



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2013-14 and 2014-15 Financial and Performance Outcomes GENERAL Questionnaire

Department of Treasury and Finance

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SECTION A: Output variances and program outcomes

Question 1 (departments only)

For the following initiatives that were due to be completed in 2013-14 or 2014-15, please provide details of the outcomes expected to be achieved in the community¹ and the outcomes actually achieved to date. Please quantify outcomes where possible.

Initiative	Source	Actual date of completion (month and year)	Expected outcomes	Actual outcomes
Extend the First Home Bonus until 30 June 2012	2011-12 BP3 p.90	The scheme was not extended after 30 June 2012. However, first home buyers with contracts signed on or before 30 June 2012 are still eligible to apply if they have not received the bonus.	Not applicable.	The payments in 2014-15 are \$9 million.
Greener government buildings	2010-11 PEBU p.127	30 June 2014	The 2010-11 PEBU estimated the following phasing of funding for the Greener Government Buildings Program: 2011-12: \$40 million 2012-13: \$40 million 2013-14: \$20 million	Actual funding approved for projects under the Greener Government Buildings Program was as follows: 2011-12: 5 projects totalling \$24.67 million; 2012-13: 2 projects totalling \$26 million; and 2013-14: 6 projects totalling \$20.5 million. In aggregate, these 13 projects have resulted in: <ul style="list-style-type: none"> • direct cost savings of \$9.4 million per annum, guaranteed under energy performance contracts; • the replacement of existing ageing assets with estimated value of \$29 million; and • the annual abatement of 71,700 tonnes of greenhouse gases.

¹ 'Outcomes' are the impact of service delivery on the community rather than a description of the services delivered.

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Question 2 (departments only)

Please identify all outputs for which the department received additional funding after the initial budget (as described in *BFMG-42: Budget Supplementation*) in 2013-14 or 2014-15. For each output, please quantify the additional funding, indicate the source of the additional funding (e.g. 'Treasurer's Advance', 'appropriations that would otherwise be unapplied', 'accumulated surplus') and explain why additional funding was required:

(a) in 2013-14

Output	Additional funding (\$ million)	Source of funding	Reasons why additional funding was required
Revenue Management Services	0.80	Treasurer's Advance	Additional funding for Voluntary Departure Packages resulting from the Sustainable Government Initiative.
Strategic Policy Advice	0.16	Treasurer's Advance	(as above)
Regulatory Services	0.02	Treasurer's Advance	(as above)
Financial Management Services	0.07	Treasurer's Advance	(as above)
Risk Management Services	0.06	Treasurer's Advance	(as above)
Resource Management Services	0.10	Treasurer's Advance	(as above)
Risk Management Services	0.96	Treasurer's Advance	Additional funding relating to the sale of the Rural Finance Corporation.
Total	2.16		

(b) in 2014-15

Output	Additional funding (\$ million)	Source of funding	Reasons why additional funding was required
Revenue Management Services	2.48	Treasurer's Advance	State Revenue Office compliance activities relating to revenue collection.
Financial Management Services	18.34	Treasurer's Advance	Negotiating the medium-term lease of the Port of Melbourne.
Total	20.83		

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Question 3 (Department of Treasury and Finance only)

BFMG-51 explains that 'Revenue claimed by Departments is rejected when outputs do not meet their performance measures and service delivery has not occurred. This means that revenue certified will be less than the invoice received from departments.' Please detail all outputs which DTF assessed as not having met their measures, indicating for each:

- (a) the amount of the invoice;
- (b) the amount of revenue certified; and
- (c) if the full amount of the invoice was paid, why.

In 2013-14:

Department	Outputs which were considered not to meet their measures	The amount of the department's invoice (\$ million)	The amount of revenue certified (\$ million)	If the full amount of the invoice was paid, why
Education and Early Childhood Development	One or more measures in the following outputs from the (former) Department of Education and Early Childhood Development were not met: <ul style="list-style-type: none"> • Higher Education and Skills 	10,140.467 for the provision of outputs 75.735 for additions to the net asset base	10,140.467 for the provision of outputs 75.735 for additions to the net asset base	One performance measure within the output was assessed by DTF as not being met, due to a significant cost over-run resulting from higher than budgeted demand for the Victorian Training Guarantee. The full amount of the invoice was paid because expenditure was demand driven.
Environment and Primary Industries	One or more measures in the following outputs from the (former) Department of Environment and Primary Industries were not met: <ul style="list-style-type: none"> • Environmental Programs • Public Land • Land and Fire Management • Effective Water and Management and Supply • Development of Primary Industries 	1,328.508 for the provision of outputs 146.540 for additions to the net asset base	1,328.508 for the provision of outputs 146.540 for additions to the net asset base	The full amount of the final invoice was paid because the amount was adjusted to reasonably reflect actual performance.

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Department	Outputs which were considered not to meet their measures	The amount of the department's invoice (\$ million)	The amount of revenue certified (\$ million)	If the full amount of the invoice was paid, why
Health	One or more measures in the following outputs from the (former) Department of Health were not met: <ul style="list-style-type: none"> • Small Rural Services - Primary Health • Small Rural Services - Aged Care • Small Rural Services - Acute Health • Emergency Services • Ambulance Emergency Services 	8,069.800 for the provision of outputs	8,069.800 for the provision of outputs	The associated invoice was fully certified as: <ul style="list-style-type: none"> • the majority of performance measures within the output were met; • some outcomes were driven by increase in demand; and/or • some activity was captured in over performance in other measures.
Transport	One or more measures in the following outputs from the (former) Department of Transport were not met: <ul style="list-style-type: none"> • Public Transport Infrastructure Development • Transport Safety Regulation and Investigations • Rural and Regional Public Transport Services 	5,055.414 for the provision of outputs 1,952.414 for additions to the net asset base	5,055.414 for the provision of outputs 1,952.414 for additions to the net asset base	The full amount of the final invoice was paid because the amount was adjusted to reasonably reflect actual performance.

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In 2014-15:

Department	Outputs which were considered not to meet their measures	The amount of the department's invoice (\$ million)	The amount of revenue certified (\$ million)	If the full amount of the invoice was paid, why
Economic Development, Jobs, Transport and Resources	One or more measures in the following outputs from the former Department of Transport Planning and Local Infrastructure were not met: <ul style="list-style-type: none"> • Transport Safety Regulation and Investigations • Transport Safety and Security Management • Public Transport Network Improvements and Maintenance • Major Events 	3,660.262 for the provision of outputs 930.595 for additions to the net asset base 61.799 for payments made on behalf of the State.	3,660.262 for the provision of outputs 930.595 for additions to the net asset base 61.799 for payments made on behalf of the State.	While there were some performance measures that DTF assessed as not being met, the associated invoice was fully certified as: <ul style="list-style-type: none"> • the majority of performance measures within the output were met; and • the amount invoiced by the department was adjusted to reasonably reflect actual performance.
Education and Training	One or more measures in the following outputs were not met: <ul style="list-style-type: none"> • Higher Education and Skills 	10,539.572 for the provision of outputs 155.824 for additions to the net asset base	10,539.572 for the provision of outputs 155.824 for additions to the net asset base	While there were three quality measures within the output that DTF assessed as not being met, the associated invoice was fully certified as: <ul style="list-style-type: none"> • the majority of performance measures within the output were assessed as being met, including all quantity measures; • Government is implementing the VET Quality Review to address a range of quality issues; and • DTF considered there was no significant performance risk.
Environment, Land, Water and Planning	One or more measures in the following outputs were not met: <ul style="list-style-type: none"> • Fire and emergency management • Planning, Building and Heritage 	1,196.508 for the provision of outputs 110.251 additions to the net asset base	1,196.508 for the provision of outputs 110.251 additions to the net asset base	The full amount of the final invoice was paid as the amount was adjusted to reasonably reflect actual performance.

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Department	Outputs which were considered not to meet their measures	The amount of the department's invoice (\$ million)	The amount of revenue certified (\$ million)	If the full amount of the invoice was paid, why
Health and Human Services	One or more measures in the following outputs were not met: <ul style="list-style-type: none"> • Ambulance Emergency Services • Small Rural Services – Acute Health 	9,968.217 for the provision of outputs 278.650 for additions to the net asset base	9,968.217 for the provision of outputs 278.650 for additions to the net asset base	The associated invoice was fully certified as: <ul style="list-style-type: none"> • the majority of performance measures within the output were met; • some outcomes were driven by increase in demand; and/or • some activity was captured in over performance in other measures.
Treasury and Finance	One or more measures in the following outputs were not met: <ul style="list-style-type: none"> • Land and Infrastructure Investment Management 	229.886 for the provision of outputs. 5.000 for additions to the net asset base 1,746.568 for payments made on behalf of the State	229.886 for the provision of outputs. 5.000 for additions to the net asset base 1,746.568 for payments made on behalf of the State	While there was one performance measure within the output that DTF assessed as not being met, the invoice was fully certified as: <ul style="list-style-type: none"> • the majority of performance measures within the output were met; • the performance measure that was not met was primarily due to factors outside of DTF's control (including delays arising from the Machinery of Government changes and other timing factors); and • DTF considered there was no significant performance risk.

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Department	Outputs which were considered not to meet their measures	The amount of the department's invoice (\$ million)	The amount of revenue certified (\$ million)	If the full amount of the invoice was paid, why
Machinery of Government acquittals				
Transport, Planning and Local Infrastructure	Due to Machinery of Government changes which took effect on 1 January 2015, the former Department of Transport, Planning and Local Infrastructure ceased to exist. An acquittal of revenue for this department occurred for the six months to 31 December 2014.	2,871.966 for the provision of outputs 900.581 for additions to the net asset base	2,871.966 for the provision of outputs 900.581 for additions to the net asset base	The full amount of the final invoice was paid as the amount was adjusted to reasonably reflect actual performance.
Human Services	Due to Machinery of Government changes which took effect on 1 January 2015, the former Department of Human Services ceased to exist. An acquittal of revenue for this department occurred for the six months to 31 December 2014.	1,997.431 for the provision of outputs 8.092 for additions to the net asset base	1,997.431 for the provision of outputs 8.092 for additions to the net asset base	The full amount of the final invoice was paid as the amount was adjusted to reasonably reflect actual performance.

SECTION B: Asset investment (departments only)

Question 4

Please provide the following details about each of the selected asset investment projects:

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Project	Estimated expenditure in 2013-14 (2013-14 budget papers) (\$ million)	Actual expenditure in 2013-14 (\$ million)	Explanation for any variances greater than ±10 per cent or \$100 million between estimated and actual expenditure	Estimated completion date in 2013-14 budget papers	Estimated completion date in 2014-15 budget papers	Explanation for any changes to the estimated completion date
State revenue management - e-Sys (Melbourne)	2.7	0.6	\$2.7m has been carried over from 2013-14 to 2014-15 in accordance with the decision to adopt a 'soft landing' strategy in order to mitigate against further funding being approved. This resulted in the temporary postponement of some projects until 2014-15 (the year in which funding was not available).	mid 2014	QTR 4 2014-15	

Project	Estimated expenditure in 2014-15 (2014-15 budget papers) (\$ million)	Actual expenditure in 2014-15 (\$ million)	Explanation for any variances greater than ±10 per cent or \$100 million between estimated and actual expenditure	Estimated completion date in 2014-15 budget papers	Estimated completion date in 2015-16 budget papers	Explanation for any changes to the estimated completion date
Better revenue management system (Melbourne)	0.0	0.0		QTR 4 2018-19	QTR 4 2018-19	
State revenue management - e-Sys (Melbourne)	2.5	2.3		QTR 4 2014-15	n/a	

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Question 5

Please provide the following details for all of the asset projects listed below, which were expected to be completed in 2013-14 or 2014-15:

Project	TEI in the 2013-14 or 2014-15 budget papers	Total actual investment	Explanation for any variances greater than ±10 per cent or \$100 million	Impact of any variances	Estimated completion date	Actual completion date	Explanation for any variance in completion date
	(\$ million)	(\$ million)					
State revenue management - e-Sys (Melbourne)	10.38	10.12		A carryover of \$0.4m from 2014-15 to 2015-16 has been approved. (Please note that in 2014-15 the TEI was increased by 0.13m due to the carryover from 2009-10 to 2010-11.	Qtr 4 2014-15		

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Question 6

Please indicate the amount included in the following line items in your financial statements for 2013-14 and 2014-15 (using the budget portfolio outcomes for departments) which related to payments for commissioned public private partnerships (PPPs).

Line item	Amount within this line item reflecting payments for PPPs (\$ million)	
	2013-14	2014-15
<i>Operating statement</i>	nil	nil
Interest expense		
'Other operating expenses'		
Other line items within expenses from transactions		
<i>Cash flow statement</i>		
Payments to suppliers and employees		
Interest and other costs of finance paid		
Repayment of finance leases		
Other line items in the cash flow statement		
<i>Administered items statement</i>		
Expenses on behalf of the State		
Interest and depreciation expense		
Other line items within 'administered expenses'		

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Question 7

Regarding the 'net cash flows from investments in financial assets for policy purposes' in the general government sector cash flow statement for 2013-14 and 2014-15, please provide the following details about any sources of cash inflows and cash outflows included in that line item which are connected with your department or its controlled entities:

- (a) the project related to the cash flow (using the same project names as are used in Budget Paper No.4 where possible)
- (b) the initial budget estimate (**not** the revised estimate) for cash flow in 2013-14 and 2014-15; and
- (c) the actual cash flow in 2013-14 and 2014-15.

Cash inflows

Project	Estimated cash inflow in 2013-14 (\$ million)	Actual cash inflow in 2013-14 (\$ million)	Estimated cash inflow in 2014-15 (\$ million)	Actual cash inflow in 2014-15 (\$ million)
Sale of Rural Finance Corporation				77.1

Cash outflows

Project	Estimated cash outflow in 2013-14 (\$ million)	Actual cash outflow in 2013-14 (\$ million)	Estimated cash outflow in 2014-15 (\$ million)	Actual cash outflow in 2014-15 (\$ million)
Domestic Building Insurance Fund (VMIA)		2.1		
Port of Melbourne Corporation Debt Repayment				652.3

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Question 8

Regarding the 'net cash flows from investments in financial assets for policy purposes' in the State of Victoria cash flow statement for 2013-14 and 2014-15, please provide the following details about any sources of cash inflows and cash outflows included in that line item which are connected with your department or its controlled entities:

- the project related to the cash flow (using the same project names as are used in Budget Paper No.4 where possible)
- the initial budget estimate (**not** the revised estimate) cash flow in 2013-14 and 2014-15; and
- the actual cash flow in 2013-14 and 2014-15.

Project		Estimated cash flow in 2013-14	Actual cash flow in 2013-14	Estimated cash flow in 2014-15	Actual cash flow in 2014-15
		(\$ million)	(\$ million)	(\$ million)	(\$ million)
Cash flows from investments in financial assets for policy purposes Proceeds from the sale of RFC's loan book on 1 July 2014 resulted in a significant inflow in 2014-15, which was not budgeted for in the 2014-15 Budget.	Cash inflows		812.3		1 762.1
	Cash outflows		(866.1)		(310.5)
	Net cash flow	111.8	(53.8)	119.7	1 451.6

Question 9 (Department of Treasury and Finance only)

Regarding the 'purchases of non-financial assets' by the general government sector in 2013-14 and 2014-15, please compare the initial budget estimate for each of the government purpose classifications (note 19a in Budget Paper No.5) to the actual value of 'purchases of non-financial assets' in each classification, explaining any variances greater than ± 10 per cent or \$100 million (please fill all blank spaces).

It is difficult to make detailed comparisons between the 2013-14 original budget estimates and the 2013-14 Annual Financial Report due to significant differences in the allocation methodology used across classifications for the two publications. For the original budget estimates, the allocation methodology uses ratios based on historical data and the impact of policy and non-policy estimate variations, whereas actual purchases of non-financial assets are based on actuals data fed by output that is mapped to government purpose classifications (GPC). Since the 2014-15 Budget, enhanced and more consistent processes between publications, driven by the availability of more granular data, has helped ensure that the GPC disclosures are more comparable.

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Government purpose classification	Initial budget estimate for 2013-14 (\$ million)	Actual for 2013-14 (\$ million)	Explanation for any variance greater than ± 10 per cent or \$100 million
General public services	197.0	79.3	The main reason for this variance relates to the different methodology used for purchases of non-financial assets since the 2013-14 original budget as noted above.
Public order and safety	847.5	618.0	The variance relates to a decrease in capital expenditure by the Department of Justice relating to the re-phasing of Hopkins Correctional Centre into 2014-15.
Education	518.9	720.1	The variance relates to the deconsolidation of Dual-Sector TAFEs where VET was opened to the private sector making TAFEs highly uncompetitive. This resulted in a decline in purchases of non-financial assets due to a lower demand for TAFE services.
Health	1,147.9	899.3	This variance largely reflects unforeseen delays in asset build and lower than expected movement in the leasehold buildings asset in health agencies.
Social security and welfare	154.5	36.4	The main reason for this variance relates to the different methodology used for purchases of non-financial assets since the 2013-14 original budget as noted above.
Housing and community amenities	173.7	140.5	The main reason for this variance relates to the different methodology used for purchases of non-financial assets since the 2013-14 original budget as noted above.
Recreation and culture	157.1	151.6	Immaterial
Fuel and energy	4.3	8.5	The main reason for this variance relates to the different methodology used for purchases of non-financial assets since the 2013-14 original budget as noted above.
Agriculture, forestry, fishing, and hunting	61.5	20.3	The main reason for this variance relates to the different methodology used for purchases of non-financial assets since the 2013-14 original budget as noted above.
Mining, manufacturing, and construction	0.1	0.0	Immaterial
Transport and communications	2,047.8	1,288.9	This variance largely reflect the rescheduling of the of East West Link project, fixed assets transfer to Victrack and the impacts of the Machinery Of Government relating to the former DPCD which subsequent to the 2013-14 Budget, has been revised and removed.
Other economic affairs	58.3	33.8	The main reason for this variance relates to the different methodology used for purchases of non-financial assets since the 2013-14 original budget as noted above.
Other purposes	0.7	0.5	Immaterial

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Government purpose classification	Initial budget estimate for 2014-15 (\$ million)	Actual for 2014-15 (\$ million)	Explanation for any variance greater than ±10 per cent or \$100 million
General public services	45.2	95.7	This variance relates to higher than expected purchases of non-financial assets in the general public services output.
Public order and safety	1,092.7	494.5	This variance is due to the reclassification of national parks to crown land which saw to a change of output from public order and safety to housing and community amenities. The reclassification is a result of the State identifying assets that the State intends to preserve because of their unique historical, cultural or environmental attributes. In addition to this, a number of capital projects have been re-phased. Examples include the Corrections Victoria Security project, the Infringement Management Enforcement Services system, and Safety Camera Replacement project.
Education	531.5	374.1	This variance relates to incorporating capital expenditure associated with building schools into the Budget which has subsequently become a public private partnership.
Health	860.5	898.8	Immaterial
Social security and welfare	112.8	56.1	This variance relates to the re-phasing of capital projects into the future years.
Housing and community amenities	139.0	262.8	This variance is due to the reclassification of national parks to crown land which saw to a change of output from public order and safety to housing and community amenities. The reclassification is a result of the State identifying assets that the State intends to preserve because of their unique historical, cultural or environmental attributes.
Recreation and culture	49.8	109.9	This variance relates to higher than expected purchases of non-financial assets in cultural facilities and services.
Fuel and energy	3.1	4.7	Immaterial
Agriculture, forestry, fishing, and hunting	26.5	24.5	Immaterial
Transport and communications	2,166.1	1 993.0	This variance relates to budgeted expenditure for the East West Link project which did not occur.
Other economic affairs	153.4	79.4	This variance relates to the re-phasing of capital projects into the future years.
Other purposes	0.5	0.1	Immaterial

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SECTION B: Asset investment (non-departments only)

Question 10

This question does not apply to your department.

Question 11

This question does not apply to your department.

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SECTION C: Revenue and appropriations

Question 12

Please explain any variances greater than ± 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 ± 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 ± 10 per cent or \$100 million	How the additional revenue was used/the impact of reduced revenue
Special appropriations	1.6	0	\$1.6 million relates to Victoria's contribution for the operation of the National Occupational Licensing Authority.	It was used to pay the contribution.
Interest	10.9	8.5	The variance is due to decrease in interest rate charge to departments and agencies under the whole of government motor vehicle leasing arrangement.	There was no impact because the interest receipt was used to pay the interest expense on the borrowing under the motor vehicle leasing arrangements.
Sale of goods and services	165.3	18.2	CenITex transferred to the Department of State Development, Business and Innovation in September 2013.	No action was required.

Revenue category	2013-14 actual (\$ million)	2014-15 actual (\$ million)	Explanations for variances greater than ± 10 per cent or \$100 million	How the additional revenue was used/the impact of reduced revenue
Interest	8.5	0.9	The variance is due to reclassification of the whole of government motor vehicle leasing arrangement from Controlled to Administered.	There was no impact in DTF's operation.

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Revenue category	2013-14 actual	2014-15 actual	Explanations for variances greater than ± 10 per cent or \$100 million	How the additional revenue was used/the impact of reduced revenue
Sale of goods and services	18.2	90.7	CenITex transferred from the Department of State Development, Business and Innovation in January 2015.	There was no impact in DTF's operation.
Other income	24.9	20.6	The decrease is due to the transfer of surplus fund to the Consolidated Fund from the Government Accommodation Trust.	There was no impact as the Government Accommodation Trust will have sufficient funds to cover future operational costs.

Question 13

Please explain any variances greater than ± 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 ± 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 ± 10 per cent or \$100 million	Actions taken in response
Interest	12.2	8.5		
Sale of goods and services	181.2	18.2	CenITex transferred to the Department of State Development, Business and Innovation in September 2013.	No action required

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Revenue category	2014-15 budget estimate (\$ million)	2014-15 actual (\$ million)	Explanations for variances greater than ± 10 per cent or \$100 million	Actions taken in response
Interest	12.2	0.9	The variance is due to reclassification of the whole of government motor vehicle Leasing arrangement from Controlled to Administered (\$12.2m).	Estimates were revised under Administered.
Sale of goods and services	19.4	90.7	CenITex transferred from the Department of State Development, Business and Innovation in January 2015.	No action required.
Other income	26.6	20.6	The decrease is due to the transfer of surplus fund to the Consolidated Fund from the Government Accommodation Trust.	No action is required as the Government Accommodation Trust will have sufficient funds to cover future operational costs.

Question 14 (departments only)

Please provide a break-down of the Department's income from transactions (as calculated for the Department's comprehensive operating statement in the departmental financial statements in Budget Paper No.5 and in the budget portfolio outcomes in the annual report) into the following sources. If the variance between any budget and actual exceeds ± 10 per cent or \$100.0 million, please provide reasons for the variance. Part of the table has been pre-filled from the 2014-15 budget papers – please fill all blank spaces.

	2013-14 initial budget estimate (\$ million)	2013-14 actual (\$ million)	Explanation for variances greater than ± 10 per cent
Output appropriations	247.8	254.8	
Special appropriations	0.0		
Trust funds	58.2	52.0	The variance is due to decrease in interest rate charge to departments and agencies under the whole of government motor vehicle leasing arrangement.
Funds received and held outside the Public Account			

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	2013-14 initial budget estimate	2013-14 actual	Explanation for variances greater than ± 10 per cent
	(\$ million)	(\$ million)	
Other (please specify)	161.8	0.0	CenITex transferred to the Department of State Development, Business and Innovation.
Total income from transactions	467.8	306.8	

	2014-15 initial budget estimate	2014-15 actual	Explanation for variances greater than ± 10 per cent
	(\$ million)	(\$ million)	
Output appropriations	236.9	250.7	The variance is due to \$18.3m Treasurer's Advance received for the medium term lease of Port of Melbourne and partially offset by \$3.4m machinery of government transfers of the Victorian Competition and Efficiency Commission and Workplace Relations Unit to other departments.
Special appropriations	0.0		
Trust funds	58.2	39.2	The variance is due to reclassification of the whole of government motor vehicle leasing arrangement from Controlled to Administered (\$12.2m) and higher surplus transferred to the Consolidated Fund (\$6.8m) from the Government Accommodation Trust.
Funds received and held outside the Public Account			
Other (please specify)		74.6	The variance is due to the transfer of CenITex from the Department of State Development, Business and Innovation .
Total income from transactions	295.1	364.5	

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Question 15 (departments only)

Regarding the 'funds received and held outside the Public Account' figures provided in the previous question, please break these down into the most significant funds, quantify the income coming from each fund to the Department in each year and explain the sources and activities providing revenue into these funds.

Fund	2013-14 actual payments from fund to the Department (\$ million)	2014-15 actual payments from fund to the Department (\$ million)	Sources and activities providing revenue to the fund
Nil			

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.

Please see attachment.

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SECTION D: Expenses

Question 17

Please explain any variances greater than ± 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 community² 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 ± 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 ± 10 per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Employee benefits	198.5	123.7	2012-13 includes the operations of CenITex (\$69.5m) transferred to Department of State Development, Business and Innovation in September 2013.	Nil from whole of State perspective
Depreciation	57.0	41.9	2012-13 includes the operations of CenITex (\$23.8m) transferred to Department of State Development, Business and Innovation in September 2013.	Nil from whole of State perspective
Interest expense	10.2	8.1	Reduction in VicFleet interest	Lower borrowing costs
Grants and other transfers	4.6	8.2	Mainly associated with grants to local councils for the development of systems and administration to process the fire services property levy on behalf of the State.	New funding required for the implementation of the new fire services property levy

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

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Other operating expenses	159.3	85.3	2012-13 includes the operations of CenITex (\$59.6m) transferred to Department of State Development, Business and Innovation in September 2013.	Nil from whole of State perspective
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Expenses category	2013-14 actual (\$ million)	2014-15 actual (\$ million)	Explanations for variances greater than ±10 per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Employee benefits	123.7	150.7	Includes the operations of CenITex (\$27.4m) resulting from the transfer from the Department of State Development, Business and innovation in January 2015.	Nil from whole of State perspective
Grants and other transfers	8.2	6.8	Mainly associated with lower grants to local councils for the administration of the fire services property levy	Higher level of funding was required in prior years due to initial implementation of systems etc which are now complete.
Other operating expenses	85.3	128.3	Includes the operations of CenITex (\$31.0m) resulting from the transfer from the Department of State Development, Business and innovation in January 2015 and additional professional expenses were incurred for works relating to the medium term lease of Port of Melbourne.	Progress with the lease of the Port of Melbourne

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Question 18

Please explain any variances greater than ± 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 community³ 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 ± 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 ± 10 per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Employee benefits	197.8	123.7	The budget included CenITex operations which moved to the Department of State Development and Business Innovation (DSDBI) in September 2013. This accounts for the lower actuals than the published budget.	Nil from whole of State perspective
Depreciation	66.3	41.9	The budget included CenITex operations which moved to DSDBI in September 2013. This accounts for the lower actuals than the published budget.	Nil from whole of State perspective
Interest expense	13.4	8.1	The expenditure is for interest charges incurred by VicFleet and the decrease is due to lower rates available from TCV.	Lower borrowing costs to departments.
Grants and other transfers	7.2	8.2	There was a \$0.9m carryover from 2012-13 for Victoria's contribution toward the National Occupational Licensing Systems Reforms, a COAG run reform, which increased the budget from that published.	No impact on State outcomes. This is a contribution to a Commonwealth reform which had been delayed in 2012-13.

³ That is, the impact of service delivery on the community rather than a description of the services delivered.

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Expenses category	2013-14 budget estimate	2013-14 actual	Explanations for variances greater than ± 10 per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Other operating expenses	154	85.3	The budget included CenITex operations which moved to DSDBI in September 2013. This accounts for the lower actuals than the published budget.	Nil from whole of State perspective

Expenses category	2014-15 budget estimate (\$ million)	2014-15 actual (\$ million)	Explanations for variances greater than ± 10 per cent or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses
Employee benefits	124.2	150.7	CenITex operations moving back into the Department from 1 January 2015 via machinery of government change accounts for the higher actuals than the published budget.	Nil from whole of State perspective
Depreciation	38.0	42.9	Actuals include costs incurred by CenITex, which moved to the Department from 1 January 2015. Their increased costs compared to the published budget are offset by lower than expected costs for depreciation of buildings and amortisation of municipal land valuations (due to low capital costs incurred in 2014-15).	No impact on outcomes from changed depreciation/amortisation expenditure.
Interest expense	13.4	0.1	The interest charges expense budget for VicFleet was transferred from controlled into administered during 2014-15.	Administrative movement of budget. No impact on outcomes.
Grants and other transfers	5.6	6.8	Most of the variance relates to a transfer payment to Department of Premier and Cabinet for expenses they had incurred related to the media campaign for the Fire Services Property Levy.	Communicating a change to the collection of the Fire Services Property Levy as part of the Revenue Management Services outcome.
Other operating expenses	87.7	128.3	Part of the actuals above published budget relate to the costs of the Port Transaction Unit funded by Treasurer's Advance in 2014-15. The majority of the overspend is expenses incurred by CenITex which moved to the Department from 1 January 2015.	Expenditure contributes to the Department's objective of sound financial management of the State's fiscal resources which is a Financial Management Services output.

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Question 19 (departments only)

Please provide the following details about the realisation of expenditure reduction targets in 2013-14 and 2014-15. In providing targets, please provide the cumulative target rather than the change in savings from one year to the next (i.e. provide the target on the same basis as the budget papers). Please provide figures for the Department including its controlled entities.⁴

Initiative	Total value of efficiencies/savings expected to be realised from that initiative (\$ million)		Explanation for any variances greater than ± 10 per cent between estimated and actual expenditure reductions	How the efficiencies/savings have been achieved (i.e. what measures or changes have been introduced)
	in 2013-14	in 2014-15		
Government election commitment savings (2011-12 Budget)	13.66	13.92	n/a	The Department continues to review its processes and systems to identify and implement efficiencies.
Measures to offset the GST reduction (2011-12 Budget)	Included in 13.66 target	Included in 13.92 target	n/a	The Department continues to review its processes and systems to identify and implement efficiencies.
Maintain a sustainable public service (2011-12 Budget Update)	15.541	16.949	n/a	The Department continues to review its processes and systems to identify and implement efficiencies, including departmental re-structure effective October 2012.
Capping departmental expenditure growth (2011-12 Budget Update)	7.1	9.6	n/a	The Department continues to review its processes and systems to identify and implement efficiencies.
'Total savings' line item in 2012-13 Budget	5.0	5.0	n/a	The Department continues to review its processes and systems to identify and implement efficiencies.
Efficiency measures (2012-13 Budget Update)	2.0	3.7	n/a	The Department continues to review its processes and systems to identify and implement efficiencies.

⁴ That is, please provide this information for the Department on the same basis of consolidation as is used in the budget papers.

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Initiative	Total value of efficiencies/savings expected to be realised from that initiative (\$ million)		Explanation for any variances greater than ± 10 per cent between estimated and actual expenditure reductions	How the efficiencies/savings have been achieved (i.e. what measures or changes have been introduced)
	in 2013-14	in 2014-15		
Efficiency and expenditure reduction measures (2013-14 Budget)	0.0	0.0	n/a	The Department continues to review its processes and systems to identify and implement efficiencies.
Efficiency measures (2013-14 Budget Update)	2.60	5.1		The Department continues to review its processes and systems to identify and implement efficiencies.
Application of an efficiency dividend to non-frontline departmental expenditure (2014-15 Budget)	-	-		
Other				

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

DTF has maintained the same level of service delivery after implementing the expenditure reduction initiatives.

(b) in 2014-15

DTF has maintained the same level of service delivery after implementing the expenditure reduction initiatives.

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Question 21 (departments only)

The 2013-14 and 2014-15 budget papers both include targets for the ‘reprioritisation of resources previously allocated to departments’ to fund new initiatives (2013-14 Budget Paper No.2, p.54; 2014-15 Budget Paper No.2, p.61). This is in addition to any savings or efficiencies resulting from expenditure reduction measures. For your department (including all controlled entities),⁵ please indicate:

- (a) what areas of expenditure (including projects and programs if appropriate) the funding was reprioritised from (i.e. what the funding was initially provided for);
- (b) for each area of expenditure (or project or program), how much funding was reprioritised in each year; and
- (c) the impact of the reprioritisation on those areas.

DTF was not required to reprioritise resources previously allocated to fund new initiatives.

Question 22 (Department of Treasury and Finance only)

Regarding expenses of the general government sector in 2013-14 and 2014-15, please compare the initial budget estimates (**not** the revised estimate) for each of the government purpose classifications (note 12a in Budget Paper No.5) to the actual expenses in that classification, explaining any variances greater than ± 10 per cent or \$100 million (please fill all blank spaces).

It is difficult to make detailed comparisons between the 2013-14 original budget estimates and the 2013-14 Annual Financial Report due to significant differences in the allocation methodology used across classifications for the two publications. For the original budget estimates, the allocation methodology uses ratios based on historical data and the impact of policy and non-policy estimate variations, whereas actual expenditure is based on actuals data fed by output that is mapped to government purpose classifications (GPC). Since the 2014-15 Budget, enhanced and more consistent processes between publications, driven by the availability of more granular data, has helped ensure that the GPC disclosures are more comparable.

⁵ That is, please provide this information for the Department on the same basis of consolidation as is used in the budget papers.

Government purpose classification	Initial budget estimate for 2013-14 (\$ million)	Actual for 2013-14 (\$ million)	Explanation for any variance greater than ±10 per cent or \$100 million
General public services	361.4	1,050.5	The main reason for this variance relates to the different methodology used for expenses since the 2013-14 original budget as noted above. This output is relevant to more departments than anticipated in the 2013-14 Budget.
Public order and safety	5,491.0	5,508.5	Immaterial
Education	13,949.8	12,836.9	The main reason for this variance relates to the different methodology used for expenses since the 2013-14 original budget as noted above. \$147 million relates to a reduction in employee expenses driven by the deconsolidation of dual sector entity TAFEs (\$100m) and the winding down of the Voluntary Departure Packages (\$40m) for non frontline staff that were mostly paid out in 2012-13, with the balance finalised in 2013-14.
Health	13,982.3	13,814.6	The main reason for this variance relates to the different methodology used for expenses since the 2013-14 original budget as noted above.
Social security and welfare	3,233.1	4,111.7	The main reason for this variance relates to the different methodology used for expenses since the 2013-14 original budget as noted above. This output is relevant to more departments than anticipated in the 2013-14 Budget.
Housing and community amenities	2,092.5	2,444.4	The main reason for this variance relates to the different methodology used for expenses since the 2013-14 original budget as noted above. This output is relevant to more departments than anticipated in the 2013-14 Budget.
Recreation and culture	622.0	687.0	Immaterial
Fuel and energy	20.2	123.1	The main reason for this variance relates to the different methodology used for expenses since the 2013-14 original budget as noted above.
Agriculture, forestry, fishing, and hunting	839.3	377.8	The main reason for this variance relates to the different methodology used for expenses since the 2013-14 original budget as noted above. Originally, the expenditure of the former Department of Primary Industries was allocated to this GPC, however, for the 2013-14 AFR the expenses were allocated more accurately and is explained by the movement in the housing and community amenities, and the public order and safety outputs.

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Government purpose classification	Initial budget estimate for 2013-14 (\$ million)	Actual for 2013-14 (\$ million)	Explanation for any variance greater than ±10 per cent or \$100 million
Mining, manufacturing, and construction	15.6	0.0	The main reason for this variance relates to the different methodology used for expenses since the 2013-14 original budget as noted above. Victoria does not expend on activities relating to prospecting, mining and mineral resources development; manufacturing activities and research into manufacturing methods, materials and industrial management; or activities associated with the building and construction industry.
Transport and communications	5,535.1	5,548.1	Immaterial
Other economic affairs	684.9	1,168.5	The main reason for this variance relates to the different methodology used for expenses since the 2013-14 original budget as noted above.
Other purposes	3,275.8	2,717.4	The main reason for this variance relates to the different methodology used for expenses since the 2013-14 original budget as noted above.

Government purpose classification	Initial budget estimate for 2014-15 (\$ million)	Actual for 2014-15 (\$ million)	Explanation for any variance greater than ±10 per cent or \$100 million
General public services	891.4	2 428.3	This variance relates to the change in the classification of interest cost on defined benefit superannuation* from the other purposes output to the general public services output as it is a more accurate classification. In addition, it also reflects the costs to the State from the finalisation of the agreement with the East West Link consortium. <i>* Change during the period in the defined benefit liability that arises from the passage in time.</i>
Public order and safety	5,913.2	5 769.1	This variance largely reflects lower fire protection services than anticipated due to lower bushfire related incidents in 2014-15.
Education	12,943.6	12 973.8	Immaterial
Health	14,437.1	14 369.8	Immaterial

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Government purpose classification	Initial budget estimate for 2014-15 (\$ million)	Actual for 2014-15 (\$ million)	Explanation for any variance greater than ±10 per cent or \$100 million
Social security and welfare	4,048.6	4 254.9	The variance is primarily is due to additional expenditure to strengthen responses to family violence and additional demand in placement and support services for children and young people in care.
Housing and community amenities	3,022.2	2 948.2	Immaterial
Recreation and culture	653.8	682.6	Immaterial
Fuel and energy	183.3	130.4	This variance relates to the timing of expenditure for programs such as CarbonNet and Low Emissions Energy Technology.
Agriculture, forestry, fishing, and hunting	362.1	382.0	Immaterial
Transport and communications	5,839.9	6 133.6	This variance relates to the reclassification of costs from capital expenditure to operating expenditure, additional funding from the Commonwealth government to deliver projects, and carryover of unused appropriation to the 2014-15 financial year.
Other economic affairs	1,173.4	1 108.9	Immaterial
Other purposes	2,106.7	1 376.4	This variance primarily relates to the change in the classification of interest cost on defined benefit superannuation from the other purposes output to the general public services output as it is a more accurate classification. The budgeted estimates further include provision available to be allocated to specific departments and projects, future demand growth, departmental underspending and items not yet formalised at the time of publication.

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Question 23 (PNFC and PFC entities only)

This question does not apply to your department.

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:

Level	Total FTE (30 June 2013)	Total FTE (30 June 2014)	Total FTE (30 June 2015)	Explanation for changes
VPS Grades 1-3	129.89	110.01	90.02	Reduction as a result of natural attrition and Machinery of Government Changes which occurred post the change of Victorian Government in November 2014.
VPS Grade 4	104.15	103.39	93.85	Reduction as a result of natural attrition and Machinery of Government Changes which occurred post the change of Victorian Government in November 2014.
VPS Grades 5-6 and STS	312.89	277.25	255.85	Reduction as a result of natural attrition and Machinery of Government Changes which occurred post the change of Victorian Government in November 2014.
EO	69.20	66.73	63.05	Reduction as a result of natural attrition and Machinery of Government Changes which occurred post the change of Victorian Government in November 2014.
Other	4.92	7.02	4.38	Reduction as a result of natural attrition.
Total of all staff (including non-VPS grades)	621.05	564.40	507.15	

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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 ± 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 ± 10 per cent or \$100 million
Ongoing	60.56	61.40	60.61	
Fixed-term	0.58	1.16	1.21	10% increase from 12-13 to 13-14 due to business need for short term resourcing at a higher VPS classification, including one STS employee.
Casual	0.11	0.12	0.14	10% increase from 13-14 to 14-15 was predominately due to one casual employee, appointed to assist with a reform project in April 2014, who has since departed.
Total	61.25	62.69	61.96	

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.

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	56	2 x salary reassessment 54 x annual adjustment
3-5 per cent	10	10 x annual adjustment
5-10 per cent	8	8 x annual adjustment

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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
10-15 per cent	1	1 x salary reassessment
greater than 15 per cent	1	1 x promotion

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	56	3 x salary reassessment 53 x annual adjustment
3-5 per cent	8	4 x salary reassessment 4 x annual adjustment
5-10 per cent	13	1 x salary reassessment 12 x annual adjustment
10-15 per cent	1	1 x promotion
greater than 15 per cent	2	1 x promotion 1 x salary reassessment

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SECTION F: Inter-sector flows**Question 27 (Department of Treasury and Finance only)**

For each of the following line items in the general government sector comprehensive operating statement (or its notes), please quantify the amount of the line item that is received from or provided to the PNFC sector or PFC sector. Please also identify any other line items in the revenue from transactions or expenses from transactions or their notes in which more than \$100 million flows from the general government sector to the PNFC or PFC sector or vice versa.

(a) revenue from transactions

Line item	Amount coming from PNFC sector (\$ million)		Amount coming from the PFC sector (\$ million)	
	2013-14	2014-15	2013-14	2014-15
Taxation revenue	nil	nil	nil	nil
Interest revenue	486.5	477.2	92.5	80.7
Dividends	83.7	256.0	136.0	566.2
Income tax equivalent and local government rate equivalent revenue	182.6	132.9	22.2	138.6
Grants	25.2	191.3	104.7	121.1
Sales of goods and services – inter-sector capital assets charge	1 524.4	1 582.2	nil	nil
Sales of goods and services – provision of services	1.3	0.8	0.0	0.0
Total revenue from transactions	2 330.1	2 668.9	355.4	1 174.5
Other line items with >\$100 million coming from the PNFC or PFC sector (please specify)				

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(b) expenses from transactions

Line item	Amount going to PNFC sector (\$ million)		Amount going to the PFC sector (\$ million)	
	2013-14	2014-15	2013-14	2014-15
Interest expense	24.6	37.9	1 289.6	1 273.9
Grants and other transfers	2 783.6	2 782.6	4.6	3.4
Other operating expenses – purchase of supplies and consumables	1.7	0.6	2.4	(0.0)
Other operating expenses – purchase of services	0.0	0.0	(0.0)	0.0
Total expenses from transactions	2 799.6	2 665.1	1 309.9	1 300.3
Other line items with >\$100 million going to the PNFC or PFC sector (please specify)				

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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)	-
Relocation	-
Telephony	0.0005
IT and records management	0.0225
Rebranding	-
Furniture and fit-out	-
Other	-

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

IT and data management budget

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

Nil

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.

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

Please comment on what the 2013-14 and 2014-15 results indicate in terms of achieving or progressing towards the four goals of the previous Government’s medium-term fiscal strategy:

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Goal	2013-14 result	2014-15 result	What the results indicate
Infrastructure investment of 1.3 per cent of GSP (calculated as a rolling five-year average)	1.69 per cent	1.58 per cent	These results indicate that Victoria clearly exceeded the previous Government's infrastructure investment target for 2013-14 and 2014-15.
General government net debt reduced as a percentage of GSP over the decade to 2022	6.0 per cent of GSP	6.1 per cent of GSP	This goal is designed to measure the comparative levels, and underlying trajectory of net debt over a 10-year period. Annual net debt outcomes will vary around an underlying trend, and are of limited value when assessing progress against a longer-term measure.
Fully fund the unfunded superannuation liability by 2035	41.4 per cent for the former State Superannuation Fund	45.9 per cent for the former State Superannuation Fund	The results show the funding ratio for State's share of the State Superannuation Fund (which has now been rolled into the Emergency Services and State Super fund). The Government continually monitors achievement against the goal and remains on track to meet the target date in 2035.
A net operating surplus of at least \$100 million and consistent with the infrastructure and debt parameters	\$1 980 million	\$1 214 million	These results indicate that Victoria clearly exceeded the previous Government's infrastructure investment target for 2013-14 and 2014-15.

Question 32

Please provide any quantified results from 2013-14 and 2014-15 which indicate progress towards the five goals of the previous Government's long-term financial management strategy, and discuss what these and other results indicate about progress towards the long-term objectives:

Goal	2013-14 result	2014-15 result	What the results indicate
Managing responsibly Victoria's state finances will be managed responsibly to enhance the well-being of Victorians.			

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Goal	2013-14 result	2014-15 result	What the results indicate
<p>Looking after the future</p> <p>The endowment of public sector wealth bequeathed by the current generation of Victorians to the next will be no less than the current generation inherited from the previous generation.</p>			
<p>Managing the unexpected</p> <p>The State's financial position will be robust enough to absorb and recover from unanticipated events, and to absorb the volatility inherent in revenues and expenses</p>			
<p>Improving services</p> <p>Victoria's public services will improve over time through enhanced efficiency and through a growing capacity of the Victorian economy to fund those services.</p>			
<p>Maximising community benefit</p> <p>Public sector resources will be allocated to those activities which generate maximum community benefit.</p>			

DTF Response:

The Government's long-term financial management objectives are provided in annual budget papers in accordance with the *Financial Management Act 1994* (FMA). These objectives are a set of principles that guide the development of State budgets and financial estimates.

Long-term financial management objectives incorporate a wide range of qualitative and quantitative assessments, and cannot be effectively assessed using a narrow selection of metrics. However, the Government does outline the key financial measures and targets it considers important in assessing responsible financial management as part of annual budget papers and budget updates. Recent performance against these measures is addressed in the answers to section H, question 1.

The previous Government also considered maintaining the State's triple-A credit rating as a key financial objective. Victoria held a triple-A credit rating, stable outlook, from both major rating agencies for all of 2013-14 and 2014-15.

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SECTION I: Economic environment

Question 33 (Department of Treasury and Finance only)

Where not pre-filled in the tables below, please indicate the estimated and actual result for the following economic variables. For the estimate, please use the initial estimate used in preparing the 2013-14 budget papers for 2013-14 and the 2014-15 budget papers for 2014-15 (**not** revised estimates). For any variance equal to or greater than ± 0.5 percentage points, please provide an explanation for the variance. Please fill all blank spaces.

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Economic variable	Initial 2013-14 budget estimate	Actual 2013-14 result	Variance	Explanation for variances equal to or greater than ± 0.5 percentage points
Real gross state product growth	2.25	1.7	-0.55	GSP growth was weaker than expected, largely due to slower household consumption and business investment, in the face of the uncertainty created by a deterioration in the international outlook.
Employment growth	1.5	0.6	-0.9	Consistent with slower growth in GSP, employment growth was less than expected
Unemployment rate	5.5	6.2	0.7	Consistent with slower growth in GSP together with higher population growth, the unemployment rate was higher than forecast
Consumer price index growth	2.5	2.8	0.3	Variance < ± 0.5 percentage points
Wage price index growth	3.5	2.7	-0.8	Consistent with a weaker than expected labour market, wages growth was also weaker
Population growth	1.7	1.9	0.2	Variance < ± 0.5 percentage points
Interest rates ^(a)	2.88	2.53	-0.35	DTF does not independently forecast interest rates, but uses the latest available median of forecasts surveyed by Bloomberg for the upcoming Budget year. The actual weighted average cash rate for the 2013-14 year was 2.53 per cent.
Household consumption growth	2.8	2.0	-0.8	Sluggishness in overall economic activity, and uncertainty attributed to the international outlook and weak employment and wages growth, suppressed growth in consumption
Property prices growth ^(a)	5.8	8.2	2.4	Property market was stronger than forecast
Property transaction volume growth ^(a)	3.2	13.6	10.3	Property market was stronger than forecast

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Economic variable	Initial 2013-14 budget estimate	Actual 2013-14 result	Variance	Explanation for variances equal to or greater than ± 0.5 percentage points
Enterprise bargaining agreement increases ^(a)	2.3%	1.3%	-1.0	<p>The base for 'enterprise bargaining agreement increases' for the sensitivity analysis in Budget Paper No. 2 is 'employee expenses'. While EBA changes contribute to growth in employee expenses, it may also be driven by changes in the number of employees and other factors impacting the price of labour (such as changes in the composition of the workforce and progression rates).</p> <p>The 1 ppt variation between the actual growth in employee expenses in 2013-14 versus expectation at the time of the 2013-14 Budget reflects stronger growth in 2012-13 than originally expected. Actual employee expenses of \$18.0 billion in 2013-14 was in line with the original budget expectation of \$17.9 billion.</p>
Exchange rate	\$A1 = US\$1.01	\$A1 = \$US0.91	-9.9%	DTF does not forecast exchange rates, but leaves the exchange rate constant at the time forecasts are finalised pre-Budget. The AUD weakened as commodity prices fell during 2013-14.

(a) As defined for the sensitivity analysis in Budget Paper No.2.

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Economic variable	Initial 2014-15 budget estimate	Actual 2014-15 result	Variance	Explanation for variances equal to or greater than ± 0.5 percentage points
Real gross state product growth	2.5	Not yet available	na	2014-15 GSP data to be published by the ABS on 20 November 2015.
Employment growth	1.25	2.1	0.85	Employment growth largely reflects an increase in part-time employment, while full time employment was largely unchanged. The ABS has also indicated that some Victorian labour force statistics may have been affected by variations in sample characteristics of the groups rotating in and out of the survey.
Unemployment rate	6.25	6.4	0.15	Variance < ± 0.5 percentage points
Consumer price index growth	2.25	1.4	-0.85	The lower than expected inflation rate reflects lower fuel prices, and the absorption by retailers (due to competitive pressures within the economy) of exchange rate costs as the AUD weakened.
Wage price index growth	3.25	2.7	-0.55	Continued international and domestic uncertainty about economic growth, along with excess capacity in the labour market has continued to delay the return to trend wages growth
Population growth	1.8	Not yet available	na	State population data for June 2015 to be published by ABS on 17 December 2015
Interest rates ^(a)	2.50	2.36	-0.14	DTF does not independently forecast interest rates, but uses the latest available median of forecasts surveyed by Bloomberg for the upcoming Budget year. The weighted average cash rate for the 2014-15 year was 2.36 per cent.
Household consumption growth	2.9	2.4	-0.5	Global economic uncertainty and equity market volatility translated to weak consumer sentiment and slower than expected growth in consumption
Property prices growth ^(a)	4.2	Not yet available	na	Due to revisions, complete data separating property prices and volumes for 2014-15 not yet available from the Valuer General. Data will be available in the first week of January 2016.
Property transaction volume growth ^(a)	1.8	Not yet available	na	Due to revisions, complete data separating property prices and volumes for 2014-15 not yet available from the Valuer General. Data will be available in the first week of January 2016.

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Economic variable	Initial 2014-15 budget estimate	Actual 2014-15 result	Variance	Explanation for variances equal to or greater than ± 0.5 percentage points
Enterprise bargaining agreement increases ^(a)	1.9%	4.6%	2.7	<p>The base for 'enterprise bargaining agreement increases' for the sensitivity analysis in Budget Paper No. 2 is 'employee expenses'. While EBA changes contribute to growth in employee expenses, it may also be driven by changes in the number of employees and other factors impacting the price of labour (such as changes in the composition of the workforce and progression rates).</p> <p>The 2.7 ppt variation between the actual growth in employee expenses in 2014-15 versus expectation at the time of the 2014-15 Budget reflects unexpected demand growth in hospitals and health services.</p>
Exchange rate	\$A1 = US\$0.89	\$A1 = US\$0.83	-6.7%	DTF does not forecast exchange rates, but leaves the exchange rate constant at the time forecasts are finalised pre-Budget. The AUD weakened as commodity prices continued falling during 2014-15.

(a) As defined for the sensitivity analysis in Budget Paper No.2.

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Question 34 (Department of Treasury and Finance only)

Please quantify the impact on the revenue, expenses and net debt of the general government sector of any variances equal to greater than ± 0.5 percentage points identified in response to Question 33:

(a) in 2013-14

Economic variable	Variance between budget estimate and actual (from Question 33)	Impact on revenue (\$ million)	Impact on expenses (\$ million)	Impact on net debt (\$ million)
Real gross state product growth	-0.55	-98.8	-4.2	-94.7
Employment growth	-0.9	-46	1.2	-47.2
Unemployment rate	0.7	Not modelled	Not modelled	Not modelled
Consumer price index growth	< ± 0.5 percentage points			
Wage price index growth	-0.8	-35.4	-5.2	-30.2
Population growth	< ± 0.5 percentage points			
Interest rates	< ± 0.5 percentage points			
Household consumption growth	-0.8	Not modelled	Not modelled	Not modelled
Property prices growth	2.4	99.6	-2.6	108.0

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Economic variable	Variance between budget estimate	Impact on revenue	Impact on expenses	Impact on net debt
Property transaction volume growth	10.3	371.2	-9.8	381.0
Enterprise bargaining ⁶ agreement increases	-1.0	na	64.7	64.7
Exchange rate	-9.9%	Not modelled	Not modelled	Not modelled

(b) in 2014-15

Economic variable	Variance between budget estimate and actual (from Question 33)	Impact on revenue (\$ million)	Impact on expenses (\$ million)	Impact on net debt (\$ million)
Real gross state product growth	na	na	na	na
Employment growth	0.85	66.0	-1.7	67.7
Unemployment rate	< ±0.5 percentage points			
Consumer price index growth	-0.85	-259.1	55.0	-204.7
Wage price index growth	-0.55	-46.4	-3.3	-43.1
Population growth	na			

⁶ Although the variation in growth rates was negative, overall there was an increase in the value of employee expenses from that published in the Budget to the outcome for 2013-14.

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Economic variable	Variance between budget estimate and actual (from Question 33)	Impact on revenue (\$ million)	Impact on expenses (\$ million)	Impact on net debt (\$ million)
Interest rates	< ±0.5 percentage points			
Household consumption growth	-0.5	Not modelled	Not modelled	Not modelled
Property prices growth	na	na	na	na
Property transaction volume growth	na	na	na	na
Enterprise bargaining agreement increases	1.9%	na	391.7	391.7
Exchange rate	-6.7%	Not modelled	Not modelled	Not modelled

Question 35 (Department of Treasury and Finance only)

Please quantify the impact on the net result of the public financial corporations sector of any variances equal to greater than ±0.5 percentage points identified in response to the Question 33 in relation to the following factors. Please also describe major decisions that had not been anticipated at the time of the initial budget that were made in response to the impact (either to mitigate the impact of the variance or take advantage of it).

(a) in 2013-14

Economic variable	Variance between budget estimate and actual (from Question 33)	Impact on net result (\$ million)	Major decisions taken in response
Interest rates	-0.47	DTF does not collect this information at the public financial corporation sector level.	DTF does not collect this information at the public financial corporation sector level.
Exchange rate	-9.9%		

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(b) in 2014-15

Economic variable	Variance between budget estimate and actual (from Question 33)	Impact on net result (\$ million)	Major decisions taken in response
Interest rates	-0.14	DTF does not collect this information at the public financial corporation sector level.	DTF does not collect this information at the public financial corporation sector level.
Exchange rate	-6.7%		

Question 36 (Department of Treasury and Finance only)

Please quantify the impact on the net result from transactions of the public non-financial corporations sector of any variances equal to greater than ± 0.5 percentage points identified in response to the Question 33 in relation to the following factors. Please also describe major decisions that had not been anticipated at the time of the initial budget that were made in response to the impact (either to mitigate the impact of the variance or take advantage of it).

(a) in 2013-14

Economic variable	Variance between budget estimate and actual (from Question 33)	Impact on net result from transactions (\$ million)	Impact on asset investment (\$ million)	Major decisions taken in response
Real gross state product growth	-0.55	DTF does not collect this information at the public non-financial corporation sector level.	DTF does not collect this information at the public non-financial corporation sector level.	DTF does not collect this information at the public non-financial corporation sector level.
Consumer price index growth	0.3			
Population growth	0.2			
Household consumption growth	-0.8			

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(b) in 2014-15

Economic variable	Variance between budget estimate and actual (from Question 33)	Impact on net result from transactions (\$ million)	Impact on asset investment (\$ million)	Major decisions taken in response
Real gross state product growth	n/a	DTF does not collect this information at the public non-financial corporation sector level.	DTF does not collect this information at the public non-financial corporation sector level.	DTF does not collect this information at the public non-financial corporation sector level.
Consumer price index growth	-0.85			
Population growth	n/a			
Household consumption growth	-0.5			

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.).

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Expected economic result in 2013-14	Actual result in 2013-14	Impact of the variance on budget outcomes	Decisions made in response
No key economic variables had significant impact on the department's finances, service delivery or asset investments.		No impact.	No decisions made in response.

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
No key economic variables had significant impact on the department's finances, service delivery or asset investments.		No impact.	No decisions made in response.

SECTION J: Previous recommendations

Question 38 (departments only)

For each of the following recommendations from the Committee's *Report on the 2012-13 Financial and Performance Outcomes* (report number 119) or the *Review of the Performance Measurement and Reporting System* (report number 118) that relates to an area relevant to your department or one of its portfolio agencies, please indicate:

- (a) whether or not the action specified in the recommendation has been implemented;
- (b) if so, how it has been implemented and what publicly available information (if any) demonstrates the implementation of the recommendation;
and
- (c) if not, why not.

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Report No.	Rec. No.	Recommendation	Has the action specified in the recommendation been implemented?	If yes:		If no:
				How has it been implemented?	What publicly available information, if any, shows the implementation (include exact URL if applicable)?	Why not?
118	15	In updating the Model Report to detail reporting on departmental objective indicators, the Department of Treasury and Finance use the Department of Education and Early Childhood Development's 2012-13 annual report as a model.	Yes	The illustration in the Model Report has been updated to enhance the level of detail when reporting on departmental objective indicators, and progress towards achieving departmental objectives	http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-reporting-policy/2014-15-Model-Report p.15-16	
118	47	The Department of Treasury and Finance include a model set of budget portfolio outcomes statements in future Model Reports.	Yes	Appendix 6 <i>Budgetary reporting – explanation of material variances between budget and actual outcomes</i> has been included in the Model Report to meet the requirements of AASB 1055 and the PAEC 118 Recommendation 47	http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-reporting-policy/2014-15-Model-Report Appendix 6, p.339-346	

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Report No.	Rec. No.	Recommendation	Has the action specified in the recommendation been implemented?	If yes:		If no:
				How has it been implemented?	What publicly available information, if any, shows the implementation (include exact URL if applicable)?	Why not?
118	48	The Department of Treasury and Finance work with departments to ensure that they are aware of and understand the requirements for budget portfolio outcomes.	Yes	DTF has revised FRD 8C <i>Consistency of budget and departmental reporting</i> and included illustrations in the Model Report to enhance the level of detail when reporting on budget portfolio outcomes. In addition, two DTF workshops were ran in April 2015 on the Model Report to support departments, entities and preparers in familiarising themselves with these revised reporting requirements.	http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-Reporting-Policy/Financial-reporting-directions-and-guidance FRD 8C Refer also to PAEC 118 Recommendation 47	
118	49	The Department of Treasury and Finance require all departments and agencies to include 'nil reports' when their activities do not trigger the disclosure requirements of relevant Financial Reporting Directions or the Model Report.	Yes	The guidance in the Model Report has been updated to require entities to explicitly disclose a 'nil report' when their activities or circumstances do not trigger the specified disclosure requirements and thresholds of relevant Financial Reporting Directions.	http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-reporting-policy/2014-15-Model-Report p.47	

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Report No.	Rec. No.	Recommendation	Has the action specified in the recommendation been implemented?	If yes:		If no:
				How has it been implemented?	What publicly available information, if any, shows the implementation (include exact URL if applicable)?	Why not?
118	51	The Department of Treasury and Finance update the Model Report to require additional disclosure about completed capital projects, using the Department of Environment and Primary Industries' 2012-13 Annual Report as a model.	Implementation is in progress	A draft illustration has been prepared for inclusion in the Model Report. Consultation has been completed and the disclosure requirements are being finalised for submission to the Minister for Finance for approval.		
119	1	The Department of Treasury and Finance investigate ways of changing the guidance for entities other than departments to enable the Parliament and other stakeholders to compare the actual revenue for those entities against the original forecasts that were set for the year.	Yes	To change the guidance material for entities would expose a number of entities to commercial risk or disadvantage. DTF will continue to enhance the sectoral variance narrative to improve transparency around key variances between actual results and original estimates.	No publically available data.	

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Report No.	Rec. No.	Recommendation	Has the action specified in the recommendation been implemented?	If yes:		If no:
				How has it been implemented?	What publicly available information, if any, shows the implementation (include exact URL if applicable)?	Why not?
119	3	The Department of Treasury and Finance provide a further disaggregation of 'other operating expenses' for the public non-financial corporations sector in the Annual Financial Report and in the budget papers to the same level as is disclosed for the general government sector.	No			The Annual Financial Report discloses disaggregated information for the General Government sector and for the State of Victoria in the notes to the accounts but does not provide this break-up for the public non-financial corporations sector. Providing further disaggregated information for only one particular item of expenditure would be inconsistent with presentation format of the entire publication. DTF can provide this detail separately if requested.

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Report No.	Rec. No.	Recommendation	Has the action specified in the recommendation been implemented?	If yes:		If no:
				How has it been implemented?	What publicly available information, if any, shows the implementation (include exact URL if applicable)?	Why not?
119	4	The Department of Treasury and Finance provide a further disaggregation of 'other operating expenses' for the public financial corporations sector in the Annual Financial Report and in the budget papers to the same level as is disclosed for the general government sector.	No			The Annual Financial Report discloses disaggregated information for the General Government sector and for the State of Victoria in the notes to the accounts but does not provide this break-up for the public financial corporations sector. Providing further disaggregated information for only one particular item of expenditure would be inconsistent with presentation format of the entire publication. DTF can provide this detail separately if requested.

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Report No.	Rec. No.	Recommendation	Has the action specified in the recommendation been implemented?	If yes:		If no:
				How has it been implemented?	What publicly available information, if any, shows the implementation (include exact URL if applicable)?	Why not?
119	5	To improve understanding of planned investment in departmental minor asset projects, and align disclosures with the public non-financial corporations sector, the Department of Treasury and Finance should also include within the budget papers the aggregate total estimated investment for such projects.	Yes	Since 2013-14, Budget, Budget Paper 4 has included, for each department, the value of aggregate capital expenditure on minor asset projects not individually disclosed in the budget paper.	The information is published in Budget Paper 4 e.g. 2015-16: http://www.dtf.vic.gov.au/files/d90e7138-33e6-405c-9eb3-a48200c2db97/BP4-2015-16.pdf DEDJTR – page 21 DET – page 35 DEWLP – page 38 DHHS – page 43 DJR – page 47 DPC – page 49 DTF – page 50 Courts – page 52	
119	6	The Department of Treasury and Finance explore avenues to bring about greater comparability between budget and actual asset investment by government purpose classification published in annual budget papers and the Annual Financial Report.	Yes	DTF has revised the methodology for capturing budget estimates to allow for more accurate disclosure of government purpose classification information in estimates publications. From the 2014-15 financial year, these data sets will provide greater comparability between budget and actual information.	2014-15 Annual Financial Report	

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Report No.	Rec. No.	Recommendation	Has the action specified in the recommendation been implemented?	If yes:		If no:
				How has it been implemented?	What publicly available information, if any, shows the implementation (include exact URL if applicable)?	Why not?
119	10	Government responses supporting the Committee's recommendations that cite proposed review action include, to the extent possible, specific details of the planned reviews and their associated timelines. This approach would assist the Parliament's consideration of the responses.	Yes	The Government supports in principle including, to the extent possible, specific details of planned reviews and associated timelines of proposed review action.	Information will be made publicly available when the Government is next required to respond to Committee recommendations and where the Government responses cite proposed review action.	

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