**2020‑21 Mid‑Year Financial Report**

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



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Presented by

**Tim Pallas MP**

Treasurer of the State of Victoria



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

The *2020-21 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 2020. 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 published budget estimates in the *2020-21 Budget*. The *2020-21 Budget* incorporates spending incurred under the *Appropriation (Interim) Act 2020* for the period 1 July to 14 December 2020 which is now subsumed with spending authorised under the *Appropriation (2020-21) Act 2020* following royal assent on 15 December 2020. The likely 2020-21 full year results cannot be extrapolated from the half-year results due to the economic impact of the coronavirus (COVID‑19) pandemic and associated public health restrictions for the first half of the year, together with seasonal and other factors impacting on the timing of activities and transactions, including the timing of initiatives announced as part of the
*2020-21 Budget*, which was released in November 2020. 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 2020, the general government sector recorded a net result from transactions deficit of $10.1 billion.

# Overview

The coronavirus (COVID-19) pandemic has had a significant impact on the Victorian economy since early 2020. After Victoria’s real gross state product declined by 0.5 per cent in 2019-20, the September quarter national accounts showed that Victoria’s state final demand fell by 0.9 per cent in the quarter. This period covered the second phase of public health restrictions that were necessary to save lives and suppress coronavirus (COVID-19) as a fundamental precondition for economic recovery. Consumer spending, business investment and dwelling investment all contracted in the quarter, while public demand rose strongly as government support cushioned the impact of the pandemic on the economy.

Since then, most domestic restrictions have been eased, although there continues to be a need for some public health measures to remain in place to manage coronavirus (COVID-19), and national borders remain largely closed. Recent economic data have been positive and indicate that the economy recovered strongly in the December quarter as restrictions eased. Victoria’s state final demand rose by 6.8 per cent in the December quarter, led by a strong rebound in consumer spending. Business investment and dwelling investment also rose in the quarter. Indicators of sentiment are positive, with business and consumer confidence in optimistic territory. There are also signs of a recovery in the housing market. Dwelling prices have risen in recent months and there has been a strong rebound in approvals to build detached housing.

A recovery in the labour market is also underway. After a substantial fall in employment between March and September 2020, employment increased by 170 000 people between September and December. The unemployment rate has also declined, to be 6.5 per cent in December compared with a peak of 7.5 per cent in June 2020, although it remains well above pre-coronavirus (COVID-19) levels.

The Government’s *Jobs Plan*, announced as part of the *2020-21 Budget*, included a jobs target to create 400 000 jobs by 2025, with half of these by 2022.

The general government sector’s infrastructure investment, which includes net infrastructure investment and construction related cash outflows for Partnerships Victoria projects (net of asset sales), was $6.7 billion for the period to 31 December 2020, or 34 per cent of the published full year budget estimate. This was below the pro rata published budget, primarily due to the timing of the Government’s capital program. This investment is primarily funded from borrowings. Government infrastructure investment was $8.1 billion for the State of Victoria for the same period.

Net cash flows from operating activities for the State for the period to 31 December 2020 was a deficit of $6.9 billion ($9.7 billion for the general government sector). This has declined from the prior year primarily resulting from the impact of the coronavirus (COVID‑19) pandemic, with the associated Government response and the impact of the slowdown in the economy on key revenue items, including taxation and GST grant revenue.

Net debt for the general government sector was $61.7 billion, or 13.9 per cent of GSP, at 31 December 2020 (9.9 per cent at 30 June 2020).

# Financial performance

For the six months to 31 December 2020, the general government sector recorded a net result from transactions deficit of $10.1 billion.

The increased deficit from the prior year is primarily due to the impact of the coronavirus (COVID‑19) pandemic, including the associated Government response and the slowdown in the economy reducing key revenue sources, including taxation and GST grant revenue.

The net result for the State was a deficit of $9.7 billion. This is 36 per cent of the published full year budget estimate and an increase compared with the $1.8 billion deficit for the same period last year. This was primarily driven by the same factors as mentioned for the general government sector.
These movements are further explained below.

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

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2019‑20actualto Dec | 2020‑21actualto Dec | 2020‑21publishedestimate | % (b) | 2019‑20actualto Dec | 2020‑21actualto Dec | 2020‑21publishedestimate | % (b) |
| **Revenue and income from transactions** |  |  |  |  |  |  |  |  |
| Taxation | 11 187 | 9 513 | 20 472 | 46 | 11 395 | 9 729 | 20 928 | 46 |
| Interest revenue | 260 | 284 | 367 | 77 | 319 | 279 | 637 | 44 |
| Dividends and income tax equivalent and rate equivalent income | 1 672 | 1 208 | 1 375 | 88 | 493 | 364 | 534 | 68 |
| Sales of goods and services | 8 056 | 7 309 | 16 075 | 45 | 3 998 | 3 715 | 8 433 | 44 |
| Grants | 15 704 | 15 724 | 33 186 | 47 | 15 810 | 15 811 | 33 483 | 47 |
| Other revenue and income | 1 824 | 1 440 | 3 221 | 45 | 1 444 | 1 042 | 2 673 | 39 |
| **Total revenue and income from transactions** | **38 704** | **35 479** | **74 696** | **47** | **33 460** | **30 940** | **66 687** | **46** |
| **Expenses from transactions** |  |  |  |  |  |  |  |  |
| Employee expenses | 13 865 | 15 266 | 31 337 | 49 | 13 241 | 14 637 | 29 971 | 49 |
| Net superannuation interest expense | 204 | 154 | 309 | 50 | 204 | 154 | 305 | 50 |
| Other superannuation | 1 601 | 1 794 | 3 505 | 51 | 1 515 | 1 708 | 3 329 | 51 |
| Depreciation | 3 158 | 3 376 | 6 828 | 49 | 1 814 | 2 051 | 4 145 | 49 |
| Interest expense | 1 470 | 1 619 | 3 276 | 49 | 1 146 | 1 254 | 2 813 | 45 |
| Grant expense | 4 428 | 7 750 | 17 552 | 44 | 6 446 | 10 133 | 22 009 | 46 |
| Other operating expenses | 15 807 | 16 423 | 39 799 | 41 | 10 240 | 11 124 | 27 397 | 41 |
| **Total expenses from transactions** | **40 534** | **46 380** | **102 604** | **45** | **34 605** | **41 061** | **89 968** | **46** |
| **Net result from transactions – net operating balance** | **(1 829)** | **(10 901)** | **(27 908)** | **39** | **(1 146)** | **(10 121)** | **(23 281)** | **43** |
| Total other economic flows included in net result | 58 | 1 215 | 931 | 131 | (363) | (36) | (382) | 9 |
| **Net result** | **(1 771)** | **(9 687)** | **(26 977)** | **36** | **(1 508)** | **(10 156)** | **(23 663)** | **43** |
| Total other economic flows – other comprehensive income | 711 | (2 207) | 2 290 | (96) | (139) | (2 062) | (2 978) | 69 |
| Comprehensive result – total change in net worth | (1 060) | (11 894) | (24 687) | 48 | (1 647) | (12 218) | (26 641) | 46 |

Notes:

(a) This is an abbreviated statement. The full consolidated and disaggregated operating statement is reported in Chapter 2 Mid‑Year Financial Report.

(b) The percentage represents the 2020-21 actual to December as a percentage of the published estimate presented in the 2020-21 Budget.

## General government sector

### Revenue and income

Total revenue for the six months ending 31 December 2020 was $30.9 billion. This is 46 per cent of the published full year budget estimate and a decrease of $2.5 billion from the same period last year.

Taxation was $9.7 billion, or 46 per cent of the published full year budget estimate. Taxation 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 these timing factors, taxation revenue decreased compared with the same period last year. This was largely due to a decrease in payroll tax, gambling taxes and land transfer duty resulting from the impact of the coronavirus (COVID‑19) pandemic. The payroll tax reduction reflects lower hours worked due to the economic impact of public health restrictions, and payroll tax waivers and refunds provided in the six months to 31 December 2020, as part of the Government’s coronavirus (COVID‑19) response. Gambling taxes reduced largely due to the public health restrictions, including the temporary closure of Crown Casino, hotels and clubs. Land transfer duty similarly declined due to a subdued property market resulting from the impact of coronavirus (COVID‑19) on economic conditions and public health restrictions during the first six months of the year.

Grants were $15.8 billion, or 47 per cent of the published full year budget estimate. This was below the pro rata published budget, primarily due to the timing of grants received from the Commonwealth, including contributions to the North East Link and Melbourne Airport Rail projects.

Grants received were consistent with the same period last year.

Dividends, income tax equivalent and rate equivalent income for the half year was 68 per cent of the published full year budget estimate. This primarily reflected the timing of dividends and income tax equivalent income from the PNFC and PFC sectors.

Revenue from the sale of goods and services for the half year was $3.7 billion, or 44 per cent of the published full year budget estimate. This is below the pro rata published budget due to lower than expected school and TAFE fees due to the coronavirus (COVID‑19) pandemic and lower farebox revenue due to a significant drop in public transport patronage.

Other revenue and income was $1.0 billion, or 39 per cent of the full year published budget estimate. This is below the pro rata published budget due to a reduction in court fees, fines as well as cancellations for infringement related activities and reduction in toll fines.

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

### Expenses

Total expenses were $41.1 billion, or 46 per cent of the published full year budget estimate.

Employee expenses were slightly below the pro rata published budget for the first half of the year at $14.6 billion, or 49 per cent of the published full year budget estimate, representing an increase of $1.4 billion when compared with the same period last year. This was mainly due to increased spending on service delivery in the health, education and community safety sectors and annual salary growth.

Grant expense for the first half of the year was $10.1 billion, 46 per cent of the published full year budget estimate. This was below the pro rata published budget primarily due to timing related to the Government’s social and affordable housing initiatives, announced as part of the *2020-21 Budget* in November 2020.

Compared with the same period last year, grant expense increased by $3.7 billion. This increase primarily reflects the impact of measures as part of the Government’s response to coronavirus (COVID‑19) to support jobs and businesses, in addition to increased grants to the National Disability Insurance Agency and support for social and affordable housing initiatives.

Other operating expenses were $11.1 billion, or 41 per cent of the published full year budget estimate. This was below the pro rata published budget due to the timing of purchases of services and supplies and consumables in the health sector in response to coronavirus (COVID‑19), including personal protective equipment, which will be expensed when consumed. Compared with the same period last year, other operating expenses increased by $884 million, mainly reflecting increased purchases of services in response to coronavirus (COVID‑19).

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

## State of Victoria

### Revenue

Total revenue for the State for the six months ending 31 December 2020 was $35.5 billion. This is 47 per cent of the published full year budget estimate and 8.3 per cent lower compared with the same period last year. The general government sector contribution for revenue was $30.9 billion, with the balance coming from the PNFC and PFC sectors.

PNFC sector revenue decreased by 1.8 per cent to $5.8 billion. This was mainly due to business disruptions caused by the public health response to the coronavirus (COVID-19) pandemic and the timing of the settlement revenue of Development Victoria.

The PFC sector revenue decreased by 1.2 per cent or $61 million to $5.0 billion compared with the same period last year. This was mainly due to a decrease in dividend income (trust distributions) received by the State’s insurance agencies. This was partly offset by higher interest revenue earned by the Treasury Corporation Victoria on State borrowings and an increase in WorkSafe premium income due to higher Victorian employees’ remuneration.

### Expenses

Total expenses for the State increased by 14.4 per cent to $46.4 billion compared with the same period last year. This is 45 per cent of the published full year budget estimate. Of this, $41.1 billion was incurred by the general government sector.

Compared with the same period last year, total expenses in the PNFC sector decreased by 8 per cent to $5.5 billion. This was mainly due to decreases in:

* interest expenses due to borrowing at lower interest rates; and
* depreciation expenses for VicTrack due to a change in accounting for VicTrack leased assets.

For the PFC sector, total expenses were $5.9 billion. This was an increase of 5.9 per cent compared with the same period last year. The increase in expenses was mainly driven by an increase in other property expenses. This reflects an increase in income tax expense for the Transport Accident Commission (TAC) resulting from TAC’s improved operating result. **Net result from transactions**

The net result from transactions for the State for the six months to December 2020 was a deficit of $10.9 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 2020, other economic flows were a positive $1.2 billion resulting in a net result deficit of $9.7 billion.

Other economic flows included in the net result for the State comprise accounting and actuarial revaluations that impact on 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 movements in the underlying bond yields; and
* unrealised gains and losses on financial assets held by PFC sector entities.

# Financial position

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

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | Jun2020 | Dec2020 | Actualmovement | Jun2020 | Dec2020 | Actualmovement |
| **Assets** |  |  |  |  |  |  |
| Financial assets | 69 128 | 82 317 | 13 189 | 103 337 | 104 640 | 1 303 |
| Non‑financial assets | 315 402 | 321 762 | 6 360 | 177 703 | 183 928 | 6 225 |
| **Total assets** | **384 530** | **404 079** | **19 549** | **281 040** | **288 568** | **7 528** |
| **Liabilities** |  |  |  |  |  |  |
| Superannuation | 31 293 | 33 724 | 2 431 | 31 228 | 33 660 | 2 432 |
| Borrowings | 87 778 | 114 387 | 26 609 | 62 807 | 81 751 | 18 944 |
| Other liabilities | 85 968 | 88 406 | 2 437 | 30 914 | 29 318 | (1 596) |
| **Total liabilities** | **205 039** | **236 517** | **31 477** | **124 949** | **144 729** | **19 780** |
| Net assets | 179 491 | 167 562 | (11 928) | 156 092 | 143 839 | (12 253) |

Note:

(a) This is an abbreviated balance sheet. The full consolidated and disaggregated balance sheet is reported in Chapter 2 Mid‑Year Financial Report.

## State of Victoria

During the period to 31 December 2020 the net assets for the State of Victoria decreased by $11.9 billion. The total assets of the State increased by $19.5 billion mainly driven by the Government’s pipeline of infrastructure investments and increased holdings of financial assets.

Total liabilities for the State increased by $31.5 billion to $236.5 billion. This was mainly due to an increase in borrowings.

The increase in borrowings is mainly due to incremental borrowings by the Treasury Corporation of Victoria to fund the Government’s infrastructure investment program and its response to the coronavirus (COVID-19) pandemic.

# 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 *Mid‑Year Financial Report*.

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

|  | 2020‑21actualto Dec | 2020‑21publishedestimate |
| --- | --- | --- |
| Net result from transactions – net operating balance | (10 121) | (23 281) |
| Add back: Non‑cash revenues and expenses (net) (b) | 435 | 1 478 |
| **Net cash flows from operating activities** | **(9 685)** | **(21 803)** |
| Less: |  |  |
| **Net investment in fixed assets** |  |  |
| Purchases of non‑financial assets | 5 572 | 16 534 |
| Net cash flows from investments in financial assets for policy purposes | (365) | (1 193) |
| Sales of non‑financial assets | (56) | (258) |
| **Net investment in fixed assets** | **5 151** | **15 083** |
| Leases and service concession arrangements (c)  | 2 055 | 3 797 |
| Other movements | 543 | 1 740 |
| Decrease/(increase) in net debt | (17 434) | (42 423) |

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) Includes most operating leases which are now required to be recognised as lease liabilities. The financial liabilities relating to public private partnerships include the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, North East Link and Western Roads Upgrade.

## Infrastructure investment

Infrastructure supports growing community needs and ongoing productivity improvement, creating jobs and rebuilding the economy to deliver improved services for Victorians.

The general government sector’s government infrastructure investment, which includes net infrastructure investment and construction related cash outflows for Partnerships Victoria projects (net of asset sales), was $6.7 billion for the period to

31 December 2020, or 34 per cent of the published full year budget estimate. This was below the pro rata published budget, primarily due to the timing of the Government’s capital program.

Government infrastructure investment was $8.1 billion for the State of Victoria for the same period.

The Government’s infrastructure scorecard as at 31 December 2020

Major projects in progress include:

75 level crossing removals by 2025;

A Pathway to More Acute Mental Health Beds;

Additional VLocity trains;

Ballarat Health Services expansion and redevelopment;

Big Housing Build;

Building a world-class Geelong Performing Arts Centre;

Caulfield to Dandenong conventional signalling and power infrastructure upgrade;

Child Link;

Chisholm Road prison project;

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

Courts case management system;

Cranbourne line duplication;

Cranbourne-Pakenham and Sunbury line upgrades;

Echuca-Moama Bridge;

Frankston Hospital Redevelopment;

Frankston line stabling;

Geelong Fast Rail;

Goulburn Valley Health redevelopment;

High Capacity Metro Trains Project;

Hurstbridge Line upgrade – Stage 2;

Kardinia Park Stadium Stage 5 redevelopment;

M80 Ring Road upgrade;

Melbourne Arts Precinct Transformation – Phase 1;

Melbourne Airport Rail;

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 2020 *(continued)*

More E-Class trams and infrastructure;

Murray Basin Rail Project;

New Footscray Hospital;

New schools construction;

New trains for Sunbury;

New Wyndham Law Court;

New youth justice facility;

Next Generation Trams;

North East Link;

Northern Hospital inpatient expansion – Stage 2;

Public housing renewal program;

Regional Rail Revival;

Royal Victorian Eye and Ear Hospital redevelopment;

School Upgrades – growth;

Shepparton Corridor Upgrade – Stages 2 and 3;

Suburban Rail Loop;

Suburban Roads Upgrade;

Technology and resources to support Victoria’s fines system;

Ten new community hospitals;

Tram procurement and supporting infrastructure;

Victorian Heart Hospital;

Warrnambool Base Hospital Redevelopment;

Warrnambool Line Upgrade – Stage 2;

Waurn Ponds Track Duplication – Stage 2;

West Gate Tunnel Project;

Western Highway duplication – Ballarat to Stawell;

Western Rail Plan;

Western Roads Upgrade; and

Women’s prison system capacity.

# Financial sustainability

## General government sector

General government sector net debt increased by $17.4 billion to $61.7 billion as at 31 December 2020. This primarily reflects an increase in borrowings over the period to finance higher expenditure resulting from the Government’s response to the coronavirus (COVID-19) pandemic, an increase in right‑of‑use lease liabilities, primarily driven by Victoria Police’s lease agreement related to the 311 Spencer Street Complex in accordance with AASB 16 *Leases*, and to fund the Government’s infrastructure program. The ratio of net debt to GSP increased from 9.9 to 13.9 per cent.

Overall, net financial liabilities increased during the period due to increased net debt for reasons outlined previously. In addition, there was an increase in the State’s defined benefit superannuation liability, due primarily to a reduction in the bond yields that underlie the key superannuation valuation assumptions. This was partially offset by a decrease in other liabilities in the six  months to 31 December 2020.

Over the period to 31 December 2020, the ratio of net financial liabilities to GSP increased from 21.7 per cent to 25.9 per cent.

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

|  | Closing 30 Jun 2020 | Closing 31 Dec 2020 | Actual movement | % change |
| --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |
| Cash and deposits | 13 037 | 14 461 | 1 423 | 11 |
| Advances paid | 6 550 | 5 912 | (638) | (10) |
| Investment, loans and placements | 2 589 | 2 680 | 91 | 4 |
| **Total** | **22 176** | **23 053** | **877** | **4** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 3 681 | 3 048 | (633) | (17) |
| Borrowings | 62 807 | 81 751 | 18 944 | 30 |
| **Total** | **66 488** | **84 799** | **18 311** | **28** |
| **Net debt (a)** | **44 312** | **61 746** | **17 434** | **39** |
| Superannuation liability | 31 228 | 33 660 | 2 432 | 8 |
| **Net debt plus superannuation liabilities** | **75 539** | **95 406** | **19 866** | **26** |
| Other liabilities (net) (b) | 21 115 | 19 869 | (1 246) | (6) |
| **Net financial liabilities (c)** | **96 654** | **115 275** | **18 621** | **19** |
| (per cent) |
| **Net debt to GSP (d)** | **9.9** | **13.9** |  |  |
| **Net debt plus superannuation liability to GSP (d)** | **17.0** | **21.4** |  |  |
| Net financial liabilities to GSP (d) | 21.7 | 25.9 |  |  |

Notes:

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

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

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

(d) Ratios to GSP may vary from publications year-to-year due to revisions to the Australian Bureau of Statistics GSP data. The ratios as at 31 December 2020 reflect the 2020‑21 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).

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

|  | Closing 30 Jun 2020 | Closing 31 Dec 2020 | Actual movement | % change |
| --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |
| Cash and deposits | 14 569 | 16 041 | 1 472 | 10 |
| Advances paid | 483 | 501 | 19 | 4 |
| Investment, loans and placements | 3 227 | 3 351 | 124 | 4 |
| **Total** | **18 279** | **19 893** | **1 614** | **9** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 1 660 | 1 624 | (36) | (2) |
| Borrowings | 76 584 | 96 210 | 19 627 | 26 |
| **Total** | **78 243** | **97 834** | **19 591** | **25** |
| **Net debt (a)** | **59 965** | **77 941** | **17 976** | **30** |
| Superannuation liability | 31 293 | 33 724 | 2 431 | 8 |
| **Net debt plus superannuation liabilities** | **91 258** | **111 665** | **20 407** | **22** |
| Other liabilities (net) (b) | 30 026 | 28 743 | (1 284) | (4) |
| **Net financial liabilities (c)** | **121 284** | **140 407** | **19 123** | **16** |
| (per cent) |
| **Net debt to GSP (d)** | **13.5** | **17.5** |  |  |
| **Net debt plus superannuation liability to GSP (d)** | **20.5** | **25.1** |  |  |
| Net financial liabilities to GSP (d) | 27.2 | 31.5 |  |  |

Notes:

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

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

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

(d) Ratios to GSP may vary from publications year-to-year due to revisions to the Australian Bureau of Statistics GSP data. The ratios as at 31 December 2020 reflect the 2020‑21 GSP forecast growth rate for the full year.

For the six months to 31 December 2020, the increase in NFPS net debt was mainly due to an increase in borrowings of $19.6 billion. Actual borrowings were mainly applied towards the State’s infrastructure investment program and the Government’s coronavirus (COVID-19) pandemic response. The ratio of NFPS net financial liabilities to GSP increased from 27.2 per cent to 31.5 per cent at the end of the period. The ratio of net debt to GSP increased from 13.5 per cent to 17.5 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 ($ million)

|  |  | State of Victoria | General government sector |
| --- | --- | --- | --- |
|  | Notes | 2020 | 2019 | 2020 | 2019 |
| **Revenue and income from transactions** |  |  |  |  |  |
| Taxation | 2.1 | 9 513 | 11 187 | 9 729 | 11 395 |
| Interest income |  | 284 | 260 | 279 | 319 |
| Dividends, income tax equivalent and rate equivalent income | 2.2 | 1 208 | 1 672 | 364 | 493 |
| Sales of goods and services | 2.3 | 7 309 | 8 056 | 3 715 | 3 998 |
| Grants | 2.4 | 15 724 | 15 704 | 15 811 | 15 810 |
| Other revenue and income | 2.5 | 1 440 | 1 824 | 1 042 | 1 444 |
| **Total revenue and income from transactions** |  | **35 479** | **38 704** | **30 940** | **33 460** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses |  | 15 266 | 13 865 | 14 637 | 13 241 |
| Net superannuation interest expense | 3.2 | 154 | 204 | 154 | 204 |
| Other superannuation | 3.2 | 1 794 | 1 601 | 1 708 | 1 515 |
| Depreciation | 4.2 | 3 376 | 3 158 | 2 051 | 1 814 |
| Interest expense | 5.4 | 1 619 | 1 470 | 1 254 | 1 146 |
| Grant expense | 3.3 | 7 750 | 4 428 | 10 133 | 6 446 |
| Other operating expenses | 3.4 | 16 423 | 15 807 | 11 124 | 10 240 |
| **Total expenses from transactions** | 3.5, 3.6 | **46 380** | **40 534** | **41 061** | **34 605** |
| **Net result from transactions – net operating balance** |  | **(10 901)** | **(1 829)** | **(10 121)** | **(1 146)** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non‑financial assets |  | (3) | (9) | 5 | (35) |
| Net gain/(loss) on financial assets or liabilities at fair value |  | 1 672 | 518 | 81 | 19 |
| Share of net profit/(loss) from associates/joint venture entities |  | (2) | .. | (2) | .. |
| Other gains/(losses) from other economic flows | 9.2 | (453) | (451) | (119) | (347) |
| **Total other economic flows included in net result** |  | **1 215** | **58** | **(36)** | **(363)** |
| **Net result** |  | **(9 687)** | **(1 771)** | **(10 156)** | **(1 508)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non‑financial assets revaluation surplus |  | (67) | 281 | 227 | 251 |
| Remeasurement of superannuation defined benefits plans | 3.2 | (2 199) | 675 | (2 190) | 675 |
| Other movements in equity |  | 42 | (183) | 48 | (165) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value |  | 17 | (61) | 12 | (57) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets |  | .. | .. | (158) | (843) |
| **Total other economic flows – other comprehensive income** |  | **(2 207)** | **711** | **(2 062)** | **(139)** |
| **Comprehensive result – total change in net worth** |  | **(11 894)** | **(1 060)** | **(12 218)** | **(1 647)** |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** |  | **(10 901)** | **(1 829)** | **(10 121)** | **(1 146)** |
| Less: Net acquisition of non‑financial assets from transactions | 9.1 | 6 360 | 3 831 | 5 756 | 2 187 |
| Net lending/(borrowing) |  | (17 261) | (5 660) | (15 876) | (3 332) |

The accompanying notes form part of these financial statements.

# Consolidated balance sheet

As at 31 December ($ million)

|  |  | State of Victoria | General government sector |
| --- | --- | --- | --- |
|  | Notes | Dec2020 | Jun2020 | Dec2020 | Jun2020 |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 5.2 | 21 688 | 19 185 | 14 461 | 13 037 |
| Advances paid | 5.3 | 501 | 483 | 5 912 | 6 550 |
| Receivables | 6.2 | 9 840 | 8 994 | 6 390 | 6 107 |
| Contract assets | 6.2 | 78 | 74 | 2 | 1 |
| Investments, loans and placements | 5.3 | 50 199 | 40 381 | 2 680 | 2 589 |
| Investments accounted for using the equity method |  | 10 | 10 | 10 | 10 |
| Investments in other sector entities |  | .. | .. | 75 186 | 75 043 |
| **Total financial assets** |  | **82 317** | **69 128** | **104 640** | **103 337** |
| **Non‑financial assets** |  |  |  |  |  |
| Inventories | 6.1 | 2 108 | 1 710 | 905 | 666 |
| Non‑financial assets held for sale |  | 188 | 226 | 174 | 192 |
| Land, buildings, infrastructure, plant and equipment | 4.1 | 314 742 | 309 065 | 179 353 | 173 743 |
| Other non‑financial assets | 4.3 | 4 725 | 4 401 | 3 496 | 3 103 |
| **Total non‑financial assets** |  | **321 762** | **315 402** | **183 928** | **177 703** |
| **Total assets** | 3.6 | **404 079** | **384 530** | **288 568** | **281 040** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received |  | 1 710 | 1 693 | 3 048 | 3 681 |
| Payables | 6.3 | 28 883 | 28 614 | 15 604 | 16 802 |
| Contract liabilities | 6.3 | 516 | 140 | 379 | 68 |
| Borrowings | 5.1 | 114 387 | 87 778 | 81 751 | 62 807 |
| Employee benefits | 3.1 | 9 657 | 9 662 | 9 003 | 9 028 |
| Superannuation | 6.4 | 33 724 | 31 293 | 33 660 | 31 228 |
| Other provisions | 6.5 | 47 640 | 45 859 | 1 284 | 1 335 |
| **Total liabilities** |  | **236 517** | **205 039** | **144 729** | **124 949** |
| **Net assets** |  | **167 562** | **179 491** | **143 839** | **156 092** |
| Accumulated surplus/(deficit) |  | 64 768 | 76 661 | 55 823 | 68 166 |
| Reserves |  | 102 795 | 102 830 | 88 016 | 87 925 |
| **Net worth** |  | **167 562** | **179 491** | **143 839** | **156 092** |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth |  | (154 200) | (135 912) | (40 089) | (21 612) |
| Net financial liabilities |  | 154 200 | 135 912 | 115 275 | 96 654 |
| Net debt |  | 43 708 | 29 422 | 61 746 | 44 312 |

The accompanying notes form part of these financial statements.

# Consolidated cash flow statement

For the six months ended 31 December ($ million)

|  |  | State of Victoria | General government sector |
| --- | --- | --- | --- |
|  | Notes | 2020 | 2019 | 2020 | 2019 |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received |  | 9 609 | 11 698 | 9 825 | 11 906 |
| Grants |  | 15 200 | 15 718 | 15 287 | 15 827 |
| Sales of goods and services (a) |  | 9 207 | 9 912 | 4 390 | 4 349 |
| Interest received |  | 108 | 202 | 279 | 333 |
| Dividends, income tax equivalent and rate equivalent receipts |  | 1 208 | 1 672 | 364 | 533 |
| Other receipts |  | 594 | 852 | 282 | 762 |
| **Total receipts** |  | **35 928** | **40 054** | **30 427** | **33 711** |
| **Payments** |  |  |  |  |  |
| Payments for employees |  | (15 241) | (13 885) | (14 632) | (13 250) |
| Superannuation |  | (1 715) | (1 602) | (1 619) | (1 514) |
| Interest paid |  | (1 403) | (1 311) | (1 089) | (1 005) |
| Grants and subsidies |  | (7 832) | (4 767) | (10 241) | (6 848) |
| Goods and services (a) |  | (15 877) | (15 446) | (11 846) | (11 280) |
| Other payments |  | (753) | (377) | (685) | (404) |
| **Total payments** |  | **(42 822)** | **(37 388)** | **(40 112)** | **(34 301)** |
| **Net cash flows from operating activities** |  | **(6 894)** | **2 666** | **(9 685)** | **(591)** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |  |  |  |
| Purchases of non‑financial assets | 3.5, 3.6 | (7 286) | (5 838) | (5 572) | (4 579) |
| Sales of non‑financial assets |  | 107 | 198 | 56 | 80 |
| **Net cash flows from investments in non‑financial assets** |  | **(7 180)** | **(5 640)** | **(5 516)** | **(4 498)** |
| Net cash flows from investments in financial assets for policy purposes |  | (29) | (165) | 365 | 375 |
| **Sub‑total** |  | **(7 208)** | **(5 805)** | **(5 151)** | **(4 123)** |
| Net cash flows from investments in financial assets for liquidity management purposes |  | (7 325) | 1 474 | 3 | (391) |
| **Net cash flows from investing activities** |  | **(14 533)** | **(4 331)** | **(5 148)** | **(4 515)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) |  | (12) | 94 | (620) | (531) |
| Net borrowings |  | 23 913 | 3 080 | 16 890 | 3 073 |
| Deposits received (net) |  | 29 | 35 | (13) | 92 |
| **Net cash flows from financing activities** |  | **23 930** | **3 209** | **16 257** | **2 633** |
| **Net increase/(decrease) in cash and cash equivalents** |  | **2 503** | **1 543** | **1 423** | **(2 472)** |
| Cash and cash equivalents at beginning of reporting period |  | 19 185 | 12 695 | 13 037 | 9 775 |
| **Cash and cash equivalents at end of the reporting period (b)** | 5.2 | **21 688** | **14 238** | **14 461** | **7 303** |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities |  | (6 894) | 2 666 | (9 685) | (591) |
| Net cash flows from investments in non‑financial assets |  | (7 180) | (5 640) | (5 516) | (4 498) |
| Cash surplus/(deficit) |  | (14 073) | (2 974) | (15 202) | (5 089) |

The accompanying notes form part of these financial statements.

Notes:

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

(b) 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 ($ million)

| State of Victoria | Accumulated surplus/(deficit) | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- |
| **2020** |  |  |  |  |  |
| Balance at 1 July 2020 | 76 626 | 101 305 | .. | 1 524 | 179 456 |
| Net result for the year | (9 687) | .. | .. | .. | (9 687) |
| Other comprehensive income for the year | (2 172) | (67) | .. | 32 | (2 207) |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2020** | **64 768** | **101 238** | **..** | **1 556** | **167 562** |
| **2019** |  |  |  |  |  |
| Balance at 1 July 2019 (a)(b) | 71 053 | 109 002 | .. | 1 643 | 181 699 |
| 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 (a)(b) | 93 407 | 85 608 | .. | 1 623 | 180 639 |

The accompanying notes form part of these financial statements.

Notes:

(a) The 1 July 2019 and 31 December 2019 comparative figures have been restated to correct a prior period error within administered fines revenue for the Department of Justice and Community Safety. Please refer to Note 6.3.1 Prior Period Adjustment in the 2019‑20 Financial Report for further details.

(b) The 1 July 2019 and 31 December 2019 comparative figures have been restated to reflect updates relating to 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. Please refer to Note 9.7.2 Financial impact of the new accounting standards in the 2019-20 Financial Report for further details.

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

For the six months ended 31 December ($ million)

| General government sector | Accumulated surplus/(deficit) | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- |
| **2020** |  |  |  |  |  |
| Balance at 1 July 2020 | 68 131 | 54 379 | 32 639 | 908 | 156 057 |
| Net result for the year | (10 156) | .. | .. | .. | (10 156) |
| Other comprehensive income for the year | (2 153) | 227 | (158) | 23 | (2 062) |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2020** | **55 823** | **54 605** | **32 480** | **931** | **143 839** |
| **2019** |  |  |  |  |  |
| Balance at 1 July 2019 (a)(b) | 54 752 | 66 062 | 35 222 | 1 020 | 157 056 |
| 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 (a)(b) | 77 397 | 42 638 | 34 379 | 995 | 155 409 |

The accompanying notes form part of these financial statements.

Notes:

(a) The 1 July 2019 and 31 December 2019 comparative figures have been restated to correct a prior period error within administered fines revenue for the Department of Justice and Community Safety. Please refer to Note 6.3.1 Prior Period Adjustment in the 2019‑20 Financial Report for further details.

(b) The 1 July 2019 and 31 December 2019 comparative figures have been restated to reflect updates relating to 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. Please refer to Note 9.7.2 Financial impact of the new accounting standards in the 2019-20 Financial Report for further details.

# 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 2020.

The detailed accounting policies applied in preparing the interim financial report are consistent with those applied for the financial statements published in the *2019-20 Financial Report* for the State.

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 *2019-20 Financial Report*.

## 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 Australian Accounting Standards Board (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 *2020-21 Mid-Year Financial Report* was authorised for issue by the Treasurer on 12 March 2021.

## 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 including service concession arrangement assets and right‑of‑use assets which, subsequent to recognition, 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 values;
* 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 intermediary 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 2020 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 9.3.

## Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2020-21 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:* the operative date of this standard has been deferred by
AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts* to reporting periods beginningon or after 1 January 2023 and 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.

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.

The income and revenue recognition are determined by the State based on the substance or the relevant arrangement in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.

## Structure

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[2.2 Dividends, income tax equivalent and
rate equivalent income 20](#_Toc65639389)

[2.3 Sales of goods and services 21](#_Toc65639390)

[2.4 Grants 21](#_Toc65639391)

[2.5 Other revenue and income 21](#_Toc65639392)

## Taxation

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| **Taxes on employers’ payroll and labour force (a)** | **2 894** | **3 335** | **2 937** | **3 377** |
| **Taxes on immovable property** |  |  |  |  |
| Land tax | (2) | 166 | 12 | 180 |
| Fire Services Property Levy (b) | 735 | 706 | 735 | 706 |
| Congestion levy | (12) | 1 | (12) | 1 |
| Metropolitan improvement levy | 181 | 185 | 181 | 185 |
| **Total taxes on property** | **902** | **1 058** | **915** | **1 072** |
| **Gambling taxes** |  |  |  |  |
| Public lotteries (c) | 295 | 284 | 295 | 284 |
| Electronic gaming machines (c) | 163 | 584 | 163 | 584 |
| Casino (c) | 18 | 120 | 18 | 120 |
| Racing and other sports betting | 115 | 85 | 115 | 85 |
| Other | 4 | 6 | 4 | 6 |
| **Financial and capital transactions** |  |  |  |  |
| Land transfer duty | 2 747 | 3 257 | 2 747 | 3 257 |
| Metropolitan planning levy | 12 | 12 | 12 | 12 |
| Financial accommodation levy | .. | .. | 76 | 76 |
| Growth areas infrastructure contribution | 122 | 121 | 122 | 121 |
| **Levies on statutory corporations** | **..** | **..** | **83** | **75** |
| **Taxes on insurance** | **795** | **781** | **795** | **781** |
| **Total taxes on the provision of goods and services** | **4 272** | **5 250** | **4 431** | **5 401** |
| **Motor vehicle taxes** |  |  |  |  |
| Vehicle registration fees | 907 | 892 | 908 | 893 |
| Duty on vehicle registrations and transfers | 405 | 473 | 405 | 473 |
| **Liquor licence fees** | **..** | **17** | **..** | **17** |
| **Other** | **133** | **162** | **133** | **162** |
| **Total taxes on the use of goods and performance of activities** | **1 445** | **1 544** | **1 446** | **1 545** |
| Total taxation | 9 513 | 11 187 | 9 729 | 11 395 |

Notes:

(a) As at 31 December 2020, as part of the Economic Survival Package, the State has refunded and waived $195 million of payroll tax to small businesses in 2020-21. This is in addition to relief provided in the 2019‑20 financial year.

(b) The Fire Services Property Levy has been frozen at the 2019-20 revenue target for the 2020-21 financial year.

(c) Public lotteries, electronic gaming machines and casino taxes include gambling licence revenue in the 6 months to 31 December 2020 of $59 million
(31 December 2019: $59 million), recognised under AASB 15 Revenue from Contracts with Customers.

## Dividends, income tax equivalent and rate equivalent income

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| Dividends from PFC sector | .. | .. | 59 | 9 |
| Dividends from PNFC sector | .. | .. | 130 | 294 |
| Dividends from non‑public sector | 1 208 | 1 672 | 17 | 56 |
| **Dividends** | **1 208** | **1 672** | **206** | **358** |
| Income tax equivalent income from PFC sector | .. | .. | 3 | 4 |
| Income tax equivalent income from PNFC sector | .. | .. | 156 | 130 |
| **Income tax equivalent income** | **..** | **..** | **158** | **134** |
| Local government rate equivalent income | .. | .. | .. | .. |
| Total dividends, income tax equivalent and rate equivalent income | 1 208 | 1 672 | 364 | 493 |

Dividends by entity ($ million)

|  | General government sector |
| --- | --- |
|  | 2020 | 2019 |
| **Public financial corporations** |  |  |
| Victorian Managed Insurance Authority | .. | .. |
| Transport Accident Commission | .. | .. |
| Treasury Corporation of Victoria | 52 | .. |
| State Trustees Ltd | .. | 2 |
| Victorian Funds Management Corporation | 7 | 7 |
| **Dividends from PFC sector** | **59** | **9** |
| **Public non‑financial corporations** |  |  |
| City West Water Corporation | 14 | 54 |
| Melbourne Water Corporation | 59 | 62 |
| South East Water Corporation | 31 | 116 |
| Yarra Valley Water Corporation | 26 | 61 |
| State Electricity Commission of Victoria | .. | .. |
| Development Victoria | 1 | .. |
| Others | .. | 1 |
| Dividends from PNFC sector | 130 | 294 |

## Sales of goods and services

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| **Revenue items accounted for under AASB 15** |  |  |  |  |
| Sale of goods | 187 | 332 | 55 | 56 |
| Provision of services | 6 544 | 7 039 | 1 989 | 2 307 |
| Refunds and reimbursements | 98 | 115 | 12 | 2 |
| **Income accounted for under AASB 1058** |  |  |  |  |
| Motor vehicle regulatory fees | 109 | 122 | 109 | 122 |
| Other regulatory fees | 228 | 282 | 219 | 271 |
| Inter‑sector capital asset charge | .. | .. | 1 300 | 1 192 |
| **Revenue items accounted for under AASB 16** |  |  |  |  |
| Rental | 143 | 166 | 30 | 48 |
| Total sales of goods and services | 7 309 | 8 056 | 3 715 | 3 998 |

## Grants (a)

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| General purpose grants | 7 515 | 8 507 | 7 515 | 8 507 |
| Specific purpose grants for on‑passing | 1 993 | 1 961 | 1 993 | 1 961 |
| Specific purpose grants | 6 209 | 5 234 | 6 198 | 5 231 |
| **Total** | **15 717** | **15 701** | **15 705** | **15 699** |
| Other contributions and grants | 8 | 3 | 106 | 110 |
| Total grants | 15 724 | 15 704 | 15 811 | 15 810 |

Note:

(a) Grants predominantly relate to grants from the Commonwealth Government which are recognised under AASB 1058 Income of Not-for-Profit Entities.

## Other revenue and income

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| **Revenue items accounted for under AASB 15** |  |  |  |  |
| Royalties | 78 | 43 | 71 | 35 |
| Other revenue – Education | 156 | 326 | 156 | 326 |
| Other revenue – Health | 109 | 106 | 109 | 106 |
| Other miscellaneous revenue | 344 | 393 | 253 | 305 |
| **Income accounted for under AASB 1058** |  |  |  |  |
| Fair value of assets received free of charge or for nominal consideration | 244 | 249 | 7 | 31 |
| Fines | 279 | 363 | 274 | 363 |
| Donations and gifts | 114 | 123 | 74 | 82 |
| **Revenue items accounted for under AASB 16** |  |  |  |  |
| Other non‑property rental | 30 | 39 | 13 | 14 |
| **Revenue items accounted for under AASB 1059** |  |  |  |  |
| Revenue related to economic service concession arrangements | 85 | 182 | 85 | 182 |
| Total other revenue and income | 1 440 | 1 824 | 1 042 | 1 444 |

# 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 2020.

## Structure

[3.1 Employee expenses and provision for outstanding employee benefits 22](#_Toc65639409)

[3.2 Superannuation (operating statement) 23](#_Toc65639410)

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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](#_Toc65639414)

## 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 spending on 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 |
| --- | --- | --- |
|  | Dec2020 | Jun2020 | Dec2020 | Jun2020 |
| **Current** |  |  |  |  |
| Accrued salaries and wages | 589 | 868 | 557 | 820 |
| Other employee benefits | 119 | 106 | 101 | 81 |
| Annual leave | 2 406 | 2 251 | 2 185 | 2 055 |
| Long service leave | 5 227 | 5 155 | 4 948 | 4 872 |
| **Total current employee benefits and on‑costs** | **8 342** | **8 379** | **7 791** | **7 828** |
| **Non‑current** |  |  |  |  |
| Accrued salaries and wages | 11 | 11 | .. | .. |
| Long service leave | 1 304 | 1 272 | 1 212 | 1 200 |
| **Total non‑current employee benefits and on‑costs** | **1 315** | **1 283** | **1 212** | **1 200** |
| Total employee benefits and on‑costs | 9 657 | 9 662 | 9 003 | 9 028 |

## Superannuation (operating statement)

($ million)

|  | State of Victoria |
| --- | --- |
|  | 2020 | 2019 |
| **Defined benefit plans** |  |  |
| Net superannuation interest expense | 154 | 204 |
| Current service cost | 655 | 562 |
| Remeasurements: |  |  |
| Expected return on superannuation assets excluding interest income | (672) | (658) |
| Other actuarial (gain)/loss on superannuation assets | (1 009) | (77) |
| Actuarial and other adjustments to unfunded superannuation liability | 3 880 | 60 |
| **Total expense recognised in respect of defined benefit plans** | **3 007** | **91** |
| **Defined contribution plans** |  |  |
| Employer contributions to defined contribution plans | 1 099 | 997 |
| Other (including pensions) | 40 | 43 |
| **Total expense recognised in respect of defined contribution plans** | **1 139** | **1 040** |
| **Total superannuation (gain)/expense recognised in operating statement** | **4 146** | **1 130** |
| **Represented by:** |  |  |
| Net superannuation interest expense | 154 | 204 |
| Other superannuation | 1 794 | 1 601 |
| **Superannuation expense from transactions** | **1 947** | **1 805** |
| **Remeasurement recognised in other comprehensive income** | **2 199** | **(675)** |
| Total superannuation costs recognised in operating statement | 4 146 | 1 130 |

## Grant expense

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| **Current grant expense** |  |  |  |  |
| Commonwealth Government | 1 307 | 543 | 1 306 | 543 |
| Local government (including grants for on‑passing) | 487 | 339 | 487 | 339 |
| Private sector and not‑for‑profit on‑passing | 1 847 | 1 787 | 1 846 | 1 787 |
| Other private sector and not‑for‑profit | 3 962 | 1 561 | 3 927 | 1 528 |
| Grants within the Victorian government | .. | .. | 2 455 | 2 093 |
| Grants to other state governments | 13 | 69 | 13 | 69 |
| **Total current grant expense** | **7 617** | **4 299** | **10 036** | **6 358** |
| **Capital grant expense** |  |  |  |  |
| Local government (including grants for on‑passing) | 28 | 17 | 28 | 17 |
| Private sector and not‑for‑profit on‑passing | 75 | 53 | 61 | 52 |
| Grants within the Victorian government | .. | .. | 8 | 10 |
| Other grants | 30 | 59 | 1 | 10 |
| **Total capital grant expense** | **133** | **129** | **97** | **88** |
| Total grant expense | 7 750 | 4 428 | 10 133 | 6 446 |

## Other operating expenses

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| Purchase of supplies and consumables (a) | 2 093 | 2 817 | 1 817 | 2 274 |
| Cost of goods sold | 72 | 116 | 10 | 16 |
| Finance expenses and fees | 241 | 240 | 23 | 23 |
| Purchase of services (a) | 9 084 | 7 620 | 8 096 | 6 820 |
| Insurance claims expense | 3 501 | 3 710 | 177 | 178 |
| Maintenance | 807 | 774 | 455 | 424 |
| Short‑term and low‑value lease expense | 38 | 84 | 41 | 76 |
| Other | 587 | 445 | 505 | 429 |
| Total other operating expenses | 16 423 | 15 807 | 11 124 | 10 240 |

Note:

(a) 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 |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| Medicinal pharmacy and medical supplies | 899 | 809 | 899 | 809 |
| Office supplies and consumables | 99 | 111 | 93 | 104 |
| Specialised operational supplies and consumables | 149 | 154 | 104 | 99 |
| Other purchase of supplies and consumables | 947 | 1 744 | 721 | 1 263 |
| Total purchase of supplies and consumables | 2 093 | 2 817 | 1 817 | 2 274 |

**Purchase of services**  ($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| Service contracts | 5 007 | 4 107 | 4 705 | 3 881 |
| Accommodation/occupancy | 671 | 476 | 547 | 408 |
| Medical and client care services | 203 | 202 | 203 | 202 |
| Staff related expenses (non‑labour related) | 109 | 159 | 95 | 142 |
| Other purchase of services | 3 094 | 2 675 | 2 547 | 2 187 |
| Total purchases of services | 9 084 | 7 620 | 8 096 | 6 820 |

## 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 ($ million)

|  | Expenses from transactions | Purchases of non‑financial assets |
| --- | --- | --- |
| State of Victoria | Dec2020 | Dec2019 | Dec2020 | Dec2019 |
| Education and Training | 9 898 | 9 646 | 844 | 696 |
| Environment, Land, Water and Planning | 4 610 | 4 858 | 1 314 | 916 |
| Health and Human Services | 17 495 | 14 712 | 640 | 726 |
| Jobs, Precincts and Regions | 4 068 | 1 546 | 139 | 84 |
| Justice and Community Safety | 7 383 | 6 335 | 508 | 248 |
| Premier and Cabinet | 436 | 333 | 10 | 6 |
| Transport | 9 268 | 8 765 | 3 875 | 2 725 |
| Treasury and Finance | 5 412 | 5 106 | 9 | 34 |
| Parliament | 154 | 111 | 7 | 2 |
| Courts | 374 | 346 | 11 | 38 |
| Regulatory bodies and other part budget funded agencies (a) | 1 357 | 1 339 | 83 | 84 |
| **Total** | **60 456** | **53 097** | **7 441** | **5 558** |
| *Less eliminations and adjustments (b)* | *(14 076)* | *(12 564)* | *(154)* | *280* |
| Grand total | 46 380 | 40 534 | 7 286 | 5 838 |

| General government sector |  |  |  |  |
| --- | --- | --- | --- | --- |
| Education and Training | 9 898 | 9 646 | 844 | 696 |
| Environment, Land, Water and Planning | 1 533 | 1 719 | 50 | 36 |
| Health and Human Services | 16 575 | 13 949 | 457 | 571 |
| Jobs, Precincts and Regions | 3 707 | 1 019 | 42 | 56 |
| Justice and Community Safety | 4 729 | 3 984 | 462 | 205 |
| Premier and Cabinet | 424 | 319 | 9 | 5 |
| Transport | 5 125 | 4 583 | 3 722 | 2 620 |
| Treasury and Finance | 4 072 | 3 815 | 6 | 37 |
| Parliament | 154 | 111 | 7 | 2 |
| Courts | 374 | 346 | 11 | 38 |
| Regulatory bodies and other part budget funded agencies (a) | 1 357 | 1 339 | 83 | 84 |
| **Total** | **47 949** | **40 832** | **5 695** | **4 349** |
| *Less eliminations and adjustments (b)* | *(6 888)* | *(6 227)* | *(122)* | *230* |
| Grand total | 41 061 | 34 605 | 5 572 | 4 579 |

Notes:

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

(b) 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 | Dec2020 | Dec2019 | Dec2020 | Dec2019 | Dec2020 | Jun2020 |
| General public services | 7 044 | 6 801 | 75 | 52 | 8 617 | 9 047 |
| Public order and safety | 4 758 | 4 181 | 547 | 320 | 13 240 | 11 737 |
| Economic affairs | 3 158 | 794 | 77 | 32 | 1 187 | 1 185 |
| Environmental protection | 406 | 406 | 4 | 60 | 11 805 | 11 799 |
| Housing and community amenities | 2 498 | 2 362 | 1 407 | 961 | 52 462 | 51 976 |
| Health | 11 884 | 10 372 | 428 | 548 | 20 690 | 20 475 |
| Recreation, culture and religion | 801 | 828 | 124 | 11 | 14 800 | 14 636 |
| Education | 8 389 | 8 194 | 796 | 683 | 28 709 | 28 171 |
| Social protection | 3 876 | 3 010 | 169 | 174 | 28 511 | 28 542 |
| Transport | 4 331 | 3 847 | 3 724 | 2 718 | 148 157 | 144 196 |
| Not allocated by purpose (a)(b) | (765) | (261) | (65) | 279 | 75 900 | 62 766 |
| Total | 46 380 | 40 534 | 7 286 | 5 838 | 404 079 | 384 530 |

| General government sector |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General public services | 2 537 | 2 166 | 17 | 4 | 4 206 | 4 449 |
| Public order and safety | 4 882 | 4 283 | 547 | 320 | 13 240 | 11 737 |
| Economic affairs | 3 160 | 819 | 71 | 30 | 1 124 | 1 127 |
| Environmental protection | 439 | 422 | 4 | 60 | 11 803 | 11 797 |
| Housing and community amenities | 900 | 831 | 24 | 34 | 2 213 | 2 245 |
| Health | 12 082 | 10 544 | 428 | 548 | 20 690 | 20 475 |
| Recreation, culture and religion | 480 | 386 | 25 | 14 | 7 647 | 7 668 |
| Education | 8 449 | 8 242 | 796 | 683 | 28 709 | 28 171 |
| Social protection | 3 699 | 2 679 | .. | 35 | 2 057 | 2 073 |
| Transport | 5 005 | 4 493 | 3 721 | 2 621 | 92 662 | 88 340 |
| Not allocated by purpose (a)(b) | (570) | (259) | (61) | 229 | 104 217 | 102 957 |
| Total | 41 061 | 34 605 | 5 572 | 4 579 | 288 568 | 281 040 |

Notes:

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

(b) 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](#_Toc65639428)

[4.2 Depreciation 29](#_Toc65639429)

[4.3 Other non-financial assets 30](#_Toc65639430)

## Total land, buildings, infrastructure, plant and equipment

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
| Dec 2020 | Gross carrying amount | Accumulated depreciation | Carrying amount | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 71 596 | (6 218) | 65 378 | 50 161 | (4 393) | 45 768 |
| Land and national parks | 102 995 | .. | 102 995 | 70 305 | .. | 70 305 |
| Infrastructure systems | 93 269 | (8 658) | 84 612 | 8 756 | (531) | 8 224 |
| Plant, equipment and vehicles | 17 384 | (6 408) | 10 975 | 9 458 | (5 023) | 4 435 |
| Roads and road infrastructure | 35 747 | (552) | 35 195 | 35 634 | (536) | 35 098 |
| Earthworks | 9 829 | .. | 9 829 | 9 829 | .. | 9 829 |
| Cultural assets | 5 976 | (217) | 5 758 | 5 911 | (217) | 5 693 |
| Total land, buildings, infrastructure, plant and equipment | 336 796 | (22 054) | 314 742 | 190 053 | (10 700) | 179 353 |

| Jun 2020 |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Buildings | 69 010 | (5 002) | 64 008 | 47 684 | (3 280) | 44 404 |
| Land and national parks | 102 855 | .. | 102 855 | 70 174 | .. | 70 174 |
| Infrastructure systems | 88 988 | (7 390) | 81 598 | 5 873 | (519) | 5 355 |
| Plant, equipment and vehicles | 17 793 | (6 878) | 10 915 | 9 050 | (4 764) | 4 286 |
| Roads and road infrastructure | 34 901 | (85) | 34 816 | 34 787 | (71) | 34 717 |
| Earthworks | 9 116 | .. | 9 116 | 9 116 | .. | 9 116 |
| Cultural assets | 5 963 | (207) | 5 756 | 5 898 | (207) | 5 691 |
| Total land, buildings, infrastructure, plant and equipment | 328 626 | (19 561) | 309 065 | 182 583 | (8 840) | 173 743 |

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 ($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
| Dec 2020 | Gross carrying amount | Accumulated depreciation | Carrying amount | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 10 579 | (1 319) | 9 260 | 9 990 | (1 185) | 8 804 |
| Infrastructure systems | 17 | (2) | 15 | 3 | .. | 2 |
| Plant, equipment and vehicles | 1 043 | (341) | 702 | 852 | (300) | 552 |
| Total right‑of‑use assets: land, buildings, infrastructure, plant and equipment | 11 639 | (1 662) | 9 977 | 10 844 | (1 486) | 9 359 |

| Jun 2020 |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Buildings | 9 469 | (925) | 8 545 | 8 907 | (826) | 8 080 |
| Infrastructure systems | 21 | (1) | 20 | 6 | .. | 6 |
| Plant, equipment and vehicles | 921 | (239) | 681 | 740 | (213) | 527 |
| Total right‑of‑use assets: land, buildings, infrastructure, plant and equipment | 10 411 | (1 166) | 9 245 | 9 653 | (1 039) | 8 614 |

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

|  | State of Victoria | General government sector |
| --- | --- | --- |
| Dec 2020 | Gross carrying amount | Accumulated depreciation | Carrying amount | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 2 215 | (55) | 2 160 | 2 215 | (55) | 2 160 |
| Land and national parks | 2 529 | .. | 2 529 | 2 529 | .. | 2 529 |
| Infrastructure systems | 9 004 | (670) | 8 334 | 4 103 | .. | 4 103 |
| Plant, equipment and vehicles | 850 | (23) | 827 | 850 | (23) | 827 |
| Roads and road infrastructure | 11 111 | (96) | 11 014 | 11 111 | (96) | 11 014 |
| Earthworks | 713 | .. | 713 | 713 | .. | 713 |
| Total service concession land, buildings, infrastructure, plant and equipment assets | 26 423 | (845) | 25 578 | 21 522 | (175) | 21 347 |

| Jun 2020 |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Buildings | 2 293 | (26) | 2 267 | 2 293 | (26) | 2 267 |
| Land and national parks | 2 531 | .. | 2 531 | 2 531 | .. | 2 531 |
| Infrastructure systems | 8 445 | (620) | 7 824 | 3 590 | .. | 3 590 |
| Plant, equipment and vehicles | 719 | (19) | 700 | 719 | (19) | 700 |
| Roads and road infrastructure | 11 207 | .. | 11 207 | 11 207 | .. | 11 207 |
| Earthworks | .. | .. | .. | .. | .. | .. |
| Total service concession land, buildings, infrastructure, plant and equipment assets | 25 195 | (665) | 24 530 | 20 341 | (45) | 20 296 |

## Depreciation

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| Buildings | 1 360 | 1 343 | 1 080 | 990 |
| Infrastructure systems | 799 | 797 | 19 | 26 |
| Plant, equipment and vehicles | 581 | 504 | 366 | 326 |
| Roads and road infrastructure | 467 | 385 | 465 | 384 |
| Cultural assets | 10 | 9 | 10 | 9 |
| Intangible produced assets | 158 | 119 | 111 | 79 |
| Total depreciation of buildings, infrastructure, plant and equipment | 3 376 | 3 158 | 2 051 | 1 814 |

The following two tables are subsets of total depreciation expense.

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

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| Buildings | 387 | 309 | 356 | 292 |
| Infrastructure systems | 1 | 1 | 1 | 1 |
| Plant, equipment and vehicles | 79 | 62 | 64 | 52 |
| Total depreciation of right‑of‑use assets | 467 | 373 | 421 | 345 |

Depreciation of service concession assets ($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| Buildings | 33 | 27 | 33 | 27 |
| Infrastructure systems | 42 | 42 | .. | .. |
| Plant, equipment and vehicles | 10 | 10 | 10 | 10 |
| Roads and road infrastructure | 96 | 50 | 96 | 50 |
| Total depreciation of service concession assets | 182 | 129 | 140 | 87 |

## Other non-financial assets

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | Dec | Jun | Dec | Jun |
|  | 2020 | 2020 | 2020 | 2020 |
| Intangible produced assets | 3 917 | 3 787 | 2 555 | 2 477 |
| Accumulated depreciation | (2 069) | (1 917) | (1 318) | (1 212) |
| Service concession assets – intangible produced | 477 | 480 | 477 | 480 |
| Accumulated depreciation | .. | .. | .. | .. |
| Intangible non‑produced assets | 949 | 956 | 109 | 109 |
| Accumulated amortisation | (354) | (356) | (48) | (46) |
| **Total intangibles** | **2 920** | **2 950** | **1 776** | **1 809** |
| Investment properties | 303 | 303 | 293 | 294 |
| Biological assets | 56 | 54 | 2 | 2 |
| Service concession assets – other | .. | .. | .. | .. |
| Other assets | 1 446 | 1 094 | 1 425 | 998 |
| Total other non‑financial assets | 4 725 | 4 401 | 3 496 | 3 103 |

# Financing state operations

## Introduction

State operations are financed through a variety of means including 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](#_Toc65639450)

[5.2 Cash flow information and balances 32](#_Toc65639451)

[5.3 Advances paid and investments, loans and placements 33](#_Toc65639452)

[5.4 Interest expense 33](#_Toc65639453)

[5.5 Commitments 34](#_Toc65639454)

## Borrowings

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | Dec2020 | Jun2020 | Dec2020 | Jun2020 |
| **Current borrowings** |  |  |  |  |
| Domestic borrowings | 13 448 | 9 850 | 13 517 | 12 639 |
| Foreign currency borrowings | 519 | .. | .. | .. |
| Lease liabilities | 638 | 693 | 571 | 638 |
| Service concession arrangement liabilities | 1 145 | 1 103 | 1 137 | 1 095 |
| Derivative financial instruments | 341 | 235 | 3 | 3 |
| **Total current borrowings** | **16 091** | **11 880** | **15 229** | **14 375** |
| **Non‑current borrowings** |  |  |  |  |
| Domestic borrowings | 82 037 | 61 520 | 52 971 | 36 150 |
| Foreign currency borrowings | 710 | 555 | .. | .. |
| Lease liabilities | 8 520 | 7 598 | 7 945 | 7 031 |
| Service concession arrangement liabilities | 5 371 | 5 027 | 5 265 | 4 917 |
| Derivative financial instruments | 1 659 | 1 197 | 342 | 334 |
| **Total non‑current borrowings** | **98 296** | **75 898** | **66 522** | **48 431** |
| Total borrowings | 114 387 | 87 778 | 81 751 | 62 807 |

## Cash flow information and balances

Reconciliation of cash and cash equivalents ($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | Dec2020 | Dec2019 | Dec2020 | Dec2019 |
| Cash | 8 390 | 2 182 | 7 742 | 1 744 |
| Deposits at call | 13 298 | 12 056 | 6 719 | 5 558 |
| **Cash and cash equivalents** | **21 688** | **14 238** | **14 461** | **7 303** |
| Bank overdraft | .. | .. | .. | .. |
| Balances as per cash flow statement | 21 688 | 14 238 | 14 461 | 7 303 |

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

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | Dec2020 | Dec2019 | Dec2020 | Dec2019 |
| **Net result** | **(9 687)** | **(1 771)** | **(10 156)** | **(1 508)** |
| **Non‑cash movements** |  |  |  |  |
| Revenue related to economic service concession arrangements | (85) | (182) | (85) | (182) |
| Depreciation and amortisation | 3 394 | 3 179 | 2 053 | 1 815 |
| Revaluation of investments | (591) | 457 | (80) | (20) |
| Assets (received)/provided free of charge | (200) | (146) | (5) | 9 |
| Assets not previously/no longer recognised | 13 | (6) | 13 | (6) |
| Revaluation of assets | 143 | 140 | 133 | 138 |
| Unrealised (gains)/losses on borrowings | (89) | (672) | .. | .. |
| Discounting of assets and liabilities | (1) | .. | (1) | .. |
| **Movements included in investing and financing activities** |  |  |  |  |
| Net gain/loss from sale of investments | (1 173) | (472) | 2 | (2) |
| Net gain/loss from sale of non‑financial assets | (9) | 9 | (16) | 35 |
| Realised gains/losses on borrowings | 172 | 140 | .. | .. |
| **Movements in assets and liabilities** |  |  |  |  |
| Increase/(decrease) in allowance for impairment losses | 104 | 265 | 80 | 258 |
| Increase/(decrease) in payables | 826 | 774 | (765) | (711) |
| Increase/(decrease) in employee benefits | (6) | 27 | (25) | 36 |
| Increase/(decrease) in superannuation | 232 | 203 | 242 | 205 |
| Increase/(decrease) in other provisions | 1 801 | 1 980 | (40) | 43 |
| (Increase)/decrease in receivables | (956) | (688) | (363) | (124) |
| (Increase)/decrease in other non‑financial assets | (603) | (518) | (670) | (576) |
| Net cash flows from operating activities | (6 893) | 2 666 | (9 685) | (591) |

## Advances paid and investments, loans and placements

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | Dec2020 | Jun2020 | Dec2020 | Jun2020 |
| **Current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 181 | 140 | 1 486 | 2 084 |
| Equities and managed investment schemes | 1 240 | 3 406 | 872 | 848 |
| Australian dollar term deposits | 127 | 130 | 109 | 112 |
| Foreign currency term deposits | 2 | .. | .. | .. |
| Debt securities | 8 981 | 2 822 | 2 | 6 |
| Derivative financial instruments | 1 369 | 1 182 | 193 | 192 |
| **Total current advances paid and investments, loans and placements** | **11 899** | **7 680** | **2 661** | **3 242** |
| **Non‑current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 320 | 343 | 4 426 | 4 466 |
| Equities and managed investment schemes | 34 508 | 29 113 | 1 451 | 1 379 |
| Australian dollar term deposits | 29 | 29 | 28 | 29 |
| Debt securities | 2 267 | 2 441 | 24 | 22 |
| Derivative financial instruments | 1 678 | 1 258 | 1 | 1 |
| **Total non‑current advances paid and investments, loans and placements** | **38 802** | **33 184** | **5 931** | **5 897** |
| **Total advances paid and investments, loans and placements** | **50 701** | **40 864** | **8 592** | **9 139** |
| **Represented by:** |  |  |  |  |
| Advances paid | 501 | 483 | 5 912 | 6 550 |
| Investments, loans and placements | 50 199 | 40 381 | 2 680 | 2 589 |

## Interest expense

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| Interest on interest‑bearing liabilities | 1 202 | 1 066 | 850 | 769 |
| Finance charges on lease liabilities | 194 | 185 | 185 | 176 |
| Finance charges on service concessions | 210 | 189 | 205 | 184 |
| Discount interest on payables | 13 | 30 | 13 | 17 |
| Total interest expense | 1 619 | 1 470 | 1 254 | 1 146 |

## 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 *2019-20 Financial Report* for the State of Victoria (Notes 5.4 and 5.9) should be made for details of commitments as at 30 June 2020.

As at 31 December 2020, the following additional material commitments were recorded for the State of Victoria. Unless otherwise stated, contract amounts are presented as nominal values.

* In July 2020, a variation of $59 million was made to the road network maintenance alliance agreement for the North Eastern Region with Downer EDI. The work is estimated to be completed by June 2022.
* In July 2020, a variation of $115 million was made to the road network maintenance alliance agreement for the Eastern Region with Fulton Hogan Industries Pty Ltd. The work is estimated to be completed by June 2021.
* In August 2020, a variation of $67 million was made to the road network maintenance alliance agreement for the South Western Region with Fulton Hogan Industries Pty Ltd. The work is estimated to be completed by September 2021.
* In August 2020, the scope of the contract with Telstra Corp Ltd to deliver the Emergency Alert Program was varied to incorporate Location Based Services and to extend the length of the contract. The total estimated cost of the contract is $69 million. The contract is now estimated to be completed by August 2025.
* In September 2020, the State entered into numerous contracts with transport, health, and various hotel providers to deliver hotel quarantine for at least one year. The estimated total cost of the contracts is $377 million.
* In October 2020, a variation of $249 million was made with Aurecon Jacobs Mott MacDonald Joint Venture for additional planning, technical and engagement support on Melbourne Metro Tunnel project system integration works and Regional Rail Revival program. The contract is estimated to be completed in 2024.
* In September 2020, the amending deed for the contract with John Holland Pty Ltd to deliver the construction of the new Chisholm Road Prison in Lara was finalised. The estimated total cost of the contract is $923 million and is estimated to be completed by mid-2022.
* In October 2020, the amending deed for the contract with John Holland Pty Ltd to deliver the construction of the new youth justice centre at Cherry Creek was finalised. The estimated total cost of the contract is $351 million and is estimated to be completed in mid-2022.
* In November 2020, the State entered into a contract with Coleman Rail Pty Ltd to deliver the Shepparton Corridor Upgrade. The total cost of the contract is $234 million and is expected to be completed in 2023.
* In December 2020, an additional Level Crossing Removal Project work package with a value of $192 million was added to the Western Program Alliance with McConnell Dowell, Arup Mott McDonald JV and Metro Trains Melbourne. The works under the Program Alliance are estimated to be completed by 2027.
* In December 2020, an additional Level Crossing Removal Project work package with a value of $234 million was added to the Metropolitan Roads Program Alliance with Fulton Hogan Construction Pty Ltd and Metro Trains Melbourne. The works under the Program Alliance are estimated to be completed by 2027.
* In December 2020, an additional Level Crossing Removal Project work package with a value of $248 million was added to the South Eastern Program Alliance with Jacobs Group (Australia) Pty Ltd, Laing O’Rouke Australia Construction Pty Ltd and Metro Trains Melbourne. The works under the Program Alliance are estimated to be completed by 2027.
* In December 2020, additional Level Crossing Removal Project work packages with a value of $850 million were added to the North Western Program Alliance with Kellogg Brown & Root Pty Ltd, John Holland Group Pty Ltd and Metro Trains Melbourne. The works under the Program Alliance are estimated to be completed by 2027.
* In December 2020, a variation of $1.37 billion was made to the Melbourne Metro Tunnel project deed by agreement between the State and Cross Yarra Partnership. The variation is to resolve issues that have arisen during the delivery of the project. The additional costs incurred in delivering the project are being shared equally with the Cross Yarra Partnership consortium. Construction is expected to be completed by 2025.
* In May 2010, the State entered into a public private partnership with Aegis Correctional Partnership Pty Ltd (Aegis) to expand and provide facility maintenance to Hopkins Correctional Centre. As part of Aegis' recent restructure, the previous project agreement from November 2012 has been reinstated. The contractual expiry date remains February 2037. In December 2020, the estimated cost of future payments to be made under this contract were revised upwards by $432 million (nominal) to reinstate the quarterly service payments (offset by payments made from Aegis to the State in the first half of the 2020-21 financial year). This increase largely resulted from the recapitalisation and reinstatement of the project which accommodates capital works to update the facility.
* In July 1996, the State entered into a public private partnership agreement with G4S Custodial Services Pty Ltd (novated from G4S Custodial Services (Australia) Pty Ltd in September 2017) (G4S) for the finance, design, construction, maintenance, and operation (including providing custodial services) of
Port Philip Prison. The construction of the prison was complete in 1997 and the current contractual expiry is due in September 2037, which is subject to the performance of G4S. In October 2020, the estimated cost of future payments to be made under this contract were revised upwards by $164 million due to the expansion of the St John Medical Unit.
* The scope of the Managed Device Service Agreement with Telstra Corp Ltd to deliver, manage, and service emergency communication devices was varied between July and December 2020 to increase the number of emergency devices delivered. The total estimated cost of the contract is $75 million. The contract is expected to be completed by August 2026.

There was no other material change in commitments for the State during the 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](#_Toc65639464)

[6.2 Receivables and contract assets 36](#_Toc65639465)

[6.3 Payables and contract liabilities 37](#_Toc65639466)

[6.4 Superannuation 37](#_Toc65639467)

[6.5 Other provisions 38](#_Toc65639468)

## Inventories

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | Dec2020 | Jun2020 | Dec2020 | Jun2020 |
| **At cost** |  |  |  |  |
| Raw materials | 8 | 8 | 7 | 7 |
| Work in progress | 102 | 107 | 8 | 13 |
| Finished goods | 102 | 91 | 8 | 6 |
| Consumable stores | 898 | 647 | 830 | 586 |
| Land and other assets held as inventory | 989 | 850 | 53 | 53 |
| **At net realisable value** |  |  |  |  |
| Finished goods | 6 | 3 | .. | .. |
| Consumable stores | 4 | 4 | .. | .. |
| Total inventories | 2 108 | 1 710 | 905 | 666 |

## Receivables and contract assets

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | Dec2020 | Jun2020 | Dec2020 | Jun2020 |
| **Contractual** |  |  |  |  |
| Sales of goods and services | 1 539 | 1 419 | 929 | 900 |
| Accrued investment income | 34 | 43 | 6 | 9 |
| Contract assets | 78 | 74 | 2 | 1 |
| Other receivables | 3 041 | 2 289 | 1 418 | 1 104 |
| Allowance for impairment of contractual receivables | (235) | (211) | (130) | (129) |
| **Statutory** |  |  |  |  |
| Sales of goods and services | 6 | 8 | 2 | 5 |
| Taxes receivables | 3 661 | 3 611 | 3 765 | 3 715 |
| Fines and regulatory fees | 2 786 | 2 690 | 2 786 | 2 690 |
| GST input tax credits recoverable | 1 371 | 1 530 | 402 | 525 |
| Other receivables | 1 | 1 | .. | .. |
| Allowance for impairment of statutory receivables | (2 787) | (2 708) | (2 787) | (2 708) |
| **Other** |  |  |  |  |
| Actuarially determined | 502 | 398 | .. | .. |
| **Total receivables and contract assets** | **9 917** | **9 069** | **6 391** | **6 108** |
| **Represented by:** |  |  |  |  |
| Current receivables and contract assets | 8 597 | 7 607 | 6 100 | 5 894 |
| Non‑current receivables and contract assets | 1 320 | 1 461 | 292 | 214 |

## Payables and contract liabilities

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | Dec2020 | Jun2020 | Dec2020 | Jun2020 |
| **Contractual** |  |  |  |  |
| Accounts payable | 2 684 | 2 415 | 862 | 814 |
| Accrued expenses | 3 695 | 4 237 | 3 237 | 3 709 |
| Contract liabilities | 516 | 140 | 379 | 68 |
| Grant of right to operate liability | 9 585 | 9 392 | 9 585 | 9 392 |
| Unearned income | 12 194 | 11 141 | 1 219 | 1 491 |
| **Statutory** |  |  |  |  |
| Accrued taxes payable | 74 | 128 | 50 | 94 |
| Unearned income | 651 | 1 302 | 651 | 1 302 |
| **Total payables and contract liabilities** | **29 399** | **28 754** | **15 983** | **16 870** |
| **Represented by:** |  |  |  |  |
| Current payables and contract liabilities | 10 720 | 10 569 | 5 977 | 7 010 |
| Non‑current payables and contract liabilities | 18 679 | 18 186 | 10 006 | 9 860 |

## Superannuation

($ million)

|  | State of Victoria |
| --- | --- |
|  | Dec2020 | Jun2020 |
| Current liability | 1 113 | 1 115 |
| Non‑current liability | 32 611 | 30 179 |
| **Total superannuation liability** | **33 724** | **31 293** |
| **Represented by:** |  |  |
| Emergency Services and State Super | 32 179 | 29 859 |
| Other funds | 1 545 | 1 434 |

## Other provisions

($ million)

|  | State of Victoria | General government sector |
| --- | --- | --- |
|  | Dec2020 | Jun2020 | Dec2020 | Jun2020 |
| **Provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 2 963 | 2 830 | .. | .. |
| Transport Accident Commission | 1 517 | 1 671 | .. | .. |
| Victorian Managed Insurance Authority | 534 | 541 | .. | .. |
| Other agencies | 54 | 47 | 50 | 43 |
| **Current provision for insurance claims** | **5 068** | **5 089** | **50** | **43** |
| Other provisions | 774 | 868 | 426 | 511 |
| **Total current other provisions** | **5 841** | **5 957** | **476** | **554** |
| **Non‑current provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 19 320 | 17 402 | .. | .. |
| Transport Accident Commission | 19 550 | 19 703 | .. | .. |
| Victorian Managed Insurance Authority | 2 107 | 2 002 | .. | .. |
| Other agencies | 78 | 78 | 77 | 77 |
| **Non‑current provision for insurance claims** | **41 055** | **39 186** | **77** | **77** |
| Other provisions | 744 | 716 | 731 | 704 |
| **Total non‑current other provisions** | **41 799** | **39 902** | **808** | **781** |
| Total other provisions | 47 640 | 45 859 | 1 284 | 1 335 |

# 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 *2019-20 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 *2019-20 Financial Report* for the State of Victoria (Note 7.2) for details of contingent assets as at 30 June 2020.

No material changes in contingent assets have been identified 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 *2019-20 Financial Report* for the State of Victoria (Note 7.2) for details of contingent liabilities as at 30 June 2020.

The contingent liability relating to the commercial principles deed for the Melbourne Metro Tunnel project has now been finalised with a binding agreement entered into in December 2020. This has now been recorded as a commitment. Refer to Note 5.5 for further details.

There were no further material changes in contingent liabilities during this mid-year reporting period.

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# 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](#_Toc65639534)

[8.2 Trust fund statement cash flows 41](#_Toc65639535)

[8.3 Reconciliation of cash flows to
balances held 42](#_Toc65639536)

[8.4 Details of securities held in the
Public Account 42](#_Toc65639537)

## Consolidated fund receipts and payments

($ million)

| 2019‑20 |  | 2020‑21 |
| --- | --- | --- |
| actual to Dec |  | actual to Dec | publishedbudget |
| 12 030 | Taxation | 9 996 | 19 734 |
| 374 | Fines and regulatory fees | 367 | 1 080 |
| 10 197 | Grants received | 8 814 | 19 597 |
| 3 084 | Sales of goods and services | 4 262 | 8 252 |
| 231 | Interest received | 235 | 478 |
| 478 | Dividends, income tax equivalent and rate equivalent receipts | 347 | 421 |
| 333 | Other receipts | 260 | 699 |
| **26 726** | **Total operating activities** | **24 281** | **50 261** |
| 3 767 | Total inflows from investing and financing | 20 153 | 42 701 |
| **30 493** | **Total receipts** | **44 434** | **92 963** |
|  | **Payments to departments** |  |  |
| 8 059 | Education and Training | 8 641 | 17 280 |
| 1 328 | Environment, Land, Water and Planning | 966 | 3 431 |
| 10 217 | Health and Human Services | 12 420 | 22 419 |
| 942 | Jobs, Precincts and Regions | 3 697 | 6 671 |
| 4 127 | Justice and Community Services | 5 243 | 10 089 |
| 316 | Premier and Cabinet | 331 | 767 |
| 5 873 | Transport | 7 752 | 16 178 |
| 2 615 | Treasury and Finance | 5 307 | 19 920 |
| 117 | Parliament | 160 | 336 |
| 353 | Courts | 405 | 855 |
| **33 947** | **Total payments (a)** | **44 922** | **97 947** |
| (3 454) | Net receipts/(payments) (a) | (488) | (4 984) |

Note:

(a) The 2020-21 published budget figures have been restated to reflect more current information

## Trust fund statement cash flows

 ($ million)

| 2019‑20 |  | 2020‑21 |
| --- | --- | --- |
| actual to Dec |  | actual to Dec | publishedbudget |
|  | **Cash flows from operating activities** |  |  |
| 285 | Taxation | 308 | 391 |
| 36 | Regulatory fees and fines | 37 | 72 |
| 9 695 | Grants received | 12 739 | 20 183 |
| 308 | Sale of goods and services | 524 | 842 |
| 57 | Interest received | 22 | 81 |
| 45 | Dividends received | 10 | 91 |
| 2 022 | Net transfers from consolidated fund | 2 408 | 5 215 |
| 113 | Other receipts | 209 | 424 |
| **12 561** | **Total receipts** | **16 255** | **27 299** |
| (155) | Payments for employees | (176) | (571) |
| (13) | Superannuation | (17) | (45) |
| (9) | Interest paid | (33) | (102) |
| (10 139) | Grants and subsidies | (12 049) | (21 194) |
| (1 569) | Goods and services | (2 304) | (3 301) |
| **(11 884)** | **Total payments** | **(14 579)** | **(25 213)** |
| **676** | **Net cash flows from operating activities** | **1 676** | **2 085** |
|  | **Cash flows from investing activities** |  |  |
| (329) | Purchases of property, plant and equipment | (102) | (3 475) |
| 33 | Proceeds from sale of property, plant and equipment | 37 | 64 |
| 626 | Net proceeds from customer loans | 583 | 1 758 |
| (779) | Other investing activities | (1 841) | (417) |
| **(450)** | **Net cash flows from investing activities** | **(1 322)** | **(2 070)** |
|  | **Cash flows from financing activities** |  |  |
| (98) | Net proceeds (repayments) from borrowings | (174) | (728) |
| **(98)** | **Net cash flows from financing activities** | **(174)** | **(728)** |
| 128 | Net cash inflow/(outflow)  | 180 | (712) |

## Reconciliation of cash flows to balances held

($ million)

|  | Balances held at 30 Jun 2020 | Decmovement YTD | Balances held at 31 Dec 2020 |
| --- | --- | --- | --- |
| **Cash and deposits** |  |  |  |
| Cash and balances outside of the Public Account | .. | (3) | (3) |
| Deposits held with the Public Account – specific trusts | 15 | 3 | 18 |
| Other balances held in the Public Account | 4 813 | (356) | 4 456 |
| **Total cash and deposits** | **4 827** | **(356)** | **4 471** |
| **Investments** |  |  |  |
| Investments held with the Public Account – specific trusts  | 1 344 | (19) | 1 325 |
| **Total investments**  | **1 344** | **(19)** | **1 325** |
| **Total fund balances**  | **6 172** | **(375)** | **5 797** |
| **Less funds held outside the public account** |  |  |  |
| Cash | .. | (3) | (3) |
| **Total fund balances held outside the Public Account** | **..** | (3) | **(3)** |
| Total fund balances held in the Public Account (a) | 6 172 | (378) | 5 794 |

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)

| 2019‑20 |  | 2020‑21 |
| --- | --- | --- |
| actual 31 Dec |  | opening1 Jul | actual 31 Dec |
| 1 423 | Amounts invested on behalf of specific trust accounts | 1 359 | 1 343 |
| 887 | General account balances | 4 813 | 4 450 |
| **2 309** | **Total Public Account** | **6 172** | **5 794** |
|  | **Represented by:** |  |  |
| 1 519 | Stock, securities, cash and investments | 5 011 | 5 076 |
|  | 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* | .. | .. |
| 791 | Advances pursuant to sections 36 and 37 of the *Financial Management Act 1994* | 1 161 | 718 |
| 2 309 | Total Public Account | 6 172 | 5 794 |

# Other disclosures

## Introduction

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

## Structure

[9.1 Disaggregated information 44](#_Toc65639554)

[9.2 Other gains/(losses) from other economic flows 52](#_Toc65639555)

[9.3 Controlled entities 52](#_Toc65639556)

[9.4 Glossary of technical terms 52](#_Toc65639557)

## Disaggregated information

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

|  | General government sector | Public non‑financial corporations |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| **Revenue and income from transactions** |  |  |  |  |
| Taxation | 9 729 | 11 395 | .. | .. |
| Interest revenue | 279 | 319 | 5 | 28 |
| Dividends, income tax equivalent and rate equivalent income | 364 | 493 | 3 | 7 |
| Sales of goods and services | 3 715 | 3 998 | 2 950 | 3 411 |
| Grants | 15 811 | 15 810 | 2 473 | 2 104 |
| Other revenue and income | 1 042 | 1 444 | 383 | 370 |
| **Total revenue and income from transactions** | **30 940** | **33 460** | **5 814** | **5 921** |
| **Expenses from transactions** |  |  |  |  |
| Employee expenses | 14 637 | 13 241 | 737 | 719 |
| Net superannuation interest expense | 154 | 204 | .. | .. |
| Other superannuation | 1 708 | 1 515 | 68 | 70 |
| Depreciation (a) | 2 051 | 1 814 | 853 | 1 311 |
| Interest expense | 1 254 | 1 146 | 417 | 462 |
| Grant expense | 10 133 | 6 446 | 158 | 157 |
| Other operating expenses | 11 124 | 10 240 | 3 146 | 3 103 |
| Other property expenses | .. | .. | 118 | 153 |
| **Total expenses from transactions** | **41 061** | **34 605** | **5 496** | **5 975** |
| **Net result from transactions – net operating balance** | **(10 121)** | **(1 146)** | **318** | **(54)** |
| **Other economic flows included in net result** |  |  |  |  |
| Net gain/(loss) on disposal of non‑financial assets | 5 | (35) | (7) | 26 |
| Net gain/(loss) on financial assets or liabilities at fair value | 81 | 19 | 24 | 24 |
| Share of net profit/(loss) from associates/joint venture entities | (2) | .. | .. | .. |
| Other gains/(losses) from other economic flows | (119) | (347) | (377) | 107 |
| **Total other economic flows included in net result** | **(36)** | **(363)** | **(360)** | **157** |
| **Net result** | **(10 156)** | **(1 508)** | **(43)** | **102** |
| **Other economic flows – other comprehensive income** |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |
| Changes in non‑financial assets revaluation surplus | 227 | 251 | 24 | 33 |
| Remeasurement of superannuation defined benefits plans | (2 190) | 675 | (9) | .. |
| Other movements in equity | 48 | (165) | (7) | (17) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | 12 | (57) | 5 | (4) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | (158) | (843) | .. | .. |
| **Total other economic flows – other comprehensive income** | **(2 062)** | **(139)** | **13** | **12** |
| **Comprehensive result – total change in net worth** | **(12 218)** | **(1 647)** | **(30)** | **114** |
|  |  |  |  |  |
| **FISCAL AGGREGRATES** |  |  |  |  |
| **Net operating balance** | **(10 121)** | **(1 146)** | **318** | **(54)** |
| **Net acquisition of non‑financial assets from transactions** |  |  |  |  |
| Purchases of non‑financial assets (including change in inventories) | 5 838 | 4 589 | 1 664 | 1 220 |
| Less: Sales of non‑financial assets | (56) | (80) | (47) | (110) |
| Less: Depreciation and amortisation | (2 051) | (1 814) | (853) | (1 311) |
| Plus/(less): Other movements in non‑financial assets | 2 025 | (508) | 256 | 1 843 |
| **Less: Net acquisition of non‑financial assets from transactions** | **5 756** | **2 187** | **1 020** | **1 642** |
| Net lending/(borrowing) | (15 876) | (3 332) | (702) | (1 696) |

Note:

* + - * 1. The decrease in depreciation in the PNFC sector relates to a change in accounting for VicTrack leased assets. Please refer to Note 5.2 of the 2019-20 Financial Report for further details.

| Public financial corporations | Inter‑sector eliminations | State of Victoria |
| --- | --- | --- |
| 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
|  |  |  |  |  |  |
| .. | .. | (216) | (208) | 9 513 | 11 187 |
| 1 058 | 926 | (1 059) | (1 013) | 284 | 260 |
| 1 189 | 1 610 | (347) | (438) | 1 208 | 1 672 |
| 2 761 | 2 539 | (2 117) | (1 892) | 7 309 | 8 056 |
| .. | .. | (2 560) | (2 209) | 15 724 | 15 704 |
| 15 | 9 | .. | .. | 1 440 | 1 824 |
| **5 023** | **5 084** | **(6 299)** | **(5 760)** | **35 479** | **38 704** |
|  |  |  |  |  |  |
| 211 | 181 | (319) | (275) | 15 266 | 13 865 |
| .. | .. | .. | .. | 154 | 204 |
| 18 | 16 | .. | .. | 1 794 | 1 601 |
| 37 | 36 | (1) | (2) | 3 376 | 3 158 |
| 1 007 | 876 | (1 059) | (1 014) | 1 619 | 1 470 |
| 102 | 110 | (2 643) | (2 285) | 7 750 | 4 428 |
| 4 085 | 4 221 | (1 932) | (1 757) | 16 423 | 15 807 |
| 441 | 134 | (558) | (287) | .. | .. |
| **5 900** | **5 573** | **(6 512)** | **(5 620)** | **46 380** | **40 534** |
| **(877)** | **(489)** | **213** | **(140)** | **(10 901)** | **(1 829)** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | (3) | (9) |
| 1 567 | 475 | .. | .. | 1 672 | 518 |
| .. | .. | .. | .. | (2) | .. |
| (86) | 196 | (362) | (407) | (453) | (451) |
| **1 481** | **671** | **(362)** | **(407)** | **1 215** | **58** |
| **604** | **181** | **(149)** | **(547)** | **(9 687)** | **(1 771)** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| (1) | .. | (316) | (2) | (67) | 281 |
| .. | .. | .. | .. | (2 199) | 675 |
| 1 | (2) | .. | .. | 42 | (183) |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 17 | (61) |
| .. | .. | 158 | 843 | .. | .. |
| **..** | **(2)** | **(158)** | **841** | **(2 207)** | **711** |
| **604** | **179** | **(306)** | **294** | **(11 894)** | **(1 060)** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **(877)** | **(489)** | **213** | **(140)** | **(10 901)** | **(1 829)** |
|  |  |  |  |  |  |
| 58 | 48 | (1) | (4) | 7 559 | 5 852 |
| .. | (1) | (3) | (7) | (107) | (198) |
| (37) | (36) | 1 | 2 | (3 376) | (3 158) |
| .. | .. | 2 | .. | 2 283 | 1 335 |
| **21** | **11** | **(2)** | **(9)** | **6 360** | **3 831** |
| (898) | (500) | 215 | (131) | (17 261) | (5 660) |

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

|  | General government sector | Public non‑financial corporations |
| --- | --- | --- |
|  | Dec 2020 | Jun 2020 | Dec 2020 | Jun 2020 |
| **Assets** |  |  |  |  |
| **Financial assets** |  |  |  |  |
| Cash and deposits | 14 461 | 13 037 | 1 580 | 1 532 |
| Advances paid | 5 912 | 6 550 | 1 624 | 2 226 |
| Receivables | 6 390 | 6 107 | 1 592 | 1 700 |
| Contract assets | 2 | 1 | 76 | 73 |
| Investments, loans and placements | 2 680 | 2 589 | 671 | 638 |
| Loans receivable from non‑financial public sector (a) | .. | .. | .. | .. |
| Investments accounted for using the equity method | 10 | 10 | .. | .. |
| Investments in other sector entities | 75 186 | 75 043 | .. | .. |
| **Total financial assets** | **104 640** | **103 337** | **5 543** | **6 169** |
| **Non‑financial assets** |  |  |  |  |
| Inventories | 905 | 666 | 1 203 | 1 044 |
| Non‑financial assets held for sale | 174 | 192 | 13 | 34 |
| Land, buildings, infrastructure, plant and equipment | 179 353 | 173 743 | 105 053 | 105 027 |
| Other non‑financial assets | 3 496 | 3 103 | 3 097 | 2 985 |
| **Total non‑financial assets** | **183 928** | **177 703** | **109 366** | **109 092** |
| **Total assets** | **288 568** | **281 040** | **114 909** | **115 261** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 3 048 | 3 681 | 2 035 | 2 669 |
| Payables | 15 604 | 16 802 | 9 704 | 9 955 |
| Contract liabilities | 379 | 68 | 140 | 73 |
| Borrowings | 81 751 | 62 807 | 18 049 | 17 395 |
| Employee benefits | 9 003 | 9 028 | 530 | 517 |
| Superannuation | 33 660 | 31 228 | 64 | 65 |
| Other provisions | 1 284 | 1 335 | 9 361 | 9 702 |
| **Total liabilities** | **144 729** | **124 949** | **39 883** | **40 377** |
| **Net assets (b)** | **143 839** | **156 092** | **75 026** | **74 884** |
| Accumulated surplus/(deficit) | 55 823 | 68 166 | (16 153) | (15 963) |
| Reserves | 88 016 | 87 925 | 91 178 | 90 847 |
| **Net worth (b)** | **143 839** | **156 092** | **75 026** | **74 884** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net financial worth | (40 089) | (21 612) | (34 341) | (34 208) |
| Net financial liabilities | 115 275 | 96 654 | 34 341 | 34 208 |
| Net debt | 61 746 | 44 312 | 16 210 | 15 668 |

Notes:

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

(b) 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 2020 | Jun 2020 | Dec 2020 | Jun 2020 | Dec 2020 | Jun 2020 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 9 448 | 8 069 | (3 800) | (3 453) | 21 688 | 19 185 |
| 18 | 12 | (7 053) | (8 305) | 501 | 483 |
| 2 409 | 1 758 | (550) | (570) | 9 840 | 8 994 |
| .. | .. | .. | .. | 78 | 74 |
| 47 161 | 37 448 | (312) | (294) | 50 199 | 40 381 |
| 65 161 | 48 921 | (65 161) | (48 921) | .. | .. |
| .. | .. | .. | .. | 10 | 10 |
| .. | .. | (75 186) | (75 043) | .. | .. |
| **124 196** | **96 208** | **(152 062)** | **(136 586)** | **82 317** | **69 128** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 2 108 | 1 710 |
| .. | .. | .. | .. | 188 | 226 |
| 396 | 412 | 29 940 | 29 883 | 314 742 | 309 065 |
| 3 903 | 4 120 | (5 772) | (5 807) | 4 725 | 4 401 |
| **4 299** | **4 532** | **24 169** | **24 076** | **321 762** | **315 402** |
| **128 496** | **100 739** | **(127 893)** | **(112 510)** | **404 079** | **384 530** |
|  |  |  |  |  |  |
| 300 | 259 | (3 673) | (4 916) | 1 710 | 1 693 |
| 4 107 | 2 379 | (532) | (522) | 28 883 | 28 614 |
| .. | .. | (3) | (2) | 516 | 140 |
| 87 289 | 63 682 | (72 701) | (56 106) | 114 387 | 87 778 |
| 123 | 117 | .. | .. | 9 657 | 9 662 |
| .. | .. | .. | .. | 33 724 | 31 293 |
| 46 254 | 44 424 | (9 259) | (9 602) | 47 640 | 45 859 |
| **138 073** | **110 862** | **(86 169)** | **(71 148)** | **236 517** | **205 039** |
| **(9 578)** | **(10 122)** | **(41 725)** | **(41 362)** | **167 562** | **179 491** |
| (9 653) | (10 196) | 34 751 | 34 654 | 64 768 | 76 661 |
| 76 | 74 | (76 476) | (76 016) | 102 795 | 102 830 |
| **(9 578)** | **(10 122)** | **(41 725)** | **(41 362)** | **167 562** | **179 491** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| (13 877) | (14 654) | (65 893) | (65 438) | (154 200) | (135 912) |
| 13 877 | 14 654 | (9 292) | (9 605) | 154 200 | 135 912 |
| (34 199) | (30 509) | (48) | (49) | 43 708 | 29 422 |

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

|  | General government sector | Public non‑financial corporations |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| **Cash flows from operating activities** |  |  |  |  |
| **Receipts** |  |  |  |  |
| Taxes received | 9 825 | 11 906 | .. | .. |
| Grants | 15 287 | 15 827 | 2 467 | 2 111 |
| Sales of goods and services (a) | 4 390 | 4 349 | 3 122 | 3 643 |
| Interest received | 279 | 333 | 13 | 42 |
| Dividends, income tax equivalent and rate equivalent receipts | 364 | 533 | 3 | 7 |
| Other receipts | 282 | 762 | 22 | 29 |
| **Total receipts** | **30 427** | **33 711** | **5 627** | **5 832** |
| **Payments** |  |  |  |  |
| Payments for employees | (14 632) | (13 250) | (724) | (721) |
| Superannuation | (1 619) | (1 514) | (78) | (72) |
| Interest paid | (1 089) | (1 005) | (420) | (470) |
| Grants and subsidies | (10 241) | (6 848) | (44) | (31) |
| Goods and services (a) | (11 846) | (11 280) | (2 101) | (2 316) |
| Other payments | (685) | (404) | (1 322) | (1 426) |
| **Total payments** | **(40 112)** | **(34 301)** | **(4 688)** | **(5 036)** |
| **Net cash flows from operating activities** | **(9 685)** | **(591)** | **939** | **797** |
| **Cash flows from investing activities** |  |  |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |  |  |
| Purchases of non‑financial assets | (5 572) | (4 579) | (1 657) | (1 215) |
| Sales of non‑financial assets | 56 | 80 | 47 | 110 |
| **Net cash flows from investments in non‑financial assets** | **(5 516)** | **(4 498)** | **(1 610)** | **(1 106)** |
| Net cash flows from investments in financial assets for policy purposes | 365 | 375 | 594 | 611 |
| **Sub‑total** | **(5 151)** | **(4 123)** | **(1 016)** | **(495)** |
| Net cash flows from investments in financial assets for liquidity management purposes | 3 | (391) | 2 | 91 |
| **Net cash flows from investing activities** | **(5 148)** | **(4 515)** | **(1 013)** | **(403)** |
| **Cash flows from financing activities** |  |  |  |  |
| Advances received (net) | (620) | (531) | (629) | (631) |
| Net borrowings | 16 890 | 3 073 | 620 | 395 |
| Deposits received (net) | (13) | 92 | (5) | 19 |
| Other financing (net) | .. | .. | 136 | (149) |
| **Net cash flows from financing activities** | **16 257** | **2 633** | **123** | **(365)** |
| **Net increase/(decrease) in cash and cash equivalents** | **1 423** | **(2 472)** | **48** | **28** |
| Cash and cash equivalents at beginning of reporting period | 13 037 | 9 775 | 1 532 | 1 598 |
| **Cash and cash equivalents at end of the reporting period (b)** | **14 461** | **7 303** | **1 580** | **1 626** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net cash flows from operating activities | (9 685) | (591) | 939 | 797 |
| Dividends paid | .. | .. | (130) | (294) |
| Net cash flows from investments in non‑financial assets | (5 516) | (4 498) | (1 610) | (1 106) |
| Cash surplus/(deficit) | (15 202) | (5 089) | (801) | (603) |

Notes

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

(b) 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 |
| --- | --- | --- |
| 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | .. | (216) | (208) | 9 609 | 11 698 |
| 60 | 59 | (2 614) | (2 279) | 15 200 | 15 718 |
| 3 847 | 3 868 | (2 152) | (1 948) | 9 207 | 9 912 |
| 868 | 867 | (1 051) | (1 040) | 108 | 202 |
| 1 189 | 1 610 | (347) | (478) | 1 208 | 1 672 |
| 5 | 59 | 285 | 2 | 594 | 852 |
| **5 969** | **6 462** | **(6 094)** | **(5 951)** | **35 928** | **40 054** |
|  |  |  |  |  |  |
| (203) | (190) | 319 | 275 | (15 241) | (13 885) |
| (18) | (16) | .. | .. | (1 715) | (1 602) |
| (947) | (875) | 1 052 | 1 040 | (1 403) | (1 311) |
| (161) | (168) | 2 614 | 2 279 | (7 832) | (4 767) |
| (2 591) | (2 443) | 661 | 594 | (15 877) | (15 446) |
| (3) | (4) | 1 256 | 1 457 | (753) | (377) |
| **(3 923)** | **(3 696)** | **5 902** | **5 645** | **(42 822)** | **(37 388)** |
| **2 046** | **2 765** | **(193)** | **(306)** | **(6 894)** | **2 666** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| (58) | (48) | 1 | 4 | (7 286) | (5 838) |
| .. | 1 | 3 | 7 | 107 | 198 |
| **(58)** | **(47)** | **4** | **11** | **(7 180)** | **(5 640)** |
| (1) | (1) | (986) | (1 149) | (29) | (165) |
| **(59)** | **(49)** | **(982)** | **(1 138)** | **(7 208)** | **(5 805)** |
| (23 568) | (549) | 16 238 | 2 323 | (7 325) | 1 474 |
| **(23 627)** | **(598)** | **15 256** | **1 185** | **(14 533)** | **(4 331)** |
|  |  |  |  |  |  |
| 12 | (2) | 1 224 | 1 258 | (12) | 94 |
| 22 979 | 2 732 | (16 576) | (3 119) | 23 913 | 3 080 |
| 29 | (1 503) | 19 | 1 427 | 29 | 35 |
| (59) | (10) | (77) | 158 | .. | .. |
| **22 961** | **1 218** | **(15 410)** | **(277)** | **23 930** | **3 209** |
| **1 379** | **3 385** | **(347)** | **602** | **2 503** | **1 543** |
| 8 069 | 4 067 | (3 453) | (2 745) | 19 185 | 12 695 |
| **9 448** | **7 452** | **(3 800)** | **(2 143)** | **21 688** | **14 238** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 2 046 | 2 765 | (193) | (306) | (6 894) | 2 666 |
| (59) | (10) | 189 | 303 | .. | .. |
| (58) | (47) | 4 | 11 | (7 180) | (5 640) |
| 1 928 | 2 708 | 1 | 9 | (14 073) | (2 974) |

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 2020 | 68 131 | .. | 54 379 | 32 639 | 908 | 156 057 |
| Net result for the year | (10 156) | .. | .. | .. | .. | (10 156) |
| Other comprehensive income for the year | (2 153) | .. | 227 | (158) | 23 | (2 062) |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid | .. | .. | .. | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2020** | **55 823** | **..** | **54 605** | **32 480** | **931** | **143 839** |
| **PNFC sector** |  |  |  |  |  |  |
| Balance at 1 July 2020 | (15 963) | 67 225 | 23 046 | .. | 575 | 74 884 |
| Net result for the year | (43) | .. | .. | .. | .. | (43) |
| Other comprehensive income for the year | (17) | .. | 24 | .. | 6 | 13 |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid | (130) | .. | .. | .. | .. | (130) |
| Transactions with owners in their capacity as owners | .. | 301 | .. | .. | .. | 301 |
| **Total equity as at 31 December 2020** | **(16 153)** | **67 527** | **23 071** | **..** | **581** | **75 026** |
| **PFC sector** |  |  |  |  |  |  |
| Balance at 1 July 2020 | (10 196) | 29 | 4 | .. | 41 | (10 122) |
| Net result for the year | 604 | .. | .. | .. | .. | 604 |
| Other comprehensive income for the year | (2) | .. | (1) | .. | 3 | .. |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid | (59) | .. | .. | .. | .. | (59) |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2020** | **(9 653)** | **29** | **2** | **..** | **44** | **(9 578)** |
| Eliminations | 34 751 | (67 555) | 23 560 | (32 480) | .. | (41 725) |
| Total State of Victoria | 64 768 | .. | 101 238 | .. | 1 556 | 167 562 |

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 2019 (a)(b) | 54 752 | .. | 66 062 | 35 222 | 1 020 | 157 056 |
| 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 (a)(b)** | **77 397** | **..** | **42 638** | **34 379** | **995** | **155 409** |
| **PNFC sector** |  |  |  |  |  |  |
| Balance at 1 July 2019 (a) | (15 792) | 62 949 | 22 893 | .. | 586 | 70 636 |
| 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 (a)** | **(15 982)** | **64 752** | **22 925** | **..** | **587** | **72 282** |
| **PFC sector** |  |  |  |  |  |  |
| Balance at 1 July 2019 | (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 | 38 037 | (64 780) | 20 043 | (34 379) | .. | (41 079) |
| Total State of Victoria | 93 407 | .. | 85 608 | .. | 1 623 | 180 639 |

Notes:

(a) The 1 July 2019 and 31 December 2019 comparative figures have been restated to correct a prior period error within administered fines revenue for the Department of Justice and Community Safety.

(b) The 1 July 2019 and 31 December 2019 comparative figures have been restated to reflect updates relating to 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, please refer to Note 9.7.2 Financial impact of the new accounting standards in the 2019‑20 Financial Report for further details.

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

($ million)

|  | State of Victoria | General government |
| --- | --- | --- |
|  | 2020 | 2019 | 2020 | 2019 |
| Net (increase)/decrease in allowances for credit losses | (127) | (291) | (125) | (286) |
| Amortisation of intangible non‑produced assets | (18) | (20) | (2) | (2) |
| Net swap interest revenue/(expense) | 11 | (1) | .. | .. |
| Bad debts written off | (11) | (7) | (6) | (2) |
| Other gains/(losses) | (307) | (133) | 14 | (57) |
| Total other gains/(losses) from other economic flows | (453) | (451) | (119) | (347) |

## Controlled entities

Note 9.9 in the *2019-20 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 2020 which have been consolidated for the purposes of the financial report:

|  |
| --- |
| General government |
| **Department of Premier and Cabinet**Cenitex (a)**Department of Environment, Land, Water and Planning**Cladding Safety Victoria (b)Victorian Energy Safety Commission (c)**Department of Justice and Community Safety**Fire Rescue Victoria (d) | **Department of Jobs, Precincts and Regions**Mine Land Rehabilitation Authority (e)Secretary, Project Development (f)**Parliament of Victoria**Independent Broad-based Anti-corruption Commission (IBAC) (g)Ombudsman Victoria (g)Parliamentary Budget Office (PBO) (h)Victorian Inspectorate (g) |
| ***Public non-financial corporations*** |
| **Department of Transport** | **Department of Health and Human Services** |
| Development Victoria (i) | Remembrance Parks Central Victoria (k) |
| **Department of Environment, Land, Water and Planning** |  |
| Great Ocean Road Coast and Parks Authority (j) |  |

Notes:

(a) Effective from 1 August 2020, Cenitex transferred from the Department of Treasury and Finance to the Department of Premier and Cabinet.

(b) Cladding Safety Victoria (CSV) was established under the Cladding Safety Victoria Act 2020. CSV commenced as an agency on 1 December 2020.

(c) Effective from 1 January 2021, Energy Safe Victoria will also be known as the Victorian Energy Safety Commission.

(d) Effective from 1 July 2020, Fire Rescue Victoria replaced the Metropolitan Fire and Emergency Services Board.

(e) Effective 30 June 2020, the Mine Land Rehabilitation Authority, has been established as an independent statutory authority to oversee the rehabilitation and post-closure management of declared mine land to ensure transition to safe, stable and sustainable post-mining landforms in Victoria.

(f) Effective from 22 December 2020, the Secretary, Project Development was established as a body corporate under Section 41A of the Project Development and Construction Management Act 1994 to facilitate and manage public construction for nominated projects under that Act.

(g) Effective from 1 July 2020, the Independent Broad-based Anti-corruption Commission (IBAC), Ombudsman Victoria and Victorian Inspectorate transferred from the Department of Justice and Community Safety to become independent offices of Parliament.

(h) Effective from 1 July 2020, the Parliamentary Budget Office’s financial management services were transferred from the Department of Parliamentary Services to the Parliamentary Budget Office.

(i) Effective from 1 July 2020, portfolio responsibility for Development Victoria transferred from the Department of Jobs, Precincts and Regions to the Department of Transport.

(j) The Great Ocean Road Coast and Parks Authority (GORCAPA) was established under the Great Ocean Road and Environs Protection Act 2020. GORCAPA commenced on 1 December 2020 and will protect and manage Crown land and coastal assets within the Great Ocean Road coast and parks.

(k) Effective from 6 August 2020, Bendigo Cemeteries Trust changed its name to Remembrance Parks Central Victoria.

## Glossary of technical terms

The *2019-20 Financial Report* for the State of Victoria Note 9.10 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 ($ million)

|  | 2019‑20 |  |  | 2020‑21 |  |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Revenue and income from transactions** |  |  |  |  |  |
| Taxation | 5 556 | 7 555 | 4 216 | 5 090 | 4 638 |
| Interest income | 160 | 140 | 160 | 143 | 137 |
| Dividends, income tax equivalent and rate equivalent income | 435 | 82 | 235 | 83 | 281 |
| Sales of goods and services | 2 051 | 1 934 | 1 970 | 1 704 | 2 011 |
| Grants | 7 988 | 8 802 | 8 178 | 7 539 | 8 272 |
| Other revenue and income | 793 | 710 | 507 | 491 | 552 |
| **Total revenue and income from transactions** | **16 983** | **19 223** | **15 266** | **15 049** | **15 891** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 6 663 | 6 741 | 7 232 | 7 224 | 7 413 |
| Net superannuation interest expense | 63 | 101 | 102 | 83 | 71 |
| Other superannuation | 763 | 767 | 792 | 804 | 903 |
| Depreciation | 928 | 970 | 1 110 | 1 022 | 1 029 |
| Interest expense | 581 | 593 | 589 | 624 | 630 |
| Grant expense | 3 187 | 4 341 | 4 544 | 4 820 | 5 313 |
| Other operating expenses | 5 138 | 5 337 | 6 663 | 5 536 | 5 588 |
| **Total expenses from transactions** | **17 323** | **18 851** | **21 032** | **20 113** | **20 948** |
| **Net result from transactions – net operating balance** | **(340)** | **373** | **(5 766)** | **(5 064)** | **(5 056)** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non‑financial assets | (44) | .. | (57) | .. | 5 |
| Net gain/(loss) on financial assets or liabilities at fair value | 18 | 200 | (138) | 1 | 80 |
| Share of net profit/(loss) from associates/joint venture entities |  |  | 3 | (2) |  |
| Other gains/(losses) from other economic flows | (175) | (240) | (764) | (17) | (103) |
| **Total other economic flows included in net result** | **(201)** | **(40)** | **(957)** | **(17)** | **(18)** |
| **Net result** | **(542)** | **332** | **(6 723)** | **(5 081)** | **(5 075)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non‑financial assets revaluation surplus | 22 | 117 | 12 151 | 145 | 82 |
| Remeasurement of superannuation defined benefits plans | 1 651 | (1 438) | (1 958) | (1 649) | (541) |
| Other movements in equity | (108) | 58 | .. | 13 | 35 |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | (40) | (22) | (94) | 19 | (7) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | (843) |  | (1 740) |  | (158) |
| **Total other economic flows – other comprehensive income** | **682** | **(1 285)** | **8 359** | **(1 473)** | **(589)** |
| **Comprehensive result – total change in net worth** | **140** | **(953)** | **1 636** | **(6 554)** | **(5 664)** |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** | **(340)** | **373** | **(5 766)** | **(5 064)** | **(5 056)** |
| Less: Net acquisition of non‑financial assets from transactions | 1 328 | 899 | 1 400 | 1 907 | 3 849 |
| Net lending/(borrowing) | (1 668) | (526) | (7 166) | (6 971) | (8 906) |

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

|  | 2019‑20 |  |  | 2020‑21 |  |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 7 303 | 9 236 | 13 037 | 15 880 | 14 461 |
| Advances paid | 7 659 | 7 408 | 6 550 | 5 943 | 5 912 |
| Receivables | 5 304 | 7 274 | 6 107 | 6 181 | 6 390 |
| Contract assets | .. | 1 | 1 | 2 | 2 |
| Investments, loans and placements | 2 885 | 2 776 | 2 589 | 2 517 | 2 680 |
| Investments accounted for using the equity method | 45 | 45 | 10 | 10 | 10 |
| Investments in other sector entities | 74 333 | 75 235 | 75 043 | 76 432 | 75 186 |
| **Total financial assets** | **97 529** | **101 975** | **103 337** | **106 965** | **104 640** |
| **Non‑financial assets** |  |  |  |  |  |
| Inventories | 183 | 198 | 666 | 700 | 905 |
| Non‑financial assets held for sale | 204 | 200 | 192 | 188 | 174 |
| Land, buildings, infrastructure, plant and equipment | 160 015 | 160 979 | 173 743 | 175 669 | 179 353 |
| Other non‑financial assets | 2 904 | 2 711 | 3 103 | 3 844 | 3 496 |
| **Total non‑financial assets** | **163 306** | **164 089** | **177 703** | **180 402** | **183 928** |
| **Total assets** | **260 835** | **266 064** | **281 040** | **287 367** | **288 568** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 4 810 | 4 568 | 3 681 | 3 056 | 3 048 |
| Payables | 14 500 | 14 707 | 16 802 | 16 448 | 15 604 |
| Contract liabilities | 101 | 101 | 68 | 62 | 379 |
| Borrowings | 48 709 | 53 457 | 62 807 | 74 948 | 81 751 |
| Employee benefits | 8 056 | 8 183 | 9 028 | 8 971 | 9 003 |
| Superannuation | 28 162 | 29 565 | 31 228 | 33 101 | 33 660 |
| Other provisions | 1 089 | 1 028 | 1 335 | 1 278 | 1 284 |
| **Total liabilities** | **105 427** | **111 609** | **124 949** | **137 864** | **144 729** |
| **Net assets** | **155 409** | **154 455** | **156 092** | **149 503** | **143 839** |
| Accumulated surplus/(deficit) | 77 397 | 76 349 | 68 166 | 61 361 | 55 823 |
| Reserves | 78 011 | 78 106 | 87 925 | 88 142 | 88 016 |
| **Net worth** | **155 409** | **154 455** | **156 092** | **149 503** | **143 839** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth | (7 897) | (9 634) | (21 612) | (30 899) | (40 089) |
| Net financial liabilities | 82 230 | 84 869 | 96 654 | 107 331 | 115 275 |
| Net debt | 35 673 | 38 605 | 44 312 | 53 663 | 61 746 |

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

|  | 2019‑20 |  |  | 2020‑21 |  |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received | 6 036 | 5 657 | 5 694 | 4 976 | 4 849 |
| Grants | 8 000 | 8 814 | 9 660 | 7 451 | 7 836 |
| Sales of goods and services (a) | 2 016 | 2 273 | 1 893 | 2 147 | 2 244 |
| Interest received | 162 | 139 | 164 | 140 | 139 |
| Dividends, income tax equivalent and rate equivalent receipts | 435 | 82 | 203 | 83 | 281 |
| Other receipts | 246 | 666 | 637 | 253 | 29 |
| **Total receipts** | **16 896** | **17 632** | **18 250** | **15 049** | **15 378** |
| **Payments** |  |  |  |  |  |
| Payments for employees | (6 658) | (6 691) | (6 421) | (7 280) | (7 352) |
| Superannuation | (897) | (902) | (1 189) | (663) | (956) |
| Interest paid | (518) | (532) | (549) | (546) | (543) |
| Grants and subsidies | (3 593) | (4 345) | (4 483) | (4 909) | (5 331) |
| Goods and services (a) | (5 181) | (5 291) | (6 661) | (6 354) | (5 492) |
| Other payments | (188) | (319) | (820) | (411) | (274) |
| **Total payments** | **(17 035)** | **(18 082)** | **(20 122)** | **(20 162)** | **(19 950)** |
| **Net cash flows from operating activities** | **(139)** | **(450)** | **(1 872)** | **(5 113)** | **(4 572)** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |  |  |  |
| Purchases of non‑financial assets | (2 269) | (2 136) | (3 019) | (2 576) | (2 996) |
| Sales of non‑financial assets | 38 | 28 | 62 | 32 | 24 |
| **Net cash flows from investments in non‑financial assets** | **(2 231)** | **(2 109)** | **(2 958)** | **(2 544)** | **(2 972)** |
| Net cash flows from investments in financial assets for policy purposes | (23) | 243 | 740 | 441 | (76) |
| **Sub‑total** | **(2 254)** | **(1 866)** | **(2 218)** | **(2 103)** | **(3 048)** |
| Net cash flows from investments in financial assets for liquidity management purposes | 98 | 98 | (198) | 92 | (89) |
| **Net cash flows from investing activities** | **(2 156)** | **(1 768)** | **(2 415)** | **(2 011)** | **(3 137)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) | (167) | (102) | (1 017) | (614) | (6) |
| Net borrowings | 3 237 | 4 393 | 8 976 | 10 592 | 6 298 |
| Deposits received (net) | 184 | (140) | 130 | (11) | (2) |
| **Net cash flows from financing activities** | **3 255** | **4 151** | **8 089** | **9 967** | **6 290** |
| **Net increase/(decrease) in cash and cash equivalents** | **960** | **1 933** | **3 801** | **2 843** | **(1 419)** |
| Cash and cash equivalents at beginning of the reporting period | 6 343 | 7 303 | 9 236 | 13 037 | 15 880 |
| **Cash and cash equivalents at end of the reporting period** | **7 303** | **9 236** | **13 037** | **15 880** | **14 461** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities | (139) | (450) | (1 872) | (5 113) | (4 572) |
| Net cash flows from investments in non‑financial assets | (2 231) | (2 109) | (2 958) | (2 544) | (2 972) |
| Cash surplus/(deficit) | (2 370) | (2 559) | (4 830) | (7 657) | (7 544) |

Note:

(a) 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 operating statement, balance sheet, statement of cash flows, 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, operating statement, statement of cash flows 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, operating statement, statement of cash flows 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, 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, statement of cash flows. |
|  | (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 operating statement, balance sheet, statement of cash flows. 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, operating statement, balance sheet, and statement of cash flows. |

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.

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