

19/20

About this report

Welcome to the annual report for the Victorian Building Authority (VBA) for the year ending 30 June 2020.

This annual report describes the activities undertaken and the impacts achieved to contribute towards the VBA being recognised as a trusted and effective regulator. It is prepared in accordance with the *Financial Management Act 1994 (FMA)*, relevant Australian Accounting Standards (AAS) and Interpretations, Standing Directions and Financial Reporting Directions (FRDs).

In July 2019, the Victorian Government announced the creation of Cladding Safety Victoria (CSV) to reduce the risk associated with combustible cladding on residential apartment buildings and publicly owned buildings. CSV was initially established as a business unit within the VBA during 2019–20.

On 3 September 2020, the Victorian Government introduced legislation to the Parliament, the Cladding Safety Victoria Bill 2020. If passed as introduced, the Bill will formally separate CSV from the VBA and establish it as the responsible authority for delivering the Cladding Rectification Program on a day or days to be proclaimed, but no later than 1 July 2021.

A separate report for CSV is appended to the VBA report providing specific information on CSV's programs and activities during 2019–20.

Aboriginal acknowledgement

The VBA respectfully acknowledges the Traditional Owners and custodians of the land and water upon which we rely. We pay our respects to their Elders past, present and emerging. We recognise and value the ongoing contribution of Aboriginal people and communities to Victorian life. We embrace the spirit of reconciliation, working towards equality of outcomes and an equal voice.

ISSN 2203-8892 (Online)

© State of Victoria, Victorian Building Authority 2020

The Victorian Building Authority Annual Report 2019–20 is licensed under Creative Commons Attribution 4.0. You are free to re-use the work under that licence, on the condition that you credit the Victorian Building Authority as the author, show if changes were made to the document and follow the other licence terms.

The licence does not apply to any branding, logo or images used in this publication.

Authorised by the
Victorian Building Authority
733 Bourke Street
Docklands VIC 3008

Available online at www.vba.vic.gov.au.

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 2020.

A handwritten signature in white ink, appearing to read 'Michelle McLean', is positioned above a thin white horizontal line.

Michelle McLean

Chief Commissioner
Victorian Building Authority

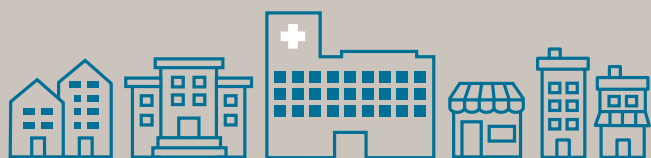
28 October 2020

LIST OF CONTENTS

4	Contents
5	2019–20 snapshot
10	1. OVERVIEW
12	2. YEAR IN REVIEW
24	3. OUR PERFORMANCE
25	Regulatory activity
29	Research
37	Security of payment
38	Internal review
39	Financial summary
43	4. OUR PEOPLE
43	Board and organisational structure
45	Workforce
48	5. OTHER DISCLOSURES
49	Local Jobs First
49	Government advertising expenditure
49	Social procurement implementation
49	Consultancy expenditure
49	Disclosure of major contracts
50	Information and communication technology expenditure
50	Freedom of information
51	Compliance with the <i>Building Act 1993</i>
51	Competitive neutrality policy
52	Compliance with the <i>Public Interest Disclosures Act 2012</i>
53	Compliance with the <i>Disability Act 2006</i>
53	Office-based environmental impacts
56	Availability of other information
56	Financial Management Compliance Attestation Statement
57	6. FINANCIAL STATEMENTS
122	7. APPENDICES
123	Appendix 1: Disclosure index
125	Appendix 2: People data
133	Appendix 3: Prosecution and Practitioner Discipline Outcomes
150	Appendix 4: Glossary
153	Appendix 5: Abbreviations and Acronyms
156	CSV SUPPLEMENTARY REPORT

SNAPSHOT 19/20

AS AT 30 JUNE 2020



104,560

BUILDING PERMITS REPORTED

\$39.1
billion

TOTAL COST OF BUILDING
WORKS IN VICTORIA



697

NATURAL PERSONS
BUILDING SURVEYORS



11,912

PROACTIVE INSPECTIONS



632

BUILDING INSPECTIONS WITHIN
STATEWIDE CLADDING AUDIT



24,683

'NATURAL PERSONS'
BUILDING PRACTITIONERS

28,493

PLUMBING REGISTRATIONS
OR LICENCES

4,470

OWNER-BUILDER CERTIFICATES
OF CONSENT ISSUED



10,533

COMPANY BUILDING PRACTITIONERS

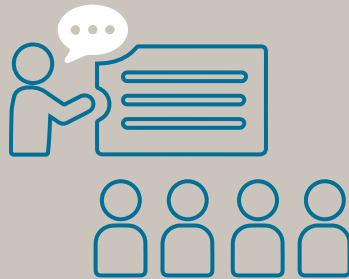
341

MET 341 INDIVIDUAL OWNERS
CORPORATIONS TO DISCUSS
RECTIFICATION PLANS AND HOW
CLADDING SAFETY VICTORIA
(CSV) WILL HELP THEM TO RECTIFY
COMBUSTIBLE CLADDING ON
THEIR BUILDING



**\$333
million**

CLAIMED THROUGH SECURITY
OF PAYMENT PROCESS



3,121 PARTICIPANTS IN 20
WEBINARS AND SEMINARS

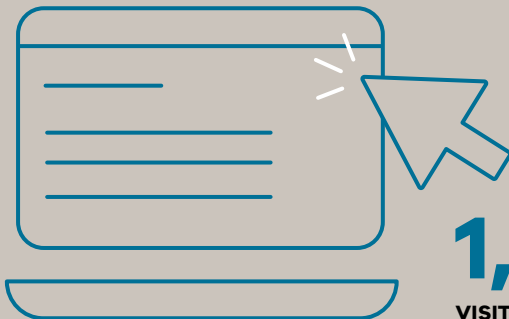
688

PARTICIPANTS IN BUILDING
SURVEYORS' CONFERENCE



16,656

TELEPHONE CALLS AND
6,336 EMAILS FOR
TECHNICAL ADVICE

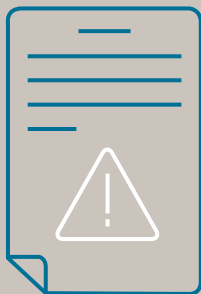


1,854,947

VISITS TO VBA WEBSITE

1,594

CORONAVIRUS (COVID-19)
HOTLINE CALLS ANSWERED



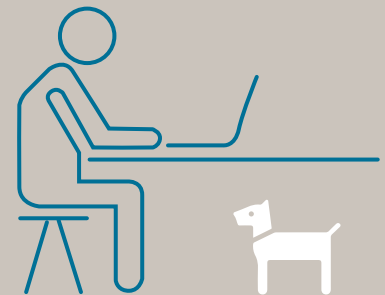
98

SHOW CAUSE NOTICES ISSUED



10

MANAGED RESEARCH PROJECTS AND
4 SPONSORED RESEARCH PROJECTS

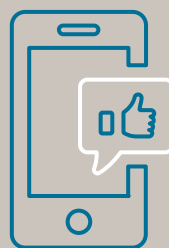


512

VBA PEOPLE ADMINISTERING
REGULATORY FUNCTIONS
REMOTELY TO INDUSTRY AND THE
COMMUNITY FOLLOWING STATE OF
EMERGENCY DECLARATION



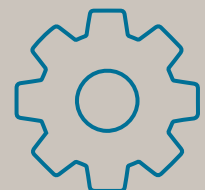
48 PROSECUTIONS COMPLETED
(31 BUILDING, 17 PLUMBING)



15,525 FOLLOWERS ACROSS VBA'S
FOUR SOCIAL MEDIA CHANNELS

83

PROGRAMS SUPPORTED 2,126
INDIVIDUAL ENGAGEMENTS TO
ASSIST OUR PEOPLE MANAGE
THROUGH CORONAVIRUS







Chief Commissioner
Michelle McLean



Deputy Commissioner
Justin Madden AM



Chief Executive Officer
Sue Eddy

THE CHIEF COMMISSIONER AND CHIEF EXECUTIVE OFFICER'S REPORT

It is with a great sense of pride, after what has been an exceptionally challenging 12 months, that we look back at the VBA's achievements in keeping Victorians safe.

While the first half of the financial year focused on ramping up our response to noncompliant combustible cladding, the second half was dominated by devastating bushfires and the most significant public health and economic crisis in a century, the coronavirus pandemic.

Against this backdrop, the role of the VBA is critical. The industry requires a strong regulator now more than ever, and we are proud of the progress we have made in enforcement, education and competency.

The VBA's contribution to the bushfire recovery efforts was led by our State Building Surveyor. We deployed inspectors to assist local councils and coordinated resources to assist with site safety and clearing. We provided ongoing building regulation advice to councils and affected community members and worked with the Department of Environment, Land, Water and Planning (DELWP) to develop legislative amendments to facilitate temporary accommodation and the rebuild process.

When coronavirus hit, the VBA worked with stakeholders to review guidelines that could keep the sector functioning and effective throughout the crisis. We stood with industry, working with the Department of Health and Human Services (DHHS) to share our call centre when the crisis hit, fielding more than 18,600 calls in six months since March 2020.

The strength of that coordinated response is evident in the construction industry being trusted by government to remain open, providing significant benefits to the Victorian economy.

We continued our enforcement efforts, taking the strongest possible action against those practitioners who threaten the safety of Victorians. We have never been more visible, we are out on hundreds of sites each week, right across the state, having conducted nearly 12,000 inspections over the last financial year.

At the same time, we accelerated our digital transformation to enable productivity benefits for industry. We are investing in data to continue to improve our regulatory presence while facilitating progress in the sector more broadly. We continued to lift the competency of our people, making a number of key hires (including the appointment of the State Building Surveyor) and prioritising technical and leadership training.

While much of the recent focus has been around coronavirus, it is important to remember that combustible cladding remains a fundamental issue. In 2019–20, the VBA committed considerable resources and effort to establish Cladding Safety Victoria (CSV).

We ensured that the Victorian response to cladding remained at the forefront of global best practice, in terms of identification, risk assessment and making higher-risk buildings safe pending rectification.

As we continue to navigate the immediate response to coronavirus, we are also looking to the future. The impact of coronavirus will not only be felt in the short to medium term. There will be longer-term implications, and it is crucial that the VBA continues to develop and expand, to innovate and support industry.

We are optimistic that our operational priorities and research agendas will bear fruit. Our research program continues to grow purposefully, providing the evidence to support changes that need to be made in the building and construction industries. We now have multiple research partnerships across several sectors, all working together to identify problems and suggest solutions. We have no doubt that as this program continues to mature, it will drive transformational initiatives which have a positive impact across the industries we serve. Similarly, we feel confident that the government's legislative reform and policy agenda will be delivered, and that we can continue to support this from a regulatory perspective.

At such a critical time, having the right team in place is essential. The journey we have been on could not have been achieved without the VBA's hard-working team and board of commissioners. We would like to thank outgoing commissioners Dr Owen Donald and Dr Lynne Williams AM and independent member of the Audit and Risk Committee, Dianne Azoor-Hughes.

The VBA would also like to welcome the VBA's first female Chief Commissioner, Michelle McLean, who was appointed on 1 October 2020.

The VBA is central to the successful operation of the building and plumbing industries and the Chief Commissioner's role is vital to that success.



Michelle McLean
Chief Commissioner



Sue Eddy
Chief Executive Officer

OVERVIEW

ABOUT THE VBA

Purpose

The VBA regulates the building and plumbing industries – protecting the community and empowering practitioners to ensure the achievement of efficient and competitive building and plumbing industries in Victoria.



Vision

The VBA is a building and plumbing regulator that is:



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



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



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



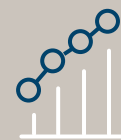
Responsive to new and emerging issues through a risk-based regulatory approach, research and innovation.

Outcomes

The VBA's *Outcomes and Performance Framework* outlines our outcomes:



Victoria's buildings are safe and well-built



Regulation supports a thriving building industry and economy

Objectives

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

1

Protect our community

2

Respond to risks and concerns

3

Empower industry, practitioners and consumers

4

Influence industry and key decision-makers

5

Improve our culture and capability

Values

The VBA's values encompass and reflect the values of the Victorian Public Sector: Responsiveness, Integrity, Impartiality, Accountability, Respect, Leadership and Human Rights.

The VBA expresses these values through the way in which we work with all Victorians. We call this the VBA Values in Action.



We problem solve



We work as one



We deliver

Our services and regulatory functions



Responding to public enquiries about the building and plumbing industries



Issuing owner-builder certificates of consent



Working with other agencies and regulators to ensure practitioner compliance and protect consumers



Collecting building permit data and levies and issuing building permit numbers



Registering, licensing and disciplining plumbers



Providing expert technical advice and informed solutions to industry



Publishing data for building and plumbing practitioners to boost transparency, and inform government and industry decision-making



Overseeing the work of building practitioners and plumbers and Victoria's building permit system



Registering and disciplining building practitioners



Keeping Victorians safe by undertaking inspections, investigations and audits to enforce compliance with relevant legislation



Undertaking and promoting research



Promoting the resolution of consumer complaints about work carried out by builders and plumbers



Overseeing the security of payment process



Performing functions of an Municipal Building Surveyor (MBS) when declared by the Minister, under the Act and under other legislation



Developing and delivering education material for industry and consumers to promote compliance



Participating in national and state forums on building reforms and the development of national building and plumbing standards

To find out more about our functions under the *Building Act 1993*, the *Building and Construction Industry Security of Payment Act 2002* and the *Domestic Building Contracts Act 1995*, see [Building regulatory framework](#).

Manner of establishment

The VBA is a body established under the *Building Act 1993*.

Relevant Minister

The responsible Minister from 1 July 2019 to 30 June 2020 was The Hon. Richard Wynne MP, Minister for Planning.

See supplementary report for relevant information about Cladding Safety Victoria (CSV).

YEAR IN REVIEW

The building and construction industry is the lifeblood of the Victorian economy and the VBA's role is critical to the industry's ongoing growth.

The VBA protects Victorians by administering and enforcing building and plumbing laws and regulations. The VBA partners with other regulators, local councils, industry and the community to keep people safe and ensure building and plumbing work is compliant.

Keeping our industry functioning safely was especially important in a year dominated by bushfires and a global pandemic.

Against this backdrop, the VBA made significant progress towards becoming a more active and robust regulator by increasing our presence, competency and effectiveness.

2019–20 is a story of collaboration as we worked with our many stakeholders to respond to unprecedented change.



Highlights of the year

Q1

**BUILDING ACTIVITY
MANAGEMENT SYSTEM
(BAMS) LAUNCHED**



**COMPANY
REGISTRATION
E-FORM LIVE**



**STATE BUILDING
SURVEYOR STARTED**



Q2

**BUILDING SYSTEM
REVIEW PANEL
APPOINTED BY MINISTER**



**INTRODUCED NEW RESTRICTED
CLASS 1 AND 10 FOR BUILDING
SURVEYORS AND INSPECTORS**



**CLADDING
SAFETY VICTORIA
ESTABLISHED**



Q3

**NEW POOL AND
SPA REGULATIONS
COMMENCED**



**BUSHFIRE RESPONSE
ACTIVATED**



**CLADDING RECTIFICATION
LEVY COLLECTION
COMMENCED**



Q4

**JOINED CORONAVIRUS
INDUSTRY TASKFORCE**



**CORONAVIRUS RAPID INDUSTRY
GUIDANCE CALL CENTRE
ESTABLISHED AND BEST
PRACTICE GUIDELINES ISSUED**



**BUILDING SURVEYORS'
CONFERENCE**



**FIRE PROTECTION
RESTRICTED CLASSES
E-FORM LIVE**



**BUILDING SURVEYOR CODE
OF CONDUCT RELEASED**



**11,912 INSPECTIONS
COMPLETED FOR 2019–20**



Building activity snapshot for 2019–20

The VBA's building permit data showed the building and construction industry generated strong economic activity. Fewer building permits were issued in 2019–20 than the previous year. They fell from 109,396 in 2018–19 to 104,560 in 2019–20. Cost of works also reduced from \$40.1 billion in 2018–19 to \$39.1 billion in 2019–20. The greatest cost reduction occurred in hospital and healthcare (34 per cent) followed by retail (10.5 per cent), although cost of works increased significantly in the industrial sector by 49 per cent.

New builds accounted for 62,120 of the 104,560 permits, with the associated cost of works accounting for \$31 billion of the \$39 billion. In Melbourne, permit numbers decreased by 4.7 per cent and cost of works decreased by 2.9 per cent. This accounted for almost 70,000 permits and \$31.5 billion in building work. The value of building works in Victoria's southwest region increased by 10.8 per cent.

Response to significant local, national and global events

Bushfires

The VBA supported and engaged with affected communities, local councils and other government agencies during and after the Victorian bushfires. Through the State Building Surveyor, the VBA led regular meetings to coordinate and manage efficient assessment, resourcing and recovery for bushfire-affected communities.

The VBA deployed teams of inspectors to affected regions to help identify hazards, assess the stability of structures and determine whether damaged buildings were safe to enter. Those assessments were provided to municipal building surveyors (MBS) to help determine what action to take to ensure safety.

The VBA engaged people with bushfire recovery expertise to advise affected councils and communities on regulatory requirements and risks for rebuilding, digital communications and temporary accommodation, demolition and clean-up. The VBA provided a pop-up 'one stop' shop so residents could get advice from building surveyors on the requirements for rebuilding in bushfire-affected areas.

Coronavirus

The VBA's swift and effective response to coronavirus in March 2020 involved managing VBA people and providing critical industry support. Staff transitioned to remote working arrangements within 11 days of the State of Emergency being declared. Service disruptions were resolved as quickly as possible and many of the VBA's usual regulatory activities continued in a new coronavirus safe normal.

We established a Rapid Industry Guidance call centre as part of the Department of Health and Human Services (DHHS) Coronavirus Hotline. The VBA's call centre was set up in less than a week and in the six months since March, our staff answered 18,631 calls about coronavirus-related construction industry issues.

The Chief Executive Officer (CEO), Sue Eddy, joined the Building and Construction Industry Taskforce in March alongside Deputy Secretaries from two government departments, the CEO of WorkSafe Victoria and the Chair of the Victorian Building Industry Disputes Panel. The taskforce provided ongoing advice to the Victorian Government, including appropriate restrictions for the construction industry, managing coronavirus outbreaks on building sites and developing COVIDSafe guidelines to enable the industry to continue operating.

Work by the taskforce was informed by more than 50 industry bodies. The industry guidelines developed as a result of this sector-wide collaboration now represent the benchmark for other high-risk industries.

The effective industry implementation of the guidelines increased the Victorian Government's confidence that the industry could continue to operate safely, and helped minimise economic impacts on the sector.

Enhancing our technical capabilities

Appointing the State Building Surveyor

The appointment of Victoria's State Building Surveyor, Andrew Cialini, highlights the importance of building surveyors in the industry and as co-regulators of Victoria's building regulatory scheme. The creation of this new role was strongly supported by industry.

Mr Cialini's first 12 months involved listening to and learning from industry to develop productive relationships. Key areas of focus were developing and releasing the Code of Conduct for Building Surveyors, delivering education and training and developing the VBA's building surveyor audit strategy.

Mr Cialini was integral to the VBA's bushfire recovery work, continuous improvement of the Statewide Cladding Audit, increasing our internal technical capacity and helping attract more technical staff.

In 2019–20 we invested significantly in technical training and development. This included helping staff undertake academic qualifications and other professional development activities, and become registered or broaden the scope of their registration.

Victorian Code of Conduct for Building Surveyors

To strengthen the integrity of the building system, we released the Code of Conduct for Building Surveyors in June 2020. The code sets out the expectations for ethical conduct of building surveyors and responds to concerns about perceived conflicts of interest. The code aims to articulate the role of the building surveyor as an independent expert acting in the public interest when performing statutory functions or providing consultancy services. The code is as much for registered building surveyors as it is for owners, developers, builders and other practitioners to better understand the unique and important role of the building surveyor in Victoria's building control system.

The code was developed in collaboration with industry over several months involving 39 industry and regulatory stakeholders and a public consultation survey. As part of the process, the VBA received 32 submissions from industry, building surveyors and professional associations. The code will come into effect on January 2021 and failure to comply may result in disciplinary action.

The code was developed in response to industry demand and was a key recommendation of the Building Confidence Report (BCR) which proposed sweeping improvements to the industry, including that each jurisdiction should implement a code of conduct for building surveyors.

Statewide cladding audit (SCA) program

2019–20 was the first full year the VBA oversaw the Statewide Cladding Audit program since its transition from the Victorian Cladding Taskforce in 2019.

2019–20 commenced with the announcement that the Victorian Government would allocate \$600 million to fund cladding rectification of privately owned Class 2 buildings. The funding program is managed through Cladding Safety Victoria (CSV) which was established on an interim basis as a business unit within the VBA, reporting directly to the VBA Board.

The VBA supported the establishment of CSV which included the transfer of information and a number of staff with knowledge and experience in the Statewide Cladding Audit program to CSV. The VBA and CSV quickly established a close working relationship to develop policies and procedures for the interface between the Statewide Cladding Audit and the cladding rectification funding program.

The Statewide Cladding Audit program continued to identify and audit buildings with combustible cladding. The VBA undertook 632 inspections that led to expert panel reviews to consider risks, apply the government's risk assessment tool and recommend enforcement actions to relevant municipal building surveyors (MBSs). The total number of Statewide Cladding Audit inspections to date as at 30 June 2020 is 2,443.

The VBA invested time and resources developing expertise, processes and procedures to perform MBS functions relating to 328 sites. With the assistance of the State Building Surveyor, the VBA refined its procedures on essential safety measures (ESMs) and building fire safety issues, and established an MBS delegates panel to determine how to manage risk in buildings awaiting cladding rectification. The VBA also provided Statewide Cladding Audit related technical and legal training for about 100 VBA staff.

The VBA developed detailed guidelines for council MBSs to resolve issues associated with noncompliant cladding on buildings. We provided workshops and training on the new guidelines which will underpin consistent and fair decision-making about whether combustible cladding should be retained or removed and whether any additional works to mitigate safety risks are required in these buildings.

A number of building owners sought determinations from the Building Appeals Board (BAB) relating to proposals to retain combustible cladding on buildings. The VBA, fire authorities and MBS are parties to most of these proceedings. Fifty three applications to the BAB involving the VBA commenced in 2019–20.

Disciplinary action progressed against registered practitioners considered to be involved in the noncompliant use of combustible cladding. Of nine show cause notices issued to practitioners, the VBA immediately suspended two.

Collaborating with stakeholders in education and training

The VBA strengthened its delivery of education to practitioners through a program of online learning, webinars, workshops and information sessions.

Before coronavirus restrictions, this program involved a range of face-to-face learning and engagement opportunities for industry. Notable among these was a series of events in February 2020, featuring eminent academic and fire safety engineer from the University College London, Professor José Torero. These included the VBA's Building Surveyors' Conference, a session hosted jointly by the VBA, Engineers Australia and The Warren Centre as well as roundtables with industry and tertiary education leaders facilitated by Professor Torero.

The key message of the roundtable sessions was the urgent need to improve the quality of fire safety engineering reports (holistic design versus selected performance solutions) and the competencies of fire safety engineers. Roundtable discussions also offered an opportunity to learn about international approaches to combustible cladding identification and rectification, and critical factors to consider when assessing and rating the fire safety of buildings.

In February 2020, the State Building Surveyor, CSV and other VBA staff participated at the Strata Community Australia's Victorian conference on combustible cladding that involved more than 150 owners corporation managers.

The VBA adapted to coronavirus requirements by increasing online access to education and training programs. Virtual training sessions enabled the VBA to include more attendees in each session (from 30 attendees at seminars to more than 100 for webinars) and allowed practitioners to engage at times that suited their needs.

Events on topics such as licensing and registration recorded strong engagement, with webinars on gas heater safety reaching 1,402 participants across the state. The State Building Surveyor presented on performance-based decision-making and to council MBSs on guidelines for progressing responses to low- and medium-risk buildings identified as part of the Statewide Cladding Audit program.

The VBA maintained a substantial online educational resource for consumers and practitioners. This included more than 100 individual notes, guides and fact sheets presented on dedicated webpages and in downloadable format. The VBA plans to further improve education resources to ensure greater accessibility and useability by incorporating online, digital and video formats.

We increased our online presence by regularly publishing relevant information via social media channels, to strengthen our role as a trusted and agile regulator.

Building Surveyors' Conference

In February 2020, the VBA hosted the second annual Building Surveyors' Conference, attended in person by 550 industry participants and a further 138 attending online. The Minister for Planning opened the event followed by keynote presentations from CEO Sue Eddy and Professor Torero. Sessions included panel discussions on the code of conduct and the building system review as well as updates on the Statewide Cladding Audit and proactive inspection programs.

In breakout sessions, topics included protection works, ESMs, product certification and hearing from young leaders in building surveying.

Swimming pool and spa safety reforms

The VBA created a suite of education resources to help increase Victorians' awareness and understanding of new swimming pool regulations introduced in December 2019. As part of this important initiative, the VBA developed a new Practice Note, updated consumer webpages, developed a guide for councils and practitioners and revised safety barrier checklists.

The new resources complemented an awareness campaign, jointly run by the VBA and Department of Environment, Land, Water and Planning (DELWP). We also delivered presentations at events such as the Swimming Pool and Spa Association of Victoria (SPASAVic) Pool and Spa Show and a Landscaping Victoria webinar.

Licensing and registration

Online processes to reduce regulatory burden and improve efficiencies

To make licensing and registration quicker and easier for practitioners, we streamlined our processes and provided forms online in editable formats. These changes also make assessing applications more efficient for VBA staff. To minimise the risk of coronavirus, we also began conducting application interviews online.

The next phase of technology improvements to registration and licensing will be the consolidation of practitioner interfaces so that they have a single engagement portal. Status of practitioner application and registration documentation and history will be made available through the portal over time.

New categories of registration and licensing

In response to the changing needs of industry, the VBA introduced new categories of registration to further improve public safety and benefit consumers.

These included:

- restricted classes of plumbing work for the routine servicing of wet fire safety systems and equipment – only those practitioners registered or licensed with the VBA can legally carry out this work to keep Victorians safe in their homes and workplaces
- registration pathways for building surveyors and inspectors whose practical experience is restricted to Class 1 and 10 buildings – this reform alleviates the pressure of entry, supports registration retention and addresses current industry practices and trends of the increasing specialisation of building surveyors and inspectors in commercial or domestic work
- a specialised plumbing class of Thermostatic Mixing Valve (TMV) work that covers the repair, alteration, maintenance and testing of a TMV
- a new class of building inspector (pool safety) as part of the state government's efforts to improve pool and spa safety.

The VBA is preparing for reforms to the registration of engineers which involves co-regulation of this practitioner group with Consumer Affairs Victoria and also for trade registration.

Professional indemnity insurance challenges

In August 2019 and January 2020 the government made changes to ministerial orders relating to professional indemnity insurance (PII) for building surveyors, inspectors, engineers and draftspersons. These changes allowed PII to include exclusions relating to noncompliant cladding. This action was in response to ongoing pressure from the insurance market responding to global consequences from the inappropriate use of combustible cladding. Some insurers left the market and those remaining substantially increased premiums and excesses while reducing levels of cover.

The VBA worked closely with DELWP and state and territory building policy officers to develop strategies to stabilise the insurance market and advise building ministers. The VBA participated in several meetings with insurers, including Lloyds of London in July 2019.

The VBA monitored renewals to understand the impact on practitioner numbers. The VBA also monitored practitioners to ensure they hold the required cover so there is a level playing field for those practitioner groups affected. The VBA approached 82 practitioners with expiring PII policies to request proof of PII that met renewal requirements. Of these, 75 provided appropriate proof of insurance. Seven who did not were considered for enforcement action and one practitioner was immediately suspended.

Building industry reform

Participation at a national and international level

In July 2019, the Building Ministers' Forum (BMF) resolved to undertake work to support all states and territories in their implementation of the Building Confidence Report (BCR). The BCR was prepared for the BMF in 2018 to provide recommendations for a best practice approach to regulation of the building industry. The BCR has received widespread support from governments and industry and is informing extensive policy development and regulatory reform across the country.

The BCR Implementation team established by the BMF sits within the Australian Building Codes Board (ABCB) and works with experts, industry and governments. Members of the VBA executive leadership team are closely engaged in this initiative by attending meetings of the BMF, the ABCB and the Building Regulators' Forum. The VBA also prepared submissions in response to consultation activities associated with the BCR implementation work and the ongoing development and administration of the National Construction Code. Collaboration between jurisdictions has been positive and led to unprecedented sharing of ideas and commitment to working together on research, information sharing and consistent approaches to common industry problems.

The VBA CEO accompanied The Hon Richard Wynne MP, Minister for Planning, and Dr Trevor Pisciotta, Executive Director for Building at DELWP, to London from 24 July 2019 to 31 July 2019. The ministerial delegation met with United Kingdom (UK) government representatives and regulators involved in reforming the building regulatory framework in the UK.

Benefits of the visit included:

- gaining insight into the UK Government's response to the issue of combustible cladding in the wake of the tragic fire at the Grenfell Tower
- understanding different stakeholder views on the issues confronting the UK building system, many of which are similar to the issues facing Victoria
- sharing Victoria's approach to cladding rectification challenges and establishing Victoria as a global leader in its approach to cladding rectification
- positioning Victoria to engage productively with the local and international insurance market to ensure the ongoing availability of PII for building surveyors, deliver the government's rectification program and stabilise the market for insurance in the building sector.

The relationship with UK government officials was further strengthened when the VBA hosted a delegation from the UK in March 2020. Progress on policy development and responses to cladding rectification challenges since the UK trip were exchanged.

The VBA also hosted a delegation of building policy and regulatory representatives from the Singapore Government in October 2019. Guests were interested in how Victoria regulates the multi-storey residential sector and the impact of the events at Opal Tower and the Mascot Towers in Sydney. They were also interested in the Statewide Cladding Audit program and emerging issues relating to the safety of cladding and other building products.

Participation at a state level

The Minister for Planning announced the Building System Review in late July 2019 and appointed an Expert Panel in December 2019 to lead the review. The panel is chaired by the Commissioner for Better Regulation, Anna Cronin. The VBA formed a co-working relationship with DELWP to help the panel and actively engage in its work.

The VBA implemented laws passed by the Victorian Government in 2018–19, including the new Plumbing Regulations 2018.

In April 2020 the VBA introduced restricted classes of plumbing registration for routine servicing of wet fire safety systems to strengthen regulatory oversight and ensure greater safety and compliance of hose reels, hydrants and fire sprinkler systems. The resolution of this issue was extremely important to plumbing industry stakeholders, fire brigades and the fire protection industry. The VBA engaged with industry stakeholders to acknowledge existing skilled and experienced participants at the same time as establishing requisite levels of competence to perform fire safety system routine servicing work.

The Victorian Government's policy to introduce trades registration was the subject of consultation involving industry and the VBA during this year. Preparing to introduce a comprehensive regime is a substantial undertaking for the VBA and the many tradespeople required to obtain registration.

The swimming pool and spa registration reforms were supported by amendments to the Building Regulations 2018. The VBA provided councils with educational material and advice and established a new category of registration for pool and spa barrier inspectors.

Two bills to reform the building regulatory system were passed in 2019–20. The first, in September 2019, expands the registration of engineers. The second, passed in February 2020, supports the Victorian Government's cladding rectification policy and program, and new anti-phoenixing laws. This gives the VBA new powers to exclude a person from registration or renewal if they were involved in insolvent companies.

The VBA began implementing these policy reforms including the collection of the cladding rectification levy.

Work also began on the new registration scheme for engineers (due to commence in July 2021), where the VBA will co-regulate with Consumer Affairs Victoria to endorse building engineers for registration and disciplinary oversight.

Research and analysis

The VBA's research examined key topics including fire safety, building product safety, digital transformation, the quality of prescribed training courses for building surveyors and plumbers, and VBA performance.

Fire safety research considered the adequacy of fire safety systems in buildings with combustible cladding, the demand for and capacity in the market for routine servicing of wet fire protection equipment, solutions for the rectification of high-risk buildings with combustible cladding and the professionalisation and competencies of fire safety engineers. Several projects involved VBA data analysis and investment in complementary research by external bodies such as The Warren Centre.

In the area of building product safety, the VBA supported Swinburne University explore the potential of establishing an Australian Technical Evaluation Network (ATEN). The proposed model is similar to the European model for providing independent and verifiable technical information about building products.

In relation to digital transformation, the VBA commissioned RMIT to map the building lifecycle for multi-storey Class 2 buildings showing key activities, responsible parties and opportunities for digital information capture. This work complements the Building 4.0 Cooperative Research Centre (CRC) supported by the VBA and 30 industry and government partners.

The Building 4.0 CRC research initiative is a long-term program focused on use of digital solutions, new products and processes intended to transform Australia's building industry. The Building 4.0 CRC received \$28 million in Commonwealth funding in March 2020.

Building digital capacity and intelligence

Building Activity Management System – online levy payments and building permit processing

On 1 July 2019, the Building Activity Management System (BAMS) began receiving applications and issuing building permit numbers via VBA's online building permit portal.

The BAMS project is the largest reform to the building permit process since 1993. It aims to streamline the building permit process and reduce regulatory burden for building surveyors.

Industry engagement was essential to ensure the extensive change management required to transition the process for issuing over 100,000 building permits per year.

Industry feedback indicates that BAMS makes processes quicker and easier for practitioners. As a single repository of information, real-time BAMS data gives the VBA greater oversight of when and where building activity is taking place. This informs the VBA's regulatory activity in multiple ways including the proactive inspections program (PIP), risk-based decision-making and benchmarking for VBA data collection and analysis.

In addition to issuing a permit number and collecting levy, data is recorded throughout the building approvals process, including results of mandatory inspections and issuing occupancy permits. This helps monitor missed inspections and manage lapsed building permits. The data from BAMS also makes monthly reporting on building activity to the Australian Bureau of Statistics more efficient.

In January 2020, BAMS began collecting the cladding rectification levy. This provided a seamless transition and allowed the government to track its collection of the levy to fund the cladding rectification program.

Using analytics to inform regulatory interventions

The VBA is increasing its efforts to design risk-based regulatory interventions using data and analytics.

This enables the VBA to target proactive investigations, inspections and audit activities. Findings are shared with co-regulators to inform decisions about joint activities and determine the appropriate regulatory interventions to deter and sanction noncompliance.

The VBA also conducted deeper analysis of recent enforcement activity, analysing cases to highlight key themes and developing strategies to reduce industry and safety risk.

Compliance and enforcement

Proactive inspections program (PIP)

The VBA team increased its presence by visiting more building sites to keep the community safe under the PIP.

The PIP is an early intervention initiative that involves registered building inspectors, building surveyors and plumbers from the VBA attending building sites to inspect building and plumbing work in progress, delivering on the recommendations of the BCR.

Industry consistently stated that increasing compliance monitoring and enforcement was the single biggest step required to drive the cultural change necessary to improve compliance with the National Construction Code (NCC).

PIP activity increased in 2019–20, with 11,912 inspections or 11.4 per cent of all building permits issued for the year, exceeding the goal of 10 per cent. This was a substantial increase in the number of VBA inspections, comprising 43 per cent growth on 2018–19 and a 305 per cent increase on 2017–18.

A particular focus of the PIP was to increase the number of inspections of commercial and high-rise buildings. The VBA inspected 978 commercial and mixed-use sites in 2019–20 compared with 773 in 2018–19, an increase of 27 per cent.

The VBA also used enhanced data-driven strategies to more effectively select sites and practitioners for inspection, to increase the identification of faulty work and unprofessional conduct.

This led to an increase in the number of sites identified with compliance risk (excludes low risk) from 20 per cent in 2018–19 to 29 per cent in 2019–20. The VBA identified 3,460 sites with compliance risk during 2019–20, compared with 1,640 sites during 2018–19.

By inspecting work under construction, the VBA can address failures early, resulting in better outcomes for all involved; rectification is often easier and less costly (and the cost of rectification is covered by practitioners and not the owners) avoiding impacts to safety, health and amenity of future occupants if the compliance risk remained undetected and unresolved.

All potentially serious noncompliances are notified to the relevant practitioners, who are required to demonstrate that the matters are remediated, through rectification of the faulty work, completion of unfinished work or through the production of design materials demonstrating how compliance was achieved.

The VBA began publishing quarterly reports on the outcomes of the PIP. This will help inform and educate stakeholders on commonly occurring compliance risks.

The PIP also focused on improving the resources and capability of inspectors. The number of inspectors employed or contracted by the VBA for the PIP increased by more than 20 per cent. The VBA continued PIP activities during coronavirus restrictions, enabled by detailed COVIDSafe guidelines for VBA staff and other safety measures on building sites. The VBA conducted a blitz on commercial and high-rise buildings during weekends and weekday evenings to coincide with extended operating hours on large building sites in response to coronavirus restrictions.

The plumbing audit program also increased its activity by undertaking 1,095 inspections on active construction sites. This represents an increase of 50 per cent since 2018–19.

Building disciplinary actions

To protect the community against unsafe practices, the VBA can issue a show cause notice to registered building practitioners that can result in actions such as fines, reprimands and suspension or cancellation of registration. The number of show cause notices issued in 2019–20 increased to 98 (from 59 in 2018–19).

This led to more suspensions, cancellations and disqualifications than in 2018–19. The VBA also successfully defended its decisions in relation to disciplinary actions, in two Supreme Court proceedings. In 2019–20, three building practitioners were also immediately suspended in the interests of the public.

Prosecutions

An increase in proactive field work in 2019–20 led to more prosecutions of builders and plumbers and higher disciplinary inquiry rates for plumbers. This, in turn, supported registered practitioners who do not cut corners or put profit ahead of safety. As at 30 June 2020, the VBA had commenced 60 prosecutions, a 76 per cent increase on 2018–19.

In September 2019, the long-running joint prosecution between the City of Melbourne and the VBA involving the illegal demolition of the Corkman Irish Pub ended with the County Court, on appeal, reducing the \$1.32 million fines to \$710,000. The fines still reflect the egregious conduct that triggered outrage from the Victorian community in 2016 when the pub was demolished with no planning or building permits.

A notable prosecution was for conducting building work without registration or insurance and for providing false information to obtain permits. Two properties were demolished by the unregistered and uninsured builder. The magistrate convicted and fined the builder \$95,000 plus costs reflecting the seriousness of the breaches.

Infringement notices

A new process was established with Fines Victoria, enabling VBA plumbing inspectors and auditors to issue infringement notices to practitioners for failing to have plumbing work ready for inspection by the VBA, or for performing noncompliant work.

In total, 167 infringement notices were issued against plumbing practitioners. The VBA also issued 1,425 rectification notices to practitioners as a result of its audits of certified plumbing work. These notices compel the practitioner to fix their noncompliant work.

Plumbing inquiries

In 2019–20, 42 plumbing inquiries were completed as a result of noncompliant plumbing work. Two-thirds of the cases heard resulted in fines.

Supporting our people

Building capacity and competency

To improve competency and effectiveness the VBA invested in our most important asset – our people.

We focused on talent acquisition and made several key appointments, including a Principal Building Surveyor, Principal Fire Safety Engineer (starting in 2020–21), and Executive Director, Building System Technology (starting in 2020–21). This was combined with a focus on capability-building across the business to lift technical and leadership skills.

In keeping with our digital transformation and the need to continually improve the way we deliver training, key online modules were rebuilt and rolled out. VBA staff completed 5,909 online modules that supported professional and interpersonal skill development, compliance and technical training.

VBA Engage was another important innovation. Launched in March 2020 in response to coronavirus, the program supports the health and wellbeing of our teams and their families and has received consistently positive feedback.

For more information, refer to the progress report on the Ministerial Statement of Expectations (SOE) and Annual Plan on the [VBA's website](#).

OUR PERFORMANCE



Regulatory activity

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

TABLE 1: BUILDING AND PLUMBING REGISTRATION AND LICENSING ACTIVITY

Building practitioner	Company		Natural person		Plumbing practitioner	2019–20	2018–19
	2019–20 ¹	2018–19 ²	2019–20	2018–19			
Registration applications received	1,706	3,375	2,412 ³	1,986	Registration or licensing applications received	3,411 ⁴	2,737
Registrations applications finalised	1,815	11,652	2,262	2,141	Registration or licensing applications finalised	3,366	2,347
Number of practitioners as at 30 June	10,533	9,840	24,683	23,890	Number of registered/licensed plumbers as at 30 June	28,493	27,496
Number of registrations as at 30 June					Number of registration and licences as at 30 June		
Builder – Commercial	2,478	2,157	5,691	5,583	Drainage work	21,583	20,904
Builder – Demolisher	155	133	400	375	Fire protection work	865 ⁴	755
Builder – Domestic	9,271	8,335	16,261	15,791	Gas fitting work	20,112	20,149
Building Inspector	45	43	727	707	Irrigation (non-agricultural) work	22,356	20,693
Building Surveyor (Limited)	16	13	159	148	Mechanical services work	15,654	15,523
Building Surveyor (Unlimited)	92	90	538	551	Refrigerated air-conditioning work	2,051	2,005
Draftsperson	176	166	2,436	2,443	Roofing (stormwater) work	21,596	21,064
Engineer	165	166	3,239	2,981	Sanitary work	22,195	21,419
Erector or Supervisor (Temporary Structures)	7	7	107	114	Type B gas fitting work	656	639
Quantity Surveyor	15	11	147	135	Water supply work	22,514 ⁵	21,715
Project Manager (Domestic)	0	0	22 ⁶	5			
Owner-builder activity							
						2019–20	2018–19
Owner-builder certificates of consent issued						4,470	4,212

1. After an influx of registrations when company registration commenced on 1 July 2018, this figure is expected to be the baseline for future increases.
2. There was an influx of registrations in year one (2018–19) to comply with the introduction of new legislation.
3. Higher number due to greater industry demand, greater availability of information and a new user-friendly application form.
4. Significant increase in applications after the introduction of new class for Routine Servicing of Fire Protection Equipment.
5. Significant increase in applications after the introduction of new class for Thermostatic Mixing Valves.
6. Increase due to growing awareness of this registration class among practitioners since its inception in 2017.

TABLE 2: BUILDING AND PLUMBING ACTIVITY

Building			Plumbing		
	2019–20	2018–19		2019–20	2018–19
Building permits reported ⁷	104,560	109,396	Compliance certificates lodged by licensed plumbing practitioners	423,875	420,841
Building permits reported – cost of works (\$ billion)	39.1	40.1	Plumbing modification declarations ⁸	111	298
Building permit numbers issued ⁹	108,444	-			
Building permit numbers issued – cost of works (\$ billion) ¹⁰	46.2	-			
Temporary structure occupancy permits issued	50 ¹¹	102			
Technical advice – email enquiries	4,472 ¹²	3,428	Technical advice – email enquiries	1,864 ¹³	377
Technical advice – telephone enquiries	8,415 ¹⁴	-	Technical advice – telephone enquiries	8,241 ¹⁵	10,451
Attendees at Building Surveyors' Conference	688 ¹⁶	413			
Delivery of seminars: • National Construction Code (NCC) 2019 (Volumes 1 and 2, Building Code of Australia (BCA))	1 seminar (847 participants) ¹⁷	17 seminars (1,597 participants)	Delivery of seminars: • NCC 2019 (Volume 3, Plumbing Code of Australia (PCA))	1 seminar (322 participants)	17 seminars (971 participants)
• Performance solutions	2 webinars (313 participants)		• Plumbing Regulations 2018	No seminars delivered	24 seminars (1,299 participants)
• Registration information for aspiring practitioners	10 webinars (237 participants)		• Carbon monoxide and gas safety (jointly delivered with Energy Safe Victoria (ESV) and Master Plumbers Association)	6 webinars (1,402 ¹⁸ participants)	19 seminars (2,535 participants)

7. Building activity is consistent with the long-term average.

8. New Plumbing Regulations 2018 removed the need to apply for modifications for installation of sanitary drains to service more than one dwelling if specific requirements are met, saving time and costs for practitioners and the VBA.

9. Reflects reforms commenced on 1 July 2019 which require registered building surveyors to apply for a building permit number from the VBA. There is no comparative, historical data available from previous years.

10. As above.

11. The decrease in applications for occupancy permits for prescribed temporary structures was due to the impact of coronavirus restrictions on the events industry.

12. There was an increase in email enquiries for technical advice during the coronavirus period. There is a correlated decrease in telephone enquiries over this period.

13. There was an increase in email enquiries for technical advice during the coronavirus period. There is a correlated decrease in telephone enquiries over this period.

14. Reporting commenced in 2019–20.

15. Building and plumbing technical enquiry services shifted from phone to email in late March 2020 to support remote-working arrangements during coronavirus restrictions.

16. 550 attended in person; 138 participated online.

17. The VBA delivered 18 seminars on the NCC 2019 from April to July 2019 in Melbourne and regional Victoria, with the final seminar in July 2019 attracting many participants. Further, in March 2020, the VBA planned to assist the Australian Building Codes Board (ABCB) deliver seminars on NCC 2019 Amendment 1. However, these were cancelled the day before due to coronavirus restrictions.

18. Webinars adopted in 2019–20 coincided with coronavirus restrictions. The webinars attracted more participants than those involved in 2018–19 seminars, supporting the use of this format in future for greater reach and accessibility of information and education for all practitioners.

**TABLE 3: BUILDING AND PLUMBING COMPLIANCE ACTIVITY
(INSPECTIONS, AUDITS, AND INVESTIGATIONS)**

Building			Plumbing		
	2019–20	2018–19		2019–20	2018–19
Building Audit Program			Plumbing Audit Program		
Building inspections for cladding	632 ¹⁹	1,261	Plumbing audits and drain inspections completed	9,810 ²⁰	14,304
All other building audits completed			Plumbing audits and drain inspections completed as a percentage of lodged compliance certificates	2.2% ²⁵	3.4%
• Energy efficiency audits (dwelling) ²¹	974 ²²	1,158			
• Building audits (permits)	193 ²³	257			
• Building permit levy audits	33 ²⁴	99			
			Proactive plumbing inspections carried out by Plumbing Auditors	1,095 ²⁶	500
Building investigations completed			Plumbing investigations completed		
Building practitioner investigations completed	386 ²⁷	469	Plumbing practitioner investigations completed	868	878
Proactive Inspections Program (PIP) (building and plumbing)					
Building sites inspected as part of the PIP	11,912 ²⁸	8,318			

19. Inspection results are sent to Advisory Reference Panels (ARPs) so the inspected buildings can be risk-assessed and the municipal building surveyor (MBS) can enforce. In the first half of 2020, the availability of members of the ARPs was limited due to the urgency of supporting the bushfire response, recovery efforts and the Victorian community.
20. Continuing to concentrate on protecting consumers, the VBA recalibrated its plumbing audit program resources during 2019–20 to increase earlier intervention on active construction sites by performing more proactive inspections while retaining plumbing audits for high-risk areas. Reduced access to consumer premises due to coronavirus restrictions also resulted in some compliance auditors being redeployed to inspections of active sites.
21. Audits conducted as part of the 'as-built' compliance energy efficiency project.
22. Fewer energy efficiency audits (dwellings) in 2019–20 align with the projection for the project milestones.
23. In 2019–20, the VBA refocused its audit efforts on more complex activities that presented the highest risk to the community. The audits included assessments of performance solutions.
24. Coinciding with changes in 2019–20 to the building permit and levy regime, the VBA introduced BAMS to facilitate practitioner compliance and a corresponding focus on practitioner engagement and support during this period of change.
25. The lower percentage reflects the VBA's focus on early intervention through increased proactive plumbing inspections. Auditors were prioritised to inspect higher-risk plumbing work on active construction sites.
26. Increase in proactive plumbing inspections due to the recalibration of resources to protect consumers based on risk (see above).
27. The VBA's risk-based regulatory model resulted in a strong focus on more complex and high-priority building and cladding investigations. In addition, coronavirus restrictions resulted in a delay in finalisation of some matters.
28. The VBA focused its efforts on proactive inspections, recognising the higher risk to the safety, health and amenity of future residents in the buildings by undiscovered noncompliance and the corresponding value of identifying possible noncompliance at a point where it can more easily be rectified.

TABLE 4: BUILDING AND PLUMBING ENFORCEMENT ACTIVITY

	Building			Plumbing	
	2019–20	2018–19		2019–20	2018–19
Building practitioner disciplinary hearings held by the BPB ²⁹	0 ³⁰	4	Plumbing practitioner disciplinary hearings	42 ³¹	16
Show cause notices issued	98 ³²	59			
Prosecutions completed — building	31 ³³	44	Prosecutions completed — plumbing	17	17
Building prosecutions commenced, but not completed as at 30 June	50 ³⁴	31	Plumbing prosecutions commenced, but not completed as at 30 June	10 ³⁵	3

TABLE 5: BUILDING AND PLUMBING COMMUNITY ACTIVITY

	Building			Plumbing	
	2019–20	2018–19		2019–20	2018–19
Building complaints received	1,685	1,628	Plumbing complaints received	1,861	1,877

29. By 30 June 2019, the Building Practitioners Board (BPB) had resolved 103 of the 112 disciplinary inquiries pending on 1 September 2016 when it temporarily ceased active operations due to membership vacancies, with nine matters remaining.

30. Due to membership vacancies in 2019–20, the BPB was unable to finalise the nine remaining matters. These vacancies are now filled, and hearings are planned for 2020–21.

31. An increase in investigation referrals resulted in more plumbing practitioner disciplinary hearings in 2019–20.

32. As a result of the VBA's risk-based compliance and enforcement strategy there was an increase in show cause numbers related to targeted enforcement of registration obligations.

33. The Magistrates' Court adjourned all VBA matters from late March 2020 due to coronavirus restrictions. This meant almost a quarter of hearing dates to complete open prosecutions were unavailable.

34. As above.

35. As above.

Research

Why the VBA participates in research

The VBA has a statutory requirement to conduct or promote research relevant to the regulation of the building and plumbing industries. Our research program helps us better understand major regulatory issues and consumer needs, and how regulatory interventions can be shaped to improve public safety and amenity in the industry. We also partner with reputable and prominent research institutions or consortiums to lead innovative solutions and digital and sectoral transformation.

The VBA's research findings and partnerships are designed to make a difference. Together, we identify gaps and tailor regulatory interventions to fix them, collaborate with stakeholders to enhance practitioner competencies and improve community outcomes, and support innovation and improvements in the industry.

The VBA's research program is overseen by the VBA Board's Research and Innovation Committee that reports regularly to the VBA Board on all research-related matters. Major research program activity in 2019–20 included 10 managed research projects (where we undertook or commissioned research) and four sponsored research projects (where we collaborated or sponsored research relevant to VBA functions).

Research themes



Safer building and plumbing work with fewer major defects



Skilled and competent practitioners



A technologically advanced and innovative industry



Confidence in the VBA and the regulatory system

Safer building and plumbing work with fewer major defects

Fire safety protection in multi-storey buildings

What we did and why

The Statewide Cladding Audit identified that combustible cladding is sometimes just one of several potential fire safety risks in multi-storey residential and public-use buildings. We wanted to better understand these other risks, so we analysed Statewide Cladding Audit data for a sample of multi-storey residential and public-use buildings.

What we found

Many of the buildings had active fire safety systems (such as smoke alarms and sprinklers) when these were not required under the rules, with fewer passive fire safety systems (such as self-closing or smoke sealed doors). Fire safety systems are part of the essential safety measures (ESMs) in a building that keep occupants safe when there is a fire.

These active systems are likely to be part of the building fire safety design by fire safety engineers using alternative solutions (performance solutions) rather than the rules (deemed-to-satisfy) in the National Construction Code (NCC). Alternative solutions for fire safety designs are required to be supported by evidence, tests, calculations or expert judgment. The VBA did not evaluate the suitability of the fire safety designs as part of the research because this is separately investigated, and enforcement action taken if appropriate.

What difference this made

The findings validate our call for increased competency of those who undertake fire safety designs for multi-storey buildings. We supported research initiatives by The Warren Centre to lift professional competency standards for fire safety engineers. We introduced restricted registration pathways (in April 2020) for those who carry out routine servicing of wet fire safety systems so we can make sure they carry out the work appropriately. Having highly competent and skilled practitioners in this area is even more important as buildings become more complex.

Active fire safety systems in these buildings need to be well-maintained over their lifetime. Failure to do so puts the safety of people in those buildings at risk. The VBA developed useful educational material and videos for owners corporations and building occupants (including in different languages) to raise awareness of how important it is to maintain ESMs as a first line of defence against fire.

We asked our stakeholders to work with us to improve the regulatory framework for ESMs. Together, we are developing an enhanced ESM framework that will include clarity of roles and responsibilities, education and training for those involved in ESM work, and an improved inspections methodology to check ESM work.

Using behavioural insights to reduce improper service penetrations (in progress)

What we did and why

Through our proactive inspections and the Statewide Cladding Audit, we identified frequently occurring service penetrations (plumbing, electrical, gas) that can compromise the fire safety of internal walls in Class 2 to 9 buildings. We partnered with [BehaviourWorks Australia](#) to find out how improper service penetration of fire and smoke walls can be reduced through behavioural insights.

What we achieved so far

Due for completion in March 2021, the research analyses what drives these behaviours and the types of interventions that could make a difference. We engaged extensively with a wide range of stakeholders to create a shared understanding of the behaviours that lead to improper service penetrations.

Our stakeholders shared what they know about this issue and told us how we could reach target groups. They also suggested ways to promote 'good' behaviours that will lead to correct work practices. We listened to our stakeholders and used their insights. BehaviourWorks Australia is now working on designing the appropriate interventions and testing these in coming months.

An Australian Technical Evaluation Network (ATEN) to improve product information and building safety

What we did and why

There is currently no coordinated national approach to make sure correct and safe building products are used in construction. We supported Swinburne University's scoping study to establish an ATEN. The purpose of the scoping study was to find a way to better evaluate building products by providing independent and verifiable technical information about them.

The report proposes an alternative model for the evaluation of building and construction products using a network of selected construction experts and testing facilities. ATEN presents a different and coordinated way to promote the use of appropriate and safe building products in construction.

What difference this made

The ATEN's proposed model has many common features with the European model which has operated successfully in Europe and elsewhere for many years. This model would bring Australia into line with international best practice. This model would also boost safety and public confidence in the construction industry. Insights from the model are being considered by national and state governments. We used the findings in this report to promote consistent building product evaluation in our conversations on national and state regulatory frameworks and the Building System Review.

Skilled and competent practitioners

Better education to improve plumbing competency

What we did and why

Our previous research found that a possible cause for quality issues with roofing (stormwater) work is a limited awareness of how to design and use performance solutions where a departure from a standard practice is required. To understand this further, we examined the plumbing and services training package.

What we found

The research showed current plumbing qualifications do not effectively train students on how to develop alternative solutions supported by evidence, tests, calculations or expert judgement (performance solutions) to comply with the Plumbing Code of Australia. This means plumbing students graduate with little knowledge of when or how to develop performance solutions to solve plumbing design issues or identify when this has been used in previous plumbing work by others.

What difference this made

We used the research findings to support our call to improve the skills and competencies of future plumbing graduates. We successfully advocated for changes to existing plumbing qualifications. Our research findings were used to develop a new Certificate IV unit CPCPCM4015 – Access and interpret regulatory requirements for the plumbing and services industry, and improve other plumbing units of competency in the training package. To support existing plumbing practitioners, we included the development and use of performance solutions in the training we provide them.

Improving educational outcomes for building surveyors (in progress)

What we did and why

There are differences in the way the higher education and vocational education and training sectors educate and train building surveyors. To increase our regulatory understanding, we commenced research on the education of building surveyors. The research also looks at how effectively graduates are educated on the regulatory framework and the NCC.

What we achieved so far

Building surveyors are important to the building regulatory framework. We actively participate in many policy and regulatory conversations about education and competencies of building surveyors. The research is intended to broaden our understanding of current building surveying qualifications and if these meet current and future needs. The research will also inform ongoing discussions about professional education and training needs for building surveyors at the state and national levels.

Boosting the professional competency of fire safety engineers (in progress)

What we did and why

Fire safety engineers play a vital role in the fire safety of buildings. The VBA supported a project run by The Warren Centre for Advanced Engineering at the University of Sydney to lift the standards and professionalisation of fire safety engineers.

What we achieved so far

The Warren Centre research has introduced new, world-class thinking on fire safety reforms, and registration, competency and education of fire safety engineers at a state and national level. As at end June 2020, The Warren Centre released six reports in this project: [Education Report](#), [Regulation, Control and Accreditation Report](#), [The Methods Report](#), [Roles Report](#), [Competencies Report](#) and the [Comparison of FSE Guidance Documents and Assessment Criteria Report](#). The research reports were shared with government, regulators, professional and industry associations and practitioners to influence regulatory reform or policy change, particularly to improve the education, roles and competencies of fire safety engineers.

We developed strong networks with industry and research partners through this collaboration. To make the best use of the research findings, we hosted a series of workshops with The Warren Centre in February 2020. Facilitated by Professor José Torero, an eminent academic and fire safety engineer from the University College London, the workshops helped bring together industry, government, university leaders and practitioners.

The workshops identified that industry and universities support improving the professional skills and accreditation of fire safety engineers, but there are challenges that need to be addressed. The workshops also helped VBA regulatory staff broaden their understanding of international approaches to cladding identification and rectification and the critical factors for assessing fire safety of buildings. Insights from these workshops will inform future ways we can advocate to improve the building regulatory system.

A technologically advanced and innovative industry

Mapping to capture digital information throughout the building lifecycle

What we did and why

There is no publicly available mapping of the building process for digital information capture, so we commissioned RMIT University to prepare this foundational research to map the building lifecycle of a multi-storey residential (Class 2) building.

What we achieved

The report and accompanying map provide a high-level summary showing key activities at each stage (pre-planning, design, procurement, construction, occupation and demolition), responsible parties and opportunities for digital information capture.

What difference this made

The mapping is the first of its kind that is publicly available. It is an important tool to help redesign the building regulatory system using digital technologies. We shared the report and map with our stakeholders to help inform policy and regulatory changes, including the Building System Review. We used the map and report to inform further research activities on digitalising building information and initiatives under [Building 4.0 Cooperative Research Centre \(CRC\)](#).

Building 4.0 CRC – digital and sectoral transformation of the building industry (in progress)

What we did and why

Commencing in 2020–21, the [Building 4.0 CRC](#) will address long-standing systemic problems in the construction industry including stagnating productivity, limited digitisation or adoption of advances in manufacturing technology, and poor knowledge transfer. The VBA is supporting the CRC and will collaborate with participants to help drive digital adoption and systemisation of the industry.

What we achieved so far

By participating in Building 4.0 CRC, we work closely with industry and research leaders who have advanced digital and technological expertise. We actively participated in discussions about projects of mutual benefit that focus on accelerating adoption of digital and new technologies, increasing the digital competencies of practitioners and automation of workflows and building processes to minimise building failures and defects. Through our regulatory expertise, we helped shape the scoping of two initial projects of value to the industry and community.

Confidence in the VBA and the regulatory system

Methodology to evaluate VBA performance and stakeholder perceptions of VBA services (in progress)

What we did and why

We use data and evidence to inform our work and measure how well we perform as a regulator.

We identified the need for a framework to determine how our stakeholders perceive us or the services we perform for industry and the community.

What we achieved so far

The research designed a methodology to evaluate performance and stakeholder perceptions of VBA services. The Stakeholder Perceptions Measurement Framework uses the performance indicators of understanding, trust, impact and efficiency to measure our performance against the perceptions of practitioners, stakeholders, employees and the broader community.

The implementation of the Stakeholder Perceptions Measurement Framework will help us regularly evaluate perceptions of our services and performance and give us the feedback we need to continuously improve how we deliver our services. Implementation will include design of questionnaires, conducting online surveys and interviews, analysing data from these surveys and communication of results.

Routine servicing of wet fire protection equipment (in progress)

What we did and why

Wet fire safety systems are part of the ESMs in a building that keep occupants safe in case there is a fire. Routine servicing of wet fire safety systems (such as hydrants, hose reels, sprinklers and pump sets) must be carried out by appropriately qualified licensed or registered plumbing practitioners under the Plumbing Regulations 2018.

From different industry views, we found we needed more information to regulate those carrying out routine servicing of wet fire safety systems outside the regulatory scheme. We began a research project to estimate the demand and capacity for this work in Victoria. Due for completion later in 2020, the project is also investigating the potential market-related issues if unregulated individuals cannot or do not transition into the regulatory scheme.

What we achieved so far

Wet fire safety systems in Class 2 to 9 buildings need to be well-maintained over their lifetime. Failure to do so puts the safety of people in those buildings at risk.

Initial results from the research give us an estimate of the different classes of buildings in Victoria and the estimated demand for routine servicing of hydrants, hose reels, sprinklers and pump sets. The initial results also give us a baseline for regulatory activities such as ESM inspections.

We introduced restricted registration pathways (in April 2020) for those who carry out routine servicing of wet fire safety systems. The results from the research will help us decide the longer-term options for those who currently do this work outside the regulatory scheme.

Monitoring and remediation solutions for combustible cladding on buildings (in progress)

What we did and why

The Statewide Cladding Audit continues to identify residential and public-use buildings with combustible cladding. The Victorian Government's Cladding Rectification Program aims to reduce the risks of combustible cladding on residential apartments and public buildings. Cladding Safety Victoria (CSV), as a business unit of the VBA, works with owners and owners corporations to help them rectify noncompliant combustible cladding. CSV also funds rectification works on buildings found to have high-risk cladding to ensure that they are safe to occupy over the long term. We are looking for other solutions that may be less costly yet safe for use in these buildings, either while waiting for rectification or as a longer-term solution. The VBA currently supports two CRC projects exploring potential monitoring and remediation solutions for combustible cladding on buildings.

What we achieved so far

Our involvement in these projects is an opportunity to help improve public safety by finding cost-effective solutions to reduce fire safety risks or help fix the installation of noncompliant combustible cladding. We are collaborating with leading researchers and industry experts in the field and sharing our regulatory expertise in the development of potential solutions. Two potential solutions are an autonomous monitoring and detection system and a fire-retardant membrane that can be applied to combustible cladding. We are also making sure there is rigorous testing of potential solutions so that we know if these solutions are fit for purpose and will improve building safety.

Security of payment

The *Building and Construction Industry Security of Payment Act 2002* (Vic) (SoP Act) provides mechanisms for building practitioners and subcontractors to obtain payment for work undertaken or for the supply of related goods and services. The security of payment process helps protect construction industry subcontractors and ensure they are paid promptly for their work. This work is crucial to ensuring contractors have working capital so they can participate fully in a dynamic industry that contributes to a productive economy.

Adjudication applications

The security of payment adjudication process is managed by Authorised Nominating Authorities (ANAs), authorised to perform this service by the VBA. It provides a fast and inexpensive adjudication service for claimants (those owed payment) to recover payment from respondents (those owing payment) without the need for lawyers.

The VBA analyses ANA data as part of the adjudication process. Compared with 2018–19, the number of adjudication applications in 2019–20 increased by 20 per cent. Since 2016–17, applications have increased gradually year on year – in response to a change in current circumstances and a general increase in awareness across industry of the security of payment framework. This overall increase in adjudication activity indicates more subcontractors are using the SoP Act to resolve payment disputes across a range of construction projects.

In 2019–20, the VBA began collating data about the registration status of parties to adjudication applications. The data helps us understand who is using the SoP Act and how as well as how many practitioners are not paying. Data showed 26 per cent of claimants and 53 per cent of respondents were registered building practitioners (RBPs). Such data will be used to inform regulatory activity in relation to applications for RBP registration and RBPs who could be subject to disciplinary actions for failure to pay an adjudicated amount under the SoP Act.

Greater industry understanding of how the SoP Act can be used to resolve claims is reflected in the increased number of adjudication applications, the complexity of the matters dealt with and the spread and value of the amounts claimed.

Evidence suggests that industry practitioners are using the SoP Act more effectively.

For example, analysis of 2019–20 adjudication applications indicates:

- an increase in the number of applications not proceeding to an adjudication determination suggests claimants are using the application process to resolve and settle matters before adjudication (determinations made by adjudicators increased by only four per cent)
- more sophisticated applications and more complex arguments are being advanced when applications proceed to adjudication determination.

The objective of the SoP Act is to enable better and prompt payment practices which benefit the industry and, ultimately, the broader community. The VBA will continue its efforts to ensure building industry subcontractors are well-informed about their right to an effective remedy under the SoP Act.

Claim amounts

During 2019–20, adjudication application activity continued to be characterised by large-value claims, with five claims accounting for 51 per cent of total claims, including the largest claim to date of slightly more than \$70 million. Similarly, five of the total adjudicated amounts accounted for 72 per cent of the total. The data indicates companies of all sizes are using the SoP Act.

TABLE 6: SECURITY OF PAYMENT

	2019–20	2018–19
Number of adjudication applications	551	461
Total value of amounts claimed (\$ million)	333	133
Number of matters adjudicated	314	303
Total value of adjudicated amounts (\$ million)	126	48

Internal review

The internal review process considers internal reviews of building registration decisions and disciplinary decisions made by the VBA.

Now in its fourth year, the process provides a way for an 'affected person' – that is, someone directly affected by a VBA decision – to seek an independent internal review of a 'reviewable decision' made by the VBA. The internal review process is an important safeguard under the Building Act. The reviewer may have access to new information not previously available to the primary decision-maker.

In complex matters, the practitioner is more likely to be legally represented or raise legal issues. These factors sometimes affect the outcome.

Independent of initial registration or disciplinary processes, internal reviews offer a faster, less expensive option than going to the Victorian Civil and Administrative Tribunal (VCAT). It also enables the VBA to identify ways to improve our registration and disciplinary processes.

TABLE 7: INTERNAL REVIEWS

Internal reviews	2019–20	2018–19
Internal reviews received for registration decisions	112	149 ³⁶
As a proportion of registrations refused	21%	33% ³⁷
Completed within 28 days:		
Affirmed	87	89
Amended	1	3
Substituted	28	65 ³⁸
Total registration reviews completed	116	157
Internal reviews received for disciplinary decisions	20 ³⁹	17
As a proportion of show cause decisions	23%	20%
Completed within 28 days:		
Affirmed	4	2
Amended	13	14
Substituted	4	4
Total disciplinary reviews completed	21	20
Total internal reviews completed	137⁴⁰	177

Notes:

Affirmed is when a VBA decision remains unchanged.

Amended is when some changes are made to the original VBA decision.

Substituted means when the VBA's original decision is replaced with a different decision.

36. A Federal Court decision in 2018–19 affected the VBA's approach to renewing registrations via mutual recognition. This resulted in the VBA receiving a higher number of internal review applications about renewal of registrations that year.

37. A higher proportion of refused registrations reflects the approach the VBA took in renewal applications before the Federal Court decision.

38. The Federal Court decision also changed the VBA's approach to renewal of registration decisions, resulting in a greater number of these decisions substituted on internal review in 2018–19.

39. Includes 16 reviews for 'show cause' decisions and four reviews for immediate suspension decisions.

40. Approximately six per cent of internal review applicants sought further review to VCAT in 2019–20.

Financial summary

TABLE 8: VBA FIVE-YEAR FINANCIAL SUMMARY⁴¹

	2019–20 \$ million	2018–19 \$ million	2017–18 \$ million	2016–17 \$ million	2015–16 \$ million
Building permit levies	44.7	39.3	37.6	31.9	30.3
Cladding rectification levy	19.3	-	-	-	-
Practitioner registration and licences	11.7	10.8	10.1	8.6	8.3
Plumbing compliance certificates	15.1	14.8	12.5	12.3	12.0
Other income	56.6	20.7	8.8	3.3	3.2
Total income	147.4	85.6	69.0	56.1	53.8
Total expenses	101.0	77.8	63.2	53.2	49.9
Other income flows	0.1	0.3	(1.3)	1.4	2.0
Net result	46.5⁴²	8.1	4.5	4.3	6.1
Current assets	110.5	60.0	51.3	45.3	46.1
Non-current assets	22.4	11.9	8.0	9.4	5.0
Total assets	132.9	71.9	59.3	54.8	51.1
Current liabilities	28.1	21.2	18.3	18.3	18.5
Non-current liabilities	11.1	4.0	2.5	2.6	3.0
Total liabilities	39.2	25.2	20.8	20.9	21.5
Net assets	93.7⁴³	46.7	38.5	33.9	29.6
Net increase/(decrease) in cash and cash equivalents	55.9	20.6	(9.1)	(1.2)	8.4

41. Includes a new VBA business unit, Cladding Safety Victoria (CSV) established on 16 July 2019.

42. Includes CSV net result \$44.5 million

43. Includes CSV cash and cash equivalents \$51.6 million

Current year – financial review

Overview

In 2019–20, the VBA recorded a net result of \$46.5 million, \$38.4 million higher than 2018–19. This was underpinned by an overall 72 per cent increase in income, including a \$39.4 million grant from Department of Environment, Land, Water and Planning (DELWP) and \$19.3 million cladding rectification levy, to fund cladding rectification works by Cladding Safety Victoria (CSV).

The cladding rectification levy came into effect on 1 January 2020 and will be used to keep Victorians safe by funding the cladding rectification works for the highest-risk buildings in the state. The cladding rectification levy impacts non-regional buildings of Building Code of Australia (BCA) Class 2 to 8, where the cost of works is greater than \$800,000.

The VBA 2019–20 financial summary for the two operating segments – Regulatory, comprising VBA's traditional functions, and the new Cladding Rectification Program undertaken by the new CSV business unit – are shown in Table 9.

TABLE 9: BUSINESS UNIT FINANCIAL INFORMATION – CLADDING RECTIFICATION PROGRAM AND REGULATORY

	\$ million		
2020	Cladding Rectification Program	Regulatory	Total
Levy	19.3	44.7	64.0
Grant income	39.4	14.4	53.8
Fees and fines	-	28.6	28.6
Interest income	-	0.6	0.6
Other income	-	0.4	0.4
Total revenue and income	58.7	88.7	147.4
Total expenses	14.2	86.7	100.9
Comprehensive results	44.5	2.0	46.5
Total cash and cash equivalents at year end	51.6	56.6	108.2

Despite coronavirus affecting the second half of the financial year, steady year-on-year growth in the number of registered building and plumbing practitioners and plumbing compliance certificates, together with a surge in building permit numbers in December 2019, saw these existing income streams increase by 3.6 per cent compared with 2018–19. The VBA recognised the following grants from DELWP as income in 2019–20:

- \$14 million to contribute to the cost of auditing buildings with combustible cladding, and increase its inspection and enforcement regime
- \$39.4 million for cladding rectification works
- \$363,636 to fund an audit of residential buildings to ensure compliance with 'as-built' energy efficiency ratings.

Financial performance and business review

Excluding cladding rectification levy revenue and grant income and the one-off revenue increase due to building permit numbers issued ahead of the introduction of the cladding rectification levy, revenue fell 2.3 per cent compared with 2018–19 as building permits issued and the associated cost of works continued their downward trend from the peak of 2017–18. The 72 per cent increase in total income, including all the new and one-off factors noted above, was offset by a 30 per cent increase in expenditure required to undertake the VBA's expanded operational remit. This included leading the Statewide Cladding Audit, establishing CSV as a new business unit of the VBA for cladding rectification functions, expanding inspection of buildings under construction and other regulatory activities.

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

- CSV cladding rectification grant of \$39.4 million
- CSV cladding rectification levy of \$19.3 million
- the existing grants of \$14.4 million (\$12.5 million in 2018–19)
- a significant increase in expenditure, including:
 - employee costs required to establish CSV as new business unit of the VBA and its cladding rectification functions, implement the associated regulatory operations and legislative changes
 - supplies and services resulting from CSV cladding rectification grants to owners corporations commencing and more cladding audit activity during the year
 - depreciation and amortisation, due to the adoption of new accounting standard AASB 16 *Leases* from 1 July 2019.

Financial position – balance sheet

The value of VBA assets increased by 85 per cent to \$132.9 million, corresponding with an increase in liabilities to \$39.2 million. The key factors affecting the VBA's financial position as at 30 June 2020 were receiving \$52.7 million grants from DELWP on 23 June 2020, a \$2.4 million increase in employee-related provisions due to CSV becoming a new business unit of the VBA, and the impact of adopting AASB 16 *Leases* that initiated the recognition of right-of-use assets of \$11.5 million, with associated liabilities of \$11.1 million.

Cash flows

The cash balance of \$108.2 million at the end of 2019–20 was an increase of \$55.9 million compared with 2018–19. The increase was mainly due to \$39.4 million in the CSV cladding rectification grant received from DELWP and CSV cladding rectification levy revenue of \$19.3 million, with most related cladding rectification expenditure expected to be incurred next financial year.

Net cash inflows from operating activities increased by \$66.4 million, mainly due to an increase of \$29.9 million for receipts from customers, associated with an increase of \$1 million in goods and services tax received from the Australian Taxation Office (ATO) and an increase of \$36 million in grants received from DELWP. Net cash outflows from operating activities increased by \$17.2 million mainly due to increases of \$15.6 million in payments to suppliers and employees, and an increase of \$1.2 million in grant payments.

Capital projects / asset investment programs

Capital expenditure during the year was \$3 million, including \$1.6 million for plant, equipment and motor vehicles and \$1.4 million for intangible assets.

Disclosure of grants and transfer payments

The VBA provided eight grants and two transfer payments in 2019–20. Seven grants were made or incurred to owners corporations by CSV for cladding rectification totaling \$0.9 million (nil for 2018–19). One grant was made to the Department of Industry, Science, Energy and Resources for \$1.3 million (\$1.0 million in 2018–19) for Victoria's 2019–20 funding contribution to the Australian Building Codes Board (ABCB). The ABCB is a Council of Australian Government (COAG) standards writing body that is responsible for the development of the NCC. The ABCB is a joint initiative of all three levels of government in Australia. It was established by an Intergovernmental Agreement that was first signed by the Commonwealth, States and Territories on 1 March 1994, and has been updated from time to time since. The ABCB is also a regulatory reform vehicle for COAG, and reports to the Australian Government Minister and State and Territory Ministers responsible for building and plumbing regulatory matters, also known as the Building Ministers' Forum. Two transfer payments totaling \$1.5 million (\$1.5 million in 2018–19) were made to DELWP for the VBA's contribution to Building Policy Unit funding.

Subsequent events

Cladding Safety Victoria to become a separate entity

Subsequent to the reporting period, on 3 September 2020 the Victorian Government introduced legislation to the Parliament, the Cladding Safety Victoria Bill 2020. If passed as introduced, the Bill will formally separate CSV from the VBA and establish it as the responsible authority for delivering the Cladding Rectification Program on a day or days to be proclaimed, but no later than 1 July 2021.

Fee exemptions for plumbing and building practitioners

The Victorian Government and the VBA are assisting plumbers and building practitioners experiencing hardship due to coronavirus restrictions by exempting them from fee payment if they are taking part in the JobKeeper or JobSeeker programs. With an amendment made to the Building Regulations 2018 on 29 September 2020 allowing VBA fee exemption power for builders, and with existing plumbing regulations in place to support this, implementation commenced in October 2020. It is challenging to ascertain a reliable forecast of the financial impact at this stage due to difficulties assessing JobKeeper eligibility with the current economic uncertainty created by the impact of the coronavirus.

Approval of cladding rectification grants and grant funding agreement commitments

Subsequent to the reporting period and in addition to disclosure in Note 7.2(2), as of the date of signing this financial report the CSV Investment Board has approved additional cladding rectification grants for a further 71 buildings with a budget allocation of \$144.3 million (GST inclusive). Of these and earlier approvals, in addition to disclosure in Note 6.4, a further \$31.6 million (GST inclusive) of grant funding agreements have been committed subsequent to the reporting period. No present obligation exists for the approvals that are yet to be committed, with final amounts uncertain at this time.

Coronavirus effects on reporting forecasts

A state of emergency was declared in Victoria on 16 March 2020 due to the global coronavirus. A state of disaster was subsequently declared on 2 August 2020. Economic uncertainty created by the impact of coronavirus means actual economic events and conditions in the future may be materially different from those estimated by the VBA at the reporting date. As government responses continue to evolve after the reporting date, it is difficult to reliably estimate the potential impact of the coronavirus pandemic on the VBA, its operations, future results and financial position.

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

OUR PEOPLE

Board and organisational structure

VBA Board

The VBA Board is established under section 200 of the Building Act and is responsible for governance and strategic oversight of the VBA. The major responsibilities of the VBA Board under its charter include:

- setting goals and the overall strategy for the VBA
- overseeing delivery of the VBA's functions, objectives and performance
- establishing appropriate and effective financial governance and oversight arrangements, including the regular review of the effectiveness of those arrangements
- overseeing the VBA's systems for internal control, risk management, auditing and legal compliance
- selecting and appointing the CEO
- making strategic policies for the VBA, subject to any delegation of this responsibility to the CEO.

During 2019–20, five new commissioners were appointed to the VBA Board. Details about the board members can be found on the [VBA website](#).

The composition of the VBA Board meets the Victorian Government policy for gender diversity, with a strong representation of women on the board.

For information about the terms of appointment for VBA board members, visit [Public Board Appointments Victoria](#).

Audit and Risk Committee

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

The ARC's key responsibilities are to:

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

VBA

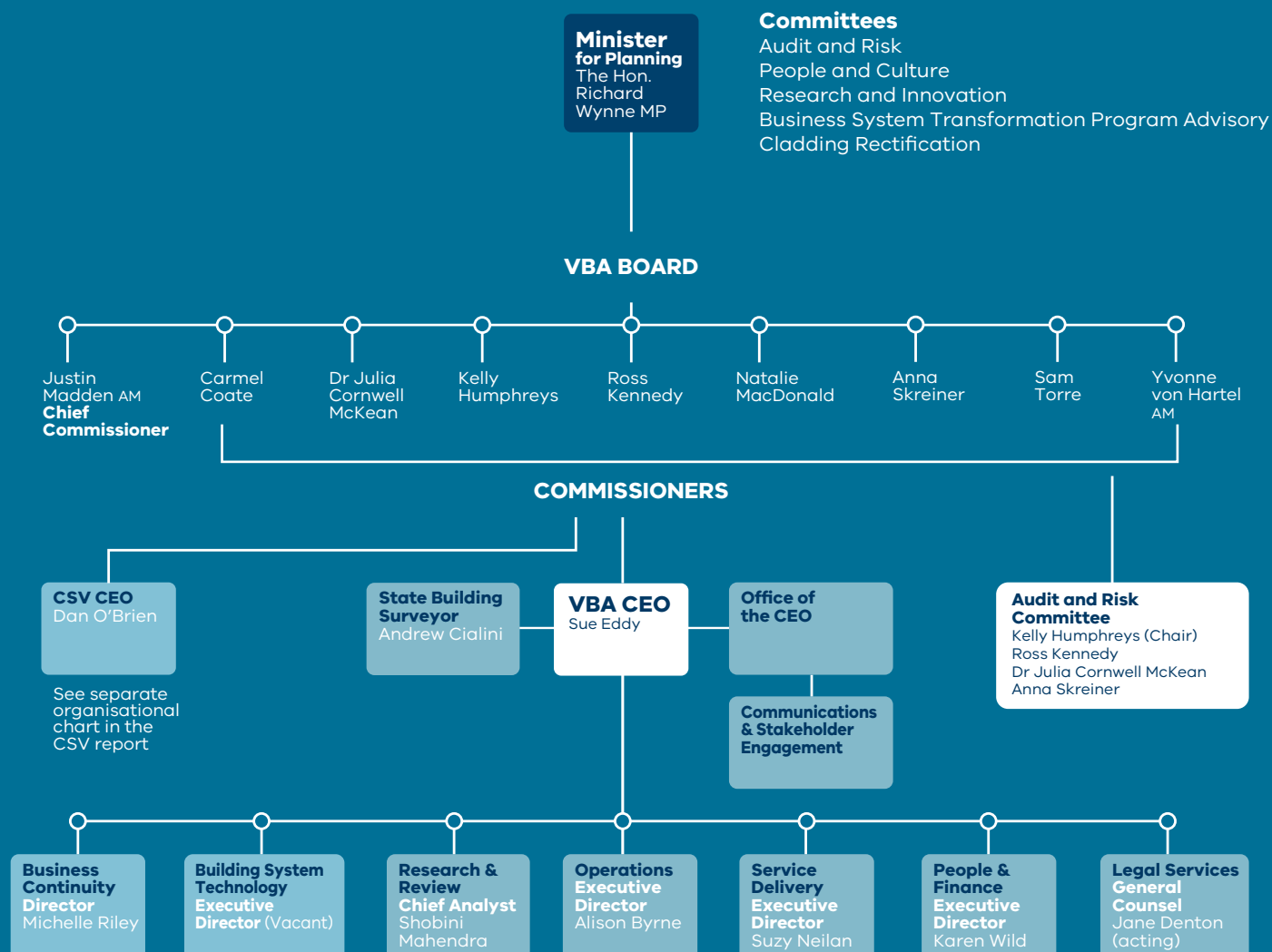
The VBA's organisational structure is aligned to an integrated functional service model to respond to the needs of consumers and practitioners. The VBA is led by the CEO who reports to the VBA Board and Minister for Planning. The VBA is managed by a senior executive group that executes, monitors and reviews the strategic direction set by the VBA Board.

Cladding Safety Victoria

In 2019–20, Cladding Safety Victoria (CSV) was established as a business unit within the VBA with cladding rectification functions. On 3 September 2020, the Victorian Government introduced legislation to the Parliament, the Cladding Safety Victoria Bill 2020. If passed as introduced, the Bill will formally separate CSV from the VBA and establish it as the responsible authority for delivering the Cladding Rectification Program on a day or days to be proclaimed, but no later than 1 July 2021.

ORGANISATIONAL CHART

ORGANISATIONAL STRUCTURE AS AT 30 JUNE 2020



WORKFORCE



Putting people first

The VBA maintains a commitment to supporting the development of staff to ensure we continue delivering our regulatory obligations for industry and the community.

We achieve this by strengthening technical and regulatory expertise, and building leadership capabilities within safe and inclusive working environments.

The response to coronavirus in early 2020 required a proactive transition to remote working. This was undertaken as quickly and smoothly as possible to ensure staff safety and the continuation of VBA regulatory activities.

Greater workplace flexibility and changes to digital engagement methodology implemented during 2019–20 are expected to lead to lasting improvements in efficiency for staff, industry and the community as well as digital engagement and service delivery.

Professional development through education and training is central to the VBA's effectiveness as the state's building industry regulator. To minimise the risk of coronavirus and as part of our increasing digitisation, staff adopted a range of digital processes to deliver regulatory functions, including digital approvals and online interviewing.



Adapting our working and delivery arrangements

Healthy workspaces and safe systems are promoted throughout the VBA, from offices to building sites and home working environments. We benchmark our safety performance against industry and monitor internal levels of engagement through the Health and Safety Committee and related improvement projects. In 2019–20, these included:

- shifting our workforce to remote working in response to coronavirus
- reviewing physical and psychological safety risks and developing a plan to deliver further safety outcomes aligned with COVIDSafe guidelines
- focusing on remote work controls
- reviewing personal protective equipment (PPE) and other equipment (such as upgrading ladders and training)
- reviewing injury management and workers compensation approaches
- accessing a drive-through flu clinic to ensure our people were vaccinated
- implementing a new online incident and near-miss reporting process.



Bushfire deployment

Since early 2020, the VBA led regular meetings with representatives from affected councils, the Municipal Association of Victoria (MAV), Department of Environment, Land, Water and Planning (DELWP) and Bushfire Recovery Victoria to help councils coordinate activities and manage efficient assessment, resourcing and recovery in bushfire-affected communities.

VBA staff were safely deployed to undertake secondary impact assessments, help with critical procedural requirements and provide input into legislative improvements to facilitate recovery efforts in emergency events. This included providing temporary accommodation, demolition and clean-up activities.

The VBA also helped organise private building surveyor input via the Australian Institute of Building Surveyors, the Housing Industry Association (HIA) and various building inspector groups to give technical assistance to people rebuilding their homes after the fires.

The VBA's ongoing input includes providing assistance to the affected councils, increased regulatory oversight to protect and maintain safety of the residents, and coordination with other agencies on rebuild communications and guidance to the community.

Building Surveyor advice from the VBA on the requirements of rebuilding in bushfire-affected areas will provide an important ongoing resource for residents in their recovery efforts.



VBA Engage – heart of our culture

VBA Engage was initiated in response to coronavirus in March 2020 as a way to engage and support our teams and their families better cope with the huge change in their lifestyles, everyday routines, carer responsibilities, support systems and stress outlets. The initiative is also about growth – incorporating a suite of programs designed for our people to develop new skills and capabilities, alongside accessible ways to foster authentic connections with colleagues. All courses are available to staff and contractors across the VBA and complement our employee assistance program (EAP). From VBA Engage's inception to 30 June 2020, 83 programs were held and 2,126 people participated.

The VBA Engage program is underpinned by four key pillars:



**VBA
ENGAGE**



Supporting our people through coronavirus

Coronavirus and government restrictions to slow its spread changed the way we work and generated the potential for numerous operational challenges. Our response was to work differently to drive better outcomes for industry and the community. This demonstration of our commitment to serving industry was central to the VBA's focus on managing changes associated with coronavirus.

Within the VBA, we put considerable effort into quickly transitioning and supporting our people to work remotely to keep them safe. Within 11 business days of the state of emergency being declared, 512 VBA people were able to work remotely to continue administering regulatory functions.

Our employee assistance program (EAP) provided a vital point of contact, reaching out to individuals who needed extra support. In addition to the invaluable social support delivered through the VBA Engage program, our managers provided essential pastoral care to their teams to ensure their individual circumstances were prioritised at the same time as maintaining our regulatory obligations to industry and the community.

Like many organisations, the VBA had to reprioritise our focus as a result of coronavirus to ensure we continued performing our core function to keep Victorians safe. This has meant three projects were deferred to 2020–21 – performance metrics for our outcome and performance framework, implementation of electronic application forms and stakeholder perception surveys.



Our People strategy

Through the VBA's Our People strategy, we made sure our workplace culture became more supportive, inclusive and better able to deliver our regulatory functions. We focused on attracting great people with the right technical expertise and professional commitment. This applied equally to our in-house teams and the support we gave to industry, practitioners and consumers to find people who adhered to the highest standards.

More information

For more information about Our People, see Appendix 2.

OTHER DISCLOSURES



Local Jobs First

No VBA procurement activities or projects were undertaken at or above the respective expenditure disclosure thresholds identified in the Local Jobs First policy.

Government advertising expenditure

No VBA advertising campaigns were undertaken at or above the expenditure disclosure threshold of \$100,000 for total media spend. During the year, the VBA undertook a range of important industry and public safety information campaigns, as described in the Year In Review section of this report.

Social procurement implementation

The VBA has four prioritised social procurement objectives:

- Opportunities for Victorian Aboriginal people
- Opportunities for Victorians with disability
- Women's equality and safety
- Supporting safe and fair workplaces.

To address the Supporting safe and fair workplaces objective, the VBA revised the procurement- and contract-related templates to include the Victorian Government's Supplier Code of Conduct. The code incorporates minimum expectations for labour and human rights, and seeks to increase supply chain opportunities for suppliers that provide safe and fair workplaces for all workers, focusing on:

- ensuring compliance with industrial relations laws throughout supply chains
- promoting job security and addressing underpayment and exploitation of workers.

Further actions will be undertaken in 2020–21 to implement the three remaining objectives.

The VBA continues to seek available opportunities to directly or indirectly procure from social enterprises, Australian Disability Enterprises and Aboriginal businesses.

All individual procurement activities undertaken in 2019–20 fell within the 'below threshold' band of Victoria's Social Procurement Framework where social procurement approaches are encouraged but not mandatory.

Consultancy expenditure

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

In 2019–20, the VBA paid \$3,834,634 (excl. GST) to 32 consultancies where fees payable were \$10,000 or more. Information about individual consultancies is on the [VBA website](#).

Details of consultancies less than \$10,000

In 2019–20, the VBA paid \$42,407 (excl. GST) to 13 consultancies where fees payable were less than \$10,000.

Disclosure of major contracts

The VBA adheres to the Victorian Government's policy of disclosing contracts worth \$10 million or more, in accordance with the FMA. In 2019–20, the VBA had no contracts worth \$10 million or more.

Information and communication technology expenditure

In 2019–20, the VBA had a total information and communication technology (ICT) expenditure of \$12.3 million. This compares to a revised total of \$12.8 million (originally reported as \$8.1 million following a different interpretation of requirements which have now been clarified) for 2018–19.

TABLE 10: DETAILS OF INFORMATION AND COMMUNICATION TECHNOLOGY EXPENDITURE

All operational ICT expenditure (\$ million)		ICT expenditure related to projects to create or enhance ICT capabilities (\$ million)	
Business-as-usual ICT expenditure	Non-business-as-usual ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = operational expenditure and capital expenditure)		
10.5	1.7	1.4	0.4 ⁴⁴

44. Capital expenditure decreased from 2018–19 (\$3,104,269) because the previous year included investment in the VBA's new online platform, BAMS. Capital expenditure is forecast to be significantly higher in 2020–21 as the VBA begins upgrading outdated systems and building technology to better enable the VBA to perform its regulatory functions.

ICT expenditure refers to the VBA's costs in providing business-enabling ICT services within the reporting period. It comprises business-as-usual (BAU) ICT expenditure and non-BAU ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing the VBA's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure that primarily relates to ongoing activities to operate and maintain the current ICT capability.

Freedom of information

The *Freedom of Information Act 1982* (Vic) (FOI Act) allows the public right of access to documents held by the VBA, including those provided to us by an external organisation or individual. The FOI Act also allows the VBA to refuse access, either fully or partially, to certain information such as cabinet, law enforcement and legal documents and personal and in-confidence information.

Processing time for information requests is usually 30 days, which may be extended by the VBA to 45 days or, if the applicant agrees, for longer. Section 16 of the FOI Act requires the VBA to make the maximum amount of information available 'outside the act' – known as 'proactive release'.

In 2019–20, the VBA began developing a proactive release policy, to release as much information as possible outside the formal FOI process to assist industry and consumers to access certain information at no cost and without delay. Implementation of this policy will commence in 2020–21.

Applicants can request a review of a VBA decision by contacting the Office of the Victorian Information Commissioner (OVIC) within 28 days.

Making a request

From 1 July 2019, the fee payable for an application under the FOI Act is \$29.60. Additional access charges may apply for particularly labour-intensive, time-consuming or voluminous searches. The VBA can also waive fees and charges in certain circumstances such as demonstrated financial hardship.

For more information write (email or post) to the VBA's FOI Officer at foi@vba.vic.gov.au or posted to:

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

FOI statistics and timeliness

In 2019–20, the VBA received 443 valid FOI requests – a 45% increase on the 305 requests received in 2018–19. The VBA has experienced an increase in the number of FOI applications received since coronavirus-related restrictions came into force. Most requests were made by property owners and those requests were mostly for practitioner insurance details, plumbing compliance certificates, contact information, and investigation and complaint files.

TABLE 11: FOI APPLICATIONS PROCESSED IN 2019–20

	Matters finalised	Remaining matters
Released in full	84	-
Released in part	107	-
Denied in full	17	-
Released outside the FOI Act after an application was made ⁴⁵	185	-
Not proceeded with	-	8
Withdrawn	-	13
Not processed ⁴⁶	-	1
Not yet finalised ⁴⁷	-	54
No documents could be found	-	22
Total	393	98

45. When the Proactive Release of Information Policy commences, applications will not be needed for specified categories of documents.

46. 'Not processed' means an application was received but did not progress to a final outcome as at 30 June 2020.

47. 'Not yet finalised' means the request was not completed as at 30 June 2020.

FOI applications must be decided within 30 calendar days; however, the timeframe can be extended under the Act with the consent of the applicant or where consultation is required.

Of the 208 FOI decisions made by the VBA in 2019–20:

- 109 matters were finalised within 30 days
- 79 matters were finalised between 31 and 45 days
- 20 matters were finalised in more than 46 days.

During 2019–20, three complaints relating to VBA FOI decisions were taken to VCAT for review: one was withdrawn and two are still to reach an outcome.

More information about the FOI Act can be found at the Office of the Victorian Information Commissioner [website](#).

Compliance with the Building Act 1993

The VBA owns regional offices in Ballarat, Bendigo, Morwell and Wangaratta. The VBA conducts annual inspections of these buildings and provides reports to senior management to ensure compliance with building standards and regulations.

This internal control system allows the VBA to satisfactorily undertake building maintenance and manage risks.

The VBA conducted no major projects or works costing more than \$50,000 on VBA-owned buildings in 2019–20.

Competitive neutrality policy

Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government, and focuses on efficiency of service provision. The VBA continues to comply with competitive neutrality as required under the Competition Principles Agreement and Competition and Infrastructure Reform Agreement.

Compliance with the *Public Interest Disclosures Act 2012*

On 1 January 2020, the *Protected Disclosure Act 2012* became the *Public Interest Disclosures Act 2012* (PID). The Act continues to encourage, protect and assist people to make disclosures of improper conduct by public officers and public bodies. The Act also establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

The amendments broaden and simplify the definition of improper conduct to encourage disclosures about certain types of public sector wrongdoing. A new category of 'serious professional misconduct' was also introduced to allow for a broader range of disclosures about wrongdoing in an official capacity. The amendments strengthen protection given to people who make public interest disclosures.

Every organisation confronts fraud and corruption, and the VBA intends to be known for its ethical standards and robust defences against fraud and corruption.

The VBA does not tolerate improper conduct by employees or reprisals against those who come forward to disclose such conduct. We are committed to ensuring transparency and accountability in our administrative and management practices, and support disclosures that reveal corrupt conduct, conduct involving substantial mismanagement of public resources, or conduct involving substantial risk to public health and safety or the environment.

To put these principles into action, we established Safe2Speak, an independent service through which employees can report unacceptable conduct – anonymously, if they choose. Managers and supervisors are trained in their obligations to encourage employees to speak up and to support them when they do.

Three reports were received during the five months of operation. One report was dealt with through health and safety procedures, one noted for intelligence purposes because it lacked the specificity required for action, and the final report remains under investigation.

The VBA takes all reasonable steps to protect people who make disclosures and will afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Public interest disclosures cannot be made to the VBA, so we encourage employees to direct reports regarding potential misconduct to the Independent Broad-based Anti-corruption Commission (IBAC). The VBA will work collaboratively with IBAC to ensure that any person who makes a disclosure is protected from reprisals and has access to personal support and advocacy.

Reporting procedures

Reports of unacceptable conduct may be made to Safe2Speak. However, the matter will be referred to IBAC if it is considered to constitute a public interest disclosure.

Contact Safe2Speak via:

Phone: 1300 304 550

Web: <http://safe2speakvba.stoplinereport.com>

Email: safe2speak@stopline.com.au

Post: VBA Safe 2 Speak c/o Stopline, Locked Bag 8, Hawthorn, VIC 3122

Contact the VBA's Protected Disclosure Coordinator, Stephen Mumford, via:

Phone: 0498 039 080

Email: integrity@vba.vic.gov.au

Contact IBAC via:

Phone: 1300 735 135

Web: <https://www.ibac.vic.gov.au/reporting-corruption/report>

In addition to Safe2Speak or approaching IBAC directly, employees can report unacceptable conduct to:

- any member of the Executive Leadership Team
- Special Adviser, Integrity
- a director, manager or supervisor
- People and Capability business partners.

Compliance with the Disability Act 2006

As an employer and industry regulator, the VBA takes seriously our responsibility to support, promote and adjust the workplace to ensure people with a mental, physical or intellectual disability are respected and can do their job effectively and safely.

Reducing barriers to industry participation

The VBA supports the reduction of barriers for people with a disability who interact with us, including building practitioners, consumers and members of the public. We ensure our services are easily available through accessible information on our website, access to our customer service centre for people with hearing impairments through teletype (TTY) facilities, accessible buildings, and reasonable adjustments such as additional time for building practitioners undertaking assessments.

Provisions in our workplace

Our own workplace provisions include screen and text size, ergonomic equipment, access to facilities and the ability to freely move as well as extra time and flexible approaches to accommodate everyone. These considerations are a part of our full employment cycle from attraction, recruitment, onboarding and exiting and are adaptable in their nature.

Providing accessible information

A key consideration is providing clear and accessible information that everyone can understand. The primary portal for conveying information is the [VBA website](#). Our website adheres to guidelines for accessible web design and strives to comply with W3C's Web Content Accessibility Guidelines 2.0 at Level AA. This practice also conforms to the Victorian Government's Accessibility Standard. For example, the website explains how callers may contact us using the National Relay Service and TTY support service if they are vision or hearing impaired.

Adjusting our exam system to provide equal access to everyone

Maintaining our commitment to supporting people with a disability is an ongoing, dynamic process. For example, in relation to our industry exam process, the VBA makes reasonable adjustments to better suit individual needs when necessary.

Office-based environmental impacts

The VBA head office is located at the Goods Shed North building, 733 Bourke Street, Docklands. In December 2015, the VBA expanded its Docklands presence by acquiring the lease of Level 9, 737 Bourke Street, Docklands.

The VBA is committed to reducing the environmental impact of waste and continues to apply best practice waste management. Targets for energy and waste reduction were not set for 2019–20. Remote working arrangements in 2020–21 are expected to reduce the VBA's environmental impact. Targets for 2020–21 will be set as we monitor and analyse this new usage baseline.

Energy use

The VBA consumes energy predominantly through office facilities. Energy usage and greenhouse gas emission from energy consumption reduced by two per cent in 2019–20 due to employees working remotely as a result of coronavirus.

TABLE 12: ENERGY USE

Indicator		2019–20	2018–19
E1	Total energy usage segment by primary source (MJ)		
	Electricity (MJ) – excluding green power	1,786,208	1,815,947
	Natural gas (MJ)	0	0
	Green power (MJ)	0	0
	LPG (MJ)	0	0
E2	Total greenhouse gas emission from energy consumption (tonnes CO₂-e)		
	Electricity (tonnes CO ₂ -e) – excluding green power	582	592
	Natural gas (tonnes CO ₂ -e)	0	0
	Green power (tonnes CO ₂ -e)	0	0
	LPG (tonnes CO ₂ -e)	0	0
E3	Percentage of electricity bought as green power	0	0

Waste and recycling

The VBA generates waste through office facilities and is committed to implementing best practices in relation to waste disposal and recycling. Waste creation for 2019–20 decreased from the previous year mainly due to employees working remotely as a result of coronavirus. Table 13 only includes office-based data.

TABLE 13: WASTE DISPOSAL AND RECYCLING

Indicator		2019–20	2018–19
Ws1.	Total units of waste disposed of by destination (kg/yr)		
	Landfill (kg)	8,331	15,668
	Comingled recycling (kg)	1,795	3,482
	Paper and card (kg)	2,753	6,716
	Secure documents (kg)	22,820	36,000
	Organics (kg)	N/A ⁴⁸	223
Ws2.	Total units of waste disposed of per FTE by destination (kg/FTE)		
	Landfill (kg/FTE)	18	44
	Comingled recycling (kg/FTE)	4	10
	Paper and card (kg/FTE)	6	19
	Secure documents (kg/FTE)	49	89 ⁴⁹
	Organics (kg/FTE)	N/A ⁵⁰	0.62
Ws3.	Recycling rate (%)	10	18
Ws4.	Greenhouse gas emissions associated with waste (tonnes CO₂-e)	21	43

48. Organic waste data was unavailable for 2019–20 due to inconclusive information available from the waste contractor for our tenancies. This will be addressed for 2020–21.

49. Correction of disclosure error in 2018–19 Annual Report.

50. As above.

Paper use

In 2019–20, the VBA used 3,754 reams of copy paper. This was 35 per cent less A4-equivalent copy paper than in 2018–19, mostly due to our transition to digital processing and employees working remotely as a result of coronavirus. The table below only includes office-based data.

TABLE 14: PAPER USE

Indicator		2019–20	2018–19
P1.	Total units of A4 equivalent copy paper used (reams)	3,754	5,796 ⁵¹
P2.	Units of A4 equivalent copy paper used per FTE (reams/FTE)	8	16 ⁵¹
P3.	75–100% recycled content	83	100
P4.	50–74% recycled content	0	0
P5.	0–49% recycled content	17	0

51. Correction of disclosure error in 2018–19 Annual Report. The revised figure for 2018–19 reflects A4 and A4-equivalent paper consumption.

Water consumption

Water consumption data is not available for the VBA because the Goods Shed North, 737 Bourke Street and 717 Bourke Street, Docklands each have a single water meter and all tenants pay pro rata to the building manager.

Travel and transport

The VBA has a fleet of 82 vehicles; 50 are fuelled by unleaded petrol and 32 are hybrid. In 2018–19, with a similarly sized fleet, 37 were fuelled by unleaded petrol and 44 were hybrid. This change in fleet composition was to provide vehicles with suitable carrying capacity for the VBA's field staff, switching from hybrid sedans to four-cylinder unleaded wagons.

TABLE 15: TRAVEL AND TRANSPORT

Indicator	2019–20	2018–19
T1. Total energy consumption by fleet vehicles (MJ)		
Unleaded	2,897,484	2,423,214
Hybrid	1,109,973	1,426,848
T2. Total distance travelled consumption by fleet vehicles (km)		
Unleaded	606,784	534,266
Hybrid	413,327	558,870
T3.a Total greenhouse gas emissions from fleet vehicles (tonnes CO₂-e)		
Unleaded	265	244 ⁵²
Hybrid	117	151
T3.b Greenhouse gas emissions from fleet vehicles per 1000km (tonnes CO₂-e)		
Unleaded	0.26	0.24 ⁵³
Hybrid	0.12	0.15
T4 Total distance travelled by air (km)	109,489	148,861

52. This corrects an error made in the 2018–19 Annual Report where unleaded and hybrid figures were transposed.

53. As above.

Greenhouse gas emissions

Emissions resulting from key activities were comparatively lower in 2019–20, including emissions from energy use, air travel and waste disposal. These reductions were partly due to workplace and operational changes created by coronavirus restrictions introduced in 2020.

TABLE 16: GREENHOUSE GAS EMISSIONS

Indicator	2019–20	2018–19
G1. Total greenhouse gas emissions associated with energy use (tonnes CO₂-e)	582	592
[Note: This includes office-based data only]		
G2. Total greenhouse gas emissions associated with vehicle fleet (tonnes CO₂-e)	382	395
G3. Total greenhouse gas emissions associated with air travel (tonnes CO₂-e)	17.5	23.82
G4. Total greenhouse gas emissions associated with waste disposal (tonnes CO₂-e)	21	43
[Note: This includes office-based data only]		
G5. Total greenhouse gas emissions offset purchased (tonnes CO₂-e)	0	0

Greener procurement

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

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

Availability of other information

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

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

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

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

Financial Management Compliance Attestation Statement

I, Michelle McLean, on behalf of the Responsible Body certify that the Victorian Building Authority has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Michelle McLean
Chief Commissioner
Victoria Building Authority

21 October 2020

FINANCIAL STATEMENTS



DECLARATION IN THE FINANCIAL STATEMENTS

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

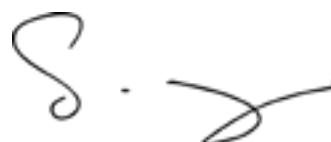
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and the financial position of the VBA as at 30 June 2020.

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

We authorise the attached financial statements for issue on 15 October 2020.



Michelle McLean
Chief Commissioner
Victorian Building Authority
Melbourne



Sue Eddy
Chief Executive Officer
Victorian Building Authority
Melbourne



Garry Button
Chief Finance Officer
Victorian Building Authority
Melbourne



Independent Auditor's Report

To the Board of the Victorian Building Authority

Opinion	<p>I have audited the financial report of the Victorian Building Authority (the authority) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • declaration in the financial statements. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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

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

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

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

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

MELBOURNE
20 October 2020



Paul Martin
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(\$'000)

	Note	2020	2019
Continuing operations			
Revenue and Income from transactions			
Levies, fees and fines	2.1	92,632	66,723
Grant income	2.2	53,773	17,717
Interest income	2.3	566	926
Other income		450	282
Total revenue and income from transactions		147,421	85,648
Expenses from transactions			
Employee costs	3.1	68,100	50,578
Board and committee costs		893	702
Interest expense	6.2.2	387	1
Supplies and services	3.2	23,699	23,724
Grant payments	3.3	2,236	1,053
Depreciation and amortisation	4.3	5,691	1,779
Total expenses from transactions		101,006	77,837
Net result from transactions (net operating balance)		46,415	7,811
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	8.1	111	123
Total other economic flows included in net result		111	123
Net result from continuing operations		46,526	7,934
Other economic flows – other comprehensive income:			
Items that will not be classified to net result			
Changes in asset revaluation surplus	8.2	-	173
Total other economic flows – other comprehensive income		-	173
Comprehensive result		46,526	8,107

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

BALANCE SHEET AS AT 30 JUNE 2020

(\$'000)

	Notes	2020	2019
Assets			
Financial assets			
Cash and deposits	6.3	108,199	52,340
Receivables	5.1	1,559	5,685
Total financial assets		109,758	58,025
Non-financial assets			
Property, plant and equipment	4.1	15,258	4,526
Intangible assets	4.2	7,138	7,419
Other non-financial assets	5.5	764	1,954
Total non-financial assets		23,160	13,899
Total assets		132,918	71,924
Liabilities			
Payables	5.2	6,013	12,189
Contract liabilities	5.3	6,955	-
Interest-bearing liabilities	6.1	10,511	52
Employee-related provisions	3.1.1	9,563	7,132
Other provisions	5.4	1,586	1,578
Security deposits	8.9	2,374	2,296
Other liabilities	5.6	2,232	2,002
Total liabilities		39,234	25,249
Net Assets		93,684	46,675
Equity			
Accumulated surplus		78,835	31,826
Asset revaluation reserve		363	363
Contributed capital		14,486	14,486
Net worth		93,684	46,675

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

(\$'000)

	Note	Asset revaluation reserve	Accumulated surplus	Contributed capital	Total
Balance at 1 July 2018		190	23,892	14,486	38,568
Net result for the year		-	7,934	-	7,934
Net increase/(decrease) as a result of revaluation	8.2	173	-	-	173
Balance at 30 June 2019		363	31,826	14,486	46,675
Change in accounting policy	8.11(d)	-	483	-	483
Restated balance at 1 July 2019		363	32,309	14,486	47,158
Net result for the year		-	46,526	-	46,526
Balance at 30 June 2020		363	78,835	14,486	93,684

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

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		(\$'000)	
	Notes	2020	2019
Cash flows from operating activities			
Receipts			
Receipts from customers		97,612	67,688
Interest received		566	1,173
Receipts of security deposits		772	791
Goods and services tax recovered from the ATO		4,041	2,939
Grants received from State Government		53,773	17,754
Total receipts		156,764	90,345
Payments			
Payments of grants		(2,236)	(1,053)
Payments of lease interest		(387)	(1)
Refunds of security deposits		(695)	(618)
Payments to suppliers and employees		(92,389)	(76,891)
Total payments		(95,707)	(78,563)
Net cash flows from operating activities	6.3.1	61,057	11,782
Cash flows from investing activities			
Payments for property, plant and equipment		(1,600)	(1,731)
Proceeds from/(payment for) term deposits		-	14,300
Payments for intangible assets		(1,419)	(3,658)
Net cash flows from/(used in) investing activities		(3,019)	8,911
Cash flows from financing activities			
Repayment of leases		(2,179)	(45)
Net cash flows from/(used in) financing activities		(2,179)	(45)
Net increase/(decrease) in cash and cash equivalents		55,859	20,648
Cash and cash equivalents at the beginning of financial year		52,340	31,692
Cash and cash equivalents at the end of financial year	6.3	108,199	52,340

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

NOTES TO THE FINANCIAL STATEMENTS

CONTENTS

66	NOTE 1. ABOUT THIS REPORT
68	NOTE 2. FUNDING DELIVERY OF OUR SERVICES
72	NOTE 3. THE COST OF DELIVERING SERVICES
78	NOTE 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY
84	NOTE 5. OTHER ASSETS AND LIABILITIES
90	NOTE 6. HOW WE FINANCED OUR OPERATIONS
95	NOTE 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS
108	NOTE 8. OTHER DISCLOSURES

Note 1. About this report

These annual financial statements represent the audited general purpose financial statements for the VBA as an individual reporting entity and includes the Building Appeals Board (BAB) and the Building Practitioners Board (BPB) run-off period, involving the finalisation of existing matters, for the financial year ended 30 June 2020. They also include, from 16 July 2019, a new business unit Cladding Safety Victoria (CSV) established within the VBA.

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

Its principal address is:

Victorian Building Authority
733 Bourke Street
Melbourne VIC 3000

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

Compliance information

These general-purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations issued by the Australian Accounting Standards Board (AASB). In particular, the statements are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

These annual financial statements were authorised for issue by the VBA's Chief Commissioner, Chief Executive Officer and Chief Finance Officer on behalf of the Board of the VBA on 15 October 2020.

Basis of preparation

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

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

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

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

Coronavirus impact on the financial statements

A state of emergency was declared in Victoria on 16 March 2020 due to the global coronavirus. A state of disaster was subsequently declared on 2 August 2020.

Consistent with government coronavirus advice, since mid-March 2020, the VBA has been working remotely including implementing COVIDSafe guidelines for field teams, developing online solutions, digitalising business processes, conducting phone and online interviews, placed restrictions on non-essential visitors to its offices, implemented State Government accelerated payment terms to business, and introduced VBA Engage Program to continue to support staff wellbeing in a virtual working environment.

The financial impact on the VBA is summarised as follows:

- The VBA's primary source of revenue, building permit levies, were lower in the last four months of the period than the same four months in both prior periods.
- While building permit levies generally continued this trend following the end of the period, the extent of impact on future building permit levies and other revenue remains uncertain.
- Additional financial impacts are being considered on revenue items where the Victorian Government and the VBA are assisting plumbers and building practitioners experiencing hardship due to coronavirus restrictions by exempting them from fee payment if they are taking part in the JobKeeper or JobSeeker programs. Potential impacts to revenue streams and sensitivity analysis are continually being assessed, with both the trend and risks closely monitored by management.
- No impact to grant funding income as the VBA expects to continue to meet its obligations under the memorandums of understanding for grants.
- Expenditure is expected to continue with focus on the development and enhancement of the business continuity plan. The impacts of this expenditure are not expected to be material at this stage. Potential impacts on expenditure are continually reviewed and evaluated by management.
- The impact of the coronavirus does not have a material effect on estimates including the calculation of provisions, lease liabilities and impairment of assets.
- No change to the basis of Expected Credit Losses assessment, revenue recognition and refund policy. It is the management policy to fully impair outstanding debts over 365 days.

These financial statements have been prepared on a going concern basis.

Comparative amounts

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

Note 2. Funding delivery of our services

As Victoria's principal regulator for building and plumbing, the VBA regulates for a quality built environment in Victoria. The VBA contributes to public health, safety and amenity by overseeing compliance with regulations, legal requirements, professional standards and encouraging continuous improvement. We do so in the interests of consumers and industry participants for the benefit of all Victorians. CSV, as a new business unit within the VBA, has been established by the Victorian Government to provide support and guidance to building owners and occupants of buildings with combustible cladding, particularly where rectification work is required to reduce risks to an acceptable level.

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

Structure

- 2.1 Levies, fees and fines
- 2.2 Grant income
- 2.3 Interest income

2.1 LEVIES, FEES, AND FINES

	(\$'000)	
	2020	2019
Building-permit levy – general levy ^(a)	29,732	26,560
Building-permit levy – BACV levy ^(b)	14,999	12,709
Building-practitioner registration fees ^(c)	4,345	4,354
Building-corporate registration fees ^(d)	1,653	1,128
Building-prosecutions and inquiry fines ^(e)	613	750
Building-owner builder certification fees ^(f)	474	489
Building-Modifications and appeals (BAB services) fees ^(g)	225	171
Cladding rectification levy ^(h)	19,304	-
Plumbing-compliance certificates fees ⁽ⁱ⁾	15,141	14,774
Plumbing-registration and licence fees ^(j)	5,661	5,377
Plumbing-examination fees ^(k)	404	385
Plumbing-prosecutions and inquiry fines ^(l)	81	26
Total building levies, fees, and fines	92,632	66,723

Notes:

(a) Building permit levy – general levy

The general building permit levy is calculated based on 0.064 cents in the dollar of the cost of building work for which a building permit is sought. Building permit levy – general levy receipts are brought to account upon issue of the building permit number (i.e. point in time).

(b) Building permit levy – BACV levy

The Building Advice and Conciliation Victoria (BACV) building permit levy is calculated based on 0.064 cents in the dollar of the cost of building work for which a building permit is sought and funds the BACV functions established under the *Domestic Building Contracts (Conciliation and Dispute Resolution) Act 2002*. The amount disclosed represents the VBA's share of the BACV levy. Consumer Affairs Victoria (CAV) is also legally entitled to a portion of the levy. Building permit levy – BACV levy receipts are brought to account upon issue of the building permit number (i.e. point in time).

(c) Building-practitioner registration fees

Yearly registration renewal fees received 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 contract liabilities (i.e. over time).

(d) Building-corporate registration fees

Yearly registration renewal fees received 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 contract liabilities (i.e. over time).

(e) Building-prosecutions and inquiry fines

Prosecutions and inquiry fines income represents prosecution fines and costs payable to the VBA as a result of legal action taken by the VBA against building practitioners in the Magistrates' Court of Victoria and County Court of Victoria. The income is recognised when the fines are issued (i.e. point in time).

(f) Building-owner-builder certification fees

Owner-builder certification fees received are recognised upon receipt of the application for certification (i.e. point in time).

(g) Building-Modifications and appeals fees (BAB services)

Modifications and appeals fees received are recognised as income upon receipt (i.e. point in time).

(h) Cladding rectification levy

The cladding rectification levy came into effect on 1 January 2020 and is calculated based on the rates and cost of building works for which a building permit number is sought. The cladding rectification levy applies to Building Code of Australia classes 2 to 8 building works located in the metropolitan area that are \$0.8 million or more. Cladding rectification levy is brought to account upon issue of the building permit number. Building works on Commonwealth Crown Land retain the current exemption from any building permit levy, including the new cladding rectification levy.

(i) Plumbing-compliance certificates fees

Compliance certificates fees received are recognised upon receipt of the application for certification (i.e. point in time).

(j) Plumbing-registration and licence fees

Plumbing registration fees are for a triennium ending three years from the date paid. Fees received are recognised as income on a pro-rata basis. Plumbing registration fees received relating to the subsequent years are recognised at year-end as contract liabilities (i.e. over time).

Annual licence renewal fees received 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 contract liabilities (i.e. over time).

(k) Plumbing-examination fees

Plumbing examination fees are recognised as income upon receipt (i.e. point in time).

(l) Plumbing-prosecutions and inquiry fines

Prosecutions and inquiry fines income represent prosecution fines and costs payable to the VBA as a result of legal action taken by the VBA against plumbing practitioners in the Magistrates' Court of Victoria and County Court of Victoria. The income is recognised when the fines are issued (i.e. point in time).

AASB 15 Revenue from contracts with customers

Performance obligations and revenue recognition policies

The core principle of AASB 15 is, an entity recognises revenue at the point in time when control of a good or service transfers to the customer, for an amount that reflects the consideration the entity expects to be entitled in exchange for those goods when, or as, the performance obligations for the sale of goods and services to the customer are satisfied. Revenue is also recognised over time when the customer simultaneously receives and consumes the services as it is provided. For contracts that permit the customer to request for refund, the revenue is recognised to the extent it is highly probable that a significant cumulative reversal will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on historical data. For consideration received in advance of recognising the associated revenue from the customer, it is recorded as a contract liability i.e. deferred revenue.

Application of AASB 15

Levies, fees and fines are transactions that the VBA has determined to be classified as revenue from contracts with customers in accordance with AASB 15, specifically VBA has applied the exemption available under paragraph Aus 8.1 and Aus 8.3 and have treated levy as licences and not taxes in line with AASB 15. The VBA's levies, fees and fines revenue is recognised as and when the enforceable rights and obligations between the VBA and applicants arise from statutory requirements even though no contractual relationship exists. The service is delivered to its customers i.e. applicants, and is measured as the amount the VBA expects to be entitled to. Any fee waivers or refunds arising are recognised as a reduction in the amount of revenue recognised. Where revenue has been received for services to be delivered in the following years, these amounts are deferred as a contract liability, refer note 5.3.

The impact of initially applying AASB 15 is described in Note 8.11(b).

Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

Previous accounting policy for 30 June 2019

Revenue from the sale of goods was recognised when:

- the VBA no longer had any of the significant risks and rewards of ownership of the goods transferred to the buyer;
- the VBA no longer had continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue, and the costs incurred or to be incurred in respect of the transactions, could be reliably measured; and
- it was probable that the economic benefits associated with the transaction would follow to the VBA.

2.2 GRANT INCOME

In the financial year ended 30 June 2020, the Department of Environment, Land, Water and Planning (DELWP) provided grants of \$53.77 million (2019: \$17.52 million) to enable the VBA to conduct a statewide audit of buildings with combustible cladding, to increase its inspection and enforcement regime, and continue to support cladding rectification activities.

	(\$'000)	
	2020	2019
Statewide Cladding Audit	9,540	7,406
Inspections and enforcement	4,450	4,384
CSV Cladding rectification	39,420	5,000
Energy efficiency audit	363	727
Plumbing apprentices grant	-	200
Total grant income	53,773	17,717

AASB 1058 Income of not-for-profit entities and interpretation

AASB 1058 Income of not-for-profit entities clarifies the income recognition requirements that apply to not-for profit entities. Under the AASB 1058 income recognition model, the entity first determines whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are "sufficiently specific". This occurred where grants and contracts do not contain performance obligations that are sufficiently specific, as a result income is recognised when VBA has an unconditional right to receive cash which usually coincides with receipt of cash, in accordance with AASB 1058.

Application of AASB 1058

As the existing VBA grants are non-enforceable and there is no performance obligation that are sufficiently specific, therefore the VBA recognises its grant income under note 2.2 on receipts, in accordance with AASB 1058.

The impact of initially applying AASB 1058 on the VBA's grant revenue is described in note 8.11(c).

Due to the modified retrospective transition method chosen in applying AASB 1058, comparative information has not been restated to reflect the new requirements. The adoption of AASB 1058 did not have an impact on other comprehensive income and the statement of cash flows for the financial year.

Previous accounting policy for 30 June 2019

Grant income arose from transactions in which a party provided goods or assets (or extinguished a liability) to the VBA without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they did not provide a claim to receive benefits directly of approximately equal value (and were termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence.

Some grants were reciprocal in nature (i.e. equal value was given back by the recipient of the grant to the provider). The VBA recognised income when it satisfied its performance obligations under the terms of the grant.

For non-reciprocal grants, the VBA recognised income when the grant was received.

Grants can be received as general-purpose grants, which referred to grants which were not subject to conditions regarding their use. Alternatively, they may be received as specific-purpose grants, which were paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on passing are grants paid to one institutional sector (e.g. a state based general government entity) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

2.3 INTEREST INCOME

	(\$'000)	
	2020	2019
Interest on bank deposits and investments	566	926
Total interest income	566	926

Interest income includes interest received on bank deposits and Central Banking System deposits. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

Note 3. The cost of delivering services

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

Structure

- 3.1 Employee costs
- 3.2 Supplies and services
- 3.3 Grant payments

3.1 EMPLOYEE COSTS

		(\$'000)	
	Notes	2020	2019
Salaries and wages, annual leave and long service leave		52,104	38,029
Superannuation expense – defined contribution	3.1.2	4,111	2,940
Superannuation expense – defined benefit	3.1.2	6	48
Staff-related expenses		1,229	998
FBT		93	98
External staff		10,557	8,465
Total employee costs		68,100	50,578

Employee expenses include all costs related to employment including wages and salaries, fringe benefit tax, leave entitlements, termination payments and WorkCover premiums.

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

The amount recognised in the comprehensive operating statement in relation to superannuation corresponds to employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The VBA does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, 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).

3.1.1 EMPLOYEE-RELATED PROVISIONS

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

	(\$'000)	
	2020	2019
Current provisions		
Annual leave		
Unconditional and expected to settle within 12 months	1,233	2,588
Unconditional and expected to settle after 12 months	2,801	71
Long service leave		
Unconditional and expected to settle within 12 months	225	282
Unconditional and expected to settle after 12 months	2,696	2,401
Provisions for on-costs		
Unconditional and expected to settle within 12 months	237	447
Unconditional and expected to settle after 12 months	906	397
Total current provisions	8,098	6,186
Non-current provisions		
Employee benefits	1,254	815
On-costs	211	131
Total non-current provisions	1,465	946
Total provisions	9,563	7,132

Reconciliation of movement in on-cost provision

	(\$'000)	
	2020	
Opening balance		975
Additional provisions recognised		747
Additions due to transfer in		35
Reductions arising from removal of obligation		(17)
Reductions arising from payments/other sacrifices of future economic benefits		(396)
Unwind of discount and effect of changes in the discount rate		10
Closing balance		1,354
Current		1,143
Non-current		211

Wages and salaries, annual leave and sick leave:

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

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

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

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

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

Unconditional long service leave 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 long service leave 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 long service leave 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 long service leave is measured at present value.

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

3.1.2 SUPERANNUATION CONTRIBUTIONS

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

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

	(\$'000)	
	2020	2019
Defined benefit plans:		
State Superannuation Fund	6	48
Defined contribution plans:		
VicSuper	3,343	1,418
Other	768	1,522
Total	4,117	2,988

Note:

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

3.2 SUPPLIES AND SERVICES

(\$'000)

	2020	2019
Accommodation and utilities	2,095	1,911
Short-term lease rental expense	41	1
Operating lease payments	-	2,350
Low value assets lease expense	11	6
Payment to DELWP for building policy	1,475	1,462
Legal fees	1,982	2,359
Technical contractors (panels)	413	1,116
IT services and records management expenses	2,369	2,616
Consultants ^(a)	8,945	5,523
General office expenses	2,010	2,068
Printing and stationery	803	1,016
Motor vehicles and travel expenses	610	687
Insurance premiums	1,745	1,099
Regulatory events, seminars and meetings	167	905
Minor assets	634	340
External audit fees	62	58
Internal audit fees	337	207
Total supplies and services	23,699	23,724

Note:

(a) Includes CSV expenditure of \$5.67 m (2019 : \$nil).

Operating leases payments up until 30 June 2019 (including contingent rentals) were recognised on a straight-line basis over the lease term.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term less than 12 months; and
- Low-value leases – leases where the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than \$10,000.

Variable lease payments not included in the measurement of the lease liability (i.e. payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date) are recognised in the period in which the event or condition that triggers them occur.

3.3 GRANT PAYMENTS

	(\$'000)	
	2020	2019
Australian Building Codes Board	1,304	1,053
CSV grant payments to Owners Corporations	932	-
Total grant payments	2,236	1,053

Grant payments 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).

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

Grant payments are recognised as an expense when they are paid or become payable.

Note 4. Key assets available to support output delivery

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

Fair value measurement

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

Structure

- 4.1 Property, plant and equipment
- 4.2 Intangible assets
- 4.3 Depreciation and amortisation

4.1 PROPERTY, PLANT AND EQUIPMENT

			(\$'000)
	Gross carrying amount	Accumulated depreciation	Net carrying amount
2020			
Land at fair value	946	-	946
Buildings at fair value	655	(26)	629
Buildings – right-of-use ^(a)	13,338	(3,182)	10,156
Plant, equipment and motor vehicles at fair value	8,751	(5,311)	3,440
Plant, equipment and motor vehicles – right-of-use ^(a)	116	(29)	87
Total	23,806	(8,548)	15,258
2019			
Land at fair value	946	-	946
Buildings at fair value	655	-	655
Plant, equipment and motor vehicles at fair value	7,571	(4,797)	2,774
Leasehold improvements	333	(182)	151
Total	9,505	(4,979)	4,526

Note:

- (a) AASB 16 Leases has been applied for the first time from 1 July 2019. The fair value and accumulated depreciation include the right-of-use of assets of \$13.27 m and accumulated depreciation of \$3.03 m as at 30 June 2020.

4.1(a) TOTAL RIGHT-OF-USE ASSETS: BUILDINGS, PLANT, EQUIPMENT AND VEHICLES

The following tables are subsets of buildings, and plant and equipment by right-of-use assets.

(\$'000)

	Gross carrying amount	Accumulated depreciation	Net carrying amount
Building – right-of-use	13,155	(2,999)	10,156
Plant, equipment and vehicles – right-of-use	116	(29)	87
Net carrying amount	13,271	(3,028)	10,243

(\$'000)

	Buildings at fair value	Plant, equipment and vehicles at fair value
Opening balance – 1 July 2019 ^(a)	11,289	-
Additions	1,866	116
Disposals	-	-
Depreciation	(2,999)	(29)
Closing balance – 30 June 2020	10,156	87

Note:

(a) This balance represents the initial recognition of right-of-use assets recorded on the balance sheet on 1 July 2019 along with the transfer from finance lease assets (recognised under AASB 117 at 30 June 2019) to right-of-use assets (recognised under AASB 16 at 1 July 2019), and leasehold improvements net carrying amount of \$151,000.

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

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

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

The initial cost for non-financial physical assets under a finance lease (under AASB 117 until 30 June 2019) 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.

**Right-of-use asset acquired by lessee
(Under AASB 16 – Leases from 1 July 2019)
– Initial recognition and measurement**

The VBA recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

Subsequent measurement: PPE as well as right-of-use assets under leases are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised in note 4.1.1 by asset category. In addition, for right-of-use assets, the net present value of the remaining lease payments is often the appropriate proxy for fair value of relevant right-of-use assets.

Right-of-use asset – subsequent measurement

VBA depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation as required by Financial Reporting Direction (FRD) 103H *Non-Financial Physical Assets* however as at 30 June 2020 right-of-use asset have not been revalued. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

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

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

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

A full revaluation of VBA's land and buildings was performed by the Valuer-General of Victoria (VGV) as at 30 June 2016 and a managerial valuation was performed as at 30 June 2020 in accordance with the requirements of FRD 103H. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

In compliance with FRD 103H, in the year ended 30 June 2020, management conducted an annual assessment of the fair value of land and buildings. To facilitate this, management obtained from the Department of Treasury and Finance the VGV indices for the financial year ended 30 June 2020.

The VGV indices, which are based on data to March 2020, indicate an average increase of 3–4% across all land parcels and a 3% increase in buildings.

Management regards the VGV indices to be a reliable and relevant data set to form the basis of their estimates. Whilst these indices are applicable at 30 June 2020, the fair value of land and buildings will continue to be subjected to the impacts of coronavirus in future accounting periods.

As the accumulative movement was less than 10% for land and buildings no managerial revaluation was required.

The land and building balances are considered to be sensitive to market conditions. To trigger a managerial revaluation a decrease in the land index of 13–14% and a decrease in the building index of 13% would be required.

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

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

4.1.1 RECONCILIATION OF MOVEMENTS IN CARRYING AMOUNT OF PROPERTY, PLANT AND EQUIPMENT

(\$'000)

	Land at fair value	Buildings at fair value	Plant, equipment and motor vehicles	Leasehold improvements	Total
2020					
Balance at the beginning of the year	946	655	2,774	151	4,526
Recognition of right-of-use assets on initial application of AASB 16	-	11,289	-	(151)	11,138
Adjusted balance at 1 July 2019	946	11,944	2,774	-	15,664
Additions	-	1,866	1,831	-	3,697
Disposals/retirements	-	-	(111)	-	(111)
Impairments	-	-	-	-	-
Revaluations	-	-	-	-	-
Depreciation	-	(3,025)	(967)	-	(3,992)
Balance at the end of the year	946	10,785	3,527	-	15,258
2019					
Balance at the beginning of the year	838	613	1,785	182	3,418
Additions	-	-	2,089	-	2,089
Disposals/retirements	-	-	(357)	-	(357)
Impairments	-	-	-	-	-
Revaluations	108	65	-	-	173
Depreciation	-	(23)	(743)	(31)	(797)
Balance at the end of the year	946	655	2,774	151	4,526

Note:

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

4.2 INTANGIBLE ASSETS

(\$'000)

	Computer software	
	2020	2019
Net carrying amount		
Balance at the beginning of the year	7,419	4,620
Additions	1,418	3,781
Amortisation	(1,699)	(982)
Balance at the end of the year	7,138	7,419

Initial recognition

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

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

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

Subsequent measurement

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

Impairment of intangible assets

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

Significant intangible assets

The VBA has capitalised software development expenditure for the development of its Building Activity Management System. The carrying amount of the capitalised software development expenditure \$3.5 million (2019: nil). Its useful life is 7 years and will be fully amortised in 2026.

4.3 DEPRECIATION AND AMORTISATION

(\$'000)

	Note	2020	2019
Buildings	4.11	3,025	54
Plant, equipment and motor vehicles	4.11	967	743
Intangibles (amortisation)	4.2	1,699	982
Total depreciation & amortisation		5,691	1,779

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

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

Asset	Useful Life
Buildings	40 years
Buildings-right-of-use	5 years
Motor vehicles-owned	3 to 5 years
Motor vehicles-right-of-use	3 to 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.

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 of property, plant and equipment: The recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB13 *Fair Value Measurement*, with the consequence that AASB16 does not apply to such assets that are regularly revalued.

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

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

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

Note 5. Other assets and liabilities

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

Structure

- 5.1 Receivables
- 5.2 Payables
- 5.3 Contract liabilities
- 5.4 Other provisions
- 5.5 Other non-financial assets
- 5.6 Other liabilities
- 5.7 Maturity analysis of contractual financial liabilities and other liabilities

5.1 RECEIVABLES

		2020	2019
(\$'000)			
Contractual			
Plumbing inspections		16	17
Other sundry receivables		283	312
Total contractual receivables		299	329
Statutory			
Building permit levy		-	3,595
Building Practitioner Board fines and costs		1,880	1,615
Other sundry receivables		385	514
GST input tax credit recoverable		1,212	1,350
Total statutory receivables		3,477	7,074
Allowance for impairment losses of receivables	7.1.3	(2,217)	(1,718)
Total receivables		1,559	5,685
Represented by			
Current receivables		1,559	5,685

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

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

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

5.2 PAYABLES

	(\$'000)	
	2020	2019
Contractual		
Supplies and services	5,765	5,347
Deferred revenue	-	6,676
Total contractual payables	5,765	12,023
Statutory		
Fringe Benefits Tax payable	27	10
Other taxes payable	221	156
Total statutory payables	248	166
Total payables	6,013	12,189
Represented by		
Current payables	6,013	9,796
Non-current payables	-	2,393

Contractual payables include accounts payable. The deferred revenue as at 30 June 2019 was reclassified as a contract liability in note 5.3 on 1 July 2019. Accounts payable represent liabilities for unpaid goods and services provided to the VBA prior to the end of the financial year and are measured at amortised cost. They arise when the VBA becomes obliged to make future payments in respect of the purchase of those goods and services.

Statutory payables include payables such as Fringe Benefits Tax and other taxes payable. 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. During coronavirus restrictions, suppliers' payments terms were changed to 5 business days, then revised to 10 business days in accordance with government policy.

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

5.3 CONTRACT LIABILITIES

	(\$'000)
	2020
Opening balance brought forward from 30 June 2019 adjusted for AASB 15	6,676
Add: Payments received for performance obligations yet to be completed during the period	11,204
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(10,925)
Total contract liabilities	6,955
Represented by	
Current contract liabilities	5,691
Non-current contract liabilities	1,264

Contract liabilities (deferred revenue) represent consideration received in advance from customers as follows:

Practitioner registration fees (Building & Plumbing) and licence fees (Plumbing)

Yearly registration and licence renewal fees received throughout the year are recognised as revenue on a pro-rata basis. Plumbing registration is recognised over a period of three years from the date paid. For registration and licence renewal fees received relating to the subsequent years are recognised at year-end as contract liabilities.

5.4 OTHER PROVISIONS

(\$'000)

	2020	2019
Current provisions		
Onerous contracts	936	936
Total current other provisions	936	936
Non-current provisions		
Make-good provision	650	642
Total non-current other provisions	650	642
Total other provisions	1,586	1,578

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

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

Reconciliation of movements in other provisions

(\$'000)

	Make-Good	Onerous Contracts	Total
2020			
Opening balance	642	936	1,578
Additional provisions recognised	8	-	8
Closing balance	650	936	1,586
Current	-	936	936
Non-current	650	-	650
Total other provisions	650	936	1,586

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

Make-good provision

Under the Goods Shed North lease agreement, the VBA agreed to bring the leased property back to its original condition, requiring future costs to dismantle and remove the office fit-out at the end of the lease. Under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the VBA has recognised this liability at the commencement of the lease, rather than at the end of the lease when the make-good work will be done.

Onerous contracts

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

5.5 OTHER NON-FINANCIAL ASSETS

(\$'000)

	2020	2019
Current other assets		
Prepayments	764	1,954
Total current other assets	764	1,954
Total other non-financial assets	764	1,954

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

5.6 OTHER LIABILITIES

(\$'000)

	2020	2019
Domestic Building List clearing	399	369
HIH clearing	8	8
BACV clearing	1,814	1,134
Lease incentive/Straight lining	-	482
Unclaimed monies	11	9
Total other liabilities	2,232	2,002

5.7 MATURITY ANALYSIS OF CONTRACTUAL FINANCIAL LIABILITIES AND OTHER LIABILITIES ^(a)

(\$'000)

2020	Maturity Dates					
	Carrying amount	Nominal amount	Less than 1 month	1-3 months	3 months - 1 year	1-5 years
Payables ^(b)						
Supplies and services	5,765	5,765	5,783	(31)	13	-
Security deposits ^(c)	2,374	2,374	-	-	-	2,374
Amounts payable to government and agencies	2,232	2,232	2,232	-	-	-
Total	10,371	10,371	8,015	(31)	13	2,374
2019	Maturity Dates					
	Carrying amount	Nominal amount	Less than 1 month	1-3 months	3 months - 1 year	1-5 years
Payables ^(b)						
Supplies and services	5,347	5,347	4,603	703	41	-
Security deposits ^(c)	2,296	2,296	-	-	-	2,296
Amounts payable to government and agencies	1,520	1,520	1,520	-	-	-
Total	9,163	9,163	6,123	703	41	2,296

Note:

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

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

(c) Security deposits are bonds paid by consumers for relocatable homes. Building permits lapse after two years so it is expected deposits are refunded within the two-year period. However, building permits can be extended for completion of work, and there are instances of work taking an extended period of time to reach completion.

Note 6. How we financed our operations

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

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

- 6.1 Interest-bearing liabilities
- 6.2 Leases
- 6.3 Cashflow information and balances
- 6.4 Commitments for expenditure

6.1 INTEREST-BEARING LIABILITIES

	(\$'000)	
	2020	2019
Current interest-bearing liabilities		
Lease liabilities ^(a) (2019: Finance Lease)	4,569	52
Total current interest-bearing liabilities	4,569	52
Non-current interest-bearing liabilities		
Lease liabilities (2019: Finance Lease)	5,942	-
Total non-current interest-bearing liabilities	5,942	-
Total interest-bearing liabilities	10,511	52

Notes

(a) Secured by the assets leased. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

All interest-bearing liabilities 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 financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest-bearing liabilities. The VBA determines the classification of its interest-bearing liabilities at initial recognition.

Maturity analysis of interest-bearing liabilities

(\$'000)

2020	Carrying amount	Nominal amount	Maturity Dates			
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years
Lease liabilities	10,511	14,200	269	806	3,226	9,899
Total	10,511	14,200	269	806	3,226	9,899

2019	Carrying amount	Nominal amount	Maturity Dates			
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years
Finance lease liabilities	52	52	1	23	18	10
Total	52	52	1	23	18	10

Interest expense

(\$'000)

	2020	2019
Interest on leases liabilities	387	1

6.2 LEASES

The VBA leases various properties and motor vehicles. The VBA has entered new motor vehicles leases in financial year 2019–20. The existing motor vehicles leases as at 30 June 2019 were discontinued in the financial year 2019–20. The properties lease contracts are typically made for fixed periods of 5 years with an option to review the lease after that date. Lease payments are renegotiated every 5 year to reflect market rentals. The motor vehicles lease contracts with Vicfleet are made for fixed period between 3 to 6 years.

6.2.1 RIGHT-OF-USE-ASSETS

Right-of-use assets are presented in note 4.1

6.2.2 AMOUNTS RECOGNISED IN THE COMPREHENSIVE OPERATING STATEMENT

The following amounts are recognised in the comprehensive operating statement to leases:

(\$'000)

	2020	2019
Interest expense on lease liabilities	387	1
Expenses relating to short-term leases	41	2
Expenses relating to leases of low-value assets	11	6
Total amount recognised in the comprehensive operating statement	439	9

6.2.3 AMOUNTS RECOGNISED IN THE CASHFLOWS STATEMENT

The following amounts are recognised in the cashflows statement for the year ending 30 June 2020 relating to leases.

(\$'000)

2020
Total cash outflow for leases
2,179

For any new contracts entered on or after 1 July 2019, the VBA considers whether a contract is, or contains, a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period in exchange for consideration”. To apply this definition the VBA assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the VBA and for which the supplier does not have substantive substitution rights;
- the VBA has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the VBA has the right to direct the use of the identified asset throughout the period of use; and
- the VBA has the right to take decisions in respect of ‘how and for what purpose’ the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019) **Lease Liability – initial measurement**

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable, or the VBA incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amount expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

Lease liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest accrued. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or the comprehensive operating statement if the right of use asset is already reduced to zero.

Short-term leases and leases of low value assets

The VBA has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term.

Presentation of right-of-use assets and lease liabilities

The VBA presents right-of-use assets as “building” and “motor vehicles” unless they meet the definition of investment property, in which case they are disclosed “investment property” in the balance sheet. Lease liabilities are presented as “Interest bearing liabilities” in the balance sheet.

Recognition and measurement of leases (under AASB 117 until 30 June 2019)

In the comparative period, leases of property, plant and equipment were classified as either finance leases or operating leases.

Leases of property, plant and equipment where the VBA as lessee had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments were apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement.

Contingent rentals associated with finance leases were recognised as an expense in the period in which they were incurred.

Assets held under other leases were classified as operating leases and were not recognised in the VBA balance sheet. Operating lease payments were recognised as an operating expense in the comprehensive operating statement on a straight-line basis over the lease term.

6.3 CASH AND DEPOSITS

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

(\$'000)

	2020	2019
Total cash and deposits disclosed in balance sheet	108,199	52,340
Total cash and deposits	108,199	52,340

6.3.1 RECONCILIATION OF NET RESULT FOR THE PERIOD TO CASH FLOW FROM OPERATING ACTIVITIES

(\$'000)

	2020	2019
Net result for the year	46,526	7,934
Non-cash movements		
Depreciation and amortisation of non-current assets	5,691	1,779
Net gain/(loss) on disposal of property, plant and equipment	(111)	(133)
Intangibles – impairment	–	10
Receivables – impairment	–	65
Movements in assets and liabilities:		
(Increase)/decrease in receivables	4,126	(818)
(Increase)/decrease in prepayments	1,191	(1,506)
Increase/(decrease) in deferred revenue	280	1,505
Increase/(decrease) in payables	915	1,434
Increase/(decrease) in provisions	2,439	1,512
Net cash flows from operating activities	61,057	11,782

6.3.2 NON-CASH INVESTING AND FINANCIAL ACTIVITIES

(\$'000)

	2020	2019
Additions to the right-of-use assets	1,866	-
Total non-cash investing and financial activities	1,866	-

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.

(\$'000)

Nominal amounts 2020	Less than 1 year	1-5 years	5+ Years	Total
Capital expenditure commitments payable	-	-	-	-
Other commitments payable ⁽¹⁾	15,727	550	-	16,277
Total commitments (inclusive of GST)	15,727	550	-	16,277
Less: GST recoverable	(1,430)	(50)	-	(1,480)
Total commitment (exclusive of GST)	14,297	500	-	14,797
Nominal amounts 2019	Less than 1 year	1-5 years	5+ Years	Total
Capital expenditure commitments payable	-	-	-	-
Operating and lease commitments payable ⁽²⁾	3,067	9,044	965	13,076
Total commitments (inclusive of GST)	3,067	9,044	965	13,076
Less: GST recoverable	(279)	(822)	(88)	(1,189)
Total commitment (exclusive of GST)	2,788	8,222	877	11,887

Notes:

- (1) Other commitments payable less than one year noted above in FY20 were related to the CSV cladding rectification programme.
- (2) Operating and lease commitments noted above in FY19 were related to the VBA's accommodation at the Goods Shed North building, 733 Bourke Street, Docklands and Level 9, 737 Bourke Street, Docklands.

Note 7. Risks, contingencies and valuation judgements

The VBA is exposed to risk from its activities and external factors. In addition, it is often necessary to make judgments and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgment to be applied, which, for the VBA, relate mainly to fair value determination.

Structure

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

7.1 FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES

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

Categories of financial assets

Financial assets at amortised cost

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

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

The VBA recognised the following assets in this category:

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

Categories of financial liabilities

Financial liabilities at amortised cost are initially recognised on the date they are originated.

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

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

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

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

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

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

7.1.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Financial Instruments: Categorisation

(\$'000)

	Cash and deposits	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2020				
Contractual financial assets				
Cash and deposits	108,199	-	-	108,199
Receivables ^(a)	-	299	-	299
Total contractual financial assets	108,199	299	-	108,498
Contractual financial liabilities				
Payables	-	-	5,765	5,765
Amounts payable to government and agencies	-	-	2,232	2,232
Interest-bearing liabilities	-	-	10,511	10,511
Security deposits	-	-	2,374	2,374
Total contractual financial liabilities	-	-	20,882	20,882

	Cash and deposits	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
2019				
Contractual financial assets				
Cash and deposits	52,340	-	-	52,340
Receivables ^(a)	-	329	-	329
Total contractual financial assets	52,340	329	-	52,669
Contractual financial liabilities				
Payables	-	-	5,347	5,347
Amounts payable to government and agencies	-	-	1,520	1,520
Interest-bearing liabilities	-	-	52	52
Security deposits	-	-	2,296	2,296
Total contractual financial liabilities	-	-	9,215	9,215

Note:

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

7.1.2 FINANCIAL INSTRUMENTS – NET HOLDING GAIN/(LOSS) ON FINANCIAL INSTRUMENTS BY CATEGORY

(\$'000)

	Net holding gain/(loss)		Total interest income/ (expense)		Total	
	2020	2019	2020	2019	2020	2019
Contractual financial assets						
Cash and deposits	-	-	566	301	566	301
Term deposits	-	-	-	625	-	625
Impairment of receivables ^(a)	-	-	-	-	-	-
Total contractual financial assets	-	-	566	926	566	926
Contractual financial liabilities						
Interest-bearing liabilities	-	-	(387)	(1)	(387)	(1)
Total contractual financial liabilities	-	-	(387)	(1)	(387)	(1)

Note:

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

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

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

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

(\$'000)

2020	Financial institutions (AA – credit rating)	Government agencies (triple-A credit rating)	Other (min triple-B credit rating)	Total
Cash and deposits	108,199	-	-	108,199
Receivables ^(a)	-	-	299	299
Total contractual financial assets	108,199	-	299	108,498
2019	Financial institutions (AA – credit rating)	Government agencies (triple-A credit rating)	Other (min triple-B credit rating)	Total
Cash and deposits	52,340	-	-	52,340
Receivables ^(a)	-	-	329	329
Total contractual financial assets	52,340	-	329	52,669

Note:

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

Impairment of financial assets under AASB 9

VBA records the allowance for expected credit loss (ECL) from the relevant financial instruments applying AASB 9 ECL approach. AASB 9 impairment assessment includes the VBA's contractual receivables, statutory receivables and its investment in debt instruments.

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

Contractual receivables at amortised cost

VBA applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about the risk of default and expected loss rates. The VBA has grouped contractual receivables on shared credit risk characteristics and days past due and selected the expected credit loss rate based on the VBA's past history, existing market conditions, as well as forward-looking estimates at the end of the financial year. The impact of the coronavirus does not have material effect on estimates including in calculation such as provision and expected credit loss.

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

(\$'000)

30 June 2019	Current	Less than 1 month	1-3 months	3 months -1 year	1-5 years	Total
Expected loss rate	13%	15%	15%	16%	100%	
Gross carrying amount of contractual receivables	246	150	34	366	1,598	2,394
Loss allowance	33	23	5	59	1,598	1,718

30 June 2020	Current	Less than 1 month	1-3 months	3 months -1 year	1-5 years	Total
Expected loss rate	18%	20%	21%	23%	100%	
Gross carrying amount of contractual receivables	11	134	28	371	2,096	2,640
Loss allowance	2	27	6	86	2,096	2,217

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

(\$'000)

	2020	2019
Balance at beginning of the year	(1,718)	(1,368)
Opening retained earnings adjustment on adoption of AASB 9	-	64
Opening loss allowance	(1,718)	(1,304)
Increase in provision recognised in the net result	(499)	(414)
Balance at end of the year	(2,217)	(1,718)

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

Statutory receivables and debt investments at amortised cost

VBA's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Financial Instruments – Liquidity risk

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

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

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

Financial Instruments – Market risk

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

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

Financial Instruments – Interest rate risk

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

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

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

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

Interest rate exposure of financial instruments

(\$'000)

Interest rate exposure					
2020	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest Bearing
Financial assets					
Cash and deposits	0.5%	108,199	-	108,199	-
Receivables ^(a)	-	299	-	-	299
Total financial assets		108,498	-	108,199	299
Financial liabilities					
Payables:					
Supplies and services	-	5,765	-	-	5,765
Amounts payable to government and agencies	-	2,232	-	-	2,232
Security deposits	-	2,374	-	-	2,374
Interest-bearing liabilities:					
Lease liabilities	3.65%	10,511	10,511	-	-
Total financial liabilities		20,882	10,511	-	10,371

(\$'000)

Interest rate exposure					
2019	Weighted average interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest Bearing
Financial assets					
Cash and deposits	1.65%	52,340	-	52,340	-
Receivables ^(a)	-	329	-	-	329
Total financial assets		52,669		52,340	329
Financial liabilities					
Payables:					
Supplies and services	-	5,347	-	-	5,347
Amounts payable to government and agencies	-	1,520	-	-	1,520
Security deposits	-	2,296	-	-	2,296
Interest-bearing liabilities:					
Finance lease liabilities	3.25%	52	52	-	-
Total financial liabilities		9,215	52	-	9,163

Note:

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

Interest risk sensitivity

(\$'000)

2020	Interest rate		
	Carrying amount	-50 basis points ^(a)	+50 basis points
		Net result	Net result
Contractual financial assets			
Cash and deposits	108,199	(541)	541
Total Impact	108,199	(541)	541

2019	Interest rate		
	Carrying amount	-100 basis points	+100 basis points
		Net result	Net result
Contractual financial assets			
Cash and deposits	52,340	(523)	523
Total Impact	52,340	(523)	523

Note:

(a) To align with the current market conditions, a revised market interest rate at +/- 50 basis points (2019: +/-100 basis points) was applied in the interest risk sensitivity assessment during the financial year 2020.

7.2 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

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

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

Contingent liabilities

Contingent liabilities are:

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

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

Quantifiable contingent liabilities:**(1) Quantifiable Claims**

(\$'000)

	2020	2019
Quantifiable claims ^(a)	770 to 987	300 to 600

Note:

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

(2) Contingent Liabilities

VBA in its role as CSV to monitor and provide funding assistance for cladding rectification, the CSV Investment Board has approved 84 buildings with a budget allocation of \$165.3 million (GST inclusive). No present obligation exists for this uncommitted funding, with final amounts uncertain at this time.

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

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

7.3 FAIR VALUE DETERMINATION

Significant judgment: Fair value measurements of assets and liabilities.

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

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

The following assets and liabilities are carried at fair value:

- land,
- buildings,
- infrastructure,
- plant and equipment.

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

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

Fair value hierarchy

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

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

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

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

7.3.1 FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

These financial instruments include:

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

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

The carrying value of those financial instruments measured at amortised cost approximate their fair value.

7.3.2 FAIR VALUE DETERMINATION OF NON-FINANCIAL PHYSICAL ASSETS

Fair value measurement hierarchy

(\$'000)

	Carrying amount	Fair value measurement at end of Reporting period using:		
	as at 30 June 2020	Level 1 ^(a)	Level 2 ^(a)	Level 3 ^(a)
Land at fair value				
Non-specialised land	946	-	946	-
Total of land at fair value	946	-	946	-
Buildings at fair value				
Non-specialised buildings	10,785	-	629	10,156
Total of buildings at fair value	10,785	-	629	10,156
Plant, equipment and vehicles at fair value	3,527	-	-	3,527
Total plant, equipment and vehicles at fair value	3,527	-	-	3,527

(\$'000)

	Carrying amount	Fair value measurement at end of Reporting period using:		
	as at 30 June 2019	Level 1 ^(a)	Level 2 ^(a)	Level 3 ^(a)
Land at fair value				
Non-specialised land	946	-	946	-
Total of land at fair value	946	-	946	-
Buildings at fair value				
Non-specialised buildings	655	-	655	-
Total of buildings at fair value	655	-	655	-
Plant, equipment and vehicles at fair value	2,774	-	-	2,774
Total plant, equipment and vehicles at fair value	2,774	-	-	2,774
Leasehold improvements	151	-	-	151
Total of leasehold improvements	151	-	-	151

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

(\$'000)

2020	Plant & equipment & vehicles	Buildings
Opening balance	2,774	-
Adoption of AASB 16	-	11,289
Transfers in/(out) of Level 3	-	-
Purchases/(sales)	1,720	1,866
Depreciation	(967)	(2,999)
Impairment loss	-	-
Closing balance	3,527	10,156

2019	Plant & equipment & vehicles	Leasehold improvements
Opening balance	1,785	182
Transfers in/(out) of Level 3	-	-
Purchases/(sales)	1,732	-
Depreciation	(743)	(31)
Impairment loss	-	-
Closing balance	2,774	151

Description of significant unobservable inputs to Level 3 valuations

2020 and 2019	Valuation technique	Significant unobservable inputs
Buildings – right-of-use	Depreciation replacement cost	Cost per unit
Motor vehicles	Depreciated replacement cost	Useful life of vehicles
Plant and equipment/leasehold improvements	Depreciated replacement cost	Useful life of plant and equipment

Significant unobservable inputs have remained unchanged since June 2019.

Note 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 Changes in accounting policies
- 8.12 Business unit financial information-Cladding Rectification Program and Regulatory
- 8.13 Glossary of technical terms
- 8.14 Style conventions
- 8.15 Other accounting policies

8.1 OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

Net gain/(loss) on non-financial assets includes unrealised and realised gain/(loss) from revaluations, impairments, and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation surplus.

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

(\$'000)

	2020	2019
Net gain/(loss) on non-financial assets		
Net gain/(loss) on disposal of property plant and equipment	111	123
Total net gain/(loss) on non-financial assets	111	123

8.2 RESERVES

(\$'000)

	2020	2019
Asset revaluation surplus ^(a)		
Balance at the beginning of financial year	363	190
Revaluation increments/(decrements)	-	173
Balance at the end of financial year	363	363
Net changes in reserves	-	173

Note:

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

8.3 RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period:

Minister	
Hon Richard Wynne MP, Minister for Planning	1 July 2019 – 30 June 2020
Governing Board	
Dr Owen Donald, Chief Commissioner	1 July 2019 – 31 January 2020
Justin Madden AM, Chief Commissioner	1 February 2020 – 30 June 2020
Justin Madden AM, Commissioner	1 July 2019 – 31 January 2020
Dr Lynne Williams AM, Commissioner	1 July 2019 – 29 February 2020
Yvonne Von Hartel AM, Commissioner	1 July 2019 – 30 June 2020
Kelly Humphreys, Commissioner	1 July 2019 – 30 June 2020
Carmel Coate, Commissioner	1 July 2019 – 30 June 2020
Natalie MacDonald	1 October 2019 – 30 June 2020
Dr Julia Cornwell McKean	1 March 2020 – 30 June 2020
Ross Kennedy	1 March 2020 – 30 June 2020
Anna Skreiner	1 March 2020 – 30 June 2020
Salvatore Torre	1 March 2020 – 30 June 2020
Accountable Officer	
Sue Eddy, CEO and Accountable Officer	1 July 2019 – 30 June 2020

Remuneration of Responsible Persons

The Responsible Persons received remuneration for the financial year ended 30 June 2020. The number of Responsible Persons, excluding the Minister, whose total remuneration in connection with the affairs of the VBA as shown in the following bands, were:

	2020	2019
Income band (\$)	no.	no.
10,000 – 19,999	4	-
20,000 – 29,999	2	-
30,000 – 39,999	3	7
40,000 – 49,999	2	-
70,000 – 79,999	-	1
430,000 – 439,999	-	1
440,000 – 449,999	1	-
Total number of responsible persons	12	9
		(\$'000)
Total remuneration received, or due and receivable by Responsible Persons from the VBA services for the financial period:	741	741

8.4 REMUNERATION OF EXECUTIVES

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

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

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

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

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

(\$'000)

Remuneration of Executive Officers	Total remuneration	
	2020	2019
(including key management personnel (KMP) disclosed in note 8.5)		
Short-term employee benefits	2,546	1,726
Post-employment benefits	303	129
Other long-term benefits	74	51
Termination benefits	212	39
Total remuneration	3,135	1,945
Total number of executives^{(a), (b)}	16	10
Total annualised employee equivalents^(c)	10	7

Notes:

- (a) 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.
- (b) The significant variation between the current and previous reporting date was due to the additional executive level resources hired, as a result of the incorporation of CSV as a new business unit within the VBA.
- (c) Annualised employee equivalent is based on the time fraction worked over the reporting period. Figures represent current executive officers as at 30 June 2020.

8.5 RELATED PARTIES

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

Related parties of the VBA include:

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

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

Significant transactions with government-related entities

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

The VBA received grants from DELWP for \$53.77 million (2019: \$17.52 million) and interest from Treasury Corporation of Victoria for \$nil (2019: \$0.6 million).

The VBA made payments to other government-controlled entities for:

(\$'000)

Government-related entities	2020	
	2020	2019
Consumer Affairs Victoria ^(a)	19,369	16,818
Department of Environment Land Water and Planning ^(b)	1,681	2,330
Victorian Managed Insurance Authority ^(c)	115	3,184
Other departments and agencies ^(d)	2,497	1,146
Total aggregate transactions	23,662	23,478

Notes:

- (a) This represents Consumer Affairs Victoria's share of the building levy and domestic building practitioner registration fees.
- (b) Supports the policy function of department and other miscellaneous services.

(c) Includes in the FY18-19, the insurance premium pre-paid for 2019-20 of \$1.7 m.

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

Key management personnel (KMP) of the VBA include Responsible Persons as outlined in note 8.3 and senior executives of the VBA as indicated below:

VBA	
Mark Rossiter, Executive Director Operations	1 July 2019 – 25 October 2019
Matthew Vincent, Executive Director Corporate Governance and Major Projects	1 July 2019 – 15 November 2019
Karen Wild, Executive Director People and Finance	1 July 2019 – 30 June 2020
Shilpi Kapoor, Chief Finance Officer	1 July 2019 – 5 June 2020
Garry Button, Chief Finance Officer	9 June 2020 – 30 June 2020
John Thompson, Director Communications and Stakeholder Engagement	1 July 2019 – 27 August 2019
Alison Byrne, Executive Director Operations	3 February 2020 – 30 June 2020
Suzanne Neilan, Executive Director Service Delivery	1 Oct 2019 – 30 June 2020
Andrew Cialini, State Building Surveyor	29 July 2019 – 30 June 2020
Karen Lyon, Acting Director Communications	28 August 2019 – 10 February 2020

CSV	
Dan O'Brien, Chief Executive Officer	5 August 2019 – 30 June 2020
Jodee Cook, Chief Operating Officer	4 November 2019 – 30 June 2020
Ashley Hunt, Executive Director Program Delivery	12 August 2019 – 30 June 2020
John Kent, Director Stakeholder Engagement	18 November 2019 – 30 June 2020
Rebecca Thistleton, Director Policy and Communications	6 January 2020 – 30 June 2020
Luke Exell, Director Legal and Commercial	23 September 2019 – 30 June 2020

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

			(\$'000)
Compensation of KMP		2020	2019
Short-term employee benefits		3,224	2,387
Post-employment benefits		354	178
Other long-term benefits		86	82
Termination benefits		212	39
Total		3,876	2,686

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

Transactions and balances with key management personnel and other related parties

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

Outside of normal citizen type transactions with the VBA, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

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

8.6 REMUNERATION OF AUDITORS

	(\$'000)	
	2020	2019
Victorian Auditor-General's Office		
Audit or review of the financial statements	62	58
Total remuneration of auditors	62	58

8.7 SUBSEQUENT EVENTS

(1) CSV to become a separate entity

Subsequent to the reporting period, on 3 September 2020 the Victorian Government introduced legislation to the Parliament, the Cladding Safety Victoria Bill 2020. If passed as introduced, the Bill will formally separate CSV from the VBA and establish it as the responsible authority for delivering the Cladding Rectification Program on a day or days to be proclaimed, but no later than 1 July 2021.

(2) Fee exemptions for plumbing and building practitioners

The Victorian Government and the VBA are assisting plumbers and building practitioners experiencing hardship due to coronavirus restrictions by exempting them from fee payment if they are taking part in the JobKeeper or JobSeeker programs. With an amendment made to the Building Regulations 2018 on 29 September 2020 allowing VBA fee exemption power for builders, and with existing plumbing regulations in place to support this, implementation commenced in October 2020.

It is challenging to ascertain a reliable forecast of the financial impact at this stage due to difficulties assessing JobKeeper eligibility with the current economic uncertainty created by the impact of the coronavirus.

(3) Approval of cladding rectification grants and grant funding agreement commitments

Subsequent to the reporting period and in addition to disclosure in Note 7.2(2), as of the date of signing this financial report the CSV Investment Board has approved additional cladding rectification grants for a further 71 buildings with a budget allocation of \$144.3 million (GST inclusive). Of these and earlier approvals, in addition to disclosure in Note 6.4, a further \$31.6 million (GST inclusive) of grant funding agreements have been committed subsequent to the reporting period. No present obligation exists for the approvals that are yet to be committed, with final amounts uncertain at this time.

(4) Coronavirus effects on reporting forecasts

A state of emergency was declared in Victoria on 16 March 2020 due to the global coronavirus. A state of disaster was subsequently declared on 2 August 2020. Economic uncertainty created by the impact of the coronavirus means actual economic events and conditions in the future may be materially different from those estimated by the VBA at the reporting date. As government responses continue to evolve after the reporting date, it is difficult to reliably estimate the potential impact of the coronavirus pandemic on the VBA, its operations, future results and financial position.

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

8.8 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian Accounting Standards (AAS) have been published which are not mandatory for the 30 June 2020 reporting period. DTF assesses the impact of all these new standards and advises the VBA of their applicability and early adoption where applicable.

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*

This Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. It applies to reporting periods beginning on or after 1 January 2020 with earlier application permitted. The VBA has not early-adopted the Standard.

The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.

VBA is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non Current*

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 *Classification of Liabilities as Current or Non-Current – Deferral of Effective Date* with the intention to defer the application by one year to periods beginning on or after 1 January 2023. The VBA will not early adopt the Standard.

The VBA is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the VBA's reporting.

- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*.
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*.
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*.
- Conceptual Framework for Financial Reporting.

8.9 SECURITY DEPOSITS

Under section 22 of the *Building Act 1993* and regulation 323 of the *Building Regulations 2006*, the relevant building surveyor may issue a building permit with a condition that a bond or guarantee be deposited to be held by the VBA until building works are completed. Payments are recognised as a liability at the time the deposit is received by the VBA. The liability is measured at carrying value.

8.10 OTHER NON-FINANCIAL ASSETS

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

8.11 CHANGE IN ACCOUNTING POLICIES

8.11(a) LEASES

The VBA has applied AASB 16 with a date of initial application of 1 July 2019.

The VBA has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. The cumulative effect of initial application is recognised in accumulated surplus as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, the VBA determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 *Determining Whether An Arrangement Contains A Lease*. Under AASB 16, the VBA assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 6.2.

On transition to AASB 16, the VBA has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 17 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

Leases classified as operating leases under AASB 117

As a lessee, the VBA previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the VBA. Under AASB 16, the VBA recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low-value leases.

On adoption of AASB 16, the VBA recognised lease liabilities in relation to leases which had previously been classified as operating lease payments, discounted using the VBA's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The VBA has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- adjusted the right-of-use assets by the amount of AASB 137 onerous contracts provision immediately before the date of initial application, as an alternative to an impairment review;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

Impacts on financial statements

On transition to AASB 16, the VBA recognises \$11.471 million of right-of-use assets and \$11.138 million of lease liabilities. In addition, the VBA wrote back the straight-line lease liability of \$483,000 against the opening accumulated surplus balance.

When measuring lease liabilities, the VBA discounted lease payments using its incremental borrowing rate range from 3.380% to 3.838% at 1 July 2019.

(\$'000)

	30 June 2019
Total operating lease commitments disclosed as 30 June 2019	11,887
Total operating lease commitments not included at 30 June 2019	132
Discounted using the incremental borrowing rate at 1 July 2019	(881)
Lease liabilities recognised at 1 July 2019	11,138

8.11(b) REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with FRD 121 requirements, the VBA has applied the transitional provisions of AASB 15, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the VBA applied this standard retrospectively only to contracts that are not "completed contracts" at the date of initial application, and have reclassified deferred revenue to contract liabilities on 1 July 2019.

Comparative information has not been restated

Note 2.1 include details about the transitional application of AASB 15 and how the standard has been applied to revenue transactions. The accrued revenue as at 30 June 2019 was re-classified to contract liabilities in the financial statements.

8.11(c) INCOME OF NOT-FOR-PROFIT ENTITIES

In accordance with FRD 122 requirements, the VBA has applied the transitional provision of AASB 1058, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the VBA applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Comparative information has not been restated

Note 2.2 includes details about the transitional application of AASB 1058 and how the standard has been applied to revenue transactions.

The adoption of AASB 1058 did not have any impact on other comprehensive income and the statement of cash flows for the financial year.

8.11(d) TRANSITION IMPACT ON FINANCIAL STATEMENTS

The note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

- AASB 15 *Revenue from contracts with customers*;
- AASB 1058 *Income of not-for-profit entities*; and
- AASB 16 *Leases*

Impact on balance sheet due to the adoption of AASB 15, AASB1058 and AASB 16 is illustrated with the following reconciliation between the carrying amount as 30 June 2019 and the balances reported under the new accounting standard at 1 July 2019.

(\$'000)

Balance sheet	Note	Before new accounting standards opening 1 July 2019	Impact of new accounting standard-AASB 16, 15 and 1058	After new accounting standards Opening 1 July 2019
Total financial assets		58,025	-	58,025
Total non-financial assets		13,899	11,138	25,037
Total assets		71,924	11,138	83,062
Payables and contract liabilities		12,189	(6,676)	5,513
Contract liabilities		-	6,676	6,676
Employee-related provisions		7,132	-	7,132
Other provisions		1,578	-	1,578
Security deposits		2,296	-	2,296
Interest-bearing liabilities	6.1	52	11,138	11,190
Other liabilities		2,002	(483)	1,519
Total liabilities		25,249	10,655	35,904
Accumulated surplus/(deficit)		31,826	483	32,309
Physical revaluation surplus		363	-	363
Other items in equity		14,486	-	14,486
Total equity		46,675	483	47,158

8.12 BUSINESS UNIT FINANCIAL INFORMATION-CLADDING RECTIFICATION PROGRAM AND REGULATORY

(\$'000)

2020	Cladding Rectification Program	Regulatory	Total
Levy revenue	19,304	44,731	64,035
Grant income	39,420	14,353	53,773
Fees and fines	-	28,597	28,597
Interest income	-	566	566
Other income	-	450	450
Total revenue and income	58,724	88,697	147,421
Total expenses	14,171	86,724	100,895
Comprehensive results	44,553	1,973	46,526
Total cash and cash equivalents at end of the year	51,570	56,629	108,199

8.13 GLOSSARY OF TECHNICAL TERMS

Amortisation

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

Interest-bearing liabilities

Interest bearing liabilities may consist of public borrowings raised through TCV, lease liabilities and other interest bearing arrangements.

Commitments

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

Comprehensive result

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

Depreciation

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

Effective interest method

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

Employee benefits expenses

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

Ex gratia expenses

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

Financial asset

A financial asset is any asset that is:

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

Financial instrument

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

Financial liability

A financial liability is any liability that is:

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

Financial statements

A complete set of financial statements comprises:

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

General government sector

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

Infrastructure systems

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

Intangible produced assets

Refer to produced assets in this glossary.

Interest expense

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

Interest income

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

Leases

As conveyed in a contract, or part of a contract, the right of use an underlying asset for a period of time in exchange for consideration.

Net result from transactions/ net operating balance

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

Net worth

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

Non financial assets

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

Other economic flows included in net result

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

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

Other economic flows – other comprehensive income

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

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

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

Payables

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

Public financial corporation sector

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

Public non-financial corporation sector

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

Receivables

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

Sales of goods and services

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

Supplies and services

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

Taxation income

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

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

Transactions

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

8.14 STYLE CONVENTIONS

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

8.15 OTHER ACCOUNTING POLICIES

Goods and Services Tax (GST)

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

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

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

Equity

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

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

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

APPENDICES⁵⁴

54. Information on other boards, councils and committees is available on the following websites:
- BAB information is listed on the [BAB website](#)
 - Building Regulations Advisory Committee (BRAC) information is listed on the BRAC webpage within the [VBA website](#)
 - Plumbing Advisory Council (PAC) information is listed on the [Department of Environment, Land, Water and Planning \(DELWP\) website](#)

APPENDIX 1

DISCLOSURE INDEX

The annual report of the VBA is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the VBA's compliance with statutory disclosure requirements.

To refer to the relevant requirements for the corresponding disclosure requirements, click on a requirement or legislation title or refer to the corresponding page references.

Legislation	Requirement	Page reference
Report of operations		
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	11
FRD 22H	Purpose, functions, powers and duties	10-11
FRD 22H	Key initiatives and projects	12-23
FRD 22H	Nature and range of services provided	11
Management and structure		
FRD 22H	Organisational structure	44
Financial and other information		
FRD 10A	Disclosure index	123-124
FRD 12B	Disclosure of major contracts	49
FRD 15E	Executive officer disclosures	132, 174
FRD 22H	Employment and conduct principles	128
FRD 22H	Occupational health and safety policy	125
FRD 22H	Summary of the financial results for the year	39
FRD 22H	Significant changes in financial position during the year	41
FRD 22H	Major changes or factors affecting performance	41
FRD 22H	Subsequent events	42
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	50-51
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	51
FRD 22H	Statement on National Competition Policy	51
FRD 22H	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	52
FRD 22H	Details of consultancies over \$10,000	49
FRD 22H	Details of consultancies under \$10,000	49
FRD 22H	Disclosure of government advertising expenditure	50
FRD 22H	Disclosure of ICT expenditure	50
FRD 22H	Statement of availability of other information	56
FRD 24D	Reporting of office-based environmental impacts	53-54
FRD 25D	Local Jobs First	49
FRD 29C	Workforce data disclosures	129-131, 172
SD 5.2	Specific requirements under Standing Direction 5.2	3

Legislation	Requirement	Page reference
Compliance attestation and declaration		
SD 5.4.1	Attestation for compliance with Ministerial Standing Direction	56
SD 5.2.3	Declaration in report of operations	3
Financial statements		
Declaration		
SD 5.2.2	Declaration in financial statements	58
Other requirements under Standing Directions 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	66
SD 5.2.1(a)	Compliance with Standing Directions	56
SD 5.2.1(b)	Compliance with Model Financial Report	123
Other disclosures as required by FRDs in notes to the financial statements ^(a)		
FRD 11A	Disclosure of ex gratia expenses	118
FRD 21C	Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the financial report	109, 112
FRD 103H	Non-financial physical assets	78, 106
FRD 110A	Cash flow statements	64
FRD 112D	Defined benefit superannuation obligations	75
FRD 114C	Financial Instruments – general government entities and public non-financial corporations	95–107
<i>Note: (a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are in the nature of disclosure.</i>		
Legislation		
<i>Freedom of Information Act 1982</i>		50–51
<i>Building Act 1993</i>		51
<i>Public Interest Disclosures Act 2012</i>		52
<i>Disability Act 2006</i>		53
<i>Local Jobs Act 2003</i>		49
<i>Financial Management Act 1994</i>		66

APPENDIX 2

PEOPLE DATA

Occupational health and safety

The VBA's Health and Safety Committee met bimonthly to contribute to the health and safety program at the VBA and help improve safe practices in all VBA teams.

A review of safety risks highlighted issues associated with remote work, working alone and psychological safety. In 2020–21, the VBA will implement additional control measures to further minimise risk.

The VBA provided staff with additional support to safely transition to remote working. A suite of updated protocols included an updated edition of the VBA's Field Guide to adjust working environments.

The VBA commissioned an independent review of its injury management and approach to workers compensation that will be completed in 2020–21. As the regulator of the construction industry, it is appropriate that the VBA adopts the measure most used in the industry, total recordable injury frequency rate (TRIFR). This enables the VBA to benchmark our safety outcomes against industry and public administration using Safe Work Australia's performance by industry figures.

OHS improvements at the VBA

Table 17 shows a year-on-year down-trend in the number of incidents, incident rate and injury rate for full-time equivalent (FTE) employees at the VBA.

An increase in the number of reported incidents allowed the VBA to be more proactive in improving safety for our people and contributed to early intervention that reduced injury rates. We intend to further increase our proactive reporting for all events and near misses, including those of a psychological nature, to attain even greater levels of safety at the VBA in forthcoming years.

TABLE 17: PERFORMANCE AGAINST OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT MEASURES

Measure	Key performance indicator	2019–20	2018–19	2017–18
Incidents and injuries ⁵⁵	Number of incidents	19	41	23
	Incident rate per 100 FTE (%)	4.6	10.3	7.9
	Number of incidents requiring first aid and/or further medical treatment	5	22	0
	Number of injuries	3	20	11
	Injury rate per 100 FTE (%)	1.0	5.0	3.8
	Total recordable injury frequency rate (TRIFR)	2.9	11.6	N/A
	Medical treated injury frequency rate (MTIFR)	2.9	2.6	N/A
	Lost time injury frequency rate (LTIFR)	0.0	8.9	N/A
Claims	Number of standard claims ⁵⁶	3	3	1
	Rate per 100 FTE (%)	0.8	0.8	0.3
	Number of lost time claims	3	3	1
	Rate per 100 FTE (%)	0.8	0.8	0.3
	Number of claims exceeding 13 weeks	3	2	1
	Rate per 100 FTE (%)	0.8	0.5	0.5
Fatalities	Fatality claims	0	0	0
Claim costs	Average cost per standard claim (\$)	23,359	32,249	10,960
Return to work (RTW)	Percentage of claims with RTW plan <30 days	0	0	0
Management commitment	Evidence of OHS policy statement, OHS objectives, regular reporting to senior management of OHS, and OHS plans (signed by CEO or equivalent)	Reviewed and revised	Reviewed and revised	Achieved
	Evidence of OHS criteria in purchasing guidelines (including goods, services and personnel)	Reviewed and revised	Under review	In progress
Consultation and participation	Evidence of agreed structure of:			
	• designated workgroups (DWGs)	7 DWGs	7 DWGs	Achieved
	• health and safety representatives (HSRs)	10 HSRs	10 HSRs	Achieved
	• issue resolution procedures (IRPs)	Achieved	Under review	Achieved
	Compliance with agreed structure on DWGs, HSRs, and IRPs	Achieved	Achieved	Achieved
	Number of OHS Committee meetings ⁵⁷	8	5	5

55. Incidents and injuries include all recordable work-related incidents and near misses, reported by VBA employees and contractors.

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

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

TABLE 17: PERFORMANCE AGAINST OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT MEASURES (CONTINUED)

Measure	Key performance indicator	2019–20	2018–19	2017–18
Risk management	Percentage of internal audits/inspections conducted as planned (%)	100	100	100
	Percentage of reported incidents investigated ⁵⁸ (%)	26	34	-
	Number of Improvement Notices issued across the VBA by WorkSafe Inspector	0	0	0
	Percentage of issues identified and actioned arising from:			
	• internal audits (%)	100	100	100
	• HSR provisional improvement notices (PINs) (%)	0	0	N/A
	• WorkSafe notices (%)	0	0	N/A
Training	Percentage of managers and staff that have received OHS training:			
	• induction (%)	100	100	100
	• management training (%)	84	50	100
	• contractors and temporary (%)	100	80	100
	Percentage of HSRs trained:			
	• upon acceptance of role (initial training) (%)	100	100	100
	• retraining (annual refresher) (%)	100	100	100

58. This measure relates to incidents investigated internally and concluded as part of standard procedures. Incidents on sites of other organisations are not investigated because the VBA has no management or control on those sites.

Staff learning and development programs and participants

The VBA strengthened staff technical skills, collaborative leadership and workforce resilience through greater adoption of online training. The following table outlines some key programs in 2019–20.

TABLE 18: LEARNING AND DEVELOPMENT PROGRAMS AND PARTICIPANTS

VBA learning and development programs	Participation 2019–20
Continuous professional development and trade upskilling	80 participants engaged in trade-specific qualification training for building and plumbing technical classes (backflow prevention, thermostatic valves, heights, medical gasses), legal services and IT.
Launched Skills Assist expression of interest (EOI)	27 submissions responded to the VBA-wide Skills Assist EOI, with 10 staff supported to study, including an advanced diploma, a master's degree and certification in building surveying (limited and unlimited).
Career coaching	103 participants for career pathway activity led by Career Steer.
Leadership program 2020	40 people took part in the first leadership training program that covered areas such as foundational leadership skills, mentoring and finance fundamentals.
Compliance training	More than 200 people learnt compliance skills, including appropriate behaviour training, first aid and VBA 'onboarding'.
Culture workshops	More than 220 people joined our bystander, Aboriginal competency and career development initiatives.
Manager support	More than 90 managers attended industry and public sector conferences and executive and manager coaching and accessed professional memberships.

Public sector values, employment and conduct principles

All VBA policies and procedures are consistent with the public sector values and employment principles set out in the *Public Administration Act 2004*. The VBA has updated employment policies to ensure alignment with the Victorian Public Sector Commission (VPSC) common policies.

The VBA is committed to applying merit and equity principles when appointing staff. The selection processes ensure applicants are assessed and evaluated fairly and equitably based on the key selection criteria and other accountabilities without discrimination.

The VBA provided guidance and training to its employees to ensure they understand how to avoid and declare conflicts of interest and the process and procedures for declaring offers of gifts.

Employees are correctly classified in workforce data collections.

In March 2020, the VBA commenced negotiations for a new four-year enterprise agreement.

The VBA is continuing negotiations in good faith.

There were no instances of industrial action or dispute.

Workforce inclusion

The VBA's organisational values – we problem-solve, we work as one and we deliver – highlight the sense of inclusiveness in all VBA practices, and continue to be embedded in everything we do. The VBA creates an inclusive culture where equal opportunity and diversity are valued.

At 30 June 2020, 49 per cent of our workforce identified as women and 51 per cent identified as men. The executive level incorporated 75 per cent women and 25 per cent men.

Comparative workforce data

TABLE 19: DETAILS OF EMPLOYMENT LEVELS IN JUNE 2020

The following table discloses the headcount and FTE of ongoing, fixed-term and casual employees of the VBA (excluding Cladding Safety Victoria (CSV)) employed in the last pay period of June 2020.

	All employees ⁵⁹		Ongoing ⁶⁰			Fixed-term and casual		
	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	
Demographic data	Gender							
	Women	203	198	133	17	145	53	52
	Men	211	210	166	2	168	43	43
	Self-described	-	-	-	-	-	-	-
	Age							
	15–24	6	6	2	-	2	4	4
	25–34	102	101	68	2	69	32	32
	35–44	113	111	74	8	80	31	30
	45–54	118	116	99	6	103	13	13
	55–64	67	67	51	1	52	15	15
65+	8	8	5	2	7	1	1	
Classification data	VPS 1-6 grades							
	VPS 1	-	-	-	-	-	-	-
	VPS 2	66	64	31	5	34	30	30
	VPS 3	53	52	40	5	44	8	8
	VPS 4	71	70	55	2	56	14	14
	VPS 5	135	134	116	4	119	15	15
	VPS 6	62	61	45	3	47	14	14
	Senior employees							
	Senior Technical Specialists (STS)	16	16	12	-	12	4	4
	Executives	11	11	-	-	-	11	11
Total employees		414	408	299	19	313	96	95

59. This table excludes people engaged as contractors.

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

TABLE 20: DETAILS OF EMPLOYMENT LEVELS IN JUNE 2019

The following table discloses the headcount and FTE of ongoing, fixed-term and casual employees of the VBA employed in the last pay period of June 2019.

	All employees ⁶¹			Ongoing			Fixed-term and casual	
	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE	
Demographic data	Gender							
	Women	194	188	122	18	135	54	53
	Men	210	209	158	2	160	50	50
	Self-described	-	-	-	-	-	-	-
	Age							
	15–24	12	12	5	-	5	7	7
	25–34	101	100	64	2	65	35	35
	35–44	120	117	80	8	86	32	31
	45–54	107	105	78	7	83	22	22
	55–64	56	56	47	1	48	8	8
65+	8	8	6	2	8	-	-	
Classification data	VPS 1-6 grades							
	VPS 1	-	-	-	-	-	-	-
	VPS 2	79	77	36	3	38	40	3
	VPS 3	45	44	30	4	33	11	11
	VPS 4	75	74	59	2	60	14	14
	VPS 5	133	132	108	6	113	19	19
	VPS 6	51	50	41	5	45	5	5
	Senior employees							
	Senior Technical Specialists (STS)	6	6	6	-	6	-	-
	Executives	15	15	-	-	-	15	15
Total employees		404	397	280	20	294	104	103

61. This table excludes people engaged as contractors.

TABLE 21: ANNUALISED TOTAL SALARY, BY \$20,000 BANDS, FOR EXECUTIVES AND OTHER SENIOR NON-EXECUTIVE STAFF

The following table discloses the annualised total salary for senior employees of the VBA (excluding CSV), categorised by classification. The salary amount is reported as the full-time annualised salary.

Income band (salary)	Executives (TRP including superannuation)	STS (base salary, excluding super)
< \$160,000	-	-
\$160,000–\$179,999	-	9
\$180,000–\$199,999	-	7
\$200,000–\$219,999	2	-
\$220,000–\$239,999	2	-
\$240,000–\$259,999	1	-
\$260,000–\$279,999	1	-
\$280,000–\$299,999	1	-
\$300,000–\$319,999	1	-
\$320,000–\$339,999	1	-
\$340,000–\$359,999	-	-
\$360,000–\$379,999	-	-
\$380,000–\$399,999	-	-
\$400,000–\$419,999	1	-
\$420,000–\$439,999	1	-
\$440,000–\$459,999	-	-
Total	11	16

Executive officer data

An executive officer is defined as a person employed as a public sector body head or other executive under part 3, division 5 of the *Public Administration Act 2004*.

TABLE 22: EXECUTIVE PROFILE⁶²

	2019–20				2018–19			
	Men	Women	Self-described	Vacancies	Men	Women	Self-described	Vacancies
CEO	-	1	-	-	-	1	-	-
Executive officers	3	7	-	3	7	7	-	-
Total	3	8	-	3	7	8	-	1

TABLE 23: RECONCILIATION OF EXECUTIVE NUMBERS

		2020	2019
Add	Executives with total remunerations over \$100,000	10	20
	Vacancies	3	1
	Executives with total remunerations below \$100,000	0	0
Less	Accountable Officer (CEO)	1	1
	Separations	3	6
Total executive numbers at 30 June		11	16

62. All figures show employment levels at the last full pay period in June 2020 and the corresponding period in 2018–19.

APPENDIX 3

PROSECUTION AND PRACTITIONER DISCIPLINE OUTCOMES

Prosecutions and plumbing disciplinary proceedings are usually open to members of the public. As such, the outcomes of these proceedings are a matter of public record in the absence of an order to the contrary. In addition, under section 197(f) of the *Building Act 1993*, one of the functions of the VBA is to provide information to consumers on building practitioners and plumbers. To enable consumers to make informed choices when engaging building and plumbing practitioners, the VBA publishes the outcomes of prosecutions and disciplinary proceedings on its website, including a summary of its prosecution and disciplinary outcomes for 2019–20.

The information contained in Appendix 3 is current as at 21 October 2020. A sanction imposed following prosecution or disciplinary proceedings may be subject to review and conditions.

For full details and the current status of sanctions, please refer to the [VBA website](#).

TABLE 24: PROSECUTION OUTCOMES 2019–20 – BUILDING⁶³

Building – Individuals				
Accused name	Description of matter	Result	Fine (\$)	Date of outcome
Salahalden AL MAHDE	Carrying out building work without a building permit or the requisite insurance and whilst not registered as a domestic builder and various offences under the Domestic Building Contracts Act.	Guilty plea – with conviction; ordered to pay a fine of \$6,000 and VBA costs of \$950	6,000	18/12/2019
Nicholas ASSENDER	Carrying out building work without a building permit and whilst not registered as a domestic builder.	Guilty plea – no conviction; ordered to pay a fine of \$10,000 and VBA costs of \$1,188	10,000	12/09/2019
Paul BIRCH	Carrying out domestic building work whilst not registered as a domestic builder, holding out as being qualified to practise and carrying out building work without the requisite insurance in place.	Ex parte hearing – no conviction; ordered to pay a fine of \$7,500 and VBA costs of \$826	7,500	15/08/2019
William BLOKLAND	Carrying out domestic building work whilst not registered as a domestic builder and without the requisite insurance in place.	Guilty plea – no conviction; ordered to pay a fine of \$2,000 and VBA costs of \$1,135	2,000	31/10/2019
Tai CECIL	Holding out to be a registered builder whilst not registered.	Ex parte hearing – no conviction; ordered to pay a fine of \$5,000 and VBA costs of \$826	5,000	24/09/2019
James CHAANINE	Carrying out domestic building work whilst not registered as a domestic builder and without the requisite insurance in place.	Guilty plea – no conviction; fined \$1,500; ordered to pay VBA costs of \$955	1,500	2/09/2019

63. These prosecutions relate to breaches of the *Building Act 1993* (Vic) and *Domestic Building Contracts Act 1995* (Vic). Further information about prosecution outcomes can be found on the VBA website. There were three prosecutions that proceeded by way of diversion. These are not listed in the table as it is the court's practice not to keep records of matters that have been subject to a completed diversion plan. Prosecutions which were commenced by the VBA and subsequently withdrawn, have not been included in this list. There were six such prosecutions, with two involving an accused who passed away prior to the hearing and two which were withdrawn against company directors with the companies involved pleading guilty. In the remaining two instances, the VBA made the decision to withdraw the charges on compassionate grounds in one instance, having regard to the accused's mental health and following the production of exculpatory evidence by the accused in the other. For the purposes of calculating the number of prosecutions conducted by the VBA during 2019–20, prosecutions brought against companies and directors were counted as a single prosecution. During this period, the VBA charged four companies and their sole director and one company and its two directors.

TABLE 24: PROSECUTION OUTCOMES 2019–20 – BUILDING (CONTINUED)⁶⁴

Building – Individuals				
Accused name	Description of matter	Result	Fine (\$)	Date of outcome
Jonathan CZAPSKI	Holding himself out to be a registered builder whilst not registered.	Guilty plea – no conviction; undertaking to be of good behaviour for 12 months; ordered to pay VBA costs of \$949	-	12/02/2020
Sebastian DI GREGORIO	Carrying out domestic building work whilst not registered as a domestic builder and without the requisite insurance in place.	Guilty plea – with conviction; ordered to pay a fine of \$10,000 and VBA costs of \$952	10,000	4/02/2020
Neville DUNCANSON	Carrying out excavation work without a building permit.	Guilty plea – no conviction; fined \$1,250	1,250	29/08/2019
Hassan EL GHAIRAWI	Carrying out the demolition of a building when he was not the named building practitioner on the building permit.	Guilty plea – no conviction; undertaking to be of good behaviour for 12 months; ordered to pay a fine of \$3,000 and VBA costs of \$950	3,000	31/10/2019
Badaoui FARES	Carrying out domestic building work without a building permit.	Pleaded guilty – with conviction; ordered to pay a fine of \$20,000.	20,000	7/11/2019
Badaoui FARES	Carrying out domestic building work whilst not registered as a domestic builder and without the requisite insurance in place, in addition to knowingly providing false information to the MBS carrying out functions under Building Act.	No plea taken – charges proven – with conviction; ordered to pay total fines of \$75,000 and VBA costs of \$1,902	75,000	7/11/2019
George HADDAD	Carrying out domestic building work without a building permit, whilst not registered as a domestic builder and without the requisite insurance in place.	Guilty plea – no conviction; ordered to pay a fine of \$10,000 and VBA costs of \$946	10,000	19/12/2019
Stefce KUTLESOVSKI	This was a joint prosecution with the City of Melbourne, with the accused charged, as a director of a company, with carrying out demolition work of the Corkman Hotel without the requisite approvals.	Guilty plea – penalty appealed to County Court. Appeal against penalties imposed in joint VBA and City of Melbourne prosecution heard with appeal against penalties imposed in prosecution by the Environmental Protection Authority. Convicted and fined \$85,000 in relation to City of Melbourne and VBA matters and \$40,000 in relation to Environment Protection matters. Total costs for three accuseds in relation to all matters \$176,883 – see also SHAQIRI & LEICESTER PTY LTD	85,000	6/09/2019
David LEE	Holding out to be a registered commercial builder whilst not registered and knowingly providing misleading information to the relevant building surveyor and architect in relation to a shop fit-out.	Guilty plea – with conviction; fined \$30,000	30,000	21/05/2020

64. These prosecutions relate to breaches of the Building Act 1993 (Vic) and Domestic Building Contracts Act 1995 (Vic). Further information about prosecution outcomes can be found on the VBA website. There were three prosecutions that proceeded by way of diversion. These are not listed in the table as it is the court's practice not to keep records of matters that have been subject to a completed diversion plan. Prosecutions which were commenced by the VBA and subsequently withdrawn, have not been included in this list. There were six such prosecutions, with two involving an accused who passed away prior to the hearing and two which were withdrawn against company directors with the companies involved pleading guilty. In the remaining two instances, the VBA made the decision to withdraw the charges on compassionate grounds in one instance, having regard to the accused's mental health and following the production of exculpatory evidence by the accused in the other. For the purposes of calculating the number of prosecutions conducted by the VBA during 2019–20, prosecutions brought against companies and directors were counted as a single prosecution. During this period, the VBA charged four companies and their sole director and one company and its two directors.

TABLE 24: PROSECUTION OUTCOMES 2019–20 – BUILDING (CONTINUED)⁶⁴

Building – Individuals				
Accused name	Description of matter	Result	Fine (\$)	Date of outcome
Simon MATTISKE	Refusing to provide the new relevant building surveyor (RBS) with all documents in his possession/control relating to building work as directed by the VBA following his termination as the RBS and knowingly providing misleading documents to the new RBS and VBA by saying files had been destroyed when they had not.	Ex parte hearing – no conviction; fined \$2,000 and ordered to pay VBA costs of \$2,647	2,000	14/10/2019
Daniel James MITCHELL	Carrying out domestic building work whilst not registered, carrying out plumbing work whilst not licensed or registered in any category or class of plumbing.	Guilty plea – no conviction; ordered to pay a fine of \$2,000 and VBA costs of \$995	2,000	21/11/2019
Andrew MORGAN	Carrying out domestic building work without the required insurance.	Guilty plea – no conviction; undertaking to be of good behaviour for 12 months; ordered to pay \$500 to the court fund and VBA costs of \$826	500	17/10/2019
Domenico MULETA	Carrying out domestic building work whilst not registered and without the required insurance various breaches of the Domestic Building Contracts Act.	Guilty plea – with conviction; ordered to pay a fine of \$2,500 and VBA costs of \$2,500	2,500	27/11/2019
Raman SHAQIRI	This was a joint prosecution with the City of Melbourne, with the accused charged, as a director of a company, with carrying out demolition work of the Corkman Hotel without the requisite approvals.	Guilty plea – penalty appealed to County Court. Appeal against penalties imposed in joint VBA and City of Melbourne prosecution heard with appeal against penalties imposed in prosecution by the Environmental Protection Authority. Convicted and fined \$85,000 in relation to City of Melbourne and VBA matters and \$40,000 in relation to Environment Protection matters. Total costs for three accuseds in relation to all matters \$176,883 – see also KUTLESOVSKI & LEICESTER PTY LTD	85,000	6/09/2019
Lauren SILVARIA	Carrying out domestic building work whilst not registered and committing various breaches of the Domestic Building Contracts Act.	Guilty plea – no conviction; undertaking to be of good behaviour for 12 months; ordered to pay VBA costs of \$1,052	–	26/09/2019
Shane WILLIAMS	Failing to comply with a Building Order Minor Work.	Guilty plea – no conviction; undertaking to be of good behaviour for four months and ordered to comply with Building Order Minor Work.	–	29/08/2019

64. These prosecutions relate to breaches of the Building Act 1993 (Vic) and Domestic Building Contracts Act 1995 (Vic). Further information about prosecution outcomes can be found on the VBA website. There were three prosecutions that proceeded by way of diversion. These are not listed in the table as it is the court's practice not to keep records of matters that have been subject to a completed diversion plan. Prosecutions which were commenced by the VBA and subsequently withdrawn, have not been included in this list. There were six such prosecutions, with two involving an accused who passed away prior to the hearing and two which were withdrawn against company directors with the companies involved pleading guilty. In the remaining two instances, the VBA made the decision to withdraw the charges on compassionate grounds in one instance, having regard to the accused's mental health and following the production of exculpatory evidence by the accused in the other. For the purposes of calculating the number of prosecutions conducted by the VBA during 2019–20, prosecutions brought against companies and directors were counted as a single prosecution. During this period, the VBA charged four companies and their sole director and one company and its two directors.

TABLE 24: PROSECUTION OUTCOMES 2019–20 – BUILDING (CONTINUED)⁶⁴

Building – Companies					
Accused name	A.C.N.	Description of matter	Result	Fine (\$)	Date of outcome
160 LEICESTER PTY LTD	606 306 852	This was a joint prosecution with the City of Melbourne, with the accused charged with carrying out demolition work of the Corkman Hotel without the requisite approvals.	Guilty plea – penalty appealed to County Court. Appeal against penalties imposed in joint VBA and City of Melbourne prosecution heard with appeal against penalties imposed in prosecution by the Environmental Protection Authority. Convicted and fined \$550,000 in relation to City of Melbourne and VBA matters and in relation to Environment Protection matters, \$100,000 in fines and \$30,000 to a community project. Total costs for three accuseds in relation to all matters \$176,883 – see also KUTELSOVSKI and SHAQIRI	550,000	6/09/2019
EVOKE PROJECTS PTY LTD	166 023 721	Holding out as being a registered building practitioner whilst not registered in any category or class in relation to a shop fit-out.	Guilty plea – no conviction; ordered to pay a fine of \$2,500 and VBA costs of \$826	2,500	19/12/2019
MELBOURNE HOME RENOVATORS PTY LTD	612 518 680	Carrying out domestic building work whilst not registered and without the required insurance and committing various breaches of the Domestic Building Contracts Act.	Guilty plea – with conviction; ordered to pay a fine of \$60,000 and pay VBA costs of \$423	60,000	20/08/2019
RIGLEY PTY LTD	138 811 659	Commencing protection work before providing the adjoining owner with a copy of the insurance contract covering the work.	Guilty plea – VBA costs of \$998	-	10/12/2019

64. These prosecutions relate to breaches of the Building Act 1993 (Vic) and Domestic Building Contracts Act 1995 (Vic). Further information about prosecution outcomes can be found on the VBA website. This list does not include prosecutions commenced by the VBA which were subsequently withdrawn, which included one company (following the production of exculpatory evidence). For the purposes of calculating the number of prosecutions conducted by the VBA during 2019–20, prosecutions brought against companies and directors were counted as a single prosecution. During this period, the VBA charged four companies and their sole director and one company and its two directors.

TABLE 25: PROSECUTION OUTCOMES 2019–20 – PLUMBING⁶⁵

Plumbing Individuals				
Accused name	Description of matter	Result	Fine (\$)	Date of outcome
James Phillip AQUILINA	Carrying out plumbing work in the prescribed class of "mechanical services" work, by installing an evaporative cooler without being licensed or registered in the prescribed class.	Guilty plea– no conviction; ordered to pay a fine of \$200 and VBA costs of \$1,080	200	17/02/2020
Reece GRGURIC	Carrying out plumbing work in the prescribed class of "gas fitting" work, by installing a Type A natural gas appliance without being licensed or registered in the prescribed class.	Guilty plea – no conviction; fined \$300	300	17/01/2020
Toan HUYNH	Carrying out plumbing work in the prescribed classes of "gas fitting", "water supply" and "sanitary" work by installing a gas cooker, hot water service and mixer tap without being licensed or registered in the prescribed class.	Guilty plea – no conviction; ordered to pay a fine of \$2,000 and VBA costs of \$1,066	2,000	17/02/2020
Peter Andrew IRWIN	Carrying out plumbing work in the prescribed class of "roofing (stormwater)" work, by installing new Colorbond roof sheets without being licensed or registered in the prescribed class.	Guilty plea – proven and dismissed	-	26/09/2019
David LANG	Carrying out plumbing work in the prescribed class of "roofing (stormwater)" work, by removing and replacing an old corrugated iron roof, guttering and flashings without being licensed or registered in the prescribed class.	Guilty plea – no conviction; ordered to pay a fine of \$4,000 and VBA costs of \$2,000	4,000	24/10/2019
Moustafa LEBDEH	Carrying out plumbing work in the prescribed class of "mechanical services" work, by installing a split system air conditioning unit, without being licensed or registered in the prescribed class, holding himself out as a licensed and registered plumbing practitioner and signing a document not issued by the VBA purporting to be a compliance certificate.	Guilty plea – no conviction; fined \$25,000	25,000	17/03/2020
Kris MERLO	Carrying out plumbing work in the prescribed class of "roofing (stormwater)" work, by installing new Colorbond roof sheets without being licensed or registered in the prescribed class.	Guilty plea – no conviction; fined \$1,000	1,000	26/09/2019
Mustafa PEHLIVAN	Carrying out plumbing work in the prescribed class of "gas fitting" work, by carrying out servicing work on a Type A natural gas ducted heater without being licensed or registered in the prescribed class, using the title of licensed plumbing practitioner and holding himself out as a licensed and registered plumbing practitioner.	Ex parte hearing – with conviction; fined \$4,000 and VBA costs of \$1,160	4,000	12/02/2020

65. Further information about prosecution outcomes can be found on the VBA website. During 2019–20, there were two plumbing prosecutions that proceeded by way of diversion. These are not listed in the table as it is the court's practice not to keep records of matters that have been subject to a completed diversion plan.

TABLE 25: PROSECUTION OUTCOMES 2019–20 – PLUMBING (CONTINUED)⁶⁵

Plumbing Individuals				
Accused name	Description of matter	Result	Fine (\$)	Date of outcome
Kane SCANLAN	Carrying out plumbing work in the prescribed class of “mechanical services” work, by removing and replacing an air-conditioning unit, and replacement of metal roofing without being licensed or registered in the prescribed class.	Guilty plea – no conviction; undertaking to be of good behaviour for three months	-	15/10/2019
Klo Doh SHOO WAI	Carrying out plumbing work, in the form of below ground drainage work, by the gluing of, and connecting, pipes for sewer and stormwater, without being licensed or registered in any prescribed class.	Ex parte hearing – no conviction; ordered to pay a fine of \$500 and VBA costs of \$944	500	17/02/2020
Christopher James TAPPY	Three counts of carrying out plumbing work, namely stormwater drainage work, water supply work and sanitary work without being licensed or registered in the particular prescribed class.	Guilty plea – no conviction; undertaking to be of good behaviour for 12 months; ordered to donate \$1,000 and pay VBA costs of \$1,206	1,000	12/09/2019
Nathan TREWIN	Carrying out plumbing work, being the installation of gas ducted heater and add on refrigerated cooling, without being licensed or registered in the particular classes of “mechanical services” and “gas fitting” work.	Guilty plea – no conviction; ordered to pay a fine of \$3,000 and VBA costs of \$1,008	3,000	27/02/2020
Dean Peter TURNER	Three counts of carrying out plumbing work when not registered or licensed in the particular classes of “gas fitting”, “water supply” and “sanitary” work.	Ex parte hearing – with conviction; ordered to pay a fine of \$10,000 and VBA costs of \$937	10,000	4/09/2019
Jack TWOMEY	Carrying out plumbing work, in the form of underground drainage work, when not licensed or registered in any particular prescribed class of plumbing work.	Ex parte hearing – no conviction; ordered to pay a fine of \$750 and VBA costs of \$995	750	12/02/2020
Shane WERNER	Carrying out plumbing work in the prescribed class of “roofing (stormwater)” work, by removing and replacing metal roofing, without being licensed or registered in the prescribed class.	Guilty plea – no conviction; undertaking to be of good behaviour for three months	-	15/10/2019
Kane WESTLOW	Carrying out roof plumbing work which was not compliant and lodging a compliance certificate containing misstatements of fact, namely that the plumbing work was compliant.	Guilty plea – no conviction; undertaking to be of good behaviour for 12 months; ordered to pay a fine of \$1,000 and VBA costs of \$1,033	1,000	18/02/2020

65. Further information about prosecution outcomes can be found on the VBA website. During 2019–20, there were two plumbing prosecutions that proceeded by way of diversion. These are not listed in the table as it is the court's practice not to keep records of matters that have been subject to a completed diversion plan.

TABLE 26: PLUMBING INQUIRIES OUTCOMES 2019–20⁶⁶

Accused Name	Accreditation No.	Description of matter	Result	Fine (\$)	Date of inquiry
Karam ABED	116113	Failed to provide the owner with a compliance certificate within five days of completing plumbing work and backfilled the below ground sanitary drain without first notifying the VBA the drainage work was available for inspection.	Reprimand Fine: \$4,957 Costs: \$89 Suspension of licence in the class of drainage for 12 months with immediate effect	4,957	18/11/2019
James ALTHAUS	50583	Backfilled a below ground sanitary drain without first notifying the VBA the drainage work was available for inspection.	Fine: \$826 Costs: \$45	826	4/12/2019
Mehari ATSABAHA	105162	Carried out plumbing (roofing – stormwater) work whilst unlicensed in this prescribed class and failed to comply with a notice requesting a compliance certificate.	Fine: \$1,652 Costs: \$71 Within six months undertake: BSBSMB401 – Establish legal and risk management requirements of small business, CPCPCM4011A: Carry out work-based risk control processes and CPCPCM4012A: Estimate and cost work	1,652	23/10/2019
Ahmed BEY	107458	Backfilled a below ground sanitary drain without first notifying the VBA the drainage work was available for inspection and failed to present when an authorised auditor of the VBA attended to inspect.	Fine: \$1,652 Costs: \$71	1,652	23/10/2019
Jacob BLENCOWE	107010	Backfilled a below ground sanitary drain without first notifying the VBA the drainage work was available for inspection, signed a compliance certificate when he ought to have reasonably known the certificate contained a misstatement of fact and failed to provide an as-laid plan to the relevant water authority before issuing and lodging the compliance certificate.	Fine: \$1,652 Costs: \$89	1,652	18/11/2019
Paul Robert BOZIC	52972	Carried out plumbing (roofing – stormwater) work not compliant with the Building Act and Plumbing Regulations.	Fine: \$3,304 Costs: \$54 Within 12 months, undertake: CPCPRF3022A: Fabricate and install roof drainage components; CPCPRF3023A: Fabricate and install external flashings	3,304	25/02/2020
Timothy BROCK	106329	Carried out plumbing (mechanical services and water supply) work whilst unlicensed/unregistered in the prescribed classes.	Fine: \$2,644 Costs: \$71	2,644	21/01/2020

66. In seven out of the 42 plumbing disciplinary inquiries finalised by the VBA during 2019–20, orders were made by the panel hearing the matter prohibiting the disclosure of the outcome. Outcomes for these matters are, therefore, not included in this table. In addition, the VBA brought two disciplinary inquiries against Mr Lupa. However, the decision made in the first inquiry was subsequently withdrawn and the matter re-heard with the other allegations, resulting in a single decision for both matters. Only the consolidated decision has been included in this table.

TABLE 26: PLUMBING INQUIRIES OUTCOMES 2019–20 (CONTINUED)⁶⁶

Accused Name	Accreditation No.	Description of matter	Result	Fine (\$)	Date of inquiry
Belal DASSOUKI	111018	Failed to ensure plumbing work was carried out in a good and workmanlike manner and failed to provide a compliance certificate within five days of completion of work.	Reprimand Fine: \$3,304 Costs: \$164	3,304	4/12/2019
Maarten DE BOND	111441	Carried out plumbing (roofing – stormwater, sanitary and water supply) work whilst unlicensed/unregistered in the prescribed classes.	Reprimand Costs: \$71 12-month suspension of registration in prescribed classes of sanitary, water supply and roofing (stormwater) with immediate effect	-	21/01/2020
Peter FREEMAN	35184	Permitted or directed another person to carry out water supply work when that person was not licensed or registered in the relevant class.	Fine: \$826 Costs: \$71	826	21/01/2020
Jeremy GLEESON	48434	Carried out plumbing work (gas fitting) for which a compliance certificate is required, without being licensed to do so.	Reprimand Fine: \$1,652 Costs: \$89	1,652	12/08/2019
Patrick HILLS	50183	Permitted or directed another person to carry out mechanical services (duct fixing) work when that person was not licensed or registered in the relevant class.	Fine: \$826 Costs: \$45	826	18/12/2019
Matthew HODGES	102690	Failed to provide a compliance certificate and/or notify the VBA of its issue within five days of completing work.	Fine: \$826 Costs: \$119	826	6/11/2019
Michael JOHNS	115479	Carried out plumbing (gas fitting and water supply) work whilst unlicensed and unregistered in the prescribed classes and signed a compliance certificate while unlicensed.	Reprimand Fine: \$7,435 Costs: \$71	7,435	23/10/2019
Ben JUCHNO	48991	Permitted or directed another person to carry out plumbing work which was otherwise than in a good and workmanlike manner, when that person was not licensed or registered in the relevant class and signed and lodged a compliance certificate in relation to the work containing misstatements of fact, namely that the plumbing work was compliant.	Reprimand Fine: \$4,130 Costs: \$54	4,130	25/02/2020

66. In seven out of the 42 plumbing disciplinary inquiries finalised by the VBA during 2019–20, orders were made by the panel hearing the matter prohibiting the disclosure of the outcome. Outcomes for these matters are, therefore, not included in this table. In addition, the VBA brought two disciplinary inquiries against Mr Lupa. However, the decision made in the first inquiry was subsequently withdrawn and the matter re-heard with the other allegations, resulting in a single decision for both matters. Only the consolidated decision has been included in this table.

TABLE 26: PLUMBING INQUIRIES OUTCOMES 2019–20 (CONTINUED)⁶⁶

Accused Name	Accreditation No.	Description of matter	Result	Fine (\$)	Date of inquiry
Shameer KHAN	112952	Backfilled a below ground sanitary drain without notifying the VBA that the drainage work was available for inspection, failed to provide compliance certificates within five days of completion of the work in five instances, and failed to provide the VBA with a plan of the sanitary drain.	Reprimand Fine: \$8,261 Costs: \$45	8,261	4/12/2019
Premaprasad KUTTAN	52257	Carried out plumbing work (mechanical services) without being licensed or registered to carry out work of that class, performed plumbing work (water supply) for which a compliance certificate is required, without being licensed to do so and signed a compliance certificate containing misstatements of fact in relation to the value of the work, installation details and product information.	Reprimand Fine: \$4,957 Costs: \$298	4,957	11/09/2019
Benjamin LOWNDES	46353	Permitted or directed another person to carry out water supply work when that person was not licensed or registered in the relevant class.	Fine: \$826 Costs: \$45	826	18/12/2019
Joshua LUPA ⁶⁷	106235	Carried out plumbing work in the classes of gas fitting, sanitary and roofing – stormwater which was not compliant with the Building Act and Plumbing Regulations.	Reprimand Fine: \$3,304 Costs: \$146 Within 12 months, undertake CPCPGS3057A: Size consumer gas piping systems, otherwise licence will be suspended Offer next five compliance certificates for audit	3,304	4/02/2020
Dennis MANGAN	52067	Permitted or directed another person to carry out plumbing work that was defective in workmanship, failed to provide a compliance certificate for that work within five days of completion and signed and lodged a compliance certificate containing misstatements of fact, namely that the work complied.	Reprimand Fine: \$6,609 Costs: \$45 Within six months from the date of the Order, offer next five gas fire installations for audit, failing which gas fitting licence will be suspended	6,609	18/12/2019

66. In seven out of the 42 plumbing disciplinary inquiries finalised by the VBA during 2019–20, orders were made by the panel hearing the matter prohibiting the disclosure of the outcome. Outcomes for these matters are, therefore, not included in this table. In addition, the VBA brought two disciplinary inquiries against Mr Lupa. However, the decision made in the first inquiry was subsequently withdrawn and the matter re-heard with the other allegations, resulting in a single decision for both matters. Only the consolidated decision has been included in this table.

67. The VBA brought two disciplinary inquiries against Mr Lupa. However, the decision made in the first inquiry was subsequently withdrawn and the matter re-heard with allegations in another matter, resulting in a single decision for both matters. Only the consolidated decision has been included in this table.

TABLE 26: PLUMBING INQUIRIES OUTCOMES 2019–20 (CONTINUED)⁶⁶

Accused Name	Accreditation No.	Description of matter	Result	Fine (\$)	Date of inquiry
Matthew NEWSOM	114537	Carried out plumbing (gas fitting) work not compliant with the Building Act and Plumbing Regulations, which was related to a fire.	Costs: \$71 Cancellation of registration in all classes of gas fitting pending successful completion of CPCPGS3061A: Installation and Commission of Type A Gas Appliances	-	21/01/2020
Michael Alan RAE	111489	Carried out plumbing work in the classes of sanitary, water supply, gas fitting and/or roofing – stormwater work whilst unlicensed and unregistered in these prescribed classes.	Fine: \$826 Costs: \$54	826	25/02/2020
Marcus RUTHEN	43882	Carried out plumbing (storm water drainage) work which did not comply with the Building Act or Plumbing Regulations and signed a compliance certificate containing misstatements of fact, namely that the work complied.	Fine: \$1,652 Costs: \$119	1,652	6/11/2019
Joshua SENIOR	110578	Carried out plumbing (drainage) work whilst unlicensed and unregistered in this class.	Fine: \$826 Costs: \$72	826	4/02/2020
Pedro SILVA	44778	Backfilled a below ground sanitary drain without first notifying the VBA the drainage work was available for inspection.	Fine: \$826 Costs: \$89	826	12/08/2019
Paul SIPIDIAS	101590	Carried out plumbing (gas fitting) work and/or specialised plumbing work not compliant with the Building Act and the Plumbing Regulations and related to a complaint about carbon monoxide poisoning and failed to provide a compliance certificate within five days of completion of the work.	Immediate cancellation of gas fitting licence in all classes of gas fitting for three years; Suspend operation of cancellation on condition the practitioner does not carry out gas fitting work until successful completion within 12 months of CPCPGS3061A: Install and commission Type A gas appliance and CPCPGS3049A: Install Type A gas appliance flues	-	25/02/2020
Luke SMYTH	48642	Allowed a person to carry out plumbing work (mechanical services) when that person was not registered or licensed to carry out that class of work.	Fine: \$661 Costs: \$45	661	4/12/2019
Frank STRAGOS	40005	Backfilled a below ground sanitary drain without first notifying the VBA the drainage work was available for inspection.	Fine: \$1,652 Costs: \$119	1,652	22/07/2019

66. In seven out of the 42 plumbing disciplinary inquiries finalised by the VBA during 2019–20, orders were made by the panel hearing the matter prohibiting the disclosure of the outcome. Outcomes for these matters are, therefore, not included in this table. In addition, the VBA brought two disciplinary inquiries against Mr Lupa. However, the decision made in the first inquiry was subsequently withdrawn and the matter re-heard with the other allegations, resulting in a single decision for both matters. Only the consolidated decision has been included in this table.

TABLE 26: PLUMBING INQUIRIES OUTCOMES 2019–20 (CONTINUED)⁶⁶

Accused Name	Accreditation No.	Description of matter	Result	Fine (\$)	Date of inquiry
Jarred TAYLOR	48036	Signed and lodged a compliance certificate containing a misstatement of fact, namely that he had carried out the work when he did not do so.	Fine: \$1,652 Costs: \$71	1,652	21/01/2020
Owen THOMAS	28807	In relation to five different sites, backfilled a below ground sanitary drain without first notifying the VBA the drainage work was available for inspection, and failed to provide and lodge a compliance certificate for the work.	Reprimand Fine: \$6,609 Costs: \$71	6,609	23/10/2019
Mark Daniel THORN	100695	Caused or permitted plumbing (gas fitting) work or specialised plumbing work to be carried out on behalf of a heating and cooling business, by a person who was not licensed or registered to carry out that work.	Fine: \$826 Costs: \$119	826	22/07/2019
Vladislav TOPOLJSKI	29154	46 grounds of carrying out plumbing work in the classes of roofing, mechanical services and gas fitting, not compliant with the Building Act and Plumbing Regulations, two grounds of signing and lodging compliance certificates containing misstatements of fact and failure to comply with a Rectification Notice issued by the VBA within the required timeframe.	Reprimand Fine: \$5,783 Costs: \$73 Offer next five compliance certificates for audit	5,783	4/02/2020
Mark WILLACH	37169	Backfilled a below ground sanitary drain without first notifying the VBA the drainage work was available for inspection and failed to sign and lodge a compliance certificate for the work within five days of completion.	Reprimand Fine: \$826 Costs: \$45 Condition that practitioner complete core competency units prior to re-applying for his licence, including: BSBSMB401A: Establish legal and risk management requirements of small business; CPCPCM4011A: Carry out work based risk control processes; and CPCPCM4012A: Estimate and cost work	826	4/12/2019
Luke WISEMAN	101489	Carried out specialised plumbing (gas-fitting) work involving type A appliance conversion work whilst unregistered and unlicensed in the prescribed class, carried out plumbing work not compliant with the Building Act and Plumbing Regulations and signed and lodged a compliance certificate containing misstatements of fact, namely that the work was complaint.	Reprimand Fine: \$4,957 Costs: \$45	4,957	4/12/2019

66. In seven out of the 42 plumbing disciplinary inquiries finalised by the VBA during 2019–20, orders were made by the panel hearing the matter prohibiting the disclosure of the outcome. Outcomes for these matters are, therefore, not included in this table. In addition, the VBA brought two disciplinary inquiries against Mr Lupa. However, the decision made in the first inquiry was subsequently withdrawn and the matter re-heard with the other allegations, resulting in a single decision for both matters. Only the consolidated decision has been included in this table.

TABLE 27: BUILDING PRACTITIONER DISCIPLINE OUTCOMES 2019–20⁶⁸

Disciplinary outcomes – individuals					
Name	Registration no.	Conduct	Result	Penalty (\$)	Notice of decision ⁶⁹
Mohammed ABDALLAH	BD-L 45089	Carrying out building work without a building permit and contrary to a building permit, providing false information to the relevant building surveyor	Fine \$10,500, within 12 months successfully complete: CPCCDE4001A Plan and Prepare for activities on demolition sites	10,500	28/10/19
Edich ALFRED	DB-U 27481	Officer of an entity under external administration	Cancellation of registration	-	9/6/20
Phillip ANDRIANAKIS	DB-U 5358	Officer of an entity under external administration	Cancellation of registration	-	9/6/20
Peter APPLETON	IN-L 27442	Failing to detect noncompliant work at frame and final inspection	Reprimand and penalties \$3,500	3,500	22/8/19
Michael ARGYROU	CB-U 1588	Carrying out building work contrary to the building permit, namely timber framing and unprotected penetrations	Reprimands and penalty \$15,000	15,000	17/12/19
Rocco BARBA	CB-L 41528	Carrying out domestic building work when not registered in the appropriate class, paying another practitioner \$10,000 to use his registration details	Reprimands, penalties \$9,500 and five month suspension	9,500	5/9/19
Craig BARKER	CB-L 407; DB-L 1408	Falsifying 26 Certificates of Compliance Design relating to sheds, carports and/or garages by purporting that they were issued by a registered engineer that had no knowledge of the use of his details on the certificates. Subject to VCAT review.	Reprimands, penalties of \$25,000, cancel registrations as a domestic and commercial builder and disqualify for 18 months	25,000	9/4/20
Paul BRISCOE	DB-U 25996	Carrying out building work without a building permit (three sites), unprofessional conduct and false representations to the relevant building surveyor, appointing a private building surveyor for domestic building work (three sites), not holding required insurance (two sites), receiving money before required insurance obtained (two sites)	Reprimands, penalties \$12,500 and within 12 months successfully complete CPCCBC4009B: Apply legal requirements to building and construction projects and three month suspension of registration	12,500	17/7/19
Leslie CACHIA	DB-U 47524	Officer of an entity under external administration	Impose a condition on registration prohibiting new building work in excess of \$16,000 pending termination of external administration	-	9/6/20
Christina CHAI	BS-U 14426	Approving the use of noncompliant combustible cladding on a nine storey apartment building which later caught fire. Subject to VCAT review	Reprimands, penalties of \$20,000 and two month suspension of registration	20,000	20/11/19

68. This list includes matters where a disciplinary outcome was imposed by the VBA during 2019–20.

69. The date of decision shown is the date the decision was made by the VBA's original decision maker or, where the practitioner sought an Internal Review, the date of any subsequent decision by the VBA's Internal Reviewer.

TABLE 27: BUILDING PRACTITIONER DISCIPLINE OUTCOMES 2019–20 (CONTINUED)⁶⁸

Disciplinary outcomes – individuals					
Name	Registration no.	Conduct	Result	Penalty (\$)	Notice of decision ⁶⁹
Omar CHANDAB	DB-U 25438	Building work carried out without a building permit in that building work progressed beyond the stage of work for which a permit was issued.	Reprimands, penalties \$18,000 and suspension of registration for six months	18,000	30/4/20
Andrew COLALUCA	DB-U 20091	Officer of an entity under external administration	Cancellation of registration	-	9/6/20
Daryl COLE-SINCLAIR	BS-U 1354	Purported of issuing 107 building permits when registration as a building surveyor was suspended	Penalties of \$26,000, cancellation of registration, disqualification for three years or until successful completion of CPCCBS6003: Apply legal and ethical requirements to building surveying functions.	26,000	30/8/19
David COWELL	IN-L 37581	Failure to detect noncompliant building work during footings and frame inspections and failure to adequately report inspections to the relevant building surveyor	Reprimands and penalties \$2,700	2,700	16/8/19
Frank D'AQUILA	BS-U 24084	Issuing a building permit for a four unit building with the incorrect classification, failing to seek report and consent of the chief officer, issuing a further building permit contrary to a building order issued by Council	Reprimands and penalties \$6,500	6,500	17/9/19
Frank D'AQUILA	BS-U 24084	Issuing building permits for demolition and a new dwelling based on inadequate information, failure to require appropriate protection work	Reprimand	-	9/12/19
Rocco DI RACO	BS-U 14813	Issuing eight building permits for swimming pools contrary to a condition on registration prohibiting the issuing of building permits for swimming pools until specified training was completed and issuing eight building permits that did not stipulate required time limits for completion of building work.	Reprimands, penalties \$6,500 and a condition on registration prohibiting the issuing of building permits for swimming pools for 180 days.	6,500	20/8/19
Denis DONOHUE	BS-U 1065	Issuing two building permits for a site when the required planning permit had not been obtained and when practitioners engaged for the work were not registered	Reprimands, penalties \$8,000 and partial suspension for 72 days prohibiting acceptance of new appointments	8,000	17/3/20
Paul DWYER	DB-U 32756	Carrying out building work without a building permit, failure to obtain foundations data, failure to obtain required insurance, misrepresenting that did have required insurance, receiving money before holding required insurance, noncompliant contract documentation and failing to give the owner a signed copy of the contract	Reprimands, penalties \$4,000, partial suspension for six months prohibiting new work and within 12 months successful completion of CPCCBC4009B: Apply legal requirements to building and construction projects and CPCCBC4016A: Administer a construction contract	4,000	24/4/20

68. This list includes matters where a disciplinary outcome was imposed by the VBA during 2019–20.

69. The date of decision shown is the date the decision was made by the VBA's original decision maker or, where the practitioner sought an Internal Review, the date of any subsequent decision by the VBA's Internal Reviewer.

TABLE 27: BUILDING PRACTITIONER DISCIPLINE OUTCOMES 2019–20 (CONTINUED)⁶⁸

Disciplinary outcomes – individuals					
Name	Registration no.	Conduct	Result	Penalty (\$)	Notice of decision ⁶⁹
Christopher EATON	DB-U 62291	Officer of an entity under external administration	Suspension for three years or until no longer an officer of a body corporate under administration	-	3/10/19
John FALK	DB-L 20059	Failure to call for mandatory inspections in relation to swimming pool construction	Reprimands and penalties \$4,000	4,000	23/4/20
Emad FARAG	DB-U 1025; CB-U 5731	Noncompliant use of combustible wall cladding in a 33 apartment building, failure to obtain required insurance for 22 units, noncompliant work and providing false information to the VBA when renewing registration. Subject to VCAT review	Reprimands, penalties \$42,000, cancellation of registration, disqualification for three years, within two years successful completion of CPCCBC4009B: Apply legal requirements to building and construction projects and CPCCBC4008B: Conduct on-site supervision of building and construction projects	42,000	4/10/19
Dean GIAMMARINO	BS-U 14716	Issuing a building permit for a swimming pool and barrier without report and consent from council, failing to lodge permit documents with council, failing to take action when notified of noncompliance, failing to refer a building notice to the VBA	Reprimands and penalties \$6,750	6,750	21/8/19
Hayrettin GIRGIN	DB-U 21621; CB-L 36550	Failure to call for inspections at mandatory notification stages and obstructing inspections by an authorised person	Reprimands, penalties \$8,000 and within 12 months successful completion of CPCCBC4009B: Apply legal requirements to building and construction projects	8,000	14/4/20
Marco HOFER	DB-L 61444	Officer of an entity under external administration	Cancellation of registration	-	9/6/20
Leonardo IACOVELLA	DB-U 5869	Officer of an entity under external administration	Cancellation of registration	-	9/6/20
Dragan IVKOVIC	DB-U 33965	Officer of an entity under external administration	Cancellation of registration	-	9/6/20
Tony JURIC	DB-M 38135; CB-L 40349	As a domestic builder manager, failing to ensure building work carried out by registered building practitioners, receiving money before holding required insurance, noncompliant building work, variations without consent of owner, failure to provide truss information to relevant building surveyor, premature demands for progress payments, continuing work when frame not approved	Reprimands, penalties \$28,000, a condition on registration to notify VBA of every registered practitioner that will carry out work where he or company are named on a building permit, within 12 months successful completion of CPCCBC4009B: Apply legal requirements to building and construction projects	28,000	27/4/20
Paul KENNEALLY	DB-M 31761; DB-L 31706	Officer of an entity under external administration	Cancellation of registration	-	9/6/20

68. This list includes matters where a disciplinary outcome was imposed by the VBA during 2019–20.

69. The date of decision shown is the date the decision was made by the VBA's original decision maker or, where the practitioner sought an Internal Review, the date of any subsequent decision by the VBA's Internal Reviewer.

TABLE 27: BUILDING PRACTITIONER DISCIPLINE OUTCOMES 2019–20 (CONTINUED)⁶⁸

Disciplinary outcomes – individuals					
Name	Registration no.	Conduct	Result	Penalty (\$)	Notice of decision ⁶⁹
Alan LORENZINI	BS-U 1091	Approving the use of noncompliant combustible cladding on two sites (including one not issued with an occupancy permit) and failing to ensure requirements of a determination of Building Appeals Board were complied with in relation to a site that was issued with an emergency order to evacuate. Subject to VCAT review	Reprimands, penalties \$40,000, cancellation of registration, disqualification for two years	40,000	18/12/19
Sabashan MANMATHARAJAH	DB-M 1234	Officer of an entity under external administration	Cancellation of registration	-	9/6/20
Simon MATTISKE	BS-L 37806; IN-U 1384	Officer of an entity under external administration	Suspension for three years or until no longer an officer of a body corporate under administration	-	16/6/20
Lazarus MAVRIDIS	BS-U 1588	Failure to notify council of appointment (two sites), failure to lodge required information with VBA, failure to take action on lapsed permit and noncompliant work, issued building permits based on inadequate information, failed to ensure appropriate protection works, failed to issue a certificate of final inspection, failed to notify council of building notice and order, issued unenforceable notice and order, failed to take enforcement action, issued an occupancy permit when the building was not suitable for occupation, failed to comply with a determination of the VBA.	Reprimands, penalties \$24,500, cancellation of registration, disqualification for three years	24,500	3/12/19
Robert MITREVSKI	DB-U 19984	Over excavation of a site, failure to backfill in a timely manner, failure to adequately supervise protection works, multiple failures to comply with directions to fix, failure to ensure retaining wall constructed in a timely manner, failure to rectify or reinstate pool barrier, causing owners to fail to comply with a building order	Reprimands, penalties \$9,500, within 12 months successful completion of CPCCBC4009B: Apply legal requirements to building and construction projects, CPCCBC4007A: Plan building and construction work and CPCCBC4008B: Conduct on-site supervision of building and construction projects	9,500	16/1/20
David MURPHY	BS-U 1093	Issuing an occupancy permit without sighting a plumbing certificate	Reprimand	-	21/2/20
Adrian PADOIN	DB-U 13035	Failure to pay a penalty imposed under a previous show cause process and failure to comply with agreement to vary contract.	Reprimand and three month suspension	-	9/12/19
Shane PETERS	DB-U 38133	Officer of an entity under external administration	Cancellation of registration	-	9/6/20

68. This list includes matters where a disciplinary outcome was imposed by the VBA during 2019–20.

69. The date of decision shown is the date the decision was made by the VBA's original decision maker or, where the practitioner sought an Internal Review, the date of any subsequent decision by the VBA's Internal Reviewer.

TABLE 27: BUILDING PRACTITIONER DISCIPLINE OUTCOMES 2019–20 (CONTINUED)⁶⁸

Disciplinary outcomes – individuals					
Name	Registration no.	Conduct	Result	Penalty (\$)	Notice of decision ⁶⁹
George PONTIKIS	DB-U 43276	Officer of an entity under external administration	Cancellation of registration	-	9/6/20
Gautaman RAJAMANICKAM	DB-U 42436	Failure to comply with a dispute resolution order made by Domestic Building Dispute Resolution Victoria	Penalty \$4,000 and order to not take new work in own name whilst related entity suspended	4,000	15/10/19
Julian RATTRAY	DB-U 32291; CB-L 32295	Officer of an entity under external administration	Cancellation of registration	-	9/6/20
Patrick RICHARDSON	BS-U 38408; IN-U 38045	Issuing a building permit for a swimming pool and barrier without adequate documentation	Penalty \$500	500	26/6/20
Glenn RIKYS	CB-U 6358	Carrying out footings and framework that did not comply with the building permit, failing to call for mandatory inspection, premature claim for progress payments, failed to rectify defective work	Reprimands, penalty \$9,500 and within 12 months successful completion of CPCCBC4009B Apply legal requirements to building and construction projects	9,500	9/9/19
Damien RYAN	DB-U 41964	Carrying out building work without a building permit, made premature claims for progress payments and carried out defective building work	Reprimands, penalty \$11,000 and within 316 days of reinstatement of registration successful completion of CPCCBC4009B Apply legal requirements to building and construction projects	11,000	20/2/20
Dennis SMITH	DB-L 32535	Failure to comply with a dispute resolution order made by Domestic Building Dispute Resolution Victoria	Partial suspension of registration for four months or until the dispute resolution order is complied with - other than to comply with the dispute resolution order and for the first 60 days prohibiting the entry into contracts for new building work	-	14/5/20
Theo THEODOROU	BS-U 1100; IN-U 1086	Approving the use of combustible external cladding at five sites. Subject to VCAT review	Reprimands, penalties \$18,500 and suspension for one year	18,500	25/5/20
Nga TO	DP-AD 34219	Construction of a first floor mezzanine without a building permit	Reprimand and penalties \$4,000	4,000	30/3/20
Jim TSAGANAS	BS-U 1329	Approving the use of combustible cladding at two apartment buildings and issuing occupancy permits when buildings were noncompliant in several respects and not suitable for occupation with one building being issued with an emergency order by the relevant council. Subject to VCAT review	Reprimands and penalties \$14,000 and nine month suspension	14,000	30/6/20
Dobro VUKOVIC	DB-M 36724	Failure to complete domestic building contract by time required, premature demand for progress payment, carrying out variations without owners consent, refusal to give owners reasonable access to site	Reprimands and penalties \$6,000	6,000	16/1/19

68. This list includes matters where a disciplinary outcome was imposed by the VBA during 2019–20.

69. The date of decision shown is the date the decision was made by the VBA's original decision maker or, where the practitioner sought an Internal Review, the date of any subsequent decision by the VBA's Internal Reviewer.

TABLE 27: BUILDING PRACTITIONER DISCIPLINE OUTCOMES 2019–20 (CONTINUED)⁶⁸

Disciplinary outcomes – individuals					
Name	Registration no.	Conduct	Result	Penalty (\$)	Notice of decision ⁶⁹
Anthony WILCOX	BS- U 17479	Approving the use of combustible cladding in an apartment building and issuing an occupancy permit when the building was not suitable for occupation and was later issued with an emergency order by the relevant council	Reprimands and penalties \$11,000 and two month suspension of registration	11,000	20/11/19
Mark XERRI	DB-U 18928	Officer of an entity under external administration	Cancellation of registration	-	9/6/20
Kamran ZAND BASIRI	BS-U 18530	Approving the use of combustible cladding on six sites and issuing occupancy permits when the buildings were not suitable for occupation with a number of buildings later subject to emergency orders issued by relevant councils	Reprimands, penalties \$9,600 and suspension and cancellation of registration and disqualification for two years and six months	9,600	1/5/20
Robert ZIVKOVIC	BS-U 15774	Issuing building permits for swimming pools and barriers based on inadequate information, informing an owner that a permit could be varied to include works already carried out without a building permit, failing to give Council a copy of a building notice and building order within seven days, failing to take action on a lapsed permit, issuing a building order which did not comply with requirements, approved building work that did not comply with the building permit, issued and amended permit with incorrect completion dates, pattern of incompetence	Reprimands, penalties \$23,400, orders to inspect site and take action to have owner bring work into compliance and report on actions to VBA and council and successfully complete CPCCBS6008: Process building applications for residential buildings up to three storeys' (or equivalent where superseded), CPCCBS6003: Apply legal and ethical requirements to building surveying functions, condition on registration to not issue new building permits for swimming pools until above courses are successfully completed	23,400	10/10/19

Disciplinary outcomes – companies					
Name	Registration no.	Conduct	Result	Penalty (\$)	Notice of decision ⁶⁹
ADGR REALTY PTY LTD T/A KING RUBY HOMES	CDB-U 52362	Failure to comply with a dispute resolution order made by Domestic Building Dispute Resolution Victoria	Partial suspension of registration for six months or until the dispute resolution order is complied with - other than to comply with the dispute resolution order and for the first 60 days prohibiting the entry into contracts for new building work	-	15/10/19
QNV CONSTRUCTIONS (VIC) PTY LTD	CDB-U 51652	Entity with no nominee director (director's registration suspended due to company being under external administration)	Suspension for three years or until no longer under external administration	-	28/10/19

68. This list includes matters where a disciplinary outcome was imposed by the VBA during 2019–20.

69. The date of decision shown is the date the decision was made by the VBA's original decision maker or, where the practitioner sought an Internal Review, the date of any subsequent decision by the VBA's Internal Reviewer.

APPENDIX 4

GLOSSARY

Australian Building Codes Board (ABCB)

The ABCB addresses issues relating to safety, health, amenity and sustainability in the design and performance of buildings through the National Construction Code (NCC) (see below) and the development of effective regulatory systems and appropriate non-regulatory solutions, including product certification systems. The Building Ministers' Forum (see below) appoints the chair and Industry Board members

Authorised Nominating Authorities (ANAs)

ANAs are authorised by the VBA to manage the adjudication process under the SoP Act. The VBA oversees ANA activities and performance. The functions of an ANA include nominating adjudicators for the purposes of the SOP Act, receiving and referring adjudication applications to adjudicators and reporting to and providing information to the VBA

Building Act 1993

Governs building and plumbing activity in Victoria and sets out the legislative framework for the regulation of building construction, building standards and the maintenance of specific building safety features

Building Activity Management System (BAMS)

The VBA's online portal for collecting levy and building permit data

Building and Construction Industry Security of Payment Act 2002 (SoP Act)

The SoP Act provides mechanisms for subcontractors to be paid for work undertaken or for the supply of related goods and services. The VBA is responsible for administering the SoP Act and monitors the operation of the SoP Act

Building Code of Australia (BCA)

The BCA comprises Volumes One and Two of the NCC and prescribes the technical provisions for the design and construction of buildings and other structures

Building Ministers' Forum

Made up of Commonwealth, state and territory government ministers with responsibility for building and construction, oversees policy and regulatory issues affecting Australia's building and construction industries

Building practitioner

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

Certificate of accreditation

A certificate issued by a state or territory accreditation authority stating that the properties and performance of a building material or method of construction or design fulfil specific requirements of the BCA

Chief Commissioner

The key appointee of the VBA's board of commissioners which is responsible for the governance and strategic management of the VBA to ensure its effectiveness as a regulator

Cladding

Non-loadbearing covering to a frame. Also called external cladding or wall cladding

Cladding Safety Victoria (CSV)

A Victorian Government entity set up in 2019–20 as a business unit within the VBA to support and guide owners and occupants of buildings with combustible cladding, particularly where rectification work is required to reduce risks to an acceptable level

Code of Conduct for Building Surveyors

Following extensive public and industry consultation, the VBA developed a Code of Conduct to establish principles and rules for professional conduct of building surveyors across Victoria

Combustible

Combustible as determined by AS 1530.1

Combustible cladding

Building cladding that has been deemed combustible according to the above

Competitive neutrality

Requires government businesses to ensure, where services compete or potentially compete with the private sector, any advantage arising solely from government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned

Compliance

Achievement of stated performance or prescriptive criteria in a regulation or other statutory requirement, usually signified by a compliance or approval certificate

Cooperative research centres (CRCs)

Key bodies for Australian scientific research which emphasise collaborative arrangements to maximise the benefits of research through an enhanced process of utilisation, commercialisation and technology transfer

Fire safety systems

Systems designed and installed by fire safety engineers to ensure a building is as fire-safe as possible. Systems can be classified as active (such as smoke alarms and sprinklers) or passive (such as self-closing or smoke-sealed doors)

Freedom of Information (FOI)

Documents held by the VBA, including those provided to us by third parties, may be accessed by the public in certain circumstances. The Freedom of Information Act 1982 (Vic) sets out the process by which the public can gain access to and the VBA can disclose documents

Internal review

The process which gives an 'affected person' the right to seek review of a 'reviewable decision' – such as building registration and disciplinary decisions – made by the VBA under the Building Act. Internal review is only available to a person who is directly affected by the decision

Municipal building surveyor (MBS)

Someone appointed, employed or nominated by a council to issue building permits, carry out inspections of buildings and building work and issue occupancy permits and temporary approvals

National Construction Code (NCC)

Published by the ABCB, the NCC comprises the BCA (Volumes One and Two), the Plumbing Code of Australia (PCA) (Volume Three) and other onsite construction requirements as directed by the Building Ministers' Forum

Natural persons

Human beings, as distinct from artificial persons or corporations recognised by law (such as companies)

Noncompliance

Failure to achieve the performance or prescriptive criteria demanded by a regulation or other statutory requirement which may lead to non-approval of a project or item and, in extreme cases, to demolition

Occupational health and safety (OHS)

OHS is concerned with the safety, health and welfare of people while at work. Also commonly referred to as health and safety, workplace health and safety, occupational health and safety, occupational health or occupational safety

Owners corporation

An organisation that manages the common property of a residential, commercial, retail, industrial or mixed-use property development. Formerly known as a body corporate

Plumbing inquiries

Disciplinary proceedings into the conduct of plumbing practitioners commenced by the VBA and heard before a panel

Plumbing practitioner

A person registered or licensed to carry out at least one class or type of plumbing work

Proactive Inspections Program (PIP)

An early intervention initiative that identifies and reduces noncompliant building and plumbing work in Victoria

Procurement

The process of finding and agreeing to terms and acquiring goods, services or works from an external source, often via a tendering or competitive bidding process

Ream

500 sheets of A4 paper

Research

With a statutory function to conduct or promote research relevant to the regulation of the building and plumbing industries, the VBA's research program helps us better understand major regulatory issues and consumer needs, and how regulatory interventions can be shaped to improve public safety and amenity in the industry

Residential regulations

Published by the VBA, safety guides and information about home renovation and building essentials, including pools and spas and bushfire standards

Restricted registration

Allows unregistered or unlicensed practitioners to carry out certain classes of work

Show cause

The process through which the VBA holds to account the performance of building practitioners, protects consumers from building malpractice and makes sure building practitioners comply with relevant legislation. The show cause process initiates disciplinary action against registered practitioners. Breaches of legislation by people other than registered practitioners are dealt with by criminal prosecution

State Building Surveyor

An authoritative industry leader for building surveyors and building practitioners across Victoria. The role supports the industry change required to ensure buildings are consistently well-built, safe and fit for purpose.

Statewide Cladding Audit (SCA)

A thorough Victoria-wide examination – established by the Victorian Government and carried out by the VBA – to identify and audit buildings with combustible cladding. The scale of the task means that this work in total is expected to take at least five years.

Temporary structure

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

Find out more

More definitions of building and plumbing industry terms are available in the new [Construction Dictionary](#) developed by Standards Australia in partnership with the ABCB. The dictionary combines terms and definitions from the NCC, Australian (and joint AS/NZS) Standards, and Handbook 50:2004 Glossary of Building Terms. It aims to assist industry, government and consumers to understand the range of terminology used to describe the same or similar terms and processes across Australia.

APPENDIX 5

ABBREVIATIONS AND ACRONYMS

AAS	Australian Accounting Standards	EAP	employee assistance program
AAT	Administrative Appeals Tribunal	ECL	expected credit loss
ABCB	Australian Building Codes Board	EOI	expression of interest
ANA	authorised nominating authority	ESM	essential safety measure
ARC	Audit and Risk Committee	ESV	Energy Safe Victoria
ARP	advisory reference panel	FOI	Freedom of Information
ATEN	Australian Technical Evaluation Network	FMA	<i>Financial Management Act 1994</i>
BAB	Building Appeals Board	FRD	financial reporting direction
BAMS	Building Activity Management System	FTE	full-time equivalent
BAU	business as usual	GST	Goods and Services Tax
BCA	Building Code of Australia	HIA	Housing Industry Association
BCR	Building Confidence Report	HSR	health and safety representative
BMF	Building Ministers' Forum	IBAC	Independent Broad-based Anti-corruption Commission
BPB	Building Practitioners Board	ICT	information and communication technology
BPN	building permit number	IPM	independent project manager
CAV	Consumer Affairs Victoria	IRP	issue resolution procedure
CEO	chief executive officer	kg	kilogram
CLO	customer liaison officer	km	kilometre
CO2-e	carbon dioxide equivalent	LGBTI	lesbian, gay, bisexual, transgender, and/or intersex
CRC	cooperative research centre	LPG	liquefied petroleum gas
CSV	Cladding Safety Victoria	LSL	long service leave
Cth	Commonwealth	LTIFR	lost time injury frequency rate
DELWP	Department of Environment, Land, Water and Planning	MAV	Municipal Association of Victoria
DHHS	Department of Health and Human Services	MBS	municipal building surveyor
DWGs	designated workgroups	MTIFR	medical treated injury frequency rate

MJ	megajoule	SCA	Statewide Cladding Audit
MR Act	<i>Mutual Recognition Act 1992 (Cth)</i>	SOE	Statement of Expectations
N/A	not available	SoP	security of payment
NCC	National Construction Code	SPASAVic	Swimming Pool and Spa Association of Victoria
OHS	occupational health and safety	WFH	work from home
OVIC	Office of the Victorian Information Commissioner	STS	senior technical specialist
PA Act	<i>Public Administration Act 2004</i>	TBC	to be confirmed
PCA	Plumbing Code of Australia	TRIFR	total recordable injury frequency rate
PID	<i>Public Interest Disclosure Act 2012</i>	TMV	thermostatic mixing valve
PII	professional indemnity insurance	TTY	teletype
PIN	provisional improvement notice	UK	United Kingdom
PIP	Proactive Inspections Program	VAGO	Victorian Auditor-General's Office
PNFC	public non-financial corporation	VBA	Victorian Building Authority
PPE	personal protective equipment	VCAT	Victorian Civil and Administrative Tribunal
RIC	Research and Innovation Committee	VPSC	Victorian Public Sector Commission
RBP	registered building practitioner	VPS	Victorian Public Service
RTW	return to work		

Victorian Building Authority

Online

www.vba.vic.gov.au

Email

customerservice@vba.vic.gov.au

Postal Address

PO Box 536
Melbourne VIC 3001

Telephone

1300 815 127

Opening Hours

Monday to Friday, 8:30am to 5:00pm

Registered Office

Goods Shed North
733 Bourke Street
Docklands VIC 3008

Department of Health and Human Services Coronavirus Hotline

1800 675 398



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



If you are deaf, or have a hearing or speech impairment, contact us through the National Relay Service. For more information, visit: relayservice.gov.au



19/20

About this report

Welcome to the report for Cladding Safety Victoria (CSV) for the year ending 30 June 2020. This report supplements the annual report for the Victorian Building Authority (VBA) as CSV was a business unit within the VBA for 2019–20.

In July 2019, the Victorian Government announced the creation of CSV to reduce the risk associated with combustible cladding on residential apartment buildings and publicly owned buildings. CSV was initially established as a business unit within the VBA during 2019–20.

On 3 September 2020, the Victorian Government introduced legislation to the Parliament, the Cladding Safety Victoria Bill 2020. If passed as introduced, the Bill will formally separate CSV from the VBA and establish it as the responsible authority for delivering the Cladding Rectification Program on a day or days to be proclaimed, but no later than 1 July 2021.

Aboriginal acknowledgement

The VBA respectfully acknowledges the Traditional Owners and custodians of the land and water upon which we rely. We pay our respects to their Elders past, present and emerging. We recognise and value the ongoing contribution of Aboriginal people and communities to Victorian life. We embrace the spirit of reconciliation, working towards equality of outcomes and an equal voice.

ISSN 2203-8892 (Online)

© State of Victoria, Victorian Building Authority 2020

The Cladding Safety Victoria Annual Report 2019–20 is licensed under Creative Commons Attribution 4.0. You are free to re-use the work under that licence, on the condition that you credit the Victorian Building Authority as the author, show if changes were made to the document and follow the other licence terms.

The licence does not apply to any branding, logo or images used in this publication.

Authorised by the
Victorian Building Authority
733 Bourke Street
Docklands VIC 3008

Available online at www.vba.vic.gov.au.

LIST OF CONTENTS

158	Contents
159	2019–20 snapshot
160	1. THE CHIEF COMMISSIONER AND CEO’S REPORT
162	2. OVERVIEW
162	About CSV
164	3. YEAR IN REVIEW
167	4. FINANCIAL SUMMARY
169	5. OUR PEOPLE
171	Workforce
175	6. OTHER DISCLOSURES

SNAPSHOT 19/20

AS AT 30 JUNE 2020



341

MET 341 INDIVIDUAL OWNERS CORPORATIONS TO DISCUSS RECTIFICATION PLANS AND HOW WE WILL HELP THEM TO RECTIFY COMBUSTIBLE CLADDING ON THEIR BUILDING



204

COMPLETED 204 DUE DILIGENCE TECHNICAL INSPECTIONS TO IDENTIFY THE EXTENT OF CLADDING THAT NEEDS TO BE RECTIFIED



FACILITATED FUNDING APPROVAL FOR CLADDING RECTIFICATION ON 98 BUILDINGS SO PRE-TENDER STATEMENTS OF WORKS COULD BE DEVELOPED



RELEASED TENDERS TO THE MARKET FOR 53 BUILDINGS



544

HIGHER-RISK RESIDENTIAL BUILDINGS IDENTIFIED AND POTENTIALLY ELIGIBLE FOR FUNDING FOR RECTIFICATION (WHICH EQUATES TO 31,304 INDIVIDUAL APARTMENTS)



172

GOVERNMENT BUILDINGS IDENTIFIED FOR RECTIFICATION



ANNOUNCED TARGET 200, THE FAST-TRACKED PROCESS WHICH WILL HAVE 200 BUILDINGS UNDERWAY BY 30 JUNE 2021



**Chief Commissioner
Michelle McLean**



**Deputy Chief Commissioner
Justin Madden AM**



**Chief Executive Officer
Dan O'Brien**

THE CHIEF COMMISSIONER AND CEO'S REPORT

In July 2019, the Victorian Government announced the establishment of Cladding Safety Victoria (CSV) – a world-first acknowledgement of the need for government to intervene and reduce the risk of flammable cladding. It has been a privilege to build a new team dedicated to solving the problems posed by combustible cladding in the 12 months since.

CSV was initially established as a business unit within the VBA. Once the Parliament of Victoria passes the *Cladding Safety Victoria Bill*, CSV will become a standalone statutory authority, responsible for cladding rectification in Victoria.

To deliver this world-leading program, CSV has assembled a strong team of technical experts, and we have focused on embedding the right processes, policies and people.

In the wake of the coronavirus pandemic, the world has faced unprecedented challenges and CSV adapted swiftly to the 'new normal'. Since March 2020, CSV staff have worked remotely and the program has continued to rapidly progress.

Despite the challenges presented by the coronavirus pandemic, CSV has continued to work with many owners corporations, guiding them through the rectification process, from start to finish. We are proud of our comprehensive community engagement, working with owners and the strata and building industries. We are working closely with other government department and agencies, particularly the VBA, to deliver our government rectification program.

The challenge is considerable. By end of June, the Statewide Cladding Audit (SCA) had identified almost 550 buildings to be considered for rectification funding.

Each building presents its own unique set of challenges – there is no one-size-fits-all approach to cladding rectification. Where appropriate, partial rectification solutions have been adopted.

In June 2020, the Minister for Planning announced *Target 200*, CSV's fast-tracked rectification process to make buildings safer, sooner, while supporting Victoria's building and construction industry in the wake of coronavirus.

The fast-tracked model, where the original builder completes rectification work, will allow work to start on 400 buildings in the next two years. It is anticipated that this initiative will support more than 3,300 construction jobs and reinforces the strong partnership needed between government and industry to rectify hazardous cladding in Victoria.

We would like to acknowledge the efforts of the team at the VBA and thank CEO Sue Eddy and the VBA Board for their assistance during the formation of CSV. A great deal of work and effort has gone into setting up CSV and preparing for a smooth transition out of the VBA. Establishing CSV as a standalone body will ensure we are best placed to deliver Victoria's world-leading cladding rectification program.

There is still much more work to do to deliver our ambitious program, and we face many complexities. Thanks to the enthusiasm and talent in our team, we are confident CSV will continue to deliver the best possible outcomes for all those facing the uncertainty of living in apartments with combustible cladding.



Michelle McLean
Chief Commissioner



Dan O'Brien
Chief Executive Officer

OVERVIEW

ABOUT CSV

Purpose

CSV has been established to help owners and owners corporations to rectify buildings with combustible cladding – making Victorians safer by reducing the risk associated with combustible cladding on buildings.

As part of a \$600 million package announced by the Victorian Government, CSV will rectify higher-risk private residential buildings. The government also announced a \$150 million package to rectify the highest-risk buildings owned by the State.



Vision

As a world-leading initiative, CSV will:



protect Victorians in their homes and workplaces



partner with industry, government and the community



expedite the program of rectification works

Outcomes



The risk from combustible cladding is reduced as soon and as safely as possible.

Objectives

CSV's rectification program is funded for five years, during which time we will:

1

Protect the community – ensure Victorians are safe

2

Respond to risks and concerns – swiftly assess and rectify buildings with higher-risk cladding

3

Empower industry and consumers – support, guide and connect appropriately registered and qualified practitioners, enabling owners and owners corporations to contribute to a safe and compliant industry

Values

CSV embraces the values of the Victorian Public Sector (VPS): Responsiveness, Integrity, Impartiality, Accountability, Respect, Leadership and Human Rights.

CSV embodies these values in all our interactions with Victorians.



We problem solve



We work as one



We deliver

Our services and regulatory functions



Managing the five-year-long Victorian cladding rectification program



Managing approvals processes, including the Building Appeals Board



Informing owners corporations if they are eligible to participate in the program



Working with fire safety engineers and other practitioners to achieve rectification works within the program timeframe and budget



Assessing and prioritising buildings according to risk and readiness, progressively bringing buildings into the program over time

Our services through the rectification process include the following key steps:



Allocating funds for building rectification through project-specific budgets



Appointing an independent project manager for each building to oversee each project



Assigning a Customer Liaison Officer to each building to engage and work with owners corporations to achieve rectification



Executing design and construct contracts for works



Determining the most practical and expeditious final scope of works for each building



Undertaking a due diligence process on each building to ensure a clear plan is in place to fix each building



Executing an appropriate pathway for buildings referred to CSV via the Statewide Cladding Audit

More information about CSV's rectification process can be found on our [website](#).

Manner of establishment

CSV was initially established as a business unit within VBA during 2019–20.

Relevant Minister

The responsible Minister from 16 July 2019 to 30 June 2020 was The Hon. Richard Wynne MP, Minister for Planning.

YEAR IN REVIEW

Established as a business unit within the VBA at the start of 2019–20, the work CSV undertook this year was crucial to ensure the ongoing safety of Victorian buildings. We consolidated our organisational structure and determined the best way to achieve our core purpose – fixing buildings with higher-risk cladding.

During 2019–20, we put solid operational foundations in place. This included creating a framework for our cladding rectification program, employing great staff with the right skills, commitment and experience, and clarifying correct procedures and protocols. We built relationships with key stakeholders and industry, and developed clear governance policies to underpin all our activities.

Helping make residential buildings safer, faster

To get combustible cladding off Victorian apartments sooner, CSV introduced a fast-tracked rectification model in June 2020. This involves inviting reputable builders to complete rectification on buildings they originally worked on. We expect that this approach will significantly reduce the time it takes to plan and deliver rectification. The model provides a guaranteed pipeline of construction work, which will be important for the building and construction industry following the disruption caused by coronavirus restrictions.

Helping make publicly owned buildings safer

A key component of our role is helping Victorian Government departments and agencies with cladding rectification on publicly owned buildings. By the end of 2019–20, 172 government buildings were identified for rectification, with 162 of these reviewed and 92 recommended for rectification.

Operating during coronavirus

During coronavirus, CSV operated in accordance with Victorian Government restrictions. This meant prioritising the health and safety of the public, contract workers and our staff.

In this context, we continued to conduct building due-diligence inspections. Apartments were only entered when owners corporations and individual owners gave their consent, and when it was safe and necessary to do so. All inspections were carried out with appropriate personal protective equipment (PPE) and from outside buildings where possible.

For buildings with construction works underway, workers were required to maintain appropriate physical distancing on worksites, in line with all construction sites in Victoria. Professional cleaners were also employed on construction sites. At sites where cladding rectification is already underway, deep cleaning will be regularly undertaken until each project is finished.

In response to government lockdown requirements, we increased our fire safety messaging around the state to make sure Victorians were aware and well informed about fire safety at home. Emphasis was placed on higher-risk clad buildings – informing people about what they could do to reduce the risk of fire, and how to get more information.

Engaging with owners corporations

CSV maintained close and regular contact with the chairs and managers of owners corporations throughout the year. This involved updating them on rectification-related information available on our website that also applies to residents, landlords and managing agents. Our ongoing engagement was evidenced by 341 meetings between our Customer Liaison Officers and owners corporation executives.

By dedicating a Customer Liaison Officer to every building, CSV created a direct line to the decision-makers of the owners corporations. This approach ensured the specifics of a building were properly understood. It enabled issues to be managed as quickly and effectively as possible. Having one point of contact with CSV also helped establish trust with building owners and minimise the stress of removing combustible cladding.

Common concerns voiced by building owners included uncertainty about building safety, escalating insurance premiums and the potential for declining asset value. CSV's approach to appoint dedicated Customer Liaison Officers to each building was welcomed by the industry and helped to manage sector expectations about the government's capacity to help.

Anecdotal feedback from owners corporations about CSV's provision of independent project managers was equally positive. This decision and the ensuing relationships will become increasingly important as more buildings move into design and construction.

Regular stakeholder engagement

CSV engaged closely with strata and building industry groups. As part of this process, in 2019–20 our executive spoke at industry seminars, we hosted information sessions for owners corporations and industry groups and provided up-to-date information for peak bodies to share with their own stakeholders.

CSV also engaged with a broad range of peak bodies, industry groups, government agencies and working groups in Australia and internationally.

Peak bodies and industry groups included:	Government agencies and working groups included:
Strata Community Association Victoria	Local councils and their municipal building surveyors
We Live Here	Victorian Building Authority
Master Builders Victoria	Environment Protection Authority
Urban Development Institute of Australia (Victoria)	WorkSafe Victoria
Housing Industry Association (Victoria)	Victorian Managed Insurance Authority
Property Council of Australia (Victoria)	Consumer Affairs Victoria
Builders Collective	Fire Rescue Victoria and the Country Fire Authority
Municipal Association of Victoria	Working for Victoria
Australian Institute of Building Surveyors	Sustainability Victoria
Tenants Victoria	Ministry of Housing, Communities and Local Government (UK)
Municipal Building Surveyors Group of Victoria	Department of Environment, Land, Water and Planning

Boosting our online engagement

In May 2020, CSV redeveloped our website to reflect the program's evolution and provide simpler, clearer and more concise information. New content includes a step-by-step guide to rectification that covers topics such as due diligence and the roles Customer Liaison Officers, independent project managers and owners corporations each have in the rectification process.

The site now has more detailed information for specific groups, including tenants and residents, owners corporations, landlords, managing agents and industry groups. Additional fire safety information also includes essential safety measures and details about CSV's government building program.

FINANCIAL SUMMARY



TABLE 28: CSV FINANCIAL SUMMARY

	\$ million 2019–20
Cladding Rectification Levy	19.3
Grant income	39.4
Total revenue and income	58.7
Total expenses	14.2
Comprehensive results	44.5
Total cash and cash equivalents at end of the year	51.6

Overview

In 2019–20, CSV recorded a net result of \$44.5 million. This was secured by a \$39.4 million grant income from DELWP and \$19.3 million from the cladding rectification levy, which came into effect on 1 January 2020 and will be used to keep Victorians safe by funding the cladding rectification works for the highest-risk buildings in the state. The cladding rectification levy covers non-regional buildings of Building Code of Australia (BCA) Classes 2 to 8, where the cost of works is greater than \$800,000. It is expected that most cladding rectification expenditure will be incurred in 2020–21.

Financial position – balance sheet

The VBA balance sheet includes CSV cash reserves of \$51.6 million which will be used for 2020–21 cladding rectification program commitments.

OUR PEOPLE

Board and organisational structure

VBA Board

The VBA Board is established under section 200 of the Building Act and is responsible for governance and strategic management of CSV as a business unit within the VBA. During 2019–20, five new commissioners were appointed to the VBA Board.

Details about the VBA Board can be found on the [VBA website](#).

Cladding Rectification Committee

The Cladding Rectification Committee of the VBA Board is an executive committee charged with the governance of CSV. The committee can commit government funding to cladding rectification, make policy decisions and delegate authority to CSV and VBA officers in relation to rectification matters. The Cladding Rectification Committee reports regularly to the VBA Board, including with a progress report on CSV's operation and deliverables.

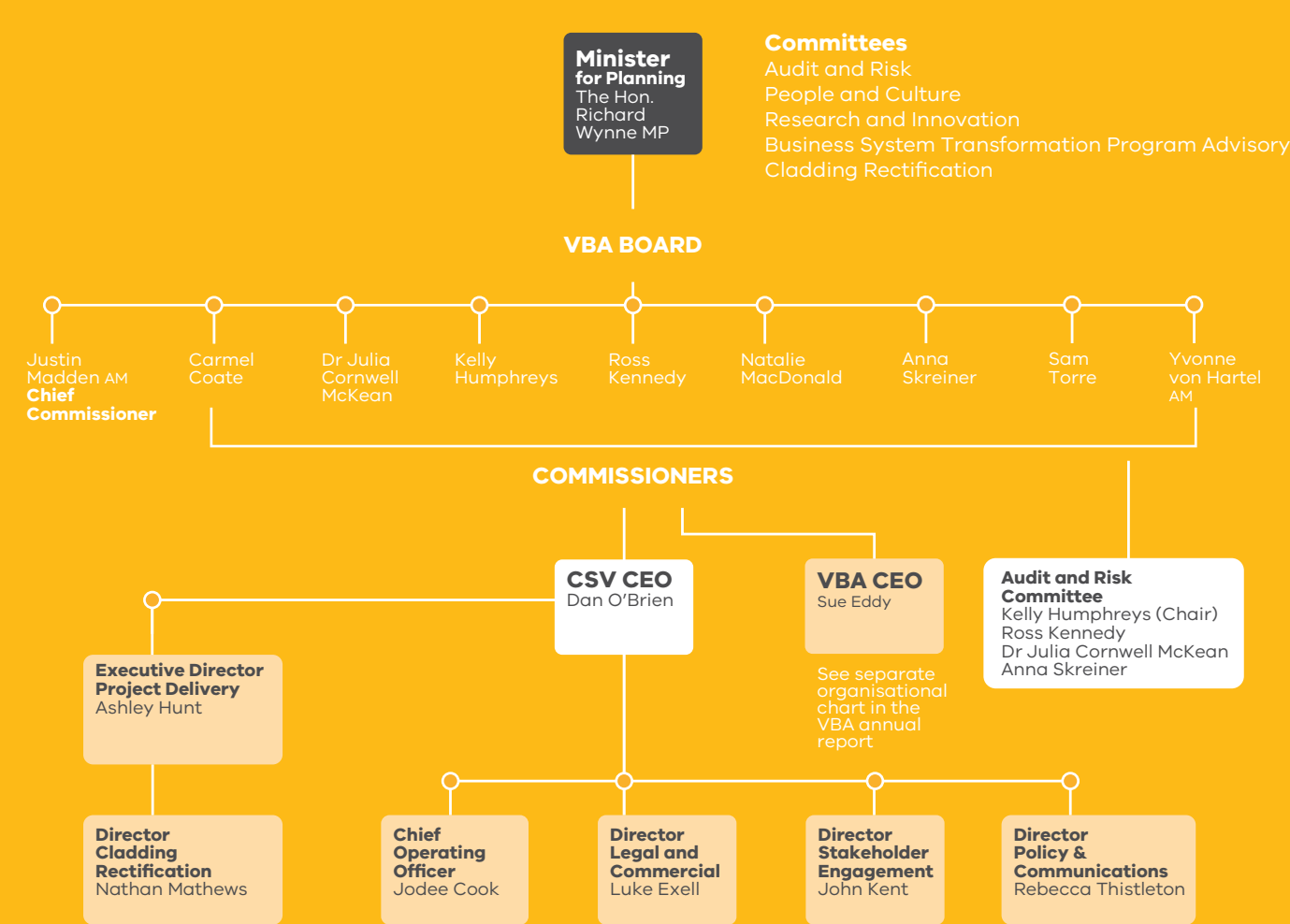
CSV

In 2019–20, within the VBA, CSV was established as a business unit with cladding rectification functions. CSV is led by the Chief Executive Officer, who reports to the VBA Board and Minister for Planning, and managed by a senior executive group that designs, monitors and reviews CSV's strategic directions.

CSV incorporates program delivery, legal and commercial, customer liaison, due diligence, policy implementation, media and communications, people and culture, finance, procurement, information technology and strategy and governance.

ORGANISATIONAL CHART

ORGANISATIONAL STRUCTURE
AS AT 30 JUNE 2020



WORKFORCE

When CSV began operating in July 2019, staff with relevant skills and expertise were recruited from the VBA and the Department of Environment, Land, Water and Planning (DELWP). Executive recruitment was prioritised during our initial months of operation and the focus was on designing the current organisational structure. During the year, the CSV team grew from 10 to 57, and we continue to recruit new staff in a way that is consistent with the VBA's requirements, managing safe and supportive onboarding processes and progressing staff development opportunities.

Our People strategy aims to encourage and support our people to be adaptive, resilient, motivated, empowered, agile and accountable. Having the right people with the right skills in the right places at the right time will help help create a high-performing organisation and ensure we fulfil our strategic objectives.



Keeping our team coronavirus safe

Since coronavirus government restrictions affected Victorians from March 2020, CSV maintained an approach consistent with the VBA's commitment to all its people. While most of our team members work from home, we commenced planning the transformation our new office into a healthy environment that prioritises physical distancing in preparation for staff returning in 2020–21.



Occupational health and safety

Eleven occupational health and safety (OHS) incidents were recorded in 2019–20. These included five potential hazards and six minor injuries, resulting in six lost workdays.

TABLE 29: DETAILS OF EMPLOYMENT LEVELS IN JUNE 2020

The following table discloses the headcount and full-time equivalent (FTE) of ongoing, fixed-term and casual employees of the CSV who were employed in the last pay period of June 2020.

	All employees ⁷⁰		Ongoing			Fixed-term and casual	
	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Demographic data	Gender						
	Women	28	27	17	2	19	9
	Men	29	29	16	-	16	13
	Self-described	-	-	-	-	-	-
	Age						
	15-24	1	1	1	-	1	-
	25-34	13	13	9	-	9	4
	35-44	20	20	11	2	13	7
	45-54	13	13	10	-	10	3
	55-64	10	10	2	-	2	8
Classification data	65+	-	-	-	-	-	-
	VPS 1-6 grades						
	VPS 1	-	-	-	-	-	-
	VPS 2	-	-	-	-	-	-
	VPS 3	9	9	6	-	6	3
	VPS 4	12	12	9	-	9	3
	VPS 5	14	14	10	-	10	4
	VPS 6	12	11	7	1	8	4
	Senior employees						
	Senior Technical Specialists (STS)	3	3	1	1	2	1
	Executives	7	7	-	-	-	7
Total employees		57	56	33	2	35	22

70. This table excludes people engaged as contractors.

TABLE 30: ANNUALISED TOTAL SALARY BY \$20,000 BANDS FOR EXECUTIVES AND OTHER SENIOR NON-EXECUTIVES

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

Income band (salary)	Executives (TRP including superannuation)	STS (base salary, excluding super)
< \$160,000	-	-
\$160,000–\$179,999	-	2
\$180,000–\$199,999	-	1
\$200,000–\$219,999	2	-
\$220,000–\$239,999	2	-
\$240,000–\$259,999	1	-
\$260,000–\$279,999	1	-
\$280,000–\$299,999	-	-
\$300,000–\$319,999	-	-
\$320,000–\$339,999	-	-
\$340,000–\$359,999	-	-
\$360,000–\$379,999	-	-
\$380,000–\$399,999	-	-
\$400,000–\$419,999	-	-
\$420,000–\$439,999	1	-
Total	7	3

Executive officer data

An executive officer is defined as a person employed as a public sector body head or other executive under part 3, division 5 of the *Public Administration Act 2004*.

TABLE 31: EXECUTIVE PROFILE

	2019–20				2018–19			
	Men	Women	Self-described	Vacancies	Men	Women	Self-described	Vacancies
CEO	1		-	-	-	-	-	-
Executive officers	4	2	-	-	-	-	-	-
Total	5	2	-	-	-	-	-	-

TABLE 32: RECONCILIATION OF EXECUTIVE NUMBERS

			2020	2019
Add	Executives with total remunerations over \$100,000		6	-
	Vacancies		-	-
	Executives with total remunerations below \$100,000		-	-
	CEO		1	-
Less	Separations		-	-
Total executive numbers at 30 June			7	-

OTHER DISCLOSURES

At 30 June 2020, CSV was a business unit within the VBA. For all statutory reporting information about CSV, including other disclosures, please refer to the VBA 2019–20 Annual Report.



Victorian Building Authority

Online

www.vba.vic.gov.au

Email

customerservice@vba.vic.gov.au

Postal Address

PO Box 536
Melbourne VIC 3001

Telephone

1300 815 127

Opening Hours

Monday to Friday, 8:30am to 5:00pm

Registered Office

Goods Shed North
733 Bourke Street
Docklands VIC 3008

Department of Health and Human Services Coronavirus Hotline

1800 675 398



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



If you are deaf, or have a hearing or speech impairment, contact us through the National Relay Service. For more information, visit: relayservice.gov.au