



Victorian Budget 2021/22

Creating Jobs, Caring for Victorians

MID-YEAR FINANCIAL REPORT

(incorporating Quarterly Financial Report No. 2)

March 2022

Presented by Tim Pallas MP
Treasurer of the State of Victoria



The Secretary
Department of Treasury and Finance
1 Treasury Place
Melbourne, Victoria, 3002
Australia
Tel: +61 3 9651 5111
Fax: +61 3 9651 2062
Website: dtf.vic.gov.au
Authorised by the Victorian Government
1 Treasury Place, Melbourne, 3002

© State of Victoria 2022
(Department of Treasury and Finance)



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

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

ISSN 1443-1289 (print)
ISSN 2204-7166 (online)
Published March 2022

2021-22 Mid-Year Financial Report

(incorporating Quarterly Financial Report No. 2)



March 2022

Presented by

Tim Pallas MP

Treasurer of the State of Victoria

CONTENTS

Chapter 1 – Mid-year results for the state of Victoria, including the general government sector	1
Overview	1
Financial performance	2
Financial position	6
Cash flow	7
Financial sustainability	10
Chapter 2 – Mid-year financial report	13
Consolidated comprehensive operating statement	13
Consolidated balance sheet	14
Consolidated cash flow statement	15
Consolidated statement of changes in equity	16
1. About this report	17
2. How funds are raised	20
3. How funds are spent	23
4. Major assets and investments	28
5. Financing state operations	32
6. Other assets and liabilities	38
7. Risks and contingencies	41
8. Public account	42
9. Other disclosures	45
Appendix A – General government sector quarterly financial report	55
Appendix B – <i>Financial Management Act 1994</i> compliance index	59
Style conventions	61

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

The *2021-22 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 2021. The report has been prepared in accordance with the *Financial Management Act 1994* and applicable accounting standards.

The actual results in this report are compared with the revised budget estimates in the *2021-22 Budget Update*. The likely 2021-22 full year results cannot be extrapolated from the half-year results due to the economic impact of the COVID-19 pandemic and associated public health restrictions for the first half of the year, together with seasonal and other factors impacting on the timing of activities and transactions. 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 2021, the general government sector recorded a net result from transactions deficit of \$10 billion.

OVERVIEW

The COVID-19 pandemic has presented ongoing challenges to economies around the world, and Victoria has been no exception.

As the initial variant of COVID-19 was contained and domestic restrictions were progressively eased through the December quarter 2020, the Victorian economy rebounded strongly and by the June quarter 2021 Victorian state final demand was already above pre-pandemic levels.

While necessary restrictions associated with the Delta variant of COVID-19 led to a decline in economic activity in the September quarter 2021, economic activity and employment remained stronger than during restrictions in 2020, with over 100 000 more people employed in October 2021 compared with September 2020. This highlights the importance of support provided by the Government, and the resilience and flexibility of Victorian businesses and consumers, as the economy has increasingly adapted to conditions created by the pandemic.

As restrictions eased in late 2021, state final demand increased to be above pre-pandemic levels, driven by a sharp rise in household consumption. Employment also rose strongly to be above pre-pandemic levels, the unemployment rate fell to a near record low and workforce participation reached a record high.

The economy's resilience has placed Victoria in a strong position amid the Omicron variant of COVID-19 that emerged in late 2021, and high vaccination rates have enabled the economy to remain open despite this latest outbreak of the virus.

The economy's resilience and flexibility, high vaccination rates, robust household and business balance sheets and strong labour demand will continue to support the Victorian economy, which remains well placed to recover strongly as it has following earlier COVID-19 outbreaks.

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 \$8.7 billion for the period to 31 December 2021, or 46 per cent of the revised full year budget estimate. This was below the pro rata revised budget, primarily due to the timing of the Government's capital program. Government infrastructure investment was \$9.9 billion for the State of Victoria for the same period.

Net cash flows from operating activities for the State for the period to 31 December 2021 was a deficit of \$4.1 billion (\$7.4 billion for the general government sector). The improvement from the prior year primarily resulted from the impact of easing COVID-19 public health restrictions, and the impact of increased economic activity on key revenue items, including taxation and GST grant revenue.

Net debt for the general government sector was \$89.6 billion, or 18.1 per cent of gross state product (GSP), at 31 December 2021 (15.3 per cent at 30 June 2021) reflecting the net cash flows from operating activities and the investment in the Government's capital program.

FINANCIAL PERFORMANCE

For the six months to 31 December 2021, the general government sector recorded a net result from transactions deficit of \$10 billion.

This result is broadly comparable to the prior year due to a reduced impact of COVID-19 public health restrictions compared with the prior year. This includes the impact of increased economic activity on key revenue sources, including taxation and GST grant revenue, which were largely offset by increased expenditure associated with the Government's COVID-19 response.

The net result for the State was a deficit of \$9 billion over the six months to 31 December 2021. This is 36 per cent of the revised full year budget estimate and a \$687 million improvement compared with the same period last year. This was primarily driven by the same factors as the general government sector.

These movements are further explained below.

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

	State of Victoria				General government sector			
	2020-21 actual to Dec	2021-22 actual to Dec	2021-22 revised estimate	% ^(b)	2020-21 actual to Dec	2021-22 actual to Dec	2021-22 revised estimate	% ^(b)
Revenue and income from transactions								
Taxation	9 513	12 733	26 526	48	9 729	12 954	27 004	48
Interest revenue	284	304	275	111	279	266	618	43
Dividends and income tax equivalent and rate equivalent income	1 208	2 199	1 761	125	364	390	579	67
Sales of goods and services	7 309	7 836	16 555	47	3 715	2 557	5 923	43
Grants	15 724	20 844	39 708	52	15 811	20 922	40 457	52
Other revenue and income	1 440	2 000	3 994	50	1 042	1 677	3 350	50
Total revenue and income from transactions	35 479	45 916	88 820	52	30 940	38 766	77 931	50
Expenses from transactions								
Employee expenses	15 266	16 794	34 257	49	14 637	16 108	32 779	49
Net superannuation interest expense	154	242	485	50	154	242	481	50
Other superannuation	1 794	1 987	3 810	52	1 708	1 892	3 629	52
Depreciation	3 376	3 532	7 193	49	2 051	2 127	4 367	49
Interest expense	1 619	1 817	3 560	51	1 254	1 385	3 176	44
Grant expense	7 750	13 628	22 558	60	10 133	14 627	24 457	60
Other operating expenses	16 423	18 732	42 140	44	11 124	12 364	28 581	43
Total expenses from transactions	46 380	56 733	114 003	50	41 061	48 745	97 470	50
Net result from transactions – net operating balance	(10 901)	(10 817)	(25 183)	43	(10 121)	(9 979)	(19 538)	51
Total other economic flows included in net result	1 215	1 817	(149)	n.a.	(36)	(33)	(337)	10
Net result	(9 687)	(8 999)	(25 332)	36	(10 156)	(10 012)	(19 876)	50
Total other economic flows – other comprehensive income ^(c)	(2 242)	234	2 193	11	(2 097)	(1 038)	(1 440)	72
Comprehensive result – total change in net worth^(c)	(11 929)	(8 766)	(23 139)	38	(12 253)	(11 050)	(21 316)	52

Notes:

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

(b) The percentage represents the 2021-22 actual to December as a percentage of the revised estimate presented in the 2021-22 Budget Update.

(c) The 2020-21 comparative figures have been restated to reflect more current information.

General government sector

Revenue and income

Total revenue for the six months ending 31 December 2021 was \$38.8 billion. This is 50 per cent of the revised full year budget estimate and an increase of \$7.8 billion from the same period last year.

Taxation was \$13 billion, or 48 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.

Aside from these timing factors, taxation revenue increased compared with the same period last year. This was largely due to an increase in land transfer duty resulting from an increase in property prices and higher transaction volumes. Also driving the increase was higher payroll tax, primarily resulting from the tapering of payroll tax waivers and refunds provided in the six months to 31 December 2020 as part of the Government's COVID-19 response, as well as the strong labour market. The easing of public health restrictions on in-person gambling venues also contributed to an increase in gambling taxes.

Grants were \$21 billion, or 52 per cent of the revised full year budget estimate. This was above the pro rata revised budget, primarily due to the timing of grants received from the Commonwealth for COVID-19 business support measures. This is partially offset by the timing of capital grants for various projects, including North East Link and Melbourne Airport Rail, which are expected in the second half of the financial year.

Grants received were higher compared with the same period last year. The increase was primarily due to an increase in grants from the Commonwealth relating to the national partnership on support for COVID-19 impacted businesses, the National Partnership on HomeBuilder, and non-government schools grants. GST revenue also increased, due to an increase in household consumption following the easing of public health restrictions.

Dividends, income tax equivalent and rate equivalent income for the half year was consistent with the same period last year and was 67 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 \$2.6 billion, or 43 per cent of the revised full year budget estimate. This is below the pro rata revised budget primarily due to school and TAFE fees for the first half of the year being impacted by public health restrictions, and lower farebox revenue due to a significant drop in public transport patronage due to the COVID-19 pandemic.

Sale of goods and services revenue was \$1.2 billion lower compared with the same time last year, primarily due to the discontinuation of the capital assets charge policy from 2021-22, which is associated with a matching decrease in reported expenditure.

Other revenue and income was \$1.7 billion, an increase of \$635 million when compared with the same period last year. The increase was primarily due to the progressive recognition of the contribution made by the Cross Yarra Partnerships consortium to the Metro Tunnel settlement, and a recovery in fines revenue due to the easing of COVID-19 public health restrictions.

Other revenue and income was consistent with the pro rata revised budget.

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

Expenses

Total expenses were \$48.7 billion, or 50 per cent of the revised full year budget estimate.

Employee expenses were slightly below the pro rata revised budget for the first half of the year at \$16.1 billion, or 49 per cent of the revised full year budget estimate. This was an increase of \$1.5 billion when compared with the same period last year, mainly due to increased spending on service delivery in the health, education and justice sectors and annual salary growth.

Grant expense for the first half of the year was \$14.6 billion, 60 per cent of the revised full year budget estimate. This was higher than the pro rata revised budget primarily due to the timing of business support grants provided as part of the Government's COVID-19 response. The majority of these payments were made in the first half of the 2021-22 financial year.

Compared with the same period last year, grant expense increased by \$4.5 billion. This increase primarily reflects the impact of measures as part of the Government's response to COVID-19 to support businesses.

Other operating expenses were \$12.4 billion, or 43 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 \$1.2 billion, mainly reflecting additional activity in the health sector in response to the COVID-19 pandemic and costs associated with COVID-19 Quarantine Victoria.

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

State of Victoria

Revenue

Total revenue for the State for the six months ending 31 December 2021 was \$45.9 billion. This is 52 per cent of the revised full year budget estimate and 29 per cent higher compared with the same period last year. The general government sector contribution to revenue was \$38.8 billion, with the balance coming from the PNFC and PFC sectors.

PNFC sector revenue is lower compared with the same period last year, primarily due to the discontinuation of the capital assets charge (CAC) policy from 2021-22. This change has resulted in a reduction in revenue of approximately \$1.3 billion with a matching decrease in reported expenditure. Improved sales of goods and services across the sector have offset some of the decline, resulting in an overall decrease in revenue of 19 per cent to \$4.7 billion.

Compared with the same period last year, PFC sector revenue increased by 24 per cent, or \$1.2 billion, to \$6.2 billion. This was mainly due to an increase in dividend income (trust distributions) received by the State's insurance agencies and higher interest revenue earned by the Treasury Corporation of Victoria on State borrowings.

Expenses

Total expenses for the State increased by 22 per cent to \$56.7 billion compared with the same period last year. This is 50 per cent of the revised full year budget estimate. Of this, \$48.7 billion was incurred by the general government sector.

PNFC sector expenses are lower compared with the same time last year primarily due to no CAC expense being recorded following the CAC policy being discontinued from 2021-22. This change has resulted in a reduction in expenses of \$1.3 billion but this has been partially offset by increased other operating expenses as businesses previously impacted by measures to slow the spread of COVID-19 have started to recover operations. Overall, expenses have declined by 12 per cent to \$4.9 billion.

For the PFC sector, total expenses were \$6.5 billion. This was an increase of 10 per cent compared with the same period last year. The increase in expenses was mainly driven by an increase in claims expenses for the State's insurers and interest expenditure incurred by the Treasury Corporation of Victoria on State borrowings. This is partially offset by a decrease in tax expense for the Transport Accident Commission (TAC).

Net result from transactions

The net result from transactions for the State for the six months to December 2021 was a deficit of \$10.8 billion.

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

Net result and other economic flows

The net result for the State is derived by adding other economic flows to the net result from transactions. For the six months to 31 December 2021, other economic flows were a positive \$1.8 billion resulting in a net result deficit of \$9 billion.

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

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

FINANCIAL POSITION

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

	State of Victoria			General government sector		
	Jun 2021	Dec 2021	Actual movement	Jun 2021	Dec 2021	Actual movement
Assets						
Financial assets	79 770	84 343	4 573	104 377	103 181	(1 196)
Non-financial assets	341 943	349 830	7 887	200 038	207 555	7 517
Total assets	421 712	434 173	12 460	304 415	310 736	6 321
Liabilities						
Superannuation	27 245	27 775	530	27 217	27 749	531
Borrowings	116 298	134 561	18 263	92 985	110 693	17 709
Other liabilities	90 039	92 473	2 433	30 415	29 545	(870)
Total liabilities	233 583	254 809	21 226	150 617	167 987	17 371
Net assets	188 130	179 364	(8 765)	153 799	142 749	(11 050)

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 2021, the net assets for the State of Victoria decreased by \$8.8 billion. The total assets of the State increased by \$12.5 billion mainly driven by the Government's pipeline of infrastructure investments and increased holdings of financial assets.

Total liabilities for the State increased by \$21.2 billion to \$254.8 billion. This was mainly due to an increase in borrowings.

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

CASH FLOW

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

The net cash flows from operating activities for the half year was a deficit of \$7.4 billion and is 50 per cent of the revised full year budget.

A detailed cash flow statement is provided in Chapter 2.

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

	2021-22 actual to Dec	2021-22 revised estimate
Net result from transactions – net operating balance	(9 979)	(19 538)
Add back: Non-cash revenues and expenses (net) ^(b)	2 622	4 872
Net cash flows from operating activities	(7 357)	(14 666)
Less:		
Net investment in fixed assets		
Purchases of non-financial assets	6 769	13 566
Net cash flows from investments in financial assets for policy purposes	(26)	286
Sales of non-financial assets	(89)	(293)
Net investment in fixed assets	6 653	13 559
Leases and service concession arrangements	1 431	2 156
Other movements	1 396	1 348
Decrease/(increase) in net debt	(16 837)	(31 730)

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.*

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 \$8.7 billion for the period to 31 December 2021, or 46 per cent of the revised full year budget estimate. This was below the pro rata revised budget, primarily due to the timing of the Government's capital program.

Government infrastructure investment was \$9.9 billion for the State of Victoria for the same period.

The Government's infrastructure scorecard as at 31 December 2021

Major projects in progress include:

- 85 level crossing removals by 2025
- A Pathway to More Acute Mental Health Beds
- Additional VLocity trains
- Ballarat Health Services expansion and redevelopment
- Barwon Heads Road Upgrade
- Big Housing Build
- Building a world-class Geelong Performing Arts Centre
- Child Link
- Chisholm Road prison project
- City Loop fire and safety upgrade (Stage 2) and intruder alarm
- Courts case management system
- Cranbourne line duplication
- E-Class Tram Infrastructure Program
- Echuca-Moama Bridge
- Expanding and improving bed-based forensic mental health services: Thomas Embling Hospital
- Frankston Hospital Redevelopment
- Frankston line stabling
- Geelong Fast Rail
- Goulburn Valley Health redevelopment
- Gippsland Line Upgrade Stage 1
- High Capacity Metro Trains Project
- Hurstbridge Line upgrade – Stage 2
- Kardinia Park Stadium Stage 5 redevelopment
- M80 Ring Road upgrade
- Melbourne Arts Precinct Transformation – Phase 1
- Melbourne Airport Rail
- Melbourne Park redevelopment – Stage 3
- Men's prison system capacity
- Metro Tunnel
- Metropolitan Network Modernisation program

The Government's infrastructure scorecard as at 31 December 2021 (continued)

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

FINANCIAL SUSTAINABILITY

General government sector

General government sector net debt increased by \$16.8 billion to \$89.6 billion as at 31 December 2021. This primarily reflects an increase in borrowings over the period to finance higher expenditure resulting from the Government's response to the COVID-19 pandemic and to fund the Government's infrastructure program. The ratio of net debt to GSP increased from 15.3 to 18.1 per cent.

Overall, net financial liabilities increased during the period primarily due to increased net debt for reasons outlined previously.

Over the period to 31 December 2021, the ratio of net financial liabilities to GSP increased from 25.2 per cent to 27.9 per cent.

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

	<i>Closing</i> 30 Jun 2021	<i>Closing</i> 31 Dec 2021	<i>Actual</i> <i>movement</i>	<i>% change</i>
Assets				
Cash and deposits	14 609	13 119	(1 490)	(10)
Advances paid	5 473	4 931	(542)	(10)
Investment, loans and placements	2 960	5 108	2 148	73
Total	23 041	23 158	117	1
Liabilities				
Deposits held and advances received	2 791	2 036	(755)	(27)
Borrowings	92 985	110 693	17 709	19
Total	95 776	112 729	16 954	18
Net debt ^(a)	72 734	89 571	16 837	23
Superannuation liability	27 217	27 749	531	2
Net debt plus superannuation liabilities	99 952	117 320	17 368	17
Other liabilities (net) ^(b)	19 412	20 778	1 366	7
Net financial liabilities ^(c)	119 364	138 098	18 734	16
(per cent)				
Net debt to GSP ^(d)	15.3	18.1		
Net debt plus superannuation liability to GSP ^(d)	21.1	23.7		
Net financial liabilities to GSP ^(d)	25.2	27.9		

Notes:

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

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

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

(d) Ratios to GSP may vary from publications year-to-year due to revisions to the Australian Bureau of Statistics GSP data. The ratios as at 31 December 2021 reflect the 2021-22 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)

	<i>Closing</i> 30 Jun 2021	<i>Closing</i> 31 Dec 2021	<i>Actual</i> <i>movement</i>	<i>% change</i>
Assets				
Cash and deposits	16 466	14 834	(1 632)	(10)
Advances paid	538	595	57	11
Investment, loans and placements	3 714	5 899	2 184	59
Total	20 719	21 328	610	3
Liabilities				
Deposits held and advances received	1 712	1 626	(85)	(5)
Borrowings	107 446	125 077	17 631	16
Total	109 157	126 703	17 546	16
Net debt ^(a)	88 439	105 375	16 936	19
Superannuation liability	27 245	27 775	530	2
Net debt plus superannuation liabilities	115 684	133 150	17 466	15
Other liabilities (net) ^(b)	28 781	30 220	1 439	5
Net financial liabilities ^(c)	144 465	163 370	18 905	13
(per cent)				
Net debt to GSP ^(d)	18.7	21.3		
Net debt plus superannuation liability to GSP ^(d)	24.4	26.9		
Net financial liabilities to GSP ^(d)	30.5	33.0		

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 2021 reflect the 2021-22 GSP forecast growth rate for the full year.

For the six months to 31 December 2021, the increase in NFPS net debt was mainly due to an increase in borrowings of \$17.6 billion. Actual borrowings were mainly applied towards the State's infrastructure investment program and the Government's COVID-19 pandemic response.

The ratio of NFPS net financial liabilities to GSP increased from 30.5 per cent to 33.0 per cent at the end of the period. The ratio of net debt to GSP increased from 18.7 per cent to 21.3 per cent at the end of the period.

CHAPTER 2 – MID-YEAR FINANCIAL REPORT

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the six months ended 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		2021	2020	2021	2020
Revenue and income from transactions					
Taxation	2.1	12 733	9 513	12 954	9 729
Interest income		304	284	266	279
Dividends, income tax equivalent and rate equivalent income	2.2	2 199	1 208	390	364
Sales of goods and services ^(a)	2.3	7 836	7 309	2 557	3 715
Grants	2.4	20 844	15 724	20 922	15 811
Other revenue and income	2.5	2 000	1 440	1 677	1 042
Total revenue and income from transactions		45 916	35 479	38 766	30 940
Expenses from transactions					
Employee expenses		16 794	15 266	16 108	14 637
Net superannuation interest expense	3.2	242	154	242	154
Other superannuation	3.2	1 987	1 794	1 892	1 708
Depreciation	4.2	3 532	3 376	2 127	2 051
Interest expense	5.4	1 817	1 619	1 385	1 254
Grant expense ^(a)	3.3	13 628	7 750	14 627	10 133
Other operating expenses	3.4	18 732	16 423	12 364	11 124
Total expenses from transactions	3.5, 3.6	56 733	46 380	48 745	41 061
Net result from transactions – net operating balance		(10 817)	(10 901)	(9 979)	(10 121)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		66	(3)	36	5
Net gain/(loss) on financial assets or liabilities at fair value		1 836	1 672	(18)	81
Share of net profit/(loss) from associates/joint venture entities		..	(2)	..	(2)
Other gains/(losses) from other economic flows	9.2	(85)	(453)	(51)	(119)
Total other economic flows included in net result		1 817	1 215	(33)	(36)
Net result		(8 999)	(9 687)	(10 012)	(10 156)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		483	(67)	353	227
Remeasurement of superannuation defined benefits plans	3.2	(165)	(2 199)	(165)	(2 190)
Other movements in equity ^(b)		(65)	7	(14)	13
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		(20)	17	(19)	12
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		..	..	(1 193)	(158)
Total other economic flows – other comprehensive income^(b)		234	(2 242)	(1 038)	(2 097)
Comprehensive result – total change in net worth^(b)		(8 766)	(11 929)	(11 050)	(12 253)
KEY FISCAL AGGREGATES					
Net operating balance		(10 817)	(10 901)	(9 979)	(10 121)
Less: Net acquisition of non-financial assets from transactions	9.1	7 070	6 360	6 190	5 756
Net lending/(borrowing)		(17 887)	(17 261)	(16 169)	(15 876)

The accompanying notes form part of these financial statements.

Notes:

(a) As highlighted in the 2021-22 Budget Paper No. 3, Chapter 2 Department Performance Statements, the capital assets charge (CAC) policy is discontinued from 2021-22. The removal of the CAC reduces the Sales of goods and services and grant expenses by equal amounts.

(b) The 2020-21 comparative figures have been restated to reflect more current information.

CONSOLIDATED BALANCE SHEET

As at 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		Dec 2021	Jun 2021	Dec 2021	Jun 2021
Assets					
Financial assets					
Cash and deposits	5.2	20 923	21 933	13 119	14 609
Advances paid	5.3	595	538	4 931	5 473
Receivables and contract assets	6.2	10 007	11 194	6 721	8 201
Investments, loans and placements	5.3	52 808	46 094	5 108	2 960
Investments accounted for using the equity method		10	10	10	10
Investments in other sector entities		..	..	73 292	73 125
Total financial assets		84 343	79 770	103 181	104 377
Non-financial assets					
Inventories	6.1	2 014	2 010	879	908
Non-financial assets held for sale		230	243	181	182
Land, buildings, infrastructure, plant and equipment	4.1	342 146	334 932	202 492	195 592
Other non-financial assets	4.3	5 440	4 757	4 002	3 357
Total non-financial assets		349 830	341 943	207 555	200 038
Total assets	3.6	434 173	421 712	310 736	304 415
Liabilities					
Deposits held and advances received		1 630	1 784	2 036	2 791
Payables	6.3	28 940	28 372	15 791	16 404
Contract liabilities	6.3	601	438	375	239
Borrowings	5.1	134 561	116 298	110 693	92 985
Employee benefits	3.1	10 566	10 036	9 873	9 384
Superannuation	6.4	27 775	27 245	27 749	27 217
Other provisions	6.5	50 736	49 409	1 470	1 597
Total liabilities		254 809	233 583	167 987	150 617
Net assets		179 364	188 130	142 749	153 799
Accumulated surplus/(deficit)		67 174	76 257	48 331	58 642
Reserves		112 191	111 873	94 417	95 157
Net worth		179 364	188 130	142 749	153 799
FISCAL AGGREGATES					
Net financial worth		(170 466)	(153 813)	(64 806)	(46 239)
Net financial liabilities		170 466	153 813	138 098	119 364
Net debt		61 865	49 516	89 571	72 734

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		2021	2020	2021	2020
Cash flows from operating activities					
Receipts					
Taxes received		13 483	9 609	13 704	9 825
Grants		21 634	15 200	21 695	15 287
Sales of goods and services ^(a)		9 807	9 207	2 939	4 390
Interest received		81	108	261	279
Dividends, income tax equivalent and rate equivalent receipts		2 199	1 208	381	364
Other receipts		1 458	594	1 118	282
Total receipts		48 661	35 928	40 098	30 427
Payments					
Payments for employees		(16 305)	(15 241)	(15 660)	(14 632)
Superannuation		(1 864)	(1 715)	(1 768)	(1 619)
Interest paid		(1 640)	(1 403)	(1 243)	(1 089)
Grants and subsidies		(13 899)	(7 832)	(14 934)	(10 241)
Goods and services ^(a)		(18 538)	(15 877)	(13 332)	(11 846)
Other payments		(521)	(753)	(518)	(685)
Total payments		(52 768)	(42 822)	(47 455)	(40 112)
Net cash flows from operating activities		(4 107)	(6 894)	(7 357)	(9 685)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	3.5, 3.6	(8 601)	(7 286)	(6 769)	(5 572)
Sales of non-financial assets		160	107	89	56
Net cash flows from investments in non-financial assets		(8 441)	(7 180)	(6 679)	(5 516)
Net cash flows from investments in financial assets for policy purposes		(121)	(29)	26	365
Sub-total		(8 562)	(7 208)	(6 653)	(5 151)
Net cash flows from investments in financial assets for liquidity management purposes		(6 710)	(7 325)	(2 186)	3
Net cash flows from investing activities		(15 272)	(14 533)	(8 839)	(5 148)
Cash flows from financing activities					
Advances received (net)		(281)	(12)	(902)	(620)
Net borrowings		18 522	23 913	15 461	16 890
Deposits received (net)		128	29	147	(13)
Net cash flows from financing activities		18 369	23 930	14 706	16 257
Net increase/(decrease) in cash and cash equivalents		(1 010)	2 503	(1 490)	1 423
Cash and cash equivalents at beginning of reporting period		21 933	19 185	14 609	13 037
Cash and cash equivalents at end of the reporting period	5.2	20 923	21 688	13 119	14 461
FISCAL AGGREGATES					
Net cash flows from operating activities		(4 107)	(6 894)	(7 357)	(9 685)
Net cash flows from investments in non-financial assets		(8 441)	(7 180)	(6 679)	(5 516)
Cash surplus/(deficit)		(12 548)	(14 073)	(14 036)	(15 202)

The accompanying notes form part of these financial statements.

Note:

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

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>
2021					
Balance at 1 July 2021 ^(a)	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
2020					
Balance at 1 July 2020 ^(b)	76 661	101 305	..	1 524	179 491
Net result for the year	(9 687)	..	..	..	(9 687)
Other comprehensive income for the year ^(b)	(2 207)	(67)	..	32	(2 242)
Total equity as at 31 December 2020	64 768	101 238	..	1 556	167 562

General government sector

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
2020					
Balance at 1 July 2020 ^(b)	68 166	54 379	32 639	908	156 092
Net result for the year	(10 156)	..	..	..	(10 156)
Other comprehensive income for the year ^(b)	(2 188)	227	(158)	23	(2 097)
Total equity as at 31 December 2020	55 823	54 605	32 480	931	143 839

The accompanying notes form part of these financial statements.

Notes:

- (a) The 1 July 2021 opening balance does not equal the 30 June closing balance reflecting movements between Accumulated surplus/(deficit) and Non-financial assets revaluation surplus resulting from the mergers of Western Water and City West Water to form Greater Western Water.
- (b) The 1 July 2020 and 2020-21 comparative figures have been restated to reflect more current information.

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 2021.

The detailed accounting policies applied in preparing the interim financial report are consistent with those applied for the financial statements published in the *2020-21 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 *2020-21 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 *2021-22 Mid-Year Financial Report* was authorised for issue by the Treasurer on 11 March 2022.

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 assets and liabilities of all reporting entities it controlled as at 31 December 2021 and the revenue and expenses of controlled entities for the part of the reporting period in which control existed.

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

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

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

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

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

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

Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2021-22 reporting period. These accounting standards have not been applied to the Mid-Year Financial Report.

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

- AASB 17 *Insurance Contracts*: the operative date of this standard has been deferred by AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts* to reporting periods beginning on or after 1 January 2023 and will supersede AASB 4 *Insurance Contracts*. AASB 17 seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reissuance contracts that an insurer holds. The standard also provides requirements for presentation and disclosure to enhance comparability between entities.

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* and AASB 1058 *Income of Not-for-Profit Entities*.

Structure

2.1	Taxation.....	20
2.2	Dividends, income tax equivalent and rate equivalent income.....	21
2.3	Sales of goods and services	22
2.4	Grants	22
2.5	Other revenue and income.....	22

2.1 Taxation

(\$ million)

	State of Victoria		General government sector	
	2021	2020	2021	2020
Taxes on employers' payroll and labour force	3 139	2 894	3 181	2 937
Taxes on immovable property				
Land tax	222	(2)	238	12
Fire Services Property Levy	750	735	750	735
Congestion levy	(2)	(12)	(2)	(12)
Metropolitan improvement levy	193	181	193	181
Total taxes on property	1 163	902	1 178	915
Gambling taxes				
Public lotteries ^(a)	321	295	321	295
Electronic gaming machines ^(a)	308	163	308	163
Casino ^(a)	51	18	51	18
Racing and other sports betting	153	115	153	115
Other	4	4	4	4
Financial and capital transactions				
Land transfer duty	4 940	2 747	4 940	2 747
Metropolitan planning levy	14	12	14	12
Financial accommodation levy	..	..	78	76
Growth areas infrastructure contribution	113	122	113	122
Levies on statutory corporations	..	..	83	83
Taxes on insurance	902	795	902	795
Total taxes on the provision of goods and services	6 807	4 272	6 968	4 431
Motor vehicle taxes				
Vehicle registration fees	840	907	841	908
Duty on vehicle registrations and transfers	521	405	521	405
Liquor licence fees	17	..	17	..
Other	248	133	248	133
Total taxes on the use of goods and performance of activities	1 625	1 445	1 626	1 446
Total taxation	12 733	9 513	12 954	9 729

Note:

(a) The Public lotteries, electronic gaming machines and casino taxes include gambling licence revenue in the 6 months to 31 December 2021 of \$79 million (31 December 2020: \$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	
	2021	2020	2021	2020
Dividends from PFC sector	..	..	139	59
Dividends from PNFC sector	..	..	82	130
Dividends from non-public sector	2 199	1 208	26	17
Dividends	2 199	1 208	247	206
Income tax equivalent income from PFC sector	..	..	6	3
Income tax equivalent income from PNFC sector	..	..	137	156
Income tax equivalent income	..	..	143	158
Local government rate equivalent income	..	..	..	..
Total dividends, income tax equivalent and rate equivalent income	2 199	1 208	390	364

Dividends by entity

(\$ million)

	General government sector	
	2021	2020
Public financial corporations		
Victorian Managed Insurance Authority	..	..
Transport Accident Commission	..	..
Treasury Corporation of Victoria	132	52
State Trustees Ltd	..	..
Victorian Funds Management Corporation	8	7
Dividends from PFC sector	139	59
Public non-financial corporations		
Greater Western Water	6	14
Melbourne Water Corporation	7	59
South East Water Corporation	25	31
Yarra Valley Water Corporation	28	26
State Electricity Commission of Victoria	..	..
Development Victoria	16	1
Others	..	..
Dividends from PNFC sector	82	130

2.3 Sales of goods and services

(\$ million)

	State of Victoria		General government sector	
	2021	2020	2021	2020
Revenue items accounted for under AASB 15				
Sale of goods	308	187	41	55
Provision of services	6 734	6 544	2 018	1 989
Income accounted for under AASB 1058				
Motor vehicle regulatory fees	156	109	156	109
Other regulatory fees	313	228	303	219
Inter-sector capital asset charge ^(a)	..	..	..	1 300
Refunds and reimbursements	167	98	2	12
Lease income accounted for under AASB 16				
Rental	159	143	38	30
Total sales of goods and services	7 836	7 309	2 557	3 715

Note:

(a) As highlighted in the 2021-22 Budget Paper No. 3, Chapter 2 Department Performance Statements, the capital assets charge (CAC) policy is discontinued from 2021-22. The removal of the CAC reduces the Sales of goods and services.

2.4 Grants ^(a)

(\$ million)

	State of Victoria		General government sector	
	2021	2020	2021	2020
General purpose grants	8 898	7 515	8 898	7 515
Specific purpose grants for on-passing	2 275	1 993	2 275	1 993
Specific purpose grants	9 662	6 209	9 650	6 198
Total	20 835	15 717	20 822	15 705
Other contributions and grants	9	8	100	106
Total grants	20 844	15 724	20 922	15 811

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	
	2021	2020	2021	2020
Revenue items accounted for under AASB 15				
Royalties	81	78	72	71
Other revenue – Health	124	109	124	109
Other miscellaneous revenue	458	344	377	253
Income accounted for under AASB 1058				
Other income – Education	197	156	197	156
Fair value of assets received free of charge or for nominal consideration	439	244	277	7
Fines	378	279	376	274
Donations and gifts	137	114	96	74
Lease income accounted for under AASB 16				
Other non-property rental	41	30	13	13
Revenue items accounted for under AASB 1059				
Revenue related to economic service concession arrangements	145	85	145	85
Total other revenue and income	2 000	1 440	1 677	1 042

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 2021.

Structure

3.1	Employee expenses and provision for outstanding employee benefits	23
3.2	Superannuation (operating statement)	24
3.3	Grant expense	24
3.4	Other operating expenses	25
3.5	Total operating expenses and purchases of non-financial assets – by department	26
3.6	Total operating expenses, purchases of non-financial assets and total assets – by classification of the functions of government	27

3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses (operating statement)

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

Employee benefits (balance sheet)

As part of annual operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to reflect the estimated timing and amount of benefit payment. The table below shows the key components of this provision at 31 December and 30 June 2021.

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

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2021	2021	2021	2021
Current				
Accrued salaries and wages	662	633	620	597
Other employee benefits	200	125	183	104
Annual leave	2 773	2 621	2 532	2 398
Long service leave	5 464	5 408	5 170	5 118
Total current employee benefits and on-costs	9 098	8 788	8 505	8 217
Non-current				
Accrued salaries and wages	10	10	..	..
Long service leave	1 458	1 239	1 368	1 166
Total non-current employee benefits and on-costs	1 468	1 249	1 368	1 166
Total employee benefits and on-costs	10 566	10 036	9 873	9 384

3.2 Superannuation (operating statement)

(\$ million)

	State of Victoria	
	2021	2020
Defined benefit plans		
Net superannuation interest expense	242	154
Current service cost	688	655
Remeasurements:		
Expected return on superannuation assets excluding interest income	(662)	(672)
Other actuarial (gain)/loss on superannuation assets	(292)	(1 009)
Actuarial and other adjustments to unfunded superannuation liability	1 118	3 880
Total expense recognised in respect of defined benefit plans	1 095	3 007
Defined contribution plans		
Employer contributions to defined contribution plans	1 255	1 099
Other (including pensions)	44	40
Total expense recognised in respect of defined contribution plans	1 299	1 139
Total superannuation (gain)/expense recognised in operating statement	2 394	4 146
Represented by:		
Net superannuation interest expense	242	154
Other superannuation	1 987	1 794
Superannuation expense from transactions	2 229	1 947
Remeasurement recognised in other comprehensive income	165	2 199
Total superannuation costs recognised in operating statement	2 394	4 146

3.3 Grant expense

(\$ million)

	State of Victoria		General government sector	
	2021	2020	2021	2020
Current grant expense				
Commonwealth Government	1 407	1 307	1 407	1 306
Local government (including grants for on-passing)	433	487	432	487
Private sector and not-for-profit on-passing	2 088	1 847	2 088	1 846
Other private sector and not-for-profit ^(a)	9 358	3 962	9 325	3 927
Grants within the Victorian government ^(b)	..	..	1 169	2 455
Grants to other state governments	43	13	43	13
Total current grant expense	13 329	7 617	14 464	10 036
Capital grant expense				
Local government (including grants for on-passing)	26	28	26	28
Private sector and not-for-profit on-passing	245	75	121	61
Other private sector and not-for-profit	4	..	4	..
Grants within the Victorian government	..	..	10	8
Other grants	23	30	3	1
Total capital grant expense	299	133	164	97
Total grant expense	13 628	7 750	14 627	10 133

Notes:

(a) The increase in other private sector and not-for-profit grants primarily includes payments to support businesses during COVID-19.

(b) As highlighted in the 2021-22 Budget Paper No. 3, Chapter 2 Department Performance Statements, the capital assets charge (CAC) policy is discontinued from 2021-22. The removal of the CAC reduces the grants within the Victorian government.

3.4 Other operating expenses

(\$ million)

	State of Victoria		General government sector	
	2021	2020	2021	2020
Purchase of supplies and consumables ^(a)	2 438	2 093	2 075	1 817
Cost of goods sold	164	72	10	10
Finance expenses and fees	280	241	23	23
Purchase of services ^(a)	10 094	9 084	8 911	8 096
Insurance claims expense	4 158	3 501	180	177
Maintenance	928	807	498	455
Short-term and low-value lease expense	61	38	62	42
Other	609	587	604	505
Total other operating expenses	18 732	16 423	12 364	11 124

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	
	2021	2020	2021	2020
Medicinal pharmacy and medical supplies	999	899	999	899
Office supplies and consumables	91	99	85	93
Specialised operational supplies and consumables	137	149	123	104
Other purchase of supplies and consumables	1 211	947	869	721
Total purchase of supplies and consumables	2 438	2 093	2 075	1 817

Purchase of services

(\$ million)

	State of Victoria		General government sector	
	2021	2020	2021	2020
Service contracts	5 333	5 007	5 001	4 705
Accommodation/occupancy	702	671	575	547
Medical and client care services	223	203	223	203
Staff related expenses (non-labour related)	131	109	116	95
Other purchase of services	3 705	3 094	2 996	2 547
Total purchase of services	10 094	9 084	8 911	8 096

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 2021	Dec 2020	Dec 2021	Dec 2020
State of Victoria				
Education and Training	9 505	9 898	987	844
Environment, Land, Water and Planning	5 143	4 610	1 104	1 314
Families, Fairness and Housing ^{(a)(b)}	4 664	..	456	..
Health ^(a)	13 932	17 495	612	640
Jobs, Precincts and Regions	9 154	4 068	152	139
Justice and Community Safety	8 447	7 383	660	508
Premier and Cabinet ^(b)	446	436	5	10
Transport	6 710	9 268	4 527	3 875
Treasury and Finance	6 054	5 412	6	9
Parliament	160	154	6	7
Courts	375	374	60	11
Regulatory bodies and other part budget funded agencies ^(c)	1 596	1 357	101	83
Total	66 185	60 456	8 678	7 441
<i>Less eliminations and adjustments ^(d)</i>	<i>(9 452)</i>	<i>(14 076)</i>	<i>(77)</i>	<i>(154)</i>
Grand total	56 733	46 380	8 601	7 286

General government sector				
	Dec 2021	Dec 2020	Dec 2021	Dec 2020
Education and Training	9 505	9 898	987	844
Environment, Land, Water and Planning	2 008	1 533	102	50
Families, Fairness and Housing ^{(a)(b)}	3 660	..	5	..
Health ^(a)	13 858	16 575	605	457
Jobs, Precincts and Regions	8 682	3 707	52	42
Justice and Community Safety	5 375	4 729	647	462
Premier and Cabinet ^(b)	441	424	5	9
Transport	3 628	5 125	4 251	3 722
Treasury and Finance	4 576	4 072	1	6
Parliament	160	154	6	7
Courts	375	374	60	11
Regulatory bodies and other part budget funded agencies ^(c)	1 596	1 357	101	83
Total	53 864	47 949	6 823	5 695
<i>Less eliminations and adjustments ^(d)</i>	<i>(5 119)</i>	<i>(6 888)</i>	<i>(55)</i>	<i>(122)</i>
Grand total	48 745	41 061	6 769	5 572

Notes:

- (a) Effective from 1 February 2021, the Department of Health and Human Services was renamed the Department of Health, and the new Department of Families, Fairness and Housing was created. As a result, portfolio responsibilities of Child Protection, Prevention of Family Violence, Housing and Disability were transferred from the former Department of Health and Human Services to the Department of Families, Fairness and Housing. Refer to Note 9.8 in the 2020-21 Financial Report for the State of Victoria for further details.
- (b) Effective from 1 February 2021, portfolio responsibilities for Multicultural Affairs, LGBTIQ+ Equality, Veterans, and the offices for Women and Youth were transferred from the Department of Premier and Cabinet to the Department of Families, Fairness and Housing.
- (c) Other general government sector agencies not allocated to departments.
- (d) Mainly comprising payroll tax, capital asset charge (in the 2020-21 comparative only) 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)

<i>State of Victoria</i>	<i>Expenses from transactions</i>		<i>Purchases of non-financial assets</i>		<i>Total assets</i>	
	<i>Dec 2021</i>	<i>Dec 2020</i>	<i>Dec 2021</i>	<i>Dec 2020</i>	<i>Dec 2021</i>	<i>Jun 2021</i>
General public services	8 289	7 044	36	75	8 715	8 172
Public order and safety	5 625	4 758	781	547	14 399	13 743
Economic affairs	8 304	3 158	69	77	1 480	1 436
Environmental protection	603	406	57	4	14 331	14 276
Housing and community amenities	2 797	2 498	1 028	1 407	55 416	55 456
Health	13 467	11 884	465	428	21 553	21 287
Recreation, culture and religion	1 006	801	150	124	16 163	16 098
Education	9 061	8 389	937	796	32 777	32 139
Social protection	4 004	3 876	649	169	33 547	33 280
Transport	4 286	4 331	4 506	3 724	155 849	150 244
Not allocated by purpose ^{(a)(b)}	(710)	(765)	(77)	(65)	79 942	75 581
Total	56 733	46 380	8 601	7 286	434 173	421 712

<i>General government sector</i>						
General public services	3 059	2 537	11	17	4 540	4 106
Public order and safety	5 765	4 882	781	547	14 399	13 743
Economic affairs	8 290	3 160	73	71	1 415	1 369
Environmental protection	583	439	57	4	14 330	14 275
Housing and community amenities	1 123	900	25	24	2 207	2 230
Health	13 677	12 082	465	428	21 553	21 287
Recreation, culture and religion	582	480	26	25	8 691	8 743
Education	9 135	8 449	937	796	32 777	32 139
Social protection	3 542	3 699	198	..	2 232	2 237
Transport	3 573	5 005	4 251	3 721	105 901	100 294
Not allocated by purpose ^{(a)(b)}	(584)	(570)	(55)	(61)	102 691	103 993
Total	48 745	41 061	6 769	5 572	310 736	304 415

Notes:

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

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

4. MAJOR ASSETS AND INVESTMENTS

Introduction

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

Structure

4.1	Total land, buildings, infrastructure, plant and equipment	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 2021						
Buildings	76 491	(6 623)	69 867	53 516	(5 617)	47 899
Land and national parks	119 245	..	119 245	78 086	..	78 086
Infrastructure systems	90 431	(3 321)	87 110	18 330	(553)	17 777
Plant, equipment and vehicles	19 263	(7 816)	11 448	10 377	(5 472)	4 906
Roads and road infrastructure	39 424	(1 617)	37 807	38 855	(1 600)	37 255
Earthworks	10 027	..	10 027	10 027	..	10 027
Cultural assets	6 872	(230)	6 642	6 773	(230)	6 542
Total land, buildings, infrastructure, plant and equipment	361 753	(19 607)	342 146	215 965	(13 473)	202 492
Jun 2021						
Buildings	73 809	(5 494)	68 315	51 277	(4 708)	46 569
Land and national parks	118 687	..	118 687	77 599	..	77 599
Infrastructure systems	89 060	(4 897)	84 163	14 990	(535)	14 455
Plant, equipment and vehicles	18 583	(7 405)	11 178	9 834	(5 254)	4 581
Roads and road infrastructure	37 070	(1 127)	35 943	36 953	(1 113)	35 841
Earthworks	10 023	..	10 023	10 023	..	10 023
Cultural assets	6 772	(149)	6 624	6 673	(149)	6 525
Total land, buildings, infrastructure, plant and equipment	354 003	(19 071)	334 932	207 349	(11 758)	195 592

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

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

	State of Victoria			General government sector		
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Dec 2021						
Buildings	11 044	(1 844)	9 200	10 426	(1 663)	8 763
Infrastructure systems	17	(4)	13	3	(1)	1
Plant, equipment and vehicles	1 104	(481)	623	895	(421)	474
Total right-of-use assets: land, buildings, infrastructure, plant and equipment	12 165	(2 329)	9 836	11 323	(2 084)	9 239

Jun 2021						
Buildings	10 509	(1 597)	8 912	9 896	(1 443)	8 453
Infrastructure systems	16	(3)	13	2	(1)	1
Plant, equipment and vehicles	1 091	(409)	682	894	(361)	533
Total right-of-use assets: land, buildings, infrastructure, plant and equipment	11 616	(2 009)	9 607	10 793	(1 805)	8 988

Total service concession assets related 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 2021						
Buildings	2 077	(94)	1 984	2 077	(94)	1 984
Land and national parks	2 876	..	2 876	2 876	..	2 876
Infrastructure systems	10 448	(48)	10 400	6 146	..	6 146
Plant, equipment and vehicles	928	(48)	880	928	(48)	880
Roads and road infrastructure	12 091	(303)	11 788	11 640	(303)	11 337
Earthworks	924	..	924	924	..	924
Total service concession land, buildings, infrastructure, plant and equipment assets	29 345	(493)	28 853	24 592	(445)	24 147

Jun 2021						
Buildings	2 077	(61)	2 016	2 077	(61)	2 016
Land and national parks	2 876	..	2 876	2 876	..	2 876
Infrastructure systems	9 622	(53)	9 568	5 293	..	5 293
Plant, equipment and vehicles	797	(37)	759	797	(37)	759
Roads and road infrastructure	11 251	(184)	11 066	11 251	(184)	11 066
Earthworks	924	..	924	924	..	924
Total service concession land, buildings, infrastructure, plant and equipment assets	27 547	(336)	27 210	23 218	(283)	22 935

4.2 Depreciation

(\$ million)

	State of Victoria		General government sector	
	2021	2020	2021	2020
Buildings	1 419	1 360	1 099	1 080
Infrastructure systems	809	799	19	19
Plant, equipment and vehicles	625	581	389	366
Roads and road infrastructure	481	467	479	465
Cultural assets	10	10	10	10
Intangible produced assets	188	158	131	111
Total depreciation of buildings, infrastructure, plant and equipment	3 532	3 376	2 127	2 051

The following two tables are subsets of total depreciation expense.

Depreciation of right-of-use (leased) assets

(\$ million)

	State of Victoria		General government sector	
	2021	2020	2021	2020
Buildings	366	387	334	356
Infrastructure systems	1	1	..	1
Plant, equipment and vehicles	74	79	59	64
Total depreciation of right-of-use assets	441	467	393	421

Depreciation of service concession assets

(\$ million)

	State of Victoria		General government sector	
	2021	2020	2021	2020
Buildings	33	33	33	33
Infrastructure systems	43	42	..	..
Plant, equipment and vehicles	11	10	11	10
Roads and road infrastructure	110	96	110	96
Total depreciation of service concession assets	197	182	154	140

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>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>
Intangible produced assets	4 044	3 924	2 893	2 819
Accumulated depreciation	(2 217)	(2 009)	(1 529)	(1 401)
Service concession assets – intangible produced	485	485	485	485
Accumulated depreciation	..	..	..	..
Intangible non-produced assets	985	1 003	112	112
Accumulated amortisation	(369)	(373)	(55)	(52)
Total intangibles	2 927	3 029	1 906	1 962
Investment properties	316	315	304	303
Biological assets	56	59	2	2
Other assets	2 141	1 355	1 790	1 089
Total other non-financial assets	5 440	4 757	4 002	3 357

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
	2021	2021	2021	2021
Current borrowings				
Domestic borrowings	17 140	9 942	14 650	11 037
Foreign currency borrowings	841	683	..	..
Lease liabilities	776	672	723	607
Service concession arrangement liabilities	1 104	1 423	1 095	1 414
Derivative financial instruments	282	312	1	1
Total current borrowings	20 143	13 033	16 470	13 059
Non-current borrowings				
Domestic borrowings	99 270	88 908	80 963	66 993
Foreign currency borrowings	620	627	..	..
Lease liabilities	8 290	8 000	7 798	7 460
Service concession arrangement liabilities	5 418	5 096	5 001	4 995
Derivative financial instruments	819	634	461	478
Total non-current borrowings	114 417	103 265	94 223	79 925
Total borrowings	134 561	116 298	110 693	92 985

5.2 Cash flow information and balances

Reconciliation of cash and cash equivalents

(\$ million)

	State of Victoria		General government sector	
	Dec	Dec	Dec	Dec
	2021	2020	2021	2020
Cash	2 404	8 390	2 060	7 742
Deposits at call	18 519	13 298	11 059	6 719
Cash and cash equivalents	20 923	21 688	13 119	14 461
Bank overdraft	..	..	..	..
Balances as per cash flow statement	20 923	21 688	13 119	14 461

Reconciliation of net result to net cash flows from operating activities

(\$ million)

	State of Victoria		General government sector	
	Dec	Dec	Dec	Dec
	2021	2020	2021	2020
Net result	(8 999)	(9 687)	(10 012)	(10 156)
Non-cash movements				
Revenue related to economic service concession arrangements	(145)	(85)	(145)	(85)
Depreciation and amortisation	3 551	3 394	2 129	2 053
Revaluation of investments	360	(591)	17	(80)
Assets (received)/provided free of charge	(414)	(200)	(273)	(5)
Assets not previously/no longer recognised	(13)	13	(13)	13
Revaluation of assets	822	143	121	133
Discount/premium on other financial assets/borrowings	(213)	(180)	..	(1)
Foreign currency dealings	1	..	1	..
Unrealised (gains)/losses on borrowings	(2 088)	(89)	..	..
Discounting of assets and liabilities	(1)	(1)	(1)	(1)
Movements included in investing and financing activities				
Net gain/loss from sale of investments	(108)	(1 173)	(1)	2
Net gain/loss from sale of non-financial assets	(67)	(9)	(37)	(16)
Realised gains/losses on borrowings	(8)	172	(1)	..
Movements in assets and liabilities				
Increase/(decrease) in allowance for impairment losses	32	104	5	80
Increase/(decrease) in payables	213	826	(1 030)	(765)
Increase/(decrease) in employee benefits	530	(6)	489	(25)
Increase/(decrease) in superannuation	365	232	366	242
Increase/(decrease) in other provisions	1 337	1 801	(126)	(40)
(Increase)/decrease in receivables	1 022	(956)	1 474	(363)
(Increase)/decrease in other non-financial assets	(283)	(603)	(321)	(670)
Net cash flows from operating activities	(4 107)	(6 894)	(7 356)	(9 685)

5.3 Advances paid and investments, loans and placements

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>Dec</i>	<i>Jun</i>	<i>Dec</i>	<i>Jun</i>
	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>
Current advances paid and investments, loans and placements				
Loans and advances paid	284	231	702	1 283
Equities and managed investment schemes	1 347	3 110	898	917
Australian dollar term deposits	127	695	2 009	107
Foreign currency term deposits	15	56	..	..
Debt securities	6 050	3 608	2	1
Derivative financial instruments	696	309	78	79
Total current advances paid and investments, loans and placements	8 519	8 009	3 690	2 386
Non-current advances paid and investments, loans and placements				
Loans and advances paid	311	307	4 228	4 190
Equities and managed investment schemes	41 988	36 100	2 058	1 805
Australian dollar term deposits	38	26	38	26
Debt securities	2 473	1 713	24	25
Derivative financial instruments	74	478	..	..
Total non-current advances paid and investments, loans and placements	44 885	38 623	6 349	6 046
Total advances paid and investments, loans and placements	53 403	46 633	10 039	8 432
Represented by:				
Advances paid	595	538	4 931	5 473
Investments, loans and placements	52 808	46 094	5 108	2 960

5.4 Interest expense

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	Interest on interest-bearing liabilities	1 391	1 202	974	850
Finance charges on lease liabilities	199	194	191	185
Finance charges on service concessions	211	210	207	205
Discount interest on payables	16	13	14	13
Total interest expense	1 817	1 619	1 385	1 254

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 *2020-21 Financial Report* for the State of Victoria (Notes 5.4 and 5.9) should be made for details of commitments as at 30 June 2021.

As at 31 December 2021, the following additional material commitments were recorded for the State of Victoria. Unless otherwise stated, contract amounts are presented as nominal values.

- In July 2021, the State entered into a contract totalling \$72 million with Porter Plant for the hire of fully maintained and serviced plant and equipment for Sprayline Road Services. The contract expires in June 2028 with an option to extend for a further two years.
- In July 2021, the State entered into contracts with various pathology providers (4CYTE Pathology, Australian Clinical Labs, Dorevitch Pathology, Melbourne Pathology, Specialist Diagnosis Services Pty Ltd and VCS Foundation Ltd) to deliver COVID-19 Clinical Laboratories Asymptomatic Covid Testing up to June 2022. The estimated total cost of the contracts are \$631 million.
- Since 1 July 2021, the State entered into contracts with various medical manufacturing companies (2San Pty Ltd, Abbott Rapid Diagnostics Pty Ltd, AM Diagnostics Pty Ltd, Eczanes Pharmaceuticals, PathDx, Pharma Soul Pty Ltd, Roche Diagnostics Australia and SureScreen Australia Pty Ltd Limited) to purchase Rapid Antigen Test kits in the next 12 months. The estimated total cost is \$352 million.
- In August 2021, a variation of \$694 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 are estimated to be completed by 2027.
- In August 2021, the State entered into a contract with Build Pty Ltd for Latrobe Regional Hospital Expansion – Stage 3A. The total anticipated cost of the contract is \$175 million and is expected to be completed in September 2023.
- In August 2021, Kardinia Park Stadium Trust entered into a contract with BESIX Watpac to build Stage 5 of GMHBA Stadium. The balance outstanding under the contract at 31 December 2021 is \$123 million. The project is expected to be completed in May 2023.
- In September 2021, the State entered into new contracts totalling \$250 million with DECMIL Southern Pty Ltd, BMD Constructions Pty Ltd and BILD Group Pty Ltd for the Barwon Heads Road Upgrade. The Upgrade is expected to be completed by August 2023.
- In September 2021, a contract variation totalling \$70 million for the provision of Metropolitan Road Asset Maintenance Services by Downer EDI Works Pty Ltd for a further 24 months was made. The expected completion date of the contract is June 2023.
- In September 2021, the State entered into a contract with Alstom Transport Australia Pty Ltd to manufacture 25 new X'Trapolis 2.0 trainsets. The total cost of the contract is \$510 million and is expected to be completed in 2026.
- In September 2021, the State entered into a new contract totalling \$67 million with Viva Energy Australia Ltd for the supply of bitumen for various locations. Supply is contracted until June 2026 with an option to extend for a further two years.
- In September 2021, the State entered into a contract with Downer Utilities Australia Pty Ltd, Abergeldie Contractors Pty Ltd, Stantec Australia Pty Ltd, as Safety Focused Performance Joint Venture to deliver a sewer pipeline crossing the Maribyrnong to connect the Maribyrnong River Main Sewer and the North West Sewer. The total contract cost is \$61 million and the project is planned for completion by March 2024.
- In September 2021, a contract variation of \$110 million was made to the Rail Infrastructure Alliance, comprising CPB Contractors, John Holland, Aecom and Metro Trains for the delivery of Gap Road Level Crossing. The level crossing is expected to be removed by 2022.

- In October 2021, the State and State Tolling Corporation contracted with Spark consortium – comprising WeBuild, GS Engineering and Construction, CPB Contractors, China Construction Oceania, Ventia, Capella Capital, John Laing Investments, DIF and Pacific Partnerships – to deliver the North East Link Primary Package under a Public Private Partnership (PPP) arrangement. The total cost of the contract is \$11.1 billion (Net Present Value). Construction is expected to be completed in 2028, with a 25-year operating term to follow.
- In October 2021, the State and Spark consortium jointly appointed the APP, Arup and Aurecon joint venture for independent reviewer and environmental auditor services and independent cost auditor services relating to the North East Link Primary Package. The estimated contract value is \$137 million (exclusive of Nominated Subcontractor Services), with services contracted until 2029.
- In October 2021, a variation of \$53 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 are estimated to be completed by 2027.
- In October 2021, the Metropolitan Bus Franchise contract was awarded to the Kinetic Group for a 9.5 year franchise term from January 2022. The total contract value is around \$2.3 billion. Kinetic will replace the current franchisee (Transdev) in providing public bus services and has planned to introduce low or zero-emissions vehicles to the bus fleet.
- In October 2021, the State entered into a contract with John Holland Pty Ltd to deliver a duplication of the Hobsons Bay Sewer Main Yarra River Crossing. The total contract cost is \$140 million, and the project is planned for completion by the end of 2024.
- In November 2021, a contract totalling \$588 million was entered into with Laing O'Rourke Australia Construction Pty Ltd for the provision of construction services for initial and early works for Suburban Rail Loop East (Cheltenham to Box Hill). Construction is expected to be completed in June 2025.
- In November 2021, a contract variation of \$117 million to the Tunnel and Station PPP Project Agreement with the Cross Yarra Partnership occurred which relates to additional COVID-19 costs and other matters. Construction is expected to be completed by 2025.
- In November 2021, the State entered into a \$65 million contract with BESIX Watpac for the renewal of Tarakan St, Heidelberg West. Works are expected to be completed in 2023.
- In November 2021, the State has entered into a number of arrangements with sporting event organisers, estimated to be \$55 million as at 31 December 2021. These arrangements are expected to be completed by 31 December 2022.
- On 17 December 2021, the State and Transurban announced that a settlement has been reached between the State, Transurban and the D&C Subcontractors for the West Gate Tunnel project. The State will contribute \$1.9 billion, Transurban will contribute \$2.2 billion and the D&C Subcontractors will forego revenue and profit margins on the project. Construction is expected to be completed by late 2025. The settlement terms require subsequent amendment to the Project Documents.
- In December 2021, a variation of \$71 million was made to A and Z Class Tram Life Extension works under the Rolling Stock Project Support Agreement - Tram (MR4) with KDR Victoria Pty Ltd (Yarra Trams). The work is estimated to be completed by June 2025.
- In December 2021, variations totalling \$928 million were 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 are estimated to be completed by 2027.
- In December 2021, a variation of \$272 million was made to the contract with Victorian Correctional Infrastructure Partnership (VCIP) to deliver additional capacity to the male prison system at Marngoneet Correctional Centre and the Metropolitan Remand Centre. This is part of the State's \$791 million program to upgrade existing infrastructure at five Victorian prisons. The work is estimated to be completed by the end of 2023.
- In December 2021, the State entered into a \$116 million contract with Hansen Yuncken Pty Ltd for the redevelopment at Bills St, Hawthorn. Works are expected to be completed in 2023.
- The State has entered into a contract with Kane Constructions Pty Ltd for Wonthaggi Hospital Emergency Department Expansion. In December 2021, the total anticipated cost of the contract is \$84 million and is expected to be completed in early 2023.

- During 2021-22, the State has invested a total of \$619 million in Jobs for Victoria, of which \$496 million is allocated to grant programs that deliver direct support to jobseekers and employers. As at 31 December 2021, \$182 million is contractually committed across these programs up until 30 June 2023.

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
6.4	Superannuation.....	39
6.5	Other provisions	40

6.1 Inventories

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2021	2021	2021	2021
At cost				
Raw materials	8	9	7	8
Work in progress	135	111	4	3
Finished goods	87	95	6	5
Consumable stores	880	903	806	838
Land and other assets held as inventory	898	881	56	54
At net realisable value				
Finished goods	1	7	..	..
Consumable stores	5	4	..	..
Total inventories	2 014	2 010	879	908

6.2 Receivables and contract assets

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2021	2021	2021	2021
Contractual				
Sales of goods and services	1 365	1 183	748	662
Accrued investment income	40	43	16	13
Contract assets	128	106	..	1
Other receivables	2 648	2 666	1 451	1 699
Allowance for impairment of contractual receivables	(287)	(261)	(186)	(187)
Statutory				
Sales of goods and services	6	8	7	5
Taxes receivables	3 703	4 522	3 809	4 628
Fines and regulatory fees	2 872	2 702	2 870	2 702
GST input tax credits recoverable	1 535	1 595	591	642
Other receivables	..	616	..	614
Allowance for impairment of statutory receivables	(2 584)	(2 577)	(2 583)	(2 577)
Other				
Actuarially determined	580	590	..	..
Total receivables and contract assets	10 007	11 194	6 721	8 201
Represented by:				
Current receivables and contract assets	8 475	9 695	6 222	7 709
Non-current receivables and contract assets	1 532	1 499	500	492

6.3 Payables and contract liabilities

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2021	2021	2021	2021
Contractual				
Accounts payable	2 661	2 720	1 231	910
Accrued expenses	4 238	5 123	3 742	4 607
Contract liabilities	601	438	375	239
Grant of right to operate liability	9 652	9 635	9 652	9 635
Unearned income	12 285	10 818	1 092	1 206
Statutory				
Accrued taxes payable	104	76	74	46
Total payables and contract liabilities	29 541	28 810	16 166	16 643
Represented by:				
Current payables and contract liabilities	11 199	10 069	6 235	6 681
Non-current payables and contract liabilities	18 342	18 741	9 932	9 962

6.4 Superannuation

(\$ million)

	State of Victoria	
	Dec	Jun
	2021	2021
Current liability	1 012	1 014
Non-current liability	26 763	26 232
Total superannuation liability	27 775	27 245
Represented by:		
Emergency Services and State Super	26 314	25 813
Other funds	1 461	1 433

6.5 Other provisions

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>Dec</i> 2021	<i>Jun</i> 2021	<i>Dec</i> 2021	<i>Jun</i> 2021
Provision for insurance claims				
WorkSafe Victoria	3 356	3 172	..	..
Transport Accident Commission	1 527	1 596	..	..
Victorian Managed Insurance Authority	616	540	..	..
Other agencies	41	50	39	47
Current provision for insurance claims	5 540	5 357	39	47
Other provisions	993	1 078	534	593
Total current other provisions	6 533	6 435	572	640
Non-current provision for insurance claims				
WorkSafe Victoria	22 510	21 355	..	..
Transport Accident Commission	18 542	18 466	..	..
Victorian Managed Insurance Authority	2 232	2 179	..	..
Other agencies	76	76	75	75
Non-current provision for insurance claims	43 360	42 075	75	75
Other provisions	843	899	823	882
Total non-current other provisions	44 203	42 974	898	957
Total other provisions	50 736	49 409	1 470	1 597

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 *2020-21 Financial Report* for the State of Victoria contains a comprehensive disclosure of the State's financial risk management objectives and policies associated with financial instruments.

7.2 Contingent assets and contingent liabilities

Contingent assets

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

Reference should be made to the *2020-21 Financial Report* for the State of Victoria (Note 7.2) for details of contingent assets as at 30 June 2021.

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 *2020-21 Financial Report* for the State of Victoria (Note 7.2) for details of contingent liabilities as at 30 June 2021.

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

8.1	Consolidated fund receipts and payments.....	42
8.2	Trust fund statement cash flows.....	43
8.3	Reconciliation of cash flows to balances held.....	44
8.4	Details of securities held in the Public Account.....	44

8.1 Consolidated fund receipts and payments

(\$ million)

2020-21		2021-22	
actual to Dec		actual to Dec	revised budget
9 996	Taxation	13 848	27 813
367	Fines and regulatory fees	478	1 129
8 814	Grants received	14 950	27 882
4 262	Sales of goods and services	414	1 484
235	Interest received	223	466
347	Dividends, income tax equivalent and rate equivalent receipts	356	453
260	Other receipts	513	740
24 281	Total operating activities	30 781	59 967
20 153	Total inflows from investing and financing	19 626	34 309
44 434	Total receipts	50 407	94 276
	Payments to departments		
8 641	Education and Training	7 779	16 576
966	Environment, Land, Water and Planning	1 624	3 549
..	Families, Fairness and Housing ^{(a)(b)}	4 606	7 545
12 420	Health ^(a)	9 059	16 170
3 697	Jobs, Precincts and Regions	8 962	11 247
5 243	Justice and Community Services	5 781	10 052
331	Premier and Cabinet ^(b)	254	720
7 752	Transport	8 528	16 469
5 307	Treasury and Finance	4 514	19 024
160	Parliament	166	339
405	Courts	414	1 429
44 922	Total payments	51 687	103 121
(488)	Net receipts/(payments)	(1 280)	(8 844)

Notes:

(a) Effective from 1 February 2021, the Department of Health and Human Services was renamed the Department of Health, and the new Department of Families, Fairness and Housing was created. As a result, portfolio responsibilities of Child Protection, Prevention of Family Violence, Housing and Disability were transferred from the former Department of Health and Human Services to the Department of Families, Fairness and Housing. Refer to Note 9.8 in the 2020-21 Financial Report for the State of Victoria for further details.

(b) Effective from 1 February 2021, portfolio responsibilities for Multicultural Affairs, LGBTIQ+ Equality, Veterans, and the offices for Women and Youth were transferred from the Department of Premier and Cabinet to the Department of Families, Fairness and Housing.

8.2 Trust fund statement cash flows

(\$ million)

2020-21		2021-22	
<i>actual to Dec</i>		<i>actual to Dec</i>	<i>revised budget</i>
Cash flows from operating activities			
308	Taxation	339	585
37	Regulatory fees and fines	42	110
12 739	Grants received	13 187	22 909
524	Sale of goods and services	245	841
22	Interest received	15	69
10	Dividends received	16	92
2 408	Net transfers from consolidated fund	4 977	8 183
209	Other receipts	78	207
16 255	Total receipts	18 899	32 996
(176)	Payments for employees	(303)	(446)
(17)	Superannuation	(24)	(35)
(33)	Interest paid	(51)	(113)
(12 049)	Grants and subsidies	(13 039)	(24 301)
(2 304)	Goods and services	(2 271)	(4 182)
(14 579)	Total payments	(15 688)	(29 077)
1 676	Net cash flows from operating activities	3 211	3 919
Cash flows from investing activities			
(102)	Purchases of property, plant and equipment	(37)	(4 185)
37	Proceeds from sale of property, plant and equipment	40	66
583	Net proceeds from customer loans	619	856
(1 841)	Other investing activities	(1 896)	(678)
(1 322)	Net cash flows from investing activities	(1 274)	(3 942)
Cash flows from financing activities			
(174)	Net proceeds/(repayments) from borrowings	113	(206)
(174)	Net cash flows from financing activities	113	(206)
180	Net cash inflow/(outflow)	2 050	(229)

8.3 Reconciliation of cash flows to balances held

(\$ million)

	<i>Balances held at 30 Jun 2021</i>	<i>Dec movement YTD</i>	<i>Balances held at 31 Dec 2021</i>
Cash and deposits			
Cash and balances outside of the Public Account	..	..	..
Deposits held with the Public Account – specific trusts	17	5	22
Other balances held in the Public Account	6 016	696	6 712
Total cash and deposits	6 033	701	6 734
Investments			
Investments held with the Public Account – specific trusts	1 552	124	1 675
Total investments	1 552	124	1 675
Total fund balances	7 584	825	8 410
Less funds held outside the public account			
Cash	..	..	..
Total fund balances held outside the Public Account	..	..	..
Total fund balances held in the Public Account ^(a)	7 584	825	8 410

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)

<i>2020-21 actual 31 Dec</i>		<i>2021-22 opening 1 Jul actual 31 Dec</i>	
1 343	Amounts invested on behalf of specific trust accounts	1 569	1 698
4 450	General account balances	6 016	6 712
5 794	Total Public Account	7 585	8 410
	Represented by:		
5 076	Stock, securities, cash and investments	6 692	7 557
	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>	..	..
718	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	893	853
5 794	Total Public Account	7 585	8 410

9. OTHER DISCLOSURES

Introduction

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

Structure

9.1	Disaggregated information	46
9.2	Other gains/(losses) from other economic flows	54
9.3	Controlled entities.....	54

9.1 Disaggregated information

Disaggregated operating statement for the six months ended 31 December

(\$ million)

	General government sector		Public non-financial corporations	
	2021	2020	2021	2020
Revenue and income from transactions				
Taxation	12 954	9 729	..	..
Interest income	266	279	3	5
Dividends, income tax equivalent and rate equivalent income	390	364	5	3
Sales of goods and services ^(a)	2 557	3 715	3 274	2 950
Grants	20 922	15 811	1 121	2 473
Other revenue and income	1 677	1 042	313	383
Total revenue and income from transactions	38 766	30 940	4 715	5 814
Expenses from transactions				
Employee expenses	16 108	14 637	794	737
Net superannuation interest expense	242	154	..	..
Other superannuation	1 892	1 708	75	68
Depreciation	2 127	2 051	939	853
Interest expense	1 385	1 254	406	417
Grant expense ^(a)	14 627	10 133	259	158
Other operating expenses	12 364	11 124	2 285	3 146
Other property expenses	..	..	101	118
Total expenses from transactions	48 745	41 061	4 857	5 496
Net result from transactions – net operating balance	(9 979)	(10 121)	(142)	318
Other economic flows included in net result				
Net gain/(loss) on disposal of non-financial assets	36	5	30	(7)
Net gain/(loss) on financial assets or liabilities at fair value	(18)	81	16	24
Share of net profit/(loss) from associates/joint venture entities	..	(2)	..	..
Other gains/(losses) from other economic flows	(51)	(119)	(439)	(377)
Total other economic flows included in net result	(33)	(36)	(393)	(360)
Net result	(10 012)	(10 156)	(535)	(43)
Other economic flows – other comprehensive income				
Items that will not be reclassified to net result				
Changes in non-financial assets revaluation surplus	353	227	186	24
Remeasurement of superannuation defined benefits plans	(165)	(2 190)	..	(9)
Other movements in equity ^(b)	(14)	13	4	(7)
Items that may be reclassified subsequently to net result				
Net gain/(loss) on financial assets at fair value	(19)	12	(1)	5
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(1 193)	(158)	..	..
Total other economic flows – other comprehensive income^(b)	(1 038)	(2 097)	189	13
Comprehensive result – total change in net worth^(b)	(11 050)	(12 253)	(346)	(30)
FISCAL AGGREGATES				
Net operating balance	(9 979)	(10 121)	(142)	318
Net acquisition of non-financial assets from transactions				
Purchases of non-financial assets (including change in inventories)	6 736	5 838	1 805	1 664
Less: Sales of non-financial assets	(89)	(56)	(70)	(47)
Less: Depreciation and amortisation	(2 127)	(2 051)	(939)	(853)
Plus/(less): Other movements in non-financial assets	1 670	2 025	514	256
Less: Net acquisition of non-financial assets from transactions	6 190	5 756	1 310	1 020
Net lending/(borrowing)	(16 169)	(15 876)	(1 452)	(702)

Notes:

(a) As highlighted in the 2021-22 Budget Paper No. 3, Chapter 2 Department Performance Statements, the capital assets charge (CAC) policy is discontinued from 2021-22.

The removal of the CAC reduces the Sales of goods and services and grant expenses by equal amounts.

(b) The 2020-21 comparative figures have been restated to reflect more current information.

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2021	2020	2021	2020 ^(b)	2021	2020
..	..	(220)	(216)	12 733	9 513
1 204	1 058	(1 168)	(1 059)	304	284
2 169	1 189	(365)	(347)	2 199	1 208
2 781	2 761	(776)	(2 117)	7 836	7 309
59	..	(1 258)	(2 560)	20 844	15 724
10	15	..	..	2 000	1 440
6 223	5 023	(3 787)	(6 299)	45 916	35 479
226	211	(333)	(319)	16 794	15 266
..	..	..	..	242	154
21	18	..	..	1 987	1 794
33	37	433	434	3 532	3 376
1 195	1 007	(1 168)	(1 059)	1 817	1 619
85	102	(1 344)	(2 643)	13 628	7 750
4 663	4 085	(579)	(1 932)	18 732	16 423
274	441	(375)	(558)	..	..
6 496	5 900	(3 365)	(6 077)	56 733	46 380
(273)	(877)	(423)	(221)	(10 817)	(10 901)
..	..	..	..	66	(3)
1 838	1 567	..	..	1 836	1 672
..	..	..	..	..	(2)
841	(86)	(435)	130	(85)	(453)
2 679	1 481	(435)	130	1 817	1 215
2 406	604	(858)	(92)	(8 999)	(9 687)
..	(1)	(55)	(317)	483	(67)
..	..	..	..	(165)	(2 199)
(56)	1	..	..	(65)	7
..	..	..	..	(20)	17
..	..	1 193	158	..	..
(56)	..	1 139	(158)	234	(2 242)
2 350	604	281	(250)	(8 766)	(11 929)
(273)	(877)	(423)	(221)	(10 817)	(10 901)
25	58	11	(1)	8 578	7 559
..	..	..	(3)	(160)	(107)
(33)	(37)	(433)	(434)	(3 532)	(3 376)
..	..	..	2	2 184	2 283
(8)	21	(422)	(437)	7 070	6 360
(265)	(898)	(1)	215	(17 887)	(17 261)

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

	General government sector		Public non-financial corporations	
	Dec	Jun	Dec	Jun
	2021	2021	2021	2021
Assets				
Financial assets				
Cash and deposits	13 119	14 609	1 715	1 857
Advances paid	4 931	5 473	663	1 299
Receivables and contract assets	6 721	8 201	1 422	1 482
Investments, loans and placements	5 108	2 960	790	754
Loans receivable from non-financial public sector ^(a)	..	..	..	..
Investments accounted for using the equity method	10	10	..	..
Investments in other sector entities	73 292	73 125	..	..
Total financial assets	103 181	104 377	4 591	5 393
Non-financial assets				
Inventories	879	908	1 135	1 102
Non-financial assets held for sale	181	182	49	61
Land, buildings, infrastructure, plant and equipment	202 492	195 592	106 080	105 274
Other non-financial assets	4 002	3 357	1 612	1 521
Total non-financial assets	207 555	200 038	108 876	107 958
Total assets	310 736	304 415	113 467	113 351
Liabilities				
Deposits held and advances received	2 036	2 791	1 176	1 731
Payables	15 791	16 404	9 922	9 945
Contract liabilities	375	239	230	202
Borrowings	110 693	92 985	18 770	18 037
Employee benefits	9 873	9 384	563	532
Superannuation	27 749	27 217	26	28
Other provisions	1 470	1 597	9 714	9 923
Total liabilities	167 987	150 617	40 402	40 398
Net assets ^(b)	142 749	153 799	73 065	72 953
Accumulated surplus/(deficit)	48 331	58 642	(24 809)	(23 776)
Reserves	94 417	95 157	97 875	96 729
Net worth ^(b)	142 749	153 799	73 065	72 953
FISCAL AGGREGATES				
Net financial worth	(64 806)	(46 239)	(35 811)	(35 005)
Net financial liabilities	138 098	119 364	35 811	35 005
Net debt	89 571	72 734	16 778	15 857

Notes:

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

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

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
<i>Dec</i>	<i>Jun</i>	<i>Dec</i>	<i>Jun</i>	<i>Dec</i>	<i>Jun</i>
<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>	<i>2021</i>
6 776	7 875	(687)	(2 409)	20 923	21 933
..	14	(4 999)	(6 247)	595	538
2 529	2 158	(665)	(647)	10 007	11 194
49 028	42 629	(2 118)	(249)	52 808	46 094
96 074	79 487	(96 074)	(79 487)	..	..
..	..	..	..	10	10
..	..	(73 292)	(73 125)	..	..
154 407	132 163	(177 835)	(162 164)	84 343	79 770
..	..	..	..	2 014	2 010
..	..	..	..	230	243
363	383	33 210	33 684	342 146	334 932
3 796	3 563	(3 970)	(3 683)	5 440	4 757
4 159	3 946	29 240	30 001	349 830	341 943
158 566	136 109	(148 595)	(132 163)	434 173	421 712
2 073	306	(3 655)	(3 044)	1 630	1 784
4 127	2 636	(901)	(613)	28 940	28 372
..	..	(4)	(3)	601	438
106 328	90 812	(101 232)	(85 535)	134 561	116 298
130	121	..	..	10 566	10 036
..	..	..	..	27 775	27 245
49 127	47 673	(9 575)	(9 783)	50 736	49 409
161 786	141 547	(115 366)	(98 979)	254 809	233 583
(3 220)	(5 438)	(33 229)	(33 184)	179 364	188 130
(3 292)	(5 505)	46 944	46 896	67 174	76 257
72	67	(80 173)	(80 080)	112 191	111 873
(3 220)	(5 438)	(33 229)	(33 184)	179 364	188 130
(7 379)	(9 384)	(62 469)	(63 185)	(170 466)	(153 813)
7 379	9 384	(10 822)	(9 940)	170 466	153 813
(43 476)	(38 888)	(1 008)	(187)	61 865	49 516

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

	General government sector		Public non-financial corporations	
	2021	2020	2021	2020
Cash flows from operating activities				
Receipts				
Taxes received	13 704	9 825	..	..
Grants	21 695	15 287	1 135	2 467
Sales of goods and services ^(a)	2 939	4 390	3 583	3 122
Interest received	261	279	23	13
Dividends, income tax equivalent and rate equivalent receipts	381	364	5	3
Other receipts	1 118	282	292	22
Total receipts	40 098	30 427	5 038	5 627
Payments				
Payments for employees	(15 660)	(14 632)	(762)	(724)
Superannuation	(1 768)	(1 619)	(76)	(78)
Interest paid	(1 243)	(1 089)	(406)	(420)
Grants and subsidies	(14 934)	(10 241)	(150)	(44)
Goods and services ^(a)	(13 332)	(11 846)	(2 700)	(2 101)
Other payments	(518)	(685)	(238)	(1 322)
Total payments	(47 455)	(40 112)	(4 333)	(4 688)
Net cash flows from operating activities	(7 357)	(9 685)	706	939
Cash flows from investing activities				
Cash flows from investments in non-financial assets				
Purchases of non-financial assets	(6 769)	(5 572)	(1 796)	(1 657)
Sales of non-financial assets	89	56	70	47
Net cash flows from investments in non-financial assets	(6 679)	(5 516)	(1 726)	(1 610)
Net cash flows from investments in financial assets for policy purposes	26	365	636	594
Sub-total	(6 653)	(5 151)	(1 090)	(1 016)
Net cash flows from investments in financial assets for liquidity management purposes	(2 186)	3	(29)	2
Net cash flows from investing activities	(8 839)	(5 148)	(1 119)	(1 013)
Cash flows from financing activities				
Advances received (net)	(902)	(620)	(589)	(629)
Net borrowings	15 461	16 890	401	620
Deposits received (net)	147	(13)	34	(5)
Other financing (net)	..	..	425	136
Net cash flows from financing activities	14 706	16 257	271	123
Net increase/(decrease) in cash and cash equivalents	(1 490)	1 423	(142)	48
Cash and cash equivalents at beginning of reporting period	14 609	13 037	1 857	1 532
Cash and cash equivalents at end of the reporting period	13 119	14 461	1 715	1 580
FISCAL AGGREGATES				
Net cash flows from operating activities	(7 357)	(9 685)	706	939
Dividends paid	..	..	(82)	(130)
Net cash flows from investments in non-financial assets	(6 679)	(5 516)	(1 726)	(1 610)
Cash surplus/(deficit)	(14 036)	(15 202)	(1 102)	(801)

Notes:
(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>	
2021	2020	2021	2020	2021	2020
..	..	(220)	(216)	13 483	9 609
64	60	(1 260)	(2 614)	21 634	15 200
4 385	3 847	(1 100)	(2 152)	9 807	9 207
961	868	(1 165)	(1 051)	81	108
2 169	1 189	(357)	(347)	2 199	1 208
34	5	14	285	1 458	594
7 612	5 969	(4 087)	(6 094)	48 661	35 928
(215)	(203)	333	319	(16 305)	(15 241)
(21)	(18)	..	..	(1 864)	(1 715)
(1 156)	(947)	1 165	1 052	(1 640)	(1 403)
(75)	(161)	1 260	2 614	(13 899)	(7 832)
(3 389)	(2 591)	883	661	(18 538)	(15 877)
(10)	(3)	245	1 256	(521)	(753)
(4 866)	(3 923)	3 885	5 902	(52 768)	(42 822)
2 746	2 046	(202)	(193)	(4 107)	(6 894)
(25)	(58)	(11)	1	(8 601)	(7 286)
..	..	..	3	160	107
(25)	(58)	(11)	4	(8 441)	(7 180)
(42)	(1)	(741)	(986)	(121)	(29)
(67)	(59)	(753)	(982)	(8 562)	(7 208)
(22 982)	(23 568)	18 488	16 238	(6 710)	(7 325)
(23 048)	(23 627)	17 735	15 256	(15 272)	(14 533)
(28)	12	1 238	1 224	(281)	(12)
17 568	22 979	(14 908)	(16 576)	18 522	23 913
1 796	29	(1 848)	19	128	29
(132)	(59)	(293)	(77)	..	..
19 203	22 961	(15 812)	(15 410)	18 369	23 930
(1 099)	1 379	1 721	(347)	(1 010)	2 503
7 875	8 069	(2 409)	(3 453)	21 933	19 185
6 776	9 448	(687)	(3 800)	20 923	21 688
2 746	2 046	(202)	(193)	(4 107)	(6 894)
(132)	(59)	215	189	..	..
(25)	(58)	(11)	4	(8 441)	(7 180)
2 589	1 928	2	1	(12 548)	(14 073)

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 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)
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 ^(a)	(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
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)
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

Note:

(a) The 1 July 2021 opening balance does not equal the 30 June closing balance reflecting movements between Accumulated surplus/(deficit) and Non-financial assets revaluation surplus resulting from the mergers of Western Water and City West Water to form Greater Western Water.

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

	Accumulated surplus/(deficit)	Contributions by owners	Non-financial assets revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
General government sector						
Balance at 1 July 2020 ^(a)	68 166	..	54 379	32 639	908	156 092
Net result for the year	(10 156)	..	..	..	..	(10 156)
Other comprehensive income for the year ^(a)	(2 188)	..	227	(158)	23	(2 097)
Dividends paid	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 31 December 2020	55 823	..	54 605	32 480	931	143 839
PNFC sector						
Balance at 1 July 2020	(15 963)	67 225	23 046	..	575	74 884
Net result for the year	(43)	..	..	..	..	(43)
Other comprehensive income for the year	(17)	..	24	..	6	13
Dividends paid	(130)	..	..	..	..	(130)
Transactions with owners in their capacity as owners	..	301	..	..	..	301
Total equity as at 31 December 2020	(16 153)	67 527	23 071		581	75 026
PFC sector						
Balance at 1 July 2020	(10 196)	29	4	..	41	(10 122)
Net result for the year	604	..	..	..	..	604
Other comprehensive income for the year	(2)	..	(1)	..	3	..
Dividends paid	(59)	..	..	..	..	(59)
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 31 December 2020	(9 653)	29	2		44	(9 578)
Eliminations	34 751	(67 555)	23 560	(32 480)		(41 725)
Total State of Victoria	64 768	..	101 238		1 556	167 562

Note:

(a) The 1 July 2020 and 2020-21 comparative figures have been restated to reflect more current information.

9.2 Other gains/(losses) from other economic flows

(\$ million)

	State of Victoria		General government	
	2021	2020	2021	2020
Net (increase)/decrease in allowances for credit losses	(15)	(127)	(13)	(125)
Amortisation of intangible non-produced assets	(18)	(18)	(2)	(2)
Net swap interest revenue/(expense)	5	11	..	..
Bad debts written off	(7)	(11)	(6)	(6)
Other gains/(losses)	(49)	(307)	(30)	14
Total other gains/(losses) from other economic flows	(85)	(453)	(51)	(119)

9.3 Controlled entities

Note 9.8 in the 2020-21 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 2021 which have been consolidated for the purposes of the financial report:

General government	
Department of Education and Training	Department of Premier and Cabinet
Victorian Academy of Teaching and Leadership ^(a)	Wage Inspectorate Victoria ^(e)
Department of Health	Department of Transport
Grampians Health ^(b)	VicHoldCo ^(f)
Department of Justice and Community Safety	
Office of the Special Investigator ^(c)	
Victorian Gambling and Casino Control Commission ^(d)	
Public non-financial corporations	
Department of Environment, Land, Water and Planning	
Greater Western Water ^(g)	
Melbourne Water Corporation ^(h)	
Department of Transport	
Ports Victoria ⁽ⁱ⁾	

Notes:

- (a) Effective from 1 January 2022, Victorian Academy of Teaching and Leadership was established through the Education and Training Reform Amendment (Victorian Academy of Teaching and Leadership) Act 2021 to deliver teaching excellence programs for teachers in government, Catholic and independent schools.
- (b) Effective from 1 November 2021, Ballarat Health Services, Edenhope and District Memorial Hospital, Stawell Regional Health and Wimmera Health Care Group were amalgamated into Grampians Health.
- (c) In December 2021, the Office of the Special Investigator was established.
- (d) On 1 January 2022, the Victorian Commission for Gambling and Liquor Regulation became the Victorian Gambling and Casino Control Commission.
- (e) Effective from 1 July 2021, the Wage Inspectorate Victoria was established by the Wage Theft Act 2020 to promote, monitor, and enforce a range of Victorian workplace laws to ensure workers and businesses are treated fairly.
- (f) Effective from 15 December 2020, VicHoldCo was established under the Corporation Act 2001 with the purpose of holding the State's investment in a joint venture to develop a new technology for better bridge maintenance.
- (g) Effective 1 July 2021, City West Water Corporation and Western Region Water Corporation integrated to form a new water corporation called Greater Western Water.
- (h) Effective from 1 January 2022, Port Phillip Westernport Catchment Management Authority has been integrated into Melbourne Water Corporation.
- (i) Effective from 1 July 2021, Victorian Ports Corporation (Melbourne) and Victorian Regional Channels Authority merged and created a new entity called Ports Victoria. Ports Victoria will lead the strategic management and operation of Victorian commercial ports and waterways.

9.4 Glossary of technical terms

The 2020-21 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)

	2020-21		2021-22		
	Dec	Mar	Jun	Sep ^(a)	Dec
Revenue and income from transactions					
Taxation	4 638	8 009	5 876	7 018	5 936
Interest income	137	127	188	133	132
Dividends, income tax equivalent and rate equivalent income	281	79	177	94	296
Sales of goods and services	2 011	1 946	2 287	1 283	1 274
Grants	8 272	9 583	11 564	8 698	12 224
Other revenue and income	552	791	1 081	690	988
Total revenue and income from transactions	15 891	20 536	21 173	17 915	20 850
Expenses from transactions					
Employee expenses	7 413	7 396	8 011	7 882	8 226
Net superannuation interest expense	71	75	76	142	100
Other superannuation	903	858	860	969	923
Depreciation	1 029	996	1 117	1 048	1 079
Interest expense	630	685	675	639	747
Grant expense	5 313	5 492	6 460	7 950	6 677
Other operating expenses	5 588	5 577	7 867	5 763	6 600
Total expenses from transactions	20 948	21 079	25 067	24 393	24 352
Net result from transactions – net operating balance	(5 056)	(544)	(3 894)	(6 477)	(3 502)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	5	16	(48)	27	9
Net gain/(loss) on financial assets or liabilities at fair value	80	31	11	(33)	15
Share of net profit/(loss) from associates/joint venture entities	..	..	5	..	..
Other gains/(losses) from other economic flows	(103)	313	468	113	(164)
Total other economic flows included in net result	(18)	360	436	108	(141)
Net result	(5 075)	(184)	(3 457)	(6 369)	(3 643)
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	82	62	6 668	258	95
Remeasurement of superannuation defined benefits plans	(541)	4 258	1 869	690	(854)
Other movements in equity	35	24	2	(34)	21
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(7)	138	79	18	(37)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(158)	..	501	..	(1 193)
Total other economic flows – other comprehensive income	(589)	4 481	9 120	931	(1 969)
Comprehensive result – total change in net worth	(5 664)	4 298	5 662	(5 439)	(5 612)
KEY FISCAL AGGREGATES					
Net operating balance	(5 056)	(544)	(3 894)	(6 477)	(3 502)
Less: Net acquisition of non-financial assets from transactions	3 849	2 123	6 329	2 483	3 707
Net lending/(borrowing)	(8 906)	(2 667)	(10 223)	(8 960)	(7 209)

Note:

(a) The September quarter taxation revenue amount and associated impacted totals have been restated to reflect more accurate available information.

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

(\$ million)

	2020-21			2021-22	
	Dec	Mar	Jun	Sep ^(a)	Dec
Assets					
Financial assets					
Cash and deposits	14 461	14 823	14 609	15 786	13 119
Advances paid	5 912	5 977	5 473	5 284	4 931
Receivables and contract assets	6 391	8 920	8 201	8 142	6 721
Investments, loans and placements	2 680	2 759	2 960	3 017	5 108
Investments accounted for using the equity method	10	10	10	10	10
Investments in other sector entities	75 186	75 317	73 125	73 288	73 292
Total financial assets	104 640	107 806	104 377	105 527	103 181
Non-financial assets					
Inventories	905	901	908	849	879
Non-financial assets held for sale	174	189	182	183	181
Land, buildings, infrastructure, plant and equipment	179 353	181 864	195 592	198 442	202 492
Other non-financial assets	3 496	3 293	3 357	3 860	4 002
Total non-financial assets	183 928	186 247	200 038	203 333	207 555
Total assets	288 568	294 053	304 415	308 860	310 736
Liabilities					
Deposits held and advances received	3 048	3 100	2 791	2 366	2 036
Payables	15 604	15 668	16 404	15 731	15 791
Contract liabilities	379	401	239	381	375
Borrowings	81 751	87 113	92 985	103 944	110 693
Employee benefits	9 003	9 022	9 384	9 642	9 873
Superannuation	33 660	29 388	27 217	26 894	27 749
Other provisions	1 284	1 223	1 597	1 542	1 470
Total liabilities	144 729	145 916	150 617	160 500	167 987
Net assets	143 839	148 137	153 799	148 360	142 749
Accumulated surplus/(deficit)	55 823	60 264	58 642	52 746	48 331
Reserves	88 016	87 872	95 157	95 614	94 417
Net worth	143 839	148 137	153 799	148 360	142 749
FISCAL AGGREGATES					
Net financial worth	(40 089)	(38 110)	(46 239)	(54 973)	(64 806)
Net financial liabilities	115 275	113 427	119 364	128 262	138 098
Net debt	61 746	66 654	72 734	82 224	89 571

Note:

(a) The September quarter receivables and contract assets balance and associated impacted totals have been restated to reflect more accurate available information.

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

	2020-21			2021-22	
	Dec	Mar	Jun	Sep	Dec
Cash flows from operating activities					
Receipts					
Taxes received	4 849	5 905	6 999	6 932	6 771
Grants	7 836	9 356	10 234	8 758	12 937
Sales of goods and services ^(a)	2 244	1 823	2 558	1 709	1 230
Interest received	139	125	181	130	131
Dividends, income tax equivalent and rate equivalent receipts	281	79	175	94	288
Other receipts	29	350	895	483	634
Total receipts	15 378	17 639	21 043	18 106	21 992
Payments					
Payments for employees	(7 352)	(7 083)	(7 618)	(7 618)	(8 043)
Superannuation	(956)	(947)	(1 238)	(746)	(1 022)
Interest paid	(543)	(587)	(656)	(578)	(665)
Grants and subsidies	(5 331)	(5 511)	(5 826)	(8 280)	(6 654)
Goods and services ^(a)	(5 492)	(5 116)	(7 079)	(6 547)	(6 786)
Other payments	(274)	(452)	158	(236)	(282)
Total payments	(19 950)	(19 696)	(22 259)	(24 004)	(23 451)
Net cash flows from operating activities	(4 572)	(2 057)	(1 216)	(5 898)	(1 459)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(2 996)	(2 564)	(3 811)	(3 041)	(3 728)
Sales of non-financial assets	24	39	39	44	45
Net cash flows from investments in non-financial assets	(2 972)	(2 526)	(3 772)	(2 996)	(3 683)
Net cash flows from investments in financial assets for policy purposes	(76)	(203)	100	78	(52)
Sub-total	(3 048)	(2 728)	(3 672)	(2 918)	(3 735)
Net cash flows from investments in financial assets for liquidity management purposes	(89)	70	(204)	(69)	(2 117)
Net cash flows from investing activities	(3 137)	(2 659)	(3 876)	(2 987)	(5 852)
Cash flows from financing activities					
Advances received (net)	(6)	(10)	(335)	(499)	(403)
Net borrowings	6 298	5 026	5 193	10 486	4 975
Deposits received (net)	(2)	63	20	74	72
Net cash flows from financing activities	6 290	5 078	4 877	10 062	4 644
Net increase/(decrease) in cash and cash equivalents	(1 419)	363	(215)	1 177	(2 667)
Cash and cash equivalents at beginning of the reporting period	15 880	14 461	14 823	14 609	15 786
Cash and cash equivalents at end of the reporting period	14 461	14 823	14 609	15 786	13 119
FISCAL AGGREGATES					
Net cash flows from operating activities	(4 572)	(2 057)	(1 216)	(5 898)	(1 459)
Net cash flows from investments in non-financial assets	(2 972)	(2 526)	(3 772)	(2 996)	(3 683)
Cash surplus/(deficit)	(7 544)	(4 582)	(4 988)	(8 894)	(5 142)

Note:

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

APPENDIX B – FINANCIAL MANAGEMENT ACT 1994 COMPLIANCE INDEX

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

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

<i>Financial Management Act reference</i>	<i>Requirement</i>	<i>Comments/reference</i>
Section 25(1)	The Minister must prepare a mid-year report for each financial year.	Refer to Chapter 2.
Section 25(2)	The mid-year report: <ul style="list-style-type: none"> (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks (b) must present fairly the financial position of the State and the Victorian general government sector at midnight on 31 December in the financial year and: <ul style="list-style-type: none"> (i) the transactions on the Public Account (ii) the transactions of the Victorian general government sector (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

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.

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

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

MID-YEAR FINANCIAL REPORT
(incorporating Quarterly Financial Report No. 2)
March 2022

dtf.vic.gov.au



Treasury
and Finance