

Annual Report

2018–19

Aboriginal acknowledgement

The VBA respectfully acknowledges the Traditional Owners and custodians of the land and water upon which we rely. We pay our respects to their Elders past, present and future. We recognise and value the ongoing contribution of Aboriginal people and communities to Victorian life.

We embrace the spirit of reconciliation, working towards equality of outcomes and an equal voice.

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Victorian Building Authority Annual Report

2018–19

About this report

Welcome to the Annual Report of the Victorian Building Authority (VBA) for the year ending 30 June 2019. We are Victoria's principal regulator for building and plumbing and we regulate for a quality built environment in Victoria.

This Annual Report describes the activities undertaken and the impacts achieved to contribute towards our vision of a trusted regulator, a respected industry and an informed community. It is prepared in accordance with the *Financial Management Act 1994*, relevant Australian Accounting Standards (AAS) and Interpretations, Standing Directions and Financial Reporting Directions (FRDs).

Responsible Body's declaration

In accordance with the *Financial Management Act 1994* (FMA), I am pleased to present the Victorian Building Authority's Annual Report for the year ending 30 June 2019.

A handwritten signature in black ink, appearing to read 'Owen Donald', with a stylized flourish at the end.

Dr Owen Donald

Chief Commissioner

Victorian Building Authority

24 September 2019

REPORT OF OPERATIONS

The Report of Operations for 2018–19 provides general information about the VBA and its activities, achievements and strategic direction.

1. Overview

Report from the Chief Commissioner and Chief Executive Officer

The Victorian community rightfully expects that the buildings they live in, work in and visit are fit-for-purpose, safe, and durable over the long term.

In recent times, confidence in the quality of building construction has been severely shaken. The high profile fires accelerated by the use of non-compliant, combustible cladding at two apartment buildings in Melbourne and the tragic Grenfell Tower incident overseas, together with interstate and international examples of forced evacuations due to structural defects, have demonstrated the serious financial and personal consequences of poor construction oversight and inadequate regulation of building materials both in Australia and globally.

The VBA acknowledges that it shares responsibility for, but cannot unilaterally fix, the building industry problems exemplified by these recent incidents. In response, the VBA has adopted a stronger end-user perspective over the past year to inform its regulatory activities, focusing on the health and safety of building occupants. This cultural shift has resulted in the VBA prioritising its monitoring and enforcement activity, focusing on the highest safety compliance risks of established buildings, not only new constructions.

The VBA's focus over 2018–19 on putting public safety first has seen the VBA take a leadership role in driving cultural change across the building industry.

The VBA has led the Statewide Cladding Audit (SCA) to identify, assess and mitigate risks to Victorians from combustible cladding. To consistently and systematically get buildings rectified, the VBA sought, and was granted, Municipal Building Surveyor (MBS) powers. The Ministerial declaration allows the VBA to prioritise effort on requiring rectification of the highest risk first, and to make these buildings safer for occupants in a timely and consistent manner. Beyond the primary scope of the SCA, this approach has provided unprecedented regulatory insight into the as-built environment and the quality of services delivered by building practitioners in Victoria. The VBA has been using this intelligence to inform its monitoring and enforcement strategies.

Similarly, potentially deadly carbon monoxide emissions from incorrectly installed or maintained open-flue heating systems were the catalyst for a joint education and training campaign between the VBA, Energy Safe Victoria (ESV) and Master Plumbers in 2018–19 for the public, plumbers and gas fitters. As part of this important work to minimise immediate risks to the community, we developed and implemented a compulsory training module, which more than 16,500 gas fitters completed.

In 2018–19, the VBA established research capability to focus on identifying and addressing the factors underlying the extent and nature of building defects faced today. Our goal is to prevent the need for future rectification efforts on the scale faced by the Victorian community, particularly in relation to combustible cladding, by:

- verifying that those who undertake building work are fit and proper persons and have the requisite training and experience (which includes removing those who are not); and
- advocating a national approach for assessing whether building materials used in construction are fit-for-purpose, safe and durable, and whether the method of construction used is appropriate.

1. Overview

The VBA appreciates that it cannot achieve this goal alone. Over the past year, we have therefore developed extensive regulatory networks, locally, nationally and internationally, to share intelligence on practitioners, building practices and building products that risk consumers' safety and bring the industry into disrepute.

In concert with the Department of Environment, Land, Water and Planning (DELWP), the VBA has advocated strongly for national changes to the building legislative framework, championing reforms that will ultimately benefit building occupants. An example is the clarification of interpretation of the low-rise construction concession, which the VBA obtained from the Australian Building Codes Board (ABCB).

Other significant VBA achievements during 2018–19 included achievement of the 10 per cent proactive building inspection target (8,318 inspections in total).

We have taken significant steps to commence the digitalisation of outdated processes, practitioner and consumer interfaces. The issuance of unique, digital building permit numbers (BPNs) and the online collection of levies from 1 July 2019 marks a turning point for the VBA, including by giving our organisation access to real-time regulatory information. It is proposed to use the permit system as a platform for the VBA to gather further intelligence in the future.

The VBA also stepped up engagement with building surveyors – the frontline statutory appointees on whom Victorians rely to ensure buildings are safe and well-built. The February 2019 inaugural Building Surveyors' Conference opened a dialogue and increased cooperation across the building surveyor community to drive cultural change, lift industry standards and to work together to tackle the raft of challenges faced by the industry (for example, the complexities of professional indemnity insurance and the decreasing number of building surveyors).

We acknowledge and thank retiring Board members, Anne Barker and Brian Welch, who each concluded their tenures on 30 June 2019. We also extend a very sincere thank you to all VBA employees, who have been challenged this year to think and work differently and who have worked hard to adapt to a changing environment. In the coming year, we will continue to support each employee through our cultural change program.

There is much more work to do. We are confident that we are on the right path, and we are committed to doing more to restore the confidence of all Victorians in the quality, safety and durability of their buildings.



A stylized, handwritten signature in black ink, consisting of a large, sweeping 'O' followed by a horizontal line and a small 'D'.

Dr Owen Donald
Chief Commissioner

A stylized, handwritten signature in black ink, consisting of a large, sweeping 'S' followed by a horizontal line and a small 'E'.

Sue Eddy
Chief Executive Officer

Year in review

The 2018–19 financial year was a pivotal turning point for the VBA, and the building and plumbing industries in Victoria.

We expanded our audit of buildings with combustible cladding and increased our oversight of building and plumbing work to unprecedented levels. We sought, obtained and used stronger powers to take action against those who do not meet the standards required to protect the community.

The **SCA** program entered its second year of operation, expanding our identification and risk assessment of buildings with combustible cladding. This program aims to identify higher-risk properties and keep residents safe until cladding can be rectified. With almost 1,200 assessments by expert panels undertaken and nearly 480 sites identified as higher fire-safety risk, the scale and complexity of the rectification task is now apparent.

With the support of many councils, we sought, and were declared to perform the functions of a MBS for 327 higher-risk buildings to systematically support public safety and long-term rectification. We continue to support local councils to perform their roles as MBS. We developed fire safety resources and shared these with the public and other jurisdictions to improve community safety. The VBA remains the only authority in Australia to identify, assess and mitigate risks associated with combustible clad buildings in such a comprehensive way.

Taking a best practice approach for cladding rectification, we are developing a new cladding rectification standard. Application of the standard will be mandatory for privately owned apartments seeking funding from Cladding Safety Victoria. We have also commenced disciplinary action against those who have created the greatest community harm through non-compliant use of combustible cladding, ahead of any other jurisdiction.

Proactive monitoring of building and plumbing work has reached record levels in 2018–19. Our proactive inspections program has significantly improved oversight of building and plumbing work in Victoria. We are now more visible on sites around Victoria – nearly tripling our efforts compared to the previous year. We have detected, and will continue to detect, non-compliant work and take the required action to have it fixed. In June 2019, the VBA's inspectors attended 1,057 sites to assess building and plumbing work against the required standards. This compares with 148 site inspections in November 2017.

Through the proactive inspections program, we have shifted our focus and resources to identify issues early so that we can prevent or reduce harm, instead of primarily focusing on trying to enforce matters that have already gone wrong. The VBA has made extensive use of its entry, and evidence and information gathering powers since they were introduced in January 2018 to take enforcement action against those who breach the *Building Act 1993* (the Building Act).

Alongside this expansion, we have maintained regulatory agility by deploying resources to respond to **emerging life-safety risks**, such as carbon monoxide leakage from open-flue gas heaters, lead in water, structural integrity, fire separation in buildings and many more. In 2019–20, a rolling three-year forensic audit program of all building surveyors will be established, with an initial focus on evidence to support performance solutions.

The VBA successfully completed 61 prosecutions and carried out disciplinary actions in 59 cases (resulting in \$505,000 in penalties in 46 cases, suspension of practitioner registration in 18 cases, and registration cancellation and practitioner disqualification in four cases) for breaches of the Building Act.

1. Overview

Plumbing inspectors were deployed to identify non-compliance in complex plumbing work on commercial sites – a Victorian first. Although in its infancy, this ongoing initiative has identified major non-compliance issues.

As at 30 June 2019, there were 61,226 **licences and registrations** under the Building Act, compared with 49,520 two years before. Efficient administrative processes and additional operational capability have been essential to supporting annual and five-yearly renewals, ongoing licensing and registration compliance. We have progressed digital transformation of the licensing and registration processes with an initial focus on reducing required information and preparing for digital application forms and self-service functionality via the VBA website. Processing timeframes for new building registrations have a new performance target of 80 per cent within 45 days for 2019–20. Significant backlogs of pending applications were resolved and average processing days decreased by 22 per cent in 2018–19.

In 2018–19, we increased efforts to **educate and upskill practitioners**. A total of 58 statewide forums were held to explain the changes to the National Construction Code (NCC) 2019 and the Plumbing Regulations 2018, as well as to report common issues of non-compliance. Working with ESV, we supported the development of an online training module on carbon monoxide and negative pressure testing. All gas fitters were required to demonstrate their competency in crucial testing and maintenance of gas heaters through this online module to better protect Victorians from potentially deadly carbon monoxide poisoning.

Throughout the year we demonstrated our **intolerance of non-compliant or illegal work**, with strict sanctions imposed to moderate or prevent such conduct in the future. In March 2019, a builder was immediately suspended for a period of three years in the public interest – this was the first time the VBA used this power, after having requested its introduction and being granted it in the September 2018 legislative changes. The VBA appealed to the High Court to defend our ability to be able to refuse persons registered in other states who are not of good character from registering and working in Victoria. While unsuccessful, the appeal demonstrates the VBA's determination to protect the Victorian community.

We continue to build stronger partnerships with practitioners, industry bodies and co-regulators, with a focus on mitigating risks and creating a safer built environment across Victoria.

The VBA successfully completed 61 prosecutions and carried out disciplinary actions in 59 cases (resulting in \$505,000 in penalties in 46 cases, suspension of practitioner registration in 18 cases, and registration cancellation and practitioner disqualification in four cases) for breaches of the Building Act. The VBA issued 59 show cause notices to practitioners, with 14 of these accompanied by an immediate suspension on grounds defined in the Building Act. While fewer in number compared to the previous year, these prosecutions and enforcement actions involved more complex or unique matters. Our internal review function continued to afford affected persons procedural fairness and a further opportunity to defend or advocate their position, with all such reviews completed within the 28-day statutory timeframe.

We continue to build stronger **partnerships** with practitioners, industry bodies and co-regulators, all with a focus on mitigating risks and creating a safer built environment across Victoria. In the interests of public safety, we sought clarification from the ABCB on the interpretation of the low-rise construction concession, having scrutinised the work of practitioners through the SCA. The ABCB's advisory note, published in July 2019, resulted from this advocacy. We continue our collaboration with other regulators as part of the Building Regulators' Forum and have made an in-principle commitment to contribute \$500,000 to deliver a robust fire-engineering methodology to guide the rectification of buildings with combustible cladding.

1. Overview

The VBA also continued to collaborate with other regulators, local councils, national and state government departments and agencies to share information and data and take appropriate action in situations that require a co-regulatory response. For example, the Build Aware initiative was developed by five Victorian regulators to demonstrate the importance of complying with building, construction, environmental, consumer rights and occupational health and safety (OHS) laws and regulations in the construction and demolition sector. The VBA, WorkSafe Victoria, Consumer Affairs Victoria (CAV), ESV and Environment Protection Authority (EPA) come together for three, week-long campaigns each year to inspect sites across regional Victoria. In 2018–19, VBA inspectors carried out 162 proactive inspections over the course of the three campaigns.

We focused the VBA's **research program** in 2018–19 on areas that better inform our regulatory activities, improve the skills and expertise of practitioners, and protect the community. Research initiatives included analysis of data collected for 372 buildings included in the SCA and the layers of fire safety protection in these buildings; a gap analysis of the construction and plumbing services training package to assess the capacity of plumbing practitioners to develop performance solutions; and a market assessment of the cost and accessibility of professional indemnity insurance for building surveyors. We also supported universities and research organisations in research or innovation initiatives for the advancement of the industry, such as the Professionalising Fire Safety Engineering project by The Warren Centre for Advanced Engineering at the University of Sydney.

In 2018–19, the VBA delivered an operating surplus of \$8.1 million that included a \$5 million grant from the Government for cladding rectification.

For the second consecutive year the VBA has grown significantly, and our people take pride in the work they do to keep the community safe and oversee the industry. **Our workforce expanded** by more than 37 per cent to 397 full-time equivalent (FTE) staff at 30 June 2019.

The past year has been a period of significant change for the VBA – we are more resilient and much more aware of where risks will be, and these lessons are becoming embedded in our culture, responsiveness and processes. This level of change has presented both opportunities and challenges in repositioning the VBA to be the trusted and respected building and plumbing regulator the Victorian community deserves. One quarter of our staff were engaged on a fixed-term basis to undertake time-limited major programs or projects, including the SCA, digital transformation projects to improve the timeliness of our service delivery, and intelligence initiatives.

Expanding the VBA's **technical capability** is a key strategic priority. Our team has strong, credible skills and experience. We further strengthened our building surveying capability by expanding our search into other states, resulting in more than doubling our number of building surveyors.

In 2018–19, we developed an **Outcome and Performance Framework** to improve our ability to measure, monitor and evaluate the effectiveness and efficiency of our regulatory activities. The framework will provide a clear evidence base for continuous improvement and to guide our future progress.

The VBA has a key role in driving a safe, robust and trustworthy building sector for Victoria. We take this role seriously. The initiatives, capabilities and momentum we have built over the past year demonstrate our focused and unwavering commitment to lead the way in monitoring and enforcing the building industry. They also position us well to deliver on the VBA's strategic commitments in the coming years.

VBA purpose, vision, values and objectives

The VBA's *Corporate Plan 2018–22* details the work the VBA will undertake to continue the transformative journey the VBA started in 2014. The new corporate plan (available to view on the VBA website) sets ambitious goals for the organisation and its leadership role within the building and plumbing industries.

Our purpose

As Victoria's principal regulator for building and plumbing, the VBA regulates for a quality built environment in Victoria. The VBA contributes to public health, safety and amenity by overseeing compliance with regulations, legal requirements and professional standards, and by encouraging continuous improvement. We do so in the interests of consumers and industry participants for the benefit of all Victorians.

Our vision

That the VBA is a building and plumbing regulator that is:



Trusted

As a firm but fair regulator that acts in the interests of all Victorians.



Respected

For our knowledge and expertise by industry, co-regulators and the community.



Transparent

In the way in which we regulate, how we communicate, how we target the use of our resources and in our results.



Responsive

To new and emerging issues through a risk-based regulatory approach, research and innovation.

Our values

The VBA's values encompass and reflect the values of the Victorian Public Sector (VPS): Responsiveness, Integrity, Impartiality, Accountability, Respect, Leadership and Human Rights. The VBA expresses these values through the way in which we work with all Victorians. We call this the VBA Values in Action.

Our VBA Values in Action:

We problem solve



We work as one



We deliver



Our strategic objectives

The VBA's *Corporate Plan 2018–22* outlines the VBA's strategic objectives to:

1. **Protect our community:** Enable better protected and more confident building consumers, serviced by capable building and plumbing practitioners.
2. **Empower industry, practitioners and consumers:** Enable community, practitioners and co-regulatory partners to contribute to a safe and compliant industry.
3. **Respond to risks and concerns:** Hold practitioners to account for defective and non-compliant building work.
4. **Influence industry and key decision-makers:** Be a trusted authority and source of advice on Victoria's built environment, providing guidance on complex building and plumbing problems.
5. **Improve our culture and capability:** Increase our technical knowledge and capability to deliver efficient and effective regulatory oversight.

Manner of establishment and relevant Minister

The VBA is established under the Building Act. The responsible Minister for the period 1 July 2018 to 30 June 2019 was the Honourable Richard Wynne MP, Minister for Planning.

Nature and range of services provided

Legislated functions – administration and enforcement of regulation

The VBA's functions under section 197 of the Building Act are to:

- monitor and enforce compliance with the Building Act and the regulations;
- administer the registration of building practitioners;
- supervise and monitor the conduct and ability to practise of registered building practitioners;
- make recommendations to the Minister about the qualifications for registration of building practitioners;
- issue certificates of consent;
- administer the licensing and registration of plumbers;
- participate on behalf of Victoria in the development of national building standards and national plumbing standards;
- monitor developments relevant to the regulation of building standards and plumbing standards in Victoria;
- promote the maintenance of adequate levels of competence among plumbers;
- provide information (including to consumers) on:
 - building standards and plumbing standards;
 - regulation of buildings, building work and building practitioners; and
 - regulation of plumbing work and plumbers;
- provide information and training to assist persons and bodies in carrying out functions under the Building Act or the regulations;

- promote the resolution of consumer complaints about work carried out by builders and plumbers;
- conduct or promote research relating to the regulation of the building industry and the plumbing industry in Victoria and to report on the outcomes of this research in the annual report under the FMA;
- monitor the collection of the building permit levy¹;
- charge and collect fees (determined in accordance with the Building Act and the regulations) for information and training services provided by the VBA;
- administer the VBA Fund;
- advise the Minister on the carrying out of the VBA's functions under the Building Act and on any other matter referred to it by the Minister; and
- carry out any other function conferred on the VBA by or under the Building Act or any other Act or under any agreement to which the State of Victoria is a party.

Under section 190 of the Building Act, the Minister may declare any or all of the functions of an MBS under the Building Act and the regulations are to be carried out by the VBA in relation to the following:

- specified building work or a class of building work situated within a municipal district or part of that district;
- a specified building or class of building situated within a municipal district or part of that district; and
- specified land or a class of land situated within a municipal district or part of that district.

¹ From 1 July 2019, the VBA's functions were amended to collect the building permit levy rather than monitor the system of collection of the building permit levy.

1. Overview

The VBA's functions under section 47A of the *Building and Construction Industry Security of Payment Act 2002* (Vic) (SoP Act) are to:

- regularly review the administration and effectiveness of the SoP Act and the regulations;
- keep a register of authorised nominating authorities;
- keep records of adjudication determinations and review determinations;
- publish adjudication determinations and review determinations; and
- carry out any other function or duty given or imposed by the SoP Act.

To fulfil these responsibilities, the VBA supports the operation and statutory responsibilities of the Building Appeals Board (BAB), Building Advisory Council (BAC), Plumbing Advisory Council (PAC) and the Building Regulations Advisory Committee (BRAC) (see Appendix 2). From 1 September 2016, the Building Practitioners Board (BPB) ceased to exist, except for finalising referred matters.

To find out more about the VBA's functions under the Building Act and the SoP Act, visit www.vba.vic.gov.au/legislation.

Regulatory functions and services

The VBA's services and regulatory functions include:

- responding to general enquiries from the public about the building and plumbing industries;
- registering, licensing and disciplining plumbers in Victoria;
- registering and disciplining building practitioners (individuals and companies);
- issuing owner-builder certificates of consent;
- providing information and informed solutions to industry;
- undertaking inspections, investigations and audits to enforce compliance with relevant legislation;
- working with other agencies and regulators to ensure building and plumbing practitioners are compliant and consumers are protected;
- overseeing the work of building surveyors and Victoria's building permit system;
- publishing data for building and plumbing practitioners; and
- monitoring the collection of building permit levies¹.

¹ From 1 July 2019, the VBA directly issues building permit numbers and collects the building permit levy under the Building Act.

Portfolio performance reporting – non-financial section

Ministerial Statement of Expectations

The Ministerial Statement of Expectations (SoE) aims to improve regulatory governance and performance. The SoE articulates the government's priorities and objectives for regulators. Regulators report annually on actions to fulfil these expectations.

The development of each statement is a collaborative effort. Consultation takes place with each regulator so that statements are fit-for-purpose and take into account the regulator's circumstances, including objectives, legislative basis, size of organisation, and current practices and processes.

The Minister for Planning issued a one-year extension to 30 June 2019 for the VBA's SoE (see VBA website).

The VBA's progress for 2018–19 in meeting the Minister's expectations is detailed below.

The VBA is continuously working towards achieving best practice in the administration and enforcement of the Building Act, the Building Regulations and the Plumbing Regulations.

Performance improvements

Activities that the VBA has undertaken in 2018–19 to deliver the performance improvements in the SoE are set out below. Performance data regarding the VBA's progress in implementing the Minister's expectations is featured in the following section on 'Our performance'.

Implementation of recommendations from the Victorian Cladding Taskforce

The final report from the Victorian Cladding Taskforce was released on 16 July 2019 and noted "the significant progress made by the VBA" in implementing many of the recommendations in the interim report.

The Victorian Government allocated \$11.8 million to the VBA in 2018–19 to assist with implementation of the taskforce recommendations.

The VBA has continued to deliver the second year of the SCA program, overseen by the taskforce. This program aims to identify at-risk properties and keep residents and occupants safe until cladding can be rectified. With almost 1,200 assessments by expert panels now complete, resulting in nearly 480 sites identified with higher fire-safety risk, the scale and complexity of the rectification task is becoming clearer. The VBA remains the only authority in Australia to identify, assess and mitigate risks associated with combustible clad buildings in such a comprehensive way.

The VBA was declared by the Minister for Planning to perform the functions of a MBS for 327 higher-risk buildings to systematically support public safety and long-term rectification. The VBA continued to work with councils, the Metropolitan Fire Brigade (MFB), Country Fire Authority (CFA), and private sector partners to identify, inspect, assess and require risk-reduction actions for privately owned buildings. The VBA developed fire-safety resources and shared these with owners corporations and residents to help them ensure the safety of their buildings with combustible cladding. A consumer-focused cladding safety hotline was established in July 2019 to support the establishment of Cladding Safety Victoria to provide more extensive support for Victorians living with combustible cladding.

The Minister for Planning directed the VBA to act swiftly to significantly expand its audit and inspection activities, with a particular focus on proactive inspections of buildings during construction, and to increase the inspection of buildings to 10 per cent per year. The VBA has expanded its inspection resources and streamlined its processes to significantly increase the number of proactive inspections, meeting the 10 per cent target in quarter four of 2018–19.

1. Overview

Parliament passed legislation to strengthen the VBA's enforcement and discipline powers. These new powers enable the VBA to immediately suspend a registered building practitioner¹, which the VBA has already used to protect the public. The VBA can also now assess compliance using destructive testing (where necessary), which the VBA has used at scale since February 2019, particularly for cladding audits.

The VBA has demonstrated that it is willing to take disciplinary action where practitioners are found to be violating the rules. In 2018–19, the VBA took disciplinary action in 59 building cases, conducted 16 plumbing inquiries and completed 61 prosecutions.

The VBA Compliance and Enforcement Policy has been revised to incorporate the taskforce recommendations and reflect the legislative reforms introduced by the *Building Amendment (Registration of Building Trades and Other Matters) Act 2018*.

Following extensive search processes, a State Building Surveyor was appointed in June 2019 and commenced in the role in July 2019. The position will act as an authoritative industry leader for building surveyors and building practitioners across Victoria and will support the industry change required so that buildings are consistently well-built, safe and fit-for-purpose.

In November 2018, the VBA issued coercive notices to 100 registered building surveyors requiring a copy of their professional indemnity insurance policy to ensure compliance with Ministerial Order requirements. Eight practitioners were found to have non-compliant policies due to exclusions. The practitioners subsequently demonstrated compliance by having the relevant clauses removed or procuring compliant insurance policies. To ensure ongoing compliance with the new Ministerial Order that came into effect on 12 August 2019, the VBA has reformed processes to undertake full verification of a practitioner's professional indemnity insurance, prior to policy expiry rather than as part of their annual renewal process.

Risk-based strategies

Risk-based strategies are implemented across the VBA so that resources are directed to the areas of greatest risk to improve safety and compliance outcomes for consumers.

The VBA refined its risk-based prioritisation capability in the Proactive Inspections Program (PIP). The VBA uses a risk-based approach to drive site selection for building inspections and audits and continues to incorporate intelligence learned from the SCA. The approach includes prioritising buildings associated with practitioners of interest.

The VBA has continued to build research capability for evidence gathering to inform enforcement activity and engaged an internationally renowned expert on modern risk-based regulatory practice, Professor Malcolm Sparrow², to assist the VBA in refining its regulatory approach.

Demonstrating good regulatory practice

The VBA introduced the *Good Regulatory Practice Plan 2019–2022* in May 2019. The plan outlines strategies for improving efficiency and effectiveness in the administration and enforcement of regulation to deliver a safe, quality and liveable built environment for all Victorians, and focuses on the improvement measures that informed the VBA's 2019–2021 SoE.

In 2018–19, the VBA focused on the provision of technical advice to support practitioners to comply with existing and new legislative and regulatory requirements, including changes to the Plumbing Regulations 2018 and the updated NCC 2019. The VBA applied a multi-channel approach to communicate the changes to stakeholders, so that appropriate and targeted communications reached the right audience.

This included seminars held across the state, the development of training modules, attendance at stakeholder forums, and the issue of practice notes and guidance.

1 On public interest grounds, where there has been repeated disregard for public health and safety and/or a lack of concern for potential damage to neighbouring properties.

2 Professor Malcolm K. Sparrow is a leading international expert in regulatory and enforcement strategy, security and risk control. He is the Professor of the Practice of Public Management at the John F. Kennedy School of Government, Harvard University, and Faculty Chair of the Executive Program on Strategic Management of Regulatory and Enforcement Agencies.

1. Overview

A few examples of the VBA's approach included:

- collaborated with ESV to provide detailed technical advice on complex gas installations, requirements for carbon monoxide and negative pressure testing for gas fitters;
- supported the development of carbon monoxide training module content for over 16,500 registered or licensed gas fitters, and content for a YouTube video on carbon monoxide testing;
- developed simplified checklists, a voluntary register and new webpages for owners of swimming pools; and
- provided detailed written advice to practitioners and consumers on CodeMark certificates withdrawal, protection of vegetation, balconies, decks and balustrades and the issuing of building permits.

Continued implementation of the Victorian Auditor-General's Office recommendations

The VBA has continued to implement the Victorian Auditor-General's Office (VAGO) recommendations.

In response to one of the recommendations, the VBA developed an Outcome and Performance Framework in 2018–19 to improve the organisation's ability to measure, monitor, evaluate and report on the effectiveness and efficiency of regulatory practices. The aim of the framework is to provide a clear evidence base for continuous improvement and to guide future progress. In 2019–20, detailed performance measures will be established, and implementation of the framework will commence by embedding it into the VBA's corporate and business planning and reporting processes.

Further recommendations from VAGO resulted in continued reforms to Victoria's building system. From 1 July 2018, corporate registrations were introduced to provide better information to assist consumers in making more informed decisions about their choice of building practitioner. This reform also allows the VBA to take any necessary disciplinary action directly against a company, in addition to an individual building practitioner.

Improved business systems

To reduce red tape, drive efficiencies and improve the service delivery to practitioners, the VBA undertook a range of improvement activities in 2018–19.

A new online platform, the Building Activity Management System (BAMS), was designed and delivered to support the implementation of key reforms to Victoria's permit and levy laws from 1 July 2019. This platform accepts real-time applications for BPNs, processes online levy payments directly to the regulator, issues BPNs, accepts mandatory monthly reports from relevant building surveyors (RBS), and accepts amendments to BPN records and building permit details.

A substantial project was also undertaken to vastly improve outdated processes for the licensing and registration of practitioners. The focus was to shorten processing times and save practitioners time and effort, whilst maintaining high-quality decision making about entrants to the building and plumbing system. The Domestic Builder Unlimited (DBU) application form was the first to be streamlined as it is the most frequently completed form. All application forms will be progressively updated, supporting the move to full digitisation of application forms in the future.

To improve timeliness of licensing and registration, the VBA set a new target of 75 per cent of registration decisions being within 45 days. Whilst the target was not met for 2018–19, improvements in timeliness were seen across all application types and the target has been increased to 80 per cent of registration decisions within 45 days for 2019–20.

Underpinning the work to increase efficiency has been a concerted effort to enhance quality frameworks. A quality team has been established to provide in-house training, knowledge, and expert advice on decision making in accordance with standards, rules and guidelines.

1. Overview

Transparency and accountability

The VBA is a statutory authority of the Victorian Government and is accountable to Parliament through the Minister for Planning and the tabling of this annual report.

The VBA fundamentally changed its approach to the public release of information during 2019. Alongside the preparation of a more user-friendly VBA website, social media platforms have been established as a key source of up-to-date information with 4,000 followers. Earlier and more comprehensive information on the VBA's industry education initiatives and monitoring, enforcement and disciplinary actions is now published. Inspections and audits, discipline notices and decisions, case studies on non-compliant building and plumbing work, and key prosecutions are regularly reported to the public. From 2019–20, the VBA intends to publish the full list and details of all practitioner disciplinary matters in its annual report.

The VBA recognises the importance of effective stakeholder engagement for feedback on the performance of the

regulatory system and the VBA's effectiveness as a regulator. The VBA has significantly increased stakeholder engagement activity through a multi-disciplinary approach across the building and plumbing industry led by the CEO and senior VBA executives. This has included:

- directly engaging with building and plumbing industry stakeholders;
- partnering with co-regulators on the delivery of statewide training and joint inspection programs;
- participation in trade shows and exhibitions; and
- sponsorship of industry awards.

In 2019–20, the VBA will assess stakeholder perceptions through a range of evaluation techniques, including surveys to obtain feedback on the VBA's systems and performance issues to inform future reforms. Various measures of stakeholder perceptions will be a key input to the implementation of the Outcome and Performance Framework.

Our performance

In 2018–19, the VBA implemented priority actions in accordance with the 2018–19 Annual Plan to deliver on the VBA's *Corporate Plan 2018–22* strategic objectives. The following sections outline the VBA's operations and progress in achieving these objectives.

Objective 1: Protect our community

This objective aims to enable better protected and more confident building consumers, serviced by capable building and plumbing practitioners.

Table 1: Progress towards achieving Objective 1 – Protect our community

Priority action	Activity in 2018–19
Buildings identified with non-compliant combustible cladding are risk-assessed and appropriate action taken	<p>The VBA inspected 1,261 privately owned buildings in 2018–19 to identify buildings with non-compliant combustible cladding. Identified buildings were risk-assessed and appropriate action taken. A total of 658 expert panels were undertaken in 2018–19. Of the private buildings inspected and referred to expert panels, 288 were rated as higher risk. Of the highest risk-rated private multi-storey apartment buildings, all had immediate safety measures imposed within 14 days throughout 2018–19.</p> <p>The Minister for Planning declared the VBA to perform the functions of the MBS for 327 higher-risk buildings to deal with longer-term rectification. Essential safety measures are being maintained at the required standard for 44 of the highest risk buildings so they remain safe for occupation during the rectification stage.</p> <p>The Victorian Civil and Administrative Tribunal (VCAT) decision regarding the Lacrosse apartment fire confirmed the VBA's long-standing position that aluminium composite panel with a 100 per cent polyethylene core does not meet the deemed-to-satisfy provisions of the Building Code of Australia (BCA). Information was distributed to remind building practitioners of their responsibility to ensure building work complies with BCA requirements and all relevant legislation.</p>



Case study: Immediate suspension to protect public safety

Disciplinary powers that came into effect in September 2018 were used by the VBA for the first time in February 2019, with the immediate suspension of a building practitioner on public interest grounds.

The unprecedented action was taken in response to multiple incidents involving the building practitioner, which put the safety of the public and occupants at risk. The practitioner also had a long history of disciplinary action with the Building Practitioners Board, demonstrating a disregard for the building regulatory system.

The effect of the decision was to immediately suspend the builder's domestic and commercial builder registrations.

The VBA's willingness to immediately suspend building practitioners on public interest grounds demonstrates how seriously the VBA takes its responsibility to protect public safety.

1. Overview

Table 1: Progress towards achieving Objective 1 – Protect our community (continued)

Priority action	Activity in 2018–19
Non-compliant works identified and corrected	<p>The VBA aims to inspect 10 per cent of all buildings for a range of building classes, focusing on the work of builders, building surveyors, plumbers and other building practitioners. One or more building permits can be issued for different types of work undertaken on a building site. Common areas of non-compliance include footing and slab construction, timber framing, fire separation and swimming pool areas.</p> <p>The VBA achieved the goal of inspecting 10 per cent of all buildings in the final quarter of 2018–19. A total of 8,318 building sites were inspected in 2018–19, compared with 2,945 in 2017–18. During 2018–19, 64 compliance requests were issued to practitioners for rectification of matters to prevent significant impacts on life safety, and 1,571 requests were also made to rectify work to prevent potentially adverse effects. In addition, 2,041 requests were issued for rectification of general and low-risk matters. This proactive approach led to the resolution of non-compliant issues on 3,032 buildings under construction.</p> <p>The proactive plumbing inspections program commenced in May 2019 and 500 inspections of plumbing installations in high rise, residential, mixed use and Class 9 buildings were completed by 30 June 2019.</p> <p>Geospatial software was a key initiative deployed throughout 2018–19 to hone the VBA's risk assessment and prioritisation of proactive inspections.</p> <p>Swimming pool sites where the VBA is the MBS¹ were inspected to make them safe and compliant. A total of 419 inspections of individual swimming pool sites were conducted in 2018–19, resulting in seven emergency orders, 277 building orders for minor works (e.g. fixing gates, removing climbing hazards, reducing gaps), and four building notices to bring barriers into compliance.</p> <p>The Energy Efficiency Inspection Program forms a key deliverable of the Victorian Government's Energy Efficiency and Productivity Strategy and seeks to establish robust evidence on compliance with the energy efficiency requirements of the NCC. This program is being delivered by collecting evidence on the nature and extent of non-compliance with energy efficiency standards, through 2,500 energy efficiency audits of new homes under construction to be completed by June 2020. The program has also enabled the VBA to trial new technology options and use of thermal imaging cameras.</p> <p>In June 2019, 61 per cent of building disciplinary actions were determined within 30 days of assessed malpractice, which was almost double the 2017–18 result of 33 per cent.</p>

¹ The VBA was declared to carry out any or all of the MBS functions on 29 March 2012 for 595 swimming pool sites that were either built without barriers, or where barriers that had been built were not part of the building permit and/or the Certificate of Final Inspection, issued by one building surveyor.

1. Overview

Table 1: Progress towards achieving Objective 1 – Protect our community (continued)

Priority action	Activity in 2018–19
Prevent temporary structures that place the public at risk	<p>A total of 123 occupancy permit applications for prescribed temporary structures were scrutinised for safety issues in 2018–19, compared with 151 occupancy permit applications received in 2017–18. Eight high-risk applications were rejected and 28 occupancy permits were amended.</p> <p>Information sessions for the events industry, council MBS and event management staff were held in Melbourne, Bendigo, Horsham, Wangaratta and Traralgon with 127 attendees. Pre-event meetings with organisers of major Victorian events were also held to ensure relevant information was provided to support their permit application.</p>
Sharpen risk-focus and effectiveness of regulation through industry intelligence and research	<p>The VBA continued to gather intelligence and undertake research activities to prioritise identification of, and regulatory response to, high-risk practitioners, practices and products. A satellite data licence was procured to provide information on the location, height and size of all buildings across Victoria.</p> <p>Intelligence reports were provided in response to 56 requests from external agencies in 2018–19. A total of 10 information sharing agreements were in place by June 2019.</p> <p>In August 2018, the VBA agreed to participate in the Phoenix Taskforce (Taskforce), headed by the Australian Taxation Office (ATO). The Taskforce seeks to bring together key government agencies to allow the effective exchange of information and a collaborative approach to mitigate and deter illegal phoenix activity. It is anticipated that in 2019–20, the VBA will be able to leverage the Taskforce to provide further insight into potential high-risk practitioners to the building and plumbing industry in Victoria.</p> <p>The VBA contributed funds and in-kind support to Swinburne University's <i>Scoping Study for the Establishment of an Australian Technical Evaluation Network</i> and the Cooperative Research Centre (CRC) for Low Carbon Living. The VBA also committed to supporting the CRC Program bid: <i>Building 4.0 CRC</i>, a consortium led by Monash University, the University of Melbourne, Lendlease, and other industry, training and research participants. The <i>Building 4.0 CRC</i> bid, if successful, will provide an opportunity for the VBA via its research program, to support the collaborative transformation of the building industry through sectoral, digital and building research programs.</p>

1. Overview

Table 1: Progress towards achieving Objective 1 – Protect our community (continued)

Priority action	Activity in 2018–19
Licensing and registration practices are efficient and support the entry and retention of qualified practitioners of good character	<p>On 1 July 2018, registration requirements for building companies were introduced. The change gives consumers greater certainty and protection by ensuring that the name of the builder they wish to engage is the same name on a contract or building permit and certificate of insurance.</p> <p>A licensing and registration improvement project commenced in 2018–19. In June 2019, 75 per cent of new building (company) registrations were made within 45 days. The timing of new building (natural person) registration decisions made within 45 days improved from 16 per cent in October 2018 to 34 per cent by June 2019.</p> <p>The introduction of digital front door initiatives has also seen 85 per cent of plumbing renewal applications being submitted online, making it easier to do business with the VBA.</p> <p>An assessment framework, consisting of standardised evidence requirements for application forms, logic and step-based assessment tool, was developed for Domestic Builders, Commercial Builders, Building Surveyors and Inspectors. The new application form was released in June 2019 and has reduced requirements by almost 75 per cent. Practitioners have regarded these improvements positively.</p>



Case study: Protecting Victorians

In August 2019, after more than four years of legal proceedings, the High Court of Australia confirmed a decision from the Federal Court that the VBA cannot refuse a practitioner's mutual recognition application on character grounds.

The lengthy legal battle was triggered by a Victorian resident, who used the less stringent entry requirements in New South Wales (NSW) to gain registration as a waterproofer. In his application to the NSW regulator, he falsely stated he had certain work experience. After gaining registration in NSW, he sought registration as a waterproofer in Victoria under the *Mutual Recognition Act 1992* (Cth).

The VBA is disappointed in the outcome of the case, and its possible ramifications for Victorian consumers. The VBA chose to fight this case all the way to the High Court to protect the integrity of the Victorian registration process.

The Chief Executive Officer of the VBA, Sue Eddy, said at the time: "Victorian consumers are entitled to presume that the building practitioners they invite into their homes have the requisite experience and are of good character."

The VBA believes the High Court's decision will have profound implications for Australia's building industry, as mutual recognition legislation may allow practitioners with less experience and persons of poor character to exploit the scheme by gaining registration in the state or territory with the lowest entry requirements.

The VBA has now asked the NSW registration authority to reconsider the applicant's registration in light of his character and the circumstances in which he obtained his registration in NSW.

1. Overview

Objective 2: Empower industry, practitioners and consumers

This objective aims to enable community, practitioners and co-regulatory partners to contribute to a safe and compliant industry.

Table 2: Progress towards achieving Objective 2 – Empower industry, practitioners and consumers

Priority action	Activity in 2018–19
Consumers and practitioners understand regulatory requirements, including our interpretations of the law and NCC	<p>To increase building practitioners' awareness of the Building Regulations 2018, all current VBA Practice Notes were revised, eight new Practice Notes and fact sheets were developed, and 13 seminars were delivered across Victoria.</p> <p>The VBA publishes a summary of its compliance and enforcement activities on the VBA website and VBA social media channels on a regular basis.</p> <p>A new searchable sanctions register was developed and launched on the VBA website in April 2019.</p> <p>An industry alert regarding professional indemnity insurance was sent to all building practitioners in June 2019, as well as a range of industry alerts to inform industry of the suspension of a major CodeMark certifying body, ensuring industry was immediately aware that those product certificates could no longer be relied on as evidence of suitability. Changes to the interpretation provisions for low-rise timber framed construction were also communicated quickly and widely to drive compliance with the NCC.</p> <p>The VBA has responded to significantly more enquiries as a result of efforts to raise awareness of regulatory requirements, standards and codes. In 2018–19 the VBA provided technical advice in response to a combined 10,828 telephone and email enquiries for plumbing (compared to 9,598 enquiries in 2017–18) and 3,428 email enquiries for building (compared to 2,426 enquiries in 2017–18).</p>
The public understands, identifies and helps to manage cladding-related fire hazards in existing buildings	<p>The VBA has published online information for owners to enable them to reduce and manage risks associated with combustible cladding, which includes a prospective property purchaser guide, updated fact sheets and frequently asked questions, case studies, videos, and a building audit guide.</p> <p>The VBA is developing an approach to evaluate stakeholder perceptions of VBA services and regulatory practices, which will be a key input to the implementation of the new Outcome and Performance Framework.</p>

1. Overview

Table 2: Progress towards achieving Objective 2 – Empower industry, practitioners and consumers (continued)

Priority action	Activity in 2018–19
Swimming pool and spa owners understand their obligations	<p>The VBA implemented and promoted a voluntary self-assessment tool and register for swimming pools and spas from November 2018. A pool and spa barrier safety webpage raised awareness of regulatory requirements and responsibilities of owners for safe pool and spa operation.</p> <p>The number of registered swimming pools and spas has continued to increase throughout 2018–19, with swimming pool and spa owners' growing awareness and understanding of their obligations. Mandatory registration of swimming pools and spas, and the introduction of a new compliance regime will come into effect on 1 December 2019.</p>
Complex problems resolved in partnership with industry	<p>The VBA worked closely with the ABCB and industry to educate Victorian practitioners on a number of complex national building issues. They included clarification on the use of combustible cladding on Class 2 and 3 buildings four storeys and below, and the unexpected withdrawal of a number of certificates of conformity for building products. The VBA also worked closely with industry to address complex issues with fire-safety system maintenance, rectification objectives for buildings with combustible cladding and the identification of complex problems with essential safety measures in high-rise buildings.</p> <p>As part of the research program in 2018–19, the VBA continued to support the <i>Professionalising Fire Safety Engineering</i> project by The Warren Centre for Advanced Engineering at the University of Sydney. This project has resulted in the publication of three research reports: <i>Current Status of Education, Training and Stated Competencies for Fire Safety Engineers</i>; <i>The State of Fire Safety Engineering Regulation, Control and Accreditation in Australia</i>; and <i>Comparison of International Fire Safety Engineering Guidelines, Fire Safety Verification Methods and Practice Guides</i>.</p> <p>Research was also completed into the capacity of the construction and plumbing services training package to prepare plumbing practitioners to develop performance solutions, and to better understand the causes of previous research findings about a higher incidence of non-compliant roofing (stormwater) plumbing work.</p> <p>Increased engagement and consultation with industry stakeholders has been a key focus in resolving complex problems. This has included direct engagement with building and plumbing industry stakeholders; co-sponsorship of the Carbon Monoxide Awareness Training program with ESV and Master Plumbers; the statewide NCC Roadshow attended by 2,600 practitioners across 34 sessions and participation in Build Aware, a co-regulators program in partnership with WorkSafe Victoria, ESV, EPA and CAV.</p> <p>The inaugural Building Surveyors Conference, held in February 2019, was attended by over 400 private and municipal building surveyors from across Victoria, supported by Australian Institute of Building Surveyors (AIBS) and Victorian Municipal Building Surveyors Group Inc (VMBSG).</p>

1. Overview

Table 2: Progress towards achieving Objective 2 – Empower industry, practitioners and consumers (continued)

Priority action	Activity in 2018–19
Practitioners approach complex plumbing work with confidence	<p>The VBA established a suite of resources to guide and support compliant execution of complex plumbing as required by the Plumbing Regulations 2018, including two new fact sheets, <i>Regulatory requirements for the laying of sanitary drains under buildings</i> and <i>Handheld sprays and water points adjacent to water closets</i>.</p> <p>The VBA's awareness raising has resulted in a substantial increase in the level of gas-related compliance certificate lodgements (198,754 in 2018–19, compared with 151,800 in 2017–18).</p> <p>Preparation of a draft VBA Strategy for Complex Plumbing commenced. The strategy identifies the overall VBA regulatory options (education and enforcement) to increase compliance rates in complex plumbing. A key prerequisite for the VBA is to develop its own capability in complex plumbing so that it can educate and enforce.</p>



Case study: Removing faulty devices and improving industry knowledge

In June 2018, a family of four was taken to hospital with suspected carbon monoxide poisoning. The incident triggered a collaborative regulatory response from the Victorian Government.

Immediately after the incident, VBA inspectors visited all residents living in the development, checking the installation and operating conditions of all gas heaters in their homes.

The VBA worked closely with other government agencies to resolve the issue and educate all Victorians about the potential dangers of carbon monoxide poisoning.

This incident and a coronial inquest arising from a similar fault led the VBA, along with partners ESV and Master Plumbers, to deliver one of its largest-ever mandatory training programs for gas fitters and their apprentices across the state. More than 16,500 plumbing practitioners also completed online training as part of their gas fitting accreditation.

1. Overview

Objective 3: Respond to risks and concerns

This objective aims to hold practitioners to account for defective and non-compliant building work.

Table 3: Progress towards achieving Objective 3 – Respond to risks and concerns

Priority action	Activity in 2018–19
Consumer complaints are resolved promptly and fairly, with escalation of VBA intervention based on risk	<p>Over 90 per cent of consumer-initiated complaints in 2018–19 were resolved or referred for further investigation within 120 days due to a strong focus on service and timeliness. Notably 78 per cent of these complaints were resolved or referred for investigation by the VBA within 60 days or less. Resolution includes the achievement of compliant plumbing or building work where required, referral to a co-regulator or the appropriate agency, or provision of information to the complainant.</p> <p>By the end of 2018–19, 1,347 investigations had been undertaken, which represents an improvement on the 2017–18 total of 1,257 investigations.</p> <p>The VBA continued to act quickly in the interest of public safety and commence regulatory intervention within one business day when risk is assessed as high. On 5 November 2018, a report in the media focused on occupancy permits issued for properties with a range of non-compliances. While building owners had not contacted the VBA to lodge a complaint, VBA inspectors attended a mentioned property the following day. Actions were taken to ensure all premises were safe to occupy and investigations commenced immediately into suspected breaches of the Building Act, regulations and standards by the builder and building surveyor. Reporting of project cost of works was also audited.</p> <p>In another case, when a family of four was taken to hospital suffering from carbon monoxide poisoning, the VBA promptly attended the site and disconnected the gas until the appliance was made safe and commenced an investigation into the plumbing practitioner who had installed the appliance.</p>
Commercial build compliance is regularly tested	<p>During 2018–19, the VBA conducted proactive inspections of plumbing work at large commercial sites, visiting more than 200 such sites. These included high-rise apartment buildings, shopping centres, schools and aged care facilities. The inspectors identified a range of non-compliant work at these commercial sites, ranging from low risk issues to serious safety matters. For example, when inspecting a large aged care facility, the VBA identified an absence of backflow prevention on potable water supplies which could have caused contamination of the water supply if not rectified. Also, in a \$45 million high-rise mixed-use building, the VBA identified plumbing issues which could have caused a future system failure. In both instances, the non-compliances have now been addressed.</p> <p>Commercial sites continue to form an increasing proportion of the VBA's building and plumbing inspection regime.</p>

Objective 4: Influence industry and key decision-makers

This objective aims for the VBA to be a trusted authority and source of advice on Victoria's built environment, providing guidance on complex building and plumbing problems.

Table 4: Progress towards achieving Objective 4 – Influence industry and key decision-makers

Priority action	Activity in 2018–19
Effective regulatory outcomes are facilitated by the VBA in collaboration with DELWP, Government and co-regulators	<p>Regular briefings regarding the VBA's operational and strategic issues were provided to the Minister for Planning and DELWP throughout 2018–19.</p> <p>The VBA established formal collaborative forums such as the Quality Improvement Working Group with private and MBSs.</p> <p>The VBA and CAV jointly established the Building Regulators Practice Panel, consisting of Victorian Government agencies providing regulatory and related services in the building sector. The Panel, whose aim is to promote cohesive, efficient and effective building industry regulation and dispute resolution, has established two priority work programs.</p> <p>The VBA collaborated with the City of Melbourne on the prosecution of the practitioners involved in the demolition of the 160-year-old Corkman Hotel. The practitioners received record fines after pleading guilty to breaching building and planning laws.</p>
Practitioners are provided with authoritative advice on compliance issues, and regulatory measures are taken to change the behaviour of any non-compliant practitioners	<p>A pilot project commenced to develop, test, refine and recommend processes and tools to implement a harms-based regulatory model within the VBA. This pilot project builds on the training delivered to VBA staff and key stakeholders by Professor Malcolm Sparrow in March 2019.</p> <p>When fully developed in 2019–20, it is intended that the adopted model will provide the VBA with the capability to more effectively allocate resources and prioritise work around the greatest harms; enhance the VBA's ability to drive the cultural change required to ensure buildings are safe and well built; and improve the VBA's ability to communicate harm-reduction regulatory achievements.</p> <p>In 2019, the VBA commenced research into data collected for 372 residential and public-use buildings included in the SCA. Performance of Class 2 to 9 buildings constructed in Victoria over the past 10 years were assessed for a range of layers of fire-safety protection (beyond external wall cladding), for example: warning systems; travel distance to exits; fire isolated stairways; self-closing or smoke-sealed doors; sprinkler systems; and against the deemed-to-satisfy requirements in the NCC. Initial findings indicate that many of these buildings have some form of active systems for fire safety (i.e. a smoke detector, alarm signalling, sprinklers or hose reels) that are manually or automatically activated when exposed to the products of fire, to compensate for the absence of passive systems that are built into the structure and fixtures of the building (for example an egress exit, exit width, fire-rated door or fire isolated stairway). This research will continue into 2019–20.</p>

1. Overview

Table 4: Progress towards achieving Objective 4 – Influence industry and key decision-makers (continued)

Priority action	Activity in 2018–19
Victoria's voice influences national regulatory policy	<p>The VBA leveraged its membership of the ABCB to resolve complex regulatory challenges across state and territory jurisdictions.</p> <p>The VBA actively engaged Standards Australia Committees, notably on plumbing technical standards relating to plumbing, drainage, gas fitting, backflow prevention and residential air-conditioning.</p>
Government and industry are assisted by excellent advice during the development and implementation of the Plumbing Regulations 2018	<p>The VBA published a series of videos for industry, explaining key changes in the proposed Plumbing Regulations 2018 and highlighted the opportunity to participate in public consultation. To further support industry through the regulatory changes, the VBA held 24 seminars across regional and metropolitan Victoria, which were attended by a total of 1,299 participants.</p> <p>Early in the financial year the VBA provided technical advice and support at meetings of the Plumbing Advisory Council Sunset Sub-committee.</p> <p>Together with DELWP, the VBA met with representatives from key stakeholder organisations to discuss their views of the draft Plumbing Regulations 2018 and provided expert advice to Government relating to matters raised in stakeholder submissions in order to finalise Plumbing Regulations 2018 content.</p> <p>Information on proposed arrangements for transition options for competent persons who have been working outside of the plumbing regulatory requirements for Routine service of fire protection systems and equipment was provided.</p> <p>Fire protection guidance notes for industry were developed.</p>



Case study: Prosecution for illegal demolition

In February 2019, record fines were imposed on the developers behind the 2016 illegal demolition of the historic Corkman Hotel, once located at 154–160 Leicester Street, Carlton, after the VBA and the City of Melbourne successfully prosecuted them on multiple charges.

The illegal building work was carried out by the owner of the site without a demolition permit, in complete disregard for the building system and the safety of people on and near the site.

The company that owns the property, 160 Leicester Pty Ltd, and its directors, Stefce Kutlesovski and Raman Shagiri, pleaded guilty to multiple charges in relation to the illegal demolition of the pub. Only Mr Shagiri was, at the time of the offence, a registered building practitioner. In February 2019, following a joint investigation and prosecution between the VBA and the City of Melbourne, the three accused were fined a record \$1.325 million and convicted for their roles in the illegal works.

1. Overview

Objective 5: Improve our culture and capability

This objective aims to increase our technical knowledge and capability to deliver efficient and effective regulatory oversight.

Table 5: Progress towards achieving Objective 5 – Improve our culture and capability

Priority action	Activity in 2018–19
The VBA attracts, engages and retains highly talented people who want to work in an organisation that enables them to realise their career aspirations, provides flexible work practices, and recognises their contributions	<p>The VBA's Building Surveyor attraction strategy resulted in more than doubling our internal registered surveyors.</p> <p>The VBA's annualised voluntary turnover rate was 14.8 per cent in 2018–19, which was less than the average of 18 per cent for organisations with an equivalent workforce of 250–499 staff.</p> <p>The VBA revised its Flexible Work Policy and over 44 per cent of respondents to our annual People Matter Survey stated they access some form of flexible work arrangement.</p> <p>An investment in continuous learning resulted in 23 of the VBA Team Leaders undertaking Manager development, 11 Assessors upgrading their Training and Assessment qualification and over 310 employees participating in Respect in the Workplace training.</p> <p>A Reward and Recognition nomination process was launched on the new intranet and achievements of our people are regularly celebrated during the CEO All Staff briefings.</p>
The VBA is a well-governed, high-performance public sector body recognised for its risk management	<p>A Board Secretary was appointed in June 2018 to better support the Board and sub-committees to fulfil governance obligations.</p> <p>A refresh and consolidation of the VBA's risk registers was undertaken and a new Risk Management Framework adopted that aligns with relevant 2018 Australian standards and the Victorian Government's risk management guidelines.</p> <p>For the 2018–19 financial statements, the Victorian Auditor-General's Office confirmed an unqualified audit, demonstrating the VBA's good financial management.</p> <p>The VBA's Outcome and Performance Framework was developed to improve the organisation's ability to measure and report on the impact of our regulatory practices. Evaluation findings will inform the effectiveness of risk mitigation activities and options for improving regulatory practices.</p>



Case study: Protecting people in their homes

Future residents of a Bairnsdale retirement village will sleep more soundly after a proactive inspection by the VBA triggered critical safety works in a number of units still under construction.

In February 2019, the VBA inspected eight units of the 122-unit village and found that the separating fire-resistant walls between apartments did not meet the relevant fire spread requirements of the BCA.

The inspector identified that an additional layer of 16 mm fire-rated plasterboard had not been installed within the roof spaces – an integral part of the fire-separating wall system.

The builder acknowledged the fault and placed an additional 3.6 square metres of plaster in each roof space.

1. Overview

Table 5: Progress towards achieving Objective 5 – Improve our culture and capability (continued)

Priority action	Activity in 2018–19
Doing business with the VBA is quicker and easier, and the way it does business becomes increasingly accountable to customers, Government and the Victorian community	<p>The VBA Service Charter, which aims to increase accountability of the VBA in servicing customers and the community, was reviewed and published on the VBA website.</p> <p>The VBA undertook significant work in developing a new online platform, the Building Activity Management System (BAMS) to support the implementation of key reforms to Victoria's permit and levy laws. BAMS was delivered on 1 July 2019, on time and within budget, with oversight by the Business Systems Transformation Program Advisory Committee.</p> <p>Work progressed on the development of a long-term IT transformation strategy to better support the regulatory functions and services through progressive replacement of legacy systems, driving innovation and digital transformation.</p> <p>A proactive release program for the VBA's performance data and information on regulatory activities commenced. A regular summary of VBA actions has been posted on the VBA website, including information on prosecutions, inspections, audits and show cause notices.</p>
VBA staff adopt safe work practices in a culture that gives priority to their wellbeing, is inclusive and embracing of difference, and ensures everyone is treated with fairness, dignity and respect	<p>Development of the VBA's people strategy commenced in 2018–19, including a safety first health and wellbeing program, and diversity and inclusion strategy. Progressive implementation of the people strategy is a priority action in the 2019–20 Annual Plan.</p> <p>A wellbeing calendar for 2018–19 was published with key events and initiatives including:</p> <ul style="list-style-type: none"> • corporate rates for local wellbeing/health centres • a weekly running and walking club • VBA netball team playing in Docklands Netball Competition weekly • psychological safety awareness events including RUOK? Day, Mental Health Awareness Week workshops on building resilience, mindfulness and work-life balance • workshops to support customer-facing teams on 'Managing challenging behaviour'. <p>On 10 December 2018, the <i>Safety First</i> program and Field-based Occupational Health and Safety (OHS) Guidelines were launched and provided to field staff. A member of the public who suffered a significant workplace injury spoke to staff about the importance of personal responsibility in terms of safety.</p> <p>A Diversity and Inclusion Event Calendar was endorsed by the VBA Culture Committee. VBA staff supported International Day of People with Disability by raising funds for Life Without Barriers on 3 December 2018; joined the Pride March on 2 February 2019; and celebrated Wear it Purple Day in support of the lesbian, gay, bisexual, transgender, and/or intersex (LGBTI) community.</p>
The VBA has a sustainable, evidence-based funding model designed to support the contemporary regulatory expectations	<p>Work commenced on fees review and proposed regulatory reforms in 2018–19 to future proof the VBA's financial sustainability.</p> <p>The VBA received \$17.7 million in grant funding in 2018–19 to deliver priority cladding audits, commence rectification works, increase monitoring and enforcement, fund an audit of residential buildings to ensure compliance with as-built energy efficiency ratings and to fund development of an independent assessment program.</p>

Regulatory activity

The following information provides an overview of the VBA's core regulatory functions.

Building and plumbing registration and licensing activity

Building practitioner				Plumbing practitioner		
	<i>Company</i>	<i>Natural person</i>				
	2018–19	2018–19	2017–18		2018–19	2017–18
Registration applications received	3,375	1,986 ¹	2,315	Registration or licensing applications received	2,737 ²	2,177
Registration applications finalised	11,652	2,141 ³	2,376	Registration or licensing applications finalised	2,347 ⁴	1,927
Number of registrations as at 30 June	9,840	23,890	23,154	Number of persons registered or licensed as a plumbing practitioner as at 30 June	27,496	27,160
Number of registrations by category of building practitioner as at 30 June				Number of plumbing practitioners registered or licensed in the main classes of plumbing work as at 30 June		
	<i>Company</i>	<i>Natural person</i>				
	2018–19	2018–19	2017–18		2018–19	2017–18
Builder – Commercial	2,157	5,583	5,342	Drainage work	20,904	20,595
Builder – Demolisher	133	375	356	Fire protection work	755	707
Builder – Domestic	8,335	15,791	15,489	Gas-fitting work	20,149	20,914
Building Inspector	43	707	673	Irrigation (non-agricultural) work	20,693	21,422
Building Surveyor (Limited)	13	147	131	Mechanical services work	15,523	15,922
Building Surveyor (Unlimited)	90	552	545	Refrigerated air-conditioning	2,005 ⁵	–
Draftsperson	166	2,443	2,456	Roofing (stormwater) work	21,064	20,878
Engineer	166	2,981	2,688	Sanitary work	21,419	21,044
Erector or Supervisor (Temporary Structures)	7	114	113	Type B gas fitting	639 ⁶	–
Quantity Surveyor	11	135	138	Water supply work	21,715	21,349

¹ Reduction in applications reflects demand.

² Higher number due to drive to increase awareness amongst apprentices of the requirement to become registered.

³ While the number processed was lower, a higher proportion of applications received were processed due to increased productivity and improved processes.

⁴ Higher volume of applications processed due to increased productivity and improved processes.

⁵ Regulations commenced in November 2018 replacing the Plumbing Regulations 2008, which converted the Refrigerated air-conditioning work class into a main class.

⁶ Regulations commenced in November 2018 replacing the Plumbing Regulations 2008 which converted the Type B gas-fitting work class into a main class.

1. Overview

Building and plumbing activity

Building			Plumbing		
	2018–19	2017–18		2018–19	2017–18
Building permits reported	109,396	114,803	Compliance certificates lodged by licensed plumbing practitioners	420,841	391,095
Building permits reported – cost of works (\$ billion)	\$40.1	\$38.4	Plumbing modification declarations made	298 ¹	531
Owner-builder certificates of consent issued by the VBA	4,212	5,179	Technical advice – telephone enquiries	10,451 ²	9,280
Temporary structure occupancy permits issued	102 ³	124	Technical advice – email enquiries	377 ⁴	318
Technical advice – email enquiries	3,428 ⁵	2,426	Delivery of seminars on NCC 2019 (Volume 3, the Plumbing Code of Australia, PCA)	17 seminars (to 971 plumbing practitioners)	–
Delivery of seminars on NCC 2019 (Volumes 1 and 2, the BCA)	17 seminars (to 1,597 building practitioners)	–	Delivery of seminars on the Plumbing Regulations 2018	24 seminars (approximately 1,299 plumbing practitioners)	–
			Delivery of seminars on carbon monoxide (jointly delivered with ESV and Master Plumbers Association)	19 seminars (to 2,535 plumbing practitioners)	–

- 1 The decrease in plumbing modification declarations made in 2018–19 was due to (new) Plumbing Regulations 2018 changes, which made it easier for plumbing practitioners to install straight lines of drains under buildings without the need to make an application for a plumbing modification.
- 2 Increased volumes may be attributed to raised VBA profile due to Plumbing Regulations 2018, PCA 2019 and carbon monoxide seminars.
- 3 Decrease in the number of applications received for temporary structures due to three-year renewal process for statewide permits.
- 4 Increased volumes may be attributed to raised VBA profile due to Plumbing Regulations 2018, PCA 2019 and carbon monoxide seminars.
- 5 Increased volumes may be attributed to raised VBA profile due to new Building Regulations 2018, the new NCC 2019, and high-profile, building-related media coverage.

Security of payment

The VBA is responsible for administering the *Building and Construction Industry Security of Payment Act 2002* (Vic) (SoP Act). The SoP Act provides subcontractors of goods and services used in a construction project with a mechanism for obtaining progress payments.

During 2018–19, the VBA discharged its statutory function under the SoP Act to process applications from interested parties to become an Authorised Nominating Authority (ANA). This is a tri-annual process. This year, the VBA received a total of five completed applications, and only refused one, which is currently the subject of an appeal to the Building Appeals Board (BAB).

The SoP Act also imposes regular reporting obligations on ANAs, who are required to inform the VBA of the number of applications received by them, the number of determinations made and the value of the amounts claimed and awarded in each instance. The VBA has no direct involvement in the adjudication of payment disputes under the SoP Act and no control over the number of applications lodged or the amounts claimed. It does, however, collate the information received from ANAs with a view to analysing the data on an annual basis to identify trends which may inform recommendations for future legislative reform.

Based on information provided by ANAs, the vast majority of payment claims made under the SoP Act are against builders, often by subcontractors who do not ordinarily fall

within the legislative remit of the VBA, such as painters, landscapers and plasterers, etc. In 2018–19, there was a 17 per cent increase in the number of adjudication applications received, and a 21 per cent increase in the number of determinations made by ANAs compared to the previous year. This indicates that an increasing number of subcontractors are using the SoP Act to resolve their payment disputes with builders.

The 78 per cent increase during 2018–19 in the value of total amounts claimed as reported by ANAs, can be explained by the unusually large size of some of the claims. These include three claims between \$20–30 million and seven claims for an amount between \$1–4 million. By comparison, the average amount claimed during 2018–19 was much lower, at \$288,571. This would suggest that the SoP Act is relied on by subcontractors across a broad spectrum of constructions projects in Victoria. The trend observed in previous financial years of amounts claimed significantly exceeding the actual amounts awarded by the arbitrator continued this year, with the total adjudicated amount being only 36 per cent of the total amounts claimed, compared to 32 per cent in the previous financial year.

The VBA will continue to analyse the data collated to date during the next financial year, with a view to identifying trends and potential opportunities for further education of users and potential legislative reform.

VBA	2018–19	2017–18
Number of adjudication applications	461	394
Total value of amounts claimed (\$ million)	133.0	74.9
Number of determinations	303	251
Total value of adjudicated amounts (\$ million)	48.0	24.3

1. Overview

Building and plumbing compliance activity (inspections, audits, and investigations)

Building			Plumbing		
	2018–19	2017–18		2018–19	2017–18
Building Audit Program			Plumbing Audit Program		
Building inspections for cladding	1,261	550 ¹	Plumbing audits and drain inspections completed	14,304 ²	18,730
All other building audits completed			Plumbing audits and drain inspections completed as a percentage of lodged compliance certificates	3.4% ⁶	4.8%
– Energy efficiency audits (dwellings) ³	1,158	204 ⁴			
– Building audits (permits) ⁵	257	–			
Building permit levy audits	99	101			
Building investigations completed			Plumbing investigations completed		
Building practitioner investigations completed	469 ⁷	537	Plumbing practitioner investigations completed	878 ⁸	720
Building Proactive Inspections Program (PIP)			Plumbing Proactive Inspections Program (PIP)		
Building sites inspected as part of the PIP	8,318 ⁹	2,945 ¹⁰	Proactive inspections carried out by Plumbing Auditors as part of the pilot plumbing program from 14 May – 30 June 2019	500 ¹¹	–

1 2017–18 inspection and audit of the Victorian Cladding Taskforce Priority List.

2 Lower number of audits and drain inspections completed due to reallocation of some proactive auditors to a risk-based under construction plumbing inspection program targeting major plumbing defects.

3 Audits conducted as part of the “as-built” compliance energy efficiency project, which commenced in March 2018.

4 Correction of disclosure error in VBA’s Annual Report 2017–18.

5 Building audits (permits) program was not established in 2017–18.

6 The lower percentage in 2018–19 is due to more compliance certificates being lodged.

7 During 2018–19 the number of building investigations completed reduced due to an increase in the number of more complex complaints and other matters referred for investigation.

8 Increase due to growth in referrals from complaints received by VBA and infringement notices not complied with, consequently referred for investigation.

9 Significant increase in line with the 10 per cent target set in the Minister’s Statement of Expectations.

10 The figure in the 2017–18 Annual Report was incorrectly reported as 2,923.

11 The 500 proactive plumbing inspections as part of the reallocation of resources to the plumbing inspection program are in addition to the 14,304 plumbing audits and drain inspections and in addition to the 8,318 building site inspections under the PIP.

1. Overview

Building and plumbing enforcement activity

BPB and VBA	2018–19	2017–18	VBA – Plumbing	2018–19	2017–18
Building practitioner disciplinary hearings held by the BPB ¹	4	29	Plumbing practitioner disciplinary hearings held	16	25
Show cause notices issued	59 ²	136			
Prosecutions completed — building	44	34	Prosecutions completed — plumbing	17	24
Building prosecutions commenced, but not completed	31	31	Plumbing prosecutions commenced, but not completed	3	8

Building and plumbing community activity

Building	2018–19	2017–18	Plumbing	2018–19	2017–18
Building complaints received	1,628	1,496	Plumbing complaints received	1,877	1,845

1 The BPB was abolished in September 2016. Transitional provisions within the Building Act allow the BPB to complete disciplinary proceedings that were already underway when it was abolished.

2 The decrease in show cause notices is due to alignment with the revised VBA Compliance and Enforcement Policy, particularly the focus on more complex and higher risk matters. Show cause notice numbers have increased in the last quarter of 2018–19 and the increase is expected to continue for 2019–20.

1. Overview

Internal review

The Internal Review function is now in its third year of operation, following reforms to the Building Act (effective 1 September 2016). The Internal Review function considers internal reviews of building registration decisions and disciplinary decisions made by the VBA.

The internal review process gives an affected person the right to seek review of a reviewable decision made by the VBA. The reviewable

decision may have been the result of a show cause disciplinary process or a decision about registration. The internal review process is separate and independent from the initial registration process or the show cause disciplinary process. It provides a faster, less expensive review option than going to the VCAT. The VBA also uses the internal review process to identify opportunities to improve its registration and disciplinary processes.

Internal reviews	2018–19	2017–18
Internal reviews received for registration decisions	149 ¹	116
As a proportion of registrations refused	32.7%	22.1%
Completed within 28 days:		
Affirmed	89	93
Amended	3	1
Substituted	65 ²	9
Total completed	157	103
Internal reviews received for disciplinary decisions	17	20
As a proportion of show cause decisions	19.7%	14.8%
Completed within 28 days:		
Affirmed	2	5
Amended	14	9
Substituted	4	2
Total completed	20	16

Notes:

Affirmed: When a decision is Affirmed, the decision of the VBA remains unchanged.

Amended: When a decision is Amended, some changes are made to the original VBA decision.

Substituted: When a decision is Substituted, the VBA's original decision is replaced with a different decision. This may arise because new information or evidence is provided by the applicant or practitioner.

¹ The VBA received a higher number of internal review applications concerning registration decisions in 2018–19 because of the Federal Court decision that impacted the VBA's approach to renewal of registrations via mutual recognition.

² A higher proportion of registration decisions (in particular, renewal decisions) in 2018–19 were substituted on internal review because of the Federal Court decision that changed the VBA's approach to these types of decisions.

Research program

The VBA conducts and promotes research relevant to the regulation of the building and plumbing industries in Victoria.

A priority for the VBA's research program in 2018–19 has been fire safety, and identifying ways to improve the regulatory system as well as the skills and expertise of practitioners.

Major research program activity and outcomes during 2018–19 included:

- **Market assessment of the cost and accessibility of professional indemnity insurance for building surveyors:**
This research provided meaningful insights into factors affecting the risk appetite of the professional indemnity insurance market in Australia, including uncertainty about liability in relation to the use of combustible cladding and its impact on insurer behaviour. These insights helped inform the VBA's engagement with building surveyors and the insurance industry on this issue. The VBA has shared the research with DELWP and other relevant agencies.
- **Capacity of the construction and plumbing services training package to prepare plumbing practitioners to develop performance solutions:**
This research was conducted to gain a better understanding of the causes of higher incidences of non-compliant roofing (stormwater) plumbing work. The research identified gaps in the training package intended to adequately train plumbing practitioners to design or develop performance solutions for plumbing work. The VBA has shared these findings with the Plumbing Advisory Council and Artibus Innovation which is carrying out a review of the plumbing training package.
- **Determining the nature, prevalence and frequency of inadequate fire safety protection in multi-storey buildings:**
This research is currently in progress and involves analysis of data collected for 372 residential and public-use buildings included in the SCA (Class 2 to 9 buildings constructed in Victoria over the past 10 years). The VBA assessed the buildings' performance in relation to a range of fire safety protection

solutions beyond external wall cladding – for example, fire isolated stairways, self-closing or smoke-sealed doors and sprinkler systems, and measured these against the deemed-to-satisfy requirements in the NCC. The VBA's initial findings indicate that many of these buildings have some form of active systems for fire safety (for example, a smoke detector, alarm signalling, sprinklers or hose reels) to compensate for the absence of passive systems that are built into the structure and fixtures of the building (for example, an egress exit, fire-rated door or fire isolated stairway).

- **Literature review on fire safety of particular external cladding systems applied to building facades:**
This literature review (in progress) is gathering information on the fire safety of particular external cladding systems by reviewing Australian and international published literature to provide an evidence base. The results of this literature review will inform an advisory note on the fire safety of these systems if applied to Class 2 to 9 building facades.

The VBA also contributed funds and in-kind support to:

- **Professionalising Fire Safety Engineering:** The VBA contributed financially (2017–18) and in-kind support (2018–19) to this project run by The Warren Centre for Advanced Engineering at the University of Sydney, resulting in the publication of three research reports:
 - *Current Status of Education, Training and Stated Competencies for Fire Safety Engineers;*
 - *The State of Fire Safety Engineering Regulation, Control and Accreditation in Australia;* and
 - *Comparison of International Fire Safety Engineering Guidelines, Fire Safety Verification Methods and Practice Guides.*

These reports have been published by The Warren Centre and disseminated as conference papers and journal articles.

1. Overview

- **Scoping study for the Establishment of an Australian Technical Evaluation Network (ATEN):** The VBA contributed financial and in-kind support to this project run by Swinburne University. The project aims to deliver a scoping study into the creation of an ATEN as a consortium of Australian technical institutions, to provide the building industry with an appraisal service on construction materials and products. A draft report has been produced for the scoping study.
- **Cooperative Research Centre (CRC) for Low Carbon Living:** The VBA contributed financial and in-kind support to the CRC, a national research hub established to facilitate a globally competitive low-carbon built environment sector. The CRC sought to achieve this through the development of low carbon products and services to reduce greenhouse gas emissions in the built environment. The CRC came to an end in June 2019.

The VBA also committed to supporting the CRC Program bid: *Building 4.0 CRC* (currently under consideration for 2019–20). This consortium is led by Monash University, the University of Melbourne, Lendlease, and other industry, training and research participants.

Portfolio performance reporting – financial section

VBA five-year financial summary

	2018–19 \$ million	2017–18 \$ million	2016–17 \$ million	2015–16 \$ million	2014–15 \$ million
Building permit levies	39.3	37.6	31.9	30.3	26.7
Practitioner registration and licences ¹	10.8	10.1	8.6	8.3	8.0
Plumbing compliance certificates	14.8	12.5	12.3	12.0	11.0
Other income	20.7	8.8	3.3	3.2	5.3
Total income	85.6	69.0	56.1	53.8	51.0
Total expenses	77.8	63.2	53.2	49.9	45.7
Other economic flows	0.3	(1.3)	1.4	2.0	(0.9)
Net result	8.1	4.5	4.3	6.1	4.4
Current assets	60.0	51.3 ²	45.3	46.1	38.6
Non-current assets	11.9	8.0 ²	9.4	5.0	5.0
Total assets	71.9	59.3	54.8	51.1	43.6
Current liabilities	21.2	18.3	18.3	18.5	14.9
Non-current liabilities	4.0	2.5	2.6	3.0	5.1
Total liabilities	25.2	20.8	20.9	21.5	20.0
Net assets	46.7	38.5	33.9	29.6	23.6
Net increase/(decrease) in cash and cash equivalents	20.6	(9.1)²	(1.2)	8.4	5.1

Notes:

1 Includes corporate registrations revenue as introduced in 2018–19.

2 Correction of disclosure error in VBA's Annual Report 2017–18.

Current year financial review

Overview

In 2018–19, the VBA recorded an operating surplus of \$8.1 million, compared to \$4.5 million in 2017–18. The 2018–19 surplus was underpinned by a 24 per cent increase in income, which includes a \$5 million grant received for cladding rectification. Continued strength in Victoria's building sector contributed towards increasing levels of income arising from building permit levies, plumbing compliance certificate fees and the new revenue stream of corporate registrations. The VBA recognised:

- a \$11.8 million grant from DELWP to contribute to the cost of auditing buildings with combustible cladding and increase its inspection and enforcement regime;
- a \$5 million grant from DELWP for the commencement of cladding rectification works;
- a grant of \$0.7 million from DELWP to fund an audit of residential buildings to ensure their compliance with "as-built" energy efficiency ratings;
- a grant of \$0.2 million from the Department of Education and Training to fund the development of an independent assessment program.

Financial performance and business review

The 24 per cent increase in income was offset by a 23 per cent increase in expenditure required to deliver legislative reform and undertake the VBA's expanded operational remit including leading the SCA, expanding inspection of buildings under construction and other regulatory activity.

The main factors affecting the VBA's financial performance for the year were:

- new grants of \$5.2 million;
- the existing grants of \$12.5 million;
- a four per cent increase in building levies, fees and fines, resulting from continued strength in Victoria's building sector;

- a 20 per cent increase in employee costs required to deliver regulatory operations and implement legislative changes; and
- a 34 per cent increase in supplies and services (mainly insurance and contractor spend), resulting from an increased level of cladding audit functions during the year.

Financial position – balance sheet

The value of VBA assets increased by 21 per cent to \$71.9 million, corresponding with an increase in liabilities to \$25.2 million. The main factor affecting the VBA's financial position at 30 June 2019 was a 14.1 per cent increase in total financial assets.

Cash flows

The cash balance of \$52.3 million at the end of the 2018–19 financial year is an increase of \$20.6 million compared to the previous year. The increase is mainly due to a term deposit of \$14.3 million invested previously with the Treasury Corporation of Victoria (TCV) being moved to the Central Banking System as per the Department of Treasury and Finance's (DTF) direction during the financial year.

Net cash inflows from operating activities have increased by \$17.8 million mainly due to an increase of \$5.6 million for receipts from customers and increase of \$12.2 million of grants received from DELWP. Net cash outflows from operating activities have increased by \$13.5 million mainly due to increases in employee costs of \$8.6 million and supplies and services of \$6 million.

Capital projects/asset investment programs

Capital expenditure during the year was \$5.4 million, including \$1.7 million for property, motor vehicles, plant and equipment and \$3.1 million for BAMS.

Disclosure of grants and transfer payments

The only grant provided by the VBA in 2018–19 was to the ABCB. The ABCB is established under a joint initiative of all levels of government in Australia, together with the building industry. Its mission is to oversee issues relating to health, safety, amenity and sustainability in building. The ABCB promotes efficiency in the design, construction and performance of buildings through the NCC, as well as the development of effective regulatory and non-regulatory approaches. The grant amount for 2018–19 was \$1.05 million – no increase on the 2017–18 amount.

Subsequent events

As per the Premier's public announcement on 16 July 2019, the VBA will commence cladding rectification-related work through a new division of the VBA known as Cladding Safety Victoria, focusing initially on 15 priority privately owned buildings. Cladding Safety Victoria has been established by the Victorian Government with a funding commitment of \$300 million to provide support and guidance to building owners and occupants of buildings with combustible cladding, particularly where rectification work is required to reduce risks to an acceptable level.

2. Governance and organisational structure

Commissioners in Office during 2018–19

The VBA Board is established under section 200 of the Building Act and is responsible for governance and strategic management of the VBA.

The key responsibilities of the Board include:

- setting the VBA's direction and priorities
- establishing performance criteria and monitoring performance against those criteria
- overseeing delivery of the VBA's objectives and functions
- establishing appropriate and effective financial governance and oversight arrangements, including the regular review of the effectiveness of those arrangements
- overseeing the VBA's systems for internal control, risk management, auditing and legal compliance
- selecting and appointing the Chief Executive Officer (CEO)
- establishing strategic policies for the VBA, subject to any delegation of this responsibility to the CEO.

Commissioners are appointed by the Governor in Council on the recommendation of the Minister for Planning.

Dr Owen Donald Chief Commissioner and Chair

1 February 2017 to 31 January 2020

Dr Owen Donald has many years of wide-ranging experience in organisational governance, especially in the housing and construction sectors.

Dr Donald chaired the National Housing Supply Council and Barwon Health, and has held board positions with many other organisations including Southern Health, Aboriginal Housing Victoria, Housing Choices Australia, the Australian Institute of Health and Welfare and the Port of Melbourne Corporation. He is a member of the BAC (Victoria).

His executive experience includes CEO roles at the Australian Housing and Urban Research Institute and Employment Services Regulatory Authority. He was the Director of Housing in Victoria, and previously held senior executive roles in the Commonwealth public service.

In recent years, Dr Donald has provided consultancy services specialising in policy development and program management in housing and urban development. He was Independent Project Facilitator of the Millers Point property sale and social housing redevelopment plan (NSW), a member of the Urban Policy Forum (national), Chair of the Expert Advisory Panel on Affordable Housing (Queensland) and he advised the Commonwealth and Northern Territory Governments on the implementation of Indigenous housing reforms.

Dr Donald has a doctorate in urban research. He is a Graduate of the Australian Institute of Company Directors and a Fellow of the Institute of Public Administration Australia (Victoria).

2. Governance and organisational structure

Justin Madden AM Deputy Chief Commissioner

8 September 2015 to 7 September 2021

Mr Justin Madden is a Principal and Cities Leader at Arup. Mr Madden works with Arup's leadership team on strategic project planning and infrastructure development.

Mr Madden's career includes 15 years in the Victorian State Parliament, having held seven Ministerial portfolios within successive Victorian Labor Governments across 11 years, including one term as Minister for Planning from 2006 to 2010. He retired from Parliament in 2014.

Mr Madden is also a registered architect who operated his own practice prior to entering Parliament.

Mr Madden currently serves on the board of several not-for-profit organisations, including AFL SportsReady, Foodbank Victoria and Victoria Walks.

Mr Madden was awarded the Member of the Order of Australia in 2016 for significant service to the Parliament of Victoria, to Australian rules football as a player, and to the community.

Anne Barker Commissioner

1 July 2016 to 30 June 2019 (end of term)

Ms Anne Barker was Managing Director of City West Water for 13 years, during which time she was a member of the Plumbing Industry Advisory Council for six years. Her previous experience includes practising law and senior management positions with Myer Stores, ANZ Bank and SPI PowerNet.

Ms Barker has diverse board experience including as Chair of Whelion Open Family Australia, Chair of LeadWest and as a director of both the Water Services Association of Australia and the Metropolitan Fire Brigade.

Carmel Coate Commissioner

22 November 2017 to 21 November 2020

Ms Carmel Coate is a longstanding and highly respected plumbing and fire protection industry leader.

Ms Coate has extensive experience in the plumbing sector, having been National Executive Director of the National Fire Industry Association for 30 years and a member of the PAC for the past 16 years.

With strong experience in project leadership and team management, business planning and systems implementation, her extensive CV sets out a range of positions on boards, committees and advisory groups in the plumbing, fire protection and industry training sectors.

Ms Coate is also Chair of the Plumbing Industry Climate Action Centre, the industry-led training facility in Brunswick; Chair of Fire Industry Training Ltd, an industry-owned training organisation; and a member of the Australian Institute of Company Directors.

Kelly Humphreys Commissioner

1 March 2017 to 29 February 2020

Ms Kelly Humphreys is an experienced non-executive director with current roles in education, health and financial services. She brings expertise in financial services, insurance and risk management across the public, private and government sectors.

Ms Humphreys has held senior executive roles, including with Aon, Allianz and Liberty Financial. As General Manager – Government with the Victorian Managed Insurance Authority, she led the delivery of risk services and advice to the Victorian Public Sector.

Ms Humphreys holds a Master of Management and is a Graduate of the Australian Institute of Company Directors.

2. Governance and organisational structure

Yvonne von Hartel AM Commissioner

1 April 2014 to 29 February 2020

Ms Yvonne von Hartel AM is a Founding Principal of the award-winning national architectural and urban design practice, peckvonhartel. She is a Life Member and Senior Counsellor of the Australian Institute of Architects; a member of the La Trobe University Council and Deputy Chair of its Infrastructure and Estates Planning Committee; and a Member of the University of Wollongong SMART Infrastructure Advisory Council.

Ms von Hartel is the Chair of the BRAC and also a member of several design advisory panels, including the Sydney Metro, Mornington Peninsula Shire Council, Martin Place Over Station Development Panel and WestConnex.

In 2007, Ms von Hartel was awarded the Member of the Order of Australia for services to architecture, design and building through involvement with a range of professional organisations, to the promotion of women in business, and to the community.

Brian Welch Commissioner

29 October 2013 to 30 June 2019 (end of term)

Mr Brian Welch has more than 25 years' experience as Executive Director of two industry groups within the building and property industry – five years as Executive Director of the Property Council of Australia (Victorian Division) and 20 years as Executive Director of the Master Builders Association of Victoria (MBAV). During his term with the MBAV, Mr Welch served on the BPB and the BAC and has held many other roles dealing with skills development in the industry.

Upon leaving the MBAV, Mr Welch established a consultancy assisting not-for-profit organisations. He is presently on the boards of the Victorian Registration and Qualifications Authority, the Redundancy Payment Central Fund (Incolink) and Neighbourhood Watch.

Mr Welch brings to the Board his experience and understanding of the industry, and the role and requirements of practitioners.

Dr Lynne Williams AM Commissioner

1 April 2014 to 29 February 2020

Dr Lynne Williams brings extensive high-level public service experience to the Board. She has held senior executive positions in state and federal governments for more than 30 years, having most recently been Under Secretary in the Department of Treasury and Finance in Victoria. Dr Williams has previously held senior executive positions in the departments of Premier and Cabinet, and Industry, in Victoria.

Dr Williams has considerable board experience and is the current Deputy Chair of the Essential Services Commission of South Australia, Commissioner on the Victorian Legal Services Board, Commissioner on the Commonwealth Grants Commission and Chair of the Audit Committees for the Victorian Legal Services Board and Commissioner. She is a Fellow of the Institute of Public Affairs Australia, Principal Fellow at St Hilda's College (University of Melbourne) and a Member of the Australian Institute of Company Directors.

Dr Williams was awarded the Member of the Order of Australia in 2016 for significant services to public sector administration and to economic and public policy reform in Victoria. In 2019, she received an Alumni of Distinction Award for contributions to the Faculty of Business and Economics at the University of Melbourne.

Board meeting attendance 2018–19

Name	Attended	Maximum possible
Dr Owen Donald <i>Chief Commissioner and Chair</i>	9	9
Justin Madden AM <i>Deputy Chief Commissioner</i>	8	9
Anne Barker	9	9
Carmel Coate	9	9
Kelly Humphreys	9	9
Yvonne von Hartel AM	7	9
Brian Welch	8	9
Dr Lynne Williams AM	6	9

2. Governance and organisational structure

Audit and Risk Committee

The Audit and Risk Committee (ARC) assists the Board to fulfil its governance and oversight responsibilities by independently reviewing and assessing the effectiveness of the VBA's systems and controls for financial management, performance and sustainability, including risk management.

The ARC's key responsibilities are to:

- review and oversee internal audit including strategic and annual internal audit planning, reviewing internal audit reports, advising on the appointment of the internal auditor and meeting with the internal auditor;
- review financial management and compliance with applicable laws and regulations including reviewing annual financial statements and the report of operations;
- maintain effective communication with external auditors, consider recommendations made by internal and external auditors, and review the implementation of actions to resolve issues raised; and
- review and oversee the effective operation of the risk management framework.

Members are appointed by the Board, usually for a three-year term, and are subject to the Committee's charter.

Meetings are held quarterly and at any other time on request of a Committee member or the internal or external auditor. In 2018–19, the Committee met five times with attendance of Committee members detailed in the following table.

Audit and Risk Committee meeting attendance 2018–19

Name	Attended	Maximum possible
Dr Lynne Williams AM * <i>Chair</i>	5	5
Anne Barker *	5	5
Dr Owen Donald *	4	5
Kelly Humphreys *	5	5
Brian Welch *	4	5
Dianne Azoor-Hughes *	5	5

* = Independent member¹

¹ In accordance with the Standing Directions 2018 Guidance, an independent member of an Audit Committee is not involved in the day-to-day management of the agency and may be sourced from non-executive directors of the Board.

2. Governance and organisational structure

People and Culture Committee

The People and Culture Committee assists the VBA Board to fulfil its governance and oversight responsibilities by:

- ensuring compliance with Victorian Government Public Entity Executive Remuneration (GPEER) Policy;
- assisting the Board in determining policy and practice for executive remuneration and individual remuneration packages for executives taking account of Victorian GPEER rules and guidance;
- reviewing and advising the Board regarding the CEO's remuneration package;
- reviewing the CEO's performance and providing regular feedback to the CEO through the Chief Commissioner;
- reviewing and supporting the CEO's management of executive performance across the VBA;
- reviewing and supporting the CEO's monitoring of executive development and succession planning, including the identification and development of future leaders; and
- monitoring development and maintenance of a positive culture and adherence to shared values, including in relation to customer service, professional and determined regulation, continuous learning, and purposeful collaboration within and outside the VBA.

People and Culture Committee meeting attendance 2018–19

Name	Attended	Maximum possible
Anne Barker <i>Chair</i>	3	3
Dr Owen Donald	3	3
Justin Madden AM	3	3
Yvonne von Hartel AM	2	3

Research and Innovation Committee

The Research and Innovation Committee assists the Board with conducting, promoting and reporting research relating to the regulation of the building and plumbing industries in Victoria by:

- recommending to the Board the VBA's annual research priorities and research budget;
- overseeing development of the VBA's research capability and development, and refinement of the VBA's ongoing research program;
- endorsing and recommending to the Board research projects requiring expenditure from the research budget over \$25,000 and any research partnerships/sponsorships with external research bodies;
- ensuring the Board is kept informed of research projects and partnerships, findings, outcomes and relevant developments that bear on the VBA's strategic objectives, strategic risks and corporate reputation;
- monitoring and examining research project progress and approach at quarterly Committee meetings;
- reviewing draft research reports and communications strategies as they are produced, and providing feedback to management where required; and
- maintaining a focus on innovation, including in emerging technologies, and provide a point of reference to and from VBA management's Innovation Sub-Committee.

Research and Innovation Committee meeting attendance 2018–19

Name	Attended	Maximum possible
Carmel Coate <i>Chair</i>	4	4
Dr Owen Donald	3	4
Kelly Humphreys	4	4
Yvonne von Hartel AM	4	4
Brian Welch	4	4

Organisational structure

The VBA's organisational structure is aligned to an integrated functional service model to respond to the needs of consumers and practitioners.

The VBA's senior executives

The VBA is led by the Chief Executive Officer who reports to the VBA Board and Minister for Planning. The VBA is managed by a senior executive group comprising the head of each the six divisions. The role of the senior executive group is to set, monitor and review the strategic direction of the VBA.

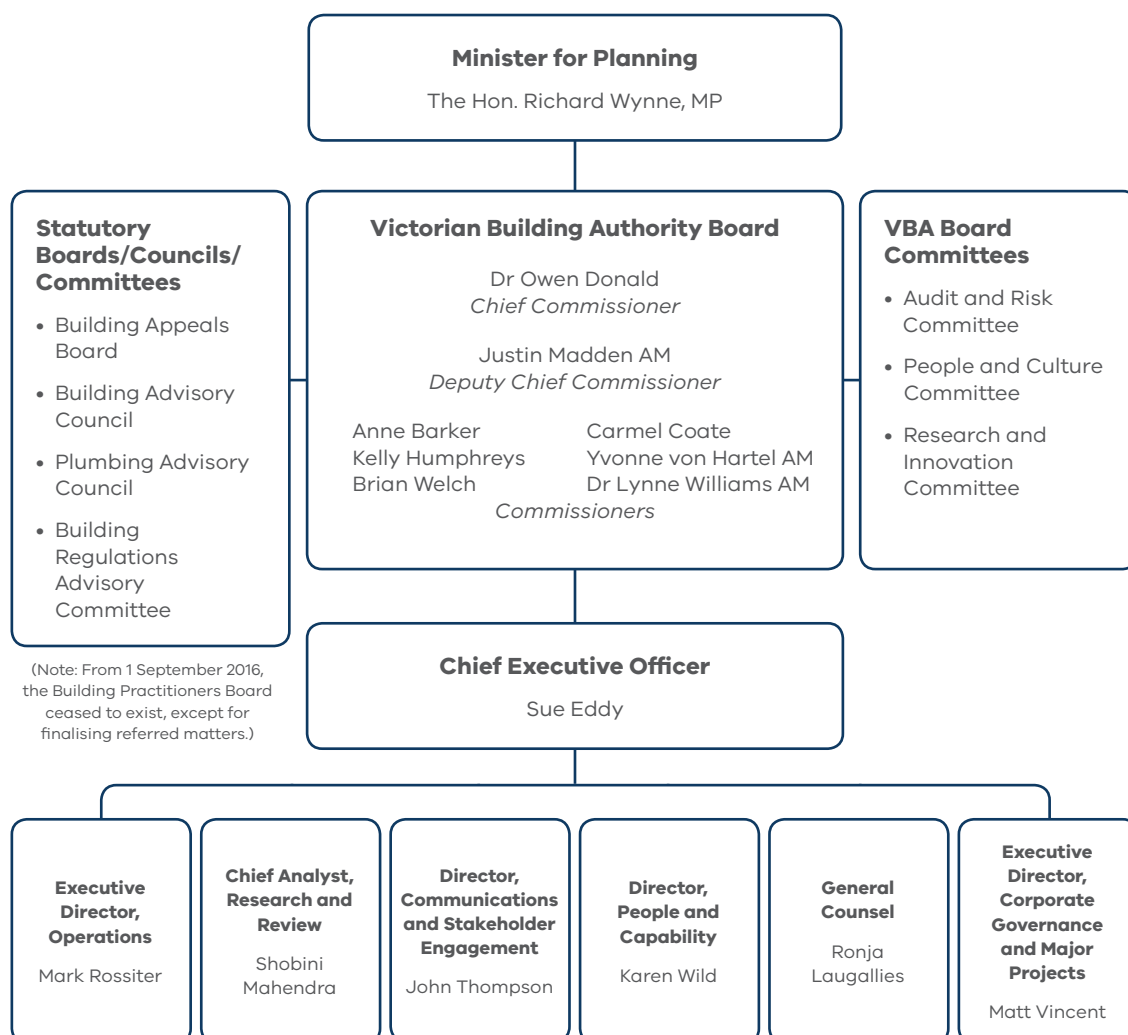
Sue Eddy, Chief Executive Officer

Ms Sue Eddy has been leading the VBA since her commencement as Chief Executive Officer in November 2017.

With a career spanning more than 17 years, Ms Eddy has made an enduring contribution to Victoria's public service, building an impressive career in key roles across several major Victorian Government departments, including the Department of Human Services, Department of Treasury and Finance, Department of Transport, Planning and Local Infrastructure, and the Department of Economic Development, Jobs, Transport and Resources.

Ms Eddy's role in the public sector has often been groundbreaking, through the creation of new methods and ways of working. She has been a champion for flexible working conditions, diversity and inclusion, and strengthening public sector governance.

Organisational structure as at 30 June 2019



Occupational health and safety (OHS)

The safety of VBA employees, contractors and associates continues to be a core focus with the launch of the holistic *Safety First* program. The aim of *Safety First* is to introduce proactive and responsive interventions around the safety, wellbeing, physical and psychological health of the VBA's people.

In response to the most highly reported incidents, the VBA introduced tailored programs for client facing and customer service employees including self-defence, managing challenging behaviours, resilience and self-care. The VBA has also increased the promotion of the Employee Assistance Program (EAP), including a mobile app.

Risk and Hazards Workshops were conducted to define key focus areas and safety metrics. This positions the VBA for targeted *Safety First* interventions, such as defensive driving and fatigue management.

Incident management

The VBA's ongoing efforts to promote safety management processes and encourage the reporting of incidents through the *Safety First* program have resulted in an increase in the number of incident reports (almost double). Incidents reported include those associated with occupational violence, psychological injury and vehicle incidents. These types of incidents make up 45 per cent of overall reported incidents.

There were three WorkCover claims accepted in 2018–19, one of which was terminated by VBA's nominated insurance provider, Allianz, within 30 days. The average cost per claim increased from \$10,960 to \$32,249.

The VBA recognises that a workplace injury can have a significant impact on an employee and their family, and therefore prioritises return to work and health, safety and wellbeing initiatives.

2. Governance and organisational structure

Performance against occupational health and safety management measures

Measure	Key performance indicator	2018–19	2017–18	2016–17
Incidents and injuries ¹	Number of incidents	41	23	15
	Incident rate per 100 FTE (%)	10.3	7.9	5.7
	Number of incidents requiring first aid and/or further medical treatment	22	0	N/A
	Number of injuries	20	11	14
	Injury rate per 100 FTE (%)	5.0	3.8	5.3
Claims	Number of standard claims ²	3	1	2
	Rate per 100 FTE (%)	0.8	0.3	0.8
	Number of lost time claims	3	1	2
	Rate per 100 FTE (%)	0.8	0.3	0.8
	Number of claims exceeding 13 weeks	2	1	1
	Rate per 100 FTE (%)	0.5	0.5	0.5
Fatalities	Fatality claims	0	0	0
Claim costs	Average cost per standard claim (\$)	\$32,249	\$10,960	\$30,798
Return to work (RTW)	Percentage of claims with RTW plan <30 days	1	0	0
Management commitment	Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, and OHS plans (signed by CEO or equivalent)	Reviewed and updated	Achieved	Achieved
	Evidence of OHS criteria(s) in purchasing guidelines (including goods, services and personnel)	Under review	In progress	N/A
Consultation and participation	Evidence of agreed structure of:			
	• designated workgroups (DWGs)	7 DWGs	Achieved	Achieved
	• health and safety representatives (HSRs)	10 HSRs	Achieved	Achieved
	• issue resolution procedures (IRPs).	Under review	Achieved	In progress
	Compliance with agreed structure on DWGs, HSRs, and IRPs	Achieved	Achieved	Achieved
	Number of OHS Committee meetings ³	5	5	7

1 Incidents and injuries include all work-related incidents, near misses, illnesses and hazards reported by VBA employees and contractors. An increase in the number of incidents reported has contributed to increased awareness of reporting requirements and early intervention by VBA employees.

2 Data sourced from the VBA's WorkCover insurer, Allianz, on behalf of the Victorian WorkCover Authority and refers to accepted claims only.

3 The VBA OHS Committee meets approximately every six weeks, but if there is no quorum then the meeting may be postponed until the following period.

2. Governance and organisational structure

Performance against occupational health and safety management measures (continued)

Measure	Key performance indicator	2018–19	2017–18	2016–17
Risk management	Percentage of internal audits/inspections conducted as planned (%)	100	100	100
	Percentage of reported incidents investigated ¹ (%)	34	–	–
	Number of Improvement Notices issued across the VBA by WorkSafe Inspector	0	0	N/A
	Percentage of issues identified and actioned arising from:			
	• internal audits (%)	100	100	100
	• HSR provisional improvement notices (PINs) (%)	0	N/A	N/A
	• WorkSafe notices (%)	0	N/A	100
Training	OHS induction program	Reviewed and updated	Achieved	Achieved
	HSR training	Completed	Achieved	Achieved
	Percentage of managers and staff that have received OHS training:			
	• induction (%)	100	100	N/A
	• management training (%)	50 ²	100	N/A
	• contractors and temporary (%)	80 ³	100	N/A
	Percentage of HSRs trained:			
	• upon acceptance of role (initial training) (%)	100	100	N/A
	• re-training (annual refresher) (%)	100	100	N/A

1 Measure relates to incidents investigated internally and closed out as part of standard procedures. Motor vehicle and incidents that occur on other organisations' sites are not investigated as the VBA does not have management and control of the sites.

2 In April 2019 the VBA rolled out a revised OHS Management Training Program with an aim to provide refreshed training to all levels of management by December 2019.

3 The VBA continues to refine the Contractor Induction Process including on-time online training.

Employment and conduct principles

The VBA is committed to ensuring the requirements set out in the *Public Administration Act 2004* (PA Act) and the principles of the Code of Conduct for Victorian Public Sector Employees are enshrined in all VBA employment policies and procedures.

The VBA recruitment and selection processes are conducted in accordance with merit and equity principles. All positions are appropriately graded through a position classification process and candidates are assessed equitably against key selection criteria without discrimination.

In 2018–19, the VBA developed a new Respect in the Workplace policy and conducted Appropriate Workplace Behaviour training for all employees.

3. Workforce data

Public sector values and employment principles

All VBA policies and procedures are consistent with the Public Sector Values and Employment Principles set out in the PA Act.

In 2018–19, the Victorian Public Sector Commission (VPSC) published common policies that apply to all VPS departments and agencies. Following the release of the policies, the VBA has conducted a review of all existing policies and procedures to ensure alignment with the common policies.

The employee induction and onboarding program have been updated to enhance understanding of public sector values and employment principles. The VBA has also conducted training with employees to ensure they understand how to avoid conflicts of interest, and the process and procedures for declaring a gift, benefit or hospitality.

Comparative workforce data

The VBA employed additional staff in 2018–19 to ensure it had the capacity and capability to deliver its existing obligations amid expanding operational requirements. The growth in staffing level extends a trend from previous financial years.

3. Workforce data

Details of employment levels in June 2019

The following table discloses the headcount and full-time staff equivalent (FTE) of ongoing and fixed term, and casual employees of the VBA who were employed in the last full pay period in June 2019.

		All employees		Ongoing ¹			Fixed term and casual	
		Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Demographic data	Gender							
	Women	194	188	122	18	135	54	53
	Men	210	209	158	2	160	50	50
	Self-described	–	–	–	–	–	–	–
	Age							
	15–24	12	12	5	–	5	7	7
	25–34	101	100	64	2	65	35	35
	35–44	120	117	80	8	86	32	31
	45–54	107	105	78	7	83	22	22
	55–64	56	56	47	1	48	8	8
	65+	8	8	6	2	8	–	–
Classification data	VPS 1–6 grades	383	376	274	20	288	89	88
	VPS 1	–	–	–	–	–	–	–
	VPS 2	79	77	36	3	38	40	39
	VPS 3	45	44	30	4	33	11	11
	VPS 4	75	74	59	2	60	14	14
	VPS 5	133	132	108	6	113	19	19
	VPS 6	51	50	41	5	45	5	5
	Senior employees	21	21	6	–	6	15	15
	Senior Technical Specialists (STS)	6	6	6	–	6	–	–
	Executives	15	15	–	–	–	15	15
	Total employees	404	397	280	20	294	104²	103

1 Ongoing employees include people engaged on an open-ended contract of employment, and executives engaged on a standard executive contract, who were active in the last full pay period of June each year.

2 Fixed term resources increased to accommodate key time-limited programs or projects, including the SCA and associated functions, digital transformation projects and intelligence initiatives.

3. Workforce data

Details of employment levels in June 2018

The following table discloses the headcount and full-time staff equivalent (FTE) of ongoing and fixed term, and casual employees of the VBA who were employed in the last full pay period in June 2018.

		All employees		Ongoing			Fixed term and casual	
		Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Demographic data	Gender							
	Women	139	131	98	19	111	22	20
	Men	159	158	141	2	143	16	16
	Self-described	–	–	–	–	–	–	–
	Age							
	15–24	5	5	4	–	4	1	1
	25–34	76	75	57	3	59	16	16
	35–44	81	76	58	10	64	13	12
	45–54	85	83	75	5	79	5	4
	55–64	44	43	40	1	41	3	3
	65+	7	7	5	2	7	–	–
Classification data	VPS 1–6 grades	280	271	222	21	237	37	35
	VPS 1	–	–	–	–	–	–	–
	VPS 2	49	45	31	3	32	15	13
	VPS 3	41	40	28	6	33	7	7
	VPS 4	52	51	46	3	48	3	3
	VPS 5	98	97	85	4	88	9	9
	VPS 6	40	39	32	5	36	3	3
	Senior employees	18	18	17	–	17	1	1
	Senior Technical Specialists	3	3	2	–	2	1	1
	Executives	15	15	15	–	15	–	–
	Total employees	298	289	239	21	254	38	36

3. Workforce data

Annualised total salary, by \$20,000 bands, for executives and other senior non-executives

The following table discloses the annualised total salary for senior employees, categorised by bands. The salary amount is reported as the full-time annualised salary¹.

Income band (salary)	Executives	STS
< \$160,000		
\$160,000 – \$179,999	3	3
\$180,000 – \$199,999	2	3
\$200,000 – \$219,999	3	
\$220,000 – \$239,999	3	
\$240,000 – \$259,999	2	
\$260,000 – \$279,999	1	
\$280,000 – \$299,999		
\$300,000 – \$319,999		
\$320,000 – \$339,999		
\$340,000 – \$359,999		
\$360,000 – \$379,999		
\$380,000 – \$399,999		
\$400,000 – \$419,999	1	
\$420,000 – \$439,999		
\$440,000 – \$459,999		
\$460,000 – \$479,999		
\$480,000 – \$499,999		
Total	15	6

Workforce inclusion policy

The VBA's organisational values – We Problem Solve, We Work as One, and We Deliver – highlight the sense of inclusiveness in all VBA practices, and continue to be embedded in everything we do.

The VBA is creating an inclusive culture where equal opportunity and diversity are valued. At 30 June 2019, 48 per cent of our workforce were women and 52 per cent were men. At the executive level, it was 53 per cent women and 47 per cent men. The VBA increased the representation of women at the executive level through 2018–19.

¹ The salaries reported exclude superannuation and represent the occupied Executive positions within the VBA.

3. Workforce data

Executive officer data

An executive officer is defined as a person employed as a public sector body head or other executive under part 3, division 5 of the PA Act.

Executive profile¹

	2018–19				2017–18		
	<i>Men</i>	<i>Women</i>	<i>Self-described</i>	<i>Vacancies</i>	<i>Men</i>	<i>Women</i>	<i>Vacancies</i>
CEO	–	1	–	–	–	1	–
Executive Officers	7	7	–	1	10	4	–
Total	7	8	–	1	10	5	–

Reconciliation of executive numbers

		2019	2018
	Executives with total remuneration over \$100,000	20	20
Add	Vacancies	1	0
	Executives with total remuneration below \$100,000	0	0
	Accountable Officer (CEO)	1	1
Less	Separations	6	6
Total executive numbers at 30 June		16	15

¹ All figures show employment levels at the last full pay period in June 2019 and the corresponding period in the previous reporting year.

4. Other disclosures

Local Jobs First

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

Departments and public sector bodies are required to apply the Local Jobs First policy in all projects valued at \$3 million or more in metropolitan Melbourne or for statewide projects, or \$1 million or more for projects in regional Victoria. MPSG applies to all construction projects valued at \$20 million or more.

The VBA did not undertake any procurement activities or projects above the thresholds identified.

Government advertising expenditure

In 2018–19, there was one government advertising campaign with total media spend of \$100,000 or greater (excl. GST). The details of the campaign are outlined below.

Details of government advertising expenditure (campaigns with a media spend of \$100,000 or greater)

Name of campaign	Carbon Monoxide Training Program
Campaign summary	Radio and press activity to support statewide Carbon Monoxide Safety Program to enhance the skills of plumbers who install and service gas heaters and other gas appliances
Start/end date	29/07/2018 – 01/09/2018
Advertising (media) expenditure (excl. GST)	\$105,036
Creative and campaign development expenditure (excl. GST)	\$0
Research and evaluation expenditure (excl. GST)	\$0
Print and collateral expenditure (excl. GST)	\$0
Other campaign expenditure (excl. GST)	\$0
Total	\$105,036

Consultancy expenditure

Details of consultancies (valued at \$10,000 or more)

In 2018–19, there were 19 consultancies where the total fees payable to the consultants were \$10,000 or more. The total expenditure incurred during 2018–19 in relation to these consultancies was \$1,002,639 (excl. GST). Details of individual consultancies are available on the VBA website at www.vba.vic.gov.au/annual-report.

Details of consultancies less than \$10,000

In 2018–19, 14 consultancies were engaged where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2018–19 in relation to these consultancies was \$58,597 (excl. GST).

4. Other disclosures

Information and communication technology expenditure

For 2018–19, the VBA had a total Information and Communication Technology (ICT) expenditure of less than \$8.1 million, with details shown below.

Details of information and communications technology expenditure

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
Business as usual ICT expenditure	Non-business as usual ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = operational expenditure and capital expenditure)		
\$4,418,543	\$3,651,222	\$546,953	\$3,104,269

Disclosure of major contracts

The VBA adheres to the Victorian Government's policy of disclosing contracts worth \$10 million or more, in accordance with the FMA. In 2018–19, the VBA had no contracts worth \$10 million or more.

Freedom of information

The *Freedom of Information Act 1982* (FOI Act) allows the public a right of access to documents held by the VBA. The purpose of the FOI Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the FOI Act.

An applicant has a right to apply for access to documents held by the VBA. This comprises documents both created by the VBA or supplied to the VBA by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes.

The FOI Act allows the VBA to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include:

- cabinet documents;
- some internal working documents;
- law enforcement documents;
- documents covered by legal professional privilege, such as legal advice;
- personal information about other people; and
- information provided to the VBA in-confidence.

From 1 September 2017, the FOI Act was amended to reduce the FOI processing time for requests received from 45 to 30 days. However, where a FOI request requires external consultation, the VBA has the discretion to extend the processing time to 45 days. Processing time may also be extended by periods of up to 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times.

If an applicant is not satisfied by a decision made by the VBA, under section 49A of the FOI Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

An application fee of \$29.60 (at 1 July 2019) applies to FOI applications. Access charges may also be payable if the document pool is large, and the search for material is time consuming. Charges may be applied, for example, for costs associated with photocopying and the search and retrieval of documents. The VBA has the discretion to waive application fees in cases of financial hardship and can waive access charges in prescribed circumstances.

4. Other disclosures

Access to documents can be obtained through a written request to the VBA's FOI Officer, as detailed in section 17 of the FOI Act. In summary, a request must:

- be in writing, and be sent by email or post, or in person;
- identify as clearly as possible which document is being requested (contact the FOI Officer if unsure); and
- be accompanied by the appropriate application fee. The fee may be waived by the VBA in circumstances of demonstrated hardship to the applicant.

Requests for documents in the possession of the VBA should be sent by email to foi@vba.vic.gov.au or posted to:

Freedom of Information Officer
Victorian Building Authority
PO Box 536
Melbourne VIC 3001

FOI statistics and timeliness

During 2018–19, the VBA received 305 FOI requests – a decrease compared to the 312 requests received during 2017–18.

The majority of requests were from parties to complaints investigated by the VBA's building and plumbing investigators, which includes a large number of requests seeking access to a plumber's insurance policy information.

Most of the requests resulted in the release of documents to applicants in full or in part, or with information released to applicants outside of the FOI Act. Of the 304 FOI decisions made during 2018–19:

- 78 were released in full;
- 71 were released in part;
- 15 were denied in full; and
- 119 were released outside of the FOI Act.

The remaining matters were either withdrawn, not proceeded with, are yet to be finalised, or no documents could be found.

Of the 304 FOI decisions made by the VBA during 2018–19:

- 155 matters were finalised within 30 days;
- 84 matters were finalised between 31 and 45 days;
- 63 matters were finalised between 46 and 90 days; and
- three matters were finalised after 91 days.

The average time to finalise a request in 2018–19 was 32 days. Extensions to the statutory timeframe were obtained in relation to 128 requests, resulting in approximately 83 per cent of requests being made within the required statutory timeframe.

During 2018–19, four complaints relating to VBA FOI decisions were made to OVIC or for a review of a VBA decision. Including matters from the previous reporting period, six OVIC complaints were finalised in 2018–19, with three OVIC complaints proceeding to VCAT for review.

Further information

Further information regarding the operation and scope of FOI can be obtained from the FOI Act; regulations made under the FOI Act; and at www.ovic.vic.gov.au.

Compliance with the *Building Act 1993*

The VBA owns and operates regional offices in Ballarat, Bendigo, Morwell and Wangaratta. The VBA conducts annual inspections of, and reports on, its owned buildings to ensure compliance with building standards and regulations. This internal control system allows the VBA to satisfactorily undertake building maintenance and manage risks.

The VBA conducted no major projects or works costing more than \$50,000 on VBA-owned buildings in 2018–19.

Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

The VBA continues to comply with competitive neutrality as required under the Competition Principles Agreement and Competition and Infrastructure Reform Agreement.

4. Other disclosures

Compliance with the *Protected Disclosure Act 2012*

The *Protected Disclosure Act 2012* (the PD Act) encourages and assists people to make disclosures of improper conduct by public officers and public bodies. The PD Act provides protection to people who make disclosures in accordance with the PD Act, establishes a system for the matters disclosed to be investigated and enables rectifying action to be taken.

The VBA is committed to the highest standards of public service in the regulation of the building and plumbing industries. Every organisation confronts fraud and corruption and the VBA is not an exception. The VBA intends to be known for its ethical standards and robust defences against fraud and corruption.

VBA employees are the first line of defence against improper conduct and are encouraged to speak up if they become aware of behaviour that does not accord with the VPS or VBA values, or contradicts the standards of behaviour expected. As the VBA cannot receive disclosures under the PD Act, employees are encouraged and supported to report misconduct to the Independent Broad-based Anti-corruption Commission (IBAC).

The VBA will work collaboratively with IBAC to ensure that any person who makes a disclosure is protected. Allegations that a person has suffered reprisals for making a disclosure will be reported to IBAC, and the VBA will take disciplinary action if an allegation is substantiated.

Support will be available for all VBA employees affected by a disclosure made under the PD Act. Individuals will have access to personal support and advocacy and all matters will be dealt with fairly and impartially.

Reporting procedures

Disclosures alleging improper conduct or detrimental action by the VBA or any of its employees or officers can be made to IBAC. Alternatively, in some circumstances, disclosures can be made to the Victorian Ombudsman.

Disclosures under the *Protected Disclosure Act 2012*

Indicator	2018–19	2017–18
Number of assessable disclosures made by an individual to the VBA and notified to IBAC	0	N/A

Compliance with the *Disability Act 2006*

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

The VBA has developed and commenced implementation of a Diversity and Inclusion Plan, aimed at increasing awareness and addressing gender equity, reconciliation and accessibility for people with a disability.

The VBA has also prepared a Culture Plan that has been endorsed by the Board and includes actions to:

- establish a tool to identify workforce representation, including types of disability;
- create clear targets around employment; and
- better capture data of all our reasonable adjustments.

This year the VBA provided adjustments for 1.5 per cent of its workforce. The VBA also engaged an Employee Experience Manager to focus attention on supporting its diverse workforce and enhancing inclusivity.

4. Other disclosures

Office-based environmental impacts

The VBA's head office is located in the Goods Shed North (GSN) building, 733 Bourke Street, Docklands. In December 2015, the VBA expanded its Docklands presence by acquiring the lease of Level 9, 737 Bourke Street, Docklands. It has further expanded its presence in Docklands by leasing two annexes to the GSN to accommodate rapid business growth within the last 12 months.

The VBA is committed to reducing the environmental impact of waste and continues to apply best waste management practices. Targets for energy and waste reduction were not set for 2018–19. Targets for 2019–20 will be based upon 2018–19 performance with consideration for staffing levels.

Energy use

The VBA consumes energy predominantly through office facilities. The data presented below was collected through the energy retailer (Red Energy). The VBA is continually seeking to develop systems to more comprehensively collect and report on energy data.

Indicator	2018–19	2017–18	2016–17
E1. Total energy usage segmented by primary source (MJ)			
Electricity – excluding Green Power	1,815,947	1,732,374	1,761,821
Natural gas	0	0	0
Green power	0	0	0
LPG	0	0	0
E2. Total greenhouse gas emissions from energy consumption (tonnes CO₂-e)			
Electricity – excluding Green Power	592	565	574
Natural gas	0	0	0
LPG	0	0	0
E3. Percentage of electricity purchased as Green Power	0	0	0
E4. Units of office energy used per FTE (MJ)	5,086	5,994	9,523
E5. Units of office energy used per office area (MJ/m²)	319	324	330

4. Other disclosures

Waste and recycling

The VBA is continuing to develop systems to more comprehensively collect data on its waste and recycling. Landfill and co-mingle figures for 2018–19 have increased and decreased respectively due to the more stringent criteria related to co-mingle contamination by the waste management company. The table below only includes office-based data.

Indicator	2018–19	2017–18	2016–17
Ws1. Total units of waste disposed of by destination (kg)			
Landfill	15,668	9,792	12,845
Co-mingled recycling	3,482	9,331	13,939
Paper and card	6,716	Data not available	Data not available
Secure documents	36,000	Data not available	Data not available
Organics	223	Data not available	Data not available
Ws2. Total units of waste disposed of per FTE by destination (kg)			
Landfill	44	35.61	66.31
Co-mingled recycling	10	33.93	71.96
Paper and card	19	Data not available	Data not available
Secure documents	104.4	Data not available	Data not available
Organics	0.62	0	0
Ws3. Recycling rate (%)	18	49	52
Ws4. Greenhouse gas emissions associated with waste (tonnes CO₂-e)	42.80	22.95	32.14

4. Other disclosures

Paper use

In 2018–19, 5,448 reams of A4 copy paper were consumed – an increase of 12.96 per cent compared to the previous year. This increase is commensurate with per FTE staff member, due to staffing levels increasing across the organisation. All copy paper purchased was comprised of 100 per cent recycled content. The table below only includes office-based data.

Indicator	2018–19	2017–18	2016–17
P1. Total units of A4 equivalent copy paper used (reams)	5,448	4,823	5,160
P2. Total units of A4 equivalent copy paper used per FTE (reams)	15.26	17.54	26.64
P3. 75–100% recycled content	100	100	100
P3. 50–74% recycled content	0	0	0
P3. 0–49% recycled content	0	0	0

Water consumption

Water consumption data is not available for the VBA as the GSN and 737 Bourke Street each have a single water meter and all tenants pay pro rata to the building manager.

Travel and transport

The VBA's fleet comprises 81 vehicles, all of which are operational vehicles. Within the fleet, 37 vehicles are fuelled by unleaded petrol and 44 are hybrid. The figures in the table below relating to distance travelled are for the period 1 April to 31 March as financial year figures for distance travelled were not available.

Indicator	2018–19	2017–18	2016–17
T1. Total energy consumption by fleet vehicles (MJ)	3,850,062	3,312,505	4,158,851
Unleaded	2,423,214	1,427,195	1,622,974
Hybrid	1,426,848	1,885,310	2,535,877
T2. Total distance travelled by fleet vehicles (km)	1,093,136	1,109,525	1,349,702
Unleaded	534,266	399,786	412,108
Hybrid	558,870	709,739	937,594
T3.a Total greenhouse gas emissions from fleet vehicles (tonnes CO₂-e)	395	388	481
Unleaded	151	113	117
Hybrid	244	275	364
T3.b Greenhouse gas emissions from fleet vehicles per 1,000km (tonnes CO₂-e)	0.40	0.39	0.48
Unleaded	0.15	0.11	0.12
Hybrid	0.24	0.28	0.36
T4. Total distance travelled by air (km)	148,861	77,202	Data not available

4. Other disclosures

Greenhouse gas emissions

The greenhouse emission data in the table below is calculated from previous sections to show the VBA's greenhouse footprint.

Indicator	2018–19	2017–18	2016–17
G1. Total greenhouse gas emissions associated with energy use (tonnes CO₂-e) [Note: This includes office-based data only.]	592	Data not available	Data not available
G2. Total greenhouse gas emissions associated with vehicle fleet (tonnes CO₂-e)	395	389.18	481.18
G3. Total greenhouse gas emissions associated with air travel (tonnes CO₂-e)	23.82	13.60	Data not available
G4. Total greenhouse gas emissions associated with waste disposal (tonnes CO₂-e) [Note: This includes office-based data only.]	42.9	22.95	32.14
G5. Greenhouse gas emissions offsets purchased (tonnes CO₂-e)	0	Data not available	Data not available

Greener procurement

The VBA's main areas of procurement are contractors and goods and services. Examples of how the VBA has incorporated environmental considerations into procurement decision-making include:

- weighting environmental impacts as part of its Evaluation Report checklist when procuring goods and services; and
- selecting vendors that disclose environmental practices.

The VBA has committed to always purchasing copy paper containing 100 per cent recycled content.

4. Other disclosures

Availability of other information

In compliance with the requirements of the Standing Directions, the VBA has retained details of the items listed below. This information is available on request, subject to the provisions of the FOI Act. You may request information on the following items:

- a) A statement that declarations of pecuniary interests have been duly completed by all relevant officers.
- b) Details of shares held by a senior officer as a nominee or held beneficially in a statutory authority or subsidiary.
- c) Details of publications produced by the VBA about the VBA, and how these can be obtained.
- d) Details of changes in prices, fees, charges, rates and levies charged by the VBA.
- e) Details of any major external reviews carried out on the VBA.
- f) Details of major research and development activities undertaken by the VBA.
- g) Details of overseas visits undertaken, including a summary of the objectives and outcomes of each visit.
- h) Details of major promotional, public relations and marketing activities undertaken by the VBA to develop community awareness of the organisation and our services.
- i) Details of assessments and measures undertaken to improve the occupational health and safety of staff.
- j) A general statement on industrial relations within the VBA, and details of time lost through industrial accidents and disputes.
- k) A list of major committees sponsored by the VBA, the purposes of each committee, and the extent to which their purposes have been achieved.
- l) Details of all consultancies and contractors, including:
 - consultants/contractors engaged;
 - services provided; and
 - expenditure committed to for each engagement.

This information is available on request by sending an email to foi@vba.vic.gov.au, calling 1300 815 127 or writing to:

Freedom of Information Officer
Victorian Building Authority
PO Box 536
Melbourne VIC 3001

Compliance with DataVic Access Policy

In accordance with the Victorian Government's 2012 DataVic Access Policy, the VBA uploads eligible datasets to www.data.vic.gov.au.

In 2018–19, the VBA uploaded data on building permit levies and Security of Payment adjudication activity. For more information on the DataVic Access Policy, or to download the VBA's raw data, visit www.vba.vic.gov.au/data.

Information included in this annual report will also be available from www.data.vic.gov.au in an electronic readable format.

4. Other disclosures

Financial Management Compliance Attestation Statement

I, Owen Donald, on behalf of the Responsible Body, certify that the Victorian Building Authority has complied with the applicable Standing Directions 2018 made under the *Financial Management Act 1994* and Instructions.

A handwritten signature in black ink, appearing to be 'Owen Donald', with a stylized flourish at the end.

Dr Owen Donald

Chief Commissioner
Victorian Building Authority

28 August 2019

FINANCIAL PERFORMANCE

The VBA presents its audited general purpose financial statements for the financial year ended 30 June 2019, providing users with information about the VBA's stewardship of resources entrusted to it.

5. Financial statements

Declaration in the financial statements

The attached financial statements for the Victorian Building Authority (VBA) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.


We state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and the financial position of the VBA as at 30 June 2019.

At the time of signing, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 28 August 2019.



Dr Owen Donald
Chief Commissioner
Victorian Building Authority
Melbourne



Sue Eddy
Chief Executive Officer
Victorian Building Authority
Melbourne



Shilpi Kapoor
Chief Finance Officer
Victorian Building Authority
Melbourne

Independent Auditor's Report

To the Board of the Victorian Building Authority

Opinion	<p>I have audited the financial report of the Victorian Building Authority (the authority) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2019 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • declaration in the financial statements. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2019 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's
responsibilities
for the audit
of the financial
report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
10 September 2019



Paul Martin
as delegate for the Auditor-General of Victoria

Financial statements

Comprehensive operating statement for the financial year ended 30 June 2019

		\$'000	\$'000
	Note	2019	2018
Continuing operations			
Income from transactions			
Building levies, fees and fines	2.1	46,161	44,320
Plumbing fees and fines	2.2	20,562	18,172
Grant income	2.3	17,717	5,478
Interest income	2.4	926	735
Other income		282	323
Total income from transactions		85,648	69,028
Expenses from transactions			
Employee costs	3.1	50,578	42,038
Board and committee costs		702	864
Supplies and services	3.2	23,725	17,648
Payment of grant	3.3	1,053	1,053
Depreciation and amortisation	4.3	1,779	1,607
Total expenses from transactions		77,837	63,210
Net result from transactions (net operating balance)		7,811	5,818
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	8.1(a)	123	(1,304)
Net gain/(loss) on financial instruments	8.1(b)	–	(262)
Other gains/(losses) from other economic flows	8.1(c)	–	300
Total other economic flows included in net result		123	(1,266)
Net result from continuing operations		7,934	4,552
Other economic flows – other comprehensive income: Items that will not be classified to net result			
Changes in asset revaluation surplus	8.2	173	–
Total other economic flows – other comprehensive income		173	–
Comprehensive result¹		8,107	4,552

Note:

1 Comprehensive result includes a \$5 million grant received for cladding rectification in 2018–19.

The Comprehensive operating statement should be read in conjunction with the accompanying notes.

Financial statements

Balance sheet as at 30 June 2019

		\$'000	\$'000
	Note	2019	2018
Assets			
Financial assets			
Cash and deposits	6.3	52,340	31,692
Investments and other financial assets	6.4	–	14,300
Receivables	5.1	5,685	4,868
Total financial assets		58,025	50,860
Non-financial assets			
Property, plant and equipment	4.1	4,526	3,418
Intangible assets	4.2	7,419	4,620
Other non-financial assets		1,954 ¹	448
Total non-financial assets		13,899	8,486
Total assets		71,924	59,346
Liabilities			
Payables	5.2	12,189	9,225
Interest-bearing liabilities	6.1	52	96
Employee-related provisions	3.1.1	7,132	5,736
Other provisions	5.3	1,578	1,462
Security deposits	8.9	2,296	2,123
Other liabilities	5.4	2,002	2,200
Total liabilities		25,249	20,842
Net assets		46,675	38,504
Equity			
Accumulated surplus		31,826	23,828
Asset revaluation reserve	8.2	363	190
Contributed capital		14,486	14,486
Net worth		46,675	38,504

Note:

- 1 Other non-financial assets includes prepaid insurance premium of \$1.7 million paid to the Victorian Managed Insurance Authority. Increase in the insurance premium as a result of MBS functions of the VBA.

The Balance sheet should be read in conjunction with the accompanying notes.

Financial statements

Statement of changes in equity for the financial year ended 30 June 2019

		\$'000	\$'000	\$'000	\$'000
	Note	Asset revaluation reserve	Accumulated surplus/ (deficit)	Contributed capital	Total
Balance at 1 July 2017		190	19,276	14,486	33,952
Net result for the year		–	4,552	–	4,552
Net increase/(decrease) as a result of revaluation		–	–	–	–
Balance at 30 June 2018		190	23,828	14,486	38,504
Change in accounting policy	8.12	–	64	–	64
Restated balance at 1 July 2018		190	23,892	14,486	38,568
Net result for the year		–	7,934	–	7,934
Net increase/(decrease) as a result of revaluation	8.2	173	–	–	173
Balance at 30 June 2019		363	31,826	14,486	46,675

Note:

The Statement of changes in equity should be read in conjunction with the accompanying notes.

Financial statements

Cash flow statement for the financial year ended 30 June 2019

		\$'000	\$'000
	Note	2019	2018
Cash flows from operating activities			
Receipts			
Receipts from customers		67,688	62,033
Interest received		1,173	653
Receipts of security deposits		791	750
Increase/(decrease) in domestic building funds		(235)	249
Goods and services tax recovered from the ATO ¹		2,939	3,052
Grants received from Victorian Government		17,754	5,560
Total receipts		90,110	72,297
Payments			
Payments of grants		(1,053)	(1,053)
Refunds of security deposits		(618)	(710)
Payments to suppliers and employees		(76,657)	(63,031)
Total payments		(78,328)	(64,794)
Net cash flows from operating activities	6.3.1	11,782	7,503
Cash flows from investing activities			
Payments for property, plant and equipment		(1,731)	(656)
Proceeds from sale of property, plant and equipment		–	274
Proceeds from/(payment for) term deposits		14,300	(14,300)
Payments for intangible assets		(3,658)	(1,931)
Net cash flows from/(used in) investing activities		8,911	(16,613)
Cash flows from financing activities			
Payment of motor vehicle lease liability		(45)	(32)
Net cash flows from/(used in) financing activities		(45)	(32)
Net increase/(decrease) in cash and cash equivalents		20,648	(9,142)
Cash and cash equivalents at the beginning of financial year		31,692	40,834
Cash and cash equivalents at the end of financial year	6.3	52,340	31,692

Note:

1 Goods and services tax recovered from the ATO is presented on a net basis.

The Cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

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Note 1. About this report

These annual financial statements represent the audited general purpose financial statements for the VBA as an individual reporting entity and includes the Building Appeals Board (BAB) and the Building Practitioners Board (BPB) run-off period, involving the finalisation of existing matters for the year ended 30 June 2019.

The VBA is a self-funded statutory authority established on 1 July 2013 under the *Building and Planning Legislation Amendment Act 2013* incorporating the former Building Commission and Plumbing Industry Commission.

Its principal address is:

Victorian Building Authority
733 Bourke Street
Melbourne VIC 3000

A description of the nature of the VBA's operations and its principal activities is included in the Report of Operations which does not form part of these financial statements.

Compliance information

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AASs) which include Interpretations issued by the Australian Accounting Standards Board (AASB). In particular, the statements are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in these financial statements, a glossary of terms and style conventions can be found in notes 8.13 and 8.14.

These annual financial statements were authorised for issue by the VBA's Chief Commissioner, Chief Executive Officer and Chief Finance Officer on behalf of the Board of the VBA on 28 August 2019.

Basis of preparation

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgments, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgments derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgments and assumptions made by management in applying AAS that have significant effects on the financial statements and estimates are disclosed in the notes.

These financial statements are presented in Australian dollars and are prepared in accordance with the historical cost convention except for non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

Comparative amounts

Where the presentation or classification of items in the financial statement changes, the comparative amounts are also reclassified unless it is impractical to do so.

Note 2.

Funding delivery of our services

As Victoria's principal regulator for building and plumbing, the VBA regulates for a quality built environment in Victoria. The VBA contributes to public health, safety and amenity by overseeing compliance with regulations, legal requirements, professional standards and encouraging continuous improvement. We do so in the interests of consumers and industry participants for the benefit of all Victorians.

This section of the financial statements identifies the funding sources that enable the VBA to achieve these objectives.

Structure

- 2.1 Building levies, fees and fines
- 2.2 Plumbing fees and fines
- 2.3 Grant income
- 2.4 Interest income

2.1 Building levies, fees and fines

	\$'000	\$'000
	2019	2018
Building permit levy – general levy ¹	26,560	25,314
Building permit levy – BACV levy ²	12,709	12,247
Building practitioner registrations ³	4,354	4,858
Corporate registrations ⁴	1,128	–
Prosecutions and fines ⁵	750	1,139
Owner builder certification fees ⁶	489	575
Modifications and appeals (BAB services) ⁷	171	187
Total building levies, fees and fines	46,161	44,320

Notes:

- 1 Building permit levy – general levy
Building permit levy receipts are brought to account in the month of issue of the building permit. The general building permit levy is calculated based on 0.064 cents in every dollar of the cost of building work for which a building permit is sought.
- 2 Building permit levy – BACV levy
The Building Advice and Conciliation Victoria (BACV) building permit levy is calculated on 0.064 cents in every dollar of the cost of building work for which a building permit is sought and funds the BACV functions established under the *Domestic Building Contracts (Conciliation and Dispute Resolution) Act 2002*. The amount disclosed represents the VBA's share of the BACV levy. Consumer Affairs Victoria (CAV) is also legally entitled to a portion of the levy.
- 3 Building practitioner registrations
Yearly registration renewal fees receipted throughout the year are recognised as income on a pro-rata basis. Registration fees received relating to the subsequent year are recognised at year-end as deferred revenue.
- 4 Corporate registrations
Yearly registration renewal fees receipted throughout the year are recognised as income on a pro-rata basis. Registration fees received relating to the subsequent year are recognised at year-end as deferred revenue.
- 5 Prosecutions and fines
Prosecutions revenue represents prosecution fines and costs payable to the VBA as a result of legal action taken by the VBA against building practitioners in the Magistrates' Court of Victoria. The revenue is recognised when the fines are issued.
- 6 Owner-builder certification fees
Owner-builder certification fees are recognised upon receipt of the application for certification.
- 7 Modifications and appeals (BAB services)
Modifications and appeals are brought to account when the fees are received.

2.2 Plumbing fees and fines

	\$'000	\$'000
	2019	2018
Plumbing compliance certificates ¹	14,774	12,529
Plumbing registrations and licence fees ²	5,377	5,249
Plumbing examinations ³	385	342
Prosecutions and enquiry fines ⁴	26	52
Total plumbing fees and fines	20,562	18,172

Notes:

- 1 Plumbing compliance certificates
Compliance certificates, modifications and appeals and other income are brought to account when the fees are received.
- 2 Plumbing registration and licence fees
Plumbing registration fees receipted throughout the year are for a triennium ending three years from the date paid. Fees received relating to the subsequent years are recognised at year-end as deferred revenue.
Yearly licence renewal fees receipted throughout the year are recognised as income on a pro-rata basis. Licence fees received relating to the subsequent year are recognised at year-end as deferred revenue.
- 3 Plumbing examinations
Plumbing examination fees are recognised upon receipt of examination fees.
- 4 Prosecutions and enquiry fines
Prosecutions and enquiry fines revenue represents prosecution fines and costs payable to the VBA as a result of legal action taken by the VBA against plumbing practitioners in the Magistrates' Court of Victoria. The revenue is recognised when the payment is received by the VBA.

2.3 Grant income

In 2019, DELWP provided grants of \$16.79 million (2018: \$4.66 million) to enable the VBA to conduct a statewide audit of buildings with combustible cladding, to increase its inspection and enforcement regime and for the commencement of cladding rectification. The VBA received a grant of \$0.73 million (2018: \$0.8 million) from DELWP to fund an audit of 'as built' energy efficiency ratings for residential buildings. The VBA also received a grant of \$0.20 million (2018: nil) from the Department of Education and Training to fund the development of an independent assessment for the completion of Certificate III, Air-Conditioning and Refrigeration apprenticeships.

	\$'000	\$'000
	2019	2018
Statewide Cladding Audit	7,406	3,080
Inspections and enforcement	4,384	1,580
Cladding rectification	5,000	–
Energy efficiency audit	727	818
Plumbing apprentices grant	200	–
Total grant income	17,717	5,478

2.4 Interest income

As at 28 March 2019, all the term deposits invested with the Treasury Corporation of Victoria (TCV) were moved to the Central Banking System (CBS) as per Department of Treasury and Finance's (DTF) direction. Interest income includes interest received on bank deposits, TCV term deposits and CBS deposits. It is recognised using the effective interest method.

	\$'000	\$'000
	2019	2018
Interest on bank deposits and investments	926	735
Total interest income	926	735

Note 3.

The cost of delivering services

This section provides an account of the expenses incurred by the VBA in delivering services. In Section 2, the funds that enable the provision of services were disclosed and in this note the costs associated with provision of services are recorded.

Structure

- 3.1 Employee costs
- 3.2 Supplies and services
- 3.3 Payment of grant

3.1 Employee costs

		\$'000	\$'000
	Notes	2019	2018
Salaries and wages, annual leave and long service leave		38,029	29,190
Superannuation expense – defined contribution	3.1.2	2,940	2,390 ³
Superannuation expense – defined benefit	3.1.2	48	33 ³
Staff-related expenses ¹		998	796
FBT		98	87
External staff ²		8,465	9,542
Total employee costs		50,578	42,038

Notes:

- 1 The VBA has elected to re-classify valuations and searches expenditure in the financial statements for 30 June 2019 to supplies and services (refer note 3.2) to appropriately reflect the nature of the transactions. This resulted in the restatement of the comparative information presented in the financial statements.
- 2 The VBA has elected to re-classify non-agency contractor expenditure in the financial statements for 30 June 2019 to supplies and services – consultants (refer note 3.2) to appropriately reflect the nature of the transactions. This resulted in the restatement of the comparative information presented in the financial statements.
- 3 Correction of disclosure error in the Annual Report 2017–18.

Staff-related expenses includes other costs related to employment including recruitment, training, study assistance and learning and development.

The amount recognised in the comprehensive operating statement in relation to superannuation corresponds to employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The VBA does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, DTF discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the Victorian Government as the sponsoring employer).

3.1.1 Employee-related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	\$'000	\$'000
	2019	2018
Current provisions		
Annual leave		
Unconditional and expected to settle within 12 months	2,588	1,521
Unconditional and expected to settle after 12 months	71	602
Long service leave		
Unconditional and expected to settle within 12 months	282	275
Unconditional and expected to settle after 12 months	2,401	1,810
Provisions for on-costs		
Unconditional and expected to settle within 12 months	447	280
Unconditional and expected to settle after 12 months	397	384
Total current provisions	6,186	4,872
Non-current provisions		
Employee benefits	815	744
On-costs	131	120
Total non-current provisions	946	864
Total provisions	7,132	5,736

	\$'000
	2019
Reconciliation of movement in on-cost provision	
Opening balance	784
Additional provisions recognised	534
Additions due to transfer in	18
Reductions arising from removal of obligation	(7)
Reductions arising from payments/other sacrifices of future economic benefits	(365)
Unwind of discount and effect of changes in the discount rate	11
Closing balance	975
Current	844
Non-current	131

Wages and salaries, annual leave and sick leave: Liability for wages and salaries (including non-monetary benefits, annual leave and on-costs), is recognised as part of the employee benefits provision as 'current liabilities', because the VBA does not have an unconditional right to defer settlement of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the VBA expects the liabilities to be wholly settled within 12 months of the reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the VBA does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised as it is taken.

The provision for employee benefits includes the following labour on-costs; superannuation, payroll tax and WorkCover.

Unconditional LSL is disclosed as a current liability; even where the VBA does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if the VBA expects to wholly settle within 12 months; or
- present value – if the VBA does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is a unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

3.1.2 Superannuation contributions

Employees of the VBA are entitled to receive superannuation benefits and the VBA contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

The defined benefit liability is recognised by DTF as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the VBA.

	\$'000	\$'000
	2019	2018
Defined benefit plans:		
State Superannuation Fund	48	33
Defined contribution plans:		
VicSuper	1,418	1,231
Other	1,522	1,159
Total	2,988	2,423

Note:

The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

3.2 Supplies and services

	\$'000	\$'000
	2019	2018
Accommodation and utilities	4,263	3,803
Payment to DELWP for building policy	1,462	1,449
Legal fees	2,359	2,347
Technical contractors (panels)	1,116	1,571
IT services and records management expenses	2,622	1,680
Consultants ¹	5,523	2,902
General office expenses ²	2,068	1,613
Printing and stationery	1,016	881
Motor vehicles and travel expenses	687	493
Insurance premiums	1,099	267
Regulatory events, seminars and meetings	905	154
Minor assets	340	288
External audit fees	58	47
Internal audit fees	207	153
Total supplies and services	23,725	17,648

Notes:

- 1 The VBA has elected to re-classify non-agency contractor expenditure in the financial statements for 30 June 2019 to supplies and services – consultants to appropriately reflect the nature of the transactions. This resulted in the restatement of the comparative information presented in the financial statements.
- 2 The VBA has elected to re-classify valuations and searches expenditure in the financial statements for 30 June 2019 to supplies and services – general office expenses to appropriately reflect the nature of the transactions. This resulted in the restatement of the comparative information presented in the financial statements.

Accommodation and utilities include operating lease payments, which are recognised on a straight-line basis over the lease term.

Consultants include consultancy expenditure and non-agency contractor expenditure.

Operating leases (VBA as lessee)

Operating lease payments, including any contingent rentals, are recognised as an expense on a straightline basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The VBA entered into a five-year lease on 1 December 2015 for Level 9, 737 Bourke St, Docklands. The lease incentive and lease straight-lining for both 737 Bourke St and 733 Bourke St are recognised in the balance sheet as lease liabilities (refer note 5.4).

3.3 Payment of grant

	\$'000	\$'000
	2019	2018
Australian Building Codes Board	1,053	1,053
Total payment of grant	1,053	1,053

Grant expenses are contributions of the VBA's resources to another party for specific purposes where there is no expectation that the amount will be repaid in equal value (either by money, goods or services).

Grants can be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grant expenses are recognised in the reporting period in which they are paid or payable.

Note 4.

Key assets available to support output delivery

The VBA controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the VBA to be utilised for delivery of those outputs.

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in note 7.3 in connection with how those fair values were determined.

Structure

4.1 Property, plant and equipment

4.2 Intangible assets

4.3 Depreciation and amortisation

4.1 Property, plant and equipment

	\$'000	\$'000	\$'000
	Gross carrying amount	Accumulated depreciation	Net carrying amount
2019			
Land at fair value	946	–	946
Buildings at fair value	655	–	655
Plant, equipment and vehicles at fair value	7,571	(4,797)	2,774
Leasehold improvements	333	(182)	151
	9,505	(4,979)	4,526
2018			
Land at fair value	838	–	838
Buildings at fair value	659	(46)	613
Plant, equipment and vehicles at fair value	6,365	(4,579)	1,786
Leasehold improvements	333	(152)	181
	8,195	(4,777)	3,418

Initial recognition: Items of property, plant and equipment (PPE) are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

The cost of leasehold improvements is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

The initial cost for non-financial physical assets under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement: PPE are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised in note 4.1.1 by asset category.

Non-specialised land and non-specialised buildings are valued using the market approach, whereby assets are compared to recent comparable sales or sales of comparable assets that are considered to have nominal value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation was 30 June 2016.

To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Vehicles are valued using the depreciated replacement cost method. The VBA acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by an experienced fleet manager in the VBA. Refer to note 4.3 for relevant depreciation rates.

Refer to note 7.3 for additional information on fair value determination of property, plant and equipment.

4.1.1 Reconciliation of movements in carrying amount of property, plant and equipment

					\$'000
	Land at fair value	Buildings at fair value	Plant, equipment and motor vehicles	Leasehold improvements	Total
2019					
Balance at the beginning of the year	838	613	1,785	182	3,418
Additions	–	–	2,089	–	2,089
Disposals/retirement	–	–	(357)	–	(357)
Impairments	–	–	–	–	–
Revaluations	108	65	–	–	173
Depreciation	–	(23)	(743)	(31)	(797)
Balance at the end of the year	946	655	2,774	151	4,526
2018					
Balance at the beginning of the year	838	636	2,074	212	3,760
Additions	–	–	654	–	654
Disposals	–	–	(270)	–	(270)
Impairments	–	–	(2)	–	(2)
Revaluations	–	–	–	–	–
Depreciation	–	(23)	(671)	(30)	(724)
Balance at the end of the year	838	613	1,785	182	3,418

Note:

Fair value assessments have been performed for all classes of assets in this purpose group. The next scheduled full revaluation for this purpose group will be conducted in 2021.

4.2 Intangible assets

	\$'000	\$'000
	2019	2018
Computer software		
Net carrying amount		
Balance at the beginning of the year	4,620	4,877
Additions ¹	3,781	1,930
Impairment losses charged to net result ²	–	(1,304)
Amortisation	(982)	(883)
Balance at the end of the year	7,419	4,620

Notes:

- 1 Additions include \$3.1 million work in progress for Building Activity Management System.
- 2 Impairment losses are included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement.

Initial recognition

Intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, purchased and internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An **internally generated intangible asset** arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) an intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent measurement

Intangible produced assets with finite useful lives are depreciated as an 'expense from transactions' on a straight-line basis over their useful lives. Intangible produced assets have useful lives of between three and seven years.

Impairment of intangible assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

4.3 Depreciation and amortisation

		\$'000	\$'000
	Note	2019	2018
Buildings	4.1.1	23	23
Plant, equipment and motor vehicles	4.1.1	743	671
Leasehold improvements	4.1.1	31	30
Intangibles (amortisation)	4.2	982	883
Total depreciation and amortisation		1,779	1,607

All buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. The exceptions are operating leases and land.

Depreciation is generally calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Estimated useful lives for the different asset classes for current and prior years are as follows:

Asset	Useful life
Buildings	40 years
Motor vehicles – owned	3 to 5 years
Motor vehicles – leased through VicFleet	3 to 6 years
IT equipment	3 years
Office machines and equipment	10 years
Leasehold improvements	15 years
Software and intangibles	3 to 7 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

In the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced (unless a specific decision to the contrary has been made).

Indefinite life assets: Land that is considered to have an indefinite life is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment: Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an 'other economic flow', except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Note 5.

Other assets and liabilities

This section sets out those assets and liabilities that arose from the VBA's controlled operations.

Structure

- 5.1 Receivables
- 5.2 Payables
- 5.3 Other provisions
- 5.4 Other liabilities
- 5.5 Maturity analysis of contractual financial liabilities and other liabilities

5.1 Receivables

	\$'000	\$'000
	2019	2018
Contractual		
Plumbing inspections ¹	17	19
Other sundry receivables ¹	312	172
Accrued investment income	–	247
Total contractual receivables	329	438
Statutory		
Building permit levy	3,595	3,143
Building Practitioner Board fines and costs	1,615	1,402
Sundry debtors – prosecutions	514	487
GST input tax credit recoverable	1,350	766
Total statutory receivables	7,074	5,798
Allowance for impairment losses of receivables	(1,718)	(1,368)
Total receivables	5,685	4,868
Represented by:		
Current receivables	5,685	4,868

Note:

1 The average credit period for plumbing inspections and other sundry receivables is 30 days.

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised cost'. They are initially recognised at fair value plus any directly attributable transaction costs. The VBA holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measures at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments for disclosure purposes. The VBA applies AASB 9 for initial measurement of the measurement of the statutory receivables. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

Details about the VBA's impairment policies, the VBA's exposure to credit risk, and the calculation of the loss allowance are set out in note 7.1.3.

5.2 Payables

	\$'000	\$'000
	2019	2018
Contractual		
Supplies and services	5,347	3,933
Deferred revenue	6,676	5,171
Total contractual payables	12,023	9,104
Statutory		
FBT payable	10	–
Other taxes payable	156	121
Total statutory payables	166	121
Total payables	12,189	9,225
Represented by:		
Current payables	9,796	8,252
Non-current payables	2,393	973

Contractual payables include accounts payable and deferred revenue. Accounts payable represent liabilities for unpaid goods and services provided to the VBA prior to the end of the financial year and are measured at amortised cost. They arise when the VBA becomes obliged to make future payments in respect of the purchase of those goods and services.

Statutory payables include payables such as Fringe Benefits Tax payables. These are recognised and measured similarly to contractual payables but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days. No interest is charged on the 'other payables' for the first 30 days and thereafter from the date of the invoice.

The terms and conditions of amounts payable to the government and agencies vary according to the particular agreements. As they are not legislative payables, they are not classified as financial instruments.

Deferred revenue

Building practitioner registration fees

Yearly registration renewal fees receipted throughout the year are recognised as income on a pro-rata basis. Registration fees received relating to the subsequent year are recognised at year-end as deferred revenue.

Plumbing registration and licence fees

Plumbing registration fees receipted throughout the year correspond to a period of three years from the date paid. Fees relating to the subsequent years are recognised at year-end as deferred revenue.

Yearly licence renewal fees receipted throughout the year are recognised as income on a pro-rata basis. Licence fees received relating to the subsequent year are recognised at year-end as deferred revenue.

5.3 Other provisions

	\$'000	\$'000
	2019	2018
Current provisions		
Onerous contracts	936	830
Total current other provisions	936	830
Non-current provisions		
Make-good provision	642	632
Total non-current other provisions	642	632
Total other provisions	1,578	1,462

Other provisions are recognised when the VBA has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time, value of money and risks specific to the provision.

Reconciliation of movements in other provisions

	\$'000	\$'000	\$'000
	Make-good	Onerous contracts	Total
2019			
Opening balance	632	830	1,462
Additional provisions recognised	10	106	116
Closing balance	642	936	1,578
Current	–	936	936
Non-current	642	–	642
Total other provisions	642	936	1,578

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Make-good provision

Under the Goods Shed North lease agreement, the VBA agreed to bring the leased property back to its original condition, obligating future costs to dismantle and remove the office fit-out. Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, the VBA has recognised this liability at the commencement of the lease, rather than at the end of the lease when the work is done. It is at commencement that partitioning or other fit-out causes change to the floor and ceiling necessitated the make-good costs being incurred.

Onerous contracts

An onerous contract is considered to exist when the unavoidable cost of meeting the contractual obligations exceeds the estimated economic benefits to be received. Provision is made to account for obligations arising from onerous contractual conditions.

5.4 Other liabilities

	\$'000	\$'000
	2019	2018
Domestic Building List clearing	369	637
HIH clearing	8	8
BACV clearing	1,134	1,139
Lease incentive/Straight lining	482	407
Unclaimed monies	9	9
Total other liabilities	2,002	2,200

5.5 Maturity analysis of contractual financial liabilities and other liabilities¹

Maturity dates						
\$'000						
2019 Payables ²	Carrying amount	Nominal amount	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
Supplies and services	5,347	5,347	4,603	703	41	–
Security deposits ³	2,296	2,296	–	–	–	2,296
Amounts payable to government and agencies	1,520	1,520	1,520	–	–	–
Total	9,163	9,163	6,123	703	41	2,296
2018 Payables ²	Carrying amount	Nominal amount	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
Supplies and services	3,933	3,933	3,898	35	–	–
Security deposits ³	2,123	2,123	–	–	–	2,123
Amounts payable to government and agencies	1,793	1,793	1,793	–	–	–
Total	7,849	7,849	5,691	35	–	2,123

Notes:

- 1 Maturity analysis is presented using the contractual undiscounted cash flows.
- 2 The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).
- 3 Security deposits are bonds paid by consumers for relocatable homes. Building permits lapse after two years so it is expected deposits are refunded within the two-year period. However, building permits can be extended for completion of work, and there are instances of work taking an extended period of time to reach completion.

Note 6.

How we financed our operations

This section provides information on the sources of finance utilised by the VBA during its operations, along with interest expenses and other information related to financing activities of the VBA.

This section includes disclosures of balances that are financial instruments (such as interest-bearing liabilities and cash balances). Notes 7.1 and 7.3 provide additional, specific financial instrument disclosures.

Structure

- 6.1 Interest-bearing liabilities
- 6.2 Finance lease liabilities (VBA as lessee)
- 6.3 Cash and deposits
- 6.4 Investments and other financial assets
- 6.5 Commitments for expenditure

6.1 Interest-bearing liabilities

	\$'000	\$'000
	2019	2018
Current interest-bearing liabilities		
Finance lease liabilities ¹		
– Non-PPP related finance lease liabilities (motor vehicles)	52	58
Total current interest-bearing liabilities	52	58
Non-current interest-bearing liabilities		
Finance lease liabilities ¹		
– Non-PPP related finance lease liabilities (motor vehicles)	–	38
Total non-current interest-bearing liabilities	–	38
Total interest-bearing liabilities	52	96

Note:

- 1 Secured by the assets leased. Finance leases are effectively secured, as the rights to the leased assets revert to the lessor in the event of default. Refer to note 6.2 Finance lease liabilities (VBA as lessee) for further information.

Finance leases are classified as financial instruments. All interest-bearing finance leases are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the VBA has categorised its interest-bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest-bearing liabilities. The VBA determines the classification of its interest-bearing liabilities at initial recognition.

Maturity analysis of interest-bearing liabilities

	Maturity dates					
	\$'000					
2019	Carrying amount	Nominal amount	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
Finance lease liabilities	52	52	1	23	18	10
Total	52	52	1	23	18	10
2018						
Finance lease liabilities	96	100	29	7	44	20
Total	96	100	29	7	44	20

6.2 Finance lease liabilities (VBA as lessee)

	Minimum future lease payments ¹	Present value of minimum future lease payments ¹
	\$'000	
	2019	2018
Non-cancellable finance leases		
Not longer than one year	52	63
Longer than one year but not longer than five years	–	39
Longer than five years	–	–
Minimum future lease payments¹	52	102
less future interest charges	–	(6)
Present value of minimum lease payables	52	96

Note:

1 Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of vehicles are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset. If there is certainty that the VBA will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between the reduction of the outstanding lease liability and periodic finance expense, which is calculated using the interest rate implicit in the lease. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

6.3 Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

	\$'000	\$'000
	2019	2018
Total cash and deposits disclosed in balance sheet	52,340	31,692
Total cash and deposits	52,340	31,692

6.3.1 Reconciliation of net result for the period to cash flow from operating activities

	\$'000	\$'000
	2019	2018
Net result for the year	7,934	4,552
Non-cash movements		
Impairment of intangibles	10	1,319
Depreciation and amortisation of non-current assets	1,779	1,607
Net gain/(loss) on disposal of property, plant and equipment	(133)	(15)
Other gains/(losses) from other economic flows	–	(300)
Provision for doubtful debts	–	262
Receivables – impairment	65	–
Movements in assets and liabilities:		
(Increase)/decrease in receivables	(818)	(312)
(Increase)/decrease in prepayments	(1,506)	360
Increase/(decrease) in deferred revenue	1,505	(605)
Increase/(decrease) in payables	1,434	531
Increase/(decrease) in provisions	1,512	104
Net cash flows from operating activities	11,782	7,503

6.4 Investments and other financial assets

	\$'000	\$'000
	2019	2018
Term deposits ¹	–	14,300
Total investments and other financial assets	–	14,300

Note:

1 Term deposits under 'Investments and other financial assets' class include only Australian dollar term deposits with maturity greater than 90 days.

6.5 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

	\$'000	\$'000
	2019	2018
Nominal values		
Operating and lease commitments payable		
Less than 1 year	3,067	2,367
1 to 5 years	9,044	9,198
> 5 years	965	2,989
Total commitments (inclusive of GST)	13,076	14,554
Less GST recoverable from the Australian Tax Office	1,189	1,323
Total commitments (exclusive of GST)	11,887	13,231

Operating lease commitments noted above relate to the VBA's accommodation at the Goods Shed North building, 733 Bourke Street, Docklands and Level 9, 737 Bourke Street, Docklands.

Note 7.

Risks, contingencies and valuation judgements

This section sets out financial instrument specific information (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgment to be applied, which, for the VBA, relate mainly to fair value determination.

The VBA is exposed to risk from its activities and external factors. In addition, it is often necessary to make judgments and estimates associated with recognition and measurement of items in the financial statements. The VBA is also exposed to operational risks, details of which can be found in the Report of Operations.

Structure

- 7.1 Financial instruments specific disclosures
- 7.2 Contingent assets and contingent liabilities
- 7.3 Fair value determination

7.1 Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the VBA's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132.

From 1 July 2018, the VBA applies AASB 9 and classifies all its financial assets based on the business model for managing the assets and the assets' contractual terms.

Categories of financial assets under AASB 9

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- The assets are held by the VBA to collect the contractual cash flows; and
- The assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

Categories of financial assets previously under AASB 139

Receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The VBA recognised the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables); and
- term deposits.

Categories of financial liabilities under AASB 9 and previously under AASB 139

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method. The VBA recognises the following liabilities in this category:

- payables (excluding statutory payables);
- interest-bearing liabilities (including finance lease liabilities); and
- security deposits.

Derecognition of financial assets: A financial asset (or, where applicable, part of a financial asset or part of a group of similar assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the VBA retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the VBA has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the VBA has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the VBA's continuing involvement in the asset.

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts are recognised as an 'other economic flow' in the comprehensive operating statement.

7.1.1 Financial risk management objectives and policies

The VBA's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and finance lease liabilities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above, are disclosed in note 7.3.

The main purpose in holding financial instruments is to prudently manage the VBA's financial risk within government policy parameters. The VBA uses different methods to measure and manage the risk to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Board.

The VBA's main financial risk is cash flow interest rate risk. The VBA does not enter into derivative financial instruments to manage exposure to interest rate risk.

The carrying amounts of the VBA's contractual financial assets and financial liabilities by category as follows:

Financial Instruments: Categorisation

\$'000

2019	Cash and deposits	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
Contractual financial assets				
Cash and deposits	52,340	–	–	52,340
Receivables ¹	–	329	–	329
Term deposits	–	–	–	–
Total contractual financial assets	52,340	329	–	52,669
Contractual financial liabilities				
Payables	–	–	5,347	5,347
Amounts payable to government and agencies	–	–	1,520	1,520
Interest-bearing liabilities	–	–	52	52
Security deposits	–	–	2,296	2,296
Total contractual financial liabilities	–	–	9,215	9,215
2018	Cash and deposits	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
Contractual financial assets				
Cash and deposits	31,692	–	–	31,692
Receivables ¹	–	438	–	438
Term deposits	–	14,300	–	14,300
Total contractual financial assets	31,692	14,738	–	46,430
Contractual financial liabilities				
Payables	–	–	3,933	3,933
Amounts payable to government and agencies	–	–	1,793	1,793
Interest-bearing liabilities	–	–	96	96
Security deposits	–	–	2,123	2,123
Total contractual financial liabilities	–	–	7,945	7,945

Note:

- 1 The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from statutory levies and GST input tax credit recoverable and taxes payable).

7.1.2 Financial Instruments – Net holding gain/(loss) on financial instruments by category

\$'000

	Net holding gain/(loss)		Total interest income/(expense)		Total	
	2019	2018	2019	2018	2019	2018
Contractual financial assets						
Cash and deposits	–	–	301	70	301	70
Term deposits	–	–	625	665	625	665
Impairment of receivables ¹	–	(262)	–	–	–	(262)
Total contractual financial assets	–	(262)	926	735	926	473
Contractual financial liabilities						
Interest-bearing liabilities	–	–	2	3	2	3
Total contractual financial liabilities	–	–	2	3	2	3

Note:

1 Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.

7.1.3 Financial Instruments – Credit risk

Credit risk arises from the contractual financial assets of the VBA, which comprise cash and deposits, non-statutory receivables and other financial assets. Exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the VBA. Credit risk is measured at fair value and is monitored on a regular basis.

The credit risk on financial assets of the VBA, which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts. The VBA minimises concentrations of credit risk by undertaking transactions with unrelated debtors. The VBA is not materially exposed to any individual debtor.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the VBA's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the VBA will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue and changes in debtor credit ratings.

Contract financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off by mutual consent is classified as transactions expense. Bad debt written off following a unilateral decision is recognised as other economic flows in the net result.

Currently, the VBA does not hold any collateral as security, nor credit enhancements relating to any of its financial assets. As at the reporting date, there is no event to indicate that any of the financial assets were impaired. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

Credit quality of contractual financial assets that are neither past due nor impaired

\$'000

2019	Financial Institutions (AA – credit rating)	Government Agencies (triple-A credit rating)	Other (min triple-B credit rating)	Total
Cash and deposits	52,340	–	–	52,340
Receivables ¹	–	–	329	329
Investments and other financial assets	–	–	–	–
Total contractual financial assets	52,340	–	329	52,669
2018	Financial Institutions (AA – credit rating)	Government Agencies (triple-A credit rating)	Other (min triple-B credit rating)	Total
Cash and deposits	2,845	28,845	2	31,692
Receivables ¹	–	–	438	438
Investments and other financial assets	2,000	12,300	–	14,300
Total contractual financial assets	4,845	41,145	440	46,430

Note:

1 Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.

Impairment of financial assets under AASB 9 – applicable from 1 July 2018

From 1 July 2018, VBA has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. AASB 9 impairment assessment includes the VBA's contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was nil.

Contractual receivables at amortised cost

VBA applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about the risk of default and expected loss rates. The VBA has grouped contractual receivables on shared credit risk characteristics and days past due and selected the expected credit loss rate based on the VBA's past history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

On this basis, the VBA determines the opening loss allowance on initial application date of AASB 9 and the closing loss allowance at end of the financial year as follows:

Reconciliation of the movement in the loss allowance for contractual receivables is shown as follows:

	\$'000	\$'000
	2019	2018
Balance at beginning of the year	(1,368)	(1,106)
Opening retained earnings adjustment on adoption of AASB9	64	–
Opening loss allowance	(1,304)	(1,106)
Increase in provision recognised in the net result	(414)	(262)
Balance at end of the year	(1,718)	(1,368)

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment loss is classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified. A provision is made for the estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts are considered as written off by mutual consent.

\$'000

1 July 2018	Current	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Expected loss rate	10%	11%	12%	14%	100%	
Gross carrying amount of contractual receivables	196	8	36	588	1,196	2,024
Loss allowance	20	1	4	83	1,196	1,304
30 June 2019	Current	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
Expected loss rate	13%	15%	15%	16%	100%	
Gross carrying amount of contractual receivables	246	150	34	366	1,598	2,394
Loss allowance	33	23	5	59	1,598	1,718

Financial Instruments – Liquidity risk

Liquidity risk arises when the VBA would be unable to meet its financial obligations as they fall due. The VBA operates under the Government's fair payments policy of settling financial obligations within 30 days and, in the event of a dispute, make payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The VBA's maximum exposure to liquidity risk is the carrying amount of financial liabilities as disclosed in the face of the balance sheet.

The VBA's exposure to liquidity risk is deemed insignificant based on its significant cash investments.

Financial Instruments – Market risk

The VBA's exposure to market risk is primarily through interest rate risk. Exposure to interest rate risk is insignificant and might arise primarily through the VBA's cash and cash equivalents and other financial assets. Minimisation of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments.

The carrying amount of financial assets and financial liabilities that are exposed to interest rates are disclosed under the Interest rate exposure of financial instruments table over the next page.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The VBA does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The VBA has minimal exposure to cash flow interest rate risks through cash and deposits and term deposits that are at floating rate.

The VBA manages interest rate risk by mainly undertaking fixed rate financial instruments with relatively even maturity profiles. The VBA also holds floating rate financial instruments, such as cash at bank.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the VBA's sensitivity to interest rate risk are set out below:

Interest rate exposure of financial instruments

	Interest rate exposure				
	\$'000				
2019	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
Financial assets					
Cash and deposits	1.65%	52,340	–	52,340	–
Receivables ¹	–	329	–	–	329
Term deposits	–	–	–	–	–
Total financial assets		52,669	–	52,340	329
Financial liabilities					
Payables:					
Supplies and services	–	5,347	–	–	5,347
Amounts payable to government and agencies	–	1,520	–	–	1,520
Security deposits	–	2,296	–	–	2,296
Interest-bearing liabilities:					
Finance lease liabilities	3.25%	52	52	–	–
Total financial liabilities		9,215	52	–	9,163
2018	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
Financial assets					
Cash and deposits	1.75%	31,692	–	31,692	–
Receivables ¹	–	337	–	–	337
Term deposits	1.96%	14,300	14,300	–	–
Total financial assets		46,329	14,300	31,692	337
Financial liabilities					
Payables:					
Supplies and services	–	3,933	–	–	3,933
Amounts payable to government and agencies	–	1,793	–	–	1,793
Security deposits	–	2,123	–	–	2,123
Interest-bearing liabilities:					
Finance lease liabilities	2.48%	96	96	–	–
Total financial liabilities		7,945	96	–	7,849

Note:

1 Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.

Interest risk sensitivity

	\$'000		
	Interest rate		
	-100 basis points		+100 basis points
	Carrying amount	Net result	Net result
2019			
Contractual financial assets			
Cash and deposits	52,340	(523)	523
Total impact	52,340	(523)	523
2018			
Contractual financial assets			
Cash and deposits	31,692	(317)	317
Total impact	31,692	(317)	317

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

Quantifiable contingent liabilities

	\$'000	\$'000
	2019	2018
Quantifiable claims¹	300 to 600	–

Note:

1 Quantifiable claims include those which may arise from legal proceedings and disputes. The amounts are estimates pending finalisation of cost orders.

Non-quantifiable contingent liabilities

Cladding Audit

The 2014 fire at the Lacrosse apartment building in Melbourne's Docklands, and the Grenfell fire in London in June 2017, highlighted the fire safety risks associated with combustible cladding on the external walls of buildings in Victoria. The VBA's cladding audits have identified a number of buildings with increased fire safety risk. The VBA is the MBS for 327 buildings as at 30 June 2019. These regulatory functions may lead to potential claims. The risk of such claims and associated potential financial exposure for the VBA are unknown at this time.

Apart from the above, a number of potential obligations are non-quantifiable at this time arising from:

- indemnities provided for directors and administrators; and
- unclaimed monies which may be subject to future claims by the general public against the State of Victoria.

7.3 Fair value determination

Significant judgment: Fair value measurements of assets and liabilities.

Fair value determination requires judgment and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the VBA.

This section sets out information on how the VBA determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result; and
- land, buildings, infrastructure, plant and equipment.

In addition, the fair values of other assets and liabilities that are carried at amortised cost also need to be determined for disclosure purposes.

The VBA determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The VBA determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria is the VBA's independent valuation agency. The VBA monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

7.3.1 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The VBA currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full in the ordinary course of business.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables
Receivables	Supplies and services
Term deposits	Amounts payable to government and agencies
	Interest-bearing liabilities
	Security deposits

None of the VBA's financial instruments are recorded at fair value post initial recognition.

7.3.2 Fair value determination of non-financial physical assets

Fair value measurement hierarchy

\$'000				
	Carrying amount as at	Fair value measurement at end of reporting period using:		
	30 June 2019	Level 1 ¹	Level 2 ¹	Level 3 ¹
Land at fair value				
Non-specialised land	946	–	946	–
Total of land at fair value	946	–	946	–
Buildings at fair value				
Non-specialised buildings	655	–	655	–
Total of buildings at fair value	655	–	655	–
Plant, equipment and vehicles at fair value				
Vehicles	1,811	–	–	1,811
Plant and equipment	963	–	–	963
Total plant, equipment and vehicles at fair value	2,774	–	–	2,774
Leasehold improvements	151	–	–	151
Total of leasehold improvements	151	–	–	151

	Carrying amount as at	Fair value measurement at end of reporting period using:		
	30 June 2018	Level 1 ¹	Level 2 ¹	Level 3 ¹
Land at fair value				
Non-specialised land	838	–	838	–
Total of land at fair value	838	–	838	–
Buildings at fair value				
Non-specialised buildings	613	–	613	–
Total of buildings at fair value	613	–	613	–
Plant, equipment and vehicles at fair value				
Vehicles	1,037	–	–	1,037
Plant and equipment	748	–	–	748
Total plant, equipment and vehicles at fair value	1,785	–	–	1,785
Leasehold improvements	182	–	–	182
Total of leasehold improvements	182	–	–	182

Note:

1 Classified in accordance with the fair value hierarchy. There have been no transfers between levels during the period.

Reconciliation of Level 3 fair value movements

\$'000

2019	Plant & equipment	Vehicles	Leasehold improvements
Opening balance	748	1,037	182
Transfers in/(out) of Level 3			
Purchases/(sales)	1,084	648	–
Depreciation	(341)	(402)	(31)
Impairment loss	–	–	–
Closing balance	1,491	1,283	151
2018			
Opening balance	837	1,237	212
Transfers in/(out) of Level 3			
Purchases/(sales)	239	143	–
Depreciation	(328)	(343)	(30)
Impairment loss	–	–	–
Closing balance	748	1,037	182

Description of significant unobservable inputs to Level 3 valuations

2019 and 2018	Valuation technique	Significant unobservable inputs
Motor vehicles	Depreciated replacement cost	Useful life of vehicles
Plant and equipment/leasehold improvements	Depreciated replacement cost	Useful life of plant and equipment

Significant unobservable inputs have remained unchanged since June 2018.

Note 8.

Other disclosures

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

Structure

- 8.1 Other economic flows included in net result
- 8.2 Reserves
- 8.3 Responsible persons
- 8.4 Remuneration of executives
- 8.5 Related parties
- 8.6 Remuneration of auditors
- 8.7 Subsequent events
- 8.8 Australian Accounting Standards issued that are not yet effective
- 8.9 Security deposits
- 8.10 Other non-financial assets
- 8.11 Changes to the impairment of financial assets
- 8.12 Transition impact
- 8.13 Glossary of technical terms
- 8.14 Style conventions
- 8.15 Other accounting policies

8.1 Other economic flows included in net result

- (a) Net gain/(loss) on non-financial assets includes unrealised and realised gains/(losses) from revaluations, impairments, and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation surplus.
- (b) Net gain/(loss) on financial instruments includes bad and doubtful debts from other economic flows, unrealised and realised gains/(losses) from revaluations, impairments and reversals of impairment, and gains/(losses) from disposals of financial instruments, except when these are taken through the financial assets available for sale revaluation surplus.
- (c) Other gains/(losses) from other economic flows include the gains or losses from:
- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
 - the revaluation of the present value of the BACV provision due to changes from the annual actuarial assessment of the provision.

	\$'000	\$'000
	2019	2018
(a) Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of property plant and equipment	123	15
Impairment of property plant and equipment intangible assets ¹	–	(1,319)
Total net gain/(loss) on non-financial assets	123	(1,304)
(b) Net gain/(loss) on financial instruments		
Impairment of receivables ²	–	(262)
Total net gain/(loss) on financial instruments	–	(262)
(c) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service liability ³	–	90
Net gain/(loss) arising from revaluation of BACV Provision ⁴	–	210
Total other gains/(losses) from other economic flows	–	300

Notes:

- Impairments were the revaluation of property, plant and equipment in accordance with the requirement to assess value.
- Including (increase)/decrease in provision for doubtful debts from other economic flows – refer to note 5.1.
- Revaluation gain/(loss) due to changes in bond rates.
- Revaluation gain/(loss) due to the introduction of the *Building Legislation Amendment (Consumer Protection) Act 2016* and abolition of the BACV function.

8.2 Reserves

	\$'000	\$'000
	2019	2018
Asset revaluation surplus¹		
Balance at the beginning of financial year	190	190
Revaluation increments/(decrements)	173	–
Balance at the end of financial year	363	190
Net changes in reserves	173	–

Note:

- The asset revaluation reserve arises on the revaluation of infrastructure, land and buildings. The land and buildings owned by the VBA were revalued in 2015–16.

8.3 Responsible Persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the FMA, the following disclosures are made regarding responsible persons for the reporting period:

Minister

Hon Richard Wynne (MLC) Minister for Planning 1 July 2018 – 30 June 2019

Governing Board

Dr Owen Donald, Chief Commissioner	1 July 2018 – 30 June 2019
Justin Madden AM, Deputy Chief Commissioner	1 July 2018 – 30 June 2019
Brian Welch, Commissioner	1 July 2018 – 30 June 2019
Dr Lynne Williams AM, Commissioner	1 July 2018 – 30 June 2019
Yvonne von Hartel AM, Commissioner	1 July 2018 – 30 June 2019
Kelly Humphreys, Commissioner	1 July 2018 – 30 June 2019
Anne Barker, Commissioner	1 July 2018 – 30 June 2019
Carmel Coate, Commissioner	1 July 2018 – 30 June 2019

Accountable Officer

Sue Eddy, CEO and Accountable Officer 1 July 2018 – 30 June 2019

Remuneration of Responsible Persons

The Responsible Persons received remuneration for the financial year ended 30 June 2019. The number of Responsible Persons, excluding the Minister, whose total remuneration in connection with the affairs of the VBA as shown in the following bands, were:

	2019	2018
Income band (\$)	no.	no.
10,000 – 19,999	–	1
30,000 – 39,999	7	6
70,000 – 79,999	1	1
260,000 – 269,999	–	1
380,000 – 389,999	–	1
430,000 – 439,999	1	–
Total number of responsible persons	9	10
		\$'000
Total remuneration received, or due and receivable by Responsible Persons from the VBA services for the financial period:	741	979

8.4 Remuneration of executives

The number of Executive Officers, other than Ministers and the Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent Executive Officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

	\$'000	\$'000
	2019	2018
Remuneration of Executive Officers (including key management personnel disclosed in note 8.5)		
Short-term employee benefits	1,726	2,023
Post-employment benefits	129	178
Other long-term benefits	51	48
Termination benefits	39	254
Total remuneration	1,945	2,503
Total number of executives¹	10	21
Total annualised employee equivalents²	7	14

Notes:

- 1 The total number of Executive Officers includes persons who meet the definition of key management personnel of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties (note 8.5) disclosure below.
- 2 Annualised employee equivalent is based on the time fraction worked over the reporting period. Figures represent current executive officers as at 30 June 2019.

8.5 Related parties

The VBA is a wholly owned and controlled entity of the State of Victoria.

Related parties of the VBA include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over); and
- The Minister and his close family members.

All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

During the financial year, the VBA had transactions with other government controlled entities and these transactions were undertaken in the ordinary course of operations.

The VBA received grants from DELWP for \$17.5 million (2018: \$5.5 million) and interest from TCV for \$0.6 million (2018: \$0.7 million).

The VBA made payments to other government controlled entities for:

	\$'000	\$'000
	2019	2018
Government-related entities		
Consumer Affairs Victoria ¹	16,818	13,887
Department of Environment, Land, Water and Planning ²	2,330	802
Victorian Managed Insurance Authority ³	3,184	381
Other departments and agencies ⁴	1,146	1,040
Total aggregate transactions	23,478	16,110

Notes:

1 This represents CAV's share of the building levy and domestic building practitioner registration fees.

2 Supports the policy function of the Department and other miscellaneous services.

3 Increase in the insurance premium as a result of MBS functions of the VBA. This includes the insurance premium pre-paid for 2019–20.

4 For the provision of goods and/or services.

Key management personnel of the VBA include Responsible Persons as outlined in note 8.3 and Directors of the VBA as indicated below:

Mark Rossiter, Executive Director Operations	1 July 2018 – 30 June 2019
Matthew Vincent, Executive Director Corporate Governance and Major Projects	1 July 2018 – 30 June 2019
Karen Wild, Director People and Capability	1 July 2018 – 30 June 2019
Shilpi Kapoor, Chief Finance Officer	4 March 2019 – 30 June 2019
Shobini Mahendra, Chief Analyst Research and Review	1 July 2018 – 30 June 2019
John Thompson, Director Communications and Stakeholder Engagement	1 July 2018 – 30 June 2019
Ronja Laugallies, General Counsel	1 July 2018 – 30 June 2019
Kate Despot, Director Research and Review	1 July 2018 – 5 October 2018
Dean Miller, Chief Finance Officer	1 July 2018 – 21 September 2018
David Spouse, Chief Finance Officer	12 November 2018 – 28 March 2019

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

	\$'000	\$'000
	2019	2018
Compensation of key management personnel		
Short-term employee benefits	2,387	2,718
Post-employment benefits	178	225
Other long-term benefits	82	57
Termination benefits	39	482
Total	2,686	3,482

Remuneration of staff who have acted in the executive position (KMP) for over two months have been included in the table above.

Transactions and balances with key management personnel and other related parties

Given the breadth and depth of Victorian Government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and *Codes of Conduct and Standards* issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with Victorian Government Procurement Board requirements.

The VBA has prepared the related party disclosures for the year based on reasonable enquiries made by management in relation to the portfolio minister and their related parties and the information available to the organisation, with the transition to a full implementation of AASB 124 and any applicable financial reporting directions.

8.6 Remuneration of auditors

	\$'000	\$'000
	2019	2018
Victorian Auditor-General's Office		
Audit or review of the financial statements	58	47
Total remuneration of auditors	58	47

8.7 Subsequent events

As per the Premier's public announcement on 16 July 2019, the VBA will commence cladding rectification related work through a new division of the VBA known as Cladding Safety Victoria, focusing initially on 15 priority privately owned buildings. Cladding Safety Victoria has been established by the Victorian Government with a commitment to funding of \$300 million to provide support and guidance to building owners and occupants of the buildings with combustible cladding, particularly where rectification work is required to reduce risks to an acceptable level.

8.8 Australian Accounting Standards issued that are not yet effective

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2019 reporting period. DTF assesses the impact of all these new standards and advises the VBA of their applicability and early adoption where applicable. As at 30 June 2019, the following applicable AASs have been issued by the AASB but are not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operating date as follows:

Australian Accounting Standards issued that are not yet effective

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on VBA's financial statements
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2019	This may result in changes to the timing and amount of revenue recorded in the financial statements. This standard will apply to the VBA in 2019–20. Assessment indicates a material impact of \$5 million grant in relation to the cladding rectification programme which was recognised as revenue under AASB 1004 in 2018–19. For 2019–20, grant income from the cladding rectification programme will be accounted for under AASB 15.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on the balance sheet.	1 January 2019	Operating leases, such as building accommodation, will be reported in the balance sheet. We expect assets and liabilities to increase with no change in net assets. The assessment indicates immaterial impacts.
AASB 1058 Income of Not-for-profit entities	This standard will supersede AASB 1004 Contributions and establishes principles for transactions that are not within scope of AASB 15 Revenue from Contracts with Customers, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives.	1 January 2019	The assessment indicates immaterial impact.
AASB 2016–7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	This Standard defers the mandatory effective date of AASB 15 for not-for-profit (NFP) entities from 1 January 2018 to 1 January 2019.	1 January 2019	The VBA is a NFP entity, therefore AASB 15 applies in 2019–20.

8.9 Security deposits

Under section 22 of the Building Act and regulation 323 of the Building Regulations 2006, the relevant building surveyor may issue a building permit with a condition that a bond or guarantee be deposited to be held by the VBA until building works are completed. Payments are recognised as a liability at the time the deposit is received by the VBA. The liability is measured at carrying value.

8.10 Other non-financial assets

Other non-financial assets include prepayments, which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

8.11 Changes to the impairment of financial assets

Under AASB 9, all loans and receivables as well as other debt instruments not carried at fair value through net result are subject to AASB 9's new expected credit loss (ECL) impairment model, which replaces AASB 139's incurred loss approach.

For receivables, the VBA applies the AASB 9 simplified approach to measure expected credit losses based on the change in ECLs over the life of the asset. Application of the lifetime ECL allowance method results in a decrease in the impairment loss allowance of \$64,000. Refer to note 7.1.3 for details about the calculation of the allowance. The loss allowance increased further by \$414,000 for these financial assets during 2018–19.

8.12 Transition impact

The transition impact of first-time adoption of AASB 9 on the comprehensive operating statement and balance sheet has been summarised in the following tables.

Impact on comprehensive income statement as at 1 July 2018 as follows:

	\$'000
Comprehensive income statement	30 June 2018
Impairment of financial assets	64
Other economic flows included in net result	64
Comprehensive income	64

8.13 Glossary of technical terms

Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

Interest-bearing liabilities

Interest-bearing liabilities may consist of public borrowings raised through the TCV, finance leases and other interest-bearing arrangements.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period.

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Ex-gratia expenses

Ex-gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

- (a) a contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

A complete set of financial statements comprises:

- (a) a balance sheet as at the end of the period;
- (b) a comprehensive operating statement for the period;
- (c) a statement of changes in equity for the period;
- (d) a cash flow statement for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraph 41 of AASB 101.

General government sector

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

Infrastructure systems

Infrastructure systems provide essential services used in the delivery of final services or products. They are generally a complex interconnected network of individual assets and mainly include sewerage systems, water storage and supply systems, ports, utilities and public transport assets owned by the State.

Intangible produced assets

Refer to produced assets in this glossary.

Interest-bearing liabilities

Interest-bearing liabilities may consist of public borrowings raised through the TCV, finance leases and other interest-bearing arrangements.

Interest expense

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Interest income

Interest income includes the unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth

Assets less liabilities, which is an economic measure of wealth.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

Other economic flows included in net result

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- (a) gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- (b) fair value changes of financial instruments and agricultural assets; and
- (c) depletion of natural assets (non-produced) from their use or removal.

Other economic flows – other comprehensive income

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows – other comprehensive income include:

- (a) changes in physical asset revaluation surplus;
- (b) share of net movement in revaluation surplus of associates and joint ventures; and
- (c) gains and losses on remeasuring available-for-sale financial assets.

Payables

Includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Produced assets

Produced assets include buildings, plant and equipment (including leased vehicles) and certain intangible assets. Intangible produced assets may include computer software, and research and development costs (which does not include the start-up costs associated with capital projects).

Public financial corporation sector

Public financial corporations are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services). Estimates are not published for the public financial corporation sector.

Public non-financial corporation sector

The public non-financial corporation (PNFC) sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, PNFCs are legally distinguishable from the governments which own them.

Receivables

Includes amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the VBA.

Taxation income

Taxation income represents income received from the State's taxpayers and includes:

- (a) payroll tax, land tax and duties levied principally on conveyances and land transfers;
- (b) gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- (c) insurance duty relating to compulsory third party, life and non-life policies;
- (d) insurance company contributions to fire brigades;
- (e) motor vehicle taxes, including registration fees and duty on registrations and transfers;
- (f) levies (including the environmental levy) on statutory corporations in other sectors of government; and
- (g) other taxes, including landfill levies, licence and concession fees.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

8.14 Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

8.15 Other accounting policies

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In the latter case, GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that were recovered from, or paid to, the taxation authority, are presented as an operating cash flow.

Equity

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are recognised as equity transactions and, therefore, do not form part of the income and expenses of the VBA.

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

APPENDICES

Appendix 1: Disclosure index

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Appendix 2: Other boards, councils and committees

The VBA supports the work of the boards, councils and committees appointed by the Minister for Planning. The BAB, the BAC, the PAC and the BRAC are independent statutory bodies, with funding and resources provided by the VBA or DELWP. These bodies do not have their own reports of operation and their members' attendance is reported on by the VBA in this report and by the VPS Commissioner at www.publicboards.vic.gov.au.

Building Appeals Board

The Building Appeals Board (BAB) is an independent statutory body established under section 166(1) of the Building Act. The BAB must hear and determine any dispute referred, or any application or appeal made, to it under the Building Act or any other Act including under Part 14 of the *Residential Tenancies Act 1997*.

The BAB is empowered to hear and determine matters including:

- appeals about building permits and occupancy permits;
- disputes about matters relating to inspections, emergency protection work, insurance, surveys, the building permit levy, disputes between adjoining owners, the application and effect of building regulations, and the construction of party walls;
- applications for compensation arising out of protection work;
- the modification of an application of the Building Regulations; and
- compliance of a building design or element with the Building Act and/or the regulations.

The BAB is chaired by Mr Eric Riegler and comprises 43 members of varying disciplines and professions, who bring a range of expertise to the BAB. The BAB considers a diverse range of increasingly complex matters including cladding related proceedings.

More than 70 per cent of the BAB's determinations are made within six weeks of the hearing date with more than 80 per cent of modification applications reaching a hearing date within 49 days from the date of filing with the BAB.

In April 2018, the BAB began publishing significant determinations on the AustLII website (<http://www.austlii.edu.au/cgi-bin/viewdb/au/cases/vic/VBAB/>). Since then over 69 determinations have been published on this publicly accessible site.

Over the past 12 months, the BAB has introduced several reforms to improve the case management of matters before it and the timeliness of finalised applications. These reforms include:

- triaging and case-streaming matters into minor, standard and complex proceedings. This allows a tailored approach to the case management of matters, depending on the type and complexity of the application;
- convening directions hearings of complex matters so that orders can be made for the carrying out of all essential steps prior to hearing. This substantially reduces the risk of matters being adjourned;
- introducing mediation as an alternative means to resolve dispute;
- producing templates and guides to assist parties in applying and prosecuting their application;
- streamlining hearings by allowing the parties to have their appeal, dispute or modification application determined 'on the papers' without the need for a party to personally appear; and
- hearing matters within the building occupied by the VCAT and utilising the resources and facilities of that tribunal to further enhance the capabilities of the BAB.

BAB five-year regulatory information

The following information provides an overview of the operations of the BAB.

BAB performance

VBA	2018–19	2017–18	2016–17	2015–16	2014–15
Modifications heard	781	768	1,041	1,014	1,913
Appeals and disputes heard	259	301	249	181	207

BAB panel and meeting attendance 2018–19

		BAB panel attendance 2018–19		BAB meeting attendance 2018–19	
		Days attended	Weeks rostered	Meetings attended	Meetings scheduled
Chairperson	Eric Riegler	25	28	4	5
1	Gerard Coutts	14	27	5	5
2	Geoff Woolcock	15	24	5	5
3	Warren Knight	17	27	3	5
4	Joe Zita	17	25	5	5
5	Peter Jolly	20	25	4	5
6	Ashley Hansen	16	25	4	5
7	Hank Van Ravenstein	18	27	4	5
8	Brent Williams	14	25	3	5
9	Aristidis Akritidis	18	25	2	5
10	Greg Zuccala	10	21	3	4
11	Mark Selby-Hele	12	25	3	5
12	Anna Galluzzo	11	26	0	5
13	Sharon Houlihan	10	24	2	5
14	Georgia McKay	11	23	4	5
15	Michael Kerr	8	22	3	5
16	John Clampett	16	25	4	5
17	Jonathan Barnett	8	25	1	5
18	David Graham	7	24	1	5
19	Patrick Irwin	15	22	5	5
20	Dang Ho	15	24	5	5
21	Elizabeth Coe	9	26	5	5
22	Jayne Richardson	17	22	4	5
23	Allen Kong	12	25	5	5
24	Rebecca Cameron	15	26	3	5
25	Aileen McFadzean	7	24	2	5
26	Les Schwarz	19	27	4	5

Appendices

BAB panel and meeting attendance 2018–19 (continued)

		BAB panel attendance 2018–19		BAB meeting attendance 2018–19	
		Days attended	Weeks rostered	Meetings attended	Meetings scheduled
27	Bryan Thomas	15	20	4	5
28	Phillip Davies	8	25	3	5
29	Stephen Lodge	16	26	5	5
30	Eric Braslis	14	25	4	5
31	Kirsty Miller	10	27	2	5
32	Kjetil Pederson	10	25	4	5
33	Lizzie Sieverts	1	26	0	4
34	Nabeel Kurban	10	25	3	4
35	Ben Ferguson	8	24	4	5
36	Paul Coffey	12	25	4	4
37	Robert Chamberlain	11	27	2	5
38	Hannah Hodges	11	27	3	4
39	Sally Wills	12	25	4	5
40	Venise Reilly	10	25	4	4
41	Euan Morrison	14	24	3	4
42	Richard Curie	9	12	2	3

Building Advisory Council

The Building Advisory Council (BAC) is an independent statutory body established under section 206 of the Building Act. It is responsible for advising the Minister for Planning on the administration of both the Act and the Building Regulations 2018, the impact of the building regulatory system and on issues relating to the building permit levy. The BAC is supported by DELWP and the VBA, and its members are appointed by the Minister for Planning.

BAC meeting attendance 2018–19

Two BAC meetings were held in 2018–19 with meetings held in August and October 2018.

Member name	Term of appointment	Attended	Maximum possible
Maree Davenport (Chair)	1 July 2018 to 30 June 2019	2	2
Kate Bell	14 May 2017 to 13 May 2020	2	2
Rosemary Burne ¹	7 October 2018 to 30 June 2021	0	0
Sally Capp ²	6 November 2016 to 19 July 2018	0	0
Dr Owen Donald	26 March 2017 to 31 January 2020	0	2
Erica Edmands	14 May 2017 to 13 May 2020	0	2
Leanne Edwards	18 September 2018 to 30 June 2021	1	1
Emad Gad	9 August 2015 to 8 August 2018	1	1
Fiona Nield	25 July 2018 to 30 June 2021	0	2
Cressida Wall ³	7 October 2018 to 30 June 2021	0	0

Notes:

- 1 Appointed after the October 2018 meeting.
- 2 Sally Capp resigned from the BAC following her appointment as Lord Mayor of Melbourne.
- 3 Appointed after the October 2018 meeting.

Plumbing Advisory Council

The Plumbing Advisory Council (PAC) is an independent statutory body established under section 211A of the Building Act. It provides advice on the plumbing industry to the Minister for Planning and the VBA. The PAC is supported by DELWP and the VBA, and its members are appointed by the Minister for Planning.

Four PAC meetings were held in 2018–19. In 2018, meetings were held in September and December, while in 2019, meetings were held in February and May.

PAC meeting attendance 2018–19

Member name	Term of appointment	Attended	Maximum possible
Ken Gardner (Chair)	7 August 2018 to 30 June 2021	4	4
Norman Anderson*	17 April 2016 to 16 April 2019	4	4
Paul Harris	6 November 2016 to 5 November 2019	3	4
Justin Madden AM	6 September 2015 to 7 September 2021	1	4
Carl Walsh	6 November 2016 to 5 November 2019	2	4
Victoria Hart*	17 April 2016 to 16 April 2019	3	4
Patrick McCrudden*	1 July 2015 to 30 June 2018	4	4
Glenn Menzies*	1 July 2015 to 30 June 2018	4	4
Earl Setches*	1 July 2015 to 30 June 2018	2	4
Sumit Oberoi*	1 July 2015 to 30 June 2018	1	4
Greg Smith	24 July 2018 to 30 June 2021	4	4

* Continued to attend PAC as an observer after term ended pending reappointment.

Building Regulations Advisory Committee

The Building Regulations Advisory Committee (BRAC) is an independent statutory body established under section 210 of the Building Act and is responsible for advising the Minister for Planning on draft building regulations and accrediting new building products, construction methods and components or systems connected with building work. The BRAC comprises 16 members who have been appointed by the Minister for Planning for their expertise. The VBA supports the BRAC by providing secretariat duties and facilitating the accreditation system.

In 2018–19, 11 BRAC meetings were convened in addition to a number of sub-committee meetings, with meeting attendance shown below. Three applications for building product accreditation were received with one product receiving accreditation.

BRAC meeting attendance 2018–19

Member name	Term of appointment	Attended	Maximum possible
Yvonne von Hartel AM (Chair)	12 August 2016 to 30 June 2019	10	11
Aristidis Akritidis	20 December 2016 to 19 December 2019	7	11
Andrew Andreou	8 October 2018 to 19 September 2021	5	7
Steven Baxas	25 July 2018 to 24 July 2021	10	10
Regina Bron	24 April 2016 to 23 April 2019	7	8
Adam Dalrymple	13 August 2015 to 12 August 2018	1	1
Richard Drew	24 June 2015 to 23 June 2018 20 September 2018 to 19 September 2021	7	8
Greg du Chateau	13 August 2015 to 12 August 2018 20 September 2018 to 19 September 2021	7	9
Melanie Fasham	20 September 2015 to 19 September 2018 20 September 2018 to 19 September 2021	8	11
Michael Hermon	25 July 2018 to 24 July 2021	4	4
Benita Husband	18 December 2015 to 17 December 2018	4	5
John Prendergast	13 August 2015 to 12 August 2018	1	1
Robert Seiffert	18 December 2015 to 17 December 2018	4	5
Stephen Scimonello	25 July 2018 to 24 July 2021	6	10
Mark White	7 August 2016 to 6 August 2019	9	11
Peter Zagorski	28 December 2018 to 19 September 2021	5	5

Administrative Appeals Tribunal (AAT) applications

The VBA receives applications from persons who hold registration, or equivalent, in another state or territory of Australia and are seeking to be registered as a building practitioner in Victoria under the *Mutual Recognition Act 1992* (Cth). Applicants may appeal to the AAT under the *Administrative Tribunal Act 1975* (Cth) for a review of a VBA decision to refuse an application for registration under the MR Act.

In 2018–19, 14 appeals against VBA decisions were lodged with the AAT. As at the end of 2018–19, there are 44 AAT applications still pending (most waiting on a decision of the High Court). Over the same period, 12 appeals were finalised.

Building Appeals Board (BAB) applications

Decisions made by the VBA in relation to certain matters associated with building permits and building work may be appealed to the BAB. This includes decisions relating to the termination of the appointment of a private building surveyor, and directions to fix building work.

In 2018–19, the VBA was named as a party in nine BAB appeals. Three of these challenged a building order issued by the VBA as MBS and three sought a review of the VBA's refusal to consent, or make a decision within a reasonable time, to consent to the termination of a building surveyor. The VBA was also named as the respondent in one application to modify the Building Regulations in its capacity as MBS and as an interested party in two other modification applications.

During the past year, the VBA was also given the opportunity by the BAB to comment on 65 cladding-related applications, 19 of which were finalised. As at the end of June 2019, 32 of these matters are still awaiting a BAB decision.

Victorian Civil and Administrative Tribunal (VCAT) applications

VBA decisions relating to the licensing and registration of building and plumbing practitioners, disciplinary inquiries brought against registered building or plumbing practitioners or the refusal of consent to act as an owner-builder may be appealed to VCAT.

Persons who are affected by a VBA decision under the *Freedom of Information Act 1982* may also appeal to VCAT.

In 2018–19, 36 applications appealing VBA decisions were lodged with VCAT. Over the same period, 30 VCAT applications were finalised and 24 matters are ongoing as at 30 June 2019.

Appendix 3: Glossary

Australian Building Codes Board (ABCB) – the ABCB is a Council of Australian Government (COAG) standards writing body that is responsible for the development of the NCC.

Building Act 1993 – provides for the regulation of building and plumbing work and practitioners in Victoria.

Building Code of Australia (BCA) – comprises Volumes One and Two of the NCC and prescribes the technical provisions for the design and construction of buildings and other structures.

Building practitioner – includes building surveyors, building inspectors, quantity surveyors, engineers engaged in the building industry, draftspersons (building design – architectural, interior, services), commercial builders, domestic builders, demolishers and erector or supervisor (temporary structures – Class 1 and 2).

Chief Commissioner – the person appointed to the VBA Board as Chief Commissioner (currently Dr Owen Donald).

Municipal building surveyor (MBS) – a person for the time being appointed, employed or nominated by a council as its municipal building surveyor for the purposes of the Building Act.

National Construction Code (NCC) – published by the ABCB, comprises the Building Code of Australia (Volumes One and Two), the PCA (Volume Three) and other on-site construction requirements as directed by the Building Ministers Forum.

Plumbing practitioner – a person registered or licensed to carry out at least one class or type of plumbing work.

Show cause notice – if the VBA reasonably believes a ground for taking disciplinary action against a registered building practitioner exists and proposes to take that action, the VBA must give the registered building practitioner a show cause notice.

Temporary structure – a booth, tent, marquee or other temporary enclosure, whether or not a part of the booth, tent, marquee or enclosure is permanent; or a seating structure whether enclosed or not, including a mobile seating structure.

Appendix 4: Acronyms

AAS	Australian Accounting Standards	IBAC	Independent Broad-based Anti-corruption Commission
AAT	Administrative Appeals Tribunal	IRP	Issue Resolution Procedure
ABCB	Australian Building Codes Board	LGBTI	Lesbian, gay, bisexual, transgender, and/or intersex
AM	Member of the Order of Australia	LSL	Long Service Leave
ANA	Authorised nominating authority	MBAV	Master Builders Association of Victoria
ATO	Australian Tax Office	MBS	Municipal building surveyor
BAB	Building Appeals Board	MFB	Metropolitan Fire Brigade
BAC	Building Advisory Council	MJ	Megajoule
BACV	Building Advice and Conciliation Victoria	MPSG	Major Project Skills Guarantee
BAMS	Building Activity Management System	MR Act	<i>Mutual Recognition Act 1992</i> (Cth)
BCA	Building Code of Australia	N/A	Not available
BPB	Building Practitioners Board	NCC	National Construction Code
BPN	Building Permit Number	OHS	Occupational Health and Safety
BRAC	Building Regulations Advisory Committee	OVIC	Office of the Victorian Information Commissioner
CAV	Consumer Affairs Victoria	PAC	Plumbing Advisory Council
CEO	Chief Executive Officer	PIN	Provisional Improvement Notices
CFA	Country Fire Authority	PIP	Proactive Inspections Program
CRC	Cooperative Research Centre	RTW	Return to Work
DELWP	Department of Environment, Land, Water and Planning	SCA	Statewide Cladding Audit
DTF	Department of Treasury and Finance	SoE	Statement of Expectations
DWGs	Designated Workgroups	STS	Senior Technical Specialist
EAP	Employee Assistance Program	TCV	Treasury Corporation of Victoria
EPA	Environment Protection Authority Victoria	VAGO	Victorian Auditor-General's Office
ESV	Energy Safe Victoria	VBA	Victorian Building Authority
FOI	Freedom of Information	VCAT	Victorian Civil and Administrative Tribunal
FMA	<i>Financial Management Act 1994</i>	VIPP	Victorian Industry Participation Policy
FRD	Financial Reporting Direction	VPS	Victorian Public Sector
FTE	Full-time Equivalent		
GST	Goods and Services Tax		
HSR	Health and Safety Representative		

Victorian Building Authority

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