

Statement of Finances

2008-09



Presented by

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

Budget Paper No. 4

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INTRODUCTION

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

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

Chapter 1 – Estimated Financial Statements and Notes

This chapter presents the Estimated Financial Statements and accompanying notes for the Victorian general government sector for the period 2008-09 to 2011-12. The statements also will be, for the first time, presented in a format that complies with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, issued by the Australian Accounting Standards Board (AASB) in October 2007 and applicable to annual reporting periods commencing 1 July 2008. The statements also comply with the Uniform Presentation Framework (UPF) as it relates to the general government sector, with the UPF adopting AASB 1049 as the presentation framework across jurisdictions from 2008 onwards.

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) Government Finance Statistics (GFS) Manual. Any differences between the GFS basis and the amounts presented under Generally Accepted Accounting Principles (GAAP) must also be reconciled.

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

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

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

Chapter 2 – Supplementary Uniform Presentation Framework Tables

Chapter 2 forms part of the UPF along with Chapter 1, and provides additional information of sectoral financial statements for the public non-financial corporations sector and for the non-financial public sector plus the Loan Council Allocation table. The statements are also presented in a format that complies with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which has been adopted as the presentation framework by the UPF.

As required by the UPF, Victoria's 2008-09 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 2008-09.

Chapter 3 – Departmental Financial Statements

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

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

Adjustments for machinery of government changes announced in August 2007 are reflected in the 2007-08 Adjusted and Revised estimates for the period 1 July 2007 to 30 June 2008. The 2008-09 Budget also takes into account the impact of these machinery of government changes.

Chapter 4 – State Revenue

Chapter 4 outlines the major sources of state revenue, both state-sourced revenue, (including taxes, fines and regulatory fees, dividends, income tax and rate equivalent revenue), and revenue provided through Commonwealth grants, for both general and specific purposes. The estimates of Commonwealth Government grants represent the latest information available to the Victorian Government at the time of finalisation of Victoria's 2008-09 Budget.

Chapter 5 – Tax Expenditures and Concessions

Chapter 5 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 6 – Public Account

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

Machinery of government changes since the 2007-08 Budget have been reflected in the 2007-08 Adjusted and Revised estimates for the period 1 July 2007 to 30 June 2008. The 2008-09 Budget also takes into account the full year impact of these machinery of government changes.

Chapter 7 – Contingent Assets and Contingent Liabilities

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

Appendix A – Historical and Forward Estimates Tables

The historical and forward estimates tables in Appendix A show the trend in general government sector aggregate cash flows over the period 1986-87 to 2011-12. In addition, the general government net operating result for the period 1996-97 to 2011-12 is also provided.

The remaining tables show information for the general government sector classified by government purpose. Operating expenditure, which has been classified by function, is presented for the period 1961-62 to 1997-98. The accruals expenditure series classified by purpose is presented for the period 1998-99 to 2011-12.

Appendix B – Meeting our Transport Challenges Reserve

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

Appendix C – Revised 2007-08 Budget Outcome

The revised 2007-08 Budget outcome is presented in Appendix C. The revised 2007-08 estimates take into account government policy decisions and economic developments affecting both revenue and expenses since the presentation of the 2007-08 Budget to Parliament in May 2007.

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

Appendix D presents the quarterly financial report for the Victorian general government sector, incorporating the actual outcome for the nine month period ended 31 March 2008, and quarter by quarter results. The March year to date outcome is compared with the full year revised 2007-08 Budget.

Machinery of Government changes – Department of Transport

The government recently announced the creation of a new Department of Transport which takes over responsibility for most of the functions of the former Department of Infrastructure. However, certain functions, in particular relating to Major Projects Victoria, have been transferred to the Department of Innovation, Industry and Regional Development. The new administrative arrangements came into effect on 30 April 2008 through Administrative Arrangements Order No. 199 of 2008. For financial reporting purposes, these transfers do not take effect until after the end of the current financial year 2007-08.

There is no net impact of these changes on the aggregate budget, however the full impact of these changes on the 2008-09 departmental estimates has yet to be quantified. Therefore, this machinery of government change has not been reflected in the 2008-09 Budget Papers. Any consequent adjustments to the departmental estimates and re-allocation of appropriations will be made at a later date.