



**PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**2015-16 FINANCIAL AND PERFORMANCE OUTCOMES  
GENERAL QUESTIONNAIRE**

**VICTORIAN WORKCOVER AUTHORITY  
(WORKSAFE VICTORIA)**

## **SECTION A: Output variances and program outcomes**

### ***Question 1 (all departments) Completed initiatives from past budgets***

This question does not apply to your agency.

### ***Question 2 (departments only) Treasurer's advances and other budget supplementation***

This question does not apply to your agency.

### ***Question 3 (Department of Treasury and Finance only) Revenue certification***

This question does not apply to your agency.

## **SECTION B: Asset investment (departments only)**

### ***Question 4 Details of actual investment and variance against budget – current projects***

This question does not apply to your agency.

### ***Question 5 Details of actual investment and variance against budget – projects completed (or expected to be completed)***

This question does not apply to your agency.

### ***Question 6 Major Projects Victoria and high-value high-risk projects***

This question does not apply to your agency.

***Question 7 PPP expenditure and line items***

This question does not apply to your agency.

***Question 8 Net cash flows from investments in financial assets for policy purposes – GGS***

This question does not apply to your agency.

***Question 9 Net cash flows from investments in financial assets for policy purposes – SoV***

This question does not apply to your agency.

***Question 10 (Department of Treasury and Finance only) Purchases of non-financial assets – government purpose classification***

This question does not apply to your agency.

**SECTION B: Asset investment (non-departments only)****Question 11 Details of actual investment and variance against budget for projects**

Please provide the following details for any asset investment project where actual expenditure in 2015-16 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.

Project	Estimated expenditure in 2015-16 (2015-16 budget papers) (\$ million)	Actual expenditure in 2015-16 (\$ million)	Explanation for variance	Estimated financial completion date in 2015-16 budget papers	Estimated financial completion date in 2016-17 budget papers	Explanation for any changes to the estimated financial completion date
Nil						

**Question 12 Details of actual investment and variance against budget for entities**

Please detail the initial budget estimates (**not** the revised estimate) for 'purchases of non-financial assets' for 2015-16 (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 ±10 per cent or \$100 million. Initial budget estimates for departments are listed in Department of Treasury and Finance, *Budget Paper No.5: 2015-16 Statement of Finances* (2015), p.40

Initial budget estimate for 2015-16 (\$ million)	Actual for 2015-16 (\$ million)	Explanation for any variance greater than ±10 per cent or \$100 million
Nil		

## SECTION C: Revenue and appropriations

### **Question 13 (all departments and entities) Changes from previous year by revenue/income category**

Please explain any changes greater than  $\pm 10$  per cent or \$100 million between the actual result for 2014-15 and the actual result for 2015-16 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 affected 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 2015-16 expenditure changed 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	2014-15 actual (\$ million)	2015-16 actual (\$ million)	Explanations for changes greater than $\pm 10$ per cent or \$100 million	How the additional revenue was used/the impact of reduced revenue
Premium revenue	1,942	2,071	The increase in net premium revenue of \$129M or 7% was due mainly to the <ul style="list-style-type: none"> <li>• higher employer remuneration base at observed rates</li> <li>• favourable adjustments for reassessment of prior year premiums.</li> </ul>	The additional revenue was mainly used to pay claims costs and other operating expenses of WorkSafe. Cash inflows in excess of operating needs are invested in WorkSafe's portfolio of investments.
Investment income	1,494	430	The reduction in investment income (before fees) of \$1,064M or 71% was due mainly to the lower net investment return of 3.04% compared to 11.77% in the prior year, as a result of the less favourable conditions experienced in the investment markets.	Compared to 2014-15, the lower investment income had an unfavourable impact on WorkSafe's operating result and net asset base for 2015-16.  However, WorkSafe's funding ratio remained strong at 112% at 30.6.16, within the preferred target range of 82.5% – 117.5% set by the Government.
Recoveries revenue	178	152	The variance of -\$26 million or 15% reflects the lower recoveries as assessed by the external actuaries based on their 30.6.16 valuation. Prior year's recoveries were based on the external actuaries' 30.6.15 valuation.	No significant impact.
Other income	24	25	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A

### **Question 14 (all departments and entities) Variances from budget/target by revenue/income category**

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 2015-16 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 2015-16 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.

<b>Revenue category</b>	<b>2015-16 budget estimate (\$ million)</b>	<b>2015-16 actual (\$ million)</b>	<b>Explanations for variances greater than <math>\pm 10</math> per cent or \$100 million</b>	<b>Actions taken in response</b>
Premium revenue	2,014	2,071	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Investment income	1,048	430	The variance against budget was due mainly to actual return for 15-16 (3.04%) being lower than budget (7.50%) as a result of unfavourable conditions experienced in the investment markets.	The lower than budget investment return had an unfavourable impact on WorkSafe's operating result, and its investment portfolio which is held to back WorkCover insurance liabilities.  WorkSafe's actual funding ratio of 112% at 30.6.16 was lower than the budgeted funding ratio of 122%, but remained within the preferred target range of 82.5% – 117.5% set by the Government.
Recoveries revenue	134	152	The variance of \$18 million or 13% reflects the higher recoveries as assessed by the external actuaries based on their 30.6.16 valuation. The budgeted recoveries were initially projected based on the external actuaries' 30.6.15 valuation.	No significant impact.
Other income	25	25	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A

**Question 15 (departments only)**

This question does not apply to your agency.

**Question 16 Revenue from trust accounts passed to other bodies (departments only)**

This question does not apply to your agency.

**Question 17 (Department of Treasury and Finance only) Revenue initiatives**

This question does not apply to your agency.

**SECTION D: Expenses****Question 18 Expenses changed from previous year**

Please explain any changes greater than  $\pm 10$  per cent or \$100 million between the prior year's actual result and the actual result for 2015-16 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 2014-15 expenditure differed 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.

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

Expenses category	2014-15 actual (\$ million)	2015-16 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	2,530	2,838	The increase of \$308 million or 12% in claims incurred was driven mainly by: <ul style="list-style-type: none"> <li>the changes in claims costs assumptions to reflect the unfavourable claims experience</li> <li>the impact of lower assumed discount rates; partially offset by the impact of actual inflation being lower than expected.</li> </ul>	The higher claims expense had an unfavourable impact on WorkSafe's operating result. The unfavourable claims experience also had a negative impact on the achievement of WorkSafe's actuarial release targets.
Authorised agent fees	247	245	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Investment expenses	44	46	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Other operating costs	238	256	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Tax expense (income)	125	(232)	The variance of \$357 million or $>100\%$ was driven mainly by the negative before tax operating result in 2015-16.	The unfavourable operating result in 2015-16 increased WorkSafe's unutilised tax losses at 30.6.16, which had the impact of deferring the timing of future income tax equivalents (ITEs) payable by WorkSafe.



### Question 19 Expenses varying from budget

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 2015-16 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 2015-16 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	2015-16 budget estimate (\$ million)	2015-16 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	2,275	2,838	The increase of \$563 million or 25% in claims incurred was driven mainly by: <ul style="list-style-type: none"> <li>the changes in claims costs assumptions to reflect the unfavourable claims experience</li> <li>the impact of lower assumed discount rates; partially offset by the impact of actual inflation being lower than expected.</li> </ul>	The higher claims expense had an unfavourable impact on WorkSafe's operating result. The unfavourable claims experience also had a negative impact on the achievement of WorkSafe's actuarial release targets.
Authorised agent fees	251	245	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Investment expenses	42	46	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A
Other operating costs	257	256	N/A – Variance less than $\pm 10\%$ or \$100 million.	N/A

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

Expenses category	2015-16 budget estimate (\$ million)	2015-16 actual (\$ million)	Explanations for variances greater than $\pm 10$ per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Tax expense (income)	109	(232)	The variance of \$341 million or >100% was driven mainly by the negative before tax operating result in 2015-16.	The unfavourable impact operating result in 2015-16 increased WorkSafe's unutilised tax losses at 30.6.16, which had the impact of deferring the timing of future income tax equivalents (ITEs) payable by WorkSafe.

### **Question 20 (departments only) Expenditure reduction targets**

This question does not apply to your agency.

### **Question 21 Changes to service delivery from expenditure reduction initiatives**

- (a) 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 in 2015-16:

Nil

- (b) As a result of the expenditure reduction initiative 'Reduce the use of labour hire firms' for 2015-16 (BP3 p.105), please detail any changes to your department's/agency's service delivery

Nil

### **Question 22 (departments only) Achievement of reprioritisation of existing resources**

This question does not apply to your agency.

**Question 23 (Department of Treasury and Finance only) Expenses by government purpose classifications**

This question does not apply to your agency.

**Question 24 (PNFC and PFC entities only) Dividends paid to the general government sector**

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 2013-14 (\$ million)	Total dividends paid in 2014-15 (\$ million)	Total dividends paid in 2015-16 (\$ million)	Explanation for any variance greater than $\pm 10$ per cent or \$100 million	Impact of changes to dividends on the agency
59	242	Nil	As a part of the May 2015 State Budget, it was proposed that WorkSafe would cease to pay further dividends.	Net assets higher by dividend otherwise payable (\$105m)

**SECTION E: Public sector workforce****Question 25 Full-time equivalent staff by level**

Please fully complete the table below, providing actual FTE staff numbers at 30 June 2016, at 30 June 2015 and 30 June 2014 (broken down by the categories listed below) for the Department. Please provide figures consolidated on the same basis as the expenditure for the Department in the budget papers.

Grade	30 June 2014 (Actual FTE number)	30 June 2015 (Actual FTE number)	30 June 2016 (Actual FTE number)
Band 1	5	5	7
Band 2	63	52	55
Band 3	105	109	120

<b>Grade</b>	<b>30 June 2014 (Actual FTE number)</b>	<b>30 June 2015 (Actual FTE number)</b>	<b>30 June 2016 (Actual FTE number)</b>
Band 4	315	318	344
Band 5	339	354	369
Band 6	81	84	89
Executives	78	78	77
<b>Total</b>	<b>986</b>	<b>1000</b>	<b>1061</b>

### **Question 26 FTE staff numbers by employment type**

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.

<b>Employment category</b>	<b>Gross salary 2013-14 (\$ million)</b>	<b>Gross salary 2014-15 (\$ million)</b>	<b>Gross salary 2015-16 (\$ million)</b>	<b>Explanation for any year-on-year variances greater than <math>\pm 10</math> per cent or \$100 million</b>
Ongoing	124.9	125.8	126.6	
Fixed-term	4.4	3.2	4.9	Increase due to additional staff for Geelong Relocation Project.
Casual	-	-	-	
<b>Total</b>	<b>129.3</b>	<b>129.0</b>	<b>131.50</b>	

### **Question 27 Executive salary increases**

Please detail the number of executives who received increases in their base remuneration in 2015-16, 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.

Increase in base remuneration	Number of executives receiving increases in their base rate of remuneration of this amount in 2015-16	Reasons for these increases
0-3 per cent	77	Annual Salary Review aligned to GSERP and VPSC guidelines.
3-5 per cent		
5-10 per cent		
10-15 per cent		
greater than 15 per cent		

**Question 28 Enterprise bargain agreements (EBA)(Department of Treasury and Finance only)**

This question does not apply to your agency.

**SECTION F: Inter-sector flows****Question 29 (Department of Treasury and Finance only) Inter-sector flows**

This question does not apply to your agency.

**SECTION G: Government decisions impacting on the finances****Question 30 Machinery-of-government changes**

- (a) Please detail the final costs incurred in the following categories as a result of machinery-of-government changes. Also provide a description of any relevant machinery-of-government changes during 2015-16.

	<b>Final costs as a result of machinery-of-government-changes (\$ million)</b>
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

(c) Please identify any benefits achieved during 2015-16 as a result of machinery-of-government changes, quantifying the benefits where possible.

n/a

(d) Please provide a description of any relevant machinery-of-government changes during 2015-16

n/a

### **Question 31 Commonwealth Government decisions**

Please identify any Commonwealth Government decisions during 2015-16 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 2015-16	
	on income (\$ million)	on expenses (\$ million)
Nil		

### **Question 32 COAG decisions**

Please identify any COAG decisions during 2015-16 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 2015-16	
	on income (\$ million)	on expenses (\$ million)
Nil		

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

### ***Question 33 Financial measures***

This question does not apply to your agency.

### ***Question 34 Long-term financial management objectives***

This question does not apply to your agency.

## **SECTION I: Economic environment**

### ***Question 35 (Department of Treasury and Finance only) Economic variables***

This question does not apply to your agency.

### ***Question 36 (Department of Treasury and Finance only) Actual impact on GGS of variances in economic variables***

This question does not apply to your agency.

### ***Question 37 (Department of Treasury and Finance only) Impact on PFC net result of variances in economic variables***

This question does not apply to your agency.

### ***Question 38 (Department of Treasury and Finance only) Impact on PNFC net result of variances in economic variables***

This question does not apply to your agency.



**Question 39 (all entities) Effects of variances in economic variables**

Please identify any key economic variables for which there were variances in 2015-16 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.).

<b>Expected economic result in 2015-16</b>	<b>Actual result in 2015-16</b>	<b>Impact of the variance on budget outcomes</b>	<b>Impact of the variance on service delivery</b>
Net investment return of 7.50% based on WorkSafe's long-term investment return was used in the 15-16 budget.	Net investment return of 3.04% was achieved in 15-16 as a result of unfavourable conditions experienced in the investment markets.	The lower than budget investment return had an unfavourable impact on WorkSafe's operating results and investment portfolio at 30.6.16.	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 lower than budget investment return in 2015-16.
Outstanding claims liabilities were projected based on the 30.6.15 actuarial valuation, i.e. discount rate of 3.27%.	Outstanding claims liabilities were reassessed to be higher based on the 30.6.16 actuarial valuation, i.e. discount rate of 2.49%.	The lower than projected discount rate had an unfavourable impact on WorkSafe's operating results and its outstanding claims liabilities at 30.6.16.	There was no significant flow-on impact on WorkSafe's service delivery.