



Victorian Budget 2022/23

Mid-Year Financial Report

(incorporating Quarterly Financial Report No. 2)

March 2023

Presented by Tim Pallas MP

Treasurer of the State of Victoria



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

The *2022-23 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 2022. The report has been prepared in accordance with the *Financial Management Act 1994* and applicable accounting standards.

The actual results of the State of Victoria in this report are compared with the published budget estimates in the *2022-23 Budget*. Results for the general government sector are compared with the revised budget estimates presented in the *2022 Victorian Pre-Election Budget Update*.

The likely 2022-23 full-year results cannot be extrapolated from the half-year results due to seasonal and other factors impacting on the timing of activities and transactions. For example, land tax revenue is mainly recognised in the March quarter, and certain grant revenue from the Commonwealth Government is expected to be received later in the financial year.

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

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

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

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

Due to transactions between the different sectors, not all transactions in each sector affect the overall State of Victoria outcome. For the period to 31 December 2022, the general government sector recorded a net result from transactions deficit of \$4.2 billion.

OVERVIEW

The Victorian economy has recovered strongly from the effects of the COVID-19 pandemic. Gross state product is well above pre-pandemic levels and growth has outpaced the national average, employment continues to grow, and the unemployment rate is near a multi-decade low.

Over the year to December 2022, state final demand increased by 4.1 per cent. Consumer spending, which grew by a strong 8.1 per cent over the year, drove the overall increase.

Over the year to December 2022, Victoria's employment increased by 2.2 per cent. This was driven entirely by an increase in full-time employment, which increased by 4.5 per cent, while part-time employment decreased by 2.5 per cent. Meanwhile, Victoria's unemployment rate decreased by 0.8 percentage points to a historically very low 3.5 per cent.

The strong employment rebound has meant that by the end of 2022, employment was nearly 370 000 persons above its trough in September 2020 – far above the Jobs Plan interim target of 200 000 jobs being created by 2022 and well on track to meet the overall target of 400 000 jobs by 2025.

The Victorian population rose by 1.0 per cent over the year to June 2022 (reflecting the latest available data), as net overseas migration began to pick up following the easing of national border restrictions.

Inflation is a key challenge for Victorians and the Victorian economy, as it is nationally and globally. At 8 per cent over the year to December 2022, Melbourne inflation is at the highest level in over 30 years.

The Reserve Bank of Australia began raising interest rates in May 2022 to contain these growing price pressures across the Australian economy. This, along with a weaker global outlook, is expected to temper Victoria's economic growth. The outlook remains positive, though, with households continuing to be supported by a strong labour market and accumulated savings.

The general government sector's infrastructure investment, which includes net infrastructure investment (net of asset sales) and construction related cash outflows for Partnerships Victoria projects, was \$10.8 billion for the period to 31 December 2022, or 51 per cent of the revised full-year budget estimate.

Net cash flows from operating activities for the State for the period to 31 December 2022 was a surplus of \$8.9 billion (\$5.5 billion for the general government sector). The improvement from the prior year primarily reflects the upfront proceeds of \$7.9 billion received from the VicRoads Modernisation Joint Venture (VicRoads Modernisation), the impact of increased economic activity on key revenue items including taxation and goods and services tax (GST) grant revenue and a decrease in expenditure, reflecting the impact in 2021-22 of business support measures provided as part of the Government's response to COVID-19.

Net debt for the general government sector was \$104.2 billion, or 18.2 per cent of gross state product (GSP), at 31 December 2022 (19.4 per cent at 30 June 2022), reflecting the strong growth in the Victorian economy.

FINANCIAL PERFORMANCE

For the six months to 31 December 2022, the general government sector recorded a net result from transactions deficit of \$4.2 billion.

The net result from transactions was an improvement of \$5.8 billion compared with the prior year. This was primarily driven by an increase in taxation revenue due to payroll tax and the introduction of the Mental Health and Wellbeing Levy. In addition, revenue from sales of goods and services increased, partly due to the upfront recognition of licence revenue from the VicRoads Modernisation for its right to deliver specific administrative and cash collection services. The reduction in grant expenditure, due to the impact in 2021-22 of business support measures provided as part of the Government's response to COVID-19, also contributed to the improved result.

The net result for the State was a deficit of \$694 million over the six months to 31 December 2022. This is an \$8.3 billion improvement compared with the same period last year. This movement is further explained below.

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

	State of Victoria				General government sector			
	2021-22 actual to Dec	2022-23 actual to Dec	2022-23 budget ^(b)	% ^(c)	2021-22 actual to Dec	2022-23 actual to Dec	2022-23 revised estimate ^(d)	% ^(e)
Revenue and income from transactions								
Taxation	12 733	14 144	29 991	47	12 954	14 380	31 166	46
Interest revenue	304	683	375	182	266	591	831	71
Dividends and income tax equivalent and rate equivalent income	2 199	1 567	2 027	77	390	233	559	42
Sales of goods and services	7 836	8 797	17 797	49	2 557	3 198	6 067	53
Grants	20 844	19 745	39 638	50	20 922	19 758	39 290	50
Other revenue and income	2 000	2 123	4 075	52	1 677	1 758	3 547	50
Total revenue and income from transactions	45 916	47 060	93 902	50	38 766	39 919	81 460	49
Expenses from transactions								
Employee expenses	16 794	17 491	34 597	51	16 108	16 745	33 474	50
Net superannuation interest expense	242	363	686	53	242	363	719	50
Other superannuation	1 987	1 984	3 957	50	1 892	1 874	3 413	55
Depreciation	3 532	3 640	7 525	48	2 127	2 178	4 712	46
Interest expense	1 817	2 253	4 294	52	1 385	1 813	3 863	47
Grant expense	13 628	7 221	15 321	47	14 627	8 308	18 779	44
Other operating expenses	18 732	19 317	40 632	48	12 364	12 838	26 682	48
Total expenses from transactions	56 733	52 269	107 012	49	48 745	44 119	91 643	48
Net result from transactions – net operating balance	(10 817)	(5 209)	(13 110)	40	(9 979)	(4 200)	(10 183)	41
Total other economic flows included in net result	1 817	4 514	1 085	416	(33)	160	(339)	(47)
Net result	(8 999)	(694)	(12 025)	6	(10 012)	(4 040)	(10 522)	38
Total other economic flows – other comprehensive income	234	5 637	6 951	81	(1 038)	9 251	4 274	216
Comprehensive result – total change in net worth	(8 766)	4 943	(5 074)	(97)	(11 050)	5 211	(6 248)	(83)

Notes:

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

(b) The figures are consistent with the estimates presented in the 2022-23 Budget.

(c) The percentage represents the 2022-23 actual to December as a percentage of the estimate presented in the 2022-23 Budget.

(d) The figures are consistent with the estimates presented in the 2022 Victorian Pre-Election Budget Update.

(e) The percentage represents the 2022-23 actual to December as a percentage of the revised estimate presented in the 2022 Victorian Pre-Election Budget Update.

General government sector

Revenue and income

Total revenue for the six months ending 31 December 2022 was \$39.9 billion. This is 49 per cent of the revised full-year budget estimate and an increase of \$1.2 billion from the same period last year.

Taxation revenue was \$14.4 billion, or 46 per cent of the revised full-year budget estimate. Taxation is influenced by seasonal factors, such as land tax revenue being recognised in the March quarter and the Fire Services Property Levy in the September quarter.

Taxation revenue increased by \$1.4 billion compared with the same period last year. This was primarily due to an increase in payroll tax, due to the strong labour market, and the introduction of the Mental Health and Wellbeing Levy, which came into effect on 1 January 2022. The easing of public health restrictions on in-person gambling venues also contributed to an increase in gambling taxes.

Grants were \$19.8 billion, or 50 per cent of the revised full-year budget estimate. This is consistent with the pro rata budget.

Grants received were lower compared with the same period last year. This was primarily driven by a decrease in grants from the Commonwealth relating to the national partnership on support for COVID-19 impacted businesses. This was partially offset by an increase in GST revenue resulting from a no-worse-off guarantee payment that the Commonwealth Government legislated in 2018 as part of a new system for distributing GST.

Dividends, income tax equivalent and rate equivalent income for the half year were lower compared with the same period last year and were 42 per cent of the revised full-year budget estimate. This primarily reflects the timing of dividends and income tax equivalent income from the PNFC and PFC sectors.

Revenue from the sale of goods and services for the half year was \$3.2 billion, an increase of \$641 million compared with the prior year. Sales of goods and services was 53 per cent of the revised full-year budget estimate, primarily due to the upfront recognition of licence revenue from the VicRoads Modernisation for its right to deliver specific administrative and cash collection services.

Other revenue and income was \$1.8 billion, which is broadly consistent with the same period last year.

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

Expenses

Total expenses were \$44 billion, or 48 per cent of the revised full-year budget estimate.

Employee expenses were consistent with the pro rata budget for the first half of the year at \$16.7 billion, or 50 per cent of the revised full-year budget estimate. This is an increase of \$637 million when compared with the same period last year, mainly due to increased spending on service delivery in the health and education sectors and annual salary growth.

Grant expense for the first half of the year was \$8.3 billion, 44 per cent of the revised full-year budget estimate. This was below the pro rata revised budget primarily due to the timing of grant expenses, including those incurred from the Social Housing Growth Fund, which is forecast to be paid in the second half of the year.

Compared with the same period last year, grant expense decreased by \$6.3 billion. This decrease primarily reflects the impact in 2021-22 of business support measures provided as part of the Government's response to COVID-19.

Other operating expenses were \$12.8 billion, or 48 per cent of the revised full-year budget estimate. This was below the pro rata revised budget due to the timing of expenditure programs across departments.

Compared with the same period last year, other operating expenses increased by \$474 million. This primarily reflects increased service delivery in the education sector and contractual payments in the transport sector.

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

State of Victoria

Revenue

Total revenue for the State for the six months ending 31 December 2022 was \$47.1 billion. This is 2.5 per cent higher than it was for the same period last year. The general government sector contributed 85 per cent of this result, with the balance coming from the PNFC and PFC sectors.

The PNFC sector reported total revenue and income from transactions of \$4.8 billion for the six months to 31 December 2022. This is largely in line with the same period last year.

For the PFC sector, total revenue and income from transactions increased by 5.4 per cent, to \$6.6 billion, for the six months to 31 December 2022. This increase in revenue was largely due to higher insurance premium revenue, increased interest income for the Treasury Corporation of Victoria (TCV) and a grant that the Victorian WorkCover Authority (WorkSafe) received from the State. The increase was partly offset by lower dividends and realised capital gains on investments held by the three state insurance agencies.

Expenses

Total expenses for the State decreased by 7.9 per cent to \$52.3 billion compared with the same period last year. Of this, 84 per cent was driven by the general government sector.

PNFC sector total expenses from transactions were \$4.9 billion for the six months to 31 December 2022. This is largely in line with the total expenses from transactions reported for the same period last year.

PFC sector total expenses from transactions increased by 13.3 per cent to \$7.4 billion for the six months to 31 December 2022. This increase was largely due to higher claims expenses being incurred by the insurance agencies and higher interest expenses for TCV.

Net result from transactions

The net result from transactions for the State for the six months to December 2022 was a deficit of \$5.2 billion.

The PNFC sector's net result from transactions improved from a deficit of \$142 million for the six months to 31 December 2021, to a deficit of \$62 million for the six months to 31 December 2022.

The net result from transactions for the PFC sector declined from a deficit of \$273 million for the six months to 31 December 2021, to a deficit of \$798 million for the six months to 31 December 2022.

Net result and other economic flows

The net result from transactions does not include unrealised investment income earned or revaluations which, in accordance with Australian accounting standards, are disclosed as other economic flows and included in the net result.

Other economic flows for the State increased by \$2.7 billion, to \$4.5 billion for the six months to 31 December 2022. This was largely driven by:

- an actuarial release for the Transport Accident Commission and WorkSafe, reflecting the write-down of their respective claims liabilities as a result of favourable claims experience relative to actuarial estimates
- a net revaluation gain that arose due to the combined impact of increases in the discount rates (positive) and inflation rates (negative) that are used to value TCV borrowings and the liabilities of the State's insurance agencies
- unrealised gains on financial assets held by PFC sector entities.

This resulted in the State reporting a net result deficit of \$694 million for the six months to 31 December 2022, an improvement of \$8.3 billion relative to the same period last year.

FINANCIAL POSITION

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

	State of Victoria			General government sector		
	Jun 2022	Dec 2022	Actual movement	Jun 2022	Dec 2022	Actual movement
Assets						
Financial assets	84 479	97 396	12 917	116 851	132 779	15 928
Non-financial assets	380 466	392 806	12 340	230 516	242 029	11 514
Total assets	464 945	490 203	25 258	347 367	374 809	27 442
Liabilities						
Superannuation	19 756	18 629	(1 127)	19 756	18 629	(1 127)
Borrowings	136 486	147 884	11 398	117 420	132 754	15 333
Other liabilities	88 938	98 982	10 044	31 663	39 683	8 021
Total liabilities	245 180	265 495	20 314	168 839	191 066	22 227
Net assets	219 765	224 708	4 943	178 528	183 743	5 215

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 2022, the net assets for the State of Victoria increased by \$4.9 billion. This was due to a combination of a \$25.3 billion increase in total assets partly offset by a \$20.3 billion increase in total liabilities.

The increase in total assets is largely driven by increased holdings of financial assets following the establishment of the Victorian Future Fund with the proceeds from the VicRoads Modernisation transaction. The VicRoads Modernisation also resulted in an increase in total assets due to the recognition and valuation of the registration and licensing database. Also driving the increase in total assets was the Government's pipeline of infrastructure investments. The increase in total liabilities is primarily due to an increase in borrowings and payables.

The increase in borrowings is mainly due to incremental borrowings by TCV to fund the Government's infrastructure investment program. The increase in payables was largely driven by the grant of right to the operator liability recognised as part of the VicRoads Modernisation.

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. The net cash flows from operating activities for the half year was a surplus of \$5.5 billion reflecting the upfront proceeds received from the VicRoads Modernisation.

A detailed cash flow statement is provided in Chapter 2.

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

	2022-23 actual to Dec	2022-23 revised estimate
Net result from transactions – net operating balance	(4 200)	(10 183)
Add back: Non-cash revenues and expenses (net) ^(b)	9 705	12 063
Net cash flows from operating activities	5 505	1 880
Less:		
Net investment in fixed assets		
Purchases of non-financial assets	8 280	14 681
Net cash flows from investments in financial assets for policy purposes	1 073	1 755
Sales of non-financial assets	(201)	(423)
Net investment in fixed assets	9 153	16 014
Leases and service concession arrangements	988	2 380
Other movements	(436)	(436)
Decrease/(increase) in net debt ^(c)	(4 199)	(16 077)

Notes:

- (a) Figures in this table are subject to rounding to the nearest million dollar and may not add up to totals.
- (b) Includes depreciation, prepayments and movements in the unfunded superannuation liability and liability of employee benefits, as well as operating cash flows not required to be recognised in the operating statement for the year.
- (c) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the Machinery of Government Changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. These changes will be reflected in future financial reports.

Infrastructure investment

Infrastructure supports delivery of high-quality services to the community. It has a significant and ongoing impact on state and national productivity and generates significant direct and indirect employment and wider economic benefits.

The general government sector's government infrastructure investment, which includes net infrastructure investment (net of asset sales) and construction related cash outflows for Partnerships Victoria projects was \$10.8 billion for the period to 31 December 2022, or 51 per cent of the revised full-year budget estimate.

The Government's infrastructure scorecard as at 31 December 2022

Major projects in progress include:

- A Pathway to More Acute Mental Health Beds
- Additional Acute Mental Health Beds in Regional Victoria
- Additional VLocity trains
- Ballarat Health Services expansion and redevelopment
- Barwon Heads Road Upgrade
- Barwon Women's and Children's Hospital
- Best Start, Best Life
- Big Housing Build
- Building a World-Class Geelong Performing Arts Centre
- City Loop fire and safety upgrade (Stage 2) and intruder alarm
- Courts case management system
- E-Class Tram Infrastructure Program
- Enrolment Growth and New Schools (Land acquisition for new schools, New schools construction, Relocatable Buildings Program, School upgrades: growth for 2025)
- Expanding and improving bed-based forensic mental health services: Thomas Embling Hospital Stage 1 and 2
- Frankston Hospital Redevelopment
- Geelong Convention and Exhibition Centre (part of Geelong City Deal)
- Geelong Fast Rail
- Goulburn Valley Health redevelopment
- Gippsland Line Upgrade – Stage 1
- High Capacity Metro Trains Project
- Homes Victoria Ground Lease Model Project 1
- Hurstbridge Line upgrade – Stage 2
- Kananook Stage 2
- Kardinia Park Stadium – Stage 5 redevelopment
- Level Crossing Removal Project: 85 by 2025
- M80 Ring Road upgrade
- Melbourne Arts Precinct Transformation – Phase 1

The Government's infrastructure scorecard as at 31 December 2022 (continued)

- Melbourne Airport Rail
- Men's prison system capacity
- Melbourne Park redevelopment – Stage 3
- Metro Tunnel
- Metropolitan Network Modernisation program
- Monash Freeway Upgrade – Stage 2
- Murray Basin Rail Project
- New Footscray Hospital
- New Melton Hospital
- New metropolitan trains
- New trains for Sunbury
- New Wyndham Law Court
- Next Generation Trams
- North East Link – Primary Package (Tunnels)
- North East Link – State and Freeway Packages
- Princes Highway East – Stage 3
- Public housing renewal program
- Public transport ticketing asset renewal
- Redevelopment of Royal Melbourne Hospital and Royal Women's Hospital
- Royal Victorian Eye and Ear Hospital redevelopment
- Shepparton Corridor Upgrade – Stages 2 and 3
- South Dynon train maintenance facility – Stages 1 and 2
- Suburban Rail Loop
- Suburban Roads Upgrade
- Technology and resources to support Victoria's fines system
- Ten new community hospitals
- Tram infrastructure upgrades
- Twenty-five more level crossings by 2030
- Warrnambool Base Hospital Redevelopment
- Waurn Ponds Track Duplication – Stage 2
- West Gate Tunnel Project
- Western Highway duplication – Ballarat to Stawell
- Western Rail Plan
- Women's prison system capacity

FINANCIAL SUSTAINABILITY

General government sector

General government sector net debt increased by \$4.2 billion to \$104.2 billion as at 31 December 2022. This primarily reflects an increase in borrowings over the period to fund the Government's infrastructure program, partially offset by the upfront proceeds from the VicRoads Modernisation transaction. The ratio of net debt to GSP decreased from 19.4 to 18.2 per cent.

Overall, net financial liabilities increased during the period primarily due to an increase in payables resulting from the grant of right to the operator liability recognised as part of the VicRoads Modernisation, as well as the increase in net debt as explained previously.

Over the period to 31 December 2022, the ratio of net financial liabilities to GSP decreased from 27.4 per cent to 26.6 per cent.

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

	<i>Closing</i> 30 Jun 2022	<i>Closing</i> 31 Dec 2022	<i>Actual</i> movement	<i>% change</i>
Assets				
Cash and deposits	10 974	21 468	10 493	96
Advances paid	4 929	5 227	299	6
Investment, loans and placements	3 370	3 619	249	7
Total	19 273	30 314	11 041	57
Liabilities				
Deposits held and advances received	1 831	1 727	(104)	(6)
Borrowings	117 420	132 754	15 333	13
Total	119 251	134 481	15 230	13
Net debt ^(a)	99 978	104 167	4 189	4
Superannuation liability	19 756	18 629	(1 127)	(6)
Net debt plus superannuation liabilities	119 734	122 796	3 062	3
Other liabilities (net) ^(b)	21 416	29 016	7 600	35
Net financial liabilities ^(c)	141 149	151 812	10 662	8
				(per cent)
Net debt to GSP ^(d)	19.4	18.2		
Net debt plus superannuation liability to GSP ^(d)	23.2	21.5		
Net financial liabilities to GSP ^(d)	27.4	26.6		

Notes:

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

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

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

(d) Ratios to GSP may vary from publications year-to-year due to revisions to the Australian Bureau of Statistics GSP data. The ratios as at 31 December 2022 reflect the 2022-23 GSP forecast growth rate for the full year.

Non-financial public sector

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

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

	Closing 30 Jun 2022	Closing 31 Dec 2022	Actual movement	% change
Assets				
Cash and deposits	12 817	23 450	10 633	83
Advances paid	632	967	335	53
Investment, loans and placements	4 182	4 419	237	6
Total	17 631	28 836	11 205	64
Liabilities				
Deposits held and advances received	1 602	1 665	63	4
Borrowings	132 459	148 771	16 313	12
Total	134 061	150 437	16 376	12
Net debt ^(a)	116 430	121 600	5 171	4
Superannuation liability	19 756	18 629	(1 127)	(6)
Net debt plus superannuation liabilities	136 186	140 229	4 044	3
Other liabilities (net) ^(b)	30 720	38 374	7 654	25
Net financial liabilities ^(c)	166 906	178 603	11 697	7
(per cent)				
Net debt to GSP ^(d)	22.6	22.3		
Net debt plus superannuation liability to GSP ^(d)	26.4	25.7		
Net financial liabilities to GSP ^(d)	32.4	32.8		

Notes:

- (a) The sum of borrowings, deposits held and advances received less the sum of cash and deposits, advances paid, and investments, loans and placements.
 (b) Includes other employee entitlements, provisions and other liabilities, less receivables and investments accounted for using the equity method.
 (c) Total liabilities less financial assets (excluding investments in other sector entities).
 (d) Ratios to GSP may vary from publications year-to-year due to revisions to the Australian Bureau of Statistics GSP data. The ratios as at 31 December 2022 reflect the 2022-23 GSP forecast growth rate for the full year.

For the six months to 31 December 2022, the increase in NFPS net debt was primarily driven by an increase in borrowings of \$16.3 billion partly offset by an increase in cash and deposits of \$10.6 billion. Actual borrowings were mainly applied towards the State's infrastructure investment program and the increase in cash and deposits was driven by proceeds from the VicRoads Modernisation which were used to establish the Victorian Future Fund.

CHAPTER 2 – MID-YEAR FINANCIAL REPORT

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the six months ended 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		2022	2021	2022	2021
Revenue and income from transactions					
Taxation	2.1	14 144	12 733	14 380	12 954
Interest income		683	304	591	266
Dividends, income tax equivalent and rate equivalent income	2.2	1 567	2 199	233	390
Sales of goods and services	2.3	8 797	7 836	3 198	2 557
Grants	2.4	19 745	20 844	19 758	20 922
Other revenue and income	2.5	2 123	2 000	1 758	1 677
Total revenue and income from transactions		47 060	45 916	39 919	38 766
Expenses from transactions					
Employee expenses		17 491	16 794	16 745	16 108
Net superannuation interest expense	3.2	363	242	363	242
Other superannuation	3.2	1 984	1 987	1 874	1 892
Depreciation	4.2	3 640	3 532	2 178	2 127
Interest expense	5.4	2 253	1 817	1 813	1 385
Grant expense	3.3	7 221	13 628	8 308	14 627
Other operating expenses	3.4	19 317	18 732	12 838	12 364
Total expenses from transactions	3.5, 3.6	52 269	56 733	44 119	48 745
Net result from transactions – net operating balance		(5 209)	(10 817)	(4 200)	(9 979)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		83	66	50	36
Net gain/(loss) on financial assets or liabilities at fair value		2 465	1 836	9	(18)
Share of net profit/(loss) from associates/joint venture entities		5	..	5	..
Other gains/(losses) from other economic flows	9.2	1 962	(85)	96	(51)
Total other economic flows included in net result		4 514	1 817	160	(33)
Net result		(694)	(8 999)	(4 040)	(10 012)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		4 531	483	4 541	353
Remeasurement of superannuation defined benefits plans	3.2	1 431	(165)	1 422	(165)
Other movements in equity		(448)	(65)	(352)	(14)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		124	(20)	134	(19)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		..	..	3 507	(1 193)
Total other economic flows – other comprehensive income		5 637	234	9 251	(1 038)
Comprehensive result – total change in net worth		4 943	(8 766)	5 211	(11 050)
KEY FISCAL AGGREGATES					
Net operating balance		(5 209)	(10 817)	(4 200)	(9 979)
Less: Net acquisition of non-financial assets from transactions	9.1	7 886	7 070	6 915	6 190
Net lending/(borrowing)		(13 095)	(17 887)	(11 115)	(16 169)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		Dec 2022	Jun 2022	Dec 2022	Jun 2022
Assets					
Financial assets					
Cash and deposits ^(a)	5.2	27 001	17 258	21 468	10 974
Advances paid	5.3	967	632	5 227	4 929
Receivables and contract assets	6.2	10 903	10 955	7 717	8 406
Investments, loans and placements	5.3	57 302	55 623	3 619	3 370
Investments accounted for using the equity method		1 223	10	1 223	10
Investments in other sector entities		..	..	93 525	89 162
Total financial assets		97 396	84 479	132 779	116 851
Non-financial assets					
Inventories	6.1	2 589	2 452	1 118	1 262
Non-financial assets held for sale		112	212	82	171
Land, buildings, infrastructure, plant and equipment	4.1	381 114	372 959	233 161	225 770
Other non-financial assets	4.3	8 992	4 842	7 668	3 313
Total non-financial assets		392 806	380 466	242 029	230 516
Total assets	3.6	490 203	464 945	374 809	347 367
Liabilities					
Deposits held and advances received		1 804	1 724	1 727	1 831
Payables	6.3	39 325	29 303	26 006	17 551
Contract liabilities	6.3	682	596	407	342
Borrowings	5.1	147 884	136 486	132 754	117 420
Employee benefits	3.1	10 237	10 519	9 582	9 857
Superannuation	6.4	18 629	19 756	18 629	19 756
Other provisions	6.5	46 934	46 795	1 962	2 082
Total liabilities		265 495	245 180	191 066	168 839
Net assets		224 708	219 765	183 743	178 528
Accumulated surplus/(deficit)		85 259	84 968	49 863	52 824
Reserves		139 449	134 797	133 879	125 704
Net worth		224 708	219 765	183 743	178 528
FISCAL AGGREGATES					
Net financial worth		(168 099)	(160 702)	(58 287)	(51 988)
Net financial liabilities		168 099	160 702	151 812	141 149
Net debt		64 419	64 697	104 167	99 978

The accompanying notes form part of these financial statements.

Note:

(a) The increase in cash and deposits from the 30 June 2022 closing balance is primarily due to the \$7.9 billion received from the VicRoads Modernisation Joint Venture, which has been used to establish the Victorian Future Fund.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		2022	2021	2022	2021
Cash flows from operating activities					
Receipts					
Taxes received		14 939	13 483	15 175	13 704
Grants		19 700	21 634	19 724	21 695
Sales of goods and services ^(a)		10 745	9 807	3 331	2 939
Interest received		452	81	554	261
Dividends, income tax equivalent and rate equivalent receipts		1 469	2 199	228	381
Other receipts		9 613	1 458	9 334	1 118
Total receipts		56 918	48 661	48 346	40 098
Payments					
Payments for employees		(17 692)	(16 305)	(16 944)	(15 660)
Superannuation		(2 043)	(1 864)	(1 942)	(1 768)
Interest paid		(1 984)	(1 640)	(1 604)	(1 243)
Grants and subsidies		(7 478)	(13 899)	(8 636)	(14 934)
Goods and services ^(a)		(18 374)	(18 538)	(13 276)	(13 332)
Other payments		(451)	(521)	(439)	(518)
Total payments		(48 022)	(52 768)	(42 841)	(47 455)
Net cash flows from operating activities		8 897	(4 107)	5 505	(7 357)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	3.5, 3.6	(10 152)	(8 601)	(8 280)	(6 769)
Sales of non-financial assets		303	160	201	89
Net cash flows from investments in non-financial assets		(9 849)	(8 441)	(8 080)	(6 679)
Net cash flows from investments in financial assets for policy purposes		(392)	(121)	(1 073)	26
Sub-total		(10 241)	(8 562)	(9 153)	(6 653)
Net cash flows from investments in financial assets for liquidity management purposes		(1 941)	(6 710)	(171)	(2 186)
Net cash flows from investing activities		(12 182)	(15 272)	(9 324)	(8 839)
Cash flows from financing activities					
Advances received (net)		(36)	(281)	(116)	(902)
Net borrowings		12 947	18 522	14 410	15 461
Deposits received (net)		116	128	8	147
Net cash flows from financing activities		13 028	18 369	14 302	14 706
Net increase/(decrease) in cash and cash equivalents		9 743	(1 010)	10 483	(1 490)
Cash and cash equivalents at beginning of reporting period ^(b)		17 258	21 933	10 985	14 609
Cash and cash equivalents at end of the reporting period	5.2	27 001	20 923	21 468	13 119
FISCAL AGGREGATES					
Net cash flows from operating activities		8 897	(4 107)	5 505	(7 357)
Net cash flows from investments in non-financial assets		(9 849)	(8 441)	(8 080)	(6 679)
Cash surplus/(deficit)		(953)	(12 548)	(2 574)	(14 036)

The accompanying notes form part of these financial statements.

Notes:

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

(b) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the Machinery of Government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. These changes will be reflected in future financial reports.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December

(\$ million)

<i>State of Victoria</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2022					
Balance at 1 July 2022	84 968	132 911	..	1 886	219 765
Net result for the year	(694)	..	..	..	(694)
Other comprehensive income for the year	985	4 531	..	122	5 637
Total equity as at 31 December 2022	85 259	137 442	..	2 008	224 708
2021					
Balance at 1 July 2021	76 532	109 790	..	1 808	188 130
Net result for the year	(8 999)	..	..	..	(8 999)
Other comprehensive income for the year	(360)	483	..	110	234
Total equity as at 31 December 2021	67 174	110 273	..	1 918	179 364

General government sector

2022					
Balance at 1 July 2022 ^(a)	52 827	79 719	44 815	1 170	178 531
Net result for the year	(4 040)	..	..	..	(4 040)
Other comprehensive income for the year	1 076	4 541	3 507	127	9 251
Total equity as at 31 December 2022	49 863	84 261	48 322	1 297	183 743
2021					
Balance at 1 July 2021	58 642	61 017	32 981	1 159	153 799
Net result for the year	(10 012)	..	..	..	(10 012)
Other comprehensive income for the year	(299)	353	(1 193)	101	(1 038)
Total equity as at 31 December 2021	48 331	61 370	31 788	1 260	142 749

The accompanying notes form part of these financial statements.

Note:

(a) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the Machinery of Government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. These changes will be reflected in future financial reports.

1. ABOUT THIS REPORT

Basis of preparation

This Mid-Year Financial Report presents the unaudited general purpose consolidated interim financial statements of the State of Victoria (the State) and the Victorian general government sector. The report also incorporates the quarterly financial report of the general government sector for the quarter ended 31 December 2022.

The detailed accounting policies applied in preparing the interim financial report are consistent with those applied for the financial statements published in the *2021-22 Financial Report* for the State.

This interim financial report does not include all the notes normally included within the annual financial report and should be read in conjunction with the *2021-22 Financial Report*.

Statement of compliance

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

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

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

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

The *2022-23 Mid-Year Financial Report* was authorised for issue by the Treasurer on 8 March 2023.

Basis of accounting and measurement

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

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

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

Reporting entity

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

General government

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

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

Public non-financial corporations

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

Public financial corporations

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

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

Non-financial public sector

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

Note 9.1 disaggregates information about these sectors.

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

Basis of consolidation

The consolidated financial statements of the State incorporate the assets and liabilities of all reporting entities it controlled as at 31 December 2022 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 the assets and liabilities, and revenue and expenses of entities classified as general government. Entities in the PNFC and PFC sectors are not consolidated into the financial statements of the general government sector, but are accounted for as equity investments measured at the Government's proportional share of the carrying amount of net assets of the PNFC sector and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity's net assets before consolidation eliminations of an entity within the sector is less than zero, the amount is not included in the general government sector, but the net liabilities will be consolidated at the state level. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value.

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

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

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

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

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

Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2022-23 reporting period. These accounting standards have not been applied to the Mid-Year Financial Report.

The State is reviewing its existing policies and assessing the potential implications of:

- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*. AASB 2022-9 makes public-sector specific modifications to AASB 17 *Insurance Contracts* for application to annual periods beginning on or after 1 July 2026.
- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*. AASB 2022-10 provides additional implementation guidance and illustrative examples to help not-for-profit public sector entities in applying AASB 13 *Fair Value Measurement*. This standard will apply to annual periods beginning on or after 1 January 2024.

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

Rounding

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

2. HOW FUNDS ARE RAISED

Introduction

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

The income and revenue recognition are determined by the State based on the substance of the relevant arrangement in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 1059 *Service Concession Arrangements: Grantors*.

Structure

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2.1 Taxation

	(\$ million)			
	State of Victoria		General government sector	
	2022	2021	2022	2021
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE				
Payroll Tax	3 463	3 139	3 516	3 181
Mental Health and Wellbeing Levy	446	..	446	..
Total taxes on employers' payroll and labour force	3 909	3 139	3 962	3 181
TAXES ON IMMOVABLE PROPERTY				
Land tax	276	222	296	238
Fire Services Property Levy	776	750	776	750
Congestion levy ^(a)	(5)	(2)	(5)	(2)
Metropolitan improvement levy	198	193	198	193
Total taxes on property	1 245	1 163	1 266	1 178
TAXES ON THE PROVISION OF GOODS AND SERVICES				
Gambling taxes^(b)				
Public lotteries	346	321	346	321
Electronic gaming machines	714	308	714	308
Casino	93	51	93	51
Racing and other sports betting	149	153	149	153
Other	8	4	8	4
Financial and capital transactions				
Land transfer duty	4 672	4 940	4 672	4 940
Metropolitan planning levy	13	14	13	14
Financial accommodation levy	..	..	78	78
Growth areas infrastructure contribution	150	113	150	113
Levies on statutory corporations	..	..	83	83
Taxes on insurance	987	902	987	902
Total taxes on the provision of goods and services	7 132	6 807	7 293	6 968
TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES				
Motor vehicle taxes				
Vehicle registration fees	955	840	957	841
Duty on vehicle registrations and transfers	598	521	598	521
Liquor licence fees	15	17	15	17
Other	290	248	290	248
Total taxes on the use of goods and performance of activities	1 858	1 625	1 860	1 626
Total taxation	14 144	12 733	14 380	12 954

Notes:

(a) The negative congestion levy amount represents administrative adjustments made by the State Revenue Office over the first two quarters of the financial year.

(b) The Public lotteries, electronic gaming machines and casino taxes include gambling licence revenue in the six months to 31 December 2022 of \$87 million (31 December 2021: \$79 million), recognised under AASB 15 Revenue from Contracts with Customers. The balance of these items is recognised under AASB 1058 Income of Not-for-Profit Entities.

2.2 Dividends, income tax equivalent and rate equivalent income

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
Dividends from PFC sector	..	..	..	139
Dividends from PNFC sector	..	..	52	82
Dividends from non-public sector	1 567	2 199	35	26
Dividends	1 567	2 199	87	247
Income tax equivalent income from PFC sector	..	..	6	6
Income tax equivalent income from PNFC sector	..	..	140	137
Income tax equivalent income	..	..	146	143
Local government rate equivalent income	..	..	..	..
Total dividends, income tax equivalent and rate equivalent income	1 567	2 199	233	390

Dividends by entity

(\$ million)

	General government sector	
	2022	2021
Public financial corporations		
Victorian Managed Insurance Authority	..	..
Treasury Corporation of Victoria	..	132
State Trustees Ltd	..	..
Victorian Funds Management Corporation	..	8
Dividends from PFC sector	..	139
Public non-financial corporations		
Greater Western Water	..	6
Melbourne Water Corporation	10	7
South East Water Corporation	15	25
Yarra Valley Water Corporation	23	28
Development Victoria	4	16
Others	..	..
Dividends from PNFC sector	52	82

2.3 Sales of goods and services

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
Amounts recognised as revenue from contracts with customers (AASB 15)				
Sale of goods	244	308	49	41
Provision of services	7 716	6 734	2 613	2 018
Amounts recognised as income of not-for-profit entities (AASB 1058)				
Motor vehicle regulatory fees	126	156	126	156
Other regulatory fees	384	313	372	303
Refunds and reimbursements	166	167	1	2
Amounts recognised as lease income (AASB 16)				
Rental	161	159	37	38
Total sales of goods and services	8 797	7 836	3 198	2 557

2.4 Grants (a)

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
General purpose grants	10 159	8 898	10 159	8 898
Specific purpose grants for on-passing	2 384	2 275	2 384	2 275
Specific purpose grants	7 199	9 662	7 184	9 650
Total	19 742	20 835	19 726	20 822
Other contributions and grants	3	9	32	100
Total grants	19 745	20 844	19 758	20 922

Note:

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

2.5 Other revenue and income

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
Amounts recognised as revenue from contracts with customers (AASB 15)				
Royalties	79	81	71	72
Other revenue – health	133	124	133	124
Other miscellaneous revenue	472	458	374	377
Amounts recognised as income of not-for-profit entities (AASB 1058)				
Other income – education	170	197	170	197
Fair value of assets received free of charge or for nominal consideration	386	439	196	277
Fines	456	378	455	376
Donations and gifts	156	137	116	96
Amounts recognised as lease income (AASB 16)				
Other non-property rental	43	41	16	13
Revenue items accounted for under AASB 1059				
Revenue related to economic service concession arrangements	228	145	228	145
Total other revenue and income	2 123	2 000	1 758	1 677

3. HOW FUNDS ARE SPENT

Introduction

This section accounts for the major components of expenditure incurred by the State towards the delivery of services and on capital or infrastructure projects during the year, as well as any related obligations outstanding as at 31 December 2022.

Structure

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3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses (Operating statement)

Employee expenses in the operating statement are a major component of operating costs and include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements and redundancy payments. The majority of employee expenses in the operating statement are wages and salaries. Employee expenses are recognised in the period in which the employee provides the services.

Employee benefits (Balance sheet)

As part of annual operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to reflect the estimated timing and amount of benefit payment. The table below shows the key components of this provision at 31 December and 30 June 2022.

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

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2022	2022	2022	2022
Current				
Accrued salaries and wages	588	801	560	772
Other employee benefits	183	236	161	209
Annual leave	2 732	2 797	2 501	2 563
Long service leave	5 497	5 527	5 221	5 239
Total current employee benefits and on-costs	8 999	9 361	8 443	8 783
Non-current				
Accrued salaries and wages	9	10	..	..
Long service leave	1 229	1 148	1 139	1 074
Total non-current employee benefits and on-costs	1 238	1 158	1 139	1 074
Total employee benefits and on-costs	10 237	10 519	9 582	9 857

3.2 Superannuation (Operating statement)

(\$ million)

	State of Victoria	
	2022	2021
Defined benefit plans		
Net superannuation interest expense	363	242
Current service cost	507	688
Remeasurements:		
Expected return on superannuation assets excluding interest income	(422)	(662)
Other actuarial (gain)/loss on superannuation assets	(139)	(292)
Actuarial and other adjustments to unfunded superannuation liability	(870)	1 118
Total expense recognised in respect of defined benefit plans	(561)	1 095
Defined contribution plans		
Employer contributions to defined contribution plans	1 437	1 255
Other (including pensions)	41	44
Total expense recognised in respect of defined contribution plans	1 478	1 299
Total superannuation (gain)/expense recognised in operating statement	916	2 394
Represented by:		
Net superannuation interest expense	363	242
Other superannuation	1 984	1 987
Superannuation expense from transactions	2 347	2 229
Remeasurement recognised in other comprehensive income	(1 431)	165
Total superannuation costs recognised in operating statement	916	2 394

3.3 Grant expense

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
Current grant expense				
Commonwealth Government	1 459	1 407	1 458	1 407
Local government (including grants for on-passing)	423	433	422	432
Private sector and not-for-profit on-passing	2 299	2 088	2 299	2 088
Other private sector and not-for-profit	2 544	9 358	2 516	9 325
Grants within the Victorian Government	..	..	1 342	1 169
Grants to other state governments	33	43	33	43
Total current grant expense	6 758	13 329	8 070	14 464
Capital grant expense				
Local government (including grants for on-passing)	49	26	49	26
Private sector and not-for-profit on-passing	388	245	150	121
Other private sector and not-for-profit	5	4	5	4
Grants within the Victorian Government	..	..	32	10
Other grants	21	23	1	3
Total capital grant expense	463	299	238	164
Total grant expense	7 221	13 628	8 308	14 627

3.4 Other operating expenses

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
Purchase of supplies and consumables ^(a)	2 739	2 438	2 389	2 075
Cost of goods sold	79	164	14	10
Finance expenses and fees	293	280	22	23
Purchase of services ^(a)	10 139	10 094	8 999	8 911
Insurance claims expense	4 389	4 158	190	180
Maintenance	970	928	521	498
Short-term and low-value lease expense	59	61	62	62
Other	649	609	641	604
Total other operating expenses	19 317	18 732	12 838	12 364

Note:

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

Purchase of supplies and consumables

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
Medicinal pharmacy and medical supplies	1 070	999	1 070	999
Office supplies and consumables	111	91	105	85
Specialised operational supplies and consumables	145	137	120	123
Other purchase of supplies and consumables	1 413	1 211	1 094	869
Total purchase of supplies and consumables	2 739	2 438	2 389	2 075

Purchase of services

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
Service contracts	5 527	5 333	5 214	5 001
Accommodation/occupancy	651	702	566	575
Medical and client care services	243	223	243	223
Staff related expenses (non-labour related)	159	131	143	116
Other purchase of services	3 558	3 705	2 833	2 996
Total purchase of services	10 139	10 094	8 999	8 911

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

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

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

	Expenses from transactions		Purchases of non-financial assets	
	Dec 2022	Dec 2021	Dec 2022	Dec 2021
State of Victoria^(a)				
Education and Training	10 414	9 505	1 211	987
Environment, Land, Water and Planning	5 281	5 143	1 188	1 104
Families, Fairness and Housing	4 871	4 664	538	456
Health	14 651	13 932	783	612
Jobs, Precincts and Regions	2 256	9 154	182	152
Justice and Community Safety	8 494	8 447	378	660
Premier and Cabinet	602	446	13	5
Transport	6 957	6 710	5 678	4 527
Treasury and Finance	7 455	6 054	13	6
Parliament	168	160	18	6
Courts	403	375	122	60
Regulatory bodies and other part budget funded agencies ^(b)	1 673	1 596	56	101
Total	63 225	66 185	10 179	8 678
<i>Less eliminations and adjustments^(c)</i>	<i>(10 957)</i>	<i>(9 452)</i>	<i>(27)</i>	<i>(77)</i>
Grand total	52 269	56 733	10 152	8 601

General government sector^(a)				
Education and Training	10 414	9 505	1 211	987
Environment, Land, Water and Planning	2 126	2 008	147	102
Families, Fairness and Housing	3 808	3 660	24	5
Health	14 571	13 858	770	605
Jobs, Precincts and Regions	1 722	8 682	91	52
Justice and Community Safety	5 109	5 375	363	647
Premier and Cabinet	595	441	13	5
Transport	3 895	3 628	5 451	4 251
Treasury and Finance	5 209	4 576	10	1
Parliament	168	160	18	6
Courts	403	375	122	60
Regulatory bodies and other part budget funded agencies ^(b)	1 673	1 596	56	101
Total	49 694	53 864	8 275	6 823
<i>Less eliminations and adjustments^(c)</i>	<i>(5 575)</i>	<i>(5 119)</i>	<i>6</i>	<i>(55)</i>
Grand total	44 119	48 745	8 280	6 769

Notes:

(a) On 5 December 2022, the Premier announced a number of Machinery of Government changes to restructure the functions of government departments, including the renaming of several departments and the creation of a new department with effect from 1 January 2023. These changes will be reflected in future financial reports.

(b) Other general government sector agencies not allocated to departments.

(c) Mainly comprising payroll tax and inter-departmental transfers.

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

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

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

State of Victoria	Expenses from transactions		Purchases of non-financial assets		Total assets	
	Dec 2022	Dec 2021 ^(a)	Dec 2022	Dec 2021	Dec 2022	Jun 2022
General public services	8 770	8 449	46	36	7 905	8 312
Public order and safety	5 173	5 625	523	781	15 001	14 924
Economic affairs	1 692	8 304	134	69	1 570	1 485
Environmental protection	492	603	83	57	16 678	16 647
Housing and community amenities	2 763	3 033	1 115	1 028	56 901	56 298
Health	14 181	13 467	778	465	23 159	22 630
Recreation, culture and religion	1 122	1 006	168	150	16 364	16 313
Education	9 956	9 061	1 164	937	39 895	38 952
Social protection	4 392	4 004	579	649	37 543	37 066
Transport	4 729	4 286	5 602	4 506	182 831	172 751
Not allocated by purpose ^{(b)(c)}	(1 001)	(1 106)	(41)	(77)	92 354	79 567
Total	52 269	56 733	10 152	8 601	490 203	464 945

General government sector

General public services	3 169	3 049	17	11	4 379	4 432
Public order and safety	5 578	5 723	523	781	15 001	14 924
Economic affairs	1 680	8 268	156	73	1 530	1 421
Environmental protection	528	576	83	57	16 678	16 647
Housing and community amenities	977	1 116	11	25	2 386	2 368
Health	14 276	13 656	778	465	23 159	22 630
Recreation, culture and religion	594	577	26	26	8 651	8 682
Education	10 008	9 115	1 164	937	39 895	38 952
Social protection	3 761	3 540	65	198	2 446	2 420
Transport	3 799	3 548	5 465	4 251	128 323	118 393
Not allocated by purpose ^{(b)(c)}	(249)	(422)	(8)	(55)	132 360	116 499
Total	44 119	48 745	8 280	6 769	374 809	347 367

Notes:

(a) The December 2021 figures have been reclassified between various expenses by COFOG classifications to more correctly reflect the nature of the transactions.

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

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

4. MAJOR ASSETS AND INVESTMENTS

Introduction

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

Structure

4.1	Total land, buildings, infrastructure, plant and equipment	28
4.2	Depreciation	30
4.3	Other non-financial assets	31

4.1 Total land, buildings, infrastructure, plant and equipment

(\$ million)

	State of Victoria			General government sector		
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Dec 2022						
Buildings	84 390	(6 403)	77 987	58 780	(5 145)	53 635
Land and national parks	137 955	..	137 955	93 563	..	93 563
Infrastructure systems	99 843	(5 581)	94 261	23 453	(574)	22 879
Plant, equipment and vehicles	19 739	(7 791)	11 948	11 647	(5 959)	5 688
Roads and road infrastructure	44 533	(2 556)	41 976	43 060	(2 551)	40 509
Earthworks	10 231	..	10 231	10 231	..	10 231
Cultural assets	6 857	(103)	6 754	6 758	(103)	6 655
Total land, buildings, infrastructure, plant and equipment	403 548	(22 434)	381 114	247 493	(14 332)	233 161

Jun 2022						
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Buildings	81 782	(5 134)	76 648	56 665	(4 197)	52 468
Land and national parks	137 377	..	137 377	93 099	..	93 099
Infrastructure systems	95 058	(4 063)	90 995	20 380	(554)	19 826
Plant, equipment and vehicles	19 106	(7 320)	11 786	11 073	(5 713)	5 360
Roads and road infrastructure	41 144	(2 088)	39 056	40 098	(2 080)	38 019
Earthworks	10 231	..	10 231	10 231	..	10 231
Cultural assets	7 052	(184)	6 867	6 952	(184)	6 768
Total land, buildings, infrastructure, plant and equipment	391 749	(18 790)	372 959	238 499	(12 729)	225 770

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

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

Dec 2022	State of Victoria			General government sector		
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Buildings	11 158	(2 293)	8 865	10 523	(2 055)	8 469
Infrastructure systems	19	(6)	14	2	(2)	..
Plant, equipment and vehicles	1 167	(617)	551	952	(536)	415
Total right-of-use assets:	12 344	(2 915)	9 429	11 477	(2 593)	8 884
Buildings, infrastructure, plant and equipment						

Jun 2022						
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Buildings	10 939	(1 949)	8 990	10 312	(1 739)	8 573
Infrastructure systems	17	(5)	13	2	(1)	1
Plant, equipment and vehicles	1 166	(534)	632	953	(463)	489
Total right-of-use assets:	12 122	(2 487)	9 635	11 266	(2 204)	9 062
Buildings, infrastructure, plant and equipment						

Total service concession assets: Land, buildings, infrastructure, plant and equipment (\$ million)

Dec 2022	State of Victoria			General government sector		
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Buildings	2 341	(160)	2 181	2 092	(160)	1 933
Land and national parks	3 353	..	3 353	3 353	..	3 353
Infrastructure systems	12 855	(136)	12 719	7 827	..	7 827
Plant, equipment and vehicles	1 370	(62)	1 308	1 370	(62)	1 308
Roads and road infrastructure	16 074	(500)	15 574	14 737	(500)	14 237
Earthworks	916	..	916	916	..	916
Total service concession assets:	36 908	(857)	36 051	30 295	(721)	29 574
Land, buildings, infrastructure, plant and equipment						

Jun 2022						
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Buildings	2 244	(127)	2 117	2 092	(127)	1 965
Land and national parks	3 353	..	3 353	3 353	..	3 353
Infrastructure systems	11 956	(112)	11 844	6 929	..	6 929
Plant, equipment and vehicles	1 200	(49)	1 151	1 200	(49)	1 151
Roads and road infrastructure	14 432	(397)	14 035	13 526	(397)	13 129
Earthworks	916	..	916	916	..	916
Total service concession assets:	34 101	(685)	33 416	28 016	(573)	27 444
Land, buildings, infrastructure, plant and equipment						

4.2 Depreciation

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
Buildings	1 493	1 419	1 161	1 099
Infrastructure systems	862	809	19	19
Plant, equipment and vehicles	624	625	394	389
Roads and road infrastructure	471	481	469	479
Cultural assets	7	10	7	10
Intangible produced assets	181	188	127	131
Total depreciation	3 640	3 532	2 178	2 127

The following two tables are subsets of total depreciation expense.

Depreciation of right-of-use (leased) assets

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
Buildings	357	366	322	334
Infrastructure systems	1	1	..	..
Plant, equipment and vehicles	76	74	59	59
Total depreciation of right-of-use assets	434	441	382	393

Depreciation of service concession assets

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
Buildings	33	33	33	33
Infrastructure systems	43	43	..	..
Plant, equipment and vehicles	13	11	13	11
Roads and road infrastructure	103	110	103	110
Total depreciation of service concession assets	191	197	148	154

4.3 Other non-financial assets

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>Dec</i>	<i>Jun</i>	<i>Dec</i>	<i>Jun</i>
	<i>2022</i>	<i>2022</i>	<i>2022</i>	<i>2022</i>
Intangible produced assets	4 406	4 356	3 075	3 035
Accumulated depreciation	(2 552)	(2 372)	(1 761)	(1 634)
Service concession assets – intangible produced	4 612	512	4 612	512
Intangible non-produced assets	971	968	78	78
Accumulated amortisation	(398)	(385)	(58)	(55)
Total intangibles	7 040	3 079	5 947	1 936
Investment properties	332	332	320	320
Biological assets	34	56	5	5
Other assets	1 586	1 376	1 395	1 052
Total other non-financial assets	8 992	4 842	7 668	3 313

5. FINANCING STATE OPERATIONS

Introduction

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

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

Structure

5.1	Borrowings	32
5.2	Cash flow information and balances	33
5.3	Advances paid and investments, loans and placements	34
5.4	Interest expense	34
5.5	Commitments	35

5.1 Borrowings

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2022	2022	2022	2022
Current borrowings				
Domestic borrowings	19 205	15 684	16 497	13 822
Foreign currency borrowings	154	216	..	..
Lease liabilities	745	730	690	675
Service concession arrangement liabilities	2 800	1 339	2 583	1 129
Derivative financial instruments	580	833	1	43
Total current borrowings	23 484	18 803	19 770	15 669
Non-current borrowings				
Domestic borrowings	110 371	102 465	101 467	88 752
Foreign currency borrowings	401	433	..	..
Lease liabilities	7 855	8 050	7 388	7 562
Service concession arrangement liabilities	4 738	5 577	3 911	5 149
Derivative financial instruments	1 035	1 158	218	288
Total non-current borrowings	124 400	117 683	112 984	101 752
Total borrowings	147 884	136 486	132 754	117 420

5.2 Cash flow information and balances

Reconciliation of cash and cash equivalents (\$ million)

	State of Victoria		General government sector	
	Dec	Dec	Dec	Dec
	2022	2021	2022	2021
Cash	4 913	2 404	4 855	2 060
Deposits at call	22 088	18 519	16 613	11 059
Cash and cash equivalents	27 001	20 923	21 468	13 119
Bank overdraft	..	..	..	..
Balances as per cash flow statement	27 001	20 923	21 468	13 119

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

	State of Victoria		General government sector	
	Dec	Dec	Dec	Dec
	2022	2021	2022	2021
Net result	(694)	(8 999)	(4 040)	(10 012)
Non-cash movements				
Revenue related to economic service concession arrangements	(228)	(145)	(228)	(145)
Depreciation and amortisation	3 659	3 551	2 180	2 129
Revaluation of investments	195	360	12	17
Assets (received)/provided free of charge	(365)	(414)	(195)	(273)
Assets not previously/no longer recognised	15	(13)	15	(13)
Revaluation of assets	136	822	125	121
Discount/premium on other financial assets/borrowings	(158)	(213)	1	..
Foreign currency dealings	1	1	1	1
Unrealised (gains)/losses on borrowings	(2 239)	(2 088)	(10)	..
Discounting of assets and liabilities	..	(1)	..	(1)
Movements included in investing and financing activities				
Net gain/loss from sale of investments	(121)	(108)	(15)	(1)
Net gain/loss from sale of non-financial assets	(83)	(67)	(51)	(37)
Realised gains/losses on borrowings	(284)	(8)	3	(1)
Movements in assets and liabilities				
Increase/(decrease) in allowance for impairment losses	(264)	32	(301)	5
Increase/(decrease) in payables	9 071	213	7 514	(1 031)
Increase/(decrease) in employee benefits	(282)	530	(277)	489
Increase/(decrease) in superannuation	304	365	295	366
Increase/(decrease) in other provisions	158	1 337	(103)	(126)
(Increase)/decrease in receivables	157	1 022	776	1 474
(Increase)/decrease in other non-financial assets	(79)	(283)	(197)	(321)
Net cash flows from operating activities	8 897	(4 107)	5 505	(7 357)

5.3 Advances paid and investments, loans and placements

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2022	2022	2022	2022
Current advances paid and investments, loans and placements				
Loans and advances paid	691	347	1 072	832
Equities and managed investment schemes	1 208	3 831	770	718
Australian dollar term deposits	1 761	4 342	132	104
Debt securities	7 102	6 995	2	3
Derivative financial instruments	537	1 109	367	430
Total current advances paid and investments, loans and placements	11 300	16 624	2 342	2 088
Non-current advances paid and investments, loans and placements				
Loans and advances paid	275	285	4 155	4 097
Equities and managed investment schemes	43 615	36 595	2 293	2 054
Australian dollar term deposits	37	37	37	37
Debt securities	2 780	2 475	14	22
Derivative financial instruments	261	239	5	1
Total non-current advances paid and investments, loans and placements	46 969	39 631	6 504	6 211
Total advances paid and investments, loans and placements	58 269	56 255	8 846	8 299
Represented by:				
Advances paid	967	632	5 227	4 929
Investments, loans and placements	57 302	55 623	3 619	3 370

5.4 Interest expense

(\$ million)

	State of Victoria		General government sector	
	2022	2021	2022	2021
	Interest on interest-bearing liabilities	1 821	1 391	1 393	974
Interest on lease liabilities	207	199	199	191
Interest on service concessions	210	211	206	207
Discount interest on payables	14	16	14	14
Total interest expense	2 253	1 817	1 813	1 385

5.5 Commitments

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

Reference to the *2021-22 Financial Report* for the State of Victoria (Notes 5.4 and 5.9) should be made for details of commitments as at 30 June 2022.

As at 31 December 2022, the following additional material commitments were recorded for the State of Victoria. Unless otherwise stated, contract amounts are presented as nominal values:

- Funding Deeds worth \$314 million were entered into with successful respondents from funding rounds progressed by the Social Housing Growth Fund. The grant funds are used to contribute to new social housing dwellings in regional areas and for dwellings used for Mental Health Support Housing delivered by registered community housing organisations.
- In July 2022, a variation of \$369 million was made to the Rail Systems Alliance (RSA) for the Early Works and Delivery contract with Metro Trains Melbourne, Bombardier and the joint venture of John Holland and CPB to align with the independent assessment of costs to complete RSA works. The work is expected to be completed by 2025.
- In August 2022, the State executed a contract with Alstom Transport Australia Pty Ltd to procure an additional 12 new VLocity 3-car train sets. The total contract cost is \$230 million and the procurement is expected to be completed in 2025.
- In August 2022, the State executed a contract with McConnell Dowell Constructors for the Epping Road Upgrade Project with a contract value of \$235 million. The works are estimated to be completed by 2025.
- In August 2022, the State entered into an arrangement with various parties for the development and commercialisation of mRNA vaccines and therapeutics. The arrangement is in effect until August 2032. The total cost of this arrangement is commercially sensitive and therefore has not been disclosed at this time.
- In September 2022, the State entered into a contract with John Holland Pty Ltd to deliver the replacement of sections of a water main between the Olinda and Mitcham reservoirs. The total contract cost is \$66 million and the project is planned for completion by March 2025.
- In September 2022, a variation of \$110 million was made to the Melbourne Airport Rail (MAR) Early Works arrangements with Laing O'Rourke Australia to deliver work package 1 of the MAR Early Works. The works under this contract are expected to be completed by December 2024.
- In September 2022, the State entered into a contract extension with Civica BPO Ltd to continue delivering administrative services relating to the enforcement of fines on behalf of Fines Victoria and Victoria Police. The total cost under the contract extension is \$117 million and the contract operates until 2024.
- In September 2022, the State entered into a grant agreement with Hancock Victoria Plantations Pty Ltd to plant 16 million trees. The program aims to provide alternative fibre for the state's wood processors following the end of native timber harvesting. The program will cost \$120 million and is expected to be completed by December 2050.
- In September 2022, a variation of \$123 million was made to the Murray Basin Rail Program Early Works and Delivery contract with Coleman Rail, Acciona, SMEC Australia and V/Line to revise the delivery strategy. The work is expected to be completed by the end of 2023.
- In September 2022, the State entered into an arrangement with various providers to deliver better mobile coverage across the state. The total cost is estimated to be \$215 million and is expected to be completed by 2026.
- In September 2022, a variation of \$285 million was made to the Western Program Alliance with Arup and Mott MacDonald Australia Pty Limited Joint Venture, McConnell Dowell Constructors Australia Pty Ltd and Metro Trains Melbourne Pty Ltd for the delivery of additional level crossing removal works. The works, under the Program Alliance Master Contract, are estimated to be completed by 2030.

- In September 2022, the State entered into a contract with Lendlease Building Contractors Pty Ltd to deliver six community hospitals at Craigieburn, Cranbourne, Eltham Area, Pakenham, Point Cook and City of Whittlesea with a contract value of \$364 million. The works under the contract are estimated to be completed by the end of 2024.
- In September and October 2022, a variation of \$196 million was made to the Metropolitan Roads Program Alliance with Fulton Hogan Construction Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works, under the Program Alliance Master Contract, are estimated to be completed by 2030.
- In September and October 2022, a variation of \$899 million was made to the South Eastern Program Alliance with Jacobs Group (Australia) Pty Ltd, Laing O'Rourke Australia Construction Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works, under the Program Alliance Master Contract, are estimated to be completed by 2030.
- In October 2022, the State appointed the Nexus consortium comprising Laing O'Rourke Australia Construction Pty Ltd, Symal Infrastructure Pty Ltd, WSP Australia Pty Ltd and Arcadis Australia Pacific Pty Ltd as the preferred proponent of the North East Link Southern Freeway Package. Under the Alliance Development Agreement, Nexus consortium will be undertaking \$64 million of development and delivery readiness activities to support the procurement of the Southern Freeway Package. The work is expected to be completed in 2023.
- In October 2022, a variation of \$82 million was made to the Ballarat Line Upgrade contract with Coleman Rail, Acciona, SMEC Australia and V/Line for outstanding claims. The work is expected to be completed by 30 June 2023.
- In October 2022, the State entered into an arrangement to deliver better broadband coverage across the state. The arrangement is estimated to cost \$88 million and is expected to be completed by December 2024.
- In October 2022, the State activated the Disaster Recovery Panel to engage the Johns Lyng Group to undertake a clean-up Program to support disaster affected residents impacted by the flooding that occurred within registered areas. Acting as Managing Contractor, the services include the assessment of eligible structures and subsequent make safe or demolition works to be undertaken in line with the program guidelines. The anticipated cost is \$165 million with completion estimated in December 2023.
- In October 2022, the State entered into a contract with Lendlease Construction (Southern) Pty Ltd for construction of the Wyndham Law Courts. The total cost of the contract is \$241 million and works are expected to be completed in 2025.
- In October 2022, a variation of \$264 million was made to the Metro Tunnel Tunnels and Stations Package with Cross Yarra Partnership to resolve COVID-19 related claims for the period until 30 June 2022. The work under the Metro Tunnel Public Private Partnership is expected to be completed by 2025.
- In October 2022, a variation of \$305 million was made to the North Western Program Alliance with Kellogg Brown & Root Pty Ltd, John Holland Group Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works, under the Program Alliance Master Contract, are estimated to be completed by 2030.
- In October 2022, a variation of \$495 million was made to the Southern Program Alliance with Acciona Coleman Rail Joint Venture, WSP Australia Pty Limited and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works, under the Program Alliance Master Contract, are estimated to be completed by 2030.
- In October 2022, the State entered into an agreement to purchase a site in Victoria's Parkville medical precinct. This is expected to be completed by March 2023. The total cost of this agreement is commercially sensitive and therefore has not been disclosed at this time.

- In December 2022, a variation of \$79 million was made to the contract with Metro Trains Melbourne for Package 1C under Rail Advanced Works of the North East Link Early Works program. The works under the contract are estimated to be completed by April 2024.
- In December 2022, a variation of \$102 million was made to the Suburban Rail Loop (SRL) Initial Works and Early Works (IWEW) Managing Contractor Agreement (MCA) with Laing O'Rourke Australia to deliver the SRL IWEW MCA Power Connection Works Package for the unregulated construction power works. The works under the contract are expected to be completed by October 2025.
- In December 2022, the State entered into a contract with John Holland Group Pty Ltd to deliver Stages 2 Central Energy Plant and Support Services with a contract value of \$107 million. The works under the contract are estimated to be completed by 2024.
- In December 2022, the State executed a contract with BMD Constructions Pty Limited for the Mickleham Road Upgrade Stage 1 Project with a contract value of \$129 million. The works are estimated to be completed by 2025.
- In December 2022, the State entered into a contract with BMD Constructions Ltd to deliver the 5W Nutrient Removal Project sewage treatment upgrade at the Western Treatment Plant. The total contract cost is \$265 million and the project is planned for completion by September 2025.

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

6. OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

6.1	Inventories.....	38
6.2	Receivables and contract assets.....	38
6.3	Payables and contract liabilities.....	39
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6.1 Inventories

(\$ million)

	State of Victoria		General government sector	
	Dec 2022	Jun 2022	Dec 2022	Jun 2022
At cost				
Raw materials	11	9	10	8
Work in progress	327	134	5	4
Finished goods	65	70	6	6
Consumable stores	1 163	1 294	1 074	1 220
Land and other assets held as inventory	1 018	939	23	24
At net realisable value				
Finished goods	..	2	..	..
Consumable stores	5	5	..	..
Total inventories	2 589	2 452	1 118	1 262

6.2 Receivables and contract assets

(\$ million)

	State of Victoria		General government sector	
	Dec 2022	Jun 2022	Dec 2022	Jun 2022
Contractual				
Sales of goods and services	1 688	1 426	1 012	733
Accrued investment income	124	72	49	18
Other receivables	2 819	2 529	1 403	1 725
Allowance for impairment of contractual receivables	(353)	(308)	(209)	(202)
Statutory				
Sales of goods and services	6	8	11	11
Taxes receivables	4 032	4 715	4 366	5 156
Fines and regulatory fees	2 608	2 729	2 607	2 728
GST input tax credits recoverable	1 465	1 446	656	604
Other receivables	3	3	..	..
Allowance for impairment of statutory receivables	(2 178)	(2 368)	(2 178)	(2 368)
Other				
Actuarially determined	576	599	..	..
Contract assets	114	105	..	1
Total receivables and contract assets	10 903	10 955	7 717	8 406
Represented by:				
Current receivables and contract assets	9 491	9 318	7 195	7 892
Non-current receivables and contract assets	1 412	1 637	522	514

6.3 Payables and contract liabilities

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2022	2022	2022	2022
Contractual				
Accounts payable	2 394	2 261	995	828
Accrued expenses	4 663	5 828	4 191	5 148
Grant of a right to the operator liability	19 441	10 344	19 382	10 305
Unearned income	12 695	10 769	1 355	1 203
Statutory				
Accrued taxes payable	132	102	81	67
Other				
Contract liabilities	682	596	407	342
Total payables and contract liabilities	40 007	29 899	26 412	17 893
Represented by:				
Current payables and contract liabilities	12 149	10 898	6 908	7 244
Non-current payables and contract liabilities	27 857	19 001	19 504	10 649

6.4 Superannuation

(\$ million)

	State of Victoria	
	Dec	Jun
	2022	2022
Current liability	992	1 007
Non-current liability	17 637	18 748
Total superannuation liability	18 629	19 756
Represented by:		
Emergency Services and State Super	17 534	18 594
Other funds	1 095	1 161

6.5 Other provisions

(\$ million)

	State of Victoria		General government sector	
	Dec 2022	Jun 2022	Dec 2022	Jun 2022
Provision for insurance claims				
WorkSafe Victoria	3 604	3 499	..	..
Transport Accident Commission	1 593	1 609	..	..
Victorian Managed Insurance Authority	742	650	..	..
Other agencies	40	63	38	61
Current provision for insurance claims	5 979	5 821	38	61
Other provisions	1 305	1 400	1 019	1 109
Total current other provisions	7 283	7 222	1 057	1 169
Non-current provision for insurance claims				
WorkSafe Victoria	21 349	20 813	..	..
Transport Accident Commission	15 084	15 630	..	..
Victorian Managed Insurance Authority	2 291	2 201	..	..
Other agencies	97	97	97	97
Non-current provision for insurance claims	38 821	38 741	97	97
Other provisions	829	833	807	815
Total non-current other provisions	39 650	39 574	905	912
Total other provisions	46 934	46 795	1 962	2 082

7. RISKS AND CONTINGENCIES

Introduction

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

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

7.1 Financial instruments

Note 7.1 Financial instruments in the *2021-22 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.

1.1 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 *2021-22 Financial Report* for the State of Victoria (Note 7.2) for details of contingent assets as at 30 June 2022.

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

Contingent liabilities

Contingent liabilities are either:

- 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
- present obligations that arise from past events but are not recognised because either:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations
 - the amount of the obligations cannot be measured with sufficient reliability.

Reference should be made to the *2021-22 Financial Report* for the State of Victoria (Note 7.2) for details of contingent liabilities as at 30 June 2022.

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

8. PUBLIC ACCOUNT

Introduction

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

Structure

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8.1 Consolidated fund receipts and payments

		(\$ million)	
2021-22		2022-23	
actual		actual	revised
to Dec		to Dec	budget
13 848	Taxation	15 335	31 737
478	Fines and regulatory fees	676	968
14 950	Grants received	12 886	26 124
414	Sales of goods and services	774	1 511
223	Interest received	460	478
356	Dividends, income tax equivalent and rate equivalent receipts	305	738
513	Other receipts	8 099	6 811
30 781	Total operating activities	38 534	68 368
19 626	Total inflows from investing and financing	14 594	19 903
50 407	Total receipts	53 128	88 270
	Payments to departments		
7 779	Education and Training	8 720	18 238
1 624	Environment, Land, Water and Planning	1 938	3 964
4 606	Families, Fairness and Housing	4 516	8 699
9 059	Health	8 901	17 068
8 962	Jobs, Precincts and Regions	1 999	4 282
5 781	Justice and Community Services	5 398	10 337
254	Premier and Cabinet	628	1 092
8 528	Transport	8 901	17 556
4 514	Treasury and Finance	3 891	16 705
166	Parliament	172	353
414	Courts	456	1 010
51 687	Total payments	45 519	99 304
(1 280)	Net receipts/(payments)	7 621	(11 034)

8.2 Trust fund statement cash flows

(\$ million)

2021-22		2022-23	
<i>actual to Dec</i>		<i>actual to Dec</i>	<i>revised budget</i>
Cash flows from operating activities			
339	Taxation	403	643
42	Regulatory fees and fines	120	138
13 187	Grants received	11 708	20 859
245	Sale of goods and services	423	1 354
15	Interest received	55	117
16	Dividends received	23	17
4 977	Net transfers from consolidated fund	4 980	10 748
78	Other receipts	1 576	995
18 899	Total receipts	19 289	34 871
(303)	Payments for employees	(219)	(304)
(24)	Superannuation	(18)	(24)
(51)	Interest paid	(58)	(108)
(13 039)	Grants and subsidies	(12 866)	(23 705)
(2 271)	Goods and services	(2 648)	(3 824)
(15 688)	Total payments	(15 809)	(27 964)
3 211	Net cash flows from operating activities	3 481	6 907
Cash flows from investing activities			
(37)	Purchases of property, plant and equipment	(73)	(5 791)
40	Proceeds from sale of property, plant and equipment	46	65
619	Net proceeds from customer loans	637	221
(1 896)	Other investing activities	(1 614)	(1 408)
(1 274)	Net cash flows from investing activities	(1 004)	(6 914)
Cash flows from financing activities			
113	Net proceeds/(repayments) from borrowings	(122)	(295)
113	Net cash flows from financing activities	(122)	(295)
2 050	Net cash inflow/(outflow)	2 355	(302)

8.3 Reconciliation of cash flows to balances held

(\$ million)

	<i>Balances held at 30 Jun 2022</i>	<i>Dec movement YTD</i>	<i>Balances held at 31 Dec 2022</i>
Cash and deposits			
Cash and balances outside of the Public Account	(1)	1	..
Deposits held with the Public Account – Specific trusts	1 024	76	1 101
Other balances held in the Public Account	3 353	9 906	13 258
Total cash and deposits	4 376	9 983	14 359
Investments			
Investments held with the Public Account – Specific trusts	1 485	50	1 535
Total investments	1 485	50	1 535
Total fund balances	5 861	10 033	15 894
Less funds held outside the public account			
Cash	(1)	1	..
Total fund balances held outside the Public Account	(1)	1	..
Total fund balances held in the Public Account ^(a)	5 862	10 032	15 894

Note:

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

8.4 Details of securities held in the Public Account

(\$ million)

2021-22		2022-23	
actual		opening	actual
31 Dec ^(a)		1 Jul ^(b)	31 Dec
2 640	Amounts invested on behalf of specific trust accounts	2 519	2 636
6 712	General account balances	3 353	13 258
9 352	Total Public Account	5 872	15 894
	Represented by:		
8 499	Stock, securities, cash and investments	5 012	14 607
	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>	..	..
853	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	859	1 287
9 352	Total Public Account	5 872	15 894

Notes:

(a) Certain 2021-22 comparative figures have been restated to reflect more current information.

(b) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into DELWP to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the Machinery of Government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. These changes will be reflected in future financial reports.

9. OTHER DISCLOSURES

Introduction

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

Structure

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9.1 Disaggregated information

Disaggregated operating statement for the six months ended 31 December

(\$ million)

	General government sector		Public non-financial corporations	
	2022	2021	2022	2021
Revenue and income from transactions				
Taxation	14 380	12 954	..	..
Interest income	591	266	35	3
Dividends, income tax equivalent and rate equivalent income	233	390	3	5
Sales of goods and services	3 198	2 557	3 389	3 274
Grants	19 758	20 922	1 008	1 121
Other revenue and income	1 758	1 677	354	313
Total revenue and income from transactions	39 919	38 766	4 789	4 715
Expenses from transactions				
Employee expenses	16 745	16 108	864	794
Net superannuation interest expense	363	242	..	..
Other superannuation	1 874	1 892	85	75
Depreciation	2 178	2 127	945	939
Interest expense	1 813	1 385	423	406
Grant expense	8 308	14 627	372	259
Other operating expenses	12 838	12 364	2 044	2 285
Other property expenses	..	..	118	101
Total expenses from transactions	44 119	48 745	4 851	4 857
Net result from transactions – net operating balance	(4 200)	(9 979)	(62)	(142)
Other economic flows included in net result				
Net gain/(loss) on disposal of non-financial assets	50	36	32	30
Net gain/(loss) on financial assets or liabilities at fair value	9	(18)	25	16
Share of net profit/(loss) from associates/joint venture entities	5	..	..	..
Other gains/(losses) from other economic flows	96	(51)	237	(439)
Total other economic flows included in net result	160	(33)	295	(393)
Net result	(4 040)	(10 012)	233	(535)
Other economic flows – other comprehensive income				
Items that will not be reclassified to net result				
Changes in non-financial assets revaluation surplus	4 541	353	54	186
Remeasurement of superannuation defined benefits plans	1 422	(165)	9	..
Other movements in equity	(352)	(14)	(96)	4
Items that may be reclassified subsequently to net result				
Net gain/(loss) on financial assets at fair value	134	(19)	(10)	(1)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	3 507	(1 193)	..	..
Total other economic flows – other comprehensive income	9 251	(1 038)	(42)	189
Comprehensive result – total change in net worth	5 211	(11 050)	190	(346)
FISCAL AGGREGATES				
Net operating balance	(4 200)	(9 979)	(62)	(142)
Net acquisition of non-financial assets from transactions				
Purchases of non-financial assets (including change in inventories)	8 135	6 736	1 879	1 805
Less: Sales of non-financial assets	(201)	(89)	(101)	(70)
Less: Depreciation and amortisation	(2 178)	(2 127)	(945)	(939)
Plus/(less): Other movements in non-financial assets	1 160	1 670	649	514
Less: Net acquisition of non-financial assets from transactions	6 915	6 190	1 482	1 310
Net lending/(borrowing)	(11 115)	(16 169)	(1 544)	(1 452)

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2022	2021	2022	2021	2022	2021
..	..	(236)	(220)	14 144	12 733
1 635	1 204	(1 577)	(1 168)	683	304
1 530	2 169	(199)	(365)	1 567	2 199
3 007	2 781	(797)	(776)	8 797	7 836
377	59	(1 399)	(1 258)	19 745	20 844
11	10	..	..	2 123	2 000
6 560	6 223	(4 208)	(3 787)	47 060	45 916
253	226	(370)	(333)	17 491	16 794
..	..	..	..	363	242
25	21	..	..	1 984	1 987
43	33	473	433	3 640	3 532
1 595	1 195	(1 578)	(1 168)	2 253	1 817
24	85	(1 483)	(1 344)	7 221	13 628
5 014	4 663	(580)	(579)	19 317	18 732
404	274	(522)	(375)	..	..
7 358	6 496	(4 059)	(3 365)	52 269	56 733
(798)	(273)	(149)	(423)	(5 209)	(10 817)
..	..	..	..	83	66
2 431	1 838	..	..	2 465	1 836
..	..	..	..	5	..
1 927	841	(299)	(435)	1 962	(85)
4 359	2 679	(299)	(435)	4 514	1 817
3 561	2 406	(448)	(858)	(694)	(8 999)
..	..	(65)	(55)	4 531	483
..	..	..	..	1 431	(165)
..	(56)	..	..	(448)	(65)
..	..	..	..	124	(20)
..	..	(3 507)	1 193	..	..
..	(56)	(3 572)	1 139	5 637	234
3 561	2 350	(4 020)	281	4 943	(8 766)
(798)	(273)	(149)	(423)	(5 209)	(10 817)
29	25	(22)	11	10 021	8 578
(1)	..	..	..	(303)	(160)
(43)	(33)	(473)	(433)	(3 640)	(3 532)
..	..	(1)	..	1 807	2 184
(15)	(8)	(496)	(422)	7 886	7 070
(783)	(265)	347	(1)	(13 095)	(17 887)

Disaggregated balance sheet as at 31 December ^(a)

(\$ million)

	General government sector		Public non-financial corporations	
	Dec 2022	Jun 2022	Dec 2022	Jun 2022
Assets				
Financial assets				
Cash and deposits	21 468	10 974	1 983	1 843
Advances paid	5 227	4 929	434	522
Receivables and contract assets	7 717	8 406	1 459	1 679
Investments, loans and placements	3 619	3 370	800	812
Loans receivable from non-financial public sector ^(a)	..	..	..	..
Investments accounted for using the equity method	1 223	10	..	..
Investments in other sector entities	93 525	89 162	..	..
Total financial assets	132 779	116 851	4 676	4 856
Non-financial assets				
Inventories	1 118	1 262	1 470	1 191
Non-financial assets held for sale	82	171	30	42
Land, buildings, infrastructure, plant and equipment	233 161	225 770	111 439	110 087
Other non-financial assets	7 668	3 313	2 783	2 567
Total non-financial assets	242 029	230 516	115 723	113 887
Total assets	374 809	347 367	120 399	118 742
Liabilities				
Deposits held and advances received	1 727	1 831	1 243	1 188
Payables	26 006	17 551	9 808	9 984
Contract liabilities	407	342	282	259
Borrowings	132 754	117 420	20 280	19 312
Employee benefits	9 582	9 857	536	545
Superannuation	18 629	19 756	..	..
Other provisions	1 962	2 082	9 760	9 730
Total liabilities	191 066	168 839	41 909	41 019
Net assets	183 743	178 528	78 490	77 724
Accumulated surplus/(deficit)	49 863	52 824	(26 326)	(26 419)
Reserves	133 879	125 704	104 816	104 143
Net worth	183 743	178 528	78 490	77 724
FISCAL AGGREGATES				
Net financial worth	(58 287)	(51 988)	(37 233)	(36 163)
Net financial liabilities	151 812	141 149	37 233	36 163
Net debt	104 167	99 978	18 306	17 324

Note:

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

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
<i>Dec</i>	<i>Jun 2022</i>	<i>Dec 2022</i>	<i>Jun 2022</i>	<i>Dec 2022</i>	<i>Jun 2022</i>
4 368	4 919	(817)	(478)	27 001	17 258
25	45	(4 720)	(4 864)	967	632
2 605	1 886	(878)	(1 016)	10 903	10 955
52 946	51 551	(63)	(110)	57 302	55 623
116 408	102 724	(116 408)	(102 724)	..	..
..	..	..	..	1 223	10
..	..	(93 525)	(89 162)	..	..
176 353	161 125	(216 412)	(198 353)	97 396	84 479
..	..	..	..	2 589	2 452
..	..	..	..	112	212
342	354	36 171	36 749	381 114	372 959
2 975	3 397	(4 434)	(4 436)	8 992	4 842
3 316	3 751	31 738	32 313	392 806	380 466
179 669	164 876	(184 674)	(166 040)	490 203	464 945
206	233	(1 372)	(1 528)	1 804	1 724
4 410	2 724	(900)	(956)	39 325	29 303
..	..	(6)	(5)	682	596
116 396	107 309	(121 546)	(107 555)	147 884	136 486
119	118	..	..	10 237	10 519
..	..	..	..	18 629	19 756
44 833	44 573	(9 621)	(9 590)	46 934	46 795
165 964	154 956	(133 445)	(119 634)	265 495	245 180
13 705	9 919	(51 229)	(46 406)	224 708	219 765
13 352	9 796	48 370	48 767	85 259	84 968
353	123	(99 599)	(95 174)	139 449	134 797
13 705	9 919	(51 229)	(46 406)	224 708	219 765
10 388	6 168	(82 967)	(78 719)	(168 099)	(160 702)
(10 388)	(6 168)	(10 558)	(10 442)	168 099	160 702
(57 146)	(51 697)	(908)	(908)	64 419	64 697

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

	General government sector		Public non-financial corporations	
	2022	2021	2022	2021
Cash flows from operating activities				
Receipts				
Taxes received	15 175	13 704	..	..
Grants	19 724	21 695	1 058	1 135
Sales of goods and services ^(a)	3 331	2 939	3 837	3 583
Interest received	554	261	29	23
Dividends, income tax equivalent and rate equivalent receipts	228	381	17	5
Other receipts	9 334	1 118	324	292
Total receipts	48 346	40 098	5 265	5 038
Payments				
Payments for employees	(16 944)	(15 660)	(868)	(762)
Superannuation	(1 942)	(1 768)	(77)	(76)
Interest paid	(1 604)	(1 243)	(412)	(406)
Grants and subsidies	(8 636)	(14 934)	(266)	(150)
Goods and services ^(a)	(13 276)	(13 332)	(2 492)	(2 700)
Other payments	(439)	(518)	(364)	(238)
Total payments	(42 841)	(47 455)	(4 479)	(4 333)
Net cash flows from operating activities	5 505	(7 357)	786	706
Cash flows from investing activities				
Cash flows from investments in non-financial assets				
Purchases of non-financial assets	(8 280)	(6 769)	(1 865)	(1 796)
Sales of non-financial assets	201	89	101	70
Net cash flows from investments in non-financial assets	(8 080)	(6 679)	(1 763)	(1 726)
Net cash flows from investments in financial assets for policy purposes	(1 073)	26	(28)	636
Sub-total	(9 153)	(6 653)	(1 791)	(1 090)
Net cash flows from investments in financial assets for liquidity management purposes	(171)	(2 186)	(10)	(29)
Net cash flows from investing activities	(9 324)	(8 839)	(1 801)	(1 119)
Cash flows from financing activities				
Advances received (net)	(116)	(902)	(9)	(589)
Net borrowings	14 410	15 461	549	401
Deposits received (net)	8	147	68	34
Other financing (net)	..	..	556	425
Net cash flows from financing activities	14 302	14 706	1 165	271
Net increase/(decrease) in cash and cash equivalents	10 483	(1 490)	150	(142)
Cash and cash equivalents at beginning of reporting period ^(b)	10 985	14 609	1 833	1 857
Cash and cash equivalents at end of the reporting period	21 468	13 119	1 983	1 715
FISCAL AGGREGATES				
Net cash flows from operating activities	5 505	(7 357)	786	706
Dividends paid	..	..	(52)	(82)
Net cash flows from investments in non-financial assets	(8 080)	(6 679)	(1 763)	(1 726)
Cash surplus/(deficit)	(2 574)	(14 036)	(1 029)	(1 102)

Note:

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

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2022	2021	2022	2021	2022	2021
..	..	(236)	(220)	14 939	13 483
369	64	(1 451)	(1 260)	19 700	21 634
4 475	4 385	(898)	(1 100)	10 745	9 807
1 380	961	(1 512)	(1 165)	452	81
1 530	2 169	(306)	(357)	1 469	2 199
14	34	(59)	14	9 613	1 458
7 768	7 612	(4 461)	(4 087)	56 918	48 661
(251)	(215)	370	333	(17 692)	(16 305)
(25)	(21)	..	..	(2 043)	(1 864)
(1 480)	(1 156)	1 512	1 165	(1 984)	(1 640)
(27)	(75)	1 451	1 260	(7 478)	(13 899)
(3 299)	(3 389)	694	883	(18 374)	(18 538)
(6)	(10)	359	245	(451)	(521)
(5 088)	(4 866)	4 386	3 885	(48 022)	(52 768)
2 680	2 746	(75)	(202)	8 897	(4 107)
(29)	(25)	22	(11)	(10 152)	(8 601)
1	..	..	..	303	160
(29)	(25)	22	(11)	(9 849)	(8 441)
20	(42)	690	(741)	(392)	(121)
(9)	(67)	712	(753)	(10 241)	(8 562)
(15 419)	(22 982)	13 659	18 488	(1 941)	(6 710)
(15 428)	(23 048)	14 371	17 735	(12 182)	(15 272)
(39)	(28)	128	1 238	(36)	(281)
11 999	17 568	(14 011)	(14 908)	12 947	18 522
12	1 796	28	(1 848)	116	128
224	(132)	(780)	(293)	..	..
12 196	19 203	(14 635)	(15 812)	13 028	18 369
(551)	(1 099)	(339)	1 721	9 743	(1 010)
4 919	7 875	(478)	(2 409)	17 258	21 933
4 368	6 776	(817)	(687)	27 001	20 923
2 680	2 746	(75)	(202)	8 897	(4 107)
(1)	(132)	53	215	..	..
(29)	(25)	22	(11)	(9 849)	(8 441)
2 651	2 589	..	2	(953)	(12 548)

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

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owners</i>	<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
General government sector						
Balance at 1 July 2022 ^(a)	52 827	..	79 719	44 815	1 170	178 531
Net result for the year	(4 040)	..	..	..	..	(4 040)
Other comprehensive income for the year	1 076	..	4 541	3 507	127	9 251
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 31 December 2022	49 863	..	84 261	48 322	1 297	183 743
PNFC sector						
Balance at 1 July 2022 ^(a)	(26 420)	75 136	28 337	..	667	77 721
Net result for the year	233	..	..	..	..	233
Other comprehensive income for the year	(87)	..	54	..	(10)	(42)
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	(52)	..	..	..	..	(52)
Transactions with owners in their capacity as owners	..	631	..	..	..	631
Total equity as at 31 December 2022	(26 326)	75 768	28 392	..	657	78 490
PFC sector						
Balance at 1 July 2022	9 796	65	10	..	49	9 919
Net result for the year	3 561	..	..	..	..	3 561
Other comprehensive income for the year	(5)	..	..	..	5	..
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	(1)	..	..	..	..	(1)
Transactions with owners in their capacity as owners	..	225	..	..	..	225
Total equity as at 31 December 2022	13 352	290	10	..	54	13 705
Eliminations	48 370	(76 057)	24 780	(48 322)	..	(51 229)
Total State of Victoria	85 259	..	137 442	..	2 008	224 708

Note:

(a) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into DELWP to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the Machinery of Government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. These changes will be reflected in future financial reports.

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

	<i>Accumulated surplus/(deficit)</i>	<i>Contributions by owners</i>	<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
General government sector						
Balance at 1 July 2021	58 642	..	61 017	32 981	1 159	153 799
Net result for the year	(10 012)	..	..	..	..	(10 012)
Other comprehensive income for the year	(299)	..	353	(1 193)	101	(1 038)
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 31 December 2021	48 331	..	61 370	31 788	1 260	142 749
PNFC sector						
Balance at 1 July 2021	(24 192)	71 602	24 939	..	604	72 953
Net result for the year	(535)	..	..	..	..	(535)
Other comprehensive income for the year	..	..	186	..	3	189
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	(82)	..	..	..	..	(82)
Transactions with owners in their capacity as owners	..	541	..	..	..	541
Total equity as at 31 December 2021	(24 809)	72 143	25 124	..	607	73 065
PFC sector						
Balance at 1 July 2021	(5 505)	15	7	..	45	(5 438)
Net result for the year	2 406	..	..	..	..	2 406
Other comprehensive income for the year	(61)	..	..	..	5	(56)
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	(132)	..	..	..	..	(132)
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 31 December 2021	(3 292)	15	7	..	50	(3 220)
Eliminations	46 944	(72 158)	23 772	(31 788)	..	(33 229)
Total State of Victoria	67 174	..	110 273	..	1 918	179 364

9.2 Other gains/(losses) from other economic flows

(\$ million)

	State of Victoria		General government	
	2022	2021	2022	2021
Net (increase)/decrease in allowances for credit losses	281	(15)	284	(13)
Amortisation of intangible non-produced assets	(19)	(18)	(2)	(2)
Net swap interest revenue/(expense)	(17)	5	..	..
Bad debts written off	(247)	(7)	(243)	(6)
Other gains/(losses)	1 963	(49)	57	(30)
Total other gains/(losses) from other economic flows	1 962	(85)	96	(51)

9.3 Controlled entities

Note 9.8 in Chapter 4 of the *2021-22 Financial Report* for the State of Victoria contains a list of significant controlled entities, which have been consolidated for the purposes of the financial report.

The following are changes to entities from 1 July 2022 which have been consolidated for the purposes of the financial report:

General government sector	
Department of Environment, Land, Water and Planning^(a) Department of Jobs, Precincts and Regions Victoria 2026 Pty Ltd ^(b)	Department of Transport ^(c) Safe Transport Victoria (STV) ^(d) VicRoads Modernisation including: ^(e) <ul style="list-style-type: none"> • CP Services Victoria Pty Ltd • R&L Services Victoria Pty Ltd • Victorian R&L Services Trust • Victorian CP Services Trust
Public non-financial corporations	
Department of Environment, Land, Water and Planning Alpine Resorts Victoria ^(f)	Department of Justice and Community Safety Workplace Injury Commission ^(g)

Notes:

- (a) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and amalgamated to form a business unit within DELWP, Recycling Victoria. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the Machinery of Government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. These changes will be reflected in future financial reports.
- (b) On 7 September 2022, the Victorian Commonwealth Games Organising Committee was established as Victoria 2026 Pty Ltd to organise, host and manage the 2026 Commonwealth Games.
- (c) Effective from August 2022, VicHoldCo was dissolved.
- (d) On 1 July 2022, Commercial Passenger Vehicles Victoria and Transport Safety Victoria came together as a new entity, Safe Transport Victoria (STV), to create a new regulator to manage safety, compliance, accreditation and registration for commercial passenger vehicles, buses and the marine sector.
- (e) On 15 August 2022, the majority interest in the corporate trustees was transferred to the joint venture partner as part of the financial close of the VicRoads Modernisation process, with the State retaining an interest in the joint venture.
- (f) The Alpine Resorts Legislation Amendment Act 2022 commenced on 1 October 2022. It abolished Victoria's four existing Alpine Resort Management Boards (ARMBs), and the Alpine Resorts Coordinating Council (ARCC) and established a single entity, Alpine Resorts Victoria, to manage the Falls Creek, Mt Hotham, Mt Buller, Mt Stirling, Lake Mountain and Mt Baw Baw alpine resorts.
- (g) On 1 September 2022, the Accident Compensation Conciliation Service (ACCS) changed its name to the Workplace Injury Commission.

9.4 Glossary of technical terms

The *2021-22 Financial Report* for the State of Victoria Note 9.9 contains a summary of the major technical terms used in this report.

APPENDIX A – GENERAL GOVERNMENT SECTOR QUARTERLY FINANCIAL REPORT

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

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

	2021-22		2022-23		
	Dec	Mar	Jun	Sep	Dec
Revenue and income from transactions					
Taxation	5 936	9 994	7 599	7 842	6 539
Interest income	132	130	162	259	331
Dividends, income tax equivalent and rate equivalent income	296	64	430	88	146
Sales of goods and services	1 274	1 394	1 694	1 696	1 503
Grants	12 224	10 604	10 279	9 265	10 494
Other revenue and income	988	856	1 053	751	1 007
Total revenue and income from transactions	20 850	23 042	21 216	19 900	20 019
Expenses from transactions					
Employee expenses	8 226	7 740	8 391	8 361	8 383
Net superannuation interest expense	100	119	120	172	191
Other superannuation	923	952	1 068	1 039	835
Depreciation	1 079	1 063	1 118	1 085	1 093
Interest expense	747	658	826	822	991
Grant expense	6 677	4 955	5 481	4 021	4 287
Other operating expenses	6 600	6 967	8 612	5 814	7 024
Total expenses from transactions	24 352	22 454	25 615	21 315	22 804
Net result from transactions – net operating balance	(3 502)	588	(4 399)	(1 415)	(2 785)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	9	10	(31)	32	18
Net gain/(loss) on financial assets or liabilities at fair value	15	52	121	(7)	16
Share of net profit/(loss) from associates/joint venture entities	..	..	5	3	2
Other gains/(losses) from other economic flows	(164)	60	105	(5)	101
Total other economic flows included in net result	(141)	123	200	23	137
Net result	(3 643)	710	(4 200)	(1 392)	(2 648)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	95	110	18 240	4 393	148
Remeasurement of superannuation defined benefits plans	(854)	3 233	4 723	1 284	138
Other movements in equity	21	(6)	(33)	(437)	84
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(37)	(59)	34	87	46
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(1 193)	48	12 980	..	3 507
Total other economic flows – other comprehensive income	(1 969)	3 326	35 943	5 328	3 923
Comprehensive result – total change in net worth	(5 612)	4 036	31 743	3 936	1 275
KEY FISCAL AGGREGATES					
Net operating balance	(3 502)	588	(4 399)	(1 415)	(2 785)
Less: Net acquisition of non-financial assets from transactions	3 707	2 976	1 583	2 692	4 224
Net lending/(borrowing)	(7 209)	(2 388)	(5 982)	(4 106)	(7 009)

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

(\$ million)

	2021-22			2022-23	
	Dec	Mar	Jun	Sep	Dec
Assets					
Financial assets					
Cash and deposits	13 119	13 573	10 974	22 544	21 468
Advances paid	4 931	4 695	4 929	5 025	5 227
Receivables and contract assets	6 721	9 470	8 406	8 041	7 717
Investments, loans and placements	5 108	3 374	3 370	3 472	3 619
Investments accounted for using the equity method	10	10	10	1 221	1 223
Investments in other sector entities	73 292	73 576	89 162	89 414	93 525
Total financial assets	103 181	104 697	116 851	129 716	132 779
Non-financial assets					
Inventories	879	1 154	1 262	1 130	1 118
Non-financial assets held for sale	181	171	171	154	82
Land, buildings, infrastructure, plant and equipment	202 492	206 017	225 770	229 316	233 161
Other non-financial assets	4 002	3 494	3 313	7 859	7 668
Total non-financial assets	207 555	210 836	230 516	238 459	242 029
Total assets	310 736	315 533	347 367	368 175	374 809
Liabilities					
Deposits held and advances received	2 036	1 916	1 831	1 762	1 727
Payables	15 791	16 192	17 551	27 048	26 006
Contract liabilities	375	323	342	358	407
Borrowings	110 693	114 353	117 420	125 758	132 754
Employee benefits	9 873	9 942	9 857	9 911	9 582
Superannuation	27 749	24 566	19 756	18 845	18 629
Other provisions	1 470	1 457	2 082	2 026	1 962
Total liabilities	167 987	168 749	168 839	185 707	191 066
Net assets	142 749	146 784	178 528	182 468	183 743
Accumulated surplus/(deficit)	48 331	52 271	52 824	52 290	49 863
Reserves	94 417	94 514	125 704	130 178	133 879
Net worth	142 749	146 784	178 528	182 468	183 743
FISCAL AGGREGATES					
Net financial worth	(64 806)	(64 052)	(51 988)	(55 991)	(58 287)
Net financial liabilities	138 098	137 628	141 149	145 405	151 812
Net debt	89 571	94 627	99 978	96 479	104 167

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

	2021-22			2022-23	
	Dec	Mar	Jun	Sep	Dec
Cash flows from operating activities					
Receipts					
Taxes received	6 771	7 614	8 970	7 962	7 213
Grants	12 937	10 653	10 373	9 307	10 417
Sales of goods and services ^(a)	1 230	1 412	1 930	2 097	1 235
Interest received	131	130	157	235	319
Dividends, income tax equivalent and rate equivalent receipts	288	72	96	88	140
Other receipts	634	396	393	8 171	1 163
Total receipts	21 992	20 276	21 919	27 859	20 487
Payments					
Payments for employees	(8 043)	(7 540)	(8 133)	(8 282)	(8 662)
Superannuation	(1 022)	(1 020)	(1 275)	(838)	(1 104)
Interest paid	(665)	(620)	(728)	(724)	(880)
Grants and subsidies	(6 654)	(4 957)	(4 729)	(4 190)	(4 445)
Goods and services ^(a)	(6 786)	(7 082)	(7 110)	(6 033)	(7 243)
Other payments	(282)	(182)	(320)	(240)	(200)
Total payments	(23 451)	(21 401)	(22 294)	(20 307)	(22 534)
Net cash flows from operating activities	(1 459)	(1 124)	(376)	7 552	(2 047)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(3 728)	(3 304)	(5 095)	(3 500)	(4 781)
Sales of non-financial assets	45	58	128	73	128
Net cash flows from investments in non-financial assets	(3 683)	(3 246)	(4 967)	(3 426)	(4 653)
Net cash flows from investments in financial assets for policy purposes	(52)	(7)	28	(391)	(682)
Sub-total	(3 735)	(3 253)	(4 939)	(3 818)	(5 335)
Net cash flows from investments in financial assets for liquidity management purposes	(2 117)	1 891	(33)	(71)	(100)
Net cash flows from investing activities	(5 852)	(1 361)	(4 972)	(3 889)	(5 435)
Cash flows from financing activities					
Advances received (net)	(403)	(260)	232	(111)	(5)
Net borrowings	4 975	3 060	2 834	7 968	6 441
Deposits received (net)	72	140	(317)	38	(29)
Net cash flows from financing activities	4 644	2 939	2 750	7 896	6 407
Net increase/(decrease) in cash and cash equivalents	(2 667)	454	(2 598)	11 559	(1 076)
Cash and cash equivalents at beginning of the reporting period ^(b)	15 786	13 119	13 573	10 985	22 544
Cash and cash equivalents at end of the reporting period	13 119	13 573	10 974	22 544	21 468
FISCAL AGGREGATES					
Net cash flows from operating activities	(1 459)	(1 124)	(376)	7 552	(2 047)
Net cash flows from investments in non-financial assets	(3 683)	(3 246)	(4 967)	(3 426)	(4 653)
Cash surplus/(deficit)	(5 142)	(4 371)	(5 343)	4 126	(6 700)

Notes:

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

(b) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the Machinery of Government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. These changes will be reflected in future financial reports.

APPENDIX B – FINANCIAL MANAGEMENT ACT 1994 COMPLIANCE INDEX

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

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

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

<i>Financial Management Act reference</i>	<i>Requirement</i>	<i>Comments/reference</i>
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 consolidated comprehensive operating statement, consolidated balance sheet, consolidated cash flow statement. Refer to Appendix A.
Section 26(2B)	The quarterly financial report for the quarter ending on 31 December in a financial year must include, in addition to the statements referred to in subsection (2)(a) to (d) for that quarter, those statements for the period of six months ending on that 31 December.	Refer to Chapter 2, consolidated comprehensive operating statement, consolidated balance sheet, and consolidated cash flow statement.

STYLE CONVENTIONS

The source of data for tables and charts is the Department of Treasury and Finance unless specified otherwise.

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

The notation used in the tables is as follows:

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

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

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Mid-Year Financial Report
(incorporating Quarterly Financial Report No. 2)
March 2023
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