



Victorian Budget
2023/24

Mid-Year Financial Report

(incorporating Quarterly Financial Report No. 2)

March 2024
Presented by Tim Pallas MP
Treasurer of the State of Victoria



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

The *2023-24 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 2023. 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 *2023-24 Budget Update*.

The likely 2023-24 full-year results cannot be extrapolated from the half-year results due to seasonal and other factors impacting on the timing of activities and transactions. For example, land tax revenue is mainly recognised in the March quarter and certain grant revenue from the Commonwealth Government is expected to be received later in the financial year.

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

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

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

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

Due to transactions between the different sectors, not all transactions in each sector affect the overall State of Victoria outcome. For the period to 31 December 2023, the general government sector recorded a net result from transactions deficit of \$4.2 billion.

OVERVIEW

The Victorian economy continues to perform well as it navigates a period of high inflation and elevated interest rates. Victoria's gross state product (GSP) increased by 2.6 per cent in 2022-23 and the economy is now 8.6 per cent larger, in real terms, than it was before the COVID-19 pandemic. The labour market is strong, with the unemployment rate at or below 4.0 per cent so far in 2023-24.

Victoria's state final demand rose by 2.1 per cent over the year to September 2023. Strong growth in business investment, public consumption and public investment drove this result, increasing by 11.4 per cent, 2.9 per cent and 10.9 per cent respectively. Growth in consumer spending has eased and was unchanged over the year. Dwelling investment detracted from growth over the year, with labour and materials constraints limiting building activity, although there remains a large pipeline of construction work yet to be done.

Over the year to December 2023, Victoria's employment increased by 124 000 persons, or 3.5 per cent. Workforce participation and the share of working-age Victorians in employment were near record high levels in December. Strong employment growth over the year meant that, by the end of 2023, employment was 528 000 persons above its trough in September 2020 – exceeding the Government's Jobs Plan target of 400 000 jobs being created by 2025.

Victoria's population rose by 2.7 per cent over the year to June 2023 (reflecting the latest available data), driven by a strong recovery in net overseas migration following disruptions to migration during the COVID-19 pandemic.

Inflation remains a key challenge for the Victorian economy, as it does nationally and globally. After annual inflation in Melbourne reached a peak of 8.0 per cent in December 2022, it has since eased to be 3.8 per cent in December 2023. Nevertheless, high price levels are contributing to cost-of-living pressures for some households.

To contain inflation in the Australian economy, the Reserve Bank of Australia has raised the cash rate significantly between mid-2022 and late 2023. The resulting elevated interest rates faced by households and businesses, alongside rising consumer prices, are expected to weigh on Victoria's economic growth. Despite these challenges, the outlook remains positive, with Victorian households supported by a strong labour market.

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 \$12 billion for the period to 31 December 2023, or 51 per cent of the revised full-year budget estimate. This proportion is consistent with the prior year.

Net cash flows from operating activities for the general government sector for the period to 31 December 2023 was a deficit of \$1.2 billion, compared with a revised budget forecast surplus of \$309 million for the full year. This includes the timing of receipts for land tax and certain grants from the Commonwealth Government.

The decrease from the prior year is primarily due to the proceeds received in 2022-23 from the VicRoads Modernisation joint venture (VicRoads Modernisation).

Net debt for the general government sector was \$126.8 billion, or 20.9 per cent of GSP, at 31 December 2023 (20.2 per cent at 30 June 2023), reflecting an increase in borrowings over the period primarily to fund the State's capital program.

FINANCIAL PERFORMANCE

For the six months to 31 December 2023, the general government sector recorded a net result from transactions deficit of \$4.2 billion, which is consistent with the same period last year and a \$3.5 billion deficit forecast in the revised full-year budget estimate.

The increased deficit from the revised full-year budget estimates primarily reflects the impact of seasonal factors affecting the timing of activities and transactions across the year. These include the timing of recognition of various revenue items including land tax and grants from the Commonwealth Government.

The net result for the State was a deficit of \$8.2 billion over the six months to 31 December 2023. This is a \$7.5 billion increase in the deficit compared with the same period last year. This movement is further explained below.

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

	State of Victoria				General government sector			
	2022-23 actual to Dec	2023-24 actual to Dec	2023-24 revised estimate	% ^(b)	2022-23 actual to Dec	2023-24 actual to Dec	2023-24 revised estimate	% ^(b)
Revenue and income from transactions								
Taxation	14 144	15 373	35 258	44	14 380	15 632	35 774	44
Interest income	683	992	2 198	45	591	806	1 827	44
Dividends and income tax equivalent and rate equivalent income	1 567	1 692	2 354	72	233	344	2 185	16
Sales of goods and services	8 797	9 936	19 632	51	3 198	3 233	6 408	50
Grants	19 745	20 431	40 436	51	19 758	20 480	40 533	51
Other revenue and income	2 123	2 262	4 377	52	1 758	1 852	3 619	51
Total revenue and income from transactions	47 060	50 687	104 254	49	39 919	42 346	90 346	47
Expenses from transactions								
Employee expenses	17 491	18 394	36 362	51	16 745	17 687	34 816	51
Net superannuation interest expense	363	389	778	50	363	389	774	50
Other superannuation	1 984	2 129	3 868	55	1 874	2 004	3 617	55
Depreciation	3 640	4 014	8 124	49	2 178	2 407	4 897	49
Interest expense	2 253	3 121	6 665	47	1 813	2 635	5 662	47
Grant expense	7 221	6 692	15 358	44	8 308	7 600	16 995	45
Other operating expenses	19 317	21 414	42 616	50	12 838	13 806	27 055	51
Total expenses from transactions	52 269	56 153	113 772	49	44 119	46 529	93 816	50
Net result from transactions – Net operating balance	(5 209)	(5 466)	(9 518)	57	(4 200)	(4 182)	(3 470)	121
Total other economic flows included in net result	4 514	(2 744)	3 678	(75)	160	(158)	(567)	28
Net result	(694)	(8 209)	(5 840)	141	(4 040)	(4 341)	(4 037)	108
Total other economic flows – Other comprehensive income ^(c)	4 748	268	3 231	8	8 362	(1 939)	(902)	215
Comprehensive result – Total change in net worth ^(c)	4 054	(7 941)	(2 609)	304	4 322	(6 280)	(4 940)	127

Notes:

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

(b) The percentage represents the 2023-24 actual to December as a percentage of the estimate presented in the 2023-24 Budget Update.

(c) The December 2022 changes in the Total other economic flows – Other comprehensive income balance, and the associated totals, have been restated to reflect the update to the initial valuation of the registration and licensing database following the VicRoads Modernisation joint venture, consistent with the requirements of AASB 1059 Service Concession Arrangements: Grantors.

General government sector

Revenue and income

Total revenue for the six months ending 31 December 2023 was \$42.3 billion. This is 47 per cent of the revised full-year budget estimate and an increase of \$2.4 billion from the same period last year.

Taxation revenue was \$15.6 billion, or 44 per cent of the revised full-year budget estimate. Taxation is influenced by seasonal factors, such as land tax revenue largely being recognised in the March quarter and the Fire Services Property Levy in the September quarter.

Taxation revenue increased by \$1.3 billion compared with the same period last year. This was primarily due to an increase in payroll tax of \$965 million due to a strong labour market and the cessation of the New Jobs Tax Credit policy's effect on revenue, and an additional \$433 million from the commencement of the COVID Debt Levy – Payroll \$10m+ which came into effect on 1 July 2023. This increase was partially offset by a \$420 million decrease in land transfer duty, primarily driven by a fall in the average duty received per transaction.

Grants were \$20.5 billion, which is consistent with the full-year revised budget estimate.

Grants revenue was \$722 million higher when compared with the same period last year. This was primarily driven by higher goods and services tax (GST) grants due to an increase in the national GST pool and greater no-worse-off guarantee payments received from the Commonwealth. Also driving the increase was higher Commonwealth grants for non-government schools. This is partially offset by decreases in the Commonwealth funding related to the COVID-19 health response.

Interest income of \$806 million was 44 per cent of the revised full-year budget estimates and \$215 million higher when compared with the same period last year, which was primarily due to an increase in interest rates.

Dividends, income tax equivalent and rate equivalent income for the half year was \$344 million, \$110 million higher compared with the same period last year. This represents 16 per cent of the revised full-year budget estimate.

Revenue from the sale of goods and services for the half year was \$3.2 billion, or 50 per cent of the revised full-year budget estimate. This is consistent with the prior year and the pro rata revised budget.

Other revenue and income was \$1.9 billion, which is broadly consistent with the same period last year.

Expenses

Total expenses were \$46.5 billion, or 50 per cent of the revised full-year budget estimate.

Employee expenses were slightly above the pro rata budget for the first half of the year at \$17.7 billion, or 51 per cent of the revised full-year budget estimate. This is an increase of \$942 million compared with the same period last year, mainly due to increased spending on service delivery in the health and education sectors and annual salary growth in line with Enterprise Bargaining Agreements.

Grant expense for the first half of the year was \$7.6 billion, 45 per cent of the revised full-year budget estimate. This was below the pro rata revised budget, primarily due to the timing of grants for various programs across the economic growth, regional development and agriculture portfolios.

Compared with the same period last year, grant expense decreased by \$708 million. This decrease is primarily due to the payment for the WorkSafe's financial sustainability initiative in the prior period, and the Commonwealth's decision to bring forward the 2023-24 local government grants to 2022-23. Also driving the decrease was a reduction in grants for various programs across the jobs and industry, energy and resources portfolios. This was partially offset by an increase in expenditure associated with increased Commonwealth grants for non-government schools.

Interest expense of \$2.6 billion was 47 per cent of the revised full-year budget estimate and \$823 million higher when compared with the same period last year. The proportion of the revised full-year estimate is consistent with the prior year. The nominal increase is primarily due to additional borrowings to fund the State's capital program and an increase in interest rates on borrowings.

Other operating expenses were \$13.8 billion, or 51 per cent of the revised full-year budget estimate. This is slightly above pro rata budget. The increase from the revised budget primarily reflects increased expenditure in the health sector.

Compared with the same period last year, other operating expenses increased by \$968 million. This includes the \$380 million settlement relating to the withdrawal from the 2026 Commonwealth Games between the State of Victoria and the Commonwealth Games parties (the Commonwealth Games Federation, the Commonwealth Games Federation Partnerships and Commonwealth Games Australia), energy bill relief concession payments which commenced in 2023-24, as well as the impact of a full six months of operations for the VicRoads Modernisation joint venture compared with the prior year.

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

State of Victoria

Revenue

Total revenue for the State for the six months ending 31 December 2023 was \$50.7 billion. This is \$3.6 billion higher than the same period last year. The general government sector contributed 84 per cent of this result, with the balance coming from the PNFC and PFC sectors.

The PNFC sector reported total revenue of \$5.4 billion for the six months to 31 December 2023, an increase of \$634 million from the same period last year. This is primarily the result of increased sales of goods and services reported by the water businesses due to an increase in the customer base driving demand, and the timing of settlements for property developments achieved by Development Victoria.

PFC sector total revenue and income from transactions increased by \$1.4 billion, to \$8 billion, for the six months to 31 December 2023. This increase in revenue was largely due to higher insurance premiums, primarily for the Victorian WorkCover Authority (WorkSafe), and increased interest income for the Treasury Corporation of Victoria (TCV). The increase was partly offset by lower grants received by WorkSafe and Breakthrough Victoria.

Expenses

Total expenses for the State increased by \$3.9 billion to \$56.2 billion compared with the same period last year. Of this, 83 per cent was driven by the general government sector.

PNFC sector total expenses were \$5.4 billion for the six months to 31 December 2023, an increase of \$573 million from the same period last year. This was largely the result of increased service delivery and annual salary growth in line with Enterprise Bargaining Agreements and associated on-costs, and the cost of goods sold incurred by Development Victoria.

PFC sector total expenses from transactions increased by \$1.3 billion to \$8.7 billion for the six months to 31 December 2023. This increase was largely due to higher claims expenses being incurred by the insurance agencies and higher interest expenses for TCV, partly offset by a lower income tax equivalent expense for the Transport Accident Commission.

Net result from transactions

The net result from transactions for the State for the six months to December 2023 was a deficit of \$5.5 billion. This was a decline of \$257 million compared with the same period last year, primarily driven by the general government sector. This decline in the general government sector mainly reflects increased expenses including additional service delivery, partially offset by increased revenue due to an increase in taxation revenue and grants.

The PNFC sector's net result from transactions improved from a deficit of \$62 million for the six months to 31 December 2022, to a deficit of \$1 million for the six months to 31 December 2023. This was primarily driven by better operating results from the metropolitan water businesses.

The net result from transactions for the PFC sector improved slightly, from a deficit of \$798 million for the six months to 31 December 2022, to a deficit of \$749 million for the six months to 31 December 2023.

Net result and other economic flows

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

Other economic flows for the State included in the net result decreased by \$7.3 billion, to a deficit of \$2.7 billion for the six months to 31 December 2023. This was largely driven by:

- an actuarial strain for WorkSafe and the Victorian Managed Insurance Authority due to changes in the claims assumptions that underlie the valuation of their outstanding claims liabilities
- a net revaluation loss that arose due to the combined impact of decreases in the discount rates (negative) and inflation rates (positive) that are used to value the liabilities of the State's insurance agencies
- a mark-to-market revaluation loss on TCV's borrowings as a result of lower bond yields
- unrealised gains on the investments held by the State's insurance agencies due to favourable investment market performance
- the release of risk margins and claims handling expenses.

This resulted in the State reporting a net result deficit of \$8.2 billion for the six months to 31 December 2023, a decrease of \$7.5 billion compared with the same period last year.

FINANCIAL POSITION

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

(\$ million)

	State of Victoria			General government sector		
	Jun 2023	Dec 2023	Actual movement	Jun 2023	Dec 2023	Actual movement
Assets						
Financial assets	103 750	109 553	5 803	135 128	135 449	320
Non-financial assets	418 090	427 904	9 814	256 062	264 722	8 660
Total assets	521 840	537 457	15 617	391 190	400 170	8 980
Liabilities						
Superannuation	18 904	19 437	533	18 904	19 437	533
Borrowings	164 953	182 477	17 524	142 289	157 362	15 074
Other liabilities	103 786	109 288	5 501	43 214	42 867	(347)
Total liabilities	287 643	311 201	23 558	204 407	219 667	15 260
Net assets	234 197	226 255	(7 941)	186 783	180 504	(6 280)

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 2023, the net assets for the State of Victoria decreased by \$7.9 billion. The total assets of the State increased by \$15.6 billion, mainly driven by the Government's pipeline of infrastructure investments and increased holdings of financial assets.

Total liabilities for the State increased by \$23.6 billion to \$311.2 billion. This was largely due to an increase in borrowings, reflecting incremental borrowings by the Treasury Corporation of Victoria primarily to fund the Government's infrastructure investment program.

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 \$1.2 billion compared with a revised budget forecast surplus of \$309 million for the full year. This includes the timing of receipts for land tax and certain grants from the Commonwealth Government.

A detailed cash flow statement is provided in Chapter 2.

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

	2023-24 actual to Dec	2023-24 revised estimate
Net result from transactions – Net operating balance	(4 182)	(3 470)
Add back: Non-cash revenues and expenses (net) ^(b)	2 933	3 779
Net cash flows from operating activities	(1 249)	309
Less:		
Net investment in fixed assets		
Purchases of non-financial assets	9 097	17 170
Net cash flows from investments in financial assets for policy purposes	1 003	2 650
Sales of non-financial assets	(114)	(570)
Net investment in fixed assets	9 986	19 250
Leases and service concession arrangements	1 252	2 684
Other movements	(770)	(1 202)
Decrease/(increase) in net debt	(11 716)	(20 423)

Notes:

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

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

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 \$12 billion for the period to 31 December 2023, or 51 per cent of the revised full-year budget estimate.

The Government's infrastructure scorecard as at 31 December 2023

Major projects in progress include:

- 85 by 2025 (Level Crossing Removal)
- A Pathway to More Acute Mental Health Beds
- Additional Acute Mental Health Beds in Regional Victoria
- Additional VLocity trains
- Ballarat Health Services expansion and redevelopment
- Barwon Heads Road Upgrade Stage 2
- Barwon Women's and Children's Hospital
- Best Start, Best Life: Infrastructure
- Big Housing Build
- Casey Hospital Emergency Department Expansion Project
- City Loop fire and safety upgrade (Stage 2) and intruder alarm
- Courts case management system
- E-Class Tram Infrastructure Program
- Eastern Freeway Upgrade ^(a)
- Enrolment Growth and New Schools (Land acquisition for new schools, New schools construction, Relocatable Buildings Program, School upgrades: established area growth)
- Forensic Mental Health Expansion Project (Thomas Embling Hospital)
- Frankston Hospital Redevelopment
- Geelong Convention and Exhibition Centre (part of Geelong City Deal)
- Geelong Fast Rail
- Gippsland Line Upgrade Stage 1
- High Capacity Metro Trains
- Homes Victoria Ground Lease Model Project 1
- Homes Victoria Ground Lease Model Project 2
- Hospital Infrastructure Delivery Fund
- Hurstbridge Line upgrade Stage 2
- Kananook Train Maintenance Facility Stage 2
- Kardinia Park Stadium Stage 5 Redevelopment
- M80 Ring Road upgrade ^(a)
- Melbourne Arts Precinct Transformation Phase One
- Melton Line Upgrade
- Men's prison system capacity

The Government's infrastructure scorecard as at 31 December 2023 (continued)

- Metro Tunnel
- More VLocity trains
- Murray Basin Rail Project
- New Footscray Hospital
- New Melton Hospital
- New metropolitan trains
- New trains for Sunbury
- New Wyndham Law Court
- Next generation computer aided dispatch system for Triple Zero
- Next Generation Trams
- North East Link Connections ^(a)
- North East Link – Primary Package (Tunnels)
- Princes Highway East Duplication – Stage 3
- Public housing renewal program
- Public transport ticketing asset renewal
- Redevelopment of Royal Melbourne Hospital and Royal Women's Hospital and new Arden Hospital
- Shepparton Line Upgrade – Stage 3
- South Dynon Train Maintenance Facility Stage 1
- South Dynon Train Maintenance Facility Stage 2
- Suburban Rail Loop – Airport
- Suburban Rail Loop East
- Suburban Roads Upgrade
- Technology and resources to support Victoria's fines system
- Ten new community hospitals to give patients the best care
- Tram infrastructure upgrades
- Twenty-five more level crossing removals by 2030
- Warrnambool Base Hospital Redevelopment
- Waurn Ponds Track Duplication – Stage 2
- West Gate Tunnel Project
- Western Highway duplication – Ballarat to Stawell
- Western Rail Plan

Note:

(a) Previously published as part of North East Link (State and Freeway Packages).

FINANCIAL SUSTAINABILITY

General government sector

General government sector net debt increased by \$11.7 billion to \$126.8 billion as at 31 December 2023. This primarily reflects an increase in borrowings over the period to fund the State's capital program. The ratio of net debt to GSP increased from 20.2 to 20.9 per cent.

Overall, net financial liabilities increased during the period primarily due to the increase in net debt as explained previously.

Over the period to 31 December 2023, the ratio of net financial liabilities to GSP increased from 29.1 per cent to 29.4 per cent.

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

	Closing 30 Jun 2023	Closing 31 Dec 2023	Actual movement	% change
Assets				
Cash and deposits	19 698	12 913	(6 785)	(34)
Advances paid	5 308	5 961	652	12
Investment, loans and placements	3 853	13 578	9 725	252
Total	28 859	32 452	3 592	12
Liabilities				
Deposits held and advances received	1 615	1 850	235	15
Borrowings	142 289	157 362	15 074	11
Total	143 904	159 212	15 309	11
Net debt ^(a)	115 044	126 760	11 716	10
Superannuation liability	18 904	19 437	533	3
Net debt plus superannuation liabilities	133 948	146 197	12 249	9
Other liabilities (net) ^(b)	31 372	32 167	795	3
Net financial liabilities ^(c)	165 321	178 365	13 044	8
				(per cent)
Net debt to GSP ^(d)	20.2	20.9		
Net debt plus superannuation liability to GSP ^(d)	23.5	24.1		
Net financial liabilities to GSP ^(d)	29.1	29.4		

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 2023 reflect the 2023-24 GSP forecast growth rate for the full year.

Non-financial public sector

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

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

	Closing 30 Jun 2023	Closing 31 Dec 2023	Actual movement	% change
Assets				
Cash and deposits	21 930	15 033	(6 897)	(31)
Advances paid	930	678	(252)	(27)
Investment, loans and placements	4 672	14 377	9 706	208
Total	27 532	30 088	2 556	9
Liabilities				
Deposits held and advances received	1 638	1 905	267	16
Borrowings	159 411	175 484	16 073	10
Total	161 049	177 389	16 340	10
Net debt ^(a)	133 518	147 301	13 784	10
Superannuation liability	18 904	19 437	533	3
Net debt plus superannuation liabilities	152 422	166 738	14 317	9
Other liabilities (net) ^(b)	41 270	41 604	333	1
Net financial liabilities ^(c)	193 692	208 342	14 650	8
				(per cent)
Net debt to GSP ^(d)	23.5	24.3		
Net debt plus superannuation liability to GSP ^(d)	26.8	27.5		
Net financial liabilities to GSP ^(d)	34.0	34.4		

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 2023 reflect the 2023-24 GSP forecast growth rate for the full year.

For the six months to 31 December 2023, the increase in NFPS net debt was primarily due to higher borrowings primarily to fund the Government's infrastructure program. This is partially offset by an increase in financial assets reflecting an increase in short-term liquidity in the general government sector.

CHAPTER 2 – MID-YEAR FINANCIAL REPORT

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the six months ended 31 December

(\$ million)

	Notes	State of Victoria 2023	2022	General government sector 2023	2022
Revenue and income from transactions					
Taxation	2.1	15 373	14 144	15 632	14 380
Interest income		992	683	806	591
Dividends, income tax equivalent and rate equivalent income	2.2	1 692	1 567	344	233
Sales of goods and services	2.3	9 936	8 797	3 233	3 198
Grants	2.4	20 431	19 745	20 480	19 758
Other revenue and income	2.5	2 262	2 123	1 852	1 758
Total revenue and income from transactions		50 687	47 060	42 346	39 919
Expenses from transactions					
Employee expenses		18 394	17 491	17 687	16 745
Net superannuation interest expense	3.2	389	363	389	363
Other superannuation	3.2	2 129	1 984	2 004	1 874
Depreciation	4.2	4 014	3 640	2 407	2 178
Interest expense	5.4	3 121	2 253	2 635	1 813
Grant expense	3.3	6 692	7 221	7 600	8 308
Other operating expenses	3.4	21 414	19 317	13 806	12 838
Total expenses from transactions	3.5, 3.6	56 153	52 269	46 529	44 119
Net result from transactions – Net operating balance		(5 466)	(5 209)	(4 182)	(4 200)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		11	83	33	50
Net gain/(loss) on financial assets or liabilities at fair value		(2 120)	2 465	120	9
Share of net profit/(loss) from associates/joint venture entities		(13)	5	(13)	5
Other gains/(losses) from other economic flows	9.2	(621)	1 962	(299)	96
Total other economic flows included in net result		(2 744)	4 514	(158)	160
Net result		(8 209)	(694)	(4 341)	(4 040)
Other economic flows – Other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus ^(a)		437	3 641	339	3 652
Remeasurement of superannuation defined benefits plans	3.2	(35)	1 431	(43)	1 422
Other movements in equity		(121)	(448)	75	(352)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		(12)	124	(5)	134
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		..	..	(2 305)	3 507
Total other economic flows – Other comprehensive income ^(a)		268	4 748	(1 939)	8 362
Comprehensive result – Total change in net worth ^(a)		(7 941)	4 054	(6 280)	4 322
KEY FISCAL AGGREGATES					
Net operating balance		(5 466)	(5 209)	(4 182)	(4 200)
Less: Net acquisition of non-financial assets from transactions	9.1	9 141	7 886	8 010	6 915
Net lending/(borrowing)		(14 606)	(13 095)	(12 193)	(11 115)

The accompanying notes form part of these financial statements.

Note:

(a) The December 2022 changes in the non-financial assets revaluation surplus balance, and the associated totals, have been restated to reflect the update to the initial valuation of the registration and licensing database following the VicRoads Modernisation joint venture, consistent with the requirements of AASB 1059 Service Concession Arrangements: Grantors.

CONSOLIDATED BALANCE SHEET

As at 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		Dec 2023	Jun 2023	Dec 2023	Jun 2023
Assets					
Financial assets					
Cash and deposits	5.2	18 886	25 678	12 913	19 698
Advances paid	5.3	678	930	5 961	5 308
Receivables and contract assets	6.2	12 685	11 973	7 701	9 046
Investments, loans and placements	5.3	76 091	63 975	13 578	3 853
Investments accounted for using the equity method		1 212	1 193	1 149	1 180
Investments in other sector entities		..	..	94 147	96 042
Total financial assets		109 553	103 750	135 449	135 128
Non-financial assets					
Inventories	6.1	1 715	1 851	447	574
Non-financial assets held for sale		308	139	278	110
Land, buildings, infrastructure, plant and equipment	4.1	418 412	408 948	257 529	249 480
Other non-financial assets	4.3	7 470	7 152	6 467	5 898
Total non-financial assets		427 904	418 090	264 722	256 062
Total assets	3.6	537 457	521 840	400 170	391 190
Liabilities					
Deposits held and advances received		2 041	1 777	1 850	1 615
Payables	6.3	42 271	40 334	27 334	28 047
Contract liabilities	6.3	655	598	393	352
Borrowings	5.1	182 477	164 953	157 362	142 289
Employee benefits	3.1	11 220	10 948	10 517	10 250
Superannuation	6.4	19 437	18 904	19 437	18 904
Other provisions	6.5	53 100	50 129	2 774	2 950
Total liabilities		311 201	287 643	219 667	204 407
Net assets		226 255	234 197	180 504	186 783
Accumulated surplus/(deficit)		72 051	80 106	41 894	45 889
Reserves		154 204	154 090	138 609	140 894
Net worth		226 255	234 197	180 504	186 783
FISCAL AGGREGATES					
Net financial worth		(201 649)	(183 893)	(84 218)	(69 278)
Net financial liabilities		201 649	183 893	178 365	165 321
Net debt		88 863	76 146	126 760	115 044

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	
		2023	2022	2023	2022
Cash flows from operating activities					
Receipts					
Taxes received		16 750	14 939	17 009	15 175
Grants		20 377	19 700	20 425	19 724
Sales of goods and services ^(a)		11 911	10 745	3 258	3 331
Interest received		871	452	793	554
Dividends, income tax equivalent and rate equivalent receipts		1 711	1 469	806	228
Other receipts		1 201	9 613	1 086	9 334
Total receipts		52 822	56 918	43 376	48 346
Payments					
Payments for employees		(18 108)	(17 692)	(17 412)	(16 944)
Superannuation		(2 020)	(2 043)	(1 904)	(1 942)
Interest paid		(2 680)	(1 984)	(2 440)	(1 604)
Grants and subsidies		(6 878)	(7 478)	(7 850)	(8 636)
Goods and services ^(a)		(20 125)	(18 374)	(14 436)	(13 276)
Other payments		(584)	(451)	(585)	(439)
Total payments		(50 395)	(48 022)	(44 625)	(42 841)
Net cash flows from operating activities		2 427	8 897	(1 249)	5 505
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	3.5, 3.6	(11 454)	(10 152)	(9 097)	(8 280)
Sales of non-financial assets		196	303	114	201
Net cash flows from investments in non-financial assets		(11 258)	(9 849)	(8 983)	(8 080)
Net cash flows from investments in financial assets for policy purposes		55	(392)	(1 003)	(1 073)
Sub-total		(11 203)	(10 241)	(9 986)	(9 153)
Net cash flows from investments in financial assets for liquidity management purposes		(11 816)	(1 941)	(9 609)	(171)
Net cash flows from investing activities		(23 019)	(12 182)	(19 594)	(9 324)
Cash flows from financing activities					
Advances received (net)		125	(36)	142	(116)
Net borrowings		13 535	12 947	13 824	14 410
Deposits received (net)		139	116	93	8
Net cash flows from financing activities		13 800	13 028	14 059	14 302
Net increase/(decrease) in cash and cash equivalents		(6 792)	9 743	(6 785)	10 483
Cash and cash equivalents at beginning of reporting period		25 678	17 258	19 698	10 985
Cash and cash equivalents at end of the reporting period	5.2	18 886	27 001	12 913	21 468
FISCAL AGGREGATES					
Net cash flows from operating activities		2 427	8 897	(1 249)	5 505
Net cash flows from investments in non-financial assets		(11 258)	(9 849)	(8 983)	(8 080)
Cash surplus/(deficit)		(8 831)	(953)	(10 232)	(2 574)

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>
2023					
Balance at 1 July 2023	80 106	151 951	..	2 139	234 196
Net result for the year	(8 209)	..	..	..	(8 209)
Other comprehensive income for the year	(220)	437	..	51	268
Transfer to/(from) accumulated surplus	375	(375)	..	..	..
Total equity as at 31 December 2023	72 051	152 013	..	2 191	226 255
2022					
Balance at 1 July 2022	84 968	132 911	..	1 886	219 765
Net result for the year	(694)	..	..	..	(694)
Other comprehensive income for the year ^(a)	985	3 641	..	122	4 748
Transfer to/(from) accumulated surplus	..	..	..	..	..
Total equity as at 31 December 2022 ^(a)	85 259	136 552	..	2 008	223 819

General government sector

2023					
Balance at 1 July 2023	45 889	91 269	48 245	1 380	186 783
Net result for the year	(4 341)	..	..	..	(4 341)
Other comprehensive income for the year	(28)	339	(2 305)	55	(1 939)
Transfer to/(from) accumulated surplus	375	(375)	..	..	..
Total equity as at 31 December 2023	41 894	91 234	45 941	1 435	180 504
2022					
Balance at 1 July 2022	52 827	79 719	44 815	1 170	178 531
Net result for the year	(4 040)	..	..	..	(4 040)
Other comprehensive income for the year ^(a)	1 076	3 652	3 507	127	8 362
Transfer to/(from) accumulated surplus	..	..	..	..	..
Total equity as at 31 December 2022 ^(a)	49 863	83 371	48 322	1 297	182 853

The accompanying notes form part of these financial statements.

Note:

(a) The December 2022 changes in the non-financial assets revaluation surplus balance, and the associated totals, have been restated to reflect the update to the initial valuation of the registration and licensing database following the VicRoads Modernisation joint venture, consistent with the requirements of AASB 1059 Service Concession Arrangements: Grantors.

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 2023.

The detailed accounting policies applied in preparing the interim financial report are consistent with those applied for the financial statements published in the *2022-23 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 *2022-23 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 AAS 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 *2023-24 Mid-Year Financial Report* was authorised for issue by the Treasurer on 6 March 2024.

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
- certain liabilities, most notably unfunded superannuation and insurance claim provisions, which are subject to an actuarial assessment
- financial assets classified at fair value through other comprehensive income, which are measured at fair value with movements reflected in other economic flows – other comprehensive income
- financial assets classified at fair value through profit and loss, which are measured at fair value with movements reflected in other economic flows included in net result.

Reporting entity

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

General government

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

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

Public non-financial corporations

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

Public financial corporations

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

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

Non-financial public sector

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

Note 9.1 disaggregates information about these sectors.

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

Basis of consolidation

The consolidated financial statements of the State incorporate the assets and liabilities of all reporting entities it controlled as at 31 December 2023 and the revenue and expenses of controlled entities for the part of the reporting period in which control existed.

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

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

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

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

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

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

Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2023-24 reporting period. These accounting standards have not been applied to the Mid-Year Financial Report.

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

- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*:
 - AASB 2022-10 amends AASB 13 *Fair Value Measurement* by adding authoritative implementation guidance and illustrative examples for fair value measurement of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.
 - Among other things, this Standard:
 - specifies when entities need to consider if an asset’s highest and best use differs from its current use. It also clarifies when an asset’s use is considered financially feasible
 - specifies when an entity shall use its own assumptions and data to develop unobservable inputs. It also clarifies when these assumptions and judgements shall be adjusted
 - provides guidance on the application of the cost approach to fair value, including the nature of costs to be included in the reference asset and identification of economic obsolescence.
 - This Standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

- AASB 17 *Insurance Contracts*, AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments* and AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*:
 - AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* for not-for-profit public sector entities for annual reporting periods beginning on or after 1 July 2026.
 - AASB 2022-9 amends AASB 17 to make public sector-related modifications (for example, it specifies the pre-requisites, indicators, and other considerations in identifying arrangements that fall within the scope of AASB 17 in a public sector context). This Standard applies for annual reporting periods beginning on or after 1 July 2026.
 - AASB 2022-8 makes consequential amendments to other AASs so that public sector entities are permitted to continue to apply AASB 4 and AASB 1023 to annual periods before 1 July 2026.

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

Rounding

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

2. HOW FUNDS ARE RAISED

Introduction

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

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

Structure

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2.1 Taxation

(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE				
Payroll Tax	4 426	3 463	4 481	3 516
COVID Debt Levy – Payroll \$10m+	429	..	433	..
Mental Health and Wellbeing Levy	464	446	474	446
Total taxes on employers' payroll and labour force	5 319	3 909	5 388	3 962
TAXES ON IMMOVABLE PROPERTY				
Land tax	263	276	285	296
Fire Services Property Levy	833	776	833	776
Congestion levy ^(a)	(2)	(5)	(2)	(5)
Metropolitan improvement levy	122	198	122	198
Windfall gains tax	10	..	10	..
Total taxes on property	1 227	1 245	1 249	1 266
TAXES ON THE PROVISION OF GOODS AND SERVICES				
Gambling taxes ^(b)				
Public lotteries	326	346	326	346
Electronic gaming machines	692	714	692	714
Casino	86	93	86	93
Racing and other sports betting	139	149	139	149
Other	9	8	9	8
Financial and capital transactions				
Land transfer duty	4 251	4 672	4 251	4 672
Metropolitan planning levy	11	13	11	13
Financial accommodation levy	..	..	84	78
Growth areas infrastructure contribution	125	150	125	150
Levies on statutory corporations	..	..	83	83
Taxes on insurance	1 089	987	1 089	987
Total taxes on the provision of goods and services	6 728	7 132	6 895	7 293
TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES				
Motor vehicle taxes				
Vehicle registration fees	1 040	955	1 042	957
Duty on vehicle registrations and transfers	704	598	704	598
Liquor licence fees	..	15	..	15
Other	354	290	354	290
Total taxes on the use of goods and performance of activities	2 098	1 858	2 099	1 860
Total taxation	15 373	14 144	15 632	14 380

Notes:

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

(b) The Public lotteries, electronic gaming machines, casino, racing and other sports betting and other taxes include gambling licence revenue in the six months to 31 December 2023 of \$95 million (31 December 2022: \$87 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	
	2023	2022	2023	2022
Dividends from PNFC sector	..	..	85	52
Dividends from non-public sector	1 692	1 567	114	35
Dividends	1 692	1 567	200	87
Income tax equivalent income from PFC sector	..	..	22	6
Income tax equivalent income from PNFC sector	..	..	123	140
Income tax equivalent income	..	..	144	146
Total dividends, income tax equivalent and rate equivalent income	1 692	1 567	344	233

Dividends by entity

(\$ million)

	General government sector	
	2023	2022
Public non-financial corporations		
Melbourne Water Corporation	11	10
South East Water Corporation	22	15
Yarra Valley Water Corporation	25	23
Development Victoria	27	4
Dividends from PNFC sector	85	52

2.3 Sales of goods and services

(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
Amounts recognised as revenue from contracts with customers (AASB 15)				
Sale of goods	334	244	45	49
Provision of services	8 580	7 716	2 505	2 613
Amounts recognised as income of not-for-profit entities (AASB 1058)				
Motor vehicle regulatory fees	164	126	164	126
Other regulatory fees	461	384	445	372
Refunds and reimbursements	200	166	1	1
Amounts recognised as lease income (AASB 16)				
Rental	197	161	72	37
Total sales of goods and services	9 936	8 797	3 233	3 198

2.4 Grants (a)

(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
General purpose grants	10 820	10 159	10 820	10 159
Specific purpose grants for on-passing	2 532	2 384	2 532	2 384
Specific purpose grants	7 009	7 199	6 996	7 184
Total	20 361	19 742	20 348	19 726
Other contributions and grants	70	3	132	32
Total grants	20 431	19 745	20 480	19 758

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	
	2023	2022	2023	2022
Amounts recognised as revenue from contracts with customers (AASB 15)				
Royalties	75	79	67	71
Other revenue – Health	144	133	144	133
Other miscellaneous revenue	548	472	452	374
Amounts recognised as income of not-for-profit entities (AASB 1058)				
Fair value of assets received free of charge or for nominal consideration	424	386	214	196
Fines	375	456	372	455
Donations and gifts (a)	218	156	157	116
Other income – Education	173	170	173	170
Amounts recognised as lease income (AASB 16)				
Other non-property rental	47	43	15	16
Revenue items accounted for under AASB 1059				
Revenue related to economic service concession arrangements	258	228	258	228
Total other revenue and income	2 262	2 123	1 852	1 758

Note:

(a) Primarily relates to donations to health services from non-government sources.

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 2023.

Structure

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3.1 Employee expenses and provision for outstanding employee benefits

Employee expenses (Operating statement)

Employee expenses in the operating statement are a major component of operating costs and include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements and redundancy payments. More than 90 per cent of employee expenses in the operating statement are wages and salaries. Employee expenses are recognised in the period in which the employee provides the services.

Employee benefits (Balance sheet)

As part of annual operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. In measuring employee benefits, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted to reflect the estimated timing and amount of benefit payment. The table below shows the key components of this provision at 31 December and 30 June 2023.

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

(\$ million)

	State of Victoria		General government sector	
	Dec 2023	Jun 2023	Dec 2023	Jun 2023
Current				
Accrued salaries and wages	711	611	679	579
Other employee benefits	153	171	125	143
Annual leave	2 972	2 960	2 739	2 723
Long service leave	6 046	5 940	5 744	5 634
Total current employee benefits and on-costs	9 883	9 683	9 288	9 079
Non-current				
Accrued salaries and wages	11	11	..	..
Long service leave	1 327	1 254	1 229	1 171
Total non-current employee benefits and on-costs	1 338	1 265	1 229	1 171
Total employee benefits and on-costs	11 220	10 948	10 517	10 250

3.2 Superannuation (Operating statement)

(\$ million)

	State of Victoria	
	2023	2022
Defined benefit plans		
Net superannuation interest expense	389	363
Current service cost	484	507
Remeasurements:		
Expected return on superannuation assets excluding interest income	(363)	(422)
Other actuarial (gain)/loss on superannuation assets	(36)	(139)
Actuarial and other adjustments to unfunded superannuation liability	434	(870)
Total expense recognised in respect of defined benefit plans	908	(561)
Defined contribution plans		
Employer contributions to defined contribution plans	1 605	1 437
Other (including pensions)	40	41
Total expense recognised in respect of defined contribution plans	1 644	1 478
Total superannuation (gain)/expense recognised in operating statement	2 553	916
Represented by:		
Net superannuation interest expense	389	363
Other superannuation	2 129	1 984
Superannuation expense from transactions	2 518	2 347
Remeasurement recognised in other comprehensive income	35	(1 431)
Total superannuation costs recognised in operating statement	2 553	916

3.3 Grant expense

(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
Current grant expense				
Commonwealth Government	1 495	1 459	1 495	1 458
Local government (including grants for on-passing)	155	423	153	422
Private sector and not-for-profit on-passing	2 555	2 299	2 555	2 299
Other private sector and not-for-profit	2 048	2 544	2 025	2 516
Grants within the Victorian Government	..	..	1 095	1 342
Grants to other state governments	28	33	28	33
Total current grant expense	6 282	6 758	7 351	8 070
Capital grant expense				
Local government (including grants for on-passing)	55	49	55	49
Private sector and not-for-profit on-passing	333	388	180	150
Other private sector and not-for-profit	..	5	..	5
Grants within the Victorian Government	..	..	12	32
Other grants	22	21	..	1
Total capital grant expense	410	463	249	238
Total grant expense	6 692	7 221	7 600	8 308

3.4 Other operating expenses

(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
Purchase of supplies and consumables ^(a)	2 770	2 739	2 375	2 389
Cost of goods sold	179	79	23	14
Finance expenses and fees	328	293	26	22
Purchase of services ^(a)	10 766	10 139	9 476	8 999
Insurance claims expense	5 229	4 389	231	190
Maintenance	1 053	970	585	521
Short-term and low-value lease expense	83	59	85	62
Other	1 006	649	1 005	641
Total other operating expenses	21 414	19 317	13 806	12 838

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	
	2023	2022	2023	2022
Medicinal pharmacy and medical supplies	1 110	1 070	1 110	1 070
Office supplies and consumables	103	111	97	105
Specialised operational supplies and consumables	150	145	128	120
Other purchase of supplies and consumables	1 407	1 413	1 041	1 094
Total purchase of supplies and consumables	2 770	2 739	2 375	2 389

Purchase of services

(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
Service contracts	5 828	5 527	5 589	5 214
Accommodation/occupancy	673	651	565	566
Medical and client care services	272	243	272	243
Staff related expenses (non-labour related)	177	159	158	143
Other purchase of services	3 815	3 558	2 891	2 833
Total purchase of services	10 766	10 139	9 476	8 999

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 2023	Dec 2022	Dec 2023	Dec 2022
State of Victoria^(a)				
Education	10 442	10 414	1 339	1 211
Energy, Environment and Climate Action	5 195	5 281	1 429	1 188
Families, Fairness and Housing	5 054	4 871	422	538
Government Services	753	..	52	..
Health	15 010	14 651	825	783
Jobs, Skills, Industry and Regions	2 015	2 256	210	182
Justice and Community Safety	5 278	8 494	233	378
Premier and Cabinet	234	602	8	13
Transport and Planning	6 142	6 957	6 717	5 678
Treasury and Finance	15 069	7 455	32	13
Parliament	176	168	12	18
Courts	425	403	81	122
Regulatory bodies and other part budget funded agencies ^(b)	1 921	1 673	96	56
Total	67 714	63 225	11 455	10 179
<i>Less eliminations and adjustments^(c)</i>	<i>(11 561)</i>	<i>(10 957)</i>	<i>(2)</i>	<i>(27)</i>
Grand total	56 153	52 269	11 454	10 152

General government sector^(a)				
	Dec 2023	Dec 2022	Dec 2023	Dec 2022
Education	10 442	10 414	1 339	1 211
Energy, Environment and Climate Action	1 711	2 126	117	147
Families, Fairness and Housing	4 068	3 808	14	24
Government Services	753	..	52	..
Health	14 925	14 571	808	770
Jobs, Skills, Industry and Regions	1 637	1 722	121	91
Justice and Community Safety	5 136	5 109	230	363
Premier and Cabinet	234	595	8	13
Transport and Planning	4 582	3 895	6 220	5 451
Treasury and Finance	6 279	5 209	9	10
Parliament	176	168	12	18
Courts	425	403	81	122
Regulatory bodies and other part budget funded agencies ^(b)	1 921	1 673	96	56
Total	52 288	49 694	9 106	8 275
<i>Less eliminations and adjustments^(c)</i>	<i>(5 760)</i>	<i>(5 575)</i>	<i>(9)</i>	<i>6</i>
Grand total	46 529	44 119	9 097	8 280

Notes:

(a) On 5 December 2022, the former Premier announced a number of machinery of government changes to restructure the functions of government departments, including the renaming of several departments and the creation of a new department with effect from 1 January 2023. Refer to Note 9.8 in Chapter 4 of the 2022-23 Financial Report for further details.

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

(c) Mainly comprising payroll tax (including the COVID Debt Levy – Payroll \$10m+), the mental health and wellbeing levy and inter-departmental transfers.

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

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

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

State of Victoria	Expenses from transactions		Purchases of non-financial assets		Total assets	
	Dec	Dec	Dec	Dec	Dec	Jun
	2023	2022	2023	2022	2023	2023
General public services	10 706	8 770	100	46	7 355	7 016
Public order and safety	5 401	5 173	384	523	15 867	15 723
Economic affairs	1 480	1 692	54	134	1 678	1 601
Environmental protection	509	492	84	83	16 720	16 652
Housing and community amenities	2 860	2 763	1 252	1 115	63 362	62 694
Health	14 411	14 181	827	778	24 710	24 162
Recreation, culture and religion	1 444	1 122	224	168	16 619	16 517
Education	10 758	9 956	1 333	1 164	44 780	43 672
Social protection	4 580	4 392	461	579	37 961	37 820
Transport	5 176	4 728	6 737	5 602	205 377	198 072
Not allocated by purpose ^{(a)(b)}	(1 173)	(1 001)	(2)	(41)	103 029	97 910
Total	56 153	52 269	11 454	10 152	537 457	521 840

General government sector						
General public services	3 975	3 169	76	17	3 278	3 212
Public order and safety	5 555	5 578	384	523	15 867	15 723
Economic affairs	1 445	1 680	53	156	1 666	1 579
Environmental protection	544	528	84	83	16 720	16 652
Housing and community amenities	742	977	13	11	3 700	3 698
Health	14 690	14 276	827	778	24 710	24 162
Recreation, culture and religion	873	594	77	26	8 685	8 662
Education	10 827	10 008	1 333	1 164	44 780	43 672
Social protection	3 984	3 761	53	65	2 513	2 492
Transport	4 123	3 799	6 206	5 465	143 396	136 729
Not allocated by purpose ^{(a)(b)}	(229)	(249)	(9)	(8)	134 856	134 609
Total	46 529	44 119	9 097	8 280	400 170	391 190

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	30

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 2023						
Buildings	92 499	(6 691)	85 808	64 682	(5 223)	59 459
Land and national parks	140 316	..	140 316	95 283	..	95 283
Infrastructure systems	115 332	(5 389)	109 943	31 280	(653)	30 627
Plant, equipment and vehicles	20 054	(7 741)	12 313	11 743	(6 059)	5 684
Roads and road infrastructure	51 556	(562)	50 994	48 097	(555)	47 542
Earthworks	12 170	..	12 170	12 170	..	12 170
Cultural assets	6 985	(117)	6 868	6 881	(117)	6 763
Total land, buildings, infrastructure, plant and equipment	438 913	(20 501)	418 412	270 136	(12 607)	257 529

Jun 2023						
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Buildings	90 192	(5 453)	84 739	61 904	(3 870)	58 034
Land and national parks	140 518	..	140 518	95 317	..	95 317
Infrastructure systems	108 930	(5 007)	103 922	26 251	(631)	25 620
Plant, equipment and vehicles	20 723	(7 658)	13 065	12 131	(5 835)	6 296
Roads and road infrastructure	47 689	(9)	47 680	45 294	..	45 294
Earthworks	12 170	..	12 170	12 170	..	12 170
Cultural assets	6 964	(110)	6 853	6 859	(110)	6 749
Total land, buildings, infrastructure, plant and equipment	427 186	(18 238)	408 948	259 927	(10 447)	249 480

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

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

	State of Victoria			General government sector		
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Dec 2023						
Buildings	11 497	(2 457)	9 040	10 882	(2 176)	8 706
Infrastructure systems	25	(9)	15	4	(4)	..
Plant, equipment and vehicles	1 165	(652)	513	915	(553)	363
Total right-of-use assets: buildings, infrastructure, plant and equipment	12 687	(3 119)	9 568	11 801	(2 733)	9 068

Jun 2023						
Buildings	11 268	(2 106)	9 162	10 653	(1 846)	8 807
Infrastructure systems	21	(8)	13	3	(3)	..
Plant, equipment and vehicles	1 199	(661)	537	944	(564)	380
Total right-of-use assets: buildings, infrastructure, plant and equipment	12 487	(2 775)	9 712	11 600	(2 413)	9 187

Total service concession 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 2023						
Buildings	2 529	(135)	2 394	2 150	(135)	2 015
Land and national parks	3 353	..	3 353	3 353	..	3 353
Infrastructure systems	15 634	(148)	15 486	9 465	..	9 465
Plant, equipment and vehicles	685	(90)	595	685	(90)	595
Roads and road infrastructure	20 604	(116)	20 488	17 290	(116)	17 174
Earthworks	1 056	..	1 056	1 056	..	1 056
Total service concession assets: land, buildings, infrastructure, plant and equipment	43 861	(489)	43 372	33 999	(341)	33 658

Jun 2023						
Buildings	2 462	(96)	2 366	2 147	(96)	2 050
Land and national parks	3 353	..	3 353	3 353	..	3 353
Infrastructure systems	14 754	(55)	14 700	8 586	..	8 586
Plant, equipment and vehicles	1 592	(76)	1 516	1 592	(76)	1 516
Roads and road infrastructure	18 596	..	18 596	16 349	..	16 349
Earthworks	1 056	..	1 056	1 056	..	1 056
Total service concession assets: land, buildings, infrastructure, plant and equipment	41 813	(226)	41 587	33 083	(172)	32 911

4.2 Depreciation

(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
Buildings	1 766	1 493	1 316	1 161
Infrastructure systems	868	862	21	19
Plant, equipment and vehicles	662	624	407	394
Roads and road infrastructure	556	471	555	469
Cultural assets	7	7	7	7
Intangible produced assets	155	181	102	127
Total depreciation	4 014	3 640	2 407	2 178

The following two tables are subsets of total depreciation expense.

Depreciation of right-of-use (leased) assets

(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
Buildings	347	357	318	322
Infrastructure systems	2	1	..	..
Plant, equipment and vehicles	73	76	54	59
Total depreciation of right-of-use assets	421	434	372	382

Depreciation of service concession assets

(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
Buildings	36	33	36	33
Infrastructure systems	49	43	..	..
Plant, equipment and vehicles	14	13	14	13
Roads and road infrastructure	116	103	116	103
Intangible produced assets	2	..	2	..
Total depreciation of service concession assets	217	191	168	148

4.3 Other non-financial assets

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2023	2023	2023	2023
Intangible produced assets	4 241	4 330	3 061	2 921
Accumulated depreciation	(2 625)	(2 614)	(1 726)	(1 628)
Service concession assets – intangible produced	3 370	3 370	3 370	3 370
Accumulated depreciation	(6)	(4)	(6)	(4)
Intangible non-produced assets	1 012	994	79	79
Accumulated amortisation	(424)	(414)	(62)	(59)
Total intangibles	5 568	5 663	4 716	4 680
Investment properties	323	317	311	305
Biological assets	18	19	4	4
Other assets	1 560	1 153	1 436	909
Total other non-financial assets	7 470	7 152	6 467	5 898

5. FINANCING STATE OPERATIONS

Introduction

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

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

Structure

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5.2	Cash flow information and balances	32
5.3	Advances paid and investments, loans and placements	33
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5.5	Commitments	34

5.1 Borrowings

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2023	2023	2023	2023
Current borrowings				
Domestic borrowings	23 009	22 867	19 336	18 473
Foreign currency borrowings	143	262	..	..
Lease liabilities	752	800	671	744
Service concession arrangement liabilities	1 781	2 627	587	2 413
Derivative financial instruments	517	652	1	..
Total current borrowings	26 202	27 208	20 595	21 630
Non-current borrowings				
Domestic borrowings	142 234	123 221	124 823	109 117
Foreign currency borrowings	411	415	..	..
Lease liabilities	7 503	7 715	6 994	7 184
Service concession arrangement liabilities	5 317	5 595	4 710	4 144
Derivative financial instruments	809	799	241	214
Total non-current borrowings	156 274	137 745	136 768	120 659
Total borrowings	182 477	164 953	157 362	142 289

5.2 Cash flow information and balances

Reconciliation of cash and cash equivalents

(\$ million)

	State of Victoria		General government sector	
	Dec	Dec	Dec	Dec
	2023	2022	2023	2022
Cash	4 273	4 913	3 970	4 855
Deposits at call ^(a)	14 614	22 088	8 943	16 613
Cash and cash equivalents	18 886	27 001	12 913	21 468
Bank overdraft	..	..	..	..
Balances as per cash flow statement	18 886	27 001	12 913	21 468

Note:

(a) The decrease in Deposits at call is primarily due to amounts allocated to the Victorian Future Fund being transferred to the Victorian Funds Management Corporation for investment following proclamation of the Victorian Future Fund Act 2023.

Reconciliation of net result to net cash flows from operating activities

(\$ million)

	State of Victoria		General government sector	
	Dec	Dec	Dec	Dec
	2023	2022	2023	2022
Net result	(8 209)	(694)	(4 341)	(4 040)
Non-cash movements				
Revenue related to economic service concession arrangements	(258)	(228)	(258)	(228)
Depreciation and amortisation	4 029	3 659	2 410	2 180
Revaluation of investments	(539)	195	(125)	12
Assets (received)/provided free of charge	(401)	(365)	(213)	(195)
Assets not previously/no longer recognised	..	15	..	15
Revaluation of assets	145	136	138	125
Discount/premium on other financial assets/borrowings	3	(158)	(2)	1
Foreign currency dealings	2	1	1	1
Unrealised (gains)/losses on borrowings	2 778	(2 239)	6	(10)
Movements included in investing and financing activities				
Net gain/loss from sale of investments	247	(121)	9	(15)
Net gain/loss from sale of non-financial assets	(11)	(83)	(34)	(51)
Realised gains/losses on borrowings	(333)	(284)	..	3
Movements in assets and liabilities				
Increase/(decrease) in allowance for impairment losses	(24)	(264)	(85)	(301)
Increase/(decrease) in payables and contract liabilities	2 208	9 071	(399)	7 514
Increase/(decrease) in employee benefits	273	(282)	266	(277)
Increase/(decrease) in superannuation	498	304	489	295
Increase/(decrease) in other provisions	2 973	158	(175)	(103)
(Increase)/decrease in receivables and contract assets	(531)	157	1 449	776
(Increase)/decrease in other non-financial assets	(420)	(79)	(388)	(197)
Net cash flows from operating activities	2 427	8 897	(1 249)	5 505

5.3 Advances paid and investments, loans and placements

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2023	2023	2023	2023
Current advances paid and investments, loans and placements				
Loans and advances paid	448	693	709	946
Equities and managed investment schemes	1 211	3 641	769	641
Australian dollar term deposits	252	1 830	239	198
Debt securities	10 944	9 945	4	3
Derivative financial instruments	350	227	124	128
Total current advances paid and investments, loans and placements	13 205	16 336	1 845	1 915
Non-current advances paid and investments, loans and placements				
Loans and advances paid	230	237	5 252	4 362
Equities and managed investment schemes	57 146	42 253	12 415	2 853
Australian dollar term deposits	2	2	4	4
Debt securities	5 748	5 840	20	22
Derivative financial instruments	438	237	1	5
Total non-current advances paid and investments, loans and placements	63 564	48 569	17 693	7 246
Total advances paid and investments, loans and placements	76 769	64 905	19 538	9 161
Represented by:				
Advances paid	678	930	5 961	5 308
Investments, loans and placements	76 091	63 975	13 578	3 853

5.4 Interest expense

(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
	Interest on interest-bearing liabilities	2 545	1 821	2 236	1 393
Interest on lease liabilities	198	207	190	199
Interest on service concessions	203	210	199	206
Discount interest on payables	175	14	11	14
Total interest expense	3 121	2 253	2 635	1 813

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 *2022-23 Financial Report* for the State of Victoria (Notes 5.3 and 5.8) should be made for details of commitments as at 30 June 2023.

As at 31 December 2023, the following additional material commitments were recorded for the State of Victoria. Unless otherwise stated, contract amounts are GST inclusive and presented as nominal values:

- The State entered into contracts worth \$44 million with various parties approved by the Breakthrough Victoria board. The parties involved in these arrangements are commercially sensitive and therefore have not been disclosed at this time.
- Contracts worth \$144 million were entered into with successful respondents from funding rounds progressed by the Social Housing Growth Fund. The funding rounds supported new social housing dwellings delivered by community housing agencies across Victoria, including dwellings for Aboriginal Victorians.
- In July 2023 the State entered into a contract with Insight Enterprises Pty Ltd for Microsoft licencing and licencing services. The contract value is \$53 million, and the contract runs until December 2025.
- In July 2023, the State entered into a contract with AEGIS Correctional Partnership as part of the Prison Infill Expansion Program to further increase prisoner capacity at the Hopkins Correctional Centre. The total contract cost is \$82 million and the works are estimated to be completed in 2025.
- In July 2023, a variation of \$17 million was signed with Gateway Alliance for Melbourne Airport Rail (MAR) Early Works program. Due to the Commonwealth Government's Infrastructure Investment Program Strategic Review, a further variation of \$67 million was approved in November 2023 for Gateway Alliance to conduct demobilisation works pending the outcome of negotiations with Australia Pacific Airports (Melbourne). The works under this contract are expected to be completed by December 2024.
- In July 2023, a contract liability adjustment of \$92 million was signed with Fulton Hogan Pty Ltd to deliver the Craigieburn Road Upgrade. The works under the contract are expected to be completed by December 2024.
- In July 2023, the State entered into a contract with Alstom Transport Australia Pty Ltd to procure an additional 23 new Vlocity 3-car train sets. The total contract cost is \$591 million and is expected to be completed in December 2026.
- In July and September 2023, a variation of \$315 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 and network upgrade works. The works are estimated to be completed by December 2030.
- In July and October 2023, a variation of \$287 million was made to the Western Program Alliance with the Arup Pty Ltd and Mott MacDonald Australia Pty Ltd Joint Venture, McConnell Dowell Constructors Australia Pty Ltd and Metro Trains Melbourne Pty Ltd for the delivery of additional level crossing removal works. The works are estimated to be completed by December 2030.
- Between July and December 2023, variations totalling \$334 million were made to the contract with John Holland Group Pty Ltd to deliver the Forensic Mental Health Expansion Project. Works under the contract are estimated to be completed by June 2025.
- In August 2023, a variation of \$68 million was made to the Southern Program Alliance with Acciona Coleman Rail Joint Venture, WSP Australia Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works are estimated to be completed by December 2030.
- In August 2023, the State entered into a 10-year contract with Axon Public Safety Australia Pty Ltd for the statewide roll out of Conducted Energy Device Systems. The value of the contract is \$85 million and the contract will be completed in 2033.
- In August 2023, a variation of \$137 million was signed with Building Communities (Vic) Ltd for the Ground Lease Model Project 1 (GLM1). This modification is for the Phase 2 redevelopment at the Flemington housing site to increase social and affordable housing. The completion of new homes is expected by late 2026.

- In August 2023, the State entered into a contract with John Holland Pty Ltd to deliver a package of sewage treatment upgrades at the Western Treatment Plant. The sewage treatment upgrades have a total contract cost of \$491 million. The works under the contract are expected to be completed by May 2028.
- In October 2023, Homes Victoria entered into a ground lease model arrangement with Building Even Better Communities Limited (Project Co) to finance, design, construct and operate social, affordable and market rental housing, known as Ground Lease Model 2 (GLM2). The project reached financial close in November 2023. The total cost of the contract (including capital and operating costs) is \$606 million (Net Present Value) over the 40-year operating term. GLM2 involves redeveloping four public housing sites to deliver purpose-built housing and will be completed by November 2026.
- In October 2023, the State entered into a contract with Foodbank Victoria for the delivery of the School Breakfast Clubs Program, with a contract value of \$66 million. The contract is for the delivery of the program from January 2024 through to June 2027.
- In October 2023, a variation of \$70 million was made to the Metropolitan Roads Program Alliance with Fulton Hogan Construction Pty Ltd and Metro Trains Melbourne for the delivery of additional network upgrade works. The works are estimated to be completed by December 2030.
- In November 2023, the State entered into a contract with Whelans Group Investment Pty Ltd to deliver the Bogong High Plains landslip remediation. The total cost of the contract is \$89 million and is expected to be completed in May 2024.
- In November 2023, SEC Victoria via its subsidiary, SEC Infrastructure, both wholly owned by the State, entered into contracts to invest \$245 million in the 600-megawatt Melbourne Renewable Energy Hub (MREH) in partnership with Equis Development Pty Ltd. MREH is expected to be operational in 2025.
- In December 2023, the State entered into a contract with Decmil Southern Pty Ltd to deliver the Ison Road Rail Overpass Upgrade. The total cost of the contract is \$86 million and is expected to be completed in December 2025.
- In December 2023, a variation of \$111 million was signed with Unisys to deliver data centre services. The services under this contract are expected to be completed in December 2029.
- In December 2023, the State entered into a contract extension with Rotary Wing Air for Rotary Wing Services to provide critical helicopter emergency services and Airforce services. The contract value is \$375 million and runs from January 2026 to December 2030.
- In December 2023, the State entered into a contract with Plenary Conventions Pty Ltd to deliver the Nyaal Banyul Geelong Convention and Event Centre precinct project. The total cost of the contract (including capital and operating costs) is \$534 million (Net Present Value) over the 25-year operating term. Construction is expected to be completed in 2026.
- In December 2023, the State entered into a contract with Acciona Construction Australia Pty Ltd, MACA Civil Pty Ltd and AECOM Pty Ltd to deliver the M80 Ring Road Upgrade. The total cost of the contract is \$3.4 billion and is expected to be completed in December 2028.
- In December 2023, the State entered into a contract with Suburban Connect, a consortium comprising CPB Contractors Pty Ltd, Ghella Pty Ltd and Acciona Construction Australia Pty Ltd, to deliver the Suburban Rail Loop East tunnel South also known as Work Package C. The total cost of the contract is \$3.971 billion. Works on Suburban Rail Loop East are expected to be completed in 2035.
- In December 2023, the State entered into a contract with Laing O'Rourke Australia Construction Pty Ltd, Symal Infrastructure Pty Ltd, WSP Australia Pty Ltd and Arcadis Australia Pacific Pty Ltd to deliver the Eastern Freeway Upgrades: Burke Road to Tram Road. The total cost of the contract is \$4.6 billion and is expected to be completed in December 2028.
- In December 2023, the State entered into a contract with BioNTech Australia Pty Ltd with an initial term of 10 years, for the establishment of an Asia Pacific clinical scale mRNA manufacturing facility and research grade RNA manufacturing facility. The total cost of this arrangement is commercial in confidence and therefore cannot be disclosed.

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

6. OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

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6.1 Inventories

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2023	2023	2023	2023
At cost				
Raw materials	9	9	8	8
Work in progress	232	204	8	7
Finished goods	71	66	5	4
Consumable stores	500	644	411	549
Land and other assets held as inventory	896	923	15	6
At net realisable value				
Consumable stores	5	5	..	..
Total inventories	1 715	1 851	447	574

6.2 Receivables and contract assets

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2023	2023	2023	2023
Contractual				
Sales of goods and services	1 947	1 396	995	734
Accrued investment income	137	209	51	130
Other receivables	3 946	2 433	1 791	1 653
Allowance for impairment of contractual receivables	(378)	(332)	(187)	(202)
Statutory				
Sales of goods and services	15	4	1	1
Taxes receivables	4 075	5 447	4 075	5 840
Fines and regulatory fees	2 539	2 594	2 538	2 593
GST input tax credits recoverable	1 655	1 435	670	600
Other receivables	2	9	..	..
Allowance for impairment of statutory receivables	(2 234)	(2 303)	(2 234)	(2 303)
Other				
Actuarially determined	955	970	..	..
Contract assets	26	112	..	1
Total receivables and contract assets	12 685	11 973	7 701	9 046
Represented by:				
Current receivables and contract assets	10 646	10 121	7 168	8 517
Non-current receivables and contract assets	2 039	1 852	533	530

6.3 Payables and contract liabilities

(\$ million)

	State of Victoria		General government sector	
	Dec 2023	Jun 2023	Dec 2023	Jun 2023
Contractual				
Accounts payable	2 844	2 411	986	865
Accrued expenses	4 829	6 182	4 255	5 356
Grant of a right to the operator liability	20 079	19 799	19 984	19 725
Unearned income	14 398	11 755	2 025	1 960
Statutory				
Accrued taxes payable	122	124	84	78
Unearned income	..	63	..	63
Other				
Contract liabilities	655	598	393	352
Total payables and contract liabilities	42 926	40 932	27 726	28 398
Represented by:				
Current payables and contract liabilities	14 435	12 615	7 687	8 544
Non-current payables and contract liabilities	28 491	28 318	20 039	19 855

6.4 Superannuation

(\$ million)

	State of Victoria	
	Dec 2023	Jun 2023
Current liability	280	279
Non-current liability	19 157	18 625
Total superannuation liability	19 437	18 904
Represented by:		
Emergency Services and State Super	18 412	17 907
Other funds	1 025	997

6.5 Other provisions

(\$ million)

	State of Victoria		General government sector	
	Dec 2023	Jun 2023	Dec 2023	Jun 2023
Provision for insurance claims				
WorkSafe Victoria	4 406	3 805	..	..
Transport Accident Commission	1 590	1 602	..	..
Victorian Managed Insurance Authority	1 001	920	..	..
Other agencies	94	102	93	100
Current provision for insurance claims	7 090	6 428	93	100
Other provisions	2 072	2 285	1 745	1 963
Total current other provisions	9 162	8 713	1 838	2 063
Non-current provision for insurance claims				
WorkSafe Victoria	24 538	22 841	..	..
Transport Accident Commission	15 725	15 114	..	..
Victorian Managed Insurance Authority	2 680	2 540	..	..
Other agencies	123	123	122	122
Non-current provision for insurance claims	43 065	40 618	122	122
Other provisions	873	798	814	765
Total non-current other provisions	43 938	41 417	936	887
Total other provisions	53 100	50 129	2 774	2 950

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 *2022-23 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 *2022-23 Financial Report* for the State of Victoria (Note 7.2) for details of contingent assets as at 30 June 2023.

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 *2022-23 Financial Report* for the State of Victoria (Note 7.2) for details of contingent liabilities as at 30 June 2023.

The contingent liability for a claim, relating to patronage levels, from the contractor responsible for operating and maintaining Southern Cross Station was settled in February 2024.

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

8. PUBLIC ACCOUNT

Introduction

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

Structure

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8.1 Consolidated fund receipts and payments

(\$ million)

2022-23		2023-24	
actual to Dec		actual to Dec	revised budget
15 335	Taxation	17 293	36 054
676	Fines and regulatory fees	493	1 128
12 886	Grants received	13 440	26 752
774	Sales of goods and services	512	1 360
460	Interest received	638	1 082
305	Dividends, income tax equivalent and rate equivalent receipts	673	2 064
8 099	Other receipts	603	638
38 534	Total operating activities	33 651	69 077
14 594	Total inflows from investing and financing	17 544	32 441
53 128	Total receipts	51 194	101 518
	Payments to departments ^(a)		
8 720	Education	8 765	17 683
1 938	Energy, Environment and Climate Action	1 463	3 580
4 516	Families, Fairness and Housing	4 551	9 036
..	Government Services	252	523
8 901	Health	9 127	17 263
1 999	Jobs, Skills, Industries and Regions	1 573	3 787
5 398	Justice and Community Safety	5 327	9 601
628	Premier and Cabinet	222	447
8 901	Transport and Planning	12 917	20 204
3 891	Treasury and Finance	12 043	31 448
172	Parliament	180	356
456	Courts	487	1 126
45 519	Total payments	56 907	115 052
7 621	Net receipts/(payments)	(5 712)	(13 534)

Note:

(a) On 5 December 2022, the former Premier announced a number of machinery of government changes to restructure the functions of government departments, including the renaming of several departments and the creation of a new department with effect from 1 January 2023. Refer to Note 9.8 in Chapter 4 of the 2022-23 Financial Report for further details.

8.2 Trust fund statement cash flows

(\$ million)

2022-23		2023-24	
actual to Dec		actual to Dec	revised budget
Cash flows from operating activities			
403	Taxation	372	665
120	Regulatory fees and fines	161	287
11 708	Grants received	11 508	20 145
423	Sale of goods and services	484	1 329
55	Interest received	117	214
23	Dividends received	127	233
4 980	Net transfers from consolidated fund	13 773	16 976
1 576	Other receipts	584	1 073
19 289	Total receipts	27 125	40 920
(219)	Payments for employees	(207)	(284)
(18)	Superannuation	(22)	(25)
(58)	Interest paid	(68)	(117)
(12 866)	Grants and subsidies	(13 260)	(23 986)
(2 648)	Goods and services	(1 824)	(4 588)
(15 809)	Total payments	(15 382)	(29 000)
3 481	Net cash flows from operating activities	11 743	11 921
Cash flows from investing activities			
(73)	Purchases of property, plant and equipment	(89)	(1 647)
46	Proceeds from sale of property, plant and equipment	54	59
637	Net proceeds from customer loans	(1 237)	26
(1 614)	Other investing activities	(12 198)	(11 670)
(1 004)	Net cash flows from investing activities	(13 470)	(13 233)
Cash flows from financing activities			
(122)	Net proceeds/(repayments) from borrowings	212	(163)
(122)	Net cash flows from financing activities	212	(163)
2 355	Net cash inflow/(outflow)	(1 515)	(1 475)

8.3 Reconciliation of cash flows to balances held

(\$ million)

	Balances held at 30 Jun 2023	Dec movement YTD	Balances held at 31 Dec 2023
Cash and deposits			
Cash and balances outside of the Public Account	..	..	..
Deposits held with the Public Account – Specific trusts	1 448	157	1 606
Other balances held in the Public Account ^(a)	11 450	(7 290)	4 160
Total cash and deposits	12 898	(7 133)	5 765
Investments			
Investments held with the Public Account – Specific trusts ^(a)	1 649	8 941	10 591
Total investments	1 649	8 941	10 591
Total fund balances	14 547	1 809	16 356
Less funds held outside the public account			
Cash	..	..	..
Total fund balances held outside the Public Account	..	..	..
Total fund balances held in the Public Account ^(b)	14 547	1 809	16 356

Notes:

(a) Following the proclamation of the Victorian Future Fund Act 2023, amounts allocated to the Fund were transferred from the Consolidated Fund to the Trust Fund in 2023-24, consistent with the requirements of Section 8 (1)(a)(i) of the Act.

(b) 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)

2022-23		2023-24	
actual		opening	actual
31 Dec		1 Jul	31 Dec
2 636	Amounts invested on behalf of specific trust accounts ^(a)	3 098	12 196
13 258	General account balances ^(a)	11 450	4 160
15 894	Total Public Account	14 547	16 356
	Represented by:		
14 607	Stock, securities, cash and investments	13 353	15 352
	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>	..	..
1 287	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	1 194	1 004
15 894	Total Public Account	14 547	16 356

Note:

(a) Following the proclamation of the Victorian Future Fund Act 2023, amounts allocated to the Fund were transferred from the Consolidated Fund to the Trust Fund in 2023-24, consistent with the requirements of Section 8 (1)(a)(i) of the Act.

9. OTHER DISCLOSURES

Introduction

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

Structure

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9.1 Disaggregated information

Disaggregated operating statement for the six months ended 31 December

(\$ million)

	General government sector		Public non-financial corporations	
	2023	2022	2023	2022
Revenue and income from transactions				
Taxation	15 632	14 380	..	..
Interest income	806	591	58	35
Dividends, income tax equivalent and rate equivalent income	344	233	5	3
Sales of goods and services	3 233	3 198	3 824	3 389
Grants	20 480	19 758	1 138	1 008
Other revenue and income	1 852	1 758	397	354
Total revenue and income from transactions	42 346	39 919	5 423	4 789
Expenses from transactions				
Employee expenses	17 687	16 745	972	864
Net superannuation interest expense	389	363	..	..
Other superannuation	2 004	1 874	98	85
Depreciation	2 407	2 178	1 021	945
Interest expense	2 635	1 813	477	423
Grant expense	7 600	8 308	291	372
Other operating expenses	13 806	12 838	2 418	2 044
Other property expenses	..	..	146	118
Total expenses from transactions	46 529	44 119	5 424	4 851
Net result from transactions – Net operating balance	(4 182)	(4 200)	(1)	(62)
Other economic flows included in net result				
Net gain/(loss) on disposal of non-financial assets	33	50	(23)	32
Net gain/(loss) on financial assets or liabilities at fair value	120	9	11	25
Share of net profit/(loss) from associates/joint venture entities	(13)	5	..	..
Other gains/(losses) from other economic flows	(299)	96	(13)	237
Total other economic flows included in net result	(158)	160	(24)	295
Net result	(4 341)	(4 040)	(25)	233
Other economic flows – Other comprehensive income				
Items that will not be reclassified to net result				
Changes in non-financial assets revaluation surplus ^(a)	339	3 652	124	54
Remeasurement of superannuation defined benefits plans	(43)	1 422	8	9
Other movements in equity	75	(352)	(195)	(96)
Items that may be reclassified subsequently to net result				
Net gain/(loss) on financial assets at fair value	(5)	134	(8)	(10)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(2 305)	3 507	..	..
Total other economic flows – Other comprehensive income^(a)	(1 939)	8 362	(71)	(42)
Comprehensive result – Total change in net worth^(a)	(6 280)	4 322	(96)	190
FISCAL AGGREGATES				
Net operating balance	(4 182)	(4 200)	(1)	(62)
Net acquisition of non-financial assets from transactions				
Purchases of non-financial assets (including change in inventories)	9 067	8 135	2 331	1 879
Less: Sales of non-financial assets	(114)	(201)	(81)	(101)
Less: Depreciation and amortisation	(2 407)	(2 178)	(1 021)	(945)
Plus/(less): Other movements in non-financial assets	1 465	1 160	467	649
Less: Net acquisition of non-financial assets from transactions	8 010	6 915	1 695	1 482
Net lending/(borrowing)	(12 193)	(11 115)	(1 696)	(1 544)

Note:

(a) The December 2022 changes in the non-financial assets revaluation surplus balance, and the associated totals, have been restated to reflect the update to the initial valuation of the registration and licensing database following the VicRoads Modernisation joint venture, consistent with the requirements of AASB 1059 Service Concession Arrangements: Grantors.

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2023	2022	2023	2022	2023	2022
..	..	(259)	(236)	15 373	14 144
2 481	1 635	(2 353)	(1 577)	992	683
1 573	1 530	(230)	(199)	1 692	1 567
3 890	3 007	(1 010)	(797)	9 936	8 797
..	377	(1 187)	(1 399)	20 431	19 745
13	11	..	..	2 262	2 123
7 957	6 560	(5 039)	(4 208)	50 687	47 060
272	253	(537)	(370)	18 394	17 491
..	..	..	..	389	363
27	25	..	..	2 129	1 984
44	43	542	473	4 014	3 640
2 362	1 595	(2 354)	(1 578)	3 121	2 253
72	24	(1 272)	(1 483)	6 692	7 221
5 841	5 014	(651)	(580)	21 414	19 317
87	404	(234)	(522)	..	..
8 706	7 358	(4 505)	(4 059)	56 153	52 269
(749)	(798)	(533)	(149)	(5 466)	(5 209)
..	..	..	..	11	83
(2 252)	2 431	..	..	(2 120)	2 465
..	..	..	..	(13)	5
(13)	1 927	(296)	(299)	(621)	1 962
(2 265)	4 359	(296)	(299)	(2 744)	4 514
(3 014)	3 561	(830)	(448)	(8 209)	(694)
..	..	(26)	(65)	437	3 641
..	..	..	..	(35)	1 431
(1)	..	..	..	(121)	(448)
..	..	..	..	(12)	124
..	..	2 305	(3 507)	..	..
(1)	..	2 279	(3 572)	268	4 748
(3 015)	3 561	1 449	(4 020)	(7 941)	4 054
(749)	(798)	(533)	(149)	(5 466)	(5 209)
23	29	(2)	(22)	11 419	10 021
..	(1)	..	..	(196)	(303)
(44)	(43)	(542)	(473)	(4 014)	(3 640)
..	..	..	(1)	1 931	1 807
(22)	(15)	(544)	(496)	9 141	7 886
(728)	(783)	10	347	(14 606)	(13 095)

Disaggregated balance sheet as at 31 December ^(a)

(\$ million)

	General government sector		Public non-financial corporations	
	Dec 2023	Jun 2023	Dec 2023	Jun 2023
Assets				
Financial assets				
Cash and deposits	12 913	19 698	2 119	2 232
Advances paid	5 961	5 308	274	273
Receivables and contract assets	7 701	9 046	1 867	1 541
Investments, loans and placements	13 578	3 853	800	818
Loans receivable from non-financial public sector ^(a)	..	..	..	..
Investments accounted for using the equity method	1 149	1 180	50	..
Investments in other sector entities	94 147	96 042	..	..
Total financial assets	135 449	135 128	5 110	4 864
Non-financial assets				
Inventories	447	574	1 267	1 277
Non-financial assets held for sale	278	110	30	29
Land, buildings, infrastructure, plant and equipment	257 529	249 480	119 324	117 535
Other non-financial assets	6 467	5 898	3 152	3 105
Total non-financial assets	264 722	256 062	123 773	121 946
Total assets	400 170	391 190	128 882	126 811
Liabilities				
Deposits held and advances received	1 850	1 615	2 122	1 161
Payables	27 334	28 047	10 449	10 475
Contract liabilities	393	352	280	260
Borrowings	157 362	142 289	22 355	21 375
Employee benefits	10 517	10 250	578	573
Superannuation	19 437	18 904	..	..
Other provisions	2 774	2 950	11 992	12 087
Total liabilities	219 667	204 407	47 775	45 931
Net assets	180 504	186 783	81 108	80 880
Accumulated surplus/(deficit)	41 894	45 889	(30 143)	(29 846)
Reserves	138 609	140 894	111 250	110 725
Net worth	180 504	186 783	81 108	80 880
FISCAL AGGREGATES				
Net financial worth	(84 218)	(69 278)	(42 665)	(41 066)
Net financial liabilities	178 365	165 321	42 665	41 066
Net debt	126 760	115 044	21 283	19 213

Note:

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

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
<i>Dec 2023</i>	<i>Jun 2023</i>	<i>Dec 2023</i>	<i>Jun 2023</i>	<i>Dec 2023</i>	<i>Jun 2023</i>
4 704	4 100	(851)	(352)	18 886	25 678
41	57	(5 598)	(4 708)	678	930
3 608	2 367	(490)	(982)	12 685	11 973
61 774	59 364	(60)	(60)	76 091	63 975
142 881	126 353	(142 881)	(126 353)	..	..
13	13	..	..	1 212	1 193
..	..	(94 147)	(96 042)	..	..
213 021	192 254	(244 027)	(228 497)	109 553	103 750
..	..	..	..	1 715	1 851
..	..	..	..	308	139
323	332	41 236	41 601	418 412	408 948
3 554	3 343	(5 703)	(5 193)	7 470	7 152
3 877	3 675	35 533	36 407	427 904	418 090
216 898	195 929	(208 494)	(192 090)	537 457	521 840
198	212	(2 128)	(1 212)	2 041	1 777
5 211	2 864	(723)	(1 052)	42 271	40 334
..	..	(17)	(14)	655	598
150 800	132 326	(148 040)	(131 036)	182 477	164 953
126	125	..	..	11 220	10 948
..	..	..	..	19 437	18 904
50 157	46 980	(11 823)	(11 888)	53 100	50 129
206 492	182 507	(162 732)	(145 202)	311 201	287 643
10 406	13 421	(45 762)	(46 888)	226 255	234 197
10 045	13 065	50 254	50 998	72 051	80 106
361	356	(96 017)	(97 886)	154 204	154 090
10 406	13 421	(45 762)	(46 888)	226 255	234 197
6 529	9 747	(81 295)	(83 295)	(201 649)	(183 893)
(6 529)	(9 747)	(12 852)	(12 747)	201 649	183 893
(58 403)	(57 335)	(778)	(775)	88 863	76 146

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

	General government sector		Public non-financial corporations	
	2023	2022	2023	2022
Cash flows from operating activities				
Receipts				
Taxes received	17 009	15 175	..	..
Grants	20 425	19 724	1 173	1 058
Sales of goods and services ^(a)	3 258	3 331	4 027	3 837
Interest received	793	554	79	29
Dividends, income tax equivalent and rate equivalent receipts	806	228	5	17
Other receipts	1 086	9 334	122	324
Total receipts	43 376	48 346	5 407	5 265
Payments				
Payments for employees	(17 412)	(16 944)	(964)	(868)
Superannuation	(1 904)	(1 942)	(89)	(77)
Interest paid	(2 440)	(1 604)	(488)	(412)
Grants and subsidies	(7 850)	(8 636)	(179)	(266)
Goods and services ^(a)	(14 436)	(13 276)	(3 028)	(2 492)
Other payments	(585)	(439)	(229)	(364)
Total payments	(44 625)	(42 841)	(4 978)	(4 479)
Net cash flows from operating activities	(1 249)	5 505	429	786
Cash flows from investing activities				
Cash flows from investments in non-financial assets				
Purchases of non-financial assets	(9 097)	(8 280)	(2 336)	(1 865)
Sales of non-financial assets	114	201	81	101
Net cash flows from investments in non-financial assets	(8 983)	(8 080)	(2 254)	(1 763)
Net cash flows from investments in financial assets for policy purposes	(1 003)	(1 073)	(245)	(28)
Sub-total	(9 986)	(9 153)	(2 500)	(1 791)
Net cash flows from investments in financial assets for liquidity management purposes	(9 609)	(171)	8	(10)
Net cash flows from investing activities	(19 594)	(9 324)	(2 491)	(1 801)
Cash flows from financing activities				
Advances received (net)	142	(116)	927	(9)
Net borrowings	13 824	14 410	715	549
Deposits received (net)	93	8	34	68
Other financing (net)	..	..	274	556
Net cash flows from financing activities	14 059	14 302	1 950	1 165
Net increase/(decrease) in cash and cash equivalents	(6 785)	10 483	(112)	150
Cash and cash equivalents at beginning of reporting period	19 698	10 985	2 232	1 833
Cash and cash equivalents at end of the reporting period	12 913	21 468	2 119	1 983
FISCAL AGGREGATES				
Net cash flows from operating activities	(1 249)	5 505	429	786
Dividends paid	..	..	(86)	(52)
Net cash flows from investments in non-financial assets	(8 983)	(8 080)	(2 254)	(1 763)
Cash surplus/(deficit)	(10 232)	(2 574)	(1 911)	(1 029)

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

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2023	2022	2023	2022	2023	2022
..	..	(259)	(236)	16 750	14 939
4	369	(1 225)	(1 451)	20 377	19 700
5 759	4 475	(1 133)	(898)	11 911	10 745
2 311	1 380	(2 312)	(1 512)	871	452
1 573	1 530	(673)	(306)	1 711	1 469
22	14	(29)	(59)	1 201	9 613
9 669	7 768	(5 631)	(4 461)	52 822	56 918
(270)	(251)	537	370	(18 108)	(17 692)
(27)	(25)	..	..	(2 020)	(2 043)
(2 083)	(1 480)	2 331	1 512	(2 680)	(1 984)
(75)	(27)	1 225	1 451	(6 878)	(7 478)
(3 437)	(3 299)	777	694	(20 125)	(18 374)
(415)	(6)	645	359	(584)	(451)
(6 306)	(5 088)	5 515	4 386	(50 395)	(48 022)
3 363	2 680	(116)	(75)	2 427	8 897
(23)	(29)	2	22	(11 454)	(10 152)
..	1	..	..	196	303
(22)	(29)	2	22	(11 258)	(9 849)
21	20	1 282	690	55	(392)
(1)	(9)	1 283	712	(11 203)	(10 241)
(18 744)	(15 419)	16 528	13 659	(11 816)	(1 941)
(18 745)	(15 428)	17 811	14 371	(23 019)	(12 182)
(31)	(39)	(913)	128	125	(36)
16 000	11 999	(17 004)	(14 011)	13 535	12 947
16	12	(3)	28	139	116
..	224	(274)	(780)	..	..
15 985	12 196	(18 194)	(14 635)	13 800	13 028
604	(551)	(499)	(339)	(6 792)	9 743
4 100	4 919	(352)	(478)	25 678	17 258
4 704	4 368	(851)	(817)	18 886	27 001
3 363	2 680	(116)	(75)	2 427	8 897
..	(1)	86	53	..	..
(22)	(29)	2	22	(11 258)	(9 849)
3 341	2 651	(29)	..	(8 831)	(953)

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 2023	45 889	..	91 269	48 245	1 380	186 783
Net result for the year	(4 341)	..	..	..	..	(4 341)
Other comprehensive income for the year	(28)	..	339	(2 305)	55	(1 939)
Transfer to/(from) accumulated surplus	375	..	(375)	..	..	..
Dividends paid	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 31 December 2023	41 894	..	91 234	45 941	1 435	180 504
PNFC sector						
Balance at 1 July 2023	(29 846)	78 417	31 605	..	702	80 880
Net result for the year	(25)	..	..	..	..	(25)
Other comprehensive income for the year	(186)	..	124	..	(8)	(71)
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	(86)	..	..	..	..	(86)
Transactions with owners in their capacity as owners	..	409	..	..	..	409
Total equity as at 31 December 2023	(30 143)	78 827	31 729	..	694	81 108
PFC sector						
Balance at 1 July 2023	13 065	290	10	..	57	13 421
Net result for the year	(3 014)	..	..	..	..	(3 014)
Other comprehensive income for the year	(6)	..	..	..	5	(1)
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 31 December 2023	10 045	290	10	..	62	10 406
Eliminations	50 254	(79 117)	29 041	(45 941)	..	(45 762)
Total State of Victoria	72 051	..	152 013	..	2 191	226 255

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 2022	52 827	..	79 719	44 815	1 170	178 531
Net result for the year	(4 040)	..	..	..	..	(4 040)
Other comprehensive income for the year ^(a)	1 076	..	3 652	3 507	127	8 362
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Total equity as at 31 December 2022 ^(a)	49 863	..	83 371	48 322	1 297	182 853
PNFC sector						
Balance at 1 July 2022	(26 420)	75 136	28 337	..	667	77 721
Net result for the year	233	..	..	..	..	233
Other comprehensive income for the year	(87)	..	54	..	(10)	(42)
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	(52)	..	..	..	..	(52)
Transactions with owners in their capacity as owners	..	631	..	..	..	631
Total equity as at 31 December 2022	(26 326)	75 768	28 392	..	657	78 490
PFC sector						
Balance at 1 July 2022	9 796	65	10	..	49	9 919
Net result for the year	3 561	..	..	..	..	3 561
Other comprehensive income for the year	(5)	..	..	..	5	..
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	(1)	..	..	..	..	(1)
Transactions with owners in their capacity as owners	..	225	..	..	..	225
Total equity as at 31 December 2022	13 352	290	10	..	54	13 705
Eliminations	48 370	(76 057)	24 780	(48 322)	..	(51 229)
Total State of Victoria ^(a)	85 259	..	136 552	..	2 008	223 819

Note:

(a) The December 2022 changes in the non-financial assets revaluation surplus balance, and the associated totals, have been restated to reflect the update to the initial valuation of the registration and licensing database following the VicRoads Modernisation joint venture, consistent with the requirements of AASB 1059 Service Concession Arrangements: Grantors.

9.2 Other gains/(losses) from other economic flows
(\$ million)

	State of Victoria		General government sector	
	2023	2022	2023	2022
Net (increase)/decrease in allowances for credit losses	47	281	49	284
Amortisation of intangible non-produced assets	(16)	(19)	(2)	(2)
Net swap interest revenue/(expense)	(23)	(17)	..	..
Bad debts written off	(255)	(247)	(248)	(243)
Other gains/(losses)	(376)	1 963	(97)	57
Total other gains/(losses) from other economic flows	(621)	1 962	(299)	96

9.3 Controlled entities

Note 9.8 in Chapter 4 of the *2022-23 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 2023 which have been consolidated for the purposes of the financial report:

General government sector	
Department of Health	Department of Transport and Planning
Northern Health ^(a)	Secretary, Project Development ^(c)
Department of Justice and Community Safety	
Triple Zero Victoria ^(b)	
Public non-financial corporations	
Department of Energy, Environment, and Climate Action	
State Electricity Commission of Victoria ^(d)	
SEC Victoria Pty Ltd: ^(e)	
<ul style="list-style-type: none">• SEC Infrastructure Pty Ltd• SEC Energy Pty Ltd	

Notes:

- (a) Effective from 1 November 2023, Northern Health and Kilmore District Health were amalgamated to be known as Northern Health under a voluntary amalgamation.
- (b) In December 2023, the Emergency Services Telecommunications Authority (ESTA) was renamed Triple Zero Victoria and established as a new statutory authority, under the Triple Zero Victoria Act 2023.
- (c) Effective from 1 August 2023, the Secretary, Project Development, was assigned from the Department of Jobs, Skills, Industry and Regions to the Department of Transport and Planning.
- (d) The previous State Electricity Commission of Victoria, established under the State Electricity Commission Act 1958 (SEC Act), remains a separate legal entity. Subject to passing of legislation currently before Parliament, the entity will be abolished by amendment of the SEC Act.
- (e) In October 2023, the SEC Victoria Pty Ltd and its subsidiaries SEC Infrastructure Pty Ltd and SEC Energy Pty Ltd were incorporated as companies under the Corporations Act 2001 and registered in Victoria. Subsequently in November 2023, they were each declared a State Owned Company (SOC) under the State Owned Enterprises Act 1992.

9.4 Glossary of technical terms

The *2022-23 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)

	2022-23			2023-24	
	Dec	Mar	Jun	Sep	Dec
Revenue and income from transactions					
Taxation	6 539	10 716	7 254	8 208	7 424
Interest income	331	371	345	401	405
Dividends, income tax equivalent and rate equivalent income	146	59	528	85	258
Sales of goods and services	1 503	1 411	1 654	1 569	1 664
Grants	10 494	10 712	9 668	9 516	10 964
Other revenue and income	1 007	723	1 361	852	1 000
Total revenue and income from transactions	20 019	23 990	20 811	20 631	21 716
Expenses from transactions					
Employee expenses	8 383	7 916	8 968	8 712	8 975
Net superannuation interest expense	191	177	179	181	208
Other superannuation	835	913	972	1 036	968
Depreciation	1 093	1 160	1 266	1 187	1 220
Interest expense	991	995	1 166	1 212	1 423
Grant expense	4 287	5 081	5 665	3 824	3 776
Other operating expenses	7 024	6 471	8 519	6 963	6 843
Total expenses from transactions	22 804	22 714	26 734	23 116	23 413
Net result from transactions – Net operating balance	(2 785)	1 276	(5 924)	(2 485)	(1 697)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	18	75	(35)	12	21
Net gain/(loss) on financial assets or liabilities at fair value	16	60	(98)	12	109
Share of net profit/(loss) from associates/joint venture entities	2	..	(43)	..	(13)
Other gains/(losses) from other economic flows	101	(107)	(1 012)	(39)	(260)
Total other economic flows included in net result	137	28	(1 187)	(16)	(143)
Net result	(2 648)	1 304	(7 111)	(2 500)	(1 840)
Other economic flows – Other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	148	258	9 800	(47)	387
Remeasurement of superannuation defined benefits plans	138	(3 160)	3 094	2 034	(2 077)
Other movements in equity	84	41	(224)	35	39
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	46	..	5	6	(11)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	3 507	..	(76)	..	(2 305)
Total other economic flows – Other comprehensive income	3 923	(2 861)	12 598	2 028	(3 967)
Comprehensive result – Total change in net worth	1 275	(1 557)	5 487	(472)	(5 807)
KEY FISCAL AGGREGATES					
Net operating balance	(2 785)	1 276	(5 924)	(2 485)	(1 697)
Less: Net acquisition of non-financial assets from transactions	4 224	1 624	2 746	3 797	4 213
Net lending/(borrowing)	(7 009)	(347)	(8 670)	(6 282)	(5 911)

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

(\$ million)

	2022-23		2023-24		
	Dec	Mar	Jun	Sep	Dec
Assets					
Financial assets					
Cash and deposits	21 468	20 941	19 698	16 332	12 913
Advances paid	5 227	5 332	5 308	5 480	5 961
Receivables and contract assets	7 717	10 809	9 046	8 745	7 701
Investments, loans and placements	3 619	3 874	3 853	12 483	13 578
Investments accounted for using the equity method	1 223	1 223	1 180	1 181	1 149
Investments in other sector entities	93 525	94 739	96 042	96 136	94 147
Total financial assets	132 779	136 918	135 128	140 356	135 449
Non-financial assets					
Inventories	1 118	1 121	574	485	447
Non-financial assets held for sale	82	85	110	100	278
Land, buildings, infrastructure, plant and equipment	233 161	236 254	249 480	253 364	257 529
Other non-financial assets	6 778	6 250	5 898	6 826	6 467
Total non-financial assets	241 140	243 709	256 062	260 775	264 722
Total assets	373 919	380 627	391 190	401 131	400 170
Liabilities					
Deposits held and advances received	1 727	1 695	1 615	1 761	1 850
Payables	26 006	26 654	28 047	28 999	27 334
Contract liabilities	407	361	352	372	393
Borrowings	132 754	136 828	142 289	153 123	157 362
Employee benefits	9 582	9 827	10 250	10 563	10 517
Superannuation	18 629	21 804	18 904	17 181	19 437
Other provisions	1 962	2 161	2 950	2 821	2 774
Total liabilities	191 066	199 331	204 407	214 820	219 667
Net assets	182 853	181 296	186 783	186 311	180 504
Accumulated surplus/(deficit)	49 863	50 255	45 889	45 805	41 894
Reserves	132 990	131 042	140 894	140 506	138 609
Net worth	182 853	181 296	186 783	186 311	180 504
FISCAL AGGREGATES					
Net financial worth	(58 287)	(62 413)	(69 278)	(74 464)	(84 218)
Net financial liabilities	151 812	157 152	165 321	170 600	178 365
Net debt	104 167	108 376	115 044	120 589	126 760

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

	2022-23		2023-24		
	Dec	Mar	Jun	Sep	Dec
Cash flows from operating activities					
Receipts					
Taxes received	7 213	6 965	9 481	8 688	8 320
Grants	10 417	10 731	10 426	9 583	10 842
Sales of goods and services ^(a)	1 235	1 768	1 774	1 650	1 608
Interest received	319	365	309	404	389
Dividends, income tax equivalent and rate equivalent receipts	140	399	66	154	652
Other receipts	1 163	239	634	505	581
Total receipts	20 487	20 468	22 689	20 985	22 391
Payments					
Payments for employees	(8 662)	(7 758)	(8 558)	(8 362)	(9 049)
Superannuation	(1 104)	(1 075)	(958)	(906)	(998)
Interest paid	(880)	(915)	(1 040)	(1 116)	(1 324)
Grants and subsidies	(4 445)	(5 077)	(4 691)	(3 997)	(3 853)
Goods and services ^(a)	(7 243)	(5 793)	(8 041)	(6 939)	(7 497)
Other payments	(200)	(241)	(265)	(253)	(332)
Total payments	(22 534)	(20 859)	(23 554)	(21 572)	(23 053)
Net cash flows from operating activities	(2 047)	(391)	(865)	(587)	(662)
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(4 781)	(3 155)	(4 837)	(4 250)	(4 847)
Sales of non-financial assets	128	40	84	52	62
Net cash flows from investments in non-financial assets	(4 653)	(3 115)	(4 753)	(4 198)	(4 785)
Net cash flows from investments in financial assets for policy purposes	(682)	(387)	(165)	(259)	(744)
Sub-total	(5 335)	(3 502)	(4 919)	(4 457)	(5 529)
Net cash flows from investments in financial assets for liquidity management purposes	(100)	(207)	(113)	(8 613)	(996)
Net cash flows from investing activities	(5 435)	(3 709)	(5 032)	(13 069)	(6 525)
Cash flows from financing activities					
Advances received (net)	(5)	(39)	(88)	(10)	152
Net borrowings	6 441	3 605	4 734	10 145	3 679
Deposits received (net)	(29)	6	8	156	(63)
Net cash flows from financing activities	6 407	3 573	4 654	10 291	3 768
Net increase/(decrease) in cash and cash equivalents	(1 076)	(527)	(1 243)	(3 366)	(3 419)
Cash and cash equivalents at beginning of the reporting period	22 544	21 468	20 941	19 698	16 332
Cash and cash equivalents at end of the reporting period	21 468	20 941	19 698	16 332	12 913
FISCAL AGGREGATES					
Net cash flows from operating activities	(2 047)	(391)	(865)	(587)	(662)
Net cash flows from investments in non-financial assets	(4 653)	(3 115)	(4 753)	(4 198)	(4 785)
Cash surplus/(deficit)	(6 700)	(3 506)	(5 618)	(4 785)	(5 447)

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

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

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

The notation used in the tables is as follows:

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

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

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Mid-Year Financial Report

(incorporating Quarterly Financial Report No. 2)

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