



DELIVERING FOR ALL VICTORIANS

VICTORIAN BUDGET 19/20 2019/20 MID-YEAR FINANCIAL REPORT

(incorporating Quarterly Financial Report No. 2)

March 2020
Presented by Tim Pallas MP,
Treasurer of the State of Victoria



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CHAPTER 1 – MID-YEAR RESULTS FOR THE STATE OF VICTORIA, INCLUDING THE GENERAL GOVERNMENT SECTOR

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

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

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

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

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

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

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

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

OVERVIEW

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

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

The State's government infrastructure investment, which includes net infrastructure investment and construction related cash outflows for Partnerships Victoria projects (net of asset sales), was \$7.3 billion for the period to 31 December 2019. This investment is primarily funded by cash flows from operating activities and borrowings. Net cash flows from operating activities for the State for the period to 31 December 2019 were \$2.7 billion. This is lower than the same period last year due to the proceeds received in 2018 from the commercialisation of the land titles and registry functions of Land Use Victoria. Net debt for the general government sector was \$35.9 billion, or 7.6 per cent of GSP, at 31 December 2019 (5.7 per cent at 30 June 2019).

FINANCIAL PERFORMANCE

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

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

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

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

Notes:

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

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

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

General government sector

Revenue

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

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

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

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

Grant revenue was consistent with the same period last year.

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

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

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

Expenses

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

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

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

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

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

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

State of Victoria

Revenue

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

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

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

Expenses

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

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

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

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

Net result from transactions

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

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

Net result and other economic flows

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

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

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

FINANCIAL POSITION

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

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

Notes:

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

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

State of Victoria

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

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

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

CASH FLOW

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

A detailed cash flow statement is provided in Chapter 2.

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

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

Notes:

- (a) Figures in this table are subject to rounding to the nearest million dollar and may not add up to totals.
- (b) Includes depreciation, prepayments and movements in the unfunded superannuation liability and liability of employee benefits, as well as operating cash flows not required to be recognised in the operating statement for the year.
- (c) The 2019-20 estimate relates to the Casey Hospital expansion, the High Capacity Metro Trains Project, the Metro Tunnel, the new Footscray Hospital, and the Suburban Roads Upgrade – Northern Roads Upgrade, South Eastern Roads Upgrade and Western Roads Upgrade.
- (d) The 2019-20 estimate has been restated since the 2019-20 Budget Update due to the adoption of AASB 1059 Service Concession Arrangements: Grantors, which was retrospectively applied from 1 July 2018. Refer to Chapter 2, Note 9.3 for further details.

Infrastructure investment

Infrastructure supports growing community needs and ongoing productivity improvement.

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

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

The Government's infrastructure scorecard as at 31 December 2019

Major projects in progress include:

- 75 level crossing removals by 2025;
- Additional VLocity trains – standard gauge train component;
- Ballarat Health Services expansion and redevelopment;
- Building a world-class Geelong Performing Arts Centre;
- Casey Hospital expansion;
- Caulfield to Dandenong conventional signalling and power infrastructure upgrade;
- Chandler Highway Upgrade;
- Child Link;
- Chisholm Road prison project;
- City Loop fire and safety upgrade (Stage 2) and intruder alarm;
- Community Safety Statement (Police Assistance Line/Online reporting);
- Courts case management system;
- Cranbourne line duplication;
- Cranbourne-Pakenham and Sunbury line upgrade;
- Drysdale Bypass;
- Echuca-Moama Bridge;
- Family violence information sharing system reform (Central Information Point);
- Frankston Hospital;
- Frankston line stabling;
- Goulburn Valley Health redevelopment;
- Goulburn-Murray Water Connections Project;
- High Capacity Metro Trains Project;
- Hurstbridge Line upgrade – Stage 2;
- Infringement Management and Enforcement Services (IMES) Reform Project information technology solution;
- M80 Ring Road upgrade;
- Melbourne Airport Rail;
- Melbourne Park redevelopment – Stage 2;
- Melbourne Park redevelopment – Stage 3;
- Men's prison system capacity;
- Metro Tunnel;
- Metropolitan Network Modernisation program;
- Monash Freeway Upgrade – Stage 2;
- Mordialloc Freeway;

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

- More E-Class trams and infrastructure;
- Murray Basin Rail Project;
- New Footscray Hospital;
- New schools construction;
- New trains for Sunbury;
- New youth justice facility;
- Non-urban train radio renewal;
- North East Link;
- Northern Hospital inpatient expansion – Stage 2;
- Princes Highway duplication project – Winchelsea to Colac;
- Public housing renewal program;
- Public Safety – Police Response (Intelligence capability);
- Public Safety – Police Response (Mobile technology solution);
- Regional Rail Revival;
- Royal Victorian Eye and Ear Hospital redevelopment;
- Safe Digital Clinical Systems – Parkville Precinct electronic medical records;
- Shepparton Corridor Upgrade – Stage 2;
- Suburban Rail Loop;
- Suburban Roads Upgrade;
- Ten new community hospitals;
- Tram Automatic Vehicle Monitoring system replacement;
- Tram procurement and supporting infrastructure;
- Victorian Heart Hospital;
- Waurn Ponds Track Duplication – Stage 2;
- West Gate Tunnel Project;
- Western Highway duplication – Ballarat to Stawell;
- Western Rail Plan;
- Western Roads Upgrade;
- Women's prison system capacity;
- Wyndham Vale stabling yard; and
- Yan Yean Road duplication.

FINANCIAL SUSTAINABILITY

General government sector

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

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

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

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

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

Notes:

- (a) The June 2019 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Chapter 2, Note 9.3 for further details.
- (b) AASB 16 Leases has been applied for the first time from 1 July 2019.
- (c) The sum of borrowings, deposits held and advances received less the sum of cash and deposits, advances paid, and investments, loans and placements.
- (d) Includes other employee entitlements, provisions and other liabilities, less receivables and investments accounted for using the equity method.
- (e) Total liabilities less financial assets (excluding investments in other sector entities).
- (f) Ratios to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios as at 31 December 2019 reflect the 2019-20 GSP forecast growth rate for the full year.

Non-financial public sector

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

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

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

Notes:

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

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

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

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

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

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

For the six months to 31 December 2019, the increase in NFPS net debt was mainly due to an increase in borrowings of \$8.3 billion. The increase in borrowings was mainly due to the adoption of AASB 16 and AASB 1059. Actual borrowings were mainly applied towards the State's capital investment program.

The ratio of NFPS net financial liabilities to GSP has increased from 21.2 per cent to 22.4 per cent at the end of the period. The ratio of net debt to GSP has increased from 8.9 per cent to 10.8 per cent at the end of the period.

CHAPTER 2 – MID-YEAR FINANCIAL REPORT

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the six months ended 31 December ^(a)

(\$ million)

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

The accompanying notes form part of these financial statements.

Note:

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

CONSOLIDATED BALANCE SHEET

As at 31 December ^(a)

(\$ million)

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

The accompanying notes form part of these financial statements.

Note:

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

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December ^(a)

(\$ million)

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

The accompanying notes form part of these financial statements.

Notes:

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December ^(a)

(\$ million)

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

The accompanying notes form part of these financial statements.

Notes:

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

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 31 December ^(a)

(\$ million)

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

The accompanying notes form part of these financial statements.

Notes:

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

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

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

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

1. ABOUT THIS REPORT

Basis of preparation

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

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

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

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

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

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

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

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

Statement of compliance

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

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

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

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

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

Basis of accounting and measurement

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

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

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

Reporting entity

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

General government

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

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

Public non-financial corporations

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

Public financial corporations

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

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

Non-financial public sector

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

Note 9.1 disaggregates information about these sectors. Disclosing this information assists users of

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

Basis of consolidation

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

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

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

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

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

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

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

Prospective accounting and reporting changes

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

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

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

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

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

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

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

Rounding

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

2. HOW FUNDS ARE RAISED

Introduction

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

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

Structure

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2.1 Taxation revenue

(\$ million)

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

2.2 Dividends, income tax equivalent and rate equivalent revenue

(\$ million)

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

Dividends by entity ^(a)

(\$ million)

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

Note:

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

2.3 Sales of goods and services

(\$ million)

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

Note:

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

2.4 Grant revenue

(\$ million)

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

2.5 Other revenue

(\$ million)

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

Note:

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

3. HOW FUNDS ARE SPENT

Introduction

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

Structure

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3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses (operating statement)

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

Employee benefits (balance sheet)

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

Total provision for employee benefits and on-costs at 31 December

(\$ million)

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

3.2 Superannuation (operating statement)

(\$ million)

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

3.3 Grant expense

(\$ million)

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

3.4 Other operating expenses ^(a)

(\$ million)

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

Notes:

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

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

Purchase of supplies and consumables

(\$ million)

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

Purchase of services

(\$ million)

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

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

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

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

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

General government sector

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

Notes:

- (a) On 29 November 2018, the Premier announced machinery of government changes effective from 1 January 2019. Please see Note 9.8 in the 2018-19 Financial Report for the State of Victoria for further details.
- (b) The December 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 9.3 for further details.
- (c) Other general government sector agencies, which receive less than 50 per cent of their revenue from appropriations and therefore are not allocated to departments.
- (d) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers.

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

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

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

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

General government sector

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

Notes:

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

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

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

4. MAJOR ASSETS AND INVESTMENTS

Introduction

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

Structure

4.1	Total land, buildings, infrastructure, plant and equipment.....	27
4.2	Depreciation.....	29
4.3	Other non-financial assets.....	30

4.1 Total land, buildings, infrastructure, plant and equipment ^{(a)(b)}

(\$ million)

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

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

Notes:

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

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

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

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

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

Note:

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

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

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

Jun 2019

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

4.2 Depreciation ^(a)

(\$ million)

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

Note:

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

The following two tables are subsets of total depreciation expense.

Depreciation of right of use (leased) assets ^(a)

(\$ million)

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

Note:

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

Depreciation of service concession assets

(\$ million)

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

4.3 Other non-financial assets ^(a)

(\$ million)

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

Note:

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

5. FINANCING STATE OPERATIONS

Introduction

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

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

Structure

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5.1 Borrowings (a)(b)

(\$ million)

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

Notes:

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

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

5.2 Cash flow information and balances

Reconciliation of cash and cash equivalents

(\$ million)

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

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

(\$ million)

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

Note:

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

5.3 Advances paid and investments, loans and placements

(\$ million)

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

5.4 Interest expense ^{(a)(b)}

(\$ million)

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

Notes:

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

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

5.5 Commitments

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

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

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

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

- In July 2019, the State entered into a contract with VEC Civil Engineering Pty Ltd for the provision of design and construction of the O'Hearns Road duplication which includes building three new intersections, an interchange and additional lanes. The total cost of the contract is \$87 million and it is expected to be completed by June 2020.
- In August 2019, the State entered into a contract with CPB Contractors Pty Ltd to deliver the Early Works Package of the North East Link. The estimated cost of the contract is \$200 million and it is expected to be completed in 2021.
- In August 2019, John Holland, CPB Contractors, AECOM and Metro Trains Melbourne were awarded a \$237 million contract for Platform and Stabling works and a \$587 million contract for Traction Power Works, both packages of the Sunbury Line Upgrade project. These works are expected to be completed by 2023.
- In August and December 2019, variations totalling \$271 million were made to the Metropolitan Roads Program Alliance with Fulton Hogan Construction Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
- In September 2019, the State entered into a contract with McConnell Dowell Constructors (Aust) Pty Ltd and Decmil Southern Pty Ltd for the provision of design and construction of the Mordialloc Freeway between Dingley Bypass and Thames Promenade. The total cost of the contract is \$460 million and it is expected to be completed by December 2023.
- In September 2019, the State entered into a contract with CPB Contractors Pty Ltd for the provision of design and construction of a new section of the highway between Old Koonwarra-Meeniyar Road and Minns Road. The total cost of the contract is \$86 million and it is expected to be completed by December 2022.
- In September 2019, the State entered into a design and construction contract with CPB Contractors Pty Ltd for the provision of an additional 36 kilometres of new outbound lanes on the Monash and Princess Freeways between Warrigal Road and Eastlink. The total cost of the contract is \$837 million and it is expected to be completed by June 2025.
- In September 2019, the State contracted with Foodbank Victoria to provide 1 000 schools with healthy breakfast foods, lunches, school holiday supply packs and cooking classes so that students are provided healthy meals that will help them focus better and participate fully in their education. The total contract and commitment costs are \$54 million as at 31 December 2019 to fund Foodbank Victoria to expand the School Breakfast Clubs program from 1 July 2019 to 30 June 2023.
- In September 2019, the State entered into a contract with the National Aerial Firefighting Centre (NAFC) for the provision of Single Engine Air Tankers and Light Fixed Wing Airservices. The total cost of the contract is \$60 million and it is expected to be completed by June 2024.
- In September 2019, a variation of \$596 million was made to the North Western Program Alliance with Kellogg Brown & Root Pty Ltd, John Holland Group Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
- In October 2019, the State entered into a contract with McConnell Dowell Constructors (Aust) Pty Ltd for the provision of design and construction of a second river crossing over the Murray and Campaspe Rivers between Echuca in Victoria and Moama in New South Wales. The total cost of the contract is \$196 million and it is expected to be completed by June 2024.

- In October 2019, the State entered into a contract with CPB Contractors Pty Ltd for the provision of design and construction of the Sydney Road to Edgars Road section of the M80 Ring Road. The total cost of the contract is \$365 million and it is expected to be completed by December 2023.
- In November 2019, the State entered into a contract with Serco for the provision of Traffic Camera Services for six years. The total cost of the contract is \$328 million.
- In November 2019, a variation of \$818 million was made to the Southern Program Alliance with Lendlease Engineering, Acciona and Coleman Rail Joint Venture, WSP Australia Pty Limited and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
- In December 2019 Downer EDI Works was awarded a \$227 million contract for Regional Rail Revival program works including the Warrnambool Line Upgrade and Geelong Line Upgrade. The contract value includes a \$42 million option for delivery of Waurn Ponds Stabling which has yet to be exercised by the State. These works (excluding the Waurn Ponds Stabling) are expected to be completed by late 2021.
- In December 2019, a contract extension of \$102 million was approved for the Mobile Data Network (MDN) agreement with Motorola Solutions Australia Pty Ltd. The contract is now due for completion in 2025.
- In December 2019, the State entered into a new Standing Offer Agreement with the Testing Services Panel (Enex, Bureau Veritas, CEOS, SGS and Vipac) to provide testing services for the fixed digital road safety cameras for seven years. The estimated total cost of the agreement is \$137 million.
- In December 2019, a contract adjustment of \$90 million was approved for the Mernda Rail extension under the MR4 Franchise Agreement with Metro Trains Melbourne Pty Ltd for the period from August 2018 to November 2025.
- In December 2019, a variation of \$546 million was made to the South Eastern Program Alliance with Jacobs Group (Australia) Pty Ltd, Laing O'Rourke Australia Construction Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
- The Ballarat Line Upgrade project alliance – comprising Coleman Rail, Lendlease and SMEC – approved contract expenditure was varied by \$68 million between July and December 2019. This reflected additional reimbursable costs and approved adjustment events. These works are expected to be completed in 2020.

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

6. OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

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6.1 Inventories

(\$ million)

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

6.2 Receivables

(\$ million)

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

6.3 Payables ^(a)

(\$ million)

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

Note:

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

6.4 Superannuation

(\$ million)

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

6.5 Other provisions

(\$ million)

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

7. 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.

7.1 Financial instruments

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

7.2 Contingent assets and contingent liabilities

Contingent assets

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

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

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

Crown Melbourne Licence

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

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

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

Contingent liabilities

Contingent liabilities are:

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

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

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

2019-20 Bushfires

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

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

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

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

8. PUBLIC ACCOUNT

Introduction

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

Structure

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8.1 Consolidated fund receipts and payments ^(a)

(\$ million)

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

Notes:

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

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

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

8.2 Trust fund statement cash flows

(\$ million)

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

8.3 Reconciliation of cash flows to balances held

(\$ million)

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

Note:

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

8.4 Details of securities held in the Public Account

(\$ million)

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

9. OTHER DISCLOSURES

Introduction

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

Structure

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9.1 Disaggregated information

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

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

Note:

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

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

Disaggregated balance sheet as at 31 December ^(a)

(\$ million)

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

Notes:

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

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

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

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

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

(\$ million)

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

Notes

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

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

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

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

Disaggregated statement of changes in equity as at 31 December

(\$ million)

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

Notes:

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

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

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

(\$ million)

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

Notes:

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

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

9.2 Other gains/(losses) from other economic flows

(\$ million)

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

9.3 Adoption of the new accounting standards

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

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

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

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

Transitional impacts of the new accounting standards

(\$ million)

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

General government sector

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

Transitional impacts of the new accounting standards (continued)

(\$ million)

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

General government sector

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

9.4 Controlled entities

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

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

General government

Department of Health and Human Services

Bendigo Health ^(a)
Great Ocean Road Health ^(b)
Kyabram District Health Service ^(c)
Mildura Base Public Hospital ^(d)
NCN Health ^(e)

Department of Premier and Cabinet

Portable Long Service Authority ^(f)

Department of Transport ^(g)

Notes:

- (a) Effective from 22 October 2019, Bendigo Health Care Group changed its name to Bendigo Health.
(b) Effective from 1 July 2019, Lorne Community Hospital and Otway Health were amalgamated into Great Ocean Road Health.
(c) Effective from 22 October 2019, Kyabram and District Health Services changed its name to Kyabram District Health Service.
(d) Effective from 17 December 2019, Mildura Base Public Hospital was established to manage the Mildura Hospital.
(e) Effective from 1 July 2019, Numurkah District Health Service, Cobram District Health and Nathalia District Hospital were amalgamated into NCN Health.
(f) The Portable Long Service Authority was established under the Long Service Benefits Portability Act 2018 and, by Order of the Governor in Council, commenced on 1 July 2019.
(g) Effective from 1 July 2019, the Public Transport Development Authority and Roads Corporation (with the exception of registration and licensing and some heavy vehicle functions) were consolidated into the Department of Transport.

9.5 Glossary of technical terms

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

APPENDIX A – GENERAL GOVERNMENT SECTOR QUARTERLY FINANCIAL REPORT

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

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

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

Note:

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

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

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

Notes:

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

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

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

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

Notes:

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

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

APPENDIX B – FINANCIAL MANAGEMENT ACT 1994 COMPLIANCE INDEX

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

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.

<i>Financial Management Act reference</i>	<i>Requirement</i>	<i>Comments/reference</i>
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: <ul style="list-style-type: none"> (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks; (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: <ul style="list-style-type: none"> (i) the transactions on the Public Account; (ii) the transactions of the Victorian general government sector; and (iii) other financial transactions of the State in respect of the period of six months ending on that day. 	<p>Manner is in accordance with Australian Accounting Standards and Ministerial Directions. Form is comprehensive operating statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes. Refer to Chapter 2.</p> <p>Refer to Chapter 2, balance sheet.</p> <p>Refer to Chapter 2, Note 8.</p> <p>Refer to Chapter 2, comprehensive operating statement, cash flow statement and related notes.</p> <p>Refer to Chapter 2, comprehensive operating statement, cash flow statement and related notes.</p>
Section 26(1)	The Minister must prepare a quarterly financial report for each quarter of each financial year.	Refer to Appendix A.
Section 26(2)	A quarterly financial report comprises: <ul style="list-style-type: none"> (a) a statement of financial performance of the Victorian general government sector for the quarter; (b) a statement of the financial position of the Victorian general government sector at the end of the quarter; (c) a statement of cash flows of the Victorian general government sector for the quarter; and (d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based. 	<p>Refer to Appendix A, comprehensive operating statement.</p> <p>Refer to Appendix A, balance sheet.</p> <p>Refer to Appendix A, cash flow statement.</p> <p>Refer to Chapter 2, Note 1.</p>
Section 26(2A)	A quarterly financial report must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks.	Manner is a financial report for the general government sector. Form is comprehensive operating statement, balance sheet, cash flow statement. Refer to Appendix A.
Section 26(2B)	The quarterly financial report for the quarter ending on 31 December in a financial year must include, in addition to the statements referred to in subsection (2)(a) to (d) for that quarter, those statements for the period of six months ending on that 31 December.	Refer to Chapter 2, comprehensive operating statement, balance sheet, and cash flow statement.

STYLE CONVENTIONS

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

The notation used in the tables is as follows:

n.a.	not available or not applicable
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
(x xxx.x)	negative amount
x xxx.0	rounded amount

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

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2019/20 MID-YEAR FINANCIAL REPORT
(incorporating Quarterly Financial Report No. 2)
March 2020
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