

9 Finance



INTRODUCTION

This chapter provides details of the financial activities of the Victorian State Government, Victorian local government authorities, and those of some financial institutions operating in Victoria, such as banks, building societies, credit co-operative societies, and the Australian Stock Exchange (Melbourne) Limited.

Public finance

Three levels of government, Commonwealth, State, and Local, collectively constitute the public sector in Australia. The public sector finance statistics presented in this chapter exclude public financial enterprises (government savings banks, insurance offices, etc.).

State government enterprises discussed in this chapter include the central government of Victoria, statutory bodies created by or under State legislation to carry out activities on behalf of the central government, and incorporated organisations in which the central government has a controlling interest.

The public finance tables in this chapter cover the State government and Local government components of the non-financial public sector. A series of summary tables show, on a consolidated basis, revenue, outlays and financing transactions and the purposes that are being served by government expenditure programs.

State Government

The overall financial position of the Victorian State Government in 1989-90 was reflected in the annual deficit of \$2,304.9m, a 45 per cent or \$717.2m increase from the 1988-89 deficit of \$1,587.7m. Total current and capital outlays increased by \$1,585.2m in 1989-90 to \$17,238.1m, whereas total revenue and grants received increased by \$793.2m. In 1989-90 the net financing requirement (NFR) was \$2,387.4m, which was an increase of 49.5 per cent on the previous year (\$1,596.6m). The NFR is financing transactions less net advances received from the Commonwealth Government and increases in provisions. The term *net* in NFR indicates that the measure includes the net result of changes in financial assets and liabilities, that borrowings are net of repayments, and that receipts are net of payments.

Outlays

Current outlays by the Victorian State government in 1989-90 were \$13,988.7m, which was an increase of 9 per cent on the previous year (\$12,827.4m). The largest component of this outlay was final consumption expenditure which was \$8,239.3m. In 1989-90 interest payments were \$3,212.5m, an 11 per cent increase on 1988-89 (\$2,902.0m). Current grants of \$1,262.3m constituted a 9 per cent increase on 1988-89 (\$1,160.2m).

In 1989-90 government final consumption expenditure on education and on health was \$3,371.5m and \$2,457.1m respectively, constituting 41 per cent and 30 per cent of total government final consumption expenditure of \$8,239.3m. Final consumption expenditure on public order and safety increased 17 per cent to \$778.4m. Final consumption expenditure on road transport increased 17 per cent to \$219.1m, while expenditure on social services and welfare increased 18 per cent to \$197.6m.

TABLE 9.1 STATE GOVERNMENT - SUMMARY OF TRANSACTIONS CLASSIFIED BY ECONOMIC TRANSACTIONS FRAMEWORK
(\$ million)

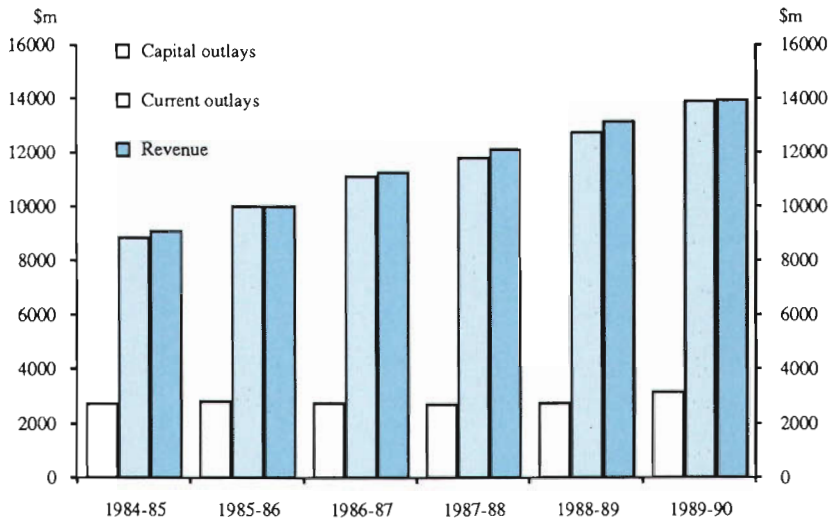
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Current outlays -	8,924.3	10,078.4	11,196.0	11,893.4	12,827.4	13,988.7
General government final consumption expenditure	5,380.0	5,926.9	6,477.9	6,989.6	7,557.0	8,239.3
Required current transfer payments						
interest payments	1,889.0	2,251.5	2,521.2	2,785.4	2,902.0	3,212.5
other	-	-	-	4.8	19.2	21.6
Unrequited current transfer payments -						
Subsidies paid to enterprises	687.5	867.8	1,084.3	871.2	953.1	1,000.6
Personal benefit payments	122.0	122.8	126.3	183.6	235.9	252.5
Current grants -	843.8	909.5	981.0	1,054.8	1,160.2	1,262.3
to non-profit institutions	577.6	626.0	699.6	735.8	822.1	905.8
to local authorities	265.9	283.3	281.2	318.8	337.1	354.9
Other current transfer payments	1.7	-0.5	5.1	4.0	-	-
Capital outlays -	2,801.2	2,892.9	2,843.4	2,790.2	2,825.5	3,249.4
Gross fixed capital expenditure -	2,549.2	2,694.8	2,642.7	2,482.2	2,728.0	3,008.9
Expenditure on new fixed assets	2,623.2	2,755.7	2,818.5	2,765.5	3,037.5	3,299.8
Expenditure on secondhand fixed assets (net)	-74.0	-61.0	-175.9	-283.3	-309.5	-291.0
Increase in stocks	24.0	31.2	18.9	32.3	32.5	36.6
Expenditure on land and intangible assets (net)	45.7	-41.4	6.6	76.8	-103.3	64.0
Capital transfer payments -	237.7	199.6	139.4	173.1	189.0	214.9
Capital grants -						
to Local government	164.9	118.2	90.9	115.3	131.2	141.3
to other sectors	37.2	65.1	38.1	51.4	56.4	70.5
Other capital transfer payments	35.7	16.3	10.4	6.4	1.4	3.1
Advances paid (net) -	-55.4	8.8	35.8	25.9	-20.7	-74.9
to Local governments	2.6	2.5	-0.5	-1.7	-5.5	-4.5
to other sectors	-58.1	6.3	36.3	27.6	-15.2	-70.4
Revenue and grants received -	9,177.4	10,078.5	11,346.7	12,201.4	13,234.1	14,027.3
Taxes, fees, and fines	3,153.4	3,445.8	3,888.7	4,437.4	5,064.9	5,438.3
Net operating surpluses of public trading enterprises	786.4	1,005.2	1,501.2	1,512.3	1,643.2	1,735.0
Property income and other revenue	454.1	523.9	562.2	589.1	771.9	782.9
Grants received from Commonwealth Government	4,783.6	5,103.5	5,394.6	5,662.5	5,754.1	6,071.2
Financing transactions -	2,548.0	2,892.8	2,692.7	2,482.2	2,418.8	3,210.8
Increase in provisions	668.1	716.0	707.2	729.3	831.2	906.0
Deficit	1,879.9	2,176.9	1,985.5	1,362.8	1,587.7	2,304.9
Deficit financing -						
Net advances received from Commonwealth Government	181.4	177.7	117.0	15.4	-8.9	-82.5
Other deficit financing	1,698.5	1,999.2	1,868.5	1,347.4	1,596.6	2,387.4

Capital outlays in 1989-90 were \$3,249.4m, an increase of 15 per cent on 1988-89 (\$2,825.5m). New fixed assets expenditure on fuel and energy was \$989.9m, an increase of 13 per cent on 1988-89 (\$874.5m). The new fixed assets expenditure on transport and communications of \$645.6m in 1989-90 was an increase of 9 per cent on 1988-89 (\$593.1m). Expenditure on land and intangible assets (net) was \$64.0m in 1989-90, a net increase of \$167.3m on 1988-89 (-\$103.3m).

Revenue

Revenue and grants received by the State government in 1989-90 were \$14,027.3m, a 6 per cent increase on 1988-89 (\$13,234.1m). The amount received from the Commonwealth Government in the form of grants was \$6,071.2m or 43 per cent, while \$5,438.3m. was received as taxes, fees, and fines (39 per cent).

**SUMMARY OF CAPITAL AND CURRENT OUTLAYS
AND REVENUE AND GRANTS RECEIVED, VICTORIA**



**TABLE 9.2 STATE GOVERNMENT - GENERAL GOVERNMENT FINAL CONSUMPTION
EXPENDITURE CLASSIFIED BY GOVERNMENT PURPOSE, VICTORIA
(\$ million)**

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
General public services	435.2	502.1	623.5	719.2	771.6	780.7
Public order and safety	468.0	536.9	564.7	605.1	664.5	778.4
Education -	2,341.2	2,603.5	2,763.8	2,925.4	3,137.5	3,371.5
Primary and secondary education	1,464.9	1,545.5	1,605.1	1,633.2	1,830.4	1,922.0
Tertiary	730.5	878.5	949.0	1,044.9	1,108.0	1,241.3
Other	145.8	179.4	209.6	247.3	199.2	208.1
Health -	1,475.8	1,616.8	1,817.1	2,050.1	2,232.4	2,457.1
Hospital and other institutional services and benefits	1,328.7	1,478.4	1,671.5	1,884.2	2,008.8	2,193.1

**TABLE 9.2 STATE GOVERNMENT - GENERAL GOVERNMENT FINAL CONSUMPTION
EXPENDITURE CLASSIFIED BY GOVERNMENT PURPOSE, VICTORIA - *continued***
(\$ million)

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Clinics and other non-institutional services and benefits	54.8	35.3	32.3	27.1	30.1	36.4
Other	92.2	103.1	113.4	138.7	193.5	227.7
Social security and welfare	89.7	102.6	138.8	135.2	168.0	197.6
Housing and community amenities -	45.4	40.3	43.9	45.2	46.9	55.1
Housing and community development	33.7	30.8	36.5	37.8	41.2	43.7
Water supply	1.4	1.5	0.7	1.7	1.2	1.1
Sanitation and protection of the environment	10.2	8.0	6.7	5.6	4.5	10.3
Other community amenities	-	-	0.1	0.1	-	-
Recreation and culture	77.4	101.3	100.0	99.7	140.7	144.3
Fuel and energy -	2.9	4.2	5.9	7.3	7.2	16.4
Fuel affairs and services	0.3	-0.3	-0.3	0.7	0.3	0.7
Electricity and other energy	0.1	0.5	0.6	0.6	1.1	0.8
Fuel and energy n.e.c.	2.6	4.1	5.6	6.0	5.7	14.8
Agriculture, forestry, fishing, and hunting	145.1	127.8	133.9	144.6	122.7	138.7
Mining, manufacturing, and construction	7.1	5.2	5.6	6.4	6.5	4.3
Transport and communications -	162.5	186.6	193.9	168.5	194.4	230.7
Road transport	142.7	168.7	185.7	166.3	187.4	219.1
Water transport	2.9	2.6	-10.9	-10.6	-5.3	0.4
Rail transport	0.1	-	-	-	-	-
Other	16.9	15.4	19.1	12.8	12.4	11.2
Other economic affairs	125.2	95.2	83.6	78.2	59.7	60.5
Other purposes	4.7	4.4	3.1	4.7	4.9	4.1
Total	5,380.0	5,926.9	6,477.9	6,989.6	7,557.0	8,239.3

**TABLE 9.3 STATE GOVERNMENT - EXPENDITURE ON NEW FIXED ASSETS
CLASSIFIED BY GOVERNMENT PURPOSE, VICTORIA**
(\$ million)

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
General public services	13.2	20.4	18.5	10.9	6.6	23.8
Defence	1.2	0.3	0.4	-	-	-
Public order and safety	66.6	90.5	114.1	144.2	142.8	124.4
Education -	240.4	247.2	260.5	226.6	228.4	243.2
Primary and secondary education	119.7	113.9	103.8	83.5	90.4	111.6
Tertiary education	107.1	118.9	145.6	130.7	125.2	115.2
Other	13.7	14.4	11.2	12.4	12.8	16.4
Health -	102.3	125.3	135.1	160.2	189.3	205.0
Hospital and other institutional services and benefits	98.2	115.6	125.4	154.7	180.6	195.9
Clinics and other non-institutional services and benefits	-	2.3	1.5	0.8	-	0.7
Other	4.1	7.4	8.3	4.7	8.7	8.3
Social security and welfare	3.7	6.7	6.3	11.5	11.2	9.1
Housing and community amenities -	589.2	634.1	705.8	722.3	814.6	885.9
Housing and community development	203.6	258.2	287.0	285.2	330.7	363.7
Water supply	176.9	157.3	171.6	173.0	203.9	220.5
Sanitation and protection of the environment	208.7	218.6	247.2	264.1	280.1	301.7

**TABLE 9.3 STATE GOVERNMENT - EXPENDITURE ON NEW FIXED ASSETS
CLASSIFIED BY GOVERNMENT PURPOSE, VICTORIA - *continued***
(\$ million)

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Recreation and culture	26.1	37.6	59.8	68.1	87.0	83.5
Fuel and energy -	712.3	704.4	569.4	686.1	874.5	989.9
Fuel affairs and services	84.0	103.0	97.2	84.0	115.7	199.2
Electricity and other energy	628.2	601.1	472.1	601.9	758.5	790.5
Fuel and energy n.e.c.	-	0.2	0.2	0.1	0.3	0.2
Agriculture, forestry, fishing, and hunting	35.3	36.1	42.4	51.0	60.8	61.9
Mining, manufacturing, and construction	99.9	110.4	154.0	105.8	8.7	8.0
Transport and communications -	707.2	709.2	728.9	545.0	593.1	645.6
Road transport	304.1	394.2	402.6	298.5	336.5	340.7
Water transport	30.0	24.0	23.9	15.8	17.8	35.2
Rail transport	134.5	100.6	100.0	99.2	83.4	83.6
Other	238.7	190.4	202.4	131.5	155.4	186.1
Other economic affairs	25.8	33.5	23.2	32.5	17.5	15.2
Other purposes	-	0.1	-	1.1	2.8	4.4
Total	2,623.2	2,755.7	2,818.5	2,765.5	3,037.5	3,299.8
Comprised of -						
General government	824.8	993.4	1,063.2	1,016.5	1,095.0	1,101.2
Public trading enterprises	1,798.4	1,762.3	1,755.4	1,749.0	1,942.5	2,198.6

In 1989-90 taxes, fees and fines totalled \$5,438.4m, an increase of 7 per cent on the 1988-89 figure of \$5,064.9m. Employers' payroll tax was the largest single item of taxation, being 29 per cent of the total. The actual amount of payroll tax collected in 1989-90 was \$1,553.7m, an increase of 11 per cent on 1988-89 (\$1,403.8m). Land taxes increased by 33 per cent, from \$230.2m in 1988-89 to \$306.9m in 1989-90. Taxes on financial and capital transactions (stamp duties and financial institutions' taxes) were \$1,215.9m in 1989-90, a decrease of 14 per cent on 1988-89 (\$1,418.9). Taxes on provision of goods and services (levies on statutory corporations, taxes on gambling and insurance) totalled \$1,009.9m in 1989-90, an increase of 13 per cent on 1988-89 (\$893.5m). Petroleum products franchise taxes showed a 29 per cent increase from \$228.1m in 1988-89 to \$294.9m in 1989-90.

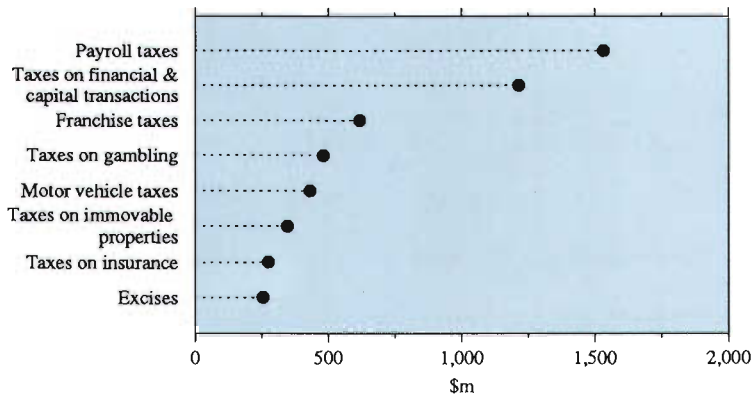
TABLE 9.4 STATE GOVERNMENT TAXES, FEES, AND FINES BY TYPE, VICTORIA
(\$ million)

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Employers' payroll taxes	924.8	1,029.8	1,108.4	1,230.9	1,403.8	1,553.7
Taxes on property -	757.3	887.4	1,046.5	1,361.0	1,685.2	1,562.6
Taxes on immovable property -	178.7	210.6	225.6	242.6	265.7	346.0
Land taxes	153.3	183.0	195.3	209.5	230.2	306.9
Metropolitan improvement rates	25.4	27.6	30.3	33.1	35.5	39.1
Estate inheritance and gift duty	8.5	2.2	1.8	0.7	0.6	0.6
Taxes on financial and capital transactions -	570.1	674.7	819.1	1,117.8	1,418.9	1,215.9
Stamp duties	479.4	569.7	699.5	978.3	1,259.9	1,033.3
Financial institutions' taxes	90.7	105.0	119.5	139.4	159.0	182.6
Taxes on provision of goods and services -	687.4	682.2	778.6	831.6	893.5	1,009.9
Excises (levies on statutory corporations)	165.1	178.8	217.9	212.1	228.0	254.1

**TABLE 9.4 STATE GOVERNMENT TAXES, FEES, AND FINES BY TYPE,
VICTORIA - *continued***
(\$ million)

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Taxes on gambling -	298.6	311.6	352.5	386.0	412.5	481.6
Taxes on private lotteries	183.3	180.0	208.1	226.4	234.4	278.9
Race betting taxes	112.3	128.5	140.9	155.3	172.2	195.3
Taxes on gambling n.e.c.	3.0	3.1	3.4	4.4	5.8	7.3
Taxes on insurance -	223.8	191.8	208.2	233.5	253.0	274.2
Insurance companies' contributions to fire brigades	83.5	92.3	105.6	114.7	122.0	134.9
Third party insurance taxes	10.3	-	-	-	-	-
Taxes on insurance n.e.c.	130.0	99.5	102.7	118.8	130.9	139.4
Taxes on use of goods and performance of activities -	705.1	772.8	840.9	897.9	918.8	1,057.7
Motor vehicle taxes -	359.8	389.2	410.2	426.0	419.1	431.8
Vehicle registration fees and taxes	177.7	190.4	202.7	196.6	148.2	124.4
Stamp duty on vehicle registration	133.5	151.4	163.4	180.7	219.1	248.1
Drivers' licences	48.6	47.4	44.1	48.6	51.9	59.3
Franchise taxes -	372.4	403.2	416.7	455.6	494.1	618.4
Gas franchise taxes	0.2	0.1	0.3	0.1	-	-
Petroleum products franchise taxes	192.4	210.8	214.6	237.5	228.1	294.9
Tobacco franchise taxes	104.6	111.5	113.4	123.6	151.9	203.8
Liquor franchise taxes	75.2	80.7	88.4	94.4	114.1	119.7
Other taxes on use of goods etc	-27.1	-19.5	14.0	16.3	5.5	7.5
Fees and fines	78.7	73.6	114.3	115.9	163.6	254.5
Compulsory Fees	33.1	31.4	64.5	66.7	111.2	189.0
Tertiary Education Fees	-	-	28.4	31.8	86.1	164.5
Fines	45.6	42.2	49.8	49.2	52.5	65.5
Total	3,153.4	3,445.8	3,888.7	4,437.4	5,064.9	5,438.4

STATE TAXATION VICTORIA, 1989-90



Commonwealth Government payments to Victoria

The Commonwealth Government has made payments of various kinds to the States since Federation. With the introduction in 1942 of the uniform tax arrangements (under which the Commonwealth became the sole Government imposing taxes on income) the Commonwealth Government began to make annual tax reimbursement grants to the States. Specific purpose payments to the States also increased, reflecting the extending range of government activities.

Tax reimbursement grants were replaced in 1959-60 by 'financial assistance grants' which continued up to the year 1975-76. Since 1976-77 general revenue grants to the States have included local government and have been based on shares of Commonwealth tax. In 1978 legislation was passed giving States the right to either impose a surcharge or grant a rebate on personal income tax to be collected or paid by the Commonwealth on behalf of the State.

As part of changes to its fiscal policy, the Commonwealth Government in 1985-86 discontinued the tax sharing agreements with the States under which general revenue grants to the States were determined for a period of three to five years. Since 1985-86 these grants have been determined on a yearly basis.

Payments by the Commonwealth, under the tax sharing policy, to local government are in the form of untied grants for general purpose assistance, paid in the first instance to the States for passing on to local government municipalities. The Victoria Grants Commission, formally constituted in 1977, has as its primary role the allocation of this grant between municipalities in Victoria. There are also direct payments by the Commonwealth Government to local government authorities, in addition to Commonwealth programs under which a portion of funds made available to the States is passed on to local government authorities. Further details of the Commonwealth Government relations with the States and local government are contained in *Commonwealth Budget Paper No 4: Commonwealth Financial Relations with other levels of Government 1991-92*.

General purpose grants, both capital and recurrent from the Commonwealth to Victoria in 1989-90 totalled \$2,781.6m, a 1 per cent increase from the \$2,746.6m in 1988-89. Specific purpose grants for recurrent and capital purposes in 1989-90 totalled \$3,289.7m, a 9 per cent increase on the 1988-89 figure of \$3,006.6m. Education (\$1,370.4m), Health (\$935.3m), and Transport (\$280.4m) together comprised 79 per cent of total specific purpose grants.

In addition to these grants the Commonwealth Government also made repayable advances to the States for various purposes. Total net advances to Victoria were \$-82.5m in 1989-90, a decrease from -\$8.9m in 1988-89.

TABLE 9.5 COMMONWEALTH GOVERNMENT PAYMENTS TO THE STATE AND LOCAL GOVERNMENT AUTHORITIES VICTORIA (a)
(\$ million)

<i>Nature of Payment</i>	<i>1984-85</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
General revenue funds -						
Tax sharing grants	2,019.9	-	-	-	-	-
Financial assistance grants	-	2,248.3	2,494.0	2,667.3	2,661.2	2,710.1
Special revenue assistance	31.0	-	0.4	3.6	13.9	-
Health grants	344.2	371.0	411.9	441.6	-	-
General revenue	2,395.1	2,619.3	2,906.3	3,112.5	2,675.1	2,710.1

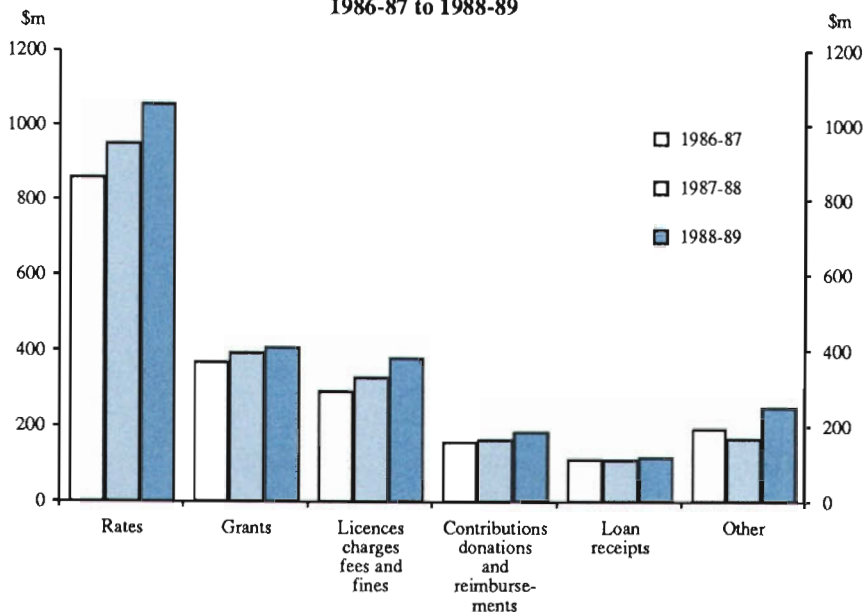
TABLE 9.5 COMMONWEALTH GOVERNMENT PAYMENTS TO THE STATE AND LOCAL GOVERNMENT AUTHORITIES VICTORIA (a)- continued
(\$ million)

<i>Nature of Payment</i>	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
General purpose capital funds -						
Capital works grant	131.0	140.2	107.9	48.3	71.5	71.5
Specific purpose grants for						
recurrent and capital purposes -						
Interest on State debt	4.3	-	-	-	-	-
Sinking fund on State debt (b)	11.8	12.3	12.7	12.8	12.7	12.5
Education	1,095.6	1,161.8	1,203.2	1,284.6	1,294.8	1,370.4
Health	254.4	279.1	300.4	342.5	854.2	935.3
Social security and welfare	33.6	39.5	53.3	71.2	75.0	95.9
Housing and Community Amenities nec	143.5	148.9	158.2	160.4	157.9	215.1
Transport	267.5	253.9	254.0	250.3	296.4	280.4
Industry Assistance and Development	14.4	17.6	30.1	20.3	19.6	22.6
Culture and Recreation	6.1	6.1	5.8	5.5	3.1	0.6
Labour and Employment	94.4	68.7	46.2	23.6	0.3	0.1
Local government general purpose assistance	123.8	136.4	147.7	165.8	172.7	177.2
Other economic affairs and purposes	15.9	221.8	167.1	164.3	120.0	179.6
Specific purpose	2,065.3	2,346.1	2,378.7	2,501.3	3,006.6	3,289.7
General purpose	2,526.1	2,759.5	3,014.2	3,160.8	2,746.6	2,781.6
Total Commonwealth payments	4,591.4	5,105.6	5,392.9	5,662.1	5,753.2	6,071.3

(a) Excludes subsidies and bounties to primary producers, and cash benefits payments to persons in Victoria paid by Commonwealth departments.

(b) Paid to National Debt Sinking Fund.

**LOCAL GOVERNMENT ORDINARY SERVICES -
REVENUE ALL SOURCES, VICTORIA
1986-87 to 1988-89**



**TABLE 9.6 VICTORIAN LOCAL GOVERNMENT: ORDINARY SERVICES REVENUE,
LOAN RECEIPTS, AND OUTLAYS (a)**

Particulars	1986-87		1987-88		1988-89	
	\$'000	Per cent	\$'000	Per cent	\$'000	Per cent
Revenue -						
Rates (incl. penalties); ex-gratia receipts	867,069	43.0	956,223	44.6	1,059,729	43.8
Garbage (incl. rates and charges)	47,053	2.3	55,831	2.6	62,815	2.6
Other charges	192,517	9.5	210,238	9.8	243,004	10.0
Government grants -						
General purpose	149,630	7.4	165,092	7.7	172,668	7.1
Specific purpose -						
Capital	75,006	3.7	76,314	3.6	67,130	2.8
Current	149,689	7.4	157,363	7.3	173,010	7.1
Licences, fees, and fines	57,935	2.9	67,939	3.2	78,804	3.3
Interest received	95,029	4.7	78,099	3.6	121,765	5.0
Contributions, donations	43,398	2.2	45,762	2.1	50,298	2.1
Reimbursements -						
Roads and bridges -						
Construction	57,203	2.8	56,579	2.6	61,388	2.5
Maintenance	29,158	1.4	32,981	1.5	37,524	1.5
Other	33,289	1.6	34,062	1.6	39,874	1.6
Sale of land and second-hand fixed assets	58,362	2.9	55,481	2.6	81,541	3.4
Other (b)	45,134	2.2	37,636	1.8	51,066	2.1
Total revenue	1,900,533	94.2	2,029,600	94.6	2,300,615	95.0
Loan receipts	117,110	5.8	115,548	5.4	121,575	5.0
Total revenue and loan receipts	2,017,643	100.0	2,145,148	100.0	2,422,190	100.0
Outlay by purpose -						
General administration	311,530	15.5	348,087	15.9	363,626	15.1
Law, order, and public safety	17,139	0.9	19,618	0.9	22,588	0.9
Education	23,309	1.2	24,130	1.1	27,288	1.1
Health	48,882	2.4	54,496	2.5	59,347	2.5
Welfare	150,368	7.5	178,972	8.2	204,304	8.5
Housing	6,697	0.3	7,605	0.3	6,364	0.3
Community amenities	222,733	11.1	247,165	11.3	274,399	11.4
Recreation and culture	315,365	15.7	350,918	16.1	373,704	15.6
Economic services -						
Roads, streets, and bridges	409,327	20.4	431,019	19.7	476,715	19.9
Other transport (c)	73,726	3.7	78,750	3.6	92,950	3.9
Other economic affairs (d)	72,137	3.7	75,286	3.4	79,803	3.3
Other purposes (e)	132,079	6.6	131,291	6.0	160,952	6.7
Total outlays by purpose	1,785,293	88.8	1,947,336	89.1	2,142,040	89.2

TABLE 9.6 VICTORIAN LOCAL GOVERNMENT: ORDINARY SERVICES REVENUE, LOAN RECEIPTS AND OUTLAY (a) - continued

Particulars	1986-87		1987-88		1988-89	
	\$'000	Per cent	\$'000	Per cent	\$'000	Per cent
Other outlay -						
Debt charges -						
Interest paid	123,522	6.1	126,465	5.8	134,942	5.6
Debt redemption	70,361	3.5	77,474	3.5	90,680	3.8
Grants, levies paid to government	20,855	1.0	21,700	1.0	21,459	0.9
Other (f)	11,560	0.6	12,047	0.6	12,299	0.5
Total outlay	2,011,592	100.0	2,185,022	100.0	2,401,419	100.0

(a) Includes only net results of trading activities.

(b) Includes repayment of advances and transfers from trading activities.

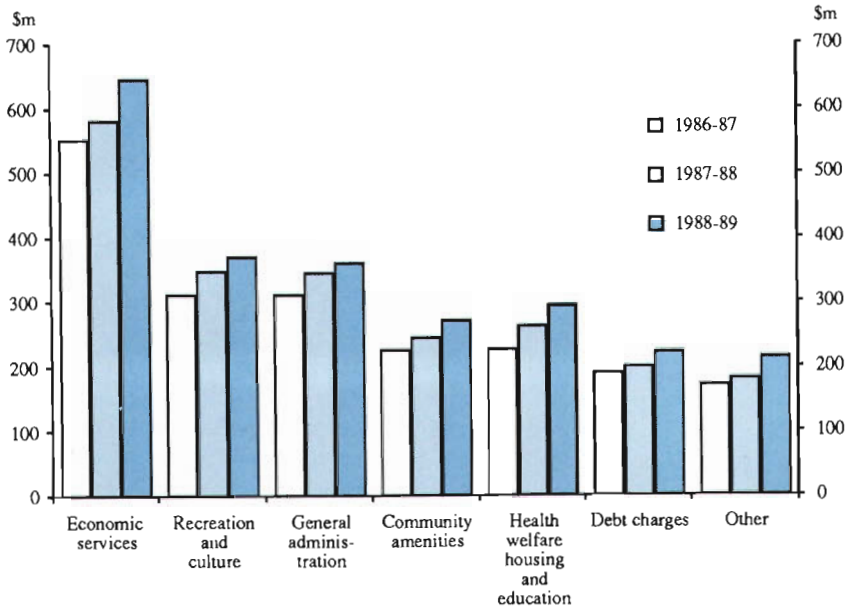
(c) Includes road plant purchases, parking, aerodromes and other transport n.e.c.

(d) Includes tourism and area promotion, saleyards and markets and other economic affairs.

(e) Includes agriculture and forestry, building control, natural disaster relief, mining and manufacturing and other purposes n.e.c.

(f) Consists of donations and advances paid and transfers to trading activities.

LOCAL GOVERNMENT ORDINARY SERVICES - TOTAL OUTLAY BY PURPOSE, VICTORIA 1986-87 to 1988-89



Banking finance

The banking system as at 30 June 1991 comprised a central bank (the Reserve Bank of Australia); thirty-two banks (one owned by the Commonwealth Government, four by State Governments, and twenty-seven privately owned); four subsidiary banks; the Commonwealth Development Bank and the Australian Resources Development Bank (specialist banks, owned respectively by the Commonwealth Government and a consortium of the four major banks).

Twenty-seven banks, plus the Reserve Bank, have branches in Victoria.

Since 1980 Australian Governments have sought to decrease the degree of regulation imposed on the financial sector and on banking activity in particular. Specifically, controls on most bank interest rates and foreign exchange have been relaxed. In addition, eighteen new private banks have been granted licences to commence operations.

The conduct of banking business in Australia is governed by the *Banking Act 1959* (Commonwealth). Amendments to the Banking Act in 1989 gave the Reserve Bank explicit powers for prudential supervision of banks. They also provided the Reserve Bank with greater power to seek information from banks and to investigate the affairs of banks.

Other important amendments to the Banking Act removed the distinctions between trading and savings banks, and they formally replace the Statutory Reserve Deposit requirement on trading banks with a new non-callable deposit requirement applicable to all banks and placed greater emphasis on prudential supervision of banks and provided a formal statutory foundation for this supervision.

In January 1990, significant amendments were made to the Banking Act further restructuring the banking industry. Information on more specific aspects of the growth and control of the banking industry is contained in earlier issues of the *Commonwealth Year Book* (Numbers 31, 37, 45, 46 and 61).

The substantial deterioration during 1989-90 in the financial position of both the State Bank of Victoria and Tricontinental Corporation Limited, a wholly owned subsidiary of the Bank, resulted in a requirement for massive financial support from the Victorian State Government. The Government was of the view that the most viable option was to sell the Bank. Expressions of interest for the purchase of the State Bank were sought in August 1990 from 6 financial institutions. The Government subsequently accepted the offer from the Commonwealth Bank of Australia. The arrangements between the Government and the Commonwealth Bank were formalised under a November 1990 agreement. Parliamentary ratification of this agreement was provided through the *State Bank (Succession of the Commonwealth Bank) Act 1990* and settlement between the parties of the financial terms of the sale occurred on 31 December 1990.

TABLE 9.7 BANKS, NUMBER OF BRANCHES AND AGENCIES, VICTORIA

Banks	At 30 June 1990		At 30 June 1991	
	Branches	Agencies	Branches	Agencies
Commonwealth Bank of Australia	193	1,113	790	1086
State Bank of Victoria	531	86	-	-
National Australia Bank	386	42	380	38
ANZ Banking Group	333	85	341	85
Westpac Banking Corporation	306	42	304	42
Bank of Melbourne	107	568	108	524
National Mutual Royal Bank	46	-	45	-
Challenge Bank	23	43	22	48
Chase AMP Bank	1	24	2	33
Other Banks	28	-	28	15
Total	1,954	2,003	2,020	1,871
Metropolitan Area	1,267	1,121	1,306	1,020
Remainder of Victoria	687	882	714	851

Source: Reserve Bank of Australia

TABLE 9.8 BANKS, DEPOSITS AND LOANS TO CUSTOMERS ACCOUNTS, VICTORIA (a)
(\$million)

Period	Deposits Repayable in Australia					Other lending
	Current bearing interest	Current not bearing interest	Term and at call	Other	Total	
June 1990	5,501	3,938	30,537	14,343	54,319	53,723
June 1991	5,389	3,147	29,743	15,933	54,213	55,770

(a) Average of weekly figures for month of June.

Source: Reserve Bank of Australia

TABLE 9.9 BANKS, INTEREST RATES AND YIELDS (a)
(per cent per annum)

	June 1989	June 1990	June 1991
Fixed deposits (less than \$50,000) (b)			
30 days	12.00	13.25	9.25
3 months	16.25	14.00	10.00
6 months	17.25	14.00	9.75
12 months	15.50	14.25	10.00
Fixed deposits (\$50,000 and over) (b)			
3 months	17.00	14.25	10.00
6 months	17.50	14.25	9.75
12 months	15.75	14.25	10.00
Certificates of deposit (c)	17.97	14.99	10.46
Passbook accounts (b)			
To \$4,000	3.75	3.75	3.75
Over \$4,000	6.00	6.00	6.00
Statement accounts (b)	9.00	8.75	5.75
Investment accounts (d)	9.00/15.50	9.00/14.00	6.00/10.50
Overdrafts (e)			
Less than \$100,000	19.75/22.00	18.75/21.50	14.25/16.50
\$100,000 and over	19.75	18.25/18.75	14.00/14.25
New housing loans (f)	17.00	16.50	13.00

(a) Except where otherwise indicated, data are compiled at or near the end of the month.

(b) Predominant rates offered by major banks.

(c) Weighted average issue yield for the four or five weeks ended the last Wednesday of the month.

(d) Range of rates offered by banks.

(e) Indicator rates reported by major banks. In most cases a margin is added when setting rates on individual loans.

(f) Predominant rate on variable interest rate loans to individuals for owner occupation. The maximum on loans existing or approved before 3 April 1986 has been retained at 13.50 per cent per annum.

Source: Reserve Bank of Australia

Non-bank finance

The number of permanent building societies in Victoria declined from 19 in 1988-89 to 14 at the end of 1989-90. The financial difficulties experienced by the building society industry in Victoria culminated in the forced closure of the Farrow Group of building societies (consisting of the Pyramid, Geelong and Country Wide building societies) in June 1990. After a period of steady asset growth during the 1980's, rising to a peak of \$7,605.0m in 1988-89, the assets of permanent building societies in Victoria at the end of 1989-90 totalled \$4,710.3m, down \$2,894.7m (38 per cent) from their highest level. Total expenditure by building societies exceeded total income in 1989-90 by \$382.0m, largely due to provisions for doubtful debts.

There were 115 credit co-operative societies in Victoria at the end of 1989-90. The number of societies declined from the 144 which existed in 1984-85, but membership increased by 25 per cent from 468,871 in 1984-85 to 583,788 in 1989-90. As a proportion of all societies in Australia, the number of Victorian societies and their membership changed little from 1984-85. Victorian societies in 1984-85 comprised 29 per cent of the Australian total (144 of 493) and 30 per cent in 1989-90 (115 of 386). Similarly membership was 22 per cent in 1984-85 (468,871 of 2,147,189) and 22 per cent in 1989-90 (583,788 of 2,609,122). Victorian deposits at the end of 1989-90 were \$1,842.3m, 23 per cent of the Australian total of \$7,877.6m. In 1984-85 the proportion was 23 per cent, the figures being \$1,149.6m and \$5,063.9m for Victoria and Australia respectively. Loans outstanding to Victorian members at the end of 1989-90 were \$1,642.4m, 23 per cent of the Australian total of \$7,082.3m. In 1984-85 the Victorian figure was \$926.7m, 21 per cent of the Australian figure of \$4,422.3m.

TABLE 9.10 PERMANENT BUILDING SOCIETIES, VICTORIA

<i>Particulars</i>	<i>1984-85</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Number of societies	25	24	20	19	19	14
Income and expenditure (\$'000) -						
Income -						
Interest from loans	387,258	513,731	508,473	551,159	733,016	593,950
Interest from deposits	30,634	61,475	40,809	31,810	41,115	48,810
Income from holdings of securities	140,285	122,859	165,859	151,857	143,718	69,852
Other income	28,981	34,616	41,435	83,117	96,472	125,088
Total income	587,158	732,681	756,576	817,943	1,014,321	837,700
Expenditure -						
Interest on shares	85,676	107,518	96,730	104,320	135,676	105,780
Interest on deposits	330,592	442,808	463,996	440,104	556,729	534,718
Income on loans	14,989	25,990	32,484	53,597	91,838	80,801
Other expenditure	123,381	135,132	145,552	158,496	172,383	498,394
Total expenditure	554,638	711,448	738,762	756,517	956,626	1,219,693

TABLE 9.10 PERMANENT BUILDING SOCIETIES, VICTORIA - *continued*

Particulars	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Liabilities and assets (a) (\$'000) -						
Liabilities -						
Share capital and reserves -						
Non-withdrawable shares	62,043	82,274	104,473	138,933	255,086	226,562
Withdrawable shares	997,971	1,068,297	1,047,024	1,090,378	1,582,012	1,265,098
Statutory reserves	17,975	4,923	279	91	91	2,038
Other reserves (b)	52,476	82,950	105,322	136,983	198,400	-524,086
Deposits	3,284,489	3,603,498	3,384,579	3,868,913	4,453,272	2,967,417
Loans	109,738	246,336	368,637	498,312	927,431	650,895
Other liabilities	38,192	34,766	52,332	86,360	188,724	122,407
Total liabilities	4,562,884	5,123,044	5,062,916	5,819,970	7,605,016	4,710,331
Assets -						
Amounts owing on loans	3,363,614	3,671,116	3,565,737	4,077,117	5,900,647	3,727,451
Cash on hand	10,097	11,976	10,718	9,336	17,378	8,881
Deposits with banks	165,283	382,031	145,236	157,221	349,060	74,143
Deposits with other institutions	74,103	66,998	107,049	90,005	57,939	31,079
Bills, bonds, and other securities	825,393	823,370	1,057,007	1,305,654	1,067,569	608,912
Accounts receivable	10,633	30,777	38,353	32,303	43,907	98,076
Physical and other assets	113,761	136,776	138,816	148,334	168,516	161,789
Total assets	4,562,884	5,123,044	5,062,916	5,819,970	7,605,016	4,710,331

(a) At the balance dates of societies within the financial year shown.

(b) Includes accumulated surpluses and deficits.

TABLE 9.11 CREDIT CO-OPERATIVES SELECTED STATISTICS, VICTORIA AND AUSTRALIA

	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
Number of credit co-ops -						
Victoria	144	128	124	123	120	115
Australia	493	453	434	419	403	386
Number of members at end of year -						
Victoria	468,871	501,396	517,254	542,133	564,294	583,788
Australia	2,147,189	2,311,228	2,432,531	2,452,955	2,546,694	2,609,122
Paid up capital at end of year (\$'000) -						
Victoria	4,444	4,830	6,051	6,395	6,600	6,865
Australia	18,208	19,450	21,641	26,160	27,374	28,504
Deposits at end of year (\$'000) -						
Victoria	1,149,600	1,257,759	1,364,823	1,562,415	1,598,262	1,842,321
Australia	5,063,850	6,070,212	6,819,128	6,709,196	6,871,115	7,877,563
Loans to members outstanding at end of year (\$'000) -						
Victoria	926,722	1,097,711	1,189,985	1,272,309	1,410,299	1,642,422
Australia	4,422,295	5,333,532	5,996,954	5,665,150	6,360,961	7,082,278

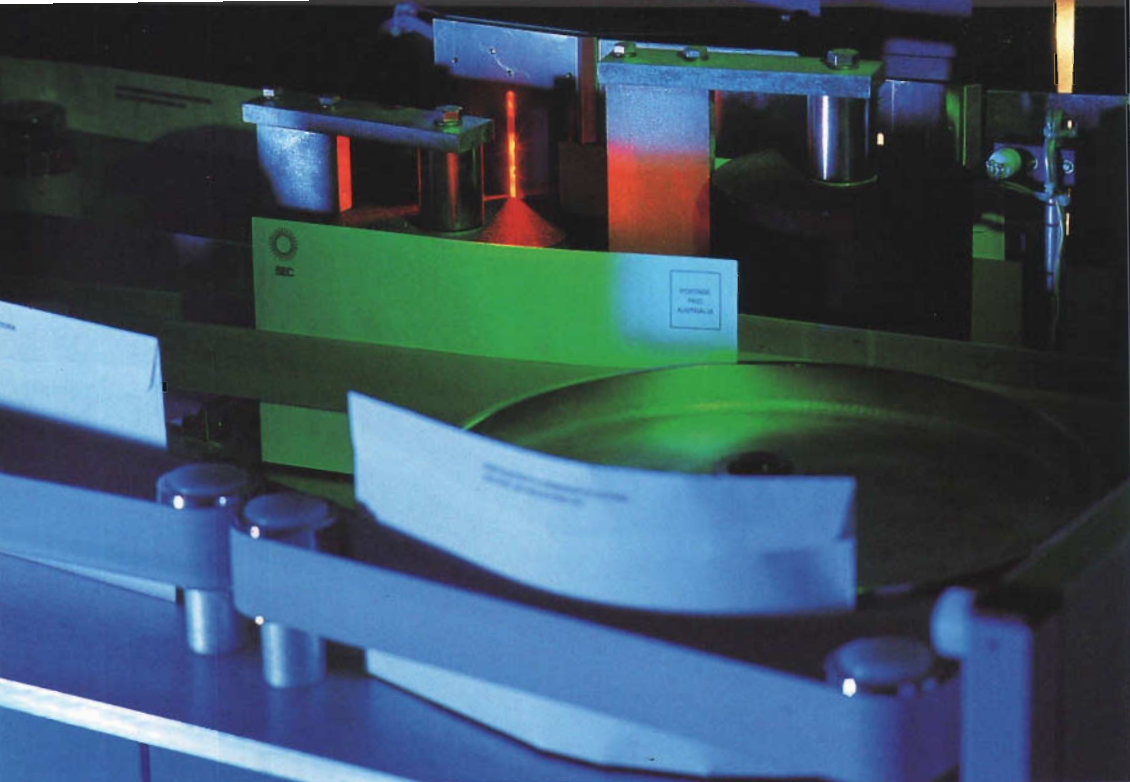


CONSTRUCTION AND TOURISM

Above: The Southern Stand being redeveloped by the Melbourne Cricket Club to improve spectator viewing and boost ground capacity by about 8,500 to 109,000 - *Melbourne Cricket Club*

Below: Development and enhancement of wetlands has provided important habitat for a wide variety of bird and aquatic life - *Melbourne Water*





TRANSPORT AND COMMUNICATION

Above: New electronic letter sorting equipment for increased efficiency - *Australia Post*

Below: Road Safety - The red light camera.
Inset: The radar gun in operation - *Police Life*



TABLE 9.12 AUSTRALIAN STOCK EXCHANGE INDICES (a)

Group	June 1988	Dec. 1988	June 1989	Dec. 1989	June 1990	Dec. 1990	June 1991
All Ordinaries	1,555.0	1,487.2	1,521.0	1,649.9	1,500.7	1,279.8	1,506.2
All Industrials	2,485.4	2,477.4	2,476.8	2,586.6	2,367.3	1,951.7	2,315.7
All Resources	850.9	746.5	801.7	936.3	842.8	762.4	885.6
50 Leaders	1,443.0	1,385.2	1,454.7	834.6	1,462.8	1,249.1	1,492.3
Metals and Minerals	780.7	676.8	690.5	1,589.5	715.5	584.0	656.6
Gold (b)	1,851.7	1,468.4	1,438.0	1,748.3	1,247.0	1,135.3	1,059.9

(a) All Ordinaries - base 500.0 points at 1 January 1980.

(b) Gold Index - base 500.0 points at 1 January 1985.

Source: Stock Exchange of Melbourne Limited.

REFERENCES

Data sources

The financial transactions of the Victorian Government are itemised in the accounts of the State Consolidated Fund and in Trust Funds. A detailed analysis and classification is made of these accounts as published in the annual budget papers, Treasurer's Statement, and report of the Auditor-General. The remaining statutory bodies and other publicly owned or controlled organisations maintain accounts entirely, or largely, separate from the public accounts, although there may be transactions between them and State governments (such as advances and capital contributions, interest and dividends, and votes for running expenses and capital works) which affect the public accounts. The accounting reports of the group of organisations are collected and analysed in order to present a complete statement of the transactions of State Government enterprises.

Local Government Finance statistics for Victoria are collected jointly with the Victoria Grants Commission. Since 1979-80 these statistics have been collected using the system Standardised Local Government Finance Statistics (SLGFS). This system is designed to enable direct comparison of local government finance statistics both within and between States. For details of the concepts and principles used to produce this system refer to *Standardised Local Government Finance Statistics, Australia* (1212.0).

Following the introduction of new reporting forms under the *Banking Act* in January 1989, the Reserve Bank of Australia took over sole responsibility for processing banking statistics. In 1976 a statistical collection was introduced covering the financial accounts of permanent building societies in all States and Territories. Credit union annual financial account statistics have been collected by the ABS since the year 1974-75.

ABS publications

Government Financial Estimates, Australia (5501.0)

Local Government Finance, Victoria (5501.2)

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Taxation Revenue, Australia (5506.0)

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Credit Co-operatives: Assets, Liabilities, Income and Expenditure, Australia (5618.0)

Permanent Building Societies: Assets, Liabilities, Income and Expenditure, Australia (5632.0)

Other references

The Reserve Bank of Australia Bulletin

Australian Banking Statistics

Commonwealth Budget Paper Number 4, Commonwealth Financial Relations with other Levels of Government

Finance Statement and the Report of the Auditor-General