Appendix E:
Financial measures and targets

Financial targets becoming more qualitative and less specific

Changes to financial targets during the pandemic

The government has changed its approach to setting measures and what its targets are over the last 11 years. In 2020–21, the government's focus on economic recovery after the COVID-19 pandemic led to the removal of the 'operating surplus' target and the introduction of the 'operating cash surplus' and 'interest expense to revenue' targets.

Targets have become less specific

Figure E1 shows the various measures the government has used and how they vary from specifically quantifiable targets to ones that allow for flexibility in response to economic conditions.

Figure E1: Changes to Victoria's financial targets over the last 13 years

Year	Operating cash surplus	Net debt to GSP	Superannuation liabilities	Interest expense to revenue	Operating surplus	Infrastructure investment
2025–26	A net operating cash surplus consistent with maintaining general government net debt at a sustainable level	General government net debt as a percentage of GSP to stabilise and reduce in the medium term	Fully fund the unfunded superannuation liability by 2035	General government interest expense as a percentage of revenue to stabilise in the medium term		
2024–25						
2023–24		General government net debt as a percentage of GSP to stabilise in the medium term				
2022–23	A net operating cash surplus consistent with maintaining general government net debt at a sustainable level after the economy has recovered from the COVID-19 pandemic					
2021–22						
2020–21						
2019–20		General government net debt as a percentage of GSP to be maintained at a sustainable level over the medium term			A net operating surplus consistent with maintaining general government net debt at a sustainable level over the medium term	
2018–19						
2017–18						
2016–17						
2015–16						

Year	Operating cash surplus	Net debt to GSP	Superannuation liabilities	Interest expense to revenue	Operating surplus	Infrastructure investment
2014–15		General government net debt reduced as a percentage of GSP over the decade to 2022			A net operating surplus of at least $100 million and consistent with the infrastructure and debt parameters	Infrastructure investment of 1.3% of GSP (calculated as a rolling 5-year average)
2013–14						

Source: VAGO, based on the state Budget.

Challenges understanding these targets

Parliamentarians and the community may find it challenging to measure the financial performance of the government when the measures are more qualitative and less specific. Quantitative and specific measures help Parliament and the public hold the government accountable and improve transparency.