

2013-14 VICTORIAN BUDGET

PAEC BREAKFAST

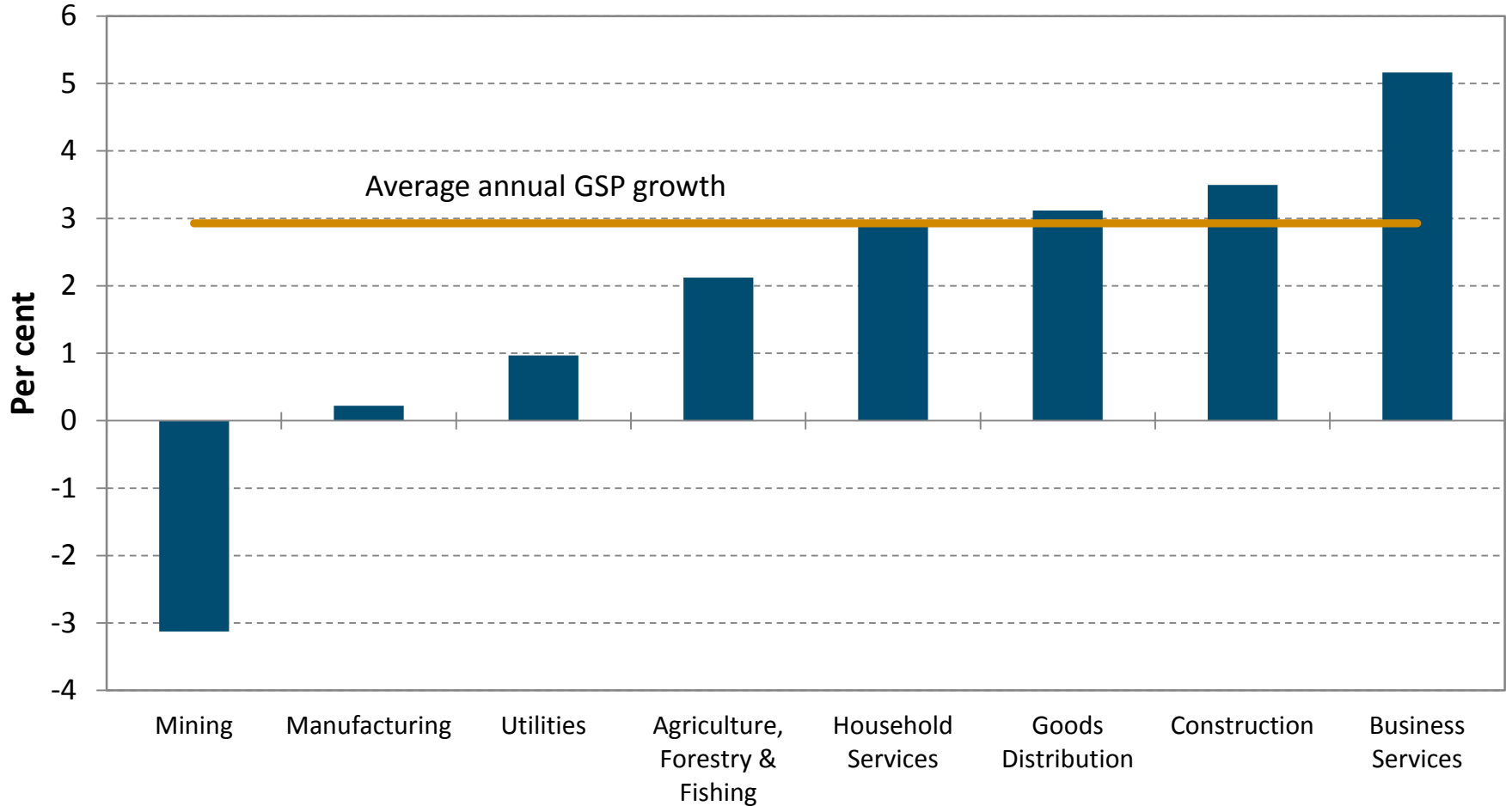
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Department of Treasury and Finance

Budget at a glance

- Growing economy, growing employment, growing surpluses, major new infrastructure
- Operating surplus of \$225 million in 2013-14
- Unemployment rate at 5.5 per cent in 2013-14 falling to 5 per cent in 2015-16 and 2016-17
- Government infrastructure investment of \$6.1 billion in 2013-14
- Major investment in hospitals
- Additional \$426 million for hospitals and health in 2013-14
- Allocation of \$580 million in education asset and output funding
- Gross State Product to grow by 2.25 per cent in 2013-14, rising to 2.75 per cent across the forward estimates
- Net debt of 6.4 per cent of GSP in 2013-14 falling to 5.4 per cent by 2016-17

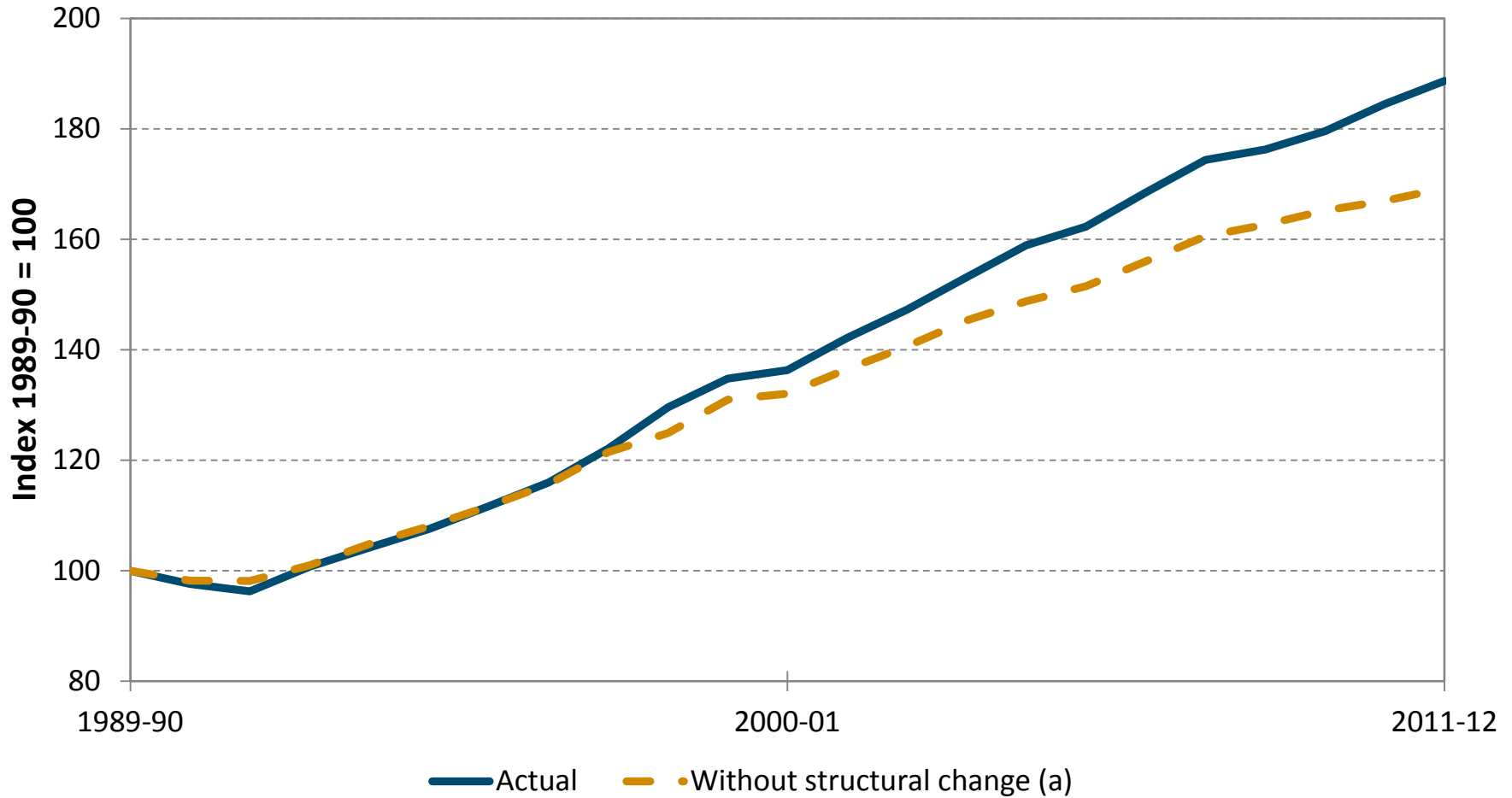
Structural change is occurring...

Average annual industry gross value added growth 1989-90 to 2011-12



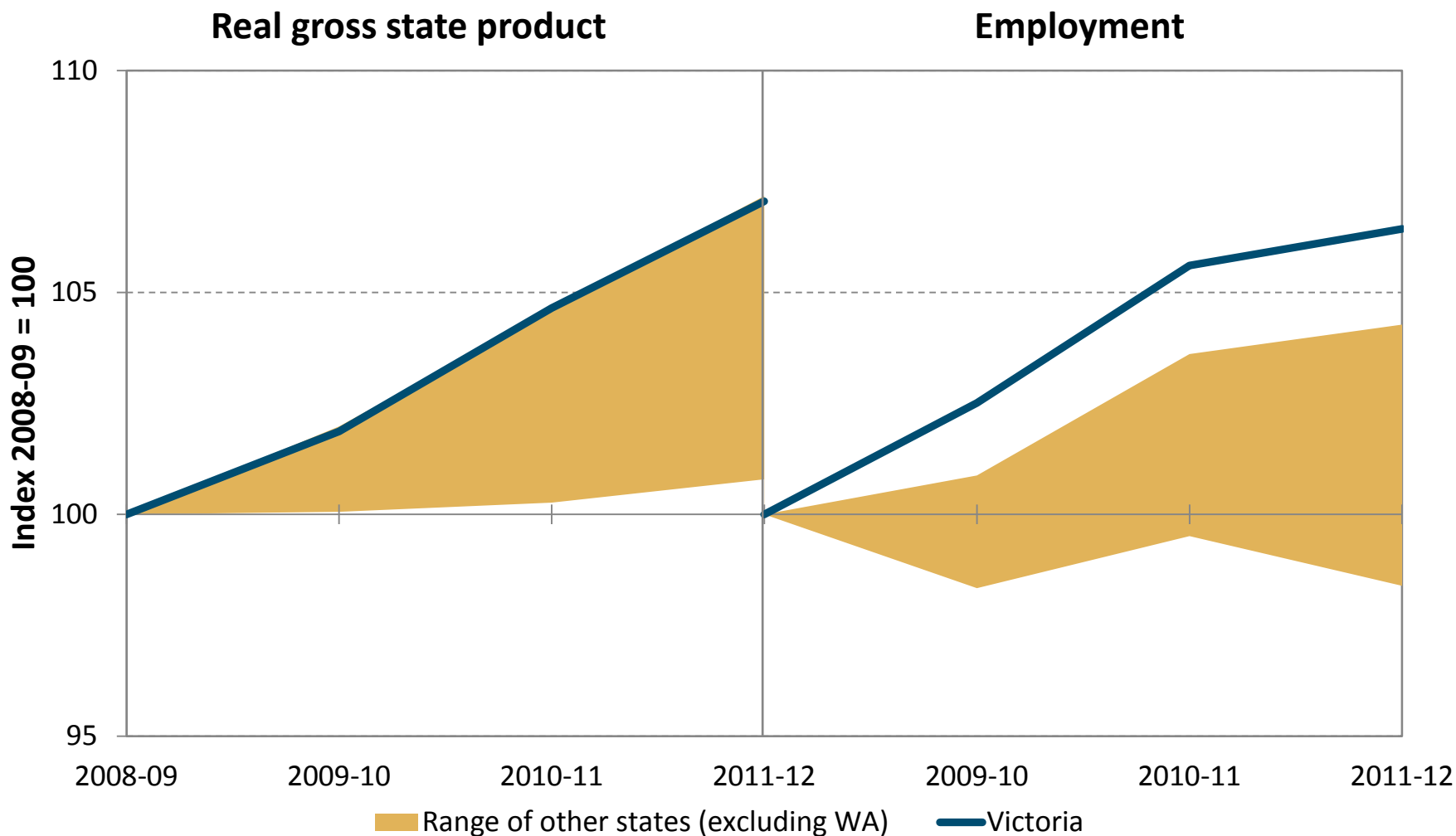
...which has strengthened Victorian economy

Victorian gross state product

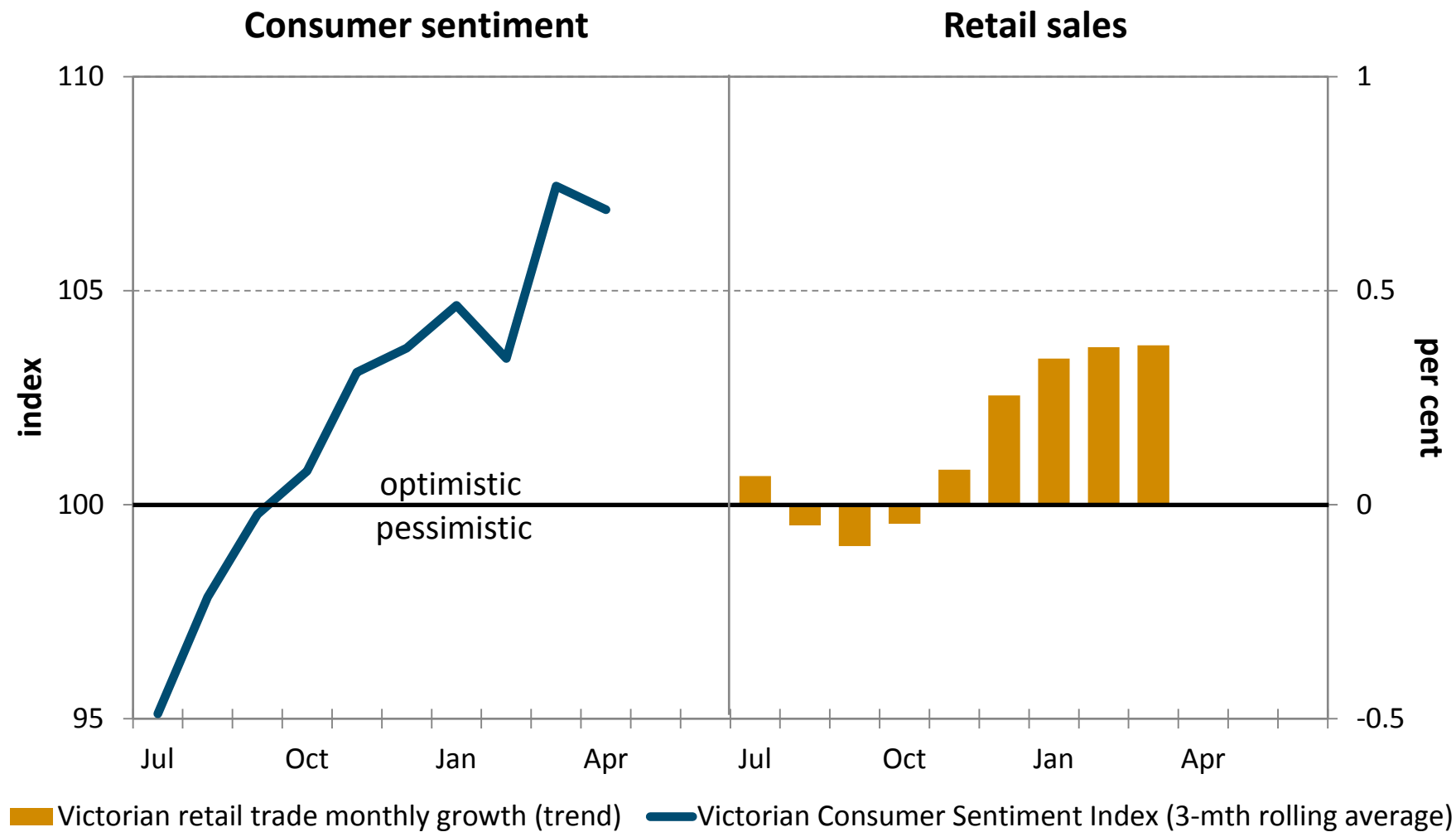


(a) Assumes industry GVA share fixed since 1989-90, with contributions to GSP growth based on fixed weights

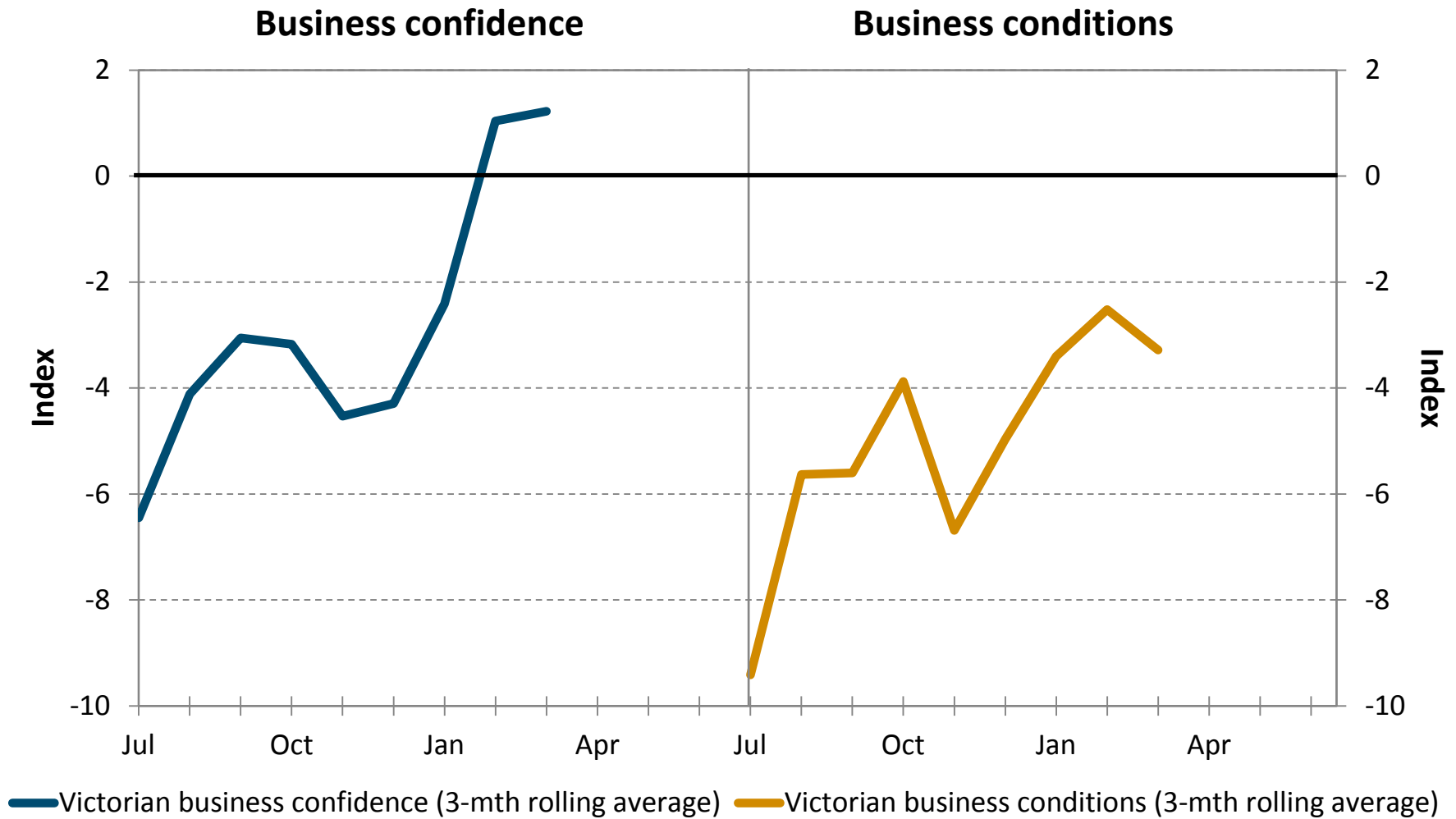
Economic outcomes compared to other states



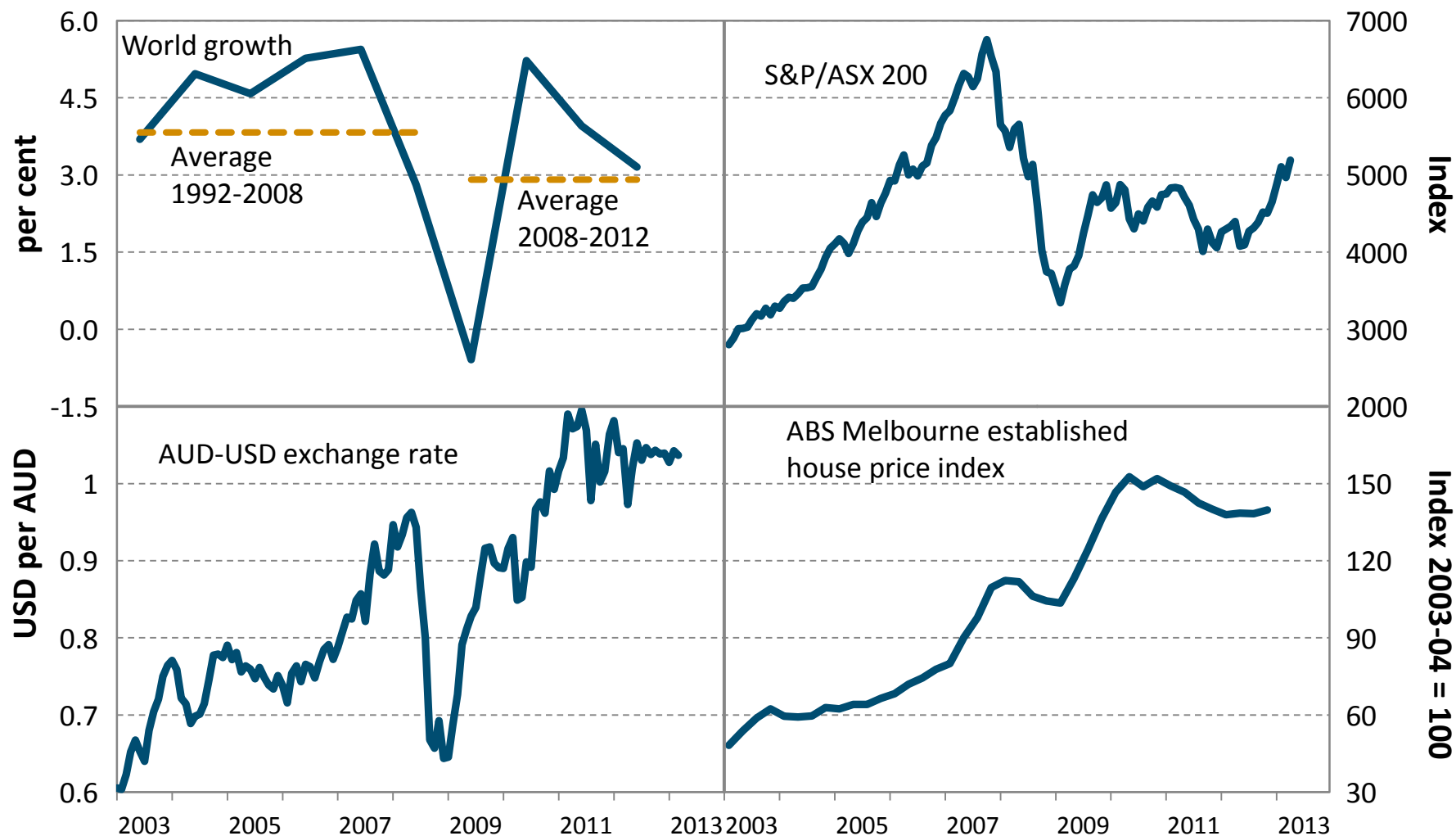
Consumers have become more confident...



...as have businesses



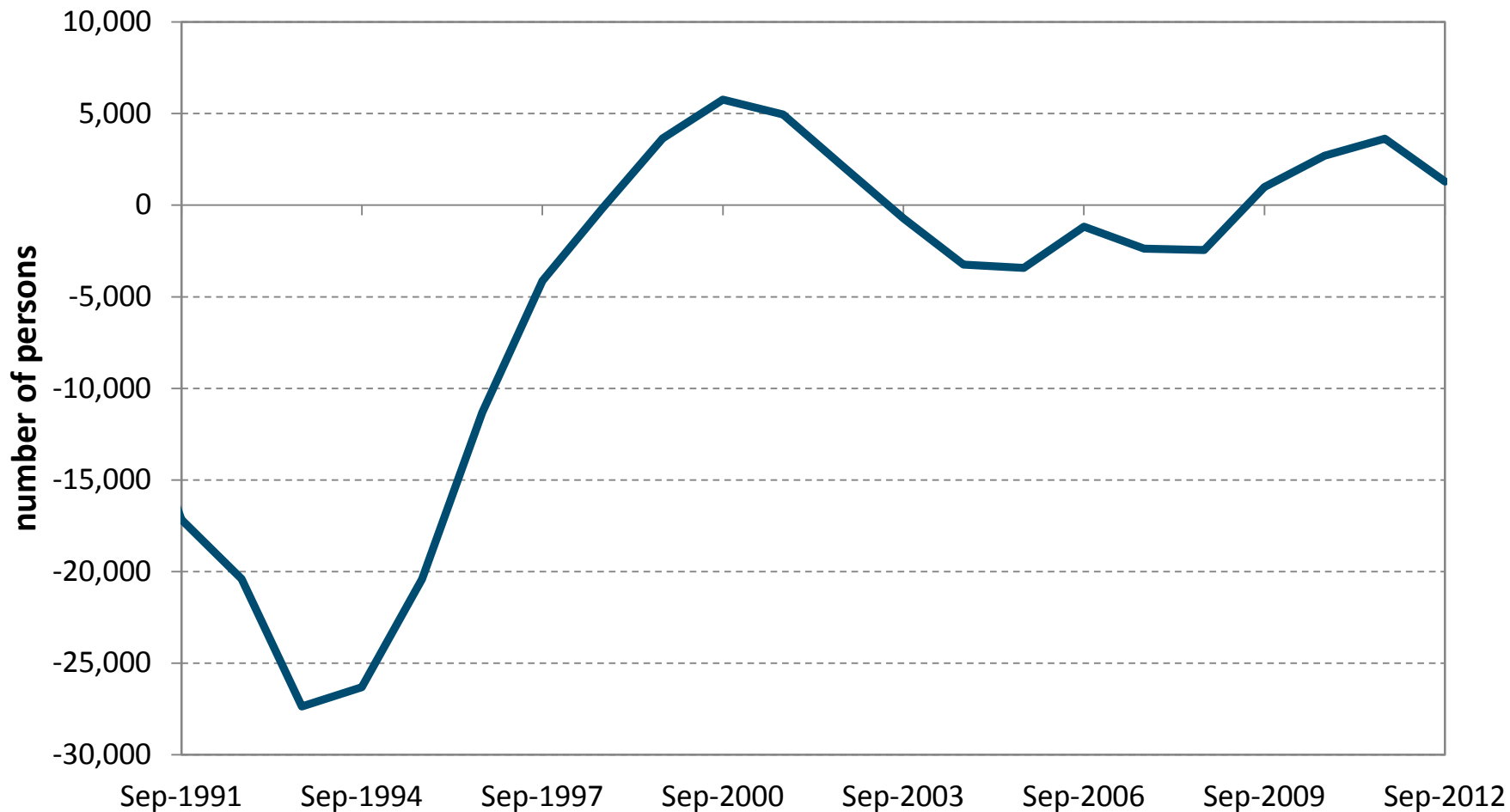
Environment remains challenging



Sources: International Monetary Fund, Yahoo7 Finance, Australian Bureau of Statistics, Reserve Bank of Australia, Department of Treasury and Finance

Migration

Victoria's net annual interstate migration



A solid economic outlook

2013-14 Budget economic forecasts (per cent) ^(a)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Real GSP	2.3	1.50 (2.00)	2.25 (2.50)	2.75	2.75	2.75
Employment	0.8	0.50	1.50	1.75	1.75	1.50
Unemployment rate	5.4	5.75	5.50	5.25	5.00	5.00
Consumer price index ^(b)	2.3	2.25 (2.75)	2.50	2.50	2.50	2.50
Wage price index ^(c)	3.5	3.50 (3.00)	3.50 (3.25)	3.50	3.50	3.50
Population	1.6	1.70 (1.60)	1.70 (1.60)	1.70 (1.60)	1.70 (1.60)	1.70

Note: Brackets indicate 2012-13 Budget Update forecasts where different from 2013-14 Budget forecasts

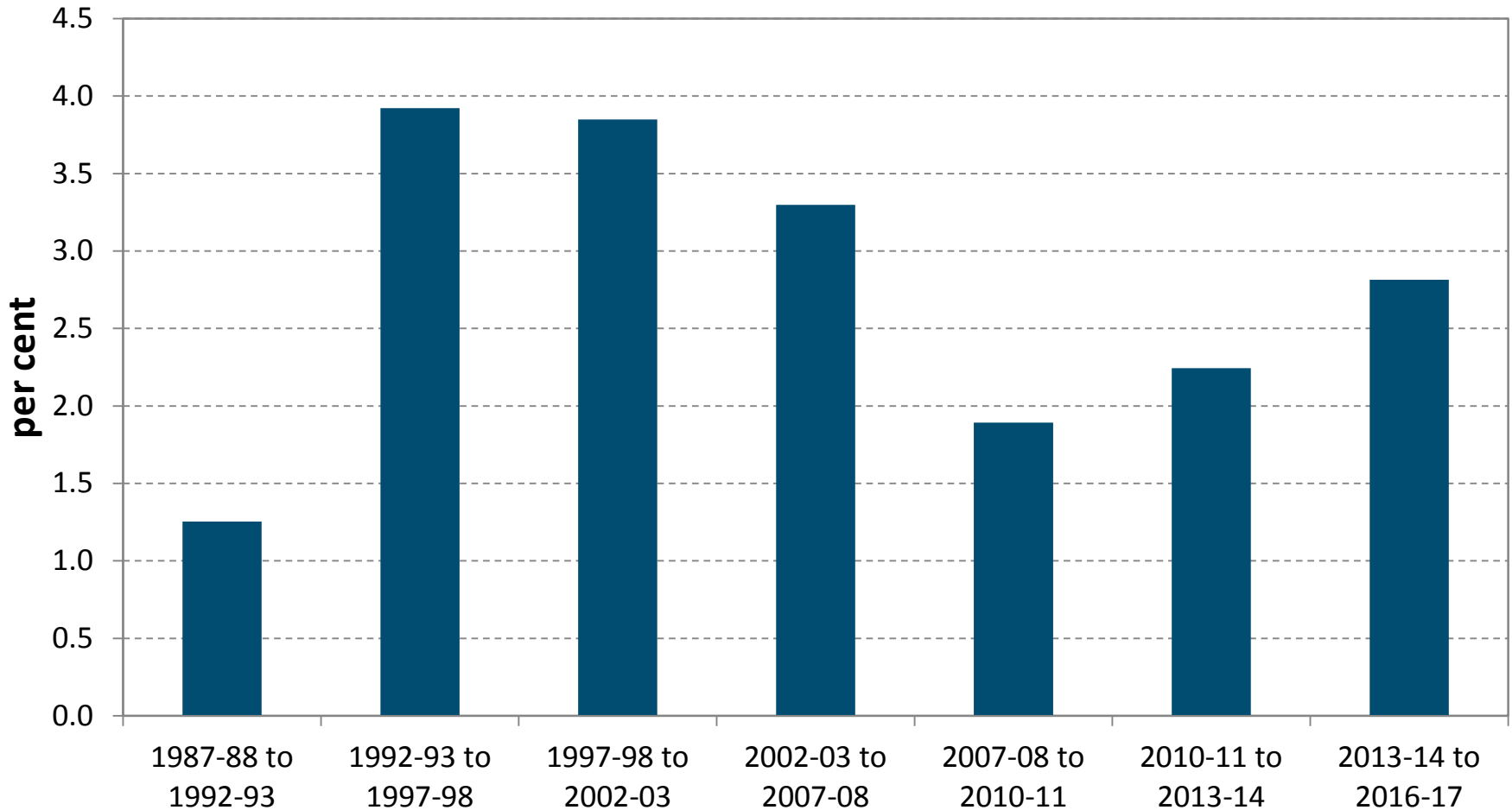
(a) Year-average per cent change on previous year, except for the unemployment rate which is a year-average per cent, and population which is year-ended per cent change to 30 June.

(b) All references to the consumer price index refer to the Melbourne consumer price index.

(c) Total hourly rate excluding bonuses.

Overall we see the economy returning to trend

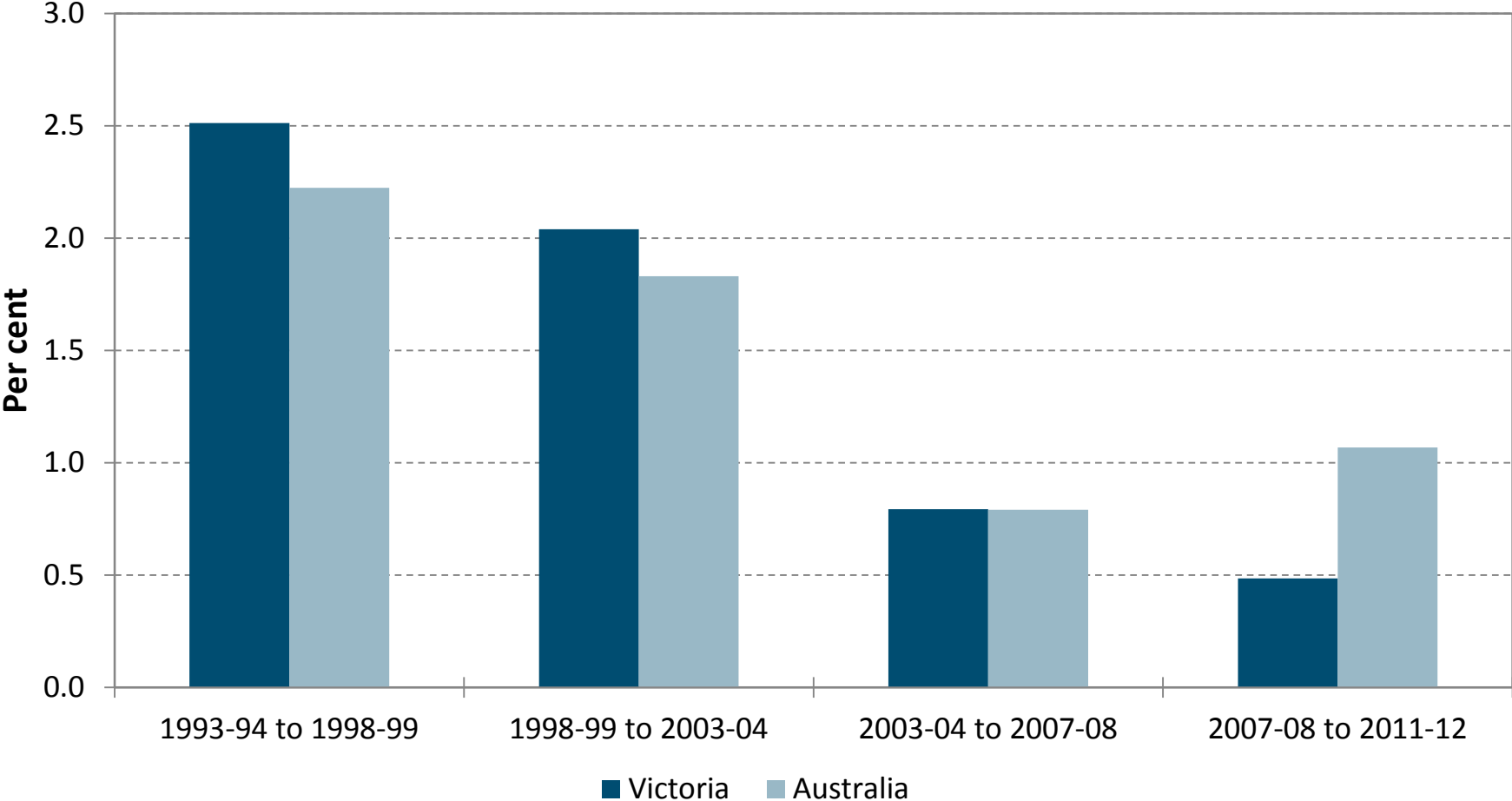
Victorian average annual real GSP growth ^(a)



a) Data prior to 1989-90 are calculated using growth rates from a constant price GSP series.

Productivity growth has eased

Average annual labour productivity growth



Medium-term fiscal strategy

- Government fiscal parameters
 - The parameters ensure the provision of a sustainable level of infrastructure investment as a financial management priority
 - They also provide for a reduction in net debt over the decade to 2022
 - The strategy will require continued disciplined financial management

Financial measures	Parameters
Operating surplus	A net operating surplus of at least \$100 million and consistent with the infrastructure and debt parameters
Net debt	General government net debt reduced as a percentage of GSP over the decade to 2022
Infrastructure investment	Infrastructure investment of 1.3 per cent of GSP (calculated as a rolling five-year average)
Superannuation liabilities	Fully fund the unfunded superannuation liability by 2035

Responsible financial management

2013-14 Budget aggregates (general government sector)

	<i>Unit of measure</i>	<i>2012-13 Revised</i>	<i>2013-14 Budget</i>	<i>2014-15 Estimate</i>	<i>2015-16 Estimate</i>	<i>2016-17 Estimate</i>
Net result from transactions (surplus)	\$ million	177.0	224.5	398.7	1 927.7	2 547.4
Net debt	\$ billion	19.8	23.0	25.1	24.4	22.7
Net debt to GSP	per cent	5.8	6.4	6.6	6.1	5.4
Government infrastructure investment ^(a)	\$ billion	5.4	6.1	6.6	4.0	3.5

^(a)Includes general government net infrastructure investment and estimated cashflows for Partnerships Victoria projects, and excludes one-off fiscal stimulus payments for Nation Building – Economic Stimulus Plan Social Housing component and Building the Education Revolution

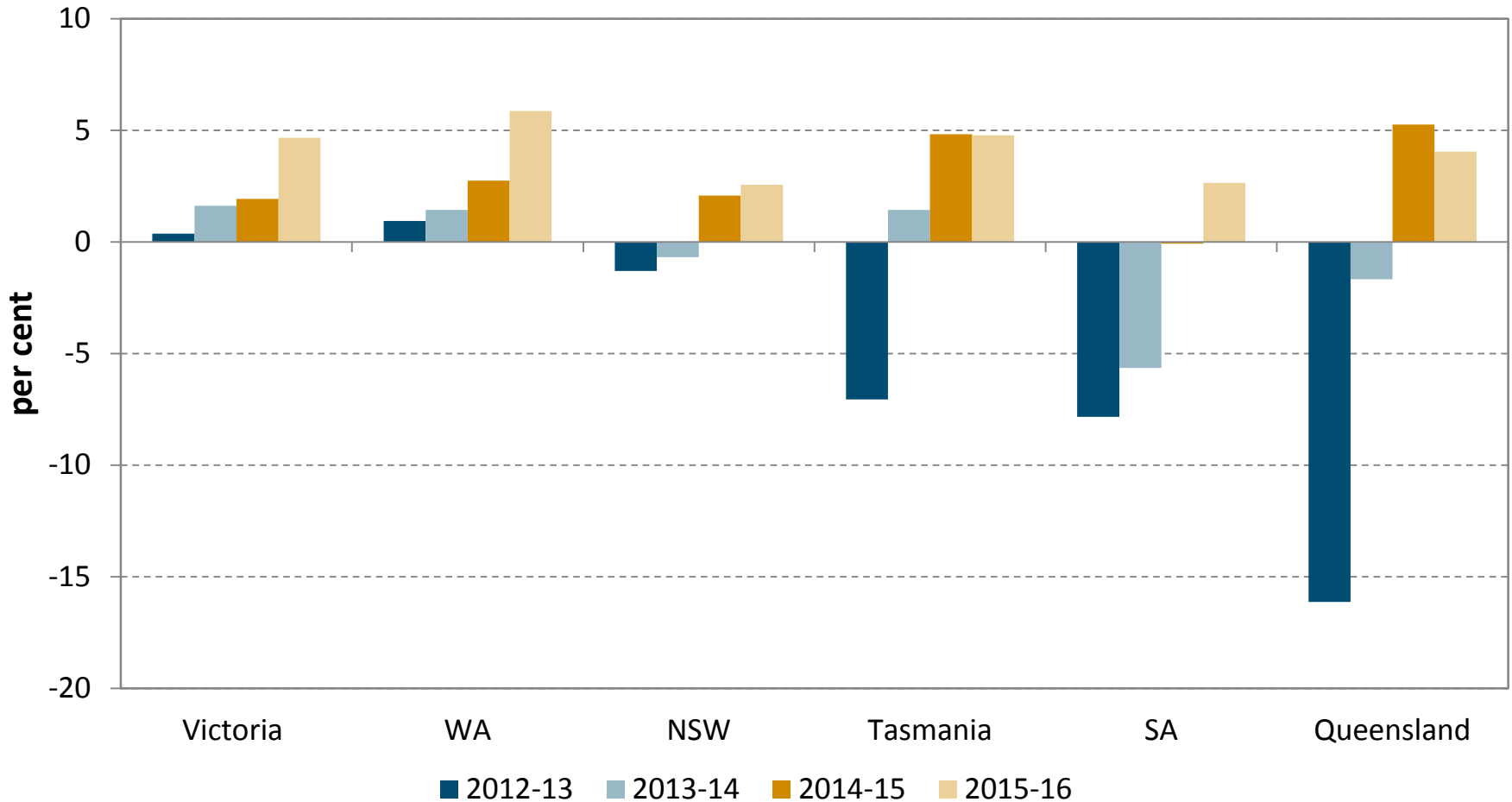
Government fiscal result

Derivation of the government fiscal result for the general government sector (\$ million)

	<i>2011-12 Actual</i>	<i>2012-13 Revised</i>	<i>2013-14 Budget</i>	<i>2014-15 Estimate</i>	<i>2015-16 Estimate</i>	<i>2016-17 Estimate</i>
<i>2013-14 Budget</i> net result from transactions (surplus)	571.2	177.0	224.5	398.7	1 927.7	2 547.4
<i>Add</i> impact of revised AASB119	n.a.	n.a.	593.2	606.8	617.3	626.4
Government fiscal result	571.2	177.0	817.6	1 005.5	2 545.0	3 173.8
<i>2012-13 Budget Update</i> net result from transactions	571.2	136.9	834.7	1 260.0	2 636.8	n.a.

Strong budget compared with other states

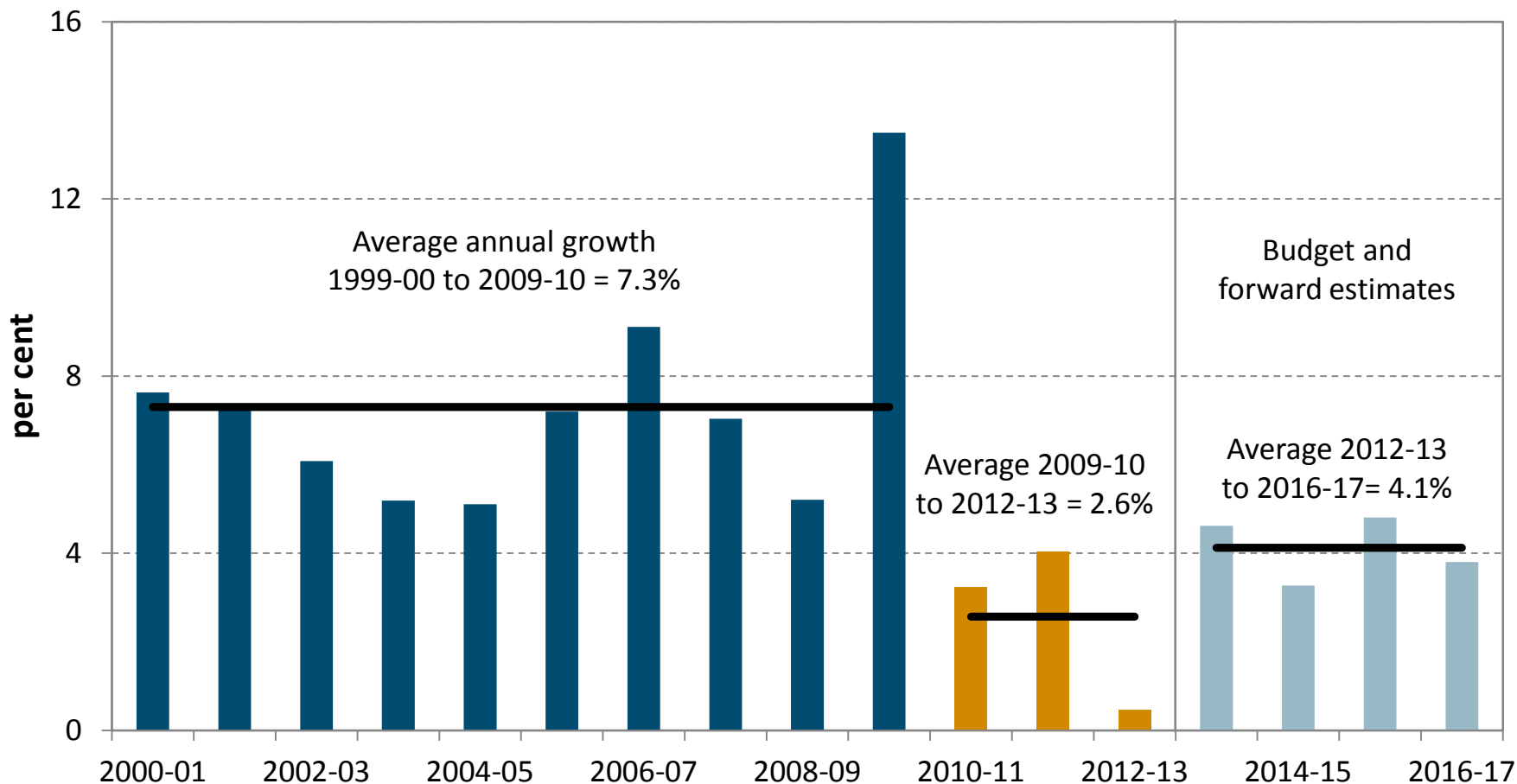
Net operating balance as share of total revenue by state ^(a)



(a) For consistency, Victorian figures are adjusted to exclude the impact of changes to accounting standard AASB 119

Revenue unlikely to return to pre-GFC growth

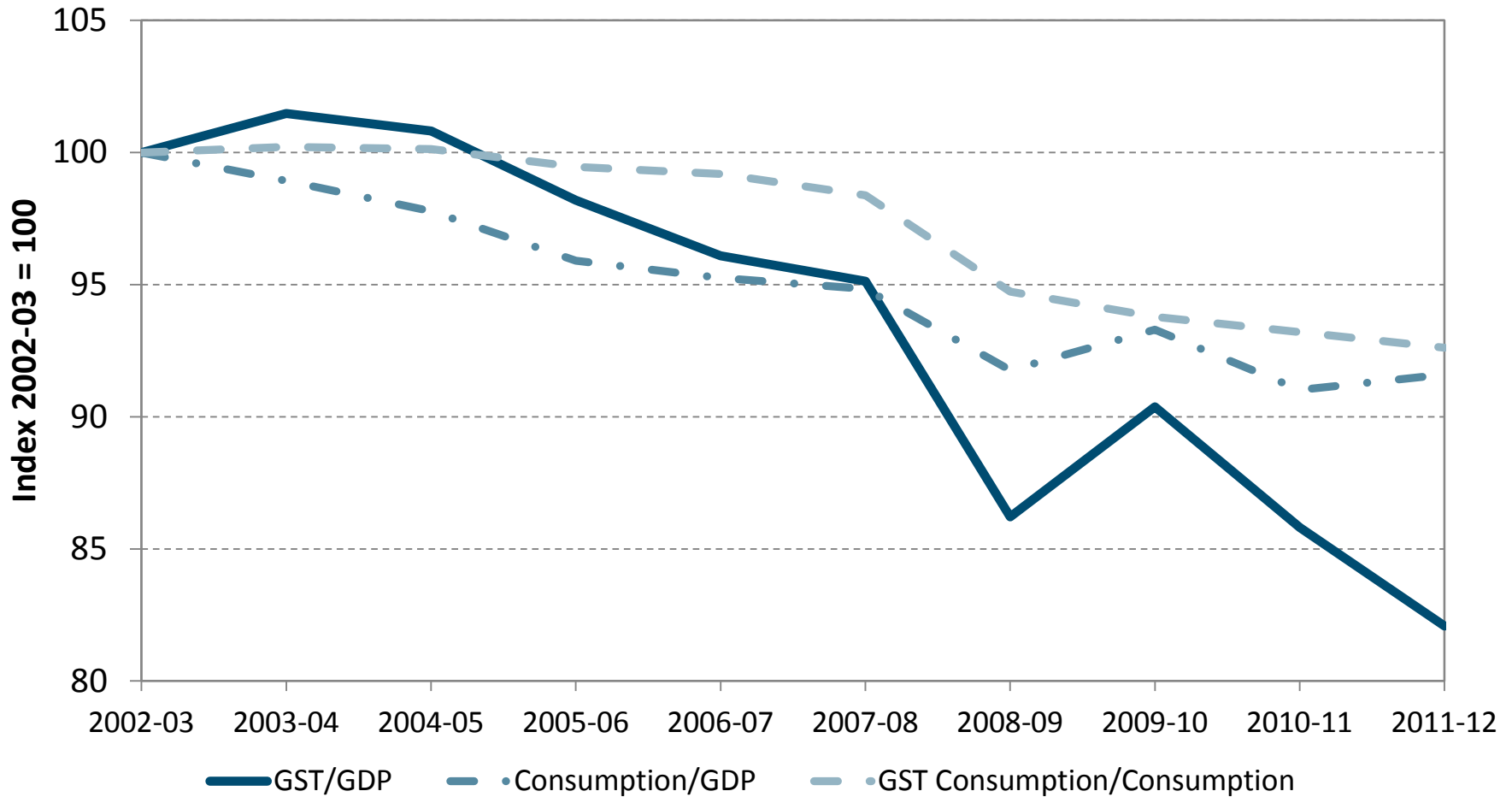
Annual revenue growth (a)



(a) 2012-13 growth is an estimate

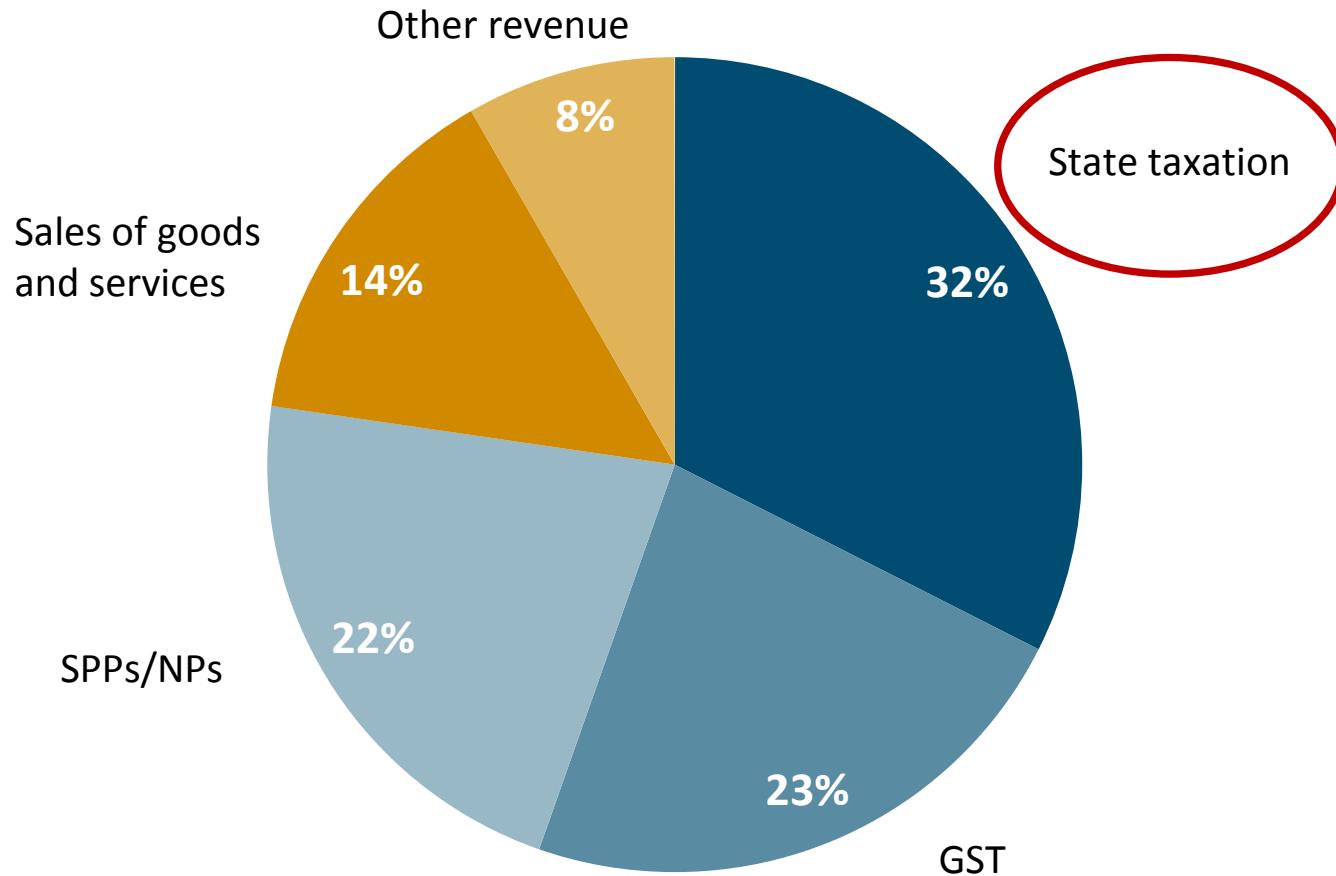
GST has not kept pace with the economy

GST share of GDP



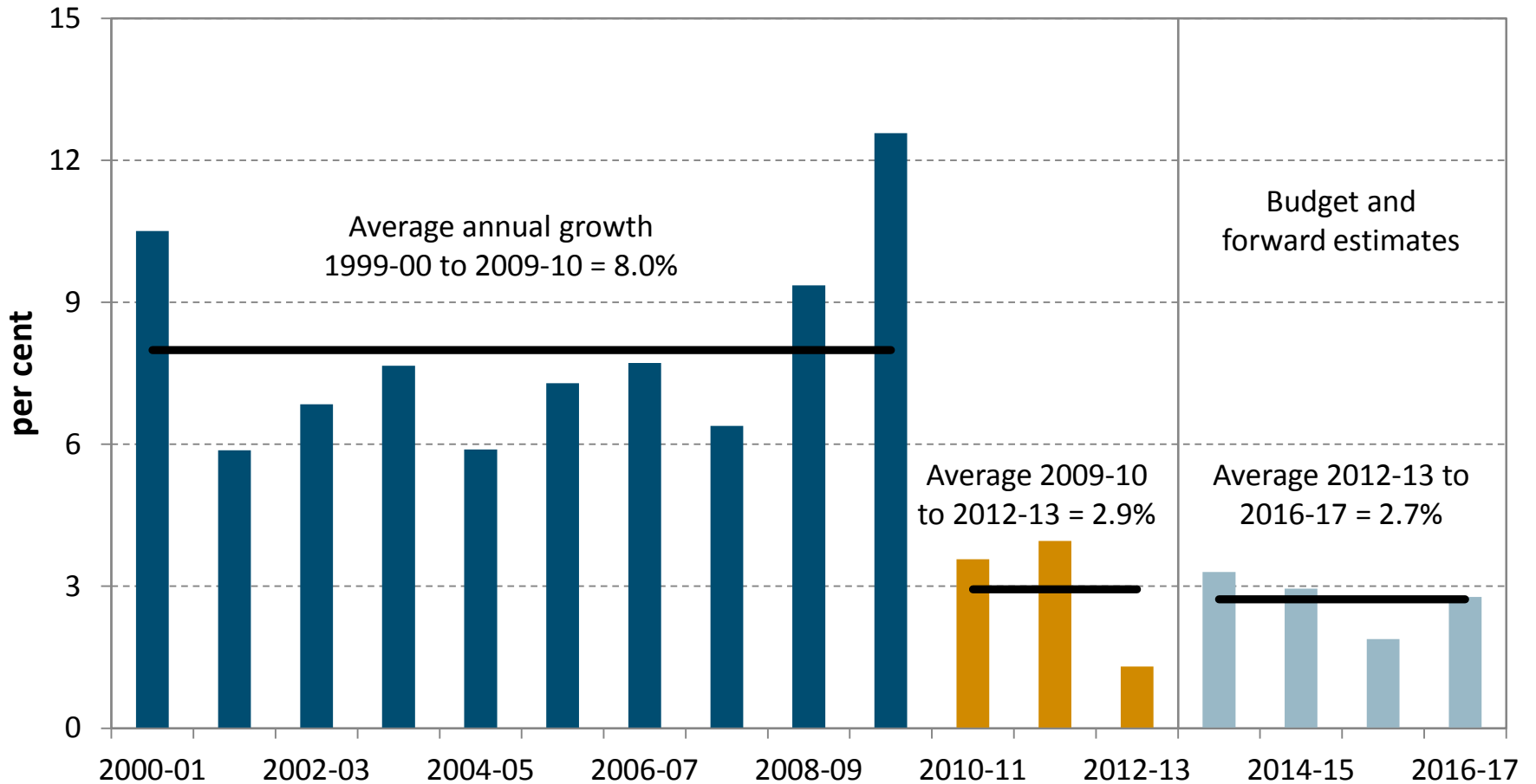
Victoria's revenue base

General government revenue split (2012-13)



Expenses growth constrained

Annual expenditure growth (a)(b)

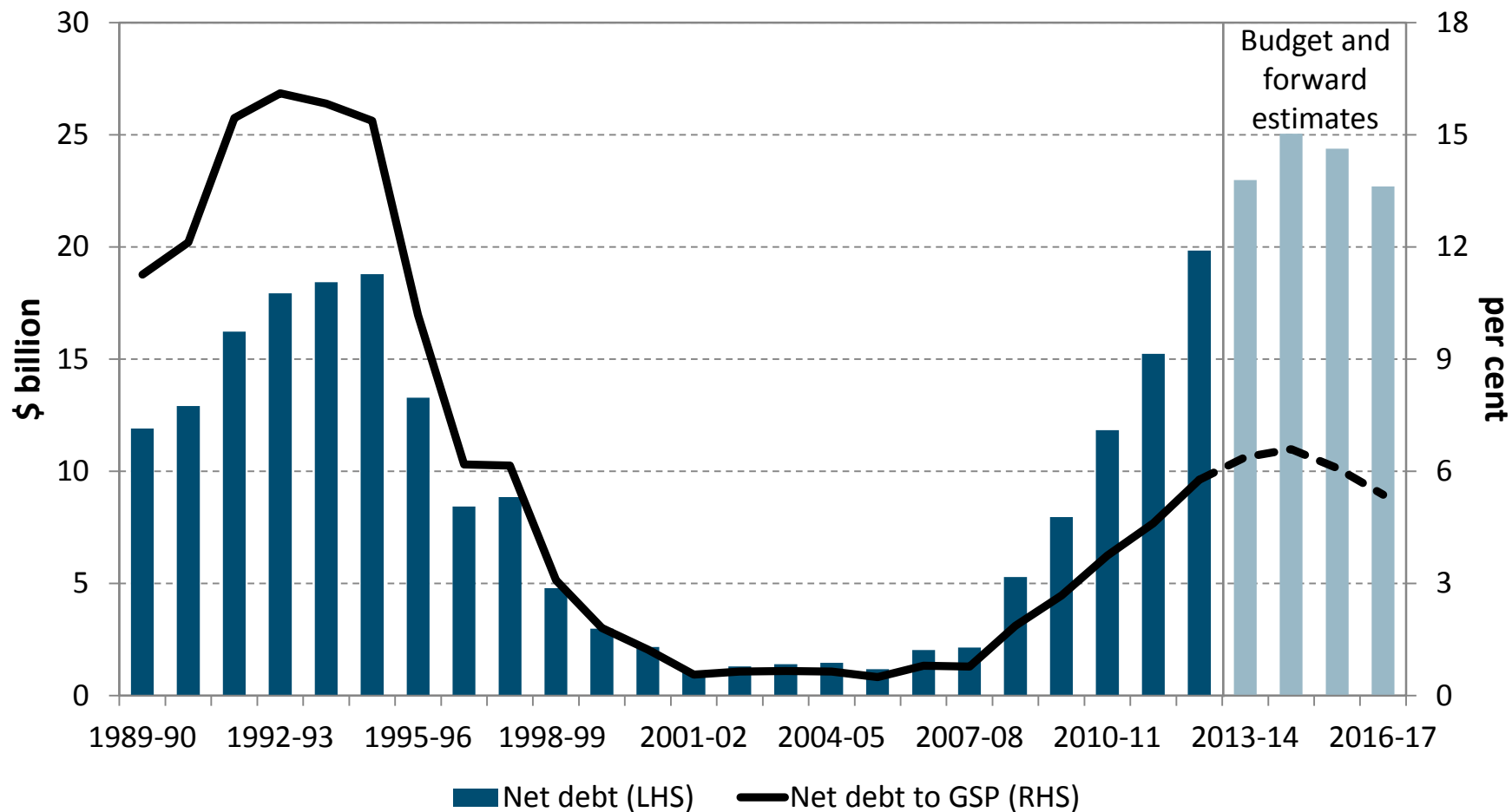


(a) Excluding impact of change to AASB 119 from 1 Jan 2013

(b) 2012-13 growth is an estimate

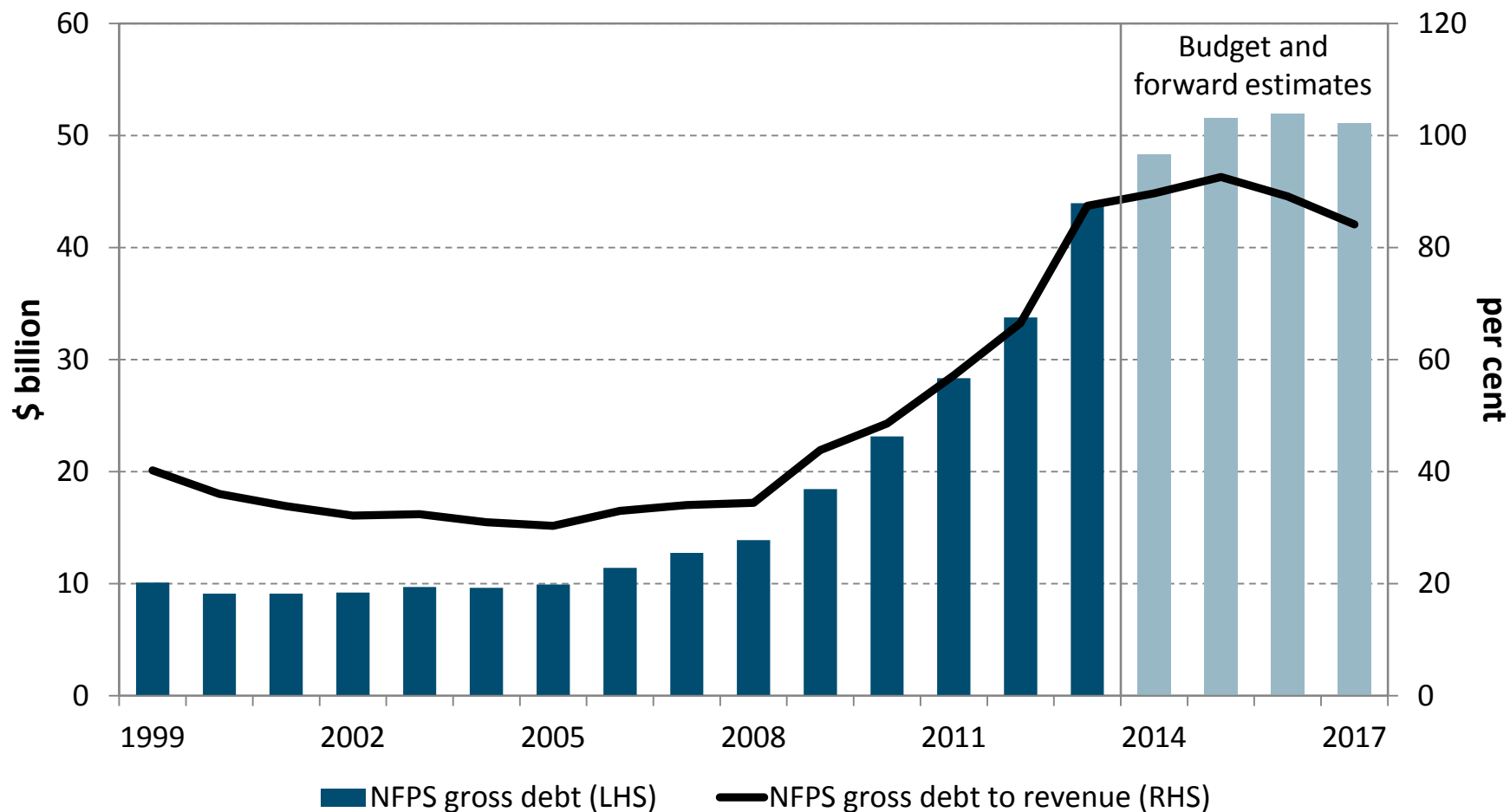
Net debt to fall from 2014-15

General government sector net debt



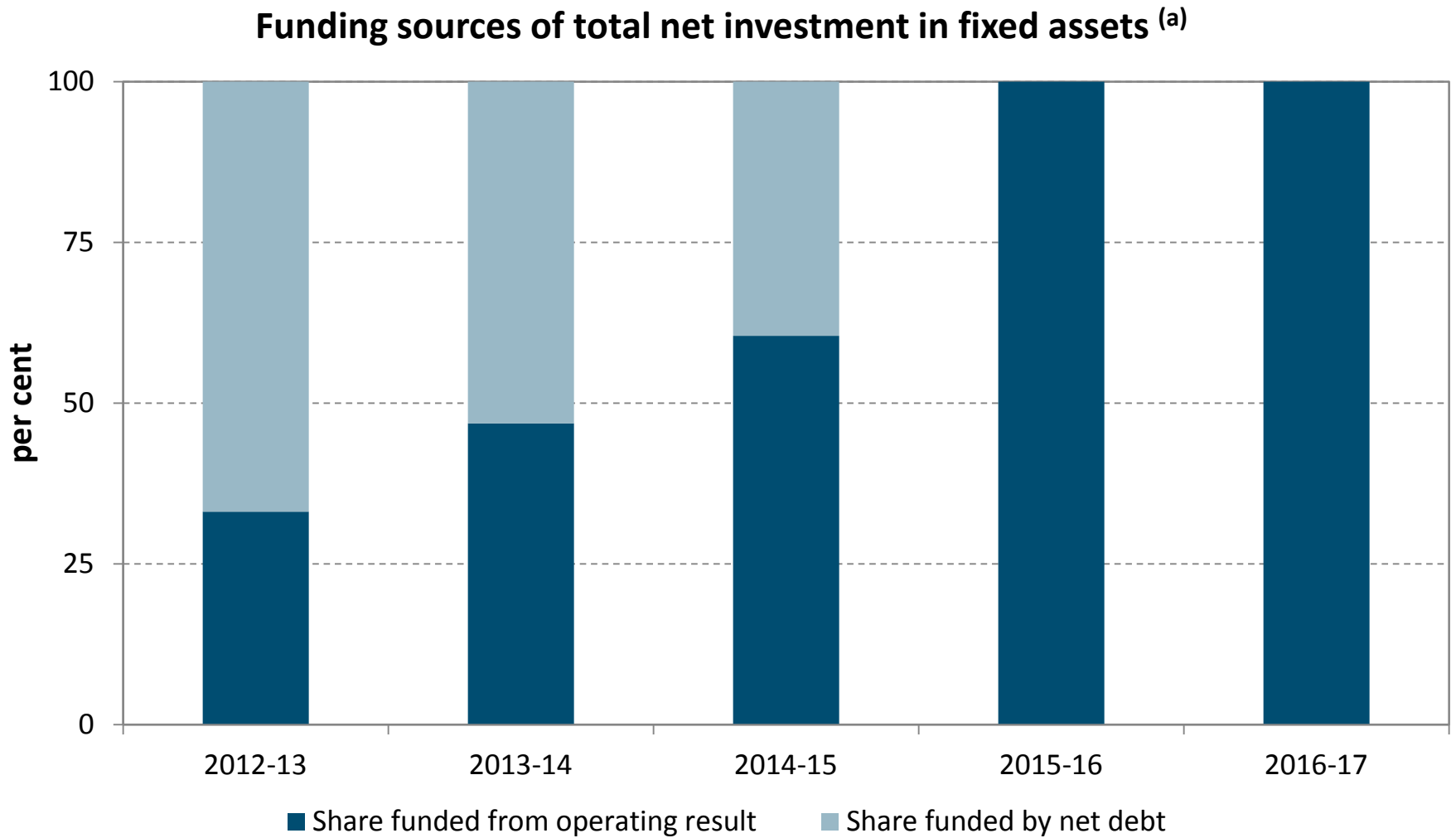
NFPS gross debt to revenue

Non-financial public sector gross debt to revenue^(a)



^(a)Gross debt includes borrowings and deposits held and advances received

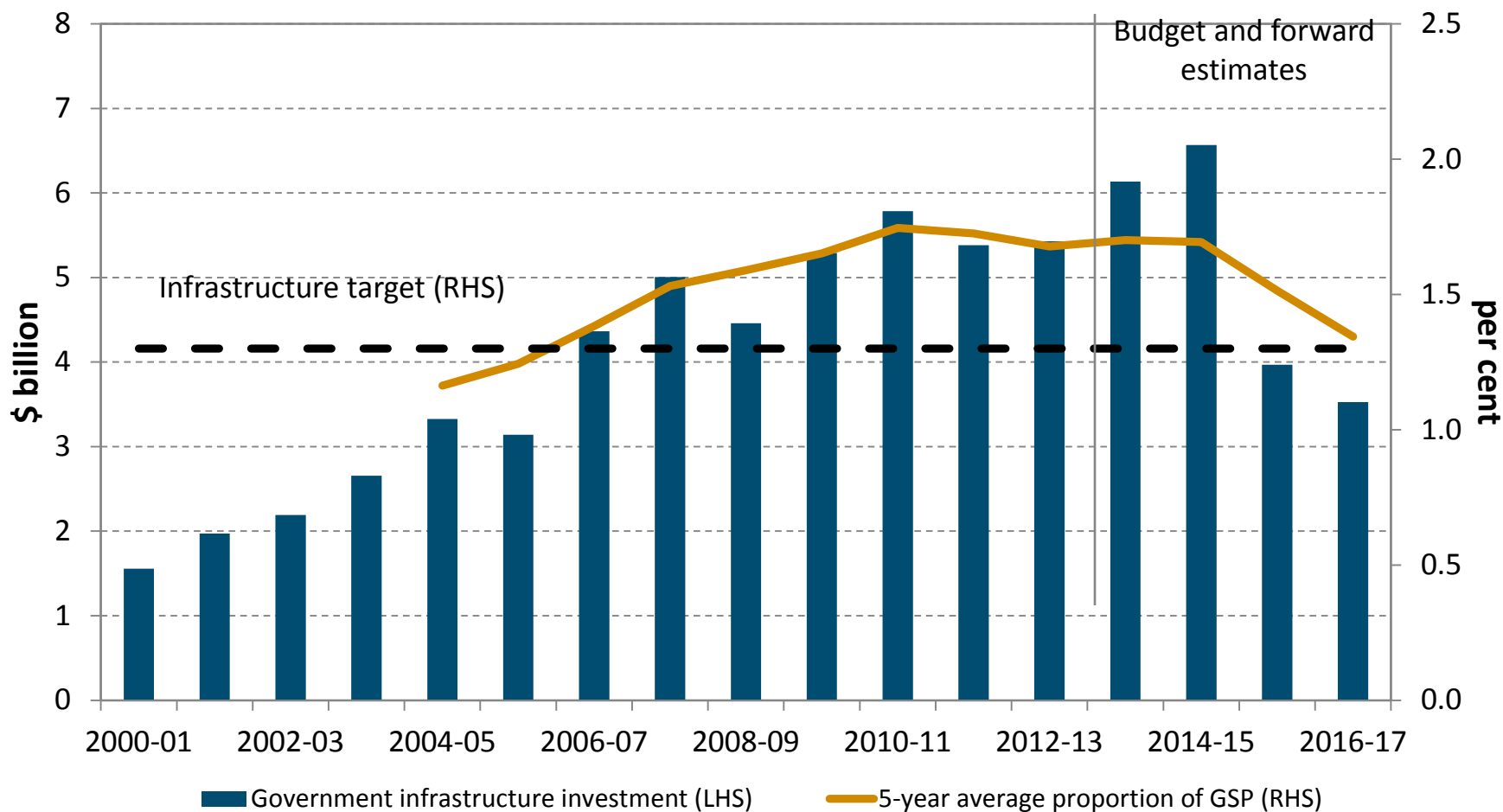
Infrastructure funded by surpluses by 2015-16



^(a) Data for 2012-13 are estimates

Infrastructure growing with the economy

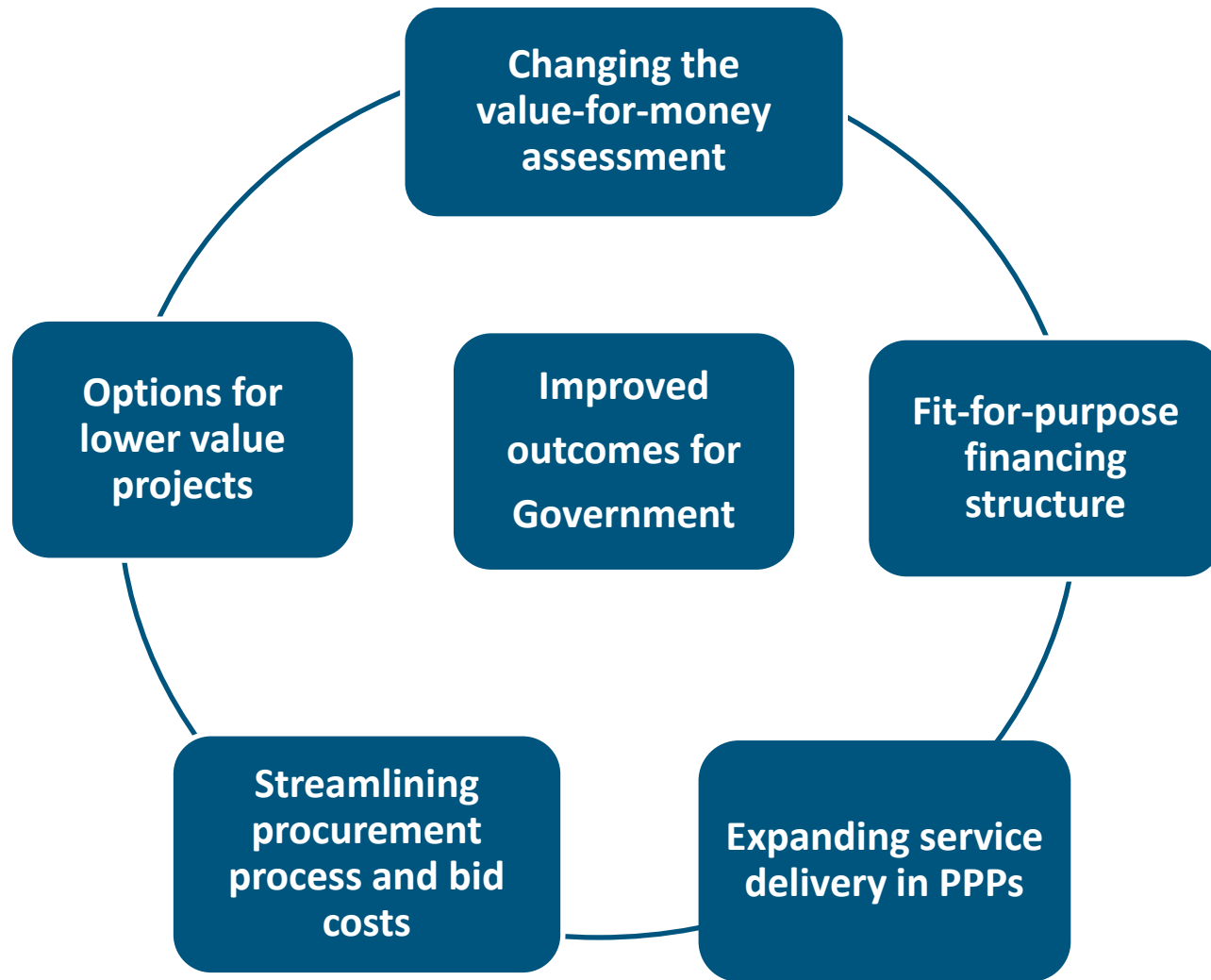
Government infrastructure investment (a)(b)



(a) Includes general government net infrastructure investment and estimated cashflows for Partnerships Victoria projects and excludes one-off fiscal stimulus payments for Building Education Revolution and social housing.

(b) Data for 2012-13 are estimates

Key reforms to the PPP framework



New funding - output

Gross impact of 2013-14 Budget new output initiatives (\$m)

	2013-14	2014-15	2015-16	2016-17
Education and Early Childhood Development	78.6	75.8	27.1	19.9
Environment and Primary Industries	55.0	52.2	22.2	10.3
Health	426.3	444.7	453.3	467.1
Human Services	117.5	98.5	110.7	99.3
Justice	74.7	99.0	54.3	61.7
Premier and Cabinet	13.4	10.7	1.3	1.3
State Development, Business and Innovation	51.7	53.1	36.4	35.7
Transport, Planning and Local Infrastructure	126.4	123.5	103.0	99.9
Treasury and Finance	6.5	2.8	2.9	0.0
Parliament	0.5	0.5	0.0	0.0
Total	950.6	960.7	811.1	795.2

New funding - asset

New asset funding in 2013-14 Budget (\$m)

	2013-14	TEI
Education and Early Childhood Development	98.5	303.0
Environment and Primary Industries	6.8	36.0
Health	110.1	629.4
Human Services	6.7	20.0
Justice	83.1	185.0
Premier and Cabinet	11.7	13.2
State Development, Business and Innovation	9.1	16.9
Transport, Planning and Local Infrastructure	499.0	7 292 – 9 292
Treasury and Finance	nil	nil
Parliament	nil	nil
Total	825.0	8 495- 10 495

Investing in economic infrastructure

- Commitment to deliver Stage 1 of the East West Link, linking the Eastern Freeway to CityLink
- Stage 1 construction cost of between \$6 billion and \$8 billion
- Ongoing planning and development of the Melbourne Metro Rail Tunnel, increasing capacity for the future
- Provision of \$110 million for planning the development of the Port of Hastings
- \$16 million (matched by irrigators) to increase productivity in the agricultural sector (Macalister Irrigation District in Gippsland)

Building for growth

East West Link – Eastern Section



Investing in roads and public transport

- Over \$280 million of additional funding for Victorian road network
- \$52 million package of early works for removal of railway level crossings
- Approximately \$300 million to enhance the safety and performance of the public transport network
- \$179 million for eight new X'Trapolis trains and associated infrastructure and planning for future train acquisition
- \$25 million to expand bus services in key growth areas

Health and education

- Allocation of \$629 million to improve hospital infrastructure
- Additional hospital funding of \$1.2 billion over four years – total expenditure on hospitals of \$11.2 billion in 2013-14
 - \$421 million over four years to drive efficiencies in elective surgery
 - \$772 million over four years to treat more patients
- \$238 million investment over four years in health workforce training programs
- An allocation of \$580 million in asset and output funding for the education system, with total output funding of \$11.6 billion in 2013-14
- \$200 million TAFE Structural Adjustment Fund
- \$203 million new school capital program

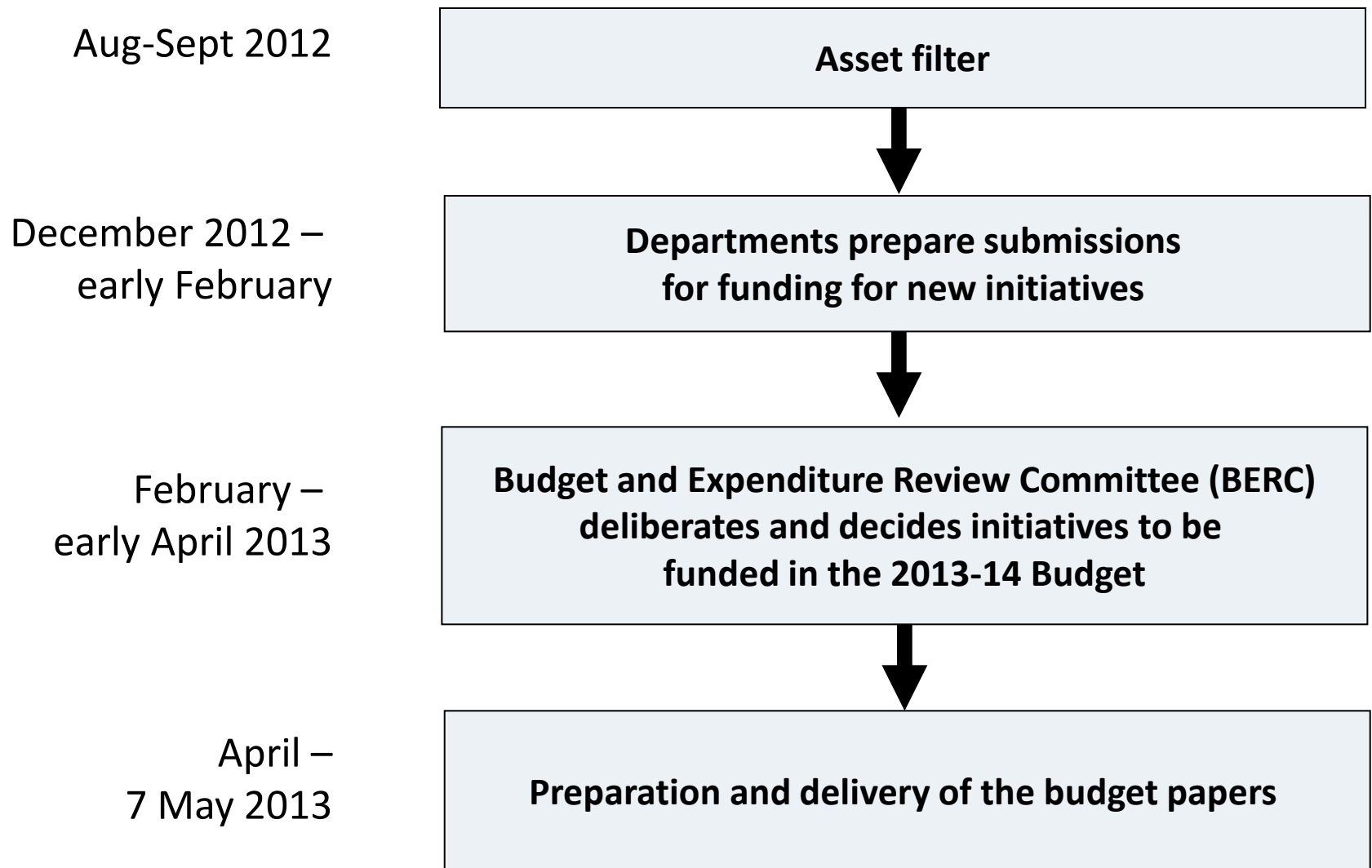
Other highlights

- Additional \$266 million to improve disability services, on top of more than \$300 million committed to the NDIS Barwon launch site
- \$131 million to strengthen Victoria's corrections system
- Additional \$13.7 million over four years to Victorian Legal Aid, on top of annual base of \$78 million
- Allocation of \$16 million over four years to further develop Victoria's tourism industry
- Provision of \$18 million to implement an international education strategy for Victoria
- Additional \$29 million to support Victoria's arts scene

Conclusion

- Growing economy, growing employment, growing surpluses, major new infrastructure
- Operating surplus of \$225 million in 2013-14
- Unemployment rate at 5.5 per cent in 2013-14 falling to 5 per cent in 2015-16 and 2016-17
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Budget Process



Strategy and Outlook BP2

Purpose

This budget paper describes the State's economic and financial position and performance while also outlining the Government's fiscal and economic reform strategy.

Key changes since 2012-13

- ❑ The inclusion of a Government Fiscal result, which is the net operating result excluding the impact of the revised accounting standard AASB 119 *Employee Benefits*, which changes the way defined benefit superannuation costs are presented.
- ❑ The inclusion of the Government Infrastructure Investment metric consistent with the intent of the medium-term fiscal parameter for infrastructure.

This measure incorporates the impact of projects funded through Partnerships Victoria arrangements, and excludes Commonwealth fiscal stimulus projects for Building the Education Revolution and social housing.

Service Delivery BP3

Purpose

This budget paper provides an overview of the goods and services departments are funded to deliver, and how these support the Government's strategic priorities and objectives. It also articulates the Government's performance expectations for the public service.

Key changes since 2012-13

- Publication of departmental objective indicators (response to PAEC 111(2)).

State Capital Program BP4

Purpose

This budget paper describes Victoria's asset investment program.

Key changes since 2012-13

- the inclusion of a column detailing the expected completion date individually for all new and existing projects (response to PAEC 109);
- a reconciling / balancing line from each department for other capital expenditure, increasing transparency (response to PAEC 109);
- an expanded glossary of definitions in the budget papers to include plain English definitions of terms used to describe asset investment (response to PAEC 111(2));
- by mid-2013, the government will also publish on-line further information for major projects funded through the budget, including procurement method, expected tender release dates and project status. This data will be regularly updated on how projects are progressing.

Statement of Finances BP5

Purpose

This budget paper provides the financial details of the aggregated Victorian general government sector.

Key changes since 2012-13

- ❑ In chapter 4 *State Revenue* forecasts of taxation, dividends, sales of good and services, Commonwealth grants and GST relativities were provided over the forward estimates period (instead of just the previous and budget years) increasing transparency (response to PAEC 111(2));
- ❑ Splitting of special purpose grants (shown in table 4.9) into categories of health, education, community services, environment, infrastructure, affordable housing and other.

Online data

Purpose

provides greater transparency for budget and financial information
allows the public to readily access and use the data.

Building for Growth

2013-14 VICTORIAN BUDGET

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Budget Paper 3: Service Delivery

Budget Paper 4: State Capital Program

Budget Paper 5: Statement of Finances

Media Releases

Financial data sets

Victorian State Budget 2013-14


The 2013-14 Budget was released on Tuesday 7 May 2013. The **complete set of budget papers** are available from this website.

Past budget papers

Budget papers from **previous years** are available on the [Department of Treasury and Finance's website](#).

Contacting DTF

If you would like assistance in locating or understanding information in the budget papers, contact the Department of Treasury and Finance at information@dtf.vic.gov.au. We welcome suggestions on how we can improve the readability of budget data.

Note: The budget papers are published as both Word and PDF files. PDF file are denoted by this icon . In order to view PDF files you will need the free [Adobe Reader](#).

Budget Papers

Budget Overview:

This publication provides a summary of the State's:

- economic and fiscal outlook;
- budget initiatives; and
- the Government's strategic priorities and objectives.

Treasurer's Speech (BP1):

This budget paper commends the Appropriation Bills to Parliament.

Budget Information Papers (BIPs):

Three supplementary budget documents were produced as part of the 2013-14 suite of budget papers to provide an overview of the Government's strategy in relation to key priority areas:

- BIP 1: Regional and rural Victoria;
- BIP 2: Infrastructure Investment;
- BIP 3: Federal financial relations.

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