**2021‑22 Mid‑Year Financial Report**

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



**March 2022**

Presented by

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

The *2021-22 Mid-Year Financial Report* presents the financial results for the State of Victoria, including the general government sector, for the six months to 31 December 2021. The report has been prepared in accordance with the *Financial Management Act 1994* and applicable accounting standards.

The actual results in this report are compared with the revised budget estimates in the *2021-22 Budget Update*. The likely 2021-22 full year results cannot be extrapolated from the half-year results due to the economic impact of the COVID-19 pandemic and associated public health restrictions for the first half of the year, together with seasonal and other factors impacting on the timing of activities and transactions. For example, land tax revenue is mainly recognised in the March quarter, and certain grant revenue from the Commonwealth Government is expected to be received later in the financial year.

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

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

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

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

Due to transactions between the different sectors, not all transactions in each sector affect the overall State of Victoria outcome. For the period to 31 December 2021, the general government sector recorded a net result from transactions deficit of $10 billion.

# Overview

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

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

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

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

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

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

The general government sector’s infrastructure investment, which includes net infrastructure investment (net of asset sales) and construction related cash outflows for Partnerships Victoria projects, was $8.7 billion for the period to 31 December 2021, or 46 per cent of the revised full year budget estimate. This was below the pro rata revised budget, primarily due to the timing of the Government’s capital program. Government infrastructure investment was $9.9 billion for the State of Victoria for the same period.

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

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

# Financial performance

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

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

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

These movements are further explained below.

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

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

Notes:

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

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

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

## General government sector

### Revenue and income

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

Taxation was $13 billion, or 48 per cent of the revised full year budget estimate. Taxation is influenced by seasonal factors, such as land tax revenue being recognised in the March quarter and the Fire Services Property Levy in the September quarter.

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

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

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

Dividends, income tax equivalent and rate equivalent income for the half year was consistent with the same period last year and was 67 per cent of the revised full year budget estimate. This primarily reflects the timing of dividends and income tax equivalent income from the PNFC and PFC sectors.

Revenue from the sale of goods and services for the half year was $2.6 billion, or 43 per cent of the revised full year budget estimate. This is below the pro rata revised budget primarily due to school and TAFE fees for the first half of the year being impacted by public health restrictions, and lower farebox revenue due to a significant drop in public transport patronage due to the COVID-19 pandemic.

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

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

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

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

### Expenses

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

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

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

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

Other operating expenses were $12.4 billion, or 43 per cent of the revised full year budget estimate. This was below the pro rata revised budget due to the timing of expenditure programs across departments.

Compared with the same period last year, other operating expenses increased by $1.2 billion, mainly reflecting additional activity in the health sector in response to the COVID‑19 pandemic and costs associated with COVID-19 Quarantine Victoria.

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

## State of Victoria

### Revenue

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

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

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

### Expenses

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

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

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

### Net result from transactions

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

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

### Net result and other economic flows

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

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

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

# Financial position

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

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

Note:

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

## State of Victoria

During the period to 31 December 2021, the net assets for the State of Victoria decreased by $8.8 billion. The total assets of the State increased by $12.5 billion mainly driven by the Government’s pipeline of infrastructure investments and increased holdings of financial assets.

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

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

# Cash flow

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

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

A detailed cash flow statement is provided in Chapter 2.

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

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

Notes:

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

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

## Infrastructure investment

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

The general government sector’s government infrastructure investment, which includes net infrastructure investment (net of asset sales) and construction related cash outflows for Partnerships

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

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

The Government’s infrastructure scorecard as at 31 December 2021

Major projects in progress include:

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

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

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

# Financial sustainability

## General government sector

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

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

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

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

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

Notes:

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

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

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

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

## Non-financial public sector

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

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

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

Notes:

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

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

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

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

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

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

Chapter 2 – Mid-year financial report

# Consolidated comprehensive operating statement

For the six months ended 31 December ($ million)

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

The accompanying notes form part of these financial statements.

Notes:

* + - * 1. As highlighted in the 2021-22 Budget Paper No. 3, Chapter 2 Department Performance Statements, the capital assets charge (CAC) policy is discontinued from 2021‑22. The removal of the CAC reduces the Sales of goods and services and grant expenses by equal amounts.
        2. The 2020-21 comparative figures have been restated to reflect more current information.

# Consolidated balance sheet

As at 31 December ($ million)

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

The accompanying notes form part of these financial statements.

# Consolidated cash flow statement

For the six months ended 31 December ($ million)

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

The accompanying notes form part of these financial statements.

Note:

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

# Consolidated statement of changes in equity

For the six months ended 31 December ($ million)

| State of Victoria | Accumulated surplus/(deficit) | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- |
| **2021** |  |  |  |  |  |
| Balance at 1 July 2021 (a) | 76 532 | 109 790 | .. | 1 808 | 188 130 |
| Net result for the year | (8 999) | .. | .. | .. | (8 999) |
| Other comprehensive income for the year | (360) | 483 | .. | 110 | 234 |
| **Total equity as at 31 December 2021** | **67 174** | **110 273** | **..** | **1 918** | **179 364** |
| **2020** |  |  |  |  |  |
| Balance at 1 July 2020 (b) | 76 661 | 101 305 | .. | 1 524 | 179 491 |
| Net result for the year | (9 687) | .. | .. | .. | (9 687) |
| Other comprehensive income for the year (b) | (2 207) | (67) | .. | 32 | (2 242) |
| **Total equity as at 31 December 2020** | **64 768** | **101 238** | **..** | **1 556** | **167 562** |

| General government sector |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2021** |  |  |  |  |  |
| Balance at 1 July 2021 | 58 642 | 61 017 | 32 981 | 1 159 | 153 799 |
| Net result for the year | (10 012) | .. | .. | .. | (10 012) |
| Other comprehensive income for the year | (299) | 353 | (1 193) | 101 | (1 038) |
| **Total equity as at 31 December 2021** | **48 331** | **61 370** | **31 788** | **1 260** | **142 749** |
| **2020** |  |  |  |  |  |
| Balance at 1 July 2020 (b) | 68 166 | 54 379 | 32 639 | 908 | 156 092 |
| Net result for the year | (10 156) | .. | .. | .. | (10 156) |
| Other comprehensive income for the year (b) | (2 188) | 227 | (158) | 23 | (2 097) |
| **Total equity as at 31 December 2020** | **55 823** | **54 605** | **32 480** | **931** | **143 839** |

The accompanying notes form part of these financial statements.

Notes:

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

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

# About this report

## Basis of preparation

This Mid-Year Financial Report presents the unaudited general purpose consolidated interim financial statements of the State of Victoria (the State) and the Victorian general government sector. The report also incorporates the quarterly financial report of the general government sector for the quarter ended 31 December 2021.

The detailed accounting policies applied in preparing the interim financial report are consistent with those applied for the financial statements published in the *2020-21 Financial Report* for the State.

This interim financial report does not include all the notes normally included within the annual financial report and should be read in conjunction with the *2020-21 Financial Report*.

## Statement of compliance

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

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

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

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

The *2021-22 Mid-Year Financial Report* was authorised for issue by the Treasurer on 11 March 2022.

Basis of accounting and measurement

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

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

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

## Reporting entity

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

### General government

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

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

### Public non-financial corporations

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

### Public financial corporations

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

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

### Non-financial public sector

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

Note 9.1 disaggregates information about these sectors.

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

## Basis of consolidation

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

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

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

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

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

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

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

## Prospective accounting and reporting changes

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

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

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

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

## Rounding

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

# How funds are raised

## Introduction

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

The income and revenue recognition are determined by the State based on the substance of the relevant arrangement in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.

## Structure

[2.1 Taxation 20](#_Toc96957917)

[2.2 Dividends, income tax equivalent and   
rate equivalent income 21](#_Toc96957918)

[2.3 Sales of goods and services 22](#_Toc96957919)

[2.4 Grants 22](#_Toc96957920)

[2.5 Other revenue and income 22](#_Toc96957921)

## Taxation

($ million)

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

Note:

(a) The Public lotteries, electronic gaming machines and casino taxes include gambling licence revenue in the 6 months to 31 December 2021 of $79 million (31 December 2020: $79 million), recognised under AASB 15 Revenue from Contracts with Customers. The balance of these items is recognised under AASB 1058 Income of Not-for-Profit Entities.

## Dividends, income tax equivalent and rate equivalent income

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2021 | 2020 | 2021 | 2020 |
| Dividends from PFC sector | .. | .. | 139 | 59 |
| Dividends from PNFC sector | .. | .. | 82 | 130 |
| Dividends from non‑public sector | 2 199 | 1 208 | 26 | 17 |
| **Dividends** | **2 199** | **1 208** | **247** | **206** |
| Income tax equivalent income from PFC sector | .. | .. | 6 | 3 |
| Income tax equivalent income from PNFC sector | .. | .. | 137 | 156 |
| **Income tax equivalent income** | **..** | **..** | **143** | **158** |
| Local government rate equivalent income | .. | .. | .. | .. |
| **Total dividends, income tax equivalent and rate equivalent income** | **2 199** | **1 208** | **390** | **364** |

Dividends by entity ($ million)

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

## Sales of goods and services

($ million)

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

Note:

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

## Grants (a)

($ million)

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

Note:

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

## Other revenue and income

($ million)

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

# How funds are spent

## Introduction

This section accounts for the major components of expenditure incurred by the State towards the delivery of services and on capital or infrastructure projects during the year, as well as any related obligations outstanding as at 31 December 2021.

## Structure

[3.1 Employee expenses and provision for outstanding employee benefits 23](#_Toc93593161)

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[3.6 Total operating expenses, purchases of non‑financial assets and total assets – by classification of the functions of government 27](#_Toc93593166)

## Employee expenses and provision for outstanding employee benefits

### Employee expenses (operating statement)

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

### Employee benefits (balance sheet)

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

Total provision for employee benefits and on-costs at 31 December ($ million)

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

## Superannuation (operating statement)

($ million)

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

## Grant expense

($ million)

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

Notes:

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

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

## Other operating expenses

($ million)

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

Note:

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

Purchase of supplies and consumables ($ million)

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

Purchase of services ($ million)

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

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

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

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

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

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

Notes:

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

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

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

(d) Mainly comprising payroll tax, capital asset charge (in the 2020-21 comparative only) and inter-departmental transfers.

## 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)

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

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

Notes:

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

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

# 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](#_Toc93592349)

[4.2 Depreciation 30](#_Toc93592350)

[4.3 Other non-financial assets 31](#_Toc93592351)

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

($ million)

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
| Dec 2021 | Gross carrying amount | Accumulated depreciation | Carrying amount | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 76 491 | (6 623) | 69 867 | 53 516 | (5 617) | 47 899 |
| Land and national parks | 119 245 | .. | 119 245 | 78 086 | .. | 78 086 |
| Infrastructure systems | 90 431 | (3 321) | 87 110 | 18 330 | (553) | 17 777 |
| Plant, equipment and vehicles | 19 263 | (7 816) | 11 448 | 10 377 | (5 472) | 4 906 |
| Roads and road infrastructure | 39 424 | (1 617) | 37 807 | 38 855 | (1 600) | 37 255 |
| Earthworks | 10 027 | .. | 10 027 | 10 027 | .. | 10 027 |
| Cultural assets | 6 872 | (230) | 6 642 | 6 773 | (230) | 6 542 |
| **Total land, buildings, infrastructure, plant and equipment** | **361 753** | **(19 607)** | **342 146** | **215 965** | **(13 473)** | **202 492** |

| Jun 2021 |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Buildings | 73 809 | (5 494) | 68 315 | 51 277 | (4 708) | 46 569 |
| Land and national parks | 118 687 | .. | 118 687 | 77 599 | .. | 77 599 |
| Infrastructure systems | 89 060 | (4 897) | 84 163 | 14 990 | (535) | 14 455 |
| Plant, equipment and vehicles | 18 583 | (7 405) | 11 178 | 9 834 | (5 254) | 4 581 |
| Roads and road infrastructure | 37 070 | (1 127) | 35 943 | 36 953 | (1 113) | 35 841 |
| Earthworks | 10 023 | .. | 10 023 | 10 023 | .. | 10 023 |
| Cultural assets | 6 772 | (149) | 6 624 | 6 673 | (149) | 6 525 |
| **Total land, buildings, infrastructure, plant and equipment** | **354 003** | **(19 071)** | **334 932** | **207 349** | **(11 758)** | **195 592** |

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

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

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

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

Total service concession assets related land, buildings, infrastructure, plant and equipment ($ million)

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
| Dec 2021 | Gross carrying amount | Accumulated depreciation | Carrying amount | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 2 077 | (94) | 1 984 | 2 077 | (94) | 1 984 |
| Land and national parks | 2 876 | .. | 2 876 | 2 876 | .. | 2 876 |
| Infrastructure systems | 10 448 | (48) | 10 400 | 6 146 | .. | 6 146 |
| Plant, equipment and vehicles | 928 | (48) | 880 | 928 | (48) | 880 |
| Roads and road infrastructure | 12 091 | (303) | 11 788 | 11 640 | (303) | 11 337 |
| Earthworks | 924 | .. | 924 | 924 | .. | 924 |
| **Total service concession land, buildings, infrastructure, plant and equipment assets** | **29 345** | **(493)** | **28 853** | **24 592** | **(445)** | **24 147** |

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

## Depreciation

($ million)

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

The following two tables are subsets of total depreciation expense.

Depreciation of right-of-use (leased) assets ($ million)

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

Depreciation of service concession assets ($ million)

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

## Other non-financial assets

($ million)

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

# Financing state operations

## Introduction

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

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

## Structure

[5.1 Borrowings 32](#_Toc93592352)

[5.2 Cash flow information and balances 33](#_Toc93592353)

[5.3 Advances paid and investments, loans   
and placements 34](#_Toc93592354)

[5.4 Interest expense 34](#_Toc93592355)

[5.5 Commitments 35](#_Toc93592356)

## Borrowings

($ million)

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

## Cash flow information and balances

Reconciliation of cash and cash equivalents ($ million)

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

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

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

## Advances paid and investments, loans and placements

($ million)

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

## Interest expense

($ million)

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

## Commitments

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

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

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

* In July 2021, the State entered into a contract totalling $72 million with Porter Plant for the hire of fully maintained and serviced plant and equipment for Sprayline Road Services. The contract expires in June 2028 with an option to extend for a further two years.
* In July 2021, the State entered into contracts with various pathology providers (4CYTE Pathology, Australian Clinical Labs, Dorevitch Pathology, Melbourne Pathology, Specialist Diagnosis Services Pty Ltd and VCS Foundation Ltd) to deliver COVID-19 Clinical Laboratories Asymptomatic Covid Testing up to June 2022. The estimated total cost of the contracts are $631 million.
* Since 1 July 2021, the State entered into contracts with various medical manufacturing companies (2San Pty Ltd, Abbott Rapid Diagnostics Pty Ltd, AM Diagnostics Pty Ltd, Eczanes Pharmaceuticals, PathDx, Pharma Soul Pty Ltd, Roche Diagnostics Australia and SureScreen Australia Pty Ltd Limited) to purchase Rapid Antigen Test kits in the next 12 months. The estimated total cost is $352 million.
* In August 2021, a variation of $694 million was made to the South-Eastern Program Alliance with Jacobs Group (Australia) Pty Ltd, Laing O’Rourke Australia Construction Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
* In August 2021, the State entered into a contract with Build Pty Ltd for Latrobe Regional Hospital Expansion – Stage 3A. The total anticipated cost of the contract is $175 million and is expected to be completed in September 2023.
* In August 2021, Kardinia Park Stadium Trust entered into a contract with BESIX Watpac to build Stage 5 of GMHBA Stadium. The balance outstanding under the contract at 31 December 2021 is $123 million. The project is expected to be completed in May 2023.
* In September 2021, the State entered into new contracts totalling $250 million with DECMIL Southern Pty Ltd, BMD Constructions Pty Ltd and BILD Group Pty Ltd for the Barwon Heads Road Upgrade. The Upgrade is expected to be completed by August 2023.
* In September 2021, a contract variation totalling $70 million for the provision of Metropolitan Road Asset Maintenance Services by Downer EDI Works Pty Ltd for a further 24 months was made. The expected completion date of the contract is June 2023.
* In September 2021, the State entered into a contract with Alstom Transport Australia Pty Ltd to manufacture 25 new X’Trapolis 2.0 trainsets. The total cost of the contract is $510 million and is expected to be completed in 2026.
* In September 2021, the State entered into a new contract totalling $67 million with Viva Energy Australia Ltd for the supply of bitumen for various locations. Supply is contracted until June 2026 with an option to extend for a further two years.
* In September 2021, the State entered into a contract with Downer Utilities Australia Pty Ltd, Abergeldie Contractors Pty Ltd, Stantec Australia Pty Ltd, as Safety Focused Performance Joint Venture to deliver a sewer pipeline crossing the Maribyrnong to connect the Maribyrnong River Main Sewer and the North West Sewer. The total contract cost is $61 million and the project is planned for completion by March 2024.
* In September 2021, a contract variation of $110 million was made to the Rail Infrastructure Alliance, comprising CPB Contractors, John Holland, Aecom and Metro Trains for the delivery of Gap Road Level Crossing. The level crossing is expected to be removed by 2022.
* In October 2021, the State and State Tolling Corporation contracted with Spark consortium – comprising WeBuild, GS Engineering and Construction, CPB Contractors, China Construction Oceania, Ventia, Capella Capital, John Laing Investments, DIF and Pacific Partnerships – to deliver the North East Link Primary Package under a Public Private Partnership (PPP) arrangement. The total cost of the contract is $11.1 billion (Net Present Value). Construction is expected to be completed in 2028, with a 25-year operating term to follow.
* In October 2021, the State and Spark consortium jointly appointed the APP, Arup and Aurecon joint venture for independent reviewer and environmental auditor services and independent cost auditor services relating to the North East Link Primary Package. The estimated contract value is $137 million (exclusive of Nominated Subcontractor Services), with services contracted until 2029.
* In October 2021, a variation of $53 million was made to the Metropolitan Roads Program Alliance with Fulton Hogan Construction Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
* In October 2021, the Metropolitan Bus Franchise contract was awarded to the Kinetic Group for a 9.5 year franchise term from January 2022. The total contract value is around $2.3 billion. Kinetic will replace the current franchisee (Transdev) in providing public bus services and has planned to introduce low or zero-emissions vehicles to the bus fleet.
* In October 2021, the State entered into a contract with John Holland Pty Ltd to deliver a duplication of the Hobsons Bay Sewer Main Yarra River Crossing. The total contract cost is $140 million, and the project is planned for completion by the end of 2024.
* In November 2021, a contract totalling $588 million was entered into with Laing O’Rourke Australia Construction Pty Ltd for the provision of construction services for initial and early works for Suburban Rail Loop East (Cheltenham to Box Hill). Construction is expected to be completed in June 2025.
* In November 2021, a contract variation of $117 million to the Tunnel and Station PPP Project Agreement with the Cross Yarra Partnership occurred which relates to additional COVID-19 costs and other matters. Construction is expected to be completed by 2025.
* In November 2021, the State entered into a $65 million contract with BESIX Watpac for the renewal of Tarakan St, Heidelberg West. Works are expected to be completed in 2023.
* In November 2021, the State has entered into a number of arrangements with sporting event organisers, estimated to be $55 million as at 31 December 2021. These arrangements are expected to be completed by 31 December 2022.
* On 17 December 2021, the State and Transurban announced that a settlement has been reached between the State, Transurban and the D&C Subcontractors for the West Gate Tunnel project. The State will contribute $1.9 billion, Transurban will contribute $2.2 billion and the D&C Subcontractors will forego revenue and profit margins on the project. Construction is expected to be completed by late 2025. The settlement terms require subsequent amendment to the Project Documents.
* In December 2021, a variation of $71 million was made to A and Z Class Tram Life Extension works under the Rolling Stock Project Support Agreement - Tram (MR4) with KDR Victoria Pty Ltd (Yarra Trams). The work is estimated to be completed by June 2025.
* In December 2021, variations totalling $928 million were made to the North Western Program Alliance with Kellogg Brown & Root Pty Ltd, John Holland Group Pty Ltd and Metro Trains Melbourne for the delivery of additional level crossing removal works. The works under the Program Alliance are estimated to be completed by 2027.
* In December 2021, a variation of $272 million was made to the contract with Victorian Correctional Infrastructure Partnership (VCIP) to deliver additional capacity to the male prison system at Marngoneet Correctional Centre and the Metropolitan Remand Centre. This is part of the State’s $791 million program to upgrade existing infrastructure at five Victorian prisons. The work is estimated to be completed by the end of 2023.
* In December 2021, the State entered into a $116 million contract with Hansen Yuncken Pty Ltd for the redevelopment at Bills St, Hawthorn. Works are expected to be completed in 2023.
* The State has entered into a contract with Kane Constructions Pty Ltd for Wonthaggi Hospital Emergency Department Expansion. In December 2021, the total anticipated cost of the contract is $84 million and is expected to be completed in early 2023.
* During 2021-22, the State has invested a total of $619 million in Jobs for Victoria, of which $496 million is allocated to grant programs that deliver direct support to jobseekers and employers. As at 31 December 2021, $182 million is contractually committed across these programs up until 30 June 2023.

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

# Other assets and liabilities

## Introduction

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

## Structure

[6.1 Inventories 38](#_Toc93592357)

[6.2 Receivables and contract assets 38](#_Toc93592358)

[6.3 Payables and contract liabilities 39](#_Toc93592359)

[6.4 Superannuation 39](#_Toc93592360)

[6.5 Other provisions 40](#_Toc93592361)

## Inventories

($ million)

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

## Receivables and contract assets

($ million)

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

## Payables and contract liabilities

($ million)

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

## Superannuation

($ million)

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

## Other provisions

($ million)

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

# Risks and contingencies

## Introduction

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

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

## Financial instruments

Note 7.1 Financial instruments in the *2020-21 Financial Report* for the State of Victoria contains a comprehensive disclosure of the State’s financial risk management objectives and policies associated with financial instruments.

## Contingent assets and contingent liabilities

### Contingent assets

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

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

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

### Contingent liabilities

Contingent liabilities are either:

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

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

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

# Public account

## Introduction

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

## Structure

[8.1 Consolidated fund receipts and payments 42](#_Toc93592362)

[8.2 Trust fund statement cash flows 43](#_Toc93592363)

[8.3 Reconciliation of cash flows to balances   
held 44](#_Toc93592364)

[8.4 Details of securities held in the Public   
Account 44](#_Toc93592365)

## Consolidated fund receipts and payments

($ million)

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

Notes:

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

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

## Trust fund statement cash flows

($ million)

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

## Reconciliation of cash flows to balances held

($ million)

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

Note:

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

## Details of securities held in the Public Account

($ million)

| 2020‑21 |  | 2021‑22 | |
| --- | --- | --- | --- |
| actual  31 Dec |  | opening  1 Jul | actual  31 Dec |
| 1 343 | Amounts invested on behalf of specific trust accounts | 1 569 | 1 698 |
| 4 450 | General account balances | 6 016 | 6 712 |
| **5 794** | **Total Public Account** | **7 585** | **8 410** |
|  | **Represented by:** |  |  |
| 5 076 | Stock, securities, cash and investments | 6 692 | 7 557 |
|  | Add cash advanced for: |  |  |
| .. | Temporary Advance from the Treasury Corporation of Victoria to the Consolidated Fund pursuant to Section 38 of the *Financial Management Act 1994* | .. | .. |
| 718 | Advances pursuant to sections 36 and 37 of the *Financial Management Act 1994* | 893 | 853 |
| **5 794** | **Total Public Account** | **7 585** | **8 410** |

# Other disclosures

## Introduction

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

## Structure

[9.1 Disaggregated information 46](#_Toc93592366)

[9.2 Other gains/(losses) from other economic flows 54](#_Toc93592367)

[9.3 Controlled entities 54](#_Toc93592368)

## Disaggregated information

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

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

Notes:

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

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

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

Disaggregated balance sheet as at 31 December (a)(b) ($ million)

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

Notes:

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

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

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

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

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

Notes:

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

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

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

|  | 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 2021 | | 58 642 | .. | 61 017 | 32 981 | 1 159 | 153 799 |
| Net result for the year | | (10 012) | .. | .. | .. | .. | (10 012) |
| Other comprehensive income for the year | | (299) | .. | 353 | (1 193) | 101 | (1 038) |
| Dividends paid | | .. | .. | .. | .. | .. | .. |
| Transactions with owners in their capacity as owners | | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2021** | | **48 331** | **..** | **61 370** | **31 788** | **1 260** | **142 749** |
| **PNFC sector** | |  |  |  |  |  |  |
| Balance at 1 July 2021 (a) | | (24 192) | 71 602 | 24 939 | .. | 604 | 72 953 |
| Net result for the year | | (535) | .. | .. | .. | .. | (535) |
| Other comprehensive income for the year | | .. | .. | 186 | .. | 3 | 189 |
| Dividends paid | | (82) | .. | .. | .. | .. | (82) |
| Transactions with owners in their capacity as owners | | .. | 541 | .. | .. | .. | 541 |
| **Total equity as at 31 December 2021** | | **(24 809)** | **72 143** | **25 124** | .. | **607** | **73 065** |
| **PFC sector** | |  |  |  |  |  |  |
| Balance at 1 July 2021 | | (5 505) | 15 | 7 | .. | 45 | (5 438) |
| Net result for the year | | 2 406 | .. | .. | .. | .. | 2 406 |
| Other comprehensive income for the year | | (61) | .. | .. | .. | 5 | (56) |
| Dividends paid | | (132) | .. | .. | .. | .. | (132) |
| Transactions with owners in their capacity as owners | | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2021** | | **(3 292)** | **15** | **7** | .. | **50** | **(3 220)** |
| Eliminations | | 46 944 | (72 158) | 23 772 | (31 788) | .. | (33 229) |
| **Total State of Victoria** | | **67 174** | **..** | **110 273** | **..** | **1 918** | **179 364** |

Note:

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

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

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

Note:

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

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

($ million)

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

## Controlled entities

Note 9.8 in the *2020-21 Financial Report* for the State of Victoria contains a list of significant controlled entities, which have been consolidated for the purposes of the financial report.

The following are changes to entities from 1 July 2021 which have been consolidated for the purposes of the financial report:

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

Notes:

(a) Effective from 1 January 2022, Victorian Academy of Teaching and Leadership was established through the Education and Training Reform Amendment (Victorian Academy of Teaching and Leadership) Act 2021 to deliver teaching excellence programs for teachers in government, Catholic and independent schools.

(b) Effective from 1 November 2021, Ballarat Health Services, Edenhope and District Memorial Hospital, Stawell Regional Health and Wimmera Health Care Group were amalgamated into Grampians Health.

(c) In December 2021, the Office of the Special Investigator was established.

(d) On 1 January 2022, the Victorian Commission for Gambling and Liquor Regulation became the Victorian Gambling and Casino Control Commission.

(e) Effective from 1 July 2021, the Wage Inspectorate Victoria was established by the Wage Theft Act 2020 to promote, monitor, and enforce a range of Victorian workplace laws to ensure workers and businesses are treated fairly.

(f) Effective from 15 December 2020, VicHoldCo was established under the Corporation Act 2001 with the purpose of holding the State’s investment in a joint venture to develop a new technology for better bridge maintenance.

(g) Effective 1 July 2021, City West Water Corporation and Western Region Water Corporation integrated to form a new water corporation called Greater Western Water.

(h) Effective from 1 January 2022, Port Phillip Westernport Catchment Management Authority has been integrated into Melbourne Water Corporation.

(i) Effective from 1 July 2021, Victorian Ports Corporation (Melbourne) and Victorian Regional Channels Authority merged and created a new entity called Ports Victoria. Ports Victoria will lead the strategic management and operation of Victorian commercial ports and waterways.

## Glossary of technical terms

The *2020-21 Financial Report* for the State of Victoria Note 9.9 contains a summary of the major technical terms used in this report.

Appendix A – General government sector quarterly financial report

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

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

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

Note:

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

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

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

Note:

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

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

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

Note:

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

Appendix B – *Financial Management Act 1994* compliance index

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

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

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

Style conventions

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

The notation used in the tables is as follows:

n.a. not available or not applicable

1 billion 1 000 million

1 basis point 0.01 per cent

.. zero, or rounded to zero

(x xxx.x) negative amount

x xxx.0 rounded amount

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

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