**2016‑17 Mid‑Year Financial Report**

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



**March 2017**

Presented by

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

The *2016-17 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 2016. The report has been prepared in accordance with the *Financial Management Act 1994* and applicable accounting standards.

The actual results in this report are compared with the revised budget estimates in the *2016-17 Budget Update*. The likely 2016-17 full year results cannot be extrapolated from the half year results due to seasonal and other factors impacting on the timing of activity and transactions. In particular, they do not include the significant revenue items that are expected to be recognised in the second half of the financial year. 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 year.

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

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

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

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 2016, the general government sector recorded a positive net result from transactions of $1.4 billion. The State recorded a positive net result from transactions of $406 million.

# Overview

Victoria’s state final demand grew by 2.5 per cent over the year to the September quarter, the second highest growth rate among the states. Growth was supported by both household consumption and dwelling investment. Victorian employment grew by an average of 2.9 per cent in 2016, and population growth of 2.1 per cent over the year to June was the highest growth rate of all the states. Victoria’s economic outlook remains positive, supported by solid population and employment growth. However, there are risks to the outlook including the timing of an expected normalisation of interest rates in the United States and consequences flowing from global trade policy decisions. Nevertheless, Victoria’s balanced economy and the government’s strong financial position leaves the State well placed to deal with any unforeseen developments.

The State’s net infrastructure investment for the period to 31 December 2016 was $3.8 billion, mainly in the general government and the PNFC sectors. Cash operating surpluses are applied, in the first instance, to the funding of infrastructure investment. Net cash flows from operating activities for the State for the period to 31 December 2016 was $14.3 billion. This is significantly higher compared to 2015-16 due to the receipt of proceeds from the medium-term lease of the Port of Melbourne.

The material level of investment in infrastructure within the non-financial public sector (NFPS) makes the sector significant to the overall State. The NFPS represents the general government sector and the PNFC sector after eliminating transactions between the two sectors.

Net debt for the NFPS was $28.7 billion, or 7.3 per cent of gross state product (GSP), at 31 December 2016 (9.8 per cent as at 30 June 2016).

This reduction is largely driven by debt retirement using proceeds from the medium-term lease of the Port of Melbourne.

# Financial performance

For the six months to 31 December 2016, the general government sector recorded a positive net result from transactions of $1.4 billion. This is broadly consistent with the $1.5 billion operating surplus at the same time last year.

The net result from transactions for the State was a surplus of $406 million compared to $1.1 billion the previous year. This decrease was mainly due to an

increase in grant expenses driven by the transfer of the Synchrotron to the Commonwealth Government, the transfer of properties free of charge to Aboriginal Housing Victoria from the Director of Housing, and an increase in other operating expenses of the PFC sector driven by growth in claims exposure and inflation.

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

|  | State of Victoria | | | | General government sector | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2015-16  actual  to Dec | 2016-17  actual  to Dec | 2016-17  revised  estimate | % (b) | 2015-16  actual  to Dec | 2016-17  actual  to Dec | 2016-17  revised  estimate | % (b) |
| **Revenue from transactions** |  |  |  |  |  |  |  |  |
| Taxation revenue | 9 443 | 10 467 | 21 254 | 49 | 9 676 | 10 662 | 21 631 | 49 |
| Interest revenue | 308 | 327 | 830 | 39 | 394 | 375 | 906 | 41 |
| Dividends and income tax equivalent and rate equivalent revenue | 766 | 536 | 1 143 | 47 | 451 | 438 | 712 | 61 |
| Sales of goods and services | 7 017 | 7 063 | 14 472 | 49 | 3 332 | 3 416 | 6 813 | 50 |
| Grant revenue | 12 258 | 13 285 | 27 455 | 48 | 12 301 | 13 318 | 27 623 | 48 |
| Other revenue | 2 065 | 1 646 | 3 152 | 52 | 1 726 | 1 288 | 2 539 | 51 |
| **Total revenue from transactions** | **31 857** | **33 325** | **68 306** | **49** | **27 880** | **29 498** | **60 224** | **49** |
| **Expenses from transactions** |  |  |  |  |  |  |  |  |
| Employee expenses | 10 261 | 10 977 | 22 669 | 48 | 9 765 | 10 436 | 21 568 | 48 |
| Net superannuation interest expense | 441 | 349 | 692 | 50 | 441 | 349 | 692 | 50 |
| Other superannuation | 1 223 | 1 215 | 2 455 | 49 | 1 160 | 1 148 | 2 327 | 49 |
| Depreciation | 2 322 | 2 406 | 4 922 | 49 | 1 200 | 1 256 | 2 633 | 48 |
| Interest expense | 1 356 | 1 373 | 2 562 | 54 | 1 034 | 1 012 | 2 147 | 47 |
| Grant expense | 2 841 | 3 608 | 7 475 | 48 | 4 315 | 4 924 | 10 312 | 48 |
| Other operating expenses | 12 267 | 12 991 | 27 933 | 47 | 8 457 | 8 987 | 18 817 | 48 |
| **Total expenses from transactions** | **30 711** | **32 919** | **68 707** | **48** | **26 373** | **28 111** | **58 495** | **48** |
| **Net result from transactions –  net operating balance** | **1 146** | **406** | **(401)** | **(101)** | **1 507** | **1 387** | **1 729** | **80** |
| Total other economic flows included in net result | (604) | 5 190 | 1 728 | 300 | (267) | (161) | (252) | 64 |
| **Net result** | **542** | **5 596** | **1 327** | **422** | **1 239** | **1 226** | **1 477** | **83** |
| Total other economic flows – other comprehensive income (c) | (763) | 3 023 | 1 624 | 186 | (1 074) | 3 640 | 1 244 | 293 |
| **Comprehensive result –  total change in net worth (c)** | **(221)** | **8 619** | **2 952** | **292** | **165** | **4 866** | **2 721** | **179** |

Notes:

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

(b) The percentage represents the 2016-17 actual to December as a percentage of the revised estimate presented in the 2016-17 Budget Update.

(c) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

# General government sector

## Revenue

Revenue for the six months ended 31 December 2016 was $29.5 billion. This is 49 per cent of the revised budget estimate and an increase of $1.6 billion from the same time last year.

Taxation revenue was $10.7 billion, or 49 per cent of the expected total for the year. Taxation revenue is influenced by seasonal factors such as recognition of land tax revenue in the March quarter and the recognition of the Fire Services Property Levy in the first quarter of the financial year. Aside from these timing factors, taxation revenue has increased compared to the same time last year as a result of prepaid port license fees associated with entering into a medium-term lease over the operations of the Port of Melbourne.

Grant revenue was $13.3 billion, or 48 per cent of the revised budget estimate. This is slightly below pro rata mainly due to the timing of grants from the Commonwealth. These are expected in the second half of the year, including for the road and rail projects under the Commonwealth Infrastructure Investment Programme.

Compared to the same time last year, grant revenue increased by $1 billion. This was mainly due to growth in GST grants from the Commonwealth Government and an increase in grants relating to the National Health Reform agreement.

Dividends and income tax equivalent revenue for the half year was 61 per cent of the revised budget estimate, which primarily reflects the timing of dividends and income tax equivalent revenue from the PNFC sector.

Revenue from the sale of goods and services for the half year was $3.4 billion, or 50 per cent of the revised budget estimate and is in line with expectations.

The other sources of general government revenue represent a relatively small component of total revenue. The decrease from the same time last year is a result of the High Court of Australia’s decision in 2015-16 to overturn the Court of Appeal’s previous decision relating to Tatts’ Gambling Licenses’ proceedings, which resulted in a one-off additional $541 million of revenue plus interest.

## Expenses

Total expenses were $28.1 billion, or 48 per cent of the revised budget estimate.

Employee expenses were slightly under pro rata for the first half of the year at $10.4 billion, or 48 per cent of the revised budget estimate.

Compared to the same time last year, employee expenses increased by $671 million (6.9 per cent), mainly due to increased service delivery in the health and community safety sectors, and salary growth in line with wages policy.

Grant expenses for the first half of the year was $4.9 billion, or 48 per cent of the revised budget estimate. This is slightly under pro rata mainly due to the timing of certain grant payments.

Compared to the same time last year, grant expenses increased by $609 million. This was primarily due to the transfer of the Synchrotron to the Commonwealth Government and an increase in on‑passed Commonwealth grants to the local government sector, which were lower in 2015-16, as two quarters worth of grants expected to be received in 2015-16 were prepaid in 2014-15.

Other operating expenses, which is mainly expenditure supporting the Government’s service delivery, were $9.0 billion or 48 per cent of the revised budget estimate. This is lower than pro rata due to the timing of supplies and consumables, where the majority of these operating expenses is expected in the second half of the year.

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

# State of Victoria

## Revenue

Total revenue for the State was $33.3 billion, of which $29.5 billion was in the general government sector. The balance is explained below, noting that not all transactions in the PNFC and PFC sectors will affect the overall State outcome.

Total revenue for the State was 4.6 per cent higher than the corresponding period in 2015-16. PNFC sector revenue increased by 2.1 per cent to $4.9 billion mainly due to an increase in grants revenue for V/Line for additional train services and additional funding for Director of Housing (PNFC) for statewide initiatives to combat family violence.

The PFC sector revenue decreased 1.6 per cent or $65 million to $3.9 billion compared to 2015-16 mainly due to a $276 million decrease in interest revenue and dividends and investment income offset by an increase in sale of goods and services and other revenue by $211 million. Total investment income has increased after taking into account capital gains and losses reported in other economic flows.

## Expenses

Total expenses for the State increased by   
7.2 per cent to $32.9 billion for the six months to 31 December 2016. Of this, $28.1 billion was incurred by the general government sector as previously highlighted.

Compared with the corresponding six-month period to 31 December 2015, total expenses in the PNFC sector increased by 9.1 per cent to

$5.3 billion. This increase was mainly due to increases in grants and other operating expenses driven by the transfer of properties free of charge to Aboriginal Housing Victoria from the Director of Housing (PNFC), an increase in the capital asset charge for VicTrack and an increase in operating expenditure for V/Line.

Within the PFC sector, total expenses to 31 December 2016 increased by 28.8 per cent to $5.2 billion compared to December 2015. The increase in expenses was mainly due to an increase in other operating expenses of the insurers driven by claims exposure growth and inflation, and an increase in tax payable to the State.

## Other economic flows and net result

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

* general government sector other economic flows is a deficit of $161 million, primarily due to movements in provisions for doubtful receivables; and
* whole of State other economic flows, totalling $5.2 billion, primarily reflecting a decrease in the valuation of financial liabilities due to an increase in interest rates and strong investment performance due to strong performance in equity markets.

# Financial position

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

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Jun  2016 | Dec  2016 | Actual  movement | Jun  2016 | Dec  2016 | Actual  movement |
| **Assets** |  |  |  |  |  |  |
| Non-financial assets | 229 829 | 230 986 | 1 157 | 115 711 | 115 949 | 238 |
| Financial assets | 52 074 | 59 062 | 6 988 | 112 531 | 117 701 | 5 170 |
| **Total assets** | **281 903** | **290 048** | **8 145** | **228 242** | **233 649** | **5 408** |
| **Liabilities** |  |  |  |  |  |  |
| Superannuation | 29 354 | 26 625 | (2 729) | 29 291 | 26 566 | (2 725) |
| Borrowings | 53 959 | 48 307 | (5 652) | 33 811 | 27 986 | (5 825) |
| Other liabilities | 46 298 | 54 264 | 7 966 | 13 445 | 22 587 | 9 142 |
| **Total liabilities** | **129 611** | **129 196** | **(415)** | **76 547** | **77 139** | **592** |
| **Net assets** | **152 291** | **160 852** | **8 560** | **151 695** | **156 511** | **4 816** |

Note:

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

## State of Victoria

During the period to 31 December 2016, the reported value of net assets for the State of Victoria increased by $8.6 billion. The total assets of the State increased by $8.1 billion mainly driven by continued capital growth associated with favourable market conditions and the receipt of proceeds from the medium-term lease over the operations of the Port of Melbourne.

Total liabilities for the State decreased by $415 million to $129.2 billion. This decline is due to a decrease in superannuation liabilities by $2.7 billion and a decrease in borrowings by $5.7 billion offset by an increase in other liabilities of $8 billion. The decrease in superannuation liabilities is attributable to higher than expected investment returns on superannuation assets and an increase in bond rates that are used to value the superannuation liability.

The decrease in borrowings is due to debt retirement using the proceeds from the medium-term lease over the operations of the Port of Melbourne. The increase in other liabilities is driven by the unearned revenue associated with the up-front receipt of proceeds from the medium-term lease over the operations of the Port of Melbourne.

# Cash flow

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

A detailed cash flow statement is provided in Chapter 2.

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

|  | 2016-17 actual to Dec | 2016-17 revised estimate |
| --- | --- | --- |
| Net result from transactions – net operating balance | 1 387 | 1 729 |
| Add back: Non-cash revenues and expenses (net) | 843 | 2 227 |
| **Net cash flows from operating activities** | **2 230** | **3 956** |
| Less: |  |  |
| **Net investment in fixed assets** |  |  |
| Purchases of non-financial assets | 3 121 | 7 768 |
| Net cash flows from investments in financial assets for policy purposes | 850 | (605) |
| Sales of non-financial assets | (65) | (432) |
| **Net investment in fixed assets** | **3 906** | **6 730** |
| Finance leases | .. | 517 |
| Other investment activities (net) (a) | (9 596) | (8 009) |
| **Decrease/(increase) in net debt** | **7 921** | **4 718** |

Note:

(a) Includes net advances to public non-financial corporations for policy purposes of $9.6 billion for the six months ended 31 December .

## Infrastructure investment

The State continues to deliver its infrastructure program to support growing community needs and ongoing productivity improvement. For the six months to 31 December 2016, net investment in fixed assets by the State totalled $3.8 billion.

The Government’s infrastructure scorecard as at 31 December 2016

Major projects completed during the quarter include:

Box Hill Hospital Redevelopment;

Port Capacity (Webb Dock) – substructure; and

Regional rolling stock.

Major projects under procurement or in progress include:

Ballarat rail upgrade;

Bendigo Hospital;

Casey Hospital expansion;

CityLink–Tulla widening;

Chandler Highway Bridge duplication;

Drysdale Bypass and High Street upgrades;

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

Goulburn Valley Health (Shepparton) Redevelopment;

Joan Kirner Women’s and Children’s Hospital;

Level Crossing Removal Program;

M80 Upgrade – Sunshine Avenue to Calder Freeway;

Melbourne Convention and Exhibition Centre – Stage 2;

Melbourne Park redevelopment – Stage 2;

Mernda Rail Extension Project;

Metro Tunnel – Early Works Package;

Metro Tunnel – Rail Systems Package;

Metro Tunnel – Tunnel and Stations Package;

Monash Children’s Hospital;

Murray Basin Rail Project;

New Schools (private public partnership);

New trains, trams and associated infrastructure for Melbourne commuters;

Port Capacity (Webb Dock) – superstructure;

Police communications upgrade;

Princes Highway duplication project – Winchelsea to Colac;

Princes Highway East – Traralgon to Sale duplication;

Ravenhall – New Male Prison;

Royal Victorian Eye and Ear Hospital Redevelopment;

Thompsons Road duplication;

Western Distributor;

Western Highway duplication – Ballarat to Stawell; and

Yan Yean Road duplication.

# Financial sustainability

## General government sector

Table 1.4 shows general government sector net debt decreased by $7.9 billion to $14.4 billion as at 31 December 2016. This largely reflects the receipt of proceeds from the medium-term lease over the operations of the Port of Melbourne. The ratio on net debt to GSP has improved from 6.0 per cent to 3.7 per cent.

Overall, net financial liabilities decreased during the six-month period due to the decline in net debt and the $2.7 billion reduction in the superannuation liability is primarily due to the impact of increases in the bond yields that underlie the key superannuation valuation assumptions. Higher than expected investment returns on superannuation assets also had a favourable impact on this liability. As a result, the ratio of net financial liabilities to GSP decreased from 15.7 per cent to 12.1 per cent during the six‑month period.

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

|  | Opening 1 July 2016 | Closing 31 Dec 2016 | Actual movement | % change |
| --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |
| Cash and deposits | 4 772 | 4 319 | (453) | (9) |
| Advances paid | 4 582 | 14 156 | 9 574 | 209 |
| Investment, loans and placements | 2 853 | 5 516 | 2 663 | 93 |
| **Total** | **12 208** | **23 991** | **11 784** | **97** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 706 | 10 393 | 9 687 | 1 372 |
| Borrowings | 33 811 | 27 986 | (5 825) | (17) |
| **Total** | **34 516** | **38 379** | **3 862** | **11** |
| **Net debt (a)** | **22 309** | **14 387** | **(7 921)** | **(36)** |
| Superannuation liability | 29 291 | 26 566 | (2 725) | (9) |
| **Net debt plus superannuation liabilities** | **51 599** | **40 953** | **(10 646)** | **(21)** |
| Other liabilities (b) | 7 127 | 6 681 | (446) | (6) |
| **Net financial liabilities (c)** | **58 727** | **47 634** | **(11 092)** | **(19)** |
|  |  |  |  |  |
| *(per cent)* | | | | |
|  |  |  |  |  |
| **Net debt to GSP (d)** | **6.0** | **3.7** |  |  |
| **Net debt plus superannuation liability to GSP (d)** | **13.8** | **10.4** |  |  |
| **Net financial liabilities to GSP (d)** | **15.7** | **12.1** |  |  |

Notes:

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

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

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

(d) Ratios to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios as at 31 December 2016 reflect the 2016-17 GSP forecast growth rate for the full year.

## Non-financial public sector

Table 1.5 includes indicators to assess financial sustainability of the NFPS (comprising the general

government and the PNFC sectors), which is significant to the State’s credit rating.

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

|  | Opening 1 July 2016 | Closing 31 Dec 2016 | Actual movement | % change |
| --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |
| Cash and deposits | 5 574 | 5 219 | (356) | (6) |
| Advances paid | 153 | 201 | 49 | 32 |
| Investment, loans and placements | 3 906 | 6 685 | 2 779 | 71 |
| **Total** | **9 633** | **12 105** | **2 472** | **26** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 802 | 981 | 178 | 22 |
| Borrowings | 45 409 | 39 824 | (5 585) | (12) |
| **Total** | **46 211** | **40 805** | **(5 406)** | **(12)** |
| **Net debt (a)** | **36 578** | **28 700** | **(7 878)** | **(22)** |
| Superannuation liability | 29 354 | 26 625 | (2 729) | (9) |
| **Net debt plus superannuation liabilities** | **65 932** | **55 325** | **(10 607)** | **(16)** |
| Other liabilities (b) | 6 134 | 14 199 | 8 065 | 131 |
| **Net financial liabilities (c)** | **72 066** | **69 524** | **(2 542)** | **(4)** |
|  |  |  |  |  |
| *(per cent)* | | | | |
|  |  |  |  |  |
| **Net debt to GSP (d)** | **9.8** | **7.3** |  |  |
| **Net debt plus superannuation liability to GSP (d)** | **17.6** | **14.1** |  |  |
| **Net financial liabilities to GSP (d)** | **19.2** | **17.7** |  |  |

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) Rations to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios as at 31 December 2016 reflect the 2016-17 GSP forecast growth rate for the full year.

Net debt has decreased by $7.9 billion, which has resulted in a decrease in net financial liabilities. This decrease was driven by repayment of debt utilising the proceeds from the medium-term lease over the operations of the Port of Melbourne.

The ratio of net financial liabilities to GSP has decreased from 19.2 per cent to 17.7 per cent during the six-month period. The ratio on net debt to GSP has improved from 9.8 per cent to 7.3 per cent.

Chapter 2 – Mid-year financial report

# Consolidated comprehensive operating statement

For the six months ended 31 December ($ million)

|  |  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | 2016 | 2015 | 2016 | 2015 |
| **Revenue from transactions** |  |  |  |  |  |
| Taxation revenue | 2.1 | 10 467 | 9 443 | 10 662 | 9 676 |
| Interest revenue |  | 327 | 308 | 375 | 394 |
| Dividends, income tax equivalent and rate equivalent revenue | 2.2 | 536 | 766 | 438 | 451 |
| Sales of goods and services | 2.3 | 7 063 | 7 017 | 3 416 | 3 332 |
| Grant revenue | 2.4 | 13 285 | 12 258 | 13 318 | 12 301 |
| Other revenue | 2.5 | 1 646 | 2 065 | 1 288 | 1 726 |
| **Total revenue from transactions** |  | **33 325** | **31 857** | **29 498** | **27 880** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses |  | 10 977 | 10 261 | 10 436 | 9 765 |
| Net superannuation interest expense | 3.2 | 349 | 441 | 349 | 441 |
| Other superannuation | 3.2 | 1 215 | 1 223 | 1 148 | 1 160 |
| Depreciation | 4.2 | 2 406 | 2 322 | 1 256 | 1 200 |
| Interest expense | 5.4 | 1 373 | 1 356 | 1 012 | 1 034 |
| Grant expense | 3.3 | 3 608 | 2 841 | 4 924 | 4 315 |
| Other operating expenses | 3.4 | 12 991 | 12 267 | 8 987 | 8 457 |
| **Total expenses from transactions** | 3.5, 3.6 | **32 919** | **30 711** | **28 111** | **26 373** |
| **Net result from transactions – net operating balance** |  | **406** | **1 146** | **1 387** | **1 507** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets |  | 3 | 8 | 15 | 11 |
| Net gain/(loss) on financial assets or liabilities at fair value |  | 2 782 | (289) | 14 | (21) |
| Share of net profit/(loss) from associates/joint venture entities |  | 26 | 28 | (3) | 2 |
| Other gains/(losses) from other economic flows | 9.2 | 2 380 | (351) | (187) | (260) |
| **Total other economic flows included in net result** |  | **5 190** | **(604)** | **(161)** | **(267)** |
| **Net result** |  | **5 596** | **542** | **1 226** | **1 239** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non-financial assets revaluation surplus (a) |  | (80) | (1) | (89) | 8 |
| Remeasurement of superannuation defined benefits plans | 3.2 | 2 979 | (704) | 2 984 | (704) |
| Other movements in equity (a) |  | 99 | (28) | 83 | (25) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value |  | 25 | (30) | 18 | (26) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets (a) |  | .. | .. | 644 | (327) |
| **Total other economic flows – other comprehensive income (a)** |  | **3 023** | **(763)** | **3 640** | **(1 074)** |
| **Comprehensive result – total change in net worth (a)** |  | **8 619** | **(221)** | **4 866** | **165** |
|  |  |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** |  | **406** | **1 146** | **1 387** | **1 507** |
| Less: Net acquisition of non-financial assets from transactions (a) | 9.1 | 1 254 | 749 | 171 | 362 |
| **Net lending/(borrowing) (a)** |  | **(848)** | **397** | **1 216** | **1 144** |

The accompanying notes form part of these financial statements.

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

# Consolidated balance sheet

As at 31 December ($ million)

|  |  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | Dec  2016 | Jun  2016 | Dec  2016 | Jun  2016 |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 5.2 | 6 567 | 6 676 | 4 319 | 4 772 |
| Advances paid | 5.3 | 201 | 153 | 14 156 | 4 582 |
| Receivables | 6.2 | 7 901 | 7 793 | 5 469 | 5 566 |
| Investments, loans and placements | 5.3 | 42 477 | 35 534 | 5 516 | 2 853 |
| Investments accounted for using the equity method | 4.6 | 1 915 | 1 918 | 44 | 46 |
| Investments in other sector entities |  | .. | .. | 88 196 | 94 710 |
| **Total financial assets** |  | **59 062** | **52 074** | **117 701** | **112 531** |
| **Non-financial assets** |  |  |  |  |  |
| Inventories | 6.1 | 656 | 709 | 186 | 188 |
| Non-financial assets held for sale | 4.5 | 190 | 200 | 183 | 188 |
| Land, buildings, infrastructure, plant and equipment | 4.1 | 227 504 | 226 557 | 114 148 | 114 254 |
| Other non-financial assets | 4.4 | 2 638 | 2 363 | 1 432 | 1 081 |
| **Total non-financial assets** |  | **230 986** | **229 829** | **115 949** | **115 711** |
| **Total assets** | 3.6 | **290 048** | **281 903** | **233 649** | **228 242** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received |  | 1 718 | 2 628 | 10 393 | 706 |
| Payables | 6.3 | 18 288 | 7 937 | 5 084 | 5 773 |
| Borrowings | 5.1 | 48 307 | 53 959 | 27 986 | 33 811 |
| Employee benefits | 3.1 | 6 725 | 6 647 | 6 244 | 6 137 |
| Superannuation | 6.4 | 26 625 | 29 354 | 26 566 | 29 291 |
| Other provisions | 6.5 | 27 533 | 29 085 | 866 | 829 |
| **Total liabilities** |  | **129 196** | **129 611** | **77 139** | **76 547** |
| **Net assets** |  | **160 852** | **152 291** | **156 511** | **151 695** |
| Accumulated surplus/(deficit) |  | 72 737 | 56 234 | 48 714 | 44 454 |
| Reserves |  | 88 115 | 96 008 | 107 797 | 107 191 |
| Non-controlling interest |  | .. | 50 | .. | 50 |
| **Net worth** |  | **160 852** | **152 291** | **156 511** | **151 695** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth |  | (70 135) | (77 538) | 40 562 | 35 984 |
| Net financial liabilities |  | 70 135 | 77 538 | 47 634 | 58 727 |
| Net debt |  | 780 | 14 224 | 14 387 | 22 309 |

The accompanying notes form part of these financial statements.

# Consolidated cash flow statement

For the six months ended 31 December ($ million)

|  |  | | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- | --- | --- |
|  | Notes | | 2016 | 2015 | 2016 | 2015 |
| **Cash flows from operating activities** |  | |  |  |  |  |
| **Receipts** |  | |  |  |  |  |
| Taxes received |  | | 10 688 | 9 702 | 10 883 | 9 935 |
| Grants |  | | 13 288 | 12 251 | 13 320 | 12 300 |
| Sales of goods and services (a) |  | | 17 833 | 8 557 | 3 781 | 3 527 |
| Interest received (b) |  | | 240 | 264 | 377 | 372 |
| Dividends, income tax equivalent and rate equivalent receipts |  | | 536 | 766 | 523 | 605 |
| Other receipts (b) |  | | 1 306 | 1 173 | 833 | 939 |
| **Total receipts** |  | | **43 891** | **32 712** | **29 715** | **27 677** |
| **Payments** |  | |  |  |  |  |
| Payments for employees |  | | (10 855) | (10 135) | (10 286) | (9 622) |
| Superannuation |  | | (1 313) | (1 595) | (1 237) | (1 530) |
| Interest paid |  | | (1 416) | (1 365) | (1 022) | (1 031) |
| Grants and subsidies |  | | (3 243) | (2 875) | (5 087) | (4 336) |
| Goods and services (a) |  | | (12 318) | (12 648) | (9 480) | (8 966) |
| Other payments |  | | (404) | (371) | (373) | (371) |
| **Total payments** |  | | **(29 549)** | **(28 988)** | **(27 485)** | **(25 856)** |
| **Net cash flows from operating activities** | 5.2 | | **14 342** | **3 724** | **2 230** | **1 821** |
| **Cash flows from investing activities** |  | |  |  |  |  |
| Purchases of non-financial assets (b) | 3.5, 3.6 | | (3 938) | (3 185) | (3 121) | (2 037) |
| Sales of non-financial assets |  | | 116 | 220 | 65 | 73 |
| **Net cash flows from investments in non-financial assets (b)** |  | | **(3 821)** | **(2 965)** | **(3 056)** | **(1 964)** |
| **Cash flows from investments in financial assets for policy purposes** |  | |  |  |  |  |
| Cash inflows |  | | 106 | 97 | 8 968 | 52 |
| Cash outflows (b) |  | | (111) | (90) | (9 817) | (241) |
| **Net cash flows from investments in financial assets for policy purposes (b)(c)** | |  | **(5)** | **7** | **(850)** | **(190)** |
| **Sub-total** |  | | **(3 826)** | **(2 958)** | **(3 906)** | **(2 153)** |
| Net cash flows from investments in financial assets for liquidity management purposes |  | | (5 624) | (1 447) | (2 638) | (33) |
| **Net cash flows from investing activities** |  | | **(9 450)** | **(4 405)** | **(6 544)** | **(2 187)** |
| **Cash flows from financing activities** |  | |  |  |  |  |
| Advances received |  | | 22 | 39 | 9 579 | .. |
| Advances repaid |  | | .. | (2) | .. | .. |
| Advances received (net) (c) |  | | 22 | 38 | 9 579 | .. |
| Borrowings received |  | | 80 | 281 | 32 | 359 |
| Borrowings repaid |  | | (4 172) | (308) | (5 858) | (131) |
| Net borrowings (c) |  | | (4 092) | (27) | (5 827) | 229 |
| Deposits received |  | | 1 716 | 429 | 1 615 | 162 |
| Deposits repaid |  | | (2 648) | (323) | (1 506) | (194) |
| Deposits received (net) (c) |  | | (932) | 107 | 109 | (32) |
| **Net cash flows from financing activities** |  | | **(5 001)** | **117** | **3 860** | **196** |
| **Net increase/(decrease) in cash and cash equivalents** |  | | **(109)** | **(564)** | **(453)** | **(169)** |
| Cash and cash equivalents at beginning of the financial year |  | | 6 676 | 6 510 | 4 772 | 4 282 |
| **Cash and cash equivalents at end of the financial year** | 5.2 | | **6 567** | **5 946** | **4 319** | **4 112** |
|  |  | |  |  |  |  |
| **FISCAL AGGREGATES** |  | |  |  |  |  |
| Net cash flows from operating activities |  | | 14 342 | 3 724 | 2 230 | 1 821 |
| Net cash flows from investments in non-financial assets (b) |  | | (3 821) | (2 965) | (3 056) | (1 964) |
| **Cash surplus/(deficit) (b)** |  | | **10 521** | **759** | **(825)** | **(142)** |

The accompanying notes form part of these financial statements.

Notes:

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

(b) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

(c) In accordance with AASB 107, Treasury Corporation of Victoria is not required to gross up their cash flow information for whole of government consolidation purposes. The net cash movements for Treasury Corporation of Victoria have been added to cash inflows or outflows for both six months ended 31 December 2016 and 31 December 2015.

# Consolidated statement of changes in equity

For the six months ended 31 December ($ million)

| State of Victoria | Accumulated surplus/(deficit) (a) | Non-controlling interest | Non-financial assets revaluation surplus (a) | Other  reserves | Total (a) |
| --- | --- | --- | --- | --- | --- |
| **2016** |  |  |  |  |  |
| Balance at 1 July 2016 | 56 234 | 50 | 94 965 | 1 042 | 152 291 |
| Net result for the six months | 5 596 | .. | .. | .. | 5 596 |
| Other comprehensive income for the six months | 3 031 | .. | (89) | 71 | 3 014 |
| Transfer to accumulated surplus | 7 876 | .. | (7 876) | .. | .. |
| Transactions with owners in their capacity as owners | .. | (50) | .. | .. | (50) |
| **Total equity as at 31 December 2016** | **72 737** | **..** | **87 001** | **1 114** | **160 852** |
| **2015** |  |  |  |  |  |
| Balance at 1 July 2015 | 61 285 | 50 | 77 429 | 1 201 | 139 966 |
| Net result for the six months | 542 | .. | .. | .. | 542 |
| Other comprehensive income for the six months | (697) | .. | (1) | (65) | (763) |
| Transfer to accumulated surplus | (22) | .. | 22 | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2015** | **61 108** | **50** | **77 451** | **1 135** | **139 745** |

The accompanying notes form part of these financial statements.

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

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

For the six months ended 31 December ($ million)

| General government sector | Accumulated surplus/(deficit) | Non-controlling interest | Non-financial assets revaluation surplus | Investment in other  sector entities  revaluation surplus (a) | Other  reserves | Total (a) |
| --- | --- | --- | --- | --- | --- | --- |
| **2016** |  |  |  |  |  |  |
| Balance at 1 July 2016 | 44 454 | 50 | 49 613 | 57 027 | 551 | 151 695 |
| Net result for the six months | 1 226 | .. | .. | .. | .. | 1 226 |
| Other comprehensive income for the six months | 3 035 | .. | (89) | 644 | 50 | 3 640 |
| Transfer to accumulated surplus | .. | .. | .. | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | (50) | .. | .. | .. | (50) |
| **Balance as at 31 December 2016** | **48 714** | **..** | **49 524** | **57 671** | **602** | **156 511** |
| **2015** |  |  |  |  |  |  |
| Balance at 1 July 2015 | 45 764 | 50 | 43 355 | 46 494 | 728 | 136 391 |
| Net result for the six months | 1 239 | .. | .. | .. | .. | 1 239 |
| Other comprehensive income for the six months | (678) | .. | 8 | (327) | (77) | (1 074) |
| Transfer to accumulated surplus | (22) | .. | 22 | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Balance equity as at 31 December 2015** | **46 304** | **50** | **43 385** | **46 167** | **651** | **136 557** |

The accompanying notes form part of these financial statements.

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

# 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 2016.

The accounting policies applied are consistent with those applied for the financial statements published in the *2015-16 Financial Report* for the State. As this interim financial report does not include all the notes normally included with the annual financial report, this report should be read in conjunction with the *2015-16 Financial Report*.

## Statement of compliance

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

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

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

The *2016-17 Mid-Year Financial Report* was authorised for issue by the Treasurer on 15 March 2017.

## Basis of accounting and measurement

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

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

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

## Reporting entity

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

### General government

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

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

### Public non-financial corporations

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

### Public financial corporations

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

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

## Non-financial public sector

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

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

## Basis of consolidation

The consolidated financial statements of the State incorporate assets and liabilities of all reporting entities it controlled as at 31 December 2016 and the revenue and expenses of controlled entities for the part of the reporting period in which control existed.

The consolidated financial statements of the Victorian general government sector incorporate assets and liabilities, revenue and expenses of entities classified as general government. Entities in the PNFC and PFC sectors are not consolidated into the financial statements of the general government sector, but are accounted for as equity investments measured at the Government’s proportional share of the carrying amount of net assets of the PNFC sector and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity’s net assets before consolidation eliminations of an entity within the sector is less than zero, the amount is not included in the general government sector, but the net liabilities will be consolidated at the State level. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value, and accounted for in a manner consistent with AASB 139 *Financial Instruments: Recognition and Measurement*.

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

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

In preparing 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 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 2016-17 reporting period. The State is reviewing its existing policies to assess the potential implications and make future changes as required. They include:

* AASB 9 *Financial Instruments*, operative for reporting periods commencing 1 January 2018 as revised by AASB 2014-1 *Amendments to Australian Accounting Standards (Part E Financial Instruments)*. AASB 9 simplifies requirements for the classification and measurement of financial assets, introduces a new hedging accounting model and also considers a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.
* AASB 15 *Revenue from Contracts with Customers*, operative for reporting periods commencing 1 January 2019 for not for profit entities. The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.
* AASB 1058 *Income of Not-for-Profit Entities*, operative for reporting periods commencing 1 January 2019. This standard will replace a part of AASB 1004 *Contributions* and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not for profit entities to further their objectives.
* AASB 16 *Leases*, operative for reporting periods commencing 1 January 2019. The key change introduced by AASB 16 includes the recognition of most operating leases on the balance sheet.

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.

There is no intention to early adopt the above accounting standards.

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

## Rounding

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

# How funds are raised

## Introduction

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

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

## Structure

[2.1 Taxation revenue 17](#_Toc475960021)

[2.2 Dividends, income tax equivalent and rate equivalent revenue 18](#_Toc475960022)

[2.3 Sales of goods and services 18](#_Toc475960023)

[2.4 Grant revenue 19](#_Toc475960024)

[2.5 Other revenue 19](#_Toc475960025)

## Taxation revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| **Taxes on employers’ payroll and labour force** | **2 844** | **2 693** | **2 882** | **2 729** |
| **Taxes on immovable property** |  |  |  |  |
| Land tax | 54 | 36 | 65 | 56 |
| Fire Services Property Levy | 668 | 660 | 668 | 660 |
| Congestion levy | 8 | .. | 8 | .. |
| Metropolitan improvement levy | 162 | 156 | 162 | 156 |
| **Financial and capital transactions** |  |  |  |  |
| Land transfer duty | 2 956 | 3 032 | 2 956 | 3 032 |
| Metropolitan planning levy | 16 | 13 | 16 | 13 |
| Financial accommodation levy | .. | .. | 65 | 84 |
| Growth Areas Infrastructure Contribution | 88 | 69 | 88 | 69 |
| **Total taxes on property** | **3 952** | **3 967** | **4 028** | **4 070** |
| **Gambling taxes** |  |  |  |  |
| Public lotteries | 204 | 221 | 204 | 221 |
| Electronic gaming machines | 557 | 550 | 557 | 550 |
| Casino | 110 | 112 | 110 | 112 |
| Racing | 39 | 41 | 39 | 41 |
| Other | 13 | 12 | 13 | 12 |
| **Levies on statutory corporations** | **..** | **..** | **53** | **53** |
| **Taxes on insurance** | **636** | **606** | **636** | **606** |
| **Total taxes on the provision of goods and services** | **1 560** | **1 541** | **1 612** | **1 594** |
| **Motor vehicle taxes** |  |  |  |  |
| Vehicle registration fees | 770 | 726 | 771 | 728 |
| Duty on vehicle registrations and transfers | 405 | 391 | 405 | 391 |
| **Liquor licence fees** | **14** | **15** | **14** | **15** |
| **Other (a)** | **923** | **110** | **950** | **150** |
| **Total taxes on the use of goods and performance of activities** | **2 112** | **1 242** | **2 140** | **1 283** |
| **Total taxation revenue** | **10 467** | **9 443** | **10 662** | **9 676** |

Note:

(a) Includes prepaid port licence fees.

## Dividends, income tax equivalent and rate equivalent revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| Dividends from PFC sector | .. | .. | 157 | 223 |
| Dividends from PNFC sector | .. | .. | 122 | 124 |
| Dividends from non-public sector | 536 | 766 | 24 | 16 |
| **Dividends** | **536** | **766** | **303** | **362** |
| Income tax equivalent revenue from PFC sector | .. | .. | 2 | 13 |
| Income tax equivalent revenue from PNFC sector | .. | .. | 132 | 76 |
| **Income tax equivalent revenue** | **..** | **..** | **134** | **89** |
| Local government rate equivalent revenue | .. | .. | .. | .. |
| **Total dividends, income tax equivalent and rate equivalent revenue** | **536** | **766** | **438** | **451** |

Dividends by entity ($ million)

|  | General  government sector | |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Public financial corporations** |  |  |
| Victorian Managed Insurance Authority | 153 | 73 |
| Transport Accident Commission | .. | 116 |
| Treasury Corporation of Victoria | .. | 32 |
| State Trustees Ltd | .. | 1 |
| Victorian Funds Management Corporation | 4 | 2 |
| **Dividends from PFC sector** | **157** | **223** |
| **Public non-financial corporations** |  |  |
| Melbourne Water Corporation | 28 | .. |
| City West Water Corporation | 13 | 10 |
| South East Water Corporation | 47 | 26 |
| Yarra Valley Water Corporation | 23 | 24 |
| Victorian Ports Corporation (Melbourne) | .. | 7 |
| State Electricity Commission of Victoria | .. | 50 |
| Places Victoria | 10 | 5 |
| Others | 1 | 1 |
| **Dividends from PNFC sector** | **122** | **124** |

## Sales of goods and services

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| Motor vehicle regulatory fees | 123 | 127 | 123 | 127 |
| Other regulatory fees | 303 | 257 | 297 | 249 |
| Sale of goods | 348 | 275 | 43 | 40 |
| Provision of services | 6 116 | 6 246 | 1 993 | 2 005 |
| Rental | 76 | 50 | 34 | 35 |
| Refunds and reimbursements | 96 | 63 | 1 | 4 |
| Inter-sector capital asset charge | .. | .. | 925 | 871 |
| **Total sales of goods and services** | **7 063** | **7 017** | **3 416** | **3 332** |

## Grant revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| General purpose grants | 6 930 | 6 453 | 6 930 | 6 453 |
| Specific purpose grants for on-passing | 1 745 | 1 517 | 1 745 | 1 517 |
| Specific purpose grants | 4 606 | 4 287 | 4 602 | 4 285 |
| **Total** | **13 281** | **12 257** | **13 277** | **12 255** |
| Other contributions and grants | 4 | 1 | 42 | 46 |
| **Total grant revenue** | **13 285** | **12 258** | **13 318** | **12 301** |

## Other revenue

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| Fair value of assets received free of charge or for nominal consideration | 304 | 118 | 176 | 6 |
| Fines | 390 | 399 | 389 | 398 |
| Royalties | 34 | 36 | 26 | 28 |
| Donations and gifts | 154 | 142 | 124 | 110 |
| Other non-property rental | 44 | 42 | 14 | 14 |
| Other miscellaneous revenue | 720 | 1 329 | 560 | 1 170 |
| **Total other revenue** | **1 646** | **2 065** | **1 288** | **1 726** |

# How funds are spent

## Introduction

This section accounts for the major components of expenditure incurred by the State towards the operating activities (expenses from transactions) and on capital or infrastructure projects during the year, as well as any related obligations outstanding as at 31 December 2016.

## Structure

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

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

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## Employee expenses and provision for outstanding employee benefits

### Employee expenses (operating statement)

Employee expenses 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 are wages and salaries. Increases in employee expenses are mainly due to increased service delivery and salary growth in line with wages policy in the health and education sectors and community safety.

### Employee expenses (balance sheet)

As part of annual operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. 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  2016 | Jun  2016 | Dec  2016 | Jun  2016 |
| **Current** |  |  |  |  |
| Accrued salaries and wages | 466 | 411 | 444 | 376 |
| Other employee benefits | 70 | 50 | 58 | 24 |
| Annual leave (a) | 1 522 | 1 578 | 1 380 | 1 433 |
| Long service leave (a) | 3 770 | 3 746 | 3 540 | 3 513 |
| **Total current employee benefits and on-costs** | **5 828** | **5 785** | **5 422** | **5 347** |
| **Non-current** |  |  |  |  |
| Accrued salaries and wages | 7 | 1 | .. | .. |
| Long service leave | 889 | 861 | 822 | 791 |
| **Total non-current employee benefits and on-costs** | **897** | **862** | **822** | **791** |
| **Total employee benefits and on-costs** | **6 725** | **6 647** | **6 244** | **6 137** |

Note:

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

## Superannuation (gain)/expense recognised in the operating statement

($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2016 | 2015 |
| **Defined benefit plans** |  |  |
| Net superannuation interest expense | 349 | 441 |
| Current service cost | 431 | 394 |
| Remeasurements: |  |  |
| Expected return on superannuation assets excluding interest income | (507) | (394) |
| Other actuarial (gain)/loss on superannuation assets | (519) | 383 |
| Actuarial and other adjustments to unfunded superannuation liability | (1 953) | 715 |
| **Total (gain)/expenses recognised in respect of defined benefit plans** | **(2 200)** | **1 539** |
| **Defined contribution plans** |  |  |
| Employer contributions to defined contribution plans | 744 | 784 |
| Other (including pensions) | 40 | 46 |
| **Total expense recognised in respect of defined contribution plans** | **784** | **829** |
| **Total superannuation (gain)/expense recognised in operating statement** | **(1 415)** | **2 368** |
| **Represented by:** |  |  |
| Net superannuation interest expense | 349 | 441 |
| Other superannuation | 1 215 | 1 223 |
| **Superannuation expense from transactions** | **1 564** | **1 665** |
| **Remeasurement recognised in other comprehensive income** | **(2 979)** | **704** |
| **Total superannuation (gain)/expenses recognised in operating statement** | **(1 415)** | **2 368** |

## Grant expense

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| **Current grant expense** |  |  |  |  |
| Commonwealth government | 192 | 177 | 191 | 176 |
| Local government (including grants for on-passing) | 406 | 267 | 404 | 267 |
| Private sector and not-for-profit on-passing | 1 452 | 1 362 | 1 452 | 1 362 |
| Other private sector and not-for-profit | 1 024 | 868 | 997 | 855 |
| Grants within the Victorian government | .. | .. | 1 594 | 1 498 |
| Grants to other state governments | 8 | 6 | 8 | 6 |
| **Total current grant expense** | **3 082** | **2 681** | **4 646** | **4 165** |
| **Capital grant expense** |  |  |  |  |
| Private sector and not for profit on-passing | 97 | 150 | 59 | 150 |
| Grants within the Victorian government | .. | .. | 1 | .. |
| Other grants | 429 | 10 | 218 | 1 |
| **Total capital grant expense** | **526** | **160** | **278** | **151** |
| **Total grant expense** | **3 608** | **2 841** | **4 924** | **4 315** |

## Other operating expenses

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| Purchase of supplies and consumables (a) | 2 960 | 2 886 | 2 520 | 2 324 |
| Cost of goods sold | 137 | 95 | 15 | 16 |
| Finance expenses and fees | 221 | 219 | 147 | 17 |
| Purchase of services (a) | 5 830 | 5 511 | 5 238 | 5 145 |
| Insurance claims expense | 2 581 | 2 375 | 113 | 70 |
| Maintenance | 637 | 587 | 379 | 328 |
| Operating lease payments | 213 | 206 | 176 | 171 |
| Other | 412 | 387 | 398 | 387 |
| **Total other operating expenses** | **12 991** | **12 267** | **8 987** | **8 457** |

Note:

(a) December 2015 comparatives have been reclassified between the purchase of supplies and consumables and the purchase of services line items to better reflect the nature of the expenditure items.

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

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

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

|  | Expenses from transactions | | Purchases of  non-financial assets | |
| --- | --- | --- | --- | --- |
| State of Victoria | Dec  2016 | Dec  2015 | Dec  2016 | Dec  2015 |
| Economic Development, Jobs, Transport and Resources | 6 654 | 5 969 | 2 234 | 1 363 |
| Education and Training | 7 890 | 7 621 | 269 | 135 |
| Environment, Land, Water and Planning (a)(b) | 4 162 | 4 103 | 771 | 648 |
| Health and Human Services | 11 964 | 11 057 | 610 | 600 |
| Justice and Regulation (a) | 3 134 | 2 863 | 134 | 310 |
| Premier and Cabinet | 239 | 174 | 7 | 4 |
| Treasury and Finance | 8 559 | 7 144 | 38 | 40 |
| Parliament | 91 | 85 | 11 | 7 |
| Courts | 261 | 248 | 14 | 11 |
| Regulatory bodies and other part budget funded agencies (c) | 1 080 | 978 | 57 | 64 |
| **Total (a)** | **44 033** | **40 242** | **4 144** | **3 180** |
| *Less eliminations and adjustments (a)(d)* | (11 114) | (9 531) | (206) | 5 |
| **Grand total (a)** | **32 919** | **30 711** | **3 938** | **3 185** |

| General government sector |  |  |  |  |
| --- | --- | --- | --- | --- |
| Economic Development, Jobs, Transport and Resources | 4 375 | 3 917 | 2 201 | 1 031 |
| Education and Training | 7 890 | 7 621 | 269 | 135 |
| Environment, Land, Water and Planning | 1 423 | 1 321 | 21 | 22 |
| Health and Human Services | 11 137 | 10 521 | 332 | 417 |
| Justice and Regulation (a) | 3 040 | 2 779 | 134 | 307 |
| Premier and Cabinet | 228 | 166 | 6 | 4 |
| Treasury and Finance | 3 394 | 3 261 | 20 | 22 |
| Parliament | 91 | 85 | 11 | 7 |
| Courts | 261 | 248 | 14 | 11 |
| Regulatory bodies and other part budget funded agencies (c) | 1 080 | 978 | 57 | 64 |
| **Total (a)** | **32 919** | **30 897** | **3 064** | **2 020** |
| *Less eliminations and adjustments (a)(d)* | (4 808) | (4 523) | 56 | 17 |
| **Grand total** | **28 111** | **26 374** | **3 121** | **2 037** |

Notes:

(a) December 2015 comparative figures for purchases of non-financial assets have been restated to reflect more current information, including adjustments outlined in the 2015-16 Financial Report.

(b) Effective from 1 June 2016, Urban Renewal Authority Victoria (Places Victoria) was transferred from the Department of Environment, Land ,Water and Planning to the Department of Economic Development, Jobs, Transport and Resources.

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

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

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

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

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

|  | Expenses from transactions | | Purchases of  non-financial assets | | Total assets | |
| --- | --- | --- | --- | --- | --- | --- |
| State of Victoria | Dec  2016 | Dec  2015 (c) | Dec  2016 | Dec  2015 (c) | Dec  2016 | Jun  2016 |
| General public services | 4 675 | 4 296 | 48 | 49 | 2 412 | 3 310 |
| Public order and safety | 3 182 | 2 938 | 182 | 396 | 8 160 | 8 039 |
| Education | 7 057 | 6 789 | 260 | 134 | 22 062 | 22 013 |
| Health | 7 983 | 7 518 | 303 | 348 | 13 909 | 13 831 |
| Social security and welfare | 2 125 | 2 041 | 41 | 60 | 2 050 | 2 014 |
| Housing and community amenities | 3 284 | 2 779 | 699 | 802 | 77 630 | 77 779 |
| Recreation and culture | 711 | 712 | 91 | 120 | 14 664 | 14 317 |
| Fuel and energy | 69 | 77 | 18 | .. | 38 | 21 |
| Agriculture, forestry, fishing and hunting | 206 | 208 | .. | 12 | 512 | 670 |
| Transport and communications | 2 912 | 2 684 | 2 017 | 1 081 | 90 175 | 88 952 |
| Other economic affairs | 604 | 345 | 106 | 177 | 411 | 738 |
| Other purposes | 982 | 993 | 1 | 1 | 6 | 6 |
| Not allocated by purpose (d)(e) | (870) | (669) | 172 | 4 | 58 020 | 50 213 |
| Total | 32 919 | 30 711 | 3 938 | 3 185 | 290 048 | 281 903 |

| General government sector |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General public services | 1 393 | 1 250 | 32 | 32 | 1 603 | 1 592 |
| Public order and safety | 3 235 | 2 997 | 182 | 396 | 8 160 | 8 039 |
| Education | 7 094 | 6 822 | 260 | 134 | 22 062 | 22 013 |
| Health | 8 046 | 7 578 | 302 | 348 | 13 887 | 13 810 |
| Social security and welfare | 2 142 | 2 055 | 41 | 60 | 2 050 | 2 014 |
| Housing and community amenities | 1 385 | 1 236 | 34 | 12 | 9 423 | 9 374 |
| Recreation and culture | 353 | 372 | 32 | 37 | 9 012 | 8 900 |
| Fuel and energy | 68 | 75 | 16 | .. | 38 | 21 |
| Agriculture, forestry, fishing and hunting | 161 | 160 | 3 | 14 | 449 | 603 |
| Transport and communications | 3 214 | 2 988 | 2 055 | 810 | 49 110 | 48 791 |
| Other economic affairs | 683 | 418 | 106 | 177 | 411 | 738 |
| Other purposes | 613 | 692 | 1 | .. | 2 | 1 |
| Not allocated by purpose (d)(e) | (276) | (268) | 56 | 17 | 117 443 | 112 345 |
| Total | 28 111 | 26 374 | 3 121 | 2 037 | 233 649 | 228 242 |

Notes:

(a) Note 3.6 of the 2015-16 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

(b) December 2015 and June 2016 comparative figures have been reclassified to reflect more current information.

(c) December 2015 comparative figures have been restated, consistent with the changes identified in the cash flow statement.

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

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

# Major assets and investments

## Introduction

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

## Structure

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

($ million)

|  | State of Victoria | | | General government sector | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Dec 2016 | Gross carrying  amount | Accumulated  depreciation | Carrying  amount | | Gross carrying  amount | Accumulated  depreciation | Carrying  amount |
| Buildings | 49 754 | (3 344) | 46 410 | | 30 115 | (2 344) | 27 771 |
| Land and national parks | 70 723 | .. | 70 723 | | 44 795 | .. | 44 795 |
| Leased buildings | 4 324 | (574) | 3 750 | | 4 210 | (520) | 3 689 |
| Infrastructure systems | 63 765 | (3 493) | 60 272 | | 1 892 | (472) | 1 419 |
| Leased infrastructure systems | 4 810 | (322) | 4 488 | | .. | .. | .. |
| Plant, equipment and vehicles | 11 436 | (4 799) | 6 638 | | 5 934 | (3 669) | 2 265 |
| Leased plant, equipment and vehicles | 1 332 | (301) | 1 031 | | 398 | (252) | 146 |
| Roads and road infrastructure | 39 145 | (18 988) | 20 157 | | 39 066 | (18 976) | 20 090 |
| Leased roads and road infrastructure | 584 | (14) | 570 | | 584 | (14) | 570 |
| Earthworks | 7 913 | .. | 7 913 | | 7 913 | .. | 7 913 |
| Cultural assets | 5 764 | (213) | 5 551 | | 5 701 | (213) | 5 488 |
| **Total land, buildings, infrastructure,  plant and equipment** | **259 550** | **(32 047)** | **227 504** | | **140 608** | **(26 460)** | **114 148** |

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
| Jun 2016 | Gross carrying  amount | Accumulated  depreciation | Carrying  amount | Gross carrying  amount | Accumulated  depreciation | Carrying  amount |
| Buildings | 47 244 | (2 574) | 44 669 | 29 437 | (1 825) | 27 612 |
| Land and national parks | 70 423 | .. | 70 423 | 44 724 | .. | 44 724 |
| Leased buildings | 4 940 | (515) | 4 425 | 4 467 | (465) | 4 002 |
| Infrastructure systems | 63 120 | (2 510) | 60 610 | 1 775 | (455) | 1 320 |
| Leased infrastructure systems | 4 810 | (281) | 4 529 | .. | .. | .. |
| Plant, equipment and vehicles | 11 148 | (4 550) | 6 598 | 5 884 | (3 558) | 2 326 |
| Leased plant, equipment and vehicles | 1 331 | (271) | 1 060 | 396 | (238) | 158 |
| Roads and road infrastructure | 38 790 | (18 690) | 20 100 | 38 705 | (18 673) | 20 031 |
| Leased roads and road infrastructure | 584 | (9) | 575 | 584 | (9) | 575 |
| Earthworks | 7 913 | .. | 7 913 | 7 913 | .. | 7 913 |
| Cultural assets | 5 877 | (222) | 5 655 | 5 814 | (222) | 5 592 |
| Total land, buildings, infrastructure,  plant and equipment | 256 180 | (29 623) | 226 557 | 139 701 | (25 446) | 114 254 |

## Depreciation

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| Buildings | 774 | 704 | 549 | 507 |
| Leased buildings | 52 | 47 | 49 | 44 |
| Infrastructure systems | 661 | 675 | 18 | 17 |
| Leased infrastructure systems | 41 | 41 | .. | .. |
| Plant, equipment and vehicles | 431 | 450 | 252 | 248 |
| Leased plant, equipment and vehicles | 35 | 19 | 35 | 19 |
| Roads and road infrastructure | 308 | 303 | 307 | 301 |
| Cultural assets | 7 | 7 | 7 | 7 |
| Intangible produced assets (a) | 96 | 76 | 39 | 57 |
| **Total depreciation** | **2 406** | **2 322** | **1 256** | **1 200** |

Note:

(a) Amortisation of intangible non-produced assets is included under other economic flows.

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

($ million)

| State of Victoria Dec 2016 | Public administration | Education | Health and Welfare | Community Housing | Transportation and Communication | Public Safety and Environment | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 2 471 | 11 579 | 8 934 | 8 524 | 7 006 | 7 896 | 46 410 |
| Land and national parks | 1 810 | 9 910 | 2 586 | 14 129 | 27 334 | 14 954 | 70 723 |
| Leased buildings | 86 | 162 | 2 563 | 3 | 48 | 887 | 3 750 |
| Infrastructure systems | 45 | .. | .. | .. | 22 746 | 37 480 | 60 272 |
| Leased infrastructure systems | .. | .. | .. | .. | .. | 4 488 | 4 488 |
| Plant, equipment and vehicles | 389 | 206 | 1 108 | 2 | 3 760 | 1 172 | 6 638 |
| Leased plant, equipment and vehicles | .. | 3 | 48 | .. | 969 | 11 | 1 031 |
| Roads and road infrastructure | 22 | .. | .. | .. | 19 215 | 920 | 20 157 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 570 | .. | 570 |
| Earthworks | .. | .. | .. | .. | 7 913 | .. | 7 913 |
| Cultural assets | 527 | 3 | 1 | .. | 2 | 5 018 | 5 551 |
| **Total land, buildings, infrastructure, plant and equipment** | **5 350** | **21 862** | **15 241** | **22 658** | **89 566** | **72 826** | **227 504** |

| Jun 2016 | Public administration | Education | Health and Welfare | Community Housing | Transportation and Communication | Public Safety and Environment | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 2 314 | 11 579 | 8 968 | 8 632 | 5 852 | 7 324 | 44 669 |
| Land and national parks | 1 325 | 9 873 | 2 574 | 14 295 | 26 970 | 15 386 | 70 423 |
| Leased buildings | 87 | 165 | 2 656 | 3 | 37 | 1 476 | 4 425 |
| Infrastructure systems | 44 | .. | .. | .. | 23 257 | 37 308 | 60 610 |
| Leased infrastructure systems | .. | .. | .. | .. | .. | 4 529 | 4 529 |
| Plant, equipment and vehicles | 538 | 188 | 1 062 | 2 | 3 709 | 1 099 | 6 598 |
| Leased plant, equipment and vehicles | .. | 3 | 61 | .. | 989 | 7 | 1 060 |
| Roads and road infrastructure | 22 | .. | .. | .. | 19 150 | 928 | 20 100 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 575 | .. | 575 |
| Earthworks | .. | .. | .. | .. | 7 913 | .. | 7 913 |
| Cultural assets | 532 | 3 | 4 | .. | 2 | 5 114 | 5 655 |
| **Total land, buildings, infrastructure, plant and equipment** | **4 863** | **21 812** | **15 325** | **22 932** | **88 454** | **73 171** | **226 557** |

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

($ million)

| General government sector Dec 2016 | Public administration | Education | Health and Welfare | Community Housing | Transportation and Communication | Public Safety and Environment | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 591 | 11 579 | 8 920 | .. | 616 | 6 064 | 27 771 |
| Land and national parks | 1 195 | 9 910 | 2 579 | .. | 19 862 | 11 249 | 44 795 |
| Leased buildings | 48 | 162 | 2 563 | .. | 48 | 868 | 3 689 |
| Infrastructure systems | 38 | .. | .. | .. | 445 | 936 | 1 419 |
| Plant, equipment and vehicles | 77 | 206 | 1 108 | .. | 27 | 848 | 2 265 |
| Leased plant, equipment and vehicles | .. | 3 | 48 | .. | 84 | 11 | 146 |
| Roads and road infrastructure | .. | .. | .. | .. | 19 215 | 874 | 20 090 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 570 | .. | 570 |
| Earthworks | .. | .. | .. | .. | 7 913 | .. | 7 913 |
| Cultural assets | 527 | 3 | 1 | .. | 2 | 4 955 | 5 488 |
| **Total land, buildings, infrastructure, plant and equipment** | **2 476** | **21 862** | **15 220** | **..** | **48 784** | **25 806** | **114 148** |

| Jun 2016 | Public administration | Education | Health and Welfare | Community Housing | Transportation and Communication | Public Safety and Environment | Total |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 647 | 11 579 | 8 954 | .. | 607 | 5 826 | 27 612 |
| Land and national parks | 1 195 | 9 873 | 2 568 | .. | 19 828 | 11 261 | 44 724 |
| Leased buildings | 46 | 165 | 2 656 | .. | 37 | 1 097 | 4 002 |
| Infrastructure systems | 39 | .. | .. | .. | 355 | 927 | 1 320 |
| Plant, equipment and vehicles | 199 | 188 | 1 062 | .. | 27 | 850 | 2 326 |
| Leased plant, equipment and vehicles | .. | 3 | 61 | .. | 87 | 7 | 158 |
| Roads and road infrastructure | .. | .. | .. | .. | 19 150 | 882 | 20 031 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 575 | .. | 575 |
| Earthworks | .. | .. | .. | .. | 7 913 | .. | 7 913 |
| Cultural assets | 532 | 3 | 4 | .. | 2 | 5 051 | 5 592 |
| **Total land, buildings, infrastructure, plant and equipment** | **2 658** | **21 812** | **15 304** | **..** | **48 581** | **25 900** | **114 254** |

## Other non-financial assets

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec  2016 | Jun  2016 | Dec  2016 | Jun  2016 |
| Intangible produced assets | 2 520 | 2 475 | 1 445 | 1 421 |
| Accumulated depreciation | (1 353) | (1 291) | (814) | (786) |
| Intangible non-produced assets | 867 | 831 | 135 | 109 |
| Accumulated amortisation | (233) | (211) | (43) | (36) |
| **Total intangibles** | **1 801** | **1 804** | **723** | **708** |
| Investment properties | 155 | 158 | 148 | 151 |
| Biological assets (a) | 61 | 61 | 2 | 2 |
| Other assets | 621 | 340 | 559 | 220 |
| **Total other non-financial assets** | **2 638** | **2 363** | **1 432** | **1 081** |

Note:

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

## Non-financial assets classified as held for sale

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec  2016 | Jun  2016 | Dec  2016 | Jun  2016 |
| Land | 167 | 173 | 162 | 163 |
| Other | 23 | 27 | 21 | 25 |
| **Total non-financial assets held for sale** | **190** | **200** | **183** | **188** |

## Investments accounted for using the equity method

|  | Ownership interest | | | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | (%) | | | ($ million) | | ($ million) | |
|  | Dec  2016 | | Jun  2016 | Dec  2016 | Jun  2016 | Dec  2016 | Jun  2016 |
| The Australian Regenerative Medicine Institute | 20.1 | | 20.1 | 35 | 35 | 35 | 35 |
| Property Exchange Australia Limited | 9.0 | | 9.0 | 9 | 11 | 9 | 11 |
| Snowy Hydro Limited | 29.0 | | 29.0 | 1 872 | 1 872 | .. | .. |
| **Total investments accounted for using the equity method** | | **..** | **..** | **1 915** | **1 918** | **44** | **46** |

# Financing state operations

## Introduction

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

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

## Structure

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## Borrowings

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec  2016 | Jun  2016 | Dec  2016 | Jun  2016 |
| **Current borrowings** |  |  |  |  |
| Domestic borrowings | 3 835 | 5 095 | 283 | 3 132 |
| Foreign currency borrowings | 69 | 83 | .. | .. |
| Finance lease liabilities | 242 | 207 | 173 | 137 |
| Derivative financial instruments | 401 | 258 | 2 | 19 |
| **Total current borrowings** | **4 547** | **5 642** | **458** | **3 288** |
| **Non-current borrowings** |  |  |  |  |
| Domestic borrowings | 33 815 | 37 778 | 18 603 | 21 520 |
| Foreign currency borrowings | 131 | 159 | .. | .. |
| Finance lease liabilities | 9 320 | 9 433 | 8 793 | 8 872 |
| Derivative financial instruments | 494 | 947 | 131 | 131 |
| **Total non-current borrowings** | **43 760** | **48 317** | **27 527** | **30 522** |
| **Total borrowings** | **48 307** | **53 959** | **27 986** | **33 811** |

## Cash flow information and balances

Reconciliation of cash and cash equivalents ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec  2016 | Dec  2015 | Dec  2016 | Dec  2015 |
| Cash | 1 653 | 1 594 | 1 345 | 1 245 |
| Deposits at call | 4 914 | 4 352 | 2 974 | 2 867 |
| **Cash and cash equivalents** | **6 567** | **5 946** | **4 319** | **4 112** |
| Bank overdraft | .. | .. | .. | .. |
| **Balances as per cash flow statement** | **6 567** | **5 946** | **4 319** | **4 112** |

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

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec  2016 | Dec  2015 | Dec  2016 | Dec  2015 |
| **Net result** | **5 596** | **542** | **1 226** | **1 239** |
| **Non-cash movements** |  |  |  |  |
| Depreciation and amortisation | 2 424 | 2 339 | 1 257 | 1 203 |
| Revaluation of investments | (702) | 148 | (14) | 21 |
| Assets (received)/provided free of charge | 163 | (95) | 70 | (2) |
| Assets not previously/no longer recognised | .. | (1) | .. | (1) |
| Revaluation of assets | 2 | 9 | .. | 7 |
| Discount/premium on other financial assets/borrowings | (82) | (41) | 1 | 3 |
| Bad/doubtful debts | .. | .. | .. | .. |
| Foreign currency dealings | .. | 1 | .. | 1 |
| Unrealised (gains)/losses on borrowings | (1 693) | (44) | .. | .. |
| Discounting of assets and liabilities | .. | .. | .. | .. |
| **Movements included in investing and financing activities** |  |  |  |  |
| Net gain/(loss) from sale of investments | (459) | 250 | 3 | (6) |
| Net gain/(loss) from sale of plant and equipment | (3) | (8) | (15) | (11) |
| Realised gains/losses on borrowings | 52 | (1) | .. | .. |
| **Movements in assets and liabilities** |  |  |  |  |
| Increase/(decrease) in provision for doubtful debts | 53 | 46 | 54 | 47 |
| Increase/(decrease) in payables | 10 658 | 702 | (464) | (307) |
| Increase/(decrease) in employee benefits | 78 | 147 | 107 | 164 |
| Increase/(decrease) in superannuation | 250 | 70 | 259 | 72 |
| Increase/(decrease) in other provisions | (1 551) | 891 | 38 | .. |
| (Increase)/decrease in receivables | (161) | (992) | 43 | (399) |
| (Increase)/decrease in other non-financial assets | (284) | (238) | (336) | (209) |
| **Net cash flows from operating activities** | **14 342** | **3 724** | **2 230** | **1 821** |

## Advances paid and investments, loans and placements

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec  2016 | Jun  2016 | Dec  2016 | Jun  2016 |
| **Current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 18 | 20 | 1 557 | 53 |
| Equities and managed investment schemes | 999 | 1 541 | 986 | 1 028 |
| Australian dollar term deposits | 4 287 | 232 | 3 482 | 933 |
| Debt securities | 4 935 | 5 547 | 3 | 3 |
| Derivative financial instruments | 352 | 326 | 1 | 1 |
| **Total current advances paid and investments, loans and placements** | **10 592** | **7 666** | **6 028** | **2 019** |
| **Non-current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 183 | 132 | 12 600 | 4 529 |
| Equities and managed investment schemes | 27 197 | 22 875 | 291 | 279 |
| Australian dollar term deposits | 1 333 | 280 | 714 | 528 |
| Debt securities | 2 622 | 3 937 | 23 | 64 |
| Derivative financial instruments | 752 | 797 | 17 | 17 |
| **Total non-current advances paid and investments, loans and placements** | **32 086** | **28 021** | **13 644** | **5 417** |
| **Total advances paid and investments, loans and placements** | **42 678** | **35 687** | **19 673** | **7 436** |
| **Represented by:** |  |  |  |  |
| Advances paid | 201 | 153 | 14 156 | 4 582 |
| Investments, loans and placements | 42 477 | 35 534 | 5 516 | 2 853 |

## Interest expense

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| Interest on interest-bearing liabilities | 932 | 945 | 600 | 652 |
| Finance charges on finance leases | 422 | 393 | 395 | 362 |
| Discount interest on payables | 19 | 18 | 18 | 20 |
| **Total interest expense** | **1 373** | **1 356** | **1 012** | **1 034** |

## 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 of future economic benefits.

Reference to the *2015-16 Financial Report* for the State of Victoria (notes 5.6 and 5.7) should be made for details of commitments as at 30 June 2016.

As at 31 December 2016, the following additional material commitments were recorded for the State of Victoria:

* On 21 November 2016, the State executed the public private partnership contract with Evolution Rail to deliver the High Capacity Metro Trains Project. Under the contract, the Evolution Rail consortium will design, build, commission and finance a fleet of 65 high capacity trains, a depot at Pakenham East (including a train maintenance facility (TMF) and a stabling yard), a light service facility (LSF) at Calder Park and two simulators. Evolution Rail will also be responsible for the maintenance of the fleet, and the maintenance and operation of the TMF, the LSF and the simulators, over the maintenance phase of the contract. The net present value of the contract with Evolution Rail, including the capital, maintenance and lifecycle components is $2.3 billion.
* On 1 July 2016, the State entered into a contract with NTT Data Payment Services Pty Ltd to operate and maintain the *myki* ticketing system. The total cost of the contract is $1.1 billion. The contractual period will start on 1 January 2017 and is expected to be completed in December 2026.
* In November 2016, the State announced John Holland as the successful bidder to construct the Mernda Rail Extension Project. John Holland has engaged Grimshaw architects to design Marymede, Hawkstowe and Mernda stations. Construction will begin across the three sites in 2017. The total commitment is $438 million and the project is expected to be completed in July 2018.
* In 2016 the State entered into a contract with Fulton Hogan Construction Pty Ltd for the Monash Freeway Upgrade (East Link to Clyde Road). The outstanding commitment is $173 million and the project expected to be completed in 2018.
* On 25 November 2016, Melbourne Water Corporation entered into a contract with CPB Contractors Pty Ltd for the design, construction, operation and maintenance of a new 140 megalitre per day wastewater treatment plant in Werribee to reduce the amount of nutrient entering Port Phillip Bay. The total cost is $135 million and the project is expected to be completed in December 2018.
* On 3 August 2016, the State entered into a contract with Fulton Hogan Construction Pty Ltd for the M80 Upgrade (Sunshine Avenue to Calder Freeway). The remaining commitment is $105 million and the project is expected to be completed in January 2019.
* There have been two variations to the Aurecon Jacobs Mott MacDonald (AJM) joint venture contract. These variations reflect an acceleration of detailed technical services and investigations during the procurement phase of the Metro Tunnel Project and additional requirements for the provision of technical services for related projects including the Ballarat Line Upgrade Project, with a combined value of $55 million. Contract funds relating to Stage 2 (procurement phase) with a value of $39 million have also been released in the reporting period.
* On 31 December 2016, the State entered into a contract with BMD Construction Pty Ltd for the Princes Highway Duplication (Armytage to Warncoort). The outstanding commitment is $94 million and the project is expected to be completed in July 2019.
* On 13 December 2016, the Minister for Emergency Services entered into a contract with Telstra Corporation Ltd for the provision of radio equipment and associated services to emergency services agencies and other state entities. The total cost of the contract is $73 million and it is expected to be completed in September 2024.

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

# Other assets and liabilities

## Introduction

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

## Structure

[6.1 Inventories 33](#_Toc475960072)

[6.2 Receivables 34](#_Toc475960073)

[6.3 Payables 34](#_Toc475960074)

[6.4 Superannuation 35](#_Toc475960075)

[6.5 Other provisions 35](#_Toc475960076)

## Inventories

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2016 | Jun 2016 | Dec 2016 | Jun 2016 |
| **At cost** |  |  |  |  |
| Raw materials | 8 | 5 | 7 | 4 |
| Work in progress | 37 | 29 | .. | 2 |
| Finished goods | 46 | 50 | 3 | 3 |
| Consumable stores | 204 | 202 | 160 | 163 |
| Land and other assets held as inventory (a) | 355 | 414 | 16 | 16 |
| **At net realisable value** |  |  |  |  |
| Finished goods | 1 | 5 | .. | .. |
| Consumable stores | 5 | 5 | .. | .. |
| **Total inventories** | **656** | **709** | **186** | **188** |

Note:

(a) Including inventory held for distribution.

## Receivables

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2016 | Jun 2016 | Dec 2016 | Jun 2016 |
| **Contractual** |  |  |  |  |
| Sales of goods and services | 1 540 | 1 267 | 989 | 739 |
| Accrued investment income | 71 | 67 | 15 | 18 |
| Other receivables | 2 091 | 1 887 | 1 038 | 1 021 |
| Provision for doubtful contractual receivables | (155) | (157) | (90) | (90) |
| **Statutory** |  |  |  |  |
| Sales of goods and services | 3 | 4 | 5 | 5 |
| Taxes receivables | 1 998 | 2 293 | 2 113 | 2 491 |
| Fines and regulatory fees | 2 020 | 1 896 | 2 020 | 1 896 |
| GST input tax credits recoverable | 833 | 963 | 273 | 324 |
| Provision for doubtful statutory receivables | (894) | (839) | (894) | (839) |
| **Other** |  |  |  |  |
| Actuarially determined | 395 | 413 | .. | .. |
| **Total receivables** | **7 901** | **7 793** | **5 469** | **5 566** |
| **Represented by:** |  |  |  |  |
| Current receivables | 6 730 | 6 555 | 4 746 | 4 828 |
| Non-current receivables | 1 170 | 1 237 | 723 | 738 |

## Payables

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2016 | Jun 2016 | Dec 2016 | Jun 2016 |
| **Contractual** |  |  |  |  |
| Accounts payable | 2 475 | 2 166 | 928 | 1 290 |
| Accrued expenses | 1 986 | 2 298 | 1 693 | 2 187 |
| Unearned income | 13 792 | 3 368 | 2 424 | 2 258 |
| **Statutory** |  |  |  |  |
| Accrued taxes payable | 34 | 105 | 38 | 38 |
| **Total payables** | **18 288** | **7 937** | **5 084** | **5 773** |
| **Represented by:** |  |  |  |  |
| Current payables | 7 697 | 6 084 | 3 367 | 4 053 |
| Non-current payables | 10 591 | 1 854 | 1 717 | 1 720 |

## Superannuation

($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | Dec 2016 | Jun 2016 |
| Current liability | 1 057 | 1 059 |
| Non-current liability | 25 568 | 28 295 |
| **Total superannuation liability** | **26 625** | **29 354** |
| **Represented by:** |  |  |
| Emergency Services and State Super | 25 668 | 28 298 |
| Other funds | 957 | 1 056 |

## Other provisions

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | Dec 2016 | Jun 2016 | Dec 2016 | Jun 2016 |
| **Provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 2 096 | 1 839 | .. | .. |
| Transport Accident Commission | 1 220 | 1 180 | .. | .. |
| Victorian Managed Insurance Authority | 327 | 292 | .. | .. |
| Other agencies | 23 | 22 | 20 | 18 |
| **Current provision for insurance claims** | **3 666** | **3 333** | **20** | **18** |
| Onerous contracts | .. | 49 | .. | .. |
| Other provisions | 395 | 346 | 250 | 207 |
| **Total current other provisions** | **4 061** | **3 728** | **270** | **225** |
| **Non-current provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 10 132 | 10 501 | .. | .. |
| Transport Accident Commission | 11 273 | 12 721 | .. | .. |
| Victorian Managed Insurance Authority | 1 442 | 1 499 | .. | .. |
| Other agencies | 33 | 34 | 32 | 33 |
| **Non-current provision for insurance claims** | **22 880** | **24 754** | **32** | **33** |
| Onerous contracts |  |  |  |  |
| Other provisions | 591 | 603 | 564 | 571 |
| **Total non-current other provisions** | **23 472** | **25 358** | **596** | **604** |
| **Total other provisions** | **27 533** | **29 085** | **866** | **829** |

# Risks and contingencies

## Introduction

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

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

## Financial instruments

Note 7.1 Financial instruments in the *2015-16 Financial Report* for the State of Victoria contains a comprehensive disclosure of the State’s financial risk management objectives and policies associated with financial instruments.

There has been no substantive change to the accounting classification of financial assets and liabilities reported in the *2015-16 Financial Report* for the State of Victoria.

## Contingent assets and contingent liabilities

### Contingent assets

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

Reference should be made to the *2015-16 Financial Report* for the State of Victoria (note 7.2) for details of contingent assets as at 30 June 2016.

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

### Contingent liabilities

Contingent liabilities are:

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

Reference should be made to the *2015-16 Financial Report* for the State of Victoria (note 7.2) for details of contingent liabilities as at 30 June 2016. The following items have changed materially:

* The Victorian Managed Insurance Authority (VMIA) has increased the insurance cover it provides participating parties, bodies and other entities for property, public and products liability, professional indemnity and contract works. The VMIA reinsures in the private market for losses above $50 million arising out of any one occurrence, up to a maximum of $1 billion for public and products liability, and for losses above $50 million arising out of any one event, up to a maximum of $3.625 billion for property. The risk of losses above these reinsured levels is borne by the State.
* Since September 2016, under the Commonwealth-State National Disaster Relief and Recovery Arrangements (NDRRA), severe flooding and storms have affected a large number of local government areas (LGAs) across Victoria. To date, 51 LGAs have been impacted. While it is still too early to confirm the actual total costs likely to be incurred, these costs could potentially be shared between the Victorian and the Commonwealth governments.

On 17 September 2016, the State formally activated the NDRRA with the Commonwealth. In addition, the State has activated the NDRRA for the 11 November 2016 storm impacting the Mildura LGA, as well as a recent storm occurring on 29 December 2016. To date, these new affected councils are still working on the assessment of damage. Therefore, it is still impracticable to quantify the financial effects of these newer events.

* On 27 August 2014, Intralot Australia Pty Ltd (Intralot) served a Writ and Statement of Claim on the State seeking damages of $63.4 million and costs. Intralot alleged Tattersall's Sweeps Pty Ltd was granted favourable treatment with respect to the awarding of public lottery licenses on 24 October 2007. The parties settled the proceedings at mediation on 25 October 2016 and the matter is now at an end.
* In late December 2015, a number of significant bushfires occurred across widespread parts of Victoria including Wye River/Separation Creek, Barnawartha and Scotsburn. To minimise the environmental, social and economic impact of the bushfires, the State Government entered into a memorandum of understanding (MoU) with the Insurance Council of Australia and Grocon Constructors Pty Ltd (Grocon) to carry out the clean-up works required following the bushfires. Under the MoU, Grocon would carry out all of the clean-up work with insurers contributing the first $25 000 towards clean-up costs (for insured destroyed properties) and the State Government paying the remaining costs.

Grocon has now completed the majority of the clean-up work. To date, the State has paid $26.0 million (inclusive of GST) to Grocon, and recouped $2.4 million from the insurance providers. The major part of these funds was to cover costs of sub-contractors engaged by Grocon to carry out the clean-up works. Under the NDRRA, the total cost of the clean-up incurred by the State Government (net of the insurance) can be shared 50:50 with the Commonwealth Government. The Department of Treasury and Finance will seek reimbursement from the Commonwealth in relation to these costs as part of the annual acquittal process. The State has completed its obligations under the MoU and it is no longer a contingent liability.

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

# Public account

## Introduction

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

## Structure

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

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

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

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

## Consolidated fund receipts and payments

($ million)

| 2015-16 |  | 2016-17 | |
| --- | --- | --- | --- |
| actual  to Dec |  | actual  to Dec | revised budget |
|  | **Receipts** |  |  |
| 9 991 | Taxation | 10 167 | 21 038 |
| 416 | Fines and regulatory fees | 422 | 878 |
| 8 193 | Grants received | 8 537 | 18 312 |
| 2 869 | Sales of goods and services | 3 047 | 6 154 |
| 245 | Interest received | 235 | 543 |
| 609 | Public authority receipts | 499 | 711 |
| 177 | Other receipts | 100 | 299 |
| **22 499** | **Total operating activities** | **23 008** | **47 935** |
| 725 | Total inflows from investing and financing | 9 717 | 20 564 |
| **23 224** | **Total receipts** | **32 725** | **68 499** |
|  | **Payments to departments** |  |  |
| 4 594 | Economic Development, Jobs, Transport and Resources | 4 963 | 10 538 |
| 5 717 | Education and Training | 6 014 | 12 630 |
| 978 | Environment, Land, Water and Planning | 1 046 | 2 259 |
| 7 468 | Health and Human Services | 7 820 | 15 699 |
| 3 005 | Justice and Regulation | 3 063 | 6 516 |
| 166 | Premier and Cabinet | 219 | 611 |
| 1 787 | Treasury and Finance | 7 727 | 13 996 |
| 83 | Parliament | 95 | 222 |
| 251 | Courts | 252 | 582 |
| **24 049** | **Total payments** | **31 199** | **63 053** |
| **(824)** | **Net receipts/(payments)** | **1 526** | **5 446** |

## Trust fund statement cash flows

($ million)

| 2015-16 |  | 2016-17 | |
| --- | --- | --- | --- |
| actual  to Dec |  | actual  to Dec | revised budget |
|  | **Cash flows from operating activities** |  |  |
|  | **Receipts** |  |  |
| 250 | Taxation | 1 041 | 1 172 |
| 20 | Regulatory fees and fines | 31 | 20 |
| 8 005 | Grants received | 7 283 | 13 574 |
| 40 | Sale of goods and services | 62 | 148 |
| 49 | Interest received | 66 | 193 |
| 4 843 | Net transfers from consolidated fund | 1 496 | 8 461 |
| 20 | Other receipts | 39 | 134 |
| **13 228** | **Total receipts** | **10 018** | **23 703** |
|  | **Payments** |  |  |
| (74) | Employee benefits | (84) | (179) |
| (6) | Superannuation | (7) | (13) |
| (11 813) | Grants paid | (8 102) | (19 585) |
| (1 052) | Supplies and consumables | (472) | (2 386) |
| (2) | Interest paid | (2) | (7) |
| **(12 948)** | **Total payments** | **(8 667)** | **(22 171)** |
| **280** | **Net cash flows from operating activities** | **1 351** | **1 532** |
|  | **Cash flows from investing activities** |  |  |
| (4) | Net proceeds from customer loans (a) | (9 561) | (8 057) |
| 26 | Proceeds from sale of property, plant and equipment | 26 | 34 |
| (12) | Purchases of property, plant and equipment | (113) | (159) |
| (29) | Other investing activities | 8 465 | 6 703 |
| **(18)** | **Net cash flows from investing activities (a)** | **(1 183)** | **(1 479)** |
|  | **Cash flows from financing activities** |  |  |
| (470) | Net proceeds (repayments) from borrowings | (25) | (25) |
| **(470)** | **Net cash flows from financing activities** | **(25)** | **(25)** |
| **(208)** | **Net cash inflow/(outflow) (a)** | **144** | **28** |

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

## Reconciliation of cash flows to balances held

($ million)

|  | Balances  held at 30 Jun 2016 | Dec movement YTD | Balances  held at 31 Dec 2016 |
| --- | --- | --- | --- |
| **Cash and deposits** |  |  |  |
| Cash balances outside the Public Account | .. | .. | .. |
| Deposits held with the Public Account – specific trusts | 776 | 33 | 809 |
| Other balances held in the Public Account | 3 019 | 1 657 | 4 676 |
| **Total cash and deposits** | **3 795** | **1 690** | **5 485** |
| **Investments** |  |  |  |
| Investments held with the Public Account – specific trusts | 903 | 98 | 1 001 |
| **Total investments** | **903** | 98 | **1 001** |
| **Total fund balances** | **4 698** | **1 788** | **6 486** |
| **Less funds held outside the Public Account** |  |  |  |
| Cash | .. | .. | .. |
| **Total fund balances held outside the Public Account** | **..** | **..** | **..** |
| **Total funds held in the Public Account (a)** | **4 698** | **1 788** | **6 486** |

Note:

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

## Details of securities held in the Public Account

($ million)

| 2015-16 |  | 2016-17 | |
| --- | --- | --- | --- |
| actual  to 31 Dec |  | opening 1 Jul | actual  31 Dec |
| 1 581 | Amounts invested on behalf of specific trust accounts | 1 679 | 1 810 |
| 2 335 | General account balances | 3 019 | 4 676 |
| **3 917** | **Total Public Account** | **4 698** | **6 486** |
|  | **Represented by:** |  |  |
| 1 581 | Stocks and securities | 1 679 | 1 810 |
| 1 055 | Cash and investments | 1 672 | 2 797 |
| **2 637** | **Total stock, securities, cash and investments** | **3 351** | **4 607** |
|  | Add cash advanced for: |  |  |
| 1 280 | Advances pursuant to sections 36 and 37 of the *Financial Management Act 1994* | 1 348 | 1 879 |
| 3 917 | Total Public Account | 4 698 | 6 486 |

# Other disclosures

## Introduction

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

## Structure

[9.1 Disaggregated information 42](#_Toc475960089)

[9.2 Other gains/(losses) from other economic flows 50](#_Toc475960090)

[9.3 Controlled entities 50](#_Toc475960091)

[9.4 Glossary of technical terms 50](#_Toc475960092)

## Disaggregated information

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

|  | General  government sector | | Public non-financial corporations | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| **Revenue from transactions** |  |  |  |  |
| Taxation revenue | 10 662 | 9 676 | .. | .. |
| Interest revenue | 375 | 394 | 39 | 18 |
| Dividends, income tax equivalent and rate equivalent revenue | 438 | 451 | 4 | 5 |
| Sales of goods and services | 3 416 | 3 332 | 2 948 | 2 990 |
| Grant revenue | 13 318 | 12 301 | 1 600 | 1 499 |
| Other revenue | 1 288 | 1 726 | 347 | 327 |
| **Total revenue from transactions** | **29 498** | **27 880** | **4 938** | **4 838** |
| **Expenses from transactions** |  |  |  |  |
| Employee expenses | 10 436 | 9 765 | 590 | 555 |
| Net superannuation interest expense | 349 | 441 | .. | .. |
| Other superannuation | 1 148 | 1 160 | 54 | 51 |
| Depreciation | 1 256 | 1 200 | 1 129 | 1 099 |
| Interest expense | 1 012 | 1 034 | 524 | 537 |
| Grant expense | 4 924 | 4 315 | 361 | 121 |
| Other operating expenses | 8 987 | 8 457 | 2 498 | 2 339 |
| Other property expenses | .. | .. | 110 | 122 |
| **Total expenses from transactions** | **28 111** | **26 373** | **5 265** | **4 824** |
| **Net result from transactions – net operating balance** | **1 387** | **1 507** | **(327)** | **14** |
| **Other economic flows included in net result** |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | 15 | 11 | (12) | (3) |
| Net gain/(loss) on financial assets or liabilities at fair value | 14 | (21) | (15) | 49 |
| Share of net profit/(loss) from associates/joint venture entities | (3) | 2 | 28 | 26 |
| Other gains/(losses) from other economic flows | (187) | (260) | 121 | 1 |
| **Total other economic flows included in net result** | **(161)** | **(267)** | **122** | **73** |
| **Net result** | **1 226** | **1 239** | **(205)** | **87** |
| **Other economic flows – other comprehensive income** |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |
| Changes in non-financial assets revaluation surplus | (89) | 8 | 21 | (8) |
| Remeasurement of superannuation defined benefits plans | 2 984 | (704) | (5) | .. |
| Other movements in equity (a) | 83 | (25) | 16 | (3) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | 18 | (26) | 6 | (4) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets (a) | 644 | (327) | .. | .. |
| **Total other economic flows – other comprehensive income (a)** | **3 640** | **(1 074)** | **38** | **(16)** |
| **Comprehensive result – total change in net worth (a)** | **4 866** | **165** | **(167)** | **71** |
|  |  |  |  |  |
| **FISCAL AGGREGRATES** |  |  |  |  |
| **Net operating balance (a)** | **1 387** | **1 507** | **(327)** | **14** |
| **Net acquisition of non-financial assets from transactions** |  |  |  |  |
| Purchases of non-financial assets (including change in inventories) (a) | 3 118 | 2 040 | 807 | 1 138 |
| Less: Sales of non-financial assets | (65) | (73) | (51) | (147) |
| Less: Depreciation and amortisation | (1 256) | (1 200) | (1 129) | (1 099) |
| Plus: Other movements in non-financial assets | (1 626) | (405) | 1 463 | 499 |
| **Less: Net acquisition of non-financial assets from transactions (a)** | **171** | **362** | **1 090** | **391** |
| **Net lending/(borrowing) (a)** | **1 216** | **1 144** | **(1 416)** | **(377)** |

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

| Public  financial corporations | | Inter-sector  eliminations | | State of  Victoria | |
| --- | --- | --- | --- | --- | --- |
| 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
|  |  |  |  |  |  |
| .. | .. | (195) | (233) | 10 467 | 9 443 |
| 1 041 | 1 079 | (1 127) | (1 183) | 327 | 308 |
| 508 | 746 | (414) | (435) | 536 | 766 |
| 2 184 | 2 104 | (1 485) | (1 408) | 7 063 | 7 017 |
| .. | .. | (1 633) | (1 542) | 13 285 | 12 258 |
| 142 | 11 | (132) | .. | 1 646 | 2 065 |
| **3 875** | **3 940** | **(4 986)** | **(4 802)** | **33 325** | **31 857** |
|  |  |  |  |  |  |
| 157 | 140 | (205) | (200) | 10 977 | 10 261 |
| .. | .. | .. | .. | 349 | 441 |
| 13 | 12 | .. | .. | 1 215 | 1 223 |
| 22 | 22 | .. | .. | 2 406 | 2 322 |
| 964 | 968 | (1 127) | (1 183) | 1 373 | 1 356 |
| 7 | .. | (1 683) | (1 595) | 3 608 | 2 841 |
| 3 063 | 2 859 | (1 556) | (1 389) | 12 991 | 12 267 |
| 932 | 3 | (1 042) | (125) | .. | .. |
| **5 157** | **4 005** | **(5 614)** | **(4 492)** | **32 919** | **30 711** |
| **(1 283)** | **(65)** | **628** | **(310)** | **406** | **1 146** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 3 | 8 |
| 2 783 | (318) | .. | .. | 2 782 | (289) |
| .. | .. | .. | .. | 26 | 28 |
| 2 574 | 126 | (128) | (218) | 2 380 | (351) |
| **5 358** | **(191)** | **(128)** | **(218)** | **5 190** | **(604)** |
| **4 075** | **(256)** | **500** | **(529)** | **5 596** | **542** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | .. | (12) | .. | (80) | (1) |
| .. | .. | .. | .. | 2 979 | (704) |
| .. | .. | .. | .. | 99 | (28) |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 25 | (30) |
| .. | .. | (644) | 327 | .. | .. |
| **..** | **..** | **(656)** | **327** | **3 023** | **(763)** |
| **4 076** | **(256)** | **(156)** | **(202)** | **8 619** | **(221)** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **(1 283)** | **(65)** | **628** | **(310)** | **406** | **1 146** |
|  |  |  |  |  |  |
| 16 | 18 | .. | .. | 3 940 | 3 196 |
| (1) | .. | .. | .. | (116) | (220) |
| (22) | (22) | .. | .. | (2 406) | (2 322) |
| .. | .. | .. | .. | (163) | 95 |
| **(6)** | **(5)** | **..** | **..** | **1 254** | **749** |
| **(1 276)** | **(60)** | **628** | **(310)** | **(848)** | **397** |

Disaggregated balance sheet as at 31 December ($ million)

|  | General  government sector | | Public non-financial  corporations | |
| --- | --- | --- | --- | --- |
|  | Dec  2016 | Jun  2016 | Dec  2016 | Jun  2016 |
| **Assets** |  |  |  |  |
| **Financial assets** |  |  |  |  |
| Cash and deposits | 4 319 | 4 772 | 900 | 802 |
| Advances paid | 14 156 | 4 582 | 9 602 | 47 |
| Receivables | 5 469 | 5 566 | 1 705 | 1 644 |
| Investments, loans and placements | 5 516 | 2 853 | 1 168 | 1 052 |
| Loans receivable from non-financial public sector (a) | .. | .. | .. | .. |
| Investments accounted for using the equity method | 44 | 46 | 1 498 | 1 498 |
| Investments in other sector entities | 88 196 | 94 710 | .. | .. |
| **Total financial assets** | **117 701** | **112 531** | **14 872** | **5 043** |
| **Non-financial assets** |  |  |  |  |
| Inventories | 186 | 188 | 470 | 522 |
| Non-financial assets held for sale | 183 | 188 | 7 | 12 |
| Land, buildings, infrastructure, plant and equipment | 114 148 | 114 254 | 113 281 | 112 227 |
| Other non-financial assets | 1 432 | 1 081 | 1 350 | 1 352 |
| **Total non-financial assets** | **115 949** | **115 711** | **115 107** | **114 112** |
| **Total assets** | **233 649** | **228 242** | **129 979** | **119 155** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 10 393 | 706 | 9 989 | 396 |
| Payables | 5 084 | 5 773 | 10 134 | 1 460 |
| Borrowings | 27 986 | 33 811 | 15 996 | 15 778 |
| Employee benefits | 6 244 | 6 137 | 399 | 414 |
| Superannuation | 26 566 | 29 291 | 59 | 63 |
| Other provisions | 866 | 829 | 8 625 | 8 811 |
| **Total liabilities** | **77 139** | **76 547** | **45 202** | **26 922** |
| **Net assets (b)** | **156 511** | **151 695** | **84 777** | **92 233** |
| Accumulated surplus/(deficit) | 48 714 | 44 454 | 3 654 | 4 397 |
| Reserves | 107 797 | 107 191 | 81 123 | 87 836 |
| Non-controlling interest | .. | 50 | .. | .. |
| **Net worth (b)** | **156 511** | **151 695** | **84 777** | **92 233** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net financial worth | 40 562 | 35 984 | (30 330) | (21 879) |
| Net financial liabilities | 47 634 | 58 727 | 30 330 | 21 879 |
| Net debt | 14 387 | 22 309 | 14 315 | 14 272 |

Notes:

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

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

| Public  financial corporations | | Inter-sector  eliminations | | State of  Victoria | |
| --- | --- | --- | --- | --- | --- |
| Dec  2016 | Jun  2016 | Dec  2016 | Jun  2016 | Dec  2016 | Jun  2016 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 4 654 | 4 654 | (3 305) | (3 552) | 6 567 | 6 676 |
| 15 | 14 | (23 571) | (4 491) | 201 | 153 |
| 1 775 | 1 943 | (1 048) | (1 361) | 7 901 | 7 793 |
| 40 086 | 33 317 | (4 294) | (1 689) | 42 477 | 35 534 |
| 29 450 | 35 169 | (29 450) | (35 169) | .. | .. |
| .. | .. | 374 | 374 | 1 915 | 1 918 |
| .. | .. | (88 196) | (94 710) | .. | .. |
| **75 980** | **75 097** | **(149 491)** | **(140 597)** | **59 062** | **52 074** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 656 | 709 |
| .. | .. | .. | .. | 190 | 200 |
| 75 | 76 | .. | .. | 227 504 | 226 557 |
| 705 | 1 645 | (849) | (1 715) | 2 638 | 2 363 |
| **779** | **1 721** | **(849)** | **(1 715)** | **230 986** | **229 829** |
| **76 759** | **76 818** | **(150 340)** | **(142 312)** | **290 048** | **281 903** |
|  |  |  |  |  |  |
| 7 727 | 6 647 | (26 391) | (5 122) | 1 718 | 2 628 |
| 3 722 | 1 629 | (652) | (925) | 18 288 | 7 937 |
| 38 590 | 44 184 | (34 265) | (39 813) | 48 307 | 53 959 |
| 82 | 96 | .. | .. | 6 725 | 6 647 |
| .. | .. | .. | .. | 26 625 | 29 354 |
| 26 498 | 28 040 | (8 456) | (8 594) | 27 533 | 29 085 |
| **76 619** | **80 596** | **(69 764)** | **(54 454)** | **129 196** | **129 611** |
| **140** | **(3 778)** | **(80 576)** | **(87 858)** | **160 852** | **152 291** |
| 65 | (3 849) | 20 304 | 11 232 | 72 737 | 56 234 |
| 75 | 71 | (100 880) | (99 090) | 88 115 | 96 008 |
| .. | .. | .. | .. | .. | 50 |
| **140** | **(3 778)** | **(80 576)** | **(87 858)** | **160 852** | **152 291** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| (639) | (5 499) | (79 727) | (86 143) | (70 135) | (77 538) |
| 639 | 5 499 | (8 469) | (8 567) | 70 135 | 77 538 |
| (27 888) | (22 322) | (35) | (35) | 780 | 14 224 |

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

|  | General  government sector | | Public non-financial corporations | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| **Cash flows from operating activities** |  |  |  |  |
| **Receipts** |  |  |  |  |
| Taxes received | 10 883 | 9 935 | .. | .. |
| Grants | 13 320 | 12 300 | 1 649 | 1 511 |
| Sales of goods and services (a) | 3 781 | 3 527 | 12 159 | 3 275 |
| Interest received (b) | 377 | 372 | 25 | 21 |
| Dividends, income tax equivalent and rate equivalent receipts | 523 | 605 | 4 | 4 |
| Other receipts (b) | 833 | 939 | 207 | 184 |
| **Total receipts** | **29 715** | **27 677** | **14 044** | **4 994** |
| **Payments** |  |  |  |  |
| Payments for employees | (10 286) | (9 622) | (604) | (560) |
| Superannuation | (1 237) | (1 530) | (63) | (53) |
| Interest paid | (1 022) | (1 031) | (511) | (517) |
| Grants and subsidies | (5 087) | (4 336) | (103) | (59) |
| Goods and services (a) | (9 480) | (8 966) | (2 012) | (1 892) |
| Other payments | (373) | (371) | (1 236) | (1 092) |
| **Total payments** | **(27 485)** | **(25 856)** | **(4 529)** | **(4 174)** |
| **Net cash flows from operating activities** | **2 230** | **1 821** | **9 515** | **820** |
| **Cash flows from investing activities** |  |  |  |  |
| Purchases of non-financial assets (b) | (3 121) | (2 037) | (802) | (1 130) |
| Sales of non-financial assets | 65 | 73 | 51 | 147 |
| **Cash flows from investments in non-financial assets (b)** | **(3 056)** | **(1 964)** | **(751)** | **(984)** |
| **Cash flows from investments in financial assets for policy purposes** |  |  |  |  |
| Cash inflows | 8 967 | 52 | 32 | 35 |
| Cash outflows (b) | (9 817) | (241) | (9 548) | (5) |
| **Net cash flows from investments in financial assets for policy purposes (b)(c)** | **(850)** | **(190)** | **(9 517)** | **29** |
| **Sub-total** | **(3 906)** | **(2 153)** | **(10 267)** | **(954)** |
| Net cash flows from investments in financial assets for liquidity management purposes | (2 638) | (33) | (157) | (169) |
| **Net cash flows from investing activities** | **(6 544)** | **(2 187)** | **(10 424)** | **(1 123)** |
| **Cash flows from financing activities** |  |  |  |  |
| Advances received | 9 579 | .. | 9 545 | .. |
| Advances repaid | .. | .. | .. | (7) |
| Advances received (net) (c) | 9 579 | .. | 9 545 | (7) |
| Borrowings received | 32 | 359 | 498 | 365 |
| Borrowings repaid | (5 858) | (131) | (247) | (409) |
| Net borrowings (c) | (5 827) | 229 | 251 | (44) |
| Deposits received (b) | 1 615 | 162 | 101 | 132 |
| Deposits repaid (b) | (1 506) | (194) | (53) | (130) |
| Deposits received (net) (c) | 109 | (32) | 48 | 2 |
| Other financing inflows | .. | .. | 224 | 216 |
| Other financing outflows | .. | .. | (9 061) | (117) |
| Other financing (net) (c) | .. | .. | (8 837) | 98 |
| **Net cash flows from financing activities** | **3 860** | **196** | **1 006** | **50** |
| **Net increase/(decrease) in cash and cash equivalents** | **(453)** | **(169)** | **98** | **(253)** |
| Cash and cash equivalents at beginning of the financial year | 4 772 | 4 282 | 802 | 1 092 |
| **Cash and cash equivalents at end of the financial year** | **4 319** | **4 112** | **900** | **839** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net cash flows from operating activities | 2 230 | 1 821 | 9 515 | 820 |
| Dividends paid | .. | .. | (122) | (124) |
| Net cash flows from investments in non-financial assets (b) | (3 056) | (1 964) | (751) | (984) |
| **Cash surplus/(deficit) (b)** | **(825)** | **(142)** | **8 643** | **(287)** |

Notes:

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

(b) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

(c) In accordance with AASB 107, Treasury Corporation of Victoria is not required to gross up their cash flow information for whole of government consolidation purposes. The net cash movements for the Treasury Corporation of Victoria have been added to cash inflows or outflows for both six months ended 31 December 2016 and 31 December 2015.

| Public  financial corporations | | | Inter-sector  eliminations | | | State of  Victoria | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2016 | 2015 | 2016 | | 2015 | 2016 | | 2015 |
|  |  |  | |  |  | |  |
|  |  |  | |  |  | |  |
| .. | .. | (195) | | (233) | 10 688 | | 9 702 |
| 302 | .. | (1 982) | | (1 560) | 13 288 | | 12 251 |
| 3 361 | 3 128 | (1 468) | | (1 372) | 17 833 | | 8 557 |
| 962 | 1 038 | (1 123) | | (1 167) | 240 | | 264 |
| 508 | 746 | (499) | | (589) | 536 | | 766 |
| 380 | 44 | (113) | | 6 | 1 306 | | 1 173 |
| **5 512** | **4 956** | **(5 380)** | | **(4 915)** | **43 891** | | **32 712** |
|  |  |  | |  |  | |  |
| (170) | (152) | 205 | | 200 | (10 855) | | (10 135) |
| (13) | (12) | .. | | .. | (1 313) | | (1 595) |
| (1 006) | (984) | 1 123 | | 1 167 | (1 416) | | (1 365) |
| (7) | .. | 1 953 | | 1 520 | (3 243) | | (2 875) |
| (1 408) | (2 244) | 582 | | 454 | (12 318) | | (12 648) |
| (2) | (136) | 1 208 | | 1 228 | (404) | | (371) |
| **(2 607)** | **(3 527)** | **5 071** | | **4 569** | **(29 549)** | | **(28 988)** |
| **2 905** | **1 428** | **(309)** | | **(346)** | **14 342** | | **3 724** |
|  |  |  | |  |  | |  |
| (16) | (18) | .. | | .. | (3 938) | | (3 185) |
| 1 | .. | .. | | .. | 116 | | 220 |
| **(15)** | **(17)** | **..** | | **..** | **(3 821)** | | **(2 965)** |
|  |  |  | |  |  | |  |
| .. | .. | (8 894) | | 10 | 106 | | 97 |
| (1) | (23) | 19 255 | | 180 | (111) | | (90) |
| **(1)** | **(23)** | **10 362** | | **190** | **(5)** | | **7** |
| **(16)** | **(40)** | **10 362** | | **190** | **(3 826)** | | **(2 958)** |
| 2 33 | (2 016) | (3 062) | | 771 | (5 624) | | (1 447) |
| **217** | **(2 056)** | **7 300** | | **961** | **(9 450)** | | **(4 405)** |
|  |  |  | |  |  | |  |
| 17 | 59 | (19 119) | | (20) | 22 | | 39 |
| (16) | (12) | 16 | | 17 | .. | | (2) |
| 2 | 47 | (19 103) | | (3) | 22 | | 38 |
| 53 | 194 | (503) | | (637) | 80 | | 281 |
| (4 098) | (70) | 6 032 | | 301 | (4 172) | | (308) |
| (4 045) | 125 | 5 529 | | (336) | (4 092) | | (27) |
| 2 166 | 144 | (2 166) | | (9) | 1 716 | | 429 |
| (1 088) | (449) | .. | | 451 | (2 648) | | (323) |
| 1 078 | (305) | (2 166) | | 442 | (932) | | 107 |
| .. | .. | 170 | | (216) | .. | | .. |
| (157) | (222) | 8 825 | | 339 | .. | | .. |
| (157) | (223) | 8 995 | | 124 | .. | | .. |
| **(3 123)** | **(356)** | **(6 745)** | | **227** | **(5 001)** | | **117** |
| **..** | **(984)** | **246** | | **842** | **(109)** | | **(564)** |
| 4 654 | 4 708 | (3 552) | | (3 572) | 6 676 | | 6 510 |
| **4 654** | **3 725** | **(3 305)** | | **(2 729)** | **6 567** | | **5 946** |
|  |  |  | |  |  | |  |
|  |  |  | |  |  | |  |
| 2 905 | 1 428 | (309) | | (346) | 14 342 | | 3 724 |
| (157) | (223) | 279 | | 346 | .. | | .. |
| (15) | (17) | .. | | .. | (3 821) | | (2 965) |
| 2 733 | 1 188 | (30) | | .. | 10 521 | | 759 |

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2016 | Accumulated surplus/(deficit) | Contribution  by owners | Non-controlling interest | Non-financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other  reserves | Total |
| **General government sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2016 | 44 454 | .. | 50 | 49 613 | 57 027 | 551 | 151 695 |
| Net result for the six months | 1 226 | .. | .. | .. | .. | .. | 1 226 |
| Other comprehensive income for the six months | 3 035 | .. | .. | (89) | 644 | 50 | 3 640 |
| Transfer to accumulated surplus | .. |  | .. | .. | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | (50) | .. | .. | .. | (50) |
| **Total equity as at 31 December 2016** | **48 714** | **..** | **..** | **49 524** | **57 671** | **602** | **156 511** |
| **PNFC sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2016 | 4 397 | 52 166 | .. | 35 219 | .. | 451 | 92 233 |
| Net result for the six months | (205) | .. | .. | .. | .. | .. | (205) |
| Other comprehensive income for the six months | .. | .. | .. | 21 | .. | 17 | 38 |
| Transfer to accumulated surplus | (416) | 8 301 | .. | (7 885) | .. | .. | .. |
| Dividends paid | (122) | .. | .. | .. | .. | .. | (122) |
| Transactions with owners in their capacity as owners | .. | (7 167) | .. | .. | .. | .. | (7 167) |
| **Total equity as at 31 December 2016** | **3 654** | **53 300** | **..** | **27 355** | **..** | **468** | **84 777** |
| **PFC sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2016 | (3 849) | 29 | .. | 2 | .. | 40 | (3 778) |
| Net result for the six months | 4 075 | .. | .. | .. | .. | .. | 4 075 |
| Other comprehensive income for the six months | (3) | .. | .. | .. | .. | 4 | .. |
| Transfer to accumulated surplus | .. | .. | .. | .. | .. | .. | .. |
| Dividends paid | (157) | .. | .. | .. | .. | .. | (157) |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2016** | **65** | **29** | **..** | **2** | **..** | **44** | **140** |
| Eliminations | 20 304 | (53 329) | .. | 10 120 | (57 671) | .. | (80 576) |
| **Total State of Victoria** | **72 737** | **..** | **..** | **87 001** | **..** | **1 114** | **160 852** |

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

| 2015 | Accumulated surplus/(deficit) (a) | Contribution  by owners | Non-controlling interest | Non-financial assets revaluation surplus | Investment in other sector entities revaluation surplus (a) | Other  reserves | Total (a) |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **General government sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2015 | 45 764 | .. | 50 | 43 355 | 46 494 | 728 | 136 391 |
| Net result for the six months | 1 239 | .. | .. | .. | .. | .. | 1 239 |
| Other comprehensive income for the six months | (678) | .. | .. | 8 | (327) | (77) | (1 074) |
| Transfer to accumulated surplus | (22) |  | .. | 22 | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2015** | **46 304** | **..** | **50** | **43 385** | **46 167** | **651** | **136 557** |
| **PNFC sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2015 | 4 511 | 49 943 | .. | 24 161 | .. | 437 | 79 052 |
| Net result for the six months | 87 | .. | .. | .. | .. | .. | 87 |
| Other comprehensive income for the six months | (16) | .. | .. | (8) | .. | 8 | (16) |
| Transfer to accumulated surplus | .. | .. | .. | .. | .. | .. | .. |
| Dividends paid | (124) | .. | .. | .. | .. | .. | (124) |
| Transactions with owners in their capacity as owners | .. | 628 | .. | .. | .. | .. | 628 |
| **Total equity as at 31 December 2015** | **4 459** | **50 571** | **..** | **24 153** | **..** | **446** | **79 629** |
| **PFC sector** |  |  |  |  |  |  |  |
| Balance at 1 July 2015 | (1 009) | 177 | .. | 2 | .. | 35 | (794) |
| Net result for the six months | (256) | .. | .. | .. | .. | .. | (256) |
| Other comprehensive income for the six months | (4) | .. | .. | .. | .. | 4 | .. |
| Transfer to accumulated surplus | .. | .. | .. | .. | .. | .. | .. |
| Dividends paid | (223) | .. | .. | .. | .. | .. | (223) |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2015** | **(1 491)** | **177** | **..** | **2** | **..** | **39** | **(1 273)** |
| Eliminations | 11 837 | (50 748) | .. | 9 911 | (46 167) | .. | (75 168) |
| **Total State of Victoria** | **61 108** | **..** | **50** | **77 451** | **..** | **1 135** | **139 745** |

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

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

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2016 | 2015 | 2016 | 2015 |
| Net (increase)/decrease in provision for doubtful receivables | (162) | (161) | (162) | (160) |
| Amortisation of intangible non-produced assets | (18) | (17) | (2) | (2) |
| Net swap interest revenue/(expense) | (6) | (96) | .. | .. |
| Bad debts written off | (54) | (52) | (49) | (45) |
| Other gains/(losses) | 2 620 | (24) | 25 | (52) |
| **Total other gains/(losses) from other economic flows** | **2 380** | **(351)** | **(187)** | **(260)** |

## Controlled entities

Note 9.7 Controlled entities in the *2015-16 Financial Report* for the State of Victoria contains a list of significant controlled entities, which have been consolidated for the purposes of the financial report.

The following are changes from 1 July 2016, of general government sector and public non-financial corporation entities, which have been consolidated for the purposes of the financial report:

|  |  |
| --- | --- |
| General government | |
| Department of Health and Human Services  West Wimmera Health Service (a)  Dunmunkle Health Service (a)  Melbourne Cricket Ground Trust (b) | Department of Economic Development, Jobs, Transport and Resources  Australian Synchrotron Holding Company (c)  Energy Safe Victoria (d)  Tourism Victoria (e)  Visit Victoria (e) |
| Public non-financial corporation | |
| Department of Health and Human Services  Melbourne and Olympic Parks Trust (f) | Department of Economic Development, Jobs, Transport and Resources  Victorian Ports Corporation (Melbourne) (g) |

Notes:

(a) On 1 July 2016, by Order of the Governor in Council, Dunmunkle Health Service and West Wimmera Health Service were amalgamated to form a new registered funded agency named West Wimmera Health Service.

(b) Effective from 1 October 2016, portfolio responsibility for Melbourne Cricket Ground Trust was transferred from the Department of Economic Development, Jobs, Transport and Resources to the Department of Health and Human Services.

(c) The Australian Synchrotron Holding Company was transferred from the State of Victoria to the Australian Nuclear Science and Technology Organisation (ANSTO) on 1 July 2016.

(d) Effective from 1 July 2016, portfolio responsibility for Energy Safe Victoria was transferred from the Department of Economic Development, Jobs, Transport and Resources to the Department of Environment, Land, Water and Planning.

(e) Effective from 1 July 2016, Visit Victoria commenced operations and took over the responsibilities of Tourism Victoria and the Victorian Major Events Company Limited. Tourism Victoria ceased to operate but will remain in existence until its legislation is repealed. Effective from 1 July 2016, the Victorian Major Events Company ceased to exist.

(f) Effective from 1 October 2016, portfolio responsibility for Melbourne and Olympic Parks Trust was transferred from the Department of Economic Development, Jobs, Transport and Resources to the Department of Health and Human Services.

(g) Effective from 1 November 2016, the Port of Melbourne Corporation was renamed the Victorian Ports Corporation (Melbourne).

## Glossary of technical terms

The *2015-16 Financial Report* for the State of Victoria (Note 9.8) 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)

|  | 2015-16 | | | 2016-17 | |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Revenue from transactions** |  |  |  |  |  |
| Taxation revenue | 4 615 | 5 866 | 4 353 | 5 265 | 5 397 |
| Interest revenue | 190 | 186 | 206 | 168 | 207 |
| Dividends, income tax equivalent and rate equivalent revenue | 392 | 108 | 288 | 78 | 360 |
| Sales of goods and services | 1 671 | 1 461 | 1 879 | 1 672 | 1 744 |
| Grant revenue | 6 291 | 6 878 | 6 227 | 6 699 | 6 620 |
| Other revenue | 1 162 | 489 | 892 | 510 | 779 |
| **Total revenue from transactions** | **14 321** | **14 989** | **13 847** | **14 391** | **15 107** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 4 997 | 4 870 | 5 367 | 5 179 | 5 257 |
| Net superannuation interest expense | 218 | 218 | 218 | 199 | 149 |
| Other superannuation | 606 | 475 | 488 | 552 | 596 |
| Depreciation | 595 | 606 | 698 | 627 | 629 |
| Interest expense | 521 | 520 | 522 | 472 | 540 |
| Grant expense | 2 143 | 2 672 | 1 577 | 2 587 | 2 337 |
| Other operating expenses | 4 253 | 3 899 | 5 549 | 4 295 | 4 692 |
| **Total expenses from transactions** | **13 333** | **13 260** | **14 418** | **13 911** | **14 200** |
| **Net result from transactions – net operating balance** | **988** | **1 729** | **(572)** | **480** | **907** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | 24 | (14) | (141) | (2) | 17 |
| Net gain/(loss) on financial assets or liabilities at fair value | 9 | (11) | 21 | 16 | (3) |
| Share of net profit/(loss) from associates/joint venture entities | 2 | .. | (6) | .. | (3) |
| Other gains/(losses) from other economic flows | (136) | (125) | (303) | (124) | (63) |
| **Total other economic flows included in net result** | **(101)** | **(150)** | **(429)** | **(110)** | **(51)** |
| **Net result** | **887** | **1 579** | **(1 001)** | **370** | **856** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non-financial assets revaluation surplus | (24) | (30) | 6 258 | (93) | 4 |
| Remeasurement of superannuation defined benefits plans | 1 230 | (1 274) | (1 243) | 256 | 2 729 |
| Other movements in equity | (38) | 34 | 13 | 68 | 14 |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | (23) | (27) | (31) | 6 | 13 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | (327) | .. | 10 860 | .. | 644 |
| **Total other economic flows – other comprehensive income** | **817** | **(1 297)** | **15 857** | **236** | **3 404** |
| **Comprehensive result – total change in net worth** | **1 704** | **282** | **14 856** | **607** | **4 260** |
|  |  |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** | **988** | **1 729** | **(572)** | **480** | **907** |
| Less: Net acquisition of non-financial assets from transactions | 280 | 189 | 236 | 8 | 163 |
| **Net lending/(borrowing)** | **708** | **1 540** | **(808)** | **472** | **744** |

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

|  | 2015-16 | | | 2016-17 | |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 4 112 | 4 415 | 4 772 | 4 079 | 4 319 |
| Advances paid | 4 550 | 4 539 | 4 582 | 4 586 | 14 156 |
| Receivables | 5 907 | 6 450 | 5 566 | 5 866 | 5 469 |
| Investments, loans and placements | 3 389 | 3 745 | 2 853 | 3 057 | 5 516 |
| Investments accounted for using the equity method | 44 | 44 | 46 | 47 | 44 |
| Investments in other sector entities | 82 563 | 82 818 | 94 710 | 95 473 | 88 196 |
| **Total financial assets** | **100 566** | **102 011** | **112 531** | **113 108** | **117 701** |
| **Non-financial assets** |  |  |  |  |  |
| Inventories | 154 | 175 | 188 | 186 | 186 |
| Non-financial assets held for sale | 165 | 165 | 188 | 183 | 183 |
| Land, buildings, infrastructure, plant and equipment | 107 750 | 107 948 | 114 254 | 114 009 | 114 148 |
| Other non-financial assets | 1 195 | 1 068 | 1 081 | 1 516 | 1 432 |
| **Total non-financial assets** | **109 265** | **109 356** | **115 711** | **115 895** | **115 949** |
| **Total assets** | **209 830** | **211 368** | **228 242** | **229 002** | **233 649** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 485 | 529 | 706 | 717 | 10 393 |
| Payables | 5 188 | 5 413 | 5 773 | 5 481 | 5 084 |
| Borrowings | 34 301 | 34 078 | 33 811 | 34 551 | 27 986 |
| Employee benefits | 5 769 | 5 676 | 6 137 | 6 098 | 6 244 |
| Superannuation | 26 722 | 28 032 | 29 291 | 29 044 | 26 566 |
| Other provisions | 809 | 802 | 829 | 861 | 866 |
| **Total liabilities** | **73 274** | **74 529** | **76 547** | **76 751** | **77 139** |
| **Net assets** | **136 556** | **136 838** | **151 695** | **152 251** | **156 511** |
| Accumulated surplus/(deficit) | 46 304 | 46 586 | 44 454 | 45 183 | 48 714 |
| Reserves | 90 203 | 90 203 | 107 191 | 107 069 | 107 797 |
| Non-controlling interest | 50 | 50 | 50 | .. | .. |
| **Net worth** | **136 556** | **136 838** | **151 695** | **152 251** | **156 511** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth | 27 292 | 27 482 | 35 984 | 36 357 | 40 562 |
| Net financial liabilities | 55 271 | 55 336 | 58 727 | 59 116 | 47 634 |
| Net debt | 22 735 | 21 908 | 22 309 | 23 545 | 14 387 |

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

|  | 2015-16 | | | 2016-17 | |
| --- | --- | --- | --- | --- | --- |
|  | Dec | Mar | Jun | Sep | Dec |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received | 5 048 | 4 748 | 5 092 | 5 078 | 5 805 |
| Grants | 6 292 | 6 875 | 6 200 | 6 699 | 6 621 |
| Sales of goods and services (a) | 1 745 | 1 667 | 2 060 | 1 891 | 1 890 |
| Interest received | 179 | 183 | 231 | 169 | 208 |
| Dividends, income tax equivalent and rate equivalent receipts | 556 | 108 | 88 | 106 | 417 |
| Other receipts | 499 | 942 | 556 | 317 | 515 |
| **Total receipts** | **14 319** | **14 523** | **14 227** | **14 260** | **15 456** |
| **Payments** |  |  |  |  |  |
| Payments for employees | (4 892) | (4 972) | (5 026) | (5 227) | (5 060) |
| Superannuation | (757) | (658) | (689) | (743) | (495) |
| Interest paid | (500) | (519) | (491) | (493) | (529) |
| Grants and subsidies | (2 151) | (2 693) | (1 509) | (2 670) | (2 417) |
| Goods and services (a) | (4 301) | (3 644) | (4 646) | (4 563) | (4 917) |
| Other payments | (176) | (161) | (204) | (194) | (179) |
| **Total payments** | **(12 778)** | **(12 647)** | **(12 566)** | **(13 890)** | **(13 595)** |
| **Net cash flows from operating activities** | **1 541** | **1 877** | **1 661** | **370** | **1 861** |
| **Cash flows from investing activities** |  |  |  |  |  |
| Purchases of non-financial assets | (1 077) | (954) | (1 429) | (1 564) | (1 556) |
| Sales of non-financial assets | 51 | 30 | 87 | 24 | 40 |
| **Cash flows from investments in non-financial assets** | **(1 026)** | **(925)** | **(1 341)** | **(1 540)** | **(1 516)** |
| Net cash flows from investments in financial assets for policy purposes | (220) | (77) | 359 | (90) | (760) |
| **Sub-total** | **(1 245)** | **(1 001)** | **(982)** | **(1 630)** | **(2 276)** |
| Net cash flows from investments in financial assets for liquidity management purposes | 40 | (392) | 961 | (184) | (2 454) |
| **Net cash flows from investment activities** | **(1 205)** | **(1 393)** | **(22)** | **(1 813)** | **(4 730)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) | .. | .. | .. | (13) | 9 592 |
| Net borrowings | (299) | (225) | (1 336) | 740 | (6 566) |
| Deposits received (net) | 14 | 43 | 54 | 23 | 85 |
| **Net cash flows from financing activities** | **(285)** | **(181)** | **(1 282)** | **750** | **3 110** |
| **Net increase/(decrease) in cash and cash equivalents** | **51** | **303** | **357** | **(693)** | **240** |
| Cash and cash equivalents at beginning of reporting period | 4 061 | 4 112 | 4 415 | 4 772 | 4 079 |
| **Cash and cash equivalents at end of the reporting period** | **4 112** | **4 415** | **4 772** | **4 079** | **4 319** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities | 1 541 | 1 877 | 1 661 | 370 | 1 861 |
| Net cash flows from investments in non-financial assets | (1 026) | (925) | (1 341) | (1 540) | (1 516) |
| **Cash surplus/(deficit)** | **515** | **952** | **320** | **(1 170)** | **345** |

Note:

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

Appendix B – *Financial Management Act 1994* compliance index

The *Financial Management Act 1994* (the Act) 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 theAct.

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

| Financial Management Act reference | Requirement | Comments/reference |
| --- | --- | --- |
| Section 25(1) | The Minister must prepare a mid-year report for each financial year. | Refer to Chapter 2. |
| Section 25(2) | The mid-year report: |  |
|  | (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks; | Manner is in accordance with Australian Accounting Standards and Ministerial Directions. Form is operating statement, balance sheet, statement of cash flows, statement of changes in equity and accompanying notes. Refer to Chapter 2. |
|  | (b) must present fairly the financial position of the State and the Victorian general government sector at midnight on 31 December in the financial year and: | Refer to Chapter 2, balance sheet, page 10. |
|  | (i) the transactions on the Public Account; | Refer to Chapter 2, Note 8, pages 38-40. |
|  | (ii) the transactions of the Victorian general government sector; and | Refer to Chapter 2, operating statement, page 9, statement of cash flows, page 11 and related notes. |
|  | (iii) other financial transactions of the State in respect of the period of six months ending on that day. | Refer to Chapter 2, operating statement, page 9, statement of cash flows, page 11 and related notes. |
| Section 26(1) | The Minister must prepare a quarterly financial report for each quarter of each financial year. | Refer to Appendix A, pages 51-53. |
| Section 26(2) | A quarterly financial report comprises: |  |
|  | (a) a statement of financial performance of the Victorian general government sector for the quarter; | Refer to Appendix A, operating statement, page 51. |
|  | (b) a statement of the financial position of the Victorian general government sector at the end of the quarter; | Refer to Appendix A, balance sheet, page 52. |
|  | (c) a statement of cash flows of the Victorian general government sector for the quarter; and | Refer to Appendix A, statement of cash flows, page 53. |
|  | (d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based. | Refer to Chapter 2, Note 1, pages 14-16. |
| Section 26(2A) | A quarterly financial report must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks. | Manner is a financial report for the general government sector. Form is operating statement, balance sheet, statement of cash flows. Refer to Appendix A. |
| Section 26(2B) | The quarterly financial report for the quarter ending on 31 December in a financial year must include, in addition to the statements referred to in subsection (2)(a) to (d) for that quarter, those statements for the period of six months ending on that 31 December. | Refer to Chapter 2, operating statement, page 9, balance sheet, page 10 and statement of cash flows, page 11. |

Style conventions

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

The notation used in the tables is as follows:

n.a. not available or not applicable

1 billion 1 000 million

1 basis point 0.01 per cent

.. zero, or rounded to zero

(x xxx.x) negative amount

x xxx.0 rounded amount

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