

CHAPTER 2 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

THE UNIFORM PRESENTATION FRAMEWORK (UPF) GAAP/GFS HARMONISATION

In October 2007, the Australian Accounting Standards Board (AASB) issued a new standard for Financial Reporting of General Government Sectors by Governments, applicable from 1 July 2008. The objective as set out by the Financial Reporting Council in December 2002 is ‘to achieve an Australian accounting standard for a single set of government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements’.

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

The new UPF was approved by Loan Council in March 2008. Chapter 1 provides the statements for the general government sector under the new framework, whilst this chapter provides additional information of sectoral financial statements for the public non-financial corporations sector and the non-financial public sector (the general government and public non-financial corporations sector less inter-sector eliminations) plus the Loan Council Allocation table.

Comprehensive operating statement

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

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

Balance sheet

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

The balance sheet under GAAP/GFS harmonisation differs from the standard accounting presentation in that it no longer distinguishes between current and non-current assets.

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

Cash flow statement

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

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

SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

Table 2.1: Public non-financial corporations sector operating statement

	(\$ million)			
	2008-09 <i>Budget</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>
Revenue				
Interest	85.8	77.9	79.2	78.8
Dividends income tax equivalent and rate equivalent revenue	5.1	34.1	39.9	45.9
Sales of goods and services	3 841.8	4 327.3	4 717.5	5 183.6
Grants	1 947.5	1 962.7	1 981.1	1 965.3
Other current revenue	436.1	484.7	502.8	507.7
Total revenue	6 316.4	6 886.6	7 320.5	7 781.4
Expenses				
Employee expenses	768.4	792.4	814.4	840.6
Superannuation interest expense	..	..	..	..
Other superannuation	53.8	55.3	56.9	58.2
Depreciation	968.2	1 067.4	1 105.3	1 231.1
Interest expense	540.5	729.5	897.3	1 002.9
Other operating expenses	3 704.3	3 845.5	3 939.7	4 149.9
Grants and other transfers	184.0	178.5	176.0	97.6
Other property expenses	93.8	96.9	118.0	106.8
Total expenses	6 312.9	6 765.5	7 107.6	7 487.0
Net result from transactions - Net operating balance	3.4	121.2	212.9	294.4
Other economic flows included in net result				
Net gain on sale of non-financial assets	(0.3)	14.4	9.2	11.7
Net gain/ (loss) on financial assets or liabilities at fair value	57.2	67.3	77.1	69.3
Net actuarial gains/ (losses) of superannuation defined benefits plans	(4.7)	(4.5)	(4.5)	(4.2)
Share of net profit/(loss) from associates, excluding dividends	..	..	..	..
Other gains/ (losses) from other economic flows	(27.7)	(108.1)	(112.2)	(121.1)
Total other economic flows included in net result	24.4	(30.9)	(30.4)	(44.3)
Net result	27.9	90.3	182.5	250.0
Other Economic Flows – Other Movements in Equity				
Net gain on financial assets at fair value	..	..	..	..
Revaluations of non-financial assets	664.7	(30.1)	(21.1)	(29.7)
Other movements in equity	989.6	929.7	755.0	579.5
Total other economic flows – Other movements in equity	1 654.3	899.6	733.9	549.8
Comprehensive result – Total change in net worth	1 682.1	990.0	916.5	799.8
FISCAL AGGREGATES				
Net operating balance	3.4	121.2	212.9	294.4
Less: net acquisition of non-financial assets	4 006.4	4 267.8	2 735.2	1 541.8
Net Lending/ (borrowing)	(4 003.0)	(4 146.6)	(2 522.3)	(1 247.4)

Source: Department of Treasury and Finance

Table 2.2: Non-financial public sector operating statement

	(\$ million)			
	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Revenue				
Taxation revenue	13 214.5	13 607.3	14 300.8	14 764.3
Interest	471.7	477.2	487.8	484.9
Dividends and income tax equivalents and rate equivalents	298.5	364.5	446.8	506.6
Sales of goods and services	7 129.6	7 647.6	8 097.7	8 586.8
Grants	17 553.5	18 496.2	19 445.3	20 425.4
Other current revenue	1 851.2	1 872.8	1 884.3	1 898.9
Total revenue	40 519.0	42 465.7	44 662.6	46 666.9
Expenses				
Employee expenses	14 961.5	15 866.1	16 839.2	17 651.1
Superannuation interest expense	518.6	520.6	520.5	519.7
Other superannuation	1 393.4	1 436.4	1 507.7	1 538.9
Depreciation	2 577.5	2 780.1	2 931.6	3 177.5
Interest expense	1 027.6	1 271.6	1 557.3	1 774.0
Other operating expenses	14 896.1	15 361.3	15 826.6	16 388.5
Grants and other transfers	4 608.9	4 506.7	4 574.5	4 543.5
Other property expenses	..	..	..	..
Total expenses	39 983.6	41 742.7	43 757.4	45 593.2
Net result from transactions - Net operating balance	535.4	723.0	905.2	1 073.8
Other economic flows included in net result				
Net gain on sale of non-financial assets	43.9	28.8	27.9	34.1
Net gain/ (loss) on financial assets or liabilities at fair value	57.7	67.8	77.7	70.0
Net actuarial gains/ (losses) of superannuation defined benefits plans	(4.7)	(4.5)	(4.5)	(4.2)
Share of net profit/(loss) from associates, excluding dividends	..	..	..	..
Other gains/ (losses) from other economic flows	(159.7)	(225.1)	(232.6)	(217.3)
Total other economic flows included in net result	(62.9)	(133.0)	(131.5)	(117.5)
Net result	472.5	590.0	773.7	956.3
Other Economic Flows – Other Movements in Equity				
Net gain on financial assets at fair value	..	..	..	..
Revaluations of non-financial assets	2 958.2	4 957.0	3 111.2	3 425.3
Net gain on equity investments in other sector entities at proportional share of net assets	..	..	..	..
Other movements in equity	(15.5)	(7.3)	11.1	29.5
Total other economic flows – Other movements in equity	2 942.7	4 949.6	3 122.3	3 454.8
Comprehensive result – Total change in net worth	3 415.3	5 539.7	3 896.1	4 411.1

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

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
FISCAL AGGREGATES				
Net operating balance	535.4	723.0	905.2	1 073.8
less Net acquisition of non-financial assets from transactions	5 278.7	5 470.8	4 268.0	4 340.6
Net Lending/ (borrowing)	(4 743.2)	(4 747.8)	(3 362.8)	(3 266.8)

Source: Department of Treasury and Finance

Table 2.3: Public non-financial corporations sector balance sheet

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Assets					
<i>Financial assets</i>					
Cash and deposits	649.3	369.7	348.5	413.8	416.9
Advances paid	99.7	87.6	78.3	71.2	66.7
Investments, loans and placements	1 888.2	1 639.0	1 486.8	1 331.0	1 148.2
Receivables	520.1	577.9	649.0	637.1	649.4
Investments accounted for using equity method	374.7	374.7	374.7	374.7	374.7
Investments in other sector entities	..	..	..	..	..
Total financial assets	3 532.1	3 048.9	2 937.4	2 827.8	2 655.8
<i>Non-financial Assets</i>					
Inventories	621.2	532.2	473.8	401.9	463.5
Non-financial assets held for sale	16.5	21.6	25.5	27.1	28.5
Land, buildings, infrastructure, plant and equipment	44 294.0	49 888.9	54 319.9	57 073.5	58 353.9
Other non-financial assets	385.6	468.5	455.8	454.6	447.2
Total non-financial assets	45 317.3	50 911.2	55 275.0	57 957.0	59 293.0
Total assets	48 849.3	53 960.2	58 212.3	60 784.8	61 948.9
Liabilities					
Deposits held	111.4	92.6	85.2	85.4	84.9
Advances received	0.6	0.4	0.3	0.3	0.3
Borrowings	5 974.2	9 281.1	12 545.1	14 396.2	14 961.6
Payables	833.0	1 130.7	1 206.0	1 074.6	934.5
Superannuation	14.3	11.2	9.3	6.9	3.8
Other employee benefits	213.1	221.0	227.4	234.0	241.1
Other provisions	2 932.1	2 770.4	2 696.3	2 628.2	2 563.6
Total liabilities	10 078.8	13 507.4	16 769.7	18 425.7	18 789.9
Net assets	38 770.6	40 452.7	41 442.7	42 359.1	43 159.0
Accumulated surplus/(deficit)	5 743.9	5 504.8	5 347.2	5 342.1	5 443.2
Other reserves	33 026.7	34 947.9	36 095.5	37 017.1	37 715.8
Net worth	38 770.6	40 452.7	41 442.7	42 359.1	43 159.0
FISCAL AGGREGATES					
Net financial worth	(6 546.7)	(10 458.5)	(13 832.3)	(15 597.9)	(16 134.0)
Net financial liabilities	6 546.7	10 458.5	13 832.3	15 597.9	16 134.0
Net debt	3 449.0	7 277.8	10 717.0	12 665.9	13 415.0

Source: Department of Treasury and Finance

Table 2.4: Non-financial public sector balance sheet

	(\$ million)				
	2008	2009	2010	2011	2012
	<i>Revised</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Assets					
Financial assets					
Cash and deposits	2 774.9	2 569.3	2 612.0	2 739.1	2 806.2
Advances paid	160.2	147.0	136.6	128.8	123.6
Investments, loans and placements	4 128.1	3 902.1	3 850.4	3 693.9	3 555.9
Receivables	2 595.0	2 497.2	2 403.9	2 296.5	2 156.8
Investments in GGS entities using the equity method	614.5	614.5	614.5	614.5	614.5
Investments accounted for using equity method - other	399.7	404.7	409.7	414.7	419.7
Investments in other sector entities	5 030.7	5 030.7	5 047.3	5 063.9	5 080.5
Total financial assets	15 703.1	15 165.5	15 074.3	14 951.4	14 757.2
Non-financial Assets					
Inventories	744.4	656.8	598.6	526.4	587.7
Non-financial assets held for sale	68.4	73.5	77.5	79.1	80.6
Land, buildings, infrastructure, plant and equipment	109 680.6	118 815.3	129 461.5	136 891.9	144 505.3
Other non-financial assets	805.9	881.8	839.1	826.6	790.6
Total non-financial assets	111 299.3	120 427.4	130 976.6	138 324.1	145 964.3
Total assets	127 002.4	135 592.9	146 050.9	153 275.5	160 721.5
Liabilities					
Deposits held	706.5	687.8	680.4	680.6	680.0
Advances received	3.3	2.6	1.8	1.1	0.4
Borrowings	12 682.7	17 553.5	22 599.4	26 057.3	29 291.8
Payables	3 919.6	4 183.6	4 015.1	3 824.1	3 621.4
Superannuation	12 953.4	13 078.6	13 109.8	13 163.3	13 162.3
Other employee benefits	3 982.9	4 135.2	4 281.9	4 433.3	4 584.0
Other provisions	1 815.4	1 577.9	1 429.1	1 286.4	1 141.0
Total liabilities	36 063.9	41 219.2	46 117.5	49 446.1	52 480.9
Net assets	90 938.5	94 373.7	99 933.4	103 829.5	108 240.6
Accumulated surplus/(deficit)	(216.7)	269.2	869.0	1 684.9	2 686.1
Other reserves	91 132.4	94 061.7	99 001.6	102 081.8	105 491.6
Minority interest of contributed capital	22.8	42.8	62.8	62.8	62.8
Net worth	90 938.5	94 373.7	99 933.4	103 829.5	108 240.6
FISCAL AGGREGATES					
Net financial worth	(20 360.8)	(26 053.7)	(31 043.2)	(34 494.6)	(37 723.7)
Net financial liabilities	25 391.5	31 084.4	36 090.5	39 558.5	42 804.2
Net debt	5 715.0	11 011.0	16 068.2	19 562.7	22 872.0

Source: Department of Treasury and Finance

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

	(\$ million)			
	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash flows from operating activities				
Receipts				
Grants and subsidies	1 947.8	1 963.0	1 982.8	1 966.6
Sales of goods and services	3 769.7	4 263.6	4 697.3	5 164.5
Interest received	86.1	77.7	79.2	78.9
Dividends and income tax equivalent and rate equivalents	5.1	33.9	39.9	45.9
Other receipts	280.5	309.4	357.3	343.0
Total receipts	6 089.2	6 647.6	7 156.5	7 598.8
Payments				
Payments for employees	(760.4)	(786.0)	(807.8)	(833.4)
Superannuation	(61.7)	(61.7)	(63.7)	(65.5)
Interest paid	(1 483.2)	(1 731.0)	(1 916.8)	(2 030.2)
Grants and subsidies	(121.5)	(114.5)	(111.9)	(32.7)
Goods and services	(2 641.6)	(2 728.2)	(2 827.3)	(3 020.7)
Other payments	(184.2)	(190.5)	(214.0)	(205.0)
Total payments	(5 252.7)	(5 611.8)	(5 941.5)	(6 187.6)
Net cash flows from operating activities ^(a)	836.5	1 035.8	1 214.9	1 411.1
Cash flows from investing activities				
<i>Non-financial assets</i>				
Purchases of non-financial assets	(5 045.5)	(5 394.8)	(3 881.1)	(2 628.0)
Sales of non-financial assets	126.8	147.6	119.0	64.2
Cash flows from investments in non-financial assets	(4 918.7)	(5 247.2)	(3 762.1)	(2 563.7)
Net cash flows from investments in financial assets for policy purposes	1 258.9	1 187.1	964.4	739.5
Net cash flows from investments in financial assets for liquidity purposes	81.9	16.9	25.6	52.5
Net cash flows from investing activities	(3 577.9)	(4 043.2)	(2 772.1)	(1 771.7)
Cash flows from financing activities				
Advances received (net)	(0.2)	..	(0.1)	(0.1)
Net borrowings	2 761.3	3 246.6	1 827.6	536.6
Deposits received (net)	(18.8)	(7.4)	0.2	(0.5)
Other financing (net)	(280.4)	(253.1)	(205.5)	(172.5)
Net cash flows from financing activities	2 462.0	2 986.0	1 622.2	363.5
Net increase/(decrease) in cash and cash equivalents	(279.4)	(21.4)	65.1	2.9
Cash and cash equivalents at beginning of reporting period	648.9	369.5	348.1	413.2
Cash and cash equivalents at end of reporting period	369.5	348.1	413.2	416.1

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

(\$ million)

	2008-09 <i>Budget</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>
FISCAL AGGREGATES				
Net cash flows from operating activities	836.5	1 035.8	1 214.9	1 411.1
Cash flows from investments in non-financial assets	(4 918.7)	(5 247.2)	(3 762.1)	(2 563.7)
Dividends paid	(280.4)	(253.1)	(205.5)	(172.5)
Cash surplus / (deficit)	(4 362.6)	(4 464.5)	(2 752.7)	(1 325.1)

Source: Department of Treasury and Finance

Note:

(a) *This item is inclusive of goods and services tax.*

Table 2.6: Non-financial public sector cash flow statement

	(\$ million)			
	2008-09 <i>Budget</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>
Cash flows from operating activities				
Receipts				
Taxes received	13 350.1	13 665.2	14 300.5	14 764.1
Grants	17 553.5	18 495.8	19 445.3	20 425.4
Sales of goods and services	7 164.8	7 365.0	8 103.7	8 592.5
Interest received	455.8	445.0	455.8	453.9
Dividends and income tax equivalent and rate equivalents	234.2	384.5	405.6	493.0
Other receipts	1 557.6	1 577.1	1 620.3	1 614.6
Total receipts	40 315.9	41 932.6	44 331.3	46 343.5
Payments				
Payments for employees	(14 809.2)	(15 719.4)	(16 687.8)	(17 500.3)
Superannuation	(1 791.5)	(1 930.3)	(1 979.2)	(2 063.8)
Interest paid	(954.7)	(1 178.9)	(1 475.8)	(1 705.2)
Grants and subsidies	(4 600.5)	(4 559.8)	(4 627.4)	(4 596.1)
Goods and services	(14 574.1)	(14 944.4)	(15 415.6)	(15 956.6)
Other payments	(339.4)	(351.3)	(365.1)	(366.3)
Total payments	(37 069.4)	(38 684.2)	(40 551.0)	(42 188.2)
Net cash flows from operating activities ^(a)	3 246.5	3 248.4	3 780.3	4 155.2
Cash flows from investing activities				
<i>Non-financial assets</i>				
Purchases of non-financial assets	(7 916.4)	(8 479.9)	(7 374.0)	(6 700.7)
Sales of non-financial assets	310.7	316.9	252.0	231.1
Cash flows from investments in non-financial assets	(7 605.7)	(8 163.0)	(7 121.9)	(6 469.6)
Net cash flows from investments in financial assets for policy purposes	565.8	27.3	15.5	16.1
Net cash flows from investments in financial assets for liquidity purposes	59.2	(83.0)	26.9	8.4
Net cash flows from investing activities	(6 980.7)	(8 218.7)	(7 079.5)	(6 445.1)
Cash flows from financing activities				
Advances received (net)	(0.7)	(0.7)	(0.8)	(0.8)
Net borrowings	3 548.4	5 020.8	3 426.7	2 358.1
Deposits received (net)	(18.8)	(7.4)	0.2	(0.6)
Other financing (net)	..	..	..	..
Net cash flows from financing activities	3 528.9	5 012.7	3 426.1	2 356.7
Net increase/(decrease) in cash and cash equivalents	(205.3)	42.4	126.9	66.9
Cash and cash equivalents at beginning of reporting period	2 771.4	2 566.0	2 608.5	2 735.4
Cash and cash equivalents at end of reporting period	2 566.0	2 608.5	2 735.4	2 802.3

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

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
FISCAL AGGREGATES				
Net cash flows from operating activities	3 246.5	3 248.4	3 780.3	4 155.2
Net cash flows from investments in non-financial assets	(7 605.7)	(8 163.0)	(7 121.9)	(6 469.6)
Cash surplus / (deficit)	(4 359.2)	(4 914.6)	(3 341.6)	(2 314.3)

Source: Department of Treasury and Finance

Note:

(a) This item is inclusive of goods and services tax.

Table 2.7: Public non-financial corporations sector: Derivation of GFS cash surplus/(deficit)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Estimate	Estimate	Estimate	Estimate
Cash surplus/(deficit)	(4 362.6)	(4 464.5)	(2 752.7)	(1 325.1)
Acquisitions under finance leases and similar arrangements	..	..	..	..
GFS Cash surplus/ (deficit) ^(a)	(4 362.6)	(4 464.5)	(2 752.7)	(1 325.1)

Source: Department of Treasury and Finance

Note:

(a) Determined in accordance with ABS GFS manual.

Table 2.8: Non-financial public sector: Derivation of GFS cash surplus/(deficit)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Estimate	Estimate	Estimate	Estimate
Cash surplus/(deficit)	(4 359.2)	(4 914.6)	(3 341.6)	(2 314.3)
Acquisitions under finance leases and similar arrangements	(231.4)	..	..	( 840.1)
GFS Cash surplus/ (deficit) ^(a)	(4 590.6)	(4 914.6)	(3 341.6)	(3 154.4)

Source: Department of Treasury and Finance

Note:

(a) Determined in accordance with ABS GFS manual.

Table 2.9: Net acquisition of non-financial assets – Public non-financial corporations sector

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Estimate	Estimate	Estimate	Estimate
Purchases of non-financial assets	5 045.5	5 394.8	3 881.1	2 628.0
Less: Sales of non-financial assets	(126.8)	(147.6)	(119.0)	(64.2)
Less: Depreciation	(968.2)	(1 067.4)	(1 105.3)	(1 231.1)
Plus: Change in inventories	(89.0)	(58.4)	(71.9)	61.5
Plus: Other movements in non-financial assets	144.9	146.4	150.3	147.6
Total net acquisition of non-financial assets	4 006.4	4 267.8	2 735.2	1 541.8

Source: Department of Treasury and Finance

Table 2.10: Net acquisition of non-financial assets – Non-financial public sector

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Estimate	Estimate	Estimate	Estimate
Purchases of non-financial assets	7 916.4	8 479.9	7 374.0	6 700.7
Less: Sales of non-financial assets	(310.7)	(316.9)	(252.0)	(231.1)
Less: Depreciation	(2 577.5)	(2 780.1)	(2 931.6)	(3 177.5)
Plus: Change in inventories	(87.6)	(58.2)	(72.2)	61.3
Plus: Other movements in non-financial assets	338.1	146.0	149.9	987.3
Total net acquisition of non-financial assets	5 278.7	5 470.8	4 268.0	4 340.6

Source: Department of Treasury and Finance

Victoria's 2008-09 Loan Council Allocation

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

Table 2.11 compares Victoria's 2008-09 LCA based on the 2007-08 *Budget Update* estimates and approved by the Loan Council in March 2008, with the revised LCA based on 2008-09 Budget estimates.

Table 2.11: Loan Council Allocation

	(\$ million)	
	2008-09 Nomination	2008-09 Revised
General government cash deficit (+)/ surplus (-)	564.9	(10.2)
Public non-financial corporations sector cash deficit (+)/ surplus (-)	3 732.1	4 362.6
Non-financial public sector cash deficit (+)/ surplus (-) ^(a)	4 297.0	4 359.2
Acquisitions under finance leases and similar arrangements	231.4	231.4
ABS GFS cash deficit(+)/surplus(-)	4 528.4	4 590.6
Net cash flows from investments in financial assets for policy purposes ^(b)	25.7	565.8
Memorandum items ^(c)	196.0	196.0
Loan Council Allocation	4 698.7	4 220.8
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities) ^(d)	792.3	792.3

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(-) excludes finance lease acquisitions.*
- (b) *The non-financial public sector surplus/deficit relating to 2008-09 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' (2007-08 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 2008-09 is \$792 million (2 per cent of \$39 613 million – sourced from 2007-08 Budget Update).*

As part of the Loan Council arrangements, the Loan Council has agreed that if at any time a jurisdiction finds that it is likely to exceed its tolerance limit, in either direction, it is required to provide an explanation to the Loan Council and, in line with the emphasis of the increased transparency, to make the explanation public. The 2008-09 revised LCA (deficit of \$4 221 million) remained within the tolerance limit. The change of \$478 million in the LCA between 2008-09 nomination and 2008-09 revised is due to a revision in the public non-financial corporations sector cash position from \$3 732 million deficit to a \$4 363 million deficit primarily due to higher than estimated net cash flows on purchases of non-financial assets. The general government cash position has also changed from a \$565 million deficit to a \$10 million surplus due to higher than expected cash receipts from operating activities.

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

Listed below are details of Victorian Schools Public Private Partnerships (PPP) project, which are expected to be contracted in the 2008-09 financial year.

Victorian Schools PPP Project (VSP)

On 6 December 2007, the Victorian Premier announced the delivery of a package of new schools in the growth areas of Melbourne that will provide high quality, flexible world class teaching and learning environments to drive excellence in education outcomes. This package of schools would be delivered under the Government's Partnerships Victoria policy if it is shown that delivery by PPP offers value for money compared to the Private Sector Comparator.

These schools form part of the VSP commitment of \$1.9 billion TEI over the four years to 2010-11. The government has committed funding to deliver these schools.

The contract term is expected to be approximately 25 years post construction and commissioning with a common end date for all schools.

Financial close is anticipated by the end of 2008, at which time the nature and magnitude of the service payments can be determined for the forward estimates. It should be noted that no payment will be made until the operational commencement of the facility.

There are no current contingent liabilities. The project contract is expected to include appropriate provisions to compensate the proponent upon early termination taking into account any amounts owing to the State by the proponent.

