
REPORT

OF THE

AUDITOR-GENERAL

FOR THE YEAR ENDED

30th JUNE, 1956.

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REPORT OF THE AUDITOR-GENERAL OF VICTORIA

UPON

THE TREASURER'S STATEMENT OF THE FINANCES FOR THE YEAR
ENDED 30TH JUNE, 1956.

I have the honour to transmit to the Legislative Assembly my report on the Statements in detail prepared by the Treasurer of the—
Consolidated Revenue and Expenditure,
Receipts and Disbursements of Loan Moneys, and
Receipts and Disbursements of Trust Accounts—
for the financial year ended 30th June, 1956.

The Statement and the subsidiary accounts which were received from the Treasury at various intervals between 6th August and 10th October, 1956, have been checked with the records in the Audit Office and are in agreement therewith.

The Supplementary Estimates, the entries in respect of which must be incorporated in the 1955-56 accounts, were approved by Parliament on 9th October, 1956, by Act No. 5997.

The report has in past years included references to the accounts of statutory bodies which I am required by law to audit. This year, it is intended that the accounts of Semi-Governmental Authorities will form the subject-matter of a second report—the purpose of this separation being to achieve an earlier presentation of those sections relating to the Public Account.

The report is arranged under sectional headings in the following sequence :—

- Revenue—Consolidated Revenue Receipts.
- Expenditure—Expenditure from Consolidated Revenue.
- Loan Operations—Receipts and Expenditure.
- Treasurer's Advance—Payments pending Parliamentary Sanction.
- Surcharges.
- Guarantees—Under Legislation and by Executive Direction.
- State Debtors—Revenue and Advances.
- Departmental Accounts—Including Business Undertakings.
- Trust Funds—and Special Funds.

A review of the year 1955-56 is given on page 104 *et seq.*

For greater clarity the figures used in the report have in most instances been adjusted to the nearer £1.

REVENUE AND EXPENDITURE, 1955-56.

	£	s.	d.
The NET REVENUE for the year was	121,815,235	19	8
The amount transferred from the Surplus Revenue of 1954-55 (Act No. 5883) was	1,336,722	16	9
Making the GROSS REVENUE to account from all sources	123,151,958	16	5
The EXPENDITURE charged for the year was	126,397,458	11	5
Leaving a DEFICIT of	3,245,499	15	0

Apart from the transfer of £1,336,722 16s. 9d. to Consolidated Revenue, there was expenditure out of Surplus Revenue of previous years of £9,896 0s. 7d.

CONSOLIDATED REVENUE DEFICIT.

The 1955-56 deficit of £3,245,500 brings the total deficit to £16,620,372. This figure represents the accumulation of deficits for sixteen of the years in the period commencing 1st July, 1927, and ending 30th June, 1956. During this period, this amount was increased by £12,415, discount and expenses on securities issued in respect of the deficits funded. The accumulated deficit has been financed by—

	£	£
Loan—Proceeds plus Discount and Expenses .. .. .	..	11,591,900
Surplus Revenue .. .. .	..	113,141
Vote (on account of 1927-28 Deficit) .. .. .	..	16,336
		129,477
Advances from Public Account .. .. .	..	4,911,410
		16,632,787
Total .. .. .	..	16,632,787

Allowing for the appropriation of £129,477 from Surplus Revenue, &c., and the equity in the National Debt Sinking Fund, £3,016,949, on account of the deficits funded, the liability to be met, as at 30th June, 1956, from revenues of the State was £13,486,361.

The accumulated deficit immediately prior to 1st July, 1927, was liquidated by an appropriation from State Redemption Funds. The period of accumulation of the existing consolidated revenue deficit coincides with the period of operation of the Commonwealth and States Financial Agreement which provides, *inter alia*, for the amortization of deficits incurred and funded since 1st July, 1927.

In respect of deficit loans (other than "Special Deficit Loans" explained in the next paragraph), the State alone is required to make, over a period sufficient to redeem each such deficit loan, contributions to the National Debt Sinking Fund at a rate not less than 4 per cent. per annum—such contributions being deemed to accumulate at the rate of 4½ per cent. per annum compounded.

As to loans totalling £4,255,000, raised on the security of Treasury Bills to meet deficits which accrued between 30th June, 1927, and 1st July, 1935, referred to in the Financial Agreement as "Special Deficit Loans", the Commonwealth and State paid respectively up to the 30th June, 1944, sinking fund contributions at the rate of 5s. per cent. per annum—such contributions together with accumulations being deemed to total £260,000. As from 1st July, 1944, over a period of 39 years, the Commonwealth is liable for an annual sinking fund contribution at the rate of 5s. per cent. and the State at the rate of 15s. per cent. in respect of the balance (£3,995,000) of these loans.

With respect to unfunded deficits, the *Public Account Advances Act* 1924 and its successor, the *Public Account Act* 1951, have provided for the temporary application out of Public Account of any sums necessary to meet such deficits, and for the application of the surplus for any financial year, unless Parliament otherwise directs, towards the reduction of the Consolidated Revenue Deficit.

Although there were surpluses totalling £4,817,864, in thirteen of the years in the period 1st July, 1927 to 30th June, 1956, £113,141 only of such amount was applied to the reduction of the accumulated deficit.

Insofar as the proportion of the Consolidated Revenue Deficit as at 30th June, 1956, provided temporarily from Public Account is concerned, the following observations are relevant.

Revenue Deficit Funding Acts 5656 and 5723 provide authority for the appropriation of loan moneys to meet the balance of the 1951-52 Deficit and the 1952-53 Deficit. It is dependent on the discretion of the Treasurer whether or not this authority is implemented, but, while the deficits remain a charge on the Public Account, the cash resources of the State are depleted correspondingly.

On the other hand, until funded, these deficits are not subject to the amortization provisions of the Commonwealth and States Financial Agreement and the additional charge against revenue for the year 1955-56, had they been so funded prior to 1st July, 1955, would have been £66,636 for Sinking Fund Payment and the estimated interest £74,966.

REVENUE.

A synopsis of the Treasurer's summary of revenue appearing on pages 8-14 of the finance statement is given in the following tabular comparison for the purpose of showing the significant variations during the year.

	1954-55.		1955-56.		
	£		£		£
Commonwealth Reimbursement of Taxes (including Special Assistance)	37,356,467	..	39,442,626	..	Increase 2,086,159
State Taxes	21,420,758	..	23,026,263	..	.. 1,605,505
Appropriation of Surplus. 1954-55 .. ..	..	..	1,336,723	..	.. 1,336,723
Interest (including Recoups)	5,637,500	..	6,270,647	..	.. 633,147
Fees	183,954	..	§665,449	..	.. 481,495
Country Water Supply (including Recoups) ..	2,532,946	..	2,810,391	..	.. 277,445
Recoups, &c. (other than interest and water supply)	1,558,565	..	1,746,785	..	.. 188,220
Government Printer	842,298	..	920,037	..	.. 77,739
Police	332,060	..	391,058	..	.. 58,998
Coal Mine	650,694	..	680,060	..	.. 29,366
Education	150,962	..	178,000	..	.. 27,038
Ports and Harbors	518,413	..	534,331	..	.. 15,918
Health	*1,128,305	..	*1,143,412	..	.. 15,107
Fines	133,025	..	147,219	..	.. 14,194
Lands	442,265	..	449,185	..	.. 6,920
Agriculture	435,218	..	441,467	..	.. 6,249
Sale of Government Property	109,329	..	113,771	..	.. 4,442
Mint	139,403	..	143,415	..	.. 4,012
Sundry	459,148	..	496,595	..	.. 37,447
Total Increase					6,906,124
Railways	‡39,843,019	..	37,299,906	..	Decrease 2,543,113
Forests	2,381,619	..	2,294,572	..	.. 87,047
Mental Hygiene	†212,767	..	190,657	..	.. 22,110
Tramway Contribution ..	17,198	..	..	..	.. 17,198
Penal Establishments ..	80,112	..	72,477	..	.. 7,635
Rents, &c.	224,623	..	217,103	..	.. 7,520
Soldier Settlement Commission	19,553	..	12,651	..	.. 6,902
Total Decrease					2,691,525
Commonwealth	2,127,159	..	2,127,159	..	.. ..
Total	118,937,360	..	123,151,959	..	Increase 4,214,599

* Includes reimbursement of Tuberculosis expenses by Commonwealth in 1954-55, £1,101,615 and in 1955-56, £1,111,423.

† Includes payment by Commonwealth for maintenance of patients in 1954-55, £53,820.

‡ Includes Treasury Subsidy for Interest, £2,148,060.

§ Fees, Titles Office and Registrar-General's Office previously in State Taxes, £450,899.

Commonwealth tax reimbursements and State taxes can be conveniently discussed at this stage of the report; further references to revenue from other sources will be made under appropriate departmental headings.

COMMONWEALTH TAX REIMBURSEMENTS.

Since the Commonwealth became the sole authority in the field of Income Taxation the States have been reimbursed for the loss of revenue from this source by means of financial grants. A formula has been devised and is expressed in Commonwealth legislation—*States Grants (Tax Reimbursement) Act 1946–48*. By means of the formula are determined both the aggregate sum to be distributed by the Commonwealth and its division between the States. The formula is linked with the factors of increasing population and changes in average wages, thus broadly relating changing economic conditions to the costs of services provided by the States.

The distribution between States—originally based on their respective tax collections—is being brought progressively to a common basis of population, weighted in respect of age grouping and density. This objective is being achieved over a ten-year period 1948–49 to 1957–58 so that the year now under review marks the eighth annual step in the series.

In 1949–50 and the succeeding years grants under the formula have been supplemented by additional financial assistance. Such supplementary grants and their distribution between States are determined by the Commonwealth each year after State representations have been heard.

In 1955–56, £36,068,591 was Victoria's share under the formula and £3,398,704 was a supplementary grant.

Commencing with the year in which Commonwealth legislation placed the system on a permanent basis, the Commonwealth distributions under the formula and as supplementary assistance and Victoria's allocations therefrom have been:—

—	Formula Grant.	Victoria's Proportion.	Victoria's Percentage	Supplementary Grant.	Victoria's Proportion.	Victoria's Percentage.
	£	£	%	£	£	%
1946–47	40,000,000	8,860,000	22·15	..	..	..
1947–48	45,000,000	9,967,500	22·15	..	..	..
1948–49	53,744,471	12,098,479	22·51	..	..	..
1949–50	62,537,279	14,303,485	22·87	8,000,000	1,829,755	22·87
1950–51	70,398,097	16,337,974	23·21	20,000,000	5,910,399	29·55
1951–52	86,423,046	20,376,443	23·58	33,576,954	9,123,557	27·17
1952–53	108,754,860	26,084,956	23·99	27,145,567	7,131,351	26·27
1953–54	120,507,260	29,378,198	24·38	21,914,874	5,621,802	25·65
1954–55	130,097,993	32,418,857	24·92	19,902,007	4,959,341	24·92
1955–56	141,652,261	36,068,591	25·46	13,347,739	3,398,704	25·46

The total supplementary grant in 1955–56 has been reduced in the above Statement by £2,000,000 which was a special grant to New South Wales as a contribution towards flood losses in 1954–55.

The grant is paid less an amount equal to “arrears of tax” collected by or on behalf of Victoria. Such arrears, a progressive record of which is kept by the Commonwealth, are paid in the normal way into State Consolidated Revenue as received. The “arrears of tax” are still in the course of collection mainly because subsequent investigations have affected earlier assessments. Such tax collected in 1955–56 totalled £24,669 and consisted of Income Tax £19,242 and Unemployment Relief Tax £5,427.

The purpose of recording “arrears of tax” is to determine the amount payable to the States should they jointly agree to re-enter the field of Income Taxation. The amount of “arrears of tax” in Victoria (less certain refunds made by the Commonwealth on behalf of this State) totalled at 30th June, 1956, £2,152,026.

The State, on the other hand, has a liability to the Commonwealth in respect of its share of the tax instalments received during the time the Commonwealth and State operated under a joint instalment system and for which tax stamps and group certificates have not been presented in payment of State taxes. The liability on this account at 30th June, 1956, was £407,191.

STATE TAXES.

Probate Duty, Land Tax and Entertainments Tax.—The following statement gives a comparison over the last four years of collections of Probate Duty, Land Tax and Entertainments Tax.

	1952-53.	1953-54.	1954-55.	1955-56.
	£	£	£	£
Probate Duty	4,833,393	5,387,080	6,304,802	7,102,168
Land Tax	1,370,151	2,015,898	2,624,858	3,249,674
Entertainments Tax .. .. .	..	826,653	1,176,514	1,216,588

Probate Duty for 1955-56 amounting to £7,020,573 was collected by the Commissioner of Taxes and £81,595 by the Public Trustee.

Statistics obtained from these two officials show the number of assessments of new estates during the year:—

Issued by Commissioner of Taxes	8,180
Issued by Public Trustee	474
Total	8,654
Corresponding number during 1954-55	8,866

The reduction in the number of assessments was influenced by the further rebate for estates passing to widows, widowers, and children, and in respect of persons who died on and after the 30th November, 1955.

The aggregate value of new estates assessed increased from £68·38 million in 1954-55 to £73·71 million in 1955-56. Estates exceeding £25,000 in value, included in those figures, increased from 511 to 558.

Land Tax collections also showed a marked increase for 1955-56. The revision of land values throughout the State, resulting in higher unimproved values, continues to be a contributory factor to the increased collections from this source. The increase has occurred despite a contrary influence due to the operation of the *Land Tax (Exemptions and Rates) Act 1955* whereby the exemption was raised from £650 to £1,000.

The services of the valuation section of the Land Tax Branch are also used in connexion with other imposts. The holdings received by this section during the year for review were Probate Duty—12,652, and Comptroller of Stamps—6,869. The values were increased respectively, Probate Duty—£2,422,580, and Comptroller of Stamps—£2,179,343.

Comptroller of Stamps.—A comparative statement of collections of revenue by the Comptroller of Stamps is given in the following table:—

	1952-53.	1953-54.	1954-55.	1955-56.
	£	£	£	£
Duty Stamps	2,847,539	3,298,535	3,773,135	3,948,335
Insurance Licences	304,170	304,616	312,882	347,688
Betting Tax	1,020,010	1,004,630	951,107	957,247
Betting Tickets	250,822	247,477	127,826	103,394
Bookmakers' Licences	20,605	44,888	45,924	40,997
Total	4,443,146	4,900,146	5,210,874	5,397,661

Registrar-General and Registrar of Titles.—At the beginning of the financial year *Transfer of Land Act* 1954 No. 5842 came into operation. This Act repealed certain provisions of the *Stamps Act* 1926, relating to fees on instruments and searches in the Offices of the Registrar-General and Registrar of Titles, formerly payable to the Comptroller of Stamps. From the 1st July, 1955, all such fees were collectable by the Registrar.

The following comparative statement sets out the collections :—

	1952-53.	1953-54.	1954-55.	1955-56.
	£	£	£	£
Fees Titles Office	185,059	239,220	343,501	342,103
„ Registrar-General	65,107	76,489	96,886	108,796
Total	<u>250,166</u>	<u>315,709</u>	<u>440,387</u>	<u>450,899</u>

Tattersall Duty.—The Trustees of the will and estate of the late George Adams promote and conduct sweepstakes in Victoria under a licence granted in accordance with the provisions of the *Tattersall Consultations Act* 1953. During 1955-56, consultations were spread fairly evenly over the year as shown by the following quarterly statement :—

Quarter Ended.	5s. Units.	10s. Units.	£1 Units.
30th September, 1955	40	3	2
31st December, 1955	36	3	3
31st March, 1956	36	2	1
30th June, 1956	37	2	1
Consultations drawn in 1955-56	149	10	7
Consultations drawn in 1954-55	142	3	6

All Consultations in 1955-56 were for 200,000 units except those of 10s. units and five of £1 units which were for 100,000 units only.

Within seven days after the drawing of each Consultation, duty equivalent to 31 per centum of the total amount of subscriptions to the Consultation is payable to the Treasurer. The Regulations under the Act provide that duty on subscriptions in New Zealand currency shall be paid to the Treasurer by the promoter in New Zealand currency. These requirements have been fulfilled by the licensee. Particulars of subscriptions and duty payable thereon, the latter in Australian currency, are set out hereunder :—

Quarter Ended.	Subscriptions.	Duty Payable.
	£	£
30th September, 1955	2,450,000	781,577
31st December, 1955	2,350,000	750,708
31st March, 1956	2,000,000	636,319
30th June, 1956	2,050,000	657,321
	<u>8,850,000</u>	<u>2,825,925</u>
Less amount due for consultations drawn but payable in July, 1956 .. ..	..	80,243
Amount of dnty shown in Treasury accounts	£ 2,792,940	2,745,682
Less amounts paid and exchange credited in July, 1955 on account of 1954-55	53,532	<u>2,739,408</u>
a difference of .. ..	..	6,274

The difference of £6,274 between the figures shown in the statement and by the Treasury is explained by the balance held in New Zealand at 30th June, 1956, not having been converted to Australian currency in the Treasurer's accounts.

The subscriptions and duty payable were £536,609 and £174,039 higher than the preceding year's figures of £8,313,391 and £2,651,886, respectively.

The duty paid is the *gross* revenue received by the Treasurer. Approximately 12½ per centum of subscriptions received were from New Zealand residents. An amount equal to 10 per centum of New Zealand subscriptions was paid quarterly by the Treasurer to the Government of New Zealand in compliance with the terms of an agreement referred to in my report for 1954-55. Provision was made for this expenditure in the Appropriation Act; the actual payment thereunder covers the last quarter of 1954-55 and the first three quarters of 1955-56, and converted to Australian currency is, as shown in the Treasurer's accounts, £131,914. This payment is, in effect, a contribution by Consolidated Revenue to the Mental Hospitals and the Hospitals and Charities Funds which, under the provisions of the Act, receive the full amount of duty paid by the promoter, in such proportions as the Treasurer determines. From and inclusive of the first consultation drawn after 30th June, 1956, the amount payable to the Government of New Zealand has been increased from 10 to 15½ per centum of the New Zealand subscriptions.

A sum of £38,368 (Australian currency) had still to be paid to the Government of New Zealand at 30th June, 1956, in respect of the last quarter. For convenience of making payments to the Government of New Zealand, duty equal to 10 per centum of the New Zealand subscriptions is not transferred from New Zealand to Victoria, but is credited to a bank account in New Zealand with the title "Government of Victoria Public Account". There was a balance of £26,140 in New Zealand currency included in the cash held by the Treasurer at 30th June.

It is a condition of the licence that not less than 60 per centum of the total amount of subscriptions to each consultation shall be paid by the promoter by way of prizes in respect of that consultation. Regarding New Zealand and Australian subscriptions as equivalent "units of account" the condition has been fulfilled in each of the consultations conducted by the licensee.

The Regulations provide for payment of unclaimed prizes to the Treasurer, but this provision will not operate until prizes have remained unpaid for not less than three years.

Licensing Fund Payment.—The revenue of the Licensing Fund is obtained for the most part from fees charged to licensed victuallers (£1,863,981), spirit merchants and grocers (£292,765), and clubs (£79,257). These fees are calculated on the basis of 6 per cent. of the gross cost to the licensee of liquor purchased for resale during the twelve months ended 30th June prior to the application for renewal of the licence. Spirit merchants are required to pay a further fee of £40 per annum.

The amount transferred to Consolidated Revenue is the excess in the year of receipts of the fund over payments for compensation, administrative and policing expenses, and annual payments to Municipalities and the Police Superannuation Fund.

Under the provisions of the *Licensing Act* 1955 costs of the recent referendum on trading hours were borne by the Licensing Fund. The Act also provided that these expenses were not to be taken into account when ascertaining the amount to be transferred to the Consolidated Revenue. As a result, the costs of the referendum were a charge against the standing balance in the fund and the amount available for transfer to Revenue was not affected.

The standing balance in the fund at 1st July, 1955, was £410,976, comprising investments £341,000 and cash £69,976. The standing cash balance was insufficient to meet the costs of the referendum and to enable the correct amount to be transferred to Revenue in 1955-56, the sum of £9,730 was advanced to the fund from the Public Account. Adjustment of this advance is in course during the accounting period following that under review, investments of the Fund being realized to meet the cash deficiency.

A comparative statement of receipts and payments of the Licensing Fund for the period 1st July, 1953, to 30th June, 1956, is given hereunder.

	1953-54.	1954-55.	1955-56.
	£	£	£
Balance 1st July	410,976	410,976	410,976
<i>Receipts—</i>			
Licences and Club Certificates ..	1,938,284	2,087,945	2,279,305
Permits—Extended Hours ..	22,853	17,483	26,137
Fees and Fines	15,048	14,021	16,666
Interest on Investments	10,982	10,982	10,982
Miscellaneous	2,164	2,450	5,804
	1,989,331	2,132,881	2,338,894
Advanced from Public Account .. ..	..	..	9,730
<i>Total Receipts for the Year</i>	1,989,331	2,132,881	2,348,624
<i>Payments—</i>			
Salaries and other Administrative Expenses	15,963	28,845	45,405
Cost of policing Act	36,422	40,812	43,688
Payments to Municipalities	58,900	58,736	58,616
Payment to Police Superannuation Fund	23,000	23,000	23,000
Compensation	3,460	2,105	..
Liquor Referendum .. ..	..	..	79,707
<i>Total Payments for the Year</i>	137,745	153,498	250,416
Transfer to Consolidated Revenue	1,851,586	1,979,383	2,168,184
Balance 30th June	410,976	410,976	341,000
Percentage of amount transferred to total receipts (excluding Advance 1955-56)	93·1	92·8	92·7

Totalizator.—An amending Act No. 5790 which operated from 22nd October, 1954, authorized the installation and use of the double and quinella totalizators within Victoria, and one year later these totalizators commenced operations.

This Act requires that a deduction of 12 per cent. be made from all investments. In the case of city clubs the percentage derived from double and quinella operations is divided 4 per cent. to Consolidated Revenue and 8 per cent. to the racing club, whereas, the percentage from the win and place totalizators is 7 per cent. to Consolidated Revenue and 5 per cent. to the club. For country meetings the revenue proportion is 2 per cent. and the clubs proportion 10 per cent.

A summary of receipts by the Treasury is as follows:—

	1954-55.		1955-56.	
Percentage—	£	£	£	£
Win and Place—				
Metropolitan	645,183		598,957	
Country	12,071		9,886	
Doubles and Quinella—				
Metropolitan .. ..	..		59,257	
		657,254		668,100
Fractions—				
Win and Place—				
Metropolitan	112,824		108,120	
Country	8,553		7,426	
Doubles and Quinella—				
Metropolitan .. ..	..		4,175	
		121,377		119,721
Dividends Unclaimed .. ..	..	13,071	..	14,245
		791,702		802,066

The amounts received by the Government are appropriated at the source to the Hospitals and Charities Fund which, however, repays to Revenue the cost of administration of totalizator inspection, &c.

The following statement shows the variations of Revenue Receipts from the Budget Estimate in 1955-56 :—

	Budget Estimate.	Revenue.	Excess + Deficiency —.
	£	£	£
Probate Duty	6,300,000	7,102,168	+ 802,168
Land Tax	2,445,000	3,249,674	+ 804,674
Entertainments Tax	1,132,000	1,216,588	+ 84,588
Income Tax (Arrears)	14,000	19,242	+ 5,242
Unemployment Relief Tax (Arrears)	5,000	5,427	+ 427
Totalizator	850,000	802,066	— 47,934
Tattersall Duty	2,600,000	2,792,940	+ 192,940
Betting and Bookmakers' Licences	1,146,000	1,101,639	— 44,361
Duty on Insurance Business	312,000	347,688	+ 35,688
Fees—Titles Office and Registrar-General	442,000	450,899	+ 8,899
Stamp Duty	3,850,000	3,948,335	+ 98,335
Registration Fees—Tobacco, &c.	149,350	144,835	— 4,515
Licensing Fund Payment	2,000,000	2,168,184	+ 168,184
Auctioneers' and other Licences	122,550	127,449	+ 4,899
Interest	6,021,950	6,270,647	+ 248,697
Territorial	2,403,250	2,097,083	— 306,167
Railways, Water and other State Works	42,991,815	41,130,252	— 1,861,563
Ports and Harbors	517,340	534,331	+ 16,991
Fines	135,000	147,219	+ 12,219
Departmental	3,765,670	3,888,963	+ 123,293
Repayment of Revenue Advances	4,780	9,504	+ 4,724
Housing Agreement	655,000	648,629	— 6,371
Recoup Sinking Fund Contributions	205,250	220,043	+ 14,793
Recoup Exchange, &c.	81,600	81,762	+ 162
Other Receipts	3,369,058	3,076,607	— 292,451
Commonwealth Financial Agreement	2,127,159	2,127,159	..
Commonwealth Income Tax Reimbursement	35,704,000	36,043,922	+ 339,922
Commonwealth Special Assistance	3,603,000	3,398,704	— 204,296
	122,952,772	123,151,959	+ 199,187

EXPENDITURE.

The Expenditure charged against Income last year was more than the outlay for 1954-55 by the amount of £8,796,822. A comparison of the figures for the two years under the separate divisions of votes and special appropriations is given in the following statement:—

	1954-55.	1955-56.		£
	£	£		£
Education	17,610,367	21,283,800	Increase	3,673,433
Chief Secretary	6,429,876	7,344,654	„	914,778
Health	11,100,160	11,907,768	„	807,608
Railways (vote)	35,857,179	36,498,076	„	640,897
Agriculture	1,540,804	1,887,408	„	346,604
Public Works	2,354,507	2,642,779	„	288,272
Water Supply	2,781,621	2,940,637	„	159,016
Attorney-General	1,286,081	1,383,260	„	97,179
Forests	1,153,214	1,224,366	„	71,152
Lands	1,667,038	1,718,004	„	50,966
Other	1,024,103	1,194,918	„	170,815
Treasurer	5,777,469	3,823,852	Decrease	1,953,617
Coal Mine (vote)	826,992	754,395	„	72,597
Total Votes	89,409,411	94,603,917	Increase	5,194,506
Interest including Exchange*	15,554,539	17,965,811	„	2,411,272
Pensions	2,684,700	3,403,405	„	718,705
National Debt Sinking Fund	3,186,777	3,474,542	„	287,765
Charities and Mental Funds (Tattersall)	2,598,354	2,792,940	„	194,586
Charities Fund (Totalizator)	791,702	802,066	„	10,364
Other	2,375,740	2,428,558	„	52,818
Endowments and Grants	999,414	926,220	Decrease	73,194
	117,600,637	126,397,459	Increase	8,796,822

* Additional Interest voted in 1954-55, £19,300, and in 1955-56, £15,813. Includes Exchange in 1954-55, £532,900, and in 1955-56, £492,212.

Most of the expenditure shown in the foregoing statement is classified under departmental heads which are specifically dealt with later in this report. That in connexion with the Treasury is not so discussed but is dealt with throughout the report.

Endowments and Grants.—The principal items of this group, which are authorized both by Special Appropriations and the annual Votes of several departments have been collected in the following statement. Grants to the University, Technical Schools, &c., discussed under Education, those connected with Forests and dealt with under that heading and other minor items have been excluded.

	1954-55.	1955-56.	Increase+ Decrease-
	£	£	£
Social—			
Walter and Eliza Hall Research	12,000	13,000	+ 1,000
Bush Nursing	40,000	55,500	+ 15,500
For the Purposes of Young Farmers' Clubs Association	5,000	5,600	+ 600
Children's Holiday Camps	5,000	5,000	..
National Fitness Council	17,500	17,500	..
Occupational Therapy School	1,500	1,500	..
State Relief Committee	11,500	15,000	+ 3,500
Victorian Council for Social Services	1,200	1,450	+ 250
National Safety Council	1,500	1,500	..
Royal Life Saving Society	2,500	2,500	..
Royal Humane Society	10	10	..
Ballarat Youth Centre	800	800	..
Boys' Employment Movement	800	1,800	+ 1,000
United Nations Association of Australia	500	500	..
Australia Day Council	1,168	1,176	+ 8
Victorian Amateur Swimming Association	750	750	..
Boy Scouts' Association	2,000	2,000	..
Surf Life Saving Association of Australia	5,000	3,000	— 2,000

	1954-55.	1955-56.	Increase + Decrease -
	£	£	£
Girl Guides' Association	2,000	2,000	..
Australian College of Optometry	3,000	3,000	..
Young Men's Christian Association	2,000	2,000	..
Playgrounds and Recreation Association of Victoria	5,000	5,000	..
Rotary Youth Camp at Axedale	500	500	..
Nurses Board—Training Schools for Nurses	4,000	2,000	- 2,000
Alexander Miller Memorial Homes Trust	2,000	2,000	..
Father and Son Welfare Movement	500	500	..
Probation Officers' Association	100	100	..
St. John's Ambulance Brigade	1,414	1,390	- 24
Salvation Army for Official Visits to City Court and Lock-up	500	500	..
Young Christian Workers Movement	1,000	1,000	..
Australian Red Cross Society for After-Care Treatment of Poliomyelitis Sufferers	16,000	16,000	..
Pathology Department, University, for Services of Mr. N. McCallum	200	200	..
Towards Cost of Renovation, Extensions, and Alterations of Premises for the Purposes of the Australian Royal College of Obstetricians and Gynaecologists	630	..	- 630
Towards expenses of study overseas of R. G. Andry, Clinic Psychologist	200	200	..
Children's Welfare Advisory Council for training staffs of Children's Institutions .. .. .	..	2,130	+ 2,130
Fourteenth Australian Dental Congress towards expenses in connexion with Professor Alexander B. MacGregor's visit to Victoria .. .. .	..	775	+ 775
Framlingham Reserve Welfare Committee .. .. .	..	313	+ 313
Cultural—			
Country Art Galleries	1,500	1,500	..
Country Free Libraries	8,000	8,000	..
Children's Free Libraries	5,000	5,000	..
Municipal and Regional Libraries	123,333	139,865	+ 16,532
Bands	1,700	1,750	+ 50
Outdoor Orchestral Concerts	12,934	12,553	- 381
Victorian Symphony Orchestra	25,000	25,000	..
Encouragement of Cultural Development	37,950	38,655	+ 705
Sundry—			
Victorian Society for Protection of Animals	500	500	..
Zoological Gardens	12,000	12,000	..
Commonwealth Parliamentary Association	2,750	500	- 2,250
Melbourne Permanent Post Graduate Committee	2,000	2,000	..
Trustees Shrine of Remembrance	10,500	2,500	- 8,000
Exhibition Trustees	1,000	1,000	..
Australian Publicity Council	10,000	10,000	..
Empire Youth Movement	4,887	4,836	- 51
Save the Forests Campaign	5,000	5,000	..
Improvements and Maintenance of Cemeteries	5,025	5,219	+ 194
Conservation of Flora and Fauna, Phillip Island	750	750	..
War Nurses' Memorial Centre	10,000	2,000	- 8,000
Towards cost of Information Service re Fisheries	700	700	..
Sir Thomas Blamey Memorial Fund	1,500	..	- 1,500
Mr. C. K. Jacka towards expenses of Study Overseas .. .. .	..	498	+ 498
Towards cost of repair and renewal works in connexion with Exhibition Buildings .. .. .	..	15,000	+ 15,000
	429,801	463,020	+ 33,219

The Treasury Vote for the encouragement of cultural development is being applied by way of grants. It is included in total in the above statement. A dissection of allocations does not appear in the Treasurer's statements but is included as Appendix D to this report.

The synopsis hereunder provides a comparison of budgeted and actual expenditure.

	Budget Estimate.	Expenditure.	+ Excess. - Less.	Supplementary Provision.	Unexpended.
	£	£	£	£	£
<i>Votes—Appropriation Act No. 5940—</i>					
Premier	662,384	695,744	+ 33,360	51,035	17,875
Chief Secretary	7,166,988	7,344,654	+ 177,666	215,759	38,093
Labour and Industry	243,983	231,346	— 12,637	1,834	14,471
Education	20,556,931	21,283,800	+ 726,869	736,739	9,870
Attorney-General	1,328,542	1,383,260	+ 54,718	63,252	8,534
Treasurer	3,824,973	3,823,852	— 1,121	155,529	156,650
Lands and Survey	1,761,599	1,718,004	— 43,595	11,028	54,623
Public Works	2,541,042	2,642,779	+ 101,737	160,722	58,985
Mines	254,682	261,378	+ 6,696	13,469	6,773
Forests	1,198,260	1,224,366	+ 26,106	79,059	52,953
Water Supply	3,013,800	2,940,637	— 73,163	11,772	84,935
Agriculture	1,670,567	1,887,408	+ 216,841	263,977	47,136
Health	11,481,064	11,907,768	+ 426,704	791,598	364,894
Railways	36,435,711	36,498,076	+ 62,365	133,255	70,890
Coal Mine	837,101	754,395	— 82,706	587	83,293
Ministry of Transport	8,121	6,450	— 1,671	856	2,527
	92,985,748	94,603,917	+1,618,169	*2,690,471	1,072,302
Special Appropriations	31,817,183	31,793,542	— 23,641	..	23,641
	124,802,931	126,397,459	+1,594,528	2,690,471	1,095,943

* Authority provided by Act No. 5997.

LOAN ACCOUNT.

The net proceeds raised in 1955-56 for works and like purposes, £38,884,997, were roundly one million one hundred and twenty thousand pounds more than in the preceding year. The sum available from the Commonwealth for Housing under the Commonwealth-State Housing Agreement was also greater than in 1954-55, the respective amounts being £10,800,000 as against £9,450,000. These last-mentioned funds are not included in the loan proceeds figure stated above nor, as explained later, in the Treasurer's Capital Liability or Debt Statements. A further sum of £1,610,000 received from the Commonwealth Government in connexion with Soldier Settlement for the year under review is also excluded from these statements.

The sources of the loan funds and the balance unspent at 30th June, 1956, are set out hereunder:—

	£	£
Loan No. 94	9,856,000	
Loan No. 95	6,973,000	
Loan No. 97	8,208,000	
Loan No. 98	12,871,586	
Loan raised in New York	277,407	
	38,185,993	
Domestic raisings for works	617,795	
	38,803,788	
Add Premium on Exchange New York Loan	320,791	
	39,124,579	
Less Discount and expenses capitalized	239,582	
	38,884,997	
Total provision for works	38,884,997	
Cash in hand, 30th June, 1955	1,293,137	
Loan repayments during year	2,787,173	
Treasurer's Advance at 30th June, 1956, pending Loan Application Acts	29,023	
	42,994,330	
Cash balance at 30th June, 1956	3,747,958	
Balance of Treasurer's Advance at 30th June, 1955	116,077	
	3,864,035	
Amount expended	39,130,295	

The details of terms and conditions as relating to the Victorian proportion of the five works loans, four of which were open to subscription by the public, are as follows:—

Loan.	3 Per Cent.	3½ Per Cent.	4½ Per Cent.	5 Per Cent.	Price of Issue Per Cent.	Date of Maturity.
	£	£	£	£	£ s. d.	
No. 94 ..	3,992,000	..	..	..	99 15 0	15.8.1956
No. 94 ..	..	..	4,081,000	..	Par	15.11.1965
No. 94 ..	..	..	1,783,000	..	Par	15.11.1970
No. 95 ..	2,116,000	..	..	..	99 15 0	15.11.1956
No. 95 ..	..	..	3,640,000	..	Par	15.11.1965
No. 95 ..	..	..	1,217,000	..	Par	15.11.1970
No. 97 ..	..	3,210,000	..	..	99 10 0	15.8.1957
No. 97 ..	..	..	..	4,998,000	99 10 0	15.4.1963
No. 98 ..	..	10,514,586	..	..	99 10 0	15.8.1957
No. 98 ..	..	..	..	2,357,000	99 10 0	15.4.1963
New York ..	..	..	277,407	..	98 10 0	15.6.1971
Total ..	6,108,000	13,724,586	10,998,407	7,355,000	..	..

Loan Flotation Expenses on Loans Nos. 94 and 95, amounting to £75,941, have been paid from the Loan Fund. No expense is associated with Loan No. 98 as this was provided from Commonwealth resources and the amount of expenses for Loan No. 97 is not yet available.

Loan No. 96 was raised to deal with securities held by the public which matured on 15th December, 1955. The particulars of the transactions, as they affected this State, are as follows:—

Security Rate.	Amount Dealt With.	Redeemed by Sinking Fund.	Converted to—		Price of Issue. Per Cent.	Date of Maturity.
			3 Per Cent.	4½ Per Cent.		
	£	£	£	£	£ s. d.	
3 per cent. ..	17,778,000	1,852,000	5,155,000	..	99 15 0	15.11.56
3 per cent. ..	..	..	..	5,669,000	Par	15.11.65
3 per cent. ..	..	..	..	5,102,000	Par	15.11.70
3¾ per cent. ...	2,361,810	555,810	165,000	..	99 15 0	15.11.56
3¾ per cent. ...	..	..	..	599,000	Par	15.11.65
3¾ per cent. ...	..	..	..	1,042,000	Par	15.11.70
Total ..	20,139,810	2,407,810	5,320,000	12,412,000	..	..

Discount, £13,300, was met from new loan moneys and conversion expenses, £1,138 4s. 6d. from Consolidated Revenue.

Public Debt and Debt Charges.—The Public Debt Statement (No. 3 on page 111 of this Report) discloses that the Public Debt increased during the year by £34,514,382 and that the total amount of the indebtedness at 30th June, 1956, amounted to £445,713,423. Of this total, £397,577,771 represented internal and £48,135,652 external borrowing. The repayment of the external debt will entail the use of sterling or dollars as the case may be.

After deducting from the amount of the Public Debt, cash at credit of the National Debt Sinking Fund totalling £584,092, the State's capital liability to the Commonwealth was £445,129,331. This sum was accounted for in the Treasurer's Statements as follows:—

Total liability apportioned as between the various services of the State on account of expenditure from Loan Fund—	£	£
	489,279,059	
Less—On account of equity in National Debt Sinking Fund	47,576,895	
Net Liability	441,702,164	
Plus—Unapportioned—Loan Fund Balance	3,747,958	
	<u>445,450,122</u>	
Deduct—Exchange premium—New York Loan 4½ per cent. : 15th June, 1971	320,791	
State's capital liability to the Commonwealth as above	<u>445,129,331</u>	

The charges on the Public Debt, excluding loan conversion expenses, were—

	£	£
Interest—On Funded Debt	15,175,397	
Exchange on Overseas Interest	492,212	
<hr/>		
Total Interest (excluding interest on Commonwealth advances for Housing and Soldier Settlement and interest paid on Deposits)		15,667,609
Sinking Fund—State's contributions to National Debt Sinking Fund—for details see section on the National Debt Sinking Fund		3,474,543
<hr/>		
Total Debt Charges		19,142,152
<hr/>		
The comparable figure for the previous year was		16,736,471

The increasing cost of the debt charges on the loan liability as indicated, must give rise to concern particularly as an analysis of the total liability, £489,279,059, as apportioned by the Treasurer over the various services of the State, discloses that, with respect to £263,553,808 of this liability no direct contribution towards the State's proportion of the debt charges thereon can be expected. Particulars are:—

Service, &c.	Total Liability.	Equity National Debt Sinking Fund.	Net Liability.	Debt Charges 1955-56.
	£	£	£	£
Water Supply—Capital Liability borne by the State	76,504,131	6,176,435	70,327,696	2,873,305
Land Settlement—(excluding amounts charged to settlers)	21,045,777	6,596,620	14,449,157	1,028,112
Railways—				
On account of—Liability transferred to State	30,699,812	6,052,302	24,647,510	1,299,576
On account of—Deferred Renewals and Rehabilitation Loans on which the Railways are relieved of all debt charges	28,550,721	626,797	27,923,924	1,010,834
In aid of Revenue	11,591,900	3,016,949	8,574,951	663,451
State Electricity Commission—on account of relief from interest and sinking fund payments in consideration of supply of electricity to First Mildura Irrigation Trust and State Rivers and Water Supply Commission at certain rates	600,000	4,250	595,750	25,669
Unemployment Relief—excluding principal and interest on account of Advances to Public Authorities	11,953,017	1,871,027	10,081,990	478,800
Public Works, Buildings, Advances, &c.—including expenditure on schools, mental hospitals, &c., but excluding advances repayable and debt charges thereon	82,608,450*	3,202,214	79,406,236	3,295,453
	263,553,808	27,546,594	236,007,214	10,675,200

*Includes subsidies on imported coal and building materials.

While long term benefits will ensue from loan expenditure on the construction of school buildings and in meeting the State's social needs generally, a substantial proportion of the debt charges totalling £10,675,200, referred to above, must be regarded as having a "dead weight" effect on the finances of the State. This effect is accentuated by other factors including:—

- (i) the reduction of $1\frac{1}{2}$ per cent. allowed in the rate of interest on loan funds made available to the Rural Finance Corporation thus involving the State in meeting a proportion of the interest on such funds to the extent of £80,264; and
- (ii) statutory concessions to soldier settlers to assist in their rehabilitation and establishment amounting to £366,446.

Advances from Commonwealth Government for Housing.—The advances received from the Commonwealth Government under the provisions of the Commonwealth–State Housing Agreement amounted, for the financial year ended 30th June, 1956, to £10,800,000 and were made available to the Housing Commission for the continuance of its operations under the agreement. Victorian Act No. 5114 provides that these advances shall form the “Commonwealth and State Housing Trust Account” at the Treasury from which shall be paid to the Housing Commission moneys in respect of housing projects under the agreement.

The amount of £85,781,000 now advanced does not form part of the Victorian Public Debt in the Treasurer’s accounts although it is to be repaid to the Commonwealth Government, with funds provided by the Housing Commission, over a period of 53 years. It is necessary, therefore, in considering the total of the State Debt as shown in the Treasurer’s accounts to add thereto the unredeemed portion of the sum borrowed from the Commonwealth for housing projects which is now £82,450,487.

Loan Expenditure.—The net loan expenditure in the year 1955–56 according to Treasury records was £39,130,295, compared with £40,952,259 for 1954–55, and £45,664,649 for 1953–54. The details are summarized below:—

	1953–54.	1954–55.	1955–56.
	£	£	£
Railways	8,839,563	8,182,861	7,866,650
Water Supply	8,475,565	9,268,758	7,369,118
Forests	899,825	898,598	799,922
Country Roads	1,267,000	956,000	1,035,000
Electricity Commission	6,000,000	2,000,000	1,000,000
Gas and Fuel Corporation	1,995,000	1,195,000	1,170,000
Advances	292,146	188,224	72,107
Building Materials and Temporary Housing	260	529	..
Bulk Handling of Wheat	250,000	..	..
Hospitals	4,240,004	3,999,993	4,000,000
Material Imports	1,182	14,060	..
Mental Hospitals	1,015,263	706,832	1,003,823
Municipal Subsidies (other than for drainage)	131,357	86,391	120,671
Police Buildings	127,368	121,747	186,338
Rural Finance Corporation	700,000	800,000	920,000
Sanatoria, &c.	103,132	52,593	105,673
School Buildings	4,754,012	5,114,593	6,647,285
Soldier Settlement	4,923,123	4,998,769	3,899,992
Housing .. .. .	..	50,000	105,000
University	11,246	117,643	100,000
Other Public Works	1,638,603	2,199,668	2,728,716
Total within Financial Agreement	45,664,649	40,952,259	39,130,295
Commonwealth–State Housing Agreement	11,332,000	10,813,881	*11,350,000
	56,996,649	51,766,140	50,480,295

* Estimated. Final figures for the current year not yet available.

The items included in the above statement are examined in greater detail in the appropriate departmental and other sections of this Report.

National Debt Sinking Fund.—A summary of the transactions in the National Debt Sinking Fund in relation to this State for the year is:—

	£	£
Balance at 1st July, 1955 .. .. .	..	409,563
Contributions 1955-56—		
<i>Commonwealth—</i>		
2s. 6d. per centum per annum on debt prior to 30th June, 1927	170,436	
5s. per centum per annum on new debt since 1927	801,573	
	<hr/>	972,009
<i>State—</i>		
5s. per centum per annum on debt prior to 1927	340,872	
5s. per centum per annum on new debt since 1927	764,872	
£4 per centum per annum on deficit loans ..	292,878	
15s. per centum per annum on deficit loans ..	29,963	
15s. per centum per annum on water supply replacements and imported coal and materials	41,117	
£1 15s. per centum per annum on drought relief and deferred maintenance of railways and schools	79,200	
£2 per centum per annum on tourist resorts development	2,799	
Various on discount and expenses overseas loans	5,482	
£4 10s. per centum per annum on cancelled securities	1,917,360	
	<hr/>	3,474,543
Interest .. .. .	..	17,015
		<hr/>
		4,873,130
Securities repurchased and redeemed, £4,402,112 at a cost of ..	..	4,289,038
		<hr/>
Balance of cash in Sinking Fund at 30th June, 1956 .. .. .	..	584,092
		<hr/>

The total amount of securities repurchased or redeemed and cancelled on account of this State since the inception of the scheme is now £46,992,803 at a cost, including exchange on overseas purchases, of £49,216,245.

TREASURER'S ADVANCE.

The Public Account Act (No. 5578) authorizes the temporary issue of any sum or sums not exceeding in all £2,000,000 required for advances to the Treasurer to enable him to meet urgent claims that may arise before Parliamentary sanction thereto is obtained. The Governor's Warrant for expenditure of £2,000,000 was obtained by the Treasurer.

In practice the Treasurer utilizes the Advance to supplement the provisions of items of the Annual Appropriation Act and to provide money for other services and purposes for which legislative authority has yet to be obtained.

Expenditure charged against the Advance at 30th June, totalled £2,727,458 comprising £2,688,313 for which Supplementary Estimates have recently been approved and £39,145 on account of other services. Thus, the expenditure exceeded the statutory limit by £727,458. Similar infringements of the law have been reported in past years.

The Act also empowers the Treasurer to carry forward any portion of this expenditure to the accounts of the following year. The amount so carried forward to 1956-57 was £39,145. As required by the Public Account Act a copy of the statement of the reasons therefor is annexed to this report.

The chief items in the Supplementary Estimates which augmented the original provisions of the annual appropriations were:—

	£
Chief Secretary—	
Children's Welfare—	
Maintenance of Children and Allowances to certain Widows.. .. .	23,100
Police—	
Salaries and Allowances	59,316
Contingencies	44,500
Purchase and Maintenance of, and Repairs to, Motor Cars, &c.	23,000
Education—	
Salaries and Allowances	497,916
Allowances to Students in Training	75,845
Allowances to School Cleaners, Groundsmen, and Boilermen	33,163
Provision of Bus Services and Pupils' Travelling Allowances	45,541
Endowments and Grants to Technical Schools	40,900
Attorney-General—	
Contingencies	34,169
Treasury—Government Printer—	
Purchase of Paper and Material	68,901
Public Works—	
Towards the Cost of Reconditioning the Chandler Bridge	24,500
Forests Commission—	
Utilization of Forests Produce	72,509
Agriculture—	
Expenditure in connexion with the Control of Fruit Fly	35,603
Destruction of Grasshoppers	180,251
Health—	
Grants to Hospitals and Charities Fund	600,000
Tuberculosis—Maintenance and other Expenses in connexion with Tuberculosis Wards at Hospitals and other Institutions, Payments to Consultants, Australian Red Cross Society, &c., for Visiting Services	29,186
Mental Hygiene—Salaries and Allowances	140,415
Railways—	
Working Expenses of all Lines	118,134

In addition, there was a number of items which did not appear in the annual appropriations; to that extent they do not in a true sense supplement a previous provision, but are in effect new items.

Details of these items are:—

Department.	Division.	Service.	Provision.	Expended.
			£	£
Premier	Legislative Assembly	Expenses (including passage money for Mrs. McLachlan) in connexion with the transfer of Mr. H. K. McLachlan Clerk of the Parliaments and Clerk of the Legislative Assembly, to London for the purpose of studying the Parliamentary Procedure and Practice in the House of Commons	2,000	1,902
	Miscellaneous	Expenses in connexion with the visit overseas of the Hon. the Premier, Mrs. Bolte and the Economics Research Officer of the Treasury	6,500	6,500
	Agent-General	Lease of Residence (including refund of premium paid) and purchase of fittings for use of Agent-General	1,857	1,856
		Payment, including Allowances, to the Acting Agent-General, Sir John Lienhop, for the period 3rd February, 1956, to 23rd April, 1956	1,069	1,068
		Allowance to meet costs of passages and removal of furniture of the retiring Agent-General from London to Melbourne	1,540	1,537
		Allowance to meet costs of passages, freight on personal effects and incidental expenditure of the Agent-General from Melbourne to the United Kingdom	1,021	1,020
Chief Secretary	Grants	To Framlingham Reserve Welfare Committee	375	313
	Children's Welfare	Grant to Children's Welfare Advisory Council for training staffs of Children's Institutions	2,130	2,130
	Police	Ex gratia payment to Detective Constable Dunn towards compensation and costs awarded against him in the action Copley v. Oldham and Dunn consequent upon an accident involving a police motor car	6,000	6,000
Labour and Industry	Miscellaneous	Allowance to Acting President of the Apprenticeship Commission	40	40
Education	Miscellaneous	Cost of Legal Expenses and Valuation Fees in connexion with proposed acquisition of land for school purposes at Glen Waverley	32	32
Attorney-General	Miscellaneous	Payments in lieu of Long Service Leave, Recreational Leave and Marginal Salary Increases to former officers of the Prices Control Branch	440	440
Treasury	Miscellaneous	Committee of Enquiry—Housing Commission, Fees and Incidental Expenses	989	989
	Exceptional	Payment to an employee R.E.M. Cox of Pay in lieu of Long Service Leave Entitlement under the provisions of the <i>Labour and Industry Act 1953</i>	249	248
		Payment to Great Eastern Shipping Co. Ltd. to meet losses arising out of delay in unloading Coal from <i>S.S. Haligonian Duke</i>	20,350	20,350
		Contribution to <i>Herald</i> Parcels for Pensioners Appeal Fund	1,000	1,000
		Contribution to Young Men's Christian Association, Bendigo, towards cost of Gymnasium and Equipment	500	500
		Contribution to Girl Guides' Association towards cost of motor van for training purposes	200	200
		Contribution to the Victoria Missions to Seaman Centenary Appeal	2,500	2,500
		Contribution to Shire of Mildura (towards costs incurred for Emergency Flood Prevention Works)	1,500	1,500
		Contribution to the Victorian Promotion Trust Fund	35,000	35,000
		Contribution to Royal Women's Hospital Centenary Appeal	5,000	5,000
		Contribution towards cost of posters, &c., in connexion with St. John's Home for Boys Appeal	200	200
	Emergency Housing	To reimburse the Housing Commission for payments made to the Brotherhood of St. Laurence for expenditure incurred by that Body in the Social Rehabilitation of Families resident in Emergency Housing Settlements	6,936	6,936
Lands and Survey	Miscellaneous	Payment to the Trustees of the St. Kilda Foreshore of an amount equivalent to Rents received from Certain Foreshore Leases	1,094	1,094
Public Works	Works and Buildings	Cost of restoration of fire damage at Fairlie Female Prison, Fairfield	7,271	7,271
		Construction of a Roundabout at St. Kilda Junction	1,200	1,200
Agriculture	Administrative	Subsidy to University of Melbourne for Veterinary Research Institute and Milk Laboratory	16,000	16,000
Health	Administrative	Grant to War Nurses' Memorial Centre	2,000	2,000
	Mental Hygiene	Grant to R. G. Andry, Clinic Psychologist, towards Expenses of Study Overseas	200	200
Railways		To meet as from 6th May, 1956, increase in Salaries of Commissioners pending proclamation of Act 5973	157	157
		To meet outstanding Capital Liability incidental to the taking over of the Kerang and Koondrook Tramway	5,289	5,288

SURCHARGES.

Under the provisions of Section 41 of the Audit Act, the Treasurer was surcharged during the year with certain expenditure.

Details of this expenditure and my reasons for disallowing the accounts are:—

	£	s.	d.
Public Works Department—Expenditure on the restoration of fire damage to buildings	4,000	0	0
The Schedules to Loan Act 5763 did not contain provision for expenditure of this nature.			
Provision has since been made in the Supplementary Estimates under Division 69-4-2.			
Public Works Department—Expenditure on non-productive wages—annual and statutory holidays, sick and wet payments—in connexion with various works and services	37,186	17	6
Pending allocation of costs against individual jobs, the above expenditure was originally charged against the contingency vote of the Department and subsequently apportioned between Consolidated Revenue, Loan and other Funds by journal entry.			
The basis of apportionment of costs is ascertained by relation to the disposition of labour over various works and services during the period the entitlement accrues.			
No legislative authority existed for these payments being charged against the contingency vote. Although adjusted by the 30th June, the discharge under the Audit Act to the Treasurer has to be given or withheld within two months. Therefore, there was no option but to disallow the initial charging of the expenditure.			
The merits of an approach towards a more accurate allocation of costs are not disputed.			
Public Works Department—Expenditure on travelling, postage, printing, lithography, cars and trucks, advertising, and overtime in connexion with various works and services	100,249	0	2
For convenience in administration and pending allocation of costs against individual jobs, the expenditure was originally charged against the contingencies vote of the Department and subsequently apportioned between Consolidated Revenue, Loan, and other Funds by journal entry.			
As explained in my previous report, the arbitrary allocation by the Department in determining the basis of apportionment of costs is not acceptable for audit purposes.			
It is some years since the decision was made to distribute contingency charges, and contingency charges only, in this way. In principle the legality of such an apportionment, if fully applied to include all services incidental to the costs of construction, could not be challenged. The departure, in so far as contingency charges are concerned, from established practice whereunder the Public Works Department supplied such services for all works from Consolidated Revenue, is the result of departmental action rather than of any policy, implied or expressed, of Parliament.			
Public Works Department—Salaries	37,414	13	3
Reimbursement of the departmental advance was not supported by the production of written vouchers for the actual payments.			
Duplicate vouchers have since been produced and accepted.			

GUARANTEES.

In certain instances, authority for a guarantee has been provided by specific legislation such as the statutes relating to the Grain Elevators Board, the Victorian Inland Meat Authority, Co-operative Housing Societies, and the guarantee of repayment of a loan to the Committee of the Melbourne Cricket Club. But on other occasions, the State has been committed in respect of guaranteed bank overdrafts by the Executive, without the specific authority of Parliament.

Particulars are given below of guarantees not authorized by statute and current at 30th June, 1956, showing the contingent liability of the State under each guarantee at that date. The purposes for which the guarantees were given were shown in my report for the year 1952-53.

	Guarantee.	Contingent Liability.
	£	£
Exhibition Trustees	30,000	..
Royal Agricultural Society of Victoria	370,000	312,375

Because of their satisfactory financial position, the State did not renew the guarantees mentioned in previous reports in respect of the Ardmona and Kyabram Co-operative Companies.

Another variant of government guarantee has been used. Debentures raised by hospitals under the provisions of the *Hospitals and Charities Act* 1948 have been given some added security by an undertaking that repayment will be safeguarded by a priority, in favour of these institutions, in future allocations of hospital moneys in specified financial years. An undertaking to the extent of £14,000 is still current in respect of the Box Hill and District Hospital.

Set out below are the details of those guarantees, authorized by statute, where there was a contingent liability at 30th June, 1956.

	Guarantee.	Contingent Liability.
	£	£
Co-operative Housing Societies	47,137,500	32,031,273
Co-operative Societies	84,960	71,881
Victorian Inland Meat Authority	60,000	60,000

The repayment of loans made by approved bodies to registered co-operative housing societies has been guaranteed by the Treasurer under the provisions of Act No. 5055 which, as now amended, provides an upper limit of £50,000,000 upon the liability which may be incurred by the State under this heading. Guarantees current at 30th June, in respect of loans made or to be made have been given to 280 societies.

The Treasurer has also entered into agreements with societies to indemnify them against any loss they may incur by making advances in excess of 80 per cent., but not exceeding 90 per cent., of the total value of the land and the buildings to be erected thereon. At 30th June, there were 2,670 indemnities in force, the contingent liability upon which was £330,217.

The Co-operation Act 1953 which was proclaimed on 2nd August, 1954, provides a limit of £500,000 upon the liability which the State may incur under guarantees given in respect of societies registered under this Act. To 30th June, guarantees to the extent of £84,960 had been given in relation to the loans of four societies, and the contingent liability under the guarantees amounted to £71,881.

The activities of the societies registered under this Act and the Co-operative Housing Societies Acts are subject to the supervision of the Registrar. Their accounts are not audited by me, but under the controlling legislation, are required to be audited at least annually by a person licensed by the Companies Auditors Board. They may also be inspected by the Registrar or some other person authorized to act on his behalf.

The guarantee in respect of the Victorian Inland Meat Authority, the accounts of which are audited by me, is in accordance with the provisions of Act No. 4927.

THE STATE'S DEBTORS.

Debts coming within this section are of three classes—arrears of revenue, advances to public bodies and others, and amounts due under contracts of sale.

Arrears of Revenue.—The statement hereunder gives the position as to the amounts owing at the end of each of the last three financial years in respect of the major State activities.

	1954.	1955.	1956.
	£	£	£
Railways and State Coal Mine	1,087,710	1,317,970	1,113,533
Taxation—			
Income	28,454	15,991	11,372
Unemployment Relief	13,648	7,017	4,196
Land	389,299	317,148	229,065
Probate Duty	153,671	78,579	124,815
Water Supply	263,572	307,606	268,963
Lands Department	31,686	34,191	43,272
Soldier Settlement Commission	19,806	22,599	38,636
Forests Commission	146,931	100,355	119,130
Government Printer (excluding amounts due from State Departments)	9,422	38,860	35,749
Children's Welfare	62,244	69,456	61,218
Other Departments	115,562	116,413	124,760
Trading Activities—			
Victoria Dock Cool Stores	76,454	75,485	62,647
Lighterage and Storage of Explosives	24,997	21,571	24,879
Timber Seasoning Works—Newport	18,162	10,938	10,665
Other	3,905	7,498	12,087
Miscellaneous	38,347	14,761	22,115
	2,483,870	2,556,438	2,307,102

Although amounts due for Income and Unemployment Relief Taxation are shown as debts due to the State, collection will not affect the State's finances. Under the uniform taxation system, collection of these amounts is a function of the Commonwealth, and an amount equal to the arrears of taxation collected and paid to the State is deducted from the annual taxation reimbursement.

The arrears of Probate Duty and Land Tax do not include amounts of £478,899 and £159,976 respectively which represent assessments issued during June, but not due and payable until after 30th June.

Amounts due to the Children's Welfare Department are, in many instances, debts owing by persons without the means or ability to pay, or whose whereabouts are unknown. Substantial collections are unlikely.

The amount shown under the heading of Other Departments includes arrears of rents due under the State's emergency housing scheme which has now concluded. The total collections for rents since the inception of the scheme in 1946 were £489,544. The amount due and unpaid at the conclusion of the scheme was £7,084, but because of the circumstances of many of the debtors, it is likely that the greater part of these arrears will prove uncollectable. The State has written off irrecoverable arrears totalling £3,016.

Advances to Public Bodies, &c.—The State makes advances from loan and revenue to public bodies and other organizations, and debts due to the State in respect of these advances are discussed under this heading. Amounts made available to major undertakings such as the State Electricity Commission, Housing Commission, Rural Finance Corporation, &c., are not included here, but will be discussed in a further report which I propose to make to Parliament later in the year.

Advances related mainly to projects associated with water supply and sewerage works in country districts and as assistance in the establishment, development or building programmes of various organizations or industries.

Advances additional to those from loan moneys or revenue have been made from the Decentralization Fund, and at 30th June, amounted to £428,858, of which £61,092 has been repaid. Further reference to this expenditure is made on page 85 of this report.

Set out below is a summary of advances made during the last three years by means of special items in Loan Application Acts or Appropriation Acts.

	1953-54.		1954-55.		1955-56.	
	Loan.	Revenue.	Loan.	Revenue.	Loan.	Revenue.
	£	£	£	£	£	£
Corporations and other Bodies	467,782	..	435,980	..	504,340	..
Advances to Settlers	2,199	..	..	..	..	..
Various	186,010	9,420	112,131	7,500	48,200	..
Total	655,991	9,420	548,111	7,500	552,540	..

In some cases, repayment of advances has not been in accordance with the agreed conditions and, at 30th June, instalments of redemption and interest charges due and unpaid amounted to £43,864. A concise statement of the balances of advances and amounts overdue is as follows:—

	Balance of Advances at 30th June, 1956.			Overdue at 30th June, 1956.				
	Loan.	Revenue.	Total.	Redemption.			Interest.	Total.
				Loan.	Revenue.	Total.		
	£	£	£	£	£	£	£	£
Co-operative Companies	7,627	..	7,627	304	..	304	133	437
Municipalities	7,655	..	7,655	..	..	..	..	..
Corporations and other Bodies	5,177,697	..	5,177,697	107	3,833	3,940	15,390	19,330
Unemployment Relief Advances	143,933	..	143,933	1,181	..	1,181	41	1,222
Advances to Settlers	25,631	217	25,848	15,597	196	15,793	3,378	19,171
Various	811,482	65,955	877,437	2,068	254	2,322	1,382	3,704
Total	6,174,025	66,172	6,240,197	19,257	4,283	23,540	20,324	43,864

The total of £43,864 redemption and interest charges overdue includes the following arrears of interest which are not shown in the Treasurer's Statement of Sundry Debtors to Revenue (page 125):—

	£
Cultivation and Wire Netting Advances	2,927
Unemployment Relief Advances	41
Farm Water Supply Advances	451
Timber Salvage Advances	12
	3,431

CO-OPERATIVE COMPANIES.

Co-operative Cool Stores.—At 30th June, £7,627 of total advances of £17,500 made to the Tyabb Co-operative Cool Stores was still to be repaid. Arrears of interest and redemption at that date amounted to £437.

CORPORATIONS AND OTHER BODIES.

Local Governing Bodies.—To assist in the development of the waterworks controlled by certain municipalities, the State has made advances of £2,945,440 from loan and £4,000 from revenue. Repayments and amounts written off or transferred have left a balance to be repaid, at 30th June, of £1,520,407. Instalments of redemption and interest charges overdue at the same date totalled £3,355.

Sewerage Authorities.—Advances of £637,569 have been made from loan for capital works of country sewerage authorities, but £72,637 of this amount has been transferred to the Capital Expenditure Borne by the State Account. Repayments amount to £115,011, and the balance of liability at 30th June was £449,921 of which £98 was overdue in instalments. Interest charges unpaid at that date were £497.

Irrigation Trusts.—Loan advances to Irrigation Trusts amount to £924,390 of which the Trusts have repaid £58,546. Liability to the extent of £644,044 has been transferred to the State and £18,416 has been written off, leaving the balance of advances at 30th June, £203,384.

Waterworks Trusts.—Of advances of £5,445,073 from loan and £33,625 from revenue, £2,885,584 was still to be repaid at 30th June.

With the exception of 37 trusts which, between them owed £15,149 for redemption and interest charges, all amounts due by the Trusts to 30th June had been paid. Sixteen trusts have since paid the amounts outstanding. The activities of the trusts are discussed on page 40 of this report.

River Improvement Trusts.—Provision has been made in the *River Improvement Act* 1948 for advances to be made to river improvement authorities for expenditure on approved works. At 30th June, total advances from loan funds, including £2,547 transferred from a Waterworks Trust, amounted to £353,824 but liability to the extent of £283,950 has been borne by the State. Further reference is made to these Trusts on page 40.

UNEMPLOYMENT RELIEF ADVANCES.

Advances made to various bodies for purposes associated with the relief of unemployment totalled £2,478,032, of which £839,386 has since been treated as a grant and £27,817 has been written off. The balance of advances at 30th June was £143,933 including £1,181 overdue instalments of redemption.

ADVANCES TO SETTLERS.

Cultivation and Wire Netting Advances.—From time to time advances from loan and revenue sources have been made to settlers to assist in the financing of cultivation, the purchase of seed wheat and fodder, and for the purchase and erection of wire netting.

Repayment of these advances and the payment of charges for interest continue to be unsatisfactory. Of the total amount of £14,830 outstanding at 30th June on account of cultivation advances, £12,288, together with £2,270 unpaid interest charges, was overdue. Wire netting advances outstanding amounted to £3,012, of which £1,568, together with £657 unpaid interest charges, was overdue.

Farm Water Supply.—To assist farmers in the provision of an adequate water supply on farm properties, advances amounting to £21,372 have been made from loan sources. At 30th June the amount still to be paid was £7,947.

Advances of this nature, other than for wire netting, are now a function of the Rural Finance Corporation.

VARIOUS.

Ballaarat Gas Company.—To enable this company to purchase and install new plant, and repay a mortgage to the Ballarat Banking Company, loans of £75,000 in 1951–52 and £45,000 in 1952–53 have been made. Repayment is to be made within fifteen years with interest at £3 12s. 6d. and £4 5s. per cent. per annum, respectively. At 30th June the balance to be repaid was £107,938.

Exhibition Trustees.—In addition to guaranteeing the bank overdraft to the extent of £30,000, as mentioned on page 23 of this report, the State advanced to the Trustees a total of £13,000 towards the cost of effecting repairs and improvements to the ballroom and adjoining parts of the Exhibition Building. An interest rate of £4 per cent. per annum has been applied, and the balance of advances at 30th June was £7,025.

Port Phillip Sea Pilots.—Advances totalling £494,000 have been made to the Port Phillip Sea Pilots for the purchase of an additional pilot vessel. Interest at £3 12s. 6d. per cent. per annum is being charged, and principal repayments to 30th June totalled £17,746.

Purchase of Cars by Public Officers.—The State assists officers in the purchase of cars required for use in their official duties by financing the balance remaining after payment of the deposit. The officers are required to make repayments in terms of a hire-purchase agreement with the State for periods of two to six years with interest at £4 15s. per cent. per annum. A total of 182 officers was participating in the scheme at 30th June. Expenditure to that date was £116,160 and repayments of principal under the agreements amounted to £58,491.

Aychar Pty Ltd.—On condition that certain increases in its capital be effected, the Government has agreed to make available to this company a loan of £50,000 for the manufacture of room units from reinforced gypsum plaster. The loan, which is secured by registered debenture, is to be repaid with interest at £4 10s. per cent. per annum. Advances to 30th June totalled £47,500.

Albert Park Committee of Management.—A loan of £20,000, repayable in annual instalments of £1,000 with interest at £3 per cent. per annum, has been made to the Committee of Management to enable improvements to be effected to the Albert Park Reserve.

Amounts due under Contracts of Sale.—A property at Maffra formerly used by the Commonwealth as a dehydration factory was acquired by the State in 1948 for £15,000, the money being provided under Loan Act No. 5240. In the same year, the property was sold for £20,000 under terms and conditions, particulars of which were shown in my report for 1954-55. The purchase has now been completed, the balance of purchase money, £14,725, and interest to date having been paid in December, 1955.

AMOUNTS ABANDONED.

With the approval of the Treasurer, the following amounts, representing arrears of revenue, advances or interest were written off during the year:—

	£
Taxation	187
Water Supply	248
Lands	985
Soldier Settlement	687
Government Printer	31
Advances—	
Settlers	2,933
Unemployment Relief	3,421
Various	16,890

The amount written off in respect of Unemployment Relief advances represents interest accrued to 31st March, 1956, at which date the State agreed to treat as a grant the balance of advances made to certain hospitals.

The amount of £16,890 was the balance of advances and interest owing by the Royal Agricultural Society of Victoria.

AGRICULTURE DEPARTMENT.

This department is engaged in the administration of legislation relating to primary production in the field of agriculture and horticulture, in research and experimental work, practical farming education, supervision as prescribed by the relative Acts, and advice, assistance, and encouragement are given to those engaged in the many branches of the agricultural and horticultural industries. The expenditure (excluding Victoria Dock Cool Stores) of the department from revenue for the year was £1,895,610, against which there were departmental receipts of £282,798, resulting in a net cost to the State of £1,612,812, as compared with £1,269,327 for the previous year. Details of expenditure and receipts for the two years are:—

	<i>Expenditure.</i>	
Vote—	1954-55.	1955-56.
	£	£
Department of Agriculture	1,540,804	1,887,408
Chief Secretary—Accident Insurance	6,122	8,216
Treasurer—Pay-roll Tax	26,532	28,585
Treasurer—Unforeseen	12	137
Public Works	45,466	45,815
Special Appropriations	54,185	54,224
	<hr/>	<hr/>
	1,673,121	2,024,385
<i>Less</i> Business undertaking—Victoria Dock Cool Stores	116,518	128,775
	<hr/>	<hr/>
	1,556,603	1,895,610
	<hr/>	<hr/>
	<i>Receipts.</i>	
Departmental	435,218	441,467
<i>Less</i> Victoria Dock Cool Stores	181,751	196,184
	<hr/>	<hr/>
	253,467	245,283
Licences—Dairies, Dairy Farms, Dairy Produce, Factories, &c. (included under heading—Taxes)	33,809	37,515
	<hr/>	<hr/>
	287,276	282,798
	<hr/>	<hr/>
Net outgoing (excluding interest, sinking fund, and proportion of Government contribution to superannuation)	1,269,327	1,612,812

Expenditure from Loan.

Works and Buildings at Agricultural and Dairy Colleges and Research Farms, &c.	1954-55.	1955-56.
	£	£
Dookie Agricultural College	33,641	3,339
Longerenong Agricultural College	1,487	292
School of Primary Agriculture—Burnley	4,431	18,624
Werribee Research Farm	13,978	12,425
Potato Research Station—Healesville	90	1,738
Rutherglen Research Stations	3,173	147
Ellinbank Dairy Research Station	12,418	13,957
Scoresby Horticultural Research Station	34,218	14,159
State Laboratories	26,275	7,241
Walpeup Research Station	116	5,525
State Research Orchard—Tatura	5,361	7,459
Victoria Dock Cool Stores	2,582	17,816
Other localities	3,920	7,695
	<hr/>	<hr/>
	141,690	110,417

Destruction of Grasshoppers.

A threatened invasion of grasshoppers into Victoria from breeding areas in New South Wales towards the end of 1955 was a potential danger to crops which made the use of preventative measures necessary.

Plans were made for a major anti-locust campaign during which approximately 70,000 acres would be sprayed from the air at an estimated cost of £80,000. Ultimately, a greater amount was required.

The plan was put into effect in November and December 1955, when 6 aircraft were employed to spray approximately 220,000 acres of country both north and south of the River Murray, involving expenditure of £180,251. Half of the cost of the operation in New South Wales, totalling £14,330, was paid by the Government of that State in 1956-57.

The whole of the expenditure has been included in the departmental figures previously outlined.

Details of the financial side of the activities of the Department are given hereunder :—

Research Farms.

Revenue accounts and balance-sheets in connexion with these farms are prepared annually by departmental officers. The accounts are kept on a commercial basis and the audits are now in course. The community service rendered in the course of the experimental work cannot be measured for inclusion in the accounts. The losses disclosed by the accounts should be regarded as the net cost of a specialized service.

Summaries of the accounts of these undertakings are given in the statement hereunder :—

	Revenue.	General Costs.	Depreciation.	Interest.	Loss
	£	£	£	£	£
State Research Farm, Werribee—					
1953-54	29,984	46,426	2,851	5,618	24,911
1954-55	32,957	55,628	3,525	6,489	32,685
1955-56	34,788	60,535	3,968	7,204	36,919
Rutherglen Viticultural Station—					
1953-54	1,933	10,624	159	568	9,418
1954-55	1,879	10,512	169	593	9,395
1955-56	1,446	10,960	193	615	10,322
Rutherglen Research Station—					
1953-54	14,618	17,841	1,163	1,830	6,216
1954-55	15,402	20,991	1,449	2,238	9,276
1955-56	12,208	20,555	1,551	2,398	12,296
Horticultural Research Station, Scoresby—					
1953-54	272	9,724	702	988	11,142
1954-55	870	10,435	852	1,258	11,675
1955-56	1,554	13,508	2,365	2,765	17,084
Potato Research Station, Healesville—					
1953-54	3,786	7,077	1,309	1,818	6,418
1954-55	4,544	7,744	1,397	2,038	6,635
1955-56	5,470	5,589	1,644	2,103	3,866
Mallee Research Station, Walpeup—					
1953-54	6,672	10,136	1,115	1,298	5,877
1954-55	6,460	10,090	1,174	1,382	6,186
1955-56	5,408	11,561	1,190	1,439	8,782
State Research Orchard, Tatura—					
1953-54	9,997	14,296	583	873	5,755
1954-55	9,707	14,784	626	953	6,656
1955-56	10,203	15,928	887	1,241	7,853

Agricultural Colleges.

The Department's contribution to agricultural education includes the maintenance of two agricultural colleges situated at Dookie and Longerenong and the establishment of a third, not as yet operative, at Glenormiston.

The colleges are sited on properties of 6,048 acres and 2,386 acres, respectively, and are operated as farms to provide practical training for students in conjunction with the provision of areas for experimental purposes.

The Glenormiston project is in course of establishment. A property in the Western District of 693 acres with homestead, cottages, and outbuildings was acquired in 1949 at a cost of £45,743. Construction work and farming development have been in progress since the acquisition and a dairy herd and a sheep flock have been maintained.

The special appropriation of £50,000 provided by Act No. 5044 was supplemented by an amount of £170,012 from votes of the Agriculture Department whilst receipts totalling £73,787 were credited to the Consolidated Revenue.

The accounts at Dookie and Longerenong are kept on a commercial basis, but the preparation of the annual financial statements is not sufficiently advanced for inclusion in this report.

Revenue derived from farming operations, students' fees, and staff rentals is offset against expenditure on staffing and maintaining the colleges to arrive at the net cost of provision of this community service.

An analysis of Treasury figures showing the net cost of the provision of this service is given hereunder :—

	Dookie.	Longerenong.	Glenormiston.
	£	£	£
Receipts—			
Fees	9,753	3,479	..
Rents (staff accommodation)	2,843	1,770	423
Sales of produce, livestock, &c.	30,416	16,756	8,347
	43,012	22,005	8,770
Expenditure—			
Salaries and wages	88,754	40,699	7,441
Materials	32,560	18,019	2,624
Livestock	11,868	2,388	1,669
Other	9,669	3,080	1,241
	142,851	64,186	12,975
Net Cost	99,839	42,181	4,205

Expenditure by the Public Works Department from loan and vote on construction work at the three sites was :—

	Dookie.	Longerenong.	Glenormiston.
	£	£	£
Loan	3,339	292	..
Vote	12,294	9,825	1,343
	15,633	10,117	1,343

Victoria Dock Cool Stores.

A profit of £35,299 resulted from operations during the year ended 30th June, 1956. The following comparative statement summarizes transactions during each of the last three years :—

	1953-54.		1954-55.		1955-56.	
	£	£	£	£	£	£
<i>Revenue.</i>						
Storage Charges	147,004		168,132		169,837	
Shipping Charges	5,630		9,718		10,896	
Rental	2,607		2,998		2,609	
		155,241		180,848		183,342
<i>Expenditure.</i>						
Salaries and Wages, &c.	67,483		77,247		85,851	
Pay-roll Tax	1,679		1,912		2,165	
Rent of Site	2,167		2,163		2,167	
Agency and Commission	7,926		8,709		10,983	
Maintenance	3,866		4,187		7,742	
Electrical Energy	10,524		10,236		12,165	
Other Charges	5,731		8,212		2,294	
Depreciation	5,599		5,297		7,073	
Replacement of Assets provision					2,983	
Interest on Capital	13,778		14,388		14,620	
		118,753		132,351		148,043
Net profit		36,488		48,497		35,299

A programme of replacements to a section of storage space constructed in 1914 is planned. It is to be implemented in stages over a number of years. The special provision for depreciation appearing in the summary of expenditure for 1955-56 is designed to write off over the relevant period the balances of assets so replaced. Revision of the amount of this provision will be required annually as the programme develops.

The interest charge shown in the statement is based on capital which has been provided by the State from Loan and Revenue sources—principally the former. The balance of receipts by Consolidated Revenue over disbursements therefrom has not, so far, been treated as a contra to the capital provided by the State in arriving at the notional charge for interest.

ABRIDGED BALANCE-SHEET.

30.6.1955		30.6.1956
£		£
377,279	Capital provided by State	399,523
74,696	Contribution by Commonwealth, &c. .. .	74,696
7,180	Sundry Creditors	10,261
71,063	Profit carried forward	106,363
530,218		590,843
	Fixed Assets at cost less depreciation :—	
189,031	Buildings	202,083
64,195	Machinery, Plant, &c.	67,664
10,730	Roads and Railway Sidings	10,619
263,956		280,366
3,211	Stores on hand	3,576
75,485	Sundry Debtors	62,647
187,566	Balance of Payments to Consolidated Revenue over disbursements therefrom .. .	244,254
530,218		590,843

CHIEF SECRETARY'S DEPARTMENT.

The accounts of a number of sub-departments and branches controlled by the Chief Secretary are discussed hereunder. Exceptions are the accounts of the State Accident and State Motor Car Insurance Offices which are given separately on pages 93-96 of this report.

Police Department.

Police Services.—The net cost to revenue of these services was £5,198,263. In determining "net cost", expenditure from Special Appropriations, from votes for Police purposes and, to the extent to which applicable, from the votes of other Departments, has been included, and the revenue associated with the service has been deducted. A comparison of expenditure and revenue for the year with corresponding figures for the two previous years is:—

	1953-54.	1954-55.	1955-56.
<i>Expenditure—</i>	£	£	£
Salaries	3,275,675	3,530,851	4,030,787
Pay-roll Tax	82,573	96,532	105,299
General expenditure	733,881	854,823	975,582
Maintenance, rent, erection of buildings	64,031	78,422	96,038
Police Classification Board	2,079	1,948	2,918
Workers' Compensation Insurance	12,289	12,063	15,384
Pensions and Superannuation	562,973	629,225	729,225
	4,733,501	5,203,864	5,955,233
<i>Revenue—</i>			
Police services	293,440	332,060	391,058
Firearms licences	3,465	2,856	2,877
Recoup from Country Roads Board Fund —cost Motor Registration Branch	190,966	324,478	363,035
	487,871	659,394	756,970
Net cost	4,245,630	4,544,470	5,198,263
Further expenditure from Loan Funds on Police buildings and residences	127,368	121,746	186,338

Motor Registration Branch.—Functions of the Branch include matters relating to the registration of motor vehicles, the issue of motor drivers' licences, and the collection, as agents for authorized insurers, of premiums under Third Party Insurance policies.

Fees received at the Branch are collected under the provisions of the Motor Car Act, and are credited to various funds as directed by that and other Acts. Costs of collection are apportioned between the funds benefited with the exception that, in respect of amounts credited to the Level Crossings Fund, the relevant costs of collection are borne by the Country Roads Board Fund.

Amounts paid to the several accounts in the past two years are :—

1954-55.		1955-56.
£	<i>Country Roads Board Fund—</i>	£
4,714,985	Motor Fees and Drivers' Licence Fees	5,086,533
452,939	Owners' Certificates (two thirds)	462,259
		<hr/> 5,548,792
	<i>Level Crossings Fund—</i>	
226,470	Owners' Certificates (one-third)	231,129
	<i>Municipalities Assistance Fund—</i>	
181,728	Motor Drivers' Licence Fees (half)	199,852
	<i>Transport Regulation Fund—</i>	
6,032	Metropolitan Omnibus Registration Fees	5,256
	<i>Third Party Insurance—</i>	
2,037,405	Premiums on behalf of Insurers	3,095,709
37,678	Motor Car (Hospital Payments) Fund	41,904

Efficient operation of the Branch is still impeded by a shortage of trained officers and by unsuitable temporary accommodation but there was general improvement in the working of the Branch during 1955-56. When the renovations are completed, enabling the staff to vacate the temporary quarters, further improvement may be expected.

Penal Establishments and Gaols.

On a basis similar to that used in connexion with Police Services, excepting that no charge has been included for the government contribution for pensions, the net cost of maintaining Penal Establishments and Gaols was £620,706. A comparison of expenditure and revenue for 1955-56 with corresponding figures for the two previous years is :—

	1953-54.	1954-55.	1955-56.
	£	£	£
<i>Expenditure—</i>			
Salaries	256,391	272,541	316,982
Pay-roll Tax	7,474	7,968	9,589
General expenditure	245,055	305,522	309,983
Maintenance, erection buildings, &c.	38,655	50,010	53,468
Indeterminate Sentences Board	500	486	658
Workers' Compensation Insurance	2,037	1,992	2,649
	<hr/> 550,112	<hr/> 638,519	<hr/> 693,329
<i>Revenue—</i>			
Proceeds from prison industries	101,967	80,112	72,477
Sundries	103	95	146
	<hr/> 102,070	<hr/> 80,207	<hr/> 72,623
Net cost	<hr/> 448,042	<hr/> 558,312	<hr/> 620,706
<i>Additional expenditure on buildings—</i>			
Loan	132,680	111,999	89,869
Surplus revenue	299	..	..
	<hr/> 132,979	<hr/> 111,999	<hr/> 89,869

Children's Welfare Department.

The supervision, and in the majority of cases, the maintenance of children declared to be wards of the State rests with this Department. Further responsibilities are the provision of financial assistance to mothers in necessitous circumstances, the maintenance of migrant children, and the payment of subsidies to approved hostels.

The net cost of the services provided in 1955-56 was £615,689.

A comparative statement of expenditure and revenue in each of the last three years is:—

	1953-54.	1954-55.	1955-56.
	£	£	£
<i>Expenditure—</i>			
Salaries	137,295	144,546	170,783
Pay-roll Tax	984	1,273	1,424
General Expenditure	53,605	64,649	64,596
Maintenance of Children	235,997	301,341	382,006
Maintenance of Migrant Children	1,491	3,457	3,332
Subsidies and Grants to Hostels	6,205	4,585	2,250
Grant—Staff Training .. .. .	..	..	2,130
Maintenance and Rent of Buildings	7,568	14,264	18,190
Workers' Compensation Insurance	289	307	353
Unforeseen .. .. .	..	..	100
	443,434	534,422	645,164
<i>Revenue—</i>			
Maintenance Collections—			
Voluntary Payments	12,396	13,431	14,383
Under Court Orders	8,970	8,872	9,005
Child Endowment	4,026	4,029	6,087
	25,392	26,332	29,475
<i>Net Cost</i>	418,042	508,090	615,689
<i>Further expenditure on buildings, &c.—</i>			
Loan	55,537	121,793	119,362
Surplus Revenue	295	..	3,334
	55,832	121,793	122,696

Payments for the maintenance of children have increased substantially in each of the three years given above. Dissection of the total in each year shows the distribution of payments to have been:—

	1953-54.	1954-55.	1955-56.
	£	£	£
Wards in Private Homes	28,611	31,481	39,782
Wards in Children's Homes and Juvenile Schools	93,317	114,260	150,060
Depot and General Maintenance	19,657	43,567	57,230
Assistance to Mothers	94,412	112,033	134,934
	235,997	301,341	382,006

The net costs of the remaining sub-departments and branches for 1955-56 as compared with the previous two years are as set out below:—

	1955-56.			1953-54.	1954-55.
	Expenditure.	Revenue.	Net Cost.	Net Cost.	Net Cost.
	£	£	£	£	£
Public Library, Museums, &c. ..	428,561	1,000	427,561	356,744	394,510
Government Statist	140,780	22,153	118,627	93,683	101,364
Fisheries and Game	127,759	27,930	99,829	65,750	83,725
Immigration	28,368	9,298	19,070	22,014	26,850
Other Branches	57,417	26,330	31,087	28,348	30,102
Administrative	110,795	13,269	97,526	73,136	77,144
	893,680	99,980	793,700	639,675	713,695

Expenditure from Loan during 1955-56 for immigration accommodation and for works related to the Public Library and Museum was £2,407 and £17,671 respectively.

COUNTRY WATER SUPPLY.

The State Rivers and Water Supply Commission, in its function of administering the Water Acts, is responsible for the construction and maintenance of country water supply works. It is engaged not only in country water supply within the constituted districts; it has other duties of an unremunerative nature of investigations and research and supervision of works for other bodies and persons. In addition, it is a constructing authority for the carrying out of capital works.

A summary of revenue transactions for the period 1951-56, final figures being used except for the last year of the series, is given hereunder:—

	Amounts Collectable.			Amounts Credited.	Arrears as at 30th June.
	Water Sales and Miscellaneous.	Assessments of Rates and Charges.	Total Collectable Sum Including Arrears.		
	£	£	£	£	£
1951-52	367,354	921,167	1,495,358	1,257,011	238,347
1952-53	410,680	962,736	1,611,763	1,392,686	219,077
1953-54	520,543	1,316,891	2,056,511	1,792,939	263,572
1954-55	546,717	1,374,051	2,184,340	1,876,734	307,606
1955-56	418,122	1,525,274	2,251,002	1,982,039	268,963

The collection of 89 per cent. of the current assessments and other charges is fairly consistent with recent years and is satisfactory. Included in the other charges are amounts for sales of water charged immediately prior to closing the books. The collection of 94.1 per cent. of current assessments (95.2 per cent. for the previous year) is a better indication of the efficiency of collection.

A dissection of the total amount owing at the 30th June, 1956, is:—

	£
Irrigation Districts	137,160
Waterworks Districts	36,268
Urban Districts	62,106
Flood Protection Districts	2,563
Drainage Districts	1,361
Coliban Districts	22,477
Sundries	7,028
	268,963

Increasing attention has been given by the Commission in recent years to the allocation of capital outlay between the water users and the State. Since 1951, the Governor in Council, in exercise of his powers under the Water Acts, has approved the transfer of liability totalling £3,119,490 from the State to those districts which have been deemed to be sufficiently developed to bear such liability. These transfers have been made largely in respect of urban districts. The capital liability in respect of the irrigation and rural water works districts remains entirely borne by the State, and the relevant interest and sinking fund charges are, therefore, being borne by the State. In several of these districts, however, revenue is now being produced in excess of expenditure.

The Commission has a duty under the Water Acts to levy rates and charges sufficient to meet the specified costs in the districts. Although amending legislation reduced the loan liability of the districts, the Commission's duty still remained with regard to the specified costs other than interest and redemption. Chargeable costs increased during the year, in comparison with the preceding year, and, in 1955-56 exceeded the rates and other charges by roundly £200,000.

Cash Summary.—Details of the cost to the State in connexion with Country Water Supply are set out in Statement No. 7, on page 118 of this Report. A summary prepared on a cash basis for the period 1946–56 is given in the table hereunder:—

	*Receipts.	†Expenditure.			Cash Deficit.	Loan Expenditure.
		General.	Interest.	Total.		
	£	£	£	£	£	£
1946–47	986,474	1,054,429	1,178,976	2,233,405	1,246,931	1,466,122
1947–48	1,018,403	1,196,979	1,230,912	2,427,891	1,409,488	1,893,165
1948–49	1,271,906	1,316,478	1,298,135	2,614,613	1,342,707	2,251,873
1949–50	1,540,687	1,519,784	1,391,235	2,911,019	1,370,332	4,149,501
1950–51	1,728,029	1,814,785	1,554,700	3,369,485	1,641,456	7,124,902
1951–52	2,030,142	2,302,231	1,846,043	4,148,274	2,118,132	10,619,672
1952–53	2,155,988	2,682,016	2,025,931	4,707,947	2,551,959	6,919,911
1953–54	2,021,622	2,735,484	2,338,293	5,073,777	3,052,155	8,475,565
1954–55	2,701,553	2,799,533	2,904,198	5,703,731	3,002,178	9,268,758
1955–56	2,995,991	2,963,760	3,278,708	6,242,468	3,246,477	7,369,118

* Excludes amounts diverted to Depreciation Fund—1947–48, £110,490; 1953–54, £561,958.

† Excludes expenditure from Surplus Revenue in 1946–47, £20,446; in 1947–48, £3,216 (credit); in 1948–49, £726; in 1949–50, £2,471; and in 1950–51, £734.

The net cost to the State of the Commission during 1955–56 was £3,246,477, an increase of £244,299 on the preceding year. This increase was due mainly to the increase of £374,510 in the interest charges due to further borrowings for country water supply and a higher interest rate over the whole of the debt.

A synopsis of the total expenditure (other than interest) by the Commission in the past three years is shown in the following statement. The expenditure on vote works has been reduced by amounts recouped in respect of other works. The sum of £854,173 was recouped in 1955–56.

Sources and purposes of expenditure.	1953–54.	1954–55.	1955–56.
	£	£	£
Loans—			
Commission's major works	6,982,600	7,322,522	4,763,170
Commission's other works*	901,488	1,187,041	1,706,733
Special plant, &c.	38,884	48,386	165,626
Water Trusts, Local Bodies, &c.	552,593	710,809	733,589
	8,475,565	9,268,758	7,369,118
Votes—			
Commission (net)	2,023,167	2,034,157	2,036,080
Water Trusts, &c.	19,666	23,894	7,974
Sewerage Authorities	26,160	30,969	42,410
Special Appropriations—			
Commissioners' Salaries	7,000	8,224	9,786
Pensions and Gratuities	36,782	40,657	55,747
Depreciation Funds	173,248	153,737	239,833
Other Funds	24,905	18,272	19,986
Soldier Settlement Commission works	146,805	206,094	156,315
River Murray Commission works	254,587	555,717	1,323,447
Total	11,187,885	12,340,479	11,260,696

* Including works of an Authority supervised by the Commission and contributions to the River Murray Commission.

Eildon.—An amount of £25,550,864 had been expended on this project to the 30th June, 1955, and during the year under review, further amounts totalling £1,793,468 were spent.

The total expenditure to 30th June, 1956, was :—

	£
Land resumption	1,956,856
Construction of dam, township services, and associated works by Utah Construction Company	18,031,963
Road construction and rail and road deviations	1,556,782
Operation and maintenance of messes and other services	1,164,998
Removal of Bonnie Doon township	122,309
Other Commission expenditure at Eildon	4,511,424
	27,344,332

The Utah Construction Company has completed its work at Eildon and financial adjustments with the company have been finalized except for minor details.

During the year, £658,607 was received from the sale of various surplus assets at Eildon. These assets were mainly houses sold to Masonite Corporation and Australian Consolidated Industries Ltd., and other private purchasers, and surplus plant sold to various authorities and firms.

Other Major Works.—Loan expenditure for the year amounted to £2,969,702 on major projects at—

	£
Loddon River	833,779
Central Gippsland	237,397
Murray Valley	123,198
Mornington Peninsula	383,946
Coliban	93,900
Waranga Inlet	492,091
Goulburn Irrigation	183,459
Tarago River	521,252
Bellarine Peninsula	100,680
	2,969,702

Stores.—The values of the plant, tools, and general stores held by the Commission at the 30th June, 1956, were :—

	Plant.	Tools and Stores.
	£	£
At Major Construction Works	267,951	1,089,912
Special Plant and Machinery	1,649,030	..
Stores Suspense Account Depots	108,225	915,279
	2,025,206	2,005,191

The stores records at nearly all the various Depots and Works were examined by audit officers during the year.

A large surplus of stores, consisting mainly of spare parts, has been held for some years at Central Plant Workshops at Golden Square. Most of these stores were accumulated between 1948 and 1951, when a continuously high level of construction work was anticipated, and the prospects for uninterrupted supplies were doubtful. However, the restriction of the loan programme in 1951–52 led to a reduction in the need for spare parts. The Commission is disposing of these surplus items as the opportunity offers, but it appears likely that a substantial loss (on original cost) will be incurred. At the close of the financial year, these stores were depreciated by journal entry by £107,500, the charge being absorbed by credits accumulated from the hire of plant and machinery. As this journal entry was not sufficiently supported for audit purposes, it was made the subject of inquiry, the reply to which is now under consideration.

Loan Transactions.—The position at 30th June, 1956, was :—

	£
Capital Liability borne by the State	76,504,131
Capital Liability to be redeemed by water users, river improvement rates and plant hire charges	11,871,738
	<hr/>
Total Liability	88,375,869
<i>Deduct</i> Equity in National Debt Sinking Fund	6,997,005
	<hr/>
Net Liability	81,378,864
	<hr/>

Depreciation—Works.—Under Act No. 4513, the Commission is required to raise, by means of annual rates and charges, moneys to provide for the replacement of any machinery, plant, or perishable structures comprising the works of the constituted districts. In 1955–56, the amount raised was £127,774. Since 1942–43, it has been pointed out in my reports that the amount raised annually to cover depreciation should be materially increased. The position has been under review by the Commission for some years, and this attention is reflected in increases in the amount raised, but the task has not yet been completed.

The sums raised must be paid into consolidated revenue or, to the extent the Treasurer directs, to the Water Supply Works Depreciation Fund. The sums raised (with interest credited thereon) must also be shown in the Commission's books to the credit of the Water Supply Works Depreciation Account. Payments to the Fund in recent years have not been made on a regular annual basis and, since 1948–49, there has been only one payment—that of £561,958 in 1953–54. The depreciation raised in the Commission's books now exceeds the amounts diverted to the Fund by £248,249.

The provisions of the Water Acts require that the Fund shall be invested and credited with interest earned in each year. At the 30th June, 1956, the balance at the credit of the Fund was £397,671, of which no part had been invested. The disparity between the Depreciation Account and the Fund is, therefore, aggravated, as the interest credited in the Account now exceeds the interest credited to the Fund from investments by £87,923.

Depreciation—Plant and Machinery.—Under the provisions of Act No. 4761, the cost of certain plant and machinery purchased from loan funds is not charged directly to any district, but when used on construction and maintenance works, a charge for depreciation is made, and the amount is paid to the Water Supply Plant and Machinery Depreciation Fund. At the 30th June, 1956, the value in the Commission's books of this plant and machinery was £1,649,030 and the balance in the fund for its replacement was £696,490.

River Murray Commission.—The agreement made under the provisions of the River Murray Waters Act (No. 2596) provides for the construction of works on the River Murray and for the appointment of the River Murray Commission to give effect to the Agreement. The State Rivers and Water Supply Commission is a Constructing Authority under the terms of the Act.

From the inception of the scheme in 1917 to 30th June, 1956, the total construction expenditure recorded by the River Murray Commission was £15,720,554. Of this sum £8,808,822 represented the cost of construction works at Hume Reservoir, including £1,484,591 spent on the removal of Tallangatta Township, a project for which the State Rivers and Water Supply Commission is the constructing authority.

In 1955–56, under the authority of Water Supply Loan Application Acts Nos. 5821 and 5906, Victoria contributed £410,950 for the construction of works, bringing her total contribution for construction as at 30th June, 1956, to £3,934,695. £38,920 was also contributed for maintenance and administrative expenses during 1955–56.

The books and accounts of the River Murray Commission are subject to audit by the Commonwealth Auditor-General.

Waterworks Trusts.—Supervision of Waterworks Trusts is vested in the State Rivers and Water Supply Commission. At 31st December, 1955, there were 131 Trusts, and of these, 124 were active.

The accounts of the Trusts are prepared on a calendar year basis, and are required by Section 155 of the *Water Act* 1928 to be audited by my officers.

Funds for capital works by the Trusts have been provided principally by advances made available by the State. Works have also been financed from the Trusts' own resources and, in recent years, from debenture loans raised under the provisions of Act No. 5637. Interest in excess of 3 per cent. on debenture loans is recouped to Trusts by the State. Expenditure under this heading for the year was £5,096.

Advances by the State in 1955-56 totalled £369,275. Repayments in respect of advances amounted to £25,100, and the Trusts were relieved of liability to the extent of £45,741 which the Governor in Council directed to be borne by the State, so that the net increase in the Trusts' indebtedness for State loans was £298,434. Payments to the State for interest and principal were well maintained.

Revenue of the Trusts continues to rise, due partly to increases in the valuations of the properties rated, and partly to increases in the general rates.

River Improvement Trusts.—*The River Improvement Act* 1948 No. 5302 came into operation on 1st January, 1949. This legislation made provision for the constitution of River Improvement (or Drainage) Districts under the jurisdiction and control of River Improvement (or Drainage) Trusts or the State Rivers and Water Supply Commission. In all, twelve Trusts had been constituted at 30th June, 1956. These Trusts are subject to audit by the Audit Office.

The functions of a River Improvement Trust are to carry out river improvement works in accordance with plans approved by the Commission and to provide for the maintenance of such works and for the administration of the Trust within the limits of annual estimates of revenue and expenditure approved by the Minister.

The Act made provision for the raising of moneys to finance works construction and for the raising of revenues to meet maintenance and administration costs on similar conditions to those operating for Waterworks Trusts. Later *The Water (Amendment) Act* 1953, empowered River Improvement Trusts, with the consent of the Governor in Council, to borrow moneys by the issue of debentures.

Loan advances by the State are now limited to the "grant" proportion of the cost of approved works. Such advances are transferred to capital borne by the State on production by the Trust of vouchers verifying expenditures of its proportion of the cost of the approved works from the Trust's private loans, revenue, or contributions received from interested parties.

Advances made to Trusts by the State to 30th June, 1956, for works totalled £353,824, of which sum £283,950 has been borne by the State and of which a further £57,475 will be transferred to the State in respect of advances made during June, 1956.

EDUCATION.

University.—The accounts of the University are subject to a continuous audit by officers under my direction.

The general income of the University is drawn principally from grants by the State and Commonwealth Governments and from fees of various kinds. Further sources of income are donations and bequests, but in some instances these are for specific purposes and form the principal of trust funds. Only the income received from the investment of such funds is available for disbursement.

The accounts are prepared on an accrual basis, the accounting period being the calendar year. The following statement showing income and expenditure for 1954 and 1955 relates to the General Account and the Trust Fund, but does not include the accounts of the University Press, Union, or other extraneous accounts.

	1954.		1955.	
	£	£	£	£
<i>Income—</i>				
State Government grants—				
General purposes	491,050		689,218	
Special purposes	167,903		244,911	
	658,953		934,129	
Commonwealth Government Grants—				
General purposes	360,054		414,649	
Special purposes	133,932		82,234	
	493,986		496,883	
Fees	545,594		558,721	
Donations and bequests	253,211		670,147	
Interest, dividends, rents	86,497		104,803	
Other income	56,351		65,912	
	2,094,592		2,830,595	
<i>Expenditure—</i>				
Salaries and Pay-roll Tax	1,263,734		1,519,962	
Apparatus and books	141,437		162,026	
Buildings, land, grounds, and vehicles	206,442		417,533	
Examination expenses	53,480		57,777	
Special grants, and fees to affiliated institutions	121,903		136,254	
General expenses	91,724		128,599	
	1,878,720		2,422,151	
<i>Surplus—</i>				
General Account	8,463*		Dr. 80,877	
Trust Fund	207,409		489,321	
	215,872		408,444	

* Surplus on General Account adjusted by £39,500 on account of State Grant received in advance.

As in previous years, Government grants comprised more than half the income of the University in 1955. Of the State grants, £73,200 was statutory, £757,021 was provided under the Appropriation Acts for 1954–55 and 1955–56, and the balance, £103,908, was made available from the Loan Fund.

The Commonwealth grants in each year comprised basic and supplementary grants calculated in accordance with the formula laid down in the related *State Grants (Universities) Act*, together with grants for special purposes. The basis of the general purpose grants was that, provided total fees and State grants for non-capital purposes exceeded a stated base figure fixed in 1950, the basic grant to the University was to be supplemented by a further grant equal to one-third of the amount by which the total of fees and State grants exceeded the base figure. Grants in the respective years were :—

	1954.		1955.	
	£	£	£	£
Basic grant	220,414		222,249	
Supplementary grant	139,640		192,400	
	360,054		414,649	

Adult Education.—The Council of Adult Education was established by the *Adult Education Act 1946*. Briefly, its functions are to advise the Minister on matters of general policy relating to adult education, and to plan and supervise the administration and development of adult education in Victoria. The following statement summarizes the Council's financial operations for the past two years:—

	1954-55.	1955-56.
	£	£
<i>Source of Funds—</i>		
Balance from previous year	54	40
Special Appropriation—Act No. 5181	25,000	25,000
Departmental Vote—Education	26,238	27,000
Class fees, proceeds of productions, &c.	28,239	28,400
	79,531	80,440
 <i>Disbursement of Funds—</i>		
Salaries (Administration)	23,975	26,862
Classes, discussion groups, travelling theatre, &c.	55,516	53,564
	79,491	80,426
Leaving a balance of	40	14
	79,531	80,440

EDUCATION DEPARTMENT.

The net expenditure on education from Consolidated Revenue during 1955-56 was £23,026,132. This expenditure was not wholly provided from the votes under the Education Department, sundry items being included from payments made under special appropriations and from other departmental votes. The following statement shows the heads of expenditure contributing to the cost of education to the State:—

<i>Departmental Votes—</i>		£	£
Education		21,283,800	
Treasury (University Grants, Pay-roll Tax, &c.)		1,090,580	
Public Works (Maintenance, &c.)		238,581	
Chief Secretary (State Accident Insurance)		16,674	
Agriculture (University Grant)		16,000	
Special Appropriations (Adult Education, Pensions, &c.)		692,812	
		23,338,447	
 <i>Less—</i>			
<i>Revenue Collections—</i>			
Fees, sale of publications, students' board, and broken bonds		154,265	
Rents		118,432	
Other		16,581	
		289,278	
Recoups of expenditure		23,037	
		312,315	
			23,026,132
Loan Acts Nos. 5763, 5850 and 5921, Maintenance		727,528	
Loan Acts Nos. 5763, 5850, and 5921, Capital Works		5,919,757	
Surplus Revenue, Act No. 5805 (Chiefly Maintenance)		1.727	
		29,675,144	
Total cost of Education			29,675,144

Figures obtained from the Public Works Department show the distribution of loan expenditure on capital works as follows:—

	£
Primary schools	2,723,601
High schools	1,930,815
Technical schools	926,213
Girls' schools	92,786
Teachers' Colleges and Hostels	179,755
Other	66,587
	5,919,757

The following comparative statement sets out receipts and expenditure during 1955-56 and the four preceding years:—

—	1951-52.	1952-53.	1953-54.	1954-55.	1955-56.
Consolidated Revenue—	£	£	£	£	£
Expenditure	13,073,547	15,860,291	17,335,266	19,326,890	23,315,410
Receipts	151,430	198,761	227,138	256,692	289,278
Net cost Consolidated Revenue	12,922,117	15,661,530	17,108,128	19,070,198	23,026,132
Loan and Surplus Revenue Acts—					
Expenditure	3,366,768	3,235,051	4,754,012	5,573,866	6,649,012
Total cost	16,288,885	18,896,581	21,862,140	24,644,064	29,675,144

The above figures do not include interest and sinking fund charges on loans.

Training of Teachers.—The majority of recruits come from the secondary schools, and 1,325 teaching bursaries of £50 at the leaving certificate, matriculation, and technical diploma levels are now offered to encourage pupils to become teachers. Allowances paid to students in training account for more than three-quarters of the cost of operating teachers' colleges. An important phase of teacher training is the provision of hostels for students living away from home. There are 22 such hostels. The per capita cost of training is substantially higher for students accommodated in hostels as revenue from board does not cover the cost of operation. In the following figures, showing the trend over the last four financial years, average per capita costs are based on the approximate number of students in training during each of those years:—

—	1952-53.	1953-54.	1954-55.	1955-56.
	£	£	£	£
Cost of conducting teachers' colleges	893,577	1,084,011	1,244,054	1,567,084
Cost of conducting hostels for students in training	56,823	56,493	58,103	63,209
	950,400	1,140,504	1,302,157	1,630,293
Average number of students in hostels	644	724	766	829
Average number of students accommodated privately	1,435	1,703	1,931	2,227
Total average number of students.. .. .	2,079	2,427	2,697	3,056
	£	£	£	£
Average per capita cost of training per annum	430	447	461	513
Average additional per capita cost of training per annum for those students accommodated in hostels	88	78	76	76

In order to ensure that the initial costs of training are not lost through the early resignation of trainees each student is required to enter into a bond of service, supported by a surety. A policy of insistence on payment in cases of broken bonds is being pursued by the department. A total of £18,046 was received from this source in 1955-56 compared with £14,687 and £10,172 in 1954-55 and 1953-54 respectively.

Technical Schools.—The books and accounts of the State's 47 technical schools are subject to periodic examination by audit officers. At six centres these audits are supervisory as the councils of the schools concerned engage private auditors. The maintenance grant made available to technical schools by vote under the Appropriation Act is augmented by tuition fees and other revenue collected and retained by the schools. These funds are expended on salaries of part-time instructors and full-time teachers employed by school councils, salaries and wages of office and maintenance staffs, and general costs incidental to the operating of the schools. Salaries of technical school teachers appointed under the *Teaching Service Act* 1946 are met from the Education vote which also provides a special amount for the purchase of technical equipment. A statement for 1955-56 amalgamating Treasury and technical school accounts is shown in the technical school section of the analysis of expenditure.

Conveyance of Pupils.—The provision of bus services and pupils' travelling allowances for the transport of children to schools shows an annually increasing cost. The following is a comparative analysis of expenditure on these services:—

	1952-53.	1953-54.	1954-55.	1955-56.
	£	£	£	£
Allowances not exceeding 1s. per day for eligible pupils attending primary schools	57,316	63,073	81,760	88,455
Allowances to eligible pupils attending post-primary schools (covering travel by bicycle and/or public transport facilities)	87,227	119,293	133,207	137,379
Payments to contractors providing special bus transport services for pupils	1,036,821	1,124,131	1,229,502	1,359,707
	1,181,364	1,306,497	1,444,469	1,585,541

General.—For some years substantial sums have been paid to School Committees and Advisory Councils for the general maintenance of school buildings, furniture, &c., and there is departmental authority for the retention at schools of balances unexpended at 30th June each year. An amount is also provided annually for the purchase of equipment for technical schools and the technical sections of certain high schools. Owing to the lapse of time between orders and supply within any financial year it has become the practice for the amount made available by Parliament to be distributed to technical schools in accordance with the anticipated requirements of each for disbursement under departmental control. Balances are necessarily held each June against the supply of equipment ordered.

The carrying forward of balances in this way has definite practical advantages but it is not in keeping with the requirements of the Audit Act.

The following statement sets out in summarized form a comparative analysis of expenditure from loan and revenue moneys in respect of the various services provided.

Primary Schools.

1954-55.	EXPENDITURE.		1955-56.	£
£			£	
7,569,840	..	Salaries (including Pay-roll Tax), Teachers	9,090,254	
2,160	..	Salaries (including Pay-roll Tax), Clerical Assistance	3,594	
2,908,564	..	Erection and Maintenance of School Buildings, Residences, Furniture, &c.	3,518,048	
633,916	..	Maintenance, Cleaning, Requisites, &c.	709,234	
5,914	..	Cookery—Provisions, Fuel, &c.	5,732	
6,609	..	Manual Training—Timber, Tools, &c.	5,269	
14,079	..	Rent of Buildings	16,206	
		Allowances to Pupils—		
215	..	School Requisites	171	
52	..	Maintenance	195	
592,173	..	Transit	653,631	
641	..	Grants	641	
8,241	..	Other	10,589	
				14,013,564
		Carried forward		14,013,564

1954-55.		1955-56.	
£		£	£
	Brought forward		14,013,564
RECEIPTS.			
70,619	.. Rents	80,751	
3,666	.. Sale of Land and Property	4,126	
219	.. Other	151	
			85,028
<u>11,667,900</u>			<u>13,928,536</u>
Central Schools and Classes.			
EXPENDITURE.			
206,969	.. Salaries (including Pay-roll Tax), Teachers	198,605	
3,625	.. Salaries (including Pay-roll Tax), Clerical Assistance	3,959	
1,554	.. Maintenance of Buildings	1,642	
18,534	.. Maintenance, Cleaning, Requisites, &c.	15,303	
739	.. Cookery—Provisions, Fuel, &c.	861	
653	.. Manual Training—Timber, Tools, &c.	594	
	Allowances to Pupils—		
172	.. School Requisites	255	
46	.. Maintenance	371	
10,970	.. Transit	9,683	
214	.. Other	221	
			231,494
RECEIPTS.			
13	.. Fees, Tuition	23	
499	.. Rents	422	
			445
<u>242,964</u>			<u>31,049</u>
Higher Elementary Schools.			
EXPENDITURE.			
173,889	.. Salaries (including Pay-roll Tax), Teachers	166,333	
3,972	.. Salaries (including Pay-roll Tax), Clerical Assistance	3,993	
92,965	.. Erection and Maintenance of Buildings	58,623	
18,716	.. Maintenance, Cleaning, Requisites, &c.	15,621	
5,279	.. Cookery—Provisions, Fuel, &c.	5,979	
1,754	.. Manual Training—Timber, Tools, &c.	1,789	
	Allowances to Pupils—		
450	.. Scholarships	325	
2,142	.. School Requisites	937	
392	.. Maintenance	728	
72,038	.. Transit	62,947	
185	.. Other	185	
			317,460
RECEIPTS.			
431	.. Fees, Tuition	317	
2,232	.. Rents	2,233	
12	.. Sale of Property	16	
2	.. Other	2	
			2,568
<u>369,105</u>			<u>314,892</u>
High Schools.			
EXPENDITURE.			
1,748,784	.. Salaries (including Pay-roll Tax), Teachers	2,348,951	
43,619	.. Salaries (including Pay-roll Tax), Clerical Assistance	57,496	
1,488,825	.. Erection and Maintenance of Buildings	2,039,555	
189,273	.. Maintenance, Cleaning, Requisites, &c.	228,580	
32,753	.. Cookery—Provisions, Fuel, &c.	42,126	
15,142	.. Manual Training—Timber, Tools, &c.	18,249	
	Allowances to Pupils—		
32,088	.. Scholarships	38,129	
26,717	.. School Requisites	31,607	
8,493	.. Maintenance	12,324	
26,565	.. Transit	472,250	
6,409	.. Other	8,805	
			5,298,072
RECEIPTS.			
6,816	.. Fees, Tuition	6,952	
13,646	.. Rents	17,620	
57	.. Sale of Property	15	
49	.. Other	84	
			24,671
<u>3,998,100</u>			<u>5,273,401</u>
	Carried forward		19,747,878

1954-55.		1955-56.
£		£
	Brought forward	£ 19,747,878

Technical Schools.

EXPENDITURE.

1,393,657	..	Salaries (including Pay-roll Tax), Teachers	..	..	1,819,579
1,226,100	..	Maintenance Grants (two-fifths absorbed by the salaries of Teachers appointed by School Councils)	..	..	1,417,000
1,136,648	..	Erection and Maintenance of Buildings	..	..	1,031,283
Allowances to Pupils—					
14,707	..	Scholarships	..	..	14,251
1,800	..	School Requisites	..	..	2,455
6,459	..	Maintenance	..	..	7,857
132,850	..	Transit	..	..	135,101
64,400	..	Equipment	..	..	63,380
25,497	..	Examination Expenses	..	..	28,420
21,304	..	Other	..	..	25,317
					4,544,643

RECEIPTS.

9,918	..	Rents	..	..	10,513
580	..	Sale of Property	..	..	..
3	..	Other	..	..	2
					10,515
4,012,921					4,534,128

Consolidated Treasury and School Accounts.

Source of Funds—					
2,899,666		Consolidated Revenue (net)	..	..	3,526,831
1,113,255		Loan and Surplus Revenue Acts	..	..	1,007,297
					4,534,128
257,864		Tuition fees collected by Technical Schools	..	..	272,556
91,658		Other Technical School Revenue	..	..	106,671
					4,913,355
1,148		Less Surplus in Technical School Maintenance Accounts	..	..	954
4,361,295					4,912,401
Disbursement of Funds—					
Salaries (including Pay-roll Tax)—					
2,133,064		Teachers and part-time Instructors	..	..	2,661,224
401,117		Administrative and Maintenance Staff	..	..	462,241
					3,123,465
1,169,431		Erection and Maintenance of Buildings, &c.	..	..	1,071,368
126,472		Equipment (including Special Equipment Grants £63,380*)	..	..	128,114
235,856		General costs of classes	..	..	267,743
150,040		Administrative and other costs	..	..	172,562
					440,305
155,816		Allowances to pupils	..	..	159,664
					4,922,916
10,501		Less Rents, &c., received by Education Department	..	..	10,515
4,361,295					4,912,401

* Not fully expended at 30.6.56 pending completion of orders.

Carried forward 24,282,006

1954-55.		1955-56.	
£		£	£
	Brought forward		24,282,006
Girls' Schools.			
EXPENDITURE.			
266,688	.. Salaries (including Pay-roll Tax), Teachers	327,979	
7,383	.. Salaries (including Pay-roll Tax), Clerical Assistance	8,559	
111,548	.. Erection and Maintenance of Buildings	134,282	
24,598	.. Maintenance, Cleaning, Requisites, &c.	31,331	
15,319	.. Cookery—Provisions, Fuel, &c.	18,043	
Allowances to Pupils—			
1,400	.. Scholarships	1,775	
2,284	.. School Requisites	2,327	
958	.. Maintenance	2,673	
19,462	.. Transit	20,899	
1,030	.. Other	981	
		—————	548,849
RECEIPTS.			
379	.. Rents	573	
195	.. Fees, Tuition	165	
5	.. Other	16	
		—————	754
450,091			548,095

Special Schools.

(Including schools for mentally-deficient and physically-handicapped children and institutional schools.)

EXPENDITURE.			
183,193	.. Salaries (including Pay-roll Tax)	227,319	
18,905	.. Erection and Maintenance of Buildings	32,967	
14,745	.. Maintenance, Cleaning, Requisites, &c.	14,303	
1,692	.. Manual Training—Timber, Tools, &c., and Domestic Arts	1,529	
14,524	.. Allowances to Pupils, Transit	16,296	
635	.. Other	814	
		—————	293,228
RECEIPTS.			
447	.. Rents	669	
..	.. Other	1	
		—————	670
233,247			292,558

Special Activities.

(Including Forestry and Horticulture, Broadcasting, Physical Education, Visual Education, Music and Speech, Psychology and Vocational Guidance, Library, Curriculum and Research.)

EXPENDITURE.			
260,511	.. Salaries (including Pay-roll Tax)	347,105	
462	.. Erection and Maintenance of Buildings	550	
54,298	.. Maintenance, Cleaning, Requisites, &c.	53,452	
5,000	.. Grants	5,000	
253	.. Other	364	
		—————	406,471
RECEIPTS.			
13	.. Rents	15	
..	.. Sale of Property	120	
		—————	135
320,511			406,336

Correspondence School.

EXPENDITURE.			
57,031	.. Salaries (including Pay-roll Tax), Teachers	64,349	
3,179	.. Salaries (including Pay-roll Tax), Clerical Assistance	5,068	
144	.. Maintenance of Buildings .. .. .	..
10,206	.. Maintenance, Cleaning, Requisites, &c.	6,589	
27	.. Allowances to Pupils, School Requisites	7	
59	.. Other	72	
		—————	76,085
RECEIPTS.			
218	.. Fees, Tuition	220	
80	.. Other	101	
		—————	321
70,348			75,764
	Carried forward		25,604,759

1954-55.		1955-56.
£		£
	Brought forward	25,604,759

Teachers' Colleges.

EXPENDITURE.

192,776	.. Salaries (including Pay-roll Tax), Staff and Teachers ..	261,411
8,746	.. Salaries (including Pay-roll Tax), Clerical Assistance ..	10,307
55,605	.. Erection and Maintenance of Buildings	92,686
35,807	.. Maintenance, Cleaning, Requisites, &c.	44,742
	Allowances to Students—	
1,001,212	.. Board, &c.	1,206,681
*279	.. University Fees	28,662
246	.. Other Fees	1,098
528	.. Other	1,916
		<hr/> 1,647,503

RECEIPTS.

1,031	.. Fees, Tuition	735
1,481	.. Rent	1,808
..	.. Sale of Property	35
		<hr/> 2,578
<hr/> 1,292,687		<hr/> 1,644,925

* Two University years paid in 1953-54.

Hostels (Teachers' Colleges).

EXPENDITURE.

7,815	.. Salaries (including Pay-roll Tax), Teachers &c., in Charge of Hostels ..	8,845
1,231	.. Salaries (including Pay-roll Tax), Clerical Assistance ..	1,468
33,958	.. Food	39,354
66,202	.. Wages—Domestic Staff	74,504
982	.. Rent .. .. .	..
58,490	.. Erection and Maintenance of Buildings, Furniture, &c. ..	114,161
22,185	.. Other	25,006
		<hr/> 263,338

RECEIPTS.

82,479	.. Students' Board	92,727
4,955	.. Other	6,781
		<hr/> 99,508
<hr/> 103,429		<hr/> 163,830

Registered Schools.

EXPENDITURE.

	Allowances to Pupils—	
47,853	.. Scholarships	50,266
10,092	.. School Requisites for Scholarship Holders	20,430
3,737	.. Maintenance	4,530
175,779	.. Transit	214,429
617	.. Other	948
		<hr/> 238,078
		<hr/> 290,603

University of Melbourne.

EXPENDITURE.

45,000	.. Endowment Grant	45,000
657,000	.. Other Grants	758,000
	Allowances to Students—	
6,930	.. Scholarships	7,255
4,010	.. Maintenance	2,260
..	.. Teachers' Nominated Courses—Fees	661
		<hr/> 813,176
<hr/> 712,940		<hr/> 28,517,293

Carried forward

1954-55.

1955-56.

£		£	£
	Brought forward		28,517,293

Administration.

EXPENDITURE.

307,818	..	Salaries (including Pay-roll Tax)	.. .. .	374,770
47,612	..	Office Requisites, Postage, &c.	.. .. .	47,023
19,755	..	Travelling Expenses (including purchase Motor Cars)	.. .. .	22,047
52,599	..	Grants	.. .. .	53,360
8,021	..	Teachers' Tribunal	.. .. .	9,908
14,481	..	Other	.. .. .	23,147

530,255

RECEIPTS.

794	..	Examination Fees	.. .. .	1,326
14,687	..	Forfeited Bonds	.. .. .	18,046
500	..	Services of Secondary Inspectors to University of Melbourne	.. .. .	500
9,006	..	Other	.. .. .	6,988

26,860

425,299

503,395

Pensions, etc.

465,437	..	Pensions and Superannuation to retired Teachers and Officers	599,173
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Miscellaneous.

EXPENDITURE.

69,364	..	Cost of Text Books and other Publications	86,800
1,963	..	Allowances, Maintenance, &c. (under reciprocal arrangements with other States)	.. .. .	1,440

88,240

RECEIPTS.

30,320	..	Receipts from Sales of Text Books, &c.	32,957
--------	----	--	---------	--------

55,283

41,007

24,644,064

Net Expenditure

29,675,144

FORESTS.

EXPENDITURE.

In the year under review expenditure amounted to £3,106,604. Under broad headings the principal divisions of expenditure in the past three years were:—

	1953-54.	1954-55.	1955-56.
	£	£	£
Appropriations—			
Administrative Salaries	397,202	438,991	489,441
Contingencies	82,969	85,068	85,828
Business Undertakings	150,520	113,801	117,922
Utilization Forest Produce	474,812	465,000	472,508
Supply of Firewood	22,906	14,952	19,550
Sundry	54,105	55,963	65,378
	<u>1,182,514</u>	<u>1,173,775</u>	<u>1,250,627</u>
Forestry Fund—			
Forests	835,249	672,779	923,277
Plantations	54,813	78,463	98,678
Nurseries	22,404	21,101	24,893
General	9,396	25,447	9,207
	<u>921,862</u>	<u>797,790</u>	<u>1,056,055</u>
Loan Fund—			
Fire Protection	172,755	180,895	127,196
General Operations	54,177	85,844	104,562
Extraction Roads	432,143	446,961	358,172
Plantations	56,888	55,579	63,205
Buildings	18,445	26,895	71,497
Plant and Machinery	144,366	88,683	49,363
Land	21,051	13,741	25,927
	<u>899,825</u>	<u>898,598</u>	<u>799,922</u>
	<u>3,004,201</u>	<u>2,870,163</u>	<u>3,106,604</u>

Variations in percentages relevant to expenditure from Vote, Fund, and Loan may be compared as under:—

	1953-54.		1954-55.		1955-56.	
	£	%	£	%	£	%
Vote	1,182,514	39	1,173,775	41	1,250,627	40
Fund	921,862	31	797,790	28	1,056,055	34
Loan	899,825	30	898,598	31	799,922	26

Because of the use of the Forestry Fund and Loan allocations as suspense accounts, to which reference has been made in previous reports, I am not yet able to confirm either the balance in the fund or the items charged against the Loan authorities as shown in the Treasury accounts.

Since the inception of the use of Loan Funds for forestry purposes, the sum so applied has been £14,780,835. After adjusting discount and expenses and amounts redeemed or repaid, the Loan Liability at 30th June, 1956, was £11,855,001 towards which there was an equity in the National Debt Sinking Fund of £560,385.

The source of the money available in the Forestry Fund is Consolidated Revenue. In each financial year a fixed statutory appropriation of £40,000 is paid into the fund and, in addition, a variable statutory contribution of one-half of the gross receipts from royalties, &c., above £80,000 in the year—equivalent in 1955-56 to £789,795. The total payment into the fund for the year 1955-56 was less than in the previous two years due to a decline in receipts from royalties. Set out hereunder are the total payments in the past three years :—

	£
1953-54	854,726
1954-55	887,029
1955-56	829,795

As explained in my previous report neither payments into nor out of the Forestry Fund are in complete accordance with Section 37 of the Forests Act.

RECEIPTS.

A statement of revenue receipts for the past three years is shown hereunder :—

	1953-54	1954-55	1955-56
	£	£	£
Territorial—			
Rents	20,046	22,008	20,991
Royalties	1,683,484	1,745,133	1,630,918
Miscellaneous	5,922	6,917	7,682
Fees	433	416	305
Tramways	268	81	759
State Sawmill	24,114	27,583	63,105
Timber Seasoning Works	83,025	74,287	64,523
Charcoal	128	27	127
Departmental	534,286	505,167	506,162
Miscellaneous	6,448	7,533	9,210
	2,358,154	2,389,152	2,303,782

The net cost of the Commission for 1955-56, based on receipts and expenditure in the Consolidated Revenue Account, was £227,348, to which should be added £226,259, the amount by which the year's expenditure from the Forestry Fund exceeded the statutory contribution thereto.

The Consolidated Revenue receipts and expenditure for the year were :—

<i>Receipts.</i>	£	<i>Expenditure.</i>	£
As detailed above	2,303,782	Commissioners' Salaries	8,009
Net Cost	227,348	Votes	1,224,366
		Pensions	18,252
		Grants to the Forestry Fund	829,795
		Interest and Exchange on Loans	421,002
		Loan Conversion Expenses	38
		National Debt Sinking Fund	29,668
	2,531,130		2,531,130

STORES AND MATERIALS, PLANT AND MACHINERY.

Following audit recommendations, Act No. 5475 of 1950 authorized the establishment of a Stores Suspense Account which has been functioning since 1st July, 1952, when the value of general stores and mechanical spare parts recorded was £562,484. The value recorded at 30th June, 1956, was £630,456. The broad principles of this account are that money is appropriated by Parliament for the purpose of purchasing stores and, as the stores are used in connexion with a project, such project is charged, the Suspense Account credited, and so placed in funds again. Because of the previous practice of using the Forestry Fund and Loan allocations as suspense accounts, the amount of stores on hand at 1st July, 1952, had already been charged as expenditure (principally against Loan application items), so that the credits to the Suspense Account in respect of such stores have come from past appropriations and will continue to do so, and will not have been allocated by Parliament as required by the Act. A committee of officers from the Treasury Department, Forests Commission, and Audit Office has now been set up to seek a practical basis of re-allocation.

As well as financial accounting at Head Office, quantitative recording of stores was instituted by means of perpetual inventory at the various locations and at Head Office for purposes of control. Since the operation of the Stores Suspense Account materials in country branch stores have been verified by inspectors from the Commission, recorded values adjusted, and surplus stores transferred to the main store at Brookwood, but materials at Brookwood recorded as £427,791 at 30th June, 1956, have not yet been similarly examined. The value of stores held is in excess of annual requirements, and consideration should be given to the disposal of unwanted or obsolete stores and spare parts. It seems certain that, on disposal, a considerable loss may be expected.

Fire protection stores are not accounted for in the stores accounting system. The value of these should be added to the total value of stores held.

Apart from the purchase of stores, the Stores Suspense Account has been used, as authorized by Act No. 5475, for charging costs of maintenance and repair of certain specified plant. Hire charges made for the use of the plant and machinery have been credited to the account and the appropriate expenditure allocations debited.

Under the provisions of Act No. 5475 a Plant and Machinery Fund has also been established. That part of hire charges made for the purposes of renewal and replacement of plant and machinery and charged to expenditure allocations has been credited to this fund. During the year, plant renewals totalling £307,042 were met from the fund. At 30th June, 1956, the unexpended balance was £35,334.

Charges in respect of repairs and replacements for the period 20th March to 26th June, amounting to £101,162 were not processed until after the close of the year thereby delaying the relative entries in the Treasurer's accounts.

INDUSTRIAL UNDERTAKINGS.

The accounts of the Commission's two industrial undertakings, the Timber Seasoning Works, Newport, and the State Saw Mill, Erica, form part of the departmental and Treasury accounting system. From this source, details are collected and financial statements for each undertaking constructed on a commercial accounting basis.

Timber Seasoning Works, Newport.—In my last report I stated that the financial statements of the works for 1954–55 had not been completed but that preliminary figures indicated a heavy loss on operations and that a detailed investigation by Commission officers was in course. It was disclosed as a result of that investigation that stock sheets of the undertaking had been falsified and as this matter has been referred for inquiry to the Select Committee of the Legislative Assembly on Public Accounts, I consider it proper to await the Committee's report.

The financial statements for the year 1954-55 include adjustments on account of previous years as it was impracticable to reconstruct the accounts of the specific years to which they relate. The accounts for the year 1954-55 as adjusted and those for 1955-56 are summarized hereunder :—

(i) Trading and Profit and Loss Statements—

1954-55—

		£	£
Timber and Stores on Hand (opening stock)—			
published figure .. .. .	.. .. .	146,994	
less adjustments in respect of previous years .. .. .	.. .. .	77,884	
			69,110
Operating costs .. .. .	.. .. .		67,331
Interest on Capital .. .. .	.. .. .		2,206
			<u>138,647</u>
Sales of Timber .. .. .	.. .. .	65,827	
Other receipts .. .. .	.. .. .	1,091	
			66,918
Timber and Stores on Hand (closing stock) .. .. .	.. .. .		51,279
			<u>118,197</u>
	Net loss		<u>20,450</u>

1955-56—

Timber and Stores on Hand (opening stock)			
Operating costs .. .. .	.. .. .		51,279
Interest on Capital .. .. .	.. .. .		75,364
			2,212
			<u>128,855</u>
Sales of Timber .. .. .	.. .. .	64,158	
Other receipts .. .. .	.. .. .	454	
			64,612
Timber and Stores on Hand (closing stock) .. .. .	.. .. .		57,501
			<u>122,113</u>
	Net loss		<u>6,742</u>

(ii) Balance Sheet—

		30.6.55.	30.6.56.
		£	£
Fixed Assets less provision for Depreciation—			
Buildings .. .. .	.. .. .	18,703	18,236
Machinery and Plant .. .. .	.. .. .	10,678	10,011
Permanent Improvements, Railway Siding, and Ramps .. .. .	.. .. .	7,678	7,600
			<u>35,847</u>
Current Assets less Current Liabilities—			
Debtors .. .. .	.. .. .	10,938	10,665
Timber and Stores on Hand .. .. .	.. .. .	51,279	57,501
			<u>68,166</u>
Less Creditors .. .. .	.. .. .	3,689	14,009
			<u>54,157</u>
		<u>95,587</u>	<u>90,004</u>

The above assets have been provided as follows :—

		30.6.55.	30.6.56.
		£	£
Capital raised from Loan and Revenue Sources .. .. .	.. .. .	57,003	57,173
General Reserve .. .. .	.. .. .	8,347	8,347
Advanced by Treasurer of Victoria .. .. .	.. .. .	117,761	118,750
			<u>183,111</u>
Less Accumulated Loss .. .. .	.. .. .	87,524	94,266
		<u>95,587</u>	<u>90,004</u>

State Saw Mill, Erica.—The following information taken from the Commission's Profit and Loss Statement summarizes operations in 1954-55 and 1955-56 :—

	1954-55		1955-56.	
	£	£	£	£
Sales	31,133		65,106	
Other receipts	419		444	
		31,552		65,550
Working Expenses	37,180		67,551	
Interest calculated on capital used in the business	1,466		1,931	
		38,646		69,482
Net Loss		7,094		3,932

The net loss, £7,094, for 1954-55 shown above is £3,647 less than the figure published in my last report. This is, in large part, the net result of an adjustment brought under my notice by the Commission subsequent to the publication of my report, viz., the exclusion from the opening and closing stocks for the year of charges for royalties to conform with the Commission's then existing practice in relation to its own undertaking of calculating royalty on the basis of sawn timber sold. For a similar reason, the net loss in 1953-54 was greater by £7,768.

For 1955-56 the Commission adopted the more satisfactory method of calculating royalty on the basis of log intake, a method which has operated in respect of private millers for many years. The Balance-sheet shows the position of this undertaking as at 30th June, 1956 :—

	£	£
<i>Fixed Assets less provision for Depreciation—</i>		
Buildings	12,178	
Machinery and Plant	31,140	
Rolling Stock	2,531	
		45,849
<i>Current Assets—</i>		
Debtors	8,434	
Stores and Stock on Hand	7,092	
		15,526
		61,375
Less Current Liabilities		18,281
		43,094

The balances shown above were financed from the following sources :—

	£
Capital raised from Revenue Sources	52,224
Accumulated profit	16,534
	68,758
Less the excess of receipts over payments which has been paid into Consolidated Revenue	25,664
	43,094

The accumulated profit as at the 30th June, 1956, has been arrived at after adjustment in respect of the stock variations referred to above.

The notional interest charged both in respect of the Newport Seasoning Works and the State Sawmill has been calculated so far on the capital represented in fixed assets but without regard to the amount due to or from the Treasury.

GOVERNMENT PRINTER.

Income from printing, sales of publications, &c., for the year amounted to £967,105 as compared with £887,317 in 1954-55.

Most of the work for the State is for the purpose of meeting the requirements of other Departments and charges for these services are met from Departmental Votes. The statement appearing below shows a loss on the year's operations of £19,049. No charges have been made for interest paid applicable to the undertaking's capital cost nor for the relative State contribution towards pensions. In the preceding year there was a profit on operations of £14,394. The figures used here have been taken from accounts prepared on a commercial accounting basis.

<i>Item.</i>	1954-55.	1955-56.
	£	£
Materials	346,598	380,095
Salaries and Wages (including payroll tax) ..	429,602	486,135
Insurance—Workers' Compensation	1,501	1,735
Insurance—Fire	786	786
Power, Fuel, and Light	5,724	6,434
Repairs to Buildings and Plant	15,618	14,593
Sundry Charges	16,542	22,025
Postage and Incidentals	2,583	3,110
Depreciation	11,079	15,993
Work done by other than Government Printer ..	42,890	55,248
	872,923	986,154
	Profit 14,394	Loss 19,049
	887,317	967,105
Turnover	887,317	967,105

Factors contributing to the loss are receiving departmental attention.

Although the figures in the Treasurer's statements are on a cash basis, provision has been made in the annual appropriations for the Government Printer, during the last fifteen years, for the replacement of plant and machinery acquired from loan funds. The amount accumulated at the credit of the Printing Machinery Depreciation Fund at 30th June, 1956, is £80,901 in respect of assets so purchased, the aggregate cost of which was £221,003. This latter figure includes £29,231 expended from loan funds during the year under review.

DEPARTMENT OF HEALTH.

This Department is divided into four branches, viz:—

- General Health Branch.
- Tuberculosis Branch.
- Maternal and Child Hygiene Branch.
- Mental Hygiene Branch.

Total expenditure from revenue upon health services for the year ended 30th June, 1956, excluding that of the Mental Hygiene Branch (which is separately discussed) and the contribution of £5,000,000 to the Hospitals and Charities Fund, was £2,972,531.

This expenditure comprised the following charges:—

Departmental Votes—	£
Health (Salaries and Contingencies)	2,830,466
Public Works (Maintenance, &c.)	42,862
Treasury (Payroll Tax)	9,713
Chief Secretary (State Accident Insurance)	2,748
Special Appropriations (Salary of Director of Tuberculosis, and Pensions)	86,742
	2,972,531

Receipts (excluding those of the Mental Hygiene Branch) totalled £1,147,636, the net cost of health services to revenue therefore being £1,824,895, an increase of £170,472 over the previous year.

For the purposes of this report, departmental finances are dealt with under branch headings, all central administrative costs being included under General Health Branch.

General Health Branch.

The functions of this Branch relate to the prevention, limitation, and suppression of disease, safety of buildings, food standards, &c.

Revenue of the past three years is shown in the following table:—

	1953-54.	1954-55.	1955-56.
	£	£	£
Registration and other Fees	6,430	6,853	8,167
Contribution by Tramways Board towards cost of maintenance of Fairfield Infectious Diseases Hospital	70,777	17,198	..
Other Receipts	5,641	16,114	11,362
	82,848	40,165	19,529

Expenditure in the last three years has been:—

	1953-54.	1954-55.	1955-56.
	£	£	£
<i>(a) From Revenue—</i>			
Central Administration	100,435	108,488	131,949
Cancer Institute	177,926	275,571	294,012
Infectious Diseases	149,073	116,109	106,549
Venereal Diseases	37,747	38,080	41,833
Inspection of Buildings, Food Supervision, &c.	128,969	137,812	147,742
Miscellaneous Grants	132,627	78,630	95,773
Subsidies—Home Help Scheme, Clubs for Elderly People, &c. .. .. .	..	..	66,056
	726,777	754,690	883,914
<i>(b) From Loan—</i>			
Infectious Diseases Hospitals	873	827	..
Cancer Institute	142,601	171,771	123,478
Other	34,565	30,844	20,610
	178,039	203,442	144,088

Tuberculosis Branch.

Receipts of this Branch over the past three years have been :—

	1953-54.	1954-55.	1955-56.
	£	£	£
Commonwealth recoup under Tuberculosis Arrangement	1,186,869	1,101,615	1,111,423
Other receipts	4,882	7,807	11,644
	1,191,751	1,109,422	1,123,067

Expenditure for the same period is compared thus :—

	1953-54.	1954-55.	1955-56.
	£	£	£
(a) <i>From Revenue</i> —			
Operation of sanatoria, tuberculosis wards, bureaux, mass X-ray services, &c. ..	1,330,586	1,359,952	1,341,971
(b) <i>From Loan</i> —			
Additional accommodation at State sanatoria and chalets	76,348	33,724	70,467
Other .. .. .	..	16,078	22,965
(c) <i>From Surplus Revenue</i> —			
Publicity, anti-tuberculosis campaign ..	2,912	3,649	4,318

Through the *Health (Tuberculosis Arrangement) Act 1949* the State participates in an arrangement with the Commonwealth under which the Commonwealth reimburses the State—

- (a) all capital expenditure after 1st July, 1948, in the provision of land and buildings for use in the diagnosis, treatment, and control of tuberculosis, and in the provision of the necessary furnishings, equipment, and plant for such use ;
- (b) the net maintenance expenditure incurred by the State in any financial year subsequent to the year ended 30th June, 1948, to the extent to which such expenditure is in excess of the net maintenance expenditure of 1947-48, in relation to the diagnosis, treatment, and control of tuberculosis.

Net maintenance expenditure in 1947-48 was £223,528.

Capital expenditure recoverable from the Commonwealth, has been met from both loan and vote moneys, and in each of the past three years has been :—

	1953-54.	1954-55.	1955-56.
	£	£	£
Loan	75,884	33,724	70,467
Vote	1,721	3,390	8,226
	77,605	37,114	78,693

A progress payment of £55,000 on account of 1955-56 was received in June, 1956, and reimbursement of the balance is in course.

Progress payments by the Commonwealth on account of 1955-56 maintenance expenditure amounted to £1,007,572. Reimbursement of the balance outstanding at 30th June, 1956, is in course.

Maternal and Child Hygiene Branch.

This Branch is engaged in activities for the welfare of mothers and children, including the operation of the school medical and dental services, infant welfare nursing, and the registration of mothercraft nurses.

Revenue for the last three years was:—

	1953-54.	1954-55.	1955-56.
	£	£	£
Mothercraft nurses fees, &c.	343	347	695
Sale of publications	368	213	238
Infant Welfare recoups	3,015	3,177	4,107
	<u>3,726</u>	<u>3,737</u>	<u>5,040</u>

Expenditure has been:—

(a) <i>From Revenue</i> —	£	£	£
School Medical and Dental Services, Salaries, &c.	304,210	311,630	355,222
Subsidies	298,070	381,475	391,424
	<u>602,280</u>	<u>693,105</u>	<u>746,646</u>

The subsidies were mainly on account of infant welfare centres, kindergarten, and pre-school centres, crèches, &c.

(b) <i>From Loan</i> —	£	£	£
Subsidies towards capital expenditure on pre-school centres	86,343	121,975	139,339
Other	9,894	1,707	6,497
	<u>96,237</u>	<u>123,682</u>	<u>145,836</u>

Mental Hygiene Branch.

The cost of the services provided by the Branch was, in 1955-56, defrayed from both revenue and the Mental Hospitals Fund. This fund, set up under the provisions of Act No. 5705, was available, subject to approval by the Treasurer, as an alternative source to meet expenditure associated with the Branch. It is necessary, therefore, in any examination of the cost of the Branch to include expenditure from the fund in conjunction with amounts provided under Departmental Votes. Gross expenditure from these sources for non-capital purposes was £4,629,958, but as receipts amounted to £196,088, the net cost of Mental Hygiene services was £4,433,870. Included in the gross expenditure are charges to—

Departmental Votes—	£	£
Health (Salaries and Contingencies)	4,077,302	
Public Works (Maintenance, &c.)	285,320	
Chief Secretary (State Accident Insurance)	18,411	
	<u>4,381,033</u>	
Mental Hospitals Fund		248,925
		<u>4,629,958</u>

Details of receipts credited to the Branch in each of the last three years are—

	1953-54.	1954-55.	1955-56.
	£	£	£
Public Trustee—maintenance of patients— principally Commonwealth payments on account of Repatriation patients ..	161,325	143,792	161,409
Commonwealth payments—Mental Institutions Benefits Agreement	156,751	53,820	..
Commonwealth Pharmaceutical Benefits ..	..	..	12,776
Sales of produce	15,997	10,601	16,472
Other	9,239	10,426	5,431
	343,312	218,639	196,088

The Mental Institutions Benefits Agreement under which the Commonwealth paid to the State an amount of one shilling and twopence per day for each patient maintained in a State-controlled institution terminated on 31st July, 1954.

Particulars of expenditure from revenue under classified heads for the last five financial years are—

Item.	1951-52.	1952-53.	1953-54.	1954-55.	1955-56.
	£	£	£	£	£
Salaries	1,161,724	1,467,283	1,720,983	1,960,415	2,277,939
Overtime and penalty rates	235,180	236,244	311,018	387,410	426,220
Provisions and extra articles.. ..	454,054	528,580	546,627	648,390	744,450
Clothing, bedding, &c.	143,288	134,379	123,325	235,703	190,684
Stores, &c.	43,597	76,761	84,716	137,633	137,290
Fuel, light, and water	98,842	136,956	138,837	156,149	188,117
Drugs and medicines	20,659	31,235	43,308	74,264	104,007
Repairs, maintenance, &c.	151,317	248,487	282,098	332,043	332,155
Boarded-out patients	37,031	47,482	60,845	57,350	72,071
Other	78,512	125,845	142,387	132,502	157,025
Total	2,424,204	3,033,252	3,454,144	4,121,859	4,629,958

Under the provisions of the *States Grants (Mental Institutions) Act 1955* the Commonwealth recoups the State one third of the amount expended from 1st July, 1955, for or in connexion with the buildings or equipment of mental institutions.

Capital expenditure by the State during the year amounted to £1,516,829, of which £1,003,823 was charged to the Loan Fund, £501,955 was charged to the Public Account pending recoup by the Commonwealth, and £11,051 was charged to the Mental Hygiene Fund. Payments by the Commonwealth to 30th June, amounted to £445,746.

The principal locations at which capital expenditure upon State institutions was incurred, and the amounts expended at each were:—

	£
Ararat	145,012
Ballarat	98,758
Beechworth	78,560
Janefield	28,257
Kew	223,701
Larundel	282,624
Mont Park	103,767
Mont Park, Plenty	13,874
Royal Park	184,223
Stawell	24,427
Sunbury	212,679
Warrnambool	27,130

In addition payments amounting to £22,456 were made in respect of contracts for the erection, at various locations, of timber-constructed buildings of school pattern, and used for occupational therapy purposes, for classrooms, and for workshops.

Other expenditure from the Mental Hygiene Fund was:—

	£
Other Institutions—Grants for Capital Works	67,726
Grants for Maintenance	33,849
University—Mental Hygiene Research	5,500
	107,075

DEPARTMENT OF CROWN LANDS AND SURVEY.

This Department is responsible for the occupation of Crown Lands, and the administration of various schemes of land settlement and financial assistance to farmers. Other important functions include the eradication of vermin and noxious weeds and the control and co-ordination of survey and mapping throughout the State.

Crown Lands Settlement.

Leases and Licences.—Receipts from leases, where lands are in course of alienation, and from annual licences during the last three years were :—

Year.	Annual Rental.		Interest.	Total.	Receipts.	Arrears.
	Purchase Leases.	Annual Licences and Leases.				
	£	£	£	£	£	£
1953-54	24,829	224,845	355	250,029	278,194	9,386
1954-55	26,137	270,783	248	297,168	324,727	11,853
1955-56	34,005	300,726	412	335,143	333,659	13,387

Receipts from leases and licences do not balance with annual rentals and arrears in each year, due to the inclusion in the receipts figure of balances of purchase money paid to secure freehold titles on alienation of Crown lands.

Unused Roads and Water Frontages.—Rentals for occupation of unused roads and water frontages are collected by the Department, those for unused roads being paid direct into Consolidated Revenue, while the receipts in respect of water frontages are paid into the Rivers and Streams Fund.

Licences to occupy unused roads total 18,409 and water frontages 10,549. A statement of collections during the last two years is shown :—

	Unused Roads.		Water Frontages.	
	1954-55.	1955-56.	1954-55.	1955-56.
	£	£	£	£
Arrears at 1st July	1,283	1,071	1,742	954
Rentals charged	21,421	23,577	13,344	14,380
Receipts	21,633	23,940	14,132	14,761
Arrears at 30th June	1,071	708	954	573

Other Receipts.—Revenue of the Department from other sources is derived from sales of Crown Lands by auction, miscellaneous sales, royalties on sand, gravel, and other material removed, sales of lithographic and photographic plans and maps, agistment and other fees, as well as the prices of admission to the Buchan Caves. Receipts from these sources during the past three years were :—

	1953-54.	1954-55.	1955-56.
	£	£	£
Sales by auction	27,317	20,988	39,270
Sales otherwise than by auction	64,261	50,344	21,194
Royalties on sand, gravel, &c.	13,836	16,902	21,585
Sales of plans	2,445	3,150	2,771
Sales of photographic maps	19,130	12,301	24,261
Agistment, &c.	1,724	1,830	1,270
Other fees	11,091	11,768	11,991
Buchan Caves	5,051	5,908	6,264
	144,855	123,191	128,606

Revenue from sales of photographic maps, which are the product of aerial surveying referred to subsequently in this section of the report, has shown a marked increase in the year under review.

Vermin and Noxious Weeds.

The Vermin and Noxious Weeds Act, No. 5431, as amended, authorizes the expenditure of loan moneys to the extent of £700,000 for the following purposes:—

Provision and storage of equipment and tools for the destruction of vermin and noxious weeds.

Advances to owners and occupiers of land who may be unable to finance the costs involved in complying with the requirements of the Act with respect to their lands.

Loan expenditure to 30th June, 1956, totalled £597,950 of which £596,735 was in respect of the purchase and storage of equipment and tools and £1,215 for advances. Revenue collections during 1955–56 on account of the hiring of equipment to land-holders amounted to £7,035. No fund has been established for the purpose of providing for the replacement of short-lived plant and equipment.

Additional assistance is provided, by way of vote, to subsidize the distributors in respect of the difference between the retail and wholesale price of fumigants, poison, and weedicides supplied at cost price to land holders. Subsidies so paid during the year totalled £2,940.

Total vote expenditure in connexion with the destruction of vermin and noxious weeds on Crown Lands during the year amounted to £698,019 of which £559,476 was on account of wages. Amounts recoverable for works effected on public and private lands since the passing of the Act amounted to £38,216 of which £31,713 had been received at 30th June, 1956.

Survey and Mapping.

The *Survey Co-ordination Act* 1940 established the Central Plan Office within the Department as the official source of all plans, maps and survey information for the State. Stocks of plans and maps on hand at 30th June, 1956, were valued at £66,900.

In recent years surveying by means of aerial photography has been widely employed by the Department in addition to ground surveying. This aerial photography is being carried out for the Department by private contractors, while Royal Australian Air Force photography is also being used where practicable.

Closer Settlement.

Revenue Account.—The Closer Settlement accounts, in which are included the former Discharged Soldier Settlement Accounts, are on a commercial accounting basis.

Each year interest is payable by the Treasury on outstanding loan expenditure, but, because of the heavy writing off of settlers' liabilities in the past, it is recoverable only in part. Another substantial cost to be met each year is on account of the administration of the scheme. The excess of expenditure over revenue for 1955–56 is shown in the statement hereunder:—

<i>Expenditure—</i>					£	£
Interest on loans	..	..	..	..	989,804	
Administration costs	..	..	..	..	56,133	
					<hr/>	1,045,937
<i>Income—</i>						
Interest charged to settlers	..	..	..	..	102,146	
Sundry items of income	..	..	..	..	28,574	
					<hr/>	130,720
Net cost	..	..	..	..	..	<hr/>
						915,217

The loan liability of the Treasury on Closer Settlement (which includes roundly £20,000,000 lost in the earlier stages of the scheme) is being liquidated by annual contributions to the National Debt Sinking Fund.

Closer Settlement Insurance Fund.

In 1938, by amending legislation, the Closer Settlement Insurance Fund took its present form. Contracts of insurance cover risks of fire, storm or tempest and must be made by Closer Settlement lessees in respect of buildings and improvements, farmers who have received advances for improvements, and purchasers under contract of sale. Improvements on vacant land are also covered by the fund.

As pointed out in previous reports, interest receipts are a factor in any insurance business and have a bearing on the rate of premiums charged, but the legislation governing the Closer Settlement Insurance Fund makes no provision for the establishment of a Reserve Fund nor for any investment of its balances.

The accounts of the fund are kept on a cash basis and the following is an abstract of receipts and payments during the year :—

<i>Receipts.</i>	£	<i>Payments.</i>	£
To Balance at 1st July, 1955 ..	242,629	By Claims paid ..	3,470
Premiums received ..	13,760	Administration Expenses ..	1,934
		Balance at 30th June, 1956	250,985
	256,389		256,389
	256,389		256,389

SOLDIER SETTLEMENT.

The settlement on the land of discharged servicemen of the last war has been entrusted to a Commission which was appointed in February, 1946. Legislation setting up this Commission and subsequent amendments have authorized the borrowing of £55,000,000 for the purposes of acquisition, subdivision, development and improvement of land as well as for advances to assist discharged servicemen to purchase individually selected farms (single units).

In order to expedite Soldier Settlement in this State, the Commonwealth Government in September, 1954, offered to provide finance on the basis of £1 for each £2 of State loan moneys expended on general settlement during the three following financial years, excluding expenditure on the State's single unit farm scheme. The terms of the offer provided for repayment over a period of 53 years with interest at 3 $\frac{3}{4}$ per cent. per annum and an upper limit of £2,000,000 on the Commonwealth's provision in any one financial year.

The offer was accepted and the arrangement commenced to operate from 1st July, 1955. During the year under review, expenditure met by the Commonwealth amounted to £1,599,928. The amount received from the Commonwealth was £1,610,000 which left £10,072 unspent to be carried forward to the next financial year.

Loan expenditure to 30th June, 1956, totalled £47,185,284, but excluding expenses associated with loan raising (£133,687) was £47,051,597. Taking into account Commonwealth assistance of £1,599,928 referred to above, the total capital expenditure to 30th June, 1956, amounted to £48,651,525, which is analysed below:—

	£	£
Purchase of Land .. .. .	..	14,972,613
Improvement and Development of Estates .. .. .	..	18,618,925
Unallocated Expenses—		
Building and Fencing Material	129,016	
Stores and Material	281,582	
Pastoral Development	36,133	
Fruit Trees and Fodder	10,858	
Sundry	16,928	
	474,517	
Advances for Single Unit Farms—		
Land Purchases	10,540,110	
Improvements, Stock, &c.	315,309	
	10,855,419	
Advances to General Settlers for—		
Stock, Plant, and Working Expenses	2,834,601	
Purchase of Co-operative Co. shares	110,164	
	2,944,765	
Live Stock held for Farming	114,829	
Expenses in connexion therewith	197,219	
	312,048	
Storeyards, &c.	129,288	
Plant and Machinery	294,681	
Motor Vehicles	39,742	
Miscellaneous Equipment	3,892	
Share Farming Expenses	5,385	
Purchase of Co-operative Co. shares	250	
	48,651,525	

From the inception of the plan the Commonwealth and the State have jointly undertaken financial obligations with regard to concessions to settlers in respect of the capital costs of holdings. These have been embodied in an agreement entered into in July, 1952. This subject has been referred to more fully in previous reports.

Of the loan expenditure quoted in the above statement, repayments of £9,062,258 had been made to 30th June, 1956, of which the Commonwealth contributions totalled £1,437,988, representing £1,437,476 in respect of excess costs and £512 in respect of losses on advances to settlers. The balance, viz., £7,624,270, repaid to Loan Fund Credit Account comprising the following:—

	£
Purchase Lessees, Principal Repaid	630,798
Single Unit Farmers, Advances Repaid	3,147,130
Interim Lessees, Advances Repaid	1,728,168
Lessees' Credit Accounts	502,552
Disposal of Unsuitable Land	934,667
Disposal of Stock, Plant, Materials, &c.	680,955
	7,624,270

The *Land Settlement Act 1953* which came into operation on 1st July, 1954, substituted new sections in place of sections 19 and 20 of the *Soldier Settlement Act 1946*.

The new section 19 provides for the relief to the Commission of liability to both consolidated revenue and the loan fund which results from the writing down of interest capitalized and loan expenditure respectively. The section does not, however, define the extent of the interest content as a component of the excess cost written down. The Commission, acting on legal advice, has now sought further amending legislation to determine that the interest content of excess costs shall, as from 1st July, 1950, be treated as being relieved, up to the full extent of interest capitalized, in priority to the loan content.

Section 20 refers to the recoups of excess costs payable by the Commonwealth pursuant to the agreement referred to above, which has been held by the High Court to be invalid as far as the Commonwealth is concerned. The section is therefore considered to be inoperative. Legal advice having been taken by the Commission, a further amendment is being sought to delete all reference to the agreement from the section.

The Commission's accounts are kept on a commercial accounting basis. The revenue account for 1955-56, excluding live stock transactions, shows:—

<i>Expenditure—</i>	£	£	£
Interest		1,347,304	
<i>Less</i> Interest Capitalized	252,192		
Interest transferred and borne by the State	118,317		
		370,509	
		976,795	
Loan-raising Expenses		34,040	
Administrative Costs		190,439	
Shire Rates		12,895	
Depreciation (other than developmental assets)		2,839	
Rents and Interest remitted	29,522		
<i>Less</i> Commonwealth share	14,761		
		14,761	
Interest waived		67	
Bad Debts		1,110	
		1,232,946	
<i>Income—</i>			
Interest earned		446,485	
Rents Fees and Sundries		94,607	
Contribution by Commonwealth—Account Shire Rates		8,315	
		549,407	
Deficit for 1955-56			683,539

The total accumulated deficit to 30th June, 1956, before taking into account profits from sheep and cattle farming, amounts to £2,878,143.

This deficit is almost wholly caused by remissions of rent and interest, the difference between the concessional rate of interest at 2 per cent. charged to settlers as fixed by the Act and the current rates payable on Government loans, the costs and expenses of raising the loans, and the cost of administration of the scheme. The aggregate concessions thus granted towards the settlement of discharged servicemen by this State have been calculated by the Commission to be £2,746,982 to the 30th June, 1956.

The Commission has taken over flocks and herds from the vendors of various estates and, pending completion of survey and improvement works, has utilized some of its estates for depasturing the sheep and cattle so acquired. Net profit on these ventures to 30th June, 1956, amounted to £1,095,153.

In addition to land settlement the Soldier Settlement Commission has, by agreement with the Commonwealth Director of War Service Land Settlement, undertaken the administration of re-establishment loans under the *Commonwealth Re-establishment and Employment Act* 1945, while from 1st July, 1946, the administration of agricultural allowances under the same Act was taken over from the Repatriation Commission. Costs incurred in respect of these functions are being reimbursed from time to time to the Commission by the Commonwealth.

Soldier Settlement Insurance Fund.

Pursuant to Act No. 5179, the Soldier Settlement Insurance Fund was established to undertake the insurance against fire, storm, and tempest, of buildings and fencing on land either purchased or taken over for Soldier Settlement or in respect of which any advances are made. The work of administration of the fund is performed by the Insurance Branch of the Department of Lands and Survey concurrently with its administration of the Closer Settlement Insurance Fund, the respective costs being borne by each fund.

The balance of the Fund at 30th June, 1956, was £215,539. As in the case of the Closer Settlement Insurance Fund there is no legislation authorizing the investment of surplus funds.

Following is an abstract of receipts and payments during the year :—

<i>Receipts.</i>	£	<i>Payments.</i>	£
To Balance at 1st July, 1955	.. 169,659	By Claims paid	.. .. 9,157
Premiums received	.. .. 63,550	Administration expenses	.. .. 8,513
		Balance at 30th June, 1956	.. 215,539
	233,209		233,209

MINES DEPARTMENT.

The principal functions of this Department are the administration of mining legislation and supervision of the mining industry, including development of mining, safe working of mines, investigational drilling and operation of State gold batteries. The Department is also responsible for the inspection and safe working of boilers and the licensing of engine drivers and boiler attendants.

Expenditure for the year under review totalled £261,959 and receipts amounted to £52,695, a net cost to Consolidated Revenue of £209,264, which compares with £157,950 in 1954-55 and £122,148 in 1953-54.

Details of departmental receipts for the three years are:—

	1953-54.	1954-55.	1955-56.
	£	£	£
Gold Buyers' Licences	255	239	220
Interest—Mining Development Loans	1,513	5,052	4,105
Mining Leases, Rents, &c.	11,413	18,512	17,726
Costs <i>re</i> Mining Leases	108	108	113
Assays	224	202	459
Sundries	260	297	154
Magazine Licences	154	176	179
Boring and Crushing Fees	1,853	994	7,029
Sale of Government Property	3,174	1,949	3,180
Factory Fees—Boiler Attendants, &c.	473	514	425
Fees—Boiler Inspection	17,664	19,369	19,105
Total revenue	37,091	47,412	52,695

Payments from revenue in those years comprised:—

<i>Administration—</i>			
Salaries	106,258	122,701	144,993
Contingencies	21,005	25,870	29,498
	127,263	148,571	174,491
<i>Miscellaneous—</i>			
Maintenance, &c., State Batteries	3,351	2,106	3,999
Boring for Gold, Coal, &c.	16,998	42,822	69,970
Geological Survey	5,159	5,348	6,468
Laboratory Expenses	1,409	1,633	1,819
Covering Abandoned Shafts	3,423	3,673	3,600
Brown Coal Investigation	1,203	804	1,031
Accident Insurance	433	405	581
Total expenditure	159,239	205,362	261,959

Further expenditure in 1955-56 was £17,307 from loan funds for the provision of additional mining plant and equipment to continue the general geological survey and the survey for underground water:—

Geological Survey—		£	£
Drilling Plant and Tools		1,869	
Mobile Equipment		10,414	12,283
Underground Water Survey—			
Drilling Plant, Tools, &c.			5,024
			17,307

PUBLIC WORKS.

This Department is the principal designing and constructing authority for all Government Departments other than the Railways, Water Supply, and Forests. It is also responsible for maintaining, fitting and furnishing buildings and for the renting of additional accommodation. One section of the Department is in charge of harbor works and improvements not under the control of Harbor Trusts or Municipalities. Considerable sums of money are involved in these works both from revenue and loan sources.

Expenditure from revenue under the principal divisions is set out hereunder :—

	1953-54.	1954-55.	1955-56.
	£	£	£
Public Works and Buildings	1,129,267	1,213,549	1,340,516
Ports and Harbors	225,247	259,003	301,503
Administration—			
Public Works	698,565	734,973	845,610
Ports and Harbors	126,756	133,443	139,995
Town and Country Planning Board ..	12,546	13,539	15,154
Pay-roll Tax	22,909	24,139	29,208
	<u>2,215,290</u>	<u>2,378,646</u>	<u>2,671,986</u>

Expenditure from Loan Fund, Surplus Revenue, and Trust Funds in 1955-56, in respect of which the services of the department were required, included :—

Buildings, Works, &c.—	£
School buildings, including maintenance	6,682,962
*Mental Hospitals and Institutions	1,516,829
Public offices	344,603
Police buildings	186,339
Court buildings	145,027
Children's Welfare	119,362
Agricultural Colleges, &c.	110,417
Sanatoria and other health services	105,673
Cancer Institute—to the extent represented by	92,749
Penal Establishments	89,869
Adult Education	27,562
Public Library	17,671
Tourist Resorts	11,894
Exhibition Buildings—to the extent represented by	9,195
Immigration	2,407
Improvements to Channels—Port Phillip Bay	116,827
Foreshore protection, wharfs and jetties	70,271
Vessels for dredging and explosives and marine plant	25,728
Explosives Reserve, Altona	5,654

Most of the expenditure on buildings and works on behalf of other Departments is also grouped with the expenditure of the appropriate Department.

Plant was acquired from loan funds for departmental purposes £
during the year at a cost of 13,603

Subsidies from loan funds to municipalities amounting to £196,195 were for the following purposes :—

	£
Drainage works	75,525
Roads, drains, channels, and bridges	28,406
Swimming pools and accessories	43,563
Saleyards, markets, &c.	11,214
Public Halls and amenities	37,487

* See page 59 as to Commonwealth assistance included in this amount.

Commonwealth Aid—Havens, Wharfs, Jetties, &c.—Expenditure in relation to havens, wharfs, and jetties is a Public Works responsibility and, by virtue of special provisions in the Commonwealth Aid Roads and Works Act of 1947 and the Commonwealth Aid Roads Acts of 1950 and 1954, certain funds have been made available for expenditure on this type of work. The projects are determined by the Minister. During 1955–56, £154,225 was expended, making a total so applied since Commonwealth aid was first available from this source, 1st July, 1947, of £1,348,556. Particulars of expenditure on projects during 1955–56 are :—

Location.	Works.	Expenditure.
		£
	Administration and general expenses	4,607
Apollo Bay ..	Attention to breakwater and road access	30,350
Barwon Heads ..	Construction of jetty	22
Brighton ..	Improvements to harbor	4,351
Flinders ..	Dredging	500
„ ..	Improved fish handling facilities	972
Frankston ..	Repairs to pier	13,054
Hampton ..	Construction of jetty	3,290
Lakes Entrance ..	Construction of training wall	1,530
„ ..	Protection of and improvement to harbor structures	9,758
Mallacoota ..	Improved cargo handling facilities	1,259
Paynesville ..	Construction of boat harbor	2,972
Port Albert ..	Reconstruction of wharf	8,507
Port Welshpool ..	Reconstruction of fishermen's jetty	921
„ ..	Construction of boat harbor	10,000
Queenscliffe ..	Construction of new harbor	11,566
St. Kilda ..	Construction of main breakwater	7,111
„ ..	Extending breakwater	43,276
Tooradin ..	Reconstruction of jetty	179
		154,225

Public Works Plant and Machinery Maintenance Fund.—Under the provisions of Loan Act No. 5199 of 1946, a charge is made for the use of certain specified plant and machinery. Such charges are debited to projects on which the plant is used and credited to the “Public Works Plant and Machinery Maintenance Fund.” This fund is kept in two sections, viz., Renewals and Replacements and Cost of Operating, Maintenance, &c. The hire charges are allocated in equal parts to the two sections.

The fund commenced in July, 1947, and at the close of the financial year the balance was £225,079 of which £223,691 related to the renewals and replacement section.

Discretionary power was provided under the Act for the investment of any balances, the interest earned on investment to be credited to the fund. So far, no part of the fund has been so invested.

A suggestion was made through the Treasury in July, 1955, that the Department should make a survey of the operations of this fund, in the light of experience gained since its inception in 1947.

Progress has been slow but I have been recently informed by the Secretary of the Department that close attention is now being given to this matter.

A heavy works programme and re-organization in the stores section have received priority in departmental activities.

Public Works Stores Suspense Account.—This suspense account was established under the provisions of Loan Act No. 5240 of 1947. An amount of £25,000 was provided under that Act and subsequent Authorities increased the amount to £325,000. The moneys in the account were available—

- (a) for the purchase of stores, materials, fittings, and equipment; and
- (b) for defraying the cost of manufacturing articles for stock,

pending allocation to the respective appropriations or funds for the various public works or services in which they were used. The amounts so charged must be credited to the Account.

Reference was made in my last report to stock discrepancies for which verification by a further stock-take had been proposed. This was necessary to enable the records to be adjusted, and was also regarded as a condition precedent to a reconciliation between the balance in the Suspense Account and the value of physical stocks held.

Since that time the stores system has been in course of reorganization. The new system was implemented on the 5th June, 1956, in respect of the principal storeyard at South Melbourne, and meets with audit approval. At the time of its introduction the second stock-take was arranged.

The result of this stock-take is still under examination. The completed figures when available will serve to confirm or otherwise the discrepancies disclosed by the previous stock-take. The valuation of such physical stocks will enable a reconciliation with the Treasury balances in the Suspense Account to be attempted.

Figures in the finance statements in respect of expenditure on public works must be regarded as subject to any adjustments which may be required when factors emerging from the reconciliation have been established.

RAILWAY ACCOUNTS.

Railway operations for the year resulted in a deficit of £4,153,596 in the Treasurer's accounts as set out in Statement No. 6 on page 116 of this Report. The deficit is accounted for as follows:—

	£	£
Working expenses, &c.	36,489,814	
Renewals and Replacements Fund	200,000	
Pensions and Superannuation contributions	1,579,131	
Interest and expenses on loans	3,006,406	
National Debt Sinking Fund	178,151	
	41,453,502	
This was provided by—		
Railway Collections	37,146,900	
General Revenue—		
For losses on Kerang-Koondrook line, Act No. 5591	10,006	
For credit for country freight charge concessions	143,000	
For deficit on year's operations	4,153,596	
	41,453,502	41,453,502

The deficit is stated in Railway accounts as £4,270,679; the Department's accounts are on an accrual basis. So also are the Treasury accounts for expenditure; however, Treasury accounts for income are almost wholly records of cash received. The net financial results for the year, as disclosed in the two accounting systems, are reconciled in the following statement:—

	£	£
Deficit, as shown in Treasury books . . . . .	..	4,153,596
Revenue debtors (net) at—		
30th June, 1955	1,215,465	
30th June, 1956	1,097,896	
	117,569	
		4,271,165
Migrants' fares paid by Railways Department in 1954-55 . . . . .	..	486
Deficit, as shown in Railway books . . . . .	..	4,270,679

A matter which has a bearing on the amount of the deficit is the railway practice of allocating proceeds of sales of materials and other property to working expenses and to the Renewals and Replacements Fund. The practical difficulty is to determine what is a reasonable allocation to each account. This question was raised in April, 1955, but has not been settled.

The subject has a wider significance than its effect on the financial result of a year's operations. The sale of materials and other property in great quantities has developed concurrently with the programme of rehabilitation of railway assets with loan moneys. It is a factor which clearly requires consideration in conjunction with a determination of what constitutes "rehabilitation" of the railways.

The following comparative statement shows charges on general revenue due to railway operations during the past three years:—

	1953-54.	1954-55.	1955-56.
	£	£	£
Interest Subsidies	1,934,903	2,148,060	143,000
Freight Subsidies	143,000	143,000	10,006
Recoups, Kerang-Koondrook Railway .. .. .	..	30,069	4,153,596
Deficit in Treasury Accounts	993,215	275,386	
Charge on General Revenue*	3,071,118	2,596,515	4,306,602

* Does not include interest and sinking fund payments in respect of the statutory transfer of £30 million of the loan liability on 1st July, 1937.

It is necessary to refer again to the subsidy of £143,000 a year which commenced as from 15th March, 1950, to limit the incidence of certain freight increases on 1st September, 1949, to 33½ per cent. ; it has remained at the same amount, notwithstanding tariff variations and changes in the volume of business. A recalculation of the amount is needed if the subsidy is to retain any significance.

Interest subsidies ceased on 1st July, 1955 ; they were provided in the period 1st July, 1949, to 30th June, 1955 to relieve railway accounts of charges in excess of one per cent. of loan liability.

The above tabulation does not include interest and sinking fund payments in respect of loan moneys provided for " Rehabilitation " works which, by legislation in Railway Loan Application Acts, are not chargeable to the Commissioners. This relief by Parliament is of the same nature as the interest subsidies inasmuch as the interest and sinking fund payments are borne by general revenue. The sum involved in the year 1955-56 was, roundly, £1,001,000.

Since 1950 loan moneys totalling £28,025,721 have been expended on " Replacement (Rehabilitation) Works ". The phrase has been given a special connotation by the Commissioners and the need for clarification was indicated in my reports for the past three years. The absence of a proper definition leaves me in the position of being unable to ascertain whether Parliament's requirements have been implemented in the allocations on which interest is to be borne by the Railways or by General Revenue. An adequate remedy would be the inclusion in Loan Application Acts of a definition of the term " Replacement (Rehabilitation) Works ".

The railway loan liability, as adjusted in 1937, and the percentages of interest bearing and interest free portions thereof are shown in the following statement as at 30th June each year:—

30th June.	Total Liability.	Interest Bearing.		Interest Free.	
		Loans.	Percentage.	Loans.	Percentage.
		£	%	£	%
1950	56,592,040	56,067,040	99·1	525,000	0·9
1951	63,851,079	59,392,771	93·0	4,458,308	7·0
1952	72,612,233	61,390,849	84·6	11,221,384	15·4
1953	79,741,556	64,910,767	81·4	14,830,789	18·6
1954	88,606,298	69,162,306	78·1	19,443,992	21·9
1955	96,831,036	73,344,154	75·7	23,486,882	24·3
1956	104,744,964	76,194,243	72·7	28,550,721	27·3

As stated in previous reports the railway accounts are kept on an accrual basis, but in two respects they do not disclose the net financial results in the way of commercial accounting. Depreciation and accrued leave have not been fully provided for in the revenue accounts. Depreciation was assessed at £2,006,718 for the year but the amount charged in the accounts was £393,452—the sum credited to the Renewals and Replacements Fund—leaving £1,613,266 unprovided for in the charge against revenue. The accumulated sum which has not been provided is £5,918,483.

Accrued annual leave has been the subject of inconsistent treatment in the revenue accounts, as explained in previous reports. During 1955-56 the liability for accrued leave increased by £48,497 and the total amount for which no provision has been made was £1,681,111 as at 30th June, 1956.

The following dissection of earnings taken from the railway accounts, serves to show the trend under the principal heads in the past three years:—

	1953-54.	1954-55.	1955-56.
	£	£	£
Passengers	9,819,401	9,878,695	10,793,738
Parcels, horses, carriages, &c.	999,850	1,063,405	1,079,112
Mails	131,991	132,053	273,818
Miscellaneous	61,527	58,201	60,230
Goods and live stock	22,654,713	24,416,886	22,634,546
Rents and general miscellaneous	450,481	497,178	490,776
Dining car and refreshment rooms services	1,297,395	1,324,169	1,368,362
Advertising	62,045	65,869	68,759
Bookstalls	229,124	230,473	262,477
Electric tramways and road motor services	135,410	132,262	140,468
	35,841,937	37,799,191	37,172,286

The decline in the earnings from goods and live stock traffic in 1955-56 reflects the effect of the Privy Council's decision in relation to interstate road transport. The extent of the deficit was lessened by additional revenue from overall increases in tariffs by 25 per cent. on suburban and 15 per cent. on country passenger fares as from 1st November, 1955, and higher charges were made retrospectively for carriage of mails as from 1st January, 1954.

BALANCE-SHEET.

An abridged statement of the balances in the Railway accounts as at 30th June, 1955 and 1956, is as under:—

	1955.	1956.
	£	£
Rolling Stock, Plant, &c., at cost less depreciation	95,231,889	103,538,396
Stores and Materials	4,448,774	4,739,476
Partly Manufactured Materials	467,520	345,531
Refreshment Services, Stock and Equipment	230,027	242,147
Discounts and Expenses on Loans	1,340,286	1,413,844
Deferred Renewals, Replacements, and Maintenance Works	522,486	522,486
Funds at Treasury—		
Railway Accident and Fire Insurance Fund	100,000	100,000
Railway Charges in Suspense Account	1,271,319	1,598,936
Railway Stores Suspense Account	1,132,157	503,760
Railways Repayment Fund	6,132	1,376
National Debt Sinking Fund	97,091	138,809
Advances to Agent-General	1,168,290	809,758
Trust Securities	2,377,211	2,187,228
Cash at stations and in transit	227,143	203,131
Cash Advances	82,681	161,279
Revenue Debtors	1,300,105	1,243,589
Sundry Debtors	437,170	448,069
Accumulated deficit since 1st July, 1937	17,770,830	22,041,509
	128,211,111	140,239,324
Loans (interest bearing)*	63,490,071	65,470,345
Contributions from revenue, loans, &c. (non-interest bearing)	29,469,907	34,520,286
Advances from the Public Account	672,033	558,406
National Debt Sinking Fund Reserve	9,951,174	10,862,707
Railway Accident and Fire Insurance Reserve	100,000	100,000
Sundry Creditors	3,158,774	3,399,571
Trust Securities	2,383,343	2,188,604
Consolidated Revenue	18,985,809	23,139,405
	128,211,111	140,239,324

* The total loan liability was reduced by the equity in cancelled securities, National Debt Sinking Fund, at 30th June, 1955, and 1956—£20,854,083 and £10,723,898 respectively.

Explanations in connection with balances shown in the foregoing statement are given in the following paragraphs:—

Consolidated Revenue.—This item represents the amount provided by the Treasurer in respect of the accumulated deficit since 1st July, 1937. The apparent disparity arises from the income earned in railway accounts but not yet paid to the Treasury.

Railway Charges in Suspense Account.—At 30th June, 1956, there was a credit balance of £1,598,936. The use of this Account and the purposes served have been the subjects of criticism in many reports and the need for legislation to place it on a proper basis has been stressed.

Railway Renewals and Replacements Fund.—Section 7 of Act No. 4429 requires that there shall be paid annually into the fund a minimum sum of £200,000 and any other amounts provided by Parliament in addition to the net proceeds from the sale of materials.

A summary of the 1955-56 transactions through the fund is as under:—				£
Special Appropriation—Act No. 4429	..	..	..	200,000
Depreciation on rail motors and road motors, &c.	..	..	..	91,045
Sundry sales and abolitions, &c.	..	..	..	102,407
				<hr/>
				393,452
Less renewals and replacements during the year	..	..	..	393,452
				<hr/>
Balance at 30th June, 1956	..	..	..	Nil

Stores and Materials.—The value on hand at the 30th June, 1956, is set down at £4,739,476, which shows an increase of £290,702. The value does not include articles in course of manufacture for stock in the workshops or stores and equipment at refreshment rooms, &c., valued at £345,531 and £242,147 respectively.

Railways Stores Suspense Account.—The fund was established under Section 105 of Act No. 3759 for the purchase of stores pending allocations to works. Moneys provided by Parliament to 30th June, 1956, totalled £4,765,221. The fund is accounted for as follows:—

					£
Stock on hand	..	..	..	..	4,739,476
Less creditors for stores purchased	..	..	..	..	898,356
					<hr/>
Railways equity in the stock	..	..	..	..	3,841,120
Stores sold and proceeds not collected	..	..	..	..	85,164
Advances to the Agent-General, London	..	..	..	..	335,177
					<hr/>
					4,261,461
Balance held at Treasury	..	..	..	..	503,760
					<hr/>
					4,765,221

Discount and Expenses on Loans.—The amount at which these capitalized costs of loan flotations appear among the debit balances, £1,413,844, includes an increase during the year of £73,558. This is part of the loan liability which is being reduced annually by National Debt Sinking Fund contributions, and it is not represented by assets.

Loan Expenditure.—Grouped under the main headings used in its appropriation, a statement of this expenditure for the past five years is given hereunder:—

	1951-52.	1952-53.	1953-54.	1954-55.	1955-56.
	£	£	£	£	£
Additions and Improvements ..	3,315,519	1,635,355	2,791,573	3,810,856	2,554,312
Rolling Stock, Equipment, &c. ..	66,613	1,153,442	1,030,252	319,986	241,362
Construction of new lines ..	102,616	51,746	54,535	9,129	7,137
Railway Stores Suspense Account ..	250,000	650,000	350,000	..	..
Replacement (Rehabilitation) Works ..	6,763,076	3,609,406	4,613,203	4,042,890	5,063,839
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	10,497,824	7,099,949	8,839,563	8,182,861	7,866,650

Railway Accident and Fire Insurance Fund.—The fund was originally established in 1891 as a Railway Accident Fund with provision for a reserve limited to £100,000. Amendments to the legislation instituted the Accident and Fire Insurance Fund and enlarged the range to be covered by the fund but did not increase the amount to be held in reserve. Earlier reports have drawn attention to the inadequacy of the reserve in view of the reduced value of the pound and the greater risks in handling increased volume of traffic.

The fund was preserved at the statutory limit of £100,000 by Vote appropriation of £336,654 to meet the following expenditure in 1955–56. The expenditure in 1953–54 and 1954–55 is also shown :—

	1953–54.	1954–55.	1955–56.
	£	£	£
Damages recovered by non-employees at law	14,045	3,333	9,081
Damages paid to non-employees without legal action	24,577	19,507	9,945
Compensation for injuries to employees	110,246	197,525	241,268
Compensation for goods lost or damaged	59,834	79,251	66,009
Compensation for losses by fires caused by railway operations	36,973	2,801	6,375
Losses by fire to railway property	15,407	3,395	3,976
	<u>261,082</u>	<u>305,812</u>	<u>336,654</u>

Creditors.—A classification under broad headings at 30th June, 1954, 1955, and 1956, is shown :—

	1954.	1955.	1956.
	£	£	£
Stores purchased for railways	1,636,464	1,163,817	898,356
Stores purchased for refreshment services	26,773	25,590	28,883
Salaries and wages accrued	736,179	875,936	1,145,560
Income Tax Commissioner, &c.	207,713	131,877	235,247
Accounts for various services	303,409	311,751	342,840
Revenue rebates and refunds	160,454	199,322	214,665
Payments in advance for works	38,751	56,017	23,917
Payments in advance for revenue services, &c.	269,083	311,783	348,824
Unadjusted Treasury Advance	120,547	82,681	161,279
	<u>3,499,373</u>	<u>3,158,774</u>	<u>3,399,571</u>

Debtors.—The amounts outstanding at 30th June, 1954, 1955, and 1956, are shown :—

	1954.	1955.	1956.
	£	£	£
Revenue services rendered	1,129,282	1,300,105	1,243,589
Works	209,428	251,972	313,505
Sales of general stores	91,506	133,995	85,164
Sundry sales and services	71,618	51,203	49,400
	<u>1,501,834</u>	<u>1,737,275</u>	<u>1,691,658</u>

State Coal Mine—Wonthaggi.

Under the provisions of the Coal Mines Regulation Act, the State Coal Mine is vested in the Railways Commissioners. The following statement summarizes the operations during the last four years as shown in the books of the Mine.

	1952-53.	1953-54.	1954-55.	1955-56.
	£	£	£	£
Expenditure—				
Working Expenses	806,706	807,164	743,640	683,676
Contributions to Pension Funds	33,052	40,675	35,788	32,900
Contribution to Accident Fund	438	428	384	342
Pay-roll Tax	17,052	16,908	15,574	13,294
Sinking Fund	6,432	6,657	6,890	7,131
Interest on Loans	1,568	1,343	1,110	869
Depreciation	21,225	23,652	23,762	24,975
	886,473	896,827	827,148	763,187
Revenue	747,963	751,336	748,837	590,828
Loss for year	138,510	145,491	78,311	172,359

The financial result in 1955-56, as compared with the year 1954-55, was affected by a decrease of 18,650 tons in the quantity sold and by a reduction of 11s. 4d. a ton in the over-all average selling price of coal. On the other hand, lower production was reflected by a decrease of £63,961 in the expenditure.

A comparison of revenue for the last four years is :—

	1952-53.	1953-54.	1954-55.	1955-56.
	£	£	£	£
Sale of Coal	713,316	715,512	704,589	534,573
Electric Light and Power	25,471	29,729	39,232	43,150
Miscellaneous	9,176	6,095	5,016	13,105
	747,963	751,336	748,837	590,828

The deficit for the year 1955-56 on a cash basis in the Treasury was £74,335. The difference of £98,024 between the Treasury and the Mine's books at 30th June was due mainly to a payment of £95,492 by the Railways Department on 4th July, 1955, in respect of coal delivered in the year 1954-55.

As explained in earlier reports, the price for coal taken by the Department was fixed by the Commissioners on a formula based on results obtained from tests with washed Lithgow coal. Tentative prices have been adopted, as from 6th May, 1956, pending results from tests with coal from other mines in New South Wales. Variations in prices are determined and applied retrospectively, so the amount shown as sales in 1955-56, £534,573, includes £1,769 in respect of coal sold during 1954-55; a similar adjustment is to be determined respecting sales during 1955-56.

The total quantity sold in 1955-56 was 93,930 tons—to employees and to the general public 10,492 tons and to the Railways Department 83,438 tons, of which 42,339 tons were resold to the State Electricity Commission. The tonnage sold in prior years was 124,438 (1952-53), 117,902 (1953-54), and 112,580 (1954-55).

Since May, 1946, most of the output has been taken by the Railways Department. As from 1st July, 1954, the Commissioners authorized the General Manager to sell coal to the public; such sales were 2,263 tons in 1954-55 and 5,885 tons in 1955-56.

BALANCE-SHEET.

A statement of the State Coal Mine balances at 30th June, 1955, and 1956, is as under :—

	1955.	1956.
	£	£
Works, Machinery, and Plant at cost, less depreciation	310,557	319,838
Stores and Materials	41,894	45,867
Coal Stocks	6,849	4,484
Discounts and Expenses on Loans	641	641
Funds at Treasury—		
Depreciation Fund	78,471	68,066
Trust Fund—Charges in Suspense	10,335	9,894
Cash	9,425	857
Deposits on Contracts	918	1,110
Sundry Debtors	106,528	19,442
Workers Compensation Insurance prepayment	12,375	12,375
Accumulated Loss	2,487,166	2,659,525
	<hr/>	<hr/>
	3,065,159	3,142,099
	<hr/>	<hr/>
Loans (interest bearing)	24,823	17,691
National Recovery Loan (non-interest bearing)	24,500	24,500
Advances from Public Account	37,030	40,362
Sundry Creditors	38,866	36,164
Depreciation Fund Interest Reserve	87,680	89,655
Sinking Fund	329,177	336,309
Advances from Consolidated Revenue	2,523,083	2,597,418
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	3,065,159	3,142,099
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TRUST AND SPECIAL FUNDS.

In this group are included many special accounts the operations of most of which are regulated by statute.

Itemized Trust Funds and Special Accounts are set out in the Treasurer's finance statements at pages 104 to 107 inclusive. These statements show the opening and closing balances and the total of debit and credit transactions of the respective items during the year. It is not a complete listing. The item "Other Trust Moneys" comprises 97 additional funds or accounts. The funds or accounts included under this heading relate for the most part to moneys collected for, or held for expenditure on behalf of, the Commonwealth Government, moneys provided for specific purposes by outside bodies, and departmental and other suspense accounts in which moneys are held pending allocation as in the "Lands and Soldier Settlement Suspense Accounts" or in accordance with statutory requirements as in the case of unclaimed moneys, "Treasury Trust" and "Testamentary and Trust" funds. The "State Accident Bonus Reserve Account" is also included under this heading.

The balances at the close of the year are necessarily credit balances and the section of the Treasurer's finance statements referred to above shows the form in which such balances are held; either by way of Investment or in General Account.

Statement No. 4 on page 113 of this report summarizes the State's liability in respect to trust moneys and securities lodged with the Treasurer.

The Trust funds and special accounts number 175 in all and transactions relating to them are of considerable magnitude—debits and credits aggregating £81,891,946 and £80,923,812 respectively.

For convenience in explaining these funds and accounts the balances at 30th June, 1956 (excluding the Railway Charges in Suspense Account) are set out in the broad classifications used in the table hereunder and are compared with the corresponding balances at 30th June, 1955.

Classification.	Balances.			
	General Account.		Investments, &c.	
	30th June, 1955.	30th June, 1956.	30th June, 1955.	30th June, 1956.
	£	£	£	£
1. Compensation and Insurance	4,571,863	4,978,704	829,141	839,141
2. Superannuation and Pension	173,711	215,269	6,446,630	7,155,130
3. Depreciation	1,089,585	906,304	659,650	689,650
4. Deposit	148,506	187,150	152,206	147,702
5. Railways	1,305,319	672,167	..	..
6. Commonwealth	1,639,366	1,547,163	..	..
7. Commonwealth—State	369,689	375,616	..	..
8. Other—Regulated by Statute	5,067,495	3,737,242	396,470	393,770
9. Other—Not Regulated by Statute	939,688	971,108	20,225	25,293
	15,305,222	13,590,723*	8,504,322*	9,250,686

* Includes deposits in "Sundry Investments, Interest Account" £22,101 at 30th June, 1955, and £23,396 at 30th June, 1956.

The principal items included in each of the classifications shown in the statement of balances are as follows:—

Compensation and Insurance.—The State Accident and Motor Car Insurance Funds are the major items in this group. The State Accident Insurance Fund is credited with £3 per cent. per annum on the amount at the credit of the Bonus Reserve Account, the unexpended balances of the General and Building Reserves are invested in Commonwealth Government Inscribed Stock and, with the exception of the Buildings, &c., Improvement Account, interest at £1 per cent. per annum is allowed by the Treasury on amounts at the credit of the current account sections of both the State Accident and Motor Car Insurance Funds.

The following is a summary of most of the items in the group :—

Item.	General Account.		Investments.	
	30th June, 1955.	30th June, 1956.	30th June, 1955.	30th June, 1956.
	£	£	£	£
State Accident and Motor Car Insurance Funds ..	2,870,651	3,488,377	665,637	685,637
Closer Settlement and Soldier Settlement Insurance Funds ..	412,289	466,524	..	..
Assurance Fund (Transfer of Land Act) ..	22,555	24,653	108,504	108,504
Government Buildings Fire Insurance Fund ..	340,610	331,931	35,000	35,000
Motor Car Hospital Payments Fund ..	85,630	81,832	..	..
Motor Car Insurance Premiums Trust Account ..	549,223	273,128	..	..
Public Officers Fidelity Guarantee Fund ..	7,691	834	20,000	10,000

Superannuation and Pension.—The Police Pensions Fund represents the main item in this category. The balance of this fund increased from £6,302,390 at 30th June, 1955, to £6,994,271 at 30th June, 1956, of which all but £92,071 is invested. The Port Phillip Pilot Sick and Superannuation Fund increased during the year by £20,985 to £266,089 at 30th June, 1956. This figure includes investments totalling £252,930.

Depreciation.—The balances of the funds comprising this group are :—

	General Account.	Investments.
	£	£
Coal Mines Depreciation Fund	18,066	50,000
Forests Plant and Machinery Fund	35,334	..
Maffra Sugar Factory Depreciation Fund	30,763	61,650
Printing Machinery Depreciation Fund	80,901	..
Public Works Plant and Machinery Depreciation Fund	225,079	..
Water Supply Plant and Machinery Depreciation Fund	118,490	578,000
Water Supply Works Depreciation Fund	397,671	..
	906,304	689,650

As pointed out in previous reports, the Maffra Sugar Factory having been sold, the balance of this fund could be paid to Consolidated Revenue, the fund having been provided from that source. There is no justification for continuing to credit this fund with the annual interest on the investment.

The Railway Renewals and Replacements Fund carried no balance at the 30th June, all credits to the fund having been expended during the year.

Deposit.—Items under this heading comprise amounts lodged by Insurance and Trustee Companies under the provisions of Acts Nos. 3632 and 3793, £90,000, Contractors and Timber Cutters' Deposits £137,313, Municipalities Loans Repayment Account £89,942, and Sundry Investments Account £17,597.

Railways.—In this group are included the balances in the Railway Stores Suspense Account £503,760, Developmental Railways Account £165,465, the Railways Repayment Account £1,376, and Sundry Railway Construction Trusts Account £1,566.

The substantial reduction in the total balances under this classification was contributed to largely by a decrease in the unexpended balance of the Railway Stores Suspense Account.

Commonwealth.—The Treasurer is empowered by Act No. 5578 to credit suitable accounts in the Trust Fund with special grants pursuant to any Commonwealth Act and to authorize expenditure therefrom for the purposes prescribed in the Commonwealth Act. The items with the largest balances at the close of the year are those for Rural Rehabilitation £1,216,742, Commonwealth Works £75,408, Commonwealth Pharmaceutical Benefits £110,540, Hospital Benefits £44,827, and Private Hospital Benefits £26,990.

Commonwealth-State.—The principal item is the Commonwealth-State Local Public Works Account with a balance of £309,851. Other large balances relate to the Commonwealth-State Free Milk Scheme £44,700 (wholly Commonwealth but the State shares in administration), and the Commonwealth-State Soldier Settlement Account £10,072.

Other—Regulated by Statute.—The balances of funds coming within this heading aggregate £4,131,006. Receipts and expenditure are governed by the particular legislation under which each such fund was established.

Included in this total are the unexpended balances of a number of special accounts :—

30th June, 1955.		30th June, 1956.
£		£
558,041	Water Supply Stores Suspense Account	677,705
609,712	Mallee Land Account	653,056
415,474	Level Crossings Fund	474,138
410,976	Licensing Fund	341,000
155,187	Hospitals and Charities Fund	319,910
258,106	Mental Hospitals Fund	273,369
347,599	Municipalities Assistance Fund	243,974
..	Transport Regulation Fund	208,322
148,669	Treasury Trust Fund	139,339
35,059	Public Works Stores Suspense Account	123,104
173,812	Country Roads Board Fund	91,880
311,796	Forestry Fund	85,536
71,338	Drought Relief Accounts	71,338
151,812	Forests Stores Suspense Account	56,543
42,937	Rivers and Streams Fund	53,566
39,554	Unemployment Relief Fund	50,653
33,571	Tourists Resorts Fund	39,400
109,048	Milk Board Fund	35,219

The over-all decrease under this classification is due almost entirely to the transfer of the balance of the Surplus Revenue Account amounting to £1,336,723 to Consolidated Revenue under the authority of the *Surplus Revenue Act* 1955 No. 5883.

With regard to the other accounts increases in the balances of some accounts were in the main set off by decreases in others.

Increases of magnitude appear under Transport Regulation Fund £208,322, Hospitals and Charities Fund £164,723, Water Supply Stores Suspense Account £119,664, Public Works Stores Suspense Account £88,045, and Mallee Land Account £43,344.

Substantial decreases appear under Forestry Fund £226,260, Municipalities Assistance Fund £103,625, Country Roads Board Fund £81,932, and Milk Board Fund £73,829.

Transport Regulation Fund.—In past years this fund has carried no balance at 30th June, the balance remaining in the fund at the end of each year being transferred to Consolidated Revenue, or, more recently, the Country Roads Board Fund. The *Transport Regulation Act* 1955 No. 5930, however, repealed this provision and the unexpended balance is now carried forward in the fund.

Hospitals and Charities Fund.—The substantial balance of this fund at 30th June, 1956, was due to the allocation of revenue from Tattersall Consultations by the Treasurer to the Hospitals and Charities Fund under the provisions of the *Tattersall Consultations Act* 1953. The final allocations were made in June, 1956.

Water Supply Stores Suspense Account.—The increase in the unexpended balance of this account was due to an increase in accumulated credits raised for plant hire and a decrease in stocks held at State Rivers and Water Supply Commission Stores Suspense Account depots.

Public Works Stores Suspense Account.—The increase in the balance of this fund was due mainly to overcoming in 1955-56 a delay in the charging out of stores issued, with the result that substantial credits in 1955-56 were raised in respect of stores issued in 1954-55.

Mallee Land Account.—In accordance with the provisions of the Financial Agreement Act No. 3554, the Treasurer is empowered to use Mallee Land Account receipts to assist contributions from revenue to the National Debt Sinking Fund. The account was last called upon for this purpose in 1945-46 and to 30th June, 1956, had accumulated a balance of £653,056.

Forestry Fund.—The substantial decrease in the balance of this fund was due to increased use of the fund for purposes for which alternative funds are available under Loan and Vote appropriations.

Municipalities Assistance Fund.—Funds provided from one-half of the fees charged for motor drivers' licences less costs of collection are insufficient to meet current expenditure. In the year 1953–54 a special contribution of £400,000 was provided from Consolidated Revenue for the purposes of the fund but at 30th June, 1956, the unexpended balance of the fund had been reduced to £243,974.

Country Roads Board Fund.—Despite a temporary advance of £500,000 from Public Account the unexpended balance of this fund decreased by £81,932. The decrease was due to insufficient funds being available to carry out works approved by the Board.

Milk Board Fund.—The decrease in the unexpended balance of this fund corresponds with an increase in sundry debtors during the year.

Other—Not Regulated by Statute.—The principal accounts under this heading are the Decentralization Fund with a balance of £206,914, the Olympic Games Fund £200,389, departmental Suspense Accounts, totalling £129,401, and the Country Roads Board Special Works Account, now kept separately, in respect of works carried out for other Authorities for which advances are received, £109,172.

Some of the Trust Funds and Special Accounts have been discussed earlier in this report, and others are discussed in the immediately succeeding pages.

Buildings Fire Insurance Fund.

Provision for the cost of restoring buildings destroyed or damaged by fire is made under two schemes, viz., the Government Buildings Fire Insurance Fund, and the Government Buildings Fire Insurance Pool. These schemes do not apply to properties owned by the Railways Commissioners for which separate provision is made under the Railway Accident and Fire Insurance Fund.

The Government Buildings Fire Insurance Fund was set up under the Special Funds Act, No. 2297 of 1910, by the transfer of £15,000 from the Assurance Fund. That Act provides also for a yearly charge against revenue of £2,000, and for the crediting of the fund with the interest on the balance of the fund in excess of £15,000. This was considered at that time to be sufficient provision for costs resulting from the restoration of buildings damaged by fire. The fund was increased to £100,000 in 1942–43 by an appropriation of £93,513. In recent years additional contributions totalling £397,000 have been provided from Consolidated Revenue.

In terms of the Special Funds Act No. 2297 the present cash balance in excess of £15,000 should be invested but a maximum of cash available amounting to £15,000 on past experience is too low for current needs. The annual income from the statutory appropriation and interest on investments, however, is insufficient to cover all claims against the fund in a year.

Application of the fund is limited to buildings, no provision being made in regard to stores, equipment, or the contents of buildings. For the reasons given in my 1951–52 report, a revision of the 1910 Act extending over the whole subject is desirable.

The following summary sets out the transactions of the fund during the year:—

	£	£
Balance at 1st July, 1955		375,610
Receipts—		
Special Appropriation, Act No. 2297	2,000	
Interest on Investments	1,137	
		<u>3,137</u>
		378,747
Payments for Restoration after Fire Damage—		
School Buildings	2,227	
Mental Hospitals	7,806	
State Rivers and Water Supply Commission—Buildings	1,261	
Health Department—Buildings	58	
Agriculture Department—Buildings	464	
		<u>11,816</u>
Balance at 30th June, 1956		<u>366,931</u>

Part of this balance (£35,000) is represented by investments.

Country Roads Board.

The construction and maintenance of State highways, main roads, forest roads, and tourists' roads are carried out by or under the supervision of the Board. In addition, the Board provides a substantial sum each year to assist municipalities in meeting the cost of maintaining unclassified roads.

The Board also acts as a constructing authority in connexion with works for the elimination of level crossings authorized pursuant to the provisions of the *Country Roads and Level Crossings Funds Act 1954* (No. 5791). Reference to this fund is made on page 89 of this report.

Country Roads Board Fund.—The principal sources of revenue to the fund are the fees and fines under the Motor Car Act. Receipts for the year under this heading amounted to £5,729,427 and the cost of collection, including £147,013 charged to the fund as the costs incurred by the Police Mobile Traffic Section in the enforcement of the provisions of the Act, is shown to be £544,717.

Legislation requiring the surplus in the Transport Regulation Fund at the end of a financial year to be transferred to the Country Roads Board Fund was repealed.

Amending legislation, effective from 12th June, 1956, authorizes the issue and application out of the Public Account and payment into the Country Roads Board Fund of any sum or sums not exceeding £500,000 if at any time moneys to the credit of the fund are insufficient to meet expenditure chargeable thereto. Such an advance is required to be repaid not later than 30th September of the financial year following which the advance was made.

The position contemplated arose towards the close of the financial year and sums totalling £500,000 were advanced accordingly.

The fund is available to meet expenses of administration, debt charges, and the cost of roadworks generally.

Commonwealth Aid Roads Act 1954.—Funds provided under this Act were available to meet expenditure upon the construction, reconstruction, repair and maintenance of roads generally, with the proviso that certain sums are reserved for works upon roads in rural areas or for the purchase of road-making plant for use in such areas.

Loan Fund.—Loan moneys at the disposal of the Board were available to meet expenditure upon roads as specified below :—

Act No. 3662/5831—for permanent works within the meaning of the Country Roads Acts.

Act No. 5363—for permanent improvements or permanent works upon State highways, tourists' roads, and forest roads.

Act No. 5763—for repairs to roads and bridges damaged by fire and flood, including assistance to municipalities in connexion therewith.

The loan authorities provided under Acts Nos. 5363 and 5763 were exhausted during the year. Additional funds for the purposes stipulated in Act No. 5363 are included in the sum of £6,000,000 made available by authority of the *Country Roads (Amendment) Act 1954* (No. 5831).

The statements following set out in summary form the funds available to the Board, and the principal items upon which those funds were expended. In the preparation of the figures shown there have been excluded certain cross entries appearing in the Treasurer's Statement. These are mainly recoups of expenditure and are not true additions to the funds available to the Board.

FUNDS AVAILABLE.

1954-55.		1955-56.	
£		£	£
	<i>Country Roads Board Fund—</i>		
54,541	Balance from previous year	173,812	
4,830,409	Net Taxes (including £1,170 fines other than Motor Car Act) ..	5,185,880	
387,561	Municipal Contributions	501,110	
387,992	Transport Regulation Fund—Surplus at 30th June .. .. .	..
..	Road charges—Commercial Goods Vehicles Act*	215,786	
..	Advance from Public Account	500,000	
21,133	General Receipts	23,639	
		6,600,227	
	<i>Loan Moneys—</i>		
265,412	Act No. 3662/5831—State Highways and Main Roads	632,195	
690,588	Act No. 5363—State Highways	402,805	
104,259	Act No. 5657—Flood and Bush Fire Damage .. .. .	..
42,050	Act No. 5763—Flood and Bush Fire Damage	57,950	
		1,092,950	
	<i>Commonwealth Aid Roads Act 1954—</i>		
2,230,783	For Roadworks Generally	2,531,861	
1,571,587	For Rural Roads	1,898,715	
		4,430,576	
10,586,315		12,123,753	

EXPENDITURE.

Principal items of expenditure by the Board may be classified as follows:—

8,509,055	Construction and Maintenance of Roads &c.	9,869,615
612,415	Payment of Interest (including exchange)	680,389
35,425	Sinking Fund Contributions and Loan Conversion Expenses	36,648
27,172	Repayment to Loan Fund	28,836
57,572	Transfer to Tourists' Resorts Fund	72,108
584,826	Plant Purchase (net)	627,011
586,038	General Expenditure including Administration, Stores and Materials &c. ..	717,266
10,412,503		12,031,873
173,812	Unexpended Balance of Country Roads Board Fund at 30th June	91,880

* To the credit of the "Roads Maintenance Account" within the Fund.

FUNDS CHARGED WITH EXPENDITURE UPON ROADWORKS.

Expenditure by the Board upon the various classes of roads, and the distribution of that expenditure over the funds at its disposal are:—

	Total.	Country Roads Board Fund.	Commonwealth Aid Roads Act.		Loan Fund.
			Roads Generally.	Rural Roads.	
	£	£	£	£	£
State Highways	3,495,181	1,326,633	1,406,456	..	762,092
Main Roads	3,889,292	2,517,373	1,092,856	..	279,063
Forest Roads	144,684	144,684	..	..	..
Tourists' Roads	342,840	342,840	..	..	..
Unclassified Roads	1,947,135	..	32,549	1,862,791	51,795
Murray River Bridges and Punts ..	50,483	14,559	..	35,924	..
	9,869,615	4,346,089	2,531,861	1,898,715	1,092,950

RELIEF TO MUNICIPALITIES.

Municipalities, benefited by permanent works upon main or developmental roads or by maintenance works upon main roads, are required to pay to the Board an annual contribution in respect of the funds expended. In certain circumstances, the required contribution may be reduced or waived, and for 1955-56 these concessions amounted to £452,201. Details are:—

(a) *Permanent Works*.—The contribution required of municipalities benefited by permanent works upon main roads is based upon a percentage (6 per centum in the case of works commenced before 1st July, 1948, and 5 per centum for works after that date) of half the cost as apportioned by the Board. The amount charged to municipalities in the year was £81,932.

In respect of permanent works on developmental roads, the contribution is based on the interest charge on the loan moneys expended on such roads within the municipal district of the shire. The total amount charged to shires under this heading in 1955-56 was £72,669.

On the recommendation of the Board, the Governor in Council may relieve municipalities of their liabilities for contributions in respect of permanent works, provided the concession in any one year is not to exceed £250,000.

Relief granted for the year ended 30th June, 1956, was in respect of contributions for permanent works upon main roads where such works were commenced before 1st July, 1948, £71,808, and for developmental roads, £72,669.

(b) *Maintenance*.—The Board is required, before 1st January in each year, to apportion one-third of the cost of maintenance of main roads to the municipalities benefited thereby. The amount so apportionable in respect of expenditure to 30th June, 1955, was £798,711 but, with the approval of the Governor in Council, the Board reduced the required contribution to less than one-third where it was considered that the cost of maintenance was excessive, and that such cost was due to motor traffic not of local origin or to timber traffic. Reductions amounted to £307,724. The remainder was paid to the Board before 30th June, 1956.

TOURISTS' RESORTS FUND.

Act No. 4609, as amended by Act No. 5446, requires that two per centum of the net fees and fines under the Motor Car Act, less certain specified deductions, should be paid from the Country Roads Board Fund to the Tourists' Resorts Fund each year. The amount so paid in 1955-56 was £72,108.

WORKS CARRIED OUT FOR COMMONWEALTH AND STATE AUTHORITIES.

Act No. 5335 authorizes the Board, with the consent of the Governor in Council, to undertake at the request and at the expense of the Commonwealth of Australia, the State of Victoria or any municipality or public authority any works for which the Board is suitably equipped. Amounts expended on such works during the year are set out in the statement below, expenditure in the previous year being shown for the purposes of comparison:—

1954-55.		1955-56.
£		£
143,605	Commonwealth Works—Aerodromes and other construction works ..	44,479
4,711	Forests Commission—Roads	2,547
..	Gas and Fuel Corporation—Roads	6,715
2,443	Melbourne and Metropolitan Board of Works—Roads	2,959
..	Melbourne and Metropolitan Tramways Board—Bridgeworks	4,955
39,050	State Electricity Commission—Roads and Bridgeworks	52,136
64,315	Public Works Department—Roads and School Sites	52,004
..	Latrobe Valley Development Advisory Committee—Roads	8,806
87,390	Soldier Settlement Commission—Roads	60,497
500,361	State Rivers and Water Supply Commission—Roads and Bridgeworks	538,804
79,623	Housing Commission—Roads	28,119
..	Victorian Railways—Roads	13,795
4,151	Other Works	1,332
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925,649		817,148

All the above-mentioned bodies made advances to the Board towards the cost of these works and the Board was enabled to defray the cost of the work without encroachment upon its own funds.

LOAN OPERATIONS.

From the Loan Fund, the Board received a total allocation of £1,092,950. Of this amount, £1,035,000 was made available for permanent works upon roads and bridges and £57,950 was provided to assist municipalities and the Board in meeting the cost of restoration work upon roads and bridges damaged by flood and fire.

The Board does not incur liability for interest or sinking fund payments in respect of the amount made available for restoration works, but the remainder of the loan expenditure adds to the Board's liability which, at 30th June, was as set out in the following statement :—

	Main Roads.	Developmental Roads.	Total.
	£	£	£
Net loan liability at 30th June, 1955 ..	8,560,134	4,614,368	13,174,502
Add—Discount and Expenses	8,835	1,354	10,189
Expenditure—Act No. 3662	632,195	..	632,195
Expenditure—Act No. 5363	402,805	..	402,805
	9,603,969	4,615,722	14,219,691
Less—Repayments	36,951	..	36,951
	9,567,018	4,615,722	14,182,740
Less—Increase in equity in National Debt Sinking Fund	87,906	88,220	176,126
Net loan liability at 30th June, 1956 ..	9,479,112	4,527,502	14,006,614

Decentralization.

The Decentralization Fund was first established in September, 1944, by an item in the Appropriation Act which read :—

“For the establishment of a Decentralization Fund in the Treasury to be applied for the purpose of providing concessions to industries in the country, improved amenities in rural areas, and assistance in the transfer of families to the country.”

Instances of extensions beyond the purposes authorized have been referred to in previous reports and the desirability of the fund being regulated by statute, as is the case with many other funds outside the normal budgetary control, should be considered.

Credits to the fund to 30th June, 1956, have been :—

	£
From Consolidated Revenue	730,000
Loan and Application Act No. 5422	499,552
Contribution by Municipality towards Cost of Works	150
Interest and Repayment of Loans	24,528
Rents—Ex Gun-cotton Factory, Ballarat	49,305
Water Charges	1,964
	1,305,499

The fund has been utilized to 30th June, 1956, for the purposes stated hereunder.

	During the Year.	Total.
	£	£
Power and Light Subsidies	6,384	58,220
Rail Freight Subsidies	9,917	76,190
Road and Drainage Works	2,159	31,910
Municipal Subsidies (Swimming Pools, Recreation Reserves and Public Halls).. .. .	..	44,102
Loans to Decentralized Industries	12,407	428,858
Loan Repayment Transferred to Revenue .. .. .	..	7,500
Purchase of and Alterations, &c., to Property—Ballarat	..	308,149
Maintenance of Property—Ballarat .. .. .	..	9,400
Purchase of Shares—Moyne Portland Cement Ltd. .. .. .	..	24,665
Subsidies on Bus Services .. .. .	..	2,591
Amenities for Employees .. .. .	..	300
Purchase and Rental of Land	450	2,564
Provision of Water Supply—Water Charges Subsidy .. .. .	..	920
Provision of Power Lines, &c. .. .. .	..	10,931
Removal of Materials .. .. .	..	3,853
Removal of Plant, Machinery, Furniture, &c.	6,204	25,630
Exhibit—Royal Agricultural Show .. .. .	..	79
Special Subsidy .. .. .	..	300
Ballarat Free Library .. .. .	..	1,810
Purchase of and Alterations to Art Gallery—Mildura	7,531	24,904
Provision of Wireless Stations—Port Albert, Lakes		
Entrance and Port Fairy .. .. .	..	4,944
Subsidy—Robinvale Electric Supply .. .. .	..	6,370
Building Materials Subsidy .. .. .	..	602
Provision of Libraries—Sale .. .. .	..	10,000
Bendigo	2,000	10,000
Road Transport Tax Subsidy	3,793	3,793
	<u>50,845</u>	<u>1,098,585</u>

Receipts on account of interest, repayment of loans, rents, and water charges were originally incorrectly credited to the fund but since 1st July, 1953, have been paid into Loan Fund or Consolidated Revenue as the circumstances required. Since that date maintenance costs of the property at Ballarat have no longer been met from the fund but have been provided from revenue under the Annual Appropriation Act.

A classification of advances by way of loan from the Decentralization Fund is given hereunder :—

	Advanced to 30th June, 1956.	Repaid.	Outstanding 30th June, 1956.	Arrears.	
				Interest.	Principal.
	£	£	£	£	£
Fishermen's Co-operative Societies	95,797	4,500	91,297	..	..
Brickworks	*16,549	5,286	11,263	903	2,592
Textile Industries	53,970	19,135	34,835	6	74
Moyne Portland Cement Ltd.	202,034	7,500	194,534	..	..
Other Manufacturing Industries	61,057	24,671	36,386	452	1,023
	<u>429,407</u>	<u>61,092</u>	<u>368,315</u>	<u>1,361</u>	<u>3,689</u>

* Includes interest capitalized £549.

Concessions in regard to the repayment of loans and the payment of interest have been allowed in the majority of these cases, e.g., advances to Fishermen's Co-operative Societies are, in the main, interest free and repayment of principal is not to commence for at least five years from the date of granting the loan. With regard to the amount outstanding in respect of the Moyne Portland Cement Ltd. it has previously been reported that a Government Receiver was appointed in September, 1953. The works have now been disposed of for the sum of £40,000. Instalments totalling £30,000, and interest £1,168 have been received and credited to Trust Fund pending finalization.

The balance in the fund at 30th June, 1956, was £206,914.

Hospital Funds.

Grants to institutions and societies registered with the Hospitals and Charities Commission were made from the Hospitals and Charities Fund for maintenance purposes and from the Loan Fund towards capital expenditure. Payments were also made from the Hospital Benefits Fund in accordance with the Hospital Benefits Agreement and from the Pharmaceutical Benefits Trust Account to recoup the cost of approved pharmaceutical benefits supplied.

Hospitals and Charities Fund.—This fund is under the control of the Hospitals and Charities Commission. Among other duties the Commission is required to supervise the administration and management of subsidized institutions and benevolent societies.

Regarding moneys paid into the Hospitals and Charities Fund, the Hospitals and Charities Act prescribes the procedure to be followed in respect to the determination of grants to be made to institutions and societies.

As stated in previous reports there are practical difficulties associated with the preparation of estimates embodying allocations to a large number of individual institutions and societies twelve months in advance. Because of these difficulties, grants are being made to institutions and societies for some months each year without the requisite authority. It is again suggested that the procedure could be made practicable if the Act were amended to allow estimates in relation to allocations to be made in respect of shorter periods than a financial year.

Subject to administrative and other costs, a total of £9,167,974 was available for distribution. This amount was provided from:—

	£
Special Appropriations, Act No. 5300	800,000
Special Appropriations, Act No. 3861—Totalizator Receipts ..	802,066
Special Appropriations, Act No. 5705—Tattersall Receipts ..	2,410,632
Grants—Division 84	5,000,000
Other Receipts	89
	<hr/>
	9,012,787
Balance forward from 1954–55	155,187
	<hr/>
	9,167,974
Expenditure for the year	8,848,064
	<hr/>
Leaving a balance of	319,910

A summary of payments from the Hospitals and Charities Fund is given below.

	1953-54.	1954-55.	1955-56.
	£	£	£
Maintenance—			
Hospitals	5,696,455	7,101,907	7,854,108
Benevolent Homes	432,171	432,929	416,253
Childrens' Homes	66,910	104,352	109,189
Foundling Homes and Refuges.. .. .	33,124	41,335	48,352
Philanthropic Associations	25,087	27,415	29,653
Ladies' Benevolent Societies	3,525	3,520	3,475
Medical Dispensaries	10,879	12,542	13,686
Ambulance Services	22,371	48,693	72,885
Hostels for the Aged	10,528	13,035	19,157
Youth Centres	50	14,950	16,000
Other Institutions	28,221	39,521	46,221
	<u>6,329,321</u>	<u>7,840,199</u>	<u>8,628,979</u>
Other—			
Transfer of Patients to Country Hospitals.. .. .	62	89	22
Costs Associated with Totalizator Receipts.. .. .	2,004	1,851	2,465
Training of Officers	1,076	1,062	1,964
Recruitment and Training of Nurses	25,593	17,946	28,651
Preliminary Schools for Nurses.. .. .	94,364	88,541	103,524
Post-graduate Training of Nurses	6,192	10,408	11,567
Administration Costs	46,542	58,773	70,892
	<u>6,505,154</u>	<u>8,018,869</u>	<u>8,848,064</u>

Hospital Benefits Fund.—Under the terms of the Hospital Benefits Agreement, ratified by the *Hospital Benefits Act 1952*, the Commonwealth pays to the State an amount of 8s. per day for each qualified patient maintained in a public or non-public ward of a public hospital. In addition to the payment of 8s. per day for qualified patients, a further 4s. per day is provided on account of certain pensioner patients who are not privately insured for hospital benefits. The State must ensure that the charges per day payable by qualified patients are reduced by the relevant Commonwealth Hospital Benefit Rate. As a condition of the agreement it was necessary for the State to make arrangements whereby hospital revenues would be increased. The *Hospital Benefits Act 1952* makes provision for a fee of 18s. per day or such higher rate as is fixed by Order of the Governor in Council to be charged to in-patients of public wards in public hospitals. This fee has been increased to 36s. per day from 1st July, 1956.

The amount available for distribution from the Hospital Benefits Fund was:—

	£	£
Balance at 1st July, 1955	60,432	
Received from Commonwealth during the year	1,416,802	
	<u>1,477,234</u>	
Expenditure during the year—		
Hospital Benefits allowed		1,432,407
Leaving a balance of		<u>44,827</u>

Commonwealth Pharmaceutical Benefits Trust Account.—Under the provisions of the *National Health Act 1953*, the Commonwealth Government lodges advances from time to time for the re-imbusement to public hospitals of the cost of pharmaceutical benefits supplied free of charge to all patients. The basis of re-imbusement under the Act is determined by the Commonwealth Minister of Health.

The following statement sets out the transactions of the account during the year :—

	£	£
Balance at 1st July, 1955	111,461	
Received from Commonwealth during the year ..	324,818	
	<hr/>	436,279
Re-imbursments to Public Hospitals		325,739
		<hr/>
Balance at 30th June, 1956		110,540
		<hr/>

Loan Funds.—Funds were provided under Public Works Loan and Application Acts Nos. 5850 and 5921 for the erection of public hospitals, the purchase of land and buildings, and other enumerated items. The amount expended from this source during the year under review was £4,000,000. Details of payments to individual hospitals, &c., are shown in the Treasurer's Statement, pages 166–7.

Level Crossings Fund.

The Level Crossings Fund, set up under the provisions of the *Country Roads and Level Crossings Act 1954*, came into operation from 1st July, 1954. To make available funds for the elimination of level crossings, and associated works, the Act provides for the payment into the fund of one-third of all moneys received by way of additional registration fees (owners' certificates) under section 8 of the Motor Car Act, and moneys provided under any other Act. Under this latter provision £250,000 was provided in 1954–55 from Surplus Revenue of the preceding year.

The amount available for expenditure in 1955–56 was £646,604, comprising receipts from additional registration fees £231,129 and the balance brought forward from 1954–55, £415,475.

Expenditure from the fund in 1955–56, on works approved by the Treasurer amounted to £172,466 of which £30,801 was incurred by the Railways Department and £141,665 by the Country Roads Board, leaving a balance in the fund at 30th June, 1956, of £474,138.

The Mental Hospitals Fund.

The *Tattersall Consultations Act 1953*, No. 5705, provides, in respect of each financial year, for the payment from Consolidated Revenue into the Hospitals and Charities Fund and the Mental Hospitals Fund, in such proportions as the Treasurer determines, of an amount equivalent to the duty paid by the promoter. Duty paid by the promoter during 1955–56 amounted to £2,792,940 of which £382,308 was allocated and paid to the Mental Hospitals Fund and the balance to the Hospitals and Charities Fund.

The fund may be applied in such sums or proportions as the Treasurer determines for or towards the establishment and maintenance of mental hospitals and private mental homes within the meaning of the Mental Hygiene Acts and institutions within the meaning of the Mental Deficiency Acts. The fund is also available for expenditure in connexion with the administration of the Mental Hygiene Acts and the Mental Deficiency Acts.

Responsibility for expenditure is divided—the Public Works Department being responsible for constructional works, repairs, and purchase of equipment, furnishings and fittings, &c., and the Mental Hygiene Authority for expenditure in relation to the operating costs of institutions and grants to private institutions.

The fund has been used as an alternative source to funds provided under the annual Appropriation and Loan Acts. The establishment of trust accounts which may be used in lieu of or in addition to loan and vote appropriations is not in keeping with the principle of Parliamentary control over expenditure.

The following statement sets out the transactions of the fund for the year ended 30th June, 1956 :—

	<i>Receipts.</i>	During the Year. £	Total. £
Balance 1st July, 1955	.. .. .	258,106	..
Special Appropriation Act No. 5705—			
For Capital Works	.. .. .	11,000	311,000
Maintenance Works	.. .. .	100,000	150,000
General Expenditure (State Institutions)	.. .. .	175,000	519,000
Maintenance Grants (Other Institutions)	.. .. .	45,000	95,000
Mental Health Research	.. .. .	4,000	10,000
Capital Grants (Other Institutions)	.. .. .	47,308	162,208
		640,414	1,247,208
	<i>Payments.</i>		
Capital Works	.. .. .	11,051	310,789
Maintenance Works	.. .. .	46,829	94,766
General Expenditure (State Institutions)	.. .. .	202,090	377,686
Maintenance Grants (Other Institutions)	.. .. .	33,849	57,552
Mental Health Research (University of Melbourne)	.. .. .	5,500	9,500
Capital Grants (Other Institutions)	.. .. .	67,726	123,546
		367,045	973,839
Balance	.. .. .	273,369	273,369

Workers Compensation Board.

This Board, constituted under the provisions of the Workers Compensation Act, operates as a tribunal with exclusive jurisdiction to inquire into, hear and determine all matters and questions arising out of claims under the Act.

Contributions by insurers towards the annual estimated expenditure of the Board are paid, by quarterly instalments, into a trust fund kept at the Treasury, styled the "Workers Compensation Board Fund". The costs and expenses of the Board are paid out of the fund. Under the provisions of the *Workers Compensation Act 1953* the fund is also available, by order of the Board, to meet compensation payments in cases where the employer is uninsured.

Particulars of Income and Expenditure for the years 1954-55 and 1955-56 are as follows :—

	1954-55. £	1955-56. £
Income—		
Contributions from Approved Insurers, &c.	17,914	24,695
Expenditure—		
Claims on Uninsured Employers Pursuant to Section 13, Act No. 5676	3,256	5,577
Salaries	11,933	13,673
Rent	2,213	2,799
Other	4,056	4,092
	21,458	26,141
Deficit	3,544	1,446

The balance of the fund at the Treasury at 30th June, 1956, was £4,698.

Claim payments to a person under 21 years of age, other than weekly payments, or in case of death are paid into the custody of the Board to be invested, applied or otherwise dealt with by the Board, in its discretion, for the benefit of the persons entitled. These deposits are not held in the Treasury but are invested by the Board mainly in a Common Fund. Interest from Common Fund investments is allocated proportionately among the constituent accounts. In a number of cases the moneys are invested specifically. Although neither the investments nor funds fall within the Public Account, it is convenient to link these transactions with the Workers Compensation Board.

Transactions for the years 1954-55 and 1955-56 are shown hereunder:—

	1954-55.	1955-56.
	£	£
Receipts	977,815	957,892
Payments	428,009	528,456
Excess of Receipts over Payments	549,806	429,436
Balance at beginning of year	1,078,819	1,628,625
Balance at close of year	1,628,625	2,058,061

Investments controlled by the Board are:—

	£	£
Common Fund—		
Cash—State Savings Bank of Victoria	68,563	
Commonwealth Securities (at cost price)	1,989,498	
	2,058,061	
Securities held for specific dependants		49,080
		2,107,141

In recent years the Common Fund has increased very rapidly to the large sum shown above which is held in investments and cash.

The Workers Compensation Act apparently requires both investments and cash to be in the name of the Registrar. The Common Fund is not expressly authorized by the Act but has been established under the general powers of the Board.

For greater security by vesting investments and cash in more than one individual and also to obtain express sanction for the Common Fund, an amendment of the Act was suggested by me. An alternative audit proposal was finally adopted whereunder it was arranged with the State Savings Bank for two signatories to be required for the release of either cash or investments and for the proceeds of realization of investments to be credited by the State Savings Bank to the Board's bank account.

Municipalities Assistance Fund.

Reference has already been made on page 68 under the Public Works section of this report to subsidies to municipalities from loan moneys, amounting to £196,195. Expenditure from revenue sources has also been applied towards the assistance of municipalities through the Municipalities Assistance Fund.

This fund came into being as from 1st January, 1951, under the provisions of the *Municipalities and Other Authorities Finances Act 1950*, and has two functions—to provide subsidies towards the cost of approved works of municipalities and other public bodies, and to relieve certain municipalities of their former obligation to contribute towards the operating cost of the Country Fire Authority. A limit of £100,000 is placed upon the sums which may be approved for works in any one year.

Half the fees paid for motor car drivers' licences, less the cost of collection, provide the funds required to carry out the purposes of the Act.

A summary of operations in the fund is:—

	£	£	£
Balance 1st July, 1955 .. .. .	..	347,599	
Receipts from fees	199,852		
Less Cost of Collection	96,668		
		<u>103,184</u>	450,783
Expenditure—			
Amount contributed to Country Fire Authority .. .. .	..	122,740	
Subsidies to various Municipalities for works .. .. .	..	83,069	
Payment to Country Roads Board towards cost of extensions to parking area— Motor Registration Branch .. .. .	..	1,000	
		<u>206,809</u>	
Balance, 30th June, 1956 .. .. .	..		<u>243,974</u>

The normal avenue of finance under the Act provided only £103,184 for the purposes of the fund. This sum was insufficient to provide for the statutory contribution to the Country Fire Authority. Act No. 5512 provides that any shortage in the fund shall be made good by Consolidated Revenue, but an additional contribution for the purposes of the fund of £400,000 provided in the Supplementary Estimates for 1953-54 rendered the application of this provision of the Act unnecessary in 1955-56.

Motor Car (Hospital Payments) Fund.

This fund was created under the provisions of the Motor Car (Third Party) Insurance Act No. 4688 and its revenue is derived from an amount of One shilling and ninepence deducted from each premium paid under the Act. It is used for the distribution to public hospitals of amounts in respect of expenses incurred for the treatment of motor car accident cases to the extent to which they have not been met by payments made on behalf of patients.

Receipts and payments from the fund since its inception are:—

Year.	Receipts.	Payments.	Balance.
	£	£	£
1940-51	278,268	207,891	70,377
1951-52	45,018	28,987	86,408
1952-53	47,148	36,177	97,379
1953-54	48,835	68,040	78,174
1954-55	55,221	47,765	85,630
1955-56	58,789	62,587	81,832

Public Officers' Fidelity Guarantee Fund.

This fund was established in 1910 with a credit of £15,000. A summary of the transactions in the fund relating to the past five years is given below:—

	1910-11 to 1950-51.	1951-52.	1952-53.	1953-54.	1954-55.	1955-56.	Total.
	£	£	£	£	£	£	£
Receipts (Endowment, Interest, and Restitutive Moneys)	35,172	698	1,041	619	600	500	38,630
Disbursements (Sums required to recoup Defalcations)	9,605	99	441	34	260	17,357	27,796
Balance	25,567	26,166	26,766	27,351	27,691	10,834	10,834

The balance of £10,834 at 30th June, 1956, comprised investments £10,000 and cash £834.

State Accident Insurance Office.

The accounts of the State Accident Insurance Office show a net profit of £150,839 for 1955-56, which has been applied to the following purposes:—

	£
Bonus Equalization Reserve	130,839
General Reserve	20,000

A summary of operations for the past five years is shown hereunder:—

	1951-52.	1952-53.	1953-54.	1954-55.	1955-56.
	£	£	£	£	£
Income—					
Premiums earned	996,791	1,106,743	1,309,539	1,565,481	1,784,301
Interest	38,352	50,227	54,272	52,652	53,366
Rents (Net)	1,559	1,304	1,322	1,730	4,497
Unclaimed Bonuses .. ..	..	1,090	..	..	..
Surplus-Sale of Property .. ..	..	363	162	..	10
	1,036,702	1,159,727	1,365,295	1,619,863	1,842,174
Expenditure—					
Claims	471,742	767,318	1,254,382	1,475,188	1,562,804
Agents' Expenses and Commission..	25,622	26,677	29,511	32,573	44,180
Expenses of Management.. ..	50,351	58,290	61,456	69,453	84,351
	547,715	852,285	1,345,349	1,577,214	1,691,335
Net Profit	488,987	307,442	19,946	42,649	150,839

The accounts of the Insurance Commissioner have been audited, and, after reasonable examination for consistent procedure, the assessment of his officers as to outstanding claims has been accepted.

Premiums in respect of Government Departments have been under-calculated by £7,312. This has been noted for adjustment in the succeeding year.

The Workers' Compensation amending Act which came into operation on 1st June, 1953, extended the field for which compensation was payable and provided for an increased scale of payments. To meet these conditions a new and higher schedule of rates was devised taking effect from 1st July, 1955. The consequences of these changes are reflected in the above summary.

BALANCE-SHEET.

30.6.1955.		30.6.1956.
£		£ £
	<i>Current Assets—</i>	
1,963,654	Cash held at Treasury	2,195,945
144,645	Premiums Due and Agents' Balances (<i>Less</i> Bad Debts Provision) ..	186,457
7,641	Treasury Interest Accrued	8,645
254	Stamps on Hand	96
..	Rents due	23
2,116,194		2,391,166
	<i>Current Liabilities—</i>	
382,840	Unearned Premiums	511,892
1,245,587	Outstanding Claims	1,501,387
14,224	Sundry Creditors	12,593
1,642,651		2,025,872
473,543	Excess of Current Assets over Current Liabilities	365,294
	<i>Fixed Assets—</i>	
10,809	Furniture, Office Machines, and Motor Cars <i>less</i> Depreciation	15,904
	<i>Investments—</i>	
113,125	Property	113,259
665,637	Inscribed Stock	685,637
		798,896
1,263,114		1,180,094
	<i>Deferred Liabilities—</i>	
417,379	Bonus Equalization Reserve	312,790
10,838	Building, &c., Provision	12,407
5,451	Building Maintenance Provision	5,451
		330,648
	<i>Funds of State Accident Insurance Office—</i>	
760,000	General Reserve	780,000
32,500	Building Reserve	32,500
10,000	Building Improvements Reserve	10,000
26,946	Furniture, Machines, and Motor Cars Reserve	26,946
		849,446
1,263,114		1,180,094

State Motor Car Insurance Office.

This undertaking, established in 1941 to enable the State to engage in "Third-Party" and other insurance in relation to motor cars, incurred a loss of £286,503 during 1955-56, as compared with a loss of £165,994 in 1954-55.

A comparative statement of Income and Expenditure for the period 1st July, 1950, to 30th June, 1956, is given hereunder:—

—	1950-51.	1951-52.	1952-53.	1953-54.	1954-55.	1955-56,
	£	£	£	£	£	£
Income—						
Net Premiums earned—Act	138,756	231,819	366,976	418,540	510,132	696,710
Comprehensive	22,749	76,903	156,179	217,829	297,813	354,194
	161,505	308,722	523,155	636,369	807,945	1,050,904
Interest	607	990	3,478	5,009	7,273	12,123
	162,112	309,712	526,633	641,378	815,218	1,063,027
Expenditure—						
Claims—Act	179,554	334,834	486,920	520,440	712,911	961,109
Comprehensive	23,818	67,599	120,419	154,682	196,383	300,564
	203,372	402,433	607,339	675,122	909,294	1,261,673
Expenses of Management	16,970	30,011	50,551	57,350	71,918	87,857
	220,342	432,444	657,890	732,472	981,212	1,349,530
Net Loss	58,230	122,732	131,257	91,094	165,994	286,503

During the year, third-party policies increased by 16,588 and comprehensive by 4,619. The heavy losses are still attributable to third-party operations. A dissection of the accounts shows that for 1955-56, a loss of £320,160 resulted from third-party business compared with a loss of £243,973 in 1954-55 and comprehensive business showed a profit of £21,534 compared with a profit of £70,706 in 1954-55. The net trading loss of £298,626, was reduced to £286,503 by interest receipts amounting to £12,123.

The apparent anomaly of a greatly increased loss from third-party insurance notwithstanding the increased scale of premium rates operating since 1st October, 1955, has been explained to me by the Insurance Commissioner in the following terms:—

“COMPULSORY THIRD-PARTY INSURANCE BUSINESS.

The loss ratio (excluding expenses) to earned premium income for the year ended 30th June, 1956, was 137·9 per cent. against 139·8 per cent. for the previous year.

If the rates which were increased from 1st October, 1955, had been in operation for a full earned year the loss ratio would approximate 108 per cent. The rates were revised on figures supplied to the Premiums Committee by all Companies up to 30th June, 1953, and were adjusted to produce a loss ratio of 80 per cent. on those figures; but whereas the loss ratio of all Companies for that year was 110 per cent., the loss ratio of the State Motor Car Insurance Office was 134 per cent.

Therefore, in effect, the adjustment in rates could be anticipated to produce a loss ratio of 97·4 per cent. for the State Motor Car Insurance Office against 80 per cent. for all Companies combined. The difference between the loss ratio of 108 per cent. and 97·4 per cent. would be accounted for by the increase in the cost of claims since 1953.

The adverse loss ratio of this office compared with that of all Companies results primarily from the fact that, having no right of selection, the heavier risks naturally drift to this office.”

BALANCE-SHEET.

30.6.1955.		£	30.6.1956.	£	£
	<i>Current Liabilities—</i>				
423,049	Unearned Premiums				630,058
1,407,849	Outstanding Claims				1,911,213
6,873	Sundry Creditors				10,342
<hr/>					<hr/>
1,837,771					2,551,613
	<i>Less Current Assets—</i>				
1,016,500	Cash held at Treasury		1,509,020		
153,614	Premiums due and Agents' Balances		77,201		
2,319	Treasury Interest Accrued		3,531		
981	Nominal Defendant Trust Account		4,845		
305	Stamps on Hand		560		
3,501	Claims Recoveries Due		9,186		
<hr/>			<hr/>		
1,177,220			1,604,343		
	<i>Fixed Assets—</i>				
4,261	Furniture and Office Machines less Depreciation			4,477	
<hr/>				<hr/>	
1,181,481					1,608,820
490,296	Accumulated losses to 30th June, 1955			656,290	
165,994	Loss 1955-56			286,503	
<hr/>				<hr/>	
656,290	Excess of Liabilities over Assets				942,793
<hr/>				<hr/>	

Contracts of insurance made by the Insurance Commissioner are guaranteed by the Government of Victoria and any claims payable which cannot be paid out of the State Motor Car Insurance Fund may be paid from Consolidated Revenue and recouped from the State Motor Car Insurance Fund when funds are available.

In previous reports it has been stated that although the liability under the guarantee is not immediately payable the continuing drift in the financial position is serious.

The increase in the State's contingent liability in the past five years is shown in the following statement of the excess of liabilities over assets :—

					£
At 30th June, 1952	..	..	..	..	267,945
At 30th June, 1953	..	..	..	..	399,202
At 30th June, 1954	..	..	..	..	490,296
At 30th June, 1955	..	..	..	..	656,290
At 30th June, 1956	..	..	..	..	942,793

Unemployment Relief.

The Unemployment Relief Fund was created in 1930–31 as a special fund to which Unemployment Relief Taxes were to be appropriated and from which payments were to be made in accordance with the provisions of the Unemployment Relief Acts.

There was no expenditure from the fund in 1955–56. The balance at the close of the previous year was £39,554, and receipts in 1955–56 were £5,427 net arrears of Unemployment Relief Tax and £5,672 interest on Unemployment Relief Advances, making a balance at 30th June, 1956, of £50,653.

The Fund is required by Act No. 4097 to recoup the Consolidated Revenue for charges met therefrom for interest and sinking fund on Unemployment Relief Loans. Income of the Fund is now sufficient to meet only a very small proportion of such charges. As stated in previous reports revenue should be recouped to the extent to which moneys become available in the Fund.

Transport Regulation Board.

Functions of the Board are to improve and co-ordinate the means of and facility for transport, and with these objects it has jurisdiction over the operation of all commercial goods and passenger vehicles operating within the State.

The *Transport Regulation Act* 1955 (No. 5930) and the *Commercial Goods Vehicles Act* 1955 (No. 5931) were proclaimed by the Governor in Council to operate from 1st April, 1956. With the exception of Section 4 of Act No. 5848 which prohibits the recovery of any fee paid in respect of any licence or permit prior to 4th April, 1955, the Transport Regulation Acts previously in operation were repealed. Generally, the main provisions of the old legislation were retained in the new. Exceptions are the removal of commercial aircraft from Board control, the abolition of additional fees on licences for commercial goods vehicles and the repeal of legislation requiring that any surplus in the Transport Regulation Fund at the end of a financial year was to be paid into the Country Roads Board Fund.

In addition, Act No. 5931 provides for payment to the Board by the owners of commercial goods vehicles of road charges towards compensation for wear and tear caused by the vehicles to public highways, and directs that the amount of all such charges received is to be paid into the Country Roads Board Fund to the credit of the "Roads Maintenance Account." The amount so paid to 30th June, representing collections on account of operations in April and May, was £215,786.

Fees (other than road charges) and fines under Acts Nos. 5930 and 5931 and fees under the Motor Car Act for the registration of metropolitan omnibuses are paid into the Transport Regulation Fund. Costs of administration and other authorized charges are met therefrom.

A summary of receipts and payments of the Fund, together with corresponding figures for the previous year is as follows:—

1954-55.		1955-56.	
£	<i>Receipts.</i>	£	£
315,618	Licences and Additional Fees on Licences	293,245	
420,673	Permits	275,077	
6,032	Motor Omnibus Registration Fees	5,256	
28,675	Fines	20,483	
8,456	Miscellaneous	8,455	
<u>779,454</u>		<u>602,516</u>	
<i>Payments.</i>			
<i>Head Office—</i>			
123,328	Salaries and Overtime	160,643	
5,164	Pay-roll Tax	6,280	
7,792	Postage, Telephones, and Telegrams	8,108	
5,765	Printing and Stationery	11,432	
228	Office Equipment	15,687	
5,390	Rent, Cleaning, and Lighting	2,455	
9,101	Other Expenses	8,623	
<i>Country Offices—</i>			
33,459	Salaries and Overtime	35,428	
1,206	Travelling Expenses	2,279	
4,467	Other Expenses	4,974	
6,303	Purchase and Maintenance of Residences	4,742	
<i>Inspection Staff—</i>			
60,392	Salaries and Overtime	63,317	
28,427	Police Services	32,669	
1,223	Travelling Expenses	1,507	
1,163	Other Expenses	1,688	
<i>Purchase and Maintenance of Motor Cars—</i>			
12,253	Purchase of Motor Cars	8,400	
13,701	Maintenance and Insurance	10,243	
<i>Works—</i>			
7,246	Alterations to Head Office	995	
..	Construction of new building	10,955	
4,695	Contributions towards erection of Comfort Stations and Bus Shelters	3,769	
		<u>394,194</u>	
331,308	Transferred to Trust Fund .. .. .	..	..
60,154	Transferred to Country Roads Board Fund .. .. .	..	..
387,992			
<u>779,454</u>			
	Balance of Transport Regulation Fund at 30th June		<u>208,322</u>

Revenue for the year decreased by £176,938 when compared with the figure for the previous year. This is largely due to the cessation of revenue derived from fees charged upon the issue of permits for interstate haulage.

Expenditure for the year showed an increase of £62,886 over that of the previous year. The major portion of the increased expenditure is attributable to the appointment of additional staff required for the administration of the Road Charges section.

Superannuation and Pensions Funds.

The Police Superannuation and Police Pensions Funds and the Parliamentary Contributory Retirement Fund are dealt with under this heading. The State contributed to these funds during 1955-56 the sum of £744,306, which was provided under Special Appropriations. The costs of administration are also met from Consolidated Revenue.

Police Superannuation Fund.—This fund is the source from which pensions are payable in respect of members of the Police Force who were appointed before 25th November, 1902.

Contributions by the State, and all penalties and damages awarded to members of the force are credited to the fund, together with a statutory annual contribution of £23,000 from the Licensing Fund. The State's contribution is fixed at £2,000 annually, plus any further amount directed by Parliament to be applied to the liquidation of pensions authorized. The total contribution from Consolidated Revenue in 1955-56 was £6,045.

Payments from the fund totalled £48,035, which was £3,555 less than the figure for the previous year.

Police Pensions Fund.—Pensions and gratuities in respect of members of the force who were appointed after 25th November, 1902, are payable out of this fund.

Contributions by the State, interest on investments, and deductions from the pay of members of the force are credited to the fund. The State's contributions are fixed at £50,000 annually, together with such additional amount that the Government Statist certifies is required to provide that the assets of the fund are sufficient to meet all current and future liabilities.

Contributions by the State in 1955-56 totalled £722,675, an increase of £103,296 on the figure for the previous year.

Transactions on the fund for the current year, together with those since its inception are :—

	Year Ended 30th June, 1956.	Total.
	£	£
<i>Receipts.</i>		
Deductions from pay	139,336	1,296,098
Deductions repaid by ex-officers on reinstatement	2,341	4,016
Contributions from Consolidated Revenue	722,675	5,785,097
Interest on Investments	245,929	2,505,868
Balance in Hand—1st July, 1955	84,190	..
	1,194,471	9,591,079
<i>Disbursements.</i>		
Pensions	398,899	2,465,847
Gratuities	9,074	31,812
Deductions refunded	10,427	103,554
	418,400	2,601,213
The Balance was	776,071	6,989,866
Of which there is invested	684,000	*6,897,795
Leaving a Cash Balance of	92,071	92,071
	776,071	6,989,866

* Face Value of Investments £6,902,200.

Parliamentary Contributory Retirement Fund.—This fund was established by the *Parliamentary Contributory Retirement Fund Act 1946*. Broadly, the Act provides that persons who, after passing of the Act, cease to be members of the Parliament of Victoria, shall, out of the fund, receive either a pension equal to the basic wage or a retiring allowance, if not qualified to receive a pension, according to circumstances set out in the Act. Provision is also made for payment of a full pension to the widow upon the death of an ex-member in receipt of a pension, and to the widow upon the death of a member who would have been entitled to receive a pension on ceasing to be a member. When a member dies and a pension is not required to be paid to his widow, a lump sum is payable to the legal personal representative of the deceased member.

Receipts credited to the fund comprise deductions from salaries of members and contributions out of Consolidated Revenue as are, from time to time, necessary to enable payments to be made out of the fund. For 1955-56, contributions by the State totalled £15,586 which was £7,395 higher than the figure for the previous year.

Pensions paid during 1955-56 amounted to £30,500, an increase of £14,426 on the figure for 1954-55. The increase was due mainly to basic wage rises and payment of pensions to an additional 22 persons who ceased to be members following the elections of 28th May, 1955.

A statement of transactions on the fund for the year is:—

Receipts—	£	£
Members' Contributions	15,564	
Contributions from Consolidated Revenue ..	15,586	
	—————	31,150
Expenditure—		
Payment of Pensions	30,500	
Lump sum payment	650	
	—————	31,150

Tourists' Resorts Fund.

The *Tourists' Resorts Development Act* 1938 as amended by the *Tourists' Resorts Development (Financial) Act* 1949, authorized the use of Loan funds, to the extent of £200,000 for grants or subsidies to public authorities for the purpose of carrying out permanent works in connexion with the establishment, construction, development, and improvement of tourists' resorts, tourist areas, roads and other places of tourist resort. Expenditure from the Loan Fund under Act No. 4609 for these purposes during 1955-56 amounted to £9,806, and the total so expended to 30th June, 1956, was £141,481.

The Act further provided for the establishment of the Tourists' Resorts Fund. The revenue of this fund is obtained from an annual levy on the Country Roads Board Fund. Contributions by public authorities towards the cost of certain works are also credited to the fund.

The purposes for which the fund may be used are, firstly, to recoup the Consolidated Revenue for all amounts paid for interest on, or as sinking fund contributions in respect of, the above-mentioned loan expenditure, and, secondly, for the payment of costs and expenses incurred in the administration of the Act. After these charges have been met the Minister may authorize the expenditure of such sums as he determines, by way of grants or subsidies to public authorities, for the carrying out of maintenance and permanent works at tourists' resorts and tourist areas.

A summary of the transactions of the fund for the year is as follows:—

	£	£
Balance 1st July, 1955		33,571
Receipts—		
Country Roads Board Fund	72,109	
Contributions by Authorities towards Works ..	7,099	
	—————	79,208
		112,779
Disbursements—		
Recoup to Revenue of Interest and Sinking Fund ..	7,575	
Administration	1,062	
Maintenance and permanent works	64,742	
	—————	73,379
		39,400
Leaving a balance at 30th June, 1956, of		—————

Marketing Boards.

Particulars of those Marketing Boards whose financial operations pass through the Public Account are as follows:—

Dried Fruits Board.—The financial operations of this Board are conducted through the medium of a Treasury fund. The Board's functions are to encourage the development of, and generally to foster, the dried fruits industry, and to regulate the processing, quality, and sale of the commodity.

Expenditure by the Board has been provided by a contribution in respect of each ton of dried fruits packed in Victoria, and from the fee payable upon the registration, or the renewal of the registration, of each packing house. Its accounts are based on a calendar year. The following summary sets out the transactions of the Dried Fruits Fund for the years 1954 and 1955.

1954.		1955.	
£	£	£	£
12,473		12,364	
208		134	
<hr/>		<hr/>	
	12,681		12,498
Payments—			
1,186		1,343	
600		576	
3,192		3,430	
1,110		1,137	
2,340		3,056	
381		317	
2,396		1,981	
<hr/>		<hr/>	
	11,205		11,840
1,476	Surplus for year		658
<hr/>		<hr/>	

The Treasury Account shows that, at 30th June, 1956, the cash balance in the fund was £4,565 and £4,280 was held as an investment in Inscribed Stock.

Milk Board.—Trading operations for the year 1955-56 resulted in a revenue surplus of £51,231 on milk sales of £9,543,246.

Trade Debtors at 30th June, 1956, were £191,492 in excess of Creditors, compared with an excess of £66,493 at the close of the financial year 1955, an increase of roundly £125,000. Due to the foregoing, and despite the revenue surplus for the year, the balance of the Milk Board Fund at the Treasury has been reduced by £73,829.

Certain dairymen have been unable to comply with the Board's terms and conditions of sale and, in a few instances, substantial sums are overdue. The situation has been brought under Treasury notice.

A summarized statement of the Board's operations for the year, together with comparative figures for the previous year, is set out hereunder:—

1954-55.		Revenue.		1955-56.	
£				£	
83,241	Milk Trading Revenue			79,249	
1,621	Penalty Rates on belated payments by dairymen			6,500	
<hr/>		<hr/>		<hr/>	
	84,862				85,749
Expenditure.					
2,397	Board Fees			2,728	
19,859	Salaries			19,855	
426	Pay-roll Tax			485	
2,431	Travelling Expenses			2,369	
1,285	Contingencies			1,670	
2,949	Promotion—Consumption of Milk			3,689	
2,500	Improving Quality of Milk—Paid to Department of Agriculture			2,500	
216	Interest			1,128	
87	Depreciation			94	
52,712	Surplus for the year			51,231	
<hr/>		<hr/>		<hr/>	
	84,862				85,749
BALANCE-SHEET.					
30.6.1955.				30.6.1956.	
£				£	
761,526	Sundry Creditors			791,670	
176,407	Revenue Account—Accumulated Surplus			227,638	
<hr/>		<hr/>		<hr/>	
	937,933				1,019,308
109,048	Milk Board Fund—Balance at the Treasury			35,219	
828,019	Sundry Debtors			983,162	
866	Office Equipment and Furniture less Depreciation			927	
<hr/>		<hr/>		<hr/>	
	937,933				1,019,308
<hr/>		<hr/>		<hr/>	

XVI Olympiad, Melbourne, 1956.

The State's commitments in connexion with the Olympic Games to be held in Melbourne during November and December, 1956, fall into four groups.

As a Contributor towards Capital Expenditure.—The estimated capital expenditure on the Games is roundly £2,000,000. The Commonwealth Government has agreed to contribute one-half, and the Victorian Government and Melbourne City Council one-quarter each of expenditure up to £2,000,000.

Loan Acts Nos. 5763 and 5921 authorize the expenditure of £500,000 on capital works in connexion with the Games. The sum of £325,000 had been provided from the Loan Fund by 30th June, 1956, and credited to a Trust Account established in the Treasury. Contributions from other contributors have also been credited to this account from which payments are being met. Contributions to 30th June, 1956, totalled £1,225,000 and expenditure £1,024,611. The balance in the Trust Account at that date was £200,389.

Receipts and payments to 30th June, 1956, are summarized as under :—

<i>Receipts.</i>	£	<i>Payments.</i>	£
Commonwealth Government ..	650,000	Olympic Pool	369,195
Victorian Government ..	325,000	Olympic Park	359,490
Melbourne City Council ..	250,000	Olympic Village	129,195
		Melbourne Cricket Ground	114,818
		Carlton Stadium	35,773
		Other Venues	9,011
		Miscellaneous	7,129
		Balance 30th June, 1956	200,389
	1,225,000		1,225,000

A further £75,000 was received from the Melbourne City Council in July, 1956.

In Relation to Temporary Housing.—Under the provisions of the *Olympic Games Act No. 5905*, the Housing Commission of Victoria will provide accommodation and facilities at Olympic Village, West Heidelberg, for contestants and official visitors to the Games. By agreement with the Commonwealth Government, the Housing Commission has constructed the village as a "project" under the Commonwealth-State Housing Agreement. The limit of a temporary interest-free advance provided by the Commonwealth Government for that purpose was raised during the year from £2,000,000 to £2,750,000. According to the Housing Commission records, expenditure on the village to 30th June, 1956, was £2,404,004. The Commonwealth Government has made an allowance of £29,269 in calculating the interest payable by Victoria in June, 1956, in respect of advances under the Housing Agreement.

As Guarantor.—In order to provide funds for administrative and promotion costs, the Government has guaranteed an overdraft with the Australia and New Zealand Bank to a maximum of £75,000. There was no contingent liability under this guarantee at 30th June, 1956. The Commonwealth Government has agreed to indemnify the Victorian Government to the extent of half of any liability that may be incurred under this guarantee. Under Act No. 5905, the Treasurer may execute a guarantee in favour of any trading bank up to £200,000.

A further guarantee is undertaken under the *Melbourne Cricket Ground (Guarantee) Act No. 5781* in which the Government guarantees the repayment by the Committee of the Melbourne Cricket Club to the Colonial Mutual Life Assurance Society Limited of a loan not exceeding £450,000, together with interest. This guarantee was given to assist the Melbourne Cricket Club to obtain finance for building extensions at the Melbourne Cricket Ground. The Commonwealth Government has agreed to reimburse the State half of any liability up to £300,000, which the State is required to meet under this guarantee.

Publicity.—The State contributed £35,000 towards the cost of a campaign to publicize the Games overseas with the object of improving the tourist trade to Victoria. This sum was paid in the form of a grant to the Victorian Promotion Trust Fund which is controlled by Trustees appointed under a Trust Deed, and is not part of the Treasurer's accounts.

Defalcations and Irregularities 1955-56.

Lands Department.—An inspector of Land Settlement at Ouyen was presented on four charges of embezzlement. On one charge he was convicted and sentenced to six months' imprisonment which was suspended on a Bond for two years and, on three others, fined £60 or 63 days' imprisonment. An amount of £517 was recovered and the inspector retired from the Department.

Law Department.—A senior officer of the Prothonotary's Office was charged before the Public Service Board on eight charges connected with the fraudulent removal and re-use of stamps on legal documents. The Board found the charges proved and dispensed with the officer's services.

Education Department.—A female assistant in the Benalla High School office failed to account for Revenue moneys amounting to £171. The amount was repaid and the assistant has resigned.

Housing Commission.—In April last the cashier admitted having stolen £9,007. Subsequent examination of the Commission's accounts disclosed a total shortage of £11,113. He was charged with larceny as a clerk or servant of the Housing Commission and on conviction was sentenced to eighteen months' imprisonment.

Measures have been taken to increase the internal control within the Accounts Branch and audit personnel has been increased. Action to strengthen the accounting staff and to provide additional accommodation in order to relieve congestion is in progress.

Railways Department.—Thirty-one officers were found guilty of separate offences involving cash and stores; goods valued at £350 were stolen in one case and comparatively small amounts were taken in the other cases. Twenty-one of the charges were heard by the Courts and ten by the Railways Board of Discipline.

The Public Account.

The balances in the Treasury books at the credit of the Consolidated Revenue Account, Surplus Revenue Accounts, Loan Account and the Trust Fund Accounts were as under :—

	£	£
Surplus Revenue—previous years .. .. .	..	20,441
Loan Account .. .. .	..	3,747,958
Trust Funds	31,449,538	
Less Investments	16,443,445	
	<hr/>	15,006,093
		<hr/>
		18,774,492

Out of which the following advances had been made and were outstanding at the 30th June, 1956 :—

For Revenue deficits, departments, &c.	6,735,767	
For Treasurer's Advance	39,145	
	<hr/>	6,774,912
		<hr/>
Balance in hand at 30th June, 1956 .. .. .	..	11,999,580
		<hr/>

The cash balance was held at :—

Contracting Banks, Melbourne	10,595,797
Commonwealth Bank, Melbourne	1,354,086
Westminster Bank, London	23,557
Contracting Bank, Wellington	26,140
	<hr/>
	11,999,580
	<hr/>

At 30th June, 1955, the cash balance was £14,399,093.

REVIEW.

The Treasurer's yearly statement of accounts was transmitted to me, as required by the relevant provision in the Audit Act, within the period of three months after the close of the financial year. This statement anticipated (as did the preparation of my report) the granting of legislative sanction for £2,690,471 by way of "Supplementary Estimates" in respect of expenditure during 1955-56 amounting to £2,688,313. Supplemental approval for this expenditure has since been provided by Act No. 5997, the date of assent being October 9th, 1956, at which date the statement of accounts could properly be accepted as summarizing the Treasurer's accounts for the financial year 1955-56.

The statement of accounts relates to receipts and expenditure in three divisions of the Public Account—Consolidated Revenue, Trust and Loan Funds. Treasury accounting procedures are basically governed by the requirements of the Audit and Public Account Acts; it is under these Acts that the three divisions are established. On the authority of many other statutes special requirements in particular cases have been introduced into the Treasury system and the three divisions of the Public Account are in some respects interdependent.

Grouped for convenience in the Trust Fund are certain special accounts for the purpose of ensuring that selected segments of Consolidated Revenue are expended exclusively on specific purposes. Accounts of this kind carry forward their own balances and authority to spend therefrom does not lapse (as in the case of Consolidated Revenue) at the close of the financial year.

In some instances the Consolidated Revenue, the Loan Fund and Special Accounts are legally available as alternative sources from which to defray expenses. Examples are provided in expenditure on Forestry and Mental Hygiene.

Loan Fund, duly authorized by Parliament, is also being used each year in aid of revenue as in the case of expenditure on school maintenance. The amount of such aid in any year is not necessarily comparable with other years.

Legislative provisions in relation to funds for the replacement of assets, notably those for Railways and Country Water Supply provide for flexibility and, accordingly, contributions from revenue to such funds tend to become dependent on the "end year" financial position.

CONSOLIDATED REVENUE.

The Treasurer's accounts on transactions in the Consolidated Revenue divisions of the Public Account closed with a deficit of £3,245,500. As surplus revenue, amounting to £1,336,723, was brought forward from the preceding year the excess of expenditure over revenue for 1955-56 was £4,582,223.

No adequate provision for replacement of the assets of either the Railways or Country Water Supply Departments was made in 1954-55 or 1955-56. In this respect the two years are comparable. References have been made to the disparity between payments into the relative replacement funds and assessed depreciation in previous reports.

Recourse to Loan Fund for aid in the maintenance of schools, £727,528, was more marked in 1955-56—the corresponding expenditure from this source being in 1954-55 £91,117.

Revenue increases of the year were insufficient to bridge the gap between income and expenditure. The principal contributing factors in a net revenue increase of £6,004,284 were—

	£
Commonwealth reimbursement of Taxes and supplemental assistance	2,086,159
Surplus from 1954-55	1,336,723
Probate Duty	797,366
Land Tax	624,816
Stamp Duties	186,787
Licensing Fund	188,801

In the matter of expenditure, after eliminating from the 1954-55 accounts the subsidy of £2,148,060 paid to the Railways, and allowing for the increase in 1955-56 in the payments for interest and redemption on Commonwealth-State Housing advances the net increase in expenditure for the year was £10,586,178.

Examination of increases in expenditure having regard to the purposes for which the expenditure was incurred permits a more concise explanation than if examined under departmental groupings.

The most marked component of the total increase is to be noted under the heading of salaries, which, excluding Railways, showed a rise during the year of £4,408,102. Factors contributing to this increase were—

the application of certain marginal increases to part only of 1954-55 but to the whole of 1955-56 ;

the greater stability in the purchasing power of the £ in 1954-55, as reflected by the slight variation—a temporary decrease of £6—in the adult male “cost of living” allowance in that year, compared with a rise of £48 in 1955-56 ;

the expansion of education facilities ;

increases in personnel following new legislation ;

the reduction of staff shortages in the Police, Mental Hygiene, Penal and Gaols and other Departments.

Rising rates of interest on new loans and on the conversion of old loans together with higher payments to the National Debt Sinking Fund added to what is already a cumulative problem in the finances of the State. Increased debt charges over 1954-55 amounted to £2,405,681.

Increased superannuation and pension benefits in recent years have contributed to heavier Government payments. In 1955-56 there was an increase of £718,706 in expenditure under this heading. Subdivided, £363,605 relates to Railway employees, £99,969 to Police, and the remainder to teaching, public service and other pensions.

Additional costs in respect of interest, sinking fund charges and superannuation associated with the Railways undertaking have been taken up in the preceding two paragraphs. Railway working expenses in 1955-56 were £639,841 above the figure for 1954-55.

Among additional costs arising from social services provided by the State were increases of £200,000 in the amounts provided under the Health Department vote for payment to the Hospitals and Charities Fund, and of £159,756 in “Contingencies” under the vote for Mental Hygiene services. An increase of 7s. 6d. per week per child payable to foster homes and institutions, operating for a full year, accounted for roundly £44,000 of the increase of £80,539 in expenditure on the maintenance of children by the Children’s Welfare Department.

Grants to the University and Technical Schools increased by £297,900, while allowances to students, provision of bus services, and other expenditure associated with educational services required an additional £576,224.

Expenditure upon the maintenance and repair of State works and buildings generally, including payments to school committees for the maintenance of school properties, increased by £246,582.

An unanticipated expenditure of £180,251 in the votes of the Agriculture Department was due to the adoption, towards the end of 1955, of measures to combat a threatened invasion of grasshoppers from breeding grounds in New South Wales.

TRUST FUND—SPECIAL ACCOUNTS.

Included in the Trust Fund division of the Public Account are several special accounts to which certain prescribed revenue has been appropriated to ensure that expenditure therefrom will be confined to the purposes for which such accounts were established. They are in reality segregated parts of the Consolidated Revenue; the opening and closing balances are shown hereunder:—

	<i>Balance at</i>	
	30.6.1955	30.6.1956
	£	£
Country Roads Board Fund	173,812	91,880
Forestry Fund	311,796	85,536
Hospitals and Charities Fund	155,188	319,910
Level Crossings Fund	415,474	474,138
Mental Hospitals Fund	258,106	273,369
Municipalities Assistance Fund	347,599	243,974
Transport Regulation Fund .. .. .	..	208,322

The closing balance of the Transport Regulation Fund was, for many years, transferred to Consolidated Revenue, but in 1954–55, was taken to the Country Roads Board Fund and in 1955–56 retained in the Transport Regulation Fund.

The balance of £91,880 in the Country Roads Board Fund requires further explanation. As sufficient funds were not available from normal sources to carry out approved works, a temporary advance of £500,000 was made to the fund from the Public Account. This advance was repaid in September, 1956, the effect being that expenditure relating to 1955–56, totalling £408,120, has become a charge against the revenue of the fund for 1956–57.

The balances of certain other funds, some of which have already been discussed in the course of this report, are available, as an aid to revenue. These are brought together in the following statement:—

<i>Fund.</i>	<i>Balance at</i>
	30.6.1956
	£
Drought Relief Fund	71,338
Mallee Land Account	653,056
Unemployment Relief Fund	50,653
Maffra Sugar Factory Depreciation Fund	92,413
Developmental Railways Account	165,465

The balances in the Mallee Land and Developmental Railways Accounts may, at the Treasurer's discretion, be used to recoup payments from revenue to the National Debt Sinking Fund.

Under the provisions of the Unemployment Relief Act No. 4097, the Unemployment Relief Fund is required to repay to Consolidated Revenue charges in respect of interest and sinking fund contributions on loans raised for unemployment relief. The last payment of this nature from the fund was in 1952–53, and although the balance of the account would meet only a portion of the annual charge, Consolidated Revenue should be recouped to the extent to which moneys become available.

As the objects for which the Drought Relief Funds were set up have been completed, and the Maffra Sugar Factory, to which the Maffra Sugar Factory Depreciation Fund related, has been sold, the balances of these funds are available for transfer to Consolidated Revenue.

LOAN EXPENDITURE.

The aggregate expenditure for 1955-56 (including expenditure under the Commonwealth-State Housing Agreement) was £50,480,295—the figure for 1954-55 was £51,766,140, and for 1953-54, £56,996,649. In respect of a large part of the expenditure the State acted as an intermediary for semi-governmental authorities.

The following broad classifications serve to give a general survey of the nature of the expenditure. Particulars of the two preceding years are included for comparison:—

	1953-54.	1954-55.	1955-56.
	£	£	£
Construction—State Activities—			
Country Water Supply	7,652,867	8,268,481	6,330,003
Railways	8,839,563	8,182,861	7,866,650
Public Works	687,157	957,377	1,129,240
	<u>17,179,587</u>	<u>17,408,719</u>	<u>15,325,893</u>
Developmental—			
Forests	899,825	898,598	799,922
Country Roads	1,267,000	956,000	1,035,000
	<u>2,166,825</u>	<u>1,854,598</u>	<u>1,834,922</u>
Social Services—			
Hospitals	4,240,004	3,999,993	4,000,000
Mental Hospitals	1,015,263	706,832	*1,003,823
Sanatoria	103,132	52,593	105,673
School Buildings	4,754,012	5,114,593	6,647,285
University	11,246	117,643	100,000
	<u>10,123,657</u>	<u>9,991,654</u>	<u>11,856,781</u>
Soldier Settlement	4,923,123	4,998,769	*3,899,992
Semi-governmental Authorities—			
Electricity Commission	6,000,000	2,000,000	1,000,000
Rural Finance Corporation	700,000	800,000	920,000
Grain Elevators Board	250,000	..	..
Housing .. .. .	..	50,000	105,000
Commonwealth-State Housing	11,332,000	10,813,881	11,350,000
Latrobe Valley Water and Sewerage Board	270,105	289,468	305,526
Waterworks Trusts, other Corporations, &c.	552,593	710,809	733,589
	<u>19,104,698</u>	<u>14,664,158</u>	<u>14,414,115</u>
Gas and Fuel Corporation	1,995,000	1,195,000	1,170,000
Material Imports	1,182	14,060	..
Other Purposes	1,502,577	1,639,182	1,978,592
	<u>56,996,649</u>	<u>51,766,140</u>	<u>50,480,295</u>
GRAND TOTAL			

* Additional expenditure (Commonwealth Government Sources) Mental Hospitals, £501,955; Soldier Settlement, £1,599,928.

Each year's loan expenditure involves the State in additional debt charges. Expenditure for purposes for which no monetary return will be received or in respect of which the return is on a lower scale than the Treasury obligation requires an equivalent increase in revenue in subsequent years until the liability is liquidated.

Current general revenue is carrying a burden arising from "deadweight" loan liabilities. Losses on land settlement following the first world war, loans raised for relief of unemployment during the financial depression and the transfer to the State of part of the Railways liabilities in 1937 are responsible for debt charges in 1955-56 amounting to £2,806,488. Other loan expenditures in the same category include the subsidising of coal and building materials brought from overseas.

Deficits add their quota to subsequent budgetary problems. In 1955-56 debt charges thereon amounting to £663,451 were met from current revenue; deficits, at present financed temporarily from the Public Account, when funded, will increase this figure by an annual sum of roundly £400,000.

The task of regaining budgetary balance is an extremely difficult one. The ability of the State to continue its developmental plans at the present level is linked with the solution to this problem.

Audit Act.—In my 1951-52 report a revision of the provisions of the Audit Act was advocated. I stated then that the Act had its origin when the State's financial transactions were relatively small, and although amendments had been made at irregular intervals, no comprehensive attempt had so far been made to effect a revision which would bring the Act into line with conditions as they have since developed.

The Audit and the Public Account Acts form the basis of Treasury accounting procedure. The Public Account Act was brought up to date in 1951 and, as a result, somewhat different concepts appeared in the new legislation. These made it even more necessary that amendments to the Audit Act should be considered.

In many statutes imposing on the Auditor-General the duty of auditing the accounts of various activities, the provisions of the Audit Act are expressly made to apply. From the foregoing, it will be apparent that those provisions should be adapted to present-day audit requirements, both in respect of the Public Account and the other audits outside the Public Account.

In the 1951-52 report the need for a close study of the position was advanced. In the process of overcoming imperfections in the Audit Act, care is necessary that the traditional methods of preserving Parliamentary control on matters relating to finance should not be weakened. It was with this in mind that I concluded my submission in the 1951-52 report with the observation that "In the presentation to Parliament of a Bill to amend the Audit Act the assistance of a Public Accounts Committee would be invaluable". Since that report was written this Committee has been re-established and this encourages me to renew the representations previously put forward.

In conclusion I wish to express my appreciation to the staff for the assistance and support I have received from them during the year and to thank officers of departments and branches who have given me their co-operation.

E. A. PEVERILL,
Auditor-General.

Melbourne,

12th October, 1956.

STATEMENT No. 1.

REVENUE ACCOUNT, 1955-56.

Receipts.

Expenditure.

Receipts.		£	Per cent. of Gross Revenue.	Expenditure.	
£				£	Per cent. of Gross Revenue.
Railway Earnings ..	37,146,900			Railways—Operating Costs, &c. ..	36,709,495
Subsidy (as per contra)	153,006			Water Supply—Operating Costs ..	2,900,040
		37,299,906		Coal Mine—Operating Costs and Interest ..	754,395
Water Supply ..	..	2,810,391		Victoria Dock Store—Operating Costs ..	137,459
Coal Mine ..	..	680,060			
Victoria Dock Store ..	..	196,184		Subsidy to Railways ..	40,501,389
					153,006
		40,986,541	33.28		40,654,395
Interest brought to account—				Interest and Exchange on Loans ..	17,981,624
Land Settlement ..	..	632,247		Contribution to National Debt Sinking Fund ..	3,474,543
Electricity Commission ..	..	1,928,143		Expenses—Loan Conversion ..	1,467
Country Roads Board ..	..	660,950			
Waterworks Trusts, &c. ..	..	185,600			
On Cultivation Advances ..	..	300			
Municipalities ..	..	490			
Sewerage Authorities ..	..	25,014		Pensions, Superannuation and Gratuities—	
On Wire Netting Advances ..	..	308		Railways ..	1,579,131
On Trust Fund Investments ..	..	6,210		Civil Service and others ..	1,824,805
Co-operative Stores ..	..	22,802			
University ..	..	5,095			
On Public Account Deposits ..	..	60,229			
Coal Mine ..	..	869			
Gas and Fuel Corporation ..	..	188,187		Unemployment Relief ..	5,427
Geelong Harbor Trust ..	..	7,415			
Grain Elevators Board ..	..	42,721		Payments to Hospitals and Charities Fund ..	9,012,697
Housing Commission ..	..	2,316,430		Payments to Mental Hospitals Fund ..	382,308
Rural Finance Corporation ..	..	140,340			
Sundry ..	..	47,297			
		6,270,647			9,395,005
Recoups—				Salaries—Civil Service, Executives, &c. (vide Sub-statement) ..	28,451,510
To Sinking Fund ..	220,043			Contingencies (vide Sub-statement) ..	15,659,425
Exchange, &c. ..	81,762	301,805	5.33	Endowments and Grants (vide Sub-statement) ..	2,683,366
				Works and Buildings ..	1,820,528
		6,572,452	1.73	Forests ..	2,062,170
Payment by Commonwealth ..	..	2,127,159	1.73	Mint Subsidy ..	148,000
				Sundry ..	656,063
Payment by Commonwealth—Special Assistance ..	..	3,398,704	2.76		
					51,481,062
Taxes, Registrations, Licences, &c. ..	..	59,070,185	47.97		
For Departmental Services ..	..	3,888,963			
Territorial—Lands and Forests ..	..	2,097,083			
Ports and Harbours ..	..	534,331			
Appropriation of Surplus 1954-55 ..	..	1,336,723			
Fines and Fees ..	..	825,917			
Commonwealth—State Housing Advances ..	..	648,629			
Mint Returns ..	..	143,415			
Expenditure Recouped ..	..	779,561			
Rents of Buildings ..	..	217,103			
Repayment of Loans from Revenue ..	..	9,504			
Miscellaneous ..	..	515,689			
		10,996,918	8.93		
		123,151,959	100.00		
Deficit in Revenue Account for 1955-56 ..	..	3,245,500	2.63		
		126,397,459	102.63		126,397,459
					102.63

SUB-STATEMENT.

	Salaries.	Contingencies.	Endowments and Grants.	Total.
	£	£	£	£
The Governor, Judges and Executive Council ..	67,638	70	..	67,708
Parliamentary and Electoral Expenses ..	326,540	167,997	..	494,537
Insurance ..	..	..	2,000	..
University ..	..	..	785,000	787,000
Premier ..	328,742	214,754	..	543,496
Chief Secretary ..	421,336	220,099	32,263	673,698
Children's Welfare ..	170,783	452,184	2,130	625,097
Penal and Gaols ..	316,982	309,889	..	626,871
Police ..	4,032,670	969,092	..	5,001,762
Public Libraries ..	168,406	89,903	152,865	411,174
Labour and Industry Department ..	188,525	42,821	..	231,346
Education—				
Departmental ..	14,996,489	4,663,304	..	..
Technical Schools ..	..	..	1,417,000	..
Other ..	..	..	60,001	21,136,794
Law Department ..	1,033,553	356,920	300	1,390,773
Treasury—Government Printer and Tax Office ..	807,273	1,810,138	109,015	2,726,426
Lands ..	800,709	915,230	..	1,715,939
Public Works and Harbours ..	630,711	333,007	..	963,718
Mines ..	144,993	116,385	..	261,378
Agriculture ..	826,601	490,932	5,600	1,323,133
Health ..	906,225	1,810,669	116,992	2,833,886
Mental Hygiene ..	2,277,939	1,799,163	200	4,077,302
Ministry of Transport ..	5,395	1,056	..	6,451
Coal Miners' Accident Relief Fund ..	..	374	..	374
Marine Board ..	..	650	..	650
Housing Commission (including repayment to Commonwealth 4648,629) ..	..	894,788	..	894,788
	28,451,510	15,659,425	2,683,366	46,794,301

STATEMENT No. 2.

RECEIPTS AND EXPENDITURE FOR THE YEAR 1955-56.

A statement of the Receipts and Expenditure of the Consolidated Revenue, Surplus Revenue, Loan Moneys and Advances on account of Loan Moneys* for the financial year 1955-56.

		Receipts.		Expenditure.	
		£	s. d.	£	s. d.
<i>Balances brought forward—</i>					
Surplus Revenue	..	1,367,060	2 8	126,397,458	11 5
Loan Cash Balance, 30.6.55	..	1,293,137	0 11	1,346,618	17 4
		<u>2,660,197</u>	<u>3 7</u>	<u>127,744,077</u>	<u>8 9</u>
Revenue for the year 1955-56	..	..	..123,151,958	..	.. 39,217,348
					15 7
<i>Proceeds of Loans raised for Works, &c., during the Year 1955-56</i>	..	38,999,749	15 4	..	.. 116,076
					14 11
Less Flotation Expenses	..	114,752	19 4	<u>39,101,272</u>	<u>0 8</u>
		<u>38,884,996</u>	<u>16 0</u>		
Loan Repayments	..	..	.. 2,787,172	..	.. 29,023
					0 1
<i>Advanced from Treasurer's Advance—</i>					
Debit balance at 30.6.55	..	116,076	14 11	..	.. 39,130,295
” ” 30.6.56	..	29,023	0 1	..	.. 166,874,372
		<u>Cr. 87,053</u>	<u>14 10</u>		<u>9 6</u>
Deficit for year 1955-56	..	..	.. 3,245,499	..	.. 20,441
					5 4
					3,747,957
					15 0
		<u>£170,642,771</u>	<u>9 10</u>	<u>£170,642,771</u>	<u>9 10</u>

* Does not include £10,800,000 advances from Commonwealth Government for Housing. (See page 18.)

LOAN CASH ACCOUNT.

Receipts.		Disbursements.	
	£	s.	d.
To Balance at 30th June, 1955—			
Cash in hand	1,293,137	0	11
Cash Proceeds of Loans issued, 1955—56—			
For Works, &c.	38,999,749	15	4
For Redemption	43,719,558	18	0
Loan Repayments	2,787,172	13	8
Treasurer's Advance	29,023	0	1
	86,828,641	8	0
	<hr/>		
	86,828,641	8	0

13

PUBLIC DEBT : NET LOAN LIABILITY ON 30TH JUNE, 1956.

	£	s.	d.
Amount of Public Debt on 30th June, 1956	445,713,423	5	10
Advanced from Treasurer's Advance	29,023	0	1
	584,092	3	10
Balance at credit of National Debt Sinking Fund	3,747,957	15	0
" at credit of Loan Account	4,332,049	18	10
	<hr/>		
Net Liability on 30th June, 1956	441,410,396	7	1
	<hr/>		
	445,742,446	5	11

The increase during the year in the Net Liability was £31,797,978 5s. 4d.

* Does not include expenditure from £85,781,000 advanced by Commonwealth Government for Housing. (See page 18.)

STATEMENT No. 4.

TRUST FUNDS.

The following Statement summarizes the Treasurer's liability on account of trust moneys and securities lodged with the Treasurer, and of the investments, advances, and cash held on account of these funds and lodgments:—

Lodgments for investment—

	£	s.	d.	£	s.	d.
Municipalities Sinking Funds—						
Act No. 5203 (Sec. 419)	1,170	14	0	9,363,921	12	7
Other Funds— <i>Vide</i> Treasurer's Statement..	9,137,890	18	7	30,500	0	0

Securities lodged with the Treasurer—

Administration and Probate Act No. 3632 ..	10,000	0	0	200	0	0
Geelong Harbor Trust—(Debentures lodged as security for Loans)	225,081	2	7	1,500	0	0
Port Philip Pilot Fund, Act No. 3723	78,500	0	0	225,081	2	7
Scholarship Funds	3,770	0	0	1,817	0	0
Kyabram Co-operative Fruit Preserving Co.—Shares	1,817	0	0	1,817	0	0
Gas and Fuel Corporation of Victoria—Shares	6,749,050	0	0	24,665	0	0
Moynes Portland Cement Limited—Shares*	24,665	0	0	3,590	0	0
Victorian Rural Producers Organization	3,590	0	0	900	0	0
Gas Regulation Fund, Act No. 5806	900	0	0	10	0	0
Blue Moon Fruit Co-operative Ltd.	10	0	0	16,443,444	15	2

Total of Stock and Securities held

Cash Advanced—						
For Revenue deficits	4,911,410	6	4			
” Treasurer's Advance	39,145	7	8			
” Other advances	1,824,356	6	1			

Other Funds—

As per Treasurer's Statement	13,614,119	1	0	6,774,912	0	1
Railway Charges in Suspense Account	1,598,974	2	8	8,231,181	3	7
	£31,449,537	18	10	£31,449,537	18	10

* These shares are valueless, the Receiver, appointed by the Government, having been unable to realize sufficient funds from the sale of the assets to pay the secured creditors.

STATEMENT No. 5—continued.

INTEREST : STATISTICAL ANALYSIS.

Year.	Loan Liability (Average for each Year).†	Interest Paid in each Year‡.	Net Amount Received, Avail- able for Payment of Interest.	Amount with which Taxation, &c., was Charged.	Average Interest Rate on Loan Liability— Per Cent.	Rate of Receipts— Per Cent.	Provided by Taxation, &c.—Per Cent.
	£	£	£	£	£ s. d.	£ s. d.	£ s. d.
1946-47	181,411,762	6,734,494	2,947,266	3,787,228	3 14 3	1 12 6	2 1 9
1947-48	186,020,885	6,834,525	3,168,922	3,665,603	3 13 6	1 14 1	1 19 5
1948-49	195,914,341	6,938,179	2,401,926	4,536,253	3 10 10	1 4 6	2 6 4
1949-50	210,147,995	7,419,357	2,192,991	5,226,366	3 10 7	1 0 10	2 9 9
1950-51	234,172,769	7,813,497	1,993,072	5,820,425	3 6 8	0 17 0	2 9 8
1951-52	276,715,871	8,798,049	2,422,119	6,375,930	3 3 7	0 17 6	2 6 1
1952-53	321,009,225	9,706,135	2,755,051	6,951,084	3 0 6	0 17 2	2 3 4
1953-54	358,241,674	11,382,433	3,145,829	8,236,604	3 3 7	0 17 7	2 6 0
1954-55	394,081,484	13,569,954	3,716,543	9,853,411	3 8 10	0 18 10	2 10 0
1955-56	428,456,232	15,684,710	4,049,085	11,635,625	3 13 4	0 19 0	2 14 4

† Includes exchange on overseas payments in 1946-47, £585,301; 1947-48, £587,549; 1948-49, £541,766; 1949-50, £567,181; 1950-51, £577,794; 1951-52, £578,419; 1952-53, £574,896; 1953-54, £568,507; 1954-55, £532,900; 1955-56, £492,212.

‡ Excluding advances from Commonwealth Government for Housing 1946-47, £7,100,000; 1947-48, £12,100,000; 1948-49, £17,300,000; 1949-50, £23,600,000; 1950-51, £32,200,000; 1951-52, £42,261,000; 1952-53, £53,531,000; 1953-54, £65,531,000; 1954-55, £74,931,000; 1955-56, £85,781,000. (See page 18.); also Commonwealth advances for Soldier Settlement in 1955-56, £1,610,000.

RAILWAYS.

Year.	Loan Liability (Average for the Year).	Interest on Railway Loans.	*Earnings Available for Payment of Interest.	Amount Provided by Taxation, &c.	Average Interest Rate on Railway Loans—Per Cent.	*Rate Earned—Per Cent.	Provided by Taxation, &c.—Per Cent.
	£	£	£	£	£ s. d.	£ s. d.	£ s. d.
1946-47	51,350,627	2,006,275	638,624	1,367,651	3 18 2	1 4 11	2 13 3
1947-48	51,852,813	2,028,669	829,370	1,199,299	3 18 3	1 12 0	2 6 3
1948-49	52,980,985	2,022,608	..	2,022,608	3 16 4	..	3 16 4
1949-50	55,221,931	2,085,953	..	2,085,953	3 15 7	..	3 15 7
1950-51	60,221,560	2,222,192	..	2,222,192	3 13 10	..	3 13 10
1951-52	†60,052,441	2,202,803	..	2,202,803	3 13 4	..	3 13 4
1952-53	†63,675,808	2,279,320	..	2,279,320	3 11 7	..	3 11 7
1953-54	†67,561,535	2,430,284	..	2,430,284	3 11 11	..	3 11 11
1954-55	†71,778,229	2,678,840	255,394	2,423,446	3 14 8	0 7 2	3 7 6
1955-56	†75,294,197	3,006,099	..	3,006,099	3 19 10	..	3 19 10

* Including recoups by Treasury from Vote for non-paying lines, &c., but excluding Subsidy towards payment of interest from 1949-50 onwards.

† Excluding Rehabilitation Works, the interest on which is borne by General Revenue.

COUNTRY WATER SUPPLY.

Year.	Loan Liability (Average for the Year).	Interest on Water Supply Loans.	Net Earnings and Receipts Available for Payment of Interest.	Amount Provided by Taxation, &c.	Average Interest Rate on Water Supply Loans —Per Cent.	Rate Earned &c.—Per Cent.	Provided by Taxation, &c.—Per Cent.
	£	£	£	£	£ s. d.	£ s. d.	£ s. d.
1946-47	30,078,229	1,177,510	..	1,177,510	3 18 4	..	3 18 4
1947-48	31,784,589	1,230,337	..	1,230,337	3 17 5	..	3 17 5
1948-49	34,145,779	1,290,690	..	1,290,690	3 15 7	..	3 15 7
1949-50	37,257,442	1,387,324	16,992	1,370,332	3 14 6	0 0 11	3 13 7
1950-51	42,879,964	1,549,134	..	1,549,134	3 12 3	..	3 12 3
1951-52	52,013,832	1,844,287	..	1,844,287	3 10 11	..	3 10 11
1952-53	60,677,092	2,025,185	..	2,025,185	3 6 9	..	3 6 9
1953-54	68,292,379	2,335,131	..	2,335,131	3 8 5	..	3 8 5
1954-55	77,002,616	2,899,845	..	2,899,845	3 15 4	..	3 15 4
1955-56	84,957,069	3,278,442	31,965	3,246,477	3 17 2	0 0 9	3 16 5

STATEMENT No. 6.

RAILWAY ACCOUNTS.

Statement of Railway Receipts and Expenditure, including Revenue and Loan Moneys.

Receipts.

	£	s.	d.
<i>Revenue</i> —			
Railway Income	37,146,899	17	10
Treasury credit for concessions in certain Country Freight Charges ..	143,000	0	0
Recoup Kerang-Koondrook Tramway Act	10,006	0	0
	<u>37,299,905</u>	<u>17</u>	<u>10</u>

Loan—

Applied from the Loan Fund	7,866,649	16	1
------------------------------------	-----------	----	---

Expenditure.

	£	s.	d.
<i>Charged to Revenue</i> —			
Working Expenses	36,141,583	19	6
Accident Fund	336,653	13	9
Renewals and Replacements Fund	200,000	0	0
Commissioners' Salaries	11,576	8	3
Pensions and Gratuities	1,579,131	0	3
Expenses, Loan Conversions	306	19	11
	<u>38,269,252</u>	<u>1</u>	<u>8</u>
National Debt Sinking Fund	178,151	1	0

	£	s.	d.
Interest	2,877,910	0	8
Exchange on Interest Payments in London	128,189	1	5
	<u>3,006,099</u>	<u>2</u>	<u>1</u>
	<u>41,453,502</u>	<u>4</u>	<u>9</u>

Charged to Loan—

Additions and Improvements	2,554,312	9	3
Rolling Stock, Equipment, Machinery, and other Works	241,361	10	5
Construction of new lines, &c.	7,136	12	1
Replacement (Rehabilitation) Works	5,063,839	4	4
	<u>7,866,649</u>	<u>16</u>	<u>1</u>

Total	49,320,152	0	10
Total Revenue and Loan	49,320,152	0	10

STATEMENT No. 6—continued.

The expenditure charged to Revenue for the last six years and the deficiency in the Railway Receipts are shown in the following statement:—

Expenditure.	1950-51.	1951-52.	1952-53.	1953-54.	1954-55.	1955-56.	Per cent. of Revenue.
Working Expenses	£ 19,659,444	28,285,795	33,016,943	34,204,498	35,539,113	36,141,891	96.9
Commissioners' Salaries	8,642	9,000	9,000	9,000	10,226	11,576	89.2
Renewals and Replacements Fund	200,000	200,000	200,000	550,000	200,000	200,000	.5
Railway Accident, &c., Fund	163,184	251,357	259,506	261,082	305,812	336,654	.8
Pensions and Gratuities	926,231	880,595	960,267	1,151,518	1,215,527	1,579,131	3.1
National Debt Sinking Fund	147,589	142,966	151,921	162,371	168,887	178,151	.4
Interest	2,064,901	2,044,960	2,130,937	2,303,437	2,544,685	2,877,910	6.4
Exchange on Interest Payments in London	157,292	157,843	148,383	126,847	134,155	128,189	.3
	23,327,283	31,972,516	36,876,957	38,768,753	40,118,405	41,463,502	100.7
Receipts	*20,587,372	*26,129,626	*33,463,982	*37,775,538	*39,843,019	37,299,906	..
Deficiency	2,739,911	5,842,890	3,412,975	993,215	275,386	4,153,596	..

* Includes a Treasury Subsidy of £1,789,870 in 1950-51, £1,754,840 in 1951-52, £1,798,277 in 1952-53, £1,934,903 in 1953-54, and £2,148,000 in 1954-55.

STATEMENT No. 8.

AUTHORITY FOR LOAN EXPENDITURE.

The authority unexhausted at the 30th June, 1956, was—

				£	s.	d.	£	s.	d.
For <i>Railways, Water, and Public Works</i> —									
Act No.	3335	..	..	50,783	12	4			
„	3475	..	..	987	19	0			
„	3828	..	..	9,819	11	6			
„	4670	..	..	11,864	18	9			
„	4763	..	..	2,672	11	4			
„	4845	..	..	32,716	2	1			
„	4975	..	..	20,022	6	1			
„	5015	..	..	33,103	12	3			
„	5050	..	..	17,828	3	0			
„	5098	..	..	115,444	14	0			
„	5162/5237	..	..	2,390	13	5			
„	5199	..	..	22,944	4	10			
„	5240	..	..	29,127	13	8			
„	5346	..	..	95,165	9	10			
„	5422	..	..	185,642	4	1			
„	5515	..	..	780,963	12	2			
„	5618	..	..	1,401,208	15	11			
„	5657	..	..	907,828	15	8			
„	5746	..	..	3,198,976	7	8			
„	5763	..	..	706,463	17	9			
„	5850	..	..	3,703,702	11	7			
„	5906	..	..	10,710,277	8	8			
„	5921	..	..	10,125,508	17	8			
„	5927	..	..	4,068,253	8	3			
							36,233,697	11	6
For <i>Soldier Settlement</i> —Act No. 5107, &c.				..	..	..	7,948,403	2	4
For <i>Cancer Institute</i> —Act No. 5341/5698				..	..	..	154,598	12	6
For <i>Coal (Overseas Purchase)</i> —Act No. 5351/5397				..	..	..	40,056	13	0
For <i>Country Roads—Main and Developmental</i> —									
Act No.	3662, Section 85	..	..	1,000,000	0	0			
„	3662/5831, Section 30	..	..	5,087,294	14	8			
							6,087,294	14	8
For <i>Gas and Fuel Corporation</i> —Act No. 5507/5725				..	..	..	8,240,553	0	0
For <i>Electricity</i> —									
Act No.	3934	..	..	252,662	14	9			
„	4512, &c.	..	..	37,535,558	3	1			
							37,788,220	17	10
For <i>Drought Relief</i> —									
Act No.	5054, &c.	..	..	27,589	15	5			
„	5122	..	..	32,999	8	4			
							60,589	3	9
For <i>Farmers' Advances</i> —Act No. 4338, &c.				..	..	..	304,365	8	6
For <i>Farm Water Supply Advances</i> —Act No. 5020				..	..	..	78,628	6	8
For <i>Forests</i> —Act No. 5922				..	..	..	442,857	2	3
For <i>Bulk Handling of Wheat</i> —Act No. 4379/5482				..	..	..	*1,203,869	7	5
For <i>Housing</i> —Act No. 4531, &c.				..	..	..	*13,729,214	7	3
For <i>Imported Materials</i> —Act No. 5385				..	..	..	2,967,276	11	9
For <i>Latrobe Valley</i> —Act No. 5416				..	..	..	734,448	9	8
For <i>Portland Harbor Trust</i> —Act No. 5425/5801				..	..	..	2,408,303	18	4
For <i>Rural Finance Corporation</i> —Act No. 5414				..	..	..	4,260,750	0	0
For <i>Tourist Resorts</i> —Act No. 4609/5446				..	..	..	58,519	3	9
For <i>Unemployment Relief</i> —Act No. 4097				..	..	..	886,678	16	9
For <i>Vermin and Noxious Weeds Destruction</i> —Act No. 5431/5804				..	..	..	102,050	1	9
For <i>Victorian Inland Meat Authority</i> —Act No. 4927				..	..	..	141,334	0	6
Carried forward				..	..	..	123,871,709	10	2

* Authority has been increased by value of securities cancelled by the National Debt Sinking Fund—Act No. 4379, £95,068 17s. 3d.; Act No. 4531, £125,028 11s. 5d.

STATEMENT No. 8—*continued.*

	£	s.	d.	£	s.	d.
Brought forward .. ..	..	..	..	123,871,709	10	2
For Funding Deficits (1951-52 and 1952-53)—						
Act No. 5656	1,300,686	2	1			
„ 5723	365,224	9	3			
				<u>1,665,910</u>	<u>11</u>	<u>4</u>
				<u>125,537,620</u>	<u>1</u>	<u>6</u>

The Loans which mature during the current financial year are:—

In Melbourne—

	£	s.	d.	£	s.	d.
1 per cents.	67,750	0	0			
3 „	39,812,000	0	0			
3 $\frac{1}{4}$ „	2,131,310	0	0			
3 $\frac{1}{2}$ „	250,000	0	0			
				<u>42,261,060</u>	<u>0</u>	<u>0</u>

In London—

2 $\frac{3}{4}$ per cents.	5,805,524	13	4
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In New York—

3 $\frac{1}{4}$ per cents.	899,619	16	10
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48,966,204 10 2

APPENDIX A.

TREASURER'S ADVANCE, 1955-56.

The particulars of the expenditure which has been carried forward are:—

Pending Loan Application Acts.

Public Works:—		£	s.	d.
Assistance to officers for purchase of Motor Vehicles for official duties	.. .. .	6,160	0	0
State Rivers and Water Supply Commission:—				
Charlton Waterworks Trust	.. .. .	3,000	0	0
Morwell Sewerage Authority	.. .. .	15,000	0	0
Tallangatta Sewerage Authority	.. .. .	4,863	0	1
		22,863	0	1

Pending Legislation.

Under-pass St. Kilda-road linking Alexandra-avenue	.. .. .	271	3	1
Payment in excess of provision in Special Appropriation Schedule D, Part 4, Executive Council		120	17	11
Excess cost of Executive Council not provided in Special Appropriations				
		392	1	0

Pending Redemption of Securities.

Licensing Fund	.. .. .	9,730	6	7
Payment to supplement revenue from the Licensing Fund to offset portion of cost of Liquor Referendum charged against the Licensing Fund				
		39,145	7	8

The following are the reasons for transferring the expenditure as a charge on future years:—

Public Works Loan Application Act, £6,160—Amount charged at 30th June, 1956, pending passing

Public Works Loan Application Act.

State Rivers and Water Supply Loan Application Act, £22,863 Os. 1d.

Amount charged at the 30th June, 1956, pending passing of—

1. Water Supply Loan Application Act.

2. Sewerage Loan Application Act.

Under-pass at St. Kilda-road linking Alexandra-avenue, £271 3s. 1d.

Pending Legislative Authority for financial provision, for construction of Under-pass at St. Kilda-road linking Alexandra-avenue.

Schedule D, Part 4, Executive Council, £120 17s. 11d.—Pending Legislation to amend the Constitution Act.

Licensing Fund—Pending realization of Investments held by the Licensing Fund.

APPENDIX B.

Copies, in abstract, of Orders of His Excellency the Governor in Council by which, under the provisions of the Audit Act No. 3640, section 35, it has been directed that there shall be applied, in aid of items found insufficient, a further limited sum out of the surplus from other items under the same Subdivision of the Appropriation Acts 4 and 5, Elizabeth II., Nos. 5940 and 5997.

Date of Order Authorizing Transfer.	Vote.		Transferred.		Amount. £ s. d.
	Division.	Subdivision.	From Item—	To Item—	
1956—					
17th July ..	77	2	Item No. 2—Irrigation, Water Supply and Drainage Districts	Item No. 5—General Expenditure	33,100 0 0
25th September	69	8	No. 1 Mental Hygiene—Buildings, Additional Accommodation, Repairs and other Works, including Fittings, Furniture, Fencing, Roads, Machinery, Fire Appliances, &c.	No. 2 Works—Buildings, Furniture, Fire Appliances, &c., Offices of Health Department, and Institutions for the Treatment of Tuberculosis, Venereal, and other Diseases	7 0 0

APPENDIX C.

STORES HELD AT VARIOUS LOCATIONS.

Institution or Depot.	Description of Stores.	Value at Stocktaking 30th June, 1956.	Total.		
Chief Secretary's Department— Children's Welfare Depot	Boots, Shoes, Clothing, Bedding, Crockery, Manchester Goods, and General Stores	£ 40,826	£		
Penal Establishments and Gaols— Ballarat	Clothing, Bedding, Crockery, Cutlery, Leather, Tools, Fuel, &c.	631	40,826		
Beechworth		2,920			
French Island		2,045			
Geelong		1,135			
Pentridge and Metropolitan Sale		57,322			
Corriemungle Prison Camp		199			
Langi Kal Kal		1,027			
Bendigo		5,290			
Castlemaine		3,039			
		1,751	75,359		
Police— Forage	Chaff, Hay, &c.	258			
Motor Transport	Tyres for Motor Cars and Motor Cycles, Articles for servicing Police Motor Vehicles, Motor Cycles, and Bicycles and other articles	19,000			
Technical Section— Wireless	Valves, Radio Parts, Vibrators, Test Gear	5,150			
Store	Hardware, Bedding, Furniture, Oils, Disinfectants, Clothing, Arms, Stationery, Kit Items, &c.	77,000	101,408		
Education Department— Stationery Store	Books and Requisites, Cleaning Material, Tools, Cookery, &c., Equipment, Science Requisites, and Motor Spirit	147,850	147,850		
Government Printer	Printing Paper, Stationery and Materials, Water-marked gummed paper, Publications	376,980	376,980		
Public Works Department— Dredging Depot, Williamstown	Bolts, Oxygen and Acetylene Cylinders, Diving Gear, &c., Articles for servicing Boats, Jetties, &c.	22,874			
Storeyard, South Melbourne	Implements, Piping, Motor Vehicles, Oils, Canvas Goods	230,836	263,003		
Works Depot, Port Melbourne		7,914			
Garage, Russell-street		1,379			
Country Roads Board— Melbourne Store	Camp Equipment, Tyres, Tools and Stores, Oil, Fuel, Bitumen, &c.	391,677	551,051		
Bairnsdale		23,946			
Ballarat		15,111			
Benalla		18,117			
Bendigo		27,081			
Dandenong (Pakenham)		2,363			
Drummond-street, Carlton		170			
Geelong		24,799			
Horsham		18,735			
Traralgon		13,774			
Warrnambool		11,516			
Bituminous Materials		3,762			
Mines— Diamonds		Carbons, Boarts, Splints		4,868	
Drill Store		Engines, Tools, Oils, Chemicals, Machinery, Tubing, Crane, &c.		59,759	64,627
Forests Commission— Head Office and Country Stores	Machine Parts, Implements, Tools, Tents and Flys, Boots, Clothing, &c.	630,456	630,456		
State Rivers and Water Supply Commission	Tools and General Stores	2,005,191	2,005,191		
Agriculture Department— Head Office and Publications	Publications—Beekeeping, Poultry Farming, Honey, Flora, Bulletins, &c.	6,307			
Cool Store, Victoria Dock	Beltings, Tools, Chemicals, Oil, Plant, Iron, Timber, &c.	3,576	9,883		
Public Health Department— Head Office	Instruments, Drugs	2,478			
Schools Dental Centre	Dental Chairs, Electric and Treadle Drills, Instruments, Linen, Furniture, Motor Vans, Drugs	8,218			
Greenswell Sanatorium	General Stores, Hardware, Linen, &c.	9,658	29,480		
Heatherton Sanatorium		9,126			
	Carried forward		4,296,114		

APPENDIX C—continued.

STORES HELD AT VARIOUS LOCATIONS—continued.

Institution or Depot.	Description of Stores.	Value at Stocktaking 30th June, 1956.	Total.
		£	£
	Brought forward.. .. .	..	4,296,114
Lands Department—			
Botanic and Domain Gardens	Implements, Tools, &c.	221	
Other Stores, Metropolitan and Country	General Stores, Equipment, Plans, and Photographic Materials	216,533	216,754
Soldier Settlement Commission—			
Metropolitan and Country Stores	General Stores and Materials	407,880	407,880
Mental Hospitals—			
Various	} Clothing, Bedding, Hardware, Furniture, and Miscellaneous	287,898	322,499
Mont Park (Trust Stock)		34,601	
State Laboratories—			
Agriculture	} Books and Journals, Chemicals, Chemical Glassware, Apparatus, Furniture and other Fittings, Platinum Ware	21,350	21,350
Mines			
Public Health			
Housing Commission—			
Holmesglen	} Building Materials, &c.	274,045	579,019
„ (Head Office Supply Store)		304,074	
	Total .. .. .	..	5,843,616

APPENDIX D.

CULTURAL DEVELOPMENT ALLOCATIONS, 1955-56.

	£
Ararat Music Circle	100
Astra Chamber Orchestral Society	75
Australian Boys' Choir	100
Australian Elizabethan Theatre Trust	5,000
Ballarat Ballet Guild	50
Ballarat Begonia Festival Committee	950
Ballarat Highland Day	150
Ballarat Orchestra Association	250
Ballet Guild	250
Bendigo Competitions Society	500
Bendigo Easter Fair Society	200
Bendigo Music Advancement Society	250
Bendigo Music Lovers' Club	75
Boolara Associated Arts Club	50
Brighton Philharmonic Society	100
Camberwell City Philharmonic Society	100
Camperdown Musical Society	75
Camperdown Repertory Society	75
"Carols by Candlelight" (Melbourne)	500
Casterton Music Circle	50
Castlemaine Music and Arts Society	100
Cobden Repertory Society	25
Creswick Music Lovers' Club	50
Dandenong Festival of Music and Art for Youth	750
Daylesford Highland Gathering Committee	400
Debaters' Association of Victoria	100
Donald Music, Literature, and Arts Society	25
Echuca Drama Group	100
Echuca Music Lovers	100
Eleanor Auxiliary for Children for Footscray Hospital (West End Eisteddfod)	100
Electra Dramatic Group	50
Euroa Music and Arts Society	25
Ferntree Gully Arts Society	50
Foster Films, Art, Music, and Drama Association	50
Frankston Theatre Group	600
Geelong Association of Music and Art	300
Geelong Society of Operatic and Dramatic Art	200
Gilbert and Sullivan Society of Victoria	75
Hamilton Arts Council	200
Hamilton Civic Choir	50
Hamilton Musical and Choral Competitions	100
Horsham Dramatic Society	25
Lake Bolac Music Club	100
Latrobe Valley Eisteddfod	150
Little Theatre Guild Ltd.	2,500
Maryborough Arts Society	100
Melbourne City Eisteddfod	100
Melbourne Conservatorium of Music	750
Mildura District Orchestral Society	300
Minyip Music and Art Lovers' Club	25
Mirboo North Dramatic Club	50
Moe Theatrical Society	50
"Moomba" Festival	5,000
Mordialloc City Philharmonic Society	100
Morwell Players	50
National Music Camp Association	100
National Theatre Movement of Australia	8,000

APPENDIX D—*continued.*

	£
National Theatre Movement of Australia, Ballarat Branch	200
National Theatre Movement of Australia, Swan Hill Branch	300
Northcote Dramatic Society	50
Quambatook Music and Dramatic Club	25
St. Arnaud Drama Group	50
St. Arnaud Society for the Enjoyment of the Arts	25
St. John's Competitions, Ballarat	125
Sale Eisteddfod Committee	200
Sandringham City Choral Society	50
Sandringham Symphony Orchestra	100
Seymour Dramatic Club	75
Seymour Music Club	50
Shepparton City Music Shell, Queen's Gardens	140
Shepparton Musical Advancement Committee	150
Shepparton Symphony Orchestra	215
South-street Society	1,000
Stawell Choral Society	50
Stawell Cultural Society	25
Swan Hill Choral Society	25
Tongala Musical Appreciation Club	50
Toora Musical and Elocutionary Competitions	50
Traralgon Music, Drama, and Art Society	150
Victorian Artists' Society	500
Victorian Chamber Players	150
Victorian Drama League	850
Victorian Highland Pipe Band Association	250
Victorian School Music Association	100
Wangaratta Arts Council	400
Wangaratta Choral Society	150
Wangaratta Players	50
Warrandyte Art Association	50
Williamstown Little Theatre Movement	150
Yallourn Little Theatre	50
Yallourn Orchestral and Choral Society	100
TOTAL	£38,655