

2016-17

ANNUAL
REPORT



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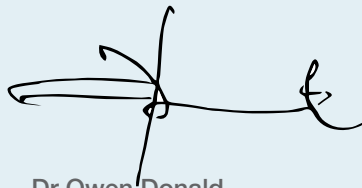
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Responsible Body's declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Victorian Building Authority's Annual Report for the year ending 30 June 2017.

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

12 September 2017

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REPORT OF OPERATIONS

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THE REPORT OF OPERATIONS FOR 2016–17 PROVIDES GENERAL INFORMATION ABOUT THE VBA AND ITS ACTIVITIES, ACHIEVEMENTS AND STRATEGIC DIRECTION.

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ABBREVIATIONS

Year in review

Strategic direction

In 2014, the VBA Board approved a four year Corporate Plan 2014-18 that includes the following vision, mission, strategic objectives and values.

VISION

A TRUSTED REGULATOR

A RESPECTED INDUSTRY

AN INFORMED COMMUNITY

MISSION

REGULATING FOR A QUALITY BUILT ENVIRONMENT IN VICTORIA.

VICTORIAN PUBLIC SECTOR VALUES

As a Victorian public sector entity, the VBA Board and staff adhere to the values of:

RESPONSIVENESS

INTEGRITY

IMPARTIALITY

ACCOUNTABILITY

RESPECT

LEADERSHIP

HUMAN RIGHTS

VICTORIAN BUILDING AUTHORITY VALUES

In addition, the VBA's Board and staff adhere to additional and unique organisational values. The VBA updated its statement of values during 2016-17:

WE PROBLEM SOLVE

WE WORK AS ONE

WE DELIVER

BUILDING CONFIDENCE

Strategic Objectives

The VBA will achieve the vision through:

PROTECTED CONSUMERS AND CAPABLE PRACTITIONERS

Strategies

- Build the capability of practitioners
- Deliver improved consumer protection
- Deliver improved consumer and practitioner information

PUBLIC VALUE

Strategies

- Deliver a positive customer experience
- Develop and maintain a strong VBA presence & stakeholder engagement
- Drive consistency of decision making

CONTEMPORARY APPROACH

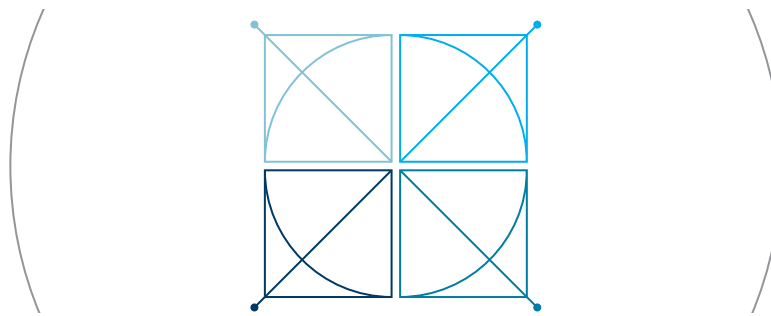
Strategies

- Deliver strategic and major projects arising from statutory obligations
- Develop a regulatory approach
- Influence and inform best practice policy and regulation

ORGANISATIONAL CAPABILITY

Strategies

- Increase staff skills and capability
- Drive a culture underpinned by integrity that encourages leadership, energy and enthusiasm
- Embed strong governance
- Manage our finances prudently



Chairman and Chief Commissioner's report



The Victorian Building Authority completed its fourth year of operations on 30 June 2017.

The past year has focussed on final embedding of foundational activities, the commencement of planning for a new multiyear strategic plan, and implementation of significant regulatory change. These activities will continue to be central to our regulatory business in the coming year.

The VBA's role is to oversee the regulation of Victoria's building and plumbing industries, and 2016–17 has seen further significant changes to the regulatory landscape through the passage of legislation amending the *Building Act 1993*. This has included absorbing the functions of the former Building Practitioners Board, new processes for the discipline of practitioners, and the introduction of new review processes.

To support the delivery of ongoing and evolving functions, the Board has provided oversight of the development of strategies to build confidence in the VBA, and to benefit consumers and practitioners in line with the objectives of the Act. This has included the refinement of strategic actions for delivery in the final year of the 2014-18 Corporate Plan, and further review of the VBA's risk management function and processes via the Audit and Risk Committee.

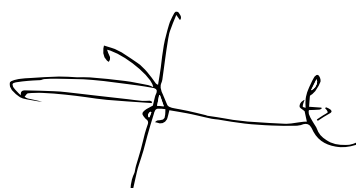
Early in 2016–17 the VBA received its first Statement of Expectations from our Minister. The then Chief Commissioner, Brian Welch's response confirmed the VBA's commitment to good regulatory practice and outlined the VBA's plans for achieving those expectations. The response highlighted where significant progress was already underway to achieve the key strategic output areas established under the Corporate Plan. This included improved efficiencies and service outcomes aligned to the legislative reform program that would be brought about by the VBA's business system transformation (VBA360). Publication of the regulatory approach, the development of risk-based strategies, and establishment of a practitioner intelligence team have seen steps toward increasing effectiveness and modernisation of regulatory practice.

Work also commenced on the development of an evidence base for better identification of high risk building and plumbing activities as a basis for risk-targeting regulatory effort and achieving better outcomes. This work will continue in 2017-18 and become a key ongoing element of the VBA's work in future years.

In support of all of our future actions, and underpinning our Building Confidence Brand, in 2016–17 the Board approved the VBA's new organisational values – *We Problem Solve, We Work as One, We Deliver*.

I would like to express my appreciation to the VBA's staff and Executive Leadership Team for their efforts in delivering regulatory outcomes for the Victorian community. In particular, I take this opportunity to thank VBA's outgoing Chief Executive Officer, Prue Digby, for her sustained energy and commitment to building the VBA over the past four years. Prue is retiring from the role in late 2017.

I also thank all Board members for their significant contributions over the past year and look forward to working with them in the coming year. Special mention is owed to Warren Hutcheon who ably led the Audit and Risk Committee and completed his service as commissioner in February 2017. I also thank Brian Welch for his leadership as Chief Commissioner from July 2016 through to January 2017.



Owen Donald
Chief Commissioner

Chief Executive Officer's report



In 2016–17 the VBA has continued its focus on embedding foundational activities as it completes its fourth year of operations as the building and plumbing regulator. This has occurred alongside the implementation of a substantial legislative reform program, enhanced compliance and enforcement activity and significant investment in systems and processes.

Key legislative reforms are being implemented, a result of the passing of two Bills amending the *Building Act 1993*. This has meant new functions and powers such as a new Internal Review process, a Show Cause process for practitioner discipline, directions to fix non-compliant work, improvements to practitioner registration, and assessments of Owner-Builders. The VBA has also built capabilities to use the new indictable offence provisions as a tool in our regulatory armour. The VBA has successfully planned for the implementation of this extensive legislative reform program with effective stakeholder engagement throughout 2016–17.

Supporting the delivery of new and existing functions are foundational pieces of work, such as the publication of the VBA's Regulatory Approach. The Regulatory Approach was developed in consultation with our stakeholders and establishes our strategy to regulate Victoria's building and plumbing industries. It provides industry, the public, other regulators, government and our staff with a clear statement of how we aim to perform our role and what Victorians can expect from the VBA.

In line with our commitment to improved service delivery to Victorians, the VBA has continued upgrading its information technology systems. The VBA has introduced VBA360, which is the new simple way practitioners and the public can access many VBA services. Improved systems for registration of owner-builders, complaints management, and plumbing compliance certificates have all been successfully delivered in July 2017.

Underpinning the work of all staff are the VBA's organisational values. The Building Confidence cultural change program saw the launch of new organisational values in 2016–17: We Problem Solve, We Work as One, We Deliver.

These values were developed hand-in-hand with our staff and we continue to embed these new values into organisational practices ensuring they are consistently reinforced and communicated.

In the previous reporting year, the VBA dedicated significant resources to its audit of external wall cladding in the wake of the Lacrosse building fire in 2014. Victoria led the way in that regard, being the only regulator nationally to conduct such an audit working closely with our co-regulators. The last financial year has seen renewed community focus on building cladding and the consequential establishment of the Victorian Cladding Taskforce. We welcome the Taskforce as a way of identifying pathways to further enhance statewide understanding and compliance of building cladding.

With the announcement of my retirement as the VBA's Chief Executive Officer, and departure in October 2017, this will be my final Annual Report. I was appointed in December 2013, not long after the VBA was established as the integrated regulator replacing the former Building Commission and Plumbing Industry Commission.

Over the past four years, the VBA has evolved significantly, and the next twelve months will see the VBA preparing its next multi-year strategic plan. We will aim to strengthen our regulatory activities, improve the way we target and deliver proactive regulation and continue to improve the way we monitor and evaluate our outputs and outcomes.

I am proud of the strong position the VBA is in to continue to build on its achievements, and further enable transformation in coming years.

I thank the Board for its strategic guidance over the financial year and in particular, I would like to recognise the support and leadership of Brian Welch as Chief Commissioner from July 2016 to January 2017 and of Dr Owen Donald since taking over as Chief Commissioner in January of this year.

I also thank the Executive Leadership Team and VBA staff for their contribution and commitment to serving the Victorian Community.

Prue Digby
Chief Executive Officer

Legislation and Relevant Minister

As at 30 June 2017, the Victorian Building Authority (VBA) is accountable to the Minister for Planning. The VBA is responsible for carrying out the functions detailed in the *Building Act 1993 (Vic)* and the *Building and Construction Industry Security of Payment Act 2002 (Vic)*.

Nature and Range of Services Provided

The VBA's activities include:

- responding to general enquiries from the public about the building and plumbing industries
- registering, licensing, and monitoring plumbing practitioners' conduct and capacity to practice plumbing in Victoria
- registering, and disciplining building practitioners¹, issuing certificates of consent to owner-builders, and supervising and monitoring practitioners' conduct and capacity to practice
- providing expert technical advice 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 that consumers are protected
- publishing data for building and plumbing practitioners
- monitoring the collection of building permit levies
- overseeing the work of building surveyors and Victoria's building permit system.

Objectives, Functions and Powers

The VBA's functions under the *Building Act 1993 (Vic)* include to:

- monitor and enforce compliance with the Act and building regulations
- administer licensing and registration of plumbers

- administer registration of building practitioners and supervise and monitor their conduct and ability to practice
- issue owner-builder certificates of consent
- participate in the development of national building and plumbing standards
- monitor developments relevant to the regulation of building and plumbing standards
- promote the maintenance of adequate competency levels among plumbers
- provide information on:
 - building and plumbing standards
 - the regulation of buildings, building work and building practitioners
 - the regulation of plumbing work and plumbing practitioners
- provide information and training to assist those who are carrying out functions under the Act or building 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 and plumbing industries in Victoria and report on the research outcomes in the VBA Annual Report
- monitor the collection of the building permit levy
- charge and collect fees for information and training services provided by the VBA
- administer the VBA Fund
- advise the Minister for Planning.

The VBA's functions under the *Building and Construction Industry Security of Payment Act 2002 (Vic)* include to:

- authorise nominating authorities to nominate adjudicators to determine payment disputes
- maintain a publicly available register of authorised nominating authorities (ANAs)
- keep a record of adjudication determinations and publish adjudication statistics.

¹ The Building Practitioners Board was abolished on 1 September 2016 as an action under the legislative reforms, which included the transfer of the BPB functions and powers to the VBA.

Statement of Expectations

The Minister for Planning issued the first Statement of Expectations (SoE) for the VBA in July 2016. The objective of SoE's is to establish clear expectations of regulator performance between the responsible Minister and regulators.

The VBA's SoE outlined the Minister's expectations across risk-based regulatory activity, demonstrating good regulatory practice (particularly with reference to legislative reform implementation), addressing previous Victorian Auditor-General's Office (VAGO) recommendations, VBA's business system transformation, and transparency and accountability.

In October 2016, the VBA's Chief Commissioner responded to the Minister outlining the VBA's plans for achieving improvements outlined in the SoE. Progress for this year against the expectations is detailed below.

Risk-based regulatory activity

The VBA is committed to further refining and implementing risk-based approaches through the development of its Regulatory Approach. In 2016–17, the VBA completed consultation with key stakeholder groups and has now published the Regulatory Approach, available at vba.vic.gov.au/about/regulatory-approach. The Regulatory Approach supports the VBA's risk-based regulatory activity through steering how we set priorities, make resource allocation decisions and develop policies that guide our operations. It provides a framework for further refinement of risk-based approaches in future years.

A risk-based approach was used to select compliance certificates to audit for the 'Plumbing Audit Program'. The risk factors used to set these criteria include targeting practitioners who are newly licensed, have failed audits before, had a high volume of permits complaints against them or had a sudden change in the number of certificates lodged under their name.

A formative risk based approach was used for the 'Proactive Inspection Program'. A range of risk factors were considered and used to develop a set criteria to examine the Permit Levy System.

Demonstrating good regulatory practice

The Minister outlined expectations for the implementation of the government's legislative reform agenda, including the VBA planning for delivery of its reform obligations in a timely and cost-efficient manner, development of policy and procedure to support timely and equitable decision making, and engagement with stakeholders to ready industry and consumers for reforms.

During the past year, the VBA continued to deliver a significant work program overseen by the Board and executive leadership, to prepare for and implement a range of legislative changes to the *Building Act 1993 (Vic)*.

These include the incorporation of new functions and powers to the VBA, with various components taking effect from July 2016, September 2016, May 2017 and August 2017.

The VBA delivers regular reporting to DELWP and the Minister on legislative implementation progress and issues.

Continued implementation of VAGO recommendations

As noted in the Chief Commissioner's response to the SoE, the VBA has accepted all VAGO recommendations and has progressively worked through their implementation. Significant initiatives implemented by the VBA have included improvements to complaints handling processes and undertaking risk-based performance audits.

As raised in the SoE, the VBA has implemented measures to clarify administration and enforcement responsibilities under the *Building Act 1993 (Vic)*. The VBA in conjunction with Municipal Association of Victoria and the Victorian Municipal Building Surveyors Group, developed a Statement of Intent (Sol) in 2016. The VBA and 23 local councils have committed to the Sol. The Sol aims to improve the effectiveness of Victoria's building regulatory system and increase confidence in the sector by:

- recognising and committing to the principle that administering and ensuring compliance with the Act and Regulations is a shared responsibility
- encouraging cooperation, information sharing and timely decision making
- supporting agility, flexibility and accountability within the regulatory framework.

In November 2016, the VBA conducted an internal audit review of the implementation of VAGO and Ombudsman recommendations, and has implemented actions to address the internal audit findings.

The key ongoing piece of work arising from VAGO's commentary in 2015 relates to further development of the VBA's Monitoring and Evaluation Framework. The VBA has continued internal reporting and testing of measures for efficiency and effectiveness, and is focussed on identifying expanded effectiveness measures. These will continue to evolve and the VBA will take a long-term view to developing further measures which will align with our strategic objectives in the next corporate plan.

VBA's business system transformation

The VBA has committed to improvements to the delivery of services to Victorians and, to support this, is upgrading its information and communications technology systems. The VBA has introduced VBA360, which is the new simple way practitioners and the public can access many VBA services online. Areas of focus for development of VBA360 in 2016–17 have included registration of owner-builders, and complaints management, which allows the complainant to track their complaint step-by-step, and plumbing compliance certificates; with successful deployment of these systems on 31 July 2017.

Phase two of VBA360 will see improved data reporting through the introduction of the VBA App, and improved off-site reporting tools for VBA staff working in the field. Data from Licensing and Registration, and Permits and Levy will be fully integrated into VBA360, providing improved data access and reliability. All systems will be transitioned onto a cloud-based system; allowing the ability to work from any location, and improved data security.

Transparency and accountability

The Chief Commissioner reaffirmed the importance of transparency and accountability as a key driver for the VBA. He committed to continue the VBA's consultation with building and plumbing stakeholders through a variety of forums including stakeholder reference groups, who met on 10 occasions through the financial year. The VBA also continues regular reporting to DELWP and the Minister for Planning through:

- Regular engagement between Chief Commissioner and CEO, and Minister for Planning on matters of strategic policy and regulatory intervention
- Formal consultations between CEO, VBA leadership team and DELWP executives to exchange information on impact of legislative and regulation change on the operational business of the VBA
- Provision of standard and ad-hoc reporting on statutory requirements under the *Building Act 1993 (Vic)*

The Statement of Expectations 2016–17 and the Chief Commissioner's response are available on our website at vba.vic.gov.au/about/ministers-statement-of-expectations.

Achievements

In 2014, the VBA released its inaugural Corporate Plan 2014-18 with four strategic objectives:

- Strategic Objective 1: Protected Consumers and Capable Practitioners
- Strategic Objective 2: Public Value
- Strategic Objective 3: Contemporary Approach
- Strategic Objective 4: Organisational Capability

The strategic direction was updated and refined with the release of the VBA Annual Plan 2015-16.

A number of actions to deliver the strategic objectives have been completed or progressed:

Strategic Objective 1: Protected Consumers and Capable Practitioners

Enable better protected and more confident building consumers serviced by capable building and plumbing practitioners

STRATEGY	ACTION	ACTIVITY IN 2016–17
Build the capability of practitioners	Create effective disciplinary processes	<p>The amendment through the <i>Building Legislation Amendment (Consumer Protection) Act 2016</i> (Vic) abolished the Building Practitioner's Board (BPB) with effect from 1 September 2016, and transferred the Board's powers and functions to the VBA.</p> <p>The VBA developed and implemented a new approach to discipline for building practitioners with the implementation of a Show Cause and Internal Review process.</p> <p>The transition to these new disciplinary measures has resulted in improved timeliness and processing efficiency for the administration of the practitioner discipline function, and greater consistency in sanctions.</p>
	Develop capacity-building initiatives with peak bodies to secure a sustainable workforce across the building and plumbing industries	<p>There has been continued focus on strategy to improve pathways to registration for plumbing practitioners.</p> <p>The VBA has established regular forums with stakeholder reference groups to consider strategic approaches to capacity building. Actions included consideration of improved pathways to registration for apprentice plumbers, developing models for continuing professional development of builders and plumbers, and identifying skills for the future in plumbing and building.</p> <p>Through this process, the VBA has identified issues for consideration and to empower the industry to respond to legislative change.</p>
	Build upon our strengths and improve the oversight of licensing and registration of practitioners	<p>The VBA increased stakeholder engagement and communication activity in preparation for the introduction of legislative reforms.</p> <p>Work processes were also streamlined to facilitate the transition to new IT systems in 2017-18.</p>
	Increase compliance and performance capability	<p>All VBA investigators commenced formal training in the Diploma of Government Investigations during 2016–17. This will build capability and increase the capacity of the VBA to undertake more complex investigations and ensure that a consistent methodology to be applied to all investigations.</p> <p>The VBA Investigations Unit has seen a significant decline in the number of on hold investigation files throughout 2016–17, resulting in an increased proactive approach to practitioner investigations with additional site visits being conducted across the state.</p>
	Work with registered training organisations (RTO) to inform the design of courses and programs that deliver capable and qualified practitioners	<p>The VBA has improved its examination tools and processes, as well as collaborating with RTO's to identify and implement operational improvements, particularly those impacting on pass rates and timeliness.</p> <p>The ongoing engagement with TAFE/industry RTOs and curriculum advisory groups to educate and share information has strengthened the understanding of practitioner registration requirements, and informed course design and delivery.</p>

STRATEGY	ACTION	ACTIVITY IN 2016–17
Deliver improved consumer protection	Improved owner-builder application process	In response to the owner-builder reforms, effective from 1 September 2016, the VBA introduced a compulsory online course to ensure every owner-builder is aware of their role and responsibilities. In addition, the new online portal, VBA 360 now provides for ownerbuilder applications. The first stage of VBA 360 was successfully implemented on 31 July 2017.
	Provide enhanced practitioner information, support and access to technical resources to build competencies	<p>The VBA provided enhanced technical support to building practitioners through:</p> <ul style="list-style-type: none"> regular VBA Mail articles promoting updates and information relating to building standards and regulations direct provision of technical advice via 28,014 telephone calls and 1,798 building email enquiries relating to building issues creation of four building related practice notes, nine building industry fact sheets, seven technical solution sheets, and seven industry alerts delivery of sixteen building industry and local government information meetings throughout Victoria, which addressed; updates on National Construction Code (NCC) and Australian Standards, an overview of the VBA proactive inspection program and complaints process; a high-level overview of the reforms to the <i>Building Act 1993 (Vic)</i>, plus updates on Sunsetting of building regulations delivery of six specific industry regulatory meetings for places of public entertainment delivery of one YouTube video on the workings of the Security of Payment legislation to interested industry participants. <p>The VBA provided enhanced technical support to plumbing practitioners through:</p> <ul style="list-style-type: none"> regular VBA Mail articles promoting updates and information relating to plumbing standards and regulations direct provision of technical advice via 16,730 telephone calls and 1,035 email enquiries creation or update of two fact sheets and two industry guides delivery of 15 plumbing seminars throughout Victoria, covering updates to the National Construction Code (NCC), Australian Standards, WaterMark Certification Scheme, common technical enquiries, Plumbing Regulations Sunset Project, acceptance and compliance with complex gas installations, changes to AS/NZS 5601, common audit failures and how to avoid them, and examples of performance solutions in action.

STRATEGY	ACTION	ACTIVITY IN 2016–17
Deliver improved consumer and practitioner information	Develop, implement and maintain a consumer information strategy	<p>The VBA has a proactive media calendar that identifies opportunities to describe and reinforce VBA's regulatory role. The VBA's proactive media approach focuses on clearly demonstrating the VBA's role in regulating the building industry (i.e. licencing, regulating, auditing and disciplining).</p> <p>Increased visibility and enhanced reputation to the public and stakeholders through the media continues to position the VBA as a more accessible, transparent and responsive organisation, as well as demonstrate the authority's value to the public as a trusted regulator.</p> <p>The VBA has continued to:</p> <ul style="list-style-type: none"> • implement an events program to engage directly with practitioners and consumers – this included attending the Melbourne Home Show, HIA Home Show, SPASA Pool and Spa Expo, and building and plumbing practitioner seminars throughout Victoria • distribute VBA Mail to more than 50,000 practitioners and subscribers • hold meetings of the Stakeholder Reference Groups to connect with practitioners through their lead agencies.
	Deliver a new communication program	<p>The VBA Communications Strategy primarily focuses on the communications channels that the VBA uses, such as online, VBA Mail and media releases, to reach a broad audience. The strategy has been reviewed in 2017, and opportunities identified to align communications activities with strategic objectives, including actions designed to maximise stakeholder engagement.</p>

Strategic Objective 2: Public value

Create an accessible, transparent and responsive organisation that delivers public value through effective and efficient regulatory services

STRATEGY	ACTION	ACTIVITY IN 2016–17
Deliver a positive customer experience	Develop, implement and publish a new customer service charter	The VBA developed the service charter, highlighting what our stakeholders could expect from our services, how we would manage stakeholder's expectations, as well as what the VBA cannot provide. Furthermore, the service charter sets out our vision and our mission. This charter was published online in 2016.
Develop and maintain a strong VBA presence & stakeholder engagement	Build a more effective regional service model	The VBA reviewed the regional services model in 2016–17. The VBA has identified a need for a broader customer experience review. This project is ongoing with refreshed scope to be finalised in 2017-18.
Drive consistency of decision-making	Improve licensing and registration practices to reduce unnecessary regulatory burden on industry	<p>Continuous improvements are being made to Licensing and Registration assessment frameworks and resources to support the making of decisions that withstand scrutiny. Significant improvements to applicant experience have been made with the launch of VBA360 as discussed above, and will continue with future business system improvements.</p> <p>The reforms to the <i>Building Act 1993 (Vic)</i> introduced a new internal review function from September 2016. The VBA's implementation of the new internal review function has both accompanied and driven ongoing improvements to the VBA's practices for the registration and discipline of practitioners (previously delivered under the Building Practitioners Board).</p>

Strategic Objective 3: Contemporary Approach

Lead a contemporary approach to regulation of industries and professions

STRATEGY	ACTION	ACTIVITY IN 2016–17
Deliver strategic and major projects arising from statutory obligations	Develop and implement the Statement of Expectations in conjunction with the Department of Environment, Land, Water, and Planning (DELWP) to improve regulatory outcomes	The Minister for Planning issued the Statement of Expectations for the VBA in July 2016. The Chief Commissioner of the VBA responded in October 2016 confirming the VBA's plans for achieving the SoE improvements. Progress against the expectations is reported separately in the Annual Report on pages 8-9.
	Deliver legislative changes through government reforms and improved regulatory outcomes	<p>The 2016 legislative changes through the <i>Building Legislation Amendment (Consumer Protection) Act 2016</i> resulted in Compliance, Enforcement and Legal Services developing and implementing a new disciplinary process for building practitioners that introduced new key performance indicators for a greater understanding of the progress of the disciplinary process and the effectiveness of these outcomes.</p> <ul style="list-style-type: none"> • The VBA continued to deliver a significant work program to prepare for legislative changes and consulted extensively with stakeholders on its implementation of the reforms, including proposed policies, processes and published information. • Amendments have been progressively introduced and relate to: <ul style="list-style-type: none"> – new offences for working without a building permit – extension of the VBA's inspection powers to owner builder sites – redefinition of circumstances where a building surveyor may not act – a checklist that relevant building surveyors must use when lodging building permits with Councils – updated powers to issue directions to fix building work • Two new indictable offences under section 16B of the Act, which affect people and corporations in the business of building. • Extension of conflict of interest provisions
	Support DELWP in Sunsetting of the building regulations	<p>The VBA provides support to DELWP in its preparation for drafting new building regulations and the associated regulatory impact assessment through the provision of data, research and technical input.</p> <p>The VBA has provided support to DELWP as it develops plans for the process to replace the Plumbing Regulations 2008, which will sunset in 2018.</p>

STRATEGY	ACTION	ACTIVITY IN 2016–17
	Enhance the VBA's monitoring of private building surveyor's mandatory inspection requirements	<p>The VBA continued to monitor the activities of private building surveyors and builders through the Proactive Inspection Program, that was established in 2015–16.</p> <p>Through the continuation of this work the VBA:</p> <ul style="list-style-type: none"> • has collected information to develop an evidence-based approach to regulate the building and plumbing industries • has enhanced its understanding of the quality of building work throughout Victoria • has better evaluated how private building surveyors are performing their regulatory functions • engaged in much greater detail with building surveyors, advising and discussing matters that are encountered at inspected sites • educated both builders and building surveyors on current trends in compliance issues, leading to improved performance at other building sites in the future • has tracked the actions taken by building surveyors to correct non-compliant work • has, where necessary, directed building surveyors to ensure non-compliances are appropriately addressed, and continues to refine and review the Monitoring and Evaluation Framework to ensure that it takes account of new legislative reforms and business practices.
	Implement the recommendations arising from VAGO's 2015 audit and finalise the implementation of actions arising from VAGO's 2011 audit	<p>The 2011 and 2015 audits raised monitoring, evaluation and measurement of the impact of enforcement efforts. The VBA continues to address this in line with the Minister for Planning's Statement of Expectations and maintains a specific strategic action to develop and implement a new monitoring and evaluation framework.</p> <p>All other items being tracked subsequent to 2011 and 2015 have been formally closed.</p>
Develop a regulatory approach	Participate in the development of national building and plumbing standards	<p>The National Construction Code (NCC) 2016 was adopted in Victoria on 1 May 2016</p> <p>The VBA continued to contribute to the development of the NCC through participation in all meetings of the Australian Building Codes Board (ABCB), Building Codes Committee and Plumbing Codes Committee.</p> <p>The VBA made submissions on three reports published by the ABCB, reviewed all tabled draft NCC reference documents and participated in ABCB working groups and directly in nine Australian Standard committees.</p> <p>The VBA through its work on the building regulations Sunset Review conducted reviews of internal data and information, assessed and developed new sources of information, increased corporate knowledge to inform regulatory activities, and identified key knowledge and data gaps for the future research program.</p> <p>Recruitment to an Intelligence Unit was completed, and an internationally recognised intelligence training course and risk management training were undertaken.</p> <p>Intelligence assessments, support and analysis were provided to the VBA's audit.</p>

STRATEGY	ACTION	ACTIVITY IN 2016–17
	Create strong organisational intelligence capabilities that inform regulatory activities	<p>The VBA continued to build strong organisational intelligence capabilities throughout 2016–17. The Statement of Intent ‘Enforcement of the <i>Building Act 1993 (Vic)</i>: A Cooperative Approach’ has been committed to between the VBA and 23 municipal councils.</p> <p>The Building Minister’s Forum has focused on the issue of non-complying building products and endorsed key recommendations from the Senior Officers Group. The VBA is charged with a number of recommendations, including the formation of the Building Regulators Forum, which was initiated in July 2017.</p> <p>The Building Regulators Forum enables the exchange of information between interstate building regulators, allowing consideration of issues relating to conforming to building legislation and enhancing the VBA’s access to information; strengthening its intelligence and enforcement capabilities.</p>
	Build an evidence-based approach to regulation and allocation of effort and resources	<p>The audit and investigation business units have further integrated the VBA’s intelligence capabilities into their compliance activities, which is being used to identify serious, systemic non-compliance. Identifying industry-wide issues through trend analysis is being progressively used to inform proactive compliance strategies across metropolitan and regional Victoria.</p> <p>The VBA’s strategy to regulate the Victorian building and plumbing industries was published in November 2016. This outlines how the VBA sets its priorities and led to the development of a risk-based approach to deliver VBA programs in 2016–17:</p> <ul style="list-style-type: none"> • A risk-based approach was used to select compliance certificates to audit for the Plumbing Audit Program and a formative risk based approach was used to select building sites for the Proactive Inspection Program. • A formative risk based approach was used for the Permit Levy System. A range of risk factors were considered and used to develop a set criteria. The risk factors included targeting practitioners who are newly licensed, have failed audits before, had a high volume of permits, complaints against them or had a sudden change in the number of certificates lodged under their name. <p>In addition, the risk factors are continually monitored and analysed for their effectiveness in uncovering non-compliant work.</p>
Influence and inform best practice policy and regulation	Conduct and promote research regarding the regulation of Victoria’s building and plumbing industries	<p>The Research Program commenced in 2016–17 with the: Stakeholder Confidence and Satisfaction Survey undertaken; data gathered and analysed to assist in the development of the regulatory impact statement for the Sunsetting of the building regulations 2006; Stage 1 of the ‘Building and Plumbing Faults -Frequency, consequence and regulatory response’ has been undertaken with initial findings presented to stakeholder reference groups for comments.</p> <p>The Stakeholder Confidence and Satisfaction Survey has been published on the VBA website.</p> <p>The Research Program will continue to focus on projects that help to improve the regulatory system and is overseen by a Research Steering Committee.</p>
	Develop and implement a new monitoring and evaluation framework	<p>The VBA has continued internal reporting and testing of its Monitoring and Evaluation Framework (MEF) measures for efficiency (MEF1) and effectiveness (MEF2).</p> <p>Work has focussed on identifying expanded MEF2 measures, with a long-term view to align further measures with strategic objectives to be developed in the next corporate plan.</p>

Strategic Objective 4: Organisational Capability

Increased organisational capability

STRATEGY	ACTION	ACTIVITY IN 2016–17
Increase staff skills and capability	Create a new staff competency and capability framework based on Victorian Public Sector Commission standards	The VBA negotiated and implemented a new Enterprise Agreement which came into effect on 26 September 2016. The Agreement introduced a new classification and salary structure, which more closely aligns the VBA to the Victorian Public Service, and provides a framework for the VBA's future capability and learning programs through the articulated descriptors for each grade and value range within the structure.
	Deliver learning and development initiatives to the VBA	<p>The VBA continued to deliver learning and development programs for employees, which focus on increasing the capability of employees, with a particular focus on building management and leadership capability.</p> <p>The VBA revised and launched a new onboarding program to streamline the process and provide new starters with an organisational overview which reinforced compliance requirements and included a focus on the new VBA values and <i>building confidence</i> cultural change program.</p>
Drive a culture underpinned by integrity that encourages leadership, energy and enthusiasm	Align Corporate Plan direction through organisational resource allocation and performance management	<p>A new performance management program and process was developed in 2016–17 which clearly aligns the performance of all VBA employees to the VBA's strategic objectives.</p> <p>The VBA has regularly reviewed the operating model, and realigned our resources accordingly throughout 2016–17 to ensure we meet our strategic objectives and facilitate succession planning.</p>
	Define and implement an engaged and innovative VBA culture	<p>The <i>Building Confidence</i> cultural change program saw the launch of the new VBA values and behaviours in 2016–17: We problem solve; We work as one; and We deliver.</p> <p>The VBA has embedded these new values into organisational and people practices ensuring they are consistently reinforced and communicated.</p> <p>The VBA continued to support engagement and wellbeing initiatives while embedding the new values and behaviours through the relaunch of the VBA reward and recognition program and continued support of days of cultural significance.</p>

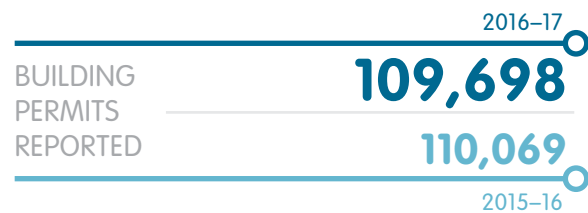
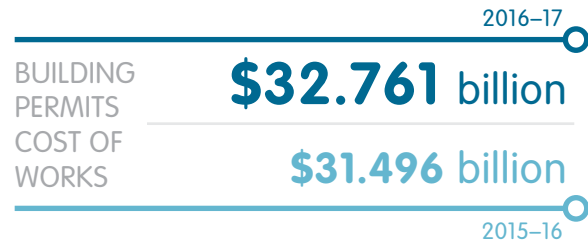
STRATEGY	ACTION	ACTIVITY IN 2016–17
	Develop a new information, communication and technology (ICT) strategy to support the VBA's operations and optimise consumer outcomes	<p>The implementation of the new VBA ICT strategy enables the VBA to drive improvements to the security and compliance of the IT infrastructure, including aligning to both the Whole of Victorian Government and the Business System Transformation (BST) programs IT principles.</p> <p>The Strategy is key to building strong technological foundations that underpin and drive transformation, improve the customer experience, remain a contemporary regulator and enable us to respond more efficiently to the expectations of the community, government and our staff.</p> <p>Our ongoing investment in ICT is designed to increase collaboration capabilities; reduce cost to the VBA both in licensing and infrastructure; and increase business agility and productivity for VBA staff.</p> <p>Key activities undertaken by the VBA in 2016–17 include:</p> <ul style="list-style-type: none"> • Upgrade of the standard desktop environment to Windows 10 and Office 365, ensuring the VBA has ongoing support and access to the latest Microsoft software. • A Microsoft Exchange Online solution has replaced the VBA's ageing email system. • Implementation of an organisational wide Wi-Fi network, enabling the VBA to move towards a mobile and digital workplace. <p>The records management system (HP Records Manager) was upgraded to the latest version in preparation for integration with the BST platform.</p>
Embed strong governance	Address issues identified in audits and reviews and embed practices that support improved outcomes	<p>The strategic internal audit plan developed last year has been followed throughout 2016–17 and progress monitored via the VBA Board and Audit and Risk Committee.</p> <p>This year the VBA also conducted a full compliance review of all obligations in line with new obligations from 2016–17. No material compliance deficiencies were identified and VBA will continue to build off this work with enhanced compliance assurance initiatives from 2017-18 onwards.</p> <p>VBA has also addressed VAGO and other review findings as outlined above</p>
Manage our finances prudently	Upgrade financial systems to allow for better management of functions	<p>In 2016 The VBA has committed to a major finance system upgrade to be delivered over the 2017-18 and 2018-19 financial years. The upgrade will deliver improvements in VBA's financial management capability by introducing new budgeting, reporting and procure-to-pay business systems and processes.</p>

Our Performance

The VBA continues to refine its Monitoring and Evaluation Framework (MEF). This will be regularly updated, and will enable the VBA to monitor its efficiency and effectiveness in delivering our Corporate Plan, our core regulatory functions, and our statutory and strategic objectives.

The VBA will monitor and evaluate to:

- make decisions based on evidence and analysis
- determine whether policies, procedures and activities achieve the desired impact
- determine whether the VBA's work contributes to the desired regulatory outcomes
- measure the delivery and impact of our strategic objectives
- demonstrate transparency, accountability and efficient and effective use of public money.



Regulatory Activity²

The following information provides an overview of the VBA and Building Practitioners Board (BPB) core regulatory functions. Comparisons have been made between 2016–17 and 2015–16 regulatory activity. Where activity has transitioned from BPB to VBA during the financial Year, a combined total is provided.

Visit vba.vic.gov.au/data for more information about the VBA and its predecessor organisations' current and past regulatory activity.

Building and Plumbing Registration and Licensing Activity



BUILDING	2016–17	2015–16
Applications for registration as a building practitioner received ³	1,784	2,975
Applications for registration as a building practitioner finalised	2,115	2,489
Number of persons registered as a building practitioner at 30 June	22,658	22,377
<i>Number of registrations by category of building practitioner at 30 June⁵</i>		
Builder – Commercial builder	5,318	5,143
Builder – Domestic builder	15,163	15,047
Building inspector	662	657
Building surveyor	682	666
Draftsperson	2,444	2,441
Engineer	2,507	2,459
Quantity surveyor	141	134
Erector or Supervisor (temporary structures)	115	111
Builder – Demolisher	363	345



PLUMBING	2016–17	2015–16
Applications for registration or license as a plumbing practitioner received ⁴	1,403	1,925
Applications for registration or license as a plumbing practitioner finalised	1,625	1,594
Number of persons registered or licensed as a plumbing practitioner at 30 June	26,862	26,495
<i>Number of plumbing practitioners registered or licensed in each of the main classes of plumbing work at 30 June</i>		
Drainage work	20,364	20,076
Fire protection work	681	675
Gasfitting work	20,605	20,198
Irrigation (non-agricultural) work	21,115	20,719
Mechanical services work	16,052	16,161
Roofing (stormwater) work	20,673	20,387
Sanitary work	20,733	20,321
Water supply work	21,041	20,649

- A small number of production errors have been identified within the 2015-16 Annual Report, and are corrected within this report. Where this has occurred an explanation of the change is provided within the corresponding footnote.
- Decreases in 2016–17 coincided with a change in application requirements from 1 July 2016. This included new forms and requirements for practitioners to clearly demonstrate how they meet application assessment criteria. There were increased applications in the lead up to 1 July 2016, and decreased applications across the entire financial year compared to previous.
- Decreases in 2016–17 coincided with a change in application requirements from 1 February 2016. The decrease in applications received in 2016–17 can be seen from July 2016, and it is largely as expected in relation to applications from 'non-apprentice applicants'. This included new forms and requirements for practitioners to clearly demonstrate how they meet application assessment criteria. There were also less apprentice applications received in 2016–17 than in the previous year.
- Number of practitioners registered by category is different to total number registered as some practitioners can be registered within more than one category/class of practitioner.

Building and Plumbing activity

VBA	2016–17	2015–16
Building permits reported	109,696	110,069
Building permits reported cost of works (\$ billion)	32.8	31.5
Owner-builder certificates of consent issued by the BPB	5,464 ⁶	8,310 ⁷
Temporary structure occupancy permits issued	86	85

Security of Payment

VBA	2016–17	2015–16
Number of adjudication applications	360	297 ⁸
Value of amounts claimed (\$ million)	65.3	73.7
Number of determinations	230	190
Value of adjudicated amounts (\$ million)	20.8	20.7

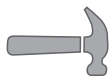
VBA	2016–17	2015–16
Compliance certificates lodged by licensed plumbing practitioners	372,702	368,043

6 Reduction in number of certificates issued was anticipated, because of the legislative reforms, effective of 1 September 2016 meant ownerbuilders needed to undertake a compulsory knowledge and responsibilities course, and there was change from one in three to one in five years in which an owner-builder can build or renovate a single dwelling.

7 Please note owner-builder certificates of consent were issued by the BPB in 15/16.

8 Incorrectly reported in the 2015–16 Annual Report as \$73,337 due to production error.

Building and Plumbing compliance activity



VBA		
Building audits completed	2016–17	2015–16
Building audit completed for cladding	35 ⁹	163
Building permit levy audits	105	89
Building investigations completed		
Building practitioner investigations completed	489	405 ¹¹
Building Proactive Inspections		
Sites inspected as part of the program	1,779	341



VBA		
Plumbing audits completed	2016–17	2015–16
Plumbing audits and drain inspections completed	18,573 ¹⁰	13,816
Plumbing audits and drain inspections completed as a percentage lodged compliance certificates	4.98	3.75
Plumbing investigations completed		
Plumbing practitioner investigations	698	963

9 Having concluded Australia's-first external wall cladding audit in 2015–16, audit activity focused on two fronts in 2016–17:

- Bringing buildings previously identified during audit as non-compliant into compliance
- Auditing buildings with links to the builder of the Harvest apartments in Clarendon St, South Melbourne (the only building as of 30 June 2016 where an emergency order was issued by the council's municipal building surveyor).

10 An increased target and allocation of more resources to this activity saw a marked increase compared to 2015–16.

11 Incorrectly reported in the 2015–16 Annual Report as 184 due to production error.

Building and Plumbing enforcement activity

BPB AND VBA	2016–17	2015–16
Building practitioner disciplinary hearings held by BPB	109 ¹²	91
Show – cause notices issued	67 ¹³	0
Prosecutions completed – building	39	41
Building prosecutions commenced but not completed	30	14

Building and Plumbing community activity

VBA	2016–17	2015–16
Building complaints received	1,741	1,405
BACV inspections requested	138	178
BACV on site conciliations requested	408	479

VBA WEBSITE AND VBA MAIL REACH	2016–17	2015–16
Website visits	1,341,018	995,569
VBA Mail distribution	482,200	999,547 ¹⁴

VBA	2016–17	2015–16
Plumbing practitioner disciplinary hearings held	28	19
Prosecutions completed – plumbing	21	26
Plumbing prosecutions commenced but not completed	16	6

VBA	2016–17	2015–16
Plumbing complaints received	2,490	1,563

12 The Building Practitioners Board was abolished in September 2016. Transitional provisions within the amended *Building Act 1993 (Vic)* allows the Board to complete disciplinary proceedings that were already underway at the date on which the Board was abolished.

13 This is a new activity, since the VBA took over functions from the BPB in September 2016.

14 Incorrectly reported in the 2015–16 report due to production error.

Internal Review

The reforms to the *Building Act 1993 (Vic)* (effective 1 September 2016) introduced a new internal review function. This new function supports the changes to the powers of the VBA to register and discipline building practitioners, powers previously held by the former Building Practitioners Board.

INTERNAL REVIEWS FROM SEPTEMBER 2016	2016-17
Internal reviews received about registration decisions	84
As a proportion of registrations refused	25.5%
Completed within 28 days:	
Affirmed	67
Amended ¹⁵	1
Substituted ¹⁶	10
Total completed (as at 30 June 2017) ¹⁷	78
Internal reviews received about disciplinary decisions	7
As a proportion of show cause decisions	12.5%
Completed within 28 days:	
Affirmed	0
Amended	4
Substituted	2
Total completed (as at 30 June 2017) ¹⁸	6

¹⁵ Amended decisions are where the review decision amends the original decision e.g., the penalty amount is changed or a sub-category of registration is granted.

¹⁶ Substituted decisions are where the review decision wholly substitutes a new decision for the original decision.

¹⁷ Six reviews received in the period were still in progress (within 28 days).

¹⁸ One review received in the period was still in progress (within 28 days).

Financial Activity

Current year financial review

	2016–17 \$M	2015–16 \$M	2014–15 \$M	2013–14 \$M
Building permit levies	31.9	30.3	26.7	24.5
Practitioner registration and licenses	8.6	8.3	8.0	7.5
Plumbing compliance certificates	12.3	12.0	11.0	9.9
Other income	3.3	3.1	5.3	4.8
Total income	56.1	53.8	51.0	46.6
Total expenses	53.2	49.9	45.7	40.4
Other economic flows	1.4	2.0	(0.9)	(1.6)
Net result	4.3	6.1¹⁹	4.4	4.7
Total assets	54.8	51.1	43.6	38.5
Total liabilities	20.9	21.5	20.0	19.3
Net assets	34.0	29.6	23.6	19.1
Net worth	34.0	29.6	23.6	19.2
Net increase/decrease in cash and cash equivalents	(1.2)	8.4	5.1	8.5

The VBA recorded an operating surplus of \$4.3 million in 2016–17 compared to an operating surplus of \$6.1 million reported in the previous year.

The VBA generated \$56.1 million in income in 2016–17, this represents a 4 per cent increase on the 2015–16 income of \$53.8 million. The increase was the result of continued strength in Victoria's building activity levels leading to record levels of building permit levies and plumbing compliance certificate income. The increase in income was offset by a 7 per cent increase in expenses required to deliver legislative reform and other project related activities. Total expenditure equalled \$53.2 million compared to the previous year's total of \$49.9 million.

The value of VBA assets increased by 7 per cent whilst liabilities decreased by 3 per cent. In net terms, VBA's worth increased by \$4.4 million or 15 per cent. The increase is effectively attributed to VBA's net result. The VBA's cash and cash equivalent holdings reduced by \$1.2 million in 2016–17, this was attributed to significant expenditure on software relating to the development of VBA's new customer relationship management system, VBA 360. The application was commissioned in July 2017. Cash holdings were also impacted by additional expenditure relating to implementation of Phase one legislative reform changes.

19 In 2015-16 the VBA reported a net result of \$5.9m, this excluded other economic flows of \$0.2m. This has been included to maintain consistency with other year reported results.

Financial Governance

The VBA operates within a strong financial governance framework overseen by the Audit and Risk Committee and Board. The VBA also operates within the framework of the Minister for Finance Standing Directions 2016 and the *Financial Management Act 1994 (FMA) (Vic)*.

BACV Provision

Since the introduction of the *Building Legislation Amendment (Consumer Protection) Act 2016 (Vic)*, the VBA no longer has an obligation to conduct new inspections as part of the domestic building dispute resolution function. From the 1 July 2017, this function is being delivered by Domestic Building Dispute Resolution Victoria (DBDRV), an agency within the Department of Justice and Regulation. The VBA does however have an obligation to investigate and complete the claims lodged pre-1 July 2017. The estimated value of obligation (\$0.2 million) is recognised as a provision in VBA's accounts.

Significant Changes or Factors Affecting Performance

There were no significant changes or factors which affected our performance during the reporting period.

Capital Projects

In 2016–17 the VBA began a major system upgrade involving implementation of a new customer relationship management system, VBA 360. The application modernises the VBA customer facing systems leading to improved service delivery, enhanced risk based regulation, reduced regulatory burden and supports the introduction of new legislative reforms. The project is expected to be delivered in multiple phases over a three-year period. Phase one of the project was delivered on 31 July 2017. The total value of capitalised project expenditure for phase one was \$4.7 million.

Disclosure of and Transfer of Payments

The VBA provides a \$1.05 million annual grant to the ABCB. The ABCB is a joint initiative of all levels of government in Australia and the building industry and 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 and the development of effective regulatory and non-regulatory approaches.

The VBA provides an annual contribution to DELWP to fund the policy function. The payment amount for 2016–17 was \$1.4 million.

The VBA also administers the collection of building levies payable to Consumer Affairs Victoria (CAV). These amounts are not recognised as income but are paid to CAV. During 2016–17, the VBA collected and paid \$13.3 million to CAV.

Subsequent Events

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the VBA, the results of those operations, or the VBA's state of affairs in future years.

2

GOVERNANCE AND ORGANISATION STRUCTURE

CONTENTS Commissioners in office during 2016–17

The VBA Board is established under section 200 of the *Building Act 1993* (Vic) and is responsible for governance and strategic management of the VBA. Commissioners are appointed on the Minister for Planning's recommendation.

REPORT OF OPERATIONS 1

GOVERNANCE AND ORGANISATIONAL STRUCTURE 2

Dr Owen Donald
Chief Commissioner
1 February 2017 to 31 January 2020

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

WORKFORCE DATA 3

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.

OTHER DISCLOSURES 4

His executive experience includes CEO of the Australian Housing and Urban Research Institute, Director of Housing for the State of Victoria, General Manager in the IPA Group Pty Ltd and CEO of the Employment Services Regulatory Authority. He previously held senior public sector positions, including head of the policy division of the Department of Social Security and head of the labour and international division of the Department of Finance.

FINANCIAL STATEMENTS 5

APPENDICES 6

Dr Donald is also a consultant specialising in policy development and program management in housing and urban development. His roles in this capacity have included Independent Project Facilitator of the Millers Point property sale and social housing redevelopment plan (NSW), member of the Urban Policy Forum (national) and Chair of the Expert Advisory Panel on Affordable Housing (Queensland).

ABBREVIATIONS

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

Justin Madden AM
Deputy Chief Commissioner

8 September 2015 to 7 September 2018

Mr Justin Madden is a Senior Consultant at Arup, working in the areas of strategic project planning and infrastructure development across Australasia and the South East Asian region.

Mr Madden's career includes 15 years in the Victorian Parliament, having held seven Ministerial portfolios within successive Victorian Labor Governments over 11 years, including 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.

Brian Welch
Chief Commissioner

1 July 2016 to 31 January 2017

Commissioner

29 October 2013, to 30 June 2019

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 (Vic Division) and 20 years as executive director of the Master Builders Association of Victoria (MBAV). During his term with Master Builders, Mr Welch served on the Building Practitioners Board and the Building Advisory Council as well as many other roles dealing with skills development in the industry. Upon leaving MBAV, Mr Welch commenced a consultancy assisting Not for Profit (NFP) organisations. He is presently on the boards of Victorian Registration and Qualifications Authority and The Redundancy Payment Central Fund (Incolink).

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

Warren Hutcheon
Commissioner

9 September 2014 to 28 February 2017

Mr Warren Hutcheon has more than 32 years' experience in the insurance and risk industry, and has held senior executive roles in both private and public sectors. Mr Hutcheon is currently Chief Executive Officer (CEO) of Ansvr Insurance and a member of their Australian Board. He was previously CEO of the Victorian Managed Insurance Authority, which provided risk and insurance services for the Government of Victoria. Previously, Mr Hutcheon held executive and senior management positions with CGU, including Director of Strategic Initiatives, Director of Operations & Strategy and Head of Commercial Insurance.

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 Senior Counsellor of the Australian Institute of Architects; a member of the La Trobe University Council and Deputy Chair of the Infrastructure and Estates Planning Committee; a Trustee of the Melbourne Convention and Exhibition Centre and Chair of the Capital Works Committee; a Member of University of Wollongong SMART Infrastructure Advisory Council; a Board Member of the Queen Victoria Market Pty Ltd and a Member of the Audit and Risk Committee; and a Board Member of the Australian Capital Territory's Land Development Agency. She is also a member of the VBA's Remuneration Committee and the Chair of the Building Regulations Advisory Committee (BRAC).

Ms von Hartel is a Member of several Design Advisory Panels including the Sydney International Convention, Exhibition and Entertainment Precinct, Sydney Metro, Mornington Peninsula Shire Council; Capital Metro Agency; WestConnex and the Australian Capital Territory's Land Development Agency.

In 2007, Ms von Hartel was awarded a 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'.

**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 Chair of the Victorian Government Purchasing Board, Deputy Chair of the Essential Services Commission of South Australia, Commissioner on the Victorian Legal Services Board, and Commissioner on the Commonwealth Grants Commission.

**Anne Barker
Commissioner**

1 July 2016 to 30 June 2019

Ms Anne Barker was Managing Director of City West Water for 13 years, during which time she was, for six years, a member of the Plumbing Industry Advisory Council. Previous experience includes practising law and senior management positions with Myer Stores, ANZ Bank and SPI Power Net. Ms Barker is currently Chair of Whitelion Open Family Australia and Chair of LeadWest, and has diverse Board experience including as a director of the Water Services Association of Australia and the MFB.

**Kelly Humphreys
Commissioner**

1 March 2017 to 29 February 2020

Ms Kelly Humphreys is an accomplished financial services and risk management professional with executive experience across the public and private sectors in Australia and New Zealand. She has held the roles of Chairman and Company Secretary and is a current director of the Accident Compensation Conciliation Service and Latrobe Health Services.

Ms Humphreys has held senior executive roles, including with Aon, Allianz and Liberty Financial. As General Manager – Government with 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.

Board meeting attendance 2016–17

NAME	ATTENDED	ELIGIBLE TO ATTEND
Dr Owen Donald Chief Commissioner (Chair)	3	4
Justin Madden AM Deputy Chief Commissioner	10 ²⁰	10
Anne Barker	10	10
Kelly Humphreys	3	3
Warren Hutcheon	7	7
Yvonne von Hartel AM	8	10
Brian Welch²¹	8	10
Lynne Williams AM	10	10

Audit and Risk Committee

The Audit and Risk Committee (ARC) provides assurance to the Board and CEO that accountability, risk and internal control environments are operating effectively and efficiently.

The ARC met five times during the year.

Audit and Risk Committee meeting attendance 2016–17

NAME	ATTENDED	ELIGIBLE TO ATTEND
Lynne Williams AM Chair from 1 March 2017	5	5
Warren Hutcheon Chair to 28 February 2017	3	3
Kelly Humphreys	5	5
Brian Welch	5	5
Dianne Azoor-Hughes (Independent Member)	5	5
Owen Donald Ex-Officio as Chief Commissioner from 1 February 2017	1	2

20 One of the 10 meetings were attended by telephone.

21 Mr Welch was Chief Commissioner (Chair) between 1 July 2016 to 31 January 2017.

Remuneration Committee

The Remuneration Committee provides assurance that the VBA complies with Victorian Government Executive Remuneration Guidelines and that appropriate executive remuneration policies are set and followed.

Remuneration Committee meeting attendance 2016–17

NAME	ATTENDED	ELIGIBLE TO ATTEND
Dr Owen Donald Chief Commissioner (Chair)	1	1
Justin Madden AM Deputy Chief Commissioner	3	3
Brian Welch	2	2
Anne Barker	3	3
Yvonne von Hartel	3	3

CEO Biography

Ms Prue Digby was appointed Chief Executive Officer of the VBA in December 2013.

Ms Digby has over 30 years' experience in providing community and public related services in both the government and non-government sectors.

Prior to being appointed as the VBA CEO, Ms Digby was a Deputy Secretary in the Department of Transport, Planning and Local Infrastructure and was previously Executive Director of Local Government Victoria in the former Department of Victorian Communities.

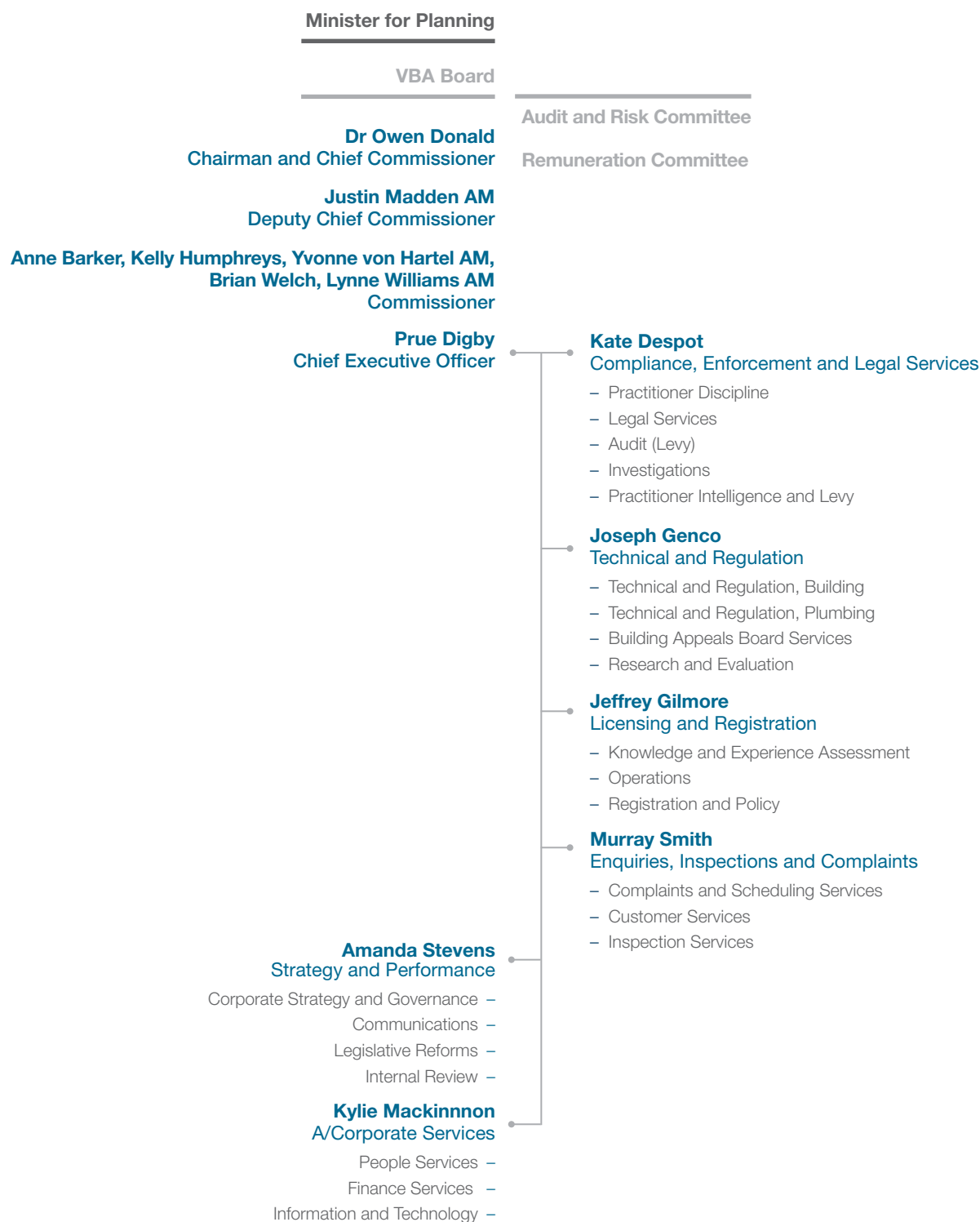
Ms Digby was the first CEO of the City of Yarra and also worked as a senior manager at the City of Melbourne. Ms Digby has extensive experience in managing organisational change, delivering services from complex organisational settings, and dealing with sensitive community issues.

Organisational Chart

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

Organisational Structure

The VBA's organisational structure is aligned to an integrated functional service model to better respond to the needs of consumers and practitioners. The VBA underwent an internal organisational restructure between October and November 2016.



Division Role Statements

Strategy and Performance

Responsible for supporting the CEO, Board and broader VBA by developing and maintaining a strong VBA presence, building stakeholder engagement, embedding strong governance and risk management frameworks, influencing best practice policy and improved regulatory outcomes, implementation of legislative reform programs, and providing critical internal review functions to meet statutory obligations.

Corporate Services

Provides finance, information technology and people services, to enable the delivery of the VBA's functions and business improvements. Key activities include enhancing organisational capability and effectiveness; driving a culture underpinned by integrity that encourages leadership, energy and enthusiasm; providing information technology support and improvement; and providing finance and procurement support to ensure robust financial management and decision making.

Enquiries, Inspections and Complaints

Offers the majority of first contact services for external parties liaising with the VBA. It responds to, or coordinates, all incoming correspondence, and is responsible for the assessment of building and plumbing complaints. Undertakes field based inspections of building and plumbing work and provides technical assessments for other functions of the VBA to support regulatory activities.

Technical and Regulation

Supports implementation of the building and plumbing regulatory framework to influence standards for safety, habitability, accessibility and sustainability of buildings in Victoria. Provides the technical expertise to guide the industry, government, consumers and other departments within the VBA to achieve Corporate Objectives as well as conducting research and audits.

Licensing and Registration

Responsible for administering the registration and licensing scheme for building practitioners and plumbing practitioners. Receives, assesses and determines applications to be registered or renewed, and administers examinations and assessments to determine whether persons have satisfactory knowledge and experience.

Compliance, Enforcement and Legal Services

Investigates Victorian registered building and plumbing practitioners, oversees and monitors the submission and collection of building levies, undertakes analysis to provide data and intelligence to drive VBA compliance and enforcement functions and undertakes practitioner disciplinary proceedings. Also provides legal advice and related services to the VBA.

Our People

2016–17 saw the negotiation and implementation of the new VBA Enterprise Agreement which more closely aligns the VBA to the Victorian Public Service, and provides a framework for the VBA's future capability and learning programs. As part of this introduction VBA employees transitioned to a new classification and salary structure, supported by new policies and procedures.

The VBA has continued to develop and implement the building confidence cultural change program. Results of the VPSC People Matters Survey and VBA employee feedback were integral in developing this program which included the launch of the new VBA organisational values: We problem solve; We work as one; We deliver. The VBA continues to implement the program and initiatives which aim to embed these values and behaviours into organisational and people practices including the introduction of a new performance management process, a revised onboarding induction for all new VBA employees as well as an alignment to the organisation's employee recognition program.

The VBA continued to support health and wellbeing initiatives, with a focus on those initiatives that have significant meaning for our people and their families, as well as the provision of flu vaccinations for all employees and further occupational health and safety training.

Occupational Health and Safety

All VBA employees are encouraged to report workplace health and safety incidents, near misses and hazards. In 2016–17, the VBA continued to promote the organisation's incident management process. The VBA continued to progress the organisational wide OHS systems review, with several new initiatives underway including new online OHS training for employees.

Performance against occupational, health and safety management measures

MEASURE	KEY PERFORMANCE INDICATOR	2016-17	2015-16	2014-15
Incidents and Injuries²²	Number of incidents	15	7	33
	Incident rate per 100 FTE	5.7	2.8	13.8
	Number of injuries	14	19	-
	Injury rate per 100 FTE	5.3	7.8	-
Claims	Number of standard claims ²³	2	4	3
	Rate per 100 FTE	0.8	1.6	1.3
	Number of lost time claims	2	2	2
	Rate per 100 FTE	0.8	0.8	0.8
	Number of claims exceeding 13 weeks	1	0	
	Rate per 100 FTE	0.4	0	
Fatalities	Fatality claims	0	0	0
Claim costs²⁴	Average cost per standard claim	\$30,798	\$6,181	\$6,601
Return to work	Percentage of claims with RTW plan <30 days.	0%	50%	66.7
Management commitment	Evidence of OHS Policy and objectives, regular reporting to senior management	Achieved	Achieved	Not Achieved
Consultation and participation	Evidence of agreed structure of:			
	• designated workgroups (DWGs)	Achieved	Achieved	Achieved
	• health and safety representatives (HSRs)	Achieved	Achieved	Achieved
	• issue resolution procedures (IRPs).	In progress	In progress	In progress
	• compliance with agreed structure on DWGs and HSRs	Achieved	Achieved	Achieved
Risk management	Percentage of internal audits/inspections conducted as planned.	100%	100%	100%
	Reporting of incidents and injuries	100%	100%	100%
	Percentage of issues identified actioned arising from:			
	• internal audits	100%	100%	100%
	• HSR provisional improvement notices (PINs)	na	na	na
	• WorkCover notices.	100%	na	na
Training	OHS induction program	Achieved	Achieved	Achieved
	HSR training	Achieved	Achieved	Achieved

22 Incidents and injuries include all work-related incidents, near misses, illness and hazards reported by VBA employees and contractors. Increase in number of incidents reported has contributed to increased awareness of reporting requirements and early intervention by VBA employees. Figures reported for 2014-15 reflect VBA Annual Report 2014-15.

23 Data sourced from the VBA's WorkCover insurer Allianz on behalf of the Victorian WorkCover Authority.

24 Data sourced from the VBA's WorkCover insurer Allianz on behalf of the Victorian WorkCover Authority. Increase to claim costs due to total incapacitation for the full financial year 2016/2017 of one claimant.

Employment and Conduct Principles

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

In 2016–17, the VBA implemented a new on-boarding program which provides new employees a thorough understanding of the Code of Conduct for Victorian Public Sector employees and an introduction to VBA policies and procedures, particularly the Conflict of Interest and Gifts, Benefits and Hospitality policies. This onboarding program is complemented by online compliance based training modules.

3

WORKFORCE DATA

CONTENTS Public Administration Values and Employment Principles

All VBA policies and procedures are aligned to the public sector values and employment principles as set out in the *Public Administration Act 2004 (Vic)*.

REPORT OF OPERATIONS 1

The VBA's recruitment and selection processes are conducted in accordance with the principles of merit and equity. Candidates undergo a thorough selection process against established key selection criteria without discrimination and are required to satisfy all VBA compliance requirements.

GOVERNANCE AND ORGANISATIONAL STRUCTURE 2

Comparative Workforce Data

WORKFORCE DATA 3

Since the commencement of the VBA on 1 July 2013, there has been incremental growth within the organisation's workforce. Figures for 2013 represent a comparison to the combined former Building Commission and Plumbing Industry Commission workforce. In 2016–17, the VBA implemented the new *Victorian Building Authority Enterprise Agreement 2016*, effective 26 September 2016. The agreement introduced a new classification and salary structure, the transition of which is represented in the tables below.

OTHER DISCLOSURES 4

Full-time equivalents (FTE) staffing trends from 2013 to 2017

FINANCIAL STATEMENTS 5

2017	2016	2015	2014	2013
269.9	244.2	238.9	207.5	161.39

APPENDICES 6

ABBREVIATIONS

Summary of employment levels in 2015, 2016 and 2017²⁵

	ONGOING EMPLOYEES ²⁶				FIXED-TERM AND CASUAL EMPLOYEES	
	Employees (headcount)	Full-time (headcount)	Part-time (headcount)	FTE	FTE	
June 2017	212	191	21	206.20	63.68	
June 2016	193	170	23	185	59.2	
June 2015	210	183	27	201.5	37.4	

Details of employment levels in June 2015, June 2016 and September 2016²⁷

	SEPTEMBER 2016			2015-16			2014-15		
	Ongoing		Fixed-term and casual employees	Ongoing		Fixed-term and casual employees	Ongoing		Fixed-term and casual employees
	Employees (headcount)	FTE	FTE	Employees (headcount)	FTE	FTE	Employees (headcount)	FTE	FTE
Gender:									
Male	98	97.0	48.2	93	92	40.4	103	101.4	25.8
Female	106	99.4	17.8	100	93	18.8	107	100.1	11.6
Total	204	196.36	66.00	193	185	59.2	210	201.5	37.4
Age:									
Under 25	4	4.0	4.0	3	3.0	4.0	4	4	6
25-34	37	36.3	23.0	29	28.5	18.0	39	38.5	8.6
35-44	69	64.7	13.8	68	63.4	10.8	69	64.8	5
45-54	46	45.3	14.0	48	47.2	14.0	48	47	12
55-64	39	37.9	11.2	37	35.7	12.4	41	39	5.8
Over 64	9	8.20	-	8	7.2	0	9	8.2	0
Total	204	196.4	66.0	193	185	59.2	210	201.5	37.4
VBA Classification									
Band 1	2	1.2	-	2	1.2	0	2	1.1	0
Band 2	32	30.1	12.0	31	28.8	12	33	30.8	6
Band 3	24	22.7	10.0	21	19.7	6	26	25.1	6.6
Band 4	24	22.9	5.0	23	21.9	6	24	23.3	2.0
Band 5	89	87.9	33.4	84	82.7	31.6	83	81	22.8
Band 6	25	23.7	4.6	25	23.8	3.6	33	31.5	0
Executive	8	7.8	1.0	7	6.8	0	9	8.6	0
Total	204	196.4	66.00	193	185	59.2	210	201.5	37.4

25 All figures reflect employment levels during the last full pay period in June of each year.

26 Ongoing employees includes 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.

27 VBA Employees were classified under the Victorian Building Authority Enterprise Agreement 2013. Figures for 2016 reflect employment levels as at the last pay period in September 2016 prior to transition to the Victorian Building Authority Enterprise Agreement 2016.

Details of employment levels in June 2017²⁸

2017							
All employee numbers			Ongoing			Fixed term and casual employees	
	<i>Employees (headcount)</i>	<i>FTE</i>	<i>Full time (headcount)</i>	<i>Part time (headcount)</i>	<i>FTE</i>	<i>Employees (headcount)</i>	<i>FTE</i>
Gender:							
Male	144	142.29	97	3	99.29	44	43.00
Female	135	127.59	94	18	106.91	23	20.68
Total	279	269.88	191	21	206.20	67	63.68
Age:							
15—24	7	7.00	5	-	5.00	2	2.00
25—34	67	64.79	38	4	40.79	25	24.00
35—44	76	71.81	53	11	61.02	12	10.79
45—54	74	73.19	55	3	57.19	16	16.00
55—64	48	46.69	35	2	36.40	11	10.29
Over 64	7	6.40	5	1	5.80	1	0.60
Total	279	269.88	191	21	206.20	67	63.68
VBA Classification							
Grade 1	-	-	-	-	-	-	-
Grade 2	65	61.09	38	5	41.12	22	19.97
Grade 3	42	39.90	25	7	30.38	10	9.52
Grade 4	38	37.20	19	2	20.40	17	16.80
Grade 5	90	88.49	70	5	73.70	15	14.79
Grade 6	33	32.20	28	2	29.60	3	2.60
Grade 7	2	2.00	2	-	2.00	-	-
Executive	9	9.00	9	-	9.00	-	-
Total	279	269.88	191	21	206.20	67	63.68

²⁸ VBA Employees were classified under the Victorian Building Authority Enterprise Agreement 2016. Figures reflect employment levels as at the last pay period in June 2017. The new Victorian Building Authority Enterprise Agreement 2016 introduces a new classification and salary structure.

**Annualised total salary, by \$20,000 bands,
for executives and other senior non-executives²⁹**

Income band (salary)	Executives
<\$160,000	3
\$160,000—\$179,999	
\$180,000—\$199,999	4
\$200,000—\$219,999	1
\$220,000—\$239,999	
\$240,000—\$259,999	
\$260,000—\$279,999	
\$280,000—\$299,999	
\$300,000—\$319,999	
\$320,000—\$339,999	
\$340,000—\$359,999	1
\$360,000—\$379,999	
\$380,000—\$399,999	
\$400,000—\$419,999	
\$420,000—\$439,999	
\$440,000—\$459,999	
\$460,000—\$479,999	
\$480,000—\$499,999	
Total	9

Workforce Inclusion Policy

The VBA continues to support an inclusive workforce, creating a culture that values and harnesses diversity.

The VBA embarked on a cultural change journey which provided all staff with the opportunity to contribute to defining the values and behaviours that they espouse in an organisational culture. The refreshed organisational values; we problem solve; we work as one; and we deliver; highlight the sense of inclusiveness in all the VBA practices.

In advancing the principles of the *Disability Act 2006* (Vic), the VBA supported people managers to assist employees with a mental illness, through education and awareness raising activities. This will continue to be a focus in the forthcoming financial year.

²⁹ The salaries reported are for the full financial year, at a 1 FTE rate, excludes superannuation and represents the 9 occupied Executive positions within the VBA.

Executive Officer data

An Executive Officer (EO) in the VBA is defined as a person under Part 3 of the *Public Administration Act 2004* whom the Victorian Government's policy on Executive Remuneration in public entities applies. All figures reflect employment levels at the last full pay period in June 2017 and corresponding previous reporting years.

Breakdown of Executives

Class	2016-17			2015-16			2014-15		
	Male No.	Female No.	Vacancies No.	Male No.	Female No.	Vacancies No.	Male No.	Female No.	Vacancies No.
CEO	0	1	0	0	1	0	0	1	0
EO	4	4	1	4	2	1	6	2	0
Total	4	5	1	4	3	1	6	3	0

Reconciliation of executive numbers³⁰

	2017	2016	2015
Executives with total remuneration over \$100,000 (Financial Statement Note 9.8)	12	8	6
Add Vacancies	1	1	0
Executives employed with total remuneration below \$100,000	0	0	2
Accountable Officer (CEO)	1	1	1
Less Separations	4	2	0
Total executive numbers at 30 June	10	8	9

At 30 June 2017, the VBA employed eight Executive Officers, one Accountable Officer (CEO) and had one vacancy.

³⁰ Three new executive officer positions were created within the VBA in 2016-17.

4

OTHER DISCLOSURES

CONTENTS Implementation of VIPP

REPORT OF OPERATIONS 1

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APPENDICES 6

ABBREVIATIONS

The *Victorian Industry Participation Policy Act 2003 (Vic)* requires the VBA to report on the implementation of the Victorian Industry Participation Policy (VIPP). Under the policy, the VBA is required to apply the VIPP in all procurement activities valued at \$3 million or more in metropolitan Melbourne or \$1 million or more for procurement activities in rural Victoria. The VBA did not undertake any procurement activities within the thresholds identified above.

Consultancy expenditure

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

In 2016–17, there were 12 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2016–17 in relation to these consultancies was \$649,045 (including GST). Details of individual consultancies are provided below.

(\$)						
CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EXCL. GST)	EXPENDITURE 2016–17 (EXCL. GST)	FUTURE EXPENDITURE (EXCL. GST)
Action OHS Consulting	Review and implementation of Occupational Health & Safety system	01/12/2016	28/02/2017	124,800	44,108	80,692
Clayton Utz	Project related contractual advice	24/05/2016	30/06/2016	19,545	21,500	-
Emma Savage Consulting	Advisory services relating to the development of a records retention and disposal authority.	01/04/2017	10/01/2018	60,000	28,800	-
Hall and Wilcox Lawyers	Scoping professional indemnity insurance matters for Building Surveyors	04/05/2017	27/07/2017	21,618	20,686	-
KPMG	Provision of accounting advisory services	01/06/2016	23/06/2016	14,350	14,350	-
Leonardo Consulting	Analysis of overlap within reforms, and integration with BST	01/06/2017	30/06/2017	34,750	23,750	11,000
Mercer Consulting (Australia) Pty Ltd	Remuneration analysis	31/10/2016	16/02/2017	22,300	20,300	-
Nous Group Pty Ltd	Culture change program	17/11/2016	22/12/2016	62,218	62,218	-
PKF Forensic and Risk Services (Melbourne and Sydney) P/L	Fraud and Corruption risk assessment	28/04/2017	28/06/2017	26,400	24,000	1,650

(\$)						
CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EXCL. GST)	EXPENDITURE 2016-17 (EXCL. GST)	FUTURE EXPENDITURE (EXCL. GST)
PPB Advisory	Forensic investigations and Professional Consultancy services	16/12/2016	05/05/2017	196,959	196,959	-
SPP Strategic Project Partners	Review of complaint assessment, triage, disciplinary and internal review processes	01/08/2016	31/08/2016	22,700	24,970	-
Exceed Global	Advising on current system failures and possible opportunities	29/05/2017	30/06/2017	108,400	108,400	-

Details of consultancies under \$10,000

In 2016-17, 19 consultancies were engaged where the total fees payable to the consultants were less than \$10,000.

Information and communication technology expenditure

For the 2016-17 reporting period, the VBA had a total ICT expenditure of \$8 million, with the details shown below.

(\$ million)			
ALL OPERATIONAL ICT EXPENDITURE	ICT EXPENDITURE	ICT EXPENDITURE RELATED TO PROJECTS TO CREATE OR ENHANCE ICT CAPABILITIES	
Business As Usual (BAU) ICT expenditure	Non Business As Usual (non BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and capital expenditure)		
3.3	4.7	0.1	4.6

Disclosure of major contracts

The VBA adheres to the Victorian Governments policy of disclosing contracts that are \$10 million or more under the *Financial Management Act 1994* (Vic). In 2016-17, the VBA had no contracts that were \$10 million or more.

Government advertising expenditure

In 2016–17, there was a total of \$199,849.20 expenditure on advertising campaigns (exclusive of GST), details are shown below:

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

(\$)

NAME OF CAMPAIGN	CAMPAIGN SUMMARY	START/END DATE	ADVERTISING (MEDIA) EXPENDITURE (EXCL. GST)	CREATIVE AND CAMPAIGN DEVELOPMENT EXPENDITURE (EXCL. GST)	RESEARCH AND EVALUATION EXPENDITURE (EXCL. GST)	PRINT AND COLLATERAL EXPENDITURE (EXCL. GST)	OTHER CAMPAIGN EXPENDITURE (EXCL. GST)	TOTAL
Building Reforms	Information and awareness campaign advising those involved in the building industry of legislation changes and how it impacts their business.	4 June 2017 – 9 July 2017	199,849	9,495	-	-	-	209,344

Freedom of Information

The *Freedom of Information Act 1982 (Vic)* gives members of the public a right to access documents held by the VBA.

For the 12 months ending 30 June 2017, the VBA received 249 freedom of information requests – an increase from the 141 requests in the last reporting year.

The majority of requests were from the parties to complaints investigated by the VBA's plumbing and building investigators.

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 Act.

Making a request

Access to documents may be obtained through a written request to the Freedom of Information Officer, outlining the documents to which access is requested.

Requests for documents in possession of the VBA should be addressed to:

Freedom of Information Officer
Victorian Building Authority
PO Box 536
Melbourne Victoria 3001
Email to: foi@vba.vic.gov.au

The requirements of a request are set out in section 17 of the *Freedom of Information Act*. In summary, a request should:

- be in writing and can be sent by email or by post
- identify as clearly as possible which document is being requested (contact the FOI Officer if unsure)
- be accompanied by the appropriate application fee (\$28.40 as at 1 July 2017). The fee may be waived in circumstances of demonstrated financial hardship to the applicant.

Access charges may apply once documents have been processed and an access decision has been made. Charges may be applied, for example, for costs associated with photocopying, search and retrieval of documents.

Further information about FOI is available at foi.vic.gov.au.

Compliance with the Building Act

The VBA owns and operates four regional offices in Ballarat, Bendigo, Morwell and Wangaratta. The VBA conducts biannual 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 manage risks.

The VBA conducted no major projects or works on VBA-owned buildings greater than \$50,000 in 2016–17. There have been no cases of registered building practitioners becoming deregistered following work on VBA owned buildings.

National Competition Policy

In 1995, all Australian governments (federal, state and territory) agreed to review and, where appropriate, reform all existing legislative restrictions on competition.

Under National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- The benefits of the restriction to the community outweigh the costs
- The objectives of the legislation can only be achieved by restricting competition.

The VBA continues to comply with the requirements of the National Competition Policy.

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply because of government ownership, should be neutralised. The VBA continues to implement and apply this principle.

Protected Disclosures

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

The VBA does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practises and supports making disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The VBA will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Reporting procedures

Disclosures alleging improper conduct or detrimental action by the VBA or any of its employees or officers can be made to the Victorian Ombudsman or to:

Independent Broad-based Anti-corruption Commission

Address: Level 1, North Tower,
459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135
Online: ibac.vic.gov.au

Further information

The VBA's Protected Disclosure Procedures outline the system for reporting disclosures of improper conduct or allegations of detrimental action taken by the VBA or any of its employees or officers. The procedures also demonstrate to potential disclosers that the VBA will take steps to ensure a person's welfare will be managed before, during and after any investigation or action that may be taken by the Independent Broad-based Anti-corruption Commission (IBAC). Visit vba.vic.gov.au to view the procedures.

Further information or guidance is available from the VBA's Protected Disclosure Coordinator:

Amanda Stevens
Director, Strategy and Performance
Goods Shed North
733 Bourke Street
Docklands VIC 3008
Phone: 1300 815 127
Email: protected.disclosure@vba.vic.gov.au

Carers Recognition

In 2016–17 the implementation of the new VBA Enterprise Agreement ensures the continuation of support to employees in care relationships as defined by the *Carers Recognition Act 2012* (Vic), by offering flexible work arrangements and a variety of leave options.

Office-based Environmental Impacts

The VBA's head office is located at the Goods Shed North building, Docklands. In 2009, the Goods Shed North building received a five-star Green Star rating from the Green Building Council of Australia. In December 2015, the VBA expanded our Docklands presence by acquiring the lease of Level 9, 737 Bourke St, Docklands.

With the aim of reducing our paper, water, gas and electricity use, the VBA actively monitors our consumption of each. The tables below indicate an increase in our recycling rate and an increase in our total units of waste disposal. There has also been an increase in paper reams used, however the number per FTE has decreased.

WASTE	2016–17 ³¹				2015–16			
	Landfill	Commingled recycling	Compost	Total	Landfill	Commingled recycling	Compost	Total
Total units of waste disposed of by destination (kg/yr)	12,845	13,939	0	26,784	9,663	9,541	0.0	19,204
Units of waste disposed of per FTE by destinations (kg/FTE)	66.31	71.96	0	138	39.58	39.08	0.0	79
Recycling rate (percentage of total waste)		52%				50%		
Greenhouse gas emissions associated with waste disposal (t CO ₂ -e)								

PAPER	2016–17	2015–16
Indicator		
Total units of copy paper used (reams)	5,160	6,347
Units of copy paper used per FTE (reams/FTE)	26.639	26
Percentage of 75 100% recycled content copy paper purchased	100%	100%
Percentage of 50 74% recycled content copy paper purchased	0%	0%
Percentage of 0 49% recycled content copy paper purchased	0%	0%
Optional indicators		
Total units of A4 equivalent paper used in publications (reams)		
Percentage of publications publicly accessible electronically	100%	98%

³¹ June 2016 data used as June 2017 data not yet available.

Additional Information Available on Request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by the VBA and are available on request, subject to the provisions of the *Freedom of Information Act 1982 (Vic)*.

- a. A statement of declarations of pecuniary interests have been duly completed by all relevant officers
- b. Details of shares held by a senior officer as 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 entity 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 the purposes have been achieved
- l. Details of all consultancies and contractors, including:
 - consultants/contractors engaged
 - services provided
 - expenditure committed to for each engagement.

The information is available on request from:

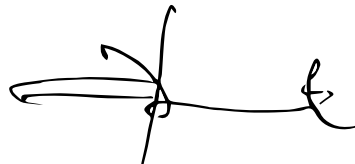
Amanda Stevens
 Director Strategy and Performance
 Phone: 1300 815 127
 Email: customerservice@vba.vic.gov.au

Datavic Access Policy

In accordance with the DataVic Access Policy, the VBA is making eligible datasets available on the data.vic.gov.au portal. Visit vba.vic.gov.au/data for more information about the DataVic Access Policy and to view the VBA's raw data.

Risk Management Attestation

I, Owen Donald, certify that the Victorian Building Authority has complied with the Ministerial Standing Direction 3.7.1 – Risk management framework and processes. The Victorian Building Authority Audit and Risk Committee has verified this.



Owen Donald
 Chief Commissioner
 12 September 2017

Disclosure Index

LEGISLATION	REQUIREMENT	PAGE REFERENCE
Ministerial Directions & Financial Reporting Directions		
Report of operations		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	7, 60
FRD 22H	Purpose, functions, powers and duties	7
FRD 22H	Key initiatives and projects	9
FRD 22H	Nature and range of services provided	7
Management and structure		
FRD 22H	Organisational structure	32
Financial and other information		
FRD 10A	Disclosure index	50
FRD 12B	Disclosure of major contracts	45
FRD 15D	Executive officer disclosures	41
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	96
FRD 22H	Employment and conduct principles	35
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FRD 22H	Major changes or factors affecting performance	26
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FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	47
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FRD 22H	Statement on National Competition Policy	
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	47
FRD 22H	Application and operation of the <i>Carers Recognition Act 2012</i>	48
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FINANCIAL STATEMENTS

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ABBREVIATIONS

Declaration in the Financial Statements

DECLARATION IN THE FINANCIAL STATEMENTS

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

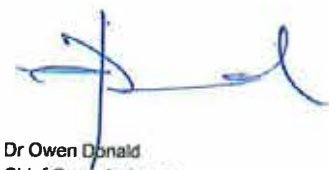
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and the financial position of the Victorian Building Authority as at 30 June 2017.

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.

The Board of the Victorian Building Authority adopted these financial statements on 31 August 2017 and authorised the persons named below to sign the financial statements on behalf of the Victorian Building Authority and to authorise their release.



Prue Digby
Chief Executive Officer
Victorian Building Authority
Melbourne
31 August 2017



Dr Owen Donald
Chief Commissioner
Victorian Building Authority
Melbourne
31 August 2017



Chris Maligeorges
Chief Finance Officer
Victorian Building Authority
Melbourne
31 August 2017

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 2017 • 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 a summary of 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 2017 and their 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. My responsibilities under the Act are further described 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 Australia. 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 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, 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 our 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
5 September 2017



Charlotte Jeffries

as delegate for the Auditor-General of Victoria

Comprehensive operating statement

For the financial year ended 30 June 2017

		(\$ thousand)	
	NOTES	2017	2016
Continuing operations			
Income from transactions			
Building permit levies	2.1.1	31,863	30,334
Building practitioner registrations		3,509	3,407
Owner builder certification fees		576	778
Modifications & appeals (BAB Services)		220	209
Prosecutions & enquiry fines (Building)		1,094	653
Prosecutions & enquiry fines (Plumbing)		24	61
Plumbing compliance certificates		12,301	11,986
Plumbing registrations & licences		5,088	4,930
Plumbing inspections		24	27
Plumbing examinations		315	298
Interest income	2.1.2	782	868
Other income		282	223
Total income from transactions		56,078	53,774
Expenses from transactions			
Employee benefits	3.2	27,470	26,002
Board & committee fees		949	1,111
Staff related expenditure		985	748
External staff		9,359	5,787
Technical contractors (panels)		1,114	1,305
Legal fees		1,488	1,383
Building/plumbing policy function		1,436	1,426
Grant expenses	3.4	1,053	1,053
General administration expenses	3.3	3,228	3,504
Accommodation charges		3,956	3,720
IT services		893	1,956
Depreciation & amortisation	4.1.1	1,234	1,889
Audit fees	8.6	51	43
Total expenses from transactions		53,216	49,927
Net result from transactions (net operating balance)		2,862	3,847
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	8.1.a	38	(26)
Net gain/(loss) on financial instruments	8.1.b	(246)	(464)
Other gains/(losses) from other economic flows	8.1.c	1,657	2,518
Total other economic flows included in net result		1,449	2,028
Net Result from continuing operations		4,311	5,875
Other economic flows - other comprehensive income:			
Items that will not be classified to net result			
Changes in physical asset revaluation surplus	8.2	-	190
Total other economic flows - other comprehensive income		-	190
Comprehensive Result		4,311	6,065

The accompanying notes form part of these financial statements.

Balance sheet

As at 30 June 2017		(\$ thousand)	
	NOTES	2017	2016
Assets			
Financial assets			
Cash and deposits	6.3	40,834	29,718
Receivables	5.1	4,556	4,052
Investments and other financial assets	4.3	-	12,300
Total financial assets		45,390	46,070
Non-financial assets			
Property, plant & equipment	4.1	3,760	4,292
Intangible assets	4.2	4,877	483
Other non-financial assets		809	284
Total non-financial assets		9,446	5,059
Total assets		54,836	51,129
Liabilities			
Payables	5.2	9,672	9,043
Borrowings	6.1	128	134
Employee related provisions	3.2.1	5,398	5,488
Other provisions	5.3	1,734	2,993
Security deposits	8.9	2,082	2,027
Other liabilities	5.4	1,870	1,803
Total liabilities		20,884	21,488
Net Assets		33,952	29,641
Equity			
Accumulated surplus/(deficit)		19,276	14,965
Physical asset revaluation reserve	8.2	190	190
Contributed capital		14,486	14,486
Net worth		33,952	29,641

The accompanying notes form part of these financial statements.

Cash flow statement

For the financial year ended 30 June 2017

(\$ thousand)

	NOTES	2017	2016
Cash flows from operating activities			
Receipts			
Receipts from customers		54,766	52,891
Interest received		801	725
Goods and services tax recovered from ATO ^(a)		2,189	1,435
Total receipts		57,756	55,051
Payments			
Payments of grants		(1,053)	(1,053)
Payments to suppliers and employees		(52,885)	(45,067)
Total payments		(53,938)	(46,120)
Net cash flows from operating activities	6.3.1	3,818	(46,120)
Cash flows from investing activities			
Payments for property, plant and equipment		(612)	(1,575)
Proceeds from sale of property, plant and equipment		278	357
Payments for intangible assets		(4,725)	(211)
Net cash flows from used in investing activities		(5,059)	(1,429)
Cash flows from financing activities			
Receipts of security deposits		543	712
Payments for security deposits		(488)	(567)
Payment of motor vehicle lease liability		(6)	(36)
Increase in Domestic Building Funds being held by VBA		8	741
Net cash flows from financing activities		57	850
Net increase/(decrease) in cash and cash equivalents		(1,184)	8,352
Cash and cash equivalents at the beginning of financial year		42,018	33,666
Cash and cash equivalents at the end of financial year	6.3	40,834	42,018

The accompanying notes form part of these financial statements.

Notes:

(a) Goods and services tax recovered from ATO is presented on a net basis

Statement of changes in equity

For the financial year ended
30 June 2017

(\$ thousand)

	NOTES	PHYSICAL ASSET REVALUATION RESERVE	ACCUMULATED SURPLUS/ (DEFICIT)	CONTRIBUTED CAPITAL	TOTAL
Balance at 1 July 2015		-	9,090	14,486	23,576
Net result for the year		-	5,875	-	5,875
Net increase/(decrease) as a result of revaluation		190	-	-	190
Balance at 30 June 2016		190	14,965	14,486	29,641
Net result for the year		-	4,311	-	4,311
Net increase/(decrease) in cash and cash equivalents		-	-	-	-
Balance at 30 June 2017		190	19,276	14,486	33,952

The accompanying notes form part of these financial statements.

1. About this Report

The financial statements cover the VBA as an individual reporting entity. VBA functions include the Building Practitioners Board (BPB) and the Building Appeals Board (BAB).

The VBA is a self funded statutory authority established under the *Building and Planning Legislation Amendment Act 2013*. The VBA was established on 1 July 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 on page 7, 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, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, and the Minister for Finance's Financial Reporting Directions (FRDs). 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 8.11 and 8.12 respectively.

These annual financial statements were authorised for issue by the Victorian Building Authority Chief Commissioner, Chief Executive Officer and Chief Finance Officer on behalf of the Board of the VBA on 31 August 2017.

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.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners 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. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Judgements, 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 judgements 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. Judgements and assumptions made by management in applying AAS that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

These financial statements are presented in Australian dollars, and 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.

All amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

2. Funding Delivery of our Services

The Victoria Building Authority's overall objective is to regulate building and plumbing practitioners to ensure the achievement of efficient and competitive building and plumbing industries in Victoria. Income is generated from the following sources and is used to deliver VBA's objectives.

Structure

2.1 Summary of income that funds the delivery of our services

2.1 Summary of income that funds the delivery of our services

		(\$ thousand)	
	NOTES	2017	2016
Building permit levies	2.1.1	31,863	30,334
Building practitioner registrations		3,509	3,407
Owner builder certification fees		576	778
Modifications & appeals (BAB Services)		220	209
Prosecutions & enquiry fines (Building)		1,094	653
Prosecutions & enquiry fines (Plumbing)		24	61
Plumbing compliance certificates		12,301	11,986
Plumbing registrations & licences		5,088	4,930
Plumbing inspections		24	27
Plumbing examinations		315	298
Interest income	2.1.2	782	868
Other income		282	223
Total income from transactions		56,078	53,774

Income is recognised to the extent that it is probable that the economic benefits will flow to the VBA and the income can be reliably measured at fair value.

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.

Owner builder certification fees

Owner builder certification fees are recognised upon receipt of the application for certification.

Plumbing Compliance Certificates, modifications and appeals and other income

Compliance Certificates, modifications and appeals and other income are brought to account when earned.

Prosecutions

Prosecutions revenue recognises prosecution fines and costs payable to the VBA as a result of legal action taken by the VBA against building and plumbing practitioners in the Magistrates Court. The revenue is recognised in full when the first partial payment is received by the VBA.

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.

Other income

Other income recognises Building Practitioners Board (BPB) fines and costs payable to the VBA as a result of action taken by the BPB against registered building practitioners at BPB hearings. The revenue is recognised in full when the practitioner's appeal period has expired and demand for payment is made by the VBA.

2.1.1 Building permit levies

Building permit levy receipts are brought to account in the month of issue of the building permit.

		(\$ thousand)	
	NOTES	2017	2016
Building permit levy - General levy ⁽ⁱ⁾		21,455	20,383
Building permit levy - BACV levy ⁽ⁱⁱ⁾		10,408	9,951
Total levy		31,863	30,334

(i) Building permit levy - General levy

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.

(ii) Building permit levy - BACV levy

The Building and Advice 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 Building Advice and Conciliation Victoria functions established under the Domestic Building Contracts (Conciliation and Dispute Resolution) Act 2002. The Act became effective on 1 July 2002. The amount disclosed represents VBA's share of the BACV with the balance (\$10.4 million) remitted to Consumer Affairs Victoria (CAV).

2.1.2 Interest income

Interest income includes interest received on bank and Treasury Corporation of Victoria (TCV) term deposits. It is recognised using the effective interest method which allocates the interest over the relevant period.

		(\$ thousand)	
		2017	2016
Interest on bank deposits and investments		782	868
Total interest		782	868

3. The Cost of Delivering Services

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

Structure

3.1 Expenses incurred in delivery of services

3.2 Employee benefits in the comprehensive operating statement

3.3 General administration expenses

3.4 Grant expenses

3.1 Expenses incurred in delivery of services

		(\$ thousand)	
	NOTES	2017	2016
Employee benefits	3.2	27,470	26,002
Board & committee fees		949	1,111
Staff related expenditure		985	748
External staff		9,359	5,787
Technical contractors (panels)		1,114	1,305
Legal fees		1,488	1,383
Building/plumbing policy function		1,436	1,426
General administration expenses	3.3	3,228	3,504
Accommodation charges		3,956	3,720
IT services		893	1,956
Grant expenses	3.4	1,053	1,053
Audit fees	8.6	51	43
Total expenses from transactions		51,982	48,038

Accommodation charges includes operating lease payments, which are recognised on a straight line basis over the lease term.

Operating leases - VBA as lessee

Operating lease payments, including any contingent rentals, are recognised as an expense on a straight-line 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 in to a new 5 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)).

3.2 Employee benefits in the comprehensive operating statement

		(\$ thousand)	
	NOTES	2017	2016
Salaries and wages, annual leave and long service leave		25,312	24,066
Superannuation expense - Defined contribution	3.2.2	2,135	1,905
Superannuation expense - Defined benefit	3.2.2	23	31
Total employee benefits		27,470	26,002

Employee expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to superannuation is 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, the Department of Treasury and Finance (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 State as the sponsoring employer).

3.2.1 Employee benefits in the balance sheet

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.

	(\$ thousand)	
	2017	2016
Current provisions		
Annual leave		
Unconditional and expected to settle within 12 months	1,356	1,394
Unconditional and expected to settle after 12 months	451	531
Long service leave		
Unconditional and expected to settle within 12 months	302	2,049
Unconditional and expected to settle after 12 months	1,743	-
Provisions for on-costs		
Unconditional and expected to settle within 12 months	259	594
Unconditional and expected to settle after 12 months	334	89
Total current provisions	4,445	4,657
Non-current provisions		
Employee Benefits	816	707
On-costs	137	124
Total non-current provisions	953	831
Total provisions	5,398	5,488

Reconciliation of movement in on-cost provision

	(\$ thousand)
	2017
Opening balance	807
Additional provisions recognised	41
Additions due to transfer in	24
Reductions arising from removal of obligation	(18)
Reductions arising from payments/other sacrifices of future economic benefits	(164)
Unwind of discount and effect of changes in the discount rate	40
Closing balance	730

Wages and salaries, annual leave and sick

leave: Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs), are 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 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 in the Statement of Comprehensive Income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

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 an 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.

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.

As noted before, the defined benefit liability is recognised in 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.

	(\$ thousand)	
	2017	2016
Defined Benefit plans:		
State Superannuation Fund	23	31
Defined contribution plans:		
VicSuper	1,138	1,072
Other	997	833
Total	2,158	1,936

Note:

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

3.3 General administration expenses

	(\$ thousand)	
	2017	2016
FBT	172	193
Minor Assets	146	223
Internal Audit	29	88
Insurance	267	284
VCAT Funding	(228)	344
Travel	260	215
Motor Vehicles	289	291
Printing Stationery & Publications	998	577
Events/Seminars/Meetings	154	205
Records	141	132
General Office Expenses	1,000	952
Total general administration costs	3,228	3,504

3.4 Grant expenses

	(\$ thousand)	
	2017	2016
Australian Building Codes Board	1,053	1,053
Total grant expenses	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.

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 Investments and other financial assets

4.1 Property, plant and equipment

	(\$ thousand)		
	GROSS CARRYING AMOUNT	ACCUMULATED DEPRECIATION	NET CARRYING AMOUNT
2017			
Land	838	-	838
Buildings at fair value	659	(23)	636
Plant, equipment and vehicles at fair value	6,193	(4,119)	2,074
Make good asset	333	(121)	212
	8,023	(4,263)	3,760
2016			
Land	838	-	838
Buildings at fair value	659	-	659
Plant, equipment and vehicles at fair value	6,239	(3,686)	2,553
Make good asset	333	(91)	242
	8,069	(3,777)	4,292

Initial recognition: Items of property, plant and equipment, 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 a 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: Property, plant and equipment (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 below 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 is 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 who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

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

4.1.1 Depreciation and impairment

	(\$ thousand)	
	2017	2016
Buildings	23	22
Plant, equipment and vehicles	851	1,498
Intangibles	330	338
Make Good	30	31
Total Depreciation and amortisation	1,234	1,889

All buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. The exceptions to this rule include items under 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. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

ASSET	USEFUL LIFE
Buildings	40 years
Motor Vehicles - owned	5 years
Motor Vehicles - leased through VicFleet	6 years
IT Equipment	3 years
Office machines and equipment	10 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.

4.1.2 Carrying values by 'public safety environment' ^(a)

	(\$ thousand)	
	Public safety and environment	
	2017	2016
Nature Based classification		
Land at fair value	838	838
Buildings at fair value	636	659
Plant, equipment and vehicles at fair value	2,074	2,553
Make good asset	212	242
Net Carrying amount	3,760	4,292

(a) Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classifications. All assets in a purpose group are further sub-categorised according to the asset's 'nature' (i.e. buildings, plant etc.), with each sub-category being classified as a separate class of asset for financial reporting purposes.

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

(\$ thousand)

	LAND AT FAIR VALUE	BUILDINGS AT FAIR VALUE	PLANT, EQUIPMENT AND MOTOR VEHICLES	MAKE GOOD ASSET	TOTAL
	2017	2017	2017	2017	2017
Opening balance	838	659	2,553	242	4,292
Additions	-	-	694	-	694
Disposals	-	-	(317)	-	(317)
Impairment of Assets	-	-	(5)	-	(5)
Revaluations	-	-	-	-	-
Depreciation	-	(23)	(851)	(30)	(904)
Closing balance	838	636	2,074	212	3,760
	2016	2016	2016	2016	2016
Opening balance	686	643	2,800	273	4,402
Additions	-	-	1,634	-	1,634
Disposals	-	-	(356)	-	(356)
Impairment of Assets	-	-	(27)	-	(27)
Revaluations	152	38	-	-	190
Depreciation	-	(22)	(1,498)	(31)	(1,551)
Closing balance	838	659	2,553	242	4,292

Note:

Fair value assessments have been performed for all classes of assets in this purpose group and the decision was made that movements were not material (less than or equal to 10 per cent) for a full revaluation. The next scheduled full revaluation for this purpose group will be conducted in 2021.

4.2 Intangible assets

(\$ thousand)				
	COMPUTER SOFTWARE	TOTAL	COMPUTER SOFTWARE	TOTAL
	2017	2017	2016	2016
Gross carrying amount				
Opening balance	2,779	2,779	2,568	2,568
Additions	4,725	4,725	211	211
Closing Balance	7,504	7,504	2,779	2,779
Accumulated Depreciation, amortisation and impairment				
Opening balance	(2,296)	(2,296)	(1,958)	(1,958)
Depreciation of intangible produced assets ^(a)	(330)	(330)	(338)	(338)
Impairment losses charged to net result ^(b)	(1)	(1)	-	-
Closing Balance	(2,627)	(2,627)	(2,296)	(2,296)
Net book value at end of financial year	4,877	4,877	483	483

Notes:

(a) The consumption of intangible produced assets is included in 'depreciation' line item, where the consumption of the intangible non-produced assets is included in 'net gain/(loss) on non-financial assets' line item on the comprehensive operating statement.

(b) Impairment losses are included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement.

Initial recognition

Purchased intangible assets are initially recognised at cost. When the recognition criteria in *AASB 138 Intangible Assets* is met, 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. Depreciation and 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:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- 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. Produced intangible assets have useful lives of between 3 and 7 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 Investments and other financial assets

	(\$ thousand)	
	2017	2016
Current Investments and other financial assets		
Term deposits: ^(a)		
Australian dollar term deposits > three months	-	12,300
Total investments and other financial assets	-	12,300

Note:

(a) Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.

Ageing analysis of investments and other financial assets

	(\$ thousand)					
	PAST DUE BUT NOT IMPAIRED					
	CARRYING AMOUNT	NOT PAST DUE AND NOT IMPAIRED	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS - 1 YEAR	1 - 5 YEARS
2017						
Term deposits	-	-	-	-	-	-
Total	-	-	-	-	-	-
2016						
Term deposits	12,300	12,300	-	-	-	-
Total	12,300	12,300	-	-	-	-

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

	(\$ thousand)	
	2017	2016
Contractual		
Plumbing inspections ⁽ⁱ⁾	32	44
Other sundry receivables ⁽ⁱ⁾	148	128
Provision for doubtful contractual receivables ⁽ⁱ⁾	(84)	(93)
Accrued investment income	165	184
Total contractual receivables	261	263
Statutory		
Building permit levy	2,865	2,798
Building practitioner board fines & costs	1,133	750
Sundry debtors - prosecutions	424	397
Provision for doubtful statutory receivables ⁽ⁱⁱ⁾	(1,022)	(767)
GST Input tax credit recoverable	895	611
Total statutory receivables	4,295	3,789
Total receivables	4,556	4,052
Represented by		
Current receivables	4,556	4,052
Non-current receivables	-	-

Notes:

(i) The average credit period for plumbing inspections and other sundry receivables is 30 days.

(ii) The level of the provision for doubtful debts reflects all BPB fines and costs over 12 months old where money has yet to be received by the VBA for payment to the Victorian Building Authority Fund.

Receivables consists of:

Contractual receivables comprise trade debtors relating to the provision of goods and services and accrued investment income. They are classified as financial instruments and categorised as receivables. Receivables 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. Due to the short-term nature of the financial instruments held by the VBA, the carrying amounts are a reasonable approximation of fair value, and the value of the instruments are not revisited after they are established.

Statutory receivables are amounts owing from fines and regulatory fees and Goods and Services Tax (GST) input tax credits recoverable. They are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Movement in the provision for doubtful debts

	(\$ thousand)	
	2017	2016
Balance at beginning of the year	(860)	(396)
Increase in the provision recognised in the net result	(246)	(464)
Balance at the end of the year	(1,106)	(860)

Doubtful debts: Receivables are assessed for bad and doubtful debts on a regular basis. 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. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

Ageing analysis of contractual financial assets

(\$ thousand)

	PAST DUE BUT NOT IMPAIRED						
	CARRYING AMOUNT	NOT PAST DUE AND NOT IMPAIRED	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS - 1 YEAR	1 - 5 YEARS	IMPAIRED
2017							
Sale of goods and services ⁽ⁱ⁾	261	140	-	12	42	67	(84)
Total	261	140	-	12	42	67	(84)
2016							
Sale of goods and services ⁽ⁱ⁾	263	262	-	1	-	-	(93)
Total	263	262	-	1	-	-	(93)

Note:

(i) The amount of receivables disclosed here exclude statutory receivables (i.e. Amounts owing from Statutory Levies).

No interest is charged for the first 30 days and thereafter from the invoice date. The average credit period for sales of goods/ services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired. Currently the VBA does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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.

5.2 Payables

(\$ thousand)

	2017	2016
Contractual		
Supplies and services	3,192	2,194
Deferred revenue	5,776	5,591
Other payables	554	1,119
Total contractual payables	9,522	8,904
Statutory		
FBT Payable	46	46
Other taxes payable	104	93
Total statutory payables	150	139
Total payables	9,672	9,043
Represented by:		
Current payables	8,704	7,941
Non-current payables	968	1,102

Payables consists of:

- **contractual payables includes** accounts payable and deferred revenue. Accounts payable represent liabilities for goods and services provided to the VBA prior to the end of the financial year that are unpaid, and arise when the VBA becomes obliged to make future payments in respect of the purchase of those goods and services; and
- **statutory 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 and as they are not legislative payables, they are not classified as financial instruments.

5.3 Other provisions

	(\$ thousand)	
	2017	2016
Current provisions		
BACV provision	210	1,251
Executive bonus provision	79	-
Onerous Contracts	830	804
Total current other provisions	1,119	2,055
Non-current provisions		
BACV provision	-	340
Make good provision	615	598
Total non-current other provisions	615	938
Total other provisions	1,734	2,993

Deferred revenue

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.

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

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 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.

BACV Provision

The BACV provision is the estimated net present value of those future costs to service those disputes relating to past building permits. Disputes are eligible to be lodged up to 10 years after the permit levy is received. The estimated provision for the BACV services provided by the VBA as at 30 June 2017 and 2016 specifically allows for:

- a. inclusion of all types of services and administration carried out by the VBA in relation to their BACV service;
- b. future dispute cases arising from permits already issued;
- c. inflation, to consider future escalation of costs; and
- d. discounting of the expected inflated cash flows to allow for investment income on assets set aside in respect of the liability.

Due to the introduction of the *Building Legislation Amendment (Consumer Protection) Act 2016*, the VBA has the legal obligation to conduct inspections as part of the domestic building dispute resolution function until 1 July 2017, at which time the current function will cease to exist and will be replaced by the Domestic Building Dispute Resolution process run by Consumer Affairs Victoria.

The following additional assumptions have been allowed for in estimating the provision as at 30 June 2017 due to the introduction of the *Building Legislation Amendment (Consumer Protection) Act 2016*:

- a. the BACV function is abolished on 1 July 2017 and the VBA no longer has the legal obligation to provide inspections;
- b. claims received and inspections already underway on 30 June 2017 will be completed;
- c. there is no change in the rate at which CAV process claims;
- d. staff involved in the BACV function will be redistributed on to other tasks as of 30 June 2017, except those staff completing the remaining cases; and
- e. the costs of resolving disputes will not change from the underlying valuation's assumptions.

The uncertainties in the timing of the transition to the new arrangement and run off of cases inspected by the VBA contribute to uncertainty in the valuation for the provision amount as at 30 June 2017.

The reversal of the Provision for inspections provided by the VBA beyond claims received before 1 July 2017 is disclosed in Note 8.1(c) Other economic flows included in the net result and Note 5.3 Other provisions.

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 and restore the Goods Shed North to its original condition. Under *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* 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 the commencement that the partitioning or other fit out causes change to the floor and ceiling to necessitate 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.

Reconciliation of movements in other provisions

(\$ thousand)				
	MAKE GOOD	BACV	ONEROUS CONTRACTS	TOTAL
	2017	2017	2017	2017
Opening balance	598	1,591	804	2,993
Additional provisions recognised	17	-	26	43
Additions due to transfer in	-	-	-	-
Reductions arising from removal of obligation	-	(1,381)	-	(1,381)
Reductions arising from payments/other sacrifices of future economic benefits	-	-	-	-
Unwind of discount and effect of changes in the discount rate	-	-	-	-
Closing balance	615	210	830	1,655
Current	-	210	830	1,040
Non-current	615	-	-	615
	615	210	830	1,655

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.

5.4 Other liabilities

(\$ thousand)		
	2017	2016
Domestic Building List	208	190
HIH clearing	6	2
BACV clearing	995	992
Lease Incentive/Straightlining	652	593
Unclaimed monies	9	26
Total Other liabilities	1,870	1,803

5.5 Maturity analysis of contractual financial liabilities and other liabilities⁽ⁱ⁾

(\$ thousand)

	CARRYING AMOUNT	NOMINAL AMOUNT	MATURITY DATES			
			LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS -1 YEAR	1- 5 YEARS
2017						
Payables:⁽ⁱⁱ⁾						
Supplies and services	3,746	3,746	3,584	143	19	-
Deferred revenue	5,776	5,776	1	1,891	2,916	968
Security deposits ⁽ⁱⁱⁱ⁾	2,082	2,082	-	-	-	2,082
Amounts payable to government and agencies	1,218	1,218	1,218	-	-	-
Total	12,822	12,822	4,803	2,034	2,935	3,050
2016						
Payables:⁽ⁱⁱ⁾						
Supplies and services	3,313	3,313	3,313	-	-	-
Deferred revenue	5,591	5,591	2	1,716	2,771	1,102
Security deposits ⁽ⁱⁱⁱ⁾	2,027	2,027	-	-	-	2,027
Amounts payable to government and agencies	1,210	1,210	1,210	-	-	-
Total	12,141	12,141	4,525	1,716	2,771	3,129

Note:

(i) Maturity analysis is presented using the contractual undiscounted cash flows.

(ii) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables)

(iii) Security Deposits are bonds paid by consumers for relocatable homes. Building Permits lapse after 2 years so it is expected deposits are refunded within the 2 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 be completed.

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 (the cost of borrowings) and other information related to financing activities of the VBA.

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

6.1 Borrowings

6.2 Finance lease liabilities (VBA as lessee)

6.3 Cash flow information and balances

6.4 Commitments for expenditure

6.1 Borrowings

	(\$ thousand)	
	2017	2016
Current borrowings		
Finance lease liabilities(i)		
- Non-PPP related finance lease liabilities (Motor Vehicles)	26	50
Total current borrowings	26	50
Non-current borrowings		
Finance lease liabilities(i)		
- Non-PPP related finance lease liabilities (Motor Vehicles)	102	84
Total non- current borrowings	102	84
Total Borrowings	128	134

Notes:

(i) 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 Leases for further information on finance lease liabilities.

'Borrowings' refer to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest bearing arrangements.

Borrowings are classified as financial instruments. All interest bearing borrowings 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.

PPP' refers to public private partnership

Maturity analysis of borrowing

(\$ thousand)

	CARRYING AMOUNT	NOMINAL AMOUNT	MATURITY DATES			
			LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS -1 YEAR	1- 5 YEARS
2017						
Finance lease liabilities	128	135	2	7	20	106
Total	128	135	2	7	20	106
2016						
Finance lease liabilities						
Total	134	142	14	8	33	87
Total	134	142	14	8	33	87

6.2 Finance lease liabilities (VBA as lessee)

(\$ thousand)

	MINIMUM FUTURE LEASE PAYMENTS ^(A)	PRESENT VALUE OF MINIMUM FUTURE LEASE PAYMENTS ^(A)
	2017	2016
Non-cancellable finance leases		
Not longer than one year	29	55
Longer than one year but not longer than five years	106	87
Longer than five years	-	-
Minimum future lease payments	135	142
less future interest charges	(7)	(8)
Present value of minimum lease payables	128	134

(a) 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.

Finance leases:

VBA as lessee

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 flow information and balances

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.

	(\$ thousand)	
	2017	2016
Total cash and deposits disclosed in balance sheet	40,834	29,718
Investments and other financial assets	-	12,300
Balance as per cash flow statement	40,834	42,018

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

	(\$ thousand)	
	2017	2016
Net result for the year	4,311	5,875
Non-cash movements		
(Gain)/Loss on sale or disposal of non-current assets	(44)	(1)
Depreciation and amortisation of non-current assets	1,234	1,889
Write down of inventory	-	-
Impairment of property plant and equipment (including intangible assets)	6	27
Other gains/(losses) from other economic flows	(1,657)	(2,518)
Provision for doubtful debts	246	464
Movements in assets and liabilities:		
(Increase)/decrease in receivables	(504)	363
(Increase)/decrease in prepayments	(524)	(267)
Increase/(decrease) in deferred revenue	185	451
Increase/(decrease) in payables	503	2,073
Increase/(decrease) in provisions	62	575
Net cash flows from operating activities	3,818	8,931

6.4 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.

	(\$ thousand)	
Nominal values	2017	2016
Operating and lease commitments payable		
Less than one year	2,694	2,360
Longer than one year but not longer than five years	9,551	10,313
Five years or more	5,003	6,935
Total commitments (inclusive of GST)	17,248	19,608
Less GST recoverable from the Australian Tax Office	1,568	1,783
Total commitments (exclusive of GST)	15,680	17,825

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

7. Risks, Contingencies and Valuation Judgements

The VBA is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. 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 judgement to be applied, which for the VBA related mainly to fair value determination.

7.1 Financial instruments specific disclosures

7.2 Contingent assets and contingent liabilities

7.3 Fair value determination

7.1 Financial instruments specific disclosures

Introduction

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 Financial Instruments: Presentation*.

Categories of financial instruments

Receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The VBA recognises the following assets in this category:

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

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);
- borrowings (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.

Impairment of financial assets: At the end of each reporting period, the VBA assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with *AASB 136 Impairment of Assets*.

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 is 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 to the financial statements.

The main purpose in holding financial instruments is to prudently manage VBA's financial risk within the 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 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 are in the Table below.

Financial instruments: Categorisation

	(\$ thousand)		
	CONTRACTUAL FINANCIAL ASSETS - LOANS AND RECEIVABLES	CONTRACTUAL FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
2017			
Contractual financial assets			
Cash and deposits	40,834	-	40,834
Receivables ⁽ⁱ⁾	261	-	261
Term deposits	-	-	-
Total contractual financial assets	41,095	-	41,095
Contractual financial liabilities			
Payables	-	3,746	3,746
Deferred revenue	-	5,776	5,776
Amounts payable to government and agencies	-	1,218	1,218
Borrowings	-	128	128
Security deposits	-	2,082	2,082
Total contractual financial liabilities	-	12,950	12,950
2016			
Contractual financial assets			
Cash and deposits	29,718	-	29,718
Receivables ⁽ⁱ⁾	263	-	263
Term deposits	12,300	-	12,300
Total contractual financial assets	42,281	-	42,281
Contractual financial liabilities			
Payables	-	3,313	3,313
Deferred revenue	-	5,591	5,591
Amounts payable to government and agencies	-	1,210	1,210
Borrowings	-	134	134
Security deposits	-	2,027	2,027
Total contractual financial liabilities	-	12,275	12,275

Note:

(i) 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

	(\$ thousand)					
	NET HOLDING GAIN/LOSS		TOTAL INTEREST INCOME/(EXPENSE)		TOTAL	
	2017	2016	2017	2016	2017	2016
Contractual financial assets						
Cash and deposits	-	-	78	69	78	69
Term deposits	-	-	704	799	704	799
Impairment of receivables ⁽ⁱ⁾	(246)	(464)	-	-	(246)	(464)
Total contractual financial assets	(246)	(464)	782	868	536	404
Contractual financial liabilities						
Borrowings	-	-	(6)	(5)	(6)	(5)
Total contractual financial liabilities	-	-	(6)	(5)	(6)	(5)

Note:

(i) 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.

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

(\$ thousand)

	FINANCIAL INSTITUTIONS (AA - CREDIT RATING)	GOVERNMENT AGENCIES (TRIPLE-A CREDIT RATING)	OTHER	TOTAL
2017				
Cash and deposits	3,687	37,145	2	40,834
Receivables ⁽ⁱ⁾	-	-	261	261
Investments and other financial assets	-	-	-	-
Total contractual financial assets	3,687	37,145	263	41,095
2016				
Cash and deposits	3,870	25,845	3	29,718
Receivables ⁽ⁱ⁾	-	-	263	263
Investments and other financial assets	-	12,300	-	12,300
Total contractual financial assets	3,870	38,145	266	42,281

Note:

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

Financial instruments - liquidity risk

Liquidity risk arises when the VBA would be unable to meet its financial obligations as and when they fall due. The VBA operates under the Government 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 Interest rate exposure of financial instruments table below.

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, term deposits and bank overdrafts that are at floating rate.

The VBA manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing the VBA to significant bad risk, management monitors movement in interest rates on a daily basis.

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 in the table that follows.

Interest rate exposure of financial instruments

(\$ thousand)					
	WEIGHTED AVERAGE INTEREST RATE %	CARRYING AMOUNT	INTEREST RATE EXPOSURE		
			FIXED INTEREST RATE	VARIABLE INTEREST RATE	NON- INTEREST BEARING
2017					
Financial assets					
Cash and deposits	1.98%	40,834	-	40,834	-
Receivables ⁽ⁱ⁾	-	261	-	-	261
Term deposits	-	-	-	-	-
Total Financial assets		41,095	-	40,834	261
Financial liabilities					
Payables:					
Supplies and services	-	3,746	-	-	3,746
Deferred revenue		5,776	-	-	5,776
Amounts payable to government and agencies	-	1,218	-	-	1,218
Security Deposits	-	2,082	-	-	2,082
Borrowings:					
Finance lease liabilities	2.45%	128	128	-	-
Total Financial liabilities		12,950	128	-	12,822
2016					
Financial assets					
Cash and deposits	2.00%	29,718	9,400	20,318	-
Receivables ⁽ⁱ⁾	-	263	-	-	263
Term deposits	2.00%	12,300	12,300	-	-
Total Financial assets		42,281	21,700	20,318	263
Financial liabilities					
Payables:					
Supplies and services	-	3,313	-	-	3,313
Deferred revenue		5,591	-	-	5,591
Amounts payable to government and agencies	-	1,210	-	-	1,210
Security Deposits	-	2,027	-	-	2,027
Borrowings:					
Finance lease liabilities	7.80%	134	134	-	-
Total Financial liabilities		12,275	134	-	12,141

Note:

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

Interest risk sensitivity

(\$ thousand)			
INTEREST RATE			
		-100 BASIS POINTS	+100 BASIS POINTS
	CARRYING AMOUNT	NET RESULT	NET RESULT
2017			
Contractual financial assets			
Cash and deposits	40,834	(408)	408
Total impact		(408)	408
2016			
Contractual financial assets			
Cash and deposits	20,318	(203)	203
Total impact		(203)	203

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.

Unquantifiable contingencies

As at 30 June 2017 a class action claim against the VBA has been lodged in relation to a matter in which it denies liability and is defending the claim. It is not possible to estimate amounts of any eventual payments that may or may not be required in relation to these claims.

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

- indemnities provided in relation to transactions, including financial arrangements and consultancy services, as well as for directors and administrators;
- performance guarantees, warranties, letters of comfort and the like;
- deeds in respect of certain obligations; and
- unclaimed monies, which may be subject to future claims by the general public against the State.

No contingent assets and contingent liabilities existed at 30 June 2017 (30 June 2016:\$0).

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

Fair value determination requires judgement 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 determination

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 (VGV) 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 by the end of the 2016-17 reporting period.

These financial instruments include:

FINANCIAL ASSETS	FINANCIAL LIABILITIES
Cash and deposits	Payables
Receivables	Supplies and services
Term Deposits	Amounts payable to government and agencies
	Deferred revenue
	Borrowings
	Security Deposits

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

7.3.2 Fair value determination: Non-financial physical assets

Fair value measurement hierarchy

	(\$ thousand)			
	CARRYING AMOUNT AS AT 30 JUNE 2017	FAIR VALUE MEASUREMENT AT END OF REPORTING PERIOD USING:		
		LEVEL 1 ^(a)	LEVEL 2 ^(a)	LEVEL 3 ^(a)
Land at fair value				
Non-specialised land	838	-	838	-
Total of land at fair value	838	-	838	-
Buildings at fair value				
Non-specialised buildings	636	-	636	-
Total of buildings at fair value	636	-	636	-
Plant, equipment and vehicles at fair value				
Vehicles	837	-	-	837
Plant and equipment	1,237	-	-	1,237
Total plant, equipment and vehicles at fair value	2,074	-	-	2,074
Make good asset	212	-	-	212
Total of make good asset	212	-	-	212

(\$ thousand)				
	CARRYING AMOUNT AS AT 30 JUNE 2016	FAIR VALUE MEASUREMENT AT END OF REPORTING PERIOD USING:		
		LEVEL 1 (A)	LEVEL 2 (A)	LEVEL 3 (A)
Land at fair value				
Non-specialised land	838	-	838	-
Total of land at fair value	838	-	838	-
Buildings at fair value				
Non-specialised buildings	659	-	659	-
Total of buildings at fair value	659	-	659	-
Plant, equipment and vehicles at fair value				
Vehicles	1,451	-	-	1,451
Plant and equipment	1,102	-	-	1,102
Total plant, equipment and vehicles at fair value	2,553	-	-	2,553
Make good asset	242	-	-	242
Total of make good asset	242	-	-	242

Note:

(a) 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

	(\$ thousand)		
	PLANT & EQUIPMENT	VEHICLES	MAKE GOOD ASSET
2017			
Opening balance	1,102	1,451	242
Transfers in (out) of Level 3			
Purchases (sales)	227	150	-
Gains or losses recognised in net result	-	-	-
Depreciation	(487)	(364)	(30)
Impairment loss	(5)	-	-
Closing balance	837	1,237	212
2016			
Opening balance	1,499	1,301	273
Transfers in (out) of Level 3	-	-	-
Purchases (sales)	775	503	-
Gains or losses recognised in net result	-	-	-
Depreciation	(1,165)	(333)	(31)
Impairment loss	(7)	(20)	-
Closing Balance	1,102	1,451	242

Description of significant unobservable inputs to Level 3 valuations

2017 AND 2016	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS
Vehicles	Depreciated replacement cost	Useful life of vehicles
Plant and equipment/Make good	Depreciated replacement cost	Useful life of plant and equipment

Significant unobservable inputs have remained unchanged since June 2016.

8. Other Disclosures

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

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 Glossary of technical terms

8.12 Style conventions

8.1 Other economic flows included in net result

- 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.
- 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.
- 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.

	(\$ thousand)	
	2017	2016
(a) Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of property plant and equipment	44	1
Impairment of property plant and equipment intangible assets ⁽ⁱ⁾	(6)	(27)
Total net gain/(loss) on non-financial assets	38	(26)
(b) Net gain/(loss) on financial instruments		
Impairment of receivables ⁽ⁱⁱ⁾	(246)	(464)
Total net gain/(loss) on financial instruments	(246)	(464)
(c) Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service liability ⁽ⁱⁱⁱ⁾	302	(72)
Net gain/(loss) arising from revaluation of BACV Provision ^(iv)	1,381	3,394
Net gain/(loss) arising from onerous contract	(26)	(804)
Total other gains/(losses) from other economic flows	1,657	2,518

Notes:

(i) Impairments were the revaluation of Property, Plant and Equipment in accordance with the requirement to assess value.

(ii) Including (increase)/decrease in provision for doubtful debts from other economic flows - refer to Note 5.1

(iii) Revaluation gain/(loss) due to changes in bond rates

(iv) Revaluation gain/(loss) due to the introduction of the Building Legislation Amendment (Consumer Protection) Act and abolition of the BACV function.

8.2 Reserves

	(\$ thousand)	
	2017	2016
Physical asset revaluation surplus ⁽ⁱ⁾		
Balance at the beginning of financial year	190	-
Revaluation increments/(decrements)	-	190
Balance end of financial year	190	190
Net changes in reserves	-	190

Note:

(i) The physical assets 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 Minister for Finance under the *Financial Management Act 1994 (FMA)*, the following disclosures are made regarding responsible persons for the reporting period:

Minister

Hon Richard Wynne (MLC) Minister for Planning	1 July 2016 - 30 June 2017
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Governing board

Dr Owen Donald, Chief Commissioner/Chairman	1 February 2017 - 30 June 2017
Justin Madden AM, Commissioner/Deputy Chair	1 July 2016 - 30 June 2017
Brian Welch, Former Chief Commissioner/Chairman	1 July 2016 - 31 January 2017
Brian Welch, Commissioner	1 February 2017 - 30 June 2017
Warren Hutcheon, Commissioner	1 July 2016 - 28 February 2017
Dr Lynne Williams AM, Commissioner	1 July 2016 - 30 June 2017
Yvonne von Hartel AM, Commissioner	1 July 2016 - 30 June 2017
Kelly Humphreys, Commissioner	1 March 2017 - 30 June 2017
Anne Barker, Commissioner	1 July 2016 - 30 June 2017

Accountable officer

Prue Digby, CEO and Accountable Officer	1 July 2016 - 30 June 2017
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Remuneration of responsible persons

The Responsible Persons received remuneration for the financial year ended 30 June 2017. The number of Responsible Persons, excluding Minister, whose total remuneration in connection with the affairs of VBA as shown in the following bands, were:

INCOME BAND (\$)	2017 No.	2016 No.
0 - 9,999	-	-
10,000 - 19,999	1	-
20,000 - 29,999	2	-
30,000 - 39,999	4	1
40,000 - 49,999	-	5
50,000 - 59,999	1	-
70,000 - 79,999	-	1
400,000 - 409,999	-	1
410,000 - 419,999	1	-
Total number of responsible persons	9	8
	(\$ thousand)	(\$ thousand)
Total remuneration received, or due and receivable by Responsible Persons from VBA Services for the financial period :	692	727

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 provides 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.

	(\$ thousand)	
	TOTAL REMUNERATION	
REMUNERATION OF EXECUTIVE OFFICERS	2017	2016 ^(A)
(including Key Management Personnel disclosed in Note 8.5)		
Short-term employee benefits	1,488	
Post-employment benefits	121	
Other long-term benefits	31	
Total remuneration ^{(a)(b)}	1,640	
Total number of executives	12	
Total annualised employee equivalents ^(c)	8	

Notes:

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

(b) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note (8.5) disclosure below

(c) Annualised employee equivalent is based on the time fraction worked over the reporting period. Figures represent current executive officers as at 30 June 2017.

8.5 Related parties

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

Related parties of 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 following aggregate transactions were undertaken with other Victorian Government controlled entities. These transactions were undertaken in the ordinary course of operations.

	(\$ thousand)	
	TOTAL REMUNERATION	
GOVERNMENT-RELATED ENTITIES	2017	2016
Consumer Affairs Victoria ⁽ⁱ⁾	13,364	11,735
Department of Environment Land Water & Planning ⁽ⁱⁱ⁾	1,688	1,529
Other Departments and agencies ⁽ⁱⁱⁱ⁾	1,553	1,234
Total aggregate transactions	16,605	14,498

Notes:

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

(ii) Supports the policy function of the Department and other miscellaneous services.

(iii) For the provision of goods and/or services.

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

	FROM	TO
Jeff Gilmore, Director Licensing and Registration	1-Jul-16	30-Jun-17
Kate Despot, Director Compliance, Enforcement & Legal Services	1-Jul-16	30-Jun-17
Peter Cairnes, Assistant Director Compliance, Enforcement & Legal Services	27-Apr-17	30-Jun-17
Murray Smith, Director Enquiries, Inspections & Complaints	4-Jul-16	30-Jun-17
Marlo Baragwanath, Former Director Office of the CEO	1-Jul-16	9-Dec-16
Amanda Stevens, Assistant Director Office of the CEO	1-Aug-16	9-Dec-16
Amanda Stevens, Director Strategy & Performance	10-Dec-16	30-Jun-17
Morag McCrone, Assistant Director Strategy & Performance	27-Apr-17	30-Jun-17
Joseph Genco, Director Technical & Regulation	2-Mar-17	30-Jun-17
Nicole King, Assistant Director Technical & Regulation	27-Apr-17	30-Jun-17
Kylie Mackinnon, Acting Director Corporate Services	29-Apr-17	30-Jun-17
Stephen Gregory, Former Director Corporate Services	1-Jul-16	28-Apr-17
Jarrod Edwards, Former Director Technical & Registration	1-Jul-16	31-Dec-16

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.

	(\$ thousand)	
COMPENSATION OF KMP'S	2017	2016^(a)
Short-term employee benefits ^(a)	2,153	
Post-employment benefits	168	
Other long-term benefits	40	
Total	2,361	

Notes:

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State 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 the Victorian Government Procurement Board requirements.

Related party transactions with the members of VBA Key Management Personnel (KMP) and their related parties, which occurred during the normal course of business, apart from remuneration of KMPs is disclosed below:

In the course of business, the VBA obtained services from a law firm linked to the spouse of a VBA director. The director was not involved in the procurement selection process and services were also procured via the State Government legal services panel. The legal services were billed on normal market rates for such services and were due and paid under normal payment terms. The total value of services rendered during the 2016-17 financial year was \$0.26 million.

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

	(\$ thousand)	
	2017	2016 ¹
Victorian Auditor-General's office		
Audit or review of the financial statements	51	43
Total remuneration of auditors	51	43

8.7 Subsequent events

The VBA had no subsequent events to report within the 2016-17 financial year.

8.8 Australian Accounting Standards issued that are not yet effective

The following AASs become effective for reporting periods commencing after the operative dates stated:

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises the VBA of their applicability and early adoption where applicable. Please refer to Appendix 1 for the detailed list of the AASs issued but are not yet effective for the 2016-17 reporting period.

8.9 Security deposits

Under *Section 22 of the Building Act 1993 and regulation 323 under the building regulations 2006*, the relevant building surveyor (RBS) 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 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.

Borrowings

Borrowings refers to interest-bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Borrowings also include non-interest-bearing advances from government that are acquired for policy purposes.

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 paragraphs 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 paragraphs 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 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 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:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- fair value changes of financial instruments and agricultural assets; and
- 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.

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:

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

8.12 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.

The notation used in the tables is as follows:

zero, or rounded to zero

(xxx.x) negative numbers

200x year period

200x-0x year period

The financial statements and notes are presented based on the illustration for a government department in the 2016-17 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the VBA's annual reports.

6

APPENDICES

Appendix 1 – 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
<i>AASB 9 Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
<i>AASB 15 Revenue from Contracts with Customers</i>	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 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
<i>AASB 16 Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 January 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.
<i>AASB 1058 Income of Not-for-profit entities</i>	This standard will supersedes 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 preliminary assessment has not identified any material impact arising from AASB 1058, it will continue to be monitored and assessed.

STANDARD/ INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON	IMPACT ON VBA'S FINANCIAL STATEMENTS
<i>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. 	1 January 2018	<p>The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.</p> <p>Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI).</p> <p>Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge.</p> <p>For entities with significant lending activities, an overhaul of related systems and processes may be needed.</p>
<i>AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 January 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
<i>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018	The assessment has indicated that there will be no significant impact for the public sector.

STANDARD/ INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON	IMPACT ON VBA'S FINANCIAL STATEMENTS
<i>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</i>	<p>Amends the measurement of trade receivables and the recognition of dividends.</p> <p>Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition.</p> <p>Dividends are recognised in the profit and loss only when:</p> <ul style="list-style-type: none"> • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably. 	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
<i>AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 January 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
<i>AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	<p>This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:</p> <ul style="list-style-type: none"> • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 	1 January 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.

STANDARD/ INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON	IMPACT ON VBA'S FINANCIAL STATEMENTS
<i>AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 January 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.
<i>AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	<p>This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments:</p> <ul style="list-style-type: none"> • require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and • clarifies circumstances when a contract with a customer is within the scope of AASB 15. 	1 January 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.
<i>AASB 1058 Income of Not-for-Profit Entities</i>	This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.	1 January 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

BAB Five-Year Regulatory Information

The following information provides an overview into the operations of the Building Appeals Board (BAB).

Building Appeals Board

	2016-17	2015-16	2014-15	2013-14	2012-13
BAB PERFORMANCE					
BAB modifications heard	1041	1014	1913	1094	1311
BAB appeals and disputes heard	249	181	207	331	331

BAB, BPB, BAC, PAC and BRAC Reporting

The VBA supports the work of several Minister for Planning appointed boards, councils and a committee. These boards, councils and committee 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 and online at publicboards.vic.gov.au by the Victorian Public Sector Commissioner.

Building Appeals Board

The Building Appeals Board (BAB) is an independent statutory body established under section 166 of the *Building Act 1993* (Vic). The BAB has jurisdiction to make decisions on a range of building matters and is responsible for determining appeals, disputes and requests for modifications (a decision that a provision in the *building regulations 2006* (Vic) does not apply to a particular building) as well as compliance applications.

The BAB also plays a role as the review body under Part 14 of the *Residential Tenancies Act 1997* (Vic).

The VBA provides staff to support the administrative functions of the BAB. Members are appointed on the Minister for Planning's recommendation.

Table of attendance³²

		PANEL ATTENDANCE 2016-17			MEETING ATTENDANCE 2016 -17		
		Attended	Rostered	Percentage	Attended	Rostered	Percentage
1	Gerard Coutts	22	23	96%	5	5	100%
2	Sarah McDonald	14	18	78%	5	6	83%
3	Geoff Woolcock	27	23	117%	6	6	100%
4	Warren Knight	13	15	87%	3	6	50%
5	Joe Zita	20	21	95%	6	6	100%
6	Peter Jolly	23	18	128%	6	6	100%
7	Ashley Hansen	20	21	95%	6	6	100%
8	Hank Van Ravenstein	12	17	71%	5	6	83%
9	Brent Williams	16	20	80%	4	6	67%
10	Ari Akritidis	20	19	105%	5	6	83%
11	Michael Almonte	18	20	90%	0	6	0%
12	Greg Zuccala	16	16	100%	6	6	100%
13	Mark Selby-Hele	14	15	93%	4	5	80%
14	Anna Galluzzo	13	11	118%	4	5	80%
15	Sharon Houlihan	10	12	83%	5	5	100%
16	Georgia McKay	11	12	92%	4	5	80%
17	Michael Kerr	12	14	86%	3	5	60%
18	Julian Crow	15	15	100%	5	6	83%
19	John Clampett	14	19	74%	5	6	83%
20	Jonathan Barnett	17	16	106%	3	5	60%
21	David Graham	16	18	89%	3	6	50%
22	Patrick Irwin	21	19	111%	5	6	83%
23	Ian Caldow	14	14	100%	5	6	83%
24	Dang Ho	20	22	91%	5	6	83%
25	Elizabeth Coe	18	18	100%	3	6	50%
26	Jayne Richardson	14	17	82%	3	6	50%
27	Allen Kong	19	20	95%	5	6	83%
28	Rebecca Cameron	16	18	89%	5	6	83%
29	Aileen McFadzean	11	12	92%	2	6	33%
30	Les Schwarz	12	15	80%	4	6	67%
31	Bryan Thomas	24	20	120%	6	6	100%
32	Phillip Davies	15	19	79%	5	6	83%
33	Stephen Lodge	14	18	78%	5	6	83%
34	Sarah Carlisle	9	9	100%	3	4	75%
35	Eric Braslis	16	22	73%	6	6	100%
36	Pene Martyn	16	20	80%	5	6	83%
37	Kirsty Miller	12	18	67%	4	6	67%

32 Where the percentage of attendance is greater than 100% this reflects where the member has attended hearings at short notice on days they were not rostered to attend.

Building Practitioners Board

The BPB was an independent statutory body established under the *Building Act 1993 (Vic)* and was responsible for administering the Victorian building practitioners' registration system. The BPB registered practitioners, supervised the conduct of registered building practitioners and managed the issuing of Certificates of Consent to owner-builders.

The BPB ceased from September 2016 (except in ongoing functions under transitional arrangements) and functions have been transferred to the VBA.

Meeting attendance 2016–17

MEMBER NAME	TERM OF APPOINTMENT	ATTENDED	MAXIMUM POSSIBLE
Fiona Hanlon	2 July 2012 to 30 June 2018	3	3
Tony Abbruzzese	30 October 2012 to 30 June 2018	2	3
Maureen Capp	30 October 2012 to 30 June 2018	3	3
David Cooke	5 July 2011 to 30 June 2018	3	3
Graeme Geary	12 November 2013 to 30 June 2018	3	3
Alison Maynard	10 November 2015 to 30 June 2018	3	3
Weng Poh	1 July 2015 to 30 June 2018	2	3
David Sainsbery	16 November 2015 to 15 November 2017	1	3
Claudio Salvatore	5 July 2011 to 20 October 2015	2	3
Andy Matiszak (BPB Co-opt)	Building Practitioners Board Co-opted Member	3	3

Building Advisory Council

The Building Advisory Council (BAC) is an independent statutory body established under section 206 of the *Building Act 1993* (Vic) and is responsible for advising the Minister for Planning on administration of the *Building Act 1993* (Vic) and the *building regulations 2006* (Vic), 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 members are appointed by the Minister for Planning.

Meeting attendance 2016–17

MEMBER NAME	TERM OF APPOINTMENT	ATTENDED	MAXIMUM POSSIBLE
Maree Davenport (Chairperson)	1 July 2016 to 30 June 2019	7	7
Kate Bell	14 May 2017 to 13 May 2020	0	0
Sally Capp	6 November 2016 to 5 November 2019	3	5
Radley de Silva	20 September 2015 to 30 June 2018	5	7
Owen Donald	26 March 2017 to 31 January 2020	0	1
Meaghan Dwyer	21 May 2015 to 20 May 2018	6	7
Erica Edmands	14 May 2017 to 13 May 2020	0	0
Emad Gad	9 August 2015 to 8 August 2018	5	7
Gil King	7 November 2015 to 27 January 2017	3	4
Wayne Liddy	21 May 2015 to 20 May 2018	6	7
Alastair McDonald	21 October 2015 to 1 February 2017	2	4
Tom Vasilopoulos	21 October 2015 to 30 June 2018	4	7
Brian Welch	12 August 2016 to 28 February 2017	3	4

Plumbing Advisory Council

The Plumbing Advisory Council (PAC) is an independent statutory body established under section 211A of the *Building Act 1993* (Vic) and provides advice about the plumbing industry to the Minister for Planning and the VBA. The PAC is supported by DELWP and the VBA and members are appointed by the Minister for Planning.

Meeting attendance for 2016–17

MEMBER NAME	TERM OF APPOINTMENT	ATTENDED	MAXIMUM POSSIBLE
Ken Gardner (Chairperson)	6 December 2015 to 30 June 2018	3	3
Norman Anderson	17 April 2016 to 16 April 2019	3	3
Carmel Coate	1 November 2015 to 30 June 2018	3	3
Paul Harris	6 November 2016 to 5 November 2019	3	3
Victoria Hart	17 April 2016 to 16 April 2019	2	3
Justin Madden	8 September 2015 to 7 September 2018	1	3
Paddy McCrudden	17 April 2016 to 16 April 2019	2	3
Glenn Menzies	1 July 2015 to 30 June 2018	3	3
Sumit Oberoi	1 July 2015 to 30 June 2018	0	3
Earl Setches	1 July 2015 to 30 June 2018	2	3
Carl Walsh	6 November 2016 to 5 November 2019	2	3

Building Regulations Advisory Committee

The Building Regulations Advisory Committee (BRAC) is an independent statutory body established under section 210 of the *Building Act 1993* (Vic) 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 is supported by the VBA and members are appointed by the Minister for Planning.

Meeting attendance 2016–17

MEMBER NAME	TERM OF APPOINTMENT	ATTENDED	MAXIMUM POSSIBLE
Yvonne von Hartel AM (Chair)	12/08/16 – 30/06/19	9	9
Aristidis Akritidis	20/12/16 – 19/12/19	4	6
Regina Bron	24/04/16 – 23/04/19	7	9
Adam Dalrymple	13/08/15 – 12/09/18	4	9
Richard Drew	24/06/15 – 23/06/18	6	9
Greg du Chateau	13/08/15 – 12/08/18	9	9
Melanie Fasham	20/09/15 – 19/09/18	8	9
Joseph Genco	20/09/15 – 19/09/18	5	5
Stephen Greenwood	13/08/15 – 12/08/18	0	9
Benita Husband	18/12/15 – 17/12/18	9	9
John Prendergast	13/08/15 – 12/08/18	7	9
Robert Seiffert	18/12/15 – 17/12/18	5	9
Mark White	07/08/16 – 06/08/19	7	9

Victorian Civil & Administrative Tribunal (VCAT) Applications

Decisions of the VBA (and formerly the BPB) made in relation to the registration of a building practitioner, a disciplinary inquiry against a registered building practitioner or a Certificate of Consent may be appealed to VCAT. The VBA assists the BPB with the conduct of such matters in VCAT.

Applicants who are denied access to documents under the *Freedom of Information Act 1982* (Vic) (VBA decision) may also apply to VCAT.

In 2016–17, 35 VCAT Applications appealing BPB or VBA decisions were lodged. 40 matters were finalised (including matters lodged in the previous reporting period) and 16 are ongoing.

Administrative Appeals Tribunal (AAT) Applications

The VBA (and formerly the BPB) also receives applications for registration in Victoria from persons who hold registration, or equivalent in another State or Territory of Australia as a building practitioner under the *Mutual Recognition Act 1992* (Cth). Applicants may appeal against the BPB/VBA decision in relation to their Application to the AAT under the *Administrative Tribunal Act 1975*, for a review of the decision. The VBA has oversight of such matters in AAT.

In 2016–17, 46 AAT Applications were lodged to appeal decisions for mutual recognition applications. 56 were finalised (including matters lodged in the previous reporting period) and 25 are ongoing.

Abbreviations

ABCB	Australian Building Codes Board
AIBS	Australian Institute of Building Surveyors
AM	Member of the Order of Australia
ARBV	Architects Registration Board of Victoria
AS	Australian Standard
BAB	Building Appeals Board
BAC	Building Advisory Council
BACV	Building Advice and Conciliation Victoria
BPB	Building Practitioners Board
BRAC	Building Regulations Advisory Committee
CEO	Chief Executive Officer
CFA	Country Fire Authority
COAG	Council of Australian Governments
DBDRV	Domestic Building Dispute Resolution Victoria
DELWP	Department of Environment, Land, Water and Planning
DWGs	Designated work groups
EPA	Environment Protection Authority
FTE	Full-time equivalent
GSERP	Government Sector Executive Remuneration Panel
GST	Goods and Services Tax
HIA	Housing Industry Association
IBAC	Independent Broad-based Anti-corruption Commission
IRP	Issue resolution procedure
MBAV	Master Builders Association of Victoria
MFB	Metropolitan Fire Brigade
N/A	Not available
NCC	National Construction Code
NOLS	National Occupational Licensing System
NZS	New Zealand Standard
OH&S	Occupational Health and Safety
PAC	Plumbing Advisory Council
PDF	Portable Document Format
QC	Queen's Counsel
SPASA	Swimming Pool and Spa Association of Australia
VAGO	Victorian Auditor-General's Office
VBA	Victorian Building Authority
VCAT	Victorian Civil and Administrative Tribunal
VIPP	Victorian Industry Participation Policy
VMBSG	Victorian Municipal Building Surveyors Group
VMIA	Victorian Managed Insurance Authority



For enquiries in languages other than English, contact the Translating and Interpreting Service on **131 450**.



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