



DELIVERING FOR ALL VICTORIANS

VICTORIAN BUDGET 19/20 QUARTERLY FINANCIAL REPORT NO. 1

30 September 2019
Presented by Tim Pallas MP,
Treasurer of the State of Victoria

The Secretary
Department of Treasury and Finance
1 Treasury Place
Melbourne, Victoria, 3002
Australia
Tel: (03) 9651 5111
Website: dtf.vic.gov.au

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

Printed by Doculink, Port Melbourne
Printed on recycled paper

© State of Victoria 2019
(Department of Treasury and Finance)



You are free to re-use this work under a Creative Commons Attribution 4.0 licence, provided you credit the State of Victoria (Department of Treasury and Finance) as author, indicate if changes were made and comply with the other licence terms. The licence does not apply to any branding, including Government logos.

Copyright queries may be directed to
IPpolicy@dtf.vic.gov.au.

ISSN 1443-1289 (print)
ISSN 2204-7166 (online)
Published November 2019

Quarterly Financial Report No. 1

September 2019



Presented by

Tim Pallas MP

Treasurer of the State of Victoria

TABLE OF CONTENTS

Overview	1
General government sector outcome.....	1
Financial performance.....	1
Financial position.....	2
Cash flows	2
Infrastructure investment.....	2
Financial statements for the general government sector	
Consolidated comprehensive operating statement.....	5
Consolidated balance sheet	6
Consolidated cash flow	7
Consolidated statement of changes in equity.....	8
1. About this report	9
2. How funds are raised	10
3. How funds are spent.....	13
4. Major assets and investments.....	17
5. Other assets and liabilities	21
6. Public account	22
7. Other disclosures	25
8. Results quarter by quarter – Victorian general government sector.....	29
Consolidated comprehensive operating statement for the past five quarters.....	29
Consolidated balance sheet as at the end of the past five quarters	30
Consolidated cash flow statement for the past five quarters	31
Style conventions	32

OVERVIEW

This financial report presents the Victorian general government sector financial statements for the three-month period ended 30 September 2019.

Against a backdrop of a recent downturn in the property market and heightened global uncertainty, the Victorian economy is performing well. This performance was reflected in the June quarter national accounts, which show Victoria's state final demand expanded 1.9 per cent over the year to June 2019. While this represents a slowdown in growth compared with recent periods, it is still almost double the national average. High population growth and low interest rates are supporting economic activity. Public demand has been a key contributor to growth, supported by the Government's strong and sustained pipeline of infrastructure spending.

Labour market conditions remain positive, with solid employment growth, record levels of labour force participation and a low unemployment rate. Victoria's employment increased by 103 200 persons over the year to September 2019, the largest increase of all the states.

GENERAL GOVERNMENT SECTOR OUTCOME

Financial performance

For the three months to 30 September 2019, the net result from transactions for the general government sector recorded a deficit of \$805 million, compared with a surplus of \$807 million for the first quarter in 2018-19.

Caution needs to be taken in interpreting and projecting the potential annual outcome for the full year from this quarterly result due to the significant impact of the uneven recognition pattern of various major revenue items. These include land tax, the Fire Services Property Levy, Commonwealth grants and dividends from public corporations.

Revenue for the quarter totalled \$16.5 billion, or 23.2 per cent of the full year budget. This is consistent with previous years and expectations for the current year to date, due to the timing of certain revenue items, in particular:

- land tax recognition is \$782 million below the pro rata budget, as the majority of land tax is billed and recognised in the March quarter, offset by the Fire Services Property Levy tracking \$506 million above the pro rata budget due to its billing in the September quarter;
- grant revenue is \$701 million below the pro rata budget, primarily impacted by the timing of expected contributions from Public Financial Corporations; and
- dividends from public non-financial and financial corporations are lower than the pro rata budget for the quarter as they are typically declared during the second and fourth quarters of the relevant financial years.

Expenses from transactions totalled \$17.3 billion for the September 2019 quarter, or 24.7 per cent of the budget for the year.

Significant expenditure categories include employee expenses and other operating expenses. These tracked close to pro rata for the September quarter, at 25.1 per cent and 24.3 per cent of the published budget respectively, in line with expectations and the timing of activity across departments.

Grant expense also tracked closely to pro rata budget for the September quarter, at 25.2 per cent of the published budget.

The comprehensive result includes other economic flows that are not included in the net result from transactions. The comprehensive result was a deficit of \$1.8 billion for the quarter, compared with a \$1.9 billion surplus over the same period in 2018-19. The comprehensive result includes a \$976 million remeasurement loss on the State's defined benefit superannuation liability, compared with a \$1.2 billion gain over the same period in 2018-19. This is due to the movement in bond rates which are used to value the liability at the reporting date.

Financial position

Total assets reduced by \$792 million in the first quarter of 2019-20. This was mainly due to lower cash and deposits held, reflecting the Government's infrastructure investment and the uneven timing of revenue collection.

Total liabilities increased by \$994 million to \$104.6 billion due to the remeasurement of the State's defined benefit superannuation liability in line with bond rate movements, partially offset by lower advances received and payables.

Net debt increased by \$3.2 billion to \$32.5 billion over the quarter. This is consistent with expectations, driven mainly by funding for the Government's infrastructure program. Net debt at 1 July 2019 increased by \$6.9 billion as a result of adopting the new accounting standards, as outlined in section 7.4 of the financial report.

Cash flows

The movements disclosed in the cash flow statement are consistent with the above-mentioned drivers associated with the net result and the impact of the Government's infrastructure program.

Infrastructure investment

Net investment in infrastructure totalled \$2.3 billion for the three months to September 2019 (\$2.2 billion over the corresponding period in 2018). This investment supports the needs of Victoria's growing population and aligns with full year budget expectations.

The Government's infrastructure scorecard as at 30 September 2019

Major projects in progress include:

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

The Government's infrastructure scorecard as at 30 September 2019 (continued)

- Non-urban train radio renewal;
- North East Link;
- Princes Highway duplication project – Winchelsea to Colac;
- Public housing renewal program;
- Public Safety – Police Response (Intelligence capability);
- Public Safety – Police Response (Mobile technology solution);
- Regional Rail Revival;
- Royal Victorian Eye and Ear Hospital redevelopment;
- Safe Digital Clinical Systems – Parkville Precinct electronic medical records;
- Shepparton Corridor Upgrade – Stage 2;
- Suburban Rail Loop;
- Suburban Roads Upgrade;
- Ten new community hospitals;
- Tram Automatic Vehicle Monitoring system replacement;
- Tram procurement and supporting infrastructure;
- Victorian Heart Hospital;
- Waurin Ponds Track Duplication – Stage 2;
- West Gate Tunnel Project;
- Western Highway duplication – Ballarat to Stawell;
- Western Rail Plan;
- Western Roads Upgrade;
- Women's prison system capacity;
- Wyndham Vale Stabling Yard; and
- Yan Yean Road duplication.

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the period ended 30 September ^{(a)(b)}

(\$ million)

2018-19 actual 30 Sep		Notes	2019-20 actual 30 Sep		published budget
Revenue from transactions					
5 896	Taxation revenue	2.1	5 839	24 328	
210	Interest revenue		160	719	
82	Dividends, income tax equivalent and rate equivalent revenue	2.2	57	863	
1 905	Sales of goods and services	2.3	1 947	8 030	
7 923	Grant revenue	2.4	7 822	34 093	
618	Other revenue	2.5	652	2 999	
16 634	Total revenue from transactions		16 477	71 032	
Expenses from transactions					
6 081	Employee expenses		6 578	26 208	
167	Net superannuation interest expense	3.3	141	565	
671	Other superannuation	3.3	752	2 960	
725	Depreciation	4.2	886	3 748	
525	Interest expense		564	2 611	
2 853	Grant expense		3 259	12 934	
4 806	Other operating expenses		5 102	20 955	
15 827	Total expenses from transactions	3.4	17 282	69 982	
807	Net result from transactions – net operating balance		(805)	1 050	
Other economic flows included in net result					
5	Net gain/(loss) on disposal of non-financial assets		9	40	
(4)	Net gain/(loss) on financial assets or liabilities at fair value		1	25	
(116)	Other gains/(losses) from other economic flows	7.1	(171)	(388)	
(115)	Total other economic flows included in net result		(161)	(323)	
692	Net result		(967)	726	
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
37	Changes in non-financial assets revaluation surplus		229	3 204	
1 213	Remeasurement of superannuation defined benefits plans	3.3	(976)	1 109	
14	Other movements in equity		(57)	47	
Items that may be reclassified subsequently to net result					
(12)	Net gain/(loss) on financial assets at fair value		(17)	2	
..	Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		..	692	
1 252	Total other economic flows – other comprehensive income		(821)	5 055	
1 945	Comprehensive result – total change in net worth		(1 787)	5 782	
KEY FISCAL AGGREGATES					
807	Net operating balance		(805)	1 050	
1 039	Less: Net acquisition of non-financial assets from transactions	3.6	859	3 889	
(231)	Net lending/(borrowing)		(1 664)	(2 839)	

The accompanying notes form part of these financial statements.

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors.

(b) Note 7.4 provides further information on the impact of the new accounting standards.

CONSOLIDATED BALANCE SHEET

As at 30 September ^{(a)(b)}

(\$ million)

2018-19 actual 30 Sep		Notes	opening 1 Jul	2019-20 actual 30 Sep	revised budget ^(c)
Assets					
Financial assets					
5 940	Cash and deposits	7.2	9 775	6 343	7 736
8 963	Advances paid		8 340	7 884	6 243
6 400	Receivables	5.1	6 651	6 405	6 914
3 940	Investments, loans and placements		2 539	3 000	2 968
52	Investments accounted for using the equity method		45	45	45
102 157	Investments in other sector entities		101 825	102 737	107 723
127 453	Total financial assets		129 176	126 414	131 629
Non-financial assets					
171	Inventories		165	177	172
391	Non-financial assets held for sale		223	216	215
144 644	Land, buildings, infrastructure, plant and equipment	4.1	157 814	158 891	165 417
2 229	Other non-financial assets	4.7	2 126	3 013	1 971
147 434	Total non-financial assets		160 328	162 297	167 775
274 887	Total assets	4.8	289 503	288 711	299 404
Liabilities					
5 530	Deposits held and advances received		5 146	4 688	3 215
14 062	Payables	5.2	15 935	15 911	16 430
34 146	Borrowings		44 864	45 044	51 237
6 893	Employee benefits	3.2	8 020	8 034	8 337
24 257	Superannuation		28 632	29 884	27 551
962	Other provisions		1 057	1 085	1 056
85 850	Total liabilities		103 653	104 647	107 826
189 038	Net assets		185 851	184 064	191 577
57 500	Accumulated surplus/(deficit)		55 565	77 321	57 449
131 538	Reserves		130 286	106 742	134 184
189 038	Net worth		185 851	184 064	191 633
FISCAL AGGREGATES					
41 604	Net financial worth		25 523	21 767	23 802
60 554	Net financial liabilities		76 302	80 971	83 921
20 833	Net debt		29 355	32 506	37 506

The accompanying notes form part of these financial statements.

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors.

(b) Note 7.4 provides further information on the impact of the new accounting standards on the 2018-19 comparative figures and the 1 July 2019 opening balances.

(c) Balances represent actual opening balances at 1 July 2019 plus 2019-20 budgeted movements.

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 September ^(a)

(\$ million)

2018-19 actual 30 Sep	Notes	2019-20	
		actual 30 Sep	revised budget
Cash flows from operating activities			
Receipts			
5 994	Taxes received	5 870	24 098
7 927	Grants	7 827	34 118
2 127	Sales of goods and services ^(b)	2 333	8 774
209	Interest received	171	719
82	Dividends, income tax equivalent and rate equivalent receipts	98	857
3 348	Other receipts	516	2 134
19 686	Total receipts	16 815	70 701
Payments			
(6 211)	Payments for employees	(6 592)	(25 898)
(572)	Superannuation	(616)	(3 497)
(516)	Interest paid	(488)	(2 081)
(2 870)	Grants and subsidies	(3 255)	(12 927)
(5 687)	Goods and services ^(b)	(6 100)	(20 796)
(211)	Other payments	(216)	(801)
(16 068)	Total payments	(17 267)	(65 999)
3 619	Net cash flows from operating activities	(452)	4 702
		7.3	
Cash flows from investing activities			
Cash flows from investments in non-financial assets			
(2 174)	Purchases of non-financial assets	(2 310)	(13 102)
45	Sales of non-financial assets	42	825
(2 129)	Net cash flows from investments in non-financial assets	(2 268)	(12 277)
729	Net cash flows from investments in financial assets for policy purposes	398	3 106
(1 400)	Sub-total	(1 870)	(9 171)
(35)	Net cash flows from investments in financial assets for liquidity management purposes	(489)	(361)
(1 435)	Net cash flows from investing activities	(2 359)	(9 532)
Cash flows from financing activities			
(831)	Advances received (net)	(365)	(2 030)
(1 576)	Net borrowings	(165)	4 821
(94)	Deposits received (net)	(93)	..
(2 501)	Net cash flows from financing activities	(622)	2 791
(317)	Net increase/(decrease) in cash and cash equivalents	(3 432)	(2 039)
6 257	Cash and cash equivalents at beginning of reporting period	9 775	9 775
5 940	Cash and cash equivalents at end of the reporting period	6 343	7 736
FISCAL AGGREGATES			
3 619	Net cash flows from operating activities	(452)	4 702
(2 129)	Net cash flows from investments in non-financial assets	(2 268)	(12 277)
1 490	Cash surplus/(deficit)	(2 719)	(7 575)

The accompanying notes form part of these financial statements.

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September ^(a)

(\$ million)

	Accumulated surplus/(deficit)	Non-financial assets revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
2019-20					
Balance at 1 July 2019 before new accounting standards	52 473	65 454	63 697	1 020	182 644
Impact of new accounting standards	3 092	115	..	..	3 207
Restated balance at 1 July 2019 ^(b)	55 565	65 569	63 697	1 020	185 851
Net result for the year	(967)	..	..	..	(967)
Other comprehensive income for the year	(952)	229	..	(98)	(821)
Transfer to/(from) accumulated surplus	23 675	(23 675)	..	..	..
Balance at 30 September 2019	77 321	42 123	63 697	922	184 064
Budget equity as at 30 June 2020 ^(c)	57 449	68 773	64 390	1 021	191 633
2018-19					
Balance at 1 July 2018 before new accounting standards ^(d)	52 626	64 084	66 351	1 055	184 116
Impact of new accounting standards	2 977	..	..	..	2 977
Restated balance at 1 July 2018 ^(e)	55 603	64 084	66 351	1 055	187 093
Net result for the year ^(e)	692	..	..	..	692
Other comprehensive income for the year ^(e)	1 204	37	..	11	1 252
Transfer to/(from) accumulated surplus	..	..	..	..	..
Balance at 30 September 2018 ^{(d)(e)}	57 500	64 121	66 351	1 066	189 038

The accompanying notes form part of these financial statements.

Notes:

(a) Note 7.4 provides further information on the impact of the new accounting standards.

(b) The 1 July 2019 balance has been restated resulting from the application of the AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities, AASB 16 Leases and AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

(c) Balances represent actual opening balances at 1 July 2019 plus 2019-20 budgeted movements.

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

(e) The 1 July 2018 balance and the September 2018 comparative figure have been restated resulting from the application of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

1. ABOUT THIS REPORT

Basis of preparation

This September Quarterly Financial Report presents the unaudited financial report for the general government sector for the three months ended 30 September 2019.

Except as indicated below, the detailed accounting policies applied in preparing the quarterly financial report are consistent with those applied for the financial statements published in the *2018-19 Financial Report* for the State of Victoria. This quarterly financial report does not include all the notes normally included with the annual financial report, this report should be read in conjunction with the *2018-19 Financial Report*.

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

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

The transitional impacts of adopting these standards have been reflected in the opening balance of accumulated surplus/(deficit), as presented in the statement of changes in equity on page 8.

Note 7.4 further outlines the actual impacts of the new accounting standards.

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

Statement of compliance

These financial statements have been prepared in accordance with section 26 of the *Financial Management Act 1994*, having regard to the recognition and measurement principles of the applicable Australian Accounting Standards (AAS) and Interpretations issued by the AASB.

The financial statements are also presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where applicable, those paragraphs of AAS applicable to not-for-profit entities have been applied.

Basis of accounting and measurement

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

Reporting entity

The 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 primary function of entities in the general government sector is to provide public services (outputs), which are mainly non-market in nature, for the collective consumption of the community, and involve the transfer or redistribution of revenue, which is financed mainly through taxes and other compulsory levies.

The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity. Unless otherwise noted, accounting policies applied by the State of Victoria apply equally to the general government sector.

Basis of consolidation

The September Quarterly Financial Report includes all reporting entities in the general government sector that are controlled by the State. Information on entities consolidated for the general government sector is included in Note 7.5. In the process of reporting the general government sector as a single economic entity, all material transactions and balances in the sector are eliminated.

2. HOW FUNDS ARE RAISED

Introduction

This section presents the sources and amounts of revenue raised by the general government sector.

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

2.1 Taxation revenue

(\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
1 616	Taxes on employers' payroll and labour force	1 727	6 537
	Taxes on immovable property		
77	Land tax	133	3 659
644	Fire Services Property Levy	683	709
2	Congestion levy	..	101
122	Metropolitan improvement levy	137	183
845	Total taxes on property	954	4 653
	Gambling taxes		
142	Public lotteries	166	444
296	Electronic gaming machines	294	1 140
54	Casino	59	238
17	Racing and other sports betting	39	140
7	Other	3	13
	Financial and capital transactions		
1 682	Land transfer duty	1 385	5 896
5	Metropolitan planning levy	6	22
34	Financial accommodation levy	38	178
76	Growth areas infrastructure contribution	59	285
35	Levies on statutory corporations	34	157
387	Taxes on insurance	413	1 479
2 737	Total taxes on the provision of goods and services	2 496	9 992
	Motor vehicle taxes		
410	Vehicle registration fees	377	1 784
230	Duty on vehicle registrations and transfers	208	1 029
..	Liquor licence fees	..	26
59	Other	77	307
699	Total taxes on the use of goods and performance of activities	662	3 146
5 896	Total taxation revenue	5 839	24 328

2.2 Dividends, income tax equivalent and rate equivalent revenue

(\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
..	Dividends from PFC sector	..	132
..	Dividends from PNFC sector	..	385
21	Dividends from non-public sector	30	107
21	Dividends	30	624
2	Income tax equivalent revenue from PFC sector	3	8
58	Income tax equivalent revenue from PNFC sector	25	224
60	Income tax equivalent revenue	27	232
..	Local government rate equivalent revenue	..	7
82	Total dividends, income tax equivalent and rate equivalent revenue	57	863

2.3 Sales of goods and services

(\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
57	Motor vehicle regulatory fees	59	242
122	Other regulatory fees	105	579
20	Sale of goods	33	99
1 129	Provision of services	1 129	4 630
19	Rental	24	86
..	Refunds and reimbursements	1	11
557	Inter-sector capital asset charge	596	2 384
1 905	Total sales of goods and services	1 947	8 030

2.4 Grant revenue

(\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
4 324	General purpose grants	4 316	17 535
896	Specific purpose grants for on-passing	953	3 936
2 367	Other specific purpose grants	2 503	11 026
7 587	Total	7 773	32 497
336	Other contributions and grants	49	1 596
7 923	Total grant revenue	7 822	34 093

2.5 Other revenue

(\$ million)

2018-19		2019-20	
actual 30 Sep		actual 30 Sep	published budget
..	Fair value of assets received free of charge or for nominal consideration	16	56
205	Fines	177	822
25	Royalties	13	110
59	Donations and gifts ^(a)	39	209
9	Other non-property rental	9	28
111	Other revenue – Education	125	651
27	Other revenue – Health ^(a)	55	220
45	Revenue related to economic service concession arrangements ^(b)	86	337
137	Other miscellaneous revenue	132	566
618	Total other revenue ^(b)	652	2 999

Notes:

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

(b) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. This revenue relates to 'economic' service concession arrangements and reflects the progressive unwinding of the 'grant of right to operate liability' over the remaining period of the arrangement.

3. HOW FUNDS ARE SPENT

Introduction

This section accounts for the major components of expenditure incurred by the general government sector towards the delivery of services and on capital or infrastructure projects during the period, as well as any related obligations outstanding as at 30 September 2019.

3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses (operating statement)

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

Employee expenses (balance sheet)

As part of operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to reflect the estimated timing and amount of benefit payment. The table below shows the key components of this provision as at 30 September 2019.

3.2 Employee benefits (balance sheet)

(\$ million)

2018-19 actual 30 Sep		opening 1 Jul	2019-20 actual 30 Sep	revised budget
	Current			
409	Accrued salaries and wages	656	580	670
85	Other employee benefits	84	68	84
1 632	Annual leave	1 758	1 792	1 794
3 919	Long service leave	4 474	4 527	4 617
6 044	Total current employee benefits and on-costs	6 971	6 967	7 164
	Non-current			
849	Long service leave	1 048	1 067	1 173
849	Total non-current employee benefits and on-costs	1 048	1 067	1 173
6 893	Total employee benefits and on-costs	8 020	8 034	8 337

3.3 Superannuation (operating statement)

(\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
Defined benefit plans			
167	Net superannuation interest expense	141	565
231	Current service cost	272	1 093
Remeasurements:			
(256)	Expected return on superannuation assets excluding interest income	(277)	(1 109)
(40)	Other actuarial (gain)/loss on superannuation assets	(15)	..
(917)	Actuarial and other adjustments to unfunded superannuation liability	1 267	..
(815)	Total expense recognised in respect of defined benefit plans	1 389	549
Defined contribution plans			
419	Employer contributions to defined contribution plans	465	1 794
20	Other (including pensions)	15	73
440	Total expense recognised in respect of defined contribution plans	481	1 868
(375)	Total superannuation (gain)/expense recognised in operating statement	1 869	2 416
Represented by:			
167	Net superannuation interest expense	141	565
671	Other superannuation	752	2 960
838	Superannuation expense from transactions	893	3 526
(1 213)	Remeasurement recognised in other comprehensive income	976	(1 109)
(375)	Total superannuation costs recognised in operating statement	1 869	2 416

3.4 Total expenses by classification of the functions of government (COFOG) and by portfolio department ^{(a)(b)}

(a) Total expenses by classification of the functions of government (\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
970	General public services	983	3 821
1 920	Public order and safety	2 102	8 611
365	Economic affairs	397	1 991
157	Environmental protection	173	840
458	Housing and community amenities	514	2 083
4 803	Health	5 237	20 977
186	Recreation, culture and religion	180	927
3 968	Education	4 178	16 939
1 163	Social protection	1 341	5 535
2 020	Transport	2 239	9 164
(183)	Not allocated by purpose	(62)	(907)
15 827	Total expenses by COFOG	17 282	69 982

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

(b) The September 2018 comparative figures and 2019-20 Budget figures have been restated to reflect more current information.

(b) Total expenses by portfolio department ^(a) (\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
Expenses from transactions			
4 495	Education and Training	4 823	19 255
677	Environment, Land, Water and Planning ^(b)	748	3 472
6 336	Health and Human Services	6 945	27 923
..	Jobs, Precincts and Regions	490	2 403
1 845	Justice and Community Safety ^(b)	1 998	8 047
151	Premier and Cabinet	154	671
2 542	Transport ^(b)	2 281	9 224
1 805	Treasury and Finance	1 959	7 764
52	Parliament	56	244
157	Courts	166	710
573	Regulatory bodies and other part funded agencies ^(c)	639	2 470
18 631	Total expenses by department ^(b)	20 259	82 182
(2 804)	Less eliminations and adjustments ^(d)	(2 977)	(12 200)
15 827	Total expenses ^(b)	17 282	69 982

Notes:

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

(b) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

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

(d) Mainly comprising payroll tax, capital asset charge and inter-departmental transfers. The budget also includes departmental underspend estimates

3.5 Purchases of non-financial assets by portfolio department ^(a)

(\$ million)

2018-19		2019-20	
actual 30 Sep		actual 30 Sep	published budget
378	Education and Training	329	1 758
17	Environment, Land, Water and Planning	21	144
125	Health and Human Services	131	1 134
..	Jobs, Precincts and Regions	18	160
177	Justice and Community Safety	89	1 058
1	Premier and Cabinet	2	14
1 387	Transport ^(b)	1 539	6 887
5	Treasury and Finance	2	33
3	Parliament	3	2
11	Courts	16	83
46	Regulatory bodies and other part funded agencies ^(c)	32	265
2 148	Total purchases of non-financial assets by department	2 183	11 538
26	Eliminations and adjustments ^(d)	127	1 564
2 174	Total purchases of non-financial assets	2 310	13 102

Notes:

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

(b) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

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

(d) Budget includes contingencies not allocated to departments and estimated departmental underspend.

3.6 Net acquisition of non-financial assets from transactions ^(a)

(\$ million)

2018-19		2019-20	
actual 30 Sep		actual 30 Sep	published budget
2 173	Purchases of non-financial assets (including change in inventories)	2 320	13 105
(45)	Less: Sales of non-financial assets	(42)	(825)
(725)	Less: Depreciation and amortisation	(886)	(3 748)
(365)	Plus/(less): Other movements in non-financial assets	(533)	(4 643)
1 039	Total net acquisition of non-financial assets from transactions	859	3 889

Note:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

4. MAJOR ASSETS AND INVESTMENTS

Introduction

This section outlines those assets the general government sector controls, reflecting investing activities in the current period and prior years.

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

(\$ million)

2018-19		2019-20		
actual		opening	actual	revised
30 Sep		1 Jul	30 Sep	budget
30 891	Buildings	43 321	43 095	44 228
4 828	Leased buildings	..	..	..
59 265	Land and national parks	58 294	58 308	59 464
3 299	Infrastructure systems	5 157	5 407	6 210
2 998	Plant, equipment and vehicles	3 378	3 402	3 150
208	Leased plant, equipment and vehicles	..	..	..
29 473	Roads and road infrastructure	33 105	34 095	37 474
8 039	Earthworks	8 899	8 916	9 238
5 644	Cultural assets	5 661	5 669	5 653
144 644	Total land, buildings, infrastructure, plant and equipment	157 814	158 891	165 417

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors.

(b) Note 7.4 provides further information on the impact of the new accounting standards on the 2018-19 comparative figures and the 1 July 2019 opening balances.

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

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

(\$ million)

2018-19		2019-20		
actual		opening	actual	revised
30 Sep		1 Jul	30 Sep	budget
..	Buildings	8 181	7 913	7 696
..	Infrastructure systems	6	5	6
..	Plant, equipment and vehicles	563	573	321
..	Total right of use assets: land, buildings, infrastructure, plant and equipment	8 750	8 491	8 023

Note:

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

Total service concession assets: land, buildings, infrastructure, plant and equipment

(\$ million)

2018-19		2019-20		
actual		opening	actual	revised
30 Sep		1 Jul	30 Sep	budget
1 703	Buildings	1 829	1 970	1 668
916	Land and national parks	921	919	975
1 991	Infrastructure systems	3 236	3 583	4 686
188	Plant, equipment and vehicles	170	168	88
7 911	Roads and road infrastructure	9 263	9 917	11 255
12 710	Total service concession assets: land, buildings, infrastructure, plant and equipment	15 420	16 556	18 673

4.2 Depreciation ^(a)

(\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
296	Buildings	457	1 940
41	Leased buildings	..	..
9	Infrastructure systems	13	61
136	Plant, equipment and vehicles	161	708
7	Leased plant, equipment and vehicles	..	..
199	Roads and road infrastructure	215	852
5	Cultural assets	3	22
33	Intangible produced assets ^(b)	37	165
725	Total depreciation	886	3 748

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

(b) Amortisation of intangible non-produced assets is included under other gains/(losses) from other economic flows.

The following two tables are subsets of total depreciation expense.

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

(\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
..	Buildings	118	607
..	Infrastructure systems	..	12
..	Plant, equipment and vehicles	28	122
..	Total depreciation of right of use assets	146	740

Note:

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

Depreciation of service concession assets

(\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
10	Buildings	14	30
5	Plant, equipment and vehicles	4	28
43	Roads and road infrastructure	48	183
..	Intangible produced assets	..	1
58	Total depreciation of service concession assets	66	243

4.3 Land and buildings ^{(a)(b)}

(\$ million)

2018-19		2019-20		
actual 30 Sep		opening 1 Jul	actual 30 Sep	revised budget
33 475	Buildings	45 097	45 274	48 117
(2 584)	Accumulated depreciation	(1 776)	(2 179)	(3 889)
30 891	Buildings (net carrying amount)	43 321	43 095	44 228
5 501	Leased buildings	..	..	..
(673)	Leased buildings accumulated depreciation	..	..	..
4 828	Leased buildings (net carrying amount)	..	..	..
58 032	Land	57 074	57 089	58 254
1 233	National parks and other 'land only' holdings	1 219	1 219	1 210
59 265	Land and national parks	58 294	58 308	59 464
94 983	Total land and buildings	101 614	101 403	103 692

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

(b) Note 7.4 provides further information on the impact of the new accounting standards on the 2018-19 comparative figures and the 1 July 2019 opening balances.

4.4 Plant, equipment, vehicles, and infrastructure systems ^{(a)(b)}

(\$ million)

2018-19		2019-20		
actual 30 Sep		opening 1 Jul	actual 30 Sep	revised budget
3 794	Infrastructure systems	5 728	5 991	6 843
(495)	Accumulated depreciation	(572)	(585)	(633)
3 299	Infrastructure systems (net carrying amount)	5 157	5 407	6 210
7 132	Plant, equipment and vehicles	7 932	8 084	8 235
(4 135)	Accumulated depreciation	(4 554)	(4 682)	(5 086)
492	Leased plant, equipment and vehicles	..	..	..
(283)	Accumulated depreciation	..	..	..
3 206	Plant, equipment and vehicles (net carrying amount)	3 378	3 402	3 150
6 505	Total plant, equipment and vehicles, and infrastructure systems	8 534	8 808	9 360

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

(b) Note 7.4 provides further information on the impact of the new accounting standards on the 2018-19 comparative figures and the 1 July 2019 opening balances.

4.5 Roads, road infrastructure and earthworks ^{(a)(b)}

(\$ million)

2018-19		2019-20		
actual 30 Sep		opening 1 Jul	actual 30 Sep	revised budget
49 831	Roads and roads infrastructure	56 569	57 732	62 513
(20 359)	Accumulated depreciation	(23 463)	(23 638)	(25 038)
29 473	Roads and road infrastructure (net carrying amount)	33 105	34 095	37 474
8 039	Earthworks	8 899	8 916	9 238
37 512	Total roads, road infrastructure and earthworks	42 004	43 011	46 712

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

(b) Note 7.4 provides further information on the impact of the new accounting standards on the 2018-19 comparative figures and the 1 July 2019 opening balances.

4.6 Cultural assets

(\$ million)

2018-19		2019-20		
actual		opening	actual	revised
30 Sep		1 Jul	30 Sep	budget
5 821	Cultural assets	5 850	5 860	5 865
(177)	Accumulated depreciation	(189)	(191)	(211)
5 644	Total cultural assets	5 661	5 669	5 653

4.7 Other non-financial assets ^{(a)(b)}

(\$ million)

2018-19		2019-20		
actual		opening	actual	revised
30 Sep		1 Jul	30 Sep	budget
1 972	Intangible produced assets	2 197	2 220	2 211
(1 042)	Accumulated depreciation	(1 085)	(1 120)	(1 201)
..	Service concession assets – intangible produced	251	251	248
..	Accumulated depreciation	(1)	(1)	(1)
119	Intangible non-produced assets	109	109	110
(41)	Accumulated amortisation	(40)	(42)	(45)
1 008	Total intangibles	1 430	1 417	1 321
186	Investment properties	280	280	280
2	Biological assets	2	2	4
1 032	Other assets	414	1 314	366
2 229	Total other non-financial assets	2 126	3 013	1 971

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

(b) Note 7.4 provides further information on the impact of the new accounting standards on the 2018-19 comparative figures and the 1 July 2019 opening balances.

4.8 Total assets by classification of the functions of government (COFOG) ^{(a)(b)}

(\$ million)

2018-19		2019-20	
actual		actual	revised
30 Sep		30 Sep	budget
2 273	General public services	2 491	2 407
9 678	Public order and safety	11 956	12 458
1 240	Economic affairs	1 329	1 265
11 955	Environmental protection	11 631	11 769
1 796	Housing and community amenities	2 265	2 198
16 244	Health	20 083	20 010
7 334	Recreation, culture and religion	7 561	7 683
27 489	Education	27 451	28 442
1 750	Social protection	2 415	2 361
67 895	Transport	75 534	81 646
127 233	Not allocated by purpose ^(c)	125 992	129 164
274 887	Total assets by COFOG	288 711	299 404

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors.

(b) The September 2018 comparative figures have been restated to reflect more current information.

(c) Represents financial assets which are not able to be allocated by purpose. This mainly includes balances relating to the general government sector's investment in other sector entities.

5. OTHER ASSETS AND LIABILITIES

Introduction

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

5.1 Receivables ^(a)

(\$ million)

2018-19 actual 30 Sep		2019-20		
		opening 1 Jul	actual 30 Sep	revised budget
Contractual				
1 150	Sales of goods and services	912	1 002	918
19	Accrued investment income	27	15	27
640	Other receivables	888	881	962
(108)	Allowance for impairment losses of contractual receivables	(138)	(139)	(138)
Statutory				
3	Sales of goods and services	5	6	5
3 016	Taxes receivable	3 363	3 252	3 438
2 629	Fines and regulatory fees	2 881	2 974	3 002
323	GST input tax credits recoverable	419	250	420
(1 271)	Allowance for impairment losses of statutory receivables	(1 706)	(1 836)	(1 721)
6 400	Total receivables	6 651	6 405	6 914
Represented by:				
6 086	Current receivables	6 329	6 078	6 493
314	Non-current receivables	322	327	421

Notes:

(a) Note 7.4 provides further information on the impact of the new accounting standards on the 2018-19 comparative figures and the 1 July 2019 opening balances.

5.2 Payables ^{(a)(b)}

(\$ million)

2018-19 actual 30 Sep		2019-20		
		opening 1 Jul	actual 30 Sep	revised budget
Contractual				
1 387	Accounts payable	1 827	1 908	1 795
2 200	Accrued expenses	2 918	2 533	2 920
8 552	Grant of right to operate liability ^(a)	9 402	9 587	10 110
1 589	Unearned income	1 729	1 810	1 545
Statutory				
333	Accrued taxes payable	59	72	60
14 062	Total payables	15 935	15 911	16 430
Represented by:				
4 769	Current payables	5 568	5 470	5 526
9 292	Non-current payables	10 367	10 441	10 905

Notes:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

(b) Note 7.4 provides further information on the impact of the new accounting standards on the 2018-19 comparative figures and the 1 July 2019 opening balances.

6. PUBLIC ACCOUNT

Introduction

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

6.1 Consolidated fund receipts and payments ^(a)

(\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
Receipts			
5 999	Taxation	5 881	24 437
184	Fines and regulatory fees	175	922
5 310	Grants received	5 089	22 871
1 560	Sales of goods and services ^(b)	1 078	7 480
110	Interest received	119	484
60	Dividends, income tax equivalent and rate equivalent receipts	68	751
3 282	Other receipts ^(b)	159	665
16 505	Total operating activities	12 569	57 610
24	Total inflows from investing and financing	1 267	9 172
16 528	Total receipts	13 836	66 783
Payments to departments			
3 876	Education and Training	3 996	15 413
608	Environment, Land, Water and Planning	652	2 754
4 972	Health and Human Services	5 965	18 002
..	Jobs, Precincts and Regions	382	2 338
2 067	Justice and Community Services	2 113	8 510
167	Premier and Cabinet	176	643
2 419	Transport	3 136	12 704
2 394	Treasury and Finance	1 224	10 612
58	Parliament	65	226
158	Courts	178	735
16 717	Total payments	17 886	71 935
(189)	Net receipts/(payments)	(4 051)	(5 152)

Notes:

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

(b) The September 2018 comparative figures have been reclassified to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors.

6.2 Trust fund cash flow statement

(\$ million)

2018-19		2019-20	
actual		actual	published
30 Sep		30 Sep	budget
Cash flows from operating activities			
Receipts			
176	Taxation	199	422
20	Regulatory fees and fines	16	72
4 560	Grants received	5 695	17 893
24	Sale of goods and services	282	510
53	Interest received	31	155
12	Dividends received	24	90
1 087	Net transfers from consolidated fund	734	4 204
89	Other receipts	69	97
6 021	Total receipts	7 050	23 445
Payments			
(66)	Payments for employees	(77)	(263)
(5)	Superannuation	(6)	(18)
(4 955)	Grants and subsidies	(5 217)	(19 851)
(542)	Goods and services	(671)	(1 713)
(3)	Interest paid	(2)	(10)
(5 571)	Total payments	(5 973)	(21 855)
450	Net cash flows from operating activities	1 076	1 590
Cash flows from investing activities			
(53)	Purchases of property, plant and equipment	(51)	(2 715)
13	Proceeds from sale of property, plant and equipment	11	58
826	Net proceeds from customer loans	465	1 878
(731)	Other investing activities	(448)	(675)
55	Net cash flows from investing activities	(21)	(1 454)
Cash flows from financing activities			
(870)	Net proceeds (repayments) from borrowings	(343)	49
(870)	Net cash flows from financing activities	(343)	49
(366)	Net cash inflow/(outflow)	712	186

6.3 Reconciliation of cash flows to balances held^(a)

(\$ million)

	Balances held at 30 Jun 2019	Mar movement YTD	Balances held at 30 Sep 2019
Cash and deposits			
Cash and balances outside of the Public Account	..	(11)	(11)
Deposits held with the Public Account – specific trusts	19	(2)	17
Other balances held in the Public Account	4 424	(3 648)	775
Total cash and deposits	4 443	(3 661)	781
Investments			
Investments held with the Public Account – specific trusts	1 016	381	1 397
Total investments	1 016	381	1 397
Total fund balances	5 459	(3 280)	2 178
Less funds held outside the public account			
Cash	..	(11)	(11)
Total fund balances held outside the Public Account	..	(11)	(11)
Total fund balances held in the Public Account	5 459	(3 269)	2 189

Note:

(a) See Note 6.4 for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

6.4 Details of securities held

(\$ million)

2018-19		2019-20	
actual		opening	actual
30 Sep		1 Jul	30 Sep
2 422	Amounts invested on behalf of specific trust accounts	1 035	1 414
2 228	General account balances	4 424	775
4 650	Total Public Account	5 459	2 189
	Represented by:		
3 766	Stock, securities, cash and investments	4 527	1 635
	Add cash advanced for:		
..	Temporary Advance from the Treasury Corporation of Victoria to the Consolidated Fund pursuant to section 38 of the <i>Financial Management Act 1994</i>	350	..
884	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	582	554
4 650	Total Public Account	5 459	2 189

7. OTHER DISCLOSURES

Introduction

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

7.1 Other gains/(losses) from other economic flows

(\$ million)

2018-19 actual 30 Sep		2019-20	
		actual 30 Sep	published budget
(109)	Net (increase)/decrease in allowances for credit losses	(143)	(192)
(1)	Amortisation of intangible non-produced assets	(1)	(6)
(2)	Bad debts written off	(1)	(169)
(3)	Other gains/(losses)	(26)	(21)
(116)	Total other gains/(losses) from other economic flows	(171)	(388)

7.2 Reconciliation of cash and cash equivalents

(\$ million)

2018-19 actual 30 Sep		2019-20
		actual 30 Sep
1 748	Cash	1 036
4 191	Deposits at call	5 307
5 940	Cash and cash equivalents	6 343
..	Bank overdraft	..
5 940	Balances as per cash flow statement	6 343

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

(\$ million)

2018-19 actual to Sep		2019-20 actual to Sep
692	Net result	(967)
	Non-cash movements	
726	Depreciation and amortisation	887
30	Interest accretion	69
4	Revaluation of investments	2
..	Assets (received)/provided free of charge	4
1	Discount/premium on other financial assets/borrowings	1
..	Foreign currency dealings	(3)
760	Non-cash items total	959
	Movements included in investing and financing activities	
..	Net gain/loss from sale of investments	(2)
(5)	Net gain/loss from sale of non-financial assets	(9)
(5)	Items included in investing and financing activities total	(11)
	Movements in assets and liabilities	
102	Increase/(decrease) in provision for doubtful debts	132
2 515	Increase/(decrease) in payables	(91)
(127)	Increase/(decrease) in employee benefits	14
265	Increase/(decrease) in superannuation	277
(70)	Increase/(decrease) in other provisions	30
(8)	(Increase)/decrease in receivables	115
(506)	(Increase)/decrease in other non-financial assets	(910)
2 171	Changes in assets and liabilities total	(433)
3 619	Net cash flows from operating activities	(452)

Note:

(a) The September 2018 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

7.4 Adoption of the new Accounting Standards

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

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

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

The transitional impacts of applying the new accounting standards are reported in the tables below.

Transitional impacts of the new Accounting Standards

(\$ million)

	<i>Before new accounting standards 2018-19 actual 30 Sep</i>	<i>Net impact of new accounting standards 2018-19 actual 30 Sep</i>	<i>After new accounting standards 2018-19 actual 30 Sep</i>
Comprehensive operating statement			
Revenue from transactions	16 589	45	16 634
Expenses from transactions	15 757	70	15 827
Net result from transactions – net operating balance	832	(25)	807
Total other economic flows included in net result	(115)	..	(115)
Net result	718	(25)	692

(\$ million)

	<i>Before new accounting standards 2018-19</i>			<i>Net impact of new accounting standards 2018-19</i>			<i>After new accounting standards 2018-19</i>		
	<i>Opening 1 July 2018</i>	<i>actual 30 Sep</i>	<i>Opening 1 July 2019</i>	<i>Opening 1 July 2018</i>	<i>actual 30 Sep</i>	<i>Opening 1 July 2019</i>	<i>Opening 1 July 2018</i>	<i>actual 30 Sep</i>	<i>Opening 1 July 2019</i>
Total assets	264 294	265 065	273 439	9 242	9 822	16 064	273 536	274 887	289 503
Financial liabilities	40 207	37 746	43 061	1 541	1 930	6 948	41 748	39 676	50 009
Other liabilities	39 971	41 255	47 734	4 724	4 919	5 909	44 695	46 174	53 643
Total liabilities	80 178	79 001	90 795	6 265	6 849	12 858	86 443	85 850	103 653
Net debt	20 003	18 677	22 407	1 767	2 156	6 948	21 770	20 833	29 355
Net worth	184 116	186 064	182 644	2 977	2 973	3 207	187 093	189 038	185 851
Accumulated surplus/(deficit)	52 574	54 496	52 473	3 029	3 004	3 092	55 603	57 500	55 565

7.5 Controlled entities

Note 9.8 Controlled entities in the *2018-19 Financial Report* for the State of Victoria lists significant controlled entities, which were consolidated in that financial report.

The following are changes from 1 July 2019 of general government sector entities, which have been consolidated in this financial report:

General government

Department of Health and Human Services

NCN Health ^(a)

Great Ocean Road Health ^(b)

Department of Premier and Cabinet

Portable Long Service Authority ^(c)

Department of Transport ^(d)

Notes:

- (a) Effective from 1 July 2019, Numurkah District Health Service, Cobram District Health and Nathalia District Hospital were amalgamated into NCN Health.
- (b) Effective from 1 July 2019, Lorne Community Hospital and Otway Health were amalgamated into Great Ocean Road Health.
- (c) The Portable Long Service Authority was established under the Long Service Benefits Portability Act 2018, and by Order of the Governor in Council, commenced on 1 July 2019.
- (d) Effective from 1 July 2019, the Public Transport Development Authority and Roads Corporation (with the exception of registration and licensing and some heavy vehicle functions) were consolidated into the Department of Transport.

7.6 Glossary of technical terms

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

8. RESULTS QUARTER BY QUARTER – VICTORIAN GENERAL GOVERNMENT SECTOR

Introduction

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

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

	2018-19				2019-20
	Sep	Dec	Mar	Jun	Sep
Revenue from transactions					
Taxation revenue	5 896	5 030	7 763	4 896	5 839
Interest revenue	210	206	191	209	160
Dividends, income tax equivalent and rate equivalent revenue	82	248	97	603	57
Sales of goods and services	1 905	1 926	1 896	1 970	1 947
Grant revenue	7 923	7 878	9 165	8 337	7 822
Other revenue	618	857	609	1 258	652
Total revenue from transactions	16 634	16 145	19 721	17 274	16 477
Expenses from transactions					
Employee expenses	6 081	6 213	6 196	6 916	6 578
Net superannuation interest expense	167	180	170	172	141
Other superannuation	671	711	690	725	752
Depreciation	725	735	743	844	886
Interest expense	525	575	546	606	564
Grant expense	2 853	3 127	3 858	3 516	3 259
Other operating expenses	4 806	5 101	4 812	6 263	5 102
Total expenses from transactions	15 827	16 642	17 014	19 041	17 282
Net result from transactions – net operating balance	807	(497)	2 707	(1 767)	(805)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	5	(55)	(15)	27	9
Net gain/(loss) on financial assets or liabilities at fair value	(4)	(195)	72	91	1
Share of net profit/(loss) from associates/joint venture entities	..	..	1	..	..
Other gains/(losses) from other economic flows	(116)	(190)	(166)	(449)	(171)
Total other economic flows included in net result	(115)	(439)	(109)	(330)	(161)
Net result	692	(936)	2 598	(2 098)	(967)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	37	13	114	4 114	229
Remeasurement of superannuation defined benefits plans	1 213	(2 304)	(1 087)	(1 192)	(976)
Other movements in equity	14	249	7	51	(57)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(12)	(36)	(15)	(2)	(17)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	..	(1 240)	..	(1 414)	..
Total other economic flows – other comprehensive income	1 252	(3 319)	(982)	1 557	(821)
Comprehensive result – total change in net worth	1 945	(4 255)	1 617	(541)	(1 787)
KEY FISCAL AGGREGATES					
Net operating balance	807	(497)	2 707	(1 767)	(805)
Less: Net acquisition of non-financial assets from transactions	1 039	1 422	738	2 232	859
Net lending/(borrowing)	(231)	(1 919)	1 968	(3 999)	(1 664)

Note:

(a) The 2018-19 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

Consolidated balance sheet at the end of the past five quarters ^(a)

(\$ million)

	2018-19			2019-20	
	Sep	Dec	Mar	Jun	Sep
Assets					
Financial assets					
Cash and deposits	5 940	4 567	5 722	9 775	6 343
Advances paid	8 963	8 692	8 441	8 340	7 884
Receivables	6 400	5 738	8 376	6 628	6 405
Investments, loans and placements	3 940	3 965	5 059	2 539	3 000
Investments accounted for using the equity method	52	53	45	45	45
Investments in other sector entities	102 157	102 040	102 979	101 825	102 737
Total financial assets	127 453	125 055	130 621	129 153	126 414
Non-financial assets					
Inventories	171	177	177	165	177
Non-financial assets held for sale	391	361	345	223	216
Land, buildings, infrastructure, plant and equipment	144 644	146 444	147 582	154 358	158 891
Other non-financial assets	2 229	2 301	2 152	2 190	3 013
Total non-financial assets	147 434	149 283	150 256	156 937	162 297
Total assets	274 887	274 338	280 877	286 089	288 711
Liabilities					
Deposits held and advances received	5 530	5 330	5 140	5 146	4 688
Payables	14 062	13 875	14 500	15 923	15 911
Borrowings	34 146	35 555	39 013	41 438	45 044
Employee benefits	6 893	7 141	7 056	8 020	8 034
Superannuation	24 257	26 600	27 699	28 632	29 884
Other provisions	962	1 053	1 070	1 072	1 085
Total liabilities	85 850	89 555	94 477	100 230	104 647
Net assets	189 038	184 783	186 400	185 859	184 064
Accumulated surplus/(deficit)	57 500	54 478	55 997	55 573	77 321
Reserves	131 538	130 305	130 403	130 286	106 742
Net worth	189 038	184 783	186 400	185 859	184 064
FISCAL AGGREGATES					
Net financial worth	41 604	35 500	36 144	28 922	21 767
Net financial liabilities	60 554	66 540	66 835	72 903	80 971
Net debt	20 833	23 661	24 932	25 930	32 506

Note:

(a) The 2018-19 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

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

	2018-19			2019-20	
	Sep	Dec	Mar	Jun	Sep
Cash flows from operating activities					
Receipts					
Taxes received	5 994	5 631	5 058	6 550	5 870
Grants	7 927	7 877	9 163	8 386	7 827
Sales of goods and services ^(b)	2 127	1 960	2 320	1 874	2 333
Interest received	209	203	194	203	171
Dividends, income tax equivalent and rate equivalent receipts	82	298	97	563	98
Other receipts	3 348	378	283	945	516
Total receipts	19 686	16 348	17 115	18 522	16 815
Payments					
Payments for employees	(6 211)	(5 994)	(6 369)	(6 158)	(6 592)
Superannuation	(572)	(853)	(848)	(1 156)	(616)
Interest paid	(516)	(509)	(512)	(541)	(488)
Grants and subsidies	(2 870)	(3 173)	(3 852)	(3 330)	(3 255)
Goods and services ^(b)	(5 687)	(5 003)	(4 382)	(4 952)	(6 100)
Other payments	(211)	(202)	(174)	(204)	(216)
Total payments	(16 068)	(15 734)	(16 137)	(16 341)	(17 267)
Net cash flows from operating activities	3 619	614	977	2 181	(452)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(2 174)	(2 766)	(1 937)	(2 980)	(2 310)
Sales of non-financial assets	45	39	53	106	42
Net cash flows from investments in non-financial assets	(2 129)	(2 726)	(1 884)	(2 874)	(2 268)
Net cash flows from investments in financial assets for policy purposes	729	156	298	261	398
Sub-total	(1 400)	(2 570)	(1 585)	(2 613)	(1 870)
Net cash flows from investments in financial assets for liquidity management purposes	(35)	(123)	(1 036)	2 825	(489)
Net cash flows from investing activities	(1 435)	(2 693)	(2 621)	212	(2 359)
Cash flows from financing activities					
Advances received (net)	(831)	(258)	(251)	(50)	(365)
Net borrowings	(1 576)	907	2 988	1 656	(165)
Deposits received (net)	(94)	59	62	56	(93)
Net cash flows from financing activities	(2 501)	707	2 798	1 661	(622)
Net increase/(decrease) in cash and cash equivalents	(317)	(1 372)	1 154	4 053	(3 432)
Cash and cash equivalents at beginning of the reporting period	6 257	5 940	4 567	5 722	9 775
Cash and cash equivalents at end of the reporting period	5 940	4 567	5 722	9 775	6 343
FISCAL AGGREGATES					
Net cash flows from operating activities	3 619	614	977	2 181	(452)
Net cash flows from investments in non-financial assets	(2 129)	(2 726)	(1 884)	(2 874)	(2 268)
Cash surplus/(deficit)	1 490	(2 112)	(907)	(693)	(2 719)

Notes:

(a) The 2018-19 comparative figures have been restated to reflect the adoption of AASB 1059 Service Concession Arrangements: Grantors. Refer to Note 7.4 for further details.

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

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 changes 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
(xxx.x)	negative numbers

If you would like to receive this publication in an accessible format please email information@dtf.vic.gov.au or telephone (03) 9651 5111.

This document is also available in PDF and Word format at dtf.vic.gov.au

QUARTERLY FINANCIAL REPORT NO. 1
30 September 2019
dtf.vic.gov.au