**Financial Report**

**(Incorporating Quarterly Financial Report No. 4)**

**2022-23**



Presented by

**Tim Pallas MP**

Treasurer of the State of Victoria

for the information of Honourable Members

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Table of contents

[Chapter 1 – Foreword 1](#_Toc146729597)

[Chapter 2 – General government sector outcome 5](#_Toc146729598)

[Chapter 3 – Broader public sector outcome 17](#_Toc146729599)

[Chapter 4 – Annual Financial Report 29](#_Toc146729600)

[1. About this report 45](#_Toc146729601)

[2. How funds are raised 48](#_Toc146729602)

[3. How funds are spent 54](#_Toc146729603)

[4. Major assets and investments 63](#_Toc146729604)

[5. Financing state operations 75](#_Toc146729605)

[6. Other assets and liabilities 96](#_Toc146729606)

[7. Risks, contingencies and valuation judgements 109](#_Toc146729607)

[8. Comparison against budget and the public account 140](#_Toc146729608)

[9. Other disclosures 169](#_Toc146729609)

[Chapter 5 – Supplementary uniform presentation framework tables 191](#_Toc146729610)

[Appendix A – General government sector quarterly financial report 197](#_Toc146729611)

[Appendix B – *Financial Management Act 1994* – Compliance index 201](#_Toc146729612)

[Style conventions 205](#_Toc146729613)

Chapter 1 – Foreword

# Purpose

The *2022‑23 Financial Report* presents the consolidated financial outcomes for the State of Victoria, including the general government sector, the public non‑financial corporations sector and the public financial corporations sector.

This chapter outlines the economic and fiscal context for the State’s financial performance and position, and summarises the 2022‑23 results.

Chapter 2 analyses the results for the general government sector, comparing them with actual outcomes in 2021‑22 and the revised estimates for the year as presented in the *2023‑24 Budget*.

Chapter 3 presents the 2022‑23 results for the State of Victoria and the broader public sector.

Chapter 4 contains the audited financial statements as required under the *Financial Management Act 1994*. These are presented in line with applicable Australian accounting standards and pronouncements, in particular AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Chapter 5 provides supplementary information required under the Uniform Presentation Framework. Appendix A includes the Quarterly Financial Report for the general government sector as required by Section 26 of the *Financial Management Act 1994*. Appendix B presents a compliance index providing a linkage between the relevant legislative provisions relating to the preparation of this report and the disclosure provided therein.

# Economic context

The Victorian economy performed well in 2022-23. Growth in final demand, a key indicator of economic activity, was solid. Employment growth was strong and the unemployment rate was low throughout the year. Alongside these positive outcomes, high inflation and rising interest rates presented rising cost-of-living pressures for some households, as has been the case nationally and globally.

In 2022-23, state final demand increased by 4.0 per cent, to be more than 11 per cent larger than in 2018-19. This follows very strong economic growth in 2021-22 as the economy recovered from the impacts of the COVID-19 pandemic. State final demand growth in 2022-23 was driven by consumer spending, which rose by 6.9 per cent, supported by strong employment outcomes and the high level of savings that consumers accumulated during the pandemic. However, growth in consumer spending slowed over the year and declined in the June quarter, as cost-of-living pressures weighed on some households.

Business investment also contributed to growth in state final demand in 2022-23, rising by a strong 8.0 per cent. Public demand increased by 0.7 per cent, driven by public investment. Dwelling investment detracted moderately from growth as labour and material shortages delayed activity.

The increase in economic activity over recent years has resulted in a very strong labour market. Since September 2020, the Victorian labour market has added more than 500 000 jobs, reaching the Government’s Jobs Plan target of 400 000 jobs more than two years early. In annual terms, employment grew by 4.0 per cent in 2022-23. This increase was mostly driven by full-time employment, which rose by 5.7 per cent, while part‑time employment increased by 0.4 per cent. The share of working-age Victorians in employment was at record high levels in 2022-23 and the unemployment rate remained historically low at 3.7 per cent.

High inflation remains a challenge to the Victorian economy, as it does nationally and globally, although inflation has started to ease. Initially, the pick-up in inflation was driven by pandemic‑related supply chain disruptions and compounded by Russia’s invasion of Ukraine, though high price growth has since become evident across a broad range of goods and services. In year-average terms, headline Melbourne inflation averaged 6.9 per cent in 2022-23. However, inflation appears to have peaked, easing to 5.6 per cent over the year to June 2023 from a high of 8.0 per cent over the year to December 2022.

Wages increased by 3.4 per cent in 2022-23, driven by ongoing strength in the labour market and a larger than usual increase in minimum and award wages. This was the fastest rate of wages growth in over a decade.

The Victorian population rose by 2.4 per cent over the year to March 2023 (reflecting the latest available data). This is above pre-pandemic rates of growth, and was driven by a strong recovery in net overseas migration after national border restrictions eased from late 2021.

# Fiscal outcomes

The Government recorded a general government sector operating deficit of $8.8 billion for 2022‑23.

The 2022‑23 operating result was an improvement of $1.5 billion compared with the revised estimate in the *2023‑24 Budget*, mainly due to higher than expected revenue. This includes higher than expected taxation revenue as well as higher than expected other revenue and income.

Total revenue from transactions for the year was $84.7 billion, which was $1.8 billion higher than the revised estimate. This was $1.7 billion, or 2 per cent, higher compared with the previous year, reflecting an increase in taxation revenue, interest, sales of goods and services and other revenue and income.

State taxation revenue increased by $849 million compared with the revised estimate. This was primarily driven by higher than expected land transfer duty and higher payroll tax due to a stronger than expected labour market in the June quarter 2022‑23.

The increase of $1.8 billion in taxation revenue compared with 2021‑22 is largely attributable to an increase in land tax reflecting strong post-pandemic site value growth, higher payroll tax revenue collected due to the stronger labour market, and the introduction of the Mental Health and Wellbeing Levy that came into effect on 1 January 2022. The easing of public health restrictions on in-person gambling venues also contributed to an increase in gambling taxes from electronic gaming machines.

Revenue from the sale of goods and services was $619 million higher compared with the previous year, primarily due to the upfront recognition of licence revenue from the VicRoads Modernisation joint venture for its right to deliver specific administrative and cash collection services. The increase is also partly due to higher own-source revenue for schools, such as from camps, sports and excursions, which has increased since the easing of public health measures.

Grants revenue of $40.1 billion was $1.7 billion lower compared with 2021‑22. The decrease primarily reflects a reduction in grants from the Commonwealth relating to support for COVID-19 impacted businesses and the COVID-19 health response.

Other revenue and income for 2022‑23 was $256 million higher than the 2021‑22 outcome. The increase was primarily due to the recognition of the grant of a right to the operator (GORTO) liability revenue progressively being unwound over the 40-year concession term following the VicRoads Modernisation joint venture. There were also increases in other revenue in the health sector related to external-to-government contributions, recoverable salaries and income from additional activities.

Total general government sector expenses reduced to $93.6 billion in 2022‑23, a decrease of $3.2 billion (3.4 per cent) compared with the previous year. This was primarily due to significant reductions in grant payments mainly reflecting the unwinding of the Government’s business support measures in response to the COVID-19 pandemic.

Employee expenses of $33.6 billion for 2022‑23 were $221 million (0.7 per cent) lower than the revised budget and $1.4 billion (4.3 per cent) higher than 2021-22. Compared with the previous year, this increase includes additional resources in the health sector for increased service delivery. The increase in employee expenses also reflects increases in remuneration levels in line with enterprise bargaining agreements.

Interest expenses of $4 billion for 2022‑23 were $97 million lower than the revised budget. Compared with the previous year, interest expenses increased by $1.1 billion, reflecting additional borrowings to finance the State’s capital program and an increase in the interest rates on borrowings.

Other operating expenses in 2022-23 were $455 million higher than the revised budget and $114 million lower than in 2021-22. The increase from the revised budget primarily reflects the timing of expenditure programs across departments.

Grant expenses of $19.1 billion were consistent with the revised budget and $6 billion lower than in 2021‑22. The year-on-year decrease was primarily due to significant reductions in grant payments mainly reflecting the unwinding of the Government’s business support measures in response to the COVID-19 pandemic.

Government infrastructure investment (GII), which includes general government net infrastructure investment (net of asset sales) and estimated construction related cash outflows for Partnerships Victoria projects, was $21.8 billion for 2022‑23. This was lower than the revised budget of $22.5 billion published in the *2023‑24 Budget*. Compared with the previous year, GII increased by $3 billion, largely due to extensive capital infrastructure investment in the transport, education, housing and health sectors.

Net debt for the general government sector was $115 billion (20.3 per cent of estimated gross state product) at 30 June 2023, $1.6 billion lower than the revised budget estimate. This improved result primarily reflects lower than expected borrowings following the better than anticipated net cashflows from operating activities.

The net cash flows from operating activities surplus of $4.3 billion was an improvement of $1.4 billion compared with the $2.9 billion surplus forecast in the *2023‑24 Budget*. The improvement from the revised budget was primarily driven by the better than expected net result from transactions discussed above and an increase in payables, partially offset by a higher than expected increase in receivables.

Chapter 2 – General government sector outcome

The Government recorded a general government sector operating deficit of $8.8 billion in 2022‑23.

The 2022‑23 operating result was an improvement of $1.5 billion compared with the revised estimate in the *2023‑24 Budget*. This was due to higher than expected revenue of $1.8 billion, partially offset by higher than expected expenses of $289 million.

The level of government infrastructure investment was $21.8 billion in 2022‑23. This was below the revised budget of $22.5 billion published in the *2023‑24 Budget*.

Net debt for the general government sector was $115 billion (20.3 per cent of gross state product (GSP)) at 30 June 2023 compared with $116.7 billion (20.6 per cent of GSP) published in the *2023‑24 Budget*. This improved result reflects lower than expected borrowings following the better than anticipated net cashflows from operating activities.

Victoria is rated AA by Standard & Poor’s (S&P) with a stable outlook and Aa2 by Moody’s Investors Service (Moody’s) also with a stable outlook. Moody’s rating and its outlook reflects the strong institutional framework and the large and diverse economic base that support the State’s ability to adjust state-based revenues and expenditures as required. S&P in its latest report notes that Victoria’s economy is wealthy, well‑diversified and has solid fundamentals with low unemployment.

# Fiscal objectives

As part of the *2022‑23 Budget*, the Government outlined its fiscal strategy and objectives for the 2022‑23 financial year, including:

* general government net debt as a percentage of GSP to stabilise in the medium term
* general government interest expense as a percentage of revenue to stabilise in the medium term
* fully funding the unfunded superannuation liability by 2035
* a net operating cash surplus consistent with maintaining general government net debt at a sustainable level after the economy has recovered from the COVID‑19 pandemic.

The 2022-23 results compared with the Government’s fiscal strategy and objectives were:

* net debt to GSP increasing from 19.4 per cent at 30 June 2022 to 20.3 per cent at   
  30 June 2023, but lower than the revised estimate of 20.6 per cent
* interest expense as a percentage of revenue of 4.7 per cent for the 2022‑23 financial year, an increase of 1.2 percentage points compared with the previous year, but lower than the revised estimate of 4.9 per cent
* a net operating cash surplus of $4.3 billion, an improvement of $13.1 billion compared with the previous year.

The Government remains on track to fully fund the unfunded superannuation liability by 2035, with a contribution of $607 million made to the State Superannuation Fund, under section 90(2) of the *State Superannuation Act 1988*, to fund this liability in 2022‑23.

Fiscal aggregates are useful for assessing the impact of the financial transactions of the Government and its controlled entities on the economy. These measures, derived from the audited financial statements in Chapter 4, are shown in Table 2.1.

Table 2.1: Key fiscal aggregates for the general government sector ($ million)

|  | 2022 | 2023 | 2023 |
| --- | --- | --- | --- |
|  | actual | actual | revised |
| **Operating statement aggregates** |  |  |  |
| Net result from transactions – Net operating balance | (13 791) | (8 847) | (10 326) |
| Net result | (13 501) | (9 847) | (10 541) |
| Net lending/(borrowing) | (24 539) | (20 132) | (21 682) |
| Comprehensive result – Total change in net worth | 24 729 | 8 252 | (10 829) |
| **Balance sheet aggregates** |  |  |  |
| Net worth | 178 528 | 186 783 | 167 702 |
| Net financial worth | (51 988) | (69 278) | (79 562) |
| Net financial liabilities | 141 149 | 165 321 | 168 564 |
| Net debt | 99 978 | 115 044 | 116 693 |
| **Cash flow statement aggregates** |  |  |  |
| Net cash flows from operating activities | (8 857) | 4 250 | 2 892 |
| Cash surplus/(deficit) | (23 749) | (11 698) | (13 259) |
|  |  |  |  |
|  |  | (per cent) | |
|  |  |  |  |
| **Net debt to GSP (a)** | **19.4** | **20.3** | **20.6** |
| **Interest expense to revenue** | **3.5** | **4.7** | **4.9** |

Note:

(a) The ratios to GSP may vary from publications year to year due to revisions to the Australian Bureau of Statistics data.

The **net result from transactions** deficit of $8.8 billion improved by $1.5 billion compared with the $10.3 billion deficit forecast in the *2023‑24 Budget*. The improved result was primarily due to higher than expected revenue. This includes higher than expected taxation revenue as well as higher than expected other revenue and income received in 2022-23.

The $4.9 billion lower deficit compared with the 2021‑22 result was primarily due to a decrease in grant payments mainly reflecting the unwinding of the Government’s business support measures in response to COVID-19.

The decrease in expenditure was compounded by an increase in revenue, mainly attributed to higher land tax revenue reflecting strong post-pandemic site value growth, an increase in payroll tax revenue due to the stronger labour market, and the introduction of the Mental Health and Wellbeing Levy, which came into effect on 1 January 2022. This was partially offset by a decline in land transfer duty, primarily driven by the fall in settlement volumes that coincided with rising borrowing costs.

The **net result** is a further measure of financial performance for the period, including the impact of market movements on the value of assets and liabilities. The 2022‑23 net result was an improvement of $694 million compared with the revised budget and an improvement of $3.7 billion compared with the 2021‑22 outcome. The improvement compared with the prior year was due to the same reasons as explained for the net result from transactions, partially offset by higher losses from other economic flows in 2022‑23, mainly related to the write-off of inventory in the health sector.

The **net lending/(borrowing)** measure broadly reflects the net impact of the general government sector on the economy and financial markets, including the impact of operating and capital investing transactions. Net borrowing of $20.1 billion for 2022‑23 was $1.6 billion lower than the revised estimate, mainly due to an improvement in the net result from transactions compared with expectations.

The 2022‑23 **comprehensive result – total change in net worth** significantly improved compared with the revised estimate. The increase of $19.1 billion from the revised budget is attributable to the revaluation of assets in the transport, education and health sectors and a valuation gain in the general government sector’s investment in other sector entities. This increase is primarily due to a revaluation gain on the Treasury Corporation of Victoria’s (TCV) liabilities due to an increase in interest rates and an increase in the Transport Accident Commission’s (TAC) net asset position due to unrealised gains on financial instruments. There was also a remeasurement gain on the State’s defined benefit superannuation liability. This was primarily due to the investment returns on superannuation assets exceeding the interest income allowed for in the net superannuation interest expense, partly offset by a liability related remeasurement loss due to higher inflation. Also driving the improvement was the change in the net result from transactions as previously explained.

**Net worth** is a measure of economic wealth and is equal to net assets outlined in Table 2.4. The $19.1 billion increase compared with the revised budget is due to the drivers as explained in the comprehensive result – total change in net worth above.

The year-on-year movement in **net financial worth**, which is equal to total financial assets less total liabilities, was mainly due to increased net debt, as explained in the next column.

**Net financial liabilities** are total liabilities less financial assets (excluding investments in other sector entities). Net financial liabilities were $165.3 billion at 30 June 2023, $3.2 billion lower than the revised budget. This decrease was primarily due to lower borrowings and a decrease in the State’s defined benefit superannuation liability. The decrease was partially offset by higher than expected accrued expenses in the transport and health sectors.

**Net debt** represents gross debt less liquid financial assets. Net debt of $115 billion at 30 June 2023 was $1.6 billion lower than the revised estimate in the *2023‑24 Budget*. This improved result primarily reflects lower than expected borrowings following the better than anticipated net cashflows from operating activities. This improvement was partially offset by lower than expected cash holdings.

The increase in net debt in 2022‑23 reflects additional borrowings required to finance the State’s capital program, partially offset by the proceeds from the VicRoads Modernisation joint venture which were used to establish the Victorian Future Fund.

The **net cash flows from operating activities** surplus of $4.3 billion was an improvement of $1.4 billion compared with the $2.9 billion surplus forecast in the *2023‑24 Budget*. The improvement from the revised budget was primarily driven by the better than expected net result from transactions discussed above and an increase in payables, partially offset by a higher than expected increase in receivables.

The **cash deficit** position in 2022‑23 reflects the sum of net cash flows from operating and investing activities. The deficit position in 2022‑23 was a $1.6 billion improvement compared with the $13.3 billion deficit forecast in the *2023‑24 Budget*, primarily attributed to the improved net cash flows from operating activities as discussed above.

# Financial performance

Table 2.2 shows an operating deficit of $8.8 billion in 2022‑23 compared with the revised 2022‑23 estimate of a deficit of $10.3 billion.

Table 2.2: Summary of operating statement ($ million)

|  | 2023 | 2023 | Revised | % revised | 2022 |
| --- | --- | --- | --- | --- | --- |
|  | actual | revised | variance | variance | actual |
| **Revenue and income from transactions** |  |  |  |  |  |
| Taxation | 32 350 | 31 501 | 849 | 3 | 30 546 |
| Interest income | 1 307 | 1 360 | (53) | (4) | 557 |
| Dividends, income tax equivalent and rate equivalent income | 820 | 756 | 64 | 8 | 885 |
| Sales of goods and services | 6 263 | 6 068 | 196 | 3 | 5 645 |
| Grants | 40 138 | 39 804 | 335 | 1 | 41 805 |
| Other revenue and income | 3 842 | 3 462 | 379 | 11 | 3 586 |
| **Total revenue and income from transactions** | **84 720** | **82 952** | **1 769** | **2** | **83 023** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 33 629 | 33 850 | (221) | (1) | 32 239 |
| Net superannuation interest expense | 719 | 719 | .. | .. | 481 |
| Other superannuation | 3 760 | 3 459 | 301 | 9 | 3 912 |
| Depreciation | 4 604 | 4 813 | (209) | (4) | 4 308 |
| Interest expense | 3 974 | 4 071 | (97) | (2) | 2 869 |
| Grant expense | 19 053 | 18 992 | 61 | .. | 25 063 |
| Other operating expenses | 27 828 | 27 373 | 455 | 2 | 27 943 |
| **Total expenses from transactions** | **93 567** | **93 278** | **289** | **..** | **96 814** |
| **Net result from transactions – Net operating balance** | **(8 847)** | **(10 326)** | **1 479** | **(14)** | **(13 791)** |
| **Total other economic flows included in net result** | **(1 000)** | **(214)** | **(785)** | **367** | **290** |
| **Net result** | **(9 847)** | **(10 541)** | **694** | **(7)** | **(13 501)** |

## Revenue

Total revenue from transactions for the year was $84.7 billion, which was $1.8 billion higher than the revised estimate. This was $1.7 billion, or 2 per cent, higher compared with the previous year, reflecting an increase in taxation revenue, interest, sales of goods and services and other revenue and income.

Table 2.3 shows that state taxation revenue increased by $849 million compared with the revised estimate. This was primarily driven by higher land transfer duty of $521 million due to a smaller than expected fall in dwelling prices and resilient non-residential collections in the last quarter of 2022‑23, and higher payroll tax of $241 million due to a stronger than expected labour market in the June quarter of 2022‑23.

## 

The increase of $1.8 billion in taxation revenue compared with 2021‑22 is attributable to an increase in land tax reflecting strong post-pandemic site value growth, higher payroll tax revenue collected due to the stronger labour market and the introduction of the Mental Health and Wellbeing Levy which came into effect on 1 January 2022. The easing of public health restrictions on in‑person gambling venues also contributed to an increase in gambling taxes from electronic gaming machines.

The increase in taxation revenue, however, was partially offset by a decline in land transfer duty, primarily driven by the fall in settlement volumes that coincided with increased borrowing costs as interest rates increased.

Table 2.3: Taxation ($ million)

|  | 2023 actual | 2023 revised | Revised variance | % revised variance | 2022 actual |
| --- | --- | --- | --- | --- | --- |
| **TAXES ON EMPLOYERS’ PAYROLL AND LABOUR FORCE** |  |  |  |  |  |
| Payroll tax | 7 392 | 7 150 | 241 | 3 | 6 618 |
| Mental Health and Wellbeing Levy | 904 | 874 | 30 | 3 | 349 |
| **Total taxes on employers’ payroll and labour force** | **8 296** | **8 024** | **271** | **3** | **6 967** |
| **TAXES ON IMMOVABLE PROPERTY** |  |  |  |  |  |
| Land tax | 5 367 | 5 289 | 77 | 1 | 4 135 |
| Fire Services Property Levy | 792 | 800 | (8) | (1) | 759 |
| Congestion levy | 108 | 117 | (9) | (8) | 109 |
| Metropolitan improvement levy | 206 | 206 | .. | .. | 200 |
| **Total taxes on property** | **6 473** | **6 413** | **60** | **1** | **5 203** |
| **TAXES ON THE PROVISION OF GOODS AND SERVICES** |  |  |  |  |  |
| **Gambling taxes (a)** |  |  |  |  |  |
| Public lotteries | 621 | 639 | (18) | (3) | 638 |
| Electronic gaming machines | 1 365 | 1 365 | .. | .. | 940 |
| Casino | 180 | 182 | (2) | (1) | 142 |
| Racing and other sports betting | 287 | 290 | (3) | (1) | 292 |
| Other | 17 | 17 | .. | (2) | 10 |
| **Financial and capital transactions** |  |  |  |  |  |
| Land transfer duty | 8 737 | 8 217 | 521 | 6 | 10 361 |
| Metropolitan planning levy | 22 | 22 | .. | 2 | 22 |
| Financial accommodation levy | 156 | 160 | (4) | (3) | 152 |
| Growth areas infrastructure contribution | 260 | 300 | (40) | (13) | 361 |
| **Levies on statutory corporations** | **173** | **173** | **..** | **..** | **173** |
| **Taxes on insurance** | **1 875** | **1 877** | **(1)** | **..** | **1 724** |
| **Total taxes on the provision of goods and services** | **13 694** | **13 241** | **452** | **3** | **14 816** |
| **TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES** |  |  |  |  |  |
| **Motor vehicle taxes** |  |  |  |  |  |
| Vehicle registration fees | 1 946 | 1 965 | (19) | (1) | 1 870 |
| Duty on vehicle registrations and transfers | 1 256 | 1 193 | 62 | 5 | 1 097 |
| **Liquor licence fees** | **21** | **27** | **(6)** | **(22)** | **26** |
| **Other** | **665** | **637** | **28** | **4** | **566** |
| **Total taxes on the use of goods and performance of activities** | **3 888** | **3 823** | **65** | **2** | **3 559** |
| **Total taxation revenue** | **32 350** | **31 501** | **849** | **3** | **30 546** |

Note:

(a) The public lotteries, electronic gaming machines, casino, racing and other sports betting and other gambling taxes balances include gambling licence revenue to 30 June 2023 of $184 million (30 June 2022: $157 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 and rate equivalent income of $820 million was $64 million lower compared with the previous year. This decline is primarily due to no dividend being received from TCV in 2022‑23.

Interest income was $53 million lower than the revised budget and $750 million higher when compared with the previous year. The significant increase is due to higher interest income generated from general government sectors holdings of financial assets and increased interest rates. The increase in the Centralised Banking System (CBS) deposits mainly relating to proceeds received from the VicRoads Modernisation joint venture, which was used to establish the Victorian Future Fund, also contributed to the improvement in interest income.

Revenue from the sale of goods and services was $196 million higher than the revised budget and $619 million higher when compared with the previous year, primarily due to the upfront recognition of licence revenue from the VicRoads Modernisation joint venture for its right to deliver specific administrative and cash collection services. The increase is also partly due to higher own-source revenue for schools, such as from camps, sports and excursions, which has increased since the easing of public health measures.

Grants revenue of $40.1 billion was $1.7 billion lower compared with 2021‑22. The decrease primarily reflects a reduction in Commonwealth grants to support COVID‑19 impacted businesses and the COVID‑19 health response. This was partially offset by an increase in GST revenue as a result of the increased GST pool and the population share growth in Victoria.

Grants were $335 million higher than the revised budget. The increase is due to the Commonwealth’s decision to bring forward the payment of the 2023‑24 local government grant to the end of 2022‑23 as well as the receipt of Social Housing Accelerator payment under the Affordable Housing, Community Services and Other Federation Funding Agreement. This was also partially offset by not receiving a number of capital grants for transport projects in 2022‑23 due to the timing of project milestones.

Other revenue and income for 2022‑23 was $256 million higher than the 2021‑22 outcome. The increase primarily reflects the recognition of the grant of a right to the operator (GORTO) liability revenue progressively being unwound over the 40 year concession term following the VicRoads Modernisation joint venture. There were also increases in other revenue in the health sector related to external-to-government contributions, recoverable salaries and income from additional activities.

Other revenue and income was $379 million higher than the revised budget, primarily reflecting increases in recoverable salaries and income from additional activities in the health sector, and the recognition of assets received free of charge in the government services, environment and transport sectors.

## Expenses

Total general government sector expenses reduced to $93.6 billion in 2022‑23, a decrease of $3.2 billion (3.4 per cent) compared with the previous year. Total expenses were $289 million higher than the revised estimate in the *2023‑24 Budget*. The decrease in total expenses compared with the previous year is primarily due to significant reductions in grant payments mainly reflecting the unwinding of the Government’s business support measures in response to the COVID-19 pandemic.

Employee expenses of $33.6 billion for 2022‑23 were $221 million (0.7 per cent) lower than the revised budget and $1.4 billion (4.3 per cent) higher than 2021‑22. Compared with the previous year, this increase includes additional resources in the health sector for increased service delivery. The increase in employee expenses also reflects increases in remuneration levels in line with enterprise bargaining agreements.

The lower employee expenses for 2022‑23 compared with the revised budget were primarily due to the timing of recruitment in the health sector. This was partially offset by an increase in long service leave, oncosts and salary allowances in the justice sector.

Other superannuation expenses of $3.8 billion for 2022‑23 were $301 million higher than the revised budget and $152 million lower than in 2021‑22. The decrease compared with the previous year is primarily due to increases in the Commonwealth Government bond yields that underlie the key superannuation valuation assumptions between 30 June 2021 and 30 June 2022.

Depreciation expenses increased by $296 million from the previous year to $4.6 billion. This increase was primarily due to increased depreciation in the justice and community safety sectors due to the completion of capital projects, and in the education sector due to the impact of prior year asset revaluations on the depreciation expense.

Interest expenses of $4 billion for 2022‑23 were $97 million lower than the revised budget. Compared with the previous year, interest expenses increased by $1.1 billion, reflecting additional borrowings to finance the State’s capital program and an increase in the interest rates on borrowings.

Other operating expenses in 2022‑23 were $27.8 billion, $455 million higher than the revised budget. The increase from the revised budget primarily reflects the timing of expenditure programs across departments.

Compared with the previous year, other operating expenses reduced by $114 million. This was primarily driven by a year-on-year reduction in expenditure across the health and education sector relating to the unwinding of COVID-19 activities. The reduced expenses related to the redress schemes also contributed to the decrease in other operating expenses.

Grant expenses of $19.1 billion were consistent with the revised budget and $6 billion lower than in 2021‑22. The decrease compared with the previous year was primarily due to significant reductions in grant payments mainly reflecting the unwinding of the Government’s business support measures in response to the COVID-19 pandemic.

## Other economic flows included in the net result

The net result differs from the net result from transactions due to other economic flows, which include revaluation gains and losses recognised for the period.

The net result from transactions is the Government’s net surplus measure for the purposes of its fiscal strategy.

Other economic flows included in the net result for 2022‑23 totalled a net revaluation loss of $1 billion. This was $785 million higher than the revised budget and $1.3 billion higher than 2021-22. The increase was primarily related to the write‑off of inventory in the health sector.

# Financial position

Table 2.4 shows the general government sector net assets increased by $8.3 billion to $186.8 billion in 2022‑23. This was $19.1 billion (11.4 per cent) higher than expected in the 2022‑23 revised budget.

Table 2.4: Summary balance sheet ($ million)

|  | 2023 | Revised | 2023 | Actual | 2022 |
| --- | --- | --- | --- | --- | --- |
|  | actual | variance | revised | movement | actual |
| **Assets** |  |  |  |  |  |
| Financial assets (excluding investment in other sector entities) | 39 086 | (97) | 39 183 | 11 397 | 27 690 |
| Investment in other sector entities: |  |  |  |  |  |
| Public non‑financial corporations | 80 880 | 1 354 | 79 526 | 3 156 | 77 724 |
| Public financial corporations | 15 162 | 5 687 | 9 476 | 3 725 | 11 438 |
| Non‑financial assets | 256 062 | 8 798 | 247 264 | 25 546 | 230 516 |
| **Total assets** | **391 190** | **15 741** | **375 449** | **43 823** | **347 367** |
| **Liabilities** |  |  |  |  |  |
| Superannuation | 18 904 | (2 873) | 21 778 | (852) | 19 756 |
| Borrowings | 142 289 | (2 545) | 144 834 | 24 868 | 117 420 |
| Other liabilities | 43 214 | 2 079 | 41 135 | 11 551 | 31 663 |
| **Total liabilities** | **204 407** | **(3 340)** | **207 747** | **35 568** | **168 839** |
| **Net assets** | **186 783** | **19 081** | **167 702** | **8 256** | **178 528** |

## Assets

Financial assets in Table 2.4 include cash, investments, loans and placements. The value of financial assets held by the general government sector increased by $11.4 billion during the year. The increase is mainly due to higher cash balances in 2022‑23 primarily relating to the proceeds from the VicRoads Modernisation joint venture which were used to establish the Victorian Future Fund. The increase also reflects the State’s minority shareholding interest in the VicRoads joint venture corporate trustees.

General government investments in other sector entities increased by $6.9 billion in the year. This was mainly due to an increase in interest rates which positively impacted the valuation of the liabilities held by TCV and an increase in TAC’s net asset position due to unrealised gains on financial instruments resulting from favourable market performance. The increase was also driven by managerial asset revaluations by the water sector entities, combined with additional capital investment in Homes Victoria.

Non-financial assets increased by $25.5 billion during 2022‑23, mainly due to the Government’s investment in infrastructure and the revaluation of assets primarily in the transport, education and health sectors. The recognition and valuation of VicRoads’ registration and licensing database also contributed to this increase.

## Liabilities

Total liabilities as at 30 June 2023 were $204.4 billion, $35.6 billion higher than the 2021‑22 outcome but $3.3 billion lower than the revised budget. The decrease compared with the revised budget mainly reflects lower borrowings as a result of the higher than expected net cashflows from operating activities, a decrease in the State’s defined benefit superannuation liability due to an increase in the bond yields that underlie the key superannuation valuation assumptions, and higher than expected investment returns on superannuation assets.

Total liabilities increased when compared with the 2021‑22 outcome, partially due to additional borrowings to finance the State’s capital program. The increase in GORTO liabilities related to the VicRoads Modernisation joint venture and the West Gate Tunnel Project also contributed to the increased total liabilities in 2022-23.

# Cash flows

Table 2.5 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 surplus of $4.3 billion was an improvement of $1.4 billion compared with the $2.9 billion surplus forecast in the *2023‑24 Budget*. This improvement was primarily driven by the better than expected net result from transactions discussed above and an increase in payables. This was partially offset by an increase in receivables.

Compared with the previous year, the net cash flows from operating activities improved by $13.1 billion from a deficit of $8.9 billion to a $4.3 billion surplus. This was primarily driven by the upfront proceeds of $7.9 billion received from the VicRoads Modernisation joint venture. Also driving the improvement in net cash flows from operating activities was the year-on-year improvement in net result from transactions.

A detailed cash flow statement is provided in Chapter 4.

Table 2.5: Application of cash resources ($ million)

|  | 2022 | 2023 | 2023 |
| --- | --- | --- | --- |
|  | actual | actual | revised |
| Net result from transactions – Net operating balance | (13 791) | (8 847) | (10 326) |
| Add back: non‑cash revenues and expenses (net) (a) | 4 934 | 13 097 | 13 219 |
| **Net cash flows from operating activities** | **(8 857)** | **4 250** | **2 892** |
| Less: |  |  |  |
| **Net investment in fixed assets** |  |  |  |
| Purchases of non‑financial assets | 15 168 | 16 273 | 16 559 |
| Net cash flows from investments in financial assets for policy purposes | (47) | 1 625 | 1 778 |
| Sales of non‑financial assets | (275) | (325) | (408) |
| **Net investment in fixed assets** | **14 845** | **17 573** | **17 929** |
| Leases and service concession arrangements | 2 447 | 2 083 | 2 388 |
| Other movements | 1 094 | (330) | (700) |
| **Decrease/(increase) in net debt (b)** | **(27 244)** | **(15 077)** | **(16 725)** |

Notes:

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

(b) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the former Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the increase in net debt shown in the table above not equalling the movement on the balance sheet. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the machinery of government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. Refer to Note 9.8 in Chapter 4 for further details.

# Government 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.

Government infrastructure investment (GII), which includes general government net infrastructure investment (net of asset sales) and estimated

construction related cash outflows for Partnerships Victoria projects, was $21.8 billion in 2022‑23. This was lower than the revised budget of $22.5 billion published in the *2023‑24 Budget*. Compared with the previous year, GII increased by $3 billion, largely due to extensive capital infrastructure investment in the transport, education, housing and health sectors.

The Government’s infrastructure scorecard 2022‑23

Major projects completed during the year include:

Cranbourne line duplication

Echuca-Moama Bridge

Frankston line stabling

Goulburn Valley Health redevelopment – planning and development

Melbourne Park redevelopment – Stage 3

Monash Freeway Upgrade – Stage 2

New youth justice facility

Northern Hospital inpatient expansion – Stage 2

Royal Victorian Eye and Ear Hospital redevelopment

Victorian Heart Hospital

Western Plains Correctional Centre

Women’s prison system capacity

Major projects under procurement or in progress include:

85 by 2025 (Level Crossing Removal)

A Pathway to More Acute Mental Health Beds

Additional Acute Mental Health Beds in Regional Victoria

Additional VLocity trains

Ballarat Health Services expansion and redevelopment

Barwon Heads Road Upgrade Stage 2

Barwon Women’s and Children’s Hospital

Best Start, Best Life: Infrastructure

Big Housing Build

Building a world class Geelong Performing Arts Centre

Casey Hospital Emergency Department Expansion Project

City Loop fire and safety upgrade (Stage 2) and intruder alarm

Courts case management system

E-Class Tram Infrastructure Program

Enrolment Growth and New Schools (Land acquisition for new schools, New schools construction, Relocatable Buildings Program, School upgrades: established area growth)

Forensic Mental Health Expansion Project (Thomas Embling Hospital)

Frankston Hospital Redevelopment

Geelong Convention and Exhibition Centre (part of Geelong City Deal)

Geelong Fast Rail

Gippsland Line Upgrade Stage 1

The Government’s infrastructure scorecard 2022-23 *(continued)*

High Capacity Metro Trains

Homes Victoria Ground Lease Model Project 1

Homes Victoria Ground Lease Model Project 2

Hospital Infrastructure Delivery Fund

Hurstbridge Line upgrade Stage 2

Kananook Train Maintenance Facility Stage 2

Kardinia Park Stadium Stage 5 Redevelopment

M80 Ring Road upgrade

Melbourne Arts Precinct Transformation Phase One

Melton Line Upgrade

Men’s prison system capacity

Metro Tunnel

Metropolitan Network Modernisation program

More VLocity trains

Murray Basin Rail Project

New Footscray Hospital

New Melton Hospital

New metropolitan trains

New trains for Sunbury

New Wyndham Law Court

Next generation computer aided dispatch system for Triple Zero

Next Generation Trams

North East Link – Primary Package (Tunnels)

North East Link (State and Freeway Packages)

Princes Highway East Duplication - Stage 3

Public housing renewal program

Public transport ticketing asset renewal

Redevelopment of Royal Melbourne Hospital and Royal Women’s Hospital

Shepparton Line Upgrade – Stage 3

South Dynon Train Maintenance Facility Stage 1

South Dynon Train Maintenance Facility Stage 2

Suburban Rail Loop – Airport

Suburban Rail Loop East

Suburban Roads Upgrade

Technology and resources to support Victoria’s fines system

Ten new community hospitals to give patients the best care

Tram infrastructure upgrades

Twenty-five more level crossing removals by 2030

Warrnambool Base Hospital Redevelopment

Warrnambool Line Upgrade – Stage 2

Waurn Ponds Track Duplication – Stage 2

West Gate Tunnel

Western Highway duplication – Ballarat to Stawell

Western Rail Plan

Chapter 3 – Broader public sector outcome

The public non-financial corporation (PNFC) sector reported a net surplus from transactions of $97 million in 2022-23. Once losses reported as other economic flows are included, the PNFC sector’s net result declines to a deficit of $3.2 billion in 2022‑23.

The net debt of the non‑financial public sector (NFPS), which includes both the general government and the PNFC sectors, has increased from $116.4 billion at 30 June 2022 to $133.5 billion at 30 June 2023. This increase is predominantly due to additional borrowings to fund the Government’s infrastructure program.

The public financial corporation (PFC) sector reported a net deficit from transactions of $3.2 billion in 2022‑23. Once capital gains on the investments held by the State’s insurance agencies and revaluations reported as other economic flows are included, the PFC sector’s net result improves to a surplus of $3.3 billion in 2022‑23.

Combining the above, the State’s net result declined from a surplus of $568 million in 2021‑22 to a deficit of $7.6 billion in 2022‑23. This decrease is mainly due to lower financial asset and liability revaluation gains in the PFC sector.

This chapter sets out the financial results of the broader public sector for 2022-23, comprising:

* the NFPS, which consolidates the general government, discussed in Chapter 2, and the PNFC sector. The PNFC sector comprises a wide range of entities that provide services primarily funded by user charges and fees. The main services provided by PNFCs include water, housing and transport
* the State of Victoria, which consolidates the NFPS and the PFC sector. PFCs can be categorised into two broad types: those that provide services to the general public and businesses (such as WorkSafe Victoria, the Transport Accident Commission, Breakthrough Victoria and State Trustees Limited) and those that predominantly provide financial services to other government entities (such as the Victorian Funds Management Corporation, Treasury Corporation of Victoria (TCV) and the Victorian Managed Insurance Authority).

# Public Non-Financial Corporations Sector

## Operating statement

Tables 3.1 and 3.2 summarise the operating statement and financial position for the PNFC sector. These figures are derived from the audited financial statements in Chapter 4.

Table 3.1: 2022-23 summary operating statement – PNFC sector (a) ($ million)

|  | 2023  actual | 2023 revised | Revised variance | % revised variance | 2022 actual |
| --- | --- | --- | --- | --- | --- |
| **Revenue and income from transactions** |  |  |  |  |  |
| Interest income | 85 | 112 | (27) | (24) | 10 |
| Dividends | 20 | 32 | (12) | (37) | 51 |
| Sales of goods and services | 7 171 | 7 245 | (74) | (1) | 6 823 |
| Grants | 2 742 | 2 458 | 284 | 12 | 3 009 |
| Other revenue and income | 815 | 743 | 72 | 10 | 810 |
| **Total revenue and income from transactions** | **10 832** | **10 589** | **243** | **2** | **10 703** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 1 768 | 1 736 | 32 | 2 | 1 593 |
| Superannuation (b) | 175 | 163 | 11 | 7 | 156 |
| Depreciation | 1 975 | 1 934 | 41 | 2 | 1 938 |
| Interest expense | 865 | 868 | (3) | .. | 804 |
| Grant expense | 5 066 | 5 181 | (115) | (2) | 4 739 |
| Other operating expenses | 654 | 657 | (3) | (1) | 527 |
| Other property expenses | 233 | 222 | 11 | 5 | 233 |
| **Total expenses from transactions** | **10 735** | **10 761** | **(26)** | **..** | **9 989** |
| **Net result from transactions – Net operating balance** | **97** | **(172)** | **269** | **(156)** | **714** |
| Total other economic flows included in net result | (3 297) | (1 194) | (2 103) | 176 | (2 934) |
| **Net result** | **(3 200)** | **(1 366)** | **(1 834)** | **134** | **(2 220)** |

Notes:

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

(b) Comprises superannuation interest expense and other superannuation expenses.

### Revenue

Total revenue from transactions for the PNFC sector was $10.8 billion in 2022-23, which was $243 million higher than the revised budget. The main driver for this increase was grants received by VicForests to fund transition support package payments for industry participants to transition away from native timber logging by 1 January 2024. Total revenue from transactions for the PNFC sector was also $130 million, or 1 per cent, higher compared with the previous year.

Table 3.1 shows that total revenue for 2022-23 has not changed significantly compared to 2021-22 or the revised budget.

### Expenses

Total expenses from transactions for the PNFC sector was $10.7 billion in 2022-23, which was in line with the revised estimates but was $747 million, or 7 per cent, higher compared with the previous year. This increase in expenditure is largely due to an 11 per cent increase in employee expenses, other operating expenses and an increase in grant expenses incurred by the Director of Housing.

### Net result from transactions

When combined, the higher increase in expenses compared to revenue resulted in the PNFC sector’s net result from transactions declining from a surplus of $714 million in 2021-22 to a surplus of $97 million in 2022-23.

### Net result and other economic flows

The net result from transactions does not include some significant drivers of the PNFC sector’s performance such as the revaluation of land, buildings, infrastructure and service concession assets. In accordance with Australian accounting standards, these items are disclosed as other economic flows and included in the net result.

The losses from total other economic flows included in net result was $363 million higher than 2021‑22 largely reflecting the derecognition of the rail assets under AASB 16 *Leases at nominal value*. Refer to Note 5.2 in Chapter 4 of this report for further detail on this arrangement.

The losses from total other economic flows included in net result was $2.1 billion greater than the revised estimates primarily due to larger rail asset derecognition than the original forecast by VicTrack.

Overall, this resulted in the PNFC sector reporting a net result deficit of $3.2 billion in 2022-23.

## Financial position

Table 3.2: 2022-23 summary balance sheet – PNFC sector (a) ($ billion)

|  | 2023  actual | Revised variance | 2023  revised | Actual  movement | 2022 actual |
| --- | --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |  |
| Financial assets (b) | 4.9 | 1.2 | 3.7 | .. | 4.9 |
| Non‑financial assets (c) | 121.9 | 2.1 | 119.8 | 8.1 | 113.9 |
| **Total assets** | **126.8** | **3.4** | **123.5** | **8.1** | **118.7** |
| **Liabilities** |  |  |  |  |  |
| Borrowings | 21.4 | (0.8) | 22.2 | 2.1 | 19.3 |
| Other provisions | 12.1 | 2.5 | 9.6 | 2.4 | 9.7 |
| Other liabilities (d) | 12.5 | 0.3 | 12.1 | 0.5 | 12.0 |
| **Total liabilities** | **45.9** | **2.0** | **43.9** | **4.9** | **41.0** |
| **Net assets** | **80.9** | **1.4** | **79.5** | **3.2** | **77.7** |

Notes:

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

(b) Financial assets include cash and deposits, advances paid, investments, loans and placements, receivables and investments accounted for using the equity method.

(c) Non-financial assets include land, buildings, infrastructure, plant and equipment and other non-financial assets.

(d) Other liabilities consist of payables, employee benefits, deposits held and advances received.

Table 3.2 shows that PNFC sector net assets increased by $3.2 billion to $80.9 billion at 30 June 2023. This was $1.4 billion higher than expected in the revised budget.

The increase in total assets of $8.1 billion compared with 2021-22 is primarily driven by capital expenditure by the water businesses during the year, the addition of the North East Link service concession assets and the Big Housing Build for the

Director of Housing. Liabilities increased by $4.9 billion compared with 2021-22 primarily due to an increase in borrowings incurred by the water businesses of $802 million and by the State Tolling Corporation of $932 million to fund the construction of the North East Link project. Other provisions increased by $2.4 billion primarily due to movements in deferred tax liability balances following asset revaluations.

# Financial sustainability of the Non‑Financial Public Sector

The sustainability of the NFPS is an important consideration for credit rating agencies, in particular the level of net debt, net financial liabilities and the State’s capacity to service these liabilities.

Table 3.3 shows NFPS net debt of $133.5 billion at 30 June 2023. This compares with $116.4 billion the previous year and a revised budget of $137.4 billion in the *2023-24 Budget*.

The ratio of NFPS net debt to gross state product (GSP) was 23.5 per cent at 30 June 2023 compared with 22.6 per cent at 30 June 2022. The increase in NFPS net debt was predominantly due to additional borrowings to fund the Government’s infrastructure program.

Table 3.3: Non-financial public sector net debt and net financial liabilities as at 30 June (a) ($ million)

|  | 2023  actual | Revised variance | 2023  revised | Actual  movement | 2022 actual |
| --- | --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |  |
| Cash and deposits | 21.9 | 1.0 | 21.0 | 9.1 | 12.8 |
| Advances paid | 0.9 | (0.2) | 1.1 | 0.3 | 0.6 |
| Investments, loans and placements | 4.7 | (0.5) | 5.2 | 0.5 | 4.2 |
| **Total** | **27.5** | **0.3** | **27.3** | **9.9** | **17.6** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 1.6 | .. | 1.6 | .. | 1.6 |
| Borrowings | 159.4 | (3.6) | 163.0 | 27.0 | 132.5 |
| **Total** | **161.0** | **(3.6)** | **164.6** | **27.0** | **134.1** |
| **Net debt (b)** | **133.5** | **(3.8)** | **137.4** | **17.1** | **116.4** |
| Superannuation | 18.9 | (2.9) | 21.8 | (0.9) | 19.8 |
| **Net debt plus superannuation liabilities** | **152.4** | **(6.7)** | **159.1** | **16.2** | **136.2** |
| Other liabilities (net) (c) | 41.3 | 1.7 | 39.6 | 10.6 | 30.7 |
| **Net financial liabilities (d)** | **193.7** | **(5.0)** | **198.7** | **26.8** | **166.9** |
|  |  |  |  |  | |
|  | (per cent) | | | | |
| Net debt to GSP (e) | 23.5 |  | 24.2 |  | 22.6 |
| Net debt plus superannuation liabilities to GSP (e) | 26.9 |  | 28.1 |  | 26.4 |
| Net financial liabilities to GSP (e) | 34.2 |  | 35.1 |  | 32.4 |

Notes:

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

(b) Net debt is the sum of borrowings, deposits held and advances received less the sum of cash and deposits, advances paid and investments, loans and placements.

(c) Other liabilities include other employee entitlements and provisions and other non-equity liabilities, less other non-equity financial assets.

(d) Net financial liabilities is total liabilities less financial assets (excluding investments in other sector entities).

(e) The ratios to GSP may vary from publications year to year due to revisions to the Australian Bureau of Statistics data.

## Indicators of financial condition

Table 3.4 shows the key indicators of financial sustainability for the NFPS.

The operating cash flow surplus to revenue ratio is an indication of the extent to which the cash generated from operations can be used to fund infrastructure. This ratio increased from negative 7.8 per cent in 2021-22 to positive 6.9 per cent in 2022-23. This was largely due to a $13.2 billion increase in net cash flows from operating activities which primarily related to the general government sector and is discussed in the previous chapter.

The gross debt to revenue ratio, which indicates the state’s overall debt burden, increased to 176.4 per cent as at 30 June 2023 due to an increase in borrowings.

The NFPS interest expense to revenue ratio, a measure of the State’s debt service burden, has increased since 2021-22 due to increases in debt and the higher interest rate environment.

Table 3.4: Indicators of financial condition for NFPS(a) (per cent)

|  | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Operating cash flow surplus to revenue | 9.1 | 11.7 | 24.4 | 8.7 | 12.4 | (2.2) | (13.9) | (7.8) | 6.9 |
| Gross debt to revenue (a) | 81.0 | 76.8 | 64.7 | 69.8 | 75.5 | 110.1 | 144.1 | 150.6 | 176.4 |
| Interest expense to revenue | 4.9 | 4.4 | 3.9 | 3.7 | 3.7 | 3.9 | 4.0 | 3.7 | 4.7 |

Note:

(a) Gross debt comprises borrowings, deposits held and advances received.

## Infrastructure investment

Net cash flows from investments in non-financial assets included $15.9 billion invested by the general government sector and $4 billion in the PNFC sector, primarily in the water sector.

Infrastructure investment in the PNFC sector included the following:

* the upgrade and renewal of water and sewer assets by the Melbourne metropolitan water corporations. This included the Melbourne Water Corporation’s 5 West Nutrient Removal Plant at the Western Treatment Plant to help protect Port Phillip Bay’s biodiversity and duplication of the Yarra River Crossing for the Hobsons Bay Main Sewer, Yarra Valley Water’s Kallista and Sassafras Olinda sewer projects, Southeast Water’s Hanna Street sewer upgrade and digital meter rollout, and Greater Western Water’s Gisborne Recycled Water Plant Upgrade and the Melton to Bacchus Marsh Interconnector.
* the upgrade and renewal of water and sewer assets in regional Victoria.
* the Director of Housing’s Big Housing Build program is investing in social and affordable housing, delivering 12,000 new dwellings.
* transport infrastructure primarily related to the North East Link State Tolling Corporation’s investment in the North East Link – Primary Package (Tunnels).

# Public Financial Corporations Sector

## Operating statement

Tables 3.5 and 3.6 summarise the operating statement and financial position for the PFC sector. These figures are derived from the audited financial statements in Chapter 4.

Table 3.5: 2022-23 summary operating statement – PFC sector (a) ($ million)

|  | 2023  actual | 2023 revised | Revised variance | % revised variance | 2022 actual |
| --- | --- | --- | --- | --- | --- |
| **Revenue and income from transactions** |  |  |  |  |  |
| Interest income | 3 583 | 3 695 | (112) | (3) | 2 473 |
| Dividends | 2 311 | 1 722 | 588 | 34 | 3 052 |
| Sales of goods and services | 6 164 | 6 120 | 44 | 1 | 5 675 |
| Grants | 377 | 377 | .. | .. | 516 |
| Other revenue and income | 25 | 20 | 4 | 21 | 21 |
| **Total revenue and income from transactions** | **12 460** | **11 936** | **524** | **4** | **11 737** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 509 | 529 | (20) | (4) | 451 |
| Other superannuation | 49 | 50 | (1) | (1) | 41 |
| Depreciation | 88 | 83 | 5 | 6 | 88 |
| Interest expense | 3 445 | 3 379 | 65 | 2 | 2 469 |
| Other operating expenses | 10 773 | 10 473 | 301 | 3 | 8 746 |
| Grant expense | 127 | 129 | (2) | (2) | 641 |
| Other property expenses | 672 | 314 | 358 | 114 | 780 |
| **Total expenses from transactions** | **15 663** | **14 957** | **705** | **5** | **13 217** |
| **Net result from transactions – Net operating balance** | **(3 203)** | **(3 022)** | **(181)** | **6** | **(1 480)** |
| Total other economic flows included in net result | 6 488 | 154 | 6 334 | .. | 16 936 |
| **Net result** | **3 285** | **(2 868)** | **6 153** | **(215)** | **15 456** |

Note:

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

### Revenue

Total revenue from transactions for the PFC sector was $12.5 billion in 2022-23. This is $524 million higher than the revised budget and $723 million, or 6.2 per cent, higher than in 2021-22.

Table 3.5 shows that dividends increased by $588 million compared with the revised budget. This was primarily driven by dividend income and realised capital gains for the State’s insurance agencies due to stronger than expected investment market performance. The impact this had on total revenue was partly offset by TCV’s interest income falling short of expectations by $112 million.

Compared with 2021-22, the increase in revenue from transactions is primarily attributable to higher premium revenue for the State’s insurance agencies and higher interest income for TCV. This was partly offset by lower dividend income and realised capital gains for the State’s insurance agencies. While investment market performance was favourable, this performance was reflected in higher unrealised gains which are reported as other economic flows included in the net result.

### Expenses

Total expenses from transactions for the PFC sector were $15.7 billion in 2022-23. This was higher than the revised estimate due to a higher-than-expected tax expense for the TAC, which forms part of other property expenses, and higher‑than‑expected claims expenses for the State’s insurance agencies.

Total expenses from transactions for the PFC sector were $2.4 billion, or 18.5 per cent, higher in 2022‑23 compared with the previous year. This increase was largely due to increased claims expenses for the State’s insurance agencies and a higher interest expense for TCV, partly offset by a lower grant expense primarily driven by the rephase of the TAC’s $450 million grant to the State.

### Net result from transactions

Overall, the increase in expenses exceeded the increase in revenue such that the PFC sector’s net result from transactions deteriorated from a deficit of $1.5 billion in 2021-22 to a deficit of $3.2 billion in 2022-23.

### Net result and other economic flows

The net result from transactions does not include some significant drivers of the PFC sector’s performance, such as revaluations and capital gains on the investments held by the State’s insurance agencies. In accordance with Australian accounting standards, these items are disclosed as other economic flows. In 2022-23, other economic flows for the PFC sector were positive $6.5 billion and were primarily due to:

* an actuarial release for the TAC due to changes in the claims assumptions that underlie the valuation of its outstanding claims liabilities
* a net revaluation gain that arose due to the combined impact of increases in the discount rates (positive) and inflation rates (negative) that are used to value the liabilities of the State’s insurance agencies
* unrealised gains on the investments held by the State’s insurance agencies due to favourable investment market performance
* the release of risk margins and claims handling expenses
* a mark-to-market revaluation gain on TCV’s borrowings as a result of higher bond yields.

Overall, this resulted in the PFC sector reporting a net surplus of $3.3 billion in 2022-23.

## Financial position

Table 3.6: 2022-23 summary balance sheet – PFC sector (a) ($ billion)

|  | 2023  actual | Revised variance | 2023  revised | Actual  movement | 2022 actual |
| --- | --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |  |
| Financial assets (b) | 192.3 | 0.1 | 192.1 | 31.1 | 161.1 |
| Non‑financial assets (c) | 3.7 | (0.4) | 4.1 | (0.1) | 3.8 |
| **Total assets** | **195.9** | **(0.3)** | **196.2** | **31.1** | **164.9** |
| **Liabilities** |  |  |  |  |  |
| Borrowings | 132.3 | (7.3) | 139.7 | 25.0 | 107.3 |
| Other provisions | 47.0 | 0.7 | 46.3 | 2.4 | 44.6 |
| Other liabilities (d) | 3.2 | 0.2 | 3.0 | 0.1 | 3.1 |
| **Total liabilities** | **182.5** | **(6.4)** | **188.9** | **27.6** | **155.0** |
| **Net assets** | **13.4** | **6.2** | **7.3** | **3.5** | **9.9** |

Notes:

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

(b) Financial assets include cash and deposits, advances paid, investments, loans and placements, receivables and investments accounted for using the equity method.

(c) Non-financial assets include land, buildings, infrastructure, plant and equipment and other non-financial assets.

(d) Other liabilities consist of payables, employee benefits, deposits held and advances received.

Table 3.6 shows that PFC sector net assets increased by $3.5 billion in 2022‑23 to $13.4 billion at 30 June 2023. This is $6.2 billion higher than the revised budget.

The increase in net assets since 30 June 2022 is primarily due to an increase in TCV loans receivable from the NFPS and an increase in the investments held by the State’s insurance agencies and TCV. However, this was partly offset by an increase in TCV borrowings and increases in the outstanding claims liabilities of the State’s insurance agencies.

Relative to the revised budget, the increase in net assets is predominantly attributable to higher‑than‑expected investments held by the State’s insurance agencies and lower-than-expected TCV borrowings, partly offset by lower‑than‑expected loans receivable by TCV from the NFPS.

The reported net result and net asset position of the PFC sector are impacted by the accounting convention adopted for TCV, whereby its fixed interest rate loans to government clients are measured at book value while its borrowings are reported at market value.

This approach enables TCV’s loans to be consolidated with the borrowings of the general government and PNFC sectors but, for the PFC sector in isolation, creates a mismatch between the value of TCV’s assets (which are at book value) and its liabilities (which are at market value).

This difference, which is estimated to be around $12.7 billion at 30 June 2023, is eliminated when TCV’s loans to government clients are consolidated in the whole of state accounts. Note that in TCV’s own accounts both assets and liabilities are reported at market value.

The PFC sector’s net asset position is also sensitive to changes in Commonwealth Government bond yields which, in accordance with Australian accounting standards, underlie the discount rates used to value the insurance agencies’ outstanding claims liabilities. In isolation, an increase in bond yields between 30 June 2022 and 30 June 2023 reduced the value of insurance agencies’ claims liabilities. However, this impact was more than offset by other experience, in particular the ongoing accrual of claims and increases in inflation assumptions.

# State of Victoria

## Operating statement

Tables 3.7 and 3.8 summarise the operating statement and financial position for the State of Victoria. These figures are derived from the audited financial statements in Chapter 4.

Table 3.7: 2022-23 summary operating statement – State of Victoria (a) ($ million)

|  | 2023  actual | 2023 revised | Revised variance | % revised variance | 2022 actual |
| --- | --- | --- | --- | --- | --- |
| **Revenue and income from transactions** |  |  |  |  |  |
| Taxation | 31 852 | 31 019 | 833 | 3 | 30 080 |
| Interest income | 1 502 | 1 507 | (5) | .. | 610 |
| Dividends | 2 404 | 1 894 | 510 | 27 | 3 144 |
| Sales of goods and services | 17 943 | 17 773 | 170 | 1 | 16 462 |
| Grants | 40 063 | 39 676 | 387 | 1 | 41 224 |
| Other revenue and income | 4 681 | 4 171 | 510 | 12 | 4 417 |
| **Total revenue and income from transactions** | **98 445** | **96 040** | **2 404** | **3** | **95 936** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 35 168 | 35 486 | (318) | (1) | 33 638 |
| Net superannuation interest expense | 721 | 724 | (3) | .. | 482 |
| Other superannuation | 3 982 | 3 667 | 314 | 9 | 4 107 |
| Depreciation | 7 652 | 7 749 | (97) | (1) | 7 203 |
| Interest expense | 4 778 | 4 681 | 97 | 2 | 3 712 |
| Grant expense | 16 468 | 16 607 | (140) | (1) | 21 952 |
| Other operating expenses | 42 415 | 41 667 | 748 | 2 | 40 097 |
| **Total expenses from transactions** | **111 184** | **110 582** | **601** | **1** | **111 192** |
| **Net result from transactions – Net operating balance** | **(12 739)** | **(14 542)** | **1 803** | **(12)** | **(15 255)** |
| Total other economic flows included in net result | 5 101 | (491) | 5 592 | (1 138) | 15 823 |
| **Net result** | **(7 638)** | **(15 033)** | **7 395** | **(49)** | **568** |

Note:

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

Table 3.7 shows the State recorded a net deficit from transactions of $12.7 billion in 2022‑23 compared with a deficit of $15.3 billion in 2021-22. This improvement was largely driven by the general government sector, partly offset by higher deficits in the PNFC and PFC sectors, as discussed in the earlier sections of this chapter.

Once other economic flows are included, the State’s net result declined from a surplus of $568 million in 2021-22 to deficit of $7.6 billion in 2022-23. This is primarily attributable to lower other economic flows for the PFC sector due to lower revaluation gains on TCV borrowings and the outstanding claims liabilities of the State’s insurance agencies, partly offset by higher unrealised gains on the investments held by the State’s insurance agencies.

Chart 3.1: Revenue contributions by sector (a)

Note:

(a) The State of Victoria will not equal the sum of the general government, PNFC and PFC sectors due to inter-sector eliminations.

## Financial position

Table 3.8 shows that the State’s net assets have increased from $219.8 billion in 2021-22 to $234.2 billion in 2022-23. While total assets have increased by $56.9 billion, this is partly offset by a $42.5 billion increase in liabilities.

The State’s financial assets increased from $84.5 billion in 2021-22 to $103.7 billion in 2022-23 and non-financial assets, including infrastructure, increased from $380.5 billion in 2021-22 to $418.1 billion in 2022-23.

The increase in financial assets is primarily due to the establishment of the Victorian Future Fund with the proceeds from the VicRoads Modernisation joint venture and an increase in the investments held by the State’s insurance agencies and TCV. The increase in non-financial assets is mainly due to the Government’s investment in infrastructure and the revaluation of assets primarily in the transport, education and health sectors.

The increase in the State’s liabilities is largely due to borrowings increasing from $136.5 billion in 2021‑22 to $165 billion in 2022-23. Other liabilities also increased, from $88.9 billion in 2021‑22 to $103.8 billion by 2022-23.

The increase in borrowings is mainly due to incremental borrowings by TCV to fund the Government’s infrastructure investment program. The increase in other liabilities is predominantly driven by higher payables due to the recognition of the grant of a right to the operator (GORTO) liability as part of the VicRoads Modernisation joint venture and increases in the outstanding claims liabilities of the State’s insurance agencies.

Table 3.8: 2022-23 summary balance sheet – State of Victoria (a) ($ billion)

|  | 2023  actual | Revised variance | 2023  revised | Actual  movement | 2022 actual |
| --- | --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |  |
| Financial assets (b) | 103.7 | 6.5 | 97.3 | 19.3 | 84.5 |
| Non‑financial assets (c) | 418.1 | 14.8 | 403.3 | 37.6 | 380.5 |
| **Total assets** | **521.8** | **21.3** | **500.6** | **56.9** | **464.9** |
| **Liabilities** |  |  |  |  |  |
| Superannuation | 18.9 | (2.9) | 21.8 | (0.9) | 19.8 |
| Borrowings | 165.0 | (6.0) | 171.0 | 28.5 | 136.5 |
| Other liabilities (d) | 103.8 | 3.8 | 100.0 | 14.8 | 88.9 |
| **Total liabilities** | **287.6** | **(5.1)** | **292.8** | **42.5** | **245.2** |
| **Net assets** | **234.2** | **26.4** | **207.8** | **14.4** | **219.8** |

Notes:

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

(b) Financial assets include cash and deposits, advances paid, investments, loans and placements, receivables and investments accounted for using the equity method.

(c) Non-financial assets include land, buildings, infrastructure, plant and equipment and other non-financial assets.

(d) Other liabilities consist of payables, employee benefits, deposits held and advances received, contract liabilities and other provisions.

Chart 3.2: Net assets by sector as at 30 June (a)

Note:

(a) General government net assets exclude investments in other sector entities which means that the data for the State of Victoria will not equal the sum of the general government, PNFC and PFC sectors.

Chapter 4 – Annual Financial Report

# Report structure

The Treasurer of Victoria presents the Annual Financial Report of the State of Victoria (the State) for the financial year ended 30 June 2023 as follows:

|  |  |  |
| --- | --- | --- |
| Report Certifications | Report of the Auditor-General | Page 33 |
| Certification by the Treasurer and the Secretary of the Department of Treasury and Finance | Page 39 |
| Financial  statements | Consolidated comprehensive operating statement | Page 40 |
| Consolidated balance sheet | Page 41 |
| Consolidated cash flow statement | Page 42 |
| Consolidated statement of changes in equity | Page 44 |
| Notes to the  financial  statements | **1. About this report** | Page 45 |
| *Basis of preparation* |  |
| *Compliance information* |  |
|  | **2. How funds are raised** | Page 48 |
|  | *Revenue and income recognised from taxes, grants, sales of goods and services and other sources* |  |
|  | **3. How funds are spent** | Page 54 |
|  | *Operating expenses of the State and capital spending on infrastructure and other assets* |  |
|  | **4. Major assets and investments** | Page 63 |
|  | *Land, buildings, infrastructure, plant and equipment, other non‑financial assets,  and investments held in associates and joint arrangements* |  |
|  | **5. Financing state operations** | Page 75 |
|  | *Borrowings and leases, service concession arrangements, cash flow information, investments held and commitments at 30 June* |  |
|  | **6. Other assets and liabilities** | Page 96 |
|  | *Other key asset and liability balances* |  |
|  | **7. Risks, contingencies and valuation judgements** | Page 109 |
|  | *Financial instruments, contingent assets and liabilities, and fair value determination disclosures* |  |
|  | **8. Comparison against budget and the public account** | Page 140 |
|  | *Explanations of material variances between budget and actual outcomes, and  public account disclosures* |  |
|  | **9. Other disclosures** | Page 169 |
|  | *Additional disclosures including disaggregated information, funds under management, related party transactions, subsequent events and controlled entities.* |  |

# Public sector terms explained

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.

Non-financial public sector

Public non-financial   
corporations

Public financial   
corporations

General government

Departments

Statutory authorities and other agencies controlled by government

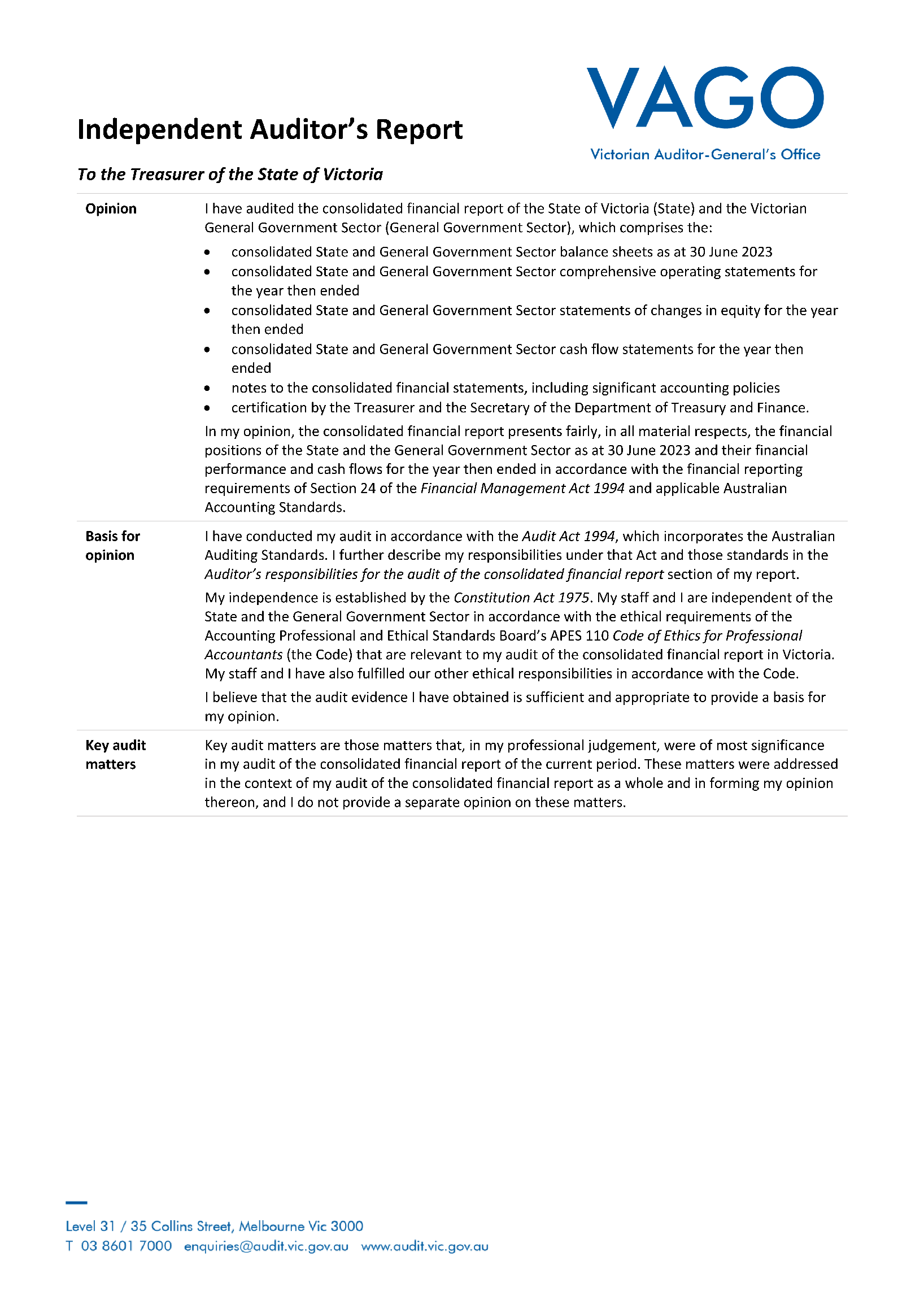
State of Victoria

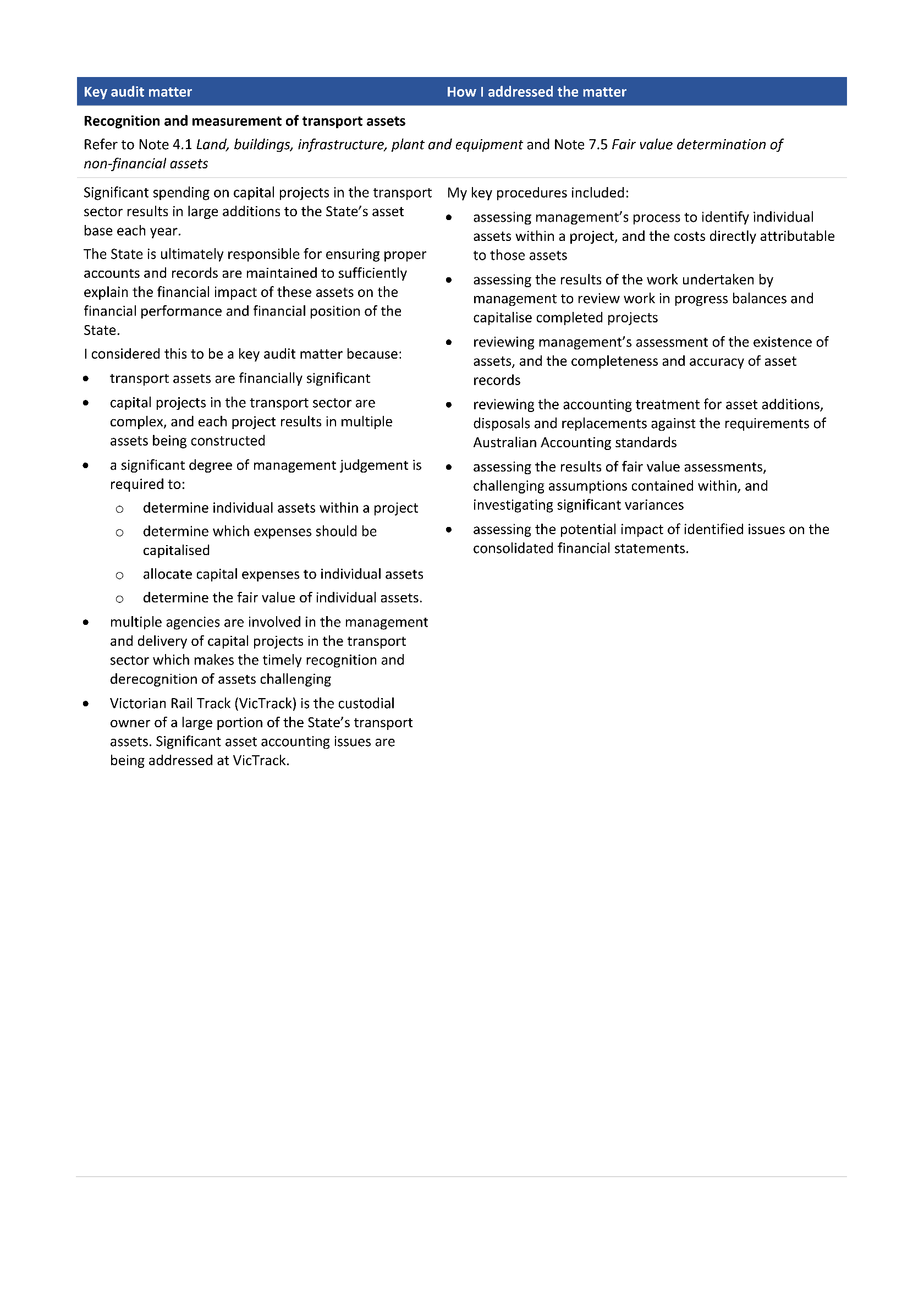
The State controlled entities are classified into several sectors according to the System of National Accounts (refer to Note 9.9), as follows:

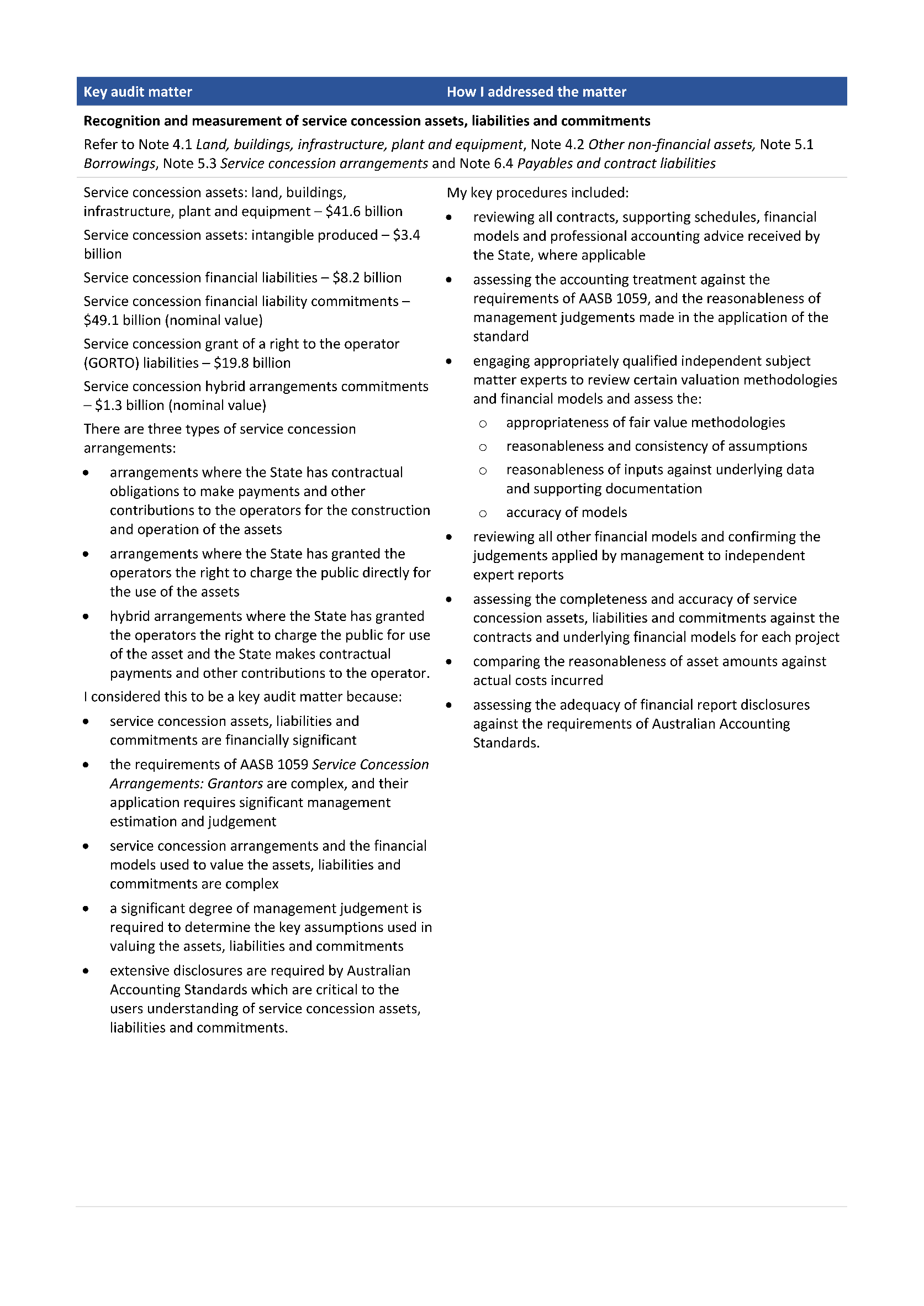
|  |  |
| --- | --- |
| Sector | Explanation |
| General government sector (GGS) | The Victorian general government sector includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity, and is reported in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.  The primary function of entities within the GGS is to provide general government services that are mainly non‑market in nature and are largely for collective consumption by the community, or that involve the transfer or redistribution of income. These services are financed mainly through taxes, other compulsory levies and user charges. |
| Public non‑financial corporations (PNFC) sector | The primary function of entities in the PNFC sector is to produce goods and services (of a non‑financial nature) for sale in the market place at economically significant prices. |
| Public financial corporations (PFC) sector | The primary function of entities in the PFC sector is to provide financial intermediation services or auxiliary financial services and have one or more of the following characteristics:   * they perform a central borrowing function or 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 (NFPS) | The NFPS sector represents the consolidation of the general government and PNFC sectors. |

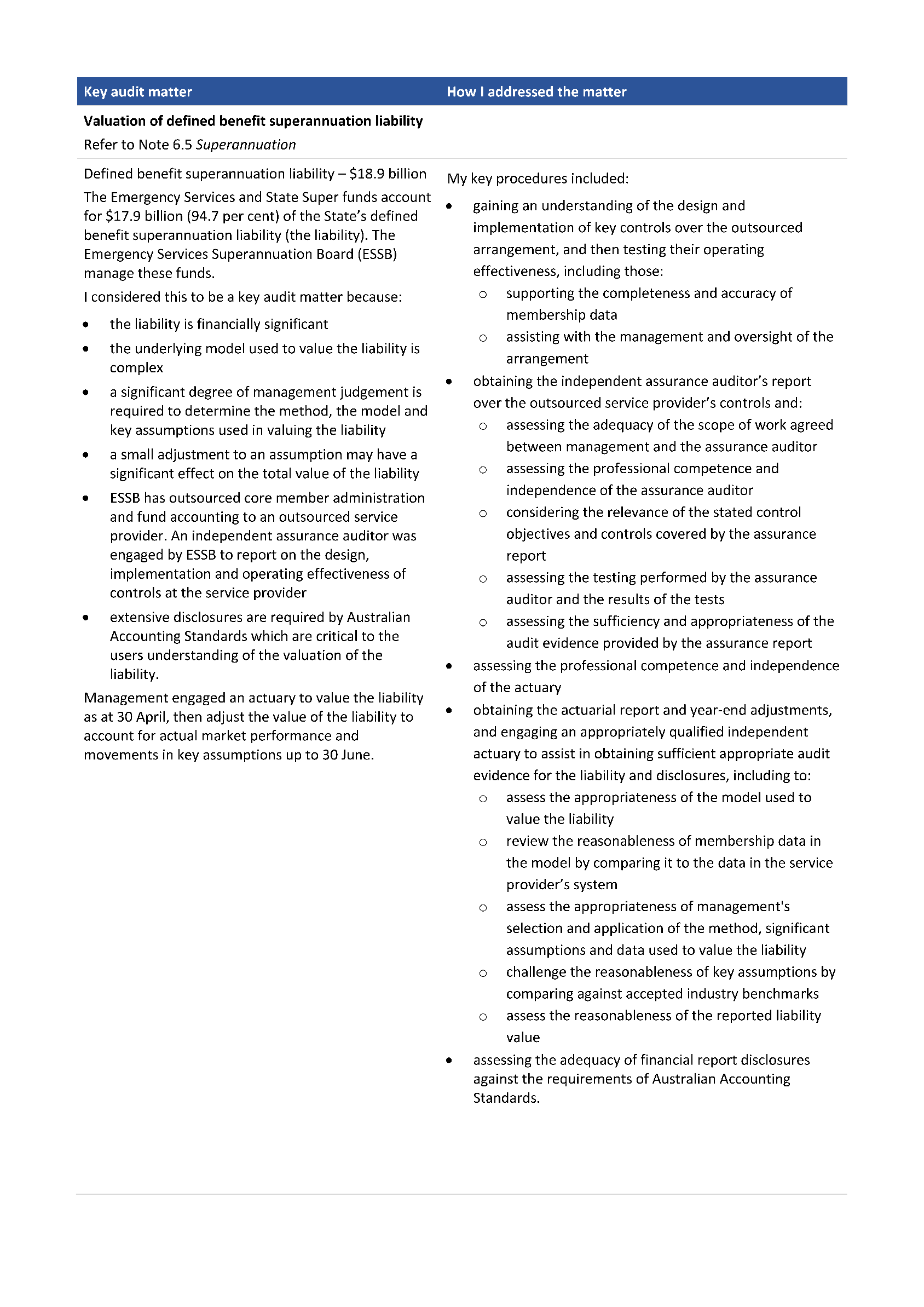
Note 9.1 disaggregates information about these sectors. Disclosing this information assists users of the financial statements to determine the effects of differing activities on the financial performance and position of the State. It also assists users to identify the resources used in providing a range of goods and services, and the extent to which the State has recovered the costs of those resources from revenues attributable to those activities.

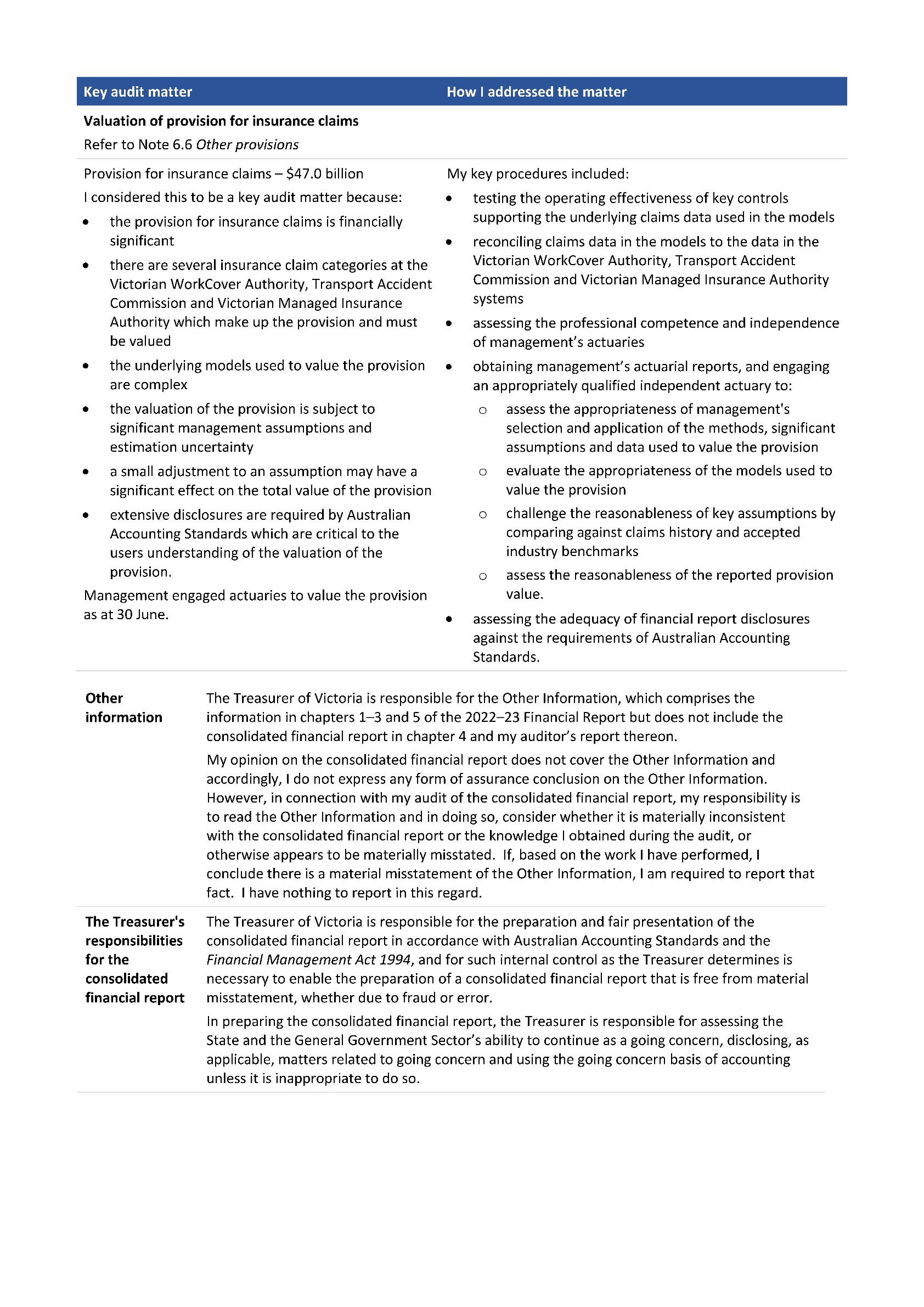
# Report of the Auditor-General













# Certification by the Treasurer and the secretary of the Department of Treasury and Finance

The Department of Treasury and Finance has prepared the *Annual Financial Report* through consolidating the financial information provided by the Victorian public sector reporting entities listed in Note 9.8.

In our opinion, the *Annual Financial Report*, which comprises the consolidated comprehensive operating statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, and notes to the financial statements of the State and the Victorian general government sector as at 30 June 2023:

a) presents fairly the State’s and the Victorian general government sector’s financial positions as at 30 June 2023 and their financial performance and cash flows for the financial year ended on that date

b) has been prepared in accordance with Australian Accounting Standards and pronouncements, in particular AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and the financial reporting requirements contained in Part 5 of the *Financial Management Act 1994*.

At the time of signing, we are not aware of any circumstances which would render any particulars included in the *Annual Financial Report* to be misleading or inaccurate.



Authorised for issue on:

2 October 2023

# Consolidated comprehensive operating statement

For the financial year ended 30 June ($ million)

|  |  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | 2023 | 2022 | 2023 | 2022 |
| **Revenue and income from transactions** |  |  |  |  |  |
| Taxation | 2.1 | 31 852 | 30 080 | 32 350 | 30 546 |
| Interest income | 2.2 | 1 502 | 610 | 1 307 | 557 |
| Dividends, income tax equivalent and rate equivalent income | 2.3 | 2 404 | 3 144 | 820 | 885 |
| Sales of goods and services | 2.4 | 17 943 | 16 462 | 6 263 | 5 645 |
| Grants | 2.5 | 40 063 | 41 224 | 40 138 | 41 805 |
| Other revenue and income | 2.6 | 4 681 | 4 417 | 3 842 | 3 586 |
| **Total revenue and income from transactions** |  | **98 445** | **95 936** | **84 720** | **83 023** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 3.1 | 35 168 | 33 638 | 33 629 | 32 239 |
| Net superannuation interest expense | 3.2 | 721 | 482 | 719 | 481 |
| Other superannuation | 3.2 | 3 982 | 4 107 | 3 760 | 3 912 |
| Depreciation | 4.1.2 | 7 652 | 7 203 | 4 604 | 4 308 |
| Interest expense | 5.7 | 4 778 | 3 712 | 3 974 | 2 869 |
| Grant expense | 3.3 | 16 468 | 21 952 | 19 053 | 25 063 |
| Other operating expenses | 3.4 | 42 415 | 40 097 | 27 828 | 27 943 |
| **Total expenses from transactions** | 3.5, 3.6 | **111 184** | **111 192** | **93 567** | **96 814** |
| **Net result from transactions – Net operating balance** |  | **(12 739)** | **(15 255)** | **(8 847)** | **(13 791)** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non‑financial assets |  | 87 | 3 | 90 | 15 |
| Net gain/(loss) on financial assets or liabilities at fair value |  | 3 469 | 10 492 | (29) | 155 |
| Share of net profit/(loss) from associates/joint venture entities |  | (39) | 5 | (39) | 5 |
| Other gains/(losses) from other economic flows | 9.3 | 1 583 | 5 323 | (1 022) | 115 |
| **Total other economic flows included in net result** |  | **5 101** | **15 823** | **(1 000)** | **290** |
| **Net result** |  | **(7 638)** | **568** | **(9 847)** | **(13 501)** |
| **Other economic flows – Other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non‑financial assets revaluation surplus |  | 21 214 | 23 335 | 13 710 | 18 702 |
| Remeasurement of superannuation defined benefits plans | 3.2 | 1 371 | 7 821 | 1 356 | 7 791 |
| Other movements in equity |  | (644) | (84) | (536) | (53) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value |  | 130 | (5) | 139 | (45) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | 6.1 | .. | .. | 3 431 | 11 834 |
| **Total other economic flows – Other comprehensive income** |  | **22 070** | **31 067** | **18 099** | **38 230** |
| **Comprehensive result – Total change in net worth** |  | **14 432** | **31 634** | **8 252** | **24 729** |
|  |  |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** |  | **(12 739)** | **(15 255)** | **(8 847)** | **(13 791)** |
| Less: Net acquisition of non‑financial assets from transactions | 9.1 | 16 075 | 15 149 | 11 285 | 10 748 |
| **Net lending/(borrowing)** |  | **(28 814)** | **(30 405)** | **(20 132)** | **(24 539)** |

The accompanying notes form part of these financial statements.

# Consolidated balance sheet

As at 30 June ($ million)

|  |  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | 2023 | 2022 | 2023 | 2022 |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits (a) | 5.5 | 25 678 | 17 258 | 19 698 | 10 974 |
| Advances paid | 5.6 | 930 | 632 | 5 308 | 4 929 |
| Receivables and contract assets | 6.3 | 11 973 | 10 955 | 9 046 | 8 406 |
| Investments, loans and placements | 5.6 | 63 975 | 55 623 | 3 853 | 3 370 |
| Investments accounted for using the equity method | 4.3.1 | 1 193 | 10 | 1 180 | 10 |
| Investments in other sector entities | 6.1 | .. | .. | 96 042 | 89 162 |
| **Total financial assets** |  | **103 750** | **84 479** | **135 128** | **116 851** |
| **Non‑financial assets** |  |  |  |  |  |
| Inventories | 6.2 | 1 851 | 2 452 | 574 | 1 262 |
| Non‑financial assets held for sale |  | 139 | 212 | 110 | 171 |
| Land, buildings, infrastructure, plant and equipment | 4.1.1 | 408 948 | 372 959 | 249 480 | 225 770 |
| Other non‑financial assets | 4.2 | 7 152 | 4 842 | 5 898 | 3 313 |
| **Total non‑financial assets** |  | **418 090** | **380 466** | **256 062** | **230 516** |
| **Total assets** | 3.6 | **521 840** | **464 945** | **391 190** | **347 367** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 5.4 | 1 777 | 1 724 | 1 615 | 1 831 |
| Payables | 6.4 | 40 334 | 29 303 | 28 047 | 17 551 |
| Contract liabilities | 6.4 | 598 | 596 | 352 | 342 |
| Borrowings | 5.1 | 164 953 | 136 486 | 142 289 | 117 420 |
| Employee benefits | 3.1 | 10 948 | 10 519 | 10 250 | 9 857 |
| Superannuation | 6.5 | 18 904 | 19 756 | 18 904 | 19 756 |
| Other provisions | 6.6 | 50 129 | 46 795 | 2 950 | 2 082 |
| **Total liabilities** |  | **287 643** | **245 180** | **204 407** | **168 839** |
| **Net assets** |  | **234 197** | **219 765** | **186 783** | **178 528** |
| Accumulated surplus/(deficit) |  | 80 106 | 84 968 | 45 889 | 52 824 |
| Reserves |  | 154 090 | 134 797 | 140 894 | 125 704 |
| **Net worth** |  | **234 197** | **219 765** | **186 783** | **178 528** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth |  | (183 893) | (160 702) | (69 278) | (51 988) |
| Net financial liabilities |  | 183 893 | 160 702 | 165 321 | 141 149 |
| Net debt |  | 76 146 | 64 697 | 115 044 | 99 978 |

The accompanying notes form part of these financial statements.

Note:

(a) The increase in cash and deposits is primarily due to the $7.9 billion received from the VicRoads Modernisation joint venture, which has been used to establish the Victorian Future Fund.

# Consolidated cash flow statement

For the financial year ended 30 June ($ million)

|  |  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | 2023 | 2022 | 2023 | 2022 |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received |  | 31 123 | 29 822 | 31 621 | 30 288 |
| Grants |  | 40 822 | 42 127 | 40 881 | 42 720 |
| Sales of goods and services (a) |  | 20 018 | 18 383 | 6 873 | 6 281 |
| Interest received |  | 1 058 | 204 | 1 229 | 548 |
| Dividends, income tax equivalent and rate equivalent receipts |  | 2 292 | 3 130 | 693 | 549 |
| Other receipts (b) |  | 10 569 | 2 488 | 10 207 | 1 906 |
| **Total receipts** |  | **105 882** | **96 153** | **91 503** | **82 293** |
| **Payments** |  |  |  |  |  |
| Payments for employees |  | (34 760) | (32 711) | (33 260) | (31 334) |
| Superannuation |  | (4 192) | (4 258) | (3 975) | (4 062) |
| Interest paid |  | (4 281) | (3 360) | (3 559) | (2 591) |
| Grants and subsidies |  | (15 771) | (21 500) | (18 403) | (24 619) |
| Goods and services (a) |  | (37 840) | (38 065) | (27 110) | (27 524) |
| Other payments |  | (961) | (1 025) | (945) | (1 019) |
| **Total payments** |  | **(97 805)** | **(100 919)** | **(87 253)** | **(91 150)** |
| **Net cash flows from operating activities** | 5.5 | **8 077** | **(4 766)** | **4 250** | **(8 857)** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |  |  |  |
| Purchases of non‑financial assets | 3.5, 3.6 | (20 519) | (18 717) | (16 273) | (15 168) |
| Sales of non‑financial assets |  | 542 | 458 | 325 | 275 |
| **Net cash flows from investments in non‑financial assets** |  | **(19 977)** | **(18 259)** | **(15 948)** | **(14 893)** |
| **Cash flows from investments in financial assets for policy purposes** |  |  |  |  |  |
| Cash inflows |  | 606 | 515 | 759 | 1 597 |
| Cash outflows |  | (966) | (675) | (2 385) | (1 550) |
| **Net cash flows from investments in financial assets for policy purposes** |  | **(359)** | **(160)** | **(1 625)** | **47** |
| **Cash flows from investments in financial assets for liquidity management purposes** |  |  |  |  |  |
| Cash inflows |  | 6 407 | 6 482 | 824 | 657 |
| Cash outflows |  | (13 560) | (18 502) | (1 316) | (985) |
| **Net cash flows from investments in financial assets for liquidity management purposes (c)** |  | **(7 153)** | **(12 021)** | **(492)** | **(328)** |
| **Net cash flows from investing activities** |  | **(27 490)** | **(30 440)** | **(18 065)** | **(15 173)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received |  | 44 | 59 | 32 | 28 |
| Advances repaid |  | (26) | (185) | (274) | (958) |
| Advances received (net) (c) |  | 19 | (126) | (242) | (930) |
| Borrowings received |  | 33 500 | 33 979 | 28 040 | 24 642 |
| Borrowings repaid |  | (5 719) | (3 389) | (5 291) | (3 287) |
| Net borrowings (c) |  | 27 780 | 30 590 | 22 749 | 21 355 |
| Deposits received |  | 3 135 | 5 446 | 2 830 | 5 250 |
| Deposits repaid |  | (3 101) | (5 380) | (2 807) | (5 280) |
| Deposits received (net) (c) |  | 34 | 66 | 22 | (30) |
| **Net cash flows from financing activities** |  | **27 833** | **30 531** | **22 529** | **20 395** |
| **Net increase/(decrease) in cash and cash equivalents** |  | **8 420** | **(4 674)** | **8 713** | **(3 634)** |
| Cash and cash equivalents at beginning of reporting period (d) |  | 17 258 | 21 933 | 10 985 | 14 609 |
| **Cash and cash equivalents at end of the reporting period** | 5.5 | **25 678** | **17 258** | **19 698** | **10 974** |

# Consolidated cash flow statement *(continued)*

For the financial year ended 30 June ($ million)

|  |  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- | --- |
|  | Notes | 2023 | 2022 | 2023 | 2022 |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities |  | 8 077 | (4 766) | 4 250 | (8 857) |
| Net cash flows from investments in non‑financial assets |  | (19 977) | (18 259) | (15 948) | (14 893) |
| **Cash surplus/(deficit)** |  | **(11 900)** | **(23 025)** | **(11 698)** | **(23 749)** |

The accompanying notes form part of these financial statements.

Notes:

(a) These items include goods and services tax.

(b) This increase in other receipts from the prior year primarily reflects the $7.9 billion proceeds from the VicRoads Modernisation joint venture. Notes 4.3.1 and 5.3.4 provides more information on the accounting treatment of this arrangement.

(c) In accordance with AASB 107 Statement of Cash Flows, TCV has reported its cash flow information for whole of government consolidation purposes on a net basis for both financial years ended 30 June 2022 and 30 June 2023.

(d) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the former Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the machinery of government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. Refer to Note 9.8 for further details.

# Consolidated statement of changes in equity

For the financial year ended 30 June ($ million)

| State of Victoria | Accumulated surplus/(deficit) | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- |
| **2023** |  |  |  |  |  |
| **Balance at 1 July 2022** | **84 968** | **132 911** | **..** | **1 886** | **219 765** |
| Net result for the year | (7 638) | .. | .. | .. | (7 638) |
| Other comprehensive income for the year | 604 | 21 214 | .. | 253 | 22 070 |
| Transfer to/(from) accumulated surplus | 2 174 | (2 174) | .. | .. | .. |
| **Balance at 30 June 2023** | **80 106** | **151 951** | **..** | **2 139** | **234 197** |
| **2022** |  |  |  |  |  |
| **Balance at 1 July 2021** | **76 532** | **109 790** | **..** | **1 808** | **188 130** |
| Net result for the year | 568 | .. | .. | .. | 568 |
| Other comprehensive income for the year | 7 654 | 23 335 | .. | 78 | 31 067 |
| Transfer to/(from) accumulated surplus | 214 | (214) | .. | .. | .. |
| **Balance at 30 June 2022** | **84 968** | **132 911** | **..** | **1 886** | **219 765** |

| General government sector |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2023** |  |  |  |  |  |
| **Balance at 1 July 2022** | **52 824** | **79 719** | **44 815** | **1 170** | **178 528** |
| Opening balance adjustment (a) | 3 | .. | .. | .. | 3 |
| **Restated balance at 1 July 2022** | **52 827** | **79 719** | **44 815** | **1 170** | **178 531** |
| Net result for the year | (9 847) | .. | .. | .. | (9 847) |
| Other comprehensive income for the year | 749 | 13 710 | 3 431 | 210 | 18 099 |
| Transfer to/(from) accumulated surplus | 2 160 | (2 160) | .. | .. | .. |
| **Balance at 30 June 2023** | **45 889** | **91 269** | **48 245** | **1 380** | **186 783** |
| **2022** |  |  |  |  |  |
| **Balance at 1 July 2021** | **58 642** | **61 017** | **32 981** | **1 159** | **153 799** |
| Net result for the year | (13 501) | .. | .. | .. | (13 501) |
| Other comprehensive income for the year | 7 683 | 18 702 | 11 834 | 11 | 38 230 |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. |
| **Balance at 30 June 2022** | **52 824** | **79 719** | **44 815** | **1 170** | **178 528** |

The accompanying notes form part of these financial statements.

Note:

(a) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the former Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the machinery of government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. Refer to Note 9.8 for further details.

# About this report

## Basis of preparation

This *Annual Financial Report* presents the audited general purpose consolidated financial statements of the State and the Victorian general government sector for the year ended 30 June 2023. This report informs users about the Government’s stewardship of the resources entrusted to it.

Accounting policies selected and applied ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

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

* the 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 initial recognition, are measured at a revalued amount being their fair value at the reporting date less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair values
* certain liabilities, most notably unfunded superannuation and insurance claim provisions, which are subject to actuarial assessments
* 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.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

* revenue/income recognition – determination of GST income based on the State’s entitlement (Note 2.5)
* provision for employee benefits – use of assumptions in the measurement of employee benefit provisions (Note 3.1)
* superannuation expenses and liabilities – use of actuarial assumptions in measuring liabilities (Note 3.2 and Note 6.5)
* insurance claims – use of actuarial assumptions in the measurement of liabilities for outstanding insurance claims (Note 6.6.1)
* service concession arrangements – whether and how AASB 1059 Service Concession Arrangements: Grantor applies (Note 5.3)
* fair value measurement – Level 3 valuation inputs used in measuring fair values of financial and non‑financial physical assets and liabilities in accordance with AASB 13 *Fair Value Measurement* (Note 7.4 and Note 7.5).

All amounts in the financial statements have been rounded to the nearest $1 000 000 except in the Public Account disclosure in Note 8.2 and the Related party transactions disclosure in Note 9.5, which are rounded to the nearest $1 000.

Figures in the *2022‑23 Financial Report* may not add due to rounding.

## Basis for consolidation

The consolidated financial statements of the State incorporate assets and liabilities of all reporting entities it controlled as at 30 June 2023 and the revenue and expenses of controlled entities for the part of the reporting period in which control existed (Note 9.8).

The consolidated financial statements of the Victorian general government sector incorporate the assets and liabilities, revenue and expenses of entities classified as general government. Entities in the public non‑financial corporation (PNFC) and public financial corporation (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 the net assets of the PNFC and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity’s net assets is less than zero (before consolidation), 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 and accounted for in a manner consistent with AASB 9 *Financial Instruments*.

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

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 the Victorian general government sector, all material transactions and balances between consolidated government controlled entities are eliminated.

Although certain entities prepare their audited financial statements on a different financial year end basis, their information on transactions and balances supplied for consolidation purposes reflect adjusted audited figures.

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 revenues and expenses of the relevant sectors of government.

## Compliance

These general-purpose financial statements have been prepared in the manner and form as 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*.

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

The Government Finance Statistics (GFS) information included in this report is based on the GFS manual (the Australian Bureau of Statistics (ABS) publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* as updated from time to time). Note 9.4 describes the significant differences between Australian Accounting Standards and the requirements contained in the GFS Manual.

## Economic and fiscal impacts affecting this report

The COVID‑19 pandemic caused significant economic and fiscal impacts from early 2020, which persisted through 2022-23. The Commonwealth Government enacted national border restrictions between March 2020 and February 2022, which led to a smaller population in Victoria than would have been the case in the absence of the pandemic, affecting the State’s share of national GST revenues. The pandemic also affected global supply and demand, driving a pick-up in global inflation which was exacerbated by Russia’s invasion of Ukraine. High inflation in Victoria and Australia, and a corresponding sharp rise in Australian interest rates, also affected the State’s revenue and expenses, including GST revenue, land transfer duty revenue and interest expense.

The State’s comprehensive operating statement and balance sheet in 2022-23 were also impacted by financial market volatility and bond yield movements which impacted the investment returns of the superannuation funds and State’s insurance agencies and the valuation of the related liabilities.

Further market related impacts have also been considered and, where deemed appropriate, specifically included in relevant disclosures throughout the *2022‑23 Financial Report* to reflect the material management judgements, estimates and assumptions in the valuation of key balances within the financial report:

• Note 6.5: Superannuation

• Note 6.6.1: Insurance claims

• Note 7.5: Fair value determination of non‑financial assets.

# How funds are raised

### Introduction

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

Revenue and income 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 48](#_Toc143255688)

[2.2 Interest income 49](#_Toc143255689)

[2.3 Dividends, income tax equivalent and   
rate equivalent income 49](#_Toc143255690)

[2.4 Sales of goods and services 50](#_Toc143255691)

[2.5 Grants 51](#_Toc143255692)

[2.6 Other revenue and income 53](#_Toc143255693)

## Taxation

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **TAXES ON EMPLOYERS’ PAYROLL AND LABOUR FORCE** |  |  |  |  |
| Payroll tax | 7 286 | 6 526 | 7 392 | 6 618 |
| Mental Health and Wellbeing Levy | 900 | 349 | 904 | 349 |
| **Total taxes on employers’ payroll and labour force** | **8 186** | **6 875** | **8 296** | **6 967** |
| **TAXES ON IMMOVABLE PROPERTY** |  |  |  |  |
| Land tax | 5 310 | 4 088 | 5 367 | 4 135 |
| Fire Services Property Levy | 792 | 759 | 792 | 759 |
| Congestion levy | 108 | 109 | 108 | 109 |
| Metropolitan improvement levy | 206 | 200 | 206 | 200 |
| **Total taxes on property** | **6 416** | **5 156** | **6 473** | **5 203** |
| **TAXES ON THE PROVISION OF GOODS AND SERVICES** |  |  |  |  |
| **Gambling taxes (a)** |  |  |  |  |
| Public lotteries | 621 | 638 | 621 | 638 |
| Electronic gaming machines | 1 365 | 940 | 1 365 | 940 |
| Casino | 180 | 142 | 180 | 142 |
| Racing and other sports betting | 287 | 292 | 287 | 292 |
| Other | 17 | 10 | 17 | 10 |
| **Financial and capital transactions** |  |  |  |  |
| Land transfer duty | 8 737 | 10 361 | 8 737 | 10 361 |
| Metropolitan planning levy | 22 | 22 | 22 | 22 |
| Financial accommodation levy | .. | .. | 156 | 152 |
| Growth areas infrastructure contribution | 260 | 361 | 260 | 361 |
| **Levies on statutory corporations** | **..** | **..** | **173** | **173** |
| **Taxes on insurance** | **1 875** | **1 724** | **1 875** | **1 724** |
| **Total taxes on the provision of goods and services** | **13 364** | **14 491** | **13 694** | **14 816** |
| **TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES** |  |  |  |  |
| **Motor vehicle taxes** |  |  |  |  |
| Vehicle registration fees | 1 944 | 1 868 | 1 946 | 1 870 |
| Duty on vehicle registrations and transfers | 1 256 | 1 097 | 1 256 | 1 097 |
| **Liquor licence fees** | **21** | **26** | **21** | **26** |
| **Other** | **665** | **566** | **665** | **566** |
| **Total taxes on the use of goods and performance of activities** | **3 886** | **3 557** | **3 888** | **3 559** |
| **Total taxation** | **31 852** | **30 080** | **32 350** | **30 546** |

Note:

(a) The public lotteries, electronic gaming machines, casino, racing and other sports betting and other gambling taxes balances include gambling licence revenue to 30 June 2023 of $184 million (30 June 2022: $157 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.

Taxation represents income earned from the State’s taxpayers. For taxes (excluding gambling licence revenue), income is recognised under AASB 1058 when the relevant taxable event has occurred.

Gambling licence revenue is accounted for under AASB 15 using the principles noted in Note 2.4.

## Interest income

Interest income includes interest earned on bank term deposits and other investments, and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

Net realised and unrealised gains or losses on the revaluation of investments do not form part of net result from transactions, but are reported either as part of other economic flows included in the net result or as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

## Dividends, income tax equivalent and rate equivalent income

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Dividends from PFC sector | .. | .. | 8 | 139 |
| Dividends from PNFC sector | .. | .. | 102 | 107 |
| Dividends from non‑public sector | 2 404 | 3 144 | 73 | 41 |
| **Dividends** | **2 404** | **3 144** | **183** | **288** |
| Income tax equivalent income from PFC sector | .. | .. | 411 | 343 |
| Income tax equivalent income from PNFC sector | .. | .. | 221 | 249 |
| **Income tax equivalent income** | **..** | **..** | **632** | **592** |
| Local government rate equivalent income | .. | .. | 5 | 5 |
| **Total dividends, income tax equivalent and rate equivalent income** | **2 404** | **3 144** | **820** | **885** |

General government sector dividends, income tax equivalent and rate equivalent income represent income earned from other sectors of government. Such income for the general government sector is recognised when the right to receive the payment is established.

Dividends and income tax equivalent income are mainly from the public non‑financial corporation (PNFC) and public financial corporation (PFC) sectors. This income is based on established dividend policies and the profitability of the PNFCs and PFCs.

While most government departments and agencies are exempt from federal income tax, certain larger PNFC and PFC entities are subject to income tax

equivalents payable to the general government sector in accordance with the National Tax Equivalent Regime (NTER). The primary objective of the NTER is to promote competitive neutrality by uniformly applying income tax laws to NTER entities and their privately held counterparts.

Dividends and income tax equivalents from the PNFC and PFC sectors are eliminated on consolidation into the financial statements of the State.

Dividends earned from the non‑public sector primarily relate to distributions from investments held in managed funds.

Dividends by entity (a) ($ million)

|  | General  government sector | |
| --- | --- | --- |
|  | 2023 | 2022 |
| **Public financial corporations** |  |  |
| Victorian Managed Insurance Authority | .. | .. |
| Transport Accident Commission | .. | .. |
| Treasury Corporation of Victoria | .. | 132 |
| Victorian Funds Management Corporation | 8 | 8 |
| **Dividends from PFC sector** | **8** | **139** |
| **Public non‑financial corporations** |  |  |
| Greater Western Water | 25 | 6 |
| Melbourne Water Corporation | 10 | 7 |
| South East Water Corporation | 22 | 42 |
| Yarra Valley Water Corporation | 41 | 35 |
| Development Victoria | 4 | 16 |
| **Dividends from PNFC sector** | **102** | **107** |

Note:

(a) ‘Amounts equivalent to dividends’ paid by the Transport Accident Commission and the Victorian Managed Insurance Authority are received and reported as contributions forming part of grant revenue, due to the requirements of AASB 1023 General Insurance Contracts. There were no amounts paid in 2022-23. The amounts paid in 2021-22 were $400 million from the Transport Accident Commission and $50 million from the Victorian Managed Insurance Authority.

## Sales of goods and services

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Amounts recognised as revenue from contracts with customers (AASB 15)** |  |  |  |  |
| Sale of goods | 651 | 577 | 95 | 88 |
| Provision of services (a) | 15 562 | 14 351 | 5 091 | 4 511 |
| **Amounts recognised as income of not‑for‑profit entities (AASB 1058)** |  |  |  |  |
| Motor vehicle regulatory fees | 242 | 278 | 242 | 278 |
| Other regulatory fees | 771 | 699 | 749 | 679 |
| Refunds and reimbursements | 374 | 232 | 2 | 9 |
| **Amounts recognised as lease income (AASB 16)** |  |  |  |  |
| Rental | 342 | 325 | 85 | 80 |
| **Total sales of goods and services** | **17 943** | **16 462** | **6 263** | **5 645** |

Note:

(a) Further disclosure on provision of services is available on the Department of Treasury and Finance’s website (www.dtf.vic.gov.au). This further disclosure is not subject to audit by the Victorian Auditor-General’s Office.

The sale of goods and services included in the table above (excluding regulatory fees, refunds and reimbursements, which are recognised under AASB 1058, and rental income, which is recognised under AASB 16 *Leases*), represent transactions that the State has determined to be classified as revenue from contracts with customers in accordance with AASB 15. Revenue is measured based on the consideration specified in the contract with the customer. The State recognises revenue when it transfers control of a good or service to the customer, i.e. when, or as, the performance obligations for the sale of goods and services to the customer are satisfied:

* customers obtain control of the supplies and consumables at a point in time when the goods are delivered to and have been accepted at their premises
* revenue from the rendering of services is recognised at a point in time when the performance obligations are satisfied when the service is completed and over time when the customer simultaneously receives and consumes the services as it is provided.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 6.4). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (Note 6.3).

Regulatory fees are accounted for under AASB 1058 as they represent income arising from statutory requirements, which is recognised when the State has the right to receive payment.

## Grants (a)

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| General purpose grants | 19 152 | 17 620 | 19 152 | 17 620 |
| Specific purpose grants for on‑passing | 5 547 | 5 124 | 5 547 | 5 124 |
| Specific purpose grants | 15 341 | 18 394 | 15 310 | 18 361 |
| **Total** | **40 041** | **41 137** | **40 009** | **41 105** |
| Other contributions and grants | 22 | 87 | 129 | 700 |
| **Total grants** | **40 063** | **41 224** | **40 138** | **41 805** |

Note:

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

Grants income mainly comprises contributions from the Commonwealth to assist the State in meeting its general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on-passing to other recipients. Grants also include grants from other jurisdictions.

On initial recognition of the assets granted, the State recognises any related contributions by owners, increases in liabilities, decreases in assets and revenue (related amounts) in accordance with other Australian Accounting Standards.

Related amounts may take the form of either:

(a) contributions by owners, in accordance with AASB 1004

(b) revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15

(c) a lease liability, in accordance with AASB 16

(d) a financial instrument, in accordance with AASB 9

(e) a provision, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Grants that are enforceable and contain sufficiently specific performance obligations are recognised under AASB 15. Revenue from grants under AASB 15 is recognised when the State satisfies the performance obligation as described in Note 2.4. The State has not recognised any material grant revenue under AASB 15 in the current or previous year.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised using AASB 1058, when the State has an unconditional right to receive cash which usually coincides with receipt of cash.

Income from grants to construct capital assets that are controlled by the State is recognised progressively as the assets are constructed.

The progressive percentage costs incurred are used to recognise income because this most closely reflects the progress to completion.

In applying AASB 1058, a portion of the grant income may need to be deferred. The portion is recognised as unearned income in Note 6.4.

Total goods and services tax (GST)-related payments include GST entitlements, and no‑worse‑off payments under the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*. The Commonwealth Government makes GST-related payments to states and territories in the form of general-purpose grants. Funds are remitted throughout the financial year based on the Commonwealth’s estimates of each state’s relative share of the GST pool for that financial year and of no‑worse‑off payments.

The Commonwealth subsequently updates each state’s share of the national GST pool and no‑worse‑off payment when the final aggregate GST pool and state populations are known, and adjusts any over or under payment during the year through the remittance of funds in the subsequent year. The State has made the significant judgement that the legislation, operation, and objectives of the GST arrangements are such that its entitlement to the annual GST pool and no-worse-off payment forms the basis for GST income recognition, rather than the funding progressively received from the Commonwealth across the financial year. As a result, the State monitors and tracks its share of the GST pool and no-worse-off payment progressively to determine if a receivable or payable needs to be recognised at the end of each reporting period.

## Other revenue and income

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Amounts recognised as revenue from contracts with customers (AASB 15)** |  |  |  |  |
| Royalties | 140 | 151 | 129 | 140 |
| Other revenue – Health | 262 | 270 | 262 | 270 |
| Other miscellaneous revenue | 1 299 | 1 253 | 1 084 | 923 |
| **Amounts recognised as income of not‑for‑profit entities (AASB 1058)** |  |  |  |  |
| Fair value of assets received free of charge or for nominal consideration (a) | 978 | 829 | 515 | 482 |
| Fines | 737 | 896 | 733 | 893 |
| Donations and gifts (b) | 324 | 284 | 225 | 195 |
| Other income – Education | 378 | 368 | 378 | 368 |
| **Amounts recognised as lease income (AASB 16)** |  |  |  |  |
| Other non‑property rental | 79 | 77 | 31 | 26 |
| **Revenue items accounted for under AASB 1059** |  |  |  |  |
| Revenue related to economic service concession arrangements | 483 | 288 | 483 | 288 |
| **Total other revenue and income** | **4 681** | **4 417** | **3 842** | **3 586** |

Notes:

(a) The 2022‑23 figure includes $402 million (2021‑22: $434 million) relating to the progressive recognition of the contribution made by Cross Yarra Partnerships consortium (assets free of charge) to the Metro Tunnel settlement.

(b) Primarily relates to donations to health services from non‑government sources.

Other revenue and income comes from a variety of miscellaneous sources, as the above table summarises.

**Resources received free of charge or for nominal consideration** are recognised at fair value when the State obtains control over them, irrespective of whether these contributions are subject to restrictions or conditions over their use.

Volunteer contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

**Fines** are collected from road safety cameras, toll road evasions, police on-the-spot, court and other (non‑traffic) statutory infringements. Income is recognised at the time the notice of the fine is issued.

**Revenue related to economic service concession arrangements** reflects the progressive unwinding of the grant of a right to the operator liability (Note 6.4) recognised applying AASB 1059 *Service Concession Arrangements: Grantors*. Refer to Note 5.3 for details on service concession arrangements.

**Other income – Education** mainly comprises locally raised funds from school fetes, fundraising events and voluntary contributions made by parents.

**Other revenue – Health** mainly comprises research funding from non‑government organisations and non‑salary cost recovery from external organisations in the health sector.

**Other miscellaneous revenue** includes all other revenue from various sources that are not able to be classified elsewhere.

# How funds are spent

### Introduction

This section presents 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 at 30 June 2023.

### Structure

[3.1 Employee expenses and provision for   
outstanding employee benefits 54](#_Toc143255716)

[3.2 Superannuation interest expense and   
other superannuation expenses 56](#_Toc143255717)

[3.3 Grant expense 57](#_Toc143255718)

[3.4 Other operating expenses 58](#_Toc143255719)

[3.5 Total operating expenses and purchases of non‑financial assets by department 60](#_Toc143255720)

[3.6 Classification of the functions of government disclosure 61](#_Toc143255721)

## 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. Greater than 95 per cent of employee expenses in the operating statement are wages and salaries. Employee expenses are recognised in the period in which the employee provides the services.

### Employee benefits (balance sheet)

As part of annual operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. In measuring employee benefits, significant judgement is applied in determining expected future wage and salary levels, experience of employee departures and periods of service. Future payments expected to be made after 12 months are discounted to reflect the estimated timing and amount of benefit payment. The table below shows the key components of this provision at 30 June.

Total provision for employee benefits and on-costs at 30 June ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Current** |  |  |  |  |
| **Accrued salaries and wages** | **611** | **801** | **579** | **772** |
| **Other employee benefits** | **171** | **236** | **143** | **209** |
| **Annual leave** |  |  |  |  |
| Unconditional and expected to settle within 12 months | 2 153 | 1 998 | 1 994 | 1 845 |
| Unconditional and expected to settle after 12 months | 425 | 436 | 378 | 388 |
| **Long service leave** |  |  |  |  |
| Unconditional and expected to settle within 12 months | 839 | 876 | 777 | 795 |
| Unconditional and expected to settle after 12 months | 4 228 | 3 899 | 4 027 | 3 727 |
| **On‑costs** |  |  |  |  |
| Unconditional and expected to settle within 12 months | 397 | 359 | 363 | 326 |
| Unconditional and expected to settle after 12 months | 869 | 765 | 817 | 722 |
| **Total current employee benefits and on‑costs** | **9 694** | **9 372** | **9 079** | **8 783** |
| **Non‑current** |  |  |  |  |
| Long service leave | 1 095 | 1 006 | 1 020 | 938 |
| On‑costs | 159 | 142 | 151 | 135 |
| **Total non‑current employee benefits and on‑costs** | **1 254** | **1 148** | **1 171** | **1 074** |
| **Total employee benefits and on‑costs** | **10 948** | **10 519** | **10 250** | **9 857** |

### Wages and salaries and annual leave

Liabilities for employee benefits are recognised in the provision for employee benefits and classified as current liabilities where the State does not have an unconditional right to defer settlement of these liabilities.

### Long service leave

Consistent with the above policy, unconditional long service leave (LSL) is disclosed as a current liability even where the State does not expect to settle the liability within 12 months, because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

* undiscounted value – if the State expects to wholly settle within 12 months
* present value – if the State does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non‑current liability as there is a right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non‑current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of the non‑current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow in the net result.

### On-costs

Employee benefits on-costs such as payroll tax and the Mental Health and Wellbeing Levy, workers compensation and superannuation are recognised separately as a component of the provision for employee benefits.

Movements in provisions of on-costs ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 1 265 | 1 182 | 1 183 | 1 104 |
| Additional provisions recognised | 432 | 422 | 402 | 388 |
| Additions due to acquisitions | 22 | 6 | 17 | 12 |
| Reductions arising from payments/other sacrifices of future economic benefits | (270) | (256) | (250) | (240) |
| Reductions resulting from remeasurement or settlement without cost | (6) | (39) | (4) | (39) |
| Unwind of discount and effect of changes in the discount rate | (10) | (46) | (9) | (39) |
| Reduction due to held for sale/divestment | (8) | (4) | (8) | (4) |
| **Closing balance** | **1 425** | **1 265** | **1 331** | **1 183** |
| **Represented by:** |  |  |  |  |
| Current | 1 266 | 1 124 | 1 180 | 1 047 |
| Non‑current | 159 | 142 | 151 | 135 |

## Superannuation interest expense and other superannuation expenses

### Superannuation expense recognised in the operating statement

The State recognises the net superannuation expense from transactions on the following basis:

* in relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period
* for defined benefit plans, the superannuation expense reflects the employer financed component of defined benefits that are expected to accrue over the reporting period (i.e. service cost), along with the net superannuation interest expense.

Remeasurements of the net superannuation liability are recognised under other economic flows – other comprehensive income and consist of:

* actuarial gains and losses, which reflect the change in the defined benefit obligation that have arisen due to differences between actual outcomes and the assumptions used to calculate the superannuation expense from transactions

### 

* the return on plan assets, excluding amounts included in the net superannuation interest expense
* the effect of any change in actuarial assumptions during the period.

These remeasurements are fully recognised as other comprehensive income in the period in which they occur.

During 2022-23, the State changed the approach used to determine the financial assumptions for wages growth and the inflation rate, which underlie the valuation of the State’s defined benefit superannuation liability at 30 June 2023. This will also impact the superannuation expense in future years. Please refer to note 6.5 for further details on these changes in assumptions and their financial impact.

Superannuation expense recognised in the operating statement (a) ($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2023 | 2022 |
| **Defined benefit plans** |  |  |
| Net superannuation interest expense | 721 | 482 |
| Current service cost | 993 | 1 352 |
| Remeasurements: |  |  |
| Expected return on superannuation assets excluding interest income | (836) | (1 299) |
| Other actuarial (gain)/loss on superannuation assets | (941) | 2 859 |
| Actuarial and other adjustments to unfunded superannuation liability | 406 | (9 381) |
| **Total expense recognised in respect of defined benefit plans** | **343** | **(5 987)** |
| **Defined contribution plans** |  |  |
| Employer contributions to defined contribution plans | 2 895 | 2 668 |
| Other (including pensions) | 94 | 87 |
| **Total expense recognised in respect of defined contribution plans** | **2 989** | **2 755** |
| **Total superannuation (gain)/expense recognised in operating statement** | **3 331** | **(3 232)** |
| **Represented by:** |  |  |
| Net superannuation interest expense | 721 | 482 |
| Other superannuation | 3 982 | 4 107 |
| **Superannuation expense from transactions** | **4 703** | **4 589** |
| **Remeasurement recognised in other comprehensive income** | **(1 371)** | **(7 821)** |
| **Total superannuation costs recognised in operating statement** | **3 331** | **(3 232)** |

Note:

(a) The disclosure in this note is for the consolidated State of Victoria only, as greater than 95 per cent of the total is in the general government sector.

**Net superannuation interest expense** is the change during the period in the net defined benefit liability that arises from the passage of time. This is effectively calculated by applying the discount rate (a long-term government bond yield) to the net superannuation liability without reference to the expected rate of investment return on plan assets.

**Other superannuation** includes all superannuation expenses from transactions except the net superannuation interest expense. That is, it includes current service cost, which is the increase in entitlements associated with the employment services provided in the current period, and employer contributions to defined contribution plans.

## Grant expense

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Current grant expense** |  |  |  |  |
| Commonwealth Government | 3 046 | 3 106 | 3 044 | 3 105 |
| Local government (including grants for on‑passing) | 2 110 | 1 526 | 2 107 | 1 525 |
| Private sector and not‑for‑profit on‑passing | 4 703 | 4 314 | 4 703 | 4 314 |
| Other private sector and not‑for‑profit (a) | 5 405 | 12 077 | 5 353 | 11 989 |
| Grants within the Victorian Government | .. | .. | 2 980 | 2 819 |
| Grants to other state governments | 124 | 197 | 124 | 196 |
| **Total current grant expense** | **15 387** | **21 220** | **18 310** | **23 948** |
| **Capital grant expense** |  |  |  |  |
| Local government (including grants for on‑passing) | 111 | 104 | 111 | 104 |
| Private sector and not‑for‑profit on‑passing | 721 | 551 | 337 | 285 |
| Other private sector and not‑for‑profit | 37 | 16 | 37 | 16 |
| Grants within the Victorian Government | .. | .. | 87 | 678 |
| Other grants | 211 | 62 | 171 | 32 |
| **Total capital grant expense** | **1 080** | **733** | **743** | **1 115** |
| **Total grant expense** | **16 468** | **21 952** | **19 053** | **25 063** |

Note:

(a) The decrease in other private sector and not-for-profit grants primarily reflects the payments to support businesses during COVID‑19 in 2021-22.

Grants expenses to third parties are recognised as an expense in the reporting period in which they are paid or payable.

They include transactions such as grants, subsidies, personal benefit payments made in cash to individuals, and other transfer payments made to local government, non‑government schools and community groups.

For the general government sector, these include grants and transfer payments to public non‑financial corporations and public financial corporations.

## Other operating expenses

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Purchase of supplies and consumables (a) | 6 497 | 5 967 | 5 316 | 5 011 |
| Cost of goods sold | 308 | 313 | 32 | 39 |
| Finance expenses and fees | 589 | 572 | 48 | 42 |
| Purchase of services (a) | 21 970 | 21 680 | 19 445 | 19 292 |
| Insurance claims expense (b) | 9 605 | 7 508 | 513 | 405 |
| Maintenance | 2 148 | 1 972 | 1 194 | 1 078 |
| Short‑term and low value lease expense | 117 | 124 | 120 | 124 |
| Other | 1 181 | 1 961 | 1 160 | 1 951 |
| **Total other operating expenses** | **42 415** | **40 097** | **27 828** | **27 943** |

Notes:

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

(b) The increase in the insurance claims expense is primarily due to higher claims incurred for WorkSafe, due to growth in claim numbers and rising treatment costs, and for the Victorian Managed Insurance Authority primarily due to builder insolvencies and the October 2022 flood events.

**Other operating expenses** generally represent the day‑to‑day running costs incurred in normal operations and include supplies and services costs, which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

**Audit fees** of $406 000 ($395 000 in 2022) were paid or payable to the Victorian Auditor-General’s Office for the audit of the Annual Financial Report of the State of Victoria. The Victorian Auditor-General’s Office provided no other services, other than the review of the Estimated Financial Statements and the financial audits of departments and agencies.

The following **lease payments** are recognised on a straight-line basis:

* **Short-term leases** – leases with a term less than 12 months
* **Low-value leases** – leases where the underlying asset’s fair value (when new, regardless of the age of the asset being leased) is no more than $10 000.

Variable lease payments are not included in the measurement of the lease liability i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date. These payments are recognised in the period in which the event or condition that triggers those payments occur.

All leases, other than those within the above categories, are recognised on the State’s balance sheet (refer to Note 5.2 for further details).

**Insurance claims expense** includes claims incurred during the financial year and any costs associated with processing and resolving claims, net of reinsurance recoveries.

Purchase of supplies and consumables ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Medicinal pharmacy and medical supplies | 2 192 | 1 959 | 2 192 | 1 959 |
| Office supplies and consumables | 236 | 221 | 223 | 209 |
| Specialised operational supplies and consumables | 301 | 306 | 253 | 252 |
| Other purchase of supplies and consumables | 3 767 | 3 481 | 2 649 | 2 592 |
| **Total purchase of supplies and consumables** | **6 497** | **5 967** | **5 316** | **5 011** |

Purchase of services ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Service contracts | 11 414 | 11 151 | 10 802 | 10 493 |
| Accommodation/occupancy | 1 290 | 1 416 | 1 113 | 1 192 |
| Medical and client care services | 533 | 444 | 533 | 444 |
| Staff related expenses (non‑labour related) | 414 | 332 | 377 | 299 |
| Other purchase of services | 8 319 | 8 337 | 6 620 | 6 863 |
| **Total purchase of services** | **21 970** | **21 680** | **19 445** | **19 292** |

## Total operating expenses and purchases of non‑financial assets by department (a)

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.

($ million)

|  | Expenses from  transactions | | Purchases of  non‑financial assets | |
| --- | --- | --- | --- | --- |
| State of Victoria | 2023 | 2022 | 2023 | 2022 |
| Education | 20 192 | 19 958 | 2 096 | 1 953 |
| Energy, Environment and Climate Action | 11 417 | 10 264 | 2 412 | 2 065 |
| Families, Fairness and Housing | 9 910 | 10 153 | 1 007 | 965 |
| Government Services | 1 486 | .. | 26 | .. |
| Health | 29 845 | 29 020 | 1 592 | 1 362 |
| Jobs, Skills, Industry and Regions | 5 763 | 13 082 | 721 | 236 |
| Justice and Community Safety | 14 343 | 17 235 | 742 | 1 267 |
| Premier and Cabinet | 893 | 926 | 33 | 46 |
| Transport and Planning | 13 450 | 14 150 | 11 281 | 10 013 |
| Treasury and Finance | 21 413 | 14 314 | 55 | 27 |
| Parliament | 346 | 322 | 36 | 24 |
| Courts | 851 | 867 | 234 | 478 |
| Regulatory bodies and other part budget funded agencies (b) | 3 727 | 3 374 | 209 | 258 |
| **Total** | **133 636** | **133 664** | **20 443** | **18 694** |
| *(Less)/plus eliminations and adjustments (c)* | *(22 452)* | *(22 472)* | *76* | *23* |
| **Grand total** | **111 184** | **111 192** | **20 519** | **18 717** |

| General government sector |  |  |  |  |
| --- | --- | --- | --- | --- |
| Education | 20 192 | 19 958 | 2 096 | 1 953 |
| Energy, Environment and Climate Action | 4 700 | 3 817 | 277 | 300 |
| Families, Fairness and Housing | 7 876 | 8 214 | 63 | 55 |
| Government Services | 1 486 | .. | 26 | .. |
| Health | 29 670 | 28 856 | 1 552 | 1 347 |
| Jobs, Skills, Industry and Regions | 4 645 | 12 014 | 405 | 54 |
| Justice and Community Safety | 10 835 | 11 232 | 719 | 1 109 |
| Premier and Cabinet | 886 | 897 | 33 | 44 |
| Transport and Planning | 8 792 | 7 706 | 10 473 | 9 490 |
| Treasury and Finance | 10 779 | 11 220 | 16 | 18 |
| Parliament | 346 | 322 | 36 | 24 |
| Courts | 851 | 867 | 234 | 478 |
| Regulatory bodies and other part budget funded agencies (b) | 3 727 | 3 374 | 209 | 258 |
| **Total** | **104 784** | **108 477** | **16 138** | **15 132** |
| *(Less)/plus eliminations and adjustments (c)* | *(11 216)* | *(11 663)* | *135* | *36* |
| **Grand total** | **93 567** | **96 814** | **16 273** | **15 168** |

Notes:

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

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

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

## Classification of the functions of government disclosure

The classification of the functions of government (COFOG) framework disclosures required under AASB 1049 *Whole of Government and General Government Sector Financial Reporting* classify expenses, acquisition of non‑financial assets and total assets in terms of their purposes. This information is presented to facilitate improved inter-jurisdictional comparison of the financial operations of public sector jurisdictions.

The major COFOG groups reflect the broad objectives of government, and the groups and subgroups detail the means by which these broad objectives are achieved.

The major groups are:

* **General public services**: includes legislative and executive organs, financial and fiscal affairs, external affairs, foreign economic aid, general services, basic research, research and development – general public services, public debt transactions.
* **Public order and safety**: includes police services, civil and fire protection services, law courts, prisons, research and development.
* **Economic affairs**: includes general economic, commercial and labour affairs, agriculture, forestry, fishing and hunting, fuel and energy, mining, manufacturing, and construction, communication, other industries, research and development.
* **Environmental protection**: includes waste management, wastewater management, pollution abatement, protection of biodiversity and landscape, research and development.
* **Housing and community amenities**: includes housing and community development, water supply, street lighting, research and development.
* **Health**: includes medical products, appliances, and equipment, outpatient services, hospital services, mental health institutions, community health services, public health services, research and development.
* **Recreation, culture and religion**: includes recreational and sporting services, cultural services, broadcasting and publishing services, religious and other community services, research and development.
* **Education**: includes pre-primary and primary education, secondary education, tertiary education, education not defined by level, subsidiary services to education, research and development.
* **Social protection**: includes sickness and disability, old age, survivors, family and children, unemployment, housing, social exclusion, research and development.
* **Transport**: includes road transport, bus transport, water transport, railway transport, air transport, multi-mode urban transport, pipeline and other transport, research and development.

### Total operating expenses, purchases of non‑financial assets and total assets by classification of the functions of government

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

($ million)

|  | Expenses from transactions | | Purchases of  non‑financial assets | | Total assets | |
| --- | --- | --- | --- | --- | --- | --- |
| State of Victoria | 2023 | 2022 (a) | 2023 | 2022 | 2023 (b) | 2022 |
| General public services | 18 947 | 16 126 | 149 | 242 | 7 016 | 8 312 |
| Public order and safety | 11 587 | 11 580 | 1 120 | 1 765 | 15 723 | 14 924 |
| Economic affairs | 4 021 | 10 442 | 422 | 122 | 1 601 | 1 485 |
| Environmental protection | 1 157 | 1 211 | 141 | 288 | 16 652 | 16 647 |
| Housing and community amenities | 6 587 | 6 695 | 2 262 | 1 841 | 62 694 | 56 298 |
| Health | 28 650 | 28 052 | 1 516 | 1 156 | 24 162 | 22 630 |
| Recreation, culture and religion | 2 641 | 2 422 | 456 | 274 | 16 517 | 16 313 |
| Education | 20 565 | 19 115 | 2 195 | 1 948 | 43 672 | 38 952 |
| Social protection | 9 018 | 8 601 | 1 044 | 1 162 | 37 820 | 37 066 |
| Transport | 9 984 | 9 821 | 11 154 | 9 897 | 198 072 | 172 751 |
| Not allocated by purpose (c)(d) | (1 973) | (2 875) | 62 | 23 | 97 910 | 79 567 |
| **Total** | **111 184** | **111 192** | **20 519** | **18 717** | **521 840** | **464 945** |

| General government sector |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General public services | 7 039 | 6 265 | 84 | 58 | 3 212 | 4 432 |
| Public order and safety | 12 018 | 12 204 | 1 120 | 1 765 | 15 723 | 14 924 |
| Economic affairs | 4 105 | 10 434 | 422 | 124 | 1 579 | 1 421 |
| Environmental protection | 1 226 | 1 203 | 141 | 287 | 16 652 | 16 647 |
| Housing and community amenities | 2 698 | 2 783 | 154 | 10 | 3 698 | 2 368 |
| Health | 28 981 | 28 125 | 1 516 | 1 156 | 24 162 | 22 630 |
| Recreation, culture and religion | 1 373 | 1 437 | 60 | 50 | 8 662 | 8 682 |
| Education | 20 644 | 19 197 | 2 195 | 1 948 | 43 672 | 38 952 |
| Social protection | 7 913 | 8 239 | 101 | 253 | 2 492 | 2 420 |
| Transport | 8 129 | 7 496 | 10 360 | 9 480 | 136 729 | 118 393 |
| Not allocated by purpose (c)(d) | (557) | (571) | 121 | 36 | 134 609 | 116 499 |
| **Total** | **93 567** | **96 814** | **16 273** | **15 168** | **391 190** | **347 367** |

Notes:

(a) The June 2022 figures have been reclassified between various expenses by COFOG classifications to more correctly reflect the nature of the transactions.

(b) Certain balances have been reclassified between general public services and housing and community amenities classifications to more correctly reflect the nature of the balances.

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

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

# Major assets and investments

### Introduction

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

### Structure

[4.1 Land, buildings, infrastructure, plant   
and equipment 63](#_Toc145428526)

[4.2 Other non‑financial assets 70](#_Toc145428527)

[4.3 Investments in associates and joint arrangements 72](#_Toc145428528)

## Land, buildings, infrastructure, plant and equipment

### Total land, buildings, infrastructure, plant and equipment (a)(b) ($ million)

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

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

Notes:

(a) The State of Victoria balances include work in progress of $4.9 billion (2022: $4.9 billion) for buildings, $27.8 billion (2022: $21.3 billion) for infrastructure systems, $2.4 billion (2022: $1.7 billion) for plant, equipment and vehicles and $14.6 billion (2022: $11.3 billion) for roads and road infrastructure, as part of the State’s capital program. Work in progress is not subject to depreciation.

(b) The general government sector balances include work in progress of $3.5 billion (2022: $3.6 billion) for buildings, $24.4 billion (2022: $18.6 billion) for infrastructure systems, $2.3 billion (2022: $1.6 billion) for plant, equipment and vehicles and $12.4 billion (2022: $10.4 billion) for roads and road infrastructure, as part of the State’s capital program. Work in progress is not subject to depreciation.

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

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

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
| 2023 | Gross carrying amount | Accumulated depreciation | Carrying amount | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 11 268 | (2 106) | 9 162 | 10 653 | (1 846) | 8 807 |
| Infrastructure systems | 21 | (8) | 13 | 3 | (3) | .. |
| Plant, equipment and vehicles | 1 199 | (661) | 537 | 944 | (564) | 380 |
| **Total right‑of‑use assets:  Land, buildings, infrastructure, plant and equipment** | **12 487** | **(2 775)** | **9 712** | **11 600** | **(2 413)** | **9 187** |

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

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

|  | State of Victoria | | | General government sector | | |
| --- | --- | --- | --- | --- | --- | --- |
| 2023 | Gross carrying amount | Accumulated depreciation | Carrying amount | Gross carrying amount | Accumulated depreciation | Carrying amount |
| Buildings | 2 462 | (96) | 2 366 | 2 147 | (96) | 2 050 |
| Land and national parks | 3 353 | .. | 3 353 | 3 353 | .. | 3 353 |
| Infrastructure systems | 14 754 | (55) | 14 700 | 8 586 | .. | 8 586 |
| Plant, equipment and vehicles | 1 592 | (76) | 1 516 | 1 592 | (76) | 1 516 |
| Roads and road infrastructure | 18 596 | .. | 18 596 | 16 349 | .. | 16 349 |
| Earthworks | 1 056 | .. | 1 056 | 1 056 | .. | 1 056 |
| **Total service concession land, buildings, infrastructure, plant and equipment assets** | **41 813** | **(226)** | **41 587** | **33 083** | **(172)** | **32 911** |

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

Notes:

(a) The State of Victoria balances include work in progress of $331 million (2022: $166 million) for buildings, $8.6 billion (2022: $6.9 billion) for infrastructure systems, $1.2 billion (2022: $875 million) for plant, equipment and vehicles and $10.8 billion (2022: $7.1 billion) for roads and road infrastructure, as part of the State’s capital program. Work in progress is not subject to depreciation.

(b) The general government sector balances include work in progress of $16 million (2022: $14 million) for buildings, $8.6 billion (2022: $6.9 billion) for infrastructure systems, $1.2 billion (2022: $875 million) for plant, equipment and vehicles and $8.6 billion (2022: $6.2 billion) for roads and road infrastructure, as part of the State’s capital program. Work in progress is not subject to depreciation.

## Recognition and measurement

### Initial recognition

All land, buildings, infrastructure, plant and equipment (herein referred to as non‑financial physical assets) are measured initially at cost, except for service concession assets (SCA) which are initially measured at current replacement cost (CRC). Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non‑financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads. The cost of leasehold improvements is capitalised when incurred.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for:

* any lease payments made at or before the commencement date
* any initial direct costs incurred
* any estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

SCAs are initially recognised at CRC, calculated in accordance with the cost approach to fair value measurement under AASB 13 *Fair Value Measurement*. The CRC reflects the amount that would be required to currently replace the asset’s service capacity.

The CRC for the SCA includes the costs that are directly attributable to the design and construction of the SCA by the operator and includes:

* the purchase price (including costs that the operator seeks to recover from the State)
* costs directly attributable to bringing the asset to its location or condition.

The same principle applies to existing assets owned by the State and transferred to an SCA under a new or an existing service concession arrangement, with any difference between the CRC and the carrying value of the asset being accounted for as a revaluation.

### Subsequent measurement

All non‑financial physical assets are subsequently measured at fair value less accumulated depreciation and impairment.

Right-of-use assets are adjusted for certain remeasurements of the lease liabilities. Right-of-use assets arising from below market leases are recognised at cost instead of fair value (Note 5.2).

SCAs are measured at fair value with regard to the asset’s CRC.

Non-financial physical assets are measured at fair value with regard to the asset’s highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset and public announcements or commitments made in relation to the intended use of the asset.

Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non‑financial physical assets will be their highest and best use.

Refer to Note 7.5 for a summary of revaluation details.

### Assets under construction

Assets under construction are measured at cost, except for service concessions assets. For service concession assets, the accumulation of costs incurred during the construction of SCAs results in a progressive build-up of the asset. A corresponding liability (either financial liability or grant of a right to the operator liability, refer to Note 5.3) is also progressively recognised.

The State applies the fair value proxy approach for the SCAs that are under construction. This approach captures the financing cost incurred during the construction of an SCA by the private sector, with an aim of achieving faithful representation of the CRC of SCA construction in progress balances.

The financing cost to the State implied in the service concession arrangement contract during the construction of an SCA is used as a proxy of the financing cost incurred by the private sector constructing the asset. The cost is an indication of an increase in the fair value of the SCA construction in progress that is measured with the CRC method. The increment in the CRC of the SCA construction in progress is recorded as an increase in the asset revaluation surplus.

### Impairment

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

* inventories (refer to Note 6.2)
* non‑financial physical assets held for sale
* certain biological assets related to agricultural activity (refer to Note 4.2)
* investment properties that are measured at fair value (refer to Note 4.2)
* assets arising from construction contracts (refer to Note 4.1).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a change in the estimate of an asset’s recoverable amount since the last impairment loss was recognised,

the carrying amount would be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of current replacement cost and fair value less costs to sell. The recoverable amount for assets held primarily to generate net cash inflows are measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

The recoverable amount of primarily non‑cash generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13, with the consequence that AASB 136 *Impairment of Assets* does not apply to such assets that are regularly revalued.

### Depreciation ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Buildings | 3 220 | 2 875 | 2 478 | 2 228 |
| Infrastructure systems | 1 735 | 1 660 | 50 | 48 |
| Plant, equipment and vehicles | 1 336 | 1 292 | 835 | 796 |
| Roads and road infrastructure | 1 004 | 956 | 998 | 954 |
| Cultural assets | 14 | 20 | 14 | 20 |
| Intangible produced assets | 343 | 399 | 230 | 261 |
| **Total depreciation** | **7 652** | **7 203** | **4 604** | **4 308** |

The following two tables are subsets of total depreciation expense.

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

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Buildings | 704 | 745 | 642 | 681 |
| Infrastructure systems | 3 | 2 | 1 | 1 |
| Plant, equipment and vehicles | 156 | 152 | 118 | 118 |
| **Total depreciation of right‑of‑use assets** | **863** | **899** | **760** | **800** |

Depreciation of service concession assets ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Buildings | 69 | 66 | 69 | 66 |
| Infrastructure systems | 85 | 85 | .. | .. |
| Plant, equipment and vehicles | 27 | 21 | 27 | 21 |
| Roads and road infrastructure | 202 | 204 | 202 | 204 |
| Intangible produced assets | 2 | .. | 2 | .. |
| **Total depreciation of service concession assets** | **385** | **376** | **300** | **291** |

All infrastructure assets, buildings, plant and equipment and other non‑financial physical assets (excluding assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. It is generally calculated on a straight line basis, at rates that allocate the asset’s value, less any estimated residual value, over its estimated useful life.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments are made where appropriate.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term. Where there is ownership of the underlying leased asset, or if the cost of the right-of-use asset reflects the exercise of a purchase option, the right-of-use asset is depreciated over its useful life.

Leasehold improvements are depreciated over the shorter of the lease term and useful lives.

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

|  |  |
| --- | --- |
| Asset | Useful life |
| Buildings | 1 to 150 years |
| Leased assets | 2 to 60 years |
| Infrastructure systems: |  |
| Water infrastructure – storage facilities | 2 to 350 years |
| Water infrastructure – other | 5 to 50 years |
| Rail infrastructure | 15 to 100 years |
| Other infrastructure | 7 to 70 years |
| Plant, equipment and vehicle  (including leased assets) | 1 to 80 years |
| Road and road infrastructure  (including bridges) | 60 to 90 years |
| Cultural assets (with finite useful lives) | 84 to 100 years |
| Intangible produced assets | 3 to 5 years |
| Service concession assets:  • roads and bridges  • other infrastructure  • buildings  • plant, equipment and vehicles | 50 to 100 years  5 to 100 years  3 to 75 years  1 to 50 years |

### Indefinite life assets

Land, earthworks, land under declared roads, public records, Port of Melbourne channels and core cultural assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

### Intangible assets

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight line) basis over the asset’s useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

All intangible assets are tested for impairment whenever there is an indication that the asset may be impaired.

If intangible assets, including those recognised under SCAs, have been determined to have an indefinite useful life, they are tested for impairment on an annual basis.

The consumption of intangible non‑produced assets with finite useful lives is not classified as a transaction, but as amortisation and included in the net result as an other economic flow.

See Note 4.2 for further information on intangible assets.

Reconciliation of movements in carrying values during the financial period (a) ($ million)

|  | Land and buildings | | Plant, equipment vehicle and infrastructure system | | Roads, road infrastructure and earthworks | | Cultural assets | | Total | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| State of Victoria | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **Opening balance** | **214 024** | **187 002** | **102 781** | **95 341** | **49 287** | **45 965** | **6 867** | **6 624** | **372 959** | **334 932** |
| Acquisitions of self‑owned assets (b) | 7 008 | 6 042 | 9 199 | 9 219 | 2 641 | 1 301 | 23 | 28 | 18 872 | 16 591 |
| Additions of right‑of‑use assets | 325 | 239 | 265 | 190 | .. | .. | .. | .. | 590 | 429 |
| Additions of service concession arrangement assets | 242 | 153 | 2 476 | 2 204 | 3 393 | 2 750 | .. | .. | 6 110 | 5 107 |
| Reclassification | 796 | 164 | (570) | (182) | 15 | 16 | (109) | 1 | 132 | .. |
| Revaluation | 6 384 | 23 445 | 5 925 | (562) | 5 518 | 219 | 72 | 215 | 17 899 | 23 318 |
| Disposals | (206) | (304) | (171) | (136) | (2) | (5) | .. | .. | (379) | (446) |
| Assets recognised for the first time | 92 | 161 | 189 | 93 | 2 | .. | 16 | 18 | 300 | 272 |
| Impairment | (189) | (2) | (35) | (433) | .. | (2) | (3) | .. | (227) | (437) |
| Depreciation | (3 220) | (2 875) | (3 071) | (2 953) | (1 004) | (956) | (14) | (20) | (7 308) | (6 805) |
| **Closing balance** | **225 258** | **214 024** | **116 987** | **102 781** | **59 850** | **49 287** | **6 853** | **6 867** | **408 948** | **372 959** |

| General government sector |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Opening balance** | **145 567** | **124 168** | **25 186** | **19 036** | **48 250** | **45 863** | **6 768** | **6 525** | **225 771** | **195 592** |
| Acquisitions of self‑owned assets (b) | 5 789 | 4 927 | 6 851 | 7 239 | 2 778 | 1 303 | 23 | 28 | 15 441 | 13 498 |
| Additions of right‑of‑use assets | 305 | 232 | 149 | 166 | .. | .. | .. | .. | 454 | 398 |
| Additions of service concession arrangement assets | 89 | 1 | 2 475 | 2 201 | 2 099 | 2 078 | .. | .. | 4 663 | 4 280 |
| Reclassification | 41 | (32) | 10 | (22) | 15 | 16 | (112) | 1 | (47) | (36) |
| Revaluation | 4 302 | 18 561 | 271 | 223 | 5 518 | 192 | 70 | 215 | 10 161 | 19 192 |
| Disposals | (62) | (158) | (98) | (70) | (2) | (5) | .. | .. | (162) | (233) |
| Assets recognised for the first time | 11 | 125 | 33 | 34 | 2 | .. | 16 | 18 | 63 | 178 |
| Assets transferred between government entities (c) | (27) | 6 | (2 073) | (2 777) | (197) | (241) | .. | .. | (2 296) | (3 012) |
| Impairment | (186) | (35) | (5) | (1) | .. | (2) | (3) | .. | (194) | (39) |
| Depreciation | (2 478) | (2 229) | (885) | (844) | (998) | (954) | (14) | (20) | (4 374) | (4 047) |
| **Closing balance** | **153 351** | **145 567** | **31 916** | **25 186** | **57 465** | **48 250** | **6 749** | **6 768** | **249 480** | **225 770** |

Notes:

(a) The reconciliation of movements comprises land and buildings, infrastructure systems, plant, equipment, vehicles, roads, roads infrastructure and cultural assets, right-of-use assets, service concession assets, and excludes intangible assets, investment properties and other non‑financial assets.

(b) Represents additions of assets recognised under AASB 116 Property, Plant and Equipment.

(c) Represents the transfer of assets to / from the PNFC sector.

The following two tables are subsets of the total reconciliation of movements in carrying value.

Reconciliation of movements in carrying values of right-of-use assets during the financial period ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 9 635 | 9 607 | 9 062 | 8 988 |
| Additions of right‑of‑use assets | 590 | 429 | 454 | 398 |
| Revaluation | 350 | 498 | 430 | 477 |
| Depreciation | (863) | (899) | (760) | (800) |
| **Closing balance** | **9 712** | **9 635** | **9 187** | **9 062** |

Reconciliation of movements in carrying values of service concession arrangement assets during   
the financial period ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 33 416 | 27 461 | 27 444 | 22 935 |
| Additions of service concession arrangement assets | 6 110 | 5 107 | 4 663 | 4 280 |
| Revaluation | 2 445 | 1 224 | 1 666 | 974 |
| Assets transferred between Government entities | .. | .. | (562) | (454) |
| Depreciation | (385) | (376) | (300) | (291) |
| **Closing balance** | **41 587** | **33 416** | **32 911** | **27 444** |

## Other non‑financial assets

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Intangible produced assets | 4 330 | 4 356 | 2 921 | 3 035 |
| Accumulated depreciation | (2 614) | (2 372) | (1 628) | (1 634) |
| Service concession assets – Intangible produced (a) | 3 370 | 512 | 3 370 | 512 |
| Accumulated depreciation | (4) | .. | (4) | .. |
| Intangible non‑produced assets | 994 | 968 | 79 | 78 |
| Accumulated amortisation | (414) | (385) | (59) | (55) |
| **Total intangibles** | **5 663** | **3 079** | **4 680** | **1 936** |
| Investment properties | 317 | 332 | 305 | 320 |
| Biological assets | 19 | 56 | 4 | 5 |
| Other assets | 1 153 | 1 376 | 909 | 1 052 |
| **Total other non‑financial assets** | **7 152** | **4 842** | **5 898** | **3 313** |

Note:

(a) This includes the Registration and Licensing and the Land Titling and Registry databases.

Reconciliation of movement in intangibles, investment properties and biological assets (a) ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Opening balance | 3 466 | 3 402 | 2 261 | 2 268 |
| Acquisitions of self‑owned intangible produced assets | 447 | 473 | 323 | 347 |
| Reclassification | (188) | .. | (44) | (2) |
| Revaluation (b) | 2 870 | 40 | 2 869 | 47 |
| Disposals | (122) | (57) | (106) | (56) |
| Assets recognised for the first time | 72 | 168 | 46 | 28 |
| Impairment | (164) | (122) | (126) | (106) |
| Amortisation and depreciation (c) | (382) | (438) | (234) | (266) |
| **Closing balance** | **5 999** | **3 466** | **4 989** | **2 261** |

Notes:

(a) Reconciliation does not include movements in other assets.

(b) The 2023 amount includes the recognition and valuation of VicRoads’ registration and licensing database under AASB 1059, post the VicRoads Modernisation joint venture.

(c) For produced and non‑produced intangible assets.

**Purchased intangible assets** are initially recognised at cost. When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets (excluding SCA intangibles) with finite useful lives are carried at cost less accumulated amortisation or depreciation and accumulated impairment losses. Service concession intangible assets recognised by applying AASB 1059 are subsequently measured at fair value (current replacement cost).

Certain intangible assets have indefinite useful lives because the value does not diminish with use and they can be used multiple times over an extended period with no foreseeable limit. As a result, a finite life cannot be determined. For these assets, subsequent measurement is at fair value estimated using such assets’ current replacement cost.

**Investment properties** represent properties held to earn rentals or for capital appreciation, or both. Investment properties exclude properties held to meet service delivery objectives of the State. Investment properties are initially recognised at cost.

Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the State. Subsequent to initial recognition at cost, investment properties are measured at fair value, with changes in the fair value recognised as other economic flows in the comprehensive operating statement in the period that they arise.

Fair values are determined based on a market comparable approach that reflects recent transaction prices for similar properties.

**Biological assets** comprise productive trees in commercial native forests and any living animal (or breeding stock), plant or agricultural produce that is the harvested product of biological assets. These biological assets are measured at fair value less costs to sell, and are revalued at 30 June each year. An increase or decrease in the fair value of these biological assets is recognised in the consolidated comprehensive operating statement as an other economic flow.

**Other assets** include prepayments, which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## Investments in associates and joint arrangements

Investments in certain entities are classified as either **associates or joint arrangements** (joint ventures or joint operations).

The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint arrangements are contractual arrangements between the State (or a controlled entity) and one or more other parties to undertake an economic activity that is subject to joint control.

The investments accounted for using the equity method (associates and joint ventures) and joint operations are disclosed below.

### Investments accounted for using the equity method

Associates and joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet. The equity method requires the State’s share of the post-acquisition profits or losses of these investments to be recognised in the net result as other economic flows. The share of   
post-acquisition movements in revaluation surpluses and any other reserves is recognised in both the comprehensive operating statement and the statement of changes in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment, as well as any dividends received or receivable.

#### Associates

Associates are those entities over which the State exercises significant influence, but no control or joint control.

#### Joint ventures

Joint ventures are joint arrangements whereby the State, a subsidiary entity and one or more other external parties that have joint control of the arrangements have rights to the net assets of the arrangements. Joint control only exists when decisions about the relevant activity require the unanimous consent of the parties sharing control (the venturers).

The State only has one material joint arrangement (referred to as the VicRoads Modernisation joint venture), over which the State exercises significant influence, disclosed below.

#### VicRoads Modernisation Joint Venture

On 15 August 2022 the Government entered into a joint venture partnership with a consortium of Aware Super, Australian Retirement Trust and Macquarie Asset Management to operate VicRoads’ registration, licensing and custom plates functions. The VicRoads joint venture operates from various locations across the State of Victoria and has been structured as a 40-year concession. The State received upfront proceeds of $7.9 billion whilst also retaining a minority shareholding interest in the VicRoads joint venture corporate trustees. This minority interest has been accounted for as an investment using the equity method consistent with requirements of AASB 128 *Investments in Associates and Joint Ventures*.

Refer to Note 5.3.4 for the accounting treatment and disclosure on the upfront proceeds as a service concession arrangement.

Movement in the State’s proportional share   
of the net assets of the joint venture ($ million)

|  | 2023 |
| --- | --- |
| **Opening balance** | **..** |
| Acquisition of minority interest in the joint venture | 1 210 |
| Share of profit/(loss) after income tax | (39) |
| **Closing balance** | **1 170** |

Share of commitments in VicRoads Modernisation joint venture

The State does not have any existing or any future obligations to make financial contributions or commitments to the joint venture in accordance with the contractual arrangements.

Summarised financial information of   
VicRoads Modernisation joint venture   
accounted for using the equity method ($ million)

| Summarised balance sheet as at 30 June | 2023 |
| --- | --- |
| **Current assets** |  |
| Cash and cash equivalents | 105 |
| Other current assets (excluding cash) | 80 |
| **Total current assets** | **185** |
| **Total Non‑current assets** | **9 161** |
| **Total assets** | **9 345** |
| **Current liabilities** |  |
| Financial liabilities (excluding payables, provisions) | 27 |
| Other non‑financial liabilities  (including payables, provisions) | 151 |
| **Total current liabilities** | **178** |
| **Non‑current liabilities** |  |
| Financial liabilities (excluding payables, provisions) | 2 950 |
| Other non‑financial liabilities  (including payables, provisions) | 58 |
| **Total non‑current liabilities** | **3 008** |
| **Total liabilities** | **3 186** |
| **Net assets** | **6 160** |

| Summarised operating statement  for the financial year ended 30 June | 2023 |
| --- | --- |
| **Revenue and income from transactions** |  |
| Revenue | 387 |
| Interest income | 4 |
| **Total revenue and income from transactions** | **391** |
| **Expenses from transactions** |  |
| Depreciation | (214) |
| interest expense | (144) |
| Other expenses | (274) |
| **Total expenses from transactions** | **(632)** |
| **Net result from transactions** | **(241)** |
| Other economic flows – Included in net result | 32 |
| **Net result from continuing operation** | **(209)** |
| **Net result before tax** | **(209)** |
| Income tax credit | 5 |
| **Net result** | **(203)** |
| Other economic flows – Other comprehensive income | .. |
| **Total comprehensive income** | **(203)** |

### Joint operations

The State has classified the following arrangements as joint operations, based on the rights and obligations of each investor to the arrangement.

For these arrangements, the State recognises in its financial statements:

* its direct right to the assets, liabilities, revenues and expenses
* its share of any jointly held or incurred assets, liabilities, revenues and expenses.

#### Royal Melbourne Showgrounds

The State entered into a joint venture agreement with the Royal Agricultural Society of Victoria (RASV) in 2003 to redevelop the Royal Melbourne Showgrounds. The State of Victoria’s interest in the unincorporated joint venture at 30 June 2023 was 50 per cent (50 per cent in 2022), and is recognised as a joint operation for accounting purposes.

Under the agreement, the State has agreed to support certain obligations of RASV that may arise out of the joint operation. In accordance with the terms set out in the State’s commitment to RASV, the State will pay (in the form of a loan), the amount requested by RASV. If any outstanding loan amount remains unpaid at the date 25 years after the operation term has commenced, RASV will be obliged to satisfy and discharge any outstanding loan amount. This may take the form of a transfer to the State of the whole of the RASV participating interest in the joint operation.

In May 2020, RASV advised the State that it is unable to meet its share of the quarterly service payments (QSPs) under the Development and Operations Agreement with PPP Solutions (Showgrounds) Nominee Pty Ltd. Accordingly, the State has recognised a financial guarantee liability amounting to $61.1 million in relation to this obligation. As at 30 June 2023, the balance of this liability was $42.4 million.

Since June 2020, the State has provided RASV with a loan to fulfill its obligation to pay RASV’s proportion of QSPs to the concessionaire.

#### AgriBio Project

In April 2008, the State entered into a joint venture agreement with La Trobe University to establish a world-class research facility on the university’s campus in Bundoora.

The State of Victoria’s interest in the unincorporated joint venture at 30 June 2023 was 75 per cent (75 per cent in 2022).

#### Murray-Darling Basin Authority

The Commonwealth and the basin states – New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory – entered into the intergovernmental agreement for the Murray‑Darling Basin Reform. Under the *Water Act 2007* (Cth), the Murray-Darling Basin Authority (MDBA) was established by the Commonwealth on 3 July 2008, and the participants have a joint interest in the infrastructure assets and water rights.

The MDBA undertakes activities that support the sustainable and integrated management of the water resources of the Murray-Darling Basin in a way that best meets the social, economic and environmental needs of the Basin and its communities.

The share in the individually controlled assets was transferred at transition in the original proportions of the share of the entity held by the individual jurisdictions as follows:

* New South Wales: 26.7 per cent
* South Australia: 26.7 per cent
* Victoria: 26.7 per cent
* the Commonwealth Government: 20 per cent.

# Financing state operations

### Introduction

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

This section presents the financing of the State and general government sector’s operations, including material commitments, leases and service concession arrangements recorded by the State.

### Structure

[5.1 Borrowings 75](#_Toc143255747)

[5.2 Leases 76](#_Toc143255748)

[5.3 Service concession arrangements (SCA) 79](#_Toc143255749)

[5.4 Deposits held and advances received 89](#_Toc143255750)

[5.5 Cash flow information and balances 89](#_Toc143255751)

[5.6 Advances paid and investments, loans and placements 92](#_Toc143255752)

[5.7 Interest expense 93](#_Toc143255753)

[5.8 Commitments for future expenditure 94](#_Toc143255754)

## Borrowings

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Current borrowings** |  |  |  |  |
| Domestic borrowings | 22 867 | 15 684 | 18 473 | 13 822 |
| Foreign currency borrowings | 262 | 216 | .. | .. |
| Lease liabilities | 800 | 730 | 744 | 675 |
| Service concession arrangement liabilities | 2 627 | 1 339 | 2 413 | 1 129 |
| Derivative financial instruments | 652 | 833 | .. | 43 |
| **Total current borrowings** | **27 208** | **18 803** | **21 630** | **15 669** |
| **Non‑current borrowings** |  |  |  |  |
| Domestic borrowings | 123 221 | 102 465 | 109 117 | 88 752 |
| Foreign currency borrowings | 415 | 433 | .. | .. |
| Lease liabilities | 7 715 | 8 050 | 7 184 | 7 562 |
| Service concession arrangement liabilities | 5 595 | 5 577 | 4 144 | 5 149 |
| Derivative financial instruments | 799 | 1 158 | 214 | 288 |
| **Total non‑current borrowings** | **137 745** | **117 683** | **120 659** | **101 752** |
| **Total borrowings** | **164 953** | **136 486** | **142 289** | **117 420** |

**Borrowings** refer to interest bearing liabilities mainly raised from domestic borrowings through TCV, lease liabilities, service concession arrangement liabilities and other interest bearing arrangements.

Borrowings exclude liabilities raised from other government entities, which are classified as deposits held and advances received.

All borrowings, except for lease liabilities, are classified as financial instruments (Note 7.1). All borrowings are initially recognised on the settlement date at the fair value of the consideration received less directly attributable transaction costs.

The measurement basis subsequent to initial recognition depends on whether the State has categorised its borrowings as either financial liabilities measured at fair value through profit or loss, or financial liabilities at amortised cost.

The classification depends on the nature and purpose of the borrowings. The State determines the classification of its borrowings at initial recognition.

The State’s domestic borrowings are measured at fair value through profit or loss on the basis that the financial liabilities are managed on a fair value basis in accordance with documented risk strategies.

**Derivative financial instruments** are recognised at fair value. They are initially recognised at fair value on the date on which a derivative contract is entered into.

Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an other economic flow included in the net result.

## Leases

### Recognition and measurement of leases as a lessee

For contracts entered into, the State considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

To apply this definition, the State assesses whether the contract meets three key criteria:

* whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the State and for which the supplier does not have substantive substitution rights
* whether the State has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout the period of use
* whether the State has the right to make decisions in respect of how and for what purpose the asset is used throughout the period of use.

#### Separation of lease and non‑lease components

At inception or on reassessment of a contract that contains a lease component, the State separates out and accounts separately for non‑lease components within a lease contract, and excludes these amounts when determining the lease liability and right-of-use asset amounts.

#### Lease liability – Initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the State’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

* fixed payments (including in-substance fixed payments)
* variable payments based on an index or rate, initially measured using the index or rate as at the commencement date
* amounts expected to be payable under a residual value guarantee
* payments arising from purchase and termination options reasonably certain to be exercised.

#### Lease liability – subsequent measurement

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in‑substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset, or comprehensive operating statement if the right of use asset is already reduced to zero.

#### Short-term leases and leases of low-value assets

The State has elected to account for short-term leases and leases of low-value assets using the practical expedients outlined in AASB 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense on a straight-line basis over the lease term. Note 3.4 outlines the definition of a short term and low value lease.

### State’s leasing activities

Information on the State’s leasing activities is presented below.

#### Public Private Partnerships (PPPs) classified as leases

The State has a number of PPP arrangements which are classified as leases under AASB 16. Under these arrangements, the capital component of the payment that relates to the State’s right to use assets are accounted for as lease liabilities. In addition, over the lease period, the State pays for ongoing operation and maintenance costs which is recognised as a commitment and disclosed as lease commitments below.

#### Office accommodation leases

The State has a number of office accommodation leases which are leased by entities throughout the general government, PNFC and PFC sectors. The majority of these leases, in magnitude and number, are within the general government sector.

The Accommodation Carpool and Library services group within the Department of Government Services holds a number of office accommodation leases, which are occupied by agencies in the general government sector and managed through a service arrangement. The lease contracts’ terms vary depending on market availability and the Government’s location and tenure requirements, with a range of terms from five years to 30 years with options to renew after that date in general. Property leases for government office accommodation are recognised as right of use assets with a corresponding lease liability under AASB 16.

#### Health sector

Health services lease various land and buildings such as consulting suites, warehouses, carer support units, treatment areas such as dialysis suites, staff accommodation (generally for medical staff on rotation), offices, opportunity shops, ambulance stations and related facilities. They also lease a range of medical and non‑medical equipment, IT equipment, network infrastructure, motor vehicles and aircraft for transport services. Most lease contracts are for periods between one and 10 years with options to renew for various lease terms, although some health services have contracts of up to 40 years. Health services also have in place short-term rental agreements that can be terminated with limited notice (often one month).

#### Emergency management

The State has entered into leases for airport hangars. These assets are leased to assist the State in delivering its fire and emergency management outputs. The assets are leased for a period between one and three years.

#### Community safety

The State has entered into leases for a combination of rotary and winged aircrafts for its Victoria Police operational needs. These aircraft are leased for a period of up to 10 years.

#### Buses

The State has entered into leases relating to buses with a lease term of the same duration as the franchise term of seven years with an option to extend for a further three years.

#### Leases at significantly below-market terms and conditions

The State elected to measure right-of-use assets arising from leases that are significantly below market terms and conditions at cost as per the temporary relief given to not-for-profit entities by AASB 2018-8 *Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit Entities*.

These right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

#### Transport Leases between the general government sector (Department of Transport and Planning) and the public non‑financial corporations sector (Victorian Rail Track)

Victorian Rail Track (VicTrack) is the custodial owner of the State’s transport-related land, infrastructure, rolling stock and associated assets, which the State, through the Department of Transport and Planning (DTP), is highly dependent on to provide Victorians with a public transport system. DTP leases metropolitan, regional and interstate train and tram assets from VicTrack at nominal cost in order to provide public transport services in Victoria.

VicTrack provides access to its leased assets to assist the State in furthering its objectives.

The general government sector has classified the leases entered into with VicTrack as leases that are significantly below market terms and conditions, and principally enable the State to further its objectives and the right-of-use asset value in the general government sector is recorded at cost (a nominal amount).

These underlying assets subject to the leases are recognised at fair value, at a consolidated whole of government level, after eliminating the inter-sector leases.

#### Presentation of right-of-use assets and lease liabilities

The State presents right-of-use assets as property, plant and equipment unless they meet the definition of investment property, in which case they are disclosed as investment property on the balance sheet. Lease liabilities are presented as borrowings on the balance sheet.

Lease commitments (a)(b)(c) ($ million)

|  | State of Victoria | | | |
| --- | --- | --- | --- | --- |
|  | 2023 | | 2022 | |
|  | Present value | Nominal value | Present value | Nominal value |
| **Commissioned leases** |  |  |  |  |
| AgriBio Project | 130 | 232 | 128 | 238 |
| Bendigo Hospital | 818 | 1 510 | 768 | 1 470 |
| Casey Hospital | 98 | 117 | 98 | 123 |
| Melbourne Convention Centre | 235 | 326 | 245 | 353 |
| New Schools Public Private Partnership | 204 | 338 | 217 | 377 |
| Partnerships Victoria in Schools | 144 | 237 | 142 | 241 |
| Prisons (d) | 135 | 190 | 159 | 236 |
| Royal Children’s Hospital | 927 | 1 575 | 829 | 1 468 |
| Royal Melbourne Showgrounds | 16 | 24 | 17 | 27 |
| Royal Women’s Hospital | 239 | 345 | 231 | 349 |
| Victorian Comprehensive Cancer Centre (VCCC) | 461 | 947 | 442 | 948 |
| **Total commissioned leases** | **3 407** | **5 842** | **3 276** | **5 830** |

Notes:

(a) The figures in this table are for the consolidated State of Victoria only, as all commissioned leases are recorded in the general government sector.

(b) The liability associated with commissioned leases are recognised on the balance sheet and are not disclosed as a lease commitment.

(c) The present value of lease commitments has been discounted to 30 June of the respective financial years.

(d) Prisons include the Metropolitan Remand Centre and Marngoneet Correctional Centre. The 2021-22 figures for these prisons have been separately disclosed as lease commitments in accordance with AASB 16.

## Service concession arrangements (SCA)

AASB 1059 applies to arrangements where an operator provides public services, using a service concession asset, on behalf of the State and importantly, the operator manages at least some of the public service at its own discretion. The State must also control the asset for AASB 1059 to apply. This means that certain PPP arrangements are not within the scope of AASB 1059 and are accounted for as either leases (refer to Note 5.2) or assets being constructed by the State (refer to Note 5.8) and conversely, certain arrangements that are not PPPs (such as certain external service arrangements) could be captured within the scope of AASB 1059.

For arrangements within the scope of AASB 1059, at initial recognition a public sector grantor records the asset(s) used in the service concession arrangement at current replacement cost with a related liability, which could be a financial liability, an accrued revenue liability (referred to as the grant of a right to the operator liability) or a combination of both.

The nature of the liability and subsequent accounting depends on the consideration exchanged in the arrangement between the State and the operator.

A **financial liability** is recognised where the State has a contractual obligation to pay the operator under the service concession arrangement for the provision of service concession assets and/or services. It is recognised as a borrowing (Note 5.1). The liability is increased by interest charges (Note 5.7), based on the interest rate implicit in the arrangement. The liability is reduced by any payments made by the State to the operator as required by the contract.

These payments take the form of state contributions and other periodic payments (referred to as service payments). The state contributions are usually made during the construction phase of the asset. Service payments include both capital and service elements.

The capital elements are associated with the design, construction, and financing of the service concession asset. The service elements included within the service payments compensate the operator for delivery of services such as ongoing operation, maintenance, replacement, and other costs. The service payments may be impacted by key performance indicators (KPIs) not being met and are generally quarterly (QSP), monthly (MSP) or other periodic intervals.

A **grant of a right to the operator (GORTO)** liability is recognised where the State does not have a contractual obligation to pay cash or another financial asset under the SCA but instead grants the right to the operator to earn revenue from the public use of the asset (Note 6.4). It represents unearned revenue and is progressively reduced over the period of the concession (Note 2.6).

Financial liabilities and GORTO liabilities are initially recognised at the same amount as the service concession asset, adjusted by the amount of any other consideration from the State to the operator, or from the operator to the State.

An exception to this principle occurs when an existing asset of the grantor is reclassified as a result of becoming part of an SCA. When this occurs, the asset is revalued to current replacement cost with a corresponding adjustment to the asset revaluation surplus. A liability is not recognised unless additional consideration is provided by the operator. If the assets included in an SCA are upgraded or expanded, the State recognises a corresponding liability (either financial or GORTO) for the amounts the State is liable for on the upgrade/expansion work.

After initial recognition, service concession assets are measured by applying the revaluation model for the State’s property, plant and equipment (Note 4.1) and intangible assets (Note 4.2). For service concession assets that are under construction the State applies the fair value proxy approach (Note 4.1.1) to achieve faithful representation of construction in progress balances.

The following material SCAs existed at 30 June 2023. Unless noted in the arrangement specific disclosures below, no material changes have occurred during the year.

Service concession arrangements ($ million)

| SCA arrangement (a) | Note | Classification of arrangement | Operational/ construction in progress (CIP) | Managed by | Periodic payments in operations phase | Payments impacted by KPI | Carrying amount of liability as at 30 June 2023 | Carrying amount of asset as at 30 June 2023 | Carrying amount of liability as at 30 June 2022 | Carrying amount of asset as at 30 June 2022 |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| CityLink | 5.3.1 | GORTO | Operational | DTP | None – User pays Operator | No | 1 869 | 5 070 | 1 966 | 4 674 |
| Eastlink | 5.3.2 | GORTO | Operational | DTP | None – User pays Operator | No | 1 969 | 4 062 | 2 055 | 3 664 |
| Land Use Victoria | 5.3.3 | GORTO | Operational | DTP | None – User pays Operator | No | 2 518 | 509 | 2 589 | 512 |
| VicRoads Modernisation | 5.3.4 | GORTO | Operational | DTP | None – User pays Operator | No | 8 646 | 2 858 | .. | .. |
| Peninsula Link | 5.3.5 | Financial Liability | Operational | DTP | QSPs | Yes | 601 | 968 | 626 | 882 |
| Fulham Correctional Centre Contract Extension | 5.3.6 | Financial Liability | Operational | DJCS | QSPs | Yes | .. | 174 | .. | 179 |
| Port Phillip Prison Contract Extension | 5.3.7 | Financial Liability | Operational | DJCS | QSPs | Yes | .. | 218 | .. | 224 |
| Ravenhall Correction Centre | 5.3.8 | Financial Liability | Operational | DJCS | QSPs | Yes | 493 | 640 | 503 | 658 |
| Metropolitan Bus Contracts (b) | 5.3.9 | Financial Liability | Operational | DTP | MSPs | Yes | 136 | 278 | 128 | 241 |
| Southern Cross Station | 5.3.10 | Financial Liability | Operational | DTP | QSPs | Yes | 339 | 447 | 349 | 461 |
| Western Roads Upgrade | 5.3.11 | Financial Liability | Operational | DTP | QSPs | Yes | 462 | 1 544 | 732 | 1 425 |
| Desalination Plant | 5.3.12 | Financial Liability | Operational | DEECA | Water Service Payments (WSPs) | Yes | 3 170 | 4 574 | 3 226 | 3 962 |
| High Capacity Metro Trains (HCMT) Project | 5.3.13 | Financial Liability | Construction in Progress | DTP | QSPs | Yes | 1 260 | 1 445 | 1 004 | 1 126 |
| Metro Tunnel Project – Tunnel and Stations | 5.3.14 | Financial Liability | Construction in Progress | DTP | QSPs | Yes | 3 263 | 8 586 | 2 931 | 6 929 |
| North East Link – Primary package (Tunnels) | 5.3.15 | Financial Liability | Construction in Progress | State Tolling Corporation | QSPs | Yes | 1 363 | 2 246 | 431 | 906 |
| West Gate Tunnel | 5.3.16 | Hybrid (GORTO/Financial Liability) | Construction in Progress | DTP | None – User pays Operator | No | 4 720 | 8 584 | 3 684 | 6 223 |
| Homes Victoria Ground Lease Model Project 1 | 5.3.17 | Hybrid (GORTO/Financial Liability) | Construction in Progress | Homes Victoria | Quarterly Services Payment (QSP) and rental charges by the operator | Yes | 277 | 315 | 146 | 152 |

Notes:

(a) This note presents consolidated State of Victoria service concession arrangements. All of these arrangements are held in the general government sector with the exception of the North East Link – Primary package (Tunnels) and the Homes Victoria Ground Lease Model Project 1 which are recognised in the public non-financial corporations sector.

(b) Metropolitan Bus Contracts are now disclosed in this table for 2022-23 following the separate disclosure of service concession arrangement commitments that are also included in Note 5.3.

## Details relevant to all arrangements

Unless specified differently in the arrangement specific details section below, all of the below information is relevant to all arrangements.

The State has entered into an arrangement with the operator which gives the operator the right to provide public services to users for a specified period (concession period).

The operator, based on the terms and conditions specified in the agreement, is:

* responsible for the design, construction, financing, operation and maintenance and replacement of the relevant asset(s) during the concession period
* subject to key performance indicators (KPIs) and/or annual works programs that ensure a level of public service delivery for users. The operator has the opportunity to rectify any performance issues where relevant.

The operator has access to the asset to perform the required services and manages at least some of those services under its own discretion.

The State has control over what services the operator provides with the asset over the concession period, whom to provide them to and at what price. It is responsible for monitoring that contractual obligations are met, and will intervene as required to ensure safety for users of the asset as appropriate and to protect public interest.

At the end of the concession period, the rights and obligations provided to the operator during the concession period cease, and the service concession asset(s) will be returned to the State.

The agreements do not include options for renewal and may be subject to termination.

## Arrangement specific details

### CityLink

**Operator**: CityLink Melbourne Limited (CML) Transurban Infrastructure Management Limited (TIML)

**Concession period**: 45 years

The State and CML entered into the Melbourne City Link Concession Deed in October 1995.

The Concession Deed requires CML to pay to the State specified concession fees at specified intervals during the concession period.

In accordance with the Concession Deed, CML has exercised an option to meet its obligations to pay concession fees by way of issuing concession notes. These notes are non‑interest bearing promissory notes payable by CML at the end of the concession period, or earlier in the event of CML achieving certain profitability levels and cash flows.

Between June 2005 and June 2010, the State entered into arrangements with CML and TIML whereby the State received upfront payments in exchange for assigning the right to all existing and future concession notes to TIML.

The value of concession notes due to be received by the State in accordance with the Concession Deed has been disclosed at the present value of concession notes to be issued in future periods by CML. The present value of the concession notes is disclosed as part of the GORTO liability.

The concession period to operate the CityLink road network was extended to January 2045 as a result of the partial funding of the West Gate Tunnel Project.

The Concession Deed provides for CML to lease certain land and road infrastructure from the State during the concession period.

Under the terms of the Concession Deed, there are certain provisions under which the State could be entitled to share in the financial success of the CityLink project:

* additional concession fees where the CML revenue and equity return exceed the benchmarks set out in the original Base Case Financial Model
* variable lease rental expected to commence in 2035
* early end to concession period if specified equity return threshold is reached
* share of revenue based on compensable enhancements events which result in additional revenue for CityLink.

To date, none of the above events have occurred.

### EastLink

**Operator**: Connect East Pty Ltd (ConnectEast)

**Concession** **period**: 35 years

The State and the operator entered into the EastLink Concession Deed in October 2004.

EastLink opened to traffic in June 2008. ConnectEast has a right to operate the EastLink road network for the duration of the concession period which is due to expire on 30 November 2043.

The Concession Deed provides for ConnectEast to lease certain land and road infrastructure from the State during the concession period. These assets will be returned to the State at the end of the concession period.

The EastLink Concession Deed contains compensable enhancement provisions that enable the State to claim 50 per cent of any additional revenue derived by ConnectEast Pty Ltd as a result of certain events that particularly benefit EastLink, including changes to the adjoining road network. On 2 January 2014, the State lodged a compensable enhancement claim arising as a result of opening the Peninsula Link road network. This claim remains outstanding. Refer to Note 7.2 for further details on this claim.

### Land Use Victoria

**Operator**: Secure Electronic Registries Victoria (SERV)

**Concession period**: 40 years

The Victorian Land Registry Services (VLRS), now known as Secure Electronic Registries Victoria (SERV), commenced in September 2018 (Stage 1) and is responsible for part of Registration, Landata and Systems Branches of Land Use Victoria for a term of 40 years. The services, such as processing title searches, registrations, inquiries and modifications/changes to land registry titles have continued to be delivered to the public and stakeholders, customers and clients in a seamless manner ensuring service delivery requirements are maintained and key performance indicators are met.

The second stage of the transition of services to SERV was in November 2019. The Registrar of Titles has remained with the State and has retained all statutory obligations and powers. The Registrar of Titles is responsible for preserving the integrity and security of the land register and enforcing service standards. The State will continue to own the land registry data and provide the State Guarantee of title.

The arrangement provides SERV with access to the State Material Licence, which includes all State Data, Operating Manual, State Software, and the rights to provide operator and non‑statutory services (e.g. certain Title and LANDATA© Search Products and Property Certificates).

The Operating Concession Deed (OCD) required SERV to pay a concession licence fee to the State of $2.8 billion in September 2018. The upfront consideration received from the SERV is recognised as a grant of a right to the operator (GORTO) liability and recognised as revenue proportionally over the service period of 40 years.

The State initially recognised intangible assets for the Land Registry Services (LRS) software (the Victorian Online Titles System) ($38 million) and the Titling and Registry database (database) ($474 million). Refer to Note 4.2 for details of the fair value measurement of the service concession intangible assets. Subsequent to the initial recognition, both intangible assets are carried under the revaluation model in line with AASB 138.

### VicRoads Modernisation

**Operator**: Aware Super, Australian Retirement Trust and Macquarie Asset Management (the ‘Consortium’).

**Concession period**: 40 years

On 15 August 2022, the State and the Consortium entered into a joint venture to operate the Registration and Licensing (R&L) and Custom Plates functions of VicRoads. The joint venture will modernise a number of VicRoads services through increased investment to make them more user‑friendly for motorists.

The State will continue to maintain responsibility for key regulatory and policy functions, retaining ownership and regulation of data, and continuing to fully control motorists pricing, privacy, road access and safety.

The consideration provided by the Consortium to the State in return for granting the concession comprises upfront proceeds of $7.9 billion in cash and a minority shareholding interest in the joint venture. $275 million of the consideration was recognised upfront as licence revenue for the joint venture’s right to deliver specific administrative and cash collection services. The remainder of the consideration was recognised as a grant of a right to the operator liability and will be recognised as revenue proportionally over the 40-year concession period.

The State initially recognised intangible assets for the VicRoads R&L database of $3.2 billion. Subsequent to the initial recognition, intangible assets are carried under the revaluation model in line with AASB 138.

### Peninsula Link

**Operator**: Southern Way Pty Ltd (Southern Way)

**Concession period**: 25 years

The State entered into a Peninsula Link Project Deed with Southern Way on 20 January 2010.

The concession period will end in January 2038. The State compensates Southern Way for delivery of ongoing maintenance services through QSP payments, which are subject to KPI linked abatement.

### Fulham Correctional Centre

**Operator**: Australasian Correctional Investment Limited (ACI)

**Concession period**: 38 years

In October 1995, the State entered into a public private partnership arrangement with the operator. The construction of the prison was completed in 1997 and the operational phase under the original contract was due to end in 2017. However, a contract extension was entered into in April 2015, with the terms of the contract extension coming into effect in July 2016. The contract extension has an initial term of 11 years and subject to ACI’s performance, a further term of 8.3 years that would end in October 2035.

### Port Philip Prison

**Operator**: G4S Correctional Services (Australia) Pty Ltd (G4S)

**Concession period**: 40 years

In July 1996, the State entered into a public private partnership arrangement with the operator. The construction of the prison was completed in 1997 and the operational phase under the original contract was due to end in 2017.

However, a contract extension was entered in December 2015, with the terms of the contract extension coming into effect in September 2017. The contract extension was also novated in September 2017. The contract extension has an initial term of 10 years and subject to G4S’ performance, a further term of 10 years that would end in September 2037.

### Ravenhall Correction Centre

**Operator**: GEO Consortium

**Concession period**: 25 years

In September 2014, the State entered into a public private partnership with the operator. The construction of the prison was completed in November 2017 and the operational phase is due to expire in 2042.

### Metropolitan Bus Contracts

**Operator**: Cranbourne Transit, Donric Group, Kinetic (Melbourne) Pty Ltd, Transit Systems and Ventura Bus Lines.

**Concession period**:

* Kinetic bus contract – Seven years with 29‑month extension subject to satisfying flexible performance measures; and
* Other contracts – Eight years with two‑year extensions subject to satisfying flexible performance measures.

In June and July 2018, new Metropolitan Bus Service Contracts were signed with the operators of the metropolitan buses.

Contracts with Cranbourne Transit, Donric Group, Transit Systems and Ventura Bus Lines will expire in 2026. In addition to the current bus fleet managed by the Operators, new buses introduced from 2025 under these Metropolitan contracts will be electric buses under the Zero Emission Bus initiative.

Kinetic Pty Ltd, which operates SkyBus and runs local bus routes across Australia and New Zealand, has been awarded the contract for the Metropolitan Bus Franchise from 31 January 2022. In addition to the current bus fleet operated by Transdev (previous operator), Kinetic will introduce 36 fully electric buses to the network by mid‑2025.

The State’s control over the asset lies in its unconditional right to acquire the assets at market value at the end of the concession period.

### Southern Cross Station

**Operator**: Civic Nexus Pty Ltd (CNPL)

**Concession period**: 30 years

In July 2002, the State entered into a Service and Development Agreement (SDA) with the operator for the redevelopment of Southern Cross Station. The agreement ends in June 2036.

Construction commenced in September 2002 and completed in August 2006.

The State’s QSP payments to the operator for the delivery of operating and maintenance services are subject to abatement in accordance with the terms and conditions of the SDA.

### Western Roads Upgrade

**Operator**: Netflow OSARS (Western) Partnership (Netflow)

**Concession period**: 20 years

In December 2017, the State signed the Western Roads Upgrade contract with Netflow.

The agreement includes eight road projects and 37 road rehabilitation projects. The project achieved commercial acceptance in September 2021. Under the agreement, the State made a capital contribution (Option Amount) to Netflow in March 2023.

### Desalination Plant

**Operator**: AquaSure Pty Ltd (AquaSure)

**Concession period**: 30 years

The State and AquaSure entered into the public private partnership on 30 July 2009.

The Victorian Desalination Project (VDP) was initiated to design, build, finance and operate a desalination plant, transfer pipeline and 220 kilovolt underground power cable capable of supplying 150 gigalitres of water per annum into the Melbourne network.

Under the arrangement, the State has an obligation to make water security payments provided the plant is maintained to the appropriate standard.

The State will also make water usage payments for any water that is ordered and delivered to the required standard. Water can be ordered annually for flexible amounts from 0 to 150 gigalitres (in set increments).

A Statement of Obligations (SoO) was issued to the Melbourne Water Corporation under section 4I of the *Water Industry Act 1994* that required Melbourne Water Corporation to pay all monies as required by the State under the project deed with Aquasure.

The arrangement was codified through the Water Interface Agreement (WIA) between the State (DEECA) and the Melbourne Water Corporation. DEECA does not control any receipt arising from this arrangement and is required to pay the amounts from the Melbourne Water Corporation into the Consolidated Fund.

The State has assessed the agreements between AquaSure, DEECA (on behalf of the State) and Melbourne Water Corporation and concluded that the agreements are connected and should form one single commercial arrangement. Under the combined agreement, Melbourne Water Corporation is considered the ultimate grantor.

DEECA, on behalf of the State, administers the arrangement and recognises contractual liability on the capital portion of WSPs to AquaSure and contractual receivable from Melbourne Water Corporation determined in the WIA as financial instruments under AASB 9 (Refer to Note 7.1).

As at 30 June 2023, AquaSure had produced 4.1 gigalitres of the 15 gigalitres ordered for 2022-23 with the remaining 10.9 gigalitres of the water order cancelled.

On 1 April 2023, the Minister for Water announced the 2023-24 Supply Notice ordering 0 gigalitres for the Required Annual Water Volume in 2023-24 and with non-binding forecasts of 50 gigalitres for 2024‑25 and 75 gigalitres in 2025-26.

### High Capacity Metro Trains

**Operator**: Evolution Rail Consortium (Evolution Rail)

**Concession period**: 30 years

In November 2016, the State entered into a project agreement with Evolution Rail.

Under the contract, the operator will design, build, commission and finance a fleet of 65 high capacity trains, a depot at Pakenham East (including a train maintenance facility (TMF) and a stabling yard), a light service facility (LSF) at Calder Park and two simulators.

The stabling yard was returned to the State in July 2020 for ongoing maintenance, while Evolution Rail will be responsible for the maintenance of other constructed assets for a period of 30 years, until 2053.

The State is contracted to make PSP payments (representing pro-rata payments to Project Co during the phased delivery of the HCMTs) commencing on 28 Feb 2021, which is the date the 5th HCMT entered service, until commencement of the QSP at provisional acceptance of all 65 HCMT sets.

In October 2021, a settlement agreement was executed by the State and Evolution Rail to amend the original project agreement. The variation amended the contractual terms of the original Project Deed and released the State from claims made by Evolution Rail.

As part of the agreement, the State has also committed to purchase an additional five train set in preparation for the proposed Melbourne Airport Rail Link project.

### Metro Tunnel Project – Tunnel and Stations

**Operator**: Cross Yarra Partnership (CYP)

**Concession period**: 25 years

In December 2017, the State entered into an agreement with CYP to deliver the Metro Tunnel – Tunnel and Stations.

Assets to be constructed includes twin nine‑kilometre tunnels under the Central Business District, five underground stations, station fit-out, mechanical and electrical systems and certain commercial opportunities at the new stations. CYP will be responsible for providing maintenance and other services until 2048.

CYP will be provided with a lease to operate some commercial tenancies within the constructed asset through the concession period.

On 24 December 2020, the State entered into settlement and amending deeds with CYP to address a range of commercial issues arising during project delivery. The parties agreed to share the increased costs of the project on a 50:50 basis, with each party agreeing to pay $1.37 billion. The project is on track for completion in 2025.

### North East Link – Primary Package (Tunnels)

**Operator**: Spark

**Concession period**: 25 years

In October 2021, the State and the North East Link State Tolling Corporation contracted with the Spark consortium to deliver the Primary Package (Tunnels) of the North East Link.

The $11.1 billion Primary Package (Tunnels) is being delivered as an availability PPP with an Incentivised Target Cost regime that applies in respect of costs incurred during the design and construction phase of the project.

The project is expected to reach commercial acceptance in December 2028.

The Primary Package (Tunnels) scope includes:

* twin, three-lane tunnels
* split interchange at Lower Plenty Road and Manningham Road
* an upgrade on the existing interchange south of Bulleen Road to accommodate the tunnel on ramp, a new interchange west of Thompsons Road to service the new Bulleen Park & Ride and accommodate the tunnel off- and on-ramps
* new and upgraded green land bridges, development of extensive shared user paths and walking and cycling infrastructure to form a new North East Trail network
* high-quality outcomes in open space, noise walls design and maximising tree canopy replacement.

The other remaining project elements of the North East Link will be delivered under separate packages.

The new link will be tolled, with the State retaining toll revenues, while the Eastern Freeway and the M80 Ring Road will remain toll free. A state owned corporation, the State Tolling Corporation, has been established to collect tolls for the North East Link with toll revenue going towards the cost of building and maintaining the project.

### West Gate Tunnel

**Operator**: Transurban Limited (Transurban)

**Concession period**: 28 years

In December 2017, the State entered into a PPP contract with Transurban to deliver the West Gate Tunnel Project.

The project will be funded through a combination of state contribution, tolls imposed on users of the West Gate Tunnel (until 2045), adjustments to various CityLink tolls during the remaining term of Transurban’s existing CityLink Concession (to 2035), and a 10-year extension of the CityLink Concession (from 2035 to 2045).

In March 2022, the State and Transurban Group entered into amending and settlement deeds to formally document the resolution of various commercial issues related to the project. As part of the settlement, the State will contribute $1.9 billion, Transurban Group will contribute $2.2 billion and the Design and Construct Subcontractors will forego revenue and profit margins on the project.

### Homes Victoria Ground Lease Model Project 1

**Operator:** Building Communities (Vic) Ltd

**Concession period:** 40 years

In June 2021, Homes Victoria achieved financial close on a housing arrangement whereby it appointed the Building Communities consortium to finance, design, construct, maintain and operate 619 brand new social housing dwellings, 126 affordable homes and 365 market rental homes, including Specialist Disability Accommodation dwellings, at existing housing sites at Brighton, Flemington and Prahran.

The three sites are being delivered under a Ground Lease Model on a fully financed, build-to-rent basis. The ground lease will be delivered as a PPP arrangement under the Partnerships Victoria framework. Construction of the assets commenced in 2021 and commercial acceptance is expected by January 2024.

A ground-lease model is being used for this package whereby title to public land and dwellings (which will have a residual design life) will revert to Homes Victoria at the end of the lease period.

Homes Victoria is contracted to make quarterly service payments for the 40-year operating term, which will include both a capital and a life cycle component. While operating the dwellings, Building Communities will perform the following functions: asset management, community engagement, maintenance and lifecycle replacement, tenancy management and residential lease management.

## SCA Commitments

The SCA commitments table below comprises of the following:

* commissioned SCAs, only the operating and maintenance commitments of the SCA arrangement are included in the commitments amounts, as the capital component (i.e. the construction of the underlying asset) is recorded as a liability on the State’s balance sheet
* uncommissioned SCAs, the commitments include the capital component not yet recognised on the balance sheet (i.e. the amount relating to the asset which hasn’t been constructed as yet), the State’s future capital contributions as well as the operating and maintenance commitments for the SCA contract.

Service Concession Arrangements – Commitments (a)(b)(c)(d) ($ million)

|  | 2023 |  |  |  | 2022 |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Liability | Capital contribution (f) | Other commitments | Total commitments | Liability | Capital contribution (f) | Other commitments | Total commitments |
|  |  |  |  |  |  |  |  |  |
|  | Discounted value (e) |  | Present value | Nominal value | Discounted value (e) |  | Present value | Nominal value |
| **Financial liability model – Commissioned** |  |  |  |  |  |  |  |  |
| Metropolitan Bus Contracts (g) | .. | .. | 2 985 | 3 417 | .. | .. | 3 477 | 4 080 |
| Peninsula Link | .. | .. | 195 | 268 | .. | .. | 240 | 353 |
| Prisons (h) | .. | .. | 5 292 | 8 318 | .. | .. | 5 341 | 8 614 |
| Southern Cross Station | .. | .. | 391 | 508 | .. | .. | 370 | 499 |
| Victorian Desalination Plant | .. | .. | 1 654 | 3 643 | .. | .. | 1 631 | 3 749 |
| Water Infrastructure (i) | .. | .. | 37 | 59 | .. | .. | 135 | 187 |
| Western Roads Upgrade | .. | .. | 514 | 741 | .. | .. | 507 | 754 |
| **Financial liability model ‑ Uncommissioned (j)** |  |  |  |  |  |  |  |  |
| High Capacity Metro Trains | 1 322 | 42 | 1 440 | 5 982 | 1 322 | 42 | 1 459 | 6 102 |
| Metro Tunnel Project – Tunnel and Stations | 2 226 | 2 536 | 838 | 7 770 | 2 241 | 3 068 | 838 | 8 282 |
| North East Link – Primary Package (Tunnels) (k) | 4 080 | 7 145 | 1 030 | 18 439 | 4 476 | 8 031 | 980 | 20 132 |
| **Hybrid model (GORTO and financial liability models) – Uncommissioned (j)** |  |  |  |  |  |  |  |  |
| Homes Victoria Ground Lease Model Project 1 | 33 | 12 | 38 | 702 | 117 | 36 | 38 | 739 |
| West Gate Tunnel Project | .. | 634 | .. | 634 | .. | 1 684 | .. | 1 684 |
| **Total commitments for service concession arrangements (g)(h)** | **7 661** | **10 369** | **14 414** | **50 479** | **8 156** | **12 861** | **15 016** | **55 175** |

Notes:

(a) This note presents consolidated State of Victoria service concession arrangements. All of these arrangements are held in the general government sector with the exception of Water Infrastructure, North East Link – Primary package (Tunnels) and the Homes Victoria Ground Lease Model Project 1 which are recognised in the public non-financial corporations sector.

(b) The liability associated with commissioned service concession arrangements are recognised on the balance sheet and are not disclosed as a commitment.

(c) The present value of other commitments has been discounted to 30 June of the respective financial years.

(d) The liability value has been discounted to the expected date of commissioning.

(e) The liability payments include the committed future liabilities yet to be recognised on the balance sheet.

(f) The capital contribution is measured at nominal value and represents the State’s total unpaid capital contribution for the uncommissioned service concession arrangement.

(g) Metropolitan Bus Contracts are now disclosed following the separate disclosure of Service Concession Arrangements commitments. Please refer to Note 5.3.9 for further information.

(h) Prisons includes Fulham Correctional Centre, Port Phillip Prison and Ravenhall Correctional Centre. The 2021-22 figures have been restated to remove the Metropolitan Remand Centre, Marngoneet Correctional Centre and Hopkins Correctional Centre as these are now separately disclosed as leases or Property, Plant and Equipment commitments under AASB 16 or AASB 116 respectively. Please refer to Note 5.2 and Note 5.8 for further information.

(i) Water Infrastructure includes Barwon Region Water Corporation, Central Highlands Region Water Corporation and Coliban Region Water Corporation.

(j) For uncommissioned SCAs, the commitments include the capital component not yet recognised on the balance sheet (i.e. the amount relating to the asset which hasn’t been constructed as yet), the State’s future capital contributions as well as the operating and maintenance commitments.

(k) In October 2021, the State entered into an arrangement with Spark consortium to deliver the North East Link - Primary Package (Tunnels) project between an upgraded Eastern Freeway and the M80 Ring Road. The nominal value represents the value of commitments over the construction and full 25-year concession period. Refer to Note 5.3.15 for further details.

## Deposits held and advances received

Deposits held include deposits, security deposits, and trust fund balances held on behalf of public or private sector bodies. Advances received include loans and other repayable funds from public sector bodies for policy purposes.

Deposits held and advances received are categorised as financial liabilities at amortised cost.

## Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, that are readily convertible to known amounts of

cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

Reconciliation of cash and cash equivalents ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Cash | 2 792 | 3 522 | 2 721 | 3 079 |
| Deposits at call (a) | 22 886 | 13 736 | 16 977 | 7 896 |
| **Cash and cash equivalents** | **25 678** | **17 258** | **19 698** | **10 974** |
| Bank overdraft | .. | .. | .. | .. |
| **Cash and cash equivalents as per cash flow statement** | **25 678** | **17 258** | **19 698** | **10 974** |

Note:

(a) The increase in deposits at call is primarily due to the $7.9 billion received from the VicRoads Modernisation joint venture, which has been used to establish the Victorian Future Fund.

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

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Net result** | **(7 638)** | **568** | **(9 847)** | **(13 501)** |
| **Non‑cash movements** |  |  |  |  |
| Revenue related to economic service concession arrangements | (483) | (288) | (483) | (288) |
| Depreciation and amortisation | 7 691 | 7 242 | 4 609 | 4 313 |
| Revaluation of investments | (1 690) | 4 475 | (150) | (63) |
| Assets (received)/provided free of charge | (722) | (762) | (300) | (445) |
| Assets not previously/no longer recognised | 161 | (109) | 161 | (109) |
| Revaluation of assets | 489 | 1 422 | 315 | 362 |
| Discount/premium on other financial assets/borrowings | (291) | (393) | 1 | 1 |
| Foreign currency dealings | 1 | 1 | 2 | 1 |
| Unrealised (gains)/losses on borrowings | (1 230) | (14 091) | 177 | (97) |
| Discounting of assets and liabilities | (1) | .. | (1) | .. |
| **Movements included in investing and financing activities** |  |  |  |  |
| Net gain/loss from sale of investments | 131 | (603) | 30 | (48) |
| Net gain/loss from sale of non‑financial assets | (88) | (5) | (91) | (17) |
| Realised gains/losses on borrowings | (613) | (329) | (1) | .. |
| **Movements in assets and liabilities** |  |  |  |  |
| Increase/(decrease) in allowance for impairment losses | (166) | (162) | (183) | (195) |
| Increase/(decrease) in payables and contract liabilities | 8 830 | 89 | 8 536 | 344 |
| Increase/(decrease) in employee benefits | 428 | 483 | 391 | 473 |
| Increase/(decrease) in superannuation | 511 | 331 | 504 | 330 |
| Increase/(decrease) in other provisions | 2 739 | (2 597) | 533 | 465 |
| (Increase)/decrease in receivables and contract assets | (848) | 372 | (768) | (39) |
| (Increase)/decrease in other non‑financial assets | 867 | (413) | 816 | (346) |
| **Net cash flows from operating activities** | **8 077** | **(4 766)** | **4 250** | **(8 857)** |

Changes in liabilities arising from financing activities ($ million)

| State of Victoria |  |  | Non‑cash changes |  |  |
| --- | --- | --- | --- | --- | --- |
| 2023 | Opening balance | Cash  flows | Liabilities resulting from the  acquisition of new assets (a) | Fair value  changes | Closing balance |
| Borrowings and derivative instruments | 120 789 | 29 357 | 539 | (2 471) | 148 216 |
| Lease liabilities | 8 781 | (541) | 275 | .. | 8 515 |
| Service concession arrangements liabilities | 6 916 | (1 036) | 2 343 | .. | 8 222 |
| Advances and deposits received | 1 724 | 53 | .. | .. | 1 777 |

| 2022 |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Borrowings and derivative instruments | 101 107 | 32 802 | 1 129 | (14 249) | 120 789 |
| Lease liabilities | 8 672 | (776) | 885 | .. | 8 781 |
| Service concession arrangements liabilities | 6 519 | (1 436) | 1 833 | .. | 6 916 |
| Advances and deposits received | 1 784 | (60) | .. |  | 1 724 |

| General government sector |  |  | Non‑cash changes |  |  |
| --- | --- | --- | --- | --- | --- |
| 2023 | Opening balance | Cash  flows | Liabilities resulting from the  acquisition of new assets (a) | Fair value  changes | Closing balance |
| Borrowings and derivative instruments | 102 906 | 24 323 | 539 | 36 | 127 804 |
| Lease liabilities | 8 237 | (573) | 264 | .. | 7 927 |
| Service concession arrangements liabilities | 6 277 | (1 001) | 1 281 | .. | 6 557 |
| Advances and deposits received (b) | 1 835 | (220) | .. | .. | 1 615 |

| 2022 |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Borrowings and derivative instruments | 78 509 | 23 455 | 1 129 | (186) | 102 906 |
| Lease liabilities | 8 067 | (673) | 843 | .. | 8 237 |
| Service concession arrangements liabilities | 6 409 | (1 427) | 1 294 | .. | 6 277 |
| Advances and deposits received | 2 791 | (960) | .. | .. | 1 831 |

Notes:

(a) Mainly comprising liabilities resulting from the recognition of new right of use assets under lease arrangements, and service concession arrangements, including from public private partnerships.

(b) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the former Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the machinery of government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. Refer to Note 9.8 for further details.

## Advances paid and investments, loans and placements

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 693 | 347 | 946 | 832 |
| Equities and managed investment schemes | 3 641 | 3 831 | 641 | 718 |
| Australian dollar term deposits | 1 830 | 4 342 | 198 | 104 |
| Debt securities | 9 945 | 6 995 | 3 | 3 |
| Derivative financial instruments | 227 | 1 109 | 128 | 430 |
| **Total current advances paid and investments, loans and placements** | **16 336** | **16 624** | **1 915** | **2 088** |
| **Non‑current advances paid and investments, loans and placements** |  |  |  |  |
| Loans and advances paid | 237 | 285 | 4 362 | 4 097 |
| Equities and managed investment schemes | 42 253 | 36 595 | 2 853 | 2 054 |
| Australian dollar term deposits | 2 | 37 | 4 | 37 |
| Debt securities | 5 840 | 2 475 | 22 | 22 |
| Derivative financial instruments | 237 | 239 | 5 | 1 |
| **Total non‑current advances paid and investments, loans and placements** | **48 569** | **39 631** | **7 246** | **6 211** |
| **Total advances paid and investments, loans and placements** | **64 905** | **56 255** | **9 161** | **8 299** |
| **Represented by:** |  |  |  |  |
| Advances paid | 930 | 632 | 5 308 | 4 929 |
| Investments, loans and placements | 63 975 | 55 623 | 3 853 | 3 370 |

The items in the table above are financial instruments (Note 7.1) that have been classified into financial instrument categories, depending on the purpose for which the investments were acquired. The State determines the classification of its investments at initial recognition.

Any dividend or interest earned on these financial assets is recognised in the consolidated comprehensive operating statement as a revenue or income transaction.

**Advances paid** include long and short-term loans, non‑marketable debentures and long and short-term promissory agreements (bonds and bills) mainly issued to the PNFC and PFC sectors for policy rather than liquidity management purposes. Advances are initially measured at fair value and subsequently measured at amortised cost. They exclude equity contributions and are eliminated on consolidation of the State’s position.

## Interest expense

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Interest on interest bearing liabilities | 3 926 | 2 879 | 3 116 | 2 053 |
| Interest on lease liabilities | 404 | 396 | 387 | 379 |
| Interest on service concessions | 422 | 416 | 414 | 407 |
| Discount interest on payables | 26 | 22 | 57 | 31 |
| **Total interest expense** | **4 778** | **3 712** | **3 974** | **2 869** |

Interest expense represents costs incurred in relation to borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments, service concession financial liabilities and the amortisation of discounts or premiums in relation to borrowings.

The State recognises borrowing costs immediately as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset.

## Commitments for future expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. Commitments recognised under SCA arrangements are not included in this section. Please refer to Note 5.3 for further detail on these.

These commitments are disclosed at their nominal value and are inclusive of the GST payable.

These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the consolidated balance sheet.

Commitments for future expenditure (a) ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
| Nominal values | 2023 | 2022 | 2023 | 2022 |
| **Capital expenditure commitments** |  |  |  |  |
| Land and buildings (b)(c) | 8 077 | 9 531 | 7 604 | 8 829 |
| Plant, equipment and vehicles (c) | 377 | 396 | 363 | 385 |
| Infrastructure systems (c) | 10 301 | 10 360 | 8 832 | 8 901 |
| Road networks and earthworks | 1 152 | 2 333 | 1 145 | 2 332 |
| Other | 512 | 220 | 140 | 193 |
| **Total capital expenditure commitments** | **20 420** | **22 840** | **18 083** | **20 639** |
|  |  |  |  |  |
| **Service and lease commitments not included in the lease liability** |  |  |  |  |
| Rail services | 4 945 | 4 961 | 6 725 | 7 318 |
| Bus services | 4 977 | 5 840 | 4 440 | 5 248 |
| Other | 689 | 428 | 681 | 423 |
| **Total service and new short‑term lease commitments** | **10 611** | **11 229** | **11 845** | **12 989** |
|  |  |  |  |  |
| **Other commitments** |  |  |  |  |
| Capital investment commitments | 471 | 296 | .. | .. |
| Cladding Safety Victoria | 119 | 131 | 119 | 131 |
| COVID‑19 Quarantine Victoria | .. | 49 | .. | 49 |
| Commercial contracts (c) | 3 292 | 1 853 | 2 993 | 1 642 |
| Emergency Alert System | 173 | 65 | 173 | 65 |
| Emergency Telecommunication Networks | 245 | 273 | 245 | 273 |
| Grant program commitments (c) | 2 344 | 2 533 | 2 337 | 2 768 |
| Information technology | 619 | 277 | 603 | 193 |
| Public transport ticketing system (d) | 1 948 | 148 | 1 948 | 148 |
| Outsourcing of services | 463 | 556 | 79 | 214 |
| Policing services | 68 | 18 | 68 | 18 |
| Provision for Health Services | 1 900 | 1 982 | 1 918 | 1 982 |
| Social Housing | 681 | 618 | .. | .. |
| Traffic camera services (Traffic camera office) | 238 | 388 | 238 | 388 |
| Transport Accident Commission funded medical research | 5 | 8 | .. | .. |
| Other (b)(c) | 8 196 | 8 368 | 7 494 | 7 925 |
| **Total other commitments** | **20 761** | **17 560** | **18 214** | **15 795** |
| **Total commitments** | **51 792** | **51 629** | **48 143** | **49 424** |

Notes:

(a) The figures presented are inclusive of GST.

(b) PPP commitments recognised under AASB 116 are now included in this line item. These were previously under Public Private Partnerships (PPPs) recognised under AASB 116 in Note 5.4 Public Private Partnerships note which no longer exists. A breakdown of these PPP commitments under AASB 116 is provided in the following table.

(c) The 2021-22 comparative figures have been reclassified to more accurately reflect the nature of the commitments.

(d) In May 2023, the State entered into a contract with Conduent Victoria Ticketing System Pty Ltd to provide a new public transport ticketing system for a period of up to 15 years commencing on 1 December 2023.

PPE commitments ($ million)

|  | State of Victoria (a) | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2023 | | | 2022 | | |
|  | Liability (b) | Other commitments |  | Liability (b) | Other commitments |  |
|  | Discounted value (c) | Present value | Nominal value | Discounted value (c) | Present value | Nominal value |
| **Commissioned PPE commitments** |  |  |  |  |  |  |
| Hopkins Correctional Centre | .. | 226 | 393 | .. | 218 | 392 |
| **Uncommissioned PPE commitments** |  |  |  |  |  |  |
| Frankston Hospital Redevelopment | 917 | 996 | 2 518 | 1 125 | 937 | 2 518 |
| New Footscray Hospital (d) | 1 020 | 1 055 | 3 381 | 1 343 | 1 056 | 3 381 |
| **Total PPE commitments** | **1 937** | **2 277** | **6 292** | **2 468** | **2 211** | **6 291** |

Notes:

(a) The figures in this table are for the consolidated State of Victoria only, as all the uncommissioned PPE commitments is recorded in the general government sector.

(b) The liability payments include the committed future liabilities yet to be recognised on the balance sheet.

(c) The liability value has been discounted to the expected date of commissioning and the present value of other commitments has been discounted to 30 June of the respective financial years.

(d) The other commitments present value and nominal value columns includes State’s total unpaid capital contributions for this project. The capital contribution for this project is $573 million ($573 million in 2021-22).

Ageing analysis of commitments (a) ($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
| Nominal values | 2023 | 2022 | 2023 | 2022 |
| **Capital expenditure commitments payable** |  |  |  |  |
| Less than 1 year | 11 027 | 11 544 | 9 492 | 10 187 |
| 1 year but less than 5 years (b) | 6 209 | 7 075 | 5 420 | 6 235 |
| 5 years or more (b) | 3 184 | 4 221 | 3 171 | 4 217 |
| **Total capital expenditure commitments (b)** | **20 420** | **22 840** | **18 083** | **20 639** |
| **Service and lease commitments not included in the lease liability** |  |  |  |  |
| Less than 1 year | 2 943 | 2 924 | 3 766 | 3 672 |
| 1 year but less than 5 years | 5 613 | 5 793 | 6 283 | 7 116 |
| 5 years or more | 2 055 | 2 511 | 1 797 | 2 202 |
| **Total service and new short‑term lease commitments** | **10 611** | **11 229** | **11 845** | **12 989** |
| **Other commitments payable** |  |  |  |  |
| Less than 1 year (b) | 7 161 | 6 800 | 5 405 | 5 824 |
| 1 year but less than 5 years (b) | 5 948 | 4 321 | 5 220 | 3 660 |
| 5 years or more (b) | 7 652 | 6 440 | 7 590 | 6 312 |
| **Total other commitments (b)** | **20 761** | **17 560** | **18 214** | **15 796** |
| **Total commitments (b)** | **51 792** | **51 629** | **48 143** | **49 424** |

Notes:

(a) The figures presented are inclusive of GST.

(b) PPE commitments are now included in this line item. These were previously under PPPs recognised under AASB 116 in Note 5.4 Public Private Partnerships note which no longer exists. The 2021-22 comparative figures have been restated to reflect this addition.

# Other assets and liabilities

### Introduction

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

### Structure

**Assets**

[6.1 Investments in other sector entities 96](#_Toc144287107)

[6.2 Inventories 97](#_Toc144287108)

[6.3 Receivables and contract assets 98](#_Toc144287109)

**Liabilities**

[6.4 Payables and contract liabilities 99](#_Toc144287110)

[6.5 Superannuation 100](#_Toc144287111)

[6.6 Other provisions 106](#_Toc144287112)

## Investments in other sector entities

The general government sector investments in other sector entities are measured at net asset value. Where the carrying amount is less than zero (before consolidation), the amount is not included in the general government sector, but the net liabilities will be consolidated at the state level.

The net gain/(loss) on equity investments in other sector entities is measured at the proportional share of the carrying amount of net assets and represents the net gain or loss relating to the equity held by the general government sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary’s carrying amount of net assets before elimination of inter-sector balances.

Investments in other sector entities ($ million)

|  | 2023 | 2022 |
| --- | --- | --- |
| Balance of investment in PNFC and PFC sectors at beginning of period | 89 162 | 73 125 |
| Net contributions/(returns) to other sectors by owner | 3 450 | 4 203 |
| Revaluation gain/(loss) for period (a) | 3 431 | 11 834 |
| **Total investments in other sector entities** | **96 042** | **89 162** |

Note:

(a) Year-on-year change mainly relates to a revaluation gain in 2022 on the Treasury Corporation of Victoria’s external loan liabilities due to an increase in interest rates.

## Inventories

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **At cost** |  |  |  |  |
| Raw materials | 9 | 9 | 8 | 8 |
| Work in progress | 204 | 134 | 7 | 4 |
| Finished goods | 66 | 70 | 4 | 6 |
| Consumable stores | 644 | 1 294 | 549 | 1 220 |
| Land and other assets held as inventory | 923 | 939 | 6 | 24 |
| **At net realisable value** |  |  |  |  |
| Finished goods | .. | 2 | .. | .. |
| Consumable stores | 5 | 5 | .. | .. |
| **Total inventories** | **1 851** | **2 452** | **574** | **1 262** |

Inventories include goods and other property held either for sale, or for distribution at zero or nominal cost, or for consumption in the ordinary course of business operations.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories, including land held as inventory, are measured at the lower of cost and net realisable value.

Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

Cost includes an appropriate portion of fixed and variable overhead expenses. Cost is assigned to land held as inventory (undeveloped, under development and developed) and to other high-value, low‑volume inventory items on a specific identification of cost basis. Cost for all other inventory is measured on the basis of weighted average cost.

Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Other inventories include raw materials, work in progress, finished goods and consumable stores. They are measured at weighted average cost.

## Receivables and contract assets

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Contractual** |  |  |  |  |
| Sales of goods and services | 1 396 | 1 426 | 734 | 733 |
| Accrued investment income | 209 | 72 | 130 | 18 |
| Other receivables | 2 433 | 2 529 | 1 653 | 1 725 |
| Allowance for impairment losses of contractual receivables | (332) | (308) | (202) | (202) |
| **Statutory** |  |  |  |  |
| Sales of goods and services | 4 | 8 | 1 | 11 |
| Taxes receivable | 5 447 | 4 715 | 5 840 | 5 156 |
| Fines and regulatory fees | 2 594 | 2 729 | 2 593 | 2 728 |
| GST input tax credits recoverable | 1 435 | 1 446 | 600 | 604 |
| Other receivables | 9 | 3 | .. | .. |
| Allowance for impairment losses of statutory receivables | (2 303) | (2 368) | (2 303) | (2 368) |
| **Other** |  |  |  |  |
| Actuarially determined | 970 | 599 | .. | .. |
| Contract assets | 112 | 105 | 1 | 1 |
| **Total receivables and contract assets** | **11 973** | **10 955** | **9 046** | **8 406** |
| **Represented by:** |  |  |  |  |
| Current receivables and contract assets | 10 121 | 9 318 | 8 517 | 7 892 |
| Non‑current receivables and contract assets | 1 852 | 1 637 | 530 | 514 |

Receivables consist of:

* contractual receivables, classified as financial instruments
* statutory receivables that do not arise from contracts
* other actuarially determined receivables
* contract assets.

**Contractual receivables** are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Contractual receivables are classified as financial instruments (Note 7.1).

**Contract assets** relate to the State’s right to consideration in exchange for goods transferred to customers for works completed, but not yet billed at the reporting date. The contract assets are transferred to receivables when the State issues an invoice to the customer.

**Statutory receivables** are recognised and measured similarly to contractual receivables but are not classified as financial instruments because they do not arise from contracts.

**Allowance for impairment losses**: the State applies the simplified approach under AASB 9 for all contractual receivables and statutory receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk default and expected loss rates.

The expected loss rate is based on past history, existing market conditions as well as forward-looking estimates at the end of the financial year.

## Payables and contract liabilities

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Contractual** |  |  |  |  |
| Accounts payable | 2 411 | 2 261 | 865 | 828 |
| Accrued expenses | 6 182 | 5 828 | 5 356 | 5 148 |
| Grant of a right to the operator liability (a) | 19 799 | 10 344 | 19 725 | 10 305 |
| Unearned income | 11 755 | 10 769 | 1 960 | 1 203 |
| **Statutory** |  |  |  |  |
| Accrued taxes payable | 124 | 102 | 78 | 67 |
| Unearned income | 63 | .. | 63 | .. |
| **Other** |  |  |  |  |
| Contract liabilities | 598 | 596 | 352 | 342 |
| **Total payables and contract liabilities** | **40 932** | **29 899** | **28 398** | **17 893** |
| **Represented by:** |  |  |  |  |
| Current payables and contract liabilities | 12 615 | 10 898 | 8 544 | 7 244 |
| Non‑current payables and contract liabilities | 28 318 | 19 001 | 19 855 | 10 649 |

Note:

(a) The increase in the grant of a right to the operator liability is primarily due to the VicRoads Modernisation joint venture.

Payables consist of:

* contractual payables, such as accounts payable and accrued expenses
* grant of right to the operator liability
* statutory payables (accrued taxes payable), such as GST and fringe benefits tax payables
* unearned income
* contract liabilities.

**Contractual payables** are classified as financial instruments (Note 7.1) and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the State prior to the end of the financial year that are unpaid, and arise when the State becomes obliged to make future payments in respect of the purchase of those goods and services.

**Contract liabilities** relate to consideration received in advance from customers in which set performance obligations have not yet been satisfied at the end of the reporting period. The revenue is expected to be recognised in future periods as the performance obligations are satisfied.

At 30 June 2023, the liabilities primarily relate to consideration received in advance for membership subscriptions to Ambulance Victoria and from international students in the education sector, and developer and customer contributions towards infrastructure works in the water sector.

**Statutory payables** are recognised and measured similarly to contractual payables but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

**Unearned income** comprises upfront fees received for the medium term lease over the Port of Melbourne, unearned insurance premiums received and upfront licence revenue. This unearned income is recognised progressively as revenue over the term of the relevant arrangements.

**Grant of a right to the operator liabilities** relate to economic service concession arrangements and are recognised applying AASB 1059 (Note 5.3). It represents unearned revenue and is progressively reduced over the period of the arrangement in accordance with its substance (Note 2.6).

## Superannuation

The disclosure in this note is for the consolidated State of Victoria only, as the full value of the $18.9 billion superannuation liability is in the general government sector.

### Net superannuation liability

The State’s public sector defined benefit superannuation plans are responsible for the liability for employee superannuation entitlements. These plans are not consolidated in the *Annual Financial Report* as they are not controlled by the State. However, the majority of the superannuation liability is the responsibility of the State and is recognised accordingly.

At each reporting date, a net liability or asset is recognised in respect of defined benefit superannuation obligations. This is measured as the difference between the present value of the defined benefit obligations at the reporting date and the net market value of the defined benefit superannuation plans’ assets.

AASB 119 *Employee Benefits* requires the defined benefit obligation to include an assumed value of contributions tax relating to service before the reporting date or on benefits resulting from that service. The contributions tax component is calculated as the present value of the tax that is estimated to be paid on contributions that are expected to be made to fund the past service liability. These tax payments have been determined based on the deficit (if any) valued using the funding valuation assumptions, which is smaller than the deficit shown in these statements valued using the AASB 119 assumptions. The expected payments are then discounted to the reporting date using the AASB 119 discount rate.

The superannuation liabilities of agencies for which the State is not responsible, such as universities, are not reflected in the balance sheet.

**Defined benefit plans**: these provide benefits based on years of service and final average salary. At each reporting date, a liability or asset is recognised in respect of defined benefit superannuation obligations.

The present value of defined benefit obligations is based upon future payments, which are expected to arise due to membership of the superannuation plan to date, taking into account the taxes payable by the plan.

Consideration is given to expected future salary levels and employee departures. Expected future payments are discounted to present values using yields applying to long-term Commonwealth Government bonds.

Salary and pension inflation rates are actuarial assumptions based on fund experience along with long term economic and market indicators. (Refer to change in financial assumptions disclosures below)

**Defined contribution plans**: the State has no obligation to fund any shortfall in these funds and is only responsible for meeting agreed and/or legislated contribution requirements.

Net superannuation liability ($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2023 | 2022 |
| **Emergency Services and State Super** |  |  |
| Defined benefit obligation | 40 541 | 40 138 |
| Tax liability (a) | 2 122 | 1 943 |
| Plan assets | (24 757) | (23 487) |
| **Net liability/(asset)** | **17 907** | **18 594** |
| **Other funds (b)** |  |  |
| Defined benefit obligation | 2 542 | 2 718 |
| Tax liability (a) | .. | .. |
| Plan assets | (1 545) | (1 556) |
| **Net liability/(asset)** | **997** | **1 161** |
| **Total superannuation** |  |  |
| Defined benefit obligation | 43 083 | 42 856 |
| Tax liability (a) | 2 122 | 1 943 |
| Plan assets | (26 301) | (25 043) |
| **Superannuation liability** | **18 904** | **19 756** |
| **Represented by:** |  |  |
| Current liability (c) | 279 | 992 |
| Non-current liability (c) | 18 625 | 18 764 |
| **Total superannuation liability** | **18 904** | **19 756** |

Notes:

(a) Tax liability represents the present value of tax payments on contributions that are expected to be required to fund accrued benefits.

(b) Other funds include constitutionally protected schemes and the State’s share of liabilities of the defined benefit scheme of the Health Super Fund (which is now part of Aware Super).

(c) The 2022 superannuation liability balances have been reclassified from current to non-current to more correctly reflect the nature of the transactions.

Reconciliation of the defined benefit obligation ($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2023 | 2022 |
| **Opening balance of defined benefit obligation** | **44 799** | **54 079** |
| Current service cost | 993 | 1 352 |
| Interest cost | 1 630 | 928 |
| Contributions by plan participants | 241 | 215 |
| Remeasurements: |  |  |
| Actuarial (gain)/loss arising from change in financial assumptions | (983) | (8 884) |
| Actuarial (gain)/loss arising from change in demographic assumptions | .. | .. |
| Actuarial (gain)/loss due to other experience | 1 388 | (497) |
| Benefits paid | (2 863) | (2 395) |
| **Closing balance of defined benefit obligation** | **45 205** | **44 799** |

Reconciliation of the fair value of plan assets ($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2023 | 2022 |
| **Opening balance of plan assets** | **25 043** | **26 834** |
| Interest income | 910 | 447 |
| Remeasurements: |  |  |
| Expected return on plan assets excluding interest income | 836 | 1 299 |
| Actuarial gain/(loss) relative to expected return | 941 | (2 859) |
| Employer contributions | 1 193 | 1 502 |
| Contributions by plan participants | 241 | 215 |
| Benefits paid (including tax paid) | (2 863) | (2 395) |
| **Closing balance of plan assets** | **26 301** | **25 043** |

### The State’s defined benefit superannuation plans

The State’s defined benefit superannuation plans provide benefits based on years of service and final average salary. These are:

* State Super Funds (SSF), a collection of defined benefit schemes providing both lump sum and pension benefits (Revised Scheme, New Scheme, State Employees Retirement Benefits Scheme, Transport Scheme, Melbourne Water Corporation Employees Superannuation Scheme, Port of Melbourne Authority Superannuation Scheme and Parliamentary Contributory Superannuation Fund). All schemes are now closed to new members.
* Emergency Services Superannuation Scheme Defined Benefit (ESSS DB), a defined benefit lump sum scheme, which remains open to new members. It also has a number of pensioners remaining from prior schemes.
* Constitutionally Protected Pension Schemes, defined benefit pensions that continue to be provided to new office holders.
* Health Super Division of Aware Super (Health Super), a defined benefit scheme that provides both lump sum and pension benefits. This scheme is closed to new members.

The SSF, ESSS DB and Constitutionally Protected Pension Schemes are exempt public sector superannuation schemes. These schemes comply with national superannuation standards under a Heads of Government Agreement, and are treated as complying for concessional tax and superannuation guarantee purposes.

The Emergency Services Superannuation Board (ESSB) is responsible for the governance of the SSF and ESSS DB and acts as paying agent for constitutionally protected pensions. The ESSB has the following roles:

* Administration of the schemes, including payment of benefits to beneficiaries in accordance with the governing rules of the schemes. The administration service has been outsourced to Iress (previously Financial Synergy Holdings Pty Ltd).
* Management and investment of the assets of the schemes, the responsibility for which is primarily outsourced to the Victorian Funds Management Corporation (VFMC).
* Compliance with superannuation law and other applicable regulations in accordance with the Heads of Government Agreement.

Constitutionally protected pensions are governed by Victorian acts for which the Attorney-General is responsible.

Aware Super is a regulated public offer superannuation fund. Aware Super Pty Ltd (ASPL) is responsible for the governance of Aware Super and therefore Health Super. As trustee, ASPL has the following roles:

* Administration of Health Super, including payment of benefits to beneficiaries in accordance with the governing rules.
* Management and investment of the assets of Health Super.
* Compliance with superannuation law and other applicable regulations.

### Superannuation assumptions

The significant actuarial assumptions used for superannuation reporting purposes are the discount rate, future rates of wages growth and the inflation rate that is used to index pensions, (while the expected return on assets is included for completeness), as detailed below.

| Victorian statutory |  | Financial | Per cent per annum | |
| --- | --- | --- | --- | --- |
| superannuation funds | Actuary | assumptions | 2023 | 2022 |
| Emergency Services and State Super | PwC Securities Ltd. | Expected return on assets (a) | 7.0 | 7.6 |
|  |  | Discount rate (b) | 4.2 | 3.8 |
|  |  | Wages growth (c) | 3.3 | 3.7 |
|  |  | Inflation rate (c) | 2.5 | 2.2 |
| Constitutionally Protected Pensions | PwC Securities Ltd. | Discount rate (b) | 4.2 | 3.8 |
|  |  | Wages growth (c) | 3.3 | 3.7 |
|  |  | Inflation rate (c) | n.a. | n.a. |
| Health Super Fund | Mercer (Australia) Pty. Ltd. | Expected return on assets (a) | 5.0 | 3.8 |
|  |  | Discount rate (b) | 4.2 | 3.8 |
|  |  | Wages growth (c) | 3.3 | 3.7 |
|  |  | Inflation rate (c) | 2.5 | 2.2 |

Notes:

(a) The expected return on assets stated is gross of tax. This rate is adjusted in the calculation process to reflect the assumed rate of tax payable by each scheme.

(b) In accordance with accounting standards, the discount rate is based on a long-term Commonwealth bond rate. The rate stated above is an annual effective rate, gross of tax.

(c) The wages growth and inflation rates in this table are actuarial assumptions based on fund experiences along with long term economic and market indicators and do not reflect the Government’s wages policy. The wages growth assumption at 30 June 2023 is the weighted average of the scheme specific wage growth rates. The inflation rate shown above is the long-term assumption applied in determining the defined benefit obligation.

### Change in financial assumptions for wages growth

For previous financial reports, the inflation assumptions adopted for superannuation valuation purposes, under AASB 119, were based on the relationship between the yields on nominal and index linked Commonwealth Government bonds. In particular, the rate at which pensions were assumed to increase, which is linked to price inflation, was determined based on the relationship between the yields on nominal and inflation linked Commonwealth Government bonds with terms similar to that of the liability and included an allowance for an inflation risk premium. Based on the historical relationship between price and wage inflation, salaries were assumed to increase by 1.5 per cent per annum more than price inflation.

This approach has been changed effective from 30 June 2023, such that the wage growth and inflation assumptions are now determined based on fund experience along with long‑term economic and market indicators. This simplifies the assumption setting process and better aligns it with the approach adopted for most other government and corporate schemes.

Both the prior and current approaches to setting wage growth and inflation assumptions are acceptable under AASB 119 and are consistent with actuarial guidance.

### Impact of the change in inflation assumptions

The change in the approach to setting inflation assumptions as at 30 June 2023 had the following impact on the assumptions adopted as outlined below.

(per cent)

|  | Prior basis | New basis | Difference |
| --- | --- | --- | --- |
| Discount rate per annum (p.a.) | 4.2 | 4.2 | 0.0 |
| Salary increase rate p.a (excluding promotional) | 3.9 | 3.3 | (0.6) |
| Future pension increase rate p.a (2024-25 and onwards) | 2.4 | 2.5 | 0.1 |

The change in approach to setting the wage growth and inflation assumptions is estimated to have increased the defined benefit obligation at 30 June 2023 by approximately $20 million. This is recognised as a remeasurement in other comprehensive income.

This change in approach to setting inflation assumptions does not impact the superannuation expense from transactions for 2022‑23, and its impact in future years will depend on the relative change in the inflation assumptions that are adopted over time.

### Market volatility and bond yield movements

High inflation and rising interest rates, along with concerns regarding geopolitical tensions, contributed to a fall in global markets over the later stages of 2021-22 resulting in negative overall portfolio returns.

This negative market sentiment continued in the early part of 2022-23. However, the second half of 2022‑23 was positively impacted by signs of easing inflation pressures and resilient company earnings, especially within the large cap technology stocks exposed to Artificial Intelligence.

This resulted in the investment returns on the State’s defined benefit superannuation assets exceeding expectations in 2022-23.

The favourable impact this had on the State’s superannuation liability was partially offset by an increase in the defined benefit superannuation obligation (DBO). This increase was primarily attributable to increases in actual and expected inflation partly offset by the impact of an increase in the Commonwealth Government bond yield that underlies the superannuation valuation assumptions and relative reduction in the rate of wage growth in 2022-23.

Overall, the State’s superannuation liability decreased by $852 million in the year to 30 June 2023.

It is important to note that changes in the reported superannuation liability that arise solely due to changes in the bond yields that underlie its valuation do not affect the amount of cash required to fund this liability over time. However, superannuation funding requirements will vary over time based on any differences between the actual and expected returns on superannuation assets.

### Sensitivity analysis

The key risks associated with the State’s defined benefit superannuation plans are:

* investment risk – the risk that investment returns will be lower than assumed and that State contributions will need to increase to offset the shortfall
* wages growth risk – the risk that wages or salaries (on which future benefits are based) will rise more rapidly than assumed, thereby increasing defined benefits and requiring additional employer contributions
* pension growth risk – the risk that CPI and therefore pension increases will be higher than assumed, thereby increasing defined benefit pension payments and requiring additional employer contributions
* longevity risk – the risk that pensioners will live longer than expected, thereby increasing defined benefit pension payments and requiring additional employer contributions.

To illustrate the impact that movements in these assumptions can have on the State’s superannuation liability, the defined benefit obligation has been remeasured under the scenarios below.

The assumptions below have been adjusted while maintaining all other assumptions. There have been no changes to the methods and assumptions used to prepare this sensitivity analysis since the prior period.

These scenarios are expected to have the following impact on the State’s defined benefit obligation.

|  |  |  | Discount rate | Wage growth | Inflation rate |
| --- | --- | --- | --- | --- | --- |
|  |  | Base case | plus 0.25 per cent | plus 0.25 per cent | plus 0.25 per cent |
| Discount rate | (per cent a year) | 4.2 | 4.5 | 4.2 | 4.2 |
| Salary growth | (per cent a year) | 3.3 | 3.3 | 3.5 | 3.3 |
| Inflation rate | (per cent a year) | 2.5 | 2.5 | 2.5 | 2.8 |
| **Estimated increase / (decrease)** | (per cent) | **n.a** | **(2.7)** | **0.4** | **2.0** |
| **Estimated increase / (decrease) in defined benefit obligation** | **($ million)** | **n.a** | **(1 203)** | **178** | **891** |

Target asset allocation (per cent)

| Asset class | 2023 | 2022 |
| --- | --- | --- |
| Domestic equity | 20.9 | 19.2 |
| International equity | 28.8 | 28.9 |
| Domestic debt assets | 16.4 | 17.3 |
| International debt assets | 3.8 | 4.3 |
| Property | 7.8 | 7.4 |
| Cash | 7.2 | 7.7 |
| Other (including private equity, hedge funds and infrastructure) | 15.1 | 15.2 |
| **Total** | **100** | **100** |

The assets are invested in the asset classes shown above. The chosen assets are not designed to match the liabilities exactly. However, the nature of the liabilities is considered in setting the investment strategy.

### Funding arrangements

The funding arrangements for each defined benefit plan are as follows:

* SSF – the scheme is partially funded, with participating employers generally contributing the cost of service as it accrues while the State meets the cost of past service
* ESSS DB – a funded scheme, with a funding target of 110 per cent to 120 per cent of vested benefits. The board’s shortfall limit is 95 per cent of vested benefits
* Constitutionally Protected Pension Schemes – unfunded schemes (i.e. there are no assets) and benefits are paid from the Consolidated Fund as they fall due
* Health Super – a funded scheme where employers contribute in accordance with the actuary’s recommendations, which are designed to maintain scheme assets in excess of 100 per cent of the scheme’s vested benefits.

In the 2023-24 financial year, employer contributions of $881 million, in total, are expected to be paid to the defined benefit plans. Of this, $279 million relates to the funding of the SSF’s past service liability.

The weighted average duration of the defined benefit obligation is approximately 11.0 years.

## Other provisions

($ million)

|  | State of Victoria | | General  government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 3 805 | 3 499 | .. | .. |
| Transport Accident Commission | 1 602 | 1 609 | .. | .. |
| Victorian Managed Insurance Authority | 920 | 650 | .. | .. |
| Other agencies | 102 | 63 | 100 | 61 |
| **Current provision for insurance claims** | **6 428** | **5 821** | **100** | **61** |
| Other provisions | 2 285 | 1 400 | 1 963 | 1 109 |
| **Total current other provisions** | **8 713** | **7 222** | **2 063** | **1 169** |
| **Non‑current provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 22 841 | 20 813 | .. | .. |
| Transport Accident Commission | 15 114 | 15 630 | .. | .. |
| Victorian Managed Insurance Authority | 2 540 | 2 201 | .. | .. |
| Other agencies | 123 | 97 | 122 | 97 |
| **Non‑current provision for insurance claims** | **40 618** | **38 741** | **122** | **97** |
| Other provisions | 798 | 833 | 765 | 815 |
| **Total non‑current other provisions** | **41 417** | **39 574** | **887** | **912** |
| **Total other provisions** | **50 129** | **46 795** | **2 950** | **2 082** |

Other provisions are recognised when the State has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset when recovery is virtually certain and the amount of the receivable can be measured reliably.

### Insurance claims

#### Assumptions used in measurement of liability for outstanding insurance claims

The liability for outstanding insurance claims is independently assessed by actuaries. It covers claims reported but not yet paid, claims incurred but not yet reported, and the anticipated costs of settling those claims. Due to the inherent uncertainty in the estimate of the outstanding insurance claims, a risk margin is included. The risk margin is set to increase the probability that the liability estimate will be sufficient to 75 per cent.

The actuaries take into account projected inflation and other factors to arrive at expected future payments. These are then discounted to the reporting date using a market determined, risk-free discount rate to determine the liability for outstanding insurance claims.

### Market volatility and bond yield movements

The State’s insurance agencies hold significant assets that are invested to support their claims liabilities. The return on these investments impact on an insurer’s net asset position. Despite strong financial market performance in the first half of 2021-22, high inflation and rising interest rates which, along with concerns regarding geopolitical tensions, contributed to a fall in global markets over the later stages of 2021-22 resulting in negative overall portfolio returns. This negative market sentiment continued in the early part of 2022-23. However, the second half of 2022‑23 was positively impacted by signs of easing inflation pressures and resilient company earnings, especially within the large cap technology stocks exposed to Artificial Intelligence. As a result, the investment returns on the portfolios invested by the State’s insurance agencies were positive in 2022-23.

The Insurer’s net asset position is also sensitive to Commonwealth Government bond yields which, in accordance with Australian Accounting Standards, underlie the discount rates used to value the State insurance agencies’ outstanding claims liabilities. Commonwealth Government bond yields increased in 2022-23, which reduced the value of the State insurance agencies’ outstanding claims liabilities.

Reconciliation of movements in insurance claims (a) ($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2023 | 2022 |
| Opening balance | 44 562 | 47 432 |
| Effect of changes in assumptions and claims experience | (1 704) | (5 973) |
| Cost of prior year claims (unwinding of discount) | 1 312 | 920 |
| Increase in claims incurred (b) | 9 104 | 7 443 |
| Claim payments during the year (b) | (5 243) | (4 685) |
| Other | (986) | (575) |
| **Closing balance** | **47 046** | **44 562** |

Notes:

(a) Reconciliation of movements in insurance claims is only disclosed for the whole of state as they are only material for the State’s insurance agencies in the public financial corporations sector.

(b) Claim payments and claims incurred during the year are net of recoveries.

Insurance claims assumptions

|  |  | Weighted average | | Financial assumptions used (%) (a)(b)(c) | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | expected term to settlement (years) | | Weighted average inflation rate (%) (d) | | Weighted average discount rate (%) | | Prudential margin used (%) (e) | |
| Entity | Actuary | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Victorian WorkCover Authority (WorkSafe Victoria) | PwC Actuarial Ltd. | 7.50 | 7.40 | AWE inflation 0 to 20 years = 3.58 21+ years = 3.55  CPI inflation 0 to 20 years = 2.71 21+ years = 2.55 | AWE inflation 0 to 20 years = 3.20 21+ years = 3.37  CPI inflation 0 to 20 years = 2.72 21+ years = 2.37 | 0 to 20 years = 4.21 21+ years = 4.61 | 0 to 20 years = 3.69 21+ years = 4.24 | 10.00 | 10.00 |
| Transport Accident Commission | Finity Consulting Pty. Ltd. | 13.60 | 15.80 | AWE inflation 0 to 20 years = 3.41 21+ years = 3.42  CPI inflation 0 to 20 years = 3.80 21+ years = 2.83 | AWE inflation 0 to 20 years = 3.26 21+ years = 3.40  CPI inflation 0 to 20 years = 2.59 21+ years = 2.40 | 0 to 20 years = 4.21 21+ years = 4.49 | 0 to 20 years = 3.82 21+ years = 4.30 | 11.00 | 11.00 |
| Victorian Managed Insurance Authority | Finity Consulting Pty. Ltd. (Medical Indemnity) | 4.00 | 3.90 | 6.90 | 6.60 | 4.10 | 3.40 | Risk margin = 7.50 CHE = 2.00 | Risk margin = 13.50 CHE = 2.00 |
| Victorian Managed Insurance Authority | Finity Consulting Pty Ltd. (Liability) | 2.30 | 2.30 | 3.40 | 3.00 | 4.10 | 3.00 | Risk margin = 31.70 CHE = 3.00 | Risk margin = 25.80 CHE = 4.00 |
| Victorian Managed Insurance Authority | Finity Consulting Pty. Ltd. (Property) | 1.50 | 1.40 | 3.40 | 3.00 | 4.10 | 3.00 | Risk margin = 14.30 CHE = 1.40 | Risk margin = 14.00 CHE = 4.00 |
| Victorian Managed Insurance Authority | Finity Consulting Pty. Ltd. (Other) | 2.10 | 1.90 | 3.40 | 3.00 | 4.10 | 3.00 | Risk margin = 17.50 CHE = 3.00 | Risk margin = 17.50 CHE = 4.00 |
| Victorian Managed Insurance Authority | Finity Consulting Pty. Ltd. (Dust Diseases and Workers’ Compensation) | 8.80 | 9.50 | 5.40 | 5.25 | 4.30 | 3.80 | Risk margin = 28.50 CHE = 4.00 | Risk margin = 28.50 CHE = 3.30 |
| Victorian Managed Insurance Authority | Finity Consulting Pty. Ltd. (Domestic Building Insurance) | 2.40 | 2.70 | 3.40 | 3.00 | 4.10 | 3.20 | Risk margin = 23.50 CHE = 3.50 | Risk margin = 23.50 CHE = 4.50 |
| Victorian Managed Insurance Authority | Finity Consulting Pty. Ltd. (Construction) | 2.80 | 2.80 | 3.40 | 3.00 | 4.10 | 3.00 | Risk margin = 31.70 CHE = 3.00 | Risk margin = 31.70 CHE = 4.00 |

Notes:

(a) The inflation rate assumptions are based on the anticipated rise in costs relevant to a particular entity.

(b) Financial assumptions used for provisions not later than 1 year and later than 1 year are the same unless otherwise specified.

(c) Data in the Financial assumptions used columns are weighted averages unless otherwise specified.

(d) AWE = Victorian Average Weekly Earnings.

(e) CHE refers to claims handling expenses. These are the direct expenses that are expected to be incurred when settling claims.

# Risks, contingencies and valuation judgements

### 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, contingent assets and liabilities, and fair value determinations on the State’s assets and liabilities.

### Structure

[7.1 Financial instruments 109](#_Toc143255777)

[7.2 Contingent assets and contingent liabilities   
(State of Victoria) 124](#_Toc143255778)

[7.3 Fair value determination 128](#_Toc143255779)

[7.4 Fair value determination of financial assets   
and liabilities 130](#_Toc143255780)

[7.5 Fair value determination of non‑financial assets 133](#_Toc143255781)

## Financial instruments

### Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the State’s activities, certain assets and liabilities arise under statute rather than a contract (for example, taxes, fines and penalties). Such assets and liabilities (statutory receivables and payables) are initially recognised and measured in the same manner as financial instruments, even though they are not financial instruments. The disclosure requirements associated with financial instruments therefore do not apply.

The main purposes for the State to hold financial instruments are:

* for liquidity management purposes
* to manage financial risk
* to fund the State’s capital expenditure program
* to meet long-term insurance and superannuation liabilities.

Categories of financial instruments ($ million)

| 2023 | State of Victoria | General government sector |
| --- | --- | --- |
| **Financial assets** |  |  |
| Cash and deposits | 25 678 | 19 698 |
| Financial assets designated at fair value through profit or loss | 62 426 | 2 602 |
| Financial assets mandatorily measured at fair value through profit or loss | 381 | 133 |
| Financial assets at amortised cost | 5 024 | 7 963 |
| Financial assets measured at fair value through other comprehensive income | 17 | 17 |
| Investment in equity instrument designated at fair value through other comprehensive income | 762 | 761 |
| **Total financial assets (a)** | **94 289** | **31 174** |
| **Financial liabilities** |  |  |
| Financial liabilities designated at fair value through profit and loss | 131 633 | 1 |
| Financial liabilities mandatorily measured at fair value through profit or loss | 724 | 212 |
| Financial liabilities at amortised cost | 42 912 | 149 912 |
| **Total financial liabilities (b)** | **175 269** | **150 125** |

| 2022 |  |  |
| --- | --- | --- |
| **Financial assets** |  |  |
| Cash and deposits | 17 258 | 10 974 |
| Financial assets designated at fair value through profit or loss (c) | 54 250 | 2 294 |
| Financial asset mandatorily measured at fair value through profit or loss | 707 | 431 |
| Financial assets at amortised cost | 4 517 | 7 349 |
| Financial assets measured at fair value through other comprehensive income | 17 | 17 |
| Investment in equity instrument designated at fair value through other comprehensive income (c) | 483 | 482 |
| **Total financial assets (a)** | **77 233** | **21 548** |
| **Financial liabilities** |  |  |
| Financial liabilities designated at fair value through profit and loss | 106 487 | 2 |
| Financial liabilities mandatorily measured at fair value through profit or loss | 851 | 327 |
| Financial liabilities at amortised cost | 38 902 | 124 899 |
| **Total financial liabilities (b)** | **146 240** | **125 227** |

Notes:

(a) The State’s total financial assets exclude statutory receivables, contract assets and other receivables of $8 268 million ($7 236 million in 2022) while the general government sector’s total financial assets exclude statutory receivables and contract assets of $6 731 million ($6 132 million in 2022).

(b) The State’s total financial liabilities exclude statutory taxes payable, unearned income, contract liabilities, grant of right to the operator liability and advance premiums of $32 393 million ($21 870 million in 2022) while the general government sector’s total financial liabilities exclude statutory taxes payable, contract liabilities, grant of right to the operator liability, and unearned income of $22 177 million ($11 917 million in 2022).

(c) The 2022 figures have been reclassified to reflect more current information.

### Categories of financial instruments

**Financial assets at amortised cost** are classified within this category if both of the following criteria are met and the assets are not designated as fair value through profit or loss:

* the assets are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows
* the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are initially recognised on the date they originated and initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest method (less any impairment).

**Financial assets measured at fair value through other comprehensive income**

Debt instruments are measured at fair value through other comprehensive income as an irrevocable designation choice if both of the following criteria are met and the assets are not designated as fair value through profit or loss:

* the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
* the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments are measured at fair value through other comprehensive income if the assets are not held for trading and the State has irrevocably elected at initial recognition to recognise these equity investments in this category.

Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in other economic flows – other comprehensive income.

Upon disposal of these equity instruments, any related balance in fair value reserve is reclassified to accumulated surplus.

**Financial assets at fair value through profit or loss**

At initial recognition, an irrevocable designation at fair value through profit or loss is allowed subject to certain criteria. Financial instruments may be designated at fair value through profit or loss, if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases.

Financial instruments at fair value through the profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows

unless the changes in fair value relate to changes in the State’s own credit risk. In this case, the portion of the change attributable to changes in the State’s own credit risk is recognised in other comprehensive income, with no subsequent recycling to net result when the financial liability is derecognised. The State recognises some debt securities that are held for trading in this category and designated certain debt securities as fair value through net result in this category.

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through the net result on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies.

**Financial liabilities at amortised cost** are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the interest bearing liability, using the effective interest rate method (refer to Note 5.1).

Financial instrument liabilities measured at amortised cost include all of the State’s payables, deposits held and advances received, and interest bearing arrangements other than those designated at fair value through profit or loss.

**Derivative financial instruments** are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as a other economic flows included in the net result.

### Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised in any of the following instances:

* the rights to receive cash flows from the asset have expired
* the State retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass through arrangement
* the State has transferred its rights to receive cash flows from the asset and either:
  1. has transferred substantially all the risks and rewards of the asset
  2. has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the State has retained substantially all the risks and rewards and not transferred control, the asset is recognised to the extent of the State’s continuing involvement in the asset.

Upon disposal of debt instruments measured at fair value to other comprehensive income, any related balance in the fair value reserve is reclassified to profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an other economic flow in the consolidated comprehensive operating statement.

**Reclassification of financial instruments**

Subsequent to initial recognition, reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through the net result, fair value through other comprehensive income and amortised cost when and only when the State’s business model for managing its financial assets has changed such that its previous classification would no longer apply.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in the net result.

### Impairment of financial assets

The State records the allowance for impairment for the relevant financial instruments consistent with the expected credit loss approach required by AASB 9. Subject to AASB 9, impairment assessments include the State’s contractual receivables, statutory receivables and its investment in debt instruments.

All financial instrument assets, except those measured at fair value through profit or loss, are subject to review at each reporting date.

Recognition of a loss allowance for expected credit losses on a financial asset is required. Under the general approach, if the credit risk for a financial asset has increased significantly, then the loss allowance is measured at an amount equal to the lifetime expected credit losses. If the credit risk has not increased significantly, then the loss allowance is measured at an amount equal to 12 months’ expected credit losses. Under the simplified approach that has been applied to trade receivables, and statutory receivables the measurement of their loss allowance is at an amount equal to lifetime expected credit losses.

### Financial risk management

The State is exposed to a number of financial risks, including:

As a whole, the State’s financial risk management program seeks to manage these risks and the associated volatility on its financial performance.

Responsible and prudent financial risk management is carried out individually by the State’s entities, in accordance with the State’s risk management framework, developed by the Department of Treasury and Finance (DTF) and established by the Treasurer. The State’s risk management framework comprises the following key components:

* The Treasurer is responsible for approving and establishing the prudential framework containing policies and guidelines on financial risk management
* The Senior Executive Group of DTF is responsible for advising the Government on the management of the State’s financial risks
* DTF’s Financial Assets and Liabilities Group provides oversight of the State’s key financial balance sheet and financial market risks. These risks relate to the State’s investments, borrowings, superannuation and insurance claims liabilities, as well as exposures to interest rate, foreign exchange and commodity price volatility and liquidity position
* DTF administers the State’s Central Banking System (CBS). The CBS is a DTF cash management initiative that allows the State to reduce its external borrowings, resulting in interest savings. Savings are achieved through a bank account pooling arrangement of department and agency accounts, utilising surplus funds to reduce the State’s funding requirements.
* TCV is the State’s central borrowing authority and financing advisor. An independent prudential supervisor is appointed by the Treasurer to monitor TCV’s compliance with its prudential framework
* VFMC acts as the State’s central investment fund manager providing expertise in developing investment strategy and providing funds management services in accordance with each entity’s investment objectives. An independent prudential supervisor is appointed by the Treasurer to monitor VFMC’s compliance with its prudential framework
* The State’s entities are responsible for setting their own financial risk policy and objectives in accordance with the Standing Directions 2018 (Standing Directions) under the *Financial Management Act 1994*. All entities are responsible for the day-to-day operational management of their financial instruments and associated risks in accordance with the Standing Directions.

The Standing Directions cover areas such as financial management objectives, responsibility structure and delegation, and policies and guidance on interest rate risk, foreign exchange risk, counterparty risk, commodity price risk, investment risk, credit risk, liquidity risk and operational risk. The Accountable Officer of each of the State’s entities is responsible for advising its board, the responsible Minister, DTF and, for Portfolio Agencies, the Accountable Officer of their Portfolio Department of any material compliance deficiency, and of planned and completed remedial actions, as soon as practicable.

A number of the State’s entities enter into derivative financial instruments in accordance with the Treasurer’s prudential and financial management framework, in order to manage their exposure to movements in interest rates, foreign currency exchange rates and commodity-related exposures.

These derivative financial instruments, which include interest rate swaps, futures and forward foreign exchange contracts, are used to manage the risks inherent in either borrowings, financial asset investments or cash flow denominated in foreign currency. Derivative financial instruments are not used to add leverage to the State’s financial position.

### Interest rate risk

The State is exposed to interest rate risk through borrowings and investments in interest bearing financial assets, such as deposits and debt securities. Interest rate risk could be in the form of fair value risk or cash flow risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. It relates to financial instruments with fixed interest rates measured at fair value and represents the most significant interest rate risk for the State.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Only a small portion of the State’s financial instruments are exposed to cash flow interest rate risk and these arise from financial assets and financial liabilities with floating interest rates, which are measured at amortised cost.

The interest rate exposure table provides details of the carrying amounts of financial assets and liabilities that expose the State to either interest rate fair value risk or interest rate cash flow risk.

Interest rate exposure as at 30 June ($ million)

|  | State of Victoria | | | |  | General government sector | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2023 | Floating rate | Fixed rate | Non‑interest bearing | Total |  | Floating rate | Fixed rate | Non‑interest bearing | Total |
| **Financial assets** |  |  |  |  |  |  |  |  |  |
| Cash and deposits | 25 207 | 175 | 297 | 25 678 |  | 19 291 | 160 | 247 | 19 698 |
| Receivables | 128 | 5 | 3 573 | 3 705 |  | 29 | 50 | 2 236 | 2 315 |
| Advances paid | 1 | 28 | 901 | 930 |  | 228 | 4 051 | 1 029 | 5 308 |
| Term deposits | 43 | 1 789 | .. | 1 832 |  | 9 | 193 | .. | 202 |
| Derivative financial instruments | 5 | 213 | 246 | 464 |  | 5 | .. | 127 | 133 |
| Equities and managed investment schemes | 802 | .. | 45 091 | 45 894 |  | 411 | .. | 3 082 | 3 493 |
| Debt securities | 1 399 | 14 378 | 8 | 15 785 |  | 17 | .. | 8 | 25 |
| **Total financial assets** | **27 585** | **16 588** | **50 115** | **94 289** |  | **19 991** | **4 454** | **6 729** | **31 174** |
| **Financial liabilities** |  |  |  |  |  |  |  |  |  |
| Payables, deposits held and advances received | 370 | 23 | 9 923 | 10 317 |  | 526 | 23 | 7 288 | 7 836 |
| Derivative financial instruments | .. | 504 | 947 | 1 451 |  | 4 | .. | 211 | 215 |
| Interest‑bearing liabilities | 13 173 | 133 591 | .. | 146 765 |  | 12 146 | 115 444 | .. | 127 589 |
| Lease liabilities | 614 | 7 309 | 592 | 8 515 |  | 600 | 7 031 | 296 | 7 927 |
| Service concession arrangement liabilities | .. | 8 222 | .. | 8 222 |  | .. | 6 557 | .. | 6 557 |
| **Total financial liabilities** | **14 158** | **149 650** | **11 462** | **175 269** |  | **13 276** | **129 055** | **7 795** | **150 125** |

| 2022 |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial assets** |  |  |  |  |  |  |  |  |  |
| Cash and deposits | 16 422 | 137 | 699 | 17 258 |  | 10 346 | 121 | 508 | 10 974 |
| Receivables | 126 | 8 | 3 585 | 3 719 |  | 34 | 7 | 2 234 | 2 274 |
| Advances paid | 150 | 46 | 436 | 632 |  | 617 | 3 588 | 724 | 4 929 |
| Term deposits | 38 | 4 341 | .. | 4 380 |  | 8 | 134 | .. | 142 |
| Derivative financial instruments | .. | 210 | 1 139 | 1 348 |  | .. | .. | 431 | 431 |
| Equities and managed investment schemes | 1 205 | 26 | 39 195 | 40 426 |  | 1 152 | 26 | 1 594 | 2 773 |
| Debt securities | 665 | 8 797 | 8 | 9 470 |  | 17 | .. | 8 | 25 |
| **Total financial assets** | **18 606** | **13 565** | **45 062** | **77 233** |  | **12 174** | **3 875** | **5 499** | **21 548** |
| **Financial liabilities** |  |  |  |  |  |  |  |  |  |
| Payables, deposits held and advances received | 834 | 25 | 8 895 | 9 754 |  | 1 141 | 25 | 6 641 | 7 807 |
| Derivative financial instruments | .. | 581 | 1 411 | 1 991 |  | 80 | .. | 251 | 331 |
| Interest‑bearing liabilities | 13 110 | 105 689 | .. | 118 798 |  | 8 633 | 93 942 | .. | 102 575 |
| Lease liabilities | 490 | 7 871 | 420 | 8 781 |  | 516 | 7 484 | 237 | 8 237 |
| Service concession arrangement liabilities | .. | 6 916 | .. | 6 916 |  | .. | 6 277 | .. | 6 277 |
| **Total financial liabilities** | **14 434** | **121 081** | **10 725** | **146 240** |  | **10 370** | **107 728** | **7 129** | **125 227** |

#### Interest rate risk management

The State’s policy for managing interest rate risk on borrowings is to achieve relative certainty of the cash interest cost impact on the net result from transactions on the operating statement, while seeking to minimise the net borrowing cost within portfolio risk management guidelines. Generally, this is achieved by undertaking fixed rate borrowings across a range of maturity profiles.

Derivative instruments, such as interest rate swaps and futures contracts, are used to either change the interest rate between fixed and floating rates of interest or between different floating rates of interest.

At 30 June 2023, approximately 88 per cent (90 per cent in 2022) of the State’s domestic borrowings are at fixed rates of interest. There has been no material change in the State’s exposure to interest rate risk or the manner in which it manages and measures the risk from the previous reporting period.

#### Interest rate sensitivity analysis on total borrowings

The State has analysed the possible effects of changes in interest rates on the total reported value of borrowings and the operating statement using the following assumptions:

* The impact of a movement in interest rates on the market value of total State borrowings for both derivative and non‑derivative instruments at the reporting date, and the stipulated change occurs at the beginning of the financial year and is held constant throughout the reporting period.
* An increase or decrease of 50 basis points (50 basis points in 2022). Based on historic movements, and in particular, management’s knowledge and experience of the recent volatility in global financial markets, the State has assessed that a movement of this magnitude is reasonably possible.
* No change in interest risk management as a result of changes in interest rates.

With all other variables held constant, the impact of a 50 basis point increase or decrease on market value of total net borrowings of the State is a $3.3 billion increase/$3.4 billion decrease (30 June 2022 $2.7 billion increase/$2.8 billion decrease of a 50 basis point impact). This revaluation impact on total net borrowings is unrealised, and is recognised in the operating statement as other economic flows and impacts the net result.

The sensitivity to interest rates is mainly attributable to the revaluation of fixed interest rate borrowings at fair value, but this does not impact on the net result from transactions.

### Foreign currency risk

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date the fair value was determined.

Foreign currency translation differences are recognised in other economic flows in the consolidated comprehensive operating statement, and accumulated in a separate component of equity in the period in which they arise.

The State is also exposed to foreign currency risk through investments in foreign currency denominated financial assets, primarily international equities. This exposure is mainly via the major currencies such as the United States dollar, Canadian dollar, Japanese yen, Swiss franc, the euro, Pound sterling and the New Zealand dollar.

The carrying amount of the State’s foreign currency denominated monetary assets and monetary liabilities at the reporting date is $5.4 billion ($5.4 billion in 2022) of equities and managed investment schemes and $677 million ($649 million in 2022) of foreign currency borrowings.

When managing foreign currency, VFMC, the State’s fund manager, determines an optimal foreign currency exposure range at the total portfolio level in accordance with the investment risk management plan approved by the Treasurer. In the implementation of this approach, international equities, and a portion of international debt investments, are unhedged, while other investments denominated in foreign currency, such as infrastructure and hedge funds, are hedged back to Australian dollars. In certain circumstances, in accordance with VFMC’s governance frameworks, VFMC may deviate from this approach with the aim of improving expected risk-adjusted portfolio outcomes.

TCV is the State’s central borrowing authority and part of its funding program consists of foreign currency borrowings. The State’s policy is to hedge any material foreign currency exposures arising from borrowings. TCV uses foreign exchange options, and spot and forward foreign exchange rate contracts, to manage offshore borrowings.

There has been no material change in the State’s exposure to foreign currency risk, or the manner in which it manages and measures this risk, since the previous reporting period.

#### Foreign currency sensitivity analysis

The State has analysed the possible effects that changes in exchange rates against the Australian dollar may have on its financial position and result based on:

* exposures to the pool of foreign currencies for both derivative and non‑derivative instruments at the reporting date
* historic movements, future expectations and management’s knowledge and experience of the foreign currency markets
* the stipulated change taking place at the beginning of the financial year and then held constant throughout the reporting period
* no change in foreign exchange risk management and associated hedging as a result of changes in foreign exchange rates.

On this basis, the State has assessed that it may be exposed to a 15 per cent increase or decrease in exchange rates against the Australian dollar (15 per cent in 2022).

With all other variables held constant, the impact of a 15 per cent increase or decrease in exchange rates at 30 June 2023 is a $1.9 billion increase/ $2.2 billion decrease ($455 million increase/ $511 million decrease in 2022) on economic flows and net assets. There is no direct impact on the net result from transactions.

### Equity price risk

The State is exposed to equity price risk from Australian and international investments in equities directly and indirectly via managed investment schemes or funds. These investments are selected as part of a diversified portfolio to match investment objectives appropriate to the State’s liabilities. The State limits its equity price risk by diversifying its investment portfolio. This is determined by VFMC, as reflected in the investment risk management plans approved by the Treasurer, and in accordance with the *Borrowing and Investments Powers Act 1987* and the prudential supervisory policies and framework of the State.

There has been no material change in the State’s exposure to equity price risk or the manner in which it manages and measures the risk since the previous reporting period.

#### Equity price sensitivity analysis

The State has analysed the possible effects that changes in equity prices may have on its financial position and result based on:

* exposures to equity securities for both derivative and non‑derivative instruments at the reporting date
* historic movements, future expectations and management’s knowledge and experience of the volatility of the equity markets
* the stipulated change taking place at the beginning of the financial year and then held constant throughout the reporting period
* no change in investment strategy / risk management as a result of the changes in equity prices.

On this basis, the State has assessed that it may be exposed to a 15 per cent increase or decrease in equity prices (increase or decrease of 15 per cent in 2022).

With all other variables held constant, a 15 per cent increase or decrease in listed equities prices at 30 June 2023 is expected to result in a $2.5 million increase/$2.5 million decrease ($2.3 million increase/$2.3 million decrease in 2022) in other economic flows and net assets. On the same basis, a 15 per cent increase or decrease in unlisted equity prices is expected to result in a $4.3 billion increase/$4.3 billion decrease ($3.7 billion increase/$3.7 billion decrease in 2022) in other economic flows and net assets. There is no direct impact on the net result from transactions.

### Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The State’s exposure to credit risk mainly arises through its investments in fixed interest instruments and contractual loans and receivables. Most of the State’s investments and derivatives are centrally managed by TCV and VFMC. In accordance with the *Borrowings and Investment Powers Act 1987* and the prudential supervisory policies and framework of the State, limits are set both in terms of the quality and amount of credit exposure.

The State has a material credit risk exposure resulting from the level of investments and derivative transactions with the four major Australian banks, which is managed with reference to established credit quality and exposure policies.

In relation to each class of recognised financial asset, the State’s maximum exposure to credit risk, without taking account of the value of any collateral obtained at the reporting date, is the carrying amount of those assets as recognised in the balance sheet.

There has been no material change to the State’s credit risk profile in 2022‑23.

The following tables provide information on the credit quality of the State’s financial assets.

Credit quality of financial assets ($ million)

| State of Victoria |  | Other |  |  |
| --- | --- | --- | --- | --- |
| 2023 | (Aa2/ AA credit rating) | (min triple‑B credit rating) | (not rated) | Total |
| **Financial assets** |  |  |  |  |
| **Financial assets with loss allowance measured at 12 month expected credit loss** |  |  |  |  |
| Cash and deposits | 13 307 | 3 018 | 1 879 | 18 204 |
| Advances paid | 8 | 563 | 101 | 673 |
| Term deposits | 29 | 2 | 15 | 46 |
| Debt securities | 8 | 17 | .. | 25 |
| **Financial assets with loss allowance measured at lifetime credit loss (not credit impaired)** |  |  |  |  |
| Cash and deposits | 6 494 | 864 | 116 | 7 475 |
| Receivables applying the simplified approach for impairment | 889 | 265 | 2 803 | 3 956 |
| Advances paid | .. | .. | .. | .. |
| Term deposits | 94 | 61 | .. | 154 |
| **Financial assets with loss allowance measured at lifetime credit loss (credit impaired)** |  |  |  |  |
| Term deposits | 6 | 9 | 2 | 17 |
| **Total financial assets** | **20 835** | **4 799** | **4 917** | **30 551** |

|  |  | Other |  |  |
| --- | --- | --- | --- | --- |
| 2022 | (Aa1/ AA credit rating) | (min triple‑B credit rating) | (not rated) | Total |
| **Financial assets** |  |  |  |  |
| **Financial assets with loss allowance measured at 12 month expected  credit loss** |  |  |  |  |
| Cash and deposits | 2 801 | 5 516 | 343 | 8 660 |
| Advances paid | 9 | 209 | 111 | 329 |
| Term deposits | 15 | 28 | 12 | 55 |
| Debt securities | .. | 17 | 8 | 25 |
| **Financial assets with loss allowance measured at lifetime credit loss  (not credit impaired)** |  |  |  |  |
| Cash and deposits | 7 488 | 1 089 | 20 | 8 598 |
| Receivables applying the simplified approach for impairment | 781 | 337 | 2 898 | 4 016 |
| Advances paid | .. | .. | .. | .. |
| Term deposits | 11 | 55 | .. | 66 |
| **Financial assets with loss allowance measured at lifetime credit loss  (credit impaired)** |  |  |  |  |
| Term deposits | .. | 35 | .. | 35 |
| **Total financial assets** | **11 107** | **7 286** | **3 392** | **21 784** |

Credit quality of financial assets *(continued)* ($ million)

| General government sector | Government agencies | |  |  | Other |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2023 | | (Aa2/ AA credit rating) |  | (Aa2/ AA credit rating) | (min triple‑B credit rating) | (not rated) | Total |
| **Financial assets** | |  |  |  |  |  |  |
| **Financial assets with loss allowance measured at 12 month expected credit loss** | |  |  |  |  |  |  |
| Cash and deposits | | 499 |  | 11 223 | 2 484 | 213 | 14 419 |
| Advances paid | | 4 260 |  | .. | 563 | 101 | 4 924 |
| Term deposits | | 2 |  | 29 | .. | .. | 31 |
| Debt securities | | .. |  | 8 | 17 | .. | 25 |
| **Financial assets with loss allowance measured at lifetime credit loss (not credit impaired)** | |  |  |  |  |  |  |
| Cash and deposits | | 1 974 |  | 3 064 | 151 | 90 | 5 279 |
| Receivables applying the simplified approach for impairment | | 238 |  | 391 | 90 | 1 812 | 2 530 |
| Advances paid | | 163 |  | .. | .. | .. | 163 |
| Term deposits | | .. |  | 94 | 61 | .. | 154 |
| **Financial assets with loss allowance measured at lifetime credit loss (credit impaired)** | |  |  |  |  |  |  |
| Term deposits | | .. |  | 6 | 9 | 2 | 17 |
| **Total financial assets** | | **7 137** |  | **14 814** | **3 375** | **2 218** | **27 543** |

|  | Government agencies | |  |  | Other |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2022 | | (Aa1/ AA  credit rating) |  | (Aa1/ AA credit rating) | (min triple‑B credit rating) | (not rated) | Total |
| **Financial assets** | |  |  |  |  |  |  |
| **Financial assets with loss allowance measured at 12 month expected credit loss** | |  |  |  |  |  |  |
| Cash and deposits | | 410 |  | 1 034 | 3 559 | 208 | 5 210 |
| Advances paid | | 4 178 |  | 1 | 209 | 111 | 4 498 |
| Term deposits | | 2 |  | 14 | 24 | 2 | 43 |
| Debt securities | | .. |  | .. | 17 | 8 | 25 |
| **Financial assets with loss allowance measured at lifetime credit loss (not credit impaired)** | |  |  |  |  |  |  |
| Cash and deposits | | 173 |  | 4 986 | 586 | 19 | 5 764 |
| Receivables applying the simplified approach for impairment | | 162 |  | 281 | 199 | 1 895 | 2 537 |
| Advances paid | | 163 |  | .. | .. | .. | 163 |
| Term deposits | | .. |  | 9 | 55 | .. | 64 |
| **Financial assets with loss allowance measured at lifetime credit loss (credit impaired)** | |  |  |  |  |  |  |
| Term deposits | | .. |  | .. | 35 | .. | 35 |
| **Total financial assets** | | **5 088** |  | **6 326** | **4 684** | **2 242** | **18 339** |

### Other matters

#### Offsetting financial instruments

A master netting arrangement or similar arrangement can be set up with counterparties where required by general market practice. To the extent that these arrangements meet the criteria for offsetting in the consolidated balance sheet, they are reported on a net basis.

Financial instrument assets and liabilities are offset, with the net amount reported in the consolidated balance sheet only where there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the State does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

The following tables provide information on the impact of offsetting on the balance sheet, as well as the financial impact of netting for instruments subject to an enforceable master netting arrangement, as well as available cash and financial instrument collateral.

The State has entered into arrangements that do not meet the criteria for offsetting in a normal course of business but allow for the relevant amounts to be set off in certain circumstances, such as bankruptcy, default or insolvency.

The effect of these arrangements is reflected in the column related amounts not offset.

The net amount column shows the impact on the State balance sheet if all existing rights of offset were exercised.

Master netting or similar arrangements (a) ($ million)

| State of Victoria | Effects of offsetting on the balance sheet | | | | |
| --- | --- | --- | --- | --- | --- |
| 2023 | Gross  amounts | Gross amounts set off in the consolidated balance sheet | Net amounts presented in the consolidated balance sheet | Related amounts not offset | Net amount |
| **Financial assets** |  |  |  |  |  |
| Derivative financial instruments | 530 | (65) | 464 | (304) | 160 |
| **Financial liabilities** |  |  |  |  |  |
| Derivative financial instruments | 1 526 | (75) | 1 451 | (260) | 1 191 |

| 2022 |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Financial assets** |  |  |  |  |  |
| Derivative financial instruments | 1 431 | (82) | 1 348 | (602) | 746 |
| **Financial liabilities** |  |  |  |  |  |
| Derivative financial instruments | 2 130 | (139) | 1 991 | (532) | 1 459 |

Note:

(a) Master netting or similar arrangements is only disclosed for the whole of State as they are only material for the State’s insurance agencies in the public financial corporations sector.

#### Net gain or loss by category of financial instruments

The net gains or losses on financial assets and liabilities held at 30 June 2023 are determined as follows:

* For financial assets at amortised cost the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result.
* For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.
* For financial assets and liabilities that are designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

Net gain or loss by category of financial instruments ($ million)

| 2023 | State of Victoria | General government sector |
| --- | --- | --- |
| **Financial assets** |  |  |
| Cash and deposits | (18) | (7) |
| Financial assets designated at fair value through profit or loss | 713 | 17 |
| Financial assets mandatorily measured at fair value through profit or loss | 657 | (55) |
| Financial assets at amortised cost | (39) | (31) |
| Financial assets measured at fair value through other comprehensive income | .. | .. |
| Investment in equity instrument designated at fair value through other comprehensive income | .. | .. |
| **Total financial assets** | **1 313** | **(74)** |
| **Financial liabilities** |  |  |
| Financial liabilities designated at fair value through profit and loss | 1 964 | (2) |
| Financial liabilities mandatorily measured at fair value through profit or loss | 70 | .. |
| Financial liabilities at amortised cost | (3) | (3) |
| **Total financial liabilities** | **2 031** | **(5)** |

| 2022 |  |  |
| --- | --- | --- |
| **Financial assets** |  |  |
| Cash and deposits | (12) | (5) |
| Financial assets designated at fair value through profit or loss (a) | (2 128) | (136) |
| Financial assets mandatorily measured at fair value through profit or loss | (1 678) | 248 |
| Financial assets at amortised cost | (17) | (9) |
| Financial assets measured at fair value through other comprehensive income (a) | .. | .. |
| Investment in equity instrument designated at fair value through other comprehensive income | .. | .. |
| **Total financial assets** | **(3 835)** | **99** |
| **Financial liabilities** |  |  |
| Financial liabilities designated at fair value through profit and loss | 14 594 | .. |
| Financial liabilities mandatorily measured at fair value through profit or loss | (41) | .. |
| Financial liabilities at amortised cost | .. | .. |
| **Total financial liabilities** | **14 552** | **..** |

Notes:

(a) The 2022 figures have been reclassified to reflect more current information.

Breakdown of interest income (a) ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Interest income from financial assets not at fair value through profit or loss | 902 | 153 | 1 305 | 556 |
| Interest income from financial assets at fair value through profit or loss | 502 | 560 | 2 | 1 |
| **Total** | **1 403** | **712** | **1 307** | **557** |

Note:

(a) These items include amounts that relate to discount interest on financial assets. Therefore, figures in this table cannot be reconciled to the primary financial statements.

Breakdown of interest and fee expense items (a) ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Interest expense from financial liabilities not at fair value through profit or loss | 1 319 | 1 222 | 3 917 | 2 839 |
| Interest expense from financial liabilities at fair value through profit or loss | 3 667 | 2 560 | 1 | 1 |
| Fee expenses from financial liabilities not at fair value through profit or loss | 43 | 35 | 46 | 40 |
| Fee expenses from financial liabilities at fair value through profit or loss | 546 | 536 | 2 | 2 |
| **Total** | **5 575** | **4 353** | **3 966** | **2 882** |

Note:

(a) These items do not include amounts that relate to discount interest on financial liabilities. Therefore, figures in this table cannot be reconciled to the primary financial statements.

### Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The State is exposed to liquidity risk mainly through the maturity of its external borrowings raised by TCV and the requirement to fund cash deficits.

The State’s central treasury, TCV, is responsible for ensuring that the State’s liquidity requirements can be met at all times. DTF and TCV have a liquidity policy to assist the Government to manage the whole of Victorian government liquidity risk.

The liquidity management policy has three main components as follows.

#### Short-term liquidity management and control

The policy requires daily measurement of the whole of Victorian government liquidity ratio, which measures TCV’s liquid assets (after discounting to reflect potential loss of value in the event of a quick sale), versus 12 months of debt refinancing and interest obligations as well as six months of new borrowing requirements.

The policy also measures the daily going concern net and cumulative cash flow limits to manage short-term liquidity exposures during normal operating liquidity conditions and the monitoring of going concern and liquidity stress scenario cash flows out to 12 months.

As at 30 June 2023, the whole of Victorian government liquidity ratio was 116 per cent against a minimum target liquidity ratio of 100 per cent. The high level of liquidity at 30 June 2023 was due to TCV accessing financial markets to pre-position itself ahead of the forecast increase in borrowing requirements, as well as temporarily holding the Victorian Future Fund balance in cash, pending its investment in a diversified range of assets under the management of VFMC. The investment of these additional funds in liquid assets in advance of the timing of expenditure has resulted in a relatively high liquidity ratio.

To manage the liquidity risk more prudently, in December 2022 the whole of Victorian government liquidity ratio calculation methodology was amended to also include 100 per cent of new debt requirement for the next six months in addition to the 80 per cent of the debt service obligations for the next 12 months. The liquidity ratio of 116 per cent at 30 June 2023 was calculated based on the amended liquidity calculation methodology. The liquidity ratio at 30 June 2022 was 178 per cent against a limit of 80 per cent. It should be noted that the liquidity ratio at 30 June 2022 was calculated based on the previous liquidity ratio calculation methodology which did not include the additional liquidity requirement of 100 per cent of new debt requirement for the next six months.

#### Long-term liquidity management monitoring

The State’s policy on long-term management of liquidity primarily focuses on the diversification of funding sources and debt maturities.

#### Managing a liquidity crisis

In the event of a liquidity crisis, the State has liquidity crisis management plans in place to manage liquidity conditions. The liquidity crisis management plans are a set of protocols established to respond to specific conditions during a crisis.

### Maturity analysis of financial liabilities

Disclosed are details of the State’s maturity analysis for its domestic borrowings, lease liabilities and service concession arrangement liabilities. The maturity analysis for the remainder of the State’s financial liabilities are immaterial to the financial report.

Domestic borrowings ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Carrying amount | 146 088 | 118 149 | 127 589 | 102 575 |
| Nominal amount (a) | 194 675 | 153 766 | 132 001 | 107 313 |
| **Contractual maturity** |  |  |  |  |
| 0 to 3 months | 2 355 | 3 823 | 2 524 | 3 324 |
| 3 months to 1 year | 24 375 | 14 935 | 20 283 | 8 866 |
| 1 to 2 years | 13 071 | 11 947 | 6 306 | 5 997 |
| 2 to 5 years | 45 768 | 33 463 | 24 588 | 20 048 |
| 5 years or more | 109 105 | 89 597 | 78 300 | 69 078 |

Note:

(a) Represents undiscounted nominal amount.

Lease liabilities payable ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Less than 1 year | 1 047 | 1 041 | 981 | 964 |
| 1 year but less than 5 years | 6 156 | 5 934 | 5 852 | 5 706 |
| 5 years or more | 3 791 | 4 606 | 3 563 | 4 357 |
| **Minimum lease payments** | **10 994** | **11 580** | **10 395** | **11 027** |
| Future finance charges | 2 479 | 2 799 | 2 469 | 2 789 |
| **Total lease liabilities** | **8 515** | **8 781** | **7 927** | **8 237** |

Service concession arrangement liabilities payable (a) ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Less than 1 year | 2 582 | 1 411 | 2 573 | 1 406 |
| 1 year but less than 5 years | 3 353 | 4 194 | 3 286 | 4 129 |
| 5 years or more | 7 572 | 7 786 | 5 965 | 7 103 |
| **Minimum liability payments** | **13 507** | **13 392** | **11 823** | **12 639** |
| Future finance charges | 5 285 | 6 476 | 5 266 | 6 361 |
| **Total service concession arrangement liabilities** | **8 222** | **6 916** | **6 557** | **6 277** |

Note:

(a) The 2021-22 figures have been restated following the reclassification of minimum liability payments and future finance charges to better reflect the Metro Tunnel service concession arrangement.

## Contingent assets and contingent liabilities (State of Victoria)

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### 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.

These are classified as either quantifiable, where the potential economic benefit is known, or non‑quantifiable.

The table below contains quantifiable contingent assets as at 30 June 2023.

Quantifiable contingent assets (a) ($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2023 | 2022 |
| General government | 157 | 124 |
| Public non‑financial corporations | 659 | 532 |
| Public financial corporations | .. | .. |
| *Eliminations* | *(23)* | *(86)* |
| **Total contingent assets – State of Victoria (b)** | **794** | **569** |
|  |  |  |
| Guarantees, indemnities and warranties | 202 | 156 |
| Legal proceedings and disputes | .. | 1 |
| Other | 592 | 413 |
| **Total contingent assets – State of Victoria (b)** | **794** | **569** |

Notes:

(a) Figures reflect contingent assets that arise from outside of government.

(b) As at 30 June 2023, the majority of contingent assets held by the State relate to developer contributions of water and sewerage infrastructure whereby control is transferred to the State’s water entities upon completion of various development projects.

### Non-quantifiable contingent assets

#### Peninsula Link compensable enhancement claim

The EastLink Concession Deed contains compensable enhancement provisions that enable the State to claim 50 per cent of any additional revenue derived by ConnectEast Pty Ltd (ConnectEast) as a result of certain events that particularly benefit EastLink, including changes to the adjoining road network.

On 2 January 2014, the State lodged a compensable enhancement claim as a result of opening Peninsula Link. The claim remains outstanding.**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 of either of the following:
  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.

Contingent liabilities are also classified as either quantifiable or non‑quantifiable.

The table below contains quantifiable contingent liabilities as at 30 June 2023.

Quantifiable contingent liabilities ($ million)

|  | State of Victoria | |
| --- | --- | --- |
|  | 2023 | 2022 |
| General government | 17 104 | 16 578 |
| Public non‑financial corporations | 239 | 158 |
| Public financial corporations | .. | 55 |
| *Eliminations (a)* | *(14 907)* | *(14 523)* |
| **Total contingent liabilities – State of Victoria** | **2 436** | **2 269** |
|  |  |  |
| Guarantees, indemnities and warranties (b) | 1 598 | 1 309 |
| Legal proceedings and disputes | 367 | 391 |
| Other | 471 | 569 |
| **Total contingent liabilities – State of Victoria** | **2 436** | **2 269** |

Notes:

(a) Mainly represents the guarantee of borrowings provided by the Treasurer for the public sector borrowings portfolio.

(b) Inclusive of loans provided by TCV to entities other than the State of Victoria and participating authorities, subject to the provision of a guarantee by the Treasurer.

### Non-quantifiable contingent liabilities

A number of potential obligations are non‑quantifiable at this time arising from:

* indemnities relating to transactions, including financial arrangements and consultancy services, as well as for directors and administrators
* performance guarantees, warranties, letters of comfort and the like
* deeds in respect of certain obligations
* unclaimed monies, which may be subject to future claims by the general public against the State.

An overview of the more significant non‑quantifiable liabilities follows.

#### Biosciences Research Centre (known as AgriBio)

The quarterly service fee payment obligations of Biosciences Research Centre Pty Ltd (BRC Co) on behalf of the joint venture participants (Department of Energy, Environment and Climate Action and La Trobe University) are backed by the State of Victoria under a State Support Deed.

Under this Deed, the State ensures that the joint venture participants have the financial capacity to meet their payment obligations to BRC Co, thereby enabling BRC Co to meet its obligations to pay the quarterly service fee to the concessionaire under the Project Agreement. The State underwrites the risk of any default by BRC Co.

#### Compulsory property acquisitions

The State has compulsorily acquired a number of properties (residential and commercial) through the *Land Acquisition and Compensation Act 1986* to facilitate delivery of various projects. Possible future claims for compensation arising from the compulsory acquisition of these properties cannot be quantified at this stage.

#### COVID‑19 class action – Victorian businesses

A class action has been filed in the Supreme Court of Victoria against the State of Victoria, the Ministers for Health and Jobs, and the Secretaries of the Department of Health and Human Services and the Department of Jobs, Precincts and Regions relating to economic losses suffered by Victorian businesses under Stage 3 and 4 public health restrictions. The VMIA has been notified of this proceeding and it is intended that VMIA’s Combined Liability Policy will respond.

At this stage it is impractical to quantify the financial effects of this contingent liability.

#### COVID‑19 related claim notifications

The Department of Transport and Planning has received and may receive notifications under the contractual agreements by the contractors in relation to the possible impact of COVID‑19 on a number of projects. Current and possible future claims cannot be reliably estimated at this stage, as quantifiable claims are still under review and/or have not yet been provided for under the contract.

It is not possible to estimate the financial effect of these claims at the date of this report.

#### Department of Education

The Department of Education has a number of non‑quantifiable contingent liabilities, arising from indemnities provided by it, as follows:

* Volunteer school workers and volunteer student workers: the *Education and Training Reform Act 2006* provides indemnity for personal injuries or death (and at the discretion of the Minister, for property damage) suffered by volunteer school workers and volunteer student workers arising out of or in the course of engaging in school work or community work respectively.
* Teaching service and public service employees: if a Department employee is named as a defendant in a civil proceeding (for example, personal injury, discrimination or employment claim), any costs and damages will generally be paid by the Department provided the employee was not under the influence of illicit drugs or alcohol or engaging in a criminal offence and the behaviour was not outrageous and was related to their employment.
* Board members: the *Education and Training Reform Act 2006* requires the State to indemnify a member of a Merit Protection Board or a Disciplinary Appeals Board for anything done or omitted to be done in good faith in the exercise of a power or the discharge of their statutory duties.
* School councils: the *Education and Training Reform Act 2006* requires the Department to indemnify individual members of school councils for any legal liability, whether in contract, negligence or defamation, if they acted in good faith and in the exercise of their powers or functions. The Department may decide to indemnify school councils (which are separate entities to the Department) in claims of common law negligence, employment disputes and other civil claims, for the cost of settlement and/or legal representation. The Department will take into account the impact of payment upon the school’s educational program and any insurance cover for the school council, and will likely indemnify if the Department is satisfied that:
  1. the school council acted in good faith and according to issued guidelines and directions
  2. the school council has insufficient funds to pay the claim.

#### Firefighters’ Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Act 2019

The *Firefighters’ Presumptive Rights Compensation and Fire Services Legislation Amendment (Reform) Act 2019* (the Act) was assented on 2 July 2019.

Part 2 of the Act, which came into operation on 3 July 2019, provides for the establishment and operation of the Firefighters’ Presumptive Rights Compensation scheme for both career and volunteer firefighters. At the time of the preparation of this report, it is impractical to quantify any possible contingent liabilities for the State arising from the scheme.

#### Fiskville independent investigation and closure of training college

On 26 March 2015, the Government announced the permanent closure of Fiskville Training College (Fiskville). Fiskville and Victorian Emergency Management Training Centre training grounds owned by the CFA at Penshurst, Bangholme, West Sale, Wangaratta, Huntly, and Longerenong have been the subject of notices issued by the Environment Protection Authority Victoria (EPA).

The CFA has a number of contingent liabilities arising from the closure of Fiskville and the notices issued by the EPA. These relate to any further notices that may be issued by the EPA, any regulatory infringements that may be imposed by the EPA, compensation that may be sought and, any legal claims that may be made.

At this stage it is impractical to quantify the financial effects of these contingent liabilities.

#### Land remediation – environmental concerns

In addition to properties for which remediation costs have been provided in the State’s financial statements, certain other properties have been identified as potentially contaminated sites. The State does not admit any liability in respect of these sites. However, remedial expenditure may be incurred to restore the sites to an acceptable environmental standard in the event contamination is identified.

#### Native Title

A number of claims have been filed in the Federal Court under the Commonwealth *Native Title Act 1993* that affect Victoria. It is not feasible at this time to quantify any future liability.

#### October 2022 flood event

In October 2022, Victoria experienced significant rainfall which caused a major widespread flood event, resulting in loss and damage to many homes, farms, properties, community assets, roads, local government infrastructure and other infrastructure. These impacts have been, and continue to be felt, in many local government areas across regional Victoria and metropolitan Melbourne. The Victorian and Commonwealth governments are working cooperatively together on implementing relief and recovery initiatives to be cost shared under the Disaster Recovery Funding Arrangements (DRFA). The Victorian Government has also initiated a number of separate programs not eligible under the DRFA to support communities impacted by the flood event.

The State is insured by policies with the VMIA and may be able to recover certain costs that relate to flood repairs and recovery required to State owned assets and infrastructure through these policies.

At this stage it is not possible to accurately quantify the full financial effects of these events.

#### Per-fluoroalkyl and poly-fluoroalkyl substances (known as PFAS)

Fire Rescue Victoria and the Country Fire Authority (State Fire Services) has determined that there are per-fluoroalkyl and poly-fluoroalkyl substances contamination at specific State Fire Service properties and adjoining surroundings. The State Fire Services continue to test for exposure across all sites and locations. Due to the ongoing complexities of each site and adjoining surroundings together with the multiple stages of testing required to establish the degree of penetration, the State Fire Services are unable to estimate an underlying value for this liability. This is likely to include any remediation works which may be required to meet environmental and people health and safety obligations across all of the sites while this testing continues and a complete program of works to remediate related risks.

#### Planning scheme compensation

Under section 98 of the *Planning and Environment Act 1987*, the owner or occupier of any land may claim compensation from the planning authority for financial loss suffered as the natural, direct and reasonable consequence of the land being reserved, or declared as reserved for a public purpose under a planning scheme.

The future liability depends on a number of factors and cannot be reliably quantified.

#### Public acquisition overlays for the future development of rail and road infrastructure

Public acquisition overlays are in place to reserve certain areas of land for future development of rail and road infrastructure. Under section 98 of the *Planning and Environment Act 1987*, the State has a legislative responsibility to compensate eligible land and property owners who face either:

* loss on sale – an eligible landowner is entitled to compensation for the incremental loss on sale when a property affected by a public acquisition overlay is sold for less than its market value
* financial loss – the entitlement to financial loss compensation is triggered when a development permit is refused because the property is required for a public purpose.

Compensation and purchase claims occur as a result of claims by land owners. The future liability depends on factors, including the number of claims received and the prevailing value of land at the time the claim is made. As a result, the liability cannot be reliably quantified.

#### Public transport rail partnership agreements

The Department of Transport and Planning (DTP) is party to contractual arrangements from 30 November 2017, with franchisees to operate across the state:

* metropolitan tram services until 1 December 2024
* metropolitan train services until 7 June 2026.

The major contingent liabilities arising in the event of early termination or expiry of the contracts are:

* partnership assets – to maintain continuity of services, at early termination or expiry of the franchise contract, assets will revert to DTP or a successor. In the case of some assets, a reversion back to DTP would entail those assets being purchased
* unfunded superannuation – at the early termination or expiry of the contract, DTP will assume any unfunded superannuation amounts (apart from contributions the operator is required to pay over the contract term) to the extent that the State becomes the successor operator.

#### Royal Commission into the Management of Police Informants

Since the conclusion of the Royal Commission into the Management of Police Informants (RCMPI), the State of Victoria (Victoria Police) has been served with a number of civil claims. These civil claims and a number of Court of Appeal criminal matters as well as ongoing disclosure work by Victoria Police will likely dictate whether further claims are received.

Given those circumstances it is not possible to reliably quantify any contingent liabilities relating to potential matters arising from the conduct explored by the RCMPI.

#### Royal Melbourne Showgrounds redevelopment

The State has entered into an agreement with the Royal Agricultural Society of Victoria (RASV) pursuant to which the State agrees to support certain payment obligations of RASV that may arise under the Non-Core Development Agreement subject to the RASV complying with certain obligations as set out in that Deed.

#### Southern Cross Station target capacity threshold

The State has a possible liability relating to a claim from a contractor responsible for operating and maintaining Southern Cross Station. The claim relates to patronage levels at the station and the contract provides a process to assess whether modifications to the station, compensation to the contractor or changes to the service standards are required. The claim is being considered and the financial effect is yet to be determined.

#### Victorian Managed Insurance Authority – insurance cover

The VMIA was established in 1996 as an insurer for state government departments, participating bodies as defined under the *Victorian Managed Insurance Authority Act 1996* and other entities as declared by the Minister. The VMIA insures its clients for property, public and products liability, professional indemnity, medical indemnity, contract works and a range of other insurances. The VMIA also provides domestic building insurance to Victorian residential builders.

The VMIA reinsures in the private market based on the likelihood and impact of events as well as the cost and availability of such cover. The risk of losses above what the VMIA reinsures in the private market is borne by the State.

The State, under separate deeds of indemnity, has agreed to reimburse the VMIA:

* if the costs of public sector medical indemnity claims for a policy year exceed the initial estimate, on which the risk premium was based by more than 20 per cent
* for losses above a certain limit that the VMIA may incur due to changes in the availability of reinsurance.

#### Yallourn Power Station safety net

The Government has reached an agreement with EnergyAustralia (EA) to ensure an orderly transition as EA implements the closure of the Yallourn Power Station in June 2028.

The agreement includes, should it be needed, a safety net to avoid an unplanned exit of Yallourn.

As part of this safety net, under certain scenarios, the State agrees to provide partial support to EA in the event of exceptional costs incurred in the operation of the Yallourn Power Station.

This support will help to ensure Yallourn’s workers and Victoria’s energy system have sufficient time to plan for the plant’s closure. The possible liability depends on a number of future events and cannot be reliably and readily quantified.

## Fair value determination

This section sets out information on how the State determines fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are determined for the following assets and liabilities:

* financial assets and liabilities at fair value
* land, buildings, infrastructure, plant and equipment (including service concession and right-of-use assets)
* investment properties
* biological assets

In addition, the fair values of other assets and liabilities are determined for disclosure purposes (financial assets and liabilities carried at amortised cost).

The State determines the policies and procedures for determining fair values for both financial and non‑financial assets and liabilities as required.

For the purpose of fair value disclosures, the State has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

### Fair value hierarchy

A number of inputs are used in determining fair value. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

* Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
* Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
* Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The State determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Fair value disclosure

For those assets and liabilities for which fair value determination is applied, the following disclosures are provided:

* carrying amount and the fair value (which would be the same for those assets measured at fair value)
* which level of the fair value hierarchy was used to determine the fair value
* in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
  1. a reconciliation of the movements in fair values from the beginning of the year to the end
  2. details of significant unobservable inputs used in the fair value determination.

This section is divided between financial instruments and non‑financial physical assets.

## Fair value determination of financial assets and liabilities

### How fair values are determined

The fair values of the State’s financial assets and   
liabilities are determined as follows:

* Level 1 – the fair value of financial instruments with standard terms and conditions traded in an active liquid market are determined with reference to quoted market prices
* Level 2 – the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions
* Level 3 – the fair value of derivative instruments, such as interest rate futures contracts for difference, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument for non‑optional derivatives, and option pricing models for optional derivatives.

Fair value of financial instruments measured at amortised cost (a) ($ million)

|  | 2023 | | 2022 | |
| --- | --- | --- | --- | --- |
| State of Victoria | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets** |  |  |  |  |
| Term deposits | 218 | 215 | 156 | 156 |
| Advances paid | 923 | 923 | 626 | 624 |
| Equities and managed investment schemes | 169 | 169 | 8 | 8 |
| Debt securities | 8 | 8 | 8 | 8 |
| Non‑current receivables | 397 | 397 | 391 | 391 |
| **Total financial assets (b)** | **1 716** | **1 713** | **1 189** | **1 187** |
| **Financial liabilities** |  |  |  |  |
| Payables, deposits held and advances received | 10 263 | 10 276 | 9 709 | 9 709 |
| Domestic borrowings | 15 963 | 17 424 | 13 551 | 12 832 |
| Service concession arrangement liabilities | 8 222 | 8 222 | 6 916 | 6 916 |
| **Total financial liabilities (c)** | **34 448** | **35 923** | **30 176** | **29 457** |

| General government sector |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Financial assets** |  |  |  |  |
| Term deposits | 202 | 199 | 142 | 142 |
| Advances paid | 5 302 | 6 225 | 4 924 | 5 412 |
| Equities and managed investment schemes | 135 | 135 | 1 | 1 |
| Debt securities | 8 | 8 | 8 | 8 |
| Non‑current receivables | 373 | 373 | 366 | 366 |
| **Total financial assets (b)** | **6 021** | **6 941** | **5 441** | **5 928** |
| **Financial liabilities** |  |  |  |  |
| Payables, deposits held and advances received | 7 819 | 7 826 | 7 805 | 7 805 |
| Domestic borrowings | 117 789 | 107 969 | 102 210 | 85 077 |
| Service concession arrangement liabilities | 6 557 | 6 557 | 6 277 | 6 277 |
| **Total financial liabilities (c)** | **132 165** | **122 352** | **116 293** | **99 159** |

Notes:

(a) Additional information on the State’s fair value of financial assets and liabilities measured at amortised cost for both the 2023 and 2022 financial years has been provided to align with the State’s financial instruments measured at fair value tables on the next page.

(b) Total financial assets excludes current receivables held at amortised cost, consistent with the requirements of AASB 7 Financial Instruments: Disclosure.

(c) Total financial liabilities excludes lease liabilities held at amortised cost, consistent with the requirements of AASB 7 Financial Instruments: Disclosure.

Financial assets and liabilities measured at fair value ($ million)

| State of Victoria | Carrying amount as at | Fair value measurement at end of reporting period using | | |
| --- | --- | --- | --- | --- |
| 2023 | 30 June | Level 1 | Level 2 | Level 3 |
| **Financial assets** |  |  |  |  |
| Cash | 25 678 | 25 678 | .. | .. |
| Derivative financial instruments | 464 | 30 | 307 | 127 |
| Term deposits | 1 614 | .. | 1 614 | .. |
| Advances paid | 7 | 6 | 1 | .. |
| Equities and managed investment schemes | 45 725 | 5 856 | 25 192 | 14 677 |
| Debt securities at fair value | 15 777 | 4 417 | 11 320 | 40 |
| **Total financial assets** | **89 265** | **35 988** | **38 434** | **14 843** |
| **Financial liabilities** |  |  |  |  |
| Domestic borrowings | 130 125 | 110 512 | 19 613 | .. |
| Foreign currency borrowings | 677 | .. | 677 | .. |
| Derivative financial instruments | 1 448 | 6 | 1 233 | 209 |
| **Total financial liabilities** | **132 249** | **110 517** | **21 523** | **209** |

| 2022 |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Financial assets** |  |  |  |  |
| Cash | 17 258 | 17 258 | .. | .. |
| Derivative financial instruments | 1 348 | 45 | 873 | 430 |
| Term deposits | 4 223 | 32 | 4 192 | .. |
| Advances paid | 6 | 6 | .. | .. |
| Equities and managed investment schemes | 40 418 | 5 226 | 22 128 | 13 064 |
| Debt securities at fair value | 9 462 | 1 400 | 8 062 | .. |
| **Total financial assets** | **72 716** | **23 967** | **35 254** | **13 494** |
| **Financial liabilities** |  |  |  |  |
| Domestic borrowings | 104 597 | 85 072 | 19 526 | .. |
| Foreign currency borrowings | 649 | .. | 649 | .. |
| Derivative financial instruments | 1 991 | 13 | 1 730 | 247 |
| **Total financial liabilities** | **107 238** | **85 085** | **21 906** | **247** |

| General government sector (a) | Carrying amount as at | Fair value measurement at end of reporting period using | | |
| --- | --- | --- | --- | --- |
| 2023 | 30 June | Level 1 | Level 2 | Level 3 |
| **Financial assets** |  |  |  |  |
| Cash | 19 698 | 19 698 | .. | .. |
| Derivative financial instruments | 133 | 6 | .. | 127 |
| Term deposits | .. | .. | .. | .. |
| Advances paid | 6 | 6 | .. | .. |
| Equities and managed investment schemes | 3 358 | 2 886 | 473 | .. |
| Debt securities at fair value | 17 | 17 | .. | .. |
| **Total financial assets** | **23 211** | **22 612** | **473** | **127** |

| 2022 |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Financial assets** |  |  |  |  |
| Cash | 10 974 | 10 974 | .. | .. |
| Derivative financial instruments | 431 | 1 | .. | 430 |
| Term deposits | .. | .. | .. | .. |
| Advances paid | 5 | 5 | .. | .. |
| Equities and managed investment schemes | 2 773 | 2 145 | 627 | .. |
| Debt securities at fair value | 17 | 17 | .. | .. |
| **Total financial assets** | **14 200** | **13 142** | **627** | **430** |

Note:

(a) The general government sector’s financial liabilities are measured at amortised cost and therefore not required to be disclosed in the above table for financial assets and liabilities measured at fair value, in accordance with Australian Accounting Standards.

Reconciliation of Level 3 fair value movements (a) ($ million)

|  | Derivative financial instrument assets | | Equities and managed investment schemes | | Debt Securities at  fair value | |
| --- | --- | --- | --- | --- | --- | --- |
| State of Victoria | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **Opening balance** | **430** | **79** | **13 064** | **9 828** | **..** | **..** |
| Total gains and losses recognised in: | .. | .. | .. | .. | .. | .. |
| Net result | (186) | 382 | (38) | 520 | .. | .. |
| Other comprehensive income | .. | .. | 878 | (16) | .. | .. |
| Purchases | 11 | 55 | 1 004 | 3 332 | 40 | .. |
| Sales | (72) | (8) | (267) | (838) | .. | .. |
| Settlements | (57) | (78) | 35 | 15 | .. | .. |
| Transfers from other levels | .. | .. | .. | 224 | .. | .. |
| Transfers out of Level 3 | .. | .. | 1 | (1) | .. | .. |
| **Closing balance** | **127** | **430** | **14 677** | **13 064** | **40** | **..** |

Note:

(a) Reconciliation of Level 3 fair value movements is only disclosed for the whole of state as they are only material for the State’s insurance agencies in the public financial corporations sector.

### Description of Level 3 valuation techniques used and key inputs to valuation

The majority of the State’s Level 3 financial assets relate to either investment funds/trusts managed by VFMC on behalf of the State’s insurance agencies or derivative financial instruments in the general government sector. Approximately one third of the funds under management by VFMC are directly managed internally while two-thirds are managed externally by fund managers selected by VFMC.

The disclosure below provides details of the inputs and assumptions used in the valuation models for various asset classes. The State is not privy to the detailed inputs and assumptions used by external fund managers to value the underlying investment assets and is not in a position to provide a sensitivity analysis.

The unlisted investment fund/trust assets include the following asset classes: infrastructure, non‑traditional strategies, property and private equities.

#### Infrastructure

Infrastructure investments comprise both domestic and international exposures to transport, social, energy and other infrastructure assets through unlisted funds and trusts. The valuations of unlisted on infrastructure investments are primarily based on the discounted cash flow methodology. Key inputs and assumptions, which are subject to estimation uncertainty, include the risk-free discount rate, risk premium, asset utilisation rates, capital expenditure and operating cost forecasts and other estimated future cash flows dependent on the longer-term general economic forecasts and the forecast performance of applicable underlying assets.

#### Non-traditional strategies

Non-traditional strategies comprise investments in hedge funds and other non‑traditional investments such as insurance investments. These are assets that do not fit within the definition of other asset classes, but which provide diversification benefits to the total portfolio. Investments are made through externally managed unlisted pooled vehicles.

The valuation of hedge fund investments is based primarily on the underlying assets, which may be quoted on an exchange or traded in a dealer market. For less liquid securities, valuation methodologies are set out by each fund manager. Depending on the investment, the methodologies applied include discounted cash flow, amortised cost, direct comparison and other market accepted methodologies. The fund manager may choose to appoint independent valuation agents to seek independent price verification. Key inputs and assumptions, which are subject to estimation uncertainty, include the appropriate credit spread and other risk premium, the risk-free discount rate, future cash flows, and future economic and regulatory conditions.

The insurance investments include an unlisted trust with exposure to a portfolio of United States life insurance policies. The valuation of insurance investments is based on the discounted cash flow methodology, with key assumptions of insureds’ mortality and premium payments on the valuation date. Other assumptions and interdependencies include the weighted average discount rate, life expectancy estimates obtained from qualified providers, and expected premium payments based on the back-solving premiums optimisation method.

#### Property investments

Property investments comprise externally managed unlisted property trusts with exposure to the domestic and international commercial, industrial, retail and development property market.

The valuations of unlisted property investments are primarily based on discounted cash flow, capitalisation and direct comparison methodologies. The assumptions, which may be subject to estimation uncertainty, include the estimated future profits and cash flows, risk-free rate, risk premium, and future economic and regulatory conditions.

#### Private equities

VFMC’s holdings of private equity investments are small and being phased out. Private equity investments are valued primarily on multiples of earnings, discounted cash flow, market equivalents and other accepted methodologies. Key inputs and assumptions, which are subject to estimation uncertainty, include the estimated future profits and cash flows, the risk-free discount rate, the risk premium, and future economic and regulatory conditions.

#### Derivative financial instruments

The fair value of derivative instruments resulting from the forward sale of large-scale generation certificates (LGCs) are determined by the State with reference to observable market prices of LGCs currently trading in the market as at reporting date. These instruments are categorised as Level 1 for fair value purposes.

In the absence of an active market, the fair value of derivative contracts for difference and the LGCs receivable are valued using unobservable inputs such as future wholesale electricity price forecasts provided by external advisors, comparable risk-free rates of zero coupon government bonds and LGC price forecasts. In addition, assumptions are applied to forecast the renewable energy generation volumes over the life of the instrument. Adjustments are made to the valuations when necessary to recognise differences in the instrument’s terms. To the extent that the significant inputs are unobservable, the State categorises these investments as Level 3.

The fair value of derivative financial instruments is based on the discounted cash flow technique. The selection of variables requires significant judgement. As such, there is a range of reasonably possible assumptions in estimating the fair value of derivatives. Significant inputs in applying this technique include wholesale electricity price forecasts, LGC price forecasts, credit value adjustments, growth rates applied for cash flows and discount rates used.

## Fair value determination of non‑financial assets

### Revaluations of non‑financial physical assets

Non-financial physical assets are revalued on a cyclical basis in accordance with the Financial Reporting Directions (FRDs) issued by the Assistant Treasurer. A full revaluation undertaken by the Valuer-General normally occurs every five years, based upon the asset’s classification of the functions of government framework. This led to assets within the education purpose group being formally revalued in 2022-23. However, a revaluation may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations.

Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Under FRD 103 *Non-financial physical assets*, where the cumulative impact of relevant indicators is less than 40 per cent but greater than 10 per cent of the carrying value of an asset class, managerial revaluations are performed. During the period, managerial revaluations lead to revaluations being recorded across the State, with the majority recorded in the Transport, Health and Housing and community amenities purpose groups. These revaluations were undertaken using land and building indices as determined by the Valuer‑General Victoria (VGV) and consider facts and circumstances as at the point of calculation, in addition to internal expertise and judgements. Specialised asset revaluations also take into consideration the assets’ highest and best use (HBU), which must consider the use of the assets that is physically possible, legally permissible and financially feasible.

Due to the high level of valuation uncertainty inherent within any Level 3 revaluation, which has been heightened since the beginning of the COVID‑19 pandemic and more recent market volatilities, current values may change over a relatively short period of time.

Revaluation increases or decreases arise from differences between an asset’s carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased) are recognised in other economic flows – other comprehensive income and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of non‑financial asset previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised in other economic flows – other comprehensive income to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of non‑financial asset. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in other economic flows – other comprehensive income reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of non‑financial asset are offset against one another within that class but are not offset in respect of assets in different classes.

The fair value of **cultural assets** and collections, **heritage assets** and other non‑financial physical assets (including Crown land and infrastructure assets) that the State intends to preserve because of their unique historical, cultural or environmental attributes, is measured at the replacement cost of the asset less, where applicable, accumulated depreciation (calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset) and any accumulated impairment. These policies and any legislative limitations and restrictions imposed on their use and/or disposal may impact their fair value.

**Road network assets** (including earthworks of the declared road networks) are measured at fair value, determined by reference to the asset’s current replacement cost.

**Land** under declared roads acquired prior to 1 July 2008 is measured at fair value. Land under declared roads acquired on or after 1 July 2008 is measured initially at the cost of acquisition and subsequently at fair value. The fair value methodology applied by the Valuer-General Victoria is based on discounted site values for relevant municipal areas applied to the land area under the arterial road network, including related reservations.

**Infrastructure assets** of water, rail and port authorities within the public non‑financial corporation sector are measured at fair value. The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset’s current replacement cost, or where the infrastructure is held by a for-profit entity, the fair value may be derived from estimates of the present value of future cash flows.

Note 4.1.1 describes the recognition and measurement of land, buildings, infrastructure, plant and equipment.

### Land, buildings, infrastructure, plant and equipment

Carrying amounts, fair values and fair value hierarchy ($ million)

|  | Carrying amount | Fair value measurement at the end of the 2023 reporting period using: | | | Carrying amount | Fair value measurement at the end of the 2022 reporting period using: | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| State of Victoria | 2023 | Level 1 | Level 2 | Level 3 | 2022 | Level 1 | Level 2 | Level 3 |
| **Buildings** | **77 783** | **..** | **14 284** | **63 499** | **69 939** | **..** | **13 917** | **56 022** |
| Non‑specialised buildings | 15 411 | .. | 11 706 | 3 706 | 14 501 | .. | 11 545 | 2 956 |
| Specialised buildings | 61 584 | .. | 2 573 | 59 011 | 54 741 | .. | 2 355 | 52 385 |
| Heritage buildings | 787 | .. | 6 | 782 | 697 | .. | 17 | 680 |
| **Land and national parks** | **139 947** | **..** | **27 745** | **112 202** | **137 377** | **..** | **27 616** | **109 761** |
| Non‑specialised land | 28 001 | .. | 27 221 | 780 | 26 139 | .. | 25 412 | 727 |
| Specialised land | 67 250 | .. | 525 | 66 725 | 66 542 | .. | 2 204 | 64 338 |
| Land under roads | 42 687 | .. | .. | 42 687 | 42 687 | .. | .. | 42 687 |
| National parks and other land only holdings | 2 010 | .. | .. | 2 010 | 2 010 | .. | .. | 2 010 |
| **Plant, equipment, vehicles and infrastructure systems (a)** | **96 366** | **..** | **302** | **96 064** | **88 109** | **..** | **253** | **87 856** |
| Infrastructure systems | 82 168 | .. | 11 | 82 157 | 75 950 | .. | .. | 75 950 |
| Rolling stock **(a)** | 6 413 | .. | .. | 6 413 | 5 343 | .. | .. | 5 343 |
| Plant, equipment and vehicles | 7 785 | .. | 291 | 7 494 | 6 816 | .. | 253 | 6 563 |
| **Roads, road infrastructure and earthworks** | **56 010** | **..** | **..** | **56 010** | **45 084** | **..** | **..** | **45 084** |
| **Cultural assets (b)** | **6 867** | **..** | **2 500** | **4 367** | **6 867** | **..** | **2 480** | **4 387** |
| **Total land, buildings, infrastructure, plant and equipment (a)(b)(c)** | **376 974** | **..** | **44 832** | **332 141** | **347 375** | **..** | **44 266** | **303 109** |

Notes:

(a) The 2022 comparative figures have been restated to correctly reflect the disclosure of the High Capacity Metro Trains at fair value.

(b) The 2022 comparative figures have been reclassified from level 3 to level 2 for certain cultural assets within the National Gallery of Victoria to more accurately reflect the nature of their fair value measurement.

(c) The State’s total land, building, infrastructure, plant and equipment in this table excludes most construction in progress assets, which are valued at cost. Construction in progress assets arising from service concession arrangements are measured at fair value and included in this disclosure. The total of excluded assets is $33.2 billion (2022: $26.3 billion).

|  | Carrying amount | Fair value measurement at the end of the 2023 reporting period using: | | | Carrying amount | Fair value measurement at the end of the 2022 reporting period using: | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| General government sector | 2023 | Level 1 | Level 2 | Level 3 | 2022 | Level 1 | Level 2 | Level 3 |
| **Buildings** | **52 166** | **..** | **2 876** | **49 290** | **46 960** | **..** | **3 078** | **43 882** |
| Non‑specialised buildings | 3 652 | .. | 616 | 3 036 | 3 141 | .. | 878 | 2 262 |
| Specialised buildings | 47 726 | .. | 2 254 | 45 472 | 43 139 | .. | 2 200 | 40 939 |
| Heritage buildings | 787 | .. | 6 | 782 | 681 | .. | 1 | 680 |
| **Land and national parks** | **94 748** | **..** | **3 953** | **90 795** | **93 099** | **..** | **3 898** | **89 201** |
| Non‑specialised land | 4 142 | .. | 3 530 | 611 | 2 435 | .. | 1 813 | 622 |
| Specialised land | 45 910 | .. | 423 | 45 487 | 45 968 | .. | 2 085 | 43 883 |
| Land under roads | 42 687 | .. | .. | 42 687 | 42 687 | .. | .. | 42 687 |
| National parks and other land only holdings | 2 010 | .. | .. | 2 010 | 2 010 | .. | .. | 2 010 |
| **Plant, equipment, vehicles and infrastructure systems** | **14 855** | **..** | **165** | **14 690** | **12 591** | **..** | **156** | **12 434** |
| Infrastructure systems | 9 847 | .. | 1 | 9 846 | 8 183 | .. | .. | 8 183 |
| Plant, equipment and vehicles | 5 008 | .. | 164 | 4 844 | 4 408 | .. | 156 | 4 251 |
| **Roads, road infrastructure and earthworks** | **53 671** | **..** | **..** | **53 671** | **44 046** | **..** | **..** | **44 046** |
| **Cultural assets (a)** | **6 763** | **..** | **2 420** | **4 343** | **6 768** | **..** | **2 400** | **4 368** |
| **Total land, buildings, infrastructure, plant and equipment (a)(b)** | **222 202** | **..** | **9 414** | **212 788** | **203 464** | **..** | **9 533** | **193 931** |

Notes:

(a) The 2022 comparative figures have been reclassified from level 3 to level 2 for certain cultural assets within the National Gallery of Victoria to more accurately reflect the nature of their fair value measurement.

(b) The general government’s sector’s total land, building, infrastructure, plant and equipment in this table excludes most construction in progress assets, which are valued at cost. Construction in progress assets arising from service concession arrangements are measured at fair value and included in this disclosure. The total of excluded assets is $27.3 billion (2022: $22.3 billion).

Reconciliation of Level 3 fair value movements ($ million)

| State of Victoria |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2023 | Opening balance | Depreciation | Impairment | Assets recognised for the first time | Revaluation | Acquisitions/ (disposals) | Capitalisation of work‑in‑progress | Transfers in/out of Level 3 | Reclassification | Closing balance |
| **Buildings** | **56 023** | **(2 359)** | **(16)** | **202** | **4 097** | **2 061** | **3 406** | **(2)** | **90** | **63 499** |
| Non‑specialised buildings | 2 957 | (200) | (13) | 23 | 190 | 91 | 658 | (2) | 2 | 3 706 |
| Specialised buildings | 52 385 | (2 124) | (2) | 179 | 3 904 | 1 970 | 2 747 | 3 | (50) | 59 011 |
| Heritage buildings | 680 | (36) | .. | .. | 3 | .. | 1 | (4) | 138 | 782 |
| **Land and national parks** | **109 762** | **..** | **(194)** | **80** | **2 325** | **383** | **85** | **(24)** | **(214)** | **112 202** |
| Non‑specialised land | 727 | .. | .. | .. | .. | (9) | .. | (8) | 70 | 780 |
| Specialised land | 64 338 | .. | (194) | 80 | 2 325 | 391 | 85 | (16) | (283) | 66 725 |
| Land under roads | 42 687 | .. | .. | .. | .. | .. | .. | .. | .. | 42 687 |
| National parks and other land only holdings | 2 010 | .. | .. | .. | .. | .. | .. | .. | .. | 2 010 |
| **Plant, equipment, vehicles and infrastructure systems** | **87 856** | **(3 131)** | **(32)** | **383** | **5 170** | **3 163** | **2 540** | **(1)** | **116** | **96 064** |
| Infrastructure systems | 75 950 | (1 802) | (22) | 328 | 4 842 | 2 025 | 812 | .. | 24 | 82 157 |
| Rolling stock | 5 343 | (262) | .. | .. | .. | (6) | 1 337 | .. | .. | 6 413 |
| Plant, equipment and vehicles | 6 563 | (1 067) | (10) | 54 | 328 | 1 144 | 390 | (1) | 92 | 7 494 |
| **Roads, road infrastructure and earthworks** | **45 084** | **(1 001)** | **(3)** | **3** | **5 518** | **3 409** | **2 987** | **..** | **14** | **56 010** |
| **Cultural assets** | **4 387** | **(11)** | **..** | **16** | **78** | **20** | **..** | **..** | **(123)** | **4 367** |
| **Total** | **303 110** | **(6 502)** | **(245)** | **683** | **17 188** | **9 036** | **9 018** | **(27)** | **(117)** | **332 141** |

| 2022 |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Buildings** | **50 166** | **(2 196)** | **(15)** | **154** | **3 240** | **2 223** | **2 462** | **(1)** | **(11)** | **56 023** |
| Non‑specialised buildings | 4 104 | (246) | .. | 18 | 48 | 32 | 35 | 21 | (1 055) | 2 957 |
| Specialised buildings | 44 926 | (1 905) | (15) | 132 | 3 413 | 2 190 | 2 427 | 173 | 1 044 | 52 385 |
| Heritage buildings | 1 136 | (44) | .. | 4 | (222) | 1 | .. | (195) | .. | 680 |
| **Land and national parks** | **93 221** | **..** | **(17)** | **100** | **15 815** | **347** | **34** | **242** | **20** | **109 762** |
| Non‑specialised land | 1 355 | .. | .. | .. | 45 | 61 | .. | (28) | (706) | 727 |
| Specialised land | 56 079 | .. | (17) | 99 | 6 860 | 286 | 34 | 270 | 726 | 64 338 |
| Land under roads | 34 120 | .. | .. | .. | 8 567 | .. | .. | .. | .. | 42 687 |
| National parks and other land only holdings | 1 667 | .. | .. | .. | 342 | .. | .. | .. | .. | 2 010 |
| **Plant, equipment, vehicles and infrastructure systems (a)** | **83 563** | **(2 935)** | **(11)** | **268** | **(566)** | **2 906** | **4 459** | **3** | **171** | **87 856** |
| Infrastructure systems | 73 563 | (1 660) | (10) | 171 | (638) | 1 931 | 2 538 | .. | 55 | 75 950 |
| Rolling stock (a) | 4 031 | (373) | .. | .. | .. | (29) | 1 714 | .. | .. | 5 343 |
| Plant, equipment and vehicles | 5 969 | (903) | (1) | 97 | 71 | 1 004 | 207 | 3 | 116 | 6 563 |
| **Roads, road infrastructure and earthworks** | **41 843** | **(958)** | **(2)** | **..** | **220** | **3 008** | **973** | **..** | **1** | **45 084** |
| **Cultural assets (b)** | **4 137** | **(20)** | **..** | **21** | **218** | **25** | **..** | **4** | **2** | **4 387** |
| **Total (a)(b)** | **272 928** | **(6 109)** | **(45)** | **542** | **18 925** | **8 508** | **7 928** | **249** | **183** | **303 110** |

Notes:

(a) The 2022 comparative figures have been restated to correctly reflect the disclosure of the High Capacity Metro Trains at fair value.

(b) The 2022 comparative figures have been reclassified from level 3 to level 2 for certain cultural assets within the National Gallery of Victoria to more accurately reflect the nature of their fair value measurement.

Reconciliation of Level 3 fair value movements *(continued)* ($ million)

| General government sector | Opening balance | Depreciation | Impairment | Assets recognised for the first time | Revaluation | Acquisitions/ (disposals) | Capitalisation of work‑in‑progress | Assets transferred between government entities | Transfers in/out of Level 3 | Reclassification | Closing balance |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2023 |
| **Buildings** | **43 882** | **(1 961)** | **(14)** | **141** | **2 650** | **1 892** | **2 613** | **(4)** | **(2)** | **95** | **49 290** |
| Non‑specialised buildings | 2 262 | (151) | (13) | 7 | 183 | 93 | 658 | (2) | (1) | .. | 3 036 |
| Specialised buildings | 40 939 | (1 774) | .. | 134 | 2 463 | 1 799 | 1 954 | (3) | 3 | (43) | 45 472 |
| Heritage buildings | 680 | (36) | .. | .. | 3 | .. | 1 | .. | (4) | 138 | 782 |
| **Land and national parks** | **89 201** | **(7)** | **(194)** | **55** | **1 783** | **174** | **11** | **..** | **(16)** | **(212)** | **90 795** |
| Non‑specialised land | 622 | .. | .. | .. | .. | (9) | .. | .. | .. | (3) | 611 |
| Specialised land | 43 883 | (7) | (194) | 55 | 1 782 | 182 | 11 | .. | (16) | (210) | 45 487 |
| Land under roads | 42 687 | .. | .. | .. | .. | .. | .. | .. | .. | .. | 42 687 |
| National parks and other land only holdings | 2 010 | .. | .. | .. | .. | .. | .. | .. | .. | .. | 2 010 |
| **Plant, equipment, vehicles and infrastructure systems** | **12 434** | **(880)** | **(9)** | **50** | **274** | **2 595** | **112** | **7** | **(1)** | **107** | **14 690** |
| Infrastructure systems | 8 183 | (41) | .. | 2 | 164 | 1 538 | .. | .. | .. | .. | 9 846 |
| Plant, equipment and vehicles | 4 251 | (839) | (9) | 48 | 110 | 1 056 | 112 | 7 | (1) | 107 | 4 844 |
| **Roads, road infrastructure and earthworks** | **44 046** | **(998)** | **..** | **2** | **5 518** | **2 109** | **2 979** | **..** | **..** | **14** | **53 671** |
| **Cultural assets** | **4 368** | **(11)** | **..** | **16** | **76** | **20** | **..** | **..** | **..** | **(126)** | **4 343** |
| **Total** | **193 931** | **(3 857)** | **(217)** | **265** | **10 300** | **6 789** | **5 715** | **3** | **(19)** | **(123)** | **212 788** |

| 2022 |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Buildings** | **38 548** | **(1 813)** | **(14)** | **127** | **3 221** | **2 164** | **1 669** | **..** | **12** | **(33)** | **43 882** |
| Non‑specialised buildings | 3 302 | (191) | .. | 8 | 49 | 1 | 26 | .. | 21 | (954) | 2 262 |
| Specialised buildings | 34 110 | (1 579) | (14) | 116 | 3 394 | 2 162 | 1 643 | .. | 186 | 921 | 40 939 |
| Heritage buildings | 1 136 | (44) | .. | 4 | (222) | 1 | .. | .. | (195) | .. | 680 |
| **Land and national parks** | **74 301** | **..** | **(13)** | **99** | **14 237** | **356** | **19** | **6** | **230** | **(36)** | **89 201** |
| Non‑specialised land | 1 262 | .. | .. | .. | 40 | 61 | .. | .. | .. | (741) | 622 |
| Specialised land | 37 252 | .. | (13) | 99 | 5 288 | 295 | 19 | 6 | 230 | 705 | 43 883 |
| Land under roads | 34 120 | .. | .. | .. | 8 567 | .. | .. | .. | .. | .. | 42 687 |
| National parks and other land only holdings | 1 667 | .. | .. | .. | 342 | .. | .. | .. | .. | .. | 2 010 |
| **Plant, equipment, vehicles and infrastructure systems** | **10 239** | **(816)** | **(3)** | **32** | **227** | **2 564** | **160** | **(9)** | **3** | **39** | **12 434** |
| Infrastructure systems | 6 492 | (43) | (3) | .. | 159 | 1 580 | .. | (2) | .. | .. | 8 183 |
| Plant, equipment and vehicles | 3 747 | (773) | .. | 32 | 68 | 984 | 159 | (7) | 3 | 39 | 4 251 |
| **Roads, road infrastructure and earthworks** | **41 740** | **(954)** | **(2)** | **..** | **192** | **2 336** | **972** | **(237)** | **..** | **..** | **44 046** |
| **Cultural assets (a)** | **4 118** | **(20)** | **..** | **21** | **218** | **25** | **..** | **..** | **5** | **2** | **4 368** |
| **Total (a)** | **168 946** | **(3 604)** | **(32)** | **279** | **18 095** | **7 445** | **2 820** | **(240)** | **250** | **(28)** | **193 931** |

Note:

(a) The 2022 comparative figures have been reclassified from level 3 to level 2 for certain cultural assets within the National Gallery of Victoria to more accurately reflect the nature of their fair value measurement.

### Description of valuation techniques and significant unobservable inputs to Level 3 fair value measurements

The State measures all non‑financial physical assets initially at cost and subsequently revalues the assets at fair value less accumulated depreciation and impairment. The disclosure below provides additional information about the Level 3 measurements (fair value measurements using significant unobservable inputs).

The Victorian not-for-profit public sector entities hold their recurring non‑financial assets measured at Level 3 primarily for service potential rather than their ability to generate net cash inflows, which is the case with the Victorian for-profit public sector entities.

Government entities designated as for profit in accordance with FRD 108 *Classification of entities as for profit* are considered to be primarily held to generate future net cash flows.

The table below provides the respective fair value disclosures for not-for-profit and for-profit public sector entities. The disclosures reflect the significant asset balances within each of the different Level 3 asset classes. These assets are measured at the end of the reporting period using inputs not based on observable market data. The sensitivity of the unobservable input to fair value has been assessed and a significant increase or decrease in the significant unobservable input will result in significantly higher or lower valuation of the underlying asset.

Fair value disclosure for assets held primarily for service potential

| Asset class | Valuation technique | Significant unobservable input |
| --- | --- | --- |
| **Buildings** |  |  |
| Non‑specialised buildings | Current replacement cost | Direct cost per square metre Useful life |
| Specialised buildings | Current replacement cost | Direct cost per square metre Useful life |
| Heritage buildings | Current replacement cost | Direct cost per square metre Useful life |
| **Land and national parks** |  |  |
| Non‑specialised land | Market approach | CSO adjustment (a) |
| Specialised land | Market approach | CSO adjustment (a) |
| Land under roads | Market approach | CSO adjustment (a) |
| National parks | Market approach | CSO adjustment (a) |
| **Plant, equipment, vehicles and infrastructure systems** |  |  |
| Infrastructure systems and rolling stock | Current replacement cost | Cost:  per square metre  per unit Useful life |
| Plant, equipment and vehicles | Current replacement cost | Cost per unit Useful life |
| **Roads and roads infrastructure** |  |  |
| Roads and roads infrastructure | Current replacement cost | Cost per kilometre lane |
| Earthworks | Current replacement cost | Cost per kilometre |
| **Cultural assets** |  |  |
| Cultural assets | Current replacement cost | Unit of value by comparative basis Statistically verified random samples |

Note:

(a) The CSO adjustment reflects the specialised nature of the asset being valued through a market approach. The CSO adjustment is a reflection of the valuer’s assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach takes into account the highest and best use consideration for fair value measurement and considers the use of the asset that is physically possible, legally permissible, and financially feasible.

Fair value disclosure for assets held primarily for generating net cash inflows

| Asset class | Valuation technique | Significant unobservable input | Range |
| --- | --- | --- | --- |
| **Buildings** |  |  |  |
| Metropolitan water corporations | Current replacement cost | Direct cost per unit Direct cost per square metre Useful life | $3 025–$49 385 325  $12–$10 000  1–150 years |
| **Land** |  |  |  |
| Metropolitan water corporations | Market approach | CSO adjustment (a) | 1–92 per cent |
| **Channels** |  |  |  |
| Ports | Discounted cash flow method (income approach) | Discount rates (b) | 8.6 per cent |
| **Infrastructure** |  |  |  |
| Ports | Current replacement cost | Useful life | 1–25 years |
| Metropolitan water corporations | Discounted cash flow method (income approach) | Discount rates (b) | 5.0–6.0 per cent |
|  |  | Regulatory Asset Base (RAB) exit multiple | 1.05–1.25 |
|  |  | Useful life | 1–245 years |
| **Plant, equipment and vehicles** |  |  |  |
| Metropolitan water corporations | Current replacement cost | Useful life Cost per unit | 1–50 years  $1–$5 266 894 |

Notes:

(a) The CSO adjustment reflects the specialised nature of the asset being valued through a market approach. The CSO adjustment is a reflection of the valuer’s assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach takes into account the highest and best use consideration for fair value measurement and considers the use of the asset that is physically possible, legally permissible, and financially feasible.

(b) Applicable to the valuation using the income approach.

# Comparison against budget and the public account

### Introduction

This section presents a summary of the original published budget estimates for the Victorian general government sector and explains the material variances between the estimates and actual outcomes as presented in these financial statements.

It also provides disclosure of information in respect of the Public Account, in accordance with the requirement of the *Financial Management Act 1994* (FMA).

### Structure

[8.1 Explanations of material variances   
between budget and actual outcomes 140](#_Toc146278142)

[8.2 Public Account disclosures 149](#_Toc146278143)

## Explanations of material variances between budget and actual outcomes

The tables and notes that follow explain material variances between the general government sector original budget as published in Chapter 1 of 2022‑23Budget Paper No. 5 *Statement of Finances* and actual outcomes.

The tables also include the revised budget estimates as published in Appendix B of 2023‑24Budget Paper No. 5 *Statement of Finances*.

The original budget data is sourced from the estimated financial statements, which were reviewed by the Auditor-General, but were not subject to an audit.

For the general government sector comprehensive operating statement, variances are considered to be material where the variance exceeds the greater of 10 per cent of the original budget estimates or $100 million. In regard to the other statements, high level explanations of variances in the key aggregates, where material, have been provided.

Consolidated comprehensive operating statement for the financial year ending 30 June ($ million)

| General government sector | Notes | Published budget | Revised budget | 2023 actual | Budget variance | % | Revised budget variance | % |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Revenue and income from transactions** |  |  |  |  |  |  |  |  |
| Taxation | (a) | 30 488 | 31 501 | 32 350 | 1 862 | 6 | 849 | 3 |
| Interest income | (b) | 715 | 1 360 | 1 307 | 592 | 83 | (53) | (4) |
| Dividends, income tax equivalent and rate equivalent income | (c) | 602 | 756 | 820 | 218 | 36 | 64 | 8 |
| Sales of goods and services | (d) | 6 366 | 6 068 | 6 263 | (103) | (2) | 196 | 3 |
| Grants | (e) | 40 351 | 39 804 | 40 138 | (213) | (1) | 335 | 1 |
| Other revenue and income | (f) | 3 459 | 3 462 | 3 842 | 383 | 11 | 379 | 11 |
| **Total revenue and income from transactions** |  | **81 980** | **82 952** | **84 720** | **2 740** | **3** | **1 769** | **2** |
| **Expenses from transactions** |  |  |  |  |  |  |  |  |
| Employee expenses | (g) | 33 087 | 33 850 | 33 629 | 541 | 2 | (221) | (1) |
| Net superannuation interest expense |  | 682 | 719 | 719 | 38 | 6 | .. | .. |
| Other superannuation |  | 3 768 | 3 459 | 3 760 | (8) | .. | 301 | 9 |
| Depreciation |  | 4 650 | 4 813 | 4 604 | (46) | (1) | (209) | (4) |
| Interest expense |  | 3 899 | 4 071 | 3 974 | 75 | 2 | (97) | (2) |
| Grant expense | (h) | 17 391 | 18 992 | 19 053 | 1 663 | 10 | 61 | .. |
| Other operating expenses | (i) | 26 367 | 27 373 | 27 828 | 1 461 | 6 | 455 | 2 |
| **Total expenses from transactions** |  | **89 844** | **93 278** | **93 567** | **3 723** | **4** | **289** | **..** |
| **Net result from transactions – net operating balance** |  | **(7 864)** | **(10 326)** | **(8 847)** | **(983)** | **12** | **1 479** | **(14)** |
| **Other economic flows included in net result** |  |  |  |  |  |  |  |  |
| Net gain/(loss) on disposal of non‑financial assets |  | 52 | 34 | 90 | 38 | 73 | 56 | 165 |
| Net gain/(loss) on financial assets or liabilities at fair value |  | 76 | 71 | (29) | (104) | (138) | (100) | (140) |
| Share of net profit/(loss) from associates/joint venture entities, excluding dividends |  | 4 | 26 | (39) | (43) | n.a | (65) | (248) |
| Other gains/(losses) from other economic flows |  | (479) | (345) | (1 022) | (543) | 113 | (677) | 196 |
| **Total other economic flows included in net result** | (j) | **(347)** | **(214)** | **(1 000)** | **(652)** | **188** | **(785)** | **367** |
| **Net result** |  | **(8 212)** | **(10 541)** | **(9 847)** | **(1 635)** | **20** | **694** | **(7)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |  |  |  |
| Changes in non‑financial assets revaluation surplus |  | 5 940 | 4 611 | 13 710 | 7 769 | 131 | 9 098 | 197 |
| Remeasurement of superannuation defined benefits plans |  | 984 | (1 529) | 1 356 | 371 | 38 | 2 885 | (189) |
| Other movements in equity |  | 46 | 9 | (536) | (582) | n.a | (546) | n.a |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value |  | 3 | 3 | 139 | 136 | n.a | 136 | n.a |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets |  | (3 869) | (3 383) | 3 431 | 7 299 | (189) | 6 813 | (201) |
| **Total other economic flows – other comprehensive income** |  | **3 105** | **(288)** | **18 099** | **14 994** | **483** | **18 387** | **n.a** |
| **Comprehensive result – total change in net worth** |  | **(5 107)** | **(10 829)** | **8 252** | **13 359** | **(262)** | **19 081** | **(176)** |

### Revenue and income from transactions

Revenue from transactions was $84.7 billion for the year 30 June 2023. This is $2.7 billion (3 per cent) higher than the published budget. Movements in revenue items from the published budget are discussed below.

1. Taxation revenue was $1.9 billion higher than the published budget. This was driven by higher than budgeted land tax of $531 million caused by higher than expected revaluation rates on land in Victoria, and higher than budgeted land transfer duty collections of $512 million due to a milder than forecast correction in Victoria’s property market. Payroll tax and Mental Health and Wellbeing Levy collections were also $662 million higher than the published budget, driven by a stronger than expected recovery in the Victorian economy and labour market. Duty on vehicles registrations and transfers was also $178 million higher than the published budget, driven by increases in the prices of motor vehicles.
2. Interest income was $592 million higher than the published budget. This was largely driven by increases in interest rates over the twelve months to June 2023, along with a higher than expected cash and deposits balance due to the proceeds received from the VicRoads Modernisation joint venture which were used to establish the Victorian Future Fund and were invested in the central banking system during 2022-23.
3. Dividends, income tax equivalent and rate equivalent income was $218 million higher than the published budget. This was largely driven by income tax equivalent income from the Transport Accident Commission (TAC), due to higher than forecast profits largely resulting from higher bond yields.
4. Revenue from the sales of goods and services was lower than the published budget by $103 million. This was primarily driven by lower than expected metropolitan public transport fare revenue.
5. Grant revenue was $213 million lower than the published budget. This was largely driven by the timing of expected receipt of capital grants from the Commonwealth of over $680 million for the North East Link and Melbourne Airport Rail projects and a grant of $450 million from the TAC which has been rephased to future years. This decrease was partially offset by an increase in financial assistance grants to local government with the Commonwealth bringing forward the 2023-24 payments to 2022-23, and an increase in GST grants due to an increase in the national GST pool due to stronger than anticipated recovery in consumption. The State also received $496 million from the Commonwealth for the Social Housing Accelerator program as part of a national partnership agreement.
6. Other revenue and income was $383 million higher than the published budget. This was driven by the health sector due to increases in other revenue related to external to government contributions, recoverable salaries and income from additional activities. In addition, there was also an increase in unclaimed monies collected by the State Revenue Office and assets received free of charge.

**Expenses from transactions**

Expenses from transactions was $93.6 billion for the year ended 30 June 2023. This is $3.7 billion (4 per cent) higher than the published budget. Movements in expense items from the published budget are discussed below.

1. Employee expenses was $541 million higher than the published budget. This was largely driven by new initiatives funded in 2022-23 in the health sector and higher than expected costs within the regulatory bodies in the justice and community safety, and environment sectors.
2. Grant expenses were $1.7 billion higher than the published budget. This was largely driven by the recognition of grants to local government for the October 2022 floods and on-passing of grants to local government in which the grants for on‑passing were brought forward from 2023-24 to 2022-23 by the Commonwealth. The increase is also driven by grants associated with the Power Saving Bonus initiative.
3. Other operating expenses were $1.5 billion higher than the published budget. This was driven by the Government’s continuing response to COVID-19 in the transport sector and flood recovery works along with operating expenditure related to the Department of Transport and Planning’s capital program. The increase also reflects the new service fee arrangements with the VicRoads Modernisation joint venture for the delivery of registration and licensing, and custom plates functions.

### Other economic flows included in net result

1. Total other economic flows included in the net result have decreased by $652 million since the published budget. This decrease primarily related to the write-off of inventory in the health sector.

Consolidated balance sheet as at 30 June ($ million)

|  | Published budget | Revised budget | 2023 actual | Budget variance | % | Revised budget variance | % |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** |  |  |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |  |  |
| Cash and deposits | 14 527 | 19 735 | 19 698 | 5 171 | 36 | (37) | .. |
| Advances paid | 5 231 | 5 670 | 5 308 | 77 | 1 | (361) | (6) |
| Receivables and contract assets | 7 177 | 8 109 | 9 046 | 1 869 | 26 | 938 | 12 |
| Investments, loans and placements | 10 056 | 4 451 | 3 853 | (6 203) | (62) | (598) | (13) |
| Investments accounted for using the equity method | 10 | 1 219 | 1 180 | 1 170 | n.a | (38) | (3) |
| Investments in other sector entities | 79 552 | 89 002 | 96 042 | 16 490 | 21 | 7 040 | 8 |
| **Total financial assets** | **116 553** | **128 185** | **135 128** | **18 575** | **16** | **6 944** | **5** |
| **Non‑financial assets** |  |  |  |  |  |  |  |
| Inventories | 197 | 781 | 574 | 378 | 192 | (207) | (26) |
| Non‑financial assets held‑for‑sale | 182 | 169 | 110 | (72) | (40) | (59) | (35) |
| Land, buildings, infrastructure, plant and equipment | 217 590 | 238 943 | 249 480 | 31 890 | 15 | 10 537 | 4 |
| Other non‑financial assets | 7 157 | 7 372 | 5 898 | (1 259) | (18) | (1 474) | (20) |
| **Total non‑financial assets** | **225 125** | **247 264** | **256 062** | **30 937** | **14** | **8 798** | **4** |
| **Total assets** | **341 678** | **375 449** | **391 190** | **49 512** | **14** | **15 741** | **4** |
| **Liabilities** |  |  |  |  |  |  |  |
| Deposits held and advances received | 1 468 | 1 714 | 1 615 | 147 | 10 | (99) | (6) |
| Payables | 21 683 | 26 914 | 28 047 | 6 363 | 29 | 1 133 | 4 |
| Contract liabilities | 235 | 338 | 352 | 117 | 50 | 14 | 4 |
| Borrowings | 146 853 | 144 834 | 142 289 | (4 564) | (3) | (2 545) | (2) |
| Employee benefits | 10 033 | 10 099 | 10 250 | 217 | 2 | 151 | 1 |
| Superannuation | 23 555 | 21 778 | 18 904 | (4 651) | (20) | (2 873) | (13) |
| Other provisions | 2 282 | 2 071 | 2 950 | 668 | 29 | 880 | 42 |
| **Total liabilities** | **206 110** | **207 747** | **204 407** | **(1 703)** | **(1)** | **(3 340)** | **(2)** |
| **Net assets** | **135 569** | **167 702** | **186 783** | **51 214** | **38** | **19 081** | **11** |
| Accumulated surplus/(deficit) | 36 989 | 41 661 | 45 889 | 8 900 | 24 | 4 228 | 10 |
| Reserves | 98 580 | 126 041 | 140 894 | 42 314 | 43 | 14 854 | 12 |
| **Net worth** | **135 569** | **167 702** | **186 783** | **51 214** | **38** | **19 081** | **11** |
|  |  |  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |  |  |
| Net financial worth | (89 556) | (79 562) | (69 278) | 20 278 | (23) | 10 284 | (13) |
| Net financial liabilities | 169 108 | 168 564 | 165 321 | (3 788) | (2) | (3 243) | (2) |
| Net debt | 118 507 | 116 693 | 115 044 | (3 463) | (3) | (1 648) | (1) |

### Net financial worth

Net financial worth is total financial assets minus total liabilities. Net financial worth was $20.3 billion higher than the published budget. This was due to an increase in financial assets of $18.6 billion and a $1.7 billion decrease in liabilities.

The higher than forecast increase in financial assets was primarily driven by an increase in investments in other sectors, predominantly due to the mark-to-market revaluation gain on TCV’s borrowings as a result of higher bond yields. Also driving the increase was higher than forecast proceeds received from the VicRoads Modernisation joint venture which were used to establish the Victorian Future Fund.

The lower than expected liabilities included $4.6 billion lower borrowings and a $4.7 billion lower superannuation liability, partially offset by a $6.4 billion higher payables balance as described under net financial liabilities below.

### Net financial liabilities

Net financial liabilities are total liabilities less all financial assets (excluding investments in other sectors). Net financial liabilities were $3.8 billion lower than the published budget.

The decrease is primarily driven by lower borrowings of $4.6 billion mainly as a result of higher than forecast cash flows from operating activities, and a decrease in the superannuation liability of $4.7 billion reflecting an increase in the bond yields that underlie the key superannuation valuation assumptions, partially offset by the impact of lower than expected investment returns on superannuation assets in the June quarter of 2022-23. These decreases were partially offset by higher than forecast payables of $6.4 billion resulting from transactions including the grant of a right to the operator liability recognised as part of the VicRoads Modernisation joint venture, and an increase in unearned income mainly relating to reconciliation of grants received from the Commonwealth under the National Health Reform Agreement.

The lower than expected net financial liabilities were also driven by an increase in receivables and contract assets of $1.9 billion primarily due to an increase in land tax receivables and accrued income tax equivalent income from TAC.

### Net debt

Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings less the sum of cash and deposits, advances paid and investments, loans and placements. Net debt was $3.5 billion lower compared with the published budget. This was primarily due to lower borrowings as explained under the net financial liabilities above, and higher than forecast proceeds received from the VicRoads Modernisation joint venture which were used to establish the Victorian Future Fund.

### Non-financial assets

Non-financial assets were $30.9 billion higher than the published budget. This was primarily due to the revaluation of non-financial assets in the transport, education and health sectors. The timing of asset transfers from the general government sector to other sectors of government was lower than forecast, which also contributed to this increase.

Consolidated cash flow statement for the year ended 30 June ($ million)

| General government sector | Published budget | Revised budget | 2023 actual | Budget variance | % | Revised budget variance | % |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Cash flows from operating activities** | |  |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |  |  |
| Taxes received | 30 770 | 32 179 | 31 621 | 851 | 3 | (559) | (2) |
| Grants | 40 319 | 39 822 | 40 881 | 563 | 1 | 1 059 | 3 |
| Sales of goods and services (a)(b) | 6 920 | 6 667 | 6 873 | (47) | (1) | 206 | 3 |
| Interest received | 682 | 1 309 | 1 229 | 546 | 80 | (81) | (6) |
| Dividends, income tax equivalent and rate equivalent receipts | 596 | 804 | 693 | 96 | 16 | (111) | (14) |
| Other receipts (b) | 6 873 | 10 217 | 10 207 | 3 334 | 49 | (11) | .. |
| **Total receipts** | **86 160** | **90 999** | **91 503** | **5 343** | **6** | **504** | **1** |
| **Payments** |  |  |  |  |  |  |  |
| Payments for employees | (32 772) | (33 616) | (33 260) | (489) | 1 | 355 | (1) |
| Superannuation | (3 977) | (3 686) | (3 975) | 2 | .. | (289) | 8 |
| Interest paid | (3 588) | (3 769) | (3 559) | 30 | (1) | 210 | (6) |
| Grants and subsidies | (17 391) | (18 977) | (18 403) | (1 012) | 6 | 573 | (3) |
| Goods and services (a) | (25 845) | (26 635) | (27 110) | (1 265) | 5 | (476) | 2 |
| Other payments | (1 305) | (1 424) | (945) | 360 | (28) | 479 | (34) |
| **Total payments** | **(84 879)** | **(88 107)** | **(87 253)** | **(2 374)** | **3** | **853** | **(1)** |
| **Net cash flows from operating activities** | **1 281** | **2 892** | **4 250** | **2 969** | **232** | **1 357** | **47** |
| **Cash flows from investing activities** |  |  |  |  |  |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |  |  |  |  |  |
| Purchases of non‑financial assets | (15 138) | (16 559) | (16 273) | (1 135) | 8 | 285 | (2) |
| Sales of non‑financial assets | 693 | 408 | 325 | (367) | (53) | (83) | (20) |
| **Net cash flows from investments in non‑financial assets** | **(14 445)** | **(16 151)** | **(15 948)** | **(1 503)** | **10** | **203** | **(1)** |
| Net cash flows from investments in financial assets for policy purposes | (1 429) | (1 778) | (1 625) | (196) | 14 | 153 | (9) |
| **Subtotal** | **(15 874)** | **(17 929)** | **(17 573)** | **(1 699)** | **11** | **356** | **(2)** |
| Net cash flows from investments in financial assets for liquidity management purposes | (6 254) | (1 062) | (492) | 5 762 | (92) | 570 | (54) |
| **Net cash flows from investing activities** | **(22 129)** | **(18 991)** | **(18 065)** | **4 063** | **(18)** | **926** | **(5)** |
| **Cash flows from financing activities** |  |  |  |  |  |  |  |
| Advances received (net) | (448) | (120) | (242) | 206 | (46) | (122) | 101 |
| Net borrowings | 21 253 | 24 969 | 22 749 | 1 496 | 7 | (2 220) | (9) |
| Deposits received (net) | .. | .. | 22 | 23 | n.a | 23 | n.a |
| **Net cash flows from financing activities** | **20 805** | **24 849** | **22 529** | **1 724** | **8** | **(2 320)** | **(9)** |
| **Net increase/(decrease) in cash and cash equivalents** | **(43)** | **8 750** | **8 713** | **8 756** | **n.a** | **(37)** | **..** |
| Cash and cash equivalents at beginning of reporting period | 14 570 | 10 985 | 10 985 | (3 585) | (25) | .. | .. |
| **Cash and cash equivalents at end of the reporting period** | **14 527** | **19 735** | **19 698** | **5 171** | **36** | **(37)** | **..** |

Notes:

(a) These items include goods and services tax.

(a) Sales of goods and services and other receipts were previously aggregated in the 2022-23 Budget.

### Net cash flows from operating activities

### Net cash flows from operating activities were $3 billion higher than the published budget. This was largely due to higher than forecast proceeds received from the VicRoads Modernisation joint venture.

### A reconciliation of the net result to net cash flows from operating activities is provided at Note 5.5.

### Net cash flows from investing activities

### Net cash flows from investing activities were $4.1 billion lower than the published budget. This decrease was driven by lower cash outflows in financial assets for liquidity management purposes due to the timing of investments made from the Victorian Future Fund with VFMC. This decrease was partially offset by higher than forecast expenditure on the State’s capital program.Net cash flows from financing activities

### Net cash inflows from financing activities were $1.7 billion higher than the published budget. This was primarily due to higher borrowings than expected in the published budget primarily as a result of higher than forecast expenditure on the State's capital program.

### Consolidated statement of changes in equity

The major variations between actual outcomes and the published budget for the statement of changes in equity are largely addressed in the explanations provided previously.

Consolidated statement of changes in equity ($ million)

|  | Accumulated surplus/(deficit) | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- |
| **2022‑23 original budget** |  |  |  |  |  |
| Balance at 1 July 2022 | 44 170 | 61 604 | 33 740 | 1 162 | 140 676 |
| Net result for the year | (8 212) | .. | .. | .. | (8 212) |
| Other comprehensive income for the year | 1 030 | 5 940 | (3 869) | 3 | 3 105 |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. |
| **Balance at 30 June 2023** | **36 989** | **67 545** | **29 871** | **1 165** | **135 569** |
| **2022‑23 revised budget** |  |  |  |  |  |
| Balance at 1 July 2022 | 52 827 | 79 719 | 44 815 | 1 170 | 178 531 |
| Net result for the year | (10 541) | .. | .. | .. | (10 541) |
| Other comprehensive income for the year | (1 520) | 4 611 | (3 383) | 3 | (288) |
| Transfer to/(from) accumulated surplus | 895 | (895) | .. | .. | .. |
| **Balance at 30 June 2023** | **41 661** | **83 436** | **41 432** | **1 173** | **167 702** |
| **2022‑23 actual** |  |  |  |  |  |
| Balance at 1 July 2022 | 52 824 | 79 719 | 44 815 | 1 170 | 178 528 |
| Opening balance adjustment (a) | 3 | .. | .. | .. | 3 |
| Restated balance at 1 July 2022 | 52 827 | 79 719 | 44 815 | 1 170 | 178 531 |
| Net result for the year | (9 847) | .. | .. | .. | (9 847) |
| Other comprehensive income for the year | 749 | 13 710 | 3 431 | 210 | 18 099 |
| Transfer to/(from) accumulated surplus | 2 160 | (2 160) | .. | .. | .. |
| **Balance at 30 June 2023** | **45 889** | **91 269** | **48 245** | **1 380** | **186 783** |
| **Variance to original budget** |  |  |  |  |  |
| Balance at 1 July 2022 | 8 657 | 18 115 | 11 075 | 8 | 37 855 |
| Net result for the year | (1 635) | .. | .. | .. | (1 635) |
| Other comprehensive income for the year | (281) | 7 769 | 7 299 | 207 | 14 994 |
| Transfer to/(from) accumulated surplus | 2 160 | (2 160) | .. | .. | .. |
| **Balance at 30 June 2023** | **8 900** | **23 725** | **18 375** | **215** | **51 214** |
| **Variance to revised budget** |  |  |  |  |  |
| Balance at 1 July 2022 | .. | .. | .. | .. | .. |
| Net result for the year | 694 | .. | .. | .. | 694 |
| Other comprehensive income for the year | 2 269 | 9 098 | 6 813 | 207 | 18 387 |
| Transfer to/(from) accumulated surplus | 1 265 | (1 265) | .. | .. | .. |
| **Balance at 30 June 2023** | **4 228** | **7 834** | **6 813** | **207** | **19 081** |

Note:

(a) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the former Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the machinery of government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. Refer to Note 9.8 for further details.

## Public Account disclosures

The *Financial Management Act 1994* (FMA) requires the following disclosures of information in respect of the transactions and balances of the Public Account.

The Public Account is the Government’s official bank account. The Public Account holds the cash balances of the Consolidated Fund and the Trust Fund.

The FMA, among other things, also provides for:

* temporary advances from the Public Account for a number of purposes related to the needs of the Government
* investment of the Public Account in trustee securities
* temporary borrowings should the balance in the Consolidated Fund be insufficient to meet commitments during a financial year.

### Consolidated Fund

The Consolidated Fund, established by the FMA, is the Government’s primary financial account and receives all consolidated revenue under the *Constitution Act 1975* from which payments, appropriated by Parliament, are made.

### Trust Fund

Within the Public Account, the Trust Fund includes a range of specific purpose accounts established for funds that are not subject to parliamentary appropriation. Examples include accounts to record specific purpose payments from the Commonwealth for on-passing by the State to third parties, suspense account balances for accounting purposes, working accounts for commercial and departmental service units, and accounts facilitating the receipt and disbursement of other funds held by the State in trust. Additional accounts may also be established within the Trust Fund by legislation to receive State revenues hypothecated to particular purposes (e.g. lotteries revenue for hospitals and charities).

### Structure of Public Account disclosure

[8.2.1 Summarised consolidated fund receipts   
and payments for the financial year   
ended 30 June 150](#_Toc146731871)

[8.2.2 Consolidated fund receipts for the   
financial year ended 30 June 152](#_Toc146731872)

[8.2.3 Trust fund cash flow statement for the   
financial year ended 30 June 154](#_Toc146731873)

[8.2.4 Trust fund summary for the financial year   
ended 30 June 155](#_Toc146731874)

[8.2.5 Reconciliation of cash flows to balances held 155](#_Toc146731875)

[8.2.6 Details of securities held and included in the balances at 30 June 156](#_Toc146731876)

[8.2.7 Consolidated Fund payments:   
Special appropriations 156](#_Toc146731877)

[8.2.8 Consolidated Fund payments:   
Annual appropriations 157](#_Toc146731878)

[8.2.9 Amounts paid into working accounts pursuant   
to Section 23 of the *Financial Management   
Act 1994* for the year ended 30 June 157](#_Toc146731879)

[8.2.10 Transfers pursuant to Sections 30 and 31 of   
the *Financial Management Act 1994* for the financial year ended 30 June 2023 158](#_Toc146731880)

[8.2.11 Appropriation of revenue and asset sale   
proceeds pursuant to Section 29 of the   
*Financial Management Act 1994* for the financial year ended 30 June 2023 159](#_Toc146731881)

[8.2.12 Section 32 carryovers – *Financial Management   
Act 1994* for the financial year ended 30 June 160](#_Toc146731882)

[8.2.13 Payments from advance to the Treasurer for   
the financial year ended 30 June 161](#_Toc146731883)

[8.2.14 Payments from advances and unused   
advances carried forward to 2022‑23   
pursuant to Section 35 and 35(4) of the   
*Financial Management Act 1994* 167](#_Toc146731884)

[8.2.15 Government guarantees 168](#_Toc146731885)

[8.2.16 Allocations pursuant to Section 28 of the *Financial Management Act 1994* for the   
financial year ended 30 June 168](#_Toc146731886)

### Summarised consolidated fund receipts and payments for the financial year ended 30 June ($ thousand)

|  | Notes | 2023 | 2022 |
| --- | --- | --- | --- |
| **Receipts** |  |  |  |
| Taxation |  | 32 039 338 | 30 739 360 |
| Fines and regulatory fees |  | 1 147 402 | 904 279 |
| Grants received |  | 26 155 023 | 27 742 773 |
| Sales of goods and services |  | 1 372 878 | 1 140 076 |
| Interest received |  | 1 110 353 | 455 272 |
| Dividends, income tax equivalent and rate equivalent receipts |  | 745 108 | 511 232 |
| Other receipts |  | 8 745 403 | 945 883 |
| **Total cash inflows from operating activities** |  | **71 315 505** | **62 438 876** |
| **Total cash inflows from investing and financing activities** |  | **23 759 655** | **27 330 194** |
| **Total consolidated fund receipts** | 8.2.2 | **95 075 159** | **89 769 070** |
|  |  |  |  |
| **Payments** |  |  |  |
| **Special appropriations** |  |  |  |
| Special appropriations (excluding Section 33, *Financial Management Act, No. 18 of 1994 a*ppropriation to meet certain obligations) |  | 5 289 199 | 6 649 340 |
| Section 28 *Financial Management Act, No. 18 of 1994*  (appropriation for borrowing against future appropriations) | 8.2.16 | .. | 348 000 |
| Section 33 *Financial Management Act, No. 18 of 1994* (appropriation to meet certain obligations) |  | 111 461 | 523 994 |
| **Total special appropriations** | 8.2.7 | **5 400 660** | **7 521 334** |
|  |  |  |  |
| **Annual appropriations** |  |  |  |
| **Provision of outputs** |  |  |  |
| Provision of outputs – Net application | 8.2.8 | 50 456 619 | 50 014 454 |
| Section 29 *Financial Management Act, No. 18 of 1994*  (appropriation of annotated receipts) | 8.2.11 | 2 477 051 | 5 474 313 |
| Section 32 *Financial Management Act, No. 18 of 1994*  (prior year unspent appropriations brought forward) | 8.2.12 | 368 441 | 489 955 |
| Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances) | 8.2.14 | 399 253 | .. |
| Advance to Treasurer to be sanctioned | 8.2.13 | 9 075 575 | 13 370 599 |
| **Total provision of outputs** |  | **62 776 939** | **69 349 321** |
|  |  |  |  |
| **Additions to net asset base** |  |  |  |
| Additions to net asset base – Net application | 8.2.8 | 10 336 196 | 8 929 804 |
| Section 29 *Financial Management Act, No. 18 of 1994* (appropriation of annotated receipts) | 8.2.11 | 1 253 258 | 1 063 346 |
| Section 32 *Financial Management Act, No. 18 of 1994*  (prior year unspent appropriations brought forward) | 8.2.12 | 591 851 | 351 499 |
| Advance to Treasurer to be sanctioned | 8.2.13 | 3 139 385 | 1 777 259 |
| **Total additions to net asset base** |  | **15 320 690** | **12 121 909** |
|  |  |  |  |
| **Payments made on behalf of the State** |  |  |  |
| Payments made on behalf of the State | 8.2.8 | 7 094 937 | 4 870 653 |
| Section 32 *Financial Management Act, No. 18 of 1994*  (prior year unspent appropriations brought forward) *(a)* | 8.2.12 | .. | 1 356 |
| **Total payments made on behalf of State** |  | **7 094 937** | **4 872 009** |

### 8.2.1 Summarised consolidated fund receipts and payments for the financial year ended 30 June *(continued)* ($ thousand)

|  | Notes | 2023 | 2022 |
| --- | --- | --- | --- |
| **Other** |  |  |  |
| Contribution by the State under agreements pursuant to Section 25 of *the Murray‑Darling Basin Act 1993* | 8.2.8 | 31 429 | 29 926 |
| Victorian Law Reform Commission –  Pursuant to Section 17 (b) of the *Victorian Law Reform Commission Act 2000* | 8.2.8 | 779 | 1 226 |
| **Total other** |  | **32 208** | **31 152** |
|  |  |  |  |
| **Total annual appropriations** |  | **85 224 774** | **86 374 391** |
| Applied appropriations remaining unspent relating to the 2022‑23 appropriations |  | (1 267 914) | (1 878 951) |
| **Total payments** |  | **89 357 520** | **92 016 774** |
|  |  |  |  |
| **Consolidated fund balance 1 July** |  | **..** | **2 247 704** |
| **Add total receipts for year** |  | **95 075 159** | **89 769 070** |
| **Less total payments for year** |  | **(89 357 520)** | **(92 016 774)** |
| **Consolidated fund balance 30 June** |  | **5 717 639** | **..** |
|  |  |  |  |
|  |  |  |  |
| *Reconciliation of unspent appropriations:* |  |  |  |
| *Applied appropriations unspent at end of year* |  | *14 978 458* | *13 822 004* |
| *add payments made during the year under the Financial Management Act, No. 18 of 1994, Section 33* |  | *111 461* | *523 994* |
| ***Subtotal*** |  | ***15 089 919*** | ***14 345 998*** |
| *less applied appropriations unspent at beginning of year* |  | *(13 822 004)* | *(12 467 047)* |
| ***Current year appropriations remaining unspent as at 30 June*** |  | ***1 267 914*** | ***1 878 951*** |

Note:

(a) The 2022 figure has been restated to reflect more current information.

### Consolidated fund receipts for the financial year ended 30 June ($ thousand)

|  | Published budget | Actual | Actual |
| --- | --- | --- | --- |
|  | 2023 | 2023 | 2022 |
| **Operating activities** |  |  |  |
| **Taxation** |  |  |  |
| Payroll tax | 8 240 586 | 8 357 407 | 7 938 313 |
| Mental Health and Wellbeing Levy | 983 034 | 1 104 983 | 397 491 |
| Land tax | 4 749 233 | 4 742 892 | 3 845 986 |
| Fire Services Property Levy | 800 240 | 791 858 | 758 758 |
| Congestion levy | 108 369 | 120 605 | 103 942 |
| **Financial and capital transactions** |  |  |  |
| Land transfer duty | 8 234 381 | 8 710 095 | 10 375 272 |
| Other property duties | 12 | 46 | 71 |
| Metropolitan Planning Levy | 19 998 | 21 913 | 22 185 |
| Financial accommodation levy | 183 513 | 155 462 | 150 963 |
| Growth areas infrastructure contribution | 165 000 | 153 698 | 194 946 |
| **Gambling** |  |  |  |
| Public lotteries | 734 550 | 670 409 | 677 966 |
| Electronic gaming machines | 1 041 137 | 1 313 231 | 819 263 |
| Casino | 222 656 | 177 533 | 218 771 |
| Racing and other sports betting | 270 000 | 253 213 | 257 748 |
| Other | 100 205 | 107 248 | 73 047 |
| **Levies on statutory corporations** | **173 480** | **173 480** | **173 480** |
| **Taxes on insurance** | **1 829 009** | **1 875 467** | **1 727 756** |
| **Motor vehicle** |  |  |  |
| Registration fees pursuant to the *Road Safety Act, No. 127 of 1986* | 2 006 598 | 1 954 137 | 1 878 406 |
| Stamp duty on vehicle transfers | 1 077 248 | 1 255 327 | 1 097 436 |
| **Franchise fees** |  |  |  |
| Liquor | 26 039 | 20 905 | 25 842 |
| **Other** | **76 319** | **79 430** | **1 719** |
| **Total taxation** | **31 041 605** | **32 039 338** | **30 739 360** |
| **Fines and regulatory fees** |  |  |  |
| Fines | 424 665 | 596 388 | 365 154 |
| Regulatory fees | 675 310 | 551 014 | 539 125 |
| **Total fines and regulatory fees** | **1 099 975** | **1 147 402** | **904 279** |
| **Grants received (a)** |  |  |  |
| Department of Education | .. | 3 233 | 25 914 |
| Department of Energy, Environment and Climate Action | 211 | 1 093 | 1 215 |
| Department of Families, Fairness and Housing | 586 | 21 189 | 9 534 |
| Department of Health | 72 541 | 259 849 | 81 189 |
| Department of Jobs, Skills, Industry and Regions | 1 564 | 1 524 | 27 898 |
| Department of Justice and Community Safety | 582 | 582 | 625 |
| Department of Transport and Planning | 14 364 | 2 136 | 6 419 |
| Department of Treasury and Finance | 26 641 250 | 25 865 417 | 27 589 979 |
| **Total grants received** | **26 731 098** | **26 155 023** | **27 742 773** |
| **Sales of goods and services** |  |  |  |
| Other sales of goods and services | 1 465 605 | 1 372 878 | 1 140 076 |
| **Total sales of goods and services** | **1 465 605** | **1 372 878** | **1 140 076** |
| **Interest received** | **478 271** | **1 110 353** | **455 272** |
| **Dividends, income tax equivalent and rate equivalent revenue** |  |  |  |
| Dividends | 134 419 | 60 477 | 246 989 |
| Income tax equivalent revenue | 223 910 | 679 850 | 259 619 |
| Local government tax equivalent revenue | 5 090 | 4 781 | 4 624 |
| **Total dividends, income tax equivalent and rate equivalent revenue** | **363 418** | **745 108** | **511 232** |

### 8.2.2 Consolidated fund receipts for the financial year ended 30 June *(continued)* ($ thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| **Other receipts** |  |  |  |
| Land rent received | 18 821 | 18 400 | 17 882 |
| Royalties received | 139 132 | 128 665 | 139 940 |
| Other | 3 949 898 | 8 598 339 | 788 061 |
| **Total other receipts** | **4 107 851** | **8 745 403** | **945 883** |
| **Total cash inflows from operating activities** | **65 287 823** | **71 315 505** | **62 438 876** |
| **Cash inflows from investing activities** |  |  |  |
| Proceeds from investments | (5 100 813) | 360 | (441) |
| Proceeds from sale of property, plant and equipment | .. | 202 327 | 170 993 |
| Other loans | 642 | .. | .. |
| Return of capital – Government entities | 250 700 | .. | 209 835 |
| **Total cash inflows from investing activities** | **(4 849 471)** | **202 687** | **380 387** |
| **Cash inflows from financing activities** |  |  |  |
| Loans to government agencies | 23 831 | 22 313 | 19 170 |
| Borrowings | 25 119 509 | 23 534 655 | 26 930 637 |
| **Total cash inflows from financing activities** | **25 143 340** | **23 556 968** | **26 949 807** |
| **Total cash inflows from investing and financing activities** | **20 293 869** | **23 759 655** | **27 330 194** |
| **Total consolidated fund receipts** | **85 581 693** | **95 075 159** | **89 769 070** |

Note:

(a) On 5 December 2022, the Premier announced various machinery of government changes effective 1 January 2023. See Note 9.8 for further details.

### Trust fund cash flow statement for the financial year ended 30 June ($ thousand)

|  | 2023 | 2022 |
| --- | --- | --- |
| **Cash flows from operating activities** |  |  |
| **Receipts** |  |  |
| Taxation | 617 442 | 416 620 |
| Regulatory fees and fines | 234 787 | 243 502 |
| Grants received (a) | 23 008 725 | 24 940 231 |
| Sale of goods and services | 1 568 676 | 1 453 891 |
| Interest received | 152 187 | 32 853 |
| Dividend received | 37 238 | 17 610 |
| Net transfers from the consolidated fund | 9 389 063 | 9 513 193 |
| Other receipts | 338 587 | 172 577 |
|  |  |  |
| **Payments** |  |  |
| Payments for employees | (504 897) | (670 495) |
| Superannuation | (40 393) | (50 407) |
| Interest paid | (116 619) | (126 255) |
| Grants and subsidies (a) | (24 536 841) | (26 484 488) |
| Goods and services | (4 057 093) | (5 034 123) |
| **Net cash flows from operating activities** | **6 090 861** | **4 424 709** |
|  |  |  |
| **Cash flows from investing activities** |  |  |
| Purchase of non‑financial assets | (65 969) | (172 654) |
| Sales of non‑financial assets | 98 263 | 88 215 |
| Net proceeds from customer loans | 705 415 | 236 882 |
| Other investing activities (a) | (3 797 331) | (3 885 955) |
| **Net cash flows from investing activities (a)** | **(3 059 622)** | **(3 733 512)** |
|  |  |  |
| **Cash flows from financing activities** |  |  |
| Net borrowings | (417 296) | (83 273) |
| **Net cash flows from financing activities** | **(417 296)** | **(83 273)** |
| **Net increase/(decrease) in trust fund cash and deposits (a)** | **2 613 943** | **607 924** |

Note:

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

# 

### Trust fund summary for the financial year ended 30 June ($ thousand)

|  | Balances  held 2023 | Balances  held 2022 |
| --- | --- | --- |
| **State Government funds** |  |  |
| Accounts established to receive levies imposed by Parliament and record the expenditure thereof | 421 911 | 288 785 |
| Accounts established to receive monies provided in the annual budget and record the expenditure thereof | 1 167 055 | 765 804 |
| Specific purpose operating accounts established for various authorities | 3 891 059 | 3 033 273 |
| Suspense and clearing accounts to facilitate accounting procedures | 346 555 | 28 798 |
| Treasury Trust Fund | 349 974 | 299 027 |
| Agency and deposit accounts | 890 245 | 772 295 |
| **Total State Government funds** | **7 066 799** | **5 187 981** |
|  |  |  |
| **Joint Commonwealth and State funds** | **855 886** | **173 777** |
|  |  |  |
| **Commonwealth Government funds** |  |  |
| Commonwealth Grants passed on to individuals and organisations | 441 848 | 56 015 |
| **Total Commonwealth Government funds** | **441 848** | **56 015** |
|  |  |  |
| **Prizes, scholarships, research and private donations** | **464 935** | **443 318** |
|  |  |  |
| **Total Trust Fund** | **8 829 467** | **5 861 091** |

### Reconciliation of cash flows to balances held ($ thousand)

|  | Balances  held at  30 June 2022 | Net  movement  for year | Balances  held at  30 June 2023 |
| --- | --- | --- | --- |
| **Cash and deposits** |  |  |  |
| Cash balances outside the Public Account | (1 334) | 1 302 | (32) |
| Deposits held with the Public Account – Specific trusts | 1 024 485 | 423 886 | 1 448 371 |
| Deposits held with the Public Account – General trusts | 15 | .. | 15 |
| Other balances held in the Public Account | 3 352 767 | 8 096 780 | 11 449 547 |
| **Total cash and deposits** | **4 375 933** | **8 521 969** | **12 897 902** |
| **Investments** |  |  |  |
| Investments held with the Public Account – Specific trusts | 1 485 158 | 164 040 | 1 649 199 |
| **Total investments** | **1 485 158** | **164 040** | **1 649 199** |
| **Total fund balances** | **5 861 091** | **8 686 009** | **14 547 101** |
| **Less funds held outside the Public Account** |  |  |  |
| Cash | (1 334) | 1 302 | (32) |
| **Total fund balances held outside the Public Account** | **(1 334)** | **1 302** | **(32)** |
| **Total funds held in the Public Account (a)** | **5 862 425** | **8 684 708** | **14 547 133** |

Note:

(a) See Note 8.2.6 for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

### Details of securities held and included in the balances at 30 June ($ thousand)

|  | 2023 | 2022 |
| --- | --- | --- |
| **Funds held at 30 June** |  |  |
| **Trust accounts** |  |  |
| Amounts invested on behalf of specific trusts | 3 097 570 | 2 509 644 |
| Amounts invested on behalf of general trusts | 15 | 15 |
| General account balances | 5 731 908 | 3 352 767 |
| **Total trust accounts** | **8 829 493** | **5 862 425** |
| **Consolidated fund account balance** | **5 717 639** | **..** |
| **Total funds held in the public account** | **14 547 133** | **5 862 425** |
|  |  |  |
| **Represented by:** |  |  |
| **Stocks and securities held with/in –** |  |  |
| Managed investments | 1 649 214 | 1 485 174 |
| Treasury Corporation of Victoria | 8 320 | 7 060 |
|  | **1 657 534** | **1 492 234** |
| **Cash and investments held with/in –** |  |  |
| Treasury Corporation of Victoria | .. | .. |
| Cash at bank balances held in Australia (a) | 11 695 222 | 3 510 776 |
|  | **11 695 222** | **3 510 776** |
| **Total stock, securities, cash and investments** | **13 352 756** | **5 003 010** |
| Add cash advanced pursuant to Sections 36 and 37 of the *Financial Management Act, No. 18 of 1994* | 1 194 377 | 859 415 |
| **Total funds held in the public account** | **14 547 133** | **5 862 425** |

Note:

(a) The increase in cash at bank balances held in Australia is primarily due to the $7.9 billion received from the VicRoads Modernisation joint venture, which has been used to establish the Victorian Future Fund.

### Consolidated Fund payments: Special appropriations (a) ($ thousand)

|  | 2023 | 2022 |
| --- | --- | --- |
| Education | 4 821 | 6 173 |
| Energy, Environment and Climate Action | 79 160 | 202 054 |
| Families, Fairness and Housing | 82 868 | 65 299 |
| Government Services | .. | .. |
| Health | 3 028 091 | 2 306 388 |
| Jobs, Skills, Industry and Regions | 11 571 | 1 812 |
| Justice and Community Safety | 113 843 | 334 230 |
| Premier and Cabinet | 164 199 | 69 504 |
| Transport and Planning | 541 509 | 1 535 940 |
| Treasury and Finance | 1 055 212 | 2 687 708 |
| Parliament | 53 031 | 50 732 |
| Courts | 266 356 | 261 493 |
| **Total special appropriations** | **5 400 660** | **7 521 334** |

Note:

(a) On 5 December 2022, the Premier announced various machinery of government changes effective 1 January 2023. See Note 9.8 for further details.

### Consolidated Fund payments: Annual appropriations (a) ($ thousand)

| 2023 | Provision of outputs | Additions to  net asset base | Payments made on behalf of the State | Total |
| --- | --- | --- | --- | --- |
| Education | 14 215 268 | 1 382 273 | .. | 15 597 540 |
| Energy, Environment and Climate Action | 2 006 331 | 165 856 | 620 485 | 2 792 672 |
| Families, Fairness and Housing | 4 290 153 | 563 846 | 2 686 724 | 7 540 723 |
| Government Services | 178 684 | .. | .. | 178 684 |
| Health | 11 908 083 | .. | .. | 11 908 083 |
| Jobs, Skills, Industry and Regions | 2 865 959 | 54 592 | 94 329 | 3 014 881 |
| Justice and Community Safety | 8 819 054 | 273 908 | 69 710 | 9 162 672 |
| Premier and Cabinet | 326 364 | 919 | .. | 327 283 |
| Transport and Planning | 4 769 590 | 7 804 103 | 1 926 | 12 575 619 |
| Treasury and Finance | 350 318 | 4 420 | 3 653 192 | 4 007 929 |
| Parliament | 251 061 | 8 894 | .. | 259 955 |
| Courts | 476 533 | 77 386 | .. | 553 919 |
| **Total annual appropriations** | **50 457 398** | **10 336 196** | **7 126 366** | **67 919 960** |

| 2022 |  |  |  |  |
| --- | --- | --- | --- | --- |
| Education | 14 204 687 | 1 000 501 | .. | 15 205 188 |
| Energy, Environment and Climate Action | 1 816 366 | 195 992 | 678 100 | 2 690 457 |
| Families, Fairness and Housing | 5 903 801 | 205 618 | 69 107 | 6 178 526 |
| Government Services | .. | .. | .. | .. |
| Health | 11 491 080 | .. | .. | 11 491 080 |
| Jobs, Skills, Industry and Regions | 2 188 919 | 121 771 | 80 773 | 2 391 463 |
| Justice and Community Safety | 8 508 661 | 689 837 | 52 956 | 9 251 455 |
| Premier and Cabinet | 459 502 | .. | .. | 459 502 |
| Transport and Planning | 4 264 746 | 6 557 532 | .. | 10 822 278 |
| Treasury and Finance | 470 349 | 9 137 | 4 019 643 | 4 499 129 |
| Parliament | 240 979 | 8 032 | .. | 249 011 |
| Courts | 466 591 | 141 384 | .. | 607 975 |
| **Total annual appropriations** | **50 015 681** | **8 929 804** | **4 900 579** | **63 846 064** |

Note:

(a) On 5 December 2022, the Premier announced various machinery of government changes effective 1 January 2023. See Note 9.8 for further details.

### Amounts paid into working accounts pursuant to Section 23 of the *Financial Management Act 1994* for the year ended 30 June ($ thousand)

|  | 2023 | 2022 |
| --- | --- | --- |
| Appropriation transfer equivalent to consolidated fund receipts | 35 491 | 38 700 |
| Interest received on credit balances | 283 | 15 |
| **Total amounts paid into working accounts** | **35 774** | **38 715** |

### Transfers pursuant to Sections 30 and 31 of the *Financial Management Act 1994* for the financial year ended 30 June 2023 (a) ($ thousand)

|  | Decrease | Increase |
| --- | --- | --- |
| **Section 30 and 31 transfers** |  |  |
| **(Transfers between items of departmental appropriations)** |  |  |
| **Education** |  |  |
| Provision of outputs |  | 4 237 |
| Additions to the net asset base | 4 237 |  |
| **Energy, Environment and Climate Action** |  |  |
| Provision of outputs |  | 26 756 |
| Additions to the net asset base | 26 756 |  |
| **Families, Fairness and Housing** |  |  |
| Provision of outputs |  | 110 170 |
| Additions to the net asset base | 110 170 |  |
| **Government Services** |  |  |
| Provision of outputs |  | 7 717 |
| Additions to the net asset base | 7 717 |  |
| **Health** |  |  |
| Provision of outputs |  | 83 282 |
| Additions to the net asset base | 83 282 |  |
| **Jobs, Skills, Industry and Regions** |  |  |
| Provision of outputs | 2 886 |  |
| Additions to the net asset base |  | 2 886 |
| **Justice and Community Safety** |  |  |
| Provision of outputs |  | 344 219 |
| Additions to the net asset base | 360 929 |  |
| Payments made on behalf of the State |  | 16 710 |
| **Premier and Cabinet** |  |  |
| Provision of outputs | 919 |  |
| Additions to the net asset base |  | 919 |
| **Transport and Planning** |  |  |
| Provision of outputs |  | 211 485 |
| Additions to the net asset base | 211 485 |  |
| **Parliament** |  |  |
| Provision of outputs | 1 211 |  |
| Additions to the net asset base |  | 1 211 |
| **Total Section 30 and 31 transfers** | **809 592** | **809 592** |

Note:

(a) On 5 December 2022, the Premier announced various machinery of government changes effective 1 January 2023. See Note 9.8 for further details.

### Appropriation of revenue and asset sale proceeds pursuant to Section 29 of the *Financial Management Act 1994* for the financial year ended 30 June 2023 (a) ($ thousand)

|  |  | Source |  |  |
| --- | --- | --- | --- | --- |
| Department | Outputs | Commonwealth | Other | Total |
| Education | 60 924 | 382 295 | 3 172 | 446 390 |
| Energy, Environment and Climate Action | 110 120 | 161 583 |  | 271 703 |
| Families, Fairness and Housing | 35 349 | 419 243 | 14 456 | 469 047 |
| Government Services | 3 084 | .. | .. | 3 084 |
| Health | 276 343 | 149 292 | 1 550 | 427 185 |
| Jobs, Skills, Industry and Regions | 28 067 | 215 022 | .. | 243 089 |
| Justice and Community Safety | 233 832 | 102 479 | 2 115 | 338 426 |
| Premier and Cabinet | 423 | .. | .. | 423 |
| Transport and Planning | 198 231 | 1 216 290 | .. | 1 414 521 |
| Treasury and Finance | .. | .. | 6 407 | 6 407 |
| Parliament | 33 724 | .. | .. | 33 724 |
| Courts | 76 311 | .. | .. | 76 311 |
| **Total appropriation** | **1 056 406** | **2 646 204** | **27 700** | **3 730 309** |

Note:

(a) On 5 December 2022, the Premier announced various machinery of government changes effective 1 January 2023. See Note 9.8 for further details.

### Section 32 carryovers – *Financial Management Act 1994* for the financial year ended 30 June

Amounts approved for carryover to 2022-23 pursuant to Section 32 of the   
*Financial Management Act 1994* (a) ($ thousand)

| Department | Provision of outputs | Additions to net assets | Payments made on behalf of State | Total carryover |
| --- | --- | --- | --- | --- |
| Education | 106 854 | 325 524 | .. | 432 378 |
| Energy, Environment and Climate Action | 81 958 | 15 280 | .. | 97 238 |
| Families, Fairness and Housing | 22 317 | 14 462 | .. | 36 779 |
| Government Services | .. | .. | .. | .. |
| Health | 43 704 | .. | .. | 43 704 |
| Jobs, Skills, Industry and Regions | 44 721 | .. | .. | 44 721 |
| Justice and Community Safety | 7 936 | 50 442 | .. | 58 379 |
| Premier and Cabinet | 9 404 | .. | .. | 9 404 |
| Transport and Planning | 59 960 | 166 097 | .. | 226 056 |
| Treasury and Finance | 25 486 | .. | .. | 25 486 |
| Parliament | 5 506 | 1 516 | .. | 7 022 |
| Courts | .. | 15 658 | .. | 15 658 |
| **Total carryovers by department** | **407 846** | **588 980** | **..** | **996 825** |

Note:

(a) On 5 December 2022, the Premier announced various machinery of government changes effective 1 January 2023. See Note 9.8 for further details.

Amounts applied against carryover of appropriations in 2022-23 pursuant to Section 32 of the  
*Financial Management Act 1994* ($ thousand)

| Department | Provision  of outputs | Additions to  net assets | Payments made on  behalf of State | Total carryover |
| --- | --- | --- | --- | --- |
| Education | 106 854 | 325 524 | .. | 432 378 |
| Energy, Environment and Climate Action | 72 548 | 12 280 | .. | 84 828 |
| Families, Fairness and Housing | 21 304 | 8 641 | .. | 29 945 |
| Government Services | .. | .. | .. | .. |
| Health (a) | 43 718 | .. | .. | 43 718 |
| Jobs, Skills, Industry and Regions | 31 606 | .. | .. | 31 606 |
| Justice and Community Safety | 7 936 | 50 442 | .. | 58 378 |
| Premier and Cabinet | 9 404 | .. | .. | 9 404 |
| Transport and Planning (a) | 60 585 | 178 010 | .. | 238 595 |
| Treasury and Finance | 8 980 | .. | .. | 8 980 |
| Parliament | 5 506 | 1 296 | .. | 6 802 |
| Courts | .. | 15 658 | .. | 15 658 |
| **Total carryovers by department** | **368 441** | **591 851** | **..** | **960 292** |

Note:

(a) The 2022-23 applied amounts are higher than the 2022-23 approved amounts in the previous table as a result of the transfer of certain section 32 carryover amounts between the departments during 2022-23 as result of the machinery of government changes.

Amounts approved for carryover to 2023-24 pursuant to Section 32 of the   
*Financial Management Act 1994*  ($ thousand)

| Department | Provision  of outputs | Additions to  net assets | Payments made on behalf of State | Total carryover |
| --- | --- | --- | --- | --- |
| Education | 91 380 | 278 703 | .. | 370 083 |
| Energy, Environment and Climate Action | 80 763 | 6 256 | .. | 87 019 |
| Families, Fairness and Housing | 16 620 | 18 463 | 54 242 | 89 325 |
| Government Services | .. | .. | .. | .. |
| Health | 26 529 | .. | .. | 26 529 |
| Jobs, Skills, Industry and Regions | 163 380 | 2 222 | .. | 165 602 |
| Justice and Community Safety | 31 134 | 28 807 | .. | 59 941 |
| Premier and Cabinet | 13 998 | .. | .. | 13 998 |
| Transport and Planning | 165 779 | 381 452 | .. | 547 232 |
| Treasury and Finance | 16 292 | 504 | .. | 16 796 |
| Parliament | .. | 1 216 | .. | 1 216 |
| Courts | .. | 26 200 | .. | 26 200 |
| **Total carryovers by department** | **605 876** | **743 823** | **54 242** | **1 403 941** |

### Payments from advance to the Treasurer for the financial year ended 30 June (a)

($ thousand)

| Department | Purpose | 2022‑23 |
| --- | --- | --- |
| Education | Free Kinder | 106 700 |
|  | Best Start, Best Life | 47 794 |
|  | School enrolment‑based funding | 44 955 |
|  | Victoria’s Flood Response | 29 221 |
|  |  | **228 670** |
| Energy, Environment and | $250 Power Saving Bonus | 642 400 |
| Climate Action | Forestry Transition Program | 147 509 |
|  | Emergency Works Flood and Storm Events | 84 224 |
|  | Three New Parks link to Suburban Parks | 27 550 |
|  | Portfolio Agencies | 25 340 |
|  | Emergency response services (fires and floods) | 23 883 |
|  | Emergency Animal Disease preparedness | 19 890 |
|  | Energy Efficiency Upgrades For Homes | 17 018 |
|  | Aviation Firefighting Resources | 15 959 |
|  | Offshore Wind | 13 176 |
|  | Hydrogen Park Murray Valley | 12 315 |
|  | State Electricity Commission of Victoria (SEC) | 11 108 |
|  | Renewable Energy Zones | 9 925 |
|  | Solar Homes – Virtual Power Plant program | 7 513 |
|  | Cladding Rectification Program | 6 900 |
|  | Energy support payment | 4 320 |
|  | Waste Levy waiver for flood waste | 4 300 |
|  | Victorian Energy Storage Target | 3 876 |
|  | Camping on Crown Water Frontages | 2 700 |
|  | Biosecurity Responses | 2 634 |
|  | Fast Tracking Waste and Recycling Infrastructure | 2 060 |
|  | Community Energy and Microgrid Program | 1 700 |
|  | Minor works on Crown Land reserves and land management projects | 1 305 |
|  | Protecting The Future Of Hanging Rock | 1 300 |
|  | Mineral Licensing operations | 967 |
|  | Horticulture Netting Trial Scheme | 828 |
|  | Electricity network development | 624 |
|  | Retreat and Resettlement program | 500 |
|  | Royal Melbourne Showgrounds Joint Venture | 464 |
|  | Future Drought Fund – Regional Drought Resilience Planning | 389 |
|  | Kids Go Free to the Royal Melbourne Show | 229 |
|  | Victorian Rural Women’s Network | 140 |
|  |  | **1 093 047** |
| Families, Fairness | Big Housing Build | 72 380 |
| and Housing | Civil claims costs for historical institutional child abuse | 38 933 |
|  | October 2022 flood relief | 28 323 |
|  | From Homelessness to a Home (H2H) | 22 480 |
|  | Family violence and sexual assault programs | 15 615 |
|  | COVID‑19 support for vulnerable communities | 10 064 |
|  | Public housing operations | 6 600 |
|  | Financial assistance to community service organisations | 6 156 |
|  | Organisational transition | 6 039 |
|  | Construction of Foodbank hubs | 5 115 |
|  | Emergency food relief for Victorians impacted by the flood crisis | 4 500 |
|  | Homes for Families (H4F) | 4 280 |
|  | Journey to Social Inclusion | 3 693 |
|  | ’Jobs that Matter’ workforce recruitment campaign | 2 146 |
|  | Vietnamese Cultural Museum | 2 120 |
|  | Supporting victims of sexual harm and violence | 2 000 |

### 8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)* ($ thousand)

| Department | Purpose | 2022‑23 |
| --- | --- | --- |
| Families, Fairness | Integrated Client and Case Management System | 1 650 |
| and Housing *(continued)* | Victorian Volunteer Strategy | 1 275 |
|  | Whole of Government Family Violence Information Sharing and Multi‑Agency Risk Assessment and Management (MARAM) reforms | 1 221 |
|  | Victorian Historical Care Leavers Redress Scheme | 1 047 |
|  | Investing in Victoria’s Gender Equality Strategy | 1 000 |
|  | Construction of food relief hub for Shepparton Foodshare | 1 000 |
|  | VITS LanguageLoop | 880 |
|  | Tackling racism in Victoria head on | 866 |
|  | COMPASS Partnership Addressing Disadvantage | 717 |
|  | Recovery support program following the June 2021 flood and storm event | 512 |
|  | Building a Sense of Belonging in Victoria | 330 |
|  |  | **240 941** |
| Government Services | Service Victoria Operational Funding | 19 898 |
|  | Common corporate platform Whole of Government Initiative | 14 551 |
|  | Strengthening the Centre | 11 788 |
|  | Melbourne CBD Economic Revitalisation Package | 11 606 |
|  | Digital Victoria Operational Funding | 6 836 |
|  | Mobile Black Spot Program | 4 408 |
|  | 2022‑23 Council Flood Support Fund | 3 500 |
|  | Digital Literacy for Seniors Program | 2 000 |
|  | COVID‑19 Administration | 1 336 |
|  | Operational funding | 1 200 |
|  | Service Victoria Digital Driver Licensing | 786 |
|  | Service Victoria Business Licensing | 546 |
|  | Development of the Digital Victoria Marketplace | 324 |
|  | Supporting Community Sector Jobs | 276 |
|  |  | **79 055** |
| Health | Additional resources provided to health services | 964 381 |
|  | Workforce attraction and retention strategy | 370 548 |
|  | Emergency response services | 159 183 |
|  | COVID‑19 Testing and vaccination services and engagement | 73 631 |
|  | Enabling care and meeting demand for hospital services | 71 839 |
|  | Elective Surgery Catch Up Plan | 64 175 |
|  | Better at home: Hospital care in the home | 57 857 |
|  | Support for primary care to protect our hospitals | 32 540 |
|  | Providing additional bed capacity through modular facilities | 21 805 |
|  | Delivering the Australian Institute for Infectious Disease | 19 055 |
|  | Service delivery fund for Aboriginal Community Controlled Organisations and Aboriginal Community Controlled Health Organisations | 16 800 |
|  | Free flu vaccinations for all Victorians | 15 069 |
|  | COVID‑19 health response | 14 970 |
|  | Funding for community service organisations | 14 833 |
|  | Victoria’s Flood Recovery | 14 178 |
|  | Securing our nursing and midwifery workforce supply | 11 050 |
|  | Strengthening community‑based services | 10 000 |
|  | Medical Research: Generation Victoria and Living Evidence | 8 500 |
|  | Reformed area services to better support the mental health and wellbeing of adults and older adults | 8 413 |
|  | More support for our nurses and midwives | 6 787 |
|  | Equitable cancer care and prevention | 6 316 |
|  | Information sharing and family violence risk assessment and management reform | 6 237 |
|  | Supporting decriminalisation of public intoxication | 6 211 |
|  | Rapid Antigen Tests | 6 100 |
|  | Cumming Global Centre for Pandemic Therapeutics | 6 000 |

### 8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)* ($ thousand)

| Department | Purpose | 2022‑23 |
| --- | --- | --- |
| Health *(continued)* | New legal foundations and supporting mental health consumers to exercise their rights | 4 512 |
|  | Enabling a high‑quality, efficient public pathology system | 4 402 |
|  | Brain Cancer Centre Investment | 4 100 |
|  | Modernising Victoria’s health system | 3 023 |
|  | Additional funding for Ambulance services | 2 574 |
|  | M‑pox vaccination program | 2 272 |
|  | Alcohol and other drug treatment, support and harm reduction services | 2 192 |
|  | Additional resources in Public Sector Residential Aged Care Facilities | 1 396 |
|  | Promoting good mental health and wellbeing in all communities | 1 236 |
|  | Supporting the mental health and wellbeing of people in contact with the criminal and youth justice systems | 771 |
|  | Centre for Victorian Data Linkage | 585 |
|  | Maternal and child health workforce support package | 500 |
|  | Supporting the mental health and wellbeing of rural and regional Victorians | 260 |
|  | Rural and regional Public Sector Residential Aged Care Services project | 35 |
|  |  | **2 014 335** |
| Jobs, Skills, Industry | CSL Parkville North site | 162 175 |
| and Regions | 2026 Victorian Commonwealth Games | 135 040 |
|  | Jobs for Victoria | 88 000 |
|  | Flood Recovery and Support | 81 830 |
|  | Melbourne Arts Precinct transformation | 70 255 |
|  | Geelong City Deal | 52 429 |
|  | Reimbursement to the Commonwealth Government for Pandemic Leave Disaster Payment and High Risk Settings Pandemic Payment programs | 49 339 |
|  | Creative Industries Recovery | 37 396 |
|  | TAFE | 36 700 |
|  | COVID‑19 pandemic industry and economic support | 30 839 |
|  | Victorian Sick Pay Guarantee | 24 374 |
|  | Securing and Scaling mRNA vaccine manufacturing capability in Victoria | 22 900 |
|  | Visitor Economy – recovery and reform package | 15 048 |
|  | Living Local – supporting our suburbs to recover and thrive | 13 000 |
|  | Melbourne CBD economic revitalisation package | 11 071 |
|  | Melbourne and Olympic Parks Trust | 10 150 |
|  | Live Music Restart Program | 9 992 |
|  | Supporting industries: COVID‑19 coordination and recovery | 9 479 |
|  | NBC Universal Partnership | 8 419 |
|  | Connecting Victoria Mobile Program | 7 145 |
|  | Victorian tourism package | 6 800 |
|  | Workforce transition | 6 385 |
|  | Experience Economy Package | 6 000 |
|  | Small Business Ventilation Support | 5 727 |
|  | Backing TAFE for the Skills Victoria Needs | 5 379 |
|  | Pre‑Prep VET subsidised training | 4 940 |
|  | Kennedy Community Centre | 4 500 |
|  | Brain Cancer Centre Investment | 4 100 |
|  | Regional car parks in Ballarat and the Latrobe Valley | 3 096 |
|  | State Sport Centres Trust | 2 995 |
|  | Kids Go Free | 2 878 |
|  | Melbourne Exhibition and Convention Centre | 2 855 |
|  | Industry Support and Investment | 2 570 |
|  | Biosecurity responses | 2 476 |
|  | Delivering the Australian Institute for Infectious Disease | 2 364 |
|  | Kardinia Park Stadium Trust | 2 267 |
|  | Emergency animal disease preparedness and response | 2 017 |
|  | Victorian Skills Authority | 1 516 |

### 8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)* ($ thousand)

| Department | Purpose | 2022‑23 |
| --- | --- | --- |
| Jobs, Skills, Industry | Medical Research – Living Evidence | 1 500 |
| and Regions *(continued)* | Geelong Convention and Exhibition Centre | 1 424 |
|  | Cultural Agencies | 1 091 |
|  | Venture Growth Fund | 1 078 |
|  | Cultural Agencies State Collections Management | 1 019 |
|  | Community sports infrastructure loans scheme | 922 |
|  | Investor Migration and Global Talent | 831 |
|  | Melbourne City Revitalisation | 800 |
|  | Social Services Workforce Reform Project Office | 723 |
|  | Timber Industry and Worker Support | 700 |
|  | Victorian Timber Innovation Fund | 652 |
|  | Victoria’s Home of Motorsport design and planning | 617 |
|  | Click for Vic | 500 |
|  | Restoring our local ports and boating infrastructure | 386 |
|  | Building Better TAFEs Fund – South West TAFE | 370 |
|  | Swinburne University of Technology – Prahran Campus | 314 |
|  | Victorian Government Trade and Investment Network | 300 |
|  | Latrobe Valley Transition and Transformation | 298 |
|  | Better Boating Fund supplement | 266 |
|  | Major Events Fund | 250 |
|  | Earth Resources Regulation Licensing | 233 |
|  | Future Drought Fund – Regional Drought Resilience Planning | 181 |
|  | Royal Melbourne Showgrounds redevelopment project | 157 |
|  | Rural Women’s Network | 75 |
|  | Strengthening the Victorian Forestry Plan | 53 |
|  |  | **959 186** |
| Justice and Community | Natural disaster relief and grant assistance | 706 336 |
| Safety | Victorian flood recovery initiatives | 250 959 |
|  | Primary producer flood recovery grants | 223 500 |
|  | Supporting Victoria Police operations and resources | 185 889 |
|  | Increasing policing capacity | 39 192 |
|  | COVID‑19 Quarantine Victoria | 38 742 |
|  | Technology and resources to support Victoria’s fines system | 37 076 |
|  | Responding to COVID‑19 in corrections and youth justice | 34 419 |
|  | Support for emergency service organisations | 25 406 |
|  | Gambling and Liquor regulatory reform | 20 780 |
|  | Primary producers relief | 19 500 |
|  | Initiatives to support Victoria’s recovery from the 2019‑20 bushfires | 11 357 |
|  | Victoria Police service delivery response to the Victorian October 2022 floods | 10 011 |
|  | Victoria Police system enhancements and resources | 8 724 |
|  | Business and not‑for‑profit concessional loan program | 6 380 |
|  | Support for Harness Racing Victoria | 6 000 |
|  | Women’s custodial health services | 5 800 |
|  | Flood and storm council support fund | 4 759 |
|  | Traditional Owner Settlement Act | 4 070 |
|  | Service delivery transformation program | 3 470 |
|  | Public intoxication reforms | 2 946 |
|  | Industry engagement and enforcement operation (COVID‑19) | 2 533 |
|  | Interim custody management services at Bendigo Law Court | 2 531 |
|  | Community based diversionary services and opening Cherry Creek | 1 667 |
|  | Supporting Community Sector Jobs | 1 098 |
|  | Flood awareness campaign | 1 000 |
|  | Information sharing and family violence risk assessment and management reform | 516 |
|  | Ex‑gratia relief | 433 |

### 8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)* ($ thousand)

| Department | Purpose | 2022‑23 |
| --- | --- | --- |
| Justice and Community | Supporting mental health and wellbeing for the criminal and youth justice system | 428 |
| Safety *(continued)* | Victorian Emergency Relief and Recovery Foundation | 315 |
|  | Countering Violent Extremism | 263 |
|  | Support relating to the Singleton bus crash | 216 |
|  | Delivering new police station infrastructure | 18 |
|  |  | **1 656 334** |
| Premier and Cabinet | Breakthrough Victoria | 300 000 |
|  | Delivering First Peoples’ ownership of Victoria’s treaty process | 35 000 |
|  | Service Victoria operational funding | 24 798 |
|  | Strengthening the Centre | 19 948 |
|  | Digital Victoria: Driving modern and sustainable management of digital | 14 720 |
|  | Common corporate platform Whole of Government Initiative | 13 718 |
|  | Social Services Jobs Guarantee | 10 557 |
|  | Costs associated with administration changes | 7 570 |
|  | Munarra Centre for Regional Excellence project | 4 407 |
|  | Digital Victoria operational funding | 3 164 |
|  | Better Supports for on‑demand workers in Victoria | 2 775 |
|  | Workforce Transition | 2 745 |
|  | Support implementation of integrity reforms | 1 359 |
|  | Donation for Syria & Turkey earthquake | 1 000 |
|  | Donation for Good Friday Appeal 2023 | 1 000 |
|  | Parliament security | 973 |
|  | State Funerals & Memorial Services | 935 |
|  | Service Victoria Digital Driver licences initiative | 786 |
|  | Increasing policing capacity | 765 |
|  | Strengthening the Independence of Aboriginal Trust | 720 |
|  | Women in construction | 621 |
|  | Service Victoria Business Licensing initiative | 546 |
|  | Central agencies Commonwealth Games resourcing | 544 |
|  | Feasibility study for Progressing Traditional Owner Settlements | 500 |
|  | Donation for Danihers Drive charitable fundraising event | 500 |
|  | Donation towards Ukraine Crisis Appeal | 500 |
|  | Self‑determination and delivering on Victoria Commitment Closing the Gap Initiative | 472 |
|  | *Traditional Owner Settlement Act 2010* – Taungurung Agreements | 330 |
|  | Development of the Digital Victoria Marketplace | 324 |
|  | Establishment of the Electoral Review | 323 |
|  | Donation for Pakistan Humanitarian Support | 200 |
|  |  | **451 798** |
| Transport and Planning | Level Crossing Removal Program | 1 167 345 |
|  | COVID‑19 Impacts on the Transport Network | 553 720 |
|  | North East Link (State and Freeway Packages) | 289 388 |
|  | Suburban Rail Loop East – Main Works | 283 829 |
|  | Regulatory Programs and Services | 263 901 |
|  | Metro Tunnel | 200 801 |
|  | Victoria’s Flood Recovery Program | 165 000 |
|  | North East Link – Primary Package (Tunnels) and State Toll Co | 157 195 |
|  | More VLocity Trains | 115 023 |
|  | Better Roads Victoria | 80 000 |
|  | Car Parks for Commuters | 58 301 |
|  | South Dynon Train Maintenance Facility  – Stage 1 | 48 332 |
|  | Warrnambool Line Upgrade – Stage 2 | 38 163 |
|  | Outer Metropolitan Ring Road Planning | 34 046 |
|  | St Kilda Pier Revitalisation | 32 725 |
|  | Great Ocean Road Infrastructure and Resilience | 31 023 |

### 8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)* ($ thousand)

| Department | Purpose | 2022‑23 |
| --- | --- | --- |
| Transport and Planning | Metro Tunnel Readiness | 30 460 |
| *(continued)* | Shepparton Corridor Upgrade – Stage 3 | 26 355 |
|  | Tram Infrastructure Upgrades | 24 755 |
|  | Geelong Fast Rail | 23 962 |
|  | Next Generation Trams | 20 891 |
|  | Caulfield Rationalisation Works | 20 806 |
|  | Suburban Rail Loop – Airport | 15 000 |
|  | Train Radio System Upgrade | 14 620 |
|  | Kananook Train Maintenance Facility Stage 2 | 14 175 |
|  | Suburban Rail Loop East – Development, Initial and Early Works | 12 900 |
|  | Arden Precinct Redevelopment | 11 400 |
|  | Cheaper Public Transport Fares for the Regions | 9 544 |
|  | Multi‑Purpose Taxi Program | 9 519 |
|  | Victorian Renewable Energy Terminal Development | 8 000 |
|  | Keeping Ballarat Moving | 7 961 |
|  | Greening Victoria’s Bus Fleet | 7 691 |
|  | Regional Rail | 7 624 |
|  | Maintaining Victoria’s Road Network | 5 650 |
|  | Ison Road – Rail Overpass | 4 808 |
|  | Ticketing System Services Agreement | 4 500 |
|  | Motorists Benefits | 4 085 |
|  | Unlocking Capacity on the Metro Rail Network | 3 305 |
|  | Albion Station Upgrade | 3 000 |
|  | Capacity Improvements to Wyndham Vale and Melton | 2 865 |
|  | Ballarat Line Upgrade – Stage 1 | 2 570 |
|  | Regional Road Upgrades | 2 487 |
|  | Caulfield to Dandenong Signalling Upgrade Works | 2 223 |
|  | City Loop Fire and Safety Upgrade (Stage 2) and Intruder Alarm | 1 955 |
|  | Flood Reclamation Roadmap | 1 475 |
|  | Energy Brix Site Rehabilitation | 1 000 |
|  | West Gate Tunnel | 1 000 |
|  | Workforce Transition | 1 000 |
|  | Delivering Victoria’s Bus Plan | 934 |
|  | Additional Train Services | 737 |
|  | Metropolitan Road Upgrades | 735 |
|  | Transport and Amenity Program | 468 |
|  | Windfall Gains Tax Implementation | 176 |
|  | Personal Safety on the Transport Network | 67 |
|  | Mernda Rail Extension | 57 |
|  | Traffic Infringement Camera Trials | 44 |
|  |  | **3 829 595** |
| Treasury and Finance | Victorian Homebuyer Fund | 855 536 |
|  | Social Housing Growth Fund | 649 980 |
|  | Central Banking System | 48 500 |
|  | VicRoads Modernisation | 37 135 |
|  | State Revenue Office compliance activity | 14 298 |
|  | State Revenue Office ex‑gratia payments | 8 104 |
|  | Windfall Gains Tax administration | 1 130 |
|  | Central agencies Commonwealth Games resourcing | 1 021 |
|  | High Value High Risk projects gateway reviews | 700 |
|  | Administration of the Local Council Lending Scheme | 593 |
|  | State Revenue Office Compliance Program | 500 |
|  | Energy Brix site rehabilitation | 488 |
|  | Better Regulation Victoria | 250 |

### 8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)* ($ thousand)

| Department | Purpose | 2022‑23 |
| --- | --- | --- |
| Treasury and Finance | State Revenue Office – Fire Services Property Levy council funding | 243 |
| *(continued)* | Commercial reform and advisory services | 187 |
|  | Consumer awareness – insurance | 8 |
|  |  | **1 618 674** |
| Parliament | Funding supplementation for IBAC | 4 446 |
|  | 2022 State Election Costs | 3 062 |
|  | Additional depreciation equivalent funding following an asset revaluation | 2 079 |
|  | Victorian Ombudsman Parliamentary Referral Investigation | 1 429 |
|  | Development of critical information technology systems and witness welfare programs for IBAC | 1 391 |
|  | Implementation of integrity reforms | 1 025 |
|  | Budget supplementation for the Victorian Ombudsman | 812 |
|  | Parliamentary Advisers | 540 |
|  | Electorate Office equipment | 251 |
|  | Electorate office operations | 140 |
|  | Performance audit of Victorian Inspectorate by Integrity and Oversight Committee | 86 |
|  | Additional funding for Parliamentary Budget Office | 31 |
|  |  | **15 292** |
| Courts | Wyndham Law Courts | 16 370 |
|  | Magistrates Court maintenance | 3 000 |
|  | Specialist Family Violence integrated court response | 2 581 |
|  | Victorian Civil and Administrative Tribunal chambers audio upgrades | 2 300 |
|  | Supreme Court probate online initiative | 1 650 |
|  | St Basils Home for the Aged Coronial Inquest | 1 591 |
|  | Supreme Court of Victoria accommodation | 355 |
|  | Judicial Commission of Victoria Investigating panels | 184 |
|  |  | **28 032** |
| **Total Payments from Advance to the Treasurer** | | **12 214 960** |

Note:

(a) On 5 December 2022, the Premier announced various machinery of government changes effective 1 January 2023. See Note 9.8 for further details.

### Payments from advances and unused advances carried forward to 2022‑23 pursuant to Section 35 and 35(4) of the *Financial Management Act 1994* ($ thousand)

| Department | Purpose | 2022‑23 |
| --- | --- | --- |
| Health | Elective Surgery Catch Up Plan | 107 560 |
|  | Additional resources provided to health services | 100 913 |
|  | Supporting the community health system through the COVID‑19 pandemic | 95 912 |
|  | More support for our nurses and midwives | 71 633 |
|  | Securing and maintaining a PPE stockpile | 23 235 |
| **Total payments from advances pursuant to Section 35 and 35(4) of the *Financial Management Act 1994*** | | **399 253** |

### Government guarantees

#### Money received or recovered in respect of any guarantee payments

There has been no money received or recovered during 2022‑23 in respect of any guarantee payments.

### Allocations pursuant to Section 28 of the *Financial Management Act 1994* for the financial year ended 30 June ($ thousand)

|  | 2023 | 2022 |
| --- | --- | --- |
| **Section 28 allocations** |  |  |
| **(Appropriation for borrowing against future appropriation)** |  |  |
| **Department of Transport and Planning** |  |  |
| Addition to net asset base | .. | 348 000 |
| **Total Section 28 allocations** | **..** | **348 000** |

# Other disclosures

### Introduction to this section

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

### Structure

[9.1 Disaggregated information 170](#_Toc143255829)

[9.2 Funds under management 178](#_Toc143255830)

[9.3 Other gains/(losses) from other economic flows 178](#_Toc143255831)

[9.4 Reconciliation between Government   
Finance Statistics and Australian Accounting Standards 179](#_Toc143255832)

[9.5 Related party transactions 182](#_Toc143255833)

[9.6 Subsequent events 183](#_Toc143255834)

[9.7 Other accounting policies 183](#_Toc143255835)

[9.8 Controlled entities 185](#_Toc143255836)

[9.9 Glossary of technical terms 188](#_Toc143255837)

## Disaggregated information

Disaggregated operating statement for the financial year ended 30 June ($ million)

|  | General government sector | | Public non‑financial corporations | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Revenue and income from transactions** |  |  |  |  |
| Taxation | 32 350 | 30 546 | .. | .. |
| Interest income | 1 307 | 557 | 85 | 10 |
| Dividends, income tax equivalent and rate equivalent income | 820 | 885 | 20 | 51 |
| Sales of goods and services | 6 263 | 5 645 | 7 171 | 6 823 |
| Grants | 40 138 | 41 805 | 2 742 | 3 009 |
| Other revenue and income | 3 842 | 3 586 | 815 | 810 |
| **Total revenue and income from transactions** | **84 720** | **83 023** | **10 832** | **10 703** |
| **Expenses from transactions** |  |  |  |  |
| Employee expenses | 33 629 | 32 239 | 1 768 | 1 593 |
| Net superannuation interest expense | 719 | 481 | 2 | 1 |
| Other superannuation | 3 760 | 3 912 | 173 | 155 |
| Depreciation | 4 604 | 4 308 | 1 975 | 1 938 |
| Interest expense | 3 974 | 2 869 | 865 | 804 |
| Grant expense | 19 053 | 25 063 | 654 | 527 |
| Other operating expenses | 27 828 | 27 943 | 5 066 | 4 739 |
| Other property expenses | .. | .. | 233 | 233 |
| **Total expenses from transactions** | **93 567** | **96 814** | **10 735** | **9 989** |
| **Net result from transactions – net operating balance** | **(8 847)** | **(13 791)** | **97** | **714** |
| **Other economic flows included in net result** |  |  |  |  |
| Net gain/(loss) on disposal of non‑financial assets | 90 | 15 | (1) | (12) |
| Net gain/(loss) on financial assets or liabilities at fair value | (29) | 155 | 48 | (72) |
| Share of net profit/(loss) from associates/joint venture entities | (39) | 5 | .. | .. |
| Other gains/(losses) from other economic flows | (1 022) | 115 | (3 343) | (2 849) |
| **Total other economic flows included in net result** | **(1 000)** | **290** | **(3 297)** | **(2 934)** |
| **Net result** | **(9 847)** | **(13 501)** | **(3 200)** | **(2 220)** |
| **Other economic flows – other comprehensive income** |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |
| Changes in non‑financial assets revaluation surplus | 13 710 | 18 702 | 3 282 | 3 612 |
| Remeasurement of superannuation defined benefits plans | 1 356 | 7 791 | 15 | 29 |
| Other movements in equity | (536) | (53) | (108) | (20) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | 139 | (45) | (10) | 40 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | 3 431 | 11 834 | .. | .. |
| **Total other economic flows – other comprehensive income** | **18 099** | **38 230** | **3 180** | **3 662** |
| **Comprehensive result – total change in net worth** | **8 252** | **24 729** | **(20)** | **1 442** |
|  |  |  |  |  |
| **FISCAL AGGREGRATES** |  |  |  |  |
| **Net operating balance** | **(8 847)** | **(13 791)** | **97** | **714** |
| Purchases of non‑financial assets (including change in inventories) | 16 125 | 15 550 | 4 282 | 3 389 |
| Less: Sales of non‑financial assets | (325) | (275) | (215) | (182) |
| Less: Depreciation and amortisation | (4 604) | (4 308) | (1 975) | (1 938) |
| Plus: Other movements in non‑financial assets | 89 | (218) | 3 790 | 3 920 |
| **Less: Net acquisition of non‑financial assets from transactions** | **11 285** | **10 748** | **5 882** | **5 189** |
| **Net lending/(borrowing)** | **(20 132)** | **(24 539)** | **(5 785)** | **(4 475)** |

| Public financial  corporations | | Inter‑sector  eliminations | | State of Victoria | |
| --- | --- | --- | --- | --- | --- |
| 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
|  |  |  |  |  |  |
| .. | .. | (497) | (466) | 31 852 | 30 080 |
| 3 583 | 2 473 | (3 474) | (2 430) | 1 502 | 610 |
| 2 311 | 3 052 | (747) | (844) | 2 404 | 3 144 |
| 6 164 | 5 675 | (1 655) | (1 680) | 17 943 | 16 462 |
| 377 | 516 | (3 194) | (4 106) | 40 063 | 41 224 |
| 25 | 21 | .. | .. | 4 681 | 4 417 |
| **12 460** | **11 737** | **(9 568)** | **(9 526)** | **98 445** | **95 936** |
|  |  |  |  |  |  |
| 509 | 451 | (738) | (645) | 35 168 | 33 638 |
| .. | .. | .. | .. | 721 | 482 |
| 49 | 41 | .. | .. | 3 982 | 4 107 |
| 88 | 88 | 985 | 869 | 7 652 | 7 203 |
| 3 445 | 2 469 | (3 505) | (2 431) | 4 778 | 3 712 |
| 127 | 641 | (3 366) | (4 279) | 16 468 | 21 952 |
| 10 773 | 8 746 | (1 252) | (1 330) | 42 415 | 40 097 |
| 672 | 780 | (905) | (1 013) | .. | .. |
| **15 663** | **13 217** | **(8 782)** | **(8 829)** | **111 184** | **111 192** |
| **(3 203)** | **(1 480)** | **(786)** | **(697)** | **(12 739)** | **(15 255)** |
|  |  |  |  |  |  |
| (2) | .. | .. | .. | 87 | 3 |
| 3 450 | 10 409 | .. | .. | 3 469 | 10 492 |
| .. | .. | .. | .. | (39) | 5 |
| 3 040 | 6 527 | 2 909 | 1 531 | 1 583 | 5 323 |
| **6 488** | **16 936** | **2 909** | **1 531** | **5 101** | **15 823** |
| **3 285** | **15 456** | **2 123** | **833** | **(7 638)** | **568** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | 2 | 4 222 | 1 018 | 21 214 | 23 335 |
| .. | .. | .. | .. | 1 371 | 7 821 |
| .. | (11) | .. | .. | (644) | (84) |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 130 | (5) |
| .. | .. | (3 431) | (11 834) | .. | .. |
| **..** | **(9)** | **791** | **(10 816)** | **22 070** | **31 067** |
| **3 285** | **15 447** | **2 915** | **(9 983)** | **14 432** | **31 634** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **(3 203)** | **(1 480)** | **(786)** | **(697)** | **(12 739)** | **(15 255)** |
| 39 | 187 | (56) | (17) | 20 390 | 19 108 |
| (1) | (1) | .. | .. | (542) | (458) |
| (88) | (88) | (985) | (869) | (7 652) | (7 203) |
| .. | .. | (1) | .. | 3 879 | 3 702 |
| **(51)** | **98** | **(1 041)** | **(886)** | **16 075** | **15 149** |
| **(3 152)** | **(1 579)** | **255** | **189** | **(28 814)** | **(30 405)** |

Disaggregated balance sheet as at 30 June ($ million)

|  | General government sector | | Public non‑financial corporations | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Assets** |  |  |  |  |
| **Financial assets** |  |  |  |  |
| Cash and deposits | 19 698 | 10 974 | 2 232 | 1 843 |
| Advances paid | 5 308 | 4 929 | 273 | 522 |
| Receivables and contract assets | 9 046 | 8 406 | 1 541 | 1 679 |
| Investments, loans and placements | 3 853 | 3 370 | 818 | 812 |
| Loans receivable from non‑financial public sector (a) | .. | .. | .. | .. |
| Investments accounted for using equity method | 1 180 | 10 | .. | .. |
| Investments in other sector entities | 96 042 | 89 162 | .. | .. |
| **Total financial assets** | **135 128** | **116 851** | **4 864** | **4 856** |
| **Non‑financial assets** |  |  |  |  |
| Inventories | 574 | 1 262 | 1 277 | 1 191 |
| Non‑financial assets held for sale | 110 | 171 | 29 | 42 |
| Land, buildings, infrastructure, plant and equipment | 249 480 | 225 770 | 117 535 | 110 087 |
| Other non‑financial assets | 5 898 | 3 313 | 3 105 | 2 567 |
| **Total non‑financial assets** | **256 062** | **230 516** | **121 946** | **113 887** |
| **Total assets** | **391 190** | **347 367** | **126 811** | **118 742** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 1 615 | 1 831 | 1 161 | 1 188 |
| Payables | 28 047 | 17 551 | 10 475 | 9 984 |
| Contract liabilities | 352 | 342 | 260 | 259 |
| Borrowings | 142 289 | 117 420 | 21 375 | 19 312 |
| Employee benefits | 10 250 | 9 857 | 573 | 545 |
| Superannuation | 18 904 | 19 756 | .. | .. |
| Other provisions | 2 950 | 2 082 | 12 087 | 9 730 |
| **Total liabilities** | **204 407** | **168 839** | **45 931** | **41 019** |
| **Net assets** | **186 783** | **178 528** | **80 880** | **77 724** |
| Accumulated surplus/(deficit) | 45 889 | 52 824 | (29 846) | (26 419) |
| Reserves | 140 894 | 125 704 | 110 725 | 104 143 |
| **Net worth** | **186 783** | **178 528** | **80 880** | **77 724** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net financial worth | (69 278) | (51 988) | (41 066) | (36 163) |
| Net financial liabilities | 165 321 | 141 149 | 41 066 | 36 163 |
| Net debt | 115 044 | 99 978 | 19 213 | 17 324 |

Note:

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

| Public  financial corporations | | Inter‑sector  eliminations | | State of Victoria | |
| --- | --- | --- | --- | --- | --- |
| 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 4 100 | 4 919 | (352) | (478) | 25 678 | 17 258 |
| 57 | 45 | (4 708) | (4 864) | 930 | 632 |
| 2 367 | 1 886 | (982) | (1 016) | 11 973 | 10 955 |
| 59 364 | 51 551 | (60) | (110) | 63 975 | 55 623 |
| 126 353 | 102 724 | (126 353) | (102 724) | .. | .. |
| 13 | .. | .. | .. | 1 193 | 10 |
| .. | .. | (96 042) | (89 162) | .. | .. |
| **192 254** | **161 125** | **(228 497)** | **(198 353)** | **103 750** | **84 479** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 1 851 | 2 452 |
| .. | .. | .. | .. | 139 | 212 |
| 332 | 354 | 41 601 | 36 749 | 408 948 | 372 959 |
| 3 343 | 3 397 | (5 193) | (4 436) | 7 152 | 4 842 |
| **3 675** | **3 751** | **36 407** | **32 313** | **418 090** | **380 466** |
| **195 929** | **164 876** | **(192 090)** | **(166 040)** | **521 840** | **464 945** |
| **..** | **..** | **..** | **..** | **..** | **..** |
| 212 | 233 | (1 212) | (1 528) | 1 777 | 1 724 |
| 2 864 | 2 724 | (1 052) | (956) | 40 334 | 29 303 |
| .. | .. | (14) | (5) | 598 | 596 |
| 132 326 | 107 309 | (131 036) | (107 555) | 164 953 | 136 486 |
| 125 | 118 | .. | .. | 10 948 | 10 519 |
| .. | .. | .. | .. | 18 904 | 19 756 |
| 46 980 | 44 573 | (11 888) | (9 590) | 50 129 | 46 795 |
| **182 507** | **154 956** | **(145 202)** | **(119 634)** | **287 643** | **245 180** |
| **13 421** | **9 919** | **(46 888)** | **(46 406)** | **234 197** | **219 765** |
| 13 065 | 9 796 | 50 998 | 48 767 | 80 106 | 84 968 |
| 356 | 123 | (97 886) | (95 174) | 154 090 | 134 797 |
| **13 421** | **9 919** | **(46 888)** | **(46 406)** | **234 197** | **219 765** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 9 747 | 6 168 | (83 295) | (78 719) | (183 893) | (160 702) |
| (9 747) | (6 168) | (12 747) | (10 442) | 183 893 | 160 702 |
| (57 335) | (51 697) | (775) | (908) | 76 146 | 64 697 |

Disaggregated cash flow statement for the financial year ended 30 June ($ million)

|  | General government sector | | Public non‑financial corporations | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| **Cash flows from operating activities** |  |  |  |  |
| **Receipts** |  |  |  |  |
| Taxes received | 31 621 | 30 288 | .. | .. |
| Grants | 40 881 | 42 720 | 2 746 | 2 990 |
| Sales of goods and services (a) | 6 873 | 6 281 | 8 104 | 7 378 |
| Interest received | 1 229 | 548 | 68 | 22 |
| Dividends, income tax equivalent and rate equivalent receipts | 693 | 549 | 34 | 37 |
| Other receipts (b) | 10 207 | 1 906 | 472 | 304 |
| **Total receipts** | **91 503** | **82 293** | **11 423** | **10 732** |
| **Payments** |  |  |  |  |
| Payments for employees | (33 260) | (31 334) | (1 736) | (1 572) |
| Superannuation | (3 975) | (4 062) | (168) | (154) |
| Interest paid | (3 559) | (2 591) | (849) | (809) |
| Grants and subsidies | (18 403) | (24 619) | (441) | (324) |
| Goods and services (a) | (27 110) | (27 524) | (5 380) | (5 335) |
| Other payments | (945) | (1 019) | (578) | (475) |
| **Total payments** | **(87 253)** | **(91 150)** | **(9 151)** | **(8 670)** |
| **Net cash flows from operating activities** | **4 250** | **(8 857)** | **2 272** | **2 061** |
| **Cash flows from investing activities** |  |  |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |  |  |
| Purchases of non‑financial assets | (16 273) | (15 168) | (4 263) | (3 379) |
| Sales of non‑financial assets | 325 | 275 | 215 | 182 |
| **Net cash flows from investments in non‑financial assets** | **(15 948)** | **(14 893)** | **(4 047)** | **(3 197)** |
| **Cash flows from investments in financial assets for policy purposes** |  |  |  |  |
| Cash inflows | 759 | 1 597 | 537 | 787 |
| Cash outflows | (2 385) | (1 550) | (293) | (33) |
| **Net cash flows from investments in financial assets for policy purposes** | **(1 625)** | **47** | **243** | **754** |
| **Sub‑total** | **(17 573)** | **(14 845)** | **(3 804)** | **(2 443)** |
| **Cash flows from investments in financial assets for liquidity management purposes (c)** |  |  |  |  |
| Cash inflows | 824 | 657 | 81 | 143 |
| Cash outflows | (1 316) | (985) | (85) | (201) |
| **Net cash flows from investments in financial assets for liquidity management purposes** | **(492)** | **(328)** | **(4)** | **(58)** |
| **Net cash flows from investing activities** | **(18 065)** | **(15 173)** | **(3 808)** | **(2 501)** |
| **Cash flows from financing activities** |  |  |  |  |
| Advances received | 32 | 28 | 365 | 164 |
| Advances repaid | (274) | (958) | (394) | (780) |
| Advances received (net) (c) | (242) | (930) | (30) | (616) |
| Borrowings received | 28 040 | 24 642 | 3 181 | 2 592 |
| Borrowings repaid | (5 291) | (3 287) | (2 159) | (1 930) |
| Net borrowings (c) | 22 749 | 21 355 | 1 022 | 662 |
| Deposits received | 2 830 | 5 250 | 300 | 177 |
| Deposits repaid | (2 807) | (5 280) | (294) | (104) |
| Deposits received (net) (c) | 22 | (30) | 6 | 73 |
| Other financing inflows | .. | .. | 1 040 | 616 |
| Other financing outflows | .. | .. | (105) | (310) |
| Other financing (net) (c) | .. | .. | 936 | 306 |
| **Net cash flows from financing activities** | **22 529** | **20 395** | **1 934** | **425** |
| **Net increase/(decrease) in cash and cash equivalents** | **8 713** | **(3 634)** | **399** | **(14)** |
| Cash and cash equivalents at beginning of reporting period **(d)** | 10 985 | 14 609 | 1 833 | 1 857 |
| **Cash and cash equivalents at end of the reporting period** | **19 698** | **10 974** | **2 232** | **1 843** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net cash flows from operating activities | 4 250 | (8 857) | 2 272 | 2 061 |
| Dividends paid | .. | .. | (102) | (107) |
| Net cash flows from investments in non‑financial assets | (15 948) | (14 893) | (4 047) | (3 197) |
| **Cash surplus/(deficit)** | **(11 698)** | **(23 749)** | **(1 877)** | **(1 243)** |

Notes:

(a) These items include goods and services tax.

* + - * 1. This increase in other receipts from the prior year primarily reflects the $7.9 billion proceeds from the VicRoads Modernisation joint venture. Notes 4.3.1 and 5.3.4 provides more information on the accounting treatment of this arrangement.

(c) In accordance with AASB 107 Statement of Cash Flows, TCV has reported its cash flow information for whole of government consolidation purposes on a net basis for both financial years ended 30 June 2022 and 30 June 2023.

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

| Public financial  corporations | | Inter‑sector  eliminations | | State of Victoria | |
| --- | --- | --- | --- | --- | --- |
| 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | .. | (497) | (466) | 31 123 | 29 822 |
| 396 | 517 | (3 202) | (4 100) | 40 822 | 42 127 |
| 6 745 | 6 497 | (1 704) | (1 773) | 20 018 | 18 383 |
| 3 122 | 2 042 | (3 361) | (2 408) | 1 058 | 204 |
| 2 311 | 3 052 | (745) | (508) | 2 292 | 3 130 |
| 23 | 192 | (132) | 85 | 10 569 | 2 488 |
| **12 597** | **12 300** | **(9 641)** | **(9 171)** | **105 882** | **96 153** |
|  |  |  |  |  |  |
| (501) | (450) | 738 | 645 | (34 760) | (32 711) |
| (49) | (41) | .. | .. | (4 192) | (4 258) |
| (3 243) | (2 369) | 3 369 | 2 409 | (4 281) | (3 360) |
| (129) | (656) | 3 202 | 4 100 | (15 771) | (21 500) |
| (6 551) | (6 480) | 1 201 | 1 274 | (37 840) | (38 065) |
| (353) | (13) | 915 | 483 | (961) | (1 025) |
| **(10 825)** | **(10 011)** | **9 425** | **8 912** | **(97 805)** | **(100 919)** |
| **1 772** | **2 289** | **(216)** | **(259)** | **8 077** | **(4 766)** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| (39) | (187) | 56 | 17 | (20 519) | (18 717) |
| 1 | 1 | .. | .. | 542 | 458 |
| **(38)** | **(186)** | **56** | **17** | **(19 977)** | **(18 259)** |
|  |  |  |  |  |  |
| 1 | .. | (691) | (1 870) | 606 | 515 |
| (28) | (42) | 1 740 | 951 | (966) | (675) |
| **(27)** | **(42)** | **1 050** | **(920)** | **(359)** | **(160)** |
| **(65)** | **(228)** | **1 105** | **(903)** | **(20 337)** | **(18 419)** |
|  |  |  |  |  |  |
| 5 593 | 5 681 | (91) | .. | 6 407 | 6 482 |
| (35 853) | (40 558) | 23 694 | 23 241 | (13 560) | (18 502) |
| **(30 260)** | **(34 876)** | **23 603** | **23 241** | **(7 153)** | **(12 021)** |
| **(30 325)** | **(35 104)** | **24 708** | **22 338** | **(27 490)** | **(30 440)** |
|  |  |  |  |  |  |
| 84 | 118 | (437) | (251) | 44 | 59 |
| (60) | (56) | 703 | 1 610 | (26) | (185) |
| 24 | 62 | 266 | 1 359 | 19 | (126) |
| 27 616 | 30 469 | (25 337) | (23 725) | 33 500 | 33 979 |
| (77) | (448) | 1 808 | 2 276 | (5 719) | (3 389) |
| 27 539 | 30 021 | (23 530) | (21 448) | 27 780 | 30 590 |
| 6 | 31 | .. | (12) | 3 135 | 5 446 |
| (50) | (165) | 50 | 169 | (3 101) | (5 380) |
| (45) | (134) | 50 | 157 | 34 | 66 |
| 229 | 53 | (1 269) | (668) | .. | .. |
| (12) | (142) | 116 | 452 | .. | .. |
| 217 | (89) | (1 152) | (217) | .. | .. |
| **27 735** | **29 859** | **(24 366)** | **(20 149)** | **27 833** | **30 531** |
| **(819)** | **(2 956)** | **126** | **1 930** | **8 420** | **(4 674)** |
| 4 919 | 7 875 | (478) | (2 409) | 17 258 | 21 933 |
| **4 100** | **4 919** | **(352)** | **(478)** | **25 678** | **17 258** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| 1 772 | 2 289 | (216) | (259) | 8 077 | (4 766) |
| (8) | (139) | 110 | 247 | .. | .. |
| (38) | (186) | 56 | 17 | (19 977) | (18 259) |
| **1 726** | **1 963** | **(50)** | **5** | **(11 900)** | **(23 025)** |

Disaggregated statement of changes in equity for the financial year ended 30 June ($ million)

|  | Accumulated surplus/(deficit) | Contributions by owners | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- | --- |
| **General government sector** |  |  |  |  |  |  |
| **Balance at 1 July 2022** | **52 824** | **..** | **79 719** | **44 815** | **1 170** | **178 528** |
| Opening balance adjustment (a) | 3 | .. | .. | .. | .. | 3 |
| **Restated balance at 1 July 2022** | **52 827** | **..** | **79 719** | **44 815** | **1 170** | **178 531** |
| Net result for the year | (9 847) | .. | .. | .. | .. | (9 847) |
| Other comprehensive income for the year | 749 | .. | 13 710 | 3 431 | 210 | 18 099 |
| Transfer to/(from) accumulated surplus | 2 160 | .. | (2 160) | .. | .. | .. |
| Dividends paid | .. | .. | .. | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Balance at 30 June 2023** | **45 889** | **..** | **91 269** | **48 245** | **1 380** | **186 783** |
| **PNFC sector** |  |  |  |  |  |  |
| **Balance at 1 July 2022** | **(26 419)** | **75 138** | **28 337** | **..** | **667** | **77 724** |
| Opening balance adjustment (a) | (1) | (2) | .. | .. | .. | (3) |
| **Restated balance at 1 July 2022** | **(26 420)** | **75 136** | **28 337** | **..** | **667** | **77 721** |
| Net result for the year | (3 200) | .. | .. | .. | .. | (3 200) |
| Other comprehensive income for the year | (137) | .. | 3 282 | .. | 35 | 3 180 |
| Transfer to/(from) accumulated surplus | 14 | .. | (14) | .. | .. | .. |
| Dividends paid | (102) | .. | .. | .. | .. | (102) |
| Transactions with owners in their capacity as owners | .. | 3 281 | .. | .. | .. | 3 281 |
| **Balance at 30 June 2023** | **(29 846)** | **78 417** | **31 605** | **..** | **702** | **80 880** |
| **PFC sector** |  |  |  |  |  |  |
| **Balance at 1 July 2022** | **9 796** | **65** | **10** | **..** | **49** | **9 919** |
| Net result for the year | 3 285 | .. | .. | .. | .. | 3 285 |
| Other comprehensive income for the year | (8) | .. | .. | .. | 8 | .. |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid | (8) | .. | .. | .. | .. | (8) |
| Transactions with owners in their capacity as owners | .. | 225 | .. | .. | .. | 225 |
| **Balance at 30 June 2023** | **13 065** | **290** | **10** | **..** | **57** | **13 421** |
| Eliminations | 50 998 | (78 707) | 29 067 | (48 245) | .. | (46 888) |
| **Total State of Victoria** | **80 106** | **..** | **151 951** | **..** | **2 139** | **234 197** |

Note:

(a) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the former Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the machinery of government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. Refer to Note 9.8 for further details.

Disaggregated statement of changes in equity for the financial year ended 30 June *(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 2021** | **58 642** | **..** | **61 017** | **32 981** | **1 159** | **153 799** |
| Net result for the year | (13 501) | .. | .. | .. | .. | (13 501) |
| Other comprehensive income for the year | 7 683 | .. | 18 702 | 11 834 | 11 | 38 230 |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid | .. | .. | .. | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Total equity as at 30 June 2022** | **52 824** | **..** | **79 719** | **44 815** | **1 170** | **178 528** |
| **PNFC sector** |  |  |  |  |  |  |
| **Balance at 1 July 2021** | **(24 192)** | **71 602** | **24 939** | **..** | **604** | **72 953** |
| Net result for the year | (2 220) | .. | .. | .. | .. | (2 220) |
| Other comprehensive income for the year | (14) | .. | 3 612 | .. | 63 | 3 662 |
| Transfer to/(from) accumulated surplus | 114 | 99 | (213) | .. | .. | .. |
| Dividends paid | (107) | .. | .. | .. | .. | (107) |
| Transactions with owners in their capacity as owners | .. | 3 437 | .. | .. | .. | 3 437 |
| **Total equity as at 30 June 2022** | **(26 419)** | **75 138** | **28 337** | **..** | **667** | **77 724** |
| **PFC sector** |  |  |  |  |  |  |
| **Balance at 1 July 2021** | **(5 505)** | **15** | **7** | **..** | **45** | **(5 438)** |
| Net result for the year | 15 456 | .. | .. | .. | .. | 15 456 |
| Other comprehensive income for the year | (15) | .. | 2 | .. | 4 | (9) |
| Transfer to/(from) accumulated surplus | .. | .. | .. | .. | .. | .. |
| Dividends paid | (139) | .. | .. | .. | .. | (139) |
| Transactions with owners in their capacity as owners | .. | 50 | .. | .. | .. | 50 |
| **Total equity as at 30 June 2022** | **9 796** | **65** | **10** | **..** | **49** | **9 919** |
| Eliminations | 48 767 | (75 203) | 24 845 | (44 815) | .. | (46 406) |
| **Total State of Victoria** | **84 968** | **..** | **132 911** | **..** | **1 886** | **219 765** |

## Funds under management

The State has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the State. The funds managed on behalf of third parties are not recognised in these financial statements as they are managed on a fiduciary and custodial basis, and therefore are not controlled by the State. Funds under management are reported in the table below.

($ million)

|  | State of Victoria | | General Government Sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Cash and investments in common and premium funds | 1 431 | 1 280 | 161 | 161 |
| Funds under management by Legal Services Board | 3 165 | 3 860 | 3 165 | 3 860 |
| Funds under management by the Senior Master of the Supreme Court | 2 133 | 2 079 | 2 133 | 2 079 |
| Investments, real estate, personal and other assets | 1 936 | 5 201 | 6 | 5 |
| Other funds held | 27 | 22 | 27 | 22 |
| Residential tenancies bonds money | 1 384 | 1 268 | 1 384 | 1 268 |
| **Total funds under management** | **10 077** | **13 711** | **6 876** | **7 396** |

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

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. This includes remeasurements of certain liabilities for variables such as movements in discount rates used to value these liabilities.

Total other gains/(losses) from other economic flows ($ million)

|  | State of Victoria | | General government sector | |
| --- | --- | --- | --- | --- |
|  | 2023 | 2022 | 2023 | 2022 |
| Net (increase)/decrease in allowances for credit losses | 142 | 162 | 144 | 170 |
| Amortisation of intangible non‑produced assets | (39) | (39) | (5) | (5) |
| Net swap interest revenue/(expense) | (39) | 3 | .. | .. |
| Bad debts written off | (418) | (497) | (410) | (487) |
| Other gains/(losses) | 1 937 | 5 694 | (752) | 436 |
| **Total other gains/(losses) from other economic flows** | **1 583** | **5 323** | **(1 022)** | **115** |

## Reconciliation between Government Finance Statistics and Australian Accounting Standards

This note identifies the convergence differences between the Australian Accounting Standards reporting (upon which this report is based) and the Government Finance Statistics (GFS) reporting.

GFS information enables policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of the Government based on consistent economic reporting rules and definitions.

In December 2019, AASB 2019-7 *Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations* was issued to modify AASB 1049 *Whole of Government and General Government Sector Financial Reporting* requirements by providing optional relief from the disclosure of key fiscal aggregates measured in accordance with the GFS where they differ from the key fiscal aggregates provided pursuant this Accounting Standard.

If the optional relief is adopted, AASB 2019-7 requires an explanation of how each of the key fiscal aggregates required under AASB 1049 are calculated and how they differ from the corresponding key fiscal aggregate measured in accordance with the ABS GFS. The State has elected to apply this optional relief.

The key fiscal aggregates below, as defined by AASB 1049, have convergence differences with the GFS:

* **Cash surplus/deficit** represents the net cash flows from operating activities plus net cash flows from investments in non‑financial assets (less dividends paid for the public non‑financial corporation (PNFC) and public financial corporation (PFC) sectors).
* **Comprehensive result – total change in net worth** is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.
* **Net lending/borrowing** is the financing requirement of government, calculated as the net operating balance less the net acquisition of non‑financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.
* **Net result from transactions – net operating balance** is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.
* **Net worth** is calculated as assets less liabilities, which is an economic measure of wealth.

The convergence differences between AASB 1049 and the GFS and their expected impacts applying GFS methodology are outlined in the following table.

| Convergence difference | AASB 1049 Treatment | ABS GFS Treatment | Fiscal aggregate impact |
| --- | --- | --- | --- |
| AASB 16 *Leases* | | | |
|  | Operating leases are recognised on the balance sheet under AASB 16 *Leases* unless the lease is shorter than 12 months or where the underlying assets are worth less than $10 000. | Operating leases are not recognised on the balance sheet. | * Cash surplus/ deficit * Comprehensive result  – total change in net worth * Net lending/ borrowing * Net result from transactions  – net operating balance * Net worth |
| AASB 1059 *Service concession arrangements* | | | |
|  | Economic service concession arrangements, such as toll roads, are recognised on the State’s balance sheet under  AASB 1059 *Service Concession Arrangements: Grantors*. | Economic service concession arrangements, such as toll roads, are not recognised on the balance sheet as well as the associated operating statement impacts. | * Cash surplus/ deficit * Comprehensive result  – total change in net worth * Net lending/ borrowing * Net result from transactions  – net operating balance * Net worth |
| AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* | | | |
|  | Deferral of revenue recognition, such as where performance obligations have not been satisfied, or for capital grants from the Commonwealth Government, is a requirement under AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not‑for-Profit Entities*. | Deferral of revenue recognition, such  as where performance obligations have not been satisfied, or for capital grants from the Commonwealth Government, is not recognised. This timing difference is expected to impact all the key fiscal aggregates. While it is expected that there will not be a net change to the fiscal aggregates over time, there will be convergence differences in any given year. | * Cash surplus/ deficit * Comprehensive result  – total change in net worth * Net lending/ borrowing * Net result from transactions  – net operating balance * Net worth |
| Port of Melbourne lease transaction | | | |
| Port Licence Fee | The 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne is recognised upfront upon receipt. | The 15-year prepaid Port Licence Fee from the medium-term lease of the Port of Melbourne is recognised as revenue over the 15-year period. | * Comprehensive result  – total change in net worth * Net lending/ borrowing * Net result from transactions  – net operating balance * Net worth |
| Port of Melbourne lease transaction | The Port of Melbourne lease transaction is treated as an operating lease with the leased assets remaining with the PNFC sector. | The Port of Melbourne lease transaction is recognised as a sale of equity from the general government sector. | * Cash surplus/ deficit * Comprehensive result  – total change in net worth * Net lending/ borrowing * Net result from transactions  – net operating balance * Net worth |
| PNFC/PFC dividends | | | |
|  | Dividends are classified as after-profit distributions to owners. | Under GFS, dividends paid/payable are recognised as an expense from transactions on the operating statement. | * Comprehensive result  – total change in net worth * Net lending/ borrowing * Net result from transactions  – net operating balance * Net worth |
| Doubtful receivables | | | |
|  | Provisions for expected credit loss are included on the balance sheet as a reduction to assets. | The act of creating provisions is not considered an economic event and is therefore not included on the balance sheet. | * Comprehensive result  – total change in net worth * Net worth |
| Provisions |  |  |  |
|  | Provisions recognised under AASB 137 are recorded when there is a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. | The act of creating provisions is not considered an economic event and is therefore not included on the balance sheet. The associated expense is not recognised on the operating statement. | * Comprehensive result  – total change in net worth * Net lending/ borrowing * Net result from transactions  – net operating balance * Net worth |
| Future tax benefits / deferred tax liabilities | | | |
|  | Tax effect accounting is adopted, whereby differences between tax and accounting bases are deferred as either future income tax benefit assets or provisions for deferred liabilities. | Under GFS, deferred tax is not recognised. | • Comprehensive result  – total change in net worth   * Net worth |
| Investment in other sector entities | | | |
|  | The net worth of investments in other sector entities for the general government sector includes doubtful receivables, future tax benefits and deferred tax liabilities of the PNFC and PFC sectors. | The determination of net worth is exclusive of this. | • Comprehensive result  – total change in net worth  · Net worth |
| PNFC/PFC net worth | | | |
|  | The PNFC/PFC sectors report net worth as assets less liabilities. | Under GFS, the PNFC/PFC sectors report zero net worth, as the ownership interest is recognised as a liability. | • Comprehensive result  – total change in net worth  · Net worth |
|  |  |  |  |

## Related party transactions

The State of Victoria reporting entity includes government departments, PNFC, PFC and other government-controlled entities.

### Key management personnel

All cabinet ministers are considered members of the key management personnel of the State of Victoria reporting entity for 2022‑23. They are listed below.

|  |  |
| --- | --- |
| Position title | Key management personnel |
| Premier | Hon Daniel Andrews |
| Deputy Premier | Hon Jacinta Allan |
| Ministers of the Crown | Hon Lizzie Blandthorn  Hon Colin Brooks  Hon Anthony Carbines  Hon Ben Carroll  Hon Lily D’Ambrosio  Mr Steve Dimopoulos  Hon Enver Erdogan (c)  Hon Melissa Horne  Hon Natalie Hutchins  Hon Sonya Kilkenny (a)  Hon Shaun Leane (b)  Mr Tim Pallas  Mr Danny Pearson  Hon Jaala Pulford (b)  Hon Harriet Shing  Hon Ros Spence  Ms Ingrid Stitt  Hon Natalie Suleyman (c)  Hon Jaclyn Symes  Hon Mary-Anne Thomas  Hon Gayle Tierney  Hon Gabrielle Williams |

Notes:

(a) Appointed to Ministry on 4 July 2022.

(b) Held Ministry until 5 December 2022.

(c) Appointed to Ministry on 5 December 2022.

Related parties of the State of Victoria reporting entity include:

* all cabinet ministers and their close family members
* other arrangements or entities jointly controlled by the ministers or their close family members, or entities that they have significant influence over.

### Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State Government activities, related parties transact with the Victorian public sector as normal citizens in a manner consistent with other members of the public, involving the receipt of services and benefits, and payment of taxes and other government fees and charges. No transactions have occurred with related parties on terms and conditions more or less favourable than those conducted under standard government policies, procedures and practices.

Outside of normal citizen type transactions, transactions are disclosed only when they are considered necessary to draw attention to the possibility that the State’s financial position and profit or loss may have been affected by the existence of related parties, and by transactions and outstanding balances, including commitments, with such parties.

There were no material related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

### Remuneration of key management personnel

The remuneration and allowances of ministers are set by the *Parliamentary Salaries and Superannuation Act 1968* and the aggregated remuneration for ministers is $11.2 million in 2023 ($10.6 million in 2022).

($ thousand)

|  |  |  |
| --- | --- | --- |
| State of Victoria | 2023 | 2022 |
| Salaries and short-term employee benefits | 10 055 | 9 782 |
| Post-employment benefits (a) | 1 074 | 846 |
| Termination benefits (b) | 96 | .. |
| **Total** | **11 225** | **10 628** |

Notes:

(a) Benefit relates to superannuation expense paid to ministers who were members of an accumulated superannuation fund. Increase from previous year was due to the 0.5 per cent increase in the super guarantee rate and a higher number of accumulated fund members in comparison to the prior financial year.

(b) Separation benefit paid in compliance with s.7E of the Parliamentary Salaries and Superannuation Act 1968.

## Subsequent events

Assets, liabilities, revenues or expenses arise from past transactions or other past events. Adjustments are made to amounts recognised in the financial statements for events that occur after the reporting period and before the date the statements are authorised for issue, where those events provide information about conditions that existed at the reporting date. If required, note disclosure is made about events that occur between the end of the reporting period and the date the statements are authorised for issue where the events relate to conditions that arose after the reporting period that are considered to be of material interest.

#### Commonwealth Games 2026

On 18 July 2023, the Victorian Government announced its decision not to proceed with hosting the 2026 Commonwealth Games.

On 19 August 2023, the Commonwealth Games Federation, Commonwealth Games Federation Partnerships and Commonwealth Games Australia and the State of Victoria announced they had settled all their disputes regarding the cancellation of the multi-hub regional Victoria 2026 Commonwealth Games. The State of Victoria has agreed to pay the Commonwealth Games parties (the Commonwealth Games Federation, Commonwealth Games Federation Partnerships and Commonwealth Games Australia) AUD $380 million. This will be reflected in the 2023-24 *Annual Financial Report*. The settlement finalises all matters between the parties.

On 18 July 2023, the Victorian Government also announced its decision to deliver a comprehensive $2 billion package of investment to ensure regional Victoria receives the benefits that would have been facilitated by the Commonwealth Games.

There are no other events that have arisen since 30 June that have significantly affected or may significantly affect the operations, or results, or state of affairs of the State.

## Other accounting policies

### Accounting for the goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of an asset or part of an item of expense.

Receivables and payables are stated inclusive of GST receivable or payable. Cash flows are presented on a gross basis. The GST components of cash flows from investing or financing activities are presented as an operating cash flow. Commitments and contingent assets and liabilities are also stated inclusive of GST.

### Prospective accounting and reporting changes

New and revised accounting standards have been issued that are not effective for the 2022-23 reporting period. These accounting standards have not been applied to the *Annual Financial Report*. The State is reviewing its existing policies and assessing the potential implications of:

• AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not‑for-Profit Public Sector Entities*:

* 1. AASB 2022-10 amends AASB 13 *Fair Value Measurement* by adding authoritative implementation guidance and illustrative examples for fair value measurement of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.
  2. Among other things, this Standard:
     + specifies that an entity needs to consider whether an asset’s highest and best use differs from its current use only when it is held for sale or held for distributions to owners under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* or if it is highly probable that it will be used for an alternative purpose
     + clarifies that an asset’s use is ‘financially feasible’ if market participants would be willing to invest in the asset’s service capacity, considering both the capacity to provide needed goods or services and the resulting costs of those goods and services
     + specifies that if both market selling price and some market participant data required to fair value the asset are not observable, an entity needs to start with its own assumptions and adjust them to the extent that reasonably available information indicates that other market participants would use different data
     + provides guidance on the application of the cost approach to fair value, including the nature of costs to be included in a reference asset and identification of economic obsolescence.
  3. This Standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted
* AASB 17 *Insurance Contracts*, AASB 2022-8 *Amendments to Australian Accounting Standards - Insurance Contracts: Consequential Amendments* and AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*
  1. AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* for not-for-profit public sector entities for annual reporting periods beginning on or after 1 July 2026.
  2. AASB 2022-9 amends AASB 17 to make public sector-related modifications (for example, it specifies the pre-requisites, indicators, and other considerations in identifying arrangements that fall within the scope of AASB 17 in a public sector context). This Standard applies for annual reporting periods beginning on or after 1 July 2026.
  3. AASB 2022-8 makes consequential amendments to other Australian Accounting Standards so that public sector entities are permitted to continue to apply AASB 4 and AASB 1023 to annual periods before 1 July 2026.
* AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* and AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*
  1. AASB 2020-1 amended AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current and was applicable to annual reporting periods beginning on or after 1 January 2022.
  2. AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*. AASB 2020-6 subsequently amended AASB 2020-1, deferring the mandatory effective date of AASB 2020-1 from 1 January 2022 to 1 January 2023. AASB 2022-6 was applicable for annual reporting periods beginning on or after 1 January 2022.
  3. AASB 2022-6 amends and clarifies the requirements contained in AASB 2020-1. Among other things, it:
     + clarifies that only those covenants that an entity must comply with at or before the reporting date affect a liability’s classification as current or non-current and
     + requires additional disclosures for non-current liabilities that are subject to an entity complying with covenants within twelve months after the reporting date
  4. AASB 2022-6 applies to annual reporting periods beginning on or after 1 January 2023.

A number of other standards and amendments have also been issued that apply to future reporting periods, however they are not expected to have any significant impact on the financial statements in the period of initial application.

## Controlled entities

The table below contains a list of the significant controlled entities which have been consolidated for the purposes of the financial report. Unless otherwise noted below, all such entities are wholly owned. The entities below may include additional consolidated entities, for which only the parent entity has been listed.

The principal activities of the controlled entities reflect the three sectors of government they are within as set out in the reporting structure under public sector terms explained earlier in this chapter. Further, Note 3.6 reflects the broad objectives of these controlled entities.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *General government (a)* | | | | |
| **Department of Education**  Victorian Academy of Teaching and Leadership  Victorian Curriculum and Assessment Authority  Victorian Institute of Teaching  Victorian Registration and Qualifications Authority  **Department of Energy, Environment, and Climate Action (b)**  Catchment Management Authorities including:   * Corangamite Catchment Management Authority * East Gippsland Catchment Management Authority * Glenelg Hopkins Catchment Management Authority * Goulburn Broken Catchment Management Authority * Mallee Catchment Management Authority * North Central Catchment Management Authority * North East Catchment Management Authority * West Gippsland Catchment Management Authority * Wimmera Catchment Management Authority   Caulfield Racecourse Reserve Trust  Dhelkunya Dja Land Management Board  Environment Protection Authority  Gunaikurnai Traditional Owner Land Management Board  Mine Land Rehabilitation Authority  Office of the Commissioner for Environmental Sustainability  Parks Victoria  Royal Botanic Gardens Board  Rural Assistance Commissioner  Sustainability Victoria  Trust for Nature (Victoria)  Veterinary Practitioners Registration Board of Victoria  Victorian Energy Safety Commission  Victorian Environmental Water Holder  Yorta Yorta Traditional Owner Land Management Board | **Department of Families, Fairness and Housing**  Commission for Children and Young People  Family Violence Prevention Agency  Shrine of Remembrance Trustees  Victorian Disability Workers Commission  Victorian Multicultural Commission  Victorian Veterans Council  **Department of Government Services (c)**  Cenitex  Residential Tenancies Bond Authority  **Department of Health**  Health Purchasing Victoria  Hospitals, Health and Ambulance Services including:   * Albury Wodonga Health * Alexandra District Health * Alfred Health * Alpine Health * Ambulance Victoria * Austin Health * Bairnsdale Regional Health Service * Barwon Health * Bass Coast Health * Beaufort and Skipton Health Service * Beechworth Health Service * Benalla Health * Bendigo Health * Boort District Health * Casterton Memorial Hospital * Central Gippsland Health Service * Central Highlands Rural Health * Cohuna District Hospital * Colac Area Health * Corryong Health * Dental Health Services Victoria * Dhelkaya Health * East Grampians Health Service * East Wimmera Health Service * Eastern Health * Echuca Regional Health * Great Ocean Road Health * Gippsland Southern Health Service * Goulburn Valley Health * Grampians Health * Heathcote Health * Hesse Rural Health Service * Heywood Rural Health | | | * Inglewood and Districts Health Service * Kerang District Health * The Kilmore and District Hospital * Kooweerup Regional Health Service * Kyabram District Health Service * Latrobe Regional Hospital * Mallee Track Health and Community Service * Mansfield District Hospital * Maryborough District Health Service * Melbourne Health * Mildura Base Public Hospital * Monash Health * Moyne Health Services * NCN Health * Northeast Health Wangaratta * Northern Health * Omeo District Health * Orbost Regional Health * Peninsula Health * Peter MacCallum Cancer Institute * Portland District Health * Robinvale District Health Services * Rochester and Elmore District Health Service * The Royal Children’s Hospital * The Royal Victorian Eye and Ear Hospital * The Royal Women’s Hospital * Rural Northwest Health * Seymour Health * South Gippsland Hospital * South West Healthcare * Swan Hill District Health * Tallangatta Health Service * Terang and Mortlake Health Service * Timboon and District Healthcare Service * Victorian Assisted Reproductive Treatment Authority * Victorian Institute of Forensic Mental Health * West Gippsland Healthcare Group * West Wimmera Health Service * Western District Health Service * Western Health * Yarram and District Health Service * Yarrawonga Health * Yea and District Memorial Hospital |
| *General government (continued)* | | | | |
| **Department of Health *(continued)***  The Queen Elizabeth Centre  Tweddle Child and Family Health Service  Victorian Health Promotion Foundation  Victorian Pharmacy Authority  **Department of Jobs, Skills, Industry and Regions**  Adult Community and Further Education Board  Adult Multicultural Education Services  Australian Centre for the Moving Image  Dockland Studios Melbourne Pty Ltd  Film Victoria  Game Management Authority  Library Board of Victoria  Melbourne Cricket Ground Trust  Melbourne Recital Centre Limited  Museums Board of Victoria  National Gallery of Victoria, Council of Trustees  Secretary, Project Development  TAFEs including:   * Bendigo Kangan Institute * Box Hill Institute * Chisholm Institute * Federation Training * Gordon Institute of TAFE * Goulburn Ovens Institute of TAFE * Holmesglen Institute * Melbourne Polytechnic * South West Institute of TAFE * Sunraysia Institute of TAFE * William Angliss Institute of TAFE * Wodonga Institute of TAFE   Victoria 2026 Pty Ltd (d)  Victorian Fisheries Authority  Victorian Institute of Sport Limited  Victorian Institute of Sport Trust  Visit Victoria | | **Department of Justice and  Community Safety**  Country Fire Authority  Emergency Services Telecommunications Authority  Fire Rescue Victoria  Office of Public Prosecutions  Office of the Special Investigator  Professional Standards Council of Victoria  Sentencing Advisory Council  Victoria Legal Aid  Victoria Police (Office of the Chief Commissioner of Police)  Victoria State Emergency Service Authority  Victorian Equal Opportunity and  Human Rights Commission  Victorian Gambling and Casino Control Commission  Victorian Information Commissioner  Victorian Institute of Forensic Medicine  Victorian Law Reform Commission  Victorian Legal Services Board and Commissioner  Victorian Racing Commissioner  Victorian Racing Integrity Board  Victorian Racing Tribunal  Victorian Responsible Gambling Foundation  **Department of Premier and Cabinet**  Labour Hire Licensing Authority  Portable Long Service Authority  Victorian Aboriginal Heritage Council  Victorian Electoral Commission  Victorian Public Sector Commission  Victorian Independent Remuneration Tribunal  Wage Inspectorate Victoria | | **Department of Transport and Planning (e)**  Architects Registration Board of Victoria  Cladding Safety Victoria  Head, Transport for Victoria  Heritage Council of Victoria  Safe Transport Victoria (f)  Suburban Rail Loop Authority  Surveyors Registration Board of Victoria  VicRoads Modernisation including: (g)   * CP Services Victoria Pty Ltd * R&L Services Victoria Pty Ltd * Victorian R&L Services Trust * Victoria CP Services Trust   Victorian Building Authority  Victorian Planning Authority  **Department of Treasury and Finance**  Essential Services Commission  Infrastructure Victoria  **Courts**  Judicial College of Victoria  Judicial Commission of Victoria  **Parliament of Victoria**  Independent Broad-based Anti-corruption Commission (IBAC)  Ombudsman Victoria  Parliamentary Budget Office (PBO)  Victorian Inspectorate  **Victorian Auditor-General’s Office** |
| *Public non-financial corporation* **(a)** | | | | |
| **Department of Energy, Environment, and Climate Action**  Agriculture Victoria Services Pty Ltd  Alpine Resorts Victoria (h)  Dairy Food Safety Victoria  Great Ocean Road Coast and Parks Authority  Melbourne Market Authority  Murray Valley Wine Grape Industry Development Committee  Phillip Island Nature Parks  PrimeSafe  State Electricity Commission of Victoria  VicForests  Victorian Strawberry Industry Development Committee | | | Water authorities including:   * Barwon Region Water Corporation * Central Gippsland Region Water Corporation * Central Highlands Region Water Corporation * Coliban Region Water Corporation * East Gippsland Region Water Corporation * Gippsland and Southern Rural Water Corporation * Goulburn Murray Rural Water Corporation * Goulburn Valley Region Water Corporation * Grampians Wimmera Mallee Water Corporation * Greater Western Water * Lower Murray Urban and Rural Water Corporation | * Melbourne Water Corporation * North East Region Water Corporation * South East Water Corporation * South Gippsland Region Water Corporation * Wannon Region Water Corporation * Westernport Region Water Corporation * Yarra Valley Water Corporation   Zoological Parks and Gardens Board  **Department of Families, Fairness and Housing**  Director of Housing  Queen Victoria Women’s Centre Trust  VITS Language Loop |
| *Public non-financial corporation (continued)* | | | | |
| **Department of Health**  Cemeteries including:   * Ballarat General Cemeteries Trust * Geelong Cemeteries Trust * The Greater Metropolitan Cemeteries Trust * Southern Metropolitan Cemeteries Trust * The Mildura Cemetery Trust * Remembrance Parks Central Victoria | | | **Department of Jobs, Skills, Industry and Regions**  Australian Grand Prix Corporation  Emerald Tourist Railway Board  Geelong Performing Arts Centre Trust  Kardinia Park Stadium Trust  Launch Victoria Ltd  Melbourne and Olympic Parks Trust  Melbourne Arts Precinct Corporation  Melbourne Convention and  Exhibition Trust  State Sport Centres Trust  Victorian Arts Centre Trust | **Department of Justice and  Community Safety**  Greyhound Racing Victoria  Harness Racing Victoria  **Department of Transport and Planning**  Development Victoria  North East Link State Tolling Corporation  Melbourne Port Lessor Pty Ltd  Port of Hastings Development Authority  Ports Victoria  V/Line Corporation  Victorian Rail Track  **Department of Treasury and Finance**  Victorian Plantations Corporation (shell)  Workplace Injury Commission (i) |
| *Public financial corporation* **(a)** | | | | |
| **Department of Jobs, Skills, Industry and Regions**  Breakthrough Victoria Pty Ltd | | | **Department of Treasury and Finance**  State Trustees Limited  Transport Accident Commission  Treasury Corporation of Victoria | Victorian Funds Management Corporation  Victorian Managed Insurance Authority  Victorian WorkCover Authority |

Notes:

(a) On 5 December 2022, the Premier announced machinery of government (MoG) changes effective 1 January 2023. This resulted in the creation of a new department, the Department of Government Services, with several other departments renamed. The MoG changes also resulted in the transfer of various functions between departments, including the land and property function transferring from the Department of Treasury and Finance to the Department of Transport and Planning (DTP), higher education transferring from the Department of Education to the Department of Jobs, Skills, Industry and Regions (DJSIR), Land Use Victoria and the planning and building functions transferring from the Department of Energy, Environment and Climate Action (DEECA) to DTP, and the agriculture, forestry, resources and climate change functions transferring from DJSIR to DEECA.

There was also the transfer of portfolio responsibility for a number of stand-alone entities between departments.

(b) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and amalgamated into the Department of Energy, Environment, and Climate Action (DEECA) to form a business unit within DEECA, Recycling Victoria.

(c) The Department of Government Services includes the administrative office, the Public Records Office of Victoria.

(d) On 7 September 2022, the Victorian Commonwealth Games Organising Committee was established as Victoria 2026 Pty Ltd. On 18 July 2023, the Premier announced that Victoria will no longer host the 2026 Commonwealth Games and the entity is expected to decommission its activities in the coming months.

(e) Effective from August 2022, VicHoldCo was dissolved.

(f) On 1 July 2022, Commercial Passenger Vehicles Victoria and Transport Safety Victoria came together as a new entity, Safe Transport Victoria (STV), to create a new regulator to manage safety, compliance, accreditation and registration for commercial passenger vehicles, buses and the marine sector.

(g) On 15 August 2022, the majority interest in the corporate trustees was transferred to the joint venture partner as part of the financial close of the VicRoads Modernisation process, with the State retaining an interest in the joint venture.

(h) The Alpine Resorts Legislation Amendment Act 2022 commenced on 1 October 2022. It abolished Victoria’s four existing Alpine Resort Management Boards (ARMBs), and the Alpine Resorts Coordinating Council (ARCC) and established a single entity, Alpine Resorts Victoria, to manage the Falls Creek, Mt Hotham, Mt Buller, Mt Stirling, Lake Mountain and Mt Baw Baw alpine resorts.

(i) On 1 September 2022, the Accident Compensation Conciliation Service (ACCS) changed its name to the Workplace Injury Commission.

## Glossary of technical terms

The following is a summary of the major technical terms used in this report as sourced from the *Uniform Presentation Framework (2019)*. Technical terms that have been discussed elsewhere in this chapter are excluded from the list.

**ABS GFS manual** represents the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* as updated from time to time.

**Capital grants** are transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another to enable the recipient to acquire another asset, or in which the funds realised by the disposal of another asset are transferred, for which no economic benefits of equal value are receivable or payable in return.

**Cash surplus/deficit** represents the net cash flows from operating activities plus net cash flows from investments in non‑financial assets (less dividends paid for the PNFC and PFC sectors).

**Cash surplus/deficit – ABS GFS** **version** is equal to the cash surplus deficit (above) less the value of assets acquired under agreements meeting the definition of material finance leases prior to the application of AASB 16 *Leases* and similar arrangements.

**Change in net worth** (comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows and measures the variation in a government’s accumulated assets and liabilities.

**Comprehensive result** is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

**Current grants** are amounts payable or paid for current purposes for which no economic benefits of equal value are receivable or payable in return.

**Effective interest method** is the method used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

**Fiscal aggregates** are analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy.

**Key fiscal aggregates** defined under ABS GFS manual are required to be disclosed under AASB 1049. They are: opening net worth, net operating balance, net lending/(borrowing), change in net worth due to revaluations, change in net worth due to other changes in the volume of assets, total change in net worth, closing net worth, and cash surplus/(deficit). AASB 1049 also allows additional fiscal aggregates to be included such as net financial worth, net financial liabilities and net debt.

**Government Finance Statistics** (GFS) enables policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of the Government. More details about the GFS can be found in the Australian Bureau of Statistics GFS manual *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015*.

**Infrastructure systems** provide essential services used in delivering final services or products. They are generally a complex interconnected network of individual assets and mainly include sewerage systems, water storage and supply systems, and public transport assets owned by the State.

**Interest expense** represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments, service concession financial liabilities and amortisation of discounts or premiums in relation to borrowings.

**Leases** are rights conveyed in a contract, or part of a contract, to use an asset (the underlying asset) for a period of time in exchange for consideration.

**Net acquisition of non‑financial assets (from transactions)** are purchases (and other acquisitions) of non‑financial assets less sales (or disposals) of non‑financial assets less depreciation plus changes in inventories and other movements in non‑financial assets. Includes only those increases or decreases in non‑financial assets resulting from transactions and therefore excludes write offs, impairment write downs and revaluations.

**Net cash flows from investments in financial assets (liquidity management purposes)** are cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

**Net cash flows from investments in financial assets (policy purposes)** represents cash payments made for acquiring financial assets for policy purposes, less cash receipts from the repayment and liquidation of such investments in financial assets.

Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes includes loans made by the Government that are motivated by government policies, such as encouraging the development of certain industries or assisting people affected by natural disaster.

For the general government sector, this item also includes cash flows arising from the acquisition and disposal by the Government of its investments (contributed capital) in entities in the PNFC and PFC sectors.

**Net debt** equals sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements. For the PFC sector, this also includes loans receivable from other sector entities.

**Net financial liabilities** is calculated as liabilities less financial assets, other than equity in PNFCs and PFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

**Net financial worth** is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

**Net lending/borrowing** is the financing requirement of the Government, calculated as the net operating balance less the net acquisition of non‑financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

**Net operating balance or net result from transactions** is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

**Net result** is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as other non‑owner movements in equity.

**Net worth** is calculated as assets less liabilities, which is an economic measure of wealth.

**Non-financial assets** are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, cultural and heritage assets, intangibles and biological assets such as commercial forests.

**Non-financial public sector** represents the consolidated transactions and assets and liabilities of the general government and PNFC sectors. In compiling statistics for the non‑financial public sector, transactions and debtor creditor relationships between sub sectors are eliminated to avoid double counting.

**Non-produced assets** are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

**Operating result** is a measure of financial performance of the operations for the period.

It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as other non‑owner movements in equity. Refer also to net result.

**Other economic flows** are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non‑current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non‑produced) from their use or removal.

**Produced assets** include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films and development costs (which does not include the start-up costs associated with capital projects).

**Public Private Partnership (PPP)** is where **t**he State from time to time enters certain arrangements with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements usually include the provision of operational and maintenance services for a specified period of time.

**Roads** include road pavement and road works in progress. All land under roads is included under the category of ‘land’.

**Road infrastructure** mainly includes sound barriers, bridges and traffic signal control systems.

**Service concession arrangement** is a contract effective during the reporting period between a grantor and an operator in which:

a) the operator has the right of access to the service concession asset (or assets) to provide public services on behalf of the grantor for a specified period of time

b) the operator is responsible for at least some of the management of the public services provided through the asset and does not act merely as an agent on behalf of the grantor

c) the operator is compensated for its services over the period of the service concession arrangement.

**System of National Accounts** explain how the Australian economy operates and how it evolves over time by measuring, classifying, and aggregating these transactions. It includes a full set of flow accounts for each sector of the economy (income, capital and financial), input-output tables, supply and use tables, satellite accounts, state-based estimates, balance sheets and reconciliation accounts, and productivity estimates.

**Taxation** revenue represents revenue received from the State’s taxpayers and includes: payroll tax, land tax, duties levied principally on conveyances and land transfers, gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing, insurance duty relating to compulsory third party, life and non‑life policies, insurance company contributions to fire brigades, Fire Services Property Levy, motor vehicle taxes, including registration fees and duty on registrations and transfers, levies (including the environmental levy) on statutory corporations in other sectors of government, and other taxes, including landfill levies, licence and concession fees.

**Transactions** are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be cash or in kind (e.g. assets provided/given free of charge or for nominal consideration). In simple terms, transactions arise from the policy decisions of the Government.

Chapter 5 – Supplementary uniform presentation framework tables

# The accrual government finance statistics presentation

The Government Finance Statistics (GFS) system employed by the Australian Bureau of Statistics is designed to provide statistics relating to the finances of the Australian public sector. The statistics show the consolidated transactions and balances of the various institutional sectors of government from an economic viewpoint, providing details of the revenue, expenses, payments, receipts, assets and liabilities. It includes only those transactions and balances over which a government exercises control under its legislative or policy framework and excludes from the calculation of net operating balance both revaluations (realised and unrealised gains or losses) arising from a change in market prices, and other changes in the volume of assets that result from discoveries, depletion and destruction of assets. These gains and losses are classified as other economic flows.

# Generally accepted accounting principles/government finance statistics harmonisation

In October 2007, the Australian Accounting Standards Board issued AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, applicable from 1 July 2008. The objective as set out by the Financial Reporting Council in December 2002 was ‘to achieve an Australian accounting standard for a single set of government reports which are auditable, are comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements’. This standard incorporates the major elements of the GFS framework, including the presentation formats and key fiscal aggregates, into a standard based on generally accepted accounting principles.

The current Uniform Presentation Framework (UPF) was agreed by the Council of Federal Financial Relations in February 2019, based on the 2015 update to the Australian System of Government Finance Statistics (GFS) Framework, AASB 1049, and is applicable from the reporting period commencing 1 July 2018. In addition to the audited Annual Financial Report presented in Chapter 4, the following statements are also required to be presented under the UPF.

# Financial statements for the non-financial public sector

Table 5.1: Non-financial public sector operating statement for the financial year ended 30 June ($ million)

|  | 2023 | 2022 |
| --- | --- | --- |
| **Revenue from transactions** |  |  |
| Taxation | 31 876 | 30 099 |
| Interest income | 902 | 153 |
| Dividends and income tax equivalent and rate equivalent income | 513 | 575 |
| Sales of goods and services | 13 148 | 11 976 |
| Grants | 40 182 | 41 818 |
| Other revenue and income | 4 657 | 4 396 |
| **Total revenue and income from transactions** | **91 278** | **89 018** |
| **Expenses from transactions** |  |  |
| Employee expenses | 35 310 | 33 759 |
| Net superannuation interest expense | 721 | 482 |
| Other superannuation | 3 933 | 4 066 |
| Depreciation | 7 564 | 7 116 |
| Interest expense | 4 318 | 3 259 |
| Grant expense | 16 837 | 22 421 |
| Other operating expenses | 32 384 | 31 987 |
| **Total expenses from transactions** | **101 067** | **103 091** |
| **Net result from transactions – Net operating balance** | **(9 789)** | **(14 073)** |
| **Other economic flows included in net result** |  |  |
| Net gain/(loss) on disposal of non‑financial assets | 89 | 3 |
| Net gain/(loss) on financial assets or liabilities at fair value | 19 | 83 |
| Share of net profit/(loss) from associates/joint venture entities | (39) | 5 |
| Other gains/(losses) from other economic flows | (1 224) | (993) |
| **Total other economic flows included in net result** | **(1 154)** | **(903)** |
| **Net result** | **(10 943)** | **(14 976)** |
| **Other economic flows – Other comprehensive income** |  |  |
| **Items that will not be reclassified to net result** |  |  |
| Changes in non‑financial assets revaluation surplus | 21 214 | 23 332 |
| Remeasurement of superannuation defined benefits plans | 1 371 | 7 821 |
| Other movements in equity | (644) | (73) |
| **Items that may be reclassified subsequently to net result** |  |  |
| Net gain/(loss) on financial assets at fair value | 130 | (5) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | 3 500 | 11 216 |
| **Total other economic flows – Other comprehensive income** | **25 570** | **42 291** |
| **Comprehensive result – Total change in net worth** | **14 627** | **27 316** |
| **FISCAL AGGREGRATES** |  |  |
| **Net operating balance** | **(9 789)** | **(14 073)** |
| **Net acquisition of non‑financial assets from transactions** |  |  |
| Purchases of non‑financial assets (including change in inventories) | 19 831 | 18 923 |
| Less: Sales of non‑financial assets | (540) | (457) |
| Less: Depreciation and amortisation | (7 564) | (7 116) |
| Plus/(less): Other movements in non‑financial assets | 3 879 | 3 702 |
| **Less: Net acquisition of non‑financial assets from transactions** | **15 605** | **15 052** |
| **Net lending/(borrowing)** | **(25 394)** | **(29 125)** |

Table 5.2: Non-financial public sector balance sheet for the financial year ended 30 June ($ million)

|  | 2023 | 2022 |
| --- | --- | --- |
| **Assets** |  |  |
| **Financial assets** |  |  |
| Cash and deposits (a) | 21 930 | 12 817 |
| Advances paid | 930 | 632 |
| Receivables and contract assets | 10 368 | 9 676 |
| Investments, loans and placements | 4 672 | 4 182 |
| Investments accounted for using the equity method | 1 180 | 10 |
| Investments in other sector entities | 15 166 | 11 441 |
| **Total financial assets** | **54 246** | **38 758** |
| **Non‑financial assets** |  |  |
| Inventories | 1 851 | 2 452 |
| Non‑financial assets held for sale | 139 | 212 |
| Land, buildings, infrastructure, plant and equipment | 408 618 | 372 608 |
| Other non‑financial assets | 6 927 | 4 573 |
| **Total non‑financial assets** | **417 534** | **379 846** |
| **Total assets** | **471 780** | **418 604** |
| **Liabilities** |  |  |
| Deposits held and advances received | 1 638 | 1 602 |
| Payables | 38 241 | 27 187 |
| Contract liabilities | 598 | 596 |
| Borrowings | 159 411 | 132 459 |
| Employee benefits | 10 823 | 10 402 |
| Superannuation | 18 904 | 19 756 |
| Other provisions | 3 157 | 2 221 |
| **Total liabilities** | **232 772** | **194 223** |
| **Net assets** | **239 008** | **224 381** |
| Accumulated surplus/(deficit) | 69 742 | 77 899 |
| Reserves | 169 267 | 146 482 |
| **Net worth** | **239 008** | **224 381** |
|  |  |  |
| **FISCAL AGGREGATES** |  |  |
| Net financial worth | (178 526) | (155 464) |
| Net financial liabilities | 193 692 | 166 906 |
| Net debt | 133 518 | 116 430 |

Note:

(a) The increase in cash and deposits is primarily due to the $7.9 billion received from the VicRoads Modernisation joint venture, which has been used to establish the Victorian Future Fund.

Table 5.3: Non-financial public sector cash flow statement for the financial year ended 30 June ($ million)

|  | 2023 | 2022 |
| --- | --- | --- |
| **Cash flows from operating activities** |  |  |
| **Receipts** |  |  |
| Taxes received | 31 147 | 29 842 |
| Grants | 40 924 | 42 735 |
| Sales of goods and services (a) | 14 676 | 13 092 |
| Interest received | 832 | 158 |
| Dividends, income tax equivalent and rate equivalent receipts | 342 | 231 |
| Other receipts (b) | 10 523 | 2 268 |
| **Total receipts** | **98 444** | **88 325** |
| **Payments** |  |  |
| Payments for employees | (34 910) | (32 833) |
| Superannuation | (4 143) | (4 217) |
| Interest paid | (3 934) | (2 987) |
| Grants and subsidies | (16 141) | (21 968) |
| Goods and services (a) | (32 042) | (32 209) |
| Other payments | (961) | (1 025) |
| **Total payments** | **(92 131)** | **(95 240)** |
| **Net cash flows from operating activities** | **6 314** | **(6 915)** |
| **Cash flows from investing activities** |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |
| Purchases of non‑financial assets | (20 480) | (18 532) |
| Sales of non‑financial assets | 540 | 457 |
| **Net cash flows from investments in non‑financial assets** | **(19 940)** | **(18 074)** |
| Net cash flows from investments in financial assets for policy purposes | (569) | (199) |
| **Sub‑total** | **(20 509)** | **(18 274)** |
| Net cash flows from investments in financial assets for liquidity management purposes | (495) | (386) |
| **Net cash flows from investing activities** | **(21 005)** | **(18 659)** |
| **Cash flows from financing activities** |  |  |
| Advances received (net) | 6 | (157) |
| Net borrowings | 23 768 | 22 035 |
| Deposits received (net) | 29 | 47 |
| **Net cash flows from financing activities** | **23 803** | **21 926** |
| **Net increase/(decrease) in cash and cash equivalents** | **9 112** | **(3 649)** |
| Cash and cash equivalents at beginning of the reporting period | 12 817 | 16 466 |
| **Cash and cash equivalents at end of the reporting period** | **21 930** | **12 817** |
|  |  |  |
| **FISCAL AGGREGATES** |  |  |
| Net cash flows from operating activities | 6 314 | (6 915) |
| Net cash flows from investments in non‑financial assets | (19 940) | (18 074) |
| **Cash surplus/(deficit)** | **(13 626)** | **(24 989)** |

Notes:

(a) These items include goods and services tax.

(b) The increase in other receipts from the prior year primarily reflects the $7.9 billion proceeds from the Vicroads Modernisation joint venture. Chapter 4, Notes 4.3.1 and 5.3.4 provides more information on the accounting treatment of this arrangement.

Table 5.4: Non-financial public sector statement of changes in equity ($ million)

|  | Accumulated surplus/(deficit) | Non‑financial assets revaluation surplus | Investment in other sector entities revaluation surplus | Other reserves | Total |
| --- | --- | --- | --- | --- | --- |
| **2023** |  |  |  |  |  |
| **Balance at 1 July 2022** | **77 899** | **132 901** | **11 744** | **1 837** | **224 381** |
| Net result for the year | (10 943) | .. | .. | .. | (10 943) |
| Other comprehensive income for the year | 612 | 21 214 | 3 500 | 245 | 25 570 |
| Transfer to/(from) accumulated surplus | 2 174 | (2 174) | .. | .. | .. |
| **Total equity as at 30 June 2023** | **69 742** | **151 941** | **15 243** | **2 082** | **239 008** |
| **2022** |  |  |  |  |  |
| **Balance at 1 July 2021** | **84 992** | **109 782** | **528** | **1 763** | **197 065** |
| Net result for the year | (14 976) | .. | .. | .. | (14 976) |
| Other comprehensive income for the year | 7 669 | 23 332 | 11 216 | 74 | 42 291 |
| Transfer to/(from) accumulated surplus | 214 | (214) | .. | .. | .. |
| **Total equity as at 30 June 2022** | **77 899** | **132 901** | **11 744** | **1 837** | **224 381** |

Table 5.5: General government sector detailed expenses by function (a) ($ million)

|  | 2023 | 2022 (b) |
| --- | --- | --- |
| **General public services** | **7 039** | **6 265** |
| Executive and legislative organs, financial and fiscal affairs, external affairs | 2 878 | 3 057 |
| General services | 757 | 785 |
| Public debt transactions | 2 932 | 2 029 |
| General public services NEC (c) | 472 | 393 |
| **Public order and safety** | **12 018** | **12 204** |
| Police services | 4 013 | 3 985 |
| Civil and fire protection services | 3 658 | 3 331 |
| Law courts | 1 367 | 1 339 |
| Prisons | 1 911 | 1 950 |
| Public order and safety NEC (c) | 1 068 | 1 599 |
| **Economic affairs** | **4 105** | **10 434** |
| General economic, commercial and labour affairs | 1 386 | 8 596 |
| Agriculture, forestry, fishing and hunting | 631 | 563 |
| Fuel and energy | 1 382 | 589 |
| Other industries | 499 | 436 |
| Economic affairs NEC (c) | 208 | 249 |
| **Environmental protection** | **1 226** | **1 203** |
| Protection of biodiversity and landscape | 620 | 659 |
| Environmental protection NEC (c) | 606 | 544 |
| **Housing and community amenities** | **2 698** | **2 783** |
| Community development | 2 573 | 2 671 |
| Water supply | 125 | 112 |
| **Health** | **28 981** | **28 125** |
| Outpatient services | 2 185 | 1 996 |
| Hospital services | 23 001 | 21 028 |
| Community health services | 3 000 | 2 790 |
| Public health services | 670 | 2 203 |
| Health NEC (c) | 126 | 108 |
| **Recreation, culture and religion** | **1 373** | **1 437** |
| Recreational and sporting services | 821 | 837 |
| Cultural services | 552 | 600 |
| **Education** | **20 644** | **19 197** |
| Pre‑primary and primary education | 9 366 | 8 701 |
| Secondary education | 7 527 | 6 930 |
| Tertiary education | 2 069 | 2 165 |
| Education not definable by level | 114 | 71 |
| Subsidiary services to education | 128 | 125 |
| Education NEC (c) | 1 440 | 1 205 |
| **Social protection** | **7 913** | **8 239** |
| Sickness and disability | 3 147 | 3 009 |
| Old age | 469 | 288 |
| Family and children | 2 666 | 2 419 |
| Housing | 903 | 1 837 |
| Social protection NEC (c) | 727 | 687 |
| **Transport** | **8 129** | **7 496** |
| Road transport | 3 101 | 2 675 |
| Bus transport | 1 423 | 1 267 |
| Water transport | 62 | 55 |
| Railway transport | 3 056 | 2 809 |
| Multi‑mode urban transport | 489 | 691 |
| Not allocated by purpose (d) | (557) | (571) |
| **Total expenses** | **93 567** | **96 814** |

Notes:

(a) Chapter 4, Note 3.6 provides definitions and descriptions of the classification of the functions of government.

(b) The June 2022 figures have been reclassified between various expenses by COFOG classifications to more correctly reflect the nature of the transactions.

(c) NEC: Not elsewhere classified.

(d) Not allocated by purpose represents eliminations and adjustments.

Appendix A – General government sector quarterly financial report

Table A.1: Operating statement for the past five quarters ($ million)

|  | 2021‑22 | 2022‑23 | | | |
| --- | --- | --- | --- | --- | --- |
|  | Jun | Sep | Dec | Mar | Jun |
| **Revenue and income from transactions** |  |  |  |  |  |
| Taxation | 7 599 | 7 842 | 6 539 | 10 716 | 7 254 |
| Interest income | 162 | 259 | 331 | 371 | 345 |
| Dividends, income tax equivalent and rate equivalent income | 430 | 88 | 146 | 59 | 528 |
| Sales of goods and services | 1 694 | 1 696 | 1 503 | 1 411 | 1 654 |
| Grants | 10 279 | 9 265 | 10 494 | 10 712 | 9 668 |
| Other revenue and income | 1 053 | 751 | 1 007 | 723 | 1 361 |
| **Total revenue and income from transactions** | **21 216** | **19 900** | **20 019** | **23 990** | **20 811** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 8 391 | 8 361 | 8 383 | 7 916 | 8 968 |
| Net superannuation interest expense | 120 | 172 | 191 | 177 | 179 |
| Other superannuation | 1 068 | 1 039 | 835 | 913 | 972 |
| Depreciation | 1 118 | 1 085 | 1 093 | 1 160 | 1 266 |
| Interest expense | 826 | 822 | 991 | 995 | 1 166 |
| Grant expense | 5 481 | 4 021 | 4 287 | 5 081 | 5 665 |
| Other operating expenses | 8 612 | 5 814 | 7 024 | 6 471 | 8 519 |
| **Total expenses from transactions** | **25 615** | **21 315** | **22 804** | **22 714** | **26 734** |
| **Net result from transactions – Net operating balance** | **(4 399)** | **(1 415)** | **(2 785)** | **1 276** | **(5 924)** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non‑financial assets | (31) | 32 | 18 | 75 | (35) |
| Net gain/(loss) on financial assets or liabilities at fair value | 121 | (7) | 16 | 60 | (98) |
| Share of net profit/(loss) from associates/joint venture entities | 5 | 3 | 2 | .. | (43) |
| Other gains/(losses) from other economic flows | 105 | (5) | 101 | (107) | (1 012) |
| **Total other economic flows included in net result** | **200** | **23** | **137** | **28** | **(1 187)** |
| **Net result** | **(4 200)** | **(1 392)** | **(2 648)** | **1 304** | **(7 111)** |
| **Other economic flows – Other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non‑financial assets revaluation surplus (a) | 18 240 | 3 504 | 148 | 258 | 9 800 |
| Remeasurement of superannuation defined benefits plans | 4 723 | 1 284 | 138 | (3 160) | 3 094 |
| Other movements in equity | (33) | (437) | 84 | 41 | (224) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | 34 | 87 | 46 | .. | 5 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | 12 980 | .. | 3 507 | .. | (76) |
| **Total other economic flows – Other comprehensive income (a)** | **35 943** | **4 439** | **3 923** | **(2 861)** | **12 598** |
| **Comprehensive result – Total change in net worth (a)** | **31 743** | **3 047** | **1 275** | **(1 557)** | **5 487** |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** | **(4 399)** | **(1 415)** | **(2 785)** | **1 276** | **(5 924)** |
| Less: Net acquisition of non‑financial assets from transactions | 1 582 | 2 692 | 4 224 | 1 624 | 2 746 |
| **Net lending/(borrowing)** | **(5 982)** | **(4 107)** | **(7 009)** | **(347)** | **(8 670)** |

Note:

(a) Changes in non-financial assets revaluation surplus, including associated totals, have been restated from September 2022 and the following quarters resulting from an update to the initial valuation of the registration and licensing database following the VicRoads Modernisation joint venture, consistent with the requirements of AASB 1059 Service Concession Arrangements: Grantors.

Table A.2: Balance sheet as at the end of the past five quarters ($ million)

|  | 2021‑22 | 2022‑23 | | | |
| --- | --- | --- | --- | --- | --- |
|  | Jun | Sep | Dec | Mar | Jun |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 10 974 | 22 544 | 21 468 | 20 941 | 19 698 |
| Advances paid | 4 929 | 5 025 | 5 227 | 5 332 | 5 308 |
| Receivables and contract assets | 8 406 | 8 041 | 7 717 | 10 809 | 9 046 |
| Investments, loans and placements | 3 370 | 3 472 | 3 619 | 3 874 | 3 853 |
| Investments accounted for using the equity method | 10 | 1 221 | 1 223 | 1 223 | 1 180 |
| Investments in other sector entities | 89 162 | 89 414 | 93 525 | 94 739 | 96 042 |
| **Total financial assets** | **116 851** | **129 716** | **132 779** | **136 918** | **135 128** |
| **Non‑financial assets** |  |  |  |  |  |
| Inventories | 1 262 | 1 130 | 1 118 | 1 121 | 574 |
| Non‑financial assets held for sale | 171 | 154 | 82 | 85 | 110 |
| Land, buildings, infrastructure, plant and equipment | 225 770 | 229 316 | 233 161 | 236 254 | 249 480 |
| Other non‑financial assets (a) | 3 313 | 6 970 | 6 778 | 6 250 | 5 898 |
| **Total non‑financial assets (a)** | **230 516** | **237 569** | **241 140** | **243 709** | **256 062** |
| **Total assets (a)** | **347 367** | **367 285** | **373 919** | **380 627** | **391 190** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 1 831 | 1 762 | 1 727 | 1 695 | 1 615 |
| Payables | 17 551 | 27 048 | 26 006 | 26 654 | 28 047 |
| Contract liabilities | 342 | 358 | 407 | 361 | 352 |
| Borrowings | 117 420 | 125 758 | 132 754 | 136 828 | 142 289 |
| Employee benefits | 9 857 | 9 911 | 9 582 | 9 827 | 10 250 |
| Superannuation | 19 756 | 18 845 | 18 629 | 21 804 | 18 904 |
| Other provisions | 2 082 | 2 026 | 1 962 | 2 161 | 2 950 |
| **Total liabilities** | **168 839** | **185 707** | **191 066** | **199 331** | **204 407** |
| **Net assets (a)** | **178 528** | **181 578** | **182 853** | **181 296** | **186 783** |
| Accumulated surplus/(deficit) | 52 824 | 52 290 | 49 863 | 50 255 | 45 889 |
| Reserves (a) | 125 704 | 129 289 | 132 990 | 131 042 | 140 894 |
| **Net worth (a)** | **178 528** | **181 578** | **182 853** | **181 296** | **186 783** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth | (51 988) | (55 991) | (58 287) | (62 413) | (69 278) |
| Net financial liabilities | 141 149 | 145 405 | 151 812 | 157 152 | 165 321 |
| Net debt | 99 978 | 96 479 | 104 167 | 108 376 | 115 044 |

Note:

(a) Other non-financial assets and reserves, including associated totals, have been restated from September 2022 and the following quarters resulting from an update to the initial valuation of the registration and licensing database following the VicRoads Modernisation joint venture, consistent with the requirements of AASB 1059 Service Concession Arrangements: Grantors.

Table A.3: Statement of cash flows for the past five quarters ($ million)

|  | 2021‑22 | 2022‑23 | | | |
| --- | --- | --- | --- | --- | --- |
|  | Jun | Sep | Dec | Mar | Jun |
| **Cash flows from operating activities** |  |  |  |  |  |
| **Receipts** |  |  |  |  |  |
| Taxes received | 8 970 | 7 962 | 7 213 | 6 965 | 9 481 |
| Grants | 10 373 | 9 307 | 10 417 | 10 731 | 10 426 |
| Sales of goods and services (a) | 1 930 | 2 097 | 1 235 | 1 768 | 1 774 |
| Interest received | 157 | 235 | 319 | 365 | 309 |
| Dividends, income tax equivalent and rate equivalent receipts | 96 | 88 | 140 | 399 | 66 |
| Other receipts | 393 | 8 171 | 1 163 | 239 | 634 |
| **Total receipts** | **21 919** | **27 859** | **20 487** | **20 468** | **22 689** |
| **Payments** |  |  |  |  |  |
| Payments for employees | (8 133) | (8 282) | (8 662) | (7 758) | (8 558) |
| Superannuation | (1 275) | (838) | (1 104) | (1 075) | (958) |
| Interest paid | (728) | (724) | (880) | (915) | (1 040) |
| Grants and subsidies | (4 729) | (4 190) | (4 445) | (5 077) | (4 691) |
| Goods and services (a) | (7 110) | (6 033) | (7 243) | (5 793) | (8 041) |
| Other payments | (320) | (240) | (200) | (241) | (265) |
| **Total payments** | **(22 294)** | **(20 307)** | **(22 534)** | **(20 859)** | **(23 554)** |
| **Net cash flows from operating activities** | **(376)** | **7 552** | **(2 047)** | **(391)** | **(865)** |
| **Cash flows from investing activities** |  |  |  |  |  |
| **Cash flows from investments in non‑financial assets** |  |  |  |  |  |
| Purchases of non‑financial assets | (5 095) | (3 500) | (4 781) | (3 155) | (4 837) |
| Sales of non‑financial assets | 128 | 73 | 128 | 40 | 84 |
| **Net cash flows from investments in non‑financial assets** | **(4 967)** | **(3 426)** | **(4 653)** | **(3 115)** | **(4 753)** |
| Net cash flows from investments in financial assets for policy purposes | 28 | (391) | (682) | (387) | (165) |
| **Sub‑total** | **(4 939)** | **(3 818)** | **(5 335)** | **(3 502)** | **(4 919)** |
| Net cash flows from investments in financial assets for  liquidity management purposes | (33) | (71) | (100) | (207) | (113) |
| **Net cash flows from investing activities** | **(4 972)** | **(3 889)** | **(5 435)** | **(3 709)** | **(5 032)** |
| **Cash flows from financing activities** |  |  |  |  |  |
| Advances received (net) | 232 | (111) | (5) | (39) | (88) |
| Net borrowings | 2 834 | 7 968 | 6 441 | 3 605 | 4 734 |
| Deposits received (net) | (317) | 38 | (29) | 6 | 8 |
| **Net cash flows from financing activities** | **2 750** | **7 896** | **6 407** | **3 573** | **4 654** |
| **Net increase/(decrease) in cash and cash equivalents** | **(2 598)** | **11 559** | **(1 076)** | **(527)** | **(1 243)** |
| Cash and cash equivalents at beginning of the reporting period (b) | 13 573 | 10 985 | 22 544 | 21 468 | 20 941 |
| **Cash and cash equivalents at end of the reporting period** | **10 974** | **22 544** | **21 468** | **20 941** | **19 698** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net cash flows from operating activities | (376) | 7 552 | (2 047) | (391) | (865) |
| Net cash flows from investments in non‑financial assets | (4 967) | (3 426) | (4 653) | (3 115) | (4 753) |
| **Cash surplus/(deficit)** | **(5 343)** | **4 126** | **(6 700)** | **(3 506)** | **(5 618)** |

Notes:

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

(b) On 1 July 2022, the seven Waste and Resource Recovery Groups were abolished and transferred from the PNFC sector to be amalgamated into the former Department of Environment, Land, Water and Planning (DELWP) to form a business unit within DELWP, Recycling Victoria. This has resulted in the 1 July 2022 opening balance not equalling the 30 June closing balance. DELWP has been renamed the Department of Energy, Environment and Climate Action (DEECA) following the machinery of government changes announced by the Premier on 5 December 2022 with effect from 1 January 2023. Refer to Note 9.8 in Chapter 4 for further details.

Appendix B – *Financial Management Act 1994* – Compliance index

The *Financial Management Act 1994* (the Act) requires the Minister to prepare an audited annual financial report for tabling in Parliament. This report has been prepared in accordance with applicable Australian Accounting Standards and the Act.

The Act also requires the annual financial report to meet certain requirements. The following compliance index explains how these requirements are met, together with appropriate references in this document.

| Financial Management Act 1994 *reference* | *Requirement* | *Comments/reference* |
| --- | --- | --- |
| Section 24(1) | The Minister must prepare an annual financial report for each financial year. | Refer Chapter 4 |
| Section 24(2) | The annual financial 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 Chapter 4. |
|  | (b) must present fairly the financial position of the State and the Victorian general government sector at the end of the financial year as well as: | Refer Chapter 4, consolidated balance sheet |
|  | (i) the transactions on the Public Account | Refer Chapter, 4 Note 8.2 Public Account disclosures |
|  | (ii) the transactions of the Victorian general government sector | Refer Chapter 4, consolidated comprehensive operating statement, consolidated cash flow statement and selected notes |
|  | (iii) other financial transactions of the State. | Refer Chapter 4, consolidated comprehensive operating statement, consolidated cash flow statement and selected notes |
|  | In respect of the financial year: |  |
|  | (c) must include details of amounts paid into working accounts under section 23 | Refer Chapter 4, Note 8.2.9 Amounts paid into working accounts pursuant to Section 23 of the *Financial Management Act 1994* for the year ended 30 June |
|  | (d) must include details of amounts allocated to departments during the financial year under section 28 | Refer Chapter 4, Note 8.2.16 Allocations pursuant to Section 28 of the *Financial Management Act 1994* for the financial year ended 30 June |
|  | (e) must include details of money credited under section 29 to an item in a schedule to an appropriation Act for that financial year | Refer Chapter 4, Note 8.2.11 Appropriation of revenue and asset sale proceeds pursuant to Section 29 of the *Financial Management Act 1994* for the financial year ended 30 June 2023 |
|  | (f) must include particulars of amounts transferred in accordance with determinations under section 30 or 31 | Refer Chapter 4, Note 8.2.10 Transfers pursuant to Sections 30 and 31 of the *Financial Management Act 1994* for the financial year ended 30 June 2023 |
|  | (g) must include details of: |  |
|  | (i) amounts appropriated in respect of the financial year as a result of a determination under section 32 in respect of unused appropriation for the preceding financial year | Refer Chapter 4, Note 8.2.12 Section 32 carryovers – *Financial Management Act 1994* for the financial year ended 30 June |
|  | (ii) the application during the financial year of amounts referred to in subparagraph (i) | Refer Chapter 4, Note 8.2.12 Section 32 carryovers – *Financial Management Act 1994* for the financial year ended 30 June |
|  | (iii) amounts appropriated in respect of the next financial year as a result of a determination under section 32 in respect of unused appropriation for the financial year. | Refer Chapter 4, Note 8.2.12 Section 32 carryovers – *Financial Management Act 1994* for the financial year ended 30 June |
|  | (h) must include: |  |
|  | (i) details of expenses and obligations met from money advanced to the Minister under section 35(1) during the financial year | Refer Chapter 4, Note 8.2.14 Payments from advances and unused advances carried forward to 2022‑23 pursuant to Section 35 and 35(4) of the *Financial Management Act 1994* |
|  | (ii) a statement of the reasons for carrying forward any part of an unused advance to the next financial year under section 35(4). | Refer Chapter 4, Note 8.2.14 Payments from advances and unused advances carried forward to 2022‑23 pursuant to Section 35 and 35(4) of the *Financial Management Act 1994* |
|  | (i) must include details of payments made during the financial year out of money advanced to the Treasurer in an annual appropriation Act for that year to meet urgent claims | Refer Chapter 4, Note 8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June |
|  | (j) must include details of: |  |
|  | (i) payments made during the financial year in fulfilment of any guarantee by the Government under any Act | Refer Chapter 4, Note 8.2.15 Government guarantees |
|  | (ii) money received or recovered by the Minister or Treasurer during the financial year in respect of any guarantee payments. | Refer Chapter 4, Note 8.2.15 Government guarantees |
|  | (k) must include details, as at the end of the financial year, of: |  |
|  | (i) the liabilities (including contingent liabilities under guarantees and indemnities or in respect of superannuation payments and all other contingent liabilities) and assets of the State | Refer Chapter 4, consolidated balance sheet  Refer Chapter 4, Note 7.2 Contingent assets and contingent liabilities (State of Victoria)  Refer Chapter 4, Note 3.2 Superannuation interest expense and other superannuation expenses and Note 6.5 Superannuation |
|  | (ii) prescribed assets and prescribed liabilities of prescribed bodies. | Refer Chapter 4, Note 9.1 Disaggregated information, and Chapter 5, Table 5.2 Non-financial public sector balance sheet for the financial year ended 30 June |
|  | (l) must be audited by the Auditor‑General. | Refer Chapter 4, *Report of the Auditor‑General* |
| Section 26(1) | The Minister must prepare a quarterly financial report for each quarter of each financial year. | Refer 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 Appendix A, Table A.1 Operating statement for the past five quarters |
|  | (b) a statement of financial position of the Victorian general government sector at the end of the quarter | Refer Appendix A, Table A.2 Balance sheet as at the end of the past five quarters |
|  | (c) a statement of cash flows of the Victorian general government sector for the quarter | Refer Appendix A, Table A.3 Statement of cash flows for the past five quarters |
|  | (d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based. | Refer Chapter 4 |
| 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. | Refer to Appendix A for agreed form |
| Section 26(3A) | The quarterly financial report for the quarter ending on 30 June in a financial year must include, in addition to the statements referred to in sub‑section (2)(a) to (d) for that quarter, those statements for the period of 12 months ending on that 30 June. | Refer to Chapter 4, consolidated comprehensive operating statement, consolidated balance sheet, consolidated cash flow statement and selected notes |

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

202x financial year

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

The *Annual Financial Report* is based on the style set in the example of a general purpose financial report for a government in illustrative example A of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The styles used in other chapters of this document are generally consistent with those used in other publications relating to the annual budget papers.

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