



Victorian Budget 2020–21

Putting People First

Mid-Year Financial Report
(incorporating Quarterly Financial Report No. 2)

March 2021

Presented by Tim Pallas MP
Treasurer of the State of Victoria



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

Printed by Southern Impact, Mount Waverley
Printed on recycled paper

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(Department of Treasury and Finance)



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ISSN 1443-1289 (print)
ISSN 2204-7166 (online)
Published March 2021

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

The *2020-21 Mid-Year Financial Report* presents the financial results for the State of Victoria, including the general government sector, for the six months to 31 December 2020. The report has been prepared in accordance with the *Financial Management Act 1994* and applicable accounting standards.

The actual results in this report are compared with the published budget estimates in the *2020-21 Budget*. The *2020-21 Budget* incorporates spending incurred under the *Appropriation (Interim) Act 2020* for the period 1 July to 14 December 2020 which is now subsumed with spending authorised under the *Appropriation (2020-21) Act 2020* following royal assent on 15 December 2020. The likely 2020-21 full year results cannot be extrapolated from the half-year results due to the economic impact of the coronavirus (COVID-19) pandemic and associated public health restrictions for the first half of the year, together with seasonal and other factors impacting on the timing of activities and transactions, including the timing of initiatives announced as part of the *2020-21 Budget*, which was released in November 2020. For example, land tax revenue is mainly recognised in the March quarter, and certain grant revenue from the Commonwealth Government is expected to be received later in the financial year.

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

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

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

The non-financial public sector (NFPS) represents the general government sector and the PNFC sector after eliminating transactions between the two sectors. Due to transactions between the different sectors, not all transactions in each sector affect the overall State of Victoria outcome. For the period to 31 December 2020, the general government sector recorded a net result from transactions deficit of \$10.1 billion.

OVERVIEW

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

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

A recovery in the labour market is also underway. After a substantial fall in employment between March and September 2020, employment increased by 170 000 people between September and December.

The unemployment rate has also declined, to be 6.5 per cent in December compared with a peak of 7.5 per cent in June 2020, although it remains well above pre-coronavirus (COVID-19) levels.

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

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

Net cash flows from operating activities for the State for the period to 31 December 2020 was a deficit of \$6.9 billion (\$9.7 billion for the general government sector). This has declined from the prior year primarily resulting from the impact of the coronavirus (COVID-19) pandemic, with the associated Government response and the impact of

the slowdown in the economy on key revenue items, including taxation and GST grant revenue. Net debt for the general government sector was \$61.7 billion, or 13.9 per cent of GSP, at 31 December 2020 (9.9 per cent at 30 June 2020).

FINANCIAL PERFORMANCE

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

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

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

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

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

Notes:

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

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

General government sector

Revenue and income

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

Taxation was \$9.7 billion, or 46 per cent of the published full year budget estimate. Taxation is influenced by seasonal factors, such as land tax revenue being recognised in the March quarter and the Fire Services Property Levy in the September quarter.

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

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

Grants received were consistent with the same period last year.

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

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

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

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

Expenses

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

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

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

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

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

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

State of Victoria

Revenue

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

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

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

Expenses

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

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

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

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

Net result from transactions

The net result from transactions for the State for the six months to December 2020 was a deficit of \$10.9 billion.

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

Net result and other economic flows

The net result for the State is derived by adding other economic flows to the net result from transactions. For the six months to 31 December 2020, other economic flows were a positive \$1.2 billion resulting in a net result deficit of \$9.7 billion.

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

- movements mainly relating to the provisioning for doubtful debts in the general government sector;
- movements in the valuation of financial liabilities due to movements in the underlying bond yields; and
- unrealised gains and losses on financial assets held by PFC sector entities.

FINANCIAL POSITION

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

	State of Victoria			General government sector		
	Jun 2020	Dec 2020	Actual movement	Jun 2020	Dec 2020	Actual movement
Assets						
Financial assets	69 128	82 317	13 189	103 337	104 640	1 303
Non-financial assets	315 402	321 762	6 360	177 703	183 928	6 225
Total assets	384 530	404 079	19 549	281 040	288 568	7 528
Liabilities						
Superannuation	31 293	33 724	2 431	31 228	33 660	2 432
Borrowings	87 778	114 387	26 609	62 807	81 751	18 944
Other liabilities	85 968	88 406	2 437	30 914	29 318	(1 596)
Total liabilities	205 039	236 517	31 477	124 949	144 729	19 780
Net assets	179 491	167 562	(11 928)	156 092	143 839	(12 253)

Note:

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

State of Victoria

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

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

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

CASH FLOW

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

A detailed cash flow statement is provided in Chapter 2 *Mid-Year Financial Report*.

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

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

Notes:

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

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

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

Infrastructure investment

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

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

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

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

The Government's infrastructure scorecard as at 31 December 2020

Major projects in progress include:

- 75 level crossing removals by 2025;
- A Pathway to More Acute Mental Health Beds;
- Additional VLocity trains;
- Ballarat Health Services expansion and redevelopment;
- Big Housing Build;
- Building a world-class Geelong Performing Arts Centre;
- Caulfield to Dandenong conventional signalling and power infrastructure upgrade;
- Child Link;
- Chisholm Road prison project;
- City Loop fire and safety upgrade (Stage 2) and intruder alarm;
- Courts case management system;
- Cranbourne line duplication;
- Cranbourne-Pakenham and Sunbury line upgrades;
- Echuca-Moama Bridge;
- Frankston Hospital Redevelopment;
- Frankston line stabling;
- Geelong Fast Rail;
- Goulburn Valley Health redevelopment;
- High Capacity Metro Trains Project;
- Hurstbridge Line upgrade – Stage 2;
- Kardinia Park Stadium Stage 5 redevelopment;
- M80 Ring Road upgrade;
- Melbourne Arts Precinct Transformation – Phase 1;
- Melbourne Airport Rail;
- Melbourne Park redevelopment – Stage 3;
- Men's prison system capacity;
- Metro Tunnel;
- Metropolitan Network Modernisation program;
- Monash Freeway Upgrade – Stage 2;
- Mordialloc Freeway;

The Government's infrastructure scorecard as at 31 December 2020 (continued)

- More E-Class trams and infrastructure;
- Murray Basin Rail Project;
- New Footscray Hospital;
- New schools construction;
- New trains for Sunbury;
- New Wyndham Law Court;
- New youth justice facility;
- Next Generation Trams;
- North East Link;
- Northern Hospital inpatient expansion – Stage 2;
- Public housing renewal program;
- Regional Rail Revival;
- Royal Victorian Eye and Ear Hospital redevelopment;
- School Upgrades – growth;
- Shepparton Corridor Upgrade – Stages 2 and 3;
- Suburban Rail Loop;
- Suburban Roads Upgrade;
- Technology and resources to support Victoria's fines system;
- Ten new community hospitals;
- Tram procurement and supporting infrastructure;
- Victorian Heart Hospital;
- Warrnambool Base Hospital Redevelopment;
- Warrnambool Line Upgrade – Stage 2;
- Waurn Ponds Track Duplication – Stage 2;
- West Gate Tunnel Project;
- Western Highway duplication – Ballarat to Stawell;
- Western Rail Plan;
- Western Roads Upgrade; and
- Women's prison system capacity.

FINANCIAL SUSTAINABILITY

General government sector

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

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

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

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

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

Notes:

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

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

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

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

Non-financial public sector

Table 1.5 includes several key indicators to assess financial sustainability of the NFPS (comprising the general government and the PNFC sectors).

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

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

Notes:

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

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

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

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

For the six months to 31 December 2020, the increase in NFPS net debt was mainly due to an increase in borrowings of \$19.6 billion. Actual borrowings were mainly applied towards the State's infrastructure investment program and the Government's coronavirus (COVID-19) pandemic response.

The ratio of NFPS net financial liabilities to GSP increased from 27.2 per cent to 31.5 per cent at the end of the period. The ratio of net debt to GSP increased from 13.5 per cent to 17.5 per cent at the end of the period.

CHAPTER 2 – MID-YEAR FINANCIAL REPORT

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the six months ended 31 December

(\$ million)

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

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		Dec 2020	Jun 2020	Dec 2020	Jun 2020
Assets					
Financial assets					
Cash and deposits	5.2	21 688	19 185	14 461	13 037
Advances paid	5.3	501	483	5 912	6 550
Receivables	6.2	9 840	8 994	6 390	6 107
Contract assets	6.2	78	74	2	1
Investments, loans and placements	5.3	50 199	40 381	2 680	2 589
Investments accounted for using the equity method		10	10	10	10
Investments in other sector entities		..	..	75 186	75 043
Total financial assets		82 317	69 128	104 640	103 337
Non-financial assets					
Inventories	6.1	2 108	1 710	905	666
Non-financial assets held for sale		188	226	174	192
Land, buildings, infrastructure, plant and equipment	4.1	314 742	309 065	179 353	173 743
Other non-financial assets	4.3	4 725	4 401	3 496	3 103
Total non-financial assets		321 762	315 402	183 928	177 703
Total assets	3.6	404 079	384 530	288 568	281 040
Liabilities					
Deposits held and advances received		1 710	1 693	3 048	3 681
Payables	6.3	28 883	28 614	15 604	16 802
Contract liabilities	6.3	516	140	379	68
Borrowings	5.1	114 387	87 778	81 751	62 807
Employee benefits	3.1	9 657	9 662	9 003	9 028
Superannuation	6.4	33 724	31 293	33 660	31 228
Other provisions	6.5	47 640	45 859	1 284	1 335
Total liabilities		236 517	205 039	144 729	124 949
Net assets		167 562	179 491	143 839	156 092
Accumulated surplus/(deficit)		64 768	76 661	55 823	68 166
Reserves		102 795	102 830	88 016	87 925
Net worth		167 562	179 491	143 839	156 092
FISCAL AGGREGATES					
Net financial worth		(154 200)	(135 912)	(40 089)	(21 612)
Net financial liabilities		154 200	135 912	115 275	96 654
Net debt		43 708	29 422	61 746	44 312

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December

(\$ million)

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

The accompanying notes form part of these financial statements.

Notes:

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December

(\$ million)

<i>State of Victoria</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2020					
Balance at 1 July 2020	76 626	101 305	..	1 524	179 456
Net result for the year	(9 687)	..	..	..	(9 687)
Other comprehensive income for the year	(2 172)	(67)	..	32	(2 207)
Transfer to/(from) accumulated surplus	..	..	..	..	..
Total equity as at 31 December 2020	64 768	101 238	..	1 556	167 562
2019					
Balance at 1 July 2019 ^{(a)(b)}	71 053	109 002	..	1 643	181 699
Net result for the year	(1 771)	..	..	..	(1 771)
Other comprehensive income for the year	450	281	..	(20)	711
Transfer to/(from) accumulated surplus	23 675	(23 675)	..	..	..
Total equity as at 31 December 2019 ^{(a)(b)}	93 407	85 608	..	1 623	180 639

The accompanying notes form part of these financial statements.

Notes:

- (a) The 1 July 2019 and 31 December 2019 comparative figures have been restated to correct a prior period error within administered fines revenue for the Department of Justice and Community Safety. Please refer to Note 6.3.1 Prior Period Adjustment in the 2019-20 Financial Report for further details.
- (b) The 1 July 2019 and 31 December 2019 comparative figures have been restated to reflect updates relating to the application of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors. Please refer to Note 9.7.2 Financial impact of the new accounting standards in the 2019-20 Financial Report for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 31 December

(\$ million)

<i>General government sector</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2020					
Balance at 1 July 2020	68 131	54 379	32 639	908	156 057
Net result for the year	(10 156)	..	..	..	(10 156)
Other comprehensive income for the year	(2 153)	227	(158)	23	(2 062)
Transfer to/(from) accumulated surplus	..	..	..	..	..
Total equity as at 31 December 2020	55 823	54 605	32 480	931	143 839
2019					
Balance at 1 July 2019 ^{(a)(b)}	54 752	66 062	35 222	1 020	157 056
Net result for the year	(1 508)	..	..	..	(1 508)
Other comprehensive income for the year	478	251	(843)	(25)	(139)
Transfer to/(from) accumulated surplus	23 675	(23 675)	..	..	..
Total equity as at 31 December 2019 ^{(a)(b)}	77 397	42 638	34 379	995	155 409

The accompanying notes form part of these financial statements.

Notes:

- (a) The 1 July 2019 and 31 December 2019 comparative figures have been restated to correct a prior period error within administered fines revenue for the Department of Justice and Community Safety. Please refer to Note 6.3.1 Prior Period Adjustment in the 2019-20 Financial Report for further details.
- (b) The 1 July 2019 and 31 December 2019 comparative figures have been restated to reflect updates relating to the application of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors. Please refer to Note 9.7.2 Financial impact of the new accounting standards in the 2019-20 Financial Report for further details.

1. ABOUT THIS REPORT

Basis of preparation

This Mid-Year Financial Report presents the unaudited general purpose consolidated interim financial statements of the State of Victoria (the State) and the Victorian general government sector. The report also incorporates the quarterly financial report of the general government sector for the quarter ended 31 December 2020.

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

This interim financial report does not include all the notes normally included with the annual financial report and should be read in conjunction with the *2019-20 Financial Report*.

Statement of compliance

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

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

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

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

The *2020-21 Mid-Year Financial Report* was authorised for issue by the Treasurer on 12 March 2021.

Basis of accounting and measurement

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

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

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

Reporting entity

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

General government

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

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

Public non-financial corporations

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

Public financial corporations

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

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

Non-financial public sector

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

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

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

Basis of consolidation

The consolidated financial statements of the State incorporate assets and liabilities of all reporting entities it controlled as at 31 December 2020 and the revenue and expenses of controlled entities for the part of the reporting period in which control existed.

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

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

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

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

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

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

Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2020-21 reporting period. These accounting standards have not been applied to the *Mid-Year Financial Report*.

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

- AASB 17 *Insurance Contracts*: the operative date of this standard has been deferred by AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts* to reporting periods beginning on or after 1 January 2023 and will supersede AASB 4 *Insurance Contracts*. AASB 17 seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reissuance contracts that an insurer holds. The standard also provides requirements for presentation and disclosure to enhance comparability between entities. The standard currently does not apply to the not-for-profit public sector entities.

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

Rounding

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

2. HOW FUNDS ARE RAISED

Introduction

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

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

Structure

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2.1 Taxation

(\$ million)

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

Notes:

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

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

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

2.2 Dividends, income tax equivalent and rate equivalent income

(\$ million)

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

Dividends by entity

(\$ million)

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

2.3 Sales of goods and services

(\$ million)

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

2.4 Grants^(a)

(\$ million)

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

Note:

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

2.5 Other revenue and income

(\$ million)

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

3. HOW FUNDS ARE SPENT

Introduction

This section accounts for the major components of expenditure incurred by the State towards the delivery of services and on capital or infrastructure projects during the year, as well as any related obligations outstanding as at 31 December 2020.

Structure

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3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses (operating statement)

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

Employee benefits (balance sheet)

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

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

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2020	2020	2020	2020
Current				
Accrued salaries and wages	589	868	557	820
Other employee benefits	119	106	101	81
Annual leave	2 406	2 251	2 185	2 055
Long service leave	5 227	5 155	4 948	4 872
Total current employee benefits and on-costs	8 342	8 379	7 791	7 828
Non-current				
Accrued salaries and wages	11	11	..	..
Long service leave	1 304	1 272	1 212	1 200
Total non-current employee benefits and on-costs	1 315	1 283	1 212	1 200
Total employee benefits and on-costs	9 657	9 662	9 003	9 028

3.2 Superannuation (operating statement)

(\$ million)

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

3.3 Grant expense

(\$ million)

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

3.4 Other operating expenses

(\$ million)

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

Note:

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

Purchase of supplies and consumables

(\$ million)

	State of Victoria		General government sector	
	2020	2019	2020	2019
Medicinal pharmacy and medical supplies	899	809	899	809
Office supplies and consumables	99	111	93	104
Specialised operational supplies and consumables	149	154	104	99
Other purchase of supplies and consumables	947	1 744	721	1 263
Total purchase of supplies and consumables	2 093	2 817	1 817	2 274

Purchase of services

(\$ million)

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

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

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

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

	Expenses from transactions		Purchases of non-financial assets	
	Dec 2020	Dec 2019	Dec 2020	Dec 2019
State of Victoria				
Education and Training	9 898	9 646	844	696
Environment, Land, Water and Planning	4 610	4 858	1 314	916
Health and Human Services	17 495	14 712	640	726
Jobs, Precincts and Regions	4 068	1 546	139	84
Justice and Community Safety	7 383	6 335	508	248
Premier and Cabinet	436	333	10	6
Transport	9 268	8 765	3 875	2 725
Treasury and Finance	5 412	5 106	9	34
Parliament	154	111	7	2
Courts	374	346	11	38
Regulatory bodies and other part budget funded agencies ^(a)	1 357	1 339	83	84
Total	60 456	53 097	7 441	5 558
<i>Less eliminations and adjustments ^(b)</i>	<i>(14 076)</i>	<i>(12 564)</i>	<i>(154)</i>	<i>280</i>
Grand total	46 380	40 534	7 286	5 838

General government sector				
	Dec 2020	Dec 2019	Dec 2020	Dec 2019
Education and Training	9 898	9 646	844	696
Environment, Land, Water and Planning	1 533	1 719	50	36
Health and Human Services	16 575	13 949	457	571
Jobs, Precincts and Regions	3 707	1 019	42	56
Justice and Community Safety	4 729	3 984	462	205
Premier and Cabinet	424	319	9	5
Transport	5 125	4 583	3 722	2 620
Treasury and Finance	4 072	3 815	6	37
Parliament	154	111	7	2
Courts	374	346	11	38
Regulatory bodies and other part budget funded agencies ^(a)	1 357	1 339	83	84
Total	47 949	40 832	5 695	4 349
<i>Less eliminations and adjustments ^(b)</i>	<i>(6 888)</i>	<i>(6 227)</i>	<i>(122)</i>	<i>230</i>
Grand total	41 061	34 605	5 572	4 579

Notes:

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

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

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

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

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

	Expenses from transactions		Purchases of non-financial assets		Total assets	
	Dec 2020	Dec 2019	Dec 2020	Dec 2019	Dec 2020	Jun 2020
State of Victoria						
General public services	7 044	6 801	75	52	8 617	9 047
Public order and safety	4 758	4 181	547	320	13 240	11 737
Economic affairs	3 158	794	77	32	1 187	1 185
Environmental protection	406	406	4	60	11 805	11 799
Housing and community amenities	2 498	2 362	1 407	961	52 462	51 976
Health	11 884	10 372	428	548	20 690	20 475
Recreation, culture and religion	801	828	124	11	14 800	14 636
Education	8 389	8 194	796	683	28 709	28 171
Social protection	3 876	3 010	169	174	28 511	28 542
Transport	4 331	3 847	3 724	2 718	148 157	144 196
Not allocated by purpose ^{(a)(b)}	(765)	(261)	(65)	279	75 900	62 766
Total	46 380	40 534	7 286	5 838	404 079	384 530

General government sector						
	Dec 2020	Dec 2019	Dec 2020	Dec 2019	Dec 2020	Jun 2020
General public services	2 537	2 166	17	4	4 206	4 449
Public order and safety	4 882	4 283	547	320	13 240	11 737
Economic affairs	3 160	819	71	30	1 124	1 127
Environmental protection	439	422	4	60	11 803	11 797
Housing and community amenities	900	831	24	34	2 213	2 245
Health	12 082	10 544	428	548	20 690	20 475
Recreation, culture and religion	480	386	25	14	7 647	7 668
Education	8 449	8 242	796	683	28 709	28 171
Social protection	3 699	2 679	..	35	2 057	2 073
Transport	5 005	4 493	3 721	2 621	92 662	88 340
Not allocated by purpose ^{(a)(b)}	(570)	(259)	(61)	229	104 217	102 957
Total	41 061	34 605	5 572	4 579	288 568	281 040

Notes:

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

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

4. MAJOR ASSETS AND INVESTMENTS

Introduction

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

Structure

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

4.1 Total land, buildings, infrastructure, plant and equipment

(\$ million)

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

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

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

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

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

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

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

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

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

4.2 Depreciation

(\$ million)

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

The following two tables are subsets of total depreciation expense.

Depreciation of right-of-use (leased) assets

(\$ million)

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

Depreciation of service concession assets

(\$ million)

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

4.3 Other non-financial assets

(\$ million)

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

5. FINANCING STATE OPERATIONS

Introduction

State operations are financed through a variety of means including a combination of surplus cash flows from operating activities, asset sales, advances and borrowings.

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

Structure

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5.1 Borrowings

	(\$ million)			
	State of Victoria		General government sector	
	Dec 2020	Jun 2020	Dec 2020	Jun 2020
Current borrowings				
Domestic borrowings	13 448	9 850	13 517	12 639
Foreign currency borrowings	519	..	..	..
Lease liabilities	638	693	571	638
Service concession arrangement liabilities	1 145	1 103	1 137	1 095
Derivative financial instruments	341	235	3	3
Total current borrowings	16 091	11 880	15 229	14 375
Non-current borrowings				
Domestic borrowings	82 037	61 520	52 971	36 150
Foreign currency borrowings	710	555	..	..
Lease liabilities	8 520	7 598	7 945	7 031
Service concession arrangement liabilities	5 371	5 027	5 265	4 917
Derivative financial instruments	1 659	1 197	342	334
Total non-current borrowings	98 296	75 898	66 522	48 431
Total borrowings	114 387	87 778	81 751	62 807

5.2 Cash flow information and balances

Reconciliation of cash and cash equivalents

(\$ million)

	State of Victoria		General government sector	
	Dec	Dec	Dec	Dec
	2020	2019	2020	2019
Cash	8 390	2 182	7 742	1 744
Deposits at call	13 298	12 056	6 719	5 558
Cash and cash equivalents	21 688	14 238	14 461	7 303
Bank overdraft	..	..	..	..
Balances as per cash flow statement	21 688	14 238	14 461	7 303

Reconciliation of net result to net cash flows from operating activities

(\$ million)

	State of Victoria		General government sector	
	Dec	Dec	Dec	Dec
	2020	2019	2020	2019
Net result	(9 687)	(1 771)	(10 156)	(1 508)
Non-cash movements				
Revenue related to economic service concession arrangements	(85)	(182)	(85)	(182)
Depreciation and amortisation	3 394	3 179	2 053	1 815
Revaluation of investments	(591)	457	(80)	(20)
Assets (received)/provided free of charge	(200)	(146)	(5)	9
Assets not previously/no longer recognised	13	(6)	13	(6)
Revaluation of assets	143	140	133	138
Unrealised (gains)/losses on borrowings	(89)	(672)	..	..
Discounting of assets and liabilities	(1)	..	(1)	..
Movements included in investing and financing activities				
Net gain/loss from sale of investments	(1 173)	(472)	2	(2)
Net gain/loss from sale of non-financial assets	(9)	9	(16)	35
Realised gains/losses on borrowings	172	140	..	..
Movements in assets and liabilities				
Increase/(decrease) in allowance for impairment losses	104	265	80	258
Increase/(decrease) in payables	826	774	(765)	(711)
Increase/(decrease) in employee benefits	(6)	27	(25)	36
Increase/(decrease) in superannuation	232	203	242	205
Increase/(decrease) in other provisions	1 801	1 980	(40)	43
(Increase)/decrease in receivables	(956)	(688)	(363)	(124)
(Increase)/decrease in other non-financial assets	(603)	(518)	(670)	(576)
Net cash flows from operating activities	(6 893)	2 666	(9 685)	(591)

5.3 Advances paid and investments, loans and placements

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2020	2020	2020	2020
Current advances paid and investments, loans and placements				
Loans and advances paid	181	140	1 486	2 084
Equities and managed investment schemes	1 240	3 406	872	848
Australian dollar term deposits	127	130	109	112
Foreign currency term deposits	2	..	..	..
Debt securities	8 981	2 822	2	6
Derivative financial instruments	1 369	1 182	193	192
Total current advances paid and investments, loans and placements	11 899	7 680	2 661	3 242
Non-current advances paid and investments, loans and placements				
Loans and advances paid	320	343	4 426	4 466
Equities and managed investment schemes	34 508	29 113	1 451	1 379
Australian dollar term deposits	29	29	28	29
Debt securities	2 267	2 441	24	22
Derivative financial instruments	1 678	1 258	1	1
Total non-current advances paid and investments, loans and placements	38 802	33 184	5 931	5 897
Total advances paid and investments, loans and placements	50 701	40 864	8 592	9 139
Represented by:				
Advances paid	501	483	5 912	6 550
Investments, loans and placements	50 199	40 381	2 680	2 589

5.4 Interest expense

(\$ million)

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

5.5 Commitments

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

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

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

- In July 2020, a variation of \$59 million was made to the road network maintenance alliance agreement for the North Eastern Region with Downer EDI. The work is estimated to be completed by June 2022.
- In July 2020, a variation of \$115 million was made to the road network maintenance alliance agreement for the Eastern Region with Fulton Hogan Industries Pty Ltd. The work is estimated to be completed by June 2021.
- In August 2020, a variation of \$67 million was made to the road network maintenance alliance agreement for the South Western Region with Fulton Hogan Industries Pty Ltd. The work is estimated to be completed by September 2021.
- In August 2020, the scope of the contract with Telstra Corp Ltd to deliver the Emergency Alert Program was varied to incorporate Location Based Services and to extend the length of the contract. The total estimated cost of the contract is \$69 million. The contract is now estimated to be completed by August 2025.
- In September 2020, the State entered into numerous contracts with transport, health, and various hotel providers to deliver hotel quarantine for at least one year. The estimated total cost of the contracts is \$377 million.
- In October 2020, a variation of \$249 million was made with Aurecon Jacobs Mott MacDonald Joint Venture for additional planning, technical and engagement support on Melbourne Metro Tunnel project system integration works and Regional Rail Revival program. The contract is estimated to be completed in 2024.
- In September 2020, the amending deed for the contract with John Holland Pty Ltd to deliver the construction of the new Chisholm Road Prison in Lara was finalised. The estimated total cost of the contract is \$923 million and is estimated to be completed by mid-2022.
- In October 2020, the amending deed for the contract with John Holland Pty Ltd to deliver the construction of the new youth justice centre at Cherry Creek was finalised. The estimated total cost of the contract is \$351 million and is estimated to be completed in mid-2022.
- In November 2020, the State entered into a contract with Coleman Rail Pty Ltd to deliver the Shepparton Corridor Upgrade. The total cost of the contract is \$234 million and is expected to be completed in 2023.
- In December 2020, an additional Level Crossing Removal Project work package with a value of \$192 million was added to the Western Program Alliance with McConnell Dowell, Arup Mott McDonald JV and Metro Trains Melbourne. The works under the Program Alliance are estimated to be completed by 2027.
- In December 2020, an additional Level Crossing Removal Project work package with a value of \$234 million was added to the Metropolitan Roads Program Alliance with Fulton Hogan Construction Pty Ltd and Metro Trains Melbourne. The works under the Program Alliance are estimated to be completed by 2027.
- In December 2020, an additional Level Crossing Removal Project work package with a value of \$248 million was added to the South Eastern Program Alliance with Jacobs Group (Australia) Pty Ltd, Laing O'Rourke Australia Construction Pty Ltd and Metro Trains Melbourne. The works under the Program Alliance are estimated to be completed by 2027.
- In December 2020, additional Level Crossing Removal Project work packages with a value of \$850 million were added to the North Western Program Alliance with Kellogg Brown & Root Pty Ltd, John Holland Group Pty Ltd and Metro Trains Melbourne. The works under the Program Alliance are estimated to be completed by 2027.

- In December 2020, a variation of \$1.37 billion was made to the Melbourne Metro Tunnel project deed by agreement between the State and Cross Yarra Partnership. The variation is to resolve issues that have arisen during the delivery of the project. The additional costs incurred in delivering the project are being shared equally with the Cross Yarra Partnership consortium. Construction is expected to be completed by 2025.
- In May 2010, the State entered into a public private partnership with Aegis Correctional Partnership Pty Ltd (Aegis) to expand and provide facility maintenance to Hopkins Correctional Centre. As part of Aegis' recent restructure, the previous project agreement from November 2012 has been reinstated. The contractual expiry date remains February 2037. In December 2020, the estimated cost of future payments to be made under this contract were revised upwards by \$432 million (nominal) to reinstate the quarterly service payments (offset by payments made from Aegis to the State in the first half of the 2020-21 financial year). This increase largely resulted from the recapitalisation and reinstatement of the project which accommodates capital works to update the facility.
- In July 1996, the State entered into a public private partnership agreement with G4S Custodial Services Pty Ltd (novated from G4S Custodial Services (Australia) Pty Ltd in September 2017) (G4S) for the finance, design, construction, maintenance, and operation (including providing custodial services) of Port Philip Prison. The construction of the prison was complete in 1997 and the current contractual expiry is due in September 2037, which is subject to the performance of G4S. In October 2020, the estimated cost of future payments to be made under this contract were revised upwards by \$164 million due to the expansion of the St John Medical Unit.
- The scope of the Managed Device Service Agreement with Telstra Corp Ltd to deliver, manage, and service emergency communication devices was varied between July and December 2020 to increase the number of emergency devices delivered. The total estimated cost of the contract is \$75 million. The contract is expected to be completed by August 2026.

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

6. OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

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6.3	Payables and contract liabilities.....	37
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6.1 Inventories

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2020	2020	2020	2020
At cost				
Raw materials	8	8	7	7
Work in progress	102	107	8	13
Finished goods	102	91	8	6
Consumable stores	898	647	830	586
Land and other assets held as inventory	989	850	53	53
At net realisable value				
Finished goods	6	3	..	..
Consumable stores	4	4	..	..
Total inventories	2 108	1 710	905	666

6.2 Receivables and contract assets

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2020	2020	2020	2020
Contractual				
Sales of goods and services	1 539	1 419	929	900
Accrued investment income	34	43	6	9
Contract assets	78	74	2	1
Other receivables	3 041	2 289	1 418	1 104
Allowance for impairment of contractual receivables	(235)	(211)	(130)	(129)
Statutory				
Sales of goods and services	6	8	2	5
Taxes receivables	3 661	3 611	3 765	3 715
Fines and regulatory fees	2 786	2 690	2 786	2 690
GST input tax credits recoverable	1 371	1 530	402	525
Other receivables	1	1	..	..
Allowance for impairment of statutory receivables	(2 787)	(2 708)	(2 787)	(2 708)
Other				
Actuarially determined	502	398	..	..
Total receivables and contract assets	9 917	9 069	6 391	6 108
Represented by:				
Current receivables and contract assets	8 597	7 607	6 100	5 894
Non-current receivables and contract assets	1 320	1 461	292	214

6.3 Payables and contract liabilities

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2020	2020	2020	2020
Contractual				
Accounts payable	2 684	2 415	862	814
Accrued expenses	3 695	4 237	3 237	3 709
Contract liabilities	516	140	379	68
Grant of right to operate liability	9 585	9 392	9 585	9 392
Unearned income	12 194	11 141	1 219	1 491
Statutory				
Accrued taxes payable	74	128	50	94
Unearned income	651	1 302	651	1 302
Total payables and contract liabilities	29 399	28 754	15 983	16 870
Represented by:				
Current payables and contract liabilities	10 720	10 569	5 977	7 010
Non-current payables and contract liabilities	18 679	18 186	10 006	9 860

6.4 Superannuation

(\$ million)

	State of Victoria	
	Dec	Jun
	2020	2020
Current liability	1 113	1 115
Non-current liability	32 611	30 179
Total superannuation liability	33 724	31 293
Represented by:		
Emergency Services and State Super	32 179	29 859
Other funds	1 545	1 434

6.5 Other provisions

(\$ million)

	State of Victoria		General government sector	
	Dec 2020	Jun 2020	Dec 2020	Jun 2020
Provision for insurance claims				
WorkSafe Victoria	2 963	2 830	..	..
Transport Accident Commission	1 517	1 671	..	..
Victorian Managed Insurance Authority	534	541	..	..
Other agencies	54	47	50	43
Current provision for insurance claims	5 068	5 089	50	43
Other provisions	774	868	426	511
Total current other provisions	5 841	5 957	476	554
Non-current provision for insurance claims				
WorkSafe Victoria	19 320	17 402	..	..
Transport Accident Commission	19 550	19 703	..	..
Victorian Managed Insurance Authority	2 107	2 002	..	..
Other agencies	78	78	77	77
Non-current provision for insurance claims	41 055	39 186	77	77
Other provisions	744	716	731	704
Total non-current other provisions	41 799	39 902	808	781
Total other provisions	47 640	45 859	1 284	1 335

7. RISKS AND CONTINGENCIES

Introduction

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

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

7.1 Financial instruments

Note 7.1 Financial instruments in the *2019-20 Financial Report* for the State of Victoria contains a comprehensive disclosure of the State's financial risk management objectives and policies associated with financial instruments.

7.2 Contingent assets and contingent liabilities

Contingent assets

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

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

No material changes in contingent assets have been identified during this mid-year reporting period.

Contingent liabilities

Contingent liabilities are:

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

Reference should be made to the *2019-20 Financial Report* for the State of Victoria (Note 7.2) for details of contingent liabilities as at 30 June 2020.

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

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

8. PUBLIC ACCOUNT

Introduction

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

Structure

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8.1 Consolidated fund receipts and payments

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

Note:

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

8.2 Trust fund statement cash flows

(\$ million)

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

8.3 Reconciliation of cash flows to balances held

(\$ million)

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

Note:

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

8.4 Details of securities held in the Public Account

(\$ million)

2019-20		2020-21	
actual		opening	actual
31 Dec		1 Jul	31 Dec
1 423	Amounts invested on behalf of specific trust accounts	1 359	1 343
887	General account balances	4 813	4 450
2 309	Total Public Account	6 172	5 794
	Represented by:		
1 519	Stock, securities, cash and investments	5 011	5 076
	Add cash advanced for:		
..	Temporary Advance from the Treasury Corporation of Victoria to the Consolidated Fund pursuant to Section 38 of the <i>Financial Management Act 1994</i>	..	..
791	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	1 161	718
2 309	Total Public Account	6 172	5 794

9. OTHER DISCLOSURES

Introduction

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

Structure

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9.1 Disaggregated information

Disaggregated operating statement for the six months ended 31 December

(\$ million)

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

Note:

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

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

Disaggregated balance sheet as at 31 December ^{(a)(b)}

(\$ million)

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

Notes:

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

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

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

Disaggregated cash flow statement for the six months ended 31 December

(\$ million)

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

Notes

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

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

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

Disaggregated statement of changes in equity as at 31 December

(\$ million)

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

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

(\$ million)

	Accumulated surplus/(deficit)	Contributions by owners	Non-financial assets revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
General government sector						
Balance at 1 July 2019 ^{(a)(b)}	54 752	..	66 062	35 222	1 020	157 056
Net result for the year	(1 508)	..	..	..	..	(1 508)
Other comprehensive income for the year	478	..	251	(843)	(25)	(139)
Transfer to/(from) accumulated surplus	23 675	..	(23 675)	..	..	..
Dividends paid	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 31 December 2019 ^{(a)(b)}	77 397	..	42 638	34 379	995	155 409
PNFC sector						
Balance at 1 July 2019 ^(a)	(15 792)	62 949	22 893	..	586	70 636
Net result for the year	102	..	..	..	..	102
Other comprehensive income for the year	(22)	..	33	..	1	12
Transfer to/(from) accumulated surplus	24	(24)	..	..	..	..
Dividends paid	(294)	..	..	..	..	(294)
Transactions with owners in their capacity as owners	..	1 826	..	..	..	1 826
Total equity as at 31 December 2019 ^(a)	(15 982)	64 752	22 925	..	587	72 282
PFC sector						
Balance at 1 July 2019	(6 211)	29	2	..	37	(6 143)
Net result for the year	181	..	..	..	..	181
Other comprehensive income for the year	(6)	..	..	..	4	(2)
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	(10)	..	..	..	..	(10)
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 31 December 2019	(6 046)	29	2	..	41	(5 973)
Eliminations	38 037	(64 780)	20 043	(34 379)	..	(41 079)
Total State of Victoria	93 407	..	85 608	..	1 623	180 639

Notes:

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

(b) The 1 July 2019 and 31 December 2019 comparative figures have been restated to reflect updates relating to the application of AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors, please refer to Note 9.7.2 Financial impact of the new accounting standards in the 2019-20 Financial Report for further details.

9.2 Other gains/(losses) from other economic flows

(\$ million)

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

9.3 Controlled entities

Note 9.9 in the 2019-20 Financial Report for the State of Victoria contains a list of significant controlled entities, which have been consolidated for the purposes of the financial report.

The following are changes to entities from 1 July 2020 which have been consolidated for the purposes of the financial report:

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

Notes:

- (a) Effective from 1 August 2020, Cenitex transferred from the Department of Treasury and Finance to the Department of Premier and Cabinet.
- (b) Cladding Safety Victoria (CSV) was established under the Cladding Safety Victoria Act 2020. CSV commenced as an agency on 1 December 2020.
- (c) Effective from 1 January 2021, Energy Safe Victoria will also be known as the Victorian Energy Safety Commission.
- (d) Effective from 1 July 2020, Fire Rescue Victoria replaced the Metropolitan Fire and Emergency Services Board.
- (e) Effective 30 June 2020, the Mine Land Rehabilitation Authority, has been established as an independent statutory authority to oversee the rehabilitation and post-closure management of declared mine land to ensure transition to safe, stable and sustainable post-mining landforms in Victoria.
- (f) Effective from 22 December 2020, the Secretary, Project Development was established as a body corporate under Section 41A of the Project Development and Construction Management Act 1994 to facilitate and manage public construction for nominated projects under that Act.
- (g) Effective from 1 July 2020, the Independent Broad-based Anti-corruption Commission (IBAC), Ombudsman Victoria and Victorian Inspectorate transferred from the Department of Justice and Community Safety to become independent offices of Parliament.
- (h) Effective from 1 July 2020, the Parliamentary Budget Office's financial management services were transferred from the Department of Parliamentary Services to the Parliamentary Budget Office.
- (i) Effective from 1 July 2020, portfolio responsibility for Development Victoria transferred from the Department of Jobs, Precincts and Regions to the Department of Transport.
- (j) The Great Ocean Road Coast and Parks Authority (GORCAPA) was established under the Great Ocean Road and Environs Protection Act 2020. GORCAPA commenced on 1 December 2020 and will protect and manage Crown land and coastal assets within the Great Ocean Road coast and parks.
- (k) Effective from 6 August 2020, Bendigo Cemeteries Trust changed its name to Remembrance Parks Central Victoria.

9.4 Glossary of technical terms

The 2019-20 Financial Report for the State of Victoria Note 9.10 contains a summary of the major technical terms used in this report.

APPENDIX A – GENERAL GOVERNMENT SECTOR QUARTERLY FINANCIAL REPORT

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

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

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

Consolidated balance sheet as at the end of the past five quarters

(\$ million)

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

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

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

Note:

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

APPENDIX B – FINANCIAL MANAGEMENT ACT 1994 COMPLIANCE INDEX

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

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

<i>Financial Management Act reference</i>	<i>Requirement</i>	<i>Comments/reference</i>
Section 25(1)	The Minister must prepare a mid-year report for each financial year.	Refer to Chapter 2.
Section 25(2)	The mid-year report: <ul style="list-style-type: none"> (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks; (b) must present fairly the financial position of the State and the Victorian general government sector at midnight on 31 December in the financial year and: <ul style="list-style-type: none"> (i) the transactions on the Public Account; (ii) the transactions of the Victorian general government sector; and (iii) other financial transactions of the State in respect of the period of six months ending on that day. 	<p>Manner is in accordance with Australian Accounting Standards and Ministerial Directions. Form is operating statement, balance sheet, statement of cash flows, statement of changes in equity and accompanying notes. Refer to Chapter 2.</p> <p>Refer to Chapter 2, balance sheet.</p> <p>Refer to Chapter 2, Note 8.</p> <p>Refer to Chapter 2, operating statement, statement of cash flows and related notes.</p> <p>Refer to Chapter 2, operating statement, statement of cash flows and related notes.</p>
Section 26(1)	The Minister must prepare a quarterly financial report for each quarter of each financial year.	Refer to Appendix A.
Section 26(2)	A quarterly financial report comprises: <ul style="list-style-type: none"> (a) a statement of financial performance of the Victorian general government sector for the quarter; (b) a statement of the financial position of the Victorian general government sector at the end of the quarter; (c) a statement of cash flows of the Victorian general government sector for the quarter; and (d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based. 	<p>Refer to Appendix A, operating statement.</p> <p>Refer to Appendix A, balance sheet.</p> <p>Refer to Appendix A, statement of cash flows.</p> <p>Refer to Chapter 2, Note 1.</p>
Section 26(2A)	A quarterly financial report must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks.	Manner is a financial report for the general government sector. Form is operating statement, balance sheet, statement of cash flows. Refer to Appendix A.
Section 26(2B)	The quarterly financial report for the quarter ending on 31 December in a financial year must include, in addition to the statements referred to in subsection (2)(a) to (d) for that quarter, those statements for the period of six months ending on that 31 December.	Refer to Chapter 2, operating statement, balance sheet, and statement of cash flows.

STYLE CONVENTIONS

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

The notation used in the tables is as follows:

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

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

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Mid-Year Financial Report
(incorporating Quarterly
Financial Report No. 2)
March 2021

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