Victorian Budget
2023/24

2023/24 Financial Report

(incorporating Quarterly Financial Report No. 4)

Presented by Tim Pallas MP
Treasurer of the State of Victoria

VICTORIA
State Government

ACKNOWLEDGEMENT OF COUNTRY

The Victorian Department of Treasury and Finance acknowledges that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history. We proudly acknowledge Victoria's Aboriginal communities and recognise the value and ongoing contribution of Aboriginal people and communities to Victorian life. We pay our respect to Elders past and present and emerging.

As we work to ensure Victorian Aboriginal communities continue to thrive, the Government acknowledges the invaluable contributions of generations that have come before us, who have fought tirelessly for the rights of their people and communities towards self-determination. We reflect on the continuing impact of government policies and practices and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples towards improved cultural, social and economic outcomes.

'lim-ba nindee thana warn-ga-ilee'
(Preserve our Dreaming Lore) – Gunnai Language
Bitja (Dixon Patten Jnr) Yorta Yorta, Gunnai, Gunditjmara and Dhudhuroa of Bayila Creative

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Printed by Doculink, Port Melbourne

ISSN 1443-1289 (print)
ISSN 2204-7166 (online)
Published October 2024

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Tim Pallas MP

Treasurer of the State of Victoria

for the information of Honourable Members

Ordered to be printed

Published by order, or under the authority, of the Parliament of Victoria

October 2024

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CHAPTER 1 – FOREWORD

PURPOSE

The *2023-24 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 2023-24 results.

Chapter 2 analyses the results for the general government sector, comparing them with actual outcomes in 2022-23 and the revised estimates for the year as presented in the *2024-25 Budget*.

Chapter 3 presents the 2023-24 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 2023-24, despite the global and national challenges of high inflation and elevated interest rates. Employment growth was strong and the unemployment rate remained low throughout the year.

In 2023-24, state final demand – a key indicator of economic activity – grew by 2.1 per cent in real terms, following strong growth in 2022-23. This resulted in state final demand being 14.4 per cent larger than in 2018-19, the last full financial year before the COVID-19 pandemic. Among the components of final demand, business investment recorded the strongest increase, rising by 6.0 per cent in 2023-24. This reflects a solid pipeline of significant energy and transport projects, and increased investment in machinery and equipment. Investment has been supported by the elevated level of demand in the economy, which has encouraged firms to increase their productive capacity.

Public demand also contributed to growth in state final demand in 2023-24, driven in part by investment in infrastructure projects.

Household consumption grew modestly amid cost-of-living pressures, while dwelling investment detracted from final demand growth as higher interest rates, labour shortages and high construction costs continued to affect activity.

The high level of activity in the Victorian economy has supported a healthy labour market. The share of working-age Victorians in employment was near a record level in 2023-24, and labour force participation reached record highs in the year. In annual terms, employment grew by a strong 3.5 per cent. The unemployment rate increased modestly in 2023-24 but remained low by historical standards, averaging 4.0 per cent.

Inflation remains high, as is the case nationally and globally, but has eased. In year-average terms, headline Melbourne inflation averaged 4.0 per cent in 2023-24, down from 6.9 per cent in 2022-23. The easing of inflationary pressure has been driven by slower growth in goods prices, as global-supply chain disruptions have largely been resolved and demand for goods has eased. Services price growth remains high, though, and as a result the Reserve Bank of Australia has kept interest rates at elevated levels.

Wages increased by 3.6 per cent in 2023-24, the fastest rate of nominal wages growth in over a decade. Wage growth was driven by the tight labour market, the pass-through of elevated inflation into negotiated wage outcomes, and a larger-than-normal increase in minimum and award wages.

The Victorian population rose by a strong 2.7 per cent over the year to March 2024 (reflecting the latest available data). Growth was driven by net overseas migration, led by a recovery in international student arrivals following the COVID-19 pandemic. Net overseas migration over the past year has remained significantly above its peak levels before the pandemic.

FISCAL OBJECTIVES

As part of the *2023-24 Budget*, the Government outlined its financial measures and targets for the 202324 financial year, including:

- general government net debt as a percentage of gross state product (GSP) to stabilise in the medium term
- general government interest expense as a percentage of revenue to stabilise in the medium term
- fully fund the unfunded superannuation liability by 2035
- a net operating cash surplus consistent with maintaining general government net debt at a sustainable level.

The 2023-24 results compared with the Government's financial measures and targets were:

- net debt to GSP of 21.9 per cent at 30 June 2024, lower than the revised estimate in the *2024-25 Budget* of 22.3 per cent and an increase from 20.2 per cent at 30 June 2023
- interest expense as a percentage of revenue of 6.1 per cent for the 2023-24 financial year, lower than the revised estimate in the *2024-25 Budget* of 6.2 per cent and an increase of 1.4 percentage points compared with the previous year
- a net operating cash surplus of $2.6 billion, $2.2 billion higher than the revised estimate in the *2024-25 Budget* of $427 million.

The Government remains on track to fully fund the unfunded superannuation liability by 2035, with a contribution of $139 million made to the State Superannuation Fund, under section 90(2) of the *State Superannuation Act 1988*, to fund this liability in 2023-24.

FISCAL OUTCOMES

The Government recorded a general government sector operating deficit of $4.2 billion for 2023-24.

The 2023-24 operating result was an improvement of $411 million compared with the revised estimate in the *2024-25 Budget*, mainly due to higher than forecast revenue, primarily grants revenue and other revenue and income. This increased revenue was partially offset by higher than forecast expenses, primarily employee expenses and other superannuation.

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 $24.2 billion for 2023-24. This was higher than the revised budget of $24 billion published in the *2024-25 Budget*, driven by high levels of activity and the value of assets and services received free of charge under the Metro Tunnel service concession arrangement reflecting adjustments for actual costs and in-principle alignment on contract matters for this project. Compared with the previous year, GII increased by $2.4 billion, largely due to extensive capital infrastructure investment in the transport, education, housing and health sectors.

Net debt for the general government sector was $133.2 billion (21.9 per cent of estimated gross state product) at 30 June 2024, $2.6 billion lower than the revised estimate in the *2024-25 Budget*. This improved result primarily reflects a higher than forecast net operating cash surplus.

The net operating cash surplus of $2.6 billion was an improvement of $2.2 billion compared with the $427 million surplus forecast in the *2024-25 Budget*. The improvement from the revised budget was primarily driven by lower than forecast payments on goods and services and grants due to the timing of payments across departments. There were also higher grant receipts than forecast primarily due to local government grants from the Commonwealth.

Victoria is rated AA+ by Fitch Ratings (Fitch), AA by Standard & Poor's (S&P) and Aa2 by Moody's Ratings (Moody's). All three ratings are with a stable outlook. The Fitch rating and outlook reflect the State's strong and diverse economy, which will support a continued recovery in the fiscal position following the recent challenges of the COVID-19 pandemic. Moody's rating and outlook reflect the strong institutional framework for Australian states and their 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.

CHAPTER 2 – GENERAL GOVERNMENT SECTOR OUTCOME

- The Government recorded a general government sector operating deficit of $4.2 billion in 2023-24, an improvement of $4.6 billion compared with $8.8 billion in 2022-23.
- The 2023-24 operating result was an improvement of $411 million compared with the revised estimate in the *2024-25 Budget*. This was due to higher than expected revenue of $1 billion, partially offset by higher than expected expenses of $636 million.
- The level of government infrastructure investment was $24.2 billion in 2023-24. This was higher than the revised budget of $24 billion published in the *2024-25 Budget*, driven by high levels of activity and the value of assets and services received free of charge under the Metro Tunnel service concession arrangement reflecting adjustments for actual costs and in-principle alignment on contract matters for this project.
- Net debt for the general government sector was $133.2 billion (21.9 per cent of gross state product (GSP)) at 30 June 2024 compared with $135.9 billion (22.3 per cent of GSP) published in the *2024-25 Budget*. This improved result primarily reflects a higher than forecast net operating cash surplus.

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)**

	2023 actual	2024 actual	2024 revised
Operating statement aggregates			
Net result from transactions – Net operating balance	(8 847)	(4 223)	(4 635)
Net result	(9 847)	(4 493)	(5 081)
Net lending/(borrowing)	(20 132)	(17 099)	(17 645)
Comprehensive result – Total change in net worth	8 252	3 076	(9 331)
Balance sheet aggregates			
Net worth	186 783	189 859	177 452
Net financial worth	(69 278)	(86 686)	(93 533)
Net financial liabilities	165 321	184 865	186 961
Net debt	115 044	133 241	135 874
Cash flow statement aggregates			
Net cash flows from operating activities	4 250	2 623	427
Cash surplus/(deficit)	(11 698)	(14 434)	(16 896)
			(per cent)
Net debt to GSP [(a)]	**20.2**	**21.9**	**22.3**
Interest expense to revenue	**4.7**	**6.1**	**6.2**

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 $4.2 billion improved by $411 million compared with the $4.6 billion deficit forecast in the *2024-25 Budget*. The improved result was primarily due to higher than expected grant revenue as well as higher than expected other revenue and income received in 2023-24. This was partially offset by higher than forecast expenses.

The $4.6 billion lower deficit compared with the 2022-23 result was primarily due to an increase in revenue, mainly driven by an increase in taxation revenue due to the commencement of the COVID Debt Levy in 2023-24, as well as an increase in payroll tax revenue due to a strong labour market and the cessation of the New Jobs Tax Credit introduced in the *2020-21 Budget*. Also driving the increase was higher goods and services tax (GST) grants from the Commonwealth driven by the annual growth in the national GST pool and population share growth in Victoria.

The increase in revenue was partially offset by an increase in employee expenses, mainly due to increased spending on service delivery in the health and education sectors and increases in remuneration levels in line with enterprise bargaining agreements. There was also higher interest expense reflecting additional borrowings to finance the State's capital program and an increase in the interest rates on borrowings.

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 2023-24 net result was an improvement of $588 million compared with the revised budget and an improvement of $5.4 billion compared with the 2022-23 outcome. The improvement compared with the prior year was due to the same reasons as explained for the net result from transactions, as well as lower losses from other economic flows in 2023-24, including due to the capital gains from the Victorian Future Fund.

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 $17.1 billion for 2023-24 was a $547 million improvement compared with the revised estimate in the *2024-25 Budget*, mainly due to an improvement in the net result from transactions explained previously.

The 2023-24 **comprehensive result – total change in net worth** significantly improved compared with the revised estimate. The increase of $12.4 billion from the revised budget is attributable to the revaluation of assets primarily in the health sector and lower than expected valuation loss in the general government sector's investment in other sector entities. This increase is primarily due to an increased net asset position of the Treasury Corporation of Victoria (TCV) resulting from a mark-to-market revaluation gain compared with a loss in the revised estimate, and an increase in the Transport Accident Commission's (TAC) net asset position due to favourable financial market performance and higher discount rates, partially offset by higher actuarial inflation expectations. There was also a remeasurement gain on the State's defined benefit superannuation liability. This was primarily due to an increase in the bond yield which underlies the superannuation valuation, partly offset by lower than expected investment returns on superannuation assets between 31 March 2024 and 30 June 2024.

Net worth is a measure of economic wealth and is equal to net assets outlined in Table 2.4. The $12.4 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 $184.9 billion at 30 June 2024, $2.1 billion lower than the revised budget. This decrease primarily reflects a higher than forecast net operating cash surplus and a decrease in the State's defined benefit superannuation liability. The decrease was partially offset by higher than expected payables.

Net debt represents gross debt less liquid financial assets. Net debt of $133.2 billion at 30 June 2024 was $2.6 billion lower than the revised estimate in the *2024-25 Budget*. This improved result primarily reflects a higher than forecast net operating cash surplus.

The increase in net debt in 2023-24 of $18.2 billion primarily reflects additional borrowings required to finance the State's capital program.

The **net cash flows from operating activities** surplus of $2.6 billion was an improvement of $2.2 billion compared with the $427 million surplus forecast in the *2024-25 Budget*. The improvement from the revised budget was primarily driven by lower than forecast payments on goods and services and grants due to the timing of payments across departments. There were also higher grant receipts than forecast primarily due to local government grants from the Commonwealth.

The **cash deficit** position in 2023-24 reflects the sum of net cash flows from operating and investing activities. The deficit position in 2023-24 was a $2.5 billion improvement compared with the $16.9 billion deficit forecast in the *2024-25 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 $4.2 billion in 2023-24 compared with the revised 2023-24 estimate of a deficit of $4.6 billion.

Table 2.2: Summary of operating statement **($ million)**

	2024 actual	*2024 revised*	*Revised variance*	*% revised variance*	*2023 actual*
Revenue and income from transactions					
Taxation	36 876	36 921	(45)	..	32 350
Interest income	1 761	1 892	(131)	(7)	1 307
Dividends, income tax equivalent and rate equivalent income	2 199	2 342	(143)	(6)	820
Sales of goods and services	6 212	6 421	(208)	(3)	6 263
Grants	41 797	40 990	806	2	40 138
Other revenue and income	4 210	3 442	767	22	3 842
Total revenue and income from transactions	**93 055**	**92 008**	**1 047**	**1**	**84 720**
Expenses from transactions					
Employee expenses	36 035	35 652	383	1	33 629
Net superannuation interest expense	774	774	..	..	719
Other superannuation	4 062	3 622	440	12	3 760
Depreciation	4 967	4 897	70	1	4 604
Interest expense	5 639	5 725	(87)	(2)	3 974
Grant expense	16 675	16 824	(150)	(1)	19 053
Other operating expenses	29 127	29 149	(22)	..	27 828
Total expenses from transactions	**97 279**	**96 643**	**636**	**1**	**93 567**
Net result from transactions – Net operating balance	**(4 223)**	**(4 635)**	**411**	**(9)**	**(8 847)**
Total other economic flows included in net result	**(269)**	**(446)**	**177**	**(40)**	**(1 000)**
Net result	**(4 493)**	**(5 081)**	**588**	**(12)**	**(9 847)**

Revenue

Total revenue from transactions for the year was $93.1 billion, which was $1 billion higher than the revised estimate. This was $8.3 billion, or 9.8 per cent, higher compared with the previous year, primarily reflecting an increase in taxation revenue, grants, and dividends, income tax and rate equivalent income.

The increase of $4.5 billion in taxation revenue compared with 2022-23 is attributable to the commencement of the COVID Debt Levy – Payroll $10m+ and the COVID Debt Levy – Landholdings in 2023-24, higher payroll tax revenue collected due to a strong labour market and the cessation of the New Jobs Tax Credit introduced in the *2020-21 Budget*, and an increase in land tax reflecting strong post-pandemic site value growth.

The increase in taxation revenue, however, was partially offset by a decline in land transfer duty, primarily driven by the fall in the average duty received per transaction.

Taxation revenue was consistent with the revised budget estimate.

Table 2.3: Taxation **($ million)**

	2024 actual	2024 revised	Revised variance	% revised variance	2023 actual
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE					
Payroll tax	8 639	8 694	(55)	(1)	7 392
COVID Debt Levy – Payroll $10m+	934	910	23	3	..
Mental Health and Wellbeing Levy	1 018	993	24	2	904
Total taxes on employers' payroll and labour force	**10 590**	**10 598**	**(8)**	**..**	**8 296**
TAXES ON IMMOVABLE PROPERTY					
Land tax	5 930	6 121	(191)	(3)	5 367
COVID Debt Levy – Landholdings	1 164	1 190	(26)	(2)	..
Fire Services Property Levy	839	847	(7)	(1)	792
Congestion levy	117	115	2	2	108
Metropolitan improvement levy	200	208	(8)	(4)	206
Windfall gains tax	114	105	9	9	..
Total taxes on property	**8 365**	**8 585**	**(221)**	**(3)**	**6 473**
TAXES ON THE PROVISION OF GOODS AND SERVICES					
Gambling taxes [(a)]					
Public lotteries	689	680	9	1	621
Electronic gaming machines	1 383	1 373	10	1	1 365
Casino	208	174	34	19	180
Racing and other sports betting	277	277	..	..	287
Other	18	18	..	..	17
Financial and capital transactions					
Land transfer duty	8 426	8 278	149	2	8 737
Metropolitan planning levy	20	20	..	(2)	22
Financial accommodation levy	172	179	(7)	(4)	156
Growth areas infrastructure contribution	255	328	(73)	(22)	260
Levies on statutory corporations	**173**	**173**	**..**	**..**	**173**
Taxes on insurance	**2 076**	**2 071**	**5**	**..**	**1 875**
Total taxes on the provision of goods and services	**13 696**	**13 571**	**125**	**1**	**13 694**
TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES					
Motor vehicle taxes					
Vehicle registration fees [(b)]	2 094	2 100	(6)	..	1 946
Duty on vehicle registrations and transfers	1 386	1 360	26	2	1 256
Liquor licence fees	**31**	**30**	**1**	**3**	**21**
Other	**713**	**677**	**36**	**5**	**665**
Total taxes on the use of goods and performance of activities	**4 225**	**4 167**	**58**	**1**	**3 888**
Total taxation revenue	**36 876**	**36 921**	**(45)**	**..**	**32 350**

Notes:
(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 2024 of $202 million (30 June 2023: $184 million) recognised under AASB 15. The balance of these items is recognised under AASB 1058.
(b) A total of $7.4 million was reimbursed to customers in 2023-24 who had previously paid the zero and low emissions vehicle road-user charge.

Dividends, income tax and rate equivalent income of $2.2 billion was $143 million lower than the revised budget and $1.4 billion higher compared with the previous year. The increase from the prior year is primarily due to the dividends received from the TAC in 2023-24.

Interest income was $131 million lower than the revised budget and $454 million higher when compared with the previous year. The increase from the prior year primarily reflects interest earned on the Victorian Future Fund, and the result of an increase in interest rates.

Revenue from the sale of goods and services was $51 million lower than the 2022-23 outcome and $208 million lower than the revised budget, primarily due to a lower revenue from hospital patient fees.

Grants revenue of $41.8 billion was $1.7 billion higher than 2022-23. The significant increase is due to an increase in GST revenue driven by the annual growth in the national GST pool and growth in Victoria's population share, activity based health funding for the National Health Reform as well as grants to non-government schools. This was partially offset by a decrease in Commonwealth grants to support the COVID-19 health response, and lower capital grants for various transport projects in 2023-24 due to the timing of project milestones.

Grants were $806 million higher than the revised budget. The increase is primarily due to the Commonwealth's decision to bring forward the payment of some of the 2024-25 local government grants to 2023-24 as well as the receipt of the Commonwealth grant for the Housing Support Program (Priority Works). This was partially offset by lower than expected grants for the Early Childhood Education National Partnership and the Energy Bill Relief Payments.

Other revenue and income for 2023-24 was $368 million higher than the 2022-23 outcome and $767 million higher than the revised budget, primarily driven by the fair value of assets and services received free of charge primarily reflecting adjustments for actual costs under the Metro Tunnel service concession arrangement. The higher than expected revenue in the health sector for staff recovery costs, and revenue associated with the *Unclaimed Money Act 2008*, have also contributed to the increase from the revised budget.

Expenses

Total general government sector expenses increased to $97.3 billion in 2023-24, an increase of $3.7 billion (4 per cent) compared with the previous year. Total expenses were $636 million higher than the revised estimate in the *2024-25 Budget*. The increase in total expenses compared with the previous year is primarily due to higher employee expenses, interest expense and other operating expenses, partly offset by reduction in grant expenses.

Employee expenses of $36 billion for 2023-24 were $383 million (1.1 per cent) higher than the revised budget and $2.4 billion (7.2 per cent) higher than 2022-23. Compared with the previous year, this increase is mainly due to increased spending on service delivery in the health and education sectors. The increase in employee expenses also reflects increases in remuneration levels in line with enterprise bargaining agreements.

The higher employee expenses for 2023-24 compared with the revised budget were primarily due to additional support for critical hospital care, and higher expenditure in the education sector relating to government schools.

Other superannuation expenses of $4.1 billion for 2023-24 were $440 million higher than the revised budget and $302 million higher than in 2022-23. The increase compared with the previous year is primarily due to higher employer contributions to the defined contribution plans in the health and education sectors reflecting an increase in employee expenses, as explained above, along with an increase in the compulsory superannuation guarantee contribution rate from 1 July 2023.

Depreciation expense increased by $363 million from the previous year to $5 billion. This increase was primarily due to increased depreciation in the transport and health sectors due to the completion of capital projects and the impact of asset revaluations in June 2023 on the 2023-24 depreciation expense.

Interest expense of $5.6 billion for 2023-24 was $87 million lower than the revised budget. Compared with the previous year, interest expense increased by $1.7 billion, reflecting additional borrowings to finance the State's capital program and an increase in the interest rates on borrowings.

Grant expenses of $16.7 billion were $150 million lower than the revised budget and $2.4 billion lower than in 2022-23. The decrease compared with the previous year was primarily due to the payments in 2022-23 for WorkSafe's financial sustainability initiative and the $250 Power Saving Bonus initiative in the prior year. Also driving the decrease was a reduction in grants for housing and the recognition of grants to local government associated with the October 2022 floods in the prior year. This was partially offset by an increase in grants associated with increased Commonwealth grants for non-government schools.

Other operating expenses in 2023-24 were $29.1 billion which was consistent with the revised budget estimate.

Compared with the previous year, other operating expenses increased by $1.3 billion. This includes the $380 million settlement relating to the withdrawal from the 2026 Commonwealth Games between the State of Victoria and the Commonwealth Games parties (the Commonwealth Games Federation, the Commonwealth Games Federation Partnerships and Commonwealth Games Australia), energy bill relief concession payments which commenced in 2023-24, as well as an increase in expenses associated with the redress schemes in the justice and the family and children portfolios, including the upfront expense recognition for the Victorian Redress for historical abuse and neglect in institutional care.

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 operating surplus measure for the purposes of its fiscal strategy.

Other economic flows included in the net result for 2023-24 totalled a net revaluation loss of $269 million. This was $177 million lower than the revised budget and an improvement of $730 million compared with 2022-23. This improvement includes the capital gains from the Victorian Future Fund.

FINANCIAL POSITION

Table 2.4 shows the general government sector net assets increased by $3.1 billion to $189.9 billion in 2023-24. This was $12.4 billion (7.0 per cent) higher than expected in the 2023-24 revised budget.

Table 2.4: Summary balance sheet **($ million)**

	2024 actual	*Revised variance*	*2024 revised*	*Actual movement*	*2023 actual*
Assets					
Financial assets (excluding investment in other sector entities)	46 899	3 872	43 027	7 812	39 086
Investment in other sector entities:					
Public non-financial corporations	83 045	691	82 354	2 165	80 880
Public financial corporations	15 134	4 060	11 074	(29)	15 162
Non-financial assets	276 546	5 560	270 985	20 484	256 062
Total assets	**421 623**	**14 183**	**407 440**	**30 433**	**391 190**
Liabilities					
Superannuation	18 226	(1 208)	19 435	(678)	18 904
Borrowings	167 309	511	166 798	25 020	142 289
Other liabilities	46 229	2 473	43 756	3 015	43 214
Total liabilities	**231 764**	**1 776**	**229 988**	**27 357**	**204 407**
Net assets	**189 859**	**12 407**	**177 452**	**3 076**	**186 783**

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 $7.8 billion during the year. The increase is mainly due to the net cashflows from operating activities surplus of $2.6 billion. The increase also reflects an increase in advances paid to the North East Link State Tolling Corporation reflecting the North East Link financing arrangements and an increase in receivables primarily driven by land taxes, including the new COVID Debt Levy – Landholdings.

Non-financial assets increased by $20.5 billion during 2023-24, mainly due to the Government's investment in infrastructure and the revaluation of assets primarily in the health sector.

General government investments in other sector entities increased by $2.1 billion in the year. This was mainly due to a formal asset revaluation and additional capital investment in Homes Victoria.

Total assets were $14.2 billion higher than the revised budget. This was primarily due to the revaluation of assets primarily in the health sector, and an increase in general government investments in other sector entities due to the better than expected net asset position of the TCV resulting from a lower than expected mark-to-market revaluation loss and realised gains on bond buy-backs, as well as an improved net asset position of the TAC due to favourable financial market performance and higher discount rates, partially offset by the impact of higher inflation expectations. Also driving the increase were higher than expected financial assets mainly relating to the higher than forecast net cashflows from operating activities surplus.

Liabilities

Total liabilities as at 30 June 2024 were $231.8 billion, $27.4 billion higher than the 2022-23 outcome and $1.8 billion higher than the revised budget. The increase compared with the revised budget mainly reflects an increase in payables, including for accrued local government grants received from the Commonwealth in June, and higher borrowings. This was partially offset by a decrease in the State's defined benefit superannuation liability due to an increase in the bond yields that underlie the key superannuation valuation assumption, partially offset by lower than expected investment returns on superannuation assets between 31 March 2024 and 30 June 2024.

The increase in total liabilities when compared with the 2022-23 outcome was primarily due to additional borrowings to finance the State's capital program.

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 $2.6 billion was an improvement of $2.2 billion compared with the $427 million surplus forecast in the *2024-25 Budget*. The improvement from the revised budget was primarily driven by lower than forecast payments on goods and services and grants due to the timing of payments across departments. There were also higher grant receipts than forecast primarily due to the Commonwealth bringing forward some of the 2024-25 local government grants which were received on 28 June 2024.

Compared with the previous year, the net cash flows from operating activities decreased by $1.6 billion from a surplus of $4.3 billion. This was primarily driven by the upfront proceeds of $7.9 billion received in 2022-23 from the VicRoads Modernisation joint venture, partially offset by 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)**

	2023 actual	*2024 actual*	*2024 revised*
Net result from transactions – Net operating balance	(8 847)	(4 223)	(4 635)
Add back: non-cash revenues and expenses (net) [(a)]	13 097	6 846	5 062
Net cash flows from operating activities	**4 250**	**2 623**	**427**
Less:			
Net investment in fixed assets			
Purchases of non-financial assets	16 273	17 375	17 860
Net cash flows from investments in financial assets for policy purposes	1 625	2 331	2 479
Sales of non-financial assets	(325)	(319)	(537)
Net investment in fixed assets	**17 573**	**19 387**	**19 802**
Leases and service concession arrangements	2 083	2 888	2 629
Other movements	(330)	(1 455)	(1 173)
Decrease/(increase) in net debt	**(15 077)**	**(18 197)**	**(20 830)**

Note:
(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.

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 $24.2 billion in 2023-24.

This was higher than the revised budget of $24 billion published in the *2024-25 Budget*, driven by high levels of activity and the fair value of assets and services received free of charge under the Metro Tunnel service concession arrangement reflecting adjustments for actual costs and in-principle alignment on contract matters for this project. Compared with the previous year, GII increased by $2.4 billion, largely due to extensive capital infrastructure investment in the transport, education, housing and health sectors.

The Government's infrastructure scorecard 2023-24

Major projects completed during the year include:

- A Pathway to More Acute Mental Health Beds
- Additional VLocity trains
- Building a world-class Geelong Performing Arts Centre
- Kardinia Park Stadium Stage 5 Redevelopment
- Princes Highway East Duplication Stage 3
- South Dynon train maintenance facility Stage 1

Major projects under procurement or in progress include:

- 85 by 2025 (Level Crossing Removal)
- Additional acute mental health beds in regional Victoria
- Austin Hospital Emergency Department Upgrade
- Ballarat Health Services expansion and redevelopment
- Barwon Women's and Children's Hospital
- Best Start, Best Life: Infrastructure
- Big Housing Build
- Casey Hospital Emergency Department Expansion Project
- City Loop fire and safety upgrade (Stage 2) and intruder alarm
- Community hospitals to give patients the best care
- Courts case management system
- E-Class Tram Infrastructure Program
- Eastern Freeway Upgrade[(a)]
- Enrolment Growth and New Schools (Land acquisition for new schools, New schools construction, Relocatable Buildings Program, School upgrades: growth)
- Forensic Mental Health Expansion Project (Thomas Embling Hospital)
- Frankston Hospital Redevelopment
- Gippsland Line Upgrade Stage 1
- High Capacity Metro Trains
- Homes Victoria Ground Lease Model Project 1
- Homes Victoria Ground Lease Model Project 2
- Hospital Infrastructure Delivery Fund
- Kananook Train Maintenance Facility Stage 2
- M80 Ring Road upgrade
- M80 Ring Road Upgrade (part of North East Link packages)[(a)]
- Melbourne Arts Precinct Transformation Phase One
- Melton Line Upgrade
- Men's prison system capacity
- Metro Tunnel
- Monash Medical Centre Redevelopment
- More VLocity trains
- Murray Basin Rail Project
- New Footscray Hospital
- New Melton Hospital
- New metropolitan trains
- New trains for Sunbury
- New Wyndham Law Court
- Next generation computer aided dispatch system for Triple Zero
- Next Generation Trams
- North East Link Connections[(a)]
- North East Link – Primary Package (Tunnels)
- Northern Hospital Redevelopment
- Nyaal Banyul Geelong Convention and Event Centre
- Public Housing Renewal Program

The Government's infrastructure scorecard 2023-24 ***(continued)***

- Public Housing Revitalisation Program
- Public transport ticketing asset renewal
- Redevelopment of the Royal Melbourne Hospital and Royal Women's Hospital
- Regional Housing Fund
- Road Blitz to Get Families Home Sooner and Safer (Barwon Heads Road Upgrade Stage 2)
- Shepparton Line Upgrade – Stage 3
- Social Housing Accelerator Program
- 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
- Tram infrastructure upgrades
- Twenty-five more level crossings by 2030
- Warrnambool Base Hospital redevelopment
- Waurn Ponds Track Duplication – Stage 2
- West Gate Tunnel
- Western Highway duplication – Ballarat to Stawell
- Western Rail Plan

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

CHAPTER 3 –BROADER PUBLIC SECTOR OUTCOME

- The public non-financial corporations (PNFC) sector reported a net surplus from transactions of $1 million in 2023-24. Once losses reported as other economic flows are included, the PNFC sector's net result declines to a deficit of $3.2 billion in 2023-24.
- The net debt of the non-financial public sector (NFPS), which includes both the general government and the PNFC sectors, has increased from $133.5 billion at 30 June 2023 to $155.3 billion at 30 June 2024. This increase is predominantly due to additional borrowings to fund the general government sector and PNFC infrastructure programs.
- The public financial corporations (PFC) sector reported a net deficit from transactions of $1.9 billion in 2023-24. Once other economic flows, which primarily relate to capital gains on the investments held by the State's insurance agencies and revaluations, are included the PFC sector's net result improves to a surplus of $1.3 billion in 2023-24.
- Combining the above, the State reported a net result deficit of $5.5 billion in 2023-24.

This chapter sets out the financial results of the broader public sector for 2023-24, 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, the 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: 2023-24 summary operating statement – PNFC sector [(a)] **($ million)**

	2024 actual	2024 revised	Revised variance	% revised variance	2023 actual
Revenue and income from transactions					
Interest income	120	36	84	237	85
Dividend income	46	30	16	53	20
Sales of goods and services	7 584	7 612	(28)	..	7 171
Grants	2 495	2 541	(46)	(2)	2 742
Other revenue and income	835	700	135	19	815
Total revenue and income from transactions	**11 079**	**10 919**	**161**	**1**	**10 832**
Expenses from transactions					
Employee expenses	1 961	1 868	94	5	1 768
Superannuation [(b)]	197	200	(3)	(2)	175
Depreciation	2 120	2 081	39	2	1 975
Interest expense	944	958	(14)	(1)	865
Other operating expenses	4 924	5 122	(198)	(4)	5 066
Grant expense	686	665	22	3	654
Other property expenses	245	254	(9)	(4)	233
Total expenses from transactions	**11 078**	**11 148**	**(70)**	**(1)**	**10 735**
Net result from transactions – Net operating balance	**1**	**(230)**	**231**	**(101)**	**97**
Total other economic flows included in net result	(3 179)	(2 058)	(1 121)	54	(3 297)
Net result	**(3 178)**	**(2 288)**	**(890)**	**39**	**(3 200)**

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 and income from transactions for the PNFC sector was $11.1 billion in 2023-24 which was $161 million higher than the revised budget.

Total revenue and income from transactions for the PNFC sector in 2023-24 was $247 million higher than 2022-23, largely driven by increased revenue across the water sector reflecting increased water usage due to lower rainfall.

Expenses

Total expenses from transactions for the PNFC sector was $11.1 billion in 2023-24, which was $70 million lower than the revised budget. The largest contributor to the reduction was lower than anticipated maintenance costs incurred by V/Line Passenger Corporation.

Total expenses from transactions for the PNFC sector in 2023-24 was $343 million higher compared with 2022-23 partially due to the commencement of new employee enterprise agreements at the water corporations, increased staffing levels across the PNFC sector, and higher depreciation reported within the water sector and Homes Victoria.

Net result from transactions

The PNFC sector's net result from transactions in 2023-24 was $231 million better than the revised budget.

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 $97 million in 2022-23 to a surplus of $1 million in 2023-24.

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 the derecognition of the rail assets under AASB 16 *Leases*. 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 reduced by $118 million compared with 2022-23, 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 $1.1 billion greater than the revised estimates primarily due to larger rail asset derecognition than originally forecast.

Overall, this resulted in the PNFC sector reporting a net result deficit of $3.2 billion in 2023-24.

Financial position

Table 3.2: 2023-24 summary balance sheet – PNFC sector [(a)] **($ billion)**

	2024 actual	*Revised variance*	*2024 revised*	*Actual movement*	*2023 actual*
Assets					
Financial assets [(b)]	5.0	0.8	4.2	0.2	4.9
Non-financial assets [(c)]	127.6	(0.5)	128.0	5.6	121.9
Total assets	**132.6**	**0.3**	**132.3**	**5.8**	**126.8**
Liabilities					
Borrowings	23.3	(0.7)	24.0	1.9	21.4
Other provisions	12.1	..	12.1	..	12.1
Other liabilities [(d)]	14.2	0.4	13.8	1.7	12.5
Total liabilities	**49.5**	**(0.4)**	**49.9**	**3.6**	**45.9**
Net assets	**83.0**	**0.7**	**82.4**	**2.2**	**80.9**

Notes:
(a) Figures in this table are subject to rounding to the nearest hundred million 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 $2.2 billion to $83 billion at 30 June 2024. This was $691 million higher than expected in the revised budget.

The increase in total assets of $5.8 billion compared with 2022-23 is primarily driven by capital expenditure by the water corporations during the year, the addition of service concession assets for the North East Link State Tolling Corporation and the Big Housing Build for Homes Victoria. Liabilities increased by $3.6 billion compared with 2022-23 primarily due to an increase in borrowings incurred by the water corporations of $1.6 billion and by the North East Link State Tolling Corporation of $237 million to fund the construction of the North East Link project. Other liabilities increased by $1.7 billion primarily due to advances received from the State by the North East Link State Tolling Corporation to fund construction costs and other operating activities.

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 $155.3 billion at 30 June 2024. This compares with $133.5 billion the previous year and a revised budget of $159.4 billion in the *2024-25 Budget*.

The ratio of NFPS net debt to gross state product (GSP) was 25.5 per cent at 30 June 2024 compared with 23.5 per cent at 30 June 2023. The increase in NFPS net debt was predominantly due to additional borrowings to fund the Government's infrastructure program. NFPS net debt to GSP was lower than the revised budget of 26.2 per cent primarily due to a higher than forecast net operating cash surplus in the general government sector.

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

	2024 actual	*Revised variance*	*2024 revised*	*Actual movement*	*2023 actual*
Assets					
Cash and deposits	16.6	2.8	13.8	(5.4)	21.9
Advances paid	0.5	0.1	0.4	(0.4)	0.9
Investments, loans and placements	15.7	0.9	14.8	11.0	4.7
Total	**32.8**	**3.8**	**29.0**	**5.3**	**27.5**
Liabilities					
Deposits held and advances received	1.8	0.2	1.6	0.1	1.6
Borrowings	186.3	(0.5)	186.8	26.9	159.4
Total	**188.1**	**(0.3)**	**188.4**	**27.1**	**161.0**
Net debt	**155.3**	**(4.1)**	**159.4**	**21.8**	**133.5**
Superannuation	18.2	(1.2)	19.4	(0.7)	18.9
Net debt plus superannuation liabilities	**173.5**	**(5.3)**	**178.8**	**21.1**	**152.4**
Other liabilities (net) [(b)]	43.0	1.7	41.3	1.7	41.3
Net financial liabilities [(c)]	**216.5**	**(3.6)**	**220.1**	**22.8**	**193.7**
					(per cent)
Net debt to GSP [(d)]	**25.5**		**26.2**		**23.5**
Net debt plus superannuation liabilities to GSP [(d)]	**28.5**		**29.4**		**26.8**
Net financial liabilities to GSP [(d)]	**35.6**		**36.2**		**34.0**

Notes:

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

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

(c) Net financial liabilities are total liabilities less financial assets (excluding investments in other sector entities).

(d) 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 decreased from 6.9 per cent in 2022-23 to 3.9 per cent in 2023-24. This was largely due to a $2.4 billion decrease 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 188.4 per cent as at 30 June 2024 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)**

	2016	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*
Operating cash flow surplus to revenue	11.7	24.4	8.7	12.4	(2.2)	(13.9)	(7.8)	6.9	3.9
Gross debt to revenue [(a)]	76.8	64.7	69.8	75.5	110.1	144.1	150.6	176.4	188.4
Interest expense to revenue	4.4	3.9	3.7	3.7	3.9	4.0	3.7	4.7	6.1

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

Infrastructure investment

Net cash flows from investments in non-financial assets includes $17.1 billion invested by the general government sector and $5.4 billion in the PNFC sector.

Infrastructure investment in the PNFC sector included:

- 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 Yan Yean to Bald Hill Pipeline and Pump Station to provide water for the growing North, Yarra Valley Water's Waste to Energy Project 2 and Rankin Street Branch Sewer Project, Southeast Water's digital meter rollout and Fishermans Bend Water Recycling Plant project and Greater Western Water's Gisborne Recycled Water Plant Upgrade and CBD Sewer Augmentation Stage 3 Elizabeth Street
- the upgrade and renewal of water and sewer assets in regional Victoria
- the Homes Victoria Big Housing Build program which 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: 2023-24 summary operating statement – PFC sector [(a)] **($ million)**

	2024 actual	*2024 revised*	*Revised variance*	*% revised variance*	*2023 actual*
Revenue and income from transactions					
Interest income	5 332	5 626	(294)	(5)	3 583
Dividend income	2 296	2 193	103	5	2 311
Sales of goods and services	8 098	8 050	48	1	6 164
Grants	..	..	..	..	377
Other revenue and income	24	23	1	3	25
Total revenue and income from transactions	**15 750**	**15 892**	**(142)**	**(1)**	**12 460**
Expenses from transactions					
Employee expenses	536	533	3	1	509
Other superannuation	55	54	1	1	49
Depreciation	88	84	4	5	88
Interest expense	5 171	5 193	(22)	..	3 445
Other operating expenses	11 146	12 526	(1 380)	(11)	10 773
Grant expense	139	149	(9)	(6)	127
Other property expenses	554	36	519	1 457	672
Total expenses from transactions	**17 690**	**18 575**	**(885)**	**(5)**	**15 663**
Net result from transactions – Net operating balance	**(1 940)**	**(2 683)**	**743**	**(28)**	**(3 203)**
Total other economic flows included in net result	3 260	(1 517)	4 777	(315)	6 488
Net result	**1 320**	**(4 200)**	**5 520**	**(131)**	**3 285**

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 $15.8 billion in 2023-24. This is $142 million lower than the revised budget and $3.3 billion, or 26.4 per cent, higher than in 2022-23.

As shown in Table 3.5, the TCV's interest income was $294 million lower than the revised budget. However, the impact this had on the PFC sector's total revenue for 2023-24 was partly offset by dividends which were $103 million higher than the revised budget. This was primarily due to stronger than expected investment market returns on the assets held by the State's insurance agencies.

Compared with 2022-23, the increase in revenue from transactions is primarily attributable to higher interest income for the TCV and an increase in the sale of goods and services due to WorkSafe Victoria's average premium rate increasing from an average of 1.3 per cent of remuneration in 2022-23 to an average of 1.8 per cent in 2023-24.

Expenses

Total expenses from transactions for the PFC sector were $17.7 billion in 2023-24. This was $885 million lower than the revised budget due to lower than expected claims expenses for the State's insurance agencies, which are reported as other operating expenses, partly offset by higher than expected tax expenses for the TAC and WorkSafe Victoria, both of which form part of other property expenses.

Total expenses from transactions for the PFC sector were $2 billion, or 12.9 per cent, higher in 2023-24 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 the TCV.

Net result from transactions

Overall, the increase in expenses was lower than the increase in revenue such that the PFC sector's net result from transactions improved from a deficit of $3.2 billion in 2022-23 to a deficit of $1.9 billion in 2023-24.

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 2023-24, other economic flows for the PFC sector were positive $3.3 billion and primarily arose due to:

- a net revaluation gain that arose due to the combined impact of changes in claims assumptions, as well as 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.

Overall, this resulted in the PFC sector reporting a net surplus of $1.3 billion in 2023-24.

Financial position

Table 3.6: 2023-24 summary balance sheet – PFC sector [a] **($ billion)**

	2024 actual	Revised variance	2024 revised	Actual movement	2023 actual
Assets					
Financial assets [b]	224.6	5.4	219.2	32.3	192.3
Non-financial assets [c]	3.6	(0.6)	4.2	(0.1)	3.7
Total assets	**228.2**	**4.8**	**223.4**	**32.2**	**195.9**
Liabilities					
Borrowings	160.7	0.1	160.7	28.4	132.3
Other provisions	50.4	(1.8)	52.1	3.4	47.0
Other liabilities [d]	3.4	0.7	2.7	0.2	3.2
Total liabilities	**214.5**	**(1.0)**	**215.5**	**32.0**	**182.5**
Net assets	**13.7**	**5.8**	**7.9**	**0.3**	**13.4**

Notes:
(a) Figures in this table are subject to rounding to the nearest hundred million 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 to $13.7 billion at 30 June 2024, a $261 million increase compared with 30 June 2023 and $5.8 billion higher than the revised budget.

The increase in net assets since 30 June 2023 is primarily due to an increase in the TCV loans receivable from the NFPS and an increase in the investments held by the TCV and the State's insurance agencies. However, this was partly offset by an increase in the 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 and lower-than-expected outstanding claims liabilities for the State's insurance agencies, partly offset by lower than expected loans receivable by the TCV from the NFPS.

The reported net result and net asset position of the PFC sector are impacted by the accounting convention adopted for the 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 the 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 the TCV's assets (which are at book value) and its liabilities (which are at market value).

This difference, which is estimated to be around $12.5 billion at 30 June 2024, is eliminated when the TCV's loans to government clients are consolidated in the whole of state accounts. This difference is not apparent in the TCV's own accounts as both assets and liabilities are reported at market value.

It is important to note the sensitivity of the PFC sector's net asset position 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 the relevant bond yields between 30 June 2023 and 30 June 2024 reduced the value of insurance agencies' claims liabilities. Changes in claims assumptions also reduced the TAC's and WorkSafe's insurance claims liabilities. However, overall, insurance claims liabilities increased in 2023-24 due to the ongoing accruing of claims.

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: 2023-24 summary operating statement – State of Victoria [(a)] **($ million)**

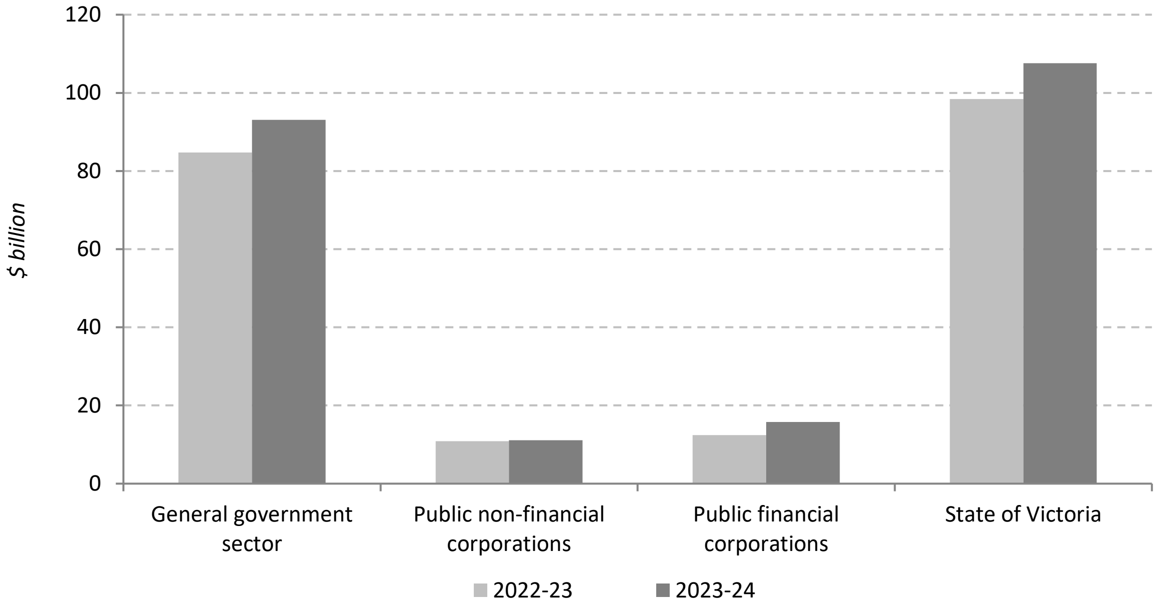
	2024 actual	2024 revised	Revised variance	% revised variance	2023 actual
Revenue and income from transactions					
Taxation	36 324	36 398	(73)	(0)	31 852
Interest income	2 157	2 340	(183)	(8)	1 502
Dividends	2 485	2 562	(77)	(3)	2 404
Sales of goods and services	19 885	19 985	(99)	..	17 943
Grants	41 686	40 912	774	2	40 063
Other revenue and income	5 068	4 165	903	22	4 681
Total revenue and income from transactions	**107 605**	**106 361**	**1 245**	**1**	**98 445**
Expenses from transactions					
Employee expenses	37 467	37 150	317	1	35 168
Net superannuation interest expense	775	778	(3)	..	721
Other superannuation	4 312	3 872	441	11	3 982
Depreciation	8 279	8 181	98	1	7 652
Interest expense	6 722	6 719	3	0	4 778
Other operating expenses	43 787	45 227	(1 440)	(3)	42 415
Grant expense	14 721	14 866	(145)	(1)	16 468
Total expenses from transactions	**116 064**	**116 792**	**(728)**	**(1)**	**111 184**
Net result from transactions – Net operating balance	**(8 459)**	**(10 432)**	**1 973**	**(19)**	**(12 739)**
Total other economic flows included in net result	2 919	(2 566)	5 484	(214)	5 101
Net result	**(5 540)**	**(12 997)**	**7 457**	**(57)**	**(7 638)**

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 $8.5 billion in 2023-24 compared with a deficit of $12.7 billion in 2022-23. This improvement was largely driven by the general government sector, as discussed in the previous chapter, and the PFC sector, as discussed earlier in this chapter.

Once other economic flows are included, the State's net result improved from a deficit of $7.6 billion in 2022-23 to deficit of $5.5 billion in 2023-24. The key reason the State's net result improved by less than the net result from transactions is lower other economic flows for the PFC sector in 2023-24 compared with 2022-23.

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 $234.2 billion in 2022-23 to $239.9 billion in 2023-24. While total assets increased by $40.9 billion, this was largely offset by a $35.1 billion increase in liabilities.

The State's financial assets increased from $103.7 billion in 2022-23 to $116.5 billion in 2023-24 and non-financial assets, including infrastructure, increased from $418.1 billion in 2022-23 to $446.2 billion in 2023-24.

The increase in financial assets is primarily due to an increase in the investments held by the general government sector, which is discussed in the previous chapter, the State's insurance agencies and the TCV. The increase in non-financial assets is mainly due to the Government's investment in infrastructure and the revaluation of health sector assets.

The increase in the State's liabilities is largely due to borrowings increasing from $165 billion in 2022-23 to $193.7 billion in 2023-24. This increase in borrowings is mainly due to incremental borrowings by the TCV to fund the Government's infrastructure investment program.

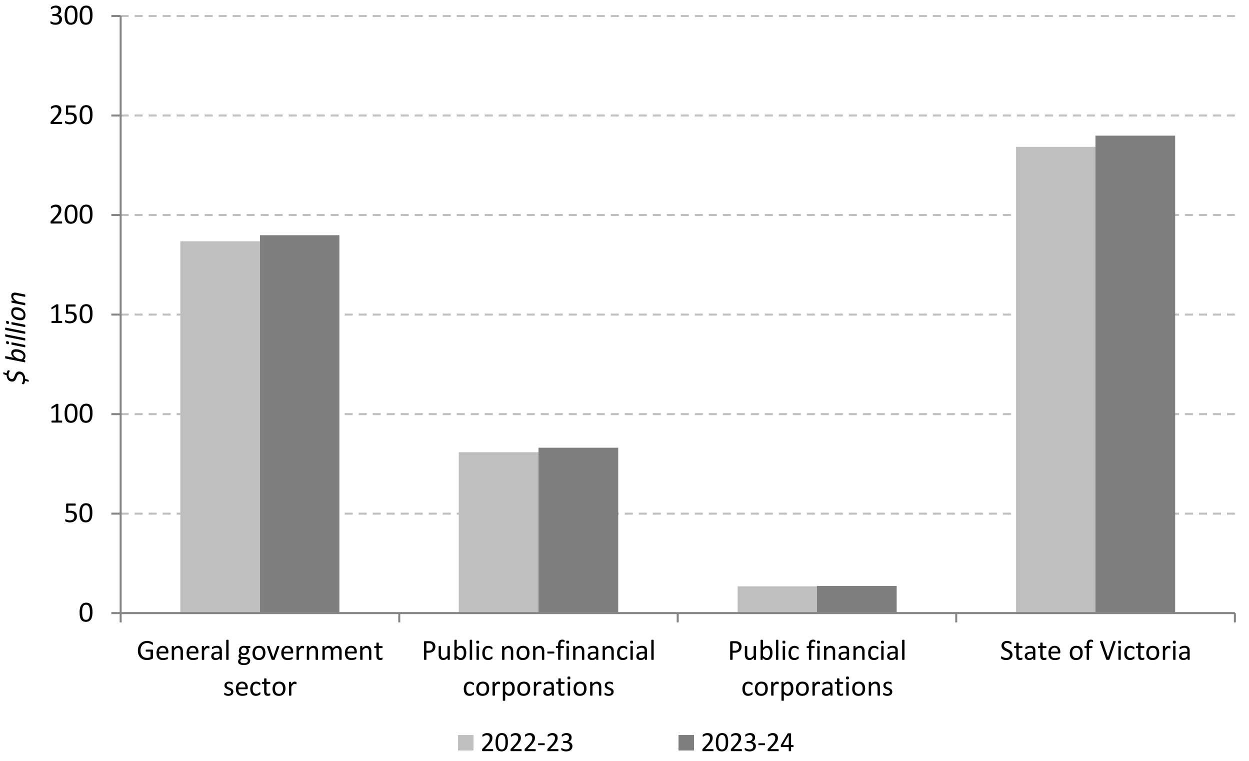
Other liabilities also increased, from $103.8 billion in 2022-23 to $110.9 billion by 2023-24. This increase is predominantly driven by higher payables due to accrued grants expense relating to local government grants received from the Commonwealth in June and increases in the outstanding claims liabilities of the State's insurance agencies.

Table 3.8: 2023-24 summary balance sheet – State of Victoria (a) **($ billion)**

	2024 actual	*Revised variance*	*2024 revised*	*Actual movement*	*2023 actual*
Assets					
Financial assets [(b)]	116.5	11.3	105.3	12.8	103.7
Non-financial assets [(c)]	446.2	6.1	440.0	28.1	418.1
Total assets	**562.7**	**17.4**	**545.3**	**40.9**	**521.8**
Liabilities					
Superannuation	18.2	(1.2)	19.4	(0.7)	18.9
Borrowings	193.7	0.7	193.0	28.8	165.0
Other liabilities [(d)]	110.9	1.6	109.2	7.1	103.8
Total liabilities	**322.8**	**1.1**	**321.7**	**35.1**	**287.6**
Net assets	**239.9**	**16.3**	**223.7**	**5.7**	**234.2**

Notes:
(a) Figures in this table are subject to rounding to the nearest hundred million 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.

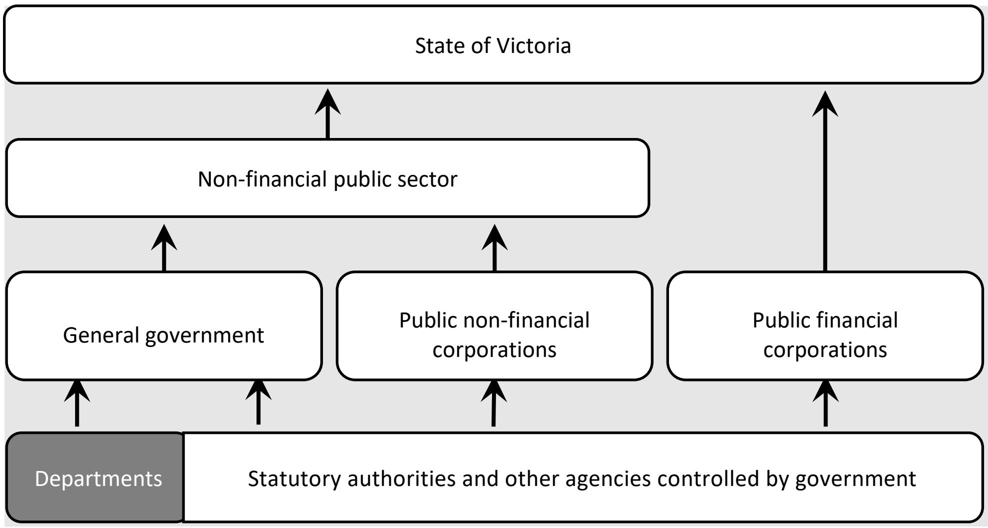
CHAPTER 4 – ANNUAL FINANCIAL REPORT

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 2024 as follows:

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 controlled entities are not-for-profit entities.



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	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 general government sector 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 marketplace 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

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Treasurer of the State of Victoria

Opinion	I have audited the consolidated financial report of the State of Victoria (State) and the Victorian General Government Sector (General Government Sector), which comprises the: • consolidated State and General Government Sector balance sheets as at 30 June 2024 • consolidated State and General Government Sector comprehensive operating statements for the year then ended • consolidated State and General Government Sector statements of changes in equity for the year then ended • consolidated State and General Government Sector cash flow statements for the year then ended • notes to the consolidated financial statements, including material accounting policy information • certification by the Treasurer and the Secretary of the Department of Treasury and Finance. In my opinion, the consolidated financial report presents fairly, in all material respects, the financial positions of the State and the General Government Sector as at 30 June 2024 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Section 24 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for opinion	I have conducted my audit in accordance with the *Audit Act 1994*, which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's responsibilities for the audit of the consolidated financial report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the State and the General Government Sector in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the consolidated financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Key audit matters	Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated financial report of the current period. These matters were addressed in the context of my audit of the consolidated financial report as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Key audit matter	How I addressed the matter
Recognition and measurement of transport assets Refer to Note 4.1 *Land, buildings, infrastructure, plant and equipment* and Note 7.5 *Fair value determination of non-financial assets*	

Significant spending on capital projects in the transport sector results in large additions to the State's asset base each year.
The State is ultimately responsible for ensuring proper accounts and records are maintained to sufficiently explain the financial impact of these assets on the financial performance and financial position of the State.
I considered this to be a key audit matter because:
• transport assets are financially significant
• capital projects in the transport sector are complex, and each project results in multiple assets being constructed
• a significant degree of management judgement is required to:
  ○ determine individual assets within a project
  ○ determine which expenses should be capitalised
  ○ allocate capital expenses to individual assets
  ○ determine the fair value of individual assets.
• multiple agencies are involved in the management and delivery of capital projects in the transport sector which makes the timely recognition and derecognition of assets challenging
• Victorian Rail Track (VicTrack) is the custodial owner of a large portion of the State's transport assets. Significant asset accounting issues exist at VicTrack.
	My key procedures included:
	• assessing management's process to identify individual assets within a project, and the costs directly attributable to those assets
	• assessing the results of the work undertaken by management to review work in progress balances and completed projects capitalised
	• reviewing management's assessment of the existence of assets, and the completeness and accuracy of asset records
	• reviewing the accounting treatment for asset additions, disposals and replacements against the requirements of Australian Accounting Standards
	• assessing the results of fair value assessments, challenging assumptions contained within, and investigating significant variances
	• assessing the potential impact of identified issues on the consolidated financial statements.

Key audit matter	How I addressed the matter
Recognition and measurement of service concession assets, liabilities and commitments	
Refer to Note 4.1 *Land, buildings, infrastructure, plant and equipment*, Note 4.2 *Other non-financial assets,* Note 5.1 *Borrowings*, Note 5.3 *Service concession arrangements* and Note 6.4 *Other liabilities*	
Service concession assets: land, buildings, infrastructure, plant and equipment – $46.8 billion Service concession assets: intangible produced – $3.5 billion Service concession arrangement liabilities – $7.5 billion Service concession arrangements commitments – $52.5 billion (nominal value) Service concession grant of a right to the operator (GORTO) liabilities – $20.2 billion There are three types of service concession arrangements: • arrangements where the State has contractual obligations to make payments and other contributions to the operators for the construction and operation of the assets • arrangements where the State has granted the operators the right to charge the public directly for the use of the assets • hybrid arrangements where the State has granted the operators the right to charge the public for use of assets and the State makes contractual payments and other contributions to the operator. I considered this to be a key audit matter because: • service concession assets, liabilities and commitments are financially significant • the requirements of AASB 1059 *Service Concession Arrangements: Grantors* are complex, and their application requires significant management estimation and judgement • service concession arrangements and the financial models used to value the assets, liabilities and commitments are complex • a significant degree of management judgement is required to determine the key assumptions used in valuing the assets, liabilities and commitments • extensive disclosures are required by Australian Accounting Standards which are critical to the users understanding of service concession assets, liabilities and commitments.	My key procedures included: • reviewing material contracts, supporting schedules, financial models and professional accounting advice received by the State, where applicable • assessing the accounting treatment against the requirements of AASB 1059, and the reasonableness of management judgements made in the application of the standard • engaging appropriately qualified independent subject matter experts to review certain valuation methodologies and financial models and assess the: ○ appropriateness of fair value methodologies ○ reasonableness and consistency of assumptions ○ reasonableness of inputs against underlying data and supporting documentation ○ accuracy of models • reviewing all other material financial models and confirming the judgements applied by management to independent expert reports • assessing the completeness and accuracy of service concession assets, liabilities and commitments against the contracts and underlying financial models for each project • comparing the reasonableness of asset amounts against actual costs incurred • assessing the adequacy of financial report disclosures against the requirements of Australian Accounting Standards.

<table>
<tr><th>Key audit matter</th><th>How I addressed the matter</th></tr>
<tr><td colspan="2">Valuation of defined benefit superannuation liability
Refer to Note 6.5 Superannuation</td></tr>
<tr><td>
Defined benefit superannuation liability – $18.2 billion
The Emergency Services and State Super funds account for $17.3 billion (95.2 per cent) of the State's defined benefit superannuation liability (the liability). The Emergency Services Superannuation Board (ESSB) manage these funds.
I considered this to be a key audit matter because:

the liability is financially significant
the underlying model used to value the liability is complex
a significant degree of management judgement is required to determine the method, the model and key assumptions used in valuing the liability
a small adjustment to an assumption may have a significant effect on the total value of the liability
ESSB has outsourced core member administration and fund accounting to an outsourced service provider. An independent assurance auditor was engaged by ESSB to report on the design, implementation and operating effectiveness of controls at the service provider
extensive disclosures are required by Australian Accounting Standards which are critical to the users understanding of the valuation of the liability.

Management engaged an actuary to value the liability as at 30 April, then adjust the value of the liability to account for actual market performance and movements in key assumptions up to 30 June.
</td><td>
My key procedures included:

gaining an understanding of the design and implementation of key controls over the outsourced arrangement, and then testing their operating effectiveness, including those:

supporting the completeness and accuracy of membership data
assisting with the management and oversight of the arrangement

obtaining the independent assurance auditor's report over the outsourced service provider's controls and:

assessing the adequacy of the scope of work agreed between management and the assurance auditor
assessing the professional competence and independence of the assurance auditor
considering the relevance of the stated control objectives and controls covered by the assurance report
assessing the testing performed by the assurance auditor and the results of the tests
assessing the sufficiency and appropriateness of the audit evidence provided by the assurance report

assessing the professional competence and independence of the actuary
obtaining the actuarial report and year-end adjustments, and engaging an appropriately qualified independent actuary to assist in obtaining sufficient appropriate audit evidence for the liability and disclosures, including to:

assess the appropriateness of the model used to value the liability
review the reasonableness of membership data in the model by comparing it to the data in the service provider's system
assess the appropriateness of management's selection and application of the method, significant assumptions and data used to value the liability
challenge the reasonableness of key assumptions by comparing against accepted industry benchmarks
assess the reasonableness of the reported liability value

assessing the adequacy of financial report disclosures against the requirements of Australian Accounting Standards.

</td></tr>
</table>

Key audit matter	How I addressed the matter
Valuation of provision for insurance claims Refer to Note 6.6 *Other provisions*	

Provision for insurance claims – $50.6 billion
I considered this to be a key audit matter because:
• the provision for insurance claims is financially significant
• there are several insurance claim categories at the Victorian WorkCover Authority (WorkSafe), Transport Accident Commission and Victorian Managed Insurance Authority which make up the provision and must be valued
• the underlying models used to value the provision are complex
• the valuation of the provision is subject to significant management assumptions and estimation uncertainty
• a small adjustment to an assumption may have a significant effect on the total value of the provision
• on 31 March 2024, WorkSafe scheme reforms took effect under the *Workplace Injury Rehabilitation and Compensation Amendment (WorkCover Scheme Modernisation) Act 2024* (the Act). These reforms affect the assumptions and judgements made by management, which are essential for accurately valuing the provision
• extensive disclosures are required by Australian Accounting Standards which are critical to the users understanding of the valuation of the provision
• Management of each respective agency engaged actuaries to value the provision as at 30 June.
	My key procedures included:
	• gaining an understanding of the systems, processes and models that affect claims data and the provision valuation
	• testing the operating effectiveness of key controls supporting the underlying claims data used in the models
	• gaining an understanding of the changes to the WorkSafe scheme introduced by the Act and their financial impact
	• assessing the completeness and accuracy of the claims data used in the model by reconciling this data to underlying claims data in the insurers' systems
	• assessing the professional competence and independence of management's actuaries
	• obtaining management's actuarial reports, and engaging an appropriately qualified independent actuary to:
	  ○ assess the appropriateness of management's selection and application of the methods, significant assumptions including those used in applying WorkSafe reforms to value the provision
	  ○ assess the reasonableness of data and other inputs used in valuing the provision
	  ○ evaluate the appropriateness of the models used to value the provision
	  ○ challenge the reasonableness of key assumptions by comparing against claims history and accepted industry benchmarks
	  ○ assess the reasonableness of the reported provision value.
	• assessing the adequacy of financial report disclosures against the requirements of Australian Accounting Standards including disclosures relating to the WorkSafe reforms.

Other information

The Treasurer of Victoria is responsible for the Other Information, which comprises the information in chapters 1–3 and 5 of the 2023–24 Financial Report but does not include the consolidated financial report in chapter 4 and my auditor's report thereon.

My opinion on the consolidated financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the consolidated financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the consolidated financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

The Treasurer's responsibilities for the consolidated financial report	The Treasurer of Victoria is responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Treasurer determines is necessary to enable the preparation of a consolidated financial report that is free from material misstatement, whether due to fraud or error. In preparing the consolidated financial report, the Treasurer is responsible for assessing the State and the General Government Sector's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.
Auditor's responsibilities for the audit of the consolidated financial report	As required by the *Audit Act 1994*, my responsibility is to express an opinion on the consolidated financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the consolidated financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial report. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the consolidated financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State and the General Government Sector's internal control. • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Treasurer. • conclude on the appropriateness of the Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State and the General Government Sector's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the State and the General Government Sector to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the consolidated financial report, including the disclosures, and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation. • obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the State and the General Government Sector to express an opinion on the consolidated financial report. I remain responsible for the direction, supervision and performance of the audit of the consolidated financial report. I remain solely responsible for my audit opinion.

Auditor's responsibilities for the audit of the consolidated financial report (continued)	I communicate with the Treasurer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. From the matters communicated with the Treasurer, I determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MELBOURNE
2 October 2024

Andrew Greaves
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 2024:

a) presents fairly the State's and the Victorian general government sector's financial positions as at 30 June 2024 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.

Tim Pallas MP
Treasurer

Chris Hotham
Acting Secretary

Authorised for issue on:

26 September 2024

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June **($ million)**

		State of Victoria		General government sector	
	Notes	2024	2023	2024	2023
Revenue and income from transactions					
Taxation	2.1	36 324	31 852	36 876	32 350
Interest income	2.2	2 157	1 502	1 761	1 307
Dividends, income tax equivalent and rate equivalent income	2.3	2 485	2 404	2 199	820
Sales of goods and services	2.4	19 885	17 943	6 212	6 263
Grants	2.5	41 686	40 063	41 797	40 138
Other revenue and income	2.6	5 068	4 681	4 210	3 842
Total revenue and income from transactions		**107 605**	**98 445**	**93 055**	**84 720**
Expenses from transactions					
Employee expenses	3.1	37 467	35 168	36 035	33 629
Net superannuation interest expense	3.2	775	721	774	719
Other superannuation	3.2	4 312	3 982	4 062	3 760
Depreciation	4.1.2	8 279	7 652	4 967	4 604
Interest expense	5.7	6 722	4 778	5 639	3 974
Grant expense	3.3	14 721	16 468	16 675	19 053
Other operating expenses	3.4	43 787	42 415	29 127	27 828
Total expenses from transactions	3.5, 3.6	**116 064**	**111 184**	**97 279**	**93 567**
Net result from transactions – Net operating balance		**(8 459)**	**(12 739)**	**(4 223)**	**(8 847)**
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		(63)	87	(2)	90
Net gain/(loss) on financial assets or liabilities at fair value		2 422	3 469	345	(29)
Share of net profit/(loss) from associates/joint venture entities		(53)	(39)	(46)	(39)
Other gains/(losses) from other economic flows	9.3	613	1 583	(566)	(1 022)
Total other economic flows included in net result		**2 919**	**5 101**	**(269)**	**(1 000)**
Net result		**(5 540)**	**(7 638)**	**(4 493)**	**(9 847)**
Other economic flows – Other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		9 626	21 214	7 650	13 710
Remeasurement of superannuation defined benefits plans	3.2	1 675	1 371	1 661	1 356
Other movements in equity		(67)	(644)	108	(536)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		15	130	14	139
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	6.1	..	..	(1 864)	3 431
Total other economic flows – Other comprehensive income		**11 248**	**22 070**	**7 569**	**18 099**
Comprehensive result – Total change in net worth		**5 708**	**14 432**	**3 076**	**8 252**
KEY FISCAL AGGREGATES					
Net operating balance		**(8 459)**	**(12 739)**	**(4 223)**	**(8 847)**
Less: Net acquisition of non-financial assets from transactions	9.1	18 528	16 075	12 875	11 285
Net lending/(borrowing)		**(26 987)**	**(28 814)**	**(17 099)**	**(20 132)**

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June **($ million)**

		State of Victoria		General government sector	
	Notes	2024	2023	2024	2023
Assets					
Financial assets					
Cash and deposits	5.5	19 595	25 678	14 306	19 698
Advances paid	5.6	521	930	6 421	5 308
Receivables and contract assets	6.2	14 129	11 973	10 163	9 046
Investments, loans and placements	5.6	81 054	63 975	14 866	3 853
Investments accounted for using the equity method	4.3.1	1 220	1 193	1 143	1 180
Investments in other sector entities	6.1	..	..	98 178	96 042
Total financial assets		**116 519**	**103 750**	**145 077**	**135 128**
Non-financial assets					
Inventories		1 748	1 851	402	574
Non-financial assets held for sale		245	139	232	110
Land, buildings, infrastructure, plant and equipment	4.1.1	436 678	408 948	269 690	249 480
Other non-financial assets	4.2	7 505	7 152	6 222	5 898
Total non-financial assets		**446 177**	**418 090**	**276 546**	**256 062**
Total assets	3.6	**562 697**	**521 840**	**421 623**	**391 190**
Liabilities					
Deposits held and advances received	5.4	1 938	1 777	1 525	1 615
Payables [(a)]	6.3	10 491	8 718	7 741	6 300
Borrowings	5.1	193 712	164 953	167 309	142 289
Employee benefits	3.1	11 857	10 948	11 120	10 250
Superannuation	6.5	18 226	18 904	18 226	18 904
Other provisions	6.6	53 960	50 129	3 431	2 950
Other liabilities [(a)]	6.4	32 609	32 215	22 411	22 099
Total liabilities		**322 792**	**287 643**	**231 764**	**204 407**
Net assets		**239 904**	**234 197**	**189 859**	**186 783**
Equity					
Accumulated surplus/(deficit)		76 281	80 106	43 405	45 889
Reserves		163 624	154 090	146 454	140 894
Net worth		**239 904**	**234 197**	**189 859**	**186 783**
FISCAL AGGREGATES					
Net financial worth		(206 273)	(183 893)	(86 686)	(69 278)
Net financial liabilities		206 273	183 893	184 865	165 321
Net debt		94 480	76 146	133 241	115 044

The accompanying notes form part of these financial statements.

Note:
(a) The grant of a right to the operator liability, unearned income and contract liabilities line items previously disclosed within payables have now been disclosed within the other liabilities line item to more accurately reflect the nature of these items.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June **($ million)**

		State of Victoria		General government sector	
	Notes	2024	2023	2024	2023
Cash flows from operating activities					
Receipts					
Taxes received		35 944	31 123	36 496	31 621
Grants		40 959	40 822	41 062	40 881
Sales of goods and services [(a)]		21 669	20 018	6 894	6 873
Interest received		1 798	1 058	1 691	1 229
Dividends, income tax equivalent and rate equivalent receipts		2 550	2 292	2 645	693
Other receipts [(b)]		2 694	10 569	2 408	10 207
Total receipts		**105 614**	**105 882**	**91 197**	**91 503**
Payments					
Payments for employees		(36 465)	(34 760)	(35 074)	(33 260)
Superannuation		(4 098)	(4 192)	(3 853)	(3 975)
Interest paid		(5 669)	(4 281)	(5 262)	(3 559)
Grants and subsidies		(13 922)	(15 771)	(15 936)	(18 403)
Goods and services [(a)]		(38 629)	(37 840)	(26 868)	(27 110)
Other payments		(1 582)	(961)	(1 582)	(945)
Total payments		**(100 364)**	**(97 805)**	**(88 574)**	**(87 253)**
Net cash flows from operating activities	5.5	**5 249**	**8 077**	**2 623**	**4 250**
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	3.5, 3.6	(23 021)	(20 519)	(17 375)	(16 273)
Sales of non-financial assets		670	542	319	325
Net cash flows from investments in non-financial assets		**(22 351)**	**(19 977)**	**(17 056)**	**(15 948)**
Cash flows from investments in financial assets for policy purposes					
Cash inflows		1 223	606	1 789	759
Cash outflows		(939)	(966)	(4 119)	(2 385)
Net cash flows from investments in financial assets for policy purposes		**283**	**(359)**	**(2 331)**	**(1 625)**
Cash flows from investments in financial assets for liquidity management purposes					
Cash inflows		5 770	6 407	574	824
Cash outflows		(20 659)	(13 560)	(11 123)	(1 316)
Net cash flows from investments in financial assets for liquidity management purposes [(c)]		**(14 889)**	**(7 153)**	**(10 549)**	**(492)**
Net cash flows from investing activities		**(36 957)**	**(27 490)**	**(29 936)**	**(18 065)**
Cash flows from financing activities					
Advances received		26	44	23	32
Advances repaid		(38)	(26)	(249)	(274)
Advances received (net) [(c)]		(12)	19	(226)	(242)
Borrowings received		30 339	33 500	26 711	28 040
Borrowings repaid		(4 876)	(5 719)	(4 700)	(5 291)
Net borrowings [(c)]		25 463	27 780	22 011	22 749
Deposits received [(d)]		2 762	1 605	2 380	1 300
Deposits repaid [(d)]		(2 590)	(1 571)	(2 244)	(1 278)
Deposits received (net) [(c)]		173	34	136	22
Net cash flows from financing activities		**25 624**	**27 833**	**21 921**	**22 529**
Net increase/(decrease) in cash and cash equivalents		**(6 083)**	**8 420**	**(5 392)**	**8 713**
Cash and cash equivalents at beginning of reporting period		25 678	17 258	19 698	10 985
Cash and cash equivalents at end of the reporting period	5.5	**19 595**	**25 678**	**14 306**	**19 698**

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

For the financial year ended 30 June **($ million)**

		State of Victoria		*General government sector*	
	Notes	*2024*	*2023*	*2024*	*2023*
FISCAL AGGREGATES					
Net cash flows from operating activities		5 249	8 077	2 623	4 250
Net cash flows from investments in non-financial assets		(22 351)	(19 977)	(17 056)	(15 948)
Cash surplus/(deficit)		**(17 102)**	**(11 900)**	**(14 434)**	**(11 698)**

The accompanying notes form part of these financial statements.

Notes:

(a) These items include goods and services tax.

(b) This decrease 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 provide more information on the accounting treatment of this arrangement.

(c) In accordance with AASB 107 Statement of Cash Flows*, the TCV has reported its cash flow information for whole of government consolidation purposes on a net basis for both financial years ended 30 June 2023 and 30 June 2024.*

(d) The June 2023 figures for deposits received and deposits repaid have been restated to more correctly reflect the nature of the cashflows.

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*
2024					
Balance at 1 July 2023	80 106	151 951	..	2 139	234 197
Net result for the year	(5 540)	..	..	..	(5 540)
Other comprehensive income for the year	1 329	9 626	..	293	11 248
Transfer to/(from) accumulated surplus	385	(385)	..	..	..
Balance at 30 June 2024	**76 281**	**161 192**	**..**	**2 432**	**239 904**
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**

General government sector					
2024					
Balance at 1 July 2023	45 889	91 269	48 245	1 380	186 783
Net result for the year	(4 493)	..	..	..	(4 493)
Other comprehensive income for the year	1 635	7 650	(1 864)	149	7 569
Transfer to/(from) accumulated surplus	375	(375)	..	..	..
Balance at 30 June 2024	**43 405**	**98 544**	**46 381**	**1 528**	**189 859**
2023					
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**

The accompanying notes form part of these financial statements.

1. 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 financial year ended 30 June 2024. 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 *2023-24 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 2024 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 sharp rise in global and national inflation in 2022 continued to present a challenge to the Victorian economy during 2023-24, as it did for Australia and many other advanced economies. Inflation eased over the year, yet it remained elevated and above the Reserve Bank of Australia's (RBA) target range. To contain inflation pressures, the RBA raised interest rates further in November 2023, to a 12-year high. Elevated inflation and higher interest rates restrained activity in some sectors of the Victorian and national economies, and these headwinds have affected the State's revenue and expenses, including land transfer duty revenue and interest expense. Interest rate rises have led to declines in borrowing capacity and housing sentiment, which have negatively affected land transfer duty revenue, however, the impact was lower than forecast for 2023-24.

The State's comprehensive operating statement and balance sheet in 2023-24 were also impacted by financial market volatility and bond yield movements which impacted the investment returns of the Victorian Future Fund, 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 *2023-24 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 7.4: Fair value determination of financial assets and liabilities
- Note 7.5: Fair value determination of non-financial assets.

2. 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*, AASB 16 *Leases*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 1059 *Service Concession Arrangements: Grantors*.

Structure

2.1 Taxation

($ million)

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE				
Payroll tax	8 527	7 286	8 639	7 392
COVID Debt Levy – Payroll $10m+	924	..	934	..
Mental Health and Wellbeing Levy	1 001	900	1 018	904
Total taxes on employers' payroll and labour force	**10 452**	**8 186**	**10 590**	**8 296**
TAXES ON IMMOVABLE PROPERTY				
Land tax	5 864	5 310	5 930	5 367
COVID Debt Levy – Landholdings	1 164	..	1 164	..
Fire Services Property Levy	839	792	839	792
Congestion levy	117	108	117	108
Metropolitan improvement levy	200	206	200	206
Windfall gains tax	114	..	114	..
Total taxes on property	**8 298**	**6 416**	**8 365**	**6 473**
TAXES ON THE PROVISION OF GOODS AND SERVICES				
Gambling taxes (a)				
Public lotteries	689	621	689	621
Electronic gaming machines	1 383	1 365	1 383	1 365
Casino	208	180	208	180
Racing and other sports betting	277	287	277	287
Other	18	17	18	17
Financial and capital transactions				
Land transfer duty	8 426	8 737	8 426	8 737
Metropolitan planning levy	20	22	20	22
Financial accommodation levy	..	..	172	156
Growth areas infrastructure contribution	255	260	255	260
Levies on statutory corporations	**..**	**..**	**173**	**173**
Taxes on insurance	**2 076**	**1 875**	**2 076**	**1 875**
Total taxes on the provision of goods and services	**13 351**	**13 364**	**13 696**	**13 694**
TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES				
Motor vehicle taxes				
Vehicle registration fees (b)	2 092	1 944	2 094	1 946
Duty on vehicle registrations and transfers	1 386	1 256	1 386	1 256
Liquor licence fees	**31**	**21**	**31**	**21**
Other	**713**	**665**	**713**	**665**
Total taxes on the use of goods and performance of activities	**4 223**	**3 886**	**4 225**	**3 888**
Total taxation	**36 324**	**31 852**	**36 876**	**32 350**

Notes:

(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 2024 of $202 million (30 June 2023: $184 million) recognised under AASB 15. The balance of these items is recognised under AASB 1058.

(b) A total of $7.4 million was reimbursed to customers in 2023-24 who had previously paid the zero and low emissions vehicle road-user charge.

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.

2.2 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.

2.3 Dividends, income tax equivalent and rate equivalent income

($ million)

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Dividends from PFC sector	..	..	1 232	8
Dividends from PNFC sector	..	..	206	102
Dividends from non-public sector	2 485	2 404	143	73
Dividends	**2 485**	**2 404**	**1 581**	**183**
Income tax equivalent income from PFC sector	..	..	352	411
Income tax equivalent income from PNFC sector	..	..	261	221
Income tax equivalent income	**..**	**..**	**614**	**632**
Local government rate equivalent income	..	..	4	5
Total dividends, income tax equivalent and rate equivalent income	**2 485**	**2 404**	**2 199**	**820**

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, and are recognised when the right to receive the dividend is established.

Dividends by entity [(a)] **($ million)**

	General government sector	
	2024	2023
Public financial corporations		
Victorian Managed Insurance Authority	..	..
Transport Accident Commission	1 082	
Treasury Corporation of Victoria	145	..
State Trustees Ltd	1	..
Victorian Funds Management Corporation	4	8
Dividends from PFC sector	**1 232**	**8**
Public non-financial corporations		
Greater Western Water	42	25
Melbourne Water Corporation	48	10
South East Water Corporation	47	22
Yarra Valley Water Corporation	41	41
Development Victoria	27	4
Others	2	..
Dividends from PNFC sector	**206**	**102**

Note:
(a) *'Amounts equivalent to dividends' paid by 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. *The amount paid in 2023-24 was $598 000 from the Victorian Managed Insurance Authority. There were no amounts paid in 2022-23.*

2.4 Sales of goods and services

($ million)

	State of Victoria		General government sector	
	2024	2023	2024	2023
Amounts recognised as revenue from contracts with customers (AASB 15)				
Sale of goods	594	651	99	95
Provision of services [(a)]	17 464	15 562	4 937	5 091
Amounts recognised as income of not-for-profit entities (AASB 1058)				
Motor vehicle regulatory fees	288	242	288	242
Other regulatory fees	806	771	780	749
Refunds and reimbursements	368	374	2	2
Amounts recognised as lease income (AASB 16)				
Rental	365	342	106	85
Total sales of goods and services	**19 885**	**17 943**	**6 212**	**6 263**

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), 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 6.2).

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.

2.5 Grants [(a)]

($ million)

	State of Victoria		General government sector	
	2024	2023	2024	2023
General purpose grants	20 162	19 152	20 162	19 152
Specific purpose grants for on-passing	5 751	5 547	5 751	5 547
Specific purpose grants	15 671	15 341	15 653	15 310
Total	**41 584**	**40 041**	**41 566**	**40 009**
Other contributions and grants	103	22	231	129
Total grants	**41 686**	**40 063**	**41 797**	**40 138**

Note:
(a) Grants predominantly relate to grants from the Commonwealth Government, which are recognised under AASB 1058. The State has not recognised any material grant revenue under AASB 15 in the current or previous year.

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*.

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.

2.6 Other revenue and income

($ million)

	State of Victoria		General government sector	
	2024	2023	2024	2023
Amounts recognised as revenue from contracts with customers (AASB 15)				
Royalties	148	140	136	129
Other revenue – Health	272	262	272	262
Other miscellaneous revenue	1 200	1 299	1 006	1 084
Amounts recognised as income of not-for-profit entities (AASB 1058)				
Fair value of assets received free of charge or for nominal consideration [(a)]	1 281	978	823	515
Fines	750	737	745	733
Donations and gifts [(b)]	422	324	294	225
Other income – Education	371	378	371	378
Amounts recognised as lease income (AASB 16)				
Other non-property rental	107	79	46	31
Revenue items accounted for under AASB 1059				
Revenue related to economic service concession arrangements	517	483	516	483
Total other revenue and income	**5 068**	**4 681**	**4 210**	**3 842**

Notes:
(a) The 2023-24 figure includes $732 million (2022-23: $402 million) relating to fair value of assets and services received free of charge or for nominal consideration reflecting adjustments for actual costs under the Metro Tunnel service concession arrangement.
(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.

Assets 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. 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.

3. 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 2024.

Structure

3.1 Employee expenses and provision for employee benefits liabilities

Employee expenses (operating statement)

Employee expenses in the operating statement are a major component of operating costs and include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements and redundancy payments. More than 93 per cent (95 per cent in the prior year) 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.

Provision for 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*	
	2024	*2023*	*2024*	*2023*
Current				
Accrued salaries and wages	**862**	**611**	**820**	**579**
Other employee benefits	**170**	**171**	**137**	**143**
Annual leave				
Unconditional and expected to settle within 12 months	2 411	2 153	2 246	1 994
Unconditional and expected to settle after 12 months	446	425	396	378
Long service leave				
Unconditional and expected to settle within 12 months	898	839	838	777
Unconditional and expected to settle after 12 months	4 473	4 228	4 269	4 027
On-costs	**1 412**	**1 266**	**1 319**	**1 180**
Total current employee benefits and on-costs	**10 673**	**9 694**	**10 025**	**9 079**
Non-current				
Long service leave	1 026	1 095	946	1 020
On-costs	157	159	148	151
Total non-current employee benefits and on-costs	**1 183**	**1 254**	**1 095**	**1 171**
Total employee benefits and on-costs	**11 857**	**10 948**	**11 120**	**10 250**

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, including superannuation, are recognised as a component of the provision for employee benefits.

3.2 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 changes 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.

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

	State of Victoria	
	2024	*2023*
Defined benefit plans		
Net superannuation interest expense	775	721
Current service cost	947	993
Remeasurements:		
Expected return on superannuation assets excluding interest income	(722)	(836)
Other actuarial (gain)/loss on superannuation assets	(264)	(941)
Actuarial and other adjustments to unfunded superannuation liability	(689)	406
Total expense recognised in respect of defined benefit plans	**48**	**343**
Defined contribution plans		
Employer contributions to defined contribution plans	3 268	2 895
Other (including pensions)	97	94
Total expense recognised in respect of defined contribution plans	**3 365**	**2 989**
Total superannuation (gain)/expense recognised in operating statement	**3 413**	**3 331**
Represented by:		
Net superannuation interest expense	775	721
Other superannuation	4 312	3 982
Superannuation expense from transactions	**5 088**	**4 703**
Remeasurement recognised in other comprehensive income	**(1 675)**	**(1 371)**
Total superannuation costs recognised in operating statement	**3 413**	**3 331**

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.

3.3 Grant expense

($ million)

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Current grant expense				
Commonwealth Government	3 069	3 046	3 068	3 044
Local government (including grants for on-passing)	938	2 110	934	2 107
Private sector and not-for-profit on-passing	5 086	4 703	5 086	4 703
Other private sector and not-for-profit	4 404	5 405	4 350	5 353
Grants within the Victorian Government	..	..	2 409	2 980
Grants to other state governments	26	124	25	124
Total current grant expense	**13 524**	**15 387**	**15 872**	**18 310**
Capital grant expense				
Local government (including grants for on-passing)	165	111	165	111
Private sector and not-for-profit on-passing	950	721	554	337
Other private sector and not-for-profit	1	37	1	37
Grants within the Victorian Government	..	..	36	87
Other grants	83	211	47	171
Total capital grant expense	**1 198**	**1 080**	**803**	**743**
Total grant expense	**14 721**	**16 468**	**16 675**	**19 053**

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.

3.4 Other operating expenses

($ million)

	State of Victoria		General government sector	
	2024	*2023*	*2024*	*2023*
Purchase of supplies and consumables [(a)]	6 246	6 497	5 308	5 316
Cost of goods sold	261	308	33	32
Finance expenses and fees [(b)]	686	589	60	48
Purchase of services [(a)]	22 019	21 970	19 598	19 445
Insurance claims expense	10 126	9 605	656	513
Maintenance	2 288	2 148	1 332	1 194
Short-term and low value lease expense	121	117	126	120
Other	2 039	1 181	2 015	1 160
Total other operating expenses	**43 787**	**42 415**	**29 127**	**27 828**

Notes:
(a) A breakdown of purchase of supplies and consumables and purchase of services is provided in the following two tables.
(b) Includes items such as bank fees and associated costs involved in entering into loan transactions, and credit card and corporate card charges.

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 $423 000 ($406 000 in 2023) 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.

Insurance claims expense includes claims incurred during the financial year and any costs associated with processing and resolving claims, prior year effects of discounting caused by the natural reduction in discount as the claims move one year closer to settlement, and net of reinsurance recoveries.

Purchase of supplies and consumables ($ million)

	State of Victoria		General government sector	
	2024	*2023*	*2024*	*2023*
Medicinal pharmacy and medical supplies	2 220	2 192	2 220	2 192
Office supplies and consumables	217	236	204	223
Specialised operational supplies and consumables	315	301	270	253
Other purchase of supplies and consumables	3 495	3 767	2 614	2 649
Total purchase of supplies and consumables	**6 246**	**6 497**	**5 308**	**5 316**

Purchase of services ($ million)

	State of Victoria		General government sector	
	2024	*2023*	*2024*	*2023*
Service contracts	11 610	11 414	11 109	10 802
Accommodation/occupancy	1 387	1 290	1 182	1 113
Medical and client care services	544	533	544	533
Staff related expenses (non-labour related)	437	414	395	377
Other purchase of services	8 041	8 319	6 368	6 620
Total purchase of services	**22 019**	**21 970**	**19 598**	**19 445**

3.5 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	*2024*	*2023*	*2024*	*2023*
Education	21 389	20 192	2 391	2 096
Energy, Environment and Climate Action	11 020	11 417	2 834	2 412
Families, Fairness and Housing	10 463	9 910	995	1 007
Government Services	2 159	1 486	58	26
Health	30 918	29 845	1 698	1 592
Jobs, Skills, Industry and Regions	5 092	5 763	495	721
Justice and Community Safety	10 573	14 343	564	742
Premier and Cabinet	540	893	15	33
Transport and Planning	12 498	13 450	13 653	11 281
Treasury and Finance [(b)]	30 673	21 413	59	55
Parliament	366	346	25	36
Courts	896	851	200	234
Regulatory bodies and other part budget funded agencies [(b)(c)]	4 111	3 727	195	209
Total	**140 699**	**133 636**	**23 182**	**20 443**
(Less)/plus eliminations and adjustments [(d)]	*(24 634)*	*(22 452)*	*(160)*	*76*
Grand total	**116 064**	**111 184**	**23 021**	**20 519**

General government sector				
Education	21 389	20 192	2 391	2 096
Energy, Environment and Climate Action	3 834	4 700	225	277
Families, Fairness and Housing	8 459	7 876	49	63
Government Services	2 159	1 486	58	26
Health	30 736	29 670	1 655	1 552
Jobs, Skills, Industry and Regions	4 136	4 645	290	405
Justice and Community Safety	10 308	10 835	564	719
Premier and Cabinet	510	886	14	33
Transport and Planning	9 423	8 792	11 689	10 473
Treasury and Finance [(b)]	12 810	10 779	15	16
Parliament	366	346	25	36
Courts	896	851	200	234
Regulatory bodies and other part budget funded agencies [(b)(c)]	4 111	3 727	195	209
Total	**109 138**	**104 784**	**17 369**	**16 138**
(Less)/plus eliminations and adjustments [(d)]	*(11 859)*	*(11 216)*	*6*	*135*
Grand total	**97 279**	**93 567**	**17 375**	**16 273**

Notes:

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

(b) Effective from 1 July the Essential Services Commission was reclassified to regulatory bodies and other part budget funded agencies.

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

(d) Mainly comprising payroll tax (including the COVID Debt Levy – Payroll $10m+), the Mental Health and Wellbeing Levy and inter-departmental transfers.

3.6 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	*2024*	*2023*	*2024*	*2023*	*2024*	*2023*
General public services	20 953	18 947	137	149	7 010	7 016
Public order and safety	11 313	11 587	888	1 120	16 158	15 723
Economic affairs	3 068	4 021	224	422	1 818	1 601
Environmental protection	1 076	1 157	140	141	16 700	16 652
Housing and community amenities	6 566	6 587	2 688	2 262	64 682	62 694
Health	29 431	28 650	1 607	1 516	31 928	24 162
Recreation, culture and religion	2 730	2 641	410	456	16 822	16 517
Education	22 453	20 565	2 560	2 195	45 391	43 672
Social protection	9 912	9 018	1 045	1 044	39 619	37 820
Transport	10 411	9 984	13 353	11 154	211 974	198 072
Not allocated by function [(a)(b)]	(1 850)	(1 973)	(31)	62	110 593	97 910
Total	**116 064**	**111 184**	**23 021**	**20 519**	**562 697**	**521 840**

General government sector						
General public services	8 396	7 039	91	84	3 252	3 212
Public order and safety	11 520	12 018	888	1 120	16 158	15 723
Economic affairs	3 181	4 105	225	422	1 810	1 579
Environmental protection	1 182	1 226	140	141	16 700	16 652
Housing and community amenities	2 418	2 698	68	154	3 837	3 698
Health	30 055	28 981	1 607	1 516	31 928	24 162
Recreation, culture and religion	1 458	1 373	118	60	8 670	8 662
Education	22 578	20 644	2 560	2 195	45 391	43 672
Social protection	8 549	7 913	97	101	2 690	2 492
Transport	8 498	8 129	11 576	10 360	146 666	136 729
Not allocated by function [(a)(b)]	(558)	(557)	6	121	144 521	134 609
Total	**97 279**	**93 567**	**17 375**	**16 273**	**421 623**	**391 190**

Notes:
(a) Not allocated by function for expenses and purchases of non-financial assets represents eliminations and adjustments.
(b) Not allocated by function for total assets represents eliminations and adjustments, and financial assets that are not able to be allocated by function.

4. 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

4.1.1 Total land, buildings, infrastructure, plant and equipment ($ million)

	State of Victoria			*General government sector*		
2024	*Gross carrying amount*	*Accumulated depreciation*	*Carrying amount*	*Gross carrying amount*	*Accumulated depreciation*	*Carrying amount*
Buildings	93 451	(5 360)	88 091	64 642	(4 172)	60 469
Land and national parks	141 310	..	141 310	95 973	..	95 973
Infrastructure	83 931	(5 323)	78 608	2 026	(708)	1 318
Plant, equipment and vehicles	19 384	(8 118)	11 267	10 470	(6 168)	4 302
Roads and road infrastructure	33 937	(1 136)	32 801	33 786	(1 126)	32 660
Earthworks	12 370	..	12 370	12 370	..	12 370
Cultural assets	7 038	(124)	6 914	6 933	(124)	6 810
Construction in progress	65 318	..	65 318	55 789	..	55 789
Total land, buildings, infrastructure, plant and equipment	**456 739**	**(20 061)**	**436 678**	**281 988**	**(12 299)**	**269 690**
2023						
Buildings	82 914	(5 453)	77 462	56 041	(3 870)	52 171
Land and national parks	140 518	..	140 518	95 317	..	95 317
Infrastructure	81 124	(5 007)	76 117	1 892	(631)	1 261
Plant, equipment and vehicles	18 310	(7 658)	10 652	9 822	(5 835)	3 987
Roads and road infrastructure	33 066	(9)	33 056	32 917	..	32 917
Earthworks	12 170	..	12 170	12 170	..	12 170
Cultural assets	6 964	(110)	6 853	6 859	(110)	6 749
Construction in progress [(a)]	52 120	..	52 120	44 908	..	44 908
Total land, buildings, infrastructure, plant and equipment	**427 186**	**(18 238)**	**408 948**	**259 927**	**(10 447)**	**249 480**

Note:

(a) Assets that are currently being constructed which were previously disclosed under their relevant asset class are now reflected in the new Construction in progress line.

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*		
2024	*Gross carrying amount*	*Accumulated depreciation*	*Carrying amount*	*Gross carrying amount*	*Accumulated depreciation*	*Carrying amount*
Buildings	12 539	(2 528)	10 010	11 919	(2 237)	9 683
Infrastructure	25	(8)	17	4	(1)	2
Plant, equipment and vehicles	1 432	(650)	782	1 175	(532)	643
Total right-of-use assets: land, buildings, infrastructure, plant and equipment	**13 996**	**(3 187)**	**10 809**	**13 098**	**(2 770)**	**10 329**
2023						
Buildings	11 268	(2 106)	9 162	10 653	(1 846)	8 807
Infrastructure	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**

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

	State of Victoria			*General government sector*		
2024	*Gross carrying amount*	*Accumulated depreciation*	*Carrying amount*	*Gross carrying amount*	*Accumulated depreciation*	*Carrying amount*
Buildings	2 771	(5)	2 767	2 419	(1)	2 418
Land and national parks	3 381	..	3 381	3 381	..	3 381
Infrastructure	6 395	(220)	6 175	..	..	..
Plant, equipment and vehicles	422	(104)	318	422	(104)	318
Roads and road infrastructure	7 766	(232)	7 534	7 766	(232)	7 534
Earthworks	1 056	..	1 056	1 056	..	1 056
Construction in progress	25 555	..	25 555	21 100	..	21 100
Total service concession land, buildings, infrastructure, plant and equipment assets	**47 347**	**(561)**	**46 786**	**36 144**	**(338)**	**35 806**
2023						
Buildings	2 131	(96)	2 035	2 131	(96)	2 035
Land and national parks	3 353	..	3 353	3 353	..	3 353
Infrastructure	6 168	(55)	6 114	..	..	..
Plant, equipment and vehicles	380	(76)	304	380	(76)	304
Roads and road infrastructure	7 766	..	7 766	7 766	..	7 766
Earthworks	1 056	..	1 056	1 056	..	1 056
Construction in progress [(a)]	20 959	..	20 959	18 397	..	18 397
Total service concession land, buildings, infrastructure, plant and equipment assets	**41 813**	**(226)**	**41 587**	**33 083**	**(172)**	**32 911**

Note:
(a) Assets that are currently being constructed which were previously disclosed under their relevant asset class are now reflected in the new Construction in progress line.

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
- non-financial physical assets held for sale
- certain biological assets related to agricultural activity
- investment properties that are measured at fair value (refer to Note 4.2)
- assets arising from construction contracts (refer to Note 4.1)
- property, plant and equipment subject to regular revaluation (refer to Note 4.1.1).

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.

4.1.2 Depreciation ($ million)

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Buildings	3 618	3 220	2 708	2 478
Infrastructure	1 821	1 735	55	50
Plant, equipment and vehicles	1 381	1 336	857	835
Roads and road infrastructure	1 129	1 004	1 124	998
Cultural assets	14	14	14	14
Intangible produced assets	315	343	209	230
Total depreciation	**8 279**	**7 652**	**4 967**	**4 604**

4. MAJOR ASSETS AND INVESTMENTS

The following two tables are subsets of total depreciation expense.

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

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Buildings	728	704	669	642
Infrastructure	4	3	1	1
Plant, equipment and vehicles	152	156	113	118
Total depreciation of right-of-use assets	**885**	**863**	**783**	**760**

Depreciation of service concession assets **($ million)**

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Buildings	77	69	73	69
Infrastructure	100	85	..	..
Plant, equipment and vehicles	29	27	29	27
Roads and road infrastructure	232	202	232	202
Intangible produced assets	4	2	4	2
Total depreciation of service concession assets	**442**	**385**	**338**	**300**

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:	
• 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 20 years
Service concession assets:	
• roads and bridges	50 to 100 years
• other infrastructure	5 to 100 years
• buildings	3 to 75 years
• plant, equipment and vehicles	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, including those recognised under SCAs, which have been determined to have an indefinite useful life are tested for impairment on an annual basis.

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.

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][b]

($ million)

	Land and buildings		*Plant, equipment vehicle and infrastructure system*		*Roads, road infrastructure and earthworks*		*Cultural assets*		*Total*	
State of Victoria	*2024*	*2023*	*2024*	*2023*	*2024*	*2023*	*2024*	*2023*	*2024*	*2023*
Opening balance	**225 258**	**214 024**	**116 987**	**102 781**	**59 850**	**49 287**	**6 853**	**6 867**	**408 948**	**372 959**
Acquisitions of self-owned assets [c]	7 212	7 008	10 053	9 199	2 773	2 641	37	23	20 074	18 872
Additions of right-of-use assets	607	325	636	265	..	..	..	..	1 243	590
Additions of service concession arrangement assets	157	242	2 296	2 476	3 339	3 393	..	..	5 792	6 110
Reclassification	(126)	796	(49)	(570)	(323)	15	4	(109)	(495)	132
Revaluation	8 988	6 384	501	5 925	287	5 518	..	72	9 777	17 899
Disposals	(447)	(206)	(251)	(171)	(2)	(2)	..	..	(700)	(379)
Assets recognised for the first time	83	92	(8)	189	..	2	35	16	110	300
Impairment	(68)	(189)	(38)	(35)	..	..	..	(3)	(106)	(227)
Depreciation	(3 618)	(3 220)	(3 202)	(3 071)	(1 129)	(1 004)	(14)	(14)	(7 964)	(7 308)
Closing balance	**238 045**	**225 258**	**126 924**	**116 987**	**64 795**	**59 850**	**6 914**	**6 853**	**436 678**	**408 948**

General government sector										
Opening balance	**153 351**	**145 567**	**31 916**	**25 186**	**57 465**	**48 250**	**6 749**	**6 768**	**249 480**	**225 771**
Acquisitions of self-owned assets [c]	5 535	5 789	7 796	6 851	2 771	2 778	36	23	16 138	15 441
Additions of right-of-use assets	566	305	580	149	..	..	..	..	1 145	454
Additions of service concession arrangement assets	37	89	2 296	2 475	1 255	2 099	..	..	3 588	4 663
Reclassification	(98)	41	(136)	10	(320)	15	4	(112)	(551)	(47)
Revaluation	7 261	4 302	116	271	287	5 518	..	70	7 665	10 161
Disposals	(147)	(62)	(122)	(98)	(2)	(2)	..	..	(271)	(162)
Assets recognised for the first time	64	11	13	33	..	2	35	16	112	63
Assets transferred between government entities [d]	15	(27)	(2 764)	(2 073)	(42)	(197)	..	..	(2 790)	(2 296)
Impairment	(64)	(186)	(3)	(5)	..	..	..	(3)	(67)	(194)
Depreciation	(2 708)	(2 478)	(912)	(885)	(1 124)	(998)	(14)	(14)	(4 758)	(4 374)
Closing balance	**163 812**	**153 351**	**38 779**	**31 916**	**60 289**	**57 465**	**6 810**	**6 749**	**269 690**	**249 480**

Notes:

(a) *The reconciliation of movements comprises land and buildings, infrastructure, 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) *Assets that are currently being constructed are disclosed under their relevant asset class.*

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

(d) *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*	
	2024	*2023*	*2024*	*2023*
Opening balance	**9 712**	**9 635**	**9 187**	**9 062**
Additions of right-of-use assets	1 243	590	1 145	454
Revaluation	739	350	780	430
Depreciation	(885)	(863)	(783)	(760)
Closing balance	**10 809**	**9 712**	**10 329**	**9 187**

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

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Opening balance	**41 587**	**33 416**	**32 911**	**27 444**
Additions of service concession arrangement assets	5 792	6 110	3 588	4 663
Revaluation	(151)	2 445	(193)	1 666
Assets transferred between Government entities	..	..	(161)	(562)
Depreciation	(442)	(385)	(338)	(300)
Closing balance	**46 786**	**41 587**	**35 806**	**32 911**

4.2 Other non-financial assets

($ million)

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Intangible produced assets	4 499	4 330	3 048	2 921
Accumulated depreciation	(2 793)	(2 614)	(1 725)	(1 628)
Service concession assets – intangible produced [(a)]	3 540	3 370	3 540	3 370
Accumulated depreciation	(8)	(4)	(8)	(4)
Intangible non-produced assets	1 037	994	76	79
Accumulated amortisation	(439)	(414)	(63)	(59)
Total intangibles	**5 835**	**5 663**	**4 868**	**4 680**
Investment properties	334	317	321	305
Other assets [(b)]	1 336	1 172	1 033	913
Total other non-financial assets	**7 505**	**7 152**	**6 222**	**5 898**

Notes:
(a) This includes the Registration and Licensing and the Land Titling and Registry databases.
(b) Biological assets, which were previously separately disclosed, are now included in other assets.

4. MAJOR ASSETS AND INVESTMENTS

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

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Opening balance	**5 999**	**3 466**	**4 989**	**2 261**
Acquisitions of self-owned intangible produced assets	412	447	303	323
Additions of right-of-use assets	14	..	1	..
Additions of service concession arrangement assets	169	..	169	..
Reclassification	14	(188)	13	(44)
Revaluation [b]	(1)	2 870	..	2 869
Disposals	(107)	(122)	(96)	(106)
Assets recognised for the first time	35	72	27	46
Impairment	(1)	(164)	..	(126)
Amortisation and depreciation [c]	(350)	(382)	(215)	(234)
Closing balance	**6 185**	**5 999**	**5 192**	**4 989**

Notes:
(a) With the exception of biological assets, the 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.

Other assets primarily includes 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.

4.3 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.

4.3.1 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).

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)

	2024	2023
Opening balance	**1 170**	..
Acquisition of minority interest in the joint venture	..	1 210
Share of profit/(loss) after income tax	(45)	(39)
Dividends received/receivable	(46)	..
Closing balance [(a)]	**1 079**	**1 170**

Note:

(a) The State's share of the net assets of the joint venture has decreased due to dividends received by the State for its share in the joint venture. The decrease is also driven by the State's share of the loss after income tax. The joint venture made an accounting loss for the financial year largely as a result of depreciation and amortisation expenses.

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.

4. MAJOR ASSETS AND INVESTMENTS

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

Summarised balance sheet as at 30 June	*2024*	*2023*
Current assets		
Cash and cash equivalents	85	105
Other current assets (excluding cash)	64	80
Total current assets	**149**	**185**
Total non-current assets	**8 925**	**9 161**
Total assets	**9 074**	**9 345**
Current liabilities		
Financial liabilities (excluding payables, provisions) [(a)]	20	20
Other non-financial liabilities (including payables, provisions)	139	151
Total current liabilities [(a)]	**158**	**170**
Non-current liabilities		
Financial liabilities (excluding payables, provisions) [(a)]	3 217	2 958
Other non-financial liabilities (including payables, provisions)	22	58
Total non-current liabilities [(a)]	**3 238**	**3 016**
Total liabilities	**3 397**	**3 186**
Net assets	**5 677**	**6 160**

Note:
(a) The 2022-23 figures have between reclassified current and non-current financial liabilities to reflect the final audited financial statements of the joint venture.

Summarised operating statement for the financial year ended 30 June	*2024*	*2023*
Revenue and income from transactions		
Revenue	498	387
Interest income	5	4
Total revenue and income from transactions	**503**	**391**
Expenses from transactions		
Depreciation	(244)	(214)
Interest expense	(166)	(144)
Other expenses	(328)	(274)
Total expenses from transactions	**(738)**	**(632)**
Net result from transactions	**(235)**	**(241)**
Other economic flows – Included in net result	(7)	32
Net result from continuing operation	**(242)**	**(209)**
Net result before tax	**(242)**	**(209)**
Income tax credit	3	5
Net result	**(238)**	**(203)**
Other economic flows – Other comprehensive income	..	..
Total comprehensive income	**(238)**	**(203)**

Marinus Link Pty Ltd

Marinus Link Pty Ltd (MLPL) is a company that is responsible for progressing the Marinus Link interconnector project. The project is a proposed undersea and underground electricity and telecommunications interconnector between North West Tasmania and the Latrobe Valley in Victoria that will enable the flow of more electricity in both directions into the National Electricity Market.

On 22 March 2024, MLPL was acquired by a shareholder group made up of the Commonwealth, Victorian and Tasmanian governments. The Victorian government's ownership interest is 33.3 per cent.

Movements in the State's proportional share of the net assets of the joint venture ($ million)

	2024
Opening balance	..
Acquisition of minority interest in the joint venture	56
Share of profit/(loss) after income tax	(1)
Share of joint venture's other comprehensive income	1
Closing balance	**55**

Summarised financial information of Marinus Link Pty Ltd using the equity method ($ million)

Summarised balance sheet as at 30 June	*2024*
Current assets	
Cash and cash equivalents	83
Other current assets (excluding cash)	1
Total current assets	**84**
Total non-current assets	**128**
Total assets	**211**
Current liabilities	
Financial liabilities (excluding payables, provisions)	39
Other non-financial liabilities (including payables, provisions)	5
Total current liabilities	**44**
Non-current liabilities	
Financial liabilities (excluding payables, provisions)	13
Total non-current liabilities	**13**
Total liabilities	**57**
Net assets	**155**

Summarised operating statement for the period ended 30 June	*2024*
Revenue and income from transactions	
Revenue	1
Total revenue and income from transactions	**1**
Expenses from transactions	
Other expenses	(5)
Total expenses from transactions	**(5)**
Net result from transactions	**(4)**
Other economic flows – Included in net result	..
Net result from continuing operation	**(4)**
Net result before tax	**(4)**
Income tax credit	..
Net result	**(4)**
Other economic flows – Other comprehensive income	2
Total comprehensive income	**(1)**

Share of contingent assets and liabilities

Contingent assets

In April 2022, the Commonwealth committed $75 million in funding under the Federal Funding Agreement to progress Project Marinus to a Final Investment Decision, of which MLPL will receive $56.2 million. MLPL recognised $9.7 million in 2024, the remaining payments will be received over the next two financial years contingent on the completion of agreed milestones.

Contingent liabilities

In 2019 Project Marinus received a grant from the Australian Renewable Energy Agency to support the project work on the feasibility study. Upon operationalisation of MLPL on 1 December 2021, the terms and conditions of this grant including certain repayment conditions where the grant revenue of $10 million received would be required to be repaid were it novated to MLPL. No other claims related to property loss, personal injury, contractual and other matters were outstanding at the date of publication of these accounts.

Melbourne Renewable Energy Hub (MREH project)

In November 2023, SEC Victoria Pty Ltd (SEC) committed to invest $245 million in the Melbourne Renewable Energy Hub (MREH) project which comprises the development, construction and operation of Battery Energy Storage System (BESS) infrastructure assets. In this project the SEC, through its subsidiary SEC Infrastructure Pty Ltd, has a joint venture interest with the following entities:

- 30 per cent in Equis Energy (Australia) Projects (MREH A1 HoldCo) Pty Ltd
- 30 per cent in Equis Energy (Australia) Projects (MREH A2 HoldCo) Pty Ltd
- 49 per cent in Equis Energy (Australia) Projects (MREH A3 HoldCo) Pty Ltd,

collectively referred to as Equis Energy (Australia) Projects.

Movements in the State's proportional share of the net assets of the joint ventures ($ million)

	2024
Opening balance	**..**
Acquisition of minority interest in the joint ventures	73
Share of profit/(loss) after income tax	(5)
Share of joint ventures' other comprehensive income	(3)
Closing balance	**65**

Summarised financial information of Equis Energy (Australia) Projects using the equity method ($ million)

Summarised balance sheet as at 30 June	*2024*
Current assets	
Cash and cash equivalents	36
Other current assets (excluding cash)	21
Total current assets	**57**
Total non-current assets	**373**
Total assets	**430**
Current liabilities	
Financial liabilities (excluding payables, provisions)	1
Other non-financial liabilities (including payables, provisions)	80
Total current liabilities	**81**
Non-current liabilities	
Financial liabilities (excluding payables, provisions)	50
Other non-financial liabilities (including payables, provisions)	97
Total non-current liabilities	**148**
Total liabilities	**229**
Net assets	**201**

Summarised operating statement for the financial year ended 30 June	*2024*
Revenue and income from transactions	
Revenue	10
Interest income	1
Total revenue and income from transactions	**11**
Expenses from transactions	
Other expenses	(13)
Total expenses from transactions	**(14)**
Net result from transactions	**(3)**
Other economic flows – Included in net result	(15)
Net result from continuing operation	**(17)**
Net result before tax	**(17)**
Income tax credit	..
Net result	**(17)**
Other economic flows – Other comprehensive income	(6)
Total comprehensive income	**(23)**

Share of commitments in Equis Energy (Australia) Projects

The State's share of the commitments are disclosed in Note 5.8: Commitments for future expenditure.

4.3.2 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 2024 was 50 per cent (50 per cent in 2023), 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 2024, the balance of this liability was $42.9 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 2024 was 75 per cent (75 per cent in 2023).

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.

There has been no change in the share of ownership since the prior year.

5. 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

($ million)

	State of Victoria		General government sector	
	2024	2023	2024	2023
Current borrowings				
Domestic borrowings	22 660	22 867	19 538	18 473
Foreign currency borrowings	222	262	..	..
Lease liabilities	790	800	710	744
Service concession arrangement liabilities	1 839	2 627	650	2 413
Derivative financial instruments	110	652	46	..
Total current borrowings	**25 621**	**27 208**	**20 944**	**21 630**
Non-current borrowings				
Domestic borrowings	152 887	123 221	133 956	109 117
Foreign currency borrowings	670	415	..	..
Lease liabilities	7 838	7 715	7 330	7 184
Service concession arrangement liabilities	5 637	5 595	4 856	4 144
Derivative financial instruments	1 058	799	223	214
Total non-current borrowings	**168 091**	**137 745**	**146 365**	**120 659**
Total borrowings	**193 712**	**164 953**	**167 309**	**142 289**

Borrowings refer to interest-bearing liabilities mainly raised from domestic borrowings through the 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.

General government domestic borrowings, which are with the TCV, are measured at amortised cost.

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.

5.2 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 use the practical expedients available in AASB 16 to account for short-term leases (leases less than 12 months) and leases of low-value assets (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). 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. Short-term and low value leases are recognised within Note 3.4 Other operating expenses.

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 and emergency management systems. 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			
	2024		2023	
	Present value	Nominal value	Present value	Nominal value
Commissioned leases				
AgriBio Project	132	224	130	232
Bendigo Hospital	746	1 470	818	1 510
Casey Hospital	77	94	98	117
Melbourne Convention Centre	224	299	235	326
New Schools Public Private Partnership	216	352	204	338
Partnerships Victoria in Schools [(d)]	158	252	158	262
Prisons [(e)]	133	181	135	190
Royal Children's Hospital	910	1 523	927	1 575
Royal Melbourne Showgrounds	16	23	16	24
Royal Women's Hospital	229	323	239	345
Victorian Comprehensive Cancer Centre (VCCC)	477	957	461	947
Uncommissioned Leases				
Melbourne Renewable Energy Hub (MREH) [(f)]	478	1 152	..	..
Total commissioned and uncommissioned leases	**3 796**	**6 849**	**3 421**	**5 866**

Notes:

(a) The figures in this table are for the consolidated State of Victoria only, as all leases are recorded in the general government sector with the exception of the Melbourne Renewable Energy Hub which is recognised in the public non-financial corporations 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) The 2022-23 comparative figures have been restated to reflect more current information.

(e) Prisons include the Metropolitan Remand Centre and Marngoneet Correctional Centre.

(f) As part of the uncommissioned MREH commitment, a lease was contracted by SEC as one of the investors in Equis Group for the rights to operate the A3 Battery.

5.3 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 2024. Unless noted in the arrangement specific disclosures below, no material changes have occurred during the year.

Service concession arrangements

($ million)

SCA arrangement [(a)]	*Notes*	*Classification of arrangement*	*Arrangement status*	*Managed by*	*Periodic payments in operations phase*	*Payments impacted by KPI*	*Carrying amount of liability as at 30 June 2024*	*Carrying amount of asset as at 30 June 2024*	*Carrying amount of liability as at 30 June 2023*	*Carrying amount of asset as at 30 June 2023*
CityLink	5.3.1	GORTO	Operational	DTP	None – User pays Operator	No	1 767	4 967	1 869	5 070
EastLink	5.3.2	GORTO	Operational	DTP	None – User pays Operator	No	1 873	3 962	1 969	4 062
Land Use Victoria	5.3.3	GORTO	Operational	DTP	MSPs	No	2 446	563	2 518	509
VicRoads Modernisation	5.3.4	GORTO	Operational	DTP	MSPs	No	8 425	2 858	8 646	2 858
Desalination Plant	5.3.5	Financial Liability	Operational	DEECA	Water service payments	Yes	3 114	4 484	3 170	4 574
Fulham Correctional Centre Contract Extension	5.3.6	Financial Liability	Operational	DJCS	QSPs	Yes	..	198	..	174
Metropolitan Bus Contracts	5.3.7	Financial Liability	Operational	DTP	MSPs	Yes	135	297	136	278
Peninsula Link	5.3.8	Financial Liability	Operational	DTP	QSPs	Yes	575	954	601	968
Port Phillip Prison Contract Extension	5.3.9	Financial Liability	Operational	DJCS	QSPs	Yes	..	234	..	218
Ravenhall Correction Centre	5.3.10	Financial Liability	Operational	DJCS	QSPs	Yes	483	694	493	640
Southern Cross Station	5.3.11	Financial Liability	Operational	DTP	QSPs	Yes	327	492	339	447
Western Roads Upgrade	5.3.12	Financial Liability	Operational	DTP	QSPs	Yes	446	1 528	462	1 544
High Capacity Metro Trains (HCMT) Project	5.3.13	Financial Liability	Construction in progress	DTP	QSPs	Yes	1 257	1 567	1 260	1 445
Metro Tunnel Project – Tunnel and Stations	5.3.14	Financial Liability	Construction in progress	DTP	QSPs	Yes	2 282	10 788	3 263	8 586
North East Link – Primary Package (Tunnels)	5.3.15	Financial Liability	Construction in Progress	State Tolling Corporation with Major Roads Projects Victoria	QSPs	Yes	1 596	4 364	1 363	2 246
Homes Victoria Ground Lease Model Project 1 (Phase 1 and 2) [(b)]	5.3.16	Hybrid (Financial Liability/GORTO)	Construction in progress	Homes Victoria	QSPs and User pays Operator	Yes	306	370	277	315
Homes Victoria Ground Lease Model Project 2	5.3.17	Hybrid (Financial Liability/GORTO)	Construction in progress	Homes Victoria	QSPs	Yes	70	70	..	..
West Gate Tunnel	5.3.18	Hybrid (Financial Liability/GORTO)	Construction in progress	DTP	None – User pays Operator	No	5 578	10 179	4 720	8 584
Metropolitan Tram Service	5.3.19	Service Contract	Contract yet to commence	DTP	MSPs	Yes	..	..	..	..
Public Transport Ticketing Service [(c)]	5.3.20	Service Contract	Construction in progress	DTP	MSPs	Yes	..	111	..	..

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 (Phase 1 and 2) and Homes Victoria Ground Lease Model Project 2 which are recognised in the public non-financial corporations sector.

(b) The Homes Victoria Ground Lease Model Project 1 phase 1 refers to social housing dwellings at Brighton, Flemington and Prahran built under a commissioned Hybrid (Financial Liability/GORTO) arrangement. Phase 2 is under construction and refers to a modification to the arrangement to construct additional social and affordable housing dwellings at Flemington under a GORTO Liability model.

(c) This table now includes Public Transport Ticketing Services that was previously classified as an Other Commitment in Note 5.8 in 2022-23.

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

5.3.1 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 including:

- 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.

5.3.2 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.

5.3.3 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 has recognised intangible assets for the Land Registry Services (LRS) software (the Victorian Online Titles System) and the Titling and Registry database (database). 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.

5.3.4 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. Refer to Note 4.3.1 for the accounting treatment and disclosure of the State's interest in the joint venture.

The State maintains 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 comprised 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 has recognised intangible assets for the VicRoads R&L database. Refer to Note 4.2 for details of the fair value measurement of the service concession intangible assets. Subsequent to the initial recognition, the intangible asset is carried under the revaluation model in line with AASB 138.

5.3.5 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 2024, AquaSure had produced 0 gigalitres for the 2023-24 supply period. On 1 April 2024, the Minister for Water announced the 2024-25 Supply Notice with a Required Annual Water Volume for 0 gigalitres in 2024-25 and non-binding forecasts of 50 gigalitres for 2025-26 and 75 gigalitres for 2026-27.

5.3.6 Fulham Correctional Centre Contract Extension

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.

5.3.7 Metropolitan Bus Contracts

Operator: Cranbourne Transit, Donric Group, Kinetic (Melbourne) Pty Ltd, Sita Buslines 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, Sita Buslines 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 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.

5.3.8 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.

5.3.9 Port Philip Prison Contract Extension

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

Concession period: up to 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 into in December 2015, with the terms of the contract extension coming into effect in 2017. The contract extension was also novated in September 2017. The contract will now end and the prison will close in December 2025.

5.3.10 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.

5.3.11 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.

5.3.12 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.

5.3.13 High Capacity Metro Trains (HCMT) Project

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 sets.

5.3.14 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.

The project is on track for completion in 2025.

5.3.15 North East Link – Primary Package (Tunnels)

Operator: Spark Consortium

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.

5.3.16 Homes Victoria Ground Lease Model Project 1 (Phase 1 and 2)

Operator: Building Communities (Vic) Ltd

Concession period: 40 years

In June 2021, Homes Victoria achieved financial close on phase 1 of a housing arrangement whereby it appointed the Building Communities consortium to finance, design, construct, maintain and operate 619 brand new social housing dwellings, 112 affordable homes and 353 private rental dwellings including Specialist Disability Accommodation dwellings, at existing housing sites at Brighton, Flemington and Prahran. In December 2023, a modification to Phase 1 was entered into to increase the achievable level of care in the developments, to achieve this 52 one-bedroom dwellings were changed to 26 two-bedroom dwellings.

In August 2023, a modification to the Ground Lease Model 1 (GLM1) Project Deed occurred, whereby Homes Victoria appointed the Building Communities consortium to finance, design, construct, maintain and operate phase 2 of the housing arrangement. Included in this modification is an additional 50 new social housing dwellings, 221 affordable rental homes and 15 Specialist Disability Accommodation dwellings, at the Holland Court Flemington housing site.

The sites are being delivered under a Ground Lease Model on a fully financed, build-to-rent basis. The ground lease will be delivered under the Partnerships Victoria framework. Construction of the assets for phase 1 commenced in 2021 and Commercial Acceptance for the last site of the Development Phase was achieved in early 2024. Construction of the assets for phase 2 will commence in late 2024 and Commercial Acceptance is expected to be achieved by late 2026.

A ground lease model is being used for both phase 1 and phase 2 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 of phase 1, 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.

5.3.17 Homes Victoria Ground Lease Model Project 2

Operator: Building Even Better Communities Limited

Concession period: 40 years

In November 2023, Homes Victoria achieved financial close on a housing arrangement whereby it appointed the Building Even Better Communities consortium to finance, design, construct, maintain and operate 659 brand new social housing dwellings, 182 affordable rental homes, 473 market rental homes and 56 Specialist Disability Accommodation dwellings, at existing housing sites at Simmons Street South Yarra, Essex Street Prahran, Bluff Road Hampton East and Barak-Beacon Port Melbourne.

The four sites are being delivered under a Ground Lease Model on a fully financed, build-to-rent basis. The ground lease will be delivered under the Partnerships Victoria framework.

Construction of the assets will commence in late 2024 and Commercial Acceptance for the last site of the Development Phase is expected to be achieved by late 2026.

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 Even Better Communities will perform the following functions: asset management, community engagement, maintenance and lifecycle replacement, tenancy management and residential lease management.

5.3.18 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).

5.3.19 Metropolitan Tram Services

Operator: Yarra Journey Makers (YJM)

Concession period: 9 years with option to extend

In June 2024, the State entered into an agreement with YJM to provide metropolitan tram services to public transport users for an initial period of 9 years commencing on 1 December 2024.

YJM will operate the metropolitan tram network on behalf of the State. The State will make monthly service payments to YJM for managing and operating the metropolitan tram network.

5.3.20 Public Transport Ticketing Service

Operator: Conduent Victoria Ticketing System Pty Ltd (Conduent)

Concession period: 15 years

In May 2023, the State entered into an agreement with Conduent to provide public transport ticketing services to public transport users for a period of 15 years commencing on 1 December 2023.

Conduent will continue to deliver the existing myki system, while testing and progressively rolling out new features, including tap-and-go payment options and Account-based ticketing. The State will make milestone payments to Conduent for system upgrades as well as monthly service payments for managing and operating the ticketing system.

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)

		2024				2023			
		Liability	Capital contribution [f]	Other commitments	Total commitments	Liability	Capital contribution [f]	Other commitments	Total commitments
	Notes	Discounted value [e]		Present value	Nominal value	Discounted value [e]		Present value	Nominal value
Financial liability model – Commissioned									
Desalination Plant	5.3.5	..	..	1 670	3 515	..	..	1 654	3 643
Metropolitan Bus Contracts	5.3.7	..	..	2 453	2 769	..	..	2 985	3 417
Peninsula Link	5.3.8	..	..	217	296	..	..	195	268
Prisons [g]	5.3.6, 5.3.9, 5.3.10	..	..	3 362	5 426	..	..	5 292	8 318
Southern Cross Station	5.3.11	..	..	376	484	..	..	391	508
Water Infrastructure [h][i][j]		..	..	83	115	..	..	107	153
Western Roads Upgrade	5.3.12	..	..	527	762	..	..	514	741
Financial liability model – Uncommissioned [k]									
High Capacity Metro Trains	5.3.13	1 261	..	1 412	5 748	1 322	42	1 440	5 982
Metro Tunnel Project – Tunnel and Stations	5.3.14	2 346	343	869	5 565	2 226	2 536	838	7 770
North East Link – Primary Package (Tunnels)	5.3.15	3 901	5 327	1 083	16 254	4 080	7 145	1 030	18 439
Hybrid model (GORTO and financial liability models) – Commissioned									
Homes Victoria Ground Lease Model Project 1 (Phase 1) [l]	5.3.16	..	..	38	142	33	12	38	702
Hybrid model (GORTO and financial liability models) – Uncommissioned [k]									
Homes Victoria Ground Lease Model Project 2	5.3.17	484	180	44	1 895	..	..	..	..
West Gate Tunnel	5.3.18	..	265	..	265	..	634	..	634
Service Contracts – Uncommissioned [k][m]									
Metropolitan Tram Service	5.3.19	..	..	6 086	7 499	..	..	..	..
Public Transport Ticketing Service [n]	5.3.20	..	315	1 027	1 774	..	428	1 051	1 902
Total commitments for service concession arrangements		**7 992**	**6 430**	**19 245**	**52 511**	**7 661**	**10 797**	**15 536**	**52 476**

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 and 2 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) Prisons includes Fulham Correctional Centre, Port Phillip Prison and Ravenhall Correctional Centre.
(h) Water Infrastructure includes Barwon Region Water Corporation, Central Highlands Region Water Corporation and Coliban Region Water Corporation.
(i) Water infrastructure in this table does not reference note 5.3 as the information contained is not material to that table.
(j) The 2022-23 comparative figures have been restated to reflect more current information.
(k) 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.
(l) The Homes Victoria Ground Lease Model Project 1 phase 1 refers to social housing dwellings at Brighton, Flemington and Prahran built under a commissioned Hybrid (Financial Liability/GORTO) arrangement.
(m) Service contracts in this table refer to SCAs that do not meet the definition of Financial Liability, GORTO or Hybrid arrangement models.
(n) This table now includes Public Transport Ticketing Service that was previously classified as an Other Commitment in Note 5.8 in 2022-23.

5.4 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.

5.5 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*	
	2024	*2023*	*2024*	*2023*
Cash	6 593	2 792	6 096	2 721
Deposits at call [(a)]	13 002	22 886	8 209	16 977
Cash and cash equivalents	**19 595**	**25 678**	**14 306**	**19 698**
Bank overdraft	..	..	..	..
Cash and cash equivalents as per cash flow statement	**19 595**	**25 678**	**14 306**	**19 698**

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

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

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Net result	**(5 540)**	**(7 638)**	**(4 493)**	**(9 847)**
Non-cash movements				
Bad/doubtful debts	1	..	1	..
Revenue related to economic service concession arrangements	(517)	(483)	(516)	(483)
Depreciation and amortisation	8 314	7 691	4 973	4 609
Revaluation of investments	(2 787)	(1 690)	(512)	(150)
Assets (received)/provided free of charge	(1 154)	(722)	(732)	(300)
Assets not previously/no longer recognised	(16)	161	(16)	161
Revaluation of assets	362	489	306	315
Discount/premium on other financial assets/borrowings	132	(291)	(4)	1
Foreign currency dealings	3	1	2	2
Unrealised (gains)/losses on borrowings	700	(1 230)	74	177
Discounting of assets and liabilities	(1)	(1)	(1)	(1)
Movements included in investing and financing activities				
Net gain/loss from sale of investments	379	131	34	30
Net gain/loss from sale of non-financial assets	62	(88)	..	(91)
Realised gains/losses on borrowings	(624)	(613)	89	(1)
Movements in assets and liabilities				
Increase/(decrease) in allowance for impairment losses	148	(166)	74	(183)
Increase/(decrease) in payables and contract liabilities	1 939	8 830	1 581	8 536
Increase/(decrease) in employee benefits	909	428	870	391
Increase/(decrease) in superannuation	990	511	983	504
Increase/(decrease) in other provisions	3 592	2 739	250	533
(Increase)/decrease in receivables and contract assets	(1 656)	(848)	(612)	(768)
(Increase)/decrease in other non-financial assets	14	867	272	816
Net cash flows from operating activities	**5 249**	**8 077**	**2 623**	**4 250**

5. FINANCING STATE OPERATIONS

Changes in liabilities arising from financing activities **($ million)**

State of Victoria			*Non-cash changes*		
2024	*Opening balance*	*Cash flows*	*Liabilities resulting from the acquisition of new assets* [(a)]	*Fair value changes*	*Closing balance*
Borrowings and derivative instruments [(b)]	147 492	28 409	1 045	557	177 503
Lease liabilities	8 515	(719)	832	..	8 628
Service concession arrangements liabilities	8 222	(2 227)	1 481	..	7 476
Advances and deposits received	1 777	161	..	..	1 938
2023					
Borrowings and derivative instruments [(b)(c)]	119 654	29 357	539	(2 059)	147 492
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

General government sector			*Non-cash changes*		
2024	*Opening balance*	*Cash flows*	*Liabilities resulting from the acquisition of new assets* [(a)]	*Fair value changes*	*Closing balance*
Borrowings and derivative instruments	127 804	24 792	1 045	121	153 763
Lease liabilities	7 927	(702)	815	..	8 040
Service concession arrangements liabilities	6 557	(2 079)	1 028	..	5 506
Advances and deposits received	1 615	(90)	..	..	1 525
2023					
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	1 835	(220)	..	..	1 615

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) The borrowings and derivative instruments line item excludes derivative financial instruments related to the State's insurance agency's portfolio of managed investments, as these are classified as investing activities. Consequently, the opening and closing balances in this line do not reconcile with the balance sheet and associated notes.

(c) The 2022-23 figures have been restated due to the removal of derivative financial instruments recorded by the State's insurance agencies from this line item. The cash flow movements relating to these derivatives financial instruments are reflected as investing activities on the cash flow statement.

5.6 Advances paid and investments, loans and placements

($ million)

	State of Victoria 2024	*State of Victoria* 2023	*General government sector* 2024	*General government sector* 2023
Current advances paid and investments, loans and placements				
Loans and advances paid	304	693	341	946
Equities and managed investment schemes	4 055	3 641	836	641
Australian dollar term deposits	354	1 830	330	198
Debt securities	12 391	9 945	4	3
Derivative financial instruments	276	227	63	128
Total current advances paid and investments, loans and placements	**17 380**	**16 336**	**1 575**	**1 915**
Non-current advances paid and investments, loans and placements				
Loans and advances paid	217	237	6 080	4 362
Equities and managed investment schemes [(a)]	56 508	42 253	13 599	2 853
Australian dollar term deposits	..	2	3	4
Debt securities	7 151	5 840	22	22
Derivative financial instruments	318	237	9	5
Total non-current advances paid and investments, loans and placements	**64 195**	**48 569**	**19 713**	**7 246**
Total advances paid and investments, loans and placements	**81 575**	**64 905**	**21 287**	**9 161**
Represented by:				
Advances paid	521	930	6 421	5 308
Investments, loans and placements	81 054	63 975	14 866	3 853

Note:
(a) *The increase in Equities and managed investment schemes is primarily due to amounts allocated to the Victorian Future Fund being transferred from Deposits at call to the Victorian Funds Management Corporation for investment following proclamation of the* Victorian Future Fund Act 2023.

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.

5.7 Interest expense

($ million)

	State of Victoria 2024	*State of Victoria* 2023	*General government sector* 2024	*General government sector* 2023
Interest on interest bearing liabilities and deposits	5 374	3 926	4 804	3 116
Interest on lease liabilities	423	404	407	387
Interest on service concessions	388	422	375	414
Discount interest on payables	536	26	52	57
Total interest expense	**6 722**	**4 778**	**5 639**	**3 974**

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.

5.8 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)(b)] **($ million)**

	State of Victoria		General government sector	
Nominal values	*2024*	*2023*	*2024*	*2023*
Capital expenditure commitments				
Land and buildings [(c)(d)]	7 558	8 508	7 293	8 036
Plant, equipment and vehicles	438	377	381	363
Infrastructure	12 819	10 301	10 503	8 832
Road networks and earthworks [(e)]	7 578	1 152	7 576	1 145
Other	323	512	268	140
Total capital expenditure commitments	**28 715**	**20 851**	**26 021**	**18 514**
Service and lease commitments not included in the lease liability				
Rail services	5 438	4 945	6 339	6 725
Bus services	4 188	4 977	3 728	4 440
Other	468	689	469	681
Total service and new short-term lease commitments	**10 095**	**10 611**	**10 536**	**11 845**
Other commitments				
Capital investment commitments	225	471	..	..
Cladding Safety Victoria	51	119	51	119
Commercial contracts	3 722	3 292	3 058	2 993
Emergency Alert System	51	173	51	173
Emergency Telecommunication Networks	453	245	453	245
Grant program commitments	3 693	2 344	4 129	2 337
Information technology	873	619	840	603
Melbourne renewable energy hub (MREH) [(f)]	172	..	..	..
Outsourcing of services [(g)(h)]	2 385	510	203	125
Policing services	58	68	58	68
Provision of Health Services	2 131	1 900	2 134	1 918
Social Housing	770	681	..	..
Traffic camera services (Traffic camera office)	141	238	142	238
Transport Accident Commission funded medical research	4	5	..	..
Other [(c)]	8 367	8 196	8 075	7 494
Total other commitments	**23 096**	**18 860**	**19 193**	**16 312**
Total commitments	**61 905**	**50 321**	**55 750**	**46 672**

Notes:

(a) The figures presented are inclusive of GST.

(b) The State's contract with Conduent Victoria Ticketing System Pty Ltd that was contained in Public transport ticketing systems in this table in 2022-23 has been reclassified to a SCA Commitment for 2023-24. Please refer to Note 5.3 for further details.

(c) PPP commitments recognised under AASB 116 are included in this line item. A breakdown of these PPP commitments under AASB 116 is provided in the following table.

(d) The 2022-23 comparative figures have been restated to reflect more current information.

(e) The increase in road networks and earthworks primarily reflects the State's contracts for the Eastern Freeway Upgrades and M80 Ring Road Upgrade as part of the North East Link Program. The first of the Eastern Freeway Upgrade contracts have been entered into with Laing O'Rourke Australia Construction Pty Ltd, Symal Infrastructure Pty Ltd, WSP Australia Pty Ltd and Arcadis Australia Pacific Pty Ltd. The M80 Ring Road Upgrade contract has been entered into with Acciona Construction Australia Pty Ltd, AECOM Australia Pty Ltd, and MACA Civil Pty Ltd.

(f) Melbourne renewable energy hub (MREH) in this table represents State Electricity Commission's remaining commitment for the 600-megawatt MREH in partnership with Equis Development Pty Ltd.

(g) The increase in the Outsourcing of services commitment primarily reflects the State's contract with Alstom Pty Ltd to perform regional rolling stock maintenance. The contract is effective from 1 July 2024 to 30 June 2034.

(h) Outsourcing of services in this table now contains call centre services for the Public Transport Ticketing Service previously disclosed under Public transport ticketing systems in 2022-23.

PPE commitments **($ million)**

	State of Victoria (a)					
	2024			2023		
	Liability (b)	Other commitments	Total commitments (d)	Liability (b)	Other commitments	Total commitments (d)
	Discounted value (c)	Present value	Nominal value	Discounted value (c)	Present value	Nominal value
Commissioned PPE commitments						
Hopkins Correctional Centre	..	225	378	..	226	393
Uncommissioned PPE commitments						
Frankston Hospital Redevelopment	627	1 058	4 018	917	996	4 490
Nyaal Banyul Geelong Convention and Event Centre	450	229	1 379	..	..	..
New Footscray Hospital (e)	505	1 054	4 255	1 020	1 055	5 233
Total PPE commitments	**1 581**	**2 566**	**10 030**	**1 937**	**2 277**	**10 116**

Notes:

(a) The figures in this table are for the consolidated State of Victoria only, as all PPE commitments are 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 total commitments nominal value includes the nominal value of the State's expected future liabilities yet to be recognised on the balance sheet and the nominal value of the State's operating commitments. The New Footscray Hospital total commitments nominal value also includes the State's unpaid capital contribution not yet recognised on the balance sheet.

(e) The 2022-23 comparative figures have been restated to reflect more current information and to include the discounted value of the capital contribution.

Ageing analysis of commitments (a) **($ million)**

	State of Victoria		General government sector	
Nominal values	*2024*	*2023*	*2024*	*2023*
Capital expenditure commitments payable				
Less than 1 year (b)	11 360	11 027	9 944	9 492
1 year but less than 5 years (b)	13 860	6 255	12 833	5 466
5 years or more (b)	3 495	3 570	3 244	3 557
Total capital expenditure commitments (b)	**28 715**	**20 851**	**26 021**	**18 514**
Service and lease commitments not included in the lease liability				
Less than 1 year	2 602	2 943	3 450	3 766
1 year but less than 5 years	6 070	5 613	5 846	6 283
5 years or more	1 423	2 055	1 239	1 797
Total service and new short-term lease commitments	**10 095**	**10 611**	**10 536**	**11 845**
Other commitments payable				
Less than 1 year (c)	7 828	6 998	6 420	5 242
1 year but less than 5 years (b)(c)	7 185	5 273	5 997	4 545
5 years or more (b)(c)	8 083	6 588	6 775	6 525
Total other commitments (b)(c)	**23 096**	**18 860**	**19 193**	**16 312**
Total commitments (b)(c)	**61 905**	**50 321**	**55 750**	**46 672**

Notes:

(a) The figures presented are inclusive of GST.

(b) The 2022-23 comparative figures for total commitments have been restated to reflect more current information.

(c) The 2023 payable figures for other commitments payable has been restated to reflect the reclassification of Public Transport Ticketing Service to SCA Commitments in Note 5.3.

6. OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

Assets

Liabilities

6.1 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 controlled entities. The net gain/(loss) is 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)**

	2024	*2023*
Balance of investment in PNFC and PFC sectors at beginning of period	96 042	89 162
Net contributions/(returns) to other sectors by owner	4 001	3 450
Revaluation gain/(loss) for period	(1 864)	3 431
Total investments in other sector entities	**98 178**	**96 042**

6.2 Receivables and contract assets

($ million)

	State of Victoria		General government sector	
	2024	2023	2024	2023
Contractual				
Sales of goods and services	1 467	1 396	681	734
Accrued investment income	178	209	81	130
Other receivables	3 415	2 433	2 373	1 653
Allowance for impairment losses of contractual receivables	(362)	(332)	(158)	(202)
Statutory				
Sales of goods and services	13	4	1	1
Taxes receivable	6 414	5 447	6 477	5 840
Fines and regulatory fees	2 602	2 594	2 601	2 593
GST input tax credits recoverable	1 524	1 435	530	600
Other receivables	..	9	..	..
Allowance for impairment losses of statutory receivables	(2 424)	(2 303)	(2 424)	(2 303)
Other				
Actuarially determined	1 096	970	..	..
Contract assets	206	112	..	1
Total receivables and contract assets	**14 129**	**11 973**	**10 163**	**9 046**
Represented by:				
Current receivables and contract assets	11 875	10 121	9 391	8 517
Non-current receivables and contract assets	2 254	1 852	771	530

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.

6.3 Payables [(a)]

($ million)

	State of Victoria		General government sector	
	2024	2023	2024	2023
Contractual				
Accounts payable	3 340	2 411	1 456	865
Accrued expenses	7 050	6 182	6 218	5 356
Statutory				
Accrued taxes payable	101	124	67	78
Total payables	**10 491**	**8 718**	**7 741**	**6 300**
Represented by:				
Current payables	10 331	8 564	7 582	6 146
Non-current payables	159	154	159	153

Note:
(a) The grant of a right to the operator liability, unearned income and contract liabilities line items previously disclosed within this note are now separately disclosed in Note 6.4 to more accurately reflect the nature of these items.

Payables consist of:

- contractual payables, such as accounts payable and accrued expenses
- statutory payables (accrued taxes payable), such as GST and fringe benefits tax payables.

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.

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.

6.4 Other liabilities

($ million)

	State of Victoria		General government sector	
	2024	*2023*	*2024*	*2023*
Contract liabilities	724	598	477	352
Grant of a right to the operator liability	20 175	19 799	20 089	19 725
Unearned income	11 710	11 817	1 846	2 022
Total other liabilities	**32 609**	**32 215**	**22 411**	**22 099**
Represented by:				
Current other liabilities	3 244	4 051	1 680	2 398
Non-current other liabilities	29 365	28 164	20 732	19 701

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 (Note 2.4 and 2.6).

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).

6.5 Superannuation

The disclosure in this note is for the consolidated State of Victoria only, as the full value of the $18.2 billion superannuation liability is in the general government sector.

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

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.

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 2024	2023
Emergency Services and State Super		
Defined benefit obligation	39 883	40 541
Tax liability [(a)]	2 044	2 122
Plan assets	(24 577)	(24 757)
Net liability/(asset)	**17 349**	**17 907**
Other funds [(b)]		
Defined benefit obligation	2 410	2 542
Tax liability [(a)]	..	..
Plan assets	(1 533)	(1 545)
Net liability/(asset)	**877**	**997**
Total superannuation		
Defined benefit obligation	42 292	43 083
Tax liability [(a)]	2 044	2 122
Plan assets	(26 110)	(26 301)
Superannuation liability	**18 226**	**18 904**
Represented by:		
Current liability	581	279
Non-current liability	17 645	18 625
Total superannuation liability	**18 226**	**18 904**

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 plans include constitutionally protected plans and the State's share of liabilities of the defined benefit plan of the Health Super Fund (which is now part of Aware Super).

Reconciliation of the defined benefit obligation **($ million)**

	State of Victoria 2024	2023
Opening balance of defined benefit obligation	**45 205**	**44 799**
Current service cost	947	993
Interest cost	1 805	1 630
Contributions by plan participants	233	241
Remeasurements:		
Actuarial (gain)/loss arising from change in financial assumptions	(1 140)	(983)
Actuarial (gain)/loss arising from change in demographic assumptions	(493)	..
Actuarial (gain)/loss due to other experience	944	1 388
Benefits paid	(3 165)	(2 863)
Closing balance of defined benefit obligation	**44 336**	**45 205**

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

	State of Victoria 2024	2023
Opening balance of plan assets	**26 301**	**25 043**
Interest income	1 031	910
Remeasurements:		
Expected return on plan assets excluding interest income	722	836
Actuarial gain/(loss) relative to expected return	264	941
Employer contributions	724	1 193
Contributions by plan participants	233	241
Benefits paid	(3 165)	(2 863)
Closing balance of plan assets	**26 110**	**26 301**

6. OTHER ASSETS AND LIABILITIES

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. Commonly referred to as plans, these are:

- State Super Funds (SSF), a collection of defined benefit plans 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 of these plans are now closed to new members.
- Emergency Services Superannuation Scheme Defined Benefit (ESSS DB), a defined benefit lump sum plan, which remains open to new members. It also has a number of pensioners remaining from prior plans.
- 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 plan that provides both lump sum and pension benefits. This plan is closed to new members.

The SSF, ESSS DB and Constitutionally Protected Pension Schemes are exempt public sector superannuation plans. These plans 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 plans, including payment of benefits to beneficiaries in accordance with the governing rules of the plans. The administration service has been outsourced to Iress (previously Financial Synergy Holdings Pty Ltd).
- Management and investment of the assets of the plans, 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. The superannuation assumptions are determined in accordance with AASB 119 *Employee Benefits*.

Victorian statutory superannuation funds	Actuary	Financial assumptions	Per cent per annum 2024	2023
Emergency Services and State Super	PwC Securities Ltd.	Expected return on assets [(a)]	7.0	7.0
		Discount rate [(b)]	4.5	4.2
		Wages growth [(c)]	3.3	3.3
		Inflation rate [(c)]	2.5	2.5
Constitutionally Protected Pensions	PwC Securities Ltd.	Discount rate [(b)]	4.5	4.2
		Wages growth [(c)]	3.3	3.3
		Inflation rate [(c)]	n.a.	n.a.
Health Super Fund	Mercer (Australia) Pty. Ltd.	Expected return on assets [(a)]	5.0	5.0
		Discount rate [(b)]	4.5	4.2
		Wages growth [(c)]	3.3	3.3
		Inflation rate [(c)]	2.5	2.5

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 plan experiences along with long term economic and market indicators and do not reflect the Government's wages policy.

Superannuation liability – Differences in valuation approach

In accordance with AASB 119, the discount rate used to determine the superannuation liability reported in the Annual Financial Report is based on Commonwealth government bond yields.

This differs from the discount rate used for the superannuation plans' reporting under AASB 1056 *Superannuation Entities* which is based on the expected return on assets. The expected return on assets is also allowed for when determining superannuation funding requirements.

As shown in the table above, the discount rate adopted to value the superannuation liability under AASB 119 is currently lower than the expected return on assets. This results in the State reporting a higher liability than that recognised by the relevant plans. The State's, and employers', funding obligations are also based on a lower liability than that reported by the State under AASB 119.

Market volatility and bond yield movements

During 2023-24 concerns around a recession peaked, before easing in response to more resilient economic growth, notably in the United States of America. Equity markets rallied strongly from late October 2023, supported by signs of easing inflation 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 2023-24.

Overall, the State's superannuation liability decreased by $678 million in the year to 30 June 2024. This is primarily attributable to an increase in the underlying discount rate, which reduced the liability, and a gain in assets in 2023-24 due to investment performance exceeding expectations, as a result of the variables outlined above.

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.

		Base case	*Discount rate plus 0.25 per cent*	*Wage growth plus 0.25 per cent*	*Inflation rate plus 0.25 per cent*
Discount rate	(per cent a year)	4.5	4.7	4.5	4.5
Wage 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**	**(2.6)**	**0.4**	**1.8**
Estimated increase / (decrease) in defined benefit obligation	**($ million)**	**n.a**	**(1 135)**	**175**	**786**

Target asset allocation **(per cent)**

Asset class	*2024*	*2023*
Domestic equity	20.7	20.9
International equity	28.5	28.8
Domestic debt assets	15.8	16.4
International debt assets	3.4	3.8
Property	9.2	7.8
Cash	6.3	7.2
Other (including private equity, hedge funds and infrastructure)	16.1	15.1
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 2024-25 financial year, employer contributions of $1.2 billion, in total, are expected to be paid to the defined benefit plans. Of this, $581 million relates to the funding of the SSF's past service liability.

The weighted average duration of the defined benefit obligation is approximately 11 years.

6.6 Other provisions

($ million)

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Current provision for insurance claims				
WorkSafe Victoria	4 197	3 805	..	..
Transport Accident Commission	1 855	1 602	..	..
Victorian Managed Insurance Authority	959	920	..	..
Other agencies	175	102	174	100
Current provision for insurance claims	**7 186**	**6 428**	**174**	**100**
Other provisions	2 217	2 285	1 963	1 963
Total current other provisions	**9 403**	**8 713**	**2 137**	**2 063**
Non-current provision for insurance claims				
WorkSafe Victoria	24 966	22 841	..	..
Transport Accident Commission	15 516	15 114	..	..
Victorian Managed Insurance Authority	2 706	2 540	..	..
Other agencies	191	123	191	122
Non-current provision for insurance claims	**43 380**	**40 618**	**191**	**122**
Other provisions	1 177	798	1 103	765
Total non-current other provisions	**44 557**	**41 417**	**1 294**	**887**
Total other provisions	**53 960**	**50 129**	**3 431**	**2 950**

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.

6. OTHER ASSETS AND LIABILITIES

6.6.1 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.

On 31 March 2024, a number of changes came into effect to modernise Victoria's WorkCover scheme (the Scheme). These changes were made under the *Workplace Injury Rehabilitation and Compensation Amendment (WorkCover Scheme Modernisation) Act 2024* (Scheme modernisation).

For the year ended 30 June 2024, Scheme modernisation had a net favourable impact of $1,162 million, most of which relates to the initial reduction in the outstanding claims liability due to the implementation of Scheme modernisation and reflects changes to the following actuarial assumptions:

- a reduction in weekly claims that are expected to continue beyond the second entitlement review due to the introduction of a whole person impairment test, and fewer mental injury claims commencing weekly benefits due to a change in eligibility requirements
- a reduction in medical and like benefits in line with the reduction in weekly claims
- an increase in common law lodgements to allow for a proportion of claims that do not pass the second entitlement review pursuing common law damages
- an increase in impairment benefits as more claims will receive a whole person impairment assessment as part of the second entitlement review
- an increase in the number of medical reports required to conduct the additional whole person impairment assessments and assess the new eligibility requirements.

There is considerable uncertainty with estimating future claim costs, particularly for long-tail claims, where payments are expected to occur many decades into the future. The introduction of Scheme modernisation introduces additional uncertainties, as noted below:

- there is significant uncertainty in the assessment of Common Law costs under the reforms due to the need to anticipate behaviour change, and how some claimants may shift from weekly to common law benefits
- there is insufficient claims experience at present to determine the effectiveness of the new entitlement test
- legal precedent has not been established and the actual impact of Scheme modernisation will take many years to emerge.

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. During 2023-24 concerns around a recession peaked, before easing in response to more resilient economic growth, notably in the United States of America. Equity markets rallied strongly from late October 2023, supported by signs of easing inflation and resilient company earnings, especially within the large cap technology stocks exposed to Artificial Intelligence. This resulted in the investments returns for the State's insurance agencies exceeding expectations in 2023-24.

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 2023-24, which reduced the value of the State insurance agencies' outstanding claims liabilities.

Reconciliation of movements in insurance claims [(a)] **($ million)**

	State of Victoria	
	2024	*2023*
Opening balance	**47 046**	**44 562**
Effect of changes in assumptions and claims experience	(639)	(1 704)
Cost of prior year claims (unwinding of discount)	1 712	1 312
Increase in claims incurred [(b)]	8 927	9 104
Claim payments during the year [(b)]	(5 921)	(5 243)
Other	(559)	(986)
Closing balance	**50 566**	**47 046**

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 expected term to settlement (years)		*Financial assumptions used (%)* [(a)(b)(c)]					
				Weighted average inflation rate (%) [(d)]		*Weighted average discount rate (%)*		*Prudential margin used (%)* [(e)]	
Entity	*Actuary*	*2024*	*2023*	*2024*	*2023*	*2024*	*2023*	*2024*	*2023*
Victorian WorkCover Authority (WorkSafe Victoria)	Finity Consulting Pty Ltd.	7.01	7.50	AWE inflation 0 to 20 years = 3.66 21+ years = 3.52 CPI inflation 0 to 20 years = 2.73 21+ years = 2.64	AWE inflation 0 to 20 years = 3.58 21+ years = 3.55 CPI inflation 0 to 20 years = 2.71 21+ years = 2.55	0 to 20 years = 4.48 21+ years = 4.82	0 to 20 years = 4.21 21+ years = 4.61	10.50	10.00
Transport Accident Commission	Finity Consulting Pty Ltd.	13.80	13.60	AWE inflation 0 to 20 years = 3.60 21+ years = 3.69 CPI inflation 0 to 20 years = 2.71 21+ years = 2.72	AWE inflation 0 to 20 years = 3.41 21+ years = 3.42 CPI inflation 0 to 20 years = 3.80 21+ years = 2.83	0 to 20 years = 4.47 21+ years = 4.77	0 to 20 years = 4.21 21+ years = 4.49	11.00	11.00
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Medical Indemnity)	4.10	4.00	6.80	6.90	4.20	4.10	Risk margin = 6.40 CHE = 2.00	Risk margin = 7.50 CHE = 2.00
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd. (Liability)	2.50	2.30	3.30	3.40	4.20	4.10	Risk margin = 31.70 CHE = 3.00	Risk margin = 31.70 CHE = 3.00
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Property)	1.30	1.50	3.30	3.40	4.20	4.10	Risk margin = 14.70 CHE = 1.80	Risk margin = 14.30 CHE = 1.40
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Other)	2.00	2.10	3.30	3.40	4.20	4.10	Risk margin = 17.50 CHE = 3.00	Risk margin = 17.50 CHE = 3.00
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Dust Diseases and Workers' Compensation)	8.50	8.80	5.40	5.40	4.50	4.30	Risk margin = 28.50 CHE = 3.00	Risk margin = 28.50 CHE = 4.00
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Domestic Building Insurance)	2.30	2.40	3.75	3.40	4.20	4.10	Risk margin = 22.20 CHE = 3.50	Risk margin = 23.50 CHE = 3.50
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Construction)	2.80	2.80	3.30	3.40	4.20	4.10	Risk margin = 29.80 CHE = 3.00	Risk margin = 31.70 CHE = 3.00

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.

7. 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

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)**

2024	*State of Victoria*	*General government sector*
Financial assets		
Cash and deposits	19 595	14 306
Financial assets designated at fair value through profit or loss [(a)]	78 753	13 226
Financial assets mandatorily measured at fair value through profit or loss	310	72
Financial assets at amortised cost	5 996	9 751
Financial assets measured at fair value through other comprehensive income	17	17
Investment in equity instrument designated at fair value through other comprehensive income	1 198	1 198
Total financial assets [(b)]	**105 868**	**38 570**
Financial liabilities		
Financial liabilities designated at fair value through profit and loss	159 707	1
Financial liabilities mandatorily measured at fair value through profit or loss	1 061	266
Financial liabilities at amortised cost	45 220	176 242
Total financial liabilities [(c)]	**205 987**	**176 508**

2023		
Financial assets		
Cash and deposits	25 678	19 698
Financial assets designated at fair value through profit or loss	62 426	2 602
Financial asset 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 [(b)]	**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 [(c)]	**175 269**	**150 125**

Notes:

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

(b) The State's total financial assets exclude statutory receivables, contract assets and other receivables of $9 431 million ($8 268 million in 2023) while the general government's total financial assets exclude statutory receivables and contract assets of $7 185 million ($6 731 million in 2023).

(c) The State's total financial liabilities exclude statutory taxes payable, unearned income, contract liabilities, grant of right to operate liability and advance premiums of $32 762 million ($32 393 million in 2023) while the general government's total financial liabilities exclude statutory taxes payable, contract liabilities, grant of right to operate liability, and unearned income of $22 478 million ($22 177 million in 2023).

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 less 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 an other economic flow 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:
  - has transferred substantially all the risks and rewards of the asset
  - 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 another 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

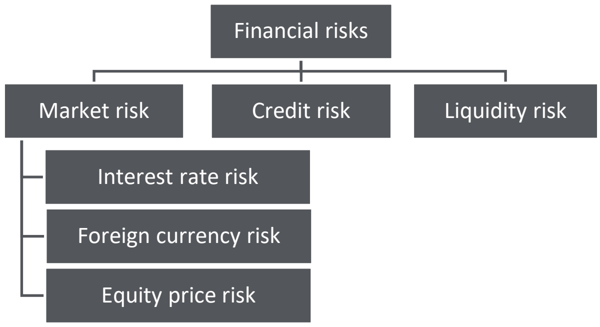
The State records the allowance for impairment for the relevant financial instruments consistent with the expected credit loss approach required by AASB 9. Subject to AASB 9, impairment assessments include the State's contractual receivables, statutory receivables and its investment in debt instruments.

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
- The 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
- The 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.
- The TCV is the State's central borrowing authority and financing advisor.
  An independent prudential supervisor is appointed by the Treasurer to monitor the TCV's compliance with its prudential framework
- The 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.

7.1.1 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			
2024	*Floating rate*	*Fixed rate*	*Non-interest bearing*	*Total*	*Floating rate*	*Fixed rate*	*Non-interest bearing*	*Total*
Financial assets								
Cash and deposits	19 251	81	263	19 595	14 022	75	209	14 306
Receivables	138	6	4 555	4 698	59	1	2 917	2 977
Advances paid	1	76	445	521	..	6 009	413	6 421
Term deposits	15	339	..	354	6	326	..	332
Derivative financial instruments	..	219	375	594	..	8	65	72
Equities and managed investment schemes [(a)]	615	5	59 943	60 563	554	5	13 877	14 436
Debt securities	1 197	18 338	8	19 543	17	..	8	26
Total financial assets	**21 217**	**19 064**	**65 588**	**105 868**	**14 658**	**6 424**	**17 488**	**38 570**
Financial liabilities								
Payables, deposits held and advances received	579	24	11 672	12 275	304	184	8 711	9 199
Derivative financial instruments	..	833	335	1 168	..	..	269	269
Interest-bearing liabilities	17 388	159 052	..	176 440	17 090	136 404	..	153 494
Lease liabilities	591	7 869	168	8 628	558	7 429	52	8 040
Service concession arrangement liabilities	..	7 476	..	7 476	..	5 506	..	5 506
Total financial liabilities	**18 558**	**175 254**	**12 175**	**205 987**	**17 953**	**149 523**	**9 032**	**176 508**
2023								
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	7 837
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**

Note:

(a) The increase in Equities and managed investment schemes is primarily due to amounts allocated to the Victorian Future Fund being transferred from Cash and deposits to the Victorian Funds Management Corporation for investment following proclamation of the Victorian Future Fund Act 2023.

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 2024, approximately 88 per cent (88 per cent in 2023) 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 2023). 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 $3.9 billion increase/$4.1 billion decrease (30 June 2023 $3.3 billion increase/$3.4 billion decrease of a 50 basis point impact). This potential impact, if it were to eventuate, would be recorded as 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.

7.1.2 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 $6.4 billion ($5.4 billion in 2023) of equities and managed investment schemes and $893 million ($677 million in 2023) 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 nonderivative 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 2023).

With all other variables held constant, the impact of a 15 per cent increase or decrease in exchange rates at 30 June 2024 is a $1.9 billion increase/ $2.1 billion decrease ($1.9 billion increase/ $2.2 billion decrease in 2023) on economic flows and net assets. There is no direct impact on the net result from transactions.

7.1.3 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 nonderivative 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 2023).

With all other variables held constant, a 15 per cent increase or decrease in listed equities prices at 30 June 2024 is expected to result in a $1.3 million increase/$1.3 million decrease ($2.5 million increase/$2.5 million decrease in 2023) 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 $4.6 billion increase/$4.6 billion decrease ($4.3 billion increase/$4.3 billion decrease in 2023) in other economic flows and net assets. There is no direct impact on the net result from transactions.

7.1.4 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 the TCV and the 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.

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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 2023-24.

The following tables provide information on the credit quality of the State's financial assets.

Credit quality of financial assets **($ million)**

State of Victoria *2024*	*(AA/ Aa2 credit rating)*	*Other (min triple-B credit rating)*	*Other (not rated)*	*Total*
Financial assets				
Financial assets with loss allowance measured at 12 month expected credit loss				
Cash and deposits	8 620	3 982	796	13 398
Advances paid	..	187	96	283
Term deposits	3	27	12	42
Debt securities	..	24	1	26
Financial assets with loss allowance measured at lifetime credit loss (not credit impaired)				
Cash and deposits	4 856	1 318	23	6 196
Receivables applying the simplified approach for impairment	1 228	221	3 480	4 929
Term deposits	233	67	..	301
Financial assets with loss allowance measured at lifetime credit loss (credit impaired)				
Term deposits	..	..	..	..
Total financial assets	**14 940**	**5 827**	**4 409**	**25 176**

2023				
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
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**

Credit quality of financial assets *(continued)* **($ million)**

General government sector	*Government agencies*	*Other*			
2024	*(AA+/ AA/ Aa2 credit rating)*	*(AA/ Aa2 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	376	6 541	3 042	179	10 138
Advances paid	5 941	..	180	96	6 217
Term deposits	2	2	25	2	32
Debt securities	..	..	24	1	26
Financial assets with loss allowance measured at lifetime credit loss (not credit impaired)					
Cash and deposits	1 856	2 143	152	16	4 167
Receivables applying the simplified approach for impairment	186	747	39	2 201	3 173
Advances paid	3	..	..	..	3
Term deposits	..	233	67	..	301
Financial assets with loss allowance measured at lifetime credit loss (credit impaired)					
Term deposits	..	..	..	..	..
Total financial assets	**8 364**	**9 667**	**3 529**	**2 497**	**24 057**

	Government agencies	*Other*			
2023	*(AA/ Aa2 credit rating)*	*(AA/ Aa2 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	..	5.6	9	2.2	17
Total financial assets	**7 137**	**14 814**	**3 375**	**2 218**	**27 543**

7.1.5 Other matters

Net gain or loss by category of financial instruments

The net gains or losses on financial assets and liabilities held at 30 June 2024 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)**

2024	*State of Victoria*	*General government sector*
Financial assets		
Cash and deposits	(14)	(9)
Financial assets designated at fair value through profit or loss	1 069	402
Financial assets mandatorily measured at fair value through profit or loss	998	98
Financial assets at amortised cost	(50)	(23)
Financial assets measured at fair value through other comprehensive income	2	2
Total financial assets	**2 005**	**470**
Financial liabilities		
Financial liabilities designated at fair value through profit and loss	64	(46)
Financial liabilities mandatorily measured at fair value through profit or loss	(51)	(30)
Financial liabilities at amortised cost	89	89
Total financial liabilities	**102**	**14**

2023		
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	..	..
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 [(a)]	(3)	(1)
Total financial liabilities [(a)]	**2 031**	**(2)**

Note:
(a) The 2022-23 comparative figures have been restated to reflect more current information.

Breakdown of interest income [(a)] **($ million)**

	State of Victoria		General government sector	
	2024	2023	2024	2023
Interest income from financial assets not at fair value through profit or loss	1 154	902	1 590	1 305
Interest income from financial assets at fair value through profit or loss [(b)]	841	502	166	2
Total	**1 996**	**1 403**	**1 756**	**1 307**

Notes:
(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.
(b) The increase is primarily due to investment from the Victorian Future Fund following proclamation of the Victoria Future Fund Act 2023.

Breakdown of interest and fee expense items [(a)] **($ million)**

	State of Victoria		General government sector	
	2024	2023	2024	2023
Interest expense from financial liabilities not at fair value through profit or loss	1 536	1 319	5 586	3 917
Interest expense from financial liabilities at fair value through profit or loss	5 435	3 667	1	1
Fee expenses from financial liabilities not at fair value through profit or loss	48	43	49	46
Fee expenses from financial liabilities at fair value through profit or loss	638	546	12	2
Total	**7 657**	**5 575**	**5 648**	**3 966**

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.

7.1.6 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 the TCV and the requirement to fund cash deficits.

The State's central treasury agency, TCV, is responsible for ensuring that the State's liquidity requirements can be met at all times. DTF and the 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 the 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 2024, the whole of Victorian government liquidity ratio was 115 per cent against a minimum target liquidity ratio of 100 per cent. The level of liquidity at 30 June 2024 was due in part to the TCV accessing financial markets to pre-position itself ahead of the forecast borrowing requirements. Also the investment of these additional funds in liquid assets is in advance of the timing of expenditure and this has contributed to the current liquidity ratio.

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*	
	2024	*2023*	*2024*	*2023*
Carrying amount	175 547	146 088	153 494	127 589
Nominal amount [(a)]	236 326	194 675	158 165	132 001
Contractual maturity				
0 to 3 months	13 537	2 355	13 398	2 524
3 months to 1 year	13 923	24 375	6 188	20 283
1 to 2 years	13 990	13 071	8 706	6 306
2 to 5 years	59 618	45 768	37 210	24 588
5 years or more	135 258	109 105	92 664	78 300

Note:
(a) Represents undiscounted nominal amount.

Lease liabilities payable **($ million)**

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Less than 1 year	1 098	1 047	1 006	982
1 year but less than 5 years	6 452	6 156	6 164	5 852
5 years or more	3 561	3 791	3 334	3 563
Minimum lease payments	**11 111**	**10 994**	**10 504**	**10 396**
Future finance charges	2 484	2 479	2 464	2 469
Total lease liabilities	**8 628**	**8 515**	**8 040**	**7 927**

Service concession arrangement liabilities payable **($ million)**

	State of Victoria		*General government sector*	
	2024	*2023*	*2024*	*2023*
Less than 1 year	936	2 582	883	2 573
1 year but less than 5 years	3 108	3 353	3 048	3 286
5 years or more	8 032	7 572	5 761	5 965
Minimum liability payments	**12 077**	**13 507**	**9 692**	**11 823**
Future finance charges	4 600	5 285	4 186	5 266
Total service concession arrangement liabilities	**7 476**	**8 222**	**5 506**	**6 557**

7.2 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 2024.

Quantifiable contingent assets [(a)] ($ million)

	State of Victoria	
	2024	*2023*
General government	140	157
Public non-financial corporations	590	659
Public financial corporations	..	..
Eliminations	*(79)*	*(23)*
Total contingent assets – State of Victoria [(b)]	**651**	**794**
Guarantees, indemnities and warranties [(c)]	205	194
Legal proceedings and disputes [(c)]	21	8
Other	425	592
Total contingent assets – State of Victoria [(b)]	**651**	**794**

Notes:
(a) Figures reflect contingent assets that arise from outside of government.
(b) As at 30 June 2024, 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.
(c) The June 2023 figures have been reclassified to more currently reflect the nature of the balances.

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:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations
  - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

The table below contains quantifiable contingent liabilities as at 30 June 2024.

Quantifiable contingent liabilities ($ million)

	State of Victoria	
	2024	*2023*
General government	19 768	17 104
Public non-financial corporations	223	239
Public financial corporations	..	..
Eliminations [(a)]	*(16 671)*	*(14 907)*
Total contingent liabilities – State of Victoria	**3 320**	**2 436**
Guarantees, indemnities and warranties [(b)]	2 304	1 598
Legal proceedings and disputes	465	367
Other	551	471
Total contingent liabilities – State of Victoria	**3 320**	**2 436**

Notes:
(a) Mainly represents the guarantee of borrowings provided by the Treasurer for the public sector borrowings portfolio.
(b) Inclusive of loans provided by the 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.

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 Victorian Managed Insurance Authority (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:
  - the school council acted in good faith and according to issued guidelines and directions
  - 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 Country Fire Authority (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 continue to be felt in many local government areas across regional Victoria and metropolitan Melbourne. The Victorian and Commonwealth governments are working cooperatively to implement 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 that 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 is undertaken 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.

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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 landowners. 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 with Keolis Downer from 30 November 2017 until 1 December 2024
- metropolitan tram services with Yarra Journey Makers from 1 December 2024 until 4 December 2033
- metropolitan train services with Metro Trains Melbourne from 30 November 2017 until 28 November 2027.

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.

The possible liability depends on a number of future events and cannot be reliably and readily quantified.

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.

7.3 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.

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:
  - a reconciliation of the movements in fair values from the beginning of the year to the end
  - details of significant unobservable inputs used in the fair value determination.

This section is divided between financial instruments and non-financial physical assets.

7.4 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)**

	2024		2023	
State of Victoria	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Financial assets				
Term deposits	343	341	218	215
Advances paid	514	516	923	923
Equities and managed investment schemes	432	432	169	169
Debt securities	8	8	8	8
Non-current receivables	625	627	397	397
Total financial assets [(b)]	**1 922**	**1 924**	**1 716**	**1 713**
Financial liabilities				
Payables, deposits held and advances received	9 740	9 210	10 263	10 276
Domestic borrowings	16 993	19 086	15 963	17 425
Service concession arrangement liabilities	7 476	7 476	8 222	8 222
Total financial liabilities [(c)]	**34 209**	**35 772**	**34 448**	**35 923**

General government sector				
Financial assets				
Term deposits	332	331	202	199
Advances paid	6 416	7 539	5 302	6 225
Equities and managed investment schemes	17	17	135	135
Debt securities	8	8	8	8
Non-current receivables	604	604	373	373
Total financial assets [(b)]	**7 378**	**8 500**	**6 021**	**6 941**
Financial liabilities				
Payables, deposits held and advances received	7 813	7 169	7 819	7 826
Domestic borrowings	153 436	144 218	117 789	107 969
Service concession arrangement liabilities	5 506	5 506	6 557	6 557
Total financial liabilities [(c)]	**166 755**	**156 892**	**132 165**	**122 352**

Notes:

(a) *Additional information on the State's fair value of financial assets and liabilities measured at amortised cost for both the 2024 and 2023 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. *Therefore, figures in this table cannot be reconciled to the financial assets at amortised cost in table 7.1 Categories of Financial Instruments.*

(c) *Total financial liabilities excludes current payables and lease liabilities held at amortised cost, consistent with the requirements of AASB 7* Financial Instruments: Disclosure. *Therefore, figures in this table cannot be reconciled to the financial liabilities at amortised cost in table 7.1 Categories of Financial Instruments.*

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:*		
2024	*30 June*	*Level 1*	*Level 2*	*Level 3*
Financial assets				
Cash	19 595	19 595	..	..
Derivative financial instruments	594	29	488	77
Term deposits	12	..	12	..
Advances paid	7	6	1	..
Equities and managed investment schemes	60 131	3 123	41 798	15 211
Debt securities at fair value	19 534	5 397	14 022	115
Total financial assets	**99 873**	**28 150**	**56 320**	**15 403**
Financial liabilities				
Domestic borrowings	158 554	134 498	24 056	..
Foreign currency borrowings	893	..	893	..
Derivative financial instruments	1 165	8	935	222
Total financial liabilities	**160 612**	**134 506**	**25 883**	**222**
2023				
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**

General government sector (a)	*Carrying amount as at*	*Fair value measurement at end of reporting period using:*		
2024	*30 June*	*Level 1*	*Level 2*	*Level 3*
Financial assets				
Cash	14 306	14 306	..	..
Derivative financial instruments	72	9	..	63
Term deposits	..	..	..	..
Advances paid	6	6	..	..
Equities and managed investment schemes	14 418	302	14 116	..
Debt securities at fair value	17	17	..	..
Total financial assets	**28 819**	**14 640**	**14 116**	**63**
2023				
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**

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)**

State of Victoria	Derivative financial instrument assets 2024	Derivative financial instrument assets 2023	Equities and managed investment schemes 2024	Equities and managed investment schemes 2023	Debt Securities at fair value 2024	Debt Securities at fair value 2023
Opening balance	**127**	**430**	**14 677**	**13 064**	**40**	**..**
Total gains and losses recognised in:	..	..	..	..	..	..
Net result	(15)	(186)	(140)	(38)	(1)	..
Other comprehensive income	..	..	14	878	..	..
Purchases	32	11	2 138	1 004	77	40
Sales	(5)	(72)	(1 478)	(267)	..	..
Settlements	(61)	(57)	..	35	..	..
Transfers from other levels	..	..	..	..	..	..
Transfers out of Level 3	..	..	..	1	..	..
Closing balance	**77**	**127**	**15 211**	**14 677**	**115**	**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 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.

7.5 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. An independent valuation 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 health, housing and community amenities and social protection function groups being formally revalued in 2023-24. 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 led to revaluations being recorded across the State, with the majority recorded in the transport, public order and safety, recreation, culture and religion and environmental protection function 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 due to high inflation, elevated interest rates 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 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.

7.5.1 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 2024 reporting period using:*			*Carrying amount*	*Fair value measurement at the end of the 2023 reporting period using:*		
State of Victoria	*2024*	*Level 1*	*Level 2*	*Level 3*	*2023 (a)*	*Level 1*	*Level 2*	*Level 3 (a)*
Buildings	**88 200**	**..**	**15 712**	**72 488**	**77 793**	**..**	**14 284**	**63 508**
Non-specialised buildings	18 399	..	13 619	4 780	15 415	..	11 706	3 710
Specialised buildings	69 024	..	2 087	66 937	61 534	..	2 573	58 962
Heritage buildings	777	..	5	772	843	..	6	837
Land and national parks	**141 310**	**..**	**28 258**	**113 052**	**140 518**	**..**	**27 745**	**112 773**
Non-specialised land	27 612	..	26 936	676	28 001	..	27 221	780
Specialised land	69 001	..	1 322	67 679	67 821	..	525	67 296
Land under roads	42 687	..	..	42 687	42 687	..	..	42 687
National parks and other land only holdings	2 009	..	..	2 009	2 010	..	..	2 010
Plant, equipment, vehicles and infrastructure systems	**99 116**	**..**	**340**	**98 776**	**95 095**	**..**	**302**	**94 793**
Infrastructure systems	86 532	..	19	86 513	82 168	..	11	82 157
Rolling stock	5 477	..	..	5 477	5 146	..	..	5 146
Plant, equipment and vehicles	7 107	..	321	6 786	7 781	..	291	7 490
Roads, road infrastructure and earthworks	**59 713**	**..**	**..**	**59 713**	**56 057**	**..**	**..**	**56 057**
Cultural assets	**6 914**	**..**	**2 540**	**4 374**	**6 853**	**..**	**2 500**	**4 353**
Total land, buildings, infrastructure, plant and equipment (b)	**395 253**	**..**	**46 850**	**348 404**	**376 316**	**..**	**44 832**	**331 484**

Notes:
(a) The 2023 comparative figures have been restated to reflect more current information.
(b) 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 $39.8 billion (2023: $31.2 billion).

	Carrying amount	*Fair value measurement at the end of the 2024 reporting period using:*			*Carrying amount*	*Fair value measurement at the end of the 2023 reporting period using:*		
General government sector	*2024*	*Level 1*	*Level 2*	*Level 3*	*2023 (a)*	*Level 1*	*Level 2*	*Level 3 (a)*
Buildings	**60 487**	**..**	**2 783**	**57 704**	**52 187**	**..**	**2 876**	**49 311**
Non-specialised buildings	4 837	..	696	4 141	3 665	..	616	3 049
Specialised buildings	54 873	..	2 081	52 792	47 679	..	2 254	45 425
Heritage buildings	777	..	5	772	843	..	6	837
Land and national parks	**95 973**	**..**	**4 427**	**91 546**	**95 317**	**..**	**3 953**	**91 364**
Non-specialised land	3 844	..	3 220	624	4 142	..	3 530	611
Specialised land	47 433	..	1 207	46 226	46 479	..	423	46 056
Land under roads	42 687	..	..	42 687	42 687	..	..	42 687
National parks and other land only holdings	2 009	..	..	2 009	2 010	..	..	2 010
Plant, equipment, vehicles and infrastructure systems	**16 299**	**..**	**179**	**16 120**	**14 844**	**..**	**165**	**14 679**
Infrastructure systems	12 106	..	..	12 106	9 847	..	1	9 846
Plant, equipment and vehicles	4 192	..	178	4 014	4 997	..	164	4 833
Roads, road infrastructure and earthworks	**55 208**	**..**	**..**	**55 208**	**53 671**	**..**	**..**	**53 671**
Cultural assets	**6 810**	**..**	**2 461**	**4 349**	**6 749**	**..**	**2 420**	**4 329**
Total land, buildings, infrastructure, plant and equipment (b)	**234 776**	**..**	**9 849**	**224 927**	**222 768**	**..**	**9 414**	**213 354**

Notes:
(a) The 2023 comparative figures have been restated to reflect more current information.
(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 $34.7 billion (2023: $26.5 billion).

Reconciliation of Level 3 fair value movements ($ million)

State of Victoria										
2024	*Opening balance* [(a)]	*Depreciation* [(a)]	*Impairment*	*Assets recognised for the first time*	*Revaluation*	*Acquisitions/ (disposals)* [(a)]	*Capitalisation of work-in-progress* [(a)]	*Transfers in/out of Level 3*	*Reclassification*	*Closing balance* [(a)]
Buildings	**63 508**	**(2 690)**	**(4)**	**135**	**7 293**	**2 720**	**1 164**	**271**	**92**	**72 488**
Non-specialised buildings	3 710	(214)	..	16	1 341	131	1	(44)	(161)	4 780
Specialised buildings	58 962	(2 450)	(4)	117	5 941	2 590	1 161	315	306	66 937
Heritage buildings	837	(27)	..	2	11	..	3	..	(53)	772
Land and national parks	**112 773**	**(7)**	**(28)**	**9**	**136**	**211**	**35**	**(106)**	**30**	**113 052**
Non-specialised land	780	(1)	..	..	45	..	..	..	(149)	676
Specialised land	67 296	(6)	(28)	8	91	211	35	(106)	178	67 679
Land under roads	42 687	..	..	..	..	..	..	..	..	42 687
National parks and other land only holdings	2 010	..	..	..	..	..	..	..	..	2 009
Plant, equipment, vehicles and infrastructure systems	**94 793**	**(3 160)**	**(26)**	**183**	**558**	**3 999**	**3 485**	**(1 067)**	**12**	**98 776**
Infrastructure systems	82 157	(1 823)	(14)	109	560	2 684	2 723	(8)	126	86 513
Rolling stock	5 146	(239)	(9)	..	..	(2)	357	..	223	5 477
Plant, equipment and vehicles	7 490	(1 099)	(3)	74	(2)	1 317	405	(1 059)	(338)	6 786
Roads, road infrastructure and earthworks	**56 057**	**(1 129)**	**..**	**..**	**287**	**1 242**	**3 258**	**..**	**(2)**	**59 713**
Cultural assets	**4 353**	**(14)**	**..**	**36**	**..**	**7**	**1**	**..**	**(10)**	**4 374**
Total	**331 484**	**(7 001)**	**(58)**	**362**	**8 274**	**8 178**	**7 944**	**(902)**	**122**	**348 404**
2023										
Buildings	**56 022**	**(2 359)**	**(16)**	**202**	**4 097**	**2 070**	**3 406**	**(2)**	**90**	**63 508**
Non-specialised buildings	2 956	(200)	(13)	23	190	95	658	(2)	2	3 710
Specialised buildings	52 385	(2 124)	(2)	179	3 904	1 920	2 747	3	(50)	58 962
Heritage buildings	680	(36)	..	..	3	55	1	(4)	138	837
Land and national parks	**109 761**	**..**	**(194)**	**80**	**2 325**	**954**	**85**	**(24)**	**(214)**	**112 773**
Non-specialised land	727	..	..	..	..	(9)	..	(8)	70	780
Specialised land	64 338	..	(194)	80	2 325	962	85	(16)	(283)	67 296
Land under roads	42 687	..	..	..	..	..	..	..	..	42 687
National parks and other land only holdings	2 010	..	..	..	..	..	..	..	..	2 010
Plant, equipment, vehicles and infrastructure systems	**87 151**	**(3 108)**	**(32)**	**383**	**5 170**	**3 160**	**1 955**	**(1)**	**116**	**94 793**
Infrastructure systems	75 950	(1 802)	(22)	328	4 842	2 025	812	..	24	82 157
Rolling stock	4 638	(239)	..	..	..	(6)	753	..	..	5 146
Plant, equipment and vehicles	6 563	(1 067)	(10)	54	328	1 141	390	(1)	92	7 490
Roads, road infrastructure and earthworks [(b)]	**45 084**	**(1 001)**	**(3)**	**3**	**5 518**	**2 162**	**4 281**	**..**	**14**	**56 057**
Cultural assets [(c)]	**4 370**	**(11)**	**..**	**16**	**78**	**23**	**..**	**..**	**(123)**	**4 353**
Total	**302 387**	**(6 480)**	**(245)**	**683**	**17 188**	**8 369**	**9 727**	**(27)**	**(117)**	**331 484**

Notes:

(a) The 2023 comparative figures have been restated to reflect more current information.

(b) The 2023 comparative figures have been reclassified from acquisitions/(disposals) to capitalisation of work-in-progress for certain roads and roads infrastructure assets within the State Tolling Corporation to more accurately reflect the nature of their fair value measurement.

(c) The 2023 comparative figures have been restated to correctly reflect the opening balance for certain cultural assets within the National Gallery of Victoria at fair value.

Reconciliation of Level 3 fair value movements *(continued)* **($ million)**

General government sector *2024*	*Opening balance*	*Depreciation*	*Impairment*	*Assets recognised for the first time*	*Revaluation*	*Acquisitions/ (disposals)* [(a)]	*Capitalisation of work-in-progress*	*Assets transferred between government entities*	*Transfers in/out of Level 3*	*Reclassification*	*Closing balance* [(a)]
Buildings	**49 311**	**(2 230)**	**(4)**	**100**	**6 948**	**2 565**	**629**	**..**	**306**	**80**	**57 704**
Non-specialised buildings	3 049	(158)	..	9	1 321	106	..	(5)	(12)	(168)	4 141
Specialised buildings	45 425	(2 046)	(4)	89	5 617	2 460	626	5	318	301	52 792
Heritage buildings	837	(27)	..	2	11	..	3	..	..	(53)	772
Land and national parks	**91 364**	**(7)**	**(28)**	**..**	**70**	**197**	**25**	**(11)**	**(94)**	**29**	**91 546**
Non-specialised land	611	(1)	..	..	45	..	..	..	..	(32)	624
Specialised land	46 056	(6)	(28)	..	25	197	25	(11)	(94)	61	46 226
Land under roads	42 687	..	..	..	..	..	..	..	..	..	42 687
National parks and other land only holdings	2 010	..	..	..	..	..	..	..	..	..	2 009
Plant, equipment, vehicles and infrastructure systems	**14 679**	**(902)**	**(3)**	**37**	**130**	**3 360**	**199**	**(225)**	**(1 052)**	**(103)**	**16 120**
Infrastructure systems	9 846	(54)	..	1	131	2 117	66	(2)	..	..	12 106
Plant, equipment and vehicles	4 833	(849)	(3)	36	..	1 242	133	..	(1 052)	(326)	4 014
Rolling stock	..	..	..	..	..	..	..	(223)	..	223	..
Roads, road infrastructure and earthworks	**53 671**	**(1 124)**	**..**	**..**	**287**	**1 234**	**1 141**	**(3)**	**..**	**1**	**55 208**
Cultural assets	**4 329**	**(14)**	**..**	**35**	**..**	**7**	**1**	**..**	**..**	**(10)**	**4 349**
Total	**213 354**	**(4 277)**	**(35)**	**172**	**7 436**	**7 363**	**1 995**	**(239)**	**(840)**	**(2)**	**224 927**

2023											
Buildings	**43 882**	**(1 961)**	**(14)**	**141**	**2 650**	**1 912**	**2 613**	**(4)**	**(2)**	**95**	**49 311**
Non-specialised buildings	2 262	(151)	(13)	7	183	105	658	(2)	(1)	..	3 049
Specialised buildings	40 939	(1 774)	..	134	2 463	1 752	1 954	(3)	3	(43)	45 425
Heritage buildings	680	(36)	..	..	3	55	1	..	(4)	138	837
Land and national parks	**89 201**	**(7)**	**(194)**	**55**	**1 783**	**743**	**11**	**..**	**(16)**	**(212)**	**91 364**
Non-specialised land	622	..	..	..	..	(9)	..	..	..	(3)	611
Specialised land	43 883	(7)	(194)	55	1 782	751	11	..	(16)	(210)	46 056
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**	**2 584**	**112**	**7**	**(1)**	**107**	**14 679**
Infrastructure systems	8 183	(41)	..	2	164	1 538	..	..	..	..	9 846
Plant, equipment and vehicles	4 251	(839)	(9)	48	110	1 046	112	7	(1)	107	4 833
Roads, road infrastructure and earthworks	**44 046**	**(998)**	**..**	**2**	**5 518**	**2 109**	**2 979**	**..**	**..**	**14**	**53 671**
Cultural assets [(b)]	**4 351**	**(11)**	**..**	**16**	**76**	**23**	**..**	**..**	**..**	**(126)**	**4 329**
Total	**193 914**	**(3 857)**	**(217)**	**265**	**10 300**	**7 372**	**5 715**	**3**	**(19)**	**(123)**	**213 354**

Notes:
(a) The 2023 comparative figures have been restated to reflect more current information.
(b) The 2023 comparative figures have been restated to correctly reflect the opening balance for certain cultural assets within the National Gallery of Victoria at fair value.

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		
Infrastructure 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	\$3 023–\$54 220 863 \$12–\$1 000 000 1–150 years
Land			
Metropolitan water corporations	Market approach	CSO adjustment [(a)]	1–92 per cent
Ports	Market approach	CSO adjustment [(a)]	0 to negative 20 per cent
Channels			
Ports	Discounted cash flow method (income approach)	Terminal value growth rate [(b)] Discount rates [(b)]	5 per cent 7.25-7.75 per cent
Infrastructure			
Ports	Current replacement cost	Useful life	15–50 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–\$4 253 160

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.

8. 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

The tables and notes that follow explain material variances between the general government sector original budget as published in Chapter 1 of 2023-24 Budget Paper No. 5 *Statement of Finances* and actual outcomes.

The tables also include the revised budget estimates as published in Appendix B of 2024-25 Budget 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*	*2024 actual*	*Budget variance*	*%*	*Revised budget variance*	*%*
Revenue and income from transactions								
Taxation	(a)	34 877	36 921	36 876	1 999	6	(45)	..
Interest income	(b)	1 629	1 892	1 761	132	8	(131)	(7)
Dividends, income tax equivalent and rate equivalent income	(c)	1 275	2 342	2 199	925	73	(143)	(6)
Sales of goods and services	(d)	6 111	6 421	6 212	101	2	(208)	(3)
Grants		41 751	40 990	41 797	46	..	806	2
Other revenue and income	(e)	3 617	3 442	4 210	593	16	767	22
Total revenue and income from transactions		**89 260**	**92 008**	**93 055**	**3 795**	**4**	**1 047**	**1**
Expenses from transactions								
Employee expenses	(f)	35 280	35 652	36 035	755	2	383	1
Net superannuation interest expense		718	774	774	56	8	..	..
Other superannuation	(g)	3 771	3 622	4 062	291	8	440	12
Depreciation		4 890	4 897	4 967	77	2	70	1
Interest expense		5 566	5 725	5 639	73	1	(87)	(2)
Grant expense	(h)	16 962	16 824	16 675	(287)	(2)	(150)	(1)
Other operating expenses	(i)	26 091	29 149	29 127	3 036	12	(22)	..
Total expenses from transactions		**93 277**	**96 643**	**97 279**	**4 001**	**4**	**636**	**1**
Net result from transactions – Net operating balance		**(4 017)**	**(4 635)**	**(4 223)**	**(206)**	**5**	**411**	**(9)**
Other economic flows included in net result								
Net gain/(loss) on disposal of non-financial assets		13	20	(2)	(15)	(113)	(22)	(109)
Net gain/(loss) on financial assets or liabilities at fair value		60	35	345	285	472	310	877
Share of net profit/(loss) from associates/joint venture entities, excluding dividends		30	30	(46)	(76)	(256)	(76)	(256)
Other gains/(losses) from other economic flows		(473)	(531)	(566)	(93)	20	(35)	6
Total other economic flows included in net result	(j)	**(369)**	**(446)**	**(269)**	**100**	**(27)**	**177**	**(40)**
Net result		**(4 387)**	**(5 081)**	**(4 493)**	**(106)**	**2**	**588**	**(12)**
Other economic flows – Other comprehensive income								
Items that will not be reclassified to net result								
Changes in non-financial assets revaluation surplus		1 030	1 322	7 650	6 619	642	6 328	479
Remeasurement of superannuation defined benefits plans		852	422	1 661	808	95	1 238	293
Other movements in equity		13	220	108	96	751	(112)	(51)
Items that may be reclassified subsequently to net result								
Net gain/(loss) on financial assets at fair value		3	25	14	11	381	(11)	(43)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		(6 330)	(6 239)	(1 864)	4 465	(71)	4 375	(70)
Total other economic flows – Other comprehensive income		**(4 431)**	**(4 250)**	**7 569**	**12 000**	**(271)**	**11 819**	**(278)**
Comprehensive result – Total change in net worth		**(8 818)**	**(9 331)**	**3 076**	**11 894**	**(135)**	**12 407**	**(133)**

8. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

Revenue and income from transactions

Revenue and income from transactions was $93.1 billion for the year 30 June 2024. This is $3.8 billion (4 per cent) higher than the published budget. Movements in revenue items from the published budget are discussed below.

a) Taxation revenue was $2 billion higher than published budget. This was driven by higher than budgeted land transfer duty of $1.1 billion due to earlier than expected recovery in the residential property market, where both transaction volumes and dwelling prices performed better than anticipated. Payroll tax, COVID Debt Levy – Payroll $10m+ and Mental Health and Wellbeing levy collections were also $859 million higher than published budget, driven by a stronger than expected recovery in the Victorian economy and labour market.

b) Interest income was $132 million higher than published budget. This was largely driven by higher than expected interest received from the Victorian Property Fund and Residential Tenancy Fund.

c) Dividends, income tax equivalent and rate income was $925 million higher than the published budget. This was largely driven by dividends from the TAC, which were expected to be received as grant revenue in the original budget.

d) Revenue from the sales of goods and services was $101 million higher than published budget. This was primarily driven by an increase in school own-source revenue.

e) Other revenue and income was $593 million higher than published budget. This was driven by the value of assets and services received free of charge under the Metro Tunnel service concession arrangement primarily reflecting adjustments for actual costs. The increase was also driven by increases in other revenue in the health sector related to recoverable salaries, and higher than expected revenue associated with the *Unclaimed Money Act 2008*.

Expenses from transactions

Expenses from transactions was $97.3 billion for the year ended 30 June 2024. This is $4 billion (4 per cent) higher than the published budget. Movements in expense items from the published budget are discussed below.

f) Employee expenses was $755 million higher than published budget. This was largely driven by additional support for critical hospital care and higher than expected expenditure in the education sector relating to government schools.

g) Other superannuation expense was $291 million higher than the published budget due to an increase in employer contributions to defined contribution superannuation funds in the health sector partly reflecting an increase in employee expenditure.

h) Grant expenses were lower than the published budget by $287 million. This was largely driven by lower-than-expected grant payments from the Social Housing Growth Fund, lower than forecast grant expenditure to local government associated with the 2022 October floods event and the timing of expenditure for Three-Year-Old Kinder.

i) Other operating expenses were $3 billion higher than published budget. This was driven by increased service delivery in the health sector, the settlement relating to the withdrawal from the 2026 Commonwealth Games between the State of Victoria and the Commonwealth Games parties (the Commonwealth Games Federation, the Commonwealth Games Federation Partnerships and Commonwealth Games Australia), and higher than expected expenditure relating to the energy bill relief initiative. The increase was also driven by higher than expected expenditure in the transport sector including payments to public transport operators due to lower revenue from the transport networkand higher fees paid to the VicRoads Modernisation joint venture due to higher motor vehicle transfer transaction volumes.

Other economic flows included in net result

j) Total other economic flows included in the net result have improved by $100 million since the published budget. This was driven by higher than expected capital gains from the Victorian Future Fund. This was partially offset by a net gain/(loss) on financial instruments and statutory receivables and payables which was higher than the published budget primarily due to remeasurement of the Metro Tunnel service concession arrangement liability along with a write-off of inventory in the health sector.

8. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

Consolidated balance sheet as at 30 June **($ million)**

	Published budget	*Revised budget*	*2024 actual*	*Budget variance*	*%*	*Revised budget variance*	*%*
Assets							
Financial assets							
Cash and deposits	12 241	11 914	14 306	2 065	17	2 391	20
Advances paid	7 131	6 349	6 421	(709)	(10)	72	1
Receivables and contract assets	8 790	9 462	10 163	1 373	16	700	7
Investments, loans and placements	13 972	14 049	14 866	894	6	817	6
Investments accounted for using the equity method	1 219	1 252	1 143	(76)	(6)	(109)	(9)
Investments in other sector entities	90 349	93 428	98 178	7 830	9	4 750	5
Total financial assets	**133 701**	**136 455**	**145 077**	**11 376**	**9**	**8 622**	**6**
Non-financial assets							
Inventories	364	367	402	38	10	35	9
Non-financial assets held-for-sale	147	87	232	85	58	145	167
Land, buildings, infrastructure, plant and equipment	248 001	264 749	269 690	21 689	9	4 941	2
Other non-financial assets	7 246	5 782	6 222	(1 024)	(14)	440	8
Total non-financial assets	**255 758**	**270 985**	**276 546**	**20 788**	**8**	**5 560**	**2**
Total assets	**389 459**	**407 440**	**421 623**	**32 164**	**8**	**14 183**	**3**
Liabilities							
Deposits held and advances received	1 680	1 389	1 525	(155)	(9)	136	10
Payables [(a)]	5 723	6 333	7 741	2 017	35	1 408	22
Borrowings	167 074	166 798	167 309	234	..	511	..
Employee benefits	10 432	10 936	11 120	688	7	184	2
Superannuation	21 882	19 435	18 226	(3 656)	(17)	(1 208)	(6)
Other provisions	2 099	3 000	3 431	1 332	63	431	14
Other liabilities [(a)]	21 683	22 097	22 411	728	3	314	1
Total liabilities	**230 575**	**229 988**	**231 764**	**1 189**	**1**	**1 776**	**1**
Net assets	**158 884**	**177 452**	**189 859**	**30 975**	**19**	**12 407**	**7**
Equity							
Accumulated surplus/(deficit)	38 140	41 451	43 405	5 266	14	1 954	5
Reserves	120 745	136 001	146 454	25 709	21	10 453	8
Net worth	**158 884**	**177 452**	**189 859**	**30 975**	**19**	**12 407**	**7**
FISCAL AGGREGATES							
Net financial worth	(96 874)	(93 533)	(86 686)	10 187	(11)	6 847	(7)
Net financial liabilities	187 223	186 961	184 865	(2 358)	(1)	(2 096)	(1)
Net debt	135 411	135 874	133 241	(2 170)	(2)	(2 633)	(2)

Note:

(a) The grant of a right to the operator liability, unearned income and contract liabilities line items previously disclosed within payables have now been disclosed within the other liabilities line item to more accurately reflect the nature of these items.

Net financial worth

Net financial worth is total financial assets minus total liabilities. Net financial worth has improved by $10.2 billion since the published budget. This was due to an increase in financial assets of $11.4 billion partially offset by an increase in liabilities of $1.2 billion.

The increase in financial assets was primarily driven by an increase in investments in other sector entities, primarily due to a formal asset revaluation and additional capital investment in Homes Victoria. Also driving the increase was higher than expected cash holdings primarily driven by the better than expected net cash flows from operating activities as described below and an increase in receivables and contract assets primarily relating to taxes receivable mainly driven by land taxes, including the new COVID Debt levy – landholdings.

Net financial liabilities

Net financial liabilities are total liabilities less all financial assets (excluding investments in other sectors). Net financial liabilities were $2.4 billion lower than the published budget.

The decrease was driven by a decrease in the superannuation liability of $3.7 billion reflecting an increase in the bond yields that underlie the key superannuation valuation assumptions and the impact of higher than expected investment returns on superannuation assets. The decrease was also driven by higher than expected cash holdings primarily driven by the better than expected net cash flows from operating activities as described below, an increase in receivables and contract assets primarily relating to land tax, including the COVID Debt Levy – landholdings. In addition, there was an increase in investments, loans and placements primarily relating to an increase in investments associated with Social Housing Growth Fund.

These decreases were partially offset by an increase in payables mainly driven by accrued expenses including accrued grants expense relating to local government grants received from the Commonwealth in June, and an increase other provisions primarily relating to the Victorian Redress for historical abuse and neglect in institutional care, and provisions recorded in the transport sector reflecting in-principle alignment on Metro Tunnel contract matters and other land acquisition activities on the Big Build program.

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 $2.2 billion lower compared with the published budget. This was primarily driven by the better than expected net cash flows from operating activities as described below.

Non-financial assets

Non-financial assets were $20.8 billion higher than the published budget. This was primarily due to the revaluation of non-financial assets in the health sector and higher than forecast expenditure on the State's capital program. 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.

8. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

Consolidated cash flow statement for the year ended 30 June **($ million)**

General government sector	*Published budget*	*Revised budget*	*2024 actual*	*Budget variance*	*%*	*Revised budget variance*	*%*
Cash flows from operating activities							
Receipts							
Taxes received	34 121	36 825	36 496	2 375	7	(329)	(1)
Grants	41 753	40 107	41 062	(691)	(2)	955	2
Sales of goods and services [(a)]	6 618	7 002	6 894	275	4	(108)	(2)
Interest received	1 557	1 799	1 691	134	9	(108)	(6)
Dividends, income tax equivalent and rate equivalent receipts	1 551	2 697	2 645	1 094	71	(52)	(2)
Other receipts	2 063	2 102	2 408	345	17	306	15
Total receipts	**87 664**	**90 532**	**91 197**	**3 533**	**4**	**665**	**1**
Payments							
Payments for employees	(34 959)	(34 984)	(35 074)	(114)	..	(89)	..
Superannuation	(3 532)	(3 443)	(3 853)	(321)	9	(411)	12
Interest paid	(5 246)	(5 424)	(5 262)	(16)	..	162	(3)
Grants and subsidies	(16 859)	(16 634)	(15 936)	923	(5)	698	(4)
Goods and services [(a)]	(25 318)	(28 040)	(26 868)	(1 550)	6	1 172	(4)
Other payments	(921)	(1 580)	(1 582)	(660)	72	(2)	..
Total payments	**(86 835)**	**(90 105)**	**(88 574)**	**(1 739)**	**2**	**1 531**	**(2)**
Net cash flows from operating activities	**829**	**427**	**2 623**	**1 794**	**216**	**2 195**	**514**
Cash flows from investing activities							
Cash flows from investments in non-financial assets							
Purchases of non-financial assets	(15 647)	(17 860)	(17 375)	(1 728)	11	485	(3)
Sales of non-financial assets	545	537	319	(226)	(41)	(218)	(41)
Net cash flows from investments in non-financial assets	**(15 102)**	**(17 323)**	**(17 056)**	**(1 954)**	**13**	**267**	**(2)**
Net cash flows from investments in financial assets for policy purposes	(3 648)	(2 479)	(2 331)	1 317	(36)	148	(6)
Subtotal	**(18 750)**	**(19 802)**	**(19 387)**	**(636)**	**3**	**415**	**(2)**
Net cash flows from investments in financial assets for liquidity management purposes	(9 516)	(10 223)	(10 549)	(1 033)	11	(326)	3
Net cash flows from investing activities	**(28 267)**	**(30 024)**	**(29 936)**	**(1 669)**	**6**	**89**	**..**
Cash flows from financing activities							
Advances received (net)	(34)	(226)	(226)	(192)	562	1	..
Net borrowings	19 978	22 039	22 011	2 032	10	(29)	..
Deposits received (net)	..	..	136	136	n.a	136	n.a
Net cash flows from financing activities	**19 944**	**21 814**	**21 921**	**1 977**	**10**	**107**	**..**
Net increase/(decrease) in cash and cash equivalents	**(7 494)**	**(7 784)**	**(5 392)**	**2 101**	**(28)**	**2 391**	**(31)**
Cash and cash equivalents at beginning of reporting period	19 735	19 698	19 698	(37)	..	..	..
Cash and cash equivalents at end of the reporting period	**12 241**	**11 914**	**14 306**	**2 065**	**17**	**2 391**	**20**

Notes:
(a) These items include goods and services tax.

Net cash flows from operating activities

Net cash flows from operating activities were $1.8 billion higher than the published budget. This was largely due to higher than forecast taxes received relating to payroll tax, higher land transfer duty and higher than expected GST grants. Also driving the increase was the Commonwealth bringing forward some of the 2024-25 local government grants which were received on 28 June 2024. These increases were partially offset by higher other operating expenses discussed above.

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 $1.7 billion higher than the published budget. This increase was driven by higher than forecast expenditure on the State's capital program and higher cash outflows in financial assets for liquidity management purposes due to higher than expected investments with VFMC from the Social Housing Growth Fund.

Net cash flows from financing activities

Net cash inflows from financing activities were $2 billion higher than the published budget. This was primarily due to higher borrowings than expected in the published budget primarily due to the 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.

8. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

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*
2023-24 original budget					
Balance at 1 July 2023	41 661	83 436	41 432	1 173	167 702
Net result for the year	(4 387)	..	..	..	(4 387)
Other comprehensive income for the year	865	1 030	(6 330)	3	(4 431)
Transfer to/(from) accumulated surplus	..	..	..	..	..
Balance at 30 June 2024	**38 140**	**84 466**	**35 103**	**1 176**	**158 884**
2023-24 revised budget					
Balance at 1 July 2023	45 889	91 269	48 245	1 380	186 783
Net result for the year	(5 081)	..	..	..	(5 081)
Other comprehensive income for the year	644	1 322	(6 239)	23	(4 250)
Transfer to/(from) accumulated surplus	..	..	..	..	..
Balance at 30 June 2024	**41 451**	**92 591**	**42 006**	**1 403**	**177 452**
2023-24 actual					
Balance at 1 July 2023	45 889	91 269	48 245	1 380	186 783
Net result for the year	(4 493)	..	..	..	(4 493)
Other comprehensive income for the year	1 635	7 650	(1 864)	149	7 569
Transfer to/(from) accumulated surplus	375	(375)	..	..	..
Balance at 30 June 2024	**43 405**	**98 544**	**46 381**	**1 528**	**189 859**
Variance to original budget					
Balance at 1 July 2023	4 227	7 834	6 813	207	19 081
Net result for the year	(106)	..	..	..	(106)
Other comprehensive income for the year	770	6 619	4 465	146	12 000
Transfer to/(from) accumulated surplus	375	(375)	..	..	..
Balance at 30 June 2024	**5 266**	**14 078**	**11 278**	**353**	**30 975**
Variance to revised budget					
Balance at 1 July 2023	..	..	..	..	..
Net result for the year	588	..	..	..	588
Other comprehensive income for the year	991	6 328	4 375	125	11 819
Transfer to/(from) accumulated surplus	375	(375)	..	..	..
Balance at 30 June 2024	**1 954**	**5 953**	**4 375**	**125**	**12 407**

8.2 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

($ thousand)

	Notes	*2024*	*2023*
Receipts			
Taxation		37 062 231	32 039 338
Fines and regulatory fees		995 861	1 147 402
Grants received		27 291 051	26 155 023
Sales of goods and services		1 134 718	1 372 878
Interest received [(a)]		1 103 039	1 103 233
Dividends, income tax equivalent and rate equivalent receipts		2 484 672	745 108
Other receipts		1 026 510	8 745 403
Total cash inflows from operating activities [(a)]		**71 098 081**	**71 308 384**
Total cash inflows from investing and financing activities [(a)]		**25 071 679**	**23 766 775**
Total consolidated fund receipts	8.2.2	**96 169 759**	**95 075 159**
Payments			
Special appropriations			
Special appropriations (excluding Section 33, *Financial Management Act, No. 18 of 1994* appropriation to meet certain obligations)		13 410 464	5 289 199
Section 28 *Financial Management Act, No. 18 of 1994* (appropriation for borrowing against future appropriations)	8.2.16	..	..
Section 33 *Financial Management Act, No. 18 of 1994* (appropriation to meet certain obligations) [(b)]		204 654	119 413
Total special appropriations [(b)]	8.2.7	**13 615 119**	**5 408 612**
Annual appropriations			
Provision of outputs			
Provision of outputs – Net application	8.2.8	51 166 787	50 456 619
Section 29 *Financial Management Act, No. 18 of 1994* (appropriation of annotated receipts)	8.2.11	2 794 425	2 477 051
Section 32 *Financial Management Act, No. 18 of 1994* (prior year unspent appropriations brought forward)	8.2.12	507 402	368 441
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	8.2.14	374 071	399 253
Advance to Treasurer to be sanctioned	8.2.13	5 993 302	9 075 575
Total provision of outputs		**60 835 987**	**62 776 939**
Additions to net asset base			
Additions to net asset base – Net application	8.2.8	10 410 679	10 336 196
Section 29 *Financial Management Act, No. 18 of 1994* (appropriation of annotated receipts)	8.2.11	1 506 104	1 253 258
Section 32 *Financial Management Act, No. 18 of 1994* (prior year unspent appropriations brought forward)	8.2.12	711 707	591 851
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	8.2.15	91 245	..
Advance to Treasurer to be sanctioned	8.2.13	5 638 351	3 139 385
Total additions to net asset base		**18 358 086**	**15 320 690**
Payments made on behalf of the State			
Payments made on behalf of the State	8.2.8	10 460 480	7 094 937
Section 32 *Financial Management Act, No. 18 of 1994* (prior year unspent appropriations brought forward)	8.2.12	54 242	..
Advance to Treasurer to be sanctioned	8.2.13	2 455	..
Total payments made on behalf of State		**10 517 176**	**7 094 937**
Other			
Contribution by the State under agreements pursuant to Section 25 of *the Murray-Darling Basin Act 1993*	8.2.8	31 385	31 429
Victorian Law Reform Commission – pursuant to Section 17 (b) of the *Victorian Law Reform Commission Act 2000*	8.2.8	720	779
Total other		**32 105**	**32 208**
Total annual appropriations		**89 743 354**	**85 224 774**
Applied appropriations remaining unspent relating to the reporting year [(b)]		(1 733 925)	(1 275 866)
Total payments		**101 624 548**	**89 357 520**
Consolidated fund balance 1 July		**5 717 639**	**..**
Add total receipts for year		**96 169 759**	**95 075 159**
Less total payments for year		**(101 624 548)**	**(89 357 520)**
Consolidated fund balance 30 June		**262 851**	**5 717 639**

8.2.1 Summarised consolidated fund receipts and payments for the financial year ended 30 June *(continued)*

($ thousand)

	Notes	*2024*	*2023*
Reconciliation of unspent appropriations:			
Applied appropriations unspent at the end of year		*16 507 729*	*14 978 458*
add payments made during the year under the Financial Management Act, No. 18 of 1994*, Section 33* [(b)]		204 654	119 413
Subtotal [(b)]		***16 712 383***	***15 097 871***
less applied appropriations unspent at the beginning of year		*(14 978 458)*	*(13 822 004)*
Current year appropriations remaining unspent as at 30 June [(b)]		***1 733 925***	***1 275 866***

Notes:

(a) The 2022-23 figures have been reclassified between interest received and loans to government agencies which is a financing activity to more accurately reflect the nature of the receipts.

(b) The 2023 figures have been restated to reflect more current information.

8.2.2 Consolidated fund receipts for the financial year ended 30 June ($ thousand)

	Published budget 2024	*Actual 2024*	*Actual 2023*
Operating activities			
Taxation			
Payroll tax	8 985 477	9 773 413	8 357 407
COVID Debt Levy – Payroll $10m+	999 915	1 056 842	..
Mental Health and Wellbeing Levy	1 075 906	1 200 575	1 104 983
Land tax	5 965 268	5 813 511	4 742 892
COVID Debt Levy – Landholdings	586 038	468 224	..
Fire Services Property Levy	846 785	839 496	791 858
Windfall gains tax [(a)]	..	7 543	..
Congestion levy	121 967	126 295	120 605
Financial and capital transactions			
Land transfer duty	7 367 764	8 375 491	8 710 095
Other property duties	12	71	46
Metropolitan Planning Levy	21 529	19 793	21 913
Financial accommodation levy	171 770	165 557	155 462
Growth areas infrastructure contribution	213 000	178 624	153 698
Gambling			
Public lotteries	719 178	732 018	670 409
Electronic gaming machines	1 249 248	1 303 358	1 313 231
Casino	206 603	221 214	177 533
Racing and other sports betting [(b)]	268 880	847 511	253 213
Other	122 397	124 930	107 248
Levies on statutory corporations	**173 480**	**173 480**	**173 480**
Taxes on insurance	**2 011 058**	**2 075 820**	**1 875 467**
Motor vehicle			
Registration fees pursuant to the *Road Safety Act, No. 127 of 1986*	2 118 681	2 109 741	1 954 137
Stamp duty on vehicle transfers	1 246 653	1 386 272	1 255 327
Franchise fees			
Liquor	29 539	31 105	20 905
Other [(a)]	**71 504**	**31 346**	**79 430**
Total taxation	**34 572 653**	**37 062 231**	**32 039 338**
Fines and regulatory fees			
Fines	455 543	408 982	596 388
Regulatory fees	654 362	586 879	551 014
Total fines and regulatory fees	**1 109 905**	**995 861**	**1 147 402**
Grants received [(c)]			
Department of Education	6 500	8 686	3 233
Department of Energy, Environment and Climate Action	211	3 894	1 093
Department of Families, Fairness and Housing	14 669	15 159	21 189
Department of Health	73 889	107 029	259 849
Department of Jobs, Skills, Industry and Regions	1 607	4 800	1 524
Department of Justice and Community Safety	..	582	582
Department of Transport and Planning	1 168	17 625	2 136
Department of Treasury and Finance	27 165 398	27 133 275	25 865 417
Total grants received	**27 263 442**	**27 291 051**	**26 155 023**
Sales of goods and services			
Other sales of goods and services	1 287 942	1 134 718	1 372 878
Total sales of goods and services	**1 287 942**	**1 134 718**	**1 372 878**
Interest received [(d)]	**938 106**	**1 103 039**	**1 103 233**
Dividends, income tax equivalent and rate equivalent revenue			
Dividends	771 925	1 534 462	60 477
Income tax equivalent revenue	537 419	945 716	679 850
Local government tax equivalent revenue	5 312	4 493	4 781
Total dividends, income tax equivalent and rate equivalent revenue	**1 314 656**	**2 484 672**	**745 108**

8.2.2 Consolidated fund receipts for the financial year ended 30 June *(continued)* ($ thousand)

	Published budget 2024	*Actual 2024*	*Actual 2023*
Other receipts			
Land rent received	18 893	32 589	18 400
Royalties received	141 560	135 558	128 665
Other	479 646	858 364	8 598 339
Total other receipts	**640 099**	**1 026 510**	**8 745 403**
Total cash inflows from operating activities (d)	**67 126 803**	**71 098 081**	**71 308 384**
Cash inflows from investing activities			
Proceeds from investments (e)	26 438	1 339	360
Proceeds from sale of property, plant and equipment (f)	350 208	150 036	202 327
Other loans	642	..	..
Return of capital – Government entities	727 314	408 572	..
Total cash inflows from investing activities (e)(f)	1 104 603	559 947	202 687
Cash inflows from financing activities			
Loans to government agencies (d)(e)	41 471	47 257	29 434
Borrowings (f)	29 572 613	24 464 475	23 534 655
Total cash inflows from financing activities (d)(e)(f)	**29 614 084**	**24 511 732**	**23 564 088**
Total cash inflows from investing and financing activities (d)	**30 718 686**	**25 071 679**	**23 766 775**
Total consolidated fund receipts	**97 845 489**	**96 169 759**	**95 075 159**

Notes:

(a) The 2023-24 budget figures have been reclassified between windfall gains taxes and other taxes to more accurately reflect the nature of the receipts.

(b) The increase from prior year is due to the upfront wagering and betting licences premiums received in 2023-24.

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

(d) The 2022-23 actual and 2023-24 budget figures have been reclassified between interest received and loans to government agencies to more accurately reflect the nature of the receipts.

(e) The 2023-24 budget figures have been reclassified between proceeds from investments and Loans to government agencies to more accurately reflect the nature of the receipts.

(f) The 2023-24 budget figures have been reclassified between proceeds from sale of property, plant and equipment and Borrowings to more accurately reflect the nature of the receipts.

8.2.3 Trust fund cash flow statement for the financial year ended 30 June ($ thousand)

	2024	2023
Cash flows from operating activities		
Receipts		
Taxation	715 425	617 442
Regulatory fees and fines	245 379	234 787
Grants received	21 648 629	23 008 725
Sale of goods and services	1 465 633	1 568 676
Interest received	255 386	152 187
Dividend received	127 143	37 238
Net transfers from the consolidated fund [(a)]	19 045 310	9 389 063
Other receipts	266 815	338 587
Payments		
Payments for employees	(574 460)	(504 897)
Superannuation	(46 674)	(40 393)
Interest paid	(143 106)	(116 619)
Grants and subsidies	(22 929 347)	(24 536 841)
Goods and services	(4 955 932)	(4 057 093)
Net cash flows from operating activities	**15 120 200**	**6 090 861**
Cash flows from investing activities		
Purchase of non-financial assets	(306 280)	(65 969)
Sales of non-financial assets	109 878	98 263
Net proceeds from customer loans	200 853	705 415
Other investing activities [(b)]	(15 130 456)	(3 797 331)
Net cash flows from investing activities	**(15 126 004)**	**(3 059 622)**
Cash flows from financing activities		
Net borrowings	110 130	(417 296)
Net cash flows from financing activities	**110 130**	**(417 296)**
Net increase/(decrease) in trust fund cash and deposits	**104 325**	**2 613 943**

Notes:

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

(b) *The increase in other investing activities is primarily due to amounts allocated to the Victorian Future Fund being invested with the Victorian Funds Management Corporation following proclamation of the* Victorian Future Fund Act 2023*.*

8.2.4 Trust fund summary for the financial year ended 30 June ($ thousand)

	Balances held 2024	*Balances held 2023*
State Government funds		
Accounts established to receive levies imposed by Parliament and record the expenditure thereof	643 295	421 911
Accounts established to receive monies provided in the annual budget and record the expenditure thereof [(a)]	4 527 058	3 329 725
Specific purpose operating accounts established for various authorities [(a)(b)]	10 400 144	1 728 389
Suspense and clearing accounts to facilitate accounting procedures	279 949	346 555
Treasury Trust Fund	327 847	349 974
Agency and deposit accounts	946 601	890 245
Total State Government funds	**17 124 894**	**7 066 799**
Joint Commonwealth and State funds	**633 672**	**855 886**
Commonwealth Government funds		
Commonwealth Grants passed on to individuals and organisations	741 335	441 848
Total Commonwealth Government funds	**741 335**	**441 848**
Prizes, scholarships, research and private donations	**477 568**	**464 935**
Total Trust Fund	**18 977 468**	**8 829 467**

Notes:

(a) *The 2022-23 comparative figures have been reclassified between Specific purpose operating accounts established for various authorities and Accounts established to receive monies provided in the annual budget and record the expenditure thereof to more accurately reflect the nature of the trust funds.*

(b) *The increase in 2024 is primarily due to the proclamation of the* Victorian Future Fund Act 2023*, with amounts allocated to the Fund being transferred from the Consolidated Fund to the Trust Fund in 2023-24, consistent with the requirements of Section 8 (1)(a)(i) of this Act.*

8.2.5 Reconciliation of cash flows to balances held ($ thousand)

	Balances held at 30 June 2023	*Net movement for year*	*Balances held at 30 June 2024*
Cash and deposits			
Cash balances outside the Public Account	(32)	967	935
Deposits held with the Public Account – Specific trusts	1 448 371	502 038	1 950 410
Deposits held with the Public Account – General trusts	15	..	16
Other balances held in the Public Account [(a)]	11 449 547	(5 488 329)	5 961 223
Total cash and deposits	**12 897 902**	**(4 985 324)**	**7 912 583**
Investments			
Investments held with the Public Account – Specific trusts [(a)]	1 649 199	9 678 601	11 327 800
Total investments	**1 649 199**	**9 678 601**	**11 327 800**
Total fund balances	**14 547 101**	**4 693 277**	**19 240 384**
Less funds held outside the Public Account			
Cash	(32)	967	935
Total fund balances held outside the Public Account	**(32)**	**967**	**935**
Total funds held in the Public Account [(b)]	**14 547 133**	**4 692 310**	**19 239 449**

Notes:

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

(b) *See Note 8.2.6 for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.*

8.2.6 Details of securities held and included in the balances at 30 June ($ thousand)

	2024	2023
Funds held at 30 June		
Trust accounts		
Amounts invested on behalf of specific trusts [(a)]	13 278 210	3 097 570
Amounts invested on behalf of general trusts	16	15
General account balances	5 698 373	5 731 908
Total trust accounts	**18 976 598**	**8 829 493**
Consolidated fund account balance	**262 851**	**5 717 639**
Total funds held in the public account	**19 239 449**	**14 547 133**
Represented by:		
Stocks and securities held with/in –		
Managed investments [(a)]	11 327 816	1 649 214
Treasury Corporation of Victoria	10 430	8 320
	11 338 246	**1 657 534**
Cash and investments held with/in –		
Treasury Corporation of Victoria	..	..
Cash at bank balances held in Australia	7 257 738	11 695 222
	7 257 739	**11 695 222**
Total stock, securities, cash and investments	**18 595 985**	**13 352 756**
Add cash advanced pursuant to Sections 36 and 37 of the *Financial Management Act, No. 18 of 1994*	643 465	1 194 377
Total funds held in the public account	**19 239 449**	**14 547 133**

Note:
(a) The increase in 2024 is primarily due the proclamation of the Victorian Future Fund Act 2023, *with amounts allocated to the Fund being transferred from the Consolidated Fund to the Trust Fund in 2023-24, consistent with the requirements of Section 8 (1)(a)(i) of this Act.*

8.2.7 Consolidated Fund payments: Special appropriations [(a)] ($ thousand)

	2024	2023
Education	20 054	4 821
Energy, Environment and Climate Action [(b)]	18 992	87 216
Families, Fairness and Housing	146 249	82 868
Government Services [(b)]	1 305	3 357
Health	3 284 211	3 028 091
Jobs, Skills, Industry and Regions [(b)]	3 870	11 467
Justice and Community Safety	168 357	113 843
Premier and Cabinet	108 310	164 199
Transport and Planning	713 465	541 509
Treasury and Finance [(b)(c)]	8 799 213	1 051 854
Parliament	57 797	53 031
Courts	293 296	266 356
Total special appropriations [(b)]	**13 615 119**	**5 408 612**

Notes:
(a) On 5 December 2022, the former Premier announced a number of machinery of government changes to restructure the functions of government departments, including the renaming of several departments and the creation of a new department with effect from 1 January 2023.
(b) The 2023 figures have been restated to reflect more current information.
(c) Following the proclamation of the Victorian Future Fund Act 2023, *amounts allocated to the Fund were transferred from the Consolidated Fund to the Trust Fund in 2023-24, consistent with the requirements of Section 8 (1)(a)(i) of this Act.*

8.2.8 Consolidated Fund payments: Annual appropriations [(a)] ($ thousand)

2024	*Provision of outputs*	*Additions to net asset base*	*Payments made on behalf of the State*	*Total*
Education	15 078 336	1 104 580	..	16 182 916
Energy, Environment and Climate Action	1 691 837	150 656	612 688	2 455 181
Families, Fairness and Housing	4 266 926	587 418	2 808 483	7 662 827
Government Services	444 513	..	..	444 513
Health	12 398 293	..	..	12 398 293
Jobs, Skills, Industry and Regions	2 222 689	..	..	2 222 689
Justice and Community Safety	8 694 501	25 970	68 719	8 789 190
Premier and Cabinet	324 214	..	..	324 214
Transport and Planning	4 949 673	8 436 536	110 214	13 496 423
Treasury and Finance	350 070	1 470	6 891 761	7 243 301
Parliament	267 689	4 519	..	272 207
Courts	478 766	99 531	..	578 297
Total annual appropriations	**51 167 507**	**10 410 679**	**10 491 865**	**72 070 051**

2023				
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**

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

8.2.9 Amounts paid into working accounts pursuant to Section 23 of the *Financial Management Act 1994* for the year ended 30 June ($ thousand)

	2024	*2023*
Appropriation transfer equivalent to consolidated fund receipts	31 763	35 491
Interest received on credit balances	420	283
Total amounts paid into working accounts	**32 183**	**35 774**

8.2.10 Transfers pursuant to Sections 30 and 31 of the *Financial Management Act 1994* for the financial year ended 30 June 2024

Transfers pursuant to Section 30 of the *Financial Management Act 1994* **($ thousand)**

	Decrease	*Increase*
Section 30 transfers		
(Transfers between items of departmental appropriations)		
Education		
Provision of outputs	6 385	..
Additions to the net asset base	..	6 385
Energy, Environment and Climate Action		
Provision of outputs	..	30 595
Additions to the net asset base	30 595	..
Families, Fairness and Housing		
Provision of outputs	17 222	..
Additions to the net asset base	..	17 222
Government Services		
Provision of outputs	..	352
Additions to the net asset base	352	..
Health		
Provision of outputs	..	131 196
Additions to the net asset base	131 196	..
Jobs, Skills, Industry and Regions		
Provision of outputs	1 937	..
Additions to the net asset base	..	1 937
Justice and Community Safety		
Provision of outputs	..	105 911
Additions to the net asset base	125 315	..
Payments made on behalf of the State	..	19 404
Premier and Cabinet		
Provision of outputs	1 174	..
Additions to the net asset base	..	1 174
Transport and Planning		
Provision of outputs	..	47 991
Additions to the net asset base	49 942	..
Payments made on behalf of the State	..	1 952
Parliament [(a)]		
Provision of outputs	..	312
Additions to the net asset base	312	..
Total Section 30 transfers	**364 431**	**364 431**

Note:
(a) This section 30 transfer relates to the Independent Broad-based Anti-corruption Commission (IBAC).

Transfers pursuant to Section 31 of the *Financial Management Act 1994* **($ thousand)**

Parliament	*Decrease*	*Increase*
Section 31 transfers		
(Transfers between items of Parliamentary appropriation)		
Department of Parliamentary Investigatory Committees		
Provision of outputs	300	..
Department of Legislative Council		
Provision of outputs	..	300
Total Section 31 transfers	**300**	**300**

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 2024

($ thousand)

		Source		
Department	*Outputs*	*Commonwealth*	*Other*	*Total*
Education	95 169	42 848	1 463	139 480
Energy, Environment and Climate Action	62 838	83 044	..	145 882
Families, Fairness and Housing	36 574	648 245	8 329	693 148
Government Services	10 880	..	..	10 880
Health	294 000	151 865	1 550	447 415
Jobs, Skills, Industry and Regions	6 747	600 956	..	607 703
Justice and Community Safety	246 231	138 076	3 627	387 934
Premier and Cabinet	..	..	..	..
Transport and Planning	302 049	1 440 471	..	1 742 520
Treasury and Finance	5 790	..	..	5 790
Parliament	38 611	..	..	38 611
Courts	81 167	..	..	81 167
Total appropriation	**1 180 055**	**3 105 505**	**14 969**	**4 300 529**

8.2.12 Section 32 carryovers – *Financial Management Act 1994* for the financial year ended 30 June

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**

Amounts applied against carryover of appropriations in 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	274 101	..	365 481
Energy, Environment and Climate Action	71 535	6 256	..	77 791
Families, Fairness and Housing	14 650	14 071	54 242	82 963
Government Services	..	..	..	..
Health	22 562	..	..	22 562
Jobs, Skills, Industry and Regions	95 422	2 222	..	97 644
Justice and Community Safety	31 134	28 807	..	59 941
Premier and Cabinet	9 468	..	..	9 468
Transport and Planning	156 307	358 630	..	514 937
Treasury and Finance	14 943	504	..	15 447
Parliament	..	916	..	916
Courts	..	26 200	..	26 200
Total carryovers by department	**507 402**	**711 707**	**54 242**	**1 273 351**

Amounts approved for carryover to 2024-25 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	97 357	279 777	..	377 133
Energy, Environment and Climate Action	57 544	4 829	..	62 373
Families, Fairness and Housing	16 416	14 090	6 513	37 019
Health	52 557	..	..	52 557
Jobs, Skills, Industry and Regions	108 401	6 335	..	114 736
Justice and Community Safety	3 808	69 371	..	73 179
Premier and Cabinet	6 048	1 000	..	7 048
Transport and Planning	164 577	1 128 592	..	1 293 169
Treasury and Finance	40 873	843	..	41 716
Government Services	1 732	1 500	..	3 232
Parliament	5 012	114	..	5 126
Courts	..	8 157	..	8 157
Total carryovers by department	**554 324**	**1 514 609**	**6 513**	**2 075 446**

8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June

Treasurer's advance payments relating to decisions made post budget **($ thousand)**

Department	*Purpose*	*2023-24*
Education	Lifting student outcomes – Tutor Learning Initiative	108 124
	Department operational funding	84 298
	Additional School Enrolment Funding	78 376
	Inclusion for all: New funding and support model for school students with disability – Funding rephase	50 000
	Growing the pipeline of teachers across all Victorian government schools	22 632
	English as an Additional Language	18 725
	Summer 2023-24 floods and storms	13 900
	Additional Kindergarten Enrolment Funding	13 716
		389 771
Energy, Environment and Climate Action	Native timber harvesting transition	134 980
	2022-23 Emergency works flood recovery	73 548
	$250 Power Saving Bonus	57 419
	2023-24 Emergency bushfire and floods response	54 800
	Aviation Firefighting Resources	21 260
	Portfolio Agencies Support	19 153
	Urgent bushfire prevention works	14 500
	Biosecurity event responses	13 136
	Red Imported Fire Ant Response Plan	10 279
	Power outage payment	7 976
	Accelerating energy project delivery and mitigating biodiversity impacts	3 860
	Planned burning and wildlife response	2 026
	Forestry Transition Program	1 920
	Gas Substitution Roadmap	1 800
	Gate fee rebate and waste levy waiver for emergency response	1 681
	Emergency animal disease preparedness	1 671
	Establishing VicGrid – funding rephase	1 343
	Network outage review – System response	480
	Land Management Projects – Funding reinstatement	375
		422 206
Families, Fairness and Housing	Victorian Redress for historical abuse and neglect in institutional care	170 651
	Funding for community service organisations	40 278
	Public Housing Revitalisation	22 278
	Partnerships Addressing Disadvantage	3 250
		236 457
Government Services	Extension of payment scheme for the customers of liquidated builders	21 690
	Additional Working Screening Unit Funding	12 322
	Council Flood Support Fund	7 989
	Supporting Victoria's public libraries	5 513
	Additional support for Asset maintenance of Service Victoria	3 100
	Departmental operating and wages funding	2 696
	Financial Counselling & Renter Services for October 2022 Flood Victims	950
	Funding for community service organisations	525
		54 785
Health	Additional funding for our hospitals	1 338 786
	Adjustment for reduction in Commonwealth funding under the National Health Reform Agreement	144 852
	Additional funding for community service organisations indexation	17 635
	Department operational funding	5 550
	Protecting the health of priority populations	957
	Victoria's flood recovery	240
		1 508 020

8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)*

Treasurer's advance payments relating to decisions made post budget ***(continued)*** **($ thousand)**

Department	*Purpose*	*2023-24*
Jobs, Skills, Industry and Regions	Supporting our creative agencies and cultural institutions	74 596
	Economic Growth Industry Grants	49 762
	Regional Economic Development and Participation Package	44 903
	State Sports Centres Trust	15 465
	Supporting Regional TAFE Training Delivery	15 000
	Departmental operating and wages funding	14 983
	Flood Recovery and Support	5 571
	Sporting Agencies Infrastructure and Support	5 090
	Geelong City Deal – Victorian contribution	5 000
	Better Boating Fund	3 997
	Visitor Economy – Recovery and Reform Package	850
	COVID-19 Pandemic Business Support – 2022-23 reinstatement	596
	Swinburne University of Technology – Prahran Campus	493
	Cultural Agencies State Collections Management	141
	Major Events Fund	100
	Nyaal Banyul Geelong Convention and Event Centre	80
		236 628
Justice and Community Safety	Historical Forced Adoption Redress Scheme	137 549
	Supporting Emergency Service Organisations	92 460
	Departmental operating and wages funding	68 333
	Disaster relief and recovery	59 712
	Supporting Harness Racing Victoria	52 500
	Additional funding for community services organisation indexation	3 088
	Industry engagement and enforcement operation	992
	Development and implementation of court reform fees	299
	Funding support to victims from the Singleton bus crash	95
		415 028
Premier and Cabinet	Costs associated with administration changes	7 963
	Departmental operating and wages funding	2 091
	Donation for Good Friday Appeal 2024	1 000
	State Funerals & Memorial Services	947
	Regional Multicultural Festivals	864
	Parliamentary Advisors Opposition Office	616
	My Room Children Cancer Charity	500
	National Agreement on Closing the Gap	414
	Vietnamese Cultural Museum – 2022-23 reinstatement	210
		14 605
Transport and Planning	Gippsland Line Upgrade – Stage 1	142 442
	Victorian Floods and Storm Recovery	44 607
	Waurn Ponds Duplication – Stage 2	29 690
	Car Park Federal Program – Victorian contribution	17 707
	Outer Metropolitan Ring Road Planning	15 588
	Hurstbridge Line Upgrade – Stage 2	14 450
	Housing Statement: Building Reforms	13 614
	Victorian Renewable Energy Terminal planning and design	8 000
	Land Sales and Acquisition	7 242
	Cladding Rectification Program	5 000
	South Dynon Train Maintenance Facility – Stage 2	4 860
	Ballarat Station Upgrade	3 509
	Melbourne Exhibition and Convention Centre	2 455
	Unlocking Capacity on the Metro Rail Network	1 595
	Energy Brix Site Rehabilitation	1 579
	Capacity Improvements to Wyndham Vale and Melton	1 368

8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)*

Treasurer's advance payments relating to decisions made post budget ***(continued)*** **($ thousand)**

Department	*Purpose*	*2023-24*
Transport and Planning *(continued)*	Loose-fill Asbestos Remediation	1 116
	Shepparton Rail Line Planning Study	1 040
	Drug Impairment Program	880
	Streamlining Hoddle Street	475
	Support for our suburbs	45
		317 261
Treasury and Finance	Commonwealth Games settlement payment	380 000
	Commercial reform and advisory services	5 335
	Commercial and industrial property tax reform	3 264
	Departmental operating and wages funding	2 223
	Consumer awareness – Insurance	243
	Occupational health and safety review	207
	Ex gratia relief	155
		391 427
Parliament	Members salary on-costs for 2023-24	4 708
	Parliamentary Advisers for 60th Parliament	1 200
	Additional operational funding for the Parliament of Victoria	1 166
	Implementation of Victorian Independent Remuneration Tribunal decision	643
	Supporting the Victorian Ombudsman's Parliamentary Referral	613
	Additional operational funding for IBAC	399
	Additional operational funding for the Victorian Ombudsman	143
	Additional operational funding for the Victorian Auditor-General's office	80
	Budget supplementation for IBAC	54
	Members Career Transition Support Program for 2023-24	49
		9 056
Courts	Courtlink Mainframe Replacement	3 419
	Department operational funding	3 110
	Workforce transition	2 767
	Complex inquests at the Coroners Court	552
	Cyber security response	500
	Judicial Commission of Victoria Investigating panels	345
	Court Fee Reform – Probate Online Advertising System Replacement	144
		10 837
Total Treasurer's advance payments relating to decisions made post budget		**4 006 080**

8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)*

Contingency releases paid from the advance to the Treasurer **($ thousand)**

Department	*Purpose*	*2023-24*
Education	Preschool Funding Agreement	10 558
	Supporting teachers with detailed lesson planning and high quality curriculum planning and assessment support	2 660
		13 218
Energy, Environment and Climate Action	State Electricity Commission (SEC)	360 003
	Forestry Transition Support and Programs	227 930
	Offshore Wind	19 944
	Camping on Crown Water Frontages	2 823
	Kerang Link and Marinus Link	2 287
	Regional Recycling Fund	1 457
	Climate Ready Agriculture	450
	Meeting the State's legal requirements to enter Treaty negotiations	293
	Regional Community Vet Clinic	230
	Community Power Hubs Program	230
	Victorian Rural Women's Network	205
		615 852
Families, Fairness and Housing	Homes Victoria Ground Lease Model Project	156 575
	Civil Claims Costs for Historical Institutional Child Abuse	78 617
	Workforce transition	18 978
	Supporting victims of sexual violence and harm	9 471
	Good Money Financial Services Program	3 577
	State Trustees Concessions Program	1 578
		268 796
Government Services	Service Victoria Funding	12 186
	Digital Victoria	8 761
	Melbourne CBD Economic Revitalisation Package – 2022-23 reinstatement	5 034
	Workforce transition	154
		26 135
Health	Additional funding for our hospitals	110 330
	More support for our nurses and midwives	37 480
	Providing additional bed capacity through modular facilities	31 119
	Maintaining a PPE supply and stockpile	30 200
	Workforce transition	28 653
	Improving access to emergency care	19 276
	M-pox vaccination program	17 260
	New legal foundations and supporting consumers to exercise their rights	13 242
	Additional resources in Public Sector Residential Aged Care Facilities	8 164
	Supporting our GPs	4 920
	Maximising our health workforce	4 766
	Supporting our ambulance services	4 000
	Supporting decriminalisation of public intoxication	3 839
	Community Pharmacist Prescribing Pilot	2 047
	Supporting the mental health and wellbeing of people in contact with the criminal and youth justice systems	1 433
	Enabling a high-quality, efficient public pathology system	700
	Rural and regional Public Sector Residential Aged Care Services project	490
	Modernising Victoria's health system	453
		318 371

8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)*

Contingency releases paid from the advance to the Treasurer *(continued)* **($ thousand)**

Department	*Purpose*	*2023-24*
Jobs, Skills, Industry and Regions	Melbourne Arts Precinct Transformation Phase One	152 454
	Breakthrough Victoria Pty Ltd	41 846
	Regional Sport Infrastructure Package	35 954
	Jobs Victoria	22 684
	Supporting our creative agencies and cultural institutions	21 709
	Visit Victoria	17 000
	Nyaal Banyul Geelong Convention and Event Centre	16 760
	Workforce transition	8 248
	Supporting TAFEs to meet priority skills demand	6 608
	Melbourne CBD Economic Revitalisation Package	6 211
	Timber Supply Chain Resilience Package	6 067
	Latrobe Valley Transition and Transformation	2 572
	Delivering the Australian Institute for Infectious Disease	1 057
	Community Sports Infrastructure Loans Scheme	1 048
	Building Better TAFE Fund	1 000
	Flood Recovery and Support	820
	Economic Growth Industry Grants	700
	Latrobe Valley GovHub	424
	Growing Suburbs Fund	336
	Meeting the State's legal requirements to enter Treaty negotiations	293
	Made in Victoria – supporting industry through R&D infrastructure	199
		343 989
Justice and Community Safety	Supporting Victoria Police operations and resources	246 000
	Supporting Emergency Service Organisations	228 715
	Workforce transition	11 543
	Technology and resources to support Victoria's fines system	10 348
	Supporting Harness Racing Victoria	10 125
	Delivering new police station infrastructure	9 602
	New Emergency Services Superannuation accumulation fund contributions	9 000
	Victoria Police Death and Disability Benefits	4 060
	Implementing a new and sustainable clinical forensic medicine service model	3 768
	Responding to the Royal Commission into the Casino Operator and Licence and enhancing gambling and liquor regulation initiative	3 732
	Operationalising a new financial assistance scheme for victims of crime	3 583
	Fire Services Command	2 300
	Early intervention to counter violent extremism	1 500
	Justice system costs associated with court programs	1 102
	Modernising the men's prison network	564
	COVID-19 Quarantine Victoria wind up	390
	Meeting the State's legal requirements for Treaty Negotiations	388
	Addressing over-representation of vulnerable and disadvantaged cohorts in the Youth Justice system	173
	Funding Supplementation for the Advice, Referrals and Case Management (ARC) system	158
		547 051
Premier and Cabinet	Munarra Centre for Regional Excellence Project	21 006
	Workforce transition	3 428
	Tangurung Authority Funding	900
	Establishment of the Electoral Review	820
	Meeting the State's Legal requirements to enter Treaty negotiations	153
	Multicultural policy delivery	97
	Strengthening the independence of Framlingham and Lake Tyers Aboriginal Trusts	1
		26 405

8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June *(continued)*

Contingency releases paid from the advance to the Treasurer *(continued)* **($ thousand)**

Department	*Purpose*	*2023-24*
Transport and Planning	Level Crossing Removal Program	2 195 115
	Suburban Rail Loop East – Main Works	1 351 976
	North East Link	773 164
	More VLocity Trains	297 319
	Regulatory Programs and Services	269 500
	Suburban Rail Loop East – Development, Initial and Early Works	184 800
	Victorian Floods and Storm Recovery	140 000
	Switching on Big Build	49 854
	South Dynon Train Maintenance Facility – Stage 2	41 886
	Warrnambool Line Upgrade – Stage 2	35 633
	Arden Precinct Redevelopment	32 696
	Bendigo-Echuca Line Upgrade – Stage 2	21 728
	Gippsland Line Upgrade – Stage 1	9 570
	Growing Suburbs Fund	9 271
	Commercial Transactions	6 419
	Capacity Improvements to Wyndham Vale and Melton	5 480
	Outer Metropolitan Ring Road Planning	5 325
	Next Generation Trams	5 000
	Sunshine Station Masterplan	4 856
	Metropolitan Road and Intersection Upgrades	4 473
	New Metropolitan Trains	4 131
	Southern Cross Station	3 597
	Tarneit Station Upgrade	2 213
	Shepparton Corridor Upgrade – Stage 3	1 877
	Delivering Victoria’s Bus Plan	1 522
	Personal Safety on the Transport Network	482
	Kilmore Wallan Bypass Planning	420
	Motorists Benefit Package	415
	Transport and Amenity Program	182
	Car Parks for Commuters	140
	Delivering the Tram Plan	100
	Regional Road Upgrades	65
	Meeting the State’s legal requirements to enter Treaty negotiations	21
		5 459 231
Treasury and Finance	Funding for Portable Long Service Authority	3 419
	Gender workplace equity	993
	High Value High Risk projects gateway reviews	438
	Victorian Homebuyer Fund	430
	Workforce transition	211
	Meeting the State’s legal requirements to enter Treaty negotiations	76
		5 567
Parliament	Budget supplementation for IBAC	725
		725
Courts	Workforce transition	2 249
	Children’s Court Clinic and Conferencing project	438
		2 687
Total Treasurer’s advance payments relating to contingency releases		**7 628 027**
Total Treasurer’s advance payments		**11 634 107**

8.2.14 Payments from advances and unused advances carried forward to 2023-24 pursuant to Section 35 and 35(4) of the *Financial Management Act 1994*

Section 35 payments relating to decisions made post budget **($ thousand)**

Department	*Purpose*	*2023-24*
Transport and Planning	COVID-19 Impacts on the Transport Network	268 979
	Metro Tunnel Readiness	3 240
	Additional Authorised Officers	1 673
Total payments from advances pursuant to Section 35 (4) of the *Financial Management Act 1994* relating to decisions made post budget		**273 892**

Contingency releases paid from Section 35 **($ thousand)**

Department	*Purpose*	*2023-24*
Transport and Planning	Metro Tunnel Readiness	135 279
	Switching on Big Build	52 991
	MR4 Close Out	3 154
Total payments from advances pursuant to Section 35 (4) of the *Financial Management Act 1994* relating to contingency releases		**191 424**
Total payments from advances pursuant to section 35 (4) of the *Financial Management Act 1994*		**465 316**

8.2.15 Government guarantees

Money received or recovered in respect of any guarantee payments

There has been no money received, recovered, or paid during 2023-24 in respect of any guarantee payments.

8.2.16 Allocations pursuant to Section 28 of the *Financial Management Act 1994* for the financial year ended 30 June

There has been no amounts allocated to departments during the financial year under section 28 – Appropriation for borrowing against future appropriations.

9. 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

Disaggregated operating statement for the financial year ended 30 June **($ million)**

	General government sector		*Public non-financial corporations*	
	2024	*2023*	*2024*	*2023*
Revenue and income from transactions				
Taxation	36 876	32 350	..	..
Interest income	1 761	1 307	120	85
Dividends, income tax equivalent and rate equivalent income	2 199	820	46	20
Sales of goods and services	6 212	6 263	7 584	7 171
Grants	41 797	40 138	2 495	2 742
Other revenue and income	4 210	3 842	835	815
Total revenue and income from transactions	**93 055**	**84 720**	**11 079**	**10 832**
Expenses from transactions				
Employee expenses	36 035	33 629	1 961	1 768
Net superannuation interest expense	774	719	2	2
Other superannuation	4 062	3 760	196	173
Depreciation	4 967	4 604	2 120	1 975
Interest expense	5 639	3 974	944	865
Grant expense	16 675	19 053	686	654
Other operating expenses	29 127	27 828	4 924	5 066
Other property expenses	..	..	245	233
Total expenses from transactions	**97 279**	**93 567**	**11 078**	**10 735**
Net result from transactions – Net operating balance	**(4 223)**	**(8 847)**	**1**	**97**
Other economic flows included in net result				
Net gain/(loss) on disposal of non-financial assets	(2)	90	(62)	(1)
Net gain/(loss) on financial assets or liabilities at fair value	345	(29)	40	48
Share of net profit/(loss) from associates/joint venture entities	(46)	(39)	(5)	
Other gains/(losses) from other economic flows	(566)	(1 022)	(3 152)	(3 343)
Total other economic flows included in net result	**(269)**	**(1 000)**	**(3 179)**	**(3 297)**
Net result	**(4 493)**	**(9 847)**	**(3 178)**	**(3 200)**
Other economic flows – Other comprehensive income				
Items that will not be reclassified to net result				
Changes in non-financial assets revaluation surplus	7 650	13 710	1 880	3 282
Remeasurement of superannuation defined benefits plans	1 661	1 356	14	15
Other movements in equity	108	(536)	(175)	(108)
Items that may be reclassified subsequently to net result				
Net gain/(loss) on financial assets at fair value	14	139	1	(10)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(1 864)	3 431	..	..
Total other economic flows – Other comprehensive income	**7 569**	**18 099**	**1 721**	**3 180**
Comprehensive result – Total change in net worth	**3 076**	**8 252**	**(1 457)**	**(20)**
FISCAL AGGREGRATES				
Net operating balance	**(4 223)**	**(8 847)**	**1**	**97**
Purchases of non-financial assets (including change in inventories)	17 328	16 125	5 763	4 282
Less: Sales of non-financial assets	(319)	(325)	(351)	(215)
Less: Depreciation and amortisation	(4 967)	(4 604)	(2 120)	(1 975)
Plus: Other movements in non-financial assets	833	89	3 673	3 790
Less: Net acquisition of non-financial assets from transactions	**12 875**	**11 285**	**6 966**	**5 882**
Net lending/(borrowing)	**(17 099)**	**(20 132)**	**(6 965)**	**(5 785)**

Public financial corporations		*Inter-sector eliminations*		*State of Victoria*	
2024	*2023*	*2024*	*2023*	*2024*	*2023*
..	..	(552)	(497)	36 324	31 852
5 332	3 583	(5 056)	(3 474)	2 157	1 502
2 296	2 311	(2 056)	(747)	2 485	2 404
8 098	6 164	(2 009)	(1 655)	19 885	17 943
..	377	(2 606)	(3 194)	41 686	40 063
24	25	..	..	5 068	4 681
15 750	**12 460**	**(12 279)**	**(9 568)**	**107 605**	**98 445**
536	509	(1 066)	(738)	37 467	35 168
..	..	..	..	775	721
55	49	..	..	4 312	3 982
88	88	1 104	985	8 279	7 652
5 171	3 445	(5 032)	(3 505)	6 722	4 778
139	127	(2 779)	(3 366)	14 721	16 468
11 146	10 773	(1 410)	(1 252)	43 787	42 415
554	672	(800)	(905)	..	..
17 690	**15 663**	**(9 982)**	**(8 782)**	**116 064**	**111 184**
(1 940)	**(3 203)**	**(2 297)**	**(786)**	**(8 459)**	**(12 739)**
..	(2)	..	..	(63)	87
1 992	3 450	45	..	2 422	3 469
(1)	..	..	..	(53)	(39)
1 269	3 040	3 062	2 909	613	1 583
3 260	**6 488**	**3 107**	**2 909**	**2 919**	**5 101**
1 320	**3 285**	**810**	**2 123**	**(5 540)**	**(7 638)**
(1)	..	97	4 222	9 626	21 214
..	..	..	..	1 675	1 371
(1)	..	..	..	(67)	(644)
..	..	..	..	15	130
..	..	1 864	(3 431)	..	..
(2)	**..**	**1 961**	**791**	**11 248**	**22 070**
1 318	**3 285**	**2 771**	**2 915**	**5 708**	**14 432**
(1 940)	**(3 203)**	**(2 297)**	**(786)**	**(8 459)**	**(12 739)**
43	39	(168)	(56)	22 966	20 390
(1)	(1)	..	..	(670)	(542)
(88)	(88)	(1 104)	(985)	(8 279)	(7 652)
5	..	..	(1)	4 512	3 879
(40)	**(51)**	**(1 273)**	**(1 041)**	**18 528**	**16 075**
(1 899)	**(3 152)**	**(1 024)**	**255**	**(26 987)**	**(28 814)**

9. OTHER DISCLOSURES

Disaggregated balance sheet as at 30 June **($ million)**

	General government sector		*Public non-financial corporations*	
	2024	*2023*	*2024*	*2023*
Assets				
Financial assets				
Cash and deposits	14 306	19 698	2 255	2 232
Advances paid	6 421	5 308	44	273
Receivables and contract assets	10 163	9 046	1 800	1 541
Investments, loans and placements	14 866	3 853	853	818
Loans receivable from non-financial public sector [(a)]	..	..	..	..
Investments accounted for using equity method	1 143	1 180	65	..
Investments in other sector entities	98 178	96 042	..	..
Total financial assets	**145 077**	**135 128**	**5 017**	**4 864**
Non-financial assets				
Inventories	402	574	1 347	1 277
Non-financial assets held for sale	232	110	13	29
Land, buildings, infrastructure, plant and equipment	269 690	249 480	122 959	117 535
Other non-financial assets	6 222	5 898	3 257	3 105
Total non-financial assets	**276 546**	**256 062**	**127 576**	**121 946**
Total assets	**421 623**	**391 190**	**132 594**	**126 811**
Liabilities				
Deposits held and advances received	1 525	1 615	2 734	1 161
Payables [(b)]	7 741	6 300	1 856	1 775
Borrowings	167 309	142 289	23 321	21 375
Employee benefits	11 120	10 250	600	573
Superannuation	18 226	18 904	..	..
Other provisions	3 431	2 950	12 066	12 087
Other liabilities [(b)]	22 411	22 099	8 972	8 960
Total liabilities	**231 764**	**204 407**	**49 549**	**45 931**
Net assets	**189 859**	**186 783**	**83 045**	**80 880**
Equity				
Accumulated surplus/(deficit)	43 405	45 889	(33 520)	(29 846)
Reserves	146 454	140 894	116 564	110 725
Net worth	**189 859**	**186 783**	**83 045**	**80 880**
FISCAL AGGREGATES				
Net financial worth	(86 686)	(69 278)	(44 531)	(41 066)
Net financial liabilities	184 865	165 321	44 531	41 066
Net debt	133 241	115 044	22 902	19 213

Notes:

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

(b) *The grant of a right to the operator liability, unearned income and contract liabilities line items previously disclosed within payables have now been disclosed within the other liabilities line item to more accurately reflect the nature of these items.*

Public financial corporations 2024	Public financial corporations 2023	Inter-sector eliminations 2024	Inter-sector eliminations 2023	State of Victoria 2024	State of Victoria 2023
3 870	4 100	(836)	(352)	19 595	25 678
40	57	(5 985)	(4 708)	521	930
2 800	2 367	(633)	(982)	14 129	11 973
65 389	59 364	(54)	(60)	81 054	63 975
152 442	126 353	(152 442)	(126 353)	..	..
12	13	..	..	1 220	1 193
..	..	(98 178)	(96 042)	..	..
224 553	**192 254**	**(258 128)**	**(228 497)**	**116 519**	**103 750**
..	..	..	..	1 748	1 851
..	..	..	..	245	139
324	332	43 705	41 601	436 678	408 948
3 286	3 343	(5 260)	(5 193)	7 505	7 152
3 610	**3 675**	**38 445**	**36 407**	**446 177**	**418 090**
228 164	**195 929**	**(219 684)**	**(192 090)**	**562 697**	**521 840**
216	212	(2 537)	(1 212)	1 938	1 777
1 544	1 606	(651)	(962)	10 491	8 718
160 729	132 326	(157 647)	(131 036)	193 712	164 953
136	125	..	..	11 857	10 948
..	..	..	..	18 226	18 904
50 362	46 980	(11 899)	(11 888)	53 960	50 129
1 493	1 259	(267)	(103)	32 609	32 215
214 481	**182 507**	**(173 001)**	**(145 202)**	**322 792**	**287 643**
13 683	**13 421**	**(46 682)**	**(46 888)**	**239 904**	**234 197**
13 148	13 065	53 247	50 998	76 281	80 106
535	356	(99 929)	(97 886)	163 624	154 090
13 683	**13 421**	**(46 682)**	**(46 888)**	**239 904**	**234 197**
10 072	9 747	(85 127)	(83 295)	(206 273)	(183 893)
(10 072)	(9 747)	(13 051)	(12 747)	206 273	183 893
(60 796)	(57 335)	(867)	(775)	94 480	76 146

9. OTHER DISCLOSURES

Disaggregated cash flow statement for the financial year ended 30 June ($ million)

	General government sector		Public non-financial corporations	
	2024	2023	2024	2023
Cash flows from operating activities				
Receipts				
Taxes received	36 496	31 621	..	..
Grants	41 062	40 881	2 358	2 746
Sales of goods and services [(a)]	6 894	6 873	8 152	8 104
Interest received	1 691	1 229	131	68
Dividends, income tax equivalent and rate equivalent receipts	2 645	693	46	34
Other receipts [(b)]	2 408	10 207	406	472
Total receipts	**91 197**	**91 503**	**11 093**	**11 423**
Payments				
Payments for employees	(35 074)	(33 260)	(1 934)	(1 736)
Superannuation	(3 853)	(3 975)	(190)	(168)
Interest paid	(5 262)	(3 559)	(928)	(849)
Grants and subsidies	(15 936)	(18 403)	(471)	(441)
Goods and services [(a)]	(26 868)	(27 110)	(5 683)	(5 380)
Other payments	(1 582)	(945)	(445)	(578)
Total payments	**(88 574)**	**(87 253)**	**(9 651)**	**(9 151)**
Net cash flows from operating activities	**2 623**	**4 250**	**1 442**	**2 272**
Cash flows from investing activities				
Cash flows from investments in non-financial assets				
Purchases of non-financial assets	(17 375)	(16 273)	(5 772)	(4 263)
Sales of non-financial assets	319	325	351	215
Net cash flows from investments in non-financial assets	**(17 056)**	**(15 948)**	**(5 421)**	**(4 047)**
Cash flows from investments in financial assets for policy purposes				
Cash inflows	1 789	759	421	537
Cash outflows	(4 119)	(2 385)	(263)	(293)
Net cash flows from investments in financial assets for policy purposes	**(2 331)**	**(1 625)**	**157**	**243**
Sub-total	**(19 387)**	**(17 573)**	**(5 263)**	**(3 804)**
Cash flows from investments in financial assets for liquidity management purposes [(c)]				
Cash inflows	574	824	41	81
Cash outflows	(11 123)	(1 316)	(25)	(85)
Net cash flows from investments in financial assets for liquidity management purposes	**(10 549)**	**(492)**	**16**	**(4)**
Net cash flows from investing activities	**(29 936)**	**(18 065)**	**(5 247)**	**(3 808)**
Cash flows from financing activities				
Advances received	23	32	1 808	365
Advances repaid	(249)	(274)	(235)	(394)
Advances received (net) [(c)]	(226)	(242)	1 572	(30)
Borrowings received	26 711	28 040	4 250	3 181
Borrowings repaid	(4 700)	(5 291)	(2 779)	(2 159)
Net borrowings [(c)]	22 011	22 749	1 471	1 022
Deposits received [(d)]	2 380	1 300	348	300
Deposits repaid [(d)]	(2 244)	(1 278)	(347)	(294)
Deposits received (net) [(c)]	136	22	..	6
Other financing inflows	..	..	1 461	1 040
Other financing outflows	..	..	(675)	(105)
Other financing (net) [(c)]	..	..	786	936
Net cash flows from financing activities	**21 921**	**22 529**	**3 830**	**1 934**
Net increase/(decrease) in cash and cash equivalents	**(5 392)**	**8 713**	**24**	**399**
Cash and cash equivalents at beginning of reporting period	19 698	10 985	2 232	1 833
Cash and cash equivalents at end of the reporting period	**14 306**	**19 698**	**2 255**	**2 232**
FISCAL AGGREGATES				
Net cash flows from operating activities	2 623	4 250	1 442	2 272
Dividends paid	..	..	(206)	(102)
Net cash flows from investments in non-financial assets	(17 056)	(15 948)	(5 421)	(4 047)
Cash surplus/(deficit)	**(14 434)**	**(11 698)**	**(4 186)**	**(1 877)**

Notes:

(a) *These items include goods and services tax.*

(b) *This decrease 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 provide more information on the accounting treatment of this arrangement.

(c) *In accordance with AASB 107* Statement of Cash Flows, *the TCV has reported its cash flow information for whole of government consolidation purposes on a net basis for both financial years ended 30 June 2023 and 30 June 2024.*

(d) *The June 2023 figures for deposits received and deposits repaid have been restated to more correctly reflect the nature of the cashflows.*

Public financial corporations		*Inter-sector eliminations*		*State of Victoria*	
2024	*2023*	*2024*	*2023*	*2024*	*2023*
..	..	(552)	(497)	35 944	31 123
..	396	(2 461)	(3 202)	40 959	40 822
8 826	6 745	(2 203)	(1 704)	21 669	20 018
4 923	3 122	(4 948)	(3 361)	1 798	1 058
2 296	2 311	(2 437)	(745)	2 550	2 292
16	23	(136)	(132)	2 694	10 569
16 062	**12 597**	**(12 737)**	**(9 641)**	**105 614**	**105 882**
(522)	(501)	1 066	738	(36 465)	(34 760)
(55)	(49)	..	..	(4 098)	(4 192)
(4 429)	(3 243)	4 950	3 369	(5 669)	(4 281)
(132)	(129)	2 617	3 202	(13 922)	(15 771)
(7 412)	(6 551)	1 334	1 201	(38 629)	(37 840)
(746)	(353)	1 190	915	(1 582)	(961)
(13 296)	**(10 825)**	**11 157**	**9 425**	**(100 364)**	**(97 805)**
2 766	**1 772**	**(1 581)**	**(216)**	**5 249**	**8 077**
(43)	(39)	168	56	(23 021)	(20 519)
1	1	..	..	670	542
(42)	**(38)**	**168**	**56**	**(22 351)**	**(19 977)**
18	1	(1 005)	(691)	1 223	606
(2)	(28)	3 445	1 740	(939)	(966)
16	**(27)**	**2 440**	**1 050**	**283**	**(359)**
(26)	**(65)**	**2 608**	**1 105**	**(22 068)**	**(20 337)**
5 156	5 593	..	(91)	5 770	6 407
(35 601)	(35 853)	26 090	23 694	(20 659)	(13 560)
(30 445)	**(30 260)**	**26 090**	**23 603**	**(14 889)**	**(7 153)**
(30 471)	**(30 325)**	**28 698**	**24 708**	**(36 957)**	**(27 490)**
75	84	(1 880)	(437)	26	44
(109)	(60)	555	703	(38)	(26)
(34)	24	(1 325)	266	(12)	19
28 556	27 616	(29 178)	(25 337)	30 339	33 500
(28)	(77)	2 631	1 808	(4 876)	(5 719)
28 528	27 539	(26 547)	(23 530)	25 463	27 780
48	6	(13)	..	2 762	1 605
(11)	(50)	12	50	(2 590)	(1 571)
37	(45)	(1)	50	173	34
175	229	(1 636)	(1 269)	..	..
(1 232)	(12)	1 907	116	..	..
(1 057)	217	271	(1 152)	..	..
27 475	**27 735**	**(27 601)**	**(24 366)**	**25 624**	**27 833**
(230)	**(819)**	**(484)**	**126**	**(6 083)**	**8 420**
4 100	4 919	(352)	(478)	25 678	17 258
3 870	**4 100**	**(836)**	**(352)**	**19 595**	**25 678**
2 766	1 772	(1 581)	(216)	5 249	8 077
(1 232)	(8)	1 438	110	..	..
(42)	(38)	168	56	(22 351)	(19 977)
1 492	**1 726**	**26**	**(50)**	**(17 102)**	**(11 900)**

9. OTHER DISCLOSURES

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 2023	45 889	..	91 269	48 245	1 380	186 783
Net result for the year	(4 493)	..	..	..	..	(4 493)
Other comprehensive income for the year	1 635	..	7 650	(1 864)	149	7 569
Transfer to/(from) accumulated surplus	375	..	(375)	..	..	..
Dividends paid	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Balance at 30 June 2024	**43 405**	**..**	**98 544**	**46 381**	**1 528**	**189 859**
PNFC sector						
Balance at 1 July 2023	(29 846)	78 417	31 605	..	702	80 880
Net result for the year	(3 178)	..	..	..	..	(3 178)
Other comprehensive income for the year	(300)	..	1 880	..	140	1 721
Transfer to/(from) accumulated surplus	10	..	(10)	..	..	..
Dividends paid	(206)	..	..	..	..	(206)
Transactions with owners in their capacity as owners	..	3 829	..	..	..	3 829
Balance at 30 June 2024	**(33 520)**	**82 246**	**33 475**	**..**	**843**	**83 045**
PFC sector						
Balance at 1 July 2023	13 065	290	10	..	57	13 421
Net result for the year	1 320	..	..	..	..	1 320
Other comprehensive income for the year	(5)	..	(1)	..	4	(2)
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	(1 232)	..	..	..	..	(1 232)
Transactions with owners in their capacity as owners	..	175	..	..	..	175
Balance at 30 June 2024	**13 148**	**465**	**9**	**..**	**61**	**13 683**
Eliminations	53 247	(82 711)	29 163	(46 381)	..	(46 682)
Total State of Victoria	**76 281**	**..**	**161 192**	**..**	**2 432**	**239 904**

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 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	(26 420)	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**

9.2 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*	
	2024	*2023*	*2024*	*2023*
Cash and investments in common and premium funds	1 454	1 431	188	161
Funds under management by Legal Services Board	2 535	3 165	2 535	3 165
Funds under management by the Senior Master of the Supreme Court	2 263	2 133	2 263	2 133
Investments, real estate, personal and other assets	1 837	1 936	13	6
Other funds held	26	27	26	27
Residential tenancies bonds money	1 456	1 384	1 456	1 384
Total funds under management	**9 571**	**10 077**	**6 481**	**6 876**

9.3 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*	
	2024	*2023*	*2024*	*2023*
Net (increase)/decrease in allowances for credit losses	(254)	142	(183)	144
Amortisation of intangible non-produced assets	(35)	(39)	(6)	(5)
Net swap interest revenue/(expense)	(54)	(39)	..	..
Bad debts written off	(360)	(418)	(348)	(410)
Other gains/(losses)	1 316	1 937	(29)	(752)
Total other gains/(losses) from other economic flows	**613**	**1 583**	**(566)**	**(1 022)**

9.4 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.

9. OTHER DISCLOSURES

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

Convergence difference	*AASB 1049 treatment*	*ABS GFS treatment*	*Fiscal aggregate impact*
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. Where the dividends paid/payable are considered by the ABS to be in excess of the recent level of dividends and earnings, these are treated as super dividends which reflect a withdrawal of owners equity.	• 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

9.5 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 2023-24. They are listed below.

Position title	*Key management personnel*
Premier	Hon Jacinta Allan [(a)]
	Hon Daniel Andrews [(b)]
Deputy Premier	Hon Ben Carroll [(c)]
Ministers of the Crown	Hon Lizzie Blandthorn
	Hon Colin Brooks
	Hon Anthony Carbines
	Hon Lily D'Ambrosio
	Mr Steve Dimopoulos
	Hon Enver Erdogan
	Hon Melissa Horne
	Hon Natalie Hutchins
	Hon Sonya Kilkenny
	Mr Tim Pallas
	Hon Danny Pearson
	Hon Harriet Shing
	Hon Ros Spence
	Ms Ingrid Stitt
	Hon Natalie Suleyman
	Hon Jaclyn Symes
	Hon Mary-Anne Thomas
	Hon Gayle Tierney
	Ms Vicki Ward[(d)]
	Hon Gabrielle Williams

Notes:
(a) Effective 27 September 2023, position changed from Deputy Premier to Premier.
(b) Held position of Premier until 27 September 2023.
(c) Appointed as Deputy Premier on 28 September 2023.
(d) Appointed to Ministry on 2 October 2023.

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 $11.4 million in 2024 ($11.2 million in 2023).

($ thousand)

State of Victoria	*2024*	*2023*
Salaries and short-term employee benefits	10 191	10 055
Post-employment benefits [(a)]	1 206	1 074
Termination benefits	..	96
Total	**11 397**	**11 225**

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.

9.6 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.

Marinus Link Pty Ltd

On August 1 2024, Marinus Link Pty Limited (a company that the State has 33.3 per cent equity interest in) signed a significant contract with Italian company Prysmian to supply high-voltage direct current (HVDC) cable for the project. This contract covers the design, manufacture, supply, and installation for Stage 1 of the Marinus Link interconnector project, a 750-megawatt HVDC cable system. Awarding the contract to Prysmian provides greater certainty around the targeted construction start date in 2026. See Note 4.3.1 for more information on the arrangement.

Metro Tunnel Project

Cross Yarra Partnership (CYP) are delivering the Metro Tunnel – Tunnel and Stations package in a Public Private Partnership arrangement with the State. This PPP has been reported as a service concession arrangement and commitments are disclosed in Note 5.3 Service Concession Arrangements and Note 5.3.14 Metro Tunnel Project – Tunnel and Stations.

On 25 September 2024, formalised amending deeds were executed to resolve contract matters that have arisen during delivery. The additional costs are borne by CYP and the State. The estimated financial impact of the State's contribution to the settlement is up to $745 million.

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.

9.7 Other accounting policies

9.7.1 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.

9.7.2 Prospective accounting and reporting changes

New and revised accounting standards have been issued that are not effective for the 2023-24 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:
  - AASB 2022-10 amends AASB 13 *Fair Value Measurement* by adding authoritative implementation guidance and illustrative examples for fair value measurement of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.
  - Among other things, this Standard:
    - specifies when entities need to consider if an asset's highest and best use differs from its current use. It also clarifies when an asset's use is considered financially feasible
    - specifies when an entity shall use its own assumptions and data to develop unobservable inputs. It also clarifies when these assumptions and judgements shall be adjusted
    - provides guidance on the application of the cost approach to fair value, including the nature of costs to be included in the reference asset and identification of economic obsolescence.
  - This amendment is effective from 1 July 2024. The State is in the process of assessing the impact of the clarifications arising from AASB 2022-10. Based on the State's preliminary assessment, this amendment is not expected to have a material impact on the financial statements.
- AASB 17 *Insurance Contracts*, AASB 2022-8 *Amendments to Australian Accounting Standards - Insurance Contracts: Consequential Amendments* and AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*
  - AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* for not-for-profit public sector entities for annual reporting periods beginning on or after 1 July 2026.
  - AASB 2022-9 amends AASB 17 to make public sector-related modifications (for example, it specifies the pre-requisites, indicators, and other considerations in identifying arrangements that fall within the scope of AASB 17 in a public sector context). This Standard applies for annual reporting periods beginning on or after 1 July 2026.
  - AASB 2022-8 makes consequential amendments to other 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.

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.

9.8 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

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 Veterans Council

Department of Government Services

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
- Kooweerup Regional Health Service
- Kyabram District Health Service
- Latrobe Regional Health [(b)]
- 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 [(c)]
- 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

The Queen Elizabeth Centre
Tweddle Child and Family Health Service
Victorian Health Promotion Foundation
Victorian Pharmacy Authority

General government (continued)

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
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 [e]

Country Fire Authority
Fire Rescue Victoria
Office of Public Prosecutions
Professional Standards Council of Victoria
Sentencing Advisory Council
Triple Zero Victoria [f]
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 [g]

Department of Premier and Cabinet

Victorian Aboriginal Heritage Council
Victorian Electoral Commission
Victorian Multicultural Commission
Victorian Public Sector Commission

Department of Transport and Planning

Architects Registration Board of Victoria
Cladding Safety Victoria
Head, Transport for Victoria
Heritage Council of Victoria
Safe Transport Victoria
Secretary, Project Development [h]
Suburban Rail Loop Authority
Surveyors Registration Board of Victoria
Victorian Building Authority
Victorian Planning Authority

Department of Treasury and Finance

Essential Services Commission
Infrastructure Victoria
Labour Hire Licensing Authority
Portable Long Service Authority
Victorian Independent Remuneration Tribunal
Wage Inspectorate 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
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 [i]
SEC Victoria Pty Ltd: [j]

- SEC Infrastructure Pty Ltd [j]
- SEC Energy Pty Ltd [j]

VicForests [k]
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

Homes Victoria
Queen Victoria Women's Centre Trust

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

Public non-financial corporation (continued)		
Department of Jobs, Skills, Industry and Regions	**Department of Justice and Community Safety**	**Department of Treasury and Finance**
Australian Grand Prix Corporation	Greyhound Racing Victoria	Victorian Plantations Corporation (shell)
Geelong Performing Arts Centre Trust	Harness Racing Victoria	Workplace Injury Commission
Kardinia Park Stadium Trust	**Department of Premier and Cabinet**	
Launch Victoria Ltd	VITS Language Loop	
Melbourne and Olympic Parks Trust	**Department of Transport and Planning**	
Melbourne Arts Precinct Corporation	Development Victoria	
Melbourne Convention and Exhibition Trust	North East Link State Tolling Corporation	
Puffing Billy Railway Board [l]	Melbourne Port Lessor Pty Ltd	
State Sport Centres Trust	Port of Hastings Corporation	
Victorian Arts Centre Trust	Ports Victoria	
	V/Line Corporation	
	Victorian Rail Track	

Public financial corporation [a]	
Department of Jobs, Skills, Industry and Regions	**Department of Treasury and Finance**
Breakthrough Victoria Pty Ltd	State Trustees Limited
	Transport Accident Commission
	Treasury Corporation of Victoria
	Victorian Funds Management Corporation
	Victorian Managed Insurance Authority
	Victorian WorkCover Authority

Notes:

(a) *On 2 October 2023, the Premier announced machinery of government (MoG) changes. The majority of the changes were effective 1 February 2024 and resulted in the transfer of several functions, as well as portfolio responsibility for several stand-alone entities between departments. Effective 1 November 2023, the Land Precinct Policy function was transferred from the Department of Premier and Cabinet to the Department of Transport and Planning.*

(b) *On 2 July 2023, Latrobe Regional Hospital changed its name to Latrobe Regional Health.*

(c) *Effective from 1 November 2023, Northern Health and Kilmore District Health were amalgamated to be known as Northern Health under a voluntary amalgamation.*

(d) *On 21 August 2024, Victoria 2026 Pty Ltd, was officially deregistered as a company from Australian Securities and Investments Commission (ASIC). The decision to deregister was made following the July 2023 announcement that Victoria would no longer host the 2026 Commonwealth Games.*

(e) *On 2 February 2024, the* Special Investigator Repeal Act 2023 *came into operation, repealing the* Special Investigator Act 2021 *and abolishing the Office of the Special Investigator (OSI).*

(f) *In December 2023, the Emergency Services Telecommunications Authority (ESTA) was renamed Triple Zero Victoria and established as a new statutory authority, under the* Triple Zero Victoria Act 2023.

(g) *The Victorian Responsible Gambling Foundation ceased operations on 1 July 2024 and all property, rights and liabilities have been transferred to the Department of Justice and Community Safety following proclamation of the* Victorian Responsible Gambling Foundation Repeal and Advisory Councils Act 2024, *effective from 25 June 2024.*

(h) *Effective from 1 August 2023, the Secretary, Project Development, was assigned from the Department of Jobs, Skills, Industry and Regions to the Department of Transport and Planning.*

(i) *On 1 July 2024, the previous State Electricity Commission of Victoria, established under the* State Electricity Commission Act 1958 *(SEC Act) was abolished by the commencement of the* State Electricity Commission Amendment Act 2024.

(j) *In October 2023, the SEC Victoria Pty Ltd and its subsidiaries SEC Infrastructure Pty Ltd and SEC Energy Pty Ltd were incorporated as companies under the* Corporations Act 2001 *and registered in Victoria. Subsequently in November 2023, they were each declared a State Owned Company (SOC) under the* State Owned Enterprises Act 1992.

(k) *VicForests ceased operations on 30 June 2024 and the residual responsibilities for native forest management has been transferred to the Department of Energy, Environment and Climate Action following proclamation of the* Sustainable Forests (Timber) Repeal Act 2024, *effective from 1 July 2024.*

(l) *Effective 1 July 2023, the* Puffing Billy Railway Act 2022 *replaced the* Emerald Tourist Railway Act 1977 *as the new principal Act, securing and modernising the governance of the railway. The Emerald Tourist Railway Board is continued under the* Puffing Billy Railway Act 2022 *as the Puffing Billy Railway Board.*

9.9 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 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 nonfinancial 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.

9. OTHER DISCLOSURES

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 noncurrent 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 the 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 (SCA) 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)**

	2024	*2023*
Revenue from transactions		
Taxation	36 354	31 876
Interest income	1 324	902
Dividends and income tax equivalent and rate equivalent income	1 773	513
Sales of goods and services	13 527	13 148
Grants	41 813	40 182
Other revenue and income	5 044	4 657
Total revenue and income from transactions	**99 835**	**91 278**
Expenses from transactions		
Employee expenses	37 888	35 310
Net superannuation interest expense	775	721
Other superannuation	4 258	3 933
Depreciation	8 192	7 564
Interest expense	6 050	4 318
Grant expense	14 709	16 837
Other operating expenses	33 477	32 384
Total expenses from transactions	**105 350**	**101 067**
Net result from transactions – Net operating balance	**(5 515)**	**(9 789)**
Other economic flows included in net result		
Net gain/(loss) on disposal of non-financial assets	(63)	89
Net gain/(loss) on financial assets or liabilities at fair value	430	19
Share of net profit/(loss) from associates/joint venture entities	(52)	(39)
Other gains/(losses) from other economic flows	(656)	(1 224)
Total other economic flows included in net result	**(341)**	**(1 154)**
Net result	**(5 856)**	**(10 943)**
Other economic flows – Other comprehensive income		
Items that will not be reclassified to net result		
Changes in non-financial assets revaluation surplus	9 627	21 214
Remeasurement of superannuation defined benefits plans	1 675	1 371
Other movements in equity	(66)	(644)
Items that may be reclassified subsequently to net result		
Net gain/(loss) on financial assets at fair value	15	130
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(204)	3 500
Total other economic flows – Other comprehensive income	**11 047**	**25 570**
Comprehensive result – Total change in net worth	**5 191**	**14 627**
FISCAL AGGREGRATES		
Net operating balance	**(5 515)**	**(9 789)**
Net acquisition of non-financial assets from transactions		
Purchases of non-financial assets (including change in inventories)	22 937	19 831
Less: Sales of non-financial assets	(670)	(540)
Less: Depreciation and amortisation	(8 192)	(7 564)
Plus/(less): Other movements in non-financial assets	4 507	3 879
Less: Net acquisition of non-financial assets from transactions	**18 582**	**15 605**
Net lending/(borrowing)	**(24 097)**	**(25 394)**

Table 5.2: Non-financial public sector balance sheet for the financial year ended 30 June ($ million)

	2024	*2023*
Assets		
Financial assets		
Cash and deposits	16 561	21 930
Advances paid	521	930
Receivables and contract assets	11 775	10 368
Investments, loans and placements	15 719	4 672
Investments accounted for using the equity method	1 208	1 180
Investments in other sector entities	15 137	15 166
Total financial assets	**60 921**	**54 246**
Non-financial assets		
Inventories	1 748	1 851
Non-financial assets held for sale	245	139
Land, buildings, infrastructure, plant and equipment	436 355	408 618
Other non-financial assets	7 254	6 927
Total non-financial assets	**445 602**	**417 534**
Total assets	**506 523**	**471 780**
Liabilities		
Deposits held and advances received	1 779	1 638
Payables [(a)]	9 370	7 851
Borrowings	186 334	159 411
Employee benefits	11 720	10 823
Superannuation	18 226	18 904
Other provisions	3 614	3 157
Other liabilities [(a)]	31 281	30 988
Total liabilities	**262 325**	**232 772**
Net assets	**244 199**	**239 008**
Equity		
Accumulated surplus/(deficit)	65 605	69 742
Reserves	178 594	169 267
Net worth	**244 199**	**239 008**
FISCAL AGGREGATES		
Net financial worth	(201 403)	(178 526)
Net financial liabilities	216 540	193 692
Net debt	155 312	133 518

Note:

(a) The grant of a right to the operator liability, unearned income and contract liabilities line items previously disclosed within payables have now been disclosed within the other liabilities line item to more accurately reflect the nature of these items.

Table 5.3: Non-financial public sector cash flow statement for the financial year ended 30 June ($ million)

	2024	2023
Cash flows from operating activities		
Receipts		
Taxes received	35 974	31 147
Grants	41 079	40 924
Sales of goods and services [(a)]	14 690	14 676
Interest received	1 307	832
Dividends, income tax equivalent and rate equivalent receipts	2 232	342
Other receipts [(b)]	2 701	10 523
Total receipts	**97 982**	**98 444**
Payments		
Payments for employees	(36 899)	(34 910)
Superannuation	(4 043)	(4 143)
Interest paid	(5 673)	(3 934)
Grants and subsidies	(13 910)	(16 141)
Goods and services [(a)]	(32 009)	(32 042)
Other payments	(1 582)	(961)
Total payments	**(94 117)**	**(92 131)**
Net cash flows from operating activities	**3 865**	**6 314**
Cash flows from investing activities		
Cash flows from investments in non-financial assets		
Purchases of non-financial assets	(23 128)	(20 480)
Sales of non-financial assets	670	540
Net cash flows from investments in non-financial assets	**(22 458)**	**(19 940)**
Net cash flows from investments in financial assets for policy purposes	109	(569)
Sub-total	**(22 350)**	**(20 509)**
Net cash flows from investments in financial assets for liquidity management purposes	(10 533)	(495)
Net cash flows from investing activities	**(32 883)**	**(21 005)**
Cash flows from financing activities		
Advances received (net)	5	6
Net borrowings	23 508	23 768
Deposits received (net)	136	29
Net cash flows from financing activities	**23 649**	**23 803**
Net increase/(decrease) in cash and cash equivalents	**(5 369)**	**9 112**
Cash and cash equivalents at beginning of the reporting period	21 930	12 817
Cash and cash equivalents at end of the reporting period	**16 561**	**21 930**
FISCAL AGGREGATES		
Net cash flows from operating activities	3 865	6 314
Net cash flows from investments in non-financial assets	(22 458)	(19 940)
Cash surplus/(deficit)	**(18 593)**	**(13 626)**

Notes:

(a) These items include goods and services tax.

(b) The decrease 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 provide 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*
2024					
Balance at 1 July 2023	69 741	151 941	15 243	2 082	239 008
Net result for the year	(5 856)	..	..	..	(5 856)
Other comprehensive income for the year	1 334	9 627	(204)	289	11 047
Transfer to/(from) accumulated surplus	385	(385)	..	..	..
Balance at 30 June 2024	**65 605**	**161 183**	**15 040**	**2 371**	**244 199**
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)	..	..	..
Balance at 30 June 2023	**69 742**	**151 941**	**15 243**	**2 082**	**239 008**

Table 5.5: General government sector detailed expenses by function [(a)] **($ million)**

	2024	2023
General public services	**8 396**	**7 039**
Executive and legislative organs, financial and fiscal affairs, external affairs	2 914	2 878
General services	795	757
Public debt transactions	4 338	2 932
General public services NEC [(b)]	349	472
Public order and safety	**11 520**	**12 018**
Police services	4 169	4 013
Civil and fire protection services [(c)]	2 843	3 658
Law courts	1 479	1 367
Prisons	2 045	1 911
Public order and safety NEC [(b)]	985	1 068
Economic affairs	**3 181**	**4 105**
General economic, commercial and labour affairs	1 284	1 386
Agriculture, forestry, fishing and hunting	787	631
Fuel and energy [(d)]	582	1 382
Other industries	379	499
Economic affairs NEC [(b)]	149	208
Environmental protection	**1 182**	**1 226**
Protection of biodiversity and landscape	613	620
Environmental protection NEC [(b)]	569	606
Housing and community amenities	**2 418**	**2 698**
Community development	2 293	2 573
Water supply	124	125
Health	**30 055**	**28 981**
Outpatient services [(e)]	3 185	2 890
Hospital services [(e)]	23 296	22 296
Community health services	3 043	3 000
Public health services	467	670
Health NEC [(b)]	65	126
Recreation, culture and religion	**1 458**	**1 373**
Recreational and sporting services	836	821
Cultural services	623	552
Education	**22 578**	**20 644**
Pre-primary and primary education	10 408	9 366
Secondary education	8 493	7 527
Tertiary education	1 894	2 069
Education not definable by level	113	114
Subsidiary services to education	121	128
Education NEC [(b)]	1 550	1 440
Social protection	**8 549**	**7 913**
Sickness and disability	3 271	3 147
Old age	527	469
Family and children	3 211	2 666
Housing	594	903
Social protection NEC [(b)]	947	727
Transport	**8 498**	**8 129**
Road transport	3 158	3 101
Bus transport	1 425	1 423
Water transport	50	62
Railway transport	3 279	3 056
Multi-mode urban transport	586	489
Not allocated by purpose [(f)]	**(558)**	**(557)**
Total expenses	**97 279**	**93 567**

Notes:
(a) Chapter 4, Note 3.6 provides definitions and descriptions of the classification of the functions of government.
(b) NEC: Not elsewhere classified.
(c) The decrease in the civil and fire protection services expense from transactions is due to the recognition of grants to local government in relation to the October 2022 flood event.
(d) The decrease in the fuel and energy services expense from transactions is due to the grant expenses associated with the $250 Power Saving Bonus Initiative in 2022-23.
(e) The June 2023 figures have been reclassified between outpatient services and hospital services by COFOG classifications to more correctly reflect the nature of the transactions.
(f) 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)**

	2022-23		2023-24		
	Jun	Sep	Dec	Mar	Jun
Revenue and income from transactions					
Taxation	7 254	8 208	7 424	12 937	8 307
Interest income	345	401	405	377	579
Dividends, income tax equivalent and rate equivalent income	528	85	258	118	1 738
Sales of goods and services	1 654	1 569	1 664	1 520	1 460
Grants	9 668	9 516	10 964	10 784	10 533
Other revenue and income	1 361	852	1 000	811	1 547
Total revenue and income from transactions	**20 811**	**20 631**	**21 716**	**26 546**	**24 163**
Expenses from transactions					
Employee expenses	8 968	8 712	8 975	8 792	9 557
Net superannuation interest expense	179	181	208	192	192
Other superannuation	972	1 036	968	1 017	1 041
Depreciation	1 266	1 187	1 220	1 217	1 343
Interest expense	1 166	1 212	1 423	1 423	1 580
Grant expense	5 665	3 824	3 776	4 913	4 162
Other operating expenses	8 519	6 963	6 843	6 901	8 419
Total expenses from transactions	**26 734**	**23 116**	**23 413**	**24 455**	**26 295**
Net result from transactions – Net operating balance	**(5 924)**	**(2 485)**	**(1 697)**	**2 090**	**(2 132)**
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	(35)	12	21	(1)	(34)
Net gain/(loss) on financial assets or liabilities at fair value	(98)	12	109	406	(182)
Share of net profit/(loss) from associates/joint venture entities	(43)	..	(13)	(14)	(19)
Other gains/(losses) from other economic flows	(1 012)	(39)	(260)	(155)	(112)
Total other economic flows included in net result	**(1 187)**	**(16)**	**(143)**	**236**	**(347)**
Net result	**(7 111)**	**(2 500)**	**(1 840)**	**2 327**	**(2 478)**
Other economic flows – Other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	9 800	(47)	387	125	7 185
Remeasurement of superannuation defined benefits plans	3 094	2 034	(2 077)	286	1 418
Other movements in equity	(224)	35	39	42	(8)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	5	6	(11)	3	16
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(76)	..	(2 305)	..	441
Total other economic flows – Other comprehensive income	**12 598**	**2 028**	**(3 967)**	**456**	**9 052**
Comprehensive result – Total change in net worth	**5 487**	**(472)**	**(5 807)**	**2 782**	**6 573**
KEY FISCAL AGGREGATES					
Net operating balance	**(5 924)**	**(2 485)**	**(1 697)**	**2 090**	**(2 132)**
Less: Net acquisition of non-financial assets from transactions	2 746	3 797	4 213	2 004	2 861
Net lending/(borrowing)	**(8 670)**	**(6 282)**	**(5 911)**	**87**	**(4 993)**

Table A.2: Balance sheet as at the end of the past five quarters **($ million)**

	2022-23	*2023-24*			
	Jun	*Sep*	*Dec*	*Mar*	*Jun*
Assets					
Financial assets					
Cash and deposits	19 698	16 332	12 913	13 567	14 306
Advances paid	5 308	5 480	5 961	6 127	6 421
Receivables and contract assets	9 046	8 745	7 701	12 428	10 163
Investments, loans and placements	3 853	12 483	13 578	14 422	14 866
Investments accounted for using the equity method	1 180	1 181	1 149	1 191	1 143
Investments in other sector entities	96 042	96 136	94 147	95 172	98 178
Total financial assets	**135 128**	**140 356**	**135 449**	**142 907**	**145 077**
Non-financial assets					
Inventories	574	485	447	396	402
Non-financial assets held for sale	110	100	278	284	232
Land, buildings, infrastructure, plant and equipment	249 480	253 364	257 529	259 936	269 690
Other non-financial assets	5 898	6 826	6 467	6 281	6 222
Total non-financial assets	**256 062**	**260 775**	**264 722**	**266 897**	**276 546**
Total assets	**391 190**	**401 131**	**400 170**	**409 804**	**421 623**
Liabilities					
Deposits held and advances received	1 615	1 761	1 850	1 771	1 525
Payables [(a)]	6 300	6 975	5 325	5 558	7 741
Borrowings	142 289	153 123	157 362	164 635	167 309
Employee benefits	10 250	10 563	10 517	10 815	11 120
Superannuation	18 904	17 181	19 437	19 358	18 226
Other provisions	2 950	2 821	2 774	2 838	3 431
Other liabilities [(a)]	22 099	22 396	22 401	21 542	22 411
Total liabilities	**204 407**	**214 820**	**219 667**	**226 518**	**231 764**
Net assets	**186 783**	**186 311**	**180 504**	**183 286**	**189 859**
Equity					
Accumulated surplus/(deficit)	45 889	45 805	41 894	44 554	43 405
Reserves	140 894	140 506	138 609	138 731	146 454
Net worth	**186 783**	**186 311**	**180 504**	**183 286**	**189 859**
FISCAL AGGREGATES					
Net financial worth	(69 278)	(74 464)	(84 218)	(83 611)	(86 686)
Net financial liabilities	165 321	170 600	178 365	178 783	184 865
Net debt	115 044	120 589	126 760	132 290	133 241

Note:
(a) The grant of a right to the operator liability, unearned income and contract liabilities line items previously disclosed within payables have now been disclosed within the other liabilities line item to more accurately reflect the nature of these items.

Table A.3: Statement of cash flows for the past five quarters ($ million)

	2022-23	2023-24			
	Jun	*Sep*	*Dec*	*Mar*	*Jun*
Cash flows from operating activities					
Receipts					
Taxes received	9 481	8 688	8 320	8 116	11 371
Grants	10 426	9 583	10 842	10 009	10 628
Sales of goods and services [(a)]	1 774	1 650	1 608	1 640	1 996
Interest received	309	404	389	375	523
Dividends, income tax equivalent and rate equivalent receipts	66	154	652	118	1 721
Other receipts	634	505	581	521	801
Total receipts	**22 689**	**20 985**	**22 391**	**20 780**	**27 041**
Payments					
Payments for employees	(8 558)	(8 362)	(9 049)	(8 545)	(9 117)
Superannuation	(958)	(906)	(998)	(1 002)	(947)
Interest paid	(1 040)	(1 116)	(1 324)	(1 339)	(1 483)
Grants and subsidies	(4 691)	(3 997)	(3 853)	(4 918)	(3 168)
Goods and services [(a)]	(8 041)	(6 939)	(7 497)	(6 466)	(5 966)
Other payments	(265)	(253)	(332)	(278)	(719)
Total payments	**(23 554)**	**(21 572)**	**(23 053)**	**(22 547)**	**(21 402)**
Net cash flows from operating activities	**(865)**	**(587)**	**(662)**	**(1 767)**	**5 639**
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(4 837)	(4 250)	(4 847)	(3 433)	(4 845)
Sales of non-financial assets	84	52	62	62	143
Net cash flows from investments in non-financial assets	**(4 753)**	**(4 198)**	**(4 785)**	**(3 371)**	**(4 702)**
Net cash flows from investments in financial assets for policy purposes	(165)	(259)	(744)	(386)	(942)
Sub-total	**(4 919)**	**(4 457)**	**(5 529)**	**(3 757)**	**(5 644)**
Net cash flows from investments in financial assets for liquidity management purposes	(113)	(8 613)	(996)	(444)	(496)
Net cash flows from investing activities	**(5 032)**	**(13 069)**	**(6 525)**	**(4 201)**	**(6 140)**
Cash flows from financing activities					
Advances received (net)	(88)	(10)	152	(157)	(211)
Net borrowings	4 734	10 145	3 679	6 701	1 486
Deposits received (net)	8	156	(63)	79	(35)
Net cash flows from financing activities	**4 654**	**10 291**	**3 768**	**6 623**	**1 240**
Net increase/(decrease) in cash and cash equivalents	**(1 243)**	**(3 366)**	**(3 419)**	**654**	**738**
Cash and cash equivalents at beginning of the reporting period	20 941	19 698	16 332	12 913	13 567
Cash and cash equivalents at end of the reporting period	**19 698**	**16 332**	**12 913**	**13 567**	**14 306**
FISCAL AGGREGATES					
Net cash flows from operating activities	(865)	(587)	(662)	(1 767)	5 639
Net cash flows from investments in non-financial assets	(4 753)	(4 198)	(4 785)	(3 371)	(4 702)
Cash surplus/(deficit)	**(5 618)**	**(4 785)**	**(5 447)**	**(5 139)**	**937**

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

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.	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. 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:	Chapter 4, consolidated balance sheet
	(i) the transactions on the Public Account	Chapter, 4 Note 8.2 Public Account disclosures
	(ii) the transactions of the Victorian general government sector	Chapter 4, consolidated comprehensive operating statement, consolidated cash flow statement and selected notes
	(iii) other financial transactions of the State.	Chapter 4, consolidated comprehensive operating statement, consolidated cash flow statement and selected notes

Financial Management Act 1994 reference	*Requirement*	*Comments/reference*
	In respect of the financial year:	
	(c) must include details of amounts paid into working accounts under section 23	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	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	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 2024
	(f) must include particulars of amounts transferred in accordance with determinations under section 30 or 31	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 2024
	(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	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)	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.	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	Chapter 4, Note 8.2.14 Payments from advances and unused advances carried forward to 2023-24 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).	Chapter 4, Note 8.2.14 Payments from advances and unused advances carried forward to 2023-24 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	Chapter 4, Note 8.2.13 Payments from advance to the Treasurer for the financial year ended 30 June

Financial Management Act 1994 reference	*Requirement*	*Comments/reference*
	(j) must include details of:	
	(i) payments made during the financial year in fulfilment of any guarantee by the Government under any Act	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.	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	Chapter 4, consolidated balance sheet Refer Chapter 4, Note 7.2 Contingent assets and contingent liabilities (State of Victoria) 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.	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.	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.	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	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	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	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.	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.	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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VICTORIA State Government

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