**2017‑18 Mid‑Year Financial Report**

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



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Presented by

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

The *2017-18 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 2017. The report has been prepared in accordance with the *Financial Management Act 1994* and applicable accounting standards.

The actual results in this report are compared with the revised budget estimates in the *2017-18 Budget Update*. The likely 2017-18 full year results cannot be extrapolated from the half-year results due to seasonal and other factors impacting on the timing of activity and transactions. In particular, they do not include significant revenue items that are expected to be recognised in the second half of the financial year. For example, land tax revenue is mainly recognised in the March quarter, and certain grant revenue from the Commonwealth Government is expected to be received later in the financial year.

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

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

The PNFC and PFC sectors comprise 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.

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 2017, the general government sector recorded a positive net result from transactions of $950 million.

# Overview

Victoria’s state final demand grew by 4.7 per cent over the year to the September quarter, the highest annual growth rate among the states. Growth was supported by household consumption, business investment and public investment. In 2017, annual average employment in Victoria increased by 3.4 per cent. Population growth of 2.3 per cent over the year to June was the highest of all the states. Victoria’s economic outlook remains positive, underpinned by solid population and employment growth. The risks to the outlook are balanced. The potential for further strength in population growth and the labour market broadly offsets the downside risks from high household debt and weak income growth. Nevertheless, Victoria’s balanced economy and the Government’s strong financial position leaves the State well placed to deal with unforeseen developments.

The State’s net infrastructure investment for the period to 31 December 2017 was $5.5 billion, mainly in the general government and the PNFC sectors. This investment in funded by cash flows from operating activities and borrowings. Net cash flows from operating activities for the State for the period to 31 December 2017 were $3.5 billion. This is lower than the previous half year, which included the proceeds from the lease of the Port of Melbourne.

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

Net debt for the NFPS was $33.4 billion, or 7.8 per cent of gross state product (GSP), at 31 December 2017 (7.3 per cent as at 30 June 2017) reflecting an increase in borrowings to fund the NFPS capital program.

# Financial performance

For the six months to 31 December 2017, the general government sector recorded a positive net result from transactions of $950 million. This is lower than the $1.4 billion net result from transactions for the same period last year, primarily due to the one-off prepayment of port licence fees received in 2016 as part of the lease of the Port of Melbourne.

The net result for the State was a surplus of $2.1 billion. This was lower than the $5.6 billion net result for the same period last year, primarily due to lower valuation gains on insurance claims liabilities and relatively modest gains in the valuation of Treasury Corporation of Victoria borrowings, compared to the previous half year.

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

|  | State of Victoria | | | | General government sector | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2016-17 actual to Dec | 2017-18  actual  to Dec | 2017-18  revised  estimate | % (b) | 2016-17  actual  to Dec | 2017-18  actual  to Dec | 2017-18  revised  estimate | % (b) |
| **Revenue from transactions** |  |  |  |  |  |  |  |  |
| Taxation revenue | 10 467 | 10 524 | 21 794 | 48 | 10 662 | 10 708 | 22 175 | 48 |
| Interest revenue | 327 | 337 | 797 | 42 | 375 | 415 | 906 | 46 |
| Dividends and income tax equivalent and rate equivalent revenue | 536 | 867 | 1 217 | 71 | 438 | 433 | 1 269 | 34 |
| Sales of goods and services | 7 063 | 7 338 | 15 151 | 48 | 3 416 | 3 637 | 7 261 | 50 |
| Grant revenue | 13 285 | 14 119 | 29 429 | 48 | 13 318 | 14 227 | 30 221 | 47 |
| Other revenue | 1 646 | 1 599 | 3 206 | 50 | 1 288 | 1 170 | 2 554 | 46 |
| **Total revenue from transactions** | **33 325** | **34 783** | **71 594** | **49** | **29 498** | **30 591** | **64 386** | **48** |
| **Expenses from transactions** |  |  |  |  |  |  |  |  |
| Employee expenses | 10 977 | 11 875 | 24 272 | 49 | 10 436 | 11 296 | 23 094 | 49 |
| Net superannuation interest expense | 349 | 360 | 714 | 50 | 349 | 360 | 714 | 50 |
| Other superannuation | 1 215 | 1 328 | 2 641 | 50 | 1 148 | 1 255 | 2 495 | 50 |
| Depreciation | 2 406 | 2 478 | 5 056 | 49 | 1 256 | 1 312 | 2 734 | 48 |
| Interest expense | 1 373 | 1 346 | 2 722 | 49 | 1 012 | 1 009 | 2 286 | 44 |
| Grant expense | 3 608 | 3 446 | 7 505 | 46 | 4 924 | 5 064 | 10 792 | 47 |
| Other operating expenses | 12 991 | 13 905 | 30 203 | 46 | 8 987 | 9 344 | 20 558 | 45 |
| **Total expenses from transactions** | **32 919** | **34 739** | **73 112** | **48** | **28 111** | **29 642** | **62 673** | **47** |
| **Net result from transactions –  net operating balance** | **406** | **44** | **(1 518)** | **(3)** | **1 387** | **950** | **1 713** | **55** |
| Total other economic flows included in net result | 5 190 | 2 026 | 2 373 | 85 | (161) | (81) | (253) | 32 |
| **Net result** | **5 596** | **2 070** | **854** | **242** | **1 226** | **868** | **1 460** | **59** |
| Total other economic flows – other comprehensive income | 3 023 | 679 | 5 654 | 12 | 3 640 | 1 360 | 5 027 | 27 |
| **Comprehensive result –  total change in net worth** | **8 619** | **2 749** | **6 508** | **42** | **4 866** | **2 229** | **6 488** | **34** |

Notes:

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

(b) The percentage represents the 2017-18 actual to December as a percentage of the revised estimate presented in the 2017-18 Budget Update.

# General government sector

## Revenue

Revenue for the six months ended 31 December 2017 was $30.6 billion. This is 48 per cent of the full year revised budget estimate and an increase of $1.1 billion from the same period last year.

Taxation revenue was $10.7 billion, or 48 per cent of the revised budget estimate. Taxation revenue is influenced by seasonal factors, such as land tax revenue recognised in the March quarter and the Fire Services Property Levy recognised in the first quarter of the financial year.

Aside from these timing factors, taxation revenue has slightly increased when compared to the same period last year. This was largely due to an increase in land transfer duty, reflecting higher than anticipated activity in the property market. This increase was partially offset by the one-off prepayment of port license fees associated with entering into a lease over the Port of Melbourne in the 2016-17 comparative period.

Grant revenue was $14.2 billion, or 47 per cent of the revised full year budget estimate. This is slightly below pro rata, primarily due to the timing of grants from the Commonwealth. These are expected in the second half of the year as key milestones are met, including for road and rail projects under the Commonwealth Infrastructure Investment Program.

Compared to the same period last year, grant revenue increased by $909 million. This was mainly due to growth in GST grants from the Commonwealth Government, resulting from Victoria’s increased share of the population, and an increase in grants relating to the National Health Reform Agreement.

Dividends and income tax equivalent revenue for the half year was 34 per cent of the revised full year budget estimate, which primarily reflects the timing of dividends and income tax equivalent revenue from the PFC sector.

Revenue from the sale of goods and services for the half year was $3.6 billion, or 50 per cent of the revised full year budget estimate, in line with expectations.

The other sources of general government revenue represent a relatively small component of total revenue. The decrease from the same time last year is partially a result of the transfer of GMHBA Stadium (formerly Simonds Stadium) to the State from the Geelong City Council free of charge, which occurred in 2016-17.

## Expenses

Total expenses were $29.6 billion, or 47 per cent of the revised full year budget estimate.

Employee expenses were slightly under pro rata for the first half of the year at $11.3 billion, or 49 per cent of the revised full year budget estimate.

Compared to the same period last year, employee expenses were $860 million higher, mainly due to increased service delivery in the health, education and community safety sectors, and salary growth in line with wages policy.

Grant expense for the first half of the year was $5.1 billion, or 47 per cent of the revised full year budget estimate. This is slightly under pro rata mainly due to the timing of certain grant payments.

Compared to the same period last year, grant expense increased by $140 million, primarily driven by the ongoing transition to the National Disability Insurance Scheme in 2017‑18. This was partially offset by the transfer of the Australian Synchrotron to the Commonwealth Government free of charge in the first half of 2016-17.

Other operating expenses was $9.3 billion, or 45 per cent of the revised full year budget estimate. This is lower than pro rata due to the timing of the purchase of services and supplies and consumables, where the majority of these operating expenses are expected in the second half of the year.

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

# State of Victoria

## Revenue

Total revenue for the State was $34.8 billion, of which $30.6 billion was in the general government sector. The balance is explained below, noting that not all transactions in the PNFC and PFC sectors will affect the overall State outcome.

Total revenue for the State was 4.4 per cent higher compared to the same period in 2016-17. PNFC sector revenue increased by 6.8 per cent to $5.3 billion. This was mainly due to an increase in grants revenue for V/Line for additional train services and an increase in revenue from the sale of goods and services, driven by higher income from water, sewerage and recycling services.

The PFC sector revenue increased 6 per cent or $233 million to $4.1 billion compared to the same period in 2016-17, mainly due to an increase in investment revenue from higher dividends.

## Expenses

Total expenses for the State increased by   
5.5 per cent to $34.7 billion compared to the same period last year. Of this, $29.6 billion was incurred by the general government sector as previously highlighted.

Compared to the same period in 2016-17, total expenses in the PNFC sector increased by 4 per cent to $5.5 billion. This was mainly due to an increase in other operating expenses including increased expenses at V/Line due to higher project, fuel and maintenance costs, an increase in the capital asset charge for VicTrack due to an increase in its asset base, and higher operating and maintenance costs of metropolitan and regional water entities.

Within the PFC sector, total expenses decreased by 5.3 per cent to $4.9 billion compared to the same period in 2016-17. The decrease in expenses was mainly driven by a decrease in taxes payable by the Transport Accident Commission due to lower profits compared to the same period last year.

## Other economic flows and net result

In addition to the net result from transactions, there are a number of other economic flows included in the net result of the State, which comprise accounting and actuarial revaluations that impact the valuation of assets and liabilities, including:

* general government sector other economic flows (negative $81 million), primarily reflecting movements in provisions for doubtful receivables; and
* whole of State other economic flows of $2 billion, primarily reflecting a decrease in the valuation of financial liabilities due to an increase in bond rates and strong investment performance in equity markets.

# Financial position

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

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Jun  2017 | Dec  2017 | Actual movement | Jun  2017 | Dec  2017 | Actual  movement |
| **Assets** |  |  |  |  |  |  |
| Non-financial assets | 242 637 | 246 185 | 3 547 | 123 849 | 125 700 | 1 852 |
| Financial assets | 59 180 | 58 139 | (1 042) | 120 630 | 121 290 | 660 |
| **Total assets** | **301 818** | **304 323** | **2 506** | **244 478** | **246 990** | **2 512** |
| **Liabilities** |  |  |  |  |  |  |
| Superannuation | 24 938 | 24 472 | (466) | 24 900 | 24 438 | (462) |
| Borrowings | 48 847 | 48 453 | (394) | 28 816 | 30 995 | 2 179 |
| Other liabilities | 55 799 | 56 416 | 617 | 22 735 | 21 301 | (1 433) |
| **Total liabilities** | **129 584** | **129 341** | **(243)** | **76 451** | **76 734** | **283** |
| **Net assets** | **172 234** | **174 983** | **2 749** | **168 027** | **170 256** | **2 229** |

Note:

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

## STATE OF VICTORIA

During the period to 31 December 2017, the net assets for the State of Victoria increased by $2.7 billion. The total assets of the State increased by $2.5 billion mainly driven by the significant investment in the State’s capital program, offset by a slight decline in financial assets in the PNFC sector.

Total liabilities for the State decreased by $243 million to $129.3 billion. This decline was mainly due to a decrease in superannuation liabilities and borrowings partially offset by an increase in other liabilities. The decrease in superannuation liabilities is primarily attributable to higher than expected investment returns on superannuation

assets. The increase in other liabilities is due to an increase in unearned premium income for the insurers.

# Cash flow

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

A detailed cash flow statement is provided in Chapter 2.

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

|  | 2017-18 actual to Dec | 2017-18 revised estimate |
| --- | --- | --- |
| Net result from transactions – net operating balance | 950 | 1 713 |
| Add back: Non-cash revenues and expenses (net) (b) | 786 | 2 180 |
| **Net cash flows from operating activities** | **1 736** | **3 893** |
| Less: |  |  |
| **Net investment in fixed assets** |  |  |
| Purchases of non-financial assets | 4 570 | 9 289 |
| Net cash flows from investments in financial assets for policy purposes (c) | (718) | (2 593) |
| Sales of non-financial assets | (96) | (532) |
| **Net investment in fixed assets** | **3 756** | **6 165** |
| Finance leases (d) | 463 | 647 |
| Other investment activities (net) | 864 | 2 954 |
| **Decrease/(increase) in net debt** | **(3 347)** | **(5 872)** |

Notes:

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

(b) Includes depreciation, movements in the unfunded superannuation liability and liability of employee benefits.

(c) Includes net advances to public non-financial corporations for policy purposes of $979 million for the six months ended 31 December.

(d) The 2017-18 estimate relates to the Ravenhall Prison project, the new Bendigo Hospital project (stage 2) and the New Schools PPP project (tranche 2).

## Infrastructure investment

The State’s infrastructure program supports growing community needs and ongoing productivity improvement. For the six months to 31 December 2017, net investment in fixed assets by the State totalled $5.5 billion.

The Government’s infrastructure scorecard as at 31 December 2017

Major projects in progress include:

Ballarat Line Upgrade;

Bendigo Hospital – Stage 2;

Casey Hospital Expansion;

CityLink–Tulla widening;

Chandler Highway Upgrade;

Drysdale Bypass and High Street upgrades;

Echuca-Moama Bridge;

Frankston line stabling;

Goulburn-Murray Water Connections Project (Northern Victoria Irrigation Renewal Project);

Goulburn Valley Health redevelopment;

Hurstbridge Corridor Upgrade – Stage 1;

Joan Kirner Women’s and Children’s Hospital;

Level Crossing Removal Program;

M80 Ring Road upgrade:

– Sunshine Avenue to Calder Freeway;

– Princes Freeway to Western Highway;

– Sydney Road to Edgars Road; and

– Plenty Road to Greensborough Highway.

Melbourne Convention and Exhibition Centre development – Stage 2;

Melbourne Park redevelopment – Stages 2 and 3;

Melbourne Underground Rail Loop – Fire and Safety Upgrade;

Mernda Rail Extension;

Metro Tunnel;

Monash Children’s Hospital;

Mordialloc Bypass;

Murray Basin Rail Project;

New Schools PPP project – Tranche 2;

New trains, trams and associated infrastructure for Melbourne commuters;

New youth justice facility;

Northern Hospital inpatient expansion – Stage 2;

Princes Highway duplication project – Winchelsea to Colac;

Regional Rail Revival;

Royal Victorian Eye and Ear Hospital redevelopment;

Thompsons Road duplication;

West Gate Tunnel Project;

Western Highway duplication;

Western Roads Upgrade; and

Yan Yean Road duplication.

# Financial sustainability

## General government sector

Table 1.4 shows general government sector net debt increased by $3.3 billion to $19.1 billion as at 31 December 2017. This is consistent with expectations, and reflects the Government’s significant infrastructure program. Consequently, the ratio on net debt to GSP has increased from 3.9 per cent to 4.5 per cent.

Overall, net financial liabilities increased during the period due to the increase in net debt, partially offset by the $462 million reduction in the superannuation liability. The reduced superannuation liability is primarily due to higher than expected investment returns on superannuation assets for the period. The ratio of net financial liabilities to GSP remained at 11.9 per cent at the end of the period.

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

|  | Opening 1 July 2017 | Closing 31 Dec 2017 | Actual movement | % change |
| --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |
| Cash and deposits | 5 530 | 3 992 | (1 537) | (28) |
| Advances paid | 12 939 | 11 986 | (953) | (7) |
| Investment, loans and placements | 3 673 | 4 159 | 487 | 13 |
| **Total** | **22 141** | **20 138** | **(2 004)** | **(9)** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 9 088 | 8 252 | (836) | (9) |
| Borrowings | 28 816 | 30 995 | 2 179 | 8 |
| **Total** | **37 904** | **39 247** | **1 343** | **4** |
| **Net debt (a)** | **15 762** | **19 109** | **3 347** | **21** |
| Superannuation liability | 24 900 | 24 438 | (462) | (2) |
| **Net debt plus superannuation liabilities** | **40 663** | **43 547** | **2 885** | **7** |
| Other liabilities (b) | 7 668 | 7 195 | (473) | (6) |
| **Net financial liabilities (c)** | **48 331** | **50 742** | **2 411** | **5** |
|  |  |  |  |  |
| (per cent) | | | | |
|  |  |  |  |  |
| **Net debt to GSP (d)** | **3.9** | **4.5** |  |  |
| **Net debt plus superannuation liability to GSP (d)** | **10.0** | **10.2** |  |  |
| **Net financial liabilities to GSP (d)** | **11.9** | **11.9** |  |  |

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 ABS GSP data. The ratios as at 31 December 2017 reflect the 2017-18 GSP forecast growth rate for the full year.

## Non-financial public sector

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

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

|  | Opening 1 July 2017 | Closing 31 Dec 2017 | Actual movement | % change |
| --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |
| Cash and deposits | 6 684 | 5 254 | (1 430) | (21) |
| Advances paid | 280 | 334 | 54 | 19 |
| Investment, loans and placements | 4 791 | 5 417 | 625 | 13 |
| **Total** | **11 755** | **11 005** | **(750)** | **(6)** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 997 | 1 173 | 177 | 18 |
| Borrowings | 40 607 | 43 232 | 2 625 | 6 |
| **Total** | **41 604** | **44 406** | **2 802** | **7** |
| **Net debt (a)** | **29 849** | **33 401** | **3 552** | **12** |
| Superannuation liability | 24 938 | 24 472 | (466) | (2) |
| **Net debt plus superannuation liabilities** | **54 787** | **57 873** | **3 086** | **6** |
| Other liabilities (b) | 14 994 | 14 241 | (753) | (5) |
| **Net financial liabilities (c)** | **69 781** | **72 114** | **2 333** | **3** |
|  |  |  |  |  |
| (per cent) | | | | |
|  |  |  |  |  |
| **Net debt to GSP (d)** | **7.3** | **7.8** |  |  |
| **Net debt plus superannuation liability to GSP (d)** | **13.5** | **13.5** |  |  |
| **Net financial liabilities to GSP (d)** | **17.2** | **16.9** |  |  |

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 ABS GSP data. The ratios as at 31 December 2017 reflect the 2017-18 GSP forecast growth rate for the full year.

For the six months to 31 December 2017, net debt increased by $3.6 billion. This increase was mainly due to an increase in borrowings to fund the State’s capital program and was offset by decreases in the value of superannuation and other liabilities.

The ratio of net financial liabilities to GSP has decreased from 17.2 percent to 16.9 per cent at the end of the period. The ratio of net debt to GSP has increased from 7.3 per cent to 7.8 per cent.

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 | 2017 | 2016 | 2017 | 2016 |
| **Revenue from transactions** |  |  |  |  |  |
| Taxation revenue | 2.1 | 10 524 | 10 467 | 10 708 | 10 662 |
| Interest revenue |  | 337 | 327 | 415 | 375 |
| Dividends, income tax equivalent and rate equivalent revenue | 2.2 | 867 | 536 | 433 | 438 |
| Sales of goods and services | 2.3 | 7 338 | 7 063 | 3 637 | 3 416 |
| Grant revenue | 2.4 | 14 119 | 13 285 | 14 227 | 13 318 |
| Other revenue | 2.5 | 1 599 | 1 646 | 1 170 | 1 288 |
| **Total revenue from transactions** |  | **34 783** | **33 325** | **30 591** | **29 498** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses |  | 11 875 | 10 977 | 11 296 | 10 436 |
| Net superannuation interest expense | 3.2 | 360 | 349 | 360 | 349 |
| Other superannuation | 3.2 | 1 328 | 1 215 | 1 255 | 1 148 |
| Depreciation | 4.2 | 2 478 | 2 406 | 1 312 | 1 256 |
| Interest expense | 5.4 | 1 346 | 1 373 | 1 009 | 1 012 |
| Grant expense | 3.3 | 3 446 | 3 608 | 5 064 | 4 924 |
| Other operating expenses | 3.4 | 13 905 | 12 991 | 9 344 | 8 987 |
| **Total expenses from transactions** | 3.5, 3.6 | **34 739** | **32 919** | **29 642** | **28 111** |
| **Net result from transactions – net operating balance** |  | **44** | **406** | **950** | **1 387** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets |  | 34 | 3 | 21 | 15 |
| Net gain/(loss) on financial assets or liabilities at fair value |  | 1 583 | 2 782 | 39 | 14 |
| Share of net profit/(loss) from associates/joint venture entities |  | 38 | 26 | .. | (3) |
| Other gains/(losses) from other economic flows | 9.2 | 371 | 2 380 | (141) | (187) |
| **Total other economic flows included in net result** |  | **2 026** | **5 190** | **(81)** | **(161)** |
| **Net result** |  | **2 070** | **5 596** | **868** | **1 226** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non-financial assets revaluation surplus |  | 27 | (80) | (2) | (89) |
| Remeasurement of superannuation defined benefits plans | 3.2 | 763 | 2 979 | 759 | 2 984 |
| Other movements in equity |  | (161) | 99 | (107) | 83 |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value |  | 49 | 25 | 25 | 18 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets |  | .. | .. | 686 | 644 |
| **Total other economic flows – other comprehensive income** |  | **679** | **3 023** | **1 360** | **3 640** |
| **Comprehensive result – total change in net worth** |  | **2 749** | **8 619** | **2 229** | **4 866** |
|  |  |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** |  | **44** | **406** | **950** | **1 387** |
| Less: Net acquisition of non-financial assets from transactions | 9.1 | 3 484 | 1 254 | 1 751 | 171 |
| **Net lending/(borrowing)** |  | **(3 439)** | **(848)** | **(801)** | **1 216** |

The accompanying notes form part of these financial statements.

# Consolidated balance sheet

As at 31 December ($ million)

|  |  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- |
|  |  | Dec | Jun | Dec | Jun |
|  | Notes | 2017 | 2017 | 2017 | 2017 |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 5.2 | 5 835 | 5 869 | 3 992 | 5 530 |
| Advances paid | 5.3 | 309 | 280 | 11 986 | 12 939 |
| Receivables | 6.2 | 8 432 | 8 038 | 5 807 | 5 931 |
| Investments, loans and placements | 5.3 | 41 375 | 42 806 | 4 159 | 3 673 |
| Investments accounted for using the equity method | 4.5 | 2 187 | 2 187 | 47 | 47 |
| Investments in other sector entities |  | .. | .. | 95 297 | 92 509 |
| **Total financial assets** |  | **58 139** | **59 180** | **121 290** | **120 630** |
| **Non-financial assets** |  |  |  |  |  |
| Inventories | 6.1 | 817 | 671 | 176 | 173 |
| Non-financial assets held for sale |  | 455 | 432 | 438 | 405 |
| Land, buildings, infrastructure, plant and equipment | 4.1 | 241 994 | 238 886 | 123 323 | 121 776 |
| Other non-financial assets | 4.4 | 2 917 | 2 648 | 1 763 | 1 494 |
| **Total non-financial assets** |  | **246 185** | **242 637** | **125 700** | **123 849** |
| **Total assets** | 3.6 | **304 323** | **301 818** | **246 990** | **244 478** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received |  | 1 542 | 1 940 | 8 252 | 9 088 |
| Payables | 6.3 | 17 996 | 17 233 | 5 542 | 5 815 |
| Borrowings | 5.1 | 48 453 | 48 847 | 30 995 | 28 816 |
| Employee benefits | 3.1 | 7 076 | 7 034 | 6 555 | 6 506 |
| Superannuation | 6.4 | 24 472 | 24 938 | 24 438 | 24 900 |
| Other provisions | 6.5 | 29 802 | 29 592 | 953 | 1 326 |
| **Total liabilities** |  | **129 341** | **129 584** | **76 734** | **76 451** |
| **Net assets** |  | **174 983** | **172 234** | **170 256** | **168 027** |
| Accumulated surplus/(deficit) |  | 77 806 | 75 137 | 52 965 | 51 464 |
| Reserves |  | 97 176 | 97 096 | 117 290 | 116 563 |
| **Net worth** |  | **174 983** | **172 234** | **170 256** | **168 027** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth |  | (71 202) | (70 404) | 44 555 | 44 178 |
| Net financial liabilities |  | 71 202 | 70 404 | 50 742 | 48 331 |
| Net debt |  | 2 475 | 1 833 | 19 109 | 15 762 |

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 | 2017 | 2016 | 2017 | 2016 |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received |  | 10 815 | 10 688 | 10 999 | 10 883 |
| Grants |  | 14 118 | 13 288 | 14 226 | 13 320 |
| Sales of goods and services (a) |  | 9 058 | 17 833 | 4 077 | 3 781 |
| Interest received |  | 231 | 240 | 416 | 377 |
| Dividends, income tax equivalent and rate equivalent receipts |  | 867 | 536 | 477 | 523 |
| Other receipts |  | 1 225 | 1 306 | 909 | 833 |
| **Total receipts** |  | **36 314** | **43 891** | **31 104** | **29 715** |
| **Payments** |  |  |  |  |  |
| Payments for employees |  | (11 813) | (10 855) | (11 228) | (10 286) |
| Superannuation |  | (1 394) | (1 313) | (1 318) | (1 237) |
| Interest paid |  | (1 334) | (1 416) | (990) | (1 022) |
| Grants and subsidies |  | (3 712) | (3 243) | (5 455) | (5 087) |
| Goods and services (a) |  | (14 172) | (12 318) | (9 984) | (9 480) |
| Other payments |  | (393) | (404) | (393) | (373) |
| **Total payments** |  | **(32 818)** | **(29 549)** | **(29 368)** | **(27 485)** |
| **Net cash flows from operating activities** |  | **3 497** | **14 342** | **1 736** | **2 230** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non-financial assets** |  |  |  |  |  |
| Purchases of non-financial assets | 3.5, 3.6 | (5 625) | (3 938) | (4 570) | (3 121) |
| Sales of non-financial assets |  | 164 | 116 | 96 | 65 |
| **Net cash flows from investments in non-financial assets** |  | **(5 462)** | **(3 821)** | **(4 473)** | **(3 056)** |
| Net cash flows from investments in financial assets for policy purposes (b) |  | (17) | (5) | 718 | (850) |
| **Sub-total** |  | **(5 478)** | **(3 826)** | **(3 756)** | **(3 906)** |
| Net cash flows from investments in financial assets for liquidity management purposes |  | 2 772 | (5 624) | (426) | (2 638) |
| **Net cash flows from investing activities** |  | **(2 707)** | **(9 450)** | **(4 181)** | **(6 544)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) |  | 25 | 22 | (937) | 9 579 |
| Net borrowings |  | (424) | (4 092) | 1 744 | (5 827) |
| Deposits received (net) |  | (424) | (932) | 101 | 109 |
| **Net cash flows from financing activities** |  | **(823)** | **(5 001)** | **908** | **3 860** |
| **Net increase/(decrease) in cash and cash equivalents** |  | **(33)** | **(109)** | **(1 537)** | **(453)** |
| Cash and cash equivalents at beginning of reporting period (c) |  | 5 868 | 6 676 | 5 530 | 4 772 |
| **Cash and cash equivalents at end of the reporting period** | 5.2 | **5 835** | **6 567** | **3 992** | **4 319** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities |  | 3 497 | 14 342 | 1 736 | 2 230 |
| Net cash flows from investments in non-financial assets |  | (5 462) | (3 821) | (4 473) | (3 056) |
| Cash surplus/(deficit) |  | (1 965) | 10 521 | (2 738) | (825) |

The accompanying notes form part of these financial statements.

Notes:

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

(b) Includes net advances to public non-financial corporations for policy purposes of $979 million for the six months ended 31 December.

*(c) Cash and cash equivalents at the beginning 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-controlling  interest | Non-financial assets revaluation surplus | Other  reserves | Total |
| --- | --- | --- | --- | --- | --- |
| **2017** |  |  |  |  |  |
| Balance at 1 July 2017 | 75 137 | .. | 95 897 | 1 199 | 172 234 |
| Net result for the year | 2 070 | .. | .. | .. | 2 070 |
| Other comprehensive income for the year | 573 | .. | 27 | 78 | 679 |
| Transfer to/(from) accumulated surplus | 26 | .. | (26) | .. | .. |
| **Total equity as at 31 December 2017** | **77 806** | **..** | **95 899** | **1 277** | **174 983** |
| **2016** |  |  |  |  |  |
| Balance at 1 July 2016 (a) | 56 337 | 50 | 94 965 | 1 042 | 152 395 |
| Net result for the year | 5 596 | .. | .. | .. | 5 596 |
| Other comprehensive income for the year | 3 031 | .. | (89) | 71 | 3 014 |
| Transfer to/(from) accumulated surplus | 7 876 | .. | (7 876) | .. | .. |
| Transactions with owners in their capacity as owners | .. | (50) | .. | .. | (50) |
| Total equity as at 31 December 2016 (a) | 72 840 | .. | 87 001 | 1 114 | 160 955 |

The accompanying notes form part of these financial statements.

Note:

(a) December 2016 comparative figures have been restated to reflect a subsequent adjustment to the Department of Environment, Land, Water and Planning’s intangible produced assets and opening accumulated surplus/(deficit) balances due to the first-time recognition of Renewable Energy Certificates in 2016‑17.

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

For the six months ended 31 December ($ million)

| General government sector | Accumulated surplus/(deficit) | Non-controlling Interest | Non-financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other  reserves | Total |
| --- | --- | --- | --- | --- | --- | --- |
| **2017** |  |  |  |  |  |  |
| Balance at 1 July 2017 | 51 464 | .. | 55 745 | 60 149 | 669 | 168 027 |
| Net result for the year | 868 | .. | .. | .. | .. | 868 |
| Other comprehensive income for the year | 633 | .. | (2) | 686 | 44 | 1 360 |
| **Total equity as at 31 December 2017** | **52 965** | **..** | **55 743** | **60 835** | **712** | **170 256** |
| **2016** |  |  |  |  |  |  |
| Balance at 1 July 2016 (a) | 44 557 | 50 | 49 613 | 57 027 | 551 | 151 798 |
| Net result for the year | 1 226 | .. | .. | .. | .. | 1 226 |
| Other comprehensive income for the year | 3 035 | .. | (89) | 644 | 50 | 3 640 |
| Transactions with owners in their capacity as owners | .. | (50) | .. | .. | .. | (50) |
| Total equity as at 31 December 2016 (a) | 48 817 | .. | 49 524 | 57 671 | 602 | 156 614 |

The accompanying notes form part of these financial statements.

Note:

(a) December 2016 comparative figures have been restated to reflect a subsequent adjustment to the Department of Environment, Land, Water and Planning’s intangible produced assets and opening accumulated surplus/(deficit) balances due to the first-time recognition of Renewable Energy Certificates in 2016‑17.

# 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 2017.

The accounting policies applied are consistent with those applied for the financial statements published in the *2016-17 Financial Report* for the State. As this interim financial report does not include all the notes normally included with the annual financial report, this report should be read in conjunction with the *2016-17 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* (AASB 1049) and AASB 134 *Interim Financial Reporting* (AASB 134).

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

The Government Finance Statistics (GFS) information included in this report is based on the GFS manual (the Australian Bureau of Statistics (ABS) publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* as updated from time to time).

The *2017-18 Mid-Year Financial Report* was authorised for issue by the Treasurer on 15 March 2018.

## 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:

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

## 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 the consumer of these goods and services.

### Public financial corporations

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

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

### Non-financial public sector

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

Note 9.1 disaggregates information about these sectors. Disclosing this information assists users of the financial statements to determine the effects of differing activities on the financial performance and position of the State. It also assists users to identify the resources used in 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 2017 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, 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, and accounted for in a manner consistent with AASB 139 *Financial Instruments: Recognition and Measurement*.

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 2017-18 reporting period. There is no intention to early adopt these accounting standards and they 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 9 *Financial Instruments* as revised by AASB 2014-1 *Amendments to Australian Accounting Standards (Part E Financial Instruments)*, operative for reporting periods commencing 1 January 2018. AASB 9 as amended simplifies requirements for the classification and measurement of financial assets, introduces a new hedging accounting model and also a revised impairment loss model to recognise impairment losses earlier, as opposed to the current requirement to recognise impairment only when incurred.
* AASB 15 *Revenue from Contracts with Customers*, operative for reporting periods commencing 1 January 2019 for not-for-profit entities. The core principle of AASB 15 is to require an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The changes in revenue recognition will result in changes to the timing and amount of revenue recognised.
* AASB 16 *Leases*, operative for reporting periods commencing 1 January 2019. The key changes introduced by AASB 16 include the requirement to recognise most operating leases on the balance sheet, which will result in an increase in net debt.
* AASB 1058 *Income of Not-for-Profit Entities*, operative for reporting periods commencing 1 January 2019. This standard will replace a part of AASB 1004 *Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. Under AASB 1058, revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will be deferred and recognised as the performance obligations are satisfied.
* AASB 1059 *Service Concession Arrangements: Grantors*, operative for reporting periods commencing 1 January 2019. This standard prescribes the accounting treatment for public private partnership (PPP) arrangements involving a private sector operator providing public services related to a service concession asset on behalf of the State, for a specified period of time. Note 5.6 of the *2016-17 Financial Report* for the State of Victoria defines the State’s two main forms of PPP arrangements. For social infrastructure PPP arrangements, this will result in an earlier recognition of financial liabilities (increase in net debt), progressively over the construction period rather than at completion date. For economic infrastructure PPP arrangements that were previously not on the balance sheet, the standard will require recognition of these arrangements on-balance sheet, but will continue to have no impact to net debt consistent with the current accounting treatment.

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.

The ABS released a new manual, *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* on 23 December 2015. For the purpose of financial reporting under AASB 1049, the new manual will apply for reporting periods beginning from 1 July 2018. The State will assess the potential reporting implications of the amendments.

## Rounding

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

# How funds are raised

## Introduction

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

Revenue from transactions is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured at fair value.

## Structure

[2.1 Taxation revenue 17](#_Toc508201410)

[2.2 Dividends, income tax equivalent and rate equivalent revenue 18](#_Toc508201411)

[2.3 Sales of goods and services 18](#_Toc508201412)

[2.4 Grant revenue 19](#_Toc508201413)

[2.5 Other revenue 19](#_Toc508201414)

## Taxation revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| **Taxes on employers’ payroll and labour force** | **2 980** | **2 844** | **3 018** | **2 882** |
| **Taxes on immovable property** |  |  |  |  |
| Land tax | 109 | 54 | 126 | 65 |
| Fire Services Property Levy | 659 | 668 | 659 | 668 |
| Congestion levy (a) | (4) | 8 | (4) | 8 |
| Metropolitan improvement levy | 171 | 162 | 171 | 162 |
| **Financial and capital transactions** |  |  |  |  |
| Land transfer duty | 3 484 | 2 956 | 3 484 | 2 956 |
| Metropolitan planning levy | 14 | 16 | 14 | 16 |
| Financial accommodation levy | .. | .. | 74 | 65 |
| Growth areas infrastructure contribution | 101 | 88 | 101 | 88 |
| **Total taxes on property** | **4 534** | **3 952** | **4 625** | **4 028** |
| **Gambling taxes** |  |  |  |  |
| Public lotteries | 212 | 204 | 212 | 204 |
| Electronic gaming machines | 561 | 557 | 561 | 557 |
| Casino | 114 | 110 | 114 | 110 |
| Racing | 37 | 39 | 37 | 39 |
| Other | 14 | 13 | 14 | 13 |
| **Levies on statutory corporations** | **..** | **..** | **53** | **53** |
| **Taxes on insurance** | **683** | **636** | **683** | **636** |
| **Total taxes on the provision of goods and services** | **1 622** | **1 560** | **1 674** | **1 612** |
| **Motor vehicle taxes** |  |  |  |  |
| Vehicle registration fees | 792 | 770 | 793 | 771 |
| Duty on vehicle registrations and transfers | 451 | 405 | 451 | 405 |
| **Liquor licence fees** | **15** | **14** | **15** | **14** |
| **Other (b)** | **131** | **923** | **131** | **950** |
| **Total taxes on the use of goods and performance of activities** | **1 389** | **2 112** | **1 390** | **2 140** |
| **Total taxation revenue** | **10 524** | **10 467** | **10 708** | **10 662** |

Notes:

(a) The negative congestion levy revenue for 2017-18 to date represents a portion of congestion levy revenues accrued in 2016-17 that were written off in 2017-18 due to changes in car park ownership or circumstances of affected taxpayers.

(b) The 2016 balance includes prepaid port licence fees.

## Dividends, income tax equivalent and rate equivalent revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| Dividends from PFC sector | .. | .. | 94 | 157 |
| Dividends from PNFC sector | .. | .. | 228 | 122 |
| Dividends from non-public sector | 867 | 536 | 19 | 24 |
| **Dividends** | **867** | **536** | **341** | **303** |
| Income tax equivalent revenue from PFC sector (a) | .. | .. | (3) | 2 |
| Income tax equivalent revenue from PNFC sector | .. | .. | 94 | 132 |
| **Income tax equivalent revenue** | **..** | **..** | **91** | **134** |
| Local government rate equivalent revenue | .. | .. | .. | .. |
| **Total dividends, income tax equivalent and rate equivalent revenue** | **867** | **536** | **433** | **438** |

Note:

(a) The negative revenue figure can be attributed to the finalisation of income tax assessments by the Australian Taxation Office, resulting in some revenue that was accrued in 2016-17 being revised in 2017-18.

Dividends by entity ($ million)

|  | General  government sector | |
| --- | --- | --- |
|  | 2017 | 2016 |
| **Public financial corporations** |  |  |
| Victorian Managed Insurance Authority | .. | 153 |
| Transport Accident Commission | .. | .. |
| Treasury Corporation of Victoria | 83 | .. |
| State Trustees Ltd | 5 | .. |
| Victorian Funds Management Corporation | 7 | 4 |
| **Dividends from PFC sector** | **94** | **157** |
| **Public non-financial corporations** |  |  |
| Melbourne Water Corporation | 51 | 28 |
| City West Water Corporation | 48 | 13 |
| South East Water Corporation | 82 | 47 |
| Yarra Valley Water Corporation | 31 | 23 |
| State Electricity Commission of Victoria | .. | .. |
| Development Victoria | 15 | 10 |
| Others | .. | 1 |
| **Dividends from PNFC sector** | **228** | **122** |

## Sales of goods and services

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| Motor vehicle regulatory fees | 110 | 123 | 110 | 123 |
| Other regulatory fees | 308 | 303 | 301 | 297 |
| Sale of goods | 313 | 348 | 37 | 43 |
| Provision of services | 6 354 | 6 116 | 2 130 | 1 993 |
| Rental | 140 | 76 | 35 | 34 |
| Refunds and reimbursements | 112 | 96 | 2 | 1 |
| Inter-sector capital asset charge | .. | .. | 1 022 | 925 |
| **Total sales of goods and services** | **7 338** | **7 063** | **3 637** | **3 416** |

## Grant revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| General purpose grants | 7 710 | 6 930 | 7 710 | 6 930 |
| Specific purpose grants for on-passing | 1 735 | 1 745 | 1 735 | 1 745 |
| Specific purpose grants | 4 672 | 4 606 | 4 671 | 4 602 |
| **Total** | **14 116** | **13 281** | **14 116** | **13 277** |
| Other contributions and grants | 3 | 4 | 112 | 42 |
| **Total grant revenue** | **14 119** | **13 285** | **14 227** | **13 318** |

## Other revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| Fair value of assets received free of charge or for nominal consideration | 188 | 304 | 33 | 176 |
| Fines | 346 | 390 | 345 | 389 |
| Royalties | 65 | 34 | 50 | 26 |
| Donations and gifts | 162 | 154 | 128 | 124 |
| Other non-property rental | 46 | 44 | 14 | 14 |
| Other revenue – Education | 329 | 312 | 329 | 312 |
| Other revenue – Health | 21 | 22 | 21 | 22 |
| Other miscellaneous revenue | 443 | 386 | 251 | 226 |
| **Total other revenue** | **1 599** | **1 646** | **1 170** | **1 288** |

# How funds are spent

## Introduction

This section accounts for the major components of expenditure incurred by the State towards the operating activities (expenses from transactions) and on capital or infrastructure projects during the year, as well as any related obligations outstanding as at 31 December 2017.

## Structure

[3.1 Employee expenses and provision for outstanding employee benefits 20](#_Toc475960033)

[3.2 Superannuation expense recognised in the operating statement 21](#_Toc475960034)

[3.3 Grant expense 21](#_Toc475960035)

[3.4 Other operating expenses 22](#_Toc475960036)

[3.5 Total operating expenses and purchases of non-financial assets – by department 23](#_Toc475960037)

[3.6 Total operating expenses, purchases of non-financial assets and total assets – by government purpose classification 24](#_Toc475960038)

## Employee expenses and provision for outstanding employee benefits

### Employee expenses (operating statement)

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

### Employee expenses (balance sheet)

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

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

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec | Jun | Dec | Jun |
|  | 2017 | 2017 | 2017 | 2017 |
| **Current** |  |  |  |  |
| Accrued salaries and wages | 558 | 552 | 514 | 503 |
| Other employee benefits | 88 | 82 | 77 | 66 |
| Annual leave | 1 612 | 1 651 | 1 460 | 1 499 |
| Long service leave | 3 946 | 3 882 | 3 710 | 3 646 |
| **Total current employee benefits and on-costs** (a) | **6 203** | **6 167** | **5 761** | **5 715** |
| **Non-current** |  |  |  |  |
| Accrued salaries and wages | 13 | 13 | **..** | **..** |
| Long service leave | 860 | 854 | 794 | 791 |
| **Total non-current employee benefits and on-costs** (a) | **873** | **867** | **794** | **791** |
| **Total employee benefits and on-costs** | **7 076** | **7 034** | **6 555** | **6 506** |

Notes:

(a) June 2017 comparative figures have been reclassified to reflect more current information.

## Superannuation expense recognised in the operating statement

($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2017 | 2016 |
| **Defined benefit plans** |  |  |
| Net superannuation interest expense | 360 | 349 |
| Current service cost | 471 | 431 |
| Remeasurements: |  |  |
| Expected return on superannuation assets excluding interest income | (479) | (507) |
| Other actuarial (gain)/loss on superannuation assets | (639) | (519) |
| Actuarial and other adjustments to unfunded superannuation liability | 354 | (1 953) |
| **Total expense recognised in respect of defined benefit plans** | **68** | **(2 200)** |
| **Defined contribution plans** |  |  |
| Employer contributions to defined contribution plans | 820 | 744 |
| Other (including pensions) | 38 | 40 |
| **Total expense recognised in respect of defined contribution plans** | **858** | **784** |
| **Total superannuation (gain)/expense recognised in operating statement** | **925** | **(1 415)** |
| **Represented by:** |  |  |
| Net superannuation interest expense | 360 | 349 |
| Other superannuation | 1 328 | 1 215 |
| **Superannuation expense from transactions** | **1 689** | **1 564** |
| **Remeasurement recognised in other comprehensive income** | **(763)** | **(2 979)** |
| **Total superannuation costs recognised in operating statement** | **925** | **(1 415)** |

## Grant expense

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| **Current grant expense** |  |  |  |  |
| Commonwealth government | 267 | 192 | 267 | 191 |
| Local government (including grants for on-passing) | 307 | 406 | 307 | 404 |
| Private sector and not-for-profit on-passing | 1 567 | 1 452 | 1 567 | 1 452 |
| Other private sector and not-for-profit | 1 103 | 1 024 | 1 071 | 997 |
| Grants within the Victorian government | .. | .. | 1 760 | 1 594 |
| Grants to other state governments | 13 | 8 | 13 | 8 |
| **Total current grant expense** | **3 256** | **3 082** | **4 984** | **4 646** |
| **Capital grant expense** |  |  |  |  |
| Local government (including grants for on-passing) | 7 | .. | 7 | .. |
| Private sector and not-for-profit on-passing | 69 | 97 | 58 | 59 |
| Grants within the Victorian government | .. | .. | 6 | 1 |
| Other grants | 113 | 429 | 8 | 218 |
| **Total capital grant expense** | **190** | **526** | **80** | **278** |
| **Total grant expense** | **3 446** | **3 608** | **5 064** | **4 924** |

## Other operating expenses

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| Purchase of supplies and consumables (a)(b) | 2 466 | 2 436 | 2 007 | 1 996 |
| Cost of goods sold | 141 | 137 | 11 | 15 |
| Finance expenses and fees | 241 | 221 | 20 | 147 |
| Purchase of services (a)(b) | 6 885 | 6 354 | 6 146 | 5 762 |
| Insurance claims expense | 2 807 | 2 581 | 134 | 113 |
| Maintenance | 693 | 637 | 406 | 379 |
| Operating lease payments | 216 | 213 | 181 | 176 |
| Other | 455 | 412 | 440 | 398 |
| **Total other operating expenses** | **13 905** | **12 991** | **9 344** | **8 987** |

Notes:

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

(b) December 2016 comparative figures have been reclassified between the purchase of supplies and consumables and purchase of services line items to better reflect the nature of the expenditure items.

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

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| Medicinal pharmacy and medical supplies | 586 | 599 | 586 | 599 |
| Office supplies and consumables | 129 | 125 | 122 | 121 |
| Specialised operational supplies and consumables | 100 | 75 | 73 | 70 |
| Other purchase of supplies and consumables | 1 652 | 1 638 | 1 225 | 1 207 |
| Total purchase of supplies and consumables | 2 466 | 2 436 | 2 007 | 1 996 |

**Purchase of services**  ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| Service contracts | 3 829 | 3 598 | 3 642 | 3 425 |
| Accommodation/occupancy | 446 | 458 | 390 | 406 |
| Medical and client care services | 167 | 156 | 167 | 156 |
| Staff related expenses (non-labour related) | 137 | 111 | 121 | 99 |
| Other purchase of services | 2 307 | 2 031 | 1 826 | 1 676 |
| Total purchases of services | 6 885 | 6 354 | 6 146 | 5 762 |

## 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 | |
| --- | --- | --- | --- | --- |
|  | Dec | Dec | Dec | Dec |
| State of Victoria | 2017 | 2016 | 2017 | 2016 |
| Economic Development, Jobs, Transport and Resources | 7 044 | 6 654 | 3 041 | 2 234 |
| Education and Training | 8 420 | 7 890 | 546 | 269 |
| Environment, Land, Water and Planning | 4 234 | 4 162 | 761 | 771 |
| Health and Human Services | 12 699 | 11 964 | 526 | 610 |
| Justice and Regulation | 3 480 | 3 134 | 514 | 134 |
| Premier and Cabinet | 262 | 239 | 8 | 7 |
| Treasury and Finance | 8 216 | 8 559 | 58 | 38 |
| Parliament | 95 | 91 | 23 | 11 |
| Courts | 283 | 261 | 33 | 14 |
| Regulatory bodies and other part budget funded agencies (a) | 1 140 | 1 080 | 84 | 57 |
| **Total** | **45 873** | **44 033** | **5 593** | **4 144** |
| *Less eliminations and adjustments (b)* | (11 134) | (11 114) | 32 | (206) |
| **Grand total** | **34 739** | **32 919** | **5 625** | **3 938** |

| General government sector |  |  |  |  |
| --- | --- | --- | --- | --- |
| Economic Development, Jobs, Transport and Resources | 4 572 | 4 375 | 2 838 | 2 201 |
| Education and Training | 8 420 | 7 890 | 546 | 269 |
| Environment, Land, Water and Planning | 1 385 | 1 423 | 41 | 21 |
| Health and Human Services | 11 954 | 11 137 | 418 | 332 |
| Justice and Regulation | 3 387 | 3 040 | 513 | 134 |
| Premier and Cabinet | 251 | 228 | 8 | 6 |
| Treasury and Finance | 3 346 | 3 394 | 21 | 20 |
| Parliament | 95 | 91 | 23 | 11 |
| Courts | 283 | 261 | 33 | 14 |
| Regulatory bodies and other part budget funded agencies (a) | 1 140 | 1 080 | 84 | 57 |
| **Total** | **34 834** | **32 919** | **4 525** | **3 064** |
| *Less eliminations and adjustments (b)* | (5 192) | (4 808) | 45 | 56 |
| **Grand total** | **29 642** | **28 111** | **4 570** | **3 121** |

Notes:

(a) Other general government sector agencies not allocated to departmental portfolios.

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

## Total operating expenses, purchases of non-financial assets and total assets – by government purpose classification (a)

The following table presents operating and capital expenditure and total assets held, by government purpose classification (GPC).

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

|  | Expenses from transactions | | Purchases of  non-financial assets | | Total assets | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Dec | Dec | Dec | Dec | Dec | Jun |
| State of Victoria | 2017 | 2016 | 2017 | 2016 | 2017 | 2017 |
| General public services (b) | 5 312 | 5 603 | 85 | 48 | 2 793 | 3 067 |
| Public order and safety | 3 535 | 3 182 | 631 | 182 | 9 223 | 8 301 |
| Education | 7 476 | 7 057 | 531 | 260 | 22 957 | 22 667 |
| Health | 8 874 | 7 983 | 410 | 303 | 14 666 | 14 649 |
| Social security and welfare | 2 041 | 2 125 | 25 | 41 | 2 193 | 2 129 |
| Housing and community amenities | 3 163 | 3 284 | 975 | 699 | 80 434 | 80 252 |
| Recreation and culture | 775 | 711 | 71 | 1 113 | 15 722 | 15 643 |
| Fuel and energy | 71 | 69 | 7 | 18 | 23 | 23 |
| Agriculture, forestry, fishing and hunting | 217 | 206 | 12 | .. | 639 | 651 |
| Transport and communications (b) | 3 213 | 2 912 | 2 837 | 2 035 | 98 070 | 96 026 |
| Other economic affairs (b) | 409 | 604 | 7 | 88 | 454 | 437 |
| Other purposes | 940 | 982 | 1 | 1 | 10 | 9 |
| Not allocated by purpose (b)(c)(d) | (1 287) | (1 798) | 35 | 172 | 57 141 | 57 963 |
| Total | 34 739 | 32 919 | 5 625 | 4 960 | 304 323 | 301 818 |

| General government sector |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General public services | 1 331 | 1 393 | 49 | 32 | 2 220 | 2 195 |
| Public order and safety | 3 593 | 3 235 | 631 | 182 | 9 223 | 8 301 |
| Education | 7 511 | 7 094 | 531 | 260 | 22 957 | 22 667 |
| Health | 8 945 | 8 046 | 410 | 302 | 14 643 | 14 627 |
| Social security and welfare | 2 055 | 2 142 | 25 | 41 | 2 193 | 2 129 |
| Housing and community amenities | 1 323 | 1 385 | 25 | 34 | 9 725 | 9 747 |
| Recreation and culture | 385 | 353 | 46 | 32 | 9 604 | 9 537 |
| Fuel and energy | 71 | 68 | 7 | 16 | 23 | 23 |
| Agriculture, forestry, fishing and hunting | 170 | 161 | 12 | 3 | 581 | 591 |
| Transport and communications (b) | 3 573 | 3 214 | 2 782 | 2 073 | 54 312 | 53 787 |
| Other economic affairs (b) | 501 | 683 | 7 | 88 | 454 | 437 |
| Other purposes | 542 | 613 | .. | 1 | 6 | 6 |
| Not allocated by purpose (c)(d) | (360) | (276) | 45 | 56 | 121 050 | 120 431 |
| Total | 29 642 | 28 111 | 4 570 | 3 121 | 246 990 | 244 478 |

Notes:

(a) Note 3.6 of the 2016-17 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

(b) December 2016 comparative figures have been restated to reflect more current information.

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

(d) 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 25](#_Toc502906841)

[4.2 Depreciation 26](#_Toc502906842)

[4.3 Total land, buildings, infrastructure, plant and equipment – by government purpose 27](#_Toc502906843)

[4.4 Other non-financial assets 29](#_Toc502906844)

[4.5 Investments accounted for using the equity method 29](#_Toc502906845)

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

($ million)

|  | State of Victoria | | | General government sector | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Dec 2017 | Gross carrying  amount | Accumulated  depreciation | Carrying  amount | | Gross carrying  amount | Accumulated  depreciation | Carrying  amount |
| Buildings | 50 392 | (4 502) | 45 890 | | 31 639 | (3 233) | 28 406 |
| Land and national parks | 78 507 | .. | 78 507 | | 50 598 | .. | 50 598 |
| Leased buildings | 6 584 | (777) | 5 807 | | 6 046 | (686) | 5 360 |
| Infrastructure systems | 68 749 | (4 238) | 64 510 | | 1 889 | (509) | 1 380 |
| Leased infrastructure systems | 4 803 | (397) | 4 406 | | .. | .. | .. |
| Plant, equipment and vehicles | 11 880 | (5 203) | 6 677 | | 6 229 | (3 849) | 2 380 |
| Leased plant, equipment and vehicles | 1 372 | (349) | 1 023 | | 438 | (267) | 171 |
| Roads and road infrastructure | 40 615 | (19 652) | 20 963 | | 40 531 | (19 646) | 20 886 |
| Leased roads and road infrastructure | 584 | (24) | 561 | | 584 | (24) | 561 |
| Earthworks | 7 961 | .. | 7 961 | | 7 961 | .. | 7 961 |
| Cultural assets | 5 852 | (163) | 5 689 | | 5 782 | (163) | 5 620 |
| **Total land, buildings, infrastructure,  plant and equipment** | **277 300** | **(35 305)** | **241 994** | | **151 698** | **(28 375)** | **123 323** |

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
| Jun 2017 | Gross carrying  amount | Accumulated  depreciation | Carrying  amount | Gross carrying  amount | Accumulated  depreciation | Carrying  amount |
| Buildings | 49 482 | (3 771) | 45 710 | 30 762 | (2 723) | 28 039 |
| Land and national parks | 78 504 | .. | 78 504 | 50 554 | .. | 50 554 |
| Leased buildings | 5 799 | (666) | 5 133 | 5 319 | (609) | 4 711 |
| Infrastructure systems | 65 908 | (3 202) | 62 706 | 1 834 | (492) | 1 343 |
| Leased infrastructure systems | 4 805 | (358) | 4 447 | .. | .. | .. |
| Plant, equipment and vehicles | 11 598 | (4 996) | 6 602 | 6 126 | (3 764) | 2 362 |
| Leased plant, equipment and vehicles | 1 375 | (322) | 1 053 | 441 | (257) | 184 |
| Roads and road infrastructure | 39 870 | (19 346) | 20 524 | 39 781 | (19 341) | 20 440 |
| Leased roads and road infrastructure | 584 | (19) | 565 | 584 | (19) | 565 |
| Earthworks | 7 961 | .. | 7 961 | 7 961 | .. | 7 961 |
| Cultural assets | 5 834 | (154) | 5 680 | 5 770 | (154) | 5 617 |
| Total land, buildings, infrastructure,  plant and equipment | 271 721 | (32 834) | 238 886 | 149 133 | (27 358) | 121 776 |

## Depreciation

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| Buildings | 822 | 774 | 576 | 549 |
| Leased buildings | 70 | 52 | 67 | 49 |
| Infrastructure systems | 671 | 661 | 17 | 18 |
| Leased infrastructure systems | 41 | 41 | .. | .. |
| Plant, equipment and vehicles | 436 | 431 | 256 | 252 |
| Leased plant, equipment and vehicles | 14 | 35 | 14 | 35 |
| Roads and road infrastructure | 306 | 308 | 305 | 307 |
| Leased roads and road infrastructure | 5 | .. | 5 | .. |
| Cultural assets | 10 | 7 | 10 | 7 |
| Intangible produced assets | 103 | 96 | 63 | 39 |
| **Total depreciation** | **2 478** | **2 406** | **1 312** | **1 256** |

## Total land, buildings, infrastructure, plant and equipment – by government purpose

($ million)

| State of Victoria  Dec 2017 | Public administration | Education | Health and Welfare | Community Housing | Transportation and Communication | Public Safety and Environment | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 2 804 | 12 070 | 8 711 | 8 427 | 6 072 | 7 806 | 45 890 |
| Land and national parks | 2 858 | 10 027 | 2 765 | 15 928 | 31 433 | 15 496 | 78 507 |
| Leased buildings | 118 | 403 | 3 300 | 3 | 46 | 1 937 | 5 807 |
| Infrastructure systems | 46 | .. | .. | .. | 26 378 | 38 086 | 64 510 |
| Leased infrastructure systems | .. | .. | .. | .. | .. | 4 406 | 4 406 |
| Plant, equipment and vehicles | 247 | 201 | 1 212 | 1 | 3 965 | 1 051 | 6 677 |
| Leased plant, equipment and vehicles | .. | 13 | 69 | .. | 931 | 11 | 1 023 |
| Roads and road infrastructure | 31 | .. | .. | .. | 20 024 | 907 | 20 963 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 561 | .. | 561 |
| Earthworks | .. | .. | .. | .. | 7 961 | .. | 7 961 |
| Cultural assets | 615 | 2 | 1 | .. | 2 | 5 069 | 5 689 |
| **Total land, buildings, infrastructure, plant and equipment** | **6 719** | **22 718** | **16 057** | **24 359** | **97 373** | **74 768** | **241 994** |

| Jun 2017 | Public administration | Education | Health and Welfare | Community Housing | Transportation and Communication | Public Safety and Environment | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 2 742 | 11 813 | 8 732 | 8 506 | 6 114 | 7 804 | 45 710 |
| Land and national parks | 2 842 | 10 006 | 2 789 | 15 977 | 31 437 | 15 452 | 78 504 |
| Leased buildings | 95 | 406 | 3 376 | 3 | 75 | 1 178 | 5 133 |
| Infrastructure systems | 53 | .. | .. | .. | 24 839 | 37 814 | 62 706 |
| Leased infrastructure systems | .. | .. | .. | .. | .. | 4 447 | 4 447 |
| Plant, equipment and vehicles | 251 | 195 | 1 214 | 2 | 3 876 | 1 065 | 6 602 |
| Leased plant, equipment and vehicles | .. | 14 | 76 | .. | 952 | 12 | 1 053 |
| Roads and road infrastructure | 36 | .. | .. | .. | 19 572 | 915 | 20 524 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 565 | .. | 565 |
| Earthworks | .. | .. | .. | .. | 7 961 | .. | 7 961 |
| Cultural assets | 625 | 2 | .. | .. | 2 | 5 049 | 5 680 |
| **Total land, buildings, infrastructure, plant and equipment** | **6 646** | **22 437** | **16 187** | **24 488** | **95 392** | **73 736** | **238 886** |

## 4.3 Total land, buildings, infrastructure, plant and equipment – by government purpose *(continued)*

($ million)

| General government sector  Dec 2017 | Public administration | Education | Health and Welfare | Community Housing | Transportation and Communication | Public Safety and Environment | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 871 | 12 070 | 8 696 | .. | 538 | 6 230 | 28 406 |
| Land and national parks | 1 777 | 10 027 | 2 757 | .. | 24 251 | 11 785 | 50 598 |
| Leased buildings | 52 | 403 | 3 300 | .. | 44 | 1 560 | 5 360 |
| Infrastructure systems | 38 | .. | .. | .. | 386 | 957 | 1 380 |
| Plant, equipment and vehicles | 76 | 201 | 1 212 | .. | 30 | 861 | 2 380 |
| Leased plant, equipment and vehicles | .. | 13 | 69 | .. | 78 | 11 | 171 |
| Roads and road infrastructure | .. | .. | .. | .. | 20 024 | 862 | 20 886 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 561 | .. | 561 |
| Earthworks | .. | .. | .. | .. | 7 961 | .. | 7 961 |
| Cultural assets | 615 | 2 | 1 | .. | 2 | 4 999 | 5 620 |
| **Total land, buildings, infrastructure, plant and equipment** | **3 430** | **22 718** | **16 035** | .. | **53 876** | **27 264** | **123 323** |

| Jun 2017 | Public administration | Education | Health and Welfare | Community Housing | Transportation and Communication | Public Safety and Environment | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 780 | 11 813 | 8 717 | .. | 517 | 6 211 | 28 039 |
| Land and national parks | 1 761 | 10 006 | 2 781 | .. | 24 255 | 11 750 | 50 554 |
| Leased buildings | 57 | 406 | 3 376 | .. | 71 | 800 | 4 711 |
| Infrastructure systems | 38 | .. | .. | .. | 351 | 954 | 1 343 |
| Plant, equipment and vehicles | 78 | 195 | 1 214 | .. | 33 | 842 | 2 362 |
| Leased plant, equipment and vehicles | .. | 14 | 76 | .. | 83 | 12 | 184 |
| Roads and road infrastructure | .. | .. | .. | .. | 19 572 | 869 | 20 440 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 565 | .. | 565 |
| Earthworks | .. | .. | .. | .. | 7 961 | .. | 7 961 |
| Cultural assets | 625 | 2 | .. | .. | 2 | 4 986 | 5 617 |
| **Total land, buildings, infrastructure, plant and equipment** | **3 340** | **22 437** | **16 164** | .. | **53 411** | **26 424** | **121 776** |

## Other non-financial assets

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec | Jun | Dec | Jun |
|  | 2017 | 2017 | 2017 | 2017 |
| Intangible produced assets | 2 924 | 2 826 | 1 758 | 1 685 |
| Accumulated depreciation | (1 586) | (1 479) | (938) | (872) |
| Intangible non-produced assets | 874 | 865 | 117 | 117 |
| Accumulated amortisation | (255) | (237) | (35) | (32) |
| **Total intangibles** | **1 958** | **1 975** | **903** | **898** |
| Investment properties | 172 | 187 | 164 | 179 |
| Biological assets (a) | 56 | 56 | 3 | 3 |
| Other assets | 731 | 429 | 694 | 414 |
| **Total other non-financial assets** | **2 917** | **2 648** | **1 763** | **1 494** |

Note:

(a) The majority of biological assets are commercial forests and also includes any living animal, plant or agricultural produce that is the harvested product of biological assets.

## Investments accounted for using the equity method

|  | Ownership interest | | | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | (%) | | | ($ million) | | ($ million) | |
|  | Dec | | Jun | Dec | Jun | Dec | Jun |
|  | 2017 | | 2017 | 2017 | 2017 | 2017 | 2017 |
| The Australian Regenerative Medicine Institute | 20.0 | | 20.0 | 35 | 35 | 35 | 35 |
| Property Exchange Australia Limited | 7.5 | | 7.7 | 12 | 12 | 12 | 12 |
| Snowy Hydro Limited | 29.0 | | 29.0 | 2 139 | 2 139 | .. | .. |
| **Total investments accounted for using the equity method** | | **..** | **..** | **2 187** | **2 187** | **47** | **47** |

# Financing state operations

## Introduction

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

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

## Structure

[5.1 Borrowings 30](#_Toc503875414)

[5.2 Cash flow information and balances 31](#_Toc503875415)

[5.3 Advances paid and investments, loans and placements 32](#_Toc503875416)

[5.4 Interest expense 32](#_Toc503875417)

[5.5 Commitments 33](#_Toc503875418)

## Borrowings

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec | Jun | Dec | Jun |
|  | 2017 | 2017 | 2017 | 2017 |
| **Current borrowings** |  |  |  |  |
| Domestic borrowings | 5 740 | 3 491 | 1 703 | 752 |
| Finance lease liabilities | 302 | 361 | 233 | 232 |
| Derivative financial instruments | 120 | 119 | 5 | 5 |
| **Total current borrowings** | **6 162** | **3 971** | **1 941** | **989** |
| **Non-current borrowings** |  |  |  |  |
| Domestic borrowings | 31 918 | 34 795 | 19 504 | 18 574 |
| Foreign currency borrowings | 123 | 126 | .. | .. |
| Finance lease liabilities | 9 883 | 9 585 | 9 456 | 9 153 |
| Derivative financial instruments | 367 | 369 | 94 | 99 |
| **Total non-current borrowings** | **42 291** | **44 876** | **29 054** | **27 827** |
| **Total borrowings** | **48 453** | **48 847** | **30 995** | **28 816** |

## Cash flow information and balances

Reconciliation of cash and cash equivalents ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec | Dec | Dec | Dec |
|  | 2017 | 2016 | 2017 | 2016 |
| Cash | 1 844 | 1 653 | 1 405 | 1 345 |
| Deposits at call | 3 992 | 4 914 | 2 587 | 2 974 |
| **Cash and cash equivalents** | **5 835** | **6 567** | **3 992** | **4 319** |
| Bank overdraft | .. | .. | .. | .. |
| Balances as per cash flow statement | 5 835 | 6 567 | 3 992 | 4 319 |

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

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec | Dec | Dec | Dec |
|  | 2017 | 2016 | 2017 | 2016 |
| **Net result** | **2 070** | **5 596** | **868** | **1 226** |
| **Non-cash movements** |  |  |  |  |
| Depreciation and amortisation | 2 498 | 2 424 | 1 314 | 1 257 |
| Revaluation of investments | (881) | (702) | (38) | (14) |
| Assets (received)/provided free of charge | (34) | 163 | 3 | 70 |
| Revaluation of assets | 3 | 2 | 3 | .. |
| Discount/premium on other financial assets/borrowings | (110) | (82) | 1 | 1 |
| Unrealised (gains)/losses on borrowings | (393) | (1 693) | .. | .. |
| **Movements included in investing and financing activities** |  |  |  |  |
| Net gain/loss from sale of investments | (358) | (459) | (1) | 3 |
| Net gain/loss from sale of non-financial assets | (34) | (3) | (21) | (15) |
| Realised gains/losses on borrowings | 10 | 52 | .. | .. |
| **Movements in assets and liabilities** |  |  |  |  |
| Increase/(decrease) in provision for doubtful debts | 4 | 53 | 4 | 54 |
| Increase/(decrease) in payables | 803 | 10 658 | (284) | (464) |
| Increase/(decrease) in employee benefits | 42 | 78 | 49 | 107 |
| Increase/(decrease) in superannuation | 294 | 250 | 297 | 259 |
| Increase/(decrease) in other provisions | 298 | (1 551) | (286) | 38 |
| (Increase)/decrease in receivables | (399) | (161) | 121 | 43 |
| (Increase)/decrease in other non-financial assets | (318) | (284) | (295) | (336) |
| **Net cash flows from operating activities** | **3 497** | **14 342** | **1 736** | **2 230** |

## Advances paid and investments, loans and placements

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec | Jun | Dec | Jun |
|  | 2017 | 2017 | 2017 | 2017 |
| **Current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 15 | 19 | 1 756 | 2 709 |
| Equities and managed investment schemes | 1 205 | 1 539 | 1 185 | 1 085 |
| Australian dollar term deposits | 1 564 | 5 140 | 1 412 | 1 400 |
| Debt securities | 4 007 | 3 860 | 2 | 1 |
| Derivative financial instruments | 577 | 540 | 5 | 5 |
| **Total current advances paid and investments, loans and placements** | **7 368** | **11 099** | **4 360** | **5 201** |
| **Non-current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 294 | 261 | 10 231 | 10 230 |
| Equities and managed investment schemes | 30 584 | 27 294 | 711 | 332 |
| Australian dollar term deposits | 285 | 1 334 | 816 | 814 |
| Debt securities | 2 624 | 2 577 | 16 | 24 |
| Derivative financial instruments | 529 | 521 | 11 | 11 |
| **Total non-current advances paid and investments, loans and placements** | **34 316** | **31 987** | **11 785** | **11 411** |
| **Total advances paid and investments, loans and placements** | **41 684** | **43 086** | **16 145** | **16 612** |
| **Represented by:** |  |  |  |  |
| Advances paid | 309 | 280 | 11 986 | 12 939 |
| Investments, loans and placements | 41 375 | 42 806 | 4 159 | 3 673 |

## Interest expense

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| Interest on interest-bearing liabilities | 889 | 932 | 568 | 600 |
| Finance charges on finance leases | 436 | 422 | 424 | 395 |
| Discount interest on payables | 21 | 19 | 17 | 18 |
| **Total interest expense** | **1 346** | **1 373** | **1 009** | **1 012** |

## 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 *2016-17 Financial Report* for the State of Victoria (notes 5.6 and 5.7) should be made for details of commitments as at 30 June 2017.

As at 31 December 2017, the following additional material commitments were recorded for the State of Victoria.

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

* In August 2017, VicRoads contracted with Unisys Australia Pty Ltd for corporate information and communications technology (ICT) and infrastructure relocation, and a transformation program. The total cost of the contract is $56 million, which is expected to be completed in August 2024.
* In August and September 2017, the State contracted with Civica to operate the contact centre for Fines Victoria for the next five years. The total cost of the two contracts is $201 million.
* In September 2017, the State contracted with BMD Constructions Pty Ltd to design and construct roadworks and bridgeworks for the duplication of Thompsons Road from Dandenong-Frankston Road to Berwick-Cranbourne Road (Clyde Road). The total cost of the contract is $72 million, with expected completion in June 2019.
* In September 2017, the State contracted with Plenary Health to expand Casey Hospital as a modification under the existing public private partnership (PPP). The expansion contract term aligns with the existing contract, which expires in 2029. The expansion is expected to be operational in 2019, and the net present value of the State’s commitment to the contract is $96 million (excluding GST).
* In September 2017, a contract adjustment of $330 million was approved for the South Western Region Road Network Maintenance Alliance agreement with Fulton Hogan Industries Pty Ltd. The contract remains due for completion in 2020.
* In October 2017, the State contracted with G4S Integrated Services Pty Ltd for the provision of Court Security Services for the next six years. The total cost of the contract is $78 million.
* In October 2017, the State contracted with Visionstream Pty Ltd to operate and maintain the Emergency Alerting System. The total cost of the contract is $107 million. The contractual period started in November 2017, for a period of five years.
* In October 2017, the State entered into new contracts with Metro Trains Melbourne and Keolis Downer to operate Melbourne’s train and tram networks for the next seven years. The new franchise term commenced on 30 November 2017 and the total cost of the contracts, net of farebox, is $9.2 billion.
* In October 2017, the State contracted with BMD Constructions Pty Ltd to design and build the Yan Yean Road upgrade. The total cost of the contract is $70 million, expected to be completed in June 2019.
* In December 2017, a contract adjustment of $180 million was approved for the Eastern Region Road Network Maintenance Alliance agreement with Fulton Hogan Industries Pty Ltd. The contract remains due for completion in 2021.
* In December 2017, the State contracted with Motorola Solutions Australia to operate and maintain the Metropolitan Mobile Radio service under a PPP arrangement. The net present value of the contract is $211 million (excluding GST). The contractual period will start in July 2018, for a period of seven years.
* In December 2017, the State contracted with Transurban and CPB Contractors and John Holland to build the West Gate Tunnel under a PPP arrangement. The project includes the West Gate Tunnel, the Monash Freeway Upgrade and the Webb Dock Access Improvement Works. The State’s commitment to the contract is $2.7 billion, and the works are expected to be completed in late 2022. The State is required to make substitute contributions if changes to toll indexation or an extension to the concession term under the *Melbourne City Link Act 1995* is not passed in Parliament by the time the West Gate Tunnel is open.
* In December 2017, the State entered into a Project Alliance Agreement with CPB Contractors, Bombardier Transportation Australia and Metro Trains Melbourne to deliver the Metro Tunnel – Rail Systems package. The total cost of the contract is $1.1 billion, and works are expected to be completed in 2025.
* In December 2017, the State contracted with Cross Yarra Partnership (CYP) – a consortium comprising Lendlease Engineering, John Holland, Bouygues Construction and Capella Capital – to deliver the Metro Tunnel – Tunnel and Stations package under a PPP arrangement. The net present value of the contract with CYP is $5.2 billion (excluding GST), and works are expected to be completed in 2024.
* In December 2017, the State entered into a Project Alliance Agreement with V/Line and Lendlease Engineering, Coleman Rail and SMEC Australia to deliver Stage 1 of the Ballarat Line Upgrade project including a new station at Toolern. The total value of the contract with the alliance is $400.5 million and the project is expected to be completed in 2019.
* In December 2017, the State signed the Western Roads Upgrade contract under a PPP arrangement with Netflow Consortium – comprising Plenary, Cintra, WBHO and Amey-Broadspectrum – for roads upgrades and maintenance. The initial works include eight capital upgrade projects and initial rehabilitation works. These works are expected to be completed progressively in 2020, following which the Netflow Consortium will be required to maintain the relevant area of the road network for 20 years. The net present value of the contract with Netflow, including the capital, maintenance and lifecycle components, is $1.1 billion.
* In December 2017, the State contracted with Lendlease Engineering, Acciona Coleman and WSP for the removal of level crossings on the Frankston line in Bonbeach, Carrum and Seaford. The work will also include building a new train storage facility near Kananook Station. The total commitment for the Initial Work Package for the Southern Program Alliance is $647 million and the program is expected to be completed by August 2021.

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

# Other assets and liabilities

## Introduction

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

## Structure

[6.1 Inventories 35](#_Toc507151075)

[6.2 Receivables 35](#_Toc507151076)

[6.3 Payables 36](#_Toc507151077)

[6.4 Superannuation 36](#_Toc507151078)

[6.5 Other provisions 36](#_Toc507151079)

## Inventories

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec | Jun | Dec | Jun |
|  | 2017 | 2017 | 2017 | 2017 |
| **At cost** |  |  |  |  |
| Raw materials | 8 | 7 | 7 | 6 |
| Work in progress | 16 | 9 | 6 | 1 |
| Finished goods | 63 | 60 | 3 | 3 |
| Consumable stores | 202 | 199 | 154 | 152 |
| Land and other assets held as inventory | 521 | 387 | 7 | 12 |
| **At net realisable value** |  |  |  |  |
| Finished goods | 2 | 4 | .. | .. |
| Consumable stores | 6 | 5 | .. | .. |
| **Total inventories** | **817** | **671** | **176** | **173** |

## Receivables

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec | Jun | Dec | Jun |
|  | 2017 | 2017 | 2017 | 2017 |
| **Contractual** |  |  |  |  |
| Sales of goods and services | 1 446 | 1 202 | 855 | 598 |
| Accrued investment income | 53 | 63 | 18 | 19 |
| Other receivables | 2 314 | 1 756 | 1 165 | 1 169 |
| Provision for doubtful contractual receivables | (162) | (161) | (97) | (97) |
| **Statutory** |  |  |  |  |
| Sales of goods and services | 10 | 7 | 3 | 1 |
| Taxes receivables | 2 195 | 2 560 | 2 267 | 2 676 |
| Fines and regulatory fees | 2 138 | 2 052 | 2 138 | 2 052 |
| GST input tax credits recoverable | 928 | 976 | 301 | 352 |
| Other receivables | .. | 15 | .. | .. |
| Provision for doubtful statutory receivables | (842) | (838) | (842) | (838) |
| **Other** |  |  |  |  |
| Actuarially determined | 351 | 406 | .. | .. |
| **Total receivables** | **8 432** | **8 038** | **5 807** | **5 931** |
| **Represented by:** |  |  |  |  |
| Current receivables | 7 270 | 6 875 | 4 989 | 5 103 |
| Non-current receivables | 1 162 | 1 163 | 818 | 828 |

## Payables

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec | Jun | Dec | Jun |
|  | 2017 | 2017 | 2017 | 2017 |
| **Contractual** |  |  |  |  |
| Accounts payable | 2 104 | 2 439 | 1 288 | 1 402 |
| Accrued expenses | 2 209 | 2 618 | 1 848 | 2 239 |
| Unearned income | 13 636 | 12 128 | 2 352 | 2 130 |
| **Statutory** |  |  |  |  |
| Accrued taxes payable | 47 | 48 | 53 | 44 |
| **Total payables** | **17 996** | **17 233** | **5 542** | **5 815** |
| **Represented by:** |  |  |  |  |
| Current payables | 7 693 | 6 868 | 3 897 | 4 134 |
| Non-current payables | 10 303 | 10 365 | 1 645 | 1 681 |

## Superannuation

($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | Dec | Jun |
|  | 2017 | 2017 |
| Current liability | 1 038 | 1 040 |
| Non-current liability | 23 434 | 23 897 |
| **Total superannuation liability** | **24 472** | **24 938** |
| **Represented by:** |  |  |
| Emergency Services and State Super | 23 358 | 23 803 |
| Other funds | 1 114 | 1 135 |

## Other provisions

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec | Jun | Dec | Jun |
|  | 2017 | 2017 | 2017 | 2017 |
| **Provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 2 171 | 1 941 | .. | .. |
| Transport Accident Commission | 1 334 | 1 251 | .. | .. |
| Victorian Managed Insurance Authority | 335 | 321 | .. | .. |
| Other agencies | 64 | 23 | 60 | 19 |
| **Current provision for insurance claims** | **3 904** | **3 536** | **60** | **19** |
| Other provisions | 423 | 865 | 301 | 745 |
| **Total current other provisions** | **4 327** | **4 401** | **361** | **764** |
| **Non-current provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 10 896 | 11 040 | .. | .. |
| Transport Accident Commission | 12 457 | 12 134 | .. | .. |
| Victorian Managed Insurance Authority | 1 508 | 1 426 | .. | .. |
| Other agencies | 32 | 30 | 32 | 29 |
| **Non-current provision for insurance claims** | **24 895** | **24 629** | **32** | **29** |
| Other provisions | 581 | 562 | 560 | 532 |
| **Total non-current other provisions** | **25 475** | **25 191** | **591** | **561** |
| **Total other provisions** | **29 802** | **29 592** | **953** | **1 326** |

# 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 *2016-17 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.

There has been no substantive change to the accounting classification of financial assets and liabilities reported in the *2016-17 Financial Report* for the State of Victoria.

## 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 *2016-17 Financial Report* for the State of Victoria (note 7.2) for details of contingent assets as at 30 June 2017.

Since 30 June 2017, compensable enhancement claims contained in the Melbourne CityLink Concession Deed were settled as part of the West Gate Tunnel arrangement.

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

### Contingent liabilities

Contingent liabilities are:

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

Reference should be made to the *2016-17 Financial Report* for the State of Victoria (note 7.2) for details of contingent liabilities as at 30 June 2017.

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

# Public account

## Introduction

This section provides disclosure of information in respect of the Public Account, in accordance with the requirements of the *Financial Management Act, No. 18 of 1994* (FMA).

## Structure

[8.1 Consolidated fund receipts and payments 38](#_Toc475960081)

[8.2 Trust fund statement cash flows 39](#_Toc475960082)

[8.3 Reconciliation of cash flows to balances held 40](#_Toc475960083)

[8.4 Details of securities held in the Public Account 40](#_Toc475960084)

## Consolidated fund receipts and payments

($ million)

| 2016-17 |  | 2017-18 | |
| --- | --- | --- | --- |
| actual  to Dec |  | actual  to Dec | revised  budget |
|  | **Receipts** |  |  |
| 10 167 | Taxation | 11 077 | 22 327 |
| 422 | Fines and regulatory fees | 382 | 914 |
| 8 537 | Grants received | 9 284 | 20 119 |
| 3 047 | Sales of goods and services | 3 349 | 6 668 |
| 235 | Interest received | 228 | 507 |
| 499 | Dividends, income tax equivalent and rate equivalent receipts | 471 | 1 247 |
| 100 | Other receipts | 101 | 365 |
| **23 008** | **Total operating activities** | **24 892** | **52 147** |
| 9 717 | Total inflows from investing and financing | 1 000 | 6 698 |
| **32 725** | **Total receipts** | **25 892** | **58 845** |
|  | **Payments to departments** |  |  |
| 4 963 | Economic Development, Jobs, Transport and Resources | 5 271 | 11 398 |
| 6 014 | Education and Training | 6 913 | 13 326 |
| 1 046 | Environment, Land, Water and Planning | 1 063 | 2 358 |
| 7 820 | Health and Human Services | 8 597 | 16 770 |
| 3 063 | Justice and Regulation | 3 753 | 7 578 |
| 219 | Premier and Cabinet | 237 | 683 |
| 7 727 | Treasury and Finance | 3 156 | 8 835 |
| 95 | Parliament | 117 | 240 |
| 252 | Courts | 287 | 635 |
| **31 199** | **Total payments** | **29 394** | **61 822** |
| **1 526** | **Net receipts/(payments)** | **(3 501)** | **(2 976)** |

## Trust fund statement cash flows

($ million)

| 2016-17 |  | 2017-18 | |
| --- | --- | --- | --- |
| actual  to Dec |  | actual  to Dec | revised  budget |
|  | **Cash flows from operating activities** |  |  |
|  | **Receipts** |  |  |
| 1 041 | Taxation | 276 | 390 |
| 31 | Regulatory fees and fines | 37 | 55 |
| 7 283 | Grants received | 7 894 | 14 812 |
| 62 | Sale of goods and services | 14 | 96 |
| 66 | Interest received | 106 | 245 |
| 20 | Dividends received (a) | 12 | 13 |
| 1 496 | Net transfers from consolidated fund | 1 851 | 3 105 |
| 39 | Other receipts | 162 | 125 |
| **10 038** | **Total receipts (a)** | **10 350** | **18 840** |
|  | **Payments** |  |  |
| (84) | Employee benefits | (103) | (210) |
| (7) | Superannuation | (9) | (15) |
| (8 102) | Grants paid | (9 081) | (17 451) |
| (472) | Supplies and consumables | (888) | (1 639) |
| (2) | Interest paid | (2) | (5) |
| **(8 667)** | **Total payments** | **(10 082)** | **(19 321)** |
| **1 371** | **Net cash flows from operating activities (a)** | **268** | **(481)** |
|  | **Cash flows from investing activities** |  |  |
| (113) | Purchase of non-financial assets | (13) | (396) |
| 26 | Sales of non-financial assets | 24 | 34 |
| (9 561) | Net proceeds from customer loans | 980 | 2 907 |
| 8 465 | Other investing activities | (985) | (2 404) |
| **(1 183)** | **Net cash flows from investing activities** | **6** | **141** |
|  | **Cash flows from financing activities** |  |  |
| (25) | Net proceeds (repayments) from borrowings | (427) | (25) |
| **(25)** | **Net cash flows from financing activities** | **(427)** | **(25)** |
| **163** | **Net cash inflow/(outflow) (a)** | **(152)** | **(364)** |

Note:

(a) December 2016 comparative figures have been restated to reflect more current information.

## Reconciliation of cash flows to balances held

($ million)

|  | Balances  held at 30 Jun 2017 | Dec movement YTD | Balances  held at 31 Dec 2017 |
| --- | --- | --- | --- |
| **Cash and deposits** |  |  |  |
| Cash balances outside the Public Account | .. | 4 | 4 |
| Deposits held with the Public Account – specific trusts | 561 | 28 | 589 |
| Other balances held in the Public Account | 3 328 | (4 058) | (730) |
| **Total cash and deposits** | **3 888** | **(4 026)** | **(137)** |
| **Investments** |  |  |  |
| Investments held with the Public Account – specific trusts | 1 285 | (83) | 1 202 |
| **Total investments** | **1 285** | **(83)** | **1 202** |
| **Total fund balances** | **5 173** | **(4 109)** | **1 065** |
| **Less funds held outside the Public Account** |  |  |  |
| Cash | .. | 4 | 4 |
| **Total fund balances held outside the Public Account** | **..** | **4** | **4** |
| **Total funds held in the Public Account (a)** | **5 174** | **(4 113)** | **1 061** |

Note:

(a) See Note 8.4 below 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)

| 2016-17 |  | 2017-18 | |
| --- | --- | --- | --- |
| actual  to Dec |  | opening  1 Jul | actual  31 Dec |
| **6 486** | **Total Public Account** | **5 174** | **1 061** |
|  | **Represented by:** |  |  |
| 4 607 | Stock, securities, cash and investments | 3 850 | 428 |
|  | Add cash advanced for: |  |  |
| 1 879 | Advances pursuant to sections 36 and 37 of the *Financial Management Act 1994* | 874 | 633 |
| .. | Temporary Advance to the Consolidated Fund pursuant to Section 38 of the *Financial Management Act, No. 18 of 1994* | 450 | .. |
| 6 486 | Total Public Account | 5 174 | 1 061 |

# Other disclosures

## Introduction

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

## Structure

[9.1 Disaggregated information 42](#_Toc505587033)

[9.2 Other gains/(losses) from other economic flows 50](#_Toc505587034)

[9.3 Controlled entities 50](#_Toc505587035)

[9.4 Glossary of technical terms 50](#_Toc505587036)

## Disaggregated information

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

|  | General  government sector | | Public non-financial corporations | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| **Revenue from transactions** |  |  |  |  |
| Taxation revenue | 10 708 | 10 662 | .. | .. |
| Interest revenue | 415 | 375 | 78 | 39 |
| Dividends, income tax equivalent and rate equivalent revenue | 433 | 438 | 5 | 4 |
| Sales of goods and services | 3 637 | 3 416 | 3 007 | 2 948 |
| Grant revenue | 14 227 | 13 318 | 1 766 | 1 600 |
| Other revenue | 1 170 | 1 288 | 417 | 347 |
| **Total revenue from transactions** | **30 591** | **29 498** | **5 273** | **4 938** |
| **Expenses from transactions** |  |  |  |  |
| Employee expenses | 11 296 | 10 436 | 633 | 590 |
| Net superannuation interest expense | 360 | 349 | .. | .. |
| Other superannuation | 1 255 | 1 148 | 60 | 54 |
| Depreciation | 1 312 | 1 256 | 1 144 | 1 129 |
| Interest expense | 1 009 | 1 012 | 536 | 524 |
| Grant expense (a) | 5 064 | 4 924 | 196 | 361 |
| Other operating expenses (a) | 9 344 | 8 987 | 2 780 | 2 498 |
| Other property expenses | .. | .. | 128 | 110 |
| **Total expenses from transactions** | **29 642** | **28 111** | **5 477** | **5 265** |
| **Net result from transactions – net operating balance** | **950** | **1 387** | **(204)** | **(327)** |
| **Other economic flows included in net result** |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | 21 | 15 | 13 | (12) |
| Net gain/(loss) on financial assets or liabilities at fair value | 39 | 14 | 1 | (15) |
| Share of net profit/(loss) from associates/joint venture entities | .. | (3) | 38 | 28 |
| Other gains/(losses) from other economic flows | (141) | (187) | 118 | 121 |
| **Total other economic flows included in net result** | **(81)** | **(161)** | **170** | **122** |
| **Net result** | **868** | **1 226** | **(34)** | **(205)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |
| Changes in non-financial assets revaluation surplus | (2) | (89) | 35 | 21 |
| Remeasurement of superannuation defined benefits plans | 759 | 2 984 | 4 | (5) |
| Other movements in equity | (107) | 83 | (55) | 16 |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | 25 | 18 | 24 | 6 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | 686 | 644 | .. | .. |
| **Total other economic flows – other comprehensive income** | **1 360** | **3 640** | **8** | **38** |
| **Comprehensive result – total change in net worth** | **2 229** | **4 866** | **(26)** | **(167)** |
|  |  |  |  |  |
| **FISCAL AGGREGRATES** |  |  |  |  |
| **Net operating balance** | **950** | **1 387** | **(204)** | **(327)** |
| **Net acquisition of non-financial assets from transactions** |  |  |  |  |
| Purchases of non-financial assets (including change in inventories) | 4 571 | 3 118 | 1 020 | 807 |
| Less: Sales of non-financial assets | (96) | (65) | (68) | (51) |
| Less: Depreciation and amortisation | (1 312) | (1 256) | (1 144) | (1 129) |
| Plus: Other movements in non-financial assets | (1 412) | (1 626) | 1 909 | 1 463 |
| **Less: Net acquisition of non-financial assets from transactions** | **1 751** | **171** | **1 717** | **1 090** |
| **Net lending/(borrowing)** | **(801)** | **1 216** | **(1 921)** | **(1 416)** |

Note:

(a) December 2016 comparative figures have been restated to reclassify the Transport Accident Commission Safer Roads Infrastructure Program expenditure from other operating expenses to grant expense to more correctly reflect the nature of the expenditure.

| Public  financial corporations | | Inter-sector  eliminations | | State of Victoria | |
| --- | --- | --- | --- | --- | --- |
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
|  |  |  |  |  |  |
| .. | .. | (184) | (195) | 10 524 | 10 467 |
| 961 | 1 041 | (1 118) | (1 127) | 337 | 327 |
| 843 | 508 | (414) | (414) | 867 | 536 |
| 2 291 | 2 184 | (1 597) | (1 485) | 7 338 | 7 063 |
| .. | .. | (1 875) | (1 633) | 14 119 | 13 285 |
| 12 | 142 | .. | (132) | 1 599 | 1 646 |
| **4 107** | **3 875** | **(5 189)** | **(4 986)** | **34 783** | **33 325** |
|  |  |  |  |  |  |
| 172 | 157 | (226) | (205) | 11 875 | 10 977 |
| .. | .. | .. | .. | 360 | 349 |
| 14 | 13 | .. | .. | 1 328 | 1 215 |
| 21 | 22 | .. | .. | 2 478 | 2 406 |
| 919 | 964 | (1 118) | (1 127) | 1 346 | 1 373 |
| 115 | 37 | (1 929) | (1 714) | 3 446 | 3 608 |
| 3 282 | 3 032 | (1 501) | (1 526) | 13 905 | 12 991 |
| 362 | 932 | (490) | (1 042) | .. | .. |
| **4 884** | **5 157** | **(5 264)** | **(5 614)** | **34 739** | **32 919** |
| **(777)** | **(1 283)** | **76** | **628** | **44** | **406** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 34 | 3 |
| 1 544 | 2 783 | .. | .. | 1 583 | 2 782 |
| .. | .. | .. | .. | 38 | 26 |
| 514 | 2 574 | (120) | (128) | 371 | 2 380 |
| **2 058** | **5 358** | **(120)** | **(128)** | **2 026** | **5 190** |
| **1 280** | **4 075** | **(44)** | **500** | **2 070** | **5 596** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | .. | (5) | (12) | 27 | (80) |
| .. | .. | .. | .. | 763 | 2 979 |
| 2 | .. | .. | .. | (161) | 99 |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 49 | 25 |
| .. | .. | (686) | (644) | .. | .. |
| **2** | **..** | **(691)** | **(656)** | **679** | **3 023** |
| **1 282** | **4 076** | **(736)** | **(156)** | **2 749** | **8 619** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **(777)** | **(1 283)** | **76** | **628** | **44** | **406** |
|  |  |  |  |  |  |
| 37 | 16 | .. | .. | 5 629 | 3 940 |
| (1) | (1) | 1 | .. | (164) | (116) |
| (21) | (22) | .. | .. | (2 478) | (2 406) |
| .. | .. | .. | .. | 497 | (163) |
| **15** | **(6)** | **1** | **..** | **3 484** | **1 254** |
| **(792)** | **(1 276)** | **75** | **628** | **(3 439)** | **(848)** |

Disaggregated balance sheet as at 31 December ($ million)

|  | General  government sector | | Public non-financial  corporations | |
| --- | --- | --- | --- | --- |
|  | Dec | Jun | Dec | Jun |
|  | 2017 | 2017 | 2017 | 2017 |
| **Assets** |  |  |  |  |
| **Financial assets** |  |  |  |  |
| Cash and deposits | 3 992 | 5 530 | 1 261 | 1 154 |
| Advances paid | 11 986 | 12 939 | 7 334 | 8 323 |
| Receivables | 5 807 | 5 931 | 1 815 | 1 688 |
| Investments, loans and placements | 4 159 | 3 673 | 1 258 | 1 119 |
| Loans receivable from non-financial public sector (a) | .. | .. | .. | .. |
| Investments accounted for using the equity method | 47 | 47 | 1 651 | 1 651 |
| Investments in other sector entities | 95 297 | 92 509 | .. | .. |
| **Total financial assets** | **121 290** | **120 630** | **13 319** | **13 934** |
| **Non-financial assets** |  |  |  |  |
| Inventories | 176 | 173 | 641 | 498 |
| Non-financial assets held for sale | 438 | 405 | 17 | 27 |
| Land, buildings, infrastructure, plant and equipment | 123 323 | 121 776 | 118 573 | 117 030 |
| Other non-financial assets | 1 763 | 1 494 | 1 322 | 1 354 |
| **Total non-financial assets** | **125 700** | **123 849** | **120 554** | **118 909** |
| **Total assets** | **246 990** | **244 478** | **133 873** | **132 843** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 8 252 | 9 088 | 7 803 | 8 760 |
| Payables | 5 542 | 5 815 | 10 015 | 10 158 |
| Borrowings | 30 995 | 28 816 | 16 345 | 15 925 |
| Employee benefits | 6 555 | 6 506 | 416 | 421 |
| Superannuation | 24 438 | 24 900 | 34 | 37 |
| Other provisions | 953 | 1 326 | 8 285 | 8 415 |
| **Total liabilities** | **76 734** | **76 451** | **42 898** | **43 717** |
| **Net assets (b)** | **170 256** | **168 027** | **90 974** | **89 126** |
| Accumulated surplus/(deficit) | 52 965 | 51 464 | 3 427 | 3 747 |
| Reserves | 117 290 | 116 563 | 87 547 | 85 379 |
| **Net worth (b)** | **170 256** | **168 027** | **90 974** | **89 126** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net financial worth | 44 555 | 44 178 | (29 579) | (29 783) |
| Net financial liabilities | 50 742 | 48 331 | 29 579 | 29 783 |
| Net debt | 19 109 | 15 762 | 14 295 | 14 090 |

Notes:

(a) Loans receivable from the non-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 | Jun | Dec | Jun | Dec | Jun |
| 2017 | 2017 | 2017 | 2017 | 2017 | 2017 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 4 508 | 4 229 | (3 926) | (5 043) | 5 835 | 5 869 |
| 1 | 17 | (19 012) | (20 999) | 309 | 280 |
| 1 860 | 1 516 | (1 050) | (1 097) | 8 432 | 8 038 |
| 38 275 | 40 182 | (2 316) | (2 168) | 41 375 | 42 806 |
| 31 641 | 29 695 | (31 641) | (29 695) | .. | .. |
| .. | .. | 488 | 488 | 2 187 | 2 187 |
| .. | .. | (95 297) | (92 509) | .. | .. |
| **76 284** | **75 640** | **(152 754)** | **(151 023)** | **58 139** | **59 180** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 817 | 671 |
| .. | .. | .. | .. | 455 | 432 |
| 98 | 80 | .. | .. | 241 994 | 238 886 |
| 454 | 780 | (622) | (980) | 2 917 | 2 648 |
| **552** | **860** | **(622)** | **(980)** | **246 185** | **242 637** |
| **76 837** | **76 499** | **(153 376)** | **(152 004)** | **304 323** | **301 818** |
|  |  |  |  |  |  |
| 5 327 | 7 363 | (19 841) | (23 270) | 1 542 | 1 940 |
| 3 091 | 1 920 | (652) | (659) | 17 996 | 17 233 |
| 38 203 | 38 776 | (37 089) | (34 670) | 48 453 | 48 847 |
| 105 | 106 | .. | .. | 7 076 | 7 034 |
| .. | .. | .. | .. | 24 472 | 24 938 |
| 28 711 | 28 122 | (8 146) | (8 271) | 29 802 | 29 592 |
| **75 437** | **76 287** | **(65 729)** | **(66 871)** | **129 341** | **129 584** |
| **1 400** | **213** | **(87 648)** | **(85 133)** | **174 983** | **172 234** |
| 1 327 | 143 | 20 087 | 19 783 | 77 806 | 75 137 |
| 73 | 70 | (107 735) | (104 915) | 97 176 | 97 096 |
| **1 400** | **213** | **(87 648)** | **(85 133)** | **174 983** | **172 234** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 848 | (647) | (87 026) | (84 152) | (71 202) | (70 404) |
| (848) | 647 | (8 272) | (8 357) | 71 202 | 70 404 |
| (30 894) | (27 985) | (35) | (35) | 2 475 | 1 833 |

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

|  | General  government sector | | Public non-financial corporations | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| **Cash flows from operating activities** |  |  |  |  |
| **Receipts** |  |  |  |  |
| Taxes received | 10 999 | 10 883 | .. | .. |
| Grants | 14 226 | 13 320 | 1 785 | 1 649 |
| Sales of goods and services (a) | 4 077 | 3 781 | 3 267 | 12 159 |
| Interest received | 416 | 377 | 78 | 25 |
| Dividends, income tax equivalent and rate equivalent receipts | 477 | 523 | 5 | 4 |
| Other receipts | 909 | 833 | 108 | 207 |
| **Total receipts** | **31 104** | **29 715** | **5 242** | **14 044** |
| **Payments** |  |  |  |  |
| Payments for employees | (11 228) | (10 286) | (638) | (604) |
| Superannuation | (1 318) | (1 237) | (62) | (63) |
| Interest paid | (990) | (1 022) | (535) | (511) |
| Grants and subsidies (b) | (5 455) | (5 087) | (35) | (103) |
| Goods and services (a)(b) | (9 984) | (9 480) | (2 049) | (2 012) |
| Other payments | (393) | (373) | (1 224) | (1 236) |
| **Total payments** | **(29 368)** | **(27 485)** | **(4 544)** | **(4 529)** |
| **Net cash flows from operating activities** | **1 736** | **2 230** | **698** | **9 515** |
| **Cash flows from investing activities** |  |  |  |  |
| **Cash flows from investments in non-financial assets** |  |  |  |  |
| Purchases of non-financial assets | (4 570) | (3 121) | (1 019) | (802) |
| Sales of non-financial assets | 96 | 65 | 68 | 51 |
| **Net cash flows from investments in non-financial assets** | **(4 473)** | **(3 056)** | **(951)** | **(751)** |
| Net cash flows from investments in financial assets for policy purposes | 718 | (850) | 1 008 | (9 517) |
| **Sub-total** | **(3 756)** | **(3 906)** | **56** | **(10 267)** |
| Net cash flows from investments in financial assets for liquidity management purposes | (426) | (2 638) | (82) | (157) |
| **Net cash flows from investing activities** | **(4 181)** | **(6 544)** | **(25)** | **(10 424)** |
| **Cash flows from financing activities** |  |  |  |  |
| Advances received (net) | (937) | 9 579 | (984) | 9 545 |
| Net borrowings | 1 744 | (5 827) | 390 | 251 |
| Deposits received (net) | 101 | 109 | 27 | 48 |
| Other financing (net) | .. | .. | 2 | (8 837) |
| **Net cash flows from financing activities** | **908** | **3 860** | **(565)** | **1 006** |
| **Net increase/(decrease) in cash and cash equivalents** | **(1 537)** | **(453)** | **108** | **98** |
| Cash and cash equivalents at beginning of reporting period (c) | 5 530 | 4 772 | 1 153 | 802 |
| **Cash and cash equivalents at end of the reporting period** | **3 992** | **4 319** | **1 261** | **900** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net cash flows from operating activities | 1 736 | 2 230 | 698 | 9 515 |
| Dividends paid | .. | .. | (228) | (122) |
| Net cash flows from investments in non-financial assets | (4 473) | (3 056) | (951) | (751) |
| Cash surplus/(deficit) | (2 738) | (825) | (481) | 8 643 |

Notes:

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

(b) The December 2016 comparative figures have been restated to reclassify the Transport Accident Commission Safer Roads Infrastructure Program payment from goods and services to grants and subsidies to more correctly reflect the nature of the payment.

*(c) Cash and cash equivalents at the beginning of the reporting period does not equal cash and deposits on the balance sheet for the Public non-financial corporations 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 | |
| --- | --- | --- | --- | --- | --- |
| 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | .. | (184) | (195) | 10 815 | 10 688 |
| .. | 302 | (1 893) | (1 982) | 14 118 | 13 288 |
| 3 351 | 3 361 | (1 637) | (1 468) | 9 058 | 17 833 |
| 848 | 962 | (1 110) | (1 123) | 231 | 240 |
| 843 | 508 | (458) | (499) | 867 | 536 |
| 166 | 380 | 42 | (113) | 1 225 | 1 306 |
| **5 208** | **5 512** | **(5 240)** | **(5 380)** | **36 314** | **43 891** |
|  |  |  |  |  |  |
| (174) | (170) | 226 | 205 | (11 813) | (10 855) |
| (14) | (13) | .. | .. | (1 394) | (1 313) |
| (918) | (1 006) | 1 110 | 1 123 | (1 334) | (1 416) |
| (115) | (37) | 1 893 | 1 984 | (3 712) | (3 243) |
| (2 597) | (1 378) | 458 | 551 | (14 172) | (12 318) |
| (6) | (2) | 1 231 | 1 208 | (393) | (404) |
| **(3 824)** | **(2 607)** | **4 918** | **5 071** | **(32 818)** | **(29 549)** |
| **1 384** | **2 905** | **(321)** | **(309)** | **3 497** | **14 342** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| (37) | (16) | .. | .. | (5 625) | (3 938) |
| 1 | 1 | (1) | .. | 164 | 116 |
| **(36)** | **(15)** | **(1)** | **..** | **(5 462)** | **(3 821)** |
| 17 | (1) | (1 759) | 10 362 | (17) | (5) |
| **(19)** | **(16)** | **(1 760)** | **10 362** | **(5 478)** | **(3 826)** |
| 1 229 | 233 | 2 049 | (3 062) | 2 772 | (5 624) |
| **1 210** | **217** | **290** | **7 300** | **(2 707)** | **(9 450)** |
|  |  |  |  |  |  |
| (8) | 2 | 1 954 | (19 103) | 25 | 22 |
| (184) | (4 045) | (2 374) | 5 529 | (424) | (4 092) |
| (2 028) | 1 078 | 1 475 | (2 166) | (424) | (932) |
| (94) | (157) | 93 | 8 995 | .. | .. |
| **(2 315)** | **(3 123)** | **1 149** | **(6 745)** | **(823)** | **(5 001)** |
| **279** | **..** | **1 117** | **246** | **(33)** | **(109)** |
| 4 229 | 4 654 | (5 043) | (3 552) | 5 868 | 6 676 |
| **4 508** | **4 654** | **(3 926)** | **(3 305)** | **5 835** | **6 567** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 1 384 | 2 905 | (321) | (309) | 3 497 | 14 342 |
| (94) | (157) | 322 | 279 | .. | .. |
| (36) | (15) | (1) | .. | (5 462) | (3 821) |
| 1 253 | 2 733 | .. | (30) | (1 965) | 10 521 |

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

| 2017 | Accumulated surplus/(deficit) | Contribution by owners | Non-controlling Interest | Non-financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other  reserves | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **General government sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2017 | 51 464 | .. | .. | 55 745 | 60 149 | 669 | 168 027 |
| Net result for the year | 868 | .. | .. | .. | .. | .. | 868 |
| Other comprehensive income for the year | 633 | .. | .. | (2) | 686 | 44 | 1 360 |
| **Total equity as at 31 December 2017** | **52 965** | **..** | **..** | **55 743** | **60 835** | **712** | **170 256** |
| **PNFC sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2017 | 3 747 | 54 902 | .. | 29 985 | .. | 492 | 89 126 |
| Net result for the year | (34) | .. | .. | .. | .. | .. | (34) |
| Other comprehensive income for the year | (58) | .. | .. | 35 | .. | 32 | 8 |
| Transfer to/(from) accumulated surplus | .. | 26 | .. | (26) | .. | .. | .. |
| Dividends paid | (228) | .. | .. | .. | .. | .. | (228) |
| Transactions with owners in their capacity as owners | .. | 2 102 | .. | .. | .. | .. | 2 102 |
| **Total equity as at 31 December 2017** | **3 427** | **57 030** | **..** | **29 994** | **..** | **523** | **90 974** |
| **PFC sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2017 | 143 | 29 | .. | 2 | .. | 39 | 213 |
| Net result for the year | 1 280 | .. | .. | .. | .. | .. | 1 280 |
| Other comprehensive income for the year | (2) | .. | .. | .. | .. | 3 | 2 |
| Dividends paid | (94) | .. | .. | .. | .. | .. | (94) |
| **Total equity as at 31 December 2017** | **1 327** | **29** | **..** | **2** | **..** | **42** | **1 400** |
| Eliminations | 20 087 | (57 059) | .. | 10 159 | (60 835) | .. | (87 648) |
| Total State of Victoria | 77 806 | .. | .. | 95 899 | .. | 1 277 | 174 983 |

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

| 2016 | Accumulated surplus/(deficit) | Contribution by owners | Non-controlling Interest | Non-financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other  reserves | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **General government sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2016 (a) | 44 557 | .. | 50 | 49 613 | 57 027 | 551 | 151 798 |
| Net result for the year | 1 226 | .. | .. | .. | .. | .. | 1 226 |
| Other comprehensive income for the year | 3 035 | .. | .. | (89) | 644 | 50 | 3 640 |
| Transactions with owners in their capacity as owners | .. | .. | (50) | .. | .. | .. | (50) |
| **Total equity as at 31 December 2016 (a)** | **48 817** | **..** | **..** | **49 524** | **57 671** | **602** | **156 614** |
| **PNFC sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2016 | 4 397 | 52 166 | .. | 35 219 | .. | 451 | 92 233 |
| Net result for the year | (205) | .. | .. | .. | .. | .. | (205) |
| Other comprehensive income for the year | .. | .. | .. | 21 | .. | 17 | 38 |
| Transfer to/(from) accumulated surplus | (416) | 8 301 | .. | (7 885) | .. | .. | .. |
| Dividends paid | (122) | .. | .. | .. | .. | .. | (122) |
| Transactions with owners in their capacity as owners | .. | (7 167) | .. | .. | .. | .. | (7 167) |
| **Total equity as at 31 December 2016** | **3 654** | **53 300** | **..** | **27 355** | **..** | **468** | **84 777** |
| **PFC sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2016 | (3 849) | 29 | .. | 2 | .. | 40 | (3 778) |
| Net result for the year | 4 075 | .. | .. | .. | .. | .. | 4 075 |
| Other comprehensive income for the year | (3) | .. | .. | .. | .. | 4 | .. |
| Dividends paid | (157) | .. | .. | .. | .. | .. | (157) |
| **Total equity as at 31 December 2016** | **65** | **29** | **..** | **2** | **..** | **44** | **140** |
| Eliminations | 20 304 | (53 328) | .. | 10 120 | (57 671) | .. | (80 576) |
| Total State of Victoria (a) | 72 840 | .. | .. | 87 001 | .. | 1 114 | 160 955 |

Note:

(a) December 2016 comparative figures have been restated to reflect a subsequent adjustment to the Department of Environment, Land, Water and Planning’s intangible produced assets and opening accumulated surplus/(deficit) balances due to the first-time recognition of Renewable Energy Certificates in 2016-17.

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

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 | 2017 | 2016 |
| Net (increase)/decrease in provision for doubtful receivables | (121) | (162) | (120) | (162) |
| Amortisation of intangible non-produced assets | (20) | (18) | (2) | (2) |
| Net swap interest revenue/(expense) | 1 | (6) | .. | .. |
| Bad debts written off | (48) | (54) | (43) | (49) |
| Other gains/(losses) | 558 | 2 620 | 24 | 25 |
| **Total other gains/(losses) from other economic flows** | **371** | **2 380** | **(141)** | **(187)** |

## Controlled entities

Note 9.8 *Controlled entities* in the *2016-17 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 from 1 July 2017, of general government sector and public non-financial corporation entities, which have been consolidated for the purposes of the financial report:

|  |  |
| --- | --- |
| General government | |
| Department of Health and Human Services  Corryong Health (a)  Department of Premier and Cabinet  Victorian Information Commissioner (b) | Department of Economic Development, Jobs, Transport and Resources  Victorian Fisheries Authority (c)  Courts  Judicial Commission of Victoria (d) |
| Public non-financial corporation | |
| Department of Health and Human Services  Queen Victoria Women’s Centre Trust (e) |  |

Notes:

(a) On 4 July 2017, Upper Murray Health and Community Services changed its name to Corryong Health.

(b) Effective from 1 September 2017, the Office of the Victorian Information Commissioner commenced operations and took over the responsibilities of the Freedom of Information Commissioner and the Office of the Commissioner for Privacy and Data Protection.

(c) The Victorian Fisheries Authority is an independent statutory authority established on 1 July 2017 to effectively manage Victoria’s fisheries resources.

(d) Effective from 1 July 2017, the Judicial Commission of Victoria commenced operations under the Judicial Commission of Victoria Act 2016.

(e) Effective from 1 July 2017, portfolio responsibility for the Queen Victoria Women’s Centre Trust was transferred from the Department of Premier and Cabinet to the Department of Health and Human Services.

## Glossary of technical terms

The *2016-17 Financial Report* for the State of Victoria (Note 9.9) contains a summary of the major technical terms used in this report.

Appendix A – General government sector quarterly financial report

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

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

|  | 2016-17 | | | 2017-18 | |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Revenue from transactions** |  |  |  |  |  |
| Taxation revenue | 5 397 | 6 880 | 4 730 | 5 722 | 4 986 |
| Interest revenue | 207 | 230 | 258 | 210 | 206 |
| Dividends, income tax equivalent and rate equivalent revenue | 360 | 57 | 164 | 57 | 376 |
| Sales of goods and services | 1 744 | 1 736 | 1 786 | 1 766 | 1 871 |
| Grant revenue | 6 620 | 7 556 | 6 667 | 6 899 | 7 328 |
| Other revenue | 779 | 570 | 786 | 544 | 626 |
| **Total revenue from transactions** | **15 107** | **17 029** | **14 391** | **15 198** | **15 393** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 5 257 | 5 249 | 5 812 | 5 581 | 5 715 |
| Net superannuation interest expense | 149 | 171 | 172 | 192 | 168 |
| Other superannuation | 596 | 581 | 603 | 598 | 657 |
| Depreciation | 629 | 639 | 722 | 655 | 657 |
| Interest expense | 540 | 498 | 517 | 454 | 555 |
| Grant expense | 2 337 | 3 006 | 2 541 | 2 559 | 2 505 |
| Other operating expenses | 4 692 | 4 313 | 5 274 | 4 604 | 4 741 |
| **Total expenses from transactions** | **14 200** | **14 456** | **15 643** | **14 643** | **14 998** |
| **Net result from transactions – net operating balance** | **907** | **2 573** | **(1 251)** | **555** | **395** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | 17 | 18 | 18 | (1) | 22 |
| Net gain/(loss) on financial assets or liabilities at fair value | (3) | 22 | (12) | (2) | 41 |
| Share of net profit/(loss) from associates/joint venture entities | (3) | .. | 4 | .. | .. |
| Other gains/(losses) from other economic flows | (63) | (80) | 42 | (56) | (86) |
| **Total other economic flows included in net result** | **(51)** | **(41)** | **52** | **(58)** | **(23)** |
| **Net result** | **856** | **2 532** | **(1 199)** | **497** | **371** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non-financial assets revaluation surplus | 4 | 25 | 6 154 | (22) | 20 |
| Remeasurement of superannuation defined benefits plans | 2 729 | 617 | 765 | 1 259 | (500) |
| Other movements in equity | 14 | .. | 6 | (65) | (43) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | 13 | 42 | (7) | (6) | 31 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | 644 | .. | 2 478 | .. | 686 |
| **Total other economic flows – other comprehensive income** | **3 404** | **684** | **9 396** | **1 165** | **195** |
| **Comprehensive result – total change in net worth** | **4 260** | **3 216** | **8 197** | **1 662** | **567** |
|  |  |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** | **907** | **2 573** | **(1 251)** | **555** | **395** |
| Less: Net acquisition of non-financial assets from transactions | 163 | 956 | 527 | 283 | 1 468 |
| **Net lending/(borrowing)** | **744** | **1 617** | **(1 778)** | **272** | **(1 073)** |

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

|  | 2016-17 | | | 2017-18 | |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 4 319 | 3 900 | 5 530 | 4 146 | 3 992 |
| Advances paid | 14 156 | 13 648 | 12 939 | 12 179 | 11 986 |
| Receivables | 5 469 | 7 108 | 5 931 | 6 281 | 5 807 |
| Investments, loans and placements | 5 516 | 5 720 | 3 673 | 3 895 | 4 159 |
| Investments accounted for using the equity method | 44 | 44 | 47 | 48 | 47 |
| Investments in other sector entities | 88 196 | 89 043 | 92 509 | 93 484 | 95 297 |
| **Total financial assets** | **117 701** | **119 462** | **120 630** | **120 033** | **121 290** |
| **Non-financial assets** |  |  |  |  |  |
| Inventories | 186 | 187 | 173 | 173 | 176 |
| Non-financial assets held for sale | 183 | 182 | 405 | 405 | 438 |
| Land, buildings, infrastructure, plant and equipment | 114 148 | 115 219 | 121 776 | 122 018 | 123 323 |
| Other non-financial assets | 1 535 | 1 456 | 1 494 | 1 944 | 1 763 |
| **Total non-financial assets** | **116 052** | **117 044** | **123 849** | **124 539** | **125 700** |
| **Total assets** | **233 753** | **236 506** | **244 478** | **244 573** | **246 990** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 10 393 | 9 913 | 9 088 | 8 403 | 8 252 |
| Payables | 5 084 | 5 227 | 5 815 | 5 722 | 5 542 |
| Borrowings | 27 986 | 28 684 | 28 816 | 29 485 | 30 995 |
| Employee benefits | 6 244 | 6 050 | 6 506 | 6 329 | 6 555 |
| Superannuation | 26 566 | 25 944 | 24 900 | 23 903 | 24 438 |
| Other provisions | 866 | 858 | 1 326 | 1 043 | 953 |
| **Total liabilities** | **77 139** | **76 676** | **76 451** | **74 884** | **76 734** |
| **Net assets** | **156 614** | **159 831** | **168 027** | **169 689** | **170 256** |
| Accumulated surplus/(deficit) | 48 817 | 51 977 | 51 464 | 53 145 | 52 965 |
| Reserves | 107 797 | 107 853 | 116 563 | 116 544 | 117 290 |
| **Net worth** | **156 614** | **159 831** | **168 027** | **169 689** | **170 256** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth | 40 562 | 42 787 | 44 178 | 45 150 | 44 555 |
| Net financial liabilities | 47 634 | 46 256 | 48 331 | 48 335 | 50 742 |
| Net debt | 14 387 | 15 330 | 15 762 | 17 667 | 19 109 |

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

|  | 2016-17 | | | 2017-18 | |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received | 5 805 | 5 121 | 5 782 | 5 491 | 5 508 |
| Grants | 6 621 | 7 552 | 6 670 | 6 902 | 7 325 |
| Sales of goods and services (a) | 1 890 | 2 031 | 1 926 | 1 984 | 2 092 |
| Interest received | 208 | 228 | 257 | 210 | 205 |
| Dividends, income tax equivalent and rate equivalent receipts | 417 | 57 | 163 | 57 | 420 |
| Other receipts | 515 | 360 | 543 | 469 | 440 |
| **Total receipts** | **15 456** | **15 348** | **15 341** | **15 114** | **15 990** |
| **Payments** |  |  |  |  |  |
| Payments for employees | (5 060) | (5 391) | (5 288) | (5 748) | (5 480) |
| Superannuation | (495) | (756) | (1 054) | (529) | (790) |
| Interest paid | (529) | (499) | (477) | (476) | (515) |
| Grants and subsidies | (2 417) | (3 013) | (2 103) | (2 947) | (2 508) |
| Goods and services (a) | (4 917) | (4 106) | (4 462) | (5 179) | (4 805) |
| Other payments | (179) | (167) | (80) | (207) | (185) |
| **Total payments** | **(13 595)** | **(13 932)** | **(13 463)** | **(15 086)** | **(14 282)** |
| **Net cash flows from operating activities** | **1 861** | **1 416** | **1 878** | **28** | **1 708** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non-financial assets** |  |  |  |  |  |
| Purchases of non-financial assets | (1 556) | (1 963) | (2 195) | (1 881) | (2 689) |
| Sales of non-financial assets | 40 | 49 | 173 | 45 | 51 |
| **Net cash flows from investments in non-financial assets** | **(1 516)** | **(1 914)** | **(2 022)** | **(1 835)** | **(2 638)** |
| Net cash flows from investments in financial assets for policy purposes | (760) | 485 | 499 | 672 | 45 |
| **Sub-total** | **(2 276)** | **(1 429)** | **(1 523)** | **(1 163)** | **(2 593)** |
| Net cash flows from investments in financial assets for liquidity management purposes | (2 454) | (141) | 2 029 | (232) | (193) |
| **Net cash flows from investment activities** | **(4 730)** | **(1 570)** | **506** | **(1 395)** | **(2 786)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) | 9 592 | (483) | (718) | (707) | (230) |
| Net borrowings | (6 566) | 214 | 72 | 669 | 1 075 |
| Deposits received (net) | 85 | 3 | (108) | 22 | 79 |
| **Net cash flows from financing activities** | **3 110** | **(265)** | **(754)** | **(16)** | **924** |
| **Net increase/(decrease) in cash and cash equivalents** | **240** | **(419)** | **1 630** | **(1 384)** | **(153)** |
| Cash and cash equivalents at beginning of reporting period | 4 079 | 4 319 | 3 900 | 5 530 | 4 146 |
| **Cash and cash equivalents at end of the reporting period** | **4 319** | **3 900** | **5 530** | **4 146** | **3 992** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities | 1 861 | 1 416 | 1 878 | 28 | 1 708 |
| Net cash flows from investments in non-financial assets | (1 516) | (1 914) | (2 022) | (1 835) | (2 638) |
| **Cash surplus/(deficit)** | **345** | **(497)** | **(144)** | **(1 808)** | **(930)** |

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, page 10. |
|  | (i) the transactions on the Public Account; | Refer to Chapter 2, Note 8, pages 38-40. |
|  | (ii) the transactions of the Victorian general government sector; and | Refer to Chapter 2, operating statement, page 9, statement of cash flows, page 11 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, page 9, statement of cash flows, page 11 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, pages 51-53. |
| 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, page 51. |
|  | (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, page 52. |
|  | (c) a statement of cash flows of the Victorian general government sector for the quarter; and | Refer to Appendix A, statement of cash flows, page 53. |
|  | (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, pages 14-16. |
| 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, page 9, balance sheet, page 10 and statement of cash flows, page 11. |

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.