



## **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

### **2013-14 AND 2014-15 FINANCIAL AND PERFORMANCE OUTCOMES GENERAL QUESTIONNAIRE**

### **VICTORIAN WORKCOVER AUTHORITY (WORKSAFE VICTORIA)**

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**SECTION A: Output variances and program outcomes*****Question 1 (departments only)***

This question does not apply to your agency.

***Question 2 (departments only)***

This question does not apply to your agency.

***Question 3 (Department of Treasury and Finance only)***

This question does not apply to your agency.

**SECTION B: Asset investment (departments only)*****Question 4***

This question does not apply to your agency.

***Question 5***

This question does not apply to your agency.

***Question 6***

This question does not apply to your agency.

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**Question 7**

This question does not apply to your agency.

**Question 8**

This question does not apply to your agency.

**Question 9 (Department of Treasury and Finance only)**

This question does not apply to your agency.

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**SECTION B: Asset investment (non-departments only)****Question 10**

Please provide the following details for any asset investment project where actual expenditure in 2013-14 or 2014-15 varied by \$±10 million or more from the initial budget estimate at the start of the relevant year (**not** the revised estimate).

If there were no asset investment projects for your agency where the actual expenditure varied by \$±10 million or more from the budget estimate, you do not need to answer this question. If this is the case, please indicate 'no relevant projects' in the table(s) below.

(a) in 2013-14

Project	Estimated expenditure in 2013-14 (2013-14 budget papers) (\$ million)	Actual expenditure in 2013-14 (\$ million)	Explanation for variance	Estimated financial completion date in 2013-14 budget papers	Estimated financial completion date in 2014-15 budget papers	Explanation for any changes to the estimated financial completion date
Nil						

(b) in 2014-15

Project	Estimated expenditure in 2014-15 (2014-15 budget papers) (\$ million)	Actual expenditure in 2014-15 (\$ million)	Explanation for variance	Estimated financial completion date in 2014-15 budget papers	Estimated financial completion date in 2015-16 budget papers	Explanation for any changes to the estimated financial completion date
Nil						

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**Question 11**

Please detail the initial budget estimates (**not** the revised estimate) for 'purchases of non-financial assets' for 2013-14 and 2014-15 (or equivalent line items in the cash flow statements) for your entity, the actual amounts of those line item in your annual reports and an explanation for any variances greater than  $\pm 10$  per cent or \$100 million.

<b>Initial budget estimate for 2013-14</b> <b>(\$ million)</b>	<b>Actual for 2013-14</b> <b>(\$ million)</b>	<b>Explanation for any variance greater than <math>\pm 10</math> per cent or \$100 million</b>
Nil		

<b>Initial budget estimate for 2014-15</b> <b>(\$ million)</b>	<b>Actual for 2014-15</b> <b>(\$ million)</b>	<b>Explanation for any variance greater than <math>\pm 10</math> per cent or \$100 million</b>
Nil		

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## SECTION C: Revenue and appropriations

### Question 12

Please explain any variances greater than  $\pm 10$  per cent or \$100 million between the prior year's actual result and the actual result for 2013-14 and 2014-15 for each revenue/income category detailed in your operating statement. Please also indicate what any additional revenue was used for or how any reduced amounts of revenue impacted on service delivery.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

If there were no revenue/income categories for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the prior year's expenditure by more than  $\pm 10$  per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Revenue category	2012-13 actual (\$ million)	2013-14 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	How the additional revenue was used/the impact of reduced revenue
Premium revenue	1,852	1,920	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Investment income	1,595	1,663	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Recoveries revenue	118	141	The variance of \$23 million or 19% was due mainly to the higher recoveries received in the 12 months to 30.6.14 relating to claims under the Insurers' Guarantee Fund.	No significant impact.
Other income	25	24	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A

Revenue category	2013-14 actual (\$ million)	2014-15 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	How the additional revenue was used/the impact of reduced revenue
Premium revenue	1,920	1,942	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A

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Investment income	1,663	1,494	The reduction in investment income (before fees) of \$169M or 10% was due mainly to the lower net investment return of 11.77% compared to 14.61% in the prior year, as a result of the less favourable conditions experienced in the investment markets.	Compared to 2013/14, the lower investment income had an unfavourable impact on WorkSafe's operating result and asset base for 2014-15.  However, WorkSafe's funding ratio remained to be strong at 120% at 30.6.15, above the preferred target range of 82.5% – 117.5%. Given the ongoing volatility in investment markets no direct action will be undertaken.
Recoveries revenue	141	178	The variance of \$37 million or 26% reflects the higher than expected recoveries as assessed by the external actuaries based on their 30.6.15 valuation.	No significant impact.
Other income	24	24	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A

### Question 13

Please explain any variances greater than  $\pm 10$  per cent or \$100 million between the initial budget estimate (**not** the revised estimate) and the actual result for 2013-14 and 2014-15 for each revenue/income category detailed in your operating statement. Please also identify any actions taken in response to the variations, either to mitigate or take advantage of the impact.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

If there were no revenue/income categories for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the initial budget estimate by more than  $\pm 10$  per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Revenue category	2013-14 budget estimate (\$ million)	2013-14 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	Actions taken in response
Premium revenue	1,929	1,920	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Investment income	801	1,663	The variance against budget was due mainly to actual return for 13-14 (14.61%) being higher than budget (7.25%) as a result of favourable conditions experienced in the investment markets.	The higher than budget investment return had a favourable impact on WorkSafe's investment portfolio, which is held to back WorkCover insurance liabilities. The investments are managed by the Victorian Funds Management Corporation to meet objectives set by WorkSafe.

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				WorkSafe's actual funding ratio of 116% at 30.6.14 was higher, as compared to the budgeted funding ratio of 104%, and remained within the preferred target range of 82.5% – 117.5%.
Recoveries revenue	128	141	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Other income	26	24	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A

Revenue category	2014-15 budget estimate (\$ million)	2014-15 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	Actions taken in response
Premium revenue	2,014	1,942	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Investment income	922	1,494	The variance against budget was due mainly to actual return for 14-15 (11.77%) being higher than budget (7.25%) as a result of favourable conditions experienced in the investment markets.	The higher than budget investment return had a favourable impact on WorkSafe's investment portfolio, which is held to back WorkCover insurance liabilities. The investments are managed by the Victorian Funds Management Corporation to meet objectives set by WorkSafe.  WorkSafe's actual funding ratio of 120% at 30.6.15 was higher than the budgeted funding ratio of 117%, and exceeded the preferred target range of 82.5% – 117.5%. Given the ongoing volatility in investment markets no direct action will be undertaken.
Recoveries revenue	131	178	The variance of \$47 million or 36% reflects the higher recoveries as assessed by the external actuaries based on their 30.6.15 valuation.	No significant impact and no further action required.
Other income	26	24	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A

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**Question 14 (departments only)**

This question does not apply to your agency.

**Question 15 (departments only)**

This question does not apply to your agency.

**Question 16**

Regarding the trust accounts listed in the ‘trust account balances’ note to the financial statements in your entity’s annual report, please identify any accounts from which payments were passed directly to other bodies without being counted in your entity’s comprehensive operating statement. For each relevant account, please identify:

- (a) the value of payments;
- (b) the recipients of the payments; and
- (c) the purpose of the payments.

Trust account	Total payments from the account to bodies other than the Department, 2013-14 (\$ million)	Recipient of the payment	Purpose of the payment
N/A			

Trust account	Total payments from the account to bodies other than the Department, 2014-15 (\$ million)	Recipient of the payment	Purpose of the payment
N/A			

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## SECTION D: Expenses

### Question 17

Please explain any variances greater than  $\pm 10$  per cent or \$100 million between the prior year's actual result and the actual result for 2013-14 and 2014-15 for each category of expenses detailed in your operating statement. Please also detail the outcomes in the community<sup>1</sup> achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

If there were no categories of expenses for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the prior year's expenditure by more than  $\pm 10$  per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Expenses category	2012-13 actual (\$ million)	2013-14 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Claims expense	1,505	2,054	The variance of \$549 million or 36% was due mainly to the impact of changes in economic assumptions (i.e. changes in discount rates and inflation) on claims liability; partially offset by changes in claims costs assumptions to reflect the favourable claims experience.	No significant impact.
Authorised agent fees	239	248	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Investment expenses	32	37	The variance of \$5 million or 16% was driven mainly by the growth in investment portfolio.	No significant impact.
Other operating costs	274	259	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A

<sup>1</sup> That is, the impact of service delivery on the community rather than a description of the services delivered.

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Tax expense	457	326	The variance of \$131 million or 29% was driven mainly by the lower before tax operating result in 2013/14.	No significant impact.
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<b>Expenses category</b>	<b>2013-14 actual (\$ million)</b>	<b>2014-15 actual (\$ million)</b>	<b>Explanations for variances greater than <math>\pm 10</math> per cent or \$100 million</b>	<b>Outcomes achieved by additional expenses/impact of reduced expenses</b>
Claims expense	2,054	2,530	The variance of \$476 million or 23% was due mainly to the changes in claims costs assumptions to reflect the unfavourable claims experience.	No significant impact.
Authorised agent fees	248	247	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Investment expenses	37	44	The variance of \$7 million or 19% was driven mainly by the growth in investment portfolio.	No significant impact.
Other operating costs	259	238	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Tax expense	326	125	The variance of \$201 million or 62% was driven mainly by the lower before tax operating result in 2014/15 and tax adjustment in respect of securities sold during the year.	No significant impact.

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### Question 18

Please explain any variances greater than  $\pm 10$  per cent or \$100 million between the initial budget estimate (**not** the revised budget) and the actual result for 2013-14 and 2014-15 for each category of expenses detailed in your operating statement. Please also detail the outcomes in the community<sup>2</sup> achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

If there were no categories of expenses for your department/agency for which the 2013-14 and 2014-15 expenditure varied from the initial budget estimate by more than  $\pm 10$  per cent or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Expenses category	2013-14 budget estimate (\$ million)	2013-14 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Claims expense	2,217	2,054	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Authorised agent fees	226	248	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Investment expenses	33	37	The variance of \$4 million or 12% was driven mainly by the higher than budget investment portfolio.	No significant impact.
Other operating costs	299	259	The variance of \$40 million or 13% was due mainly to the lower employee and related costs, and scale-back of WorkHealth programs .	No significant impact.
Tax expense	25	326	The variance of \$301 million or $>100\%$ was driven mainly by the higher than budget before tax operating result in 2013/14.	No significant impact.

<sup>2</sup> That is, the impact of service delivery on the community rather than a description of the services delivered.

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Expenses category	2014-15 budget estimate (\$ million)	2014-15 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Claims expense	2,268	2,530	The variance of \$262 million or 12% was due mainly to the impact of changes in economic assumptions (i.e. changes in discount rates and inflation) on claims liability.	No significant impact.
Authorised agent fees	232	247	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Investment expenses	38	44	The variance of \$6 million or 16% was driven mainly by the higher than budget investment portfolio.	No significant impact.
Other operating costs	264	238	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Tax (income) expense	78	125	The variance of \$47 million or 60% was driven mainly by the higher than budget before tax operating result in 2014/15.	No significant impact.

### Question 19 (departments only)

This question does not apply to your agency.

### Question 20

Please detail any changes to your department's/agency's service delivery as a result of expenditure reduction initiatives, e.g. changes to the timing and scope of specific programs or discontinued programs:

(a) in 2013-14

Nil

(b) in 2014-15

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Nil
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**Question 21 (departments only)**

This question does not apply to your agency.

**Question 22 (Department of Treasury and Finance only)**

This question does not apply to your agency.

**Question 23 (PNFC and PFC entities only)**

Please detail the value of dividends paid by your agency to the general government sector over the last three years, explaining the reasons for any significant changes over that period and the impact of any changes on the agency.

Total dividends paid in 2012-13 (\$ million)	Total dividends paid in 2013-14 (\$ million)	Total dividends paid in 2014-15 (\$ million)	Explanation for any variance greater than $\pm 10$ per cent or \$100 million	Impact of changes to dividends on the agency
193	59	242	The variances are driven by WorkSafe's operating results of prior years (i.e. performance from insurance operations). See comments to Questions 12 and 17 above.	No significant impact.

**SECTION E: Public sector workforce****Question 24**

Please detail the total full-time equivalent number of staff in your department/agency as at 30 June 2013, 30 June 2014 and 30 June 2015 in each of the following bands of levels, and explain the changes:

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Level	Total FTE (30 June 2013)	Total FTE (30 June 2014)	Total FTE (30 June 2015)	Explanation for changes
Band 1	1	5	5	
Band 2	76	63	52	
Band 3	118	105	109	
Band 4	354	315	318	
Band 5	383	339	354	
Band 6	98	81	84	
Executives	95	78	78	
Total of all staff	1125	986	1000	Minor changes to the overall FTE due to organisational changes.

### Question 25

In the table below, please detail the salary costs for 2012-13, 2013-14 and 2014-15, broken down by ongoing, fixed-term and casual, and explain any variances greater than  $\pm 10$  per cent or \$100 million between the years for each category.

Employment category	Gross salary 2012-13 (\$ million)	Gross salary 2013-14 (\$ million)	Gross salary 2014-15 (\$ million)	Explanation for any year-on-year variances greater than $\pm 10$ per cent or \$100 million
Ongoing	129.2	124.9	125.8	n/a
Fixed-term	4.3	4.4	3.2	n/a
Casual	-	-	-	n/a
<b>Total</b>	133.5	129.3	129.0	n/a

### Question 26

Please detail the number of executives who received increases in their base remuneration in 2013-14 and 2014-15, breaking that information down according to what proportion of their salary the increase was, and explaining the reasons for executives' salaries increasing in each bracket.

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Increase in base remuneration	Number of executives receiving increases in their base rate of remuneration of this amount in 2013-14	Reasons for these increases
0-3 per cent	83	Annual Salary Review aligned to GSERP Review and SSA Guidance
3-5 per cent		
5-10 per cent		
10-15 per cent		
greater than 15 per cent		

Increase in base remuneration	Number of executives receiving increases in their base rate of remuneration of this amount in 2014-15	Reasons for these increases
0-3 per cent	77	Annual Salary Review aligned to GSERP Review and SSA Guidance
3-5 per cent		
5-10 per cent		
10-15 per cent		
greater than 15 per cent		

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**SECTION F: Inter-sector flows**

***Question 27 (Department of Treasury and Finance only)***

This question does not apply to your agency.

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## SECTION G: Government decisions impacting on the finances

### Question 28

(a) Please detail any costs incurred during 2014-15 in the following categories as a result of machinery-of-government changes:

	(\$ million)
Consultants and contractors (including legal advice)	n/a
Relocation	n/a
Telephony	n/a
IT and records management	n/a
Rebranding	n/a
Furniture and fit-out	n/a
Other	n/a

(b) If these costs were met out of existing budgets, please indicate what projects, programs or areas the money was originally budgeted for.

n/a
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(c) Please identify any benefits achieved during 2014-15 as a result of machinery-of-government changes, quantifying the benefits where possible.

n/a
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**Question 29**

Please identify any Commonwealth Government decisions during 2013-14 or 2014-15 which had not been anticipated in the State budget but which impacted on your entity's finances or activities during those years (including new funding agreements, discontinued agreements and changes to funding levels). Please quantify the impact on income and expenses where possible.

Commonwealth Government decision	Impact in 2013-14		Impact in 2014-15	
	on income (\$ million)	on expenses (\$ million)	on income (\$ million)	on expenses (\$ million)
Nil				

**Question 30**

Please identify any COAG decisions during 2013-14 or 2014-15 which had not been anticipated in the State budget but which impacted on your entity's finances or activities during those years (including new funding agreements, discontinued agreements and changes to agreements). Please quantify the impact on income and expenses where possible.

COAG decision	Impact in 2013-14		Impact in 2014-15	
	on income (\$ million)	on expenses (\$ million)	on income (\$ million)	on expenses (\$ million)
Nil				

**SECTION H: Fiscal and financial management strategies (Department of Treasury and Finance only)****Question 31**

This question does not apply to your agency.

**Question 32**

This question does not apply to your agency.

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**SECTION I: Economic environment*****Question 33 (Department of Treasury and Finance only)***

This question does not apply to your agency.

***Question 34 (Department of Treasury and Finance only)***

This question does not apply to your agency.

***Question 35 (Department of Treasury and Finance only)***

This question does not apply to your agency.

***Question 36 (Department of Treasury and Finance only)***

This question does not apply to your agency.

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**Question 37**

Please identify any key economic variables for which there were variances in 2013-14 and 2014-15 between what was estimated in the initial budget for each year (**not** the revised estimate) and what actually occurred which had a significant impact on your department's/agency's finances, service delivery or asset investment. For each variance, please indicate:

- (a) what had been expected at budget time
- (b) what actually occurred
- (c) how the variance impacted on the budget outcomes (quantifying the impact where possible)
- (d) what decisions were made in response (including changes to service delivery, asset investment, borrowings etc.).

Expected economic result in 2013-14	Actual result in 2013-14	Impact of the variance on budget outcomes	Decisions made in response
Net investment return of 7.25% based on WorkSafe's long-term investment return was used in the 13-14 budget.	Net investment return of 14.61% was achieved in 13-14 as a result of favourable conditions experienced in the investment markets.	The higher than budget investment return had a favourable impact on WorkSafe's operating results and its investment portfolio at 30.6.14, which is held to back WorkCover insurance liabilities.	WorkSafe's investments are managed by the Victorian Funds Management Corporation to meet objectives set by WorkSafe.  No specific response was required in relation to investment objective setting as a result of the higher than budget investment return in 13-14.

Expected economic result in 2014-15	Actual result in 2014-15	Impact of the variance on budget outcomes	Impact of the variance on service delivery
Net investment return of 7.25% based on WorkSafe's long-term investment return was used in the 14-15 budget.	Net investment return of 11.77% was achieved in 14-15 as a result of favourable conditions experienced in the investment markets.	The higher than budget investment return had a favourable impact on WorkSafe's operating results and its investment portfolio at 30.6.15.	There were no significant flow-on impact on WorkSafe's service delivery or investment asset management.
Outstanding claims liabilities were projected based on the Dec 2013 actuarial valuation, i.e. discount rate of 4.23%.	Outstanding claims liabilities were reassessed to be higher based on the Jun 2015 actuarial valuation, i.e. discount rate of 3.26%.	The higher than projected discount rate had an unfavourable impact on WorkSafe's operating results and its outstanding claims liabilities at 30.6.15.	There were no significant flow-on impact on WorkSafe's service delivery or claims liability management.

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**SECTION J: Previous recommendations**

***Question 38 (departments only)***

This question does not apply to your agency.

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