**2019‑20 Mid‑Year Financial Report**

**(incorporating Quarterly Financial Report No. 2)**



**March 2020**

Presented by

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Chapter 1 – Mid-year results for the State of Victoria, including the general government sector

The *2019-20 Mid-Year Financial Report* presents the financial results for the State of Victoria, including the general government sector, for the six months to 31 December 2019. The report has been prepared in accordance with the *Financial Management Act 1994* and applicable accounting standards.

The actual results in this report are compared with the revised budget estimates in the *2019-20 Budget Update*. However, the likely 2019-20 full year results cannot be extrapolated from the half-year results due to seasonal and other factors impacting on the timing of activities and transactions. In particular, they do not include significant revenue items that are expected to be recognised in the second half of the financial year. For example, land tax revenue is mainly recognised in the March quarter, and certain grant revenue from the Commonwealth Government is expected to be received later in the financial year.

The State comprises the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector.

The general government sector consists of all government departments and other controlled public sector agencies that are largely financed by State taxes and Commonwealth grants. The general government sector is primarily responsible for delivering Government policy as set out in the annual budget.

The PNFC and PFC sectors consist of a wide range of entities that provide goods and services through commercial cost recovery principles via user charges and fees. The largest Victorian PNFCs provide water, housing and transport services. Victorian PFCs can be categorised into two broad types: those that service the general public and businesses (such as the statutory insurers), and those that provide financial services to other areas of government including investing and borrowing functions.

The non-financial public sector (NFPS) represents the general government sector and the PNFC sector after eliminating transactions between the two sectors.

Due to transactions between the different sectors, not all transactions in each sector affect the overall State of Victoria outcome.

For the period to 31 December 2019, the general government sector recorded a net result from transactions deficit of $1.1 billion.

# Overview

The Victorian economy is performing well in the context of a subdued national economy. The state accounts for 2018-19 showed that Victoria’s real gross state product (GSP) growth of 3 per cent was well above the national average of 2 per cent. The December quarter national accounts showed Victoria’s state final demand grew by 1.3 per cent over the year to December 2019, a moderation amid national and global economic headwinds. Growth in consumer spending continues to moderate but property market conditions are strengthening. Business investment and the Government’s pipeline of infrastructure spending continue to support economic activity.

Labour market conditions remain positive, with solid employment growth, record levels of labour force participation and a low unemployment rate over the year to January 2020. Victoria’s employment increased by 90 700 persons over the year to January 2020, the highest increase of all the states.

The State’s government infrastructure investment, which includes net infrastructure investment and construction related cash outflows for Partnerships Victoria projects (net of asset sales), was $7.3 billion for the period to 31 December 2019. This investment is primarily funded by cash flows from operating activities and borrowings. Net cash flows from operating activities for the State for the period to 31 December 2019 were $2.7 billion. This is lower than the same period last year due to the proceeds received in 2018 from the commercialisation of the land titles and registry functions of Land Use Victoria.

Net debt for the general government sector was $35.9 billion, or 7.6 per cent of GSP, at 31 December 2019 (5.7 per cent at 30 June 2019).

# Financial performance

For the six months to 31 December 2019, the general government sector recorded a net result from transactions deficit of $1.1 billion. The decrease of $1.5 billion compared with the same period last year was primarily due to higher grants expenses and increased employee expenses. This reflects increased service delivery and annual salary growth. The increase in expenses was partially offset by an increase in taxation revenue compared with the same period last year.

The net result for the State was a deficit of $1.8 billion, an improvement compared with the $4.8 billion deficit for the same period last year. This was primarily due to stronger investment returns on insurer investment portfolios during 2019, compared with actual investment losses incurred in the first half of 2018.

Table 1.1: Summary comprehensive operating statement for the period ended 31 December (a)(b) ($ million)

|  | State of Victoria | | | | General government sector | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2018‑19 actual to Dec | 2019‑20 actual to Dec | 2019‑20 revised estimate | % (c) | 2018‑19 actual to Dec | 2019‑20 actual to Dec | 2019‑20 revised estimate | % (c) |
| **Revenue from transactions** |  |  |  |  |  |  |  |  |
| Taxation revenue | 10 715 | 11 187 | 23 941 | 47 | 10 926 | 11 395 | 24 382 | 47 |
| Interest revenue | 339 | 260 | 457 | 57 | 417 | 319 | 712 | 45 |
| Dividends and income tax equivalent and rate equivalent revenue | 1 845 | 1 672 | 1 876 | 89 | 330 | 493 | 825 | 60 |
| Sales of goods and services | 7 665 | 8 056 | 16 263 | 50 | 3 831 | 3 998 | 8 118 | 49 |
| Grant revenue | 15 338 | 15 704 | 32 342 | 49 | 15 801 | 15 810 | 33 889 | 47 |
| Other revenue | 1 883 | 1 824 | 3 659 | 50 | 1 475 | 1 444 | 3 025 | 48 |
| **Total revenue from transactions** | **37 784** | **38 704** | **78 539** | **49** | **32 780** | **33 460** | **70 951** | **47** |
| **Expenses from transactions** |  |  |  |  |  |  |  |  |
| Employee expenses | 12 883 | 13 865 | 27 457 | 50 | 12 294 | 13 241 | 26 089 | 51 |
| Net superannuation interest expense | 347 | 204 | 411 | 49 | 347 | 204 | 407 | 50 |
| Other superannuation | 1 460 | 1 601 | 3 134 | 51 | 1 382 | 1 515 | 2 965 | 51 |
| Depreciation | 2 625 | 3 158 | 6 345 | 50 | 1 459 | 1 814 | 3 717 | 49 |
| Interest expense | 1 394 | 1 470 | 3 093 | 48 | 1 100 | 1 146 | 2 556 | 45 |
| Grant expense | 4 142 | 4 428 | 9 168 | 48 | 5 981 | 6 446 | 13 015 | 50 |
| Other operating expenses | 14 790 | 15 807 | 33 095 | 48 | 9 907 | 10 240 | 21 584 | 47 |
| **Total expenses from transactions** | **37 641** | **40 534** | **82 704** | **49** | **32 470** | **34 605** | **70 333** | **49** |
| **Net result from transactions –** **net operating balance** | 143 | (1 829) | (4 165) | 44 | 310 | (1 146) | 618 | (185) |
| Total other economic flows included in net result | (4 936) | 58 | (411) | (14) | (554) | (363) | (339) | 107 |
| **Net result** | **(4 793)** | **(1 771)** | **(4 576)** | **39** | **(244)** | **(1 508)** | **279** | **(540)** |
| Total other economic flows – other comprehensive income | (850) | 711 | 4 513 | 16 | (2 066) | (139) | 3 563 | (4) |
| Comprehensive result – total change in net worth | (5 643) | (1 060) | (63) | 1 671 | (2 310) | (1 647) | 3 842 | (43) |

Notes:

(a) This is an abbreviated statement. The full consolidated and disaggregated operating statement is reported in Chapter 2.

(b) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Chapter 2, Note 9.3 for further details.

(c) The percentage represents the 2019-20 actual to December as a percentage of the revised estimate presented in the 2019-20 Budget Update.

## General government sector

### Revenue

Total revenue for the six months ended 31 December 2019 was $33.5 billion. This is 47 per cent of the full year revised budget estimate and an increase of $680 million from the same period last year.

Taxation revenue was $11.4 billion, or 47 per cent of the revised full year budget estimate. Taxation revenue is influenced by seasonal factors, such as land tax revenue being recognised in the March quarter and the Fire Services Property Levy in the September quarter.

Aside from timing factors, taxation revenue slightly increased compared with the same period last year. This was largely due to an increase in payroll tax, reflecting continued strong labour market outcomes, and gambling taxes, including from the introduction of the point of consumption tax and higher lotteries revenue resulting from more high-value jackpots.

Grant revenue was $15.8 billion, or 47 per cent of the revised full year budget estimate. This was below the pro rata revised budget, primarily due to the timing of grants from the Transport Accident Commission and the Victorian Managed Insurance Authority. These grants are expected to be received in the second half of the year.

Grant revenue was consistent with the same period last year.

Dividends and income tax equivalent revenue for the half year was 60 per cent of the revised full year budget estimate. This primarily reflected the timing of dividends and income tax equivalent revenue from the PNFC sector.

Revenue from the sale of goods and services for the half year was $4.0 billion, or 49 per cent of the revised full year budget estimate, in line with expectations.

The other sources of general government revenue represent a relatively small component of total revenue.

### Expenses

Total expenses were $34.6 billion, or 49 per cent of the revised full year budget estimate.

Employee expenses were slightly above pro rata for the first half of the year at $13.2 billion, or 51 per cent of the revised full year budget estimate and represents an increase of $947 million compared with the same period last year. This was mainly due to increased service delivery in the health, education and community safety sectors and annual salary growth.

Grant expense for the first half of the year was $6.4 billion, consistent with the revised full year budget estimate.

Compared with the same period last year, grant expense increased by $465 million. The increase primarily related to additional grants to non‑government organisations for disability services and growth in Commonwealth grants to non‑government schools.

Other operating expenses were $10.2 billion, or 47 per cent of the revised full year budget estimate. This was lower than pro rata due to the timing of the purchase of services and supplies and consumables, where a larger proportion of these operating expenses are expected in the second half of the year.

The other categories of general government operating expenses were generally in line with the pro rata revised full year budget estimates.

## State of Victoria

### Revenue

Total revenue for the State for the six months ended 31 December 2019 was $38.7 billion which was 2.4 per cent higher than the same period last year. The general government sector contributed $33.5 billion, with the balance coming from the PNFC and PFC sectors.

PNFC sector revenue increased by 5.4 per cent to $5.9 billion. This was mainly due to increased water consumption as a result of drier weather conditions.

The PFC sector revenue decreased by 3.1 per cent or $164 million to $5.1 billion compared with the same period last year. This was mainly due to a decrease in trust distributions received by insurers which form part of dividends and income tax equivalent revenue.

### Expenses

Total expenses for the State increased by 7.7 per cent to $40.5 billion compared with the same period last year. Of this, $34.6 billion was incurred by the general government sector as previously highlighted.

Compared with the same period in 2018-19, total expenses in the PNFC sector increased by 4.6 per cent to $6 billion. This was mainly due to increases in:

* other operating expenses, including higher costs associated with desalinated water orders; and
* depreciation including from a higher asset base for VicTrack and accelerated depreciation in the housing renewal demolitions program by the Director of Housing.

For the PFC sector, total expenses were $5.6 billion. This was an increase of 8.2 per cent compared with the same period in 2018-19. The increase in expenses was mainly driven by an increase in other operating expenses from the Transport Accident Commission and WorkSafe due to higher claim costs.

### Net result from transactions

The net result from transactions for the State for the six months to December 2019 was a deficit of $1.8 billion.

It is important to note that the net result from transactions measure does not include unrealised investment income earned or revaluations for the State’s insurers as these impacts are disclosed as other economic flows as part of the net result, as required by accounting standards.

### Net result and other economic flows

The net result for the State is derived by adding other economic flows to the net result from transactions. For the six months to 31 December 2019, other economic flows were a positive $58 million resulting in a net result deficit of $1.8 billion.

Other economic flows included in the net result for the State comprise accounting and actuarial revaluations that impact the valuation of assets and liabilities, including:

* movements mainly relating to the provisioning for doubtful debts in the general government sector;
* movements in the valuation of financial liabilities due to a decrease in bond rates; and
* unrealised investment performance in equity markets by PFC entities.

# Financial position

Table 1.2: Summary balance sheet as at 31 December (a)(b) ($ million)

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Jun 2019 | Dec 2019 | Actual movement | Jun 2019 | Dec 2019 | Actual movement |
| **Assets** |  |  |  |  |  |  |
| Financial assets | 68 069 | 69 607 | 1 538 | 129 153 | 127 117 | (2 035) |
| Non‑financial assets | 287 646 | 296 299 | 8 653 | 156 937 | 163 399 | 6 462 |
| **Total assets** | **355 715** | **365 906** | **10 191** | **286 089** | **290 516** | **4 427** |
| **Liabilities** |  |  |  |  |  |  |
| Superannuation | 28 683 | 28 211 | (472) | 28 632 | 28 162 | (470) |
| Borrowings | 66 458 | 74 011 | 7 553 | 41 438 | 49 081 | 7 643 |
| Other liabilities | 78 469 | 82 725 | 4 257 | 30 160 | 29 152 | (1 008) |
| **Total liabilities** | **173 610** | **184 948** | **11 338** | **100 230** | **106 395** | **6 165** |
| Net assets | 182 105 | 180 958 | (1 147) | 185 859 | 184 121 | (1 738) |

Notes:

(a) This is an abbreviated balance sheet. The full consolidated and disaggregated balance sheet is reported in Chapter 2.

(b) The June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Chapter 2, Note 9.3 for further details.

## State of Victoria

During the period to 31 December 2019 the net assets for the State of Victoria decreased by $1.1 billion. The total assets of the State increased by $10.2 billion mainly driven by the Government’s pipeline of infrastructure investment and the adoption of new accounting standards.

Total liabilities for the State increased by $11.3 billion to $184.9 billion. This was mainly due to an increase in the reported value of other liabilities and borrowings.

The increase in the reported value of borrowings is mainly due to the adoption of AASB 16 *Leases* and AASB 1059 *Service Concession Arrangements: Grantors*  from 1 July 2019 and borrowings by the Treasury Corporation of Victoria and the Centralised Banking System to fund the Government’s infrastructure program. The increase in other liabilities is due to an increase in unearned premium income for WorkSafe and an increase in claims liabilities for all the insurers.

# Cash flow

Table 1.3 outlines the use of cash resources. It summarises cash generated through the operations of government departments and other general government sector agencies, and how the cash has been invested in fixed assets.

A detailed cash flow statement is provided in Chapter 2.

Table 1.3: Application of cash resources for the general government sector (a) ($ million)

|  | 2019‑20 actual to Dec | 2019‑20 revised estimate |
| --- | --- | --- |
| Net result from transactions – net operating balance | (1 146) | 618 |
| Add back: Non‑cash revenues and expenses (net) (b) | 555 | 2 740 |
| **Net cash flows from operating activities** | **(591)** | **3 358** |
| Less: |  |  |
| **Net investment in fixed assets** |  |  |
| Purchases of non‑financial assets | 4 579 | 13 290 |
| Net cash flows from investments in financial assets for policy purposes | (375) | (3 351) |
| Sales of non‑financial assets | (80) | (349) |
| **Net investment in fixed assets** | **4 123** | **9 589** |
| Leases and service concession arrangements (c)(d) | 4 577 | 6 276 |
| Other movements | 720 | 1 881 |
| Decrease/(increase) in net debt (d) | (10 011) | (14 389) |

Notes:

(a) Figures in this table are subject to rounding to the nearest million dollar and may not add up to totals.

(b) Includes depreciation, prepayments and movements in the unfunded superannuation liability and liability of employee benefits, as well as operating cash flows not required to be recognised in the operating statement for the year.

(c) The 2019-20 estimate relates to the Casey Hospital expansion, the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, and the Suburban Roads Upgrade – Northern Roads Upgrade, South Eastern Roads Upgrade and Western Roads Upgrade.

(d) The 2019-20 estimate has been restated since the 2019-20 Budget Update due to the adoption of AASB 1059 Service Concession Arrangements: Grantors, which was retrospectively applied from 1 July 2018. Refer to Chapter 2, Note 9.3 for further details.

## Infrastructure investment

Infrastructure supports growing community needs and ongoing productivity improvement.

The State’s government infrastructure investment, which includes net infrastructure investment and

construction related cash outflows for Partnerships Victoria projects (net of asset sales), was $7.3 billion for the period to 31 December 2019.

The Government’s infrastructure scorecard as at 31 December 2019

Major projects in progress include:

75 level crossing removals by 2025;

Additional VLocity trains – standard gauge train component;

Ballarat Health Services expansion and redevelopment;

Building a world-class Geelong Performing Arts Centre;

Casey Hospital expansion;

Caulfield to Dandenong conventional signalling and power infrastructure upgrade;

Chandler Highway Upgrade;

Child Link;

Chisholm Road prison project;

City Loop fire and safety upgrade (Stage 2) and intruder alarm;

Community Safety Statement (Police Assistance Line/Online reporting);

Courts case management system;

Cranbourne line duplication;

Cranbourne-Pakenham and Sunbury line upgrade;

Drysdale Bypass;

Echuca-Moama Bridge;

Family violence information sharing system reform (Central Information Point);

Frankston Hospital;

Frankston line stabling;

Goulburn Valley Health redevelopment;

Goulburn‑Murray Water Connections Project;

High Capacity Metro Trains Project;

Hurstbridge Line upgrade – Stage 2;

Infringement Management and Enforcement Services (IMES) Reform Project information technology solution;

M80 Ring Road upgrade;

Melbourne Airport Rail;

Melbourne Park redevelopment – Stage 2;

Melbourne Park redevelopment – Stage 3;

Men’s prison system capacity;

Metro Tunnel;

Metropolitan Network Modernisation program;

Monash Freeway Upgrade – Stage 2;

Mordialloc Freeway;

The Government’s infrastructure scorecard as at 31 December 2019 (continued)

More E-Class trams and infrastructure;

Murray Basin Rail Project;

New Footscray Hospital;

New schools construction;

New trains for Sunbury;

New youth justice facility;

Non-urban train radio renewal;

North East Link;

Northern Hospital inpatient expansion – Stage 2;

Princes Highway duplication project – Winchelsea to Colac;

Public housing renewal program;

Public Safety – Police Response (Intelligence capability);

Public Safety – Police Response (Mobile technology solution);

Regional Rail Revival;

Royal Victorian Eye and Ear Hospital redevelopment;

Safe Digital Clinical Systems – Parkville Precinct electronic medical records;

Shepparton Corridor Upgrade – Stage 2;

Suburban Rail Loop;

Suburban Roads Upgrade;

Ten new community hospitals;

Tram Automatic Vehicle Monitoring system replacement;

Tram procurement and supporting infrastructure;

Victorian Heart Hospital;

Waurn Ponds Track Duplication – Stage 2;

West Gate Tunnel Project;

Western Highway duplication – Ballarat to Stawell;

Western Rail Plan;

Western Roads Upgrade;

Women’s prison system capacity;

Wyndham Vale stabling yard; and

Yan Yean Road duplication.

# Financial sustainability

## General government sector

General government sector net debt increased by $10.0 billion to $35.9 billion at 31 December 2019. This is consistent with expectations, and reflects an increase relating to the adoption of AASB 16 and AASB 1059 and the Government’s pipeline of infrastructure spending. The ratio of net debt to GSP has increased from 5.7 to 7.6 per cent.

Overall, net financial liabilities increased during the period due to the increase in net debt for the reasons discussed above. This was partially offset by a decrease in the superannuation liability and other liabilities in the six months to 31 December 2019.

Over the period to 31 December 2019, the ratio of net financial liabilities to GSP increased from 16.0 per cent to 17.3 per cent.

Table 1.4: General government sector net debt and net financial liabilities as at 31 December (a)(b) ($ million)

|  | Closing  30 Jun 2019 | Closing  31 Dec 2019 | Actual movement | % change |
| --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |
| Cash and deposits | 9 775 | 7 303 | (2 472) | (25) |
| Advances paid | 8 340 | 7 659 | (681) | (8) |
| Investment, loans and placements | 2 539 | 2 885 | 345 | 14 |
| **Total** | **20 654** | **17 847** | **(2 808)** | **(14)** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 5 146 | 4 706 | (440) | (9) |
| Borrowings | 41 438 | 49 081 | 7 643 | 18 |
| **Total** | **46 584** | **53 787** | **7 203** | **15** |
| **Net debt (c)** | **25 930** | **35 940** | **10 011** | **39** |
| Superannuation liability | 28 632 | 28 162 | (470) | (2) |
| **Net debt plus superannuation liabilities** | **54 561** | **64 102** | **9 541** | **17** |
| Other liabilities (net) (d) | 18 341 | 17 902 | (439) | (2) |
| **Net financial liabilities (e)** | **72 903** | **82 004** | **9 101** | **12** |
| (per cent) | | | | |
|  | | | | |
| **Net debt to GSP (f)** | **5.7** | **7.6** |  |  |
| **Net debt plus superannuation liability to GSP (f)** | **12.0** | **13.5** |  |  |
| Net financial liabilities to GSP (f) | 16.0 | 17.3 |  |  |

Notes:

(a) The June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Chapter 2, Note 9.3 for further details.

(b) AASB 16 Leases has been applied for the first time from 1 July 2019.

(c) The sum of borrowings, deposits held and advances received less the sum of cash and deposits, advances paid, and investments, loans and placements.

(d) Includes other employee entitlements, provisions and other liabilities, less receivables and investments accounted for using the equity method.

(e) Total liabilities less financial assets (excluding investments in other sector entities).

(f) Ratios to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios as at 31 December 2019 reflect the 2019-20 GSP forecast growth rate for the full year.

## Non-financial public sector

Table 1.5 includes several key indicators to assess financial sustainability of the NFPS (comprising the general government and the PNFC sectors), which is significant to the State’s credit rating.

Table 1.5: Non-financial public sector net debt and net financial liabilities as at 31 December (a)(b) ($ million)

|  | Closing  30 Jun 2019 | Closing  31 Dec 2019 | Actual movement | % change |
| --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |
| Cash and deposits | 11 372 | 8 929 | (2 443) | (21) |
| Advances paid | 418 | 406 | (12) | (3) |
| Investment, loans and placements | 3 341 | 3 618 | 277 | 8 |
| **Total** | **15 131** | **12 953** | **(2 178)** | **(14)** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 1 420 | 1 626 | 206 | 15 |
| Borrowings | 54 206 | 62 553 | 8 347 | 15 |
| **Total** | **55 626** | **64 179** | **8 553** | **15** |
| **Net debt (c)** | **40 494** | **51 226** | **10 732** | **27** |
| Superannuation liability | 28 683 | 28 211 | (472) | (2) |
| **Net debt plus superannuation liabilities** | **69 177** | **79 437** | **10 260** | **15** |
| Other liabilities (net) (d) | 27 287 | 26 650 | (637) | (2) |
| **Net financial liabilities (e)** | **96 464** | **106 087** | **9 623** | **10** |
| (per cent) | | | | |
|  | | | | |
| **Net debt to GSP (f)** | **8.9** | **10.8** |  |  |
| **Net debt plus superannuation liability to GSP (f)** | **15.2** | **16.8** |  |  |
| Net financial liabilities to GSP (f) | 21.2 | 22.4 |  |  |

Notes:

(a) The June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Chapter 2, Note 9.3 for further details.

(b) AASB 16 Leases has been applied for the first time from 1 July 2019.

(c) The sum of borrowings, deposits held and advances received less the sum of cash and deposits, advances paid, and investments, loans and placements.

(d) Includes other employee entitlements, provisions and other liabilities, less receivables and investments accounted for using the equity method.

(e) Total liabilities less financial assets (excluding investments in other sector entities).

(f) Ratios to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios as at 31 December 2019 reflect the 2019-20 GSP forecast growth rate for the full year.

For the six months to 31 December 2019, the increase in NFPS net debt was mainly due to an increase in borrowings of $8.3 billion. The increase in borrowings was mainly due to the adoption of AASB 16and AASB 1059. Actual borrowings were mainly applied towards the State’s capital investment program. The ratio of NFPS net financial liabilities to GSP has increased from 21.2 per cent to 22.4 per cent at the end of the period. The ratio of net debt to GSP has increased from 8.9 per cent to 10.8 per cent at the end of the period.

Chapter 2 – Mid-year financial report

# Consolidated comprehensive operating statement

For the six months ended 31 December (a) ($ million)

|  |  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | 2019 | 2018 | 2019 | 2018 |
| **Revenue from transactions** |  |  |  |  |  |
| Taxation revenue | 2.1 | 11 187 | 10 715 | 11 395 | 10 926 |
| Interest revenue |  | 260 | 339 | 319 | 417 |
| Dividends, income tax equivalent and rate equivalent revenue | 2.2 | 1 672 | 1 845 | 493 | 330 |
| Sales of goods and services | 2.3 | 8 056 | 7 665 | 3 998 | 3 831 |
| Grant revenue | 2.4 | 15 704 | 15 338 | 15 810 | 15 801 |
| Other revenue | 2.5 | 1 824 | 1 883 | 1 444 | 1 475 |
| **Total revenue from transactions** |  | **38 704** | **37 784** | **33 460** | **32 780** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses |  | 13 865 | 12 883 | 13 241 | 12 294 |
| Net superannuation interest expense | 3.2 | 204 | 347 | 204 | 347 |
| Other superannuation | 3.2 | 1 601 | 1 460 | 1 515 | 1 382 |
| Depreciation | 4.2 | 3 158 | 2 625 | 1 814 | 1 459 |
| Interest expense | 5.4 | 1 470 | 1 394 | 1 146 | 1 100 |
| Grant expense | 3.3 | 4 428 | 4 142 | 6 446 | 5 981 |
| Other operating expenses | 3.4 | 15 807 | 14 790 | 10 240 | 9 907 |
| **Total expenses from transactions** | 3.5, 3.6 | **40 534** | **37 641** | **34 605** | **32 470** |
| **Net result from transactions – net operating balance** |  | **(1 829)** | **143** | **(1 146)** | **310** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non‑financial assets |  | (9) | (58) | (35) | (50) |
| Net gain/(loss) on financial assets or liabilities at fair value |  | 518 | (2 966) | 19 | (199) |
| Other gains/(losses) from other economic flows | 9.2 | (451) | (1 912) | (347) | (305) |
| **Total other economic flows included in net result** |  | **58** | **(4 936)** | **(363)** | **(554)** |
| **Net result** |  | **(1 771)** | **(4 793)** | **(1 508)** | **(244)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non‑financial assets revaluation surplus |  | 281 | 42 | 251 | 50 |
| Remeasurement of superannuation defined benefits plans | 3.2 | 675 | (1 081) | 675 | (1 091) |
| Other movements in equity |  | (183) | 259 | (165) | 263 |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value |  | (61) | (70) | (57) | (48) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets |  | .. | .. | (843) | (1 240) |
| **Total other economic flows – other comprehensive income** |  | **711** | **(850)** | **(139)** | **(2 066)** |
| **Comprehensive result – total change in net worth** |  | **(1 060)** | **(5 643)** | **(1 647)** | **(2 310)** |
|  |  |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** |  | **(1 829)** | **143** | **(1 146)** | **310** |
| Less: Net acquisition of non‑financial assets from transactions | 9.1 | 3 831 | 4 252 | 2 187 | 2 461 |
| Net lending/(borrowing) |  | (5 660) | (4 110) | (3 332) | (2 151) |

The accompanying notes form part of these financial statements.

Note:

(a) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

# Consolidated balance sheet

As at 31 December (a) ($ million)

|  |  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 5.2 | 14 238 | 12 694 | 7 303 | 9 775 |
| Advances paid | 5.3 | 406 | 418 | 7 659 | 8 340 |
| Receivables | 6.2 | 10 023 | 9 813 | 6 499 | 6 628 |
| Investments, loans and placements | 5.3 | 44 894 | 45 098 | 2 885 | 2 539 |
| Investments accounted for using the equity method |  | 45 | 45 | 45 | 45 |
| Investments in other sector entities |  | .. | .. | 102 726 | 101 825 |
| **Total financial assets** |  | **69 607** | **68 069** | **127 117** | **129 153** |
| **Non‑financial assets** |  |  |  |  |  |
| Inventories | 6.1 | 1 152 | 1 064 | 183 | 165 |
| Non‑financial assets held for sale |  | 234 | 304 | 204 | 223 |
| Land, buildings, infrastructure, plant and equipment | 4.1 | 291 048 | 282 884 | 160 333 | 154 358 |
| Other non‑financial assets | 4.3 | 3 865 | 3 393 | 2 679 | 2 190 |
| **Total non‑financial assets** |  | **296 299** | **287 646** | **163 399** | **156 937** |
| **Total assets** | 3.6 | **365 906** | **355 715** | **290 516** | **286 089** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received |  | 1 716 | 1 587 | 4 706 | 5 146 |
| Payables | 6.3 | 29 262 | 27 114 | 15 301 | 15 923 |
| Borrowings | 5.1 | 74 011 | 66 458 | 49 081 | 41 438 |
| Employee benefits | 3.1 | 8 630 | 8 604 | 8 056 | 8 020 |
| Superannuation | 6.4 | 28 211 | 28 683 | 28 162 | 28 632 |
| Other provisions | 6.5 | 43 117 | 41 164 | 1 089 | 1 072 |
| **Total liabilities** |  | **184 948** | **173 610** | **106 395** | **100 230** |
| **Net assets** |  | **180 958** | **182 105** | **184 121** | **185 859** |
| Accumulated surplus/(deficit) |  | 94 219 | 71 951 | 78 209 | 55 573 |
| Reserves |  | 86 739 | 110 154 | 105 912 | 130 286 |
| **Net worth** |  | **180 958** | **182 105** | **184 121** | **185 859** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth |  | (115 341) | (105 541) | 20 722 | 28 922 |
| Net financial liabilities |  | 115 341 | 105 541 | 82 004 | 72 903 |
| Net debt |  | 16 189 | 9 835 | 35 940 | 25 930 |

The accompanying notes form part of these financial statements.

Note:

(a) The June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

# Consolidated cash flow statement

For the six months ended 31 December (a) ($ million)

|  |  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | 2019 | 2018 | 2019 | 2018 |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received |  | 11 698 | 11 413 | 11 906 | 11 624 |
| Grants |  | 15 718 | 15 299 | 15 827 | 15 805 |
| Sales of goods and services (b) |  | 9 912 | 9 255 | 4 349 | 4 087 |
| Interest received |  | 202 | 216 | 333 | 412 |
| Dividends, income tax equivalent and rate equivalent receipts |  | 1 672 | 1 845 | 533 | 380 |
| Other receipts |  | 852 | 3 863 | 762 | 3 726 |
| **Total receipts** |  | **40 054** | **41 890** | **33 711** | **36 034** |
| **Payments** |  |  |  |  |  |
| Payments for employees |  | (13 885) | (12 819) | (13 250) | (12 204) |
| Superannuation |  | (1 602) | (1 495) | (1 514) | (1 425) |
| Interest paid |  | (1 311) | (1 302) | (1 005) | (1 025) |
| Grants and subsidies |  | (4 767) | (4 073) | (6 848) | (6 043) |
| Goods and services (b) |  | (15 446) | (15 092) | (11 280) | (10 691) |
| Other payments |  | (377) | (414) | (404) | (414) |
| **Total payments** |  | **(37 388)** | **(35 196)** | **(34 301)** | **(31 802)** |
| **Net cash flows from operating activities** |  | **2 666** | **6 694** | **(591)** | **4 232** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |  |  |  |
| Purchases of non‑financial assets | 3.5, 3.6 | (5 838) | (6 088) | (4 579) | (4 940) |
| Sales of non‑financial assets |  | 198 | 164 | 80 | 84 |
| **Net cash flows from investments in non‑financial assets** |  | **(5 640)** | **(5 924)** | **(4 498)** | **(4 855)** |
| Net cash flows from investments in financial assets for policy purposes |  | (165) | (51) | 375 | 886 |
| **Sub‑total** |  | **(5 805)** | **(5 975)** | **(4 123)** | **(3 970)** |
| Net cash flows from investments in financial assets for  liquidity management purposes |  | 1 474 | (745) | (391) | (158) |
| **Net cash flows from investing activities** |  | **(4 331)** | **(6 720)** | **(4 515)** | **(4 128)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) |  | 94 | (19) | (531) | (1 090) |
| Net borrowings |  | 3 080 | 356 | 3 073 | (670) |
| Deposits received (net) |  | 35 | (37) | 92 | (35) |
| **Net cash flows from financing activities** |  | **3 209** | **300** | **2 633** | **(1 794)** |
| **Net increase/(decrease) in cash and cash equivalents** |  | **1 543** | **274** | **(2 472)** | **(1 690)** |
| Cash and cash equivalents at beginning of reporting period |  | 12 695 | 6 494 | 9 775 | 6 257 |
| **Cash and cash equivalents at end of the reporting period (c)** | 5.2 | **14 238** | **6 768** | **7 303** | **4 567** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities |  | 2 666 | 6 694 | (591) | 4 232 |
| Net cash flows from investments in non‑financial assets |  | (5 640) | (5 924) | (4 498) | (4 855) |
| Cash surplus/(deficit) |  | (2 974) | 771 | (5 089) | (623) |

The accompanying notes form part of these financial statements.

Notes:

(a) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

(b) These items are inclusive of goods and services tax.

(c) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet for the State of Victoria. This is due to overdrafts being included in the cash flow statement balances.

# Consolidated statement of changes in equity

For the six months ended 31 December (a) ($ million)

| State of Victoria | Accumulated surplus/(deficit) | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- |
| **2019** |  |  |  |  |  |
| **Balance at 1 July 2019 before new accounting standards** | **68 851** | **108 396** | **..** | **1 643** | **178 890** |
| Impact of changes in new accounting standards | 3 014 | 114 | .. | .. | 3 129 |
| **Restated balance at 1 July 2019 (b)** | **71 865** | **108 510** | **..** | **1 643** | **182 018** |
| Net result for the year | (1 771) | .. | .. | .. | (1 771) |
| Other comprehensive income for the year | 450 | 281 | .. | (20) | 711 |
| Transfer to/(from) accumulated surplus | 23 675 | (23 675) | .. | .. | .. |
| **Total equity as at 31 December 2019** | **94 219** | **85 116** | **..** | **1 623** | **180 958** |
| **2018** |  |  |  |  |  |
| **Balance at 1 July 2018 before new accounting standards (c)** | **78 429** | **108 122** | **..** | **1 615** | **188 167** |
| Impact of changes in new accounting standards | 2 977 | .. | .. | .. | 2 977 |
| **Restated balance at 1 July 2018** | **81 406** | **108 122** | **..** | **1 615** | **191 143** |
| Net result for the year (d) | (4 793) | .. | .. | .. | (4 793) |
| Other comprehensive income for the year (d) | (895) | 42 | .. | 3 | (850) |
| Transfer to/(from) accumulated surplus | 110 | (110) | .. | .. | .. |
| Total equity as at 31 December 2018 (c)(d) | 75 829 | 108 054 | .. | 1 618 | 185 500 |

The accompanying notes form part of these financial statements.

Notes:

(a) Note 9.3 provides further information on the impact of the new accounting standards.

(b) The 1 July 2019 balance has been restated resulting from the application of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors.

(c) The 1 July 2018 balance has been restated resulting from the application of AASB 9 Financial Instruments.

(d) The 1 July 2018 and the December 2018 balances have been restated resulting from the application of AASB 1059 Service Concession Arrangements: Grantors.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)***

For the six months ended 31 December (a) ($ million)

| General government sector | Accumulated surplus/(deficit) | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- |
| **2019** |  |  |  |  |  |
| **Balance at 1 July 2019 before new accounting standards** | **52 473** | **65 454** | **63 697** | **1 020** | **182 644** |
| Impact of changes in new accounting standards | 3 091 | 115 | (82) | .. | 3 125 |
| **Restated balance at 1 July 2019 (b)** | **55 564** | **65 569** | **63 615** | **1 020** | **185 768** |
| Net result for the year | (1 508) | .. | .. | .. | (1 508) |
| Other comprehensive income for the year | 478 | 251 | (843) | (25) | (139) |
| Transfer to/(from) accumulated surplus | 23 675 | (23 675) | .. | .. | .. |
| **Total equity as at 31 December 2019** | **78 209** | **42 145** | **62 772** | **995** | **184 121** |
| **2018** |  |  |  |  |  |
| **Balance at 1 July 2018 before new accounting standards (c)** | **52 626** | **64 084** | **66 351** | **1 055** | **184 116** |
| Impact of changes in new accounting standards | 2 977 | .. | .. | .. | 2 977 |
| **Restated balance at 1 July 2018 (d)** | **55 603** | **64 084** | **66 351** | **1 055** | **187 093** |
| Net result for the year (d) | (244) | .. | .. | .. | (244) |
| Other comprehensive income for the year (d) | (881) | 50 | (1 240) | 5 | (2 066) |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. |
| Total equity as at 31 December 2018 (c)(d) | 54 478 | 64 134 | 65 111 | 1 060 | 184 783 |

The accompanying notes form part of these financial statements.

Notes:

(a) Note 9.3 provides further information on the impact of the new accounting standards.

(b) The 1 July 2019 balance has been restated resulting from the application of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors.

(c) The 1 July 2018 balance has been restated resulting from the application of AASB 9 Financial Instruments.

(d) The 1 July 2018 and the December 2018 balances have been restated resulting from the application of AASB 1059 Service Concession Arrangements: Grantors.

# About this report

## Basis of preparation

This Mid-Year Financial Report presents the unaudited general purpose consolidated interim financial statements of the State of Victoria (the State) and the Victorian general government sector. The report also incorporates the quarterly financial report of the general government sector for the quarter ended 31 December 2019.

Except as indicated below, the detailed accounting policies applied in preparing the interim financial report are consistent with those applied for the financial statements published in the *2018-19 Financial Report* for the State of Victoria.

This interim financial report does not include all the notes normally included with the annual financial report and should be read in conjunction with the *2018-19 Financial Report*.

Several new accounting standards issued by the Australian Accounting Standards Board (AASB) have been applied in this financial report. These are:

* AASB 15 *Revenue from Contracts with Customers*;
* AASB 1058 *Income of Not-for-profit Entities*;
* AASB 16 *Leases*; and
* AASB 1059 *Service Concession Arrangements: Grantors*.

The transitional impacts of adopting these standards have been reflected in the opening balance of accumulated surplus / (deficit), as presented in the statement of changes in equity on pages 14 and 15.

Note 9.3 further outlines the actual impacts of the new accounting standards.

Full presentation and disclosure of transition to the new accounting standards will be reflected in the *2019-20 Financial Report* for the State of Victoria.

## Statement of compliance

These financial statements have been prepared in the manner and form as determined by the Treasurer, in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) which include Interpretations issued by the AASB.

In particular, they are presented consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and AASB 134 *Interim Financial Reporting*.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

The financial statements have also applied reporting requirements from the *Australian System of Government Finance Statistics: Concepts, Sources and Methods (2015)* manual released by the Australian Bureau of Statistics.

The *2019-20 Mid-Year Financial Report* was authorised for issue by the Treasurer on 13 March 2020.

## Basis of accounting and measurement

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

These financial statements are presented in Australian dollars and the historical cost convention is used except for:

* general government sector investments in other sector entities, which are measured at net asset value;
* non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure the carrying amounts do not materially differ from their fair value;
* productive trees in commercial native forests, which are measured at their fair value less estimated costs to sell;
* derivative financial instruments, managed investment schemes, certain debt securities and investment properties, after initial recognition, which are measured at fair value with changes reflected in the consolidated comprehensive operating statement (fair value through profit and loss);
* certain liabilities, most notably unfunded superannuation and insurance claim provisions, which are subject to an actuarial assessment;
* financial assets classified at fair value through other comprehensive income which are measured at fair value with movements reflected in Other economic flows – other comprehensive income; and
* financial assets classified as fair value through profit and loss, which are measured at fair value with movements reflected in Other economic flows included in net result.

## Reporting entity

The State of Victoria reporting entity includes government departments, public non-financial corporations (PNFCs), public financial corporations (PFCs) and other government controlled entities. The State and most of its subsidiary entities are not‑for‑profit entities. The State controlled entities are classified into various sectors according to the System of National Accounts as described below.

### General government

The Victorian general government sector includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production.

The general government sector is not a separate reporting entity but represents a sector within the State of Victoria reporting entity and is reported in accordance with AASB 1049. The primary function of entities within the general government sector is to provide public services (outputs), which are mainly non-market in nature, for the collective consumption of the community, and involve the transfer or redistribution of revenue, which is financed mainly through taxes and other compulsory levies. Unless otherwise noted, accounting policies applied by the State of Victoria apply equally to the general government sector.

### Public non-financial corporations

The primary function of entities in the PNFC sector is to provide goods and services in a competitive market that is non-regulatory and non-financial in nature. Such entities are financed mainly through sales to consumers of these goods and services.

### Public financial corporations

The PFC sector comprises entities engaged primarily in providing financial intermediation services or auxiliary financial services and which have one or more of the following characteristics:

* they perform a central borrowing function;
* they provide insurance services;
* they accept call, term or savings deposits; or
* they have the ability to incur liabilities and acquire financial assets in the market on their own account.

### Non-financial public sector

The non-financial public sector (NFPS) consolidates the general government and PNFC sectors.

Note 9.1 disaggregates information about these sectors. Disclosing this information assists users of the financial statements to determine the effects of differing activities on the financial performance and position of the State. It also assists users to identify the resources used to produce a range of goods and services, and the extent to which the State has recovered the costs of these resources from revenues attributable to those activities.

## Basis of consolidation

The consolidated financial statements of the State incorporate assets and liabilities of all reporting entities it controlled as at 31 December 2019 and the revenue and expenses of controlled entities for the part of the reporting period in which control existed.

The consolidated financial statements of the Victorian general government sector incorporate assets and liabilities, and revenue and expenses of entities classified as general government. Entities in the PNFC and PFC sectors are not consolidated into the financial statements of the general government sector, but are accounted for as equity investments measured at the Government’s proportional share of the carrying amount of net assets of the PNFC sector and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity’s net assets before consolidation eliminations of an entity within the sector is less than zero, the amount is not included in the general government sector, but the net liabilities will be consolidated at the State level. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value.

Entities which are not controlled by the State, including local government authorities, universities and denominational hospitals, are not consolidated into the State’s financial statements.

Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In preparing the consolidated financial statements for reporting the State and Victorian general government sector, all material transactions and balances between consolidated government controlled entities are eliminated.

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the revenue and expenses of the relevant sectors of government.

Details of significant changes to entities consolidated by the State are shown in Note 9.4.

## Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2019-20 reporting period. These accounting standards have not been applied to the *Mid-Year Financial Report*.

The State is reviewing its existing policies and assessing the potential implications of these accounting standards which include:

* AASB 17 *Insurance Contracts:* operative on or after 1 January 2021, will supersede AASB 4 *Insurance Contracts*. AASB 17 seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle‑based framework to account for all types of insurance contracts, including reissuance contracts that an insurer holds. The standard also provides requirements for presentation and disclosure to enhance comparability between entities. The standard currently does not apply to the not‑for-profit public sector entities.
* AASB 2019-7 *Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS reconciliations:* operative for reporting periods commencing on or after 1 January 2020, with an earlier application permitted. The standard provides an optional relief for the general government sector financial statements and the whole of government financial statements (including the Public Non‑Financial Corporations and Public Financial Corporations sectors) from disclosure of the key fiscal aggregates measured in accordance with the Australian Bureau of Statistics GFS manual where they differ from the key fiscal aggregates measured consistently with Australian Accounting Standards, (with a reconciliation of the two measures of key fiscal aggregates) which are disclosed pursuant to paragraph 16 of AASB 1049.

Where the entity elects to adopt the optional relief additional disclosure is required to explain how each key fiscal aggregate is calculated and how it differs (not necessarily quantitatively) from its corresponding GFS measure.

The State intends to adopt the optional relief early for the 30 June 2020 reporting period.

* AASB 2019-8 *Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases*: applicable to annual periods beginning on or after 1 January 2019, with an earlier application permitted, provided that AASB 1058 *Income for Not-for-Profit Entities* is also applied at the same time. The standard makes amendments to AASB 16 *Leases* and AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to:
  + specify for not-for-profit entities that right‑of‑use assets arising under concessionary leases can be treated as a separate class of right-of-use assets to right-of-use assets arising under other leases for the purposes of ASSB 16; and
  + provide an option to measure right-of-use assets arising under concessionary leases at cost or at fair value.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on public sector reporting.

## Rounding

All amounts in the financial report have been rounded to the nearest $1 million unless otherwise stated. Figures in this financial report may not add due to rounding.

# How funds are raised

## Introduction

This section presents the sources and amounts of revenue raised by the State.

Revenue from transactions is recognised in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.

## Structure

[2.1 Taxation revenue 19](#_Toc34059981)

[2.2 Dividends, income tax equivalent and rate equivalent revenue 20](#_Toc34059982)

[2.3 Sales of goods and services 21](#_Toc34059983)

[2.4 Grant revenue 21](#_Toc34059984)

[2.5 Other revenue 21](#_Toc34059985)

## Taxation revenue

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| **Taxes on employers’ payroll and labour force** | **3 335** | **3 146** | **3 377** | **3 185** |
| **Taxes on immovable property** |  |  |  |  |
| Land tax | 166 | 100 | 180 | 123 |
| Fire Services Property Levy | 706 | 642 | 706 | 642 |
| Congestion levy | 1 | 1 | 1 | 1 |
| Metropolitan improvement levy | 185 | 186 | 185 | 186 |
| **Total taxes on property** | **1 058** | **929** | **1 072** | **952** |
| **Gambling taxes** |  |  |  |  |
| Public lotteries | 284 | 256 | 284 | 256 |
| Electronic gaming machines | 584 | 584 | 584 | 584 |
| Casino | 120 | 111 | 120 | 111 |
| Racing and other sports betting | 85 | 37 | 85 | 37 |
| Other | 6 | 15 | 6 | 15 |
| **Financial and capital transactions** |  |  |  |  |
| Land transfer duty | 3 257 | 3 309 | 3 257 | 3 309 |
| Metropolitan planning levy | 12 | 12 | 12 | 12 |
| Financial accommodation levy | .. | .. | 76 | 74 |
| Growth areas infrastructure contribution | 121 | 132 | 121 | 132 |
| **Levies on statutory corporations** | **..** | **..** | **75** | **75** |
| **Taxes on insurance** | **781** | **733** | **781** | **733** |
| **Total taxes on the provision of goods and services** | **5 250** | **5 188** | **5 401** | **5 336** |
| **Motor vehicle taxes** |  |  |  |  |
| Vehicle registration fees | 892 | 839 | 893 | 840 |
| Duty on vehicle registrations and transfers | 473 | 463 | 473 | 463 |
| **Liquor licence fees** | **17** | **17** | **17** | **17** |
| **Other** | **162** | **133** | **162** | **133** |
| **Total taxes on the use of goods and performance of activities** | **1 544** | **1 452** | **1 545** | **1 453** |
| Total taxation revenue | 11 187 | 10 715 | 11 395 | 10 926 |

## Dividends, income tax equivalent and rate equivalent revenue

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| Dividends from PFC sector | .. | .. | 9 | 7 |
| Dividends from PNFC sector | .. | .. | 294 | 158 |
| Dividends from non‑public sector | 1 672 | 1 845 | 56 | 29 |
| **Dividends** | **1 672** | **1 845** | **358** | **194** |
| Income tax equivalent revenue from PFC sector | .. | .. | 4 | 24 |
| Income tax equivalent revenue from PNFC sector | .. | .. | 130 | 112 |
| **Income tax equivalent revenue** | **..** | **..** | **134** | **136** |
| Total dividends, income tax equivalent and rate equivalent revenue | 1 672 | 1 845 | 493 | 330 |

Dividends by entity (a) ($ million)

|  | General government sector | |
| --- | --- | --- |
|  | 2019 | 2018 |
| **Public financial corporations** |  |  |
| Victorian Managed Insurance Authority | .. | .. |
| Transport Accident Commission | .. | .. |
| Treasury Corporation of Victoria | .. | .. |
| State Trustees Ltd | 2 | .. |
| Victorian Funds Management Corporation | 7 | 7 |
| **Dividends from PFC sector** | **9** | **7** |
| **Public non‑financial corporations** |  |  |
| City West Water Corporation | 54 | 20 |
| Melbourne Water Corporation | 62 | 24 |
| South East Water Corporation | 116 | 59 |
| Yarra Valley Water Corporation | 61 | 44 |
| State Electricity Commission of Victoria | .. | .. |
| Development Victoria | .. | 9 |
| Others | .. | 1 |
| Dividends from PNFC sector | 293 | 158 |

Note:

* + - * 1. Amounts equivalent to dividends to be paid by the Victorian Managed Insurance Authority and the Transport Accident Commission are received and reported as contributions forming part of grant revenue, consistent with the requirements of AASB 1023 General Insurance Contracts.

## Sales of goods and services

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| Motor vehicle regulatory fees | 122 | 117 | 122 | 117 |
| Other regulatory fees | 282 | 301 | 271 | 294 |
| Sale of goods | 332 | 289 | 56 | 40 |
| Provision of services (a) | 7 039 | 6 693 | 2 307 | 2 221 |
| Rental | 166 | 155 | 48 | 39 |
| Refunds and reimbursements | 115 | 109 | 2 | 1 |
| Inter‑sector capital asset charge | .. | .. | 1 192 | 1 119 |
| Total sales of goods and services | 8 056 | 7 665 | 3 998 | 3 831 |

Note:

(a) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

## Grant revenue

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| General purpose grants | 8 507 | 8 545 | 8 507 | 8 545 |
| Specific purpose grants for on‑passing | 1 961 | 1 822 | 1 961 | 1 822 |
| Specific purpose grants | 5 234 | 4 967 | 5 231 | 4 967 |
| **Total** | **15 701** | **15 335** | **15 699** | **15 334** |
| Other contributions and grants | 3 | 4 | 110 | 467 |
| Total grant revenue | 15 704 | 15 338 | 15 810 | 15 801 |

## Other revenue

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| Fair value of assets received free of charge or for nominal consideration | 249 | 185 | 31 | 30 |
| Fines | 363 | 382 | 363 | 382 |
| Royalties | 43 | 62 | 35 | 50 |
| Donations and gifts | 123 | 114 | 82 | 73 |
| Other non‑property rental | 39 | 39 | 14 | 17 |
| Other revenue – Education | 326 | 299 | 326 | 299 |
| Other revenue – Health | 106 | 102 | 106 | 102 |
| Revenue related to economic service concession arrangements (a) | 182 | 128 | 182 | 128 |
| Other miscellaneous revenue | 393 | 573 | 305 | 395 |
| Total other revenue (a) | 1 824 | 1 883 | 1 444 | 1 475 |

Note:

(a) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. This revenue relates to economic service concession arrangements and reflects the progressive unwinding of the grant of right to operate liability over the remaining period of the arrangement. Refer to Note 9.3 for further details.

# How funds are spent

## Introduction

This section accounts for the major components of expenditure incurred by the State towards the delivery of services and on capital or infrastructure projects during the year, as well as any related obligations outstanding as at 31 December 2019.

## Structure

[3.1 Employee expenses and provision for outstanding employee benefits 22](#_Toc34059993)

[3.2 Superannuation (operating statement) 23](#_Toc34059994)

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[3.6 Total operating expenses, purchases of non-financial assets and total assets –   
by classification of the functions of government 26](#_Toc34059998)

## Employee expenses and provision for outstanding employee benefits

### Employee expenses (operating statement)

Employee expenses in the operating statement are a major component of operating costs and include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements and redundancy payments. The majority of employee expenses in the operating statement are wages and salaries. Increases in employee expenses are mainly attributable to increased service delivery in the health, education, and community safety sectors as well as salary growth in line with enterprise bargaining agreements.

### Employee benefits (balance sheet)

As part of annual operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to reflect the estimated timing and amount of benefit payment. The table below shows the key components of this provision at 31 December and 30 June.

Total provision for employee benefits and on-costs at 31 December ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
| **Current** |  |  |  |  |
| Accrued salaries and wages | 572 | 697 | 550 | 656 |
| Other employee benefits | 87 | 102 | 66 | 84 |
| Annual leave | 1 912 | 1 926 | 1 747 | 1 758 |
| Long service leave | 4 846 | 4 748 | 4 580 | 4 474 |
| **Total current employee benefits and on‑costs** | **7 417** | **7 473** | **6 943** | **6 971** |
| **Non‑current** |  |  |  |  |
| Accrued salaries and wages | 14 | 14 | .. | .. |
| Long service leave | 1 199 | 1 117 | 1 113 | 1 048 |
| **Total non‑current employee benefits and on‑costs** | **1 213** | **1 131** | **1 113** | **1 048** |
| Total employee benefits and on‑costs | 8 630 | 8 604 | 8 056 | 8 020 |

## Superannuation (operating statement)

($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2019 | 2018 |
| **Defined benefit plans** |  |  |
| Net superannuation interest expense | 204 | 347 |
| Current service cost | 562 | 509 |
| Remeasurements: |  |  |
| Expected return on superannuation assets excluding interest income | (658) | (524) |
| Other actuarial (gain)/loss on superannuation assets | (77) | 1 707 |
| Actuarial and other adjustments to unfunded superannuation liability | 60 | (102) |
| **Total expense recognised in respect of defined benefit plans** | **91** | **1 938** |
| **Defined contribution plans** |  |  |
| Employer contributions to defined contribution plans | 997 | 907 |
| Other (including pensions) | 43 | 44 |
| **Total expense recognised in respect of defined contribution plans** | **1 040** | **951** |
| **Total superannuation (gain)/expense recognised in operating statement** | **1 130** | **2 889** |
| **Represented by:** |  |  |
| Net superannuation interest expense | 204 | 347 |
| Other superannuation | 1 601 | 1 460 |
| **Superannuation expense from transactions** | **1 805** | **1 807** |
| **Remeasurement recognised in other comprehensive income** | **(675)** | **1 081** |
| Total superannuation costs recognised in operating statement | 1 130 | 2 889 |

## Grant expense

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| **Current grant expense** |  |  |  |  |
| Commonwealth government | 543 | 526 | 543 | 525 |
| Local government (including grants for on‑passing) | 339 | 344 | 339 | 344 |
| Private sector and not‑for‑profit on‑passing | 1 787 | 1 654 | 1 787 | 1 654 |
| Other private sector and not‑for‑profit | 1 561 | 1 373 | 1 528 | 1 324 |
| Grants within the Victorian government | .. | .. | 2 093 | 1 990 |
| Grants to other state governments | 69 | 12 | 69 | 12 |
| **Total current grant expense** | **4 299** | **3 910** | **6 358** | **5 850** |
| **Capital grant expense** |  |  |  |  |
| Local government (including grants for on‑passing) | 17 | 12 | 17 | 12 |
| Private sector and not‑for‑profit on‑passing | 53 | 73 | 52 | 66 |
| Grants within the Victorian government | .. | .. | 10 | 22 |
| Other grants | 59 | 147 | 10 | 30 |
| **Total capital grant expense** | **129** | **232** | **88** | **131** |
| Total grant expense | 4 428 | 4 142 | 6 446 | 5 981 |

## Other operating expenses (a)

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| Purchase of supplies and consumables (b) | 2 817 | 2 512 | 2 274 | 2 009 |
| Cost of goods sold | 116 | 128 | 16 | 17 |
| Finance expenses and fees | 240 | 240 | 23 | 21 |
| Purchase of services (b) | 7 620 | 7 372 | 6 820 | 6 667 |
| Insurance claims expense | 3 710 | 3 096 | 178 | 139 |
| Maintenance | 774 | 720 | 424 | 388 |
| Operating lease payments | .. | 258 | .. | 217 |
| Short term and low value lease expense | 85 | .. | 76 | .. |
| Other | 445 | 463 | 429 | 449 |
| Total other operating expenses | 15 807 | 14 790 | 10 240 | 9 907 |

Notes:

(a) AASB 16 Leases has been applied for the first time from 1 July 2019.

(b) A breakdown of purchase of supplies and consumables and purchase of services is provided in the following two tables.

**Purchase of supplies and consumables**  ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| Medicinal pharmacy and medical supplies | 809 | 779 | 809 | 779 |
| Office supplies and consumables | 111 | 107 | 104 | 100 |
| Specialised operational supplies and consumables | 154 | 123 | 99 | 83 |
| Other purchase of supplies and consumables | 1 744 | 1 503 | 1 263 | 1 047 |
| Total purchase of supplies and consumables | 2 817 | 2 512 | 2 274 | 2 009 |

**Purchase of services**  ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| Service contracts | 4 107 | 4 021 | 3 881 | 3 815 |
| Accommodation/occupancy | 476 | 512 | 408 | 447 |
| Medical and client care services | 202 | 194 | 202 | 194 |
| Staff related expenses (non‑labour related) | 159 | 152 | 142 | 136 |
| Other purchase of services | 2 675 | 2 493 | 2 187 | 2 076 |
| Total purchases of services | 7 620 | 7 372 | 6 820 | 6 667 |

## Total operating expenses and purchases of non-financial assets – by department

The following table discloses the funds spent by each portfolio department, including operating expenditure and capital expenditure, as part of the department’s normal activities.

Total operating expenses and purchases of non-financial assets – by department (a) ($ million)

|  | Expenses from transactions | | Purchases of non‑financial assets | |
| --- | --- | --- | --- | --- |
| State of Victoria | Dec 2019 | Dec 2018 (b) | Dec 2019 | Dec 2018 |
| Education and Training | 9 646 | 8 909 | 696 | 857 |
| Environment, Land, Water and Planning | 4 858 | 4 683 | 916 | 1 043 |
| Health and Human Services | 14 712 | 13 843 | 726 | 646 |
| Jobs, Precincts and Regions | 1 546 | .. | 84 | .. |
| Justice and Community Safety | 6 335 | 3 860 | 248 | 364 |
| Premier and Cabinet | 333 | 397 | 6 | 9 |
| Transport | 8 765 | 7 818 | 2 725 | 3 157 |
| Treasury and Finance | 5 106 | 8 660 | 34 | 52 |
| Parliament | 111 | 104 | 2 | 9 |
| Courts | 346 | 313 | 38 | 22 |
| Regulatory bodies and other part budget funded agencies (c) | 1 339 | 1 202 | 84 | 103 |
| **Total** | **53 097** | **49 789** | **5 558** | **6 262** |
| *Less eliminations and adjustments (d)* | *(12 564)* | *(12 148)* | *280* | *(175)* |
| Grand total | 40 534 | 37 641 | 5 838 | 6 088 |

| General government sector |  |  |  |  |
| --- | --- | --- | --- | --- |
| Education and Training | 9 646 | 8 909 | 696 | 857 |
| Environment, Land, Water and Planning | 1 719 | 1 760 | 36 | 64 |
| Health and Human Services | 13 949 | 13 022 | 571 | 486 |
| Jobs, Precincts and Regions | 1 019 | .. | 56 | .. |
| Justice and Community Safety | 3 984 | 3 761 | 205 | 363 |
| Premier and Cabinet | 319 | 384 | 5 | 9 |
| Transport | 4 583 | 5 336 | 2 620 | 2 970 |
| Treasury and Finance | 3 815 | 3 508 | 37 | 12 |
| Parliament | 111 | 104 | 2 | 9 |
| Courts | 346 | 313 | 38 | 22 |
| Regulatory bodies and other part budget funded agencies (c) | 1 339 | 1 202 | 84 | 103 |
| **Total** | **40 832** | **38 300** | **4 349** | **4 895** |
| *Less eliminations and adjustments (d)* | *(6 227)* | *(5 830)* | *230* | *44* |
| Grand total | 34 605 | 32 470 | 4 579 | 4 940 |

Notes:

(a) On 29 November 2018, the Premier announced machinery of government changes effective from 1 January 2019. Please see Note 9.8 in the 2018-19 Financial Report for the State of Victoria for further details.

(b) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

(c) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to departments.

(d) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers.

## Total operating expenses, purchases of non-financial assets and total assets – by classification of the functions of government

The following table presents operating and capital expenditure and total assets held, by classification of the functions of government (COFOG).

Total operating expenses, purchases of non-financial assets and total assets – by COFOG ($ million)

|  | Expenses from transactions | | Purchases of non‑financial assets | | Total assets | |
| --- | --- | --- | --- | --- | --- | --- |
| State of Victoria | Dec 2019 | Dec 2018 (a) | Dec 2019 | Dec 2018 (a) | Dec 2019 | Jun 2019 (a) |
| General public services | 6 592 | 5 930 | 52 | 67 | 7 699 | 5 250 |
| Public order and safety | 4 181 | 3 847 | 320 | 463 | 11 225 | 10 158 |
| Economic affairs | 794 | 797 | 32 | 41 | 1 233 | 1 155 |
| Environmental protection | 406 | 356 | 60 | 47 | 11 727 | 11 619 |
| Housing and community amenities | 2 570 | 2 439 | 961 | 986 | 51 440 | 50 952 |
| Health | 10 372 | 9 495 | 548 | 465 | 20 046 | 19 319 |
| Recreation, culture and religion | 828 | 832 | 11 | 118 | 14 151 | 14 078 |
| Education | 8 194 | 7 769 | 683 | 849 | 27 551 | 27 002 |
| Social protection | 3 010 | 2 926 | 174 | 150 | 28 483 | 28 529 |
| Transport | 3 847 | 3 559 | 2 718 | 2 938 | 127 531 | 122 871 |
| Not allocated by purpose (b)(c) | (261) | (309) | 279 | (35) | 64 820 | 64 784 |
| Total | 40 534 | 37 641 | 5 838 | 6 088 | 365 906 | 355 715 |

| General government sector |  | |  | |  | |
| --- | --- | --- | --- | --- | --- | --- |
| General public services | 1 957 | 2 010 | 4 | 27 | 4 266 | 2 294 |
| Public order and safety | 4 283 | 3 936 | 320 | 463 | 11 225 | 10 158 |
| Economic affairs | 819 | 836 | 30 | 43 | 1 163 | 1 091 |
| Environmental protection | 422 | 366 | 60 | 47 | 11 726 | 11 618 |
| Housing and community amenities | 1 040 | 986 | 34 | 32 | 2 027 | 2 229 |
| Health | 10 544 | 9 658 | 548 | 464 | 20 046 | 19 319 |
| Recreation, culture and religion | 386 | 438 | 14 | 32 | 7 578 | 7 561 |
| Education | 8 242 | 7 814 | 683 | 849 | 27 551 | 27 002 |
| Social protection | 2 679 | 2 590 | 35 | 31 | 2 023 | 1 985 |
| Transport | 4 493 | 4 194 | 2 621 | 2 907 | 76 114 | 73 868 |
| Not allocated by purpose (b)(c) | (259) | (358) | 229 | 45 | 126 797 | 128 965 |
| Total | 34 605 | 32 470 | 4 579 | 4 940 | 290 516 | 286 089 |

Notes:

(a) The December 2018 and June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

(b) Not allocated by purpose for expenses and purchases of non-financial assets represents eliminations and adjustments.

(c) Not allocated by purpose for total assets represents eliminations and adjustments, and financial assets, which are not able to be allocated by purpose.

# Major assets and investments

## Introduction

This section outlines the assets that the State controls, reflecting investing activities in the current and prior years.

## Structure

[4.1 Total land, buildings, infrastructure, plant and equipment 27](#_Toc34060057)

[4.2 Depreciation 29](#_Toc34060058)

[4.3 Other non-financial assets 30](#_Toc34060059)

## Total land, buildings, infrastructure, plant and equipment (a)(b)

($ million)

|  | State of Victoria | | |  | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Dec 2019 | Gross carrying amount | Accumulated depreciation | Carrying amount |  | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 68 835 | (4 107) | 64 728 |  | 46 413 | (2 662) | 43 751 |
| Land and national parks | 88 640 | .. | 88 640 |  | 58 230 | .. | 58 230 |
| Infrastructure systems | 85 940 | (7 389) | 78 550 |  | 6 102 | (597) | 5 505 |
| Plant, equipment and vehicles | 16 464 | (6 956) | 9 508 |  | 8 212 | (4 826) | 3 386 |
| Roads and road infrastructure | 58 815 | (23 819) | 34 996 |  | 58 705 | (23 806) | 34 900 |
| Earthworks | 8 899 | .. | 8 899 |  | 8 899 | .. | 8 899 |
| Cultural assets | 5 924 | (197) | 5 727 |  | 5 860 | (197) | 5 662 |
| Total land, buildings, infrastructure, plant and equipment | 333 517 | (42 469) | 291 048 |  | 192 421 | (32 088) | 160 333 |

| Jun 2019 |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Buildings | 58 404 | (2 453) | 55 950 | 36 642 | (1 402) | 35 239 |
| Leased buildings | 5 771 | (591) | 5 180 | 5 589 | (496) | 5 093 |
| Land and national parks | 88 715 | .. | 88 715 | 58 294 | .. | 58 294 |
| Infrastructure systems | 77 829 | (5 645) | 72 184 | 5 723 | (572) | 5 151 |
| Leased infrastructure systems | 4 663 | (513) | 4 149 | .. | .. | .. |
| Plant, equipment and vehicles | 14 250 | (5 695) | 8 555 | 6 857 | (4 154) | 2 703 |
| Leased plant, equipment and vehicles | 987 | (665) | 322 | 515 | (302) | 213 |
| Roads and road infrastructure | 56 680 | (23 475) | 33 205 | 56 569 | (23 463) | 33 105 |
| Earthworks | 8 899 | .. | 8 899 | 8 899 | .. | 8 899 |
| Cultural assets | 5 915 | (189) | 5 725 | 5 850 | (189) | 5 661 |
| Total land, buildings, infrastructure, plant and equipment | 322 112 | (39 227) | 282 884 | 184 936 | (30 578) | 154 358 |

Notes:

(a) AASB 16 Leases has been applied for the first time from 1 July 2019.

(b) The June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

The following tables are subsets of total land, buildings, infrastructure, plant and equipment by right of use (leased) assets and service concession assets.

Total right of use (leased) assets: land, buildings, infrastructure, plant and equipment (a) ($ million)

|  | State of Victoria | | |  | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Dec 2019 | Gross carrying amount | Accumulated depreciation | Carrying amount |  | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 9 265 | (608) | 8 656 |  | 8 725 | (493) | 8 232 |
| Infrastructure systems | 4 744 | (552) | 4 192 |  | 71 | .. | 71 |
| Plant, equipment and vehicles | 1 950 | (498) | 1 452 |  | 848 | (339) | 509 |
| Total right of use assets: land, buildings, infrastructure, plant and equipment | 15 959 | (1 658) | 14 301 |  | 9 644 | (833) | 8 811 |

Note:

(a) AASB 16 Leases has been applied for the first time from 1 July 2019.

Total service concession assets related land, buildings, infrastructure, plant and equipment ($ million)

|  | State of Victoria | | |  | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Dec 2019 | Gross carrying amount | Accumulated depreciation | Carrying amount |  | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 1 985 | (133) | 1 852 |  | 1 985 | (133) | 1 852 |
| Land and national parks | 921 | .. | 921 |  | 921 | .. | 921 |
| Infrastructure systems | 4 313 | (26) | 4 287 |  | 4 122 | .. | 4 122 |
| Plant, equipment and vehicles | 220 | (36) | 183 |  | 220 | (36) | 183 |
| Roads and road infrastructure | 10 360 | (253) | 10 108 |  | 10 360 | (253) | 10 108 |
| Total service concession land, buildings, infrastructure, plant and equipment assets | 17 799 | (448) | 17 351 |  | 17 609 | (422) | 17 186 |

| Jun 2019 |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Buildings | 1 936 | (106) | 1 829 | 1 936 | (106) | 1 829 |
| Land and national parks | 921 | .. | 921 | 921 | .. | 921 |
| Infrastructure systems | 3 427 | (22) | 3 405 | 3 236 | .. | 3 236 |
| Plant, equipment and vehicles | 196 | (26) | 170 | 196 | (26) | 170 |
| Roads and road infrastructure | 9 465 | (203) | 9 263 | 9 465 | (203) | 9 263 |
| Total service concession land, buildings, infrastructure, plant and equipment assets | 15 945 | (357) | 15 588 | 15 755 | (335) | 15 420 |

## Depreciation (a)

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| Buildings | 1 343 | 819 | 990 | 583 |
| Leased buildings | .. | 87 | .. | 82 |
| Infrastructure systems | 797 | 708 | 26 | 26 |
| Leased infrastructure systems | .. | 41 | .. | .. |
| Plant, equipment and vehicles | 504 | 441 | 326 | 280 |
| Leased plant, equipment and vehicles | .. | 15 | .. | 15 |
| Roads and road infrastructure | 385 | 399 | 384 | 397 |
| Cultural assets | 9 | 10 | 9 | 10 |
| Intangible produced assets | 119 | 105 | 79 | 67 |
| Total depreciation of buildings, infrastructure, plant and equipment | 3 158 | 2 625 | 1 814 | 1 459 |

Note:

(a) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

The following two tables are subsets of total depreciation expense.

Depreciation of right of use (leased) assets (a) ($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2019 | 2019 |
| Buildings | 309 | 292 |
| Infrastructure systems | 40 | 1 |
| Plant, equipment and vehicles | 62 | 52 |
| Total depreciation of right of use assets | 412 | 345 |

Note:

(a) AASB 16 Leases has been applied for the first time from 1 July 2019.

Depreciation of service concession assets ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| Buildings | 27 | 21 | 27 | 21 |
| Infrastructure systems | 4 | .. | .. | .. |
| Plant, equipment and vehicles | 10 | 10 | 10 | 10 |
| Roads and road infrastructure | 50 | 85 | 50 | 85 |
| Total depreciation of service concession assets | 90 | 116 | 87 | 116 |

## Other non-financial assets (a)

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
| Intangible produced assets | 3 559 | 3 481 | 2 232 | 2 209 |
| Accumulated depreciation | (1 894) | (1 826) | (1 134) | (1 088) |
| Service concession assets – intangible produced | 251 | 251 | 251 | 251 |
| Accumulated depreciation | (1) | (1) | (1) | (1) |
| Intangible non‑produced assets | 924 | 909 | 110 | 109 |
| Accumulated amortisation | (329) | (309) | (44) | (40) |
| **Total intangibles** | **2 510** | **2 505** | **1 414** | **1 440** |
| Investment properties | 289 | 289 | 281 | 280 |
| Biological assets | 61 | 60 | 2 | 2 |
| Other assets | 1 005 | 539 | 982 | 468 |
| Total other non‑financial assets | 3 865 | 3 393 | 2 679 | 2 190 |

Note:

(a) The June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

# Financing state operations

## Introduction

State operations are financed through a variety of means. Recurrent operations are generally financed from cash flows from operating activities (see consolidated cash flow statement). Asset investment operations are generally financed from a combination of surplus cash flows from operating activities, asset sales, advances and borrowings.

This section presents the financing of State and general government sector operations, including material commitments recorded by the State.

## Structure

[5.1 Borrowings 31](#_Toc34060075)

[5.2 Cash flow information and balances 32](#_Toc34060076)

[5.3 Advances paid and investments,   
loans and placements 33](#_Toc34060077)

[5.4 Interest expense 33](#_Toc34060078)

[5.5 Commitments 34](#_Toc34060079)

## Borrowings (a)(b)

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
| **Current borrowings** |  |  |  |  |
| Domestic borrowings | 13 787 | 14 740 | 9 645 | 8 551 |
| Finance lease liabilities | .. | 371 | .. | 269 |
| Lease liabilities | 738 | .. | 684 | .. |
| Service concession arrangement liabilities | 924 | 510 | 916 | 444 |
| Derivative financial instruments | 133 | 137 | 3 | 9 |
| **Total current borrowings** | **15 582** | **15 757** | **11 248** | **9 274** |
| **Non‑current borrowings** |  |  |  |  |
| Domestic borrowings | 41 230 | 37 375 | 21 653 | 19 499 |
| Foreign currency borrowings | 145 | 149 | .. | .. |
| Finance lease liabilities | .. | 7 515 | .. | 7 496 |
| Lease liabilities | 11 056 | .. | 10 549 | .. |
| Service concession arrangement liabilities | 5 525 | 5 035 | 5 410 | 4 975 |
| Derivative financial instruments | 473 | 628 | 221 | 194 |
| **Total non‑current borrowings** | **58 430** | **50 701** | **37 833** | **32 165** |
| Total borrowings | 74 011 | 66 458 | 49 081 | 41 438 |

Notes:

(a) AASB 16 Leases has been applied for the first time from 1 July 2019.

(b) The June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

## Cash flow information and balances

Reconciliation of cash and cash equivalents ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| Cash | 2 182 | 1 894 | 1 744 | 1 522 |
| Deposits at call | 12 056 | 4 876 | 5 558 | 3 045 |
| **Cash and cash equivalents** | **14 238** | **6 770** | **7 303** | **4 567** |
| Bank overdraft | .. | (2) | .. | .. |
| Balances as per cash flow statement | 14 238 | 6 768 | 7 303 | 4 567 |

Reconciliation of net result to net cash flows from operating activities (a) ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Dec 2018 | Dec 2019 | Dec 2018 |
| **Net result** | **(1 771)** | **(4 793)** | **(1 508)** | **(244)** |
| **Non‑cash movements** |  |  |  |  |
| Interest accretion | 114 | 64 | 114 | 64 |
| Revenue related to economic service concession arrangements | (182) | (128) | (182) | (128) |
| Depreciation and amortisation | 3 179 | 2 646 | 1 815 | 1 462 |
| Revaluation of investments | 457 | 2 462 | (20) | 73 |
| Assets (received)/provided free of charge | (146) | (21) | 9 | 29 |
| Assets not previously/no longer recognised | (6) | (1) | (6) | (1) |
| Revaluation of assets | 26 | 11 | 24 | 1 |
| Unrealised (gains)/losses on borrowings | (672) | 46 | .. | .. |
| Discounting of assets and liabilities | .. | (3) | .. | (3) |
| **Movements included in investing and financing activities** |  |  |  |  |
| Net gain/loss from sale of investments | (472) | 328 | (2) | 1 |
| Net gain/loss from sale of non‑financial assets | 9 | 58 | 35 | 50 |
| Realised gains/losses on borrowings | 140 | 8 | .. | .. |
| **Movements in assets and liabilities** |  |  |  |  |
| Increase/(decrease) in provision for doubtful debts | 265 | 239 | 258 | 241 |
| Increase/(decrease) in payables | 774 | 3 135 | (711) | 2 327 |
| Increase/(decrease) in employee benefits | 27 | 97 | 36 | 121 |
| Increase/(decrease) in superannuation | 203 | 312 | 205 | 304 |
| Increase/(decrease) in other provisions | 1 980 | 3 133 | 43 | 23 |
| (Increase)/decrease in receivables | (688) | (463) | (124) | 230 |
| (Increase)/decrease in other non‑financial assets | (518) | (337) | (576) | (319) |
| Net cash flows from operating activities | 2 666 | 6 694 | (591) | 4 232 |

Note:

(a) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

## Advances paid and investments, loans and placements

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
| **Current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 63 | 35 | 1 473 | 2 084 |
| Equities and managed investment schemes | 1 319 | 1 948 | 1 001 | 916 |
| Australian dollar term deposits | 2 202 | 2 264 | 145 | 176 |
| Debt securities | 3 976 | 5 270 | 4 | 9 |
| Derivative financial instruments | 722 | 506 | 288 | 295 |
| **Total current advances paid and investments, loans and placements** | **8 281** | **10 022** | **2 911** | **3 479** |
| **Non‑current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 343 | 383 | 6 186 | 6 256 |
| Equities and managed investment schemes | 33 467 | 32 414 | 1 394 | 1 084 |
| Australian dollar term deposits | 27 | 33 | 26 | 33 |
| Debt securities | 2 621 | 2 118 | 26 | 25 |
| Derivative financial instruments | 561 | 546 | .. | 3 |
| **Total non‑current advances paid and investments, loans and placements** | **37 019** | **35 494** | **7 633** | **7 400** |
| **Total advances paid and investments, loans and placements** | **45 300** | **45 516** | **10 544** | **10 879** |
| **Represented by:** |  |  |  |  |
| Advances paid | 406 | 418 | 7 659 | 8 340 |
| Investments, loans and placements | 44 894 | 45 098 | 2 885 | 2 539 |

## Interest expense (a)(b)

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| Interest on interest‑bearing liabilities | 857 | 863 | 560 | 594 |
| Finance charges on finance leases | .. | 350 | .. | 342 |
| Finance charges on lease liabilities | 394 | .. | 385 | .. |
| Finance charges on service concessions | 189 | 147 | 184 | 147 |
| Discount interest on payables | 30 | 33 | 17 | 17 |
| Total interest expense | 1 470 | 1 394 | 1 146 | 1 100 |

Notes:

(a) AASB 16 Leases has been applied for the first time from 1 July 2019.

(b) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

## Commitments

Commitments include those operating, capital and other commitments contracted at balance date but not recognised as liabilities, arising from non‑cancellable, contractual or statutory sources, and which embody obligations to sacrifice future economic benefits.

Reference to the *2018-19 Financial Report* for the State of Victoria (Notes 5.6 and 5.7) should be made for details of commitments as at 30 June 2019.

As at 31 December 2019, the following additional material commitments were recorded for the State of Victoria.

Unless otherwise stated, contract amounts are presented as nominal values.

* In July 2019, the State entered into a contract with VEC Civil Engineering Pty Ltd for the provision of design and construction of the O’Hearns Road duplication which includes building three new intersections, an interchange and additional lanes. The total cost of the contract is $87 million and it is expected to be completed by June 2020.
* In August 2019, the State entered into a contract with CPB Contractors Pty Ltd to deliver the Early Works Package of the North East Link. The estimated cost of the contract is $200 million and it is expected to be completed in 2021.
* In August 2019, John Holland, CPB Contractors, AECOM and Metro Trains Melbourne were awarded a $237 million contract for Platform and Stabling works and a $587 million contract for Traction Power Works, both packages of the Sunbury Line Upgrade project. These works are expected to be completed by 2023.
* In August and December 2019, variations totalling $271 million were made to the Metropolitan Roads Program Alliance with Fulton Hogan Construction Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
* In September 2019, the State entered into a contract with McConnell Dowell Constructors (Aust) Pty Ltd and Decmil Southern Pty Ltd for the provision of design and construction of the Mordialloc Freeway between Dingley Bypass and Thames Promenade. The total cost of the contract is $460 million and it is expected to be completed by December 2023.
* In September 2019, the State entered into a contract with CPB Contractors Pty Ltd for the provision   
  of design and construction of a new section of the highway between Old Koonwarra‑Meeniyan Road and Minns Road. The total cost of the contract is $86 million and it is expected to be completed by December 2022.
* In September 2019, the State entered into a design and construction contract with CPB Contractors Pty Ltd for the provision of an additional 36 kilometres of new outbound lanes on the Monash and Princess Freeways between Warrigal Road and Eastlink. The total cost of the contract is $837 million and it is expected to be completed by June 2025.
* In September 2019, the State contracted with Foodbank Victoria to provide 1 000 schools with healthy breakfast foods, lunches, school holiday supply packs and cooking classes so that students are provided healthy meals that will help them focus better and participate fully in their education. The total contract and commitment costs are $54 million as at 31 December 2019 to fund Foodbank Victoria to expand the School Breakfast Clubs program from 1 July 2019 to 30 June 2023.
* In September 2019, the State entered into a contract with the National Aerial Firefighting Centre (NAFC) for the provision of Single Engine Air Tankers and Light Fixed Wing Airservices. The total cost of the contract is $60 million and it is expected to be completed by June 2024.
* In September 2019, a variation of $596 million was made to the North Western Program Alliance with Kellogg Brown & Root Pty Ltd, John Holland Group Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
* In October 2019, the State entered into a contract with McConnell Dowell Constructors (Aust) Pty Ltd for the provision of design and construction of a second river crossing over the Murray and Campaspe Rivers between Echuca in Victoria and Moama in New South Wales. The total cost of the contract is $196 million and it is expected to be completed by June 2024.
* In October 2019, the State entered into a contract with CPB Contractors Pty Ltd for the provision of design and construction of the Sydney Road to Edgars Road section of the M80 Ring Road. The total cost of the contract is $365 million and it is expected to be completed by December 2023.
* In November 2019, the State entered into a contract with Serco for the provision of Traffic Camera Services for six years. The total cost of the contract is $328 million.
* In November 2019, a variation of $818 million was made to the Southern Program Alliance with Lendlease Engineering, Acciona and Coleman Rail Joint Venture, WSP Australia Pty Limited and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
* In December 2019 Downer EDI Works was awarded a $227 million contract for Regional Rail Revival program works including the Warrnambool Line Upgrade and Geelong Line Upgrade. The contract value includes a $42 million option for delivery of Waurn Ponds Stabling which has yet to be exercised by the State. These works (excluding the Waurn Ponds Stabling) are expected to be completed by late 2021.
* In December 2019, a contract extension of $102 million was approved for the Mobile Data Network (MDN) agreement with Motorola Solutions Australia Pty Ltd. The contract is now due for completion in 2025.
* In December 2019, the State entered into a new Standing Offer Agreement with the Testing Services Panel (Enex, Bureau Veritas, CEOS, SGS and Vipac) to provide testing services for the fixed digital road safety cameras for seven years. The estimated total cost of the agreement is $137 million.
* In December 2019, a contract adjustment of $90 million was approved for the Mernda Rail extension under the MR4 Franchise Agreement with Metro Trains Melbourne Pty Ltd for the period from August 2018 to November 2025.
* In December 2019, a variation of $546 million was made to the South Eastern Program Alliance with Jacobs Group (Australia) Pty Ltd, Laing O’Rouke Australia Construction Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
* The Ballarat Line Upgrade project alliance – comprising Coleman Rail, Lendlease and SMEC – approved contract expenditure was varied by $68 million between July and December 2019. This reflected additional reimbursable costs and approved adjustment events. These works are expected to be completed in 2020.

There was no other material change in commitments for the State during this mid-year reporting period.

# Other assets and liabilities

## Introduction

This section sets out other assets and liabilities that arise from the State’s operations.

## Structure

[6.1 Inventories 36](#_Toc34060097)

[6.2 Receivables 36](#_Toc34060098)

[6.3 Payables 37](#_Toc34060099)

[6.4 Superannuation 37](#_Toc34060100)

[6.5 Other provisions 38](#_Toc34060101)

## Inventories

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
| **At cost** |  |  |  |  |
| Raw materials | 7 | 6 | 6 | 5 |
| Work in progress | 87 | 60 | 16 | 2 |
| Finished goods | 85 | 77 | 4 | 4 |
| Consumable stores | 213 | 200 | 147 | 139 |
| Land and other assets held as inventory | 752 | 713 | 10 | 15 |
| **At net realisable value** |  |  |  |  |
| Finished goods | 3 | 4 | .. | .. |
| Consumable stores | 4 | 4 | .. | .. |
| Total inventories | 1 152 | 1 064 | 183 | 165 |

## Receivables

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
| **Contractual** |  |  |  |  |
| Sales of goods and services | 1 598 | 1 479 | 957 | 911 |
| Accrued investment income | 48 | 55 | 12 | 27 |
| Other receivables | 2 880 | 2 147 | 1 324 | 866 |
| Provision for doubtful contractual receivables | (208) | (198) | (141) | (138) |
| **Statutory** |  |  |  |  |
| Sales of goods and services | 8 | 6 | 5 | 5 |
| Taxes receivables | 2 661 | 3 251 | 2 733 | 3 363 |
| Fines and regulatory fees | 3 117 | 2 881 | 3 117 | 2 881 |
| GST input tax credits recoverable | 1 452 | 1 418 | 454 | 419 |
| Other receivables | 2 | 11 | .. | .. |
| Provision for doubtful statutory receivables | (1 961) | (1 706) | (1 961) | (1 706) |
| **Other** |  |  |  |  |
| Actuarially determined | 427 | 469 | .. | .. |
| **Total receivables** | **10 023** | **9 813** | **6 499** | **6 628** |
| **Represented by:** |  |  |  |  |
| Current receivables | 8 481 | 8 303 | 6 170 | 6 306 |
| Non‑current receivables | 1 542 | 1 510 | 330 | 322 |

## Payables (a)

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
| **Contractual** |  |  |  |  |
| Accounts payable | 3 628 | 2 837 | 1 453 | 1 827 |
| Accrued expenses | 3 188 | 3 392 | 2 612 | 2 918 |
| Grant of right to operate liability | 9 438 | 9 402 | 9 438 | 9 402 |
| Unearned income | 12 898 | 11 394 | 1 715 | 1 717 |
| **Statutory** |  |  |  |  |
| Accrued taxes payable | 110 | 88 | 83 | 59 |
| **Total payables** | **29 262** | **27 114** | **15 301** | **15 923** |
| **Represented by:** |  |  |  |  |
| Current payables | 10 898 | 8 345 | 5 281 | 5 593 |
| Non‑current payables | 18 364 | 18 769 | 10 020 | 10 330 |

Note:

(a) The June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

## Superannuation

($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | Dec 2019 | Jun 2019 |
| Current liability | 1 104 | 1 106 |
| Non‑current liability | 27 107 | 27 577 |
| **Total superannuation liability** | **28 211** | **28 683** |
| **Represented by:** |  |  |
| Emergency Services and State Super | 26 821 | 27 269 |
| Other funds | 1 390 | 1 414 |

## Other provisions

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
| **Provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 2 573 | 2 418 | .. | .. |
| Transport Accident Commission | 1 626 | 1 589 | .. | .. |
| Victorian Managed Insurance Authority | 429 | 358 | .. | .. |
| Other agencies | 54 | 37 | 51 | 34 |
| **Current provision for insurance claims** | **4 681** | **4 402** | **51** | **34** |
| Other provisions | 866 | 880 | 303 | 339 |
| **Total current other provisions** | **5 547** | **5 282** | **354** | **373** |
| **Non‑current provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 15 164 | 13 763 | .. | .. |
| Transport Accident Commission | 19 816 | 19 659 | .. | .. |
| Victorian Managed Insurance Authority | 1 841 | 1 749 | .. | .. |
| Other agencies | 64 | 60 | 63 | 59 |
| **Non‑current provision for insurance claims** | **36 886** | **35 231** | **63** | **59** |
| Other provisions | 684 | 652 | 672 | 640 |
| **Total non‑current other provisions** | **37 570** | **35 882** | **735** | **699** |
| Total other provisions | 43 117 | 41 164 | 1 089 | 1 072 |

# Risks and contingencies

## Introduction

The State is exposed to risks from both its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section presents information on financial instruments, and contingent assets and liabilities.

## Financial instruments

Note 7.1 Financial instruments in the *2018-19 Financial Report* for the State of Victoria contains a comprehensive disclosure of the State’s financial risk management objectives and policies associated with financial instruments.

## Contingent assets and contingent liabilities

### Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Reference should be made to the *2018-19 Financial Report* for the State of Victoria (Note 7.2) for details of contingent assets as at 30 June 2019.

The following material change in contingent assets have been identified during this mid-year reporting period:

**Crown Melbourne Licence**

As part of the Crown casino licence agreement, Crown Melbourne is required to pay the State an amount of $100 million if the Compound Annual Growth Rate of Normalised Gaming Revenue from the Financial Year ending 30 June 2014 to the Financial Year ending 30 June 2022 exceeds 4.7 per cent.

Based on the latest data on the performance of Crown Melbourne, the State has assessed that it is unlikely that the casino will attain a Compound Annual Growth Rate of 4.7 per cent on Normalised Gaming Revenue by the year ending 30 June 2022 and will no longer recognise the associated payment to the State of $100 million as a contingent asset.

There were no other material changes in contingent assets for the State during this mid-year reporting period.

### Contingent liabilities

Contingent liabilities are:

* possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
* present obligations that arise from past events but are not recognised because:
  + it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  + the amount of the obligations cannot be measured with sufficient reliability.

Reference should be made to the *2018-19 Financial Report* for the State of Victoria (Note 7.2) for details of contingent liabilities as at 30 June 2019.

The following additional material contingent liabilities have been identified during this mid-year reporting period:

**2019-20 Bushfires**

During the period December 2019 to February 2020, Victoria experienced significant loss and damage to homes, farms, properties, community assets, roads and other infrastructure as a result of several large bushfires across parts of Victoria, including East Gippsland and North East Victoria.

In order to minimise the environmental, social and economic impact of the bushfires, a State coordinated clean up program was activated in January 2020 with a single contractor, Grocon Constructors Pty Ltd (Grocon). The Victorian Government has agreed to demolish, remove and safely dispose of all applicable buildings destroyed or damaged beyond repair, regardless of insurance arrangements and is contributing towards the cost of the clean-up.

The costs of the clean-up will be jointly shared with the Commonwealth Government under the Commonwealth-State Disaster Recovery Funding Arrangements (DRFA). At this stage it is impractical to accurately quantify the financial effects of these liabilities.

There were no other material changes in contingent liabilities for the State during this mid-year reporting period.

# Public account

## Introduction

This section provides disclosure of information in respect of the Public Account, in accordance with the requirements of the *Financial Management Act 1994*.

## Structure

[8.1 Consolidated fund receipts and payments 40](#_Toc34060120)

[8.2 Trust fund statement cash flows 41](#_Toc34060121)

[8.3 Reconciliation of cash flows to   
balances held 42](#_Toc34060122)

[8.4 Details of securities held in the   
Public Account 42](#_Toc34060123)

## Consolidated fund receipts and payments (a)

($ million)

| 2018‑19 |  | 2019‑20 | |
| --- | --- | --- | --- |
| actual to Dec |  | actual to Dec | revised budget |
| 11 713 | Taxation | 12 030 | 24 510 |
| 380 | Fines and regulatory fees | 374 | 981 |
| 10 547 | Grants received | 10 197 | 22 694 |
| 3 452 | Sales of goods and services (b) | 3 084 | 7 562 |
| 224 | Interest received | 231 | 484 |
| 351 | Dividends, income tax equivalent and rate equivalent receipts | 478 | 709 |
| 3 161 | Other receipts (b) | 333 | 766 |
| **29 829** | **Total operating activities** | **26 726** | **57 706** |
| 1 087 | Total inflows from investing and financing (c) | 3 767 | 9 705 |
| **30 915** | **Total receipts (c)** | **30 493** | **67 412** |
|  | **Payments to departments** |  |  |
| 7 487 | Education and Training | 8 059 | 15 812 |
| 1 560 | Environment, Land, Water and Planning | 1 328 | 2 953 |
| 9 614 | Health and Human Services | 10 217 | 18 683 |
| .. | Jobs, Precincts and Regions | 942 | 2 411 |
| 3 981 | Justice and Community Services | 4 127 | 9 061 |
| 384 | Premier and Cabinet | 316 | 686 |
| 5 712 | Transport | 5 873 | 12 877 |
| 3 823 | Treasury and Finance | 2 615 | 10 320 |
| 112 | Parliament | 117 | 240 |
| 325 | Courts | 353 | 775 |
| **32 997** | **Total payments** | **33 947** | **73 817** |
| (2 082) | Net receipts/(payments) (c) | (3 454) | (6 406) |

Notes:

(a) On 29 November 2018, the Premier announced machinery of government changes effective from 1 January 2019. Please see Note 9.8 in the 2018-19 Financial Report for further details.

(b) The December 2018 comparative figures have been reclassified to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

(c) The December 2018 comparative figures have been restated to reflect more current information.

## Trust fund statement cash flows

($ million)

| 2018‑19 |  | 2019‑20 | |
| --- | --- | --- | --- |
| actual to Dec |  | actual to Dec | revised budget |
|  | **Cash flows from operating activities** |  |  |
| 299 | Taxation | 285 | 428 |
| 43 | Regulatory fees and fines | 36 | 86 |
| 8 791 | Grants received | 9 695 | 18 341 |
| 170 | Sale of goods and services | 308 | 507 |
| 97 | Interest received | 57 | 150 |
| 17 | Dividends received | 45 | 90 |
| 1 956 | Net transfers from consolidated fund | 2 022 | 4 288 |
| 119 | Other receipts | 113 | 132 |
| **11 491** | **Total receipts** | **12 561** | **24 021** |
| (136) | Payments for employees | (155) | (240) |
| (11) | Superannuation | (13) | (18) |
| (4) | Interest paid | (9) | (9) |
| (10 123) | Grants and subsidies | (10 139) | (19 702) |
| (1 003) | Goods and services | (1 569) | (2 681) |
| **(11 277)** | **Total payments** | **(11 884)** | **(22 651)** |
| **214** | **Net cash flows from operating activities** | **676** | **1 371** |
|  | **Cash flows from investing activities** |  |  |
| (11) | Purchases of property, plant and equipment | (329) | (2 942) |
| 32 | Proceeds from sale of property, plant and equipment | 33 | 58 |
| 1 072 | Net proceeds from customer loans | 626 | 1 774 |
| (1 132) | Other investing activities | (779) | (877) |
| **(38)** | **Net cash flows from investing activities** | **(450)** | **(1 987)** |
|  | **Cash flows from financing activities** |  |  |
| (556) | Net proceeds (repayments) from borrowings | (98) | 56 |
| **(556)** | **Net cash flows from financing activities** | **(98)** | **56** |
| (380) | Net cash inflow/(outflow) | 128 | (560) |

## Reconciliation of cash flows to balances held

($ million)

|  | Balances held at 30 Jun 2019 | Dec movement YTD | Balances held at 31 Dec 2019 |
| --- | --- | --- | --- |
| **Cash and deposits** |  |  |  |
| Cash and balances outside of the Public Account | .. | (2) | (3) |
| Deposits held with the Public Account – specific trusts | 19 | (2) | 17 |
| Other balances held in the Public Account | 4 424 | (3 532) | 892 |
| **Total cash and deposits** | **4 443** | **(3 537)** | **906** |
| **Investments** |  |  |  |
| Investments held with the Public Account – specific trusts | 1 016 | 390 | 1 406 |
| **Total investments** | **1 016** | **390** | **1 406** |
| **Total fund balances** | **5 459** | **(3 147)** | **2 312** |
| **Less funds held outside the public account** |  |  |  |
| Cash | .. | (2) | (3) |
| **Total fund balances held outside the Public Account** | **..** | (2) | **(3)** |
| Total fund balances held in the Public Account (a) | 5 459 | (3 149) | 2 309 |

Note:

(a) See Note 8.4 for details of securities and investments, including amounts held in the Public Account on behalf of trust accounts.

## Details of securities held in the Public Account

($ million)

| 2018‑19 |  | 2019‑20 | |
| --- | --- | --- | --- |
| actual 31 Dec |  | opening 1 Jul | actual 31 Dec |
| 2 101 | Amounts invested on behalf of specific trust accounts | 1 035 | 1 423 |
| 612 | General account balances | 4 424 | 887 |
| **2 713** | **Total Public Account** | **5 459** | **2 309** |
|  | **Represented by:** |  |  |
| 1 780 | Stock, securities, cash and investments | 4 527 | 1 519 |
|  | Add cash advanced for: |  |  |
| .. | Temporary Advance from the Treasury Corporation of Victoria to the Consolidated Fund pursuant to Section 38 of the *Financial Management Act 1994* | 350 | .. |
| 934 | Advances pursuant to sections 36 and 37 of the *Financial Management Act 1994* | 582 | 791 |
| 2 713 | Total Public Account | 5 459 | 2 309 |

# Other disclosures

## Introduction

This section includes several additional disclosures that assist the understanding of this financial report.

## Structure

[9.1 Disaggregated information 44](#_Toc34060172)

[9.2 Other gains/(losses) from other economic flows 52](#_Toc34060173)

[9.3 Adoption of the new accounting standards 52](#_Toc34060174)

[9.4 Controlled entities 53](#_Toc34060175)

[9.5 Glossary of technical terms 53](#_Toc34060176)

## Disaggregated information

Disaggregated operating statement for the six months ended 31 December (a) ($ million)

|  | General government sector | | Public non‑financial corporations | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| **Revenue from transactions** |  |  |  |  |
| Taxation revenue | 11 395 | 10 926 | .. | .. |
| Interest revenue | 319 | 417 | 28 | 63 |
| Dividends, income tax equivalent and rate equivalent revenue | 493 | 330 | 7 | 4 |
| Sales of goods and services | 3 998 | 3 831 | 3 411 | 3 108 |
| Grant revenue | 15 810 | 15 801 | 2 104 | 2 013 |
| Other revenue | 1 444 | 1 475 | 370 | 427 |
| **Total revenue from transactions** | **33 460** | **32 780** | **5 921** | **5 615** |
| **Expenses from transactions** |  |  |  |  |
| Employee expenses | 13 241 | 12 294 | 719 | 669 |
| Net superannuation interest expense | 204 | 347 | .. | .. |
| Other superannuation | 1 515 | 1 382 | 70 | 64 |
| Depreciation | 1 814 | 1 459 | 1 311 | 1 145 |
| Interest expense | 1 146 | 1 100 | 462 | 495 |
| Grant expense | 6 446 | 5 981 | 157 | 257 |
| Other operating expenses | 10 240 | 9 907 | 3 103 | 2 946 |
| Other property expenses | .. | .. | 153 | 135 |
| **Total expenses from transactions** | **34 605** | **32 470** | **5 975** | **5 711** |
| **Net result from transactions – net operating balance** | **(1 146)** | **310** | **(54)** | **(95)** |
| **Other economic flows included in net result** |  |  |  |  |
| Net gain/(loss) on disposal of non‑financial assets | (35) | (50) | 26 | (8) |
| Net gain/(loss) on financial assets or liabilities at fair value | 19 | (199) | 24 | .. |
| Share of net profit/(loss) from associates/joint venture entities | .. | .. | .. | .. |
| Other gains/(losses) from other economic flows | (347) | (305) | 107 | 83 |
| **Total other economic flows included in net result** | **(363)** | **(554)** | **157** | **75** |
| **Net result** | **(1 508)** | **(244)** | **102** | **(20)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |
| Changes in non‑financial assets revaluation surplus | 251 | 50 | 33 | (6) |
| Remeasurement of superannuation defined benefits plans | 675 | (1 091) | .. | 10 |
| Other movements in equity | (165) | 263 | (17) | (4) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | (57) | (48) | (4) | (22) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | (843) | (1 240) | .. | .. |
| **Total other economic flows – other comprehensive income** | **(139)** | **(2 066)** | **12** | **(22)** |
| **Comprehensive result – total change in net worth** | **(1 647)** | **(2 310)** | **114** | **(42)** |
|  |  |  |  |  |
| **FISCAL AGGREGRATES** |  |  |  |  |
| **Net operating balance** | **(1 146)** | **310** | **(54)** | **(95)** |
| **Net acquisition of non‑financial assets from transactions** |  |  |  |  |
| Purchases of non‑financial assets (including change in inventories) | 4 589 | 4 936 | 1 220 | 1 177 |
| Less: Sales of non‑financial assets | (80) | (84) | (110) | (79) |
| Less: Depreciation and amortisation | (1 814) | (1 459) | (1 311) | (1 145) |
| Plus/(less): Other movements in non‑financial assets | (508) | (931) | 1 843 | 1 854 |
| **Less: Net acquisition of non‑financial assets from transactions** | **2 187** | **2 461** | **1 642** | **1 806** |
| Net lending/(borrowing) | (3 332) | (2 151) | (1 696) | (1 901) |

Note:

(a) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

| Public financial corporations | | Inter‑sector eliminations | | State of Victoria | |
| --- | --- | --- | --- | --- | --- |
| 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
|  |  |  |  |  |  |
| .. | .. | (208) | (211) | 11 187 | 10 715 |
| 926 | 976 | (1 013) | (1 117) | 260 | 339 |
| 1 610 | 1 811 | (438) | (301) | 1 672 | 1 845 |
| 2 539 | 2 450 | (1 892) | (1 725) | 8 056 | 7 665 |
| .. | .. | (2 209) | (2 476) | 15 704 | 15 338 |
| 9 | 10 | .. | (29) | 1 824 | 1 883 |
| **5 084** | **5 247** | **(5 760)** | **(5 859)** | **38 704** | **37 784** |
|  |  |  |  |  |  |
| 181 | 169 | (275) | (248) | 13 865 | 12 883 |
| .. | .. | .. | .. | 204 | 347 |
| 16 | 14 | .. | .. | 1 601 | 1 460 |
| 36 | 20 | (2) | .. | 3 158 | 2 625 |
| 876 | 916 | (1 014) | (1 117) | 1 470 | 1 394 |
| 110 | 485 | (2 285) | (2 580) | 4 428 | 4 142 |
| 4 221 | 3 550 | (1 757) | (1 613) | 15 807 | 14 790 |
| 134 | (4) | (287) | (131) | .. | .. |
| **5 573** | **5 150** | **(5 620)** | **(5 689)** | **40 534** | **37 641** |
| **(489)** | **98** | **(140)** | **(170)** | **(1 829)** | **143** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | (9) | (58) |
| 475 | (2 768) | .. | .. | 518 | (2 966) |
| .. | .. | .. | .. | .. | .. |
| 196 | (416) | (407) | (1 273) | (451) | (1 912) |
| **671** | **(3 183)** | **(407)** | **(1 273)** | **58** | **(4 936)** |
| **181** | **(3 086)** | **(547)** | **(1 443)** | **(1 771)** | **(4 793)** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | .. | (2) | (2) | 281 | 42 |
| .. | .. | .. | .. | 675 | (1 081) |
| (2) | .. | .. | .. | (183) | 259 |
|  |  |  |  |  |  |
| .. | .. | .. | .. | (61) | (70) |
| .. | .. | 843 | 1 240 | .. | .. |
| **(2)** | **..** | **841** | **1 238** | **711** | **(850)** |
| **179** | **(3 086)** | **294** | **(206)** | **(1 060)** | **(5 643)** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **(489)** | **98** | **(140)** | **(170)** | **(1 829)** | **143** |
|  |  |  |  |  |  |
| 48 | 40 | (4) | (62) | 5 852 | 6 090 |
| (1) | .. | (7) | .. | (198) | (164) |
| (36) | (20) | 2 | .. | (3 158) | (2 625) |
| .. | .. | .. | 29 | 1 335 | 951 |
| **11** | **19** | **(9)** | **(33)** | **3 831** | **4 252** |
| (500) | 78 | (131) | (136) | (5 660) | (4 110) |

Disaggregated balance sheet as at 31 December (a) ($ million)

|  | General government sector | | Public non‑financial corporations | |
| --- | --- | --- | --- | --- |
|  | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
| **Assets** |  |  |  |  |
| **Financial assets** |  |  |  |  |
| Cash and deposits | 7 303 | 9 775 | 1 626 | 1 597 |
| Advances paid | 7 659 | 8 340 | 3 356 | 3 981 |
| Receivables | 6 499 | 6 628 | 1 866 | 1 725 |
| Investments, loans and placements | 2 885 | 2 539 | 734 | 802 |
| Loans receivable from non‑financial public sector (b) | .. | .. | .. | .. |
| Investments accounted for using the equity method | 45 | 45 | .. | .. |
| Investments in other sector entities | 102 726 | 101 825 | .. | .. |
| **Total financial assets** | **127 117** | **129 153** | **7 582** | **8 106** |
| **Non‑financial assets** |  |  |  |  |
| Inventories | 183 | 165 | 970 | 899 |
| Non‑financial assets held for sale | 204 | 223 | 30 | 82 |
| Land, buildings, infrastructure, plant and equipment | 160 333 | 154 358 | 130 346 | 128 416 |
| Other non‑financial assets | 2 679 | 2 190 | 2 416 | 1 342 |
| **Total non‑financial assets** | **163 399** | **156 937** | **133 762** | **130 738** |
| **Total assets** | **290 516** | **286 089** | **141 344** | **138 844** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 4 706 | 5 146 | 3 848 | 4 460 |
| Payables | 15 301 | 15 923 | 10 042 | 10 109 |
| Borrowings | 49 081 | 41 438 | 17 168 | 16 489 |
| Employee benefits | 8 056 | 8 020 | 476 | 476 |
| Superannuation | 28 162 | 28 632 | 50 | 51 |
| Other provisions | 1 089 | 1 072 | 9 085 | 8 144 |
| **Total liabilities** | **106 395** | **100 230** | **40 668** | **39 728** |
| **Net assets (c)** | **184 121** | **185 859** | **100 676** | **99 116** |
| Accumulated surplus/(deficit) | 78 209 | 55 573 | 2 684 | 2 960 |
| Reserves | 105 912 | 130 286 | 97 992 | 96 156 |
| **Net worth (c)** | **184 121** | **185 859** | **100 676** | **99 116** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net financial worth | 20 722 | 28 922 | (33 086) | (31 622) |
| Net financial liabilities | 82 004 | 72 903 | 33 086 | 31 622 |
| Net debt | 35 940 | 25 930 | 15 300 | 14 568 |

Notes:

(a) The June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

(b) Loans receivable from the non-financial public sector are reported at amortised cost.

(c) The net assets and net worth of the public financial corporations sector incorporates the impact of Treasury Corporation of Victoria’s external loan liabilities being reported at market value while the corresponding assets, that is lending to the non-financial public sector, being reported at amortised cost. This mismatch has contributed to the negative net asset position of the sector.

| Public financial corporations | | Inter‑sector  eliminations | | State of Victoria | |
| --- | --- | --- | --- | --- | --- |
| Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 | Dec 2019 | Jun 2019 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 7 452 | 4 067 | (2 143) | (2 745) | 14 238 | 12 694 |
| 27 | 28 | (10 637) | (11 931) | 406 | 418 |
| 2 197 | 2 190 | (538) | (730) | 10 023 | 9 813 |
| 41 593 | 42 164 | (317) | (407) | 44 894 | 45 098 |
| 36 162 | 33 745 | (36 162) | (33 745) | .. | .. |
| .. | .. | .. | .. | 45 | 45 |
| .. | .. | (102 726) | (101 825) | .. | .. |
| **87 432** | **82 194** | **(152 524)** | **(151 383)** | **69 607** | **68 069** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 1 152 | 1 064 |
| .. | .. | .. | .. | 234 | 304 |
| 380 | 110 | (11) | .. | 291 048 | 282 884 |
| 2 975 | 2 844 | (4 206) | (2 983) | 3 865 | 3 393 |
| **3 355** | **2 954** | **(4 217)** | **(2 983)** | **296 299** | **287 646** |
| **90 787** | **85 148** | **(156 741)** | **(154 367)** | **365 906** | **355 715** |
|  |  |  |  |  |  |
| 786 | 2 290 | (7 623) | (10 308) | 1 716 | 1 587 |
| 4 497 | 1 807 | (577) | (725) | 29 262 | 27 114 |
| 49 447 | 47 087 | (41 685) | (38 556) | 74 011 | 66 458 |
| 99 | 108 | .. | .. | 8 630 | 8 604 |
| .. | .. | .. | .. | 28 211 | 28 683 |
| 41 931 | 40 003 | (8 989) | (8 055) | 43 117 | 41 164 |
| **96 760** | **91 295** | **(58 875)** | **(57 644)** | **184 948** | **173 610** |
| **(5 973)** | **(6 148)** | **(97 866)** | **(96 722)** | **180 958** | **182 105** |
| (6 046) | (6 216) | 19 371 | 19 634 | 94 219 | 71 951 |
| 72 | 68 | (117 237) | (116 356) | 86 739 | 110 154 |
| **(5 973)** | **(6 148)** | **(97 866)** | **(96 722)** | **180 958** | **182 105** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| (9 328) | (9 102) | (93 649) | (93 739) | (115 341) | (105 541) |
| 9 328 | 9 102 | (9 077) | (8 086) | 115 341 | 105 541 |
| (35 002) | (30 627) | (49) | (36) | 16 189 | 9 835 |

Disaggregated cash flow statement for the six months ended 31 December (a) ($ million)

|  | General government sector | | Public non‑financial corporations | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| **Cash flows from operating activities** |  |  |  |  |
| **Receipts** |  |  |  |  |
| Taxes received | 11 906 | 11 624 | .. | .. |
| Grants | 15 827 | 15 805 | 2 111 | 2 026 |
| Sales of goods and services (b) | 4 349 | 4 087 | 3 643 | 3 347 |
| Interest received | 333 | 412 | 42 | 73 |
| Dividends, income tax equivalent and rate equivalent receipts | 533 | 380 | 7 | 4 |
| Other receipts | 762 | 3 726 | 29 | 203 |
| **Total receipts** | **33 711** | **36 034** | **5 832** | **5 653** |
| **Payments** |  |  |  |  |
| Payments for employees | (13 250) | (12 204) | (721) | (676) |
| Superannuation | (1 514) | (1 425) | (72) | (56) |
| Interest paid | (1 005) | (1 025) | (470) | (503) |
| Grants and subsidies | (6 848) | (6 043) | (31) | (34) |
| Goods and services (b) | (11 280) | (10 691) | (2 316) | (2 319) |
| Other payments | (404) | (414) | (1 426) | (1 376) |
| **Total payments** | **(34 301)** | **(31 802)** | **(5 036)** | **(4 963)** |
| **Net cash flows from operating activities** | **(591)** | **4 232** | **797** | **691** |
| **Cash flows from investing activities** |  |  |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |  |  |
| Purchases of non‑financial assets | (4 579) | (4 940) | (1 215) | (1 170) |
| Sales of non‑financial assets | 80 | 84 | 110 | 79 |
| **Net cash flows from investments in non‑financial assets** | **(4 498)** | **(4 855)** | **(1 106)** | **(1 091)** |
| Net cash flows from investments in financial assets for policy purposes | 375 | 886 | 611 | 1 062 |
| **Sub‑total** | **(4 123)** | **(3 970)** | **(495)** | **(30)** |
| Net cash flows from investments in financial assets for liquidity management purposes | (391) | (158) | 91 | (1) |
| **Net cash flows from investing activities** | **(4 515)** | **(4 128)** | **(403)** | **(31)** |
| **Cash flows from financing activities** |  |  |  |  |
| Advances received (net) | (531) | (1 090) | (631) | (1 080) |
| Net borrowings | 3 073 | (670) | 395 | 225 |
| Deposits received (net) | 92 | (35) | 19 | 8 |
| Other financing (net) | .. | .. | (149) | 37 |
| **Net cash flows from financing activities** | **2 633** | **(1 794)** | **(365)** | **(810)** |
| **Net increase/(decrease) in cash and cash equivalents** | **(2 472)** | **(1 690)** | **28** | **(150)** |
| Cash and cash equivalents at beginning of reporting period | 9 775 | 6 257 | 1 598 | 1 419 |
| **Cash and cash equivalents at end of the reporting period (c)** | **7 303** | **4 567** | **1 626** | **1 268** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net cash flows from operating activities | (591) | 4 232 | 797 | 691 |
| Dividends paid | .. | .. | (294) | (158) |
| Net cash flows from investments in non‑financial assets | (4 498) | (4 855) | (1 106) | (1 091) |
| Cash surplus/(deficit) | (5 089) | (623) | (603) | (559) |

Notes

(a) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.

(b) These items are inclusive of goods and services tax.

(c) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet for the PNFC sector and State of Victoria. This is due to overdrafts being included in the cash flow statement balances.

| Public financial corporations | | Inter‑sector  eliminations | | State of Victoria | |
| --- | --- | --- | --- | --- | --- |
| 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | .. | (208) | (211) | 11 698 | 11 413 |
| 59 | .. | (2 279) | (2 531) | 15 718 | 15 299 |
| 3 868 | 3 541 | (1 948) | (1 720) | 9 912 | 9 255 |
| 867 | 866 | (1 040) | (1 136) | 202 | 216 |
| 1 610 | 1 811 | (478) | (351) | 1 672 | 1 845 |
| 59 | 3 | 2 | (70) | 852 | 3 863 |
| **6 462** | **6 222** | **(5 951)** | **(6 019)** | **40 054** | **41 890** |
|  |  |  |  |  |  |
| (190) | (187) | 275 | 248 | (13 885) | (12 819) |
| (16) | (14) | .. | .. | (1 602) | (1 495) |
| (875) | (915) | 1 040 | 1 140 | (1 311) | (1 302) |
| (168) | (528) | 2 279 | 2 531 | (4 767) | (4 073) |
| (2 443) | (2 550) | 594 | 467 | (15 446) | (15 092) |
| (4) | (28) | 1 457 | 1 404 | (377) | (414) |
| **(3 696)** | **(4 222)** | **5 645** | **5 791** | **(37 388)** | **(35 196)** |
| **2 765** | **2 000** | **(306)** | **(228)** | **2 666** | **6 694** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| (48) | (40) | 4 | 62 | (5 838) | (6 088) |
| 1 | .. | 7 | .. | 198 | 164 |
| **(47)** | **(39)** | **11** | **62** | **(5 640)** | **(5 924)** |
| (1) | 7 | (1 149) | (2 006) | (165) | (51) |
| **(49)** | **(33)** | **(1 138)** | **(1 943)** | **(5 805)** | **(5 975)** |
| (549) | (987) | 2 323 | 401 | 1 474 | (745) |
| **(598)** | **(1 020)** | **1 185** | **(1 542)** | **(4 331)** | **(6 720)** |
|  |  |  |  |  |  |
| (2) | (13) | 1 258 | 2 164 | 94 | (19) |
| 2 732 | 653 | (3 119) | 148 | 3 080 | 356 |
| (1 503) | (2 252) | 1 427 | 2 241 | 35 | (37) |
| (10) | (7) | 158 | (30) | .. | .. |
| **1 218** | **(1 619)** | **(277)** | **4 523** | **3 209** | **300** |
| **3 385** | **(639)** | **602** | **2 753** | **1 543** | **274** |
| 4 067 | 5 554 | (2 745) | (6 736) | 12 695 | 6 494 |
| **7 452** | **4 915** | **(2 143)** | **(3 983)** | **14 238** | **6 768** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 2 765 | 2 000 | (306) | (228) | 2 666 | 6 694 |
| (10) | (7) | 303 | 165 | .. | .. |
| (47) | (39) | 11 | 62 | (5 640) | (5 924) |
| 2 708 | 1 953 | 9 | (1) | (2 974) | 771 |

Disaggregated statement of changes in equity as at 31 December ($ million)

|  | Accumulated surplus/(deficit) | Contributions by owners | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- | --- |
| **General government sector** |  |  |  |  |  |  |
| **Balance at 1 July 2019 before new accounting standards** | **52 473** | **..** | **65 454** | **63 697** | **1 020** | **182 644** |
| Impact of changes in new accounting standards | 3 091 | .. | 115 | (82) | .. | 3 125 |
| **Restated balance at 1 July 2019 (a)** | **55 564** | **..** | **65 569** | **63 615** | **1 020** | **185 768** |
| Net result for the year | (1 508) | .. | .. | .. | .. | (1 508) |
| Other comprehensive income for the year | 478 | .. | 251 | (843) | (25) | (139) |
| Transfer to/(from) accumulated surplus | 23 675 | .. | (23 675) | .. | .. | .. |
| Dividends paid | .. | .. | .. | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2019** | **78 209** | **..** | **42 145** | **62 772** | **995** | **184 121** |
| **PNFC sector** |  |  |  |  |  |  |
| **Balance at 1 July 2019 before new accounting standards** | **2 960** | **62 949** | **32 620** | **..** | **586** | **99 116** |
| Impact of changes in new accounting standards | (86) | .. | .. | .. | .. | (86) |
| **Restated balance at 1 July 2019 (b)** | **2 874** | **62 949** | **32 620** | **..** | **586** | **99 030** |
| Net result for the year | 102 | .. | .. | .. | .. | 102 |
| Other comprehensive income for the year | (22) | .. | 33 | .. | 1 | 12 |
| Transfer to/(from) accumulated surplus | 24 | (24) | .. | .. | .. | .. |
| Dividends paid | (294) | .. | .. | .. | .. | (294) |
| Transactions with owners in their capacity as owners | .. | 1 826 | .. | .. | .. | 1 826 |
| **Total equity as at 31 December 2019** | **2 684** | **64 752** | **32 653** | **..** | **587** | **100 676** |
| **PFC sector** |  |  |  |  |  |  |
| **Balance at 1 July 2019 before new accounting standards** | **(6 216)** | **29** | **2** | **..** | **37** | **(6 148)** |
| Impact of changes in new accounting standards | 5 | .. | .. | .. | .. | 5 |
| **Restated balance at 1 July 2019 (b)** | **(6 211)** | **29** | **2** | **..** | **37** | **(6 143)** |
| Net result for the year | 181 | .. | .. | .. | .. | 181 |
| Other comprehensive income for the year | (6) | .. | .. | .. | 4 | (2) |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid | (10) | .. | .. | .. | .. | (10) |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2019** | **(6 046)** | **29** | **2** | **..** | **41** | **(5 973)** |
| Eliminations | 19 371 | (64 780) | 10 315 | (62 772) | .. | (97 866) |
| Total State of Victoria | 94 219 | .. | 85 116 | .. | 1 623 | 180 958 |

Notes:

(a) The 1 July 2019 balance has been restated resulting from the application of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors.

(b) The 1 July 2019 balance has been restated resulting from the application of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases.

Disaggregated statement of changes in equity as at 31 December *(continued)* ($ million)

|  | Accumulated surplus/(deficit) | Contributions by owners | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- | --- |
| **General government sector** |  |  |  |  |  |  |
| **Balance at 1 July 2018 before new accounting standards (a)** | **52 626** | **..** | **64 084** | **66 351** | **1 055** | **184 116** |
| Impact of changes in new accounting standards | 2 977 | .. | .. | .. | .. | 2 977 |
| **Restated balance at 1 July 2018 (b)** | **55 603** | **..** | **64 084** | **66 351** | **1 055** | **187 093** |
| Net result for the year (b) | (244) | .. | .. | .. | .. | (244) |
| Other comprehensive income for the year (b) | (881) | .. | 50 | (1 240) | 5 | (2 066) |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid | .. | .. | .. | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2018 (a)(b)** | **54 478** | **..** | **64 134** | **65 111** | **1 060** | **184 783** |
| **PNFC sector** |  |  |  |  |  |  |
| **Balance at 1 July 2018 before new accounting standards (a)** | **3 517** | **59 478** | **33 851** | **..** | **523** | **97 370** |
| Impact of changes in new accounting standards | .. | .. | .. | .. | .. | .. |
| **Balance at 1 July 2018 (b)** | **3 517** | **59 478** | **33 851** | **..** | **523** | **97 370** |
| Net result for the year (b) | (20) | .. | .. | .. | .. | (20) |
| Other comprehensive income for the year (b) | (13) | .. | (6) | .. | (3) | (22) |
| Transfer to/(from) accumulated surplus | 110 | .. | (110) | .. | .. | .. |
| Dividends paid | (158) | .. | .. | .. | .. | (158) |
| Transactions with owners in their capacity as owners | .. | 2 027 | .. | .. | .. | 2 027 |
| **Total equity as at 31 December 2018** | **3 437** | **61 505** | **33 735** | **..** | **520** | **99 198** |
| **PFC sector** |  |  |  |  |  |  |
| Balance at 1 July 2018 | 684 | 29 | 2 | .. | 36 | 751 |
| Net result for the year | (3 086) | .. | .. | .. | .. | (3 086) |
| Other comprehensive income for the year | (1) | .. | .. | .. | 1 | .. |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid | (7) | .. | .. | .. | .. | (7) |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2018** | **(2 410)** | **29** | **2** | **..** | **37** | **(2 341)** |
| Eliminations | 20 323 | (61 534) | 10 182 | (65 111) | .. | (96 139) |
| Total State of Victoria (a)(b) | 75 829 | .. | 108 054 | .. | 1 618 | 185 500 |

Notes:

(a) The 1 July 2018 balance has been restated resulting from the application of AASB 9 Financial Instruments.

(b) The 1 July 2018 and the December 2018 balances have been restated resulting from the application of AASB 1059 Service Concession Arrangements: Grantors.

## Other gains/(losses) from other economic flows

($ million)

|  | State of Victoria | | General government | |
| --- | --- | --- | --- | --- |
|  | 2019 | 2018 | 2019 | 2018 |
| Net (increase)/decrease in provision for doubtful receivables | (291) | (268) | (286) | (266) |
| Amortisation of intangible non‑produced assets | (20) | (21) | (2) | (3) |
| Net swap interest revenue/(expense) | (1) | (2) | .. | .. |
| Bad debts written off | (7) | (13) | (2) | (9) |
| Other gains/(losses) | (133) | (1 607) | (57) | (28) |
| Total other gains/(losses) from other economic flows | (451) | (1 912) | (347) | (305) |

## Adoption of the new accounting standards

This note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

* AASB 15 *Revenue from Contracts with Customers;*
* AASB 1058 *Income of Not-for-Profit Entities;*
* AASB 16 *Leases;* and
* AASB 1059 *Service Concession Arrangements: Grantors.*

The scope, high level requirements and estimated impacts of these new standards were outlined in Note 1.7.2 of the Estimated Financial Statements for 2019-20, presented in Chapter 1 of 2019-20 Budget Paper No. 5 *Statement of Finances*.

The transitional impacts of applying the new accounting standards on the 2018-19 *Mid-Year Financial Report* and the 1 July 2019 opening balances are reported in the tables below.

Transitional impacts of the new accounting standards **($ million)**

|  | Before new accounting standards | Net impact of new accounting standards | After new accounting standards |
| --- | --- | --- | --- |
| State of Victoria | 2018‑19 actual 31 Dec | 2018‑19 actual 31 Dec | 2018‑19 actual 31 Dec |
| **Comprehensive operating statement** |  |  |  |
| Revenue from transactions | **37 694** | **90** | **37 784** |
| Expenses from transactions | **37 496** | **145** | **37 641** |
| **Net result from transactions – net operating balance** | **198** | **(55)** | **143** |
| **Total other economic flows included in net result** | **(4 936)** | **..** | **(4 936)** |
| Net result | (4 738) | (55) | (4 793) |

| General government sector |  |  |  |
| --- | --- | --- | --- |
| **Comprehensive operating statement** |  |  |  |
| Revenue from transactions | **32 689** | **91** | **32 780** |
| Expenses from transactions | **32 324** | **146** | **32 470** |
| **Net result from transactions – net operating balance** | **365** | **(55)** | **310** |
| **Total other economic flows included in net result** | **(554)** | **..** | **(554)** |
| Net result | (189) | (55) | (244) |

Transitional impacts of the new accounting standards *(continued)* ($ million)

|  | Before new accounting standards | | |  | Net impact of new accounting standards | | |  | After new accounting standards | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| State of Victoria | Opening 1 July 2018 | 2018‑19 actual 31 Dec | Opening 1 July 2019 |  | Opening 1 July 2018 | 2018‑19 actual 31 Dec | Opening 1 July 2019 |  | Opening 1 July 2018 | 2018‑19 actual 31 Dec | Opening 1 July 2019 |
| **Total assets** | **323 114** | **325 242** | **343 046** |  | **9 468** | **11 045** | **16 647** |  | **332 582** | **336 287** | **359 693** |
| Financial liabilities | 52 102 | 52 754 | 64 492 |  | 1 541 | 2 420 | 7 509 |  | 53 643 | 55 174 | 72 001 |
| Other liabilities | 83 071 | 90 433 | 99 665 |  | 4 725 | 5 180 | 6 009 |  | 87 796 | 95 613 | 105 674 |
| **Total liabilities** | **135 173** | **143 186** | **164 158** |  | **6 266** | **7 601** | **13 516** |  | **141 439** | **150 787** | **177 675** |
| **Net debt** | **2 894** | **5 027** | **6 282** |  | **1 542** | **2 420** | **7 507** |  | **4 436** | **7 447** | **13 789** |
| **Net worth** | **187 941** | **182 056** | **178 890** |  | **3 202** | **3 444** | **3 128** |  | **191 143** | **185 500** | **182 018** |
| Accumulated surplus/(deficit) | 78 429 | 72 354 | 68 851 |  | 2 977 | 3 475 | 3 014 |  | 81 406 | 75 829 | 71 865 |

| General government sector | |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Total assets** | **264 294** | **263 519** | **273 421** | **9 242** | **10 819** | **15 983** | **273 536** | **274 338** | **289 405** |
| Financial liabilities | 40 207 | 38 465 | 43 031 | 1 541 | 2 420 | 6 948 | 41 748 | 40 885 | 49 980 |
| Other liabilities | 39 971 | 43 488 | 47 747 | 4 724 | 5 181 | 5 909 | 44 695 | 48 669 | 53 656 |
| **Total liabilities** | **80 178** | **81 954** | **90 778** | **6 265** | **7 601** | **12 858** | **86 443** | **89 555** | **103 636** |
| **Net debt** | **20 003** | **21 015** | **22 377** | **1 767** | **2 646** | **6 948** | **21 770** | **23 661** | **29 325** |
| **Net worth** | **184 116** | **181 565** | **182 644** | **2 977** | **3 218** | **3 125** | **187 093** | **184 783** | **185 768** |
| Accumulated surplus/(deficit) | 52 626 | 51 256 | 52 473 | 2 977 | 3 222 | 3 091 | 55 603 | 54 478 | 55 564 |

## Controlled entities

Note 9.8 in the *2018-19 Financial Report* for the State of Victoria contains a list of significant controlled entities, which have been consolidated for the purposes of the financial report.

The following are changes to entities from 1 July 2019 which have been consolidated for the purposes of the financial report:

|  |  |
| --- | --- |
| General government | |
| Department of Health and Human Services  Bendigo Health (a)  Great Ocean Road Health (b)  Kyabram District Health Service (c)  Mildura Base Public Hospital (d)  NCN Health (e) | **Department of Premier and Cabinet**  Portable Long Service Authority (f)  Department of Transport (g) |

Notes:

(a) Effective from 22 October 2019, Bendigo Health Care Group changed its name to Bendigo Health.

(b) Effective from 1 July 2019, Lorne Community Hospital and Otway Health were amalgamated into Great Ocean Road Health.

(c) Effective from 22 October 2019, Kyabram and District Health Services changed its name to Kyabram District Health Service.

(d) Effective from 17 December 2019, Mildura Base Public Hospital was established to manage the Mildura Hospital.

(e) Effective from 1 July 2019, Numurkah District Health Service, Cobram District Health and Nathalia District Hospital were amalgamated into NCN Health.

(f) The Portable Long Service Authority was established under the Long Service Benefits Portability Act 2018 and, by Order of the Governor in Council, commenced on 1 July 2019.

(g) Effective from 1 July 2019, the Public Transport Development Authority and Roads Corporation (with the exception of registration and licensing and some heavy vehicle functions) were consolidated into the Department of Transport.

## Glossary of technical terms

The *2018-19 Financial Report* for the State of Victoria (Note 9.9) contains a summary of the major technical terms used in this report.

Appendix A – General government sector quarterly financial report

This section includes the comprehensive operating statement, balance sheet and cash flow statement for the past five quarters in accordance with the requirements of the *Financial Management Act 1994*.

Consolidated comprehensive operating statement for the past five quarters (a) ($ million)

|  | 2018‑19 |  |  | 2019‑20 |  |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Revenue from transactions** |  |  |  |  |  |
| Taxation revenue | 5 030 | 7 763 | 4 896 | 5 839 | 5 556 |
| Interest revenue | 206 | 191 | 209 | 160 | 160 |
| Dividends, income tax equivalent and rate equivalent revenue | 248 | 97 | 603 | 57 | 435 |
| Sales of goods and services | 1 926 | 1 896 | 1 970 | 1 947 | 2 051 |
| Grant revenue | 7 878 | 9 165 | 8 337 | 7 822 | 7 988 |
| Other revenue | 857 | 609 | 1 259 | 652 | 793 |
| **Total revenue from transactions** | **16 145** | **19 721** | **17 275** | **16 477** | **16 983** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 6 213 | 6 196 | 6 916 | 6 578 | 6 663 |
| Net superannuation interest expense | 180 | 170 | 172 | 141 | 63 |
| Other superannuation | 711 | 690 | 725 | 752 | 763 |
| Depreciation | 735 | 743 | 844 | 886 | 928 |
| Interest expense | 575 | 546 | 606 | 564 | 581 |
| Grant expense | 3 127 | 3 858 | 3 516 | 3 259 | 3 187 |
| Other operating expenses | 5 101 | 4 812 | 6 264 | 5 102 | 5 138 |
| **Total expenses from transactions** | **16 642** | **17 014** | **19 042** | **17 282** | **17 323** |
| **Net result from transactions – net operating balance** | **(497)** | **2 707** | **(1 767)** | **(805)** | **(340)** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non‑financial assets | (55) | (15) | 27 | 9 | (44) |
| Net gain/(loss) on financial assets or liabilities at fair value | (195) | 72 | 91 | 1 | 18 |
| Share of net profit/(loss) from associates/joint venture entities | .. | 1 | .. | .. | .. |
| Other gains/(losses) from other economic flows | (190) | (166) | (449) | (171) | (175) |
| **Total other economic flows included in net result** | **(439)** | **(109)** | **(330)** | **(161)** | **(201)** |
| **Net result** | **(936)** | **2 598** | **(2 098)** | **(967)** | **(542)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non‑financial assets revaluation surplus | 13 | 114 | 4 114 | 229 | 22 |
| Remeasurement of superannuation defined benefits plans | (2 304) | (1 087) | (1 192) | (976) | 1 651 |
| Other movements in equity | 249 | 7 | 51 | (57) | (108) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | (36) | (15) | (2) | (17) | (40) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | (1 240) | .. | (1 414) | .. | (843) |
| **Total other economic flows – other comprehensive income** | **(3 319)** | **(982)** | **1 557** | **(821)** | **682** |
| **Comprehensive result – total change in net worth** | **(4 255)** | **1 617** | **(541)** | **(1 787)** | **140** |
|  |  |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** | **(497)** | **2 707** | **(1 767)** | **(805)** | **(340)** |
| Less: Net acquisition of non‑financial assets from transactions | 1 422 | 738 | 2 232 | 859 | 1 328 |
| Net lending/(borrowing) | (1 919) | 1 968 | (3 999) | (1 664) | (1 668) |

Note:

(a) The 2018-19 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Chapter 2, Note 9.3 for further details.

Consolidated balance sheet as at the end of the past five quarters (a)(b) ($ million)

|  | 2018‑19 |  |  | 2019‑20 |  |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 4 567 | 5 722 | 9 775 | 6 343 | 7 303 |
| Advances paid | 8 692 | 8 441 | 8 340 | 7 884 | 7 659 |
| Receivables | 5 738 | 8 376 | 6 628 | 6 387 | 6 499 |
| Investments, loans and placements | 3 965 | 5 059 | 2 539 | 3 000 | 2 885 |
| Investments accounted for using the equity method | 53 | 45 | 45 | 45 | 45 |
| Investments in other sector entities | 102 040 | 102 979 | 101 825 | 102 655 | 102 726 |
| **Total financial assets** | **125 055** | **130 621** | **129 153** | **126 315** | **127 117** |
| **Non‑financial assets** |  |  |  |  |  |
| Inventories | 177 | 177 | 165 | 177 | 183 |
| Non‑financial assets held for sale | 361 | 345 | 223 | 216 | 204 |
| Land, buildings, infrastructure, plant and equipment | 146 444 | 147 582 | 154 358 | 158 891 | 160 333 |
| Other non‑financial assets | 2 301 | 2 152 | 2 190 | 3 013 | 2 679 |
| **Total non‑financial assets** | **149 283** | **150 256** | **156 937** | **162 297** | **163 399** |
| **Total assets** | **274 338** | **280 877** | **286 089** | **288 612** | **290 516** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 5 330 | 5 140 | 5 146 | 4 688 | 4 706 |
| Payables | 13 875 | 14 500 | 15 923 | 15 924 | 15 301 |
| Borrowings | 35 555 | 39 013 | 41 438 | 45 014 | 49 081 |
| Employee benefits | 7 141 | 7 056 | 8 020 | 8 034 | 8 056 |
| Superannuation | 26 600 | 27 699 | 28 632 | 29 884 | 28 162 |
| Other provisions | 1 053 | 1 070 | 1 072 | 1 085 | 1 089 |
| **Total liabilities** | **89 555** | **94 477** | **100 230** | **104 630** | **106 395** |
| **Net assets** | **184 783** | **186 400** | **185 859** | **183 981** | **184 121** |
| Accumulated surplus/(deficit) | 54 478 | 55 997 | 55 573 | 77 321 | 78 209 |
| Reserves | 130 305 | 130 403 | 130 286 | 106 660 | 105 912 |
| **Net worth** | **184 783** | **186 400** | **185 859** | **183 981** | **184 121** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth | 35 500 | 36 144 | 28 922 | 21 684 | 20 722 |
| Net financial liabilities | 66 540 | 66 835 | 72 903 | 80 971 | 82 004 |
| Net debt | 23 661 | 24 932 | 25 930 | 32 476 | 35 940 |

Notes:

(a) The 2018-19 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Chapter 2, Note 9.3 for further details.

(b) Certain September 2019 comparative figures have been restated to reflect more current information.

Consolidated cash flow statement for the past five quarters (a) ($ million)

|  | 2018‑19 |  |  | 2019‑20 |  |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received | 5 631 | 5 058 | 6 550 | 5 870 | 6 036 |
| Grants | 7 877 | 9 163 | 8 386 | 7 827 | 8 000 |
| Sales of goods and services (b) | 1 960 | 2 320 | 1 874 | 2 333 | 2 016 |
| Interest received | 203 | 194 | 203 | 171 | 162 |
| Dividends, income tax equivalent and rate equivalent receipts | 298 | 97 | 563 | 98 | 435 |
| Other receipts | 378 | 283 | 945 | 516 | 246 |
| **Total receipts** | **16 348** | **17 115** | **18 522** | **16 815** | **16 896** |
| **Payments** |  |  |  |  |  |
| Payments for employees | (5 994) | (6 369) | (6 158) | (6 592) | (6 658) |
| Superannuation | (853) | (848) | (1 156) | (616) | (897) |
| Interest paid | (509) | (512) | (541) | (488) | (518) |
| Grants and subsidies | (3 173) | (3 852) | (3 330) | (3 255) | (3 593) |
| Goods and services (b) | (5 003) | (4 382) | (4 953) | (6 100) | (5 181) |
| Other payments | (202) | (174) | (203) | (216) | (188) |
| **Total payments** | **(15 734)** | **(16 137)** | **(16 341)** | **(17 267)** | **(17 035)** |
| **Net cash flows from operating activities** | **614** | **977** | **2 181** | **(452)** | **(139)** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |  |  |  |
| Purchases of non‑financial assets | (2 766) | (1 937) | (2 980) | (2 310) | (2 269) |
| Sales of non‑financial assets | 39 | 53 | 106 | 42 | 38 |
| **Net cash flows from investments in non‑financial assets** | **(2 726)** | **(1 884)** | **(2 874)** | **(2 268)** | **(2 231)** |
| Net cash flows from investments in financial assets for policy purposes | 156 | 298 | 261 | 398 | (23) |
| **Sub‑total** | **(2 570)** | **(1 585)** | **(2 613)** | **(1 870)** | **(2 254)** |
| Net cash flows from investments in financial assets for liquidity management purposes | (123) | (1 036) | 2 825 | (489) | 98 |
| **Net cash flows from investing activities** | **(2 693)** | **(2 621)** | **212** | **(2 359)** | **(2 156)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) | (258) | (251) | (50) | (365) | (167) |
| Net borrowings | 907 | 2 988 | 1 656 | (165) | 3 237 |
| Deposits received (net) | 59 | 62 | 56 | (93) | 184 |
| **Net cash flows from financing activities** | **707** | **2 798** | **1 661** | **(622)** | **3 255** |
| **Net increase/(decrease) in cash and cash equivalents** | **(1 372)** | **1 154** | **4 053** | **(3 432)** | **960** |
| Cash and cash equivalents at beginning of the reporting period | 5 940 | 4 567 | 5 722 | 9 775 | 6 343 |
| **Cash and cash equivalents at end of the reporting period** | **4 567** | **5 722** | **9 775** | **6 343** | **7 303** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities | 614 | 977 | 2 181 | (452) | (139) |
| Net cash flows from investments in non‑financial assets | (2 726) | (1 884) | (2 874) | (2 268) | (2 231) |
| Cash surplus/(deficit) | (2 112) | (907) | (693) | (2 719) | (2 370) |

Notes:

(a) The 2018-19 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Chapter 2, Note 9.3 for further details.

(b) These items are inclusive of goods and services tax.

Appendix B – *Financial Management Act 1994* compliance index

The *Financial Management Act 1994* (FMA) requires the Minister to prepare a mid-year financial report and a quarterly financial report for tabling in Parliament. These reports have been prepared in accordance with applicable Australian Accounting Standards and theFMA.

The FMA specifies that these reports must meet certain requirements. The following compliance index explains how these requirements are met, together with appropriate references in this document.

| Financial Management Act reference | Requirement | Comments/reference |
| --- | --- | --- |
| Section 25(1) | The Minister must prepare a mid-year report for each financial year. | Refer to Chapter 2. |
| Section 25(2) | The mid-year report: |  |
|  | (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks; | Manner is in accordance with Australian Accounting Standards and Ministerial Directions. Form is comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes. Refer to Chapter 2. |
|  | (b) must present fairly the financial position of the State and the Victorian general government sector at midnight on 31 December in the financial year and: | Refer to Chapter 2, balance sheet. |
|  | (i) the transactions on the Public Account; | Refer to Chapter 2, Note 8. |
|  | (ii) the transactions of the Victorian general government sector; and | Refer to Chapter 2, comprehensive operating statement, cash flow statement and related notes. |
|  | (iii) other financial transactions of the State in respect of the period of six months ending on that day. | Refer to Chapter 2, comprehensive operating statement, cash flow statement and related notes. |
| Section 26(1) | The Minister must prepare a quarterly financial report for each quarter of each financial year. | Refer to Appendix A. |
| Section 26(2) | A quarterly financial report comprises: |  |
|  | (a) a statement of financial performance of the Victorian general government sector for the quarter; | Refer to Appendix A, comprehensive operating statement. |
|  | (b) a statement of the financial position of the Victorian general government sector at the end of the quarter; | Refer to Appendix A, balance sheet. |
|  | (c) a statement of cash flows of the Victorian general government sector for the quarter; and | Refer to Appendix A, cash flow statement. |
|  | (d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based. | Refer to Chapter 2, Note 1. |
| Section 26(2A) | A quarterly financial report must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks. | Manner is a financial report for the general government sector. Form is comprehensive operating statement, balance sheet, cash flow statement. Refer to Appendix A. |
| Section 26(2B) | The quarterly financial report for the quarter ending on 31 December in a financial year must include, in addition to the statements referred to in subsection (2)(a) to (d) for that quarter, those statements for the period of six months ending on that 31 December. | Refer to Chapter 2, comprehensive operating statement, balance sheet, and cash flow statement. |

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

n.a. not available or not applicable

1 billion 1 000 million

1 basis point 0.01 per cent

.. zero, or rounded to zero

(x xxx.x) negative amount

x xxx.0 rounded amount

Please refer to the **Treasury and Finance glossary for budget and financial reports** at dtf.vic.gov.au for additional terms and references.