**2018‑19 Mid‑Year Financial Report**

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



**March 2019**

Presented by

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Authorised by the Victorian Government  
1 Treasury Place, Melbourne, 3002

Printed by Waratah Digital, Port Melbourne  
Printed on recycled paper

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ISSN 1443-1289 (print)  
ISSN 2204-7166 (online)

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

The *2018-19 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 2018. 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 to the revised budget estimates in the *2018-19 Budget Update*. However, the likely 2018-19 full year results cannot be extrapolated from the half-year results due to seasonal and other factors impacting on the timing of activity and transactions. In particular, they do not include significant revenue items that are expected to be recognised in the second half of the financial year. For example, land tax revenue is mainly recognised in the March quarter, and certain grant revenue from the Commonwealth Government is expected to be received later in the financial year.

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

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

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

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 2018, the general government sector recorded a positive net result from transactions of $365 million.

# Overview

Victoria’s state final demand grew by 5.2 per cent over the year to the December quarter, the highest growth rate of the states. The largest contributors were business investment, household consumption and public demand. Victoria’s labour market remains strong, with the unemployment rate   
falling 1.0 percentage point to 4.5 per cent and employment growing by 3.5 per cent over the year to January 2019.

Victoria’s economic outlook remains positive, supported by robust population and employment growth. Victoria’s diversified economy and the Government’s strong financial position leaves the State well placed to manage unforeseen developments.

The State’s investment in fixed assets for the period to 31 December 2018 was $6.0 billion, mainly in the general government and the PNFC sectors. 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 2018 were $6.6 billion. This is higher than the same period last year due to the receipt of the proceeds from the commercialisation of the land titles and registry functions of Land Use Victoria in September 2018.

Net debt for the NFPS was $35.6 billion, or 7.8 per cent of gross state product (GSP), at 31 December 2018 (7.9 per cent as at 30 June 2018).

# Financial performance

For the six months to 31 December 2018, the general government sector recorded a positive net result from transactions of $365 million. This is lower than the $950 million net result from transactions for the same period last year, primarily due to lower land transfer duty resulting from the current downturn in the property market, higher grants expenses and increased employee expenses, reflecting increased service delivery and annual salary growth.

The net result for the State was a deficit of $4.7 billion. This is lower than the $2.1 billion surplus net result for the same period last year, primarily due to the negative impact of discount rate movements on insurer claims valuations and market revaluation movements on investment portfolio revaluations.

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

|  | State of Victoria | | | | General government sector | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2017-18 actual  to Dec | 2018-19 actual to Dec | 2018-19 revised estimate | % (b) | 2017-18  actual  to Dec | 2018-19 actual to Dec | 2018-19 revised estimate | % (b) |
| **Revenue from transactions** |  |  |  |  |  |  |  |  |
| Taxation revenue | 10 524 | 10 734 | 23 634 | 45 | 10 708 | 10 945 | 24 092 | 45 |
| Interest revenue | 337 | 339 | 517 | 66 | 415 | 417 | 818 | 51 |
| Dividends and income tax equivalent and rate equivalent revenue | 867 | 1 845 | 1 708 | 108 | 433 | 330 | 1 103 | 30 |
| Sales of goods and services | 7 338 | 7 683 | 15 286 | 50 | 3 637 | 3 849 | 7 594 | 51 |
| Grant revenue | 14 119 | 15 338 | 32 525 | 47 | 14 227 | 15 801 | 33 515 | 47 |
| Other revenue | 1 599 | 1 755 | 3 281 | 53 | 1 170 | 1 348 | 2 636 | 51 |
| **Total revenue from transactions** | **34 783** | **37 694** | **76 951** | **49** | **30 591** | **32 689** | **69 757** | **47** |
| **Expenses from transactions** |  |  |  |  |  |  |  |  |
| Employee expenses | 11 875 | 12 883 | 26 246 | 49 | 11 296 | 12 294 | 24 986 | 49 |
| Net superannuation interest expense | 360 | 347 | 692 | 50 | 360 | 347 | 688 | 50 |
| Other superannuation | 1 328 | 1 460 | 2 909 | 50 | 1 255 | 1 382 | 2 750 | 50 |
| Depreciation | 2 478 | 2 535 | 5 315 | 48 | 1 312 | 1 369 | 2 921 | 47 |
| Interest expense | 1 346 | 1 326 | 2 569 | 52 | 1 009 | 1 033 | 2 090 | 49 |
| Grant expense | 3 446 | 4 142 | 9 143 | 45 | 5 064 | 5 981 | 12 785 | 47 |
| Other operating expenses | 13 905 | 14 802 | 31 199 | 47 | 9 344 | 9 919 | 21 296 | 47 |
| **Total expenses from transactions** | **34 739** | **37 496** | **78 074** | **48** | **29 642** | **32 324** | **67 517** | **48** |
| **Net result from transactions –  net operating balance** | **44** | **198** | **(1 123)** | **(18)** | **950** | **365** | **2 241** | **16** |
| Total other economic flows included in net result | 2 026 | (4 936) | 1 721 | (287) | (81) | (554) | (233) | 237 |
| **Net result** | **2 070** | **(4 738)** | **598** | **(792)** | **868** | **(189)** | **2 008** | **(9)** |
| Total other economic flows –  other comprehensive income | 679 | (1 146) | 5 449 | (21) | 1 360 | (2 362) | 4 705 | (50) |
| **Comprehensive result –  total change in net worth** | **2 749** | **(5 884)** | **6 048** | **(97)** | **2 229** | **(2 551)** | **6 713** | **(38)** |

Notes:

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

(b) The percentage represents the 2018-19 actual to December as a percentage of the revised estimate presented in the 2018-19 Budget Update.

## General government sector

### Revenue

Revenue for the six months ended 31 December 2018 was $32.7 billion. This is 47 per cent of the full year revised budget estimate and an increase of $2.1 billion from the same period last year.

Taxation revenue was $10.9 billion, or 45 per cent of the revised budget estimate. Taxation revenue is influenced by seasonal factors, such as land tax revenue recognised in the March quarter and the Fire Services Property Levy recognised in the first quarter of the financial year.

Aside from these timing factors, taxation revenue slightly increased when compared to the same period last year. This was largely due to an increase in payroll tax, gambling taxes and growth areas infrastructure contributions as a result of strong development activity in outer growth areas. These increases were partially offset by lower land transfer duty resulting from the current downturn in the Victorian property market.

Grant revenue was $15.8 billion, or 47 per cent of the revised full year budget estimate. This was slightly below the pro rata revised budget, primarily due to the timing of grants from the Commonwealth, which are expected to increase in the second half of the year.

Compared to the same period last year, grant revenue increased by $1.6 billion. This was mainly due to growth in GST grants resulting from Victoria’s increased share of the population, and adjusted Commonwealth funding associated with increased National Health Reform program activity.

Dividends and income tax equivalent revenue for the half year was 30 per cent of the revised full year budget estimate, which primarily reflects the timing of dividends and income tax equivalent revenue from the PFC sector.

Revenue from the sale of goods and services for the half year was $3.8 billion, or 51 per cent of the revised full year revised 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 $32.3 billion, or 48 per cent of the revised full year budget estimate.

Employee expenses were slightly under pro rata for the first half of the year at $12.3 billion, or 49 per cent of the revised full year budget estimate.

Compared to the same period last year, employee expenses were almost $1 billion higher, mainly due to increased service delivery in the health, education and community safety sectors, as well as salary growth in line with enterprise bargaining agreements.

Grant expense for the first half of the year was $6.0 billion, or 47 per cent of the revised full year budget estimate. This was slightly under pro rata mainly due to the timing of certain grant payments.

Compared to the same period last year, grant expense increased by $917 million. The largest contributor to the increase is the ongoing transition to the National Disability Insurance Scheme.

Other operating expenses were $9.9 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 portion 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 2018 was $37.7 billion which was 8 per cent higher than the same period in 2017‑18. The general government sector contributed $32.7 billion, with the balance   
coming from the PNFC and PFC sectors.

PNFC sector revenue increased by 6 per cent to $5.6 billion. This was mainly due to an increase in grants revenue for Victorian Rail Track (VicTrack) and additional grants to the Director of Housing to improve crisis accommodation responses.

The PFC sector revenue increased by 28 per cent or $1.1 billion to $5.2 billion compared to the same period in 2017-18, mainly due to an increase in trust distributions received by insurers which form part of dividends and income tax equivalent revenue.

### Expenses

Total expenses for the State increased by 8 per cent to $37.5 billion compared to the same period last year. Of this, $32.3 billion was incurred by the general government sector as previously highlighted.

Compared to the same period in 2017-18, total expenses in the PNFC sector increased by 4.3 per cent to $5.7 billion. This was mainly due to an increase in other operating expenses, including an increase in the capital asset charge for VicTrack due to an increase in its asset base and expenditure by the Director of Housing to meet commitments under the Family Violence and Homelessness Package.

For the PFC sector, total expenses were $5.1 billion. This was an increase of 5 per cent compared to the same period in 2017-18. The change in expenses was mainly driven by an increase in grant expenses and other operating expenses from the Transport Accident Commission due to higher claim costs.

### Net result from transactions

The net result from transactions for the State for the six months to December 2018 was a surplus of $198 million.

It is important to note that the net result from transactions measure does not include unrealised investment income earned or portfolio revaluations for the State’s insurers as these impacts are disclosed as ‘other economic revenue’ below the line, as required by accounting standards. Accordingly, it is not a meaningful measure of performance at the whole of state level. These impacts are included in the State’s net result.

### 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 2018, other economic flows were negative $4.9 billion which contributed to a negative net result of $4.7 billion.

Other economic flows included in the net result of 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
* lower than forecast investment performance in equity markets by PFC entities.

# Financial position

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

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Jun 2018 | Dec 2018 | Actual movement | Jun 2018 | Dec 2018 | Actual movement |
| **Assets** |  |  |  |  |  |  |
| Financial assets | 58 024 | 56 769 | (1 255) | 127 717 | 125 281 | (2 436) |
| Non-financial assets | 265 090 | 268 473 | 3 383 | 136 577 | 138 238 | 1 662 |
| **Total assets** | **323 114** | **325 242** | **2 129** | **264 294** | **263 519** | **(775)** |
| **Liabilities** |  |  |  |  |  |  |
| Superannuation | 25 233 | 26 627 | 1 394 | 25 205 | 26 600 | 1 396 |
| Borrowings | 49 771 | 50 564 | 794 | 33 506 | 32 974 | (532) |
| Other liabilities | 60 170 | 65 995 | 5 825 | 21 467 | 22 379 | 913 |
| **Total liabilities** | **135 173** | **143 186** | **8 013** | **80 178** | **81 954** | **1 776** |
| **Net assets** | **187 941** | **182 056** | **(5 884)** | **184 116** | **181 565** | **(2 551)** |

Note:

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

## State of Victoria

During the period to 31 December 2018, the net assets for the State of Victoria decreased by $5.9 billion. The total assets of the State increased by $2.1 billion mainly driven by the significant investment in the State’s capital program, offset by a decline in the financial assets in the PFC sector.

Total liabilities for the State increased by $8.0 billion to $143.2 billion. This increase was mainly due to an increase in other liabilities, superannuation liabilities and borrowings.

The increase in other liabilities is due to an increase in unearned premium income for WorkSafe, an increase in claims liabilities for all the insurers, and the unearned revenue from the upfront receipt of proceeds from the commercialisation of the land titles and registry functions of Land Use Victoria in September 2018.

# 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)

|  | 2018-19 actual to Dec | 2018-19 revised estimate |
| --- | --- | --- |
| Net result from transactions – net operating balance | 365 | 2 241 |
| Add back: Non-cash revenues and expenses (net) (b) | 3 767 | 4 914 |
| **Net cash flows from operating activities** | **4 132** | **7 155** |
| Less: |  |  |
| **Net investment in fixed assets** |  |  |
| Purchases of non-financial assets | 4 851 | 9 361 |
| Net cash flows from investments in financial assets for policy purposes | (886) | (1 263) |
| Sales of non-financial assets | (84) | (365) |
| **Net investment in fixed assets** | **3 881** | **7 733** |
| Finance leases (c) | 39 | 451 |
| Other investment activities (net) | 1 223 | 1 481 |
| **Decrease/(increase) in net debt** | **(1 012)** | **(2 510)** |

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 respective year.

(c) The 2018-19 estimate relates to the High Capacity Metro Trains and Western Roads Upgrade.

## Infrastructure investment

The State’s infrastructure program supports growing community needs and ongoing productivity improvement.

For the six months to 31 December 2018, investment in fixed assets by the State totalled $6.0 billion.

The Government’s infrastructure scorecard as at 31 December 2018

Major projects under procurement or in progress include:

Ballarat Base Hospital expansion and redevelopment;

Casey Hospital expansion;

Caulfield to Dandenong conventional signalling and power infrastructure upgrade;

Chandler Highway upgrade;

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-Pakenham and Sunbury line upgrade;

Drysdale Bypass and High Street upgrades;

Echuca-Moama Bridge;

Electronic medical records in Parkville;

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

Frankston line stabling;

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

Goulburn Valley Health redevelopment;

High Capacity Metro Trains;

Hurstbridge Corridor upgrade – Stage 1;

Joan Kirner Women’s and Children’s Hospital;

Level Crossing Removal Program;

M80 Ring Road upgrade:

– Sunshine Avenue to Calder Freeway;

– Princes Freeway to Western Highway;

– Sydney Road to Edgars Road; and

– Plenty Road to Greensborough Highway.

Melbourne Park redevelopment – Stages 2 and 3;

Mernda Rail Extension;

Metro Tunnel;

Metropolitan Network Modernisation program;

Mordialloc Bypass;

More E-Class trams and infrastructure;

Murray Basin Rail Project;

New E-Class trams;

New youth justice facility;

Non-urban train radio renewal;

North East Link;

Northern Hospital inpatient expansion – Stage 2;

Princes Highway West duplication project – Winchelsea to Colac;

Public housing renewal program;

Public Safety – Police Response (Intelligence capability);

Public Safety – Police Response (Mobile technology solution);

Regional rail infrastructure and new regional trains;

Regional Rail Revival;

Royal Victorian Eye and Ear Hospital redevelopment;

Shepparton Line Upgrade – Stage 2;

Suburban Roads Upgrade;

The new Footscray Hospital;

Thompsons Road duplication;

Tram procurement and supporting infrastructure;

Victorian Heart Hospital;

Victorian Infringement Enforcement and Warrant System;

West Gate Tunnel Project;

Western Highway duplication – Ballarat to Stawell;

Western Roads Upgrade; and

Yan Yean Road duplication.

# Financial sustainability

## General government sector

Table 1.4 shows general government sector net debt increased by $1.0 billion to $21.0 billion as at 31 December 2018. This is consistent with expectations, and reflects the Government’s significant infrastructure program. The ratio of net debt to GSP has remained at 4.6 per cent.

Overall, net financial liabilities increased during the period due to the increase in net debt and a $1.4 billion increase in the superannuation liability due to the negative investment market performance

in the six months to 31 December 2018. There was also a $2.6 billion increase in other liabilities primarily resulting from the unearned income associated with the upfront receipt of the proceeds from the commercialisation of the land titles and registry functions of Land Use Victoria.

Over the period to 31 December 2018, the ratio of net financial liabilities to GSP increased from 12.5 per cent to 12.9 per cent.

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

|  | Opening  1 July 2018 | Closing  31 Dec 2018 | Actual  movement | %  change |
| --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |
| Cash and deposits | 6 257 | 4 567 | (1 690) | (27) |
| Advances paid | 10 019 | 8 918 | (1 101) | (11) |
| Investment, loans and placements | 3 928 | 3 965 | 37 | 1 |
| **Total** | **20 204** | **17 450** | **(2 753)** | **(14)** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 6 700 | 5 491 | (1 209) | (18) |
| Borrowings | 33 506 | 32 974 | (532) | (2) |
| **Total** | **40 207** | **38 465** | **(1 741)** | **(4)** |
| **Net debt (a)** | **20 003** | **21 015** | **1 012** | **5** |
| Superannuation liability | 25 205 | 26 600 | 1 396 | 6 |
| **Net debt plus superannuation liabilities** | **45 208** | **47 615** | **2 407** | **5** |
| Other liabilities (b) | 8 505 | 11 098 | 2 592 | 30 |
| **Net financial liabilities (c)** | **53 713** | **58 713** | **5 000** | **9** |
| (per cent) | | | | |
| **Net debt to GSP (d)** | **4.6** | **4.6** |  |  |
| **Net debt plus superannuation liability to GSP (d)** | **10.5** | **10.5** |  |  |
| **Net financial liabilities to GSP (d)** | **12.5** | **12.9** |  |  |

Notes:

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

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

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

(d) Ratios to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios as at 31 December 2018 reflect the 2018-19 GSP forecast growth rate for the full year.

## Non-financial public sector

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

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

|  | Opening 1 July 2018 | Closing 31 Dec 2018 | Actual movement | % change |
| --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |
| Cash and deposits | 7 676 | 5 838 | (1 837) | (24) |
| Advances paid | 378 | 389 | 12 | 3 |
| Investment, loans and placements | 5 208 | 5 220 | 11 | .. |
| **Total** | **13 262** | **11 447** | **(1 814)** | **(14)** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 1 570 | 1 446 | (124) | (8) |
| Borrowings | 45 878 | 45 602 | (276) | (1) |
| **Total** | **47 448** | **47 049** | **(400)** | **(1)** |
| **Net debt (a)** | **34 187** | **35 601** | **1 415** | **4** |
| Superannuation liability | 25 233 | 26 627 | 1 394 | 6 |
| **Net debt plus superannuation liabilities** | **59 420** | **62 228** | **2 809** | **5** |
| Other liabilities (b) | 17 551 | 19 748 | 2 198 | 13 |
| **Net financial liabilities (c)** | **76 971** | **81 977** | **5 006** | **7** |
| (per cent) | | | | |
| **Net debt to GSP (d)** | **7.9** | **7.8** |  |  |
| **Net debt plus superannuation liability to GSP (d)** | **13.8** | **13.7** |  |  |
| **Net financial liabilities to GSP (d)** | **17.9** | **18.1** |  |  |

Notes:

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

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

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

(d) Ratios to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios as at 31 December 2018 reflect the 2018-19 GSP forecast growth rate for the full year.

For the six months to 31 December 2018, the NFPS net debt increased by $1.4 billion. This increase was mainly due to a decrease in cash and deposits by $1.8 billion, which was mainly applied towards the State’s capital investment program. The ratio of NFPS net financial liabilities to GSP has increased from 17.9 per cent to 18.1 per cent at the end of the period. The ratio of net debt to GSP has declined from 7.9 per cent to 7.8 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 ($ million)

|  |  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | 2018 | 2017 | 2018 | 2017 |
| **Revenue from transactions** |  |  |  |  |  |
| Taxation revenue | 2.1 | 10 734 | 10 524 | 10 945 | 10 708 |
| Interest revenue |  | 339 | 337 | 417 | 415 |
| Dividends, income tax equivalent and rate equivalent revenue | 2.2 | 1 845 | 867 | 330 | 433 |
| Sales of goods and services | 2.3 | 7 683 | 7 338 | 3 849 | 3 637 |
| Grant revenue | 2.4 | 15 338 | 14 119 | 15 801 | 14 227 |
| Other revenue | 2.5 | 1 755 | 1 599 | 1 348 | 1 170 |
| **Total revenue from transactions** |  | **37 694** | **34 783** | **32 689** | **30 591** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses |  | 12 883 | 11 875 | 12 294 | 11 296 |
| Net superannuation interest expense | 3.2 | 347 | 360 | 347 | 360 |
| Other superannuation | 3.2 | 1 460 | 1 328 | 1 382 | 1 255 |
| Depreciation | 4.2 | 2 535 | 2 478 | 1 369 | 1 312 |
| Interest expense | 5.4 | 1 326 | 1 346 | 1 033 | 1 009 |
| Grant expense | 3.3 | 4 142 | 3 446 | 5 981 | 5 064 |
| Other operating expenses | 3.4 | 14 802 | 13 905 | 9 919 | 9 344 |
| **Total expenses from transactions** | 3.5, 3.6 | **37 496** | **34 739** | **32 324** | **29 642** |
| **Net result from transactions – net operating balance** |  | **198** | **44** | **365** | **950** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets |  | (58) | 34 | (50) | 21 |
| Net gain/(loss) on financial assets or liabilities at fair value |  | (2 966) | 1 583 | (199) | 39 |
| Share of net profit/(loss) from associates/joint venture entities |  | .. | 38 | .. | .. |
| Other gains/(losses) from other economic flows | 9.2 | (1 912) | 371 | (305) | (141) |
| **Total other economic flows included in net result** |  | **(4 936)** | **2 026** | **(554)** | **(81)** |
| **Net result** |  | **(4 738)** | **2 070** | **(189)** | **868** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non-financial assets revaluation surplus |  | (6) | 27 | 2 | (2) |
| Remeasurement of superannuation defined benefits plans | 3.2 | (1 081) | 763 | (1 091) | 759 |
| Other movements in equity |  | 11 | (161) | 14 | (107) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value |  | (70) | 49 | (48) | 25 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets |  | .. | .. | (1 240) | 686 |
| **Total other economic flows – other comprehensive income** |  | **(1 146)** | **679** | **(2 362)** | **1 360** |
| **Comprehensive result – total change in net worth** |  | **(5 884)** | **2 749** | **(2 551)** | **2 229** |
|  |  |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** |  | **198** | **44** | **365** | **950** |
| Less: Net acquisition of non-financial assets from transactions | 9.1 | 3 455 | 3 484 | 1 664 | 1 751 |
| **Net lending/(borrowing)** |  | **(3 258)** | **(3 439)** | **(1 299)** | **(801)** |

The accompanying notes form part of these financial statements.

# Consolidated balance sheet

As at 31 December ($ million)

|  |  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 5.2 | 6 770 | 6 494 | 4 567 | 6 257 |
| Advances paid | 5.3 | 389 | 378 | 8 918 | 10 019 |
| Receivables | 6.2 | 8 989 | 8 764 | 5 738 | 6 208 |
| Investments, loans and placements | 5.3 | 40 568 | 42 336 | 3 965 | 3 928 |
| Investments accounted for using the equity method |  | 53 | 53 | 53 | 53 |
| Investments in other sector entities |  | .. | .. | 102 040 | 101 253 |
| **Total financial assets** |  | **56 769** | **58 024** | **125 281** | **127 717** |
| **Non-financial assets** |  |  |  |  |  |
| Inventories | 6.1 | 1 078 | 1 050 | 177 | 175 |
| Non-financial assets held for sale |  | 406 | 462 | 361 | 389 |
| Land, buildings, infrastructure, plant and equipment | 4.1 | 263 552 | 260 578 | 135 411 | 134 141 |
| Other non-financial assets | 4.3 | 3 437 | 3 001 | 2 289 | 1 872 |
| **Total non-financial assets** |  | **268 473** | **265 090** | **138 238** | **136 577** |
| **Total assets** | 3.6 | **325 242** | **323 114** | **263 519** | **264 294** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received |  | 2 190 | 2 331 | 5 491 | 6 700 |
| Payables | 6.3 | 20 984 | 18 243 | 8 694 | 6 713 |
| Borrowings | 5.1 | 50 564 | 49 771 | 32 974 | 33 506 |
| Employee benefits | 3.1 | 7 668 | 7 570 | 7 141 | 7 020 |
| Superannuation | 6.4 | 26 627 | 25 233 | 26 600 | 25 205 |
| Other provisions | 6.5 | 35 154 | 32 025 | 1 053 | 1 034 |
| **Total liabilities** |  | **143 186** | **135 173** | **81 954** | **80 178** |
| **Net assets** |  | **182 056** | **187 941** | **181 565** | **184 116** |
| Accumulated surplus/(deficit) |  | 72 354 | 78 125 | 51 256 | 52 574 |
| Reserves |  | 109 702 | 109 816 | 130 310 | 131 543 |
| **Net worth** |  | **182 056** | **187 941** | **181 565** | **184 116** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth |  | (86 417) | (77 149) | 43 327 | 47 540 |
| Net financial liabilities |  | 86 417 | 77 149 | 58 713 | 53 713 |
| Net debt |  | 5 027 | 2 894 | 21 015 | 20 003 |

The accompanying notes form part of these financial statements.

# Consolidated cash flow statement

For the six months ended 31 December ($ million)

|  |  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | 2018 | 2017 | 2018 | 2017 |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received |  | 11 432 | 10 815 | 11 644 | 10 999 |
| Grants |  | 15 299 | 14 118 | 15 805 | 14 226 |
| Sales of goods and services (a) |  | 12 090 | 9 058 | 6 922 | 4 077 |
| Interest received |  | 216 | 231 | 412 | 416 |
| Dividends, income tax equivalent and rate equivalent receipts |  | 1 845 | 867 | 380 | 477 |
| Other receipts |  | 1 008 | 1 225 | 872 | 909 |
| **Total receipts** |  | **41 890** | **36 314** | **36 034** | **31 104** |
| **Payments** |  |  |  |  |  |
| Payments for employees |  | (12 819) | (11 813) | (12 204) | (11 228) |
| Superannuation |  | (1 495) | (1 394) | (1 425) | (1 318) |
| Interest paid |  | (1 299) | (1 334) | (1 021) | (990) |
| Grants and subsidies |  | (4 165) | (3 712) | (6 135) | (5 455) |
| Goods and services (a) |  | (15 104) | (14 172) | (10 703) | (9 984) |
| Other payments |  | (414) | (393) | (414) | (393) |
| **Total payments** |  | **(35 296)** | **(32 818)** | **(31 902)** | **(29 368)** |
| **Net cash flows from operating activities** |  | **6 594** | **3 497** | **4 132** | **1 736** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non-financial assets** |  |  |  |  |  |
| Purchases of non-financial assets | 3.5, 3.6 | (5 999) | (5 625) | (4 851) | (4 570) |
| Sales of non-financial assets |  | 164 | 164 | 84 | 96 |
| **Net cash flows from investments in non-financial assets** |  | **(5 835)** | **(5 462)** | **(4 767)** | **(4 473)** |
| Net cash flows from investments in financial assets for policy purposes |  | (51) | (17) | 886 | 718 |
| **Sub-total** |  | **(5 887)** | **(5 478)** | **(3 881)** | **(3 756)** |
| Net cash flows from investments in financial assets for liquidity management purposes |  | (745) | 2 772 | (158) | (426) |
| **Net cash flows from investing activities** |  | **(6 632)** | **(2 707)** | **(4 039)** | **(4 181)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) |  | (104) | 25 | (1 174) | (937) |
| Net borrowings |  | 453 | (424) | (573) | 1 744 |
| Deposits received (net) |  | (37) | (424) | (35) | 101 |
| **Net cash flows from financing activities** |  | **312** | **(823)** | **(1 782)** | **908** |
| **Net increase/(decrease) in cash and cash equivalents** |  | **274** | **(33)** | **(1 690)** | **(1 537)** |
| Cash and cash equivalents at beginning of reporting period |  | 6 494 | 5 868 | 6 257 | 5 530 |
| **Cash and cash equivalents at end of the reporting period (b)** | 5.2 | **6 768** | **5 835** | **4 567** | **3 992** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities |  | 6 594 | 3 497 | 4 132 | 1 736 |
| Net cash flows from investments in non-financial assets |  | (5 835) | (5 462) | (4 767) | (4 473) |
| Cash surplus/(deficit) |  | 758 | (1 965) | (635) | (2 738) |

The accompanying notes form part of these financial statements.

Notes:

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

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

# Consolidated statement of changes in equity

For the six months ended 31 December ($ million)

| State of Victoria | Accumulated surplus/(deficit) | Contributions by owners | Non-financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- | --- |
| **2018** |  |  |  |  |  |  |
| Balance at 1 July 2018 | 78 125 | .. | 108 122 | .. | 1 694 | 187 941 |
| Net result for the year | (4 738) | .. | .. | .. | .. | (4 738) |
| Other comprehensive income for the year | (1 143) | .. | (6) | .. | 3 | (1 146) |
| Transfer to/(from) accumulated surplus | 110 | .. | (110) | .. | .. | .. |
| **Total equity as at 31 December 2018** | **72 354** | **..** | **108 006** | **..** | **1 696** | **182 056** |
| **2017** |  |  |  |  |  |  |
| Balance at 1 July 2017 (a) | 75 141 | .. | 95 472 | .. | 1 620 | 172 234 |
| Net result for the year | 2 070 | .. | .. | .. | .. | 2 070 |
| Other comprehensive income for the year | 569 | .. | 27 | .. | 82 | 679 |
| Transfer to/(from) accumulated surplus | 26 | .. | (26) | .. | .. | .. |
| Total equity as at 31 December 2017 (a) | 77 806 | .. | 95 474 | .. | 1 703 | 174 983 |

The accompanying notes form part of these financial statements.

Note:

(a) The 1 July 2017 and 31 December 2017 comparative figures have been restated to reflect the reclassification of $425 million from the non-financial assets revaluation surplus to other reserves relating to accumulated revenue dedicated to the purchase of assets in the National Gallery of Victoria.

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

For the six months ended 31 December ($ million)

| General government sector | Accumulated surplus/(deficit) | Non-financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other  reserves | Total |
| --- | --- | --- | --- | --- | --- |
| **2018** |  |  |  |  |  |
| Balance at 1 July 2018 | 52 574 | 64 084 | 66 351 | 1 108 | 184 116 |
| Net result for the year | (189) | .. | .. | .. | (189) |
| Other comprehensive income for the year | (1 130) | 2 | (1 240) | 5 | (2 362) |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2018** | **51 256** | **64 086** | **65 111** | **1 113** | **181 565** |
| **2017** |  |  |  |  |  |
| Balance at 1 July 2017 (a) | 51 464 | 55 320 | 60 149 | 1 094 | 168 027 |
| Net result for the year | 868 | .. | .. | .. | 868 |
| Other comprehensive income for the year | 633 | (2) | 686 | 44 | 1 360 |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. |
| Total equity as at 31 December 2017 (a) | 52 965 | 55 318 | 60 835 | 1 137 | 170 256 |

The accompanying notes form part of these financial statements.

Note:

(a) The 1 July 2017 and 31 December 2017 comparative figures have been restated to reflect the reclassification of $425 million from the non-financial assets revaluation surplus to other reserves relating to accumulated revenue dedicated to the purchase of assets in the National Gallery of Victoria.

# 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 2018.

The accounting policies applied are consistent with those applied in the financial statements published in the *2017-18 Financial Report* for the State. Full presentation and disclosure of transition to AASB 9 *Financial Instruments* will be reflected in the *2018-19* *Financial Report*. 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 *2017-18 Financial Report*.

## Statement of compliance

These financial statements have been prepared in the manner and form as determined by the Treasurer, in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) which include Interpretations issued by the Australian Accounting Standards Board (AASB).   
In particular, they are presented consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and AASB 134 *Interim Financial Reporting* (AASB 134).

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

The 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 *2018-19 Mid-Year Financial Report* was authorised for issue by the Treasurer on 15 March 2019.

## Basis of accounting and measurement

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

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

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

### Public financial corporations

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

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

### Non-financial public sector

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

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

## Basis of consolidation

The consolidated financial statements of the State incorporate assets and liabilities of all reporting entities it controlled as at 31 December 2018 and the revenue and expenses of controlled entities for the part of the reporting period in which control existed.

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

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

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

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

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

Details of significant changes to entities consolidated by the State are shown in Note 9.3.

## Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2018-19 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 15 *Revenue from Contracts with Customers*, operative for reporting periods commencing 1 January 2019 for not-for-profit entities. The core principle of AASB 15 is to require an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The changes in revenue recognition will result in changes to the timing and amount of revenue recognised. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations are satisfied.

In September 2018, AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-profit Sector Licensors* (AASB 2018-4) was released, providing guidance on the application of AASB 15 to the issuing of licences by public sector entities.

* AASB 16 *Leases*, operative for reporting periods commencing 1 January 2019. The key change introduced by AASB 16 includes the requirement to recognise most operating leases on the balance sheet, which will result in an increase in net debt.
* AASB 17 *Insurance Contracts:* operative on or after 1 January 2021, will supersede AASB 4 *Insurance Contracts*. AASB 17 eliminates 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 1058 *Income of Not-for-Profit Entities*, operative for reporting periods commencing 1 January 2019. This standard will replace AASB 1004 *Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.

Revenue from capital grants will be deferred and recognised progressively as the asset is being constructed.

* AASB 1059 *Service Concession Arrangements: Grantors*, operative for reporting periods commencing 1 January 2020, with early adoption permitted. This standard prescribes the accounting treatment for public private partnership (PPP) arrangements involving a private sector operator providing public services related to a service concession asset on behalf of the State, for a specified period of time. Note 5.6 of the *2017-18 Financial Report* for the State of Victoria defines the State’s two main forms of PPP arrangements. For social infrastructure PPP arrangements, this will result in an earlier recognition of financial liabilities (increase in net debt), progressively over the construction period rather than at completion date. For economic infrastructure PPP arrangements that were previously not on the balance sheet, the standard will require recognition of these arrangements on-balance sheet. The liabilities associated with these arrangement will be recognised as accrued revenue which does not form part of the calculation of net debt.

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

## Rounding

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

# How funds are raised

## Introduction

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

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

## Structure

[2.1 Taxation revenue 19](#_Toc507403928)

[2.2 Dividends, income tax equivalent and rate equivalent revenue 20](#_Toc507403929)

[2.3 Sales of goods and services 21](#_Toc507403930)

[2.4 Grant revenue 21](#_Toc507403931)

[2.5 Other revenue 21](#_Toc507403932)

## Taxation revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| **Taxes on employers’ payroll and labour force** | **3 146** | **2 980** | **3 185** | **3 018** |
| **Taxes on immovable property** |  |  |  |  |
| Land tax | 100 | 109 | 123 | 126 |
| Fire Services Property Levy (a) | 642 | 659 | 642 | 659 |
| Congestion levy (b) | 1 | (4) | 1 | (4) |
| Metropolitan improvement levy | 186 | 171 | 186 | 171 |
| **Total taxes on property** | **929** | **935** | **952** | **952** |
| **Gambling taxes** |  |  |  |  |
| Public lotteries | 256 | 212 | 256 | 212 |
| Electronic gaming machines | 584 | 561 | 584 | 561 |
| Casino | 111 | 114 | 111 | 114 |
| Racing | 37 | 37 | 37 | 37 |
| Other | 15 | 14 | 15 | 14 |
| **Financial and capital transactions** |  |  |  |  |
| Land transfer duty | 3 309 | 3 484 | 3 309 | 3 484 |
| Metropolitan planning levy | 12 | 14 | 12 | 14 |
| Financial accommodation levy | .. | .. | 74 | 74 |
| Growth areas infrastructure contribution | 132 | 101 | 132 | 101 |
| **Levies on statutory corporations** | **..** | **..** | **75** | **53** |
| **Taxes on insurance** | **733** | **683** | **733** | **683** |
| **Total taxes on the provision of goods and services** | **5 188** | **5 221** | **5 336** | **5 348** |
| **Motor vehicle taxes** |  |  |  |  |
| Vehicle registration fees | 839 | 792 | 840 | 793 |
| Duty on vehicle registrations and transfers | 463 | 451 | 463 | 451 |
| **Liquor licence fees** | **17** | **15** | **17** | **15** |
| **Other** | **152** | **131** | **152** | **131** |
| **Total taxes on the use of goods and performance of activities** | **1 471** | **1 389** | **1 472** | **1 390** |
| **Total taxation revenue** | **10 734** | **10 524** | **10 945** | **10 708** |

Notes:

(a) The Government set the 2017-18 and 2018-19 Fire Services Property Levy rates to collect the amount that was budgeted in 2016-17 ($662 million). In the 2018-19 Budget, the Government decided to return the 2017-18 over-collection through reduced rates for the 2018-19 levy year.

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

## Dividends, income tax equivalent and rate equivalent revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| Dividends from PFC sector | .. | .. | 7 | 94 |
| Dividends from PNFC sector | .. | .. | 158 | 228 |
| Dividends from non-public sector | 1 845 | 867 | 29 | 19 |
| **Dividends** | **1 845** | **867** | **194** | **341** |
| Income tax equivalent revenue from PFC sector (a) | .. | .. | 24 | (3) |
| Income tax equivalent revenue from PNFC sector | .. | .. | 112 | 94 |
| **Income tax equivalent revenue** | **..** | **..** | **136** | **91** |
| Local government rate equivalent revenue | .. | .. | .. | .. |
| **Total dividends, income tax equivalent and rate equivalent revenue** | **1 845** | **867** | **330** | **433** |

Note:

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

Dividends by entity ($ million)

|  | General  government sector | |
| --- | --- | --- |
|  | 2018 | 2017 |
| **Public financial corporations** |  |  |
| Transport Accident Commission (a) | .. | .. |
| Treasury Corporation of Victoria | .. | 83 |
| State Trustees Ltd | .. | 5 |
| Victorian Funds Management Corporation | 7 | 7 |
| **Dividends from PFC sector** | **7** | **94** |
| **Public non-financial corporations** |  |  |
| City West Water Corporation | 20 | 48 |
| Melbourne Water Corporation | 24 | 51 |
| South East Water Corporation | 59 | 82 |
| Yarra Valley Water Corporation | 44 | 31 |
| Development Victoria | 9 | 15 |
| Others | 1 | .. |
| Dividends from PNFC sector | 158 | 228 |

Note:

* + - * 1. ‘Amounts equivalent to dividends’ to be paid by 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 (AASB 1023).

## Sales of goods and services

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| Motor vehicle regulatory fees | 117 | 110 | 117 | 110 |
| Other regulatory fees | 301 | 308 | 294 | 301 |
| Sale of goods | 289 | 313 | 40 | 37 |
| Provision of services | 6 711 | 6 354 | 2 239 | 2 130 |
| Rental | 155 | 140 | 39 | 35 |
| Refunds and reimbursements | 109 | 112 | 1 | 2 |
| Inter-sector capital asset charge | .. | .. | 1 119 | 1 022 |
| Total sales of goods and services | 7 683 | 7 338 | 3 849 | 3 637 |

## Grant revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| General purpose grants | 8 545 | 7 710 | 8 545 | 7 710 |
| Specific purpose grants for on-passing | 1 822 | 1 735 | 1 822 | 1 735 |
| Specific purpose grants | 4 967 | 4 672 | 4 967 | 4 671 |
| **Total** | **15 335** | **14 116** | **15 334** | **14 116** |
| Other contributions and grants | 4 | 3 | 467 | 112 |
| Total grant revenue | 15 338 | 14 119 | 15 801 | 14 227 |

## Other revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| Fair value of assets received free of charge or for nominal consideration | 185 | 188 | 30 | 33 |
| Fines | 382 | 346 | 382 | 345 |
| Royalties | 62 | 65 | 50 | 50 |
| Donations and gifts | 126 | 162 | 85 | 128 |
| Other non-property rental | 39 | 46 | 17 | 14 |
| Other revenue – Education | 299 | 329 | 299 | 329 |
| Other revenue – Health | 90 | 21 | 90 | 21 |
| Other miscellaneous revenue | 573 | 443 | 395 | 251 |
| Total other revenue | 1 755 | 1 599 | 1 348 | 1 170 |

# How funds are spent

## Introduction

This section accounts for the major components of expenditure incurred by the State towards the operating activities (expenses from transactions) and on capital or infrastructure projects during the year, as well as any related obligations outstanding as at 31 December 2018.

## Structure

[3.1 Employee expenses and provision for outstanding employee benefits 22](#_Toc475960033)

[3.2 Superannuation expense recognised in the operating statement 23](#_Toc475960034)

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## 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 expenses (balance sheet)

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

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

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
| **Current** |  |  |  |  |
| Accrued salaries and wages | 622 | 633 | 598 | 592 |
| Other employee benefits | 95 | 113 | 84 | 87 |
| Annual leave | 1 743 | 1 775 | 1 590 | 1 615 |
| Long service leave | 4 253 | 4 130 | 4 004 | 3 888 |
| **Total current employee benefits and on-costs (a)** | **6 713** | **6 651** | **6 276** | **6 182** |
| **Non-current** |  |  |  |  |
| Accrued salaries and wages | 15 | 18 | .. | .. |
| Long service leave | 939 | 901 | 865 | 837 |
| **Total non-current employee benefits and on-costs (a)** | **954** | **919** | **865** | **837** |
| **Total employee benefits and on-costs** | **7 668** | **7 570** | **7 141** | **7 020** |

Note:

(a) The June 2018 comparative figures have been reclassified to reflect more current information.

## Superannuation expense recognised in the operating statement

($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2018 | 2017 |
| **Defined benefit plans** |  |  |
| Net superannuation interest expense | 347 | 360 |
| Current service cost | 509 | 471 |
| Remeasurements: |  |  |
| Expected return on superannuation assets excluding interest income | (524) | (479) |
| Other actuarial (gain)/loss on superannuation assets | 1 707 | (639) |
| Actuarial and other adjustments to unfunded superannuation liability | (102) | 354 |
| **Total expense recognised in respect of defined benefit plans** | **1 938** | **68** |
| **Defined contribution plans** |  |  |
| Employer contributions to defined contribution plans | 907 | 820 |
| Other (including pensions) | 44 | 38 |
| **Total expense recognised in respect of defined contribution plans** | **951** | **858** |
| **Total superannuation (gain)/expense recognised in operating statement** | **2 889** | **925** |
| **Represented by:** |  |  |
| Net superannuation interest expense | 347 | 360 |
| Other superannuation | 1 460 | 1 328 |
| **Superannuation expense from transactions** | **1 807** | **1 689** |
| **Remeasurement recognised in other comprehensive income** | **1 081** | **(763)** |
| **Total superannuation costs recognised in operating statement** | **2 889** | **925** |

## Grant expense

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| **Current grant expense** |  |  |  |  |
| Commonwealth government | 526 | 267 | 525 | 267 |
| Local government (including grants for on-passing) | 344 | 307 | 344 | 307 |
| Private sector and not-for-profit on-passing | 1 654 | 1 567 | 1 654 | 1 567 |
| Other private sector and not-for-profit | 1 373 | 1 103 | 1 324 | 1 071 |
| Grants within the Victorian government | .. | .. | 1 990 | 1 760 |
| Grants to other state governments | 12 | 13 | 12 | 13 |
| **Total current grant expense** | **3 910** | **3 256** | **5 850** | **4 984** |
| **Capital grant expense** |  |  |  |  |
| Local government (including grants for on-passing) | 12 | 7 | 12 | 7 |
| Private sector and not-for-profit on-passing | 73 | 69 | 66 | 58 |
| Grants within the Victorian government | .. | .. | 22 | 6 |
| Other grants | 147 | 113 | 30 | 8 |
| **Total capital grant expense** | **232** | **190** | **131** | **80** |
| Total grant expense | 4 142 | 3 446 | 5 981 | 5 064 |

## Other operating expenses

($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| Purchase of supplies and consumables (a) | 2 512 | 2 466 | 2 009 | 2 007 |
| Cost of goods sold | 128 | 141 | 17 | 11 |
| Finance expenses and fees | 240 | 241 | 21 | 20 |
| Purchase of services (a) | 7 384 | 6 885 | 6 679 | 6 146 |
| Insurance claims expense | 3 096 | 2 807 | 139 | 134 |
| Maintenance | 720 | 693 | 388 | 406 |
| Operating lease payments | 258 | 216 | 217 | 181 |
| Other | 463 | 455 | 449 | 440 |
| Total other operating expenses | 14 802 | 13 905 | 9 919 | 9 344 |

Note:

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

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

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| Medicinal pharmacy and medical supplies (a) | 779 | 763 | 779 | 763 |
| Office supplies and consumables | 107 | 129 | 100 | 122 |
| Specialised operational supplies and consumables | 123 | 100 | 83 | 73 |
| Other purchase of supplies and consumables (a) | 1 503 | 1 475 | 1 047 | 1 048 |
| Total purchase of supplies and consumables | 2 512 | 2 466 | 2 009 | 2 007 |

Note:

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

**Purchase of services**  ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| Service contracts | 4 033 | 3 829 | 3 827 | 3 642 |
| Accommodation/occupancy | 512 | 446 | 447 | 390 |
| Medical and client care services | 194 | 167 | 194 | 167 |
| Staff related expenses (non-labour related) | 152 | 137 | 136 | 121 |
| Other purchase of services | 2 493 | 2 307 | 2 076 | 1 826 |
| Total purchases of services | 7 384 | 6 885 | 6 679 | 6 146 |

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

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

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

|  | Expenses from transactions | | Purchases of  non-financial assets | |
| --- | --- | --- | --- | --- |
| State of Victoria | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Economic Development, Jobs, Transport and Resources | 7 673 | 7 044 | 3 069 | 3 041 |
| Education and Training | 8 909 | 8 420 | 857 | 546 |
| Environment, Land, Water and Planning | 4 682 | 4 234 | 1 043 | 761 |
| Health and Human Services | 13 843 | 12 699 | 646 | 526 |
| Justice and Regulation | 3 860 | 3 480 | 364 | 514 |
| Premier and Cabinet | 397 | 262 | 9 | 8 |
| Treasury and Finance | 8 660 | 8 216 | 52 | 58 |
| Parliament | 104 | 95 | 9 | 23 |
| Courts | 313 | 283 | 22 | 33 |
| Regulatory bodies and other part budget funded agencies (a) | 1 202 | 1 140 | 103 | 84 |
| **Total** | **49 644** | **45 873** | **6 174** | **5 593** |
| *Less eliminations and adjustments (b)* | (12 148) | (11 134) | (175) | 32 |
| Grand total | 37 496 | 34 739 | 5 999 | 5 625 |

| General government sector |  |  |  |  |
| --- | --- | --- | --- | --- |
| Economic Development, Jobs, Transport and Resources | 5 191 | 4 572 | 2 882 | 2 838 |
| Education and Training | 8 909 | 8 420 | 857 | 546 |
| Environment, Land, Water and Planning | 1 759 | 1 385 | 64 | 41 |
| Health and Human Services | 13 022 | 11 954 | 486 | 418 |
| Justice and Regulation | 3 761 | 3 387 | 363 | 513 |
| Premier and Cabinet | 384 | 251 | 9 | 8 |
| Treasury and Finance | 3 508 | 3 346 | 12 | 21 |
| Parliament | 104 | 95 | 9 | 23 |
| Courts | 313 | 283 | 22 | 33 |
| Regulatory bodies and other part budget funded agencies (a) | 1 202 | 1 140 | 103 | 84 |
| **Total** | **38 154** | **34 834** | **4 807** | **4 525** |
| *Less eliminations and adjustments (b)* | (5 830) | (5 192) | 44 | 45 |
| Grand total | 32 324 | 29 642 | 4 851 | 4 570 |

Notes:

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

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

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

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

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

|  | Expenses from transactions | | Purchases of non-financial assets | | Total assets | |
| --- | --- | --- | --- | --- | --- | --- |
| State of Victoria | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 | Dec 2018 | Jun 2018 |
| General public services | 6 325 | 6 247 | 67 | 86 | 4 445 | 3 252 |
| Public order and safety | 3 859 | 3 503 | 463 | 618 | 9 780 | 9 447 |
| Economic affairs | 798 | 637 | 41 | 25 | 1 354 | 1 378 |
| Environmental protection | 359 | 305 | 47 | 21 | 11 904 | 11 917 |
| Housing and community amenities | 2 524 | 2 364 | 940 | 869 | 49 675 | 49 285 |
| Health | 9 449 | 8 844 | 459 | 410 | 15 470 | 15 245 |
| Recreation, culture and religion | 834 | 723 | 118 | 60 | 13 596 | 13 502 |
| Education | 7 775 | 7 476 | 849 | 531 | 27 855 | 27 238 |
| Social protection | 3 058 | 2 698 | 156 | 133 | 30 698 | 30 780 |
| Transport | 3 416 | 3 229 | 2 849 | 2 837 | 106 452 | 104 452 |
| Not allocated by purpose (b)(c) | (901) | (1 287) | 11 | 35 | 54 014 | 56 620 |
| Total | 37 496 | 34 739 | 5 999 | 5 625 | 325 242 | 323 114 |

| General government sector |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General public services | 2 010 | 1 868 | 27 | 50 | 2 243 | 2 259 |
| Public order and safety | 3 936 | 3 561 | 463 | 618 | 9 780 | 9 447 |
| Economic affairs | 836 | 678 | 43 | 25 | 1 292 | 1 314 |
| Environmental protection | 366 | 326 | 47 | 21 | 11 903 | 11 916 |
| Housing and community amenities | 992 | 849 | 32 | 15 | 1 797 | 1 817 |
| Health | 9 529 | 8 915 | 457 | 410 | 15 441 | 15 216 |
| Recreation, culture and religion | 438 | 337 | 32 | 35 | 7 335 | 7 347 |
| Education | 7 814 | 7 511 | 849 | 531 | 27 855 | 27 238 |
| Social protection | 2 717 | 2 367 | 38 | 37 | 2 630 | 2 580 |
| Transport | 4 049 | 3 589 | 2 819 | 2 782 | 58 200 | 57 659 |
| Not allocated by purpose (b)(c) | (361) | (360) | 45 | 45 | 125 044 | 127 501 |
| Total | 32 324 | 29 642 | 4 851 | 4 570 | 263 519 | 264 294 |

Notes:

(a) The COFOG framework has replaced the former Government Purpose Classification (GPC) framework under the new ABS GFS Manual. This was implemented for the first time in the 2018-19 Budget. Note 1.7.5 of Budget Paper No.5 of the 2018-19 Budget provides definitions and descriptions of the COFOG.

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

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

# Major assets and investments

## Introduction

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

## Structure

[4.1 Total land, buildings, infrastructure, plant and equipment 27](#_Toc535228975)

[4.2 Depreciation 28](#_Toc535228976)

[4.3 Other non-financial assets 28](#_Toc535228977)

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

($ million)

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
| Dec 2018 | Gross carrying amount | Accumulated depreciation | Carrying amount | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 55 401 | (4 490) | 50 912 | 33 632 | (2 847) | 30 785 |
| Leased buildings | 6 462 | (826) | 5 636 | 6 277 | (736) | 5 541 |
| Land and national parks | 91 556 | .. | 91 556 | 58 572 | .. | 58 572 |
| Infrastructure systems | 71 693 | (5 597) | 66 096 | 1 735 | (513) | 1 222 |
| Leased infrastructure systems | 4 798 | (475) | 4 323 | .. | .. | .. |
| Plant, equipment and vehicles | 13 190 | (5 826) | 7 365 | 6 798 | (4 192) | 2 606 |
| Leased plant, equipment and vehicles | 1 505 | (409) | 1 097 | 571 | (294) | 277 |
| Roads and road infrastructure | 42 722 | (20 454) | 22 268 | 42 616 | (20 443) | 22 173 |
| Leased roads and road infrastructure | 584 | (33) | 551 | 584 | (33) | 551 |
| Earthworks | 8 039 | .. | 8 039 | 8 039 | .. | 8 039 |
| Cultural assets | 5 891 | (182) | 5 709 | 5 828 | (182) | 5 646 |
| Total land, buildings, infrastructure, plant and equipment | 301 843 | (38 291) | 263 552 | 164 651 | (29 240) | 135 411 |

| Jun 2018 | Gross carrying amount | Accumulated depreciation | Carrying amount | Gross carrying amount | Accumulated depreciation | Carrying amount |
| --- | --- | --- | --- | --- | --- | --- |
| Buildings | 54 340 | (3 778) | 50 562 | 32 525 | (2 293) | 30 232 |
| Leased buildings | 6 416 | (728) | 5 688 | 6 242 | (643) | 5 600 |
| Land and national parks | 91 486 | .. | 91 486 | 58 442 | .. | 58 442 |
| Infrastructure systems | 68 500 | (4 360) | 64 140 | 1 840 | (487) | 1 353 |
| Leased infrastructure systems | 4 801 | (436) | 4 366 | .. | .. | .. |
| Plant, equipment and vehicles | 13 259 | (5 533) | 7 726 | 6 561 | (4 024) | 2 538 |
| Leased plant, equipment and vehicles | 1 048 | (335) | 714 | 519 | (279) | 240 |
| Roads and road infrastructure | 41 732 | (20 140) | 21 592 | 41 627 | (20 132) | 21 496 |
| Leased roads and road infrastructure | 584 | (28) | 556 | 584 | (28) | 556 |
| Earthworks | 8 039 | .. | 8 039 | 8 039 | .. | 8 039 |
| Cultural assets | 5 882 | (172) | 5 709 | 5 818 | (172) | 5 646 |
| Total land, buildings, infrastructure, plant and equipment | 296 087 | (35 510) | 260 578 | 162 198 | (28 058) | 134 141 |

## Depreciation

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| Buildings | 809 | 822 | 573 | 576 |
| Leased buildings | 98 | 70 | 93 | 67 |
| Infrastructure systems | 708 | 671 | 26 | 17 |
| Leased infrastructure systems | 41 | 41 | .. | .. |
| Plant, equipment and vehicles | 431 | 436 | 270 | 256 |
| Leased plant, equipment and vehicles | 16 | 14 | 16 | 14 |
| Roads and road infrastructure | 314 | 306 | 312 | 305 |
| Leased roads and road infrastructure | 5 | 5 | 5 | 5 |
| Cultural assets | 10 | 10 | 10 | 10 |
| Intangible produced assets | 105 | 103 | 66 | 63 |
| Total depreciation | 2 535 | 2 478 | 1 369 | 1 312 |

## Other non-financial assets

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
| Intangible produced assets | 3 244 | 3 143 | 2 009 | 1 946 |
| Accumulated depreciation | (1 771) | (1 700) | (1 063) | (1 010) |
| Intangible non-produced assets | 896 | 901 | 119 | 118 |
| Accumulated amortisation | (284) | (276) | (42) | (39) |
| **Total intangibles** | **2 084** | **2 070** | **1 022** | **1 015** |
| Investment properties | 194 | 194 | 186 | 186 |
| Biological assets | 58 | 58 | 2 | 2 |
| Other assets | 1 100 | 679 | 1 079 | 669 |
| **Total other non-financial assets** | **3 437** | **3 001** | **2 289** | **1 872** |

# Financing state operations

## Introduction

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

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

## Structure

[5.1 Borrowings 29](#_Toc503875414)

[5.2 Cash flow information and balances 30](#_Toc503875415)

[5.3 Advances paid and investments, loans and placements 31](#_Toc503875416)

[5.4 Interest expense 31](#_Toc503875417)

[5.5 Commitments 32](#_Toc503875418)

## Borrowings

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
| **Current borrowings** |  |  |  |  |
| Domestic borrowings | 2 118 | 4 932 | 4 127 | 3 613 |
| Finance lease liabilities | 450 | 469 | 266 | 285 |
| Derivative financial instruments | 567 | 337 | 9 | 9 |
| **Total current borrowings** | **3 135** | **5 738** | **4 403** | **3 907** |
| **Non-current borrowings** |  |  |  |  |
| Domestic borrowings | 37 214 | 33 807 | 19 018 | 20 002 |
| Foreign currency borrowings | 139 | 133 | .. | .. |
| Finance lease liabilities | 9 604 | 9 736 | 9 448 | 9 490 |
| Derivative financial instruments | 473 | 356 | 105 | 107 |
| **Total non-current borrowings** | **47 430** | **44 032** | **28 572** | **29 599** |
| **Total borrowings** | **50 564** | **49 771** | **32 974** | **33 506** |

## Cash flow information and balances

Reconciliation of cash and cash equivalents ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| Cash | 1 894 | 1 844 | 1 522 | 1 405 |
| Deposits at call | 4 876 | 3 992 | 3 045 | 2 587 |
| **Cash and cash equivalents** | **6 770** | **5 835** | **4 567** | **3 992** |
| Bank overdraft | (2) | .. | .. | .. |
| Balances as per cash flow statement | 6 768 | 5 835 | 4 567 | 3 992 |

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

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Dec 2017 | Dec 2018 | Dec 2017 |
| **Net result** | **(4 738)** | **2 070** | **(189)** | **868** |
| **Non-cash movements** |  |  |  |  |
| Depreciation and amortisation | 2 556 | 2 498 | 1 372 | 1 314 |
| Revaluation of investments | 2 462 | (881) | 73 | (38) |
| Assets (received)/provided free of charge | (21) | (34) | 29 | 3 |
| Assets not previously/no longer recognised | (1) |  | (1) |  |
| Revaluation of assets | 11 | 3 | 1 | 3 |
| Discount/premium on other financial assets/borrowings | (99) | (110) | 1 | 1 |
| Unrealised (gains)/losses on borrowings | 46 | (393) |  |  |
| Discounting of assets and liabilities | (3) |  | (3) |  |
| **Movements included in investing and financing activities** |  |  |  |  |
| Net gain/loss from sale of investments | 328 | (358) | 1 | (1) |
| Net gain/loss from sale of non-financial assets | 58 | (34) | 50 | (21) |
| Realised gains/losses on borrowings | 8 | 10 |  |  |
| **Movements in assets and liabilities** |  |  |  |  |
| Increase/(decrease) in provision for doubtful debts | 239 | 4 | 241 | 4 |
| Increase/(decrease) in payables | 3 098 | 803 | 2 290 | (284) |
| Increase/(decrease) in employee benefits | 97 | 42 | 121 | 49 |
| Increase/(decrease) in superannuation | 312 | 294 | 304 | 297 |
| Increase/(decrease) in other provisions | 3 133 | 298 | 23 | (286) |
| (Increase)/decrease in receivables | (463) | (399) | 230 | 121 |
| (Increase)/decrease in other non-financial assets | (429) | (318) | (411) | (295) |
| **Net cash flows from operating activities** | **6 594** | **3 497** | **4 132** | **1 736** |

## Advances paid and investments, loans and placements

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
| **Current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 27 | 29 | 799 | 1 875 |
| Equities and managed investment schemes | 1 176 | 1 796 | 1 132 | 1 180 |
| Australian dollar term deposits | 396 | 1 361 | 1 237 | 1 243 |
| Debt securities | 2 686 | 5 007 | 3 | 2 |
| Derivative financial instruments | 391 | 442 | 9 | 9 |
| **Total current advances paid and investments, loans and placements** | **4 677** | **8 635** | **3 180** | **4 309** |
| **Non-current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 362 | 349 | 8 119 | 8 144 |
| Equities and managed investment schemes | 30 921 | 30 843 | 1 027 | 798 |
| Australian dollar term deposits | 2 294 | 292 | 526 | 663 |
| Debt securities | 2 437 | 2 327 | 27 | 29 |
| Derivative financial instruments | 266 | 267 | 3 | 3 |
| **Total non-current advances paid and investments, loans and placements** | **36 280** | **34 078** | **9 703** | **9 637** |
| **Total advances paid and investments, loans and placements** | **40 957** | **42 713** | **12 883** | **13 947** |
| **Represented by:** |  |  |  |  |
| Advances paid | 389 | 378 | 8 918 | 10 019 |
| Investments, loans and placements | 40 568 | 42 336 | 3 965 | 3 928 |

## Interest expense

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| Interest on interest-bearing liabilities | 863 | 889 | 594 | 568 |
| Finance charges on finance leases | 430 | 436 | 422 | 424 |
| Discount interest on payables | 33 | 21 | 17 | 17 |
| Total interest expense | 1 326 | 1 346 | 1 033 | 1 009 |

## 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 *2017-18 Financial Report* for the State of Victoria (notes 5.6 and 5.7) should be made for details of commitments as at 30 June 2018.

As at 31 December 2018, the following additional material commitments were recorded for the State of Victoria.

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

* In July 2018, the State contracted with Aurecon Jacobs Mott MacDonald joint venture to provide technical advisory services for the Melbourne Airport Rail Link to July 2024, with options to extend. The initial phase of the contracted works to be delivered is estimated at $55 million.
* In July 2018, Victoria Policeentered into a contract with Serco Citizen Services Pty Ltd to provide information technology services for seven years. The total cost of the contract is $178 million.
* In July 2018, the State entered into a new contract with Lendlease Services Pty Ltd for the provision of management and maintenance services for the communications network and freeway management assets along the Victorian managed motorway network to June 2026. The total cost of the contract is $66 million.
* In July 2018, the State entered into a contract with CPB Contractors Pty Ltd for the external painting of the steel sections of the West Gate Bridge. The total cost of the contract is $65 million and is expected to be completed by October 2021.
* In August 2018, the State entered into a contract with Bombardier Transportation Australia Pty Ltd for Stage 4 of the E-Class Trams procurement.   
  The total cost of the contract is $51 million and is expected to be completed in 2022.
* In August 2018, a contract adjustment of $397 million was approved for the road network maintenance alliance agreement for the North Eastern Region with Downer EDI Works. The contract remains due for completion in 2020.
* In September 2018, the State entered into a Project Alliance Agreement with CPB Contractors and John Holland Joint Venture, AECOM and Metro Trains Melbourne to deliver the Metro Tunnel – Rail Infrastructure package. The total cost of the contract is $1.1 billion, and works are expected to be completed by the end of 2025.
* In September 2018, South East Water Corporation entered into a contract with John Holland Pty Ltd, SUEZ Water Pty Ltd and Beca Pty Ltd for the Boneo Water Recycling Plant capacity upgrade – Stage 4. The total outstanding commitment for this is $106 million and is expected to be completed by 2020 for Stage A and 2022 for Stage B.
* In October 2018, Victoria Police entered into a contract with both SkyTraders Pty Ltd and Starflight Victoria Pty Ltd for the provision of aircraft, aircraft systems and aircraft support services for the fixed and rotary wings respectively for the next 12 years. The total cost of the contract is $387 million.
* In October 2018, the State entered into a new contract with Downer EDI Works for the provision of maintenance services of road, roadside and structural assets in Western Metropolitan Melbourne to June 2021.   
  The total cost of the contract is $50 million.
* In December 2018, an increased target budget, by $200 million, was approved to reflect additional costs associated with design changes as part of the agreement with John Holland as Managing Contractor to execute the Metro Tunnel Early Works.

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

# Other assets and liabilities

## Introduction

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

## Structure

[6.1 Inventories 33](#_Toc2243437)

[6.2 Receivables 33](#_Toc2243438)

[6.3 Payables 34](#_Toc2243439)

[6.4 Superannuation 34](#_Toc2243440)

[6.5 Other provisions 35](#_Toc2243441)

## Inventories

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
| **At cost** |  |  |  |  |
| Raw materials | 9 | 8 | 8 | 7 |
| Work in progress | 43 | 19 | 2 | 1 |
| Finished goods | 74 | 70 | 2 | 3 |
| Consumable stores | 222 | 214 | 151 | 149 |
| Land and other assets held as inventory | 723 | 728 | 14 | 14 |
| **At net realisable value** |  |  |  |  |
| Finished goods | 1 | 5 | .. | .. |
| Consumable stores | 6 | 5 | .. | .. |
| **Total inventories** | **1 078** | **1 050** | **177** | **175** |

## Receivables

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
| **Contractual** |  |  |  |  |
| Sales of goods and services | 1 550 | 1 307 | 975 | 682 |
| Accrued investment income | 54 | 50 | 20 | 19 |
| Other receivables | 2 310 | 1 569 | 740 | 675 |
| Provision for doubtful contractual receivables | (172) | (174) | (108) | (108) |
| **Statutory** |  |  |  |  |
| Sales of goods and services | 6 | 5 | 3 | 3 |
| Taxes receivables | 2 259 | 3 031 | 2 330 | 3 153 |
| Fines and regulatory fees | 2 756 | 2 510 | 2 756 | 2 510 |
| GST input tax credits recoverable | 1 236 | 1 197 | 431 | 443 |
| Other receivables | 22 | 22 | .. | .. |
| Provision for doubtful statutory receivables | (1 409) | (1 169) | (1 409) | (1 169) |
| **Other** |  |  |  |  |
| Actuarially determined | 379 | 415 | .. | .. |
| **Total receivables** | **8 989** | **8 764** | **5 738** | **6 208** |
| **Represented by:** |  |  |  |  |
| Current receivables | 7 675 | 7 552 | 5 422 | 5 890 |
| Non-current receivables | 1 314 | 1 212 | 315 | 318 |

## Payables

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
| **Contractual** |  |  |  |  |
| Accounts payable | 2 047 | 2 674 | 1 341 | 1 542 |
| Accrued expenses | 2 561 | 3 308 | 2 083 | 2 814 |
| Unearned income | 16 304 | 12 170 | 5 222 | 2 298 |
| **Statutory** |  |  |  |  |
| Accrued taxes payable | 72 | 92 | 49 | 60 |
| **Total payables** | **20 984** | **18 243** | **8 694** | **6 713** |
| **Represented by:** |  |  |  |  |
| Current payables | 7 967 | 7 825 | 4 140 | 4 856 |
| Non-current payables | 13 016 | 10 418 | 4 554 | 1 856 |

## Superannuation

($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | Dec 2018 | Jun 2018 |
| Current liability | 1 079 | 1 080 |
| Non-current liability | 25 548 | 24 153 |
| **Total superannuation liability** | **26 627** | **25 233** |
| **Represented by:** |  |  |
| Emergency Services and State Super | 25 364 | 24 037 |
| Other funds | 1 263 | 1 197 |

## Other provisions

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
| **Provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 2 316 | 2 245 | .. | .. |
| Transport Accident Commission | 1 533 | 1 448 | .. | .. |
| Victorian Managed Insurance Authority | 380 | 370 | .. | .. |
| Other agencies | 46 | 36 | 43 | 32 |
| **Current provision for insurance claims** | **4 276** | **4 099** | **43** | **32** |
| Other provisions | 398 | 395 | 309 | 305 |
| **Total current other provisions** | **4 673** | **4 493** | **352** | **337** |
| **Non-current provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 12 235 | 11 452 | .. | .. |
| Transport Accident Commission | 15 933 | 13 852 | .. | .. |
| Victorian Managed Insurance Authority | 1 600 | 1 520 | .. | .. |
| Other agencies | 56 | 53 | 56 | 52 |
| **Non-current provision for insurance claims** | **29 824** | **26 878** | **56** | **52** |
| Other provisions | 656 | 654 | 646 | 644 |
| **Total non-current other provisions** | **30 480** | **27 532** | **701** | **697** |
| **Total other provisions** | **35 154** | **32 025** | **1 053** | **1 034** |

# Risks and contingencies

## Introduction

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

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

## Financial instruments

Note 7.1 Financial instruments in the *2017-18 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.

AASB 9 *Financial Instruments,* which came into effect in 2018-19 (including this financial report) simplifies the classification and measurement of financial assets. Financial assets previously classified as fair value through profit or loss, loans and receivables, held to maturity and available for sale under AASB 139, are now classified as fair value through profit or loss, fair value through other comprehensive income and amortised cost under AASB 9. In addition, AASB 9 replaces the ‘incurred losses’ approach with the ‘expected credit loss’ (ECL) model to assess any impairment losses.

The measurement difference between the two standards is not considered to be material for the general government sector.

## 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 *2017-18 Financial Report* for the State of Victoria (note 7.2) for details of contingent assets as at 30 June 2018.

There were no 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 *2017-18 Financial Report* for the State of Victoria (note 7.2) for details of contingent liabilities as at 30 June 2018.

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

### Cladding rectification works – government buildings

The 2014 fire at the Lacrosse apartment building in Melbourne’s Docklands, and the Grenfell fire in London in June 2017, highlighted the fire safety risks from the non‑compliant use of exterior cladding on buildings. Subsequent investigations, and the February 2019 fire at the Neo200 tower on Spencer Street, Melbourne, have highlighted that dangerous materials are widely used on buildings throughout Victoria.

The Victorian Government Cladding Taskforce is investigating the extent of non-compliant cladding on all buildings statewide.

On behalf of the Cladding Taskforce, the Victorian Building Authority is undertaking a whole of government building audit to assess the extent of non-compliant cladding on all government-owned buildings.

The building audit has identified a number of government-owned buildings that may require rectification. These buildings are being risk-assessed to inform the extent of rectification works required. The expected cost for rectifying the non-compliant cladding is unknown at this time.

### Victorian Workcover Authority – claims provision

A matter relating to the level of impairment assessment for an injured worker that had undergone spinal fusion surgery was heard in the Supreme Court on 6 August 2018. On 3 October 2018, the court ruled that the initial medical panel decision be remitted to a newly constituted medical panel for reassessment. WorkSafe has lodged an application to seek leave to appeal this decision.

Should the court rule against WorkSafe, there may be an increase in the outstanding claims liability, the amount of which is unable to be reliably quantified at the time of publication of this report.

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

# Public account

## Introduction

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

## Structure

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

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

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

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

## Consolidated fund receipts and payments

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual  to Dec |  | actual  to Dec | revised  budget |
| 11 077 | Taxation | 11 713 | 24 275 |
| 382 | Fines and regulatory fees | 380 | 896 |
| 9 284 | Grants received | 10 547 | 22 880 |
| 3 390 | Sales of goods and services (a) | 6 291 | 9 865 |
| 228 | Interest received | 224 | 491 |
| 471 | Dividends, income tax equivalent and rate equivalent receipts | 351 | 963 |
| 60 | Other receipts (a) | 322 | 952 |
| **24 892** | **Total operating activities** | **29 829** | **60 322** |
| 1 000 | Total inflows from investing and financing | 1 263 | 3 656 |
| **25 892** | **Total receipts** | **31 092** | **63 978** |
|  | **Payments to departments** |  |  |
| 5 271 | Economic Development, Jobs, Transport and Resources | 5 712 | 13 419 |
| 6 913 | Education and Training | 7 487 | 14 678 |
| 1 063 | Environment, Land, Water and Planning | 1 560 | 2 975 |
| 8 597 | Health and Human Services | 9 614 | 18 415 |
| 3 753 | Justice and Regulation | 3 981 | 8 131 |
| 237 | Premier and Cabinet | 384 | 822 |
| 3 156 | Treasury and Finance | 3 823 | 7 761 |
| 117 | Parliament | 112 | 231 |
| 287 | Courts | 325 | 735 |
| **29 394** | **Total payments** | **32 997** | **67 168** |
| (3 501) | Net receipts/(payments) | (1 905) | (3 190) |

Note:

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

## Trust fund statement cash flows

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual  to Dec |  | actual  to Dec | revised budget |
|  | **Cash flows from operating activities** |  |  |
| 276 | Taxation | 299 | 385 |
| 37 | Regulatory fees and fines | 43 | 55 |
| 7 894 | Grants received | 8 791 | 17 128 |
| 104 | Sale of goods and services (a) | 170 | 493 |
| 106 | Interest received | 97 | 168 |
| 12 | Dividends received | 17 | 63 |
| 1 851 | Net transfers from consolidated fund | 1 956 | 3 283 |
| 72 | Other receipts (a) | 119 | 96 |
| **10 350** | **Total receipts** | **11 491** | **21 672** |
| (103) | Payments for employees | (136) | (229) |
| (9) | Superannuation | (11) | (16) |
| (2) | Interest paid | (4) | (6) |
| (9 081) | Grants and subsidies | (10 123) | (20 398) |
| (888) | Goods and services | (1 003) | (1 578) |
| **(10 082)** | **Total payments** | **(11 277)** | **(22 226)** |
| **268** | **Net cash flows from operating activities** | **214** | **(555)** |
|  | **Cash flows from investing activities** |  |  |
| (13) | Purchases of property, plant and equipment | (11) | (54) |
| 24 | Proceeds from sale of property, plant and equipment | 32 | 52 |
| 980 | Net proceeds from customer loans | 1 072 | 1 551 |
| (985) | Other investing activities | (1 132) | (1 898) |
| **6** | **Net cash flows from investing activities** | **(38)** | **(348)** |
|  | **Cash flows from financing activities** |  |  |
| (427) | Net proceeds (repayments) from borrowings | (556) | (579) |
| **(427)** | **Net cash flows from financing activities** | **(556)** | **(579)** |
| (152) | Net cash inflow/(outflow) | (380) | (1 481) |

Note:

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

## Reconciliation of cash flows to balances held

($ million)

|  | Balances  held at  30 Jun 2018 | Dec movement  YTD | Balances  held at  31 Dec 2019 |
| --- | --- | --- | --- |
| **Cash and deposits** |  |  |  |
| Cash and balances outside of the Public Account | (1) | .. | .. |
| Deposits held with the Public Account – specific trusts | 697 | (97) | 600 |
| Other balances held in the Public Account | 3 212 | (2 599) | 612 |
| **Total cash and deposits** | **3 908** | **(2 696)** | **1 212** |
| **Investments** |  |  |  |
| Investments held with the Public Account – specific trusts | 1 500 | .. | 1 500 |
| **Total investments** | **1 500** | **..** | **1 500** |
| **Total fund balances** | **5 409** | **(2 696)** | **2 713** |
| **Less funds held outside the public account** |  |  |  |
| Cash | (1) | .. | .. |
| **Total fund balances held outside the Public Account** | **(1)** | **..** | **..** |
| Total fund balances held in the Public Account (a) | 5 409 | (2 696) | 2 713 |

Note:

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

## Details of securities held in the Public Account

($ million)

| 2017-18 |  | 2018-19 | |
| --- | --- | --- | --- |
| actual  31 Dec |  | opening 1 Jul | actual  31 Dec |
| 2 159 | Amounts invested on behalf of specific trust accounts (a) | 2 198 | 2 101 |
| (730) | General account balances | 3 211 | 612 |
| **1 430** | **Total Public Account (a)** | **5 409** | **2 713** |
|  | **Represented by:** |  |  |
| 796 | Stock, securities, cash and investments (a) | 3 630 | 1 780 |
|  | Add cash advanced for: |  |  |
| .. | Temporary Advance from the Treasury Corporation of Victoria to the Consolidated Fund pursuant to Section 38 of the *Financial Management Act 1994* | 850 | .. |
| 633 | Advances pursuant to sections 36 and 37 of the *Financial Management Act 1994* | 929 | 934 |
| 1 430 | Total Public Account (a) | 5 409 | 2 713 |

Note:

(a) The December 2017 comparative figures have been restated to reflect more current information.

# Other disclosures

## Introduction

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

## Structure

[9.1 Disaggregated information 42](#_Toc505587033)

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

[9.3 Controlled entities 50](#_Toc505587035)

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

## Disaggregated information

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

|  | General  government sector | | Public non-financial corporations | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| **Revenue from transactions** |  |  |  |  |
| Taxation revenue | 10 945 | 10 708 | .. | .. |
| Interest revenue | 417 | 415 | 63 | 78 |
| Dividends, income tax equivalent and rate equivalent revenue | 330 | 433 | 4 | 5 |
| Sales of goods and services | 3 849 | 3 637 | 3 108 | 3 007 |
| Grant revenue | 15 801 | 14 227 | 2 013 | 1 766 |
| Other revenue | 1 348 | 1 170 | 427 | 417 |
| **Total revenue from transactions** | **32 689** | **30 591** | **5 615** | **5 273** |
| **Expenses from transactions** |  |  |  |  |
| Employee expenses | 12 294 | 11 296 | 669 | 633 |
| Net superannuation interest expense | 347 | 360 | .. | .. |
| Other superannuation | 1 382 | 1 255 | 64 | 60 |
| Depreciation | 1 369 | 1 312 | 1 145 | 1 144 |
| Interest expense | 1 033 | 1 009 | 495 | 536 |
| Grant expense | 5 981 | 5 064 | 257 | 196 |
| Other operating expenses | 9 919 | 9 344 | 2 946 | 2 780 |
| Other property expenses | .. | .. | 135 | 128 |
| **Total expenses from transactions** | **32 324** | **29 642** | **5 711** | **5 477** |
| **Net result from transactions – net operating balance** | **365** | **950** | **(95)** | **(204)** |
| **Other economic flows included in net result** |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | (50) | 21 | (8) | 13 |
| Net gain/(loss) on financial assets or liabilities at fair value | (199) | 39 | .. | 1 |
| Share of net profit/(loss) from associates/joint venture entities | .. | .. | .. | 38 |
| Other gains/(losses) from other economic flows | (305) | (141) | 83 | 118 |
| **Total other economic flows included in net result** | **(554)** | **(81)** | **75** | **170** |
| **Net result** | **(189)** | **868** | **(20)** | **(34)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |
| Changes in non-financial assets revaluation surplus | 2 | (2) | (6) | 35 |
| Remeasurement of superannuation defined benefits plans | (1 091) | 759 | 10 | 4 |
| Other movements in equity | 14 | (107) | (4) | (55) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | (48) | 25 | (22) | 24 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | (1 240) | 686 | .. | .. |
| **Total other economic flows – other comprehensive income** | **(2 362)** | **1 360** | **(22)** | **8** |
| **Comprehensive result – total change in net worth** | **(2 551)** | **2 229** | **(42)** | **(26)** |
|  |  |  |  |  |
| **FISCAL AGGREGRATES** |  |  |  |  |
| **Net operating balance** | **365** | **950** | **(95)** | **(204)** |
| **Net acquisition of non-financial assets from transactions** |  |  |  |  |
| Purchases of non-financial assets (including change in inventories) | 4 939 | 4 571 | 1 177 | 1 020 |
| Less: Sales of non-financial assets | (84) | (96) | (79) | (68) |
| Less: Depreciation and amortisation | (1 369) | (1 312) | (1 145) | (1 144) |
| Plus/(less): Other movements in non-financial assets | (1 822) | (1 412) | 1 854 | 1 909 |
| **Less: Net acquisition of non-financial assets from transactions** | **1 664** | **1 751** | **1 806** | **1 717** |
| **Net lending/(borrowing)** | **(1 299)** | **(801)** | **(1 901)** | **(1 921)** |

| Public  financial corporations | | Inter-sector  eliminations | | State of Victoria | |
| --- | --- | --- | --- | --- | --- |
| 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |  |
| .. | .. | (211) | (184) | 10 734 | 10 524 |
| 976 | 961 | (1 117) | (1 118) | 339 | 337 |
| 1 811 | 843 | (301) | (414) | 1 845 | 867 |
| 2 450 | 2 291 | (1 725) | (1 597) | 7 683 | 7 338 |
| .. | .. | (2 476) | (1 875) | 15 338 | 14 119 |
| 10 | 12 | (29) | .. | 1 755 | 1 599 |
| **5 247** | **4 107** | **(5 859)** | **(5 189)** | **37 694** | **34 783** |
|  |  |  |  |  |  |
| 169 | 172 | (248) | (226) | 12 883 | 11 875 |
| .. | .. | .. | .. | 347 | 360 |
| 14 | 14 | .. | .. | 1 460 | 1 328 |
| 20 | 21 | .. | .. | 2 535 | 2 478 |
| 916 | 919 | (1 117) | (1 118) | 1 326 | 1 346 |
| 485 | 115 | (2 580) | (1 929) | 4 142 | 3 446 |
| 3 550 | 3 282 | (1 613) | (1 501) | 14 802 | 13 905 |
| (4) | 362 | (131) | (490) | .. | .. |
| **5 150** | **4 884** | **(5 689)** | **(5 264)** | **37 496** | **34 739** |
| **98** | **(777)** | **(170)** | **76** | **198** | **44** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | (58) | 34 |
| (2 768) | 1 544 | .. | .. | (2 966) | 1 583 |
| .. | .. | .. | .. | .. | 38 |
| (416) | 514 | (1 273) | (120) | (1 912) | 371 |
| **(3 183)** | **2 058** | **(1 273)** | **(120)** | **(4 936)** | **2 026** |
| **(3 086)** | **1 280** | **(1 443)** | **(44)** | **(4 738)** | **2 070** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | .. | (2) | (5) | (6) | 27 |
| .. | .. | .. | .. | (1 081) | 763 |
| .. | 2 | .. | .. | 11 | (161) |
|  |  |  |  |  |  |
| .. | .. | .. | .. | (70) | 49 |
| .. | .. | 1 240 | (686) | .. | .. |
| **..** | **2** | **1 238** | **(691)** | **(1 146)** | **679** |
| **(3 086)** | **1 282** | **(206)** | **(736)** | **(5 884)** | **2 749** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **98** | **(777)** | **(170)** | **76** | **198** | **44** |
|  |  |  |  |  |  |
| 40 | 37 | (62) | .. | 6 094 | 5 629 |
| .. | (1) | .. | 1 | (164) | (164) |
| (20) | (21) | .. | .. | (2 535) | (2 478) |
| .. | .. | 29 | .. | 60 | 497 |
| **19** | **15** | **(33)** | **1** | **3 455** | **3 484** |
| **78** | **(792)** | **(136)** | **75** | **(3 258)** | **(3 439)** |

Disaggregated balance sheet as at 31 December ($ million)

|  | General  government sector | | Public non-financial  corporations | |
| --- | --- | --- | --- | --- |
|  | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
| **Assets** |  |  |  |  |
| **Financial assets** |  |  |  |  |
| Cash and deposits | 4 567 | 6 257 | 1 271 | 1 419 |
| Advances paid | 8 918 | 10 019 | 4 267 | 5 345 |
| Receivables | 5 738 | 6 208 | 1 790 | 1 827 |
| Investments, loans and placements | 3 965 | 3 928 | 1 255 | 1 281 |
| Loans receivable from non-financial public sector (a) | .. | .. | .. | .. |
| Investments accounted for using the equity method | 53 | 53 | .. | .. |
| Investments in other sector entities | 102 040 | 101 253 | .. | .. |
| **Total financial assets** | **125 281** | **127 717** | **8 582** | **9 872** |
| **Non-financial assets** |  |  |  |  |
| Inventories | 177 | 175 | 901 | 875 |
| Non-financial assets held for sale | 361 | 389 | 45 | 72 |
| Land, buildings, infrastructure, plant and equipment | 135 411 | 134 141 | 128 032 | 126 329 |
| Other non-financial assets | 2 289 | 1 872 | 1 397 | 1 393 |
| **Total non-financial assets** | **138 238** | **136 577** | **130 375** | **128 670** |
| **Total assets** | **263 519** | **264 294** | **138 957** | **138 542** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 5 491 | 6 700 | 4 715 | 5 787 |
| Payables | 8 694 | 6 713 | 9 975 | 10 417 |
| Borrowings | 32 974 | 33 506 | 16 667 | 16 444 |
| Employee benefits | 7 141 | 7 020 | 436 | 442 |
| Superannuation | 26 600 | 25 205 | 27 | 28 |
| Other provisions | 1 053 | 1 034 | 8 098 | 8 212 |
| **Total liabilities** | **81 954** | **80 178** | **39 918** | **41 330** |
| **Net assets (b)** | **181 565** | **184 116** | **99 039** | **97 212** |
| Accumulated surplus/(deficit) | 51 256 | 52 574 | 3 253 | 3 333 |
| Reserves | 130 310 | 131 543 | 95 787 | 93 879 |
| **Net worth (b)** | **181 565** | **184 116** | **99 039** | **97 212** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net financial worth | 43 327 | 47 540 | (31 336) | (31 458) |
| Net financial liabilities | 58 713 | 53 713 | 31 336 | 31 458 |
| Net debt | 21 015 | 20 003 | 14 590 | 14 187 |

Notes:

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

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

| Public  financial corporations | | Inter-sector  eliminations | | State of Victoria | |
| --- | --- | --- | --- | --- | --- |
| Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 | Dec 2018 | Jun 2018 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 4 915 | 5 554 | (3 983) | (6 736) | 6 770 | 6 494 |
| 12 | 18 | (12 807) | (15 005) | 389 | 378 |
| 1 997 | 1 455 | (536) | (726) | 8 989 | 8 764 |
| 37 280 | 39 279 | (1 932) | (2 151) | 40 568 | 42 336 |
| 34 148 | 33 524 | (34 148) | (33 524) | .. | .. |
| .. | .. | .. | .. | 53 | 53 |
| .. | .. | (102 040) | (101 253) | .. | .. |
| **78 352** | **79 829** | **(155 446)** | **(159 394)** | **56 769** | **58 024** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 1 078 | 1 050 |
| .. | .. | .. | .. | 406 | 462 |
| 109 | 108 | .. | .. | 263 552 | 260 578 |
| 2 064 | 885 | (2 313) | (1 149) | 3 437 | 3 001 |
| **2 173** | **993** | **(2 313)** | **(1 149)** | **268 473** | **265 090** |
| **80 525** | **80 822** | **(157 759)** | **(160 544)** | **325 242** | **323 114** |
|  |  |  |  |  |  |
| 5 378 | 7 644 | (13 395) | (17 800) | 2 190 | 2 331 |
| 2 961 | 1 951 | (647) | (837) | 20 984 | 18 243 |
| 40 433 | 39 472 | (39 510) | (39 652) | 50 564 | 49 771 |
| 90 | 109 | .. | .. | 7 668 | 7 570 |
| .. | .. | .. | .. | 26 627 | 25 233 |
| 34 003 | 30 895 | (8 000) | (8 115) | 35 154 | 32 025 |
| **82 866** | **80 070** | **(61 552)** | **(66 404)** | **143 186** | **135 173** |
| **(2 341)** | **751** | **(96 207)** | **(94 139)** | **182 056** | **187 941** |
| (2 410) | 684 | 20 256 | 21 534 | 72 354 | 78 125 |
| 69 | 67 | (116 463) | (115 673) | 109 702 | 109 816 |
| **(2 341)** | **751** | **(96 207)** | **(94 139)** | **182 056** | **187 941** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| (4 514) | (241) | (93 894) | (92 990) | (86 417) | (77 149) |
| 4 514 | 241 | (8 146) | (8 262) | 86 417 | 77 149 |
| (30 542) | (31 259) | (35) | (36) | 5 027 | 2 894 |

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

|  | General  government sector | | | Public non-financial corporations | |
| --- | --- | --- | --- | --- | --- |
|  | 2018 | | 2017 | 2018 | 2017 |
| **Cash flows from operating activities** |  | |  |  |  |
| **Receipts** |  | |  |  |  |
| Taxes received | 11 644 | | 10 999 | .. | .. |
| Grants | 15 805 | | 14 226 | 2 026 | 1 785 |
| Sales of goods and services (a) | 6 922 | | 4 077 | 3 347 | 3 267 |
| Interest received | 412 | | 416 | 73 | 78 |
| Dividends, income tax equivalent and rate equivalent receipts | 380 | | 477 | 4 | 5 |
| Other receipts | 872 | | 909 | 203 | 108 |
| **Total receipts** | **36 034** | | **31 104** | **5 653** | **5 242** |
| **Payments** |  | |  |  |  |
| Payments for employees | (12 204) | | (11 228) | (676) | (638) |
| Superannuation | (1 425) | | (1 318) | (56) | (62) |
| Interest paid | (1 021) | | (990) | (503) | (535) |
| Grants and subsidies | (6 135) | | (5 455) | (34) | (35) |
| Goods and services (a) | (10 703) | | (9 984) | (2 319) | (2 049) |
| Other payments | (414) | | (393) | (1 376) | (1 224) |
| **Total payments** | **(31 902)** | | **(29 368)** | **(4 963)** | **(4 544)** |
| **Net cash flows from operating activities** | **4 132** | | **1 736** | **691** | **698** |
| **Cash flows from investing activities** |  | |  |  |  |
| **Cash flows from investments in non-financial assets** |  | |  |  |  |
| Purchases of non-financial assets | (4 851) | | (4 570) | (1 170) | (1 019) |
| Sales of non-financial assets | 84 | | 96 | 79 | 68 |
| **Net cash flows from investments in non-financial assets** | **(4 767)** | | **(4 473)** | **(1 091)** | **(951)** |
| Net cash flows from investments in financial assets for policy purposes | 886 | | 718 | 1 062 | 1 008 |
| **Sub-total** | **(3 881)** | | **(3 756)** | **(30)** | **56** |
| Net cash flows from investments in financial assets for liquidity management purposes | | (158) | (426) | (1) | (82) |
| **Net cash flows from investing activities** | **(4 039)** | | **(4 181)** | **(31)** | **(25)** |
| **Cash flows from financing activities** |  | |  |  |  |
| Advances received (net) | (1 174) | | (937) | (1 080) | (984) |
| Net borrowings | (573) | | 1 744 | 225 | 390 |
| Deposits received (net) | (35) | | 101 | 8 | 27 |
| Other financing (net) | .. | | .. | 37 | 2 |
| **Net cash flows from financing activities** | **(1 782)** | | **908** | **(810)** | **(565)** |
| **Net increase/(decrease) in cash and cash equivalents** | **(1 690)** | | **(1 537)** | **(150)** | **108** |
| Cash and cash equivalents at beginning of reporting period | 6 257 | | 5 530 | 1 419 | 1 153 |
| **Cash and cash equivalents at end of the reporting period (b)** | **4 567** | | **3 992** | **1 268** | **1 261** |
|  |  | |  |  |  |
| **FISCAL AGGREGATES** |  | |  |  |  |
| Net cash flows from operating activities | 4 132 | | 1 736 | 691 | 698 |
| Dividends paid | .. | | .. | (158) | (228) |
| Net cash flows from investments in non-financial assets | (4 767) | | (4 473) | (1 091) | (951) |
| Cash surplus/(deficit) | (635) | | (2 738) | (559) | (481) |

Notes:

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

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

| Public financial  corporations | | Inter-sector  eliminations | | State of Victoria | |
| --- | --- | --- | --- | --- | --- |
| 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | .. | (211) | (184) | 11 432 | 10 815 |
| .. | .. | (2 531) | (1 893) | 15 299 | 14 118 |
| 3 541 | 3 351 | (1 720) | (1 637) | 12 090 | 9 058 |
| 866 | 848 | (1 136) | (1 110) | 216 | 231 |
| 1 811 | 843 | (351) | (458) | 1 845 | 867 |
| 3 | 166 | (70) | 42 | 1 008 | 1 225 |
| **6 222** | **5 208** | **(6 019)** | **(5 240)** | **41 890** | **36 314** |
|  |  |  |  |  |  |
| (187) | (174) | 248 | 226 | (12 819) | (11 813) |
| (14) | (14) | .. | .. | (1 495) | (1 394) |
| (915) | (918) | 1 140 | 1 110 | (1 299) | (1 334) |
| (528) | (115) | 2 531 | 1 893 | (4 165) | (3 712) |
| (2 550) | (2 597) | 467 | 458 | (15 104) | (14 172) |
| (28) | (6) | 1 404 | 1 231 | (414) | (393) |
| **(4 222)** | **(3 824)** | **5 791** | **4 918** | **(35 296)** | **(32 818)** |
| **2 000** | **1 384** | **(228)** | **(321)** | **6 594** | **3 497** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| (40) | (37) | 62 | .. | (5 999) | (5 625) |
| .. | 1 | .. | (1) | 164 | 164 |
| **(39)** | **(36)** | **62** | **(1)** | **(5 835)** | **(5 462)** |
| 7 | 17 | (2 006) | (1 759) | (51) | (17) |
| **(33)** | **(19)** | **(1 943)** | **(1 760)** | **(5 887)** | **(5 478)** |
| (987) | 1 229 | 401 | 2 049 | (745) | 2 772 |
| **(1 020)** | **1 210** | **(1 542)** | **290** | **(6 632)** | **(2 707)** |
|  |  |  |  |  |  |
| (13) | (8) | 2 164 | 1 954 | (104) | 25 |
| 653 | (184) | 148 | (2 374) | 453 | (424) |
| (2 252) | (2 028) | 2 241 | 1 475 | (37) | (424) |
| (7) | (94) | (30) | 93 | .. | .. |
| **(1 619)** | **(2 315)** | **4 523** | **1 149** | **312** | **(823)** |
| **(639)** | **279** | **2 753** | **1 117** | **274** | **(33)** |
| 5 554 | 4 229 | (6 736) | (5 043) | 6 494 | 5 868 |
| **4 915** | **4 508** | **(3 983)** | **(3 926)** | **6 768** | **5 835** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 2 000 | 1 384 | (228) | (321) | 6 594 | 3 497 |
| (7) | (94) | 165 | 322 | .. | .. |
| (39) | (36) | 62 | (1) | (5 835) | (5 462) |
| 1 953 | 1 253 | (1) | .. | 758 | (1 965) |

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

| 2018 | 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 | 52 574 | .. | 64 084 | 66 351 | 1 108 | 184 116 |
| Net result for the year | (189) | .. | .. | .. | .. | (189) |
| Other comprehensive income for the year | (1 130) | .. | 2 | (1 240) | 5 | (2 362) |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid |  |  |  |  |  |  |
| Transactions with owners in their capacity as owners |  |  |  |  |  |  |
| **Total equity as at 31 December 2018** | **51 256** | **..** | **64 086** | **65 111** | **1 113** | **181 565** |
| **PNFC sector** |  |  |  |  |  |  |
| Balance at 1 July 2018 | 3 333 | 59 478 | 33 851 | .. | 549 | 97 212 |
| Net result for the year | (20) | .. | .. | .. | .. | (20) |
| Other comprehensive income for the year | (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** | **3 253** | **61 505** | **33 735** | **..** | **546** | **99 039** |
| **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 | 20 256 | (61 534) | 10 182 | (65 111) | .. | (96 207) |
| Total State of Victoria | 72 354 | .. | 108 006 | .. | 1 696 | 182 056 |

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

| 2017 | 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 2017 (a) | 51 464 | .. | 55 320 | 60 149 | 1 094 | 168 027 |
| Net result for the year | 868 | .. | .. | .. | .. | 868 |
| Other comprehensive income for the year | 633 | .. | (2) | 686 | 44 | 1 360 |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid |  |  |  |  |  |  |
| Transactions with owners in their capacity as owners |  |  |  |  |  |  |
| **Total equity as at 31 December 2017 (a)** | **52 965** | **..** | **55 318** | **60 835** | **1 137** | **170 256** |
| **PNFC sector** |  |  |  |  |  |  |
| Balance at 1 July 2017 (b) | 3 751 | 54 902 | 29 985 | .. | 488 | 89 126 |
| Net result for the year | (34) | .. | .. | .. | .. | (34) |
| Other comprehensive income for the year (b) | (62) | .. | 35 | .. | 36 | 8 |
| Transfer to/(from) accumulated surplus | .. | 26 | (26) | .. | .. | .. |
| Dividends paid | (228) | .. | .. | .. | .. | (228) |
| Transactions with owners in their capacity as owners | .. | 2 102 | .. | .. | .. | 2 102 |
| **Total equity as at 31 December 2017** | **3 427** | **57 030** | **29 994** | **..** | **523** | **90 974** |
| **PFC sector** |  |  |  |  |  |  |
| Balance at 1 July 2017 | 143 | 29 | 2 | .. | 39 | 213 |
| Net result for the year | 1 280 | .. | .. | .. | .. | 1 280 |
| Other comprehensive income for the year | (2) | .. | .. | .. | 3 | 2 |
| Transfer to/(from) accumulated surplus |  |  |  |  |  |  |
| Dividends paid | (94) | .. | .. | .. | .. | (94) |
| Transactions with owners in their capacity as owners |  |  |  |  |  |  |
| **Total equity as at 31 December 2017** | **1 327** | **29** | **2** | **..** | **42** | **1 400** |
| Eliminations | 20 087 | (57 059) | 10 159 | (60 835) | .. | (87 648) |
| Total State of Victoria | 77 806 | .. | 95 474 | .. | 1 703 | 174 983 |

Notes:

(a) The 1 July 2017 and 31 December 2017 comparative figures have been restated to reflect the reclassification of $425 million from the non-financial assets revaluation surplus to other reserves relating to accumulated revenue dedicated to the purchase of assets in the National Gallery of Victoria.

(b) The 1 July 2017 and 31 December 2017 comparative figures have been updated to reflect more current information.

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

($ million)

|  | State of Victoria | | General Government | |
| --- | --- | --- | --- | --- |
|  | 2018 | 2017 | 2018 | 2017 |
| Net (increase)/decrease in provision for doubtful receivables | (268) | (121) | (266) | (120) |
| Amortisation of intangible non-produced assets | (21) | (20) | (3) | (2) |
| Net swap interest revenue/(expense) | (2) | 1 | .. | .. |
| Bad debts written off | (13) | (48) | (9) | (43) |
| Other gains/(losses) | (1 607) | 558 | (28) | 24 |
| Total other gains/(losses) from other economic flows | (1 912) | 371 | (305) | (141) |

## Controlled entities

Note 9.8 *Controlled entities* in the *2017-18 Financial Report* for the State of Victoria contains a list of significant controlled entities, which have been consolidated for the purposes of the financial report.

The following are changes from 1 July 2018, of general government sector and public non-financial corporation entities, which have been consolidated for the purposes of the financial report:

|  |  |
| --- | --- |
| General government sector | |
| Department of Health and Human Services  Family Violence Prevention Agency (a) | **Department of Economic Development, Jobs,  Transport and Resources**  Commercial Passenger Vehicles Victoria (b) |

Notes:

(a) The Family Violence Prevention Agency was established under the Prevention of Family Violence Act 2018 and, by Order of the Governor in Council, commenced on   
4 October 2018 and will trade as Respect Victoria.

(b) On 2 July 2018, the Taxi Services Commission changed its name to Commercial Passenger Vehicles Victoria in accordance with the Commercial Passenger Vehicle Industry Act 2017.

## Glossary of technical terms

The *2017-18 Financial Report* for the State of Victoria (Note 9.9) contains a summary of the major technical terms used in this report.

Appendix A – General government sector quarterly financial report

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

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

|  | 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Revenue from transactions** |  |  |  |  |  |
| Taxation revenue | 4 986 | 6 980 | 5 241 | 5 896 | 5 049 |
| Interest revenue | 206 | 202 | 228 | 210 | 206 |
| Dividends, income tax equivalent and rate equivalent revenue | 376 | 85 | 263 | 82 | 248 |
| Sales of goods and services | 1 871 | 1 801 | 1 901 | 1 905 | 1 944 |
| Grant revenue | 7 328 | 8 162 | 7 538 | 7 923 | 7 878 |
| Other revenue | 626 | 566 | 1 031 | 573 | 774 |
| **Total revenue from transactions** | **15 393** | **17 796** | **16 202** | **16 589** | **16 100** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 5 715 | 5 698 | 6 276 | 6 081 | 6 213 |
| Net superannuation interest expense | 168 | 176 | 178 | 167 | 180 |
| Other superannuation | 657 | 631 | 649 | 671 | 711 |
| Depreciation | 657 | 666 | 767 | 680 | 690 |
| Interest expense | 555 | 513 | 570 | 493 | 539 |
| Grant expense | 2 505 | 3 346 | 2 719 | 2 853 | 3 127 |
| Other operating expenses | 4 741 | 4 709 | 5 736 | 4 812 | 5 107 |
| **Total expenses from transactions** | **14 998** | **15 739** | **16 896** | **15 757** | **16 567** |
| **Net result from transactions – net operating balance** | **395** | **2 057** | **(694)** | **832** | **(467)** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | 22 | 63 | (25) | 5 | (55) |
| Net gain/(loss) on financial assets or liabilities at fair value | 41 | (5) | 19 | (4) | (195) |
| Share of net profit/(loss) from associates/joint venture entities | .. | (4) | (2) | .. | .. |
| Other gains/(losses) from other economic flows | (86) | (78) | (714) | (116) | (190) |
| **Total other economic flows included in net result** | **(23)** | **(23)** | **(722)** | **(115)** | **(439)** |
| **Net result** | **371** | **2 035** | **(1 417)** | **718** | **(906)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non-financial assets revaluation surplus | 20 | 66 | 8 700 | 16 | (13) |
| Remeasurement of superannuation defined benefits plans | (500) | (263) | (754) | 1 213 | (2 304) |
| Other movements in equity | (43) | 2 | 2 | 14 | .. |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | 31 | (16) | (10) | (12) | (36) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | 686 | .. | 5 515 | .. | (1 240) |
| **Total other economic flows – other comprehensive income** | **195** | **(210)** | **13 453** | **1 230** | **(3 593)** |
| **Comprehensive result – total change in net worth** | **567** | **1 825** | **12 036** | **1 948** | **(4 499)** |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** | **395** | **2 057** | **(694)** | **832** | **(467)** |
| Less: Net acquisition of non-financial assets from transactions | 1 468 | 235 | 1 237 | 690 | 973 |
| Net lending/(borrowing) | (1 073) | 1 823 | (1 932) | 142 | (1 440) |

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

|  | 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 3 992 | 3 900 | 6 257 | 5 940 | 4 567 |
| Advances paid | 11 986 | 11 095 | 10 019 | 9 189 | 8 918 |
| Receivables | 5 807 | 7 756 | 6 208 | 6 400 | 5 738 |
| Investments, loans and placements | 4 159 | 4 163 | 3 928 | 3 940 | 3 965 |
| Investments accounted for using the equity method | 47 | 44 | 53 | 52 | 53 |
| Investments in other sector entities | 95 297 | 96 575 | 101 253 | 102 157 | 102 040 |
| **Total financial assets** | **121 290** | **123 533** | **127 717** | **127 679** | **125 281** |
| **Non-financial assets** |  |  |  |  |  |
| Inventories | 176 | 176 | 175 | 171 | 177 |
| Non-financial assets held for sale | 438 | 355 | 389 | 391 | 361 |
| Land, buildings, infrastructure, plant and equipment | 123 323 | 123 897 | 134 141 | 134 414 | 135 411 |
| Other non-financial assets | 1 763 | 1 756 | 1 872 | 2 411 | 2 289 |
| **Total non-financial assets** | **125 700** | **126 184** | **136 577** | **137 386** | **138 238** |
| **Total assets** | **246 990** | **249 718** | **264 294** | **265 065** | **263 519** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 8 252 | 7 781 | 6 700 | 5 772 | 5 491 |
| Payables | 5 542 | 5 902 | 6 713 | 9 143 | 8 694 |
| Borrowings | 30 995 | 31 902 | 33 506 | 31 974 | 32 974 |
| Employee benefits | 6 555 | 6 458 | 7 020 | 6 893 | 7 141 |
| Superannuation | 24 438 | 24 714 | 25 205 | 24 257 | 26 600 |
| Other provisions | 953 | 880 | 1 034 | 962 | 1 053 |
| **Total liabilities** | **76 734** | **77 637** | **80 178** | **79 001** | **81 954** |
| **Net assets** | **170 256** | **172 080** | **184 116** | **186 064** | **181 565** |
| Accumulated surplus/(deficit) | 52 965 | 54 751 | 52 574 | 54 496 | 51 256 |
| Reserves | 117 290 | 117 329 | 131 543 | 131 569 | 130 310 |
| **Net worth** | **170 256** | **172 080** | **184 116** | **186 064** | **181 565** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth | 44 555 | 45 896 | 47 540 | 48 678 | 43 327 |
| Net financial liabilities | 50 742 | 50 679 | 53 713 | 53 479 | 58 713 |
| Net debt | 19 109 | 20 524 | 20 003 | 18 677 | 21 015 |

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

|  | 2017-18 |  |  | 2018-19 |  |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received | 5 508 | 5 317 | 6 126 | 5 994 | 5 650 |
| Grants | 7 325 | 8 160 | 7 606 | 7 927 | 7 877 |
| Sales of goods and services (a) | 2 092 | 1 937 | 2 004 | 4 984 | 1 939 |
| Interest received | 205 | 203 | 224 | 209 | 203 |
| Dividends, income tax equivalent and rate equivalent receipts | 420 | 85 | 213 | 82 | 298 |
| Other receipts | 440 | 240 | 788 | 491 | 381 |
| **Total receipts** | **15 990** | **15 942** | **16 960** | **19 686** | **16 348** |
| **Payments** |  |  |  |  |  |
| Payments for employees | (5 480) | (5 796) | (5 729) | (6 211) | (5 994) |
| Superannuation | (790) | (794) | (1 091) | (572) | (853) |
| Interest paid | (515) | (529) | (534) | (514) | (507) |
| Grants and subsidies | (2 508) | (3 466) | (2 494) | (2 908) | (3 228) |
| Goods and services (a) | (4 805) | (4 544) | (5 203) | (5 694) | (5 009) |
| Other payments | (185) | (165) | (199) | (211) | (202) |
| **Total payments** | **(14 282)** | **(15 294)** | **(15 250)** | **(16 110)** | **(15 793)** |
| **Net cash flows from operating activities** | **1 708** | **649** | **1 710** | **3 577** | **555** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non-financial assets** |  |  |  |  |  |
| Purchases of non-financial assets | (2 689) | (1 949) | (3 286) | (2 139) | (2 712) |
| Sales of non-financial assets | 51 | 121 | 166 | 45 | 39 |
| **Net cash flows from investments in non-financial assets** | **(2 638)** | **(1 828)** | **(3 120)** | **(2 095)** | **(2 672)** |
| Net cash flows from investments in financial assets for policy purposes | 45 | 825 | 3 016 | 729 | 156 |
| **Sub-total** | **(2 593)** | **(1 003)** | **(104)** | **(1 365)** | **(2 516)** |
| Net cash flows from investments in financial assets for liquidity management purposes | (193) | (34) | 224 | (35) | (123) |
| **Net cash flows from investing activities** | **(2 786)** | **(1 037)** | **120** | **(1 400)** | **(2 639)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) | (230) | (648) | (1 075) | (834) | (340) |
| Net borrowings | 1 075 | 768 | 1 607 | (1 566) | 993 |
| Deposits received (net) | 79 | 177 | (6) | (94) | 59 |
| **Net cash flows from financing activities** | **924** | **296** | **526** | **(2 494)** | **712** |
| **Net increase/(decrease) in cash and cash equivalents** | **(153)** | **(92)** | **2 356** | **(317)** | **(1 372)** |
| Cash and cash equivalents at beginning of the reporting period | 4 146 | 3 992 | 3 900 | 6 257 | 5 940 |
| **Cash and cash equivalents at end of the reporting period** | **3 992** | **3 900** | **6 257** | **5 940** | **4 567** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities | 1 708 | 649 | 1 710 | 3 577 | 555 |
| Net cash flows from investments in non-financial assets | (2 638) | (1 828) | (3 120) | (2 095) | (2 672) |
| Cash surplus/(deficit) | (930) | (1 180) | (1 410) | 1 482 | (2 117) |

Note:

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

Appendix B – *Financial Management Act 1994* compliance index

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

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

| Financial Management Act reference | Requirement | Comments/reference |
| --- | --- | --- |
| Section 25(1) | The Minister must prepare a mid-year report for each financial year. | Refer to Chapter 2. |
| Section 25(2) | The mid-year report: |  |
|  | (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks; | Manner is in accordance with Australian Accounting Standards and Ministerial Directions. Form is operating statement, balance sheet, statement of cash flows, statement of changes in equity and accompanying notes. Refer to Chapter 2. |
|  | (b) must present fairly the financial position of the State and the Victorian general government sector at midnight on 31 December in the financial year and: | Refer to Chapter 2, balance sheet, page 12. |
|  | (i) the transactions on the Public Account; | Refer to Chapter 2, Note 8, pages 38-40. |
|  | (ii) the transactions of the Victorian general government sector; and | Refer to Chapter 2, operating statement, page 11, statement of cash flows, page 13 and related notes. |
|  | (iii) other financial transactions of the State in respect of the period of six months ending on that day. | Refer to Chapter 2, operating statement, page 11, statement of cash flows, page 13 and related notes. |
| Section 26(1) | The Minister must prepare a quarterly financial report for each quarter of each financial year. | Refer to Appendix A, pages 51-53. |
| Section 26(2) | A quarterly financial report comprises: |  |
|  | (a) a statement of financial performance of the Victorian general government sector for the quarter; | Refer to Appendix A, operating statement, page 51. |
|  | (b) a statement of the financial position of the Victorian general government sector at the end of the quarter; | Refer to Appendix A, balance sheet, page 52. |
|  | (c) a statement of cash flows of the Victorian general government sector for the quarter; and | Refer to Appendix A, statement of cash flows, page 53. |
|  | (d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based. | Refer to Chapter 2, Note 1, pages 16-18. |
| Section 26(2A) | A quarterly financial report must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks. | Manner is a financial report for the general government sector. Form is operating statement, balance sheet, statement of cash flows. Refer to Appendix A. |
| Section 26(2B) | The quarterly financial report for the quarter ending on 31 December in a financial year must include, in addition to the statements referred to in subsection (2)(a) to (d) for that quarter, those statements for the period of six months ending on that 31 December. | Refer to Chapter 2, operating statement, page 11, balance sheet, page 12 and statement of cash flows, page 13. |

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.