulting from the full implementation of road safety initiatives.

Table 2.5.1: Operating statement

(\$ million)		
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	2 220.3	2 499.9
Special appropriations	66.6	75.6
Resources received free of charge or for nominal consideration	1.6	..
Sale of goods and services	0.4	..
Commonwealth grants	2.3	0.8
Fines and fees	6.9	7.8
Revenue from other parties and other income	88.8	127.5
	2 386.9	2 711.5
Expenses		
Employee benefits	1 385.7	1 492.6
Depreciation and amortisation	72.5	81.5
Grants and other payments	131.5	133.2
Capital asset charge	105.8	109.9
Supplies and services	665.6	849.7
Financing costs	5.4	16.9
	2 366.4	2 683.9
Net result for the reporting period	20.5	27.6
Net increase in asset revaluation reserve	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	20.5	27.6

Source: Departments of Justice and Treasury and Finance

Note:

(a) Presentation of 2004-05 revised and 2005-06 Budget is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.

Table 2.5.2: Statement of cash flows

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Cash flows from operating activities		
Receipts from Government	2 274.5	2 552.9
Receipts from other entities	22.9	57.6
Payments for supplies, grants and employees	(2 156.8)	(2 450.6)
	140.6	160.0
Interest received	60.5	64.7
Capital asset charge	(105.8)	(109.9)
Financing costs expense	(5.4)	(16.3)
Other receipts	14.5	14.3
Net cash inflow from operating activities	104.4	112.7
Cash flows from investing activities		
Payments for property, plant and equipment	(211.2)	(194.1)
Net disposal (+) of investments	(30.9)	(32.4)
Net cash (outflow) from investing activities	(242.1)	(226.5)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	115.9	105.6
Net proceeds from borrowings	16.8	6.1
Net cash inflows/(outflow) from financing activities	132.7	111.7
Net increase/(decrease) in cash held	(5.0)	(2.1)
Cash at the beginning of the financial year	27.7	22.7
Cash at the end of the financial year	22.7	20.6

Source: Departments of Justice and Treasury and Finance

Table 2.5.3: Balance sheet

(\$ million)

	Estimated as at 30 June ^{(a)(b)}	
	2005 Revised	2006 Budget
Current assets		
Cash assets	22.7	20.6
Other financial assets	265.3	297.7
Receivables	41.8	41.8
Inventories	9.8	9.8
Prepayments	7.0	7.0
Assets held for sale	0.1	0.1
Total current assets	346.7	377.0
Non-current assets		
Receivables	241.3	264.7
Property, plant and equipment	1 315.6	1 636.5
Intangible assets	19.7	18.6
Other	5.2	5.2
Total non-current assets	1 581.8	1 924.9
Total assets	1 928.4	2 301.9
Current liabilities		
Payables	113.9	113.9
Interest-bearing liabilities	20.6	31.2
Employee provisions	85.2	111.2
Other	6.6	6.6
Total current liabilities	226.2	262.8
Non-current liabilities		
Interest-bearing liabilities	24.6	227.5
Employee provisions	334.6	334.7
Other	..	0.7
Total non-current liabilities	359.2	562.9
Total liabilities	585.5	825.7
Net assets	1 343.0	1 476.2
Equity		
Contributed capital	839.0	944.6
Reserves	169.4	169.4
Accumulated surplus	334.6	362.2
Total equity	1 343.0	1 476.2

Source: Departments of Justice and Treasury and Finance

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.5.7 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.

Table 2.5.4: Administered items statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Appropriations - Payments made on behalf of the State	67.2	53.3
Special appropriations	32.6	33.8
Sale of goods and services	87.6	89.2
Commonwealth grants	47.1	46.2
Taxes	1 376.0	1 479.0
Fines	313.6	390.8
Fees	73.2	86.8
Other	53.1	53.7
Total administered income	2 050.4	2 232.9
Administered expenses		
Expenses on behalf of the State	145.5	133.1
Grants and other payments	53.0	38.0
Payments into the Consolidated Fund	1 820.2	2 028.3
Total administered expenses	2 018.6	2 199.4
Income less expenses	31.8	33.5
Administered assets		
Cash assets	113.0	114.1
Receivables	284.8	317.2
Other financial assets	5.3	5.4
Property, plant and equipment	0.1	0.1
Total administered assets	403.2	436.7
Administered liabilities		
Payables	87.5	87.5
Employee provisions	0.3	0.3
Other	49.7	49.7
Total administered liabilities	137.5	137.5

Source: Departments of Justice and Treasury and Finance

Note:

(a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.5.8 for details of restated amounts.

Payments on behalf of the State

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

Table 2.5.5: Payments made on behalf of the State

(\$ million)		
Accounts	2004-05 Revised	2005-06 Budget
Health benefit levy transitional payment to racing clubs	4.0	7.5
Grants to households and persons	19.7	..
Tattersalls duty payments to other jurisdictions	43.5	45.8
Total	67.2	53.3

Source: Departments of Justice and Treasury and Finance

Authority for resources

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

Table 2.5.6: Parliamentary authority for resources

(\$ million)		
	2004-05 Revised	2005-06 Budget
Annual appropriations	2 308.7	2 531.0
Receipts credited to appropriations	92.6	89.6
Unapplied previous years appropriation	7.7	37.6
Accumulated surplus - previously applied appropriation	3.9	..
Gross annual appropriation	2 413.0	2 658.3
Special appropriations	99.2	109.9
Trust funds	165.0	202.0
Total Parliamentary authority	2 677.2	2 970.2

Source: Departments of Justice and Treasury and Finance

Table 2.5.7: Reconciliation of equity at 1 July 2004

		(\$ million)		
Notes		Existing AAS	Transition impact	A-IFRS
	Current assets			
	Cash assets	27.7	..	27.7
	Other financial assets	234.4	..	234.4
	Receivables	41.8	..	41.8
(a)	Inventories	9.9	(0.1)	9.8
	Prepayments	7.0	..	7.0
(b)	Assets held for sale	..	0.1	0.1
	Total current assets	320.8	..	320.7
	Non-current assets			
	Receivables	226.6	..	226.6
(c)	Property, plant and equipment	1 180.1	(5.2)	1 174.9
	Intangible assets	21.4	(0.6)	20.8
	Other	5.2	..	5.2
	Total non-current assets	1 433.3	(5.8)	1 427.5
	Total assets	1 754.1	(5.8)	1 748.3
	Current liabilities			
	Payables	113.9	..	113.9
	Interest-bearing liabilities	10.2	..	10.2
	Employee provisions	82.3	(5.2)	77.0
	Other	6.6	..	6.6
	Total current liabilities	212.9	(5.2)	207.7
	Non-current liabilities			
	Interest-bearing liabilities	18.2	..	18.2
(d)	Employee provisions	310.6	5.1	315.8
	Total non-current liabilities	328.8	5.1	333.9
	Total liabilities	541.7	(0.1)	541.6
	Net assets	1 212.3	(5.7)	1 206.6
	Equity			
	Contributed capital	723.1	..	723.1
(e)	Reserves	241.5	(72.1)	169.4
	Accumulated surplus	247.7	66.4	314.1
	Total equity	1 212.3	(5.7)	1 206.6

Source: Departments of Justice and Treasury and Finance

Notes on the reconciliation of equity at 1 July 2004:

- (a) The resulting loss has been taken to accumulated funds.
- (b) Certain property, plant and equipment has been classified as assets held for sale under A-IFRS and are carried at fair value.
- (c) Property, plant and equipment has been revalued by \$5 million and the resultant losses taken to reserves.
- (d) These provisions were previously classified as current liabilities.
- (e) This reflects the transfer of the asset revaluation reserve to accumulated funds.

Table 2.5.8: Reconciliation of administered items at 1 July 2004

(\$ million)

	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Administered assets			
Cash assets	112.7	..	112.7
Receivables	253.9	..	253.9
Other financial assets	4.6	..	4.6
Property, plant and equipment	0.1	..	0.1
Total administered assets	371.4	..	371.4
Administered liabilities			
Payables	87.5	..	87.5
Employee provisions	0.2	..	0.2
Other	49.6	..	49.6
Total administered liabilities	137.4	..	137.4

Source: Departments of Justice and Treasury and Finance

DEPARTMENT OF PREMIER AND CABINET

Operating performance

The Department of Premier and Cabinet (DPC) is estimated to have an operating surplus of \$15 million for 2005-06, an increase of \$16 million from the 2004-05 revised budget.

The predominant cause of this increase is the expected receipt of land free of charge, estimated at \$10 million.

The operating statement shows an expected increase in income of \$38 million in 2005-06, compared to the 2004-05 revised budget. This is largely attributable to the \$29 million increase in operational income provided by Government for existing and new output initiatives.

The significant funding increases in 2005-06 include:

- additional operating funding to cover the cost of CPI increases (\$10 million);
- additional operating funding provided for the State Services Authority (\$5 million);
- sustainable funding for the Australian Centre for the Moving Image (\$5 million);
- establishment of the Tsunami Development Reconstruction Fund (\$4 million);
- operating support for the State Library of Victoria and the National Gallery of Victoria (\$3 million); and
- improving the condition of the storage facilities for the State Library of Victoria (\$3 million).

Expenditure increases primarily reflect the increases in funding for activities as referred to above.

Investment and financing

The statement of cash flows shows an expected increase in capital expenditure. This is reflective both of rephasing of capital expenditure in relation to the State Library of Victoria redevelopment and additional funding provided for new initiatives as set out in the next section. These expenditures are funded from additional government capital contributions.

Balance sheet performance

The Department's net asset position in 2005-06 is estimated to improve by \$83 million compared to the 2004-05 revised budget. This increase is predominantly due to the \$50 million increase in property, plant and equipment and the \$34 million increase in non-current receivables.

Major components of the increase in property, plant and equipment include the assets received free of charge (as noted above), the reallocation of \$20 million of previously approved capital expenditure for State Library of Victoria projects, and the following initiatives:

- Melbourne Recital Centre and Melbourne Theatre Company (\$17 million);
- arts and cultural facilities maintenance (\$6 million);
- State Library of Victoria Storage Facility (\$4 million); and
- Australian Centre for the Moving Image Strategic Works (\$2 million).

The increase in the balance of the non-current receivables relates to the amount of unfunded depreciation equivalent charges incurred by the Arts Agencies from prior years that has not yet been utilised. This funding can be used by the Department to fund capital projects.

Table 2.6.1: Operating statement

(\$ million)		
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	402.0	430.6
Special appropriations	5.2	5.2
Resources received free of charge or for nominal consideration	1.3	11.3
Sale of goods and services	25.5	26.0
Revenue from other parties and other income	24.7	23.6
	458.6	496.7
Expenses		
Employee benefits	144.6	151.9
Depreciation and amortisation	45.7	44.2
Grants and other payments	51.0	55.0
Capital asset charge	86.0	89.7
Supplies and services	132.6	141.2
Financing costs	0.1	0.1
	460.1	482.1
Net result for the reporting period	(1.5)	14.6
Net increase in asset revaluation reserve	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	(1.5)	14.6

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

- (a) Presentation of 2004-05 revised and 2005-06 Budget estimates is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.

Table 2.6.2: Statement of cash flows

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Cash flows from operating activities		
Receipts from Government	374.7	402.0
Receipts from other entities	26.1	26.2
Payments for supplies, grants and employees	(327.1)	(346.8)
	73.7	81.5
Interest received	2.4	2.4
Capital asset charge	(86.0)	(89.7)
Financing costs expense	(0.1)	(0.1)
Other receipts	22.2	21.7
Net cash inflow from operating activities	12.3	15.8
Cash flows from investing activities		
Payments for property, plant and equipment	(62.6)	(81.8)
Net disposal (+) of investments	(0.2)	0.4
Net cash (outflow) from investing activities	(62.7)	(81.5)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	46.9	68.6
Net proceeds from borrowings	(1.8)	(1.8)
Net cash inflows/(outflow) from financing activities	45.2	66.8
Net increase/(decrease) in cash held	(5.3)	1.1
Cash at the beginning of the financial year	41.7	36.4
Cash at the end of the financial year	36.4	37.5

Source: Departments of Premier and Cabinet and Treasury and Finance

Table 2.6.3: Balance sheet

(\$ million)

	Estimated as at 30 June ^{(a)(b)}	
	2005 Revised	2006 Budget
Current assets		
Cash assets	36.4	37.5
Other financial assets	61.1	60.8
Receivables	20.3	20.3
Inventories	4.1	4.1
Prepayments	1.1	1.0
Total current assets	122.9	123.7
Non-current assets		
Receivables	68.1	101.9
Other financial assets	5.9	5.9
Property, plant and equipment	1 013.3	1 063.5
Intangible assets	0.5	0.5
Other	2 553.0	2 550.5
Total non-current assets	3 640.9	3 722.3
Total assets	3 763.8	3 845.9
Current liabilities		
Payables	27.5	27.6
Interest-bearing liabilities	0.4	0.4
Employee provisions	14.0	14.3
Other	17.8	17.3
Total current liabilities	59.7	59.5
Non-current liabilities		
Interest-bearing liabilities	5.9	4.2
Employee provisions	12.7	13.6
Total non-current liabilities	18.6	17.7
Total liabilities	78.3	77.3
Net assets	3 685.5	3 768.6
Equity		
Contributed capital	1 374.4	1 443.0
Reserves	2 139.8	2 139.8
Accumulated surplus	171.3	185.9
Total equity	3 685.5	3 768.6

Source: Departments of Premier and Cabinet and Treasury and Finance

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.6.6 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.

Table 2.6.4: Administered items statement

	(\$ million)	
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Sale of goods and services	0.0	0.6
Other	5.5	0.3
Total administered income	5.6	1.0
Administered expenses		
Payments into the Consolidated Fund	5.6	1.0
Total administered expenses	5.6	1.0
Income less expenses	..	..
Administered assets		
Receivables	5.4	3.6
Total administered assets	5.3	3.6
Administered liabilities		
Payables	12.3	10.5
Interest-bearing liabilities	(7.0)	(7.0)
Total administered liabilities	5.3	3.5

Source: Departments of Premier and Cabinet and Treasury and Finance

Note:

(a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.6.7 for details of restated amounts.

Authority for resources

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

Table 2.6.5: Parliamentary authority for resources

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Annual appropriations	420.3	501.3
Receipts credited to appropriations	..	0.5
Unapplied previous years appropriation	34.8	..
Gross annual appropriation	455.1	501.8
Special appropriations	5.2	5.2
Trust funds	9.1	4.0
Total Parliamentary authority	469.4	511.0

Source: Departments of Premier and Cabinet and Treasury and Finance

Table 2.6.6: Reconciliation of equity at 1 July 2004

(\$ million)

	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Current assets			
Cash assets	41.7	..	41.7
Other financial assets	63.8	..	63.8
Receivables	20.2	0.0	20.2
Inventories	4.1	..	4.1
Prepayments	1.0	..	1.0
Total current assets	130.7	0.0	130.8
Non-current assets			
Receivables	35.6	..	35.6
Other financial assets	2.9	..	2.9
Property, plant and equipment	991.3	(0.5)	990.9
Intangible assets	0.5	..	0.5
Other	2 558.7	..	2 558.7
Total non-current assets	3 589.1	(0.5)	3 588.6
Total assets	3 719.8	(0.4)	3 719.4
Current liabilities			
Payables	27.6	..	27.6
Interest-bearing liabilities	0.4	..	0.4
Employee provisions	14.1	(0.5)	13.6
Other	18.3	0.1	18.3
Total current liabilities	60.4	(0.5)	59.9
Non-current liabilities			
Interest-bearing liabilities	7.7	..	7.7
Employee provisions	11.3	0.5	11.8
Total non-current liabilities	18.9	0.5	19.5
Total liabilities	79.3	0.1	79.4
Net assets	3 640.5	(0.5)	3 640.0
Equity			
Contributed capital	1 327.5	..	1 327.5
Reserves	2 138.7	..	2 138.7
Accumulated surplus	174.3	(0.5)	173.8
Total equity	3 640.5	(0.5)	3 640.0

Source: Departments of Premier and Cabinet and Treasury and Finance

Table 2.6.7: Reconciliation of administered items at 1 July 2004

	<i>(\$ million)</i>		
	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Administered assets			
Receivables	0.1	..	0.1
Total administered assets	0.0	..	0.0
Administered liabilities			
Payables	7.0	..	7.0
Interest-bearing liabilities	(7.0)	..	(7.0)
Total administered liabilities	(0.0)	..	(0.0)

Source: Departments of Premier and Cabinet and Treasury and Finance

DEPARTMENT OF PRIMARY INDUSTRIES

Operating performance

The Department of Primary Industries (DPI) is expected to have a balanced operating result for 2005-06.

Most of DPI's operating income is sourced from state government appropriations and supplemented by external funding received for scientific research and extension projects. The operating income for DPI for the 2005-06 Budget is expected to be \$352 million, a \$4 million increase from the 2004-05 revised budget. The increase is primarily due to funding provided from Government for new initiatives such as:

- developing greenhouse abatement technologies;
- *Preserving our Clean/Green Credentials*: Plant Biosecurity Reform; and
- National Biosecurity Centre.

Operating expenses are anticipated to increase in line with income, reflecting expenditure on initiatives such as the ones listed above.

Investment and financing

DPI serves to facilitate investment in assets and programs to promote the sustainable use of natural resources. Net cash outflows from investing activities are expected to increase from \$42 million in 2004-05 revised budget to \$65 million in the 2005-06 Budget. The majority of the net cash outflow of \$65 million from investing activities in the 2005-06 Budget relates to investment in the redevelopment of the Melbourne Showgrounds.

The decrease in the payments for property, plant and equipment from \$13 million to \$5 million in the 2005-06 Budget reflects the completion of the Marine and Freshwater Research Institute at Queenscliff, and Science Innovation and Education precincts across Provincial Victoria.

Balance sheet performance

DPI's net asset position is estimated to increase by \$47 million from the 2004-05 revised budget to the 2005-06 Budget. Most of the increase reflected in other financial assets relates to the investment in the redevelopment of the Melbourne Showgrounds. This increase is offset by \$14 million depreciation on existing assets reflected in the property, plant and equipment balances.

Statement of administered items

Transactions administered by DPI on behalf of the State mainly represent mining royalties and contributions to agricultural research projects from rural industry research corporations. Administered income is expected to increase by \$14 million from 2004-05 revised budget to the 2005-06 Budget. Estimated increases in brown coal royalties contribute largely to this increase, which is offset by an expected \$3 million decrease in Commonwealth Grants mainly due to the gradual winding down of the Exceptional Circumstances Program.

Table 2.7.1: Operating statement

	(\$ million)	
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	309.6	314.1
Sale of goods and services	29.3	27.8
Taxes	4.5	5.0
Fines and fees	4.3	4.3
Other revenue and revenue from other parties	0.3	0.3
	348.0	351.5
Expenses		
Employee benefits	147.6	144.6
Depreciation and amortisation	17.7	18.3
Grants and other payments	27.5	28.2
Capital asset charge	18.7	15.6
Supplies and services	135.7	144.8
	347.1	351.5
Net result for the reporting period	0.9	..
Net increase in asset revaluation reserve	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	0.9	..

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) Presentation of 2004-05 revised estimates and 2005-06 Budget is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.

Table 2.7.2: Statement of cash flows

(\$ million)

	2004-05 Revised	2005-06 Budget
Cash flows from operating activities		
Receipts from Government	309.5	315.0
Receipts from other entities	38.1	37.5
Payments for supplies, grants and employees	(309.8)	(318.8)
	37.8	33.6
Interest received	0.3	0.3
Capital asset charge	(18.7)	(15.6)
Other receipts	(6.0)	..
Net cash inflow from operating activities	13.5	18.3
Cash flows from investing activities		
Payments for property, plant and equipment	(13.0)	(4.9)
Net disposal (+) of investments	(29.1)	(60.4)
Net cash (outflow) from investing activities	(42.1)	(65.3)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	29.0	46.6
Net cash inflows/(outflow) from financing activities	29.0	46.6
Net increase/(decrease) in cash held	0.4	(0.4)
Cash at the beginning of the financial year	26.5	26.9
Cash at the end of the financial year	26.9	26.5

Source: Departments of Primary Industries and Treasury and Finance

Table 2.7.3: Balance sheet

	(\$ million)	
	<i>Estimated as at 30 June</i> ^{(a)/(b)}	
	<i>2005</i>	<i>2006</i>
	<i>Revised</i>	<i>Budget</i>
Current assets		
Cash assets	26.9	26.5
Other financial assets	9.0	8.7
Receivables	12.1	11.7
Inventories	3.1	3.1
Prepayments	0.1	0.1
Total current assets	51.2	50.1
Non-current assets		
Receivables	52.3	51.5
Other financial assets	40.6	101.3
Property, plant and equipment	262.0	248.6
Total non-current assets	355.0	401.4
Total assets	406.1	451.5
Current liabilities		
Payables	21.1	19.4
Interest-bearing liabilities	3.2	3.2
Employee provisions	14.3	12.7
Other	0.1	0.1
Total current liabilities	38.6	35.4
Non-current liabilities		
Employee provisions	38.8	40.1
Other	1.8	1.8
Total non-current liabilities	40.6	41.9
Total liabilities	79.3	77.3
Net assets	326.9	374.2
Equity		
Contributed capital	293.5	340.8
Accumulated surplus	33.4	33.4
Total equity	326.9	374.2

Source: Departments of Primary Industries and Treasury and Finance

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.7.6 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.

Table 2.7.4: Administered items statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Sale of goods and services	40.2	43.4
Commonwealth grants	14.2	11.7
Other grants	5.7	7.7
Fees	6.6	8.1
Other	23.9	33.8
Total administered income	90.7	104.7
Administered expenses		
Expenses on behalf of the State	..	0.3
Payments into the Consolidated Fund	90.4	104.4
Total administered expenses	90.4	104.7
Income less expenses	0.3	..
Administered assets		
Cash assets	1.9	1.9
Receivables	39.7	39.7
Total administered assets	41.7	41.7
Administered liabilities		
Payables	0.2	0.2
Other	5.2	5.2
Total administered liabilities	5.4	5.3

Source: Departments of Primary Industries and Treasury and Finance

Note:

(a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.7.7 for details of restated amounts.

Authority for resources

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

Table 2.7.5: Parliamentary authority for resources

	<i>(\$ million)</i>	
	<i>2004-05 Revised</i>	<i>2005-06 Budget</i>
Annual appropriations	241.6	307.9
Receipts credited to appropriations	49.1	62.6
Unapplied previous years appropriation	40.2	15.8
Gross annual appropriation	330.8	386.4
Trust funds	38.7	37.7
Total Parliamentary authority	369.5	424.1

Source: Departments of Primary Industries and Treasury and Finance

Table 2.7.6: Reconciliation of equity at 1 July 2004

		(\$ million)		
Notes		Existing AAS	Transition impact	A-IFRS
Current assets				
	Cash assets	26.5	..	26.5
	Other financial assets	9.2	..	9.2
	Receivables	11.2	..	11.2
	Inventories	3.1	..	3.1
	Prepayments	0.1	..	0.1
	Total current assets	50.1	..	50.1
Non-current assets				
	Receivables	47.2	..	47.2
	Other financial assets	11.3	..	11.3
(a)	Property, plant and equipment	246.3	(3.1)	243.2
(b)	Intangible assets	10.2	(10.2)	0.0
	Total non-current assets	315.1	(13.3)	301.8
	Total assets	365.2	(13.3)	351.8
Current liabilities				
	Payables	21.8	..	21.8
	Interest-bearing liabilities	3.2	..	3.2
(c)	Employee provisions	14.5	(0.2)	14.3
	Other	(0.8)	..	(0.8)
	Total current liabilities	38.7	(0.2)	38.4
Non-current liabilities				
	Employee provisions	38.8	..	38.8
	Other	1.8	..	1.8
	Total non-current liabilities	40.6	..	40.6
	Total liabilities	79.3	(0.2)	79.1
	Net assets	285.9	(13.1)	272.8
Equity				
	Contributed capital	240.3	..	240.3
(a), (c)	Accumulated surplus	45.6	(13.1)	32.5
	Total equity	285.9	(13.1)	272.8

Source: Departments of Primary Industries and Treasury and Finance

Notes on the reconciliation of equity at 1 July 2004:

- (a) Property, plant and equipment has decreased by \$3 million due to the revaluation down of the residual value of some assets. The resulting loss has been taken to accumulated funds. Certain property plant and equipment has been classified as assets held for sale under A-IFRS and are carried at fair value. The resulting loss has been taken to accumulated funds.
- (b) The \$10 million of intangible assets consists of internally generated research and development costs. This has been revalued to nil as it did not meet the IFRS criteria for intangible assets.
- (c) Current employee provisions have been revalued down \$0.2 million to reflect the discounted present value of the provision.

Table 2.7.7: Reconciliation of administered items at 1 July 2004

(\$ million)

	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Administered assets			
Cash assets	1.7	..	1.7
Receivables	39.7	..	39.7
Total administered assets	41.4	..	41.4
Administered liabilities			
Payables	0.2	..	0.2
Other	5.2	..	5.2
Total administered liabilities	5.4	..	5.4

Source: Departments of Primary Industries and Treasury and Finance

DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

Operating performance

The Department of Sustainability and Environment (DSE) is estimated to have an operating surplus of \$12 million for 2005-06, an improvement of \$46 million on the 2004-05 revised budget. The transfer of commercial forestry activities to VicForests, as part of the *New Directions for Sustainable Forestry* program, resulted in a deficit in DSE's accounts in 2004-05 due to changes in the accounting valuation of forests held for commercial purposes.

The largest part of DSE's 2005-06 projected operating income is provided through state government appropriations. This consists of funding of new initiatives in the 2005-06 Budget (such as funding to renew, restore and upgrade assets within the parks estate, and to protect our coastal environment), and the flow-through effect funding for initiatives approved in previous budgets (including Water White Paper initiatives and *Our Forests, Our Future* initiatives). A further \$126 million is sourced from the taxation receipts derived from the Metropolitan Parks Charge (MPC) and landfill levies. Both of these income streams are hypothecated (legislatively dedicated) to expenses relating to metropolitan parks and waste management activities.

The decrease in DSE's overall income between the 2004-05 revised budget and 2005-06 Budget can be mainly attributed to the transfer of commercial forestry activity to VicForests, and the resultant reduction in silviculture and roading income streams.

The once-off losses on a revaluation of biological assets and a transfer of assets free of charge reported in 2004-05, again as a result of the transfer of forestry activity to VicForests, has resulted in lower expense estimates in 2005-06. These are the key reasons for the improved result.

The increases in MPC and landfill levies will result in an increase in projected taxation income from the 2004-05 revised budget to 2005-06 Budget. The additional income from the MPC will be used to further develop and manage the network of parks, gardens, trails, waterways, bays and other significant recreation and conversation assets. Landfill levies apply to municipal, commercial and industrial and prescribed wastes that are disposed to licensed landfills in Victoria. The additional income collected through landfill levies will be used for activities undertaken by a range of organisations, including regional waste management groups, EcoRecycle and Environment Protection Authority, by helping to establish waste management infrastructure, industry waste reduction programs, education programs, regulatory controls and enforcement regimes.

The \$4 129 million net increase in asset revaluation reserves in the 2004-05 revised budget relates to a revaluation of Crown Land to fair value as part of DSE's transitional valuation program developed to comply with accounting standards.

Investment and financing

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

The cash flows from investing activities in the 2005-06 Budget reflect DSE's continuing investment in property, plant and equipment. This investment primarily relates to initiatives such as the Wimmera-Mallee Pipeline, the Victorian Water Trust initiatives, various bushfire recovery actions and the long-term Zoo Strategy.

Balance sheet performance

DSE's net asset position in 2005-06 is estimated to improve by \$79 million on the 2004-05 revised budget. This increase is mainly attributable to the completion of the Department's progressive asset revaluation program, and adoption of fair value methodology resulting in an increase in property, plant and equipment.

Statement of administered items

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

Total administered income for the 2005-06 Budget represents the collection of fees and charges for land title transactions, Crown land leases, and licences and forest royalties. DSE also collects Commonwealth specific purpose payments relating to projects under the National Action Plan for Salinity and Water Quality, Natural Heritage Trust and Forestry Industry Structural Adjustment Program.

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

Table 2.8.1: Operating statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	792.8	777.0
Resources received free of charge or for nominal consideration	..	12.0
Sale of goods and services	14.8	15.1
Taxes	120.4	125.9
Fines and fees	6.6	6.5
Revenue from other parties and other income	0.9	1.8
	935.4	938.3
Expenses		
Employee benefits	217.3	232.8
Depreciation and amortisation	35.5	36.7
Resources provided free of charge or for nominal consideration	14.6	..
Grants and other payments	351.4	319.7
Capital asset charge	65.1	67.2
Supplies and services	265.5	268.6
Other expenses	20.3	1.6
	969.7	926.6
Net result for the reporting period	(34.3)	11.6
Net increase in asset revaluation reserve ^(b)	4 128.8	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	4 094.5	11.6

Source: Departments of Sustainability and Environment and Treasury and Finance

Notes:

- (a) Presentation of 2004-05 revised estimates and 2005-06 Budget is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.
- (b) The \$4 129 million net increase in asset revaluation reserve in the 2004-05 revised budget relates to a revaluation of Crown Land required to complete the Department's transition from cost to fair value as required under AASB 1041. As part of the transitional provisions of the standard, all assets must be valued at fair value by 30 June 2005. A transitional valuation program was developed in 2000 as required, and this is one of the final items in the asset base to be valued.

Table 2.8.2: Statement of cash flows

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Cash flows from operating activities		
Receipts from Government	787.9	795.8
Receipts from other entities	140.6	144.9
Payments for supplies, grants and employees	(822.0)	(812.1)
	106.5	128.5
Interest received	0.7	0.6
Capital asset charge	(65.1)	(67.2)
Other receipts	3.4	3.8
Net cash inflow from operating activities	45.4	65.7
Cash flows from investing activities		
Payments for property, plant and equipment	(62.9)	(131.9)
Net disposal (+) of investments	(15.6)	..
Net cash (outflow) from investing activities	(78.5)	(131.9)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	41.8	67.5
Net cash inflows/(outflow) from financing activities	41.8	67.5
Net increase/(decrease) in cash held	8.7	1.2
Cash at the beginning of the financial year	52.8	61.5
Cash at the end of the financial year	61.5	62.7

Source: Departments of Sustainability and Environment and Treasury and Finance

Table 2.8.3: Balance sheet

(\$ million)

	Estimated as at 30 June ^{(a)/(b)}	
	2005 Revised	2006 Budget
Current assets		
Cash assets	61.5	62.7
Other financial assets	17.4	17.4
Receivables	46.5	48.9
Inventories	9.2	9.2
Prepayments	16.9	16.9
Assets held for sale	2.7	2.7
Total current assets	154.2	157.8
Non-current assets		
Receivables	74.1	55.3
Property, plant and equipment	7 292.1	7 399.9
Intangible assets	43.4	38.8
Other	109.0	109.0
Total non-current assets	7 518.5	7 603.0
Total assets	7 672.7	7 760.8
Current liabilities		
Payables	64.8	69.8
Interest-bearing liabilities	0.5	0.5
Employee provisions	17.3	18.3
Other	0.1	0.1
Total current liabilities	82.7	88.6
Non-current liabilities		
Interest-bearing liabilities	2.0	2.0
Employee provisions	53.7	56.7
Other	11.5	11.5
Total non-current liabilities	67.3	70.2
Total liabilities	150.0	158.9
Net assets	7 522.7	7 601.9
Equity		
Contributed capital	2 332.3	2 399.7
Reserves	5 143.9	5 143.9
Accumulated surplus	46.6	58.2
Total equity	7 522.7	7 601.9

Source: Departments of Sustainability and Environment and Treasury and Finance

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.8.7 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.

Table 2.8.4: Administered items statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Appropriations - Payments made on behalf of the State	26.9	25.7
Sale of goods and services	193.2	206.7
Commonwealth grants	55.8	55.8
Taxes	44.7	60.4
Fees	20.4	20.6
Other	37.5	39.6
Total administered income	378.5	408.7
Administered expenses		
Expenses on behalf of the State	1.1	1.1
Grants and other payments	25.8	24.6
Payments into the Consolidated Fund	351.6	383.1
Total administered expenses	378.5	408.8
Income less expenses	..	(0.0)
Administered assets		
Cash assets	2.3	2.3
Receivables	23.3	23.2
Other financial assets	0.1	0.1
Total administered assets	25.6	25.6
Administered liabilities		
Payables	0.1	0.1
Other	5.3	5.3
Total administered liabilities	5.5	5.5

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.8.8 for details of restated amounts.

Payments on behalf of the State

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

Table 2.8.5: Payments made on behalf of the state

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Murray-Darling Basin Contribution	25.8	24.6
Timber Promotion Council Trust Fund	1.1	1.1
Total	26.9	25.7

Source: Departments of Sustainability and Environment and Treasury and Finance

Authority for resources

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

Table 2.8.6: Parliamentary authority for resources

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Annual appropriations	758.9	814.9
Receipts credited to appropriations	68.8	61.3
Unapplied previous years appropriation	43.9	..
Gross annual appropriation	871.6	876.1
Trust funds	145.9	151.7
Total Parliamentary authority	1 017.5	1 027.8

Source: Departments of Sustainability and Environment and Treasury and Finance

Table 2.8.7: Reconciliation of equity at 1 July 2004

	(\$ million)		
	Existing AAS	Transition impact	A-IFRS
Current assets			
Cash assets	52.8	..	52.8
Other financial assets	17.4	..	17.4
Receivables	45.3	..	45.3
Inventories	8.6	0.3	8.9
Prepayments	16.9	..	16.9
Assets held for sale	0.5	2.2	2.7
Total current assets	141.6	2.5	144.1
Non-current assets			
Receivables	69.2	..	69.2
Inventories	2.2	(2.2)	..
Property, plant and equipment	3 134.2	(1.2)	3 133.1
Intangible assets	46.3	(0.0)	46.3
Other	143.1	..	143.1
Total non-current assets	3 395.1	(3.4)	3 391.7
Total assets	3 536.7	(0.9)	3 535.7
Current liabilities			
Payables	56.0	..	56.0
Interest-bearing liabilities	0.5	..	0.5
Employee provisions	21.8	(3.1)	18.7
Other	0.3	..	0.3
Total current liabilities	78.6	(3.1)	75.5
Non-current liabilities			
Interest-bearing liabilities	2.0	..	2.0
Employee provisions	45.6	2.9	48.4
Other	..	7.7	7.7
Total non-current liabilities	47.6	10.6	58.2
Total liabilities	126.2	7.5	133.7
Net assets	3 410.5	(8.5)	3 402.1
Equity			
Contributed capital	2 302.0	..	2 302.0
Reserves	1 015.1	..	1 015.1
Accumulated surplus	93.5	(8.5)	85.0
Total equity	3 410.5	(8.5)	3 402.1

Source: Departments of Sustainability and Environment and Treasury and Finance

Table 2.8.8: Reconciliation of administered items at 1 July 2004

(\$ million)

	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Administered assets			
Cash assets	2.3	..	2.3
Receivables	23.3	..	23.3
Other financial assets	0.1	..	0.1
Total administered assets	25.6	..	25.6
Administered liabilities			
Payables	0.1	..	0.1
Other	5.3	..	5.3
Total administered liabilities	5.5	..	5.5

Source: Departments of Sustainability and Environment and Treasury and Finance

DEPARTMENT OF TREASURY AND FINANCE

Operating performance

The Department of Treasury and Finance (DTF) anticipates a budget surplus of \$4 million in 2005-06, compared to a \$12 million deficit in the 2004-05 revised budget.

The changed position is mainly related to a \$10 million decrease in the Crown land property sales program (the book value of properties sold is recorded as an expense in the controlled operating statement, whereas the associated sales income is classed as administered).

DTF's total expenses will decrease from 2004-05 revised budget to 2005-06 Budget largely due to cessation of one-off information technology projects, cessation of funding for the whole-of-government stewardship of changes to the Australian Accounting Standards, and government saving initiatives.

Investment and financing

The changes to DTF's budgeted cash flows are largely associated with the changed arrangements to the whole-of-government motor vehicles lease facility. The movements in other receipts and net borrowings recognise the progressive wind up of the previous whole-of-government motor vehicle lease arrangements.

Net proceeds from capital contributions are expected to decrease by \$11 million from the 2004-05 revised budget to the 2005-06 Budget, largely reflecting the one-off funding in 2004-05 for the purchase of municipal valuations used by the State Revenue Office for land tax calculation purposes. This is also reflected in the reduction in payments for property, plant and equipment.

Cash receipts from government are lower in 2005-06 due to decreased drawdowns on the annual appropriation received associated with depreciation and other non-cash expenses.

Balance sheet performance

Net assets are expected to increase by \$8 million between the 2004-05 revised budget and the 2005-06 Budget. This is due to the budgeted operating surplus of \$4 million and capital injections of \$4 million. The reduction in property, plant and equipment reflects the disposal of motor vehicles under the previous arrangements, whilst the increase in receivables reflects the financing arrangements provided to departments for the purchase of new vehicles.

Statement of administered items

DTF administers a large number of transactions on behalf of the State for which it cannot exercise direct control – for example, the collection of state taxation income and administration of the State’s superannuation expenses.

Administered income is estimated to increase by \$352 million between the 2004-05 revised budget and the 2005-06 Budget. Increases in GST-related Commonwealth Grants account for \$493 million of this increase, reflecting growth in the total GST pool, as well as an increase in Victoria's share as determined by the Commonwealth Grants Commission. Lower special appropriations have partially offset the grants increase, due to improved superannuation investment returns.

Administered expenses have reduced in 2005-06 due to lower superannuation expense as a result of higher investment returns.

Table 2.9.1: Operating statement

(\$ million)		
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	183.9	182.4
Sale of goods and services	0.3	0.3
Revenue from other parties and other income	58.2	51.1
	242.5	233.8
Expenses		
Employee benefits	82.0	85.4
Depreciation and amortisation	39.6	32.5
Grants and other payments	5.2	6.0
Capital asset charge	21.4	21.6
Supplies and services	74.2	54.7
Financing costs	18.7	17.2
Other expenses	12.9	12.0
	254.0	229.4
Net result for the reporting period	(11.5)	4.3
Net increase in asset revaluation reserve	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	(11.5)	4.3

Source: Department of Treasury and Finance

Note:

(a) Presentation of 2004-05 revised estimates and 2005-06 Budget is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.

Table 2.9.2: Statement of cash flows

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Cash flows from operating activities		
Receipts from Government	191.0	165.2
Receipts from other entities	0.3	0.3
Payments for supplies, grants and employees	(175.9)	(157.8)
	15.4	7.6
Interest received	5.1	12.1
Capital asset charge	(21.4)	(21.6)
Financing costs expense	(26.8)	(28.6)
Other receipts	65.0	37.6
Net cash inflow from operating activities	37.3	7.2
Cash flows from investing activities		
Payments for property, plant and equipment	(34.9)	(15.7)
Net cash inflow/(outflow) from investing activities	(34.9)	(15.7)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	15.0	3.7
Net proceeds from borrowings	(15.7)	4.9
Net cash inflows/(outflow) from financing activities	(0.7)	8.5
Net increase/(decrease) in cash held	1.8	..
Cash at the beginning of the financial year	38.7	40.4
Cash at the end of the financial year	40.4	40.4

Source: Department of Treasury and Finance

Table 2.9.3: Balance sheet

(\$ million)

	Estimated as at 30 June ^{(a)(b)}	
	2005 Revised	2006 Budget
Current assets		
Cash assets	40.4	40.4
Other financial assets	0.2	0.2
Receivables	11.9	11.9
Inventories	0.4	0.4
Prepayments	1.1	1.1
Assets held for sale	19.6	19.6
Total current assets	73.7	73.7
Non-current assets		
Receivables	197.1	287.7
Property, plant and equipment	246.4	183.8
Intangible assets	27.6	16.5
Other	68.6	66.9
Total non-current assets	539.7	555.0
Total assets	613.4	628.7
Current liabilities		
Payables	19.7	19.7
Interest-bearing liabilities	89.7	78.4
Employee provisions	8.7	8.2
Other	43.8	41.9
Total current liabilities	161.9	148.1
Non-current liabilities		
Interest-bearing liabilities	120.0	138.4
Employee provisions	13.7	16.3
Other	0.1	0.1
Total non-current liabilities	133.8	154.8
Total liabilities	295.7	302.9
Net assets	317.7	325.7
Equity		
Contributed capital	113.6	117.2
Reserves	116.2	116.2
Accumulated surplus	88.0	92.3
Total equity	317.7	325.7

Source: Department of Treasury and Finance

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.9.7 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.

Table 2.9.4: Administered items statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Appropriations - Payments made on behalf of the State	1 101.8	1 321.3
Special appropriations	697.2	224.4
Sale of goods and services	6.4	6.4
Commonwealth grants	7 569.7	8 085.6
Taxes	7 495.9	7 299.9
Fees	8.2	8.3
Other	3 325.1	3 609.9
Total administered income	20 204.3	20 555.9
Administered expenses		
Expenses on behalf of the State	2 186.6	1 521.4
Grants and other payments	442.3	459.8
Payments into the Consolidated Fund	18 790.6	19 237.4
Total administered expenses	21 419.4	21 218.6
Income less expenses	(1 215.2)	(662.8)
Administered assets		
Cash assets	257.4	262.4
Receivables	(663.8)	(285.3)
Other financial assets	1 381.5	918.5
Prepayments	6.3	6.3
Property, plant and equipment	2.1	2.1
Total administered assets	983.6	904.0
Administered liabilities		
Payables	76.9	76.9
Interest-bearing liabilities	5 301.2	5 305.2
Employee provisions	16 843.3	17 576.8
Amounts owing to other departments	86.3	86.3
Other	1 474.1	1 380.0
Total administered liabilities	23 781.8	24 425.2

Source: Department of Treasury and Finance

Note:

(a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.9.8 for details of restated amounts.

Payments on behalf of the State

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

Table 2.9.5: Payments made on behalf of the State

<i>Accounts</i>	<i>(\$ million)</i>	
	<i>2004-05 Revised</i>	<i>2005-06 Budget</i>
Superannuation and pension payments	16.4	16.4
Interest	362.3	356.3
Current and capital grants	387.4	402.8
Operating supplies and consumables	146.4	429.5
Other	189.2	116.3
Total	1 101.8	1 321.3

Source: Department of Treasury and Finance

Authority for resources

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

Table 2.9.6: Parliamentary authority for resources

	<i>(\$ million)</i>	
	<i>2004-05 Revised</i>	<i>2005-06 Budget</i>
Annual appropriations	1 314.5	1 523.5
Receipts credited to appropriations	3.3	3.2
Unapplied previous years appropriation	2.3	..
Accumulated surplus - previously applied appropriation	5.7	..
Gross annual appropriation	1 325.9	1 526.7
Special appropriations	697.2	224.4
Trust funds	34.8	41.5
Total Parliamentary authority	2 057.8	1 792.6

Source: Department of Treasury and Finance

Table 2.9.7: Reconciliation of equity at 1 July 2004

		(\$ million)		
Notes		Existing AAS	Transition impact	A-IFRS
	Current assets			
	Cash assets	33.7	..	33.7
	Other financial assets	0.2	..	0.2
	Receivables	11.9	..	11.9
	Inventories	0.4	..	0.4
	Prepayments	1.1	..	1.1
(a)	Assets held for sale	3.9	15.7	19.6
	Total current assets	51.2	15.7	66.9
	Non-current assets			
	Receivables	117.9	..	117.9
(b)	Inventories	25.7	(25.7)	(0.0)
(c)	Property, plant and equipment	350.5	(10.4)	340.1
(d)	Intangible assets	..	16.5	16.5
	Other	70.3	..	70.3
	Total non-current assets	564.5	(19.6)	544.9
	Total assets	615.7	(3.9)	611.8
	Current liabilities			
	Payables	19.7	..	19.7
	Interest-bearing liabilities	92.8	..	92.8
	Employee provisions	9.2	..	9.2
(e)	Other	47.5	0.1	47.6
	Total current liabilities	169.2	0.1	169.2
	Non-current liabilities			
	Interest-bearing liabilities	117.1	..	117.1
	Employee provisions	11.1	..	11.1
(e)	Other	..	0.1	0.1
	Total non-current liabilities	128.2	0.1	128.3
	Total liabilities	297.4	0.2	297.6
	Net assets	318.3	(4.1)	314.3
	Equity			
	Contributed capital	98.6	..	98.6
	Reserves	116.2	..	116.2
	Accumulated surplus	103.6	(4.1)	99.5
	Total equity	318.3	(4.1)	314.3

Source: Department of Treasury and Finance

Notes on the reconciliation of equity at 1 July 2004:

- (a) Certain properties held for sale now classified as current assets (and transferred from non-current) under AASB 5 (\$26 million), partly offset by the reclassification of certain properties to property, plant and equipment (\$10 million).
- (b) Reclassification of certain properties as current assets. Also refer to Note (a).
- (c) IT development costs reclassified as intangibles in accordance with new Standard AASB 138 (\$17 million), IT and website development costs written off against accumulated funds under the requirements of AASB 138 (\$4 million), partly offset by certain properties being reclassified from inventories (\$10 million). Also refer to Note (a).
- (d) IT development costs reclassified from property, plant and equipment. Also refer to Note (c).
- (e) Provision for make-good costs obliged under certain accommodation leases.

Table 2.9.8: Reconciliation of administered items at 1 July 2004

(\$ million)

Notes	Existing AAS	Transition impact	A-IFRS
Administered assets			
Cash assets	257.0	..	257.0
Receivables	(690.7)	..	(690.7)
Other financial assets	1 491.5	..	1 491.5
Prepayments	6.3	..	6.3
Property, plant and equipment	0.8	..	0.8
Total administered assets	1 064.8	..	1 064.8
Administered liabilities			
Payables	76.9	..	76.9
Interest-bearing liabilities	5 071.8	..	5 071.8
(a) Employee provisions	11 710.5	4 142.2	15 852.7
Amounts owing to other departments	87.3	..	87.3
Other	1 559.5	..	1 559.5
Total administered liabilities	18 505.9	4 142.2	22 648.2

Source: Department of Treasury and Finance

Note on the reconciliation of equity at 1 July 2004:

- (a) In estimating the State's unfunded superannuation liability, the present value of the underlying obligation is currently calculated using the expected long-term earning rate on scheme assets. Under AASB 119, this value is required to be calculated using government bond rates, specifically in this case the ten-year Commonwealth Government bond rate.

DEPARTMENT FOR VICTORIAN COMMUNITIES

Operating performance

The Department for Victorian Communities (DVC) is estimated to have an operating deficit of \$4 million in the 2005-06 Budget. This deficit results from the draw down of funds previously accumulated in the Community Support Fund (CSF) for community projects in the 2005-06 Budget year. The CSF itself is not in deficit as a result.

The largest component of DVC's income is output appropriation provided by the Government. Most of this will be applied in the provision of a range of grants to external organisations. The statement also includes electronic gaming machine income for payment into the CSF.

The estimated increase in income and expenses from 2004-05 is largely due to the running of the Melbourne 2006 Commonwealth Games in 2005-06, as well as other new output initiatives announced in the 2005-06 Budget, including the Aboriginal land and economic development program and Stolen Generations initiative.

Investment and financing

Investing activities for the 2005-06 Budget year are budgeted at \$4 million. Cash flows for investment relate to DVC's existing capital investment program and new capital investment initiatives announced in the 2005-06 Budget, including a new home for rectangular sports and improving community sport and recreation infrastructure. A net cash outflow from operating activities offset by a capital contribution from the State Government will finance the investing activity.

Balance sheet performance

DVC's net asset position is budgeted to decrease as a result of the expected completion, and subsequent transfer of enhancements at the Melbourne Sports and Aquatic Centre to the State Sports Centres Trust. This is offset by capital asset investments within DVC, principally due to the development of the Commonwealth Games Village.

Statement of administered items

The budgeted increase in Commonwealth grants is as a result of the second payment from the Commonwealth in relation to the Commonwealth Games.

Transactions administered by DVC on behalf of the State include:

- Commonwealth payments to the State;
- ANZAC Day racing proceeds;
- grants to disabled sporting groups;
- births, deaths and marriages regulatory fees; and
- proceeds from sales of assets.

Table 2.10.1: Operating statement

	(\$ million)	
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	378.1	559.6
Special appropriations	90.5	98.3
Revenue from other parties and other income	27.6	4.6
	496.3	662.5
Expenses		
Employee benefits	48.8	53.3
Depreciation and amortisation	8.5	9.1
Grants and other payments	397.4	450.9
Capital asset charge	6.1	6.3
Supplies and services	50.4	146.4
	511.2	666.0
Net result for the reporting period	(15.0)	(3.5)
Net increase in asset revaluation reserve	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	(15.0)	(3.5)

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

Note:

(a) Presentation of 2004-05 revised estimates and 2005-06 Budget is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.

Table 2.10.2: Statement of cash flows

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Cash flows from operating activities		
Receipts from Government	462.8	658.0
Receipts from other entities	22.8	0.5
Payments for supplies, grants and employees	(546.2)	(662.9)
	(60.5)	(4.3)
Interest received	4.1	4.1
Capital asset charge	(6.1)	(6.3)
Net cash inflow from operating activities	(62.5)	(6.5)
Cash flows from investing activities		
Payments for property, plant and equipment	(76.4)	(24.2)
Net disposal (+) of investments	32.2	20.0
Net cash (outflow) from investing activities	(44.2)	(4.2)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	124.1	27.4
Net cash inflows/(outflow) from financing activities	124.1	27.4
Net increase/(decrease) in cash held	17.4	16.6
Cash at the beginning of the financial year	13.3	30.8
Cash at the end of the financial year	30.8	47.4

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

Table 2.10.3: Balance sheet

(\$ million)

	Estimated as at 30 June ^{(a)(b)}	
	2005 Revised	2006 Budget
Current assets		
Cash assets	30.8	47.4
Other financial assets	56.8	36.7
Receivables	16.0	16.0
Inventories	0.7	0.7
Other	6.0	6.0
Total current assets	110.3	106.9
Non-current assets		
Receivables	33.1	33.0
Property, plant and equipment	157.5	124.3
Intangible assets	0.8	0.8
Other	221.6	232.2
Total non-current assets	413.0	390.3
Total assets	523.3	497.2
Current liabilities		
Payables	67.0	74.8
Employee provisions	4.2	4.2
Other	0.2	0.2
Total current liabilities	71.5	79.3
Non-current liabilities		
Interest-bearing liabilities	0.1	0.1
Employee provisions	7.5	7.5
Total non-current liabilities	7.6	7.6
Total liabilities	79.1	86.9
Net assets	444.2	410.3
Equity		
Contributed capital	458.1	427.7
Reserves	42.4	42.4
Accumulated deficit	(56.3)	(59.9)
Total equity	444.2	410.3

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

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.10.7 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.

Table 2.10.4: Administered items statement

(\$ million)

	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Appropriations - Payments made on behalf of the State	18.5	18.0
Sale of goods and services	5.9	6.1
Commonwealth grants	361.1	442.8
Fees	4.1	7.7
Other	..	6.0
Total administered income	389.7	480.5
Administered expenses		
Grants and other payments	379.4	398.4
Payments into the Consolidated Fund	10.3	82.0
Total administered expenses	389.7	480.5
Income less expenses	..	..
Administered assets		
Receivables	0.3	0.3
Total administered assets	0.3	0.3
Administered liabilities		
Other	0.1	0.1
Total administered liabilities	0.1	0.1

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

Note:

(a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See table 2.10.8 for details of restated amounts.

Table 2.10.5: Payments made on behalf of the State

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Current grants	18.1	17.6
Anzac Day administered trust	0.4	0.4
Total	18.5	18.0

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

Authority for resources

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

Table 2.10.6: Parliamentary authority for resources

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Annual appropriations	413.8	595.9
Receipts credited to appropriations	4.0	4.1
Unapplied previous years appropriation	59.6	8.5
Gross annual appropriation	477.4	608.5
Special appropriations	90.5	98.3
Trust funds	388.5	385.1
Total Parliamentary authority	956.4	1 091.8

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

Table 2.10.7: Reconciliation of equity at 1 July 2004

	(\$ million)		
	Existing AAS	Transition impact	A-IFRS
Current assets			
Cash assets	13.3	..	13.3
Other financial assets	89.0	..	89.0
Receivables	16.0	..	16.0
Inventories	0.7	..	0.7
Other	6.0	..	6.0
Total current assets	125.1	..	125.1
Non-current assets			
Receivables	27.3	..	27.3
Property, plant and equipment	90.7	..	90.7
Intangible assets	0.8	..	0.8
Other	173.3	..	173.3
Total non-current assets	292.2	..	292.2
Total assets	417.3	..	417.3
Current liabilities			
Payables	23.6	..	23.6
Employee provisions	4.1	..	4.1
Other	0.2	..	0.2
Total current liabilities	28.0	..	28.0
Non-current liabilities			
Interest-bearing liabilities	0.1	..	0.1
Employee provisions	7.3	..	7.3
Total non-current liabilities	7.4	..	7.4
Total liabilities	35.4	..	35.4
Net assets	382.0	..	382.0
Equity			
Contributed capital	380.9	..	380.9
Reserves	42.4	..	42.4
Accumulated deficit	(41.3)	..	(41.3)
Total equity	382.0	..	382.0

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

Table 2.10.8: Reconciliation of administered items at 1 July 2004

	(\$ million)		
	Existing AAS	Transition impact	A-IFRS
Administered assets			
Receivables	0.3	..	0.3
Total administered assets	0.3	..	0.3
Administered liabilities			
Other	0.1	..	0.1
Total administered liabilities	0.1	..	0.1

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

PARLIAMENT OF VICTORIA

Operating performance

The Parliament, including the Victorian Auditor-General's Office (VAGO), is estimated to have a balanced operating result for 2005-06, the same as the 2004-05 revised budget.

The operating statement shows a decrease in total operating income of \$14 million (or 11.7 per cent), between the 2004-05 revised budget and the 2005-06 Budget. The decrease in special appropriation income is due to the cessation of funding, in accordance with the *Parliamentary Salaries and Superannuation Act 1968*, for the Parliamentary Contributory Superannuation Fund, which amounted to \$16 million in 2004-05. This has also resulted in reduced expenditure on employee benefits. The decrease in special appropriation income is partially offset by additional output appropriation from the Government, including funding for:

- increased operating costs of the Parliament; and
- celebrations to mark the 150th anniversary of democratic government in Victoria.

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

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

Investment and financing

Cash flows from investing and financing activities are expected to remain substantially unchanged in 2005-06. Payments for property, plant and equipment in 2005-06 include funding provided for the following asset initiatives in the 2005-06 Budget:

- the Parliament House Heritage Asset Strategy; and
- the development of a new financial audit application for VAGO.

Balance sheet performance

The net asset position in 2005-06 is estimated to improve by \$4 million compared with the 2004-05 revised budget. This is primarily a result of the additional asset funding noted above and previously funded capital works at Parliament House.

Statement of administered items

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

Table 2.11.1: Operating statement

(\$ million)		
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Income		
Output appropriations	87.5	88.8
Special appropriations	34.4	18.9
	121.9	107.7
Expenses		
Employee benefits	73.2	56.7
Depreciation and amortisation	5.1	5.3
Grants and other payments	0.5	0.5
Capital asset charge	1.2	1.4
Supplies and services	41.9	43.9
	121.9	107.7
Net result for the reporting period		
Net increase in asset revaluation reserve	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner		

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) Presentation of 2004-05 revised estimates and 2005-06 Budget is based on A-IFRS. For the presentation of 2003-04 actual results and 2004-05 Budget and revised estimates based on existing Australian Accounting Standards, refer to Appendix C.

Table 2.11.2: Statement of cash flows

(\$ million)		
	2004-05 Revised	2005-06 Budget
Cash flows from operating activities		
Receipts from Government	118.7	104.1
Payments for supplies, grants and employees	(115.4)	(100.8)
	3.4	3.4
Capital asset charge	(1.2)	(1.4)
Net cash inflow from operating activities	2.2	2.0
Cash flows from investing activities		
Payments for property, plant and equipment	(6.2)	(6.1)
Net cash (outflow) from investing activities	(6.2)	(6.1)
Cash flows from financing activities		
Net proceeds from capital contribution by State Government	4.1	4.1
Net cash inflows/(outflow) from financing activities	4.1	4.1
Net increase/(decrease) in cash held	..	..
Cash at the beginning of the financial year	..	..
Cash at the end of the financial year	..	..

Source: Parliament of Victoria and Department of Treasury and Finance

Table 2.11.3: Balance sheet

(\$ million)

	Estimated as at 30 June ^{(a)/(b)}	
	2005 Revised	2006 Budget
Current assets		
Receivables	0.8	0.8
Inventories	0.1	0.1
Prepayments	0.8	0.8
Total current assets	1.7	1.7
Non-current assets		
Receivables	27.4	30.9
Property, plant and equipment	183.3	184.1
Other	11.4	11.4
Total non-current assets	222.1	226.4
Total assets	223.7	228.1
Current liabilities		
Payables	2.3	2.3
Interest-bearing liabilities	1.3	1.3
Employee provisions	4.1	4.1
Other	0.4	0.4
Total current liabilities	8.2	8.2
Non-current liabilities		
Interest-bearing liabilities	0.8	0.8
Employee provisions	4.3	4.5
Total non-current liabilities	5.1	5.3
Total liabilities	13.3	13.5
Net assets	210.4	214.5
Equity		
Contributed capital	151.6	155.7
Reserves	47.3	47.3
Accumulated surplus	11.6	11.6
Total equity	210.4	214.5

Source: Parliament of Victoria and Department of Treasury and Finance

Notes:

- (a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.11.6 for details of the restated amounts.
- (b) Actual results for 2003-04 and 2004-05 Budget and revised estimates prior to restatement to A-IFRS are included in Appendix C.

Table 2.11.4: Administered items statement

	(\$ million)	
	2004-05 Revised ^(a)	2005-06 Budget ^(a)
Administered income		
Sale of goods and services	14.6	15.1
Total administered income	14.6	15.1
Administered expenses		
Payments into the Consolidated Fund	14.6	15.1
Total administered expenses	14.6	15.1
Income less expenses	..	..
Administered assets		
Receivables	2.7	2.7
Total administered assets	2.7	2.7
Administered liabilities		
Total administered liabilities	..	..

Source: Parliament of Victoria and Department of Treasury and Finance

Note:

(a) Presentation of 2005-06 Budget is based on A-IFRS after restating the opening balances as at 1 July 2004. See Table 2.11.7 for details of restated amounts.

Authority for resources

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

Table 2.11.5: Parliamentary authority for resources

	(\$ million)	
	2004-05 Revised	2005-06 Budget
Annual appropriations	74.6	77.8
Receipts credited to appropriations	14.8	15.1
Unapplied previous years appropriation	2.1	..
Accumulated surplus - previously applied appropriation	0.5	0.5
Gross annual appropriation	92.1	93.3
Special appropriations	34.4	18.9
Total Parliamentary authority	126.5	112.3

Source: Parliament of Victoria and Department of Treasury and Finance

Table 2.11.6: Reconciliation of equity at 1 July 2004

(\$ million)

	<i>Existing AAS</i>	<i>Transition impact</i>	<i>A-IFRS</i>
Current assets			
Receivables	0.8	..	0.8
Inventories	0.1	..	0.1
Prepayments	0.8	..	0.8
Total current assets	1.7	..	1.7
Non-current assets			
Receivables	24.2	..	24.2
Property, plant and equipment	182.2	..	182.2
Other	11.4	..	11.4
Total non-current assets	217.8	..	217.8
Total assets	219.5	..	219.5
Current liabilities			
Payables	2.3	..	2.3
Interest-bearing liabilities	1.3	..	1.3
Employee provisions	4.1	..	4.1
Other	0.4	..	0.4
Total current liabilities	8.2	..	8.2
Non-current liabilities			
Interest-bearing liabilities	0.8	..	0.8
Employee provisions	4.1	..	4.1
Total non-current liabilities	4.9	..	4.9
Total liabilities	13.1	..	13.1
Net assets	206.4	..	206.4
Equity			
Contributed capital	147.6	..	147.6
Reserves	47.3	..	47.3
Accumulated surplus	11.6	..	11.6
Total equity	206.4	..	206.4

Source: Parliament of Victoria and Department of Treasury and Finance

Table 2.11.7: Reconciliation of administered items at 1 July 2004

	(\$ million)		
	Existing AAS	Transition impact	A-IFRS
Administered assets			
Receivables	2.7	..	2.7
Total administered assets	2.7	..	2.7
Administered liabilities			
Total administered liabilities	..	..	..

Source: Parliament of Victoria and Department of Treasury and Finance

CHAPTER 3 – STATE REVENUE

SUMMARY OF GENERAL GOVERNMENT SECTOR REVENUE

This chapter describes the major categories of revenue, comprising both state-sourced revenue and Commonwealth grants, and examines the expected movement in revenue between the 2004-05 revised estimates and the 2005-06 Budget estimates.

Total revenue comprises revenue from transactions and revenue from economic flows. Revenue from transactions represents the majority of total revenue in the 2005-06 Budget estimates.

As shown in Table 3.1, general government sector revenue and grants received are expected to increase by 4.3 per cent to \$30 658 million in 2005-06.

Table 3.1: General government sector revenue and grants received

	(\$ million)			
	2004-05 Budget ^(b)	2004-05 Revised	2005-06 Budget	Change ^(a) %
Revenue from transactions				
Taxation	10 271.8	10 355.6	10 306.2	- 0.5
Fines and regulatory fees	729.4	627.8	726.9	15.8
Sale of goods and services	2 231.3	2 313.1	2 397.1	3.6
Investment income	1 225.5	1 323.0	1 397.9	5.7
Other revenue	1 426.2	1 368.6	1 533.4	12.0
Grants received	13 080.5	13 365.7	14 262.1	6.7
Total revenue from transactions	28 964.7	29 353.7	30 623.6	4.3
Revenue from other economic flows				
Investment revenue	- 0.1	0.6	0.1	- 81.9
Other revenue	20.3	43.6	34.1	- 22.0
Total revenue from economic flows	20.2	44.2	34.2	- 22.7
Total revenue	28 984.9	29 397.9	30 657.7	4.3

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

(b) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Taxation revenue is projected to decrease by 0.5 per cent in 2005-06 relative to the revised estimate for 2004-05. The decrease in revenue reflects several factors, including:

- an expected continuing moderation in property market activity, through a softening of house prices and reduction in the volume of sales;
- the package of land tax changes announced in the 2005-06 Budget including increasing the tax free threshold, restructuring and simplifying the rate scale and bringing forward by one year the scheduled reduction in the top rate;
- the full-year effect of the abolition of mortgage duty from 1 July 2004;
- the abolition of debits tax from 1 July 2005; and
- the one-off impact of the 2004-05 agreement between Transurban and the State to redeem concession notes held by the State to construct the Tullamarine-Calder interchange.

These reductions in taxation revenue are partly offset by increases resulting from:

- additional compliance activity;
- introduction of a special land tax on trusts where the tax rate is less progressive than the ordinary marginal rate;
- the imposition of a long-stay car park levy on the owners of non-residential, long-stay, off-street car parking spaces in the Melbourne central business district and adjacent highly congested areas; and
- the increase in the annual health benefit levy by \$1 500 on each electronic gaming machine.

Fines and regulatory fees revenue is expected to increase by 15.8 per cent to \$727 million in 2005-06 compared to 2004-05, largely reflecting the net impact of lower than expected revenue from traffic infringements in 2004-05 arising from the identification of issues associated with the fixed road safety cameras, together with a progressive roll-out of these cameras during 2005-06 as part of the Government's road safety initiative. From 1 July 2005, receipts collected from traffic camera and on-the-spot speeding fines will be channelled into improving Victoria's roads through the Better Roads Victoria Trust Account. This will establish a transparent link between traffic fines and Government's expenditure on roads, road safety and road maintenance programs.

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

Proceeds from the sale of goods and services are expected to increase by \$84 million (or 3.6 per cent) to \$2 397 million in 2005-06 compared to 2004-05. The increase reflects annual indexation of a range of fees, expected higher hospitals revenue from third parties, and increases in mortgage registration and discharge fees to be more in line with fee levels applying in other states, and to ensure sufficient cost recovery of the service.

Investment revenue from transactions is expected to increase by 5.7 per cent to \$1 398 million in 2005-06 compared to 2004-05. Dividend revenue is expected to rise in 2005-06, driven by the re-commencement of dividend payments from the State Electricity Commission of Victoria and higher dividends from the water sector. The increase is substantially offset by lower income tax equivalent revenue from the public financial corporations sector. In addition, from 1 January 2006, the brown coal royalty rate will be increased to better reflect the environmental costs associated with the extraction of a natural resource.

Other revenue from transactions is expected to increase by 12.0 per cent (\$165 million) compared to the 2004-05 revised estimate. The increase in other revenue largely reflects a rise in the inter-sector capital asset charge reflecting an increase in the net assets of Victorian Rail Track.

Commonwealth grants are expected to rise by \$896 million (6.7 per cent) in 2005-06 compared to 2004-05. General purpose grants are forecast to increase by \$486 million (6.4 per cent). The increase is higher than the estimated growth of 5.2 per cent in the estimated total GST pool because Victoria's share of the GST revenue pool has been revised upward in the Commonwealth Grants Commission's *2005 Update of State Revenue Sharing Relativities*.

Specific purpose own use grants are expected to increase by \$266 million (6.8 per cent) due to higher funding for education, human services, roads and the Commonwealth contribution to the Melbourne 2006 Commonwealth Games.

Grants for on-passing are forecast to increase by \$114 million (6.7 per cent), largely because of increases in Commonwealth assistance to non-government schools.

STATE SOURCED REVENUE

Taxation

Taxation revenue in 2005-06 is estimated to be \$10 306 million, which is \$49 million (0.5 per cent) lower than the 2004-05 revised estimate (Table 3.2).

Table 3.2: Taxation estimates

	(\$ million)			
	2004-05 Budget	2004-05 Revised	2005-06 Budget	Change ^(a) %
Payroll tax	2 875.5	2 994.0	3 179.2	6.2
Taxes on property				
Land tax	916.5	854.6	824.1	- 3.6
Long-stay car parks levy	..	..	19.4	..
Land transfer duty	2 235.7	2 235.7	2 075.6	- 7.2
Mortgage duty	54.4	13.6	..	- 100.0
Rental business duty	57.0	54.5	57.5	5.5
Other miscellaneous duties	7.2	10.5	11.1	5.8
Debits tax	248.9	256.8	21.5	- 91.6
Metropolitan improvement levy	88.4	88.4	92.1	4.2
Property owners contributions to fire brigades	32.1	32.0	34.9	9.0
Financial accommodation levy	7.4	10.9	10.2	- 6.6
	3 647.5	3 557.0	3 146.4	- 11.5
Levies on statutory corporations	..	44.7	60.4	35.1
Gambling taxes				
Private lotteries	318.3	307.8	314.7	2.2
Electronic gaming machines	828.8	842.6	931.0	10.5
Casino	112.4	109.8	113.5	3.4
Racing	109.5	112.5	116.5	3.5
Other	2.7	3.3	3.3	2.8
	1 371.7	1 376.0	1 479.0	7.5
Taxes on insurance				
Non-life insurance	618.5	575.2	590.5	2.7
Life insurance	15.5	11.8	12.5	5.9
Compulsory third party	113.4	114.8	121.0	5.4
Insurance contributions to fire brigades	313.3	318.1	337.2	6.0
	1 060.7	1 019.9	1 061.2	4.1
Motor vehicle taxes ^(b)				
Vehicle registration fees	672.8	670.9	711.4	6.0
Duty on vehicle registrations and transfers	570.0	561.0	594.9	6.0
	1 242.8	1 231.9	1 306.3	6.0
Other taxes				
Liquor licence fees	6.6	7.2	7.2	0.0
Transurban concession fees	34.9	92.9	32.7	- 64.8
Landfill levy	32.0	32.0	33.8	5.7
	73.5	132.1	73.7	- 44.2
Total	10 271.8	10 355.6	10 306.2	- 0.5

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

(b) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Payroll tax

Payroll tax is levied on taxable wages, which are defined to include salaries and wages, commissions, bonuses, allowances, remunerations, employer superannuation contributions, fringe benefits, and payments to some contractors. Payroll tax of 5.25 per cent is applicable to the payments of taxable wages in excess of the annual tax-free threshold of \$550 000.

Payroll tax revenue for 2004-05 has been revised up significantly (\$101 million) since the *2004-05 Budget Update* as a result of strong actual revenue, robust employment growth and, to a lesser extent, an increase in average hours worked.

In 2005-06, revenue is expected to be \$3 179 million, an increase of \$185 million (6.2 per cent) over the 2004-05 revised estimate. The projected growth in 2005-06 primarily reflects expectations of modest increases in wages growth and, to a lesser degree, employment growth.

Taxes on property

Land tax

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

The Government will be providing further substantial land tax relief worth around \$823 million over five years. The major focus of these measures is to provide targeted relief to those taxpayers that have experienced large increases in their land tax liabilities in recent years as a result of rising property values, particularly for property in premium locations.

Under the reforms, around \$573 million over four years will be spent on significantly reducing the middle land tax rates that apply to property holdings valued between \$750 000 and \$2.7 million, which is where the current land tax scale is the steepest. Cuts will be made to the 1.0 per cent rate (starting at \$750 000), which will be cut to 0.5 per cent; the 1.75 per cent rate (starting at \$900 000) will be cut to 1.0 per cent; the 2.75 per cent rate (starting at \$1.19 million) will be cut to 1.5 per cent; and the current 3 per cent rate (starting at \$1.62 million) will be cut to 2.25 per cent.

Also under these new reforms, the tax-free threshold will be increased by \$25 000 to \$200 000 from 2005-06. In addition, the timing of the reduction in the top marginal rate announced in the 2004-05 Budget will be brought forward by one year, at a cost of around \$107 million over three years, so that the top rate will be 3.5 per cent in 2005-06, 3.25 per cent in 2006-07 and 3 per cent in 2007-08.

The Government will also be providing a general land tax rebate in 2004-05. The rebate will be based on recalculating land taxpayers' 2004-05 land tax liability as if

the middle rate cuts and bracket adjustments scheduled for 2005-06 were provided in 2004-05. Under this initiative, land taxpayers will receive 50 per cent of the potential savings in the form of a land tax rebate, costing around \$59 million in 2004-05.

The 2005-06 Budget also contains funding for the capping of increases in land tax liabilities in 2005-06. Under this measure, no land taxpayer will experience an increase in their land tax liability greater than 50 per cent for the 2006 land tax year with respect to land tax on the same properties in 2005.

Table 3.3 shows the rates that applied to land tax assessments in 2004-05 prior to the introduction of these initiatives and the rates that will apply in 2005-06 (2006 land tax year).

Table 3.3: Land tax rates in 2004-05 and 2005-06^(a)

In 2004-05	
<i>Value of property</i>	<i>Land tax payable</i>
Up to \$174 999	Nil
\$175 000 - \$199 999	\$175 plus 0.1% for each dollar over \$175 000
\$200 000 - \$539 999	\$200 plus 0.2% for each dollar over \$200 000
\$540 000 - \$709 999	\$880 plus 0.5% for each dollar over \$540 000
\$710 000 - \$849 999	\$1 730 plus 1.0% for each dollar over \$750 000
\$850 000 - \$1 129 999	\$3 130 plus 1.75% for each dollar over \$900 000
\$1 130 000 - \$1 619 999	\$8 030 plus 2.75% for each dollar over \$1 190 000
\$1 620 000 - \$2 699 999	\$21 505 plus 3.0% for each dollar over \$1 620 000
\$2 700 000 and over	\$53 905 plus 4.0% for each dollar over \$2 700 000

In 2005-06	
<i>Value of property</i>	<i>Land tax payable</i>
Up to \$199 999	Nil
\$200 000 - \$539 999	\$200 plus 0.20% for each dollar over \$200 000
\$540 000 - \$899 999	\$880 plus 0.50% for each dollar over \$540 000
\$900 000 - \$1 189 999	\$2 680 plus 1.00% for each dollar over \$900 000
\$1 190 000 - \$1 619 999	\$5 580 plus 1.50% for each dollar over \$1 190 000
\$1 620 000 - \$2 699 999	\$12 030 plus 2.25% for each dollar over \$1 620 000
\$2 700 000 and over	\$36 330 plus 3.50% for each dollar over \$2 700 000

Source: Department of Treasury and Finance

Note:

(a) The top rate will drop to 3.25 per cent in 2006-07 and 3.0 per cent in 2007-08.

A special land tax will be levied on trusts. This involves setting a 'special' rate for trustees from the 2006 land tax year, that is less progressive than the ordinary marginal rate. This will help clarify the law, reduce the number of disputes, and limit the ability of taxpayers to minimise tax by disaggregating their landholdings through trusts. Revenue is projected to increase by \$20 million a year under this special rate, which will compensate (to some extent) for erosion of revenue that has occurred until now.

From 1 January 2005, the Government has provided a full land tax exemption to all owners of private caravan parks in Victoria that supply low-cost holiday and residential accommodation. This initiative will cost around \$3 million each year. Where land ceases to be exempt from land tax through a change in its use, a special land tax at the rate of 5 per cent of the unimproved value of the land will be payable. Land can cease to be exempt from land tax if it is sold for an alternative use, or if the current owner wishes to use the land for a different purpose. The valuation used to calculate the special land tax is the one that would have been used to assess land tax if the exemption had not applied.

All aged care facilities, supported resident services (SRSs) and rooming houses have been exempt from land tax from 1 January 2004. Where land ceases to be exempt from land tax through a change in its use, a special land tax at the rate of 5 per cent of the unimproved value of the land will be payable. A refund will be available to any aged care facility, SRS or rooming house that has already paid land tax during 2004 or 2005. The combined cost of these exemptions will be \$13 million in 2004-05 and then \$6.5 million a year thereafter.

Long-stay car parks levy

From 1 January 2006, a long-stay car park levy will be imposed on the owners of non-residential, long-stay, off-street car parking spaces in the Melbourne central business district and adjacent highly congested areas such as Southbank, Docklands and the St Kilda Road precincts. Exemptions will apply to short-stay parking spaces and certain other parking, such as for ambulances and charitable institutions. The revenue raised will be used for metropolitan transport initiatives. The Government will also be providing the Melbourne City Council with \$5 million a year to fund urban and transport improvements in the central business district.

Duty on financial and capital transactions

Duty on land transfers

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

In 2005-06, land transfer duty revenue is expected to be \$2 076 million, a decline of \$160 million (7.2 per cent) from the 2004-05 revised estimate and \$370 million (15.1 per cent) below the level recorded in 2003-04.

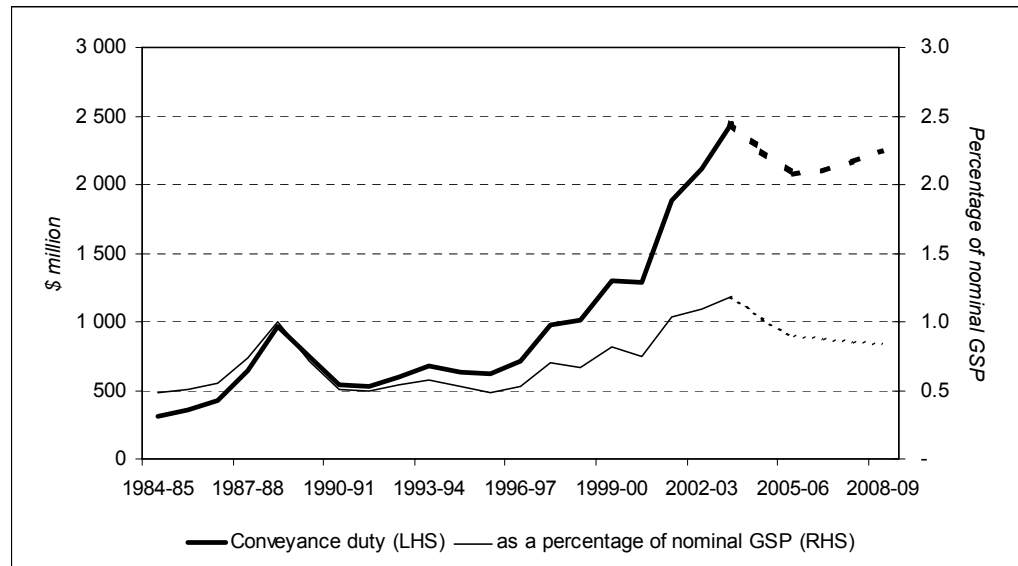
While it is clear that the number of land transfer transactions have fallen, the majority of property market analysts indicate that the Melbourne median house price remained broadly flat.

From 2006-07 onwards, it is expected that modest growth in volumes and house prices will return, as conveyancing revenue begins to pick up again. However, it is

anticipated that even by 2008-09, conveyancing revenue will still be lower than the revenue recorded during the peak of the Victorian property market boom in 2003-04.

As a share of gross state product (GSP), conveyance duty is expected to decline over the projection period. Chart 3.1 shows the level and share of GSP of conveyance duty revenue, including estimates for the period 2004-05 to 2008-09.

Chart 3.1: Conveyance duty on land transfers



Source: Department of Treasury and Finance

The rates of conveyancing duty are shown in Table 3.4.

Table 3.4: Duty on land transfers

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

Source: Duties Act 2000

The Victorian Government's *First Home Bonus* scheme will continue for an additional two years. Victorian first homebuyers who qualify for the Government's current \$7 000 First Home Owner Grant for contracts entered into on or after 1 May 2004 can now qualify for the Victorian Government's \$5 000 *First Home Bonus* until 31 December 2005 (subject to a price cap of \$500 000). For purchases made on or after 1 January 2006, Victorian first homebuyers can apply for a

\$3 000 *First Home Bonus* for homes valued up to \$500 000. The \$3 000 Bonus will be available until 30 June 2007, and will continue to replace the previous stamp duty exemptions for first homebuyers with families.

Concession cardholders remain eligible for a full stamp duty exemption for purchases of homes valued at up to \$250 000 and a partial exemption up to \$350 000.

Duty on rental business

Any rental business that receives rental revenue in excess of \$6 000 in any month must register and pay rental business duty. The rate of duty is 0.75 per cent of gross rental revenue. Hire purchase agreements are also subject to rental business duty.

Following a review under the 1999 *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA), the Government has decided to remove rental business duty from 1 January 2007. This is in addition to the abolition of debits tax from 1 July 2005, which was announced in the 2004-05 Budget. Both of these measures will ensure the Government has met all of its commitments under the IGA and the subsequent agreement between the Commonwealth and a majority of state and territories to abolish additional taxes scheduled for review under that agreement.

Debits tax

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

Metropolitan improvement levy

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

Property owners' contribution to fire brigades

Municipal councils whose districts are within or partly within the metropolitan area serviced by the metropolitan fire brigade are required by legislation to contribute 12.5 per cent of the Metropolitan Fire Brigade's statutory contribution budget allocation.

In addition, non-residential property owners, who choose to either self-insure or insure off-shore, are required by legislation to pay a contribution.

Levies on statutory corporations

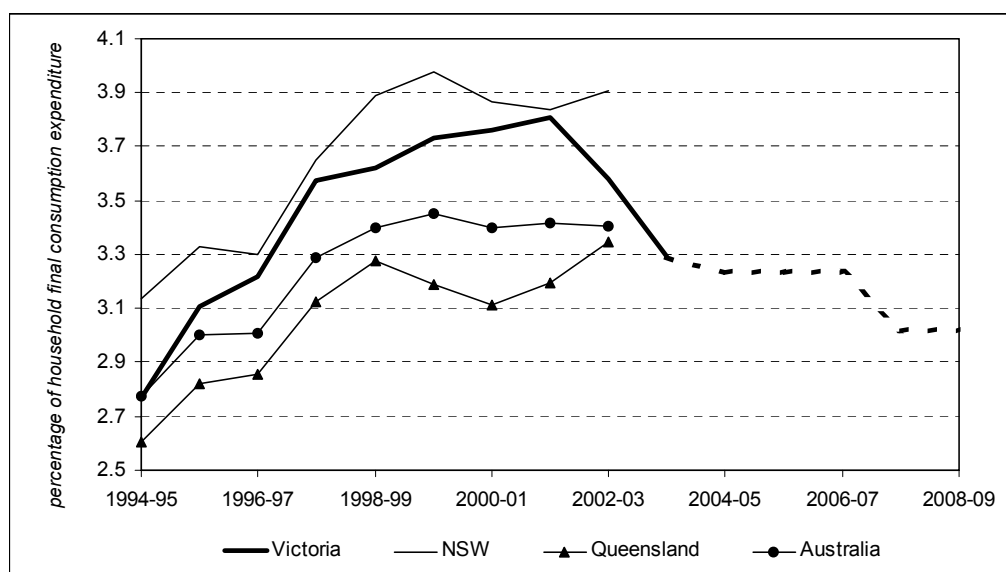
Water authorities are required to pay an annual environmental contribution to fund water-related initiatives that seek to promote the sustainable management of water and to improve environmental performance. It is anticipated that approximately \$227 million will be raised from contributions over the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

Gambling taxes

Gambling taxes are imposed on private lotteries, electronic gaming machines (EGMs), the Casino, the racing industry, and some other minor forms of gambling. Most government revenue from these forms of gambling are transferred by standing appropriation to the Hospitals and Charities Fund and the Community Support Fund. In 2005-06, it is estimated that 84.3 per cent of total gambling taxation revenue will be transferred by standing appropriation to these funds.

Between June 2000 and September 2002, total player loss (the difference between the amounts bet and the amounts paid out as prizes) on gambling activities averaged 3.8 per cent of household final consumption expenditure. In 2002-03, the latest year for which comparative data are available for all States and Territories, player loss as a percentage of household final consumption expenditure in Victoria was 0.3 percentage points lower than that in New South Wales and was only 0.2 percentage points higher than the Australian average (see Chart 3.2).

Chart 3.2: Total estimated gambling player loss



Sources: *The Tasmanian Gaming Commission Australian Gambling Statistics 2004*; *Department of Treasury and Finance*

On 1 September 2002, the Government introduced smoking bans in gaming venues. Since the introduction of the bans, there has been a substantial decline in EGM gambling activity and, to a lesser extent, the Casino. Total player loss has declined to 3.3 per cent of household final consumption expenditure.

The 2005-06 Budget estimates assume that gambling behaviour has now adjusted to the impact of the smoking ban, with gambling player loss, and consequently gambling taxation revenue, remaining permanently lower as a result of the smoking ban.

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

In particular, in 2004-05, it is estimated that the loss of revenue due to the impact of the smoking ban is around \$250 million. Furthermore, the estimated total impact of the smoking bans over the forecast period is around \$1 330 million.

Gambling taxes are expected to grow by 7.5 per cent (\$103 million) in 2005-06 compared to the 2004-05 revised estimate. The main contributor to growth will be an increase in revenue from EGMs (\$88 million or 10.5 per cent), in accordance with estimated growth in household final consumption expenditure and the increase in the annual health benefit levy by \$1 500 per machine. The new health benefit levy of \$3 033.33 on each electronic gaming machine will raise an additional \$45 million each year which will be transferred into the Hospitals and Charities Fund.

Over the forward estimates period from 2006-07 to 2008-09, aggregate gambling taxation revenue is expected to grow in line with estimated growth in household final consumption expenditure, with revenue growth in the latter two years adversely affected by the introduction of the complete smoking ban within enclosed licensed premises.

Taxes on insurance

Non-life insurance

Duty is payable on the value of GST-inclusive premiums at a rate of 10 per cent on general insurance business conducted in or outside Victoria, which relates to any property, risk, contingency or event in the State.

Non-life insurance revenue is expected to increase by \$15 million (2.7 per cent) in 2005-06, mainly reflecting weaker premium growth than seen in recent years. Large premium falls have occurred in some classes of insurance recently and premiums are anticipated to show weak growth in 2005-06.

Over the forward estimates period from 2006-07 to 2008-09, revenue is forecast to grow in line with GSP growth combined with a strengthening in premium growth as a result of the expected upturn in the national pricing cycle.

Duty on compulsory third party premiums

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

Insurance contributions to fire brigades

Insurance companies are required to make contributions towards the operating costs of the two fire services in Victoria. Insurance companies generally recover their contributions through an insurance industry fire services levy imposed on premiums from policyholders.

In 2005-06, revenue from insurance contributions to fire services is anticipated to increase by \$19 million (6.0 per cent) compared to the 2004-05 revised estimate. The increase includes necessary significant investment in fire-fighting vehicles, land and building infrastructure, and additional fire-fighters to ensure enhanced operational capacity and the active engagement of local government and the community.

Motor vehicle taxes

Motor vehicle taxes comprise registration fees and motor vehicle duty. Other motor vehicle taxes, including drivers' licences, have been reclassified from taxation to regulatory fees, in line with Government Finance Statistics reporting standards.

In 2005-06, aggregate motor vehicle taxation revenue is expected to grow by \$74 million (6.0 per cent) compared to the 2004-05 revised estimate. The growth in revenue is due to increased vehicle registration fee revenue (\$41 million, 6.0 per cent) and duty on vehicle transfers and registrations (\$34 million, 6.0 per cent).

Growth in motor vehicle registration revenue is expected to arise from continued population growth and increasing motor vehicle ownership, combined with the indexation of registration fees according to the consumer price index. In addition, improved compliance measures, which were deferred in 2004-05, will be implemented in 2005-06 to ensure that concession card validity is checked electronically.

Revenue from duty on vehicle transfers and registrations is expected to grow as a result of higher transactions volumes, which are assumed to grow with gross state product. This is combined with forecast increases in car prices consistent with increases in consumer prices, resulting in increased duty per transaction.

Other taxes on the use of goods and services

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

Total other taxation revenue is expected to decrease by \$58 million (44.2 per cent) in 2005-06 compared to the 2004-05 revised estimate. This largely reflects the impact in 2004-05 of the agreement between Transurban and the State to redeem concession notes held by the State to construct the Tullamarine-Calder interchange.

Fines and regulatory fees

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

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

Revenue from fines and regulatory fees is expected to increase by 15.8 per cent to \$727 million in 2005-06. The increase between 2004-05 and 2005-06 largely reflects the net impact of lower than expected revenue from traffic infringements in 2004-05 arising from the identification of issues associated with the fixed road safety cameras, together with a progressive roll-out of these cameras during 2005-06 as part of the Government's road safety initiative.

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

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

Table 3.5: Fines and regulatory fees

	(\$ million)			
	2004-05 Budget	2004-05 Revised	2005-06 Budget	Change ^(a) %
Fines				
Police fines	350.5	247.2	324.2	31.2
Court and other fines	76.4	78.5	77.2	- 1.6
Total fines	426.9	325.7	401.4	23.2
Regulatory fees	302.5	302.0	325.4	7.7
Total	729.4	627.8	726.9	15.8

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

Sale of goods and services

As reported in Table 3.1, revenue from the sale of goods and services is estimated to increase by \$84 million (3.6 per cent) in 2005-06, compared to the revised estimate of \$2 313 million for 2004-05.

Major factors contributing to this increase are:

- the effects of annual indexation of a range of fees and charges; and
- forecast increases in hospitals revenue from other parties, including commercial and private practice arrangements, ambulance services and aged care residential services, which provide funding for the health sector. The expected revenue also includes increased Commonwealth fees received for the provision of hospital services to veterans.

The registration and discharge of a mortgage incurs a fee whenever a mortgage over property is registered or discharged on a land title. Mortgage registration and discharge fees will increase from the current \$45 to \$75 in 2005-06 to align them with fee levels applying in other states.

Investment revenue

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

Table 3.6: Investment revenue

(\$ million)				
	2004-05 Budget	2004-05 Revised	2005-06 Budget	Change ^(a) %
Revenue from transactions				
Dividends	478.1	512.1	699.9	36.7
Income tax and rate equivalent revenue	186.5	332.8	203.6	- 38.8
Interest	435.4	356.4	361.7	1.5
Royalties	43.3	43.3	55.7	28.5
Rents	15.6	15.2	15.3	0.7
Other	66.5	63.1	61.6	- 2.4
Total revenue from transactions	1 225.5	1 323.0	1 397.9	5.7
Revenue from other economic flows				
Gain on investments	- 0.1	0.6	0.1	- 81.9
Total revenue from transactions	1 225.4	1 323.5	1 398.0	5.6

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

In 2005-06, total investment revenue is estimated to increase by \$75 million (5.6 per cent) compared to the 2004-05 revised estimate.

Dividend revenue is expected to increase in 2005-06 chiefly reflecting the re-commencement of dividend payments from the SECV and higher dividends from the water sector. In addition, the payment by Treasury Corporation of Victoria of a special dividend in 2005-06 will contribute to higher dividend payments in 2005-06 compared to 2004-05.

The effect of this increase is substantially offset by lower tax equivalent revenue from the public financial corporations sector in 2005-06 based on higher claims costs forecasts, and the fact that income tax equivalent revenue in 2004-05 was boosted by some unanticipated revenue associated with the previous year. In addition, the announced 10 per cent reduction in the average premium rate will result in reduced revenue from the Victorian WorkCover Authority.

From 1 January 2006, the brown coal royalty rate will be increased to 5.88 cents per gigajoule unit of coal. The new rate will better reflect the environmental costs associated with the extraction of a natural resource, and will ensure that the State receives a fairer share of the returns to the industry from extracting brown coal. It is estimated that additional revenue of \$8 million will be recognised in 2005-06 with full year additional revenue of \$17 million each year.

Other revenue

In 2005-06, total other revenue is expected to increase by 11.0 per cent (\$155 million) compared to the 2004-05 revised estimate.

Table 3.7: Other revenue

	(\$ million)			
	2004-05 Budget	2004-05 Revised	2005-06 Budget	Change ^(a) %
Revenue from transactions				
Fair value of assets received free of charge	..	1.6	22.0	1 290.6
Inter sector capital assets charge	587.5	599.4	778.8	29.9
Other revenue	838.7	767.6	732.6	- 4.6
Other revenue from transactions	1 426.2	1 368.6	1 533.4	12.0
Revenue from other economic flows				
Gain/(loss) from disposal of physical assets	11.9	35.2	25.7	- 27.2
Other revenue	8.4	8.4	8.4	..
Other revenue from economic flows	20.3	43.6	34.1	- 22.0
Other revenue	1 446.4	1 412.2	1 567.4	11.0

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

The increases in other revenue between 2004-05 and 2005-06 largely reflects an rise in the inter-sector capital charge reflecting an increase in net assets of Victorian Rail Track.

GRANTS

Summary information on the amounts budgeted to be received under the various grant categories in 2004-05 and 2005-06 is shown in Table 3.8.

General purpose grants

General purpose grants to Victoria are made up of GST grants and National Competition Policy payments. Revenue in 2005-06 is expected to increase by \$486 million (6.4 per cent) compared to the 2004-05 revised estimate.

Table 3.8: Grants

	(\$ million)			
	2004-05 Budget	2004-05 Revised	2005-06 Budget	Change ^(a) %
Current grants				
GST grants	7 078.6	7 362.4	7 854.9	6.7
National Competition Policy	203.1	201.6	195.5	- 3.0
General purpose grants	7 281.7	7 564.0	8 050.4	6.4
Commonwealth specific purpose grants	3 486.6	3 577.4	3 844.4	7.5
Specific purpose grants for on-passing	1 561.5	1 577.8	1 686.3	6.9
Other current grants	167.3	115.4	126.7	9.8
Total current grants	12 497.2	12 834.7	13 707.7	6.8
Capital grants				
Commonwealth specific purpose grants	455.0	342.2	341.7	- 0.2
Specific purpose grants for on-passing	127.9	126.9	132.3	4.3
Other capital grants	0.4	62.0	80.3	29.6
Total capital grants	583.4	531.0	554.3	4.4
Total grants	13 080.5	13 365.7	14 262.1	6.7

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

In accordance with the IGA, the States and Territories receive all GST revenue. The GST grant distributions between States and Territories are determined by the GST relativities that are recommended by the Commonwealth Grants Commission (CGC) to the Commonwealth Government.

In 2005-06, GST grants are expected to increase by \$493 million (6.7 per cent) compared to the 2004-05 revised estimate. This compares with an estimated growth of 5.2 per cent in the estimated total GST pool. Victoria's share of GST growth is higher than overall GST growth because Victoria's share of the GST revenue pool has been revised upward in the *CGC 2005 Update of State Revenue Sharing Relativities*.

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

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

The Commonwealth Government has decided to cease making NCP payments to the States and Territories from 2006-07 at an annual cost to Victoria of over \$200 million each year.

In 2005-06, NCP payments to Victoria will decrease by \$6 million (3.0 per cent) compared to the 2004-05 revised estimate. The decrease reflects the non-recurring Commonwealth decision to pay Victoria in 2004-05 the amount it withheld from the State in 2003-04.

Specific purpose grants

Table 3.9 through to Table 3.13 shows a breakdown by agency of the specific purpose grants.

Specific purpose own use grants are expected to increase by \$266 million (6.8 per cent) due to higher funding for education, human services, roads and the Commonwealth contribution to the Melbourne 2006 Commonwealth Games.

Specific purpose grants for on-passing are forecast to increase by \$114 million (6.7 per cent), largely because of increases in Commonwealth assistance to non-government schools.

The detailed estimates provided in this chapter represent the latest information available to the Victorian Government. However, the Commonwealth budget is not due to be brought down until 10 May 2005 and, as a result, there may be variations to some of the information published in this chapter.

Education and training

Commonwealth funding is provided for a range of Commonwealth and state programs for government and non-government schools, and for vocational education and training. Funds are also provided to support Victoria's participation in national priority programs.

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

Table 3.9: Department of Education and Training – Commonwealth specific purpose grants

	(\$ million)			Change ^(a)
	2004-05 Budget	2004-05 Revised	2005-06 Budget	%
Current grants				
Assistance to government schools	385.8	387.8	417.9	7.8
Commonwealth TAFE	221.7	221.7	225.7	1.8
Strategic assistance for improving student outcomes	61.3	64.1	66.8	4.2
Special learning needs - ESL new arrivals	13.0	13.4	14.1	4.5
Special Commonwealth projects	6.6	6.6	6.6	..
All other current grants	10.5	10.5	11.2	6.6
Total current grants	698.9	704.2	742.3	5.4
Capital grants				
Government schools	58.9	58.9	60.4	2.4
Commonwealth TAFE	42.5	42.5	42.5	..
Total capital grants	101.4	101.4	102.9	1.4
Total specific purpose grants	800.3	805.7	845.1	4.9

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

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

Commonwealth financial assistance for schools is appropriated through the *Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Act 2004* (which replaces the *State Grants (Primary and Secondary Education Assistance) Act 2000*). Funding conditions are specified in detail in the Quadrennial Funding Agreement and associated administrative guidelines and regulations. The new Quadrennial Funding Agreement is yet to be approved by the State, subject to the finalisation of accountability requirements. The forward estimates have been adjusted to reflect the expected funding allocations, but the program titles for the previous quadrennium have been retained in the absence of a finalised Quadrennial Funding Agreement for January 2005 to December 2008.

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

Assistance to government schools is provided under the Commonwealth Government's *Schools Assistance (Learning Together – Achievement Through Choice and Opportunity) Act 2004* which helps government schools with the recurrent costs of school education.

In 2005-06, assistance to government schools is estimated to be \$418 million, an increase of \$30 million (7.8 per cent) compared to the revised 2004-05 funding.

Human Services

The Department receives a large number of specific purpose payments from the Commonwealth for various programs. Specific purpose grants in 2005-06 are expected to increase by \$89 million (3.2 per cent), compared to the 2004-05 revised estimate.

Table 3.10: Department of Human Services – Commonwealth specific purpose grants

	(\$ million)			Change ^(a)
	2004-05 Budget	2004-05 Revised	2005-06 Budget	%
Current grants				
Health care grant	1 903.4	1 902.9	2 003.7	5.3
Home and community care	201.3	201.2	214.5	6.6
Disability services	127.9	128.0	131.9	3.1
Commonwealth-State Housing Agreement - other public housing	115.7	151.3	195.6	29.3
Highly specialised drugs program	100.0	98.0	108.0	10.2
Public health outcome funding agreement	70.2	36.7	38.6	5.1
Compensation for extension of pensioner benefits	47.5	47.5	49.0	3.2
Supported accommodation assistance	36.7	36.9	37.6	1.9
Australian immunisation agreement	..	42.3	23.7	- 44.0
COAG drug diversion initiative	12.8	13.9	14.3	2.3
Aged care assessment services	11.6	12.6	13.5	7.8
Commonwealth-State Housing Agreement - crisis accommodation	10.0	9.9	10.0	1.0
Special education program	6.5	7.2	7.4	1.8
All other current grants	8.9	24.3	7.7	- 68.3
Total current grants	2 652.5	2 712.8	2 855.5	5.3
Capital grants				
Commonwealth State Housing Agreement - untied grants	78.6	42.4	0.0	- 100.0
Pathways Home	20.0	14.7	3.4	- 76.8
Commonwealth radiology funding	2.6	6.0	6.0	..
Commonwealth State Housing Agreement - Indigenous housing	3.1	2.8	2.8	0.7
Total capital grants	104.3	65.8	12.2	- 81.4
Total specific purpose grants	2 756.8	2 778.6	2 867.7	3.2

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

Health care grant

This grant is provided through the Australian Health Care Agreement to assist Victoria to meet the cost of providing public hospital services to eligible persons, including admitted and non-admitted patients and those requiring emergency care. In 2005-06, this grant is expected to increase by \$100 million (5.3 per cent) due to allowance for population growth and ageing, demand growth and cost indexation.

Commonwealth-State Housing Agreement

The Commonwealth-State Housing Agreement provides funding for the provision of housing assistance, including the public, community and Indigenous housing sectors, to low income Victorians.

The agreement focuses on improving workforce incentives and attracting investment from the non-government sector. Opportunities to ensure housing assistance links are effectively made with other programs are also featured in the agreement.

The presentation of Commonwealth funding through the agreement has been amended for 2005-06 to reflect a revised definition of 'contributed capital' for the Office of Housing based on annual additions to housing stock funded from State appropriations (excluding stock acquisitions funded through tied Commonwealth grants). Overall funding will be maintained in accordance with the agreement.

Australian Immunisation Agreement

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

In 2005-06, this grant is expected to decrease by \$19 million (44.0 per cent), reflecting a reduction in the Commonwealth Meningococcal C vaccination program, and a change in indexation provided by the Commonwealth.

Capital grants - Pathways Home program

This five-year program, which is part of the Australian Health Care Agreement 2003-2008, is aimed at providing greater focus on the care and services provided to support the transition of patients from hospital to home. In 2005-06, capital funding for this program is expected to decrease by \$11 million (76.8 per cent), reflecting the requirements in 2005-06 to deliver this five year project.

Current specific purpose grants – all other departments

Current specific purpose grants for all other departments in 2005-06 are expected to increase by \$86 million (53.8 per cent), compared to the 2004-05 revised estimate.

Table 3.11: All other departments – Commonwealth current specific purpose grants

	(\$ million)			
	2004-05 Budget	2004-05 Revised	2005-06 Budget	Change ^(a) %
Infrastructure				
Interstate road transport	9.5	9.5	9.5	..
Innovation, Industry and Regional Development				
Current grants	0.0	0.2	0.1	- 24.5
Justice				
Compensation for transfer of corporate regulatory functions to Commonwealth	44.1	44.1	44.1	..
Legal Aid	27.9	28.9	28.9	..
All other current grants	1.0	3.8	1.0	- 74.3
	73.0	76.8	74.0	- 3.7
Primary industries				
Exceptional circumstances relief payments	10.0	10.0	8.0	- 20.0
FarmBis III	2.5	2.5	2.0	- 20.0
Domestic Animals Act – municipal specific purpose payments	1.7	1.7	1.7	..
	14.2	14.2	11.7	- 17.6
Sustainability and Environment				
National action plan – salinity and water quality	22.4	22.5	22.5	..
National heritage trust – Envirofund	10.0	25.0	25.0	..
All other current grants	0.1	6.3	6.3	..
	32.5	53.8	53.8	..
Treasury and Finance				
Borrowing cost compensation	5.0	5.0	34.9	599.3
All other	1.1	0.7	0.3	- 61.7
	6.0	5.7	35.2	521.5
Victorian Communities				
Commonwealth contribution – Melbourne 2006 Commonwealth games	0.0	0.0	62.3	(n.a)
All other	0.0	0.3	0.0	- 91.4
	0.0	0.3	62.3	(n.a)
Total	135.2	160.4	246.6	53.7

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

Major variations to current specific purpose grants between 2004-05 and 2005-06 are:

- *exceptional circumstances relief payments (Primary Industries)*: these grants represent the Commonwealth's share of interest rate subsidies for Victorian farms in municipalities enduring hardship resulting from a range of conditions, including drought. The requirement for these grants is expected to decline by \$2.0 million in 2005-06 compared to 2004-05 due to projected improvement within drought affected areas throughout Victoria;
- *borrowing cost compensation (Treasury and Finance)*: the basis of compensation to Victoria is set out in an agreement between the Commonwealth and Victoria, referred to in section 10 of the Schedule to the *Financial Agreement Act 1994*. The significant increase in the debt redemption assistance payment to Victoria in 2005-06 is due to a final balloon payment coinciding with the cessation of the debt arrangements between the Commonwealth and Victoria. This final payment represents a net present value of the annual compensation payments out to 2039-40; and
- *Commonwealth contribution – Melbourne 2006 Commonwealth Games (Victorian Communities)*: the timing of the Commonwealth contribution towards the Melbourne 2006 Commonwealth Games, announced in the Commonwealth 2004-05 Budget, provided for a bringing forward of \$40 million of funding in 2003-04, with \$62 million to be provided in 2005-06.

Capital specific purpose grants – all other departments

Capital specific purpose grants for all other departments in 2005-06 are expected to increase by \$52 million (29.6 per cent), compared to the 2004-05 revised estimate (see Table 3.12).

Table 3.12: All other departments – Commonwealth capital specific purpose grants

	(\$ million)			
	2004-05 Budget	2004-05 Revised	2005-06 Budget	Change ^(a) %
Infrastructure				
Roads	247.3	172.9	224.6	29.9
Sustainability and Environment				
National heritage trust - Wimmera-Mallee pipeline	2.0	2.0	2.0	..
Total	249.3	174.9	226.6	29.6

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

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

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

In 2005-06, roads grants are estimated to be \$225 million, an increase of \$52 million (or 29.9 per cent) compared to revised 2004-05 funding. The increase is the result of rephasing of revenue received from the Commonwealth for a number of road projects, such as works being conducted on the Hume and Goulburn Valley Highways, and to progress current projects, including construction of the Albury/Wodonga Bypass.

Specific purpose grants for on-passing

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

Specific purpose grants for on-passing in 2005-06 are estimated to be \$1 819 million, an increase of some \$114 million on the 2004-05 revised estimate.

Table 3.13: Commonwealth specific purpose grants for on-passing

	(\$ million)			
	2004-05 Budget	2004-05 Revised	2005-06 Budget	Change ^(a) %
Current grants				
Assistance to non-government schools	1 234.7	1 250.9	1 343.6	7.4
Financial assistance grants to local government	268.3	263.3	278.0	5.6
Targetted programs for non-government schools	58.6	63.6	64.7	1.7
Total current grants	1 561.5	1 577.8	1 686.3	6.9
Capital grants				
Identified local roads grants to local government	98.9	97.6	102.5	5.0
Non-government schools	29.0	29.3	29.9	2.0
Total capital grants	127.9	126.9	132.3	4.3
Total specific purpose grants	1 689.5	1 704.7	1 818.6	6.7

Source: Department of Treasury and Finance

Note:

(a) Change between 2004-05 Revised and 2005-06 Budget.

Assistance for non-government schools

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

Funding to non-government schools is expected to increase by \$93 million (7.4 per cent) in 2005-06, compared to the 2004-05 revised estimate.

General purpose financial assistance to local government

An equal per capita basis for distributing total assistance to the States and Territories occurs pursuant to the *Local Government (Financial Assistance) Act 1995*. These grants are estimated to increase by \$15 million (5.6 per cent) between 2004-05 and 2005-06, reflecting an upwards revision of the Commonwealth's estimates of CPI and population growth.

CHAPTER 4 – TAX EXPENDITURES AND CONCESSIONS

TAX EXPENDITURES

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

Table 4.1 shows aggregate tax expenditure estimates by the main categories of tax for the period 2004-05 to 2008-09. Total estimated tax expenditures are expected to increase by \$103 million between 2004-05 and 2008-09. Despite some year-to-year variation, land tax expenditures are anticipated to fall slightly between 2004-05 and 2008-09. Payroll tax expenditure estimates are expected to increase steadily over the forward years, reflecting general strength in employment, wage growth and payroll tax forecasts. Estimates of gambling tax expenditures are expected to fall slightly in 2007-08, with the further implementation of smoking bans, before increasing again thereafter.

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

<i>Description</i>	<i>(\$ million)</i>				
	<i>2004-05 Estimate</i>	<i>2005-06 Estimate</i>	<i>2006-07 Estimate</i>	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>
Land tax	1 309	1 259	1 293	1 278	1 293
Payroll tax	639	664	686	711	737
Gambling tax	63	67	72	69	73
Other stamp duties	131	130	130	131	132
Motor vehicle taxes	67	66	70	73	77
Total estimated tax expenditures	2 209	2 186	2 251	2 262	2 312

Source: Department of Treasury and Finance

Table 4.2 lists the estimated individual tax expenditures that can be costed for the period 2004-05 to 2008-09 (including tax-free thresholds).

Including the estimated value of the tax-free thresholds for land and payroll tax, the total value of tax assistance provided by the Government is estimated at \$3.7 billion in 2005-06, growing to \$3.9 billion by 2008-09.

Victorian first homebuyers who qualify for the Government's current \$7 000 First Home Owner Grant for purchases made on or after 1 May 2004 also now qualify for the Victorian Government's \$5 000 *First Home Bonus* until 31 December 2005 (subject to a price cap of \$500 000). For purchases made on or after 1 January 2006, Victorian first homebuyers can apply for a \$3 000 *First Home Bonus* for homes valued up to \$500 000. The \$3 000 bonus will be available until 30 June 2007, and will continue to replace the previous stamp duty exemption for first homebuyers with families.

Several initiatives have been announced in the 2005-06 Budget, which will have implications for land tax expenditure estimates, including:

- the tax-free threshold has been increased by \$25 000 to \$200 000 in 2005-06;
- the 1.0 per cent rate (starting at \$750 000) will be cut to 0.5 per cent; the 1.75 per cent rate (starting at \$900 000) will be cut to 1.0 per cent; the 2.75 per cent rate (starting at \$1.19 million) will be cut to 1.5 per cent; and the second top rate (starting at \$1.62 million) will be cut to 2.25 per cent; and
- the scheduled reduction in the top rate will be brought forward by one year, so that the top rate will be reduced to 3.5 per cent in 2005-06, 3.25 per cent in 2006-07 and 3.0 per cent in 2007-08.

New land tax exemptions have also been announced in the 2005-06 Budget for all aged care facilities, supported resident services (SRSs) and rooming houses. This will apply from 1 January 2004 with a refund available to any aged care facility, SRS or rooming house that has already paid land tax during 2004 and/or 2005. Where land ceases to be exempt from land tax through a change in its use, a special land tax at the rate of 5 per cent of the unimproved value of the land will be payable.

This is in addition to the land tax exemption for caravan parks announced in the *2004-05 Budget Update*. Since 1 January 2005, the Government has been providing a full land tax exemption to all owners of private caravan parks in Victoria that supply low-cost holiday and residential accommodation. Where land ceases to be exempt from land tax through a change in its use, a special land tax at the rate of 5 per cent of the unimproved value of the land will be payable. This initiative will cost \$3 million per year.

As well as the effects of the new land tax exemptions and land tax reforms, improved State Revenue Office methodologies and data collection have changed estimates of several land tax expenditures. In particular, the estimates for principal place of residence and primary production have been revised upward since the 2004-05 Budget.

The estimates of several payroll tax expenditures have also been revised upward relative to last year's budget, reflecting data and methodology enhancements. Enhanced data collection has resulted in improved estimates of potential payroll tax paid in exempt sectors, leading to higher estimates of payroll tax forgone. This has

caused large upward revisions to the estimated tax expenditures for non-profit, non-public schools, benevolent institutions and charities, municipal councils and public hospitals.

Also a new payroll tax exemption will be provided to government school councils backdated to 1 July 2004. This will bring government school councils into line with arrangements for non-government schools. The strength in the wage base and general employment growth has also contributed to the higher estimates for payroll tax expenditures. These factors mean that total payroll exemptions in 2005-06 are \$179 million higher than estimated in the 2004-05 Budget.

Corporate reconstruction comprises the majority of tax expenditures in other stamp duties. Due to the tendency for the overall estimate to be influenced greatly by large, one-off exemptions, the actual tax expenditure can vary significantly from year to year. This means that actual exemptions may differ significantly from estimates.

Alterations to 2005-06 estimates

Due to the discovery of a compilation error in the originally published 2005-06 figure for payroll tax expenditures (excluding thresholds), the previously reported \$694 million for 2004-05 has been amended to \$639 million. A similar amendment has been made to each of the forward estimates. The error applied to payroll tax expenditures for public hospitals and non-profit, non-public schools. This affected Tables 4.1, 4.2, 4.3 and 4.4 and associated commentary.

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

<i>Description</i>	<i>(\$ million)</i>				
	<i>2004-05 Estimate</i>	<i>2005-06 Estimate</i>	<i>2006-07 Estimate</i>	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>
Land tax exemptions					
Crown Property (right of Victoria)	299	289	297	294	297
Principal place of residence	424	409	421	416	421
Land held in trust for public or municipal purposes or vested in any municipality	122	117	121	119	121
Land used by a charitable institution	74	71	73	73	73
Commonwealth land	86	83	85	84	85
Land used for primary production	112	108	111	109	111
Land vested in a public statutory authority	77	74	76	75	76
Land used for the City Link network	12	12	12	12	12
Land used for EastLink	10	10	10	10	10
Assessment on a single holding basis for land owned by a municipality	2	2	2	2	2
Partial exemption for non-profit organisations solely for social, sporting, cultural, literary purposes; or horse, pony or harness racing	17	17	17	17	17
Assessment on a single holding basis for land owned by a charity	7	7	7	7	7
Retirement villages	15	15	15	15	15
Non-profit organisation providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)	16	15	16	15	16
Friendly societies	10	10	10	10	10
Associations of ex-servicemen	10	10	10	10	10
Caravan parks	3	3	3	3	3
Rooming houses	3	2	2	2	2
Aged care facilities and supported residential services	10	5	5	5	5
Threshold for aggregated site value below \$175 000 (\$200 000 from 2005-06)	34	39	39	40	40
Total land tax expenditures	1 343	1 298	1 332	1 318	1 333
Payroll tax exemptions					
Wages paid by public hospitals	193	200	207	215	222
Wages paid by a public benevolent institution/charity	176	183	189	196	203
Wages paid by a non-profit, non-public school	93	98	101	105	108
Commonwealth departments/agencies (not transport and communication)	44	45	47	48	50

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

<i>Description</i>	<i>(\$ million)</i>				
	<i>2004-05 Estimate</i>	<i>2005-06 Estimate</i>	<i>2006-07 Estimate</i>	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>
Wages paid by non-profit hospitals	36	37	38	40	41
Municipal councils (not wages for trading activities)	77	80	83	86	89
Fringe benefits excluded from <i>Fringe Benefits Tax Assessment Act 1986</i>	14	15	15	15	16
Religious institutions	4	4	4	4	5
Construction industry leave entitlements paid by CoINVEST	1	1	1	1	1
Paid maternity leave	1	1	1	1	2
Government school councils	..	..	..	..	..
Employers' payroll below \$550 000	1 491	1 513	1 532	1 554	1 571
Total payroll tax expenditures	2 130	2 177	2 218	2 265	2 308
Gambling tax exemptions					
Clubs pay lower tax rate on net cash balance (electronic gaming machines)	63	67	72	69	73
Total gambling tax expenditures	63	67	72	69	73
Other stamp duties exemptions					
Stamp duty for corporate reconstruction	106	106	106	106	106
Conveyance duty concession for family first homebuyers	..	0	0	1	1
Conveyance duty concession for concession cardholders	25	24	24	24	25
Total other stamp duties expenditures	131	130	130	131	132
Motor vehicle tax expenditures					
Motor vehicle registration fee for eligible beneficiaries	61	60	64	67	71
Registration fee for primary production vehicle (4.5 tonnes or less)	4	4	4	4	4
Registration fee concession for commercial school buses	1	1	1	1	1
Exemption for non-commercial vehicle owned by an incapacitated war service pensioner	1	1	1	1	1
Motor vehicle duty concession for incapacitated and disabled persons	..	..	..	..	..
Total motor vehicle tax expenditures	67	66	70	73	77
Total estimated tax expenditures	3 734	3 738	3 822	3 856	3 923

Source: Department of Treasury and Finance

The ratio of tax expenditures to tax revenue for 2004-05 is estimated at 21 per cent (Table 4.3), compared with 19 per cent in 2003-04. The increase is mainly associated with upward revisions to land and payroll tax expenditure estimates following improvements in estimation techniques and data collection.

Table 4.3: Estimated aggregate tax expenditures (excluding thresholds) and tax revenue in 2004-05

<i>Description</i>	(\$ million)		
	<i>Tax expenditure</i>	<i>Tax revenue</i>	<i>Ratio</i>
Land tax	1309	855	1.53
Payroll tax	639	2 994	0.21
Gambling tax	63	1 376	0.05
Other stamp duties	131	2 314	0.06
Motor vehicle taxes	67	1 232	0.05
Other/miscellaneous	0	1 585	0.00
Total for items estimated	2 209	10 356	0.21

Source: Department of Treasury and Finance

Table 4.4 provides a grouping of estimated tax expenditures to particular persons or entities based on the legal incidence of state taxes. The increases in tax expenditures for hospitals, charitable organisations, Commonwealth and state governments and educational institutions are expected to drive the increase in tax expenditures out to 2008-09.

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

<i>Description</i>	(\$ million)				
	<i>2004-05 Estimate</i>	<i>2005-06 Estimate</i>	<i>2006-07 Estimate</i>	<i>2007-08 Estimate</i>	<i>2008-09 Estimate</i>
Business	145	146	146	146	147
Construction industry	1	1	1	1	1
Charitable organisations	257	261	269	276	283
Educational institutions	94	99	102	106	109
Gambling clubs	63	67	72	69	73
Commonwealth and state government	506	491	505	501	508
Local government	201	199	206	207	212
Hospitals	229	237	245	255	263
Pensioners/concession cardholders	112	110	114	117	122
Property owners	437	416	428	423	428
Primary producers	116	112	115	113	115
Religious institutions	4	4	4	4	5
Sporting, recreation and cultural organisations	33	32	33	32	33
Other	11	11	11	12	13
Total for items estimated	2 209	2 186	2 251	2 262	2 312

Source: Department of Treasury and Finance

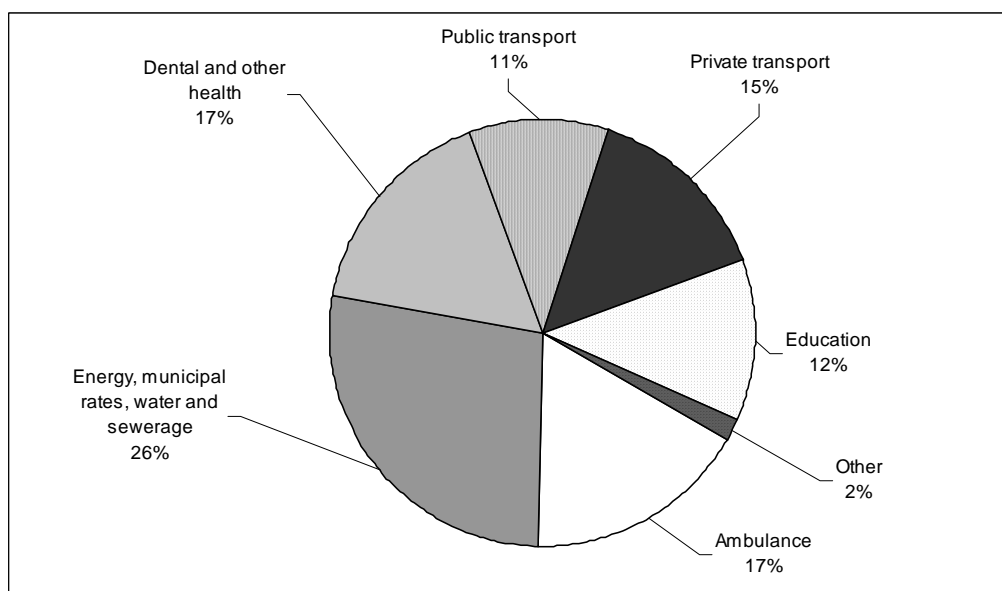
CONCESSIONS

This is the second year that concessions have been reported on by the Victorian Government in a consolidated manner. The aim is to improve the transparency of an important and growing component of state assistance to disadvantaged Victorians.

Concessions are a direct budget outlay or reduction in government charges that has the effect of reducing the price of a good or service for particular groups. Certain characteristics of the consumer, such as possession of a Commonwealth pension card or a health care card, are the basis for entitlement. Concessions allow certain groups in the community to access and/or purchase important amenities like energy, education, health and transportation at a cheaper rate or zero cost.

Chart 4.1 shows the estimated expenditure on concessions by category for 2004-05. The majority of concessions are concentrated in health, accounting for 34 per cent of total concessions. Transport and energy, municipal rates, water and sewerage both represent 26 per cent of total concessions. Education comprises 12 per cent of total concessions and other concessions represent 2 per cent.

Chart 4.1: Estimated concessions by category 2004-05



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

Table 4.5 classifies the major concessions provided by the Victorian Government by the various categories. The estimated total value of major concessions in 2004-05 is \$903 million, up from \$831 million in 2003-04.

Table 4.5: Estimated concessions by category^{(a)(b)}

<i>Description</i>	<i>(\$ million)</i>		
	<i>2003-04 Actual</i>	<i>2004-05 Estimate</i>	<i>2005-06 Estimate</i>
Energy, municipal rates, water and sewerage	227	248	249
Education	96	110	119
Health	286	304	304
Hardship assistance	14	14	14
Transport	208	227	246
Total for items estimated	831	903	932

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

Notes:

(a) These figures include the cost of administration.

(b) Department of Treasury and Finance estimates have been used for some of the 2004-05 and 2005-06 figures.

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

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

The hardship assistance programs category includes the utility relief and capital grant schemes and trustees services. These schemes provide one-off assistance to concession cardholders for, among other things, the upgrade of essential appliances or to pay utility bills in the event of an unforeseen financial crisis. Trustee services include the provision of administration services for people unable to manage their own financial affairs.

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

CHAPTER 5 – PUBLIC ACCOUNT

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

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

The FMA also provides for:

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

CONSOLIDATED FUND

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

THE TRUST FUND

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

Table 5.1: The Consolidated Fund

Estimated receipts and payments for the year ending 30 June 2005 and for the year ending 30 June 2006.

	(\$ million)		
	2004-05 Budget	2005-06 Budget	Variation %
Receipts			
Taxation ^(a)	10 255	10 296	0.4
Fines and regulatory fees ^(a)	416	502	20.7
Grants received	10 929	11 945	9.3
Sales of goods and services (including Section 29 FMA annotated)	582	641	10.3
Interest received	249	150	- 39.6
Public authority income	700	1 047	49.5
Other receipts	2 408	2 632	9.3
Total operating activities	25 538	27 214	6.6
Total cash inflows from investing and financing	66	35	- 47.4
Total receipts	25 604	27 249	6.4
Payments			
Special appropriations	1 477	1 571	6.3
Appropriations ^(b)			
Provision of outputs	20 646	22 383	8.4
Additions to the net asset base	1 237	1 443	16.6
Payments made on behalf of the State	1 760	1 454	- 17.4
Receipts credited to appropriation			
Provision of outputs	1 495	1 634	9.3
Additions to the net asset base	179	88	- 50.8
Sub total	26 795	28 572	6.6
Applied appropriations remaining unspent relating to the 2004-05 appropriations	- 313	- 337	
Total payments	26 483	28 235	6.6

Source: Department of Treasury and Finance

Notes:

- (a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.
- (b) Includes unspent appropriations carried over from the previous year.

Table 5.2: Consolidated Fund receipts

(\$ thousand)

	2004-05 Budget	2005-06 Budget	Variation %
Operating receipts			
Taxation			
Payroll tax	3 233 802	3 554 140	9.9
Land Tax	916 672	824 260	-10.1
Long-stay car parks levy		19 400	..
Stamp duty			
Land transfer duty	2 249 700	2 074 616	-7.8
Stamp duties	114 054	63 600	-44.2
Financial accommodation levy	7 434	10 196	37.2
Financial transaction taxes	248 900	21 500	-91.4
Levies on Statutory Corporations ^(a)		60 400	..
Gambling			
Private lotteries	364 300	360 500	-1.0
Electronic gaming machines	827 253	931 000	12.5
Casino taxes	112 400	113 500	1.0
Racing	109 520	116 470	6.3
Other gambling	2 700	3 340	23.7
Insurance	747 400	724 000	-3.1
Motor vehicle			
Road Safety Act (Registration Fees)	671 800	703 300	4.7
Stamp duty on vehicle transfers	570 000	594 900	4.4
Other drivers' licences ^(b)	72 000	..	-100.0
Franchise fees			
Liquor	6 600	7 200	9.1
Energy (Electricity)	..	..	..
Other taxes ^(c)	..	114 000	..
Total	10 254 535	10 296 322	0.4
Fines and regulatory fees			
Fines	281 387	343 495	22.1
Regulatory fees ^(b)	134 204	158 212	17.9
Total	415 591	501 707	20.7
Grants received			
Grants received by department			
Department of Education and Training	529 500	570 302	7.7
Department of Human Services	2 756 809	2 867 727	4.0
Department of Infrastructure	256 780	234 110	-8.8
Department of Innovation, Industry and Regional Development	..	5 120	..
Department of Justice	45 053	45 053	0.0
Department of Premier and Cabinet	..	..	..
Department of Primary Industries	19 900	19 400	-2.5
Department of Sustainability and Environment	34 500	55 790	61.7
Department of Treasury and Finance	7 286 695	8 085 330	11.0
Department for Victorian Communities	23	62 323	..
Parliament	..	..	..
Total	10 929 260	11 945 155	9.3

Table 5.2: Consolidated Fund receipts (continued)

(\$ thousand)

	2004-05 Budget	2005-06 Budget	Variation %
Sales of goods and services	581 807	641 474	10.3
Interest received	248 789	150 384	-39.6
Public authority income			
Public authority dividends	477 744	699 562	46.4
Public authorities income tax equivalent receipts	218 922	343 785	57.0
Public authorities local government tax equivalent receipts	3 121	3 182	2.0
Total	699 787	1 046 529	49.5
Other receipts			
Land rent received	15 145	14 864	-1.9
Royalties received	43 045	55 411	28.7
Other ^(d)	2 350 167	2 562 077	9.0
Total	2 408 357	2 632 352	9.3
Total operating activities	25 538 126	27 213 923	6.6
Cash inflows from investing and financing			
Loans to GBEs	20 000	..	-100.0
Other loans	..	594	..
Other	45 930	34 075	-25.8
Total cash inflows from investing and financing	65 930	34 669	-47.4
Total Consolidated Funds receipts	25 604 056	27 248 592	6.4

Source: Department of Treasury and Finance

Notes:

- (a) Levies on statutory corporations – new levy.
- (b) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.
- (c) Other taxes include concessional fees (Transurban).
- (d) Includes the capital asset charge.

Table 5.3: Consolidated Fund payments: summary

(\$ thousand)

	2004-05 Budget	2005-06 Budget	Variation %
Education and Training			
Special appropriations	250	250	..
Annual appropriations ^(a)	6 150 243	6 689 761	8.8
Total	6 150 493	6 690 011	8.8
Human Services			
Special appropriations	1 032 100	1 112 000	7.7
Annual appropriations ^(a)	8 780 456	9 544 556	8.7
Total	9 812 556	10 656 556	8.6
Infrastructure			
Special appropriations	..	1 700	..
Annual appropriations ^(a)	3 309 961	3 701 289	11.8
Total	3 309 961	3 702 989	11.9
Innovation, Industry and Regional Development			
Special appropriations	..	..	..
Annual appropriations ^(a)	388 657	414 942	6.8
Total	388 657	414 942	6.8
Justice			
Special appropriations	98 985	109 916	11.0
Annual appropriations ^(a)	2 607 657	2 658 285	1.9
Total	2 706 642	2 768 201	2.3
Premier and Cabinet			
Special appropriations	5 004	5 195	3.8
Annual appropriations ^(a)	460 601	501 783	8.9
Total	465 605	506 978	8.9
Primary Industries			
Special appropriations	..	..	..
Annual appropriations ^(a)	319 969	386 394	20.8
Total	319 969	386 394	20.8
Sustainability and Environment			
Special appropriations	..	..	..
Annual appropriations ^(a)	806 429	876 148	8.6
Total	806 429	876 148	8.6
Treasury and Finance			
Special appropriations	197 561	224 424	13.6
Annual appropriations ^(a)	1 886 830	1 526 699	- 19.1
Total	2 084 391	1 751 123	- 16.0
Victorian Communities			
Special appropriations	109 100	98 254	- 9.9
Annual appropriations ^(a)	515 656	608 526	18.0
Total	624 756	706 780	13.1

Table 5.3: Consolidated Fund payments: summary (continued)

(\$ thousand)

	2004-05 Budget	2005-06 Budget	Variation %
Parliament			
Special appropriations	34 372	19 407	-43.5
Annual appropriations ^(a)	91 193	92 857	1.8
Total	125 565	112 264	-10.6
Total special appropriations	1 477 372	1 571 146	6.3
Total annual appropriations	25 317 651	27 001 240	6.6
Total appropriations	26 795 023	28 572 386	6.6

Source: Department of Treasury and Finance

Note:

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

Table 5.4: Consolidated Fund payments: special appropriations

(\$ thousand)

	2004-05 Budget	2005-06 Budget	Variation %
Education and Training			
Education Act No. 6240, Section 34 - Volunteer Workers Compensation	250	250	0.0
Total	250	250	0.0
Human Services			
Casino Control Act No. 47 of 1991, Section 114 - Hospitals and Charities Fund	10 500	9 900	-5.7
Casino Control Act No. 47 of 1991, Section 114B - Hospitals and Charities Fund	3 800	7 550	98.7
Club Keno Act No. 56 of 1993, Section 7(5) - Hospitals and Charities Fund ^(a)	1 600	..	n.a.
Gambling Regulation Act No. 114 of 2003, Section 3.6.11 - Hospitals and Charities Fund and Mental Health Fund ^(a)	..	580 900	n.a.
Gambling Regulation Act No. 114 of 2003, Sections 4.4.11 and 4.6.8 - Hospitals and Charities Fund ^(a)	..	114 500	n.a.
Gambling Regulation Act No. 114 of 2003, Section 3.6.4 - Hospitals and Charities Fund ^(a)	..	82 850	n.a.
Gambling Regulation Act No. 114 of 2003, Section 6.3.3 - Hospitals and Charities Fund and Mental Health Fund ^(a)	..	1 600	n.a.
Gambling Regulation Act No. 114 of 2003, Section 5.4.6 - Hospitals and Charities Fund and Mental Health Fund ^(a)	..	314 700	n.a.
Gaming and Betting Act No. 37 of 1994, Section 80 - Hospitals and Charities Fund ^(a)	109 600	..	n.a.
Gaming Machine Control Act No. 53 of 1991, Sections 137 and 138 - Hospitals and Charities Fund ^(a)	546 500	..	n.a.
Gaming Machine Control Act No. 53 of 1991, Section 135B - Hospitals and Charities Fund ^(a)	41 800	..	n.a.
Public Lotteries Act No.73 of 2000, Section 57 ^(a)	318 300	..	n.a.
Total	1 032 100	1 112 000	7.7
Infrastructure			
Transport Act No. 9921 of 1983, Section 213A ^(a)	..	1 700	n.a.
Total	..	1 700	0.0
Justice			
Constitution Act No. 8750 - Judges Supreme Court	6 909	7 774	12.5
Constitution Act No. 8750 - President Court of Appeal	304	315	3.6
Constitution Act No. 8750 - Judges Court of Appeal	3 105	3 228	4.0
Constitution Act No. 8750 - Chief Justice	333	344	3.3
County Court Act No. 6230 - Judges	13 146	12 953	-1.5
Crown Proceedings - Act No. 6232	4 000	4 000	0.0
Discharged Servicemens Preference Act No.4989, Section 14 ^(a)	54	..	n.a.
Electoral Act No. 23 of 2002, Section 181 - Electoral Expenses ^(a)	310	27 311	n.a.
Electoral Act No. 23 of 2002, Section 215 - Electoral Entitlement ^(a)	19 151	..	n.a.

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

	(\$ thousand)		
	2004-05 Budget	2005-06 Budget	Variation %
Juries Act No. 53 of 2000, Section 59 - Compensation To Jurors	17	17	0.0
Magistrates Court Act No. 51 of 1989	20 912	22 170	6.0
Melbourne City Link, Act No. 107 of 1995, Section 14(4)	3 600	3 600	0.0
Patriotic Funds Act No. 6331 ^(a)	196	..	n.a.
Victims of Crime Assistance Act No. 81 of 1996, Section 69 Expenses	1 633	1 682	3.0
Victims of Crime Assistance Act No. 81 of 1996, Section 69 Awards	25 000	26 200	4.8
Victoria State Emergency Services Act No. 57 of 1987 - Volunteer Workers Compensation	315	322	2.2
Total	98 985	109 916	11.0
Premier and Cabinet			
Constitution Act No. 8750 - Executive Council	51	50	-2.0
Constitution Act No. 8750 - Governor's Salary	133	145	9.0
Ombudsman Act No. 8414	220	280	27.3
Parliamentary Salaries and Superannuation Act No. 7723 of 1968	4 600	4 720	2.6
Total	5 004	5 195	3.8
Treasury and Finance			
Business Franchise (Petroleum Products) Act No. 9272, Section 17(2)	38 000	40 000	5.3
Constitution Act No. 8750 - Governor's Pension	554	576	4.0
Constitution Act No. 8750 - Judges of the Supreme Court	3 902	4 058	4.0
Co-Operative Housing Societies Act No. 6226, Section 77(2) - Indemnities	2 000	2 000	0.0
County Court Act No. 6230 - Judges	5 367	5 848	9.0
Financial Management Act No. 18 of 1994, Section 39 - Interest on Advances	16 000	10 000	-37.5
Liquor Control Reform Act No.94 of 1998, Section 177(2)	6 600	6 700	1.5
State Electricity Commission Act 1958, Section 85B(2) - Indemnity ^(a)	..	126 000	n.a.
State Superannuation Act No. 50 of 1988, Section 90(2) - contributions	124 084	27 580	-77.8
Taxation (Interest on Overpayments) Act No 35 of 1986, Section 11	1 000	1 000	0.0
The Mint - Act No. 6323, Section 3	54	56	3.7
Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 - Debt Retirement ^(a)	..	606	n.a.
Total	197 561	224 424	13.6
Victorian Communities			
Discharged Servicemens Preference Act No.4989, Section 14 ^(a)	..	54	n.a.
Gambling Regulation Act No. 114 of 2003, Section 3.6.12 - Community Support Fund ^(a)	..	98 200	n.a.
Gaming Machine Control Act No. 53 of 1991, Sections 137 and 138 - Community Support Fund ^(a)	109 100	..	n.a.
Total	109 100	98 254	0.0

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

(\$ thousand)

	2004-05 Budget	2005-06 Budget	Variation %
Parliament			
Audit Act No. 2 of 1994, Section 17(3) - Audit of Auditor-General's Office	25	25	0.0
Constitution Act No. 8750, Section 94A - Auditor-General's Salary	231	276	19.5
Constitution Act No. 8750 - Clerk of the Parliaments	1	1	0.0
Constitution Act No. 8750 - Legislative Assembly	275	275	0.0
Constitution Act No. 8750 - Legislative Council	100	100	0.0
Financial Management Act No. 18 of 1994, Section 33 - Appropriation to meet certain obligations ^(a)	..	490	0.0
Parliamentary Salaries and Superannuation Act No. 7723, Section 13(1)(c) - contributions	15 500	..	-100.0
Parliamentary Salaries and Superannuation Act No. 7723 - salaries and allowances	18 240	18 240	0.0
Total	34 372	19 407	-43.5
Total special appropriations	1 477 372	1 571 146	6.3

Source: Department of Treasury and Finance

Note:

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

Table 5.5: Consolidated Fund payments – total annual appropriations

Details of total annual appropriations for 2005-06, including amounts of estimates of unspent 2004-05 appropriation carried forward pursuant to Section 32 of the *Financial Management Act 1994* and receipts credited to appropriation pursuant to Section 29 of the *Financial Management Act 1994*. Estimates for 2005-06 Budget are in bold; estimates for 2004-05 Budget in italics.

(\$ thousand)				
	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Education and Training				
Appropriation ^(a)	6 417 384	105 025	..	6 522 409
	<i>5 995 560</i>	..	..	<i>5 995 560</i>
Receipts credited to appropriation ^(b)	93 570	69 550	..	163 120
	<i>86 547</i>	<i>68 136</i>	..	<i>154 683</i>
Unspent previous year appropriation carried over ^(c)	4 232	..	..	4 232

Total appropriation	6 515 186	174 575	..	6 689 761
	<i>6 082 107</i>	<i>68 136</i>	..	<i>6 150 243</i>
Human Services				
Appropriation ^(a)	7 933 757	421 316	..	8 355 073
	<i>7 432 566</i>	<i>282 032</i>	..	<i>7 714 598</i>
Receipts credited to appropriation ^(b)	1 069 009	15 974	..	1 084 983
	<i>926 514</i>	<i>108 044</i>	..	<i>1 034 558</i>
Unspent previous year appropriation carried over ^(c)	59 500	45 000	..	104 500
	<i>31 300</i>	..	..	<i>31 300</i>
Total appropriation	9 062 266	482 290	..	9 544 556
	<i>8 390 380</i>	<i>390 076</i>	..	<i>8 780 456</i>
Infrastructure				
Appropriation ^(a)	3 054 627	349 653	35 900	3 440 180
	<i>2 713 528</i>	<i>303 497</i>	..	<i>3 017 025</i>
Receipts credited to appropriation ^(b)	236 975	..	..	236 975
	<i>260 947</i>	..	..	<i>260 947</i>
Unspent previous year appropriation carried over ^(c)	20 928	3 206	..	24 134
	<i>2 935</i>	<i>29 054</i>	..	<i>31 989</i>
Total appropriation	3 312 530	352 859	35 900	3 701 289
	<i>2 977 410</i>	<i>332 551</i>	..	<i>3 309 961</i>
Innovation, Industry and Regional Development				
Appropriation ^(a)	274 085	140 737	..	414 822
	<i>274 733</i>	<i>90 534</i>	..	<i>365 267</i>
Receipts credited to appropriation ^(b)	120	..	..	120

Unspent previous year appropriation carried over ^(c)	..	..	..	..
	<i>23 390</i>	..	..	<i>23 390</i>
Total appropriation	274 205	140 737	..	414 942
	<i>298 123</i>	<i>90 534</i>	..	<i>388 657</i>

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

(\$ thousand)

	<i>Provision of outputs</i>	<i>Additions to net asset base</i>	<i>Payments made on behalf of the State</i>	<i>Total</i>
Justice				
Appropriation ^(a)	2 372 949	104 785	53 300	2 531 034
	2 177 654	263 780	54 000	2 495 434
Receipts credited to appropriation ^(b)	89 287	325	..	89 612
	94 516	325	..	94 841
Unspent previous year appropriation carried over ^(c)	37 639	..	..	37 639
	2 500	14 882	..	17 382
Total appropriation	2 499 875	105 110	53 300	2 658 285
	2 274 670	278 987	54 000	2 607 657
Premier and Cabinet				
Appropriation ^(a)	430 113	71 173	..	501 286
	382 227	37 427	..	419 654
Receipts credited to appropriation ^(b)	497	..	..	497
	13	..	..	13
Unspent previous year appropriation carried over ^(c)	..	..	..	..
	5 565	35 369	..	40 934
Total appropriation	430 610	71 173	..	501 783
	387 805	72 796	..	460 601
Primary Industries				
Appropriation ^(a)	235 611	72 309	..	307 920
	233 055	13 337	..	246 392
Receipts credited to appropriation ^(b)	62 644	..	..	62 644
	60 107	..	..	60 107
Unspent previous year appropriation carried over ^(c)	15 830	..	..	15 830
	12 270	1 200	..	13 470
Total appropriation	314 085	72 309	..	386 394
	305 432	14 537	..	319 969
Sustainability and Environment				
Appropriation ^(a)	717 684	71 480	25 690	814 854
	678 741	28 835	26 920	734 496
Receipts credited to appropriation ^(b)	59 294	2 000	..	61 294
	43 828	2 005	..	45 833
Unspent previous year appropriation carried over ^(c)	..	..	..	..
	7 000	19 100	..	26 100
Total appropriation	776 978	73 480	25 690	876 148
	729 569	49 940	26 920	806 429

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

(\$ thousand)

	Provision of outputs	Additions to net asset base	Payments made on behalf of the State	Total
Treasury and Finance				
Appropriation ^(a)	179 223	22 960	1 321 328	1 523 511
	180 259	39 795	1 661 667	1 881 721
Receipts credited to appropriation ^(b)	3 188	..	..	3 188
	3 984	..	..	3 984
Unspent previous year appropriation carried over ^(c)	..	..	..	..
	1 125	..	..	1 125
Total appropriation	182 411	22 960	1 321 328	1 526 699
	185 368	39 795	1 661 667	1 886 830
Victorian Communities				
Appropriation ^(a)	554 017	23 905	17 995	595 917
	412 424	51 323	17 824	481 571
Receipts credited to appropriation ^(b)	4 109	..	..	4 109
	3 985	..	..	3 985
Unspent previous year appropriation carried over ^(c)	1 500	7 000	..	8 500
	7 000	23 100	..	30 100
Total appropriation	559 626	30 905	17 995	608 526
	423 409	74 423	17 824	515 656
Parliament				
Appropriation ^(d)	73 692	4 100	..	77 792
	69 803	4 050	..	73 853
Receipts credited to appropriation ^(b)	15 065	..	..	15 065
	14 820	..	..	14 820
Unspent previous year appropriation carried over ^(c)	..	..	..	..
	2 520	..	..	2 520
Total appropriation	88 757	4 100	..	92 857
	87 143	4 050	..	91 193

Source: Department of Treasury and Finance

Notes:

- (a) Appropriation (2005-2006) Act.
(b) Financial Management Act, 1994 Section 29.
(c) Financial Management Act, 1994 Section 32.
(d) Appropriation (Parliament 2005-2006) Act.

Table 5.6: The Trust Fund

(\$ thousand)

	2004-05 Budget	2005-06 Budget	Variation %
Cash flows from operating activities			
Receipts			
Taxation	124 901	130 902	4.8
Fines and regulatory fees	41 117	41 819	1.7
Grants received	2 108 742	2 271 105	7.7
Sale of goods and services	163 964	171 246	4.4
Interest received	63 273	81 994	29.6
Other receipts ^(a)	7 718 005	8 150 274	5.6
	10 220 002	10 847 340	6.1
Payments			
Employee entitlements	- 64 456	- 72 607	12.6
Superannuation	- 4 740	- 5 857	23.6
Interest paid	- 9 162	- 12 268	33.9
Grants paid	- 7 750 175	- 8 649 482	11.6
Supplies and consumables	- 2 175 001	- 2 092 163	- 3.8
Other payments	- 12 953	..	- 100.0
Net cash flows from operating activities	203 516	14 963	- 92.6
Cash flows from investing activities			
Net proceeds from/(-) purchases of investments	..	..	..
Proceeds from sale of property, plant and equipment	192	..	- 100.0
Purchases of property, plant and equipment	- 149 318	- 27 500	- 81.6
Other investing activities	12 302	- 15 593	- 226.8
Net cash flows from investing activities	- 136 824	- 43 093	- 68.5
Cash flows from financing activities			
Net proceeds from/(repayment) of borrowings ^(b)	..	72 862	n.a.
Other	..	..	..
Net cash flow from financing activities	..	72 862	..
Net cash inflow/(-) outflow	66 692	44 732	- 32.9
Represented by:			
Cash and deposits held at beginning of reporting period	815 387	962 397	18.0
Cash and deposits held at end year	882 079	1 007 128	14.2

Source: Department of Treasury and Finance

Note:

(a) Includes transfers between funds.

(b) Relates to loans and advances.

CHAPTER 6 – UNIFORM PRESENTATION OF GOVERNMENT FINANCE STATISTICS

THE ACCRUAL GFS PRESENTATION

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

Break in series – introduction of A-IFRS

Underlying data for the respective GFS financial statements relating to the 2004-05 revised budget year are based on existing Australian Accounting Standards (AAS) whilst data relating to the years 2005-06 onwards are based on the Australian equivalents to International Financial Reporting Standards (A-IFRS). This break in the GFS series between 2004-05 and 2005-06 is denoted by a dotted line in the following tables.

Operating statement

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

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

Previously, differences arose between the GFS and accounting frameworks, particularly in the operating statement. With the introduction of the Australian equivalents to the International Financial Reporting Standards (A-IFRS), the Victorian Government has adopted a transitional A-IFRS operating statement format which is closely aligned to the following GFS format and presentation of the net operating balance. It is expected that there will be further harmonisation of the two reporting formats as a consequence of the Australian Accounting Standards Board's (AASB) GFS/GAAP convergence strategy currently being implemented. Victoria's A-IFRS presentation distinguishes the net result from transactions from other economic flows, such as actuarial adjustments, revaluations and increases in provisions for doubtful accounts. Hence, the A-IFRS net result from transactions is equivalent to the GFS net operating balance.

Balance sheet

The GFS balance sheet records a government's stocks of financial and non-financial assets and liabilities and discloses the resources over which a government maintains control. The GFS balance sheet differs from the standard accounting presentation in that it provides information on financial and non-financial assets, and does not distinguish between current and non-current assets and liabilities.

Cash flow statement

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

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

INSTITUTIONAL SECTORS

General government sector

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by

the community, and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, other compulsory levies and user charges.

Public non-financial corporations sector

The public non-financial corporations sector was formerly known as the public trading enterprises sector. It comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, public non-financial corporations are legally distinguishable from the governments which own them.

Non-financial public sector

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

Public financial corporations

Public financial corporations are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services). The public financial corporations sector includes the Treasury Corporation of Victoria and the Transport Accident Commission. Estimates are not published for the public financial corporations sector.

UNIFORM PRESENTATION FRAMEWORK TABLES

Table 6.1: General government sector operating statement

	(\$ million)				
	2004-05 ^(a)	2005-06 ^(b)	2006-07 ^(b)	2007-08 ^(b)	2008-09 ^(b)
	Revised	Estimate	Estimate	Estimate	Estimate
GFS revenue					
Taxation revenue	10 356	10 306	10 730	11 016	11 441
Current grants and subsidies	12 833	13 708	14 106	14 821	15 564
Capital grants	531	554	627	443	428
Sales of goods and services	3 318	3 604	3 644	3 661	3 687
Interest income	356	362	339	313	313
Other	1 958	2 090	2 008	2 002	2 069
Total revenue	29 353	30 624	31 454	32 257	33 502
GFS expenses					
Employee expenses ^(c)	11 874	12 723	13 077	13 397	13 716
Depreciation	1 169	1 235	1 292	1 383	1 445
Other operating expenses	9 080	9 809	10 282	10 646	11 230
Nominal superannuation interest expense ^(c)	820	443	469	484	488
Other interest expense	463	469	476	479	499
Other property expenses	..	..	..	..	..
Current transfers	4 848	5 254	5 335	5 417	5 463
Capital transfers	723	325	204	138	111
Total expenses	28 977	30 259	31 135	31 944	32 952
GFS net operating balance	375	365	319	313	551
Less: Net acquisition of non-financial assets					
Purchases of non-financial assets	2 197	2 529	2 420	2 251	2 316
Sales of non-financial assets	- 72	- 134	- 143	- 209	- 120
Less: Depreciation	1 169	1 235	1 292	1 383	1 445
Plus: Change in inventories	1	0	1	1	1
Plus: Other movements in non-financial assets	- 373	637	..	- 10	160
Total net acquisition of non-financial assets	584	1 798	986	650	912
GFS net lending (+) / borrowing (-)	- 209	-1 433	- 667	- 337	- 361

Source: Department of Treasury and Finance

Notes:

- (a) Underlying data for 2004-05 revised estimates are on the basis of existing Australian Accounting Standards.
- (b) 2005-06 to 2008-09 Budget estimates are based on underlying A-IFRS data.
- (c) Under A-IFRS, superannuation interest is an actuarial calculation. It is lower than prior years, substantially offset by the recognition of employer service cost on unfunded superannuation liability not classified as interest.

Table 6.2: Public non-financial corporations sector operating statement

(\$ million)

	2004-05 ^(a) Revised	2005-06 ^(b) Estimate
GFS revenue		
Sales of goods and services	3 023	3 403
Current grants and subsidies	1 105	1 335
Capital grants	225	259
Interest income	126	113
Other	663	466
Total revenue	5 142	5 575
GFS expenses		
Employee expenses	596	618
Depreciation	753	839
Other operating expenses	2 695	3 183
Property expenses	669	882
Current transfers	84	176
Capital transfers	13	5
Total expenses	4 810	5 703
GFS net operating balance	333	- 128
Less: Net acquisition of non-financial assets		
Purchases of non-financial assets	1 965	1 870
Sales of non-financial assets	- 83	- 78
Less: Depreciation	753	839
Plus: Change in inventories	1	2
Plus: Other movements in non-financial assets	225	164
Total net acquisition of non-financial assets	1 355	1 118
GFS net lending (+) / borrowing (-)	-1 022	-1 246

Source: Department of Treasury and Finance

Notes:

- (a) Underlying data for 2004-05 revised estimates are on the basis of existing Australian Accounting Standards.
- (b) 2005-06 Budget estimates are based on underlying A-IFRS data.

Table 6.3: Non-financial public sector operating statement

(\$ million)

	2004-05 ^(a) Revised	2005-06 ^(b) Estimate
GFS revenue		
Taxation revenue	10 235	10 161
Current grants and subsidies	12 836	13 710
Capital grants	536	555
Sales of goods and services	5 705	6 190
Interest income	420	415
Other	2 081	2 023
Total revenue	31 815	33 054
GFS expenses		
Employee expenses	12 470	13 342
Depreciation	1 922	2 075
Other operating expenses	11 039	12 026
Nominal superannuation interest expense	820	443
Other interest expense	717	754
Other property expenses	..	..
Current transfers	3 540	3 780
Capital transfers	655	329
Total expenses	31 162	32 748
GFS net operating balance	652	306
Less: Net acquisition of non-financial assets		
Purchases of non-financial assets	4 162	4 399
Sales of non-financial assets	- 154	- 212
Less: Depreciation	1 922	2 075
Plus: Change in inventories	1	2
Plus: Other movements in non-financial assets	- 149	801
Total net acquisition of non-financial assets	1 939	2 916
GFS net lending (+) / borrowing (-)	-1 286	-2 610

Source: Department of Treasury and Finance

Notes:

- (a) Underlying data for 2004-05 revised estimates are on the basis of existing Australian Accounting Standards.
- (b) 2005-06 Budget estimates are based on underlying A-IFRS data.

Alterations to 2005-06 estimates:

Due to the discovery of a compilation error in the originally published 2005-06 figure for other movements in non-financial assets in the table above, the previously reported \$186 million has been amended to \$801 million. As a consequence, the total net acquisition of non-financial assets (previously \$2 301 million) and GFS net lending/borrowing (previously -\$1 995 million) have also been corrected. No other figures or tables are affected by this alteration.

Table 6.4: General government sector balance sheet

	(\$ million)					
as at 30 June	2004 ^(a)	2005 ^(a)	2006 ^(b)	2007 ^(b)	2008 ^(b)	2009 ^(b)
	Opening	Revised	Estimate	Estimate	Estimate	Estimate
Assets						
Financial assets						
Cash and deposits	1 301	1 312	1 305	1 305	1 308	1 309
Advances paid	205	65	65	62	59	56
Investments, loans and placements	3 043	2 958	2 589	1 685	1 339	1 322
Other non-equity assets	1 798	2 203	1 909	1 995	2 147	2 262
Equity	33 918	34 412	35 860	36 395	36 613	36 669
Total financial assets	40 265	40 950	41 728	41 442	41 466	41 618
Non-financial assets						
Land and fixed assets	43 321	49 402	52 561	56 043	59 345	63 145
Other non-financial assets	1 415	1 455	1 468	1 432	1 407	1 364
Total non-financial assets	44 736	50 857	54 029	57 475	60 752	64 508
Total assets	85 001	91 807	95 757	98 918	102 218	106 126
Liabilities						
Deposits held	446	451	457	463	469	477
Advances received	6	47	47	46	45	45
Borrowing	5 501	5 761	6 394	6 397	6 685	7 183
Superannuation liability	11 711	10 964	17 419	17 780	17 852	17 844
Other employee entitlements and provisions	3 740	3 976	4 224	4 354	4 447	4 541
Other non-equity liabilities	3 402	3 346	3 346	3 272	3 206	3 146
Total liabilities	24 804	24 544	31 886	32 312	32 705	33 235
Net worth	60 196	67 262	63 872	66 605	69 513	72 891
Net financial worth ^(c)	15 461	16 406	9 843	9 130	8 761	8 382
Net debt ^(d)	1 403	1 923	2 939	3 854	4 494	5 018

Source: Department of Treasury and Finance

Notes:

- (a) Balances shown for 2004 and the 2005 revised estimates are prior to restatement to A-IFRS.
- (b) Presentation of 2006 to 2009 estimates are based on A-IFRS data after restating the opening balances as at 1 July 2004 (not shown).
- (c) Net financial worth equals total financial assets minus total liabilities.
- (d) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 6.5: Public non-financial corporations sector balance sheet

	(\$ million)		
as at 30 June	2004 ^(a) Opening	2005 ^(a) Revised	2006 ^(b) Estimate
Assets			
Financial assets			
Cash and deposits	435	450	454
Advances paid	194	154	130
Investments, loans and placements	1 140	1 026	757
Other non-equity assets	1 790	1 665	1 482
Equity			
Total financial assets	3 558	3 295	2 823
Non-financial assets			
Land and fixed assets	35 373	37 059	39 386
Other non-financial assets	113	112	96
Total non-financial assets	35 486	37 171	39 482
Total assets	39 044	40 466	42 305
Liabilities			
Deposits held	80	65	62
Advances received	30	8	5
Borrowing	3 716	4 019	4 676
Superannuation liability	49	48	43
Other employee entitlements and provisions	2 442	2 412	2 546
Other non-equity liabilities	593	609	621
Total liabilities	6 910	7 161	7 952
Shares and other contributed capital	32 135	33 305	34 353
Net worth	..	..	..
Net financial worth	-35 486	-37 171	-39 482
Net debt ^(c)	2 057	2 462	3 402

Source: Department of Treasury and Finance

Notes:

- (a) Balances shown for 2004 and the 2005 revised estimates are prior to restatement to A-IFRS.
- (b) Presentation of 2006 estimates are based on A-IFRS data after restating the opening balances as at 1 July 2004 (not shown).
- (c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 6.6: Non-financial public sector balance sheet

	(\$ million)		
as at 30 June	2004 ^(a) Opening	2005 ^(a) Revised	2006 ^(b) Estimate
Assets			
Financial assets			
Cash and deposits	1 736	1 762	1 759
Advances paid	278	239	193
Investments, loans and placements	4 182	3 984	3 346
Other non-equity assets	2 202	2 526	2 269
Equity	1 783	1 803	1 822
Total financial assets	10 182	10 314	9 390
Non-financial assets			
Land and fixed assets	78 695	86 461	91 947
Other non-financial assets	1 530	1 577	1 537
Total non-financial assets	80 224	88 037	93 483
Total assets	90 406	98 352	102 873
Liabilities			
Deposits held	525	516	519
Advances received	35	75	51
Borrowing	9 096	9 778	11 069
Superannuation liability	11 760	11 011	17 462
Other employee entitlements and provisions	5 201	5 408	5 730
Other non-equity liabilities	2 699	2 767	2 846
Total liabilities	29 317	29 556	37 677
Net worth	61 090	68 795	65 197
Net financial worth	-19 135	-19 242	-28 286
Net debt ^(c)	3 460	4 385	6 340

Source: Department of Treasury and Finance

Notes:

- (a) Balances shown for 2004 and the 2005 revised estimates are prior to restatement to A-IFRS.
- (b) Presentation of 2006 estimates are based on A-IFRS data after restating the opening balances as at 1 July 2004 (not shown).
- (c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 6.7: General government sector cash flow statement

	(\$ million)				
	2004-05 Revised	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Cash receipts from operating activities					
Taxes received	10 275	10 386	10 760	10 988	11 414
Receipts from sales of goods and services	3 236	3 529	3 576	3 599	3 628
Grants/subsidies received	13 362	14 262	14 734	15 264	15 992
Other receipts	2 329	2 554	2 215	2 188	2 138
Total receipts	29 203	30 731	31 284	32 039	33 172
Cash payments from operating activities					
Payment for goods and services	-21 175	-22 021	-23 304	-24 308	-25 289
Grants and subsidies paid	-4 735	-5 058	-4 964	-4 989	-5 005
Interest paid	- 404	- 416	- 420	- 422	- 440
Other payments	- 642	- 658	- 697	- 699	- 694
Total payments	-26 956	-28 153	-29 385	-30 418	-31 427
Net cash flows from operating activities	2 247	2 579	1 899	1 621	1 745
Net cash flows from investing in non-financial assets					
Sales of non-financial assets	72	134	143	209	120
Purchases of non-financial assets	-2 197	-2 529	-2 420	-2 251	-2 316
Total cash flows - non-financial assets	-2 126	-2 395	-2 277	-2 042	-2 196
Net cash flows from investments in financial assets for policy purposes	- 504	- 569	- 531	- 215	- 54
Net cash flows from investments in financial assets for liquidity	107	370	905	346	17
Net cash flows from financing activities					
Advances received (net)	42	- 1	- 1	- 1	- 1
Borrowings (net)	242	9	6	294	489
Deposits received (net)	- 0	- 0	- 0	- 0	- 0
Other financing (net)	0	0	- 0	0	0
Net cash flows from financing activities	283	8	5	293	489
Net increase in cash held	9	- 7	1	3	1
Surplus (+) /deficit (-) excluding acquisitions under finance leases^(a)	122	183	- 378	- 422	- 451
Acquisitions under finance leases	..	615	..	..	..
Surplus (+) /deficit (-) including finance leases	122	- 432	- 378	- 422	- 451

Source: Department of Treasury and Finance

Note:

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

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

(\$ million)

	2004-05 Revised	2005-06 Budget
Cash receipts from operating activities		
Receipts from sales of goods and services	3 004	3 346
Grants/subsidies received	1 446	1 668
Other receipts	457	408
Total receipts	4 908	5 422
Cash payments from operating activities		
Payment for goods and services	-2 530	-2 862
Grants and subsidies paid	- 44	- 114
Interest paid	- 323	- 328
Other payments	- 814	-1 005
Total payments	-3 711	-4 309
Net cash flows from operating activities	1 197	1 113
Net cash flows from investing in non-financial assets		
Sales of non-financial assets	83	78
Purchases of non-financial assets	-1 965	-1 870
Total cash flows from investing in non-financial assets	-1 882	-1 792
Net cash flows from investments in financial assets for policy purposes	539	575
Net cash flows from investments in financial assets for liquidity purposes	113	267
Net cash flows from financing activities		
Advances received (net)	- 22	- 2
Borrowings (net)	436	328
Deposits received (net)	- 19	- 9
Distributions paid	- 346	- 477
Other financing (net)	0	..
Total net cash flows from financing activities	49	- 160
Net increase in cash held	15	3
Surplus (+) /deficit (-) excluding acquisitions under finance leases^(a)	-1 032	-1 156
Acquisition of assets under finance leases and similar arrangements	..	..
Surplus (+) /deficit (-) including finance leases	-1 032	-1 156

Source: Department of Treasury and Finance

Note:

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

Table 6.9: Non-financial public sector cash flow statement

(\$ million)

	2004-05 Revised	2005-06 Budget
Cash receipts from operating activities		
Taxes received	10 155	10 242
Receipts from sales of goods and services	5 605	6 058
Grants/subsidies received	13 370	14 264
Other receipts	2 325	2 369
Total receipts	31 455	32 933
Cash payments from operating activities		
Payment for goods and services	-23 689	-24 831
Grants and subsidies paid	-3 252	-3 456
Interest paid	- 726	- 744
Other payments	- 690	- 688
Total payments	-28 358	-29 719
Net cash flows from operating activities	3 098	3 214
Net cash flows from investing in non-financial assets		
Sales of non-financial assets	154	212
Purchases of non-financial assets	-4 162	-4 399
Total cash flows from investing in non-financial assets	-4 008	-4 187
Net cash flows from investments in financial assets for policy purposes	25	6
Net cash flows from investments in financial assets for liquidity purposes	220	638
Net cash flows from financing activities		
Advances received (net)	40	- 3
Borrowings (net)	668	337
Deposits received (net)	- 19	- 9
Other financing (net)	0	0
Total net cash flows from financing activities	689	325
Net increase in cash held	24	- 4
Surplus (+) /deficit (-) excluding acquisitions under finance leases^(a)	- 910	- 973
Acquisition of assets under finance leases and similar arrangements	..	615
Surplus (+) /deficit (-) including finance leases	- 910	-1 588

Source: Department of Treasury and Finance

Note:

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

Table 6.10: General government sector expenses by function

(\$ million)

	2004-05 ^(a) Revised	2005-06 ^(b) Budget
General public services	2 165	2 448
Public order and safety	2 610	2 912
Education	7 784	8 119
Health	7 581	7 998
Social security and welfare	2 247	2 378
Housing and community amenities	1 352	1 413
Recreation and culture	775	942
Fuel and energy	39	49
Agriculture, forestry, fishing, and hunting	479	155
Mining, manufacturing, and construction	20	0
Transport and communications	3 348	3 395
Other economic affairs	406	284
Other purposes	172	165
Total GFS expenses	28 977	30 259

Source: Department of Treasury and Finance

Notes:

- (a) Underlying data for 2004-05 revised estimates are on the basis of existing Australian Accounting Standards.
- (b) 2005-06 Budget estimates are based on underlying A-IFRS data.

Table 6.11: General government sector taxation

	(\$ million)				
	2004-05 Revised	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Taxes on employers' payroll and labour force	2 994	3 179	3 329	3 487	3 649
Taxes on property					
Land taxes	855	824	847	837	848
Stamp duties on financial and capital transactions	2 325	2 154	2 179	2 196	2 284
Financial institutions' transaction taxes	257	22	..	..	..
Other	120	146	170	174	180
Total	3 557	3 146	3 196	3 208	3 312
Taxes on the provision of goods and services					
Excises and levies	45	60	60	62	..
Taxes on gambling	1 376	1 479	1 560	1 532	1 610
Taxes on insurance	1 020	1 061	1 115	1 173	1 230
Total	2 441	2 601	2 735	2 767	2 840
Taxes on the use of goods and performance of activities					
Motor vehicle taxes	1 232	1 306	1 396	1 479	1 568
Franchise taxes	7	7	7	7	8
Other	125	67	68	67	66
Total	1 364	1 380	1 471	1 553	1 641
Total GFS taxation revenue	10 356	10 306	10 730	11 016	11 441

Source: Department of Treasury and Finance

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

	(\$ million)				
	2004-05 Revised ^(a)	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
General government net result from transactions	375	365	319	313	551
equals: General government net operating balance (GFS)					
Less: Gross fixed capital formation	1 753	3 032	2 277	2 032	2 356
Plus: Depreciation	1 169	1 235	1 292	1 383	1 445
Less: Change in inventories	1	0	1	1	1
GFS net lending(+)/borrowing(-)	- 209	-1 433	- 667	- 337	- 361
Plus:					
Superannuation expense (difference between operating statement, including nominal interest, and cash flow statement)	758	649	361	72	- 9
Acquisitions under finance leases	..	615	..	..	..
Other non-cash items	- 428	- 263	- 72	- 157	- 81
GFS cash surplus(+)/deficit(-)	122	- 432	- 378	- 422	- 451
Less: Net contributions to other sectors of government	641	584	538	218	73
Decrease in general government net debt	- 520	-1 016	- 916	- 640	- 524

Source: Department of Treasury and Finance

Note:

(a) Existing Australian Accounting Standards basis (see Appendix B, Table B.1: Comparison of operating statement for 2004-05 Revised outcome under existing Australian Accounting Standards (AAS) and A-IFRS).

VICTORIA'S 2005-06 LOAN COUNCIL ALLOCATION

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

Table 6.13 compares Victoria's 2005-06 LCA based on the 2004-05 Budget Update estimates and approved by Loan Council in March 2005, with the revised LCA based on 2005-06 Budget estimates.

Table 6.13: Loan Council Allocation 2005-06

(\$ million)		
	2005-06 Nomination	2005-06 Revised
General government sector cash (+) deficit / (-) surplus ^(a)	- 46	432
Public non-financial corporation sector cash (+) deficit / (-) surplus ^(a)	761	1 156
Non-financial public sector cash (+) deficit / (-) surplus ^(a)	715	1 588
Less: Net cash flows from investments in financial assets for policy purposes ^(b)	9	6
Plus: Memorandum items ^(c)	440	440
Loan Council Allocation	1 146	2 022
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities) ^(d)	642	642

Source: Department of Treasury and Finance

Notes:

- (a) The sum of the surplus/deficit of the general government and public non-financial corporation sector does not directly equal the non-financial public sector surplus due to intersectoral transfers, which are netted out in the calculation of the non-financial public sector figure. Surplus (+)/deficit(-) includes finance lease acquisitions.
- (b) The non-financial public sector surplus/deficit relating to 2005-06 includes net cash flows from investments in financial assets for policy purposes.
- (c) Memorandum items are used to adjust the ABS deficit to include in LCAs certain transactions, such as operating leases, that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the over/under funding of employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities).
- (d) A tolerance limit equal to 2 per cent of 'total non-financial public sector cash receipts from operating activities' (2004-05 Budget Update) applies to jurisdictions' LCA nomination and revised LCA at budget time, and between the budget time LCA and LCA outcome. The tolerance limit applying to Victoria in 2005-06 is \$642 million (2 per cent of \$32 094 million – sourced from 2004-05 Budget Update).

As part of the Loan Council arrangements, Loan Council has agreed that if at any time a jurisdiction finds that it is likely to exceed its tolerance limit, in either direction, it is required to provide an explanation to Loan Council and, in line with the emphasis of increased transparency, to make the explanation public. The 2005-06 revised LCA exceeded the tolerance limit by \$234 million. The change of \$876 million in the LCA between *2004-05 Budget Update* and 2005-06 Budget is mainly due to:

- a revision in the general government sector cash position from \$46 million surplus to \$432 million deficit primarily reflecting a significant increase in contribution to other government sectors (\$328 million) for infrastructure development and a moderate increase in investments in non-financial assets (\$236 million); and
- an increase in the public non-financial corporations sector infrastructure investment (\$348 million), which is primarily funded by an increase in contribution from the general government sector.

Infrastructure projects

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

It is expected that the Melbourne Convention Centre redevelopment contract with private sector involvement will be signed in 2005-06. As the following project is still in development stages, full details about the extent and nature of actual payments, forward commitments and contingent liabilities associated with the project cannot be provided at this stage.

Melbourne Convention Centre redevelopment

This redevelopment will be the largest of its kind in Australia. The redevelopment will integrate a convention centre, which will include a 5 000 seat plenary hall, with the existing exhibition centre and broader Southbank site.

The Government allocated \$367 million to the Melbourne Convention Centre redevelopment in the 2004-05 Budget.

APPENDIX A – HISTORICAL AND FORWARD ESTIMATES TABLES

In this appendix, historical data up to and including the revised 2004-05 Budget have been prepared under existing AAS, while the forward estimates data have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS).

Table A.1 shows the trends in general government sector aggregate cash flows over the period 1986-87 to 2008-09. This table of historical data has been compiled as far as possible on existing Australian Accounting Standards (AAS) basis and is consistent with the cash flow statement included in Chapter 1, *Estimated Financial Statements and Notes*.

The data from 1997-98 include the transactions of government schools and the arts institutions on a gross operating basis, as well as the full trading operations of TAFE institutes and hospitals, nursing homes and ambulances. Although this expanded coverage does not materially influence the net operating result for the general government sector, it does significantly increase the inflows and outflows presented in the cash flow statement.

Table A.2 shows the general government operating result, based on existing AAS, following the introduction of accrual accounting in 1996-97. As a result of changes to accounting standards operative from 2000-01, the statement of financial performance no longer recognises abnormal items as a separate item. Table A.2 has been adjusted to conform to this new reporting standard. Details of previously reported abnormal items associated with operating results up to 1999-2000 are shown in Table A.3.

Table A.4 presents general government sector operating expenditure, sourced from Australian Bureau of Statistics historical data, classified by function. The classifications conform to the standards for presenting cash expenditure by government purpose on a Government Finance Statistics (GFS) basis up to 1998-99, when this series ceased with the introduction of accrual GFS. The absence of accrual information for these years means that it is not possible to convert or compare these tables with the current series of accrual GFS information included in Table A.5, Table A.6 and in Chapter 6, *Uniform Presentation of Government Finance Statistics*, Table 6.1.

From 1999-2000, the new GFS accruals series of expenses classified by purpose is included as Table A.5.

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

(\$ million)

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

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

	(\$ million)			
	1990-91	1991-92	1992-93	1993-94
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Cash flows from operating activities				
Receipts				
Taxation ^{(a)(b)(d)}	5 641	5 968	6 498	7 342
Fines and regulatory fees ^(d)	201	263	260	284
Grants ^{(b)(c)}	5 676	5 921	6 138	6 215
Sales of goods and services	963	1 038	1 006	1 004
Interest received	152	121	95	94
Dividends received	327	566	581	815
Other receipts	326	308	251	323
Total receipts	13 287	14 185	14 830	16 076
Payments				
Employee benefits ^(e)	(5 855)	(6 337)	(6 846)	(7 184)
Superannuation	(685)	(782)	(853)	(493)
Interest paid	(1 602)	(1 787)	(2 064)	(2 195)
Grants and transfer payments ^{(e)(f)}	(2 807)	(3 134)	(3 501)	(3 893)
Supplies and services	(2 885)	(2 943)	(3 024)	(2 148)
Total payments	(13 834)	(14 983)	(16 288)	(15 912)
Net cash flows from operating activities	(547)	(798)	(1 458)	164
Cash flows from investing activities				
Purchase of property, plant and equipment	(1 129)	(1 066)	(1 068)	(980)
Proceeds from sale of property, plant and equipment	114	103	132	189
Net (purchases)/disposal of investments	186	143	(261)	(501)
Net customer loans (granted)/repaid	..	..	..	..
Net privatisation proceeds and other abnormals ^(g)	1 292	6	304	498
Net cash flows from investing activities	464	(815)	(892)	(793)
Cash flows from financing activities				
Net borrowings	410	1 506	2 315	841
Net cash flows from financing activities	410	1 506	2 315	841
Net increase in cash and deposits held	327	(107)	(36)	211
Cash and deposits at beginning of reporting period	823	1 149	1 043	1 007
Cash and deposits at end of reporting period	1 149	1 043	1 007	1 219

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

	(\$ million)				
	1994-95	1995-96	1996-97	1997-98	1998-99
	Actual	Actual	Actual	Actual ^(h)	Actual ⁽ⁱ⁾
Cash flows from operating activities					
Receipts					
Taxation ^{(a)(b)(d)}	7 677	8 268	8 714	8 515	8 794
Fines and regulatory fees ^(d)	304	293	258	247	324
Grants ^{(b)(c)}	6 355	6 659	6 928	7 440	7 480
Sales of goods and services	1 034	1 136	1 119	1 606	1 659
Interest received	117	107	129	140	202
Dividends received	765	624	967	786	932
Other receipts	285	346	275	982	1 430
Total receipts	16 537	17 432	18 389	19 717	20 821
Payments					
Employee benefits ^(e)	(6 299)	(6 276)	(6 608)	(6 621)	(7 041)
Superannuation	(1 149)	(1 046)	(1 213)	(1 257)	(2 083)
Interest paid	(2 007)	(1 923)	(1 403)	(1 162)	(732)
Grants and transfer payments ^{(e)(f)}	(3 324)	(3 101)	(3 238)	(3 514)	(3 598)
Supplies and services	(2 975)	(3 593)	(3 892)	(5 503)	(5 796)
Total payments	(15 754)	(15 939)	(16 354)	(18 057)	(19 250)
Net cash flows from operating activities	783	1 493	2 035	1 660	1 571
Cash flows from investing activities					
Purchase of property, plant and equipment	(1 288)	(1 285)	(1 288)	(1 209)	(1 327)
Proceeds from sale of property, plant and equipment	189	156	163	363	211
Net (purchases)/disposal of investments	402	(464)	(141)	(422)	390
Net customer loans (granted)/repaid	..	..	..	297	309
Net privatisation proceeds and other abnormalities ^(g)	735	4 794	4 514	1 610	3 344
Net cash flows from investing activities	39	3 200	3 248	639	2 927
Cash flows from financing activities					
Net borrowings	(902)	(4 703)	(5 406)	(2 364)	(4 718)
Net cash flows from financing activities	(902)	(4 703)	(5 406)	(2 364)	(4 718)
Net increase in cash and deposits held	(80)	(9)	(124)	(65)	(221)
Cash and deposits at beginning of reporting period	1 219	1 138	1 129	1 005	940
Cash and deposits at end of reporting period	1 138	1 129	1 005	940	719

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

	(\$ million)				
	1999-00 Actual ^(j)	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Actual
Cash flows from operating activities					
Receipts					
Taxation ^{(b)(d)}	9 666	8 458	8 611	9 101	9 874
Fines and regulatory fees ^(d)	359	377	398	509	502
Grants ^{(b)(c)}	7 735	10 370	11 879	12 101	12 611
Sales of goods and services	1 776	1 957	2 066	2 757	2 792
Interest received	195	301	303	375	411
Dividends received	888	798	503	581	306
Other receipts	1 238	1 053	1 246	1 847	1 748
Total receipts	21 857	23 314	25 006	27 271	28 244
Payments					
Employee benefits ^(e)	(7 378)	(7 962)	(8 692)	(9 302)	(9 809)
Superannuation	(1 370)	(1 898)	(1 030)	(2 558)	(2 027)
Interest paid	(448)	(464)	(453)	(468)	(457)
Grants and transfer payments ^{(e)(f)}	(3 363)	(3 757)	(4 205)	(3 985)	(4 549)
Supplies and services	(6 373)	(7 077)	(7 531)	(9 034)	(8 931)
Total payments	(18 931)	(21 158)	(21 910)	(25 347)	(25 773)
Net cash flows from operating activities	2 926	2 155	3 096	1 924	2 471
Cash flows from investing activities					
Purchase of property, plant and equipment	(1 208)	(1 629)	(1 941)	(1 924)	(2 347)
Proceeds from sale of property, plant and equipment	187	150	123	128	127
Net (purchases)/disposal of investments	(1 091)	(689)	(547)	(256)	951
Net customer loans (granted)/repaid	122	98	71	(25)	(12)
Net contribution to other sectors of government	..	..	(13)	(314)	(158)
Net cash flows from investing activities	(1 991)	(2 071)	(2 306)	(2 391)	(1 439)
Cash flows from financing activities					
Net borrowings	(766)	(72)	(29)	(89)	(844)
Net cash flows from financing activities	(766)	(72)	(29)	(89)	(844)
Net increase in cash and deposits held	169	13	761	(555)	187
Cash and deposits at beginning of reporting period	719	889	902	1 663	1 108
Cash and deposits at end of reporting period	889	902	1 663	1 108	1 295

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

	(\$ million)				
	2004-05 Revised	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Cash flows from operating activities					
Receipts					
Taxation ^{(b)(d)}	10 275	10 386	10 760	10 988	11 414
Fines and regulatory fees ^(d)	519	629	675	669	681
Grants ^{(b)(c)}	13 362	14 262	14 734	15 264	15 992
Sales of goods and services	2 312	2 390	2 449	2 487	2 516
Interest received	355	362	339	313	313
Dividends received	512	700	559	551	438
Other receipts	1 863	1 997	1 764	1 762	1 813
Total receipts	29 199	30 726	31 279	32 034	33 167
Payments					
Employee benefits ^(e)	(10 399)	(10 955)	(11 388)	(11 765)	(12 070)
Superannuation	(1 527)	(1 110)	(1 424)	(1 712)	(1 811)
Interest paid	(423)	(439)	(445)	(447)	(465)
Grants and transfer payments ^{(e)(f)}	(5 298)	(5 649)	(5 613)	(5 632)	(5 661)
Supplies and services	(9 304)	(9 994)	(10 511)	(10 856)	(11 416)
Total payments	(26 952)	(28 148)	(29 380)	(30 413)	(31 422)
Net cash flows from operating activities	2 247	2 579	1 899	1 621	1 745
Cash flows from investing activities					
Purchase of property, plant and equipment	(2 197)	(2 529)	(2 420)	(2 251)	(2 316)
Proceeds from sale of property, plant and equipment	72	134	143	209	120
Net (purchases)/disposal of investments	107	370	905	346	17
Net customer loans (granted)/repaid	11	1	3	3	3
Net contribution to other sectors of government	(514)	(570)	(534)	(218)	(57)
Net cash flows from investing activities	(2 522)	(2 594)	(1 904)	(1 912)	(2 232)
Cash flows from financing activities					
Net borrowings	283	8	5	293	489
Net cash flows from financing activities	283	8	5	293	489
Net increase in cash and deposits held	9	(7)	1	3	1
Cash and deposits at beginning of reporting period	1 295	1 304	1 297	1 297	1 300
Cash and deposits at end of reporting period	1 304	1 297	1 297	1 300	1 301

Source: Department of Treasury and Finance

NOTES

Receipts from operating activities

- (a) State deficit levy commenced in 1992-93 (\$173 million), and ceased in 1994-95 (\$180 million).
- (b) Includes the effect of GST grants from 2000-01 onwards. However, the GST collected on sales of goods and services and the GST paid on purchases of supplies and services has not been included in this cash flow statement since this amount is recouped in full from the Australian Taxation Office.
- (c) Includes significant offshore petroleum compensation grants from the Commonwealth in 1990-91 (\$178 million) and 1991-92 (\$191 million, including \$60 million rent resource tax compensation).

The works (capital) grant from the Commonwealth ceased in 1993-94 (\$68 million a year).

- (d) For all years, taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Payments from operating activities

- (e) Separation payments up to 1989-90, mainly for early retirement and enhanced resignation packages to the Public Transport Corporation, are included under 'grants'. Payments in later years were for voluntary redundancy and targeted separation packages across the general government sector and are included under 'employee entitlements'.
- (f) Operating subsidy payments to Tricontinental Corporation commenced in 1991-92 subsequent to the sale of the State Bank. Significant payments were in 1991-92 (\$150 million), 1992-93 (\$123 million), 1993-94 (\$53 million), and 1994-95 (\$39 million).

Major annual subsidy payments to the State Electricity Commission of Victoria (SECV) for electricity supplied by the agency to the Portland and Point Henry smelters under flexible tariff agreements with the State commenced in 1992-93 and ceased in 1997-98. The liability has again been taken up by the general government sector in 2003-04 as an operating subsidy to the SECV following the discontinuation of the Smelter Reduction Amount in that year. However, cash payments are not scheduled to re-commence until 2006-07.

Includes the cost of restructure of the Accelerated Infrastructure Program in 1994-95 (\$200 million).

Investing activities

(g) Privatisation and other abnormal items to the general government sector include:

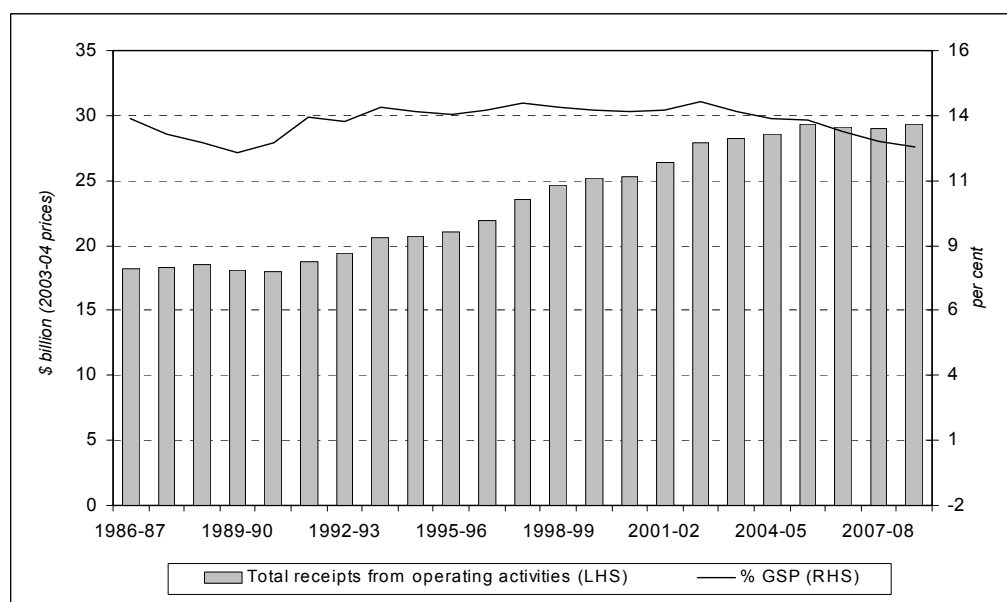
- 1986-87 to 1990-91: payments received from the former Melbourne and Metropolitan Board of Works regarding the transfer of ownership of the Thomson-Cardinia Dam of \$35 million a year;
- 1990-91: net proceeds from the sale of the State Bank (\$1 257 million);
- 1992-93: sale of the State Insurance Office (\$140 million);
- 1993-94: recall of capital from the Transport Accident Commission (\$1 200 million), wind-up of the Victorian Equity Trust (\$437 million), casino licence fee (\$200 million), offset by a special payment to the State Superannuation Fund (\$1 399 million);
- 1994-95: sale of Totalisator Agency Board (\$609 million);
- 1995-96: sale of electricity sector businesses (\$4 641 million), 1996-97 (\$4 262 million), and 1997-98 (\$2 101 million) offset by a special payment to the State Superannuation Fund (\$490 million); and
- 1998-99: sale of the remainder of the electricity businesses (\$361 million), gas businesses (\$4 690 million), Victorian Plantations Corporation (\$550 million), Aluvic (\$401 million), V/Line Freight (\$20 million), offset by a special payment to reduce the State's unfunded superannuation liabilities (\$2 574 million).

The above proceeds from the sale of government businesses are the amounts paid in cash (net) to the Consolidated Fund and are not necessarily the total proceeds of sale.

Other

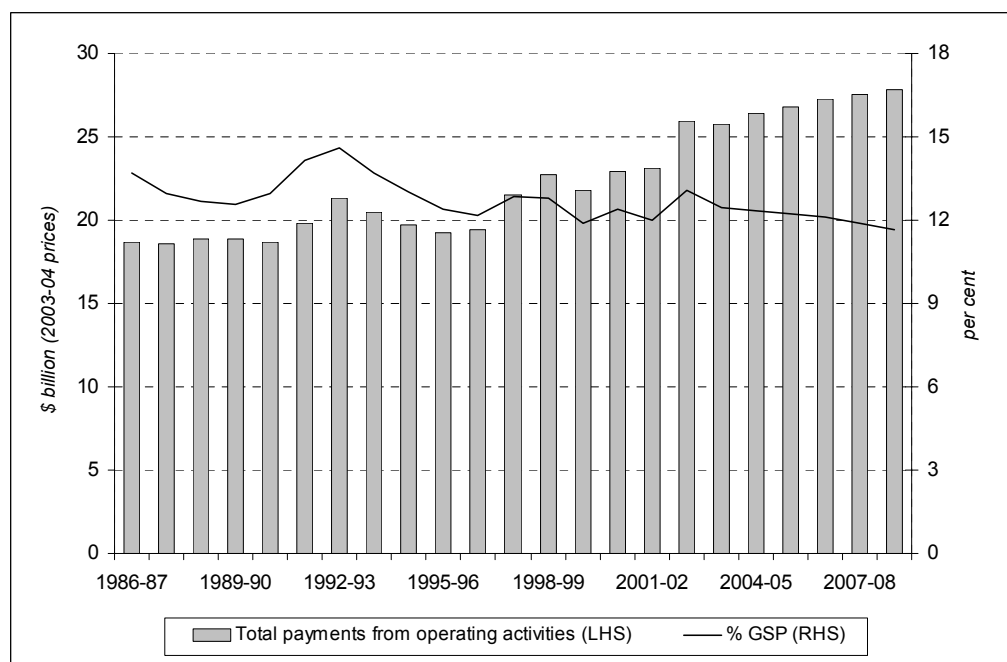
- (h) From 1997-98, includes school own-purpose receipts and payments and equivalent receipts from public non-financial corporations and public financial corporations.
- (i) From 1998-99, other receipts includes a capital asset charge receipt from the public non-financial corporations sector.
- (j) Sales of goods and services and purchases supplies and services do not include the GST component following its introduction in 1999-2000.

Chart A.1: Total receipts from operating activities (in real terms)



Source: Department of Treasury and Finance

Chart A.2: Total payments from operating activities (in real terms)



Source: Department of Treasury and Finance

Table A.2: General government sector statement of financial performance – historical series

	(\$ million)			
	1996-97	1997-98	1998-99	1999-00
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Revenue from ordinary activities				
Taxation ^(a)	8 598.2	8 573.3	9 099.6	9 707.6
Fines and regulatory fees ^(a)	313.8	278.1	382.0	411.7
Investment revenue	5 147.9	3 568.0	7 061.9	1 416.1
Grants	7 516.1	7 533.3	7 480.0	7 710.6
Sale of goods and services	813.8	1 246.3	1 428.3	1 788.6
Gain/(loss) on disposal of physical assets	- 36.6	106.3	6.7	2.0
Fair value of assets received free of charge or for nominal consideration	69.8	42.7	65.5	19.8
Inter-sector capital asset charge	..	..	493.0	493.0
Other revenue	477.6	2 139.4	1 263.6	510.3
Total revenue	22 900.5	23 487.4	27 280.6	22 059.8
Expenses from ordinary activities				
Employee benefits	6 722.4	6 831.8	6 983.7	7 438.6
Superannuation	1 364.8	1 359.7	1 303.7	2 216.0
Depreciation	696.4	759.7	776.2	761.8
Amortisation	15.5	28.7	28.6	27.2
Financing costs	1 948.9	1 127.0	735.7	477.3
Grants and transfer payments	2 574.7	3 422.5	3 595.6	3 382.7
Supplies and services	4 162.8	4 846.3	5 447.6	6 221.8
Other expenses	182.7	1 819.5	466.6	366.9
Total expenses	17 668.2	20 195.3	19 337.9	20 892.4
Net result from ordinary activities	5 232.3	3 292.1	7 942.7	1 167.5
Movement in asset revaluation reserve	..	1 174.1	1 543.7	1 534.6
Other adjustments other than contributions by owner ^(b)	..	..	496.0	301.6
Total	..	1 174.1	2 039.7	1 836.2
Total changes in equity other than contributions to other sectors by the State in its capacity as owner	5 232.3	4 466.2	9 982.4	3 003.6

Table A.2: General government sector statement of financial performance – historical series (continued)

	(\$ million)				
	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Actual	Actual	Actual	Revised
Revenue from ordinary activities					
Taxation ^(a)	8 515.9	8 757.8	9 250.5	10 043.4	10 355.6
Fines and regulatory fees ^(a)	455.6	520.7	667.5	616.7	627.8
Investment revenue	1 476.8	1 002.4	1 205.7	1 057.6	1 345.9
Grants	10 365.5	11 873.2	12 103.2	12 628.4	13 364.5
Sale of goods and services	1 992.1	2 168.1	2 224.0	2 265.4	2 313.1
Gain/(loss) on disposal of physical assets	21.4	- 97.5	- 336.1	- 44.8	12.9
Fair value of assets received free of charge or for nominal consideration	69.4	95.5	85.8	374.0	1.6
Inter-sector capital asset charge	477.0	489.0	501.0	564.0	599.4
Other revenue	422.6	553.7	929.0	839.0	776.0
Total revenue	23 796.3	25 363.0	26 630.5	28 343.8	29 396.7
Expenses from ordinary activities					
Employee benefits	8 170.2	8 893.7	9 542.9	9 988.4	10 625.3
Superannuation	1 437.7	2 595.2	2 612.2	300.2	780.0
Depreciation	799.3	859.5	947.1	1 006.9	1 112.3
Amortisation	39.1	78.2	90.0	86.7	56.6
Financing costs	605.3	472.8	501.8	493.9	482.2
Grants and transfer payments	3 793.0	4 175.5	4 038.0	5 843.3	5 196.6
Supplies and services	7 486.1	7 816.0	8 465.9	9 318.9	9 633.4
Other expenses	249.4	198.8	196.7	315.4	228.8
Total expenses	22 580.1	25 089.6	26 394.6	27 353.7	28 115.2
Net result from ordinary activities	1 216.2	273.4	235.9	990.1	1 281.5
Movement in asset revaluation reserve	815.8	2 967.9	2 453.2	2 182.2	5 577.0
Other adjustments other than contributions by owner ^(b)	46.6	..	178.1	..	..
Total	862.4	2 967.9	2 631.3	2 182.2	5 577.0
Total changes in equity other than contributions to other sectors by the State in its capacity as owner	2 078.6	3 241.3	2 867.2	3 172.3	6 858.6

Table A.2: General government sector statement of financial performance – historical series (continued)

	(\$ million)			
	2005-06 Budget	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Income from transactions				
Taxation ^(a)	10 306.2	10 729.8	11 016.2	11 441.3
Fines and regulatory fees ^(a)	726.9	772.3	757.1	763.7
Investment income	1 397.9	1 260.2	1 235.2	1 138.3
Grants income	14 262.1	14 733.3	15 263.7	15 992.0
Sales of goods and services	2 397.1	2 449.8	2 490.8	2 521.6
Fair value of assets received free of charge or for nominal consideration	22.0	..	..	160.0
Inter-sector capital assets charge	778.8	777.7	768.7	755.6
Other income	732.6	731.4	725.2	729.9
Total income from transactions	30 623.6	31 454.5	32 257.0	33 502.4
Expenses from transactions				
Employee benefits	11 201.5	11 552.7	11 887.8	12 191.8
Superannuation	1 759.3	1 784.9	1 785.0	1 802.0
Depreciation and amortisation	1 235.1	1 291.6	1 383.3	1 444.5
Financing costs	492.1	500.7	503.8	524.1
Grants and transfer payments	5 579.3	5 539.9	5 545.3	5 574.3
Supplies and services	9 991.2	10 465.0	10 838.4	11 414.4
Other expenses	0.4	0.4	0.4	0.4
Total expenses from transactions	30 258.9	31 135.2	31 944.0	32 951.5
Net result from transactions	364.7	319.3	313.0	550.8
Income/(expenses) from other economic flows				
Net gain/(loss) from disposal of physical assets	25.7	21.4	9.1	9.7
Other income from other economic flows	8.5	8.5	8.5	8.5
Actuarial gains/(losses) on superannuation defined benefit plans	..	..	..	..
Other expenses from other economic flows	- 74.8	- 70.9	- 60.3	- 56.5
Net result from other economic flows	- 40.6	- 41.0	- 42.6	- 38.3
Net result	324.1	278.2	270.3	512.6
Gain/(loss) on revaluation of properties	2 276.0	2 460.1	2 647.2	2 870.5
Total changes in equity other than contributions to other sectors by the State in its capacity as owner	2 600.1	2 738.3	2 917.6	3 383.1

Source: Department of Treasury and Finance

Notes:

- (a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.
- (b) Transitional adjustments consequent to the introduction of accrual - ceased from 1 July 2001.

Table A.3: Abnormal items – historical series

(\$ million)

	1996-97 <i>Actual</i>	1997-98 <i>Actual</i>	1998-99 <i>Actual</i>
Revenue from ordinary activities			
Taxation			
- Business asset sales ^(a)	468.9	16.0	295.7
Investment income			
- Business asset sales ^(a)	3 820.3	1 880.2	5 722.9
- Gascor disaggregation - assumption of debt	..	391.7	..
Other revenue			
- Business asset sales ^(a)	87.5	60.2	234.5
- Reversal of Flexible Tariff Management Unit Trust liability	..	1 275.2	..
- Forgiveness of debt owed to Department of Treasury and Finance by SEMCL	..	..	106.7
Expenses from ordinary activities			
Supplies and services			
- Business asset sales ^(a)	- 55.7	- 49.5	- 100.8
Other expenses			
- Forgiveness of debt owed by Director of Housing to Department of Treasury and Finance	..	- 1 086.8	..
- Loss on revaluation of water sector debt	..	- 334.4	..
- Diminution of VAIP bonds	..	..	- 122.0
Total abnormal items	4 321.0	2 152.6	6 136.9

Source: Department of Treasury and Finance

Note:

(a) Total business asset sales.

Table A.4: General government operating expenditure by purpose 1961-62 to 1997-98 – historical series

(\$ million)

	1961-62 <i>Actual</i>	1962-63 <i>Actual</i>	1963-64 <i>Actual</i>	1964-65 <i>Actual</i>
General public services	21	20	20	22
Public order and safety	29	31	33	35
Primary and secondary	67	76	86	93
University	20	25	29	33
Technical and further education	0	0	0	0
Other tertiary	0	0	0	0
Other	9	10	11	12
Education	98	111	126	138
Acute care institutions	28	30	31	33
Other health institutions	15	15	16	17
Community health services	2	2	2	2
Pharmaceutical	3	3	4	4
Other	3	4	4	5
Health	51	55	57	61
Social security	0	0	0	0
Welfare services	1	1	1	1
Other	7	7	7	8
Social security and welfare	8	8	8	9
Housing and community development	1	1	1	1
Water supply	0	0	0	0
Sanitation and protection of the environment	1	0	1	0
Other community amenities	0	0	0	0
Housing and community amenities	1	1	2	1
Recreational facilities and services	2	2	2	2
Cultural facilities and services	2	2	2	2
Broadcasting and film production	0	0	0	0
Other recreation and culture	0	0	0	0
Recreation and culture	4	4	4	5
Fuel and energy	0	0	0	0
Agriculture, forestry and fishing	11	11	15	15
Mining, manufacturing and construction	2	2	2	2
Road transport	16	17	18	20
Water transport	1	1	2	1
Rail transport	15	16	16	15
Air transport	0	0	0	0
Communications and other transport	18	18	19	20
Transport and communications	50	52	55	56
Other economic affairs	5	6	6	6
Nominal interest on superannuation	0	0	0	0
Public debt transactions	69	74	79	86
Other	-2	-2	-3	-3
Total GFS expenditure ^(a)	346	371	405	433

Table A.4: General government operating expenditure by purpose 1961-62 to 1997-98 – historical series (continued)

(\$ million)							
1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
24	26	28	30	34	37	34	37
37	40	44	47	52	59	69	80
104	115	124	145	168	198	235	292
39	45	65	74	80	111	126	158
0	1	1	1	9	11	12	13
0	0	0	0	0	0	0	0
13	14	16	17	19	21	26	31
156	175	204	236	276	341	398	494
36	40	42	48	57	72	84	101
18	19	21	22	24	28	33	36
2	2	2	2	2	3	3	4
4	4	4	5	6	7	8	7
5	8	8	9	9	12	13	14
66	73	77	86	99	122	142	163
0	0	0	0	1	2	6	9
1	1	1	1	2	2	6	7
8	9	9	10	12	15	17	21
9	10	11	12	14	19	29	37
1	1	1	2	2	2	3	4
0	0	0	0	0	0	0	0
0	1	1	1	1	2	2	3
0	0	0	0	0	0	0	0
2	2	2	3	3	4	6	8
3	3	3	3	4	4	5	6
2	3	3	4	4	5	6	7
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
5	5	6	7	8	9	10	13
0	0	0	0	0	0	0	0
15	17	18	19	22	24	27	36
2	2	2	2	1	2	2	2
21	26	31	34	37	40	46	54
1	2	2	2	3	2	2	2
16	16	17	17	16	16	15	63
0	0	0	0	0	0	0	0
21	21	23	23	24	25	27	27
59	66	72	76	79	82	91	147
7	7	8	8	9	13	13	15
0	0	0	0	0	0	0	0
93	100	107	115	127	137	153	161
-3	-4	1	2	-5	-6	1	1
470	518	578	644	720	842	975	1 193

Note:

(a) Expenditure by purpose – cash GFS basis.

Table A.4: General government operating expenditure by purpose 1961-62 to 1997-98 – historical series (continued)

(\$ million)

	1973-74 <i>Actual</i>	1974-75 <i>Actual</i>	1975-76 <i>Actual</i>	1976-77 <i>Actual</i>
General public services	51	464	572	656
Public order and safety	101	134	166	193
Primary and secondary	364	497	628	751
University	199	286	306	344
Technical and further education	18	26	34	42
Other tertiary	0	0	1	1
Other	37	64	81	98
Education	619	873	1 050	1 237
Acute care institutions	135	183	366	422
Other health institutions	44	60	77	91
Community health services	7	12	17	22
Pharmaceutical	13	13	6	2
Other	18	24	36	44
Health	217	292	502	581
Social security	6	3	9	6
Welfare services	9	13	18	21
Other	20	30	41	54
Social security and welfare	34	47	68	81
Housing and community development	12	23	29	29
Water supply	1	1	4	3
Sanitation and protection of the environment	6	17	19	15
Other community amenities	0	0	0	0
Housing and community amenities	18	41	52	47
Recreational facilities and services	8	13	20	21
Cultural facilities and services	9	13	17	21
Broadcasting and film production	0	0	0	0
Other recreation and culture	0	1	1	2
Recreation and culture	17	27	38	44
Fuel and energy	0	0	0	0
Agriculture, forestry and fishing	41	51	65	70
Mining, manufacturing and construction	3	4	6	7
Road transport	69	62	73	112
Water transport	3	3	4	5
Rail transport	97	152	170	192
Air transport	0	0	0	0
Communications and other transport	28	53	60	71
Transport and communications	197	270	307	379
Other economic affairs	18	23	28	34
Nominal interest on superannuation	0	0	0	0
Public debt transactions	172	268	306	373
Other	1	23	26	37
Total GFS expenditure ^(a)	1 488	2 517	3 186	3 739

Table A.4: General government operating expenditure by purpose 1961-62 to 1997-98 – historical series (continued)

(\$ million)							
1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
738	805	920	1 057	1 190	1 343	1 458	1 573
220	247	291	342	389	483	512	563
878	962	1 089	1 238	1 355	1 529	1 778	1 881
358	362	383	415	458	489	532	538
43	51	59	72	152	183	204	222
1	1	1	1	1	6	3	15
110	120	133	160	171	191	191	211
1 390	1 497	1 666	1 887	2 137	2 399	2 708	2 867
466	513	551	633	699	788	877	1 238
101	108	124	141	153	183	205	216
32	39	38	37	55	63	68	128
1	3	1	2	3	3	3	1
42	44	54	74	91	98	119	250
641	706	768	888	1 002	1 134	1 271	1 834
9	9	7	5	5	5	5	83
33	41	47	55	71	91	84	208
60	70	79	74	85	101	126	4
101	120	132	134	161	197	215	296
34	18	19	24	34	97	112	212
2	2	1	17	20	25	29	53
13	15	14	15	19	23	26	26
0	0	0	0	0	0	0	0
49	35	34	56	73	145	167	291
25	28	32	36	44	58	43	58
27	29	35	33	37	36	25	61
0	0	0	0	0	0	1	6
2	1	2	2	4	5	7	7
54	59	69	72	85	100	75	133
0	0	1	3	2	6	46	20
78	84	93	100	116	149	159	213
7	-12	32	39	45	50	66	59
127	139	161	171	214	284	283	279
5	5	6	10	10	12	14	14
211	230	238	235	275	375	230	231
0	0	0	0	0	0	0	0
32	38	39	44	53	65	227	257
374	412	444	460	552	735	753	781
38	43	47	68	82	93	148	268
0	0	0	0	0	0	0	0
430	491	574	692	872	999	1 109	1 222
50	52	61	77	94	232	191	189
4 171	4 539	5 134	5 875	6 801	8 063	8 878	10 311

Note:

(a) Expenditure by purpose – cash GFS basis.

Table A.4: General government operating expenditure by purpose 1961-62 to 1997-98 – historical series (continued)

	(\$ million)				
	1985-86	1986-87	1987-88	1988-89	1989-90
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
General public services	1 745	1 952	2 088	2 220	2 317
Public order and safety	632	678	729	830	978
Primary and secondary	1 994	2 089	2 188	2 451	2 564
University	654	673	760	726	736
Technical and further education	259	288	305	343	372
Other tertiary	17	23	4	5	7
Other	260	293	345	306	331
Education	3 186	3 366	3 601	3 833	4 010
Acute care institutions	1 382	1 572	1 726	1 881	2 025
Other health institutions	243	267	323	356	387
Community health services	114	119	159	161	174
Pharmaceutical	1	2	2	0	0
Other	263	274	332	415	467
Health	2 003	2 234	2 542	2 813	3 052
Social security	88	93	97	105	111
Welfare services	246	327	329	396	442
Other	1	1	0	0	0
Social security and welfare	334	421	426	501	554
Housing and community development	210	218	222	262	359
Water supply	65	31	32	33	39
Sanitation and protection of the environment	23	18	18	18	23
Other community amenities	0	0	1	0	0
Housing and community amenities	299	268	274	313	421
Recreational facilities and services	82	87	96	138	154
Cultural facilities and services	62	67	69	83	92
Broadcasting and film production	4	4	4	4	4
Other recreation and culture	3	1	0	0	0
Recreation and culture	152	159	170	225	250
Fuel and energy	32	32	22	8	20
Agriculture, forestry and fishing	168	193	207	215	229
Mining, manufacturing and construction	94	64	66	46	47
Road transport	362	334	376	421	431
Water transport	14	20	17	15	9
Rail transport	274	374	307	317	1
Air transport	0	0	0	0	0
Communications and other transport	249	478	326	323	675
Transport and communications	899	1 206	1 027	1 076	1 116
Other economic affairs	251	198	189	173	184
Nominal interest on superannuation	0	0	0	0	0
Public debt transactions	1 361	1 528	1 876	2 156	1 514
Other	147	153	167	170	176
Total GFS expenditure ^(a)	11 302	12 450	13 384	14 579	14 868

Table A.4: General government operating expenditure by purpose 1961-62 to 1997-98 – historical series (continued)

(\$ million)							
1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
2 485	2 625	2 622	2 536	2 488	2 543	2 671	2 840
1 052	1 122	1 175	1 202	1 251	1 301	1 505	1 761
2 504	2 783	2 765	2 699	2 669	2 850	2 963	3 312
630	572	499	149	143	148	159	118
386	418	450	432	454	540	533	727
230	267	19	0	0	0	0	43
320	333	336	347	372	343	396	434
4 069	4 373	4 070	3 627	3 638	3 881	4 051	4 634
2 286	2 376	2 261	2 112	2 133	2 377	2 425	2 491
306	311	353	331	351	364	390	253
200	220	253	230	253	251	254	0
0	0	0	0	0	9	11	0
411	396	408	463	431	499	515	1 265
3 204	3 302	3 274	3 136	3 168	3 501	3 595	4 010
105	134	148	186	222	216	236	244
586	640	704	674	745	524	543	922
1	1	1	1	1	0	0	0
692	775	852	861	967	740	779	1 167
383	431	461	407	453	416	454	445
36	42	27	22	24	22	30	20
27	26	25	27	30	22	33	42
1	5	6	0	0	0	0	2
447	504	519	456	508	460	517	508
151	136	134	157	128	138	147	180
77	92	95	95	108	112	123	157
3	3	3	4	6	6	12	1
0	1	2	0	0	0	7	1
231	232	233	256	242	256	289	339
17	14	58	20	68	216	22	9
253	257	262	263	289	273	331	376
32	42	47	31	45	59	47	56
484	514	482	502	573	475	662	799
6	3	3	3	11	11	12	4
1	0	0	0	0	9	10	43
0	0	0	0	0	0	0	0
724	676	660	612	321	452	390	394
1 214	1 193	1 145	1 118	905	947	1 074	1 239
200	204	188	176	217	207	195	124
0	0	744	999	988	985	824	674
2 490	2 558	2 027	2 185	1 972	1 909	1 450	1 132
187	354	571	527	421	336	387	389
16 572	17 555	17 786	17 392	17 167	17 615	17 737	19 259

Source: Australian Bureau of Statistics (ABS), Catalogue 5512.0

Note:

(a) Expenditure by purpose – cash GFS basis.

Table A.5 : General government expenses by purpose 1998-99 to 2003-04

	(\$ million)					
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Actual	Actual	Actual	Actual	Actual
General public services	1 015	849	860	466	770	1 022
Public order and safety	1 756	1 948	1 994	2 098	2 378	2 484
Education	5 354	5 692	6 340	6 849	7 066	7 454
Health	4 687	5 086	5 563	6 115	6 752	7 167
Social security and welfare	1 601	1 547	1 752	1 782	1 795	1 986
Housing and community amenities	805	814	1 335	1 511	1 323	1 109
Recreation and culture	356	478	491	548	763	742
Fuel and energy	115	16	134	148	112	113
Agriculture, forestry and fishing	479	458	461	460	401	415
Mining, manufacturing and construction	50	27	12	12	10	20
Transport and communications	1 946	2 070	2 149	2 217	2 406	3 338
Other economic affairs	340	145	157	291	295	235
Nominal interest on superannuation	580	806	859	827	937	916
Public debt transactions	685	534	565	534	549	537
Other	37	28	38	78	3	0
Total GFS expenses ^(a)	19 807	20 498	22 711	23 939	25 560	27 540

Source: Australian Bureau of Statistics (ABS), Catalogue 5512.0

Note:

(a) Expenses by purpose – accrual GFS basis. The classification of these data is currently under review; full details will be published on completion of the review.

Table A.6 : General government estimated expenses by purpose 2004-05 to 2008-09

	(\$ million)				
	2004-05 ^(a)	2005-06 ^(b)	2006-07 ^(b)	2007-08 ^(b)	2008-09 ^(b)
	Revised	Budget	Estimate	Estimate	Estimate
General public services	2 165	2 448	2 688	2 804	3 097
Public order and safety	2 610	2 912	2 953	3 079	3 163
Education	7 784	8 119	8 436	8 555	8 848
Health	7 581	7 998	8 255	8 471	8 631
Social security and welfare	2 247	2 378	2 438	2 498	2 560
Housing and community amenities	1 352	1 413	1 389	1 386	1 396
Recreation and culture	775	942	669	637	660
Fuel and energy	39	49	51	48	39
Agriculture, forestry, fishing, and hunting	479	155	155	159	166
Mining, manufacturing, and construction	20	0	0	0	0
Transport and communications	3 348	3 395	3 486	3 541	3 597
Other economic affairs	406	284	312	285	233
Other purposes ^(c)	172	165	304	481	562
Total GFS expenses ^(d)	28 977	30 259	31 135	31 944	32 952

Source: Department of Treasury and Finance

Notes:

- (a) Presentation of 2004-05 revised estimates are based on underlying existing AAS data.
- (b) Presentation of the 2005-06 to 2008-09 Budget estimates are based on A-IFRS data.
- (c) Includes nominal superannuation interest expense.
- (d) Expenses by purpose – Accrual GFS basis.

APPENDIX B – REVISED 2004-05 BUDGET OUTCOME

This appendix provides revised estimates of the budget outcome for the 2004-05 financial year. The revised 2004-05 estimates take into account government policy decisions and economic developments impacting on both revenues and expenses since the presentation of the 2004-05 Budget to the Parliament in May 2004.

In order to provide a basis for comparison with the 2005-06 Budget which is presented on an Australian equivalents to the International Financial Reporting Standards (A-IFRS) basis, information on 2004-05 revised estimates has been presented on an A-IFRS basis. However, as A-IFRS does not come into effect until 1 July 2005, this appendix also presents 2004-05 revised estimates based on existing Australian Accounting Standards to enable comparison of the revised outcome with the 2004-05 published Budget.

PRESENTATION OF 2004-05 REVISED OUTCOME ON A-IFRS BASIS

As discussed in the *Introduction* to this budget paper, the transition to A-IFRS has resulted in changes to accounting standards, and to the format in which the operating statement will be presented.

In order to assist in understanding how the budget estimates are affected by the implementation of A-IFRS, two tables have been included in this appendix showing the impact of the transition on the 2004-05 revised outcome.

Operating statement

Change to accounting standards under A-IFRS

Table B.1 compares 2004-05 revised estimates prepared under the existing Australian Accounting Standards with those under A-IFRS. The *Variance* column in this table shows the differences in income and expenses recorded that are attributable to the implementation of A-IFRS.

The major difference under A-IFRS relates to superannuation. The variance to superannuation expense is primarily due to the fact that under A-IFRS the discount rate applied to value superannuation liabilities is different from that applied under the existing Australian Accounting Standards.

Table B.1: Comparison of operating statement for 2004-05 Revised outcome under existing Australian Accounting Standards (AAS) and A-IFRS

(\$ million)

	2004-05 Revised Existing AAS	Variance	2004-05 Revised A-IFRS
Income from transactions			
Taxation	10 355.6	..	10 355.6
Fines and regulatory fees	627.8	..	627.8
Investment income	1 323.0		1 323.0
Grants income	13 364.5	1.2	13 365.7
Sales of goods and services	2 313.1	..	2 313.1
Fair value of assets received free of charge or for nominal consideration	1.6	..	1.6
Inter-sector capital asset charge	599.4	..	599.4
Other income	767.6	..	767.6
Total income from transactions	29 352.5	1.2	29 353.7
Expenses from transactions			
Employee benefits	10 625.3	..	10 625.3
Superannuation	1 870.3	(199.7)	1 670.6
Depreciation and amortisation	1 169.0	(1.8)	1 167.2
Financing costs	482.2	..	482.2
Grants and transfer payments	5 196.6	..	5 196.6
Supplies and services	9 633.4	(0.1)	9 633.3
Other expenses	0.4	..	0.4
Total expenses from transactions	28 977.1	(201.6)	28 775.5
Net result from transactions	375.4	202.8	578.2
Income/(expenses) from other economic flows			
Net gain/(loss) from disposal of physical assets	12.9	22.4	35.2
Other income from other economic flows	31.3	(22.4)	9.0
Actuarial gains/(losses) on superannuation defined benefit plans	1 090.3	(1 863.2)	(772.9)
Other expenses from other economic flows	(228.4)	..	(228.4)
Net result from other economic flows	906.1	(1 863.2)	(957.1)
Net result	1 281.5	(1 660.4)	(378.9)

Source: Department of Treasury and Finance

Reporting format under A-IFRS

Table B.1 has been presented in the reporting format that is used under A-IFRS, where movements have been separated into those relating to transactions (i.e. items over which government exercises control), and those from other economic flows (i.e. items that the government cannot control). The data upon which the 2004-05 Revised Existing AAS column is based are exactly the same as that shown in Table B.3, 2004-05 Statement of Financial Performance, but has been reclassified to reflect the new reporting format.

Under the new reporting format, superannuation expenses are split between transactions and other economic flows:

- superannuation expenses relating to service cost (the cost of employer financed benefits that are expected to accrue in respect of defined benefit scheme members over the reporting period), interest cost, and the expected return on assets, are included as part of the net result from transactions; and
- any variations between actual experience and the actuarial assumptions used to calculate the superannuation expense reported in the net result from transactions, are reported as actuarial gains or losses and included in the net result from other economic flows.

Analysis has shown that actuarial gains and losses on superannuation are highly volatile, with potentially large movements in this item arising from month-to-month as a result of changes in financial market conditions.

As the estimated financial statements published in the Budget Papers are based on the best estimate at the time of market conditions, there is no forecast actuarial gain or loss on superannuation. However, Department of Treasury and Finance analysis shows that the impact of market conditions on actuarial movements measured under A-IFRS can be significant. For example, between December 2004 and January 2005 there was an actuarial loss on superannuation of approximately \$100 million, and between January and February 2005 a gain of approximately \$600 million. A further gain of approximately \$74 million has been estimated for March 2005.

As shown in the sensitivity analysis in Chapter 7, *Statement of Risks* in Budget Paper No 2, even small movements in the bond rate have significant implications. A 1 per cent increase in the rate would increase the net result by about \$2.9 billion. As the net result is significantly impacted by market movements on superannuation liabilities, over which the government has no control, it is not considered a measure of the government's financial management. As net result from transactions is a more robust measure of the government's management of the State's finances, this is now the operating surplus target.

Table B.1 shows that on an A-IFRS basis, the 2004-05 revised net result from transactions is \$578 million, which is consistent with the government's target of an operating surplus of at least \$100 million in each year. While the net result recorded in Table B.1 is negative, this results from economic flows beyond the control of government, primarily market-driven changes in superannuation expenses.

Balance sheet

Table B.2 provides a comparison of the balance sheet prepared under the existing Australian accounting standards and A-IFRS, noting that there has been no change to the format of the balance sheet following the transition to A-IFRS. This table shows that the impact of the introduction of A-IFRS is a reduction of \$6 678 million in general government net assets. This primarily reflects:

- an increase in superannuation liabilities of \$5 806 million. This reflects the requirement under A-IFRS to use a long-term bond rate, rather than the expected long-term earning rate on scheme assets, as the discount rate. The adjustment of \$5 806 million comprises an opening balance adjustment of \$4 092 million on 1 July 2004 and a further movement of \$1 714 million since that time, being primarily due to a change in the bond rate during the year. The measurement of superannuation liabilities under A-IFRS is discussed in more detail in Chapter 4, *Balance Sheet Management and Outlook* in Budget Paper No. 2; and
- a reduction in property, plant, equipment and infrastructure systems assets of \$881 million, mainly as a result of the application of an impairment test under A-IFRS by the Department of Education and Training, where the carrying value of assets has decreased to reflect changing service capacity due to demographic shifts.

There has also been a reclassification of employee benefits by the Department of Human Services. Consistent with reporting requirements under A-IFRS, certain employee benefits that were previously classified as current liabilities are now classified as non-current liabilities.

Table B.2: Comparison of balance sheet for 2004-05 revised outcome under existing Australian accounting standards and A-IFRS

(\$ million)

	2004-05 Revised Existing AAS	Variance	2004-05 Revised A-IFRS
Current assets			
Cash assets	1 312.2	..	1 312.2
Other financial assets	2 370.4	1.2	2 371.6
Receivables	1 662.7	0.3	1 663.0
Prepayments	87.6	..	87.6
Inventories	111.9	(15.3)	96.6
Assets held for sale	..	60.9	60.9
Total current assets	5 544.9	47.1	5 591.9
Non-current assets			
Other financial assets	591.8	..	591.8
Receivables	393.8	..	393.8
Inventories	33.3	(33.3)	..
Property, plant, equipment and infrastructure systems	30 315.4	(881.4)	29 434.1
Road networks	17 001.8	..	17 001.8
Other assets	3 306.5	9.5	3 316.0
Total non-current assets	51 642.7	(905.2)	50 737.5
Total assets	57 187.5	(858.1)	56 329.4
Current liabilities			
Payables	1 960.6	(1.0)	1 959.6
Interest bearing liabilities	188.3	..	188.3
Employee benefits	1 036.8	(113.1)	923.7
Superannuation	..	0.0	..
Outstanding insurance claims	71.8	..	71.8
Other liabilities	496.7	2.4	499.1
Total current liabilities	3 754.2	(111.8)	3 642.4
Non-current liabilities			
Payables	1 230.1	..	1 230.1
Interest bearing liabilities	5 620.9	..	5 620.9
Employee benefits	2 166.4	112.1	2 278.5
Superannuation	10 963.6	5 805.8	16 769.3
Outstanding insurance claims	352.8	..	352.8
Other liabilities	456.6	14.2	470.8
Total non-current liabilities	20 790.3	5 932.1	26 722.4
Total liabilities	24 544.5	5 820.3	30 364.8
Net assets	32 643.0	(6 678.4)	25 964.6

Source: Department of Treasury and Finance

REVISED 2004-05 STATEMENT OF FINANCIAL PERFORMANCE UNDER EXISTING AUSTRALIAN ACCOUNTING STANDARDS

The 2004-05 statement of financial performance based on existing Australian Accounting Standards presented in Table B.3 shows the revised general government sector operating result for 2004-05 is a surplus of \$1 282 million, \$737 million higher than the original budget estimate. The major variance between the 2004-05 Budget and 2004-05 revised outcome is due to the impact of investment markets on unfunded superannuation. Better than expected asset investment returns on superannuation scheme assets, which were driven primarily by strong domestic equity markets, reduced the superannuation expense.

However, as noted above, under the A-IFRS reporting format, movements in superannuation expenses due to changed equity or financial market conditions are not included in the government's target measure of net result from transactions. This is due to the fact that the government does not have control over movements in superannuation expense that result from changed market conditions. The illustrative presentation of the 2004-05 revised outcome under existing Australian accounting standards shows the net result from transactions as \$375 million in Table B.1.

Operating revenue

Total estimated operating revenue for 2004-05 has been revised upward by \$412 million, or 1.4 per cent, from the original budget estimate of \$28 985 million. This is mainly driven by an increase in grants revenue, reflecting an increase in the national GST pool, with Victoria's share remaining constant. The change is also partly attributable to increases in payroll taxation, which is underpinned by strong employment growth during 2004-05.

Table B.3: 2004-05 Statement of financial performance

(\$ million)				
	2004-05 Budget	2004-05 Revised	Change	Change %
Revenue from ordinary activities				
Taxation ^(a)	10 271.8	10 355.6	83.9	0.8
Fines and regulatory fees ^(a)	729.4	627.8	(101.6)	(13.9)
Investment revenue	1 225.4	1 345.9	120.5	9.8
Grants revenue	13 080.5	13 364.5	283.9	2.2
Sale of goods and services	2 231.3	2 313.1	81.8	3.7
Gain/(loss) from disposal of physical assets	11.9	12.9	1.0	8.5
Fair value of assets received free of charge or for nominal consideration	..	1.6	1.6	..
Inter-sector capital asset charge	587.5	599.4	11.9	2.0
Other revenue	847.1	776.0	(71.1)	(8.4)
Total revenue	28 984.9	29 396.7	411.9	1.4
Expenses from ordinary activities				
Employee benefits	10 480.5	10 625.3	144.8	1.4
Superannuation	1 789.2	780.0	(1 009.3)	(56.4)
Depreciation	1 142.7	1 112.3	(30.4)	(2.7)
Amortisation	67.0	56.6	(10.4)	(15.5)
Financing costs	476.2	482.2	6.0	1.3
Grants and transfer payments	5 087.7	5 196.6	108.9	2.1
Supplies and services	9 311.0	9 633.4	322.3	3.5
Other expenses	85.4	228.8	143.3	167.8
Total expenses	28 439.9	28 115.2	(324.7)	(1.1)
Net result	545.0	1 281.5	736.6	135.2

Source: Department of Treasury and Finance

Note:

(a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Taxation

In 2004-05, taxation revenue is expected to total \$10 356 million, \$84 million or 0.8 per cent higher than the 2004-05 Budget estimate (see Table B.4). This increase is primarily the result of an increase in payroll taxation revenue. This increase is partly offset by a reduction in taxation revenue from insurance.

Table B.4: 2004-05 Taxation

	(\$ million)			
	2004-05 Budget	2004-05 Revised	Change	Change %
Payroll tax	2 875.5	2 994.0	118.5	4.1
Taxes on immovable property				
Land tax	916.5	854.6	(61.9)	(6.8)
Metropolitan improvement levy	88.4	88.4	..	..
Property owner contributions to fire brigades	32.1	32.0	(0.1)	(0.2)
Total taxes on immovable property	1 036.9	975.0	(61.9)	(6.0)
Financial and capital transactions				
Land transfers	2 235.7	2 235.7	..	..
Stamp duty on mortgages	54.4	13.6	(40.8)	(75.0)
Rental business stamp duty	57.0	54.5	(2.5)	(4.4)
Other property stamp duty	7.2	10.5	3.3	46.7
Debits tax	248.9	256.8	7.9	3.2
Financial accommodation levy	7.4	10.9	3.5	46.9
Total financial and capital transactions	2 610.6	2 582.0	(28.6)	(1.1)
Levies on statutory corporations	..	44.7	44.7	..
Gambling taxes				
Private lotteries	318.3	307.8	(10.5)	(3.3)
Electronic gaming machines	828.8	842.6	13.8	1.7
Casino	112.4	109.8	(2.6)	(2.3)
Racing	109.5	112.5	3.0	2.7
Other	2.7	3.3	0.6	20.4
Total gambling taxes	1 371.7	1 376.0	4.2	0.3
Taxes on insurance	1 060.7	1 019.9	(40.8)	(3.9)
Motor vehicle taxes ^(a)				
Vehicle registration fees	672.8	670.9	(1.8)	(0.3)
Stamp duty on vehicle transfers	570.0	561.0	(9.0)	(1.6)
Total motor vehicle taxes	1 242.8	1 231.9	(10.8)	(0.9)
Other taxes	73.5	132.1	58.6	79.7
Total taxation revenue	10 271.8	10 355.6	83.9	0.8

Source: Department of Treasury and Finance

Note:

(a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Payroll tax revenue in 2004-05 has been revised up 4.1 per cent or \$119 million since the 2004-05 Budget to \$2 994 million. The increase in revenue is mainly due to strong employment growth during 2004-05.

Taxes on immovable property in 2004-05 are estimated to total \$975 million in 2004-05, a decrease of \$62 million since the 2004-05 Budget. The decrease largely reflects the general land tax rebate announced in the 2005-06 Budget.

Total taxes on financial and capital transactions in 2004-05 are estimated to generate \$2 582 million, \$29 million or 1.1 per cent lower than the 2004-05 Budget estimate. The decrease reflects lower than anticipated flow-on revenue in 2004-05 following the abolition of mortgage duty from 1 July 2004.

Total tax revenue from insurance taxes is estimated to be \$1 020 million, \$41 million or 3.9 per cent lower than the 2004-05 Budget estimate. The downward revision since the 2004-05 Budget principally generally reflects softening in the non-life insurance market and particularly in the area of commercial insurance.

Motor vehicle taxation revenue in aggregate has been revised downwards by \$11 million (or 0.9 per cent) since the 2004-05 Budget to \$1 232 million, reflecting:

- lower than expected new motor vehicle registrations; and
- lower transaction volumes and average duty per transaction.

The increase in other taxes relates to an agreement between the State and Transurban to redeem the concession notes held by the State to construct the Tullamarine-Calder interchange. Due to different valuation methodologies of the notes being applied by the State and Transurban, this transaction has resulted in increasing taxation receivables from original budget by \$47 million. In addition, the State has also recognised an \$11 million payment from Transurban for the additional traffic that will be attracted onto City Link as a result of the construction of the interchange.

Fines and regulatory fees

Fines and regulatory fees are estimated to be \$628 million, \$102 million or 13.9 per cent lower than the 2004-05 original budget estimate. The downward revision largely reflects the identification of issues associated with the fixed digital safety camera system, which has resulted in delays in the implementation of a number of safety initiatives.

Investment revenue

Total investment revenue is expected to be \$1 346 million. This is \$121 million (or 9.8 per cent) higher than forecast in the 2004-05 Budget (see Table B.5). This primarily reflects higher than expected dividends and tax equivalent payments. This increase is offset by a reduction in estimated interest revenue.

Table B.5: 2004-05 Investment revenue

	(\$ million)			
	2004-05 Budget	2004-05 Revised	Change	Change %
Dividends	478.1	512.1	34.1	7.1
Income tax and rate equivalent revenue	186.5	332.8	146.2	78.4
Interest	435.5	355.8	(79.7)	(18.3)
Royalties	43.3	43.3	..	..
Rents	15.6	15.2	(0.4)	(2.6)
Other	66.3	86.6	20.3	30.7
Total investment revenue	1 225.4	1 345.9	120.5	9.8

Source: Department of Treasury and Finance

Grants revenue

As highlighted in Table B.6, total grants received are now expected to be \$284 million (or 2.2 per cent) higher than the 2004-05 Budget forecast.

Table B.6: 2004-05 Grants revenue

	(\$ million)			
	2004-05 Budget	2004-05 Revised	Change	Change %
Operating grants				
General purpose grants	7 281.7	7 564.0	282.3	3.9
Specific purpose grants for on-passing	1 561.5	1 577.8	16.3	1.0
Other specific purpose grants	3 653.9	3 691.6	37.7	1.0
Total operating grants	12 497.2	12 833.4	336.3	2.7
Capital grants				
Specific purpose grants for on-passing	127.9	126.9	(1.1)	(0.8)
Other specific purpose grants	455.4	404.2	(51.3)	(11.3)
Total capital grants	583.4	531.0	(52.3)	(9.0)
Total grants revenue	13 080.5	13 364.5	283.9	2.2

Source: Department of Treasury and Finance

General purpose grants, including GST grants, have been revised upwards by \$282 million (or 3.9 per cent) compared to the 2004-05 Budget. The increase reflects an increase in the national GST pool, with Victoria's share remaining constant.

Specific purpose payments, including specific purpose grants for on-passing, have in aggregate been revised upwards by \$2 million since the original 2004-05 Budget estimates.

Other revenue

The 2004-05 revised estimate for other revenue (comprising sales of goods and services, assets received free of charge, gains/(loss) from disposal of physical assets, inter-sector capital asset charge and other revenue) totals \$3 703 million. This is \$25 million (or 0.7 per cent) higher than the original budget estimate.

Operating expenses

As shown in Table B.3, general government sector operating expenses for 2004-05 are now projected to be \$28 115 million, \$325 million lower than the original budget estimate of \$28 440 million.

The major variation within operating expenses is attributable to a significant downward revision of superannuation expense. Superannuation expense reflects employer contributions to superannuation schemes and the net movement in unfunded superannuation liabilities. The revision is a result of higher than expected investment returns on superannuation scheme assets in 2004-05, which is largely due to improvements in domestic equity markets.

As a result of the improved equity market performance for the 2004-05 year, the State Superannuation Fund is expected to return 13.2 per cent for the year compared to the original 2004-05 Budget expected return of 7.5 per cent.

Superannuation expenses for 2004-05 are now estimated to total \$780 million, \$1 009 million (or 56.4 per cent) lower than the budget estimate.

The State's superannuation schemes have substantial holdings of domestic equities. Equity market performance therefore has a significant impact on the State's superannuation expense and unfunded superannuation liability.

Other major drivers include employee benefits and supplies and services:

- there was an increase in the revised estimate for employee benefits of \$145 million to \$10 625 million. This represents a variation of 1.4 per cent from the budget estimate of \$10 481 million. The change reflects the Government's continuing commitment to improve services including health, education and justice; and
- supplies and services are now estimated to be \$9 633 million, or 3.5 per cent higher than the original budget of \$9 311 million. This mainly reflects the write-off of land provided by the State for infrastructure projects.

Most other revised expense categories were largely in line with the original budget. The revised estimate for grants and transfer payments is \$5 197 million, \$109 million (or 2.1 per cent) higher than the original budget of \$5 088 million.

REVISED 2004-05 CASH FLOW STATEMENT

Table B.7 provides the revised cash flow statement for 2004-05. Table B.8 provides a summary of cash generated through the operations of Victorian government departments and other general government sector agencies during the year, and how that cash is applied to infrastructure investment and financing activities. Table B.8 also provides a reconciliation of the projected budget operating surplus to the projected change in general government net debt.

Net cash flow from operating activities is now expected to be \$2 247 million compared with the published estimate of \$2 541 million. The \$293 million variation reflects the impact of a \$409 million increase in operating receipts offset by a \$702 million increase in payments in relation to operating activities.

The expected increase in receipts is generally attributable to the factors that form the basis of the increase in operating revenue. General purpose grants have been revised upwards to reflect an increase in the national GST pool, with Victoria's share constant. Taxation has also been revised upwards and this has been partially driven by strong employment growth during 2004-05. These factors have been discussed in greater detail earlier in this chapter under *Operating revenue*. The increase in the

revised operating payments generally reflects the increase in the cash related operating expense items and an increase in the level of payments made to the State's superannuation schemes.

Table B.7: 2004-05 Cash flow statement

	(\$ million)			
	2004-05 Budget	2004-05 Revised	Change	Change %
Cash flows from operating activities				
Receipts				
Taxation ^(a)	10 249.3	10 275.2	25.9	0.3
Fines and regulatory fees ^(a)	610.3	518.9	(91.4)	(15.0)
Grants	13 080.0	13 362.2	282.1	2.2
Sale of goods and services	2 230.2	2 312.4	82.2	3.7
Interest received	434.8	355.5	(79.4)	(18.2)
Dividends received	478.1	512.1	34.1	7.1
Capital asset charge received	587.5	599.4	11.9	2.0
Other receipts	1 119.7	1 263.4	143.7	12.8
Total receipts	28 789.9	29 199.0	409.2	1.4
Payments				
Employee benefits	(10 283.1)	(10 399.3)	(116.2)	1.1
Superannuation	(1 121.8)	(1 527.0)	(405.2)	36.1
Interest paid	(483.5)	(423.0)	60.4	(12.5)
Grants and transfer payments	(5 030.6)	(5 298.3)	(267.6)	5.3
Supplies and services	(9 330.3)	(9 304.0)	26.3	(0.3)
Total payments	(26 249.3)	(26 951.7)	(702.4)	2.7
Net cash flows from operating activities	2 540.6	2 247.4	(293.2)	(11.5)
Cash flows from investing activities				
Purchase of property, plant and equipment	(2 470.9)	(2 197.5)	273.4	(11.1)
Proceeds from sale of property, plant and equipment	80.9	71.6	(9.3)	(11.5)
Net (purchase)/disposal of investments	173.6	107.5	(66.2)	(38.1)
Net customer loans (granted)/repaid	20.0	10.6	(9.4)	(47.2)
Net contribution to other sectors of government	(481.6)	(514.2)	(32.6)	6.8
Net cash flows from investing activities	(2 677.9)	(2 522.0)	155.9	(5.8)
Cash flows from financing activities				
Net borrowings	213.6	283.3	69.8	32.7
Net cash flows from financing activities	213.6	283.3	69.8	32.7
Net increase/(decrease) in cash and deposits held	76.2	8.7	(67.6)	(88.6)
Cash and deposits at beginning of reporting period	1 295.2	1 295.2	..	..
Cash and deposits at end of reporting period	1 371.4	1 303.9	(67.6)	(4.9)

Source: Department of Treasury and Finance

Note:

(a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Table B.8: Application of cash resources

	(\$ million)	
	2004-05 Budget	2004-05 Revised
Operating surplus	545.0	1 281.5
Add back: Non-cash revenue and expenses (net) ^(a)	1 995.6	965.8
Net cash flow from operating activities	2 540.6	2 247.4
Plus: Net drawdown of Growing Victoria infrastructure reserve	185.6	196.6
Total cash available for asset investment	2 726.2	2 443.9
Less:		
Net investment in fixed assets		
Purchase of property, plant and equipment	2 470.9	2 197.5
Proceeds from sale of property, plant and equipment	(80.9)	(71.6)
Net contribution to other sectors of government	481.6	514.2
Total net investment in fixed assets	2 871.6	2 640.0
Other investment activities (net)	(1.9)	127.0
Decrease/(increase) in net debt (excluding Growing Victoria)	(143.4)	(323.1)

Source: Department of Treasury and Finance

Note:

(a) Includes depreciation and movements in the unfunded superannuation liability and liability for employee benefits.

As shown in Table B.8, the \$2 247 million cash surplus from operating activities will be the main source of financing for the 2004-05 net infrastructure investment program. There is also a \$197 million drawdown from the Growing Victoria infrastructure reserve.

The purchase of property, plant and equipment has been revised to \$2 198 million for 2004-05. The variation from the 2004-05 Budget amount of \$2 471 million reflects the conversion of the correctional facilities project to a *Partnerships Victoria* initiative, with operating payments commencing in 2005-06. The original 2004-05 Budget included the project as a state-built asset. The revised amount also reflects the rephasing of various road projects between 2004-05 and 2005-06.

Net debt (excluding Growing Victoria) is expected to increase by \$323 million in 2004-05. This contrasts with the original budget estimate of a \$143 million increase. This reflects increased payments to superannuation schemes to decrease the unfunded superannuation liability.

REVISED 2004-05 STATEMENT OF FINANCIAL POSITION

The estimated 2004-05 statement of financial position is presented in Table B.9. Net assets are now projected to increase from \$26 279 million at 30 June 2004 to a revised estimate of \$32 643 million at 30 June 2005. This represents an increase of \$6 364 million (or 24.2 per cent) over the course of 2004-05.

The projected increase in total assets of \$6 105 million between the actual 2003-04 result and the revised 2004-05 result largely comprises of an increase in total non-current assets of \$6 164 million. This increase largely reflects the revaluation of crown land by the Department of Sustainability and Environment. The revaluation of land is required to complete the Department's transition from cost to fair value as required under AASB 1041. As part of the transitional provisions of the standard, all assets must be valued at fair value by 30 June 2005.

Non-current assets largely comprise buildings and land, infrastructure systems, plant and equipment, road networks and associated accumulated depreciation.

Total liabilities in 2004-05 are estimated to be \$24 545 million compared to the original budget of \$25 899 million. The revision of \$1 355 million is largely influenced by the reduction in the current and non-current unfunded superannuation liability, which is in turn driven primarily by strong domestic equity markets. This has been marginally offset by an increase in non-current interest bearing liabilities and employee benefits.

Table B.9: 2004-05 Statement of financial position as at 30 June

	(\$ million)				
	2004 Actual	2005 Budget ^(a)	2005 Revised	Change ^(b)	Change %
Current assets					
Cash assets	1 300.9	1 377.1	1 312.2	11.4	0.9
Other financial assets	2 489.1	2 480.7	2 370.4	(118.7)	(4.8)
Receivables	1 592.4	1 649.7	1 662.7	70.4	4.4
Prepayments	86.9	87.2	87.6	0.7	0.8
Inventories	135.5	132.1	111.9	(23.5)	(17.4)
Total current assets	5 604.5	5 726.7	5 544.9	(59.7)	(1.1)
Non-current assets					
Other financial assets	557.7	392.3	591.8	34.1	6.1
Receivables	407.4	408.7	393.8	(13.6)	(3.3)
Inventories	31.6	31.6	33.3	1.8	5.6
Property, plant, equipment and infrastructure systems	24 953.6	26 408.7	30 315.4	5 361.9	21.5
Road networks	16 322.1	17 265.8	17 001.8	679.8	4.2
Other assets	3 206.1	3 291.3	3 306.5	100.4	3.1
Total non-current assets	45 478.4	47 798.3	51 642.7	6 164.3	13.6
Total assets	51 082.9	53 525.0	57 187.5	6 104.6	12.0
Current liabilities					
Payables	1 933.1	1 994.4	1 960.6	27.5	1.4
Interest bearing liabilities	191.5	186.5	188.3	(3.2)	(1.7)
Employee benefits	1 011.1	1 054.7	1 036.8	25.7	2.5
Superannuation	150.9	54.9	..	(150.9)	(100.0)
Outstanding insurance claims	63.6	63.1	71.8	8.2	12.9
Other liabilities	507.6	494.3	496.7	(10.9)	(2.2)
Total current liabilities	3 857.8	3 847.9	3 754.2	(103.6)	(2.7)
Non-current liabilities					
Payables	1 301.4	1 287.4	1 230.1	(71.4)	(5.5)
Interest bearing liabilities	5 316.0	5 527.3	5 620.9	305.0	5.7
Employee benefits	1 966.1	2 119.9	2 166.4	200.3	10.2
Superannuation	11 559.8	12 323.2	10 963.6	(596.2)	(5.2)
Outstanding insurance claims	340.1	335.1	352.8	12.7	3.7
Other liabilities	463.3	458.7	456.6	(6.7)	(1.4)
Total non-current liabilities	20 946.5	22 051.5	20 790.3	(156.2)	(0.7)
Total liabilities	24 804.3	25 899.4	24 544.5	(259.8)	(1.0)
Net assets	26 278.6	27 625.7	32 643.0	6 364.4	24.2

Source: Department of Treasury and Finance

Notes:

(a) 2004-05 Budget is based on actual opening balances as at 1 July 2004 plus 2004-05 Budget movement.

(b) The change reflects the difference between 2004-05 revised and 2003-04 actuals.

APPENDIX C – DEPARTMENTAL FINANCIAL STATEMENTS – REVISED ESTIMATES 2004-05

Appendix C provides financial reports for each department based on existing Australian Accounting Standards (AAS).

The revised 2004-05 departmental financial estimates provide a comparison between 2003-04 actual results and the 2004-05 Budget and revised estimate prior to restatement to Australian equivalents to International Financial Reporting Standards (A-IFRS). They are presented in the format consistent with the AAS 29 accounting standard. Consistent with Chapter 2, *Departmental Financial Statements*, the statements have been divided into controlled and administered items. Administered items refer to those resources over which a department cannot exercise direct control. Authority is provided through an appropriation for payments made on behalf of the State. Under the AAS 29 standard, these items would normally appear as notes to the financial statements.

For the presentation of departmental financial reports for 2004-05 revised and 2005-06 Budget estimates prepared under A-IFRS, refer to Chapter 2, *Departmental Financial Statements*. These statements are not comparable to the estimated financial statements prepared on the basis of existing AAS in this appendix.

DEPARTMENT OF EDUCATION AND TRAINING

Table C.1.1: Statement of financial performance

	(\$ million)		
	2003-04 <i>Actual</i>	2004-05 <i>Budget</i>	2004-05 <i>Revised</i>
Revenue from ordinary activities			
Output appropriations	5 756.8	6 082.1	6 248.9
Special appropriations	0.3	0.3	0.3
Resources received free of charge or for nominal consideration	..	0.7	0.7
Sale of goods and services	506.4	499.1	527.2
Commonwealth grants	296.6	270.8	270.8
Other revenue and revenue from other parties	319.2	365.7	306.6
	6 879.4	7 218.7	7 354.5
Expenses from ordinary activities			
Employee benefits	4 120.4	4 135.0	4 248.3
Depreciation and amortisation	280.2	291.2	287.1
Grants and other payments	553.5	582.7	590.2
Capital asset charge	666.8	764.6	762.9
Supplies and services	1 180.9	1 292.7	1 354.8
Financing costs	0.7	0.9	1.0
Other expenses from ordinary activities	5.0	..	..
	6 807.6	7 067.1	7 244.4
Net result for the reporting period	71.8	151.6	110.2
Net increase in asset revaluation reserve	1 165.9	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	1 237.7	151.6	110.2

Source: Departments of Education and Training and Treasury and Finance

Table C.1.2: Statement of cash flows

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	5 996.3	6 301.5	6 404.9
Receipts from other entities	487.8	494.7	524.3
Payments for supplies, grants and employees	(5 765.8)	(5 999.4)	(6 156.4)
	718.3	796.8	772.7
Interest received	35.4	30.1	30.0
Capital asset charge	(666.8)	(764.6)	(762.9)
Financing costs expense	(0.7)	(0.9)	(1.0)
Other receipts	312.1	364.7	298.0
Net cash inflow from operating activities	398.2	426.2	336.8
Cash flows from investing activities			
Payments for property, plant and equipment	(494.3)	(471.2)	(437.4)
Proceeds from sale of property, plant and equipment	8.8	1.5	2.3
Net disposal (+) of investments	(11.9)	..	..
(Repayment of) loans by other entities	(0.2)	..	..
Net cash (outflow) from investing activities	(497.5)	(469.7)	(435.1)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government	74.8	68.1	73.6
Net proceeds from borrowings	0.5	..	2.0
Net cash inflows/(outflow) from financing activities	75.3	68.1	75.7
Net increase/(decrease) in cash held	(24.0)	24.6	(22.6)
Cash at the beginning of the financial year	544.7	520.8	520.8
Cash at the end of the financial year	520.8	545.4	498.1

Source: Departments of Education and Training and Treasury and Finance

Table C.1.3: Statement of financial position

(\$ million)

	<i>Estimated as at 30 June</i>		
	<i>2004</i>	<i>2005</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>
Current assets			
Cash assets	520.8	545.4	495.9
Other financial assets	164.1	164.1	164.1
Receivables	76.0	76.0	76.0
Inventories	9.4	9.4	9.4
Prepayments	19.5	19.6	19.6
Other	1.1	1.1	1.1
Total current assets	790.7	815.5	766.1
Non-current assets			
Receivables	382.3	434.0	497.5
Other financial assets	12.8	12.8	12.8
Property, plant and equipment	10 453.1	10 606.7	10 582.4
Intangible assets	0.5	0.5	0.5
Other	11.8	11.8	11.8
Total non-current assets	10 860.5	11 065.8	11 105.0
Total assets	11 651.3	11 881.4	11 871.1
Current liabilities			
Payables	209.7	211.5	211.5
Interest-bearing liabilities	0.7	0.7	0.5
Employee provisions	234.0	242.8	242.8
Other	78.3	78.3	78.3
Total current liabilities	522.8	533.3	533.1
Non-current liabilities			
Interest-bearing liabilities	4.7	4.7	4.7
Employee provisions	811.0	810.8	836.7
Amounts owing to other departments	0.3	0.3	0.3
Total non-current liabilities	816.0	815.8	841.7
Total liabilities	1 338.8	1 349.1	1 374.8
Net assets	10 312.5	10 532.2	10 496.3
Equity			
Contributed capital	5 909.9	5 978.0	5 983.5
Reserves	3 874.3	3 874.3	3 874.3
Accumulated surplus	528.3	679.9	638.5
Total equity	10 312.5	10 532.2	10 496.3

Source: Departments of Education and Training and Treasury and Finance

Table C.1.4: Administered items statement

(\$ million)

	2003-04 Actual	2004-05 Budget	2004-05 Revised
Administered revenue			
Sale of goods and services	1.8	1.7	1.7
Commonwealth grants	1 700.6	1 851.8	1 878.7
Other	(8.1)	9.9	12.4
Total administered revenue	1 694.3	1 863.4	1 892.7
Administered expenses			
Grants and other payments	1 203.7	1 322.4	1 343.9
Payments into the Consolidated Fund	500.9	540.9	548.7
Total administered expenses	1 704.6	1 863.3	1 892.6
Revenue less expenses	(10.3)	0.1	0.1
Administered assets			
Cash assets	0.4	0.4	0.4
Receivables	16.4	16.4	16.4
Other financial assets	1.3	1.3	1.3
Prepayments	3.2	3.2	3.2
Property, plant and equipment	10.9	10.9	10.9
Total administered assets	32.1	32.2	32.2
Administered liabilities			
Payables	0.1	0.1	0.1
Other	3.2	3.2	3.2
Total administered liabilities	3.3	3.3	3.3

Source: Departments of Education and Training and Treasury and Finance

DEPARTMENT OF HUMAN SERVICES

Table C.2.1: Statement of financial performance

	(\$ million)		
	2003-04	2004-05	2004-05
	Actual	Budget	Revised
Revenue from ordinary activities			
Output appropriations	7 581.7	8 390.4	8 541.4
Special appropriations	1 030.1	1 032.1	1 059.1
Resources received free of charge or for nominal consideration	0.8	..	..
Sale of goods and services	859.7	895.2	900.4
Commonwealth grants	87.4	74.4	85.5
Other revenue and revenue from other parties	343.5	269.1	272.8
	9 903.3	10 661.1	10 859.3
Expenses from ordinary activities			
Employee benefits	4 739.5	4 929.6	5 084.2
Depreciation and amortisation	252.4	275.9	275.8
Resources provided free of charge or for nominal consideration	..	..	0.7
Grants and other payments	665.8	737.3	744.5
Capital asset charge	372.3	427.5	427.4
Supplies and services	3 871.9	4 159.8	4 230.3
Financing costs	2.1	0.4	0.4
Other expenses from ordinary activities	27.3	..	..
	9 931.3	10 530.5	10 763.3
Net result for the reporting period	(28.1)	130.6	96.0
Net increase in asset revaluation reserve	159.9	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	131.8	130.6	96.0

Source: Departments of Human Services and Treasury and Finance

Table C.2.2: Statement of cash flows

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	8 633.8	9 419.1	9 615.8
Receipts from other entities	871.5	925.6	931.0
Payments for supplies, grants and employees	(9 082.4)	(9 695.2)	(9 888.4)
	422.8	649.5	658.4
Interest received	35.4	35.0	35.0
Capital asset charge	(372.3)	(427.5)	(427.4)
Financing costs expense	(2.0)	(0.4)	(0.4)
Other receipts	286.3	151.6	148.7
Net cash inflow from operating activities	370.2	408.2	414.3
Cash flows from investing activities			
Payments for property, plant and equipment	(544.4)	(664.7)	(698.6)
Proceeds from sale of property, plant and equipment	38.7	..	40.0
Net disposal (+) of investments	86.4	..	..
(Repayment of) loans by other entities	(0.5)	..	..
Net cash (outflow) from investing activities	(419.8)	(664.7)	(658.6)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government	113.9	171.1	158.2
Net proceeds from borrowings	16.8	89.4	89.4
Net cash inflows/(outflow) from financing activities	130.7	260.5	247.7
Net increase/(decrease) in cash held	81.1	4.0	3.3
Cash at the beginning of the financial year	253.2	334.3	334.3
Cash at the end of the financial year	334.3	338.3	337.6

Source: Departments of Human Services and Treasury and Finance

Table C.2.3: Statement of financial position

(\$ million)

	<i>Estimated as at 30 June</i>		
	<i>2004</i>	<i>2004</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>
Current assets			
Cash assets	334.3	338.3	337.6
Other financial assets	368.8	368.8	368.8
Receivables	241.8	297.6	304.1
Inventories	49.7	49.7	49.7
Prepayments	15.9	15.9	15.9
Other	6.5	6.5	6.5
Total current assets	1 017.0	1 076.8	1 082.6
Non-current assets			
Receivables	423.2	501.0	493.4
Other financial assets	115.9	115.9	115.9
Property, plant and equipment	5 218.7	5 603.8	5 593.5
Intangible assets	24.3	24.3	27.9
Other	8.0	8.0	8.0
Total non-current assets	5 790.1	6 252.9	6 238.7
Total assets	6 807.1	7 329.8	7 321.3
Current liabilities			
Payables	697.2	645.2	651.7
Interest-bearing liabilities	9.7	13.8	13.8
Employee provisions	547.5	557.3	557.2
Other	172.8	177.3	186.0
Total current liabilities	1 427.1	1 393.7	1 408.7
Non-current liabilities			
Interest-bearing liabilities	20.6	105.9	105.9
Employee provisions	583.1	645.0	651.3
Amounts owing to other departments	4.0	4.0	4.0
Other	383.9	383.9	401.6
Total non-current liabilities	991.6	1 138.8	1 162.8
Total liabilities	2 418.8	2 532.4	2 571.5
Net assets	4 388.3	4 797.3	4 749.8
Equity			
Contributed capital	3 669.3	3 947.7	3 934.9
Reserves	1 058.7	1 058.7	1 058.7
Accumulated deficit	(339.7)	(209.1)	(243.8)
Total equity	4 388.3	4 797.3	4 749.8

Source: Departments of Human Services and Treasury and Finance

Table C.2.4: Administered items statement

(\$ million)

	2003-04 <i>Actual</i>	2004-05 <i>Budget</i>	2004-05 <i>Revised</i>
Administered revenue			
Sale of goods and services	250.7	232.7	255.3
Commonwealth grants	2 616.1	2 756.8	2 778.6
Other grants	2.1	..	..
Fees	2.4	2.9	2.9
Other	10.1	3.8	3.8
Total administered revenue	2 881.4	2 996.2	3 040.6
Administered expenses			
Expenses on behalf of the State	1.0	..	..
Grants and other payments	2.1	..	..
Payments into the Consolidated Fund	2 880.8	2 996.2	3 040.6
Total administered expenses	2 883.9	2 996.2	3 040.6
Revenue less expenses	(2.5)	..	..
Administered assets			
Cash assets	0.4	0.4	0.4
Receivables	11.0	11.0	11.0
Other financial assets	0.6	0.6	0.6
Other	103.0	103.0	103.0
Total administered assets	114.9	114.9	114.9
Administered liabilities			
Payables	1.6	1.6	1.6
Other	106.9	106.9	106.9
Total administered liabilities	108.5	108.5	108.5

Source: Departments of Human Services and Treasury and Finance

DEPARTMENT OF INFRASTRUCTURE

Table C.3.1: Statement of financial performance

	(\$ million)		
	2003-04 <i>Actual</i>	2004-05 <i>Budget</i>	2004-05 <i>Revised</i>
Revenue from ordinary activities			
Output appropriations	2 504.0	2 977.4	2 778.0
Special appropriations	0.1	..	1.7
Resources received free of charge or for nominal consideration	371.5	5.0	5.0
Sale of goods and services	136.0	129.9	148.8
Commonwealth grants	0.1	..	..
Taxes ^(a)	8.0	4.3	8.7
Fines and fees ^(a)	46.8	45.8	46.6
Other revenue and revenue from other parties	109.0	218.0	187.4
	3 175.5	3 380.4	3 176.2
Expenses from ordinary activities			
Employee benefits	(258.1)	221.3	233.8
Depreciation and amortisation	296.7	340.0	319.0
Resources provided free of charge or for nominal consideration	449.7	..	360.3
Grants and other payments	802.7	769.1	914.5
Capital asset charge	62.2	78.5	67.9
Supplies and services	1 761.6	1 647.6	1 532.2
Financing costs	6.6	6.5	5.5
Other expenses from ordinary activities	2.1	..	1.1
	3 123.4	3 063.0	3 434.3
Net result for the reporting period	52.1	317.4	(258.1)
Net increase in asset revaluation reserve	453.0	..	488.0
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	505.1	317.4	229.9

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Table C.3.2: Statement of cash flows

(\$ million)

	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	2 435.0	2 977.7	2 780.9
Receipts from other entities	219.2	344.9	337.9
Payments for supplies, grants and employees	(2 356.0)	(2 647.0)	(2 748.9)
	298.2	675.6	369.9
Interest received	7.8	0.4	0.8
Capital asset charge	(62.2)	(78.5)	(67.9)
Financing costs expense	(6.6)	(6.5)	(5.5)
Other receipts	19.5	46.5	50.1
Net cash inflow from operating activities	256.7	637.5	347.4
Cash flows from investing activities			
Payments for property, plant and equipment ^(a)	(437.2)	(614.6)	(433.8)
Proceeds from sale of property, plant and equipment	15.0	6.2	19.4
Payments for investments	0.5	..	..
Net disposal (+) of investments	14.0		
Net cash (outflow) from investing activities	(407.8)	(608.4)	(414.3)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government ^(a)	132.7	82.8	61.6
Net proceeds from borrowings	0.5	..	..
Net cash inflows/(outflow) from financing activities	133.2	82.8	61.6
Net increase/(decrease) in cash held	(17.9)	111.9	(5.3)
Cash at the beginning of the financial year	477.1	459.2	459.2
Cash at the end of the financial year	459.2	571.1	453.9

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) Comparative data for 2003-04 actual and 2004-05 Budget have been adjusted to reflect the changed accounting treatment for capital contributions to other sectors of government.

Table C.3.3: Statement of financial position

(\$ million)

	Estimated as at 30 June		
	2004 Actual	2005 Budget	2005 Revised
Current assets			
Cash assets	459.2	571.1	453.9
Other financial assets	50.0	50.0	50.0
Receivables	156.1	156.1	156.1
Inventories	2.6	2.6	2.6
Prepayments	2.7	2.7	2.7
Other	4.8	4.8	4.8
Total current assets	675.5	787.3	670.1
Non-current assets			
Receivables	245.5	245.2	244.2
Inventories	3.3	3.3	5.1
Property, plant and equipment	17 480.6	17 760.2	17 710.3
Intangible assets	7.3	7.3	7.3
Total non-current assets	17 736.6	18 016.0	17 966.8
Total assets	18 412.1	18 803.3	18 636.9
Current liabilities			
Payables	583.4	576.1	568.0
Employee provisions	26.3	26.3	26.3
Other	11.7	11.7	11.7
Total current liabilities	621.5	614.2	606.1
Non-current liabilities			
Interest-bearing liabilities	15.7	15.7	15.7
Employee provisions	54.2	52.7	52.7
Other	187.4	187.4	187.4
Total non-current liabilities	257.4	255.9	255.9
Total liabilities	878.9	870.0	861.9
Net assets	17 533.1	17 933.3	17 775.0
Equity			
Contributed capital	14 789.4	14 872.1	14 801.3
Reserves	3 256.5	3 256.5	3 744.6
Accumulated deficit	(512.8)	(195.4)	(770.9)
Total equity	17 533.1	17 933.3	17 775.0

Source: Departments of Infrastructure and Treasury and Finance

Table C.3.4: Administered items statement

(\$ million)

	2003-04 Actual	2004-05 Budget	2004-05 Revised
Administered revenue			
Appropriations - Payments made on behalf of the State	87.5	..	9.0
Sale of goods and services	0.1	0.0	2.8
Commonwealth grants	131.7	256.8	182.4
Other grants	1.9	..	..
Taxes ^(a)	1 147.7	1 276.7	1 320.0
Fines	6.4	6.5	8.0
Fees ^(a)	83.5	86.2	87.5
Other	153.3	23.4	39.8
Total administered revenue	1 612.1	1 649.6	1 649.6
Administered expenses			
Grants and other payments	89.4	..	9.0
Payments into the Consolidated Fund	1 355.5	1 613.7	1 546.8
Total administered expenses	1 445.0	1 613.7	1 555.8
Revenue less expenses	167.2	35.8	93.8
Administered assets			
Cash assets	11.0	11.0	11.0
Receivables	205.8	240.7	298.7
Total administered assets	216.8	251.8	309.8
Administered liabilities			
Payables	13.1	13.1	13.1
Other	90.8	89.9	89.9
Total administered liabilities	104.0	103.1	103.1

Source: Departments of Infrastructure and Treasury and Finance

Note:

(a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

Table C.4.1: Statement of financial performance

	(\$ million)		
	2003-04	2004-05	2004-05
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>
Revenue from ordinary activities			
Output appropriations	293.4	298.1	323.5
Special appropriations	0.2	..	..
Sale of goods and services	..	1.5	1.5
Other revenue and revenue from other parties	13.0	1.1	1.1
	306.6	300.7	326.1
Expenses from ordinary activities			
Employee benefits	61.2	67.1	63.7
Depreciation and amortisation	3.1	3.9	3.3
Grants and other payments	181.5	202.1	191.5
Capital asset charge	1.8	4.5	3.6
Supplies and services	69.8	71.4	112.3
	317.5	349.0	374.4
Net result for the reporting period	(10.9)	(48.3)	(48.3)
Net increase in asset revaluation reserve	0.4	..	3.6
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	(10.5)	(48.3)	(44.7)

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

Table C.4.2: Statement of cash flows

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	276.3	300.8	312.7
Receipts from other entities	4.1	2.6	2.6
Payments for supplies, grants and employees	(299.0)	(340.6)	(367.5)
	(18.6)	(37.2)	(52.3)
Interest received	0.6	..	..
Capital asset charge	(1.8)	(4.5)	(3.6)
Other receipts	8.7	..	..
Net cash inflow from operating activities	(11.2)	(41.7)	(55.8)
Cash flows from investing activities			
Payments for property, plant and equipment	(53.9)	(73.1)	(63.4)
Net cash (outflow) from investing activities	(53.9)	(73.1)	(63.4)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government	47.4	66.7	70.4
Net proceeds of borrowings	0.4	..	0.8
Net cash inflows / (outflow) from financing activities	47.8	66.7	71.2
Net increase / (decrease) in cash held	(17.2)	(48.0)	(48.0)
Cash at the beginning of the financial year	134.4	117.2	117.2
Cash at the end of the financial year	117.2	69.2	69.2

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

Table C.4.3: Statement of financial position

(\$ million)

	<i>Estimated as at 30 June</i>		
	<i>2004</i>	<i>2004</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>
Current assets			
Cash assets	117.2	69.2	69.2
Receivables	8.5	20.9	8.5
Prepayments	0.7	0.7	0.7
Total current assets	126.4	90.8	78.3
Non-current assets			
Receivables	26.7	11.5	37.6
Other financial assets	0.1	0.1	0.1
Property, plant and equipment	68.1	137.3	131.8
Total non-current assets	94.9	148.9	169.5
Total assets	221.3	239.7	247.8
Current liabilities			
Payables	20.3	20.3	20.3
Interest-bearing liabilities	0.4	0.4	1.2
Employee provisions	7.7	7.7	7.7
Other	0.4	0.4	0.4
Total current liabilities	28.8	28.8	29.6
Non-current liabilities			
Employee provisions	11.4	11.4	11.4
Total non-current liabilities	11.4	11.4	11.4
Total liabilities	40.2	40.2	41.0
Net assets	181.1	199.5	206.8
Equity			
Contributed capital	68.9	135.7	139.3
Reserves	0.4	0.4	4.0
Accumulated surplus	111.8	63.5	63.5
Total equity	181.1	199.5	206.8

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

Table C.4.4: Administered items statement

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Administered revenue			
Sale of goods and services	0.3	..	..
Commonwealth grants	0.4	..	0.2
Fines	..	0.2	0.2
Fees	..	2.2	2.2
Other	4.2	0.3	0.3
Total administered revenue	4.9	2.6	2.7
Administered expenses			
Expenses on behalf of the State	(0.4)	0.1	0.1
Payments into the Consolidated Fund	4.8	19.1	19.3
Total administered expenses	4.4	19.2	19.3
Revenue less expenses	0.5	(16.6)	(16.6)
Administered assets			
Cash assets	(0.1)	(0.1)	(0.1)
Receivables	47.1	47.1	47.1
Total administered assets	47.0	47.0	47.0
Administered liabilities			
Total administered liabilities	..	..	..

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

DEPARTMENT OF JUSTICE

Table C.5.1: Statement of financial performance

	(\$ million)		
	2003-04 <i>Actual</i>	2004-05 <i>Budget</i>	2004-05 <i>Revised</i>
Revenue from ordinary activities			
Output appropriations	2 073.4	2 274.7	2 220.3
Special appropriations	78.4	66.1	66.6
Resources received free of charge or for nominal consideration	0.5	..	1.6
Sale of goods and services	0.3	..	0.4
Commonwealth grants	2.0	0.8	2.3
Fines and fees	6.3	7.2	6.9
Other revenue and revenue from other parties	86.3	74.5	88.8
	2 247.1	2 423.1	2 386.9
Expenses from ordinary activities			
Employee benefits	1 300.2	1 364.0	1 385.7
Depreciation and amortisation	52.9	65.5	72.5
Resources provided free of charge or for nominal consideration	2.2	..	..
Grants and other payments	118.8	135.9	131.5
Capital asset charge	78.4	113.0	105.8
Supplies and services	650.1	727.8	666.3
Financing costs	2.6	3.3	5.4
Other expenses from ordinary activities	12.0	0.3	(0.8)
	2 217.1	2 409.8	2 366.4
Net result for the reporting period	30.0	13.4	20.5
Net increase in asset revaluation reserve	143.0	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	173.0	13.4	20.5

Source: Departments of Justice and Treasury and Finance

Table C.5.2: Statement of cash flows

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	2 124.6	2 318.9	2 274.5
Receipts from other entities	23.5	14.1	22.9
Payments for supplies, grants and employees	(2 043.8)	(2 202.7)	(2 156.8)
	104.3	130.2	140.6
Interest received	57.7	53.4	60.5
Capital asset charge	(78.4)	(113.0)	(105.8)
Financing costs expense	(2.6)	(3.3)	(5.4)
Other receipts	10.4	14.4	14.5
Net cash inflow from operating activities	91.4	81.8	104.4
Cash flows from investing activities			
Payments for property, plant and equipment	(186.2)	(339.3)	(211.2)
Net disposal (+) of investments	(34.1)	(22.1)	(30.9)
(Repayment of) loans by other entities	(5.1)	..	..
Net cash (outflow) from investing activities	(225.4)	(361.4)	(242.1)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government	111.8	279.3	115.9
Net proceeds from borrowings	19.5	(1.8)	16.8
Net cash inflows/(outflow) from financing activities	131.3	277.5	132.7
Net increase/(decrease) in cash held	(2.7)	(2.1)	(5.0)
Cash at the beginning of the financial year	30.4	27.7	27.7
Cash at the end of the financial year	27.7	25.6	22.7

Source: Departments of Justice and Treasury and Finance

Table C.5.3: Statement of financial position

(\$ million)

	<i>Estimated as at 30 June</i>		
	<i>2004</i>	<i>2005</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>
Current assets			
Cash assets	27.7	25.6	22.7
Other financial assets	234.4	256.5	265.3
Receivables	41.8	41.8	41.8
Inventories	9.9	9.9	9.9
Prepayments	7.0	7.0	7.0
Total current assets	320.8	340.8	346.7
Non-current assets			
Receivables	226.6	249.3	241.3
Property, plant and equipment	1 180.1	1 454.8	1 320.8
Intangible assets	21.4	20.2	20.2
Other	5.2	5.2	5.2
Total non-current assets	1 433.3	1 729.5	1 587.6
Total assets	1 754.1	2 070.3	1 934.3
Current liabilities			
Payables	113.9	113.9	113.9
Interest-bearing liabilities	10.2	10.2	20.6
Employee provisions	82.3	107.5	90.4
Other	6.6	6.6	6.6
Total current liabilities	212.9	238.2	231.4
Non-current liabilities			
Interest-bearing liabilities	18.2	16.4	24.6
Employee provisions	310.6	310.7	329.5
Total non-current liabilities	328.8	327.1	354.1
Total liabilities	541.7	565.3	585.6
Net assets	1 212.3	1 505.0	1 348.7
Equity			
Contributed capital	723.1	1 002.4	839.0
Reserves	241.5	241.5	241.5
Accumulated surplus	247.7	261.1	268.2
Total equity	1 212.3	1 505.0	1 348.7

Source: Departments of Justice and Treasury and Finance

Table C.5.4: Administered items statement

(\$ million)

	2003-04 Actual	2004-05 Budget	2004-05 Revised
Administered revenue			
Appropriations - Payments made on behalf of the State	45.2	54.0	67.2
Special appropriations	29.4	32.6	32.6
Sale of goods and services	88.5	87.4	87.6
Commonwealth grants	70.4	46.2	47.1
Other grants	5.7	..	..
Taxes	1 324.2	1 371.7	1 376.0
Fines	304.0	416.9	313.6
Fees	79.4	73.2	73.2
Other	59.7	46.1	53.1
Total administered revenue	2 006.5	2 128.2	2 050.4
Administered expenses			
Expenses on behalf of the State	165.9	150.9	145.5
Grants and other payments	38.8	36.6	53.0
Payments into the Consolidated Fund	1 785.8	1 905.4	1 820.2
Total administered expenses	1 990.5	2 092.9	2 018.6
Revenue less expenses	16.0	35.3	31.8
Administered assets			
Cash assets	112.7	113.8	113.0
Receivables	253.9	288.1	284.8
Other financial assets	4.6	4.7	5.3
Property, plant and equipment	0.1	..	0.1
Total administered assets	371.4	406.6	403.2
Administered liabilities			
Payables	87.5	87.5	87.5
Employee provisions	0.2	0.3	0.3
Other	49.6	49.6	49.7
Total administered liabilities	137.4	137.4	137.5

Source: Departments of Justice and Treasury and Finance

Note:

(a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

DEPARTMENT OF PREMIER AND CABINET

Table C.6.1: Statement of financial performance

	(\$ million)		
	2003-04 <i>Actual</i>	2004-05 <i>Budget</i>	2004-05 <i>Revised</i>
Revenue from ordinary activities			
Output appropriations	351.4	387.8	402.0
Special appropriations	5.3	5.0	5.2
Resources received free of charge or for nominal consideration	0.6	1.3	1.3
Sale of goods and services	23.7	24.5	25.5
Commonwealth grants	3.4	..	..
Other revenue and revenue from other parties	67.3	25.9	24.7
	451.7	444.5	458.6
Expenses from ordinary activities			
Employee benefits	132.9	135.1	144.6
Depreciation and amortisation	39.1	41.2	45.7
Resources provided free of charge or for nominal consideration	0.6	..	..
Grants and other payments	53.7	43.5	51.0
Capital asset charge	77.9	83.7	86.0
Supplies and services	123.5	137.5	132.6
Financing costs	0.2	0.1	0.1
Other expenses from ordinary activities	0.3	..	..
	428.3	440.9	460.1
Net result for the reporting period	23.4	3.6	(1.5)
Net increase in asset revaluation reserve	28.3	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	51.8	3.6	(1.5)

Source: Departments of Premier and Cabinet and Treasury and Finance

Table C.6.2: Statement of cash flows

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	356.2	360.7	374.7
Receipts from other entities	40.4	24.8	26.1
Payments for supplies, grants and employees	(297.3)	(314.9)	(327.1)
	99.4	70.6	73.7
Interest received	5.5	1.8	2.4
Capital asset charge	(77.9)	(83.7)	(86.0)
Financing costs expense	(0.2)	(0.1)	(0.1)
Other receipts	45.0	24.8	22.2
Net cash inflow from operating activities	71.8	13.4	12.3
Cash flows from investing activities			
Payments for property, plant and equipment	(81.1)	(78.4)	(62.6)
Net disposal (+) of investments	0.5	2.2	(0.2)
Net cash (outflow) from investing activities	(80.5)	(76.2)	(62.7)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government	2.7	66.6	46.9
Net proceeds from borrowings	(0.9)	(1.8)	(1.8)
Net cash inflows/(outflow) from financing activities	1.8	64.8	45.2
Net increase/(decrease) in cash held	(7.0)	2.1	(5.3)
Cash at the beginning of the financial year	48.6	41.7	41.7
Cash at the end of the financial year	41.7	43.8	36.4

Source: Departments of Premier and Cabinet and Treasury and Finance

Table C.6.3: Statement of financial position

(\$ million)

	<i>Estimated as at 30 June</i>		
	<i>2004</i>	<i>2005</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>
Current assets			
Cash assets	41.7	43.8	36.4
Other financial assets	63.8	61.5	61.1
Receivables	20.2	20.2	20.2
Inventories	4.1	4.1	4.1
Prepayments	1.0	1.1	1.1
Total current assets	130.7	130.6	122.9
Non-current assets			
Receivables	35.6	67.7	68.1
Other financial assets	2.9	2.9	5.9
Property, plant and equipment	991.3	1 034.8	1 013.8
Intangible assets	0.5	0.5	0.5
Other	2 558.7	2 552.4	2 553.0
Total non-current assets	3 589.1	3 658.4	3 641.3
Total assets	3 719.8	3 789.0	3 764.2
Current liabilities			
Payables	27.6	27.7	27.5
Interest-bearing liabilities	0.4	0.4	0.4
Employee provisions	14.1	14.4	14.5
Other	18.3	17.8	17.7
Total current liabilities	60.4	60.2	60.1
Non-current liabilities			
Interest-bearing liabilities	7.7	5.9	5.9
Employee provisions	11.3	12.2	12.2
Total non-current liabilities	18.9	18.1	18.1
Total liabilities	79.3	78.3	78.2
Net assets	3 640.5	3 710.7	3 686.0
Equity			
Contributed capital	1 327.5	1 394.1	1 374.4
Reserves	2 138.7	2 138.7	2 139.8
Accumulated surplus	174.3	177.9	171.8
Total equity	3 640.5	3 710.7	3 686.0

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

Table C.6.4: Administered items statement

(\$ million)

	2003-04 Actual	2004-05 Budget	2004-05 Revised
Administered revenue			
Appropriations - Payments made on behalf of the State	19.7	..	..
Other	0.2	5.5	5.5
Total administered revenue	20.0	5.5	5.5
Administered expenses			
Payments into the Consolidated Fund	0.4	5.6	5.6
Total administered expenses	0.4	5.6	5.6
Revenue less expenses	19.6	..	..
Administered assets			
Receivables	0.1	(1.7)	5.4
Total administered assets	0.1	(1.7)	5.4
Administered liabilities			
Payables	7.0	5.2	12.3
Interest-bearing liabilities	(7.0)	(7.0)	(7.0)
Total administered liabilities	..	(1.8)	5.3

Source: Departments of Premier and Cabinet and Treasury and Finance

DEPARTMENT OF PRIMARY INDUSTRIES

Table C.7.1: Statement of financial performance

	(\$ million)		
	2003-04 <i>Actual</i>	2004-05 <i>Budget</i>	2004-05 <i>Revised</i>
Revenue from ordinary activities			
Output appropriations	282.4	305.4	309.6
Special appropriations	4.2	..	..
Sale of goods and services	27.4	29.3	29.3
Taxes	3.9	4.5	4.5
Fines and fees	4.2	4.3	4.3
Other revenue and revenue from other parties	4.3	0.3	0.3
	326.3	343.8	348.0
Expenses from ordinary activities			
Employee benefits	131.6	140.7	147.6
Depreciation and amortisation	8.6	17.7	17.7
Grants and other payments	45.2	32.0	27.5
Capital asset charge	13.2	18.7	18.7
Supplies and services	110.4	133.9	135.7
Borrowing costs	0.1	..	..
Other expenses from ordinary activities	2.4	..	..
	311.5	342.9	347.1
Net result for the reporting period	14.9	0.9	0.9
Net increase in asset revaluation reserve	..	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	14.9	0.9	0.9

Source: Departments of Primary Industries and Treasury and Finance

Table C.7.2: Statement of cash flows

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	274.9	305.4	309.5
Receipts from other entities	34.7	38.1	38.1
Payments for supplies, grants and employees	(268.4)	(306.6)	(309.8)
	41.2	36.9	37.8
Interest received	0.5	0.3	0.3
Capital asset charge	(13.2)	(18.7)	(18.7)
Financing costs expense	(0.1)	..	..
Other receipts	4.2	..	(6.0)
Net cash inflow from operating activities	32.5	18.6	13.5
Cash flows from investing activities			
Payments for property, plant and equipment	(51.5)	(6.3)	(13.0)
Proceeds from sale of property, plant and equipment	0.3	..	..
Net disposal (+) of investments	(8.7)	(25.9)	(29.1)
Net cash (outflow) from investing activities	(59.9)	(32.2)	(42.1)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government	23.8	13.8	29.0
Net proceeds from borrowings	3.2	..	..
Net cash inflows/(outflow) from financing activities	27.0	13.8	29.0
Net increase/(decrease) in cash held	(0.3)	0.2	0.4
Cash at the beginning of the financial year	26.8	26.5	26.5
Cash at the end of the financial year	26.5	26.7	26.9

Source: Departments of Primary Industries and Treasury and Finance

Table C.7.3: Statement of financial position

(\$ million)

	<i>Estimated as at 30 June</i>		
	<i>2004</i>	<i>2005</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>
Current assets			
Cash assets	26.5	26.7	26.9
Other financial assets	9.2	9.2	9.0
Receivables	11.2	11.2	12.1
Inventories	3.1	3.1	3.1
Prepayments	0.1	0.1	0.1
Total current assets	50.1	50.3	51.2
Non-current assets			
Receivables	47.2	47.2	52.3
Other financial assets	11.3	37.2	40.6
Property, plant and equipment	246.3	234.0	265.1
Intangible assets	10.2	11.2	10.2
Total non-current assets	315.1	329.6	368.3
Total assets	365.2	379.9	419.4
Current liabilities			
Payables	21.8	21.1	21.1
Interest-bearing liabilities	3.2	3.2	3.2
Employee provisions	14.5	14.5	14.5
Other	(0.8)	(0.8)	0.1
Total current liabilities	38.7	38.0	38.9
Non-current liabilities			
Employee provisions	38.8	38.8	38.8
Other	1.8	1.8	1.8
Total non-current liabilities	40.6	40.6	40.6
Total liabilities	79.3	78.6	79.5
Net assets	285.9	301.3	340.0
Equity			
Contributed capital	240.3	254.8	293.5
Accumulated surplus	45.6	46.5	46.5
Total equity	285.9	301.3	340.0

Source: Departments of Primary Industries and Treasury and Finance

Table C.7.4: Administered items statement

(\$ million)

	2003-04 <i>Actual</i>	2004-05 <i>Budget</i>	2004-05 <i>Revised</i>
Administered revenue			
Sale of goods and services	66.5	40.2	40.2
Commonwealth grants	21.7	14.2	14.2
Other grants	..	5.7	5.7
Fees	6.1	9.0	6.6
Other	29.8	24.3	23.9
Total administered revenue	124.0	93.5	90.7
Administered expenses			
Expenses on behalf of the State	4.5	..	..
Payments into the Consolidated Fund	107.4	93.2	90.4
Total administered expenses	111.9	93.2	90.4
Revenue less expenses	12.1	0.3	0.3
Administered assets			
Cash assets	1.7	1.9	1.9
Receivables	39.7	39.7	39.7
Total administered assets	41.4	41.7	41.7
Administered liabilities			
Payables	0.2	0.2	0.2
Other	5.2	5.2	5.2
Total administered liabilities	5.4	5.4	5.4

Source: Departments of Primary Industries and Treasury and Finance

DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

Table C.8.1: Statement of financial performance

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Revenue from ordinary activities			
Output appropriations	828.9	729.6	792.8
Special appropriations	0.2	..	..
Resources received free of charge or for nominal consideration	5.3	..	..
Sale of goods and services	27.2	9.3	14.8
Commonwealth grants	16.9	..	..
Taxes	109.0	120.4	120.4
Fines and fees	9.7	6.6	6.6
Other revenue and revenue from other parties	19.2	0.9	0.9
	1 016.3	866.7	935.4
Expenses from ordinary activities			
Employee benefits	211.6	219.9	217.3
Depreciation and amortisation	27.3	35.2	35.2
Resources provided free of charge or for nominal consideration	1.8	..	14.6
Grants and other payments	391.1	303.6	351.4
Capital asset charge	58.0	65.1	65.1
Supplies and services	274.9	239.5	265.5
Financing costs	0.2	0.0	0.0
Other expenses from ordinary activities	145.8	0.8	20.3
	1 110.6	864.1	969.4
Net result for the reporting period	(94.2)	2.6	(34.0)
Net increase in asset revaluation reserve ^(a)	(17.1)	..	4 128.8
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	(111.3)	2.6	4 094.8

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

- (a) The net increase in asset revaluation reserve in the 2004-05 revised budget relates to a \$4 128.8 million revaluation of Crown land required to complete the Department's transition from cost to fair value as required under AASB 1041. As part of the transitional provisions of the standard, all assets must be valued at fair value by 30 June 2005. A transitional valuation program was developed in 2000 as required, and this is one of the final items in the asset base to be valued.

Table C.8.2: Statement of cash flows

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	810.6	724.7	787.9
Receipts from other entities	140.6	136.3	140.6
Payments for supplies, grants and employees	(861.2)	(759.1)	(821.7)
	90.0	101.9	106.8
Interest received	2.1	0.7	0.7
Capital asset charge	(58.0)	(65.1)	(65.1)
Financing costs expense	(0.2)	..	..
Other receipts	2.1	3.4	3.4
Net cash inflow from operating activities	36.1	40.8	45.7
Cash flows from investing activities			
Payments for property, plant and equipment	(68.7)	(69.0)	(67.3)
Proceeds from sale of property, plant and equipment	1.2	..	..
Net disposal (+) of investments	0.6	(15.6)	(15.6)
(Repayment of) loans by other entities	(0.7)	..	..
Net cash (outflow) from investing activities	(67.6)	(84.6)	(82.9)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government	30.2	43.9	45.9
Net proceeds from borrowings	2.5	..	..
Net cash inflows/(outflow) from financing activities	32.7	43.9	45.9
Net increase/(decrease) in cash held	1.1	0.1	8.7
Cash at the beginning of the financial year	51.7	52.8	52.8
Cash at the end of the financial year	52.8	52.9	61.5

Source: Departments of Sustainability and Environment and Treasury and Finance

Table C.8.3: Statement of financial position

(\$ million)

	Estimated as at 30 June		
	2003-04 Actual	2004-05 Budget	2005 Revised
Current assets			
Cash assets	52.8	52.9	61.5
Other financial assets	17.4	17.4	17.4
Receivables	45.3	45.3	46.5
Inventories	8.6	8.6	8.6
Prepayments	16.9	16.9	16.9
Other	0.5	0.5	0.5
Total current assets	141.6	141.7	151.4
Non-current assets			
Receivables	69.2	74.1	74.1
Inventories	2.2	2.2	2.2
Property, plant and equipment ^(a)	3 134.2	3 166.8	7 294.1
Intangible assets	46.3	43.7	43.4
Other	143.1	143.1	109.0
Total non-current assets	3 395.1	3 429.9	7 522.9
Total assets	3 536.7	3 571.5	7 674.3
Current liabilities			
Payables	56.0	56.0	64.8
Interest-bearing liabilities	0.5	0.5	0.5
Employee provisions	21.8	22.8	22.8
Other	0.3	0.3	0.1
Total current liabilities	78.6	79.6	88.2
Non-current liabilities			
Interest-bearing liabilities	2.0	2.0	2.0
Employee provisions	45.6	48.5	48.5
Total non-current liabilities	47.6	50.5	50.5
Total liabilities	126.2	130.1	138.7
Net assets	3 410.5	3 441.5	7 535.6
Equity			
Contributed capital	2 302.0	2 330.3	2 332.3
Reserves ^(a)	1 015.1	1 015.1	5 143.9
Accumulated surplus	93.5	96.1	59.5
Total equity	3 410.5	3 441.5	7 535.6

Source: Departments of Sustainability and Environment and Treasury and Finance

Note:

(a) Property, plant and equipment includes a \$4 128.8 million revaluation of Crown land required to complete the Department's transition from cost to fair value as required under AASB 1041. As part of the transitional provisions of the standard, all assets must be valued at fair value by 30 June 2005. A transitional valuation program was developed in 2000 as required, and this is one of the final items in the asset base to be valued.

Table C.8.4: Administered items statement

(\$ million)

	2003-04 Actual	2004-05 Budget	2004-05 Revised
Administered revenue			
Appropriations - Payments made on behalf of the State	26.1	26.9	26.9
Sale of goods and services	216.6	195.2	193.2
Commonwealth grants	49.5	34.5	54.6
Taxes	..	..	44.7
Fines	0.3	..	..
Fees	18.7	20.4	20.4
Other	60.2	46.5	37.5
Total administered revenue	371.3	323.5	377.3
Administered expenses			
Expenses on behalf of the State	0.1	1.1	1.1
Grants and other payments	26.3	25.8	25.8
Payments into the Consolidated Fund	347.9	296.6	350.4
Total administered expenses	374.2	323.5	377.3
Revenue less expenses	(2.9)	..	..
Administered assets			
Cash assets	2.3	2.3	2.3
Receivables	23.3	23.3	23.3
Other financial assets	0.1	0.1	0.1
Total administered assets	25.6	25.6	25.6
Administered liabilities			
Payables	0.1	0.1	0.1
Other	5.3	5.3	5.3
Total administered liabilities	5.5	5.5	5.5

Source: Departments of Sustainability and Environment and Treasury and Finance

DEPARTMENT OF TREASURY AND FINANCE

Table C.9.1: Statement of financial performance

	(\$ million)		
	2003-04 <i>Actual</i>	2004-05 <i>Budget</i>	2004-05 <i>Revised</i>
Revenue from ordinary activities			
Output appropriations	180.4	185.4	183.9
Sale of goods and services	..	0.3	0.3
Other revenue and revenue from other parties	86.9	53.1	58.2
	267.3	238.8	242.5
Expenses from ordinary activities			
Employee benefits	73.6	78.4	82.0
Depreciation and amortisation	69.0	50.7	40.3
Grants and other payments	5.9	5.2	5.2
Capital asset charge	15.7	17.6	21.4
Supplies and services	64.4	68.8	74.2
Financing costs	17.5	12.5	18.7
Other expenses from ordinary activities	15.2	12.9	12.9
	261.3	246.1	254.8
Net result for the reporting period	6.0	(7.3)	(12.3)
Net increase in asset revaluation reserve	62.1	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	68.1	(7.3)	(12.3)

Source: Department of Treasury and Finance

Table C.9.2: Statement of cash flows

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	177.6	172.9	191.0
Receipts from other entities	(3.9)	0.3	0.3
Payments for supplies, grants and employees	(156.3)	(169.0)	(176.0)
	17.3	4.3	15.4
Interest received	0.0	..	5.1
Capital asset charge	(15.7)	(17.6)	(21.4)
Financing costs expense	(26.6)	(20.6)	(26.8)
Other receipts	106.9	65.0	65.0
Net cash inflow from operating activities	81.9	31.1	37.3
Cash flows from investing activities			
Payments for property, plant and equipment	(8.2)	34.0	(34.8)
Proceeds from sale of property, plant and equipment	0.3	..	..
Net disposal (+) of investments	0.1	..	..
Net cash (outflow) from investing activities	(7.8)	34.0	(34.8)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government	(0.6)	20.3	15.0
Net proceeds from borrowings	(49.9)	(85.4)	(15.7)
Net cash inflows/(outflow) from financing activities	(50.6)	(65.1)	(0.7)
Net increase/(decrease) in cash held	23.5	..	1.8
Cash at the beginning of the financial year	10.2	33.7	38.7
Cash at the end of the financial year	33.7	33.7	40.4

Source: Department of Treasury and Finance

Table C.9.3: Statement of financial position

(\$ million)

	<i>Estimated as at 30 June</i>		
	<i>2004</i>	<i>2005</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>
Current assets			
Cash assets	33.7	33.7	40.4
Other financial assets	0.2	0.2	0.2
Receivables	11.9	11.9	11.9
Inventories	0.4	0.4	0.4
Prepayments	1.1	1.1	1.1
Other	3.9	3.9	3.9
Total current assets	51.2	51.2	58.0
Non-current assets			
Receivables	117.9	130.4	197.1
Inventories	25.7	25.7	25.7
Property, plant and equipment	350.5	247.7	251.5
Intangible assets	..	7.2	15.7
Other	70.3	69.3	68.6
Total non-current assets	564.5	480.4	558.6
Total assets	615.7	531.6	616.6
Current liabilities			
Payables	19.7	19.7	19.7
Interest-bearing liabilities	92.8	84.7	89.7
Employee provisions	9.2	7.9	8.7
Other	47.5	43.8	43.8
Total current liabilities	169.2	156.1	161.9
Non-current liabilities			
Interest-bearing liabilities	117.1	31.8	120.0
Employee provisions	11.1	12.4	13.7
Total non-current liabilities	128.2	44.1	133.7
Total liabilities	297.4	200.2	295.5
Net assets	318.3	331.4	321.0
Equity			
Contributed capital	98.6	118.9	113.6
Reserves	116.2	116.2	116.2
Accumulated surplus	103.6	96.3	91.3
Total equity	318.3	331.4	321.0

Source: Department of Treasury and Finance

Table C.9.4: Administered items statement

(\$ million)

	2003-04 Actual	2004-05 Budget	2004-05 Revised
Administered revenue			
Appropriations - Payments made on behalf of the State	798.2	1 661.7	1 101.8
Special appropriations	1 897.1	197.6	697.2
Sale of goods and services	6.5	7.1	6.4
Commonwealth grants	7 185.7	7 287.7	7 569.7
Taxes	7 466.7	7 510.6	7 495.9
Fees	8.3	8.2	8.2
Other	2 784.8	3 389.2	3 325.1
Total administered revenue	20 147.2	20 062.1	20 204.3
Administered expenses			
Expenses on behalf of the State	482.8	2 039.7	523.0
Grants and other payments	1 505.2	462.2	442.3
Payments into the Consolidated Fund	17 203.5	18 255.7	18 790.6
Total administered expenses	19 191.5	20 757.5	19 755.9
Revenue less expenses	955.7	(695.4)	448.4
Administered assets			
Cash assets	257.0	335.4	257.4
Receivables	(690.7)	(369.1)	(662.6)
Other financial assets	1 491.5	1 294.8	1 380.3
Prepayments	6.3	6.3	6.3
Property, plant and equipment	0.8	87.5	2.1
Total administered assets	1 064.8	1 354.9	983.6
Administered liabilities			
Payables	76.9	76.9	76.9
Interest-bearing liabilities	5 071.8	5 383.1	5 301.2
Employee provisions	11 710.5	12 452.0	11 037.5
Amounts owing to other departments	87.3	86.3	86.3
Other	1 559.5	1 528.9	1 474.1
Total administered liabilities	18 505.9	19 527.2	17 976.0

Source: Department of Treasury and Finance

DEPARTMENT FOR VICTORIAN COMMUNITIES

Table C.10.1: Statement of financial performance

	(\$ million)		
	2003-04 <i>Actual</i>	2004-05 <i>Budget</i>	2004-05 <i>Revised</i>
Revenue from ordinary activities			
Output appropriations	278.6	423.4	378.1
Special appropriations	40.0	..	90.5
Sale of goods and services	1.7	..	..
Other revenue and revenue from other parties	144.9	117.2	27.6
	465.2	540.6	496.3
Expenses from ordinary activities			
Employee benefits	40.7	47.8	48.8
Depreciation and amortisation	4.9	9.0	8.5
Grants and other payments	383.3	435.7	397.4
Capital asset charge	5.1	6.1	6.1
Supplies and services	47.6	60.0	50.4
Financing costs	0.1	..	..
Other expenses from ordinary activities	4.5	..	..
	486.2	558.6	511.2
Net result for the reporting period	(21.0)	(17.9)	(15.0)
Net increase in asset revaluation reserve	36.6	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	15.6	(17.9)	(15.0)

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

Table C.10.2: Statement of cash flows

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	296.7	418.1	462.8
Receipts from other entities	42.9	4.0	22.8
Payments for supplies, grants and employees	(378.8)	(434.4)	(546.2)
	(39.2)	(12.3)	(60.5)
Interest received	6.3	4.1	4.1
Capital asset charge	(5.1)	(6.1)	(6.1)
Financing costs expense	(0.1)	..	..
Other receipts	(12.9)	..	..
Net cash inflow from operating activities	(50.9)	(14.2)	(62.5)
Cash flows from investing activities			
Payments for property, plant and equipment	(8.1)	(57.0)	(76.4)
Net disposal (+) of investments	10.0	34.5	32.2
Net cash (outflow) from investing activities	1.9	(22.4)	(44.2)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government	26.7	53.4	124.1
Net proceeds from borrowings	0.1	..	..
Net cash inflows/(outflow) from financing activities	26.9	53.4	124.1
Net increase/(decrease) in cash held	(22.2)	16.7	17.4
Cash at the beginning of the financial year	35.5	13.3	13.3
Cash at the end of the financial year	13.3	30.1	30.8

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

Table C.10.3: Statement of financial position

(\$ million)

	<i>Estimated as at 30 June</i>		
	<i>2004</i>	<i>2005</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>
Current assets			
Cash assets	13.3	30.1	30.8
Other financial assets	89.0	54.5	56.8
Receivables	16.0	16.0	16.0
Inventories	0.7	0.7	0.7
Other	6.0	6.0	6.0
Total current assets	125.1	107.3	110.3
Non-current assets			
Receivables	27.3	32.7	33.1
Property, plant and equipment	90.7	140.4	157.5
Intangible assets	0.8	0.8	0.8
Other	173.3	171.7	221.6
Total non-current assets	292.2	345.5	413.0
Total assets	417.3	452.8	523.3
Current liabilities			
Payables	23.6	23.6	67.0
Employee provisions	4.1	4.1	4.2
Other	0.2	0.2	0.2
Total current liabilities	28.0	28.0	71.5
Non-current liabilities			
Interest-bearing liabilities	0.1	0.1	0.1
Employee provisions	7.3	7.3	7.5
Total non-current liabilities	7.4	7.4	7.6
Total liabilities	35.4	35.4	79.1
Net assets	382.0	417.5	444.2
Equity			
Contributed capital	380.9	434.3	458.1
Reserves	42.4	42.4	42.4
Accumulated deficit	(41.3)	(59.3)	(56.3)
Total equity	382.0	417.4	444.2

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

Table C.10.4: Administered items statement

(\$ million)

	2003-04 Actual	2004-05 Budget	2004-05 Revised
Administered revenue			
Appropriations - Payments made on behalf of the State	16.5	17.8	18.5
Special appropriations	100.7	109.1	..
Sale of goods and services	5.4	5.9	5.9
Commonwealth grants	396.2	417.2	361.1
Other grants	2.8	..	..
Fees	4.5	4.1	4.1
Total administered revenue	526.1	554.2	389.7
Administered expenses			
Expenses on behalf of the State	100.7	109.1	..
Grants and other payments	372.4	385.0	379.4
Payments into the Consolidated Fund	52.9	60.1	10.3
Total administered expenses	526.0	554.2	389.7
Revenue less expenses	0.2	..	..
Administered assets			
Receivables	0.3	0.3	0.3
Total administered assets	0.3	0.3	0.3
Administered liabilities			
Other	0.1	0.1	0.1
Total administered liabilities	0.1	0.1	0.1

Source Department for Victorian Communities and Department of Treasury and Finance

PARLIAMENT OF VICTORIA

Table C.11.1: Statement of financial performance

	(\$ million)		
	2003-04 <i>Actual</i>	2004-05 <i>Budget</i>	2004-05 <i>Revised</i>
Revenue from ordinary activities			
Output appropriations	84.2	87.1	87.5
Special appropriations	32.1	34.4	34.4
Sale of goods and services	1.4	..	..
Other revenue and revenue from other parties	0.2	..	..
	117.9	121.5	121.9
Expenses from ordinary activities			
Employee benefits	71.4	72.6	73.2
Depreciation and amortisation	4.8	5.1	5.1
Grants and other payments	0.1	0.5	0.5
Capital asset charge	0.8	1.2	1.2
Supplies and services	35.9	42.1	41.9
	113.0	121.5	121.9
Net result for the reporting period	4.8	..	..
Net increase in asset revaluation reserve	6.2	..	..
Total changes in equity other than those resulting from transactions with the State in its capacity as owner	11.0	..	..

Source: Parliament of Victoria and Department of Treasury and Finance

Table C.11.2: Statement of cash flows

	(\$ million)		
	2003-04 Actual	2004-05 Budget	2004-05 Revised
Cash flows from operating activities			
Receipts from Government	108.3	118.8	118.7
Receipts from other entities	1.5	..	..
Payments for supplies, grants and employees	(107.0)	(115.0)	(115.4)
	2.8	3.9	3.4
Capital asset charge	(0.8)	(1.2)	(1.2)
Other receipts	(0.1)	..	..
Net cash inflow from operating activities	1.9	2.7	2.2
Cash flows from investing activities			
Payments for property, plant and equipment	(3.4)	(6.7)	(6.2)
Net cash (outflow) from investing activities	(3.4)	(6.7)	(6.2)
Cash flows from financing activities			
Net proceeds from capital contribution by State Government	0.1	4.1	4.1
Net proceeds from borrowings	1.2	..	..
Net cash inflows/(outflow) from financing activities	1.3	4.1	4.1
Net increase/(decrease) in cash held	(0.2)	..	..
Cash at the beginning of the financial year	0.2	..	..
Cash at the end of the financial year	..	..	..

Source: Parliament of Victoria and Department of Treasury and Finance

Table C.11.3: Statement of financial position

(\$ million)

	<i>Estimated as at 30 June</i>		
	<i>2004</i>	<i>2005</i>	<i>2005</i>
	<i>Actual</i>	<i>Budget</i>	<i>Revised</i>
Current assets			
Receivables	0.8	0.8	0.8
Inventories	0.1	0.1	0.1
Prepayments	0.8	0.8	0.8
Total current assets	1.7	1.7	1.7
Non-current assets			
Receivables	24.2	26.9	27.4
Property, plant and equipment	182.2	183.8	183.3
Other	11.4	11.4	11.4
Total non-current assets	217.8	222.1	222.1
Total assets	219.5	223.8	223.8
Current liabilities			
Payables	2.3	2.3	2.3
Interest-bearing liabilities	1.3	1.3	1.3
Employee provisions	4.1	4.1	4.1
Other	0.4	0.4	0.4
Total current liabilities	8.2	8.2	8.2
Non-current liabilities			
Interest-bearing liabilities	0.8	0.8	0.8
Employee provisions	4.1	4.3	4.3
Total non-current liabilities	4.9	5.1	5.1
Total liabilities	13.1	13.3	13.3
Net assets	206.4	210.4	210.4
Equity			
Contributed capital	147.6	151.6	151.6
Reserves	47.3	47.3	47.3
Accumulated surplus	11.6	11.6	11.6
Total equity	206.4	210.4	210.4

Source: Parliament of Victoria and Department of Treasury and Finance

Table C.11.4: Administered items statement

(\$ million)

	2003-04 Actual	2004-05 Budget	2004-05 Revised
Administered revenue			
Sale of goods and services	14.2	14.6	14.6
Other	0.1	..	..
Total administered revenue	14.3	14.6	14.6
Administered expenses			
Payments into the Consolidated Fund	15.2	14.6	14.6
Total administered expenses	15.2	14.6	14.6
Revenue less expenses	(0.9)	..	..
Administered assets			
Receivables	2.7	2.7	2.7
Total administered assets	2.7	2.7	2.7
Administered liabilities			
Total administered liabilities	..	..	..

Source: Parliament of Victoria and Department of Treasury and Finance

APPENDIX D – QUARTERLY FINANCIAL REPORT FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

This appendix provides the quarterly financial results to March 2005 for the 2004-05 financial year. Actuals are on track to meet the revised 2004-05 estimates as presented in Appendix B, *Revised 2004-05 Budget Outcome*. The alternative presentation of the 2004-05 revised general government sector operating statement (refer to Table D.1) has been constructed in accordance with the format developed and presented in Appendix C of the *2004-05 Mid-Year Financial Report*, to meet Australian equivalents to International Financial Reporting Standards (A-IFRS).

OPERATING STATEMENT – A-IFRS PRESENTATION

Table D.1 shows the March quarter result prepared under existing accounting standards but presented in the format adopted for the purposes of A-IFRS. Under this framework, the net result from transactions for the nine months to 31 March 2005 was a surplus of \$836 million. This result reflects seasonal expenditure patterns and the normal seasonal pattern of revenue.

The alternative operating statement distinguishes income and expenses relating to transactions from those relating to other economic flows in order to identify the items over which government has direct control. The key difference is in relation to superannuation. The portion of superannuation that is not within government control is recognised below the line as part of the net result from other economic flows. The net result from other economic flows in Table D.1 shows that significant superannuation gains reported in the March quarter have been driven by higher than expected returns on equity markets. However, because this is dependent on market performance, rather than government actions, it is not recognised as part of the total expenses from transactions, which is the operating surplus measure targeted by government.

Further details on the new format of the operating statement is provided in Appendix B, *Revised 2004-05 Budget Outcome*.

Alternative statement of financial performance presentation

Table D.1: Operating statement under A-IFRS^(a)

	2004-05 Actual to Mar.
(\$ million)	
Income from transactions	
Taxation	8 007.9
Fines and regulatory fees	472.6
Investment income	878.9
Grants income	9 799.4
Sales of goods and services	1 693.8
Fair value of assets received free of charge or for nominal consideration	6.9
Inter-sector capital asset charge	449.3
Other income	588.6
Total income from transactions	21 897.2
Expenses from transactions	
Employee benefits	7 889.1
Superannuation	1 419.9
Depreciation and amortisation	838.0
Financing costs	332.9
Grants and transfer payments	3 771.0
Supplies and services	6 807.0
Other expenses	3.4
Total expenses from transactions	21 061.3
Net result from transactions	836.0
Income/(expenses) from other economic flows	
Net gain/(loss) from disposal of physical assets	39.9
Other income from other economic flows	13.2
Actuarial gains/(losses) on superannuation defined benefit plans	950.0
Other expenses from other economic flows	(215.3)
Net result from other economic flows	787.7
Net result	1 623.7
Total income	21 950.2
Total expenses	20 326.6
Gain/(loss) on revaluation of properties	(10.5)
Total changes in equity other than contributions to other sectors by the State in its capacity as owner	1 613.2

Note:

(a) The figures presented in this table are compiled under the existing Australian Accounting Standards but have been re-presented in the A-IFRS operating statement format.

QUARTERLY FINANCIAL REPORT FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

As A-IFRS does not apply until 1 July 2005, the following tables have been prepared on existing accounting standards to meet legislative reporting requirements for 2004-05.

Under this framework, the net result for the nine months to 31 March 2005 was a surplus of \$1 624 million, compared with the revised budget estimate for 2004-05 of \$1 282 million. This result reflects seasonal expenditure patterns and the reduced superannuation expense due to better than expected returns in the equity markets.

Net assets were \$27 609 million compared to the same period last year at \$24 401 million. The decline in liabilities is primarily due to a reduced amount of unfunded superannuation liabilities stemming from the better than expected investment returns mentioned above.

FINANCIAL STATEMENTS FOR THE GENERAL GOVERNMENT SECTOR

Statement of financial performance for the period ended 31 March

(\$ million)

2003-04 Actual to Mar.	Notes	2004-05	
		Actual to Mar.	Revised Budget
Revenue from ordinary activities			
7 692.3	2	8 007.9	10 355.6
457.2		472.6	627.8
591.7	3	877.0	1 345.9
9 212.0	4	9 799.4	13 364.5
1 643.3		1 693.8	2 313.1
20.8		39.9	12.9
0.0		6.9	1.6
385.5		449.3	599.4
500.5		603.6	776.0
20 503.4		21 950.2	29 396.7
Expenses from ordinary activities			
7 244.3		7 889.1	10 625.3
552.6		469.9	780.0
744.0	5	781.3	1 112.3
63.6		56.7	56.6
351.1		336.7	482.2
4 412.4		3 771.0	5 196.6
6 157.4		6 807.0	9 633.4
101.5		214.8	228.8
19 626.9	6	20 326.6	28 115.2
876.4		1 623.7	1 281.5
177.3		(10.5)	5 577.0
1 053.8		1 613.2	6 858.6
contributions to other sectors by the State in its capacity as owner			

The accompanying notes form part of the financial statements.

Statement of financial position as at 31 March

(\$ million)

2003-04 Actual 31 Mar.	Notes	Opening 1 July	2004-05 Actual 31 Mar. Revised Budget	
Current assets				
1 531.0		1 300.9	1 782.1	1 312.2
1 294.0		2 489.1	2 570.4	2 370.4
1 732.5	7	1 592.4	2 178.1	1 662.7
418.7		86.9	473.1	87.6
111.4		135.5	113.0	111.9
5 087.6		5 604.5	7 116.7	5 544.9
Non-current assets				
2 588.1		557.7	334.6	591.8
397.2	7	407.4	283.4	393.8
32.3		31.6	31.3	33.3
20 076.7	8	22 682.3	22 634.4	27 976.8
2 164.9	9	2 271.3	2 275.3	2 338.6
16 639.8	10	16 322.1	16 378.4	17 001.8
3 289.5	11	3 206.1	3 096.4	3 306.5
45 188.5		45 478.4	45 033.8	51 642.7
50 276.1		51 082.9	52 150.4	57 187.5
Current liabilities				
1 418.5		1 933.1	1 833.8	1 960.6
141.9		191.5	196.8	188.3
994.8	12	1 011.1	1 037.2	1 036.8
271.5		150.9	51.8	0.0
7.1		63.6	44.9	71.8
666.4		507.6	752.1	496.7
3 500.2		3 857.8	3 916.6	3 754.2
Non-current liabilities				
1 397.9		1 301.4	1 249.9	1 230.1
6 103.3		5 316.0	5 330.8	5 620.9
1 872.4	12	1 966.1	1 982.1	2 166.4
12 499.6		11 559.8	11 252.9	10 963.6
195.7		340.1	355.3	352.8
306.6		463.3	453.5	456.6
22 375.3		20 946.5	20 624.4	20 790.3
25 875.5		24 804.3	24 541.0	24 544.5
24 400.6		26 278.6	27 609.4	32 643.0

The accompanying notes form part of the financial statements.

Statement of cash flows for the period ended 31 March

(\$ million)

2003-04 Actual to Mar.	Notes	2004-05	
		Actual to Mar.	Revised Budget
Cash flows from operating activities			
Receipts			
7 196.8	Taxation	7 425.1	10 275.2
377.4	Fines and regulatory fees	357.2	518.9
9 475.8	Grants	10 098.5	13 362.2
1 549.0	Sale of goods and services	1 905.7	2 312.4
266.0	Interest received	243.5	355.5
153.8	Dividends received	431.4	512.1
385.5	Capital asset charge received	449.3	599.4
737.3	Other receipts	886.7	1 263.4
20 141.6	Total receipts	21 797.3	29 199.0
Payments			
(7 175.0)	Employee benefits	(7 847.1)	(10 399.3)
(1 218.7)	Superannuation	(875.9)	(1 527.0)
(342.7)	Interest paid	(300.8)	(423.0)
(3 499.8)	Grants and transfer payments	(4 200.5)	(5 298.3)
(6 260.7)	Supplies and services	(6 926.9)	(9 304.0)
(18 496.8)	Total payments	(20 151.1)	(26 951.7)
1 644.7	Net cash flows from operating activities	1 646.2	2 247.4
Cash flows from investing activities			
(1 137.1)	Purchase of property, plant and equipment	(1 117.1)	(2 197.5)
71.6	Proceeds from sale of property, plant and equipment	74.6	71.6
113.0	Net (purchase)/disposal of investments	141.1	107.5
(10.8)	Net customer loans (granted)/repaid	10.8	10.6
(261.1)	Net contributions to other sectors of government	(231.9)	(514.2)
(1 224.4)	Net cash flows from investing activities	(1 122.7)	(2 522.0)
Cash flows from financing activities			
(21.9)	Net repayment of borrowings	(44.6)	283.3
(21.9)	Net cash flows from financing activities	(44.6)	283.3
398.4	Net increase/(decrease) in cash and deposits held	478.9	8.7
1 107.8	Cash and deposits at beginning of period	1 295.2	1 295.2
1 506.2	Cash and deposits at end of reporting period	1 774.1	1 303.9

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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Note 1: Statement of significant accounting policies

The following summarises the significant accounting policies that have been adopted in preparing and presenting this Quarterly Financial Report.

(A) Compliance framework

This report is the unaudited general-purpose consolidated financial report of the general government sector for the quarter ending 31 March 2005 and the period July 2004 to March 2005 as required by Section 26 of the *Financial Management Act 1994*.

The Quarterly Financial Report has been prepared in accordance with the *Financial Management Act 1994*, relevant Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements.

The accounting policies applied are consistent with those of the *2003-04 Financial Report for the State of Victoria* and the *2004-05 Mid-Year Financial Report*, which should be read in conjunction with this report. This quarterly report only includes explanatory notes that provide relevant information on a quarterly reporting basis.

(B) Basis of accounting and measurement

The accrual basis of accounting has been employed in the preparation of this financial report whereby assets, liabilities, equity, revenues and expenses are recognised in the reporting period to which they relate, regardless of when cash will be received or paid. The opening balances of 1 July 2004 represent the actual audited values as at 30 June 2004.

(C) General government sector reporting entity

The budget sector is defined as being the same as the general government sector and includes all government departments, offices and other government bodies engaged in providing services free of charge or at prices significantly below their cost of production. The services provided by these entities are financed mainly through taxes, other compulsory levies and user charges. The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity.

(D) Basis of consolidation

The Quarterly Financial Report includes all reporting entities in the general government sector that are controlled by the State. Details of entities consolidated for the general government sector are included in Budget Paper No. 4, Chapter 1, Note 19.

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)

2003-04 Actual to Mar.	2004-05	
	Actual to Mar.	Revised Budget
2 025.5 Payroll tax	2 256.9	2 994.0
Taxes on immovable property		
718.8 Land tax	890.4	854.6
82.3 Metropolitan improvement levy	88.9	88.4
25.3 Property owner contributions to fire brigades	28.5	32.0
826.4 Total taxes on immovable property	1 007.7	975.0
Financial and capital transactions		
1 823.8 Land transfers	1 740.9	2 235.7
180.9 Stamp duty on mortgages	13.4	13.6
38.9 Rental business stamp duty	39.0	54.5
5.8 Other property stamp duty	6.1	10.5
190.7 Debits tax	196.2	256.8
4.9 Financial accommodation levy	8.5	10.9
2 245.0 Total financial and capital transactions	2 004.1	2 582.0
.. Levies on statutory corporations	..	44.7
Gambling taxes		
235.9 Private lotteries	227.4	307.8
606.6 Electronic gaming machines	628.2	842.6
72.8 Casino	80.0	109.8
81.6 Racing	88.5	112.5
2.4 Other	2.7	3.3
999.3 Total gambling taxes	1 026.7	1 376.0
717.1 Taxes on insurance	757.2	1 019.9
Motor vehicle taxes ^(a)		
332.0 Vehicle registration fees	392.7	670.9
507.2 Stamp duty on vehicle transfers	512.5	561.0
839.2 Total motor vehicle taxes	905.1	1 231.9
39.8 Other taxes	50.3	132.1
7 692.3 Total taxation revenue	8 007.9	10 355.6

Note:

(a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Note 3: Investment revenue

(\$ million)

2003-04 Actual to Mar.	2004-05	
	Actual to Mar.	Revised Budget
153.5 Dividends	431.1	512.1
259.2 Interest	238.7	355.8
(21.7) Investment gain/(losses)	(1.9)	22.9
21.8 Royalties	10.0	43.3
14.3 Rents	12.3	15.2
164.5 Other investment revenue	186.6	396.5
591.7 Total investment revenue	877.0	1 345.9

Note 4: Grants revenue

(\$ million)

2003-04 Actual to Mar.	2004-05	
	Actual to Mar.	Revised Budget
Specific purpose grants		
601.9 Education and Training	485.5	805.7
1 944.9 Human Services	2 071.4	2 778.6
44.4 Infrastructure	88.1	182.4
0.2 Innovation, Industry and Regional Development	0.2	0.2
57.8 Justice	37.8	47.9
.. Parliament	..	..
0.3 Victorian Communities	..	0.3
2.9 Premier and Cabinet	1.3	..
18.1 Primary Industries	8.0	14.2
36.5 Sustainability and Environment	58.0	54.6
42.4 Treasury and Finance	15.5	5.7
20.9 Regulatory bodies and other part budget funded agencies	21.4	28.9
Grants for on-passing ^(a)		
909.5 Education and Training	1 030.0	1 343.8
266.9 Victorian Communities	270.6	360.9
3 946.7 Total specific purpose and on-passing grants	4 087.7	5 623.1
5 191.4 General purpose Commonwealth grants	5 569.9	7 564.0
5.8 Inter-sector grants	64.9	61.7
68.2 Other specific purpose grants ^(b)	76.9	115.6
9 212.0 Total grants	9 799.4	13 364.5

Notes:

- (a) Grants for on-passing represent grants made by the Commonwealth Government to state governments to be passed on to third parties, such as non-government schools and local governments.
- (b) Specific purpose grants not allocated to departments.

Note 5: Depreciation

(\$ million)

2003-04 Actual to Mar.	2004-05	
	Actual to Mar.	Revised Budget
353.0 Plant, equipment and infrastructure	334.3	485.4
218.4 Buildings	224.0	323.9
162.0 Road networks	211.0	286.8
10.6 Other assets	12.0	16.3
744.0 Total depreciation	781.3	1 112.3

Note 6: Total expenses from ordinary activities by department

(\$ million)

2003-04 Actual to Mar.		2004-05	
		Actual to Mar.	Revised Budget
Expenses from ordinary activities			
5 894.2	Education and Training	6 347.7	8 588.3
7 187.9	Human Services	7 885.5	10 763.3
1 560.6	Infrastructure	2 558.0	3 443.3
216.7	Innovation, Industry and Regional Development	211.8	374.5
1 771.7	Justice	1 850.9	2 565.7
81.7	Parliament	83.8	121.9
302.5	Premier and Cabinet	334.1	460.1
220.6	Primary Industries	236.6	347.1
728.0	Sustainability and Environment	707.0	995.6
2 386.1	Treasury and Finance	801.0	1 207.2
613.2	Victorian Communities	628.9	890.7
..	Contingencies not allocated to departments ^(a)	..	(51.5)
575.5	Regulatory bodies and part budget funded agencies ^(b)	695.9	986.0
21 538.8	Total	22 341.2	30 691.9
(1 911.9)	Eliminations ^(c)	(2 014.6)	(2 576.8)
19 626.9	Total expenses from ordinary activities	20 326.6	28 115.2

Notes:

- (a) Departmental expenses will be supplemented for certain costs that are provided for in contingencies.
- (b) Includes other general government sector agencies that receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to portfolios.
- (c) Mainly comprising of payroll tax, capital asset charge and inter-departmental and inter-agencies transfers.

Note 7: Receivables

(\$ million)

2003-04 Actual 31 Mar.		Opening 1 July	2004-05	
			Actual 31 Mar.	Revised Budget
Current				
410.9	Sale of goods and services	403.8	538.0	429.3
813.9	Taxes receivable	463.5	1 029.0	465.0
558.8	Fines and regulatory fees	573.9	659.9	682.8
92.7	Accrued investment income	186.2	56.7	147.5
3.3	Loans	3.6	3.7	(8.9)
137.9	Other receivables	146.6	176.8	210.5
114.2	GST credits receivables	213.2	137.9	212.4
(399.0)	Provision for doubtful debts	(398.6)	(423.9)	(475.9)
1 732.5	Total current receivables	1 592.4	2 178.1	1 662.7
Non-current				
2.7	Sale of goods and services	14.2	12.8	36.2
173.0	Taxes receivable	189.2	206.5	268.1
214.3	Loans	201.2	61.1	73.9
12.9	Other receivables	8.7	9.0	21.6
(5.7)	Provision for doubtful debts	(5.9)	(5.9)	(5.9)
397.2	Total non-current receivables	407.4	283.4	393.8
2 129.8	Total receivables	1 999.8	2 461.5	2 056.5

Note 8: Land and buildings

(\$ million)

2003-04 Actual 31 Mar.		Opening 1 July	2004-05	
			Actual 31 Mar.	Revised Budget
11 803.9	Buildings	12 445.2	13 032.8	13 886.6
(670.7)	Accumulated depreciation	(627.1)	(895.7)	(963.4)
11 133.2	Buildings (written down value)	11 818.1	12 137.1	12 923.2
7 995.3	Land	9 915.9	9 548.9	14 105.4
948.2	National parks and other 'land only' holdings	948.2	948.5	948.2
8 943.5	Land	10 864.2	10 497.4	15 053.7
20 076.7	Total land and buildings	22 682.3	22 634.4	27 976.8

Note 9: Plant, equipment and infrastructure systems other than roads

(\$ million)

2003-04		2004-05		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
351.5	Infrastructure systems	336.8	318.6	418.5
(29.5)	Accumulated depreciation	(22.8)	(25.7)	(44.7)
322.0	Infrastructure systems (written down value)	314.0	292.8	373.8
3 728.3	Plant, equipment and vehicles	3 896.4	4 249.0	4 359.0
(2 079.0)	Accumulated depreciation	(2 115.4)	(2 372.8)	(2 482.5)
256.2	Leased plant, equipment and vehicles	237.9	164.7	139.8
(62.7)	Accumulated depreciation	(61.7)	(58.4)	(51.4)
1 842.9	Plant, equipment and vehicles (written down value)	1 957.3	1 982.5	1 964.8
2 164.9	Total plant, equipment and infrastructure systems	2 271.3	2 275.3	2 338.6

Note 10: Road networks

(\$ million)

2003-04		2004-05		
Actual		Opening	Actual	Revised
31 Mar.		1 July	31 Mar.	Budget
4 399.9	Road infrastructure	4 477.2	4 477.2	4 629.8
(1 450.3)	Road infrastructure accumulated depreciation	(1 512.5)	(1 555.9)	(1 577.5)
13 456.6	Roads	13 850.5	14 117.8	14 664.5
(4 721.3)	Roads accumulated depreciation	(4 885.8)	(5 053.4)	(5 107.6)
4 954.8	Earthworks	4 392.6	4 392.6	4 392.6
16 639.8	Total road network	16 322.1	16 378.4	17 001.8

Note 11: Other assets

(\$ million)

2003-04 Actual 31 Mar.		Opening 1 July	2004-05	
			Actual 31 Mar.	Revised Budget
Non-current				
2 886.6	Cultural assets	2 890.5	2 789.6	2 966.3
(66.5)	Accumulated depreciation	(63.8)	(73.0)	(78.5)
2 820.1	Cultural assets (written down value) ^(a)	2 826.7	2 716.6	2 887.8
152.4	Intangibles	175.4	186.4	197.0
(55.0)	Amortisation	(62.2)	(59.2)	(68.6)
97.5	Intangibles (written down value)	113.2	127.1	128.4
258.2	Natural resource reserves at valuation	141.2	107.1	115.5
113.7	Other assets	125.0	145.5	174.8
3 289.5	Total non-current other assets	3 206.1	3 096.4	3 306.5
3 289.5	Total other assets	3 206.1	3 096.4	3 306.5

Note:

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

Note 12: Employee benefits

(\$ million)

2003-04 Actual 31 Mar.		Opening 1 July	2004-05	
			Actual 31 Mar.	Revised Budget
Current				
753.4	Accrued salaries and wages, including other benefits ^(a)	824.5	760.7	841.7
241.5	Long service leave	186.7	276.5	195.1
994.8	Total current employee benefits	1 011.1	1 037.2	1 036.8
Non-current				
5.5	Accrued salaries and wages, including other benefits ^(a)	4.9	6.4	4.9
1 866.9	Long service leave	1 961.2	1 975.7	2 161.5
1 872.4	Total non-current employee benefits	1 966.1	1 982.1	2 166.4
2 867.2	Total employee benefits	2 977.2	3 019.2	3 203.2

Note:

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

Note 13: Reconciliation of the operating surplus to net cash flows from operating activities for the period ended 31 March

(\$ million)

2003-04 Actual to Mar.	2004-05 Actual to Mar.
876.4 Result from ordinary activities	1 623.7
Non-cash movements	
744.0 Depreciation	781.3
63.6 Amortisation	56.7
(4.5) Revaluation of investments	(4.7)
0.0 Assets received/given free of charge	353.8
(7.0) Assets previously not recognised	(15.0)
13.9 Revaluation of fixed assets	22.2
20.6 Discount/premium on investments/interest bearing liabilities	4.0
.. Bad and doubtful debts from customer loans	129.3
Movements included in investing/financing activities	
(20.8) Net revenue from sale of property, plant and equipment	(39.9)
7.5 Net revenue from sale of investments	6.5
10.5 Realised gains/(losses) on interest bearing liabilities	3.8
Movements in assets and liabilities	
51.2 Increase/(decrease) in provision of doubtful debts	25.3
1 150.3 Increase/(decrease) in payables	(177.4)
62.5 Increase/(decrease) in employee benefits	42.0
(666.2) Increase/(decrease) in superannuation	(406.0)
8.7 Increase/(decrease) in insurance claims liabilities	(3.4)
202.4 Increase/(decrease) in other liabilities	234.7
(518.7) (Increase)/decrease in receivables	(578.9)
(349.8) (Increase)/decrease in other current assets	(411.9)
1 644.7 Net cash flows from operating activities	1 646.2

Note 14: Public Account

Consolidated Fund receipts and payments

(\$ million)			
2003-04 Actual to Mar.	2004-05 Actual to Mar. Revised Budget		
Receipts			
7 131.8	Taxation	7 339.1	10 199.6
239.5	Fines and regulatory fees	252.3	395.1
7 670.8	Grants received	8 147.0	11 186.1
412.0	Sales of goods and services	411.6	604.7
89.3	Interest received	60.2	151.6
341.5	Public authority receipts	715.4	883.2
1 409.1	Other receipts	1 712.3	2 403.2
17 293.9	Total operating activities	18 637.8	25 823.5
38.3	Total inflows from investing and financing	121.9	63.8
17 332.2	Total receipts	18 759.8	25 887.3
Payments to Departments			
4 382.1	Education and Training	4 667.9	6 204.7
6 296.9	Human Services	7 157.9	9 856.1
1 937.6	Infrastructure	2 288.7	3 208.2
251.5	Innovation, Industry and Regional Development	256.9	408.8
1 741.3	Justice	1 851.9	2 493.5
300.6	Premier and Cabinet	288.5	427.8
194.0	Primary Industries	238.9	330.8
606.1	Sustainability and Environment	553.5	866.7
1 275.7	Treasury and Finance	1 205.8	1 916.5
298.6	Victorian Communities	413.2	562.1
80.0	Parliament	82.9	122.8
17 364.4	Total payments	19 006.1	26 398.0
(32.2)	Net receipts	(246.3)	(510.6)

Trust Fund cash flow statement

(\$ million)

2003-04 Actual to Mar.	2004-05	
	Actual to Mar.	Revised Budget
Cash flows from operating activities		
Receipts		
105.2 Taxation	115.7	124.9
29.5 Regulatory fees and fines	34.7	40.8
1 924.6 Grants received	1 985.8	2 144.4
82.5 Sale of goods and services	117.3	169.8
57.5 Interest received	67.3	70.9
4 856.2 Other receipts	5 461.1	7 467.0
7 055.5 Total receipts	7 781.9	10 017.9
Payments		
(50.3) Employee entitlements	(51.4)	(63.4)
(4.3) Superannuation	(4.0)	(4.9)
(0.2) Interest paid	(3.5)	(5.2)
(5 430.2) Grants paid	(6 038.2)	(8 044.7)
(1 524.0) Supplies and consumables	(1 497.6)	(1 981.3)
(32.4) Other payments	..	..
(7 041.4) Total payments	(7 594.7)	(10 099.5)
14.1 Net cash flows from operating activities	187.2	(81.6)
Cash flows from investing activities		
(59.1) Net proceeds from customer loans	0.0	..
1.1 Proceeds from sale of property, plant and equipment	1.0	..
(2.7) Purchases of property, plant and equipment	(31.8)	(12.3)
(49.8) Other investing activities	(30.2)	(33.8)
(110.5) Net cash flows from investing activities	(61.0)	(46.1)
Cash flows from financing activities		
12.4 Net proceeds (repayments) from borrowings	31.3	88.6
Other financing		
12.4 Net cash flows from financing activities	31.3	88.6
(83.9) Net cash inflow/(outflow)	157.5	(39.1)

Details of securities held

(\$ million)

2003-04 Actual Mar.	2004-05	
	Opening 1 July	Actual 31-Mar.
594.1	609.3	661.4
1.3	1.3	1.3
2 802.2	2 008.8	1 885.2
3 397.6	2 619.4	2 547.9
Represented by:		
595.3	610.6	662.7
2 582.1	1 662.2	1 690.5
3 177.5	2 272.8	2 353.2
Add cash advanced for:		
220.1	346.6	194.7
3 397.6	2 619.4	2 547.9

Note:

(a) *Financial Management Act 1994.*

Note 15: Controlled entities

A list of general government entities which have been consolidated for the purposes of this Quarterly Financial Report is included in Budget Paper No. 4, Chapter 1: *Estimated Financial Statements and Notes*, at Note 19.

Results quarter by quarter – Victorian general government sector

These quarterly financial statements should be read in conjunction with Note 1 of this appendix and the *Statement of significant accounting policies and assumptions* in Chapter 1, *Estimated Financial Statements and Notes*, at Note 1.

Table D.2: Statement of financial performance for the past five quarters

	(\$ million)				
	2003-04			2004-05	
	Mar.	June	Sept.	Dec.	Mar.
Revenues from ordinary activities					
Taxation ^(a)	2 942.4	2 351.0	2 529.4	2 359.9	3 118.6
Fines and regulatory fees ^(a)	168.2	159.5	124.8	181.8	165.9
Investment revenue	164.8	465.9	157.0	600.7	119.3
Grants revenue	2 937.9	3 416.3	3 029.2	3 604.8	3 165.4
Sales of goods and services	569.7	622.2	503.3	598.4	592.2
Gain/(loss) from disposal of physical assets	4.8	(65.6)	27.7	11.2	0.9
Fair value of assets received free of charge or for nominal consideration	(0.2)	374.0	..	1.7	5.2
Inter-sector capital asset charge	135.0	178.5	149.8	149.8	149.8
Other revenue	153.1	338.5	187.5	239.9	176.2
Total revenue	7 075.7	7 840.4	6 708.7	7 748.2	7 493.4
Expenses from ordinary activities					
Employee benefits	2 374.3	2 744.1	2 584.2	2 710.1	2 594.8
Superannuation	(157.0)	(252.4)	480.5	(142.4)	131.8
Depreciation	245.4	262.9	257.1	255.6	268.6
Amortisation	21.5	23.1	16.7	15.3	24.6
Financing costs	111.7	142.7	98.3	132.0	106.4
Grants and transfer payments	2 270.0	1 431.0	1 172.1	1 367.0	1 231.9
Supplies and services	2 059.3	3 161.5	2 059.8	2 177.1	2 570.1
Other expenses	43.2	213.9	15.2	25.1	174.6
Total expenses	6 968.4	7 726.8	6 684.0	6 539.8	7 102.9
Net result	107.3	113.6	24.7	1 208.4	390.5
Movement in asset revaluation reserve	130.0	2 004.9	(50.3)	56.8	(16.9)
Total changes in equity other than contributions to other sectors by the State in its capacity as owner	237.4	2 118.5	(25.6)	1 265.2	373.6
Net contributions to other sectors by the State in its capacity as owner	(112.8)	(240.5)	(17.9)	(197.7)	(66.8)
Total changes in equity	124.6	1 878.1	(43.5)	1 067.5	306.8

Source: Department of Treasury and Finance

Note:

(a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.

Table D.3: Statement of financial position as at the end of the quarter

	2003-04			2004-05	
	Mar.	June	Sept.	Dec.	Mar.
(\$ million)					
Current assets					
Cash assets	1 531.0	1 300.9	1 183.5	1 699.0	1 782.1
Other financial assets	1 294.0	2 489.1	2 696.4	2 777.3	2 570.4
Receivables	1 732.5	1 592.4	1 420.4	1 280.0	2 178.1
Prepayments	418.7	86.9	281.6	217.6	473.1
Inventories	111.4	135.5	124.4	111.7	113.0
Total current assets	5 087.6	5 604.6	5 706.2	6 085.5	7 116.7
Non-current assets					
Other financial assets	2 588.1	557.7	337.0	336.4	334.6
Receivables	397.2	407.4	375.8	407.3	283.4
Inventories	32.3	31.6	31.4	33.1	31.3
Land and buildings	20 076.7	22 682.3	22 791.5	23 053.3	22 634.4
Plant, equipment and infrastructure systems	2 164.9	2 271.3	2 278.5	2 332.0	2 275.3
Road networks	16 639.8	16 322.1	16 319.6	16 309.6	16 378.4
Other assets	3 289.5	3 206.1	3 101.2	3 084.4	3 096.4
Total non-current assets	45 188.5	45 478.4	45 235.0	45 556.0	45 033.8
Total assets	50 276.1	51 083.0	50 941.2	51 641.5	52 150.4
Current liabilities					
Payables	1 418.5	1 933.1	1 763.5	1 579.1	1 833.8
Interest bearing liabilities	141.9	191.5	305.6	186.4	196.8
Employee benefits	994.8	1 011.1	921.4	1 104.9	1 037.2
Superannuation	271.5	150.9	123.6	101.4	51.8
Outstanding insurance claims	7.1	63.6	61.2	52.0	44.9
Other liabilities	666.4	507.6	399.1	506.4	752.1
Total current liabilities	3 500.2	3 857.8	3 574.4	3 530.3	3 916.6
Non-current liabilities					
Payables	1 397.9	1 301.4	1 397.6	1 290.6	1 249.9
Interest bearing liabilities	6 103.3	5 316.0	5 189.3	5 364.7	5 330.8
Employee benefits	1 872.4	1 966.1	1 962.8	1 974.8	1 982.1
Superannuation	12 499.6	11 559.8	11 782.8	11 362.0	11 252.9
Outstanding insurance claims	195.7	340.1	338.8	357.8	355.3
Other liabilities	306.6	463.3	460.4	458.7	453.5
Total non-current liabilities	22 375.3	20 946.5	21 131.6	20 808.6	20 624.4
Total liabilities	25 875.5	24 804.3	24 706.0	24 338.9	24 541.0
Net assets	24 400.6	26 278.7	26 235.1	27 302.6	27 609.4
Equity					
Reserves	10 764.2	12 770.6	12 779.6	12 777.1	12 744.5
Accumulated funds	13 636.4	13 508.0	13 455.5	14 525.6	14 864.9
Total equity	24 400.6	26 278.7	26 235.1	27 302.6	27 609.4

Source: Department of Treasury and Finance

Table D.4: Statement of cash flows for the past five quarters

	(\$ million)				
	2003-04		2004-05		
	Mar.	June	Sept.	Dec.	Mar.
Cash flows from operating activities					
Receipts					
Taxation ^(a)	2 324.8	2 676.7	2 619.7	2 444.4	2 360.9
Fines and regulatory fees ^(a)	128.4	124.4	118.3	146.2	92.7
Grants	3 216.1	3 135.0	3 027.0	3 612.9	3 458.6
Sale of goods and services	120.6	1 243.1	524.8	805.6	575.3
Interest received	102.5	145.0	80.6	85.2	77.7
Dividends received	..	152.6	0.9	430.5	0.0
Capital asset charge received	135.0	178.5	149.8	149.8	149.8
Other receipts	250.8	446.6	211.8	636.9	38.0
Total receipts	6 278.2	8 101.9	6 732.9	8 311.3	6 753.1
Payments					
Employee benefits	(2 346.3)	(2 634.1)	(2 677.3)	(2 514.5)	(2 655.3)
Superannuation	(364.0)	(808.0)	(284.7)	(300.6)	(290.5)
Interest paid	(111.3)	(114.8)	(98.1)	(97.8)	(104.8)
Grants and transfer payments	(1 309.5)	(1 048.9)	(1 223.4)	(1 440.6)	(1 536.4)
Supplies and services	(1 567.3)	(2 670.3)	(2 251.1)	(2 658.3)	(2 017.5)
Total payments	(5 698.3)	(7 276.1)	(6 534.7)	(7 011.8)	(6 604.6)
Net cash flows from operating activities	579.9	825.8	198.2	1 299.5	148.5
Cash flows from investing activities					
Purchase of property, plant and equipment ^(b)	(300.7)	(1 209.6)	(336.9)	(677.9)	(102.3)
Proceeds from sale of property, plant and equipment	17.8	55.0	51.3	(2.5)	25.8
Net (purchase)/disposal investments	(76.1)	837.8	14.7	(77.3)	203.6
Net customer loans (granted)/repaid	(0.8)	(0.7)	..	(28.8)	39.5
Net contributions to other sectors of government ^(b)	(112.8)	102.8	(32.4)	7.3	(206.8)
Net cash flows from investing activities	(472.5)	(214.7)	(303.3)	(779.1)	(40.2)
Cash flows from financing activities					
Net repayment of borrowings	18.0	(822.1)	(12.3)	(7.0)	(25.3)
Net cash flows from financing activities	18.0	(822.1)	(12.3)	(7.0)	(25.3)
Net increase/(decrease) in cash and deposits held	125.3	(211.0)	(117.4)	513.4	82.9
Cash and deposits at beginning of period	1 380.9	1 506.2	1 295.2	1 177.8	1 691.2
Cash and deposits at end of reporting period	1 506.2	1 295.2	1 177.8	1 691.2	1 774.1

Source: Department of Treasury and Finance

Notes:

- (a) Taxation has been adjusted to exclude motor drivers' licence fees, police learner and driver fees, and other miscellaneous motor vehicle fees, which are now classified as regulatory fees.
- (b) June 2003-04 data have been revised from the 2003-04 Annual Financial Report to reflect a reallocation between net contributions to other sectors of government to purchases of property, plant and equipment.

