



Victorian Budget
2024/25

2024/25 Financial Report

(Incorporating Quarterly
Financial Report No. 4)

Presented by Jaclyn Symes MP
Treasurer of the State
of Victoria

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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Treasurer of the State of Victoria
for the information of Honourable Members

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CHAPTER 1 – FOREWORD

PURPOSE

The *2024-25 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 2024-25 results.

Chapter 2 analyses the results for the general government sector, comparing them with actual outcomes in 2023-24 and the revised estimates for the year as presented in the *2025-26 Budget*.

Chapter 3 presents the 2024-25 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 2024-25, despite cost-of-living pressures and elevated interest rates weighing on some sectors of the economy. Employment growth was strong, and the unemployment rate remained low by historical standards. However, cost-of-living pressures remained elevated for some households, as growth in household disposable incomes did not keep pace with growth in consumer prices since inflation peaked in December 2022.

In 2024-25, state final demand – a key indicator of economic activity – grew by 1.8 per cent in real terms, following growth of 1.9 per cent in 2023-24. This resulted in state final demand being 15.6 per cent larger than in 2018-19, the last full financial year before the COVID-19 pandemic. Among the components of final demand, dwelling investment recorded the strongest increase, rising by 3.9 per cent in 2024-25 and reaching its highest level in three years. The increase in residential construction has been supported by an easing of construction labour shortages, enabling the sector to work through a backlog of projects.

Public demand also contributed to growth in Victoria's state final demand, contributed to in part by increased Commonwealth spending across various social benefits programs and infrastructure projects.

Business investment grew modestly in 2024-25, following three years of strong growth. Investment was driven by spending on intellectual property, which includes digitisation and cyber security. Engineering construction also increased, including projects related to the energy transition.

Growth in household consumption was subdued in 2024-25, and driven by a modest rise in spending on essential items amid ongoing cost-of-living pressures.

Goods exports recorded solid growth in 2024-25. This was driven mainly by robust global demand for food products, especially meat. Beef exports performed particularly well as Victorian producers increased supply in response to drought conditions and high global demand.

The strength of the Victorian economy has supported a healthy labour market. The share of the Victorian working-age population in employment and the participation rate were both at record levels in 2024-25. In annual terms, employment grew by a strong 2.5 per cent. The unemployment rate increased modestly, averaging 4.4 per cent in 2024-25, but remained below the 20-year pre-pandemic average of 5.5 per cent.

Inflation continued to ease over the year, with headline Melbourne inflation averaging 2.4 per cent in 2024-25. This marks a decline from 4.0 per cent in 2023-24 and 6.9 per cent in 2022-23. The slowdown was largely driven by weaker growth in goods prices, as global supply chain disruptions eased and overall demand for goods moderated. Lower global oil prices led to a fall in automotive fuel costs, while electricity prices dropped significantly, supported by temporary government energy rebates. Price growth in services – such as rents, education, and insurance – also slowed. In response to easing inflation, the Reserve Bank of Australia reduced the cash rate in February, May and August 2025.

Victorian wages grew by 3.3 per cent in 2024-25, outpacing inflation and marking the first year of real wages growth since the pandemic. This solid wages growth was supported by a tight labour market over the past couple of years and the earlier period of elevated inflation being factored into wage negotiations. Wage growth in the private sector has been stronger than in the public sector.

Victoria's population grew by 1.8 per cent over the year to March 2025, based on the latest available data. This marks a moderation in growth following two years of strong increases, but remains a little above the long-term average growth rate of 1.7 per cent. Over the past year, the moderation in population growth has been driven by an easing in net overseas migration.

FISCAL OBJECTIVES

As part of the *2024-25 Budget*, the Government outlined its financial measures and targets for the 2024-25 financial year, including:

- general government net debt as a percentage of gross state product (GSP) to stabilise and reduce 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 2024-25 results compared with the Government's financial measures and targets were:

- net debt to GSP of 23.7 per cent at 30 June 2025, lower than the revised estimate in the *2025-26 Budget* of 24.5 per cent and an increase from 22.0 per cent at 30 June 2024
- interest expense as a percentage of revenue of 6.7 per cent for the 2024-25 financial year, lower than the revised estimate in the *2025-26 Budget* of 6.8 per cent and an increase of 0.6 percentage points compared with the previous year
- a net operating cash surplus of \$3.2 billion, \$2.6 billion higher than the revised estimate in the *2025-26 Budget* of \$620 million.

The Government remains on track to fully fund the unfunded superannuation liability by 2035, with a contribution of \$360 million made to the State Superannuation Fund, under section 90(2) of the *State Superannuation Act 1988*, to fund this liability in 2024-25.

FISCAL OUTCOMES

The Government recorded a general government sector operating deficit of \$2.6 billion for 2024-25.

The 2024-25 operating result was an improvement of \$816 million compared with the revised estimate in the *2025-26 Budget*, mainly due to higher than forecast revenue, primarily relating to grants and other revenue and income. This was partially offset by lower than forecast taxation.

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 \$23.5 billion for 2024-25. This was slightly lower than the revised budget of \$23.8 billion published in the *2025-26 Budget*. GII decreased by \$732 million in 2024-25 compared with the peak of \$24.2 billion in 2023-24. This reflects the Government's commitment to a sustainable infrastructure program and returning infrastructure investment to pre-COVID levels.

Net debt for the general government sector was \$150.9 billion (23.7 per cent of estimated gross state product) at 30 June 2025, \$4.7 billion lower than the revised estimate in the *2025-26 Budget*. This improved result primarily reflects a higher than forecast net operating cash surplus and capital gains from the Victorian Future Fund, Victorian Social Housing Growth Fund and the Victorian Homebuyer Scheme. Also contributing to the improvement are the valuation gains associated with the Victorian Renewable Energy Target (VRET) and Bulgana Green Power Hub financial derivatives, as well as the lower than expected leasing activities primarily due to the timing of certain office accommodation lease renewals managed by the Department of Government Services.

The net operating cash surplus of \$3.2 billion was an improvement of \$2.6 billion compared with the \$620 million surplus forecast in the *2025-26 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 other receipts due to an improved collection rate of fees and fines in the justice sector.

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 economy's growth prospects, supported by strong employment, rising real wages and population growth, which will strengthen the State's operating balance over the medium term. The Moody's rating and outlook reflect the strong institutional framework for Australian states which is characterised by close revenue linkages through transfers from the Government of Australia. S&P in its latest report notes that Victoria's economy is wealthy, well-diversified and fundamentally sound.

CHAPTER 2 – GENERAL GOVERNMENT SECTOR OUTCOME

- The Government recorded a general government sector net result from transactions deficit of \$2.6 billion in 2024-25, an improvement of \$1.6 billion compared with the \$4.2 billion deficit in 2023-24.
- The 2024-25 operating result was an improvement of \$816 million compared with the revised estimate in the *2025-26 Budget*, primarily driven by higher than expected revenue of \$748 million.
- The level of government infrastructure investment was \$23.5 billion in 2024-25. This was slightly lower than the revised budget of \$23.8 billion published in the *2025-26 Budget*.
- Net debt for the general government sector was \$150.9 billion (23.7 per cent of gross state product (GSP)) at 30 June 2025 compared with \$155.5 billion (24.5 per cent of GSP) published in the *2025-26 Budget*. This improved result primarily reflects a higher than forecast net operating cash surplus and capital gains from the Victorian Future Fund, Victorian Social Housing Growth Fund and the Victorian Homebuyer Scheme. Also contributing to the improvement are the valuation gains associated with the Victorian Renewable Energy Target (VRET) and Bulgana Green Power Hub financial derivatives, as well as the lower than expected leasing activities primarily due to the timing of certain office accommodation lease renewals managed by the Department of Government Services.

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)

	2024 actual	2025 actual	2025 revised
Operating statement aggregates			
Net result from transactions – Net operating balance	(4 223)	(2 626)	(3 441)
Net result	(4 493)	(2 030)	(3 822)
Net lending/(borrowing)	(17 099)	(13 079)	(16 008)
Comprehensive result – Total change in net worth	3 076	(511)	(176)
Balance sheet aggregates			
Net worth	189 859	189 307	189 642
Net financial worth	(86 686)	(106 266)	(104 423)
Net financial liabilities	184 865	202 667	205 086
Net debt	133 241	150 867	155 524
Cash flow statement aggregates			
Net cash flows from operating activities	2 623	3 233	620
Cash surplus/(deficit)	(14 434)	(12 756)	(14 956)
(per cent)			
Net debt to GSP ^(a)	22.0	23.7	24.5
Interest expense to revenue	6.1	6.7	6.8

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 \$2.6 billion improved by \$816 million compared with the \$3.4 billion deficit forecast in the *2025-26 Budget*. The improved result was primarily due to higher than forecast revenue, primarily grants and other revenue and income, partially offset by lower than forecast taxation.

The \$1.6 billion lower deficit compared with the 2023-24 result was primarily due to an increase in revenue, mainly driven by higher goods and services tax (GST) grants from the Commonwealth, driven by the annual growth in the national GST pool, an increase in Victoria's GST relativity and population share growth in Victoria, and increased Commonwealth funding for various programs across the families, housing, education and health sectors. The increase was also attributable to an increase in land transfer duty revenue, mainly driven by the strength of residential sales volumes and high value non-residential sales, as well as higher collections of payroll taxes (including Mental Health and Wellbeing Levy and COVID Debt Levy – Payroll \$10m+) due to a strong labour market driven by continued high employment and robust wage growth.

The increase in revenue was partially offset by an increase in employee expenses, mainly due to increased spending on service delivery in the health, education and justice 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 new and refinanced borrowings. Also driving the increase were higher other operating expenses, including the increased energy bill relief concession payments, increased subsidy payments to the operator as a result of the State retaining a higher share of farebox revenue under the new metropolitan tram franchise agreement, as well as higher expenditure in the health and justice sectors due to increased service delivery.

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 2024-25 net result was an improvement of \$1.8 billion compared with the revised budget and an improvement of \$2.5 billion compared with the 2023-24 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 improvements from other economic flows in 2024-25, due to capital gains from the Victorian Future Fund, Victorian Social Housing Growth Fund and the Victorian Homebuyer Scheme, and the valuation gains associated with the VRET and Bulgana Green Power Hub financial derivatives.

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 \$13.1 billion for 2024-25 was a \$2.9 billion improvement compared with the revised estimate in the *2025-26 Budget* and a \$4 billion improvement compared with the 2023-24 outcome. This was mainly due to an improvement in the net result from transactions explained previously, and lower net acquisitions of non-financial assets primarily due to higher than expected asset transfers to VicTrack.

The 2024-25 **comprehensive result – total change in net worth** of a \$511 million deficit was a \$335 million increase compared with the \$176 million deficit forecast in the *2025-26 Budget* and a \$3.6 billion decline compared with the 2023-24 result. The higher deficit is primarily attributable to a higher valuation loss in the general government sector's investment in other sector entities, primarily due to losses on the mark-to-market revaluation of the Treasury Corporation of Victoria's (TCV) borrowings due to changes in discount rates. Also contributing to the loss is the derecognition of the rail assets under AASB 16 *Leases* at nominal value, following a revaluation completed in 2024-25. These losses were partially offset by the additional investments into Homes Victoria and State Tolling Corporation, as well as the revaluation of assets primarily in the transport and creative industries sectors.

Net worth is a measure of economic wealth and is equal to net assets outlined in Table 2.4. The \$335 million decrease 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 \$202.7 billion at 30 June 2025, \$2.4 billion lower than the revised budget. This decrease primarily reflects a higher than forecast net operating cash surplus, capital gains from the Victorian Future Fund, Victorian Social Housing Growth Fund and the Victorian Homebuyer Scheme, as well as the valuation gains associated with the VRET and Bulgana Green Power Hub financial derivatives, partially offset by higher than expected provisions and accrued expenses.

Net debt represents gross debt less liquid financial assets. Net debt of \$150.9 billion at 30 June 2025 was \$4.7 billion lower than the revised estimate in the *2025-26 Budget*. This improved result primarily reflects a higher than forecast net operating cash surplus and capital gains from the Victorian Future Fund, Victorian Social Housing Growth Fund and the Victorian Homebuyer Scheme. Also contributing to the improvement are the valuation gains associated with the VRET and Bulgana Green Power Hub financial derivatives, as well as lower than expected leasing activities primarily due to the timing of certain office accommodation lease renewals managed by the Department of Government Services.

The increase in net debt in 2024-25 of \$17.6 billion primarily reflects additional borrowings required to fund the State's capital program.

The **net cash flows from operating activities** surplus of \$3.2 billion was an improvement of \$2.6 billion compared with the \$620 million surplus forecast in the *2025-26 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 other receipts primarily due to an increase in fines collections and higher receipts associated with the *Unclaimed Money Act 2008*.

The **cash deficit** position in 2024-25 reflects the sum of net cash flows from operating and investing activities. The deficit position in 2024-25 was a \$2.2 billion improvement compared with the \$15 billion deficit forecast in the *2025-26 Budget*, primarily attributed to the improved net cash flows from operating activities as discussed above.

FINANCIAL PERFORMANCE

Table 2.2 shows a net result from transactions deficit of \$2.6 billion in 2024-25 compared with the revised 2024-25 estimate of a deficit of \$3.4 billion.

Table 2.2: Summary of operating statement

(\$ million)

	2025 actual	2025 revised	Revised variance	% revised variance	2024 actual
Revenue and income from transactions					
Taxation	38 942	39 152	(210)	(1)	36 876
Interest income	1 546	1 502	44	3	1 761
Dividends and income tax equivalent income	2 284	2 341	(57)	(2)	2 199
Sales of goods and services	6 893	6 723	170	3	6 212
Grants	47 304	46 857	447	1	41 797
Other revenue and income	4 411	4 057	354	9	4 210
Total revenue and income from transactions	101 380	100 632	748	1	93 055
Expenses from transactions					
Employee expenses	38 515	37 975	540	1	36 035
Superannuation:					
Net superannuation interest expense	783	783	..	..	774
Other superannuation	4 524	4 442	82	2	4 062
Depreciation	5 462	5 481	(19)	..	4 967
Interest expense	6 774	6 811	(37)	(1)	5 639
Grant expense	17 221	17 731	(511)	(3)	16 675
Other operating expenses	30 726	30 849	(123)	..	29 127
Total expenses from transactions	104 006	104 073	(68)	..	97 279
Net result from transactions – Net operating balance	(2 626)	(3 441)	816	(24)	(4 223)
Total other economic flows included in net result	596	(380)	976	(257)	(269)
Net result	(2 030)	(3 822)	1 792	(47)	(4 493)

Revenue

Total revenue and income from transactions for the year was \$101.4 billion, which was \$748 million higher than the revised estimate. This was \$8.3 billion, or 8.9 per cent, higher compared with the previous year, primarily reflecting an increase in grants, taxation revenue and sales of goods and services.

Table 2.3 shows that state taxation revenue decreased by \$210 million compared with the revised budget estimate. This was primarily driven by lower payroll taxes (including Mental Health and Wellbeing Levy and COVID Debt Levy – Payroll \$10m+) of \$106 million due to softer-than-expected employment outcomes in the second half of the year and lower windfall gains tax of \$75 million in 2024-25.

The increase of \$2.1 billion in taxation revenue compared with 2023-24 is attributable to an increase of \$827 million in land transfer duty, mainly driven by the strength of residential sales volumes and high value non-residential sales, and higher payroll taxes (including Mental Health and Wellbeing Levy and COVID Debt Levy – Payroll \$10m+) of \$728 million due to a strong labour market driven by continued high employment and robust wage growth. Land tax increased by \$184 million due to site value growth and the Fire Services Property Levy increased by \$191 million in line with statutory parameters.

Table 2.3: Taxation

(\$ million)

	2025 actual	2025 revised	Revised variance	% revised variance	2024 actual
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE					
Payroll tax	9 186	9 231	(45)	..	8 639
COVID Debt Levy – Payroll \$10m+	1 066	1 096	(30)	(3)	934
Mental Health and Wellbeing Levy	1 066	1 096	(30)	(3)	1 018
Total taxes on employers' payroll and labour force	11 318	11 424	(106)	(1)	10 590
TAXES ON IMMOVABLE PROPERTY					
Land tax	6 114	6 058	56	1	5 930
COVID Debt Levy – Landholdings	1 132	1 138	(6)	(1)	1 164
Fire Services Property Levy	1 031	1 033	(2)	..	839
Congestion levy	123	128	(6)	(4)	117
Metropolitan improvement levy	198	214	(17)	(8)	200
Windfall gains tax	15	90	(75)	(84)	114
Total taxes on property	8 612	8 662	(50)	(1)	8 365
TAXES ON THE PROVISION OF GOODS AND SERVICES					
Gambling taxes^(a)					
Public lotteries	621	622	(1)	..	689
Electronic gaming machines	1 428	1 434	(7)	..	1 383
Casino	200	196	4	2	208
Racing and other sports betting	382	406	(24)	(6)	277
Other	17	18	(1)	(4)	18
Financial and capital transactions					
Land transfer duty	9 254	9 200	54	1	8 426
Metropolitan planning levy	24	22	2	8	20
Financial accommodation levy	196	201	(5)	(2)	172
Growth areas infrastructure contribution	184	179	5	3	255
Levies on statutory corporations	177	176	..	..	173
Taxes on insurance	2 197	2 207	(10)	..	2 076
Total taxes on the provision of goods and services	14 679	14 662	17	..	13 696
TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES					
Motor vehicle taxes					
Vehicle registration fees	2 219	2 228	(8)	..	2 094
Duty on vehicle registrations and transfers	1 319	1 337	(18)	(1)	1 386
Liquor licence fees	32	33	..	(1)	31
Other	763	807	(44)	(6)	713
Total taxes on the use of goods and performance of activities	4 333	4 404	(71)	(2)	4 225
Total taxation	38 942	39 152	(210)	(1)	36 876

Note:

(a) The public lotteries, electronic gaming machines, casino, racing and other sports betting and other gambling taxes balances include gambling licence revenue to 30 June 2025 of \$172 million (30 June 2024: \$202 million) recognised under AASB 15. The balance of these items is recognised under AASB 1058.

Interest income was \$44 million higher than the revised budget and \$215 million lower when compared with the previous year. The decrease from the prior year primarily reflects lower interest earned on the Victorian Future Fund due to the fund balance being invested fully with the Victorian Funds Management Corporation (VFMC), and a decrease in funds held in the central banking system.

Revenue from the sale of goods and services was \$170 million higher than the revised budget and \$681 million higher than the 2023-24 outcome, primarily due to higher revenue from hospital patient fees, additional land title fees resulting from increased activity, increased public transport fare revenue, as well as the recognition of contractual guarantee fees.

Grants revenue of \$47.3 billion was \$5.5 billion higher than 2023-24. The significant increase is due to an increase in GST revenue driven by the annual growth in the national GST pool, an increase in Victoria's GST relativity and population share growth in Victoria. Also driving the increase was higher grants from the Commonwealth relating to Energy Bill Relief Payments that the State passes on to eligible households and businesses, and an increase in Commonwealth funding relating to the National Health Reform Agreement and the Pharmaceutical Benefit Scheme. There was also an increase in Commonwealth grants to the education sector, primarily reflecting higher grants to schools in line with the increased volume of activities, as well as the receipt of the delayed 2023-24 payment from the Commonwealth for the Preschool Reform Agreement in 2024-25.

Grants were \$447 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 2025-26 local government grants to 2024-25 as well as the receipt of the Commonwealth grant for Disaster Recovery Arrangements. This was partially offset by lower-than-expected grants from other states and territories for the health treatment of residents of other jurisdictions in Victoria.

Other revenue and income for 2024-25 was \$202 million higher than the 2023-24 outcome and \$354 million higher than the revised budget, primarily driven by the revenue associated with the *Unclaimed Money Act 2008*. The higher than expected donations in the health sector and creative agencies have also contributed to the increase from the revised budget.

Expenses

Total general government sector expenses increased to \$104 billion in 2024-25, an increase of \$6.7 billion (6.9 per cent) compared with the previous year. Total expenses were consistent with the revised estimate in the *2025-26 Budget*. The increase in total expenses compared with the previous year is primarily due to higher employee expenses, interest expense and other operating expenses.

Employee expenses of \$38.5 billion for 2024-25 were \$540 million (1.4 per cent) higher than the revised budget and \$2.5 billion (6.9 per cent) higher than 2023-24. Compared with the previous year, this increase is mainly due to increased spending on service delivery in the health, education and justice sectors. The increase in employee expenses also reflects increases in remuneration levels in line with enterprise bargaining agreements.

The higher employee expenses for 2024-25 compared with the revised budget were partly due to higher expenditure in the education sector reflecting an increase in school teachers and support staff employed to meet demand in schools.

Other superannuation expenses of \$4.5 billion for 2024-25 were \$82 million higher than the revised budget and \$462 million higher than in 2023-24. The increase compared with the previous year is primarily due to higher employer contributions to the defined contribution plans in the education sector reflecting an increase in employee expenses, as explained above, along with an increase in the compulsory superannuation guarantee contribution rate from 1 July 2024.

Depreciation expense increased by \$495 million from the previous year to \$5.5 billion. This increase was primarily due to increased depreciation in the health sector due to the impact of asset revaluations in June 2024 on the 2024-25 depreciation expense.

Interest expense of \$6.8 billion for 2024-25 was \$37 million lower than the revised budget. Compared with the previous year, interest expense increased by \$1.1 billion, reflecting additional borrowings to finance the State's capital program and an increase in the interest rates on new and refinanced borrowings.

Grant expenses of \$17.2 billion were \$511 million lower than the revised budget, primarily due to the timing of grant programs across the tourism, sports and major events, economic growth and jobs and regional development portfolios, as well as the timing of expenditure from the Social Housing Growth Fund. This was partially offset by higher than anticipated expenditure associated with Commonwealth grants for local governments as well as various grant programs in the education sector.

Grant expenses were \$546 million higher than in 2023-24. The increase compared with the previous year was primarily due to an increase in grants for housing, increased expenditure associated with Commonwealth grants for non-government schools, as well as increased payments to the National Disability Insurance Agency reflecting the continued roll-out of the National Disability Insurance Scheme. This was partially offset by lower grant expenses associated with capital works in the education sector in non-government schools.

Other operating expenses in 2024-25 were \$30.7 billion which was \$123 million lower than the revised budget estimate and \$1.6 billion higher than 2023-24. The increase compared with the previous year includes the increased energy bill relief concession payments, increased subsidy payments to the operator as a result of the State electing to retain a higher share of farebox revenue under the new metropolitan tram franchise agreement, as well as higher expenditure in the health and justice sectors due to increased service delivery.

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 2024-25 totalled a net revaluation gain of \$596 million. This was an improvement of \$976 million compared with the \$380 million net revaluation loss in the revised budget and an improvement of \$865 million compared with 2023-24. This improvement primarily reflects investment gains from the Victorian Future Fund, Victorian Social Housing Growth Fund and the Victorian Homebuyer Scheme. The valuation gains associated with the VRET and Bulgana Green Power Hub financial derivatives have also contributed to the improvement.

FINANCIAL POSITION

Table 2.4 shows general government sector net assets decreased by \$553 million to \$189.3 billion in 2024-25. This was \$335 million (0.2 per cent) lower than expected in the 2024-25 revised budget.

Table 2.4: Summary balance sheet

(\$ million)

	2025 actual	Revised variance	2025 revised	Actual movement	2024 actual
Assets					
Financial assets (excluding investment in other sector entities)	48 331	2 958	45 373	1 433	46 899
Investment in other sector entities:					
Public non-financial corporations	86 504	(1 600)	88 104	3 459	83 045
Public financial corporations	9 898	(2 662)	12 559	(5 236)	15 134
Non-financial assets	295 573	1 508	294 065	19 027	276 546
Total assets	440 305	204	440 101	18 682	421 623
Liabilities					
Superannuation	18 284	885	17 399	58	18 226
Borrowings	186 259	(2 036)	188 295	18 950	167 309
Other liabilities	46 456	1 690	44 765	227	46 229
Total liabilities	250 999	539	250 459	19 235	231 764
Net assets	189 307	(335)	189 642	(553)	189 859

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 \$1.4 billion during the year. The increase is mainly due to an increase in investments associated with the Victorian Homebuyer Fund, Victorian Future Fund, and the Social Housing Growth Fund. Additionally, the valuation gains associated with the VRET and Bulgana Green Power Hub financial derivatives also contributed to the overall increase. The increase was partially offset by a decrease in cash and deposits due to meeting the State's expenditure requirements.

Non-financial assets increased by \$19 billion during 2024-25, mainly due to the Government's investment in infrastructure and the revaluation of assets primarily in the transport and creative industries sectors.

General government investments in other sector entities decreased by \$1.8 billion in the year. This was mainly due to losses on the mark-to-market revaluation of TCV's borrowings due to changes in discount rates. This was partially offset by the additional investments into Homes Victoria and State Tolling Corporation.

Total assets were \$204 million higher than the revised budget. This was primarily due to the higher than expected financial assets mainly relating to the higher than forecast net cashflows from operating activities surplus. The increase was partially offset by a decrease in general government investments in other sector entities as discussed above.

Liabilities

Total liabilities as at 30 June 2025 were \$251 billion, \$19.2 billion higher than the 2023-24 outcome and \$539 million higher than the revised budget. The increase compared with the revised budget mainly reflects an increase in provisions, including provisions for employee benefits and accrued expenses associated with the redress schemes in the justice and the family and children portfolios. There was also a higher defined benefit superannuation liability primarily due to a decrease in the bond yields that underlie the key superannuation valuation assumptions, partially offset by higher than expected investment returns on superannuation assets, between 31 March 2025 and 30 June 2025. These increases were partially offset by lower borrowings primarily as a result of the better than expected net cashflows from operating activities.

The increase in total liabilities when compared with the 2023-24 outcome was primarily due to additional borrowings required to fund the Government's infrastructure 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 \$3.2 billion was an improvement of \$2.6 billion compared with the \$620 million surplus forecast in the *2025-26 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 other receipts primarily due to an increase in fines receipts and higher receipts associated with the *Unclaimed Money Act 2008*.

Compared with the previous year, the net cash flows from operating activities improved by \$610 million from a surplus of \$2.6 billion. This was primarily driven by the year-on-year improvement in net result from transactions, partially offset by higher grant payments including accrued local government grants received from the Commonwealth in June 2024.

A detailed cash flow statement is provided in Chapter 4.

Table 2.5: Application of cash resources

(\$ million)

	2024 actual	2025 actual	2025 revised
Net result from transactions – Net operating balance	(4 223)	(2 626)	(3 441)
Add back: non-cash revenues and expenses (net) ^(a)	6 846	5 858	4 061
Net cash flows from operating activities	2 623	3 233	620
Less:			
Net investment in fixed assets			
Purchases of non-financial assets	17 375	16 220	16 040
Net cash flows from investments in financial assets for policy purposes	2 331	3 631	4 394
Sales of non-financial assets	(319)	(232)	(465)
Net investment in fixed assets	19 387	19 619	19 970
Leases and service concession arrangements	2 888	2 413	2 967
Other movements	(1 455)	(1 169)	(30)
Decrease/(increase) in net debt ^(b)	(18 197)	(17 630)	(22 287)

Notes:

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

(b) The 2024-25 movement in net debt differs from the reported increase of net debt on the consolidated balance sheet from 30 June 2024 to 30 June 2025 as a result of 1 July 2024 opening balance adjustments. Refer to the consolidated statement of changes in equity in Chapter 4 for further information.

GOVERNMENT INFRASTRUCTURE INVESTMENT

Infrastructure supports the 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 \$23.5 billion in 2024-25.

This was slightly lower than the revised budget of \$23.8 billion published in the *2025-26 Budget*. GII decreased by \$732 million in 2024-25 compared with the peak of \$24.2 billion in 2023-24. This reflects the Government's commitment to a sustainable infrastructure program and returning infrastructure investment to pre-COVID levels.

CHAPTER 3 – BROADER PUBLIC SECTOR OUTCOME

- The public non-financial corporations (PNFC) sector reported a net deficit from transactions of \$121 million in 2024-25 compared with a small surplus of \$1 million in 2023-24. Once losses reported as other economic flows are included, the PNFC sector's net result was a deficit of \$13.1 billion in 2024-25. This was largely driven by the deferred tax impact of the 2024-25 VicTrack revaluation.
- The net debt of the non-financial public sector (NFPS), which includes both the general government and the PNFC sectors, has increased from \$155.3 billion at 30 June 2024 to \$175.2 billion at 30 June 2025. 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 \$1.4 billion in 2024-25. Once other economic flows, which primarily relate to financial liability revaluations (partly offset by capital gains on the investments held by the State's insurance agencies) are included, the PFC sector's net result was a deficit of \$3.5 billion in 2024-25.
- Combining the above, the State reported a net result deficit of \$7.7 billion in 2024-25.

This chapter sets out the financial results of the broader public sector for 2024-25, 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: 2024-25 summary operating statement – PNFC sector (\$ million)

	2025 actual	2025 revised	Revised variance	% revised variance	2024 actual
Revenue and income from transactions					
Interest income	140	122	18	14.8	120
Dividends and income tax equivalent income	29	23	6	26.1	46
Sales of goods and services	8 093	8 111	(18)	(0.2)	7 584
Grants	2 597	2 728	(131)	(4.8)	2 495
Other revenue and income	843	739	104	14.0	835
Total revenue and income from transactions	11 701	11 723	(22)	(0.2)	11 079
Expenses from transactions					
Employee expenses	2 114	2 028	86	4.2	1 961
Superannuation:					
Net superannuation interest expense	2	4	(3)	(60.6)	2
Other superannuation	225	229	(5)	(2.0)	196
Depreciation	2 360	2 307	53	2.3	2 120
Interest expense	1 052	1 070	(18)	(1.6)	944
Grant expense	578	711	(133)	(18.7)	686
Other operating expenses	5 302	5 270	32	0.6	4 924
Other property expenses	189	224	(36)	(15.8)	245
Total expenses from transactions	11 822	11 844	(23)	(0.2)	11 078
Net result from transactions – Net operating balance	(121)	(122)	1	(0.5)	1
Total other economic flows included in net result	(12 947)	267	(13 214)	(4 946.5)	(3 179)
Net result	(13 068)	145	(13 214)	(9 087.2)	(3 178)

Revenue

Total revenue and income from transactions for the PNFC sector was \$11.7 billion in 2024-25 which was \$22 million lower than the revised budget.

Total revenue and income from transactions for the PNFC sector in 2024-25 was \$622 million higher than 2023-24, largely driven by increased revenue across the water sector reflecting increased water usage and higher settlements recorded by Development Victoria.

Expenses

Total expenses from transactions for the PNFC sector was \$11.8 billion in 2024-25, which was \$23 million lower than the revised budget.

Total expenses from transactions for the PNFC sector in 2024-25 was \$744 million higher compared with 2023-24 partially due to increased staffing

levels across the PNFC sector, increased interest expenses and higher depreciation reported within the water sector and Homes Victoria. As noted in the Revenue section, higher water usage and increased settlements at Development Victoria increased revenue and also raised other operating expenses.

Net result from transactions

The PNFC sector's net result from transactions in 2024-25 was broadly consistent with 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 \$1 million in 2023-24 to a deficit of \$121 million in 2024-25.

Net result and other economic flows

The net result from transactions does not include some significant drivers of the PNFC sector's performance such 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 increased by \$9.8 billion from 2023-24, largely reflecting the derecognition of the rail assets under AASB 16 *Leases* at nominal value, which have been revalued this year. Refer to Note 5.6 in Chapter 4 of this report for further detail on this arrangement.

The losses from total other economic flows included in the net result was \$13.2 billion greater than the revised estimates, primarily due to a larger rail asset derecognition of \$13 billion, arising from a scheduled revaluation of rail assets.

Overall, this resulted in the PNFC sector reporting a net result deficit of \$13.1 billion in 2024-25.

Financial position

Table 3.2: 2024-25 summary balance sheet – PNFC sector

(\$ billion)

	2025 actual	Revised variance	2025 revised	Actual movement	2024 actual
Assets					
Financial assets ^(a)	6.5	1.5	5.0	1.5	5.0
Non-financial assets ^(b)	135.8	(0.5)	136.3	8.2	127.6
Total assets	142.2	1.0	141.3	9.6	132.6
Liabilities					
Borrowings	26.5	(0.7)	27.2	3.2	23.3
Other provisions	23.7	11.8	11.9	11.6	12.1
Other liabilities ^(c)	14.6	0.5	14.1	0.4	14.2
Total liabilities	64.7	11.6	53.2	15.2	49.5
Net assets	77.5	(10.6)	88.1	(5.6)	83.0

Notes:

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

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

(c) Other liabilities consist of payables, employee benefits, deposits held and advances received, contract liabilities, unearned income and grant of a right to the operator liability.

Table 3.2 shows that PNFC sector net assets decreased by \$5.6 billion to \$77.5 billion at 30 June 2025. Net assets were \$10.6 billion lower than the revised budget, primarily due to the impact of deferred tax liability arising from the revaluation of rail assets.

The increase in total assets of \$9.6 billion compared with 2023-24 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 revaluations of VicTrack and Melbourne Port Lessor.

In addition, cash holdings increased primarily due to Homes Victoria's receipt of funding in advance of incurring the expenditure. Liabilities increased by \$15.2 billion compared with 2023-24. Other provisions increased by \$11.6 billion primarily due to the deferred tax impact of the VicTrack revaluation. Borrowings increased by \$3.2 billion, primarily due to debt incurred by the water corporations and the North East Link State Tolling Corporation to fund their capital expenditure programs.

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 \$175.2 billion at 30 June 2025. This compares with \$155.3 billion the previous year and a revised budget of \$181.8 billion in the 2025-26 *Budget*.

The ratio of NFPS net debt to gross state product (GSP) was 27.6 per cent at 30 June 2025 compared with 25.6 per cent at 30 June 2024. 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 28.6 per cent primarily due to the general government sector's higher than forecast net operating cash surplus and capital gains from the Victorian Future Fund, Victorian Social Housing Growth Fund and the Victorian Homebuyer Scheme. Also contributing to the improvement are the valuation gains associated with the VRET and Bulgana Green Power Hub financial derivatives, as well as the lower than expected leasing activities primarily due to the timing of certain office accommodation lease renewals managed by the Department of Government Services.

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

	2025 actual	Revised variance	2025 revised	Actual movement	2024 actual
Assets					
Cash and deposits	15.9	2.8	13.1	(0.7)	16.6
Advances paid	0.5	0.1	0.4	..	0.5
Investments, loans and placements	18.7	1.1	17.7	3.0	15.7
Total	35.2	4.0	31.2	2.4	32.8
Liabilities					
Deposits held and advances received	1.9	0.2	1.7	0.1	1.8
Borrowings	208.5	(2.7)	211.3	22.2	186.3
Total	210.4	(2.6)	213.0	22.3	188.1
Net debt	175.2	(6.6)	181.8	19.9	155.3
Superannuation	18.3	0.9	17.4	0.1	18.2
Net debt plus superannuation liabilities	193.5	(5.7)	199.2	20.0	173.5
Other liabilities (net) ^(a)	43.0	1.6	41.4	..	43.0
Net financial liabilities ^(b)	236.5	(4.1)	240.6	19.9	216.5
				(per cent)	
Net debt to GSP ^(c)	27.6	(1.0)	28.6	1.9	25.6
Net debt plus superannuation liabilities to GSP ^(c)	30.4	(0.9)	31.3	1.8	28.6
Net financial liabilities to GSP ^(c)	37.2	(0.6)	37.8	1.5	35.7

Notes:

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

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

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

Indicators of financial condition

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

The operating cash flow surplus to revenue ratio is an indication of the extent to which the cash generated from operations can be used to fund infrastructure. This ratio increased from 3.9 per cent in 2023-24 to 4.3 per cent in 2024-25. This was largely due to a \$834 million increase in net cash flows from operating activities which primarily related to the general government sector and is discussed in the previous chapter.

The gross debt to revenue ratio, which indicates the State's overall debt burden, increased from 188.4 per cent at 30 June 2024 to 193.6 per cent as at 30 June 2025. This increase was primarily due to the increase in borrowings to fund the Government's infrastructure program.

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 and was 6.7 per cent at 30 June 2025.

Table 3.4: Indicators of financial condition for NFPS

(per cent)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating cash flow surplus to revenue	24.4	8.7	12.4	(2.2)	(13.9)	(7.8)	6.9	3.9	4.3
Gross debt to revenue ^(a)	64.7	69.8	75.5	110.1	144.1	150.6	176.4	188.4	193.6
Interest expense to revenue	3.9	3.7	3.7	3.9	4.0	3.7	4.7	6.1	6.7

Note:

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

Infrastructure investment

Net cash flows from investments in non-financial assets includes \$16 billion invested by the general government sector and \$6 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 Primary Treatment and Waste Activated Sludge Capacity Augmentation and 5 West Nutrient Removal Plant projects at the Western Treatment Plant, Yarra Valley Water's Waste to Energy Project 2 and Rankin Street Branch Sewer Project, the rollout of digital meters, Mt Martha Water Recycling Plant Augmentation and Greater Western Water's Redstone Hill Sewer Pump Station and Bald Hill Tank Construction.
- 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 more than 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: 2024-25 summary operating statement – PFC sector

(\$ million)

	2025 actual	2025 revised	Revised variance	% revised variance	2024 actual
Revenue and income from transactions					
Interest income	6 724	6 818	(94)	(1.4)	5 332
Dividends and income tax equivalent income	3 214	3 063	151	4.9	2 296
Sales of goods and services	8 456	8 531	(74)	(0.9)	8 098
Other revenue and income	37	28	9	31.2	24
Total revenue and income from transactions	18 431	18 440	(9)	(0.1)	15 750
Expenses from transactions					
Employee expenses	598	580	18	3.1	536
Other superannuation	63	60	3	5.3	55
Depreciation	85	82	3	3.4	88
Interest expense	6 636	6 401	235	3.7	5 171
Grant expense	136	180	(44)	(24.4)	139
Other operating expenses	11 569	12 174	(605)	(5.0)	11 146
Other property expenses	758	251	507	202.1	554
Total expenses from transactions	19 846	19 728	118	0.6	17 690
Net result from transactions – Net operating balance	(1 415)	(1 287)	(127)	9.9	(1 940)
Total other economic flows included in net result	(2 109)	81	(2 190)	(2 697.6)	3 260
Net result	(3 523)	(1 206)	(2 317)	192.1	1 320

Revenue

Total revenue and income from transactions for the PFC sector was \$18.4 billion in 2024-25. This is consistent with the revised budget and \$2.7 billion, or 17 per cent, higher than in 2023-24.

As shown in Table 3.5, TCV's interest income was \$94 million lower than the revised budget, along with income from the sale of goods and services by the State's insurance agencies that was \$74 million less than the revised budget. However, the impact this had on the PFC sector's total revenue for 2024-25 was offset by dividends which were \$151 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 2023-24, the increase in revenue and income from transactions is primarily attributable to higher interest income for TCV and an increase in dividends due to higher average investment returns earned by the insurers of 11.4 per cent in 2024-25 compared with 9.4 per cent in 2023-24.

Expenses

Total expenses from transactions for the PFC sector were \$19.8 billion in 2024-25. This was \$118 million higher than the revised budget due to higher-than-expected income tax equivalents for the State's insurance agencies which form part of other property expenses and higher than expected interest expense incurred by TCV. The increase was partially offset by lower than expected claims payments coupled with a favourable impact of the actuarial release for the WorkSafe Victoria year end valuation.

Total expenses from transactions for the PFC sector were \$2.2 billion, or 12.2 per cent, higher in 2024-25 compared with the previous year. This increase was largely due to a higher interest expense for TCV and increased claims expenses for the State's insurance agencies.

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 \$1.9 billion in 2023-24 to a deficit of \$1.4 billion in 2024-25.

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 2024-25, other economic flows for the PFC sector were negative \$2.1 billion and primarily arose due to unrealised losses on the mark-to-market revaluation of TCV borrowings due to changes in discount rates.

The losses incurred on TCV borrowings were partially offset by:

- a net revaluation gain that arose due to the combined impact of changes in claims assumptions, as well as a decrease in the discount rates (negative) and inflation rates (positive) 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 in the State's insurance agencies.

Overall, this resulted in the PFC sector reporting a net loss of \$3.5 billion in 2024-25.

Financial position

Table 3.6: 2024-25 summary balance sheet – PFC sector

(\$ billion)

	2025 actual	Revised variance	2025 revised	Actual movement	2024 actual
Assets					
Financial assets ^(a)	252.2	(3.5)	255.8	27.7	224.6
Non-financial assets ^(b)	3.3	(0.1)	3.3	(0.3)	3.6
Total assets	255.5	(3.6)	259.1	27.4	228.2
Liabilities					
Borrowings	188.2	(1.8)	190.0	27.4	160.7
Other provisions	54.0	0.1	53.9	3.6	50.4
Other liabilities ^(c)	4.0	0.7	3.4	0.6	3.4
Total liabilities	246.2	(1.1)	247.2	31.7	214.5
Net assets	9.4	(2.5)	11.9	(4.3)	13.7

Notes:

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

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

(c) Other liabilities consist of payables, employee benefits, deposits held and advances received, contract liabilities, and unearned income.

Table 3.6 shows that PFC sector net assets decreased to \$9.4 billion at 30 June 2025, a \$4.3 billion decrease compared with 30 June 2024 and \$2.5 billion lower than the revised budget.

The decrease in net assets since 30 June 2024 is primarily due to an increase in TCV loans payable, mark-to-market increases in the value of borrowings held by TCV and increases in the outstanding claims liabilities of the State's insurance agencies. This was partly offset by an increase in the investments held by the State's insurance agencies.

Relative to the revised budget, the decrease in net assets is predominantly attributable to lower financial assets resulting from lower lending to the NFPS, which is partially offset by higher-than-expected borrowings and outstanding claims liabilities for the State's insurance agencies. The reported net result and net asset position of the PFC sector are impacted by the accounting convention adopted for TCV, whereby its fixed interest rate loans to government clients are measured at book value while its borrowings are reported at market value. This approach enables TCV's loans to be consolidated with the borrowings of the general government and PNFC sectors but, for the PFC sector in isolation, creates a mismatch between the value of TCV's assets (which are at book value) and its liabilities (which are at market value).

This difference, which is estimated to be around \$6.6 billion at 30 June 2025, is eliminated when TCV's loans to government clients are consolidated in the whole of state accounts. This difference is not apparent in 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, a decrease in the relevant bond yields between 30 June 2024 and 30 June 2025 increased the value of insurance agencies' claims liabilities. Changes in claims assumptions also reduced TAC's and WorkSafe's insurance claims liabilities. However, overall, insurance claims liabilities increased in 2024-25 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.

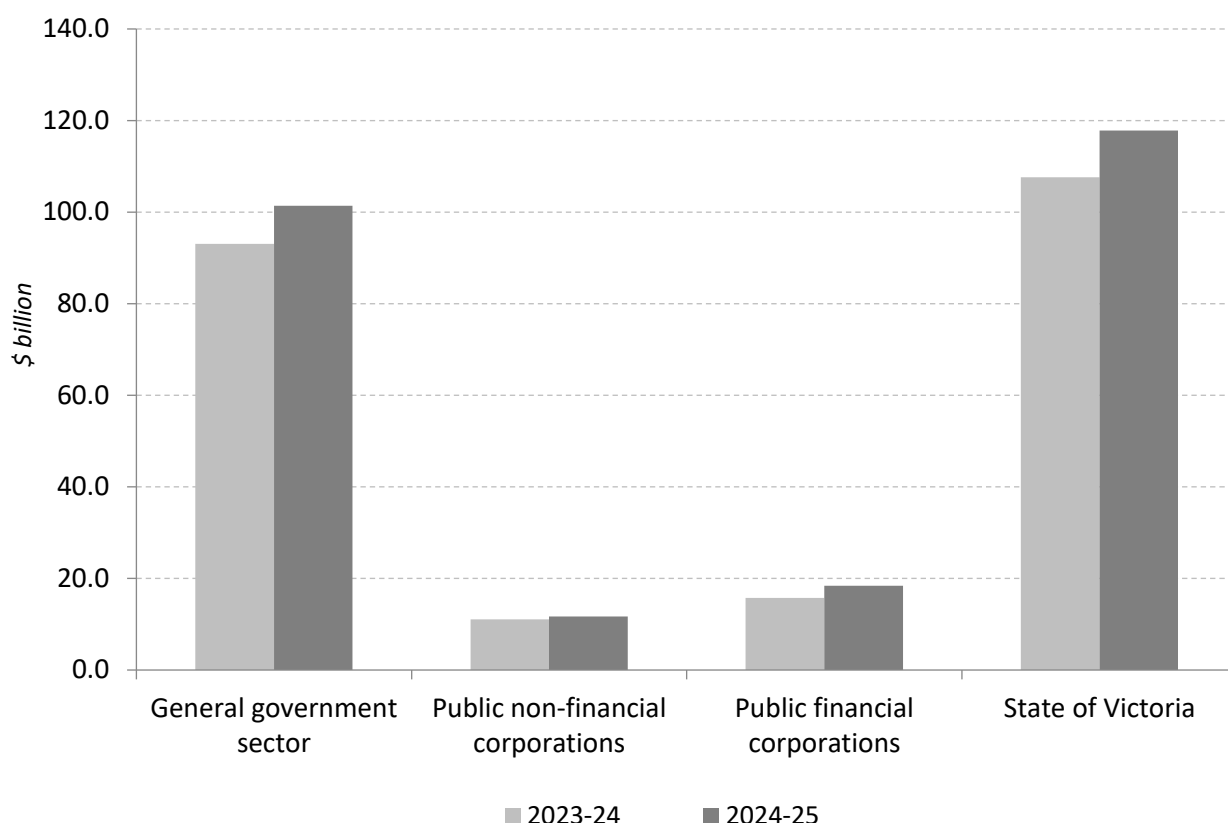
Table 3.7: 2024-25 summary operating statement – State of Victoria (\$ million)

	2025 actual	2025 revised	Revised variance	% revised variance	2024 actual
Revenue and income from transactions					
Taxation	38 356	38 576	(219)	(0.6)	36 324
Interest income	2 002	1 986	16	0.8	2 157
Dividends and income tax equivalent income	3 947	3 799	149	3.9	2 485
Sales of goods and services	21 009	21 201	(193)	(0.9)	19 885
Grants	47 191	46 708	482	1.0	41 686
Other revenue and income	5 287	4 824	463	9.6	5 068
Total revenue and income from transactions	117 791	117 094	697	0.6	107 605
Expenses from transactions					
Employee expenses	40 054	39 463	591	1.5	37 467
Superannuation:					
Superannuation interest expense	785	788	(3)	(0.3)	775
Other superannuation	4 812	4 731	80	1.7	4 312
Depreciation	9 349	9 052	297	3.3	8 279
Interest expense	8 130	7 948	182	2.3	6 722
Grant expense	15 045	15 584	(540)	(3.5)	14 721
Other operating expenses	45 793	46 816	(1 022)	(2.2)	43 787
Total expenses from transactions	123 968	124 382	(414)	(0.3)	116 064
Net result from transactions – Net operating balance	(6 177)	(7 288)	1 111	(15.2)	(8 459)
Total other economic flows included in net result	(1 520)	(310)	(1 209)	390.0	2 919
Net result	(7 696)	(7 598)	(99)	1.3	(5 540)

Table 3.7 shows the State recorded a net deficit from transactions of \$6.2 billion in 2024-25 compared with a deficit of \$8.5 billion in 2023-24. 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 declined from a deficit of \$5.5 billion in 2023-24 to a deficit of \$7.7 billion in 2024-25. This is primarily attributable to other economic flows loss for the PFC sector compared with a gain in 2023-24. This was due to mark-to-market losses on the value of borrowings held by TCV which were a gain in the prior year.

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 \$239.9 billion in 2023-24 to \$281.4 billion in 2024-25. While total assets increased by \$75.4 billion, this was partially offset by a \$33.9 billion increase in liabilities.

The State's financial assets increased from \$116.5 billion in 2023-24 to \$126.8 billion in 2024-25 and non-financial assets, including infrastructure, increased from \$446.2 billion in 2023-24 to \$511.3 billion in 2024-25.

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, and the State's insurance agencies. The increase in non-financial assets is mainly due to the Government's investment in infrastructure and the revaluation of assets primarily in the transport sector.

The increase in the State's liabilities is largely due to borrowings increasing from \$193.7 billion in 2023-24 to \$223.4 billion in 2024-25. This increase in borrowings is mainly due to incremental borrowings by TCV to fund the Government's infrastructure investment program.

Other liabilities also increased, from \$110.9 billion in 2023-24 to \$115 billion by 2024-25. This increase is predominantly driven by increases in the outstanding claim liabilities of the State's insurance agencies.

Table 3.8: 2024-25 summary balance sheet – State of Victoria
(\$ billion)

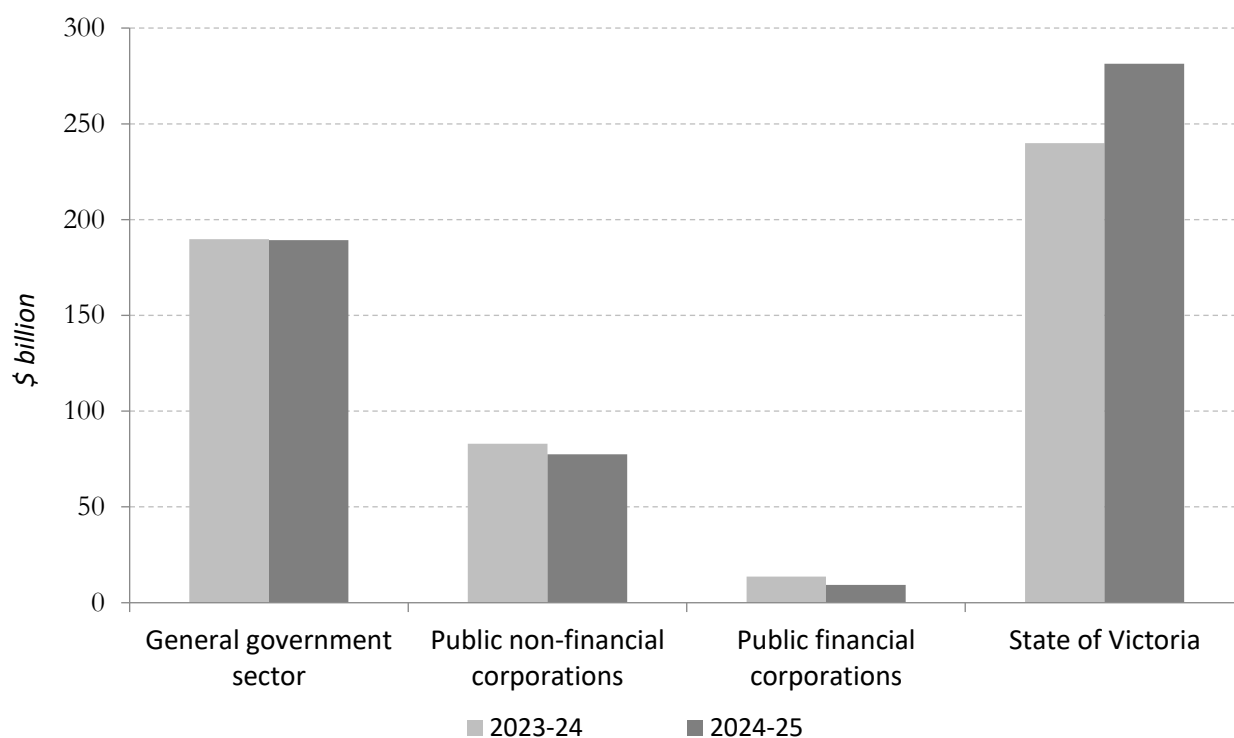
	2025 actual	Revised variance	2025 revised	Actual movement	2024 actual
Assets					
Financial assets ^(a)	126.8	2.5	124.3	10.2	116.5
Non-financial assets ^(b)	511.3	40.6	470.8	65.2	446.2
Total assets	638.1	43.1	595.0	75.4	562.7
Liabilities					
Superannuation	18.3	0.9	17.4	0.1	18.2
Borrowings	223.4	(2.6)	226.0	29.7	193.7
Other liabilities ^(c)	115.0	2.5	112.5	4.1	110.9
Total liabilities	356.7	0.8	355.9	33.9	322.8
Net assets	281.4	42.3	239.1	41.5	239.9

Notes:

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

(b) Non-financial assets include inventories, non-financial assets held for sale land, buildings, infrastructure, plant and equipment and other non-financial assets.

(c) Other liabilities consist of payables, employee benefits, deposits held and advances received, contract liabilities, unearned income, grant of a right to the operator liability and other provisions.

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


Note:

(a) General government net assets include 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

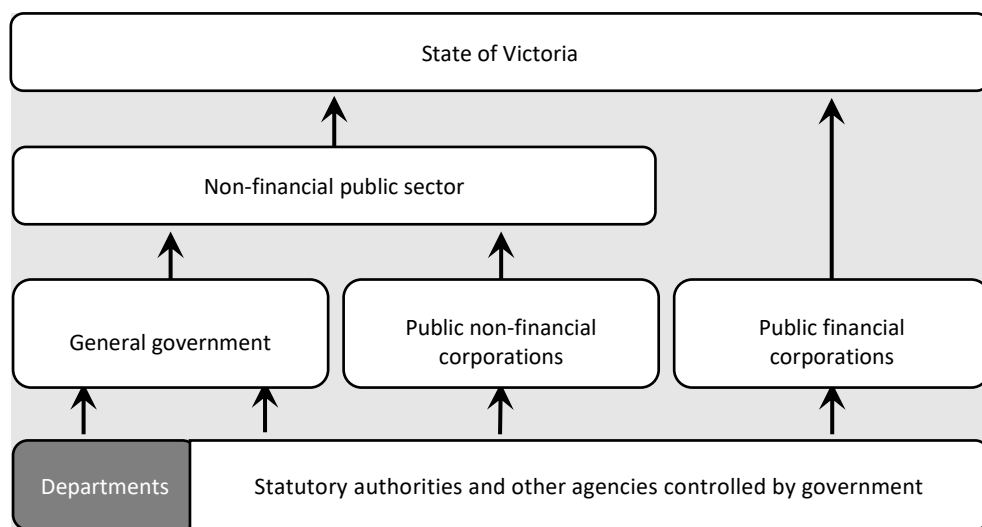
REPORT STRUCTURE

The Treasurer of Victoria presents the *Annual Financial Report* of the State of Victoria (the State) for the financial year ended 30 June 2025 as follows:

Report Certifications	Report of the Auditor-General	Page 29
	Certification by the Treasurer and the Secretary of the Department of Treasury and Finance	Page 37
Financial statements	Consolidated comprehensive operating statement	Page 38
	Consolidated balance sheet	Page 39
	Consolidated cash flow statement	Page 40
	Consolidated statement of changes in equity	Page 42
Notes to the financial statements	1. About this report	Page 43
	<i>Basis of preparation including key judgements, estimates and assumptions</i>	
	<i>Compliance information</i>	
	2. How funds are raised	Page 46
	<i>Revenue and income recognised from taxes, grants, sales of goods and services, receivables, other liabilities and other sources</i>	
	3. How funds are spent	Page 53
	<i>Operating and capital expenses incurred to deliver public services including associated employee entitlement obligations and payables</i>	
	4. Major assets and investments	Page 70
	<i>Land, buildings, infrastructure, plant and equipment, other non-financial assets, investments in other sectors, and investments held in associates and joint arrangements</i>	
	5. Financing state operations	Page 85
	<i>Borrowings, interest expense, leases, service concession arrangements, cash flow information, investments held and commitments</i>	
	6. Risks, contingencies and valuation judgements	Page 106
	<i>Financial instruments, contingent assets and liabilities, and fair value disclosures</i>	
	7. Comparison against budget and the public account	Page 136
	<i>Explanations of material variances between budget and actual outcomes, and public account disclosures</i>	
	8. Other disclosures	Page 163
	<i>Additional disclosures including disaggregated information, funds under management, related party transactions, subsequent events and controlled entities.</i>	

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 8.9), 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 <i>Whole of Government and General Government Sector Financial Reporting</i>. 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; they 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 8.1 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.



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 2025 • 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 2025 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Section 24 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.
Basis for opinion	I have conducted my audit in accordance with the <i>Audit Act 1994</i>, which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's responsibilities for the audit of the consolidated financial report</i> section of my report. My independence is established by the <i>Constitution Act 1975</i>. 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 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> (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.

Recognition of transport assets

Refer to Note 4.1 Land, buildings, infrastructure, plant and equipment

The State continues to invest heavily in transport infrastructure, adding materially to its asset base each year. As at 30 June, it reported \$76.9 billion in construction in progress, up from \$65.3 billion in 2024. Most of this increase relates to transport assets.

The State is responsible for maintaining proper accounts and records that clearly explain the financial impact of these assets on its financial performance and financial position.

I considered the recognition of transport assets to be a key audit matter because:

- transport assets under construction are financially significant
- transport asset capital projects are complex and typically result in a broad range of asset types being constructed
- a significant degree of judgement is required by management to:
 - identify individual assets within each project
 - determine which expenses should be capitalised
 - allocate capital costs to individual assets
- multiple agencies are involved in managing and delivering the transport projects, which complicates timely recognition and derecognition of assets
- Victorian Rail Track (VicTrack) is the custodial owner of a large portion of the State's transport assets. Historically, VicTrack faced challenges in asset accounting. Management has made progress in resolving these issues and continues to address remaining matters.

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 construction in progress balances and completed projects capitalised
- evaluating management's assessment of the existence of assets, and the completeness and accuracy of asset records
- evaluating the accounting treatment for asset additions, disposals and replacements against the requirements of Australian Accounting Standards
- assessing the resolution of asset accounting issues at VicTrack
- assessing the completeness and adequacy of the financial report disclosures against the requirements of Australian Accounting Standards.

Valuation of non-financial physical transport assets

Refer to Note 4.1 Land, buildings, infrastructure, plant and equipment and Note 6.5 Fair value determination of non-financial assets

Financial Reporting Direction 103 *Non-financial physical assets* required transport sector agencies to undertake a full revaluation of their non-financial physical assets as at 30 June 2025.

This year, the State reported growth in its non-financial physical asset base, including:

- fair value of non-financial physical assets (excluding construction in progress) of \$424.8 billion, up from \$371.4 billion in 2024
- an increase of \$48.4 billion in the physical asset revaluation surplus.

The majority of the non-financial physical assets comprise transport assets.

I considered the valuation of non-financial physical transport assets to be a key audit matter because:

- transport assets and their fair value estimates are financially significant
- this year marked the first-time application of amendments to AASB 13 *Fair Value Measurement*, for valuation of transport assets which affected the current replacement cost approach used to determine fair value and requires significant judgement by both management and the valuer
- the fair value estimates are derived from a current replacement cost valuation model, which is inherently complex and involves significant judgements and assumptions
- management engaged an external valuation expert to assist with the fair value estimate
- AASB 13 requires extensive financial report disclosures, which are critical to users' understanding of the valuation basis and assumptions applied.

My key procedures included:

- obtaining an understanding of the approach to estimating the fair value of non-financial physical assets
- evaluating management's assessment of the impact of the AASB 13 amendments, and the reasonableness of changes to valuation approaches
- assessing the competence, capability and objectivity of management's expert engaged to perform the independent valuation
- obtaining management's external valuation expert's reports to:
 - test the completeness and accuracy of data provided to the independent valuer
 - assess the reasonableness and consistency of data, significant unobservable inputs and key assumptions used
 - evaluate the appropriateness of the current replacement cost models used to value the non-financial physical assets
 - verify the computational accuracy of the fair value estimates.
- verifying the accounting treatment of the revaluation adjustments against the applicable accounting standards
- assessing the completeness and adequacy of the financial report disclosures against the requirements of Australian Accounting Standards.

Key audit matter	How I addressed the matter
Recognition and measurement of service concession assets, liabilities and commitments <i>Refer to Note 4.1 Land, buildings, infrastructure, plant and equipment, Note 4.2 Other non-financial assets, Note 5.1 Borrowings, Note 5.7 Service concession arrangements and Note 2.8 Other liabilities</i>	
Service concession assets: land, buildings, infrastructure, plant and equipment – \$53.9 billion Service concession assets: intangible produced – \$3.9 billion Service concession arrangement liabilities – \$9.0 billion Service concession arrangements commitments – \$45.6 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 the recognition and measurement of service concession arrangements to be a key audit matter because: • service concession assets, liabilities and commitments are financially significant • the requirements of AASB 1059 <i>Service Concession Arrangements: Grantors</i> 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 • any new arrangements require significant management judgement in the initial application of AASB 1059 • extensive disclosures are required by Australian Accounting Standards which are critical to 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.

Valuation of defined benefit superannuation liability

Refer to Note 3.3 Superannuation

Defined benefit superannuation liability – \$18.3 billion
The Emergency Services and State Super funds account for \$17.4 billion (95.1 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, 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 users' understanding of the valuation of the liability
- management engaged an actuary to value the liability as at 30 April, then adjusted the value of the liability to account for actual market performance and movements in other inputs and key assumptions up to 30 June.

My key procedures included:

- gaining an understanding and evaluating 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 management's 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.

Key audit matter	How I addressed the matter
Valuation of provision for insurance claims <i>Refer to Note 3.7 Other provisions</i> Provision for insurance claims – \$54.3 billion Victoria’s major insurance agencies, the Victorian WorkCover Authority (WorkSafe), Transport Accident Commission (TAC) and Victorian Managed Insurance Authority (VMIA), collectively hold \$53.3 billion in provisions to cover future general insurance claims. These provisions represent the estimated future costs of claims arising from workplace injuries, transport accidents, and public sector liabilities. I considered these provisions to be a key audit matter because: - the provision for insurance claims is financially significant, representing a substantial portion of the State’s liabilities - the provision comprises several insurance claim categories across the WorkSafe, TAC and VMIA. Each category requires estimation and valuation, adding complexity to the overall provision - 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 - recent WorkSafe scheme reforms under the <i>Workplace Injury Rehabilitation and Compensation Amendment (WorkCover Scheme Modernisation) Act 2024</i> (the Act) affect the assumptions and judgements made by management, which are essential for accurately valuing the provision, resulting in significant estimation uncertainty - extensive disclosures are required by Australian Accounting Standards which are critical to 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 design, implementation and operating effectiveness of key controls supporting the underlying claims data used in the models - 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 scheme 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.
Other information	The Treasurer of Victoria is responsible for the Other Information, which comprises the information in chapters 1–3 and 5 of the 2024–25 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.

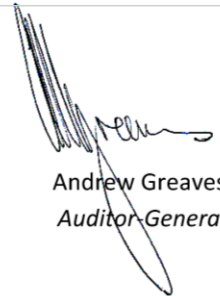
The Treasurer's responsibilities for the consolidated financial report	The Treasurer of Victoria is responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such 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 <i>Audit Act 1994</i>, 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
9 October 2025



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 8.8.

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 2025:

- a) presents fairly the State's and the Victorian general government sector's financial positions as at 30 June 2025 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.



Jaclyn Symes MP
Treasurer



Chris Barrett
Secretary

Authorised for issue on:

8 October 2025

PRIMARY FINANCIAL STATEMENTS

CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June

(\$ million)

		State of Victoria		General government sector	
	Notes	2025	2024	2025	2024
Revenue and income from transactions					
Taxation	2.1	38 356	36 324	38 942	36 876
Interest income	2.2	2 002	2 157	1 546	1 761
Dividends and income tax equivalent income	2.3	3 947	2 485	2 284	2 199
Sales of goods and services	2.4	21 009	19 885	6 893	6 212
Grants	2.5	47 191	41 686	47 304	41 797
Other revenue and income	2.6	5 287	5 068	4 411	4 210
Total revenue and income from transactions		117 791	107 605	101 380	93 055
Expenses from transactions					
Employee expenses	3.1	40 054	37 467	38 515	36 035
Superannuation:					
Net superannuation interest expense	3.2	785	775	783	774
Other superannuation	3.2	4 812	4 312	4 524	4 062
Depreciation	4.1.2	9 349	8 279	5 462	4 967
Interest expense	5.2	8 130	6 722	6 774	5 639
Grant expense	3.4	15 045	14 721	17 221	16 675
Other operating expenses	3.5	45 793	43 787	30 726	29 127
Total expenses from transactions	3.8, 3.9	123 968	116 064	104 006	97 279
Net result from transactions – Net operating balance		(6 177)	(8 459)	(2 626)	(4 223)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		(7)	(63)	(9)	(2)
Net gain/(loss) on financial assets or liabilities at fair value		(1 844)	2 422	1 213	345
Share of net profit/(loss) from associates/joint venture entities		(75)	(53)	(66)	(46)
Other gains/(losses) from other economic flows	8.3	406	613	(542)	(566)
Total other economic flows included in net result		(1 520)	2 919	596	(269)
Net result		(7 696)	(5 540)	(2 030)	(4 493)
Other economic flows – Other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		48 453	9 626	9 345	7 650
Remeasurement of superannuation defined benefits plans	3.2	795	1 675	786	1 661
Other movements in equity		(14)	(67)	(10)	108
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		(31)	15	(16)	14
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	4.3	..	..	(8 586)	(1 864)
Total other economic flows – Other comprehensive income		49 203	11 248	1 519	7 569
Comprehensive result – Total change in net worth		41 507	5 708	(511)	3 076
KEY FISCAL AGGREGATES					
Net operating balance		(6 177)	(8 459)	(2 626)	(4 223)
Less: Net acquisition of non-financial assets from transactions	8.1	17 241	18 528	10 454	12 875
Net lending/(borrowing)		(23 417)	(26 987)	(13 079)	(17 099)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June

(\$ million)

	Notes	State of Victoria		General government sector	
		2025	2024	2025	2024
Assets					
Financial assets					
Cash and deposits	5.4	20 450	19 595	12 800	14 306
Advances paid	5.5	412	521	6 407	6 421
Receivables and contract assets	2.7	14 427	14 129	10 203	10 163
Investments, loans and placements	5.5	90 144	81 054	17 781	14 866
Investments accounted for using the equity method	4.4.1	1 329	1 220	1 141	1 143
Investments in PNFC and PFC sector entities	4.3	..	..	96 401	98 178
Total financial assets		126 762	116 519	144 732	145 077
Non-financial assets					
Inventories		1 440	1 748	277	402
Non-financial assets held for sale		170	245	145	232
Land, buildings, infrastructure, plant and equipment	4.1.1	501 720	436 678	288 244	269 690
Other non-financial assets	4.2	8 015	7 505	6 906	6 222
Total non-financial assets		511 345	446 177	295 573	276 546
Total assets	3.9	638 107	562 697	440 305	421 623
Liabilities					
Deposits held and advances received	5.3	2 049	1 938	1 595	1 525
Payables	3.6	9 528	10 491	6 558	7 741
Borrowings	5.1	223 408	193 712	186 259	167 309
Employee benefits	3.1	12 859	11 857	12 070	11 120
Superannuation	3.3	18 284	18 226	18 284	18 226
Other provisions	3.7	57 849	53 960	3 762	3 431
Other liabilities	2.8	32 717	32 609	22 470	22 411
Total liabilities		356 693	322 792	250 999	231 764
Net assets		281 414	239 904	189 307	189 859
Equity					
Accumulated surplus/(deficit)		69 466	76 281	41 982	43 405
Reserves		211 949	163 624	147 325	146 454
Net worth		281 414	239 904	189 307	189 859
FISCAL AGGREGATES					
Net financial worth		(229 930)	(206 273)	(106 266)	(86 686)
Net financial liabilities		229 930	206 273	202 667	184 865
Net debt		114 450	94 480	150 867	133 241

The accompanying notes form part of these financial statements.

PRIMARY FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June

(\$ million)

	Notes	State of Victoria		General government sector	
		2025	2024	2025	2024
Cash flows from operating activities					
Receipts					
Taxes received		38 828	35 944	39 414	36 496
Grants		46 950	40 959	47 029	41 062
Sales of goods and services ^(a)		23 019	21 669	7 478	6 894
Interest received		1 540	1 798	1 449	1 691
Dividends and income tax equivalent receipts		3 980	2 550	2 347	2 645
Other receipts		3 337	2 694	2 989	2 408
Total receipts		117 654	105 614	100 706	91 197
Payments					
Payments for employees		(39 081)	(36 465)	(37 595)	(35 074)
Superannuation		(4 744)	(4 098)	(4 464)	(3 853)
Interest paid		(6 573)	(5 669)	(6 421)	(5 262)
Grants and subsidies		(15 813)	(13 922)	(17 987)	(15 936)
Goods and services ^(a)		(41 174)	(38 629)	(29 068)	(26 868)
Other payments		(1 945)	(1 582)	(1 939)	(1 582)
Total payments		(109 329)	(100 364)	(97 474)	(88 574)
Net cash flows from operating activities	5.4	8 324	5 249	3 233	2 623
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	3.8, 3.9	(22 255)	(23 021)	(16 220)	(17 375)
Sales of non-financial assets		400	670	232	319
Net cash flows from investments in non-financial assets		(21 854)	(22 351)	(15 988)	(17 056)
Cash flows from investments in financial assets for policy purposes					
Cash inflows		836	1 223	971	1 789
Cash outflows		(921)	(939)	(4 602)	(4 119)
Net cash flows from investments in financial assets for policy purposes		(84)	283	(3 631)	(2 331)
Cash flows from investments in financial assets for liquidity management purposes					
Cash inflows		8 630	5 770	217	574
Cash outflows		(13 337)	(20 659)	(1 934)	(11 123)
Net cash flows from investments in financial assets for liquidity management purposes ^(b)		(4 707)	(14 889)	(1 717)	(10 549)
Net cash flows from investing activities		(26 646)	(36 957)	(21 336)	(29 936)
Cash flows from financing activities					
Advances received		77	26	68	23
Advances repaid		(38)	(38)	(38)	(249)
Advances received (net) ^(b)		39	(12)	31	(226)
Borrowings received ^(c)		21 591	28 784	18 913	25 156
Borrowings repaid ^(c)		(2 525)	(3 321)	(2 389)	(3 145)
Net borrowings ^(b)		19 066	25 463	16 524	22 011
Deposits received		2 304	2 762	1 895	2 380
Deposits repaid		(2 232)	(2 590)	(1 855)	(2 244)
Deposits received (net) ^(b)		72	173	39	136
Net cash flows from financing activities		19 177	25 624	16 593	21 921
Net increase/(decrease) in cash and cash equivalents		855	(6 083)	(1 510)	(5 392)
Cash and cash equivalents at beginning of reporting period ^(d)		19 595	25 678	14 310	19 698
Cash and cash equivalents at end of the reporting period	5.4	20 450	19 595	12 800	14 306

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the financial year ended 30 June

(\$ million)

	Notes	State of Victoria		General government sector	
		2025	2024	2025	2024
FISCAL AGGREGATES					
Net cash flows from operating activities		8 324	5 249	3 233	2 623
Net cash flows from investments in non-financial assets		(21 854)	(22 351)	(15 988)	(17 056)
Cash surplus/(deficit)		(13 530)	(17 102)	(12 756)	(14 434)

The accompanying notes form part of these financial statements.

Notes:

- (a) These items include goods and services tax.
- (b) In accordance with AASB 107 Statement of Cash Flows, TCV has reported its cash flow information for whole of government consolidation purposes on a net basis for both financial years ended 30 June 2024 and 30 June 2025.
- (c) The June 2024 figures have been reclassified between borrowings received and borrowings repaid to more accurately reflect the nature of the cash flows.
- (d) 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 and the residual financial assets were transferred to the Department of Energy, Environment and Climate Action. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.

PRIMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June

(\$ million)

<i>State of Victoria</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
2025					
Balance at 1 July 2024	76 281	161 192	..	2 432	239 904
Opening balance adjustment ^{(a)(b)}	215	(211)	..	..	3
Restated balance at 1 July 2024	76 495	160 980	..	2 432	239 908
Net result for the year	(7 696)	..	..	..	(7 696)
Other comprehensive income for the year	628	48 453	..	122	49 203
Transfer to/(from) accumulated surplus	38	(38)	..	..	..
Balance at 30 June 2025	69 466	209 395	..	2 554	281 414
2024					
Balance at 1 July 2023	80 106	151 951	..	2 139	234 196
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
General government sector					
2025					
Balance at 1 July 2024	43 405	98 544	46 381	1 528	189 859
Opening balance adjustment ^{(a)(b)}	(51)	..	10	..	(41)
Restated balance at 1 July 2024	43 354	98 544	46 391	1 528	189 818
Net result for the year	(2 030)	..	..	..	(2 030)
Other comprehensive income for the year	658	9 345	(8 586)	102	1 519
Transfer to/(from) accumulated surplus	..	..	..	..	..
Balance at 30 June 2025	41 982	107 890	37 805	1 630	189 307
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

The accompanying notes form part of these financial statements.

Notes:

- (a) 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 and the residual financial assets were transferred to the Department of Energy, Environment and Climate Action. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.
- (b) VicForests ceased operations on 30 June 2024 and the residual assets and liabilities together with residual responsibilities for native forest management were 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. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.

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 2025. 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 3.3)
- insurance claims – use of actuarial assumptions in the measurement of liabilities for outstanding insurance claims (Note 3.7.1)
- service concession arrangements – whether and how AASB 1059 *Service Concession Arrangements: Grantor* applies (Note 5.7)
- 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 6.4 and Note 6.5).

All amounts in the financial statements have been rounded to the nearest \$1 000 000 except in the Public Account disclosure in Note 7.2 and the Related party transactions disclosure in Note 8.5, which are rounded to the nearest \$1 000.

Figures in the *2024-25 Financial Report* may not add due to rounding.

1. ABOUT THIS REPORT

Basis for consolidation

The consolidated financial statements of the State incorporate assets and liabilities of all reporting entities it controlled as at 30 June 2025 and the revenue and expenses of controlled entities for the part of the reporting period in which control existed (Note 8.8).

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 8.4 describes the significant differences between Australian Accounting Standards and the requirements contained in the GFS Manual.

Economic and fiscal impacts affecting this report

Cost of living pressures continued to weigh on the Victorian and national economies in 2024-25. Although growth in consumer prices has eased significantly from its peak, cost-of-living pressures remained elevated after the period of high national and global inflation in 2022 and much of 2023. Rising inflation prompted the Reserve Bank of Australia (RBA) to raise interest rates to a 12-year high by November 2023. A decline in inflation enabled the RBA to begin reducing interest rates in 2024-25 (in February and May 2025) but the impact of these initial reductions on economic activity in the fiscal year will have been limited.

Cost-of-living pressures and restrictive interest rates have 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 2024-25.

The State's comprehensive operating statement and balance sheet in 2024-25 were also affected by financial market volatility and bond yield movements. These movements favourably impacted the investment returns of the Victorian Future Fund, the superannuation funds and State's insurance agencies and unfavourably impacted the valuation of the related liabilities. The recent high inflation environment and the cost of labour and raw materials also had a significant impact on the State's balance sheet through property, plant and equipment valuations within the transport sector during 2024-25.

Further market-related impacts have also been considered and, where deemed appropriate, specifically included in relevant disclosures throughout the *2024-25 Financial Report* to reflect the material management judgements, estimates and assumptions in the valuation of key balances within the financial report:

- Note 3.3: Superannuation
- Note 3.7.1: Insurance claims
- Note 6.4: Fair value determination of financial assets and liabilities
- Note 6.5: Fair value determination of non-financial assets.

2. HOW FUNDS ARE RAISED

Introduction

This section presents the sources of revenue and income and the related receivables and other liabilities forecast for 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

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2.1 Taxation

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE				
Payroll tax	9 064	8 527	9 186	8 639
COVID Debt Levy – Payroll \$10m+	1 051	924	1 066	934
Mental Health and Wellbeing Levy	1 051	1 001	1 066	1 018
Total taxes on employers' payroll and labour force	11 166	10 452	11 318	10 590
TAXES ON IMMOVABLE PROPERTY				
Land tax	6 054	5 864	6 114	5 930
COVID Debt Levy – Landholdings	1 132	1 164	1 132	1 164
Fire Services Property Levy	1 031	839	1 031	839
Congestion levy	123	117	123	117
Metropolitan improvement levy	198	200	198	200
Windfall gains tax	15	114	15	114
Total taxes on immovable property	8 552	8 298	8 612	8 365
TAXES ON THE PROVISION OF GOODS AND SERVICES				
Gambling taxes ^(a)				
Public lotteries	621	689	621	689
Electronic gaming machines	1 428	1 383	1 428	1 383
Casino	200	208	200	208
Racing and other sports betting	382	277	382	277
Other	17	18	17	18
Financial and capital transactions				
Land transfer duty	9 254	8 426	9 254	8 426
Metropolitan planning levy	24	20	24	20
Financial accommodation levy	..	..	196	172
Growth areas infrastructure contribution	184	255	184	255
Levies on statutory corporations	..	..	177	173
Taxes on insurance	2 197	2 076	2 197	2 076
Total taxes on the provision of goods and services	14 307	13 351	14 679	13 696
TAXES ON THE USE OF GOODS AND PERFORMANCE OF ACTIVITIES				
Motor vehicle taxes				
Vehicle registration fees	2 218	2 092	2 219	2 094
Duty on vehicle registrations and transfers	1 319	1 386	1 319	1 386
Liquor licence fees	32	31	32	31
Other	763	713	763	713
Total taxes on the use of goods and performance of activities	4 331	4 223	4 333	4 225
Total taxation	38 356	36 324	38 942	36 876

Note:

(a) The public lotteries, electronic gaming machines, casino, racing and other sports betting and other gambling taxes balances include gambling licence revenue to 30 June 2025 of \$172 million (30 June 2024: \$202 million) recognised under AASB 15. The balance of these items is recognised under AASB 1058.

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 and income tax equivalent income

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Dividends from PFC sector	..	..	876	1 232
Dividends from PNFC sector	..	..	106	206
Dividends from non-public sector	3 947	2 485	705	143
Dividends	3 947	2 485	1 687	1 581
Income tax equivalent income from PFC sector	..	..	387	352
Income tax equivalent income from PNFC sector	..	..	205	261
Income tax equivalent income	..	..	592	614
Local government rate equivalent income	..	..	5	4
Total dividends and income tax equivalent income	3 947	2 485	2 284	2 199

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.

2. HOW FUNDS ARE RAISED

Dividends by entity ^(a)

(\$ million)

	General government sector	
	2025	2024
Public financial corporations		
Victorian Managed Insurance Authority	..	..
Transport Accident Commission	748	1 082
Treasury Corporation of Victoria	122	145
State Trustees Ltd	..	1
Victorian Funds Management Corporation	6	4
Dividends from PFC sector	876	1 232
Public non-financial corporations		
Greater Western Water	16	42
Melbourne Water Corporation	..	48
South East Water Corporation	39	47
Yarra Valley Water Corporation	50	41
Development Victoria	..	27
Others	1	2
Dividends from PNFC sector	106	206

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 2024-25.

2.4 Sales of goods and services

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Amounts recognised as revenue from contracts with customers (AASB 15)				
Sale of goods	633	594	106	99
Provision of services ^(a)	18 652	17 464	5 691	4 937
Amounts recognised as income of not-for-profit entities (AASB 1058)				
Motor vehicle regulatory fees	274	288	274	288
Other regulatory fees	739	806	713	780
Refunds and reimbursements	346	368	5	2
Amounts recognised as lease income (AASB 16)				
Rental	365	365	104	106
Total sales of goods and services	21 009	19 885	6 893	6 212

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 2.8). Where the performance obligations are satisfied but not yet billed, a contract asset is recorded (Note 2.7).

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	
	2025	2024	2025	2024
Grants from the Commonwealth				
General purpose grants	24 075	20 162	24 075	20 162
Specific purpose grants for on-passing	5 973	5 751	5 973	5 751
Specific purpose grants	16 955	15 671	16 945	15 653
Total grants from the Commonwealth	47 003	41 584	46 993	41 566
Other contributions and grants	187	103	311	231
Total grants	47 191	41 686	47 304	41 797

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:

- contributions by owners, in accordance with AASB 1004
- revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15
- a lease liability, in accordance with AASB 16
- a financial instrument, in accordance with AASB 9
- 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 2.8.

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. HOW FUNDS ARE RAISED

2.6 Other revenue and income

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Amounts recognised as revenue from contracts with customers (AASB 15)				
Royalties	174	148	162	136
Other revenue – Health	336	272	336	272
Other miscellaneous revenue	1 677	1 200	1 504	1 006
Amounts recognised as income of not-for-profit entities (AASB 1058)				
Fair value of assets received free of charge or for nominal consideration ^(a)	1 148	1 281	670	823
Fines	680	750	676	745
Donations and gifts ^(b)	418	422	273	294
Other income – Education	250	371	250	371
Amounts recognised as lease income (AASB 16)				
Other non-property rental	100	107	37	46
Revenue items accounted for under AASB 1059				
Revenue related to economic service concession arrangements	505	517	503	516
Total other revenue and income	5 287	5 068	4 411	4 210

Notes:

(a) The 2024-25 figure includes \$558 million (2023-24: \$732 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. This applies to both the general government sector and the State of Victoria.

(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 2.8) recognised applying AASB 1059. Refer to Note 5.7 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.

2.7 Receivables and contract assets

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Contractual				
Sales of goods and services	1 625	1 467	580	681
Accrued investment income	238	178	102	81
Other receivables	3 747	3 415	2 719	2 373
Allowance for impairment losses of contractual receivables	(425)	(362)	(143)	(158)
Statutory				
Sales of goods and services	17	13	1	1
Taxes receivable	6 072	6 414	6 098	6 477
Fines and regulatory fees	2 528	2 602	2 528	2 601
GST input tax credits recoverable	1 572	1 524	541	530
Other receivables	121	..	121	..
Allowance for impairment losses of statutory receivables	(2 345)	(2 424)	(2 345)	(2 424)
Other				
Actuarially determined	1 067	1 096	..	..
Contract assets	210	206	3	..
Total receivables and contract assets	14 427	14 129	10 203	10 163
Represented by:				
Current receivables and contract assets	11 729	11 875	9 156	9 391
Non-current receivables and contract assets	2 697	2 254	1 048	771

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 6.1).

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.

2. HOW FUNDS ARE RAISED

2.8 Other liabilities

	(\$ million)			
	State of Victoria		General government sector	
	2025	2024	2025	2024
Contract liabilities	661	724	435	477
Grant of a right to the operator liability	20 245	20 175	20 125	20 089
Unearned income	11 810	11 710	1 910	1 846
Total other liabilities	32 717	32 609	22 470	22 411
Represented by:				
Current other liabilities	3 238	3 244	1 736	1 680
Non-current other liabilities	29 479	29 365	20 734	20 732

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 (Notes 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 5.7). It represents unearned revenue and is progressively reduced over the period of the arrangement in accordance with its substance (Note 2.6).

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 2025.

Structure

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3.1 Employee expenses and provision for employee benefits

Employee expenses (operating statement)

Employee expenses in the operating statement are a major component of operating costs and include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements and redundancy payments. More than 94 per cent (93 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.

3. HOW FUNDS ARE SPENT

Total provision for employee benefits and on-costs at 30 June

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Current				
Accrued salaries and wages	1 027	862	967	820
Other employee benefits	172	170	146	137
Annual leave				
Unconditional and expected to settle within 12 months	2 639	2 411	2 466	2 246
Unconditional and expected to settle after 12 months	460	446	410	396
Long service leave				
Unconditional and expected to settle within 12 months	1 194	898	1 124	838
Unconditional and expected to settle after 12 months	4 631	4 473	4 413	4 269
On-costs	1 529	1 412	1 428	1 319
Total current employee benefits and on-costs	11 651	10 673	10 954	10 025
Non-current				
Long service leave	1 049	1 026	967	946
On-costs	159	157	150	148
Total non-current employee benefits and on-costs	1 208	1 183	1 116	1 095
Total employee benefits and on-costs	12 859	11 857	12 070	11 120

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	
	2025	2024
Defined benefit plans		
Net superannuation interest expense	785	775
Current service cost	1 006	947
Remeasurements:		
Expected return on superannuation assets excluding interest income	(641)	(722)
Other actuarial (gain)/loss on superannuation assets	(579)	(264)
Actuarial and other adjustments to unfunded superannuation liability	425	(689)
Total expense recognised in respect of defined benefit plans	995	48
Defined contribution plans		
Employer contributions to defined contribution plans	3 704	3 268
Other (including pensions)	102	97
Total expense recognised in respect of defined contribution plans	3 806	3 365
Total superannuation (gain)/expense recognised in operating statement	4 802	3 413
Represented by:		
Net superannuation interest expense	785	775
Other superannuation	4 812	4 312
Superannuation expense from transactions	5 597	5 088
Remeasurement recognised in other comprehensive income	(795)	(1 675)
Total superannuation costs recognised in operating statement	4 802	3 413

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. HOW FUNDS ARE SPENT

3.3 Superannuation

The disclosure in this note is for the consolidated State of Victoria only, as the full value of the \$18.3 billion superannuation liability is in the general government sector.

Net superannuation liability

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

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

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

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

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

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

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

Salary and pension inflation rates are actuarial assumptions based on fund experience along with long-term economic and market indicators.

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.

3. HOW FUNDS ARE SPENT

Net superannuation liability		(\$ million)	
		State of Victoria	
		2025	2024
Emergency Services and State Super			
Defined benefit obligation		39 886	39 883
Tax liability ^(a)		2 210	2 044
Plan assets		(24 660)	(24 577)
Net liability/(asset)		17 436	17 349
Other funds ^(b)			
Defined benefit obligation		2 382	2 410
Tax liability ^(a)		..	..
Plan assets		(1 534)	(1 533)
Net liability/(asset)		848	877
Total superannuation			
Defined benefit obligation		42 268	42 292
Tax liability ^(a)		2 210	2 044
Plan assets		(26 194)	(26 110)
Superannuation liability		18 284	18 226
Represented by:			
Current liability		538	581
Non-current liability		17 746	17 645
Total superannuation liability		18 284	18 226

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	
		2025	2024
Opening balance of defined benefit obligation		44 336	45 205
Current service cost		1 006	947
Interest cost		1 874	1 805
Contributions by plan participants		235	233
Remeasurements:			
Actuarial (gain)/loss arising from change in financial assumptions		243	(1 140)
Actuarial (gain)/loss arising from change in demographic assumptions		..	(493)
Actuarial (gain)/loss due to other experience		181	944
Benefits paid		(3 398)	(3 165)
Closing balance of defined benefit obligation		44 478	44 336

Reconciliation of the fair value of plan assets		(\$ million)	
		State of Victoria	
		2025	2024
Opening balance of plan assets		26 110	26 301
Interest income		1 089	1 031
Remeasurements:			
Expected return on plan assets excluding interest income		641	722
Actuarial gain/(loss) relative to expected return		579	264
Employer contributions		937	724
Contributions by plan participants		235	233
Benefits paid		(3 398)	(3 165)
Closing balance of plan assets		26 194	26 110

3. HOW FUNDS ARE SPENT

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 is outsourced to a third-party provider, Apex.
- 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	
			2025	2024
Emergency Services and State Super	PwC Securities Ltd.	Expected return on assets ^(a)	6.7	7.0
		Discount rate ^(b)	4.4	4.5
		Wages growth ^(c)	3.3	3.3
		Inflation rate ^(c)	2.5	2.5
Constitutionally Protected Pensions	PwC Securities Ltd.	Discount rate ^(b)	4.4	4.5
		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)	4.5	5.0
		Discount rate ^(b)	4.4	4.5
		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

Despite volatility associated with tariff-related uncertainty, armed conflict and fears of recession, the 2024-25 financial year delivered strong investment returns that resulted in the investment return on the State's defined benefit superannuation assets exceeding expectations. However, as outlined in the reconciliations above, overall growth in the defined benefit obligation exceeded growth in assets such that the State's superannuation liability increased by \$58 million in the year to 30 June 2025.

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.

3. HOW FUNDS ARE SPENT

Sensitivity analysis

The significant actuarial assumptions 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.

To illustrate the impact that movements in significant actuarial 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.

		<i>Base case</i>	<i>Discount rate plus 0.25 per cent</i>	<i>Wage growth plus 0.25 per cent</i>	<i>Inflation rate plus 0.25 per cent</i>
Discount rate	(per cent a year)	4.4	4.7	4.4	4.4
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)	0.5	1.8
Estimated increase / (decrease) in defined benefit obligation	(\$ million)	n.a.	(1 138)	219	788

Target asset allocation

(per cent)

<i>Asset class</i>	<i>2025</i>	<i>2024</i>
Domestic equity	20.5	20.7
International equity	28.2	28.5
Domestic debt assets	15.0	15.8
International debt assets	3.5	3.4
Property	10.1	9.2
Cash	4.5	6.3
Other (including private equity, hedge funds and infrastructure)	18.1	16.1
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 2025-26 financial year, employer contributions of \$1.2 billion, in total, are expected to be paid to the defined benefit plans. Of this, \$538 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.

3.4 Grant expense

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Current grant expense				
Commonwealth Government	3 221	3 069	3 221	3 068
Local government (including grants for on-passing)	1 003	938	1 000	934
Private sector and not-for-profit on-passing	5 465	5 086	5 465	5 086
Other private sector and not-for-profit	4 403	4 404	4 347	4 350
Grants within the Victorian Government	..	..	2 533	2 409
Grants to other state governments	107	26	107	25
Total current grant expense	14 199	13 524	16 673	15 872
Capital grant expense				
Local government (including grants for on-passing)	204	165	204	165
Private sector and not-for-profit on-passing	557	950	285	554
Other private sector and not-for-profit	10	1	10	1
Grants within the Victorian Government	..	..	25	36
Other grants	74	83	22	47
Total capital grant expense	846	1 198	548	803
Total grant expense	15 045	14 721	17 221	16 675

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. HOW FUNDS ARE SPENT

3.5 Other operating expenses

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Purchase of supplies and consumables ^(a)	7 182	6 246	6 068	5 308
Cost of goods sold	393	261	22	33
Finance expenses and fees ^(b)	544	686	69	60
Purchase of services ^(a)	22 083	22 019	19 752	19 598
Insurance claims expense	10 721	10 126	889	656
Maintenance	2 291	2 288	1 382	1 332
Short-term and low value lease expense	124	121	129	126
Other	2 455	2 039	2 414	2 015
Total other operating expenses	45 793	43 787	30 726	29 127

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 \$445 000 (\$423 000 in 2024) 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	
	2025	2024	2025	2024
Medicinal pharmacy and medical supplies	2 390	2 220	2 390	2 220
Office supplies and consumables	232	217	217	204
Specialised operational supplies and consumables	423	315	384	270
Other purchase of supplies and consumables	4 137	3 495	3 077	2 614
Total purchase of supplies and consumables	7 182	6 246	6 068	5 308

Purchase of services

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Service contracts	11 898	11 610	11 412	11 109
Accommodation/occupancy	1 423	1 387	1 207	1 182
Medical and client care services	473	544	473	544
Staff related expenses (non-labour related)	428	437	385	395
Other purchase of services	7 861	8 041	6 276	6 368
Total purchase of services	22 083	22 019	19 752	19 598

3.6 Payables

	(\$ million)			
	State of Victoria		General government sector	
	2025	2024	2025	2024
Contractual				
Accounts payable	3 500	3 340	1 350	1 456
Accrued expenses	5 906	7 050	5 139	6 218
Statutory				
Accrued taxes payable	121	101	70	67
Total payables	9 528	10 491	6 558	7 741
Represented by:				
Current payables	9 355	10 331	6 387	7 582
Non-current payables	172	159	171	159

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 6.1) 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.

3. HOW FUNDS ARE SPENT

3.7 Other provisions

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Current provision for insurance claims				
WorkSafe Victoria	4 400	4 197	..	..
Transport Accident Commission	1 833	1 855	..	..
Victorian Managed Insurance Authority ^(a)	928	959	..	..
Other agencies	254	175	252	174
Current provision for insurance claims	7 415	7 186	252	174
Other provisions	1 971	2 217	1 758	1 963
Total current other provisions	9 386	9 403	2 011	2 137
Non-current provision for insurance claims				
WorkSafe Victoria	27 492	24 966	..	..
Transport Accident Commission	16 093	15 516	..	..
Victorian Managed Insurance Authority ^(a)	3 039	2 706	..	..
Other agencies	281	191	280	191
Non-current provision for insurance claims	46 904	43 380	280	191
Other provisions	1 558	1 177	1 471	1 103
Total non-current other provisions	48 463	44 557	1 752	1 294
Total other provisions	57 849	53 960	3 762	3 431

Note:

(a) On 1 July 2025, the Building Legislation Amendment (Buyer Protections) Act 2025 became effective, and the Building and Plumbing Commission (BPC) was established as a building industry regulator to succeed the former Victorian Building Authority. This resulted in responsibility for the Domestic Building Insurance function in the VMIA, within the PFC sector, transferring to the BPC in the general government sector.

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.

3.7.1 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.

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 Workcover Scheme modernisation, as made by the *Workplace Injury Rehabilitation and Compensation Amendment (Workcover Scheme Modernisation) Act 2024*, 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 effect 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 2024-25, concerns around a recession peaked again, mainly due to trade and policy uncertainty surrounding US tariffs. This was before easing in response to more resilient economic growth, notably in the United States of America and Europe. Equity markets fluctuated in line with tariff uncertainties, however there were signs of easing inflation with continued investor confidence in Artificial Intelligence. This resulted in the investments returns for the State's insurance agencies exceeding expectations in 2024-25.

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 decreased in 2024-25, which increased the value of the State insurance agencies' outstanding claims liabilities.

Reconciliation of movements in insurance claims ^(a)

(\$ million)

	State of Victoria	
	2025	2024
Opening balance	50 566	47 046
Effect of changes in assumptions and claims experience	(65)	(639)
Cost of prior year claims (unwinding of discount)	1 833	1 712
Increase in claims incurred ^(b)	9 356	8 927
Claim payments during the year ^(b)	(6 443)	(5 921)
Other	(928)	(559)
Closing balance	54 320	50 566

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

Entity	Actuary	Weighted average expected term to settlement (years)		Financial assumptions used (%) ^{(a)(b)(c)}					
		2025	2024	Weighted average inflation rate (%) ^(d)		Weighted average discount rate (%)		Prudential margin used (%) ^(e)	
				2025	2024	2025	2024	2025	2024
Victorian WorkCover Authority (WorkSafe Victoria)	Finity Consulting Pty Ltd.	6.93	7.01	AWE inflation 0 to 20 years = 3.61 21+ years = 3.51	AWE inflation 0 to 20 years = 3.66 21+ years = 3.52	0 to 20 years = 4.25 21+ years = 4.91	0 to 20 years = 4.48 21+ years = 4.82	Risk margin = 10.50 CHE = 8.50	Risk margin = 10.50 CHE = 8.53
				CPI inflation 0 to 20 years = 2.56 21+ years = 2.63	CPI inflation 0 to 20 years = 2.73 21+ years = 2.64				
Transport Accident Commission	Finity Consulting Pty Ltd.	13.00	13.80	AWE inflation 0 to 20 years = 3.60 21+ years = 3.63	AWE inflation 0 to 20 years = 3.60 21+ years = 3.69	0 to 20 years = 4.27 21+ years = 4.82	0 to 20 years = 4.47 21+ years = 4.77	Risk margin = 11.00 CHE = 7.50	Risk margin = 11.00 CHE = 7.60
				CPI inflation 0 to 20 years = 2.51 21+ years = 2.62	CPI inflation 0 to 20 years = 2.71 21+ years = 2.72				
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Medical Indemnity)	4.30	4.10		6.90 6.80	3.80	4.20	Risk margin = 4.50 CHE = 2.00	Risk margin = 6.40 CHE = 2.00
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd. (Liability)	2.20	2.50		3.40 3.30	3.50	4.20	Risk margin = 30.80 CHE = 3.00	Risk margin = 31.70 CHE = 3.00
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Property)	1.20	1.30		3.40 3.30	3.50	4.20	Risk margin = 16.90 CHE = 1.80	Risk margin = 14.70 CHE = 1.80
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Other)	2.00	2.00		3.40 3.30	3.50	4.20	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)	8.30	8.50		5.50 5.40	4.40	4.50	Risk margin = 28.50 CHE = 3.00	Risk margin = 28.50 CHE = 3.00
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Domestic Building Insurance) ^(f)	2.90	2.30		3.90 3.75	3.50	4.20	Risk margin = 23.50 CHE = 3.50	Risk margin = 22.20 CHE = 3.50
Victorian Managed Insurance Authority	Finity Consulting Pty. Ltd. (Construction)	2.80	2.80		3.40 3.30	3.50	4.20	Risk margin = 29.30 CHE = 3.00	Risk margin = 29.80 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.
- (f) On 1 July 2025, the Building Legislation Amendment (Buyer Protections) Act 2025 became effective, and the Building and Plumbing Commission (BPC) was established as a building industry regulator to succeed the former Victorian Building Authority. This resulted in responsibility for the Domestic Building Insurance function in the VMIA, within the PFC sector, transferring to the BPC in the general government sector.

3.8 Total operating expenses and purchases of non-financial assets by department

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

(\$ million)

<i>State of Victoria</i>	<i>Expenses from transactions</i>		<i>Purchases of non-financial assets</i>	
	2025	2024	2025	2024
Education	22 839	21 389	2 315	2 391
Energy, Environment and Climate Action	11 328	11 020	3 013	2 834
Families, Fairness and Housing	11 609	10 463	845	995
Government Services	2 020	2 159	25	58
Health	32 981	30 918	1 973	1 698
Jobs, Skills, Industry and Regions	5 407	5 092	522	495
Justice and Community Safety	11 321	10 573	442	564
Premier and Cabinet	643	540	12	15
Transport and Planning	13 290	12 498	12 606	13 653
Treasury and Finance	34 560	30 673	35	59
Parliament	382	366	26	25
Courts	941	896	191	200
Regulatory bodies and other part budget funded agencies ^(a)	3 955	4 111	407	195
Total	151 277	140 699	22 411	23 182
<i>(Less)/plus eliminations and adjustments ^(b)</i>	<i>(27 309)</i>	<i>(24 634)</i>	<i>(157)</i>	<i>(160)</i>
Grand total	123 968	116 064	22 255	23 021

<i>General government sector</i>				
Education	22 839	21 389	2 315	2 391
Energy, Environment and Climate Action	3 756	3 834	218	225
Families, Fairness and Housing	9 579	8 459	57	49
Government Services	2 020	2 159	25	58
Health	32 790	30 736	1 942	1 655
Jobs, Skills, Industry and Regions	4 403	4 136	293	290
Justice and Community Safety	11 096	10 308	438	564
Premier and Cabinet	613	510	11	14
Transport and Planning	9 773	9 423	10 298	11 689
Treasury and Finance	14 417	12 810	8	15
Parliament	382	366	26	25
Courts	941	896	191	200
Regulatory bodies and other part budget funded agencies ^(a)	3 955	4 111	407	195
Total	116 565	109 138	16 228	17 369
<i>(Less)/plus eliminations and adjustments ^(b)</i>	<i>(12 559)</i>	<i>(11 859)</i>	<i>(7)</i>	<i>6</i>
Grand total	104 006	97 279	16 220	17 375

Notes:

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

(b) Mainly comprising payroll tax (including the COVID Debt Levy – Payroll \$10m+), the Mental Health and Wellbeing Levy and interdepartmental transfers.

3. HOW FUNDS ARE SPENT

3.9 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)

<i>State of Victoria</i>	<i>Expenses from transactions</i>		<i>Purchases of non-financial assets</i>		<i>Total assets</i>	
	2025	2024	2025	2024	2025	2024
General public services	23 289	20 953	84	137	6 214	7 010
Public order and safety	11 957	11 313	929	888	16 206	16 158
Economic affairs	2 771	3 068	359	224	2 315	1 818
Environmental protection	1 206	1 076	167	140	16 815	16 700
Housing and community amenities	6 918	6 566	2 638	2 688	67 072	64 682
Health	31 546	29 431	1 915	1 607	33 249	31 928
Recreation, culture and religion	2 467	2 730	513	410	17 874	16 822
Education	23 964	22 453	2 452	2 560	46 973	45 391
Social protection	10 805	9 912	871	1 045	40 098	39 619
Transport	10 813	10 411	12 483	13 353	270 521	211 974
Not allocated by function ^{(a)(b)}	(1 768)	(1 850)	(157)	(31)	120 770	110 593
Total	123 968	116 064	22 255	23 021	638 107	562 697

<i>General government sector</i>						
General public services	10 062	8 396	55	91	2 859	3 252
Public order and safety	12 284	11 520	929	888	16 206	16 158
Economic affairs	2 861	3 181	253	225	2 206	1 810
Environmental protection	1 277	1 182	167	140	16 815	16 700
Housing and community amenities	2 337	2 418	64	68	4 092	3 837
Health	32 240	30 055	1 915	1 607	33 249	31 928
Recreation, culture and religion	1 186	1 458	210	118	9 668	8 670
Education	24 127	22 578	2 452	2 560	46 973	45 391
Social protection	9 617	8 549	84	97	2 727	2 690
Transport	8 544	8 498	10 099	11 576	161 392	146 666
Not allocated by function ^{(a)(b)}	(529)	(558)	(7)	6	144 119	144 521
Total	104 006	97 279	16 220	17 375	440 305	421 623

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

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4.1 Land, buildings, infrastructure, plant and equipment

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

2025	State of Victoria			General government sector		
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Buildings	104 626	(7 429)	97 197	67 682	(5 996)	61 686
Land and national parks	137 886	..	137 886	91 359	..	91 359
Infrastructure	94 161	(5 772)	88 389	2 388	(627)	1 761
Plant, equipment and vehicles	23 691	(7 719)	15 971	11 003	(6 506)	4 497
Roads and road infrastructure	43 914	(90)	43 824	43 736	(73)	43 663
Earthworks	34 011	..	34 011	14 403	..	14 403
Cultural assets	7 565	(24)	7 541	7 469	(24)	7 445
Construction in progress	76 901	..	76 901	63 431	..	63 431
Total land, buildings, infrastructure, plant and equipment	522 754	(21 034)	501 720	301 470	(13 226)	288 244

2024						
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 ^(a)	76 954	(5 323)	71 631	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 ^(a)	19 346	..	19 346	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

Note:

(a) The 2023-24 comparative figures relating to VicTrack's rail assets have been reclassified from infrastructure to earthworks to more accurately reflect the nature of the underlying assets.

4. MAJOR ASSETS AND INVESTMENTS

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)

2025	State of Victoria			General government sector		
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Buildings	11 625	(2 298)	9 327	10 955	(1 957)	8 997
Infrastructure	19	(8)	11	4	(2)	2
Plant, equipment and vehicles	1 436	(732)	704	1 155	(590)	565
Total right-of-use assets: land, buildings, infrastructure, plant and equipment	13 081	(3 038)	10 042	12 113	(2 549)	9 564

2024						
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

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

2025	State of Victoria			General government sector		
	Gross carrying amount	Accumulated depreciation	Carrying amount	Gross carrying amount	Accumulated depreciation	Carrying amount
Buildings	2 782	(82)	2 700	2 429	(72)	2 358
Land and national parks	2 859	..	2 859	2 859	..	2 859
Infrastructure	6 893	(211)	6 682	7	..	7
Plant, equipment and vehicles	384	(27)	357	384	(27)	357
Roads and road infrastructure	8 546	..	8 546	8 546	..	8 546
Earthworks	913	..	913	913	..	913
Construction in progress	31 831	..	31 831	23 775	..	23 775
Total service concession land, buildings, infrastructure, plant and equipment assets	54 208	(320)	53 888	38 913	(99)	38 815

2024						
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

4. MAJOR ASSETS AND INVESTMENTS

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 5.6).

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 6.5 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 5.7) 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	
	2025	2024	2025	2024
Buildings	4 110	3 618	3 147	2 708
Infrastructure	2 099	1 821	56	55
Plant, equipment and vehicles	1 563	1 381	921	857
Roads and road infrastructure	1 133	1 129	1 128	1 124
Cultural assets	16	14	16	14
Intangible produced assets	428	315	195	209
Total depreciation	9 349	8 279	5 462	4 967

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	
	2025	2024	2025	2024
Buildings	759	728	698	669
Infrastructure	2	4	..	1
Plant, equipment and vehicles	158	152	118	113
Total depreciation of right-of-use assets	920	885	817	783

Depreciation of service concession assets (\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Buildings	94	77	87	73
Infrastructure	100	100	..	..
Plant, equipment and vehicles	33	29	33	29
Roads and road infrastructure	210	232	210	232
Intangible produced assets	4	4	4	4
Total depreciation of service concession assets	441	442	334	338

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	2 to 100 years
Leased assets	2 to 60 years
Infrastructure:	
• Water infrastructure – Storage facilities	2 to 384 years
• Water infrastructure – Other	1 to 100 years
• Rail infrastructure	7 to 100 years
• Other infrastructure	3 to 60 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)	20 to 120 years
Intangible produced assets	5 to 10 years
Service concession assets:	
• roads and bridges	50 to 100 years
• other infrastructure	5 to 100 years
• buildings	2 to 85 years
• plant, equipment and vehicles	2 to 20 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.

4. MAJOR ASSETS AND INVESTMENTS

Reconciliation of movements in carrying values during the financial period ^{(a)(b)}

(\$ million)

<i>State of Victoria</i>						
<i>2025</i>	<i>Land and buildings</i>	<i>Plant, equipment vehicle and infrastructure system</i>	<i>Roads, road infrastructure and earthworks</i>	<i>Cultural assets</i>	<i>Construction in progress</i>	<i>Total</i>
Opening balance	229 401	82 898	52 147	6 914	65 318	436 677
Acquisitions of self-owned assets ^(c)	1 128	1 390	3	66	17 491	20 079
Additions of right-of-use assets	244	247	..	..	1	492
Additions of service concession arrangement assets	..	72	..	..	5 722	5 794
Transfer to completed assets	5 255	4 408	2 561	3	(12 227)	..
Reclassification	(129)	309	4	(79)	(199)	(95)
Revaluation ^(d)	3 490	18 891	24 254	650	643	47 928
Disposals	(221)	(193)	(1)	..	(18)	(433)
Assets recognised for the first time	94	28	..	2	180	304
Impairment	(67)	(27)	..	..	(9)	(104)
Depreciation	(4 110)	(3 662)	(1 133)	(16)	..	(8 921)
Closing balance	235 083	104 361	77 834	7 541	76 901	501 720

<i>2024</i>						
Opening balance	217 980	86 769	45 227	6 853	52 120	408 948
Acquisitions of self-owned assets ^(c)	2 194	2 024	4	36	15 816	20 074
Additions of right-of-use assets	607	636	..	..	..	1 243
Additions of service concession arrangement assets	35	44	..	..	5 712	5 792
Transfer to completed assets	4 320	3 018	1 141	..	(8 479)	..
Reclassification ^(e)	(103)	(6 908)	6 907	4	(394)	(495)
Revaluation	8 418	812	..	..	547	9 777
Disposals	(447)	(251)	(2)	..	..	(700)
Assets recognised for the first time	83	(8)	..	35	..	110
Impairment	(68)	(35)	..	..	(3)	(106)
Depreciation	(3 618)	(3 202)	(1 129)	(14)	..	(7 964)
Closing balance	229 401	82 898	52 147	6 914	65 318	436 678

4. MAJOR ASSETS AND INVESTMENTS

Reconciliation of movements in carrying values during the financial period (continued) ^{(a)(b)}

(\$ million)

<i>General government sector</i>						
2025	<i>Land and buildings</i>	<i>Plant, equipment vehicle and infrastructure system</i>	<i>Roads, road infrastructure and earthworks</i>	<i>Cultural assets</i>	<i>Construction in progress</i>	<i>Total</i>
Opening balance	156 443	5 620	45 029	6 810	55 789	269 690
Acquisitions of self-owned assets ^(c)	1 016	651	1	65	13 848	15 580
Additions of right-of-use assets	219	224	..	..	..	443
Additions of service concession arrangement assets	..	66	..	..	2 139	2 205
Transfer to completed assets	3 217	402	2 059	3	(5 682)	..
Reclassification	363	(73)	(2)	(69)	(180)	39
Revaluation ^(d)	(5 036)	455	12 107	650	625	8 801
Disposals	(98)	(105)	(1)	..	(3)	(208)
Assets recognised for the first time	82	13	..	2	..	98
Assets transferred between government entities ^(f)	32	(14)	..	..	(3 106)	(3 088)
Impairment	(45)	(4)	..	..	..	(50)
Depreciation	(3 147)	(976)	(1 128)	(16)	..	(5 267)
Closing balance	153 045	6 258	58 065	7 445	63 431	288 244

<i>2024</i>						
Opening balance	147 488	5 248	45 088	6 749	44 908	249 480
Acquisitions of self-owned assets ^(c)	1 645	570	4	36	13 884	16 138
Additions of right-of-use assets	566	580	..	..	..	1 145
Additions of service concession arrangement assets	35	44	..	..	3 509	3 588
Transfer to completed assets	2 669	90	1 141	..	(3 901)	..
Reclassification	(112)	(24)	(35)	4	(384)	(551)
Revaluation	6 991	135	..	..	538	7 665
Disposals	(147)	(122)	(2)	..	..	(271)
Assets recognised for the first time	64	13	..	35	..	112
Assets transferred between government entities ^(f)	15	..	(42)	..	(2 764)	(2 790)
Impairment	(64)	(3)	..	..	..	(67)
Depreciation	(2 708)	(912)	(1 124)	(14)	..	(4 758)
Closing balance	156 443	5 620	45 029	6 810	55 789	269 690

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) The 2023-24 comparatives figures have been restated to separately disclose construction in progress, which was previously disclosed under their relevant asset class.
- (c) Represents additions of assets recognised under AASB 116 Property, Plant and Equipment.
- (d) Refer to Note 6.5 for further details on the revaluation of non-financial physical assets.
- (e) The 2023-24 comparative figures relating to VicTrack's rail assets have been reclassified from infrastructure to earthworks to more accurately reflect the nature of the underlying assets.
- (f) Represents the transfer of assets to/from the PNFC sector.

4. MAJOR ASSETS AND INVESTMENTS

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	
	2025	2024	2025	2024
Opening balance	10 809	9 712	10 329	9 187
Additions of right-of-use assets	492	1 243	443	1 145
Revaluation	(339)	739	(391)	780
Depreciation	(920)	(885)	(817)	(783)
Closing balance	10 042	10 809	9 564	10 329

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

	State of Victoria		General government sector	
	2025	2024	2025	2024
Opening balance	46 786	41 587	35 806	32 911
Additions of service concession arrangement assets	5 794	5 792	2 205	3 588
Revaluation	1 749	(151)	1 731	(193)
Assets transferred between Government entities	..	..	(594)	(161)
Depreciation	(441)	(442)	(334)	(338)
Closing balance	53 888	46 786	38 815	35 806

4.2 Other non-financial assets

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Intangible produced assets	4 823	4 499	3 252	3 048
Accumulated depreciation	(3 116)	(2 793)	(1 877)	(1 725)
Service concession assets – intangible produced ^(a)	3 877	3 540	3 877	3 540
Accumulated depreciation	..	(8)	..	(8)
Intangible non-produced assets	1 089	1 037	75	76
Accumulated amortisation	(472)	(439)	(68)	(63)
Total intangibles	6 202	5 835	5 259	4 868
Investment properties	299	334	286	321
Other assets	1 514	1 336	1 361	1 033
Total other non-financial assets	8 015	7 505	6 906	6 222

Note:

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

4. MAJOR ASSETS AND INVESTMENTS

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

	State of Victoria		General government sector	
	2025	2024	2025	2024
Opening balance ^(b)	6 185	5 999	5 194	4 989
Acquisitions of self-owned intangible produced assets	484	412	372	303
Additions of right-of-use assets	2	14	2	1
Additions of service concession arrangement assets	..	169	..	169
Reclassification	101	14	(22)	13
Revaluation	261	(1)	262	..
Disposals	(58)	(107)	(58)	(96)
Assets recognised for the first time	7	35	..	27
Impairment	(4)	(1)	(2)	..
Amortisation and depreciation ^(c)	(462)	(350)	(200)	(215)
Closing balance	6 515	6 185	5 549	5 192

Notes:

(a) With the exception of biological assets, the reconciliation does not include movements in other assets.

(b) VicForests ceased operations on 30 June 2024 and the residual assets and liabilities together with residual responsibilities for native forest management were 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. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance in the general government sector.

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

4. MAJOR ASSETS AND INVESTMENTS

4.3 Investments in PNFC and PFC sector entities

The general government sector investments in PNFC and PFC 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 PNFC and PFC 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 PNFC and PFC 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 PNFC and PFC sector entities

(\$ million)

	2025	2024
Balance of investment in PNFC and PFC sectors at beginning of period ^(a)	98 143	96 042
Net contributions/(returns) to other sectors by owner	6 844	4 001
Revaluation gain/(loss) for period ^(b)	(8 586)	(1 864)
Total investments in PNFC and PFC sector entities	96 401	98 178

Notes:

- (a) VicForests ceased operations on 30 June 2024 and the residual assets and liabilities together with residual responsibilities for native forest management were 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. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.
- (b) The revaluation loss in 2025 was mainly due to losses on the mark-to-market revaluation of TCV's borrowings due to changes in discount rates and the derecognition of the rail assets under AASB 16 Leases at nominal value, following a revaluation completed in 2024-25.

4.4 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.

4.4.1 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).

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

VicRoads Modernisation

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 5.7.4 for the accounting treatment and disclosure on the upfront proceeds as a service concession arrangement.

Share of commitments in VicRoads Modernisation

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.

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 as at the end of June 2025.

Share of commitments in Marinus Link Pty Ltd

The State does not have any share of the MLPL joint venture commitments, in accordance with the contractual arrangements.

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 \$9.8 million in 2025, with the final remaining payment to be received in the next financial year 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.

4. MAJOR ASSETS AND INVESTMENTS

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:

Name of the entity	(per cent)	
	Ownership interest	Voting rights
Equis Energy (Australia) Projects (MREH A1 HoldCo) Pty Ltd	30	30
Equis Energy (Australia) Projects (MREH A2 HoldCo) Pty Ltd	30	30
Equis Energy (Australia) Projects (MREH A3 HoldCo) Pty Ltd	47	49

The entities listed above are collectively referred to as Equis Energy (Australia) Project.

Share of commitments in Equis Energy (Australia) Projects

The capital commitments of the joint venture are listed below. The State's contributions to these commitments are covered by its committed cash calls, disclosed in Note 5.8: Commitments for future expenditure.

	(\$ million)					
	MREH A1		MREH A2		MREH A3	
	2025	2024	2025	2024	2025	2024
Commitment for construction of battery energy storage system (BESS) infrastructure	39	130	41	184	78	296

Movement in the State's proportional share of the net assets of the joint venture

(\$ million)

	VicRoads Modernisation		Marinus Link Pty Ltd		Melbourne Renewable Energy Hub (MREH project)	
	2025	2024	2025	2024	2025	2024
Opening balance	1 079	1 170	55	..	65	..
Acquisition of minority interest in the joint venture	..	..	78	56	120	73
Share of profit/(loss) after income tax	(54)	(45)	(10)	(1)	(9)	(5)
Dividends received/receivable	(32)	(46)	..	..	..	..
Share of joint venture's other comprehensive income	..	..	19	1	1	(3)
Impairment of the joint venturer's interest	..	..	(4)	..	..	..
Disposals	..	..	..	..	..	..
Closing balance ^(a)	993	1 079	139	55	177	65

Note:

(a) The State's share of the net assets of the VicRoads Modernisation 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.

4. MAJOR ASSETS AND INVESTMENTS

Summarised financial information of joint ventures accounted for using the equity method (\$ million)

	VicRoads Modernisation		Marinus Link Pty Ltd		Melbourne Renewable Energy Hub (MREH project)	
Summarised balance sheet as at 30 June	2025	2024	2025	2024	2025	2024
Current assets						
Cash and cash equivalents	60	85	88	83	38	36
Other current assets (excluding cash)	63	64	86	1	14	21
Total current assets	123	149	174	84	52	57
Total Non-current assets	8 689	8 925	293	128	898	373
Total assets	8 811	9 074	467	211	950	430
Current liabilities						
Financial liabilities (excluding payables, provisions)	39	20	11	39	..	1
Other non-financial liabilities (including payables, provisions)	85	139	14	5	26	80
Total current liabilities	125	158	26	44	26	81
Non-current liabilities						
Financial liabilities (excluding payables, provisions)	3 454	3 217	..	13	81	50
Other non-financial liabilities (including payables, provisions)	8	22	24	..	308	97
Total non-current liabilities	3 462	3 238	24	13	389	148
Total liabilities	3 586	3 397	50	57	415	229
Net assets	5 225	5 677	417	155	535	201

	VicRoads Modernisation		Marinus Link Pty Ltd		Melbourne Renewable Energy Hub (MREH project)	
Summarised operating statement for the financial year ended 30 June	2025	2024	2025	2024	2025	2024
Revenue and income from transactions						
Revenue	494	498	3	1	20	10
Interest income	4	5	4	..	3	1
Total revenue and income from transactions	498	503	7	1	23	11
Expenses from transactions						
Depreciation	(244)	(244)	(1)	..	(2)	..
Interest expense	(185)	(166)	..	..	(1)	..
Other expenses	(319)	(328)	(38)	(5)	(25)	(13)
Total expenses from transactions	(748)	(738)	(39)	(5)	(28)	(14)
Net result from transactions	(250)	(235)	(32)	(4)	(5)	(3)
Other economic flows – Included in net result	(39)	(7)	..	..	(32)	(15)
Net result from continuing operation	(290)	(242)	(32)	(4)	(37)	(17)
Net result before tax	(290)	(242)	(32)	(4)	(37)	(17)
Income tax credit	6	3	1	..	8	..
Net result	(283)	(238)	(31)	(4)	(29)	(17)
Other economic flows – Other comprehensive income	..	..	57	2	4	(6)
Total comprehensive income	(283)	(238)	26	(1)	(25)	(23)

4. MAJOR ASSETS AND INVESTMENTS

4.4.2 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 2025 was 50 per cent (50 per cent in 2024), 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.

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.

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.

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 2025, the balance of this liability was \$29.8 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.

The State of Victoria's interest in the unincorporated joint venture at 30 June 2025 was 75 per cent (75 per cent in 2024).

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

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5.1 Borrowings

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Current borrowings				
Domestic borrowings	19 684	22 660	20 115	19 538
Foreign currency borrowings	229	222	..	..
Lease liabilities	808	790	717	710
Service concession arrangement liabilities	567	1 839	552	650
Derivative financial instruments	158	110	1	46
Total current borrowings	21 446	25 621	21 385	20 944
Non-current borrowings				
Domestic borrowings	182 593	152 887	152 611	133 956
Foreign currency borrowings	2 590	670	..	..
Lease liabilities	7 304	7 838	6 816	7 330
Service concession arrangement liabilities	8 446	5 637	5 224	4 856
Derivative financial instruments	1 030	1 058	222	223
Total non-current borrowings	201 962	168 091	164 874	146 365
Total borrowings	223 408	193 712	186 259	167 309

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

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

All borrowings, except for lease liabilities, are classified as financial instruments (Note 6.1). 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 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. FINANCING STATE OPERATIONS

5.2 Interest expense

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
Interest on interest bearing liabilities and deposits	6 288	5 374	5 957	4 804
Interest on lease liabilities	416	423	399	407
Interest on service concessions	390	388	374	375
Discount interest on payables	1 035	536	44	52
Total interest expense	8 130	6 722	6 774	5 639

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.

5.3 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.

5.4 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		
	2025	2024	2025	2024	
Cash	4 434	6 593	4 078	6 096	
Deposits at call	16 017	13 002	8 722	8 209	
Cash and cash equivalents	20 450	19 595	12 800	14 306	
Bank overdraft	..	..	..	..	
Balances as per cash flow statement	20 450	19 595	12 800	14 306	

Reconciliation of net result to net cash flows from operating activities		(\$ million)			
	State of Victoria		General government sector		
	2025	2024	2025	2024	
Net result	(7 696)	(5 540)	(2 030)	(4 493)	
Non-cash movements					
Bad/doubtful debts	..	1	..	1	
Revenue related to economic service concession arrangements	(505)	(517)	(503)	(516)	
Depreciation and amortisation	9 383	8 314	5 467	4 973	
Revaluation of investments	(2 543)	(2 787)	(673)	(512)	
Assets (received)/provided free of charge	(1 012)	(1 154)	(586)	(732)	
Assets not previously/no longer recognised	2	(16)	2	(16)	
Revaluation of assets	377	362	483	306	
Discount/premium on other financial assets/borrowings	584	132	(101)	(4)	
Foreign currency dealings	..	3	2	2	
Unrealised (gains)/losses on borrowings	5 629	700	(498)	74	
Discounting of assets and liabilities	..	(1)	..	(1)	
Movements included in investing and financing activities					
Net gain/loss from sale of investments	(643)	379	(28)	34	
Net gain/loss from sale of non-financial assets	4	62	5	..	
Realised gains/losses on borrowings	(457)	(624)	42	89	
Movements in assets and liabilities					
Increase/(decrease) in allowance for impairment losses	(23)	148	(101)	74	
Increase/(decrease) in payables and contract liabilities	(898)	1 923	(1 028)	1 632	
Increase/(decrease) in other liabilities	39	16	22	(51)	
Increase/(decrease) in employee benefits	1 002	909	948	870	
Increase/(decrease) in superannuation	853	990	844	983	
Increase/(decrease) in other provisions	4 073	3 592	497	250	
(Increase)/decrease in receivables and contract assets	(49)	(1 656)	319	(612)	
(Increase)/decrease in other non-financial assets	204	14	147	272	
Net cash flows from operating activities	8 324	5 249	3 233	2 623	

5. FINANCING STATE OPERATIONS

Changes in liabilities arising from financing activities

(\$ million)

<i>State of Victoria</i>		<i>Non-cash changes</i>			
	<i>Opening balance</i>	<i>Cash flows</i>	<i>Liabilities resulting from the acquisition of new assets ^(a)</i>	<i>Fair value changes</i>	<i>Closing balance</i>
2025					
Borrowings and derivative instruments ^(b)	177 503	20 591	1 169	6 799	206 063
Lease liabilities	8 628	(757)	242	..	8 112
Service concession arrangements liabilities	7 476	(768)	2 305	..	9 013
Advances and deposits received	1 938	111	..	..	2 049

2024					
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

<i>General government sector</i>		<i>Non-cash changes</i>			
	<i>Opening balance</i>	<i>Cash flows</i>	<i>Liabilities resulting from the acquisition of new assets ^(a)</i>	<i>Fair value changes</i>	<i>Closing balance</i>
2025					
Borrowings and derivative instruments	153 763	18 003	1 169	14	172 949
Lease liabilities	8 040	(730)	224	..	7 534
Service concession arrangements liabilities	5 506	(750)	1 020	..	5 776
Advances and deposits received	1 525	70	..	..	1 595

2024					
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

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.

5.5 Advances paid and investments, loans and placements

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Current advances paid and investments, loans and placements				
Loans and advances paid	165	304	236	341
Equities and managed investment schemes	4 554	4 055	849	836
Australian dollar term deposits	258	354	247	330
Debt securities	14 103	12 391	2	4
Derivative financial instruments	773	276	525	63
Total current advances paid and investments, loans and placements	19 853	17 380	1 860	1 575
Non-current advances paid and investments, loans and placements				
Loans and advances paid	247	217	6 170	6 080
Equities and managed investment schemes	62 696	56 508	16 131	13 599
Australian dollar term deposits	..	..	3	3
Debt securities	7 373	7 151	23	22
Derivative financial instruments	387	318	1	9
Total non-current advances paid and investments, loans and placements	70 703	64 195	22 327	19 713
Total advances paid and investments, loans and placements	90 556	81 575	24 187	21 287
Represented by:				
Advances paid	412	521	6 407	6 421
Investments, loans and placements	90 144	81 054	17 781	14 866

The items in the table above are financial instruments (Note 6.1) 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. FINANCING STATE OPERATIONS

5.6 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 3.5 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), a PNFC, 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), a general government sector entity, 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.

5. FINANCING STATE OPERATIONS

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			
	2025		2024	
	Present value	Nominal value	Present value	Nominal value
Commissioned leases				
AgriBio Project	133	213	132	224
Bendigo Hospital	724	1 385	746	1 470
Casey Hospital	89	107	77	94
Melbourne Convention Centre	210	271	224	299
New Schools Public Private Partnership	239	387	216	352
Partnerships Victoria in Schools	151	233	158	252
Prisons ^(d)	116	151	133	181
Royal Children's Hospital	880	1 419	910	1 523
Royal Melbourne Showgrounds	15	20	16	23
Royal Women's Hospital	219	298	229	323
Service Delivery of Mobile Network ^(e)	524	631	241	252
Victorian Comprehensive Cancer Centre (VCCC)	482	935	477	957
Uncommissioned Leases				
Melbourne Renewable Energy Hub (MREH) ^(f)	478	1 152	478	1 152
Total commitments for leases	4 260	7 201	4 037	7 101

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

(e) Previously classified under Emergency Telecommunication Networks as an Other Commitment in Note 5.8 in 2023-24.

(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.

5.7 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 5.6) 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 5.2), 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 2.8). 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 2025. Unless noted in the arrangement specific disclosures below, no material changes have occurred during the year.

Service concession arrangements

(\$ million)

SCA arrangement ^(a)	Note	Classification of arrangement	Arrangement status	Managed by	Periodic payments in operations phase	Payments impacted by KPI	Carrying amount of liability as at 30 June 2025	Carrying amount of asset as at 30 June 2025	Carrying amount of liability as at 30 June 2024	Carrying amount of asset as at 30 June 2024
CityLink	5.7.1	GORTO	Operational	DTP	None – User pays operator	No	1 674	4 718	1 767	4 967
EastLink	5.7.2	GORTO	Operational	DTP	None – User pays operator	No	1 776	4 057	1 873	3 962
Land Use Victoria	5.7.3	GORTO	Operational	DTP	MSPs	No	2 375	588	2 446	563
VicRoads modernisation	5.7.4	GORTO	Operational	DTP	MSPs	No	8 204	3 092	8 425	2 858
Desalination Plant	5.7.5	Financial Liability	Operational	DEECA	Water service payments	Yes	3 057	4 394	3 114	4 484
Fulham Correctional Centre Contract Extension	5.7.6	Financial Liability	Operational	DJCS	QSPs	Yes	..	193	..	198
Metropolitan Bus Contracts	5.7.7	Financial Liability	Operational	DTP	MSPs	Yes	129	354	135	297
Peninsula Link	5.7.8	Financial Liability	Operational	DTP	QSPs	Yes	549	1 215	575	954
Port Phillip Prison Contract Extension	5.7.9	Financial Liability	Operational	DJCS	QSPs	Yes	..	227	..	234
Ravenhall Correction Centre	5.7.10	Financial Liability	Operational	DJCS	QSPs	Yes	471	675	483	694
Southern Cross Station	5.7.11	Financial Liability	Operational	DTP	QSPs	Yes	313	490	327	492
Western Roads Upgrade	5.7.12	Financial Liability	Operational	DTP	QSPs	Yes	430	1 752	446	1 528
High Capacity Metro Trains (HCMT) Project	5.7.13	Financial Liability	Construction in Progress	DTP	QSPs	Yes	1 291	2 192	1 257	1 567
Metro Tunnel Project – Tunnel and Stations	5.7.14	Financial Liability	Construction in Progress	DTP	QSPs	Yes	2 592	12 263	2 282	10 788
Metropolitan Zero Emission Buses ^(b)	5.7.15	Financial Liability	Construction in Progress	DTP	MSPs	Yes	..	..	..	..
North East Link – Primary Package (Tunnels)	5.7.16	Financial Liability	Construction in Progress	State Tolling Corporation with Major Roads Projects Victoria.	QSPs	Yes	2 642	7 657	1 596	4 364
Homes Victoria Ground Lease Model Project 1 (Phase 1 and 2) ^(c)	5.7.17	Hybrid (Financial Liability/GORTO)	Construction in Progress	Homes Victoria	QSPs and User pays Operator	Yes	332	427	306	370
Homes Victoria Ground Lease Model Project 2	5.7.18	Hybrid (Financial Liability/GORTO)	Construction in Progress	Homes Victoria	QSPs	Yes	315	315	70	70
West Gate Tunnel	5.7.19	Hybrid (Financial Liability/GORTO)	Construction in Progress	DTP	None – User pays operator	No	6 096	11 320	5 578	10 179
Metropolitan Tram Service	5.7.20	Service Contract	Operational	DTP	MSPs	Yes	..	30	..	..
Public Transport Ticketing Service	5.7.21	Service Contract	Operational	DTP	MSPs	Yes	..	197	..	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) In September 2024, the State through DTP, entered into contracts with Kinetic (Melbourne) Pty Ltd, CDC Victoria and Dysons for the provision of zero emission battery electric buses. The contract commences on 1 July 2025 for a term of 10 years.
- (c) 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.

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

5.7.1 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. FINANCING STATE OPERATIONS

5.7.2 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 6.2 for further details on this claim.

5.7.3 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.

5.7.4 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 4.4.1 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.

5.7.5 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 gegalitres 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 gegalitres (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 6.1).

As at 30 June 2025, AquaSure had produced 0 gegalitres for the 2024-25 supply period. On 4 April 2025, the Minister for Water announced the 2025-26 Supply Notice with a Required Annual Water Volume for 50 gegalitres in 2025-26 and non-binding forecasts of 75 gegalitres for 2026-27 and 50 gegalitres for 2027-28.

5. FINANCING STATE OPERATIONS

5.7.6 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.

5.7.7 Metropolitan Bus Contracts

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

Concession period:

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

In June and July 2018, Metropolitan Bus Service Contracts (excluding Kinetic) were signed with the operators of the metropolitan buses.

Contracts with Cranbourne Transit, Donric Group, Sita Bus Lines 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 existing bus fleet that was operated by Transdev (previous operator), Kinetic is progressively introducing 36 new fully electric buses to the network.

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.

5.7.8 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.

5.7.9 Port Philip Prison Contract Extension

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

Concession period: 30 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.

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 in December 2025.

5.7.10 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.

5.7.11 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.

5.7.12 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.

5.7.13 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 on-going 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 (represents 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 commission of the project.

In October 2021, the State purchased five additional train sets and contracted Evolution Rail to maintain them.

5. FINANCING STATE OPERATIONS

5.7.14 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 under construction and due for completion in 2025.

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

5.7.15 Metropolitan Zero Emission Buses

Operator: Kinetic (Melbourne) Pty Ltd, CDC Victoria and Dysons

Concession period: 10 years

In September 2024, new Metropolitan Zero Emission Bus Service Franchise (MZF) contracts were signed with the operators.

The MZF contracts formally commenced on 1 July 2025 and will expire in 2035. As part of the Zero Emissions Bus Initiative, operators will progressively introduce up to 600 battery electric buses to the network, replacing existing diesel buses over the contract term.

Due to the transitional nature of the MZF contracts, some diesel buses will continue to be used up to their retirement, while the shift to zero emission buses is gradually undertaken over the life of the contracts.

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.

5.7.16 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.

5.7.17 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 under the Partnerships Victoria framework. Under this model, Homes Victoria grants the Building Communities consortium a right to operate, manage and maintain the dwellings under a ground lease arrangement over a 40-year operating term. 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.

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. Enabling works and remediation works for phase 2 commenced in mid-2024 and construction of the assets is progressing. Commercial Acceptance is expected to be achieved by late 2026.

While operating the dwellings, Building Communities will perform the following functions: asset management, community engagement, maintenance and life cycle replacement, tenancy management and residential lease management.

5.7.18 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 under the Partnerships Victoria framework. Under this model, Homes Victoria grants the Building Communities consortium a right to operate, manage and maintain the dwellings under a ground lease arrangement over a 40-year operating term.

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.

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

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. FINANCING STATE OPERATIONS

5.7.19 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).

The project is under construction and due for completion in 2025.

5.7.20 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 nine years commencing on 1 December 2024.

YJM is operating 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.

5.7.21 Public Transport Ticketing Service

Operator: Conduent Victoria Ticketing System Pty Ltd (Conduent)

Concession period: 10 years with options to extend to 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 up to 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)

	Note	2025				2024			
		Liability	Capital contribution ^(e)	Other commitments	Total commitments	Liability	Capital contribution ^(e)	Other commitments	Total commitments
		Discounted value ^(f)		Present value	Nominal value	Discounted value ^(f)		Present value	Nominal value
Financial liability model – Commissioned									
Desalination Plant	5.7.5	..	..	1 709	3 399	..	..	1 670	3 515
Metropolitan Bus Contracts	5.7.7	..	..	2 023	2 194	..	..	2 453	2 769
Peninsula Link	5.7.8	..	..	223	302	..	..	217	296
Prisons ^(g)	5.7.6, 5.7.9, 5.7.10	..	..	3 154	5 033	..	..	3 362	5 426
Southern Cross Station	5.7.11	..	..	370	460	..	..	376	484
Water Infrastructure ^{(h)(i)}		..	..	83	111	..	..	83	115
Western Roads Upgrade	5.7.12	..	..	494	687	..	..	527	762
Financial liability model - Uncommissioned ^(j)									
High Capacity Metro Trains ^(k)	5.7.13	1 307	7	1 461	4 357	1 261	50	1 412	4 492
Metro Tunnel Project - Tunnel and Stations ^(k)	5.7.14	2 499	343	923	2 809	2 346	343	869	3 284
Metropolitan Zero Emissions Buses	5.7.15	..	100	2 520	3 199	..	..	..	..
North East Link – Primary Package (Tunnels)	5.7.16	3 143	3 035	1 138	12 415	3 901	5 327	1 083	16 254
Hybrid model (GORTO and financial liability models) – Commissioned									
Homes Victoria Ground Lease Model Project 1 (Phase 1) ^{(k)(l)}	5.7.17	..	..	46	142	..	..	44	142
Hybrid model (GORTO and financial liability models) - Uncommissioned ^(j)									
Homes Victoria Ground Lease Model Project 2 ^(k)	5.7.18	538	..	50	1 715	538	180	50	1 895
West Gate Tunnel	5.7.19	..	36	..	36	..	265	..	265
Service Contracts - Commissioned ^(m)									
Metropolitan Tram Service	5.7.20	..	..	5 915	7 045	..	..	6 086	7 499
Service Contracts - Uncommissioned ^{(j)(m)}									
Public Transport Ticketing Service	5.7.21	..	323	1 023	1 700	..	315	1 027	1 774
Total commitments for service concession arrangements ^(k)		7 487	3 843	21 132	45 605	8 046	6 480	19 257	48 972

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 capital contribution is measured at nominal value and represents the State's total unpaid capital contribution for the uncommissioned service concession arrangements.
- (f) The liability payments include the committed future liabilities yet to be recognised on the balance sheet.
- (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 5.7 as the information contained is not material to that table.
- (j) For uncommissioned SCAs, the commitments include the capital component not yet recognised on the balance sheet (i.e. the amount relating to the asset which hasn't been constructed as yet), the State's future capital contributions as well as the operating and maintenance commitments.
- (k) The 2023-24 comparative figures have been restated to reflect more current information.
- (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.

5. FINANCING STATE OPERATIONS

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 5.7 for further detail on these.

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

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

Commitments for future expenditure ^(a)

(\$ million)

Nominal values	State of Victoria		General government sector	
	2025	2024	2025	2024
Capital expenditure commitments				
Land and buildings ^{(b)(c)}	7 965	7 523	7 621	7 258
Plant, equipment and vehicles	701	438	455	381
Infrastructure	13 605	12 819	11 179	10 503
Road networks and earthworks	7 813	7 578	7 814	7 576
Other ^(c)	457	475	295	421
Total capital expenditure commitments ^(c)	30 541	28 833	27 364	26 139
Service and lease commitments not included in the lease liability				
Rail services	3 782	5 438	7 896	6 339
Bus services	3 333	4 188	2 925	3 728
Other ^(c)	576	464	580	465
Total service and new short-term lease commitments ^(c)	7 691	10 091	11 401	10 532
Other commitments				
Capital investment commitments	419	225	..	..
Cladding Safety Victoria	35	51	35	51
Commercial contracts ^(c)	4 462	3 918	3 961	3 205
Emergency Alert System	9	51	9	51
Emergency Telecommunication Networks ^(d)	771	200	771	200
Grant program commitments ^(c)	3 744	3 006	4 108	3 442
Information technology ^(c)	1 007	1 069	806	857
Melbourne renewable energy hub (MREH) ^(e)	52	172	..	..
Outsourcing of services	2 131	2 385	223	203
Policing services	48	58	48	58
PPP operating commitments ^{(f)(g)}	9 153	6 642	9 153	6 642
Provision of Health Services ^(c)	2 777	2 409	2 777	2 412
Social Housing	1 359	770	..	..
Traffic camera services (Traffic camera office)	297	141	297	142
Transport Accident Commission funded medical research	5	4	..	..
Other ^(g)	1 437	1 726	1 192	1 433
Total other commitments ^(c)	27 706	22 826	23 380	18 696
Total commitments ^(c)	65 938	61 749	62 146	55 368

Notes:

(a) The figures presented are inclusive of GST.

(b) This line item includes the expected future liabilities yet to be recognised on the balance sheet for PPP commitments recognised under AASB 116. A breakdown of the liabilities by project is provided in the following table.

(c) The 2023-24 comparative figures have been reclassified and restated to more accurately reflect the nature of the commitments.

(d) The 2024 figures have been restated to reflect the reclassification of Service Delivery of Mobile Network commitments to Lease Commitments in Note 5.6.

(e) 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.

(f) This line item includes the operating component of PPP commitments recognised under AASB 116. A breakdown of these operating PPP commitments by project is provided in the following table.

(g) The 2023-24 comparatives have been reclassified from other to PPP operating commitments line item reflecting the separate identification of PPP operating commitments under AASB 116 in this table.

5. FINANCING STATE OPERATIONS

PPE commitments

(\$ million)

State of Victoria ^(a)	2025			2024		
	Liability ^(b)	Other commitments	Total commitments ^(c)	Liability ^(b)	Other commitments	Total commitments ^(c)
	Discounted value ^(d)	Present value	Nominal value	Discounted value ^(d)	Present value	Nominal value
Commissioned PPE commitments						
Hopkins Correctional Centre	..	219	355	..	225	378
Uncommissioned PPE commitments						
Frankston Hospital Redevelopment	113	1 123	2 922	627	1 058	4 018
New Melton Hospital	1 052	592	5 342	..	..	..
Nyaal Banyul Geelong Convention and Event Centre	450	236	1 379	450	229	1 379
New Footscray Hospital	64	1 175	3 514	505	1 054	4 255
Total PPE commitments	1 678	3 345	13 512	1 581	2 566	10 030

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 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 and New Melton Hospital total commitments nominal value also includes the State's unpaid capital contribution not yet recognised on the balance sheet.

(d) 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.

Ageing analysis of commitments ^{(a)(b)}

(\$ million)

Nominal values	State of Victoria		General government sector	
	2025	2024	2025	2024
Capital expenditure commitments payable				
Less than 1 year	13 433	11 389	11 634	9 973
1 year but less than 5 years	12 922	13 949	11 755	12 922
5 years or more	4 186	3 495	3 975	3 244
Total capital expenditure commitments	30 541	28 833	27 364	26 139
Service and lease commitments not included in the lease liability				
Less than 1 year	2 175	2 572	2 918	3 421
1 year but less than 5 years	4 505	6 096	7 598	5 872
5 years or more	1 010	1 423	886	1 239
Total service and new short-term lease commitments	7 691	10 091	11 401	10 532
Other commitments payable				
Less than 1 year ^(c)	8 486	7 554	6 856	6 110
1 year but less than 5 years ^(c)	8 556	7 184	6 973	5 810
5 years or more	10 663	8 087	9 551	6 777
Total other commitments ^(c)	27 706	22 826	23 380	18 696
Total commitments ^(c)	65 938	61 749	62 146	55 368

Notes:

(a) The figures presented are inclusive of GST.

(b) The 2024 comparative figures for total commitments have been restated and reclassified between maturity categories to more accurately reflect the ageing of commitments.

(c) The 2024 payable figures for other commitments payable has been restated to reflect the reclassification of Service Delivery of Mobile Network commitments Networks to Lease Commitments in Note 5.6.

6. 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.

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6.1 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.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Categories of financial instruments

(\$ million)

2025	State of Victoria	General government sector
Financial assets		
Cash and deposits	20 450	12 800
Financial assets designated at fair value through profit or loss	87 841	16 242
Financial assets mandatorily measured at fair value through profit or loss	854	526
Financial assets at amortised cost	6 298	9 929
Financial assets measured at fair value through other comprehensive income	17	17
Investment in equity instrument designated at fair value through other comprehensive income	731	731
Total financial assets ^(a)	116 192	40 246
Financial liabilities		
Financial liabilities designated at fair value through profit and loss	187 446	4
Financial liabilities mandatorily measured at fair value through profit or loss	965	220
Financial liabilities at amortised cost	46 386	194 118
Total financial liabilities ^(b)	234 796	194 342

2024		
Financial assets		
Cash and deposits	19 595	14 306
Financial assets designated at fair value through profit or loss	78 753	13 226
Financial asset 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 ^(a)	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 ^(b)	205 987	176 508

Notes:

(a) The State's total financial assets exclude statutory receivables, contract assets and other receivables of \$9 242 million (\$9 431 million in 2024) while the general government's total financial assets exclude statutory receivables and contract assets of \$6 945 million (\$7 185 million in 2024).

(b) The State's total financial liabilities exclude statutory taxes payable, contract liabilities, grant of right to operate liability, unearned income and advance premiums of \$32 905 million (\$32 762 million in 2024) while the general government's total financial liabilities exclude statutory taxes payable, contract liabilities, grant of right to operate liability, and unearned income of \$22 540 million (\$22 478 million in 2024).

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).

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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.

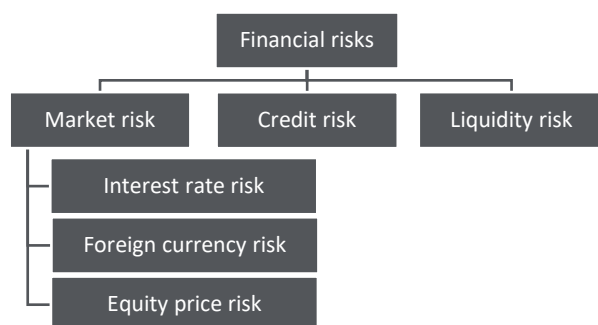
All financial instrument assets, except those measured at fair value through profit or loss, are subject to review at each reporting date.

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.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Financial risk management

The State is exposed to a number of financial risks, including:



As a whole, the State's financial risk management program seeks to manage these risks and the associated volatility on its financial performance.

Responsible and prudent financial risk management is carried out individually by the State's entities, in accordance with the State's risk management framework, developed by the Department of Treasury and Finance (DTF) and established by the Treasurer. The State's risk management framework comprises the following key components:

- The Treasurer is responsible for approving and establishing the prudential framework containing policies and guidelines on financial risk management.
- The Senior Executive Group of DTF is responsible for advising the Government on the management of the State's financial risks.
- DTF's Financial Assets and Liabilities and Workplace Safety Group provides oversight of the State's key financial balance sheet and financial market risks. These risks relate to the State's investments, borrowings, superannuation and insurance claims liabilities, as well as exposures to interest rate, foreign exchange and commodity price volatility and liquidity position.
- DTF administers the State's Central Banking System (CBS). The CBS is a DTF cash management initiative that allows the State to reduce its external borrowings, resulting in interest savings. Savings are achieved through a bank account pooling arrangement of department and agency accounts, utilising surplus funds to reduce the State's funding requirements.

- TCV is the State's central borrowing authority and financing advisor. An independent prudential supervisor is appointed by the Treasurer to monitor TCV's compliance with its prudential framework.
- VFMC acts as the State's central investment fund manager providing expertise in developing investment strategy and providing funds management services in accordance with each entity's investment objectives. DTF monitors 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.

6.1.1 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.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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)

2025	State of Victoria				General government sector			
	Floating rate	Fixed rate	Non-interest bearing	Total	Floating rate	Fixed rate	Non-interest bearing	Total
Financial assets								
Cash and deposits	20 185	78	188	20 450	12 626	44	130	12 800
Receivables	198	6	4 980	5 185	107	1	3 150	3 258
Advances paid	64	156	191	412	18	6 227	161	6 407
Term deposits	12	246	..	258	6	244	..	250
Derivative financial instruments	..	236	924	1 160	..	..	526	526
Equities and managed investment schemes	716	6	66 528	67 250	670	6	16 304	16 980
Debt securities	1 111	20 362	2	21 476	17	8	..	25
Total financial assets	22 286	21 092	72 814	116 192	13 445	6 530	20 271	40 246
Financial liabilities								
Payables, deposits held and advances received	444	84	10 861	11 388	163	302	7 617	8 083
Derivative financial instruments	..	944	244	1 187	..	220	3	223
Interest-bearing liabilities	16 742	188 354	..	205 096	15 609	157 118	..	172 726
Lease liabilities	563	7 402	147	8 112	519	6 977	38	7 534
Service concession arrangement liabilities	..	9 013	..	9 013	..	5 776	..	5 776
Total financial liabilities	17 749	205 796	11 251	234 796	16 291	170 394	7 658	194 342
2024								
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	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

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 2025, approximately 85 per cent (88 per cent in 2024) 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 2024). 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 \$4.7 billion increase/\$4.9 billion decrease (30 June 2024 \$3.9 billion increase/\$4.1 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.

6.1.2 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 \$8.1 billion (\$6.4 billion in 2024) of equities and managed investment schemes and \$2.8 billion (\$893 million in 2024) 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.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Foreign currency sensitivity analysis

The State has analysed the possible effects that changes in exchange rates against the Australian dollar may have on its financial position and result based on:

- exposures to the pool of foreign currencies for both derivative and non-derivative instruments at the reporting date
- historic movements, future expectations and management's knowledge and experience of the foreign currency markets
- the stipulated change taking place at the beginning of the financial year and then held constant throughout the reporting period
- no change in foreign exchange risk management and associated hedging as a result of changes in foreign exchange rates.

On this basis, the State has assessed that it may be exposed to a 15 per cent increase or decrease in exchange rates against the Australian dollar (15 per cent in 2024).

With all other variables held constant, the impact of a 15 per cent increase or decrease in exchange rates at 30 June 2025 is a \$837 million increase/\$1.1 billion decrease (\$1.9 billion increase/\$2.1 billion decrease in 2024) on economic flows and net assets. There is no direct impact on the net result from transactions.

6.1.3 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 2024).

With all other variables held constant, a 15 per cent increase or decrease in listed equities prices at 30 June 2025 is expected to result in a \$12.2 million increase/\$12.2 million decrease (\$1.3 million increase/\$1.3 million decrease in 2024) 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 \$6.5 billion increase/\$6.5 billion decrease (\$4.6 billion increase/\$4.6 billion decrease in 2024) in other economic flows and net assets. There is no direct impact on the net result from transactions.

6.1.4 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 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.

6. 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 2024-25.

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

<i>Credit quality grade</i>	<i>S&P Rating equivalent</i>
Extremely/Very strong	AAA, AA+, AA, AA-, A+
Strong/Adequate	A, A-, BBB+, BBB, BBB-
Other (Not rated)	Not rated

Credit quality of financial assets (\$ million)

<i>State of Victoria</i>				
2025	<i>Extremely/Very Strong (AAA to A+)</i>	<i>Strong/Adequate (A to BBB-)</i>	<i>Other/ Not rated</i>	<i>Total</i>
Financial assets with loss allowance measured at 12 month expected credit loss				
Cash and deposits	10 289	2 762	1 521	14 571
Advances paid	..	39	107	146
Term deposits	3	28	4	35
Debt securities	..	25	..	25
Financial assets with loss allowance measured at lifetime credit loss (not credit impaired)				
Cash and deposits	4 422	1 437	20	5 879
Receivables applying the simplified approach for impairment	1 709	163	3 567	5 440
Term deposits	145	71	..	216
Total financial assets	16 568	4 525	5 219	26 312

<i>2024^(a)</i>				
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
Total financial assets	14 940	5 827	4 409	25 176

Note:

(a) This table has been restated to more accurately reflect the credit quality ratings as set by S&P rating equivalent.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Credit quality of financial assets (continued)

(\$ million)

General government sector				
2025	Extremely/Very Strong (AAA to A+)	Strong/Adequate (A to BBB-)	Other/ Not rated	Total
Financial assets				
Financial assets with loss allowance measured at 12 month expected credit loss				
Cash and deposits	7 785	2 163	320	10 268
Advances paid	6 077	39	100	6 216
Term deposits	5	26	4	34
Debt securities	..	25	..	25
Financial assets with loss allowance measured at lifetime credit loss (not credit impaired)				
Cash and deposits	2 467	48	17	2 532
Receivables applying the simplified approach for impairment	1 133	6	2 303	3 442
Term deposits	145	71	..	216
Total financial assets	17 612	2 377	2 744	22 733
2024 ^(a)				
Financial assets				
Financial assets with loss allowance measured at 12 month expected credit loss				
Cash and deposits	6 917	3 042	179	10 138
Advances paid	5 941	180	96	6 217
Term deposits	5	25	2	32
Debt securities	..	24	1	26
Financial assets with loss allowance measured at lifetime credit loss (not credit impaired)				
Cash and deposits	3 999	152	16	4 167
Receivables applying the simplified approach for impairment	933	39	2 201	3 173
Advances paid	3	..	..	3
Term deposits	233	67	..	301
Total financial assets	18 031	3 529	2 497	24 057

Note:

(a) This table has been restated to more accurately reflect the credit quality ratings as set by S&P rating equivalent.

6.1.5 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 2025 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)

	State of Victoria	General government sector
2025		
Financial assets		
Cash and deposits	(17)	(9)
Financial assets designated at fair value through profit or loss	1 525	655
Financial assets mandatorily measured at fair value through profit or loss	1 549	587
Financial assets at amortised cost	(63)	(26)
Financial assets measured at fair value through other comprehensive income	..	..
Total financial assets	2 995	1 207
Financial liabilities		
Financial liabilities designated at fair value through profit and loss	(5 831)	..
Financial liabilities mandatorily measured at fair value through profit or loss	241	(1)
Financial liabilities at amortised cost	42	42
Total financial liabilities	(5 548)	40
2024		
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

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Breakdown of interest income ^(a)

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Interest income from financial assets not at fair value through profit or loss	1 020	1 154	1 485	1 590
Interest income from financial assets at fair value through profit or loss	792	841	53	166
Total	1 811	1 996	1 538	1 756

Note:

(a) These items include amounts that relate to discount interest on financial assets. Therefore, figures in this table cannot be reconciled to the primary financial statements.

Breakdown of interest and fee expense items ^(a)

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Interest expense from financial liabilities not at fair value through profit or loss	1 482	1 536	6 730	5 586
Interest expense from financial liabilities at fair value through profit or loss	6 943	5 435	1	1
Fee expenses from financial liabilities not at fair value through profit or loss	49	48	48	49
Fee expenses from financial liabilities at fair value through profit or loss	495	638	2	12
Total	8 968	7 657	6 781	5 648

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.

6.1.6 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 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 TCV have a liquidity policy to assist the Government to manage the whole of Victorian government liquidity risk.

The liquidity management policy has three main components as follows.

Short-term liquidity management and control

The policy requires daily measurement of the whole of Victorian government liquidity ratio, which measures TCV's liquid assets (after discounting to reflect potential loss of value in the event of a quick sale), versus 12 months of debt refinancing and interest obligations as well as six months of new borrowing requirements.

The policy also measures the daily going concern net and cumulative cash flow limits to manage short-term liquidity exposures during normal operating liquidity conditions and the monitoring of going concern and liquidity stress scenario cash flows out to 12 months.

As at 30 June 2025, the whole of Victorian government liquidity ratio was 111 per cent against a minimum target liquidity ratio of 100 per cent. The level of liquidity at 30 June 2025 was due in part to 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	
	2025	2024	2025	2024
Carrying amount	202 277	175 547	172 726	153 494
Nominal amount ^(a)	267 136	236 326	178 070	158 165
Contractual maturity				
0 to 3 months	13 031	13 537	15 429	13 398
3 months to 1 year	12 422	13 923	5 220	6 188
1 to 2 years	18 998	13 990	11 660	8 706
2 to 5 years	70 598	59 618	41 713	37 210
5 years or more	152 087	135 258	104 049	92 664

Note:

(a) Represents undiscounted nominal amount.

Lease liabilities payable

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Less than 1 year	1 138	1 098	1 021	1 006
1 year but less than 5 years	6 608	6 452	6 344	6 164
5 years or more	2 657	3 561	2 409	3 334
Minimum lease payments	10 402	11 111	9 774	10 504
Future finance charges	2 290	2 484	2 240	2 464
Total lease liabilities	8 112	8 628	7 534	8 040

Service concession arrangement liabilities payable

(\$ million)

	State of Victoria		General government sector	
	2025	2024	2025	2024
Less than 1 year	1 545	936	924	883
1 year but less than 5 years	3 648	3 108	3 012	3 048
5 years or more	8 795	8 032	5 406	5 761
Minimum liability payments	13 988	12 077	9 342	9 692
Future finance charges	4 976	4 600	3 566	4 186
Total service concession arrangement liabilities	9 013	7 476	5 776	5 506

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

6.2 Contingent assets and contingent liabilities

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 2025.

Quantifiable contingent assets ^(a)	(\$ million)			
	State of Victoria		General government sector	
	2025	2024	2025	2024
Guarantees, indemnities and warranties	201	205	62	48
Legal proceedings and disputes	26	21	24	19
Other ^(b)	372	425	76	73
Total contingent assets	599	651	162	140

Notes:

(a) Figures reflect contingent assets that arise from outside of government.

(b) As at 30 June 2025, the majority of contingent assets held by the State relate to developer contributions of water and sewerage infrastructure whereby control is transferred to the State's water entities upon completion of various development projects.

Non-quantifiable contingent assets

Peninsula Link compensable enhancement claim

The EastLink Concession Deed contains compensable enhancement provisions that enable the State to claim 50 per cent of any additional revenue derived by ConnectEast Pty Ltd (ConnectEast) as a result of certain events that particularly benefit EastLink, including changes to the adjoining road network.

On 2 January 2014, the State lodged a compensable enhancement claim as a result of opening Peninsula Link. The claim remains outstanding.

Contingent liabilities

Contingent liabilities are either:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity
- present obligations that arise from past events but are not recognised because of either of the following:
 - 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 2025.

Quantifiable contingent liabilities	(\$ million)			
	State of Victoria		General government sector	
	2025	2024	2025	2024
Guarantees, indemnities and warranties ^(a)	845	2 304	822	2 280
Legal proceedings and disputes	571	465	525	423
Other	594	551	453	394
Non-general government debt ^(b)	..	..	19 259	16 671
Total contingent liabilities	2 009	3 320	21 060	19 768

Notes:

(a) A number of guarantees have been classified as contractual guarantees and therefore recognised at their fair value on the balance sheet from 30 June 2025, rather than as quantifiable contingent liabilities, consistent with the requirements of AASB 9 Financial Instruments.

(b) Mainly represents the statutory guarantee of borrowings provided by the Treasurer for the public sector borrowings portfolio.

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 former Ministers for Health and Jobs, and the former 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.

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.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Historical child sexual abuse claims under the Financial Assistance Scheme

The historical nature of child sexual abuse (CSA) claims under the Financial Assistance Scheme (FAS) results in high uncertainty in the number of potential claimants, the timing of disclosures and the financial impact of individual claims.

Factors such as a lack of specific information about the number of eligible survivors, variability in claim amounts, and the potential for future claims arising from historical abuse prevents a reliable estimate of any future financial liability that may arise.

The provision included in the financial statements is estimated in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* based on available data and assumes no changes to the behaviour of the scheme (including legal or regulatory changes). The impact of potential future changes is not considered to be within scope of the provision under AASB 137 nor able to be estimated reliably with available information.

The State continues to monitor developments in claims and related legal or regulatory changes that may impact its financial position. Any future financial obligation will be assessed for recognition in the financial statements when it becomes probable and can be measured reliably. This non-quantifiable contingent liability only relates to the CSA component under FAS and does not apply to any other components.

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.

Foreign Purchaser Additional Duty and Absentee Owner Land Tax Surcharge class action

A class action has been filed in the Federal Court against the State of Victoria and the Commissioner for State Revenue which challenges the imposition of Foreign Purchaser Additional Duty under the *Duties Act 2000 (Vic)*, and Absentee Owner Land Tax Surcharge under the *Land Tax Act 2005 (Vic)*. The representative proceeding was brought by two applicants on their own behalf and on behalf of an open class of group members. The applicants claim that the relevant statutory provisions are constitutionally invalid on the basis of their inconsistency with International Tax Agreements given effect to by the *International Tax Agreements Act 1953 (Cth)*. The constitutional issues raised by this proceeding are the subject of related High Court proceedings.

At this stage it is not possible to quantify the financial effects of this contingent liability.

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.

Per-fluoroalkyl and poly-fluoroalkyl substances (known as PFAS)

Fire Rescue Victoria and the Country Fire Authority (State Fire Services) has determined that there has been per-fluoroalkyl and poly-fluoroalkyl substances (PFAS) contamination at specific State Fire Service properties and adjoining surroundings due to some firefighting foams historically containing PFAS. The State Fire Services continue to test for exposure and to decontaminate 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 level of exposure, 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.

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.

Potential insurance claims

The State via the Victorian Managed Insurance Authority (VMIA) has a claims administration agreement to manage its insurance arrangements, including those related to self-insured historical abuse claims that are civil in nature.

The State has been served with self-insured historical abuse claims. The amount provided for historical abuse claims is based on assessed claims lodged on the basis that these represent present obligations in line with the requirements of AASB 137.

Possible future civil abuse claims may or may not be received by future claimants and these possible liabilities can be confirmed by claims being made and subsequent assessment. Given these circumstances, it is impractical to accurately quantify the full financial effects of these potential future claims.

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 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.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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. VMIA insures its clients for property, public and products liability, professional indemnity, medical indemnity, contract works and a range of other liabilities. VMIA also provided domestic building insurance to Victorian residential builders from March 2010 to July 2025 when this function transferred to the Building and Plumbing Commission.

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.

6.3 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.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

6.4 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)

	2025		2024	
	Carrying amount	Fair value	Carrying amount	Fair value
State of Victoria				
Financial assets				
Term deposits	251	251	343	341
Advances paid	404	405	514	516
Equities and managed investment schemes	450	459	432	432
Debt securities	8	8	8	8
Non-current receivables	893	852	625	627
Total financial assets ^(b)	2 005	1 976	1 922	1 924
Financial liabilities				
Payables, deposits held and advances received	8 917	9 022	9 740	9 210
Domestic borrowings	18 050	18 878	16 993	19 086
Service concession arrangement liabilities	9 013	9 013	7 476	7 476
Total financial liabilities ^(c)	35 980	36 913	34 209	35 772
General government sector				
Financial assets				
Term deposits	250	251	332	331
Advances paid	6 400	7 310	6 416	7 539
Equities and managed investment schemes	13	22	17	17
Debt securities	8	8	8	8
Non-current receivables	871	871	604	604
Total financial assets ^(b)	7 542	8 461	7 378	8 500
Financial liabilities				
Payables, deposits held and advances received	6 810	6 929	7 813	7 169
Domestic borrowings	172 817	173 646	153 436	144 218
Service concession arrangement liabilities	5 776	5 776	5 506	5 506
Total financial liabilities ^(c)	185 403	186 350	166 755	156 892

Notes:

(a) Additional information on the State's fair value of financial assets and liabilities measured at amortised cost for both the 2025 and 2024 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 6.1 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 6.1 Categories of Financial Instruments.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Financial assets and liabilities measured at fair value

(\$ million)

<i>State of Victoria</i>	<i>Carrying amount as at</i>	<i>Fair value measurement at end of reporting period using:</i>		
2025	30 June	Level 1	Level 2	Level 3
Financial assets				
Cash	20 450	20 450	..	..
Derivative financial instruments	1 160	12	578	570
Term deposits	8	..	8	..
Advances paid	8	7	1	..
Equities and managed investment schemes	66 800	4 240	43 922	18 638
Debt securities at fair value	21 468	5 921	15 479	69
Total financial assets	109 894	30 631	59 986	19 277
Financial liabilities				
Domestic borrowings	184 227	162 431	21 796	..
Foreign currency borrowings	2 819	..	2 819	..
Derivative financial instruments	1 184	4	964	217
Total financial liabilities	188 230	162 434	25 579	217

2024				
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

<i>General government sector ^(a)</i>	<i>Carrying amount as at</i>	<i>Fair value measurement at end of reporting period using:</i>		
2025	30 June	Level 1	Level 2	Level 3
Financial assets				
Cash	12 800	12 800	..	..
Derivative financial instruments	526	..	..	526
Advances paid	7	7	..	..
Equities and managed investment schemes	16 967	941	15 987	39
Debt securities at fair value	17	17	..	..
Total financial assets	30 316	13 765	15 987	565

2024				
Financial assets				
Cash	14 306	14 306	..	..
Derivative financial instruments	72	9	..	63
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

Note:

(a) The general government sector's financial liabilities are primarily measured at amortised cost. Any financial liabilities measured at fair value are immaterial and therefore not disclosed in the above table for financial assets and liabilities measured at fair value, in accordance with Australian Accounting Standards.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Reconciliation of Level 3 fair value movements ^(a)

(\$ million)

State of Victoria	Derivative financial instrument assets		Equities and managed investment schemes		Debt securities at fair value	
	2025	2024	2025	2024	2025	2024
Opening balance	77	127	15 211	14 677	115	40
Total gains and losses recognised in:						
Net result	545	(15)	318	(140)	(2)	(1)
Other comprehensive income	..	..	151	14	..	..
Purchases	..	32	2 436	2 138	10	77
Sales	..	(5)	(971)	(1 478)	(55)	..
Settlements	(52)	(61)	..	..	..	..
Transfers from other levels	..	..	1 493	..	..	..
Transfers out of Level 3	..	..	..	..	..	..
Closing balance	570	77	18 638	15 211	69	115

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 and operating expenditures forecasts, 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 future-risk-free rate, estimated future cash flows, identification of appropriate comparable assets, future economic and regulatory conditions, and life expectancy estimates and mortality probabilities.

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 identification of appropriate comparators, 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 identification of appropriate comparators, 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.

Change in accounting estimate

To appropriately reflect a change in market circumstances arising from the novation of the agreements to the SEC Victoria, DEECA has changed some of the inputs used in the valuation model.

Due to the complex nature of modelling future electricity prices and the interrelationship of the inputs on each other, it is impractical to quantify the effect of the change in the overall valuation outcome. It is noted the valuation is highly sensitive to changes in these inputs.

6.5 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 Minister for Finance. An independent valuation undertaken by the Valuer-General Victoria (VGV) normally occurs every five years, based upon the asset's classification of the functions of government framework. This led to assets within the transport function group being formally revalued in 2024-25. The valuation resulted in a large increase in the fair value of earthworks, rail and roads infrastructure, roads and rolling stock assets.

The major increases in the valuation of these assets were due to:

- significant inflationary increases since the prior revaluation, including both in labour and raw material costs
- improvement in underlying asset data which improved the revaluation of assets
- amendments to AASB 13 which permitted the inclusion of demolition, disruption (such as replacement buses) and restoration costs within the valuation of the current replacement cost. These amendments were applied for the first time this financial year.

The valuation also resulted in a decrease in the fair value of land under declared roads, primarily due to changes in zoning and the broader economic environment.

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.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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. The State applies the Appendix F of AASB 13, which clarifies the application of AASB 13 in the context of not-for-profit public sector entities prospectively as part of the next scheduled formal or interim asset valuations (whichever is earlier) at 30 June 2025 through to 30 June 2029.

During the period, managerial revaluations led to revaluations being recorded across the State, with the majority recorded in the recreation, culture and religion and environmental protection function groups. These revaluations were undertaken using land and building indices as determined by the 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 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.

6.5.1 Land, buildings, infrastructure, plant and equipment

Carrying amounts, fair values and fair value hierarchy

(\$ million)

State of Victoria	Carrying amount	Fair value measurement at the end of the 2025 reporting period using:			Carrying amount	Fair value measurement at the end of the 2024 reporting period using:		
	2025	Level 1	Level 2	Level 3	2024	Level 1	Level 2	Level 3
Buildings	97 635	..	15 815	81 820	88 200	..	15 712	72 488
Land and national parks	137 886	..	29 152	108 734	141 310	..	28 258	113 052
Plant, equipment, vehicles and infrastructure systems	114 505	..	371	114 134	92 139	..	340	91 799
Infrastructure systems ^(a)	96 637	..	18	96 619	79 555	..	19	79 537
Rolling stock	7 751	..	..	7 751	5 477	..	..	5 477
Plant, equipment and vehicles	10 118	..	353	9 765	7 107	..	321	6 786
Roads, road infrastructure and earthworks ^(a)	96 811	..	..	96 811	66 690	..	..	66 690
Cultural assets	7 541	..	2 612	4 929	6 914	..	2 540	4 374
Total land, buildings, infrastructure, plant and equipment ^(b)	454 379	..	47 950	406 429	395 253	..	46 850	348 404

Notes:

- (a) The 2023-24 comparative figures relating to VicTrack's rail assets have been reclassified from infrastructure to earthworks to more accurately reflect the nature of the underlying assets.
- (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 \$45.1 billion (2024: \$39.8 billion).

General government sector	Carrying amount	Fair value measurement at the end of the 2025 reporting period using:			Carrying amount	Fair value measurement at the end of the 2024 reporting period using:		
	2025	Level 1	Level 2	Level 3	2024	Level 1	Level 2	Level 3
Buildings	61 725	..	2 515	59 210	60 487	..	2 783	57 704
Land and national parks	91 359	..	5 215	86 144	95 973	..	4 427	91 546
Plant, equipment, vehicles and infrastructure systems	18 428	..	212	18 216	16 299	..	179	16 120
Infrastructure systems	14 054	..	1	14 054	12 106	..	..	12 106
Plant, equipment and vehicles	4 374	..	212	4 162	4 192	..	178	4 014
Roads, road infrastructure and earthworks	69 385	..	..	69 385	55 208	..	..	55 208
Cultural assets	7 445	..	2 530	4 915	6 810	..	2 461	4 349
Total land, buildings, infrastructure, plant and equipment ^(a)	248 343	..	10 472	237 870	234 776	..	9 849	224 927

Note:

- (a) 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 \$39.7 billion (2024: \$34.7 billion).

Reconciliation of Level 3 fair value movements

(\$ million)

<i>State of Victoria</i>										
2025	Opening balance	Depreciation	Impairment	Assets recognised for the first time	Revaluation	Acquisitions/ (disposals)	Capitalisation of work-in-progress	Transfers in/out of Level 3	Reclassification	Closing balance
Buildings	72 488	(3 201)	(48)	45	7 739	2 862	1 886	62	(14)	81 820
Land and national parks	113 052	(2)	(41)	83	(4 327)	265	69	(740)	375	108 734
Plant, equipment, vehicles and infrastructure systems	91 799	(3 530)	(146)	82	18 705	2 948	4 218	1	56	114 134
Infrastructure systems	79 537	(2 018)	(146)	48	14 188	2 093	3 352	526	(960)	96 619
Rolling stock	5 477	(256)	..	..	2 190	(9)	348	..	..	7 751
Plant, equipment and vehicles	6 786	(1 256)	..	35	2 326	863	519	(524)	1 016	9 765
Roads, road infrastructure and earthworks	66 690	(1 133)	..	..	24 653	742	5 872	(26)	14	96 811
Cultural assets	4 374	(14)	..	2	650	64	3	(84)	(66)	4 929
Total	348 404	(7 881)	(235)	212	47 420	6 881	12 048	(787)	366	406 429
2024										
Buildings	63 508	(2 690)	(4)	135	7 293	2 720	1 164	271	92	72 488
Land and national parks	112 773	(7)	(28)	9	136	211	35	(106)	30	113 052
Plant, equipment, vehicles and infrastructure systems	94 793	(3 160)	(26)	183	558	3 999	3 485	(1 067)	(6 965)	91 799
Infrastructure systems ^(a)	82 157	(1 823)	(14)	109	560	2 684	2 723	(8)	(6 850)	79 537
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 ^(a)	56 057	(1 129)	..	..	287	1 242	3 258	..	6 975	66 690
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

Note:

(a) The 2023-24 comparative figures relating to VicTrack's rail assets have been reclassified from infrastructure to earthworks to more accurately reflect the nature of the underlying assets.

Reconciliation of Level 3 fair value movements (continued)

(\$ million)

<i>General government sector</i>											
	<i>Opening balance</i>	<i>Depreciation</i>	<i>Impairment</i>	<i>Assets recognised for the first time</i>	<i>Revaluation</i>	<i>Acquisitions/ (disposals)</i>	<i>Capitalisation of work-in-progress</i>	<i>Assets transferred between government entities</i>	<i>Transfers in/out of Level 3</i>	<i>Reclassification</i>	<i>Closing balance</i>
2025											
Buildings	57 704	(2 743)	(26)	41	622	2 734	731	2	38	106	59 210
Land and national parks	91 546	(2)	(41)	82	(5 355)	266	22	(24)	(736)	385	86 144
Plant, equipment, vehicles and infrastructure systems	16 120	(965)	..	21	575	2 116	394	(13)	(1)	(31)	18 216
Infrastructure systems	12 106	(55)	..	..	550	1 381	80	(14)	..	6	14 054
Rolling stock	..	..	..	..	..	..	..	..	..	..	..
Plant, equipment and vehicles	4 014	(910)	..	21	25	736	314	..	(1)	(36)	4 162
Roads, road infrastructure and earthworks	55 208	(1 128)	..	..	12 506	740	2 058	..	..	1	69 385
Cultural assets	4 349	(14)	..	2	650	65	3	..	(84)	(56)	4 915
Total	224 927	(4 853)	(67)	146	8 999	5 921	3 209	(35)	(783)	406	237 870
2024											
Buildings	49 311	(2 230)	(4)	100	6 948	2 565	629	..	306	80	57 704
Land and national parks	91 364	(7)	(28)	..	70	197	25	(11)	(94)	29	91 546
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
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

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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	Current replacement cost	Direct cost per square metre Useful life
Land and 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.

6. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

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 \$2–\$1 000 000 1–150 years
Land			
Metropolitan water corporations	Market approach	CSO adjustment ^(a)	10–70 per cent
Ports	Market approach	Rates per square metre	\$354–\$2 250
	Discounted cash flow method (income approach)	Discount rates ^(b)	6.5–8.3 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	20–60 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.

7. 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

7.1	Explanations of material variances between budget and actual outcomes	136
7.2	Public Account disclosures	144

7.1 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 2024-25 Budget Paper No. 5 *Statement of Finances* and actual outcomes.

The tables also include the revised budget estimates as published in Appendix B of 2025-26 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.

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

Consolidated comprehensive operating statement for the financial year ending 30 June							(\$ million)	
General government sector	Notes	Published budget	Revised budget	2025 actual	Budget variance	%	Revised budget variance	%
Revenue and income from transactions								
Taxation		38 979	39 152	38 942	(36)	..	(210)	(1)
Interest income	(a)	1 283	1 502	1 546	263	20	44	3
Dividends and income tax equivalent income	(b)	1 015	2 341	2 284	1 269	125	(57)	(2)
Sales of goods and services		6 794	6 723	6 893	99	1	170	3
Grants	(c)	44 812	46 857	47 304	2 492	6	447	1
Other revenue and income	(d)	3 201	4 057	4 411	1 210	38	354	9
Total revenue and income from transactions		96 084	100 632	101 380	5 296	6	748	1
Expenses from transactions								
Employee expenses	(e)	36 538	37 975	38 515	1 978	5	540	1
Superannuation:								
Net superannuation interest expense		774	783	783	10	1	..	..
Other superannuation	(f)	3 872	4 442	4 524	651	17	82	2
Depreciation		5 234	5 481	5 462	228	4	(19)	..
Interest expense	(g)	6 502	6 811	6 774	272	4	(37)	(1)
Grant expense	(h)	17 619	17 731	17 221	(398)	(2)	(511)	(3)
Other operating expenses	(i)	27 737	30 849	30 726	2 989	11	(123)	..
Total expenses from transactions		98 276	104 073	104 006	5 730	6	(68)	..
Net result from transactions – Net operating balance		(2 191)	(3 441)	(2 626)	(434)	20	816	(24)
Other economic flows included in net result								
Net gain/(loss) on disposal of non-financial assets		11	19	(9)	(20)	(177)	(27)	(147)
Net gain/(loss) on financial assets or liabilities at fair value		80	221	1 213	1 133	1 414	992	449
Share of net profit/(loss) from associates/joint venture entities, excluding dividends		32	(45)	(66)	(98)	(307)	(21)	47
Other gains/(losses) from other economic flows		(459)	(575)	(542)	(83)	18	32	(6)
Total other economic flows included in net result	(j)	(336)	(380)	596	931	(277)	976	(257)
Net result		(2 527)	(3 822)	(2 030)	497	(20)	1 792	(47)
Other economic flows – Other comprehensive income								
Items that will not be reclassified to net result								
Changes in non-financial assets revaluation surplus		6 787	5 128	9 345	2 558	38	4 217	82
Remeasurement of superannuation defined benefits plans		725	1 424	786	61	8	(638)	(45)
Other movements in equity		13	222	(10)	(23)	(176)	(232)	(104)
Items that may be reclassified subsequently to net result								
Net gain/(loss) on financial assets at fair value		25	3	(16)	(41)	(162)	(19)	(638)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		(4 143)	(3 132)	(8 586)	(4 443)	107	(5 454)	174
Total other economic flows – Other comprehensive income		3 407	3 646	1 519	(1 888)	(55)	(2 127)	(58)
Comprehensive result – Total change in net worth		880	(176)	(511)	(1 391)	(158)	(335)	191

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

Revenue and income from transactions

Revenue and income from transactions was \$101.4 billion for the year 30 June 2025. This is \$5.3 billion (6 per cent) higher than the published budget. Movements in revenue items from the published budget are discussed below.

- a) Interest income was \$263 million higher than published budget. This was largely due to higher than expected cash and deposits balances and the average Reserve Bank of Australia cash rate being higher during 2024-25 than assumed in the original budget.
- b) Dividends and income tax equivalent income was \$1.3 billion higher than the published budget. This was largely driven by increase in dividends and income tax equivalent income from the TAC, due to an increase in profits as well as rephasing of forecast payments.
- c) Grants revenue was \$2.5 billion higher than published budget. This was primarily driven by an increase in grants from the Commonwealth relating to Energy Bill Relief Payments that the state passes on to eligible households and businesses. There was also an increase due to the higher GST grants due to a larger national GST pool. Also driving the increase was higher Commonwealth funding relating to National Health Reform and the Pharmaceutical Benefit Scheme, and higher grants to non-government schools.
- d) Other revenue and income was \$1.2 billion higher than published budget. This was primarily driven by the fair value of assets received free of charge, relating to the Cross Yarra Partnership Consortium's contribution to additional costs borne by the operator, as part of the Metro Tunnel settlement. The increase was also driven by higher other revenue in the health sector due to higher research funding, and higher than expected revenue associated with the *Unclaimed Money Act 2008*.

Expenses from transactions

Expenses from transactions was \$104 billion for the year ended 30 June 2025. This is \$5.7 billion (6 per cent) higher than the published budget. Movements in expense items from the published budget are discussed below.

- e) Employee expenses were \$2 billion higher than published budget. This was largely driven by higher than expected expenditure in the health sector to support Victoria's hospitals to deliver critical care including annual salary growth in line with enterprise bargaining agreements. This result is also driven by the significant increase in teaching and education support staff employed in Government schools to meet demand.
- f) Other superannuation expenses were \$651 million higher than the published budget due to an increase in employer contributions to defined contribution superannuation funds in the health and education sector partly reflecting higher employee related expenditure.
- g) Interest expense was \$272 million higher than the published budget due to an increase in interest rates on new and refinanced borrowings.
- h) Grant expenses were lower than the published budget by \$398 million. This was largely driven by lower than forecast grant expenditure due to the timing of grants received from the Commonwealth which are on-passed to local government.
- i) Other operating expenses were \$3 billion higher than published budget. This was driven by increased service delivery in the health sector, and higher than expected expenditure relating to the energy bill relief initiative. The increase was also driven by higher than expected expenditure in the justice sector including upfront recognition of expenses associated with the redress schemes and the Victims of Crime financial assistance scheme.

Other economic flows included in net result

- j) Total other economic flows included in the net result have improved by \$931 million since the published budget. This was primarily driven by higher than expected capital gains from the Victorian Future Fund and the Social Housing Growth Fund and the valuation gains associated with the Victorian Renewable Energy Target (VRET) and the Bulgana Green Power Hub financial derivatives. This was partially offset by an accounting loss reported by the VicRoads Modernisation joint venture due to the amortisation of the joint venture's assets.

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

Consolidated balance sheet as at 30 June

(\$ million)

	<i>Published budget</i>	<i>Revised budget</i>	<i>2025 actual</i>	<i>Budget variance</i>	<i>%</i>	<i>Revised budget variance</i>	<i>%</i>
Assets							
Financial assets							
Cash and deposits	12 388	11 008	12 800	412	3	1 791	16
Advances paid	6 270	6 346	6 407	136	2	61	1
Receivables and contract assets	10 037	9 965	10 203	166	2	239	2
Investments, loans and placements	15 590	16 889	17 781	2 190	14	892	5
Investments accounted for using the equity method	1 332	1 166	1 141	(191)	(14)	(25)	(2)
Investments in PNFC and PFC sector entities	97 201	100 663	96 401	(800)	(1)	(4 262)	(4)
Total financial assets	142 819	146 037	144 732	1 914	1	(1 304)	(1)
Non-financial assets							
Inventories	335	300	277	(58)	(17)	(23)	(8)
Non-financial assets held-for-sale	83	66	145	62	75	79	119
Land, buildings, infrastructure, plant and equipment	280 774	287 244	288 244	7 470	3	1 000	..
Other non-financial assets	5 495	6 454	6 906	1 411	26	452	7
Total non-financial assets	286 688	294 065	295 573	8 885	3	1 508	1
Total assets	429 506	440 101	440 305	10 799	3	204	..
Liabilities							
Deposits held and advances received	1 383	1 472	1 595	211	15	123	8
Payables	6 035	6 730	6 558	523	9	(172)	(3)
Borrowings	189 062	188 295	186 259	(2 803)	(1)	(2 036)	(1)
Employee benefits	10 920	11 476	12 070	1 150	11	594	5
Superannuation	19 330	17 399	18 284	(1 046)	(5)	885	5
Other provisions	2 581	3 056	3 762	1 181	46	707	23
Other liabilities	21 862	22 032	22 470	608	3	438	2
Total liabilities	251 174	250 459	250 999	(175)	..	539	..
Net assets	178 332	189 642	189 307	10 974	6	(335)	..
Equity							
Accumulated surplus/(deficit)	39 663	41 178	41 982	2 319	6	804	2
Reserves	138 670	148 464	147 325	8 655	6	(1 140)	(1)
Net worth	178 332	189 642	189 307	10 974	6	(335)	..
FISCAL AGGREGATES							
Net financial worth	(108 355)	(104 423)	(106 266)	2 089	(2)	(1 844)	2
Net financial liabilities	205 556	205 086	202 667	(2 889)	(1)	(2 418)	(1)
Net debt	156 197	155 524	150 867	(5 330)	(3)	(4 657)	(3)

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

Net financial worth

Net financial worth is total financial assets minus total liabilities. Net financial worth has improved by \$2.1 billion since the published budget. This was mainly due to an increase in financial assets of \$1.9 billion.

The increase in financial assets was primarily driven by a higher than expected investment balance associated with the Victorian Future Fund. This was partially offset by a decrease in investments in other sector entities, primarily reflecting losses on the mark-to-market revaluation of TCV's borrowings due to changes in discount rates.

Net financial liabilities

Net financial liabilities are total liabilities less all financial assets (excluding investments in other sectors). Net financial liabilities were \$2.9 billion lower than the published budget.

The decrease was driven by the lower than expected long-term borrowings with TCV and a reduction in the superannuation liability of \$1 billion, that primarily arose due to an increase in the bond yields that underlie the key superannuation valuation assumptions. In addition, there was an increase in the investment balance associated with the Victorian Future Fund.

These decreases were partially offset by an increase in other provisions primarily relating to the Victorian and National Redress Schemes for historical abuse in institutional care, and an increase in employee benefits due to increased service delivery and increases in line with enterprise bargaining agreements.

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 \$5.3 billion lower compared with the published budget. This was primarily driven by the lower than expected long-term borrowings with TCV and lower than forecasted expenditure on the State's capital program. This is also driven by better than expected net cash flows from operating activities as described below and a higher than expected investment balance associated with the Victorian Future Fund and the valuation gains associated with the Victorian Renewable Energy Target (VRET) and the Bulgana Green Power Hub financial derivatives.

Non-financial assets

Non-financial assets were \$8.9 billion higher than the published budget. This was primarily due to the revaluation of non-financial assets in the transport and health sectors.

7. 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	2025 actual	Budget variance	%	Revised budget variance	%
Cash flows from operating activities							
Receipts							
Taxes received	38 488	39 540	39 414	926	2	(126)	..
Grants	44 811	46 712	47 029	2 218	5	317	1
Sales of goods and services ^(a)	7 389	7 284	7 478	89	1	195	3
Interest received	1 121	1 352	1 449	328	29	97	7
Dividends and income tax equivalent receipts	1 043	2 364	2 347	1 304	125	(17)	(1)
Other receipts	2 097	2 260	2 989	892	43	729	32
Total receipts	94 949	99 512	100 706	5 757	6	1 194	1
Payments							
Payments for employees	(36 567)	(37 662)	(37 595)	(1 027)	3	68	..
Superannuation	(4 025)	(4 628)	(4 464)	(438)	11	164	(4)
Interest paid	(6 258)	(6 483)	(6 421)	(163)	3	62	(1)
Grants and subsidies	(17 485)	(18 334)	(17 987)	(502)	3	347	(2)
Goods and services ^(a)	(27 756)	(29 882)	(29 068)	(1 312)	5	814	(3)
Other payments	(1 060)	(1 904)	(1 939)	(879)	83	(35)	2
Total payments	(93 152)	(98 893)	(97 474)	(4 322)	5	1 419	(1)
Net cash flows from operating activities	1 797	620	3 233	1 435	80	2 613	422
Cash flows from investing activities							
Cash flows from investments in non-financial assets							
Purchases of non-financial assets	(17 669)	(16 040)	(16 220)	1 448	(8)	(180)	1
Sales of non-financial assets	677	465	232	(445)	(66)	(233)	(50)
Net cash flows from investments in non-financial assets	(16 991)	(15 575)	(15 988)	1 003	(6)	(413)	3
Net cash flows from investments in financial assets for policy purposes	(3 552)	(4 394)	(3 631)	(79)	2	763	(17)
Subtotal	(20 544)	(19 969)	(19 619)	924	(4)	350	(2)
Net cash flows from investments in financial assets for liquidity management purposes	(1 487)	(1 805)	(1 717)	(230)	15	88	(5)
Net cash flows from investing activities	(22 031)	(21 775)	(21 336)	694	(3)	438	(2)
Cash flows from financing activities							
Advances received (net)	(5)	(5)	31	36	(667)	36	(667)
Net borrowings	20 713	17 907	16 524	(4 189)	(20)	(1 383)	(8)
Deposits received (net)	..	(48)	39	39	n.a	87	(181)
Net cash flows from financing activities	20 707	17 853	16 593	(4 114)	(20)	(1 260)	(7)
Net increase/(decrease) in cash and cash equivalents	474	(3 302)	(1 510)	(1 984)	(419)	1 791	(54)
Cash and cash equivalents at beginning of reporting period	11 914	14 310	14 310	2 396	20	..	..
Cash and cash equivalents at end of the reporting period	12 388	11 008	12 800	412	3	1 791	16

Note:

(a) These items include goods and services tax.

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

Net cash flows from operating activities

Net cash flows from operating activities were \$1.4 billion higher than the published budget. This was largely due to higher Commonwealth grants relating to the National Health Reform and the Pharmaceutical Benefit Scheme, higher than expected dividends and income tax equivalent income from the Transport Accident Commission. This is also driven by higher than forecast taxes received relating to land tax and land transfer duty and higher than expected GST grants. These increases were partially offset by higher payments for goods and services and employee expenses discussed above.

A reconciliation of the net result to net cash flows from operating activities is provided at Note 5.4.

Net cash flows from investing activities

Net cash flows from investing activities were \$694 million lower than the published budget. This decrease was mainly driven by lower than forecast expenditure on the State's capital program which is partially offset by the 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 \$4.1 billion lower than the published budget. This was primarily due to lower borrowings than expected in the published budget primarily due to the lower than forecast expenditure on the State's capital program. This is also partly driven by better than expected net cash flows from operating activities as explained above

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.

7. 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
2024-25 original budget					
Balance at 1 July 2024	41 451	92 591	42 006	1 403	177 452
Net result for the year	(2 527)	..	..	..	(2 527)
Other comprehensive income for the year	738	6 787	(4 143)	25	3 407
Balance at 30 June 2025	39 663	99 379	37 863	1 429	178 332
2024-25 revised budget					
Balance at 1 July 2024	43 405	98 544	46 381	1 528	189 859
Opening balance adjustment ^{(a)(b)}	(51)	..	10	..	(41)
Restated balance at 1 July 2024	43 354	98 544	46 391	1 528	189 818
Net result for the year	(3 822)	..	..	..	(3 822)
Other comprehensive income for the year	1 645	5 128	(3 132)	4	3 646
Balance at 30 June 2025	41 178	103 673	43 259	1 532	189 642
2024-25 actual					
Balance at 1 July 2024	43 405	98 544	46 381	1 528	189 859
Opening balance adjustment ^{(a)(b)}	(51)	..	10	..	(41)
Restated balance at 1 July 2024	43 354	98 544	46 391	1 528	189 818
Net result for the year	(2 030)	..	..	..	(2 030)
Other comprehensive income for the year	658	9 345	(8 586)	102	1 519
Balance at 30 June 2025	41 982	107 890	37 805	1 630	189 307
Variance to original budget					
Balance at 1 July 2024	1 903	5 953	4 385	125	12 365
Net result for the year	497	..	..	..	497
Other comprehensive income for the year	(80)	2 558	(4 443)	77	(1 888)
Balance at 30 June 2025	2 319	8 511	(58)	202	10 974
Variance to revised budget					
Balance at 1 July 2024	..	..	..	..	..
Net result for the year	1 792	..	..	..	1 792
Other comprehensive income for the year	(987)	4 217	(5 454)	98	(2 127)
Balance at 30 June 2025	804	4 217	(5 454)	98	(335)

Notes:

- (a) 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 and the residual financial assets were transferred to the Department of Energy, Environment and Climate Action. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.
- (b) VicForests ceased operations on 30 June 2024 and the residual assets and liabilities together with residual responsibilities for native forest management were 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. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2 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).

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7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2.1 Summarised consolidated fund receipts and payments for the financial year ended 30 June

(\$ thousand)

	Notes	2025	2024
Receipts			
Taxation ^(a)		40 441 320	37 057 161
Fines and regulatory fees		974 464	995 861
Grants received		31 615 617	27 291 051
Sales of goods and services		1 238 853	1 134 718
Interest received		868 374	1 103 039
Dividends and income tax equivalent receipts		1 643 904	2 484 672
Other receipts ^(a)		1 538 588	1 031 580
Total cash inflows from operating activities		78 321 120	71 098 081
Total cash inflows from investing and financing activities		18 610 971	25 071 679
Total consolidated fund receipts	7.2.2	96 932 091	96 169 759
Payments			
Special appropriations			
Special appropriations (excluding Section 33, <i>Financial Management Act, No. 18 of 1994</i> appropriation to meet certain obligations)		6 220 409	13 410 464
Section 28 <i>Financial Management Act, No. 18 of 1994</i> (appropriation for borrowing against future appropriations)	7.2.16	..	..
Section 33 <i>Financial Management Act, No. 18 of 1994</i> (appropriation to meet certain obligations) ^(b)		275 175	205 504
Total special appropriations ^(b)	7.2.7	6 495 584	13 615 968
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	7.2.8	52 802 692	51 166 787
Section 29 <i>Financial Management Act, No. 18 of 1994</i> (appropriation of annotated receipts)	7.2.11	3 948 895	2 794 425
Section 32 <i>Financial Management Act, No. 18 of 1994</i> (prior year unspent appropriations brought forward)	7.2.12	513 983	507 402
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances) ^(c)	7.2.14	465 700	374 071
Advance to Treasurer to be sanctioned	7.2.13	7 143 355	5 993 302
Total provision of outputs		64 874 625	60 835 987
Additions to net asset base			
Additions to net asset base – net application	7.2.8	9 892 034	10 410 679
Section 29 <i>Financial Management Act, No. 18 of 1994</i> (appropriation of annotated receipts)	7.2.11	1 249 781	1 506 104
Section 32 <i>Financial Management Act, No. 18 of 1994</i> (prior year unspent appropriations brought forward)	7.2.12	1 450 341	711 707
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances) ^(c)	7.2.15	..	91 245
Advance to Treasurer to be sanctioned	7.2.13	3 772 175	5 638 351
Total additions to net asset base		16 364 330	18 358 086
Payments made on behalf of the State			
Payments made on behalf of the State	7.2.8	10 781 974	10 460 480
Section 32 <i>Financial Management Act, No. 18 of 1994</i> (prior year unspent appropriations brought forward)	7.2.12	6 513	54 242
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances) ^(c)	7.2.15	..	..
Advance to Treasurer to be sanctioned	7.2.13	..	2 455
Total payments made on behalf of State		10 788 487	10 517 176
Other			
Contribution by the State under agreements pursuant to Section 25 of the <i>Murray-Darling Basin Act 1993</i>	7.2.8	31 288	31 385
Section 32 <i>Financial Management Act, No. 18 of 1994</i> – Section 25 of the <i>Murray-Darling Basin Act 1993</i>		..	..
Victorian Law Reform Commission – pursuant to Section 17 (b) of the <i>Victorian Law Reform Commission Act 2000</i>	7.2.8	762	720
Payment to Regional Growth Fund pursuant to Section 4 of the <i>Regional Growth Fund Act No. 8 of 2011</i>	7.2.8	..	..
Total other		32 050	32 105
Total annual appropriations		92 059 492	89 743 354
Applied appropriations remaining unspent relating to the reporting year ^(b)		(1 360 134)	(1 734 775)
Total payments		97 194 942	101 624 548

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

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

(\$ thousand)

	Notes	2025	2024
Consolidated fund balance 1 July		262 851	5 717 639
Add total receipts for year		96 932 091	96 169 759
Less total payments for year		(97 194 942)	(101 624 548)
Consolidated fund balance 30 June ^(d)		...	262 851
Reconciliation of unspent appropriations:			
Applied appropriations unspent at the end of year		17 592 687	16 507 729
add payments made during the year under the Financial Management Act, No. 18 of 1994, Section 33 ^(b)		275 175	205 504
Subtotal ^(b)		17 867 862	16 713 233
less applied appropriations unspent at the beginning of year		(16 507 729)	(14 978 458)
Current year appropriations remaining unspent as at 30 June ^(b)		1 360 134	1 734 775

Notes:

(a) The 2023-24 figures have been reclassified between Taxation and Other receipts to more accurately reflect the nature of the receipts.

(b) The 2024 figures have been restated to reflect more current information.

(c) The presentation of this balance will be reassessed as part of the 2025-26 Annual Financial Report to ensure it most appropriately reflects the FMA framework application of payments from advances.

(d) The consolidated fund balance as at 30 June 2025 includes application of money from the trust fund to ensure that the consolidated fund has sufficient funds to meet appropriations as permitted under section 38(1) of the FMA.

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

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

	Published budget 2025	Actual 2025	Actual 2024
Operating activities			
Taxation			
Payroll tax	10 046 244	10 399 819	9 773 413
COVID Debt Levy – Payroll \$10m+	1 220 256	1 254 350	1 056 842
Mental Health and Wellbeing Levy	1 220 475	1 259 212	1 200 575
Land tax	6 271 009	6 574 192	5 813 511
COVID Debt Levy – Landholdings	1 207 614	1 344 775	468 224
Fire Services Property Levy	1 032 636	1 030 812	839 496
Windfall gains tax	27 260	2 286	7 543
Congestion levy	118 124	114 703	126 295
Financial and capital transactions			
Land transfer duty	8 533 898	9 302 113	8 375 491
Other property duties	12	5 255	71
Metropolitan Planning Levy	21 161	24 239	19 793
Financial accommodation levy	206 501	190 176	165 557
Growth areas infrastructure contribution	245 000	147 633	178 624
Gambling			
Public lotteries	748 829	678 749	732 018
Electronic gaming machines	1 275 663	1 529 940	1 303 358
Casino	195 918	170 384	221 214
Racing and other sports betting ^(a)	375 118	352 461	847 511
Other ^(b)	121 999	100 133	119 861
Levies on statutory corporations	176 250	176 712	173 480
Taxes on insurance	2 191 201	2 196 618	2 075 820
Motor vehicle			
Registration fees pursuant to the <i>Road Safety Act, No. 127 of 1986</i>	2 256 815	2 228 677	2 109 741
Stamp duty on vehicle transfers	1 370 129	1 317 984	1 386 272
Franchise fees			
Liquor	31 021	32 252	31 105
Other	119 592	7 843	31 346
Total taxation ^(b)	39 012 724	40 441 320	37 057 161
Fines and regulatory fees			
Fines	497 239	433 759	408 982
Regulatory fees	711 151	540 705	586 879
Total fines and regulatory fees	1 208 390	974 464	995 861
Grants received			
Department of Education	6 500	2 484	8 686
Department of Energy, Environment and Climate Action	211	43 991	3 894
Department of Families, Fairness and Housing	15 707	21 211	15 159
Department of Health	22 913	71 068	107 029
Department of Jobs, Skills, Industry and Regions	1 610	..	4 800
Department of Justice and Community Safety	3 244	69 082	582
Department of Transport and Planning	6 700	23 930	17 625
Department of Treasury and Finance	29 889 718	31 383 851	27 133 275
Total grants received	29 946 604	31 615 617	27 291 051
Sales of goods and services			
Other sales of goods and services	1 315 992	1 238 853	1 134 718
Total sales of goods and services	1 315 992	1 238 853	1 134 718
Interest received	723 910	868 374	1 103 039
Dividends, and income tax equivalent receipts			
Dividends	240 395	1 008 547	1 534 462
Income tax equivalent revenue	248 647	630 795	945 716
Local government tax equivalent revenue	5 446	4 562	4 493
Total dividends, and income tax equivalent receipts	494 487	1 643 904	2 484 672

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2.2 Consolidated fund receipts for the financial year ended 30 June (continued) (\$ thousand)

	Published budget 2025	Actual 2025	Actual 2024
Other receipts			
Land rent received	18 100	26 446	32 589
Royalties received	143 527	162 023	135 558
Other ^(b)	588 702	1 350 120	863 433
Total other receipts ^(b)	750 329	1 538 588	1 031 580
Total cash inflows from operating activities	73 452 438	78 321 120	71 098 081
Cash inflows from investing activities			
Proceeds from investments ^(c)	28 982	2 367	1 339
Proceeds from sale of property, plant and equipment ^(c)	404 743	83 184	150 036
Other loans	642	..	..
Return of capital – Government entities	69 591	6 780	408 572
Total cash inflows from investing activities ^(c)	503 958	92 331	559 947
Cash inflows from financing activities			
Loans to government agencies ^(c)	53 078	59 914	47 257
Borrowings ^(c)	28 583 472	18 458 726	24 464 475
Total cash inflows from financing activities ^(c)	28 636 550	18 518 640	24 511 732
Total cash inflows from investing and financing activities	29 140 508	18 610 971	25 071 679
Total consolidated fund receipts	102 592 945	96 932 091	96 169 759

Notes:

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

(b) The 2024-25 budget figures and 2023-24 actual figures have been reclassified between Taxation and Other receipts to more accurately reflect the nature of the receipts.

(c) The 2024-25 budget figures have been reclassified resulting from the separate disclosure of cash inflows from investing activities and financing activities, which were previously aggregated.

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

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

	2025	2024
Cash flows from operating activities		
Receipts		
Taxation	657 994	715 425
Regulatory fees and fines	299 074	245 379
Grants received	25 321 186	21 648 629
Sale of goods and services	1 787 758	1 465 633
Interest received	273 937	255 386
Dividend received	631 603	127 143
Net transfers from the consolidated fund	10 213 481	19 045 310
Other receipts	372 546	266 815
Payments		
Payments for employees	(673 344)	(574 460)
Superannuation	(63 541)	(46 674)
Interest paid	(138 263)	(143 106)
Grants and subsidies	(28 154 226)	(22 929 347)
Goods and services	(4 873 916)	(4 955 932)
Net cash flows from operating activities	5 654 290	15 120 200
Cash flows from investing activities		
Purchase of non-financial assets	(35 637)	(306 280)
Sales of non-financial assets	117 813	109 878
Net proceeds from customer loans	(594 464)	200 853
Other investing activities	(6 529 612)	(15 130 456)
Net cash flows from investing activities	(7 041 901)	(15 126 004)
Cash flows from financing activities		
Net borrowings	(436 851)	110 130
Net cash flows from financing activities	(436 851)	110 130
Net increase/(decrease) in trust fund cash and deposits	(1 824 461)	104 325

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2.4 Trust fund summary for the financial year ended 30 June

(\$ thousand)

	Balances held 2025	Balances held 2024
State Government funds		
Accounts established to receive levies imposed by Parliament and record the expenditure thereof	815 648	643 295
Accounts established to receive monies provided in the annual budget and record the expenditure thereof	4 614 116	4 527 058
Specific purpose operating accounts established for various authorities	11 824 947	10 400 144
Suspense and clearing accounts to facilitate accounting procedures ^(a)	(358 435)	279 949
Treasury Trust Fund	325 761	327 847
Agency and deposit accounts	835 004	946 601
Total State Government funds	18 057 041	17 124 894
Joint Commonwealth and State funds	513 855	633 672
Commonwealth Government funds		
Commonwealth Grants passed on to individuals and organisations	59 711	741 335
Total Commonwealth Government funds	59 711	741 335
Prizes, scholarships, research and private donations	531 030	477 568
Total Trust Fund	19 161 636	18 977 468

Note:

(a) The negative balance held in 2025 primarily relates to the application of money from the trust fund to the consolidated fund to ensure that the consolidated fund has sufficient funds to meet appropriations as permitted under section 38(1) of the FMA.

7.2.5 Reconciliation of cash flows to balances held

(\$ thousand)

	Balances held at 30 June 2024	Net movement for year	Balances held at 30 June 2025
Cash and deposits			
Cash balances outside the Public Account	935	442	1 377
Deposits held with the Public Account – Specific trusts	1 950 410	452 157	2 402 567
Deposits held with the Public Account – General trusts	16	..	16
Other balances held in the Public Account	5 961 223	(2 189 028)	3 772 131
Total cash and deposits	7 912 583	(1 736 428)	6 176 091
Investments			
Investments held with the Public Account – Specific trusts	11 327 800	1 657 745	12 985 545
Total investments	11 327 800	1 657 745	12 985 545
Total fund balances	19 240 384	(78 683)	19 161 636
Less funds held outside the Public Account			
Cash	935	442	1 377
Total fund balances held outside the Public Account	935	442	1 377
Total funds held in the Public Account ^(a)	19 239 449	(79 126)	19 160 259

Note:

(a) See Note 7.2.6 for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

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

	2025	2024
Funds held at 30 June		
Trust accounts		
Amounts invested on behalf of specific trusts	15 388 112	13 278 210
Amounts invested on behalf of general trusts	16	16
General account balances	3 772 131	5 698 373
Total trust accounts	19 160 259	18 976 598
Consolidated fund account balance	..	262 851
Total funds held in the public account	19 160 259	19 239 449
Represented by:		
Stocks and securities held with/in –		
Managed investments	12 985 561	11 327 816
Treasury Corporation of Victoria	11 695	10 430
	12 997 256	11 338 246
Cash and investments held with/in –		
Treasury Corporation of Victoria	..	..
Cash at bank balances held in Australia	5 801 182	7 257 738
	5 801 183	7 257 738
Total stock, securities, cash and investments	18 798 439	18 595 984
Add cash advanced pursuant to Sections 36 and 37 of the <i>Financial Management Act, No. 18 of 1994</i>	361 820	643 465
Total funds held in the public account	19 160 259	19 239 449

7.2.7 Consolidated Fund payments: Special appropriations (\$ thousand)

	2025	2024
Education	182 169	20 054
Energy, Environment and Climate Action	27 927	18 992
Families, Fairness and Housing	231 153	146 249
Government Services ^(a)	29 832	3 524
Health	3 272 879	3 284 211
Jobs, Skills, Industry and Regions	122 272	3 870
Justice and Community Safety	165 704	168 357
Premier and Cabinet ^(a)	169 553	109 159
Transport and Planning	667 651	713 465
Treasury and Finance ^{(a)(b)}	1 305 248	8 796 995
Parliament	53 664	57 797
Courts	267 533	293 296
Total special appropriations ^(a)	6 495 584	13 615 968

Notes:

(a) The 2024 figures have been restated to reflect more current information.

(b) 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.

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2.8 Consolidated Fund payments: Annual appropriations

(\$ thousand)

2025	Provision of outputs	Additions to net asset base	Payments made on behalf of the State	Total
Education	16 090 083	1 046 812	..	17 136 896
Energy, Environment and Climate Action	1 569 949	199 028	615 921	2 384 899
Families, Fairness and Housing	4 487 480	454 102	2 964 630	7 906 213
Government Services	324 804	..	..	324 804
Health	12 477 344	..	..	12 477 344
Jobs, Skills, Industry and Regions	2 231 896	..	..	2 231 896
Justice and Community Safety	8 834 184	67 746	57 558	8 959 489
Premier and Cabinet	363 448	..	..	363 448
Transport and Planning	5 281 433	8 022 159	124 601	13 428 193
Treasury and Finance	392 549	..	7 050 550	7 443 099
Parliament	275 132	1 937	..	277 069
Courts	475 151	100 249	..	575 400
Total annual appropriations	52 803 454	9 892 034	10 813 262	73 508 749

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

7.2.9 Amounts paid into working accounts pursuant to Section 23 of the *Financial Management Act 1994* for the year ended 30 June

(\$ thousand)

	2025	2024
Appropriation transfer equivalent to consolidated fund receipts	31 309	31 763
Interest received on credit balances	412	420
Total amounts paid into working accounts	31 721	32 183

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

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

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

<i>Department</i>	<i>Provision of outputs Increase/(Decrease)</i>	<i>Additions to net asset base Increase/(Decrease)</i>	<i>Payments made on behalf of the State Increase/(Decrease)</i>
Section 30 transfers			
(Transfers between items of departmental appropriations)			
Education	(7 697)	7 697	..
Energy, Environment and Climate Action	(4 566)	4 566	..
Families, Fairness and Housing	(7 524)	7 524	..
Government Services	1 500	(1 500)	..
Health	103 459	(103 459)	..
Jobs, Skills, Industry and Regions	(2 141)	2 141	..
Justice and Community Safety	(79 684)	77 184	2 500
Premier and Cabinet	10 606	(10 606)	..
Transport and Planning	202 612	(202 612)	..
Treasury and Finance	3 000	(3 000)	..
Parliament	..	..	..
Courts	..	..	..
Total Section 30 transfers	219 564	(222 064)	2 500

Transfers pursuant to Section 31 of the *Financial Management Act 1994*

There have been no transfers pursuant to Section 31 in 2024-25.

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2.11 Appropriation of revenue and asset sale proceeds pursuant to Section 29 of the *Financial Management Act 1994* for the financial year ended 30 June (\$ thousand)

<i>Department</i>	<i>Outputs</i>	<i>Source</i>		<i>Total</i>
		<i>Commonwealth</i>	<i>Other</i>	
Education	120 630	141 257	619	262 506
Energy, Environment and Climate Action	119 838	150 325	..	270 164
Families, Fairness and Housing	42 708	1 329 282	8 333	1 380 324
Government Services	10 806	..	..	10 806
Health	373 345	145 985	1 550	520 880
Jobs, Skills, Industry and Regions	3 634	632 540	..	636 174
Justice and Community Safety	255 640	152 609	534	408 782
Premier and Cabinet	..	..	..	..
Transport and Planning	292 800	1 274 352	..	1 567 152
Treasury and Finance	7 034	1 581	..	8 615
Parliament	36 684	..	..	36 684
Courts	96 590	..	..	96 590
Total appropriation	1 359 709	3 827 932	11 035	5 198 676

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

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

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 base	Payments made on behalf of the State	Total carryover
Education	97 357	279 777	..	377 134
Energy, Environment and Climate Action	57 544	4 829	..	62 373
Families, Fairness and Housing	16 416	14 090	6 513	37 019
Government Services	1 732	1 500	..	3 232
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
Parliament	5 012	114	..	5 126
Courts	..	8 157	..	8 157
Total carryovers by department	554 325	1 514 608	6 513	2 075 446

Amounts applied against carryover of appropriations in 2024-25 pursuant to Section 32 of the *Financial Management Act 1994*

(\$ thousand)

Department	Provision of outputs	Additions to net assets base	Payments made on behalf of the State	Total carryover
Education	97 357	279 777	..	377 134
Energy, Environment and Climate Action	29 709	4 630	..	34 339
Families, Fairness and Housing	16 416	13 448	6 513	36 377
Government Services	1 732	..	..	1 732
Health	45 985	..	..	45 985
Jobs, Skills, Industry and Regions	88 434	6 035	..	94 469
Justice and Community Safety	3 657	69 371	..	73 028
Premier and Cabinet	6 048	..	..	6 048
Transport and Planning ^(a)	196 018	1 072 257	..	1 268 275
Treasury and Finance	23 615	..	..	23 615
Parliament	5 012	105	..	5 117
Courts	..	4 717	..	4 717
Total carryovers by department	513 983	1 450 341	6 513	1 970 837

Note:

(a) Provision of outputs applied in 2024-25 is in line with final approved carryover, which includes amounts transferred during the year from additions to net asset base approved carryover. This occurred to ensure the use of appropriations aligned with expenditure classification.

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

Amounts approved for carryover to 2025-26 pursuant to Section 32 of the
Financial Management Act 1994

(\$ thousand)

<i>Department</i>	<i>Provision of outputs</i>	<i>Additions to net assets base</i>	<i>Payments made on behalf of the State</i>	<i>Total carryover</i>
Education	105 783	171 671	..	277 454
Energy, Environment and Climate Action	57 026	34 427	..	91 453
Families, Fairness and Housing	30 102	7 931	..	38 033
Government Services	30 000	..	..	30 000
Health	69 527	..	..	69 527
Jobs, Skills, Industry and Regions	98 666	7 660	..	106 326
Justice and Community Safety	1 863	5 202	..	7 065
Premier and Cabinet	2 579	..	..	2 579
Transport and Planning	373 351	497 208	..	870 559
Treasury and Finance	29 968	3 278	..	33 246
Parliament	5 838	1 552	..	7 390
Courts	800	3 463	..	4 263
Total carryovers by department	805 503	732 392	..	1 537 895

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

Treasurer's advance payments relating to decisions made post budget

(\$ thousand)

<i>Department</i>	<i>Purpose</i>	<i>2024-25</i>
Education	Additional School Enrolment Funding	41 867
	School Saving Bonus – additional student demand	20 400
	Additional funding for the Safe Tree Program – Urgent and high-risk trees	7 500
		69 767
Energy, Environment and Climate Action	2024-25 Emergency bushfire responses	156 649
	Aviation Firefighting Resources	29 734
	Forestry Transition Program	29 184
	Safeguarding the future of Victoria's agricultural sector and supporting animal welfare	27 098
	Additional funding to support the Parks Authority and other agencies	20 338
	Severe weather event recovery	17 363
	Bushfire prevention	17 121
	Offshore Wind Program	15 654
	Free Camping trial	9 000
	Drought Support Package for the South West Region	8 172
	Disaster Relief and Recovery support	5 349
	Supporting workers and communities with the Native Timber Harvesting Transition	5 069
	Luna Park building works	5 000
	Environment Litigation Costs	2 840
	Delivering the Commonwealth's Energy Bill Relief	1 839
	Waste Litigation Costs	1 418
	Regional Drought Resilience	1 136
	Victorian Energy Upgrades Program – Insulation upgrades	717
	Supporting Investment in the Resources Sector	235
		353 917
Families, Fairness and Housing	Civil Claims Costs for Historical Institutional Child Abuse	65 810
	Victorian Redress for historical abuse and neglect in institutional care	38 929
	State Contribution to the National Disability Insurance Scheme	4 430
	Strengthening Women's Safety Package	2 155
	Establishing the Worker and carer exclusion scheme	1 633
		112 957

7.2.13 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)**

<i>Department</i>	<i>Purpose</i>	<i>2024-25</i>
Government Services	Additional Worker Screening Unit Funding	25 874
	Additional support for Asset maintenance of Service Victoria	7 100
	Extension of payment scheme for the customers of liquidated builders	2 460
	Critical support for the Victorian Archives Centre	2 344
	Providing Corporate Transportation Services	2 323
	Board of Inquiry into the McCrae landslide – coordination	1 450
	Service Victoria's Children's Package	411
	Victorian Government Statewide Treaty Negotiations and Authorisations Model	293
	Tackling the cost-of-living Fair Fuel Plan	260
	Professional engineer registration scheme statutory review	200
		42 715
Health	Additional hospital system support	1 461 728
	Newborn and infant RSV immunisation	16 590
	Additional support for the Mental Health Tribunal	2 171
	M-pox vaccination program	850
		1 481 338
Jobs, Skills, Industry and Regions	Boosting Economic Growth – Industry Grants	30 680
	Supporting our creative agencies and cultural institutions	30 649
	Regional Economic Development and Participation Package	7 890
	Supporting State Sport Trust entities	4 113
	Better Boating Fund – supplementary funding	3 768
	Nyaal Banyul Geelong Convention and Event Centre	3 500
	Sporting Agencies Infrastructure and Support	3 000
	Get Active Kids Voucher Program – supplementary funding	3 000
	Regional car parks	2 393
	Skills Solutions Partnerships	1 659
	Twelve Apostles Redevelopment Project	1 633
	COVID 19 Pandemic Business Support – supplementary administrative costs	1 600
	Research and Development Cash Flow Loans – final closure costs	1 306
	Pass through of Seafood Industries Body Levy to peak bodies	821
	Industry skills for the future economy	691
	AFL Grand Final Parade and Footy Festival	500
	Events top-up funding	500
	Flood Recovery and Support	463
	Disaster Relief and Recovery support	326
	Live Music Restart Program	160
		98 653
Justice and Community Safety	Critical support for the Victorian Racing Industry	82 500
	Community Safety Package	54 207
	Disaster relief and recovery	20 365
	Technology and resources to support Victoria's fines system	11 253
	Additional funding for Emergency Service Organisations	8 667
	Additional depreciation funding	7 348
	Supporting the State's Forensic Capability	4 856
	Establishing a modern integrated tobacco and liquor regulator and supporting effective regulation	4 152
	Improving prison network performance	2 088
	Supporting Fines Victoria in response to the Victoria Police industrial action	1 916
	Supporting a safe and effective Youth Justice system	1 639
	COVID-19 Quarantine Victoria wind up	1 370
	Additional funding for community services organisation indexation	1 197
	Supporting Emergency Service Organisations	1 073
	Supporting gambling licensing projects	348
	Minimum Age of Criminal Responsibility reforms	289
	Historical Forced Adoption Redress Scheme	188
	Supporting the community legal sector	170
	Funding to support mobile calls for people in prison	163
		203 789

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2.13 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	2024-25
Premier and Cabinet	Costs associated with administration changes	4 069
	Wage indexation funding	4 031
	Traditional Owner Participation in Recognition and Settlement Agreements with the State	2 122
	Munarra Centre for Regional Excellence Project	1 836
	Office of the Governor Program sustainability and heritage conservation	1 406
	Victorian Interpreting and Translating Service Language Loop	1 000
	Native title legal costs	800
	Parliamentary Advisors Leader and Deputy Leader of the Opposition Office	719
	National Agreement on Closing the Gap	686
	Supporting My Room Cancer Charity clinical research	500
	Meeting the State's Legal requirements to enter Treaty negotiations	363
	State Funerals & Memorial Services	343
	Strengthening the independence of Framlingham and Lake Tyers Aboriginal Trusts	149
		18 025
Transport and Planning	Metropolitan Tram Franchise Agreement	44 323
	Increasing Accessible Taxi Access for eligible Victorians on the Multi Purpose Taxi Program	11 287
		55 610
Treasury and Finance	Social Housing Growth Fund	124 318
	Delivery of the Australian Grand Prix	32 052
	Commercial reform and advisory services	4 646
	Payment of estate funds to State Trustees	3 699
	Cutting Red Tape – Implementation of regulatory reform and reducing regulatory burden	3 003
	Independent Review of the Victorian Public Service	2 466
	State Revenue Office – Data sharing costs	1 700
	Regional Housing Fund	1 600
	Legal Costs	932
	Community Security Group Funding	500
	WorkSafe funding for Psychological Health Regulations public sector initiative	345
	High Value High Risk projects gateway reviews	250
	Commercial and Industrial Property Tax Reform	182
	Independent Review into Victoria's Construction Sector	45
		175 739
Parliament	Member salary on-costs for 2024-25	4 789
	Operational supplementation for the Independent Broad-based Anti-corruption Commission	1 825
	Implementation of Victorian Independent Remuneration Tribunal decision	858
	Supporting the Victorian Ombudsman's Parliamentary Referral into flood planning decisions at Kensington Banks	698
	Supporting the Victorian Ombudsman's Parliamentary Referral into insurance management claims	484
	Member of Parliament Indemnity Insurance Scheme	217
	Parliamentary Adviser Collective Agreement 2024	172
	Supporting IBAC's Witness Welfare Program	100
	Lease interest on Member vehicle leases	90
		9 233
Courts	Supporting the courts non judicial costs	22 500
	New Courts Case Management System	4 000
	Court Fee Reform – Probate Online Advertising System Replacement	2 922
	Additional Magistrate for the Children's Court of Victoria	326
	Youth Justice Act Implementation	133
		29 881
Total Treasurer's advance payments relating to decisions made post budget		2 651 625

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2.13 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	2024-25
Education	Lifting student outcomes – Tutor Learning Initiative	123 424
	Supplementation of the contribution provided by the Commonwealth Government under the Preschool Reform Agreement (Maintaining fifteen hours of kindergarten)	15 003
	Best Start, Best Life Infrastructure Grants	13 293
	Side by Side program	270
		151 989
Energy, Environment and Climate Action	State Electricity Commission (SEC)	344 000
	Forestry Contractor Strategy	62 764
	Departmental operating and VPS EBA wages funding	47 340
	Gippsland Offshore Wind Transmission	12 500
	Critical Bushfire and Emergency Asset Maintenance and Replacement	11 000
	Enhancing Core Energy Functions	9 005
	VicGrid establishment costs	8 184
	Improving Victoria's water resources knowledge and access	7 644
	Resources for Recovery: Securing the Resources for Victoria's Economic Recovery	3 207
	Regulating Safeguards for Gas Resources	2 642
	Providing Care and Protection for Wildlife Across Victoria	555
	Glenelg Hopkins Catchment Management Authority operational funding	291
		509 131
Families, Fairness and Housing	Regional Housing Fund	376 355
	High-rise Redevelopment Program	149 600
	Civil Claims Costs for Historical Institutional Child Abuse	84 190
	Big Housing Build	79 474
	Departmental operating and VPS EBA wages funding	52 340
	Supporting Aboriginal Children in Aboriginal Care	11 155
	Social Services Regulator	8 890
	Partnerships Addressing Disadvantage	6 401
	Family violence core and cluster refuge	6 032
	Strengthening Women's Safety Package	3 810
	Journey to Social Inclusion	2 513
	Victorian Working Women's Centre	2 400
	Supporting Victoria's response to sexual violence	2 000
	Victorian Redress for historical abuse and neglect in institutional care	1 858
		787 019
Government Services	Service Victoria – delivering digital government services	25 000
	Departmental operating and VPS EBA wages funding	19 160
	Cyber Security Reform	14 000
	Common corporate platform Whole of Government Initiative	12 998
	Relief and immediate recovery initiatives	10 000
	Addressing the security and workplace requirements of government buildings	1 500
	Workforce transition	388
		83 046
Health	Funding our hospitals	1 520 700
	Supporting healthcare workers	211 329
	Supporting our ambulance services	81 000
	Free dental care for government school students	31 189
	Preventative health support for Victorian women	8 800
	New Melton Hospital	8 000
	Harm reduction initiatives	7 276
	Workforce transition	1 091
	Growing the new Mental Health and Wellbeing Locals workforce	840
	Pill Testing Trial	793
	Departmental operating funding	464
		1 871 483

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2.13 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	2024-25
Jobs, Skills, Industry and Regions	Melbourne Arts Precinct Transformation	289 793
	Breakthrough Victoria Pty Ltd	75 000
	Boosting Access to Free TAFE and Training services	49 635
	Student supports, priority courses and other TAFE funding	36 917
	Australian Institute for Infectious Disease	28 848
	Supporting our creative agencies and cultural institutions	27 375
	Sporting Agencies Infrastructure and Support	21 882
	Regional Sport Infrastructure Package	16 508
	Departmental operating and VPS EBA wages funding	14 892
	Visit Victoria	12 873
	Go Fishing Victoria	8 319
	Supporting TAFEs to meet priority skills demand	6 492
	Retraining for high-priority industries	5 423
	Revitalising Central Geelong	5 045
	NBCUniversal Production Attractions	4 900
	Dedicated Victorian school of visual effects, games and animation	3 600
	Made in Victoria – supporting industry through R&D infrastructure	3 387
	Supporting sustainable hunting reform	3 140
	Sick Pay Guarantee	2 971
	Workforce Transition	2 624
	Melbourne CBD Economic Revitalisation Package	2 499
	Community Sports Infrastructure Loans Scheme	1 786
	Latrobe Valley Transition and Transformation	1 616
	Victorian Festivals Package	1 500
	Economic Growth Industry Grants	1 331
	Timber Supply Chain	1 085
	Boosting Victorian Exports Package	761
	More apprenticeships for workforce priorities	565
	Support for the 14th World Chambers Congress	490
	Investment Coordinator-General	473
	Events Support	169
	Extending the Digital Jobs program	144
	Extending Skills Solutions Partnerships	130
	Nyaal Banyul Geelong Convention and Event Centre	61
	Boosting Business Skills Mentoring	60
		632 292
Justice and Community Safety	Supporting Emergency Service Organisations	427 950
	Departmental operating and VPS EBA wages funding	119 160
	Sworn EBA costs 2025	98 588
	Modernising the men's prison network	79 478
	Community based diversionary services and opening Cherry Creek	74 622
	Next generation computer aided dispatch system for Triple Zero Victoria	49 457
	Operationalising a new financial assistance scheme for victims of crime	36 086
	Technology and resources to support Victoria's fines system	28 408
	New ESSS accumulation fund contribution	18 969
	Supporting victims of crime	11 283
	Supporting Harness Racing Victoria	8 375
	Women's safety package	8 266
	Establishing a modern integrated tobacco and liquor regulator and supporting effective regulation	3 628
	Victoria Police Death and Disability Benefits	3 208
	Supporting and safeguarding vulnerable Victorians	1 765
	Early intervention to counter violent extremism	1 000
	Community Safety Package	688

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2.13 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	2024-25
Justice and Community	Funding to support the Department's implementation plan	477
Safety (continued)	Workforce transition	388
	Enhanced Bail Supervision and Support Trial	131
	Funding to support Victorian Institute of Forensic Medicine	23
		971 950
Premier and Cabinet	Departmental operating and VPS EBA wages funding	5 798
	Government Strategic Communication Opportunities	4 122
	Parliamentary Workplace Standards and Integrity Commission	2 270
	Yes to International Students Fund	2 000
	Making Victoria Free from Racism	1 850
	First Principles Review Traditional Owner Settlement Act	748
	Workforce Transition	396
	Economic Growth Statement Initiatives	179
		17 363
Transport and Planning	Level Crossing Removal Program	1 372 218
	Suburban Rail Loop East – Main Works	870 650
	Suburban Rail Loop East – Development, Initial and Early Works	306 330
	Adjustments related to the public transport network	197 409
	Switching on new Transport Assets	149 161
	Metropolitan Tram Franchise Agreement	98 643
	North East Link	95 271
	Metro Tunnel Readiness	43 656
	Housing Statement	16 972
	Victorian Renewable Energy Terminal Planning and Design	8 653
	South Dynon Train Maintenance Facility	8 061
	Disaster Relief and Recovery support	545
		3 167 569
Treasury and Finance	Major Events Fund	19 353
	Departmental operating and VPS EBA wages funding	14 782
	Empowerment Fund	2 250
	Workforce transition	630
	Temporary off-the-plan stamp duty concession for apartments, units and townhouses	394
	Building Equitable Futures Strategy 2024-32	28
		37 436
Parliament	Integrity Bodies VPS EBA wages funding	4 418
	Parliamentary Officers EBA funding	2 697
		7 115
Courts	Departmental operating and VPS EBA wages funding	22 269
	Workforce Transition	5 242
		27 511
Total Treasurer's advance payments relating to contingency releases		8 263 905
Total Treasurer's advance payments		10 915 530

7. COMPARISON AGAINST BUDGET AND THE PUBLIC ACCOUNT

7.2.14 Payments from advances and unused advances carried forward to 2024-25 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	2024-25
Health	Additional hospital system support	224 700
Total payments from advances pursuant to Section 35 (4) of the <i>Financial Management Act 1994</i> relating to decisions made post budget		224 700

Contingency releases paid from Section 35 (\$ thousand)

Department	Purpose	2024-25
Health	Funding our hospitals	241 000
Total payments from advances pursuant to Section 35 (4) of the <i>Financial Management Act 1994</i> relating to contingency releases		241 000
Total payments from advances pursuant to Section 35 (4) of the <i>Financial Management Act 1994</i>		465 700

7.2.15 Government guarantees

Money received, recovered, or paid in respect of any guarantee payments

There has been no money received, recovered, or paid during 2024-25 in respect of any guarantee payments.

7.2.16 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.

8. OTHER DISCLOSURES

Introduction

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

Structure

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8. OTHER DISCLOSURES

8.1 Disaggregated information

Disaggregated operating statement for the financial year ended 30 June

(\$ million)

	General government sector		Public non-financial corporations	
	2025	2024	2025	2024
Revenue and income from transactions				
Taxation	38 942	36 876	..	..
Interest income	1 546	1 761	140	120
Dividends and income tax equivalent income	2 284	2 199	29	46
Sales of goods and services	6 893	6 212	8 093	7 584
Grants	47 304	41 797	2 597	2 495
Other revenue and income	4 411	4 210	843	835
Total revenue and income from transactions	101 380	93 055	11 701	11 079
Expenses from transactions				
Employee expenses	38 515	36 035	2 114	1 961
Superannuation:				
Net superannuation interest expense	783	774	2	2
Other superannuation	4 524	4 062	225	196
Depreciation	5 462	4 967	2 360	2 120
Interest expense	6 774	5 639	1 052	944
Grant expense	17 221	16 675	578	686
Other operating expenses	30 726	29 127	5 302	4 924
Other property expenses	..	..	189	245
Total expenses from transactions	104 006	97 279	11 822	11 078
Net result from transactions – Net operating balance	(2 626)	(4 223)	(121)	1
Other economic flows included in net result				
Net gain/(loss) on disposal of non-financial assets	(9)	(2)	2	(62)
Net gain/(loss) on financial assets or liabilities at fair value	1 213	345	88	40
Share of net profit/(loss) from associates/joint venture entities	(66)	(46)	(8)	(5)
Other gains/(losses) from other economic flows	(542)	(566)	(13 029)	(3 152)
Total other economic flows included in net result	596	(269)	(12 947)	(3 179)
Net result	(2 030)	(4 493)	(13 068)	(3 178)
Other economic flows – Other comprehensive income				
Items that will not be reclassified to net result				
Changes in non-financial assets revaluation surplus	9 345	7 650	840	1 880
Remeasurement of superannuation defined benefits plans	786	1 661	9	14
Other movements in equity	(10)	108	(3)	(175)
Items that may be reclassified subsequently to net result				
Net gain/(loss) on financial assets at fair value	(16)	14	(16)	1
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(8 586)	(1 864)	..	..
Total other economic flows – Other comprehensive income	1 519	7 569	830	1 721
Comprehensive result – Total change in net worth	(511)	3 076	(12 238)	(1 457)
FISCAL AGGREGATES				
Net operating balance	(2 626)	(4 223)	(121)	1
Purchases of non-financial assets (including change in inventories)	16 190	17 328	6 162	5 763
Less: Sales of non-financial assets	(232)	(319)	(168)	(351)
Less: Depreciation and amortisation	(5 462)	(4 967)	(2 360)	(2 120)
Plus: Other movements in non-financial assets	(42)	833	4 796	3 673
Less: Net acquisition of non-financial assets from transactions	10 454	12 875	8 430	6 966
Net lending/(borrowing)	(13 079)	(17 099)	(8 551)	(6 965)

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2025	2024	2025	2024	2025	2024
..	..	(586)	(552)	38 356	36 324
6 724	5 332	(6 408)	(5 056)	2 002	2 157
3 214	2 296	(1 579)	(2 056)	3 947	2 485
8 456	8 098	(2 434)	(2 009)	21 009	19 885
..	..	(2 710)	(2 606)	47 191	41 686
37	24	(4)	..	5 287	5 068
18 431	15 750	(13 721)	(12 279)	117 791	107 605
598	536	(1 173)	(1 066)	40 054	37 467
..	..	..	..	785	775
63	55	..	..	4 812	4 312
85	88	1 442	1 104	9 349	8 279
6 636	5 171	(6 332)	(5 032)	8 130	6 722
136	139	(2 891)	(2 779)	15 045	14 721
11 569	11 146	(1 804)	(1 410)	45 793	43 787
758	554	(947)	(800)	..	..
19 846	17 690	(11 705)	(9 982)	123 968	116 064
(1 415)	(1 940)	(2 016)	(2 297)	(6 177)	(8 459)
..	..	..	..	(7)	(63)
(3 099)	1 992	(46)	45	(1 844)	2 422
(1)	(1)	..	..	(75)	(53)
992	1 269	12 986	3 062	406	613
(2 109)	3 260	12 941	3 107	(1 520)	2 919
(3 523)	1 320	10 925	810	(7 696)	(5 540)
4	(1)	38 264	97	48 453	9 626
..	..	..	..	795	1 675
(1)	(1)	..	..	(14)	(67)
..	..	..	..	(31)	15
..	..	8 586	1 864	..	..
3	(2)	46 850	1 961	49 203	11 248
(3 520)	1 318	57 776	2 771	41 507	5 708
(1 415)	(1 940)	(2 016)	(2 297)	(6 177)	(8 459)
28	43	(144)	(168)	22 236	22 966
..	(1)	..	..	(400)	(670)
(85)	(88)	(1 442)	(1 104)	(9 349)	(8 279)
..	5	..	..	4 754	4 512
(57)	(40)	(1 586)	(1 273)	17 241	18 528
(1 358)	(1 899)	(429)	(1 024)	(23 417)	(26 987)

8. OTHER DISCLOSURES

Disaggregated balance sheet as at 30 June

(\$ million)

	General government sector		Public non-financial corporations	
	2025	2024	2025	2024
Assets				
Financial assets				
Cash and deposits	12 800	14 306	3 102	2 255
Advances paid	6 407	6 421	102	44
Receivables and contract assets	10 203	10 163	2 120	1 800
Investments, loans and placements	17 781	14 866	968	853
Loans receivable from non-financial public sector ^(a)	..	..	..	..
Investments accounted for using equity method	1 141	1 143	177	65
Investments in PNFC and PFC sector entities	96 401	98 178	..	..
Total financial assets	144 732	145 077	6 469	5 017
Non-financial assets				
Inventories	277	402	1 163	1 347
Non-financial assets held for sale	145	232	25	13
Land, buildings, infrastructure, plant and equipment	288 244	269 690	131 155	122 959
Other non-financial assets	6 906	6 222	3 414	3 257
Total non-financial assets	295 573	276 546	135 757	127 576
Total assets	440 305	421 623	142 226	132 594
Liabilities				
Deposits held and advances received	1 595	1 525	2 856	2 734
Payables	6 558	7 741	2 088	1 856
Borrowings	186 259	167 309	26 497	23 321
Employee benefits	12 070	11 120	635	600
Superannuation	18 284	18 226	..	..
Other provisions	3 762	3 431	23 693	12 066
Other liabilities	22 470	22 411	8 976	8 972
Total liabilities	250 999	231 764	64 746	49 549
Net assets	189 307	189 859	77 480	83 045
Equity				
Accumulated surplus/(deficit)	41 982	43 405	(46 672)	(33 520)
Reserves	147 325	146 454	124 152	116 564
Net worth	189 307	189 859	77 480	83 045
FISCAL AGGREGATES				
Net financial worth	(106 266)	(86 686)	(58 277)	(44 531)
Net financial liabilities	202 667	184 865	58 277	44 531
Net debt	150 867	133 241	25 180	22 902

Notes:

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

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2025	2024	2025	2024	2025	2024
5 596	3 870	(1 048)	(836)	20 450	19 595
48	40	(6 145)	(5 985)	412	521
2 946	2 800	(842)	(633)	14 427	14 129
71 448	65 389	(53)	(54)	90 144	81 054
172 197	152 442	(172 197)	(152 442)	..	..
11	12	..	..	1 329	1 220
..	..	(96 401)	(98 178)	..	..
252 247	224 553	(276 686)	(258 128)	126 762	116 519
..	..	..	..	1 440	1 748
..	..	..	..	170	245
302	324	82 019	43 705	501 720	436 678
2 970	3 286	(5 275)	(5 260)	8 015	7 505
3 272	3 610	76 743	38 445	511 345	446 177
255 518	228 164	(199 942)	(219 684)	638 107	562 697
271	216	(2 672)	(2 537)	2 049	1 938
1 770	1 544	(889)	(651)	9 528	10 491
188 177	160 729	(177 525)	(157 647)	223 408	193 712
154	136	..	..	12 859	11 857
..	..	..	..	18 284	18 226
53 951	50 362	(23 558)	(11 899)	57 849	53 960
1 836	1 493	(566)	(267)	32 717	32 609
246 157	214 481	(205 209)	(173 001)	356 693	322 792
9 361	13 683	5 267	(46 682)	281 414	239 904
8 743	13 148	65 413	53 247	69 466	76 281
618	535	(60 147)	(99 929)	211 949	163 624
9 361	13 683	5 267	(46 682)	281 414	239 904
6 090	10 072	(71 477)	(85 127)	(229 930)	(206 273)
(6 090)	(10 072)	(24 925)	(13 051)	229 930	206 273
(60 842)	(60 796)	(755)	(867)	114 450	94 480

8. OTHER DISCLOSURES

Disaggregated cash flow statement for the financial year ended 30 June

(\$ million)

	General government sector		Public non-financial corporations	
	2025	2024	2025	2024
Cash flows from operating activities				
Receipts				
Taxes received	39 414	36 496	..	..
Grants	47 029	41 062	2 561	2 358
Sales of goods and services ^(a)	7 478	6 894	8 535	8 152
Interest received	1 449	1 691	139	131
Dividends and income tax equivalent receipts	2 347	2 645	29	46
Other receipts	2 989	2 408	273	406
Total receipts	100 706	91 197	11 537	11 093
Payments				
Payments for employees	(37 595)	(35 074)	(2 080)	(1 934)
Superannuation	(4 464)	(3 853)	(217)	(190)
Interest paid	(6 421)	(5 262)	(1 012)	(928)
Grants and subsidies	(17 987)	(15 936)	(344)	(471)
Goods and services ^(a)	(29 068)	(26 868)	(5 927)	(5 683)
Other payments	(1 939)	(1 582)	(491)	(445)
Total payments	(97 474)	(88 574)	(10 071)	(9 651)
Net cash flows from operating activities	3 233	2 623	1 466	1 442
Cash flows from investing activities				
Cash flows from investments in non-financial assets				
Purchases of non-financial assets	(16 220)	(17 375)	(6 150)	(5 772)
Sales of non-financial assets	232	319	168	351
Net cash flows from investments in non-financial assets	(15 988)	(17 056)	(5 983)	(5 421)
Cash flows from investments in financial assets for policy purposes				
Cash inflows	971	1 789	36	421
Cash outflows	(4 602)	(4 119)	(226)	(263)
Net cash flows from investments in financial assets for policy purposes	(3 631)	(2 331)	(190)	157
Sub-total	(19 619)	(19 387)	(6 172)	(5 263)
Cash flows from investments in financial assets for liquidity management purposes				
Cash inflows	217	574	97	41
Cash outflows	(1 934)	(11 123)	(119)	(25)
Net cash flows from investments in financial assets for liquidity management purposes ^(b)	(1 717)	(10 549)	(22)	16
Net cash flows from investing activities	(21 336)	(29 936)	(6 194)	(5 247)
Cash flows from financing activities				
Advances received	68	23	100	1 808
Advances repaid	(38)	(249)	(2)	(235)
Advances received (net) ^(b)	31	(226)	98	1 572
Borrowings received ^(c)	18 913	25 156	6 023	4 250
Borrowings repaid ^(c)	(2 389)	(3 145)	(4 166)	(2 779)
Net borrowings ^(b)	16 524	22 011	1 856	1 471
Deposits received	1 895	2 380	404	348
Deposits repaid	(1 855)	(2 244)	(381)	(347)
Deposits received (net) ^(b)	39	136	23	..
Other financing inflows	..	..	3 703	1 461
Other financing outflows	..	..	(101)	(675)
Other financing (net) ^(b)	..	..	3 602	786
Net cash flows from financing activities	16 593	21 921	5 580	3 830
Net increase/(decrease) in cash and cash equivalents	(1 510)	(5 392)	852	24
Cash and cash equivalents at beginning of reporting period ^(d)	14 310	19 698	2 251	2 232
Cash and cash equivalents at end of the reporting period	12 800	14 306	3 102	2 255
FISCAL AGGREGATES				
Net cash flows from operating activities	3 233	2 623	1 466	1 442
Dividends paid	..	..	(106)	(206)
Net cash flows from investments in non-financial assets	(15 988)	(17 056)	(5 983)	(5 421)
Cash surplus/(deficit)	(12 756)	(14 434)	(4 623)	(4 186)

Notes:

(a) These items include goods and services tax.

(b) In accordance with AASB 107 Statement of Cash Flows, TCV has reported its cash flow information for whole of government consolidation purposes on a net basis for both financial years ended 30 June 2024 and 30 June 2025.

(c) The June 2024 figures have been reclassified between borrowings received and borrowings repaid to more accurately reflect the nature of the cash flows.

(d) 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 and the residual financial assets were transferred to the Department of Energy, Environment and Climate Action. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.

8. OTHER DISCLOSURES

Public financial corporations		Inter-sector eliminations		State of Victoria	
2025	2024	2025	2024	2025	2024
..	..	(586)	(552)	38 828	35 944
2	..	(2 642)	(2 461)	46 950	40 959
9 532	8 826	(2 527)	(2 203)	23 019	21 669
6 226	4 923	(6 274)	(4 948)	1 540	1 798
3 214	2 296	(1 610)	(2 437)	3 980	2 550
50	16	25	(136)	3 337	2 694
19 024	16 062	(13 614)	(12 737)	117 654	105 614
(579)	(522)	1 173	1 066	(39 081)	(36 465)
(63)	(55)	..	..	(4 744)	(4 098)
(5 414)	(4 429)	6 275	4 950	(6 573)	(5 669)
(124)	(132)	2 642	2 617	(15 813)	(13 922)
(7 815)	(7 412)	1 635	1 334	(41 174)	(38 629)
(387)	(746)	872	1 190	(1 945)	(1 582)
(14 381)	(13 296)	12 597	11 157	(109 329)	(100 364)
4 643	2 766	(1 017)	(1 581)	8 324	5 249
(28)	(43)	144	168	(22 255)	(23 021)
..	1	..	..	400	670
(28)	(42)	144	168	(21 854)	(22 351)
1	18	(172)	(1 005)	836	1 223
(10)	(2)	3 916	3 445	(921)	(939)
(8)	16	3 745	2 440	(84)	283
(36)	(26)	3 889	2 608	(21 939)	(22 068)
8 463	5 156	(147)	..	8 630	5 770
(31 185)	(35 601)	19 902	26 090	(13 337)	(20 659)
(22 723)	(30 445)	19 755	26 090	(4 707)	(14 889)
(22 759)	(30 471)	23 644	28 698	(26 646)	(36 957)
149	75	(240)	(1 880)	77	26
(132)	(109)	134	555	(38)	(38)
17	(34)	(107)	(1 325)	39	(12)
20 786	28 556	(24 131)	(29 178)	21 591	28 784
(197)	(28)	4 227	2 631	(2 525)	(3 321)
20 589	28 528	(19 903)	(26 547)	19 066	25 463
38	48	(32)	(13)	2 304	2 762
..	(11)	4	12	(2 232)	(2 590)
38	37	(28)	(1)	72	173
75	175	(3 778)	(1 636)	..	..
(877)	(1 232)	978	1 907	..	..
(801)	(1 057)	(2 800)	271	..	..
19 842	27 475	(22 838)	(27 601)	19 177	25 624
1 726	(230)	(212)	(484)	855	(6 083)
3 870	4 100	(836)	(352)	19 595	25 678
5 596	3 870	(1 048)	(836)	20 450	19 595
4 643	2 766	(1 017)	(1 581)	8 324	5 249
(876)	(1 232)	982	1 438	..	..
(28)	(42)	144	168	(21 854)	(22 351)
3 738	1 492	110	26	(13 530)	(17 102)

8. 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 2024	43 405	..	98 544	46 381	1 528	189 859
Opening balance adjustment ^{(a)(b)}	(51)	..	..	10	..	(41)
Restated balance at 1 July 2024	43 354	..	98 544	46 391	1 528	189 818
Net result for the year	(2 030)	..	..	..	..	(2 030)
Other comprehensive income for the year	658	..	9 345	(8 586)	102	1 519
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
Balance at 30 June 2025	41 982	..	107 890	37 805	1 630	189 307
PNFC sector						
Balance at 1 July 2024	(33 520)	82 246	33 475	..	843	83 045
Opening balance adjustment ^{(a)(b)}	7	214	(211)	..	..	10
Balance at 1 July 2024	(33 512)	82 460	33 264	..	843	83 055
Net result for the year	(13 068)	..	..	..	..	(13 068)
Other comprehensive income for the year	(24)	..	840	..	15	830
Transfer to/(from) accumulated surplus	38	..	(38)	..	..	..
Dividends paid	(106)	..	..	..	..	(106)
Transactions with owners in their capacity as owners	..	6 769	..	..	..	6 769
Balance at 30 June 2025	(46 672)	89 229	34 066	..	857	77 480
PFC sector						
Balance at 1 July 2024	13 148	465	9	..	61	13 683
Net result for the year	(3 523)	..	..	..	..	(3 523)
Other comprehensive income for the year	(5)	..	4	..	5	3
Transfer to/(from) accumulated surplus	..	..	..	..	..	..
Dividends paid	(876)	..	..	..	..	(876)
Transactions with owners in their capacity as owners	..	75	..	..	..	75
Balance at 30 June 2025	8 743	540	13	..	66	9 361
Eliminations	65 413	(89 769)	67 427	(37 805)	..	5 267
Total State of Victoria	69 466	..	209 395	..	2 554	281 414

The accompanying notes form part of these financial statements.

Notes:

- (a) 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 and the residual financial assets were transferred to the Department of Energy, Environment and Climate Action. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.
- (b) VicForests ceased operations on 30 June 2024 and the residual assets and liabilities together with residual responsibilities for native forest management were 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. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.

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 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

8. OTHER DISCLOSURES

8.2 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	
	2025	2024	2025	2024
Cash and investments in common and premium funds ^(a)	1 407	1 266	..	..
Funds under management by Legal Services Board	2 634	2 535	2 634	2 535
Funds under management by the Senior Master of the Supreme Court	2 419	2 263	2 419	2 263
Investments, real estate, personal and other assets ^(a)	1 803	1 824	..	..
Other funds held	26	26	26	26
Residential tenancies bonds money	1 545	1 456	1 545	1 456
Total funds under management	9 833	9 369	6 624	6 279

Note:

(a) The 2024 figures have been restated to reflect that certain amounts were included within the State's balance sheet.

8.3 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	
	2025	2024	2025	2024
Net (increase)/decrease in allowances for credit losses	(24)	(254)	66	(183)
Amortisation of intangible non-produced assets	(34)	(35)	(5)	(6)
Net swap interest revenue/(expense)	(77)	(54)	..	..
Bad debts written off	(339)	(360)	(328)	(348)
Other gains/(losses)	880	1 316	(275)	(29)
Total other gains/(losses) from other economic flows	406	613	(542)	(566)

8.4 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 to 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.

8. OTHER DISCLOSURES

<i>Convergence difference</i>	<i>AASB 1049 treatment</i>	<i>ABS GFS treatment</i>	<i>Fiscal aggregate impact</i>
AASB 16 Leases			
	Operating leases are recognised on the balance sheet under AASB 16 <i>Leases</i> 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 <i>Service Concession Arrangements: Grantors</i> .	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 <i>Revenue from Contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i> .	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 is recognised consistent with the Commonwealth's treatment of receipts. 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

<i>Convergence difference</i>	<i>AASB 1049 treatment</i>	<i>ABS GFS treatment</i>	<i>Fiscal aggregate impact</i>
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

8. OTHER DISCLOSURES

8.5 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 2024-25. They are listed below.

Position title	Key management personnel
Premier	Hon Jacinta Allan
Deputy Premier	Hon Ben Carroll
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 Kilkenney Mr Tim Pallas ^(a) Hon Danny Pearson Hon Harriet Shing Hon Ros Spence Hon Nick Staikos ^(b) Ms Ingrid Stitt Hon Natalie Suleyman Ms Jaclyn Symes Hon Mary-Anne Thomas Hon Gayle Tierney Ms Vicki Ward Hon Gabrielle Williams

Notes:

(a) Held position of Treasurer until 19 December 2024.

(b) Appointed to Ministry on 19 December 2024.

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 \$11.9 million in 2025 (\$11.4 million in 2024).

	(\$ thousand)	
State of Victoria	2025	2024
Salaries and short-term employee benefits	10 619	10 191
Post-employment benefits	1 290	1 206
Total	11 909	11 397

8.6 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.

Independent Review of the Victorian Public Service

On 20 February 2025, the Government commissioned an Independent Review of the Victorian Public Service.

The Review looked to:

- identify overlaps, inefficiencies, functions and programs that can be streamlined or eliminated, with a focus on entity consolidation
- provide recommendations to increase operational efficiency and to deliver process improvements across all VPS departments and programs
- provide recommendations on how to reduce the VPS back towards its pre-pandemic share of employment, including an examination of the appropriate levels of executives.

Frontline workers as well as the State's capital program were not included in the scope of the Review.

The Government received the final report in July 2025.

The Review has been a substantial piece of work and the Government is carefully considering how it responds.

An estimate of the financial effect of the Review is not possible at this stage as the Government has not yet made any decisions on its recommendations.

Marinus Link Pty Ltd

On 1 August 2025, the shareholders of Marinus Link Pty Limited made a final investment decision to proceed with Stage 1 of Marinus Link, indicating shareholder approval for the project to move forward. On 29 August 2025, the company achieved financial close, fully funding Stage 1 of Marinus Link through a combination of shareholder equity and debt financing from the Clean Energy Finance Corporation. The continuation of the project will require Victoria to satisfy equity calls as and when required by the company. Once completed, the project's underground/undersea interconnector cable, which has been classified by the Australian Energy Market Operator as critical to achieving Net Zero, will deliver renewable electricity into the national energy market. See Note 4.3.1 for more information on the arrangement.

Opal Australian Paper

On 22 September 2025, Opal Australian Paper lodged a Supreme Court action against the State for not fulfilling its obligations to supply native timber under the *Forests (Wood Pulp Agreement) Act 1996*. The State will defend against this claim and it is impracticable to quantify any potential liability at this time.

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.

8. OTHER DISCLOSURES

8.7 Other accounting policies

8.7.1 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.

8.7.2 Prospective accounting and reporting changes

New and revised accounting standards have been issued that are not effective for the 2024-25 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 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.
- AASB 18 *Presentation and Disclosure in Financial Statements*
 - AASB 18 replaces AASB 101 *Presentation of Financial Statements* to improve how entities communicate in their financial statements, with a particular focus on information about financial performance in the statement of comprehensive income.
 - AASB 18 applies to annual reporting periods beginning on or after 1 January 2027 for for-profit entities and applies to annual reporting periods beginning on or after 1 January 2028 for not-for-profit public sector entities. The delayed date of one year will allow the AASB to consult with stakeholders and consider potential modifications for application by not-for-profit public sector entities.

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.

8.8 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 3.9 reflects the broad objectives of these controlled entities.

General government		
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 Families, Fairness and Housing Commission for Children and Young People Family Violence Prevention Agency Shrine of Remembrance Trustees Social Services Regulator ^(d) Victorian Disability Workers Commission Victorian Veterans Council	• Kerang District Health • Kooweerup Regional Health Service • Kyabram District Health Service • Latrobe Regional Health • Mallee Track Health and Community Service • Mansfield District Hospital • Maryborough District Health Service • Melbourne Health • Mildura Base Public Hospital • Monash Health • Moyne Health Services • NCN Health • Northeast Health Wangaratta • Northern Health • Omeo District Health • Orbost Regional Health • Parkville Youth Mental Health and Wellbeing Service ^(f) • 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 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
Department of Energy, Environment, and Climate Action ^{(a)(b)} Catchment Management Authorities including: • Corangamite Catchment Management Authority • East Gippsland Catchment Management Authority • Glenelg Hopkins Catchment Management Authority • Goulburn Broken Catchment Management Authority • Mallee Catchment Management Authority • North Central Catchment Management Authority • North East Catchment Management Authority • West Gippsland Catchment Management Authority • Wimmera Catchment Management Authority Caulfield Racecourse Reserve Trust Dhelkunya Dja Land Management Board Environment Protection Authority Gunaikurnai Traditional Owner Land Management Board Mine Land Rehabilitation Authority Office of the Commissioner for Environmental Sustainability Parks Victoria Royal Botanic Gardens Board Rural Assistance Commissioner Sustainability Victoria Trust for Nature (Victoria) Veterinary Practitioners Registration Board of Victoria VicGrid ^(c) Victorian Energy Safety Commission Victorian Environmental Water Holder Yorta Yorta Traditional Owner Land Management Board	Department of Government Services Cenitex Residential Tenancies Bond Authority	
	Department of Health ^(e) 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	

8. OTHER DISCLOSURES

General government (continued)

Department of Jobs, Skills, Industry and Regions ^(g)

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
 • Gordon Institute of TAFE
 • Goulburn Ovens Institute of TAFE
 • Holmesglen Institute
 • Melbourne Polytechnic
 • South West Institute of TAFE
 • Sunraysia Institute of TAFE
 • TAFE Gippsland
 • William Angliss Institute of TAFE
 • Wodonga Institute of TAFE
 Victorian Fisheries Authority
 Victorian Institute of Sport Limited
 Victorian Institute of Sport Trust
 Visit Victoria

Department of Justice and Community Safety ^(h)

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

Department of Premier and Cabinet

Parliamentary Workplace Standards and Integrity Commission ⁽ⁱ⁾
 Victorian Aboriginal Heritage Council
 Victorian Electoral Commission
 Victorian Multicultural Commission
 Victorian Public Sector Commission

Department of Transport and Planning

Architects Registration Board of Victoria
 Building and Plumbing Commission ^(j)
 Cladding Safety Victoria
 Head, Transport for Victoria
 Heritage Council of Victoria
 Safe Transport Victoria
 Secretary, Project Development
 Suburban Rail Loop Authority
 Surveyors Registration Board of Victoria
 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)
 Integrity Oversight Victoria ^(k)

Victorian Auditor-General's Office

Public non-financial corporation

Department of Energy, Environment, and Climate Action ^{(a)(b)}

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
 SEC Victoria Pty Ltd:
 • SEC Infrastructure Pty Ltd
 • SEC Energy Pty Ltd
 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**

Australian Grand Prix Corporation
 Geelong Performing Arts Centre Trust
 Kardinia Park Stadium Trust
 Launch Victoria Ltd
 Melbourne and Olympic Parks Trust
 Melbourne Arts Precinct Corporation
 Puffing Billy Railway Board
 State Sport Centres Trust
 Victorian Arts Centre Trust
 Victorian Convention and Event Trust (VCET) ⁽ⁱ⁾

Department of Justice and Community Safety

Greyhound Racing Victoria
 Harness Racing Victoria

Department of Premier and Cabinet

VITS Language Loop

Department of Transport and Planning

Development Victoria
 North East Link State Tolling Corporation
 Melbourne Port Lessor Pty Ltd
 Port of Hastings Corporation
 Ports Victoria
 V/Line Corporation
 Victorian Rail Track

Department of Treasury and Finance

Victorian Plantations Corporation (shell)
 Workplace Injury Commission

Public financial corporation**Department of Jobs, Skills, Industry and Regions**

Breakthrough Victoria Pty Ltd

Department of Treasury and Finance

State Trustees Limited
 Transport Accident Commission
 Treasury Corporation of Victoria
 Victorian Funds Management Corporation
 Victorian Managed Insurance Authority
 Victorian WorkCover Authority

Notes:

- (a) On 1 July 2024, the previous State Electricity Commission of Victoria, established under the State Electricity Commission Act 1958 (SEC Act) was dissolved by the commencement of the State Electricity Commission Amendment Act 2024.
- (b) VicForests ceased operations on 30 June 2024 and the residual assets and liabilities together with residual responsibilities for native forest management were transferred to the Department of Energy, Environment and Climate Action following proclamation of the Sustainable Forests (Timber) Repeal Act 2024.
- (c) VicGrid was established as a State Body under the State Owned Enterprise Act 1992 on 15 April 2025. Subject to the passage of the National Electricity (Victoria) Amendment (VicGrid Stage 2 Reform) Bill 2025, from 1 November 2025 VicGrid will transition to a State Business Corporation (SBC) and take over from the Australian Energy Market Operator (AEMO) the declared network functions in Victoria and will plan and deliver the transmission augmentations needed for Victoria.
- (d) On 1 July 2024, the Social Services Regulation Act 2021 established the Social Services Regulator as an independent statutory authority to support social services users and protect them from harm, abuse and neglect.
- (e) On 31 December 2024 the Victorian Assisted Reproductive Treatment Authority (VARTA) was dissolved. The regulation of Assisted Reproductive Treatment (ART) and the management of Victoria's donor conception registers are now overseen by the Department of Health.
- (f) On 2 July 2024 the Parkville Youth Mental Health and Wellbeing Service (PYMHWS) was established by the Governor in Council under the Health Services Act 1988.
- (g) 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.
- (h) The Victorian Responsible Gambling Foundation was dissolved 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.
- (i) The Parliamentary Workplace Standards and Integrity Commission was established on 31 December 2024 by the Parliamentary Workplace Standards and Integrity Act 2024.
- (j) On 1 July 2025, the Building Legislation Amendment (Buyer Protections) Act 2025 became effective, and the Building and Plumbing Commission (BPC) was established as a building industry regulator to succeed the former Victorian Building Authority. The BPC intends to integrate a number of building regulatory functions, establish a statutory domestic building insurance scheme, and bolster compliance mechanisms.
- (k) On 10 February 2025 the former Victorian Inspectorate was renamed to Integrity Oversight Victoria following proclamation of the Justice Legislation Amendment (Integrity, Defamation and Other Matters) Act 2024, effective from 10 September 2024.
- (l) On 5 February 2025, the Melbourne Convention and Exhibition Trust was renamed to the Victorian Convention and Event Trust (VCET) following the proclamation of the Melbourne Convention and Exhibition Trust Amendment Act 2024. The change in name reflected their expanded functions to also include managing additional venues and supporting broader statewide tourism and event initiatives.

8. OTHER DISCLOSURES

8.9 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 provides 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*.

8. 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)

	2025	2024
Revenue and income from transactions		
Taxation	38 389	36 354
Interest income	1 081	1 324
Dividends and income tax equivalent income	1 997	1 773
Sales of goods and services	14 615	13 527
Grants	47 324	41 813
Other revenue and income	5 250	5 044
Total revenue and income from transactions	108 656	99 835
Expenses from transactions		
Employee expenses	40 510	37 888
Superannuation:		
Net superannuation interest expense	785	775
Other superannuation	4 748	4 258
Depreciation	9 265	8 192
Interest expense	7 298	6 050
Grant expense	15 042	14 709
Other operating expenses	35 280	33 477
Total expenses from transactions	112 928	105 350
Net result from transactions – Net operating balance	(4 273)	(5 515)
Other economic flows included in net result		
Net gain/(loss) on disposal of non-financial assets	(7)	(63)
Net gain/(loss) on financial assets or liabilities at fair value	1 255	430
Share of net profit/(loss) from associates/joint venture entities	(74)	(52)
Other gains/(losses) from other economic flows	(585)	(656)
Total other economic flows included in net result	589	(341)
Net result	(3 683)	(5 856)
Other economic flows – Other comprehensive income		
Items that will not be reclassified to net result		
Changes in non-financial assets revaluation surplus	48 449	9 627
Remeasurement of superannuation defined benefits plans	795	1 675
Other movements in equity	(13)	(66)
Items that may be reclassified subsequently to net result		
Net gain/(loss) on financial assets at fair value	(31)	15
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(5 311)	(204)
Total other economic flows – Other comprehensive income	43 888	11 047
Comprehensive result – Total change in net worth	40 205	5 191
FISCAL AGGREGATES		
Net operating balance	(4 273)	(5 515)
Net acquisition of non-financial assets from transactions		
Purchases of non-financial assets (including change in inventories) ^(a)	22 348	23 073
Less: Sales of non-financial assets	(400)	(670)
Less: Depreciation and amortisation	(9 265)	(8 192)
Plus/(less): Other movements in non-financial assets	4 754	4 507
Less: Net acquisition of non-financial assets from transactions ^(a)	17 437	18 718
Net lending/(borrowing) ^(a)	(21 710)	(24 232)

Note:

(a) The 2023-24 comparative figures have been restated to reflect more current information.

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

(\$ million)

	2025	2024
Assets		
Financial assets		
Cash and deposits	15 902	16 561
Advances paid	506	521
Receivables and contract assets	11 980	11 775
Investments, loans and placements	18 749	15 719
Investments accounted for using the equity method	1 317	1 208
Investments in other sector entities	9 901	15 137
Total financial assets	58 356	60 921
Non-financial assets		
Inventories	1 440	1 748
Non-financial assets held for sale	170	245
Land, buildings, infrastructure, plant and equipment	501 419	436 355
Other non-financial assets	7 951	7 254
Total non-financial assets	510 980	445 602
Total assets	569 336	506 523
Liabilities		
Deposits held and advances received	1 852	1 779
Payables	8 332	9 370
Borrowings	208 538	186 334
Employee benefits	12 705	11 720
Superannuation	18 284	18 226
Other provisions	3 916	3 614
Other liabilities	31 300	31 281
Total liabilities	284 928	262 325
Net assets	284 407	244 199
Equity		
Accumulated surplus/(deficit)	62 809	65 605
Reserves	221 599	178 594
Net worth	284 407	244 199
FISCAL AGGREGATES		
Net financial worth	(226 573)	(201 403)
Net financial liabilities	236 474	216 540
Net debt	175 233	155 312

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

	2025	2024
Cash flows from operating activities		
Receipts		
Taxes received	38 861	35 974
Grants	47 049	41 079
Sales of goods and services ^(a)	15 681	14 690
Interest received	1 082	1 307
Dividends and income tax equivalent receipts	2 029	2 232
Other receipts	3 329	2 701
Total receipts	108 031	97 982
Payments		
Payments for employees	(39 555)	(36 899)
Superannuation	(4 680)	(4 043)
Interest paid	(6 926)	(5 673)
Grants and subsidies	(15 791)	(13 910)
Goods and services ^(a)	(34 434)	(32 009)
Other payments	(1 945)	(1 582)
Total payments	(103 332)	(94 117)
Net cash flows from operating activities	4 699	3 865
Cash flows from investing activities		
Cash flows from investments in non-financial assets		
Purchases of non-financial assets	(22 367)	(23 128)
Sales of non-financial assets	400	670
Net cash flows from investments in non-financial assets	(21 967)	(22 458)
Net cash flows from investments in financial assets for policy purposes	(159)	109
Sub-total	(22 126)	(22 350)
Net cash flows from investments in financial assets for liquidity management purposes	(1 739)	(10 533)
Net cash flows from investing activities	(23 865)	(32 883)
Cash flows from financing activities		
Advances received (net)	31	5
Net borrowings	18 434	23 508
Deposits received (net)	43	136
Net cash flows from financing activities	18 507	23 649
Net increase/(decrease) in cash and cash equivalents	(659)	(5 369)
Cash and cash equivalents at beginning of the reporting period	16 561	21 930
Cash and cash equivalents at end of the reporting period	15 902	16 561
FISCAL AGGREGATES		
Net cash flows from operating activities	4 699	3 865
Net cash flows from investments in non-financial assets	(21 967)	(22 458)
Cash surplus/(deficit)	(17 268)	(18 593)

Note:

(a) These items include goods and services tax.

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
2025					
Balance at 1 July 2024	65 605	161 183	15 040	2 371	244 199
Opening balance adjustment ^{(a)(b)}	215	(211)	..	..	3
Restated balance at 1 July 2024	65 820	160 972	15 040	2 371	244 202
Net result for the year	(3 683)	..	..	..	(3 683)
Other comprehensive income for the year	634	48 449	(5 311)	117	43 888
Transfer to/(from) accumulated surplus	38	(38)	..	..	..
Balance at 30 June 2025	62 809	209 383	9 728	2 488	284 407
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

Notes:

- (a) 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 and the residual financial assets were transferred to the Department of Energy, Environment and Climate Action. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.
- (b) VicForests ceased operations on 30 June 2024 and the residual assets and liabilities together with residual responsibilities for native forest management were 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. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.

Table 5.5: General government sector detailed expenses from transactions by classification of the functions of government ^(a)

(\$ million)

	2025	2024
General public services	10 062	8 396
Executive and legislative organs, financial and fiscal affairs, external affairs	3 282	2 914
General services	799	795
Public debt transactions	5 530	4 338
General public services NEC ^(b)	451	349
Public order and safety	12 284	11 520
Police services	4 408	4 169
Civil and fire protection services	2 966	2 843
Law courts	1 586	1 479
Prisons	2 219	2 045
Public order and safety NEC ^(b)	1 105	985
Economic affairs	2 861	3 181
General economic, commercial and labour affairs	1 103	1 284
Agriculture, forestry, fishing and hunting	650	787
Fuel and energy	559	582
Other industries	344	379
Economic affairs NEC ^(b)	204	149
Environmental protection	1 277	1 182
Protection of biodiversity and landscape	702	613
Environmental protection NEC ^(b)	575	569
Housing and community amenities	2 337	2 418
Community development	2 222	2 293
Water supply	115	124
Health	32 240	30 055
Outpatient services	3 410	3 185
Hospital services	25 018	23 296
Community health services	3 302	3 043
Public health services	409	467
Health NEC ^(b)	101	65
Recreation, culture and religion	1 186	1 458
Recreational and sporting services	515	836
Cultural services	671	623
Education	24 127	22 578
Pre-primary and primary education	10 923	10 408
Secondary education	8 948	8 493
Tertiary education	2 054	1 894
Education not definable by level	129	113
Subsidiary services to education	121	121
Education NEC ^(b)	1 951	1 550
Social protection	9 617	8 549
Sickness and disability	3 389	3 271
Old age	537	527
Family and children	3 304	3 211
Housing	792	594
Social protection NEC ^(b)	1 595	947
Transport	8 544	8 498
Road transport	3 129	3 158
Bus transport	1 500	1 425
Water transport	64	50
Railway transport	3 276	3 279
Multi-mode urban transport	575	586
Not allocated by purpose ^(c)	(529)	(558)
Total expenses from transactions	104 006	97 279

Notes:

(a) Chapter 4, Note 3.9 provides definitions and descriptions of the classification of the functions of government.

(b) NEC: Not elsewhere classified.

(c) 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)

	2023-24		2024-25		
	Jun	Sep	Dec	Mar	Jun
Revenue and income from transactions					
Taxation	8 307	8 923	7 956	13 638	8 425
Interest income	579	398	382	400	365
Dividends and income tax equivalent income	1 738	472	208	111	1 493
Sales of goods and services	1 460	1 615	1 762	1 723	1 794
Grants	10 533	10 906	12 682	12 349	11 366
Other revenue and income	1 547	907	892	1 093	1 520
Total revenue and income from transactions	24 163	23 223	23 881	29 313	24 963
Expenses from transactions					
Employee expenses	9 557	9 477	9 735	9 318	9 985
Superannuation:					
Net superannuation interest expense	192	195	200	193	195
Other superannuation	1 041	1 140	1 153	1 094	1 136
Depreciation	1 343	1 328	1 373	1 368	1 393
Interest expense	1 580	1 553	1 706	1 726	1 789
Grant expense	4 162	4 272	4 248	5 356	3 345
Other operating expenses	8 419	6 940	7 705	7 203	8 878
Total expenses from transactions	26 295	24 904	26 120	26 260	26 722
Net result from transactions – Net operating balance	(2 132)	(1 682)	(2 239)	3 053	(1 758)
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	(34)	20	5	14	(47)
Net gain/(loss) on financial assets or liabilities at fair value	(182)	(46)	413	(100)	946
Share of net profit/(loss) from associates/joint venture entities	(19)	..	(18)	(14)	(34)
Other gains/(losses) from other economic flows	(112)	(148)	(41)	(69)	(285)
Total other economic flows included in net result	(347)	(174)	359	(169)	579
Net result	(2 478)	(1 856)	(1 880)	2 885	(1 179)
Other economic flows – Other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	7 185	586	192	182	8 385
Remeasurement of superannuation defined benefits plans	1 418	(978)	2 181	61	(478)
Other movements in equity	(8)	104	(10)	(102)	(2)
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	16	(16)	13	(1)	(11)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	441	..	(524)	..	(8 063)
Total other economic flows – Other comprehensive income	9 052	(305)	1 853	140	(169)
Comprehensive result – Total change in net worth	6 573	(2 161)	(26)	3 024	(1 348)
KEY FISCAL AGGREGATES					
Net operating balance	(2 132)	(1 682)	(2 239)	3 053	(1 758)
Less: Net acquisition of non-financial assets from transactions	2 861	3 443	4 312	1 953	746
Net lending/(borrowing)	(4 993)	(5 124)	(6 551)	1 100	(2 504)

Table A.2: Balance sheet as at the end of the past five quarters

(\$ million)

	2023-24		2024-25		
	Jun	Sep	Dec	Mar	Jun
Assets					
Financial assets					
Cash and deposits	14 306	14 332	14 847	13 297	12 800
Advances paid	6 421	6 377	6 335	6 326	6 407
Receivables and contract assets	10 163	9 428	8 556	13 766	10 203
Investments, loans and placements	14 866	15 625	16 491	16 514	17 781
Investments accounted for using the equity method	1 143	1 161	1 136	1 131	1 141
Investments in PNFC and PFC sector entities	98 178	98 974	99 641	100 727	96 401
Total financial assets	145 077	145 897	147 006	151 760	144 732
Non-financial assets					
Inventories	402	330	322	304	277
Non-financial assets held for sale	232	242	243	80	145
Land, buildings, infrastructure, plant and equipment	269 690	273 295	277 316	279 644	288 244
Other non-financial assets	6 222	7 442	7 030	6 683	6 906
Total non-financial assets	276 546	281 310	284 910	286 711	295 573
Total assets	421 623	427 207	431 917	438 471	440 305
Liabilities					
Deposits held and advances received	1 525	1 577	1 435	1 494	1 595
Payables	7 741	5 930	5 350	5 539	6 558
Borrowings	167 309	175 439	183 005	185 715	186 259
Employee benefits	11 120	11 574	11 312	11 820	12 070
Superannuation	18 226	19 368	17 369	17 486	18 284
Other provisions	3 431	3 138	3 265	3 360	3 762
Other liabilities	22 411	22 524	22 550	22 401	22 470
Total liabilities	231 764	239 550	244 286	247 816	250 999
Net assets	189 859	187 657	187 630	190 655	189 307
Equity					
Accumulated surplus/(deficit)	43 405	40 614	40 902	43 783	41 982
Reserves	146 454	147 043	146 728	146 872	147 325
Net worth	189 859	187 657	187 630	190 655	189 307
FISCAL AGGREGATES					
Net financial worth	(86 686)	(93 653)	(97 280)	(96 056)	(106 266)
Net financial liabilities	184 865	192 627	196 921	196 783	202 667
Net debt	133 241	140 682	146 767	151 072	150 867

Table A.3: Statement of cash flows for the past five quarters

(\$ million)

	2023-24		2024-25		
	Jun	Sep	Dec	Mar	Jun
Cash flows from operating activities					
Receipts					
Taxes received	11 371	9 623	9 101	8 611	12 080
Grants	10 628	10 983	12 479	12 344	11 223
Sales of goods and services ^(a)	1 996	1 638	1 758	2 098	1 985
Interest received	523	379	352	386	332
Dividends and income tax equivalent receipts	1 721	474	189	194	1 489
Other receipts	801	806	556	213	1 414
Total receipts	27 041	23 903	24 435	23 846	28 523
Payments					
Payments for employees	(9 117)	(9 083)	(9 906)	(8 798)	(9 808)
Superannuation	(947)	(1 172)	(1 171)	(1 109)	(1 012)
Interest paid	(1 483)	(1 480)	(1 582)	(1 685)	(1 675)
Grants and subsidies	(3 168)	(5 089)	(4 365)	(5 345)	(3 188)
Goods and services ^(a)	(5 966)	(8 598)	(6 772)	(6 443)	(7 255)
Other payments	(719)	(390)	(599)	(407)	(544)
Total payments	(21 402)	(25 811)	(24 394)	(23 787)	(23 482)
Net cash flows from operating activities	5 639	(1 908)	41	59	5 041
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	(4 845)	(4 085)	(4 758)	(3 290)	(4 087)
Sales of non-financial assets	143	48	53	55	76
Net cash flows from investments in non-financial assets	(4 702)	(4 037)	(4 705)	(3 235)	(4 011)
Net cash flows from investments in financial assets for policy purposes	(942)	(820)	(1 161)	(569)	(1 081)
Sub-total	(5 644)	(4 857)	(5 866)	(3 804)	(5 092)
Net cash flows from investments in financial assets for liquidity management purposes	(496)	(731)	(400)	(126)	(460)
Net cash flows from investing activities	(6 140)	(5 588)	(6 266)	(3 931)	(5 552)
Cash flows from financing activities					
Advances received (net)	(211)	(7)	(1)	(11)	50
Net borrowings	1 486	7 465	6 882	2 263	(87)
Deposits received (net)	(35)	59	(141)	71	50
Net cash flows from financing activities	1 240	7 518	6 740	2 322	14
Net increase/(decrease) in cash and cash equivalents	738	22	515	(1 550)	(497)
Cash and cash equivalents at beginning of reporting period ^(b)	13 567	14 310	14 332	14 847	13 297
Cash and cash equivalents at end of the reporting period	14 306	14 332	14 847	13 297	12 800
FISCAL AGGREGATES					
Net cash flows from operating activities	5 639	(1 908)	41	59	5 041
Net cash flows from investments in non-financial assets	(4 702)	(4 037)	(4 705)	(3 235)	(4 011)
Cash surplus/(deficit)	937	(5 945)	(4 664)	(3 176)	1 030

Notes:

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

(b) 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 and the residual financial assets were transferred to the Department of Energy, Environment and Climate Action. This has resulted in the 1 July 2024 opening balance not equalling the 30 June closing balance.

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.

<i>Financial Management Act 1994 reference</i>	<i>Requirement</i>	<i>Comments/reference</i>
Section 24(1)	The Minister must prepare an annual financial report for each financial year.	Chapter 4
Section 24(2)	The annual financial report:	Manner is in accordance with Australian Accounting Standards and Ministerial Directions.
	(a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks	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 and:	Chapter 4, consolidated balance sheet
	(i) the transactions on the Public Account	Chapter 4, Note 7.2 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

In respect of the financial year:

- (c) must include details of amounts paid into Working Accounts under section 23

Chapter 4, Note 7.2.9 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 7.2.16 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 7.2.11 Appropriation of revenue and asset sale proceeds pursuant to Section 29 of the *Financial Management Act 1994* for the financial year ended 30 June
- (f) must include particulars of amounts transferred in accordance with determinations under section 30 or 31

Chapter 4, Note 7.2.10 Transfers pursuant to Sections 30 and 31 of the *Financial Management Act 1994* for the financial year ended 30 June
- (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 7.2.12 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 7.2.12 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 7.2.12 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 7.2.14 Payments from advances and unused advances carried forward to 2024-25 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 7.2.14 Payments from advances and unused advances carried forward to 2024-25 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 7.2.13 Payments from advance to the Treasurer for the financial year ended 30 June

	(j) must include details of:	
	(i) payments made during the financial year in fulfilment of any guarantee by the Government under any Act	Chapter 4, Note 7.2.15 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 7.2.15 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 and	Chapter 4, consolidated balance sheet Refer Chapter 4, Note 6.2 Contingent assets and contingent liabilities Chapter 4, Note 3.2 Superannuation interest expense and other superannuation expenses and Note 3.3 Superannuation
	(ii) prescribed assets and prescribed liabilities of prescribed bodies.	Chapter 4, Note 8.1 Disaggregated information, and Chapter 5, Table 5.2 Non-financial public sector balance sheet for the financial year ended 30 June
	(m) must be audited by the Auditor-General.	Chapter 4, <i>Report of the Auditor General</i>
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.

Victorian Budget **2024/25**

2024/25 Financial Report

(incorporating Quarterly
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